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## CytoSorbents Corporation (NASDAQ/CTSO)

November 15, 2023

### BUY: Post Covid Hangover- Adjusting Estimates, Price Target Goes to \$10

*CytoSorbents reported third quarter results with revenues of \$8.8M, Product sales were \$7.8M at respectable product margins of 72%. The company closed the period with \$10M on the balance sheet. We have adjusted our estimates to reflect the current environment (adjusting for the Covid spike in revenues last year), and timeline of the clinical programs. The result is our price target goes to \$10.0.*

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### Investment Highlights

**STAR-T:** Expected to “complete” the data analysis before year-end with an announcement (data to support approval) shortly afterward and submission to FDA. Remember that the device has Breakthrough Device Designation for DrugSorb-ATR in this indication reflecting the unmet clinical need for which no approved or cleared alternatives exist in the U.S. We could see approval by YE 24 or early 25. This is now reflected in our estimates.

**Raising capital?** In the quarter’s press release management noted that the Company had commenced a confidential marketing process for an underwritten public offering of its common stock and decided to terminate such process. “*The Company continues to pursue alternative sources of capital, which may include debt financing, royalty financing, strategic or direct investments, equity financing and/or combinations thereof.*” The current capital is estimated to carry the company into 1Q24.

**Valuation:** We use a series of therapeutic models across the various indications and geographies and project product revenues for the Company out to the year 2030. In our U.S. therapeutic models, we apply a 30% risk cut (70% success probability) that both U.S. approvals and our market share forecasts can be realized. For us, valuation becomes an interesting question when we discuss the appropriate “r” risk rate to use in our three-model metrics, free cash flow to the Firm (FCFF), Discounted EPS, and Sum-Of-The-Parts (SOP) models, which are equal-weighted, averaged, and rounded to the nearest whole number. We select a 15% risk rate to balance risk versus reward to derive a \$10.00 target.

**Risks** to our price target include: market, regulatory, financial, and commercialization risks.

Current Price \$1.28  
Price Target \$10.00



Source: CytoSorbents

#### Stock Data

52-Week Range	\$1.03	-	\$4.59
Shares Outstanding (mil.)	44.4		
Market Capitalization (mil.)	\$57		
Enterprise Value (mil.)	\$37		
Debt to Capital	0%		
Book Value/Share	\$0.35		
Price/Book	1.9		
Average Three Months Trading Volume (K)	30		
Insider Ownership	13.5%		
Institutional Ownership	36.0%		
Short interest (mil.)	3.7%		
Dividend / Yield	\$0.00/0.0%		



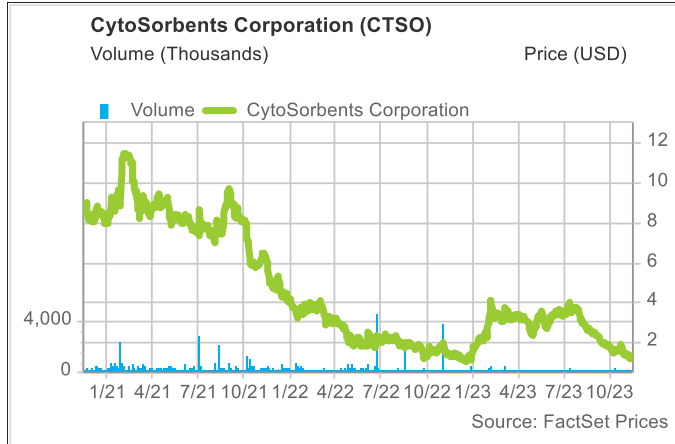
**Exhibit 1. Income Statement**

CTSO.: Income Statement (\$000)																
YE December 31	2019A	2020A	2021A	2022A	1Q23A	2Q23A	3Q23A	4Q23E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
<b>Revenue:</b>																
CytoSorb Direct Sales (Germany, Austria, Switzerland)	22,766	25,607	29,354	17,573	5,910	5,920	5,609	5,600	23,039	23,500	25,850	58,030	67,713	79,013	92,198	92,198
CytoSorb Distributor (Rest of EU)		10,240	10,498	11,000	1,000	1,050	1,000	1,000	4,050	4,330	4,763	21,490	25,001	29,085	33,837	33,837
CytoSorb (Cardiac surgery EU)		3,420			1,000	1,102	1,100	1,000	4,202			16,589	16,705	16,822	16,940	16,940
CytoSorb (Cardiac surgery US)		-	-	-	-	-	-	-	-	-	27,593	66,755	67,290	67,829	68,373	68,373
CytoSorb (other US)		-	-	-	-	-	-	-	-	-	-	10,000	20,000	30,000	70,000	80,000
VetResQ		185	194													
Other Sales				787		7	45									
<b>Total Product Sales</b>	<b>22,766</b>	<b>39,452</b>	<b>40,047</b>	<b>29,360</b>	<b>7,910</b>	<b>8,072</b>	<b>7,754</b>	<b>7,600</b>	<b>31,291</b>	<b>27,830</b>	<b>58,206</b>	<b>172,864</b>	<b>196,709</b>	<b>222,750</b>	<b>281,348</b>	<b>291,348</b>
Royalty (HemoDefend US)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Grant revenue	2,184	1,552	3,062	5,328	1,539	1,348	1,056		3,943							
Other revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Revenue</b>	<b>24,950</b>	<b>41,004</b>	<b>43,109</b>	<b>34,689</b>	<b>9,449</b>	<b>9,421</b>	<b>8,810</b>	<b>7,600</b>	<b>35,234</b>	<b>27,830</b>	<b>58,206</b>	<b>172,864</b>	<b>196,709</b>	<b>222,750</b>	<b>281,348</b>	<b>291,348</b>
<b>Expenses:</b>																
Costs of Goods Sold	7,364	11,052	11,047	13,956	3,994	3,402	3,203	2,744	13,343	5,566	11,641	34,573	39,342	44,550	56,270	58,270
	%COGS	25%	28%	32%	48%	20%	36%	36%	36%	20%	20%	20%	20%	20%	20%	20%
Research and Development	12,092	8,810	16,380	15,119	4,214	3,668	3,749	4,490	16,631	18,294	20,123	22,136	24,349	26,784	29,462	32,409
	%R&D	53%	22%	41%	51%	53%	45%	48%	53%	68%	35%	13%	12%	12%	10%	11%
Selling, General and Administrative	22,006	28,463	35,749	34,288	8,463	7,723	8,104	9,443	34,974	35,673	36,387	37,115	37,857	38,614	39,386	40,174
	%SG&A	97%	72%	89%	117%	107%	96%	105%	112%	128%	63%	21%	19%	17%	14%	14%
Legal, financial and other counseling	2,462	3,048	2,731	2,848	669	1,185	1,103	769	2,848	2,848	2,848	2,848	2,848	2,848	2,848	2,848
<b>Total Expenses</b>	<b>43,924</b>	<b>51,373</b>	<b>65,907</b>	<b>66,211</b>	<b>17,340</b>	<b>15,978</b>	<b>16,159</b>	<b>17,447</b>	<b>67,796</b>	<b>62,381</b>	<b>70,999</b>	<b>96,671</b>	<b>104,396</b>	<b>112,796</b>	<b>127,966</b>	<b>133,700</b>
Operating Income (Loss)	(18,974)	(10,369)	(22,799)	(31,522)	(7,891)	(6,559)	(7,350)	(9,847)	(32,562)	(34,551)	(12,793)	76,193	92,314	109,954	153,382	157,648
Interest income (expense), net																
Gain (loss) on foreign currency transactions	(1,384)	(1,201)	2	133												
Change in warrant liability		2,607	(2,569)	(2,449)												
Other income (expense), net				(67)												
<b>Total Other Income</b>	<b>(1,384)</b>	<b>1,406</b>	<b>(2,567)</b>	<b>(2,383)</b>	<b>566</b>	<b>406</b>	<b>(1,843)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Pretax Income</b>	<b>(20,358)</b>	<b>(8,964)</b>	<b>(25,366)</b>	<b>(33,905)</b>	<b>(7,326)</b>	<b>(6,153)</b>	<b>(9,193)</b>	<b>(9,847)</b>	<b>(32,562)</b>	<b>(34,551)</b>	<b>(12,793)</b>	<b>76,193</b>	<b>92,314</b>	<b>109,954</b>	<b>153,382</b>	<b>157,648</b>
Fx				1,804												
Income Tax Benefit (Provision)	1,092	1,127	(2,537)	1,095	-	-	-	-	-	-	-	11,429	18,463	28,588	50,616	52,024
<b>Tax Rate</b>	<b>5%</b>	<b>8%</b>	<b>10%</b>	<b>12%</b>	<b>15%</b>	<b>15%</b>	<b>15%</b>	<b>15%</b>	<b>15%</b>	<b>0%</b>	<b>0%</b>	<b>15%</b>	<b>20%</b>	<b>26%</b>	<b>33%</b>	<b>33%</b>
<b>GAAP Net Income (Loss)</b>	<b>(19,266)</b>	<b>(7,837)</b>	<b>(22,829)</b>	<b>(31,009)</b>	<b>(7,326)</b>	<b>(6,153)</b>	<b>(9,193)</b>	<b>(9,847)</b>	<b>(32,562)</b>	<b>(34,551)</b>	<b>(12,793)</b>	<b>64,764</b>	<b>73,851</b>	<b>81,366</b>	<b>102,766</b>	<b>105,624</b>
<b>GAAP-EPS</b>	<b>(0.62)</b>	<b>(0.20)</b>	<b>(0.57)</b>	<b>(0.71)</b>	<b>(0.17)</b>	<b>(0.14)</b>	<b>(0.21)</b>	<b>(0.22)</b>	<b>(0.74)</b>	<b>(0.78)</b>	<b>(0.29)</b>	<b>1.44</b>	<b>1.64</b>	<b>1.80</b>	<b>2.26</b>	<b>2.32</b>
GAAP-EPS (Dil)	(0.60)	(0.20)	(0.53)	(0.71)	(0.17)	(0.14)	(0.21)	(0.22)	(0.74)	(0.78)	(0.29)	1.44	1.64	1.80	2.26	2.32
Wgtd Avg Shrs (Bas) - '000s	32,253	38,819	43,358	43,636	43,676	44,015	44,373	44,417	44,120	44,529	44,707	44,886	45,066	45,246	45,428	45,610
Wgtd Avg Shrs (Dil) - '000s	32,253	38,819	43,358	43,636	43,676	44,015	44,373	44,417	44,120	44,529	44,707	44,886	45,066	45,246	45,428	45,610

Source: Company reports and Dawson James

**Important Disclosures:**

**Price Chart:**



Price target and rating changes over the past three-plus years:

- Update – Buy – August 12, 2020 – Price Target \$16.00
- Update – Buy – September 16, 2020 – Price Target \$16.00
- Update – Buy – October 14, 2020 – Price Target \$16.00
- Update – Buy – November 5, 2020 – Price Target \$16.00
- Update – Buy – December 2, 2020 – Price Target \$16.00
- Update – Buy – January 12, 2021 – Price Target \$16.00
- Update – Buy – January 19, 2021 – Price Target \$16.00
- Update – Buy – April 20, 2021 – Price Target \$16.00
- Update – Buy – May 6, 2021 – Price Target \$16.00
- Update – Buy – July 6, 2021 – Price Target \$16.00
- Update – Buy – September 1, 2021 – Price Target \$16.00
- Update – Buy – October 15, 2021 – Price Target \$16.00
- Update – Buy – November 9, 2021 – Price Target \$16.00
- Update – Buy – November 22, 2021 – Price Target \$16.00
- Update – Buy – January 18, 2022 – Price Target \$16.00
- Update – Buy – March 9, 2022 – Price Target \$16.00
- Update – Buy – April 29, 2022 – Price Target \$16.00
- Update – Buy – May 4, 2022 – Price Target \$16.00
- Update – Buy – August 3, 2022 – Price Target \$16.00
- Update – Buy – August 17, 2022 – Price Target \$16.00
- Update – Buy – October 6, 2022 – Price Target \$16.00
- Update – Buy – November 4, 2022 – Price Target \$16.00
- Update – Buy – November 15, 2022 – Price Target \$16.00
- Update – Buy – December 29, 2022 – Price Target \$16.00
- Update – Buy – January 24, 2023 – Price Target \$16.00
- Update – Buy – February 1, 2023 – Price Target \$16.00
- Update – Buy – March 10, 2023 – Price Target \$16.00
- Update – Buy – April 20, 2023 – Price Target \$16.00
- Update – Buy – May 3, 2023 – Price Target \$16.00
- Update – Buy – June 16, 2023 – Price Target \$16.00
- Update – Buy – July 7, 2023 – Price Target \$16.00
- Update – Buy – August 2, 2023 – Price Target \$16.00
- Update – Buy – September 16, 2023 – Price Target \$16.00
- Price Target Change – Buy – November 15, 2023 – Price Target \$10.00

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- 2) **Neutral:** The analyst believes the price of the stock is fairly valued for the next 12-18 months;
- 3) **Sell:** The analyst believes the price of the stock will decline by at least 20% over the next 12-18 months and should be sold.

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Current as of 11-Nov-23

	Company Coverage		Investment Banking	
Ratings Distribution	# of Companies	% of Total	# of Companies	% of Totals
Market Outperform (Buy)	21	61.76%	3	8.80%
Market Perform (Neutral)	13	38.24%	2	5.90%
Market Underperform (Sell)	0	0%	0	0.00%
Total	34	100%	5	14.70%

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