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Check-Cap (NASDAQ/CHEK) – Neutral

December 27, 2023

Check-Cap: Shareholders Vote No to Merger with Keystone Dental – Too Much Dilution

Shareholders did in fact, Vote No. Recall that Symetryx, a holder of 5.6% of Check-Cap shares, issued an open letter to shareholders. In the letter Symetryx cites, among other items, its concerns and reason for voting AGAINST the proposed transaction with Keystone Dental. Shareholders also voted overwhelmingly to elect all the director nominees proposed by Symetryx at the Annual General Meeting held on 18-Dec-23. Symetryx commented: "As one of the largest shareholders of Check-Cap, we are grateful for the support we received from our fellow shareholders. Despite facing many challenges, we prevailed. We believe, as many of our fellow shareholders do, that there is tremendous upside potential at CHEK. We encourage the newly constituted board to identify a more appropriate merger candidate."

Investment Highlights

Will Check-Cap Get Folded into Keystone Delta? Now we know, the Answer is No. What happens to C-Scan? We expect C-Scan program is now terminated. Perhaps NEWCO will divest the assets to a buyer who wants to pursue the technology. The net effect is our model is no longer relevant as KSD dental business has nothing to do with Check-Cap C-Scan. Back in July, Symetryx Corporation (private) announced a non-binding offer to acquire common shares of Check-Cap LTD.

Q3 Cash: Cash and cash equivalents, restricted cash and short-term bank deposits as of September 30, 2023 were \$28.2 million. Based on our math that puts the cash per share in the four-dollar range.

Valuation. Our valuation was previously based on the assumed success of the E.U. and U.S. launches of Check-Cap's imaging capsule. It now appears development of the capsule is unlikely.

Risk Factors: These include clinical, investment and financial, regulatory, intellectual property, and commercial risk.

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Current Price	\$2.24
Price Target	NA
Source: Chek-Cap	
52-Week Range	\$1.22 - \$5.90
Shares Outstanding (mil.)	5.9
Market Capitalization (mil.)	\$13
Enterprise Value (mil.)	-\$15
Debt to Capital	0%
Book Value/Share	\$10.59
Price/Book	0.3
Average Three Months Trading Volume (K)	108
Insider Ownership	10.8%
Institutional Ownership	0.4%
Short interest (mil.)	0.8%
Dividend / Yield	\$0.00/0.0%

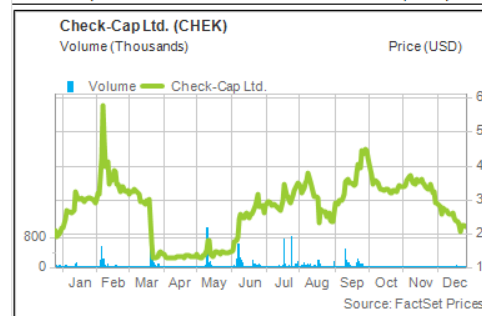


Exhibit 1. Income Statement

Check-Cap: Income Statement (\$000)																	
YE December 31	2018A	2019A	2020A	2021A	2022A	1Q23A	2Q23A	3Q23A	4Q23E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Product sales																	
Imaging capsule EU	-	-	-	-	-	-	-	-	-	-	-	-	-	90,129	117,988	137,093	156,459
Imaging capsule US	-	-	-	-	-	-	-	-	-	-	-	-	-	8,540	17,372	44,171	89,849
Total Product Sales	-	-	-	-	-	-	-	-	-	-	-	-	-	98,669	135,360	181,263	246,309
Expenses																	
Cost of Goods Sold			0	0	0	0	0	0	0	0	0	0	0	24,667	33,840	45,316	61,577
%COGS			0%	0%	0%	0%	0%	0%	0%	0%	25%	25%	25%	25%	25%	25%	25%
Research and Development	7,618	10,474	10,008	12,349	14,271	3,671	4,480	30	3,468	12,844	11,560	10,404	10,508	10,613	10,719	10,826	10,934
%R&D																	
General and Administrative	3,445	3,595	3,924	4,972	5,763	1,179	2,947	2,895	1,634	6,051	6,354	6,671	7,072	7,496	7,946	8,422	8,928
%SG&A																	
Total expenses	11,063	14,069	13,932	17,321	20,034	4,850	7,427	2,925	5,102	18,895	17,913	17,075	17,579	42,776	52,504	64,564	81,439
Operating Income (Loss)	(11,063)	(14,069)	(13,932)	(17,321)	(20,034)	(4,850)	(7,427)	(2,925)	(5,102)	(18,895)	(17,913)	(17,075)	(17,579)	55,893	82,855	116,699	164,869
Finance income	473	233	86	119	926	408	549	335									
Finance expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total other income	473	233	86	119	926	408	549	335	-	-	-	-	-	-	-	-	-
Pretax Income	(10,590)	(13,836)	(13,846)	(17,202)	(19,108)	(4,442)	(6,878)	(2,590)	(5,102)	(18,895)	(17,913)	(17,075)	(17,579)	55,893	82,855	116,699	164,869
change in fair value of cash flow hedge	(13)																
Income Tax Benefit (Provision)	1	(13)	-	-	-						(2,687)	(2,903)	(3,516)	13,973	22,371	35,010	52,758
Tax Rate					0%	0%	0%	0%	0%	0%	15%	17%	20%	25%	27%	30%	32%
GAAP Net Income (loss)	(10,602)	(13,823)	(13,846)	(17,202)	(19,108)	(4,442)	(6,878)	(2,590)	(5,102)	(18,895)	(15,226)	(14,172)	(14,063)	41,920	60,484	81,689	112,111
GAAP-EPS	(2.61)	(1.73)	(0.63)	0.21	(3.37)	(0.76)	(1.18)	(0.44)	(0.87)	(3.25)	(2.59)	(2.40)	(2.38)	7.06	10.14	13.64	18.64
GAAP EPS (dil)	(2.61)	(1.73)	(0.52)	(0.15)	(3.37)	(0.76)	(1.18)	(0.44)	(0.86)	(3.22)	(2.51)	(2.25)	(2.14)	6.14	8.52	11.05	14.58
Wgtd Avg Shrs (Bas) - '000s	4,058	7,986	30,351	82,807	5,671	5,846	5,848	5,850	5,856	5,850	5,870	5,894	5,917	5,941	5,965	5,989	6,013
Wgtd Avg Shrs (Dil) - '000s	4,058	7,986	47,643	110,550	5,671	5,846	5,848	5,850	5,908	5,863	6,057	6,303	6,559	6,826	7,103	7,391	7,691

Source: Dawson James estimates, company reports

Risk Analysis

Clinical Trial Risk. Check-Cap is dependent on the outcome of multiple clinical trials.

Commercial Risk. Check-Cap hopes to initially commercialize the device in Europe and Israel, followed by the U.S. There can be no assurances that the company can achieve meaningful market share.

Financial Risk. Check-Cap is likely to require additional capital raises before the company can be self-sustaining. There can be no guarantees that the company will be able to raise the needed capital.

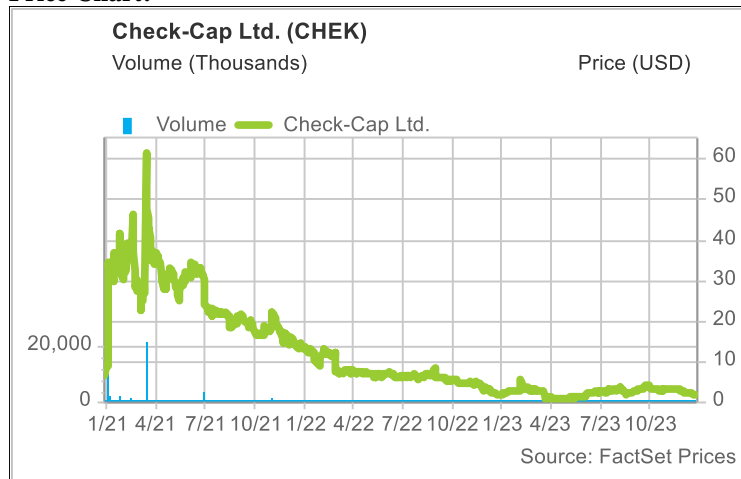
Investment Risk. Check-Cap is a small capital company, which can translate into high volatility and risk for investors. The company has no revenues and is dependent on the clinical progress of the device.

Intellectual Property. Check-Cap may face I.P. challenges, forcing the company to defend its patents or against claims that the company is infringing on other patents.

Regulatory Risk. Check-Cap, even with good clinical data, could face extensive delays and other regulatory setbacks.

Important Disclosures:

Price Chart:



Price target and rating changes over the past three years:

Initiated – Buy – December 5, 2019 – Price Target \$4.00
 Update – Buy – March 9, 2020 – Price Target \$4.00
 Price Target Change – Buy – April 21, 2020 – Price Target Lowered from \$4.00 to \$2.00
 Update – Buy – May 11, 2020 – Price Target \$2.00
 Rating change – Neutral – March 17, 2021 – Price Target NA
 Update – Neutral – May 12, 2021 – Price Target NA
 Update – Neutral – June 30, 2021 – Price Target NA
 Update – Neutral – December 16, 2021 – Price Target NA
 Update – Buy – February 7, 2022 – Price Target \$1.0
 Update – Buy – March 2, 2022 – Price Target \$1.0
 Update – Buy – April 7, 2022 – Price Target \$1.0
 Update – Buy – July 5, 2022 – Price Target \$1.0
 Rating Change – Neutral from Buy – September 15, 2022 - Price Target NA
 Update – Neutral – December 8, 2022 – Price Target NA
 Update – Neutral – March 22, 2023 – Price Target NA
 Update – Neutral – April 5, 2023 – Price Target NA
 Update – Neutral – June 7, 2023 – Price Target NA
 Update – Neutral – September 21, 2023 – Price Target NA
 Update – Neutral – November 29, 2023 – Price Target NA
 Update – Neutral – December 27, 2023 – Price Target NA

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- 1) **Buy:** The analyst believes the price of the stock will appreciate and produce a total return of at least 20% over the next 12-18 months;
- 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.

The following chart reflects the range of current research report ratings for all companies followed by the analysts of the Firm. The chart also reflects the research report ratings relating to those companies for which the Firm has performed investment banking services.

Current as of 14-Dec-23

	Company Coverage		Investment Banking	
Ratings Distribution	# of Companies	% of Total	# of Companies	% of Totals
Market Outperform (Buy)	21	61.76%	4	11.80%
Market Perform (Neutral)	13	38.24%	2	5.90%
Market Underperform (Sell)	0	0%	0	0.00%
Total	34	100%	6	17.70%

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