

Member FINRA/SIPC

 Toll-Free: 561-391-5555 ♦ [www.DawsonJames.com](http://www.DawsonJames.com) ♦ 101 North Federal Highway - Suite 600 ♦ Boca Raton, FL 33432

## Aditxt Therapeutics (NASDAQ: ADTX)

February xx 2021

### BUY: Just How Immune Are You to COVID? What's Your AditxtScore?

Aditxt Therapeutics has developed a unique antibody test that measures a person's immunity level to COVID. This is differentiated from COVID tests which determine if you have a COVID infection or not. We can see lots of use for a test like this, as many folks, post vaccination, will want to know what is my immune status? People infected with COVID and their doctors need to monitor the body's immune response. Aditxt is more than COVID, the company is also developing an immune profile test for those at risk for Type 1 diabetes. The technology also has therapeutic value as Aditxt believes they can create immune tolerance using the same platform technology and treat a host of auto-immune disorders. Plans for a psoriasis trial are underway. We initiate coverage with a Buy Rating and \$14.00 price target.

**The COVID Diagnostic Opportunity:** We recently launched coverage of ProPhase Labs (PRPH-Buy Rated), a company now focused on a saliva based diagnostic for COVID. Following the COVID opportunity we are launching coverage of Aditxt also based on the COVID opportunity. Aditxt has developed a second generation COVID test that measures one's immunity to COVID, the test is called AditxtScore. The COVID test is a double multiplex essay that can detect and differentiate between different antibody types (IgG, IgM, IgA & IgB) against multiple SARS-CoV-2 antigens in a single test.

**Not Just Another COVID Test.** Currently, one of the most widely used platforms, "ELISA", can only detect one antibody isotype against one antigen at a time. The AditxtScore system for COVID-19 can increase the resolution of results obtained for each antibody isotype thereby enhancing sensitivity and allow for the monitoring of these immune markers over time. Due to the enhanced specificity and sensitivity of this comprehensive antibody profiling system, false positive and false negative results have proven to be significantly reduced when testing for the antibodies produced to SARS-CoV-2, thereby expanding its utility beyond a tool used in epidemiology. The company anticipates launching the test in 1Q21.

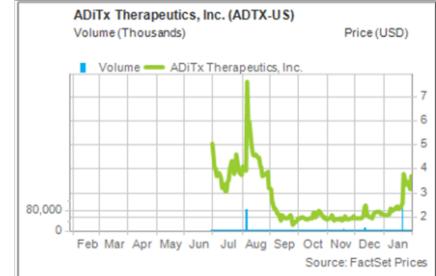
**Beyond COVID – Type 1 Diabetes & More.** Aditxt is developing an immune test for early detection of children and adults, at risk for Type 1 diabetes. **Therapeutics Too – Beyond Diagnostics** the company is preparing to launch a Phase 1/2 trial in Psoriasis to demonstrate their immune tolerance platform works.

**Valuation:** We provide a detailed review of our revenue assumptions and provide a sensitivity table. We project our model out to 2030. We apply a 70% success probability (30% risk cut) to our revenue estimates. On top of this, we apply a 30% risk rate in our Free Cash Flow to the Firm (FCFF), discounted EPS (dEPS), and Sum-of-the-Parts (SOP) models, which are then equal-weighted and averaged and rounded to the nearest whole number to derive our 12-month projected price target of \$14.00.

**Risk to our thesis** include: (1) commercial; (2) financial; (3) intellectual property; (4) regulatory and (5) OEM and/or manufacturing. We review these risks in the Risks Analysis section of this report.

**Jason H. Kolbert**  
 Head of Research  
 646-465-6891

jkolbert@dawsonjames.com

	Current Price			\$3.73
	Price Target			\$14.00
	F2020E	F2021E	F2022E	
Revenues (\$000s)	\$ -	\$ 11,000	\$ 42,416	
1Q March	\$ -	\$ -	\$ 10,180	
2Q June	\$ -	\$ 1,000	\$ 10,604	
3Q September	\$ -	\$ 4,500	\$ 10,392	
4Q December	\$ -	\$ 5,500	\$ 11,240	
	F2020E	F2020E	F2021E	
EPS (diluted)	\$ (0.73)	\$ 0.45	\$ 0.90	
1Q March	\$ -	\$ (0.21)	\$ 0.22	
2Q June	\$ (0.07)	\$ (0.10)	\$ 0.23	
3Q September	\$ (0.37)	\$ 0.32	\$ 0.22	
4Q December	\$ (0.29)	\$ 0.43	\$ 0.24	
EBITDA/Share				(\$0.73) \$0.45
EV/EBITDA (x)				0.0 0.0
<b>Stock Data</b>				
52-Week Range	\$1.62	-	\$9.58	
Shares Outstanding (mil.)			14.0	
Market Capitalization (mil.)			\$52	
Enterprise Value (mil.)			\$41	
Debt to Capital			0%	
Book Value/Share			-\$0.01	
Price/Book			-	
Average Three Months Trading Volume (K)			331	
Insider Ownership			23.6%	
Institutional Ownership			6.8%	
Short interest (mil.)			3.2%	
Dividend / Yield			\$0.00/0.0%	
<b>ADTx Therapeutics, Inc. (ADTX-US)</b>				
Volume (Thousands)				Price (USD)
				
Source: FactSet Prices				

**Company Description:** Aditxt Labs focus is on understanding an individual's immune system. This information, an individual's immune profile, their responses to viruses, bacterial antigens, peptides, drugs, bone marrow and solid organ transplants, and even cancer, can be used to guide treatment decisions and even create new immune tolerizing therapies. AditxtScore is being designed to allow clinicians to understand, manage and monitor their immune profiles of patients in order to be better informed about their immune status. AditxtScore can be useful in anticipating attacks on the body by having the ability to determine its potential response and for developing a plan to deal with an undesirable reaction by the immune system. Its advantages include the ability to provide a simple, rapid, accurate, high throughput, single platform assay that can be multiplexed to determine the immune status with respect to several factors simultaneously, in 3-16 hours, as well as detect antigen and antibody in a single test (i.e., infectious, recovered, immune). In addition, it can determine and differentiate between various types of cellular and humoral immune responses (T and B cells). It also provides for simultaneous monitoring of cell activation and levels of cytokine release (i.e., cytokine storms).

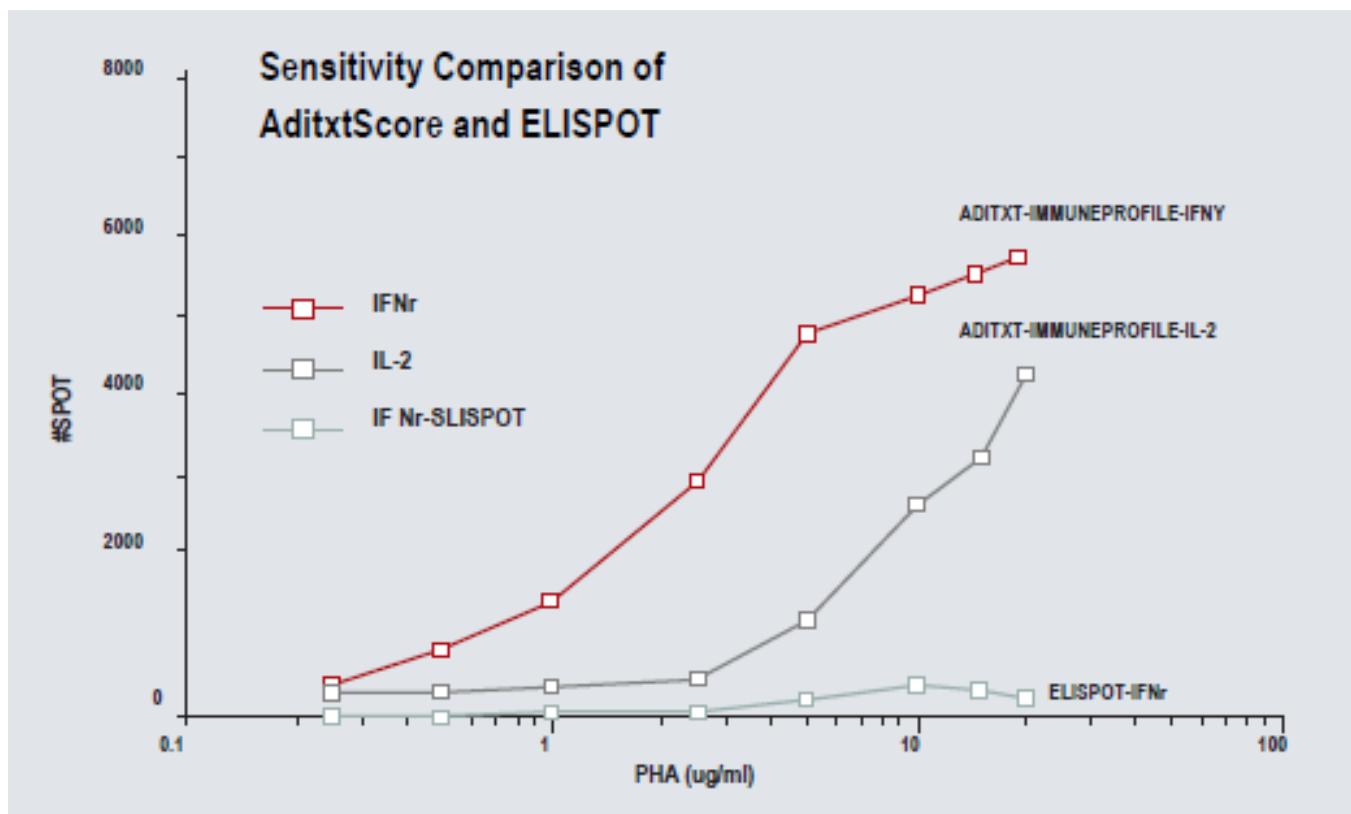
**How is the company progressing?** On August 6, 2020 Aditxt announced the first application of its AditxtScore platform - AditxtScore for COVID-19. AditxtScore for COVID-19 is a double-multiplex assay that can be used to detect and differentiate various antibody isotypes (IgG, IgM, IgA) against multiple SARS-CoV-2 antigens (e.g., RBD, S1, NP) simultaneously in a single reaction. Currently, one of the most widely used platforms, ELISA, can only detect one antibody isotype against one antigen at a time. The company states that they believe the AditxtScore test for COVID-19 can increase the resolution of results obtained for each antibody isotype thereby enhancing sensitivity for monitoring changes in these values over time. Due to the enhanced specificity and sensitivity of this comprehensive antibody profiling system, false positive and false negative results have proven to be significantly reduced when testing for the antibodies produced to SARS-CoV-2, thereby expanding its utility beyond a tool used in epidemiology. Therefore, and importantly, AditxtScore for COVID-19 can serve as a valuable tool to evaluate immune responses to SARS-CoV-2 vaccines in clinical settings. On August 19, 2020, the company filed an Emergency Use Authorization (EUA) with the FDA followed by a 510(K) application with the FDA. AditxtScore is expected to be commercially available starting in Q121.

**Exhibit 1. Aditxt lab is a fully complaint CLIA and CAP accredited Lab with 24/7 operational-monitoring capability.**



Source: Aditxt Labs, Inc.

**Exhibit 2. AditxtScore: Accurate & Timely.** Detects antigen and antibody in a single test. The test can also differentiate between various types of cellular and humoral immune response (T cells and B cells).



Source: Aditxt Labs, Inc.

### Model Examples and the Associated Assumptions

**Example 1.** To predict target valuation for a company pursuing a COVID diagnostic, we must understand the market opportunity, the capacity to manufacture tests, and the competitive field. On capacity, we know the company is planning to be at an annual capacity this year, the year of launch at one million tests. That number is expected to grow, we assume 7.5 million in 2022, 10 million in 23 and level out at 15 million annually. As capacity expands, we add into our model a capacity utilization factor. It's better to have excess capacity and not use it than to need it and not have it.

1. In this capacity-based model, we assume a net margin per test of just \$60.00. remember this is a more advanced test that provides a patient's immune status versus a COVID positive / negative test.
2. The market size in this demonstration is based on the company's test capacity, and to this, we apply a percent capacity utilization factor.
3. In all of our models, we multiply results by a probability of success or risk factor; in this case, 70%.

Aditex - Capacity Model	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Test Capacity per day	-	2,740	20,548	27,397	41,096	41,096	41,096	41,096	41,096	41,096	41,096
Annual Covid Immune Profile Tests	-	1,000,000	7,500,000	10,000,000	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000
% Capacity Utilization	50%	10%	10%	10%	10%	15%	16%	17%	18%	19%	20%
Net Margin per test	\$60	\$60	\$60	\$60	\$60	\$60	\$60	\$60	\$60	\$60	\$60
Annual Operating Income (\$M)	\$0	\$6	\$45	\$60	\$90	\$135	\$144	\$153	\$162	\$171	\$180
Risk Adjusted	70%	70%	70%	70%	70%	70%	70%	70%	70%	70%	70%
Risk Adjusted Operating Income (\$M)	\$0	\$4	\$32	\$42	\$63	\$95	\$101	\$107	\$113	\$120	\$126

Source: Dawson James estimates

Our assumptions' net result is peak revenues (assuming no other product revenues), and an approximate utilization rate of just 25% to reach \$126 million which when processed through our valuation metrics of free cash flow to the firm (FCFF), Discounted EPS (dEPS) and Sum of the Parts (SOP), which in addition to the 70% revenue cut in our model, still applies a discount rate (r) of 30%. These models suggest a fair value for the company in the \$5.0 to 6.0 range.

**Our Preference is a Population-Based Model.** In these models, we can easily vary the inputs such as % of the population that is tested (e.g., 10%, 20%, 100%, 200%), Aditxt's market share and the net revenue each test generates for the company (e.g., \$30, \$40, \$50, \$60).

**Example 2.** We assume 10% of the U.S. population is tested just once annually. We assume \$60.00 per test in net revenue. This results in 2030E revenues of \$153 million. This, like before, when fed into our models through the same operating (income statement assumptions for R&D, SG&A) and then processed by our valuation models (Free Cash Flow to the Firm or FCFF, discounted EPS or dEPS, and Sum of the Parts [SOP]), all at a 30% discount rate, and with the probability of success factor of 30%, so this is like a double discount rate, results in a valuation of \$5.20.

The sensitivity tables below allow us to select a market size (percent of the US population that gets a more detailed COVID test) on the x axis versus assumed margin per test on the Y axis. The top table shows us the peak revenues and the lower table shows us how these revenues alone, with no other products, translate through our model and impact our target valuation (stock price). The higher the market share and margin, the higher the valuation. We feel that 10% and \$60 are reasonable assumptions coupled with an assumed 10% market share.

**Exhibit 3. Sensitivity Table: Select the Market Size of the US population and the Margin per Test to get Peak Revenues**

% Annual Testing	Peak Revenues Based on Annual Testing and Margin (\$M) @ 10% Share						
Margin per Test	2%	5%	7%	10%	12%	14%	15%
\$30	\$15	\$38	\$54	\$77	\$92	\$107	\$115
\$40	\$20	\$51	\$71	\$102	\$122	\$143	\$153
\$50	\$26	\$64	\$89	\$128	\$153	\$179	\$191
\$60	\$31	\$77	\$107	\$153	\$184	\$214	\$230
\$70	\$36	\$89	\$125	\$179	\$214	\$250	\$268

Source: Dawson James estimates

**Exhibit 4. Sensitivity Table: Select the Market Size of the US population and the Margin per Test to get Price Target**

Net Rev. per Test	Price Target Based on Variable Input of MaB testing Percentage & Margin						
	% Annual Testing						
2%	5%	7%	10%	12%	14%	15%	
\$30	-	\$0.62	\$1.23	\$2.15	\$2.76	\$3.37	\$3.67
\$40	-	\$1.13	\$1.94	\$3.16	\$3.98	\$4.79	\$5.20
\$50	\$0.11	\$1.64	\$2.66	\$4.18	\$5.20	\$6.21	\$6.72
\$60	\$0.32	\$2.15	\$3.37	\$5.20	\$6.42	\$7.64	\$8.25
\$70	\$0.52	\$2.66	\$4.08	\$6.21	\$7.64	\$9.06	\$9.77

**Type 1 Diabetes.** The opportunity for early diagnosis and treatment for those at risk of Type 1 diabetes has the potential to become part of the standard of care for annual exams, especially in children. A test that can detect early signs of auto-inflammation of the pancreas and destruction of the islet (insulin) producing cells could prove invaluable. Aditxt believes they can produce exactly this test.

1. For modeling purposes, we assume 10% of the U.S. population is “at risk” for type 1 diabetes.
2. We assume 90% of the at-risk population gets tested.
3. We assume peak market share of 25% and a modest test margin of just \$50 (net margin) per test.
4. In all of our models, we multiply results by a probability of success or risk factor; in this case, 70%.

Percent Annual Testing of US at Risk Type 1 Diabetes Population Tested	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
U.S. Population - at Risk Type 1	30,000,000	30,000,000	30,300,000	30,603,000	30,909,030	31,218,120	31,530,302	31,845,605	32,164,061	32,485,701	32,810,558
90% Testing (annual)	27,000,000	27,000,000	27,270,000	27,542,700	27,818,127	28,096,308	28,377,271	28,661,044	28,947,655	29,237,131	29,529,502
Market Share of Testing	0%	0%	0%	5%	10%	20%	21%	22%	23%	24%	25%
No. of Tests	0	0	0	1,377,135	2,781,813	5,619,262	5,959,227	6,305,430	6,657,961	7,016,911	7,382,376
Net Margin per test	\$50	\$51	\$51	\$51	\$51	\$51	\$51	\$51	\$51	\$51	\$51
Annual Operating Income (\$M)	0	0	0	70	140	284	301	318	336	354	373
Risk Adjusted	70%	70%	70%	70%	70%	70%	70%	70%	70%	70%	70%
Risk Adjusted Operating Income (\$M)	\$0	\$0	\$0	\$49	\$98	\$199	\$211	\$223	\$235	\$248	\$261

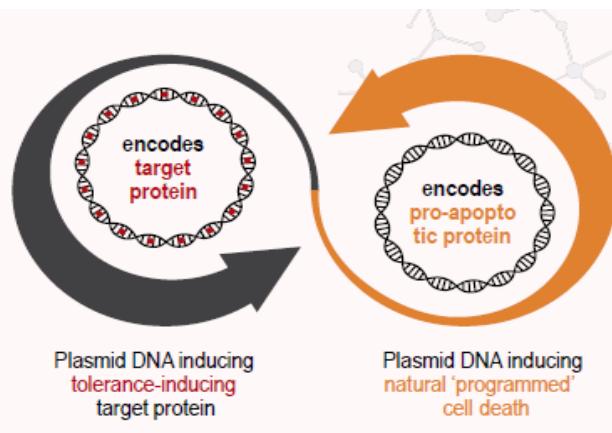
**Therapeutics Too - Immune Reprogramming.** The discovery of immunosuppressive (anti-rejection and monoclonal) drugs over 40 years ago has made possible life-saving organ transplantation procedures and blocking of unwanted immune responses in autoimmune diseases. However, immune suppression leads to significant undesirable side effects, such as increased susceptibility to life-threatening infections and cancers, because it indiscriminately and broadly suppresses immune function throughout the body. While the use of these drugs has been justifiable because they prevent or delay organ rejection, their use for treatment of autoimmune diseases and allergies may not be acceptable because of the above-mentioned side effects. Furthermore, transplanted organs often ultimately fail despite the use of immune suppression, and about 40% of transplanted organs survive no more than five years.

Aditxt is developing therapeutic products (ADi) for organ transplantation including skin grafting, autoimmune diseases, and allergies. The initial focus will be on skin allografts and psoriasis, as these indications are cost efficient in providing safety and efficacy data (proof of concept) in clinical trials. The company has conducted non-clinical studies in a stringent model of skin transplantation using genetically mismatched donor and recipient animals demonstrating a three-fold increase in the survival of the skin graft in animals that were tolerized with ADi compared to animals that receive immune suppression alone. Prolongation of graft life was observed despite discontinuation of immune suppression after the first five weeks. Additionally, in an induced non-clinical model for psoriasis, ADi treatment resulted in a 69% reduction in skin thickness and a 38% decrease in skin flaking (two clinical parameters for assessment of psoriasis skin lesions). The Phase 1/2a studies in psoriasis are planned to evaluate the safety/tolerability of ADi in patients with psoriasis. Since the drug will be administered in subjects diagnosed with psoriasis, effectiveness of the drug to improve psoriatic lesions will also be evaluated. In another Phase 1/2a study, patients requiring skin allografts will receive weekly intra-dermal injections of ADi in combination with standard immune suppression to assess safety/tolerability and possibility of reducing levels of immunosuppressive drugs as well as prolongation of graft life.

#### Exhibit 5. Aditxt Reprogramming Overview

## Approach

- Apoptosis, a natural process of "immune tolerance" used by the body to clear dying cells and to allow recognition and tolerance to self tissues
- ADi™'s technology-based therapeutics exploit DNA immunotherapy as a Selective Tolerance delivery system
  - In-body induction of targeted apoptosis
  - DNA delivery of antigen of interest
- ADi™ triggers a natural process of apoptosis that is used by the body to clear apoptosis-triggered dying cells, enabling the natural immune system cells to recognize the targeted tissues as "self"



For illustrative purposes only. There is no guarantee that any specific outcome will be achieved.

Source: Aditxt

#### Exhibit 6. Aditxt Therapeutics Timeline



Source: Aditxt

**Valuation:** Our valuation for Adixt is driven by its venture into COVID diagnostic testing and the expansion of that testing into type 1 diabetes at-risk testing market. One could argue that COVID and even diabetes is just the beginning of a battery of new immune status tests that may be developed by the company. In other words, a platform technology. We really have not included in our model the therapeutics potential of the Adixt business (other than a nominal value in our sum of the parts model), around immune tolerance therapeutics. Our operating model applies a 30% risk cut or 70% probability of success which is in addition to the 30% risk rate we use in our valuation models: free cash flow to the Firm (FCFF), discounted EPS (dEPS), and Sum-of-the-Parts (SOP). We select 30% for micro-capitalized growth companies and this represents our highest risk rate. The result of these three models is then equal-weighted and averaged and rounded to the nearest whole number to provide a 12-month target price.

### Exhibit 7. Free Cash Flow Model

	Average	\$	14
Price Target	\$	17	
Year		2021	
<b>DCF Valuation Using FCF (min):</b>			
units ('000 - Cnd\$)	2020E	2021E	2022E
EBIT	(5,458)	18,697	26,674
Tax Rate	0%	0%	15%
EBIT(1-t)	(5,458)	18,697	22,673
CapEx	-	-	-
Depreciation	303	-	-
Change in NWC	-	-	-
FCF	(5,155)	18,697	22,673
PV of FCF	(6,702)	18,697	17,441
Discount Rate	30%	-	-
Long Term Growth Rate	1%	-	-
Terminal Cash Flow	770,523	-	-
Terminal Value YE2030	72,660	-	-
NPV	443,654	-	-
NPV-Debt	0	-	-
Shares out (thousands)	25,479	2030E	-
NPV Per Share	\$ 17	-	-

Source: Dawson James estimates

### Exhibit 8. Discounted EPS Model

Current Year	2021
Year of EPS	2030
Earnings Multiple	15
Discount Factor	30%
Selected Year EPS	\$ 8.68
NPV	\$ 12

Earnings Multiple	Discount Rate and Earnings Multiple Varies, Year is Constant 2030 EPS					
	5%	10%	15%	20%	25%	30%
2	\$11.19	\$7.36	\$4.94	\$3.37	\$2.33	\$1.64
5	\$27.98	\$18.41	\$12.34	\$8.41	\$5.83	\$4.09
10	\$55.97	\$36.82	\$24.68	\$16.83	\$11.65	\$8.19
15	\$83.95	\$55.23	\$37.02	\$25.24	\$17.48	\$12.28
20	\$111.94	\$73.65	\$49.36	\$33.65	\$23.31	\$16.38
25	\$139.92	\$92.06	\$61.70	\$42.07	\$29.13	\$20.47
30	\$167.91	\$110.47	\$74.04	\$50.48	\$34.96	\$24.56
35	\$195.89	\$128.88	\$86.38	\$58.90	\$40.79	\$28.66

Source: Dawson James estimates

### Exhibit 9. Sum-of-the-Parts Model

COVID-MaB Test - 10% of US Population and 10% sha	1%	30%	1	70%	\$153	\$528
NPV						\$7.81
Diabetes	1%	30%	3	30%	\$373	\$1,286
NPV						\$4.82
Immune Tolerance Program	1%	30%	6	10%	\$200	\$690
NPV						\$0.39
Net Margin						70%
MM Shrs OS						25
Total						\$13

Source: Dawson James estimates

## Risk Analysis

**Regulatory Risk.** There can be no assurances that the company will be able to secure the required regulatory approvals to support its business.

**Commercial risk.** The focus of the company is on successfully developing its products and bringing them to the market. Competition may be intense from external players as well as customers who choose to “build it themselves.”

**Financial risk.** The company may need to raise capital in the marketplace relatively soon. There can be no assurance that the company will be able to raise capital and do so on favorable terms successfully.

**Intellectual property risk.** The company may have to defend its patents and technical know-how, and there can be no assurances that the patents will not be infringed or will be held as valid if challenged, and the company may infringe on third parties' patents.

**OEM and or manufacturing risk.** Original Equipment Manufacturers (OEMs) may decide to make products themselves, and, as such, terminate production contracts before completion, creating revenue shortfalls. Manufacturing risks include the ability to produce and do so in a competitive, timely, and efficient way.

**Exhibit 10. Income Statement**

ADTX, Inc. Income Statement (\$'000)		YE Dec. 31	2020E	1Q21E	2Q21E	3Q21E	4Q21E	2021E	1Q22E	2Q22E	3Q22E	4Q22E	2022E	1Q23E	2023E	3Q23E	4Q23E	2023E	1Q24E	2Q24E	3Q24E	4Q24E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
<b>Revenue (\$'000)</b>																													
COVID-MaB Test - 10% of US Population and 10% share at \$0.5			-	2,800	5,599	19,598	27,997	10,180	10,604	10,392	11,240	42,416	17,136	17,850	17,493	18,921	71,400	20,769	21,634	21,201	22,932	86,537	101,969	117,701	133,738	150,084	151,585	153,101	
Type 1 Diabetes MaB Testing								-	-	-	-		11,684	12,170	11,927	12,901	48,682	23,601	24,584	24,093	26,059	98,337	198,641	210,659	222,897	235,359	248,048	260,967	
Immune Tolerance Platform Technology																													
<b>Total Revenues</b>		-	-	2,800	5,599	19,598	27,997	10,180	10,604	10,392	11,240	42,416	28,820	30,020	29,420	31,822	120,082	44,370	46,218	45,294	48,992	184,874	300,610	328,360	356,635	385,443	399,633	414,068	
<b>Expenses</b>																													
COGS		-	-	280	560	1,960	2,800	1,018	1,060	1,039	1,124	4,242	2,882	3,002	2,942	3,182	12,008	4,437	4,622	4,529	4,899	18,487	30,061	32,836	35,664	38,544	39,963	41,407	
% COGS		10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	
Gross Profit		-	-	2,520	5,039	17,638	25,197	9,162	9,544	9,353	10,116	38,174	25,938	27,018	26,478	28,639	108,073	39,933	41,597	40,765	44,092	166,386	270,549	295,524	320,972	346,899	359,669	372,561	
Sales (Advertising & Marketing) expense		12	240	250	250	260	1,000	720	750	750	780	3,000	1,200	1,250	1,250	1,300	5,000	1,440	1,500	1,500	1,560	6,000	6,120	6,242	6,367	6,495	6,624	6,757	
General and administrative		4,821	1,200	1,250	1,250	1,300	5,000	1,440	1,500	1,500	1,560	6,000	1,920	2,000	2,000	2,080	8,000	2,160	2,250	2,250	2,340	9,000	9,180	9,364	9,551	9,742	9,937	10,135	
Research & Development		589	120	125	125	130	500	600	625	625	650	2,500	960	1,000	1,000	1,040	4,000	979	1,020	1,020	1,061	4,080	4,162	4,245	4,330	4,416	4,505	4,595	
<b>Total expenses</b>		5,422	1,560	1,625	1,625	1,690	6,500	2,760	2,875	2,875	2,990	11,500	4,080	4,250	4,250	4,420	17,000	4,579	4,770	4,770	4,961	19,080	19,462	19,851	20,248	20,653	21,066	21,487	
Operating Profit		(5,422)	(1,560)	895	3,414	15,948	18,697	6,402	6,669	6,478	7,126	26,674	21,858	22,768	22,228	24,219	91,073	35,354	36,827	35,995	39,132	147,306	251,087	275,673	300,724	326,246	338,603	351,174	
<b>Oper Margin</b>																													
Interest expense		(1)						-				-					-					-		-		-			
Amortization of Debt Discount		(35)						-				-					-				-		-		-				
Other (loss)		-						-				-					-				-		-		-				
<b>Pre-tax income</b>		(5,458)	(1,560)	895	3,414	15,948	18,697	6,402	6,669	6,478	7,126	26,674	21,858	22,768	22,228	24,219	91,073	35,354	36,827	35,995	39,132	147,306	251,087	275,673	300,724	326,246	338,603	351,174	
<b>Pretax Margin</b>																													
Income Tax (Benefit)								960	1,000	972	1,069	4,001	4,372	4,554	4,446	4,844	18,215	8,838	9,207	8,999	9,783	36,827	70,304	82,702	93,224	104,399	118,511	129,334	
Tax Rate								15%	15%	15%	15%	15%	20%	20%	20%	20%	20%	25%	25%	25%	25%	25%	28%	30%	31%	32%	35%	37%	
<b>GAAP Net Income</b>		(5,458)	(1,560)	895	3,414	15,948	18,697	5,442	5,668	5,506	6,057	22,673	17,486	18,215	17,782	19,376	72,859	26,515	27,620	26,996	29,349	110,480	180,783	192,971	207,499	221,847	220,092	221,239	
GAAP-EPS		(0.73)	(0.21)	0.12	0.46	2.12	2.49	0.22	0.23	0.22	0.24	0.90	0.70	0.73	0.71	0.77	2.90	1.06	1.10	1.07	1.16	4.39	7.17	7.83	8.19	8.74	8.65	8.68	
Non-GAAP EPS (dil)		(0.73)	(0.21)	0.12	0.46	2.12	2.49	0.22	0.23	0.22	0.24	0.90	0.70	0.73	0.71	0.77	2.90	1.06	1.10	1.07	1.16	4.39	7.17	7.83	8.19	8.74	8.65	8.68	
Wgtd Avg Shrs (Bas) - '000s		7,447	7,462	7,476	7,491	7,506	7,484	25,000	25,050	25,100	25,150	25,075	25,050	25,100	25,150	25,201	25,125	25,100	25,150	25,201	25,176	25,226	25,276	25,327	25,378	25,428	25,479		
Wgtd Avg Shrs (Dil) - '000s		7,447	7,462	7,476	7,491	7,506	7,484	25,000	25,050	25,100	25,150	25,075	25,050	25,100	25,150	25,201	25,125	25,100	25,150	25,201	25,176	25,226	25,276	25,327	25,378	25,428	25,479		

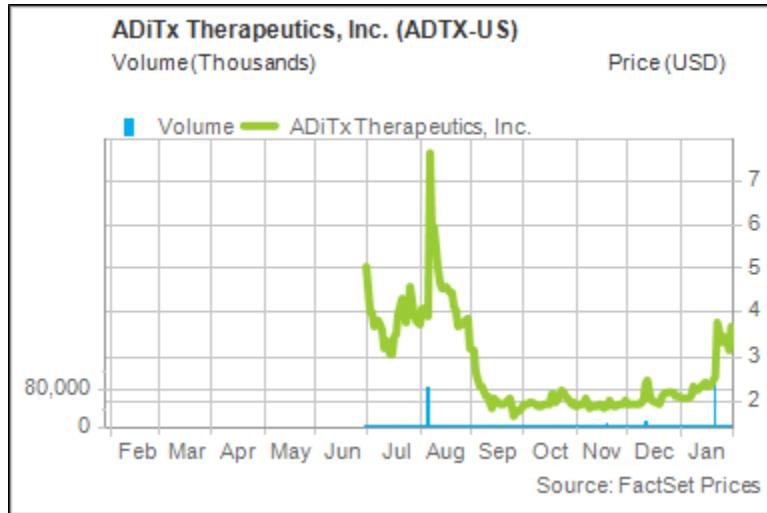
Source: Dawson James estimates, company reports

Companies mentioned in this report:

ProPhase Labs (Buy Rated)

**Important Disclosures:**

**Price Chart:**



Price target and ratings changes over the past three years:

Initiated – Buy – February xx, 2021 – Price Target \$14.00

Dawson James Securities, Inc. (the "Firm") is a member of the Financial Industry Regulatory Authority ("FINRA") and the Securities Investor Protection Corporation ("SIPC").

The Firm does not make a market in the securities of the subject company(s). The Firm has engaged in investment banking relationships with the subject company in the prior twelve months, as a manager or co-manager of a public offering and has received compensation resulting from those relationships. The Firm may seek compensation for investment banking services in the future from the subject company(s). The Firm has not received any other compensation from the subject company(s) in the last 12 months for services unrelated to managing or co-managing of a public offering.

Neither the research analyst(s) whose name appears on this report nor any member of his (their) household is an officer, director, or advisory board member of these companies. The Firm and/or its directors and employees may own securities of the company(s) in this report and may increase or decrease holdings in the future. As of January 31, 2021, the Firm as a whole did not beneficially own 1% or more of any class of common equity securities of the subject company(s) of this report. The Firm, its officers, directors, analysts, or employees may affect transactions in and have long or short positions in the securities (or options or warrants related to those securities) of the company(s) subject to this report. The Firm may affect transactions as principal or agent in those securities.

Analysts receive no direct compensation in connection with the Firm's investment banking business. All Firm employees, including the analyst(s) responsible for preparing this report, may be eligible to receive non-product or service-specific monetary bonus compensation that is based upon various factors, including total revenues of the Firm and its affiliates as well as a portion of the proceeds from a broad pool of investment vehicles consisting of components of the compensation generated by investment banking activities, including but not limited to shares of stock and/or warrants, which may or may not include the securities referenced in this report.

Although the statements in this report have been obtained from and are based upon recognized statistical services, issuer reports or communications, or other sources that the Firm believes to be reliable, we cannot guarantee their accuracy. All opinions and estimates included in this report constitute the analyst's judgment as of the date of this report and are subject to change without notice.

**Information about valuation methods and risks can be found in the "Valuation" and "Risk Analysis" sections of this report.**

The securities of the company discussed in this report may be unsuitable for investors depending on their specific investment objectives and financial position. This report is offered for informational purposes only and does not constitute an offer or solicitation to buy or sell any securities discussed herein in any jurisdiction where such would be prohibited. Additional information is available upon request.

**Ratings Definitions:**

- 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.

<b>Ratings Distribution</b>	<b>Company Coverage</b>		<b>Investment Banking</b>	
	<b># of Companies</b>	<b>% of Total</b>	<b># of Companies</b>	<b>% of Totals</b>
Market Outperform (Buy)	21	75%	4	19%
Market Perform (Neutral)	7	25%	0	0%
Market Underperform (Sell)	0	0%	0	0%
<b>Total</b>	<b>28</b>	<b>100%</b>	<b>4</b>	<b>14%</b>

Table does not reflect ADTX, and will be revised to include ADTX going forward.

**Analyst Certification:**

The analyst(s) whose name appears on this research report certifies that 1) all of the views expressed in this report accurately reflect his (their) personal views about any and all of the subject securities or issuers discussed; and 2) no part of the research analyst's compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed by the research analyst in this research report; and 3) all Dawson James employees, including the analyst(s) responsible for preparing this research report, may be eligible to receive non-product or service-specific monetary bonus compensation that is based upon various factors, including total revenues of Dawson James and its affiliates as well as a portion of the proceeds from a broad pool of investment vehicles consisting of components of the compensation generated by investment banking activities, including but not limited to shares of stock and/or warrants, which may or may not include the securities referenced in this report.