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Toll-Free: 561-391-5555 ♦ www.DawsonJames.com ♦ 101 North Federal Highway - Suite 600 ♦ Boca Raton, FL 33432

ProPhase Labs (NASDAQ: PRPH)

January 20, 2021

BUY: A Saliva Diagnostic for COVID

COVID has changed the world and isn't going away, at least not any time soon. Saliva-based diagnostics are likely to become part of the first line of defense. We expect, annually, to see tens of millions (even hundreds of millions) of tests. ProPhase Labs, a turnaround specialty pharma OTC company, has entered the world of COVID diagnostics and is providing test capacity now with eyes toward expansion. With modest assumptions, which we review in some detail, we see the potential to transform the company. We are initiating coverage with a Buy rating and \$25.00 price target.

The COVID Diagnostic Opportunity: We present some basic assumptions in our model on the market size (U.S.) for COVID. Suffice to say it's a multi-billion-dollar market. As such, even a small piece of the market has the ability to be transformative to a company such as ProPhase. Recognizing the opportunity, the company acquired a CLIA lab (October 2020) capable of processing 1,000 samples in 24 hours (& now expanded to 10k/day). A second lab is set to come on-line with the capability to process up to 50,000 samples per day. We provide a detailed model looking at COVID from a few different views, building a matrix that allows us to understand the impact of assumptions on the number of annual tests and the net margin per test while understanding capacity and other issues. Our model is U.S.-based, but globally, the opportunity is magnitudes larger as well.

A Saliva-Based RT-PCR Diagnostic: COVID & Beyond. A saliva-based test with a high specificity and sensitivity rate coupled with a quick turnaround is ideal. No one likes nasal testing versus a saliva swab. We view testing as critical towards opening up the economy and the globe. We also see the potential for this testing to move beyond COVID to Flu and other respiratory disorders. Our models, for the moment, do not assume other respiratory disorders.

OTC Business Offsets Expenses. The company's current revenues are mainly from the contract manufacturing of OTC healthcare products (principally cold remedy products) combined with the sale of ProPhase's dietary supplement products. The company has developed strong marketing capabilities as represented by its T.K. Supplements product line of dietary supplements. We see this as a good business and one where the management team, particularly the CEO, has demonstrated the ability to turn around both falling business and a company. With that said, we see this business as a means to an end, with the end being diagnostics.

Valuation: We project detailed revenue assumptions in 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 \$25.00.

Risk to our thesis include: (1) commercial; (2) financial; (3) intellectual property; and (4) 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	\$11.93		
Price Target	\$25.00		
Estimates	F2020E	F2021E	F2022E
Revenues (\$000s)	\$ 13,151	\$ 60,865	\$ 86,032
1Q March	\$ 1,888	\$ 10,834	\$ 21,108
2Q June	\$ 3,623	\$ 14,506	\$ 20,741
3Q September	\$ 3,840	\$ 16,292	\$ 21,661
4Q December	\$ 3,800	\$ 19,233	\$ 22,522
	F2020E	F2021E	F2022E
EPS (diluted)	\$ (0.13)	\$ 2.05	\$ 2.97
1Q March	\$ (0.07)	\$ 0.33	\$ 0.73
2Q June	\$ 0.01	\$ 0.48	\$ 0.71
3Q September	\$ (0.04)	\$ 0.56	\$ 0.75
4Q December	\$ (0.04)	\$ 0.68	\$ 0.77
EBITDA/Share	(\$0.13)		\$2.05
EV/EBITDA (x)	-0.1		0.0
Stock Data			
52-Week Range	\$1.20	-	\$16.04
Shares Outstanding (mil.)	12.2		
Market Capitalization (mil.)	\$145		
Enterprise Value (mil.)	\$133		
Debt to Capital	0%		
Book Value/Share	\$2.86		
Price/Book	-		
Average Three Months Trading Volume (K)	134		
Insider Ownership	24.2%		
Institutional Ownership	4.0%		
Short interest (mil.)	0.9%		
Dividend / Yield	\$0.00/0.0%		



Model Examples with the Associated Assumptions

Example 1. To predict target valuation for a company pursuing a COVID saliva-based diagnostic, we must understand the market opportunity, the capacity to manufacture tests, and the competitive field. On capacity, we know the company today can run up to 10,000 tests per day, and that capacity is expanding with a new facility for an additional 50,000 samples per day. We assume as demand rises that the company can and will continue to expand its capacity. To balance this, we add in one of our models 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 very conservative net margin per test of just \$30.00.
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%.

ProPhase Capacity - Market Share Model	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Test Capacity per day	10,000	60,000	90,000	150,000	200,000	300,000	400,000	500,000	500,000	500,000	500,000
Annual Covid / Flu Tests	3,650,000	21,900,000	32,850,000	54,750,000	73,000,000	109,500,000	146,000,000	182,500,000	182,500,000	182,500,000	182,500,000
% Capacity Utilization	90%	20%	13%	7%	4%	2%	1%	2%	4%	5%	6%
Net Margin per test	\$30	\$30	\$30	\$30	\$30	\$30	\$30	\$30	\$30	\$30	\$30
Annual Operating Income (\$M)	\$99	\$131	\$128	\$115	\$88	\$66	\$44	\$110	\$219	\$274	\$329
Risk Adjusted	70%	70%	70%	70%	70%	70%	70%	70%	70%	70%	70%
Risk Adjusted Operating Income (\$M)	\$69	\$92	\$90	\$80	\$61	\$46	\$31	\$77	\$153	\$192	\$230

Source: Dawson James estimates

Our assumptions' net result is peak revenues of \$230M in 2030E, with a 6% capacity utilization of 500,000 tests per day, all of which seem like conservative assumptions in our modeling experience. When connected to our operating model and fed to our valuation models, these revenue assumptions, which also assume a high 30% risk rate, translate into a net present value of \$27.00 per share.

Our preference is an opportunity- or 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%) and the net revenue each test generates for the company (e.g., \$30, \$40, \$50, \$60).

Example 2. We assume 20% of the U.S. population is tested just once annually. We assume \$50.00 per test in net revenue. This results in 2030E revenues of \$255M. This is when washed through the same operating and valuation models (Free Cash Flow to the Firm or FCFE, discounted EPS or dEPS, and Sum of the Parts [SOP]), all at a 30% discount rate, and recall that the revenue models also have a probability of success factor of 70%, so this is like a double discount rate.

Percent Annual Testing of US Population	Inputs	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
U.S. Population		330,000,000	330,000,000	333,300,000	336,633,000	339,999,330	343,399,323	346,833,317	350,301,650	353,804,666	357,342,713	360,916,140
10% Testing (annual)	20%	66,000,000	66,000,000	66,660,000	67,326,600	67,999,866	68,679,865	69,366,663	70,060,330	70,760,933	71,468,543	72,183,228
Market Share of Testing		0%	2%	3%	5%	6%	7%	8%	9%	10%	10%	10%
No. of Tests		0	1,320,000	1,999,800	3,366,330	4,079,992	4,807,591	5,549,333	6,305,430	7,076,093	7,146,854	7,218,323
Net Margin per test	\$50	\$50	\$51	\$51	\$51	\$51	\$51	\$51	\$51	\$51	\$51	\$51
Annual Operating Income (\$M)		0	67	101	170	206	243	280	318	357	361	365
Risk Adjusted		70%	70%	70%	70%	70%	70%	70%	70%	70%	70%	70%
Risk Adjusted Operating Income (\$M)		\$0	\$47	\$71	\$119	\$144	\$170	\$196	\$223	\$250	\$253	\$255

Source: Dawson James estimates

20% & \$50.00: The net result of these assumptions is a net present value of \$25.00 per share.

Net Rev. per Test	% Annual Testing						
	10%	20%	30%	40%	50%	100%	200%
\$30	\$15	\$19	\$23	\$27	\$32	\$53	\$95
\$40	\$16	\$22	\$27	\$33	\$39	\$67	\$123
\$50	\$18	\$25	\$32	\$39	\$46	\$81	\$151
\$60	\$19	\$27	\$36	\$44	\$53	\$95	\$179
\$70	\$20	\$30	\$40	\$50	\$60	\$109	\$207

Source: Dawson James estimates

Example 3. We assume 50% of the U.S. population is tested just once annually. We can make strong arguments that 50% is low. Many of us who have traveled or visited a hospital have been tested already. One university has just declared testing 3x weekly for students who will be taking classes in person. We walk our price per test down based on volume from \$50.00 to \$40.00 per test in net revenue. This results in 2030E revenues of \$510M. This is when washed through the same operating and 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 recall that the revenue models also have a probability of success factor of 70%, so this is like a double discount rate.

Inputs	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
	330,000,000	330,000,000	333,300,000	336,633,000	339,999,330	343,399,323	346,833,317	350,301,650	353,804,666	357,342,713	360,916,140
50%	165,000,000	165,000,000	166,650,000	168,316,500	169,999,665	171,699,662	173,416,658	175,150,825	176,902,333	178,671,356	180,458,070
	0%	2%	3%	5%	6%	7%	8%	9%	10%	10%	10%
	0	3,300,000	4,999,500	8,415,825	10,199,980	12,018,976	13,873,333	15,763,574	17,690,233	17,867,136	18,045,807
\$40	\$40	\$40	\$40	\$40	\$40	\$40	\$40	\$40	\$40	\$40	\$40
	0	133	202	340	412	486	560	637	715	722	729
	70%	70%	70%	70%	70%	70%	70%	70%	70%	70%	70%
	\$0	\$93	\$141	\$238	\$288	\$340	\$392	\$446	\$500	\$505	\$510

Source: Dawson James estimates

50% x \$40.00: The net result of these assumptions is a net present value of \$39.00 per share.

Net Rev. per Test	% Annual Testing						
	10%	20%	30%	40%	50%	100%	200%
\$30	\$15	\$19	\$23	\$27	\$32	\$53	\$95
\$40	\$16	\$22	\$27	\$33	\$39	\$67	\$123
\$50	\$18	\$25	\$32	\$39	\$46	\$81	\$151
\$60	\$19	\$27	\$36	\$44	\$53	\$95	\$179
\$70	\$20	\$30	\$40	\$50	\$60	\$109	\$207

Source: Dawson James estimates

Example 4. We assume 100% of the U.S. population is tested annually. We maintain the \$40 net profit per test. This results in 2030E revenues of over \$1 billion (\$1,021M). This is when washed through the same operating and 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 recall that the revenue models also have a probability of success factor of 70%, so this is like a double discount rate.

The net result of these assumptions is a net present value of \$67.00 per share.

Inputs	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
	330,000,000	330,000,000	333,300,000	336,633,000	339,999,330	343,399,323	346,833,317	350,301,650	353,804,666	357,342,713	360,916,140
100%	330,000,000	330,000,000	333,300,000	336,633,000	339,999,330	343,399,323	346,833,317	350,301,650	353,804,666	357,342,713	360,916,140
	0%	2%	3%	5%	6%	7%	8%	9%	10%	10%	10%
	0	6,600,000	9,999,000	16,831,650	20,399,960	24,037,953	27,746,665	31,527,148	35,380,467	35,734,271	36,091,614
\$40	\$40	\$40	\$40	\$40	\$40	\$40	\$40	\$40	\$40	\$40	\$40
	0	267	404	680	824	971	1,121	1,274	1,429	1,444	1,458
	70%	70%	70%	70%	70%	70%	70%	70%	70%	70%	70%
	\$0	\$187	\$283	\$476	\$577	\$680	\$785	\$892	\$1,001	\$1,011	\$1,021

Source: Dawson James estimates

100% x \$40.00: The net result of these assumptions is a net present value of \$67.00 per share.

Net Rev. per Test	% Annual Testing						
	10%	20%	30%	40%	50%	100%	200%
\$30	\$15	\$19	\$23	\$27	\$32	\$53	\$95
\$40	\$16	\$22	\$27	\$33	\$39	\$67	\$123
\$50	\$18	\$25	\$32	\$39	\$46	\$81	\$151
\$60	\$19	\$27	\$36	\$44	\$53	\$95	\$179
\$70	\$20	\$30	\$40	\$50	\$60	\$109	\$207

Source: Dawson James estimates

Valuation: While we do believe the percentage of Americans that are likely to be tested could easily reach 50%, especially when we assume that some folks will be tested multiple times, we select example 2, which assumes that 20% of the U.S. population is tested annually, and we assume a higher margin per test of \$50. Our operating model applies a 70% success probability to the revenue assumptions, and the valuation models, free cash flow to the Firm (FCFF), discounted EPS (dEPS), and Sum-of-the-Parts (SOP) models use a 30% discount rate. The result is equal-weighted and averaged and rounded to the nearest whole number.

Exhibit 1. Free Cash Flow Model

Average	\$	25
Price Target	\$	20
Year		2021

DCF Valuation Using FCF (mln):

units ('000 - Cnd\$)	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
EBIT	(1,559)	23,933	40,688	67,799	82,268	97,063	112,194	127,669	143,498	145,796	148,190
Tax Rate	0%	0%	15%	20%	25%	28%	30%	31%	32%	33%	33%
EBIT(1-t)	(1,559)	23,933	34,585	54,239	61,701	69,886	78,536	88,092	97,579	97,683	99,287
CapEx	(2,974)	-	-	-	-	-	-	-	-	-	-
Depreciation	253	-	-	-	-	-	-	-	-	-	-
Change in NWC	-	-	-	-	-	-	-	-	-	-	-
FCF	(4,280)	23,933	34,585	54,239	61,701	69,886	78,536	88,092	97,579	97,683	99,287
PV of FCF	(5,564)	23,933	26,604	32,094	28,084	24,469	21,152	18,251	15,551	11,975	9,363
Discount Rate	30%										
Long Term Growth Rate	1%										
Terminal Cash Flow	345,793.12										
Terminal Value YE2030	32,608										
NPV	238,518										
NPV-Debt	10										
Shares out (thousands)	11,851 2030E										
NPV Per Share	\$ 20										

Source: Dawson James estimates

Exhibit 2. Discounted EPS Model

Current Year	2021
Year of EPS	2030
Earnings Multiple	30
Discount Factor	30%
Selected Year EPS	\$ 8.38
NPV	\$ 24

		Discount Rate and Earnings Multiple Varies, Year is Constant					
		2030 EPS					
		5%	10%	15%	20%	25%	30%
Earnings Multiple	2	\$10.80	\$7.11	\$4.76	\$3.25	\$2.25	\$ 1.58
	5	\$27.00	\$17.76	\$11.91	\$8.12	\$5.62	\$ 3.95
	10	\$54.00	\$35.53	\$23.81	\$16.24	\$11.24	\$ 7.90
	15	\$81.00	\$53.29	\$35.72	\$24.35	\$16.87	\$ 11.85
	20	\$108.00	\$71.06	\$47.63	\$32.47	\$22.49	\$ 15.80
	25	\$135.00	\$88.82	\$59.53	\$40.59	\$28.11	\$ 19.75
	30	\$162.00	\$106.58	\$71.44	\$48.71	\$33.73	\$ 23.70
	35	\$189.00	\$124.35	\$83.35	\$56.83	\$39.35	\$ 27.65

Source: Dawson James estimates

Exhibit 3. Sum-of-the-Parts Model

Sum of the Parts	LT Gr	Discount Rate	Yrs. to Mkt	% Success	Peak Sales MM's	Term Val
OTC	1%	30%	0	100%	\$28	\$98
NPV						\$4.13
COVID	1%	30%	1	70%	\$329	\$1,133
NPV						\$25.73
Net Margin						50%
MM Shrs OS						12
Total						\$30

Source: Dawson James estimates

Company Description: ProPhase Labs began operations in 1989. The company’s historical expertise has been in the OTC consumer healthcare and dietary supplements markets. Products are sold under a brand (TK Supplements®). What’s exciting for us is the company’s recent creation of “ProPhase Diagnostics.” The diagnostics group intends to commercialize COVID-19 and other Respiratory Pathogen Panel (RPP) Molecular tests. Given the technology (a saliva-based assay), we believe the revenue potential could be large. Also, the company has a wholly-owned subsidiary, Pharmaloz Manufacturing, or PMI. PMI is a full-service contract manufacturer and private label developer of a broad range of non-GMO, organic, and natural-based cough drops and lozenges and OTC drug and dietary supplement products. These products are sold today and generate enough revenue to offset the company’s annual spend rate.

Exhibit 4. PMI Business is generating revenues today and offsetting expenses.



TK Supplements® is dedicated to promoting better health, energy and sexual vitality.

- We offer a line of dietary supplement products under the TK Supplements® brand, including:
 - LEGENDZ XL®, for male sexual enhancement
 - TRIPLE EDGE XL®, a daily energy and stamina booster
 - SUPER PROSTAFLOW+™, a supplement to support prostate and urinary health

Legendz XL has distribution in Rite Aid, Walgreens and other retailers, and via ecommerce, and is now achieving broader distribution in Q4 2020 at CVS and Walmart. Triple Edge XL, is now gaining retailer acceptance as well.



Source: ProPhase Labs, Inc.

Exhibit 5. ProPhase – Focus Across Three Areas



Source: ProPhase Labs, Inc.

Exhibit 6. ProPhase – We see a growth opportunity in saliva-based diagnostics, especially for COVID.

CLIA Accredited Labs

- Acquired full service Clinical Laboratory Improvement Amendments (CLIA) accredited laboratory in New Jersey in October 2020. Built current capacity to process 10,000 tests per day.
- Announced signing of lease for second CLIA lab in Garden City, NY. 25,000 square feet. Goal of 50,000 tests per day. To be operational by mid-January.
- Approved for a wide range of important diagnosis, screening and evaluation of diseases, including:
 - COVID-19 viral and antibody tests
 - Respiratory Pathogen Panel (RPP) Molecular tests
 - Influenza
 - Respiratory viruses
 - Pneumonia-causing bacteria
 - Other infectious diseases
- 24-hour reporting and local same-day molecular lab testing
- Highly competitive pricing and margins with goal to meet or exceed industry norms

Source: ProPhase Labs, Inc.



Exhibit 7. The Science behind the Product



- The FDA maintains a list of in vitro diagnostic tests for COVID-19 granted Emergency Use Authorization (EUA). Only FDA EUA-approved viral diagnostic tests should be used.
- The COVID-19 (RT-PCR) test is a real-time reverse transcription polymerase chain reaction (rRT-PCR) test for the qualitative detection of RNA from both upper and lower respiratory specimens (such as nasal, nasopharyngeal or oropharyngeal swabs, sputum, etc.) collected from individuals suspected of/ screened for COVID-19.
- PCR tests that amplify multiple RNA gene targets are likely to have higher specificity (fewer false positives).
- This test is very accurate by using high throughput machines and the most commonly used COVID-19 testing.
- When compared to antigen test (immunoassays tests designed to identify specific viral protein), antigen tests have higher chance for false negative results and a PCR test would be recommended to confirm a negative antigen test.

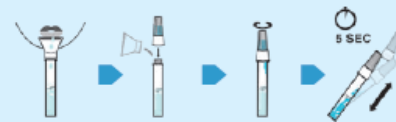
Source: ProPhase Labs, Inc.

SPECTRUM SOLUTIONS:

- First saliva collection device that received FDA emergency use authorization (EUA) for COVID-19 testing.
- ProPhase Labs is a preferred lab for Spectrum Solutions.

There are two steps involved in the Spectrum saliva-based COVID-19 test:

1. The process of saliva self-collection, which is required, according to EUA authorization, to be done with the Spectrum SDNA-1000 collection device as below.



2. Processing of the saliva sample by our CLIA certified lab to detect the presence of active viral infection by sensitive and specific Molecular PCR testing.

Benefits of a saliva-based viral test

Easy, Safe, Convenient

- ✓ More comfortable for a patient than a nasal swab (Pain free sample collection).
- ✓ Increases patient access to testing for COVID-19 as the patient himself can collect the sample, even at home.
- ✓ Safer for healthcare providers and cuts down on the need for PPE (personal protection equipment) as the kit allows 100% inactivation of the live virus.

Risk Analysis

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 8. Income Statement

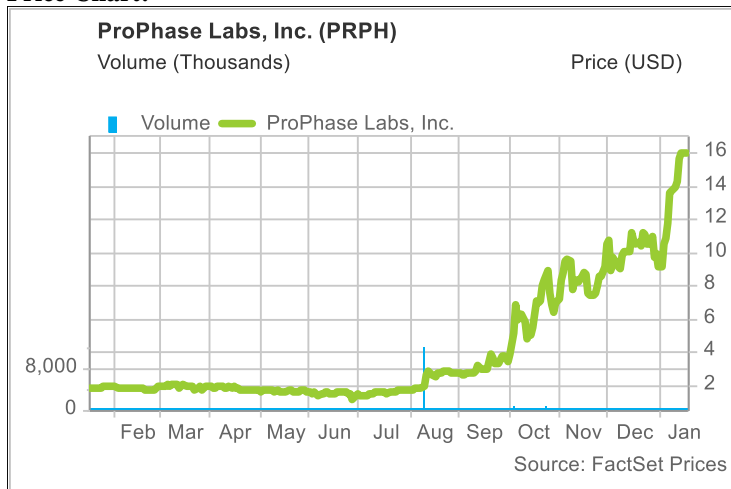
PRPH, Inc. Income Statement (\$000)																			
YE Dec. 31	1Q20A	2Q20A	3Q20A	4Q20E	2020E	1Q21E	2Q21E	3Q21E	4Q21E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Revenue (\$000)																			
OTC Consumer Healthcare Products	1,888	3,623	3,840	3,800	13,151	3,835	2,841	3,693	3,835	14,203	15,339	16,566	17,892	19,323	20,869	22,539	24,342	26,289	28,392
Other Business																			
COVID & Flu Diagnostics						6,999	11,666	12,599	15,398	46,662	70,693	119,000	144,228	169,948	196,169	222,897	250,140	252,641	255,168
Total Revenues	1,888	3,623	3,840	3,800	13,151	10,834	14,506	16,292	19,233	60,865	86,032	135,566	162,120	189,271	217,038	245,435	274,481	278,930	283,560
Expenses																			
COGS	1,473	2,344	2,798	2,660	9,275	5,417	7,253	8,146	9,617	30,433	38,715	61,005	72,954	85,172	97,667	110,446	123,517	125,519	127,602
% COGS	78%	65%	73%	70%	71%	50%	50%	50%	50%	50%	45%	45%	45%	45%	45%	45%	45%	45%	45%
Gross Profit	415	1,279	1,042	1,000	3,736	5,417	7,253	8,146	9,617	30,433	47,318	74,561	89,166	104,099	119,371	134,989	150,965	153,412	155,958
Sales (Advertising & Marketing) expense	170	125	253	250	798	240	250	250	260	1,000	1,020	1,040	1,061	1,082	1,104	1,126	1,149	1,172	1,195
General and administrative	998	1,030	1,299	1,100	4,427	1,200	1,250	1,250	1,300	5,000	5,100	5,202	5,306	5,412	5,520	5,631	5,743	5,858	5,975
Research & Development	59	65	57	60	241	120	125	125	130	500	510	520	531	541	552	563	574	586	598
Total expenses	1,227	1,220	1,609	1,410	5,466	1,560	1,625	1,625	1,690	6,500	6,630	6,763	6,898	7,036	7,177	7,320	7,466	7,616	7,768
Operating Profit	(812)	59	(567)	(410)	(1,730)	3,857	5,628	6,521	7,927	23,933	40,688	67,799	82,268	97,063	112,194	127,669	143,498	145,796	148,190
Oper Margin																			
Unrealized gain on debt securities	11	11	39		61					-	-	-	-	-	-	-	-	-	-
Interest expense	3	(5)	(41)		(43)					-	-	-	-	-	-	-	-	-	-
Income discontinued ops			161		161					-	-	-	-	-	-	-	-	-	-
Other (loss)			(8)		(8)					-	-	-	-	-	-	-	-	-	-
Pre-tax income	(798)	65	(416)	(410)	(1,559)	3,857	5,628	6,521	7,927	23,933	40,688	67,799	82,268	97,063	112,194	127,669	143,498	145,796	148,190
Pretax Margin																			
Income Tax (Benefit)	-										6,103	13,560	20,567	27,178	33,658	39,578	45,919	48,113	48,903
Tax Rate											15%	20%	25%	28%	30%	31%	32%	33%	33%
GAAP Net Income	(798)	65	(416)	(410)	(1,559)	3,857	5,628	6,521	7,927	23,933	34,585	54,239	61,701	69,886	78,536	88,092	97,579	97,683	99,287
GAAP-EPS	(0.07)	0.01	(0.04)	(0.04)	(0.13)	0.33	0.48	0.56	0.68	2.05	2.97	4.64	5.27	5.96	6.68	7.48	8.27	8.26	8.38
Non GAAP EPS (dil)	(0.07)	0.01	(0.04)	(0.04)	(0.13)	0.33	0.48	0.56	0.68	2.05	2.97	4.64	5.27	5.96	6.68	7.48	8.27	8.26	8.38
Wgtd Avg Shrs (Bas) - '000s	11,582	11,592	11,604	11,615	11,615	11,638	11,662	11,685	11,708	11,673	11,767	11,861	11,957	12,053	12,149	12,247	12,345	12,444	12,544
Wgtd Avg Shrs (Dil) - '000s	11,582	11,618	11,604	11,615	11,615	11,605	11,628	11,652	11,675	11,640	11,663	11,687	11,710	11,733	11,757	11,780	11,804	11,828	11,851

Source: Dawson James estimates, company reports

Companies mentioned in this report:

Important Disclosures:

Price Chart:



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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.

Ratings Distribution	Company Coverage		Investment Banking	
	# of Companies	% of Total	# of Companies	% of Totals
Market Outperform (Buy)	22	79%	2	9%
Market Perform (Neutral)	6	21%	0	0%
Market Underperform (Sell)	0	0%	0	0%
Total	28	100%	2	7%

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