



# CHARDAN

**Company Update**  
August 8, 2019  
Industrial & Consumer Technology

## 22nd Century Group, Inc. (XXII - \$1.51 - Buy) Estimate Change

## COMPANY NOTE

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**Sales and trading** 7 a.m. to 7 p.m. ET, (646) 465-9090

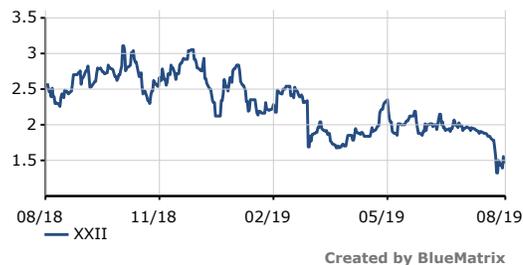
**Sales and trading** 7 p.m. to 7 a.m. ET, (646) 465-9063

Stock Data	08/07/19
Price	\$1.51
52 Week Range	(\$1.12 - \$3.29)
Price Target	\$11.50
Market Cap (mil)	\$188.26
Shares out (mil)	124.67
3-Mo Avg Vol	1,239,597
Cash (mil)	\$47.0
Total Debt (mil)	\$1.2

Revenues (\$ millions)					
Yr Dec	2018A	2019E		2020E	
	Actual	Curr	Prev	Curr	Prev
YEAR	26.4	22.1	21.3	21.5	21.3

EPS (\$)					
Yr Dec	2018A	2019E		2020E	
	Actual	Curr	Prev	Curr	Prev
YEAR	(0.06)	(0.17)	(0.15)	(0.15)	(0.18)
		-	-	-	-

### One year price history XXII



## XXII (Buy, PT\$11.50). Q2 Better than Expected

Q2 revenue was \$5.8 million better than our \$5 million estimate and the company's operating loss of \$5.0 million was better than our estimate of a \$5.8 million loss. Cash at quarter end was \$47 million, about 4 years of cash at current burn rates.

For the quarter cash from operations generated a \$4.1 million loss, an improvement from the year-ago and prior quarters of \$5.2 million and \$4.7 million respectively. Much of the improvement can be attributed to the reduced amount of funding required for the MRTP application. In the year ago quarter \$2.7 million was spent on the MRTP, \$1.2 million in the previous quarter and \$313 thousand in Q2.

The company reserved \$1.8 million for the settlement of litigation, which is composed of 990,000 shares of stock. As part of the settlement the recipient of the shares has granted a five-year proxy to 22nd Century to vote all of the shares in favor of the recommendations by the Board and has agreed to not purchase, borrow or short any securities of the company.

The company hosts a conference call today at 4PM where we expect it to discuss its key initiatives: the MRTP, the PMTA and its strategy in the hemp/cannabis market.

**Valuation:**

Our twelve-month price target of \$11.50 is based on the company garnering royalty revenue for its technology on 10% of the US market share in the next five years, discounted at a 20% annual rate.

**Risks to achievement of target price:**

Risks to achieving our price target include delays in the FDA process, ability to find partners for X-22, challenges in attracting contract manufacturing and selling product overseas and possibility of requiring additional capital.

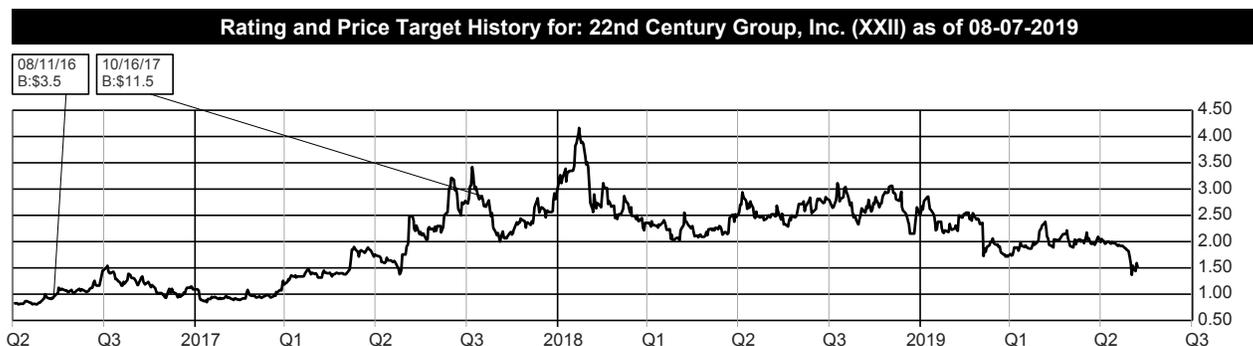
**Company description:**

22nd Century owns or exclusively controls over 200 issued patents, 50 pending patent applications. The company's proprietary technology enables the control of nicotine levels in tobacco plants by controlling the genes responsible for nicotine production in tobacco plants.

22nd Century Group, Inc.  
Actual v. Estimates

<b>Q2 19</b>			
	Actual	Estimates	
Revenue	\$ 5,815	\$ 5,000	16.3%
Cost Of Goods Sold	5,901	5,900	0.0%
Gross Profit	(86)	(900)	NM
R&D	1,987	2,000	-0.7%
G&A	2,374	2,300	3.2%
Sales & marketing	212	249	-14.8%
Depreciation & Amort.	370	321	15.2%
Opex	4,943	4,870	1.5%
Operating Income	\$ (5,029)	\$ (5,770)	12.8%
Interest Expense	230	(2)	
Other	(3,243)	0	
Pretax Income	(8,042)	(5,772)	
Income Tax Expense	0	0	
Net to Common	\$ (8,042)	\$ (5,772)	
Shares	124,662	124,660	
EPS	\$ (0.06)	\$ (0.05)	

## Required Research Disclosures



Created by: BlueMatrix

### Distribution of Ratings/IB Services Chardan Capital Markets

Rating	Count	Percent	IB Serv./Past 12 Mos.	
			Count	Percent
BUY [BUY]	70	74.47	16	22.86
HOLD [NEUTRAL]	24	25.53	0	0.00
SELL [SELL]	0	0.00	0	0.00
NOT RATED [NR]	0	0.00	0	0.00

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### DISCLOSURES

#### RATINGS

**Buy:** Expected to materially outperform sector average over 12 months and indicates total return of at least 10% over the next 12 months.

**Neutral:** Returns expected to be in line with sector average over 12 months and indicates total return between negative 10% and 10% over the next 12 months.

**Sell:** Returns expected to be materially below sector average over 12 months and indicates total price decline of at least 10% over the next 12 months.

#### 22nd Century Group, Inc. (XXII) - \$1.51 - Buy

Price Target            \$11.50

#### VALUATION:

Our twelve-month price target of \$11.50 is based on the company garnering royalty revenue for its technology on 10% of the US market share in the next five years, discounted at a 20% annual rate.

#### RISKS TO ACHIEVEMENT OF TARGET PRICE:

Risks to achieving our price target include delays in the FDA process, ability to find partners for X-22, challenges in attracting contract manufacturing and selling product overseas and possibility of requiring additional capital.

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