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David Bautz, PhD
312-265-9471
dbautz@zacks.com

scr.zacks.com
10 S. Riverside Plaza, Chicago, IL 60606

Avivagen, Inc.

(OTCQB: VIVXF)

VIVXF: Orders for OxC-beta in 2021 Already Exceed 2020 Totals…

Using an EV/EBITDA multiple of 16 applied to 2025 revenues and a discount rate of 15% (derived from CAPM), VIVXF is valued at $3.50/share. This model is highly dependent upon commercial success of OxC-beta™ Livestock and will be adjusted accordingly based on future commercial results.

Current Price (03/08/21)	$0.43
Valuation	**$3.50**

OUTLOOK

On March 3, 2021, Avivagen, Inc. (VIVXF) announced financial results for the first quarter of fiscal year 2021 that ended October 31, 2020 and provided a business update. During the quarter the company secured orders from clients in Mexico totaling 1.5 tonnes per month for the upcoming year and thus far order volumes in fiscal year 2021 are already more than for all of fiscal year 2020, which is a very encouraging sign as the company continues to ramp up sales. Two papers were recently published that show positive trial results for OxC-beta, which will help to expand awareness along with validating the company's technology.

SUMMARY DATA

52-Week High	**$0.60**
52-Week Low	**$0.24**
One-Year Return (%)	**-19.02**
beta	**0.49**
Average Daily Volume (sh)	**15,957**
Shares Outstanding (mil)	**57**
Market Capitalization ($mil)	**$25**
Short Interest Ratio (days)	**1**
Institutional Ownership (%)	**0**
Insider Ownership (%)	**N/A**
Annual Cash Dividend	**$0.00**
Dividend Yield (%)	**0.00**
5-Yr. Historical Growth Rates	
Sales (%)	**N/A**
Earnings Per Share (%)	**N/A**
Dividend (%)	**N/A**
P/E using TTM EPS	**N/A**
P/E using 2019 Estimate	**N/A**
P/E using 2020 Estimate	**N/A**

Risk Level	**Above Avg.**
Type of Stock	**Small-Growth**
Industry	**Med Products**

ZACKS ESTIMATES

Revenue
(in millions of CAD$)

	Q1 (Jan)	Q2 (Apr)	Q3 (Jul)	Q4 (Oct)	Year (Oct)
2020	0.2 A	0.0 A	0.6 A	0.4 A	1.2 A
2021	0.3 A	1.3 E	1.3 E	1.4 E	4.2 E
2022					10.0 E
2023					17.0 E

Earnings per Share
(in CAD$)

	Q1 (Jan)	Q2 (Apr)	Q3 (Jul)	Q4 (Oct)	Year (Oct)
2020	-$0.04 A	-$0.03 A	-$0.02 A	-$0.03 A	-$0.12 A
2021	-$0.03 A	-$0.02 E	-$0.02 E	-$0.02 E	-$0.09 E
2022					-$0.04 E
2023					$0.01 E

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WHAT'S NEW

Business Update

2021 Orders Already Ahead of 2020

On January 26, 2021, Avivagen, Inc. (VIVXF) announced a six tonne order ox OxC-beta Livestock from Transformadora Agricola de Alimentos S.S. de C.V. in Mexico. The order consists of monthly fulfillments of 500 kg each for one year commencing in April 2021. This is the first order of OxC-beta Livestock from that customer and is in addition to a recent 10 tonne order from Industrias Melder in September 2020, which consists of two tonnes every two months commencing in December 2020. Thus, just in Mexico Avivagen will be delivering an average of 1.5 tonnes per month for over half of calendar 2021. The company delivered a total of approximately 5 tonnes of OxC-beta Livestock last year, thus the orders received thus far for 2021 already exceed last years totals.

Multiple Publications on OxC-beta Trials

Avivagen has announced that two publications describing trials performed with OxC-beta will be published in leading, peer-reviewed scientific journals:

- In February 2021, the company announced that the paper "Evaluation of fully oxidized β-carotene as a feed ingredient to reduce bacterial infection and somatic cell counts in cows with subclinical mastitis" had been accepted for publication in the *New Zealand Veterinary Journal*. A pre-print of the paper can be found here. Results of the trial, which Avivagen had previously announced in February 2020, show that adding 300 mg/cow/day of OxC-beta resulted in a higher bacteriological cure rate, a lower prevalence of intramammary infection, and a lower incidence of clinical mastitis compared to untreated controls.

- On March 4, 2021, the company announced the paper "Effect of Oxidized β-Carotene (OxBC) on the Growth and Feed Efficiency of Broilers" has been accepted for publication in the peer-reviewed journal *Poultry Science*. The paper describes the results of two dietary supplement trials in which OxC-beta was administered to broiler poultry. Both trials showed that OxC-beta supplementation resulted in significantly improved growth performance measures, including average weight gain and feed utilization efficiency, when compared to birds in control groups. One of the studies was conducted in Ontario, Canada while the other study was conducted in Scotland.

Publishing research in peer-reviewed journals is an important means of increasing industry awareness of OxC-beta and helps to validate the company's technology.

Human Nutraceutical Launched

Subsequent to the end of the first quarter of fiscal year 2021, Avivagen launched *Dr. Tobias Beta Blend*, which is designed to promote advanced immune support for humans. The product was launched through a partnership with Mimi's Rock Corp. on Amazon.com. Multiple studies show that the OxC-beta product supports and primes the innate immune system while decreasing exaggerated inflammatory responses.

Financial Update

On March 3, 2021, Avivagen announced financial results for the first quarter of fiscal year 2021 that ended January 31, 2021. The company reported revenues of CAD$261,987 for the first quarter of fiscal year 2021, compared to CAD$247,805 for the first quarter of fiscal year 2020. The revenues for the current quarter do not include the recent large orders from Industrial Melder (10 tonnes) or Transformadora Agricola de Alimentos S.S. de C.V. (six tonnes). Those should begin to be reported in the company's financial results for the second quarter of fiscal year 2021.

Operating expenses for the three months ending January 31, 2021 were CAD$997,068 compared to CAD$1,155,336 for the three months ending January 31, 2020. The decrease was mainly due to government grants recognized within the most recent quarter along with a reduction in travel in associated business development expenses. Net loss for the first quarter of fiscal year 2021 was CAD$1,266,300 compared to a net loss of CAD$1,331,780 for the first quarter of fiscal year 2020. The decrease was mainly due to increased sales of OxC-beta along with the recognition of COVID-related government grants.

Subsequent to the end of the quarter, Avivagen closed on a CAD$7.5 million bought offering that consisted of 15 million units sold at a price of CAD$0.50 per unit. Each unit consists of one share of common stock and one-half of one common share purchase warrant. Each warrant has an exercise price of CAD$0.75 per share. Net proceeds to the company were approximately CAD$6.7 million.

Following the recent financing, the company currently has approximately 56.8 million shares outstanding and, when factoring in stock options and warrants, a fully diluted share count of approximately 76.3 million shares.

Conclusion

2021 is starting out on a very positive note for Avivagen, as the company has already surpassed last year's total orders. The publication of multiple positive trial readouts will help to both spread awareness of OxC-beta in the livestock feed industry along with serving as a validation of the technology and should help drive increased demand for the product.

We have increased our sales forecasts for OxC-beta for FY2021 and subsequent years based on uptake that is exceeding our initial expectations. Our model now calls for estimated sales of OxC-beta of CAD$75 million in 2025 with potential upside should uptake continue to ramp up at a fast pace. Using an EV/EBITDA ratio of 16 (which is derived from the average for pharmaceutical companies found here) and an EBITDA of CAD$45 million leads to an EV of CAD$560 million. Using a discount rate of 15% (derived from CAPM) we arrive at a present day EV of approximately CAD$320 million. The company has approximately CAD$6.7 million in debt, approximately CAD$7.0 million in cash, and CAD$11.3 million in potential financing from warrant exercises. Accounting for that leads to an NPV of CAD$332 million. Dividing this by the fully diluted share count of 76.3 million leads to a valuation of CAD$4.17 per share. Using the current exchange ratio of $1 CAD = $0.79 USD leads to a valuation for VIVXF of approximately $3.50.

PROJECTED FINANCIALS

Avivagen, Inc. (in Canadian Dollars)	FY2020 A	1QFY21 A	2QFY21 E	3QFY21 E	4QFY21 E	FY2021 E	FY2022 E	FY2023 E
OxC-beta™ Livestock	$1.2	$0.3	$1.3	$1.3	$1.4	$4.2	$10.0	$17.0
Other Income	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Total Revenues	**$1.2**	**$0.3**	**$1.3**	**$1.3**	**$1.4**	**$4.2**	**$10.0**	**$17.0**
Cost of Sales	$0.7	$0.2	$0.8	$0.8	$0.8	$2.5	$6.0	$9.0
Product Gross Margin	*40%*	*39%*	*40%*	*40%*	*41%*	*40%*	*40%*	*47%*
Salaries, board fees, and benefits	$1.5	$0.4	$0.4	$0.4	$0.4	$1.6	$1.8	$2.0
Professional fees and other	$2.5	$0.5	$0.7	$0.7	$0.7	$2.6	$3.0	$3.2
Share-based payments	$0.3	$0.0	$0.1	$0.1	$0.1	$0.3	$0.3	$0.3
Joint Venture Termination	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Government grants	($0.6)	($0.0)	$0.0	$0.0	$0.0	($0.0)	$0.0	$0.0
Depreciation of equipment	$0.1	$0.0	$0.0	$0.0	$0.0	$0.1	$0.1	$0.1
Investment Loss in Associate	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Other (Income) Expense	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Operating Income	($3.4)	($0.9)	($0.7)	($0.7)	($0.6)	($2.9)	($1.2)	$2.4
Operating Margin	-	-	-	-	-	-	-	-
Finance cost, net	$1.3	$0.4	$0.4	$0.4	$0.4	$1.6	$1.5	$1.5
Pre-Tax Income	($4.8)	($1.3)	($1.1)	($1.1)	($1.0)	($4.5)	($2.7)	$0.9
Income Taxes	$0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Tax Rate	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*
Net Income	**($4.8)**	**($1.3)**	**($1.1)**	**($1.1)**	**($1.0)**	**($4.5)**	**($2.7)**	**$0.9**
Net Margin	-	-	-	-	-	-	-	-
Reported EPS	**($0.12)**	**($0.03)**	**($0.02)**	**($0.02)**	**($0.02)**	**($0.09)**	**($0.04)**	**$0.01**
YOY Growth	-	-	-	-	-	-	-	-
Basic Shares Outstanding	40.3	41.8	53.0	57.0	57.0	52.2	61.0	65.0

Source: Zacks Investment Research, Inc. *David Bautz, PhD*

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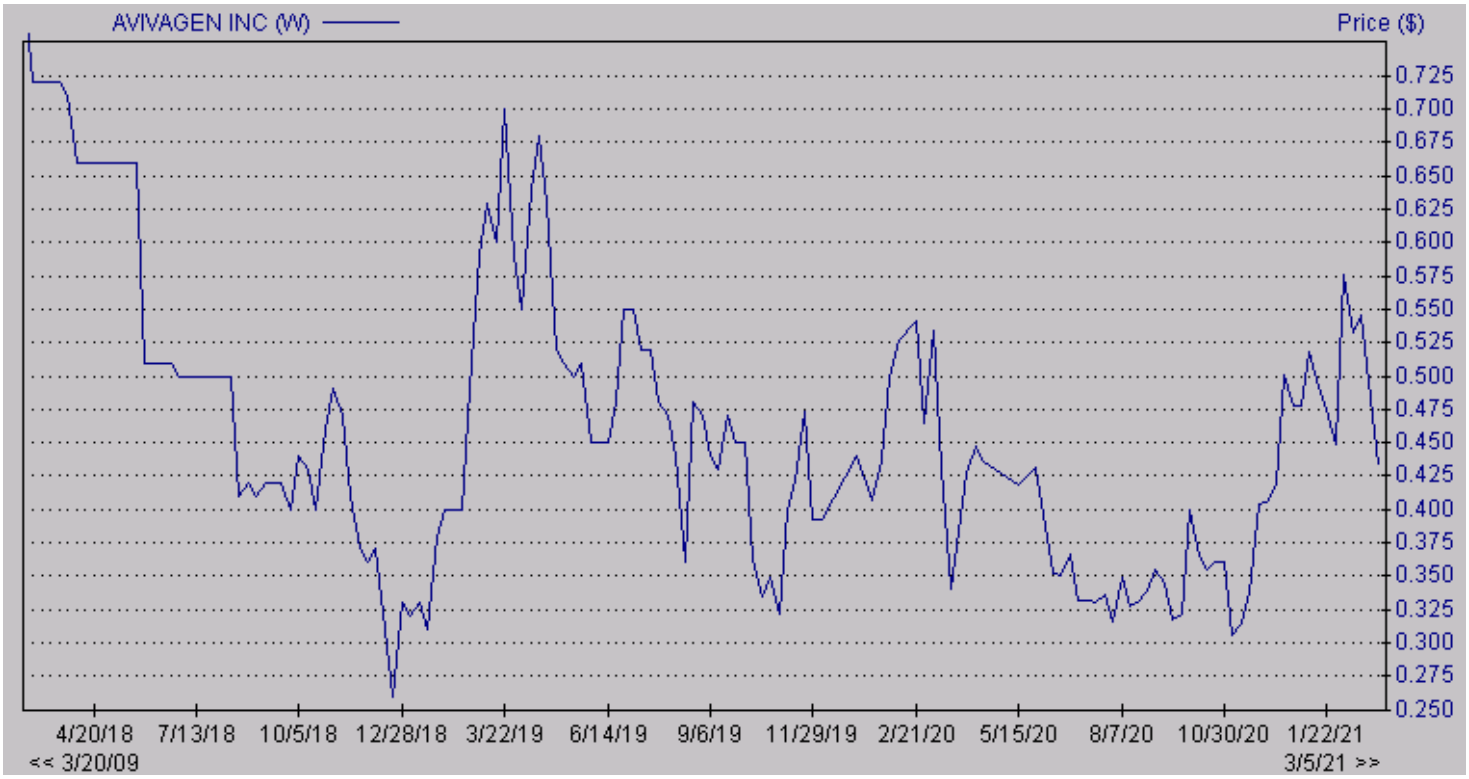

Source: Zacks SCR

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