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John D. Vandermosten, CFA
312-265-9588 / jvandermosten@zacks.com

scr.zacks.com
10 S. Riverside Plaza, Suite 1600, Chicago, IL 60606

NightHawk Biosciences, Inc. (NHWK: NYSE)

First Scorpius Revenues

Valuation is determined using a DCF model, which employs a 25% discount rate and a probability of achieving full operational status of 95% for the San Antonio facility and 70% for the Manhattan facility. Assets valued in our model include the biomanufacturing facilities and the biodefense assets.

Current Price (5/18/2023)	$0.75
Valuation	**$10.00**

OUTLOOK

NightHawk is a vertically integrated biotechnology company with manufacturing, development, testing and commercialization assets consisting of SkunkWorx Bio, Elusys Therapeutics & Scorpius Biological Services.

The clinical pipeline has been dropped and emphasis has been shifted toward the biomanufacturing and biodefense assets. Biomanufacturing includes a 20k sq ft facility in San Antonio which opened in 3Q:22 and a 500k sq ft facility in Manhattan expected to open in 2026.

The biodefense portfolio includes one marketed product, Anthim, and the in-development RapidVax customizable vaccine platform. NHWK also offers Biomanufacturing through Scorpius and two facilities: one clinical scale to open in 3Q:22 and one commercial which will break ground in late 2022.

NightHawk derives the vast majority of its value from its biomanufacturing assets which are expected to begin generating revenues in 2023.

SUMMARY DATA

52-Week High	**3.42**
52-Week Low	**0.65**
One-Year Return (%)	**-67.0**
Beta	**0.50**
Average Daily Volume (sh)	**40,245**
Shares Outstanding (mil)	**26.0**
Market Capitalization ($mil)	**19.5**
Short Interest Ratio (days)	**5.7**
Institutional Ownership (%)	**10.2**
Insider Ownership (%)	**5.1**
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 2023 Estimate	**N/A**
P/E using 2024 Estimate	**N/A**
Zacks Rank	**N/A**

Risk Level	**Above Average**
Type of Stock	**Small-Growth**
Industry	**Med-Biomed/Gene**

ZACKS ESTIMATES

Revenue
(In millions of USD)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2022	$0.2 A	$0.1 A	$6.0 A	$0.1 A	$6.4 A
2023	$0.8 A	$0.9 E	$1.6 E	$1.9 E	$5.2 E
2024					$20.6 E
2025					$35.1 E

Earnings per Share

	Q1	Q2	Q3	Q4	Year
2022	-$0.32 A	-$0.40 A	-$0.51 A	-$0.47 A	-$1.70 A
2023	-$0.49 A	-$0.45 E	-$0.35 E	-$0.22 E	-$1.47 E
2024					-$0.63 E
2025					-$0.46 E

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WHAT'S NEW

NightHawk Biosciences, Inc. (NYSE: NHWK) reported 1Q:23 results on May 15, 2023 in a press release and in the filing of its Form 10-Q. Since our previous update in April, it has been quiet; however, first revenues have been generated from Scorpius and the final payment from the Cancer Prevention and Research Institute of Texas (CPRIT) was received. Now that the San Antonio facility is operational and demand for biologic manufacturing services is growing in the face of limited capacity, we anticipate steady growth from Scorpius in the coming quarters. As we look ahead, we expect to see revenues generated from the infectious disease, biodefense and biomanufacturing segments at irregular intervals.

For 1Q:23, NightHawk generated revenues of $0.7 million and posted a net loss of ($12.9) million, or ($0.49) per share. As of March 31, 2023, NightHawk holds a cash balance of $28.6 million.

For the quarter ending March 31, 2023 versus the same prior year period:

- Revenues were $0.8 million, up 260% from $0.2 million. Revenues consisted of a $100,000 milestone payment from Shattuck Labs and $0.7 million of process development revenue;
- Product cost of sales were $0.6 million vs. nil which related to Scorpius' labor, overhead and material costs;
- Research & development expenses totaled $7.0 million, up 78% from $3.9 million, driven primarily by higher unallocated R&D expenses and spending on Anthim, partially offset by lower allocations to HS-110 and HS-130;
- General & administrative expenses were $6.8 million, an 81% lift from $3.8 million, on greater costs for professional expenses, personnel and rent partially offset by a decrease in stock-based compensation;
- Net loss was ($12.8) million, or ($0.49) per share, compared to ($8.2) million or ($0.32) per share.

At the end of the first quarter, NightHawk held cash, equivalents and short-term investments totaling $28.6 million, compared to $44.3 million at the end of 2022. Cash used in operations and capital expenditures for the three-month period was ($15.4) million, compared to ($11.3) million in 1Q:22.

Scorpius Biosciences

In mid-April 2022, CEO Jeff Wolf announced a partnership with the State of Kansas and Kansas State University to develop a biodefense-focused large molecule and biologics biomanufacturing facility in Manhattan, Kansas. Kansas State University hosts the Biosecurity Research Institute (BRI), and the National Bio and Agro-Defense Facility (NBAF), providing a supportive environment for the endeavor. The new facility will exceed 500,000 square feet and is designed for manufacturing large molecules and biologics, with a focus on biodefense. When fully operational, the facility will directly employ over 500 people and will provide capacity of up to 144,000 liters across 48 bioreactors.

Exhibit I – Scorpius San Antonio Biomanufacturing Facility[1]



Scorpius has built a 20,144 square foot facility in San Antonio, Texas to produce product for laboratory, research, analytical, and/or biomanufacturing purposes. The facility held its grand opening in October (see middle image above) and is now undergoing qualification and validation processes to be ready for customer activity in 3Q:23. Capacity will be available for contract and to provide offsetting revenue for the business unit.

[1] Source: NightHawk Biosciences January 2023 Corporate Presentation

In mid-June 2022, Stephan Kutzer, Ph.D. was appointed as Interim CEO of Scorpius Biological Services. He also serves on Scorpius's advisory board. Dr. Kutzer was previously CEO of Alcami Corporation, and divisional CEO of the Pharma Biotech & Customer Manufacturing division of Lonza Group. He has also held a variety of other senior roles at Lonza.

The unit reported first revenues in 1Q:23 from process development that related to one customer. $0.7 million of revenue was recognized. As of the end of the quarter, there was an additional $2.0 million of deferred revenue related to process development.

Biosafety Level 2 Laboratory

In August, NightHawk announced that it would build an advanced biosafety level 2 (BSL-2) laboratory, at the company's research facilities in Research Triangle Park, North Carolina. The facility will support biodefense discovery and preclinical efforts focused on identifying novel assets to combat emerging biological threats. According to the CDC, there are four biosafety levels that require controls related to laboratory practices, safety equipment and facility construction. Biosafety Level 1 (BSL-1) is appropriate for low-risk microbes while BSL-4 is designed to address high risk microbes. A BSL-2 lab works with microbes that pose moderate hazards to personnel and the environment. The lab works with local microbes and diseases. Specific characteristics of BSL-2 labs are restricted access during laboratory work, protective equipment is required, biological safety cabinets are required and an autoclave is used for decontamination. Furthermore, a BSL-2 facility installs self-closing doors and a sink and eyewash station.

The laboratory was completed in December 2022 and NightHawk executives and employees have relocated to the facility. Final fit and finish and systems testing has been completed for both offices and laboratories in the 15,000 square foot space.

Oncology Portfolio

NightHawk has shifted its priorities away from its oncology drug development portfolio and has abandoned its HS-110, HS-130 and PTX-35 programs. Results of the programs have not been presented. Management will make the programs available to partners who wish to continue with further development; however, business development for this activity is not a priority. Due to cost and anticipated development time, management deemed the opportunities for the oncology programs to be less attractive than further investment into the infectious disease, biodefense and biomanufacturing spaces and has adjusted its strategy accordingly.

At the end of 1Q:23, there remained $1.5 million of CPRIT grant revenue for which the costs had been incurred and conditions have been met, but final funds have not yet been received. On April 19, 2023, NightHawk received the remaining $1.5 million from the finalization of the CPRIT grant related to PTX-35.

Future Events and Milestones

- Qualification and Validation of San Antonio Facility – 2H:23
- Continue transition process from oncology to biomanufacturing/biothreat - 2023
- Completion of Scorpius Manhattan facility construction – 2025

Summary

NightHawk has been busy at work constructing new facilities in three states. The San Antonio, Texas biomanufacturing facility and the North Carolina laboratory are essentially complete while the Manhattan, Kansas facility is under construction. First quarter 2023 results were reported in mid-May, during which Scorpius generated its first revenues. Another chapter closed on the company's shift away from oncology, as the last payment related to the CPRIT program was received in April. Management will increase their focus on building the book of business at the completed facilities and continuing construction of the Manhattan facility. Our valuation remains $10 per share.

PROJECTED FINANCIALS

NightHawk Biosciences, Inc. - Income Statement

NightHawk Biosciences Inc.	2022 A	Q1 A	Q2 E	Q3 E	Q4 E	2023 E	2024 E	2025 E
Total Revenues ($MM)	**$6.4**	**$0.8**	**$0.9**	**$1.6**	**$1.9**	**$5.2**	**$20.6**	**$35.1**
YOY Growth	*202%*	*261%*	*1665%*	*-74%*	*2277%*	*-19%*		
Cost of Sales	$6.4	$0.6	$0.8	$1.0	$1.2	$3.4	$13.4	$21.0
Product Gross Margin	*107%*	*13%*	*11%*	*38%*	*37%*	*33%*	*35%*	*40%*
Research & Development	$23.5	$7.0	$5.0	$3.0	$1.0	$16.0	$4.0	$4.2
Selling, General & Administrative	$21.1	$6.8	$7.0	$7.1	$7.4	$28.3	$25.7	$26.6
Other	$1.1	($0.6)	$0.0	$0.0	$0.0	($0.6)	$0.0	$0.0
Income from operations	($45.7)	($13.0)	($11.9)	($9.5)	($7.7)	($42.0)	($22.5)	($16.8)
Interest Income	$1.0	$0.1	$0.1	$0.1	$0.0	$0.3	$0.0	$0.0
Other Income	($2.4)	$0.1	$0.0	$0.0	$0.0	$0.1	$0.0	$0.0
Pre-Tax Income	($47.2)	($12.9)	($11.8)	($9.4)	($7.7)	($41.6)	($22.5)	($16.8)
Provision for Income Tax	$3.3	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Tax Rate	*100.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*200.0%*	*300.0%*	*400.0%*
Net Income	**($43.9)**	**($12.9)**	**($11.8)**	**($9.4)**	**($7.7)**	**($41.6)**	**($22.5)**	**($16.8)**
Non-controlling Interest	($0.4)	($0.1)	($0.1)	($0.1)	($0.1)	($0.4)	($0.3)	($0.2)
Net Income After NCI	**($43.4)**	**($12.8)**	**($11.7)**	**($9.3)**	**($7.6)**	**($41.2)**	**($22.2)**	**($16.6)**
Reported EPS	**($1.70)**	**($0.49)**	**($0.45)**	**($0.35)**	**($0.22)**	**($1.47)**	**($0.63)**	**($0.46)**
YOY Growth	*20%*	*55.1%*	*13.3%*	*-30.7%*	*-52.7%*			
Basic Shares Outstanding	25.61	25.97	26.03	26.42	33.90	28.08	35.00	36.00

Source: Company Filing // Zacks Investment R

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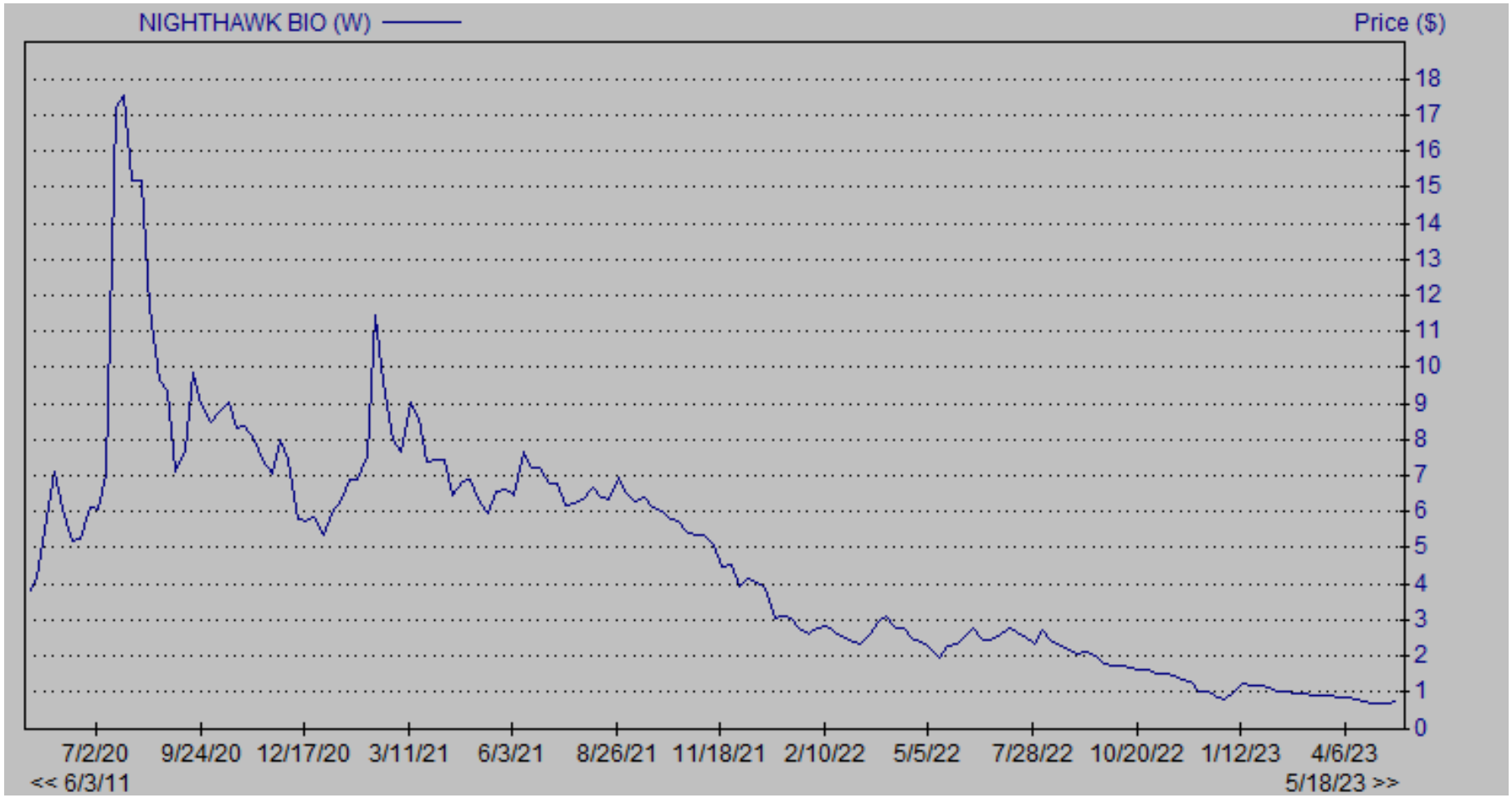
HISTORICAL STOCK PRICE

NightHawk Biosciences, Inc. – Share Price Chart



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