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October 9, 2023

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)

NHWK: 2Q:23 Results

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 (10/6/2023)	$0.45
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	**1.85**
52-Week Low	**0.45**
One-Year Return (%)	**-75.0**
Beta	**0.43**
Average Daily Volume (sh)	**43,868**
Shares Outstanding (mil)	**26.1**
Market Capitalization ($mil)	**11.7**
Short Interest Ratio (days)	**7.4**
Institutional Ownership (%)	**9.2**
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	$0.7 A	$1.6 E	$1.9 E	$4.9 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	-$0.53 A	-$0.35 E	-$0.22 E	-$1.58 E
2024					-$0.63 E
2025					-$0.46 E

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WHAT'S NEW

NightHawk Biosciences, Inc. (NYSE: NHWK) reported 2Q:23 results in mid-August as presented in a press release and in the filing of its Form 10-Q. Since our previous update in May, it has been quiet; however, Scorpius has continued to generate revenues and is developing its process development activities. In April, 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 2Q:23, NightHawk generated revenues of $0.7 million and posted a net loss of ($13.9) million, or ($0.53) per share. As of June 30, 2023, NightHawk holds a cash balance of $18.6 million.

For the quarter ending June 30, 2023 versus the same prior year period:

- Revenues were $0.7 million, up substantially from $51,000. Revenues consisted of process development revenue from the San Antonio facility;
- Product cost of sales was $0.4 million vs. nil which related to Scorpius' labor, overhead and material costs;
- Research & development expenses totaled $5.7 million, up 21% from $4.7 million, driven primarily by spending on Anthim fill and finish activities, recognition of close out fees for HS-110 and increased personnel costs. These amounts were partially offset by reduced spending on PTX-35, and HS-130 as these programs are wound down, reduced laboratory supply expense and a decrease in clinical R&D expenses;
- General & administrative expenses were $7.4 million, a 51% lift from $4.9 million, on greater professional, marketing, facility and rent expenses, higher depreciation and amortization and insurance and taxes. These amounts were partially offset by a decrease in payment for deferred contract consideration;
- Total other non-operating items were ($217,000) consisting of short-term losses on investment balances and unrealized loss on available-for-sale securities;
- Net loss was ($13.9) million, or ($0.53) per share, compared to ($10.2) million or ($0.40) per share.

At the end of the second quarter, NightHawk held cash, equivalents and short-term investments totaling $18.6 million, compared to $44.3 million at the end of 2022. Cash used in operations and capital expenditures for 2Q:23 was ($7.4) million, compared to a $6.5 million contribution in 2Q:22.

Oncology Portfolio

NightHawk has shifted its priorities away from its oncology drug development portfolio and is shuttering 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.

The final $1.5 million tranche of CPRIT grant revenue for which the costs had been incurred and conditions have been met, and final funds were transferred. 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 remains under construction. Second quarter 2023 results were reported in mid-August as Scorpius continued to generate process development 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 A	Q3 E	Q4 E	2023 E	2024 E	2025 E
Total Revenues ($MM)	**$6.4**	**$0.8**	**$0.7**	**$1.6**	**$1.9**	**$4.9**	**$20.6**	**$35.1**
YOY Growth	*202%*	*261%*	*1190%*	*-74%*	*2277%*	*-23%*		
Cost of Sales	$6.4	$0.6	$0.4	$1.0	$1.2	$3.4	$13.4	$21.0
Product Gross Margin	*107%*	*13%*	*45%*	*38%*	*37%*	*30%*	*35%*	*40%*
Research & Development	$23.5	$7.0	$5.7	$3.0	$1.0	$16.7	$4.0	$4.2
Selling, General & Administrative	$21.1	$6.8	$7.4	$7.1	$7.4	$28.7	$25.7	$26.6
Other	$1.1	($0.6)	$1.5	$0.0	$0.0	$0.8	$0.0	$0.0
Income from operations	($45.7)	($13.0)	($14.3)	($9.5)	($7.7)	($44.8)	($22.5)	($16.8)
Interest Income	$1.0	$0.1	($0.2)	$0.1	$0.0	($0.0)	$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)	($14.5)	($9.4)	($7.7)	($44.8)	($22.5)	($16.8)
Provision for Income Tax	$3.3	$0.0	$0.6	$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)**	**($14.0)**	**($9.4)**	**($7.7)**	**($44.8)**	**($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)**	**($13.9)**	**($9.3)**	**($7.6)**	**($44.4)**	**($22.2)**	**($16.6)**
Reported EPS	**($1.70)**	**($0.49)**	**($0.53)**	**($0.35)**	**($0.22)**	**($1.58)**	**($0.63)**	**($0.46)**
YOY Growth	*20%*	*55.1%*	*34.4%*	*-30.7%*	*-52.7%*			
Basic Shares Outstanding	25.61	25.97	26.05	26.42	33.90	28.08	35.00	36.00

Source: Company Filing // Zacks Investment Research, Inc. Estimates

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HISTORICAL STOCK PRICE

NightHawk Biosciences, Inc. – Share Price Chart



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