EMERGING Growth Research

22nd Century Group, Inc.
NASDAQ: XXII
Flash Report

June 26, 2025

Price (as of close June 25, 2025)
$6.89

Andrew White, CFA
Research@EmergingGrowth.com

About the Company

22nd Century Group, Inc. provides Contract Manufacturing Operations (CMO) services for conventional combustible tobacco products to third-party branded companies. The Company also engages in the sale and distribution of its own proprietary VLN® very-low-nicotine tobacco products. 22nd Century Group is pioneering nicotine harm reduction in the tobacco industry enabling smokers to take control of their nicotine consumption. The Company was founded in 1998 and is headquartered in Mocksville, North Carolina.

52-Week Range	**$6.28 – $2,903.18**
Shares Outstanding *	**500,331**
Insider / Institutional	**0%/0%**
Public Float	**Effectively 100%**
Market Capitalization *	**$3.6 mil**
Total Debt	**$3.0 mil**
Debt / MV Equity *	**83%**
ROE (LTM)	**NM**
Book Value / Share	**NM**
Daily Volume (90-day)	**41,133**
Fwd. Div. & Yield	**NM**

* Does not reflect potential warrant conversion

Rebound Gaining Legs: Q1:25 beat expectations as 2024 CMO customer attrition (due to 2024 price hikes) appears to have ended. Operating loss continues to greatly reduce then on expense control. New management, who restructured XXII in 2024, is now focused on 2025 growth of CMO and VLN®. Indeed, management still expects to be EBITDA breakeven in Q4:25 on revamped marketing, growth in VLN®, and expense discipline, which is supported by recent news of a second Pinnacle VLN® partner expansion agreement. That said, one additional share issuance is possible, and one other issue of the past remains: warrant-based dilution – both likely in the price. Post a Q2:25 warrant inducement though, cash is likely sufficient to fund 2025 operations (i.e., cash now outweighs reduced debt). Upside is strong based on a DCF analysis relative to hammered XXII shares. The question then remains will new management be able to grow the re-imagined business fast enough to hold the line on additional share and warrant issuance? **We are bullish on XXII.**

Key Risks

- Share issuance dilution remains a risk if CMO customers continue to attrit and/or VLN® segment growth plans fail to materialize over the balance of 2025.
- Warrants conversion (i.e., 8.8mn additional shares equivalent fully-diluted) is a materially dilutive event, though it is likely reflected in the price.

Valuation

- Second Pinnacle VLN® partner expansion agreement highlights steps management is taking to realize VLN® revenue potential. Follow-through in the second half of 2025 could well catalyze XXII's new growth stance and reveal the undervaluation of shares. Growth estimates thereafter are also further supported by the announcement of the 100mm VLN® R&D operation, with associated revenue being potentially visible in 2026.
- Shares are beaten down, reflecting concerns about cash burn and share dilution, both of which have now been potentially alleviated for 2025.

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Buy, 30% or greater price appreciation in the next 12 months.
Buy-Extended, near-term EPS and/or revenue horizon is challenging with strong long-term appreciation possibility.
Buy-Emerging, initial stages with low revenue and the potential for large returns with higher risk and volatility.
Hold, perform similar to market.
Sell, 30% or more decline in the next 12 months.

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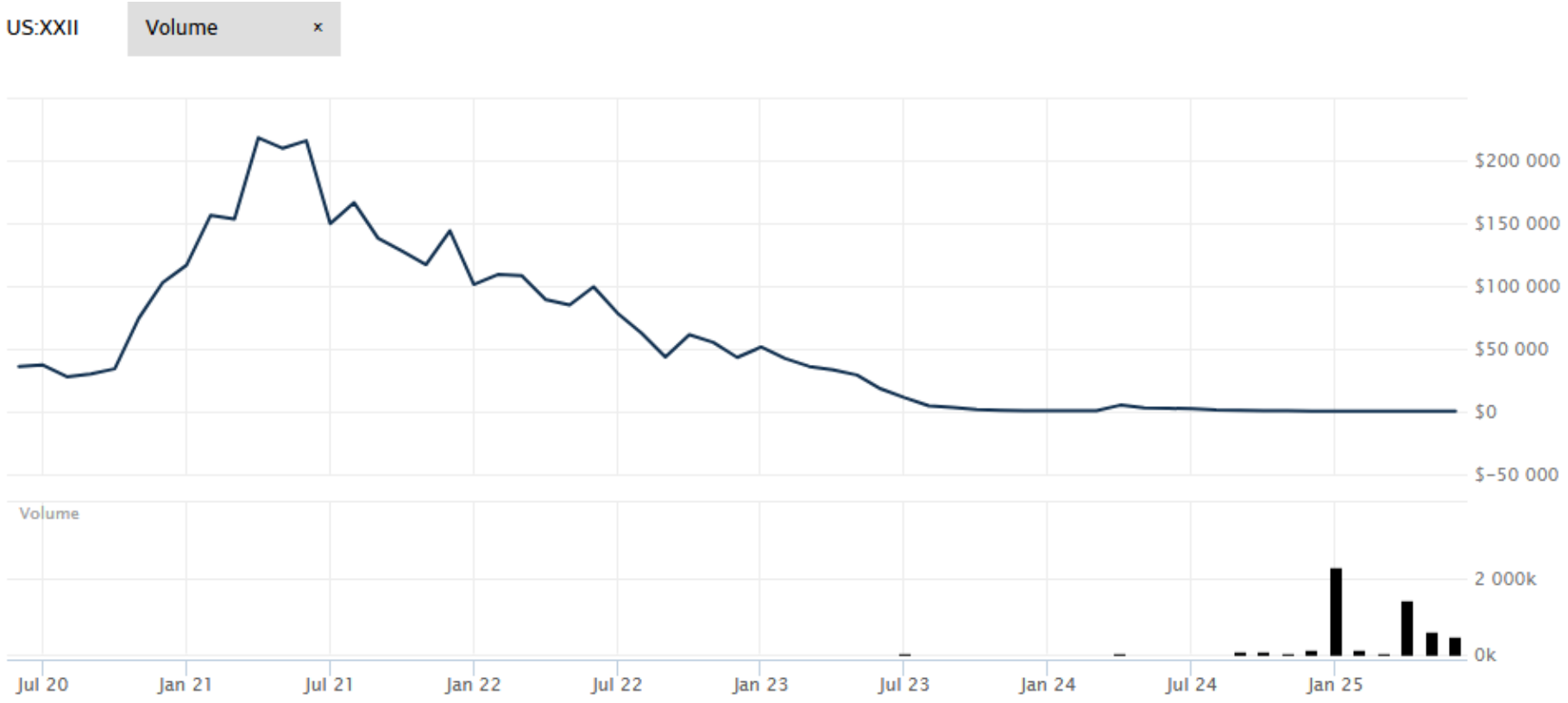
5-Year Chart


US:XXII
Volume
$200 000
$150 000
$100 000
$50 000
$0
$-50 000
Volume
2 000k
0k
Jul 20
Jan 21
Jul 21
Jan 22
Jul 22
Jan 23
Jul 23
Jan 24
Jul 24
Jan 25