

August 21, 2025

Price (close on August 21, 2025)

**\$1.98**

Rating

**Buy-Emerging**

12- Month Target Price

**\$5.00**

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### 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	\$2.30 – \$1,707.75
Shares Outstanding *	3.9 mil
Insider / Institutional *	0%/0%
Public Float	Effectively 100%
Market Capitalization *	\$9.1 mil
Total Debt (Q2:25A)	\$3.8 mil
Debt / MV Equity *	42%
ROE (LTM)	NM
Book Value / Share	NM
Daily Volume (90-day)	913,266
Fwd. Div. & Yield	--

\* Does not reflect potential 100% conversion of remaining warrants outstanding or additional share issuance.

### Q2:25 Financial Performance

- Significant long-term operational and financial restructuring under new management is now almost complete.
- Q2:25 missed expectations so management now expects Q2:26 EBITDA breakeven on stabilized CMO, VLN® growth, and discipline.

### Key Risks

- Share issuance dilution remains a risk if CMO customers continue to attrit and/or VLN® segment growth plans fail to materialize.
- Warrant exercise and a potential additional share issuance are materially dilutive events, though they are likely reflected in the price.
- Company's debentures mature in March-2026, thus creating refunding risk. While we do not foresee an issue, it is a material risk.

## Look Through the Valley to Renewed Growth: Q2:25

missed expectations on slower-than expected CMO stabilization and VLN® shipments, as well as higher promotional spending. New management, who restructured XXII in 2024, is now re-focused on 2025/26 growth of higher-margin branded-CMO and VLN®. Indeed, management now expects to be EBITDA breakeven in Q2:26 on revamped marketing, growth in VLN®, and expense discipline. That said, an additional share issuance is possible, and one other issue of the past remains: warrant-based dilution that is likely in the price. Post Q2:25 partial warrant inducement though, cash is now likely sufficient to fund 2025 operations. Near-term 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 and hold the line on additional share and warrant issuance? **We remain bullish and maintain a Buy-Emerging rating with a downgraded but still attractive \$5.00 price target.**

FYE Dec	FY 2024A		FY 2025E		FY 2026E	
	Revenue (\$ mil.)	CURRENT	CURRENT	FORMER	CURRENT	FORMER
Q1 Mar		\$6.5A	\$6.0A	\$6.0A	\$6.1E	\$11.4E
Q2 Jun		\$7.9A	\$4.1A	\$5.4E	\$9.9E	\$12.3E
Q3 Sep		\$5.9A	\$4.2E	\$8.3E	\$11.1E	\$13.3E
Q4 Dec		\$4.0A	\$4.7E	\$9.6E	\$15.8E	\$14.5E
<b>Year</b>		<b>\$24.4A</b>	<b>\$18.9E</b>	<b>\$29.3E</b>	<b>\$42.8E</b>	<b>\$51.6E</b>
Change		(24)%	(23)%	20%	127%	81%

FYE Dec	FY 2024A		FY 2025E		FY 2026E	
	EBITDA (\$ mil.)	CURRENT	CURRENT	FORMER	CURRENT	FORMER
Q1 Mar		\$(4.2)A	\$(2.5)A	\$(2.5)A	\$(1.3)E	\$0.5E
Q2 Jun		\$(1.5)A	\$(2.8)A	\$(2.5)E	\$0.6E	\$0.8E
Q3 Sep		\$(3.0)A	\$(2.1)E	\$(0.9)E	\$0.9E	\$1.4E
Q4 Dec		\$(3.8)A	\$(1.8)E	\$0.0E	\$2.7E	\$1.7E
<b>Year</b>		<b>\$(12.4)A</b>	<b>\$(9.2)E</b>	<b>\$(5.9)E</b>	<b>\$2.8E</b>	<b>\$4.3E</b>
Change		NM	NM	NM	NM	NM



## Investment Thesis

22<sup>nd</sup> Century Group, Inc. has undergone significant restructuring since 2023, divesting certain material business lines to become a U.S., pure-play, contract private-label, tobacco manufacturing producer as well as a sole provider of low-nicotine tobacco cigarettes through its VLN® product line. VLN® provides smokers with a choice to address harm reduction. While CMO provides an ongoing operational base and upside manufacturing capacity, VLN® provides most growth potential.

While still in a transitional phase, management has revamped into increasingly higher-margin, branded CMO contracts (i.e., certain traditional CMO cigarettes and launches in the 'natural' category of additive-free tobacco and water cigarettes) and is pursuing a vastly higher-margin VLN marketing re-launch. This shift away from restructuring to a growth posture occurs as the Company deploys its CMO asset base of manufacturing, brand, customer relationship, and distribution resources to build a self-funding business. Management is also moving ahead with plans to launch additional products, including VLN® SKUs within private label CMO customer brand families (e.g., Smoker Friendly VLN and Pinnacle contracts).

That said, new management now expects Q2:26 to be EBITDA breakeven (versus Q4:25 given slower-than-expected VLN® rollout) on stabilizing, increasingly-profitable CMO (post-2024 price hikes) and a revamped VLN® marketing strategy. Management estimates that just 223,000 VLN® cartons (5% of XXII production capacity) are needed for profit breakeven – a sea-change moment. However, re-focused CMO growth and most near-term VLN® growth are delayed, though VLN® is now shipping. Management also expects to lessen reliance on lower-margin CMO products, creating an additional near-term headwind.

Based on slower-than-expected CMO recovery/re-expansion and VLN®, our revenue growth forecasts have changed. Accordingly, EBITDA is now expected to break-even in Q2:26. If revenue ramp of CMO and, more importantly, VLN® rollout remains slower than expected (which is possible), there also remains potential for additional share issuance based on cash burn, though cash reserves appear sufficient to maintain operations through year-end 2025, post-warrant exercising.

To that end, warrant inducement in Q2:25 generated \$5.1 million in proceeds, of which XXII used \$1.0 million to repay debt obligations. Those transactions continued to reduce total debt by \$3.9 million to a 2025 YTD total of \$3.8 million as of the end of Q2:25. Lower debt is important, in that XXII's debentures mature in March, 2026, thus creating refunding risk. While management projects rolling over the debt or even repayment of the debt facility (as modelled), it is increasingly a risk.

XXII shares remain materially beaten down about 99% over the last 12 months and since 2021, reflecting prior management's diversification, prior bankruptcy risk, ongoing share dilution (i.e., survival share issuance and 2024/25 warrant-attached borrowing), as well as restructuring. Nonetheless, at reported 0.5x Price/TTM Sales versus a 3.2x industry peer average, XXII is very lowly priced. However, that number does not account for significant warrant dilution and small potential share issuance. DCF analysis tells the story better, as XXII is potentially on the verge of profitability in early 2026.

However, there is near-term share price risk in negative news flow regarding warrant exercise and potential additional small share issuance (both 100% modelled), but such reality is likely more than fully priced into shares. Accordingly, we have reduced price target to reflect lower near-term revenue forecast, additional dilution risk, and rising debt-rollover risk. Sales execution then remains key. **We retain bullish confidence and our Buy-Emerging rating with a revised \$5.00 target.**

## Q2:25 Financial Performance

Company revenue declined by 49% YOY in Q2:25, reaching \$4.1 million versus \$8.0 million in Q2:24 and declined 31% versus \$6.0 million in Q1:25, reflecting 2024 price hike attrition and a one-time Q1:25 revenue recognition. Versus Q4:24, XXII has stabilized (now profitable) CMO volume. Management estimates CMO resumes revenue growth in Q4:25.

Gross profit in Q2:25 was \$(0.6) million compared to \$0.6 million in Q2:24. Sequentially, gross loss was stable at \$(0.6) million versus the same in Q1:25 as repriced CMO contract impact began to be felt. Underlying, per unit gross margins increased as price increases fell to the bottom line, and the Company also shifted away from lower-margin filtered cigar manufacturing.

Operating profit in Q2:25 fell from \$(3.0) million compared to \$(2.1) million in Q2:24. Sequentially, operating profit fell from

\$(2.6) million in Q1:25. The increase in operating loss was primarily due to higher promotional spending to support VLN® product rollout. The Company's Net Income from Continuing Operations in Q2:25 was \$(3.3) million versus \$(2.2) million in Q2:24. Sequentially, Net Income from Continuing Operations was stable at \$(3.3) million in Q1:25.

EBITDA, a non-GAAP measure, was \$(2.8) million in Q2:25 versus \$(1.5) million in Q2:24 and \$(2.5) million in Q1:25. Company Adjusted EBITDA was \$(2.6) million in Q2:25 compared to \$(2.4) million in Q1:25. Emerging Growth Research's Adjusted EBITDA quarterly estimate also fell, registering \$(2.2) million in Q2:25 versus \$(1.3) million in Q1:25.

Total Net Debt (i.e., Debt – Cash) decreased significantly to \$0.7 million in Q2:25 versus \$3.3 million in Q4:24 reflecting a cash infusion from common share issuance and warrant exercise less debt repayment. That said, it is still possible that ongoing cash burn requires additional share issuance to fund working capital in 2025/early 2026 if CMO rebound and VLN sales ramp continue to prove slower-than-expected, which could delay expected break-even EBITDA beyond Q2:26.

## EPS Guidance and Estimates

XXII missed expectations in Q2:25, reflecting a slower-than-expected CMO recovery and VLN® rollout. State registrations, contracting, and shipping have taken longer to establish than expected. While VLN® is projected to increasingly contribute in H2:25, it is in early 2026 that efforts will ramp off a low base. Accordingly, EBITDA is expected to break-even in Q2:26.

Longer-term then, management retains high revenue expectations in 2026 (+127%), 2027 (+68%), and 2028 (+39%) reflecting re-focused CMO growth and VLN® market penetration (i.e., <1% of \$12 billion market, long-term). Gross margin is expected to grow to 27% of revenue by 2026 reflecting higher plant capacity utilization, post-attaining EBITDA profitability.

Operating margin is expected turn positive at 5% of revenue in 2026 on expense discipline, with profit dropping straight down to the bottom line (reflecting the lack of taxation due to ample Loss Carryforwards) to generate a 5% Net Income Margin in 2026. Note: operating profit margin is expected to rise to 25% by 2029 and remain there in perpetuity.

## Valuation

We traditionally value companies using a blend of peer group relative valuation multiples and a Discounted Cash Flow (DCF) model. However, XXII is not yet profitable, rendering only the Price/Trailing TTM Sales peer multiple (based on four publicly-traded U.S. tobacco companies) as the only potentially useful relative metric. Given likely material XXII share dilution expected from warrant exercise though, and potential share issuance to a lesser extent, we believe that the Company's reported 0.5x Price/TTM Sales multiple does not present an accurate portrayal of XXII's relative valuation.

So, we adjust this relative valuation metric using an estimate of warrant-adjusted and share issuance-adjusted share count (i.e., 10.3 million total shares effectively outstanding in the next 12 months), which shows that XXII is effectively valued at 1.2x Price/Sales, near the bottom of the industry range as well as below the industry average 3.2x Price/Sales. Given XXII's strong long-term revenue growth outlook, we believe a discounted relative Price/Sales value does not appropriately value potentially high-growth XXII, despite current lack of profitability. Accordingly, we opt for a DCF analysis to more accurately value the company. Exhibit 1 below summarizes our peer group multiples.

Historical and proforma financial statements as well as the DCF model are included in pages seven to eleven of this report.

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**Exhibit 1: 22<sup>nd</sup> Century Group, Inc. Peer Group Multiples and Price Targets**

**22<sup>nd</sup> Century Group, Inc.  
 Peer Group Valuations**

Company Name	Ticker	Price (8/15/2025)	Market Cap (\$millions)	Trailing TTM Price-to-Sales
Philip Morris	PM	166.19	258,690	2.8
Altria Group	MO	65.82	110,570	4.7
Turning Pt Brnd	TPB	98.58	1,777	4.2
Inspire Tec Inc	ISPR	2.81	161	1.1
<b>Industry Average (ex: negatives)</b>		<b>82.20</b>	<b>56,174</b>	<b>3.2</b>
22nd Century Group, Inc. (Reported) *1	XXII	2.34	9 <span style="color: green;">▲</span>	0.5
22nd Century Group, Inc. (Adjusted) *2	XXII	2.34	24 <span style="color: green;">▲</span>	1.2
<b>Current DCF Valuation</b>		<b>4.94</b>		

\*1: Effective Market Capitalization and Price/Sales figures adjusted for estimate of current 3.9 million shares outstanding. Does not reflect potential additional warrant conversion or share issuance.

\*2: Effective Market Capitalization and Price/Sales figures adjusted for expected share dilution from estimated additional warrant exercise and share issuance in 2025 (i.e., 10.3 million total share equivalent)

Source: Emerging Growth Research and 22<sup>nd</sup> Century Group, Inc.

Our DCF model uses financial statement projections for 2025-2028 and estimates for years thereafter. We focus on Free Cash Flow, which we expect to become positive in 2026 and grow explosively by >100% CAGR for four years from 2027-2030 (off of a very low 2025E base) reflecting strong sales growth, expense discipline, and zero taxation due to ample Loss Carryforwards. We expect Free Cash Flows to then effectively flatline for four years from 2031-2034 (reflecting a return of active taxation) and grow thereafter by 3% CAGR in perpetuity on a long-term 25% operating profit margin.

We discount estimated annual free cash flows by a revised higher 31.0% WACC, inclusive of risk-free-rate and premiums for equity market, liquidity, small-cap, and potential March-2026 bankruptcy risk. The DCF model now produces a \$4.94/share value of equity (inclusive of substantial warrant and share issuance dilution), which we round up to \$5.00. Terminal value sensitivity analysis (for different terminal growth and discount rates) indicates a min/max share price-estimate range of \$4.80 - \$5.10/share, which adds confidence in our estimate.

XXII shares have been mercilessly beaten down, so our price target estimate remains higher than the \$1.98 price of XXII shares (as of August 21, 2025) and to the XXII share price just one month ago in late July, 2025. That may have been appropriate in 2024, but that is also the past. We focus on the future. If new management is able to grow the re-imagined business – and now holds the line on additional share and new warrant issuance – upside remains considerable.

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## Rating Definitions

**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 Stock Price Chart



22nd Century Group, Inc.  
 Nasdaq: XXII  
 Quarterly Results & Estimates  
 \$ in Millions

	2022 Actual	2023 Actual	2024 Actual					2025 Estimated					2026 Est.
	Fiscal 2022A	Fiscal 2023A	1QA Mar-24	2QA Jun-24	3QA Sep-24	4QA Dec-24	Fiscal 2024A	1QA Mar-25	2QA Jun-25	3QE Sep-25	4QE Dec-25	Fiscal 2025E	Fiscal 2026E
<b>Revenues</b>													
Tobacco	\$ 40.50	\$ 32.20	\$ 6.47	\$ 7.95	\$ 5.95	\$ 4.02	\$ 24.38	\$ 5.96	\$ 4.08	\$ 4.20	\$ 4.65	\$ 18.89	\$ 42.81
<b>Total Revenues</b>	<b>\$ 40.50</b>	<b>\$ 32.20</b>	<b>\$ 6.47</b>	<b>\$ 7.95</b>	<b>\$ 5.95</b>	<b>\$ 4.02</b>	<b>\$ 24.38</b>	<b>\$ 5.96</b>	<b>\$ 4.08</b>	<b>\$ 4.20</b>	<b>\$ 4.65</b>	<b>\$ 18.89</b>	<b>\$ 42.81</b>
<b>YOY Revenue Growth (%)</b>		<b>-20.5%</b>	<b>-27.5%</b>	<b>-1.3%</b>	<b>-24.5%</b>	<b>-45.4%</b>	<b>-24.3%</b>	<b>-7.9%</b>	<b>-48.6%</b>	<b>-29.4%</b>	<b>15.7%</b>	<b>-22.5%</b>	<b>126.6%</b>
<b>Cost of Revenues</b>													
Cost of Products Sold	\$ 26.04	\$ 30.49	\$ 4.21	\$ 3.87	\$ 3.10	\$ 3.10	\$ 14.28	\$ 2.88	\$ 2.86	\$ 2.30	\$ 2.20	\$ 10.25	\$ 9.57
Excise Taxes	\$ 12.62	\$ 10.41	\$ 3.39	\$ 3.51	\$ 3.43	\$ 2.17	\$ 12.50	\$ 3.68	\$ 1.86	\$ 2.10	\$ 2.28	\$ 9.91	\$ 21.77
<b>Cost of Revenues</b>	<b>\$ 38.65</b>	<b>\$ 40.90</b>	<b>\$ 7.60</b>	<b>\$ 7.38</b>	<b>\$ 6.53</b>	<b>\$ 5.27</b>	<b>\$ 26.78</b>	<b>\$ 6.57</b>	<b>\$ 4.72</b>	<b>\$ 4.40</b>	<b>\$ 4.48</b>	<b>\$ 20.16</b>	<b>\$ 31.34</b>
<b>Cost of Revenues/Revenues (%)</b>	<b>95.4%</b>	<b>127.0%</b>	<b>117.5%</b>	<b>92.8%</b>	<b>109.9%</b>	<b>131.1%</b>	<b>109.8%</b>	<b>110.2%</b>	<b>115.6%</b>	<b>104.8%</b>	<b>96.2%</b>	<b>106.7%</b>	<b>73.2%</b>
<b>Gross Profit</b>	<b>\$ 1.85</b>	<b>\$ (8.70)</b>	<b>\$ (1.13)</b>	<b>\$ 0.57</b>	<b>\$ (0.59)</b>	<b>\$ (1.25)</b>	<b>\$ (2.40)</b>	<b>\$ (0.61)</b>	<b>\$ (0.64)</b>	<b>\$ (0.20)</b>	<b>\$ 0.18</b>	<b>\$ (1.27)</b>	<b>\$ 11.47</b>
<b>Gross Margin</b>	<b>4.6%</b>	<b>Negative</b>	<b>Negative</b>	<b>7.2%</b>	<b>Negative</b>	<b>Negative</b>	<b>Negative</b>	<b>Negative</b>	<b>Negative</b>	<b>Negative</b>	<b>3.8%</b>	<b>Negative</b>	<b>26.8%</b>
Product Development	\$ 3.58	\$ 2.64	\$ 0.43	\$ 0.25	\$ 0.24	\$ 0.21	\$ 1.13	\$ 0.16	\$ 0.23	\$ 0.23	\$ 0.28	\$ 0.90	\$ 1.24
% of revenues	8.8%	8.2%	6.6%	3.1%	4.0%	5.3%	4.6%	2.7%	5.6%	5.5%	6.1%	4.8%	2.9%
Sales & Marketing	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
% of revenues	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
SG&A	\$ 32.23	\$ 31.06	\$ 2.91	\$ 2.36	\$ 2.55	\$ 2.48	\$ 10.29	\$ 1.80	\$ 2.12	\$ 1.98	\$ 1.94	\$ 7.83	\$ 8.16
% of Revenues	79.6%	96.5%	44.9%	29.7%	42.8%	61.6%	42.2%	30.2%	51.9%	47.0%	41.7%	41.5%	19.1%
Other Operating Expenses (Income)	\$ (0.33)	\$ 2.53	\$ (0.03)	\$ 0.01	\$ 0.00	\$ 0.15	\$ 0.13	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
% of Revenues	-0.8%	7.6%	-0.4%	0.1%	0.0%	3.8%	3.8%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Total Operating Expenses</b>	<b>\$ 35.48</b>	<b>\$ 36.24</b>	<b>\$ 3.31</b>	<b>\$ 2.62</b>	<b>\$ 2.79</b>	<b>\$ 2.84</b>	<b>\$ 11.55</b>	<b>\$ 1.96</b>	<b>\$ 2.35</b>	<b>\$ 2.21</b>	<b>\$ 2.22</b>	<b>\$ 8.74</b>	<b>\$ 9.40</b>
<b>% of Revenues</b>	<b>87.6%</b>	<b>112.5%</b>	<b>51.1%</b>	<b>32.9%</b>	<b>46.9%</b>	<b>70.7%</b>	<b>47.4%</b>	<b>32.9%</b>	<b>57.5%</b>	<b>52.5%</b>	<b>47.8%</b>	<b>46.3%</b>	<b>22.0%</b>
<b>Operating Profit</b>	<b>\$ (33.64)</b>	<b>\$ (44.93)</b>	<b>\$ (4.43)</b>	<b>\$ (2.05)</b>	<b>\$ (3.38)</b>	<b>\$ (4.09)</b>	<b>\$ (13.95)</b>	<b>\$ (2.57)</b>	<b>\$ (2.98)</b>	<b>\$ (2.41)</b>	<b>\$ (2.05)</b>	<b>\$ (10.01)</b>	<b>\$ 2.07</b>
<b>Operating Margin</b>	<b>-83.0%</b>	<b>-139.5%</b>	<b>-68.5%</b>	<b>-25.8%</b>	<b>-56.8%</b>	<b>-101.8%</b>	<b>-57.2%</b>	<b>-43.1%</b>	<b>-73.0%</b>	<b>-57.3%</b>	<b>-44.1%</b>	<b>-53.0%</b>	<b>4.8%</b>
Interest Expense and Financing Charges, Net	\$ (0.06)	\$ (9.37)	\$ (1.02)	\$ (0.50)	\$ (0.31)	\$ (0.27)	\$ (2.09)	\$ (0.56)	\$ (0.35)	\$ (0.32)	\$ (0.27)	\$ (1.50)	\$ (0.22)
Interest Income	\$ 0.31	\$ 0.22	\$ -	\$ 0.02	\$ 0.00	\$ 0.05	\$ 0.07	\$ 0.02	\$ 0.01	\$ 0.02	\$ 0.02	\$ 0.07	\$ 0.08
Loss on Transfer of Promissory Note	\$ -	\$ (0.90)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Realized Loss on Panacea Investment	\$ (2.79)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other Income (Expense)	\$ (0.37)	\$ 0.33	\$ -	\$ 0.34	\$ 0.10	\$ 0.07	\$ 0.51	\$ (0.16)	\$ (0.01)	\$ -	\$ -	\$ (0.17)	\$ -
<b>Pretax Income</b>	<b>\$ (36.53)</b>	<b>\$ (54.64)</b>	<b>\$ (5.45)</b>	<b>\$ (2.19)</b>	<b>\$ (3.59)</b>	<b>\$ (4.24)</b>	<b>\$ (15.47)</b>	<b>\$ (3.27)</b>	<b>\$ (3.33)</b>	<b>\$ (2.71)</b>	<b>\$ (2.30)</b>	<b>\$ (11.61)</b>	<b>\$ 1.93</b>
Income Tax (Benefit)	\$ 0.02	\$ 0.05	\$ -	\$ 0.03	\$ -	\$ -	\$ 0.03	\$ -	\$ (0.03)	\$ -	\$ -	\$ (0.03)	\$ -
<b>GAAP Net Income from Continuing Operations</b>	<b>\$ (36.55)</b>	<b>\$ (54.69)</b>	<b>\$ (5.45)</b>	<b>\$ (2.21)</b>	<b>\$ (3.59)</b>	<b>\$ (4.24)</b>	<b>\$ (15.50)</b>	<b>\$ (3.27)</b>	<b>\$ (3.30)</b>	<b>\$ (2.71)</b>	<b>\$ (2.30)</b>	<b>\$ (11.57)</b>	<b>\$ 1.93</b>
Loss from Discontinued Operations Before Income Taxes	\$ (23.70)	\$ (85.63)	\$ (0.29)	\$ 1.10	\$ (0.17)	\$ (0.31)	\$ 0.33	\$ (1.05)	\$ (0.11)	\$ -	\$ -	\$ (1.17)	\$ -
Benefit (Provision) for Income Taxes	\$ 0.46	\$ (0.46)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Loss from Discontinued Operations</b>	<b>\$ (23.25)</b>	<b>\$ (86.09)</b>	<b>\$ (0.29)</b>	<b>\$ 1.10</b>	<b>\$ (0.17)</b>	<b>\$ (0.31)</b>	<b>\$ 0.33</b>	<b>\$ (1.05)</b>	<b>\$ (0.11)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (1.17)</b>	<b>\$ -</b>
<b>GAAP Net Income (Loss)</b>	<b>\$ (59.80)</b>	<b>\$ (140.78)</b>	<b>\$ (5.74)</b>	<b>\$ (1.11)</b>	<b>\$ (3.76)</b>	<b>\$ (4.55)</b>	<b>\$ (15.16)</b>	<b>\$ (4.33)</b>	<b>\$ (3.41)</b>	<b>\$ (2.71)</b>	<b>\$ (2.30)</b>	<b>\$ (12.74)</b>	<b>\$ 1.93</b>
Deemed Dividends	\$ -	\$ (9.99)	\$ (3.59)	\$ (0.45)	\$ (3.68)	\$ (2.59)	\$ (10.30)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Foreign Currency Adjustment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Comprehensive Income (Loss)</b>	<b>\$ (59.80)</b>	<b>\$ (150.77)</b>	<b>\$ (9.33)</b>	<b>\$ (1.56)</b>	<b>\$ (7.43)</b>	<b>\$ (7.15)</b>	<b>\$ (25.47)</b>	<b>\$ (4.33)</b>	<b>\$ (3.41)</b>	<b>\$ (2.71)</b>	<b>\$ (2.30)</b>	<b>\$ (12.74)</b>	<b>\$ 1.93</b>
Weighted Shares for Basic EPS *	5,952	9,467	23,612	61,064	97,771	730,000	730,000	1,729,212	250,368	3,700,000	10,300,000	10,300,000	11,300,000
Weighted Shares for Diluted EPS *	5,952	9,467	23,612	61,064	97,771	730,000	730,000	1,729,212	250,368	3,700,000	10,300,000	10,300,000	11,300,000
EPS Basic	NM	NM	NM	NM	NM	NM	NM	NM	NM	\$ (0.73)	\$ (0.22)	\$ (1.24)	\$ 0.17
EPS Diluted	NM	NM	NM	NM	NM	NM	NM	NM	NM	\$ (0.73)	\$ (0.22)	\$ (1.24)	\$ 0.17
GAAP Earnings Growth	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM

22nd Century Group, Inc.  
Nasdaq: XXII  
Quarterly EBITDA  
\$ in Millions

	2022 Actual	2023 Actual	2024 Actual					2025 Estimated					2026 Est.
	Fiscal 2022A	Fiscal 2023A	1QA Mar-24	2QA Jun-24	3QA Sep-24	4QA Dec-24	Fiscal 2024A	1QA Mar-25	2QA Jun-25	3QE Sep-25	4QE Dec-25	Fiscal 2025E	Fiscal 2026E
GAAP Net Income from Continuing Operations	\$ (36.55)	\$ (54.69)	\$ (5.45)	\$ (2.21)	\$ (3.59)	\$ (4.24)	\$ (15.49)	\$ (3.27)	\$ (3.30)	\$ (2.71)	\$ (2.30)	\$ (11.57)	\$ 1.93
Depreciation, depletion & amortization	\$ 4.57	\$ 4.86	\$ 0.27	\$ 0.25	\$ 0.25	\$ 0.25	\$ 1.01	\$ 0.22	\$ 0.23	\$ 0.27	\$ 0.29	\$ 1.02	\$ 0.78
Benefit for income tax	\$ 0.02	\$ 0.05	\$ -	\$ 0.03	\$ -	\$ -	\$ 0.03	\$ -	\$ (0.03)	\$ -	\$ -	\$ (0.03)	\$ -
Interest expense	\$ (0.26)	\$ 9.15	\$ 1.02	\$ 0.48	\$ 0.31	\$ 0.22	\$ 2.02	\$ 0.54	\$ 0.34	\$ 0.30	\$ 0.25	\$ 1.43	\$ 0.14
<b>EBITDA</b>	<b>\$ (32.22)</b>	<b>\$ (40.63)</b>	<b>\$ (4.17)</b>	<b>\$ (1.46)</b>	<b>\$ (3.03)</b>	<b>\$ (3.78)</b>	<b>\$ (12.44)</b>	<b>\$ (2.51)</b>	<b>\$ (2.76)</b>	<b>\$ (2.14)</b>	<b>\$ (1.76)</b>	<b>\$ (9.17)</b>	<b>\$ 2.84</b>
<b>EBITDA Margin (%)</b>	<b>-79.6%</b>	<b>-126.2%</b>	<b>-64.4%</b>	<b>-18.4%</b>	<b>-50.9%</b>	<b>-94.0%</b>	<b>-51.0%</b>	<b>-42.1%</b>	<b>-67.6%</b>	<b>-50.9%</b>	<b>-37.9%</b>	<b>-48.5%</b>	<b>6.6%</b>
Inventory write-down	\$ 0.24	\$ 8.70	\$ 0.43	\$ -	\$ -	\$ -	\$ 0.43	\$ (0.03)	\$ -	\$ -	\$ -	\$ (0.03)	\$ -
Restructuring and impairment	\$ 0.04	\$ (2.42)	\$ (0.03)	\$ (0.30)	\$ (0.02)	\$ (0.11)	\$ (0.46)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Stock based compensation	\$ 5.49	\$ 2.68	\$ 0.18	\$ 0.06	\$ (0.00)	\$ 0.15	\$ 0.38	\$ 0.03	\$ 0.11	\$ 0.11	\$ 0.11	\$ 0.35	\$ 0.68
Change in fair value of derivative liabilities	\$ -	\$ (0.36)	\$ 0.08	\$ (0.54)	\$ (0.02)	\$ (0.08)	\$ (0.56)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Change in fair value of warrant liabilities	\$ -	\$ 0.56	\$ -	\$ (0.32)	\$ (0.10)	\$ (0.07)	\$ (0.49)	\$ 0.16	\$ 0.01	\$ -	\$ -	\$ 0.17	\$ -
<b>Company Reported Adjusted EBITDA</b>	<b>\$ (26.46)</b>	<b>\$ (31.48)</b>	<b>\$ (3.50)</b>	<b>\$ (2.57)</b>	<b>\$ (3.18)</b>	<b>\$ (3.88)</b>	<b>\$ (13.13)</b>	<b>\$ (2.35)</b>	<b>\$ (2.64)</b>	<b>\$ (2.03)</b>	<b>\$ (1.65)</b>	<b>\$ (8.67)</b>	<b>\$ 3.52</b>
<b>Company Reported Adjusted EBITDA Margin (%)</b>	<b>-65.3%</b>	<b>-97.8%</b>	<b>-54.1%</b>	<b>-32.3%</b>	<b>-53.5%</b>	<b>-96.6%</b>	<b>-53.9%</b>	<b>-39.4%</b>	<b>-64.7%</b>	<b>-48.3%</b>	<b>-35.6%</b>	<b>-45.9%</b>	<b>8.2%</b>
Impairment of goodwill	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Gain (Loss) on disposal of assets	\$ (0.37)	\$ 0.07	\$ 0.07	\$ -	\$ -	\$ 0.06	\$ 0.13	\$ -	\$ (0.01)	\$ -	\$ -	\$ (0.01)	\$ -
Impairment of other long-lived assets	\$ 1.49	\$ 3.30	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 0.29	\$ -	\$ -	\$ -	\$ 0.29	\$ -
Acquisition related costs	\$ 1.05	\$ 0.13	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public offering costs	\$ 2.52	\$ 3.26	\$ -	\$ -	\$ 0.32	\$ 0.72	\$ 1.05	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other income, net	\$ 5.08	\$ 10.16	\$ 0.90	\$ 0.28	\$ 0.32	\$ 0.33	\$ 1.83	\$ 0.75	\$ 0.41	\$ -	\$ -	\$ 1.16	\$ -
Interest on trade accounts receivable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>EmergingGrowth.com Adjusted EBITDA</b>	<b>\$ (16.70)</b>	<b>\$ (14.56)</b>	<b>\$ (2.54)</b>	<b>\$ (2.29)</b>	<b>\$ (2.54)</b>	<b>\$ (2.77)</b>	<b>\$ (10.13)</b>	<b>\$ (1.31)</b>	<b>\$ (2.24)</b>	<b>\$ (2.03)</b>	<b>\$ (1.65)</b>	<b>\$ (7.23)</b>	<b>\$ 3.52</b>
<b>EmergingGrowth.com Adjusted EBITDA Margin (%)</b>	<b>-41.2%</b>	<b>-45.2%</b>	<b>-39.3%</b>	<b>-28.8%</b>	<b>-42.7%</b>	<b>-68.9%</b>	<b>-41.5%</b>	<b>-22.0%</b>	<b>-54.9%</b>	<b>-48.3%</b>	<b>-35.6%</b>	<b>-38.3%</b>	<b>8.2%</b>

22nd Century Group, Inc.  
 Nasdaq: XXII  
 Cash Flow Statement  
 \$ in Millions

	2022 Actual	2023 Actual	2024 Actual					2025 Estimated					2026 Est.
	Fiscal 2022A	Fiscal 2023A	1QA Mar-24	2QA Jun-24	3QA Sep-24	4QA Dec-24	Fiscal 2024A	1QA Mar-25	2QA Jun-25	3QE Sep-25	4QE Dec-25	Fiscal 2025E	Fiscal 2026E
Net income	\$ (59.80)	\$ (140.78)	\$ (5.74)	\$ (1.11)	\$ (3.76)	\$ (4.55)	\$ (15.16)	\$ (4.33)	\$ (3.41)	\$ (2.71)	\$ (2.30)	\$ (12.74)	\$ 1.93
Stock-based compensation	\$ 5.49	\$ 2.68	\$ 0.18	\$ 0.06	\$ (0.00)	\$ 0.15	\$ 0.38	\$ 0.03	\$ 0.11	\$ 0.11	\$ 0.11	\$ 0.35	\$ 0.68
Depreciation, depletion and amortization	\$ 4.57	\$ 4.86	\$ 0.27	\$ 0.25	\$ 0.25	\$ 0.25	\$ 1.01	\$ 0.22	\$ 0.37	\$ 0.27	\$ 0.29	\$ 1.15	\$ 0.78
Bad debt expense	\$ 0.77	\$ 1.02	\$ 0.00	\$ 0.01	\$ (0.00)	\$ -	\$ 0.00	\$ 0.51	\$ (0.00)	\$ 0.00	\$ 0.00	\$ 0.51	\$ 0.00
Gain/(loss) on disposal of property and equipment	\$ (0.37)	\$ 0.07	\$ 0.07	\$ -	\$ -	\$ 0.06	\$ 0.13	\$ -	\$ (0.01)	\$ -	\$ -	\$ (0.01)	\$ -
Gain from sale of equipment damaged or lost	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Inventory write-down	\$ 0.24	\$ 8.70	\$ 0.43	\$ -	\$ -	\$ -	\$ 0.43	\$ (0.03)	\$ (0.21)	\$ -	\$ -	\$ (0.24)	\$ -
Change in fair value of derivative liabilities	\$ -	\$ (0.36)	\$ 0.08	\$ (0.54)	\$ (0.02)	\$ (0.08)	\$ (0.56)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Change in fair value of warrant liabilities	\$ -	\$ 0.56	\$ -	\$ (0.32)	\$ (0.10)	\$ (0.07)	\$ (0.49)	\$ 0.16	\$ (0.16)	\$ -	\$ -	\$ -	\$ -
Restructuring and impairment	\$ 0.04	\$ (2.42)	\$ (0.03)	\$ (0.30)	\$ (0.02)	\$ -	\$ (0.35)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Impairment of goodwill	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Loss (gain) on sale of business	\$ 2.79	\$ 58.52	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Impairment of other long-lived assets	\$ 1.49	\$ 3.30	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 0.29	\$ -	\$ -	\$ -	\$ 0.29	\$ -
Deferred income taxes	\$ (0.43)	\$ 0.43	\$ -	\$ -	\$ -	\$ 0.01	\$ 0.01	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other	\$ 5.08	\$ 10.16	\$ 0.90	\$ 0.28	\$ 0.32	\$ 0.33	\$ 1.83	\$ 0.75	\$ 0.41	\$ -	\$ -	\$ 1.16	\$ -
Subtotal	\$ (40.14)	\$ (53.25)	\$ (3.84)	\$ (1.69)	\$ (3.34)	\$ (3.90)	\$ (12.77)	\$ (2.39)	\$ (2.91)	\$ (2.33)	\$ (1.90)	\$ (9.53)	\$ 3.38
Accounts receivable, net - decrease (increase)	\$ (2.88)	\$ (0.02)	\$ (0.08)	\$ (0.71)	\$ 0.67	\$ 0.09	\$ (0.03)	\$ (2.64)	\$ 0.79	\$ -	\$ -	\$ (1.85)	\$ -
Receivables from related parties - decrease (increase)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (0.25)	\$ -	\$ -	\$ (0.25)	\$ -
Inventories - decrease (increase)	\$ (8.79)	\$ (5.93)	\$ 1.03	\$ 0.23	\$ 0.32	\$ 0.33	\$ 1.90	\$ (0.51)	\$ 0.51	\$ -	\$ -	\$ -	\$ -
Pre-paid expenses and other assets - decrease (increase)	\$ (0.92)	\$ 0.45	\$ 0.49	\$ (1.03)	\$ 0.83	\$ (0.13)	\$ 0.16	\$ (0.49)	\$ (1.18)	\$ -	\$ -	\$ (1.67)	\$ -
Accounts payable - decrease (increase)	\$ 0.42	\$ 4.75	\$ 0.63	\$ (0.61)	\$ (0.49)	\$ (0.71)	\$ (1.17)	\$ 0.36	\$ (0.62)	\$ -	\$ -	\$ (0.27)	\$ -
Payables to related parties - decrease (increase)	\$ 0.75	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued expenses and other liabilities - decrease (increase)	\$ (0.14)	\$ (1.00)	\$ (0.48)	\$ (0.91)	\$ (0.97)	\$ (0.14)	\$ (2.49)	\$ 2.70	\$ 0.18	\$ -	\$ -	\$ 2.89	\$ -
Income taxes payable - decrease (increase)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Operating Activities - Net Cash Flow</b>	<b>\$ (51.71)</b>	<b>\$ (54.99)</b>	<b>\$ (2.26)</b>	<b>\$ (4.72)</b>	<b>\$ (2.98)</b>	<b>\$ (4.46)</b>	<b>\$ (14.403)</b>	<b>\$ (2.98)</b>	<b>\$ (3.48)</b>	<b>\$ (2.33)</b>	<b>\$ (1.90)</b>	<b>\$ (10.68)</b>	<b>\$ 3.38</b>
Purchases of property and equipment	\$ (5.73)	\$ (5.62)	\$ (0.01)	\$ (0.06)	\$ (0.07)	\$ (0.02)	\$ (0.16)	\$ (0.06)	\$ (0.04)	\$ (0.25)	\$ (0.25)	\$ (0.60)	\$ (1.00)
Business divestitures, net of cash transferred	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Purchases of property and equipment from related parties	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions to equity investee	\$ (0.68)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (0.68)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Proceeds from disposal of P&E, discontinued operations, and insurance proceeds	\$ 0.41	\$ 4.19	\$ 0.02	\$ -	\$ -	\$ -	\$ 0.02	\$ -	\$ 0.77	\$ -	\$ -	\$ 0.77	\$ -
Purchase of short-term investment, net	\$ 28.58	\$ 18.24	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Investing Activities - Net Cash Flow</b>	<b>\$ 22.58</b>	<b>\$ 16.82</b>	<b>\$ 0.02</b>	<b>\$ (0.06)</b>	<b>\$ (0.07)</b>	<b>\$ (0.02)</b>	<b>\$ (0.14)</b>	<b>\$ (0.06)</b>	<b>\$ 0.73</b>	<b>\$ (0.25)</b>	<b>\$ (0.25)</b>	<b>\$ 0.17</b>	<b>\$ (1.00)</b>
Borrowings on long-term debt	\$ (1.66)	\$ (3.22)	\$ -	\$ 0.33	\$ (0.31)	\$ -	\$ 0.02	\$ -	\$ 1.02	\$ -	\$ -	\$ 1.02	\$ -
Borrowings on long-term debt - related parties	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Repayments of long-term debt	\$ -	\$ (9.70)	\$ (0.55)	\$ 0.30	\$ (0.42)	\$ (0.95)	\$ (1.62)	\$ (0.25)	\$ (1.40)	\$ -	\$ -	\$ (1.66)	\$ (3.80)
Proceeds from financing transaction	\$ 35.00	\$ 53.81	\$ 2.25	\$ 3.91	\$ 8.16	\$ 5.17	\$ 19.49	\$ -	\$ 5.08	\$ 3.00	\$ 4.60	\$ 12.68	\$ 2.00
Proceeds from sale/leaseback transaction	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Payments on sale/leaseback transaction	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Dividends paid	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Principal payments on financing leases/notes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Stock/debt issuance costs	\$ (2.52)	\$ (3.26)	\$ -	\$ -	\$ (0.32)	\$ (0.72)	\$ (1.05)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other	\$ (0.00)	\$ (0.42)	\$ (0.00)	\$ -	\$ -	\$ -	\$ (0.00)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Financing Activities - Net Cash Flow</b>	<b>\$ 30.82</b>	<b>\$ 37.21</b>	<b>\$ 1.70</b>	<b>\$ 4.54</b>	<b>\$ 7.11</b>	<b>\$ 3.50</b>	<b>\$ 16.85</b>	<b>\$ (0.25)</b>	<b>\$ 4.70</b>	<b>\$ 3.00</b>	<b>\$ 4.60</b>	<b>\$ 12.04</b>	<b>\$ (1.80)</b>
Exchange rate effect	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Cash and Equivalents - Change</b>	<b>\$ 1.68</b>	<b>\$ (0.96)</b>	<b>\$ (0.54)</b>	<b>\$ (0.24)</b>	<b>\$ 4.06</b>	<b>\$ (0.98)</b>	<b>\$ 2.31</b>	<b>\$ (3.29)</b>	<b>\$ 1.95</b>	<b>\$ 0.42</b>	<b>\$ 2.45</b>	<b>\$ 1.53</b>	<b>\$ 0.58</b>
Cash Beginning	\$ 1.34	\$ 3.02	\$ 2.06	\$ 1.52	\$ 1.28	\$ 5.34	\$ 2.06	\$ 4.42	\$ 1.13	\$ 3.08	\$ 3.50	\$ 4.42	\$ 5.95
Cash End	\$ 3.02	\$ 2.06	\$ 1.52	\$ 1.28	\$ 5.34	\$ 4.42	\$ 4.42	\$ 1.13	\$ 3.08	\$ 3.50	\$ 5.95	\$ 5.95	\$ 6.54

22nd Century Group, Inc.  
 Nasdaq: XXII  
 Balance Sheet  
 \$ in Millions

	2022 Actual	2023 Actual	2024 Actual				2025 Estimated				2026 Est.		
	Fiscal 2022A *	Fiscal 2023A	1QA Mar-24	2QA Jun-24	3QA Sep-24	4QA Dec-24	Fiscal 2024A	1QA Mar-25	2QA Jun-25	3QE Sep-25	4QE Dec-25	Fiscal 2025E	Fiscal 2026E
Cash & equivalents	\$ 3.02	\$ 2.06	\$ 1.52	\$ 1.28	\$ 5.34	\$ 4.42	\$ 4.42	\$ 1.13	\$ 3.08	\$ 3.50	\$ 5.95	\$ 5.95	\$ 6.54
Short term investments	\$ 18.19	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts receivable, net	\$ 1.36	\$ 3.67	\$ 3.75	\$ 2.95	\$ 2.28	\$ 2.20	\$ 2.20	\$ 4.32	\$ 3.54	\$ 3.54	\$ 3.54	\$ 3.54	\$ 3.54
Insurance recoveries	\$ -	\$ 3.77	\$ 3.77	\$ 3.77	\$ 3.77	\$ 0.77	\$ 0.77	\$ 0.77	\$ -	\$ -	\$ -	\$ -	\$ -
Inventories	\$ 7.27	\$ 4.35	\$ 2.89	\$ 2.66	\$ 2.34	\$ 2.02	\$ 2.02	\$ 2.56	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50
Pre-paid expenses/Other current assets	\$ 1.93	\$ 1.18	\$ 0.70	\$ 1.77	\$ 0.98	\$ 1.07	\$ 1.07	\$ 1.56	\$ 2.74	\$ 2.74	\$ 2.74	\$ 2.74	\$ 2.74
Current assets of discontinued operations held for sale	\$ 12.83	\$ 1.25	\$ 1.09	\$ 1.06	\$ 1.05	\$ 1.05	\$ 1.05	\$ 0.76	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total Current Assets</b>	<b>\$ 44.61</b>	<b>\$ 16.28</b>	<b>\$ 13.71</b>	<b>\$ 13.48</b>	<b>\$ 15.76</b>	<b>\$ 11.52</b>	<b>\$ 11.52</b>	<b>\$ 11.10</b>	<b>\$ 11.87</b>	<b>\$ 12.29</b>	<b>\$ 14.74</b>	<b>\$ 14.74</b>	<b>\$ 15.32</b>
Property & equipment, net	\$ 3.69	\$ 3.39	\$ 3.24	\$ 3.09	\$ 2.97	\$ 2.77	\$ 2.77	\$ 2.66	\$ 2.57	\$ 2.68	\$ 2.79	\$ 2.79	\$ 3.40
Operating lease right-of-use assets	\$ 0.94	\$ 1.89	\$ 1.83	\$ 1.77	\$ 1.71	\$ 1.64	\$ 1.64	\$ 1.57	\$ 1.50	\$ 1.50	\$ 1.50	\$ 1.50	\$ 1.50
Intangible assets, net	\$ 7.21	\$ 5.92	\$ 5.82	\$ 5.73	\$ 5.73	\$ 5.72	\$ 5.72	\$ 6.11	\$ 6.43	\$ 6.29	\$ 6.15	\$ 6.15	\$ 5.76
Other non-current assets	\$ 3.42	\$ 0.02	\$ 0.02	\$ 0.02	\$ 0.02	\$ 0.02	\$ 0.02	\$ 0.02	\$ 0.02	\$ 0.02	\$ 0.02	\$ 0.02	\$ 0.02
Noncurrent assets of discontinued operations held for sale	\$ 54.78	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>TOTAL ASSETS</b>	<b>\$ 114.65</b>	<b>\$ 27.50</b>	<b>\$ 24.62</b>	<b>\$ 24.09</b>	<b>\$ 26.18</b>	<b>\$ 21.67</b>	<b>\$ 21.67</b>	<b>\$ 21.46</b>	<b>\$ 22.38</b>	<b>\$ 22.78</b>	<b>\$ 25.20</b>	<b>\$ 25.20</b>	<b>\$ 26.00</b>
Accounts payable	\$ 2.05	\$ 4.45	\$ 5.05	\$ 3.89	\$ 3.10	\$ 2.40	\$ 2.40	\$ 3.09	\$ 2.89	\$ 2.89	\$ 2.89	\$ 2.89	\$ 2.89
Deferred Income	\$ 0.69	\$ 0.73	\$ 0.38	\$ 0.39	\$ 0.05	\$ -	\$ -	\$ 0.08	\$ 0.26	\$ 0.26	\$ 0.26	\$ 0.26	\$ 0.26
Accrued expenses	\$ 4.85	\$ 8.21	\$ 8.21	\$ 7.46	\$ 7.48	\$ 4.15	\$ 4.15	\$ 6.95	\$ 6.45	\$ 6.45	\$ 6.45	\$ 6.45	\$ 6.45
Short-term operating lease obligations	\$ 0.25	\$ 0.23	\$ 0.24	\$ 0.25	\$ 0.25	\$ 0.26	\$ 0.26	\$ 0.27	\$ 0.28	\$ 0.28	\$ 0.28	\$ 0.28	\$ 0.28
Current portion of long term debt and notes payable	\$ 0.69	\$ 6.39	\$ 6.58	\$ 2.38	\$ 2.07	\$ 1.75	\$ 1.75	\$ 3.93	\$ 3.86	\$ 3.86	\$ 3.86	\$ 3.86	\$ -
Current liabilities of discontinued operations held for sale	\$ 4.14	\$ 3.19	\$ 3.15	\$ 1.40	\$ 1.30	\$ 1.28	\$ 1.28	\$ 0.86	\$ 0.46	\$ 0.46	\$ 0.46	\$ 0.46	\$ 0.46
Other current liabilities	\$ 0.35	\$ 1.85	\$ 1.67	\$ 0.31	\$ 0.19	\$ 0.12	\$ 0.12	\$ 1.22	\$ 1.20	\$ 1.20	\$ 1.20	\$ 1.20	\$ 1.20
<b>Total Current Liabilities</b>	<b>\$ 13.02</b>	<b>\$ 25.03</b>	<b>\$ 25.26</b>	<b>\$ 16.07</b>	<b>\$ 14.44</b>	<b>\$ 9.96</b>	<b>\$ 9.96</b>	<b>\$ 16.40</b>	<b>\$ 15.39</b>	<b>\$ 15.39</b>	<b>\$ 15.39</b>	<b>\$ 15.39</b>	<b>\$ 11.54</b>
Long-term debt, net of current portion	\$ -	\$ 8.06	\$ 8.14	\$ 6.05	\$ 5.53	\$ 5.17	\$ 5.17	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Long-term operating lease liability	\$ 0.71	\$ 1.70	\$ 1.64	\$ 1.57	\$ 1.51	\$ 1.44	\$ 1.44	\$ 1.36	\$ 1.29	\$ 1.29	\$ 1.29	\$ 1.29	\$ 1.29
Noncurrent liabilities of discontinued operations held for sale	\$ 4.60	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Other long-term liabilities	\$ 0.34	\$ 1.12	\$ 1.21	\$ 1.36	\$ 1.23	\$ 1.10	\$ 1.10	\$ 0.07	\$ 0.07	\$ 0.07	\$ 0.07	\$ 0.07	\$ 0.07
<b>TOTAL LIABILITIES</b>	<b>\$ 18.68</b>	<b>\$ 35.91</b>	<b>\$ 36.24</b>	<b>\$ 25.04</b>	<b>\$ 22.71</b>	<b>\$ 17.66</b>	<b>\$ 17.66</b>	<b>\$ 17.83</b>	<b>\$ 16.75</b>	<b>\$ 16.75</b>	<b>\$ 16.75</b>	<b>\$ 16.75</b>	<b>\$ 12.90</b>
Common Stock	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Additional Paid-in Capital (adjusted for projection error)	\$ 333.90	\$ 370.30	\$ 372.82	\$ 384.60	\$ 392.79	\$ 397.88	\$ 397.88	\$ 401.82	\$ 407.24	\$ 410.35	\$ 415.07	\$ 415.07	\$ 417.81
Retained Earnings	\$ (237.81)	\$ (378.71)	\$ (384.45)	\$ (385.56)	\$ (389.32)	\$ (393.87)	\$ (393.87)	\$ (398.20)	\$ (401.61)	\$ (404.31)	\$ (406.62)	\$ (406.62)	\$ (404.69)
Accumulated Comprehensive Income/(Loss)	\$ (0.11)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Less: Treasury Stock	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>TOTAL EQUITY</b>	<b>\$ 95.98</b>	<b>\$ (8.41)</b>	<b>\$ (11.62)</b>	<b>\$ (0.95)</b>	<b>\$ 3.47</b>	<b>\$ 4.01</b>	<b>\$ 4.01</b>	<b>\$ 3.63</b>	<b>\$ 5.63</b>	<b>\$ 6.03</b>	<b>\$ 8.45</b>	<b>\$ 8.45</b>	<b>\$ 13.11</b>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>\$ 114.65</b>	<b>\$ 27.50</b>	<b>\$ 24.62</b>	<b>\$ 24.09</b>	<b>\$ 26.18</b>	<b>\$ 21.67</b>	<b>\$ 21.67</b>	<b>\$ 21.46</b>	<b>\$ 22.38</b>	<b>\$ 22.79</b>	<b>\$ 25.20</b>	<b>\$ 25.20</b>	<b>\$ 26.01</b>

**22nd Century Group, Inc.**  
**Nasdaq: XXII**  
**Discounted Cash Flow Model (DCF)**  
 (\$ in millions, except per share)

Estimates:	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	Terminal Value
Revenue	\$ 18.89	\$ 42.81	\$ 71.87	\$ 100.25	\$ 130.33	\$ 162.91	\$ 195.49	\$ 224.81	\$ 247.29	\$ 259.66	
Operating Income	\$ (10.01)	\$ 2.07	\$ 9.09	\$ 20.63	\$ 32.58	\$ 40.73	\$ 48.87	\$ 56.20	\$ 61.82	\$ 64.91	
Less: Taxes (benefit)	\$ (0.03)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 17.59	\$ 20.23	\$ 22.26	\$ 23.37	
<b>NOPAT</b>	<b>\$ (9.97)</b>	<b>\$ 2.07</b>	<b>\$ 9.09</b>	<b>\$ 20.63</b>	<b>\$ 32.58</b>	<b>\$ 40.73</b>	<b>\$ 31.28</b>	<b>\$ 35.97</b>	<b>\$ 39.57</b>	<b>\$ 41.55</b>	
Add: Depreciation & Amortization	\$ 1.15	\$ 0.78	\$ 1.43	\$ 1.53	\$ 1.95	\$ 2.44	\$ 2.93	\$ 3.37	\$ 3.71	\$ 3.89	
Add: Changes in NWC	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Less: Capital Expenditures	\$ (0.17)	\$ 1.00	\$ 2.00	\$ 2.00	\$ 2.61	\$ 3.26	\$ 3.91	\$ 4.50	\$ 4.95	\$ 5.19	
<b>Free Cash Flow</b>	<b>\$ (8.65)</b>	<b>\$ 1.84</b>	<b>\$ 8.52</b>	<b>\$ 20.16</b>	<b>\$ 31.93</b>	<b>\$ 39.91</b>	<b>\$ 30.30</b>	<b>\$ 34.85</b>	<b>\$ 38.33</b>	<b>\$ 40.25</b>	<b>\$ 147.62</b>
Discount Period - Months	4.00	16.00	28.00	40.00	52.00	64.00	76.00	88.00	100.00	112.00	112.00
Discount Period - Years	0.33	1.33	2.33	3.33	4.33	5.33	6.33	7.33	8.33	9.33	9.33
Discount Factor	0.91	0.70	0.53	0.41	0.31	0.24	0.18	0.14	0.10	0.08	0.08
<b>Present Value of FCF</b>	<b>\$ (7.90)</b>	<b>\$ 1.28</b>	<b>\$ 4.53</b>	<b>\$ 8.18</b>	<b>\$ 9.88</b>	<b>\$ 9.42</b>	<b>\$ 5.46</b>	<b>\$ 4.79</b>	<b>\$ 4.02</b>	<b>\$ 3.22</b>	<b>\$ 11.81</b>

**Growth Rate Assumptions:**

Revenue (2029 - 2034 / 5% step-down)	35.0%
Stable Free Cash Flow Growth Rate (g)	3.00%
Discount Rate (WACC)	31.08%

**Margin Assumptions:**

Operating Income Margin (Long-term)	25.0%
D&A as a % of sales	1.5%
Taxes	36.0%
Changes in NWC	0.0%
Capex as a % of sales	2.0%

**Valuation:**

Shares Outstanding (millions)	10.300	Inclusive of warrant exercise (100%)
PV of FCF (\$ mil)	\$ 42.88	
PV of Terminal Value (\$ mil)	\$ 11.81	
Enterprise Value (\$ mil)	\$ 54.69	
less: Debt (net of cash, \$ mil)	\$ 3.80	
less: Minority Interest	\$ -	
Estimated Total Value of Equity	\$ 50.89	
<b>Estimated Equity Value per Share</b>	<b>\$ 4.94</b>	

**Terminal Value Sensitivity Analysis:**

Discount Rate	Terminal Growth Rate				
	1.0%	2.0%	3.0%	4.0%	5.0%
30.1%	139.78	146.19	153.07	160.48	168.49
30.6%	137.41	143.63	150.30	157.47	165.19
31.1%	135.13	141.16	147.62	154.56	162.03
31.6%	132.92	138.78	145.04	151.76	158.98
32.1%	130.78	136.47	142.55	149.05	156.04