

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

September 30, 2025

Price (as of close Sept. 29, 2025)

\$1.63

12- Month Target Price

\$7.00

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	\$4.61 – \$652.05
Shares Outstanding *	7.0 mil
Insider / Institutional	0%/0%
Public Float	Effectively 100%
Market Capitalization *	\$11.4 mil
Total Debt	\$0.0 mil
Debt / MV Equity *	0%
ROE (LTM)	NM
Book Value / Share	NM
Daily Volume (90-day)	2.0 mil
Fwd. Div. & Yield	NM

* Does not reflect potential warrant conversion (i.e., 12.2 million shares) and preferred share conversion (i.e., 4.4 million shares)

EMERGING *Growth* Research

Rebound Pending PLUS Cash Rich for the First Time:

Coming on the heels of a recent preferred shares issuance, XXII recently announced two additional material events: repayment of all remaining dilutive debt and settlement of a long-term legal case resulting in an additional pending \$9.5mn in cash injection. Accordingly, the Company is now cash rich with no debt (for the first time) just as the VLN® re-launch begins to gain shipment traction. New management, who restructured XXII in 2024, is now re-focused on 2025/26 growth of higher-margin branded-CMO and VLN®. Management continues to expect EBITDA breakeven in Q2:26 on revamped marketing, growth in VLN®, and expense discipline. Moreover, with its new zero-debt/cash rich status, no more additional share issuance is expected, and bankruptcy risk premium has disappeared. That said, there remains material dilutive warrant and preferred shares conversion potential, though those issues are likely already in the price. Upside is strong based on a DCF analysis relative to long-term hammered XXII shares. **We remain bullish on XXII and maintain a Buy-Emerging rating with an accordingly upgraded \$7.00 price target (previously \$5.00) on reduced risk premiums.**



Key Risks

- Revenue growth is dependent on VLN® re-launch shipments/sales follow-through, offsetting continued rightsizing in CMO business, as XXII re-focuses CMO on the portion of that business that is higher-margin, branded contracts. Should VLN® growth be delayed, Q2:26 EBITDA breakeven will not occur. Nonetheless, the Company now has ample net cash that should offset cash burn, going forward.
- Warrant conversion (12.2 million shares equivalent) and preferred shares conversion (4.4 million shares) are materially dilutive events, though issues are likely reflected in the price. Any related market share sales will be short-term headwind, however.

Valuation

- VLN® is now shipping to new customers, with follow-through in Q4:25 that could well catalyze XXII's new growth stance and reveal the undervaluation of shares.
- Shares are still beaten down, reflecting prior concerns about cash burn and share dilution, both of which have now been mitigated, though news flow will potentially continue to be negative in the coming quarter. Partial offset: even more cash injection if warrants convert (e.g., estimated up to \$18 million additional cash potential).
- XXII is now cash rich (for the first time) following recent preferred shares issuance, full debt repayment, and settlement of a legal case resulting in a \$9.5 million cash injection in the next 45 days. Cash on hand is now effectively \$10+ million – with no debt. This result is a step-function improvement just as VLN® relaunch rollout is occurring.

Important Disclosures

Emerging Growth.com ("EG") is a publisher and distributor of branded investment research reports provided by Emerging Growth Research LLC ("EGR Report") focused on both public and private companies. This report was prepared for institutional and professional investors ONLY and it is also known as Company Sponsored Research ("CSR"). Collectively, however ("EGR Report(s)").

Be advised that this EGR Report is being provided by Emerging Growth Research LLC (EGR) solely for informational purposes, is not the opinion of EG, should not be construed as an offer or solicitation to buy or sell securities, and should not be considered in any decision to buy or sell any security mentioned within the EGR Reports. All information contained in the EGR Report as well as on the EmergingGrowth.com website is obtained from sources believed to be reliable but not guaranteed to be accurate or all-inclusive, timely, or correct. The information includes certain forward-looking statements, which may be affected by unforeseen circumstances and / or certain risks. Because EGR is compensated as detailed herein and EG receives Licensing fees from EGR, as also detailed herein, EG and EGR have a conflict of interest and strongly urge you to consult your own independent financial, investment, tax and legal advisors prior to purchasing or selling any securities mentioned herein.

The analyst that has prepared and is responsible for the content of this report has stated that neither he/she, nor any of his/her associates both professional and personal, to the best of his/her knowledge have no personal or professional relationship with any of the companies or principals of any companies mentioned within, other than providing services that EGR may offer.

EGR is being compensated by the subject Company of this report. EGR was paid \$30,000 dollars and expects to receive an additional \$6,000 dollars over the following two months. EGR may have also received additional past compensation, EGR may receive future compensation, and EG may receive compensation for additional services such as presenting on the Emerging Growth Conference or investor or public relations services, details about which can be found in the full disclosure, here: (<https://EmergingGrowth.com/xxii-egr-report-disclosure/>).

It is the intent of EGR to provide continuing coverage on a quarterly basis, or otherwise for the subject Company of this report; however, EGR or EG will not notify readers of this report if coverage by EGR, for any reason, is terminated.

The reader or user of this content agrees that neither EGR and / or EG nor the analysts, directors, officers, employees, representatives, independent contractors, agents, or affiliates of EGR and EG shall be liable or held liable for any omissions, errors or inaccuracies, regardless of cause, foreseeability, or the lack of timeliness of this or any of our other reports to users. This lack of liability extends to direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, losses, lost income, lost profit, or opportunity costs.

Again, all information contained herein should be independently verified by your own research and your own independent financial, investment, tax, and legal advisors prior to purchasing or selling any securities mentioned herein.

In addition to the specific disclosures mentioned herein, you are encouraged to read our general disclosure here: EmergingGrowth.com/Disclosure.

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.

© Copyright 2025 Emerging Growth Research LLC

No part of this material may be copied, photocopied, or duplicated in any form by any means or redistributed without the prior written consent of Emerging Growth Research LLC.

5-Year Chart

US:XXII

