

Pasithea Therapeutics Corp. (KTTA)

COMPANY UPDATE

June 22, 2022

KTTA: Expands Preclinical Pipeline

We reiterate our Buy rating on KTTA. This morning, KTTA announced the acquisition of privately held Alpha-5 Integrin, LLC. Alpha-5 is developing proprietary monoclonal antibodies (mAbs) for the treatment of amyotrophic lateral sclerosis (ALS) and other neuroinflammatory disorders including multiple sclerosis (MS).

Disciplined transaction, brings blue-chip healthcare investor into the fold. Despite its considerable cash position (\$50M at the end of 1Q22), KTTA did not deploy capital towards the acquisition, acquiring Alpha-5 for 3.26M shares of KTTA common stock and 1M warrants (at an enterprise value of \$3.75M). Alpha-5 was backed by PBM Capital, a well-known, dedicated healthcare investment firm. Paul Manning, Chairman and CEO of PBM, will own roughly 10% of KTTA. Professor Larry Steinman, Chairman of KTTA, was a minority owner of Alpha-5, so we believe the company had strong first-hand knowledge of the platform. We remind investors that Steinman's work was the foundation behind the discovery of natalizumab (Tysabri), an anti-alpha 4 integrin mAb.

Novel approach with promising preclinical data. Alpha-5 had been studying alpha-5 integrin antibodies in the treatment of ALS and potentially other neuroinflammatory conditions, including MS. The company had completed post-mortem studies and analyzed behavior and survival in the superoxide dismutase 1 (SOD1) ALS mouse model (the results of which were published in *Nature Neuroscience*). KTTA expects to file an investigative new drug application for ALS by the end of 2023, and expects its ALS candidate to have orphan drug designation (the condition affects fewer than 30K in the United States). There is high unmet need in ALS, given limited treatment options and high mortality (roughly 50% of those affected die within two years of diagnosis).

Burgeoning preclinical pipeline. The acquisition adds to KTTA's existing pipeline, which already includes programs for the treatment of both bipolar disorder and schizophrenia, as well as a novel tolerizing vaccine for MS.

Adjusting estimates. Given the share dilution associated with the transaction, we are lowering our price target to \$2.50 from \$3.00 (derived by applying a 3x multiple against our 2023 revenue estimate).

Risks. The company has generated minimal revenue from its service business. Capital could be deployed towards higher-risk, pre-clinical drug candidates that may not successfully advance through human clinical trials. Execution risk: running a dual biopharma-services business. The market for ketamine therapy is still emerging and KTTA's strategy relies in part upon finding cash-paying customers. Risk of

Constantine Davides, CFA
cdavides@efhuttongroup.com

MARKET DATA

Rating	Buy
Price Target	\$2.50
Price	\$0.97
Average Daily Volume	143
Market Cap (\$M)	\$22.6
Enterprise Value (\$M)	\$(27.1)
Dividend Yield	0.0%

ESTIMATES

	2021A	2022E
Revenue Q1	0.0	0.0
(\$M) prev:	-	0.3
--		
Q2	0.0	0.5
Q3	0.0	0.8
Q4	0.0	1.0
FY	0.0	2.3
prev:	-	2.5
EBITDA Q1	(0.5)	(2.3)
-- prev:	-	(1.5)
Q2	(0.4)	(2.5)
prev:	-	(1.2)
Q3	(1.3)	(2.5)
prev:	-	(1.2)
Q4	(1.8)	(2.4)
prev:	-	(1.2)
FY	(4.0)	(9.7)
prev:	-	(5.2)

One Year Performance Chart



Please see analyst certification and important disclosures on page 4 of this report.

adverse patient outcomes or increased regulatory oversight within the ketamine services business.

Exhibit 1. KTTA Income Statement (\$M)

	1Q	2Q	3Q	4Q	2021	1QA	2Q	3Q	4Q	2022E
Revenue			-	0.0	0.0	0.0	0.5	0.8	1.0	2.3
Cost of revenue				0.0	0.0	0.0	0.3	0.4	0.5	1.3
SG&A	0.5	0.7	1.3	2.0	4.5	2.4	2.5	2.5	2.5	9.9
R&D		-	-	-	-		0.3	0.5	0.5	1.3
EBIT	(0.5)	(0.7)	(1.3)	(2.0)	(4.5)	(2.4)	(2.6)	(2.7)	(2.5)	(10.2)
Chng in FV of warr liab			(0.3)	2.6	2.3	0.8				0.8
Gain on forgiveness of AP						0.0				0.0
Interest (expense)			(0.0)	-	(0.0)					-
Other income TOTAL	-	-	(0.3)	2.6	2.3	0.8	-	-	-	0.8
Income before taxes	(0.5)	(0.7)	(1.5)	0.6	(2.2)	(1.6)	(2.6)	(2.7)	(2.5)	(9.4)
Benefit from taxes			-		-					-
Net income	(0.5)	(0.7)	(1.5)	0.6	(2.2)	(1.6)	(2.6)	(2.7)	(2.5)	(9.4)
Diluted EPS	(\$0.07)	(\$0.09)	(\$0.17)	\$0.04	(\$0.21)	(\$0.07)	(\$0.11)	(\$0.10)	(\$0.10)	(\$0.38)
Diluted shares	8.0	8.3	9.0	16.5	10.4047	23.0	23.5	26.3	26.4	24.8
Stock based comp	-	0.3	0.0	0.2	0.5	0.1	0.1	0.1	0.1	0.5
Depreciation						0.0	0.0	0.0	0.0	0.0
Adj EBITDA	(0.5)	(0.4)	(1.3)	(1.8)	(4.0)	(2.3)	(2.5)	(2.5)	(2.4)	(9.7)

Source: Company Documents, EF Hutton Estimates

Important Disclosures

Analyst Certification

I, Constantine Davides, CFA, certify that all of the views expressed in this research report accurately reflect my personal views about the subject security(ies) and subject company(ies). I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this research report.

Company-Specific Disclosures

EF Hutton, division of Benchmark Investments, LLC managed or co-managed a public offering of securities for Pasithea Therapeutics Corp during the past 12 months.

EF Hutton, division of Benchmark Investments, LLC or its affiliates received compensation from Pasithea Therapeutics Corp for investment banking services within the past twelve months, and will seek compensation from the companies mentioned in this report for investment banking services within three months following publication of the research report.

General Disclosures

This report has been produced by EF Hutton, division of Benchmark Investments, LLC and is for informational purposes only. It does not constitute solicitation of the sale or purchase of securities or other investments. The information contained herein is derived from sources that are believed to be reliable. Prices, numbers, and similar data contained herein include past results, estimates, and forecasts, all of which may differ from actual data. These prices, numbers, and similar data may also change without prior notification. This research report does not guarantee future performance, and the information contained herein should be used solely at the discretion and responsibility of the client. Neither EF Hutton nor its affiliates accept any liability or responsibility for any results in connection with the use of such information. This research report does not consider specific financial situations, needs, or investment objectives of any client, and it is not intended to provide tax, legal, or investment advice. Clients are responsible for making final investment decisions and should do so after a careful examination of all documentation delivered prior to execution, explanatory documents pertaining to listed securities, etc., prospectuses, and other relevant documents. EF Hutton and its affiliates may make investment decisions based on this research report. In addition, EF Hutton and its affiliates, as well as employees, may trade in the securities mentioned in this research report, their derivatives, or other securities issued by the same issuing companies in this research report. This research report is distributed by EF Hutton and/or its affiliates. The information contained herein is for client use only.

EF Hutton holds the copyright on this research report. Any unauthorized use or transmission of any part of this research report for any reason, whether by digital, mechanical, or any other means, is prohibited. If you have any questions, please contact your sales representative. Additional information is available upon request.

Certain company names, product and/or service names that appear in this research report are trademarks or registered trademarks of EF Hutton or other companies mentioned in the report.

Copyright 2022 EF HUTTON, division of Benchmark Investments, LLC.

EF Hutton rating definitions are expressed as the total return relative to the expected performance of S&P 500 over a 12-month period.

BUY (B) - Total return expected to exceed S&P 500 by at least 10%

HOLD (H) - Total return expected to be in-line with S&P 500

SELL (S) - Total return expected to underperform S&P 500 by at least 10%

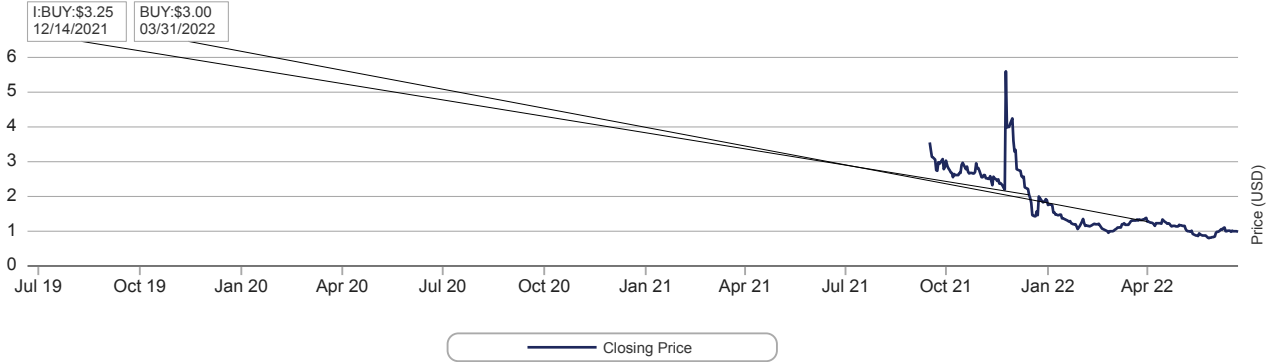
Distribution of Ratings/IB Services

EF Hutton

Rating	Count	Percent	IB Serv./Past 12 Mos.	
			Count	Percent

BUY	69	98.57	30	43.48
HOLD	1	1.43	0	0.00
SELL	0	0.00	0	0.00

Pasithea Therapeutics Corp. Rating History as of 06/21/2022



EF Hutton, division of Benchmark Investments, LLC or its affiliates received compensation from Pasithea Therapeutics Corp for investment banking services within the past twelve months, and will seek compensation from the companies mentioned in this report for investment banking services within three months following publication of the research report.