

**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

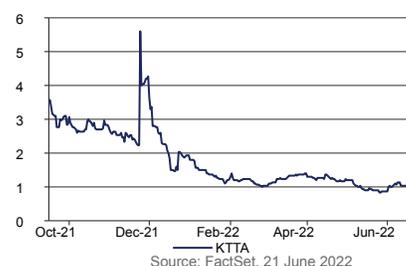
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**MARKET DATA**

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
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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)
<b>Diluted EPS</b>	<b>(\$0.07)</b>	<b>(\$0.09)</b>	<b>(\$0.17)</b>	<b>\$0.04</b>	<b>(\$0.21)</b>	<b>(\$0.07)</b>	<b>(\$0.11)</b>	<b>(\$0.10)</b>	<b>(\$0.10)</b>	<b>(\$0.38)</b>
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
<b>Adj EBITDA</b>	<b>(0.5)</b>	<b>(0.4)</b>	<b>(1.3)</b>	<b>(1.8)</b>	<b>(4.0)</b>	<b>(2.3)</b>	<b>(2.5)</b>	<b>(2.5)</b>	<b>(2.4)</b>	<b>(9.7)</b>

Source: Company Documents, EF Hutton Estimates

## Important Disclosures

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**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%

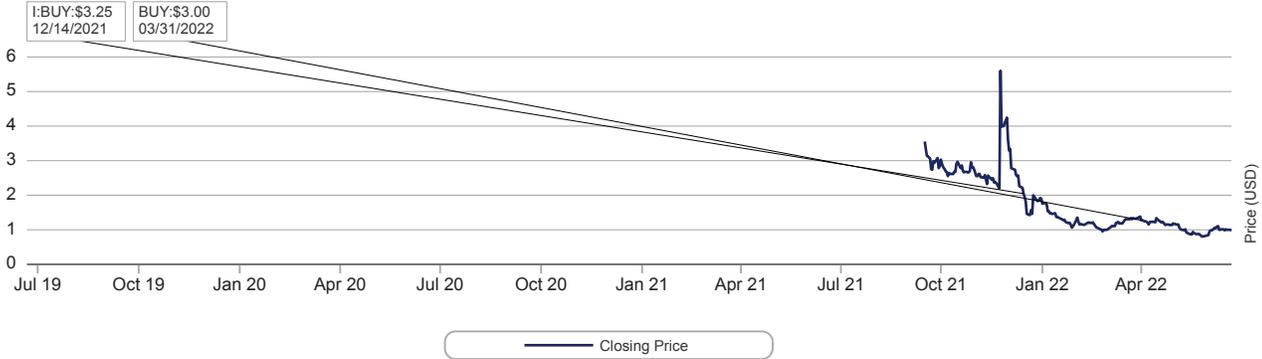
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#### EF Hutton

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

<b>BUY</b>	<b>69</b>	<b>98.57</b>	<b>30</b>	<b>43.48</b>
<b>HOLD</b>	<b>1</b>	<b>1.43</b>	<b>0</b>	<b>0.00</b>
<b>SELL</b>	<b>0</b>	<b>0.00</b>	<b>0</b>	<b>0.00</b>

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



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