Trickle Research

Every raging river, every great lake, every deep blue sea starts … with a trickle

Price Target & Allocation Increase

PERSPECTIVE THERAPEUTICS

Perspective Therapeutics, Inc.

(NYSE American: CATX)

Report Date: 06/17/24

12- 24 month Price Target: *$22.50

Allocation: **5

Closing Stock Price at Initiation (Closing Px: 12/28/23): $4.55

Closing Stock Price at Target Increase (Closing Px: 03/19/24): $11.20

Closing Stock Price at This Target and Allocation Increase (Closing Px: 06/17/24): $10.34

(All prices above reflect the impact of a 1 for 10 reverse stock split on 06/14/24)

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Disclosure: Portions of this report are excerpted from Perspective's filings, website(s), presentations or other public collateral. We have attempted to identify those excerpts by *italicizing* them in the text.

We provided an update on Perspective about 90 days ago (03/19/24), wherein we raised our Price Target to $2.00 (pre-split) from the initiating target of $1.40. Our basis for that call was another acquisition in the space, in this case, the acquisition of Fusion Pharmaceuticals Inc. (Nasdaq: FUSN) by AstraZeneca (NASDAQ: AZN) in a deal valued at $2.4 billion representing a premium of about 3.4X the prevailing market price of FUSN at the time we referenced the comparison (December 2023). In short, we raised our target because conceptually we believe that acquisition makes the eventual acquisition of Perspective (at prices much higher than the prevailing share price of $1.12 at the time) more likely. Readers will need to make up their own minds about the rationale of that conclusion.

However, in that same update, we also noted the following regarding some data points we noted in a prior update:

> *In our last update of 01/10/24, we suggested that the Company's recent success raising capital would likely have a positive impact on some of our original model assumptions around anticipated dilution that would likely lead us to better forward valuation/target assessments. At the time we opted to wait to see the impact of those changes, which we now think we have a better handle on…*

To translate, our original model *projected* that the Company would need to raise approximately $315 million to get to a (presumably successful) definitive clinical conclusion. Obviously, short of a buyout prior to the determination of a "successful definitive clinical conclusion", *a successful definitive clinical conclusion is the overriding risk in the story*. That is, if they fail in the clinic the Company's valuation with reflect that failure. That said, perhaps the second biggest risk in the story, is the Company's ability along the way to raise the $300+ million. Again, presumably, if the capital to complete the necessary clinical trials is not available (in one form or another) then they cannot get to a "successful definitive clinical conclusion".

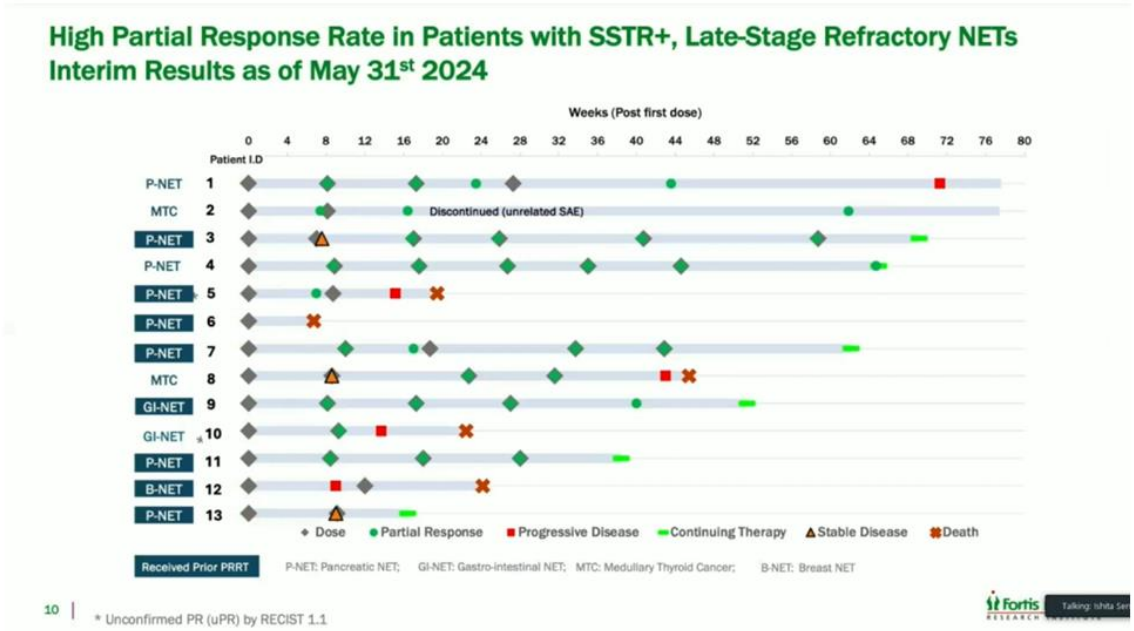
To that end, on May 24, 2024, the Company announced the raising of an additional $80 million at $1.51 per share. That raise combined with prior calendar 2024 raises brought the total to between $240 million and $250 million. Succinctly, our original model contemplated them raising this money *along the way* primarily because that has been our experience of the capital trajectory of most of the small biopharma companies we have seen. For instance, we projected that it would take them until late 2028 to raise a sum similar to $250 million, and collectively with more dilution. For example, our model assumed that their final issued common share count would be something around 750 million shares versus the post raise share count of 675 million shares. Obviously, that has clear *objective positive* implications for our underlying targets/valuations.

The above noted, the company also recently provided an update (as of May 31, 2024) on its compassionate use study treating patients with NETs with the Company's novel VMT-Alpha-NET. Recall, the study involves 13 patients in India. To summarize the update, the study reflects an Objective Response Rate ("ORR") of 8 of 13 or 61.5%, while two additional patients reflected unconfirmed responses, which moved the unconfirmed ORR results to 76.9% (10 of 13). Further, the therapy continues to reflect a favorable safety profile. For the sake of reference, successful/approved oncology treatments such as Merck's (NYSE: MRK) checkpoint inhibitor Keytruda, often reflect ORRs in the 15% to 30% depending on the cancer type, although they are also higher in particular cancers. Our points here, is that VMT-Alpha-NET's demonstrated ORRs through this study have been relatively extraordinary. That said, we recognize this is a very small study, and therefore the statistical significance is limited, but these results are a positive development.

Table 1 below reflects the updated data:

Table 1.

Exhibit 3. Patient Responses Over Time Presented at SNMMI 2024 from the Investigator-sponsored Trial of CATX's VMT-α-NET in Metastatic Neuroendocrine Tumors



Source: CATX Presentation at SNMMI 2024.

The above noted, despite the positive data points provided by the updates to the study, Perspective's shares have been under some pressure over the past 30 days or so:

We are not sure what to make of the compression in the shares, although we would note that it does seem to correlate with the completion of the $80 million financing we referenced above. We must admit, given the collective financing since the beginning of 2024, we were a bit surprised to see this transaction, so it *does not* surprise us that the market might be wondering where the end of the (dilution) might be. As we have suggested, we think capitalizing the Company to a level that eliminates some of the typical risks/concerns around executing/completing clinical trials is on balance positive, however we submit, there is likely some diminishing returns to the notion. We are hoping they are done raising capital for a while.

From another perspective, the Company recently announced (June 11, 2024) and then completed a reverse split of the shares. We have addressed the issue of reverse splits on various occasions in the past, and to recap, we think they are appropriate at times to align the size of the underlying business with that of the share structure, but conceptually, they are of no particular fundamental consequence. We recognize that they are generally perceived as negative, which there are sometimes specific and cogent reasons for, but we have seen plenty of reverse splits that had no enduring negative impact on the shares. We suspect that will be the case here as well, since again, the split involves no negative fundamental impact.

To summarize, while again we are hoping they are done raising money for the foreseeable future, the collective results of the various financing has provided for less future dilution than our initial model suggested, which on the face, with all else remaining the same, provides a basis for better relative future valuation/target assessments. Further, as we have also opined, the cash in the bank also lowers the risk profile associated with having ready access to necessary capital to advance the trials. We would add, since our initiating coverage, we have noted that we thought additional (positive) information from their compassionate use trial in India (referenced above) would be forthcoming, and we thought that information might provide a catalyst of the shares. Obviously that data arrived, it was positive, but so far that "catalyst" has not led to higher share prices, but rather the contrary. Regardless, we remain constructive on results. As a result, of the aforementioned adjustments our model to reflect the noted dilution differences and in conjunction with positive India results, we are raising our price expectations and establishing a new 12-24 month price target of *$22.50. At the same time, given the recent compression in the shares despite the other improving variables we noted, we are also increasing our allocation from 4 to **5.

Projected Operating Model

Perspective Therapeutics, Inc.
Projected Operating Statement
By Trickle Research

	(Actual) 3/31/24	(Estimate) 6/30/24	(Estimate) 9/30/24	(Estimate) 12/31/24	(Estimate) Fiscal 2024	(Estimate) Fiscal 2025
Sales	$ -	$ -	$ -	$ -	$ -	$ -
Grant revenue	$ 325	$ -	$ -	$ -	$ 325	$ -
Total revenue	$ 325	$ -	$ -	$ -	$ 325	$ -
Cost of sales	$ -	$ -	$ -	$ -	$ -	$ -
Gross profit	$ 325	$ -	$ -	$ -	$ 325	$ -
Operating expenses:						
Research and development	$ 7,452	$ 7,504	$ 7,557	$ 7,610	$ 30,122	$ 31,091
Sales and marketing	$ -	$ -	$ -	$ -	$ -	$ -
General and administrative	$ 5,878	$ 5,893	$ 5,907	$ 5,922	$ 23,600	$ 23,837
Change in estimate of asset retirement obligation	$ -	$ -	$ -	$ -	$ -	$ -
Loss on disposal of property and equipment	$ -	$ -	$ -	$ -	$ -	$ -
Total operating expenses	$ 13,330	$ 13,397	$ 13,464	$ 13,532	$ 53,723	$ 54,928
Operating loss	$ (13,005)	$ (13,397)	$ (13,464)	$ (13,532)	$ (53,398)	$ (54,928)
Non-operating income (expense):	$ -	$ -	$ -	$ -		
Interest income	$ 1,211	$ 1,453	$ 1,607	$ 1,535	$ 5,806	$ 5,393
Interest (expense)	$ (29)	$ -	$ -	$ -	$ (29)	$ -
Equity in Loss of Affiliate	$ (2)	$ -	$ -	$ -	$ (2)	$ -
Other income (expense)	$ -	$ -	$ -	$ -	$ -	$ -
Non-operating income, net	$ 1,180	$ 1,453	$ 1,607	$ 1,535	$ 5,775	$ 5,393
Net Loss From Discontinued Ops.	$ (461)	$ -	$ -	$ -	$ (461)	$ -
Gain on Held for Sale	$ 2	$ -	$ -			
Net loss before deferred income tax benefit	$ (12,284)	$ (11,944)	$ (11,857)	$ (11,997)	$ (48,082)	$ (49,534)
Deferred income tax benefit	$ -	$ -	$ -	$ -	$ -	$ -
Net loss	$ (12,284)	$ (11,944)	$ (11,857)	$ (11,997)	$ (48,082)	$ (49,534)
Basic and diluted loss per share (in dollars per share)	$ (0.02)	$ (0.02)	$ (0.02)	$ (0.02)	$ (0.08)	$ (0.07)
Weighted average shares used in computing net loss per share:						
Basic and diluted (in '000's)	495,100	675,275	675,275	675,275	630,231	675,275

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Portions of this publication excerpted from company filings or other sources are noted in *italics* and referenced throughout the report.

Rating System Overview:

There are no letters in the rating system (Buy, Sell Hold), only numbers. The numbers range from 1 to 10, with 1 representing 1 "investment unit" (for my performance purposes, 1 "investment unit" equals $250) and 10 representing 10 investment units or $2,500. Obviously, a rating of 10 would suggest that I favor the stock (at respective/current levels) more than a stock with a rating of 1. As a guideline, here is a suggestion on how to use the allocation system.

Our belief at Trickle is that the best way to participate in the micro-cap/small cap space is by employing a diversified strategy. In simple terms, that means you are generally best off owning a number of issues rather than just two or three. To that point, our goal is to have at least 20 companies under coverage at any point in time, so let's use that as a guideline. Hypothetically, if you think you would like to commit $25,000 to buying micro-cap stocks, that would assume an investment of $1000 per stock (using the diversification approach we just mentioned, and the 20-stock coverage list we suggested and leaving some room to add to positions around allocation upgrades. We generally start initial coverage stocks with an allocation of 4. Thus, at $1000 invested per stock and a typical starting allocation of 4, your "investment unit" would be the same $250 we used in the example above. Thus, if we initiate a stock at a 4, you might consider putting $1000 into the position ($250 * 4). If we later raise the allocation to 6, you might consider adding two additional units or $500 to the position. If we then reduce the allocation from 6 to 4 you might consider selling whatever number of shares you purchased with 2 of the original 4 investment units. Again, this is just a suggestion as to how you might be able to use the allocation system to manage your portfolio.

For those attached to more traditional rating systems (Buy, Sell, Hold) we would submit the following guidelines.

A Trickle rating of 1 thru 3 would best correspond to a "Hold" although we would caution that a rating in that range should not assume that the stock is necessarily riskier than a stock with a higher rating. It may carry a lower rating because the stock is trading closer to a price target we are unwilling to raise at that point. This by the way applies to all of our ratings.

A Trickle rating of 4 thru 6 might best (although not perfectly) correspond to a standard "Buy" rating.

A Trickle rating of 7 thru 10 would best correspond to a "Strong Buy" however, ratings at the higher end of that range would indicate something that we deem as quite extraordinary..... an "Extreme Buy" if you will. You will not see a lot of these.