

Atossa Therapeutics, Inc.

Q1 inline. Breast cancer clinical trials milestones and CAR-T M&A in 2023 should be catalysts for stock. Lowering P/T to \$5.25.

COMPANY UPDATE

Rating: BUY

Ticker: ATOS

Price: \$0.84

Target: \$5.25
(from \$5.50)

Q1 about inline: Atossa recently (on May 15) reported its Q1 2023 (ending March) results. Net loss was \$6.3 million or EPS of \$(0.05), compared with our estimates of \$(0.06). There was no Q1 guidance or consensus. Atossa is a clinical stage drug development company so it generates no revenue.

Operating expenses: Operating expenses were \$7.1 million, down from \$8.1 million in Q4 2022 as clinical trial activities are continuing.

No guidance: Management did not provide forward guidance, but we believe ~\$8 million to be a reasonable near term quarterly cash burn rate.

Maintaining estimates: We are maintaining our 2023 EPS estimate of \$(0.25).

Endoxifen in development: Atossa has one main therapeutic drug candidate, Endoxifen for breast cancer (for 2 settings).

Focusing away from COVID-19: In July 2022, the company announced a shift in focus for AT-H201 away from COVID-19 and towards oncology due to wide spread COVID-19 vaccine and therapeutics options. In October 2022, Atossa has stopped its other COVID-19 drug under development, AT-301.

Breast cancer: Atossa's breast cancer drug under development is its proprietary form of Endoxifen which is being developed primarily in two settings: 1) to reduce tumor cell activity in breast cancer patients in the "window of opportunity" between diagnosis of breast cancer and surgery; and 2) for women with high mammographic breast density ("MBD") to reduce the density and/or to act as an adjunct to mammography.

3 clinical trial in progress: In December 2021, Atossa began to enroll patients in its clinical study of Endoxifen in Sweden. In February 2023, the first patient has been dosed in the Phase 2 EVANGELINE (Endoxifen Versus exemestANE GosEreLin) study. In March 2023, Atossa announced that endoxifen will be evaluated in a new study arm of the ongoing I-SPY 2 clinical trial.

Potential CAR-T acquisition: In July 2022, the company entered into an agreement to negotiate to acquire a pre-clinical stage private company (Dynamic Cell Therapies, Inc.) developing novel Chimeric Antigen Receptor (CAR) T-cell therapies. Atossa has invested \$5 million for 19% of the company.

Clinical data and M&A can be catalysts: Atossa anticipates finishing or making significant milestones in its various clinical trials over the next year. We believe achieving key clinical milestones and data and the pending acquisition will likely be catalysts for the stock.

Positive high risks versus high rewards: Overall, concerns outweighed by growth prospects and valuation. Atossa's drugs still have long development roads left and the high risks of clinical trials failures, but we believe the ~billion dollars market potential presents high rewards for the risks.

Trading near cash value: We note that Atossa share price is trading near cash value. The current market cap of the company is ~\$107 million while it has ~\$104 million in cash.

Current valuation attractive: We are maintaining our BUY rating, but lowering our 12-month price target to \$5.25 from \$5.50 based on a NPV analysis. This represents significant upside from the current share price. We believe this valuation appropriately balances out the company's high risks with the company's high growth prospects and large upside opportunities.

Company Description

Based in Seattle, WA, Atossa Therapeutics is a clinical-stage biopharmaceutical company focused on COVID-19 and breast cancer drugs development.

Stock Data

Exchange:	NasdaqCM
52-week Range:	\$0.50 – 1.36
Shares Outstanding (million):	127
Market cap (\$million):	\$107
EV (\$million):	\$3
Debt (\$million):	\$0
Cash (\$million):	\$104
Avg. Daily Trading Vol. (\$million):	\$0.4
Float (million shares):	119
Short Interest (million shares):	8
Dividend, annual (yield):	\$0 (NA%)

Revenues (US\$ million)

	<u>2023E</u> <u>(Cur.)</u>	<u>2023E</u> <u>(Old)</u>	<u>2024E</u> <u>(Cur.)</u>	<u>2024E</u> <u>(Old)</u>
Q1 Mar	0A	0E	0E	
Q2 Jun	0E		0E	
Q3 Sep	0E		0E	
Q4 Dec	<u>0E</u>		<u>0E</u>	
Total	0E		0E	
EV/Revs	N/A		N/A	

Earnings per Share (pro forma)

	<u>2023E</u> <u>(Cur.)</u>	<u>2023E</u> <u>(Old)</u>	<u>2024E</u> <u>(Cur.)</u>	<u>2024E</u> <u>(Old)</u>
Q1 Mar	(0.05)A	(0.06)E	(0.06)E	
Q2 Jun	(0.06)E		(0.06)E	
Q3 Sep	(0.07)E	(0.06)E	(0.06)E	
Q4 Dec	<u>(0.07)E</u>	<u>(0.06)E</u>	<u>(0.06)E</u>	
Total	<u>(0.25)E</u>		<u>(0.25)E</u>	
P/E	N/A		N/A	

Important Disclosures

Ascendant Capital Markets LLC seeks to do business with companies covered by its research team. Consequently, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making an investment decision.

For analyst certification and other important disclosures, refer to the Disclosure Section, located at the end of this report, beginning on page 12.

Exhibit 1: Atossa Therapeutics, Inc.

Corporate Summary

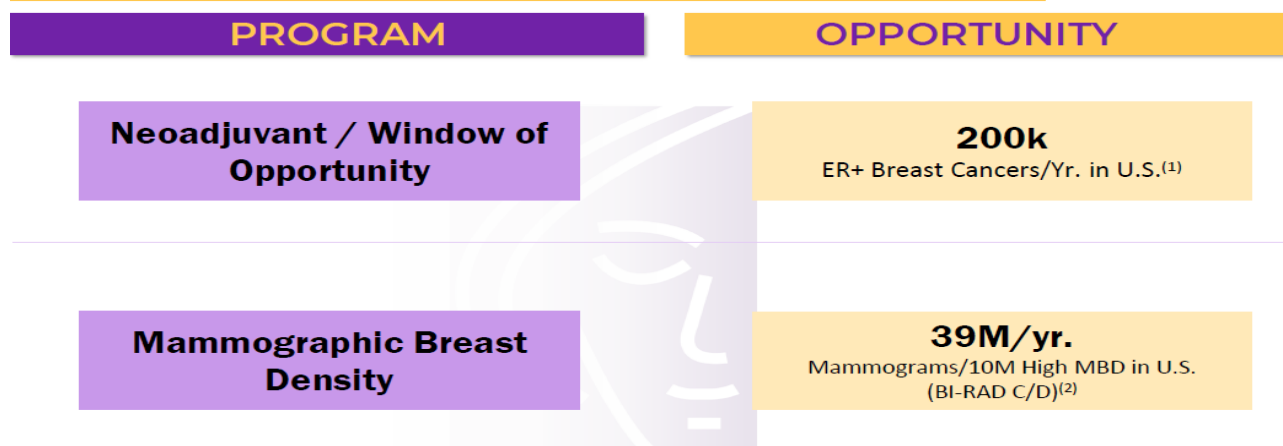


Company	Atossa Therapeutics, Inc. (NASDAQ: ATOS)	
Our Mission	To develop innovative proprietary medicines to address significant unmet needs in cancer	
Debt	None (December 31, 2022)	
Cash	\$111M (December 31, 2022)	
Capital (Dec. 31, 2022)	<ul style="list-style-type: none">• 126.62M shares common stock• 165k shares preferred stock, as converted basis	<ul style="list-style-type: none">• 11.0M warrants exercisable at \$1.00 or \$1.05/share• 10.5M warrants exercisable at \$2.88/share• 10.3M options exercisable at ave. \$2.59/share
Corporate HQ	Seattle, Washington, USA	

Source: Company reports

Exhibit 2: Atossa Market Opportunities

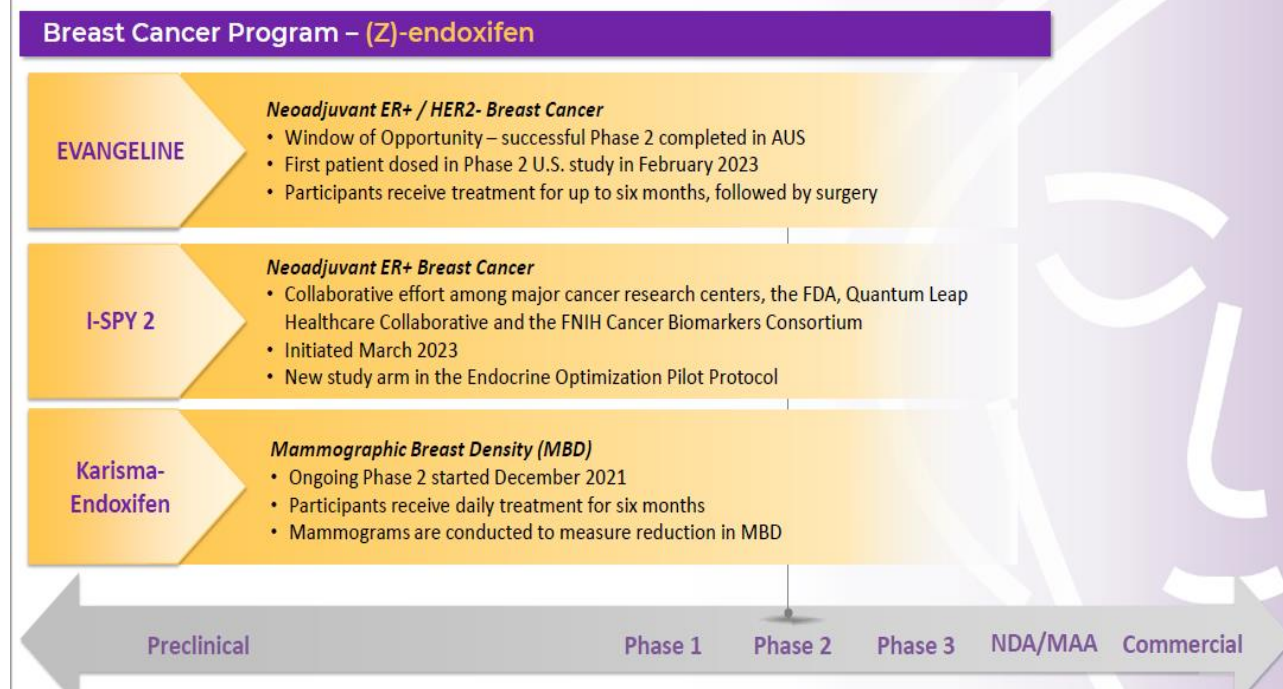
Large Market Opportunities



Source: Company reports.

Exhibit 3: Atossa Drug Development Pipeline

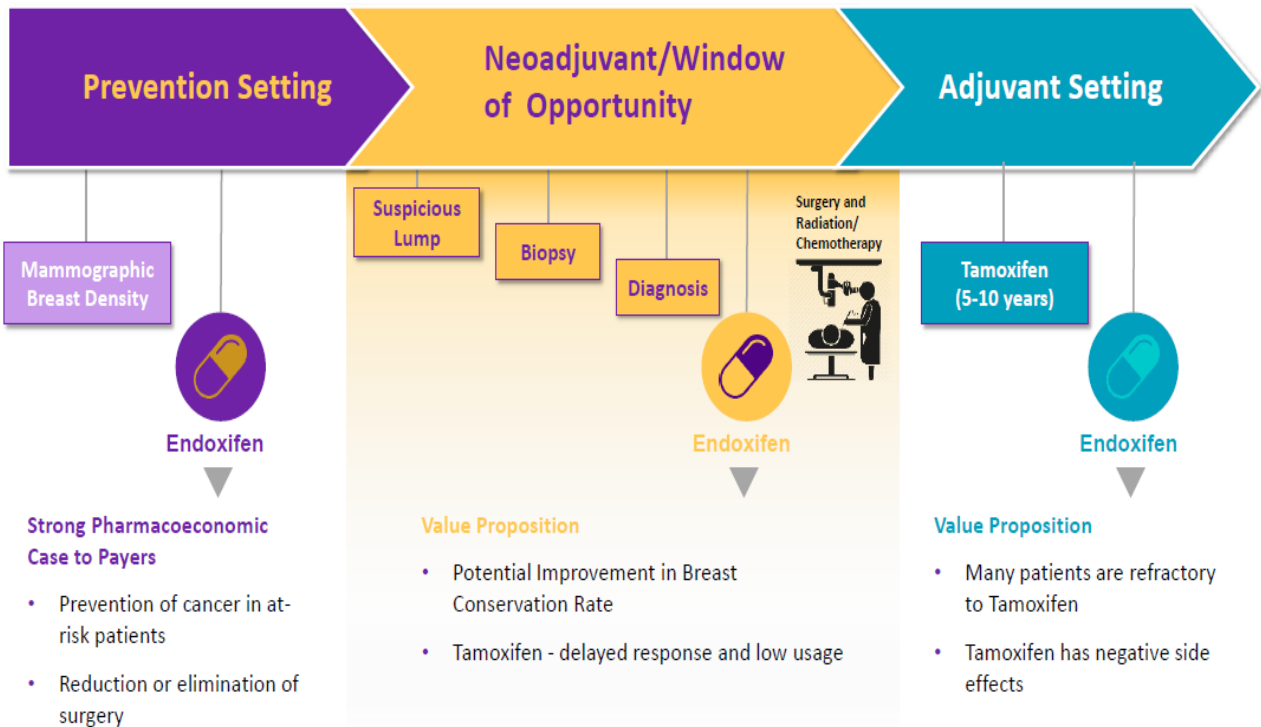
Clinical Development Pipeline



Source: Company reports

Exhibit 4: ENDOXIFEN

Clinical Positioning In Breast Cancer



The Breast Cancer Problem



- 1 in 8** women experience breast cancer
- 281,000** women diagnosed in US annually
- 2nd** leading cause of cancer death in American women

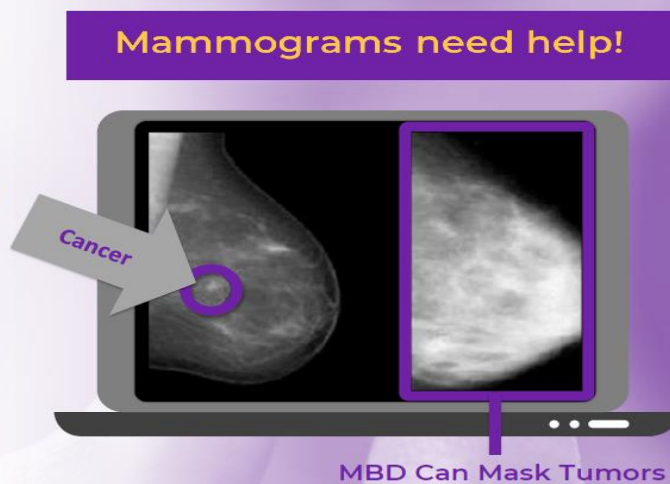
Source: Company reports

Exhibit 5: Endoxifen Clinical Trials

(Z)-endoxifen Phase 2 Study in Stockholm



- Being conducted in Stockholm by So. Gen. Hospital – Per Hall, M.D., Ph.D., Head of the Department of Medical Epidemiology and Biostatistics at Karolinska Institute
- Primary objective – PD study to determine the dose-response relationship of daily endoxifen on MBD reduction
- Randomized, double-blinded and placebo-controlled
- 240 pre-menopausal women with measurable MBD dosed for six months
- Full enrollment expected by the end of 2023

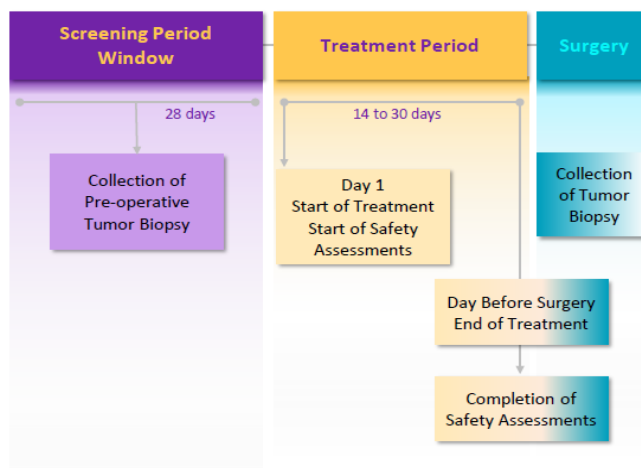


(Z)-endoxifen – Successful Phase 2 Study in AUS



Phase 2 Open Label Study Of (Z)-endoxifen In Patients With Invasive Breast Cancer (WoO Study)

- Population: ER+, HER2- invasive breast cancer requiring lumpectomy or mastectomy
- Daily oral dosing – time period between diagnosis and surgery
 - 6/7 pts had 65% reduction in Ki-67 and 7/7 <25% Ki-67 at surgery
- No adverse safety signals or laboratory findings
- Favorable results allowed early termination in Feb. 2021



Source: Company reports

Exhibit 6: Endoxifen Clinical Trials

U.S. Phase 2 Study - EVANGELINE



- Open-label, randomized, Phase 2 study in premenopausal women with Grade 1 or 2 ER+/HER2- breast cancer – first patient was enrolled in February 2023
- Subjects are enrolled with the intent of surgical treatment in the involved breast(s) after completing neoadjuvant study treatment
- Expected to enroll approximately 175 patients at up to 25 sites across the United States
- Primary objective is to evaluate the endocrine sensitive disease rate, measured by Ki-67 compared to treatment with current standard of care
- Current SOC includes medication given to block the ovaries from making estrogen, which in premenopausal women is associated with significant morbidity and inadequate compliance, which compromises efficacy and increases the risk of mortality

U.S. Phase 2 Study – I-SPY 2



- Ground-breaking platform trial for neoadjuvant treatment of locally advanced breast cancer
- (Z)-endoxifen is being evaluated in the Endocrine Optimization Pilot Protocol targeting patients with newly diagnosed ER+ invasive breast cancer for whom chemotherapy is expected to provide little or no benefit
- These patients have substantial risk for recurrence
- Approximately 20 patients will be treated with (Z)-endoxifen for up to 24 weeks prior to surgery
- Enrolling patients at all 41 I-Spy sites across the United States

Source: Company reports

Exhibit 7: Q1 2023 and Recent Company Highlights

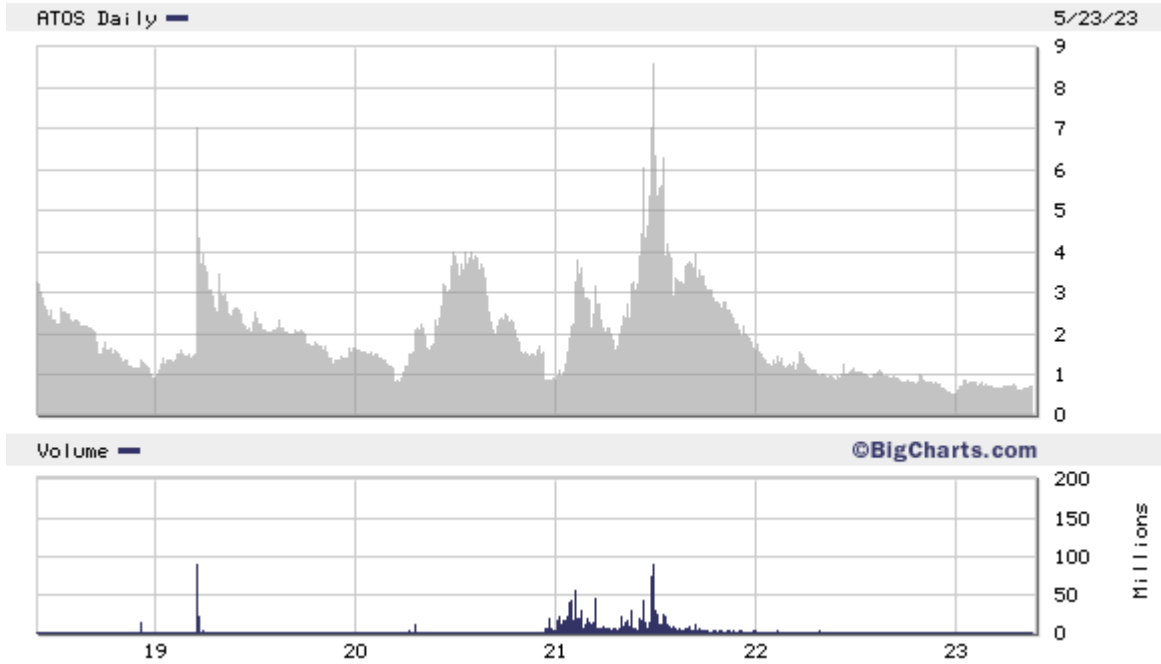
Key developments from Q1 2023 and year to date include:

- **Initiation of and First Patient Dosed in Phase 2 EVANGELINE Study – EVANGELINE** (Endoxifen Versus exemestANE GosEreLin), is a Phase 2 randomized non-inferiority study of (Z)-endoxifen compared to exemestane plus goserelin as a neoadjuvant treatment for premenopausal women with Grade 1 or 2 ER+ / HER2- breast cancer. Participants receive neoadjuvant treatment for up to 24 weeks, followed by surgery.
- **Initiation of New Study Arm in the Ongoing Phase 2 I-SPY 2 Clinical Trial – I-SPY 2** is a collaborative effort among academic investigators from major cancer research centers across the United States, Quantum Leap Healthcare Collaborative, the U.S. Food and Drug Administration, and the Foundation for the National Institutes of Health (FNIH) Cancer Biomarkers Consortium. Approximately 20 patients will be treated with (Z)-endoxifen for up to 24 weeks prior to surgery.
- **Additional Intellectual Property Protection for (Z)-endoxifen** – The United States Patent and Trademark Office granted a new patent (No. 11,572,334) directed to (Z)-endoxifen encapsulated in an enteric capsule. Enteric capsules have an acid resistant coating to prevent them from dissolving when they pass through the stomach. Enteric capsules are dissolved when they pass through an alkaline environment, which is usually when they reach the small intestine. Delivering oral (Z)-endoxifen via an enteric capsule prevents breakdown of the (Z)-endoxifen in the stomach.
- **Poster Presentation at 2023 American Society of Clinical Oncology (ASCO) Annual Meeting** – A Trial in Progress poster for the Phase 2 clinical study of (Z)-endoxifen in premenopausal women with early stage ER+ / HER2- breast cancer will be presented at the 2023 ASCO Annual Meeting, taking place June 2-6, 2023 in Chicago.

"I am proud of the progress we've made to date in 2023 and look forward to further accelerating our (Z)-endoxifen development programs over the coming months," said Dr. Steven Quay, Atossa's President and Chief Executive Officer. "With three ongoing Phase 2 studies investigating (Z)-endoxifen, \$103.9 million of cash and cash equivalents on our balance sheet, broad patent protection and a talented team in place, we are well positioned to change the treatment paradigm for women with dense breast tissue and those diagnosed with estrogen receptor positive breast cancer."

Source: Company reports

Exhibit 8: Atossa Therapeutics, Inc. Stock Price (5-years)



Source: <https://bigcharts.marketwatch.com/>

FINANCIAL MODEL

Atossa Therapeutics, Inc.

Income Statement (\$ mils)	Mar-21	Jun-21	Sep-21	Dec-21	2021	Mar-22	Jun-22	Sep-22	Dec-22	2022	Mar-23	Jun-23	Sep-23	Dec-23	2023	Mar-24	Jun-24	Sep-24	Dec-24	2024
Fiscal Year End: December 31	Q1A	Q2A	Q3A	Q4A	FY-A	Q1A	Q2A	Q3A	Q4A	FY-A	Q1A	Q2E	Q3E	Q4E	FY-E	Q1E	Q2E	Q3E	Q4E	FY-E
Total Revenue	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	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<u>Cost of Revenues</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Gross Profit	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	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Research and development	1.4	3.8	2.2	1.8	9.2	1.5	3.4	5.2	5.0	15.1	3.5	5.0	5.0	5.0	18.5	5.0	5.0	5.0	5.0	20.0
General and administrative	2.2	3.2	3.0	3.0	11.3	3.2	3.2	3.0	3.2	12.6	3.6	3.0	3.3	3.5	13.4	3.0	3.0	3.0	3.0	12.0
<u>Restructuring and other</u>					<u>0.0</u>					<u>0.0</u>					<u>0.0</u>					<u>0.0</u>
Total operating expenses	3.5	7.0	5.2	4.8	20.5	4.7	6.6	8.2	8.1	27.7	7.1	8.0	8.3	8.5	31.9	8.0	8.0	8.0	8.0	32.0
Operating income (loss)	(3.5)	(7.0)	(5.2)	(4.8)	(20.5)	(4.7)	(6.6)	(8.2)	(8.1)	(27.7)	(7.1)	(8.0)	(8.3)	(8.5)	(31.9)	(8.0)	(8.0)	(8.0)	(8.0)	(32.0)
Interest income (expense)					0.0				0.9	0.9	0.9	0.0	0.0	0.0	0.9	0.0	0.0	0.0	0.0	0.0
<u>Other income (expense)</u>	<u>(0.0)</u>	<u>(0.0)</u>	<u>(0.0)</u>	<u>(0.0)</u>	<u>(0.1)</u>	<u>(0.0)</u>	<u>(0.1)</u>	<u>0.2</u>	<u>(0.2)</u>	<u>(0.1)</u>	<u>(0.0)</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>(0.0)</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Income before income taxes	(3.5)	(7.0)	(5.2)	(4.8)	(20.6)	(4.8)	(6.7)	(8.0)	(7.5)	(27.0)	(6.3)	(8.0)	(8.3)	(8.5)	(31.1)	(8.0)	(8.0)	(8.0)	(8.0)	(32.0)
<u>Income taxes</u>					<u>0.0</u>					<u>0.0</u>					<u>0.0</u>					<u>0.0</u>
Net income (loss)	(3.5)	(7.0)	(5.2)	(4.8)	(20.6)	(4.8)	(6.7)	(8.0)	(7.5)	(27.0)	(6.3)	(8.0)	(8.3)	(8.5)	(31.1)	(8.0)	(8.0)	(8.0)	(8.0)	(32.0)
<u>Nonrecurring/noncash adjustments</u>					<u>0.0</u>					<u>0.0</u>					<u>0.0</u>					<u>0.0</u>
Net income (pro forma)	(3.5)	(7.0)	(5.2)	(4.8)	(20.6)	(4.8)	(6.7)	(8.0)	(7.5)	(27.0)	(6.3)	(8.0)	(8.3)	(8.5)	(31.1)	(8.0)	(8.0)	(8.0)	(8.0)	(32.0)
EBITDA																				
Shares, Basic	92.6	121.6	126.5	126.6	117.0	126.6	126.6	126.6	126.6	126.6	126.6	126.7	126.8	126.9	126.8	127.1	127.2	127.3	127.4	127.3
Shares, Diluted	92.6	121.6	126.5	126.6	117.0	126.6	126.6	126.6	126.6	126.6	126.6	126.7	126.8	126.9	126.8	127.1	127.2	127.3	127.4	127.3
EPS Basic (pro forma)	(\$0.04)	(\$0.06)	(\$0.04)	(\$0.04)	(\$0.18)	(\$0.04)	(\$0.05)	(\$0.06)	(\$0.06)	(\$0.21)	(\$0.05)	(\$0.06)	(\$0.07)	(\$0.07)	(\$0.25)	(\$0.06)	(\$0.06)	(\$0.06)	(\$0.06)	(\$0.25)
EPS Diluted (pro forma)	(\$0.04)	(\$0.06)	(\$0.04)	(\$0.04)	(\$0.18)	(\$0.04)	(\$0.05)	(\$0.06)	(\$0.06)	(\$0.21)	(\$0.05)	(\$0.06)	(\$0.07)	(\$0.07)	(\$0.25)	(\$0.06)	(\$0.06)	(\$0.06)	(\$0.06)	(\$0.25)
Margins																				
Gross margin																				
Research and development																				
General and administrative																				
Operating margin	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM
Tax rate, GAAP	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Net margin	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM
YY % change																				
Total Revenue																				
Gross margin																				
Research and development	47%	130%	33%	-23%	39%	9%	-10%	134%	173%	64%	134%	46%	-3%	0%	23%	43%	0%	0%	0%	8%
General and administrative	8%	40%	60%	61%	41%	51%	-1%	3%	5%	11%	11%	-5%	8%	11%	6%	-16%	0%	-9%	-14%	-10%
Operating income (loss)	20%	78%	47%	14%	40%	34%	-6%	59%	69%	35%	50%	21%	1%	4%	15%	13%	0%	-4%	-6%	0%
Net income (loss)	20%	80%	49%	-60%	-8%	35%	-5%	54%	55%	31%	31%	20%	4%	13%	15%	27%	0%	-4%	-6%	3%
EPS Diluted (pro forma)	-88%	-86%	-88%	-95%	-91%	-1%	-9%	54%	55%	21%	31%	20%	3%	13%	15%	27%	0%	-4%	-6%	3%

Source: Company reports and Ascendant Capital Markets estimates.

Atossa Therapeutics, Inc.

Balance Sheet (\$ mils)	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24
Fiscal Year End: December 31	Q1A	Q2A	Q3A	Q4A	Q1A	Q2A	Q3A	Q4A	Q1A	Q2E	Q3E	Q4E	Q1E	Q2E	Q3E	Q4E
Assets																
Cash and cash equivalents	137.6	142.4	140.0	136.4	131.5	125.5	117.4	110.9	103.9	97.5	90.8	83.9	77.4	70.9	64.5	58.0
Short term investments										0.0	0.0	0.0	0.0	0.0	0.0	0.0
Restricted cash	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Research and development tax rebat	0.7	0.8	0.9	1.1		0.9	0.6	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7
Deferred income taxes										0.0	0.0	0.0	0.0	0.0	0.0	0.0
Prepaid expenses and other	2.6	2.5	1.9	3.7	5.3	6.9	5.3	6.5	6.2	6.2	6.2	6.2	6.2	6.2	6.2	6.2
Total current assets	141.0	145.8	143.0	141.2	136.8	133.4	123.4	118.2	110.9	104.5	97.8	90.9	84.4	77.9	71.5	65.0
Property and equipment, net	0.0	0.0	0.0	0.0						0.0	0.0	0.0	0.1	0.1	0.1	0.2
Intangibles, net	0.0	0.0								0.0	0.0	0.0	0.0	0.0	0.0	0.0
Deferred income tax										0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.6	0.6	3.3	5.3	5.3	5.3	5.3	5.3	5.3	5.3	5.3	5.3
Total assets	141.1	145.9	143.0	141.3	137.5	134.0	126.7	123.5	116.2	109.9	103.2	96.2	89.8	83.4	76.9	70.5
Liabilities and stockholders' equity																
Accounts payable	0.7	0.5	0.7	1.7	1.6	2.1	1.7	3.0	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4
Accrued expenses	0.6	1.2	1.0	1.4	0.7	1.7	1.2	2.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6
Deferred income tax										0.0	0.0	0.0	0.0	0.0	0.0	0.0
Warrant liabilities										0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.9	0.9	0.9	0.9	0.9	0.9	0.9	0.9
Short term debt										0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total current liabilities	1.4	1.8	1.7	3.1	2.3	3.8	2.9	5.6	2.9	2.9	2.9	2.9	2.9	2.9	2.9	2.9
Deferred income taxes										0.0	0.0	0.0	0.0	0.0	0.0	0.0
Warrant liabilities										0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other long term liabilities										0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long term debt										0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total other liabilities	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	0.0	0.0	0.0
Preferred stock	0.0	0.0	0.0	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6
Common stock	21.7	22.7	22.8	22.8	22.8	22.8	22.8	22.8	22.8	24.4	25.9	27.5	29.1	30.7	32.2	33.8
Additional paid-in capital	230.1	240.6	243.0	244.0	245.8	247.6	249.2	250.8	252.4	252.4	252.4	252.4	252.4	252.4	252.4	252.4
Retained earnings	(112.2)	(119.2)	(124.4)	(129.2)	(134.0)	(140.7)	(148.7)	(156.2)	(162.5)	(170.5)	(178.8)	(187.3)	(195.3)	(203.3)	(211.3)	(219.3)
Accumulated other comprehensive income							(0.1)			0.1	0.1	0.1	0.1	0.1	0.1	0.1
Total stockholders' equity	139.7	144.1	141.3	138.1	135.2	130.3	123.9	118.0	113.3	106.9	100.2	93.3	86.9	80.4	74.0	67.6
Total stockholders' equity and liabil	141.1	145.9	143.0	141.3	137.5	134.0	126.7	123.5	116.2	109.9	103.2	96.2	89.8	83.4	76.9	70.5

Balance Sheet Drivers

	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24
	Q1A	Q2A	Q3A	Q4A	Q1A	Q2A	Q3A	Q4A	Q1A	Q2E	Q3E	Q4E	Q1E	Q2E	Q3E	Q4E
Book & Cash Value (per share)																
Book Value per Share (diluted)	\$1.51	\$1.19	\$1.12	\$1.09	\$1.07	\$1.03	\$0.98	\$0.93	\$0.89	\$0.84	\$0.79	\$0.73	\$0.68	\$0.63	\$0.58	\$0.53
Cash per Share (diluted)	\$1.49	\$1.17	\$1.11	\$1.08	\$1.04	\$0.99	\$0.93	\$0.88	\$0.82	\$0.77	\$0.72	\$0.66	\$0.61	\$0.56	\$0.51	\$0.46
Net cash per Share (diluted)	\$1.49	\$1.17	\$1.11	\$1.08	\$1.04	\$0.99	\$0.93	\$0.88	\$0.82	\$0.77	\$0.72	\$0.66	\$0.61	\$0.56	\$0.51	\$0.46

Source: Company reports and Ascendant Capital Markets estimates

Atossa Therapeutics, Inc.

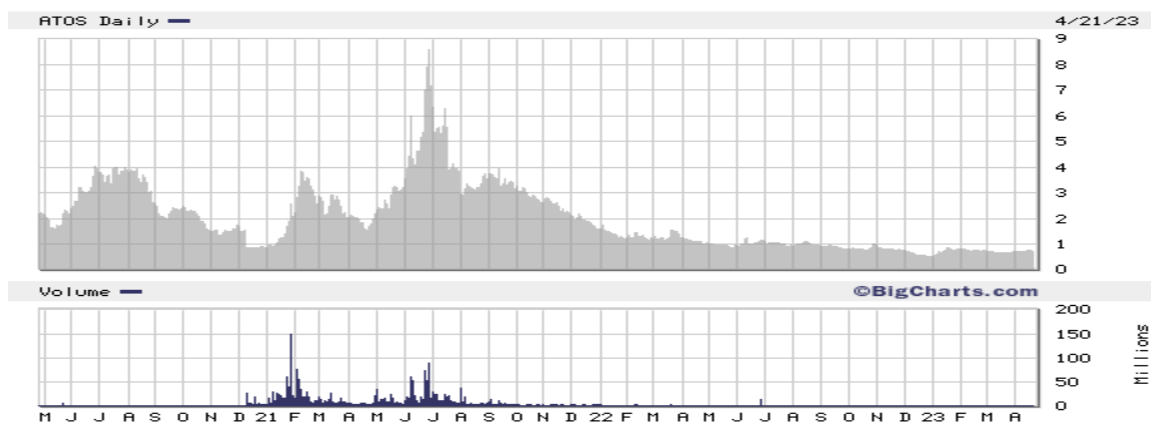
Cash Flow Statement (\$ mils)	Mar-21	Jun-21	Sep-21	Dec-21	2021	Mar-22	Jun-22	Sep-22	Dec-22	2022	Mar-23	Jun-23	Sep-23	Dec-23	2023	Mar-24	Jun-24	Sep-24	Dec-24	2024	
Fiscal Year End: December 31	Q1A	Q2A	Q3A	Q4A	FY-A	Q1A	Q2A	Q3A	Q4A	FY-A	Q1A	Q2E	Q3E	Q4E	FY-E	Q1E	Q2E	Q3E	Q4E	FY-E	
Cash flow from operating activities																					
Net income	(3.5)	(7.0)	(5.2)	(4.8)	(20.6)	(4.8)	(6.7)	(8.0)	(7.5)	(27.0)	(6.3)	(8.0)	(8.3)	(8.5)	(31.1)	(8.0)	(8.0)	(8.0)	(8.0)	(32.0)	
Depreciation	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	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Amortization					0.0					0.0					0.0					0.0	
Debt related amortization expense					0.0					0.0					0.0					0.0	
Stock comp	0.6	1.2	1.8	1.6	5.3	1.8	1.8	1.7	1.5	6.8	1.6	1.6	1.6	1.6	6.3	1.6	1.6	1.6	1.6	6.3	
Deferred rent					0.0					0.0					0.0					0.0	
A/R reserves					0.0					0.0					0.0					0.0	
Deferred income taxes					0.0					0.0		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Change in fair value of warrant liability					0.0					0.0					0.0					0.0	
Writedowns and impairments					0.0					0.0					0.0					0.0	
Other gains/losses					0.0					0.0					0.0					0.0	
Other					0.0		0.0	0.0		0.0					0.0					0.0	
Changes in operating assets and liabilities:																					
Prepaid expenses & other curre	(0.7)	0.2	0.5	(0.6)	(0.7)	(1.4)	(1.4)	0.2	1.1	(1.5)	(1.3)	0.0	0.0	0.0	(1.3)	0.0	0.0	0.0	0.0	0.0	
Research and development tax	(0.1)	(0.1)	(0.1)	(0.1)	(0.4)	0.4	(0.2)	0.3	(0.1)	0.3	0.0				0.0					0.0	
Income tax					0.0					0.0					0.0					0.0	
Other assets	0.6	0.0	0.1	(1.2)	(0.5)	(0.1)	(0.9)	1.4	(2.2)	(1.8)	1.6	0.0	0.0	0.0	1.6	0.0	0.0	0.0	0.0	0.0	
Accounts payable	(0.9)	(0.2)	0.1	1.0	0.1	(0.1)	0.5	(0.4)	1.3	1.2	(1.5)	0.0	0.0	0.0	(1.5)	0.0	0.0	0.0	0.0	0.0	
Accrued expenses	(0.4)	0.6	(0.2)	0.4	0.3	(0.1)	0.7	(0.8)	1.1	0.9	(0.4)	0.0	0.0	0.0	(0.4)	0.0	0.0	0.0	0.0	0.0	
Other liabilities	0.0	0.0	(0.0)	0.0	0.0	(0.6)	0.3	0.3	0.3	0.3	(0.7)	0.0	0.0	0.0	(0.7)	0.0	0.0	0.0	0.0	0.0	
Net cash (used in) provided by	(4.4)	(5.3)	(3.1)	(3.7)	(16.5)	(4.9)	(5.9)	(5.4)	(4.5)	(20.8)	(7.0)	(6.4)	(6.7)	(6.9)	(27.1)	(6.4)	(6.4)	(6.4)	(6.4)	(25.7)	
Cash flow from investing activities																					
Purchases of property and equipment			(0.0)	0.0	(0.0)	(0.0)		(0.0)	(0.0)	(0.0)		(0.0)	0.0	(0.0)	(0.1)	(0.0)	(0.1)	(0.0)	(0.1)	(0.2)	
Purchases of short-term investments					0.0					0.0					0.0					0.0	
Acquisitions					0.0			(2.7)	(2.0)	(4.7)					0.0					0.0	
Other					0.0					0.0					0.0					0.0	
Net cash used in investing acti	0.0	0.0	(0.0)	0.0	(0.0)	(0.0)	0.0	(2.7)	(2.0)	(4.7)	0.0	(0.0)	0.0	(0.0)	(0.1)	(0.0)	(0.1)	(0.0)	(0.1)	(0.2)	
Cash flow from financing activities																					
Issuance of debt					0.0					0.0		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Repayment of debt					0.0					0.0					0.0					0.0	
Issuance of stock	69.7			(0.0)	69.7					0.0		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Proceeds from stock option exe	32.8	10.2	0.7	0.0	43.6					0.0					0.0					0.0	
Other					0.0					0.0					0.0					0.0	
<u>Dividends and distributions</u>					<u>0.0</u>					<u>0.0</u>					<u>0.0</u>					<u>0.0</u>	
Cash provided by (used in) fina	102.4	10.2	0.7	0.0	113.3	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	0.0	0.0	
Effect of exchange rate on cash					0.0			(0.1)	0.1	0.0					0.0					0.0	
Net increase (decrease) in cash	98.0	4.9	(2.4)	(3.7)	96.8	(4.9)	(5.9)	(8.2)	(6.5)	(25.5)	(7.0)	(6.5)	(6.7)	(7.0)	(27.1)	(6.5)	(6.5)	(6.5)	(6.5)	(25.9)	
Beginning cash and equivalents	39.7	137.7	142.5	140.2	39.7	136.5	131.6	125.6	117.5	136.5	111.0	104.0	97.5	90.8	111.0	83.9	77.4	70.9	64.5	83.9	
Ending cash and equivalents	137.7	142.5	140.2	136.5	136.5	131.6	125.6	117.5	111.0	111.0	104.0	97.5	90.8	83.9	83.9	77.4	70.9	64.5	58.0	58.0	

Source: Company reports and Ascendant Capital Markets estimates

ANALYST CERTIFICATION

Each analyst hereby certifies that the views expressed in this report reflect the analyst's personal views about the subject securities or issuers. Each analyst also certifies that no part of the analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this report. The analyst who prepared this report is compensated based upon the overall profitability of Ascendant Capital Markets, LLC, which may, from time to time, include the provision of investment banking, financial advisory and consulting services. Compensation for research is based on effectiveness in generating new ideas for clients, performance of recommendations, accuracy of earnings estimates, and service to clients.

Atossa Therapeutics, Inc.



Source: <https://bigcharts.marketwatch.com/>

Report	Report Date	Rating	Price Target
1	9/17/2020	Buy	7.00
2	11/15/2020	Buy	7.50
3	4/6/2021	Buy	7.75
4	5/31/2021	Buy	8.00
5	9/7/2021	Buy	8.50
6	11/20/2021	Buy	8.75
7	3/3/2022	Buy	8.00
8	5/29/2022	Buy	7.50
9	8/17/2022	Buy	7.00
10	11/12/2022	Buy	6.00
11	3/27/2023	Buy	5.50

- Ascendant Capital Markets, LLC has not received compensation for advisory or investment banking services from the company in the past 12 months.

IMPORTANT DISCLOSURES

This report has been distributed by Ascendant Capital Markets, LLC and is for the sole use of our clients. This report is based on current public information that we consider reliable, but we do not represent it is accurate or complete, and it should not be relied on as such. This report contains information from various sources, including United States government publications, The Wall Street Journal and other periodicals, Yahoo! Finance and other sources, and is for informational purposes only and is not a recommendation to trade in the securities of the companies mentioned within the report. We seek to update our research and recommendations as

appropriate, but the large majority of reports are published at irregular intervals as we consider appropriate and, in some cases, as constrained by industry regulations.

We may have a business relationship with companies covered in this report. Ascendant Capital Markets, LLC may make a market in the securities of the subject company. We and our affiliates, officers, directors, and employees will from time to time have long or short positions in, act as principal in, and buy or sell, the securities or derivatives (including options and warrants) thereof of covered companies referred to in this report. This report is not an offer to sell or the solicitation of an offer to buy any security in any jurisdiction where such an offer or solicitation would be illegal. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situations, or needs of individual clients. Clients should consider whether any information in this report is suitable for their particular circumstances and, if appropriate, seek professional advice, including tax advice. The price and value of the investments referred to in this report may fluctuate.

Following are some general risks that can adversely impact future operational and financial performance and share price valuation: (1) industry fundamentals with respect to legislation, mandates, incentives, customer demand, or product pricing; (2) issues relating to competing companies or products; (3) unforeseen developments with respect to management, financial condition or accounting policies or practices; or (4) external factors that affect the interest rates, currency, the economy or major segments of the economy. Past performance is not a guide to future performance, future returns are not guaranteed, and loss of original capital may occur. Certain transactions, including those involving futures, options, and other derivatives, give rise to substantial risk and are not suitable for all investors. Our report is disseminated primarily electronically, and, in some cases, in printed form. The information contained in this report is not incorporated into the contents of our website and should be read independently thereof. Copyright Ascendant Capital Markets, LLC. No part of this material may be copied, photocopied or duplicated by any means or redistributed without the prior written consent of Ascendant Capital Markets, LLC.

Risks & Considerations

Risks to attainment of our share price target include balance sheet/liquidity risks, failure of product candidates to demonstrate safety and efficacy in clinical trials, failure to gain regulatory approvals, ability to commercialize product, failure to obtain suitable reimbursement, competition, changing macroeconomic factors, investor sentiment for investing in biotech stocks, and changes in consumer or government priorities for healthcare.

Ascendant Capital Markets, LLC Rating System

BUY: We expect the stock to provide a total return of 15% or more within a 12-month period.

HOLD: We expect the stock to provide a total return of negative 15% to positive 15% within a 12-month period.

SELL: We expect the stock to have a negative total return of more than 15% within a 12-month period.

Total return is defined as price appreciation plus dividend yield.

Ascendant Capital Markets, LLC Distribution of Investment Ratings (as of April 14, 2023)

Rating	Count	Percent	Investment Banking Services Past 12 months	
			Count	Percent
Buy	49	98%	18	37%
Hold	0	0%	0	0%
Sell	1	2%	0	0%
Total	50	100%	18	36%

Other Important Disclosures

Our analysts use various valuation methodologies including discounted cash flow, price/earnings (P/E), enterprise value/EBITDAS, and P/E to growth rate, among others. Risks to our price targets include failure to achieve financial results, product risk, regulatory risk, general market conditions, and the risk of a change in economic conditions.

Dissemination of Research

Ascendant Capital Markets, LLC research is distributed electronically via the Thomson Reuters platforms, Bloomberg, Capital IQ and FactSet. Please contact your investment advisor or institutional salesperson for more information.

General Disclaimer

The information and opinions in this report were prepared by Ascendant Capital Markets, LLC. This information is not intended to be used as the primary basis of investment decisions and because of individual client objectives it should not be construed as advice designed to meet the particular investment needs of any investor. This material is for information purposes only and is not an offer or solicitation with respect to the purchase or sale of any security. The reader should assume that Ascendant Capital Markets, LLC may have a conflict of interest and should not rely solely on this report in evaluating whether or not to buy or sell securities of issuers discussed herein. The opinions, estimates, and projections contained in this report are those of Ascendant Capital Markets, LLC as of the date of this report and are subject to change without notice. Ascendant Capital Markets, LLC endeavors to ensure that the contents have been compiled or derived from sources that we believe are reliable and contain information and opinions that are accurate and complete. However, Ascendant Capital Markets, LLC makes no representation or warranty, express or implied, in respect thereof, takes no responsibility for any errors and omissions contained herein, and accepts no liability whatsoever for any loss arising from any use of, or reliance on, this report or its contents. Information may be available to Ascendant Capital Markets, LLC, or its affiliates that is not reflected in this report. This report is not to be construed as an offer or solicitation to buy or sell any security.

Additional Disclosures

Ascendant Capital Markets, LLC is a broker-dealer registered with the United States Securities and Exchange Commission (SEC) and a member of the FINRA and SIPC. Ascendant Capital Markets, LLC is not a Registered Investment Advisor nor is it an investment advisor registered with the Securities and Exchange Commission or with the securities regulators of any state, and at the present time is not eligible to file for federal registration.