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**IsoRay, Inc. (NYSE/ISR)**

October 20, 2020

**BUY: Raises Capital at the Low – Lowering to Neutral**

*IsoRay announced last night a capital raise of approximately \$9.5M. The company issued 18M shares and another 9M warrants. The company reported \$2.3M in cash at 4Q20 (fiscal year) end. IsoRay revenues are building, albeit slowly with a loss of under a million dollars per quarter. IsoRay's last reported quarter showed slowing sales in the prostate cancer market. We have hesitated to lower our numbers based on one quarter, especially during a pandemic. With that said, the dilution from this raise knocks our fair value down below \$1.00 and for now, we just don't see any upside to our forecasts. As such, we lower our rating from Buy to Neutral and remove our price target.*

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**Investment Highlights:**

**Lowering our Rating from Buy to Neutral.** Our downgrade is based on the increased share count from the recent raise. Since the last reported quarter, we have had some concerns regarding our projected revenues. A recent call with CEO Lori Woods confirmed that our estimates appear high. We hoped to see the company more successfully penetrate the prostate cancer market and wanted to give the company the benefit of the doubt, given the pandemic's impact. We have not lowered our revenue estimates for now. Adjusting for the share count alone drops our fair value below \$1.00.

**IsoRay recently reported 4Q20 (fiscal year) results.** Revenues were \$2.279M, down sequentially from \$2.880M in the prior period. Expenses of \$3.4M were up slightly vs. the prior quarter. This translated into a net loss of \$1.2M, or two cents a share. The company's cash balance was just \$2.39M, and we mentioned that we expected to see a capital raise, which is exactly what's just happened.

- Prostate brachytherapy represented 84% of total revenue for the period. The majority of non-prostate brachytherapy revenue in the quarter was comprised of sales to treat brain cancer, including sales of GammaTile Therapy. While this is still "tiny," it represents an area of significant potential growth.
- ICD-10 Codes Received. This allows hospitals to bill for specific procedures involving certain cancers (lung, head and neck, pelvic, and others), set to take effect in October 2020.
- ROAPN – Singled bundled payment, including brachytherapy. The implementation of this bundle "levels the playing field" for brachytherapy vs. other radiation modalities.

**Valuation:** We lower our rating to Neutral and remove our price target; with that said, our model is based on Cesium Blu in both prostate and non-prostate cancer markets; Adoption of GammaTile for brain cancer treatment should begin to increase over the next few years, generating more Cs-131 seeds sales (to GT Medical). Still, for conservatism, we apply only a 10% probability of success that our market share estimates will be fully realized. Using these metrics, we model the market potential and discount back using a 15% rate in our FCF, discounted EPS, and sum-of-the-parts models, which results in a fair value below \$1.00. These metrics are dependent on our clinical assumptions.

**Risk Factors:** Investment Risk, Market Share Risk, Regulatory Risk, Commercial Risk, and Financial Risk

Current Price	\$0.57		
Price Target	NA		
<b>Estimates</b>	<b>F2019E</b>	<b>F2020E</b>	<b>F2021E</b>
<b>Expenses (\$000s)</b>	\$ 12,592	\$ 13,083	\$ 15,767
1Q July	\$ 3,080	\$ 3,151	\$ 3,942
2Q October	\$ 3,356	\$ 3,109	\$ 3,942
3Q January	\$ 3,088	\$ 3,428	\$ 3,942
4Q April	\$ 3,068	\$ 3,395	\$ 3,942
	<b>F2019E</b>	<b>F2020E</b>	<b>F2021E</b>
<b>EPS (diluted)</b>	\$ (0.08)	\$ (0.05)	\$ (0.01)
1Q July	\$ (0.02)	\$ (0.01)	\$ (0.00)
2Q October	\$ (0.02)	\$ (0.01)	\$ (0.00)
3Q January	\$ (0.02)	\$ (0.01)	\$ (0.00)
4Q April	\$ (0.02)	\$ (0.01)	\$ (0.00)
<b>EBITDA/Share</b>	(\$0.08)	(\$0.05)	(\$0.01)
<b>EV/EBITDA (x)</b>	0.0	0.0	0.0
<b>Stock Data</b>			
52-Week Range	\$0.29	-	\$1.06
Shares Outstanding (mil.)	68.9		
Market Capitalization (mil.)	\$39		
Enterprise Value (mil.)	\$33		
Debt to Capital	0%		
Book Value/Share	\$0.19		
Price/Book	6.7		
Average Three Months Trading Volume (K)	222		
Insider Ownership	1.4%		
Institutional Ownership	10.3%		
Short Interest (mil.)	1.9%		
Dividend / Yield	\$0.00/0.0%		



**Modeling Assumptions:**

1. We assume continued growth of the patient incidence and prevalence of prostate cancer. We also assume that brachytherapy can become a larger part of the over-all prostate cancer therapy marketplace. We currently assume brachytherapy is under 10% and over the next decade and rise to 17%. Within the brachytherapy marketplace, Cs-131 has just a 5% market share. We assume that share can rise by 23% over the next decade.
2. Pricing. We assume on average \$70 per seed and 50 seeds per case in PC. Please see the market model below for our assumptions in non-prostate indications.
3. For IsoRay, and a result of the complexities of Isotope management, there may be a significant reduction in the cost of manufacturing associated with the volume.
4. GammaTile. We model the recurrent brain cancers marketplace (300,000 cases per year) and assume the market is based on the 75% of patients who may undergo tumor resection. At just 3% market share, \$150 per seed and 65 seeds on average, the market becomes significant at \$86M annually. We apply just a 10% probability that the full commercial opportunity can be realized based on GT Medical's ability to invest the needed capital to aggressively change the current treatment paradigm.

**Exhibit 1: Cs-131 Models in Prostate, Other and GammaTile.\***

CS-131 sales (\$000)	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
<b>Prostate Cancer</b>	260,840	266,057	271,378	276,806	282,342	287,989	293,748	299,623	305,616	311,728	317,963	324,322	330,808
% Patients electing monotherapeutic brachytherapy	9.3%	9.4%	9.6%	9.8%	10.0%	12.0%	13.0%	14.0%	15.0%	16.0%	17.0%	17.0%	17.2%
Number of patients for brachytherapy	24,258	25,009	26,052	27,127	28,234	34,559	38,187	41,947	45,842	49,876	54,054	55,135	56,899
Market share	5.0%	6.0%	8.0%	10.0%	12.0%	14.0%	16.0%	18.0%	20.0%	22.0%	22.5%	22.7%	22.8%
Patients electing CS-131 (Over Iodine-125 or Palladium-103)	1,213	1,501	2,084	2,713	3,388	4,838	6,110	7,551	9,168	10,973	12,162	12,516	12,973
Price per seed	70	70	70	70	70	70	70	70	70	70	70	70	70
Seeds per patient	50	50	50	50	50	50	50	50	50	50	50	50	50
CS-131 sales (Prostate cancer) (\$000)	\$4,245	\$5,252	\$7,295	\$9,494	\$11,858	\$16,934	\$21,385	\$26,427	\$32,090	\$38,405	\$42,567	\$43,805	\$45,405
<b>Non-prostate cancers (Head &amp; Neck, Gyn., Lung Cancer)</b>	505,713	254,000	259,080	264,262	269,547	274,938	280,437	286,045	291,766	297,601	303,554	309,625	315,848
% Patients receiving brachytherapy (monotherapy or combination)	10.0%	12.0%	13.00%	14.00%	15.00%	16.00%	17.00%	18.00%	19.00%	20.00%	21.00%	22.00%	23.00%
Number of patients for brachytherapy	25,400	31,090	34,354	37,737	41,241	44,870	48,628	52,518	56,544	60,711	65,021	68,799	72,645
Market share	0.3%	0.5%	0.8%	1.0%	1.5%	2.0%	2.5%	3.0%	3.5%	4.0%	4.5%	4.9%	4.9%
Patients receiving CS-131 brachytherapy	76	155	258	377	619	897	1,216	1,576	1,979	2,428	2,926	3,371	3,560
Price per seed	115	115	115	115	115	115	115	115	115	115	115	115	115
Seeds per patients	65	65	65	65	65	65	65	65	65	65	65	65	65
CS-131 sales (Non-prostate cancer) (\$000)	\$570	\$1,162	\$1,926	\$2,821	\$4,624	\$6,708	\$9,087	\$11,777	\$14,793	\$18,153	\$21,871	\$25,199	\$26,608
<b>GammaTile (\$000)</b>	2018A	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
<b>Brain cancer (cs/yr) - Candidates (new and recurrent)</b>	300,000	306,000	312,120	318,362	324,730	331,224	337,849	344,606	351,498	358,528	365,698	373,012	380,473
% Patients undergoing surgical resection	75.0%	75.0%	75.0%	75.0%	75.0%	75.0%	75.0%	75.0%	75.0%	75.0%	75.0%	75.0%	75.0%
Patients requiring treatment of tumor bed following resection	225,000	229,500	234,090	238,772	243,547	248,418	253,387	258,454	263,623	268,896	274,274	279,759	285,354
Market share	0.0%	0.1%	0.5%	1.0%	1.3%	1.5%	1.8%	2.0%	2.3%	2.5%	2.8%	3.1%	3.1%
Patients receiving wafer	0	230	1,170	2,388	3,044	3,726	4,434	5,169	5,932	6,722	7,543	8,673	8,846
Price per seed	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150	\$150
Seeds per patients	65	65	65	65	65	65	65	65	65	65	65	65	65
Probability Factor	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%
Wafer sales (Meningioma's) (\$000)	\$0	\$224	\$1,141	\$2,328	\$2,968	\$3,633	\$4,323	\$5,040	\$5,783	\$6,554	\$7,354	\$8,456	\$8,625
Probability adjusted sales (\$000)	\$0	\$224	\$1,141	\$2,328	\$2,968	\$3,633	\$4,323	\$5,040	\$5,783	\$6,554	\$7,354	\$8,456	\$8,625
<b>Combined Revenues</b>	\$4,815	\$6,638	\$10,362	\$14,643	\$19,451	\$27,275	\$34,796	\$43,244	\$52,666	\$63,112	\$71,793	\$77,459	\$80,638

Source: Dawson James estimates; \* Numbers are estimated for all years.

## VALUATION

We see IsoRay as an established company that has an approved product that is being commercialized. Revenue today is small at just \$10M annually and has struggled to grow at any significant rate. We have been “liberal” with a 15% risk rate. Typically for early stage companies with no approved products which possess a lot of clinical risks, we use a 30% risk rate, and for established companies with more predictable revenues and typically cash flow positive, we apply a 10% risk rate. We model the company's revenues (and expenses) out to 2030. We consider the need to raise capital, and as such, we use a future projected share count. We then apply these metrics to our free cash flow to the firm (FCFF), discounted earnings (dEPS) and the sum of the parts (SOP) model, which are equal weighted, averaged and rounded to the nearest whole number. The current valuation suggests a fair value or price target below \$1.00. As such, we are Neutral rated.

### Exhibit 2. FCFF Model

Average	\$	0.8
Price Target	\$	0.9
Year		2020

#### DCF Valuation Using FCF (mln):

Units ('000)	2018A	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
EBIT	(6,700)	(5,278)	(3,446)	(1,124)	1,253	5,803	10,088	15,070	20,789	26,673	31,312	34,750	36,370
TaxRate	0%	0%	0%	7%	9%	11%	14%	16%	17%	18%	19%	25%	29%
EBIT(1-t)	(6,700)	(5,278)	(3,435)	(1,045)	1,140	5,164	8,676	12,659	17,255	21,872	25,363	25,978	25,721
CapEx	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-	-	-	-	-	-	-
Change in NWC	-	-	-	-	-	-	-	-	-	-	-	-	-
FCF	(6,700)	(5,278)	(3,435)	(1,045)	1,140	5,164	8,676	12,659	17,255	21,872	25,363	25,978	25,721
PV of FCF	(8,861)	(6,070)	(3,435)	(909)	862	3,396	4,961	6,294	7,460	8,223	8,291	7,385	6,357.72
Discount Rate	15%												
Long Term Growth Rate	1%												
Terminal Cash Flow	185,555												
Terminal Value YE2030	45,866												
NPV	88,680												
NPV-Debt	-												
Shares out (thousands)	98,757	2030E											
NPV Per Share	\$	0.9											

Source: Dawson James estimates, company reports

### Exhibit 3. Discounted EPS Model

Current Year	2020
Year of EPS	2030
Earnings Multiple	10
Discount Factor	15%
Selected Year EPS	\$ 0.26
NPV	\$ 0.65

		Discount Rate and Earnings Multiple Varies, Year is Constant					
		2030 EPS					
Earnings Multiple		5%	10%	15%	20%	25%	30%
		2		\$0.32	\$0.20	\$0.13	\$0.09
5		\$0.81	\$0.51	\$0.33	\$0.21	\$0.14	\$ 0.10
10		\$1.62	\$1.02	\$0.65	\$0.43	\$0.28	\$ 0.19
15		\$2.43	\$1.53	\$0.98	\$0.64	\$0.43	\$ 0.29
20		\$3.24	\$2.04	\$1.31	\$0.85	\$0.57	\$ 0.38
25		\$4.05	\$2.54	\$1.63	\$1.07	\$0.71	\$ 0.48
30		\$4.86	\$3.05	\$1.96	\$1.28	\$0.85	\$ 0.57
35		\$5.67	\$3.56	\$2.28	\$1.49	\$0.99	\$ 0.67

Source: Dawson James estimates

### Exhibit 4. Sum of the Parts Model

IsoRay, Inc.	LT Gr	Discount Rate	Yrs. to Peak Mkt	% Success	Peak Sales MM's	NPV
CS-131 (Prostate cancer)	1%	15%	6	100%	\$45	\$324
NPV						\$0.43
CS-131 (non-prostate cancer)	1%	15%	6	100%	\$27	\$190
NPV						\$0.25
GammaTile	1%	30%	3	50%	\$86	\$297
NPV						\$0.21
Net Margin						30%
MM Shrs OS (2028E)						99
Total						\$0.9

Source: Dawson James estimates

**Risk Analysis:**

**Investment Risk:** IsoRay is a small capital company, which can translate into high volatility and risk for investors. The company's revenues depend on one product with multiple applications. Prostate cancer treatment accounted for greater than three-fourths of product sales, and the prostate cancer market has been declining.

**Market Share Risk.** IsoRay faces well-entrenched competition within the brachytherapy marketplace as well as outside the marketplace from well-capitalized large pharma and biotechnology companies.

**Regulatory Risk:** Barium is the main raw material used to make Cesium-131. IsoRay relies heavily on the production of Barium. The main supplier of Cesium-131 is in Russia, so the majority of the production of Cesium is dependent on U.S. - Russian relations. The manufacturing facilities all need to pass certain standards of operation in order to be functionally running.

**Commercial Risk:** End consumers may believe that there is a lack of product doses for Cesium 131, and radiation therapy represents a complication for some providers.

**Financial Risk:** IsoRay is likely to have additional capital raises before the company can be self-sustaining.

**Exhibit 5. Income Statement**

IsoRay™ Medical, Inc.: Income Statement (\$000)	6.2017	6.2018	6.2019	July-Sept	Oct-Dec	Jan-Mar	Apr-Jun	6.2020	July-Sept	Oct-Dec	Jan-Mar	Apr-Jun	6.2021	6.2022	6.2023	6.2024	6.2025	6.2026	6.2027	6.2028	6.2029	6.2030*
IsoRay™ Medical, Inc.: YE Jun 30	2017A	2018A	2019A	1Q20A	2Q20A	3Q20A	4Q20A	2020A	1Q21E	2Q21E	3Q21E	4Q21E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Cs-131 Prostate Cancer	4,761	5,369	5,252	1,547	1,500	2,080	1,800	6,927	2,374	2,374	2,374	2,374	9,494	11,858	16,934	21,385	26,427	32,090	38,405	42,567	43,805	45,405
Cs-131 Seeds (non-prostate - non-brain)		506	1,162	482	421	500	300	1,703	705	705	705	705	2,821	4,624	6,708	9,087	11,777	14,793	18,153	21,871	25,199	26,608
Gamma Tile			224	286	285	300	179	1,050	582	582	582	582	2,328	2,968	3,633	4,323	5,040	5,783	6,554	7,354	8,456	8,625
<b>Total Product Sales</b>	<b>4,761</b>	<b>5,923</b>	<b>7,314</b>	<b>2,315</b>	<b>2,206</b>	<b>2,880</b>	<b>2,279</b>	<b>9,680</b>	<b>3,661</b>	<b>3,661</b>	<b>3,661</b>	<b>3,661</b>	<b>14,643</b>	<b>19,451</b>	<b>27,275</b>	<b>34,796</b>	<b>43,244</b>	<b>52,666</b>	<b>63,112</b>	<b>71,793</b>	<b>77,459</b>	<b>80,638</b>
<b>Expenses</b>																						
Cost of product sales (prostate)	3,923	3,790	3,808	1,000	1,000	1,100	1,133	4,233	1,464	1,464	1,464	1,464	5,857	7,586	10,092	12,526	15,135	17,907	21,458	24,410	25,562	26,611
COGS % of revenue	82%	68%	64%	43%	43%	43%	43%	44%	40%	40%	40%	40%	40%	39%	37%	36%	35%	34%	34%	34%	33%	33%
Cost of product sales (non-prostate)	-	291	459	79	95	74	75	323	257	257	257	257	1,030	1,518	2,068	2,682	3,363	4,115	4,941	5,845	6,731	7,047
COGS % of revenue	20%	5%	28%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%
Sales and marketing expenses	2,310	2,660	2,679	815	666	805	690	2,976	759	759	759	759	3,036	3,096	3,158	3,221	3,286	3,351	3,418	3,487	3,557	3,628
S&M % of revenue	3.1%	4.5%	3.7%	35%	30%	28%	30%	31%	21%	21%	21%	21%	21%	16%	15%	15%	15%	15%	15%	15%	15%	15%
General and administrative expenses	3,918	4,165	4,172	1,097	1,071	1,155	1,248	4,571	1,166	1,166	1,166	1,166	4,662	4,756	4,851	4,948	5,047	5,148	5,251	5,356	5,463	5,572
G&A % of revenue	8.3%	7.0%	5.7%	47%	49%	40%	55%	47%	32%	32%	32%	32%	32%	24%	23%	23%	23%	23%	23%	23%	23%	23%
Research and development	965	1,746	1,474	233	277	294	322	1,126	296	296	296	296	1,182	1,241	1,303	1,330	1,343	1,356	1,370	1,384	1,397	1,411
R&D % of revenue	20%	29%	20%	10%	12%	10%	14%	12%	8%	8%	8%	8%	8%	6%	5%	5%	5%	5%	5%	5%	5%	5%
Stk Optn's				(73)				(73)														
Non-GAAP, Adj																						
<b>Total Expenses</b>	<b>11,068</b>	<b>12,652</b>	<b>12,592</b>	<b>3,151</b>	<b>3,109</b>	<b>3,428</b>	<b>3,395</b>	<b>13,083</b>	<b>3,942</b>	<b>3,942</b>	<b>3,942</b>	<b>3,942</b>	<b>15,767</b>	<b>18,198</b>	<b>21,472</b>	<b>24,707</b>	<b>28,174</b>	<b>31,877</b>	<b>36,438</b>	<b>40,481</b>	<b>42,709</b>	<b>44,268</b>
Operating income (Loss)	(6,307)	(6,729)	(5,278)	(836)	(903)	(548)	(1,116)	(3,403)	(281)	(281)	(281)	(281)	(1,124)	1,253	5,803	10,088	15,070	20,789	26,673	31,312	34,750	36,370
Interest income	117	29		20	6	3	1	30														
Change in fair value of warrant derivative liability	27																					
Financing and interest expense	-																					
<b>Total other income</b>	<b>144</b>	<b>29</b>	<b>-</b>	<b>20</b>	<b>6</b>	<b>3</b>	<b>1</b>	<b>30</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Pre-tax Income</b>	<b>(6,163)</b>	<b>(6,700)</b>	<b>(5,278)</b>	<b>(816)</b>	<b>(897)</b>	<b>(545)</b>	<b>(1,115)</b>	<b>(3,373)</b>	<b>(281)</b>	<b>(281)</b>	<b>(281)</b>	<b>(281)</b>	<b>(1,124)</b>	<b>1,253</b>	<b>5,803</b>	<b>10,088</b>	<b>15,070</b>	<b>20,789</b>	<b>26,673</b>	<b>31,312</b>	<b>34,750</b>	<b>36,370</b>
Income Tax Benefit (Provision)	-	-	-	(2)	(3)	(6)	(6)	(11)	(20)	(20)	(20)	(20)	(79)	113	638	1,412	2,411	3,534	4,801	5,949	6,772	10,649
Tax Rate	0%	0%	0%	4%	4%	4%	4%	0%	7%	7%	7%	7%	7%	9%	11%	14%	16%	17%	18%	19%	25%	29%
<b>GAAP Net Income (loss)</b>	<b>(6,166)</b>	<b>(6,711)</b>	<b>(5,278)</b>	<b>(816)</b>	<b>(899)</b>	<b>(548)</b>	<b>(1,109)</b>	<b>(3,384)</b>	<b>(261)</b>	<b>(261)</b>	<b>(261)</b>	<b>(261)</b>	<b>(1,045)</b>	<b>1,140</b>	<b>5,164</b>	<b>8,676</b>	<b>12,659</b>	<b>17,255</b>	<b>21,872</b>	<b>25,363</b>	<b>25,978</b>	<b>25,721</b>
Preferred stock dividends	(11)	(11.00)																				
<b>GAAP-EPS</b>	<b>(0.11)</b>	<b>(0.12)</b>	<b>(0.08)</b>	<b>(0.01)</b>	<b>(0.01)</b>	<b>(0.01)</b>	<b>(0.01)</b>	<b>(0.05)</b>	<b>(0.00)</b>	<b>(0.00)</b>	<b>(0.00)</b>	<b>(0.00)</b>	<b>(0.01)</b>	<b>0.01</b>	<b>0.06</b>	<b>0.10</b>	<b>0.14</b>	<b>0.20</b>	<b>0.25</b>	<b>0.29</b>	<b>0.30</b>	<b>0.29</b>
Non GAAP EPS (dil)	(0.11)	(0.12)	(0.08)	(0.01)	(0.01)	(0.01)	(0.01)	(0.05)	(0.00)	(0.00)	(0.00)	(0.00)	(0.01)	0.01	0.05	0.09	0.13	0.18	0.22	0.26	0.27	0.26
Wgtd Avg Shrs (Bas) - '000s	55,016	55,159	67,042	67,388	67,388	67,558	85,895	72,057	85,980	86,066	86,152	86,239	86,110	86,454	86,801	87,149	87,498	87,848	88,200	88,553	88,908	89,264
Wgtd Avg Shrs (Dil) - '000s	55,016	55,159	67,042	67,388	67,388	67,558	95,029	74,341	95,124	95,219	95,314	95,409	95,266	95,648	96,031	96,416	96,802	97,190	97,579	97,970	98,363	98,757

Source: Company reports and Dawson James

4th Qtr-2020 share count is estimates

Source: Dawson James estimates and Company Reports

Companies mentioned in this report

GT Medical (private)

Important Disclosures:

**Price Chart:**



Price target and rating changes over the past three years:

- Initiated – Buy – July 1, 2019 – Price Target \$1.00
- Update – Buy – September 26, 2019 – Price Target \$1.00
- Update – Buy – November 22, 2019 – Price Target \$1.00
- Update – Buy – February 5, 2020 – Price Target \$1.00
- Update – Buy – May 13, 2020 – Price Target \$1.00
- Update – Buy – September 22, 2020 – Price Target \$1.00
- Rating Change – Neutral – October 20, 2020 – Price Target NA

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**Rating Definitions:**

- 1) **Buy:** The analyst believes the price of the stock will appreciate and produce a total return of at least 20% over the next 12-18 months;
- 2) **Neutral:** The analyst believes the price of the stock is fairly valued for the next 12-18 months;
- 3) **Sell:** The analyst believes the price of the stock will decline by at least 20% over the next 12-18 months and should be sold.

The following chart reflects the range of current research report ratings for all companies followed by the analysts of the Firm. The chart also reflects the research report ratings relating to those companies for which the Firm has performed investment banking services.

Ratings Distribution	Company Coverage		Investment Banking	
	# of Companies	% of Total	# of Companies	% of Totals
Market Outperform (Buy)	22	81%	4	18%
Market Perform (Neutral)	5	19%	1	20%
Market Underperform (Sell)	0	0%	0	0%
Total	27	100%	5	19%

**Analyst Certification:**

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