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Citius Pharmaceuticals (NASDAQ/CTXR)

February 15, 2024

BUY: Reports the Quarter, \$20M in Cash, Summer Runway

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Citius reported the fiscal first quarter, spending \$9M in the quarter and ending the period with \$20M in cash and equivalents. The company highlighted "runway through August 24".

Investment Highlights

First Quarter 2024: (press release):

Business Highlights:

- Resubmitted LYMPHIR™ (denileukin diftitox) biologics license application (BLA) to the U.S. Food and Drug Administration (FDA); awaiting Prescription Drug User Fee Act (PDUFA) target date;
- Completed enrollment in the Mino-Lok® Pivotal Phase 3 trial; topline results anticipated in calendar 2Q 2024;
- Scheduled end of Phase 2b trial meeting with FDA in calendar 2Q 2024 to discuss next steps in development of Halo-Lido for the treatment of hemorrhoids;
- Executed definitive agreement to merge our wholly owned subsidiary with TenX Keane Acquisition (Nasdaq: TENK) to form publicly listed Citius Oncology, Inc.; transaction is expected to be completed in the first half of 2024;

Financial Highlights:

- Cash and cash equivalents of \$20.3 million as of December 31, 2023; runway through August 2024;
- R&D expenses were \$2.6 million for the first quarter ended December 31, 2023, compared to \$3.4 million for the first quarter ended December 31, 2022;
- G&A expenses were \$3.7 million for the first quarter ended December 31, 2023, compared to \$2.6 million for the first quarter ended December 31, 2022;
- Stock-based compensation expense was \$3.1 million for the first quarter ended December 31, 2023, compared to \$1.2 million for the first quarter ended December 31, 2022; and,
- Net loss was \$9.2 million, or (\$0.06) per share for the first quarter ended December 31, 2023, compared to a net loss of \$3.6 million, or (\$0.02) per share for the first quarter ended December 31, 2022.

Valuation. We use a 30% risk rate in our free cash flow to the Firm (FCFF), our discounted EPS (dEPS), and sum-of-the-parts (SOP) models on top of a 15% risk rate in our therapeutic models for both products. We equal weight and average these metrics and then round to the nearest whole number to derive our \$8.00 price target.

Risk Factors: These include Clinical Risk, Partnership Risk, Financial Risk, Regulatory Risk, and Legal and Commercial Risks.

Current Price \$0.77
Price Target \$8.00



Source: Citius

Stock Data

52-Week Range	\$0.60	-	\$1.71
Shares Outstanding (mil.)	159.0		
Market Capitalization (mil.)	\$123		
Enterprise Value (mil.)	\$103		
Debt to Capital	0%		
Book Value/Share	\$2.63		
Price/Book	1.2		
Average Three Months Trading Volume (K)	616		
Insider Ownership	7.7%		
Institutional Ownership	16.9%		
Short Interest (mil.)	7.3%		
Dividend / Yield	\$0.00/0.0%		

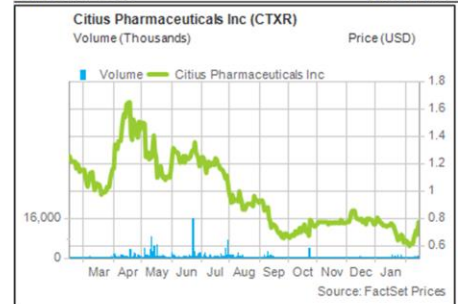


Exhibit 1. Income Statement

Citius Pharmaceuticals: Income Statement ('000)						December	March	June	Sept. YE										
YE Sept.	2019A	2020A	2021A	2022A	2023A	1Q24A	2Q24E	3Q24E	4Q24E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E
Mino-Lok, U.S. ST & LT CVC Revenues	-	-	-	-	-	-	-	-	-	-	8,864	118,551	241,867	360,683	474,580	592,910	604,828	616,985	629,386
CTCL Revenues	-	-	-	-	-	-	-	-	-	-	48,927	83,183	84,855	86,561	88,301	90,076	91,886	93,733	95,617
	-	-	-	-	-	-	-	-	-	-	57,790	201,734	326,722	447,244	562,881	682,986	696,714	710,718	725,003
Expenses																			
Cost of goods sold	-	-	-	-	-	-	-	-	-	-	8,669	30,260	49,008	67,087	84,432	102,448	104,507	106,608	108,750
COGS % of Revenue											15%	15%	15%	15%	15%	15%	15%	15%	15%
Research and development	8,596	8,813	12,241	17,655	14,819	2,621	2,500	3,500	4,000	12,621	12,873	13,131	13,394	13,661	13,935	14,213	14,498	14,788	15,083
R&D % of Revenue																			
G&A	6,285	8,095	9,836	11,755	15,295	3,660	3,500	3,500	3,500	14,160	18,000	18,000	18,000	18,000	18,000	18,000	18,000	18,000	18,000
SG&A % of Revenue																			
Stock based comp. G & A	715	803	1,455	3,906	6,617	3,058	3,000	3,000	3,000	12,058	12,058	12,058	12,058	12,058	12,058	12,058	12,058	12,058	12,058
Total expenses	27,540	17,711	23,532	33,317	36,731	9,430	9,000	10,000	10,500	38,839	51,600	73,449	92,460	110,806	128,425	146,719	149,063	151,453	153,892
Oper. Inc. (Loss)	(27,540)	(17,711)	(23,532)	(33,317)	(36,731)	(9,430)	(9,000)	(10,000)	(10,500)	(38,839)	6,190	128,285	234,262	336,438	434,456	536,267	547,651	559,265	571,111
Interest Income	53	68	262	251	1,179	254	254	254	254	254	254	254	254	254	254	254	254	254	254
Gain (loss) on revaluation of derivative warrant liability		110	216		3,586														
Interest Expense	(16)	(16)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Pre-tax income	(27,503)	(17,548)	(23,055)	(33,641)	(31,966)	(9,087)	(8,746)	(9,746)	(10,246)	(38,585)	6,444	128,539	234,516	336,692	434,710	536,521	547,905	559,519	571,365
Pretax Margin																			
Income Tax Benefit (Provision- Warrant)	-	-	1,451	-	-														
Income Tax Expense					576	(144)	(875)	(975)	(1,025)	(3,018)	(4,345)	18,625	49,776	90,384	119,789	150,333	153,748	157,232	160,786
Tax Rate	0%	0%	5%		0%	10%	10%	10%	10%	10%	15%	20%	25%	30%	30%	30%	30%	30%	30%
GAAP Net Income (loss)	(27,474)	(30,976)	(42,834)	(33,641)	(33,694)	(9,231)	(9,621)	(8,771)	(9,221)	(35,567)	10,790	109,913	184,740	246,308	314,921	386,188	394,157	402,287	410,579
GAAP-EPS	(1.39)	(0.84)	(0.46)	(0.23)	(0.21)	(0.06)	(0.05)	(0.05)	(0.05)	(0.21)	0.16	0.55	0.82	1.03	1.25	1.46	1.45	1.43	1.42
Non GAAP EPS (dil)	(1.39)	(0.84)	(0.23)	(0.23)	(0.20)	(0.05)	(0.05)	(0.05)	(0.05)	(0.21)	0.16	0.55	0.82	1.03	1.25	1.46	1.45	1.43	1.42
Wgid Avg Shrs (Bas) - '000s	20,162	36,071	108,599	146,066	151,294	158,955	159,114	159,273	159,432	159,194	159,831	160,472	161,114	161,760	162,408	163,058	163,712	164,368	165,026
Wgid Avg Shrs (Dil) - '000s	20,162	36,071	108,599	146,067	167,357	176,144	177,905	179,684	181,481	178,804	184,222	189,804	195,555	201,481	207,586	213,876	220,356	227,033	233,913

Source: Dawson James estimates, company reports

Risk Analysis

In addition to the typical risks associated with development-stage specialty pharmaceutical companies, potential risks specific to Citius Pharmaceuticals, Inc. are as follows:

Partnership risk. Citius Pharmaceuticals, Inc. is in discussions with possible partners today, but there can be no assurances that the Company will be able to secure a favorable partnership.

Commercial risk. There are no assurances that the Company will be able to achieve significant market share and become profitable.

Clinical and regulatory risk. Lead products have to complete clinical trials. Trials may not produce results sufficient for regulatory approval.

Financial risk. The Company may need to raise capital in the marketplace, and there can be no assurances that the Company will be able to successfully raise capital and or do so at favorable terms.

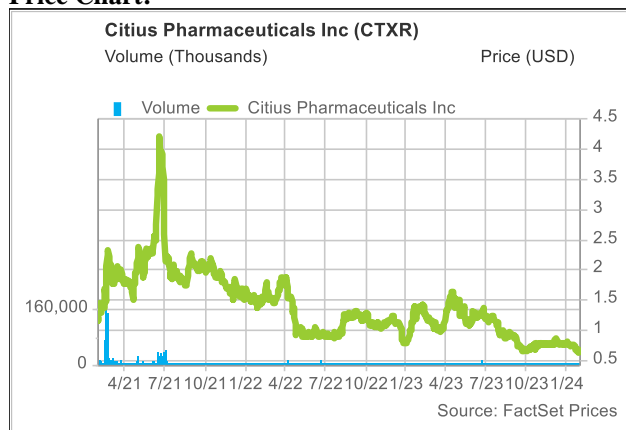
Liquidity Risk. The stock is thinly traded. We note that management owns a significant percentage of the Company.

Legal and intellectual property risk. The Company may have to defend its patents and technical know-how, and there can be no assurances that the patents will not be infringed or will be held as valid if challenged, and or that the Company may infringe on third parties' patents.

Companies mentioned in this report

Important Disclosures:

Price Chart:



Price target and rating changes over the past three years:

- Update – Buy – 2/4/2020 – Price Target \$7.00
- Update – Buy – 2/25/2020 – Price Target \$7.00
- Update – Buy – 5/26/2020 – Price Target \$7.00
- Update – Buy – 9/28/2020 – Price Target \$7.00
- Update – Buy – 9/29/2020 – Price Target \$7.00
- Update – Buy – 11/30/2020 – Price Target \$7.00
- Update – Buy – 1/26/2021 – Price Target \$6.00
- Price Target Change – Buy – 2/18/2021 – Price Target \$8.00
- Update – Buy – 3/10/2021 – Price Target \$8.00
- Update – Buy – 5/21/2021 – Price Target \$8.00
- Update – Buy – 6/9/2021 – Price Target \$8.00
- Update – Buy – 7/1/2021 – Price Target \$8.00
- Price Target Change – Buy – 9/9/2021 – Price Target \$10.00
- Update – Buy – 12/6/2021 – Price Target \$10.00
- Update – Buy – 2/11/2022 – Price Target \$10.00

Update – Buy – 2/15/2022 – Price Target \$10.00
Update – Buy – 4/6/2022 – Price Target \$10.00
Update – Buy – 4/18/2022 – Price Target \$10.00
Update – Buy – 4/26/2022 – Price Target \$10.00
Update – Buy – 5/5/2022 – Price Target \$10.00
Update – Buy – 5/13/2022 – Price Target \$10.00
Update – Buy – 5/25/2022 – Price Target \$10.00
Update – Buy – 7/12/2022 – Price Target \$10.00
Update – Buy – 8/15/2022 – Price Target \$10.00
Update – Buy – 9/28/2022 – Price Target \$10.00
Update – Buy – 12/6/2022 – Price Target \$10.00
Update – Buy – 12/23/2022 – Price Target \$10.00
Update – Buy – 2/14/2023 – Price Target \$10.00
Update – Buy – 3/31/2023 – Price Target \$10.00
Update – Buy – 4/25/2023 – Price Target \$10.00
Update – Buy – 5/4/2023 – Price Target Change \$10.00 to \$8.00
Update – Buy – 5/18/2023 – Price Target \$8.00
Update – Buy – 6/21/2023 – Price Target \$8.00
Update – Buy – 7/31/2023 – Price Target \$8.00
Update – Buy – 8/15/2023 – Price Target \$8.00
Update – Buy – 9/11/2023 – Price Target \$8.00
Update – Buy – 10/24/2023 – Price Target \$8.00
Update – Buy – 11/2/2023 – Price Target \$8.00
Update – Buy – 1/2/2024 – Price Target \$8.00
Update – Buy – 1/11/2024 – Price Target \$8.00
Update – Buy – 1/31/2024 – Price Target \$8.00
Update – Buy – 2/14/2024 – Price Target \$8.00
Update – Buy – 2/15/2024 – Price Target \$8.00

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- 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.

Current as of 30-Jan-24

	Company Coverage		Investment Banking	
Ratings Distribution	# of Companies	% of Total	# of Companies	% of Totals
Market Outperform (Buy)	20	58.82%	4	11.80%
Market Perform (Neutral)	14	41.18%	2	5.90%
Market Underperform (Sell)	0	0%	0	0.00%
Total	34	100%	6	17.70%

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