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Can-Fite BioPharma Ltd. (NYSE/CANF)

BUY Rated; Acrobat too.. Halfway There

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Can-Fite announced that the "ACROBAT" pivotal trial, like the COMFORT trial, has now completed over half of its 525 planned patients for the Phase 3 trial, which is evaluating Piclidenoson in the treatment of rheumatoid arthritis. As we stated for the ACROBAT trial, we view this news as positive and the outcome of the trial, as a "significant" event with the potential to be transformative for the company.

Investment Highlights

ACROBAT catches up with COMFORT. Piclidenoson is now in two pivotal, Phase 3 studies (Acrobat and Comfort) and both are halfway plus enrolled. The ACROBAT study is a 24-week, 525-person four-arm (high and low dose versus MTX and placebo) study designed to establish the drug as non-inferior to Methotrexate (MTX) in newly diagnosed patients with moderate-to-severe RA. The primary endpoint of ACRobat is a disease activity score (DAS) after 12 weeks of treatment in patients dosed with Piclidenoson compared to those dosed with MTX. In a Phase 2b study (N=79) with Piclidenoson given twice daily, 49% of patients achieved ACR20, 19% ACR50 and 11% ACR70. The scores are comparable to MTX but with a benign AE profile. Patients have been selected for the study based on overexpression of the A3AR biomarker. The study should complete enrollment this year with data to follow in nine months.

The *COMFORT* pivotal trial too. The study is designed to evaluate the efficacy and safety of daily Piclidenoson, administered orally compared to Apremilast (Otezla) and placebo in 407 patients with moderate-to-severe plaque psoriasis. The study is being conducted in five countries in Europe, Israel, and Canada. The primary endpoint is to be based on the percent of patients which achieve a PASI 75 score at week 16 vs. placebo. The secondary endpoints are to include non-inferiority vs. Otezla at week 32. Psoriasis alone is estimated to be a $9B market.

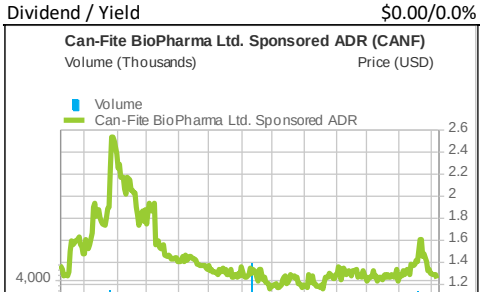
So it's Acrobat and Comfort. Not one, but two Phase 3 trials with Piclidenoson. Acrobat in Rheumatoid Arthritis and Comfort in Psoriasis. Both hold great promise as alternative therapies with what appears to be a more favorable side-effects profile.

Valuation. We model the respective indications, Piclidenoson in RA and psoriasis, Namodenoson in HCC, and NAFLD. We apply a probability of success in these patient-based models. These metrics then flow into our valuation models. For Can-Fite, we apply a 30% discount rate, which is in addition to our therapeutic probability of success rate. We select 30% as the company is not yet profitable and most of the products are still dependent on the outcome of the clinical trial. Our valuation conclusion is an equally-weighted average of our FCFF, EPS, and sum-of-the-parts analysis. We use a fully diluted end-year share count and assume multiple raises. The conclusion of this method is a $9.00 price target.

Risk to our thesis, include the following: (1) commercial; (2) regulatory; (3) clinical; (4) manufacturing; (5) financial; (6) liability; and (7) intellectual property.

Current Price	**$2.15**
Price Target	**$9.00**

Estimates	F2017A	F2018A	F2019E
Revenues ($000s)	847	4452	1840
1Q March	73	632	299
2Q June	79	270	389
3Q September	588	2629	1152
4Q December	107	921	0
	F2017A	F2018A	F2019E
EPS (diluted)	(0.14)	(0.16)	(1.15)
1Q March	(0.04)	(0.04)	(0.04)
2Q June	(0.06)	(0.03)	(0.79)
3Q September	(0.05)	0.02	(0.33)
4Q December	0.01	(0.10)	-
EBITDA/Share	($0.15)	($0.16)	($0.56)
EV/EBITDA (x)	0.0	0.0	0.0
Stock Data			
52-Week Range	$1.90	-	$24.30
Shares Outstanding (mil.)			4.0
Market Capitalization (mil.)			$8.6
Enterprise Value (mil.)			$2.7
Debt to Capital			0.0%
Book Value/Share			$4.52
Price/Book			8.4
Average Three Months Trading Volume (M)			5.8
Insider Ownership			8.6%
Institutional Ownership			15.4%
Short interest (mil.)			2.8%
Dividend / Yield			$0.00/0.0%



Product Modeling Assumptions

1. We assume a second study is likely to follow the current pivotal programs for Piclidenoson in RA and psoriasis. If we assume a similar size, cost, and time for the studies, it suggests we could see a U.S. and EU approval in rheumatoid arthritis in 2022, followed by approval in psoriasis in 2023.
2. We assume Can-Fite may partner Piclidenoson (and Namodenoson). For the purpose of our model, we assume a sliding scale royalty at a base of 25% but rising to 30% based on sales levels. In accordance with this assumption, we only moderately increase G&A expenses as the company is not likely to build a salesforce in this scenario.
3. We assume pricing of $5,000 in the U.S. and $3,000 in Europe with a 2% year on year increases for Piclidenoson in RA and Psoriasis, and the target population is assumed to be high A_3AR expressers.
4. A probability success factor of 50% to our models for RA and Psoriasis as this is still a Phase 2 product.
5. We now assume Namodenoson is approved and launches (U.S. and Europe), for late-stage liver cancer in 2024.
6. We assume Namodenoson pricing of $50,000 in the U.S. and $35,000 in Europe with a 2% y/y increase.
7. A probability success factor of 50% is applied to our HCC model-based, which is based on Phase 2 data.
8. A probability success factor of 10% to our U.S. and EU models for NAFLD/NASH as the current Phase 2 study is exploratory, and the clinical development pathway for this indication is long and expensive and may require a partner to pay development costs. As such, we believe it's prudent to heavily discount the indication.
9. We do not include CF 602 for the ED indication in our model as the product is still in early stages of testing. We assume a partner is needed to move the project into the clinic.

Exhibit 1. U.S. Market Model for RA

Piclidenoson - CF101 (US)	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E
Rheumatoid arthritis incidence	1,560,600	1,591,812	1,623,648	1,656,121	1,689,244	1,723,029	1,757,489	1,792,639	1,828,492	1,865,061
Increase in incidence	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%
Patients with RA and high levels of A3AR biomarker expression (70%)	1,092,420	1,114,268	1,136,554	1,159,285	1,182,471	1,206,120	1,230,242	1,254,847	1,279,944	1,305,543
Patients that only received non-biologics DMARDS (70%)	764,694	779,988	795,588	811,499	827,729	844,284	861,170	878,393	895,961	913,880
Market Penetration					1.0%	2.0%	6.2%	11.9%	18.1%	22.1%
Patients receiving CF101					8,277	16,886	53,393	104,529	162,169	201,968
Annual cost of treatment					$ 5,000	$ 5,100	$ 5,202	$ 5,306	$ 5,412	$ 5,520
Increase in Price					2%	2%	2%	2%	2%	2%
Revenue ('000)					$ 41,386	$ 86,117	$ 277,748	$ 554,634	$ 877,684	$ 1,114,942
Probability of Success					50%	50%	50%	50%	50%	50%
Total Revenue ('000)					**$ 20,693**	**$ 43,058**	**$ 138,874**	**$ 277,317**	**$ 438,842**	**$ 557,471**

Source: Dawson James

Exhibit 2. EU Market Model for RA

Piclidenoson - CF101 (EU)	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E
Rheumatoid arthritis incidence	3,017,160	3,077,503	3,139,053	3,201,834	3,265,871	3,331,188	3,397,812	3,465,768	3,535,084	3,605,785
Increase in incidence	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%
Patients with RA and high levels of A3AR biomarker expression (70%)	2,112,012	2,154,252	2,197,337	2,241,284	2,286,110	2,331,832	2,378,469	2,426,038	2,474,559	2,524,050
Patients that only received non-biologics DMARDS (70%)	1,478,408	1,507,977	1,538,136	1,568,899	1,600,277	1,632,282	1,664,928	1,698,227	1,732,191	1,766,835
Market Penetration					1.0%	2.0%	5.0%	11.0%	13.5%	18.2%
Patients receiving CF101					16,003	32,646	83,246	186,805	233,846	321,564
Annual cost of treatment					$ 3,000	$ 6,600	$ 6,732	$ 6,867	$ 7,004	$ 7,144
Increase in Price					2%	2%	2%	2%	2%	2%
Revenue ('000)					$ 48,008	$ 215,461	$ 560,415	$ 1,282,722	$ 1,637,850	$ 2,297,270
Probability of Success					50%	50%	50%	50%	50%	50%
Total Revenue ('000)					**$ 24,004**	**$ 107,731**	**$ 280,207**	**$ 641,361**	**$ 818,925**	**$ 1,148,635**

Source: Dawson James

Exhibit 3. U.S. Market Model for Psoriasis

Piclidenoson - CF101 (US)	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E
Psoriasis incidence	7,178,760	7,322,335	7,468,782	7,618,158	7,770,521	7,925,931	8,084,450	8,246,139	8,411,061	8,579,283
Increase in incidence	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%
Plaque psoriasis (80%)	5,743,008	5,857,868	5,975,026	6,094,526	6,216,417	6,340,745	6,467,560	6,596,911	6,728,849	6,863,426
Moderate to severe plaque psoriasis (17%)	976,311	995,838	1,015,754	1,036,069	1,056,791	1,077,927	1,099,485	1,121,475	1,143,904	1,166,782
Patients seeking treatment (84%)	820,102	836,504	853,234	870,298	887,704	905,458	923,568	942,039	960,880	980,097
Market Penetration						1.0%	3.0%	6.0%	9.0%	15.0%
Patients receiving CF101						9,055	27,707	56,522	86,479	147,015
Annual cost of treatment						$ 5,000	$ 5,100	$ 5,202	$ 5,306	$ 5,412
Increase in Price						2%	2%	2%	2%	2%
Revenue ('000)						$ 45,273	$ 141,306	$ 294,029	$ 458,862	$ 795,667
Probability of Success					50%	50%	50%	50%	50%	50%
Total Revenue ('000)					**$ -**	**$ 22,636.46**	**$ 70,653**	**$ 147,015**	**$ 229,431**	**$ 397,833**

Source: Dawson James

Exhibit 4. EU Market Model for Psoriasis

Piclidenoson - CF101 (EU)	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E
Psoriasis incidence	11,548,440	11,779,409	12,014,997	12,255,297	12,500,403	12,750,411	13,005,419	13,265,528	13,530,838	13,801,455
Increase in incidence	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%
Plaque psoriasis (80%)	9,238,752	9,423,527	9,611,998	9,804,238	10,000,322	10,200,329	10,404,335	10,612,422	10,824,670	11,041,164
Moderate to severe plaque psoriasis (17%)	1,570,588	1,602,000	1,634,040	1,666,720	1,700,055	1,734,056	1,768,737	1,804,112	1,840,194	1,876,998
Patients seeking treatment (84%)	1,319,294	1,345,680	1,372,593	1,400,045	1,428,046	1,456,607	1,485,739	1,515,454	1,545,763	1,576,678
Market Penetration						1.0%	2.0%	9.0%	12.0%	14.0%
Patients receiving CF101						14,566	29,715	136,391	185,492	220,735
Price of treatment						$ 3,000	$ 3,060	$ 3,121	$ 3,184	$ 3,247
Increase in Price						2%	2%	2%	2%	2%
Revenue ('000)						$ 43,698	$ 90,927	$ 425,703	$ 590,535	$ 716,792
Probability of Success					50%	50%	50%	50%	50%	50%
Total Revenue ('000)					**$ -**	**$ 21,849**	**$ 45,464**	**$ 212,852**	**$ 295,268**	**$ 358,396**

Source: Dawson James

Valuation. Our valuation is based on our therapeutic models, which include probability of success factors for each product and each model. For Picledenoson, we use a probability of success of just 50% in RA and psoriasis. The same is true for Namodenoson in HCC but in March 2019, we pushed our timelines out from 2022 to 2024. Here the mechanism of action is new, and the data is based on Phase 2 trials, and the disease conditions can be heterogeneous. For example, in HCC, there are often multiple mechanisms of action behind cancer's growth. Blocking one path often results in the cancer adapting to leverage a different pathway. In NASH, we assume just a 10% probability as the current study is exploratory. The result of these models then drives the company's income statement. The valuation conclusion is an equally-weighted average of our FCFF, EPS, and sum-of-the-parts analysis, discounted at a rate of 30% to account for the risks of development and rounded to the nearest whole number. For companies that are well established with mature products and revenues, we typically use a 10% risk rate. For companies in the early stages of product commercialization, we typically choose a higher risk rate of 15%. For Can-Fite, we use our maximum discount rate of 30% as the company does not yet have an approved therapeutic product.

Can-Fite has received approximately $14 million in upfront and milestone payments from multiple partners including Kwang Dong (Korea: A009290; not rated) to develop and commercialize Picledenoson for RA in Korea, Cipher (TSX: CPH; not rated), Chong Kun Dang (Korea: 185750; not rated) for Namodenoson for HCC and most recently Gebro Pharma (private) for Piclidenoson in RA and psoriasis in Spain and Austria. We expect to see additional and larger partnership deals (such as the one recently announced with Kyongbo), which represent a source of non-dilutive capital to the company.

In our model, we assume multiple raises. For purposes of our model, we now assume 55M shares are outstanding by 2027. We assume Can-Fite is likely to be back in the markets raising capital this year and for the next several years. We are hopeful that positive data from ACRobat study in RA and the COMFORT trial in Psoriasis will set the stage for a rise in valuation.

Exhibit 5. Discounted Free-Cash-Flow Model

Average	9

Price Target	9
Year	2019

DCF Valuation Using FCF (mln):

units ('000)	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E
EBIT	(6,567)	(13,000)	(13,160)	(13,573)	(2,749)	18,592	115,691	330,838	546,684	800,616
Tax Rate	0%	0%	0%	0%	0%	0%	5%	8%	12%	15%
EBIT (1-t)	(6,567)	(13,000)	(13,160)	(13,573)	(2,749)	18,592	109,906	304,371	481,082	680,524
CapEx	(33)	-	-	-	-	-	-	-	-	-
Depreciation	14	-	-	-	-	-	-	-	-	-
Change in NWC										
FCF	(6,586)	(13,000)	(13,160)	(13,573)	(2,749)	18,592	109,906	304,371	481,082	680,524
PV of FCF	(8,562)	(13,000)	(10,123)	(8,031)	(1,251)	6,510	29,601	63,058	76,668	83,425
Discount Rate	30%									
Long Term Growth Rate	1%									
Cash Flow	2,370,100									
Terminal Value YE2027	290,549									
NPV	508,844									
NPV-Debt										
Shares out ('000)	55,486	2027E								
NPV Per Share	9.2									

Source: Dawson James

Exhibit 6. EPS Model

Current Year	2019
Year of EPS	2027
Earnings Multiple	5
Discount Factor	30%
Selected Year EPS	14.43
NPV	8.84

	Discount Rate and Earnings Multiple Varies, Year is Constant					
	5%	10%	15%	20%	25%	30%
Earnings Multiple 2	18	12	9	6	4	3
5	45	31	22	16	11	8
10	90	62	44	31	22	16
15	136	93	65	47	34	25
20	181	125	87	62	45	33
25	226	156	109	78	56	41
30	271	187	131	93	67	49
35	316	218	153	109	78	57

Source: Dawson James

Exhibit 7. Sum-of-the-Parts Model

	LT Gr	Discount Rate	Yrs to Mkt	% Success	Peak Sales (M)	NPV
Piclidenoson (RA) U.S.	1%	30%	4	50%	$555	$1,914
NPV						$4.2
Piclidenoson (RA) EU	1%	30%	5	50%	$1,136	$3,917
NPV						$6.7
Piclidenoson (Psoriasis) U.S.	1%	30%	4	50%	$371	$1,280
NPV						$2.8
Piclidenoson (Psoriasis) EU	1%	30%	5	50%	$333	$1,148
NPV						$1.9
Namodenoson (Liver Cancer) U.S.	1%	30%	5	50%	$179	$617
NPV						$1.0
Namodenoson (Liver Cancer) EU	1%	30%	5	50%	$250	$862
NPV						$1.5
Namodenoson (NAFLD/NASAH) U.S.	1%	30%	6	10%	$366	$1,263
NPV						$0.3
Namodenoson (NAFLD/NASAH) EU	1%	30%	7	10%	$220	$758
NPV						$0.2
Pipeline	1%	30%	7	0%	$50	$172
NPV						$0.0
Net Margin						70%
MM Shrs OS (2024E)						55
Total						$8.1

Source: Dawson James

Exhibit 8. Income Statement

Can-Fite Biopharma.: Income Statement ($000)																				
.: YE December 31	2015A	2016A	2017A	2018A	1Q19A	2Q19A	3Q19A	4Q19E	2019E	1Q20E	2Q20E	3Q20E	4Q20E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E
Revenue:	165	170	847		299	389	1,152		1,840												
Piclidenoson (CF-101), Rheumatoid Arthritis U.S.																44,697	43,058	134,394	279,647	436,418	554,949
Piclidenoson (CF-101), Rheumatoid Arthritis EU																24,004	107,731	280,207	583,056	849,255	1,136,012
Piclidenoson (CF-101), Psoriasis U.S.																-	22,636	70,653	147,015	254,923	371,311
Piclidenoson (CF-101), Psoriasis EU																-	21,849	45,464	212,852	295,268	332,796
Namodenoson HCC U.S.																-	-	7,940	41,304	85,946	178,836
Namodenoson HCC EU																-	-	11,095	57,716	120,096	249,895
Namodenoson NASH/NAFLD U.S.																-	-	81,284	169,135	263,953	366,155
Namodenoson NASH/NAFLD EU																-	-	-	67,654	140,775	219,693
Total Product Sales	165	170	847	-	299	389	1,152	-	1,840	-	-	-	-	-	-	68,702	195,275	538,658	1,263,873	1,921,809	2,573,904
Milestone From Gebro Holdings				3,820																	
Piclidenoson (CF-101), Rheumatoid Arthritis U.S.																11,174	10,765	33,599	83,894	130,925	166,485
Royalty Rate from Global Partnership																25%	25%	25%	30%	30%	30%
Piclidenoson (CF-101), Rheumatoid Arthritis EU																6,001	26,933	70,052	174,917	254,777	340,804
Royalty Rate from Global Partnership																25%	25%	25%	30%	30%	30%
Piclidenoson (CF-101), Psoriasis U.S.																-	5,659	17,663	36,754	63,731	92,828
Royalty Rate from Global Partnership																	26%	39%	17%	22%	28%
Piclidenoson (CF-101), Psoriasis EU																-	5,659	17,663	36,754	63,731	92,828
Royalty Rate from Global Partnership																	26%	39%	17%	22%	28%
Namodenoson HCC U.S.																-	-	1,985	10,326	21,486	44,709
Royalty Rate from Global Partnership																#DIV/0!	#DIV/0!	25%	25%	25%	25%
Namodenoson HCC EU																-	-	2,774	14,429	30,024	67,472
Royalty Rate from Global Partnership																#DIV/0!	#DIV/0!	25%	25%	25%	27%
Namodenoson NASH/NAFLD U.S.																-	-	20,321	42,284	65,988	93,223
Royalty Rate from Global Partnership																		25%	25%	25%	25%
Namodenoson NASH/NAFLD EU																-	-	-	16,914	35,194	54,923
Royalty Rate from Global Partnership																			25%	25%	25%
Total royalties, collaborative revenue	**-**	**-**	**-**	**4,452**																	
Total Revenue	-	170	847	4,452	299	389	1,152	-	1,840	-	-	-	-	-	-	17,175	49,016	164,057	416,271	665,856	953,271
Expenses:																					
Partnership Costs including COGS			-	-	-	-	-	-	-	-	-	-	-	-	-	3,435	9,764	26,933	63,194	96,090	128,695
%COGS																5%	5%	5%	5%	5%	5%
Research and Development	3,858	6,081	5,285	6,075	1,443	2,517	3,056		7,016	1,646	1,718	1,861	1,932	7,156	7,299	7,445	7,594	7,746	7,901	8,059	8,220
%R&D																					
General and Administrative	2,725	2,726	2,956	3,159	567	766	887		2,220	1,150	1,200	1,300	1,350	5,000	5,250	8,000	12,000	12,600	13,230	13,892	14,586
%SG&A																					
Total Expenses	6,583	8,807	8,241	9,234	2,010	3,283	3,943	-	9,236	2,796	2,918	3,161	3,282	12,156	12,549	18,881	29,358	47,279	84,325	118,041	151,502
Operating Income (Loss)	(6,418)	(8,637)	(7,394)	(5,414)	(1,711)	(2,894)	(2,791)	-	(7,396)	(2,796)	(2,918)	(3,161)	(3,282)	(12,156)	(12,549)	(1,705)	19,657	116,777	331,946	547,815	801,769
Finance expenses	564	178	1,102	1,204	130	194	184		508												
Finance income	(1,920)	(1,820)	(2,999)	(51)	(9)	(27)	(28)		(64)												
Total Other Income	**(1,356)**	**(1,642)**	**(1,897)**	**1,153**	**121**	**167**	**156**	**-**	444	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Pretax Income	5,062	(6,995)	(4,963)	(6,567)	(1,832)	(3,061)	(2,947)	-	(7,840)	(2,796)	(2,918)	(3,161)	(3,282)	(12,156)	(12,549)	(1,705)	19,657	116,777	331,946	547,815	801,769
Taxes on income	4	29	4																		
Adjustments arising from translating financial statements of foreign operations		9	30															5,839	26,556	65,738	120,265
Remeasurement loss from defined benefit plans	99		-																		
Tax Rate																		5%	8%	12%	15%
GAAP Net Income (Loss)	5,066	(6,966)	(4,993)	(6,571)	(1,832)	(3,061)	(2,947)	-	(7,840)	(2,796)	(2,918)	(3,161)	(3,282)	(12,156)	(12,549)	(1,705)	19,657	116,777	331,946	547,815	801,769
Total comprehensive loss	5,066	(6,957)	(4,993)	(6,571)	(1,832)	(3,061)	(2,947)	-	(7,840)	(2,796)	(2,918)	(3,161)	(3,282)	(12,156)	(12,549)	(1,705)	19,657	122,616	305,390	482,077	681,504
GAAP-EPS	#DIV/0!	(0.25)	(0.14)	(0.17)	(0.04)	(0.92)	(0.51)	-	(1.47)	(0.15)	(0.12)	(0.14)	(0.14)	(0.55)	(0.44)	(0.06)	0.68	4.05	11.47	18.86	27.49
GAAP-EPS (Dil)			(0.14)	(0.16)	(0.04)	(0.79)	(0.33)	-	(1.15)	(0.08)	(0.07)	(0.07)	(0.07)	(0.29)	(0.23)	(0.03)	0.36	2.13	6.03	9.91	14.45
Wgtd Avg Shrs (Bas) - '000s	-	28,096	32,994	38,793	42,863	3,324	5,827	8,333	8,333	18,342	23,360	23,383	23,407	22,123	28,473	28,587	28,701	28,816	28,932	29,048	29,164
Wgtd Avg Shrs (Dil) - '000s	-	28,096	32,994	41,953	48,403	3,897	8,901	13,910	13,910	33,923	43,957	44,001	44,045	41,482	54,171	54,388	54,605	54,824	55,044	55,264	55,486

Source: Dawson James Securities

Risk Analysis
In addition to the typical risks associated with development stage specialty pharmaceutical companies, potential risks specific to Can-Fite are as follows:

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 on favorable terms.

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

Partnership risk. Can-Fite may seek partnerships for clinical development support and commercialization. We have no specific knowledge of any discussions with possible partners today, and 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 secure favorable pricing, commercially launch products, and achieve significant market share to become profitable.

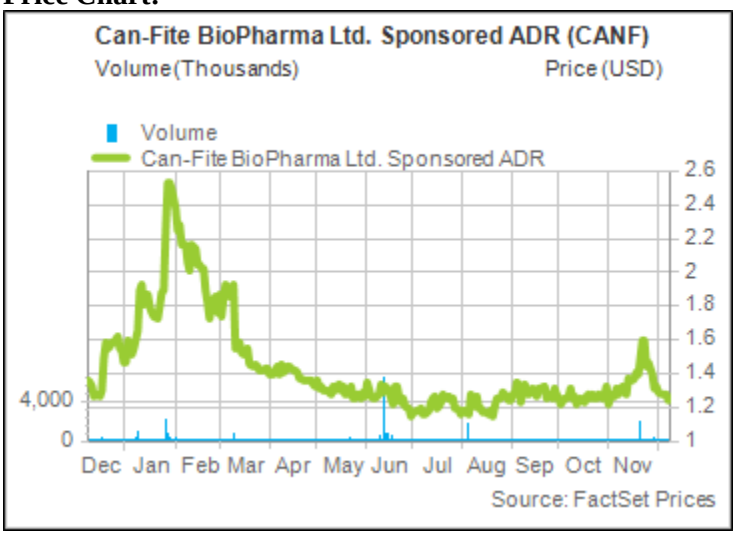
Legal and intellectual property risk. The company may have to defend its patents and technical know-how, and there can be no assurances that the patents will not be infringed or will be held as valid if challenged, and or that the company may infringe on third party's patents.

Companies mentioned in this report:

Kwang Dong (Korea: A009290; not rated)
Kyongbo Pharm (Korea XKRX, Not Rated)
Cipher (TSX: CPH; not rated)
Chong Kun Dang (Korea: 185750; not rated)
Gebro Pharma (private)

Important Disclosures:

Price Chart:



Price target and rating changes over the past three years:
Initiated – Buy – December 12, 2018 – Price Target $7
Update – Buy – March 26, 2019 – Price Target $6
Update – Buy – May 21, 2019 – Price Target $9 (adjusted down after reverse stock split).
Update – Buy – August 7, 2019 – Price Target $9
Update – Buy – September 11, 2019 – Price Target $9
Update – Buy – September 18, 2019 – Price Target $9
Update – Buy – September 23, 2019 – Price Target $9
Update – Buy – October 15, 2019 – Price Target $9
Update – Buy – October 31, 2019 – Price Target $9
Update – Buy – November 4, 2019 – Price Target $9
Update – Buy – December 2, 2019 – Price Target $9
Update – Buy – December 11, 2019 – Price Target $9
Update – Buy – February 3, 2020 – Price Target $9

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Information about valuation methods and risks can be found in the "STOCK VALUATION" and "RISK FACTORS" sections of this report.

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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) **Neutra**l: the analyst believes the price of the stock is fairly valued for the next 12-18 months;
3) **Sel**l: 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.

	Company Coverage		Investment Banking	
Ratings Distribution	# of Companies	% of Total	# of Companies	% of Totals
Market Outperform (Buy)	23	88%	3	13%
Market Perform (Neutral)	3	12%	1	33%
Market Underperform (Sell)	0	0%	0	0%
Total	26	100%	4	15%

Analyst Certification:

The analyst(s) whose name appears on this research report certifies that 1) all of the views expressed in this report accurately reflect his (their) personal views about any and all of the subject securities or issuers discussed; and 2) no part of the research analyst's compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed by the research analyst in this research report; and 3) all Dawson James employees, including the analyst(s) responsible for preparing this research report, may be eligible to receive non-product or service specific monetary bonus compensation that is based upon various factors, including total revenues of Dawson James and its affiliates as well as a portion of the proceeds from a broad pool of investment vehicles consisting of components of the compensation generated by investment banking activities, including but not limited to shares of stock and/or warrants, which may or may not include the securities referenced in this report.