

## Fortress Biotech (NASDAQ/FBIO)

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### BUY: Journey Files & as Fortress Raises Smart Capital

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*News that the FDA accepted for review Avenue's New Drug Application for IV Tramadol with a 10.10.20 PDUFA sets the stage for an approval which could lead to a \$55M monetization event for Fortress. We couple this with a smart \$12M raise (Series A Cumulative Redeemable Perpetual Preferred Stock) as a win-win.*

#### Investment Highlights

**Avenue Files Tramadol with the FDA.** We spoke with Dr. Lucy Lu (CEO of Avenue, and a former biotechnology analyst) regarding the filing and attributes of Tramadol. A successful filing is always a good thing, especially for small biotechnology or specialty pharma companies. It demonstrates that the company is "capable" and represents the first hurdle in the regulatory process.

**Tramadol Ain't New & That's a Good Thing.** The fact that this is a familiar chemical entity is, in our opinion, de-risking for the drug's approval. This, coupled with an IV formulation where the hospital has control, is also positive at a time when awareness of addiction risks, or addiction relapse, is a significant concern for patients. Patients who have had addiction issues, but truly require post-surgical pain control, are likely with their physician to see IV Tramadol as a viable option. We are hopeful that this new formulation of a well-known well-understood drug can be viewed as an alternative to more powerful but riskier narcotics with equivalent pain relief.

**Tramadol & Avenue Therapeutics - Treating Post-Surgical Pain- There must be a better way.** Current treatments for post-surgical pain include strong narcotics such as Schedule II (high potential for abuse) opioids, meant for those with severe pain. Much more mild treatments include IV acetaminophens and over the counter anti-inflammatory drugs (ex: ibuprofen), lacking a single product that treats more moderate pain without addictive qualities. IV Tramadol is a way to fill that gap, and approval would make it the only intravenous Schedule IV (low risk of abuse) opioid in the U.S.

**\$55 Million Reasons to Pay Attention.** During two recently completed Phase 3 trials, Avenue achieved a statistically significant improvement in its primary endpoint(s), as well as all key secondary endpoints. FBIO stands to pick up a \$55M milestone through its 32% ownership of the company.

**We Like a Smart Raise.** Fortress announced an underwritten public offering of 625k shares of its 9.375% Series A Cumulative Redeemable Perpetual Preferred Stock at a price of \$20 per share. The result is \$12.5M to Fortress, with no change to the current share count.

**Valuation:** Please see our discussion of valuation on the following pages. Valuation is a complex discussion for Fortress as it represents a "platform therapeutics company" that has significant ownership stakes in companies like Avenue Therapeutics.

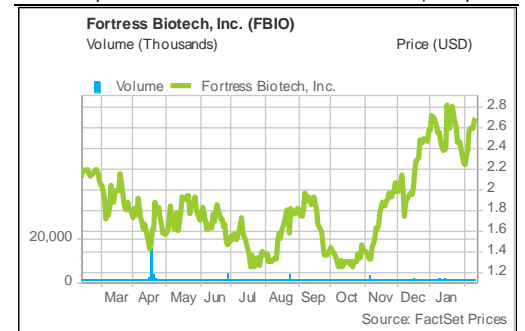
**Risk to our thesis, include the following:** (1) commercial; (2) regulatory; (3) clinical; (4) manufacturing; (5) financial; (6) liability; and (7) intellectual property. We review these and other risks in the risk section of this report.

Current Price **\$2.68**  
Price Target **\$19.00**

Estimates	F2019E	F2020E	F2021E
<b>Expenses (\$000s)</b>	\$ 143,619	\$ 151,142	\$ 159,398
1Q March	\$ 39,085	\$ 35,906	\$ 37,828
2Q June	\$ 34,540	\$ 37,575	\$ 39,564
3Q September	\$ 32,312	\$ 37,424	\$ 39,552
4Q December	\$ 37,682	\$ 40,237	\$ 42,454
	F2019E	F2020E	F2021E
<b>EPS (diluted)</b>	\$ (0.82)	\$ (1.74)	\$ (0.97)
1Q March	\$ 0.09	\$ (0.49)	\$ (0.42)
2Q June	\$ (0.24)	\$ (0.40)	\$ 0.35
3Q September	\$ (0.23)	\$ (0.41)	\$ (0.44)
4Q December	\$ (0.43)	\$ (0.44)	\$ (0.46)

EBITDA/Share (\$1.36) (\$0.11) (\$0.97)  
EV/EBITDA (x) 0.0 0.0 -1.0

Stock Data		
52-Week Range	\$1.20	\$2.98
Shares Outstanding (mil.)	70.8	
Market Capitalization (mil.)	\$190	
Enterprise Value (mil.)	\$115	
Debt to Capital	39%	
Book Value/Share	\$1.03	
Price/Book	26.9	
Average Three Months Trading Volume (K)	259	
Insider Ownership	26.5%	
Institutional Ownership	13.3%	
Short interest (mil.)	1.2%	
Dividend / Yield	\$0.00/0.0%	



### Model Assumptions

1. We model five late-stage therapeutic products (below) and apply to each one its own probability of success factor.
2. Each model assumes launch timing, market share, and pricing.
3. Models are based on available statistics for prevalence and incidence of the target therapeutic indication.
4. Price is based on our understanding of the market and the duration of therapy annually.

### Exhibit 1. Product Models

Avenue Therapeutics	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
IV Tramadol													
IV pain relievers market	10,000,000	10,010,000	10,020,010	10,030,030	10,040,060	10,050,100	10,060,150	10,070,210	10,080,281	10,090,361	10,100,451	10,110,552	10,120,662
Cost of Therapy				\$200	\$200	\$202	\$204	\$206	\$208	\$210	\$212	\$214	\$217
Price Change					1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Market share				1%	2%	4%	10%	20%	30%	35%	40%	45%	45%
Patients Treated with a Course				100,300	200,801	402,004	1,006,015	2,014,042	3,024,084	3,531,626	4,040,180	4,549,748	4,554,298
Revenues (000)				20,060	40,160	81,205	205,247	415,014	629,375	742,355	857,747	975,589	986,330
Probability of Success (Phase 3)				70%	70%	70%	70%	70%	70%	70%	70%	70%	70%
Adjusted Revenues (000)				\$ 14,042	\$ 28,112	\$ 56,843	\$ 143,673	\$ 290,510	\$ 440,562	\$ 519,648	\$ 600,423	\$ 682,912	\$ 690,431

Mustang Bio	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
MB-107 "Bubble Boy"													
Current "Reservoir" patients (U.S. and ex-U.S. markets)					1,050	1,125	900	600	500	575	475	375	275
New Cases a year (U.S. and ex-U.S. markets)					75	75	75	75	75	75	75	75	75
Market Share Prevalance					10%	20%	35%	55%	60%	65%	70%	75%	80%
Market Share New Cases					10%	20%	35%	55%	75%	85%	90%	90%	90%
Total patients treated					113	240	341	371	356	438	400	349	288
Cost of Therapy (one-time)					\$ 1,500,000	\$ 1,500,000	\$ 1,500,000	\$ 1,500,000	\$ 1,500,000	\$ 1,500,000	\$ 1,500,000	\$ 1,500,000	\$ 1,500,000
Revenues (M)					168,750	360,000	511,875	556,875	534,375	656,250	600,000	523,125	431,250
Probability of Success (Phase 2/3)					30%	30%	30%	30%	30%	30%	30%	30%	30%
Adjusted Revenues (M)					\$ 50,625	\$ 108,000	\$ 153,563	\$ 167,063	\$ 160,313	\$ 196,875	\$ 180,000	\$ 156,938	\$ 129,375
Royalty assumed					4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%
Royalty revenue (000)					\$ 2,278	\$ 4,860	\$ 6,910	\$ 7,518	\$ 7,214	\$ 8,859	\$ 8,100	\$ 7,062	\$ 5,822

CheckPoint PD-L1 in NSCLC	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Cosibelimab (NSCLC)													
New cases of lung cancer/year		228,150	228,150	228,150	228,150	228,150	228,150	228,150	228,150	228,150	228,150	228,150	228,150
Patients - PDL1 Option		75%	75%	75%	75%	75%	75%	75%	75%	75%	75%	75%	75%
Target patient population		171,113	171,113	171,113	171,113	171,113	171,113	171,113	171,113	171,113	171,113	171,113	171,113
Market share						1%	2%	4%	6%	8%	10%	12%	14%
Patients treated						1,711	3,422	6,845	10,267	13,689	17,111	20,534	23,956
Costs						\$ 35,000	\$ 55,000	\$ 55,000	\$ 55,000	\$ 55,000	\$ 55,000	\$ 55,000	\$ 55,000
Revenues (000)						\$ 59,889	\$ 188,224	\$ 376,448	\$ 564,671	\$ 752,895	\$ 941,119	\$ 1,129,343	\$ 1,317,566
Probability of Success						50%	50%	50%	50%	50%	50%	50%	50%
Adjusted Revenues (M)						\$ 29,945	\$ 94,112	\$ 188,224	\$ 282,336	\$ 376,448	\$ 470,559	\$ 564,671	\$ 658,783
Royalty assumed		4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%
Royalty revenue (000)						\$ -	\$ -	\$ 1,348	\$ 4,235	\$ 8,470	\$ 12,705	\$ 16,940	\$ 21,175

CheckPoint TKI in NSCLC	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
CK-101 (EGFR mutation + LC)													
New cases of lung cancer/year		228,150	228,150	228,150	228,150	228,150	228,150	228,150	228,150	228,150	228,150	228,150	228,150
Total Lung Cancer Market size (M)		19,250,000	19,478,150	19,706,300	19,934,450	20,162,600	20,390,750	20,618,900	20,847,050	21,075,200	21,303,350	21,531,500	21,759,650
Total NSCLC lung cancer		16,362,500	16,556,428	16,750,355	16,944,283	17,138,210	17,332,138	17,526,065	17,719,993	17,913,920	18,107,848	18,301,775	18,495,703
% of patients with EGFR/NSCLC patients		26%	26%	26%	26%	26%	26%	26%	26%	26%	26%	26%	26%
Patients with EGFR/NSCLC patients						59,319	59,319	59,319	59,319	59,319	59,319	59,319	59,319
Market share						5%	10%	12%	14%	15%	16%	17%	18%
Treated patients (000)						2,966	5,932	7,118	8,305	8,898	9,491	10,084	10,677
Cost (competition=\$15,240/month)						\$ 182,880	\$ 182,880	\$ 182,880	\$ 182,880	\$ 182,880	\$ 182,880	\$ 182,880	\$ 182,880
Revenues (000)						\$ 542,413	\$ 1,084,826	\$ 1,301,791	\$ 1,518,756	\$ 1,627,239	\$ 1,735,721	\$ 1,844,204	\$ 1,952,687
Probability of Success						30%	30%	30%	30%	30%	30%	30%	30%
Adjusted Revenues (000)						\$ 162,724	\$ 325,448	\$ 390,537	\$ 455,627	\$ 488,172	\$ 520,716	\$ 553,261	\$ 585,806
Royalty assumed						4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%
Royalty revenue (000)						\$ 7,323	\$ 14,645	\$ 17,574	\$ 20,503	\$ 21,968	\$ 23,432	\$ 24,897	\$ 26,361

Cyprum Therapeutics (private)	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
CUTX-101 (Menkes Disease)													
Prevalance (USA)	2,720	2,720	2,720	2,720	2,720	2,720	2,720	2,720	2,720	2,720	2,720	2,720	2,720
Incidence annually (USA)	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000	3,000
Target patient population	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500	2,500
Market share		0%	0%	0%	10%	30%	50%	70%	80%	80%	80%	80%	80%
Patients treated					250	750	1,250	1,750	2,000	2,000	2,000	2,000	2,000
Price					\$ 300,000	\$ 300,000	\$ 300,000	\$ 300,000	\$ 300,000	\$ 300,000	\$ 300,000	\$ 300,000	\$ 300,000
Revenues (000)					75,000	225,000	375,000	525,000	600,000	600,000	600,000	600,000	600,000
Probability of Success					30%	30%	30%	30%	30%	30%	30%	30%	30%
Adjusted Revenues (M)					\$ 22,500	\$ 67,500	\$ 112,500	\$ 157,500	\$ 180,000	\$ 180,000	\$ 180,000	\$ 180,000	\$ 180,000
Royalty assumed					4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%	4.5%
Royalty revenue (000)					\$ -	\$ 1,013	\$ 3,038	\$ 5,063	\$ 7,088	\$ 8,100	\$ 8,100	\$ 8,100	\$ 8,100

Source: Dawson James

**Valuation:** As we previously mentioned, Valuation is a complex discussion for Fortress. Fortress, as the controlling entity reports consolidated statements. There are multiple ways to value a "platform therapeutics company" like Fortress that has a majority ownership in multiple public companies with the rights to royalties and milestones, plus the company has its own internal products that are generating revenues and internal private companies that have their own therapeutic pipeline candidates. We choose to model the key products as they exist (inside and outside the company) and project them based on the ownership percentage to the Fortress income statement. We recognize that this is "a model". It is a method to forecast future value. i.e., reporting the revenues of outside companies based on the percentage ownership (not as a 100% consolidated entity) but we do show the consolidated expenses as they are currently reported by Fortress. We view our method as doubly conservative; that is, we cut the revenues but not the expenses. One might argue we need to assess each outside company, determine net-income, and apply valuation metrics, based on the projected value of the external company. We leave that for "others" to do, as our purpose is to determine, is their upside to Fortress based on the value of the holding in the external companies, the product royalties, the annual stock dividend, and the internal companies and P&L metrics of Fortress itself? We conclude, Yes. In our model, we do separate and show our projected revenues, royalties and milestones. We model external and internal products. We then assume R&D, SG&A based on the current consolidated numbers. We project the share count as well as revenues, expenses, and ultimately net-income out to 2030. For each individual product, we make certain assumptions about the timing and probability of success and apply these assumptions to our model. We apply a probability of success in our therapeutic models. This ranges from as low as just 30% to as high as 70% based on what we feel is the therapeutic risk that the product will advance. In addition to the success factor, we apply a 15% discount rate (r) in our Free Cash Flow to the Firm (FCFF), Discounted EPS (dEPS) and Sum of the Parts (SOP) models. We then average the result and round to the nearest whole number to derive our \$19.00 - 12-month price target.

## Exhibit 2. Free Cash Flow Model

Average	19
Price Target	21
Year	2020

### DCF Valuation Using FCF (mln):

units ('000)	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
EBIT	(94,843)	(122,173)	(74,545)	(93,497)	42,813	204,593	349,827	489,468	573,567	639,929	704,893	741,081
Tax Rate	0%	0%	0%	0%	0%	10%	15%	18%	20%	21%	21%	21%
EBIT (1-t)	(94,843)	(122,173)	(74,545)	(93,497)	42,813	184,134	297,353	401,364	458,854	505,544	556,865	585,454
CapEx												
Depreciation												
Change in NWC												
FCF	(94,843)	(122,173)	(74,545)	(93,497)	42,813	184,134	297,353	401,364	458,854	505,544	556,865	585,454
PV of FCF	(109,069)	(122,173)	(64,822)	(70,697)	28,150	105,279	147,837	173,521	172,500	165,263	158,296	144,715
Discount Rate	15%											
Long Term Growth Rate	1%											
Terminal Cash Flow	4,223,632											
Terminal Value YE2030	1,044,017											
NPV	1,881,887											
NPV-Debt	9,396											
Shares out ('000)	89,807	2030E										
NPV Per Share	21											

Source: Dawson James

## Exhibit 3. Discounted-EPS Model

Current Year	2020
Year of EPS	2030
Earnings Multiple	10
Discount Factor	15%
Selected Year EPS	\$ 6.19
NPV	15

		Discount Rate and Earnings Multiple Varies, Year is Constant					
		5%	10%	15%	20%	25%	30%
Earnings Multiple	1	3.80	2.39	1.53	1.00	0.66	0.45
	5	19.00	11.93	7.65	5.00	3.32	2.24
	10	37.99	23.86	15.30	9.99	6.64	4.49
	15	56.99	35.79	22.95	14.99	9.97	6.73
	20	75.99	47.72	30.59	19.99	13.29	8.98
	25	94.98	59.65	38.24	24.99	16.61	11.22
	30	113.98	71.58	45.89	29.98	19.93	13.47
	35	132.97	83.51	53.54	34.98	23.26	15.71

Source: Dawson James

**Exhibit 4. Sum-of-the-Parts Model**

<b>Fortress Biotech</b>	LT Gr	Discount Rate	Yrs to Peak	% Success	Peak Sales (MM's)	Term Val
<b>Avenue Tramadol IV (Pain)</b>	1%	15%	4	70%	\$986	\$7,045
NPV						\$9.5
<b>Mustang MB-107 (bubble Boy)</b>	1%	15%	3	70%	\$431	\$3,080
NPV						\$4.8
<b>Cyprium CUTX-101 (Menke's Disease)</b>	1%	30%	4	70%	\$600	\$2,069
NPV						\$2
<b>CheckPoint Cosibelimab (PD-L1)</b>	1%	30%	4	70%	\$1,318	\$4,543
NPV						\$4
<b>CheckPoint CK-101 (TRK)</b>	1%	30%	4	70%	\$1,953	\$6,733
NPV						\$5.6
Net Margin (Products)						30%
MM Shrs OS (2030E)						89
<b>Product Total NPV</b>						\$20
<b>Product Royalties NPV</b>	1%	15%	4	70%	\$132	\$944
NPV						\$1.3
NPV - Royalties & Products						\$21.1
<b>Milestones</b>	1%	15%	4	70%	\$50	\$357
NPV						\$0.5
NPV - Royalties & Products & Milestones						\$21.6

Source: Dawson James

**Exhibit 5. Income Statement**

	1Q19A	2Q19A	3Q19A	4Q19E	2019E	1Q20E	2Q20E	3Q20E	4Q20E	2020E	2021E	2022E	2023E	1Q24E	2Q24E	3Q24E	4Q24E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
<b>Probability Revenue Forecast: ('000)</b>																								
Avenue Therapeutics: IV Tramadol end use sales											\$ 14,042	\$ 28,112	\$ 56,843	\$ 33,045	\$ 38,792	\$ 31,808	\$ 40,228	\$ 143,673	\$ 290,510	\$ 440,562	\$ 519,648	\$ 600,423	\$ 682,912	\$ 690,431
Percent Owned by Fortress	32%	32%	32%	32%	32%	32%	32%	32%	32%	32%	32%	32%	32%	32%	32%	32%	32%	32%	32%	32%	32%	32%	32%	32%
Revenues Attributed back to Fortress	-	-	-	-	-	-	-	-	-	-	4,493	8,996	18,190	10,574	12,413	10,115	12,873	45,975	92,963	140,980	166,288	192,135	218,532	220,938
Mustang Bio - Bubble Boy (MB-107)											\$ 50,825	\$ 108,000	\$ 35,319	\$ 41,462	\$ 33,784	\$ 42,998	\$ 153,563	\$ 167,063	\$ 160,313	\$ 196,875	\$ 180,000	\$ 156,938	\$ 129,375	
Percent Owned by Fortress	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%
Revenues Attributed back to Fortress	0	0	0	0	0	0	0	0	0	0	15,188	32,400	10,596	12,439	10,135	12,899	46,069	50,119	48,094	59,063	54,000	47,091	38,813	
Cyprum - CUTX-101 - Menkes Disease											\$ 22,500	\$ 67,500	\$ 25,875	\$ 30,375	\$ 24,750	\$ 31,500	\$ 112,500	\$ 157,500	\$ 180,000	\$ 180,000	\$ 180,000	\$ 180,000	\$ 180,000	\$ 180,000
Percent Owned by Fortress	89%	89%	89%	89%	89%	89%	89%	89%	89%	89%	89%	89%	89%	89%	89%	89%	89%	89%	89%	89%	89%	89%	89%	89%
Revenues Attributed back to Fortress	0	0	0	0	0	0	0	0	0	0	20,025	60,075	23,029	27,034	22,028	28,035	100,125	140,175	160,200	160,200	160,200	160,200	160,200	160,200
CheckPoint (Cosbelimab PD-L1)											\$ 29,945	\$ 21,646	\$ 25,410	\$ 20,705	\$ 26,351	\$ 94,112	\$ 188,224	\$ 282,336	\$ 376,448	\$ 470,559	\$ 564,671	\$ 658,783		
Percent Owned by Fortress	32%	32%	32%	32%	32%	32%	32%	32%	32%	32%	32%	32%	32%	32%	32%	32%	32%	32%	32%	32%	32%	32%	32%	32%
Revenues Attributed back to Fortress	-	-	-	-	-	-	-	-	-	-	9,582	6,927	8,131	6,625	8,432	30,116	60,232	90,347	120,463	150,579	180,695	210,811		
CK-101 end use sales											\$ 162,724	\$ 74,853	\$ 87,874	\$ 71,599	\$ 91,125	\$ 325,448	\$ 390,537	\$ 455,627	\$ 488,172	\$ 520,716	\$ 553,261	\$ 585,806		
Percent Owned by Fortress	32%	32%	32%	32%	32%	32%	32%	32%	32%	32%	32%	32%	32%	32%	32%	32%	32%	32%	32%	32%	32%	32%	32%	32%
Revenues Attributed back to Fortress	-	-	-	-	-	-	-	-	-	-	52,072	23,953	28,119	22,912	29,160	104,143	124,972	145,801	156,215	166,629	177,044	187,458		
Journey Medical Corporation (Dermatology)	6,477	6,477	8,000	12,000	32,954	9,095	10,282	9,491	10,677	39,545	35,590	39,149	43,064	10,895	12,316	11,369	12,790	47,371	52,108	57,319	63,050	69,355	76,291	83,920
Percent Owned by Fortress	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Revenues Attributed back to Fortress	6,477	8,199	9,002	12,000	35,678	9,095	10,282	9,491	10,677	39,545	35,590	39,149	43,064	10,895	12,316	11,369	12,790	47,371	52,108	57,319	63,050	69,355	76,291	83,920
Other Revenue Back to Fortress	-	1,051	700	1,000	2,751	696	726	757	847	3,026	3,329	3,662	4,028	1,019	1,063	1,108	1,241	4,431	4,874	5,351	5,897	6,437	7,135	7,849
<b>Fortress Revenues</b>	6,477	9,250	9,702	13,000	38,430	9,792	11,008	10,248	11,525	42,572	43,414	87,019	219,411	86,993	101,515	84,291	105,431	378,229	525,442	648,101	731,176	790,386	866,978	909,988
Avenue Therapeutic (IV Tramadol) Royalties (4.5% on sales > \$325M)											\$ 55,000													
Associate Milestones																								
Mustang Bio - Bubble Boy (MB-107) Prob. Adj. Royalties - 4.5%											\$ 2,278	\$ 4,860	\$ 1,589	\$ 1,866	\$ 1,520	\$ 1,935	\$ 6,910.31	\$ 7,518	\$ 7,214	\$ 8,859	\$ 8,100	\$ 7,062	\$ 5,822	
Associate Milestones																								
Cyprum - CUTX-101 Menkes's Disease - Prob. Adj. Royalties - 4.5%											\$ 1,013	\$ 3,038	\$ 1,164	\$ 1,367	\$ 1,114	\$ 1,418	\$ 5,063	\$ 7,088	\$ 8,100	\$ 8,100	\$ 8,100	\$ 8,100	\$ 8,100	\$ 8,100
Associate Milestones																								
CheckPoint (Cosbelimab PD-L1) - Prob. Adj. Royalties - 4.5%											\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,348	\$ 4,235	\$ 8,470	\$ 12,705	\$ 16,940	\$ 21,175
Associate Milestones																								
CheckPoint (CK-101 - TKI) - Prob. Adj. Royalties - 4.5%											\$ 7,323	\$ 3,368	\$ 3,954	\$ 3,222	\$ 4,101	\$ 14,645	\$ 17,574	\$ 20,503	\$ 21,968	\$ 23,432	\$ 24,897	\$ 26,361		
Associate Milestones																								
<b>Total Royalties &amp; Milestones</b>	-	-	-	-	-	-	-	-	-	55,000	3,291	15,220	6,122	7,187	5,856	7,453	26,618	33,527	40,052	47,397	52,337	56,999	61,458	
<b>Expenses:</b>																								
<b>Fortress</b>																								
Costs of Goods Sold (Journey Medical)	1,884	2,386	2,702	2,000	6,431	1,819	2,056	1,898	2,135	7,909	7,118	7,830	8,613	2,179	2,463	2,274	2,558	9,474	10,422	11,464	12,610	13,871	15,258	16,784
%COGS	29%	26%	34%	17%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%
Research and Development	23,273	18,511	14,571	18,000	74,355	17,957	18,737	20,299	21,080	78,073	81,976	86,075	90,379	21,827	22,775	24,673	25,622	94,898	99,643	104,625	109,856	115,349	121,116	127,172
Research and Development- licenses acquired	450	200	700	2,903	4,253	1,840	1,920	2,080	2,160	8,000	12,000	16,000	16,000	4,057	4,234	4,586	4,763	17,640	18,522	19,448	20,421	21,442	22,514	23,639
General and Administrative	13,478	13,443	14,339	14,780	56,040	14,290	14,862	13,147	14,862	57,160	58,304	59,470	60,659	15,468	16,087	14,231	16,087	61,872	63,110	64,372	65,659	66,972	68,312	69,678
<b>Total Operating expenses</b>	39,085	34,540	32,312	37,682	141,078	35,906	37,575	37,424	40,237	151,142	159,398	169,375	176,451	43,531	45,559	45,764	49,030	183,884	191,696	199,909	208,546	217,634	227,200	237,274
<b>Operating Income (Loss)</b>	(29,835)	(25,290)	(22,610)	(24,682)	(102,416)	(26,114)	(26,567)	(27,176)	(28,712)	(108,570)	(60,984)	(79,065)	58,180	49,584	63,143	44,382	63,854	220,963	367,273	488,245	570,027	634,089	696,777	734,173
Interest income (expense), net	438	779	738		1,955	472	493	534	554	2,053	2,155	2,263	2,376	574	599	649	674	2,495	2,620	2,751	2,888	3,033	3,184	3,344
Interest expense and financing fee	(2,469)	(3,106)	(3,168)		(8,743)	(2,111)	(2,203)	(2,387)	(2,479)	(9,180)	(9,639)	(10,121)	(10,627)	(2,566)	(2,678)	(2,901)	(3,013)	(11,159)	(11,716)	(12,302)	(12,917)	(13,563)	(14,241)	(14,953)
Change in FV of derivative liability																								
Change in FV of subsidiary convertible note																								
Change in FV of investments																								
Gain on deconsolidation of Caelum	18,384	137			18,521																			
<b>Total Other Income</b>	16,353	(2,190)	(2,430)	-	11,733	(1,639)	(1,711)	(1,853)	(1,924)	(7,127)	(7,484)	(7,858)	(8,251)	(1,993)	(2,079)	(2,252)	(2,339)	(8,663)	(9,097)	(9,551)	(10,029)	(10,530)	(11,057)	(11,610)
<b>Pre-tax Income (loss from continuing operations)</b>	(13,482)	(27,480)	(25,040)	(24,682)	(90,683)	(27,754)	(28,278)	(29,029)	(30,636)	(115,697)	(68,468)	(86,923)	49,929	47,591	61,064	42,130	61,514	212,300	353,776	478,694	559,898	629,539	687,720	722,563
Income Tax Benefit (Provision)																								
Tax Rate	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	10%	10%	10%	10%	10%	15%	18%	20%	21%	23%	25%
<b>GAAP Net Income (Loss)</b>	(13,482)	(27,480)	(25,040)	(24,682)	(90,683)	(27,754)	(28,278)	(29,029)	(30,636)	(115,697)	(68,468)	(86,923)	49,929	42,832	54,957	37,917	55,363	191,070	304,450	392,529	447,998	492,611	528,004	541,922
Less: net loss attributable to non-controlling interests	17,647	14,382	12,208		44,237	(27,754)	(28,278)	(29,029)	(30,636)	(115,697)	(68,468)	(86,923)	49,929	-	-	-	-	191,070	304,450	392,529	447,998	492,611	528,004	541,922
<b>Net Income (loss) attributable to common stockholders</b>	4,165	(13,098)	(12,832)	(24,682)	(46,446)	(27,754)	(28,278)	(29,029)	(30,636)	(115,697)	(68,468)	(86,923)	49,929	42,832	54,957	37,917	55,363	191,070	304,450	392,529	447,998	492,611	528,004	541,922
<b>GAAP-EPS</b>	0.09	(0.24)	(0.23)	(0.43)	(0.82)	(0.49)	(0.40)	(0.41)	(0.44)	(1.74)	(0.97)	(1.23)	0.70	0.60	0.77	0.53	0.78	2.68	4.26	5.47	6.22	6.81	7.27	7.43
GAAP-EPS (Dil)	0.07	(0.20)	(0.19)	(0.37)	(0.70)	(0.42)	(0.34)	(0.34)	(0.36)	(1.46)	(0.81)	(1.02)	0.59	0.50	0.64	0.44	0.65	2.23	3.54	4.55	5.17	5.66	6.04	6.18
Wtd Avg Shrs (Bas) - '000s	48,507	53,726	56,857	56,914	54,001	56,971	70,028	70,098	70,168	66,816	70,343	70,625	70,908	71,085	71									

**Risk Analysis**

In addition to the typical risks associated with development stage specialty pharmaceutical companies, potential risks specific to Fortress Biotech are as follows:

**Financial risk.** The company may need to raise capital in the marketplace in order to successfully push its products into the next phase, 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.** Fortress Biotech 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:

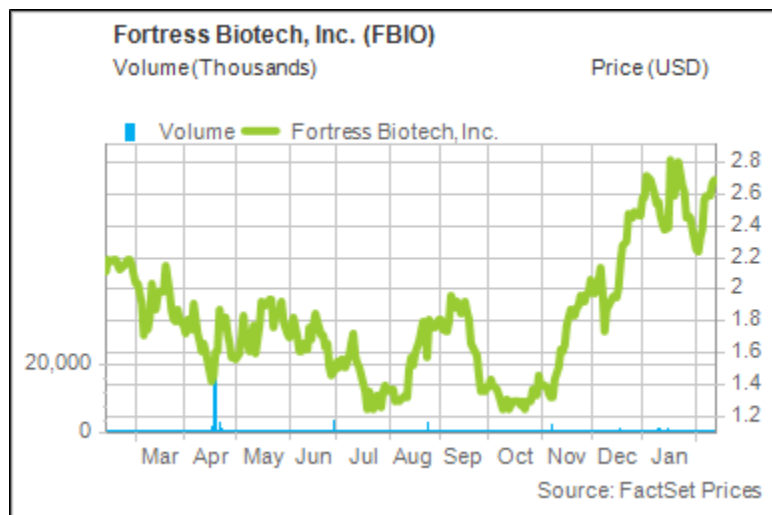
Companies working with Fortress:

Journey Medical Corporation (internal Fortress company).

**Important Disclosures:**

**Price Chart:**

Price target and rating changes over the past three years:



Initiated – Buy August 26, 2019, Price Target \$19.00

Update – Buy September 17, 2019, Price Target \$19.00

Update – Buy November 4, 2019, Price Target \$19.00

Update – Buy December 11, 2019, Price Target \$19.00

Update – Buy December 23, 2019, Price Target \$19.00

Update – Buy January 15, 2020, Price Target \$19.00

Update – Buy February 14, 2020, Price Target \$19.00

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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)	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.