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Fortress Biotech (NASDAQ/FBIO)

September 8, 2020

BUY: Multiple Catalysts Ahead, Plenty of Cash, Too

We recently spent time with Dr. Rosenwald, Fortress CEO. Lindsay highlighted the many catalysts ahead, including Tramadol PDFUFA, 15 clinical programs, Alexion's acquisition of Caelum, where Fortress owns 40% (up to $500M payable), Bubble Boy Disease (could lead to a priority voucher), a PDL1 antibody and many more.

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Investment Highlights

We View Fortress as a Company with a Unique Model That Manages Risk but Keeps the Upside. We have known the senior management of Fortress for more than a decade. We have the highest respect for the track record of this team of creating shareholder value while finding, developing to key inflection points, and finally commercializing value-creating therapeutics. The platform value of the Fortress Machine should not be underestimated. We believe its value goes beyond just the sum of the parts of the therapeutics in its pipeline (there are many) and the multiple ownership stakes in its public companies such as Caelum, where Fortress owns ~40% of the company. Fortress value includes the discovery, licensing, and company infrastructure (access to a pool of CEO/CFO/CMO/CSOs and the right boards) as well as established vendors (CROs, investment banks, regulatory expertise) to create the next company.

Financials: Fortress today has stand-alone cash of $86M and ownership stakes (public) worth at least $116M today.

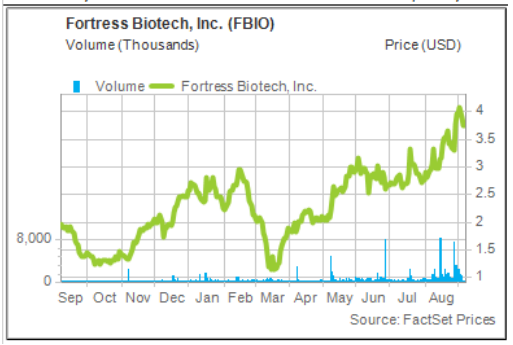
Cyprium Therapeutics (private), 89% owned by Fortress - Menkes Disease. Cyprium is developing CUTX-101 for Menkes disease, a rare genetic disorder affecting about 1 in 100,000 newborns. It is an X-linked recessive disorder of copper metabolism caused by mutations in ATP7A, an evolutionarily conserved copper-transporting ATPase. The disease may cause weak muscle and bone structure, a delay in normal development, seizures, neurodegeneration, and many other painful symptoms, and, ultimately, death. Because of the intensity of the symptoms, infants diagnosed with Menkes disease rarely live past three years of age. CUTX-101 showed a 28% reduction in mortality (early treatment) and improvements in neurodevelopment in a Phase 1-2 trial. **A Phase 3 trial is now underway with a rolling NDA filing expected by 4Q20.** We note that the FDA previously granted Orphan Drug, Fast Track, and Rare Pediatric Disease Designations to CUTX-101. Given the nature of this disease, a pediatric voucher is also possible. These vouchers are typically monetized at $50-$200M. We also note that Fortress receives a 4.5% royalty.

So What Are the Real Numbers, or Just How Long is the Capital Runway? Fortress, because of ownership rules, has to report consolidated R&D and SG&A, but in reality, those numbers do not paint an accurate picture of what the company is burning each quarter. Backing out the numbers (adjusting from GAAP to Non-GAAP), we get to an operating expense number closer significantly lower than the GAAP measure. Remember, too, that Journey contributed approximately $9.5M in net revenues. This translates to a loss of $0.13 cents per share vs. $0.19 cents on a GAAP basis.

Current Price	**$3.74**
Price Target	**$19.00**

Estimates	F2019A	F2020E	F2021E
Expenses ($000s)	$ 147,448	$ 149,056	$160,326
1Q March	$ 39,085	$ 34,446	$ 38,032
2Q June	$ 34,540	$ 34,853	$ 39,786
3Q September	$ 32,312	$ 38,983	$ 39,799
4Q December	$ 41,511	$ 40,774	$ 42,710
	F2019A	F2020E	F2021E
EPS (diluted)	$ (0.73)	$ (1.47)	$ (0.63)
1Q March	$ 0.09	$ (0.19)	$ (0.34)
2Q June	$ (0.24)	$ (0.19)	$ 0.45
3Q September	$ (0.23)	$ (0.53)	$ (0.36)
4Q December	$ (0.35)	$ (0.55)	$ (0.37)
EBITDA/Share	($1.51)	($0.14)	($1.04)
EV/EBITDA (x)	0.0	0.0	-1.0

Stock Data			
52-Week Range	$1.04	-	$4.18
Shares Outstanding (mil.)			88.0
Market Capitalization (mil.)			$329
Enterprise Value (mil.)			$254
Debt to Capital			23%
Book Value/Share			$1.03
Price/Book			7.3
Average Three Months Trading Volume (K)			682
Insider Ownership			23.7%
Institutional Ownership			23.8%
Short interest (mil.)			1.7%
Dividend / Yield			$0.00/0.0%



Dermatology - Not a bad business. Fortress's second quarter produced nine million million in revenues. The company continues to acquire and launch new products building the dermatology franchise. We expect to see a robust growth rate as market penetration continues to develop.

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. 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. **The PDUFA date is set for October 10, 2020** (however, we are unsure as the current COVID outbreak could impact timing).

Caelum Biosciences (private) approximately 43% owned by Fortress. Alexion owns just under 20% ($30M investment) in Caelum. The lead program is CAEL-101 (partnered with Alexion). We note that Alexion is obligated to make a $30M payment based on certain milestones (such as enrollment marks in the current trial combined with other elements, manufacturing, et al.). Alexion has the option to acquire Caelum (60 days post Phase 2 data) for $160M (upfront) up to a total value of $500M, (which translates into $60M value to Fortress). CAEL-1 is an amyloid fibril targeted therapy designed to reduce/eliminate amyloid deposits in patients with AL amyloidosis. This rare disorder results in misfolded immunoglobulin light chain protein that builds up in tissues and organs, principally the kidneys and heart. Based on Alexion's option, we place the value of Fortress's position at between $50M and $75M, and we note that acquisition is triggered if Alexion is acquired. In October 2019, the European Commission granted Orphan Drug Designation to CAEL-101 for the treatment of AL amyloidosis. The FDA had previously granted two orphan drug designations to CAEL-101 for the use of CAEL-101 as a therapeutic agent for patients with AL amyloidosis and a radio-imaging agent in amyloidosis.

MB-107 (Lentiviral Gene Therapy for XSCID): Orphan Bubble Boys. Mustang (MBIO-Not Rated) is Leveraging CAR-T and Going Pivotal. Mustang Bio is developing MB-107 for bubble boy disease using a first-in-class ex-vivo lentiviral gene therapy that has already shown great promise in two early-stage trials. FBIO owns ~ 30% of Mustang and is entitled to a 4.5% royalty in 107, as well as a 2.5% equity dividend annually. We see peak revenues for MBIO on just 107 alone in the $50M range, suggesting fair value at 4-5x revenues of $250M, and that's without the rest of MBIO's pipeline. That equates to $75M in value back to FBIO just for the ownership stake; add in the royalty and dividend, and we get closer to the $100M mark. We also note that **Mustang announced a complete response (CR) in its first patient in refractory B-cell non-Hodgkin lymphoma. We could see this program translate into a priority voucher for Fortess.**

Cancer Immunotherapy - Building a Better Mouse Trap (TKI & PD-L1). CheckPoint (CKPT) is developing an EGFR Tyrosine Kinase Inhibitor (TKI) known as CK-101 and has an anti-PD-L1 antibody (Cosibelimab). CK-101 is in early (Phase 1) development for EGFR positive lung cancer. Recent data from the European Society for Medical Oncology (ESMO) showed a 40% objective response rate observed in NSCLC patients. The goal is to develop an improved TKI versus Tarceva, Iressa, and or Tagrisso, efficacy, and adverse events profile. Recent data suggest a high tolerance of CK-101 across multiple dose groups with preliminary activity for treating the cancer. On the PD-L1 side, interim data shows substantial efficacy in multiple tumor types with a well-tolerated safety profile. So how does FBIO benefit? CKPT is 32% owned by FBIO, gets a 4.5% royalty on sales of both programs above and again, here too, receives an annual 2.5% equity dividend. Clinical progression of the TKI could go pivotal this year and the PD-L1 in 2021. Since the TKI and PD-L1 space represents blockbuster opportunities, if fully developed, the revenue potential is high, which means FBIO's 32% stake in CKPT, as well as the royalty, could prove quite valuable. For modeling purposes, if we assume just a 10% market share and a 30% probability of success, it still equates to revenues of over $300M and $15M in royalties. Double that for the PD-L1. This suggests Checkpoint could easily be worth (3-5x revenues) or $2B in market value (must be adjusted for NPV), 32% of which is owned by FBIO or $640M in value and again, that is without the royalty or dividend valued.

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 such as Mustang Bio.

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

Exhibit 1. Pipeline Driven Catalysts

Candidate*	Indication	Phase 1	Phase 2	Phase 3	Next Milestone	Partnership % / Royalty†	Potential Peak Sales Revenue^
IV Tramadol	Moderate to moderately severe post-operative pain				PDUFA action date of October 10, 2020	29% Avenue** 10-20% CVR Royalty on gross profits****	~$790M
MB-107 & MB-207 Gene Therapy	XSCID (newly diagnosed) XSCID (previously transplanted)				File IND for MB-207 (previously transplanted patients) in 4Q 2020	25% Mustang 4.5% Royalty	~$200M
CUTX-101 Copper Histidinate	Menkes disease				Rolling NDA submission expected to start in 4Q 2020 and be completed in 1H 2021	79% Cyprium 4.5% Royalty	~$175M
COSIBELIMAB Anti-PD-L1 mAb .	Recurrent or metastatic cancers				P1 Registration-enabling expansion cohorts ongoing; potential to support 1 or more BLA filings	21% Checkpoint 4.5% Royalty	$300M - $500M (initial indication CSCC)
CK-101 Mut.-EGFR Inh.	EGFR* NSCLC				Initiate Registration Study	21% Checkpoint 4.5% Royalty	$300M - $600M
CAEL-101 mAb 11-1F4	Amyloid light chain amyloidosis				Initiate pivotal Phase 3 program 2H 2020	43% Caelum***	
BAER-101 α2/3–subtype-GABA A PAM	CNS Disorders				Preclinical POC data to support IND in Refractory Epilepsy anticipated 2020	67% Baergic 4.5% Royalty	~$200M - $300M (refractory epilepsy)

IV Tramadol[1] & Cipla

- FBIO eligible to receive up to $48M upfront in contingent acquisition of Avenue
- CVR Payout of 10-20% of gross profits[2]
- PDUFA goal action date of 10/10/2020

CAEL-101[1] & Alexion

- Eligible to receive 43% of up to $500M (upfront and approval / sales milestones) in event of Alexion exercise of contingent option
- Initiate pivotal Phase 3 program in 2H20

Journey Medical

- Generated $34.9M in net revenue for the full year 2019; a 49% increase over 2018
- Generated $21.4M in net revenue in the first half of 2020, a 50% increase over the first half of 2019
- Expect to acquire 1 to 2 new revenue-generating dermatology products in 2020

MB-107 & MB-207[1]

- Expect to commence Phase 2 registration trial for newborns with XSCID shortly
- File IND for Phase 2 registration trial in previously transplanted patients, expected Q4 2020

Cosibelimab and CK-101[1]

- Interim data update for cosibelimab expected in 2H 2020; Complete enrollment in cosibelimab registration-enabling CSCC expansion cohort expected early 2021
- Potential initiation of CK-101 global registration study for treatment of lung cancer

ONCOlogues Platform

- KRAS G12D pre-IND completion

PRVs (Priority Review Vouchers)

- Filing for at least 2 PRVs anticipated (CUTX-101, MB-107 (newly diagnosed) and MB-207 (previously transplanted)) [1]
  - Data suggests PRVs may be worth ~$75M to ~$110M, each

Source: Fortress

1. *IV Tramadol, CAEL 101, Cosibelimab, CK 101, CUTX 101, MB 107 (newly diagnosed XSCID), MB 207 (previously transplanted XSCID) an d ONCOlogues are product candidates in development at FBIO partner companie.*
2. *2. Fortress to receive ~1/3 of CVR royalty if certain net sales thresholds are met*

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 2. 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%*	*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

Cyprium 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 annualy (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%*	*4.5%*
Royalty revenue (000)				$ -	$ 1,013	$ 3,038	$ 5,063	$ 7,088	$ 8,100	$ 8,100	$ 8,100	$ 8,100	$ 8,100

Source: Dawson James estimates, company reports

Valuation: As we previously mentioned, Valuation is a complex discussion for Fortress. Fortress, as the controlling entity, reports consolidated statements. Our valuation expenses are based on GAAP numbers, but we recognize this is conservative. If we substituted Non-GAAP projections, it would actually result in a higher valuation. There are multiple ways to value a "platform therapeutics company" such as 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 3. Free Cash Flow Model

Price Target	21
Year	2020

DCF Valuation Using FCF (mln):

units ('000)	2019A	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
EBIT	(101,660)	(136,205)	(71,293)	(89,881)	46,833	209,061	354,789	475,154	556,301	619,700	681,695	718,367
Tax Rate	0%	0%	0%	0%	0%	10%	15%	18%	20%	21%	21%	21%
EBIT (1-t)	(101,660)	(136,205)	(71,293)	(89,881)	46,833	188,155	301,571	389,626	445,041	489,563	538,539	567,510
CapEx												
Depreciation												
Change in NWC												
FCF	(101,660)	(136,205)	(71,293)	(89,881)	46,833	188,155	301,571	389,626	445,041	489,563	538,539	567,510
PV of FCF	(116,909)	(136,205)	(61,994)	(67,963)	30,794	107,578	149,934	168,446	167,307	160,039	153,086	140,280

Discount Rate	15%	
Long Term Growth Rate	1%	
Terminal Cash Flow	4,094,180	
Terminal Value YE2030	1,012,019	
NPV	1,823,322	
NPV-Debt	9,396	
Shares out ('000)	84,929	2030E
NPV Per Share	21	

Source: Dawson James estimates, company reports

Exhibit 4. Discounted-EPS Model

Current Year		2020
Year of EPS		2030
Earnings Multiple		10
Discount Factor		15%
Selected Year EPS	$	6.54
NPV		16

	Discount Rate and Earnings Multiple Varies, Year is Constant					
		5%	10%	15%	20%	25%	30%
Earnings Multiple	1	4.01	2.52	1.62	1.06	0.70	0.47
	5	20.07	12.61	8.08	5.28	3.51	2.37
	10	40.15	25.21	16.17	10.56	7.02	4.74
	15	60.22	37.82	24.25	15.84	10.53	7.12
	20	80.30	50.43	32.33	21.12	14.04	9.49
	25	100.37	63.03	40.41	26.41	17.56	11.86
	30	120.45	75.64	48.50	31.69	21.07	14.23
	35	140.52	88.25	56.58	36.97	24.58	16.60

Source: Dawson James estimates

Exhibit 5. Sum-of-the-Parts Model

Fortress Biotech	LT Gr	Discount Rate	Yrs to Peak	% Success	Peak Sales (MM's)	Term Val
Avenue Tramadol IV (Pain)	1%	15%	4	70%	$986	$7,045
NPV						$10.1
Mustang MB-107 (bubble Boy)	1%	15%	3	70%	$431	$3,080
NPV						$5.1
Cyprium CUTX-101 (Menke's Disease)	1%	30%	4	70%	$600	$2,069
NPV						$2
CheckPoint Cosibelimab (PD-L1)	1%	30%	4	70%	$1,318	$4,543
NPV						$4
CheckPoint CK-101 (TRK)	1%	30%	4	70%	$1,953	$6,733
NPV						$5.9
Net Margin (Products)						30%
MM Shrs OS (2030E)						84
Product Total NPV						$21
Product Royalties NPV	1%	15%	4	70%	$88	$627
NPV						$0.9
NPV - Royalties & Products						$21.8
Milestones	1%	15%	4	70%	$50	$357
NPV						$0.5
NPV - Royalties & Products & Milestones						$22.4

Source: Dawson James estimates

Exhibit 6. Income Statement

	2019A	1Q20A	2Q20A	3Q20E	4Q20E	2020E	1Q21E	2Q21E	3Q21E	4Q21E	2021E	1Q22E	2Q22E	3Q22E	4Q22E	2022E	1Q23E	2Q23E	3Q23E	4Q23E	2023E	1Q24E	2Q24E	3Q24E	4Q24E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Probability Revenue Forecast: ('000)																															
Avenue Therapeutics: IV Tramadol end use sales							$ 3,230	$ 3,791	$ 3,089	$ 3,932	$ 14,042	$ 6,466	$ 7,590	$ 6,185	$ 7,871	$ 28,112	$ 13,074	$ 15,348	$ 12,506	$ 15,916	$ 56,843	$ 33,045	$ 38,792	$ 31,608	$ 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%	32%	32%	32%	32%	32%	32%	32%
Revenues Attributed back to Fortress	-	-	-	-	-	-	1,033	1,213	989	1,258	4,493	2,069	2,429	1,979	2,519	8,996	4,184	4,911	4,002	5,093	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)												$ 11,644	$ 13,669	$ 11,138	$ 14,175	$ 50,625	$ 24,840	$ 29,160	$ 23,760	$ 30,240	$ 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%	30%	30%	30%	30%	30%	30%	30%
Revenues Attributed back to Fortress	0	0	0	0	0	0	-	-	-	-	-	3,493	4,101	3,341	4,253	15,188	7,452	8,748	7,128	9,072	32,400	10,596	12,439	10,135	12,899	46,069	50,119	48,094	59,063	54,000	47,081	38,813
Cyprium -CUTX-101 - Menkes Disease							$ -	$ -	$ -	$ -	$ -	$ 5,175	$ 6,075	$ 4,950	$ 6,300	$ 22,500	$ 15,525	$ 18,225	$ 14,850	$ 18,900	$ 67,500	$ 25,875	$ 30,375	$ 24,750	$ 31,500	$ 112,500	$ 157,500	$ 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%	89%	89%	89%	89%	89%	89%	89%
Revenues Attributed back to Fortress	1	0	0	0	0	1	0	0	0	0	1	4,606	5,407	4,406	5,607	20,025	13,817	16,220	13,217	16,821	60,075	23,029	27,034	22,028	28,035	100,125	140,175	160,200	160,200	160,200	160,200
CheckPoint (Cosibelimab PD-L1)												$ -	$ -	$ -	$ -	$ -	$ 6,887	$ 8,085	$ 6,588	$ 8,385	$ 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%	32%	32%	32%	32%	32%	32%	32%
Revenues Attributed back to Fortress	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,204	2,587	2,108	2,683	9,582	6,927	8,131	6,625	8,432	30,116	60,232	90,347	120,463	150,578	180,695	210,811
CK-101 end use sales																	$ 37,426	$ 43,935	$ 35,799	$ 45,563	$ 162,724	$ 74,853	$ 87,871	$ 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%	32%	32%	32%	32%	32%	32%	32%
Revenues Attributed back to Fortress	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	11,976	14,059	11,456	14,580	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)	34,921	11,946	9,006	10,057	10,896	41,905	8,674	9,806	9,052	10,183	37,715	9,542	10,786	9,957	11,201	41,486	10,496	11,865	10,952	12,321	45,635	11,546	13,052	12,048	13,554	50,198	55,218	60,740	66,814	73,495	80,845	88,929
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%	100%	100%	100%	100%	100%	100%	100%	100%
Revenues Attributed back to Fortress	34,921	11,946	9,006	10,057	10,896	41,905	8,674	9,806	9,052	10,183	37,715	9,542	10,786	9,957	11,201	41,486	10,496	11,865	10,952	12,321	45,635	11,546	13,052	12,048	13,554	50,198	55,218	60,740	66,814	73,495	80,845	88,929
Other Revenue Back to Fortress	1,708	972	451	470	(14)	1,879	475	496	517	579	2,067	523	546	568	637	2,273	575	600	625	700	2,501	633	660	688	770	2,751	3,026	3,328	3,661	4,027	4,430	4,873
Fortress Revenues	36,629	12,918	9,457	10,527	10,882	43,785	10,183	11,515	10,557	12,020	44,276	20,233	23,268	20,251	24,216	87,968	50,704	58,991	49,488	61,271	220,454	87,257	101,847	84,549	105,724	379,377	526,704	649,490	732,703	801,066	868,826	912,021
Avenue Therapeutic (IV Tramadol) Royalties (4.5% on sales > $325M)																															
Associate Milestones								$ 55,000			$ 55,000																				
Mustang Bio - Bubble Boy (MB-107) Prob. Adj. Royalties - 4.5%												$ 524	$ 615	$ 501	$ 638	$ 2,278	$ 1,118	$ 1,312	$ 1,069	$ 1,361	$ 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																															
Cyprium - CUTX-101 Menke's Disease - Prob. Adj. Royalties - 4.5%												$ 233	$ 273	$ 223	$ 284	$ 1,013	$ 699	$ 820	$ 668	$ 851	$ 3,038	$ 1,164	$ 1,367	$ 1,114	$ 1,418	$ 5,063	$ 7,088	$ 8,100	$ 8,100	$ 8,100	$ 8,100	$ 8,100
Associate Milestones																															
CheckPoint (Cosibelmab 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%																	$ 1,684	$ 1,977	$ 1,611	$ 2,050	$ 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																															
Total Royalties & Milestones	-	-	-	-	-	-	-	55,000	-	-	55,000	757	888	724	921	3,291	3,501	4,109	3,348	4,262	15,220	6,122	7,187	5,856	7,453	26,618	33,527	40,052	47,397	52,337	56,999	61,458
Expenses:																															
Fortress																															
Costs of Goods Sold (Journey Medical)	10,532	3,810	3,124	3,322	3,599	13,856	1,735	1,961	1,810	2,037	7,543	1,908	2,157	1,991	2,240	8,297	2,099	2,373	2,190	2,464	9,127	2,309	2,610	2,410	2,711	10,040	11,044	12,148	13,363	14,699	16,169	17,786
%COGS	29%	32%	33%	33%	33%	33%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%	20%
Research and Development (Consolidated)	75,236	14,867	15,703	20,539	21,329	78,998	19,078	19,907	21,566	22,396	82,948	20,032	20,903	22,645	23,516	87,095	21,033	21,948	23,777	24,691	91,450	22,085	23,045	24,966	25,926	96,022	100,823	105,865	111,158	116,716	122,552	128,679
Fortress		678	692	705	719	2,794	-	-	-	-	-																				
Avenue		697	1,219																												
Checkpoint		2,635	3,029																												
Mustang		9,251	9,771																												
Other**		1,606	-	-	-	1,606																									
Research and Development- licenses acquired	6,090	250	1,570	2,080	2,160	8,000	2,760	2,880	3,120	3,240	12,000	3,680	3,840	4,160	4,320	16,000	3,864	4,032	4,368	4,536	16,800	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 (Consolidated)	55,590	15,519	14,456	13,041	13,685	56,702	14,459	15,037	13,302	15,037	57,836	14,748	15,338	13,568	15,338	58,993	15,043	15,645	13,840	15,645	60,172	15,344	15,958	14,116	15,958	61,376	62,603	63,855	65,133	66,435	67,764	69,119
Fortress		5,663	5,776	5,892	6,010	23,341																									
Avenue		577	684																												
Checkpoint		1,553	1,496																												
Journey Medical Corp. (SG&A)		5,689	5,746	5,803	5,861	23100																									
Mustang		1,769	1,917																												
Other**		268	-	-	-	268																									
Total Operating expenses	147,448	34,446	34,853	38,983	40,774	157,555	38,032	39,786	39,799	42,710	160,326	40,368	42,238	42,364	45,414	170,385	42,040	43,998	44,175	47,337	177,549	43,795	45,847	46,078	49,357	185,078	192,992	201,316	210,074	219,292	228,998	239,223
Total Operating expenses (Adjusted)		17,714	15,338	15,723	16,190	64,964																									
Operating Income (Loss)	110,819	(21,528)	(25,396)	(28,456)	(29,892)	(105,271)	(27,848)	26,729	(29,242)	(30,690)	(61,051)	(19,379)	(18,081)	(21,390)	(20,276)	(79,126)	12,165	19,103	8,661	18,196	58,125	49,583	63,187	44,327	63,819	220,917	367,239	488,226	570,027	634,112	696,828	734,256
Operating Income (Loss) adjusted	-	(4,796)	(5,881)	(5,195)	(5,307)	(21,179)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest income (expense), net	2,559	627	336	699	725	2,687	649	677	734	762	2,821	681	711	770	800	2,962	715	747	809	840	3,110	751	784	849	882	3,266	3,429	3,601	3,781	3,970	4,168	4,377
Interest expense and financing fee	(11,849)	(3,125)	(3,059)	(3,235)	(3,359)	(12,441)	(3,005)	(3,135)	(3,397)	(3,527)	(13,064)	(3,155)	(3,292)	(3,566)	(3,704)	(13,717)	(3,313)	(3,457)	(3,745)	(3,889)	(14,403)	(3,478)	(3,629)	(3,932)	(4,083)	(15,123)	(15,879)	(16,673)	(17,506)	(18,382)	(19,301)	(20,266)
Change in FV of derivative liability			(344)																												
Change in FV of subsidiary convertible note																															
Change in FV of investments	(27)	(42)																													
Gain on deconsolidation of Caelum	18,476																														
Total Other Income	9,159	**(2,540)**	**(3,067)**	**(2,536)**	**(2,634)**	(9,755)	**(2,356)**	**(2,458)**	**(2,663)**	**(2,765)**	(10,242)	**(2,473)**	**(2,581)**	**(2,796)**	**(2,904)**	(10,754)	**(2,597)**	**(2,710)**	**(2,936)**	**(3,049)**	(11,292)	**(2,727)**	**(2,846)**	**(3,083)**	**(3,201)**	(11,857)	(12,449)	(13,072)	(13,726)	(14,412)	(15,132)	(15,889)
Pretax Income (loss from continuing operations)	(101,660)	(24,068)	(28,463)	(36,187)	(37,833)	(136,205)	(30,204)	24,271	(31,905)	(33,455)	(71,293)	(21,852)	(20,662)	(24,186)	(23,180)	(89,881)	9,568	16,393	5,725	15,147	46,833	46,856	60,342	41,245	60,618	209,061	354,789	475,154	556,301	619,700	681,695	718,367
Income Tax Benefit (Provision)																						4,686	6,034	4,124	6,062	20,906	53,218	85,528	111,260	130,137	156,790	179,592
Tax Rate	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	10%	10%	10%	10%	10%	15%	18%	20%	21%	23%	25%
GAAP Net Income (Loss)	(101,660)	(24,068)	(28,463)	(36,187)	(37,833)	(136,205)	(30,204)	24,271	(31,905)	(33,455)	(71,293)	(21,852)	(20,662)	(24,186)	(23,180)	(89,881)	9,568	16,393	5,725	15,147	46,833	42,171	54,307	37,120	54,556	188,155	301,571	389,626	445,041	489,563	524,905	538,775
Adjusted (Non-GAAP) Loss		(7,336)	(8,948)	(7,732)	(7,941)	(31,956)																									
Less: net loss attributable to non-controlling interests	61,700	11,698	15,149	-	-	26,847	6,484	6,765	7,329	7,611	28,189	6,289	6,562	7,109	7,383	27,344	5,912	6,169	6,683	6,940	25,703	5,557	5,799	6,282	6,523	24,161	22,711	21,349	20,068	18,864	17,732	16,668
Net Income (loss) attributable to common stockholders	(39,960)	(12,370)	(13,314)	(36,187)	(37,833)	(99,704)	(23,720)	31,037	(24,576)	(25,844)	(43,103)	(15,563)	(14,100)	(17,076)	(15,797)	(62,537)	15,480	22,562	12,408	22,087	72,536	47,728	60,106	43,402	61,080	212,315	324,282	410,975	465,109	508,427	542,637	555,443
GAAP-EPS	(0.73)	(0.19)	(0.19)	(0.53)	(0.55)	(1.47)	(0.34)	0.45	(0.36)	(0.37)	(0.63)	(0.23)	(0.20)	(0.25)	(0.23)	(0.90)	0.22	0.33	0.18	0.32	1.04	0.69	0.86	0.62	0.88	3.05	4.63	5.85	6.59	7.18	7.63	7.78
GAAP-EPS (Dil)	(0.60)	(0.19)	(0.19)	(0.44)	(0.46)	(1.30)	(0.29)	0.38	(0.30)	(0.31)	(0.53)	(0.19)	(0.17)	(0.21)	(0.19)	(0.76)	0.19	0.27	0.15	0.27	0.88	0.58	0.73	0.52	0.74	2.56	3.90	4.92	5.54	6.03	6.41	6.54
Adjusted Non-GAAP EPS (DIL)		(0.12)	(0.13)	(0.09)	(0.10)	(0.44)																									
Wgtd Avg Shrs (Bas) - '000s	54,711	63,496	68,550	68,619	68,688	67,338	68,756	68,825	68,894	68,963	68,860	69,032	69,101	69,170	69,239	69,135	69,308	69,378	69,447	69,516	69,412	69,586	69,656	69,725	69,795	69,690	69,970	70,250	70,531	70,814	71,098	71,382
Wgtd Avg Shrs (Dil) - '000s	65,502	63,496	68,550	81,641	81,723	73,853	81,804	81,886	81,968	82,050	81,927	82,132	82,214	82,296	82,379	82,255	82,461	82,544	82,626	82,709	82,585	82,791	82,874	82,957	83,040	82,916	83,248	83,581	83,916	84,252	84,590	84,929

Source: Dawson James estimates and company reports

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 parties' patents.

Companies mentioned in this report, working with Fortress and or part of valuation discussion:

Alexion (ALXN/NASDAQ)-Not covered.

InvaGen Pharmaceuticals – (Private).

St. Jude Children's Research Hospital (Private).

Mustang Bio (MBIO/NASDAQ) – Not covered.

Checkpoint Therapeutics (CKPT/NASDAQ) – Not covered.

Avenue Therapeutics (ATXI/ NASDAQ) – Not covered.

Caelum Biosciences (Private).

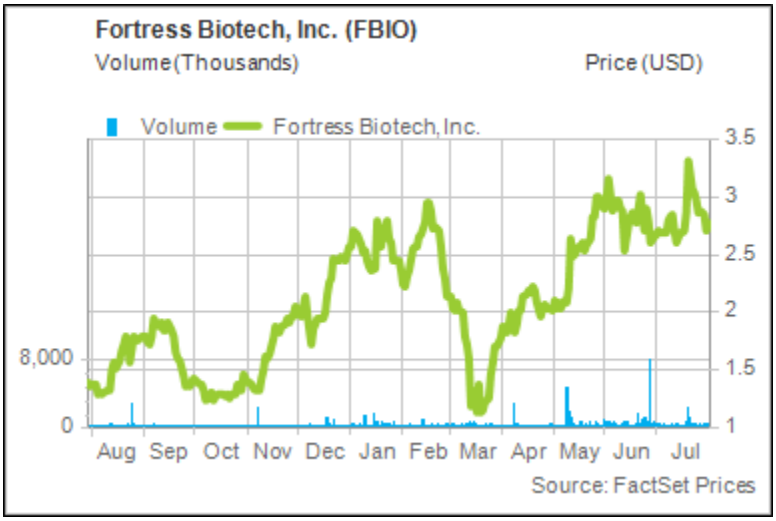
Journey Medical Corporation (internal Fortress company).

Cyprium Therapeutics (Private).

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
Update – Buy February 20, 2020, Price Target $19.00
Update – Buy March 30, 2020, Price Target $19.00
Update – Buy May 14, 2020, Price Target $19.00
Update – Buy July 31, 2020, Price Target $19.00
Update – Buy September 8, 2020, Price Target $19.00

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The Firm does not make a market in the securities of the subject company(s). The Firm has engaged in investment banking relationships with FBIO in the prior twelve months, as a manager or co-manager of a public offering and has received compensation resulting from those relationships. The Firm may seek compensation for investment banking services in the future from the subject company(s). The Firm has received other compensation from the subject company(s) in the last 12 months for services unrelated to managing or co-managing of a public offering.

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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;
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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	85%	4	17%
Market Perform (Neutral)	4	15%	1	25%
Market Underperform (Sell)	0	0%	0	0%
Total	27	100%	5	19%

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