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## Can-Fite BioPharma Ltd. (NYSE/CANF)

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### BUY Rated – Regulatory Milestones Ahead

Look for a stream of regulatory events to unfold in 2021; these include the COMFORT trial (Piclidenoson) in psoriasis, a Phase 2b study in NASH/NAFLD and a pivotal liver cancer study, both with Namodenoson.

### Investment Highlights

**COMFORT trial in psoriasis**, a study evaluating 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 who 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.

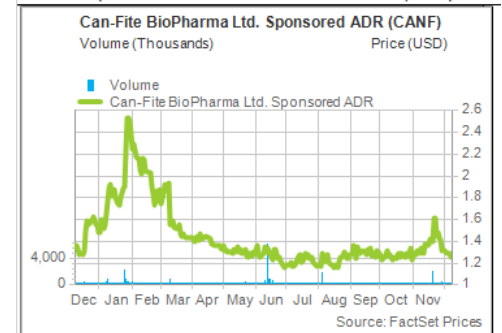
**Namodenoson in NAFLD/NASH. Based on positive Phase 2 data last year, we expect to see progression to a Phase 2b trial with liver biopsy as one of the end points. Recall that an in-depth review of the Phase 2 data revealed 25 mg of Namodenoson was found to resolve significantly all cases of NASH, representing 25% of the 25 mg treated group, as compared to an increase in new NASH cases in the placebo group from a baseline of 0 to 5.9%.**

**Namodenoson in Liver Cancer – Pivotal is Next.** The FDA has agreed with Can-Fite's proposed pivotal Phase 3 trial design. The study protocol and registration plan have also been submitted to the European Medicines Agency (EMA). Namodenoson is currently being used to treat liver cancer patients in a compassionate use program in Israel, which has enrolled seven patients. In addition, two patients who were enrolled in the Company's former Phase 2 study, who responded well to the drug, are continuing treatment. Those two advanced liver cancer patients have reached an overall survival of over 2.5 years while being treated with Namodenoson.

**Valuation.** We evaluate Piclidenoson in 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 FCFE, 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 \$5.00 price target.

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

Current Price	\$1.99		
Price Target	\$5.00		
Estimates	F2020A	F2021E	F2022E
Expenses (\$000s)	17,093	16,669	19,648
1Q March	4,474	3,834	4,519
2Q June	4,035	4,001	4,715
3Q September	4,211	4,334	5,108
4Q December	4,373	4,501	5,305
	F2019A	F2021E	F2022E
EPS (diluted)	(1.17)	(0.49)	(0.39)
1Q March	(0.47)	(0.15)	(0.09)
2Q June	(0.25)	(0.11)	(0.09)
3Q September	(0.28)	(0.12)	(0.10)
4Q December	(0.17)	(0.10)	(0.11)
EBITDA/Share	(\$0.15)	(\$0.16)	(\$1.08)
EV/EBITDA (x)	0.0	0.0	0.0
Stock Data			
52-Week Range	\$1.08	-	\$4.95
Shares Outstanding (mil.)	15.4		
Market Capitalization (mil.)	\$30.7		
Enterprise Value (mil.)	\$10.3		
Debt to Capital	0.0%		
Book Value/Share	\$4.52		
Price/Book	15.1		
Average Three Months Trading Volume (M)	0.3		
Insider Ownership	5.4%		
Institutional Ownership	8.9%		
Short interest (mil.)	2.8%		
Dividend / Yield	\$0.00/0.0%		



Please find Important Disclosures beginning on Page 5.



**Exhibit 2. Income Statement**

Can-Fite Biopharma: Income Statement (\$000)	2015A	2016A	2017A	2018A	2019A	1Q20A	2Q20A	3Q20a	4Q20E	2020E	2021E	1Q22E	2Q22E	3Q22E	4Q22E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E	
<b>Revenue:</b>																									
Picidenoson (CF-101), Rheumatoid Arthritis U.S.	165	170	847		2,032	198	204	211		613								134,394	163,128	193,963	227,024	262,440	300,347	340,889	
Picidenoson (CF-101), Rheumatoid Arthritis EU																		280,207	583,056	667,272	757,342	853,600	956,399	1,066,112	
Picidenoson (CF-101), Psoriasis U.S.																		70,653	147,015	178,446	212,178	248,343	287,085	328,552	
Picidenoson (CF-101), Psoriasis EU																		45,464	212,852	246,056	281,597	319,607	360,229	403,612	
Namodenoson HCC U.S.																		7,940	41,304	51,567	62,592	74,424	87,110	100,899	
Namodenoson HCC EU																		11,095	57,716	72,057	87,463	103,996	121,722	140,711	
Namodenoson NASHNAFLD U.S.																		81,284	169,135	263,953	366,155	380,948	396,338	412,350	
Namodenoson NASHNAFLD EU																		67,654	140,775	219,693	304,758	317,071	329,880		
<b>Total Product Sales</b>	165	170	847		2,032	198	204	211		613								538,658	1,147,353	1,337,305	1,540,733	1,758,415	1,991,171	2,239,863	
Milestone From Gebro Holdings				3,820																					
Picidenoson (CF-101), Rheumatoid Arthritis U.S.													25%	25%	25%	25%	#DIV/0!	#DIV/0!	33,599	48,938	58,189	68,107	78,732	90,104	102,267
Royalty Rate from Global Partnership													25%	25%	25%	25%	#DIV/0!	#DIV/0!	70,052	174,917	200,182	227,202	256,080	286,920	319,834
Picidenoson (CF-101), Rheumatoid Arthritis EU													25%	25%	25%	25%	#DIV/0!	#DIV/0!	17,663	36,754	44,612	53,044	62,086	71,771	82,138
Royalty Rate from Global Partnership													25%	25%	25%	25%	#DIV/0!	#DIV/0!	17,663	36,754	44,612	53,044	62,086	71,771	82,138
Picidenoson (CF-101), Psoriasis U.S.													25%	25%	25%	25%	#DIV/0!	#DIV/0!	1,985	10,326	12,892	15,648	18,606	21,777	25,175
Royalty Rate from Global Partnership													25%	25%	25%	25%	#DIV/0!	#DIV/0!	2,774	14,429	18,014	23,615	28,079	32,865	37,992
Namodenoson HCC U.S.													25%	25%	25%	25%	#DIV/0!	#DIV/0!	20,321	42,284	65,988	93,223	96,989	100,908	104,984
Royalty Rate from Global Partnership													25%	25%	25%	25%	#DIV/0!	#DIV/0!	25%	16,914	35,194	54,923	76,190	79,268	82,470
Namodenoson HCC EU													25%	25%	25%	25%	#DIV/0!	#DIV/0!	25%	16,914	35,194	54,923	76,190	79,268	82,470
Royalty Rate from Global Partnership													25%	25%	25%	25%	#DIV/0!	#DIV/0!	25%	16,914	35,194	54,923	76,190	79,268	82,470
Namodenoson NASHNAFLD U.S.													25%	25%	25%	25%	#DIV/0!	#DIV/0!	25%	16,914	35,194	54,923	76,190	79,268	82,470
Royalty Rate from Global Partnership													25%	25%	25%	25%	#DIV/0!	#DIV/0!	25%	16,914	35,194	54,923	76,190	79,268	82,470
<b>Total royalties, collaborative revenue</b>				4,452	2,032	198	204	211		613								164,057	381,315	479,682	588,808	678,848	755,384	836,997	
<b>Total Revenue</b>		170	847	4,452	2,032	198	204	211		613								164,057	381,315	479,682	588,808	678,848	755,384	836,997	
<b>Expenses:</b>																									
Partnership Costs including COGS													5%	5%	5%	5%	5%	5%	26,933	57,368	66,865	77,037	87,921	99,559	111,993
Research and Development	3,858	6,081	5,285	6,075	10,976	3,771	3,283	2,001	2,000	11,055	11,276	2,645	2,760	2,990	3,105	11,502	11,732	11,966	12,206	12,450	12,699	12,953	13,212	13,476	
General and Administrative	2,725	2,726	2,956	3,159	3,059	703	752	689	700	2,844	2,986	1,840	1,920	2,080	2,160	8,000	12,000	12,600	13,230	13,892	14,586	15,315	16,081	16,885	
<b>Total Expenses</b>	6,583	8,807	8,241	9,234	14,035	4,474	4,035	2,690	2,700	13,899	14,262	4,485	4,680	5,070	5,265	19,502	23,732	24,557	25,111	25,711	26,311	26,911	27,511	28,111	
Operating Income (Loss)	(6,418)	(8,637)	(7,394)	(5,414)	(12,003)	(4,276)	(3,831)	(2,479)	(2,700)	(13,286)	(14,262)	(4,485)	(4,680)	(5,070)	(5,265)	(19,502)	(23,732)	(24,557)	(25,111)	(25,711)	(26,311)	(26,911)	(27,511)	(28,111)	
Finance expenses	564	178	1,102	1,204	693																				
Finance income	(1,920)	(1,820)	(2,999)	(51)	3,109	(66)	(62)	(96)																	
<b>Total Other Income</b>	(1,356)	(1,642)	(1,897)	1,153	2,416	(66)	(62)	(96)																	
<b>Pre-tax Income</b>	5,066	(6,955)	(4,963)	(6,571)	(9,587)	(4,342)	(3,769)	(2,383)	(2,700)	(13,194)	(14,262)	(4,485)	(4,680)	(5,070)	(5,265)	(19,502)	(23,732)	(24,557)	(25,111)	(25,711)	(26,311)	(26,911)	(27,511)	(28,111)	
Taxes on income	4	29		4																					
Adjustments arising from translating financial statements of foreign operations		9	30			(715)			715																
Remeasurement loss from defined benefit plans	99																								
<b>Tax Rate</b>																		5%	8%	12%	25%	30%	32%	34%	
<b>GAAP Net Income (Loss)</b>	5,066	(6,966)	(4,993)	(6,571)	(9,587)	(4,342)	(3,769)	(2,383)	(2,700)	(13,194)	(14,262)	(4,485)	(4,680)	(5,070)	(5,265)	(19,502)	(23,732)	(24,557)	(25,111)	(25,711)	(26,311)	(26,911)	(27,511)	(28,111)	
<b>Total comprehensive loss</b>	5,066	(6,957)	(4,993)	(6,571)	(9,587)	(4,342)	(3,769)	(2,383)	(2,700)	(12,479)	(14,262)	(4,485)	(4,680)	(5,070)	(5,265)	(19,502)	(23,732)	(24,557)	(25,111)	(25,711)	(26,311)	(26,911)	(27,511)	(28,111)	
<b>GAAP-EPS</b>	#DIV/0!	(0.25)	(0.14)	(0.17)	(1.77)	(0.47)	(0.25)	(0.15)	(0.11)	(0.98)	(0.42)	(0.10)	(0.10)	(0.11)	(0.12)	(0.43)	(0.52)	2.47	6.53	8.42	10.51	12.16	13.48	14.89	
GAAP-EPS (Dil)		(0.14)	(0.16)	(1.35)	(0.31)	(0.25)	(0.15)	(0.09)	(0.81)	(0.27)	(0.06)	(0.06)	(0.07)	(0.07)	(0.26)	(0.31)	1.48	3.92	5.05	6.31	7.29	8.09	8.93		
Wght Avg ADR Shrs (Bas) - '000s		28,096	32,994	38,793	5,833	9,222	15,000	15,414	25,429	16,266	35,140	45,115	45,160	45,205	45,251	45,183	45,364	45,546	45,728	45,911	46,095	46,280	46,465	46,651	
Wght Avg ADR Shrs (Dil) - '000s		28,096	32,994	41,953	8,910	13,833	15,000	15,414	30,429	18,669	58,914	75,205	75,280	75,356	75,431	75,318	75,620	75,923	76,227	76,532	76,839	77,147	77,456	77,766	

Source: Dawson James Securities, company reports

**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.

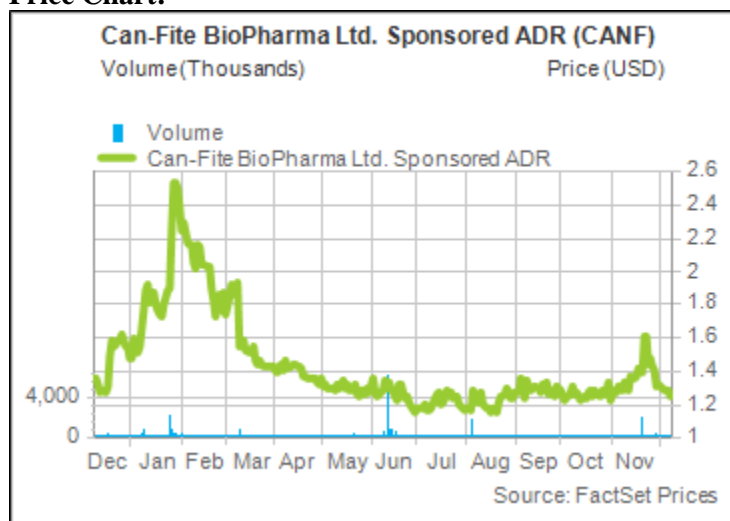
**Commercial risk.** There are no assurances that the Company will be able to secure favorable pricing, commercially launch products, and achieve significant market share to become profitable.

**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 parties' patents.

Companies mentioned in this report:

**Important Disclosures:**

**Price Chart:**



Price target and rating changes over the past three years:

- Initiated – Buy – December 13, 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

Update – Buy – February 19, 2020 – Price Target \$9  
Update – Buy – March 5, 2020 – Price Target \$9  
Update – Buy – April 13, 2020 – Price Target \$9  
Update – Buy – April 20, 2020 – Price Target \$9  
Update – Buy – May 19, 2020 – Price Target \$9  
Update – Buy – June 1, 2020 – Price Target \$9  
Update – Buy – June 9, 2020 – Price Target \$9  
PT Change – Buy – June 10, 2020 – Price Target lowered from \$9 to \$7.0  
Update – Buy – June 30, 2020 – Price Target \$7  
Update – Buy – July 30, 2020 – Price Target \$7  
Update – Buy – August 31, 2020 – Price Target \$7  
PT Change – Buy – October 6, 2020 – Price Target \$5  
Update – Buy – November 16, 2020 – Price Target \$5  
Update – Buy – December 1, 2020 – Price Target \$5  
Update – Buy – January 25, 2021 – Price Target \$5

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- 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.

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Ratings Distribution	Company Coverage		Investment Banking	
	# of Companies	% of Total	# of Companies	% of Totals
Market Outperform (Buy)	22	79%	2	9%
Market Perform (Neutral)	6	21%	0	0%
Market Underperform (Sell)	0	0%	0	0%
Total	28	100%	2	7%

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