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

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### BUY-Rated – Reports 2020 – Milestones Ahead

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Can-Fite reported full-year earnings with an outlook for the year ahead. The company closed the year with \$8M, with an additional \$5M from both a warrant exercise and from the announced Ewopharma partnership. The P2 COVID-19 Study is enrolling (N=40) patients. This is a randomized 1:1 ratio to receive 2 mg Piclidenoson twice daily or placebo and treated for up to 28 days. The P3 Psoriasis study continues to enroll based on positive interim analysis. The phase 2b NASH study is expected to begin by 4Q21. The pivotal P3 Liver Cancer study is also expected to begin 4Q21.

### Investment Highlights

**Partnership Deal is Validating.** Can-Fite announced an out-licensing deal worth \$42.7M with Ewopharma – Can-Fite signed its latest out-licensing agreement with Swiss-based Ewopharma for distribution of its drug candidates in Central Eastern Europe and Switzerland. Can-Fite received \$2.25 million up front with up to an additional \$40.45 million payable upon the achievement of regulatory and sales milestones, plus 17.5% royalties on net sales.

**2021 – Multiple Milestones Ahead.** Can-Fite’s pipeline advances with milestones ahead in Psoriasis, NASH, Advanced Liver Cancer, and COVID-19. Management is continuing its active business development, working with existing and new out-licensing partners in select territories, thereby securing distribution for the company’s drugs upon approval and generating revenues through upfront money and milestone payments.

**Valuation.** We evaluate Piclidenoson in Psoriasis but do not include COVID, 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 projected 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.

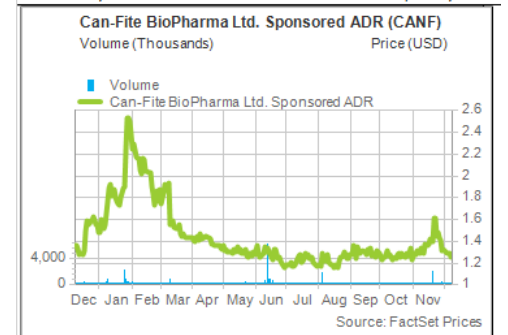
Current Price	\$2.34
Price Target	\$5.00

Estimates	F2020A	F2021E	F2022E
Expenses (\$000s)	14,902	15,289	20,434
1Q March	4,474	3,516	4,700
2Q June	4,035	3,669	4,904
3Q September	2,690	3,975	5,313
4Q December	3,703	4,128	5,517

	F2020A	F2021E	F2022E
EPS (diluted)	(1.02)	(0.45)	(0.41)
1Q March	(0.47)	(0.14)	(0.09)
2Q June	(0.25)	(0.10)	(0.10)
3Q September	(0.16)	(0.11)	(0.11)
4Q December	(0.14)	(0.09)	(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.)	\$36.1		
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%		



**Product Modeling Assumptions**

1. We assume the program in RA does not continue but Psoriasis does to a second pivotal trial. If we assume a similar size, cost, and time for the studies, it suggests we could see U.S. top line data in a year from the current trial.
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 2% year on year increases for Piclidenoson in Psoriasis, and the target population is assumed to be high A<sub>3</sub>AR expressers.
4. A probability success factor of 50% to our models for Psoriasis.
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.
10. We do not include any estimates for COVID.

**Exhibit 1. U.S. Market Model for HCC and NASH & NAFLD**

	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
<b>Namodenoson - CF102 (US)</b>													
Hepatocellular Carcinoma incidence	42,355	43,202	44,066	44,947	45,846	46,763	47,696	48,652	49,625	50,618	51,630	52,663	53,716
Increase in incidence	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%
% of deaths due to Sorafenib in patients with Barcelona Clinic Liver Cancer stage C HCC (64%)	27,107	27,649	28,202	28,766	29,341	29,928	30,527	31,137	31,760	32,395	33,043	33,704	34,378
Market Penetration					0.0%	0.0%	1.0%	5.0%	8.0%	7.0%	8.0%	9.0%	10.0%
Patients receiving CF101					-	-	305	1,557	1,908	2,288	2,643	3,033	3,438
Price of treatment					\$ 50,000	\$ 51,000	\$ 52,020	\$ 53,060	\$ 54,122	\$ 55,204	\$ 56,308	\$ 57,434	\$ 58,583
Increase in Price					2%	2%	2%	2%	2%	2%	2%	2%	2%
Revenue ('000)					\$ -	\$ -	\$ 15,880	\$ 82,808	\$ 103,135	\$ 125,185	\$ 148,848	\$ 174,220	\$ 201,398
Probability of Success					50%	50%	50%	50%	50%	50%	50%	50%	50%
<b>Total Revenue ('000)</b>					\$ -	\$ -	\$ 78,40	\$ 113,04	\$ 131,967	\$ 162,352	\$ 194,423	\$ 231,110	\$ 273,459
<b>Namodenoson - CF102 (EU)</b>													
Hepatocellular Carcinoma incidence	54,111	55,193	56,297	57,423	58,572	59,743	60,938	62,157	63,400	64,668	65,961	67,280	68,626
Increase in incidence	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%
% of death occurrence due to Sorafenib in patients with Barcelona Clinic Liver Cancer stage C HCC (64%)	34,631	35,324	36,030	36,751	37,486	38,236	39,000	39,780	40,576	41,387	42,215	43,060	43,921
Market Penetration					0.0%	0.0%	1.0%	5.0%	6.0%	7.0%	8.0%	9.0%	10.0%
Patients receiving CF101					-	-	609	3,108	3,804	4,527	5,277	6,055	6,863
Price of treatment					\$ 35,000	\$ 35,700	\$ 36,414	\$ 37,142	\$ 37,885	\$ 38,643	\$ 39,416	\$ 40,204	\$ 41,008
Increase in Price					2%	2%	2%	2%	2%	2%	2%	2%	2%
Revenue ('000)					\$ -	\$ -	\$ 22,190	\$ 115,432	\$ 144,115	\$ 174,927	\$ 207,993	\$ 243,445	\$ 281,422
Probability of Success					50%	50%	50%	50%	50%	50%	50%	50%	50%
<b>Total Revenue ('000)</b>					\$ -	\$ -	\$ 11,095	\$ 57,716	\$ 72,057	\$ 87,463	\$ 103,996	\$ 121,722	\$ 140,711
<b>Namodenoson - CF102 (US)</b>													
NAFLD/NASH	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	14,077,484	14,359,034	14,646,214
Increase in incidence	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%
Market Penetration					0.25%	0.50%	0.75%	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
Patients receiving CF101					-	-	32,514	66,328	101,481	138,015	140,775	143,590	146,462
Price of treatment					\$ 25,000	\$ 25,500	\$ 26,010	\$ 26,530	\$ 27,061	\$ 27,602	\$ 28,154	\$ 28,716	\$ 29,288
Increase in Price					2%	2%	2%	2%	2%	2%	2%	2%	2%
Revenue ('000)					\$ -	\$ -	\$ 812,839	\$ 1,691,355	\$ 2,639,528	\$ 3,661,554	\$ 3,809,480	\$ 3,963,383	\$ 4,123,504
Probability of Success					10%	10%	10%	10%	10%	10%	10%	10%	10%
<b>Total Revenue ('000)</b>					\$ -	\$ -	\$ 81,284	\$ 169,135	\$ 263,953	\$ 366,155	\$ 380,948	\$ 396,338	\$ 412,350
<b>Namodenoson - CF102 (EU-S)</b>													
NAFLD/NASH	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	14,077,484	14,359,034	14,646,214
Increase in incidence	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%
Market Penetration					0.00%	0.25%	0.50%	0.75%	1.00%	1.00%	1.00%	1.00%	1.00%
Patients receiving CF101					-	-	33,164	67,654	103,511	140,775	143,590	146,462	149,336
Price of treatment					\$ 20,000	\$ 20,400	\$ 20,808	\$ 21,224	\$ 21,649	\$ 22,082	\$ 22,523	\$ 22,970	\$ 23,423
Increase in Price					2%	2%	2%	2%	2%	2%	2%	2%	2%
Revenue ('000)					\$ -	\$ -	\$ 676,542	\$ 1,407,748	\$ 2,196,932	\$ 3,047,584	\$ 3,170,707	\$ 3,298,803	\$ 3,431,803
Probability of Success					10%	10%	10%	10%	10%	10%	10%	10%	10%
<b>Total Revenue ('000)</b>					\$ -	\$ -	\$ 67,654	\$ 140,775	\$ 219,693	\$ 304,758	\$ 317,071	\$ 329,880	\$ 343,183

Source: Dawson James Securities estimates, 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.

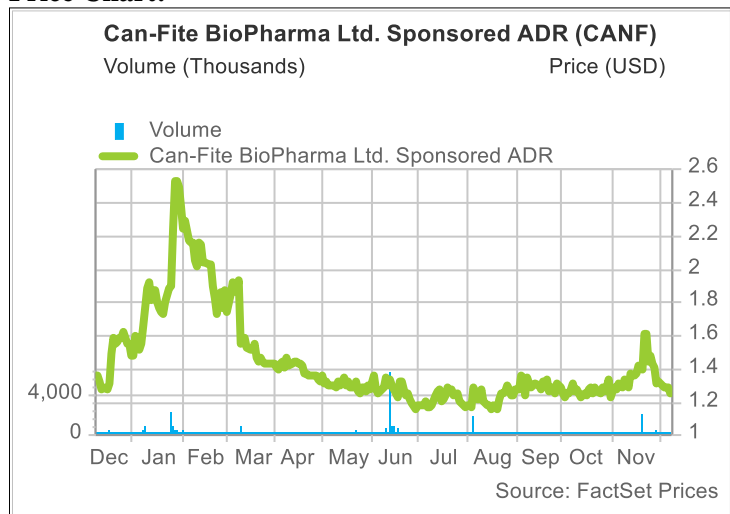
**Commercial risk.** There are no assurances that the Company will be able to secure favorable pricing, commercially launch products, and achieve significant market share to become profitable.

**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  
Update – Buy – February 23, 2021 – Price Target \$5  
Update – Buy – March 5, 2021 – Price Target \$5  
Update – Buy – March 29, 2021 – Price Target \$5

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- 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)	20	69%	6	30%
Market Perform (Neutral)	9	31%	0	0%
Market Underperform (Sell)	0	0%	0	0%
Total	29	100%	6	21%

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