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First Wave Bio (NASDAQ/FWBI)

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A Tiger Can't Change his Stripes, but a Chameleon Can – Neutral-Rated

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AzurRx is now First Wave Bio. While the name has changed the fundamentals have, in our opinion, not. Management has diluted shareholders and is now trying to recover from a financing, an acquisition and a 10:1 reverse stock split. The stock has fallen from a high north of \$20 at the start of 2021 to today's \$1.34 price. The focus of the company has changed from pancreatic insufficiency to include acquired product Niclosamide. The company reported \$7M in cash remaining on the balance sheet, so we expect additional financings. We remain concerned and neutral rated.

Investment Highlights

FirstWave Bio (formerly AzurRx) is positioning itself as a clinical-stage biotechnology company specializing in the development of novel, gut-targeted, small molecule therapies for autoimmune inflammatory bowel diseases (IBD) and other serious conditions.

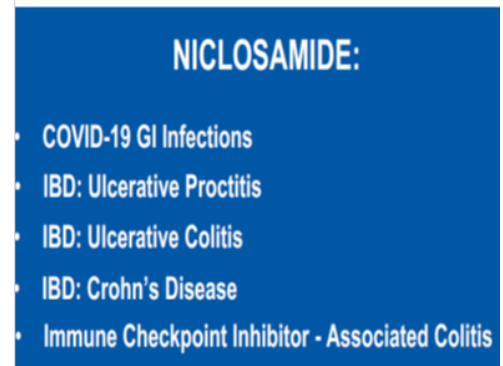
Last Reported Quarter: The Company reported a \$30M loss reflecting the recent acquisition and ended the period with just \$7M remaining on the balance sheet. The deal terms have been revised recently too. Back in September (9/13/21), AzurRx announced the acquisition of FWB and paid FWB an upfront cash payment of \$3 million, and issued \$4 million of common stock. The original remaining upfront consideration of \$15 million (\$8 million due on October 28, 2021, and \$7 million due March 31, 2022) has been recently restructured. Under the Revised Merger Agreement, this \$15 million amount will be paid in smaller monthly installments commencing in January 2022 through mid-year 2023 until satisfied. Still, we expect additional financing is likely. With a dwindling stock price post a 10:1 reverse split, we remain concerned about the Company's direction.

Bearish on Crohn's Disease & Ulcerative Colitis. These diseases wax and wane and are multi-factorial. As such, large clinical trials are usually required to tease out a moderate drug effect, especially among a background of multiple therapies used to treat patients. In our view, this is essentially a big pharma game as, typically, big pharma has the resources and time to do the required trials.

Valuation: In January, we lowered our Buy rating to Neutral and removed our price target. We assume the risk associated with the development of MS1819 is higher than previously thought (we model a 10% probability of success). We do not see synergy with the acquired product (Niclosamide) and view the news of another acquisition as confounding and quite dilutive.

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

Current Price \$1.34
Price Target NA



Source: FirstWaveBio

Stock Data			
52-Week Range	\$1.27	-	\$26.30
Shares Outstanding (mil.)	12.5		
Market Capitalization (mil.)	\$17		
Enterprise Value (mil.)	\$17		
Debt to Capital	0%		
Book Value/Share	\$2.27		
Price/Book	#N/A		
Average Three Months Trading Volume (K)	787		
Insider Ownership	2.0%		
Institutional Ownership	4.6%		
Short Interest (mil.)	3.9%		
Dividend / Yield	\$0.00/0.0%		

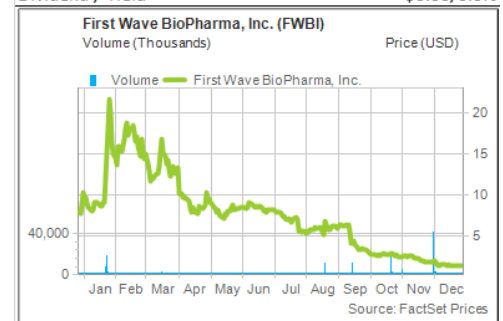


Exhibit 1. Income Statement

FWBI: Income Statement (\$000)																	
12-MONTH PERIOD ENDING:	2018A	2019A	2020A	1Q21A	2Q21A	3Q21A	4Q21E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Revenue:																	
MS1819 Lipase in CP (Adult)			-							6,094	10,280	15,040	20,176	25,709	31,657	38,043	44,888
MS1819 Lipase in CF (Pediatric)			-	-	-	-	-	-	-	505	1,139	1,855	2,660	3,524	4,451	5,432	6,469
Royalties receivable from H. Pylori																	
Total Product Sales	-	-	-	-	-	-	-	-	-	6,600	11,418	16,895	22,836	29,233	36,108	43,474	51,356
Royalty Payable to Mayoly Spindler			-	-	-	-	-	-	(61)	(165)	(285)	(422)	(571)	(731)	(903)	(1,087)	(1,284)
Total royalties, collaborative revenue	-	-	-	-	-	-	-	-	(61)	(165)	(285)	(422)	(571)	(731)	(903)	(1,087)	(1,284)
Total Revenue	-	-	-	-	-	-	-	-	(61)	6,435	11,133	16,473	22,265	28,502	35,205	42,387	50,073
Expenses:																	
Costs of Goods Sold										1,650	2,855	3,379	4,567	5,847	7,222	8,695	10,271
<i>%COGS</i>	0%	0%	0%	30%	30%	30%	30%	30%	30%	25%	25%	20%	20%	20%	20%	20%	20%
Research and Development	4,986	8,681	19,138	2,516	5,648	24,378	2,349	8,700	8,352	8,018	7,537	6,934	6,379	5,869	5,399	4,967	4,570
<i>%R&D</i>																	
General and Administrative	8,236	6,063	7,294	5,698	3,629	6,021	2,265	8,388	8,808	9,248	9,433	9,621	9,814	10,010	10,210	10,415	10,623
<i>%SG&A</i>																	
Fair value adjustment, contingent consideration	210																
Total Expenses	13,432	14,744	26,432	8,214	9,277	30,399	4,614	17,088	17,160	18,916	19,824	19,934	20,760	21,726	22,831	24,077	25,464
Operating Income (Loss)	(13,432)	(14,744)	(26,432)	(8,214)	(9,277)	(30,399)	(4,614)	(17,088)	(17,221)	(12,481)	(8,691)	(3,462)	1,505	6,776	12,374	18,311	24,608
Interest expense	(102)	(434)	(5,840)	(5)	(3)	(1)											
Fair value adjustment, warrants			(398)	533	1	(1)											
Total Other Income	(102)	(434)	(6,238)	528	(2)	(1)	-	-	-	-	-	-	-	-	-	-	-
Pretax Income	(13,534)	(15,178)	(32,670)	(7,686)	(9,279)	(30,401)	(4,614)	(17,088)	(17,221)	(12,481)	(8,691)	(3,462)	1,505	6,776	12,374	18,311	24,608
Income taxes	-	-	-	(135)	22	(42)	-	-	-	-	(435)	(277)	150	813	1,856	5,493	8,121
<i>Tax Rate</i>											5%	8%	10%	12%	15%	30%	33%
GAAP Net Income (Loss)	(13,534)	(15,178)	(32,670)	(7,820)	(9,257)	(30,442)	(4,614)	(17,088)	(17,221)	(12,481)	(8,257)	(3,185)	1,354	5,963	10,518	12,817	16,488
Foreign currency translation adjustment & or Dvd	(194)	(116)	(154)	(29,981)	(3,451)	(118)											
GAAP Total Comprehensive Income (Loss)	(13,728)	(15,294)	(32,824)	(29,981)	(12,730)	(30,518)	(4,614)	(17,088)	(17,221)	(12,481)	(8,257)	(3,185)	1,354	5,963	10,518	12,817	16,488
GAAP-EPS	(0.86)	(0.72)	(1.15)	(0.14)	(0.12)	(3.26)	(0.49)	(0.45)	(1.84)	(1.33)	(0.87)	(0.34)	0.14	0.62	1.10	1.33	1.70
GAAP-EPS (Dil)	(0.86)	(0.73)	(1.15)	(0.14)	(0.12)	(3.26)	(0.49)	(0.45)	(1.84)	(1.33)	(0.87)	(0.34)	0.14	0.62	1.10	1.33	1.70
Wgtd Avg Shrs (Bas) - '000s	15,696	22,424	28,436	55,348	78,124	9,342	9,352	38,042	9,375	9,413	9,450	9,488	9,526	9,564	9,603	9,641	9,680
Wgtd Avg Shrs (Dil) - '000s	15,696	22,424	28,436	55,348	78,124	9,342	9,352	38,042	9,375	9,413	9,450	9,488	9,526	9,564	9,603	9,641	9,680

Source: Dawson James estimates, company reports

Risk Analysis

In addition to the typical risks associated with development-stage specialty pharmaceutical companies, potential risks specific to AzurRx 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.

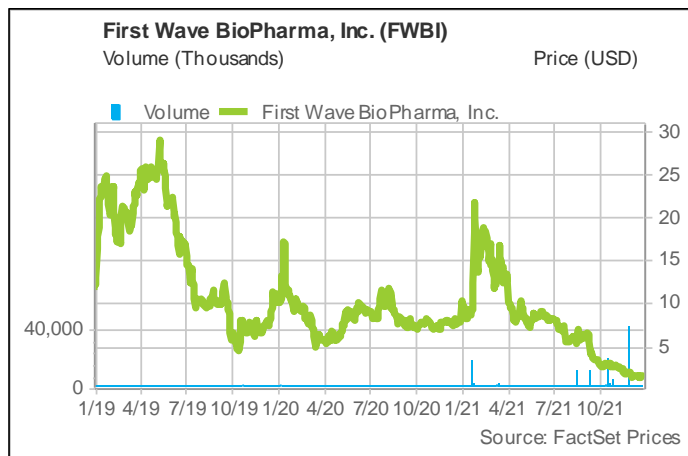
Partnership risk. AzurRx may seek partnerships for clinical development support and commercialization. We have no specific knowledge of any discussions with possible partners today, and there can be no assurances that the Company will be able to secure a favorable partnership.

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.

Important Disclosures:

Price Chart:



Price target and rating changes over the past three years:

Initiated - Buy - July 11, 2019 - Price Target \$7.00
 Update - Buy - August 15, 2019 - Price Target \$7.00
 Update - Buy - September 25, 2019 - Price Target \$7.00
 Update - Buy - October 15, 2019 - Price Target \$7.00
 Update - Buy - March 3, 2020 - Price Target \$7.00
 Price Target Change - Buy - May 4, 2020 - \$7.00 to \$3.00
 Rating Change - Neutral - January 5, 2021 Price Target - NA
 Update - Neutral - April 1, 2021 Price Target - NA
 Update - Neutral - May 26, 2021 Price Target - NA
 Update - Neutral - September 13, 2021 Price Target - NA
 Update - Neutral - December 28, 2021 Price Target - NA

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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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Current as of... 20-Dec-21

	Company Coverage		Investment Banking	
Ratings Distribution	# of Companies	% of Total	# of Companies	% of Totals
Market Outperform (Buy)	26	68%	5	19%
Market Perform (Neutral)	12	32%	0	0%
Market Underperform (Sell)	0	0%	0	0%
Total	38	100%	5	13%

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