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Toll-Free: 866-928-0928 ♦ www.DawsonJames.com ♦ 101 North Federal Highway - Suite 600 ♦ Boca Raton, FL 33432

## First Wave Bio (NASDAQ/FWBI)

**Kicking the Can Down the Road – What do you do after you 10:1 Reverse the stock? Issue More.**

**We Remain Neutral Rated**

March 1, 2022

Jason Kolbert  
Senior Analyst

jkolbert@dawsonjames.com

*First Wave Bio. Raises capital in an overnight transaction, recall that Management is has been trying to recover from a prior financing, an acquisition and a 10:1 reverse stock split, so another overnight transaction with 100% warrant coverage speaks for itself. As we previously stated – First Wave reported \$7M in cash remaining on the balance sheet, so we have expected additional financings. We remain concerned and neutral rated. \$9M basically kicks the can down the road.*

### Investment Highlights

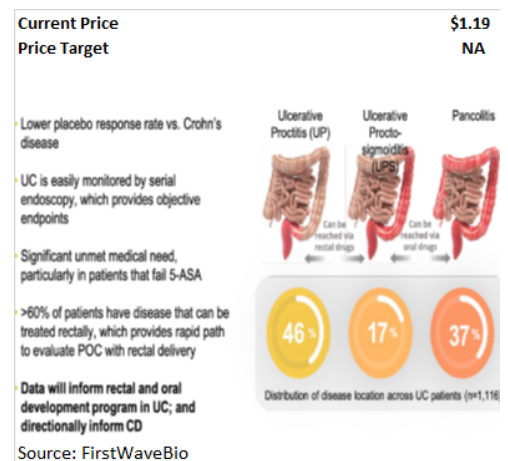
**Raises Capital:** First Wave announced that it has entered into a definitive agreement with a single healthcare-focused institutional investor for the issuance and sale of an aggregate of 6.5M shares of its common stock and 100% warrants at \$1.385, (five-year warrants exercises at \$1.26).

**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. Even with the current raise we expect additional dilutive financings. With a dwindling stock price post a 10:1 reverse split, and multiple raises, we remain concerned about the Company's direction.

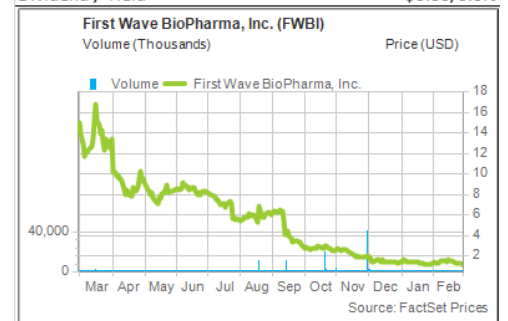
**Bearish on Crohn's Disease & Ulcerative Colitis.** These diseases wax and wane and are multi-factorial. As such, large clinical trials are usually required to tease out a moderate drug effect, especially among a background of multiple therapies used to treat patients. In our view, this is essentially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

**Valuation:** In January, 2021, 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.



Stock Data		
52-Week Range	\$1.09	\$18.60
Shares Outstanding (mil.)	14.9	
Market Capitalization (mil.)	\$18	
Enterprise Value (mil.)	\$18	
Debt to Capital	0%	
Book Value/Share	\$2.27	
Price/Book	-	
Average Three Months Trading Volume (K)	90	
Insider Ownership	1.7%	
Institutional Ownership	4.9%	
Short Interest (mil.)	2.1%	
Dividend / Yield	\$0.00/0.0%	



**Exhibit 1. Income Statement**

FWBI: Income Statement (\$000)																					
YE December 31	2018A	2019A	2020A	1Q21A	2Q21A	3Q21A	4Q21E	2021E	1Q22E	2Q22E	3Q22E	4Q22E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
<b>Revenue:</b>																					
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																					
<b>Total Product Sales</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	6,600	11,418	16,895	22,836	29,233	36,108	43,474	51,356
Royalty Payable to Mayoly Spindler									(14)	(15)	(16)	(17)	(61)	(165)	(285)	(422)	(571)	(731)	(903)	(1,087)	(1,284)
<b>Total royalties, collaborative revenue</b>	-	-	-	-	-	-	-	-	(14)	(15)	(16)	(17)	(61)	(165)	(285)	(422)	(571)	(731)	(903)	(1,087)	(1,284)
<b>Total Revenue</b>	-	-	-	-	-	-	-	-	(14)	(15)	(16)	(17)	(61)	6,435	11,133	16,473	22,265	28,502	35,205	42,387	50,073
<b>Expenses:</b>																					
Costs of Goods Sold														1,650	2,855	3,379	4,567	5,847	7,222	8,695	10,271
Research and Development	4,986	8,681	19,138	2,516	5,648	24,378	2,349	8,700	1,921	2,004	2,172	2,255	8,352	8,018	7,537	6,934	6,379	5,869	5,399	4,967	4,570
General and Administrative	8,236	6,063	7,294	5,698	3,629	6,021	2,265	8,388	2,026	2,114	2,290	2,378	8,808	9,248	9,433	9,621	9,814	10,010	10,210	10,415	10,623
Fair value adjustment, contingent consideration	210																				
<b>Total Expenses</b>	13,432	14,744	26,432	8,214	9,277	30,399	4,614	17,088	3,947	4,118	4,461	4,633	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)	(3,961)	(4,133)	(4,477)	(4,650)	(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)															
<b>Total Other Income</b>	(102)	(434)	(6,238)	528	(2)	(1)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Pretax Income</b>	(13,534)	(15,178)	(32,670)	(7,686)	(9,279)	(30,401)	(4,614)	(17,088)	(3,961)	(4,133)	(4,477)	(4,650)	(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
<b>Tax Rate</b>															5%	8%	10%	12%	15%	30%	33%
<b>GAAP Net Income (Loss)</b>	(13,534)	(15,178)	(32,670)	(7,820)	(9,257)	(30,442)	(4,614)	(17,088)	(3,961)	(4,133)	(4,477)	(4,650)	(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)															
<b>GAAP Total Comprehensive Income (Loss)</b>	(13,728)	(15,294)	(32,824)	(29,981)	(12,730)	(30,518)	(4,614)	(17,088)	(3,961)	(4,133)	(4,477)	(4,650)	(17,221)	(12,481)	(8,257)	(3,185)	1,354	5,963	10,518	12,817	16,488
<b>GAAP-EPS</b>	(0.86)	(0.72)	(1.15)	(0.14)	(0.12)	(3.26)	(0.49)	(0.45)	(0.25)	(0.26)	(0.28)	(0.29)	(1.08)	(0.78)	(0.52)	(0.20)	0.08	0.37	0.65	0.78	1.01
GAAP-EPS (Dil)	(0.86)	(0.73)	(1.15)	(0.14)	(0.12)	(3.26)	(0.49)	(0.45)	(0.18)	(0.18)	(0.20)	(0.20)	(0.76)	(0.55)	(0.36)	(0.14)	0.06	0.26	0.46	0.55	0.71
Wgt'd Avg Shrs (Bas) - '000s	15,696	22,424	28,436	55,348	78,124	9,342	9,352	38,042	15,861	15,877	15,893	15,909	15,885	15,948	16,012	16,077	16,141	16,206	16,271	16,336	16,401
Wgt'd Avg Shrs (Dil) - '000s	15,696	22,424	28,436	55,348	78,124	9,342	9,352	38,042	22,361	22,585	22,811	23,039	22,699	22,763	22,828	22,893	22,958	23,024	23,090	23,156	23,222

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.

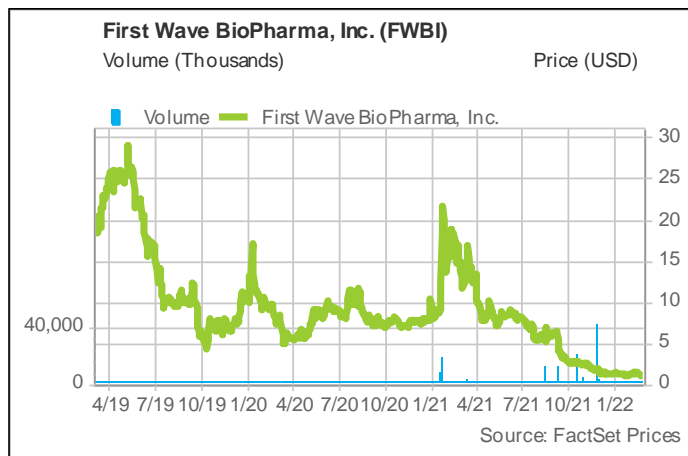
**Partnership risk.** First Wave may seek partnerships for clinical development support and commercialization. We have no specific knowledge of any discussions with possible partners today, and there can be no assurances that the Company will be able to secure a favorable partnership.

**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  
 Update - Neutral - February 28, 2022 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... 8-Feb-22

	<b>Company Coverage</b>		<b>Investment Banking</b>	
<b>Ratings Distribution</b>	# of Companies	% of Total	# of Companies	% of Totals
Market Outperform (Buy)	31	76%	6	19%
Market Perform (Neutral)	10	24%	0	0%
Market Underperform (Sell)	0	0%	0	0%
<b>Total</b>	<b>41</b>	<b>100%</b>	<b>6</b>	<b>15%</b>

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