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

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

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Jason Kolbert

Managing Director & Senior Analyst

jkolbert@dawsonjames.com

### BUY-Rated: Raising Our Target from \$5.0 to \$8.0

We spent some time with management and concluded that the pathway for both Namodenoson in HCC and Piclidenoson in Psoriasis are maturing as pivotal programs for both products take shape. This, combined with solid clinical results as the basis for these trials, gives rise to an increase in our probability of success which drives a higher target valuation.

### Investment Highlights:

**The Psoriasis market is currently estimated to be \$19 billion dollars.** Piclidenoson has demonstrated an excellent safety profile and met its primary endpoint (PASI 75) with a statistically significant result. We expect the company to initiate a N=800-person pivotal trial with the same design. Physician Global Assessment is set to be a co-primary endpoint (thus the doubling in trial size to ensure enough statistical power). We expect the trial can be completed in a two-year time frame as these psoriasis trials enroll relatively quickly. Allowing additional time for data analysis, submission, and regulatory review, we assume commercialization is possible by 2027. Given the size of the market, the attractive safety profile, and the low cost of goods, we believe Piclidenoson, with positive trial results, can be a successful product in the competitive psoriasis marketplace.

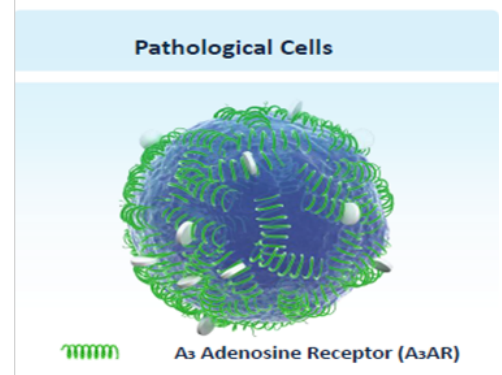
**Namodenoson too.** Can-Fite's pivotal Phase 3 study in patients with advanced liver cancer is open for patient enrolment and intends to recruit patients in Israel, the U.S., and five countries in Europe. This pivotal study received a 'green light' to proceed from the FDA and the European Medicines Agency (EMA), and if successfully concluded, the company will be in a position to submit the drug for approval with each of the regulatory authorities. Namodenoson has Orphan Drug Status with both the FDA and EMA and Fast Track Status with the FDA. A registration plan has been submitted to and accepted by the FDA. Given the unmet medical need and the safety profile of the drug, we believe good results could open up a rapid pathway to approval.

**We may see additional deals.** As Can-Fite's clinical programs go pivotal, we expect to see an increase in partnership interest. Management has demonstrated a good track record in terms of finding regional deals, and we expect this to continue and, as such, represent a source of non-dilutive capital.

**Valuation.** We evaluate Piclidenoson in Psoriasis, Namodenoson in HCC, and NAFLD. We apply a probability of success factor in these patient-based models. These metrics then flow into our valuation models. For Can-Fite, we use a 30% discount rate (in addition to the risk rate), as Can-Fite is not yet profitable, and most of the products are still dependent on the outcome of the clinical trials. 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 an \$8.00 price target.

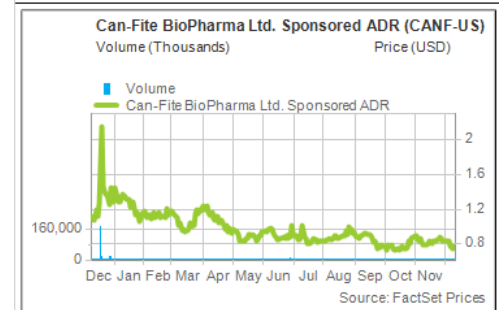
**Risks to our thesis include the following:** (1) commercial; (2) regulatory; (3) clinical; (4) manufacturing; (5) financial; (6) liability; and (7) intellectual property.

Current Price	\$0.77
Price Target	\$8.00



Source: Can-Fite

Stock Data		
52-Week Range	\$0.69 -	\$2.60
Shares Outstanding (mil.)	27.2	
Market Capitalization (mil.)	\$21.0	
Enterprise Value (mil.)	\$11.5	
Debt to Capital	0.0%	
Book Value/Share	\$4.52	
Price/Book	2.4	
Average Three Months Trading Volume (M)	0.0	
Insider Ownership	0.1%	
Institutional Ownership	2.2%	
Short interest (mil.)	1.3%	
Dividend / Yield	\$0.00/0.0%	





**Exhibit 2. Income Statement**

Can-Fite Biopharma.: Income Statement (\$'000)																
.. YE December 31	2019A	2020A	2021A	2022E	1Q23E	2Q23E	3Q23E	4Q23E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
<b>Revenue:</b>	2,032	763	853	813	-	-	-	-	-	-	-	-	-	-	-	-
Piclidensoson (CF-101), Rheumatoid Arthritis U.S.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Piclidensoson (CF-101), Rheumatoid Arthritis EU	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Piclidensoson (CF-101), Psoriasis U.S.	-	-	-	-	-	-	-	-	-	-	-	-	74,262	386,312	602,879	1,045,391
Piclidensoson (CF-101), Psoriasis EU	-	-	-	-	-	-	-	-	-	-	-	-	179,198	372,875	581,909	1,009,030
Namodenoson HCC U.S.	-	-	-	-	-	-	-	-	-	-	9,913	41,254	75,111	100,473	116,146	181,258
Namodenoson HCC EU	-	-	-	-	-	-	-	-	-	-	13,852	57,646	104,956	140,395	162,297	253,280
Namodenoson NASH/NAFLD U.S.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Namodenoson NASH/NAFLD EU	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Product Sales</b>	2,032	763	853	813	-	-	-	-	-	-	23,765	98,900	433,527	1,000,055	1,463,231	2,488,960
Milestone From Gebro Holdings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Piclidensoson (CF-101), Rheumatoid Arthritis U.S.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Royalty Rate from Global Partnership	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Piclidensoson (CF-101), Rheumatoid Arthritis EU	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Royalty Rate from Global Partnership	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Piclidensoson (CF-101), Psoriasis U.S.	-	-	-	-	-	-	-	-	-	-	-	-	18,566	96,578	150,720	261,348
Royalty Rate from Global Partnership	-	-	-	-	-	-	-	-	-	-	-	-	10%	26%	26%	26%
Piclidensoson (CF-101), Psoriasis EU	-	-	-	-	-	-	-	-	-	-	-	-	18,566	96,578	150,720	261,348
Royalty Rate from Global Partnership	-	-	-	-	-	-	-	-	-	-	-	-	10%	26%	26%	26%
Namodenoson HCC U.S.	-	-	-	-	-	-	-	-	-	-	2,478	10,313	18,778	25,118	29,037	45,315
Royalty Rate from Global Partnership	-	-	-	-	-	-	-	-	-	-	25%	25%	25%	25%	25%	25%
Namodenoson HCC EU	-	-	-	-	-	-	-	-	-	-	3,463	14,411	28,338	37,907	43,820	68,386
Royalty Rate from Global Partnership	-	-	-	-	-	-	-	-	-	-	25%	25%	27%	27%	27%	27%
Namodenoson NASH/NAFLD U.S.	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Royalty Rate from Global Partnership	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Namodenoson NASH/NAFLD EU	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Royalty Rate from Global Partnership	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total royalties, collaborative revenue</b>	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Revenue</b>	2,032	763	853	813	-	-	-	-	-	-	5,941	24,725	84,247	256,181	374,296	636,396
<b>Expenses:</b>																
Partnership Costs including COGS	-	-	-	-	-	-	-	-	-	-	1,188	4,945	21,676	50,003	73,162	124,448
Research and Development	10,976	11,951	9,850	6,309	1,480	1,544	1,673	1,737	6,435	6,564	6,695	6,829	6,966	7,105	7,247	7,392
General and Administrative	3,059	2,951	3,845	3,067	2,760	2,880	3,120	3,240	12,000	12,600	13,230	13,892	14,586	15,315	16,081	16,885
<b>Total Expenses</b>	14,035	14,902	13,695	9,376	4,240	4,424	4,793	4,977	18,435	19,164	21,113	25,666	43,228	72,423	96,490	148,725
Operating Income (Loss)	(12,003)	(14,139)	(12,842)	(8,763)	(4,240)	(4,424)	(4,793)	(4,977)	(18,435)	(19,164)	(15,172)	(941)	41,019	183,758	277,806	487,671
Finance expenses	693	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Finance income	3,109	(304)	227	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Other Income</b>	2,416	(304)	227	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Pretax Income</b>	(9,587)	(13,835)	(12,615)	(8,763)	(4,240)	(4,424)	(4,793)	(4,977)	(18,435)	(19,164)	(15,172)	(941)	41,019	183,758	277,806	487,671
Taxes on income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Taxes	-	(715)	(2,590)	-	-	-	-	-	-	(958)	(1,214)	-	2,051	18,376	44,449	121,918
Remeasurement loss from defined benefit plans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Tax Rate</b>	-	-	-	-	-	-	-	-	-	0%	0%	0%	5%	10%	16%	25%
<b>GAAP Net Income (Loss)</b>	(9,587)	(14,443)	(12,615)	(8,763)	(4,240)	(4,424)	(4,793)	(4,977)	(18,435)	(19,164)	(15,172)	(941)	38,968	165,382	233,357	365,753
<b>GAAP-EPS</b>	(1.77)	(1.02)	(0.58)	(0.25)	(0.10)	(0.11)	(0.12)	(0.12)	(0.45)	(0.47)	(0.37)	(0.02)	0.94	3.98	5.60	8.74
GAAP-EPS (Dil)	(1.35)	(0.48)	(0.33)	(0.11)	(0.05)	(0.06)	(0.06)	(0.06)	(0.23)	(0.24)	(0.19)	(0.01)	0.48	2.02	2.83	4.42
Wgtd Avg ADR Shrs (Bas) - '000s	5,833	17,191	21,416	37,202	40,620	40,660	40,701	40,742	40,681	40,844	41,007	41,171	41,336	41,502	41,668	41,835
Wgtd Avg ADR Shrs (Dil) - '000s	8,910	29,866	38,014	80,120	80,320	80,401	80,481	80,562	80,441	80,763	81,087	81,412	81,738	82,065	82,394	82,724

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.

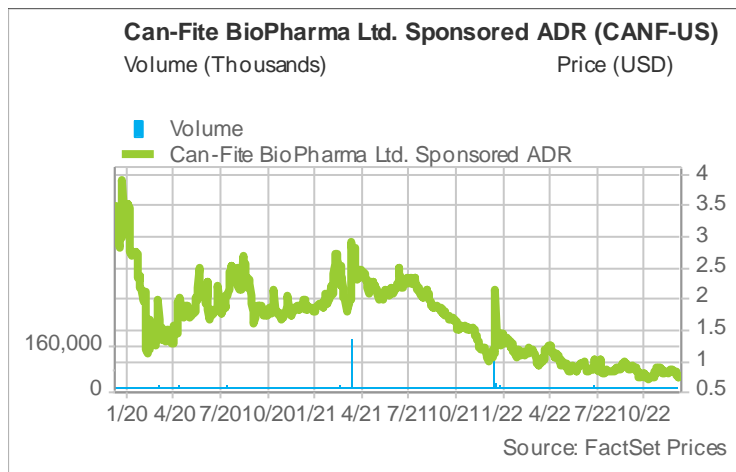
**Partnership risk.** Can-Fite may seek partnerships for clinical development support and commercialization. We have no specific knowledge of any discussions with possible partners today, and there can be no assurances that the Company will be able to secure a favorable partnership.

**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.

**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  
Update – Buy – April 22, 2021 – Price Target \$5  
Update – Buy – April 29, 2021 – Price Target \$5  
Update – Buy – May 27, 2021 – Price Target \$5  
Update – Buy – June 4, 2021 – Price Target \$5  
Update – Buy – July 8, 2021 – Price Target \$5  
Update – Buy – August 27, 2021 – Price Target \$5  
Update – Buy – December 7, 2021 – Price Target \$5  
Update – Buy – December 20, 2021 – Price Target \$5  
Update – Buy – January 5, 2022 – Price Target \$5  
Update – Buy – January 31, 2022 – Price Target \$5  
Update – Buy – March 8, 2022 – Price Target \$5  
Update – Buy – March 25, 2022 – Price Target \$5  
Update – Buy – May 26, 2022 – Price Target \$5  
Update – Buy – June 29, 2022 – Price Target \$5  
Update – Buy – July 11, 2022 – Price Target \$5  
Update – Buy – August 22, 2022 – Price Target \$5  
Update – Buy – August 23, 2022 – Price Target \$5  
Update – Buy – September 1, 2022 – Price Target \$5  
Update – Buy – September 12, 2022 – Price Target \$5  
Update – Buy – September 21, 2022 – Price Target \$5  
Update – Buy – October 14, 2022 – Price Target \$5  
Update – Buy – October 25, 2022 – Price Target \$5  
Update – Buy – November 29, 2022 – Price Target \$5  
Price Target Change – Buy – December 12, 2022 – Price Target \$8

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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 7-Dec-22

	Company Coverage		Investment Banking	
Ratings Distribution	# of Companies	% of Total	# of Companies	% of Totals
Market Outperform (Buy)	23	77%	2	9%
Market Perform (Neutral)	6	20%	0	0%
Market Underperform (Sell)	1	3%	0	0%
Total	30	100%	2	7%

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