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Fortress Biotech (NASDAQ/FBIO)

August 9, 2023

BUY: The Journey to Revenues

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Journey Medical Corp. (DERM-Not Rated) is a fortress company focused in the dermatology space. The company reported 2nd Quarter revenues of \$17M up sequentially from \$12M in 1st Quarter. Journey reported positive results from two pivotal trials for DF-29 (low dose 40mg, oral minocycline for papulopustular rosacea). The NDA is expected to be filed in 2H23.

Investment Highlights

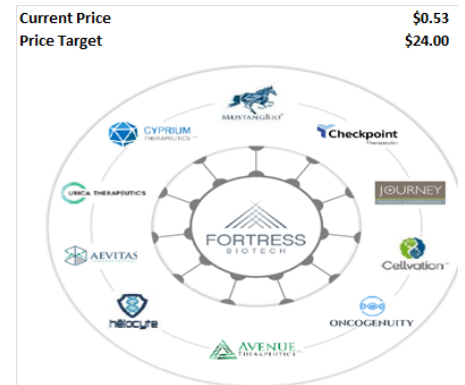
DF-29: Is the Clinical data Good? The two Phase 3 trials achieved their co-primary and all secondary endpoints, and DFD-29 demonstrated statistical superiority over both placebo and the current standard of care, Oracea 40 mg. These results demonstrate the potential for DFD-29, if approved, to be the best-in-class systemic therapy in the treatment of rosacea. DFD-29 has the potential to address the large unmet need for safe and efficacious therapies that address the inflammatory lesions and the redness of rosacea.

Summary Topline Results from MVOR-1 and MVOR-2

	MVOR-1		MVOR-2	
	IGA Success at Week 16	Inflammatory Lesion Change at Week 16	IGA Success at Week 16	Inflammatory Lesion Change at Week 16
DFD-29 (40 mg)	65.0%	-21.3	60.1%	-18.4
Oracea (40 mg)	46.1%	-15.9	31.4%	-14.9
Placebo	31.2%	-12.2	26.8%	-11.1
P-value: DFD-29 versus Oracea	P=0.014	P<0.001	P<0.001	P<0.001
P-value: DFD-29 versus Placebo	P<0.001	P<0.001	P<0.001	P<0.001

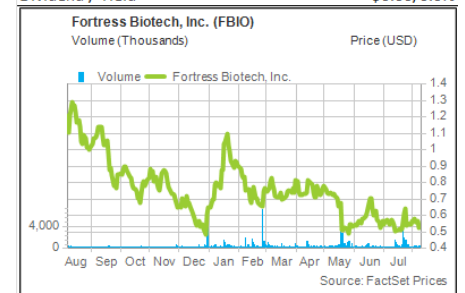
Valuation: How to value Fortress? Fortress is a complex group of companies. Suffice to say; we model the contributions and Fortress holdings in many companies. Our valuation is based on an out-year 2030 share count. For each individual product, we make certain assumptions about the timing and probability of success and apply these assumptions to our model. We apply a probability of success in our therapeutic models. This ranges from as low as 30% to as high as 70% based on what we feel is the therapeutic risk that the product will advance. In addition to the success factor, we apply a 15% discount rate (r) in our Free Cash Flow to the Firm (FCFF), Discounted EPS (dEPS), and Sum of the Parts (SOP) models. We then average the result and round to the nearest whole number to derive our \$24.00 12-month price target.

Risks to our thesis include the following: (1) commercial; (2) regulatory; (3) clinical; (4) financial; and (5) intellectual property. We review these and other risks in the Risk Analysis section of this report.



Source: Fortress

Stock Data			
Current Price	\$0.53		
Price Target	\$24.00		
52-Week Range	\$0.48	-	\$1.33
Shares Outstanding (mil.)			134.3
Market Capitalization (mil.)			\$71
Enterprise Value (mil.)			-\$4
Debt to Capital			104%
Book Value/Share			\$1.03
Price/Book			1.7
Average Three Months Trading Volume (K)			467
Insider Ownership			17.6%
Institutional Ownership			12.3%
Short interest (mil.)			0.5%
Dividend / Yield			\$0.00/0.0%



Risk Analysis

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

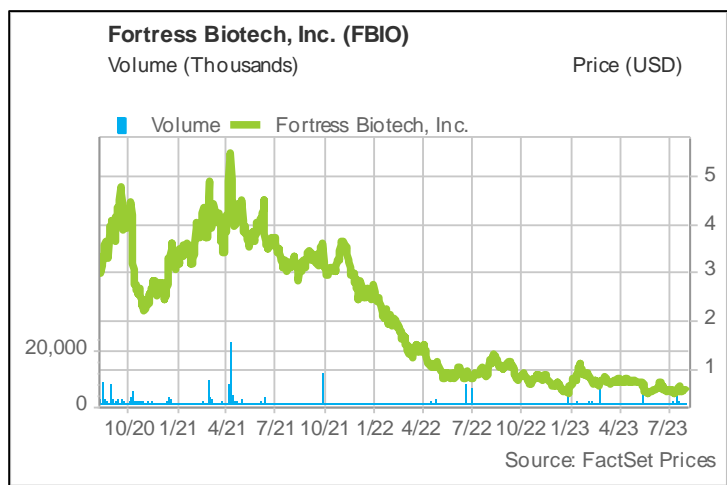
Legal and intellectual property risk. The company may have to defend its patents and technical know-how, and there can be no assurances that the patents will not be infringed or will be held as valid if challenged, and or that the company may infringe on third parties' patents.

Companies that may be mentioned in this report, working with Fortress and/or part of valuation discussion:

- Alexion (ALXN/NASDAQ)-Not covered.
- Astra Zeneca (AZN/NASDAQ) – Not Covered
- InvaGen Pharmaceuticals – (Private).
- St. Jude Children’s Research Hospital (Private).
- Mustang Bio (MBIO/NASDAQ) – Not covered.
- Checkpoint Therapeutics (CKPT/NASDAQ) – Not covered.
- Avenue Therapeutics (ATXI/ NASDAQ) – Not covered.
- Caelum Biosciences (Private).
- Journey Medical Corporation (DERM).
- Cyprium Therapeutics (Private).
- Fuji Yakuhin (subsidiary of Fuji-Japan – Not Covered)
- Dr. Reddy’s Laboratories Ltd. (RDY-Not Covered)

Important Disclosures:

Price Chart:



Price target and rating changes over the past three years:

- Initiated – Buy August 26, 2019, Price Target \$19.00
- Update – Buy September 17, 2019, Price Target \$19.00
- Update – Buy November 4, 2019, Price Target \$19.00
- Update – Buy December 11, 2019, Price Target \$19.00
- Update – Buy December 23, 2019, Price Target \$19.00
- Update – Buy January 15, 2020, Price Target \$19.00
- Update – Buy February 14, 2020, Price Target \$19.00
- Update – Buy February 20, 2020, Price Target \$19.00
- Update – Buy March 30, 2020, Price Target \$19.00
- Update – Buy May 14, 2020, Price Target \$19.00
- Update – Buy July 31, 2020, Price Target \$19.00
- Update – Buy September 8, 2020, Price Target \$19.00
- Price Target Change – Buy October 12, 2020, Price Target \$15.00
- Update – Buy October 20, 2020, Price Target \$15.00
- Price Target Change – Buy November 10, 2020, Price Target \$16.00
- Update – Buy December 14, 2020, Price Target \$16.00
- Update – Buy February 2, 2021, Price Target \$16.00

Price Target Change – Buy February 17, 2021, Price Target \$21.00
Price Target Change – Buy February 24, 2021, Price Target \$22.00
Price Target Change – Buy April 7, 2021, Price Target \$24.00
Update – Buy April 13, 2021, Price Target \$24.00
Update – Buy May 10, 2021, Price Target \$24.00
Update – Buy May 20, 2021, Price Target \$24.00
Update – Buy June 11, 2021, Price Target \$24.00
Update – Buy June 15, 2021, Price Target \$24.00
Update – Buy August 17, 2021, Price Target \$24.00
Update – Buy September 29, 2021, Price Target \$24.00
Update – Buy October 26, 2021, Price Target \$24.00
Update – Buy November 19, 2021, Price Target \$24.00
Update – Buy February 17, 2022, Price Target \$24.00
Update – Buy March 28, 2022, Price Target \$24.00
Update – Buy May 17, 2022, Price Target \$24.00
Update – Buy August 11, 2022, Price Target \$24.00
Update – Buy October 7, 2022, Price Target \$24.00
Update – Buy January 25, 2023, Price Target \$24.00
Update – Buy April 12, 2023, Price Target \$24.00
Update – Buy July 3, 2023, Price Target \$24.00
Update – Buy July 12, 2023, Price Target \$24.00
Update – Buy July 26, 2023, Price Target \$24.00
Update – Buy July 27, 2023, Price Target \$24.00
Update – Buy August 9, 2023, Price Target \$24.00

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- 1) **Buy:** the analyst believes the price of the stock will appreciate and produce a total return of at least 20% over the next 12-18 months;

- 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.

The following chart reflects the range of current research report ratings for all companies, followed by the analysts of the Firm. The chart also reflects the research report ratings relating to those companies for which the Firm has performed investment banking services.

Current as of 3-Aug-23

	Company Coverage		Investment Banking	
Ratings Distribution	# of Companies	% of Total	# of Companies	% of Totals
Market Outperform (Buy)	24	69%	3	8.60%
Market Perform (Neutral)	11	31%	3	8.60%
Market Underperform (Sell)	0	0%	0	0.00%
Total	35	100%	6	17.20%

Analyst Certification:

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