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Zacks Small-Cap Research

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Wize Pharma Inc (WIZP-OTC)

Expanding opportunities

We value WIZP at $1.97/share based on an NPV for LO2A for Sjögren's Syndrome and conjunctivochalasis (CCH) in the US. Our model assumes that WIZP carries all R&D costs through approval and out-licenses the product to another company that will handle sales and marketing and pay a 12% royalty on sales to WIZP. We've lowered our royalty rate from 20% to 12% to reflect the royalty agreement between WIZP and Bonus BioGroup (BONS-TASE).

OUTLOOK

In January, Wize Pharma added to its product portfolio by entering a strategic agreement with Bonus BioGroup. Separately, Wize continued working towards seeking FDA approval for LO2A, a proprietary formulation of artificial tears for the treatment of Sjögren's and conjunctivochalasis (CCH) in dry eye syndrome. While the competitive landscape is significant, we believe the company will carve out a modest share of the US market based on LO2A's approval for DES, Sjögren's and CCH in four European nations if it receives FDA approval.

Current Price (05/06/20)	$0.15
Valuation	**$1.97**

SUMMARY DATA

52-Week High	**$0.80**
52-Week Low	**$0.07**
One-Year Return (%)	**-81.00**
Beta	**1.54**
Average Daily Volume (sh)	**18,395**
Shares Outstanding (mil)	**11**
Market Capitalization ($mil)	**$1**
Short Interest Ratio (days)	**N/A**
Institutional Ownership (%)	**0**
Insider Ownership (%)	**N/A**
Annual Cash Dividend	**$0.00**
Dividend Yield (%)	**0.00**
5-Yr. Historical Growth Rates	
Sales (%)	**N/A**
Earnings Per Share (%)	**N/A**
Dividend (%)	**N/A**
P/E using TTM EPS	**N/A**
P/E using 2020 Estimate	**-0.2**
P/E using 2021 Estimate	**-0.1**
Zacks Rank	**N/A**

Risk Level	**High,**
Type of Stock	**Small-Blend**
Industry	**Med-Biomed/Gene**
Zacks Rank in Industry	**N/A**

ZACKS ESTIMATES

Revenue
(in millions of $)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2019					0.0 A
2020					0.0 E
2021					0.0 E
2022					0.0 E

Earnings per share

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2019	-$0.00 A	-$0.18 A	-$0.08 A	-$0.11 A	-$0.37 A
2020					-$0.27 E
2021					-$0.28 E
2022					-$0.44 E

Zacks Projected EPS Growth Rate - Next 5 Years % **N/A**

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COMPANY UPDATE

After signing a new product partnership in September with Copernicus, Wize Pharma, continued to expand its partnership portfolio in January acquiring a 20% share in Bonus BioGroup (BONS-TASE). Separately, the Company made significant progress towards strengthening its balance sheet.

In November, Wize eliminated $1.5 million in convertible loans by converting $760,000 into equity and the repayment of $760,000 the balance. In December, the Company raised an additional $500,000 with a PIPE. Finally, WIZP raised $7.5 million in a Series B preferred offering as part of the Bonus BioGroup transaction.

Bonus BioGroup – innovative solutions to existing bone graft technologies

Bonus BioGroup specializes has developed an injectable, autologous live bone graft product to the repair of complex and severe bone deficiencies for which there are currently no adequate treatment options.

Ongoing Phase I/II clinical trials have demonstrated the safety and efficacy in the treatment of oral and maxillofacial as well as orthopedic bone defects, and suggest additional potential in the treatment of a variety of complex bone deficiencies.

The agreement includes several components:

- WIZP issued $7.5 million in Series B preferred stock to a group of investors. The stock is non-voting and non-convertible.
- Wize Pharmaceuticals receives $16.4 million in Bonus BioGroup stock (c.113 million shares) in exchange for $7.4 million in cash and 37% of future revenues from L02A.
- WIZP and Series B holders split (20/80) economic upside from price appreciation of BONS shares until WIZP redeems the Series B offering.
- Wize must redeem the Series B shares by December 2020, or 60 days after Bonus BioGroup lists its shares to NASDAQ.

While complex, the transaction may provide material investment returns and diversification to WIZP shareholders relative to L02A on its own.

A diversifying portfolio

In the past twelve months, Wize has expanded its product/investment pipeline beyond L02A for CCH and Sjögren's.

- ***Choroiderema*** – agreement with privately-held Copernicus, which is developing a non-viral gene therapy to treat choroiderema (CHM), a cause of progressive vision loss with a prevalence of 1/50,000. The agreement calls for Wize to provide funding to develop a phase I/II study and milestone payments. If the drug is successful, Wize will pay an upfront license fee and royalties.
- ***Autologous bone grafts/Respiratory distress*** – equity investment in Bonus BioGroup. In April Bonus initiated preclinical studies of MesenCure, a drug candidate containing activated mesenchymal stromal cells (MSCs) that are isolated from the adipose tissue of healthy donors. MesenCure is being studied as a treatment for respiratory infections and

pneumonias including those arising from COVID-19. Preliminary efficacy data is expected this month. The study is expected to be completed in 3Q20.

L02A update

On May 7, WIZP announced it completed patient treatment in its Phase IV study of L02A in Sjögren's. Data from this study will supplement results from the Company's Phase II study of L02A in CCH. Results from this study have been delayed by the pandemic. As a result, Wize now anticipates top-line results in 3Q20 compared with its previous timeline of 2Q20.

2019 results

WIZP posted 2019 results in line with expectations. The Company posted a loss of $3.9 million, compared with a loss of $3.6 million in the year earlier period.

R&D spend declined to $0.5 million in 2019 from $0.7 million a year ago, reflecting completion of two trials in 2018. General and administrative expense moderated slightly to $2.7 million from $2.9 million in 2018. Cash used in operating activities declined to $2.1 million, compared with $2.2 million in 2018. All in, the Company remains in its expected burn rate of $150,000-200,000 per month.

We are raising our estimates for 2020-2021, primarily reflecting the reduction in interest expense resulting from the elimination of high-cost convertible debt. Our 2020 estimate goes from ($0.70) to ($0.27). For 2021, our estimate is now ($0.28) compared with ($0.94). However, we are reducing our valuation from $2.93 to $1.97. With WIZP paying 37% of L02A revenues to Bonus BioGroup as part of the strategic agreement, we expect that WIZP will now get a reduced royalty rate of 12% from a partner for the right to produce/sell L02A, compared with our previous estimate of 20%.

HISTORICAL STOCK PRICE



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