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MYnd Analytics, Inc. (NASDAQ/MYND)

April 12, 2019

BUY: Isn't it Time Mental Health Went Digital?

MYnd Analytics, Inc. is working to bring Behavioral Health (BH) into the digital age. Two key initiatives: Peer Reports which uses A.I. to interpret a patient's brain waves which can provide insights into medications a patient may respond to, coupled with Tele-Behavioral Health (BH) which improves access and lowers cost, both hold great promise to advance the treatment of mental disease.

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Current Price **\$1.32**
Price Target **\$4.00**

Investment Highlights

A unique arb opportunity. MYnd Analytics is set to merge with sickle cell company Emmaus Life Sciences and then be spun back out into a new public company. Along the way, shareholders of MYnd will pick up ownership in Emmaus (approximately 5.9%) and emerge with a new company and a clean capital structure.

What will the value of the Emmaus piece be worth? It's hard to say precisely but given the fact that Emmaus is launching the first new drug (Endari), in the sickle cell space in 30 years, we believe the potential value of Emmaus could be large, approaching \$1B. Given the market capitalization of MYnd today at \$12M we see the opportunity to buy the stock now, into the proposed transaction, as upside to shareholders.

Our focus remains on Behavioral Health (BH). Depression is serious and today most patients are treated with a "Trial and Error" approach. Tests to determine the right medication exist today, but their predictive value is quite low. The need for a test that can provide clinicians with a higher level of predictive value is great. MYnd Analytics is a solution provider with proprietary software algorithms that interpret EEG results (individual neurophysiology). A report is then created by an artificial intelligence enabled clinical decision support tool that generates a report which allows the physician to develop an informed personalized treatment plan. Clinical studies have shown that this approach improves outcomes by 144%. Regulators see the value and the FDA has granted breakthrough device designation for the next generation of PEER reports. This combined with the availability of Tele-BH creates an opportunity to treat patients in an approach that makes psychiatry both affordable and available to patients whom otherwise may not be able to, nor have the desire to, have face to face talk therapy, which by all accounts is critical to a complete treatment.

MYnd Analytics is perfectly positioned. When a mental health crisis strikes it can be unexpected. It often strikes not just the individual, but the family too. Our American system is chaotic at best. Patients will typically struggle months and sometimes years to find a provider that can help with the right combination of modern pharmacology and treatment therapy. Finding a physician in the field that is even willing to accept new patients much less insurance, even in highly populated cities and urban areas, can be a challenge. We see Mynd's two-step approach (PEER reports) and on-line access to a qualified therapist as part of the solution. The digital era of mental disease has arrived.

Estimates	F2019E	F2020E	F2021E
Expenses (\$000s)	\$ 12,928	\$ 14,671	\$ 14,301
1Q March	\$ 2,974	\$ 3,374	\$ 3,289
2Q June	\$ 3,103	\$ 3,521	\$ 3,432
3Q September	\$ 3,348	\$ 3,787	\$ 3,658
4Q December	\$ 3,504	\$ 3,988	\$ 3,921
	F2019E	F2020E	F2021E
EPS (diluted)	\$ (1.11)	\$ (0.64)	\$ (0.03)
1Q March	\$ (0.29)	\$ (0.16)	\$ (0.01)
2Q June	\$ (0.29)	\$ (0.17)	\$ (0.01)
3Q September	\$ (0.32)	\$ (0.16)	\$ (0.01)
4Q December	\$ (0.21)	\$ (0.16)	\$ (0.00)

EBITDA/Share	(\$0.71)	(\$0.64)	(\$0.03)
EV/EBITDA (x)	0.0	0.0	0.0

Stock Data		
52-Week Range	\$0.62	\$4.08
Shares Outstanding (mil.)	8.4	
Market Capitalization (mil.)	\$11	
Enterprise Value (mil.)	\$6	
Debt to Capital	5%	
Book Value/Share	\$1.06	
Price/Book	2.9	
Average Three Months Trading Volume (K)	163	
Insider Ownership	42.8%	
Institutional Ownership	1.4%	
Short interest (mil.)	2.4%	
Dividend / Yield	\$0.00/0.0%	



Initiation - April 12, 2019 - Buy - Price Target \$4.00

Do PEER Reports work? Specificity and Sensitivity. Interim findings from the fourth clinical trial (Walter Reed Peer Trial) showed a 144% improvement in the QIDS-SR16 depression score, 75% improvement in CHRT-7S scores for suicidal ideation, and 139% greater improvement in PCL scores for PTS. The predictive value has been determined at 90%, which (when compared to other diagnostic tests such as mammography with a predictive value of 61%) is considered excellent.

PEER Reports are competitively priced. The AssureRx health (gene swab test) carries a retail cost in excess of \$5,000 per test. MYnd Analytics reports are charged at ~\$800 for EEG and Psychiatric Electroencephalography Evaluation Registry reports and are supported with CPT billing codes for EEG and QEEG's.

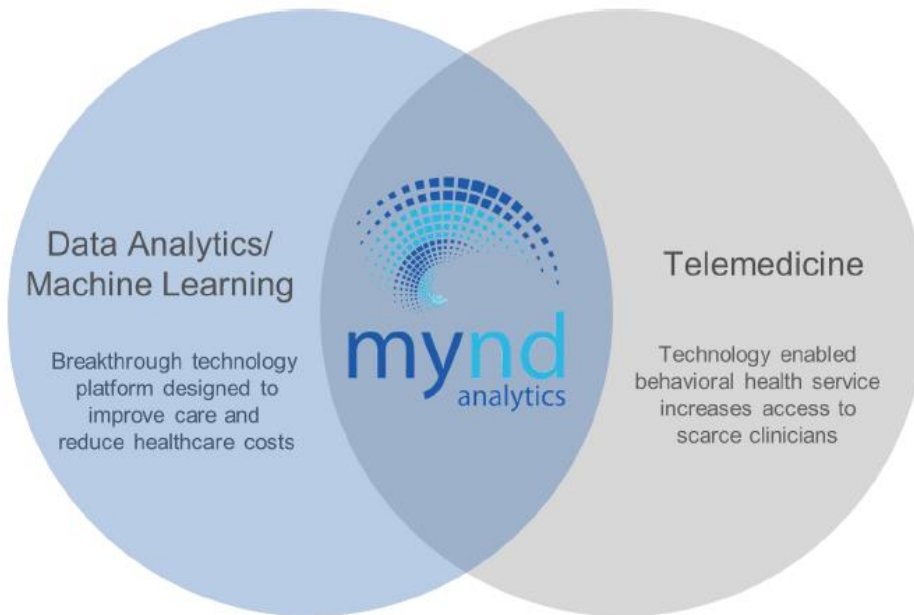
PEER Reports can act as a guide for clinicians. These reports can identify which class of therapeutics patients are likely to respond to, for example, SSRI's vs. SNRI's and the value of mood stabilizers and/or a stimulant. Patients in crisis need to achieve a response quickly vs. the standard of care today, which takes months (even years). The pharmacology is almost always poly-pharmacy. While we do not propose that a patients' report will change the treatment paradigm, it can provide clues to the clinician (a road map) on where patients may be most likely to respond. MYnd Analytics test is competitively priced and has a rapid turn-around. The company has identified six key market segments for the initial commercial strategy to focus its sales efforts: 1. Managed Care Networks, 2. Physician Direct Access, 3. Patient Direct Access, 4. Government/Military (VA) systems (contracts), 5. Academia and Industry (as part of the drug development process to enrich target patient populations for responders), and 6. International Markets.

Is Telepsychiatry viable? This might be the wrong question to ask. We spent time doing some field research. In a crisis, patients are essentially "warehoused" until it is deemed that they are "safe" to be released. Often with little or no thought to follow-up care. Patients and their loved ones then typically scramble to find a provider and embark on both a trial and error approach in terms of both pharmacology and therapy, to address the underlying issues. It's not uncommon for patients to go untreated and wind-up back in emergency rooms which cost payors and hospitals (which can be penalized). Even in best case scenarios patients often wait weeks to find a physician that will both accept them as a new patient (and even more rare to accept insurance). We see the availability of a viable test in combination with other resources including Telepsychiatry services as part of a gate-way for patients to regain control over their lives. MYnd today has a national network of clinicians focused on mental health with utilization rates leaving room to grow. Tele-Medicine is now being practiced among many of the major health insurance companies. Few hospitals are prepared to deal with the mental health crisis and these patients present risk and liability to the hospital, which typically has penalties associated with re-admissions. As such Tele-behavioral health can be part of a solution. Its low cost, easy access, can be part of the routine discharge plan for patients and families. In 2008, the Federal Mental Health Parity Act expanded the benefits for Medicare (2009) as did the Affordable Care Act (2010) and the 21st Century Cures Act (2016). A recent landmark case, behavioral health, Case No. 19-CV-02346-JCS, held healthcare providers accountable for improperly denying benefits, failing to comply with national guidelines.

Collaborative Care Model (CoCM).The CoCM model allows the primary care provider to receive compensation for working with specialists, in our case, psychiatrists, which provide expertise (psychiatric collaborative care management) while maintaining the primary care responsibilities with the patient. Tele-medicine today is considered a legal and reimbursable, insurance covered, form of healthcare services with everything from prescribing and pharmacologic management to therapeutic support services (talk therapy).

Valuation: We provide market models for both Tele-Medicine and PEER reports. We apply a probability of success factor in our Tele-Medicine model of 70% (30% discount rate) which is in addition to our 30% discount rate used in our FCFF, discounted EPS, and Sum of the Parts models. The result of which is equally weighted and averaged to determine our price target.

Exhibit 1. MYnd Analytics: Diagnostics and Services



Source: Dawson James and MYND Analytics

Company Overview

MYnd Analytics, Inc. is a specialized company focusing on the diagnosis and treatment of mental health disorders. Management is driven by a vision of the significant unmet need in two key areas, access to qualified mental health experts and the trial and error methodology that is used to work with patients to find and optimize the pharmacological side of therapy. In the extreme example of severe acute depression (suicidality) patients often do not have the time, patience, and financial resources beyond basic health insurance to get the treatment they and their families so desperately need. MYnd presents digital solutions to the analog mental health care dilemma.

PEER Reports. Specifically, MYnd has developed a clinical decision support tool to help physicians reduce trial and error treatment in mental health and provide more personalized care to patients. The company provides objective clinical decision support to mental healthcare providers for the personalized treatment of behavioral disorders, including depression, anxiety, bipolar disorder, post-traumatic stress disorder (PTSD), and other non-psychotic disorders. The company uses its proprietary neurometric platform, PEER Online, to generate Psychiatric EEG Evaluation Registry (PEER) Reports predicting the likelihood of response by an individual to a range of medications prescribed for the treatment of behavioral disorders. MYnd Analytics will be conducting clinical trials focused on military personnel and their family members who are suffering from depression, Post-Traumatic Stress Disorder (PTSD), and mild traumatic brain injury (mTBI) in order to support clinical and treatment decisions. The company is also planning to commercialize its PEER Report by focusing on the following six areas (previously outlined): 1. Managed Care Networks, 2. Physician Direct Access, 3. Patient Direct Access, 4. Government/Military (VA) systems (contracts), 5. Academia and Industry (as part of the drug development process to enrich target patient populations for responders), and 6. International Markets.

Exhibit 2. Clinical Evidence for PEER, with 11,000 plus patients and 40,000 plus outcomes have shown a 144% improvement in outcomes and a 75% reduction in suicidality.

Independent studies

- 45 studies with 3,130 patients offer compelling evidence for QEEG biomarkers as simple, inexpensive predictors of patient response to specific antidepressants and likely treatment-related side effects (including suicidal ideation).
- EMBARC – NIMH-sponsored study of objective biomarkers found EEG predicted SSRI response, May 2018. "Although we continue to study brain imaging and blood biomarkers, I do recommend patients ask for these tests when seeking an antidepressant," Dr. Madhukar Trivedi said.*

PEER Randomized Controlled Trials

- The four randomized controlled trials of PEER, measured by Standard Mean Difference, demonstrated a 'strong' effect for these symptom scales, compared with moderate or weak effect for current treatment as usual (TAU).
- These trials represent more LOE 1A evidence than has been reported for any other targeted strategy in depression.

Walter Reed Trial

Service members whose doctors followed PEER Report recommendations showed statistically significant improvement:

- Depression scores improved by 144%
- PTSD scores improved by 139%
- **Suicidal ideation was reduced by 75%**
- The trial was the fourth scientific replication of previous studies, all of which have demonstrated the efficacy of PEER technology in improving patient outcomes.

Source: Dawson James and MYND Analytics

Tele-behavioral Health Services: MYnd Analytics in late 2017 acquired the Telemedicine company Arcadian. The Arcadian suite of services includes Telepsychiatry, Teletherapy, digital patient screening, curbside consultation, on-demand services and scheduled encounters for all age groups 24 hours a day, seven days a week. There is a shortage of psychiatrists and therapists, as well as limited access through payor networks for patients. Arcadian solves these problems. Two large national providers are already on board. With exposure to more docs and payors to PEER Online reports, we expect that adoption should increase. Doctors want to be able to treat their patients better and quicker. PEER becomes a tool to help recruit doctors to payor networks and payors want to save on costs; it is ideal for both parties.

Arcadian contracts with providers through agreements to provide behavioral health services. Arcadian provides certain management and administrative services in support of the Providers' non-medical functions and the Providers provide Tele-behavioral health services. As of year-end 2018 Arcadian and its Providers had contracts with 32 insurance companies, human capital management corporations (i.e., EAP benefits), outpatient diagnostic and treatment centers, drug and alcohol rehabilitation centers (outpatient and residential), community behavioral health clinics, treatment and rehabilitation centers, corrections facilities, and post-acute care centers. Arcadian is exploring expansion opportunities by providing services to emergency departments, schools (K-12 and college) and large employers. Arcadian's contracts span from Pennsylvania to California and North Dakota to Louisiana and Texas.

Tele-behavioral health services typically involve the use of video conferencing equipment to conduct real-time mental health consultations between a clinician and patients. Areas go beyond just individuals living in underserved areas and to urban areas where clinicians are just booked and not accepting new patients (and typically do not accept any insurance). Over eighty-nine million Americans live in federally designated Mental Health Professional Shortage Areas. Two-thirds of U.S. primary care physicians report not having adequate access to psychiatric care for their patients. MYnd through Arcadian, can now provide on-demand Tele-behavioral health services to expedite assessment, diagnosis, treatment, and disposition of patients in a wide variety of settings. Arcadian's custom-built technology platform can be deployed at a primary care clinic and in patients' homes.

The American Psychiatric Association estimates that between \$26 billion and \$48 billion could be saved annually through effective integration of medical and behavioral health services. Traditional in-person patient encounters for behavioral health are hampered by relative shortages of behavioral health clinicians, especially in areas of the country where there is the greatest need. Arcadian's customers are payors, health plans, Employee Assistance Programs ("EAPs"), and provider groups. With the benefit of the MYnd technology platform, Arcadian is positioned to capitalize on the need for behavioral health services, overcoming gaps in care access, while supporting healthcare organizations nationwide.

Bull Case. The need for both analytical predictive testing for mental disorders (versus dependency on trial and error) and convenient access to qualified therapists are critical elements for a patient's recovery. Patients today, especially acutely depressed patients with suicidal ideologies, may go through months (even years) of trial and error therapies before an effective "cocktail" of therapeutics is identified. Lucky patients will find a therapist that they can meet with on a frequent basis that is covered by existing health insurance. This is, however, a rarity. The challenge for parents, spouses and loved ones is to keep the person suffering alive long enough to find the right therapeutic strategy to help them. The available tests to guide treatment are limited. Tests such as AssureRx gene test are limited in their insights. One Key Opinion Leader (KOL) in the space advised us that that the gene test is only effective, predictive, in 15% of patients though he still recommends its use because even incremental benefit has value given the difficulty in determining the "right" therapeutic regimen for these patients. As such, these tests represent the standard of care today (ASSURE Rx, GENOMIND, and HARMONYX tests) and are administered by CLIA lab companies focused on utilizing genomic-based lab tests for determining or predicting response to medication. This type of testing is based primarily on each individual's metabolism of medications. In the U.S. alone it is estimated that one-in-five adults are receiving some form of medication for a mental health-related issue. Mental health medications are the second most prescribed therapeutic class. Approximately \$23 billion is spent annually for drugs used to treat mental health-related issues and it is estimated that the actual efficacy of these therapies is on average around 30%. MYnd Analytics hopes to change this paradigm by providing patients access to medical professionals who can select the right drugs for the right patients. Given the size of the market, just very modest market penetration rates (see our market model assumptions) should translate into MYnd being very successful. Let's look at just one example. A typical managed care network which represents 4 million lives with 400-600k on some form of a mental health medication, just a 1% market penetration would equate to 5,000 tests, representing \$4M in revenues. Extend this across the country, including VA and other systems, and the numbers can become large very fast. The company is also now positioned to leverage years of development and its database and software to expand the test across the network at only an incremental cost (COGS). The company's major expense we expect will be SG&A (sales promotion and awareness) to drive adoption. In terms of Tele-behavioral health services, the market size is basically unlimited. MYnd is targeting EAP (employment administration programs), staffing model (pre-paid facility-based services) and direct primary care patients (PCP). We estimate that Tele-BH revenues could reach a \$200M annual business for MYnd within 10 years.

Bear Case. Bears will argue that MYnd is early in the era of Telemedicine. That virtual therapy is just not the same as an in-person meeting. Bears will also site the existing practitioner paradigm is familiar with the available pharmacologic options and doesn't need help to determine best therapeutic choices. Bears will also be concerned about the company's ability to raise the required capital in these early stages to create the required awareness and drive adoption in both areas, Telemedicine and predictive tests. We see MYnd Analytics' products as new and different. They do appear to represent a paradigm shift in a now digital age that is still for the most part dominated by an analog industry. Most KOL's are skeptical at this early juncture. The company needs to deliver on key contracts and right now most are small and "pilot" stage. Bears may also site limited barriers to entry being the company's both "product know how" and IP as well as a limited base of contracted providers. These factors represent risks from better-financed competitors who have access to national networks and believe they can do it themselves.

Our Take. We believe the fundamental premise behind MYnd is sound. Its time BH services entered the digital age in both diagnosis and treatment. The reality of mental disorders is that there is a crisis in the marketplace. A crisis, driven by a combination of a lack of providers and a lack of available, affordable, insurance covered treatment. In addition, the traditional approach of trial and error for pharmacology often leaves patients in frustrated circumstances until, hopefully, the right therapy is found. We believe tool's like PEER reports can shorten this period. While Tele-Medicine is not an answer for all patients, far from it, it can be viable for large segments of patients which either lack logistic access, lack financial resources (to pay the cash rates required by many providers), or for whom a digital environment creates comfort versus a face to face one. Critical to our positive thesis is the ability of the company to close the Emmaus merger and achieve a successful recapitalizing of the company. We believe that the 6% ownership stake in Emmaus and new sickle cell drug, Endari, alone justifies owning MYnd shares today.

MYnd Analytics Financials. As of year-end, 2018, MYnd Analytics had a cash balance of just \$3.2M. The planned acquisition of Emmaus and spin-out / IPO of MYnd should be beneficial to shareholders. MYnd shareholders ultimately may end up with approximately 6% ownership in Emmaus which based on our estimates could have a value between \$500 and \$1B based on the value of a new therapy for sickle cell disease. In addition, we expect MYnd to emerge with a few million dollars of additional cash and a clean capital structure (no debt or warrants). The planned IPO should create an opportunity for MYnd to re-capitalize at favorable terms, and allow the company, with additional capital, to drive market share penetration for both Tele-Medicine and PEER reports.

Exhibit 3. Future MYnd Analytics Catalysts

Product	Geography	Event	Timeline	Impact
PEER & TM		Expand the partnership with Sanford Health		+
PEER & TM		Expand the partnership with Hackensack Meridian		+
PEER & TM		Expand the partnership with Horizon Healthcare		+
PEER & TM		Merger with Emmaus and Spin-Out of Mynd		+
PEER & TM		Additional Capital for Sales and Marketing		+
PEER & TM		Penetration into the Managed Care environment		+
PEER		Continued Publication of clinical data		+
TM		Covered Lives expansion		+

Stock Significance Scale: + of moderate importance; ++ higher level; +++ very important

Source: Dawson James and MYND Analytics

The Market Opportunity. Overall, the number of Americans on medications used to treat psychological and behavioral disorders has substantially increased since 2001; more than one-in-five adults was on at least one of these medications in 2010, up 22 percent from 10 years earlier. Mental health medications are the second most prescribed therapeutic class. Approximately \$23 billion is spent in annual drug spending for mental health with less than 30% average efficacy of pharmacotherapy.

The U.S. Market for mental health medications has been growing at a steady rate, with it being worth \$88B in 2015. It is the second most prescribed therapeutic class, following antihypertensive, and pain is the third. One of the major drivers of health care cost is mental illness. Though the costs aren't as significant as cancer drugs, the numbers add up because so many people are affected. In any given year about 20 percent of Americans are diagnosed with a mental health problem severe enough to interfere with daily functioning. About 270 million prescriptions are filled each year for antidepressants alone. But the market for mental health treatments is not a well-functioning market. Customers can't easily tell what works and what doesn't. Patients and doctors can be manipulated by the purveyors of solutions.

Current Treatment. Psychotropic drugs are capable of affecting the mind, emotions, and behavior. They are used to treat various mental health diseases when those issues cause significant impairment to healthy functioning. It works by changing or balancing the number of important chemicals in the brain. According to the WHO, one in four individuals, or about 25% of the population, will experience a mental health issue at some point in their lives. Psychotropic drugs have become the main form of treatment for mild to severe behavioral disorders. There's been more than a 400% growth in the prescription of antidepressant medications over the last two decades.

Lack of Effectiveness. However, current medications are not sufficient for most patients – it is not clear who will respond to a specific treatment. Even recent research challenges the efficacy of psychotropic medications for the treatment of mild to severe behavioral disorders, stating that these medications often do not work or lose their efficacy over time. For the fraction of patients who ultimately respond, clinicians often must resort to trial and error before finding a regimen that works, subjecting patients to potentially life-threatening delays, ineffective treatment, or adverse side effects. There are over 17 million Americans who are considered to be "treatment-resistant," having failed two or more courses of psychotropic medication for their behavioral disorder. For these treatment-resistant patients, the conventional "trial and error" method of prescribing psychotropic medications has resulted in low efficacy, multiple side-effects, and high relapse rates leading to treatment discontinuation, prolonged patient suffering, and billions of dollars in additional healthcare costs to payors. These individuals consume an average of \$8,500 more of health care costs annually.

Psychiatry is plagued by the lack of a clinically useful biomarker assessment system to guide treatment. Instead, pharmacotherapy is typified by an inductive trial and error process resulting in significant additional morbidity, mortality, and costs due to failed medication trials. Despite extensive research resulting in more than 130 FDA-approved medications used in treating psychiatric disorders, evidence-based guidance is largely lacking for selecting amongst these options to treat refractory patients.

MYnd Analytics' Technology. Currently, due to the lack of objective neurophysiological data available to physicians, there is no objective test to guide the prescribing of psychotropic medications. Physicians regularly make prescribing decisions based on incomplete symptomatic factors. Consequently, the underlying pathology and physiology of behavioral disorders are often not analyzed effectively by treating physicians and treatment for the patient is ineffective, costly, and may require multiple different courses of treatment before an effective medication is identified, if at all, or better known as trial and error prescribing. To address this unmet medical need, the company offers PEER Online technology to analyze an individual's digital Quantitative EEG (QEEG). This analysis produces a PEER Report that predicts the likelihood of response, or non-response, to certain medication classes and individual medications. The reliability of QEEG data as a predictor of medication outcomes has been well established in over 100 published studies involving more than 6,000 patients. The PEER Report has been used as adjunctive information by physicians for over a decade on approximately 12,000 patients suffering from a variety of behavioral disorders including depression, anxiety disorders, obsessive-compulsive disorder (OCD), bipolar disorder, PTSD, addiction, and eating disorders, including anorexia.

PEER Reports. Doctors with patients who don't respond to traditional therapies frequently made ad hoc decisions about whether to change the dose, add a medication or switch to a new one. Clinicians use their best experience and trial and error. They try something, and if it doesn't work out, they try something else. Trial and error is not ideal – providers need to be able to provide them with effective treatment.

What is PEER online and the AI Platform? The AI platform is used to generate the PEER report which is designed to assist physicians in selecting specific medications appropriate to the specific physiologic abnormalities found in neuro-behaviorally disordered patients. PEER on-line is a neurophysiologic assessment tool that aims to assist physicians to provide more effective medication management. The hypothesis behind PEER is radically different in that it addresses the question as to whether there are physiological markers of an abnormality associated with the effectiveness of specific medication choices independent of diagnosis. Testing such a hypothesis required an additional dataset of symptomatic patients and their responsiveness to specific medications. Over the last 20 years, developers of PEER have collected data in more than 11,000 patients involving more than 40,000 medication changes and outcome data points. The developers used an exhaustive procedure to qualify data points for inclusion in the database, as the validity of clinical assessments in the database was crucial. The resulting dataset enabled the definition of mathematical relationships for different medications and made possible a report of the likelihood that a patient with a given abnormality will respond to different medications.

PEER utilizes standard 21-lead digital electroencephalographic equipment measuring the patient in a resting (but awake) state. The recording generally takes 30-60 minutes and can be done in any quiet setting. Patients are classified on the 1,142 variables calculated in the recording (FDA-approved neurometric system) and categorized based on the outcome history in treating patients with similar neurophysiologic lesions. Reports may indicate single or multiple medications based on the nature of the physiologic abnormality discovered. The entire procedure is rapid, non-invasive, devoid of radiation or high strength magnetic fields, and results in a report that is easily used by clinicians given its similarity in format to antibiotic sensitivity testing.

Product Description. PEER Online is a clinical decision support database that uses a combination of software, analytics, and clinical outcomes to provide objective, adjunctive medication response information to physicians treating patients with non-psychotic behavioral disorders. PEER Reports represent the output of the Psychiatric Electroencephalography Evaluation Registry (PEER), an outcome registry developed by physicians in order to build better evidence for prescribing in brain disorders.

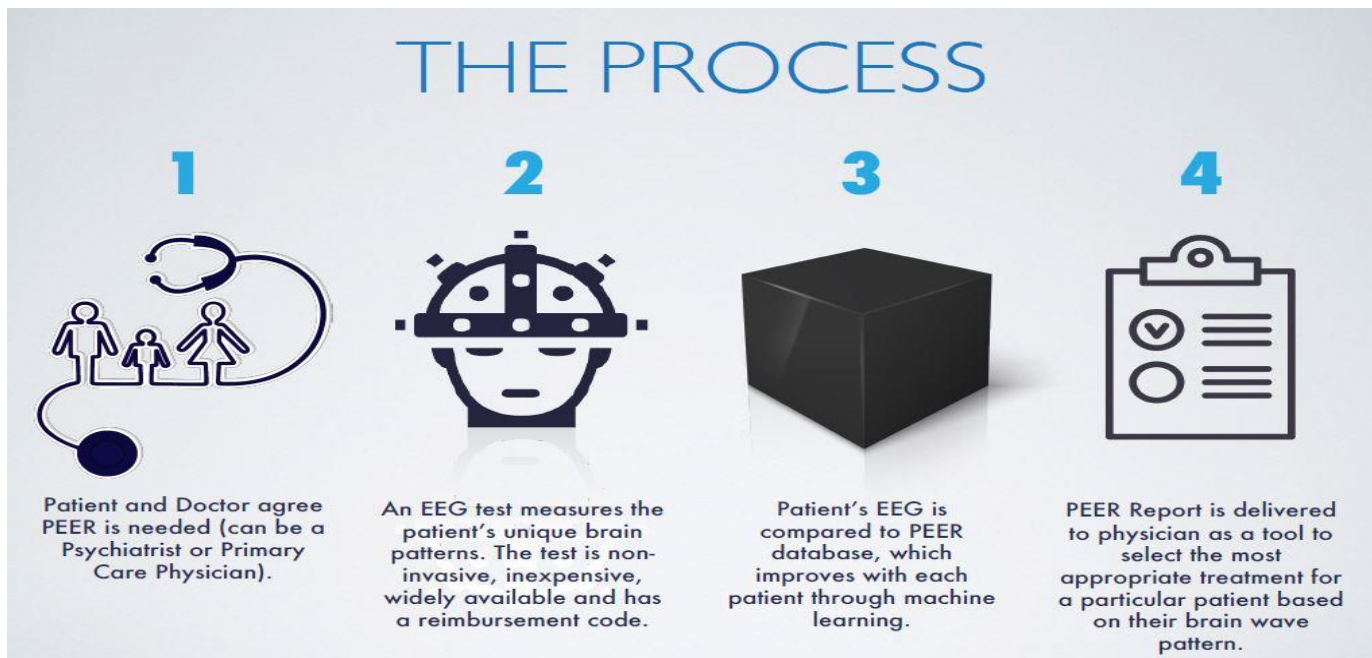
PEER Online uses a statistical analysis of EEG outputs and other patient information to generate a report that indicates the statistical likelihood of the patient's responsiveness to classes of central nervous system (CNS) medications (i.e. antidepressants), groups (i.e. SSRI), and individual agents (i.e. fluoxetine). A discriminant analysis compares the neurophysiologic abnormalities of the patient to patterns of abnormalities of known responders to CNS drugs in the company's outcomes database of symptomatic patients. This provides a probability estimate of the similarity of the patient's profile with the profile of groups of individuals constituting the normative and clinical (symptomatic) database, which provides the treating physician guidance to which treatments the patients will most likely respond. This is adjunctive information, to be interpreted only within the context of the overall clinical assessment of the patient by the attending physician.

PEER Outcomes Database. PEER Online is based upon a database of patient outcomes that have been collected by physicians for over 20 years, and physicians have been using this ‘practice-based evidence’ data to help provide adjunctive information to guide the treatment of their patients. The practice of utilizing practice-based evidence (PBE) to guide treatment has been well documented and utilized by multiple medical disciplines where solid evidence-based guidelines were unavailable or inadequate, i.e., pediatric oncology. It is not surprising that physicians have taken the initiative to develop PBE databases to support the treatment of their patients.

The database now contains data on over 11,000 patients with over 40,000 clinical endpoints, representing known patient responses to over 30 commonly used psychotropic medications. The database continues to grow as PEER physicians add patient outcomes to treatment medications that are correlated by a patient’s QEEG. As more medication outcomes are added to the database by practicing physicians, PEER Online will be able to provide even more predictive information to assist physicians in treating their patients with non-psychotic behavioral disorders.

PEER Process. Procedurally, PEER Online utilizes standard 21-lead digital electroencephalographic equipment measuring the patient in a resting (but awake) state. The recording generally takes 30-60 minutes. Patients are classified based upon the 1,142 variables calculated in the recording and categorized based on the outcome history in treating patients with similar neurophysiologic outputs. From these outputs and the correlation to the outcome database, reports may indicate single or multiple medications based on the nature of the physiologic abnormality discovered. The entire procedure is rapid, non-invasive, devoid of radiation or high strength magnetic fields, and results in a report, the PEER Outcome Report that is easily used by clinicians given its similarity in format to antibiotic sensitivity testing.

Exhibit 4. The Process. The MYnd Analytics test is competitively priced. The test is simple and can be performed in virtually any quiet location. The company has identified six key market segments for the initial commercial strategy to focus its sales efforts: 1. Managed Care Networks, 2. Physician Direct Access, 3. Patient Direct Access, 4. Government/Military (VA) systems (contracts), 5. Academia and Industry (as part of the drug development process to enrich target patient populations for responders), and 6. International Markets.



Source: MYnd Analytics

Modeling Assumptions: Behavioral Medicine

1. A typical national managed care company may cover up to 25M covered lives. Conservatively, we know that 10% or 2.5M of those lives are likely to be treated at some point for a mental health disorder. The actual number could be much higher, 20% or more. Regardless, if just 10% of the 10% are treated with a telebehavioral medicine product it suggests one national plan represents 250,000 treated patients annually or \$250M in revenues. We view the market opportunity by segments, each with their own numbers of covered lives.
2. We assume an average price point of \$1,000 for the first six treatments.
3. Fixed COGS rate of 65%.
4. We model market penetration by target segments (EAP's or managed care), Staffing (Hospitals and clinics) and PCP's.
 - a. Employment Admin. Programs (EAP).
 - b. Staffing Model – Prepaid Facility based revenues.
 - c. Primary Care Physicians (PCP).

Exhibit 5. Product Model: Services

TeleBehavioral (Arcadian) Services	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E
EAP Employment Admin. Programs	320	650	1,500	2,250	3,938	9,844	19,688	34,453	51,680	56,848	59,690	60,287
Growth Rate			25%	50%	75%	150%	100%	75%	50%	10%	5%	1%
Staffing Model (PrePaid Facility Based Revenues)	520	1,100	3,000	4,500	10,125	22,781	45,563	79,734	119,602	131,562	138,140	139,521
Growth rate			25%	50%	125%	125%	100%	75%	50%	10%	5%	1%
PCP (Primary Care Physicians - Office Terminal)	180	300	1,000	1,500	3,375	7,425	14,850	25,988	38,981	42,879	45,023	45,474
Growth rate			25%	50%	125%	120%	100%	75%	50%	10%	5%	1%
Total Services	1,020	2,050	5,500	8,250	17,438	40,050	80,100	140,175	210,263	231,289	242,853	245,282
Assume an Average ASP \$1,000	\$ 1,000	\$ 1,010	\$ 1,010	\$ 1,020	\$ 1,030	\$ 1,041	\$ 1,051	\$ 1,062	\$ 1,072	\$ 1,083	\$ 1,094	\$ 1,105
Behavioral Health Revenues (M)	\$ 1.0	\$ 2.1	\$ 5.6	\$ 8.4	\$ 18.0	\$ 41.7	\$ 84.2	\$ 148.8	\$ 225.4	\$ 250.5	\$ 265.6	\$ 268.2

Source: Dawson James estimates

Modeling Assumptions: PEER Reports

1. Managed Care – Payors: In just one managed care insurer which we evaluated, the company covered 4 million lives and 400-600k were on some form of a mental health medication. Just a 1% market penetration would equate to 5,000 tests, which would represent \$4M in revenues.
2. Provider Direct Revenues: There are estimated to be 38,000 practicing psychiatrists in the U.S. alone with 500 patients per doctor or 19M patients. One percent market share penetration equates to 190k tests or \$152M in revenues.
3. Patient Direct Revenues: Today it's virtually impossible to turn on the TV or listen to the radio in the car without hearing an advertisement for a depression drug. The company plans to launch a commercial marketing campaign raising patients awareness of the availability of this powerful tool. Parents concerned for their children (or the opposite, adults concerned for aging parents) represent a significant market opportunity.
4. Government: The numbers here are quite large with large potential:
 - a. Centers for Medicare & Medicaid Services (CMS), which is part of the Department of Health and Human Services (HHS), which administers programs including Medicare and Medicaid, is moving 50% of reimbursement to become value-based by 2018. With this trend and growing enforcement of Mental Health Parity, the payer market has changed in ways that favor value-based diagnostics. The first MYnd Center received CMS certification as an Independent Diagnostic Testing Facility (IDTF) in September 2016, and management intends to proceed with submission to CMS for a national coverage determination.
 - b. The Veterans Administration (VA) represents 6M lives, and interestingly enough U.S. special forces represent 72k lives. Special forces tend to be early adopters of new technology and it is our understanding that the company is talking with the U.S. military about creating a baseline EEG database as part of the routine medical process for these elite forces.
5. Industry: Pharmaceutical companies today are spending billions to develop the next generation of mental health drugs. The company is in talks with multiple companies to use PEER reports as a predictive tool to determine which patients stand to benefit from a therapeutic class. As such, the pharma companies could enrich response rates and save millions and years in time in developing new therapeutics.
6. Commercial growth strategy outside of the U.S.: The company is working with other governments such as in Canada with the Canadian Armed Forces where a trial has commenced. The target is both NATO and Health Canada (single payer system).
7. ASP of \$800 per test with 1-2% price declines over-time.

Exhibit 6. Product Model: Diagnostics

	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E
MYND PEER Report Model												
Managed Care - Insurance (no. of reports)	200	200	600	5,000	8,000	12,000	20,400	42,840	68,544	102,816	143,942	194,322
Growth Rate						50%	70%	110%	60%	50%	40%	35%
Patient Direct Reports	50	50	300	400	600	1,200	1,800	2,520	3,402	4,253	4,890	5,379
Growth rate						100%	50%	40%	35%	25%	15%	10%
Government VA Reports	0	0	0	300	1,000	2,000	2,200	2,420	2,662	2,928	3,221	3,543
Growth rate						80%	10%	10%	10%	10%	10%	10%
Physician Driven Reports	100	100	250	500	1,000	2,000	2,200	2,310	2,402	2,474	2,499	2,499
Growth rate						100%	10%	5%	4%	3%	1%	0%
Ex-US (International reports)	0	0	200	200	700	3,000	5,000	7,750	10,463	13,078	15,040	15,792
Growth rate						329%	67%	55%	35%	25%	15%	5%
Academia & Industry: Reports	0	0	0	250	500	1,000	1,500	2,100	2,310	2,426	2,450	2,450
Growth rate						100%	50%	40%	10%	5%	1%	0%
Total Reports	350	350	1,350	6,650	11,800	21,200	33,100	59,940	89,783	127,975	172,043	223,986
Assume an Average ASP \$800	\$ 800	\$ 808	\$ 800	\$ 784	\$ 768	\$ 753	\$ 738	\$ 723	\$ 709	\$ 695	\$ 681	\$ 667
Peer Report Revenues (M)	\$ 0	\$ 0.3	\$ 1.1	\$ 5.2	\$ 9.1	\$ 16.0	\$ 24.4	\$ 43.3	\$ 63.6	\$ 88.9	\$ 117.1	\$ 149.4

Source: Dawson James estimates

VALUATION

Our models are driven by our product assumptions for both Tele-Behavioral Health and PEER reports. We project costs and operational expenses through the year 2027 and assume the company will raise capital in 2019 and 2020. Our valuation is based on a fully diluted projected share count. We combine these with our assumptions for cost of goods, R&D and SG&A projected out 10 years. We use a 30% discount rate in our FCF, discounted EPS, and sum of the parts models which are equally weighted and averaged to determine our \$4.00 price target.

Exhibit 7. FCF Model

Average	4
Price Target	3
Year	2019

DCF Valuation Using FCF (mln):

units ('000)	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E
EBIT	(10,645)	(9,591)	(538)	4,739	15,684	37,860	77,679	122,976	138,286
Tax Rate	0%	0%	0%	5%	10%	15%	20%	25%	30%
EBIT (1-t)	(10,645)	(9,591)	(538)	4,502	14,116	32,181	62,143	92,232	96,800
CapEx	-	-	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-	-	-
Change in NWC	-	-	-	-	-	-	-	-	-
FCF	(10,645)	(9,591)	(538)	4,502	14,116	32,181	62,143	92,232	96,800
PV of FCF	(10,645)	(7,377)	(318)	2,049	4,942	8,667	12,875	14,699	11,867
Discount Rate	30%								
Long Term Growth Rate	1%								
Terminal Cash Flow	337,131								
Terminal Value YE2027	41,329								
NPV	78,086								
NPV-Debt									
Shares out ('000)	24,624	2027E							
NPV Per Share	3								

Source: Dawson James

Exhibit 8. Discounted EPS Model

Current Year	2019
Year of EPS	2027
Earnings Multiple	10
Discount Factor	30%
Selected Year EPS	\$ 3.93
NPV	5

Discount Rate and Earnings Multiple Varies, Year is Constant							
Earnings Multiple	4.82	5%	10%	15%	20%	25%	30%
	0	0	0	0	0	0	0
5	13.30	9.17	6.43	4.57	3.30	2.41	
10	26.61	18.34	12.85	9.14	6.60	4.82	
15	39.91	27.51	19.28	13.71	9.89	7.23	
20	53.21	36.68	25.70	18.28	13.19	9.64	
25	66.52	45.85	32.13	22.86	16.49	12.05	
30	79.82	55.02	38.55	27.43	19.79	14.46	
35	93.12	64.19	44.98	32.00	23.08	16.87	

Source: Dawson James

Exhibit 9. Sum of the Parts Model

	LT Gr	Discount Rate	Yrs to Peak	% Success	Peak Sales (MM's)	Term Val)
MYnd Analytics, Inc.						
Peer Report	1%	30%	5	85%	\$149	\$515
NPV						\$3.6
PGx	1%	30%	5	85%	\$1	\$2
NPV						\$0.0
Behavioral Tele-Medicine	1%	30%	5	85%	\$271	\$934
NPV						\$6.5
Net Margin						75%
MM Shrs OS (2027E)						25
Total						\$4

Source: Dawson James

Risk Analysis

Investment Risk: The company faces multiple investment risks from product management, market share adoption and commercialization to regulatory and competitive environment associated risks.

Merger and Spin-Out (IPO) Risk. MYnd is currently acquiring ownership of Emmaus. That acquisition is expected to close by 1H-2019 but there can be no assurances that the transaction will close, or even will happen. Upon closure we expect shareholders to receive up to approximately 6% ownership in Emmaus and assume the company will be valued upwards of \$500M to \$1B based on the sales potential of the company's sickle cell disease drug. We can provide no assurances that our valuation assumptions are correct. We assume that MYnd will be spun-out in some form to shareholders and or recapitalized as part of this process. We can provide no assurances that our assumptions here are correct.

Market Share for PEER reports or Behavioral Health. We can provide no assurances that our market model is correct and that MYnd will be able to successfully achieve our estimates for market share for either PEER reports or Tele-behavioral health projections.

Regulatory Risk: There may be certain regulatory risks related to product approval.

Commercial Risk: The company's product represents a new paradigm in the treatment of mental disease. Adoption may take longer than expected. These risks may be divided by market segments.

Financial Risk: The company should be expected to raise capital in the near term. We assume a raise and dilution, but there is no guarantee that market conditions will be favorable.

Exhibit 10. Income Statement

MYAN: Income Statement (\$000)	9.2018	Oct-Dec	Jan-March	Apr-Jun	July-Sep	9.2019	Oct-Dec	Jan-March	Apr-Jun	July-Sep	9.2020	9.2021	9.2022	9.2023	9.2024	9.2025	9.2026	9.2027
YE December 31	2018A	1Q19E	2Q19E	3Q19E	4Q19E	2019E	1Q20E	2Q20E	3Q20E	4Q20E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E
Revenue:																		
Peer Report Revenues	262	65	68	71	79	283	248	259	270	302	1,080	5,214	9,066	15,963	24,424	43,345	63,627	88,879
PGx Report Revenues	-	-	-	-	-	-	-	-	-	-	-	133	23	415	642	1,163	1,742	2,483
Arcadian TeleBehavioral Health Services	1,054	460	480	500	560	2,000	920	960	1,000	1,120	4,000	8,416	17,966	41,676	84,186	148,799	225,430	203,208
Total Product Sales	1,316	525	548	571	639	2,283	1,168	1,219	1,270	1,422	5,080	13,762	27,055	58,054	109,252	193,306	290,799	294,569
Total royalties, collaborative revenue																		
Total Revenue	1,316	525	548	571	639	2,283	1,168	1,219	1,270	1,422	5,080	13,762	27,055	58,054	109,252	193,306	290,799	294,569
Expenses:																		
Costs of Goods Sold	827	7	7	7	8	28	25	26	27	30	108	535	909	1,638	2,507	4,451	6,537	9,136
%COGS	63%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%	10%
Costs of Goods Sold	299	312	325	364	1,300	598	624	650	728	2,600	5,470	11,678	27,090	54,721	96,719	146,529	132,085	
%COGS	65%	65%	65%	65%	65%	65%	65%	65%	65%	65%	65%	65%	65%	65%	65%	65%	65%	65%
Research	232	58	60	65	68	250	60	63	68	71	263	276	289	304	319	335	352	369
Product Development	1,146	196	204	221	230	850	115	120	130	135	500	510	520	531	541	552	563	574
Sales and Marketing	1,618	230	240	260	270	1,000	506	528	572	594	2,200	2,310	3,200	4,800	4,896	4,994	5,094	5,196
% S&M (of Revenues)		44%	44%	46%	42%	44%	43%	43%	45%	42%	43%	17%	12%	8%	4%	3%	2%	2%
General and Administrative	7,738	2,185	2,280	2,470	2,565	9,500	2,070	2,160	2,340	2,430	9,000	5,200	5,720	8,008	8,408	8,577	8,748	8,923
%SG&A (of Revenues)		416%	416%	433%	401%	416%	177%	177%	184%	171%	177%	38%	21%	14%	8%	4%	3%	3%
Total Expenses	10,733	2,974	3,103	3,348	3,504	12,928	3,374	3,521	3,787	3,988	14,671	14,301	22,316	42,370	71,392	115,627	167,823	156,284
Operating Income (Loss)	(10,245)	(2,448)	(2,555)	(2,777)	(2,865)	(10,645)	(2,206)	(2,302)	(2,517)	(2,566)	(9,591)	(538)	4,739	15,684	37,860	77,679	122,976	138,286
Interest income (expense), net	(86)																	
Financing expenses																		
Loss on extinguishment of debt																		
Gain on extinguishment of debt																		
Gain (Loss) on derivative liabilities																		
Legal settlement accrual																		
Other miscellaneous income																		
Net Loss (non controlling interest)	(734)																	
Total Other Income	(821)	(2,448)	(2,555)	(2,777)	(2,865)	(10,645)	(2,206)	(2,302)	(2,517)	(2,566)	(9,591)	(538)	4,739	15,684	37,860	77,679	122,976	138,286
Pretax Income	(9,599)	(2,448)	(2,555)	(2,777)	(2,865)	(10,645)	(2,206)	(2,302)	(2,517)	(2,566)	(9,591)	(538)	4,739	15,684	37,860	77,679	122,976	138,286
Income Tax Benefit (Provision)	-	-	-	-	-	-	-	-	-	-	-	-	237	1,568	5,679	15,536	30,744	41,486
Tax Rate	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	5%	10%	15%	20%	25%	30%
Gain (Loss) from discontinued operations																		
GAAP Net Income (Loss)	(9,599)	(2,448)	(2,555)	(2,777)	(2,865)	(10,645)	(2,206)	(2,302)	(2,517)	(2,566)	(9,591)	(538)	4,502	14,116	32,181	62,143	92,232	96,800
GAAP-EPS	(1.85)	(0.29)	(0.29)	(0.32)	(0.21)	(1.11)	(0.16)	(0.17)	(0.16)	(0.16)	(0.64)	(0.03)	0.28	0.86	1.95	3.76	5.55	5.80
GAAP-EPS (Dil)	(1.85)	(0.14)	(0.15)	(0.32)	(0.21)	(0.82)	(0.16)	(0.17)	(0.13)	(0.14)	(0.60)	(0.03)	0.22	0.67	1.47	2.73	3.90	3.93
Wgtd Avg Shrs (Bas) - '000s	5,200	8,500	8,670	8,679	13,687	9,884	13,701	13,715	16,228	16,245	14,972	16,285	16,351	16,416	16,482	16,548	16,614	16,681
Wgtd Avg Shrs (Dil) - '000s	5,200	17,000	17,340	8,679	13,687	9,884	13,701	13,715	18,728	18,916	14,972	19,393	20,181	21,000	21,853	22,740	23,664	24,624

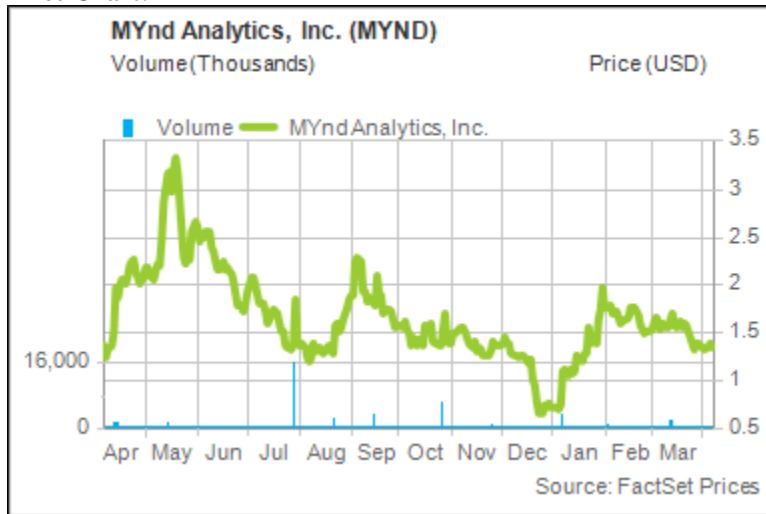
Source: Dawson James estimates

Companies mentioned in this report

Emmaus (private)

Important Disclosures:

Price Chart:



Price target and rating changes over the past three years:

Initiated – Buy – April 12, 2019 – Price Target \$4.00

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	# of Companies	% of Total	# of Companies	% of Totals
Market Outperform (Buy)	37	86%	10	27%
Market Perform (Neutral)	6	14%	0	0%
Market Underperform (Sell)	0	0%	0	0%
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