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Pluristem Therapeutics, Inc. (NASDAQ/PSTI)

December 17, 2019

BUY: Critical Limb Ischemia – Closing in on the Finish Line

Pluristem announced that the Phase 3 pivotal trial has now enrolled about 185 of 246 CLI patients. This should position the company to complete enrollment next year with top-line data to follow. As we noted in our initiation report (12.16.2019), historically, CLI has been a graveyard for drug developers, as such, success becomes transformative for the company and for patients where the disease represents an unmet medical need.

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Investment Highlights

Placenta Derived Cell Therapy in Critical Limb Ischemia (CLI). We believe that Pluristem could be on the verge of success in what has been historically a very difficult indication to show efficacy, CLI. News that the trial is now three quarters enrolled should position us to see top-line data as early as next year. Our model assumes commercialization with a partner and 50% economics, in Europe by 2023 with the U.S. the following year. Given the development of expedited pathways in the cell therapy space (U.S., Europe, and Japan) and the very strong established safety profile (as well as U.S. Fast Track Designation), our assumption that a second pivotal trial is required could be conservative. **So, the key question is, will it work? We provide a review of the “Time to Event Analysis.” We believe the company has given itself the best possible chance for success.** Success in CLI, in our opinion, is transformative for the company, patients, and the cell therapy space.

Beyond CLI. Like CLI, Pluristem is also in a Phase 3 trial for muscle regeneration following arthroplasty for hip fracture. We apply similar assumptions regarding partnerships and timing for commercialization (2023). **PLX-R18 is being developed for Hematological Deficiencies and Acute Radiation Syndrome (ARS).** R18 in a Phase 1/2 trial demonstrated safety with supporting data for clinical effectiveness. The FDA has cleared Pluristem’s IND (ARS), and it has received FDA orphan drug designation.

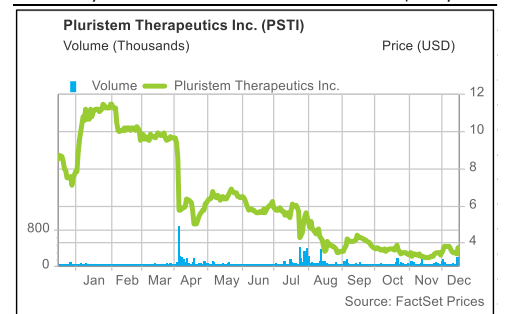
Valuation. We model the indications and apply a 50% partnership plus a probability of just 50% of clinical success in our market models, which are projected out to 2030. Our models assume dilution and use an assumed 2030 share count. We apply on-top of these 50% and 50% metrics a 30% discount rate and equal weight, average and round to the nearest whole number, our free cash flow to the firm (FCFF), discounted EPS (dEPS), and sum-of-the-parts (SOP) models to derive our 12-months price target of \$12.00.

Risks. (1) commercial; (2) regulatory; (3) clinical; (4) manufacturing; (5) financial; (6) liability; and (7) intellectual property. We review these and other risks in the risk section of this report.

Current Price \$3.72
Price Target \$12.00

Estimates	F2020E	F2021E	F2022E
Expenses (\$000s)	\$ 29,095	\$ 30,346	\$ 31,559
1Q March	\$ 7,195	\$ 6,980	\$ 7,259
2Q June	\$ 7,300	\$ 7,283	\$ 7,574
3Q September	\$ 7,300	\$ 7,890	\$ 8,122
4Q December	\$ 7,300	\$ 8,193	\$ 8,604
	F2020E	F2021E	F2022E
EPS (diluted)	\$ (1.52)	\$ (0.86)	\$ (0.74)
1Q March	\$ (0.46)	\$ (0.28)	\$ (0.17)
2Q June	\$ (0.48)	\$ (0.18)	\$ (0.18)
3Q September	\$ (0.29)	\$ (0.20)	\$ (0.19)
4Q December	\$ (0.29)	\$ (0.20)	\$ (0.20)
EBITDA/Share	(\$1.43)	(\$0.83)	(\$0.78)
EV/EBITDA (x)	-1.4	-1.3	-1.3

Stock Data		
52-Week Range	\$3.11	\$11.90
Shares Outstanding (mil.)	15.7	
Market Capitalization (mil.)	\$58	
Enterprise Value (mil.)	\$40	
Debt to Capital	0%	
Book Value/Share	\$3.12	
Price/Book	4.3	
Average Three Months Trading Volume (K)	32	
Insider Ownership	9.3%	
Institutional Ownership	9.4%	
Short interest (mil.)	0.5%	
Dividend / Yield	\$0.00/0.0%	



The Critical Limb Ischemia (CLI) Trial Design is Smart. Pluristem is doing a time-to-event analysis (with the event being either major amputation or all-cause mortality) between the placebo and treatment arms using Kaplan-Meier curves. For example, if the Treatment arm has few events in the early phase of the study, whereas the Control has considerable events in the early phase, even if the two arms have similar long-term outcomes (say at one year), an advantage is assigned to the Treatment because it delays onset of the event. **This design may have a certain advantage when one understands that cell therapy, in general, does not provide immediate relief as it is based on angiogenesis (growth of microcapillaries), which takes time.** An assumption that within a short period of time (e.g., a couple of months post-treatment), there will be a significant separation of the curves is not likely. We also recognize that there may be a possible tradeoff in some of the other assumptions.

1. A premise in the design is that most events happen initially (during the first half-year of treatment), and the typical survival curves get almost flat by the end of the first year, could be flawed. Our analysis of the literature suggests that as time goes on, advanced CLI patients with multiple co-morbidities also have high mortality rates. So, although the amputation rates might flatten out, death rates keep moving forward. It's hard to know until we see the data.
2. Pluristem believes that the Treatment arm will have an early advantage over Control in event rates and that the rate will be constant throughout the three-year follow-up. The literature suggests that Rutherford (R)-5 patients have higher kidney disease, chronic heart failure, coronary artery disease, and diabetes versus R4 patients. So, the idea that salvaging the leg will significantly lower the death rate in this cohort may not be logical, particularly when we consider the average age of the patients (70's) and the nature of the co-morbidities (kidney failure, heart disease).
3. Our concerns for being optimistic relate to (a) the KM curves may not flatten out after six months; (b) the synergistic effect between limb salvage and mortality may be real, but not enough to significantly affect mortality rates in a population that is elderly with significant co-morbidities; (c) the claim that the Treatment arm will have a quick advantage over the Control, which will be maintained over a three-year period, might be overly optimistic, and; (d) it's unknown if U.S. FDA will accept anything but AFS as a primary endpoint.

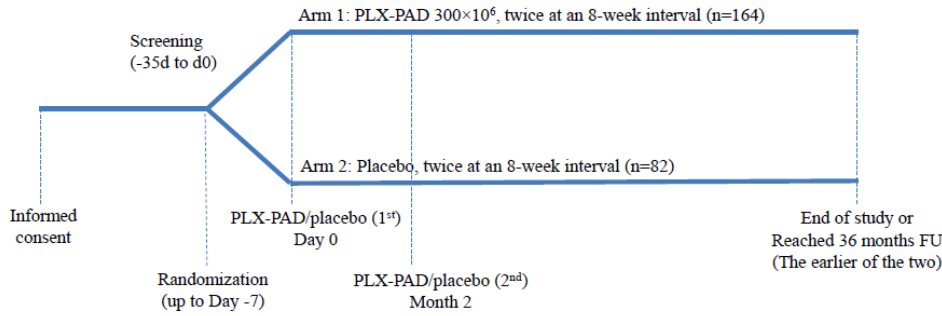
Exhibit 1. Patient Population.

- Adult male or female subjects between ages 45-99 years of age
- CLI with minor tissue loss (Rutherford Category 5)
- Hemodynamic criteria: Ankle pressure ≤ 70 mmHg or TP ≤ 50 mmHg (or TcPO₂ ≤ 30 mmHg)
- Subject unsuitable for revascularization in the index leg
- Ischemic wounds in the index leg stable for at least 2 weeks
- Ischemic wounds in the index leg without tendon or bone exposure
- Under treatment for cardiovascular risk factors: hypertension, hyperlipidemia, diabetes, in accordance with applicable guidelines. Concomitant therapy with a statin and an anti-platelet agent for at least 2 weeks prior to randomization
- Excluded: infection, very severe comorbidities, high risk for allergic reactions

Source: Pluristem

Exhibit 2. Study Design:

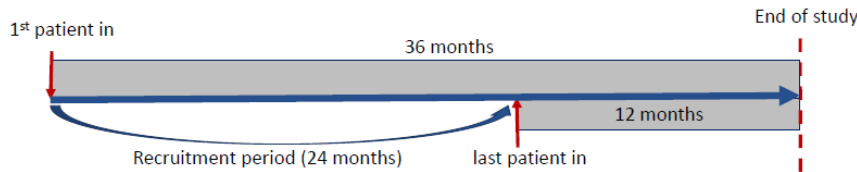
- Randomized, placebo-controlled, parallel-group study
- 246 subjects randomized at a 2:1 ratio to receive PLX-PAD 300×10⁶ cells or placebo, respectively



Source: Pluristem

Exhibit 3. Study Design – Follow up duration

- Study end:
 - 12 months after the 1st treatment visit of last randomized subject OR
 - 36 months after 1st treatment visit of the first randomized subject
 The later of the two
- Each subject will be followed-up until the End of Study or until completing 36 months of follow-up, the earlier of the two (hence, follow-up range 12-36m)



Source: Pluristem

Exhibit 4. Efficacy Endpoints

Primary: Time to major amputation of the index leg or death (AFS)

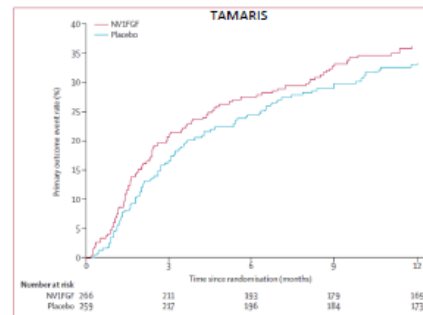
Secondary:

- Time to first occurrence of any of the following events (index leg):
 - Major amputation
 - Revascularization due to worsening of CLI
 - Doubling of total wound area from baseline
 - *De novo* gangrene
 - All-cause mortality
- Time to major amputation of the index leg
- Complete wound healing in the index leg at 12 months
- Change from baseline in ischemic pain (NRS) at 6 months
- Time to adjudicated major amputation of the index leg or death (adjudicated = recommended by the investigator)

Source: Pluristem

Exhibit 5. Assumptions on Amputation and Death Rates – Part I

- AFS of 65% for the first year is based on reported outcomes of control groups in previously published studies in CLI patients who were not considered for revascularization:
 - TAMARIS (Belch 2011) – 64% and 67% (Tx and PL)
 - CIRCULASE (Brass 2006) – 71%
 - RESTORE-CLI (Powell 2012) – 67%
 - Real-world Data Germany (Reinecke 2015) – 60%
- Most of the events of major amputation or death occur within the first 6 months after study start, and the risk of events remarkably declines afterwards →
- We assume that the risk of events of major amputation or death in the control group would decrease by half from Year 1 to Year 2, and additionally by half from Year 2 to Year 3



Source: Pluristem

Exhibit 6. Assumptions on Amputation and Death Rates – Part II

- We assume risk reduction of approximately 50% in PLX-PAD arm as compared to placebo in the first year
- Pooled data of the two phase I studies previously conducted by Pluristem that demonstrated AFS rate of 85% at 1-year for PLX-PAD treated subjects
- Supported by a large effect size in muscle injury
- We assume that the main effect will be on amputations
- We do not exclude an effect on mortality:
 - By postponing amputations, patients will stay active for longer time with an indirect impact on cardiovascular morbidity and mortality
 - In the best case scenario, since ischemic stroke and myocardial infarction are different manifestations of the same disease than PAD and if the systemic effect of PLX-PAD is confirmed we may also improve mortality related to those conditions. Other cells are tested in those indications (Athersys, Mesoblast). We have some supportive pre-clinical data

Source: Pluristem

CLI Modeling Assumptions:
Critical Limb Ischemia:

1. We model commercial launch in FY23 in the EU, and FY24 in the U.S. with Japan following.
2. We model the addressable population to be the 40% of patients with CLI who are unsuitable for revascularization.
3. We place our entry price at \$30K for the U.S., \$20K for the EU, and \$25K for Japan, with price increases of 2%.
4. We apply a 50% success probability based on the stage of development and the complexity of CLI.
5. We assume a 50% profit share from a potential partner in the U.S. and EU and Japan.

Exhibit 4. U.S. Market for PLX-PAD in the Treatment of CLI

PLX-PAD in Critical Limb Ischemia (U.S.)	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Total Population	327,745,577	330,039,796	332,350,075	334,676,525	337,019,261	339,378,396	341,754,045	344,146,323	346,555,347	348,981,235	351,424,103	353,884,072	356,361,260
Increase in population	0.70%	0.70%	0.70%	0.70%	0.70%	0.70%	0.70%	0.70%	0.70%	0.70%	0.70%	0.70%	0.70%
Incidence of CLI (0.075%)	245,809	247,530	249,263	251,007	252,764	254,534	256,316	258,110	259,917	261,736	263,568	265,413	267,271
Patients Unsuitable for Revascularization (40%)	98,324	99,012	99,705	100,403	101,106	101,814	102,526	103,244	103,967	104,694	105,427	106,165	106,908
Market Penetration				0.00%	0.00%	4.00%	8.00%	12.00%	16.00%	24.00%	28.00%	32.00%	35.00%
Total patients treated				-	-	4,073	8,202	12,389	16,635	25,127	29,520	33,973	37,418
Average price per treatment				\$ 30,000	\$ 30,600	\$ 31,212	\$ 31,836	\$ 32,473	\$ 33,122	\$ 33,785	\$ 34,461	\$ 35,150	\$ 35,853
Increase in Cost				2%	2%	2%	2%	2%	2%	2%	2%	2%	2%
Partner revenue ('000)				\$ -	\$ -	\$ 127,112	\$ 261,124	\$ 402,316	\$ 550,980	\$ 848,901	\$ 1,017,263	\$ 1,194,139	\$ 1,341,537
Royalty or profit share (50%)				\$ -	\$ -	\$ 63,556	\$ 130,562	\$ 201,158	\$ 275,490	\$ 424,450	\$ 508,632	\$ 597,069	\$ 670,768
Risk adjustment				50%	50%	50%	50%	50%	50%	50%	50%	50%	50%
Total Revenue ('000)				\$ -	\$ -	\$ 31,778	\$ 65,281	\$ 100,579	\$ 137,745	\$ 212,225	\$ 254,316	\$ 298,535	\$ 335,384

Source: Dawson James Estimates

PLX-PAD in Critical Limb Ischemia (EU)	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Total Population	509,270,000	510,543,175	511,819,533	513,099,082	514,381,829	515,667,784	516,956,954	518,249,346	519,544,969	520,843,832	522,145,941	523,451,306	524,759,934
Increase in population	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%	0.25%
Incidence of CLI (0.1%)	381,953	382,907	383,865	384,824	385,786	386,751	387,718	388,687	389,659	390,633	391,609	392,588	393,570
Patients Unsuitable for Revascularization (40%)	152,781	153,163	153,546	153,930	154,315	154,700	155,087	155,475	155,863	156,253	156,644	157,035	157,428
Market Penetration				0.00%	0.00%	4.00%	8.00%	12.00%	16.00%	24.00%	28.00%	32.00%	35.00%
Total patients treated				-	-	6,188	12,407	18,657	24,938	37,501	43,860	50,251	55,100
Average price per treatment				\$ 20,000	\$ 20,400	\$ 20,808	\$ 21,224	\$ 21,649	\$ 22,082	\$ 22,523	\$ 22,974	\$ 23,433	\$ 23,902
Increase in Cost				2%	2%	2%	2%	2%	2%	2%	2%	2%	2%
Partner revenue ('000)				\$ -	\$ -	\$ 128,760	\$ 263,327	\$ 403,898	\$ 550,675	\$ 844,639	\$ 1,007,633	\$ 1,177,549	\$ 1,316,987
Royalty or profit share (50%)				\$ -	\$ -	\$ 64,380	\$ 131,664	\$ 201,949	\$ 275,337	\$ 422,319	\$ 503,817	\$ 588,774	\$ 658,494
Risk adjustment				50%	50%	50%	50%	50%	50%	50%	50%	50%	50%
Total Revenue ('000)				\$ -	\$ -	\$ 32,190	\$ 65,832	\$ 100,975	\$ 137,669	\$ 211,160	\$ 251,908	\$ 294,387	\$ 329,247

Source: Dawson James Estimates

PLX-PAD in Critical Limb Ischemia (JP)	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Total Population	126,873,000	126,746,127	126,619,381	126,492,761	126,366,269	126,239,902	126,113,663	125,987,549	125,861,561	125,735,700	125,609,964	125,484,354	125,358,870
Increase in population	-0.10%	-0.10%	-0.10%	-0.10%	-0.10%	-0.10%	-0.10%	-0.10%	-0.10%	-0.10%	-0.10%	-0.10%	-0.10%
Incidence of CLI (0.1%)	95,155	95,060	94,965	94,870	94,775	94,680	94,585	94,491	94,396	94,302	94,207	94,113	94,019
Patients Unsuitable for Revascularization (40%)	38,062	38,024	37,986	37,948	37,910	37,872	37,834	37,796	37,758	37,721	37,683	37,645	37,608
Market Penetration				0.00%	0.00%	0.00%	0.00%	3.00%	6.00%	12.00%	15.00%	18.00%	25.00%
Total patients treated				-	-	-	-	1,134	2,266	4,526	5,652	6,776	9,402
Average price per treatment				\$ 25,000	\$ 25,500	\$ 26,010	\$ 26,530	\$ 27,061	\$ 27,602	\$ 28,154	\$ 28,717	\$ 29,291	\$ 29,877
Increase in Cost				2%	2%	2%	2%	2%	2%	2%	2%	2%	2%
Partner revenue ('000)				\$ -	\$ -	\$ -	\$ -	\$ 30,684	\$ 62,533	\$ 127,439	\$ 162,322	\$ 198,484	\$ 280,904
Royalty or profit share (50%)				\$ -	\$ -	\$ -	\$ -	\$ 15,342	\$ 31,266	\$ 63,719	\$ 81,161	\$ 99,242	\$ 140,452
Risk adjustment				50%	50%	50%	50%	50%	50%	50%	50%	50%	50%
Total Revenue ('000)				\$ -	\$ -	\$ -	\$ -	\$ 7,671	\$ 15,633	\$ 31,860	\$ 40,581	\$ 49,621	\$ 70,226

Source: Dawson James Estimates

Valuation: We model PLX-PAD in the treatment of critical limb ischemia and post-surgery hip fracture and PLX-R18 in Hematopoietic recovery as well as ARS. Our model is projected through 2030. We assume a partnership for commercialization with 50% economics. A risk adjustment is also applied to our therapeutic models. This is based on the clinical development stage and the associated risks we see. These include the complexity of the trial and the indication, and the historical precedents, to derive our 50% probability of success factor. Also, we apply a 30% discount rate to the Free Cash Flow, Discounted EPS and Sum-of-the-Parts models which are then equal-weighted and rounded to the nearest whole number to derive our 12-month price target of \$12.00

Exhibit 9. Free Cash Flow Model

Average	\$	12.0
Price Target	\$	14.2
Year		2020

DCF Valuation Using FCFF (mln):

units (millions - \$)	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
EBIT	(29,095)	(30,346)	(31,559)	64,261	196,464	358,594	614,787	854,181	1,187,117	1,505,343	1,866,690
Tax Rate	0%	0%	5%	10%	15%	18%	18%	20%	20%	24%	28%
EBIT(1-t)	(29,095)	(30,346)	(29,981)	57,835	166,994	294,047	504,125	683,345	949,694	1,144,060	1,344,017
- Change in NWC											
Free Cash Flow to Firm (FCFF)	(29,095)	(30,346)	(29,981)	57,835	166,994	294,047	504,125	683,345	949,694	1,144,060	1,344,017
PV of FCFF	(29,095)	(23,415)	(17,850)	26,569	59,194	80,425	106,392	111,277	119,328	110,918	100,544
Discount Rate	30%										
Long Term Growth Rate	1%										
Terminal Cash Flow	355,067										
Terminal Value YE 2030	26,562										
NPV	670,850										
NPV-Debt	-										
Shares out (thousands)	47,219	2030									
NPV Per Share	14.2										

Source: Dawson James.

Exhibit 10. Discounted EPS Model

Current Year	2020
Year of EPS	2030
Earnings Multiple	5
Discount Factor	30%
Selected Year EPS	\$ 31.98
NPV	\$ 12.0

Source: Dawson James estimates

		Discount Rate and Earnings Multiple Varies, Year is Constant					
		2030 EPS					
Earnings Multiple		20%	25%	30%	35%	40%	45%
	10	\$51.65	\$34.34	\$23.20	\$15.91	\$11.06	\$ 7.78
	15	\$77.47	\$51.51	\$34.80	\$23.86	\$16.58	\$ 11.68
	20	\$103.30	\$68.68	\$46.40	\$31.81	\$22.11	\$ 15.57
	25	\$129.12	\$85.85	\$57.99	\$39.76	\$27.64	\$ 19.46
	30	\$154.95	\$103.02	\$69.59	\$47.72	\$33.17	\$ 23.35
	35	\$180.77	\$120.18	\$81.19	\$55.67	\$38.70	\$ 27.24
	40	\$206.60	\$137.35	\$92.79	\$63.62	\$44.22	\$ 31.14
	45	\$232.42	\$154.52	\$104.39	\$71.57	\$49.75	\$ 35.03

Exhibit 10. Sum-of-the-Parts Model

Pluristem Sum of the Parts	LT Gr	Discount Rate	Yrs. to Mkt	% Success	Peak Sales MM's	Term Val
PLX-PAD in Critical Limb Ischemia (U.S.)	1%	30%	4	50%	\$671	\$2,313
NPV						\$4.29
PLX-PAD in Critical Limb Ischemia (EU)	1%	30%	4	50%	\$658	\$2,271
NPV						\$4.21
PLX-PAD in Critical Limb Ischemia (JP)	1%	30%	6	50%	\$140	\$484
NPV						\$0.53
PLX-PAD Muscle Repair U.S.	1%	30%	4	50%	\$300	\$1,034
NPV						\$1.92
PLX-R18 BARDA Contracts for ARS	1%	30%	5	50%	\$50	\$172
NPV						\$0.25
PLX-R18 Incomplete Bone Marrow Recovery	1%	30%	5	50%	\$25	\$86
NPV						\$0.12
Net Margin						50%
MM Shrs OS						47
Total						\$11

Source: Dawson James estimates

Risk Analysis

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

Clinical and regulatory risk: Pluristem is currently in the process of completing its FDA clinical trials. There is no assurance that their product will be approved by the FDA and that even if approved it will be reimbursed by insurance or successfully commercialized.

Commercial risk: The focus of the company is on successfully developing their products and eventually bring them to the mass market. We can make no assurances that the company will be able to achieve a critical level of market share to become profitable in this indication and or in additional planned indications.

Employee risk: Success for Pluristem will depend upon the experience, abilities, and continued service of its senior officers, sales staff, and key scientific personnel. The ability for the company to grow beyond its domestic borders may be an important factor as the company manages clinical programs in Europe, the U.S. and Japan – Asia.

Financial risk: The company may need to raise additional capital in the marketplace to continue to fund operations through more trials and eventually, an NDA and commercial launch. There can be no assurances that the company will be able to successfully raise capital and do so on favorable terms.

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 the company may infringe on third party's patents.
Reimbursement and insurance payment risk: Insurance payment for products may be an additional hurdle for adoption.

Exhibit 11. Income Statement

Pluristem Income Statement (\$ '000)	June 2020	June 2021	June 2022	June 2023	June 2024	June 2025	June 2026	June 2027	June 2028	June 2029	June 2030
PSTI: YEAR June 30	2020E	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
PLX-PAD CLI- U.S.				31,778	65,281	100,579	137,745	212,225	254,316	298,535	335,384
PLX-PAD CLI- EU				32,190	65,832	100,975	137,669	211,160	251,908	294,387	329,247
PLX-PAD CLI- Japan				-	-	7,671	15,633	31,860	40,581	49,621	70,226
PLX-PAD Muscle Repair U.S.		-	-	6,189	51,010	105,102	216,552	278,865	430,930	591,926	762,252
PLX-PAD Muscle Repair EU		-	-	6,864	56,573	116,563	240,166	309,274	477,921	656,473	845,373
PLX-R18 BARDA Contracts for ARS		-	-	48,792	49,475	50,166	50,863	51,568	52,280	14,841	15,034
PLX-R18 Incomplete Bone Marrow Recovery		-	-	2,787	5,800	9,051	12,556	16,329	20,386	21,209	22,066
Revenues	-	-	-	128,601	293,971	490,106	811,184	1,111,280	1,528,322	1,926,992	2,379,583
Total Revenues (Product Sales, Grants & Milestones)	-	-	-	128,601	293,971	490,106	811,184	1,111,280	1,528,322	1,926,992	2,379,583
% Chg											
Expenses											
COGS	-	-	-	32,150	64,674	98,021	162,237	222,256	305,664	385,398	475,917
% COGS	30%	28%	25%	25%	22%	20%	20%	20%	20%	20%	20%
R&D	22,326	22,773	23,228	23,693	24,166	24,650	25,143	25,646	26,158	26,682	27,215
R&D Adjustment (participation Chief Scientist)	(1,794)										
SG&A (net)	7,213	7,574	8,331	8,498	8,668	8,841	9,018	9,198	9,382	9,570	9,761
Total costs & expenses	29,095	30,346	31,559	64,340	97,508	131,512	196,397	257,100	341,205	421,650	512,893
Operating Income (Loss) EBIT	(29,095)	(30,346)	(31,559)	64,261	196,464	358,594	614,787	854,181	1,187,117	1,505,343	1,866,690
Oper Margin											
Other Income expenses - Financial Expenses (net)	206	272	272	272	272	272	272	272	272	272	272
Pre-tax income	(29,189)	(30,618)	(31,831)	63,989	196,192	358,323	614,515	853,909	1,186,846	1,505,071	1,866,418
Taxes	-	-	(1,592)	6,399	29,429	64,498	110,613	170,782	237,369	361,217	522,597
Tax Rate	0%	0%	5%	10%	15%	18%	18%	20%	20%	24%	28%
Net Income (loss)	(29,189)	(30,618)	(30,239)	57,590	166,763	293,825	503,903	683,127	949,477	1,143,854	1,343,821
Net Margin											
Basic EPS	(1.52)	(0.86)	(0.74)	1.41	4.06	7.13	12.19	16.45	22.78	27.33	31.98
Basic Wght Average Shares Outstanding (thousands)	20,431	36,786	40,695	40,858	41,022	41,186	41,351	41,517	41,683	41,850	42,018
Fully Diluted Wgtd Avg Shrs outstanding (Thousands)	22,932	41,804	45,733	45,916	46,100	46,284	46,470	46,656	46,843	47,030	47,219

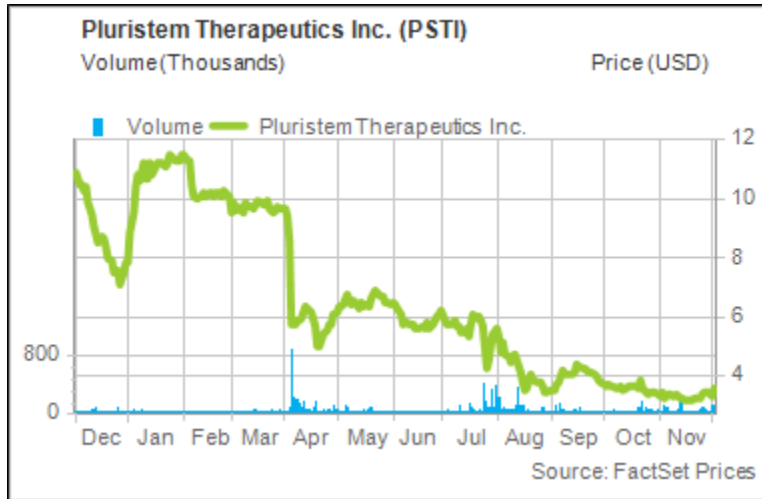
Source: Dawson James estimates.

Related Companies

Athersys (ATHX-Buy Rated)
 Mesoblast (MESO-Not Rated)
 Brainstorm (BCLI-Buy Rated)
 Lineage (LCTX - Buy Rated)

Important Disclosures:

Price Chart:



Price target and rating changes over the past three years:

Initiated – Buy – December 16, 2019 – Price Target \$12.00
 Update – Buy – December 17, 2019 – Price Target \$12.00

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Rating Definitions:

- 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 table 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.

Ratings Distribution	Company Coverage		Investment Banking	
	# of Companies	% of Total	# of Companies	% of Totals
Market Outperform (Buy)	25	89%	3	12%
Market Perform (Neutral)	3	11%	0	0%
Market Underperform (Sell)	0	0%	0	0%
Total	28	100%	3	11%

Analyst Certification:

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