

Brainstorm (NASDAQ/BCLI)

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Neutral-Rated – Reports the Quarter – Company has Cash, but Signal to Noise Ratio is High

Jason H. Kolbert
 Head of Healthcare Research
 646-465-6891

Brainstorm announced the first-quarter 2021 results. The company ended the period with \$40M in cash and an ATM in place (\$16M), which Brainstorm has historically used to preserve capital. The balance sheet is strong, but does the cell therapy NurOwn work? All the data has shown that the safety is great, but the efficacy, at best, is minimal and in auto-immune diseases that wax and wane. We expect the company to run another pivotal trial in ALS, modifying entry criteria, although the pathway at this point is not totally clear. For these reasons, we remain on the sidelines (Neutral-rated).

Investment Highlights

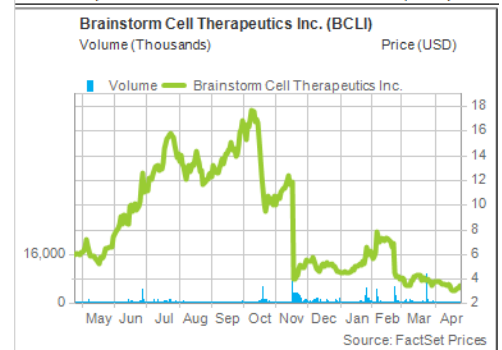
Last Month's MS Trial Results: Brainstorm announced data from a small, 20-patient, open-label trial. We do not view the results as anything but exploratory, and as such, would not read too much into it. Any study in MS is likely to require two large pivotal studies. That translates into tens of millions of dollars of cost and years of time. In order for a small company such as Brainstorm to advance, we would like to see an expanded Phase 2 study that delivers more definitive data. We remain Neutral-rated.

ALS Trial: Recall that Brainstorm's Phase 3 pivotal trial failed to show significant efficacy. The data did show "numerical improvements" and consistent biomarkers. Management noted that treated patients who were more severe in terms of the state of their disease (ALS) had a diminished result, accounting for the statistical miss. Management notes that a pre-specified subgroup saw a 34.6% responders' rate (patients who met the primary endpoint) versus 15.6% on Placebo (p=0.288), which is in line with the original trial design assumptions. The average change from baseline to week 28 in ALSFRS-R total score was -1.77 on NurOwn and -3.78 on Placebo (p=0.198), an improvement of 2.01 ALSFRS-R points to favoring NurOwn patients. Management has been hoping that the efficacy shown combined with the safe profile of NurOwn might create a pathway forward with regulators as ALS is such a great unmet medical need. Our read is that the FDA wants to see another trial.

Valuation: Last November (11.17.2020), we downgraded Brainstorm and adjusted our model, lowering the probability of success in ALS from 50% to just 30% and cut our market share assumptions based on the likelihood that NurOwn does not appear to show benefit in advanced patients. The impact of this on our valuation is our suggested fair value falls to \$4.00. Our model does not reflect the costs or commercial success associated with an MS program.

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

Current Price	\$3.46
Price Target	NA
Cash on Balance Sheet (\$M)	\$40
Projected Burn rate * (2021) \$M	\$41
52-Week Range	\$2.97 - \$17.95
Shares Outstanding (mil.)	21
Market Capitalization (mil.)	\$72
Enterprise Value (mil.)	\$61
Debt to Capital	0.0%
Book Value/Share	\$0.31
Price/Book	
Average Three Months Trading Volume (M)	0.4
Insider Ownership	17.7%
Short interest (mil.)	21.2%
Dividend / Yield	\$0.00/0.0%



* Projected burn rate is based on our model and assumptions

Exhibit 1. Income Statement

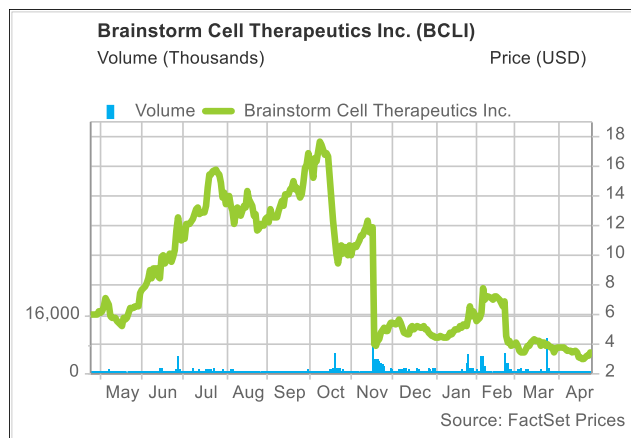
Amount (\$000)																			
2017A	2018A	2019A	2020A	1Q21A	2Q21E	3Q21E	4Q21E	2021E	1Q22E	2Q22E	3Q22E	4Q22E	2022E	2023E	2024E	2025E	2026E	2027E	2028E
			-	-	-	-	-	-	9,476	9,476	9,476	9,476	37,905	96,667	197,220	301,776	328,364	355,899	384,409
	1,500	-		-	-	-	-	-	-	-	-	-	-	65,255	133,134	203,715	346,350	423,974	504,578
	1,500	6,000	-	-	-	-	-	-	9,476	9,476	9,476	9,476	37,905	161,922	330,354	505,491	674,714	779,873	888,987
			-	-	-	-	-	-	6,160	6,160	6,160	6,160	24,638	105,249	214,730	328,569	438,564	506,917	577,842
977	5,933	17,204	22,329	4,341	3,000	4,000	4,000	22,776	5,808	5,808	5,808	5,808	23,231	23,696	24,170	24,653	25,146	25,649	26,162
4,022	5,793	5,797	9,355	2,588	2,500	2,500	3,500	18,000	4,590	4,590	4,590	4,590	18,360	18,727	19,102	19,484	19,873	20,271	20,676
4,999	11,726	23,001	31,684	6,929	5,500	6,500	7,500	40,776	16,557	16,557	16,557	16,557	66,229	147,672	258,001	372,706	483,583	552,837	624,680
(4,999)	(10,226)	(23,001)	(31,684)	(6,929)	(5,500)	(6,500)	(7,500)	(40,776)	(7,081)	(7,081)	(7,081)	(7,081)	(28,324)	14,250	72,352	132,785	191,130	227,036	264,307
47		(252)	(127)	267															
(4,952)	(10,226)	(23,253)	(31,811)	(6,662)	(5,500)	(6,500)	(7,500)	(40,776)	(7,081)	(7,081)	(7,081)	(7,081)	(28,324)	14,250	72,352	132,785	191,130	227,036	264,307
-	-	-	-	-	-	-	-	-	-	-	-	-	-	2,137	14,470	33,196	57,339	79,462	97,794
0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	15%	20%	25%	30%	35%	37%
(4,952)	(10,165)	(23,253)	(31,811)	(6,662)	(5,500)	(6,500)	(7,500)	(26,162)	(7,081)	(7,081)	(7,081)	(7,081)	(28,324)	12,112	57,882	99,589	133,791	147,573	166,514
(0.26)	(0.51)	(0.32)	(1.07)	(0.19)	(0.15)	(0.18)	(0.21)	(0.73)	(0.20)	(0.20)	(0.20)	(0.20)	(0.79)	0.34	1.60	2.73	3.66	4.02	4.52
(0.26)	(0.51)	(0.32)	(2.31)	(0.19)	(0.15)	(0.18)	(0.21)	(0.73)	(0.20)	(0.20)	(0.20)	(0.20)	(0.79)	0.34	1.60	2.73	3.66	4.02	4.52
18,777	19,989	21,906	29,848	35,791	35,795	35,798	35,802	35,797	35,806	35,809	35,813	35,816	35,811	35,825	35,840	35,854	35,868	35,883	35,897
18,777	20,036	21,906	29,848	35,791	35,827	35,863	35,899	35,845	35,935	35,971	36,007	36,043	35,989	36,133	36,278	36,423	36,569	36,715	36,862

Source: Dawson James estimates, company reports

Companies mentioned in this report:

Important Disclosures:

Price Chart:



Price target and ratings changes over the past three years:

- Initiated – Buy – December 20, 2018 – Price Target \$12.00
- Update – Buy – May 23, 2019 – Price Target \$12.00
- Update – Buy – August 14, 2019 – Price Target \$12.00
- Update – Buy – October 15, 2019 – Price Target \$12.00
- Update - Buy – November 20, 2019 – Price Target \$12.00
- Update - Buy – February 12, 2020 – Price Target \$12.00
- Update - Buy – February 19, 2020 – Price Target \$14.00
- Update - Buy – May 7, 2020 – Price Target \$14.00
- Price Target Change - Buy – October 16, 2020 – Price Target \$25.00
- Update - Buy – October 22, 2020 – Price Target \$14.00
- Rating Change – Neutral – November 17, 2020 – Price Target NA
- Update – Neutral – February 22, 2021 – Price Target NA
- Update – Neutral – March 24, 2021 – Price Target NA
- Update – Neutral – April 26, 2021 – Price Target NA

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As of: 19-Apr-21

	Company Coverage		Investment Banking	
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