

Brainstorm (NASDAQ/BCLI)

August 5, 2021

Neutral-Rated – Reports the Quarter – Our Comments are Unchanged from the Prior QTR: “Company has Cash, but Signal to Noise Ratio is High”

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Brainstorm announced the second-quarter 2021 results. The company ended the period with \$35M in cash (down from \$40 in the prior qtr). 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

Spinning the Wheels: We find the highlights offered in the press release as all telling:

- Increased commercial manufacturing capacity with the receipt of Good Manufacturing Practice (GMP) approval from the Israel Ministry of Health for three state-of-the-art cleanrooms leased by the Company at the Tel Aviv Sourasky Medical Center ("Sourasky Hospital") in Tel Aviv, Israel.
- Announced the expansion of the NurOwn® intellectual property portfolio with the grant and allowance of multiple patents and applications in key territories including the U.S., European Union, Canada, Israel, and Hong Kong.
- Presented preclinical data showing that intrathecal administration of NurOwn-derived exosomes resulted in statistically significant improvements in multiple lung parameters in a mouse model of acute respiratory distress syndrome (ARDS) at the ISCT 2021 New Orleans VIRTUAL Meeting.

Why All Telling? Because we aren't excited about GMP approvals (it's good, but it's expected), IP is good, too, but again, it's expected, and lastly, pre-clinical mouse models are fine, but it's just not investor event worthy news, in our view.

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	\$3.77
Price Target	NA
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Cash on Balance Sheet (\$M)	\$35
Projected Burn rate * (2021) \$M	\$41
52-Week Range	\$2.92 - \$17.95
Shares Outstanding (mil.)	21
Market Capitalization (mil.)	\$78
Enterprise Value (mil.)	\$67
Debt to Capital	0.0%
Book Value/Share	\$0.31
Price/Book	
Average Three Months Trading Volume (M)	0.3
Insider Ownership	16.0%
Short interest (mil.)	6.4%
Dividend / Yield	\$0.00/0.0%



* Projected burn rate is based on our model and assumptions

Exhibit 1. Income Statement

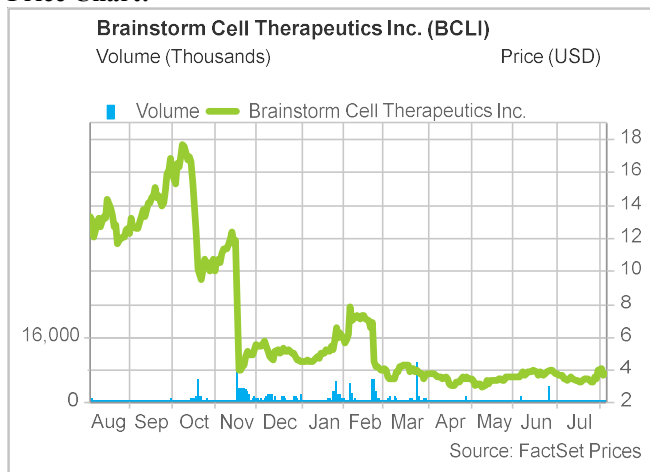
Brainstorm Cell Therapeutics, Inc.: Income Statement (\$'000)																		
Brainstorm Cell Therapeutics.: YE Dec. 31	2019A	2020A	1Q21A	2Q21A	3Q21E	4Q21E	2021E	1Q22E	2Q22E	3Q22E	4Q22E	2022E	2023E	2024E	2025E	2026E	2027E	2028E
Nurown™ (U.S. sales)		-	-	-	-	-	-	9,476	9,476	9,476	9,476	37,905	96,667	197,220	301,776	328,364	355,899	384,409
Nurown™ (EU sales)		-	-	-	-	-	-	-	-	-	-	-	65,255	133,134	203,715	346,350	423,974	504,578
Supportive Development Grant Revenue	-																	
Total Product Sales	6,000	-	-	-	-	-	-	9,476	9,476	9,476	9,476	37,905	161,922	330,354	505,491	674,714	779,873	888,987
Expenses																		
Cost of goods sold		-	-	-	-	-	-	6,160	6,160	6,160	6,160	24,638	105,249	214,730	328,569	438,564	506,917	577,842
COGS % of Revenue								65%	65%	65%	65%	65%	65%	65%	65%	65%	65%	65%
Research and development	17,204	22,329	4,341	3,599	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
R&D % of Revenue																		
SG&A	5,797	9,355	2,588	2,522	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
SG&A % of Revenue																		
Total expenses	23,001	31,684	6,929	6,121	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
Oper. Inc. (Loss)	(23,001)	(31,684)	(6,929)	(6,121)	(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
Financial income expenses, net	(252)	(127)	267	148														
Taxes on income																		
Other income																		
Pre-tax income	(23,253)	(31,811)	(6,662)	(6,269)	(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
Income Tax Benefit (Provision)	-	-	-	-	-	-	-	-	-	-	-	-	2,137	14,470	33,196	57,339	79,462	97,794
Tax Rate	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	15%	20%	25%	30%	35%	37%
GAAP Net Income (loss)	(23,253)	(31,811)	(6,662)	(6,269)	(6,500)	(7,500)	(26,931)	(7,081)	(7,081)	(7,081)	(7,081)	(28,324)	12,112	57,882	99,589	133,791	147,573	166,514
GAAP EPS	(0.32)	(1.07)	(0.19)	(0.17)	(0.18)	(0.21)	(0.74)	(0.19)	(0.19)	(0.19)	(0.19)	(0.78)	0.33	1.57	2.70	3.61	3.97	4.46
Non GAAP EPS (dil)	(0.32)	(2.31)	(0.19)	(0.17)	(0.18)	(0.21)	(0.74)	(0.19)	(0.19)	(0.19)	(0.19)	(0.78)	0.33	1.57	2.70	3.61	3.97	4.46
Wgtd Avg Shrs (Bas) - '000s	21,906	29,848	35,791	36,319	36,322	36,326	36,189	36,329	36,333	36,337	36,340	36,335	36,349	36,364	36,379	36,393	36,408	36,422
Wgtd Avg Shrs (Dil) - '000s	21,906	29,848	35,791	36,319	36,355	36,391	36,214	36,428	36,464	36,501	36,537	36,482	36,628	36,775	36,923	37,070	37,219	37,368

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
- Update – Neutral – August 5, 2021 – Price Target NA

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- 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.

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As of: 3-Aug-21

Ratings Distribution	Company Coverage		Investment Banking	
	# of Companies	% of Total	# of Companies	% of Totals
Market Outperform (Buy)	25	71%	4	16%
Market Perform (Neutral)	10	29%	0	0%
Market Underperform (Sell)	0	0%	0	0%
Total	35	100%	4	11%

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