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Brainstorm (NASDAQ/BCLI)

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Neutral-Rated – Reports Q3 – Our Comments are Unchanged: Does NurOwn Work?

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Brainstorm announced third-quarter 2021 results. The company ended the period with \$26M in cash (down from \$35 in the prior qtr). The balance sheet is beginning to show the strain with \$26M remaining or a year's worth of capital. Going forward the key issue remains, 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 waxes and wanes. 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

Lots of Data but So What: The Signal to Noise Ratio is High. The highlights presented in 3Q are an amalgam of signals that suggest activity, but at the end of the day NurOwn failed to meet the primary endpoint in ALS. The effect is at best small, so a large (expensive and long) trial is needed to demonstrate with statistical certainty the effect.

- Presented P3 ALS Biomarker data showing changes across a range of neural biomarkers, and that treatment response in the trial can be predicted using biomarker data and an innovative statistical model at the 2021 Northeast Amyotrophic Lateral Sclerosis Consortium® (NEALS) conference.
- Presented Phase 2 clinical trial data of NurOwn in progressive multiple sclerosis (MS) showing safety, a reduction in neuroinflammatory biomarkers in the cerebrospinal fluid (CSF), and an increase in neuroprotective biomarkers in the CSF in an oral presentation at the 37th Congress of the European Committee for Treatment and Research in Multiple Sclerosis (ECTRIMS).
- Presented preclinical results suggesting that intrathecal administration of small extracellular vesicles (sEVs) isolated from MSCs which were induced to secrete increased levels of regenerative and immunoregulatory factors based on the NurOwn technology platform may have clinical potential as a therapy for acute lung related pathologies (ARDS) at the NYSCF 2021 VIRTUAL Meeting.

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	\$3.41
Price Target	NA
Cash on Balance Sheet (\$M)	\$35
Projected Burn rate * (2021) \$M	\$41
52-Week Range	\$2.75 - \$8.14
Shares Outstanding (mil.)	21
Market Capitalization (mil.)	\$71
Enterprise Value (mil.)	\$60
Debt to Capital	0.0%
Book Value/Share	\$0.31
Price/Book	
Average Three Months Trading Volume (M)	0.0
Insider Ownership	14.1%
Short interest (mil.)	4.5%
Dividend / Yield	\$0.00/0.0%



* Projected burn rate is based on our model and assumptions

Exhibit 1. Income Statement

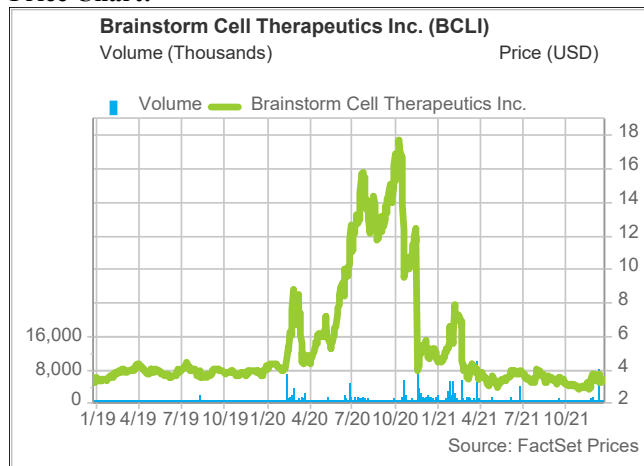
Brainstorm Cell Therapeutics, Inc.: Income Statement (\$000)																		
Brainstorm Cell Therapeutics.: YE Dec. 31	2019A	2020A	1Q21A	2Q21A	3Q21A	4Q21E	2021E	1Q22E	2Q22E	3Q22E	4Q22E	2022E	2023E	2024E	2025E	2026E	2027E	2028E
Nurown™ (U.S. sales)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Nurown™ (EU sales)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Supportive Development Grant Revenue	-																	
Total Product Sales	6,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Expenses																		
Cost of goods sold		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
COGS % of Revenue								65%	65%	65%	65%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Research and development	17,204	22,329	4,341	3,599	3,618	3,618	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	1,659	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	5,277	7,118	40,776	10,398	10,398	10,398	10,398	41,591	42,423	43,271	44,137	45,020	45,920	46,838
Oper. Inc. (Loss)	(23,001)	(31,684)	(6,929)	(6,121)	(5,277)	(7,118)	(40,776)	(10,398)	(10,398)	(10,398)	(10,398)	(41,591)	(42,423)	(43,271)	(44,137)	(45,020)	(45,920)	(46,838)
Financial income expenses, net	(252)	(127)	267	148	59													
Taxes on income																		
Other income																		
Pre-tax income	(23,253)	(31,811)	(6,662)	(6,269)	(5,336)	(7,118)	(40,776)	(10,398)	(10,398)	(10,398)	(10,398)	(41,591)	(42,423)	(43,271)	(44,137)	(45,020)	(45,920)	(46,838)
Income Tax Benefit (Provision)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Tax Rate	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
GAAP Net Income (loss)	(23,253)	(31,811)	(6,662)	(6,269)	(5,336)	(7,118)	(25,385)	(10,398)	(10,398)	(10,398)	(10,398)	(41,591)	(42,423)	(43,617)	(33,103)	(31,514)	(29,848)	(46,838)
GAAP EPS	(0.32)	(1.07)	(0.19)	(0.17)	(0.15)	(0.20)	(0.70)	(0.29)	(0.29)	(0.28)	(0.28)	(1.14)	(1.16)	(0.94)	(0.90)	(0.85)	(0.80)	(1.29)
Non GAAP EPS (dil)	(0.32)	(2.31)	(0.19)	(0.17)	(0.15)	(0.20)	(0.70)	(0.29)	(0.29)	(0.28)	(0.28)	(1.14)	(1.16)	(0.94)	(0.90)	(0.85)	(0.80)	(1.25)
Wgtd Avg Shrs (Bas) - '000s	21,906	29,848	35,791	36,319	36,305	36,309	36,181	36,312	36,316	36,319	36,323	36,318	36,332	36,347	36,361	36,376	36,390	36,405
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
- Update – Neutral – December 22, 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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Current as of... 20-Dec-21

	Company Coverage		Investment Banking	
Ratings Distribution	# of Companies	% of Total	# of Companies	% of Totals
Market Outperform (Buy)	26	68%	5	19%
Market Perform (Neutral)	12	32%	0	0%
Market Underperform (Sell)	0	0%	0	0%
Total	38	100%	5	13%

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