

Brainstorm (NASDAQ/BCLI)

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Neutral-Rated – Reports Q1 – Burning \$5M a QTR, \$22M in Cash, but Where is this Going?

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Brainstorm announced first-quarter 2022 results. The company ended the period with \$22M in cash. The company continues to spend capital; \$5-6M a quarter. 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 autoimmune 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).

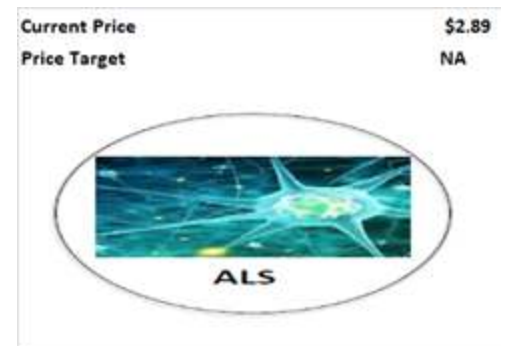
Investment Highlights

Lots of Data but So What: The Signal to Noise Ratio is High. The highlights presented in 1Q continue to be 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. The company highlighted a bevy of presentations (below):

- Biomarker analyses from NurOwn's Phase 3 trial in ALS were presented by James Berry, MD, MPH, Winthrop Family Scholar in ALS Sciences, Director of the Massachusetts General Hospital Multidisciplinary ALS Clinic and Chief of the Division of ALS and Motor Neuron Diseases, in an abstract at the American Academy of Neurology 2022 Virtual Congress.
- Presented a prospective genetic analyses from NurOwn's Phase 3 ALS trial suggesting that NurOwn treatment may influence disease progression in patients carrying the ALS UNC13A risk allele. The presentation was featured in a late-breaking oral session at the 2022 Muscular Dystrophy and Association (Clinical & Scientific Conference) and delivered by Merit E. Cudkowicz, MD, MSc, Chief of Neurology at Massachusetts General Hospital, Julieanne Dorn Professor of Neurology at Harvard Medical School, and Director of the Sean M. Healey & AMG Center for ALS at Massachusetts General Hospital.
- Presented preclinical data demonstrating greater macrophage immunomodulation of NurOwn-derived exosomes (Exo MSC-NTF) compared to naïve mesenchymal stem cell-derived exosomes (Exo MSC) against acute lung injury at the International Society of Cell & Gene Therapy (ISCT) 2022 Meeting.
- Announced upcoming presentations at the ALS Drug Development Summit (May 25, 2022) and the ISEV 2022 Annual Meeting (May 26, 2022). The ALS Drug Development Summit presentation by Ralph Kern MD MHS, President and Chief Medical Officer Brainstorm Cell Therapeutics, will focus on the use of cerebrospinal fluid biomarkers to interrogate multiple neuroinflammatory, neurodegenerative and neuroprotection pathways in NurOwn's Phase 3 ALS trial and how this information may be leveraged to confirm ALS target engagement and improve therapeutic outcomes.

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.



Cash on Balance Sheet (\$M)	\$35
Projected Burn rate * (2021) \$M	\$41
52-Week Range	\$2.65 - \$4.46
Shares Outstanding (mil.)	21
Market Capitalization (mil.)	\$60
Enterprise Value (mil.)	\$49
Debt to Capital	0.0%
Book Value/Share	\$0.31
Price/Book	
Average Three Months Trading Volume (M)	0.1
Insider Ownership	23.5%
Short Interest (mil.)	3.1%
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	2021A	1Q22A	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	15,235	2,616	2,616	2,616	2,616	15,540	15,850	16,168	16,491	16,821	17,157	17,500
R&D % of Revenue														
SG&A	5,797	9,355	9,304	2,859	2,859	2,859	2,859	9,490	9,680	9,873	10,071	10,272	10,478	10,687
SG&A % of Revenue														
Total expenses	23,001	31,684	24,539	5,475	5,475	5,475	5,475	25,030	25,530	26,041	26,562	27,093	27,635	28,188
Oper. Inc. (Loss)	(23,001)	(31,684)	(24,539)	(5,475)	(5,475)	(5,475)	(5,475)	(25,030)	(25,530)	(26,041)	(26,562)	(27,093)	(27,635)	(28,188)
Financial income expenses, net	(252)	(127)	82	115										
Taxes on income														
Other income														
Pre-tax income	(23,253)	(31,811)	(24,457)	(5,360)	(5,475)	(5,475)	(5,475)	(25,030)	(25,530)	(26,041)	(26,562)	(27,093)	(27,635)	(28,188)
Income Tax Benefit (Provision)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Tax Rate	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
GAAP Net Income (loss)	(23,253)	(31,811)	(24,457)	(5,360)	(5,475)	(5,475)	(5,475)	(21,785)	(25,530)	(20,833)	(19,921)	(18,965)	(17,963)	(28,188)
GAAP-EPS	(0.32)	(1.07)	(0.68)	(0.15)	(0.15)	(0.15)	(0.15)	(0.60)	(0.70)	(0.57)	(0.54)	(0.51)	(0.48)	(0.77)
Non GAAP EPS (dil)	(0.32)	(2.31)	(0.68)	(0.15)	(0.15)	(0.15)	(0.15)	(0.60)	(0.70)	(0.57)	(0.54)	(0.51)	(0.48)	(0.75)
Wgtd Avg Shrs (Bas) - '000s	21,906	29,848	36,181	36,436	36,440	36,443	36,447	36,441	36,456	36,471	36,485	36,500	36,514	36,529
Wgtd Avg Shrs (Dil) - '000s	21,906	29,848	36,214	36,436	36,472	36,509	36,545	36,491	36,637	36,784	36,931	37,079	37,227	37,377

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
- Update – Neutral – March 29, 2022 – Price Target NA
- Update – Neutral – May 25, 2022 – 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 16-May-22

	Company Coverage		Investment Banking	
Ratings Distribution	# of Companies	% of Total	# of Companies	% of Totals
Market Outperform (Buy)	31	72%	4	13%
Market Perform (Neutral)	12	28%	0	0%
Market Underperform (Sell)	0	0%	0	0%
Total	43	100%	4	9%

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