

Brainstorm Cell Therapeutics, Inc.

(BCLI-NASDAQ)

BCLI: Determining Path Forward Following “Right to Try”; Warrant Exercise Raises \$12.3M...

Based on our probability adjusted DCF model that takes into account potential future revenues from NurOwn® in ALS, BCLI is valued at \$15/share. This model is highly dependent upon continued clinical success of NurOwn® and will be adjusted accordingly based upon future clinical results.

Current Price (06/11/18) **\$4.62**
Valuation **\$15.00**

OUTLOOK

On June 7, 2018, BrainStorm Cell Therapeutics, Inc. (BCLI) hosted a conference call as an opportunity to answer questions from ALS patients and caregivers following the passage and signing of the “Right-to-Try” legislation. This bill gives terminally ill patients access to experimental therapies that are still undergoing clinical testing. BrainStorm is in the process of determining the best path forward as there are a number of factors that still need to be worked out.

In addition, the company announced the exercise of approximately 2.4 million warrants, that had been issued in January 2015, at an amended exercise price of \$5.00 per share. With an estimated \$18M, which does not include the ~\$9M left from the CIRM grant, we believe BrainStorm has sufficient capital to fund operations through the Phase 3 ALS data readout and potentially advance the pipeline forward.

SUMMARY DATA

52-Week High **\$5.19**
52-Week Low **\$2.96**
One-Year Return (%) **16.96**
Beta **2.05**
Average Daily Volume (sh) **284,539**

Shares Outstanding (mil) **19**
Market Capitalization (\$mil) **\$88**
Short Interest Ratio (days) **N/A**
Institutional Ownership (%) **9**
Insider Ownership (%) **25**

Annual Cash Dividend **\$0.00**
Dividend Yield (%) **0.00**

5-Yr. Historical Growth Rates
Sales (%) **N/A**
Earnings Per Share (%) **N/A**
Dividend (%) **N/A**

P/E using TTM EPS **N/A**
P/E using 2018 Estimate **-8.3**
P/E using 2019 Estimate **-8.1**

Risk Level **Above Avg.**
Type of Stock **Small-Growth**
Industry **Med-Biomed/Gene**

ZACKS ESTIMATES

Revenue

(In millions of \$)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2017	0 A	0 A	0 A	0 A	0 A
2018	0 A	0 E	0 E	0 E	0 E
2019					0 E
2020					0 E

Earnings per Share

(EPS is operating earnings before non-recurring items)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2017	-\$0.10 A	-\$0.06 A	-\$0.13 A	\$0.01 A	-\$0.27 A
2018	-\$0.12 A	-\$0.15 E	-\$0.17 E	-\$0.19 E	-\$0.64 E
2019					-\$0.73 E
2020					-\$0.89 E

WHAT'S NEW

Business Update

Determining Path Forward Following Signing of "Right to Try"

On June 7, 2018, BrainStorm Cell Therapeutics (BCLI) held a conference call to engage with ALS patients and caregivers following the signing of the "Right-to-Try" legislation by President Trump. The law allows those with a terminal illness to seek out treatments from pharmaceutical companies that have not yet been approved by the FDA. However, the treatment would have to be beyond Phase 1 safety testing. In addition, the bill does not guarantee that a company will offer the therapy to those who request it. Before the passage of the "Right-to-Try" law, patients could petition the FDA for access to an experimental treatment through the "expanded access program". Thus, the "Right-to-Try" law just removes the process of having to petition the FDA.

During the call, management touched on a number of the issues that the company will have to work through as it determines how to move forward under "Right-to-Try". Among these are:

- How to handle what is sure to be an overwhelming demand. Just judging by the number of participants on the call (which was in the hundreds), there are likely to be a sizeable number of patients that will want access to NurOwn®. Unfortunately, the company can only accommodate a limited number of patients per year and will need to determine a process by which patients are selected for treatment.
- How to educate patients and caregivers. BrainStorm will need to be sure that those who access treatment under "Right-to-Try" have realistic expectations about what to expect, particularly given the heterogeneity of each patient's symptoms and progression.
- How NurOwn® will be paid for. Under "Right-to-Try" a company is allowed to charge patients for the treatment. Based on the fact that cell therapies are inherently expensive to produce, and insurance coverage is likely not going to be available for a drug that is not approved by the FDA, BrainStorm is evaluating how those who are unable to afford to pay for it can still receive treatment with NurOwn® such that it is not only for wealthy individuals.
- How "Right-to-Try" will impact the ongoing Phase 3 trial. As a small company, BrainStorm has limited resources, which are mostly being used to conduct the Phase 3 trial. The company will need to determine how to allocate those limited resources between patients in the Phase 3 trial and any patients that are treated under "Right-to-Try".
- Lots of Strong Opinions on Both Sides. "Right-to-Try" has elicited very strong opinions both for and against the legislation. Thus, the company will work to gain support for allowing patients to seek treatment from regulators, physicians, and KOLs before moving forward.

Financial Update

On June 7, 2018, BrainStorm [announced](#) the exercise of approximately 2.4 million warrants at an amended price of \$5 per share generating gross proceeds of approximately \$12.3 million. These warrants were originally issued in January 2015. For each warrant exercised, investors were issued a replacement warrant to purchase one share of common stock at \$9 per share with an expiration date of Dec. 31, 2020.

Based on this raise, we estimate that BrainStorm has approximately \$18 million in cash, cash equivalents, and short-term deposits. This does not include the approximately \$9 million left from the CIRM grant that is helping to fund the Phase 3 clinical trial. Thus, we believe that the company now has sufficient capital to fund operations through the end of the Phase 3 trial and to potentially move other development projects forward.

Conclusions

In our opinion, BrainStorm is in a very tough position with "Right-to-Try" and we applaud the cautious approach taken by the company thus far. As was stated on the conference call, these patients do not have a lot of time, thus management is aware of the need to come to a quick decision regarding the company's policy while at the same time not rushing into it knowing all the various issues there are, as discussed above. Raising sufficient capital to

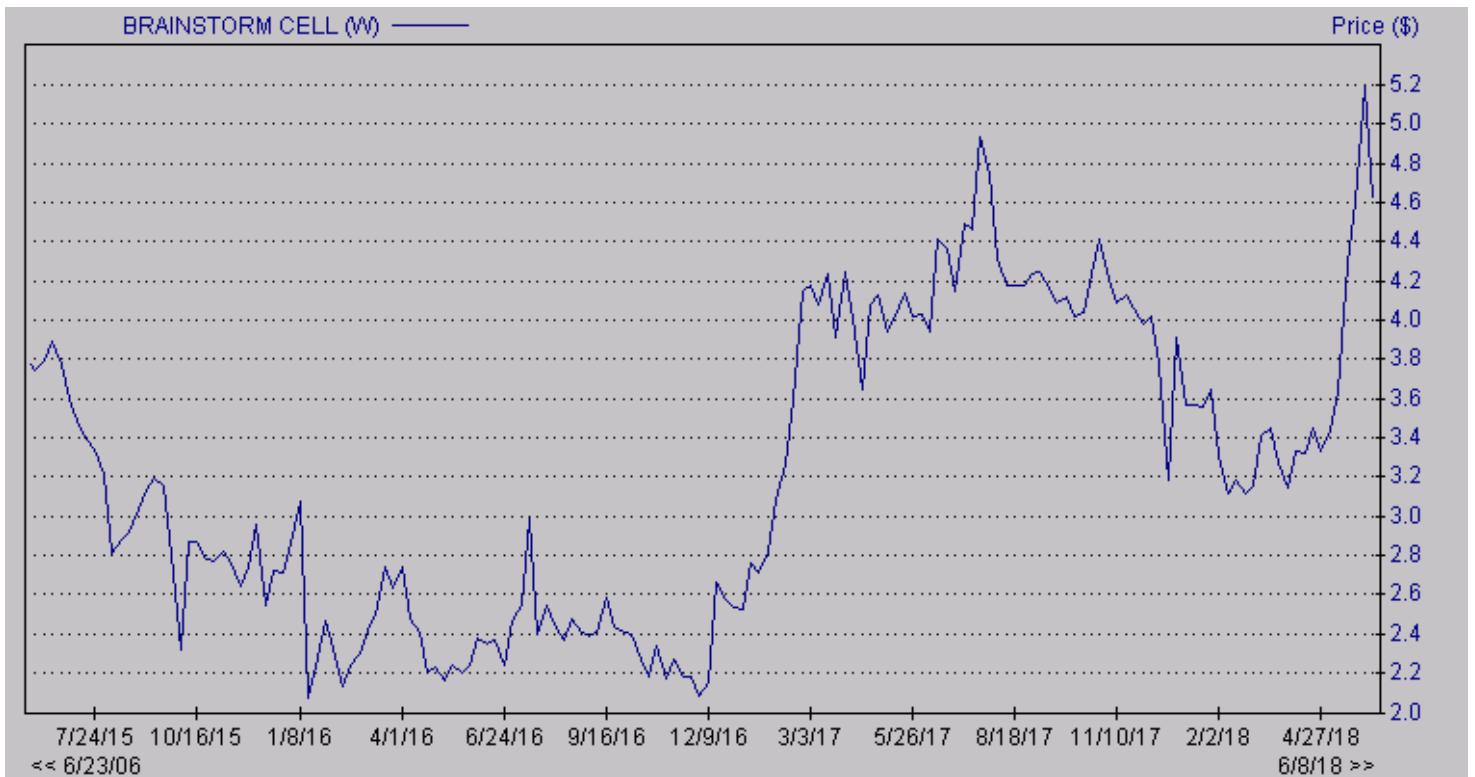
fully fund the Phase 3 trial was the right thing to do before moving forward with “Right-to-Try”. Because of this, the company is not in a position where they have to treat patients under “Right-to-Try” in order to generate enough revenue to finish funding the trial. We do not anticipate waiting long before the company announces how it will move forward under “Right-to-Try”, and in the meantime our valuation remains at \$15 per share.

PROJECTED FINANCIALS

Brainstorm Cell Therapeutics	2017 A	Q1 A	Q2 E	Q3 E	Q4 E	2018 E	2019 E	2020 E
MSC-NTF Stem Cells	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<i>YOY Growth</i>	-	-	-	-	-	-	-	-
Total Revenues	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<i>YOY Growth</i>	-	-	-	-	-	-	-	-
Cost of Goods / Services	\$0.0	\$0	\$0	\$0	\$0	\$0.0	\$0.0	\$0.0
<i>Product Gross Margin</i>	-	-	-	-	-	-	-	-
R&D	\$1.0	\$1.0	\$1.7	\$2.0	\$2.3	\$7.0	\$10.0	\$15.0
<i>% R&D</i>	-	-	-	-	-	-	-	-
SG&A	\$4.0	\$1.3	\$1.2	\$1.3	\$1.4	\$5.2	\$4.5	\$4.5
<i>% SG&A</i>	-	-	-	-	-	-	-	-
Operating Income	(\$5.0)	(\$2.3)	(\$2.9)	(\$3.3)	(\$3.7)	(\$12.2)	(\$14.5)	(\$19.5)
Net Other Income	\$0.0	(\$0.0)	(\$0.0)	(\$0.0)	(\$0.0)	(\$0.0)	(\$0.1)	(\$0.1)
Pre-Tax Income	(\$5.0)	(\$2.3)	(\$2.9)	(\$3.3)	(\$3.7)	(\$12.2)	(\$14.6)	(\$19.6)
Taxes	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<i>Tax Rate</i>	0%	0%	0%	0%	0%	0%	0%	0%
Net Income	(\$5.0)	(\$2.3)	(\$2.9)	(\$3.3)	(\$3.7)	(\$12.2)	(\$14.6)	(\$19.6)
<i>Net Margin</i>	-	-	-	-	-	-	-	-
Reported EPS	(\$0.26)	(\$0.12)	(\$0.15)	(\$0.17)	(\$0.19)	(\$0.64)	(\$0.73)	(\$0.89)
<i>YOY Growth</i>	-	-	-	-	-	-	-	-
Wt. Avg Shares Outstanding	18.8	19.0	19.1	19.2	19.3	19.2	20.0	22.0

Source: Zacks Investment Research, Inc. David Bautz, PhD

HISTORICAL STOCK PRICE



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