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Brainstorm Cell Therapeutics, Inc. (BCLI-NASDAQ)

BCLI: Enrollment in Phase 3 Trial of NurOwn® Continuing on Schedule…

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 (05/17/18)	$4.15
Valuation	**$15.00**

OUTLOOK

On May 14, 2018, BrainStorm Cell Therapeutics, Inc. (BCLI) announced financial results for the first quarter of 2018 and provided a business update. The company's Phase 3 clinical trial of NurOwn® in patients with amyotrophic lateral sclerosis (ALS) is continuing to enroll patients. A total of 200 patients are expected to be enrolled in the trial and topline results will be available at the end of 2019. The company recently received a $2 million payment from the California Institute for Regenerative Medicine (CIRM) in connection with a $15.9 million grant awarded by CIRM in 2017. In addition, the Israeli Innovation Authority (IIA) is expected to make a payment of $1 million in connection with the grants awarded to the company by the IIA in 2016 and 2017.

SUMMARY DATA

52-Week High	**$4.94**
52-Week Low	**$2.96**
One-Year Return (%)	**4.53**
Beta	**1.86**
Average Daily Volume (sh)	**96,234**
Shares Outstanding (mil)	**19**
Market Capitalization ($mil)	**$79**
Short Interest Ratio (days)	**N/A**
Institutional Ownership (%)	**10**
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

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WHAT'S NEW

Business Update

Enrollment in Phase 3 Study Occuring as Expected

BrainStorm Cell Therapeutics, Inc. (BCLI) is continuing to enroll patients in the Phase 3 clinical trial of NurOwn® (NCT03280056) for the treatment of amyotrophic lateral sclerosis (ALS). The trial is taking place at six leading U.S. Medical centers. It is a randomized, double blind, placebo controlled, multi-dose trial that is expected to enroll approximately 200 patients randomized 1:1 to NurOwn® or placebo. Cells will be extracted from each patient one time prior to treatment, with all administrations of NurOwn® derived from the same extraction of cells thanks to a cryopreservation process developed for long-term storage of mesenchymal stem cells (MSC). As in previous studies, there will be a 3-month run-in period prior to the first treatment with two additional NurOwn® treatments occurring two and four months following the first treatment. The primary outcome of the study is the ALSFRS-R score responder analysis.

The company is focusing the trial on faster-progressing ALS patients since these patients demonstrated superior outcomes in the Phase 2 trial of NurOwn®. According to the company, approximately 50-60% of ALS patients could be considered "fast progressors", defined as those who lose at least one point per month in the ALSFRS-R score, thus there are a large group of patients that could potentially be included in the trial.

The company has contracted with City of Hope's Center for Biomedicine and Genetics to produce clinical supplies of NurOwn® for all of the centers participating in the Phase 3 trial. Worldwide Clinical Trials was selected as the Clinical Research Organization for the Phase 3 trial due to Worldwide's expertise and experience in managing pivotal Phase 3 clinical trials in ALS and neurology.

Last year, BrainStorm received a $16 million grant from the California Institute for Regenerative Medicine (CIRM) to help fund the Phase 3 clinical trial of NurOwn®. On April 30, 2018, the company received a $2 million payment from CIRM as part of that grant. In addition to the grant from CIRM, the company was also awarded a non-dilutive grant from the Israel Innovation Authority (IIA, formerly the Office of the Chief Scientist) for $2.1 million to support the development of NurOwn®. On April 25, 2018, the company was notified that final approval was given to pay the last $1 million installment from the 2016 and 2017 IIA grants.

GMP Certification Approved for NurOwn® Manufacturing Facility in Israel

In January 2018, BrainStorm announced that the Israel Ministry of Health has granted Good Manufacturing Practice (GMP) certification for the contract manufacturing facility in Israel. The certification was necessary in order for the company to apply for approval under the new Hospital Exemption regulation. The GMP certification is also recognized as equivalent to the EU GMP, thus BrainStorm could eventually seek approval under any expedited approval protocols in EU countries, although we believe this would not occur for an extended period of time.

The Hospital Exemption is a recently approved regulatory pathway in Israel that allows for companies to partner with medical centers in Israel to allow for patients to receive benefit from custom-made, innovative, treatments where there is a critical unmet need and an absence of valid therapeutic alternatives. Earlier in 2017, BrainStorm signed a Memorandum of Understanding (MOU) with The Medical Research, Infrastructure, and Health Services Fund of the Tel Aviv Sourasky Medical Center (Ichilov Hospital) which establishes the terms by which BrainStorm and Tel Aviv Sourasky Medical Center would submit an application to the Israel Ministry of Health to allow patient access to NurOwn®. Approval under the Hospital Exemption program would be a potentially transformative event for BrainStorm into a revenue generating company and we anticipate hearing additional information regarding the program later in 2018.

Formation of Scientific Advisory Board

On March 12, 2018, BrainStorm announced the creation of a scientific advisory board (SAB) and the appointment of Jerold Chun, MD, PhD, as the Chair. Dr. Chun is a neuroscience professor at Sanford Burnham Medical Discovery Institute where he leads of team of 25 researchers in the study of genomic mosaicism and lysophospholipid receptor signaling and their relation to Alzheimer's disease, multiple sclerosis, and other brain diseases. The SAB is

being formed to help advise management and provide expertise for both the company's ongoing Phase 3 trial in ALS as well as various other development opportunities in other neurodegenerative diseases such as Parkinson's disease, multiple sclerosis, and autism.

On March 21, 2018, BrainStorm announced the appointment of Drs. Stanley Appel and Amit Bar-Or to the SAB.

- Dr. Appel is the director of the MDA/ALS Research and Clinical Ceter at the Methodist Neurological Institute and the Peggy and Gary Edwards Distinguished Endowed Professor for the Treatment and Research of ALS, Department of Neurology at Weill Medical College of Cornell University. He is a past recipient of the Sheila Essey Award for the American Academy of Neurology for "outstanding research in Amyotrophic Lateral Sclerosis".

- Dr. Bar-Or is the Presidential Endowed Chair at the University of Pennsylvania and the Melissa and Paul Anderson Professor of Neurology. His lab studies the basic principles of immune regulation and immunoneural interaction in the context of inflammation, injury, and repair of the human central nervous system.

Financial Update

On May 14, 2018, BrainStorm announced financial results for the first quarter of 2018. As expected, the company did not report any revenues for the quarter. The company recorded R&D expenses for the first quarter of 2017 and 2018 net of research and development grants from the IIA and CIRM. R&D expenses for the first quarter of 2018 were $0.98 million compared with $0.94 million in the first quarter of 2017. Excluding the funds received from the IIA and CRIM grants ($0.76 million and $1.4 million, respectively), R&D expenses were $3.2 million in the first quarter of 2018 and $0.94 million in the first quarter of 2017. The increase in expenses was primarily due to activities related to the NurOwn® Phase 3 clinical trial. G&A expenses for the first quarter of 2018 were $1.3 million compared to $0.83 million in the first quarter of 2017. The increase was primarily due to increased salary and stock-based compensation expenses.

The company recorded a net loss in the first quarter of 2018 of $2.3 million, or $0.12 per share, compared to a net loss of $$1.8 million, or $0.10 per share, in the first quarter of 2017. BrainStorm exited the first quarter of 2018 with approximately $5.6 million in cash, cash equivalents, and short-term investments. On April 30, 2018, the company received a $2 million payment in connection with the CIRM grant, thus the company's cash total as of Apr. 30, 2018 was $7.6 million. There are an additional approximately $7 million left under the CIRM grant. As of April 30, 2018, the company had approximately 19.1 million shares outstanding. In addition, there were 0.9 million options and 5.9 million warrants for a fully diluted share count of 25.9 million.

Conclusions

We're glad to hear that enrollment in the Phase 3 trial is continuing at the expected pace and that the grant money from both CIRM and IIA is helping to offset trial expenses. We anticipate an interim safety analysis for the trial taking place in mid-2018. BrainStorm has been adding expertise to its Board of Directors, most recently with the addition of Anthony Polverino, PhD, who is the Chief Scientific Officer of Kite Pharmaceuticals. His knowledge of cell product manufacturing should prove quite valuable as BrainStorm moves toward commercial operations. We may get an update soon on the Hospital Exemption program in Israel, although we have not included any potential revenues from that program in our model until the company is able to provide additional guidance. 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**
YOY Growth	-	-	-	-	-	-	-	-
Total Revenues	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
YOY Growth	-					-	-	-
Cost of Goods / Services	$0.0	$0	$0	$0	$0	$0.0	$0.0	$0.0
Product Gross Margin	-	-	-	-	-	-	-	-
R&D	$1.0	$1.0	$1.7	$2.0	$2.3	$7.0	$10.0	$15.0
% R&D	-	-	-	-		-	-	-
SG&A	$4.0	$1.3	$1.2	$1.3	$1.4	$5.2	$4.5	$4.5
% SG&A	-	-	-	-	-	-	-	-
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
Tax Rate	*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)
Net Margin	-	-	-	-	-	-	-	-
Reported EPS	**($0.26)**	**($0.12)**	**($0.15)**	**($0.17)**	**($0.19)**	**($0.64)**	**($0.73)**	**($0.89)**
YOY Growth	-	-	-	-	-	-	-	-
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*

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