Zacks Small-Cap Research

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ProMIS Neurosciences Inc (PMN – TSE)

AβO Approach Strengthened at AAIC

Based on our DCF model and a 15% discount rate, PMN is valued at approximately $7.00 per share. We apply a 7% probability of eventual sales of portfolio products in global markets.

Current Price (8/21/18)	$0.33
Valuation	**$7.00**

OUTLOOK

ProMIS is developing a portfolio of monoclonal antibodies to address AD, ALS and PD. The company's lead candidate, PMN310, is able to selectively target toxic oligomers which are thought to be the cause of neuron death in AD. Two proprietary, data-intensive algorithms are used to identify targets on misfolded proteins called ProMIS and Collective Coordinates which allow for precise and time saving target identification.

ProMIS anticipates launching its first in-human trial in 2019 following additional validation of lead candidate, PMN310. The indication has a target population of over 10 million patients in the US and over 40 million ex-US with dramatic expected increases over the next decades. There is no existing treatment therapy available, providing a strong case for pricing and penetration if the drug is approved.

With several other mAbs having navigated phased trials, there is a precedent for trial design, size and duration. Previous trial failures and additional research have narrowed down the optimal drug design and proper target. While still in early stage development, PMN310 makes a compelling case for success and should hold a dominant position in the market if trials are successful and regulatory approval is granted.

SUMMARY DATA

52-Week High	**$0.73**
52-Week Low	**$0.18**
One-Year Return (%)	**37.5**
Beta	**-4.6**
Average Daily Volume (sh)	**235,515**
Shares Outstanding (mil)	**246**
Market Capitalization ($mil)	**$81.3**
Short Interest Ratio (days)	**1.02**
Institutional Ownership (%)	**N/A**
Insider Ownership (%)	**N/A**
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	**N/A**
P/E using 2019 Estimate	**N/A**
Zacks Rank	**N/A**

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

ZACKS ESTIMATES

Revenue
(in millions of $CAD)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2017	$0.0 A	$0.0 A	$0.0 A	$0.0 A	$0.0 A
2018	$0.0 A	$0.0 A	$0.0 E	$0.0 E	$0.0 E
2019					$0.0 E
2020					$0.0 E

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2017	-$0.01 A	-$0.01A	-$0.01 A	-$0.01 A	-$0.03 A
2018	-$0.01 A	-$0.01 A	-$0.01 E	-$0.01 E	-$0.04 E
2019					-$0.06 E
2020					-$0.06 E

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WHAT'S NEW

Second Quarter 2018 Results

ProMIS Neurosciences Inc. (TSE: PMN) had an encouraging year to date in 2018 over a backdrop of poor results from competitors. In January, the company found that PMN310 did not bind to amyloid beta (Aβ) plaque, thus avoiding the dose limiting ARIA-E that has plagued other less selective Aβ biologics. In March, research in an animal model found that PMN310 was able to cross the blood brain barrier at an equivalent concentration as aducanumab. The next month saw the publication of a paper describing the target epitope sought by the Alzheimer's Disease program. As the summer began, so did development of the cell line which will be used in clinical trials next year just in time for July's premiere conference in the Alzheimer's space, Alzheimer's Association International Conference (AAIC). ProMIS presented its poster[1] which highlights the importance of targeting toxic Aβ oligomers (AβO). Following the conference, ProMIS provided commentary on the key themes at AAIC, which we discussed further in a article published August 1st.

The company raised additional capital during the period, accumulating $7.2 million in a private placement which is expected to provide sufficient funding to support operations until 2Q:19.

Financial results were provided in a press release and SEDAR filings released on August 14. In the second quarter, ProMIS reported zero revenues, as expected. Research and development costs totaled $1.5 million, rising 35% as expenditures for patents, employee travel and research programs were only partially offset by declines in consulting fees and compensation. General and administrative costs declined 11% in the period due to lower investor and public relations expenses. ProMIS recast its allocation of expenses between R&D and G&A due to accounting accounting classification requriements; however, net expenses remained the same. This had the effect of reducing R&D and increasing G&A in the prior year.

Cash and equivalents as of June 30, 2018 were $6.8 million, compared to $1.7 million at the end of 2017. ProMIS continues with no debt on the balance sheet. Cash burn was ($1.8) million in 2Q:18 compared to ($1.4) million in 2Q:17 with the additional cash use attributable to predominantly to patent expenses.

Significant Event Timeline

ProMIS has a number of recent and upcoming milestones related to development of the PMN3xx series. Looking forward, the company also has several events expected to take place on or around the indicated date.

- PMN 310 named lead development candidate – 1Q:17
- White paper on AD failures and toxic oligomers – 1Q:17
- Private placement for CAD$2.7 MM – 1Q:17
- Anthony Giovinazzo added to board – 1Q:17
- Daniel Geffken appointed as CFO – 1Q:17
- ALS TDP43 patent filed – 2Q:17
- OTCQB Listing (ARFXF) – 4Q:17
- GLP Toxicology – 2018
- Initiate PMN310 Manufacturing – 2Q:18
- Private Placement for CAD$7.2 MM – 2Q:18
- IND Submission – 2H:19
- Phase I trial – 2H:19
- Phase II proof of concept – 2020 to 2021 completion
- Phase III registrational trial – 2022 to 2026
- FDA Submission – 2026
- FDA Approval and First Sales - 2027

[1] The poster by Kaplan (et al.), is entitled Humanized PMN310 shows enhanced therapeutic potential by binding toxic low molecular weight Aβ oligomers while avoiding ARIA-related binding to Aβ deposits in AD patient brains.

Summary

Since our initiation in late June, ProMIS has continued to present material at conferences and make the necessary preparations to file an IND next year. We believe ProMIS represents an attractive opportunity to gain exposure to an immense disease area with no other approved therapies. There are almost six million persons with AD in the US and over 30 million outside of the US that suffer from the disease. Additionally, there is a larger population with MCI and pre-Alzheimer's which may benefit even more from toxic oligomer sequestering therapy. The path forward is relatively clear with other assets including aducanumab setting the precedent for trial design. We update our model to reflect second quarter 2018 actuals and maintain our valuation of CAD$7.00.

PROJECTED FINANCIALS

ProMIS Neurosciences Inc - Income Statement

ProMIS Neurosciences Inc.	2017 A	Q1 A	Q2 A	Q3 E	Q4 E	2018 E	2019 E	2020 E
Total Revenues (CAD$)	**$0.0**	**$0.0**	**$0.0**	**$0.0**	**$0.0**	**$0.0**	**$0.0**	**$0.0**
Cost of Product Sales	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Gross Margin								
R&D	$4.0	$0.8	$1.5	$1.0	$3.2	$6.5	$14.4	$16.9
G&A	$2.1	$0.8	$0.7	$0.5	$0.5	$2.4	$2.7	$3.1
Other expenses	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Operating Income	($6.0)	($1.6)	($2.2)	($1.5)	($3.7)	($9.0)	($17.1)	($20.0)
Operating Margin								
Amort of Financing & Interest	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Pre-Tax Income	($6.0)	($1.6)	($2.2)	($1.5)	($3.7)	($9.0)	($17.1)	($20.0)
Taxes & Other	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Tax Rate								
Net Income	($6.0)	($1.6)	($2.2)	($1.5)	($3.7)	($9.0)	($17.1)	($20.0)
Reported EPS	**($0.03)**	**($0.01)**	**($0.01)**	**($0.01)**	**($0.01)**	**($0.04)**	**($0.06)**	**($0.06)**
YOY Growth								
Shares Outstanding	205.8	223.9	239.4	250.0	255.0	242.1	295.0	345.0

Source: Company Filing // Zacks Investment Research, Inc. Estimates

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HISTORICAL STOCK PRICE

ProMIS Neurosciences Inc – Five Year Price Chart[2]



[2] Chart provided courtesy of www.barchart.com

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