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ProMIS Neurosciences Inc (PMN – TSE)

PD & ALS Partnerships May Fund PMN310 Trial

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 (5/17/19)	$0.27
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. These allow for precise and efficient target identification.

ProMIS anticipates generating data from its first in-human trial in 2020 following finalization of IND-enabling work and IND submission for PMN310. The indication has a target population of over 10 million patients in the US and over 40 million ex-US with a dramatic expected increase 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 recent FDA guidance regarding trial design, there is clearance for more focused endpoints and the use of biomarkers which may accelerate future development. Previous AD trial results and additional research have refined 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	**$0.44**
52-Week Low	**$0.19**
One-Year Return (%)	**-30.8**
Beta	**-2.5**
Average Daily Volume (sh)	**327,246**
Shares Outstanding (mil)	**256**
Market Capitalization ($mil)	**$92.3**
Short Interest Ratio (days)	**1.98**
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)
2018	$0.0 A	$0.0 A	$0.0 A	$0.0 A	$0.0 A
2019	$0.0 A	$0.0 E	$0.0 E	$0.0 E	$0.0 E
2020					$0.0 E
2021					$0.0 E

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2018	-$0.01 A	-$0.01 A	-$0.01 A	-$0.01 A	-$0.04 A
2019	-$0.01 A	-$0.01 E	-$0.01 E	-$0.01 E	-$0.05 E
2020					-$0.06 E
2021					-$0.05 E

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WHAT'S NEW

First Quarter 2019 Operational and Financial Results

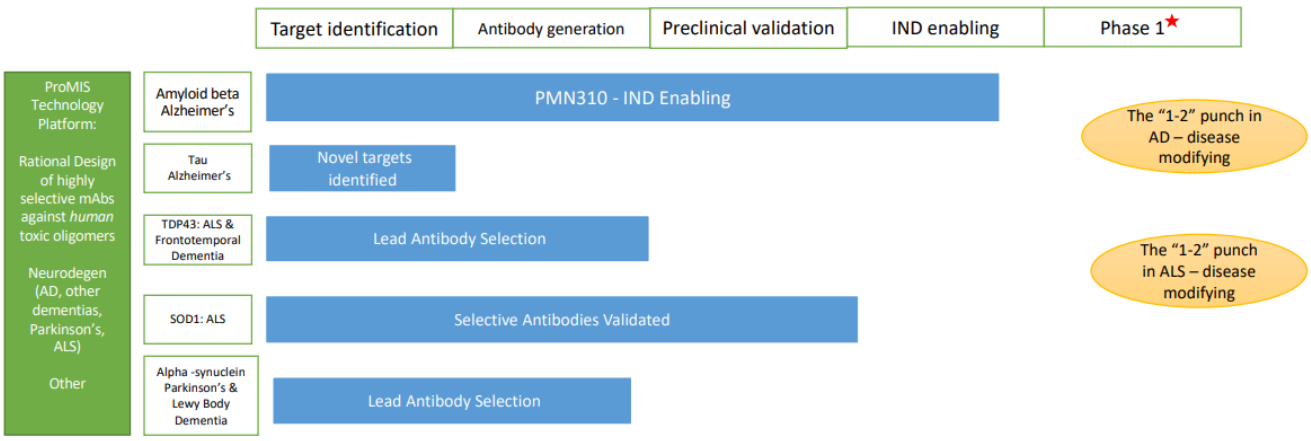
ProMIS Neurosciences Inc. (TSE: PMN) began the year acquiring new funds, announcing that the company had identified several monoclonal antibodies (mAbs) selective for α-synuclein and advancing preclinical efforts for TDP43. ProMIS' fifth mAb program in Tau is now in the early stages of development as well. The company added Mr. Timothy Rothwell to its business advisory board in February; an individual with deep conections in the pharmaceutical industry and extensive senior management experience. Immediately following our last valuation report, news of Aducanumab's futility hit the wire. While at first glance the news appears to be a negative for the amyloid-β hypothesis, upon closer inspection the news validates the value of specifically targeting toxic oligomers as we discuss in an article following Biogen's (NASDAQ: BIIB) release.

Financial results for 1Q:19 were provided in a press release and SEDAR filings released on May 14, 2019. The company continued to advance its programs in in the quarter and expended $2.4 million[1] in this effort. Research and development expenses were $1.8 million, more than doubling from prior year levels due to increase in activity as PMN310 proceeds toward the clinic and advances were made with Tau, TDP43, SOD1 and α-syneuclein. By line item, the expansion was attributable to increased salaries and benefits, a $500,000 increase in program expenses, a $200,000 increase in share based compensation and growth in other categories including travel, patent expense and consulting. General and administrative expenses were $0.7 million, falling slightly due to lower share based compensation partially offset by increased consultant salaries. No service or product revenues were generated.

At quarter end March 31, cash stood at $1.6 million, falling $0.8 million compared to year end 2018. Cash burn for the first three months was ($2.4) million compared to ($1.6) million in 1Q:18.

ProMIS anticipates continued advancement of the Alzheimer's Disease (AD) portfolio and PMN310. A Phase I readout for PMN310 is expected before year end 2020 but specific timing is dependent on raising sufficient capital to fund the effort. We anticipate a targeted raise of $8 to $10 million will be sufficient to fund operations and the anticipated $5 million cost of the Phase I PMN310 trial to completion. Aside from the financing, the last milestone prior to IND submission is scale up manufacturing. Other programs are also targeted to move forward including Tau in AD, TDP43 and SOD1 in ALS and α-synuclein for PD as illustrated below in the company's pipeline.

Exhibit I – ProMIS Neurosciences Product Portfolio



[1] Currency is denominated in Canadian Dollars

Conferences

ProMIS has attended many investor and scientific conferences over the last year. Some of these meetings include Biotech Showcase, NobelCon, Wall Street Investor's Forum, Sachs Biocapital, AAIC and others. Presentations and meetings with investors, peers and companies from the Pacific Northwest, to California, Florida, New York, Canada and other international locations have taken place. These meetings have provided many opportunities for company management to present and explain their product portfolio to investors and the large pharmaceutical companies that may become valuable partners for the PD and ALS programs.

Partnerships

ProMIS is currently in confidential discussions with potential partners for the ALS and PD assets which may provide capital via upfront payments to advance PMN310 into the clinic. An equity capital raise and significant investment from a strategic partner are other mechanisms through which it can raise funds to advance the lead candidate.

ProMIS has made it clear that they are seeking a partner for their α-synuclein and TDP43 programs while the internal focus centers on the amyloid-β and tau efforts. The company's unique platform to identify unique epitopes provides data that makes the therapeutic antibodies produced very valuable. Confidential discussions are currently underway with unidentified partners to develop these programs. In a recent presentation the company highlighted two deals in the hundreds of millions of dollars with Prothena / Roche and BioArctic / ABBVIE (in blue below) along with a comparison of candidates in the neurodegenerative space.

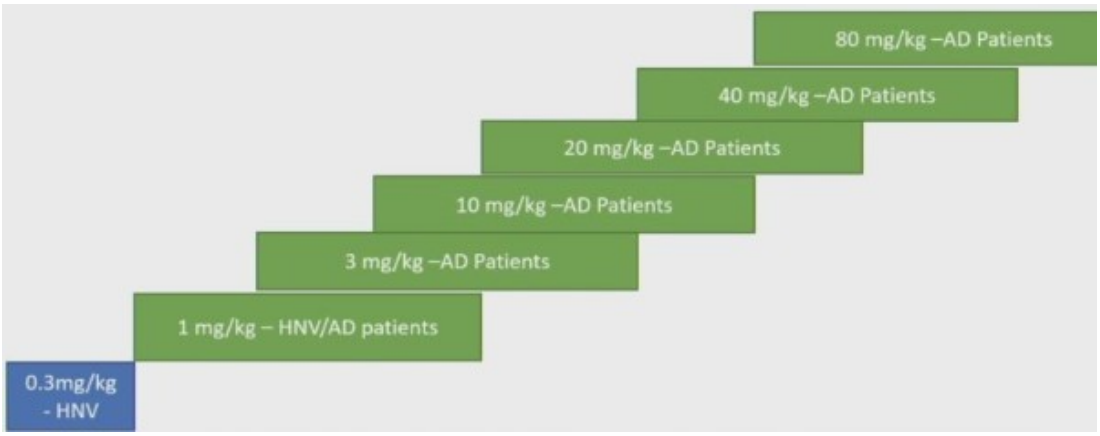
Exhibit II – Comparison of Drug Properties & Associated Deals

Target Properties	PMN Antibodies	Prothena/ Roche	BioArctic/ ABBVIE	Neurimmune/ Biogen
No binding to monomers	✓	X	+/-	X
No binding to physiological tetramers	✓	X	+/-	X
Binding to toxic oligomers/small soluble fibrils	✓	✓	✓	✓
Binding to native toxic α-syn in LBD/PD brain extract	✓	✓	✓	✓
Little or no binding to insoluble fibrils (Lewy bodies)	✓	X	X	X
		Deal 2013 $645MM + Profit Share	Deal 2016 $735MM + Royalties	

PMN310 Phase I Trial

Based on management commentary, we are expecting a Phase I trial for PMN310 in AD patients to provide data in 2020. The only outstanding requirement prior to IND submission is scale up manufacturing. We anticipate that a pre-IND meeting will be scheduled upon completion and an IND subsequently filed. For the trial itself, there will be a strong emphasis on selecting useful biomarkers and several are being explored, especially ones that require a blood draw as opposed to collection of cerebrospinal fluid. One biomarker in particular that has distinguished itself is Neurofilament Light Chain (NfL), which may be useful for measuring neuronal death. ProMIS will engage with both the FDA and Health Canada and should have seven to eight centers enrolling patients, evenly split between the countries when the Phase I becomes fully active. In addition to measuring safety, the study will use validated biomarkers to measure dose dependent treatment effect. Low doses from 0.3 mg/kg to 1.0 mg/kg will be administered to healthy normal volunteers (HNV) to identify any safety signals. As the trial progresses to higher doses, Alzheimer's patients will be treated at various dose levels ranging from 1, 3, 10, 20 and 40 mg/kg. We anticipate further detail and refinements following the FDA meeting.

Exhibit III – Dose Escalation Design



Additions to the Team

ProMIS has added several distingushed individuals to its advisory boards and management team over the last year. We see the additions as providing a diverse set of experiences and competencies to the group that will advance the AD, PD and ALS programs. The most recent addition was Timothy Rothwell, who was added to the Business Advisory Board in February. He has expierence as former U.S. CEO and Chairman for Sanofi-Aventis, CEO of Sandoz Pharmaceuticals and president of Rhone-Poulenc Rorer Pharmaceuticals. We see his experience and contacts in the industry as indispensable to making introductions to the decision-makers that comprise the opportunity set for partners in the ALS and PD program assets.

Significant Event Timeline

ProMIS has a number of recent and upcoming milestones related to development of its pipeline which we chronologically summarize below.

- Confidential discussions with potential partners for PD and ALS programs - Ongoing
- CAD$2.2 million capital raise – January 2019
- PMN310 scale up manufacturing - 2019
- Prepare for IND and Phase I trial for PMN310 – 2019/2020
- Generate Phase I biomarker data - 2020

Summary

ProMIS has continued to move forward with its preclinical PMN310 work and is expected to advance its IND-enabling work and identify relevant biomarkers for its clinical trials; efforts that will be enhanced following the anticipated $8 to $10 million capital raise. Parallel with these endeavors is continued interaction with the scientific, investment and corporate community to present the potential of PMN310 and other pipeline candidates to garner KOL support, financing and partnerships. Management has been meeting with possible partners for the α-syneuclein and TDP43 programs which could provide a substantial upfront amount that can fund the internal development of AD candidates with non-dilutive capital.

We believe ProMIS represents an attractive opportunity to gain exposure to an immense disease area with no other approved disease modifying therapies. There are almost six million persons with AD in the US and over 30 million outside of the US that suffer from it. Additionally, there is a larger population with mild cognitive impairment (MCI) and pre-Alzheimer's which may benefit even more from toxic oligomer sequestering therapy. The path forward is relatively clear with other assets setting the precedent for trial design and potentially accelerated approaches using biomarkers suggested by regulatory agencies. We maintain our valuation of CAD$7.00.

PROJECTED FINANCIALS

ProMIS Neurosciences Inc - Income Statement

ProMIS Neurosciences Inc.	2018 A	Q1 A	Q2 E	Q3 E	Q4 E	2019 E	2020 E	2021 E
Total Revenues (CAD$)	**$0.0**	**$0.0**	**$0.0**	**$0.0**	**$0.0**	**$0.0**	**$0.0**	**$0.0**
R&D	$7.4	$1.8	$3.2	$4.0	$4.0	$13.0	$16.9	$17.5
G&A	$2.8	$0.7	$0.7	$0.7	$0.6	$2.6	$3.1	$3.3
Operating Income	($10.2)	($2.4)	($3.9)	($4.7)	($4.6)	($15.5)	($20.0)	($20.8)
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	($10.2)	($2.4)	($3.9)	($4.7)	($4.6)	($15.5)	($20.0)	($20.8)
Taxes & Other	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	
Tax Rate								
Net Income	($10.2)	($2.4)	($3.9)	($4.7)	($4.6)	($15.5)	($20.0)	($20.8)
Reported EPS	**($0.04)**	**($0.01)**	**($0.01)**	**($0.01)**	**($0.01)**	**($0.05)**	**($0.06)**	**($0.05)**
YOY Growth								
Shares Outstanding	239.2	254.1	296.0	312.0	318.0	295.0	345.0	400.0

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

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HISTORICAL STOCK PRICE

ProMIS Neurosciences Inc – Historical Price Chart[2]



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

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