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ProMIS Neurosciences Inc (PMN – TSE)

Diagnostic Testing to the Forefront

Based on our DCF model and a 15% discount rate, PMN is valued at approximately $5.50 per share. We apply a 7% probability of eventual sales of portfolio products in global markets.

Current Price (5/19/20)	$0.17
Valuation	**$5.50**

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 offers a platform that can generate mAbs specific to toxic forms of proteins found in neurodegenerative disease and determine their efficacy quickly and at low cost using biomarkers. ProMIS has identified trials in AD, PD and ALS that can provide proof of concept data and support further development in target indications. We anticipate continued focus on AD and increased partner involvement.

With recent FDA guidance regarding trial design, there is support for the use of fewer endpoints and biomarkers which may accelerate future development in AD. Previous 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	**$0.28**
52-Week Low	**$0.10**
One-Year Return (%)	**-34.6**
Beta	**0.61**
Average Daily Volume (sh)	**234,035**
Shares Outstanding (mil)	**278**
Market Capitalization ($mil)	**$47.3**
Short Interest Ratio (days)	**0.54**
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 2020 Estimate	**N/A**
P/E using 2021 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)
2019	$0.0 A	$0.0 A	$0.0 A	$0.0 A	$0.0 A
2020	$0.0 A	$0.0 E	$0.0 E	$0.0 E	$0.0 E
2021					$0.0 E
2022					$0.0 E

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2019	-$0.01 A	-$0.01 A	-$0.01 A	-$0.01 A	-$0.03 A
2020	-$0.01 A	-$0.01 E	-$0.01 E	-$0.01 E	-$0.02 E
2021					-$0.04 E
2022					-$0.05 E

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WHAT'S NEW

First Quarter 2020 Operational and Financial Results

ProMIS has continued to identify new candidates for neurodegenerative diseases using its proprietary development platform. Efforts have also expanded into uses of the company's monoclonal antibodies intracellularly via vectorization. Collaborations have been another area of activity for the company, with combined efforts announced with the Toronto Memory Program and BC Neuroimmunology. The Scientific Advisory Board has also been strengthend with two new additions this year: Dr. Molinuevo and Dr. Frykman.

ProMIS has publicized the importance of biomarkers, their value in assessing efficacy and their role as the backbone of cost-effective trials. As part of the company's strategy going forward, each program, from α-synuclein to TDP-43, has identified a blood based biomarker that can rapidly and effectively determine whether or not the experimental therapy is working. This effort to advance the utility of biomarkers was continued with the initiation of a natural history study of blood-based biomarkers in AD and a collaboration with BC Neuroimmunology (BCNI) to develop a test for AD. ProMIS will work with these partners to find a less costly and more efficient path to identify the presence of AD and the effects of a disease modifying therapy. Success in this effort may establish a precedent for using a biomarker to support accelerated approval in an FDA sanctioned trial. The work with BCNI has extended into the coronavirus realm and the partnership expects to validate results before the end of June.

Financial results for first quarter 2020 were published in a press release and SEDAR filings released on May 13, 2020. Research and development efforts consumed $1.0 million[1] in 1Q:20 compared with $1.8 million in the prior year quarter, a 45% drop. Lower spending on external contract research organization (CRO) costs, less share-based compensation and decreased patent expenditures were partially offset by higher contract research salaries, and external consulting expense. General and administrative expenses were $0.8 million, compared with the prior year's $0.7 million. The 17% increase in spend was primarily attributed to warrant modification expense.

As of March 31, 2020, cash stood at $1.3 million, down from the prior year-end level of $1.7 million. Cash burn for 1Q:20 was ($1.4) million offset by a net $1.0 million in cash from financing. In March 2020, ProMIS secured approval from the Toronto Stock Exchange to temporarily reduce the exercise price on 44 million options to $0.13 per share in a modification that expires on May 22. This could raise several million dollars during the second quarter.

Partnerships

ProMIS is currently in private discussions with potential partners for the antibodies associated with α-synuclein, Tau and TDP-43 targets. Each of these assets has at least two different prospects. If a deal were to take place it would likely enable ProMIS to move the partnered molecule towards the clinic and also provide capital via upfront payments to advance PMN310 into a Phase I trial. While disruptions related to the coronavirus have slowed the pace of these talks, discussions continue and we anticipate they will soon resume their former intensity.

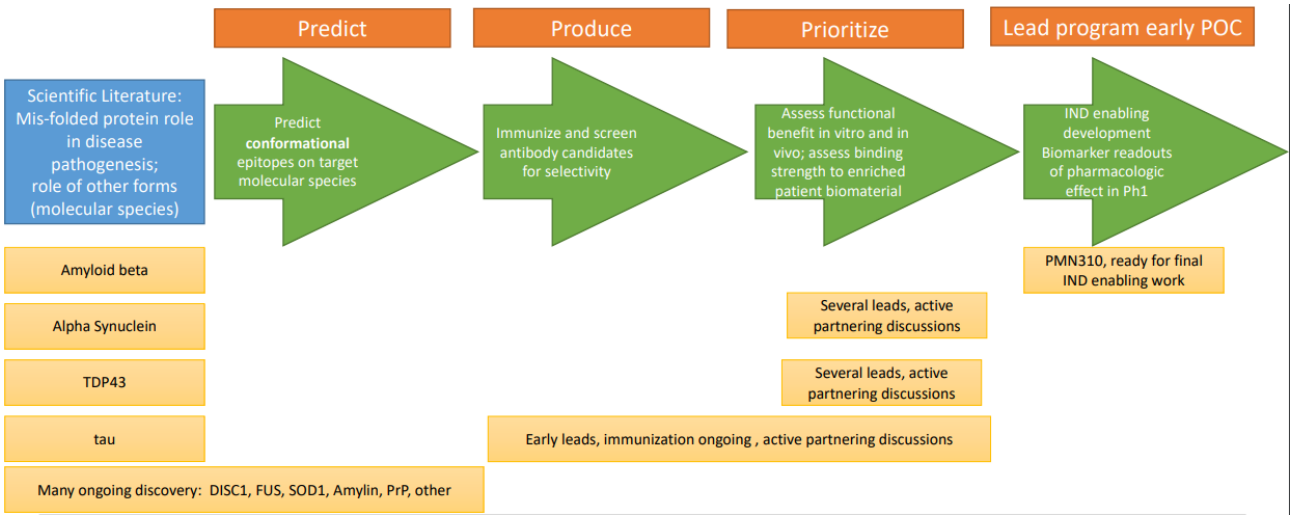
In recent presentations, press releases and in the corporate outlook, ProMIS has made references to vectorization of antibodies. Using gene therapy, the genetic sequence for intracellular antibodies (intrabodies) can be delivered to cells which can synthesize the desired antibody to address misfolded proteins inside the cytoplasm. This approach has the potential to allow one treatment to provide a durable therapeutic benefit.

In February, ProMIS announced a natural history study of blood-based biomarkers in AD. The collaboration was launched in a joint effort with the Toronto Memory Program, an established memory clinic that treats a large population of AD patients. The work will generate a baseline for the early detection of a treatment signal to help develop better therapies for this group of patients.

The company has also engaged with BC Neuroimmunology (BCN), which is led by ProMIS board member Dr. Hans Frykman. On April 15, ProMIS announced a collaboration with BCN to develop a high-throughput, highly specific serological asay to detect SARS-CoV-2 antibodies. About a month later, the partnership was expanded to include the development of a diagnostic assay for screening and diagnosis of AD. The diagnostic approach will use surface plasmon resonance (SPR)[2] technology, a highly accurate approach to detecting specific antibodies.

[1] Currency is denominated in Canadian Dollars
[2] SPR is an approach that employs covalently attached ligands which interact with an analyte. Light is refracted on an underlying sensor chip, the angle of which can determine the mass of a bound protein. See here for a detailed explanation.

Exhibit II – ProMIS Neurodegenerative Candidate Portfolio[3]



Additions to the Team

In January 2020, Dr. José Luis Molinuevo ascended to the Scientific Advisory Board (SAB) bringing his experience as a neurologist, researcher, professor, principal investigator and clinician to the post. Dr. Molinuevo has focused on AD and other related diseases such as PD. He is the Scientific Director of the Alzheimer Prevention Program at the BarcelonaBeta Brain Research Center (BBRC) in Barcelona, Spain, which focuses on Alzheimer's disease prevention from a clinical, cognitive, genetic, and biomarker perspective. Dr. Molinuevo is also an associate professor at the University Pompeu Fabra. His experience and knowledge of biomarkers and relationships throughout Europe are valuable assets that should provide support for later stage clinical trials in ProMIS' portfolio candidates.

In conjunction with the announcement that ProMIS was collaborating in the development of a serological test for the coronavirus, the company also welcomed Dr. Hans Frykman to the SAB in April. Dr. Frykman is the CEO and medical director of BC Neuroimmunology lab and Neurocode Labs. For decades, the BC Neuroimmunology lab has provided clinical neuroimmunology testing in North America. Dr. Frykman is also a clinical assistant professor of medicine at the University of British Columbia.

RACK1

ProMIS identified a new antagonist against the Receptor for Activated protein C Kinase 1 (RACK1). RACK1 has been implicated in neurodegenerative diseases including amyotrophic lateral sclerosis (ALS). The RACK1 antagonists are designed to prevent this protein from forming aggregates that impair proper neuronal functioning. RACK1 is an attractive target because it interacts with other proteins including TAR DNA-binding protein 43 (TDP43) and Fused in Sarcoma (FUS). TDP43 and FUS can assemble and prevent neurological machinery from functioning properly by impairing synthesis of cell proteins. The RACK1 antagonist is another example of the broad functionality of ProMIS' discovery algorithms.

[3] Source: ProMIS Corporate Presentation January 2020.

Significant Event Timeline

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

- Confidential discussions with potential partners for platform programs - Ongoing
- PMN310 scale up manufacturing – 2019
- Capital raise or partnership to fund entry into clinic – 2020
- Prepare IND and Phase I trial for PMN310 – 2020
- Pursue a vectorization deal - 2020
- Generate Phase I biomarker data with Toronto Memory Program – 2020
- Launch Phase I trial in PMN310 - 2021

Summary

ProMIS has continued to advance its preclinical programs, highlighting many new new antibody, antagonist and diagnostic candidates for development. Parallel with these endeavors is the continued interaction with the scientific, investment and corporate community to garner KOL support, financing and partnerships. Management has refined its message highlighting the need to focus on the toxic forms of misfolded proteins that are the root cause of neurodegenerative disease and the importance of biomarkers that can rapidly and inexpensively demonstrate efficacy. We continue to be impressed with ProMIS' discovery platforms and their ability to identify unique features of toxic misfolded proteins. We believe that a pharmaceutical partner deal or large investment will allow the company to advance its candidates into the clinic.

ProMIS is an attractive opportunity to gain exposure to a disorder with no other approved disease modifying therapies. There are almost six million people in the US and over 30 million people outside of the US suffering from AD. 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. There is also substantial opportunity for drug development in PD, MSA and ALS.

Due to the volatile and uncertain environment following announcements related to aducanumab, the investment community is waiting to invest new money in βA programs. In the near term we expect to see the BLA submitted for Biogen's drug, which may bring attention back to the βA space. We continue to believe in the potential of PMN310 and the other candidates in development and the tremendous opportunity in AD and other neurodegenerative diseases due to the lack of effective therapies and the magnitude of the need. We maintain our target price of $5.50.

PROJECTED FINANCIALS

ProMIS Neurosciences Inc - Income Statement

ProMIS Neurosciences Inc.	2019 A	Q1 A	Q2 E	Q3 E	Q4 E	2020 E	2021 E	2022 E
Total Revenues (CAD$)	**$0.0**	**$0.0**	**$0.0**	**$0.0**	**$0.0**	**$0.0**	**$0.0**	**$0.0**
R&D	$4.7	$1.0	$1.0	$1.0	$1.0	$4.0	$12.6	$17.5
G&A	$2.7	$0.8	$0.7	$0.7	$0.7	$2.9	$3.0	$3.3
Operating Income	($7.4)	($1.8)	($1.7)	($1.7)	($1.7)	($6.9)	($15.6)	($20.8)
Operating Margin								
Amort of Financing & Interest	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$1.0
Pre-Tax Income	($7.4)	($1.8)	($1.7)	($1.7)	($1.7)	($6.9)	($15.6)	($21.8)
Taxes & Other	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Tax Rate								
Net Income	($7.4)	($1.8)	($1.7)	($1.7)	($1.7)	($6.9)	($15.6)	($21.8)
Reported EPS	**($0.03)**	**($0.01)**	**($0.01)**	**($0.01)**	**($0.01)**	**($0.02)**	**($0.04)**	**($0.05)**
YOY Growth								
Shares Outstanding	259.8	278.1	280.0	295.0	299.0	288.0	400.0	433.0

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

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HISTORICAL STOCK PRICE

ProMIS Neurosciences Inc – Historical Price Chart[4]



[4] Source: Zacks Research System

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