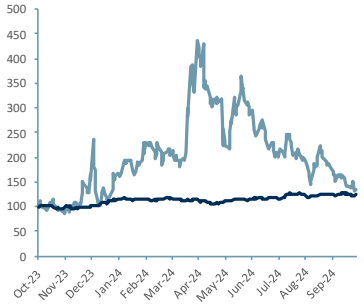
UPDATE

VALUE RANGE

$21.28 – 23.63



Price relative BCLI (lighter line) vs. Nasdaq Biotech (NBI)

Wednesday, 02 October 2024

s	
Intrinsic Price (USD)	22.51
Value Range Low (USD)	21.38
Value Range High (USD)	23.63
Implied MCAP (USD) (m)	649.4
Implied EV (m)	650.2
XNAS	BCLI
Financial Year End	31-Dec
Currency	USD

Business Activity
Biotechnology & Medical Research

Key Metrics

Close Price (USD)	2.64
MCAP (USD) (m)	14.0
Net Debt (Cash) (m)	-0.84
EV (m)	13.2
52 Wk Hi	11.89
52 Wk Lo	2.01
Key Ratios	
(Net Cash) / Shareholder Equity %	6.01%

Healthcare Sector Research
XNAS Market Index
Analyst Team
+44 20 7419 7928
healthcare@acfequityresearch.com

BrainStorm Cell Therapeutics

Potential Return P/S Holds Up To Stress Testing

BrainStorm Cell Therapeutics Inc. (Nasdaq: BCLI) develops NurOwn® stem cell therapy for NDDs – BCLI's first target is ALS (MND/Lou Gehrig's). We have stress tested our valuation vs. current global and market events as well as and BCLI's reverse stock split (R/S) 30 Sept 2024 (to maintain Nasdaq listing). Whilst there are pros and cons – our risk adjusted WACC has increased and NPV reduced, our conservative base case expected dilution assumptions have improved with R/S and Nasdaq compliance and our base case return has risen to 8.5x, up 0.5x. Our valuation explicitly excludes an EMA license, which would, in our analysis, be a more valuable market vs. the US. If NurOwn® proved itself effective for US patients over the course of 12-24 months, the EMA would have limited options but to approve NurOwn® for the European market, in our view.

- Post R/S shares outstanding 5.315m;
- Our base case full expected dilution 28.85m shares in issue;
- Our risk adj. WACC rises to 11.6% vs. 9.4%
- NEALS NurOwn® update Oct 2024 expected positive;
- Future positive funding news flow anticipated.

ACF est. USD (m)	Revenue	EBITDA	FCFF	EPS	EPS (diluted)	CPS	CPS (diluted)
2029E	371.2	184	176	5.50	4.16	13.68	10.35
2030E	610.2	307	127	9.19	6.95	16.27	16.27

Multiples	EV/ Sales	EV/ EBITDA	EV/ FCF	P/ EPS	P/ EPS (diluted)	P/ CPS	P/ CPS (diluted)
2029E	0.0x	0.1x	0.1x	0.5x	0.6x	0.2x	0.3x
2030E	0.0x	0.0x	0.1x	0.3x	0.4x	0.2x	0.2x

TABLE OF CONTENTS

TABLE OF EXHIBITS

Share Price History	No. of Shares in issue	Fully diluted (Exp D)
NoSh (m)	5.3	28.9
Implied Intrinsic Price	122.17	22.51
Value Range Low	116.06	21.38
Value Range High	128.28	23.63
XNAS	BCLI	
Financial YE	31-Dec	
Reporting Currency	USD	

NoSh (m)	5.3
NoSh (m) expected full dilution (Exp D) for Value Range	28.9
NoSh (m) current full dilution estimate (FD)	6.8

Key Metrics	$	adj.
MCAP (m)	14.0	14.0
Net Debt (Cash) (m)	(0.8)	(0.8)
EV (m)	13.2	13.2
52 Wk Hi	11.89	11.89
52 Wk Lo	2.01	2.01
Free Float	79.3%	79.3%
Effective Free Float	65.1%	65.1%

*Key Metrics FCF adj.	2029E	2030E
CPS ($)	13.68	16.27
CPS (Exp D) ($)	13.68	16.27
CPS (FD) ($)	10.35	16.27
P/CPS	0.2x	0.2x
P/CPS (Exp D)	0.2x	0.2x
P/CPS (FD)	0.3x	0.2x

Our valuation excludes the larger European/UK markets, which provide considerable additional upside. Our new value range attempts to capture reverse split effects and new global market realities.

Investment Case

BrainStorm Cell Therapeutics Inc. (Nasdaq: BCLI) has developed a proprietary technology platform, NurOwn® (debamestrocel, MSC-NTF), that induces bone marrow derived autologous mesenchymal stem cells (MSCs) to secrete elevated levels of neurotrophic factors (NTFs); key to extending neuron survival and improving neurological function. NurOwn® has shown positive statistically significant clinical effects of ALS treatment in early-stage sufferers in post hoc PIII trial data analysis, supported by biomarker data. BCLI is also assessing NurOwn® for other neurogenerative disease indications. Our highly conservative initiation NPV valuation prior to the R/S 30 Sept 24 and recent global events excludes all but the smaller (by number of patients) US market.

Why is BCLI's PIIIb trial advantageous to investors? Post hoc analysis of BCLI's PIII early stage (mild-moderate) sub-group of ALS sufferers treated with BCLI's NurOwn® (debamestrocel, MSC-NTF) revealed positive clinical responses with respect to slowing of ALS disease progression (primary endpoint). However the PIII trial cohort consisted (unexpectedly) of 23% advanced ALS sufferers, clouding the primary and secondary end point statistical analysis (possible floor effects). The new PIIIb trial is designed to recruit a cohort of participants with ALSFRS-R scores >=40. Additionally, more recent peer reviewed research found that certain biomarkers involved in ALS pathology, specifically NfL, LAP and Galectin-1 were found to be predictive of positive clinical outcomes in NurOwn® (debamestrocel, MSC-NTF),-treated participants. If the new trial is successful, we expect a strongly positive valuation inflection point for BCLI.

Appointment of commercial team – BCLI provided a corporate update 14 Aug, which largely reconfirmed previous stated plans and gave a possible steer on trial costs, which we shall capture in future valuations. BCLI has recently completed its commercial team with the appointment of COO and EVP Hartoun Hatounian, PhD and Chief Development Officer, Bob Dagher, MD - experienced professionals in commercializing biotech projects.

Critical items addressed recently – Reverse split to maintain Nasdaq listing – the probability of which is for a successful re-rating after a market adjustment period of net selling during the first 2-3 days of trading. Chemistry, manufacturing and controls (CMC) successfully reviewed and resolved with the FDA. A CRO has been formally engaged and a commercial manufacturer is lined up. Biologics License Application (BLA) timeline contracted, according to management.

Catalysts Update

Rerating – Positive NEALS news; Further fundraising tranches; Signing of commercial manufacturer; BLA acceleration; Phase IIIb trial commencement; PIIIb results; **Increased NPV** – Inclusion of European ALS market in our DCF.

Phase IIIb Trial Update – Ready to Go

Throughout this note to help reader recall we use three interchangeable terms for BCLI's ALS therapy/platform – these are NurOwn®, debamestrocel and MSC-NTF. Increasingly in publicly available sources the noun of choice is NurOwn, reflecting BCLI's increasing closeness to commercialization of its ALS therapy.

Treatment – NurOwn is a therapy based upon autologous bone marrow derived MSCs enriched, propagated ex-vivo and induced to secrete NTFs including glial derived growth factor (GDNF), brain derived neurotrophic factor (BDNF), vascular endothelial growth factor (VEGF), galectin-1 and hepatocyte growth factor (HGF).

Clinical Trial Progress – BCLI, a PIIIb ready company:

Investors should be aware that stem cells are technically complex to manufacture and that therefore, continued close involvement with the FDA and its provision of guidance is both helpful and to be welcomed.

Carefully preparing the groundwork and obtaining FDA assistance and formal approvals contributes to de-risking the PIIIb trial project by improving the probability that, subject to a positive trial outcome, NurOwn's route to commercial approval will be smoother (read quicker).

As a result of BCLI's expedited SPA with the FDA and the FDA chemistry, manufacturing and controls (CMC) in person type C meeting at the end of June 2024, BCLI will be able to:

- Accelerate its Biologics License Application (BLA).
- Shorten time to market for NurOwn.
- Treat patients with early stage, but nevertheless fatal, ALS sooner.
- Improve data and competitive advantage (assuming successful PIIIb trial outcome), which may in turn convey market dominance for BCLI's NurOwn.

According to management, BCLI has signed with an internationally recognized Contract Research Organization (CRO) experienced in running stem cell trials. Management has indicated that it is in, what is hoped to be, last mile negotiations with a commercial stem cell manufacturer. By running these activities in parallel BCLI is effectively cutting the timeline on the BLA filing process. A reduced BLA approval timeline will allow BCLI to bring NurOwn to market ahead of current market expectations. It will also allow BCLI to help patients sooner (assuming positive PIIIb trial results).

The BLA process is designed to ensure that biologic products meet appropriate standards of safety, purity and potency prior to marketing to the patient cohorts.

Valuation Update

Exhibit 1: **Updated BCLI WACC, DCF and Value Range**

ACF est. USD (m)	2026E	2027E	2028E	2029E	2030E
Revenue	0	0	136	371	610
EBITDA	-23	-17	67	184	307
Net Income	-24	-18	52	139	233
FCFF	-24	-18	66	176	294
CPS (diluted)	-0.0008	-0.0005	0.0020	0.0053	0.0088

We see current fair value for BCLI at $22.51 per share (full expected dilution) for phase 3 clinical trials.

BrainStorm Therapeutics WACC Calc	
Pre-tax cost of debt	0.0%
ETR	21.0%
After-tax cost of debt	0.0%
Current leverage	8.0%
Debt/(Cash)	1.1
Equity	14.0
Target Leverage	50.0%
D / (D+E)	7.4%
ACF β adj levered	1.50
rf	4.0%
ERP	4.6%
Cost of equity	10.9%
Risk adj.	1.5%
WACC	11.59%

Note: Our WACC is reduced but still highly conservative given our aggressive beta of 1.0 vs. market beta.

Note Per Share Values Prior to 1:15 Reverse Split – MCAP Unchanged by R/S

We have increased our beta to 1.5 up from 1.0 which was still 2.5x higher than BCLI's public beta, in order to help capture global and new current market realities, this has reduced our NPV from ~US$ 800m to ~US$ 650m based on only the smaller US market potential for ALS and MS and excluding the larger potentially more valuable EMA (European) license market.

Therefore our fair value NPV excludes the EU and UK and Rest of the World (RoW) markets. The EU alone (pop ~450m) has a significantly higher population vs. the US (pop estimate ~340m for 2024).

Valuation Range - Base Case BCLI	NPV (USD m)	% of valuation
NurOwn - ALS US Market Only	490	76%
NurOwn - MS US Market Only	159	24%
Total NPV	**649**	
(Cash)	1.97	
Debt	1.12	
Implied equity	**649**	
Shares Fully Diluted (m) Expected	28.9	
Fair value per share $	**22.51**	
Close Price $	2.64	
VR (low - high)	**21.38**	**23.63**
VR Spread	5.0%	
Implied VR Return (low - high)	710.0%	795.2%

Note: Implied value range in this ACF research note is based upon fully diluted shares expected to fund the company to FCF positive commercialization and **not** the estimated fully diluted shares in issue at the date of this note.

Notes [Intentionally Blank]

Check the Independence of Research

As a result of MiFID II and the unbundling of commissions in the UK and Europe and various comparable unbundling legislation originating in the US, over time, the payment models for research have changed. This also means that nano to mid-cap and even some larger cap companies can no longer obtain research via their broker or investment banking relationship as it is no longer commercially viable to do so.

Investment (equity) research has always been a business and, as such, has always been paid for. Over its evolution since the 1920s investment research has been paid for using a variety of models. Since the 1950s investment research has been paid for after production and publication either via trading commissions, transaction fees (money raising, IPO, M&A etc.), via stock payments, opaque retainer structures or cross subsidization - investment research paid for in these ways is subject to opaque high levels of bias and is recognized as such and now legislated against by US, UK and EU regulators.

We recommend readers in any market or geography request the following checks are carried out and answered as indicated below in order to obtain investment research that is as independent and with as few biases as possible:

Is the research MIFID II compliant	**YES**	☑
Is the research provided by a broker and paid for after it has been produced.	**NO**	☑
Is the research potentially cross subsidized by other investment banking services.	**NO**	☑
Is the research potentially or actually paid for in shares or other financial instruments.	**NO**	☑
Has the research been paid for in advance of production via cleared funds.	**YES**	☑

I, Christopher Nicholson, hereby confirm that ACF Equity Research Ltd.'s investment research products conform to the above five [5] checks.

Christopher Nicholson
Managing Director
Head of Research
ACF Equity Research Ltd

To make an exception to the above principles for one client would be to damage our research brand and the investment all other clients past, present and future have or will make in our independent research services.

Disclosures

Important Research Disclosures

Christopher Nicholson (Head of Research) certifies that (1) the views expressed in this report accurately reflect our personal views about all of the subject companies and securities and (2) no part of our compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed in this report.

The analyst(s) responsible for preparing this report received compensation on the basis of a fixed fee paid in advance and is not in any way contingent upon positive opinions and conclusions in its research report. ACF Equity Research does not engage in investment banking, which would create a conflict of interest.

ACF Equity Research's policy is to update research reports as it deems appropriate, based on developments with the subject company, the sector, or the market that may have a material impact on the research views or opinions stated herein.

ACF Equity Research's policy is only to publish investment research that is impartial, independent, clear, fair, and not misleading.

Conflicts of Interest

ACF Equity Research does at its sole discretion engage in the business of investment research production and related services such as capital markets general and specific advice for which it receives a fixed fee payable in advance with companies that are the subject of its research reports and **where this is the case it is clearly stated at the bottom of the first page of the report that the company that is the subject of the report is a client of ACF Equity Research.** Although ACF Equity Research does not permit these factors to compromise its objectivity investors should proceed on the basis that such financial relationships may create a conflict of interest that could affect the objectivity of this report.

This report is not intended to provide personal investment advice. The opinions herein do not consider individuals' circumstances, objectives, needs, or goals, and therefore are not recommendations of any securities, financial instruments, or investment strategies. The reader of this report must make its, his, or her own independent decisions regarding any securities or financial instruments mentioned herein.

This report is not in any sense an offer or solicitation for the purchase or sale of a security or financial instrument. The statements herein have been taken from sources we believe to be reliable, but such statements are made without any representation as to accuracy or completeness or otherwise, except with respect to any disclosures relative to ACF Equity Research or its research analysts. Opinions expressed are our own unless otherwise stated and are subject to change without notice.

In the United Kingdom (UK) ACF Equity Research is not regulated by the Financial Conduct Authority (FCA). **In the US** neither ACF Equity Research nor its analyst(s) are a FINRA registered broker-dealer or investment adviser and ACF Equity Research does not provide investment banking services.

This report belongs to ACF Equity Research and is not attributable to the company featured in its report and is based solely on publicly available information about the company featured in the report.

INDEPENDENCE & DISTRIBUTION

ACF Equity Research Ltd is a provider of issuer-pays research with a clearly defined independent ethic. ACF produces accurate, clear, focused research aimed at a professional investment audience. ACF has excellent distribution capabilities and always aims to provide access without restriction to the widest professional audience. ACF offers a range of additional services to support its clients.

DISCLAIMER

This communication is for informational purposes only. It is not intended as an offer or solicitation for the purchase or sale of any financial instrument or as an official confirmation of any transaction. [The opinions expressed in this report herein do not take into account individual investor circumstances, objectives, or needs and are not intended as recommendations of particular securities, financial instruments or strategies to particular clients. The recipient of this report must make its own independent decisions regarding any securities or financial instruments mentioned herein.] ACF Equity Research Ltd has based this document on information obtained from sources it believes to be reliable, but which it has not independently verified. Neither ACF Equity Research Ltd. nor any of its directors, officers, employees or agents shall have any liability, however arising, for any error, inaccuracy or incompleteness of fact or opinion in this research report or lack of care in this research report's preparation or publication, or any losses or damages which may arise from the use of this research report. All market prices, data and other information are not warranted as to completeness or accuracy and are subject to change without notice. [Past performance is not necessarily a guide to future performance and no representation or warranty, express or implied, is made by ACF Equity Research Ltd. with respect to future performance. Any recommendation or opinion contained in this research report may become outdated as a consequence of changes in the environment in which the issuer of the securities under analysis operates, in addition to changes in the estimates and forecasts, assumptions and valuation methodology used herein.]

IMPORTANT DISCLOSURES FOR U.S. INVESTORS

This research report was prepared by ACF Equity Research Ltd., a company authorized to engage in securities activities in the United Kingdom. ACF Equity Research Ltd. is not a registered broker-dealer in the United States and, therefore, is not subject to U.S. rules regarding the preparation of research reports and the independence of research analysts. This research report is provided for distribution to "major U.S. institutional investors" in reliance on the exemption from registration provided by Rule 15a-6 of the U.S. Securities Exchange Act of 1934, as amended. Any U.S. recipient of this research report wishing to effect any transaction to buy or sell securities or related financial instruments based on the information provided in this research report should do so only through, a registered broker-dealer in the United States. The analyst who prepared this research report is not registered or qualified with the Financial Industry Regulatory Authority ("FINRA") and may not be associated with a U.S. broker dealer and as such, would not be subject to applicable restrictions under FINRA Rules on communications with a subject company, public appearances and trading securities held by a research analyst account.

[Investing in any non-U.S. securities or related financial instruments (including ADRs) discussed in this research report may present certain risks. The securities of non-U.S. issuers may not be registered with, or be subject to the regulations of, the U.S. Securities and Exchange Commission. Information on such non-U.S. securities or related financial instruments may be limited. Foreign companies may not be subject to audit and reporting standards and regulatory requirements comparable to those in effect within the United States.]

LEGAL NOTICE

This report is for authorized use by the intended recipient(s) only. It may contain proprietary material, confidential information and/or be subject to legal privilege. No part of the content of this research report may be copied, forwarded or duplicated in any form or by any means without the prior consent of ACF Equity Research Ltd. and ACF Equity Research Ltd. accepts no liability whatsoever for the actions of third parties in this respect.

IMPORTANT ADDITIONAL DISCLOSURES FOR U.K. INVESTORS

The information in this report has been prepared by ACF Equity Research Ltd (ACF). The research is published for information purposes only. It is not intended as an offer or solicitation for the purchase or sale of any securities or any financial instruments.

ACF has based this document on information obtained from sources it believes to be reliable but which it has not independently verified. All market prices, data and other information are not warranted as to completeness or accuracy and are subject to change without notice. Any comments or statements made herein do not necessarily reflect those of ACF Equity Research Limited. The material should not be regarded by recipients as a substitute for the exercise of their own judgment. Past performance does not guarantee future performance.

The analyst(s) responsible for covering the securities in this report receive compensation based upon, among other factors, the overall profitability of ACF which may, from time to time, solicit business from any of the companies referred to in this report. The analyst(s) responsible for covering securities in this report may not hold a position in any or related securities in this report in ACF's sector universe on in any other sector in which ACF carries out research. The company does not hold any position in the securities mentioned in this report.

This research report and its contents are intended for professional investors and not for retail investors. A marketing communication under Financial Conduct Authority (FCA) Rules, however whilst not subject to the FCA Rules this document has been prepared as if it were subject to the legal requirements designed to promote the independence of investment research. Whilst this research is legally not subject to any prohibition on dealing ahead of the dissemination of the investment research, ACF does not take stock positions in Client companies. Whilst ACF Equity Research is not regulated by the FCA the contents of this research report are produced as if ACF Equity Research Limited is regulated by the FCA.

ACF, its directors, employees and agents accept no liability whatsoever for any loss or damage of any kind arising out of the use of all or part of these materials. The information in this report is provided with the understanding that ACF is not acting in a fiduciary capacity. Certain laws and regulations impose liabilities which cannot be disclaimed. This disclaimer shall in no way constitute a waiver or limitation of any rights a person may have under such laws and/or regulations. Copyright © 2024 ACF Equity Research all rights reserved. Additional information is available upon request.

ACF Equity Research Limited, 125 Old Broad Street, London, EC2N 1AR, U.K.
Tel: +44 (020) 7558 8974
Website: www.acfequityresearch.com