



AEGIS CAPITAL CORP

**Biotechnology**  
**Jason Wittes**  
 (646) 502-2482  
 jwittes@aegiscap.com  
**Evan Wang**  
 EWang@aegiscap.com

## Company Update / Estimates Change

November 10, 2016

### Key Metrics

CUR - NASDAQ	\$0.26
Pricing Date	Nov 10 2016
Price Target	\$2.25
52-Week Range	\$1.20 - \$0.19
Shares Outstanding (mm)	114.9
Market Capitalization (mm)	\$29.9
3-Mo Average Daily Volume	816,980
Institutional Ownership	20%
Debt/Total Capital	NM
ROE	NM
Book Value/Share	\$0.01
Price/Book	26.0x
Dividend Yield	NM
LTM EBITDA Margin	NM

### EPS FY: December

	2015A	Prior 2016E	Curr. 2016E	Prior 2017E	Curr. 2017E
1Q-Mar	(0.06)	--	(0.07)A	--	--
2Q-Jun	(0.06)	--	(0.04)A	--	--
3Q-Sep	(0.06)	(0.04)E	(0.05)A	--	--
4Q-Dec	(0.06)	--	(0.04)E	--	--
FY	(0.24)	(0.18)E	(0.19)E	(0.17)E	(0.18)E
P/E	NM		NM		NM

### REVENUE

	2015A	Prior 2016E	Curr. 2016E	Prior 2017E	Curr. 2017E
1Q-Mar	0.0	--	0.0A	--	--
2Q-Jun	0.0	--	0.0A	--	--
3Q-Sep	0.0	--	0.0A	--	--
4Q-Dec	0.0	--	0.0E	--	--
FY	0.0	--	0.0E	--	0.0E

### Company Description:

Neuralstem, Inc. (<http://www.neuralstem.com>) is an emerging firm developing neurology-focused drugs.

## Neuralstem, Inc.

## Rating: Buy

### CUR 3Q16 Model Update

### Investment Highlights:

**Quarterly Results:** Neuralstem ended 3Q16 with \$5.7 million in cash versus \$11.1 million in the previous quarter, with a burn rate of approximately \$5.5 million in 3Q (\$4.5 million in operating activities). The company will receive gross proceeds of \$20 million in cash from Tianjin Pharmaceutical Holding Group in 4Q16, which will primarily be used for the development of NSI-189. Assuming the success of the Phase II, we expect that Neuralstem will look for a partner to fund a larger Phase III trial. R&D expense was \$3.6 million (from \$2.5 million in the prior quarter) and SG&A expense was \$1.3 million (from \$1.4 million in the prior quarter).

**NSI-189 update:** Neuralstem continues to enroll patients into its NSI-189 multi-site Phase II trial for MDD, and on Sep 21 announced the trial was 50% enrolled. Neuralstem began enrolling patients in May into its multi-site (12 center) trial (n=220) with NSI-189 for MDD and expects results in 2H17. Dr. Fava, the principal investigator, is using the SAFER remote patient interview performed by an outside trained psychiatrist to prudently enroll patients with accurately diagnosed MDD. The Phase II will incorporate BID (2x daily) and QD (daily) doses of NSI-189 versus placebo and dose patients for 90 days and will utilize a sequential parallel comparison design in order to reduce the placebo response and conduct a more informative trial with fewer patients. This trial is powered to show a statistically significant improvement in Montgomery-Asberg Depression Rating Scale (MADRS) scores, the standard measure for depression trials.

**Valuation:** We derive our target price of \$2.25 based on a DCF valuation, assuming a 35% discount rate that is applied to all cash flows and the terminal value, which is based on a 5x multiple of Neuralstem's projected 2022 EBITDA.

<b>Neuralstem, Inc.</b>																
<b>Income Statement</b>																
Fiscal Year ends December																
(in \$000, except per share items)																
	2011A	2012A	2013A	2014A	1Q15	2Q15	3Q15	4Q15	2015A	1Q16A	2Q16A	3Q16A	4Q16E	2016E	2017E	2018E
NSI-566 revenue			-	-	-	-	-	-	-	-	-	-	-	-	-	-
NSI-189 royalty			-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other revenue	391	408	110	19	3	3	3	3	10	3	3	3	3	10	10	10
<b>Total Revenue</b>	<b>391</b>	<b>408</b>	<b>110</b>	<b>18.8</b>	<b>2.9</b>	<b>2.5</b>	<b>2.5</b>	<b>2.5</b>	<b>10.4</b>	<b>2.5</b>	<b>2.5</b>	<b>2.5</b>	<b>2.5</b>	<b>10.0</b>	<b>10.0</b>	<b>10.0</b>
COGS																
R&D	7,355	6,106	7,134	8,135	3,134	3,313	3,392	2,798	12,637	3,066	2,475	3,590	4,308	13,438	18,813	20,695
SG&A	5,839	4,247	5,255	8,971	1,435	1,684	1,808	1,603	6,530	3,171	1,362	1,330	1,396	7,259	7,622	8,003
Depreciation & amortization	187	211	245	349	84		-	-	84			-	-	-	-	-
<b>Total Operating Expenses</b>	<b>13,381</b>	<b>10,564</b>	<b>12,634</b>	<b>17,455</b>	<b>4,653</b>	<b>4,997</b>	<b>5,200</b>	<b>4,401</b>	<b>19,251</b>	<b>6,237</b>	<b>3,837</b>	<b>4,920</b>	<b>5,704</b>	<b>20,697</b>	<b>26,435</b>	<b>28,698</b>
<b>Operating Income</b>	<b>(12,990)</b>	<b>(10,156)</b>	<b>(12,524)</b>	<b>(17,436)</b>	<b>(4,650)</b>	<b>(4,995)</b>	<b>(5,198)</b>	<b>(4,399)</b>	<b>(19,241)</b>	<b>(6,235)</b>	<b>(3,834)</b>	<b>(4,917)</b>	<b>(5,701)</b>	<b>(20,687)</b>	<b>(26,425)</b>	<b>(28,688)</b>
Interest income	61	34	68	68	14	16	24	16	70	11	13	17	18	60	54	48
Interest expense	(1)	(3)	(1,394)	(1,621)	(454)	(459)	(464)	(439)	(1,816)	(387)	(322)	(240)	(404)	(1,354)	(1,218)	(1,097)
Warrant modification expense			(5,017)	(3,110)					-					-		
Gain (loss) from change in fair value of derivative instruments			(965)	(334)					-		757	(538)		219		
Other	412	3	1	(196)		(10)		(706)	(716)	3	(467)	458		(5)		
<b>Pretax income</b>	<b>(12,519)</b>	<b>(10,122)</b>	<b>(19,832)</b>	<b>(22,629)</b>	<b>(5,090)</b>	<b>(5,448)</b>	<b>(5,638)</b>	<b>(5,528)</b>	<b>(21,704)</b>	<b>(6,608)</b>	<b>(3,853)</b>	<b>(5,220)</b>	<b>(6,087)</b>	<b>(21,768)</b>	<b>(27,590)</b>	<b>(29,736)</b>
Provision for income tax (benefit)				-					-						0	0
<b>Net Income</b>	<b>(12,519)</b>	<b>(10,122)</b>	<b>(19,832)</b>	<b>(22,629)</b>	<b>(5,090)</b>	<b>(5,448)</b>	<b>(5,638)</b>	<b>(5,528)</b>	<b>(21,704)</b>	<b>(6,608)</b>	<b>(3,853)</b>	<b>(5,220)</b>	<b>(6,087)</b>	<b>(21,768)</b>	<b>(27,590)</b>	<b>(29,736)</b>
<b>EPS</b>	<b>(0.26)</b>	<b>(0.17)</b>	<b>(0.27)</b>	<b>(0.26)</b>	<b>(0.06)</b>	<b>(0.06)</b>	<b>(0.06)</b>	<b>(0.06)</b>	<b>(0.24)</b>	<b>(0.07)</b>	<b>(0.04)</b>	<b>(0.05)</b>	<b>(0.04)</b>	<b>(0.19)</b>	<b>(0.18)</b>	<b>(0.19)</b>
<b>EPS diluted, GAAP</b>	<b>(0.26)</b>	<b>(0.17)</b>	<b>(0.27)</b>	<b>(0.26)</b>	<b>(0.06)</b>	<b>(0.06)</b>	<b>(0.06)</b>	<b>(0.06)</b>	<b>(0.24)</b>	<b>(0.07)</b>	<b>(0.04)</b>	<b>(0.05)</b>	<b>(0.04)</b>	<b>(0.19)</b>	<b>(0.18)</b>	<b>(0.19)</b>
Basic shares outstanding	48,341	58,154	72,279	87,086	89,655	90,791	91,570	91,453	90,867	92,010	105,836	114,856	144,504	114,301	151,729	159,316
Diluted shares outstanding	48,341	58,154	72,279	87,086	89,655	90,791	91,570	91,453	90,867	92,010	105,836	114,856	144,504	114,301	151,729	159,316
Source: Company reports, Aegis Capital Corp. estimates																

## **Required Disclosures**

### **Price Target**

Our 12-month price target is \$2.25.

### **Valuation Methodology**

We derive our target price of \$2.25 based on a DCF valuation, assuming a 35% discount rate that is applied to all cash flows and the terminal value, which is based on a 5x multiple of Neuralstem's projected 2022 EBITDA.

### **Risk Factors**

Various factors may impede or prevent achievement of the price target by the company's shares. Such risk factors may include, but are not limited to, clinical, regulatory, competitive, financial, and reimbursement issues. Drugs that have yet to be submitted to regulatory agencies for review may not reach the market due to regulatory concerns, which could preclude drug approval. The company may require financing to sustain and grow its pipeline, which could be dilutive to current shareholders. We expect competition from existing entities against the company's products. Sales of the firm's solutions could be affected by reimbursement decisions made by private insurers as well as government agencies.

### **For important disclosures go to [www.aegiscap.com](http://www.aegiscap.com).**

We, Jason Wittes and Evan Wang, hereby certify that the views expressed in this research report accurately reflect our personal views about the subject companies and their securities. We also certify that We have not been, do not, and will not be receiving direct or indirect compensation in exchange for expressing the specific recommendations in this report.

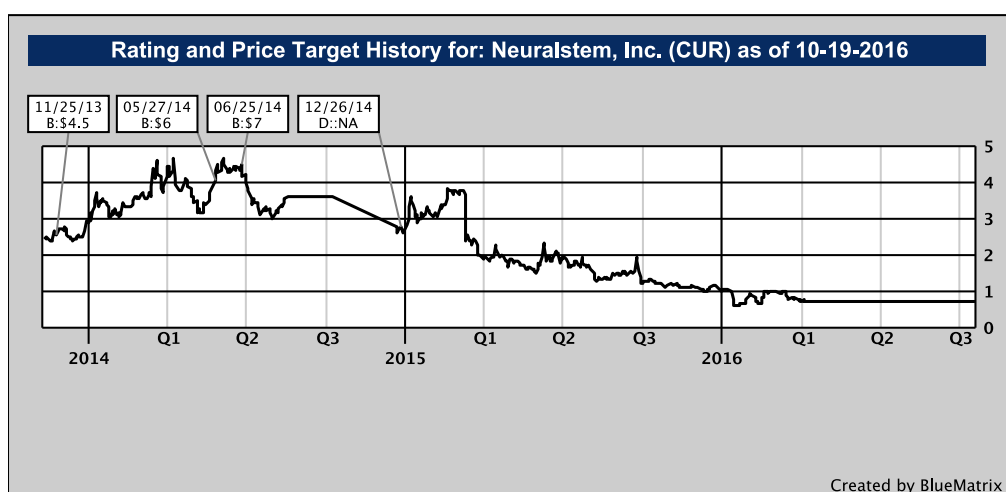
Research analyst compensation is not dependent upon investment banking revenues received by Aegis Capital Corp.

Aegis Capital Corp. intends to seek or expects to receive compensation for investment banking services from the subject company within the next three months.

The firm nor the Research Analyst have any material conflict of interest in which the Research Analyst has a reason to know or knows at the time of publication of this research report.

As of the report date neither Aegis Capital Corp. or its affiliates beneficially own 1% or more of any class of common equity securities of the subject company of this report.

Neither the research analyst who prepared this report or a member of the research analyst's household has a financial position in the debt or equity securities of the subject company.



Rating	Investment Banking Services/Past 12 Mos.	
	Percent	Percent
BUY [BUY]	87.50	42.86
HOLD [HOLD]	12.50	36.36
SELL [SELL]	0.00	0.00

#### Meaning of Ratings

- A) A Buy rating is assigned when we do not believe the stock price adequately reflects a company's prospects over 12-18 months.
- B) A Hold rating is assigned when we believe the stock price adequately reflects a company's prospects over 12-18 months.
- C) A Sell rating is assigned when we believe the stock price more than adequately reflects a company's prospects over 12-18 months.

#### Other Disclosures

Other Disclosures The information contained herein is based upon sources believed to be reliable but is not guaranteed by us and is not considered to be all inclusive. It is not to be construed as an offer or the solicitation of an offer to sell or buy the securities mentioned herein. Aegis Capital Corp., its affiliates, shareholders, officers, staff, and/or members of their families, may have a position in the securities mentioned herein, and, before or after your receipt of this report, may make or recommend purchases and/or sales for their own accounts or for the accounts of other customers of the Firm from time to time in the open market or otherwise. Opinions expressed are our present opinions only and are subject to change without notice. Aegis Capital Corp. is under no obligation to provide updates to the opinions or information provided herein. Additional information is available upon request.

The common stock of the subject company in this report may not be suitable for certain investors based on their investment objectives, degree of risk, as well as their financial status.

© Copyright 2016 by Aegis Capital

**Aegis Capital Corp.**  
**(212) 813-1010**  
**810 Seventh Avenue, 18th Floor**  
**New York, New York 10019**