Seaport Global Securities LLC
Equity Sales & Trading Toll Free: (855) 447-3100
Research: (949) 274-8052
www.seaportglobal.com

October 6, 2017
Initiating Coverage
Healthcare: Biotechnology

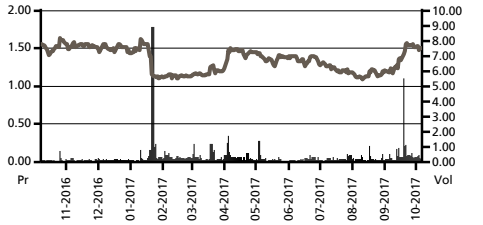
Vernon Bernardino
vbernardino@seaportglobal.com
(212) 616-7741

Rating:	**Buy**
Price Target:	**$5.00**

Price Target Metrics: DCF through 2029 (30% discount rate and 0% terminal growth rate)

Current Price:	**$1.50**
Float:	86.1MM
Diluted Shares:	97.5MM
Short Interest:	0.8MM
Average Daily Volume:	664k
52 Week Range:	$1.04 - $1.65
Market Cap:	**$146MM**
Cash and Investments:	$22MM
Enterprise Value:	$124MM

PRICE & VOLUME CHART



ESTIMATES $ (MMs except multiples & EPS)

	2015	2016	2017	2018
Revenue				
Q1 (Sep)	$0.1A	$0.1A	$0.0A	$0.0E
Q2 (Dec)	$0.1A	$2.8A	$0.0A	$0.0E
Q3 (Mar)	$0.1A	$0.0A	$0.0A	$0.0E
Q4 (Jun)	$0.1A	$0.0A	$0.0A	$0.0E
FY	$0.4A	$2.8A	$0.0A	$0.0E
EPS				
Q1 (Sep)	$(0.09)A	$(0.07)A	$(0.08)A	$(0.09)E
Q2 (Dec)	$(0.09)A	$(0.05)A	$(0.08)A	$(0.09)E
Q3 (Mar)	$(0.10)A	$(0.09)A	$(0.09)A	$(0.09)E
Q4 (Jun)	$(0.07)A	$(0.08)A	$(0.07)A	$(0.09)E
FY	$(0.35)A	$(0.29)A	$(0.32)A	$(0.35)E

Pluristem Therapeutics Inc.

(Nasdaq: PSTI)

Confidence can breed success; initiating coverage with a Buy rating and $5 PT

Summary: We are initiating coverage of Pluristem Therapeutics Inc. (PSTI) with a Buy rating and 12-month price target of $5. PSTI is a clinical-stage company that uses placental cells it calls PLX-PAD and its proprietary 3D technology platform to develop cell therapies for multiple indications. The PLX-PAD program is poised to enter pivotal studies in Japan and Europe (CLI), with adaptive pathways providing an easier regulatory pathway to approval. Beginning with a readout from an ongoing, multinational Phase II study in intermittent claudication (IC) expected in early 2018, we look for PSTI news flow to be active and be potential positive drivers of the stock.

Highlights

PSTI's PLacental eXpanded (PLX) cells avoid the pitfalls of prior cell-based therapies in development, where response to cell therapy often proved inconsistent. More descriptively, PLX cells release cytokines, chemokines and growth factors, which act in a paracrine or endocrine manner to facilitate healing of damaged tissue by stimulating the body's own regenerative mechanisms.

Early in its history, PSTI understood the need to develop tightly controlled, completely automated, efficient and scalable cell manufacturing technology in order to produce the highest quality cell therapy products on a commercial scale. The result was creation of a state-of-the-art, proprietary bioreactor system for its PLX cells to grow in a three dimensional (3D) micro-environment that resembles the natural environment in the human body. As a result, PSTI's advanced manufacturing technology can generate cell products on a mass scale with batch-to-batch consistency, making them true commercial products.

The PLX-PAD program is poised to enter pivotal studies in Japan and Europe (CLI), with adaptive pathways providing an easier regulatory pathway to approval, and a readout from an ongoing, multinational Phase II study in intermittent claudication (IC) is expected in early 2018. While PLX-PAD cells in CLI are the most advanced PLX program, early clinical results have rapidly increased the potential value of PLX cells in hip fracture (PLX-PAD cells) and in acute radiation syndrome (ARS) with PLX-R18 cells.

What we're looking for: We think the potential value of PLX-R18 cells as a treatment for acute radiation syndrome (ARS) is under-appreciated. Advancing PLX-R18 into a pivotal trial as a treatment for ARS (est. initiation Q1:18) would confirm the high value of this program, thus, our focus is on the potential announcement of a U.S. government contract in Q4:17 that would substantially de-risk this program.

Company Description: *Pluristem is a biotherapeutics company focused on the development of placental cell-based therapies for the treatment of multiple ischemic and inflammatory conditions.*

Initiation Highlights

- We are initiating coverage of Pluristem Therapeutics Inc. (PSTI) with a Buy rating and 12-month price target of $5.
- PSTI is a clinical-stage company that uses placental cells and its proprietary 3D technology platform to develop cell therapies for multiple indications.
- The PLX-PAD program is poised to enter pivotal studies in Japan and Europe (CLI), with adaptive pathways providing an easier regulatory pathway to approval. A readout from an ongoing, multinational Phase II study in intermittent claudication (IC) is expected in early 2018.
- What we're looking for: We think the potential value of PLX-R18 cells as a treatment for acute radiation syndrome (ARS) is under-appreciated. Advancing PLX-R18 into a pivotal trial as a treatment for ARS (est. initiation Q1:18) would confirm the high value of this program, thus, our focus is on the potential announcement of a U.S. government contract in Q4:17 that would substantially de-risk this program.

Pipeline

- PLX-PAD cells are ready for Phase III testing in critical limb ischemia (CLI) in the U.S. and Europe. The product is approved with safety clearance by Japan's Pharmaceuticals and Medical Devices Agency (PMDA) for study using Japan's Conditional Approval Pathway. This allows for conditional, time-limited marketing approval for a product after a single successful Phase II trial.
- PLX-PAD cells have also generated promising results in the setting of hip fracture where the product is poised to enter Phase III testing in the U.S. and Europe. On 9/26/17, PSTI received positive FDA and EMA feedback to proceed.
- PLX-R18 cells are in Phase II stage of clinical study, which traditionally is considered mid-stage testing. However, with the FDA's Animal Rule, which allows the agency to use evidence of efficacy from animal studies, available as a regulatory pathway to approval, PLX-R18 could potentially be the first product approved in PSTI's product portfolio.

Valuation Overview

Closing price, 10.05/17	$1.50
52-week range	$1.04 - $1.65
Market Cap ($MM)	151
Cash ($MM)	21.9
Shares Outstanding (MM)	97.5

NPV Calculation	
Discount Rate	30%
Terminate Growth Rate	0%
Terminal Value per share	$94.53
Total NPV of FCF per share	$4.77
Plus: NPV of Terminal Value per share	$0.04
Price per share	$4.81

We round to **$5**

We used a discounted cash flows(DCF) methodology to arrive at our 12-month price target of $5 for PSTI shares. We applied a discount rate of 30%, as the primary driver of PSTI stock is PLX-PAD, which we think has average risk of development relative to other cell-based therapies in Phase II testing. We assumed a 1% terminal growth rate based on limited history in the long-term growth prospects of cell-based therapies, where in the past decade, only recently have a few come to market.

Anticipated Milestones

- 4Q17: Finalize JV deal with Sosei for development and commercialization of PLX-PAD for critical limb ischemia (CLI) in Japan. Potential impact: +
- 4Q17: Potential contract with the U.S. government to advance PLX-R18 in ARS. Potential impact: + + +
- 4Q17: Announce data from an open-label Phase I study with PLX-R18 in hematopoietic stem cell transplantation. Potential impact: +
- 4Q17: Initiate pivotal trial with PLX-PAD for CLI in Japan. Potential impact: + +
- 1Q18: Initiate pivotal study with PLX-R18 in ARS. Potential impact: + +
- 2Q18: Announce initial readout of results from a Phase II study with PLX-PAD in patients with intermittent claudication. Potential impact: + + +
- 1H19: Announce interim results from the European Phase III trial with PLX-PAD in CLI. Potential impact: + + +

PSTI Snapshot

- PSTI's PLacental eXpanded (PLX) cells are placenta-derived, mesenchymal-like adherent stromal cells designed to be administered to patients without the need for tissue or genetic matching. PLX cells avoids the pitfalls of prior cell-based therapies in development, where response to cell therapy often proved inconsistent. PLX cells release cytokines, chemokines and growth factors, which act in a paracrine or endocrine manner to facilitate healing of damaged tissue by stimulating the body's own regenerative mechanisms.
- Early in its history, PSTI understood the need to develop tightly controlled, completely automated, efficient and scalable cell manufacturing technology in order to produce the highest quality cell therapy products on a commercial scale. The result was creation of a state-of-the-art, proprietary bioreactor system for its PLX cells to grow in a three dimensional (3D) micro-environment that resembles the natural environment in the human body. As a result, PLX cells expand rapidly and healthily. PSTI alters conditions within these bioreactors, and transform PLX cells into unique, patented cell therapy products. PSTI's advanced manufacturing technology can generate cell products on a mass scale with batch-to-batch consistency, making them true commercial products.
- The PLX-PAD program is poised to enter pivotal studies in Japan and Europe (CLI), with adaptive pathways providing an easier regulatory pathway to approval, and a readout from an ongoing, multinational Phase II study in intermittent claudication (IC) is expected in early 2018.
- While PLX-PAD cells in CLI are the most advanced PLX program, early clinical results have rapidly increased the potential value of PLX cells in hip fracture (PLX-PAD cells) and in acute radiation syndrome (ARS) with PLX-R18 cells.

Bull View

- As with all cell-based therapies, the cells in the product are living and not proteins or chemicals, with each cell packaged with its own machinery to manufacture a myriad of proteins and chemicals, enabling the cell to react to stimuli in sometimes unpredictable ways. From the beginning, PSTI embarked on making sure its PLX cells would have batch to batch consistency that could be easily tested. This has often been an obstacle with other cell-based therapies, increasing their cost to manufacture. PSTI also made sure that its process for manufacturing PLX cells was efficient, scalable and low-cost. PLX cells are probably the highest quality, mesenchymal cell-based therapy being advanced in the clinic today, which is under-appreciated.
- CLI and IC, the high-value target markets of PLX-PAD cells, remain under-served with a paucity of treatment options. PLX-PAD has shown positive results in Phase II testing and are soon entering pivotal Phase III studies.

Bear View

- The PAD (peripheral artery disease) drug development landscape is littered with high-profile failures and terminated clinical programs. The most meaningful outcome recognized as a clinical benefit, i.e., improvement/decrease in limb amputation or death, is difficult to achieve. We caution that while the 1EP of the pivotal Phase III study initiated in the U.S. and Europe studies is time to event (major amputation or death), Phase II data on these EPs with PLX-PAD in CLI is limited. However, early studies with PLX-PAD were impressive (100% and 93% amputation-free survival [AFS] at six months in the U.S. and Germany studies, respectively, vs. best AFS of 77% in competitor studies and meta-analysis).

Risks

- **Clinical trial risk.** PSTI is conducting clinical trials of product candidates it generates internally. Negative clinical trial results could inhibit the company's path to commercial success and thus prevent the stock from reaching our price target.
- **Regulatory risk.** There is intrinsic risk that PSTI will be unable to receive regulatory approvals for product candidates generated by the company, or potential regulatory approval could be delayed. A changing treatment landscape may result in a higher regulatory hurdle for product candidates generated by the company.
- **Commercial risk.** PSTI's future success will likely depend on the company's ability to maintain existing collaborations and enter into new partnerships. The company's inability to enter into new partnerships or early terminations of its existing collaborations could impede the stock from reaching our price target.
- **Financing risk.** PSTI may require additional capital to fund its clinical, commercial, and general corporate expenses. The company could potentially seek financing that may be dilutive to existing shareholders.
- **Intellectual property risk.** The strength, maintenance, and defense of PSTI's patents, trademarks, and other intellectual property are critical in protecting the company from infringement by competitors.

Financials – Quarterly Income Statement

Income Statement *(Fiscal year ends June 30)* (in $MMs, except per share data)	F2015A	F2016A	Sept F1QA	Dec F2QA	Mar F3QA	Jun F4QA	2017E	Sept F1QE	Dec F2QE	Mar F3QE	Jun F4QE	2018E
Product Revenue	-	-	-	-	-	-	-	-	-	-	-	-
PLX-PAD	-	-	-	-	-	-	-	-	-	-	-	-
Critical Limb Ischemia (CLI)	-	-					-					-
Muscle Injury	-	-					-					-
PLX-R18	-	-		-	-	-	-	-	-	-	-	-
Other revenues, net	0.4	2.8	-	-	-	-	-	-	-	-	-	-
Total Revenue	**0.4**	**2.8**	-	-	-	-	-	-	-	-	-	-
Cost of Goods Sold	0.0	0.1	-	-	-	-	-	-	-	-	-	-
Gross Profit	0.4	2.7	-	-	-	-	-	-	-	-	-	-
R&D Expense, net	19.2	19.6	5.0	5.2	6.3	4.6	21.1	5.7	5.9	6.0	6.2	23.8
G&A Expense	6.5	6.5	1.6	1.4	1.9	2.0	6.9	2.1	2.1	2.2	2.2	8.5
Operating Expense	25.6	26.1	6.6	6.6	8.2	6.6	28.0	7.8	8.0	8.2	8.4	32.3
Operating Income (Loss)	**(25.3)**	**(23.3)**	**(6.6)**	**(6.6)**	**(8.2)**	**(6.6)**	**(28.0)**	**(7.8)**	**(8.0)**	**(8.2)**	**(8.4)**	**(32.3)**
Other Income (Expense), net	0.6	0.1	0.2	0.0	0.4	(0.4)	0.2	(0.4)	(0.4)	(0.4)	(0.4)	(1.8)
Pre-Tax Income (Loss)	**(24.7)**	**(23.2)**	**(6.3)**	**(6.6)**	**(7.9)**	**(7.0)**	**(27.8)**	**(8.2)**	**(8.4)**	**(8.6)**	**(8.9)**	**(34.1)**
Income Tax Expense (Benefit)	-	-	-	-	-	-	-	-	-	-	-	-
Net Income (Loss)	**(24.7)**	**(23.2)**	**(6.3)**	**(6.6)**	**(7.9)**	**(7.0)**	**(27.8)**	**(8.2)**	**(8.4)**	**(8.6)**	**(8.9)**	**(34.1)**
Diluted earnings (loss) per share	**($0.35)**	**($0.29)**	**($0.08)**	**($0.08)**	**($0.09)**	**($0.07)**	**($0.32)**	**($0.09)**	**($0.09)**	**($0.09)**	**($0.09)**	**($0.35)**
Diluted shares used in computation	70.3	79.5	80.7	81.0	91.8	96.2	87.4	93.0	96.5	100.0	100.3	96.7

Financials Statements – Annual, 2015A-2029E

Income Statement ***(Fiscal year ends June 30)***

(in $MMs, except per share data)	F2015A	F2016A	2017E	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E
Product Revenue	-	-	-	-	-	10.9	11.0	135.8	389.0	774.1	1,294.8	1,954.9	2,758.2	3,708.7	4,676.9
PLX-PAD	-	-	-	-	-	-	-	124.8	377.8	762.8	1,283.4	1,943.4	2,746.6	3,696.9	4,665.1
Critical Limb Ischemia (CLI)	-	-	-	-	-	-	-	104.9	317.6	641.2	1,078.7	1,633.5	2,308.6	3,107.4	3,921.2
Muscle Injury	-	-	-	-	-	-	-	19.9	60.2	121.6	204.7	309.9	438.0	589.5	743.9
PLX-R18	-	-	-	-	-	10.9	11.0	11.1	11.2	11.3	11.4	11.5	11.6	11.7	11.9
Other revenues, net	0.4	2.8	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Revenue	**0.4**	**2.8**	-	-	-	**21.8**	**22.0**	**146.9**	**400.2**	**785.4**	**1,306.2**	**1,966.4**	**2,769.9**	**3,720.4**	**4,688.8**
Cost of Goods Sold	0.0	0.1	-	-	-	3.3	3.3	22.0	60.0	117.8	195.9	295.0	415.5	558.1	703.3
Gross Profit	0.4	2.7	-	-	-	18.5	18.7	124.9	340.2	667.6	1,110.3	1,671.5	2,354.4	3,162.3	3,985.4
R&D Expense, net	19.2	19.6	21.1	23.8	27.3	30.6	34.3	38.4	43.0	46.5	50.2	54.2	58.5	63.2	68.3
G&A Expense	6.5	6.5	6.9	8.5	9.0	9.4	9.9	10.4	10.9	11.4	12.0	12.6	13.2	13.9	14.6
Operating Expense	25.6	26.1	28.0	32.3	36.3	40.0	44.2	48.8	53.9	57.9	62.2	66.8	71.8	77.1	82.9
Operating Income (Loss)	**(25.3)**	**(23.3)**	**(28.0)**	**(32.3)**	**(36.3)**	**(21.5)**	**(25.5)**	**76.1**	**286.2**	**609.7**	**1,048.1**	**1,604.6**	**2,282.6**	**3,085.2**	**3,902.6**
Other Income (Expense), net	0.6	0.1	0.2	(1.8)	(1.8)	(1.8)	(1.8)	(1.8)	(1.9)	(1.9)	(1.9)	(1.9)	(1.9)	(1.9)	(2.0)
Pre-Tax Income (Loss)	**(24.7)**	**(23.2)**	**(27.8)**	**(34.1)**	**(38.1)**	**(23.3)**	**(27.3)**	**74.3**	**284.4**	**607.8**	**1,046.2**	**1,602.7**	**2,280.7**	**3,083.3**	**3,900.6**
Income Tax Expense (Benefit)	-	-	-	-	(3.0)	(2.6)	(4.1)	13.4	59.7	139.8	240.6	368.6	524.6	709.1	897.1
Net Income (Loss)	**(24.7)**	**(23.2)**	**(27.8)**	**(34.1)**	**(35.0)**	**(20.8)**	**(23.2)**	**60.9**	**224.7**	**468.0**	**805.6**	**1,234.1**	**1,756.1**	**2,374.1**	**3,003.5**
Diluted earnings (loss) per share	**($0.35)**	**($0.29)**	**($0.32)**	**($0.35)**	**($0.34)**	**($0.20)**	**($0.22)**	**$0.57**	**$2.09**	**$4.36**	**$7.50**	**$11.49**	**$16.34**	**$22.10**	**$27.95**
Diluted shares used in computation	70.3	79.5	87.4	96.7	102.4	105.4	106.9	107.4	107.4	107.4	107.4	107.4	107.4	107.4	107.4

Cash Flow ($MM)

(in $MMs)	F2015A	F2016A	2017E	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E
Pre-Tax Income (Loss)	**(24.7)**	**(23.2)**	**(27.8)**	**(34.1)**	**(38.1)**	**(23.3)**	**(27.3)**	**74.3**	**284.4**	**607.8**	**1,046.2**	**1,602.7**	**2,280.7**	**3,083.3**	**3,900.6**
D&A	2.1	2.2	2.2	2.2	2.3	2.3	2.3	2.4	2.4	2.5	2.5	2.6	2.6	2.7	2.7
Stock compensation expense	4.1	3.1	1.8	1.7	1.7	1.8	1.8	1.8	1.9	1.9	1.9	2.0	2.0	2.1	2.1
EBITDA	(18.6)	(18.0)	(23.8)	(30.2)	(34.1)	(19.3)	(23.2)	78.5	288.7	612.2	1,050.7	1,607.3	2,285.3	3,088.0	3,905.4
Other	(1.5)	(0.1)	(0.3)	-	-	-	-	-	-	-	-	-	-	-	-
Cash from Operations	**(20.0)**	**(18.5)**	**(22.6)**	**(30.2)**	**(32.5)**	**(21.1)**	**(23.3)**	**67.8**	**207.3**	**439.4**	**765.5**	**1,182.1**	**1,691.8**	**2,297.1**	**2,924.6**
Capital expenditures	(0.8)	(1.8)	(0.3)	-	-	(1.1)	(1.1)	(7.3)	(20.0)	(39.3)	(65.3)	(98.3)	(138.5)	(186.0)	(234.4)
Free cash flow	**(20.8)**	**(20.3)**	**(22.9)**	**(30.2)**	**(32.5)**	**(22.2)**	**(24.4)**	**60.4**	**187.3**	**400.2**	**700.1**	**1,083.8**	**1,553.3**	**2,111.1**	**2,690.2**
Cash from Operations	**21.5**	**1.3**	**10.8**	**-**	**-**	**(1.1)**	**(1.1)**	**(7.3)**	**(20.0)**	**(39.3)**	**(65.3)**	**(98.3)**	**(138.5)**	**(186.0)**	**(234.4)**
Cash from Operations	**17.2**	**0.8**	**14.0**	**32.6**	**26.0**	**27.9**	**27.9**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
F/X	-	-	-	-											
Net change in cash	18.1	(16.4)	2.1	4.2	(6.4)	5.7	3.5	60.4	187.3	400.2	700.1	1,083.8	1,553.3	2,111.1	2,690.2
Cash, beginning	**4.5**	**22.6**	**6.2**	**8.4**	**12.6**	**6.1**	**11.8**	**15.3**	**75.8**	**263.1**	**663.2**	**1,363.4**	**2,447.2**	**4,000.5**	**6,111.6**
Cash, ending	**22.6**	**6.2**	**8.4**	**12.6**	**6.1**	**11.8**	**15.3**	**75.8**	**263.1**	**663.2**	**1,363.4**	**2,447.2**	**4,000.5**	**6,111.6**	**8,801.8**

Balance Sheet ($MM)

(in $MMs)	F2015A	F2016A	2017E	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E
Cash	30.9	15.3	8.9	13.1	6.7	12.5	16.0	76.5	263.9	664.1	1,364.3	2,448.1	4,001.5	6,112.7	8,803.0
Marketable securities	22.3	17.4	14.0	-	-	-	-	-	-	-	-	-	-	-	-
Inventory	-	-	-	-	-	2.2	2.2	14.7	40.0	78.5	130.6	196.6	277.0	372.0	468.9
Prepaid expenses	-	-	-	-	2.9	3.2	3.5	3.9	4.3	4.6	5.0	5.3	5.7	6.2	6.6
Account receivable from the Office of the Chief Scientist	1.7	2.2	0.3	0.3	0.4	0.4	0.6	0.7	0.9	1.1	1.4	1.7	2.1	2.7	3.3
Other account receivable	2.1	0.6	0.7	0.7	0.9	1.1	1.4	1.8	2.2	2.8	3.4	4.3	5.4	6.7	8.4
Current Assets	56.9	35.6	24.0	14.1	10.9	19.4	23.7	97.6	311.3	751.1	1,504.7	2,656.1	4,291.8	6,500.3	9,290.2
Total Assets	**68.2**	**45.9**	**17.4**	**(16.7)**	**(49.7)**	**(69.4)**	**(91.8)**	**(28.1)**	**201.4**	**676.3**	**1,490.8**	**2,736.2**	**4,505.8**	**6,895.8**	**9,915.4**
Current Liabilities	6.2	5.8	5.4	5.4	7.3	8.2	8.9	11.5	16.2	22.9	31.7	42.7	56.0	71.6	87.6
Total Liabilities	**10.0**	**7.8**	**7.2**	**7.2**	**9.2**	**10.3**	**11.1**	**13.9**	**18.8**	**25.6**	**34.6**	**45.8**	**59.3**	**75.2**	**91.4**
Shareholders' Equity	**58.1**	**38.2**	**10.2**	**(23.8)**	**(58.9)**	**(79.7)**	**(102.9)**	**(42.0)**	**182.7**	**650.7**	**1,456.3**	**2,690.4**	**4,446.5**	**6,820.6**	**9,824.1**
TotalLiabilities & Equity	**68.2**	**45.9**	**17.4**	**(16.7)**	**(49.7)**	**(69.4)**	**(91.8)**	**(28.1)**	**201.4**	**676.3**	**1,490.8**	**2,736.2**	**4,505.8**	**6,895.8**	**9,915.4**

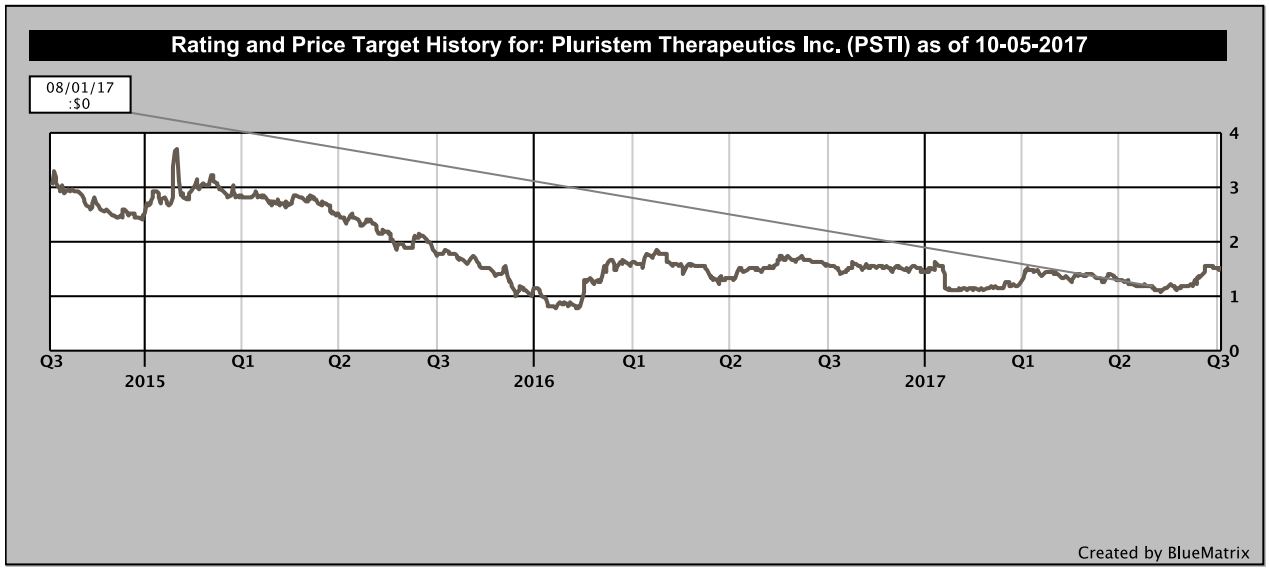
Pluristem Therapeutics Inc. (PSTI) Disclosures

I, Vernon Bernardino, hereby certify: (1) that all of the views expressed in this report accurately reflect my personal views about any and all of the subject securities or issuers; and (2) that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this report.

As with all employees of Seaport Global Securities LLC, a portion of our analysts' compensation is paid from the total collection of revenues from all areas of the firm including but not limited to Investment Banking and Sales and Trading departments. In no instance are research analysts' compensation directly derived from Investment Banking revenues.

Risks & Considerations for Pluristem Therapeutics Inc. (PSTI)

- **Clinical trial risk.** PSTI is conducting clinical trials of product candidates it generates internally. Negative clinical trial results could inhibit the company's path to commercial success and thus prevent the stock from reaching our price target.
- **Regulatory risk.** There is intrinsic risk that PSTI will be unable to receive regulatory approvals for product candidates generated by the company, or potential regulatory approval could be delayed. A changing treatment landscape may result in a higher regulatory hurdle for product candidates generated by the company.
- **Commercial risk.** PSTI's future success will likely depend on the company's ability to maintain existing collaborations and enter into new partnerships. The company's inability to enter into new partnerships or early terminations of its existing collaborations could impede the stock from reaching our price target.
- **Financing risk.** PSTI may require additional capital to fund its clinical, commercial, and general corporate expenses. The company could potentially seek financing that may be dilutive to existing shareholders.
- **Intellectual property risk.** The strength, maintenance, and defense of PSTI's patents, trademarks, and other intellectual property are critical in protecting the company from infringement by competitors.



Please contact Seaport Global Securities LLC, for important disclosure information for covered companies. Contact the Director of Equity Research at (949) 274-8052 or write to Seaport Global Securities LLC, 600 Anton Boulevard, Suite 1700, Costa Mesa, CA 92626.

Clients should also refer to https://sgsecurities.bluematrix.com/sellside/Disclosures.action for price charts, as well as specific disclosures for covered companies.

Explanation of Ratings

Seaport Global Securities analyst ratings include (effective Feb. 1, 2017):

Buy - The investment outlook and risk/reward over the following 12 months are favorable on an absolute basis and relative to the peer group.

Neutral - The investment outlook and risk/reward over the following 12 months are neutral on an absolute basis and relative to the peer group.

Sell - The investment outlook and risk/reward over the following 12 months are unfavorable on an absolute basis and relative to the peer group.

NA - A rating is not assigned.

Prior to Feb 1., 2017, Seaport Global Securities analyst ratings included:

Buy - The investment outlook and risk/reward over the following 12 months are very favorable on an absolute basis and relative to the peer group.

Speculative Buy - The investment outlook over the following 12 months is very favorable on an absolute basis and relative to the peer group, however, there is higher than average risk associated with the investment that could result in material loss.

Accumulate - The investment outlook and risk/reward over the following 12 months are favorable on an absolute basis and relative to the peer group.

Neutral - The investment outlook and risk/reward over the following 12 months are neutral on an absolute basis and relative to the peer group.

Reduce - The investment outlook and risk/reward over the following 12 months are unfavorable on an absolute basis and relative to the peer group.

Sell - The investment outlook and risk/reward over the following 12 months are very unfavorable on an absolute basis and relative to the peer group.

NA - A rating is not assigned.

Ratings Distribution

Rating	Research Coverage Count	Research Coverage % of Total	Investment Banking Clients* Count	Investment Banking Clients* % of Total	Investment Banking Clients* % of Rating Category
Buy	187	51.0%	20	52.6%	10.7%
Hold/Neutral/NA	145	39.5%	16	42.1%	11.0%
Sell(Sell or Reduce)	35	9.5%	2	5.3%	5.7%
Total	367	100.0%	38	100.0%	10.4%

*Investment banking clients are companies for whom Seaport Global Securities has provided investment banking services in the previous 12 months.

Note: Ratings Distribution as of June 30, 2017

For Canadian Investors:

Seaport Global Securities LLC, is not registered in Canada, but relies on the International Dealer Exemption in each province. This report was not prepared in accordance with Canadian research disclosure requirements. The information contained herein is not, and under no circumstances is to be construed as, a prospectus, an advertisement, a public offering, an offer to sell securities described herein, solicitation of an offer to buy securities described herein, in Canada or any province or territory thereof. Any offer or sale of the securities described herein in Canada will be made only under an exemption from the requirements to file a prospectus with the relevant Canadian securities regulators and only by a dealer properly registered under applicable securities laws or, alternatively, pursuant to an exemption from the dealer registration requirement in the relevant province or territory of Canada in which such offer or sale is made. Under no circumstances is the information contained herein to be construed as investment advice in any province or territory of Canada and is not tailored to the needs of the recipient. To the extent that the information contained herein references securities of an issuer incorporated, formed or created under the laws of Canada or a province or territory of Canada, any trades in such securities must be conducted through a dealer registered in Canada. No securities commission or similar regulatory authority in Canada has reviewed or in any way passed upon these materials, the information contained herein or the merits of the securities described herein and any representation to the contrary is an offence.

For UK and European Investors:

MARKETING COMMUNICATION

The Seaport Group Europe LLP ("SGE") and Sea Port Group Securities (Europe) LLP ("SPGSE") are authorized and regulated by the Financial Conduct Authority. Due to their size and structure, their analysts may represent the interests of the firm or of companies referred to in its research. As a result, SGE or SPGSE does not hold its research out as being impartial. This research is non-independent and is classified as a Marketing Communication under the FCA's rule COBS 12.3.2R. As such it has not been prepared in accordance with legal requirements designed to promote the independence of investment research and it is not subject to the prohibition on dealing ahead of the dissemination of investment research in COBS 12.2.5R. However, SGE and SPGSE have adopted internal procedures which prohibit employees from dealing ahead of the publication of non- independent research, except for legitimate market making and fulfilling clients' unsolicited orders.

Analysts may forward a draft copy of the non-independent research, prior to publication, to the subject company in order to verify facts. Where such verification is sought, the analyst must remove any rating or investment summary from the non-independent research prior to forwarding it to the subject company. Any subsequent amendments to the non-independent research are to correct factual inaccuracies only. Any matters of judgment are the author's own and our analysts will not amend the non-independent research on the basis of an issuer's contrary view.

Price targets or Projections

Price targets or projections, if discussed, reflect in part the analyst's estimates for the company's earnings. The achievement of any price target or projection may be impeded by general market and macroeconomic trends, and by other risks related to the company or the market, and may not occur if the company's earnings fall short of estimate.

DISCLAIMERS

This material is: (i) for your private information, and we are not soliciting any action based upon it; (ii) not to be construed as an offer to sell or a solicitation of an offer to buy any investments or other related financial instruments in any jurisdiction where such offer or solicitation would be illegal; and (iii) is based upon information that we consider reliable, but we do not represent that it is accurate or complete, and it should not be relied upon as such.

Opinions expressed are current opinions as of the original publication date appearing on this material only and the information, including the opinions contained herein, are subject to change without notice. Members of Seaport Global may from time to time perform investment banking or other services (including acting as advisor, manager or lender) for, or solicit investment banking or other business from, companies mentioned herein. Further, members of Seaport Global, and / or its officers, directors and employees, may, from time to time, have long or short positions in, and buy or sell, the investments, securities, derivatives (including options) or other related financial instruments thereof, of companies mentioned herein, or related investments, securities, derivatives or other related financial instruments. In addition, members of Seaport Global may act as a market maker and principal, willing to buy and sell certain of the investments, securities or other related financial instruments of companies mentioned herein. Further, members of Seaport Global may buy and sell certain of the investments, securities or other related financial instruments of companies mentioned herein, as agent for its clients.

Investors should consider this report as only a single factor in making their investment decision and, as such, the report should not be viewed as identifying or suggesting all risks, direct or indirect, that may be associated with any investment decision. SGE, SPGSE and other non-US members of Seaport Global, their officers, directors and employees may, to the extent it relates to non-US issuers and is permitted by applicable law, have acted upon or used this material immediately following, its publication.

The securities described herein may not have been registered under the U.S. Securities Act of 1933 ("ACT") , and, in such case, may not be offered or sold in the United States or to U.S. persons unless they have been registered under such Act, or except in compliance with an exemption from the registration requirements of such Act.

Unless governing law permits otherwise, you must contact a Seaport Global entity in your home jurisdiction if you want to use our services in effecting a transaction in the investments, securities or other related financial instruments mentioned in this material.

This publication has been approved for distribution in the United Kingdom by The Seaport Group Europe LLP and Sea Port Group Securities (Europe) LLP, which are authorized and regulated by the Financial Conduct Authority (FCA). It is intended only for investors who are professional clients and eligible counterparties as defined by the FCA, and may not, therefore, be redistributed to other classes of investors.

The Seaport Group Europe LLP, Sea Port Group Securities (Europe) LLP and other Seaport Global entities manage conflicts identified through the following: their Chinese Wall, confidentiality and conflicts of interest policies, maintenance of a Restricted List and a Watch List, personal account dealing rules, policies and procedures for managing conflicts of interest arising from the allocation and pricing of investments, securities or other related financial instruments and disclosure to clients via client documentation.