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UPDATE REPORT

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Mesoblast (NASDAQ/MESO, ASX/MSB)

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BUY: REMESTEMCEL COVID-19 ARDS– Clearance Granted

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Mesoblast announced that it has received clearance from the United States Food and Drug Administration (FDA) for an Investigational New Drug (IND) application to treat patients with acute respiratory distress syndrome (ARDS) caused by coronavirus infection (COVID-19) with intravenous infusions of its allogeneic mesenchymal stem cell (MSC) product candidate remestemcel-L. The clearance provides a pathway for use of remestemcel-L in patients with COVID-19 ARDS, where the prognosis is very dismal, under both expanded access compassionate use and in a planned randomized controlled trial.

Investment Highlights

Remestemcel-L has potential for use in the treatment of ARDS. Recently published results from an investigator-initiated clinical study conducted in China reported that allogeneic MSCs cured or significantly improved functional outcomes in all seven treated patients with severe COVID-19 pneumonia. Mesoblast also reported that in a post-hoc analyses of a 60-patient randomized controlled study in chronic obstructive pulmonary disease (COPD), remestemcel-L infusions were well tolerated, significantly reduced inflammatory biomarkers, and significantly improved pulmonary function in those patients with elevated inflammatory biomarkers. Since the same inflammatory biomarkers are also elevated in COVID-19, these data suggest that remestemcel-L could be useful in the treatment of patients with ARDS due to COVID-19.

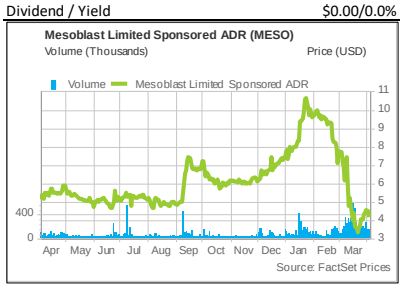
RYONCIL – Pediatric GvHD, PDUFA Sept. 30, 2020. We agree with the CEO, Dr. Itescu, that the filing is yet another milestone for the company. Mesoblast reviewed the timeline with an eye towards commercialization this year. We expect Europe to be a year behind the U.S., followed by expansion from pediatric to the adult marketplace. Additional indications (not included in our model) include Epidermolysis bullosa (EB) and Hypoxic ischemic encephalopathy (HIE). Suffice to say, success in GvHD alone, in our opinion, supports the current valuation of the company.

Hippocratic Oath – Do No Harm. Regenerative Medicine is in a unique space and often is confused and compared to CAR-T and Gene Therapy. One reoccurring theme that differentiates the Regen. Space is Risk versus Reward. We can view this as safety versus efficacy and the commercial potential for clinical success versus valuation. We feel confident that the safety profile of both allogeneic (other people's) cells and autologous (your own cells) has been very well understood and established. We see this as a differentiator in comparison to other cell and gene therapy therapeutics, where we must carefully balance the adverse events versus the efficacy (& its sustainability). We also see distressed valuations often stacked against therapeutics that are addressing blockbuster markets. Mesoblast has established a strong clinical record with a series of Phase 1, Phase 2, and now pivotal trials that have demonstrated the safety profile and which address blockbuster markets such as Heart Failure.

Current Price	**$4.20**
Price Target	**$15.00**

Estimates	F2019E	F2020E	F2021E
Expenses ($000s)	$ 97	$ 92	$ 133
1Q March	$ 28	$ 21	$ 30
2Q June	$ 27	$ 22	$ 32
3Q September	$ 23	$ 23	$ 33
4Q December	$ 19	$ 26	$ 37
	F2019E	F2020E	F2021E
EPS (diluted)	$ (0.72)	$ (0.61)	$ (0.69)
1Q March	$ (0.19)	$ (0.06)	$ (0.16)
2Q June	$ (0.05)	$ (0.17)	$ (0.16)
3Q September	$ (0.20)	$ (0.18)	$ (0.17)
4Q December	$ (0.28)	$ (0.20)	$ (0.19)
EBITDA/Share	($0.91)	($0.53)	($0.68)
EV/EBITDA (x)	-4.6	-6.5	-5.0

Stock Data	
52-Week Range	$3.12 - $10.88
Shares Outstanding (mil.)	107.5
Market Capitalization (mil.)	$451
Enterprise Value (mil.)	$480
Debt to Capital	18%
Book Value/Share	$6.02
Price/Book	1.1
Average Three Months Trading Volume (K)	102
Insider Ownership	23.1%
Institutional Ownership	30.9%
Short interest (mil.)	0.1%
Dividend / Yield	$0.00/0.0%



Heart Failure (HF) is a Blockbuster Opportunity. Advanced stage and end-stage heart failure impact more than eight million people in the U.S. alone. Treatment options today tend to work on easing symptoms with just a modest effect on the therapeutic course of the disease. Advanced stage heart failure has the highest event rate, costing the U.S. healthcare system $115B per year and accounts for more than two-thirds of all hospital expenditures. Mesoblast is close to completing its Phase 3 trial of Revascor in HF. This is an event-driven trial, and the trial has now surpassed the number of events required (for trial completion). Final study visits for patients should occur this or next month.

A New Treatment Paradigm in Back Pain – Moving Beyond Steroids and Opiates. From the time man crawled out of the primordial ooze and stood upright as a biped, back-pain followed. Chronic lower back pain (CLBP) likely results in more disabilities than just about any other condition. With the recognition of the hazards of prescribing opiates to treat pain (the symptom), versus addressing the underlying cause, such as a herniated disc and in its final stages spinal fusion (surgery), a new modality is needed. Mesoblast's CLBP could be the solution, literally swapping cells for steroids for injection into the intra-vertebral space, supporting repair of the underlying cause, disc herniation, and the resulting inflammation.

The Achilles Heel of Cell Therapy - Manufacturing, Manufacturing, and Manufacturing. Mesoblast has been working with Lonza (LZAGY-Not rated) on developing and perfecting the process for manufacturing. Tightly controlling the doublings and number of passages, without compromising cell integrity. Given the size of the markets (CHF, DDD), the ability to have an off-the-shelf ready product is likely to be a key area of concern for the regulators. We have carefully noted over the years, the effort behind the process, and the time and resources that Mesoblast has allocated with Lonza to achieve production goals. What's important to understand is that as an allogenic product, the process, while arduous, is not comparable to the obstacles presented in gene Therapy and or the CAR-T space.

3 X 3 - Commercialization is Right Around the Corner. With three products in Phase 3 trials, commercialization is coming soon. Add it up, the low risk of adverse events, the ability to manufacture millions of doses, and the unmet medical needs in blockbuster market opportunities such as H.F. and DDD. We could see an industry shift as regenerative Medicine is recognized.

Efficiently Raising the Capital to Get There – Multiple Levers to Pull. Mesoblast has already accomplished what no other regenerative medicine company has done, in terms of capital raising through a range of methods from a who's who list of partnerships, creative loans, and smart raises down under (Australia) with an eye towards managing shareholder value and dilution. Along the way, the company is building institutional relationships from its retail base established in their home country and here too. We are not concerned about the transition we see ahead (retail to institutional), which we believe is data-driven, exactly as it was for the CAR-T companies like Kite (KITE-Not rated), Juno (JUNO-Not rated) and BlueBird (BLUE Not Rated).

Partnerships. The most recent addition to Mesoblast's ever-growing list of partnerships is Grunenthal (ALM-Spain – Not rated) for Europe & Latin America. Roughly Grunenthal agreed to $150M in upfront payments and milestones ($45M in year one with $15M on signing) for DDD indication. The deal follows the Tasly Pharmaceuticals (600535-Shanhai – Not Rated) partnership for China. Back in 2011 a manufacturing partnership with Lonza (facility is on the ground in Singapore) and in 2010, the first partnership with cephalon (CEPH-Not Rated, acquired by Teva-Teva Not rated) which supported the CHF program until Teva as (in our opinion), as result of Teva's own internal chaos, terminated the partnership relinquishing all rights after investing millions and initiating the pivotal CHF program.

Valuation. This is a complex discussion in terms of how does one value a company with both a commercially approved product, multiple partnerships, and 3 x 3 (three products in three pivotal trials, GvHD, Back Pain, and CHF). We model each product out to 2030. We provide a detailed explanation of our assumptions (pricing, timing) for each therapeutic model, and then "haircut" our estimates by a probability of success factor, based on the clinical stage of development and our assessment of the indication. For well-established companies with highly predictable revenues, we typically select a risk rate (r) of 10 percent, for early-stage growth companies like Mesoblast, we select our maximum risk rate of 30%. We assume dilution (we never let the projected balance sheet go negative) and use a fully diluted 2030 projected share count. These factors are then applied to our Free Cash Flow to the Firm (FCFF), Discounted EPS (dEPS), and Sum-of-the-Parts (SOP) models, which are equally weighted and rounded to the nearest whole number to derive a $15.00 price target.

How Does Clinical Success Change the Projected Valuation? For example, we assume just a 40% success probability in the CHF indications (even though the trial is pivotal). If Mesoblast announces positive clinical data, it suggests the probability goes up. At 100%, this change alone would drive a substantially higher valuation target.

Risk to our thesis, include the following: (1) clinical and regulatory; (2) commercial; (3) employee; (4) financial; (5) legal and intellectual property; and (6) partnership. We review these and other risks in the risk section of this report.

Modeling Assumptions for GVHD (Remestemcel-L)

1. We assume a 2% annual market size growth for all patients with GvHD.
2. We assume the cost of therapy for GvHD is $250,000 in the U.S. and will decrease to $212,200 by 2030.
3. We assume the cost of therapy for GvHD is $230,000 in the E.U. and will decrease to $195,224 by 2030.
4. We assume the cost of therapy for GvHD in Japan will decrease to $125,000 by 2030.
5. We assume market share penetration for pediatric GvHD in the U.S. will be 3% in 2019 and increase to 85% by 2030.
6. We assume market share penetration for adult GvHD in the U.S. will be 25% beginning in 2022 and will increase to 85% by 2030.
7. We assume market share penetration for pediatric GvHD in the E.U. will be 3% in 2019 and increase to 85% by 2030.
8. We assume market share penetration for adult GvHD in the E.U. will be 25% beginning in 2022 and increase to 85% by 2030.
9. We assume market share penetration for GvHD in Japan to be 30% by 2030.
10. We assume the probability of success for all GvHD patients is 70%.

Exhibit 1. GvHD Model(s)

Pediatric GvHD - USA	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Allogenic Stem Cell Transplants	16000	16320	16647	16980	17319	17666	18019	18379	18747	19122	19504
Market Size Growth (Annual)	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Ped. & Adult Acute GvHD (grades II-IV)	8679	8853	9030	9210	9394	9582	9774	9969	10169	10372	10580
Pediatric Steroid Refractory Acute GvHD (Grades II-IV)	672	686	699	713	728	742	757	772	787	803	819
Market Share Penetration	0.0%	25.0%	50.0%	75.0%	85.0%	85.0%	85.0%	85.0%	85.0%	85.0%	85.0%
Number of Patients Procedures	0	171	350	535	618	631	643	656	669	683	696
Cost of Therapy	$ 250,000	$ 250,000	$ 250,000	$ 247,500	$ 235,125	$ 223,369	$ 212,200	$ 212,200	$ 212,200	$ 212,200	$ 212,200
Price Change	0%	0%	0%	-1%	-5%	-5%	-5%	0%	0%	0%	0%
Probability of Success	70%	70%	70%	70%	70%	70%	70%	70%	70%	70%	70%
Pediatric Acute GvHD Grades II-IV Revenues (M)	$ -	$ 30	$ 61	$ 93	$ 102	$ 99	$ 96	$ 97	$ 99	$ 101	$ 103

Adult GvHD - USA	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Allogenic Stem Cell Transplants	16000	16320	16647	16980	17319	17666	18019	18379	18747	19122	19504
Market Size Growth (Annual)	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Ped. & Adult Acute GvHD (grades II-IV)	8679	8853	9030	9210	9394	9582	9774	9969	10169	10372	10580
Adult Steroid Refractory (liver involvement / high risk, Grades II-IV)	1605	1637	1670	1704	1738	1772	1808	1844	1881	1919	1957
Market Share Penetration	0.0%	0.0%	25.0%	50.0%	75.0%	85.0%	85.0%	85.0%	85.0%	85.0%	85.0%
Number of Patients Procedures	0	0	418	852	1,303	1,507	1,537	1,567	1,599	1,631	1,663
Cost of Therapy	$ 250,000	$ 250,000	$ 250,000	$ 247,500	$ 235,125	$ 223,369	$ 212,200	$ 212,200	$ 212,200	$ 212,200	$ 212,200
Price Change	0%	0%	0%	-1%	-5%	-5%	-5%	0%	0%	0%	0%
Probability of Success	70%	70%	70%	70%	70%	70%	70%	70%	70%	70%	70%
Adult Acute GvHD Revenues (M)	$ -	$ -	$ 73	$ 148	$ 214	$ 236	$ 228	$ 233	$ 237	$ 242	$ 247

Pediatric GvHD - EU	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Allogenic Stem Cell Transplants	20233	20637	21050	21471	21900	22338	22785	23241	23706	24180	24663
Market Size Growth (Annual)	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Ped. & Adult Acute GvHD (grades II-IV)	10723	10938	11157	11380	11607	11840	12076	12318	12564	12815	13072
Pediatric Steroid Refractory Acute GvHD (Grades II-IV)	555	566	577	588	600	612	624	637	650	663	676
Market Share Penetration	0.0%	25.0%	50.0%	75.0%	85.0%	85.0%	85.0%	85.0%	85.0%	85.0%	85.0%
Number of Patients Procedures	0	141	288	441	510	520	531	541	552	563	575
Cost of Therapy	$ 230,000	$ 230,000	$ 230,000	$ 227,700	$ 216,315	$ 205,499	$ 195,224	$ 195,224	$ 195,224	$ 195,224	$ 195,224
Price Change	0%	0%	0%	-1%	-5%	-5%	-5%	0%	0%	0%	0%
Probability of Success	70%	70%	70%	70%	70%	70%	70%	70%	70%	70%	70%
Pediatric Acute GvHD Grades II-IV Revenues (M)	$ -	$ 23	$ 46	$ 70	$ 77	$ 75	$ 73	$ 74	$ 75	$ 77	$ 79

Adult GvHD - EU	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Allogenic Stem Cell Transplants	20233	20637	21050	21471	21900	22338	22785	23241	23706	24180	24663
Market Size Growth (Annual)	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Ped. & Adult Acute GvHD (grades II-IV)	10723	10938	11157	11380	11607	11840	12076	12318	12564	12815	13072
Adult Steroid Refractory (liver involvement / high risk, Grades II-IV)	2094	2136	2179	2223	2267	2312	2359	2406	2454	2503	2553
Market Share Penetration	0.0%	0.0%	25.0%	50.0%	75.0%	85.0%	85.0%	85.0%	85.0%	85.0%	85.0%
Number of Patients Procedures	0	0	545	1,111	1,700	1,965	2,005	2,045	2,086	2,127	2,170
Cost of Therapy	$ 230,000	$ 230,000	$ 230,000	$ 227,700	$ 216,315	$ 205,499	$ 195,224	$ 195,224	$ 195,224	$ 195,224	$ 195,224
Price Change	0%	0%	0%	-1%	-5%	-5%	-5%	0%	0%	0%	0%
Probability of Success	70%	70%	70%	70%	70%	70%	70%	70%	70%	70%	70%
Adult Acute GvHD Revenues (M)	$ -	$ -	$ 88	$ 177	$ 257	$ 283	$ 274	$ 279	$ 285	$ 291	$ 297

GvHD - Japan	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
Allogenic Stem Cell Transplants	4085	4167	4250	4335	4422	4510	4600	4692	4786	4882	4980
Market Size Growth (Annual)	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Ped. & Adult Acute GvHD (grades II-IV)	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%
Number of Patients Procedures	1,430	1,458	1,488	1,517	1,548	1,579	1,610	1,642	1,675	1,709	1,743
Market Share Penetration	14.0%	16.0%	20.0%	24.0%	30.0%	34.0%	36.0%	38.0%	40.0%	42.0%	44.0%
Number of Patients Procedures	200	233	298	364	464	537	580	624	670	718	767
Cost of Therapy	$ 170,000	$ 150,000	$ 150,000	$ 150,000	$ 125,000	$ 125,000	$ 125,000	$ 125,000	$ 125,000	$ 125,000	$ 125,000
Revenues	$ 34	$ 35	$ 45	$ 55	$ 58	$ 67	$ 72	$ 78	$ 84	$ 90	$ 96
Japan Annual Royalty/Revenues to Mesoblast: 20%	$ 6.8	$ 7.0	$ 8.9	$ 10.9	$ 11.6	$ 13.4	$ 14.5	$ 15.6	$ 16.8	$ 17.9	$ 19.2
% Growth (qtrly)	376%	3%	28%	22%	6%	16%	8%	8%	7%	7%	7%

Source: Dawson James Estimates

Valuation: Our valuation methodology begins with our projected revenues from our product models. We apply assumptions for the timing of approval, launch dates, and product attributes to estimate revenues. These estimates feed into our income statement through the year 2030. The result of these projections is then fed into our income statement projections. Our price target is derived from an equal-weighted average of free cash flow to the firm (FCFF), discounted EPS (EPS), and sum-of-the-parts (SOP) models. A 30% discount is then applied and rounded to the nearest whole number to derive our price target. A higher risk rate of 30% is applied (vs. 15% or 10%) since Mesoblast is a microcap company with drug candidates in clinical trials that have yet to gain FDA approval.

Exhibit 2. Free Cash Flow Model

Average	$	15
Price Target	$	16
Year		2020

DCF Valuation Using FCF (mln):

units (millions - $)	2018A	2019A	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
EBIT	(66)	(105)	(74)	(96)	(58)	103	499	1,025	2,396	3,419	4,374	4,402	4,429
Tax Rate	0%	0%	3%	0%	0%	15%	25%	30%	35%	36%	36%	36%	36%
EBIT(1-t)	(66)	(105)	(72)	(96)	(58)	87	375	717	1,557	2,188	2,800	2,817	2,835
CapEx													
Depreciation													
Change in NWC													
FCF	(66)	(105)	(72)	(96)	(58)	87	375	717	1,557	2,188	2,800	2,817	2,835
PV of FCF	(111)	(137)	(72)	(74)	(34)	40	131	193	323	349	343	266	206
Discount Rate	30%												
Long Term Growth Rate	1%												
Free Cash Flow	9,873												
Terminal Value YE 2030	716												
NPV	2,387												
NPV-Debt	84												
Shares out (M)	144	2030E											
NPV Per Share	$ 16												

Source: Dawson James

Exhibit 3. Discounted-EPS Model

		2020
Year of EPS		2030
Earnings Multiple		10
Discount Factor		30%
Selected Year EPS	$	19.63
NPV	$	14

		Discount Rate and Earnings Multiple Varies, Year is Constant 2030 EPS					
		10%	15%	20%	25%	30%	35%
Earnings Multiple	1	$7.57	$4.85	$3.17	$2.11	$1.42	$ 0.98
	5	$37.84	$24.26	$15.85	$10.54	$7.12	$ 4.88
	10	$75.68	$48.52	$31.70	$21.08	$14.24	$ 9.76
	15	$113.52	$72.78	$47.55	$31.61	$21.36	$ 14.64
	20	$151.36	$97.04	$63.40	$42.15	$28.48	$ 19.53
	25	$189.20	$121.30	$79.26	$52.69	$35.60	$ 24.41
	30	$227.04	$145.56	$95.11	$63.23	$42.72	$ 29.29
	35	$264.88	$169.82	$110.96	$73.77	$49.83	$ 34.17

Source: Dawson James

Exhibit 4. Sum-of-the-Parts Model

Mesoblast Sum of the Parts	LT Gr	Discount Rate	Yrs. to Mkt	% Success	Peak Sales MM's	NPV
Revascor - CHF (Class II - III) U.S.	1%	30%	5	25%	$5,152	$17,766
NPV						$4.14
Revascor - CHF - LVAD: Class IV	1%	30%	2	25%	$361	$1,246
NPV						$0.64
Revascor - CHF (Class II - III) EU	1%	30%	6	25%	$3,895	$13,431
NPV						$2.41
Acute Pediatric GvHD - U.S.	1%	30%	1	70%	$142	$490
NPV						$0.91
Acute Adult GvHD U.S.	1%	30%	3	70%	$319	$1,101
NPV						$1.21
Acute Pediatric GvHD - E.U.	1%	30%	2	70%	$108	$372
NPV						$0.53
Acute Adult GvHD E.U.	1%	30%	3	70%	$383	$1,322
NPV						$1.46
CLBD-DDD U.S.	1%	30%	2	30%	$984	$3,392
NPV						$2.08
TEMCELL	1%	10%	0	75%	$20	$222
NPV						$0.58
Other Indications	1%	30%	5	30%	$0	$0
NPV						$0.00
Net Margin						50%
MM Shrs OS					2030E	144
Total						$14

Source: Dawson James

Exhibit 5. Income Statement

Mesoblast, Inc. Income Statement (M)		Sept.	Dec.	March	June											
Mesoblast: YE June 30	**2019A**	**1Q20A**	**2Q20**	**3Q20**	**4Q20**	**2020E**	**2021E**	**2022E**	**2023E**	**2024E**	**2025E**	**2026E**	**2027E**	**2028E**	**2029E**	**2030E**
Milestone / Partnership Revenues	14	15														
% Sequential Growth																
Revasco in CHF U.S.		-	-	-	-	-	-	-	-	204	511	1,024	1,541	2,061	2,067	2,073
% Sequential Growth																
Revascor in CHF; EU	-	-	-	-	-	-	-	-	-	-	-	664	1,110	1,558	1,563	1,567
% Sequential Growth																
Discogenic Disc Chronic Lower Back (U.S.)							-	-	139	279	421	566	627	689	693	698
% Sequential Growth																
Remestemcel-L GvHD - USA - Pediatric	1		-	-	-	-	30	61	93	102	99	96	97	99	101	103
% Sequential Growth																
Remestemcel-L GvHD - USA - Acute Adult	-	-	-	-	-	-	-	-	-	71	139	201	219	224	228	233
% Sequential Growth																
Remestemcel-L GvHD - EU Pediatric	-		-	-	-	-	-	19	47	77	75	73	74	75	77	77
% Sequential Growth																
Remestemcel-L GvHD - EU Acute Adult	-	-	-	-	-	-	-	-	-	-	83	161	247	268	274	279
% Sequential Growth																
Product Revenues	**15**	**15**	**-**	**-**	**-**	**15**	**30**	**80**	**278**	**733**	**1,327**	**2,784**	**3,914**	**4,974**	**5,003**	**5,031**
TemCell GvHD - Japan Adult & Pediatric	1	2	2	2	2	7	7	9	11	12	13	14	16	17	18	19
Product & Royalty Revnues	**17**	**17**	**2**	**2**	**2**	**22**	**37**	**89**	**289**	**745**	**1,341**	**2,799**	**3,930**	**4,991**	**5,021**	**5,050**
Expenses																
MesoBlast COGS	-					-	9	16	56	110	186	278	391	497	500	503
COGS % Sales	0%	0%	0%	0%	0%	0%	30%	-20%	-20%	-15%	-14%	-10%	-10%	-10%	-10%	-10%
R&D	60	13	15	16	19	63	66	69	73	76	73	69	65	66	67	67
Manufacturing & Commercialization	15	3	4	4	6	16	32	26	21	20	19	18	18	17	16	16
Management & Adminastration	22	5	3	3	1	13	25	36	37	39	38	38	37	36	35	35
Total expenses	**97**	**21**	**22**	**23**	**26**	**92**	**133**	**147**	**186**	**245**	**316**	**403**	**511**	**617**	**619**	**621**
Oper. Inc. (Loss)	(80)	(4)	(20)	(21)	(24)	(70)	(96)	(58)	103	499	1,025	2,396	3,419	4,374	4,402	4,429
Oper Margin																
Fair Value Remeasurement (contingent consideration)	(6)	0														
Finance Cost/Interest Expense		0														
Changes in the fair value of available-for-sale financial assets																
Exchange differences on translation of foreign operations	(1)															
Interest Payments	(11)	3	-	-	-	3	-			-	-	-	-	-	-	-
Other comprehensive loss/income for the period, net of tax																
Total other income	(20)	4	-	-	-	4	-	-	-	-	-	-	-	-	-	-
Pre-tax income	**(105)**	**(8)**	**(20)**	**(21)**	**(24)**	**(74)**	**(96)**	**(58)**	**103**	**499**	**1,025**	**2,396**	**3,419**	**4,374**	**4,402**	**4,429**
Pretax Margin																
Tax benefit (or expense)	9	2	-	-	-	2	-	-	(15)	(125)	(307)	(838)	(1,231)	(1,575)	(1,585)	(1,595)
Tax Rate		0%	0%	0%	0%	3%	0%	0%	15%	25%	30%	35%	36%	36%	36%	36%
Net Income	**(97)**	**(6)**	**(20)**	**(21)**	**(24)**	**(72)**	**(96)**	**(58)**	**87**	**375**	**717**	**1,557**	**2,188**	**2,800**	**2,817**	**2,835**
Net Margin																
EPS	**$ (0.72)**	**$ (0.06)**	**$ (0.17)**	**$ (0.18)**	**$ (0.20)**	**$ (0.61)**	**$ (0.69)**	**$ (0.41)**	**$ 0.62**	**$ 2.66**	**$ 5.07**	**$ 10.96**	**$ 15.33**	**$ 19.54**	**$ 19.59**	**$ 19.63**
Non GAAP EPS (dil)																
Wgtd Avg Shrs (Bas) - '000s	106	106	119	119	119	116	139	140	140	141	142	142	143	143	144	144
Wgtd Avg Shrs (Dil) - '000s	106	106	119	119	119	116	139	140	140	141	142	142	143	143	144	144

Source: Dawson James

Risk Analysis
In addition to the typical risks associated with development stage specialty pharmaceutical companies, potential risks specific to Mesoblast are as follows:

Clinical and regulatory risk. Lead products must start and complete clinical trials. Trials may not produce results sufficient for regulatory approval.

Commercial risk. There are no assurances that the company will be able to secure favorable pricing, commercially launch products, and achieve significant market share to become profitable.

Employee risk. Mesoblast. has an experienced and dedicated management team, many of whom have been with the company since its founding. The company plans to bring its proposed products to market in the next two years, and as such, transitioning from a clinical to a commercial team will be a critical success factor. The success of the business may depend on the experience, abilities, and continued services of its senior officers, sales staff, and key scientific personnel.

Financial risk. The company may need to raise capital in the marketplace in order to support operations. There are no assurances that the company will be able to successfully raise capital and or do so on favorable terms.

Legal and intellectual property risk. The company may have to defend its patents and technical know-how, and there can be no assurances that the patents will not be infringed or will be held as valid if challenged, and or that the company may infringe on third party's patents.

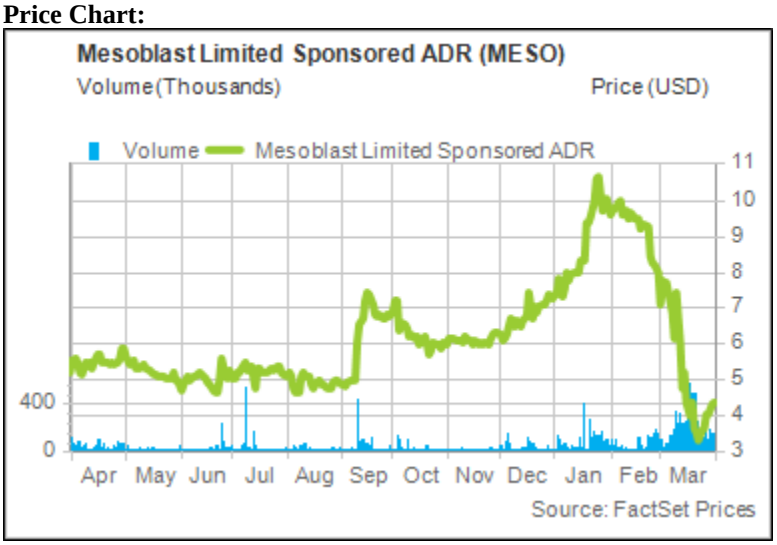
Partnership risk. Mesoblast may seek partnerships for clinical development support and commercialization. We have no specific knowledge of any discussions with possible partners today, and there can be no assurances that the company will be able to secure a favorable partnership.

Important Disclosures:

Companies that May Be Mentioned in this report which Mesoblast has worked with or which maybe relative to Mesoblast include the list below. None of these companies are rated.

BlueBird
Cephalon
Grunethal
JCR Pharma
Juno
Kite
Lonza
Osiris
Takeda (which acquired Tigenix)
Teva
Tasly

Price Chart:



Price target and rating changes over the past three years:

Initiated – Buy – December 19, 2019 – Price Target $14.00
Update – Buy – January 16, 2020 – Price Target $14.00
Update – Buy – January 28, 2020 – Price Target $15.00
Update – Buy – February 3, 2020 – Price Target $15.00
Update – Buy – February 28, 2020 – Price Target $15.00
Update – Buy – March 10, 2020 – Price Target $15.00
Update – Buy – April 1, 2020 – Price Target $15.00
Update – Buy – April 6, 2020 – Price Target $15.00

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Information about valuation methods and risks can be found in the "STOCK VALUATION" and "RISK ANALYSIS" sections of this report.

The securities of the company discussed in this report may be unsuitable for investors depending on their specific investment objectives and financial position. This report is offered for informational purposes only and does not constitute an offer or solicitation to buy or sell any securities discussed herein in any jurisdiction where such would be prohibited. Additional information is available upon request.

Rating Definitions:

1) **Buy**: The analyst believes the price of the stock will appreciate and produce a total return of at least 20% over the next 12-18 months;
2) **Neutra**l: The analyst believes the price of the stock is fairly valued for the next 12-18 months;
3) **Sel**l: The analyst believes the price of the stock will decline by at least 20% over the next 12-18 months and should be sold.

The following chart reflects the range of current research report ratings for all companies followed by the analysts of the Firm. The chart also reflects the research report ratings relating to those companies for which the Firm has performed investment banking services.

	Company Coverage		Investment Banking	
Ratings Distribution	# of Companies	% of Total	# of Companies	% of Totals
Market Outperform (Buy)	22	85%	3	14%
Market Perform (Neutral)	4	15%	1	25%
Market Underperform (Sell)	0	0%	0	0%
Total	26	100%	4	15%

Analyst Certification:

The analyst(s) whose name appears on this research report certifies that 1) all of the views expressed in this report accurately reflect his (their) personal views about any and all of the subject securities or issuers discussed; and 2) no part of the research analyst's compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed by the research analyst in this research report; and 3) all Dawson James employees, including the analyst(s) responsible for preparing this research report, may be eligible to receive non-product or service specific monetary bonus compensation that is based upon various factors, including total revenues of Dawson James and its affiliates as well as a portion of the proceeds from a broad pool of investment vehicles consisting of components of the compensation generated by investment banking activities, including but not limited to shares of stock and/or warrants, which may or may not include the securities referenced in this report.