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## Celsion Corporation (NASDAQ/CLSN)

May 24, 2021

### Reports First-Quarter Results with \$54M in Cash – We Remain Neutral on the Stock

*Celsion today has cash and a new focus in Ovarian Cancer. The study data is still early (Phase 1), but early results do show some promise, which we profile below. Given the cash balance of \$54M and market cap today of \$100M, coupled with the shift in focus to Ovarian cancer, we are hopeful the stock has now stabilized.*

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### Investment Highlights

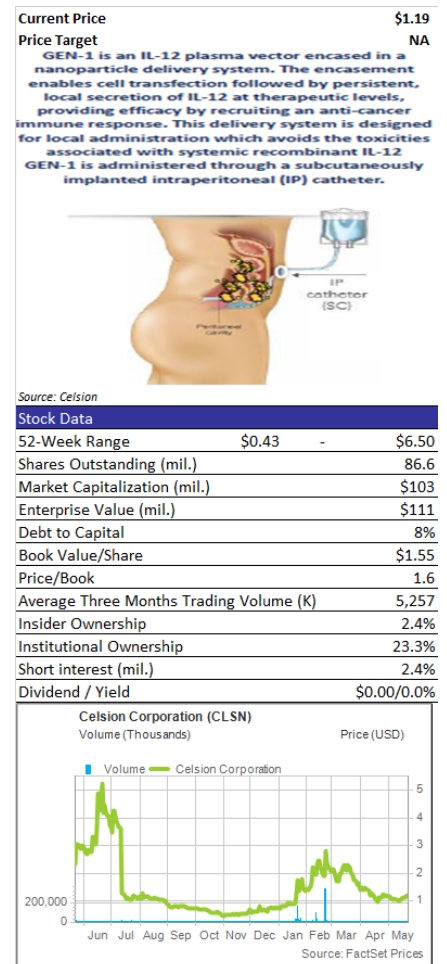
OVATION Update: Celsion announced Interim Clinical data on the OVATION 2 (Phase 1/2 Study with GEN-1 in Patients with Advanced Ovarian Cancer. The OVATION 2 Study combines GEN-1 with standard-of-care neoadjuvant chemotherapy (NACT) in patients newly diagnosed with Stage III/IV ovarian cancer. NACT is designed to shrink the cancer as much as possible for optimal surgical removal after three cycles of chemotherapy. Following NACT, patients undergo interval debulking surgery, followed by three adjuvant cycles of chemotherapy and up to nine additional weekly GEN-1 treatments, the goal of which is to delay disease progression and improve overall survival. To date, the Company has enrolled more than 40% of the anticipated 110 patients to be enrolled into the OVATION 2 Study. Currently, 28 patients have had their interval debulking surgery with the following results:

- 13 of 16 patients, or 81%, treated with GEN-1 had a R0 resection, which indicates a microscopically margin-negative complete resection in which no gross or microscopic tumor remains in the tumor bed;
- Seven of 12 patients, or 58%, in the control arm had an R0 resection; and,
- These interim data represent a 41% improvement in R0 resection rates for GEN-1 patients compared with control arm patients and are consistent with the reported improvement in resection scores noted in the encouraging Phase I OVATION 1 Study, the manuscript of which has been submitted for peer-review publication.

**Celsion Raised Capital:** The company had two registered direct offerings (common shares) - totaling \$50 million in gross proceeds.

**Valuation:** Last July, we lowered our rating to Hold based on the lack of visibility with ThermoDox and removed our price target. As we have previously noted, Celsion's success as a company, in our opinion, has been dependent on the clinical outcomes for ThermoDox (which now looks grim) and GEN-1. Our therapeutic models are risk-adjusted. For the U.S. for ThermoDox, we previously used a 75% risk rate (25% probability of success), which we now reduce to zero. For GEN-1, we assume just a 10% probability of success.

**Risk Analysis:** Risks include (1) commercial; (2) regulatory; (3) clinical; (4) manufacturing; (5) financial; (6) liability; and (7) intellectual property.



**Exhibit 1. Income Statement**

Celsion Corporation.: Income Statement (\$'000)																	
YE December 31	2018A	2019A	2020A	1Q21A	2Q21E	3Q21E	4Q21E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
<b>Product sales</b>																	
Hepatocellular Carcinoma: (US) (ThermoDox)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Hepatocellular Carcinoma: (China) (ThermoDox)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ovarian Cancer (Gen-1)	-	-	-	-	-	-	-	-	-	-	-	2,648	5,403	11,023	14,056	15,772	17,552
Glioblastoma (pre-clinical)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Non-Muscle Invasive bladder cancer (Pre-clinical)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Licensing Revenue</b>	500	500	500	125				125									
<b>Total Product Sales</b>	500	500	500	125				125				2,648	5,403	11,023	14,056	15,772	17,552
<b>Operating Expenses</b>																	
Cost of Goods Sold												344	648	1,102	984	789	878
											15%	14%	13%	12%	10%	7%	5%
Research and Development	11,866	13,065	11,345	2,572	2,978	2,978	3,097	11,912	12,508	13,133	13,790	14,479	15,203	15,963	16,761	17,600	18,480
General and Administrative	9,700	8,000	7,642	2,937	2,000	1,500	1,500	7,937	8,334	8,750	9,188	9,647	10,130	10,636	11,168	11,726	12,313
Acquisition Costs																	
<b>Total expenses</b>	21,565	21,065	18,986	5,508	4,978	4,478	4,597	19,849	20,841	21,883	22,976	24,471	25,981	27,702	28,913	30,114	31,670
<b>Operating Income (Loss)</b>	(21,065)	(20,565)	(18,486)	(5,508)	(4,978)	(4,478)	(4,597)	(19,849)	(20,841)	(21,883)	(22,976)	(21,822)	(20,578)	(16,679)	(14,857)	(14,342)	(14,118)
Investment income, net	354	501		(151)	(151)	(151)	(151)	(604)	(604)	(604)	(604)	(604)	(604)	(604)	(604)	(604)	(604)
Interest expense	(712)	(1,393)	(1,300)	(158)	(158)	(158)	(158)	(630)	(630)	(630)	(630)	(630)	(630)	(630)	(630)	(630)	(630)
Gain (loss) from change in valuation of common stock warrant liability			(2,370)														
Loss from impairment of in-process research and development	(4,510)		120														
Other income (expense)	0	29	(1,292)	1	1	1	1	2	2	2	2	2	2	2	2	2	2
Loss from valuation of earn-out milestone liability	3,631	3,189		2	2	2	2	10	10	10	10	10	10	10	10	10	10
Fair value of warrants issued in connection with amendment		(400)															
<b>Total other income</b>	(1,237)	29	(1,164)	(306)	(306)	(306)	(306)	(1,223)	(1,223)	(1,223)	(1,223)	(1,223)	(1,223)	(1,223)	(1,223)	(1,223)	(1,223)
<b>Pretax Income</b>	(22,302)	(18,668)	(23,329)	(5,689)	(5,284)	(4,784)	(4,903)	(20,659)	(22,064)	(23,106)	(24,200)	(23,045)	(21,801)	(17,901)	(16,080)	(15,565)	(15,340)
Income Tax Benefit (Provision)	10,419	1,816	1,846									(1,210)	(2,305)	(3,270)	(3,580)	(4,020)	(4,047)
<b>Tax Rate</b>										0%	5%	10%	15%	20%	25%	26%	27%
<b>GAAP Net Income (loss)</b>	(11,883)	(16,852)	(21,484)	(5,689)	(5,284)	(4,784)	(4,903)	(20,659)	(22,064)	(23,106)	(22,990)	(20,741)	(18,531)	(14,321)	(12,060)	(11,518)	(11,199)
Deemed dividend related to warrant modification																	
<b>Net Income attributable to common shareholders(loss)</b>	(11,883)																
<b>Basic and Diluted</b>	(0.68)																
<b>GAAP-EPS</b>	(0.68)	(0.77)	(0.67)	(0.09)	(0.08)	(0.07)	(0.07)	(0.31)	(0.33)	(0.3)	(0.3)	(0.3)	(0.3)	(0.2)	(0.2)	(0.2)	(0.2)
GAAP EPS (dil)		(0.77)	(0.67)	(0.09)	(0.08)	(0.07)	(0.07)	(0.31)	(0.33)	(0.3)	(0.3)	(0.3)	(0.3)	(0.2)	(0.2)	(0.2)	(0.2)
Wgtd Avg Shrs (Bas) - '000s	17,583	21,832	31,961	66,298	66,364	66,431	66,497	66,398	66,564	66,730	66,897	67,065	67,232	67,401	67,569	67,738	67,908
Wgtd Avg Shrs (Dil) - '000s	17,583	21,832	31,961	66,298	66,364	66,431	66,497	66,398	66,564	66,730	66,897	67,065	67,232	67,401	67,569	67,738	67,908

Source: Dawson James estimates, company reports

**Important Disclosures:**

**Price Chart:**



**Price target and rating changes over the past three years:**

- Initiated – Buy – August 5, 2019 – Price Target \$4.00
- Update – Buy – August 14, 2019 – Price Target \$4.00
- Update – Buy – August 19, 2019 – Price Target \$4.00
- Update – Buy – November 5, 2019 – Price Target \$4.00
- Update – Buy – February 6, 2020 – Price Target \$4.00
- Update – Buy – April 16, 2020 – Price Target \$4.00
- Update – Buy – May 18, 2020 – Price Target \$4.00
- Price Target Change – Buy – June 25, 2020 – Price Target Increase from \$4.00 to \$5.00
- Rating Change – Buy to Hold – July 25, 2020 – Price Target Removed
- Update – Neutral (Hold) – May 24, 2021 – Price Target NA

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- 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) **Neutral:** The analyst believes the price of the stock is fairly valued for the next 12-18 months;
- 3) **Sell:** 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.

As of: 17-May-21

Ratings Distribution	Company Coverage		Investment Banking	
	# of Companies	% of Total	# of Companies	% of Totals
Market Outperform (Buy)	24	71%	5	21%
Market Perform (Neutral)	10	29%	0	0%
Market Underperform (Sell)	0	0%	0	0%
Total	34	100%	5	15%

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