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Lineage Cell Therapeutics (NYSE/LCTX)

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BUY: Reports the Quarter on Thursday

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Lineage announced that the company plans to report its fourth quarter and full year 2021 financial and operating results on Thursday, March 10, 2022, following the close of the U.S. financial markets. Lineage management will also host a conference call and webcast on Thursday, March 10, 2022, at 4:30 p.m. Eastern Time/1:30 p.m. Pacific Time to discuss its fourth quarter and full year 2021 financial and operating results and to provide a business update.

Investment Highlights

How's it Going with Roche? Recall that in December Lineage announced a deal for the OpRegen program (retinal pigment epithelium cell therapy). Under the terms of the collaboration, agreement Lineage is to complete activities related to the ongoing clinical study, for which enrollment is complete, and perform certain manufacturing activities. Genentech will pay Lineage a \$50 million upfront payment, and Lineage is eligible to receive up to \$620 million in additional development, approval, and sales milestones, as well as double-digit royalties. Genentech will assume responsibility for further clinical development and commercialization of Lineage's OpRegen program, which is currently being evaluated in a Phase 1/2a open-label, dose-escalation clinical safety and efficacy study in patients with advanced dry AMD with GA. Recall that Genentech (part of Roche) has a dominant franchise in macular degeneration with its Lucentis (Avastin) product.

Is the Data behind OpRegen good? The data suggests that the outer retinal layer restoration was observed using clinical high-resolution Optical Coherence Tomography (OCT), was evidenced by the presence of new areas of retinal pigment epithelium (RPE) monolayer with overlying ellipsoid zone, external limiting membrane, and outer nuclear layer, which were not present at the time of baseline assessment. **These new and additive findings continue to support the Company's view that atrophic AMD is not an irreversible, degenerative condition and that some portion of diseased retinal tissue may be recoverable**

Valuation: Our valuation for Lineage is principally driven by the opportunity in Dry AMD, narrowed down further by a sub-set of patients with GA. Our model does include modest revenues from the SCI product and from Renevia, but as previously stated, the majority of the valuation is driven by OpRegen. We assume just a 30% probability of success in Dry AMD and SCI, which drives our \$6.00 target.

Risks to our thesis include: (1) clinical trial; (2) commercial; (3) employee; (4) financial; (5) intellectual property; (6) partnership; and (7) regulatory.


 Source: Lineage
OPC1 Transplant Procedure

Current Price			
Current Price			\$1.26
Price Target			\$6.00
Stock Data			
52-Week Range	\$1.26	-	\$3.00
Shares Outstanding (mil.)			168.6
Market Capitalization (mil.)			\$212
Enterprise Value (mil.)			\$193
Debt to Capital			0%
Book Value/Share			\$1.28
Price/Book			2.8
Average Three Months Trading Volume (K)			1,330
Insider Ownership			0.4%
Institutional Ownership			49.6%
Short interest (mil.)			0.1
Dividend / Yield			\$0.00/0.0%

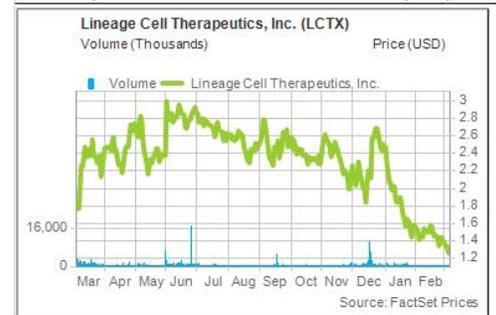


Exhibit 1. Income Statement

Lineage: Income Statement (\$000)															
YE December 31	2019A	2020A	1Q21A	2Q21A	3Q21A	4Q21E	2021A	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E
Spinal Cord Injury Therapy		-	-	-	-	-	-	-	-	5,965	12,170	18,621	31,660	48,444	97,857
Dry Macular Degeneration			-	-	-	-	-	-	674,532	1,030,069	1,396,272	1,772,071	2,156,441	2,600,414	2,971,902
Renevia		-						1,504	12,034	17,327	23,581	27,067	27,065	27,062	26,791
Net revenue									674,532	1,036,034	1,408,442	1,790,692	2,727,211	2,648,858	3,069,759
Grant Revenues	2,037	2,057	98	71	68	65	302	305	308	311	314	317	321	324	327
Royalties from Product Sales and license fees	1,221	1,233	293	228	1,909	1,500	3,930	3,969	4,009	4,049	4,090	4,130	4,172	4,213	4,256
Subscription & Advertisement Revenues	-	-	-	213	293	295	801	809	817	825	834	842	850	859	867
Sales of Research Products & Services	257	260	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Revenue	3,515	3,550	391	512	2,270	1,860	5,033	5,083	679,666	1,041,219	1,413,680	1,795,982	2,732,553	2,654,254	3,075,209
Cost of Goods (sales)	(412)	(271)	(112)	(125)	(985)	-	(1,222)	-	(188,869)	(259,008)	(338,026)	(322,325)	(436,354)	(397,329)	(460,464)
			30%	30%	30%	30%			28%	25%	24%	18%	16%	15%	15%
Research & Development	(17,948)	(14,358)	(3,394)	(2,931)	(2,811)	(2,500)	(11,636)	(15,127)	(22,690)	(31,766)	(32,402)	(33,050)	(33,711)	(34,385)	(35,073)
Acquired in Process Research & Development															
General & Administrative	(24,031)	(19,225)	(3,935)	(4,536)	(5,317)	(5,000)	(18,788)	(37,576.00)	(37,952)	(38,331)	(38,715)	(39,102)	(39,493)	(39,888)	(40,287)
Total Expenses	(41,979)	(33,583)	(7,329)	(7,592)	(9,113)	(7,500)	(31,534)	(52,703)	(249,511)	(329,106)	(409,142)	(394,476)	(509,557)	(471,601)	(535,823)
Loss from Operation	(38,876)	(30,304)	(7,050)	(7,080)	(6,843)	(5,640)	(26,447)	(47,619)	430,155	712,113	1,004,537	1,401,506	2,222,996	2,182,653	2,539,386
Interest Income (expense)	1,685														
Gain on AgeX shares and deconsolidation of AgeX	-		2	(3)	1		-								
Gain on Sale equity method in Ascendance	-		6,024	590			6,614								
Gain / Loss Oncocyte	2,421		1,239	523	(2,450)		(688)								
Loss on Equity (Asterias)	6,744		18	35	53		106								
Unrealized Gain on marketable equity securities	(2,898)		(1,681)	970	393		(318)								
Other Income (expenses) net	2,532														
Total other income (expense), net															
Pretax Income	19,642	(32,647)	(1,448)	(4,965)	(8,846)	(5,640)	(20,899)	(47,619)	430,155	712,113	1,004,537	1,401,506	2,222,996	2,182,653	2,539,386
Tax Benefit	(19,234)														
Net loss attributable to non-controlling interest	118	49	32	169	1,012		1,213	-	-	-	-	-	-	-	-
Taxes	7				11		11				100,454	210,226	444,599	545,663	711,028
Tax Rate											10%	15%	20%	25%	28%
GAAP Net Income (Loss)	(11,709)	(32,420)	(1,416)	(4,796)	(7,823)	(5,640)	(19,675)	(47,619)	430,155	712,113	904,083	1,191,280	1,778,397	1,636,990	1,828,358
				8			8								
Total comprehensive loss	(11,709)	(32,420)	(1,416)	(4,788)	(7,823)	(5,640)	(19,667)	(47,619)	430,155	712,113	904,083	1,191,280	1,778,397	1,636,990	1,828,358
GAAP-EPS	(0.08)	(0.22)	(0.01)	(0.03)	(0.05)	(0.03)	(0.12)	(0.28)	2.55	4.20	5.31	6.97	10.36	9.50	10.57
GAAP-EPS (Dil)	(0.08)	(0.19)	(0.05)	(0.06)	(0.06)	(0.06)	(0.23)	(0.17)	(0.04)	0.08	0.32	0.60	0.87	1.12	1.12
Wgtd Avg Shrs (Bas)	145,533	150,268	158,725	162,914	167,624	167,792	150,044	168,212	168,885	169,562	170,241	170,923	171,608	172,295	172,986
Wgtd Avg Shrs (Dil)	145,533	170,114	231,085	291,316	291,607	291,899	276,477	292,629	293,802	294,979	296,160	297,347	298,538	299,734	300,935

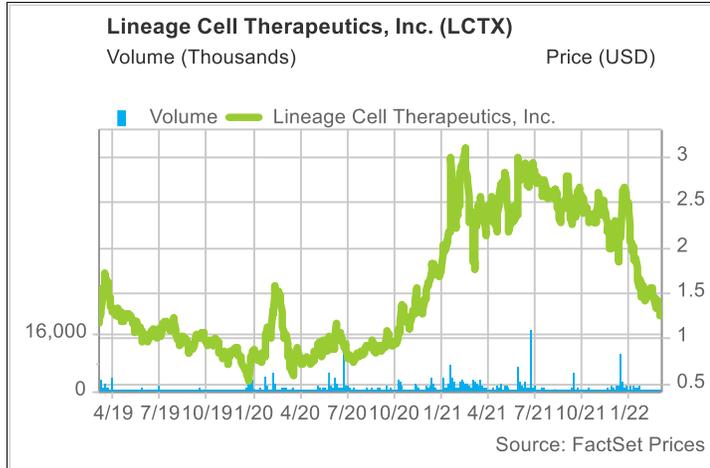
Source: Dawson James estimates, company reports

Companies mentioned in this report:

Roche-Genentech (RHHBY – Not Rated)

Important Disclosures:

Price Chart:



Price target and ratings changes over the past three years:

- Initiated – Buy – February 7, 2019 – Price Target \$6.00
- Updated – May 28, 2019 – Price Target \$6.00
- Updated – August 12, 2019 – Price Target \$6.00
- Updated – September 19, 2019 – Price Target \$6.00
- Updated – October 15, 2019 – Price Target \$6.00
- Updated – January 9, 2020 – Price Target \$6.00
- Updated – November 6, 2020 – Price Target \$6.00
- Updated – March 9, 2021 – Price Target \$6.00
- Updated – March 23, 2021 – Price Target \$6.00
- Updated – May 3, 2021 – Price Target \$6.00
- Updated – June 2, 2021 – Price Target \$6.00
- Updated – June 25, 2021 – Price Target \$6.00
- Updated – July 20, 2021 – Price Target \$6.00
- Updated – November 30, 2021 – Price Target \$6.00
- Updated – December 20, 2021 – Price Target \$6.00
- Updated – March 7, 2022 – Price Target \$6.00

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- 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.

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Current as of... 3-Mar-22

	Company Coverage		Investment Banking	
Ratings Distribution	# of Companies	% of Total	# of Companies	% of Totals
Market Outperform (Buy)	31	76%	4	13%
Market Perform (Neutral)	10	24%	0	0%
Market Underperform (Sell)	0	0%	0	0%
Total	41	100%	4	10%

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