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## Caladrius (NASDAQ/CLBS)

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### Neutral: Caladrius Acquires an Early-Stage Cancer Company (Cend Therapeutics) – Three Employees - for Half of Caladrius Value – We Remain Neutral

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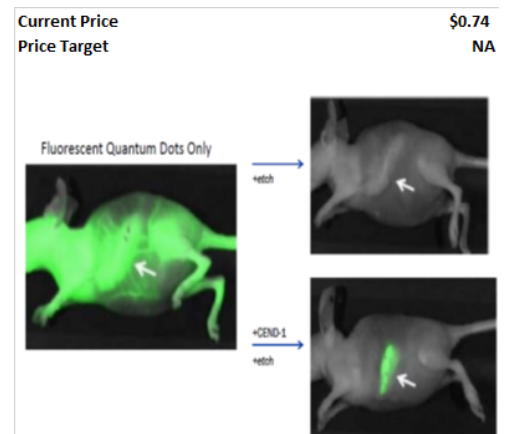
Caladrius announced plans to acquire Cend Therapeutics and rename newco Lisata Therapeutics (LSTA). Caladrius gave away half of the company to Cend Shareholders (three employees) and agreed to fund (\$10M) operations at Cend until the deal closes (as an investment in the company). We have known for a while that Caladrius had to do something...As we have believed, Caladrius's business model around autologous cell therapy is flawed and likely never to be commercialized. The pivot is to become an early-stage cancer company now. We find the Cend Therapeutics data interesting but very early. The presentation provided has little clinical data, with just one study in n=29 patients showing that CEND-1 in combination with Gemcitabine + nab-paclitaxel showed efficacy. The critical question: Is this worth half of Caladrius? Maybe yes, as we are concerned, Caladrius's autologous pipeline is flawed. Developing this new cancer asset, which will take time and capital, may be beyond the scope of Caladrius. As such, we remain neutral and look to better understand CEND-1's risk profile.

### Investment Highlights

The merger is expected to close in 3Q22. Caladrius plans to make a \$10M investment in Cend before the deal closes. Caladrius has approximately \$70M in cash. CEND-1 has been granted Fast Track and Orphan Drug Designation by the U.S. FDA in PDAC. What is CEND-1? It is a cyclic peptide that targets tumors by binding to alpha-v "av" integrins, selectively expressed on tumor vascular endothelium and not on normal healthy vasculature. According to the company, AV integrins are expressed in Cancer-associated fibroblasts, a component of tumor stroma, and on tumor cells themselves; intratumoral immunosuppressive cells, which contribute to an immunotherapy-refractory or "cold" tumor microenvironment evident in pancreatic and other cancers. Our understanding is that the company plans to pursue first-line metastatic pancreatic ductal adenocarcinoma (PDAC). The current n=29-patient data set for CEND-1 combined with Gemcitabine and Nab-Paclitaxel showed some hints of efficacy. It sounds like the plan is to expand this trial in Australia. We expect time and money (years & millions) will be needed before proof of concept is demonstrated. **One could argue that such a program is outside the capacity of a micro-cap company.**

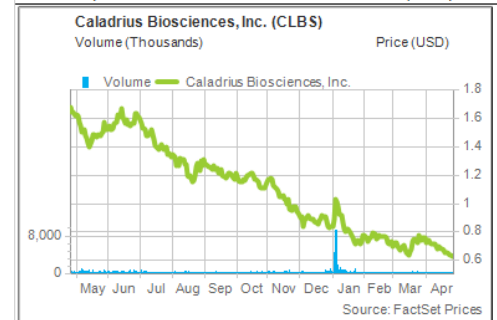
**Conclusion:** It's early days for CEND-1. We see a highly complex mechanism of action that will need to be validated in a complex background of cancer immunotherapy. We have not yet updated our model for CEND-1 and the additional associated expenses; however, our back-of-the-envelope calculations suggest this program does not move the needle. We maintain our highest discount rate of 30% in our free cash flow to the Firm (FCFF), discounted EPS, and Sum of the Parts (SOP) models.

**Risks to our thesis** include the following: (1) commercial; (2) regulatory; (3) clinical; (4) manufacturing; (5) financial; (6) liability; and (7) intellectual property.



Source: Braun et al., Nature Mater 2014

Stock Data		
52-Week Range	\$0.63 -	\$1.69
Shares Outstanding (mil.)		60.5
Market Capitalization (mil.)		\$45
Enterprise Value (mil.)		\$8
Debt to Capital		3%
Book Value/Share		\$5.33
Price/Book		0.5
Average Three Months Trading Volume (K)		274
Insider Ownership		3.4%
Institutional Ownership		16.0%
Short interest (mil.)		1.1%
Dividend / Yield		\$0.00/0.0%



**Exhibit 1. Income Statement**

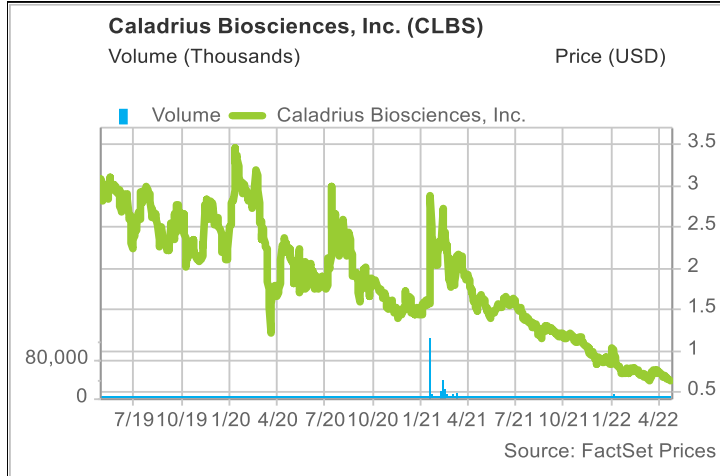
Caladrius Inc.: Income Statement (\$'000)	2018A	2019A	2020E	2021A	1Q22E	2Q22E	3Q22E	4Q22E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E
<b>YE December 31</b>																
<b>Product sales</b>																
Cell Therapy - CLI Japan					-	-	-	-	-	-	-	-	1,853	3,633	5,341	6,979
Cell Therapy - CLI USA					-	-	-	-	-	-	-	-	-	22,428	27,454	32,674
Cell Therapy - CLI Europe					-	-	-	-	-	-	-	-	-	-	-	15,683
Cell Therapy - Coronary Microvascular Dysfunction USA					-	-	-	-	-	-	-	-	-	-	25,436	52,933
Cell Therapy - Coronary Microvascular Dysfunction Europe					-	-	-	-	-	-	-	-	-	-	-	18,367
Cell Therapy - Coronary Microvascular Dysfunction Japan					-	-	-	-	-	-	-	-	-	9,425	19,614	30,612
Cell Therapy - No Option Refractory Disabling Angina (NORDA) USA					-	-	-	-	-	-	-	-	-	3,181	6,620	10,332
Cell Therapy - No Option Refractory Disabling Angina (NORDA) Europe					-	-	-	-	-	-	-	-	-	3,246	6,689	10,336
Cell Therapy - No Option Refractory Disabling Angina (NORDA) Japan					-	-	-	-	-	-	-	-	-	530	1,103	1,722
<b>Total Product Sales</b>													1,853	42,443	92,256	179,638
<b>Expenses</b>																
Cost of Goods Sold - Products					-	-	-	-	-	-	-	-	575	12,733	26,754	50,299
<b>% COGS (of product revenues)</b>					34%	34%	34%	34%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	31%	30%	29%	28%
Research and Development	7,594	10,797	9,253	17,680	4,279	4,668	5,056	5,445	19,448	21,000	23,100	25,410	27,951	30,746	33,821	37,203
<b>%R&amp;D</b>					#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	1508%	846%	633%	533%
General and Administrative	9,393	9,296	9,892	11,370	2,752	3,002	3,252	3,502	12,507	18,000	25,000	27,500	34,000	40,000	44,000	48,400
<b>%SG&amp;A</b>					#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	1835%	1101%	824%	693%
<b>Total expenses</b>	16,987	20,093	19,145	29,050	7,030	7,669	8,308	8,947	31,955	39,000	48,100	52,910	62,526	83,479	104,575	135,901
Operating Income (Loss)	(16,987)	(20,093)	(19,145)	(29,050)	(7,030)	(7,669)	(8,308)	(8,947)	(31,955)	(39,000)	(48,100)	(52,910)	(60,672)	(41,036)	(12,319)	43,736
Other expense	824	740	132	151	178	194	214	214	799	799	799	799	799	799	799	799
Interest expense	(5)	(0)	(75)	(75)	(3)	(2)	(0)	(0)	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)
<b>Total other income</b>	819	740	132	76	174	192	214	214	793	793	793	793	793	793	793	793
<b>Pretax Income</b>	(16,168)	(19,353)	(19,013)	(28,974)	(6,856)	(7,477)	(8,095)	(8,734)	(31,162)	(38,207)	(47,307)	(52,117)	(59,879)	(40,243)	(11,525)	44,530
Income Tax Benefit (Provision)	-	-	(10,872)	(1,508)	-	-	-	-	-	-	-	(5,212)	(10,778)	(8,049)	(2,881)	13,359
<b>Tax Rate</b>												10%	18%	20%	25%	30%
Less: Loss from continuing operations attributable to noncontrolling interests	(1)	(9)	(9)	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>GAAP Net Income (loss)</b>	(16,168)	(19,362)	(8,150)	(27,466)	(6,856)	(7,477)	(8,095)	(8,734)	(31,162)	(38,207)	(47,307)	(46,905)	(49,101)	(32,194)	(8,644)	31,171
<b>GAAP-EPS</b>	(1.67)	(1.87)	(0.53)	(0.50)	(0.11)	(0.12)	(0.13)	(0.14)	(0.51)	(0.62)	(0.76)	(0.84)	(0.79)	(0.51)	(0.14)	0.49
GAAP EPS (dil)	(1.67)	(1.88)	(0.53)	(0.50)	(0.06)	(0.06)	(0.07)	(0.07)	(0.25)	(0.31)	(0.38)	(0.37)	(0.38)	(0.25)	(0.07)	0.23
Wgtd Avg Shrs (Bas) - '000s	9,689	10,323	15,540	55,313	61,290	61,351	61,412	61,474	61,382	61,628	61,875	62,122	62,371	62,621	62,872	63,124
Wgtd Avg Shrs (Dil) - '000s	9,689	10,323	15,540	55,313	122,580	122,702	122,825	122,948	122,764	124,363	125,984	127,626	129,290	130,975	132,682	134,411

Source: Dawson James estimates, company reports

**Important Disclosures:**

**Other Companies Mentioned in this Report:**

**Price Chart:**



Price target and rating changes over the past three years:

- Initiated – Buy – February 27, 2019 – Price Target \$7.0
- Update – Buy – May 23, 2019 – Price Target \$7.0
- Update – Buy – June 4, 2019 – Price Target \$7.0
- Update – Buy – July 15, 2019 – Price Target \$7.0
- Update – Buy – August 12, 2019 – Price Target \$7.0
- Update – Buy – November 7, 2019 – Price Target \$7.0
- Update – Buy – November 18, 2019 – Price Target \$7.0
- Update – Buy – March 6, 2020 – Price Target \$7.0
- Rating Change – Neutral – March 18, 2020 Price Target NA
- Update – Neutral – November 6, 2020 Price Target NA
- Update – Neutral – November 19, 2020 Price Target NA
- Update – Neutral – February 15, 2021- Price Target NA
- Update – Neutral – December 10, 2021- Price Target NA
- Update – Neutral – March 23, 2022- Price Target NA
- Update – Neutral – April 27, 2022- Price Target NA

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- 2) **Neutral:** The analyst believes the price of the stock is fairly valued for the next 12-18 months;
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Current as of... 26-Apr-22

	<b>Company Coverage</b>		<b>Investment Banking</b>	
<b>Ratings Distribution</b>	# of Companies	% of Total	# of Companies	% of Totals
Market Outperform (Buy)	32	74%	4	13%
Market Perform (Neutral)	11	26%	0	0%
Market Underperform (Sell)	0	0%	0	0%
Total	43	100%	4	9%

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