

Lineage Cell Therapeutics (NYSE/LCTX)

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BUY: The Data Continues to Build for OpRegen

Jason Kolbert

 Managing Director & Senior Analyst
 jkolbert@dawsonjames.com

Lineage announced results from the primary endpoint, safety, and tolerability one-year post-transplant, in the ongoing Phase 1/2a clinical study of RG6501 (OpRegen). The presentation: "Safety and Efficacy of a Phase 1/2a Clinical Trial of Transplanted Allogeneic Retinal Pigmented Epithelium (RPE, OpRegen) Cells in Advanced Dry Age-Related Macular Degeneration (AMD)". The data is summarized below.

Investment Highlights

- All 24 treated patients reported at least one adverse event (AE) and at least one ocular AE.
- The majority of AEs reported with OpRegen were mild (Cohort 1-3, 87%; Cohort 4, 93%), and the immunosuppressive regimen was well tolerated.
- Ocular AEs observed with OpRegen were mainly related to the surgical procedures used for subretinal delivery, with the most common being conjunctival hemorrhage/hyperemia (n=17) and epiretinal membrane (n=16).
- One patient discontinued the study due to an AE that was unrelated to treatment.
- No cases of rejection, acute or delayed intraocular inflammation, or sustained increases in intraocular pressure following OpRegen subretinal delivery have been reported.

Summary of Activity Results

- Preliminary evidence of improvement in visual function was observed in patients with GA and impaired vision at baseline (Cohort 4 [n=12])
 - Patients in Cohort 4 had an average 7.6 letter gain in visual acuity at 12 months in the study eye.
 - Three patients in Cohort 4 (25%) had a 15 letter or greater gain in visual acuity at 12 months in the study eye.
- Five patients in Cohort 4 with OpRegen delivered to most or all of the GA area, including the fovea, had greater gains in visual function (average 12.8 letter gain), with evidence for regions of apparent improvement of outer retinal structure as assessed by SD-OCT.
 - The SD-OCT imaging analysis is ongoing.
- These data support the potential for OpRegen to slow, stop or reverse disease progression in GA. Further assessment of the optimal disease stage for intervention, surgical procedure for subretinal delivery and target delivery location of OpRegen in a larger, controlled clinical study is needed to confirm these findings.

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.



OPC1 Transplant Procedure

Current Price		
Current Price		\$1.20
Price Target		\$6.00
Stock Data		
52-Week Range	\$1.13 -	\$3.00
Shares Outstanding (mil.)		169.7
Market Capitalization (mil.)		\$204
Enterprise Value (mil.)		\$184
Debt to Capital		0%
Book Value/Share		\$1.28
Price/Book		4.5
Average Three Months Trading Volume (K)		553
Insider Ownership		0.6%
Institutional Ownership		49.7%
Short interest (mil.)		0.1
Dividend / Yield		\$0.00/0.0%

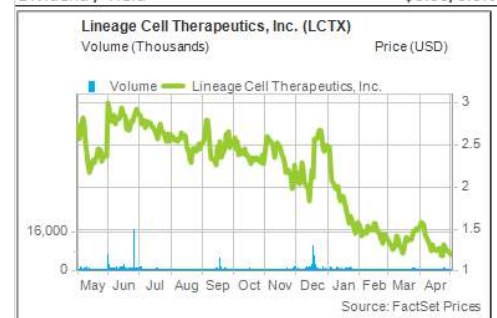


Exhibit 1. Income Statement

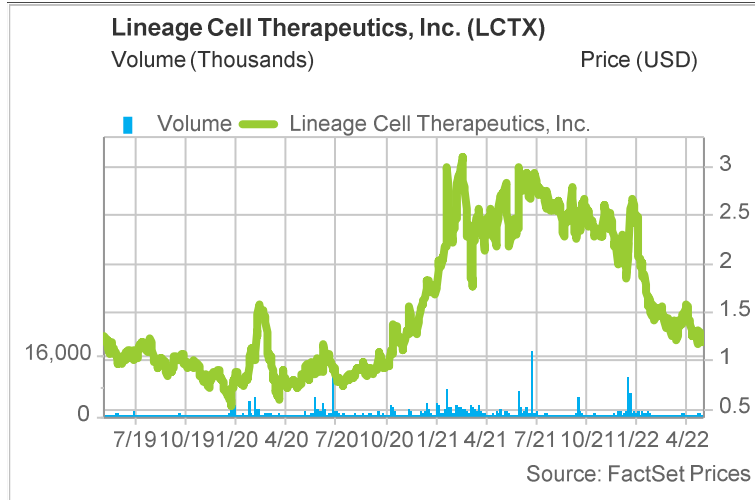
Lineage: Income Statement (\$000)															
YE December 31	2019A	2020A	2021A	1Q22E	2Q22E	3Q22E	4Q22E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E
Spinal Cord Injury Therapy		-	-	-	-	-	-	-	-	5,965	12,170	18,621	31,660	48,444	97,857
Dry Macular Degeneration									674,532	1,030,069	1,396,272	1,772,071	2,156,441	2,600,414	2,971,902
Renevia				346	361	376	421	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	445	103	108	112	126	449	454	458	463	468	472	477	482
Royalties from Product Sales and license fees	1,221	1,233	2,776	645	673	701	785	2,804	2,832	2,860	2,889	2,918	2,947	2,976	3,006
Subscription & Advertisement Revenues															
Collaboration Revenues	257	260	1,120	260	271	283	317	1,131	1,143	1,154	1,165	1,177	1,189	1,201	1,213
Total Revenue	3,515	3,550	4,341	1,008	1,052	1,096	1,228	4,384	679,960	1,040,506	1,412,959	1,795,255	2,731,819	2,653,512	3,074,459
Cost of Goods (sales)	(412)	(271)	(1,426)	-	-	-	-	-	(188,869)	(259,008)	(338,026)	(322,325)	(436,354)	(397,329)	(460,464)
				29%	29%	29%	29%		28%	25%	24%	18%	16%	15%	15%
Research & Development	(17,948)	(14,358)	(33,914)	(10,140)	(10,581)	(11,022)	(12,345)	(44,088)	(66,132)	(92,585)	(94,437)	(96,326)	(98,252)	(100,217)	(102,222)
Acquired in Process Research & Development															
General & Administrative	(24,031)	(19,225)	(18,212)	(8,378)	(8,742)	(9,106)	(10,199)	(36,424.00)	(36,788)	(37,156)	(37,528)	(37,903)	(38,282)	(38,665)	(39,051)
Total Expenses	(41,979)	(33,583)	(53,552)	(18,518)	(19,323)	(20,128)	(22,543)	(80,512)	(291,789)	(388,750)	(469,991)	(456,553)	(572,888)	(536,211)	(601,737)
Loss from Operation	(38,876)	(30,304)	(49,211)	(17,509)	(18,271)	(19,032)	(21,316)	(76,128)	387,170	651,756	942,969	1,338,702	2,158,931	2,117,301	2,472,722
Interest Income (expense)	1,685														
Gain on AgeX shares and deconsolidation of AgeX	-		2												
Gain on Sale equity method in Ascendance	-		6,027												
Gain / Loss Oncocyte	2,421		(2,299)												
Loss on Equity (Asterias)	6,744		523												
Unrealized Gain on marketable equity securities	(2,898)		205												
Other Income (expenses) net	2,532		1,486												
Total other income (expense), net															
Pretax Income	19,642	(32,647)	(43,270)	(17,509)	(18,271)	(19,032)	(21,316)	(76,128)	387,170	651,756	942,969	1,338,702	2,158,931	2,117,301	2,472,722
Tax Benefit	(19,234)														
Net loss attributable to non-controlling interest	118	49	251	-							94,297	200,805	431,786	529,325	692,362
Taxes	7										10%	15%	20%	25%	28%
GAAP Net Income (Loss)	(11,709)	(32,420)	(43,019)	(17,509)	(18,271)	(19,032)	(21,316)	(76,128)	387,170	651,756	848,672	1,137,896	1,727,145	1,587,976	1,780,360
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Total comprehensive loss	(11,709)	(32,420)	(43,269)	(17,509)	(18,271)	(19,032)	(21,316)	(76,128)	387,170	651,756	848,672	1,137,896	1,727,145	1,587,976	1,780,360
GAAP-EPS	(0.08)	(0.22)	(0.26)	(0.10)	(0.11)	(0.11)	(0.13)	(0.45)	2.29	3.84	4.98	6.66	10.06	9.22	10.29
GAAP-EPS (Dil)	(0.08)	(0.19)	(0.23)	(0.04)	(0.04)	(0.04)	(0.05)	(0.17)	(0.04)	0.08	0.32	0.60	0.87	1.12	1.12
Wgtd Avg Shrs (Bas)	145,533	150,268	164,502	167,959	168,127	168,296	168,464	168,212	168,885	169,562	170,241	170,923	171,608	172,295	172,986
Wgtd Avg Shrs (Dil)	145,533	170,114	276,477	292,191	292,483	292,775	293,068	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:

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
- Updated – March 11, 2022 – Price Target \$6.00
- Updated – May 3, 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;
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Current as of 26-Apr-22

	Company Coverage		Investment Banking	
Ratings Distribution	# 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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