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Lineage Cell Therapeutics (NYSE/LCTX)

November 21, 2022

BUY: Can You See Route 66: Third Quarter Results

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Lineage recently announced third-quarter results with \$3M in recognized revenue translating into a \$6M operating loss. The company closed the period with \$66M in cash which is expected to provide capital runway through Q3-2024.

Investment Highlights

Expanding R&D capabilities on the West Coast and Israel should support the development of existing and future allogeneic cell transplant programs. Expansion of the facility in Israel increases the Company's infrastructure, including development and optimization of larger-scale clinical manufacturing processes, and continued execution under its ongoing collaboration with Roche and Genentech for RG6501 (OpRegen).

Events and Milestones Anticipated for the balance of the year (press release):

- Planned Regenerative Medicine Advanced Therapy (RMAT) submission to FDA before year-end regarding an OPC1 IND amendment to enable clinical testing of a novel spinal cord delivery system.
- Response to a pre-IND regulatory submission which should provide clarity on a VAC2 CMC, nonclinical, and clinical information package to inform future U.S. clinical development, expected around year-end.
- Completion of an R&D manufacturing process sufficient to support initiation of preclinical testing and the initiation of such testing with ANP1 for the treatment of hearing loss, anticipated prior to year-end.
- An additional OPC1 manuscript from a Phase 1/2a clinical study in subacute cervical spinal cord injury.
- Submission of a grant application to California Institute for Regenerative Medicine (CIRM) for the continued support of the clinical development of OPC1.
- Clinical data update from the ongoing VAC2 Phase 1 non-small cell lung cancer (NSCLC) study, pending release from Cancer Research UK (CRUK).
- Evaluation of new partnership opportunities and/or expansion of existing collaborations.
- Continued participation in investor and partnering meetings and medical and industry conferences to broaden awareness of our mission, programs, and accomplishments.

Valuation: Our valuation for Lineage is principally driven by the opportunity in Dry AMD, narrowed down further by a subset of patients with GA. 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			\$1.44
Price Target			\$6.00
Stock Data			
52-Week Range	\$1.02	-	\$2.71
Shares Outstanding (mil.)	170.0		
Market Capitalization (mil.)	\$245		
Enterprise Value (mil.)	\$225		
Debt to Capital	0%		
Book Value/Share	\$1.28		
Price/Book	4.5		
Average Three Months Trading Volume (K)	278		
Insider Ownership	0.6%		
Institutional Ownership	43.6%		
Short interest (mil.)	0.0		
Dividend / Yield	\$0.00/0.0%		

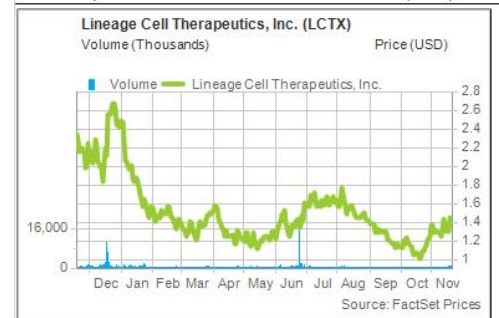


Exhibit 1. Income Statement

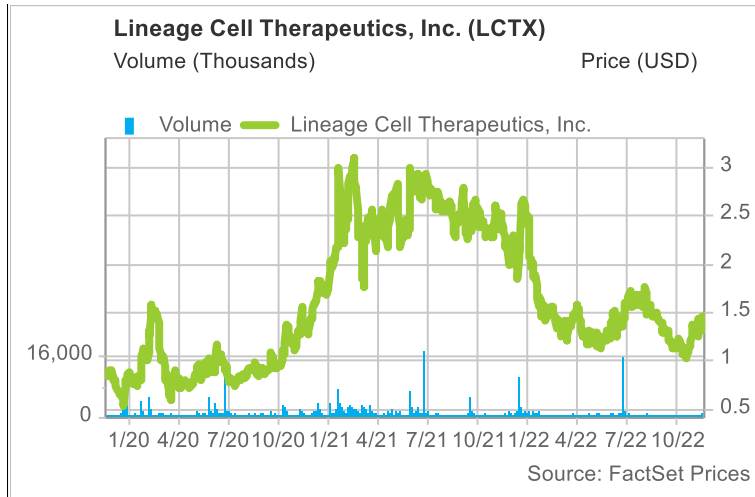
Lineage: Income Statement (\$000)															
YE December 31	2019A	2020A	2021A	1Q22A	2Q22A	3Q22A	4Q22E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E
Spinal Cord Injury Therapy		-	-	-	-	-	-	-	-	-	-	-	-	3,230	32,619
Dry Macular Degeneration												354,414	718,814	1,485,951	2,971,902
Renevia															
Net revenue												354,414	898,517	1,489,180	3,004,521
Grant Revenues	2,037	2,057	445												
Royalties from Product Sales and license fees	1,221	1,233	2,776	372	405	406	217	1,400	1,414	1,428	1,442	1,457	1,471	1,486	1,501
Subscription & Advertisement Revenues	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Collaboration Revenues	257	260	1,120	4,865	4,148	2,592	2,500	14,105	8,000	8,080	8,161	8,242	8,325	8,408	8,492
Total Revenue	3,515	3,550	4,341	5,237	4,553	2,998	2,717	15,505	9,414	9,508	9,603	364,113	908,313	1,499,075	3,014,514
Cost of Goods (sales)	(412)	(271)	(1,426)	(176)	(215)	(235)	(200)	(826)	-	-	-	(63,795)	(143,763)	(223,377)	(450,678)
				29%	29%	29%	29%		#DIV/0!	#DIV/0!	#DIV/0!	18%	16%	15%	15%
Research & Development	(17,948)	(14,358)	(33,914)	(2,988)	(3,302)	(3,592)	(3,500)	(13,382)	(20,073)	(28,102)	(28,664)	(29,238)	(29,822)	(30,419)	(31,027)
Acquired in Process Research & Development															
General & Administrative	(24,031)	(19,225)	(18,212)	(8,469)	(5,270)	(4,422)	(4,400)	(22,561)	(22,787)	(23,014)	(23,245)	(23,477)	(23,712)	(23,949)	(24,188)
Total Expenses	(41,979)	(33,583)	(53,552)	(11,633)	(8,787)	(8,249)	(8,100)	(36,769)	(42,860)	(51,117)	(51,909)	(116,509)	(197,297)	(277,745)	(505,894)
Loss from Operation	(38,876)	(30,304)	(49,211)	(6,396)	(4,234)	(5,251)	(5,383)	(21,264)	(33,446)	(41,609)	(42,306)	247,604	711,016	1,221,330	2,508,620
Interest Income (expense)	1,685														
Gain on AgeX shares and deconsolidation of AgeX	-		2	1	51	384									
Gain on Sale equity method in Ascendance	-		6,027	(735)	(709)	(233)									
Gain / Loss Oncocyte	2,421		(2,299)	221	2										
Loss on Equity (Asterias)	6,744		523	(184)	(1,892)	(475)									
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)	(7,093)	(6,782)	(5,575)	(5,383)	(24,833)	(33,446)	(41,609)	(42,306)	247,604	711,016	1,221,330	2,508,620
Tax Benefit	(19,234)					47									
Net loss attributable to non-controlling interest	118	49	251	6	19	(541)		(516)	-	-	-	-	-	-	-
Taxes	7										(4,231)		177,754	427,465	1,003,448
Tax Rate											0%	0%	25%	35%	40%
GAAP Net Income (Loss)	(11,709)	(32,420)	(43,019)	(7,087)	(6,763)	(6,069)	(5,383)	(25,302)	(33,446)	(41,609)	(38,075)	247,604	533,262	793,864	1,505,172
			8												
Total comprehensive loss	(11,709)	(32,420)	(43,269)	(7,087)	(6,763)	(6,069)	(5,383)	(25,302)	(33,446)	(41,609)	(38,075)	247,604	533,262	793,864	1,505,172
GAAP-EPS	(0.08)	(0.22)	(0.26)	(0.04)	(0.04)	(0.04)	(0.03)	(0.15)	(0.20)	(0.24)	(0.22)	1.44	3.08	4.57	8.62
GAAP-EPS (Dil)	(0.08)	(0.19)	(0.23)	(0.02)	(0.02)	(0.04)	(0.05)	(0.14)	(0.04)	0.08	0.32	0.60	0.87	1.12	1.12
Wgtd Avg Shrs (Bas)	145,533	150,268	164,502	169,647	169,731	169,786	169,956	169,780	170,381	171,064	171,749	172,437	173,128	173,821	174,518
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 rating 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
- Updated – June 2, 2022 – Price Target \$6.00
- Updated – August 19, 2022 – Price Target \$6.00
- Updated – October 4, 2022 – Price Target \$6.00
- Updated – November 21, 2022 – Price Target \$6.00

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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.

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Current as of 18-Nov-22

	Company Coverage		Investment Banking	
Ratings Distribution	# of Companies	% of Total	# of Companies	% of Totals
Market Outperform (Buy)	23	77%	2	9%
Market Perform (Neutral)	6	20%	1	17%
Market Underperform (Sell)	1	3%	0	0%
Total	30	100%	3	10%

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