

Member FINRA/SIPC

Toll-Free: 866-928-0928 ♦ www.DawsonJames.com ♦ 101 North Federal Highway - Suite 600 ♦ Boca Raton, FL 33432

Lineage Cell Therapeutics (NYSE/LCTX)

February 8, 2023

BUY: Listen, You Should Hear This Story!

Jason Kolbert
Managing Director & Senior Analyst
jkolbert@dawsonjames.com

Lineage provided an update on its auditory neuronal cell therapy program (ANP1), for the treatment of hearing loss, with an initial focus on auditory neuropathy spectrum disorders. Brain Culley – Press Release: “In less than one year, we created new methods of differentiation which successfully advanced a new product candidate from the concept stage to the successful manufacture of a discrete cell type at clinically testable scale.”

Investment Highlights

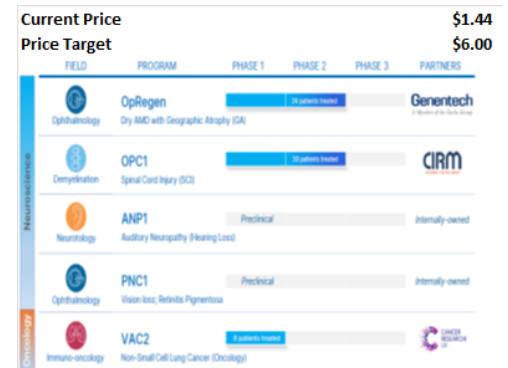
ANP1: (Press release): “In less than one year, we created new methods of differentiation which successfully advanced a new product candidate from the concept stage to the successful manufacture of a discrete cell type at clinically testable scale. Along the way, we generated new intellectual property and advanced that product candidate into preclinical testing. **This new pipeline program was created with less than \$1.0 million of investment from our R&D budget and without the use of third party grants or intellectual property.**”

OpRegen: Lineage continues to execute the collaboration with Roche across multiple functional areas, including this P2a study. In addition, the partnership is working on OpRegen’s manufacturing – manufacturing runs and supporting Chemistry Manufacturing and Controls (CMC) activities and technology transfer. Actively participating in both Joint Advisory and Joint Manufacturing Committees, forums for discussion and planning with respect to next steps in clinical development and related activities. Continuing long-term follow-up of patients from the Phase 1/2a clinical study of OpRegen: Enrolled patients have continued to do well, supporting multi-year durability of a treatment effect.

The Roche Partnership: Roche? The terms: An \$50 million upfront payment with Lineage eligible to receive up to \$620 million in additional development, approval, and sales milestones, as well as double-digit royalties. Genentech has assumed responsibility for the clinical development and commercialization of the OpRegen program.

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.



Source: Lineage

Stock Data			
52-Week Range	\$1.02	-	\$1.79
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)	233		
Insider Ownership	0.6%		
Institutional Ownership	43.5%		
Short interest (mil.)	0.0		
Dividend / Yield	\$0.00/0.0%		

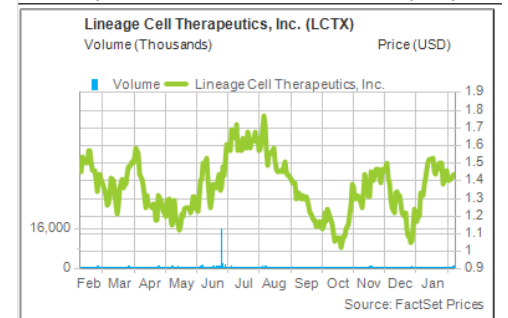


Exhibit 1. Income Statement

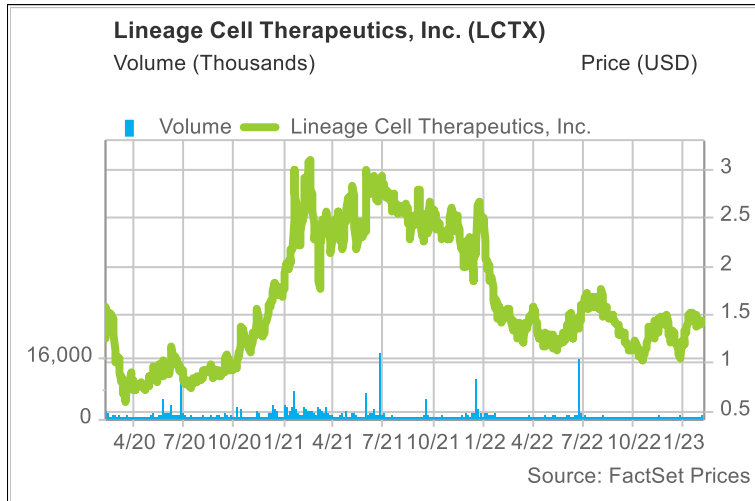
Lineage: Income Statement (\$000)															
YE December 31	2019A	2020A	2021A	1Q22A	2Q22A	3Q22A	4Q22E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E
Spinal Cord Injury Therapy		-	-	-	-	-	-	-	-	-	-	-	-	3,230	32,619
Dry Macular Degeneration												354,414	718,814	1,485,951	2,971,902
Renevia															
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)				
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
- Updated – December 9, 2022 – Price Target \$6.00
- Updated – February 8, 2023 – Price Target \$6.00

Dawson James Securities, Inc. (the “Firm”) is a member of the Financial Industry Regulatory Authority (“FINRA”) and the Securities Investor Protection Corporation (“SIPC”).

The Firm does not make a market in the securities of the subject Company(s). The Firm has NOT engaged in investment banking relationships with LCTX in the prior twelve months, as a manager or co-manager of a public offering and has NOT received compensation resulting from those relationships. The Firm may seek compensation for investment banking services in the future from

the subject Company (s). The Firm has NOT received other compensation from the subject Company (s) in the last 12 months for services unrelated to managing or co-managing of a public offering.

Neither the research analyst(s) whose name appears on this report nor any member of his (their) household is an officer, director or advisory board member of these companies. The Firm and/or its directors and employees may own securities of the Company (s) in this report and may increase or decrease holdings in the future. As of January 30, 2023, the Firm as a whole did not beneficially own 1% or more of any class of common equity securities of the subject company(s) of this report. The Firm, its officers, directors, analysts or employees may affect transactions in and have long or short positions in the securities (or options or warrants related to those securities) of the Company (s) subject to this report. The Firm may affect transactions as principal or agent in those securities.

Analysts receive no direct compensation in connection with the Firm's investment banking business. All Firm employees, including the analyst(s) responsible for preparing this report, may be eligible to receive non-product or service-specific monetary bonus compensation that is based upon various factors, including total revenues of the Firm and its affiliates as well as a portion of the proceeds from a broad pool of investment vehicles consisting of components of the compensation generated by investment banking activities, including but not limited to shares of stock and/or warrants, which may or may not include the securities referenced in this report.

Although the statements in this report have been obtained from and are based upon recognized statistical services, issuer reports or communications, or other sources that the Firm believes to be reliable, we cannot guarantee their accuracy. All opinions and estimates included in this report constitute the analyst's judgment as of the date of this report and are subject to change without notice.

The securities of the Company discussed in this report may be unsuitable for investors depending on their specific investment objectives and financial position. This report is offered for informational purposes only and does not constitute an offer or solicitation to buy or sell any securities discussed herein in any jurisdiction where such would be prohibited. Additional information is available upon request.

Ratings Definitions:

- 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.

Current as of 30-Jan-23

	Company Coverage		Investment Banking	
Ratings Distribution	# of Companies	% of Total	# of Companies	% of Totals
Market Outperform (Buy)	23	70%	1	4%
Market Perform (Neutral)	9	27%	2	22%
Market Underperform (Sell)	1	3%	0	0%
Total	33	100%	3	9%

Analyst Certification:

The analyst(s) whose name appears on this research report certifies that 1) all of the views expressed in this report accurately reflect his (their) personal views about any and all of the subject securities or issuers discussed; and 2) no part of the research analyst's compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed by the research analyst in this research report; and 3) all Dawson James employees, including the analyst(s) responsible for preparing this research report, may be eligible to receive non-product or service specific monetary bonus compensation that is based upon various factors, including total revenues of Dawson James and its affiliates as well as a portion of the proceeds from a broad pool of investment vehicles consisting of components of the compensation generated by investment banking activities, including but not limited to shares of stock and/or warrants, which may or may not include the securities referenced in this report.