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Lineage Cell Therapeutics (NYSE/LCTX)

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BUY: Lineage Cell Therapeutics Highlights Clinical Progress, Closes the Year with \$58M in Cash.

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Lineage announced full-year 2022 results. The company spent approximately \$5.7M in the 4th Quarter and closed the period with \$58M in cash and equivalents. The press release highlighted several areas of progress, but the focus remains on the partnership with Roche (RHHBY-Not Covered). Roche is driving the Phase 2a study of OpRegen in patients with GA secondary to AMD.

Investment Highlights

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.

Next Steps

- Continued execution under our collaboration with Roche and Genentech across multiple functional areas, including support for ongoing Phase 2a clinical study in patients with geographic atrophy (GA) secondary to age-related macular degeneration (AMD).
- Long-term follow-up of patients from the Phase 1/2a clinical study of OpRegen: Positive clinical data presented at 2022 Association for Research in Vision and Ophthalmology Annual Meeting.

OPC1 Progress Report: Lineage highlighted the “verification and validation” & preclinical testing activities for this parenchymal spinal delivery (PSD) system to support planned regulatory submissions. Key data from OPC1, a Phase 1 clinical study in acute thoracic spinal cord injury and a Phase 1/2a clinical study in subacute cervical spinal cord injury, were published in the Journal of Neurosurgery: Spine. Preclinical testing of a new thaw and inject formulation of OPC1, manufactured via an improved and larger-scale process, demonstrated functional recovery, improvement in gait coordination and motor performance with a reduction of the area of cavitation.

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.

Current Price **\$1.43**
Price Target **\$6.00**

FIELD	PROGRAM	PHASE 1	PHASE 2	PHASE 3	PARTNERS
Ophthalmology	OpRegen Dry AMD with Geographic Atrophy (GA)	Completed	Completed	Completed	Genentech
Neurology	OPC1 Spinal Cord Injury (SCI)	Completed	Completed	Completed	CRIM
Neurology	ANP1 Auditory Neuropathy (hearing loss)	Preclinical			Internally owned
Ophthalmology	PNC1 Wet AMD, Retinitis Pigmentosa	Preclinical			Internally owned
Immunology	VAC2 Non-Small Cell Lung Cancer (Cancer)	Completed			CRIM

Source: Lineage

Stock Data

52-Week Range	\$1.02	-	\$1.79
Shares Outstanding (mil.)	170.1		
Market Capitalization (mil.)	\$243		
Enterprise Value (mil.)	\$224		
Debt to Capital	0%		
Book Value/Share	\$1.28		
Price/Book	2.7		
Average Three Months Trading Volume (K)	245		
Insider Ownership	0.5%		
Institutional Ownership	43.8%		
Short interest (mil.)	0.0		
Dividend / Yield	\$0.00/0.0%		

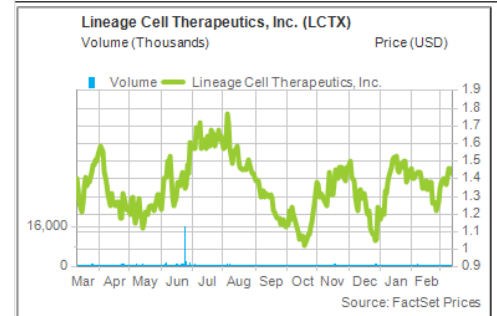


Exhibit 1. Income Statement

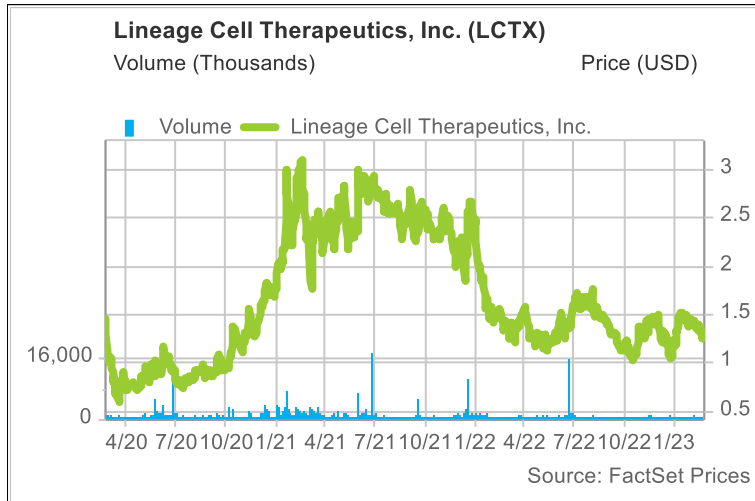
Lineage: Income Statement (\$000)															
YE December 31	2019A	2020A	2021A	1Q22A	2Q22A	3Q22A	4Q22A	2022A	2023E	2024E	2025E	2026E	2027E	2028E	2029E
Spinal Cord Injury Therapy		-	-	-	-	-	-	-	-	-	-	-	-	3,230	32,619
Dry Macular Degeneration												354,414	718,814	1,485,951	2,971,902
Renevia															
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	153	1,336	1,349	1,363	1,376	1,390	1,404	1,418	1,432
Subscription & Advertisement Revenues	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Collaboration Revenues	257	260	1,120	4,865	4,148	2,592	1,762	13,367	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	1,915	14,703	9,349	9,443	9,537	364,047	908,246	1,499,007	3,014,445
Cost of Goods (sales)	(412)	(271)	(1,426)	(176)	(215)	(235)	(102)	(728)	-	-	-	(63,795)	(143,763)	(223,377)	(450,678)
				29%	29%	29%	5%		#DIV/0!	#DIV/0!	#DIV/0!	18%	16%	15%	15%
Research & Development	(17,948)	(14,358)	(33,914)	(2,988)	(3,302)	(3,592)	(4,105)	(13,987)	(20,981)	(29,373)	(29,960)	(30,559)	(31,171)	(31,794)	(32,430)
Acquired in Process Research & Development															
General & Administrative	(24,031)	(19,225)	(18,212)	(8,469)	(5,270)	(4,422)	(4,347)	(22,508)	(22,733)	(22,960)	(23,190)	(23,422)	(23,656)	(23,893)	(24,132)
Total Expenses	(41,979)	(33,583)	(53,552)	(11,633)	(8,787)	(8,249)	(8,554)	(37,223)	(43,714)	(52,333)	(53,150)	(117,776)	(198,589)	(279,064)	(507,240)
Loss from Operation	(38,876)	(30,304)	(49,211)	(6,396)	(4,234)	(5,251)	(6,639)	(22,520)	(34,364)	(42,890)	(43,613)	246,271	709,657	1,219,943	2,507,206
Interest Income (expense)	1,685						829	829							
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)	357	(2,194)							
Unrealized Gain on marketable equity securities	(2,898)		205				225	225							
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)	(6,362)	(25,812)	(34,364)	(42,890)	(43,613)	246,271	709,657	1,219,943	2,507,206
Tax Benefit	(19,234)					47	(588)	(541)							
Net loss attributable to non-controlling interest	118	49	251	6	19	(541)	596	80							
Taxes	7										(4,361)		177,414	426,980	1,002,882
Tax Rate											0%	0%	25%	35%	40%
GAAP Net Income (Loss)	(11,709)	(32,420)	(43,019)	(7,087)	(6,763)	(6,069)	(5,766)	(26,353)	(34,364)	(42,890)	(39,252)	246,271	532,242	792,963	1,504,323
			8												
Total comprehensive loss	(11,709)	(32,420)	(43,269)	(7,087)	(6,763)	(6,069)	(5,766)	(25,685)	(34,364)	(42,890)	(39,252)	246,271	532,242	792,963	1,504,323
GAAP-EPS	(0.08)	(0.22)	(0.26)	(0.04)	(0.04)	(0.04)	(0.03)	(0.15)	(0.20)	(0.25)	(0.23)	1.43	3.07	4.56	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	169,792	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
- Updated – February 24, 2023 – Price Target \$6.00
- Updated – March 13, 2023 – Price Target \$6.00

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- 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-23

	Company Coverage		Investment Banking	
Ratings Distribution	# of Companies	% of Total	# of Companies	% of Totals
Market Outperform (Buy)	24	69%	1	3%
Market Perform (Neutral)	11	31%	2	6%
Market Underperform (Sell)	0	0%	0	0%
Total	35	100%	3	9%

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