

## Lineage Cell Therapeutics (NYSE/LCTX)

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### BUY: OpRegen P1/2a – Proof of Concept Presented

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*OpRegen P1/2a Clinical Results Support the Potential for OpRegen to Slow, Stop or Reverse Disease Progression in Geographic Atrophy Secondary to Age-Related Macular Degeneration. Preliminary evidence of outer retinal structure and visual function improvements with OpRegen was observed in patients with GA and impaired vision (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.*

### Investment Highlights

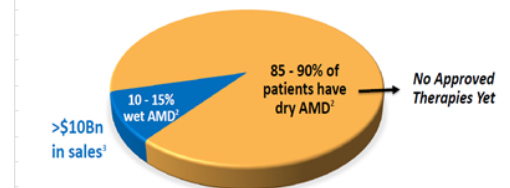
**ARVO Presentation Highlights: (press release):** Long-term vision preservation with outer retinal structure improvement observed in the OpRegen treated eye persisted for up to 4 years of follow-up.

The extent of OpRegen bleb coverage over the area of atrophy may be important to optimize patient outcomes: In patients with extensive OpRegen bleb coverage, maintenance or improvement of outer retina structure was observed in treated eyes compared to worsening in fellow eyes: Five patients in Cohort 4 who had a surgically delivered bleb containing OpRegen that extensively covered their atrophic areas and the foveal center, experienced an average 12.8 letter gain in their study eye. Improvement in outer retinal layers also correlated with the extent of OpRegen bleb coverage: Slower rates of RPE and external limiting membrane (ELM) loss were observed in OpRegen treated eyes compared to fellow untreated eyes; Patients with extensive OpRegen bleb coverage of the atrophic area had maintenance or improvement of RPE and ELM layers compared to patients with limited OpRegen bleb coverage. Resolution of complete RPE and outer retinal atrophy (cRORA) near borders of baseline GA were observed in cases with extensive coverage: Signs of improvement in areas of cRORA included: greater hyperreflectivity at the level of RPE/ Bruch's membrane (BM); less choroidal hypertransmission; reduction of retinal subsidence, and greater continuity of outer retinal layers. One patient in Cohort 4 maintained improvement in visual acuity at 4 years post-treatment in the study eye (+3 letters read), compared to losing 30 letters in the untreated eye. Overall, these data suggest that OpRegen RPE cells may provide support to the remaining retinal cells within atrophic areas by counteracting host RPE cell dysfunction and loss. A Phase 2a study evaluating the success of OpRegen delivery to target areas of GA is currently enrolling patients.

**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.

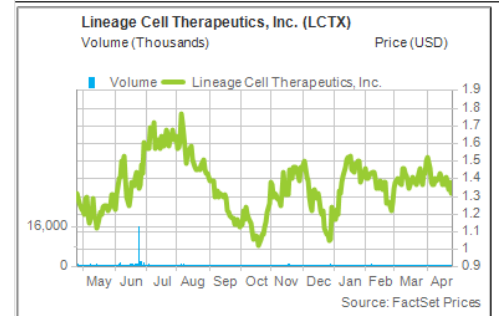
**Risks to our thesis include:** (1) clinical trial; (2) commercial; (3) employee; (4) financial; (5) intellectual property; (6) partnership; and (7) regulatory.

Current Price	\$1.32	
Price Target	\$6.00	
Type of AMD	% of AMD Cases	FDA Approved Therapies
Wet AMD	10 – 15%	Lucentis & Eylea (\$10 Billion in annual sales)
Dry AMD	85 – 90%	None



Source: Lineage

Stock Data			
52-Week Range	\$1.02	-	\$1.79
Shares Outstanding (mil.)	170.1		
Market Capitalization (mil.)	\$225		
Enterprise Value (mil.)	\$205		
Debt to Capital	0%		
Book Value/Share	\$1.28		
Price/Book	2.7		
Average Three Months Trading Volume (K)	152		
Insider Ownership	0.5%		
Institutional Ownership	43.8%		
Short interest (mil.)	0.0		
Dividend / Yield	\$0.00/0.0%		



**Exhibit 1. Income Statement**

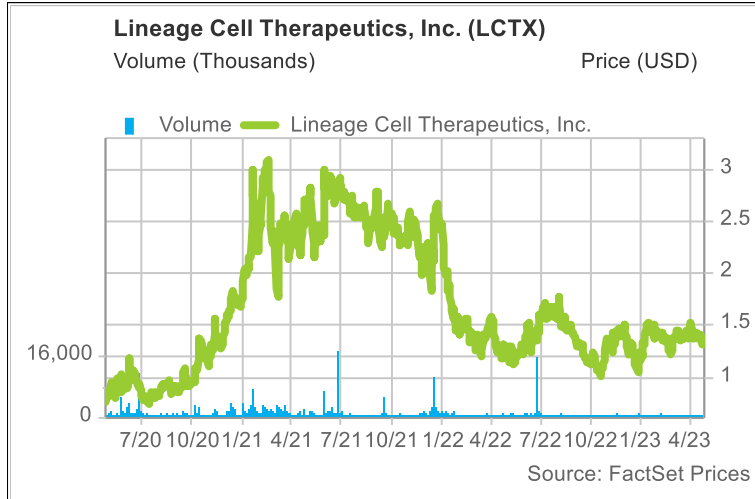
Lineage: Income Statement (\$000)															
YE December 31	2019A	2020A	2021A	1Q22A	2Q22A	3Q22A	4Q22A	2022A	2023E	2024E	2025E	2026E	2027E	2028E	2029E
Spinal Cord Injury Therapy		-	-	-	-	-	-	-	-	-	-	-	-	3,230	32,619
Dry Macular Degeneration												354,414	718,814	1,485,951	2,971,902
Renevia															
<b>Net revenue</b>												354,414	898,517	1,489,180	3,004,521
<b>Grant Revenues</b>	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
<b>Total Revenue</b>	<b>3,515</b>	<b>3,550</b>	<b>4,341</b>	<b>5,237</b>	<b>4,553</b>	<b>2,998</b>	<b>1,915</b>	<b>14,703</b>	<b>9,349</b>	<b>9,443</b>	<b>9,537</b>	<b>364,047</b>	<b>908,246</b>	<b>1,499,007</b>	<b>3,014,445</b>
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)
<b>Total Expenses</b>	<b>(41,979)</b>	<b>(33,583)</b>	<b>(53,552)</b>	<b>(11,633)</b>	<b>(8,787)</b>	<b>(8,249)</b>	<b>(8,554)</b>	<b>(37,223)</b>	<b>(43,714)</b>	<b>(52,333)</b>	<b>(53,150)</b>	<b>(117,776)</b>	<b>(198,589)</b>	<b>(279,064)</b>	<b>(507,240)</b>
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															
<b>Pretax Income</b>	<b>19,642</b>	<b>(32,647)</b>	<b>(43,270)</b>	<b>(7,093)</b>	<b>(6,782)</b>	<b>(5,575)</b>	<b>(6,362)</b>	<b>(25,812)</b>	<b>(34,364)</b>	<b>(42,890)</b>	<b>(43,613)</b>	<b>246,271</b>	<b>709,657</b>	<b>1,219,943</b>	<b>2,507,206</b>
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)			426,980	1,002,882
<b>Tax Rate</b>											0%	0%	25%	35%	40%
<b>GAAP Net Income (Loss)</b>	<b>(11,709)</b>	<b>(32,420)</b>	<b>(43,019)</b>	<b>(7,087)</b>	<b>(6,763)</b>	<b>(6,069)</b>	<b>(5,766)</b>	<b>(26,353)</b>	<b>(34,364)</b>	<b>(42,890)</b>	<b>(39,252)</b>	<b>246,271</b>	<b>532,242</b>	<b>792,963</b>	<b>1,504,323</b>
			8												
<b>Total comprehensive loss</b>	<b>(11,709)</b>	<b>(32,420)</b>	<b>(43,269)</b>	<b>(7,087)</b>	<b>(6,763)</b>	<b>(6,069)</b>	<b>(5,766)</b>	<b>(25,685)</b>	<b>(34,364)</b>	<b>(42,890)</b>	<b>(39,252)</b>	<b>246,271</b>	<b>532,242</b>	<b>792,963</b>	<b>1,504,323</b>
<b>GAAP-EPS</b>	<b>(0.08)</b>	<b>(0.22)</b>	<b>(0.26)</b>	<b>(0.04)</b>	<b>(0.04)</b>	<b>(0.04)</b>	<b>(0.03)</b>	<b>(0.15)</b>	<b>(0.20)</b>	<b>(0.25)</b>	<b>(0.23)</b>	<b>1.43</b>	<b>3.07</b>	<b>4.56</b>	<b>8.62</b>
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
- Updated – April 26, 2023 – Price Target \$6.00

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Current as of 17-Apr-23

	Company Coverage		Investment Banking	
Ratings Distribution	# of Companies	% of Total	# of Companies	% of Totals
Market Outperform (Buy)	25	69%	2	6%
Market Perform (Neutral)	11	31%	1	3%
Market Underperform (Sell)	0	0%	0	0%
Total	36	100%	3	9%

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