

Lineage Cell Therapeutics (NYSE/LCTX)

September 22, 2023

BUY: OPREGEN P1/2A Additional Results to be Featured at the 23rd EURETINA Congress

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Results of imaging analyses demonstrate evidence of rapid improvement in outer retinal structure from a P1/2a clinical study of OpRegen which was reviewed by multiple, independent reviewers, and will be presented at the 23rd EURETINA Congress. The meeting will be held in the RAI Amsterdam, The Netherlands from October 5-8, 2023. The presentation, "Time to retinal structure improvements following OpRegen subretinal delivery in patients with geographic atrophy (GA)," will be presented by Adiel Barak, M.D., Professor of Ophthalmology, Vitreoretinal Unit Director, Tel Aviv Medical Center, on behalf of Roche and Genentech, a member of the Roche Group.

Investment Highlights

The Phase 1/2a Study: This is an open-label, single-arm, multi-center, dose-escalation trial evaluating a single administration of OpRegen delivered subretinally in patients with bilateral GA secondary to dry-form AMD. Twenty-four patients were enrolled into 4 cohorts. The first 3 cohorts enrolled only legally blind patients with a best corrected visual acuity (BCVA) of 20/200 or worse. The fourth cohort enrolled 12 patients with impaired vision (BCVA from 20/65 to 20/250 with smaller mean areas of GA). Cohort 4 also included patients treated with a new "thaw-and-inject" formulation of OpRegen, which can be shipped directly to sites and used immediately upon thawing, removing the complications and logistics of having to use a dose preparation facility. The primary objective of the study was to evaluate the safety and tolerability of OpRegen as assessed by the incidence and frequency of treatment-emergent adverse events. Secondary objectives are to evaluate the preliminary activity of OpRegen treatment by assessing the changes in ophthalmological parameters measured by various methods of primary clinical relevance.

RG6501 Update: The collaboration with Roche/Genentech (not rated) continues across multiple functional areas, including support for the ongoing Phase 2a multi-center clinical study in patients with geographic atrophy (GA) secondary to age-related macular degeneration (AMD). Additional sites are expected to come online this year for the Phase 2a study.

Second Quarter Results: The company reported a net loss of \$5.2M and closed the period with \$45.9M in cash and equivalents.

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	\$1.27
Price Target	\$6.00

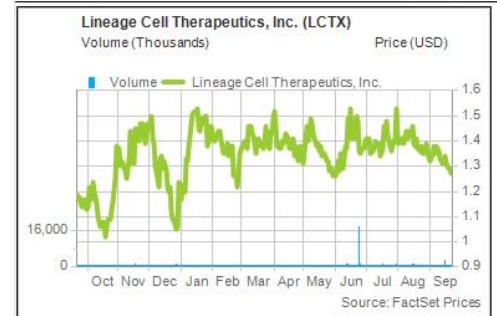


OPC1 Transplant Procedure

Source: Lineage

Stock Data

52-Week Range	\$1.02	-	\$1.58
Shares Outstanding (mil.)	175.0		
Market Capitalization (mil.)	\$222		
Enterprise Value (mil.)	\$203		
Debt to Capital	0%		
Book Value/Share	\$1.28		
Price/Book	2.7		
Average Three Months Trading Volume (K)	1,020		
Insider Ownership	0.4%		
Institutional Ownership	48.7%		
Short interest (mil.)	0.0		
Dividend / Yield	\$0.00/0.0%		



Source: FactSet Prices

Exhibit 1. Income Statement

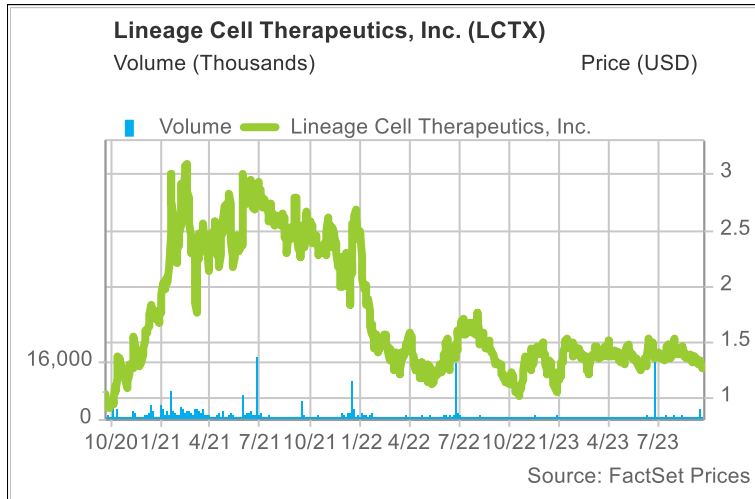
Lineage: Income Statement (\$000)															
YE December 31	2019A	2020A	2021A	2022A	1Q23A	2Q23A	3Q23E	4Q23E	2023E	2024E	2025E	2026E	2027E	2028E	2029E
Spinal Cord Injury Therapy		-	-	-	-	-	-	-	-	-	-	-	-	3,230	32,619
Dry Macular Degeneration												354,414	718,814	1,485,951	2,971,902
Renevia															
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	1,336	265	354	337	393	1,349	1,363	1,376	1,390	1,404	1,418	1,432
Subscription & Advertisement Revenues															
Collaboration Revenues	257	260	1,120	13,367	2,121	2,871	2,000	1,008	8,000	8,080	8,161	8,242	8,325	8,408	8,492
Total Revenue	3,515	3,550	4,341	14,703	2,386	3,225	2,337	1,401	9,349	9,443	9,537	364,047	908,246	1,499,007	3,014,445
Cost of Goods (sales)	(412)	(271)	(1,426)	(728)	(119)	(127)	-	-	(246)	-	-	(63,795)	(143,763)	(223,377)	(450,678)
					28%	28%	28%	28%	#DIV/0!	#DIV/0!	#DIV/0!	18%	16%	15%	15%
Research & Development	(17,948)	(14,358)	(33,914)	(13,987)	(4,185)	(3,873)	(5,245)	(7,677)	(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)	(22,508)	(4,724)	(4,249)	(5,683)	(8,077)	(22,733)	(22,960)	(23,190)	(23,422)	(23,656)	(23,893)	(24,132)
Total Expenses	(41,979)	(33,583)	(53,552)	(37,223)	(9,028)	(8,249)	(10,928)	(15,754)	(43,960)	(52,333)	(53,150)	(117,776)	(198,589)	(279,064)	(507,240)
Loss from Operation	(38,876)	(30,304)	(49,211)	(22,520)	(6,642)	(5,024)	(8,591)	(14,353)	(34,610)	(42,890)	(43,613)	246,271	709,657	1,219,943	2,507,206
Interest Income (expense)	1,685			829		382									
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	(2,194)											
Unrealized Gain on marketable equity securities	(2,898)		205	225		(150)									
Other Income (expenses) net	2,532		1,486			(411)									
Total other income (expense), net					435										
Pretax Income	19,642	(32,647)	(43,270)	(25,812)	(6,207)	(5,203)	(8,591)	(14,353)	(34,354)	(42,890)	(43,613)	246,271	709,657	1,219,943	2,507,206
Tax Benefit	(19,234)			(541)	1,803										
Net loss attributable to non-controlling interest	118	49	251	80	32	(26)			6	-	-	-	-	-	-
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)	(26,353)	(4,372)	(5,229)	(8,591)	(14,353)	(32,545)	(42,890)	(39,252)	246,271	532,242	792,963	1,504,323
			8												
Total comprehensive loss	(11,709)	(32,420)	(43,269)	(25,685)	(4,372)	(5,229)	(8,591)	(14,353)	(32,545)	(42,890)	(39,252)	246,271	532,242	792,963	1,504,323
GAAP-EPS	(0.08)	(0.22)	(0.26)	(0.15)	(0.03)	(0.03)	(0.05)	(0.08)	(0.19)	(0.25)	(0.23)	1.43	3.07	4.55	8.60
GAAP-EPS (Dil)	(0.08)	(0.19)	(0.23)	(0.14)	(0.01)	(0.01)	(0.01)	(0.01)	(0.04)	0.08	0.32	0.60	0.87	1.12	1.12
Wgtd Avg Shrs (Bas)	145,533	150,268	164,502	169,792	170,127	170,592	170,763	170,933	170,604	171,361	172,048	172,737	173,429	174,124	174,821
Wgtd Avg Shrs (Dil)	145,533	170,114	276,477	292,629	293,361	293,655	293,948	294,242	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:

- 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
- Updated – July 25, 2023 – Price Target \$6.00
- Updated – September 22, 2023 – 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-Sep-23

	Company Coverage		Investment Banking	
Ratings Distribution	# of Companies	% of Total	# of Companies	% of Totals
Market Outperform (Buy)	23	67.64%	3	8.80%
Market Perform (Neutral)	11	32.36%	3	8.80%
Market Underperform (Sell)	0	0%	0	0.00%
Total	34	100%	6	17.60%

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