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

Lineage Cell Therapeutics (NYSE/LCTX)

March 12, 2024

BUY: Spends \$25M in 2023, and \$35M in Cash Plus \$14M – Funded through 3Q2025

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

Lineage spent \$25M last year and closed the year with \$35M in cash and equivalents excluding \$13.8M raised in February. Guidance is that the current capital can support operations through Q325. The Phase 2a study in Dry AMD, which is partnered with Genentech, evaluating OpRegen, is ongoing.

Investment Highlights (press release - adapted):

RG6501 (OpRegen):

- The collaboration with Roche and Genentech is principally for the ongoing Phase 2a clinical study in dry-AMD 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 2023 Eyecelerator, 23rd EU RETINA Congress, and 2023 ARVO Annual Meetings.
- U.S. Patent No.11,746,324 entitled “Large Scale Production of Retinal Pigment Epithelial Cells,” issued.

OPCI

- Submitted an Investigational New Drug Amendment (INDa) for OPCI for the treatment of chronic and subacute spinal cord injury to enable initiation of DOSED (Delivery of Oligodendrocyte Progenitor Cells for Spinal Cord Injury: Evaluation of a Novel Device) clinical study in subacute and chronic spinal cord patients. INDa clearance from the U.S. Food and Drug Administration announced in February 2024.
- Received CIRM grant to support the 1st Annual Spinal Cord Injury Investor Symposium, hosted in partnership with the Christopher & Dana Reeve Foundation.

Valuation: Our valuation for Lineage remains driven by the opportunity in Dry AMD, narrowed down further by a subset of patients with GA. We assume just a 10% probability of success in Dry AMD and SCI, which drives our \$2.00 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 \$1.29
Price Target \$2.00



OPC1 Transplant Procedure

Source: Lineage

Stock Data

52-Week Range	\$0.84	-	\$1.57
Shares Outstanding (mil.)	188.5		
Market Capitalization (mil.)	\$243		
Enterprise Value (mil.)	\$224		
Debt to Capital	0%		
Book Value/Share	\$1.28		
Price/Book	3.0		
Average Three Months Trading Volume (K)	881		
Insider Ownership	0.6%		
Institutional Ownership	48.1%		
Short interest (mil.)	0.1		
Dividend / Yield	\$0.00/0.0%		

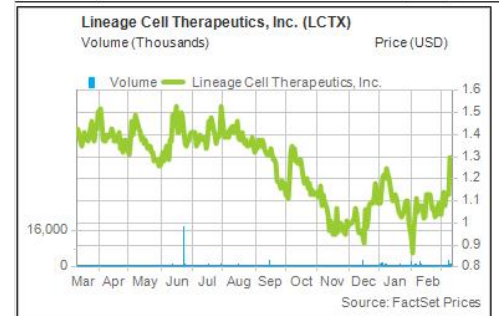


Exhibit 1. Income Statement

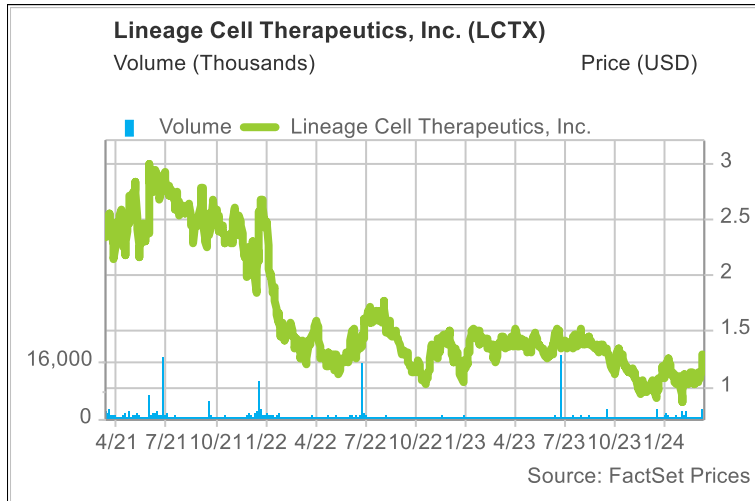
Lineage: Income Statement (\$000)															
YE December 31	2019A	2020A	2021A	2022A	1Q23A	2Q23A	3Q23A	4Q23A	2023A	2024E	2025E	2026E	2027E	2028E	2029E
Spinal Cord Injury Therapy		-	-	-	-	-	-	-	-	-	-	-	-	3,230	32,619
Dry Macular Degeneration												118,138	239,605	495,317	990,634
Renevia															
Net revenue												118,138	299,506	498,547	1,023,253
Grant Revenues	2,037	2,057	445		-	-	-	-	-	-	-	-	-	-	-
Royalties from Product Sales and license fees	1,221	1,233	2,776	1,336	265	354	289	449	1,357	1,371	1,384	1,398	1,412	1,426	1,440
Subscription & Advertisement Revenues															
Collaboration Revenues	257	260	1,120	13,367	2,121	2,871	957	1,639	7,588	7,664	7,741	7,818	7,896	7,975	8,055
Total Revenue	3,515	3,550	4,341	14,703	2,386	3,225	1,246	2,088	8,945	9,034	9,125	127,354	308,814	507,948	1,032,748
Cost of Goods (sales)	(412)	(271)	(1,426)	(728)	(119)	(127)	(169)	(256)	(671)	-	-	(21,265)	(47,921)	(74,782)	(153,488)
					28%	28%	28%	28%				18%	16%	15%	15%
Research & Development	(17,948)	(14,358)	(33,914)	(13,987)	(4,185)	(3,873)	(3,741)	(3,906)	(15,705)	(21,987)	(22,427)	(22,875)	(23,333)	(23,799)	(24,275)
Acquired in Process Research & Development															
General & Administrative	(24,031)	(19,225)	(18,212)	(22,508)	(4,724)	(4,249)	(4,041)	(4,288)	(17,302)	(17,475)	(17,650)	(17,826)	(18,005)	(18,185)	(18,366)
Total Expenses	(41,979)	(33,583)	(53,552)	(37,223)	(9,028)	(8,249)	(7,951)	(8,450)	(33,007)	(39,462)	(40,077)	(61,966)	(89,258)	(116,766)	(196,130)
Loss from Operation	(38,876)	(30,304)	(49,211)	(22,520)	(6,642)	(5,024)	(6,705)	(6,362)	(24,733)	(30,428)	(30,952)	65,388	219,556	391,182	836,618
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		(826)	1,842	1,451						
Pretax Income	19,642	(32,647)	(43,270)	(25,812)	(6,207)	(5,203)	(7,158)	(4,520)	(23,282)	(30,428)	(30,952)	65,388	219,556	391,182	836,618
Tax Benefit	(19,234)			(541)	1,803										
Net loss attributable to non-controlling interest	118	49	251	80	32	(26)	48	(61)	(7)	-	-	-	-	-	-
Taxes	7										(3,095)		54,889	136,914	334,647
Tax Rate											0%	0%	25%	35%	40%
GAAP Net Income (Loss)	(11,709)	(32,420)	(43,019)	(26,353)	(4,372)	(5,229)	(7,110)	(4,581)	(21,486)	(30,428)	(27,857)	65,388	164,667	254,268	501,971
			8												
Total comprehensive loss	(11,709)	(32,420)	(43,269)	(25,685)	(4,372)	(5,229)	(7,110)	(4,581)	(21,486)	(30,428)	(27,857)	65,388	164,667	254,268	501,971
GAAP-EPS	(0.08)	(0.22)	(0.26)	(0.15)	(0.03)	(0.03)	(0.04)	(0.03)	(0.12)	(0.17)	(0.16)	0.37	0.93	1.43	2.80
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	174,868	175,043	172,663	175,481	176,184	176,890	177,598	178,310	179,024
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
- Price Target Change – November 20, 2023 – Price Target \$6.00 to \$2.00
- Updated – February 22, 2024 – Price Target \$2.00
- Updated – March 12, 2024 – Price Target \$2.00

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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 27-Feb-24

	Company Coverage		Investment Banking	
Ratings Distribution	# of Companies	% of Total	# of Companies	% of Totals
Market Outperform (Buy)	20	57.14%	4	11.43%
Market Perform (Neutral)	15	42.86%	2	5.71%
Market Underperform (Sell)	0	0%	0	0.00%
Total	35	100%	6	17.14%

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