

August 15, 2022

## LGVN: Updating Model Following 2Q Results

We are maintaining our Buy rating and \$20 (peak sales-based) price target on LGVN. The company reported 2Q results on Friday, with 2Q operating expenses of \$4.4M versus our \$5.4M estimate. 2Q revenue of \$0.5M exceeded our \$0.2M estimate, on higher clinical trial revenue than we had modeled. LGVN finished 2Q with \$27.0M in cash and short term investments, which is expected to enable LGVN to fund operations into the first half of 2024.

**Key operational updates.** LGVN's Phase2a study for Lomecel-B for the treatment of mild Alzheimer's is at 50% enrollment and management expects to enroll the remainder of patients on schedule (by the end of 2022). LGVN's Phase 2a study (ELPIS II) of Lomecel-B in infants with Hypoplastic Left Heart Syndrome (HLHS) continues to enroll patients; we expect enrollment to continue into 2023. We remind investors that the HLHS program remains the primary driver of our LGVN price target. LGVN's Aging Frailty (AF) amended study design was accepted by Japanese regulators, enabling that trial to commence. LGVN also reported that its Phase 1/2 HERA trial (influenza vaccine in combination with Lomecel-B) met the primary endpoint for safety in the randomized placebo-control portion of the study.

**Updating estimates.** We are narrowing our 2022 EPS loss estimate to (\$0.94) from (\$0.99) on slightly lower operating expense assumptions (we are modeling \$19.1M in operating expenses in 2022). We are narrowing our 2023 EPS loss estimate from (\$1.24) to (\$1.17).

**On deck.** Upcoming catalysts include the completion of Alzheimer's enrollment, the first patient enrollment in the Japanese Phase 2 study of Lomecel-B in AF, and the publications of both the HLHS ELIPS I study and the completed Phase 2b study in Adult Frailty in peer reviewed medical journals.

**Risks.** The FDA has not yet approved an MSC-derived cell-therapy product. AF lacks a concrete consensus definition, which could hinder the advancement of Lomecel-B into late stage development for AF. The long-term commercial potential of any COVID-related efforts, such as the ARDS program, remains uncertain given the competitive landscape as well as the evolving nature of COVID-19. The landscape for novel AD treatments is crowded and is characterized in part by new technologies that maybe more advanced in development than Lomecel-B. The failure of peer cell-therapy programs could have a negative impact on group sentiment.

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### MARKET DATA

Rating	Buy
Price Target	\$20.00
Price	\$5.95
Average Daily Volume	221
Market Cap (\$M)	\$124.7
Enterprise Value (\$M)	\$97.6
Dividend Yield	0.0%

### ESTIMATES

		2021A	2022E	2023E
EPS --	Q1	(0.18)	(0.17)	-
	Q2	(0.26)	(0.27)	-
	prev:	-	(0.26)	-
Q3		(0.25)	(0.24)	-
	prev:	-	(0.27)	-
Q4		(0.20)	(0.26)	-
	prev:	-	(0.29)	-
FY		(0.90)	(0.94)	(1.17)
	prev:	-	(0.99)	(1.24)

### One Year Performance Chart



Please see analyst certification and important disclosures on page 2 of this report.

## Important Disclosures

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**BUY (B)** - Total return expected to exceed S&P 500 by at least 10%

**HOLD (H)** - Total return expected to be in-line with S&P 500

**SELL (S)** - Total return expected to underperform S&P 500 by at least 10%

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