November 14, 2022

Zacks Small-Cap Research

Sponsored – Impartial - Comprehensive

Brad Sorensen, CFA
312-265-9574
bsorensen@zacks.com

scr.zacks.com
10 S. Riverside Plaza, Chicago, IL 60606

Longeveron Inc (LGVN-NASDAQ)

LGVN: A potential Alzheimer's treatment moves forward, while cash on the balance sheet remains ample.

LGVN is a clinical stage biotech company that is using cutting edge cellular technology to treat a rare heart disease and the impacts of aging. We reiterate our $20.00 valuation on LGVN using the discounted cash flow model.

Current Price (11/11/22)	$3.91
Valuation	**$20.00**

OUTLOOK

Longeveron reported a 3Q 2022 loss of $0.25/per share, in line with the same quarter last year and within the range of expectations.

More importantly, Longeveron provided updates on the progress being made with Lomecel-B. The Phase 2a trial of Lomocel-B for the treatment of Alzheimer's has reached full enrollment, the developments with HLHS are encouraging, and the Aging Frailty trial continues to progress toward commercialization potential in Japan.

SUMMARY DATA

52-Week High	**$42.30**
52-Week Low	**$2.92**
One-Year Return (%)	**15.00**
Beta	**0.45**
Average Daily Volume (sh)	**58,224**
Shares Outstanding (mil)	**21**
Market Capitalization ($mil)	**$82**
Short Interest Ratio (days)	**N/A**
Institutional Ownership (%)	**2**
Insider Ownership (%)	**42**
Annual Cash Dividend	**$0.00**
Dividend Yield (%)	**0.00**
5-Yr. Historical Growth Rates	
Sales (%)	**N/A**
Earnings Per Share (%)	**N/A**
Dividend (%)	**N/A**
P/E using TTM EPS	**N/A**
P/E using 2022 Estimate	**-5.3**
P/E using 2023 Estimate	**-5.3**
Zacks Rank	**N/A**

Risk Level	**Above Average**
Type of Stock	**Small-Growth**
Industry	**Med-Biomed**

ZACKS ESTIMATES

Revenue
(in millions of $)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2021	0.4 A	0.5 A	0.2 A	0.2 A	1.4 A
2022	0.4 A	0.5 A	0.3 A	0.4 E	1.2 E
2023	0.3 E	0.4 E	0.4 E	0.3 E	1.4 E
2024	0.3 E	0.3 E	0.4 E	0.3 E	1.3 E

Earnings per share

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2021	-$0.18 A	-$0.26 A	-$0.25 A	-$0.20 A	-$0.90 A
2022	-$0.17 A	-$0.27 A	-$0.25 A	-$0.10 E	-$0.75 E
2023	-$0.19 E	-$0.20 E	-$0.18 E	-$0.17 E	-$0.74 E
2024	-$0.17 E	-$0.19 E	-$0.16 E	-$0.22 E	-$0.74 E

© Copyright 2022, Zacks Investment Research. All Rights Reserved.

Updates

- Longeveron (LGVN) reported 3Q 2022 revenues of $0.3 million, slightly ahead of the same quarter a year ago, and a loss of $0.25/per share, mostly inline with expectations.
    - No surprises in the financial releases for 3Q and things appear to remain on track, with no major concerns.

- The company also reported an ending cash balance, as of September 30, 2022, of $22.3 million.
    - Management noted on the conference call that it believes this cash balance will be adequate to cover expenses and capital expenditures into the first half of 2024.

- The Phase 2a clinical trial of Lomecel-B to evaluate the safety of the drug in patients with mild Alzheimer's Disease is at full enrollment.
    - 48-patient, randomized trial to evaluate the safety of single and multiple infusions of two different dose levels compared to a placebo.
        - The company believes that Lomecel-B has the potential to impact Alzheimer's Disease by modulating neuroinflammation and vascular dysfunction that contribute to Alzheimer's and believes this trial will give information about these potential impacts.

- The company provided updates on its progress in using Lomecel-B in the treatment of aging frailty disease and noted that the screening process has been initiated for a Phase 2 study evaluating Lomecel-B in patients with Aging Frailty in Japan.
    - The goal of this study is to provide support for limited approval under Japan's Act on the Safety of Regenerative Medicine.
        - This approval would allow the product to be administered to patients by approved hospitals or clinics.

- The company noted that the Phase 2a trial known as ELPIS II, testing the potential impact of Lomecel-B on Hypoplastic Left Heart Syndrome (HLHS), continues to enroll infants with HLHS.
    - Without treatment, the condition is always fatal.
    - The company believes that Lomecel-B might have the potential to boost the function of the baby's single ventricle once reconstructive surgery is performed and thus reduce the need for a heart transplant.
    - Further updates will come once enough infants have been enrolled.
    - Lomecel-B for HLHS has received Fast Track, Rare Pediatric Disease and Orphan Drug Designation from the FDA.

- These updates were given by the interim CEO, as the company continues to search for new, permanent CEO.

Summary

We continue to believe that Longeveron is an exciting clinical-stage company and the updates provided did nothing to dissuade us from that opinion. We believe that the company is well managed, evidenced by the good funding position the company is in, and moving consistently forward and that Lomecel-B will ultimately have a substantial impact on the health situations of thousands of patients. Our price target remains what we believe to be a somewhat conservative $20.00 per share, which is well below the recent trading range as we believe investors aren't appreciating the potential of Lomecel-B's commercialization and believe patient investors will be rewarded.

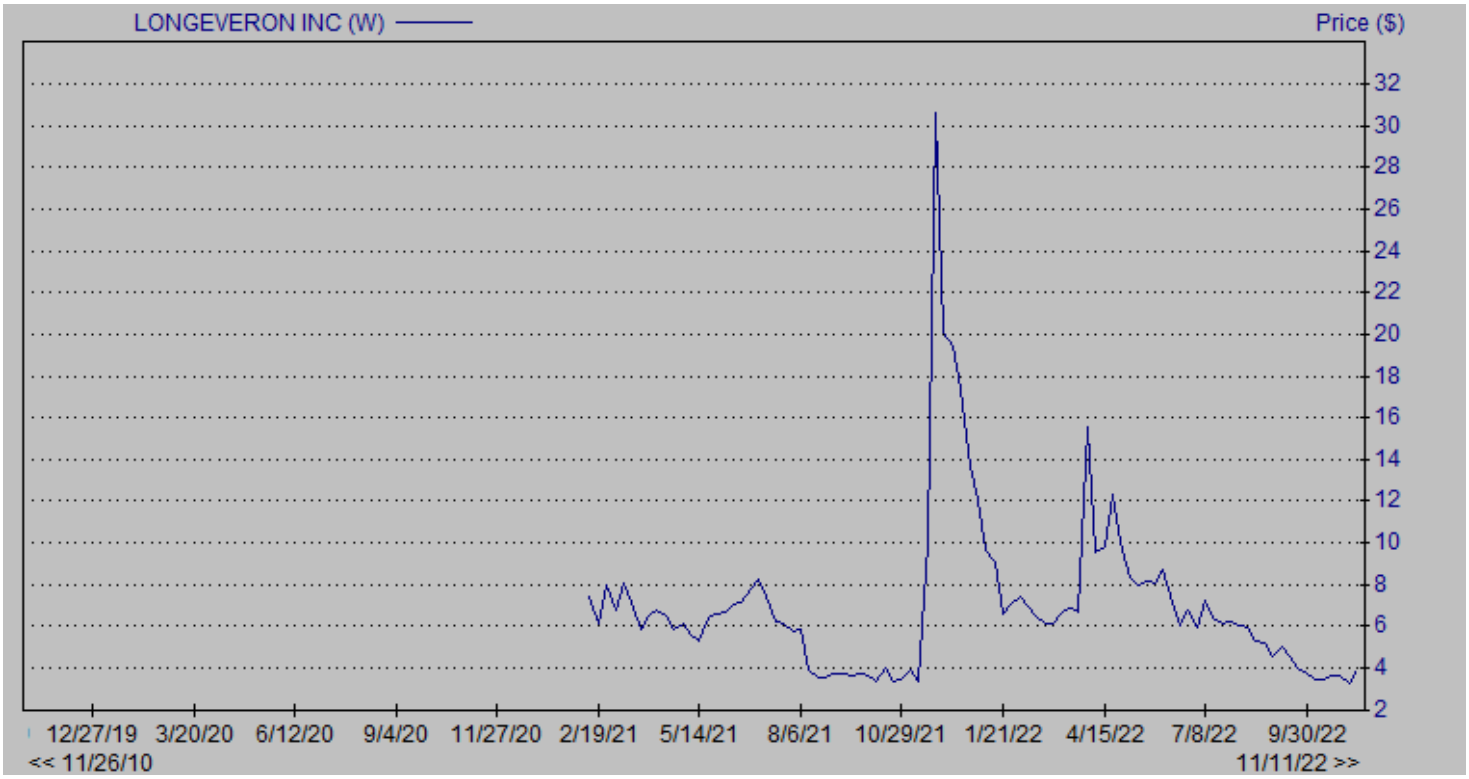
RISKS

- The CEO departure has left a void in leadership that concerns us slightly and we will be watching the process and outcome of the process of the search for the company's new CEO.
- Longeveron has no approved products at this point in time and no incoming revenue from the commercialization of any therapy—making future prospects and appropriate valuation more difficult to ascertain.
- Cell-based therapies are a relatively new area of potential treatment and could complicate or delay the approval process of Lomecel-B for various conditions. As of now, there are no FDA-approved cell-based therapies for aging frailty, Alzheimer's disease or Hypoplastic Left Heart Syndrome.
- Also related to the novelty of cell-based therapy, the market may be slow to adopt and accept these therapies even if after they have received FDA approval.
- Longeveron relies on a select cohort of human donors of bone marrow, between 18-45, prescreened for health conditions, and limited to 6 lifetime donations, for the material needed for Lomecel-B and finding the needed number of approved donors may be difficult as demand grows.
- Funding for Longeveron's activities is reliant upon financing activities and governmental sources, neither of which are certain and could cause Longeveron to run into funding issues should either of those sources end or substantially decline. Additionally, should management decide to issue substantial new shares of stock in Longeveron to achieve needed operating capital, existing shareholder holdings would be diluted.

INCOME STATEMENT & BALANCE SHEET

Longeveron Income Statement and Balance Sheet									
(in thousands, except per share data)									
		3Q2021A	**4Q2021A**	**1Q2022A**	**2Q2022A**	**3Q2021A**	**2022E**	**2023E**	**2024E**
Revenues									
	Grant Revenue	68	44	60	126	210	700	950	875
	Clinical Trial Revenue	164	165	310	340	55	402	405	410
	Contract Revenue	0	0	0	0	0	0	0	0
Total Revenues		232	209	370	466	265	1,102	1,355	1,285
	Cost of Revenues	68	140	70	306	173	400	404	408
Gross Profit		164	69	300	160	92	702	951	877
Operating Expenses									
	General and administrative	2,996	2,280	1,980	2427	2,074	10,650	11,250	11,550
	Research and development	2,048	1,733	1,427	1720	2,960	5,150	5,550	5,825
	Selling and marketing	25	88	287	234	245	110	110	175
Total operating expenses		5,069	4,101	3,694	4,381	5,279	15,910	16,910	17,550
Loss from operations		(4,905)	(4,032)	(3,394)	(4,221)	(5,187)	(15,208)	(15,959)	(16,673)
Other income and (expenses)									
	Interest expense	(1)	(1)	0	0	0	(2)	(3)	(3)
	Other income, net	51	(36)	(116)	-1403	(57)	205	207	209
Total other income and (expenses), net		50	(37)	(116)	(1,403)	(57)	203	204	206
Net loss		(4,855)	(4,069)	(3,510)	(5,624)	(5,244)	(15,005)	(15,755)	(16,467)
Basic and diluted loss per share		$ (0.25)	$ (0.20)	$ (0.17)	$ (0.27)	$ (0.25)	$ (0.71)	$ (0.71)	$ (0.71)
Basic and diluted wtd avg common shares		19,115,152	20,019,138	20,911,203	20,943,897	21,001,613	21,020,095	22,071,100	23,174,655
Assets									
Current Assets:									
	Cash	9,738	25,658	22,132	20,224	13,574	25,503	25,576	25,692
	Short-term investments	9,927	9,333	8,449	6,837	8,742	8,702	8,964	9,232
Total Current Assets		19,665	34,991	30,581	27,061	22,316	34,205	34,540	34,924
Property, Plant and Equipment, net		3,070	3,062	2,966	2,835	3,064	2,909	2,763	2,625
Intangible assets, net		2,358	2,334	2,361	2,358	2,373	2,357	2,381	2,405
Other assets		2,057	2,379	3,265	3,071	2,762	2,260	2,034	1,932
Total Assets		27,150	42,766	39,173	35,325	30,515	41,732	41,718	41,887
Liabilities and stockholder equity									
Current liabilities:			Details estimated	Details estimated	Details estimated	Details estimated			
	Accounts Payable	361	501	505	895	860	526	727	807
	Accrued Expenses	834	1,150	900	961	947	772	625	875
	Current portion of lease	530	530	520	517	517	530	520	530
	Short-term note payable	-	-	-	19	-	-	-	-
	Current portion of loans	5	5	5	5	5	5	5	5
	Deferred Revenue	202	202	202	202	202	202	202	222
Total Current Liabilities		1,932	2,388	2,132	2,599	2,531	2,035	2,079	2,439
Long-term Liabilities:									
	Long-term loans	143	143	143	146	145	142	140	138
	Lease Liability	2,742	2,782	2,592	3,199	3,214	2,504	2,429	2,356
Total long-term liabilities		2,885	2,925	2,735	3,345	3,359	2,646	2,569	2,494
Total liabilities		4,817	5,313	4,867	5,944	5,890	4,681	4,648	4,933
Stockholders Equity									
	Members equity	19	19	19	19	19	19	19	19
	Additional Paid-in capital	62,283	62,906	63,535	59,466	55,696	77,509	93,283	109,634
	Stock Subscription receivable	(100)	(100)	(100)	(100)	(100)	(100)	(100)	(100)
	Accumulated Deficit	(39,869)	(25,372)	(29,148)	(30,004)	(30,990)	(40,377)	(56,132)	(72,599)
Total stockholders equity		22,333	37,453	34,306	29,381	24,625	37,051	37,070	36,954
Total liabilities and stockholder equity		27,150	42,766	39,173	35,325	30,515	41,732	41,718	41,888

HISTORICAL STOCK PRICE



DISCLOSURES

The following disclosures relate to relationships between Zacks Small-Cap Research ("Zacks SCR"), a division of Zacks Investment Research ("ZIR"), and the issuers covered by the Zacks SCR Analysts in the Small-Cap Universe.

ANALYST DISCLOSURES

I, Brad Sorensen, hereby certify that the view expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the recommendations or views expressed in this research report. I believe the information used for the creation of this report has been obtained from sources I considered to be reliable, but I can neither guarantee nor represent the completeness or accuracy of the information herewith. Such information and the opinions expressed are subject to change without notice.

INVESTMENT BANKING AND FEES FOR SERVICES

Zacks SCR does not provide investment banking services nor has it received compensation for investment banking services from the issuers of the securities covered in this report or article.
Zacks SCR has received compensation from the issuer directly, from an investment manager, or from an investor relations consulting firm engaged by the issuer for providing non-investment banking services to this issuer and expects to receive additional compensation for such non-investment banking services provided to this issuer. The non-investment banking services provided to the issuer includes the preparation of this report, investor relations services, investment software, financial database analysis, organization of non-deal road shows, and attendance fees for conferences sponsored or co-sponsored by Zacks SCR. The fees for these services vary on a per-client basis and are subject to the number and types of services contracted. Fees typically range between ten thousand and fifty thousand dollars per annum. Details of fees paid by this issuer are available upon request.

POLICY DISCLOSURES

This report provides an objective valuation of the issuer today and expected valuations of the issuer at various future dates based on applying standard investment valuation methodologies to the revenue and EPS forecasts made by the SCR Analyst of the issuer's business.
SCR Analysts are restricted from holding or trading securities in the issuers that they cover. ZIR and Zacks SCR do not make a market in any security followed by SCR nor do they act as dealers in these securities. Each Zacks SCR Analyst has full discretion over the valuation of the issuer included in this report based on his or her own due diligence. SCR Analysts are paid based on the number of companies they cover. SCR Analyst compensation is not, was not, nor will be, directly or indirectly, related to the specific valuations or views expressed in any report or article.

ADDITIONAL INFORMATION

Additional information is available upon request. Zacks SCR reports and articles are based on data obtained from sources that it believes to be reliable, but are not guaranteed to be accurate nor do they purport to be complete. Because of individual financial or investment objectives and/or financial circumstances, this report or article should not be construed as advice designed to meet the particular investment needs of any investor. Investing involves risk. Any opinions expressed by Zacks SCR Analysts are subject to change without notice. Reports or articles or tweets are not to be construed as an offer or solicitation of an offer to buy or sell the securities herein mentioned.

CANADIAN COVERAGE

This research report is a product of Zacks SCR and prepared by a research analyst who is employed by or is a consultant to Zacks SCR. The research analyst preparing the research report is resident outside of Canada, and is not an associated person of any Canadian registered adviser and/or dealer. Therefore, the analyst is not subject to supervision by a Canadian registered adviser and/or dealer, and is not required to satisfy the regulatory licensing requirements of any Canadian provincial securities regulators, the Investment Industry Regulatory Organization of Canada and is not required to otherwise comply with Canadian rules or regulations.