May 12, 2023

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: Positive Data on Rare Disease and 1Q Results Released.

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 place a value of $14.30 on LGVN using the discounted cash flow model.

Current Price (05/11/23)	$3.45
Valuation	**$14.30**

OUTLOOK

Longeveron announced earnings that were roughly in line with estimates and noted cash balances remain solid. The company also announced an exciting update on a potential breakthrough treatment.

The update reiterated our belief that Lomecel-B has the potential to be a breakthrough treatment and results from ongoing trials on various conditions are anxiously awaited.

SUMMARY DATA

52-Week High	**$9.12**
52-Week Low	**$2.52**
One-Year Return (%)	**-52.22**
Beta	**0.55**
Average Daily Volume (sh)	**423,503**
Shares Outstanding (mil)	**21**
Market Capitalization ($mil)	**$73**
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 2023 Estimate	**N/A**
P/E using 2024 Estimate	**N/A**
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	0.1 A	1.2 A
2023	0.3 A	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	-$0.21 A	-$0.90 A
2023	-$0.22 A	-$0.26 E	-$0.24 E	-$0.23 E	-$0.95 E
2024	-$0.18 E	-$0.19 E	-$0.16 E	-$0.22 E	-$0.75 E

© Copyright 2023, Zacks Investment Research. All Rights Reserved.

Updates

Longeveron announced 1Q 2023 earnings results today and the following are the highlights:

- Revenues came in at $0.3 million, as expected, which comes from the company's Bahamas Registry Trial.
- Earnings came in showing a loss of $0.22 per share, roughly inline with expectations.
- General and administrative expenses declined by $100,000 versus the same quarter a year ago—bolstering our belief that company management is watching expenses closely.
- Most importantly, the company reported cash and cash equivalents of $13.7 million, which the company stated would cover expenses and capital expenditures into the second quarter of 2024.

Additionally, the company recently announced some exciting news that supports our belief in Lomecel-B having the potential to be a game-changing treatment. Longeveron announced long-term follow-up data from the company's trial of Lomecel-B for patients with hypoplastic left heart syndrome (HLHS). As a quick reminder, HLHS is a rare and life-threatening congenital heart defect affecting approximately 1,000 babies per year according to the company. Infants born with HLHS have an underdeveloped or absent left ventricle. Current standard-of-care is comprised of three reconstructive heart surgeries (Stage 1 – 3) to reconfigure the right ventricle to provide all cardiac output. These three surgeries must be performed within the first five years of life. The Stage 1 surgery (the Norwood procedure) is conducted within 2 weeks of birth and the Stage 2 (the Glenn procedure) is typically conducted by 4-5 months of age. A Stage 3 surgery (the Fontan procedure) is typically performed when the children are 4-5 years of age. Without surgical treatment, the condition is always fatal, and even with reconstructive surgical reconstruction, patients often die or require heart transplantation by 15 years of age.

The company is hoping that Lomecel-B can improve on these patients' outcomes. And the results just released lend support to those hopes. The company shared data that showed 100% of the 10 patients who participated in the trial survived and remained transplant-free for up to 5 years of age after receiving Lomecel-B during their Stage 2 surgery. According to the company, historical data has shown that children with HLHS have approximately 20% mortality by 5 years. This continues the positive results we are seeing out of trials of Lomecel-B and we are excited that the company is currently enrolling patients in the Phase 2a trial, which will involve 38 patients. This trial will be to evaluate the safety and efficacy of intramyocardial injection of Lomecel-B in infants with HLHS undergoing the Glenn Procedure. As a reminder and another reason to like LGVN, Lomecel-B for HLHS has received Fast Track, Rare Pediatric Disease, and Orphan Drug Designations from the FDA.

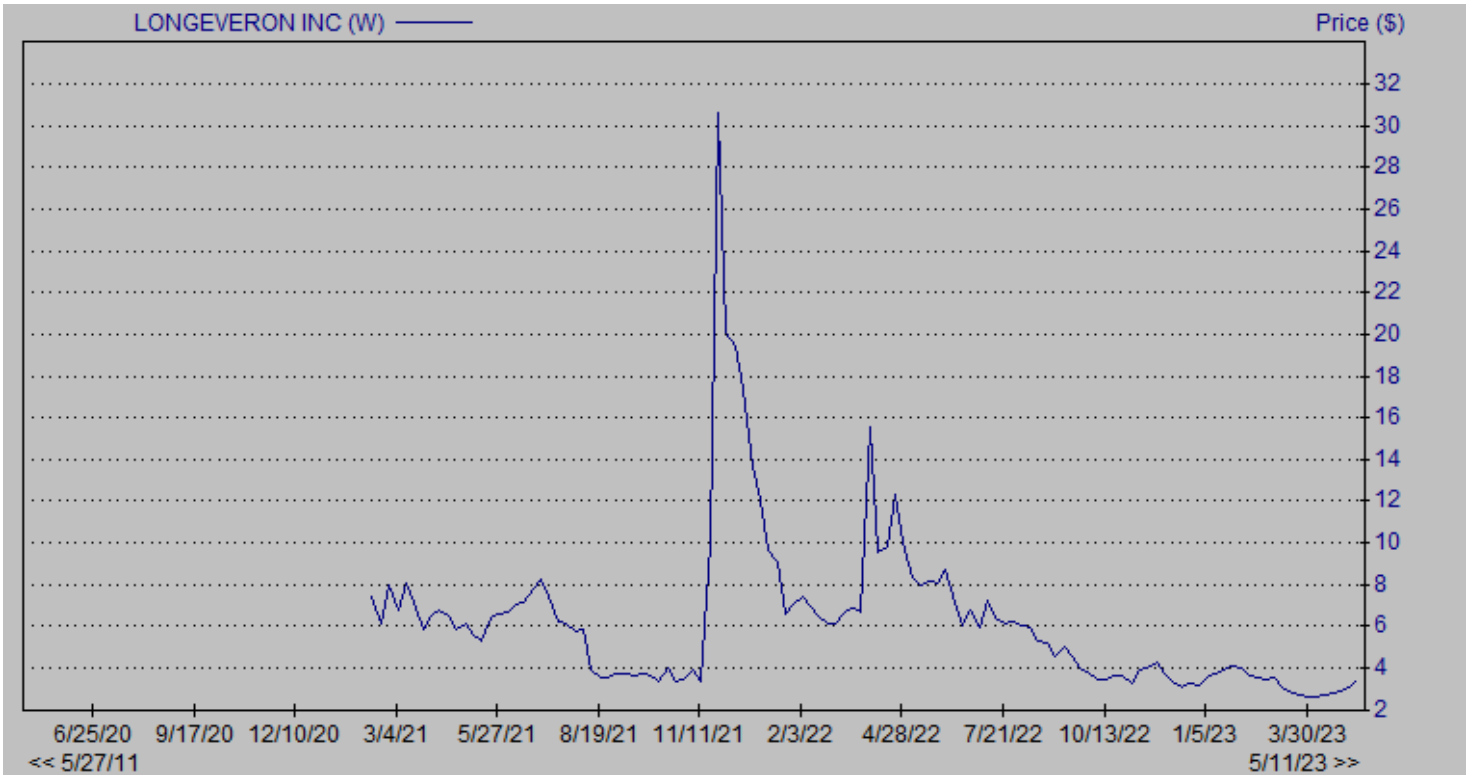
Summary

We continue to believe that Longeveron is an exciting clinical-stage company and investors aren't appropriately appreciating the game-changing potential Lomecel-B may be able to have on multiple serious medical conditions. We also believe that the company is well managed, evidenced by the good funding position the company is in and way the company has moved the company's treatment through the FDA process. As a result of persistent and competent management and solid science the company is moving consistently forward and we believe that Lomecel-B will ultimately have a substantial impact on the health situations of thousands of patients. Our price target is what we believe to be a somewhat conservative $14.30 per share, which is well above 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.

INCOME STATEMENT AND BALANCE SHEET

Longeveron Income Statement and Balance Sheet							
(in thousands, except per share data)							
		4Q2022A	1Q2023A	2Q2023E	3Q2023E	4Q2023E	2024E
Revenues							
	Grant Revenue	41	41	126	210	200	875
	Clinical Trial Revenue	80	238	340	55	90	410
	Contract Revenue	0	0	0	0	0	0
Total Revenues		121	279	466	265	290	1,285
	Cost of Revenues	175	203	306	173	177	179
Gross Profit		(54)	76	160	92	113	1,106
Operating Expenses							
	General and administrative	1,637	1,855	2427	2,074	2,095	11,550
	Research and development	3,263	2,780	1720	2,960	2,990	5,825
	Selling and marketing	285	157	234	245	110	175
Total operating expenses		5,185	4,792	4,381	5,279	5,194	17,550
Loss from operations		(5,239)	(4,716)	(4,221)	(5,187)	(5,081)	(16,444)
Other income and (expenses)							
	Interest expense	0	69	70	72	73	75
	Other income, net	783	0	-1403	(57)	0	0
Total other income and (expenses), net		783	69	(1,333)	15	73	75
Net loss		(4,456)	(4,647)	(5,554)	(5,172)	(5,008)	(16,369)
Basic and diluted loss per share		$ (0.21)	$ (0.22)	$ (0.26)	$ (0.24)	$ (0.23)	$ (0.75)
Basic and diluted wtd avg common shares		21,017,885	21,033,610	21,243,946	21,456,386	21,670,949	21,887,659
Assets							
Current Assets:							
	Cash	10,503	4,984	20,224	13,574	25,576	25,692
	Short-term investments	9,155	8,693	6,837	8,742	9,430	9,713
Total Current Assets		19,658	13,677	27,061	22,316	35,006	35,405
Property, Plant and Equipment, net		2,949	2,810	2,835	3,064	2,802	2,661
Intangible assets, net		2,409	2,425	2,358	2,373	2,433	2,457
Other assets		2,397	2,896	3,071	2,762	2,157	2,049
Total Assets		27,413	21,808	35,325	30,515	42,398	42,573
Liabilities and stockholder equity							
Current liabilities:		Details estimated	Details estimated	Details estimated	Details estimated	Details estimated	Details estimated
	Accounts Payable	975	1,000	895	860	727	807
	Accrued Expenses	1,150	900	961	947	625	875
	Current portion of lease	530	520	517	517	520	530
	Short-term note payable	-	-	-	-	-	-
	Current portion of loans	5	5	5	5	5	5
	Deferred Revenue	202	202	202	202	202	222
Total Current Liabilities		2,862	2,627	2,580	2,531	2,079	2,439
Long-term Liabilities:							
	Long-term loans	648	271	146	145	648	648
	Lease Liability	3,400	2,592	3,199	3,214	3,298	3,199
Total long-term liabilities		4,048	2,863	3,345	3,359	3,946	3,847
Total liabilities		6,910	5,490	5,925	5,890	6,025	6,286
Stockholders Equity							
	Members equity	19	19	19	19	19	19
	Additional Paid-in capital	50,412	50,412	59,466	55,696	60,766	72,240
	Stock Subscription receivable	(100)	(100)	(100)	(100)	(100)	(100)
	Accumulated Deficit	(29,828)	(34,013)	(29,985)	(30,990)	(24,313)	(35,873)
Total stockholders equity		20,503	16,318	29,400	24,625	36,373	36,287
Total liabilities and stockholder equity		27,413	21,808	35,325	30,515	42,398	42,573

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.