Zacks Small-Cap Research

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CervoMed Inc.

(CRVO-NASDAQ)

CRVO: Publications Highlight Neflamapimod as Potential Disease-Modifying Therapy for Major Dementias…

Based on our probability adjusted DCF model that takes into account potential future revenues for neflamapimod in DLB, CRVO is valued at $17.00/share. This model is highly dependent upon continued clinical success of neflamapimod and will be adjusted accordingly based upon future clinical results.

Current Price (11/16/23)	$9.89
Valuation	**$17.00**

OUTLOOK

On October 24, 2023, CervoMed Inc. (CRVO) announced the publication of two articles that highlight the potential for neflamapimod to be a disease-modifying therapy for Dementia with Lewy Bodies (DLB) and Alzheimer's Disease (AD). An article in *Neurology* showed that the neflamapimod treatment effect in the DLB Phase 2a trial was greater in patients with normal plasma ptau181 at study entry. An article in *Molecular Neurodegeneration* reviewed the preclinical and clinical data for neflamapimod and hypothesized that the drug may impact disease progression in AD. The company is continuing to enroll patients into the RewinD-LB Phase 2b trial of neflamapimod in patients with DLB. The trial has >95% statistical power to meet its primary endpoint of change in Clinical Dementia Rating Sum-of-Boxes (CDR-SB) vs. placebo. We anticipate enrollment completing in the first half of 2024 and topline results to be reported in the second half of 2024.

SUMMARY DATA

52-Week High	**$11.20**
52-Week Low	**$4.20**
One-Year Return (%)	**6.71**
Beta	**1.60**
Average Daily Volume (sh)	**13,849**
Shares Outstanding (mil)	**6**
Market Capitalization ($mil)	**$56**
Short Interest Ratio (days)	**N/A**
Institutional Ownership (%)	**13**
Insider Ownership (%)	**2**
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**

Risk Level	**High**
Type of Stock	**Small-Growth**
Industry	**N/A**

ZACKS ESTIMATES

Revenue
(in millions of $)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2022	0 A	0 A	0 A	0 A	0 A
2023	0 A	0 A	2 A	0 E	2 E
2024					0 E
2025					0 E

Earnings per Share

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2022	-$2.22 A	-$2.06 A	-$1.37 A	-$2.00 A	-$7.65 A
2023	-$2.01 A	-$3.04 A	$0.19 A	-$0.95 E	-$5.78 E
2024					-$2.67 E
2025					-$3.22 E

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WHAT'S NEW

Business Update

Publications Highlight Potential for Neflamapimod as Disease Modifying Therapy in Dementias

On October 24, 2023, CervoMed Inc. (CRVO) announced the publication of two articles that provide evidence for neflamapimod potentially being a disease-modifying therapy for Dementia with Lewy Bodies (DLB) and Alzheimer's Disease (AD):

Association of Plasma Phosphorylated Tau with the Response to Neflamapimod Treatment in Patients with Dementia with Lewy Bodies (Alam *et al*., 2023). This is the final publication of the article that was first published online in September 2023 and includes pre-specified analyses of the AscenD-LB Phase 2 clinical trial of neflamapimod in patients with DLB. The results of the analyses show an association between plasma phosphorylated tau at position 181 (ptau181) levels at the beginning of the study and a patient's response to neflamapimod. Patients with ptau181 levels below a pre-determined cut-off (<2.2 pg/mL) showed significant improvement over placebo in an Attention Composite measure, the Clinical Dementia Rating Scale Sum of Boxes, the Timed Up and Go test, and International Shopping List Test-Recognition. Please see our previous report (here) for a full analysis of the results discussed in the article.

Drug development targeting degeneration of the basal forebrain cholinergic system: its time has come (Alam *et al*., 2023). This research highlight article discusses both the *Neurology* publication mentioned above as well as a prior publication in *Nature Communications* (Jiang *et al*., 2022) that discussed results from preclinical studies and CervoMed's Phase 2a clinical trial. The article also comments that neflamapimod may have the potential to impact disease progression in AD based on the results obtained thus far for neflamapimod when viewed in the context of the broader scientific literature.

Financial Update

On November 13, 2023, CervoMed announced financial results for the third quarter of 2023. Net income for the third quarter of 2023 was $2.2 million, compared to a net loss of $0.9 million for the third quarter of 2022. The net income for the current quarter was driven by a noncash gain recognized for the conversion of the convertible notes upon the execution of the merger, which was based on the stock price on the date of the transaction. The company reported $1.5 million in grant revenue for the third quarter of 2023 compared to no revenue for the third quarter of 2022. R&D expenses for the third quarter of 2023 were $1.8 million, compared to $0.3 million for the third quarter of 2022. The increase was due to the expenses associated with the RewinD-LB Phase 2b clinical trial. G&A expenses were $2.4 million for the third quarter of 2023 compared to $0.6 million for the third quarter of 2022. The increase was due to additional costs related to the reverse merger, compensation for increased headcount, and professional service fees.

As of September 30, 2023, CervoMed reported $10.4 million in cash and cash equivalents. When including the remaining funds to be received from the National Institute on Aging (NIA) grant, we estimate that the company has sufficient capital to fund operations through the end of 2024, which is past the time at which topline results are expected for the RewinD-LB Phase 2b trial. As of November 9, 2023, CervoMed had approximately 5.7 million common shares outstanding and, when factoring in stock options and warrants, a fully diluted share count of 6.6 million.

Conclusion

We believe investors interested in a comprehensive review of the data supporting the use of neflamapimod in DLB should read the above-mentioned articles describing the preclinical and clinical

results obtained thus far. CervoMed has used the knowledge gained to date to design the ongoing RewinD-LB Phase 2b trial for success, including limiting the patient population to those only without probable AD co-pathology and properly powering the trial for the primary endpoint. The trial is continuing to enroll patients, and we currently estimate that enrollment will conclude in the first half of 2024 and topline results will be available in the second half of 2024. With no changes to our model our valuation remains at $17.00 per share.

PROJECTED FINANCIALS

CervoMed, Inc.	2022 A	Q1 A	Q2 A	Q3 A	Q4 E	2023 E	2024 E	2025 E
Neflamapimod	$0	$0	$0	$0	$0	$0	$0	$0
Grants & Collaborative Revenue	$0	$0	$0	$2	$0	$2	$0	$0
Total Revenues	**$0**	**$0**	**$0**	**$2**	**$0**	**$2**	**$0**	**$0**
Cost of Sales	$0	$0	$0	$0	$0	$0	$0	$0
Product Gross Margin	-	-	-	-	-	-	-	-
Research & Development	$7.2	$1.3	$1.4	$1.8	$1.4	$5.9	$6.0	$17.0
General & Administrative	$8.7	$3.0	$5.2	$2.4	$4.0	$14.5	$10.0	$12.0
Operating Income	($16.0)	($4.3)	($6.6)	($2.7)	($5.4)	($18.9)	($16.0)	($29.0)
Operating Margin	-	-	-	-	-	-	-	-
Non-Operating Expenses (Net)	$0.4	$0.2	$0.4	$4.8	$0.0	$0.0	$0.0	$0.0
Pre-Tax Income	($15.6)	($4.09)	($6.2)	$2.2	($5.4)	($18.9)	($16.0)	($29.0)
Income Taxes	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Net Income	**($15.6)**	**($4.1)**	**($6.2)**	**$2.2**	**($5.4)**	**($18.9)**	**($16.0)**	**($29.0)**
Net Margin	-	-	-	-	-	-	-	-
Reported EPS	**($7.65)**	**($2.01)**	**($3.04)**	**$0.65**	**($0.95)**	**($5.78)**	**($2.67)**	**($3.22)**
YOY Growth	-	-	-	-	-	-	-	-
Basic Shares Outstanding	2.0	2.0	2.0	3.3	5.7	3.3	6.0	9.0

Source: Zacks Investment Research, Inc. *David Bautz, PhD*

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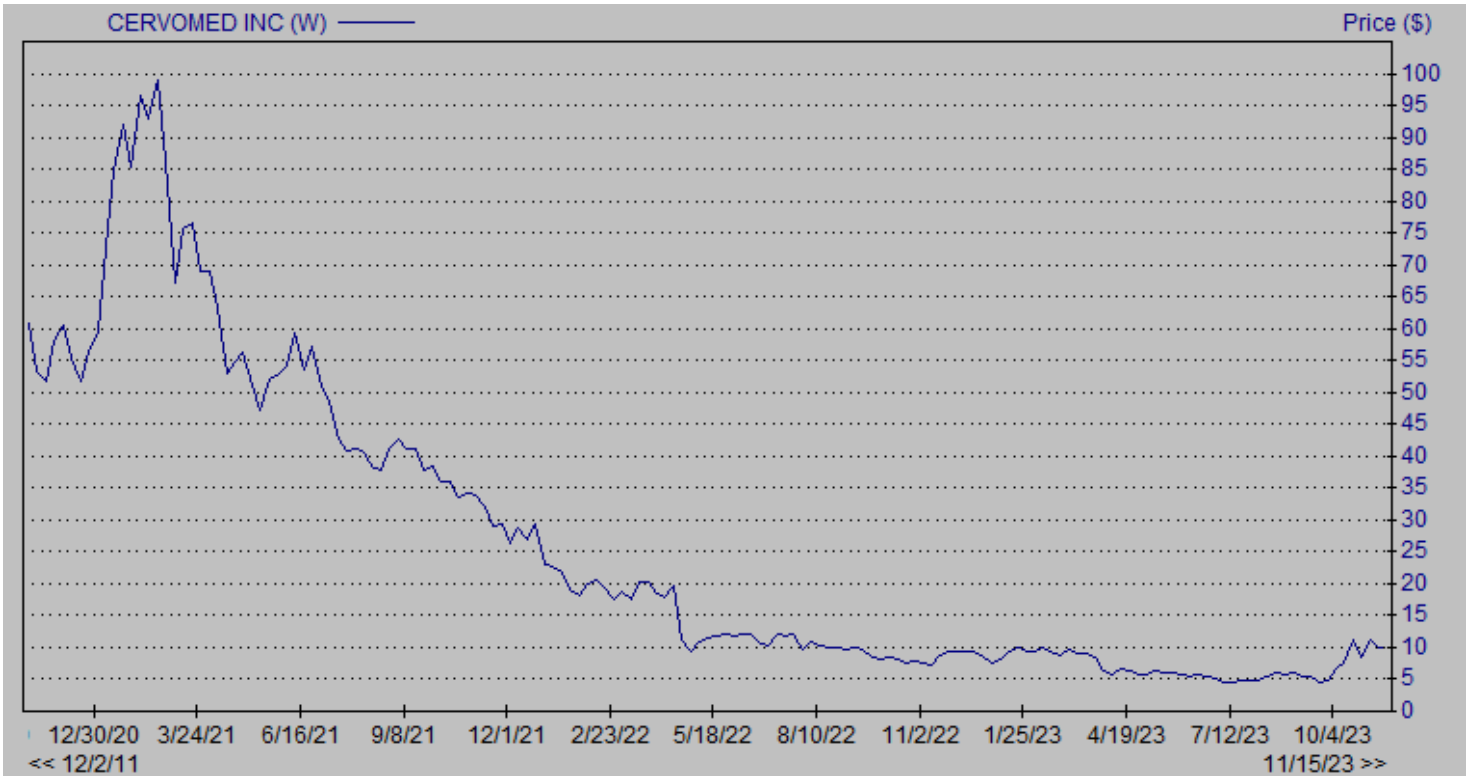
HISTORICAL STOCK PRICE



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