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Longeveron Inc

(LGVN-NASDAQ)

LGVN: Sharpens Focus and Cuts Costs

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.

OUTLOOK

Longeveron announced full-year 2023 results and announced the company was prioritizing its pursuit of FDA approval for Lomecel-B in HLHS.

The company also announced it was discontinuing, for now, testing of Lomecel-B for the treatment of Aging-related frailty and will pursue non-dilutive and partnership opportunities in its trials for the treatment of mild Alzheimer's disease.

Current Price (02/27/24) \$0.58
Valuation \$14.30

SUMMARY DATA

52-Week High \$4.00
52-Week Low \$0.51
One-Year Return (%) -83.83
Beta 0.38
Average Daily Volume (sh) 210,993

Shares Outstanding (mil) 22
Market Capitalization (\$mil) \$13
Short Interest Ratio (days) N/A
Institutional Ownership (%) 4
Insider Ownership (%) 24

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)
2022	0.4 A	0.5 A	0.3 A	0.1 A	1.2 A
2023	0.3 A	0.2 A	0.2 A	0.0 A	0.7 A
2024	0.0 E	0.0 E	0.0 E	0.0 E	0.0 E
2025	0.0 E	0.0 E	0.0 E	0.0 E	0.0 E

Earnings per share

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2022	-\$0.17 A	-\$0.27 A	-\$0.25 A	-\$0.21 A	-\$0.90 A
2023	-\$0.22 A	-\$0.27 A	-\$0.28 A	-\$0.25 A	-\$1.02 A
2024	-\$0.27 E	-\$0.27 E	-\$0.25 E	-\$0.23 E	-\$1.02 E
2025	-\$0.21 E	-\$0.22 E	-\$0.21 E	-\$0.21 E	-\$0.85 E

Updates

Longeveron released its full year 2023 results and issued a business update, which included announcements that we believe sets the company up for a better chance of success:

- Management announced that the company was devoting more of its focus to the pursuit of FDA approval of Lomecel-B for the treatment of HLHS.
 - The company reminded investors that in the Phase I trial, children using Lomecel-B had a 100% transplant free survival rate, compared to the historical 20% mortality rate.
 - Enrollment in a Phase 2 trial should be completed by 4Q2024.
- Management also announced that it was pursuing a partnership and non-dilutive financing options for its program of Lomecel-B treating mild Alzheimer's disease.
 - Earlier in the quarter, Longeveron announced additional results from its Phase 2a trial of its signature drug, Lomecel-B. As a reminder, the primary endpoint of the study of safety was met across all study groups.
 - The company also reported that Lomecel-B improved cognitive function, while caregivers documented improved quality of life in Lomecel-B treated patients with Alzheimer's disease. Additionally, the company noted that MRI Biomarker data showed that "Lomecel-B countered loss of brain volume in multiple areas associated with Alzheimer's disease."
- As a result of a focus on the two above goals and the desire to cut costs and to use resources in the most efficient way, the company announced it was discontinuing its program testing Lomecel-B for the treatment of Aging-related frailty disease.
 - The program has excellent potential and could come back but we believe focusing limited resources is important at this stage of the company's development.

Additionally, as mentioned, Longeveron released its full year 2023 financial results:

- Noted the company had \$5.4 million in cash and marketable securities at the end of 2023, which the company believes will be sufficient to carry operations into 2Q2024.
- Earnings per share of -\$1.02, which is in the range of what we were expecting.
- During 4Q 2023, Longeveron completed a direct offering of 1,355,301 shares and an equivalent number of warrants that grossed the company approximately \$2.36 million before fees and expenses.
- Following quarter end, the company's board of directors approved a reverse stock split in the range of 1:5 to 1:15, which will be finalized at a later date.

As mentioned, we applaud the focus on HLHS the company is showing and believe that decision will ultimately help the company achieve its goals. And LGVN is making great progress in that pursuit, with the company recently announcing that it has exceeded the 50% threshold for the Phase 2 trial of Lomecel-B in hypoplastic left heart syndrome (HLHS) and that the company anticipates completing study enrollment by 4Q2024. This added to the previous announcement by Longeveron regarding long-term follow-up data from the company's trial of Lomecel-B for patients with 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 believes that Lomecel-B can improve on these patients' outcomes. And the results released earlier 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.

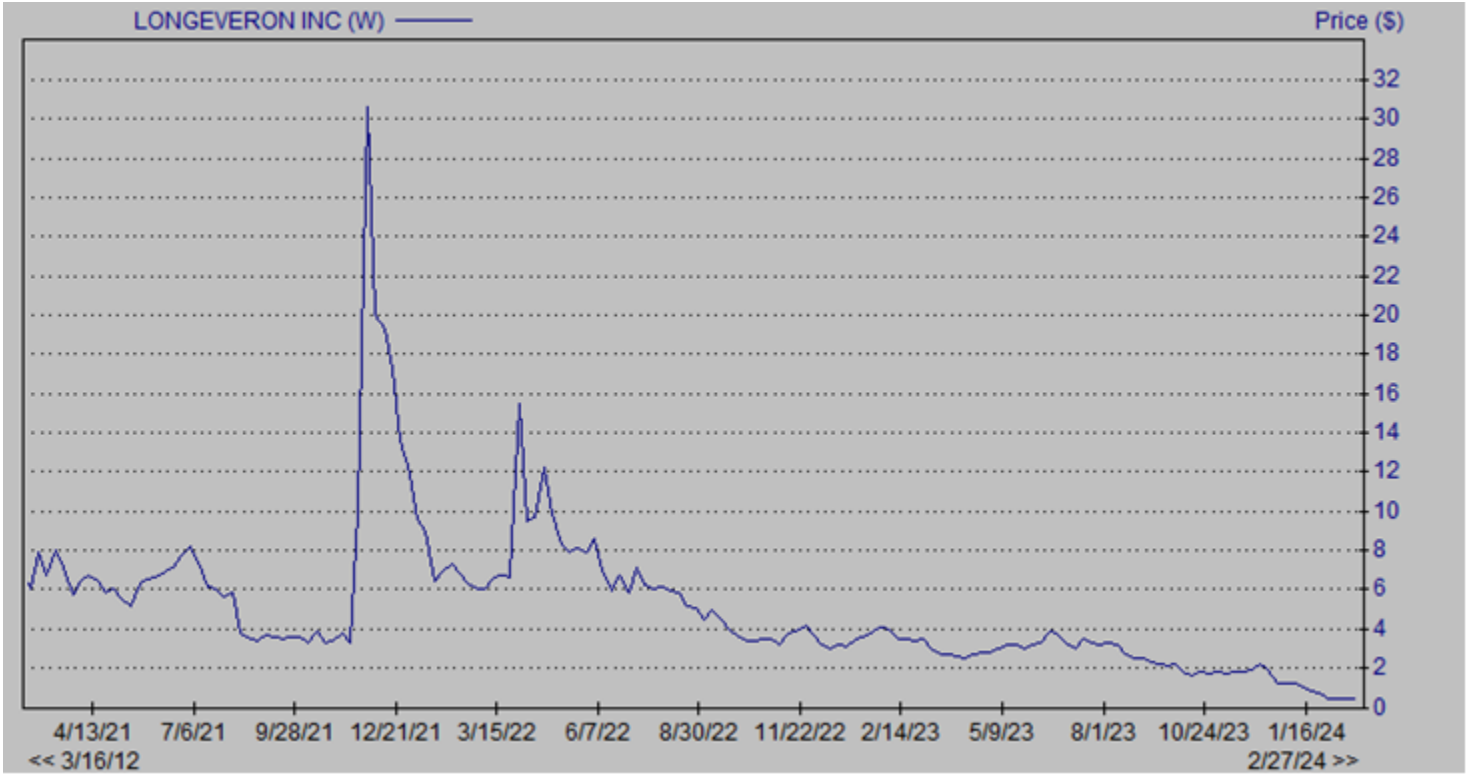
Summary

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. As a result of the prudent decisions made by management we believe 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)						
	2023A	1Q2024E	2Q2024E	3Q2024E	4Q2024E	2025E
Revenues						
Grant Revenue	41	0	0	0	0	0
Clinical Trial Revenue	668	0	0	0	0	0
Contract Revenue	0	0	0	0	0	0
Total Revenues	709	0	0	0	0	0
Cost of Revenues	488	0	0	0	0	0
Gross Profit	221	0	0	0	0	0
Operating Expenses						
General and administrative	11,401	2,850	2,565	2,309	2,078	11,550
Research and development	9,066	2,267	2,287	1,843	1,861	5,825
Selling and marketing	783	110	143	280	110	175
Total operating expenses	21,250	5,227	4,995	4,432	4,049	17,550
Loss from operations	(21,029)	(5,227)	(4,995)	(4,432)	(4,049)	(17,550)
Other income and (expenses)						
Interest expense	0	0	0	0	0	0
Other income, net	(384)	0	0	0	0	0
Total other income and (expenses), net	(384)	0	0	0	0	0
Net loss	(21,413)	(5,227)	(4,995)	(4,432)	(4,049)	(17,550)
Dividend attributable to warrant	(798)	(798)	(798)	(798)	(798)	(798)
Basic and diluted loss per share	\$ (1.02)	\$ (0.27)	\$ (0.27)	\$ (0.25)	\$ (0.23)	\$ (0.85)
Basic and diluted wtd avg common shares	21,734,901	21,952,250	21,105,420	21,178,767	21,390,555	21,604,460
Assets						
Current Assets:						
Cash	4,949	3,959	3,167	2,534	2,027	1,622
Securities and other current assets	899	926	954	982	1,012	1,042
Total Current Assets	5,848	4,885	4,121	3,516	3,039	2,664
Property, Plant and Equipment, net	2,529	2,403	2,717	2,544	2,403	2,282
Intangible assets, net	2,287	2,310	2,482	2,539	2,310	2,333
Other assets	1,414	1,273	1,602	1,498	1,273	1,209
Total Assets	12,078	10,870	10,922	10,097	9,024	8,488
Liabilities and stockholder equity						
Current liabilities:						
Accounts Payable	638	727	1,700	829	727	807
Accrued Expenses	2,152	2,260	2,373	2,491	2,616	2,747
Current portion of lease	593	520	578	586	520	530
Short-term note payable	-	-	-	-	-	-
Current portion of loans	-	-	-	-	-	-
Deferred Revenue	506	202	496	506	202	222
Total Current Liabilities	3,889	3,709	5,147	4,412	4,065	4,306
Long-term Liabilities:						
Long-term loans	-	648	-	-	648	648
Lease Liability	1,448	1,405	1,748	1,599	1,405	1,362
Total long-term liabilities	1,448	2,053	1,748	1,599	2,053	2,010
Total liabilities	5,337	5,761	6,895	6,011	6,117	6,316
Stockholders Equity						
Members equity	25	19	21	21	19	19
Additional Paid-in capital	91,800	93,636	84,729	85,976	87,696	89,449
Stock Subscription receivable	(100)	(100)	(100)	(100)	(100)	(100)
Accumulated Deficit	(84,984)	(88,446)	(80,623)	(81,811)	(83,662)	(86,151)
Total stockholders equity	6,741	5,109	4,027	4,086	3,952	3,217
Total liabilities and stockholder equity	12,078	10,870	10,922	10,097	10,070	9,533

HISTORICAL STOCK PRICE



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