Zacks Small-Cap Research
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David Bautz, PhD
(312) 265-9471
dbautz@zacks.com

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

Satellos Bioscience Inc.

(OTCQB: MSCLF)

MSCLF: On Track to Initiate Phase 1 First-in-Human Trials of SAT-3247 in mid-2024…

Based on our probability adjusted DCF model that takes into account potential future revenues in DMD, MSCLF is valued at $1.00/share. This model is highly dependent upon continued success of the development candidates and will be adjusted accordingly based on future clinical results.

Current Price (05/30/24)	$0.35
Valuation	**$1.00**

OUTLOOK

On May 14, 2024, Satellos Biosciences Inc. (MSCLF) announced financial results for the first quarter of 2024 and provided a business update. Satellos is on track to initiate a Phase 1 first-in-human clinical trial of its lead development asset SAT-3247 in mid-2024. The company has completed manufacturing bulk quantities of the drug and formulated the first tablets for use in the trial. The company also announced it will be performing an additional Phase 1b trial in healthy human volunteers in early 2025 to demonstrate the pharmacodynamic (PD) properties of the drug. This will not interfere with the company's plan to conduct a Phase 1b/2a clinical trial in Duchenne patients in 2025. Lastly, the FDA recently granted Orphan Drug status to SAT-3247 and Satellos has submitted an application to the FDA for Rare Pediatric Disease designation.

SUMMARY DATA

52-Week High	**$0.56**
52-Week Low	**$0.22**
One-Year Return (%)	**-22.91**
Beta	**1.96**
Average Daily Volume (sh)	**7,990**
Shares Outstanding (mil)	**113**
Market Capitalization ($mil)	**$40**
Short Interest Ratio (days)	**1**
Institutional Ownership (%)	**51**
Insider Ownership (%)	**15**
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 2024 Estimate	**-5.9**
P/E using 2025 Estimate	**-5.9**

Risk Level	**High**
Type of Stock	**Small-Value**
Industry	**Med-Biomed/Gene**

ZACKS ESTIMATES

Revenue
(In millions of $)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2023	0.0 A	0.0 A	0.0 A	0.0 A	0.0 A
2024	0.0 A	0.0 E	0.0 E	0.0 E	0.0 E
2025					0.0 E
2026					0.0 E

Earnings per Share

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2023	-$0.04 A	-$0.05 A	-$0.03 A	-$0.06 A	-$0.18 A
2024	-$0.06 A	-$0.07 E	-$0.07 E	-$0.07 E	-$0.29 E
2025					-$0.31 E
2026					-$0.30 E

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WHAT'S NEW

Business Update

First-in-Human Trial of SAT-3247 to Initiate in Mid-2024

Satellos Bioscience Inc. (MSCLF) is a developing biopharmaceutical company focused on muscle degeneration. Its lead asset, SAT-3247, is being developed as a treatment for Duchenne Muscular Dystrophy (DMD), which is the most common fatal genetic disorder diagnosed in childhood. The company is currently finishing the work necessary to file for regulatory approval to initiate a Phase 1a clinical trial of SAT-3247 in healthy volunteers. Most recently, the company has engaged a contract research organization (CRO) to design and implement the planned Phase 1a trial. In addition, the required GLP toxicology studies are underway, bulk quantities of the drug have been produced under GMP conditions, and tablets of SAT-3247 have been formulated. We anticipate the Phase 1a trial initiating in mid-2024 with the trial expected to be completed by the end of 2024.

In addition, Satellos announced it will be conducting a Phase 1b clinical trial in healthy human volunteers for SAT-3247. This trial is designed to evaluate the pharmacodynamic (PD) properties of the drug and, if successful, may provide preliminary proof-of-concept evidence for SAT-3247's mechanism of action. Importantly, this trial will not delay the planned initiation of a Phase 1b/2a trial in Duchenne patients in 2025.

Financial Update

On May 14, 2024, Satellos announced financial results for the first quarter of 2024. Net loss for the first quarter of 2024 was CAD$6.9 million, or CAD($0.06), compared to CAD$1.7 million, or CAD($0.04), for the first quarter of 2023. The increase in net loss was primarily due to increased R&D expenses associated with SAT-3247 as well as increased G&A expenses due to increased personnel and professional fees. R&D expenses for the first quarter of 2024 were CAD$5.9 million compared to CAD$0.9 million for the first quarter of 2023. The increase was due to higher salary and management fees, increased preclinical and pre-IND-enabling expenses, and increased CMC expenses. G&A expenses in the first quarter of 2024 were CAD$2.3 million compared to CAD$0.7 million for the first quarter of 2023. The increase was primarily due to higher salary and management fees, higher professional fees, and increased non-cash stock-based compensation.

As of March 31, 2024, Satellos had approximately CAD$33.2 million in cash, cash equivalents, and short term investments. As of May 14, 2024, Satellos had approximately 112.8 million shares outstanding and, when factoring in options and warrants, a fully diluted share count of 179.2 million.

Conclusion

Satellos continues to present very encouraging preclinical data for SAT-3247 and the most recent results provide evidence that the compound may have additional applicability in other muscle degenerative diseases and muscle injury. We continue to anticipate a first-in-human clinical trial for SAT-3247 in mid-2024. With no changes to our model our valuation remains at $1.00 per share.

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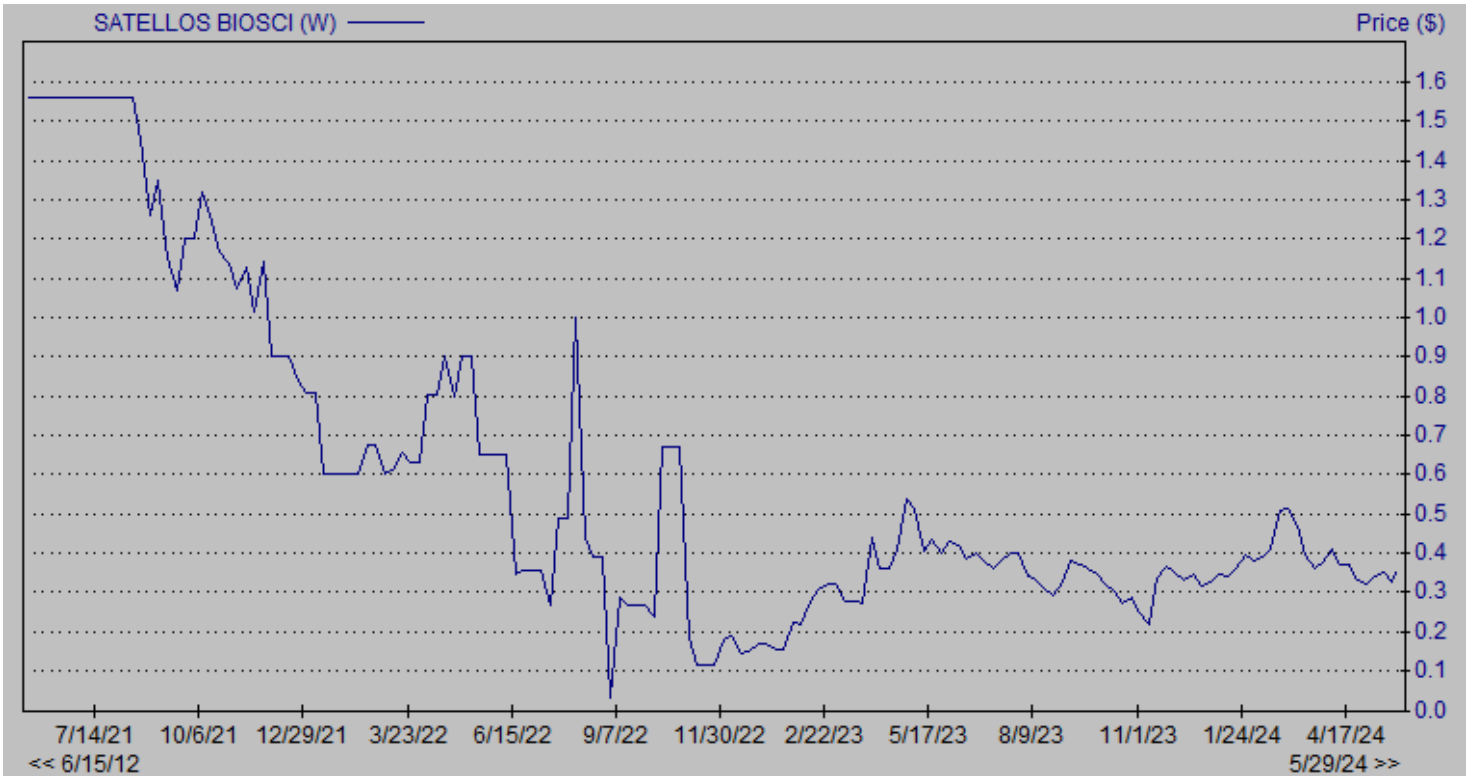
PROJECTED FINANCIALS

Satellos Biosciences Inc. (in $CAD)	2023 A	Q1 A	Q2 E	Q3 E	Q4 E	2024 E	2025 E	2026 E
DMD Program	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Additional Indication	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Other Income	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Total Revenues	**$0.0**	**$0.0**	**$0.0**	**$0.0**	**$0.0**	**$0.0**	**$0.0**	**$0.0**
CoGS	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
R&D	$8.8	$5.9	$6.0	$6.0	$6.0	$23.9	$25.0	$27.0
SG&A	$6.6	$2.3	$2.3	$2.3	$2.3	$9.2	$10.0	$11.0
Other expenses	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Operating Income	($15.5)	($8.3)	($8.3)	($8.3)	($8.3)	($33.6)	($35.0)	($38.0)
Operating Margin	-	-	-	-	-	-	-	-
Interest & Other Income	($0.4)	$1.3	$0.0	$0.0	$0.0	$1.3	$0.0	$0.0
Pre-Tax Income	($15.9)	($6.9)	($8.3)	($8.3)	($8.3)	($32.2)	($35.0)	($38.0)
Taxes & Other	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Tax Rate	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*
Net Income	($15.9)	($6.9)	($8.3)	($8.3)	($8.3)	($32.2)	($35.0)	($38.0)
Reported EPS	**($0.18)**	**($0.06)**	**($0.07)**	**($0.07)**	**($0.07)**	**($0.29)**	**($0.31)**	**($0.30)**
Weighted Shares Outstanding	86.4	112.8	112.8	112.8	112.8	112.8	113.0	125.0

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

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HISTORICAL STOCK PRICE



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