

**Action Summary – 5 December 2023**

Analyst Theodore R. O'Neill – Met 3Q23 expectations – Reiterate our Buy rating and CAD\$4 price target.

- **Met 3Q23 expectations.** The company met 3Q23 expectations. NRX reported a 3Q23 GAAP EPS loss of \$0.03 on no revenue. We were looking for a loss of \$0.02 on no revenue. Nominally, it looks like there was an EPS miss of a penny, but only due to rounding. The exact difference was less than ½ a cent. There is no consensus. Operational expenses were higher due to costs associated with the recent equity offering.
- **Continues to set and achieve milestones.** Notable milestones include the recent capital raise and receiving FDA Orphan Drug status. In its earnings release it supplied a growth outlook for the end of 2023 through 2024 that included: the initiation of phase 1 of 2 human clinical trials in 2025; filing for additional patents; entering new strategic collaborations, licensing its exosome-based technology platform; and identify new siRNA targets. Indeed, on Nov 29, it announced laboratory tests of its secondary two proprietary siRNA sequences, representing a significant advancement in the treatment of spinal cord injuries. The company is using its biologically guided exosome therapy, ExoTherapy, platform to expand its portfolio of products that will address spinal cord injuries and regeneration of neurons in other CNS indications.
- **Shares appear to be priced below absolute and comparative metrics.** While our CAD\$4.00 price target is based on discounted future earnings, a comparable analysis looking at biopharma companies co-developing specialized treatment platforms and treatments suggests that at peer averages alone in its early revenue stage, the shares should exceed the current price.

<b>12/04 Closing price:</b> CAD\$0.31	<b>Market cap: C\$15 million</b>	<b>Multiple of book: NMF</b>	<b>EV/2024 Sales: NMF</b>
<b>Shares outstanding: 48 million</b>	<b>Insider ownership: 9%</b>	<b>Avg. trading volume: ~10,000</b>	<b>Dividend/Yield: NA/NA</b>

**GAAP estimates (EPS in dollars – Revenue in USD millions)**

Period	EPS	Revenue	Op Margin
1Q22A	(\$0.08)	\$0.00	
2Q22A	(\$0.12)	\$0.00	
3Q22A	(\$0.03)	\$0.00	
4Q22A	(\$0.03)	\$0.00	
FY22A	(\$0.22)	\$0.00	NMF
1Q23A	(\$0.02)	\$0.00	
2Q23A	(\$0.02)	\$0.00	
3Q23A	(\$0.03)	\$0.00	
4Q23E	(\$0.02)	\$0.00	
FY23E	(\$0.09)	\$0.00	NMF
1Q24E	(\$0.02)	\$0.00	
2Q24E	(\$0.02)	\$0.00	
3Q24E	(\$0.02)	\$0.00	
4Q24E	(\$0.03)	\$0.00	
FY24E	(\$0.09)	\$0.00	NMF

**Cash balance (in USD millions)**

• 2021A	• \$2.23
• 2022A	• \$2.52
• 2023E	• \$0.45
• 2024E	• \$0.24

**Debt (in USD millions)**

• 2021A	• \$0.00
• 2022A	• \$0.00
• 2023E	• \$0.00
• 2024E	• \$0.00

Note: Numbers may not add due to rounding or share count. See our full model at the back of this report.

**Risks/Valuation**

- Risks include Highly regulated business, commercial development and marketing.
- Our CAD\$4.00 target is derived using a discounted future earnings model.

**Company description:** NurExone Biologic Inc. is a TSX Venture Exchange-listed pharmaceutical company that is developing a platform for biologically guided ExoTherapy to be delivered, non-invasively, to patients who suffered traumatic spinal cord injuries.

Figure 1 – NurExone Biologic Inc. - Trading snapshot



Source: FactSet

### Quarterly Results

The company met 3Q23 expectations. NRX reported a 3Q23 GAAP EPS loss of \$0.03 on no revenue. We were looking for a loss of \$0.02 on no revenue. Nominally, it looks like there was an EPS miss of a penny, but only due to rounding. The exact difference was less than ½ a cent. There is no consensus. Operational expenses were higher due to the cost associated with its recent financing.

Figure 2 – NurExone Biologic Inc. – Quarterly Variance Analysis (\$000)

	2023	2023	<u>Better/(worse)</u> <u>than forecast</u>
	<u>Q3E</u>	<u>Q3A</u>	
<b>Income Statement</b>			
Total Revenue	\$0.0	\$0.0	\$0.0
Total cost of revenue	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Total Gross Profit	0.0	0.0	0.0
Operating expenses:			
SG&A	450.0	402.0	48.0
R&D	<u>600.0</u>	<u>762.0</u>	<u>(162.0)</u>
Total Expenses	<u>1,050.0</u>	<u>1,164.0</u>	<u>(114.0)</u>
Earnings (loss) from Operations	<u>(1,050.0)</u>	<u>(1,164.0)</u>	<u>(114.0)</u>
Total Other income/(expense)	<u>0.0</u>	<u>6.0</u>	<u>6.0</u>
Earnings before taxes	<u>(1,050.0)</u>	<u>(1,158.0)</u>	<u>(108.0)</u>
Tax expense/(benefit)	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Net income	<u>(\$1,050.0)</u>	<u>(\$1,158.0)</u>	<u>(\$108.0)</u>
	<u>(\$0.02)</u>	<u>(\$0.03)</u>	<u>(\$0.00)</u>
Diluted common shares	47,000	43,534	3,466

Source: Company filings and Litchfield Hills Research LLC

## Valuation Methodology

The value of NRX could come from multiple avenues. It could be acquired, form partnerships, license products or technology. We believe NRX is undervalued, and we support that belief with two valuation techniques: discounted future earnings and sales metrics relative to peers. For the purpose of determining our price target we use a discounted future earnings model. Depending on the regulatory approval process, the timing of the first revenues may be this year or next. The following valuation techniques are being used:

- 1) The discounted value of all future earnings, used for our price target (see Figure 3)
- 2) Valuation based on peer sales metrics (see Figure 4)

## Discounted Future Earnings – Basis for Price Target

Our 12-month price target of CAD\$4.00 is based on a discounted earnings model, which is calculated in USD because that is how the company reports results and then converted to CAD\$. Figure 3 shows the implied value of all future earnings discounted at 12%. It is based on reaching breakeven in 2026 and implies a stock value of \$2.52, which we round to \$3.00 which is ~CAD\$4.00 at the current exchange rate.

Figure 3 – NurExone Biologic Inc. – US\$ Discounted Future Earnings

Discounted Earnings:		<b>\$2.52</b>
Year	EPS	Discounted EPS
2023	(\$0.09)	(0.09)
2024	(\$0.09)	(0.08)
2025	(\$0.05)	(0.04)
2026	\$0.00	0.00
2027	\$0.10	0.06
2028	\$0.20	0.11
2029	\$0.28	0.14
2030	\$0.42	0.19
2031	\$0.44	0.18
2032	\$0.46	0.17
<b>Terminal Value:</b>		<b>1.87</b>

Source: Litchfield Hills Research LLC

### Valuation Relative to Peers

To develop peer comparisons, we selected companies in the same general markets but that also had or were developing a drug delivery platform and had a market cap of <\$200MM, see Figure 5. We included companies engaged in exosome research/delivery platforms or other types of platforms. If we compare NRX to a simple average of its peers, the shares sell at a significant discount on the one measure we can use for comparison: Sales multiple. For this analysis, we take the current one-year out sales multiple (2024 peer average sales multiple of 3.5x) and apply it as if it were 2025 and look into 2026 when the company could reach breakeven. We assume the company will raise more capital and the share count will rise to 50MM. The implied share price is \$0.70 (CAD\$0.95), see Figure 4. This supports our view that the shares are undervalued. The companies we used in Figure 5 are in similar lines of business although none of them is a perfect match.

Figure 4 – NurExone Biologic Inc. – Peer Driven Valuation

Average Out-year 2024 Sales Multiple for Peers	3.5
NRX potential 2026 revenue	USD\$10MM
Implied Market Cap in 2024 at the Average out-year sales multiple	\$35MM
NRX 2024 Estimated share count	50MM
<b>Implied Share Price</b>	<b>USD\$0.70/CAD\$0.95</b>

Source: Litchfield Hills Research LLC and Refinitiv Eikon

*Figure 5 – NurExone Biologic Inc. – Comp Table*

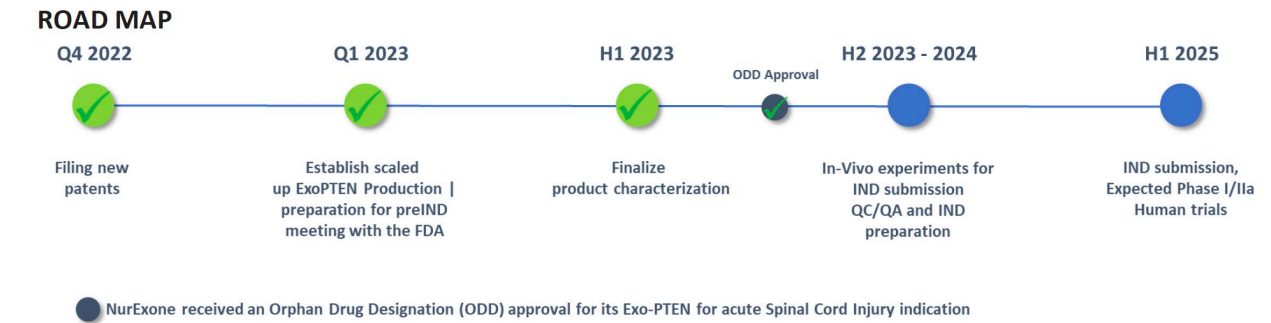
FactSet Ticker	Company Name	Closing Price	Market Cap \$MM	EV \$MM	2024 Consensus Multiples		
					Market Cap / Sales	EV /Sales	Price to Book
ZVRA-US	Zevra Therapeutics, Inc.	\$4.87	202	89	4.19	1.76	1.85
XOMA-US	XOMA Corporation	\$14.80	170	136	12.68	10.15	1.70
RVPH-US	Reviva Pharmaceuticals Holdings, Inc.	\$3.96	111	90			7.06
VXRT-US	Vaxart, Inc.	\$0.70	107	80	NMF	NMF	1.17
CAPR-US	Capricor Therapeutics, Inc.	\$2.95	91	53	3.50	2.01	8.27
ANVS-US	Annovis Bio Inc	\$8.31	85	69			3.87
INNO-CA	InnoCan Pharma Corporation	\$0.29	77	72			6.20
MOC-PL	Molecure SA	\$4.57	77	57			1.58
MARI-AT	Marinomed Biotech AG	\$38.19	58	78	2.62	3.53	
COYA-US	Coya Therapeutics, Inc.	\$5.37	54	43			
ASMB-US	Assembly Biosciences, Inc.	\$0.72	48	(7)			0.77
SABS-US	SAB Biotherapeutics, Inc.	\$0.87	46	48	NMF	NMF	0.96
MTNB-US	Matinas BioPharma Holdings, Inc.	\$0.20	43	29			2.97
IIQ-AU	Inoviq Ltd	\$0.40	37	32			3.99
MSCL-CA	Satellos Bioscience Inc	\$0.36	36	8			2.73
VBLT-US	Notable Labs, Ltd.	\$3.74	34	269			0.37
RLF-CH	RELIEF THERAPEUTICS Holding AG	\$2.13	30	14			0.91
SNTI-US	Senti Biosciences, Inc.	\$0.36	16	14			0.49
VBIV-US	VBI Vaccines, Inc.	\$0.61	14	30	0.73	1.23	1.57
BCLI-US	Brainstorm Cell Therapeutics Inc.	\$0.22	11	11			
OCEL-US	Organicell Regenerative Medicine, Inc.	\$1.37	8	10			21.30
CING-US	Cingulate, Inc.	\$6.20	6	8			2.91
ALBT-US	Avalon GloboCare Corp.	\$0.50	5	33			23.99
EVOK-US	Evoke Pharma, Inc.	\$1.26	4	3	0.31	0.24	2.19
BWV-US	Blue Water Biotech, Inc.	\$0.22	4	9			0.75
EX1-AU	Exopharm Ltd.	\$0.01	3	1			0.85
RENE-GB	ReNeuron Group plc	\$0.05	3	(3)	0.20		
NBSE-US	NeuBase Therapeutics Inc	\$0.64	2	(5)			
<b>Average</b>					<b>3.46</b>	<b>3.16</b>	<b>4.28</b>

Source: Litchfield Hills Research LLC and FactSet

## Guidance and Financial Forecasts

The company provides no guidance. The company is pursuing a multi-prong strategy for growth including potential acquisition, commercialization, partnerships, and joint ventures. Our forecasts assume there is no revenue before 2024. The company continues to meet its milestones, which we highlight in Figure 6.

Figure 6 – NurExone Biologic Inc. – ExoPTEN Timeline



Source: Company presentation, Nov 2023

Figure 7 – NurExone Biologic Inc. – Income Statement (US\$000)

December ending year	2021A	2022A				2022A	2023E				2023E	2024E				2024E
	Year	Q1A	Q2A	Q3A	Q4A	Year	Q1A	Q2A	Q3A	Q4E	Year	Q1E	Q2E	Q3E	Q4E	Year
<b>Total revenue</b>	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Cost of Goods	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Gross Profit</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
R&D	573	281	303	422	385	1,391	374	457	402	450	1,683	450	500	600	800	2,350
SG&A	<u>1,140</u>	<u>1,947</u>	<u>1,181</u>	<u>566</u>	<u>456</u>	<u>4,150</u>	<u>345</u>	<u>603</u>	<u>762</u>	<u>600</u>	<u>2,310</u>	<u>600</u>	<u>600</u>	<u>600</u>	<u>600</u>	<u>2,400</u>
Total Operating Expenses	1,713	2,228	1,484	988	841	5,541	719	1,060	1,164	1,050	3,993	1,050	1,100	1,200	1,400	4,750
<b>Operating Income</b>	<b>(1,713)</b>	<b>(2,228)</b>	<b>(1,484)</b>	<b>(988)</b>	<b>(841)</b>	<b>(5,541)</b>	<b>(719)</b>	<b>(1,060)</b>	<b>(1,164)</b>	<b>(1,050)</b>	<b>(3,993)</b>	<b>(1,050)</b>	<b>(1,100)</b>	<b>(1,200)</b>	<b>(1,400)</b>	<b>(4,750)</b>
Total Other Items	<u>66</u>	<u>(87)</u>	<u>(2,315)</u>	<u>(53)</u>	<u>(173)</u>	<u>(2,628)</u>	<u>14</u>	<u>20</u>	<u>6</u>	<u>0</u>	<u>40</u>	<u>15</u>	<u>(1)</u>	<u>(1)</u>	<u>(1)</u>	<u>13</u>
<b>Pre-Tax Income</b>	<b>(1,647)</b>	<b>(2,315)</b>	<b>(3,799)</b>	<b>(1,041)</b>	<b>(1,014)</b>	<b>(8,169)</b>	<b>(705)</b>	<b>(1,040)</b>	<b>(1,158)</b>	<b>(1,050)</b>	<b>(3,953)</b>	<b>(1,035)</b>	<b>(1,101)</b>	<b>(1,201)</b>	<b>(1,401)</b>	<b>(4,737)</b>
Taxes (benefit)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Tax Rate	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Net Income (loss)</b>	<b>(\$1,647)</b>	<b>(\$2,315)</b>	<b>(\$3,799)</b>	<b>(\$1,041)</b>	<b>(\$1,014)</b>	<b>(\$8,169)</b>	<b>(\$705)</b>	<b>(\$1,040)</b>	<b>(\$1,158)</b>	<b>(\$1,050)</b>	<b>(\$3,953)</b>	<b>(\$1,035)</b>	<b>(\$1,101)</b>	<b>(\$1,201)</b>	<b>(\$1,401)</b>	<b>(\$4,737)</b>
<b>EPS</b>	<b>(\$0.10)</b>	<b>(\$0.08)</b>	<b>(\$0.12)</b>	<b>(\$0.03)</b>	<b>(\$0.03)</b>	<b>(\$0.22)</b>	<b>(\$0.02)</b>	<b>(\$0.02)</b>	<b>(\$0.03)</b>	<b>(\$0.02)</b>	<b>(\$0.09)</b>	<b>(\$0.02)</b>	<b>(\$0.02)</b>	<b>(\$0.02)</b>	<b>(\$0.03)</b>	<b>(\$0.09)</b>
Diluted Shares Outstanding	16,452	28,810	32,885	36,086	37,734	37,734	42,855	42,885	43,534	48,000	44,318	48,000	50,000	50,000	52,000	50,000

Source: Company reports and Litchfield Hills Research LLC

Figure 8 – NurExone Biologic Inc. – Balance Sheet (US\$000)

December ending year	FY2024E	FY2023E	FY2022A	FY2021A
<b>Balance sheet</b>				
Current Assets				
Cash and S.T.I.	\$242	\$454	\$2,517	\$2,233
Accounts receivable	300	250	175	603
Inventories	0	0	0	0
Other assets	0	0	0	0
<b>Total Current Assets</b>	<b>542</b>	<b>704</b>	<b>2,692</b>	<b>2,836</b>
Net PP&E	125	100	51	0
Other non-current assets	50	50	51	0
<b>Total Assets</b>	<b>\$717</b>	<b>\$854</b>	<b>\$2,794</b>	<b>\$2,836</b>
Current Liabilities				
Accounts payable	\$350	\$300	\$278	\$259
Accrued expenses	375	325	305	87
Other current liabilities	0	0	0	1,285
<b>Total current liabilities</b>	<b>725</b>	<b>625</b>	<b>583</b>	<b>1,631</b>
Conv. and Long Term Debt	0	0	0	0
Other non-current	100	100	115	28
<b>Total Liabilities</b>	<b>825</b>	<b>725</b>	<b>698</b>	<b>1,659</b>
Stockholders' Equity				
Preferred stock	0	0	0	0
Common stock	0	0	0	0
Additional paid-in-capital	19,000	14,500	12,514	3,426
Retained earnings	(19,108)	(14,371)	(10,418)	(2,249)
Cum. trans. adj. and treasury stock	0	0	0	0
Total stockholders' equity	(108)	129	2,096	1,177
<b>Total Liabilities and equity</b>	<b>\$717</b>	<b>\$854</b>	<b>\$2,794</b>	<b>\$2,836</b>

Source: Company reports and Litchfield Hills Research LLC



*Figure 9 – NurExone Biologic Inc. – Cash Flow (US\$000)*

	<u>2024E</u>	<u>2023E</u>	<u>2022A</u>	<u>2021A</u>
Net Income	(\$4,737)	(\$3,953)	(\$8,169)	(\$1,647)
Accounts receivable	(50)	(75)	428	(603)
Inventories	0	0	0	0
Other assets	0	0	0	735
PP&E	(25)	(49)	(51)	0
Other non-current	0	1	(51)	356
Accounts payable	50	22	19	(390)
Accrued expenses	50	20	218	(770)
Other current liabilities	0	0	(1,285)	1,285
Conv. and Long Term Debt	0	0	0	0
Other non-current	0	(15)	87	28
Preferred stock	0	0	0	0
Common stock	0	0	0	(14)
Additional paid-in-capital	4,500	1,986	9,088	(32,065)
Stock subscription receivable	0	0	0	0
Other				
Total Cash Flow	<u>(\$212)</u>	<u>(\$2,063)</u>	<u>\$284</u>	<u>(\$33,086)</u>

Source: Litchfield Hills Research LLC

**Disclosures:**

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Total return is defined as price appreciation plus dividend yield.

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## NurExone Biologic Inc.

NRX-CAD\$4.00 PT

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