

Action Summary – 29 March 2024

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

- **Reporting 4Q23 imminently.** We expect the company to report 4Q23 soon and while there is no consensus, we are expecting an EPS loss of \$0.02 and zero reported revenue.
- **Several significant developments since the end of the quarter.**
 - **Closes private placement for ~CAD\$2MM.** On January 5, it announced it closed on a CAD\$2MM private placement with proceeds to be used for development activities with a focus on progressing towards the clinical phase, expanding the company's IP and general corporate purposes.
 - **Launches licensing efforts for the ExoTherapy platform.** On Feb. 14, it announced it is beginning efforts to license its ExoTherapy platform for creating nano drugs by loading molecular cargo into exosomes.
 - **Expanding its footprint to a leading-edge R&D facility.** On March 8, the company announced it finalized a lease and construction agreement for 200 meters² of lab and office space at the Israel Institute of Technology.
 - **Broadening market reach in the U.S.** On March 15, it announced it filed for listing on the OTCQB market and applied for DTC eligibility.
 - **Closes on both accelerated and non-accelerated warrants for ~CAD\$4MM gross.** On March 27, the company announced it generated ~CAD\$4MM gross from the exercise of warrants from a private placement that closed June 15, 2022.
- **Shares appear to be priced below absolute and comparative metrics.** Our CAD\$4.00 price target is based on discounted future earnings. Using the current average peer 2025 Market cap to sales of 6.5x and assuming \$10MM in 2026 revenue, the market cap would be CAD\$88MM.

3/28 closing price: CAD\$0.77	Market cap: CAD\$37 million	Multiple of book: NMF	EV/2024 Sales: NMF
Shares outstanding: 48 million	Insider ownership: 9%	Avg. trading volume: ~10,000	Dividend/Yield: NA/NA

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 (CAD\$)



Source: FactSet

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 compared to peers. To determine 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 2 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 2 – NurExone Biologic Inc. – US\$ Discounted Future Earnings

Discounted Earnings:		\$2.52
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
Terminal Value:		1.87

Source: Litchfield Hills Research LLC

Valuation Relative to Peers

To develop peer comparisons, we selected companies in the same general markets that also had or were developing a drug delivery platform with a market cap of <\$250MM, see Figure 4. 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 (2025 peer average sales multiple of 6.5x) 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 \$1.30 (CAD\$1.76), see Figure 3. This supports our view that the shares are undervalued. The companies we used in Figure 4 are in similar business lines, although none of them is a perfect match.

Figure 3 – NurExone Biologic Inc. – Peer Driven Valuation

Average Out-year 2025 Sales Multiple for Peers	6.5
NRX potential 2026 revenue	USD\$10MM
Implied Market Cap in 2025 at the Average out-year sales multiple	\$65MM
NRX 2024 Estimated share count	50MM
Implied Share Price	USD\$1.30/CAD\$1.76

Source: Litchfield Hills Research LLC and Refinitiv Eikon

Figure 4 – NurExone Biologic Inc. – Comp Table

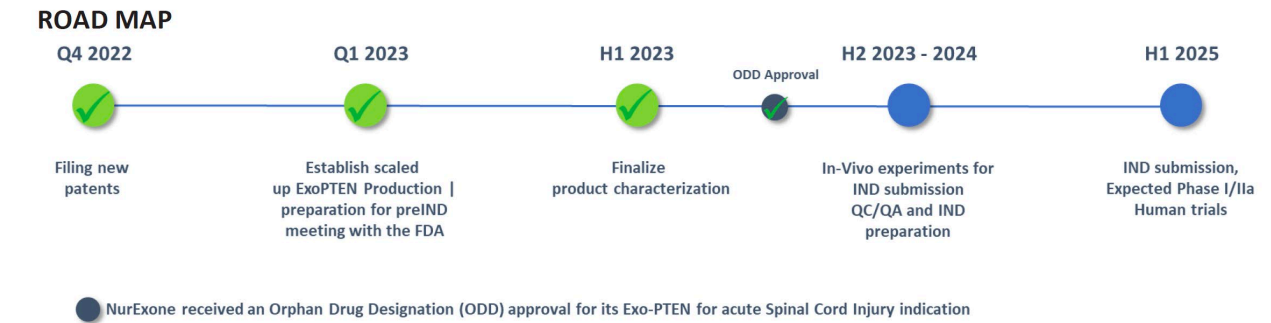
FactSet Ticker	Company Name	Closing Price	Market Cap \$MM	EV \$MM	2025 Consensus Multiples		
					Market Cap / Sales	EV /Sales	Price to Book
XOMA-US	XOMA Corporation	\$23.34	271	239	13.51	11.92	2.40
ZVRA-US	Zevra Therapeutics, Inc.	\$5.94	246	126	2.50	1.24	1.85
VXRT-US	Vaxart, Inc.	\$1.29	224	174	9.93	7.70	1.52
CAPR-US	Capricor Therapeutics, Inc.	\$6.77	213	147	2.82	1.96	6.74
COYA-US	Coya Therapeutics, Inc.	\$9.65	140	65	14.40	6.80	
ANVS-US	Annovis Bio Inc	\$12.03	132	102			3.87
RVPH-US	Reviva Pharmaceuticals Holdings, Inc.	\$3.90	109	89			7.06
ASMB-US	Assembly Biosciences, Inc.	\$13.38	73	13			0.77
MOC-PL	Molecure SA	\$4.33	73	53	17.96	10.70	1.58
INNO-CA	InnoCan Pharma Corporation	\$0.24	63	57			6.20
MTNB-US	Matinas BioPharma Holdings, Inc.	\$0.29	63	53			2.44
SABS-US	SAB Biotherapeutics, Inc.	\$4.22	39	24			0.96
MSCL-CA	Satellos Bioscience Inc	\$0.35	35	0			1.19
IIQ-AU	Inoviq Ltd	\$0.38	35	31	8.77	7.93	3.99
MARI-AT	Marinomed Biotech AG	\$22.72	35	32	1.09	1.68	
BCLI-US	Brainstorm Cell Therapeutics Inc.	\$0.60	29	28			
RLF-CH	RELIEF THERAPEUTICS Holding AG	\$1.47	21	7			0.91
SNTI-US	Senti Biosciences, Inc.	\$0.39	18	19			0.45
VBIV-US	VBI Vaccines, Inc.	\$0.58	14	30	0.46	0.78	1.57
OCEL-US	Zeo ScientifiX Inc.	\$2.00	12	12			
EVOK-US	Evoke Pharma, Inc.	\$0.59	5	2	0.24	0.11	
CING-US	Cingulate, Inc.	\$1.09	4	3	0.24	0.13	2.91
BWV-US	Onconetix Inc	\$0.16	4	8			0.75
ALBT-US	Avalon GloboCare Corp.	\$0.30	3	31			23.99
NBSE-US	NeuBase Therapeutics Inc	\$0.43	2	(6)			
Average					<u>6.54</u>	<u>4.63</u>	<u>3.74</u>

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. In our 2023 research reports, we had assumed a 2024 capital raise of ~CAD\$6MM, which the company appears to have completed in 1Q24. The company continues to meet its milestones, which we highlight in Figure 5.

Figure 5 – NurExone Biologic Inc. – ExoPTEN Timeline



Source: Company presentation, Nov 2023

Figure 6 – 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
Total revenue	\$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>
Gross Profit	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
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
Operating Income	(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)
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>
Pre-Tax Income	(1,647)	(2,315)	(3,799)	(1,041)	(1,014)	(8,169)	(705)	(1,040)	(1,158)	(1,050)	(3,953)	(1,035)	(1,101)	(1,201)	(1,401)	(4,737)
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%
Net Income (loss)	(\$1,647)	(\$2,315)	(\$3,799)	(\$1,041)	(\$1,014)	(\$8,169)	(\$705)	(\$1,040)	(\$1,158)	(\$1,050)	(\$3,953)	(\$1,035)	(\$1,101)	(\$1,201)	(\$1,401)	(\$4,737)
EPS	(\$0.10)	(\$0.08)	(\$0.12)	(\$0.03)	(\$0.03)	(\$0.22)	(\$0.02)	(\$0.02)	(\$0.03)	(\$0.02)	(\$0.09)	(\$0.02)	(\$0.02)	(\$0.02)	(\$0.03)	(\$0.09)
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 7 – NurExone Biologic Inc. – Balance Sheet (US\$000)

December ending year	FY2024E	FY2023E	FY2022A	FY2021A
Balance sheet				
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
Total Current Assets	542	704	2,692	2,836
Net PP&E	125	100	51	0
Other non-current assets	50	50	51	0
Total Assets	\$717	\$854	\$2,794	\$2,836
Current Liabilities				
Accounts payable	\$350	\$300	\$278	\$259
Accrued expenses	375	325	305	87
Other current liabilities	0	0	0	1,285
Total current liabilities	725	625	583	1,631
Conv. and Long Term Debt	0	0	0	0
Other non-current	100	100	115	28
Total Liabilities	825	725	698	1,659
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
Total Liabilities and equity	\$717	\$854	\$2,794	\$2,836

Source: Company reports and Litchfield Hills Research LLC

Figure 8 – 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:

Analyst Certification

We, the Litchfield Hills Research Department, hereby certify that the views expressed in this research report accurately reflect our personal views about the subject company and the underlying securities.

FINRA Compliant Research Report

We, the Litchfield Hills Research Department, hereby certify that this report is compliant with FINRA research rules 2241, 3110, and the report has been reviewed by a Supervisory Analyst.

MiFID II Compliant Research Report

Our research is classified as minor non-monetary benefit under MiFID II. This applies to all forms of transmission, including email, website and financial platforms such as Bloomberg, FactSet, S&P Global, Refinitiv and 11 others. We do not seek payment from the asset management community and do not have any execution function. Investors can continue to receive our research under the MiFID II regime without the need for a contract for services to be put in place. This applies to all forms of transmission, including email, website and financial platforms.

Litchfield Hills Research LLC Rating System

BUY: We expect the stock to provide a total return of 15% or more within a 12-month period.

HOLD: We expect the stock to provide a total return of negative 15% to positive 15% within a 12-month period.

SELL: We expect the stock to have a negative total return of more than 15% within a 12-month period.

Total return is defined as price appreciation plus dividend yield.

Other Disclosures

Litchfield Hills Research, LLC (“LHR”) is not a U.S. broker-dealer registered with the U.S. Securities and Exchange Commission nor a member of Financial Industry Regulatory Authority. This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would subject LHR or any divisions, subsidiaries or affiliates to any registration or licensing requirement within such jurisdiction.

All material presented in this report, unless specifically indicated otherwise, is under copyright to LHR and the subject company. None of the material, nor its content, nor any copy of it, may be altered in any way, transmitted to, copied or distributed to any other party,



NurExone Biologic Inc.

NRX-CAD\$4.00 PT

without the prior express written permission of LHR or the subject company. All trademarks, service marks and logos used in this report are trademarks, service marks, registered trademarks, or service marks of LHR or its affiliates. The information, tools and material presented in this report are provided to you for information purposes only and are not to be used or considered as an offer or the solicitation of an offer to sell or to buy or subscribe for securities or other financial instruments. LHR may not have taken any steps to ensure that the securities referred to in this report are suitable for any particular investor. The investments or services contained or referred to in this report may not be suitable for you and it is recommended that you consult an independent investment advisor if you are in doubt about such investments or investment services. Nothing in this report constitutes investment, legal, accounting or tax advice or a representation that any investment or strategy is suitable, appropriate to your individual circumstances, or otherwise constitutes a personal recommendation to you. LHR does not offer advice on the tax consequences of investment, and you are advised to contact an independent tax adviser. LHR believes the information and opinions in the Disclosure Appendix of this report are accurate and complete. Information and opinions presented in this report were obtained or derived from sources LHR believes are reliable, but LHR makes no representations as to their accuracy or completeness.

Ownership and Material Conflicts of Interest

The analyst owns no shares of the subject company. The analyst and his family have no known material conflicts of interest in authoring this report.

Investment Banking and Fees for Services

Litchfield Hills Research has not received compensation for advisory or investment banking services from the Company in the past 12 months. Litchfield Hills Research LLC has received compensation for distribution and investor targeting services.

Market Making

Litchfield Hills Research, LLC does not make a market in the subject company's securities.

Additional information is available upon request. LHR accepts no liability for loss arising from the use of the material presented in this report, except that this exclusion of liability does not apply to the extent that liability arises under specific statutes or regulations applicable to LHR. This report is not to be relied upon in substitution for the exercise of independent judgment.