



## NeoStem Inc (NBS - NASDAQ - \$4.06 )

Buy

Target Price: \$15.00

### NeoStem Makes a New Cell Therapy Manufacturing Collaboration

#### Summary:

- NeoStem announced a collaboration with Invetech Pty Ltd to develop a closed processing system for cell therapy manufacturing. We see a good fit between the expertise in the cell therapy manufacturing of NeoStem's PCT division, and Invetech's expertise in instrument development and automation.
- NeoStem's PCT division provides contact manufacturing and services in cell therapy manufacturing. It is one of the most experienced in the industry, with more than 15 years of meeting FDA regulatory requirements and process improvement. The new systems to be developed are envisioned to be suitable for GMP manufacturing at small scales, then allow increases to larger scales as products advance through clinical trials toward the market. PCS and Invetech will use their combined expertise to improve on the existing cost of goods and product quality currently available in the marketplace.
- Instruments and products developed under the agreement would be commercialized by NeoStem. When introduced, NeoStem would become a commercial supplier of disposable supplies for the cell processes, meaning a new revenue stream for the company.
- We consider this agreement to be a positive, but it does not impact our valuation at this time.

#### Details:

NeoStem has made a collaborative agreement with Invetech Pty Ltd to develop a closed processing system for cell therapy manufacturing. NeoStem's PCT division has done contract manufacturing for many companies working in autologous cell therapy, with a client list that includes many prominent companies in the field. We believe PCT operates around break-even today, but provides the parent company with manufacturing capacity that can be scaled up when either the company, or one of its clients, reaches the market.

The agreement to develop new systems for cell therapy manufacturing is a good use of the expertise at the PCT division. The instruments and supplies developed under the collaboration could allow NeoStem to become a commercial supplier to the industry, establishing a new revenue stream. At this time, we consider the collaboration to be a positive, but have not included it in our valuation.

**Valuation.** Our valuation models have not changed and are based primarily on NeoStem's therapeutic products in development. We use a 50% risk cut in our product models. We then use a 30% discount rate in our FCFF, discounted-EPS, and sum-of-the-parts models for a valuation of \$15.00.

[Please click here for full report.](#)

Jason Kolbert  
Head of Healthcare Research  
Senior Managing Director and Biotechnology Analyst  
O: (212) 895-3516  
M: (516) 353-2959  
E: [jkolbert@maximgrp.com](mailto:jkolbert@maximgrp.com)