

CollPlant Biotechnologies (NASDAQ/CLGN)

August 19, 2021

BUY: Reports the Quarter - \$47M in Cash

CollPlant reported second-quarter results with basically no revenues, just \$0.6M, which translated into a net loss of \$3M for the period. The good news is the company now has approximately \$50M in cash (which includes a \$35M financing – direct offering at \$17.50). We hope to see collaborations with existing partners Allergan and AbbVie develop into realized milestones, which could reach \$103M.

Jason Kolbert

Senior Healthcare Analyst
jkolbert@dawsonjames.com

Investment Highlights

3D Systems (NYSE: DDD – Not Rated) and CollPlant announced a codevelopment agreement for a 3D bioprinted regenerative soft tissue matrix for use in breast reconstruction procedures in combination with an implant. The soft tissue matrix is intended to support the lower portion of the breast while expanding the implant pocket and providing increased coverage of the implant. Using 3D bioprinting, these matrices can be designed to match the patient's anatomy to support the breast implant.

Aesthetics: the 3D collaboration follows a recent CollPlant worldwide exclusive development and commercialization agreement for dermal and soft tissue filler products with Allergan Aesthetics, an AbbVie company (ABBV – Not Rated). The partners pick up worldwide exclusivity to use its plant-derived recombinant human collagen (rhCollagen) in combination with Allergan Aesthetics's proprietary technologies for the production and commercialization of dermal and soft tissue fillers. In addition, Allergan Aesthetics has the right of first negotiation for CollPlant's technology in two future additional products. CollPlant receives an upfront payment of \$14M and is entitled to receive up to an additional \$89M in milestone payments. In addition, CollPlant is eligible to receive royalty payments and a fee for the manufacture and supply of rhCollagen to Allergan Aesthetics.

The Best Collagen on the Market, in Our View. CollPlant differentiates itself through its tobacco-based rhCollagen production platform, which is currently the only commercially viable plant-derived human collagen on the market. Type 1 collagen, which is being used in the medicinal field, is primarily extracted from cows, pigs, and human cadavers and comes with several disadvantages. The process required to recycle collagen from mature tissue cells comes with an inherent risk of mutations in its protein structure. Extraction from animal or human tissue is also associated with the risk of disease transmission. Tissue-derived collagen has a low homogeneity profile, leading to lower efficacy of regeneration and the possibility of inflammatory responses from foreign body responses. One of CollPlant's goals with its rhCollagen production platform is to overcome these issues, delivering an unlimited capacity of a pure (and safe) product.

Valuation: We have not factored into our model the 3D systems collaboration as we await clarity around timing and focus of this effort. Our price target remains at \$20.00 per share. We model CollPlant's rhCollagen technology platform focused on the aesthetics and advanced wound care markets. We use varying probabilities for each indication ranging from just 30% to 90% that our sales goals can be achieved. The models then flow into our income statement, which is projected out to 2030. On top of these therapeutic success probabilities, we apply a discount rate (r) of 30% (our highest rate for emerging growth companies), and we assume additional

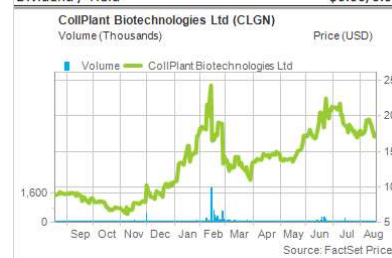
Current Price \$17.52
Price Target \$20.00



3D bioprinted soft tissue scaffold with vascularization channels perfused with red ink designed and produced using 3D Systems' and CollPlant's expertise and solutions.

Source: CollPlant

Stock Data			
52-Week Range	\$6.00	-	\$24.26
Shares Outstanding (mil.)	10.3		
Market Capitalization (mil.)	\$180		
Enterprise Value (mil.)	\$176		
Debt to Capital	0%		
Book Value/Share	\$0.02		
Price/Book	16.8		
Average Three Months Trading Volume (K)	5		
Insider Ownership	29.1%		
Institutional Ownership	29.2%		
Short interest (mil.)	0.2%		
Dividend / Yield	\$0.00/0.0%		



capital raises (dilution) in our final share count. We then apply these projections into our Free Cash Flow, discounted EPS and Sum of the Parts models and round to the nearest whole number to derive our 12-month price target.

Risk Factors: These include Clinical, Partnership, Investment and Financial, Regulatory, Market Share, Intellectual Property, and Commercial Risks.

Exhibit 1. Income Statement

CollPlant Holdings Ltd. (\$000)																
CollPlant: YE Dec 31	2019A	2020A	1Q21A	2Q21A	3Q21E	4Q21E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Revenue																
VergenixSTR (Arthrex) - Tendon repair							-	24,814	33,746	51,632	70,220	89,530	109,585	111,776	114,012	116,292
VergenixFG - Wound Healing								17,517	34,486	48,280	76,042	79,844	83,836	117,370	123,239	129,401
Biolink (United Therapeutics) Lung Biotech PBC								2,007	2,757	4,259	4,429	4,606	4,791	4,982	5,182	6,062
Aesthetic Medicine	-						11,904	46,425	64,376	66,951	69,629	72,414	75,311	78,323	81,456	
Misc Revenues	2,400	7,621					-	-	-	-	-	-	-	-	-	-
Product Revenues	2,400	6,137	14,500	691	-	-	15,191	56,241	117,414	168,547	217,641	243,609	270,625	309,440	320,755	333,211
Royalties																
Total Revenue	2,400	7,621	14,500	691	-	-	15,191	56,241	117,414	168,547	217,641	243,609	270,625	309,440	320,755	333,211
Expenses:																
Cost of Goods Sold	1,758	3,002	866	429	-	-	1,295	11,248	23,483	33,709	43,528	48,722	48,713	46,416	48,113	49,982
%COGS	73%	39%	20%	62%	30%	30%	9%	20%	20%	20%	20%	20%	18%	15%	15%	15%
Research and Development	3,272	4,065	1,633	1,901	1,500	1,500	6,534	7,094	8,947	11,284	14,232	17,951	22,640	27,517	33,444	40,648
Sales and Marketing	3,614	4,669	1,955	1,424	1,500	1,500	6,379	6,000	9,500	12,531	17,232	22,799	30,164	39,909	52,801	69,858
Total Expenses	8,644	11,736	4,454	3,754	3,000	3,000	14,208	24,342	41,930	57,524	74,993	89,472	101,517	113,842	134,359	160,488
Operating Income (loss)	(6,244)	(5,599)	10,046	(3,063)	(3,000)	(3,000)	983	31,900	75,484	111,023	142,649	154,138	169,108	195,598	186,397	172,723
Financing income	(1,167)	34	50	25			75									
Total Other Income (expenses)	339	221	(19)				(19)									
Financial net (expenses)	(828)	175	98	25	-	-	123	-	-	-	-	-	-	-	-	-
Pretax Income	(7,072)	5,774	10,124	(3,038)	(3,000)	(3,000)	1,106	31,900	75,484	111,023	142,649	154,138	169,108	195,598	186,397	172,723
Income Tax Benefit (Provision)		205			-	-	-	3,828	10,568	19,984	25,677	36,993	47,350	58,679	55,919	53,544
Tax Rate		4%	10%	0%	0%	0%	0%	12%	14%	18%	18%	24%	28%	30%	30%	31%
Gain (loss) from discontinued operations																
GAAP Net Income (loss)	(7,072)	5,774	10,124	(3,038)	(3,000)	(3,000)	1,106	31,900	75,484	111,023	142,649	154,138	169,108	195,598	186,397	172,723
GAAP-EPS	(1.06)	(0.84)	1.20	(0.30)	(0.29)	(0.29)	0.31	1.79	7.28	6.18	6.94	7.47	8.16	9.40	8.92	8.23
GAAP-EPS (Dil)	(1.06)	(0.84)	0.88	(0.30)	(0.29)	(0.29)	0.31	1.79	7.28	6.18	6.94	7.47	8.16	9.40	8.92	8.23
Wgtd Avg Shrs (Bas) - (000's)	61,749	6,886	8,413	10,201	10,221	10,242	9,769	10,293	10,376	10,459	10,543	10,628	10,713	10,799	10,885	10,973
Wgtd Avg Shrs (Dil) - (000's)	61,749	16,000	16,000	10,201	10,211	10,221	11,658	17,788	10,376	17,959	20,547	20,632	20,717	20,803	20,889	20,977

Source: Dawson James estimates, company reports

Risk Analysis

Clinical Trial Risk. CollPlant and its partners may be dependent on the outcome of product-based clinical trials.

Partnership risk. CollPlant may seek partnerships for clinical development support and commercialization. There can be no assurances that the Company will be able to secure favorable partnerships.

Commercial Risk. CollPlant hopes to compete in multiple healthcare-related markets that have traditionally been dominated by large pharma and biotechnology companies with deep pockets (funding and resources), which may make it difficult for CollPlant to compete unless the molecule is deemed to be truly differentiated.

Financial Risk. CollPlant is likely to require additional capital raises before the Company can be self-sustaining. There can be no guarantees that the Company will be able to raise the needed capital.

Investment Risk. CollPlant is a small capital company, which can translate into high volatility and risk for investors. The Company has no revenues and is dependent on clinical progress of its therapeutics.

Intellectual Property. CollPlant may face IP challenges, forcing the Company to defend its patents or claiming the Company is infringing on other patents.

Market Share Risk. The collagen and related products market are competitive and tend to be dominated by large pharma and biotechnology and/or medical device companies.

Regulatory Risk. CollPlant, even with good clinical data, could face extensive delays and other regulatory setbacks.

Companies mentioned in this report

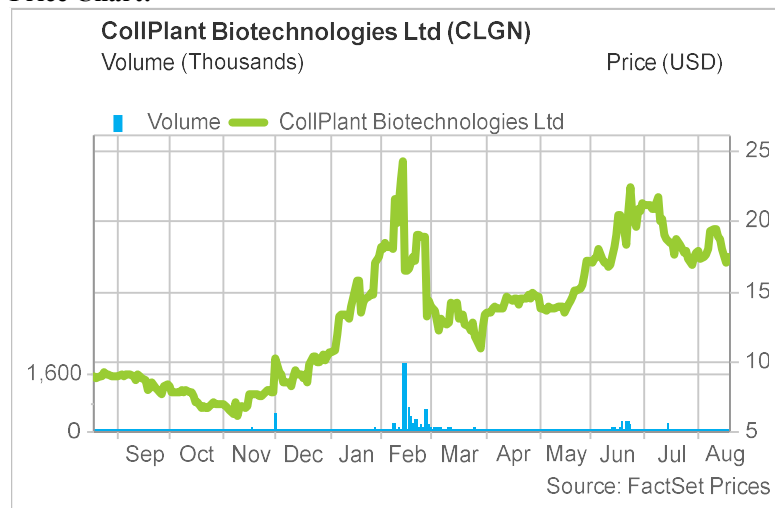
United Therapeutics (UTHR): Not Covered

Allergan (AGN) Not Covered

AbbVie (ABBV) Not Covered

Important Disclosures:

Price Chart:



Price target and rating changes over the past three years:

Initiated – Buy – November 4, 2019 – Price Target \$9.00
 Price Target Change – Buy – January 27, 2020 – Price Target \$15.00
 Update Report – Buy – May 27, 2020 – Price Target \$15.00
 Update Report – Buy – September 21, 2020 – Price Target \$15.00
 Update Report – Buy – December 3, 2020 – Price Target \$15.00
 Price Target Change – Buy – February 8, 2021 – Price Target \$21.00
 Price Target Change – Buy – March 1, 2021 – Price Target \$20.00
 Update Report – Buy – May 25, 2021 – Price Target \$20.00
 Update Report – Buy – May 28, 2021 – Price Target \$20.00
 Update Report – Buy – June 22, 2021 – Price Target \$20.00
 Update Report – Buy – August 19, 2021 – Price Target \$20.00

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- 1) **Buy:** The analyst believes the price of the stock will appreciate and produce a total return of at least 20% over the next 12-18 months;
- 2) **Neutral:** The analyst believes the price of the stock is fairly valued for the next 12-18 months;
- 3) **Sell:** The analyst believes the price of the stock will decline by at least 20% over the next 12-18 months and should be sold.

The following chart reflects the range of current research report ratings for all companies followed by the analysts of the Firm. The chart also reflects the research report ratings relating to those companies for which the Firm has performed investment banking services.

As of: 3-Aug-21

Ratings Distribution	Company Coverage		Investment Banking	
	# of Companies	% of Total	# of Companies	% of Totals
Market Outperform (Buy)	25	71%	4	16%
Market Perform (Neutral)	10	29%	0	0%
Market Underperform (Sell)	0	0%	0	0%
Total	35	100%	4	11%

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