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## CollPlant Biotechnologies (NASDAQ/CLGN)

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### BUY: CollPlant Reports 2021 Results – Lowering our PT: \$20 to \$17

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*CollPlant reported full-year 2021 results. The Company generated \$15.6M in revenues, which offset expenses, resulting in the company "breaking even" last year. The Company started 2022 with \$43M in cash. We are hopeful to see the relationship with Allergan (part of AbbVie) translate into revenues. We see lots of potential in 3D bioprinting in targets like breast implants. With that said, we lower our near-term revenue projections which has the effect to lower our PT from \$20.0 to \$17.0*

### Investment Highlights (from press release);

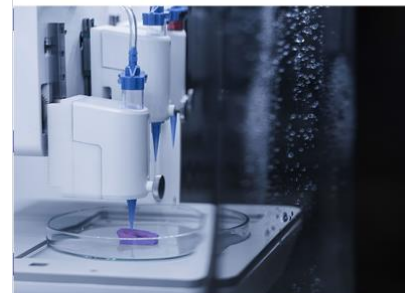
- CollPlant plans to initiate a large animal study for its 3D bioprinter regenerative breast implant program, aiming to address an estimated \$2.8 billion market, with 2.2 million procedures performed annually worldwide.
- CollPlant signed a collaboration agreement in February 2022 with CELLINK, under which CELLINK's high-throughput, multi-material bioprinter will be explored for the development of large-scale production of CollPlant's regenerative breast implants.
- In November 2021, CollPlant announced the commercial launch of Collink.3D™, a BioInk platform. To date, the Company has fulfilled several business orders. Collink.3D™ enables the production of scaffolds that accurately mimic the physical properties of human tissues and organs, with improved bio-functionality, safety, and reproducibility.

**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 the timing and focus of this effort. Our price remains target is now \$17.00 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 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.

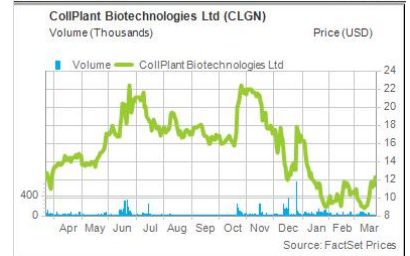
**Risk Factors:** These include Clinical, Partnership, Investment and Financial, Regulatory, Market Share, Intellectual Property, and Commercial Risks.

Current Price \$12.38  
Price Target \$17.00



Source: CELLINK

Stock Data			
52-Week Range	\$8.60	-	\$23.49
Shares Outstanding (mil.)	10.7		
Market Capitalization (mil.)	\$132		
Enterprise Value (mil.)	\$129		
Debt to Capital	0%		
Book Value/Share	\$0.02		
Price/Book	16.8		
Average Three Months Trading Volume (K)	39		
Insider Ownership	32.6%		
Institutional Ownership	23.8%		
Short interest (mil.)	0.7%		
Dividend / Yield	\$0.00/0.0%		



**Exhibit 1. Income Statement**

CollPlant Holdings Ltd. (\$000)																
CollPlant: YE Dec 31	2019A	2020A	2021A	1Q22E	2Q22E	3Q22E	4Q22E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
<b>Revenue</b>																
VergenixSTR (Arthrex) - Tendon repair			-	-	-	-	-	-	6,749	12,047	17,555	17,906	18,264	18,629	19,002	19,382
VergenixFG - Wound Healing			-	-	-	-	-	-	9,196	16,898	25,347	26,615	27,945	29,343	30,810	32,350
Biolink			-	-	-	-	-	-	8,270	12,777	13,288	13,819	14,372	14,947	15,545	16,187
Aesthetic Medicine			-	2,738	2,857	3,095	3,214	11,904	46,425	64,376	100,427	174,073	199,139	210,870	234,970	264,733
Misc Revenues	2,400	7,621	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Product Revenues</b>	<b>2,400</b>	<b>6,137</b>	<b>15,641</b>	<b>2,738</b>	<b>2,857</b>	<b>3,095</b>	<b>3,214</b>	<b>11,904</b>	<b>70,640</b>	<b>106,098</b>	<b>156,616</b>	<b>232,413</b>	<b>259,721</b>	<b>273,789</b>	<b>300,326</b>	<b>334,652</b>
Royalties																
<b>Total Revenue</b>	<b>2,400</b>	<b>7,621</b>	<b>15,641</b>	<b>2,738</b>	<b>2,857</b>	<b>3,095</b>	<b>3,214</b>	<b>11,904</b>	<b>70,640</b>	<b>106,098</b>	<b>156,616</b>	<b>232,413</b>	<b>259,721</b>	<b>273,789</b>	<b>300,326</b>	<b>334,652</b>
<b>Expenses:</b>																
Cost of Goods Sold	1,758	3,002	2,005	548	571	619	643	2,381	14,128	21,220	31,323	46,483	46,750	41,068	45,049	50,198
<b>%COGS</b>	<b>73%</b>	<b>39%</b>	<b>13%</b>	<b>20%</b>	<b>20%</b>	<b>20%</b>	<b>20%</b>	<b>20%</b>	<b>20%</b>	<b>20%</b>	<b>20%</b>	<b>20%</b>	<b>18%</b>	<b>15%</b>	<b>15%</b>	<b>15%</b>
Research and Development	3,272	4,065	7,631	2,408	2,528	2,655	2,761	10,352	13,056	16,467	20,770	26,196	33,040	40,157	48,806	59,319
Sales and Marketing	3,614	4,669	5,940	1,500	1,500	1,500	1,500	6,000	9,500	12,531	17,232	22,799	30,164	39,909	52,801	69,858
<b>Total Expenses</b>	<b>8,644</b>	<b>11,736</b>	<b>15,576</b>	<b>4,455</b>	<b>4,600</b>	<b>4,774</b>	<b>4,904</b>	<b>18,733</b>	<b>36,684</b>	<b>50,218</b>	<b>69,325</b>	<b>95,478</b>	<b>109,954</b>	<b>121,134</b>	<b>146,656</b>	<b>179,375</b>
<b>Operating Income (loss)</b>	<b>(6,244)</b>	<b>(5,599)</b>	<b>65</b>	<b>(1,718)</b>	<b>(1,743)</b>	<b>(1,679)</b>	<b>(1,690)</b>	<b>(6,829)</b>	<b>33,956</b>	<b>55,881</b>	<b>87,291</b>	<b>136,935</b>	<b>149,767</b>	<b>152,656</b>	<b>153,670</b>	<b>155,277</b>
Financing income	(1,167)	34	172													
Total Other Income (expenses)	339	221	(27)													
Financial net (expenses)	<b>(828)</b>	<b>175</b>	<b>172</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Pretax Income</b>	<b>(7,072)</b>	<b>5,774</b>	<b>237</b>	<b>(1,718)</b>	<b>(1,743)</b>	<b>(1,679)</b>	<b>(1,690)</b>	<b>(6,829)</b>	<b>33,956</b>	<b>55,881</b>	<b>87,291</b>	<b>136,935</b>	<b>149,767</b>	<b>152,656</b>	<b>153,670</b>	<b>155,277</b>
Income Tax Benefit (Provision)		205	-	(206)	(209)	(201)	(203)	(819)	4,754	10,059	15,712	32,864	41,935	45,797	46,101	48,136
<b>Tax Rate</b>		<b>4%</b>	<b>0%</b>	<b>12%</b>	<b>12%</b>	<b>12%</b>	<b>12%</b>	<b>12%</b>	<b>14%</b>	<b>18%</b>	<b>18%</b>	<b>24%</b>	<b>28%</b>	<b>30%</b>	<b>30%</b>	<b>31%</b>
Gain (loss) from discontinued operations																
<b>GAAP Net Income (loss)</b>	<b>(7,072)</b>	<b>5,774</b>	<b>237</b>	<b>(1,511)</b>	<b>(1,534)</b>	<b>(1,477)</b>	<b>(1,487)</b>	<b>(6,829)</b>	<b>33,956</b>	<b>55,881</b>	<b>87,291</b>	<b>136,935</b>	<b>149,767</b>	<b>152,656</b>	<b>153,670</b>	<b>155,277</b>
<b>GAAP-EPS</b>	<b>(1.06)</b>	<b>(0.84)</b>	<b>0.02</b>	<b>(0.14)</b>	<b>(0.07)</b>	<b>(0.07)</b>	<b>(0.07)</b>	<b>(0.38)</b>	<b>3.19</b>	<b>3.06</b>	<b>4.19</b>	<b>6.54</b>	<b>7.13</b>	<b>7.24</b>	<b>7.25</b>	<b>7.30</b>
GAAP-EPS (Dil)	(1.06)	(0.84)	0.02	(0.14)	(0.07)	(0.07)	(0.07)	(0.38)	3.19	3.06	4.19	6.54	7.13	7.24	7.25	7.30
Wgt'd Avg Shrs (Bas) - (000's)	61,749	6,886	11,967	10,544	10,565	10,586	10,607	10,576	10,661	10,746	10,832	10,919	11,007	11,095	11,184	11,274
Wgt'd Avg Shrs (Dil) - (000's)	61,749	16,000	11,967	10,534	20,565	20,586	20,606	18,073	10,661	18,246	20,836	20,923	21,011	21,099	21,188	21,277

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 claims the Company is infringing on other patents.

**Market Share Risk.** The collagen and related products markets 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

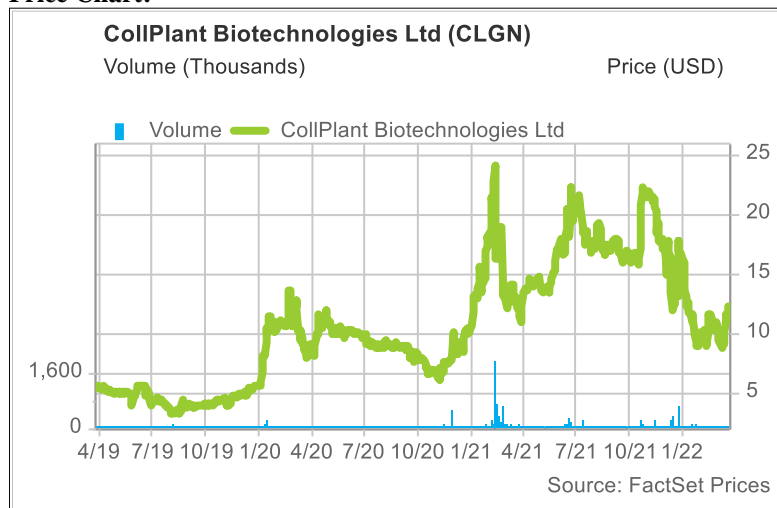
3D Systems (NYSE: DDD) - Not Covered

AbbVie (ABBV) - Not Covered

BICO Group (Nasdaq Stockholm: BICO) - 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
- Update Report – Buy – December 27, 2021 – Price Target \$20.00
- Update Report – Buy – February 16, 2022 – Price Target \$20.00
- Update Report – Buy – March 24, 2022 – Price Target \$17.00

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- 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.

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Current as of... 15-Mar-22

	<b>Company Coverage</b>		<b>Investment Banking</b>	
<b>Ratings Distribution</b>	# of Companies	% of Total	# of Companies	% of Totals
Market Outperform (Buy)	31	74%	4	13%
Market Perform (Neutral)	11	26%	0	0%
Market Underperform (Sell)	0	0%	0	0%
<b>Total</b>	<b>42</b>	<b>100%</b>	<b>4</b>	<b>10%</b>

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