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## CollPlant Biotechnologies (NASDAQ/CLGN)

June 13, 2022

### BUY: CollPlant Reports 1<sup>st</sup> Quarter 2022 Results

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*CollPlant reported first-quarter 2022 results. The Company generated de minimis revenues and spent \$3.8M in the period. Cash at the end of the period were \$41M.*

### Investment Highlights (from press release);

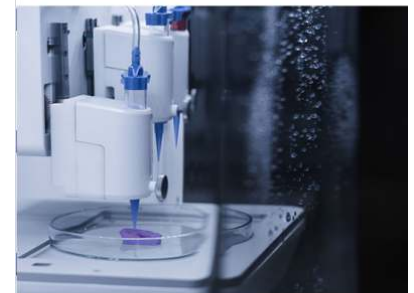
- **3D Bioprinted Regenerative Breast Implant Program:** CollPlant is on track to initiate a large animal study in Q2 2022 for its 3D bioprinted regenerative breast implant program, aiming to address an estimated \$2.8B market with approximately 2.2 million procedures performed annually worldwide. The pre-clinical study is designed to evaluate the efficacy of bioprinted breast implants. CollPlant's regenerative implants are designed to overcome the challenges of existing procedures, which use silicone implants or autologous fat tissue transfer, by slowly degrading over time to be replaced by new, naturally grown breast tissue.
- **Strategic Collaboration Agreement with AbbVie:** CollPlant's exclusive worldwide development and commercialization agreement with AbbVie for dermal and soft tissue fillers continues to advance. Within the framework of this collaboration, CollPlant's proprietary rhCollagen and AbbVie's technology are combined to develop products for the medical aesthetic market. In February 2021, CollPlant received an upfront payment of \$14 million and has the potential to receive an additional \$89 million in milestone and option payments for additional products, which include an injectable breast implant and photocurable dermal filler. According to the agreement, CollPlant will also receive royalties on product sales and will manufacture and sell rhCollagen to AbbVie.
- **Collaboration Agreement with CELLINK:** CollPlant signed a collaboration agreement in February 2022 with CELLINK, a leader in 3D bioprinting technologies, under which CELLINK's high-throughput, multi-material bioprinter is explored for the commercial production of CollPlant's regenerative breast implants.
- **rhCollagen-based Bioinks:** CollPlant recently launched Collink.3D, a collagen-based Bioink platform, designed to support a wide variety of 3D bioprinting applications. Collink.3D is the first of a portfolio of Bioink products and CollPlant intends to release two additional Bioinks in Q4 2022.

**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 target remains \$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.

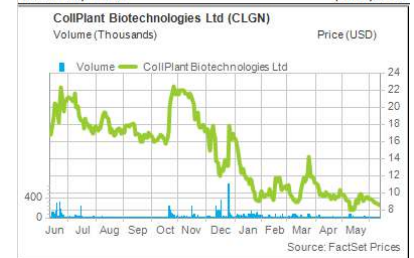
**Risk Factors:** These include Clinical, Partnership, Investment and Financial, Regulatory, Market Share, Intellectual Property, and Commercial Risks.

Current Price \$8.63  
Price Target \$17.00



Source: CELLINK

Stock Data			
52-Week Range	\$7.50	-	\$23.49
Shares Outstanding (mil.)	11.0		
Market Capitalization (mil.)	\$95		
Enterprise Value (mil.)	\$92		
Debt to Capital	0%		
Book Value/Share	\$0.02		
Price/Book	3.9		
Average Three Months Trading Volume (K)	90		
Insider Ownership	33.3%		
Institutional Ownership	23.1%		
Short interest (mil.)	0.8%		
Dividend / Yield	\$0.00/0.0%		



**Exhibit 1. Income Statement**

CollPlant Holdings Ltd. (\$000)																
CollPlant: YE Dec 31	2019A	2020A	2021A	1Q22A	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
BiInk			-	-	-	-	-	-	8,270	12,777	13,288	13,819	14,372	14,947	15,545	18,187
Aesthetic Medicine			-	-	2,857	3,095	5,952	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>66</b>	<b>2,857</b>	<b>3,095</b>	<b>5,952</b>	<b>11,970</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>66</b>	<b>2,857</b>	<b>3,095</b>	<b>5,952</b>	<b>11,970</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	31	571	619	1,190	2,412	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	2,242	2,354	2,472	2,571	9,639	12,157	15,333	19,339	24,391	30,764	37,390	45,444	55,232
Sales and Marketing	3,614	4,669	5,940	1,561	1,500	1,500	1,500	6,061	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>3,834</b>	<b>4,425</b>	<b>4,591</b>	<b>5,261</b>	<b>18,111</b>	<b>35,785</b>	<b>49,083</b>	<b>67,894</b>	<b>93,673</b>	<b>107,678</b>	<b>118,367</b>	<b>143,294</b>	<b>175,288</b>
<b>Operating Income (loss)</b>	<b>(6,244)</b>	<b>(5,599)</b>	<b>65</b>	<b>(3,768)</b>	<b>(1,569)</b>	<b>(1,496)</b>	<b>691</b>	<b>(6,142)</b>	<b>34,855</b>	<b>57,015</b>	<b>88,722</b>	<b>138,740</b>	<b>152,043</b>	<b>155,422</b>	<b>157,033</b>	<b>159,364</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>(92)</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>(3,860)</b>	<b>(1,569)</b>	<b>(1,496)</b>	<b>691</b>	<b>(6,142)</b>	<b>34,855</b>	<b>57,015</b>	<b>88,722</b>	<b>138,740</b>	<b>152,043</b>	<b>155,422</b>	<b>157,033</b>	<b>159,364</b>
Income Tax Benefit (Provision)		205	-						4,880	10,263	15,970	33,298	42,572	46,627	47,110	49,403
<b>Tax Rate</b>		<b>4%</b>	<b>0%</b>		<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</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>(3,860)</b>	<b>(1,569)</b>	<b>(1,496)</b>	<b>691</b>	<b>(6,142)</b>	<b>34,855</b>	<b>57,015</b>	<b>88,722</b>	<b>138,740</b>	<b>152,043</b>	<b>155,422</b>	<b>157,033</b>	<b>159,364</b>
<b>GAAP-EPS</b>	<b>(1.06)</b>	<b>(0.84)</b>	<b>0.02</b>	<b>(0.36)</b>	<b>(0.08)</b>	<b>(0.07)</b>	<b>0.03</b>	<b>(0.34)</b>	<b>3.20</b>	<b>3.08</b>	<b>4.21</b>	<b>6.55</b>	<b>7.15</b>	<b>7.28</b>	<b>7.32</b>	<b>7.40</b>
GAAP-EPS (Dil)	(1.06)	(0.84)	0.02	(0.36)	(0.08)	(0.07)	0.03	(0.34)	3.20	3.08	4.21	6.55	7.15	7.28	7.32	7.40
Wgtd Avg Shrs (Bas) - (000's)	61,749	6,886	11,967	10,783	10,805	10,826	10,848	10,815	10,902	10,990	11,078	11,167	11,256	11,347	11,438	11,529
Wgtd Avg Shrs (Dil) - (000's)	61,749	16,000	11,967	10,783	20,805	20,825	20,846	18,315	10,902	18,489	21,082	21,170	21,260	21,350	21,441	21,533

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.

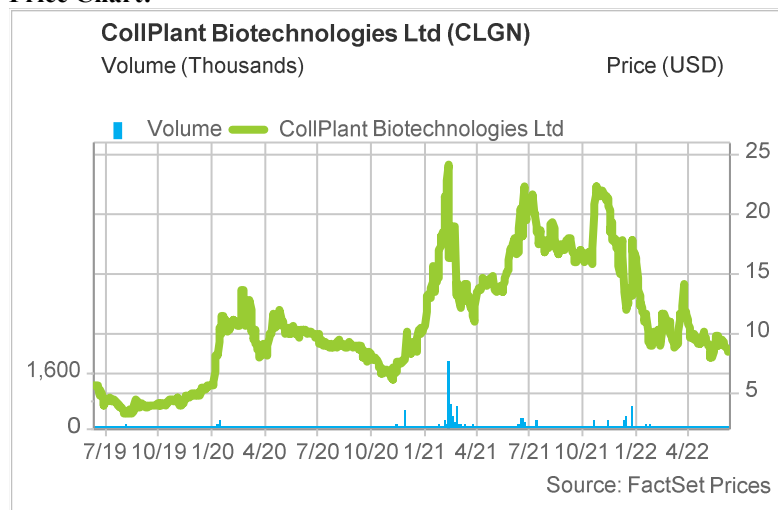
Companies mentioned in this report

3D Systems (NYSE: DDD) - Not Covered

AbbVie (ABBV) - Not Covered

**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
- Update Report – Buy – June 13, 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.

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.

Current as of 16-May-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	72%	4	13%
Market Perform (Neutral)	12	28%	0	0%
Market Underperform (Sell)	0	0%	0	0%
Total	43	100%	4	9%

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