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CollPlant Biotechnologies (NASDAQ/CLGN)

August 25, 2022

BUY: CollPlant Reports 2nd Quarter 2022 Results

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CollPlant reported second-quarter 2022 results. Revenues were just \$132k and expenses were up to \$8M. Cash at the end of the period was \$36M. Catalysts ahead remain in our opinion, robust.

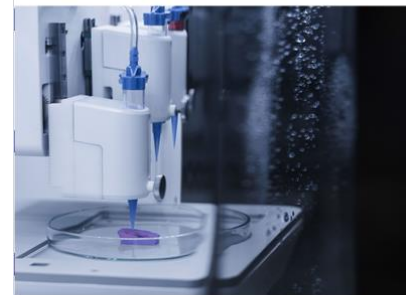
Investment Highlights *(adapted from the company's press release);*

- 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.
- 3D Bioprinted Regenerative Breast Implant Program:** CollPlant's implants are comprised of the Company's plant-derived rhCollagen in combination with other biomaterials, and intended to degrade over time while promoting natural tissue regeneration. The 3D bioprinting technology used for the implant fabrication, enables scalable production of highly precise and repeatable constructs, which can be customized to the individual anatomy of a patient. CollPlant initiated a large animal study in June 2022 which is expected to conclude by the end of 2022. The global market for breast implants is estimated to be \$2.5B.
- Aseptic Production Process for rhCollagen:** CollPlant is developing and implementing a fully controlled, closed-loop production process to mass produce sterile rhCollagen. The sterile plant-based collagen is expected to provide better bifunctionality and homogeneity relative to collagen derived from animals or cadavers, with improved safety and reduced risk of contamination.
- rhCollagen-based Bioinks:** In November 2021, CollPlant 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.

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 model 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 \$8.05
Price Target \$17.00



Source: CELLINK

Stock Data		
52-Week Range	\$6.51 -	\$23.00
Shares Outstanding (mil.)		11.0
Market Capitalization (mil.)		\$89
Enterprise Value (mil.)		\$85
Debt to Capital		0%
Book Value/Share		\$0.02
Price/Book		3.9
Average Three Months Trading Volume (K)		29
Insider Ownership		34.1%
Institutional Ownership		25.6%
Short interest (mil.)		0.5%
Dividend / Yield		\$0.00/0.0%

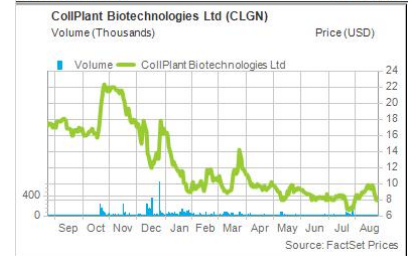


Exhibit 1. Income Statement

CollPlant Holdings Ltd. (\$000)																
CollPlant: YE Dec 31	2019A	2020A	2021A	1Q22A	2Q22A	3Q22E	4Q22E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Revenue																
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			-	-	-	-	-	-	15,475	64,376	100,427	174,073	199,139	210,870	234,970	264,733
Misc Revenues	2,400	7,621	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Product Revenues	2,400	6,137	15,641	66	132	-	-	198	39,690	106,098	156,616	232,413	259,721	273,789	300,326	334,652
Royalties																
Total Revenue	2,400	7,621	15,641	66	132	-	-	198	39,690	106,098	156,616	232,413	259,721	273,789	300,326	334,652
Expenses:																
Cost of Goods Sold	1,758	3,002	2,005	31	74	-	-	105	7,938	21,220	31,323	46,483	46,750	41,068	45,049	50,198
%COGS	73%	39%	13%	20%	20%	20%	20%	53%	20%	20%	20%	20%	18%	15%	15%	15%
Research and Development	3,272	4,065	7,631	2,242	4,841	5,083	5,286	17,452	24,999	31,531	39,768	50,158	63,263	76,889	93,451	113,579
Sales and Marketing	3,614	4,669	5,940	1,561	3,170	1,500	1,500	7,731	9,500	12,531	17,232	22,799	30,164	39,909	52,801	69,858
Total Expenses	8,644	11,736	15,576	3,834	8,085	6,583	6,786	25,288	42,437	65,281	88,324	119,440	140,177	157,866	191,301	233,636
Operating Income (loss)	(6,244)	(5,599)	65	(3,768)	(7,953)	(6,583)	(6,786)	(25,090)	(2,747)	40,817	68,293	112,973	119,544	115,923	109,026	101,017
Financing income	(1,167)	34	172													
Total Other Income (expenses)	339	221	(27)													
Financial net (expenses)	(828)	175	172	(92)	(192)	-	-	-	-	-	-	-	-	-	-	-
Pretax Income	(7,072)	5,774	237	(3,860)	(8,145)	(6,583)	(6,786)	(25,090)	(2,747)	40,817	68,293	112,973	119,544	115,923	109,026	101,017
Income Tax Benefit (Provision)		205	-						(385)	7,347	12,293	27,113	33,472	34,777	32,708	31,315
Tax Rate		4%	0%		0%	0%	0%	0%	14%	18%	18%	24%	28%	30%	30%	31%
Gain (loss) from discontinued operations																
GAAP Net Income (loss)	(7,072)	5,774	237	(3,860)	(8,145)	(6,583)	(6,786)	(25,090)	(2,747)	40,817	68,293	112,973	119,544	115,923	109,026	101,017
GAAP-EPS	(1.06)	(0.84)	0.02	(0.36)	(0.39)	(0.31)	(0.32)	(1.36)	(0.25)	2.19	3.22	5.30	5.59	5.39	5.05	4.66
GAAP-EPS (Dil)	(1.06)	(0.84)	0.02	(0.36)	(0.39)	(0.31)	(0.32)	(1.36)	(0.25)	2.19	3.22	5.30	5.59	5.39	5.05	4.66
Wgt'd Avg Shrs (Bas) - (000's)	61,749	6,886	11,967	10,783	10,936	10,957	10,979	10,914	11,034	11,123	11,212	11,302	11,393	11,484	11,576	11,669
Wgt'd Avg Shrs (Dil) - (000's)	61,749	16,000	11,967	10,783	20,936	20,957	20,978	18,413	11,034	18,622	21,216	21,306	21,396	21,487	21,579	21,672

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.

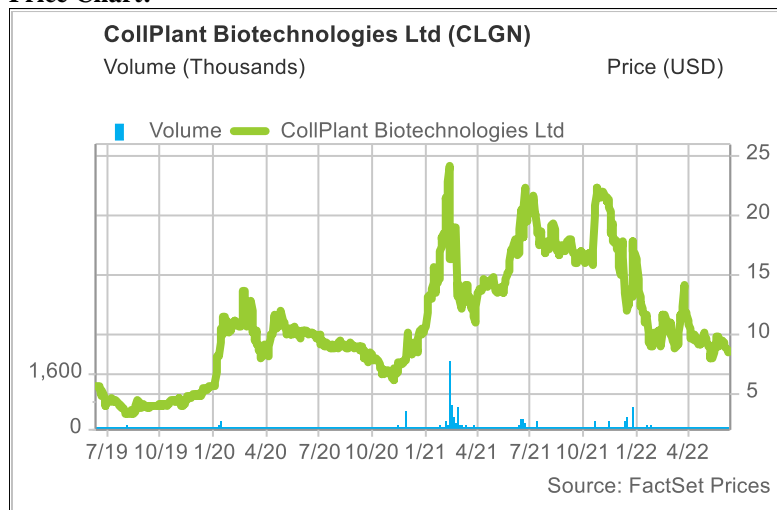
Companies mentioned in this report

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
- Update Report – Buy – August 26, 2022 – Price Target \$17.00

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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.

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Current as of 16-Aug-22

	Company Coverage		Investment Banking	
Ratings Distribution	# of Companies	% of Total	# of Companies	% of Totals
Market Outperform (Buy)	27	90%	4	15%
Market Perform (Neutral)	2	7%	0	0%
Market Underperform (Sell)	1	3%	0	0%
Total	30	100%	4	13%

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