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Toll-Free: 866-928-0928 ♦ www.DawsonJames.com ♦ 101 North Federal Highway - Suite 600 ♦ Boca Raton, FL 33432

## CollPlant Biotechnologies (NASDAQ/CLGN)

March 29, 2023

### BUY: CollPlant Reports Full Year 2022

**Jason Kolbert**

Managing Director & Senior Analyst  
jkolbert@dawsonjames.com

*CollPlant reported full-year 2022 results. The company spent \$17M last year and closed the year with \$30M in cash and equivalents. Management highlighted several programs, including 3D bio-printed regenerative breast implants (preclinical study), the development of a photocurable dermal and soft-tissue filler, and the expansion of the bio-ink business. CollPlant highlighted their partnership with AbbVie (not covered), announcing that the company hopes to realize the first of several milestones that could be achieved in 2023.*

### Investment Highlights:

#### Recent Accomplishments:

- Partnership with AbbVie to co-develop rhCollagen-based dermal and soft tissue fillers continues to advance according to plan.
- Co-developing 3D bioprinted human intestine model ("Gut-on-a-Chip") for drug discovery and personalized treatment of ulcerative colitis with Tel-Aviv University and SHEBA Hospital.
- 3D bioprinted regenerative breast implant program successfully completed. The preclinical study demonstrated progressive stages of tissue regeneration after three months, as highlighted by the formation of maturing connective tissue and neovascular networks within the implants, with no adverse events reported. Based on these positive results, the Company is planning to initiate a follow-up, large-animal study in the second half of 2023 using commercial-size implants to support subsequent human studies and future product commercialization.
- CollPlant expanded its commercial portfolio of rhCollagen-based bioinks adding two new products: Collink.-3D™ 90 and Collink.-3D™ 50L, respectively. Collink.-3D 90 offers increased mechanical properties, while Collink.3D 50L is the first bioink available in powder form which provides enhanced operational flexibility for the end-user.
- Balance sheet: Cash and cash equivalents of \$30M as of YE 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 to our Free Cash Flow model and round to the nearest whole number to derive our 12-month price target.

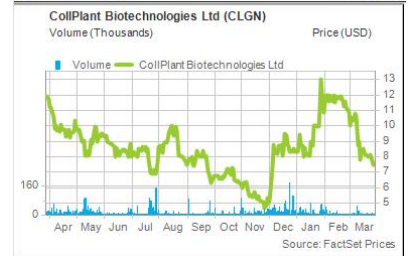
**Risk Factors:** These include Clinical, Partnership, Investment and Financial, Regulatory, Market Share, Intellectual Property, and Commercial Risks.

Current Price \$7.48  
Price Target \$17.00



Source: CollPlant

Stock Data			
52-Week Range	\$4.27	-	\$13.97
Shares Outstanding (mil.)	11.0		
Market Capitalization (mil.)	\$82		
Enterprise Value (mil.)	\$79		
Debt to Capital	0%		
Book Value/Share	\$0.02		
Price/Book	3.9		
Average Three Months Trading Volume (K)	104		
Insider Ownership	33.8%		
Institutional Ownership	20.7%		
Short interest (mil.)	0.2%		
Dividend / Yield	\$0.00/0.0%		



**Exhibit 1. Income Statement**

CollPlant Holdings Ltd. (\$000)																
CollPlant: YE Dec 31	2019A	2020A	2021A	2022A	1Q23E	2Q23E	3Q23E	4Q23E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
<b>Revenue</b>																
VergenixSTR (Arthrex) - Tendon repair			-	-	-	-	-	-		12,047	17,555	17,906	18,264	18,629	19,002	19,382
VergenixFG - Wound Healing										16,898	25,347	26,615	27,945	29,343	30,810	32,350
BiInk										12,777	13,288	13,819	14,372	14,947	15,545	18,187
Aesthetic Medicine										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>299</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</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>299</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</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	400	-	-	-	-		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>134%</b>	<b>20%</b>	<b>20%</b>	<b>20%</b>	<b>20%</b>	<b>#DIV/0!</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	10,255	435	456	479	498	1,868	2,356	2,972	3,748	4,727	5,745	6,983	8,487
Sales and Marketing	3,614	4,669	5,940	6,741	2,000	2,500	2,500	2,500	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>17,396</b>	<b>2,435</b>	<b>2,956</b>	<b>2,979</b>	<b>2,998</b>	<b>11,368</b>	<b>36,106</b>	<b>51,527</b>	<b>73,029</b>	<b>81,641</b>	<b>86,722</b>	<b>104,833</b>	<b>128,543</b>
<b>Operating Income (loss)</b>	<b>(6,244)</b>	<b>(5,599)</b>	<b>65</b>	<b>(17,097)</b>	<b>(2,435)</b>	<b>(2,956)</b>	<b>(2,979)</b>	<b>(2,998)</b>	<b>(11,368)</b>	<b>69,992</b>	<b>105,089</b>	<b>159,383</b>	<b>178,080</b>	<b>187,067</b>	<b>195,494</b>	<b>206,109</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>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>Pretax Income</b>	<b>(7,072)</b>	<b>5,774</b>	<b>237</b>	<b>(16,925)</b>	<b>(2,435)</b>	<b>(2,956)</b>	<b>(2,979)</b>	<b>(2,998)</b>	<b>(11,368)</b>	<b>69,992</b>	<b>105,089</b>	<b>159,383</b>	<b>178,080</b>	<b>187,067</b>	<b>195,494</b>	<b>206,109</b>
Income Tax Benefit (Provision)		205	-	-	(341)	(414)	(417)	(420)	(1,592)	12,599	18,916	38,252	49,862	56,120	58,648	63,894
<b>Tax Rate</b>		<b>4%</b>	<b>0%</b>	<b>0%</b>	<b>14%</b>	<b>14%</b>	<b>14%</b>	<b>14%</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>(16,925)</b>	<b>(2,094)</b>	<b>(2,542)</b>	<b>(2,562)</b>	<b>(2,578)</b>	<b>(11,368)</b>	<b>69,992</b>	<b>105,089</b>	<b>159,383</b>	<b>178,080</b>	<b>187,067</b>	<b>195,494</b>	<b>206,109</b>
<b>GAAP-EPS</b>	<b>(1.06)</b>	<b>(0.84)</b>	<b>0.02</b>	<b>(1.53)</b>	<b>(0.10)</b>	<b>(0.22)</b>	<b>(0.22)</b>	<b>(0.23)</b>	<b>(1.00)</b>	<b>3.69</b>	<b>4.87</b>	<b>7.35</b>	<b>8.18</b>	<b>8.56</b>	<b>8.90</b>	<b>9.35</b>
GAAP-EPS (Dil)	(1.06)	(0.84)	0.02	(1.53)	(0.10)	(0.22)	(0.22)	(0.23)	(1.00)	3.69	4.87	7.35	8.18	8.56	8.90	9.35
Wgt'd Avg Shrs (Bas) - (000's)	61,749	6,886	11,967	11,033	11,358	11,380	11,403	11,426	11,392	11,483	11,575	11,668	11,762	11,856	11,951	12,047
Wgt'd Avg Shrs (Dil) - (000's)	61,749	16,000	11,967	18,413	21,019	11,380	11,403	11,426	11,392	18,982	21,578	21,671	21,765	21,859	21,954	22,050

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.

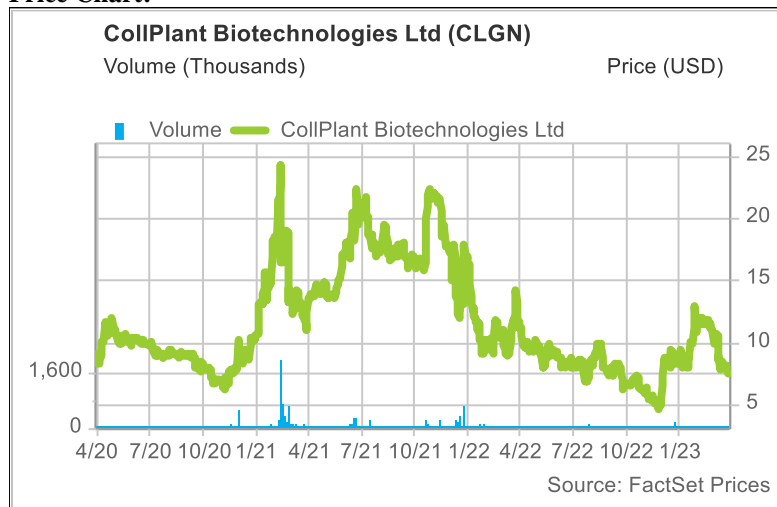
**Regulatory Risk.** CollPlant, even with good clinical data, could face extensive delays and other regulatory setbacks.

Companies mentioned in this report

3D Systems (NYSE: DDD) - Not Covered

**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 25, 2022 – Price Target \$17.00
- Update Report – Buy – November 7, 2022 – Price Target \$17.00
- Update Report – Buy – December 1, 2022 – Price Target \$17.00
- Update Report – Buy – January 4, 2023 – Price Target \$17.00
- Update Report – Buy – February 3, 2023 – Price Target \$17.00
- Update Report – Buy – March 29, 2023 – 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 17-Mar-23

	Company Coverage		Investment Banking	
Ratings Distribution	# of Companies	% of Total	# of Companies	% of Totals
Market Outperform (Buy)	25	69%	1	3%
Market Perform (Neutral)	11	31%	2	6%
Market Underperform (Sell)	0	0%	0	0%
Total	36	100%	3	9%

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