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## CollPlant Biotechnologies (NASDAQ/CLGN)

May 26, 2023

### BUY: Reports 1<sup>st</sup> Quarter 2023

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*CollPlant reported a net loss of \$3.7M in the quarter, closing the period with \$26.5M in cash and equivalents.*

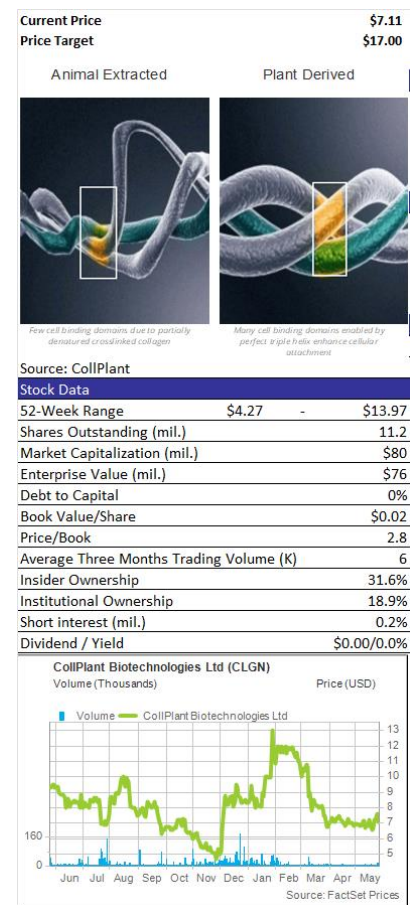
### Investment Highlights:

#### Program development (press release):

- In January 2023, CollPlant announced that it successfully completed a large-animal study for its 3D bioprinted regenerative breast implants. 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, second, large-animal study in the second half of 2023 to support subsequent human studies and future product commercialization.
- CollPlant has the potential to receive additional milestone payments as well as future royalties in accordance with its long-term collaboration with AbbVie for its first-generation dermal filler. CollPlant has stated that it expects that the first of these milestones could be achieved in this year.
- In April 2023, CollPlant announced a joint development and commercialization agreement with Stratasys (Nasdaq: SYSS) to collaborate on the development of a solution to bio-fabricate human tissues and organs using Stratasys' P3™ 3D technology-based bioprinter and CollPlant's rh-Collagen-based bioinks. The first project focuses on the development of an industrial-scale solution for CollPlant's regenerative breast implants program. Under the agreement, both companies have also agreed to cross-promote each other's bioprinting products.
- In January 2023, CollPlant expanded its commercial portfolio of rhCollagen-based bioinks adding Collink.3D-50L, to Collink.3D-50 and Collink.3D-90.
- For its gut-on-a-chip program, CollPlant is developing a diagnostic tool for use in personalized medicine. In November of last year, CollPlant signed a collaboration agreement with Tel-Aviv University and Sheba Medical Center to co-develop a bioprinted human intestine model for drug discovery and personalized treatment of ulcerative colitis. The 3D bioprinted model is designed to emulate the human intestine tissue in order to allow medical professionals to identify drug targets and personalized therapeutic responses that can lead to improved patient outcomes.

**Valuation:** The principal driver for the company is its Aesthetics business. 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.



**Exhibit 1. Income Statement**

CollPlant Holdings Ltd. (\$000)																
CollPlant: YE Dec 31	2019A	2020A	2021A	2022A	1Q23A	2Q23E	3Q23E	4Q23E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
<b>Revenue</b>																
Vergenix Products			-	-						500	505	510	515	520	526	531
Biolink				-		120	130	250	500	1,000	1,500	2,000	2,500	3,000	3,500	4,000
Aesthetic Medicine										39,341	61,372	106,378	121,696	128,865	143,593	161,781
<b>Product Revenues</b>	<b>2,400</b>	<b>6,137</b>	<b>15,641</b>	<b>299</b>	<b>433</b>	<b>120</b>	<b>130</b>	<b>250</b>	<b>933</b>	<b>40,841</b>	<b>63,377</b>	<b>108,888</b>	<b>124,711</b>	<b>132,386</b>	<b>147,618</b>	<b>166,312</b>
Royalties (Abbvie)											30,000	34,500	39,675	45,626	52,470	60,341
<b>Total Revenue</b>	<b>2,400</b>	<b>7,621</b>	<b>15,641</b>	<b>299</b>	<b>433</b>	<b>120</b>	<b>130</b>	<b>250</b>	<b>933</b>	<b>40,841</b>	<b>93,377</b>	<b>143,388</b>	<b>164,386</b>	<b>178,012</b>	<b>200,088</b>	<b>226,653</b>
<b>Expenses:</b>																
Cost of Goods Sold	1,758	3,002	2,005	400	325	24	26	50	425	8,168	12,675	21,778	22,448	19,858	16,467	13,688
<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>46%</b>	<b>20%</b>	<b>14%</b>	<b>15%</b>	<b>14%</b>	<b>11%</b>	<b>8%</b>	<b>6%</b>
Research and Development	3,272	4,065	7,631	10,255	2,102	2,207	2,317	2,410	9,037	9,127	9,218	9,311	9,404	9,498	9,593	9,689
Sales and Marketing	3,614	4,669	5,940	6,741	1,525	2,500	2,500	2,500	6,808	6,876	6,945	7,015	7,085	7,156	7,227	7,300
<b>Total Expenses</b>	<b>8,644</b>	<b>11,736</b>	<b>15,576</b>	<b>17,396</b>	<b>3,952</b>	<b>4,731</b>	<b>4,843</b>	<b>4,960</b>	<b>16,270</b>	<b>24,172</b>	<b>28,839</b>	<b>38,103</b>	<b>38,937</b>	<b>36,511</b>	<b>33,287</b>	<b>30,676</b>
<b>Operating income (loss)</b>	<b>(6,244)</b>	<b>(5,599)</b>	<b>65</b>	<b>(17,097)</b>	<b>(3,519)</b>	<b>(4,611)</b>	<b>(4,713)</b>	<b>(4,710)</b>	<b>(17,554)</b>	<b>8,744</b>	<b>49,094</b>	<b>80,680</b>	<b>88,906</b>	<b>90,451</b>	<b>97,040</b>	<b>102,050</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>196</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>(3,715)</b>	<b>(4,611)</b>	<b>(4,713)</b>	<b>(4,710)</b>	<b>(17,554)</b>	<b>8,744</b>	<b>49,094</b>	<b>80,680</b>	<b>88,906</b>	<b>90,451</b>	<b>97,040</b>	<b>102,050</b>
Income Tax Benefit (Provision)		205	-	-	-	-	-	-	-	437	4,909	11,295	13,336	18,090	24,260	31,636
<b>Tax Rate</b>		<b>4%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>5%</b>	<b>10%</b>	<b>14%</b>	<b>15%</b>	<b>20%</b>	<b>25%</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>(3,715)</b>	<b>(4,611)</b>	<b>(4,713)</b>	<b>(4,710)</b>	<b>(17,554)</b>	<b>8,744</b>	<b>49,094</b>	<b>80,680</b>	<b>88,906</b>	<b>90,451</b>	<b>97,040</b>	<b>102,050</b>
<b>GAAP-EPS</b>	<b>(1.06)</b>	<b>(0.84)</b>	<b>0.02</b>	<b>(1.53)</b>	<b>(0.18)</b>	<b>(0.41)</b>	<b>(0.42)</b>	<b>(0.42)</b>	<b>(1.55)</b>	<b>0.46</b>	<b>2.28</b>	<b>3.74</b>	<b>4.10</b>	<b>4.16</b>	<b>4.44</b>	<b>4.65</b>
GAAP-EPS (Dil)	(1.06)	(0.84)	0.02	(1.53)	(0.18)	(0.41)	(0.42)	(0.42)	(1.55)	0.46	2.28	3.74	4.10	4.16	4.44	4.65
Wgtd Avg Shrs (Bas) - (000's)	61,749	6,886	11,967	11,033	11,271	11,293	11,316	11,339	11,305	11,396	11,487	11,579	11,672	11,766	11,860	11,955
Wgtd Avg Shrs (Dil) - (000's)	61,749	16,000	11,967	18,413	21,019	11,293	11,316	11,339	11,305	18,894	21,490	21,582	21,675	21,769	21,863	21,958

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.

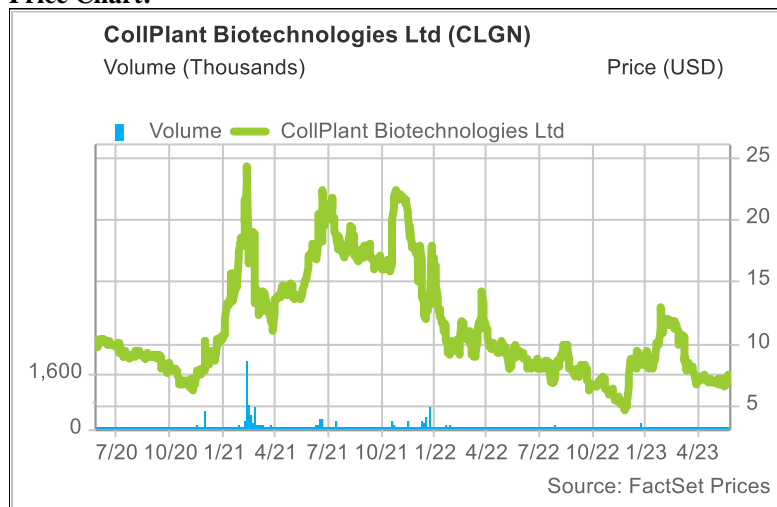
**Market Share Risk.** The collagen and related products markets are competitive and tend to be dominated by large pharma and biotechnology and/or medical device companies.

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

Companies mentioned in this report

**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  
 Update Report – Buy – April 4, 2023 – Price Target \$17.00  
 Update Report – Buy – May 26, 2023 – Price Target \$17.00

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Current as of 25-May-23

	Company Coverage		Investment Banking	
Ratings Distribution	# of Companies	% of Total	# of Companies	% of Totals
Market Outperform (Buy)	26	72%	2	6%
Market Perform (Neutral)	10	28%	1	3%
Market Underperform (Sell)	0	0%	0	0%
Total	36	100%	3	9%

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