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## CollPlant Biotechnologies (NASDAQ/CLGN)

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### BUY: AbbVie Pays CollPlant \$10M - Milestone Realized

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Recall that in 2021, CollPlant and AbbVie (ABBV – Not Rated) entered into an exclusive worldwide development and commercialization agreement for dermal and soft tissue filler products for the medical aesthetics market, using CollPlant’s recombinant human collagen (rhCollagen) technology. CollPlant received an upfront payment of \$14 million in accordance with the terms of the agreement. In addition to the \$10 million current milestone payment, CollPlant is also eligible to receive up to an additional \$26 million in milestone payments for the dermal filler product, as well as royalty payments and a fee for the manufacture and supply of rhCollagen.

### Investment Highlights:

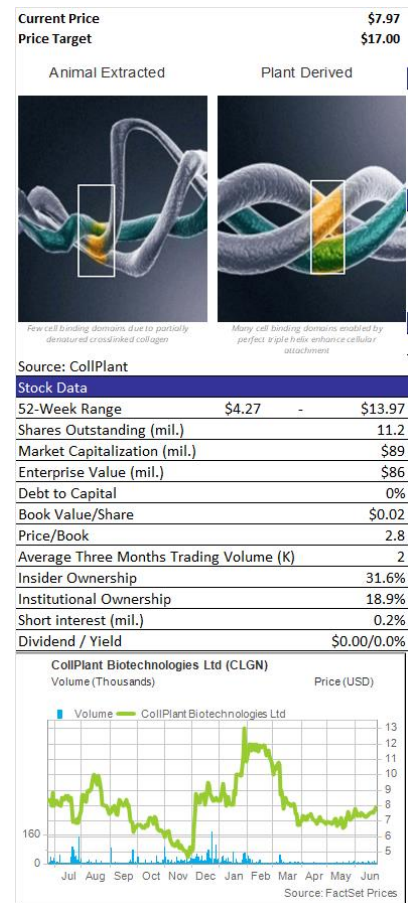
**The Best Collagen on the Market, in Our View.** CollPlant differentiates itself through its tobacco-based rhCollagen production platform, which is currently the only commercially viable plant-derived human collagen on the market. Type 1 collagen, which is being used in the medicinal field, is primarily 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.

**Collaboration with AbbVie:** This is a worldwide exclusive development and commercialization agreement for dermal and soft tissue fillers for the medical aesthetics market. The goal is to combine CollPlant’s proprietary rhCollagen technology and AbbVie’s technology. The agreement includes the Right of first negotiation for exclusive rights to use the rhCollagen for the commercialization and sale of an injectable breast implant and photocurable dermal filler products.

**Financial Details:** Up to \$103M in potential payments, including \$14M upfront payment. Up to \$89M milestones and option payments. Meaningful royalties on all product sales. CollPlant will manufacture and sell to AbbVie the rhCollagen used in its dermal filler products.

**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
Biolnk				-		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.

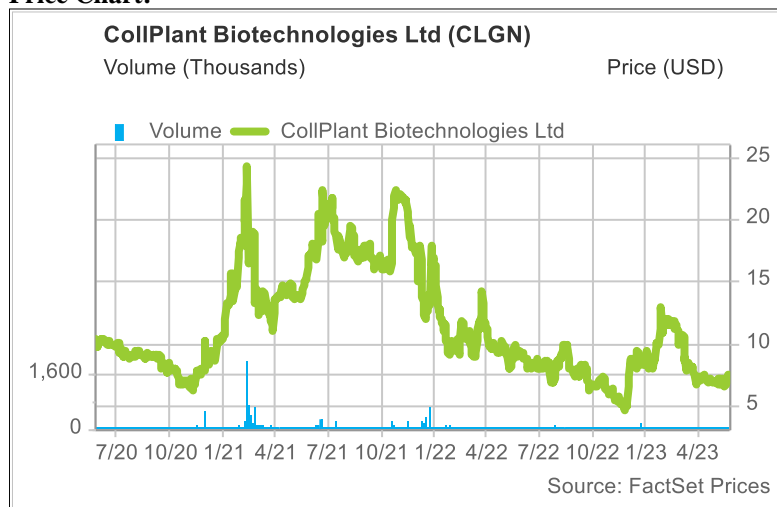
**Market Share Risk.** The collagen and related products markets are competitive and tend to be dominated by large pharma and biotechnology and/or medical device companies.

**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
- Update Report – Buy – June 26, 2023 – Price Target \$17.00

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Current as of 22-Jun-23

	Company Coverage		Investment Banking	
Ratings Distribution	# of Companies	% of Total	# of Companies	% of Totals
Market Outperform (Buy)	26	72%	2	5.50%
Market Perform (Neutral)	10	28%	2	5.50%
Market Underperform (Sell)	0	0%	0	0.00%
Total	36	100%	4	11.00%

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