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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)

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BUY: Reports 2nd Quarter Results- Picks Up \$10M from AbbVie

Jason Kolbert

Managing Director & Senior Analyst
jkolbert@dawsonjames.com

CollPlant reported second-quarter results, highlighting the \$10M payment now received from AbbVie (ABBV-Not Rated). 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. 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. CollPlant spent \$4.5M in the quarter and ended the period with \$22M excluding the \$10M milestone payment received.

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.

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.

Current Price \$6.26
Price Target \$17.00



Source: CollPlant

Stock Data			
52-Week Range	\$4.27	-	\$13.97
Shares Outstanding (mil.)	11.2		
Market Capitalization (mil.)	\$70		
Enterprise Value (mil.)	\$67		
Debt to Capital	0%		
Book Value/Share	\$0.02		
Price/Book	2.8		
Average Three Months Trading Volume (K)	6		
Insider Ownership	32.1%		
Institutional Ownership	22.3%		
Short interest (mil.)	0.0%		
Dividend / Yield	\$0.00/0.0%		

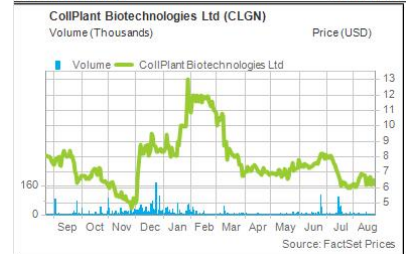


Exhibit 1. Income Statement

CollPlant Holdings Ltd. (\$000)																
CollPlant: YE Dec 31	2019A	2020A	2021A	2022A	1Q23A	2Q23A	3Q23E	4Q23E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Revenue																
Vergenix Products			-	-					500	500	510	515	520	526	531	
Biolnk						10,184	130	(9,814)	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
Product Revenues	2,400	6,137	15,641	299	433	10,184	130	(9,814)	933	40,841	63,377	108,888	124,711	132,386	147,618	166,312
Royalties (Abbvie)											30,000	34,500	39,675	45,626	52,470	60,341
Total Revenue	2,400	7,621	15,641	299	433	10,184	130	(9,814)	933	40,841	93,377	143,388	164,386	178,012	200,088	226,653
Expenses:																
Cost of Goods Sold	1,758	3,002	2,005	400	325	615	26	(1,963)	(997)	8,168	12,675	21,778	22,448	19,858	16,467	13,688
%COGS	73%	39%	13%	134%	20%	6%	20%	20%	-107%	20%	14%	15%	14%	11%	8%	6%
Research and Development	3,272	4,065	7,631	10,255	2,102	2,574	2,703	2,811	10,190	10,291	10,394	10,498	10,603	10,709	10,816	10,925
Sales and Marketing	3,614	4,669	5,940	6,741	1,525	1,318	2,500	2,500	6,808	6,876	6,945	7,015	7,085	7,156	7,227	7,300
Total Expenses	8,644	11,736	15,576	17,396	3,952	4,507	5,229	3,348	16,001	25,336	30,015	39,291	40,136	37,723	34,511	31,912
Operating income (loss)	(6,244)	(5,599)	65	(17,097)	(3,519)	5,677	(5,099)	(13,162)	(16,103)	6,850	46,704	77,666	85,104	85,831	91,424	95,225
Financing income	(1,167)	34	172													
Total Other Income (expenses)	339	221	(27)													
Financial net (expenses)	(828)	175	172	172	196	85	-	-	-	-	-	-	-	-	-	-
Pretax Income	(7,072)	5,774	237	(16,925)	(3,715)	5,762	(5,099)	(13,162)	(16,103)	6,850	46,704	77,666	85,104	85,831	91,424	95,225
Income Tax Benefit (Provision)		205	-	-	-	-	-	-	-	342	4,670	10,873	12,766	17,166	22,856	29,520
Tax Rate		4%	0%	0%	0%	0%	0%	0%	0%	5%	10%	14%	15%	20%	25%	31%
Gain (loss) from discontinued operations																
GAAP Net Income (loss)	(7,072)	5,774	237	(16,925)	(3,715)	5,762	(5,099)	(13,162)	(16,103)	6,850	46,704	77,666	85,104	85,831	91,424	95,225
GAAP-EPS	(1.06)	(0.84)	0.02	(1.53)	(0.18)	0.51	(0.45)	(1.15)	(1.42)	0.36	2.17	3.59	3.91	3.93	4.17	4.32
GAAP-EPS (Dil)	(1.06)	(0.84)	0.02	(1.53)	(0.18)	0.49	(0.45)	(1.15)	(1.42)	0.36	2.17	3.59	3.91	3.93	4.17	4.32
Wgtd Avg Shrs (Bas) - (000's)	61,749	6,886	11,967	11,033	11,271	11,369	11,392	11,415	11,362	11,472	11,564	11,657	11,750	11,844	11,939	12,035
Wgtd Avg Shrs (Dil) - (000's)	61,749	16,000	11,967	18,413	21,019	11,777	11,392	11,415	11,362	18,971	21,567	21,660	21,753	21,847	21,942	22,038

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.

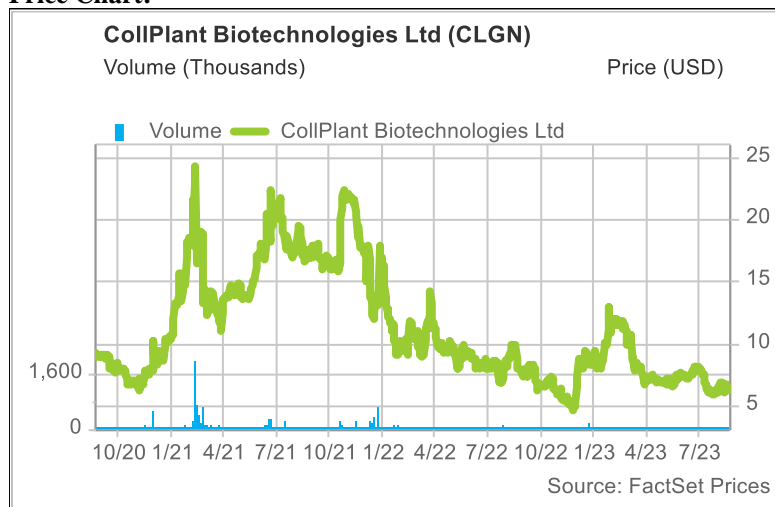
Market Share Risk. The collagen and related products markets are competitive and tend to be dominated by large pharma and biotechnology and/or medical device companies.

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
- Update Report – Buy – August 24, 2023 – Price Target \$17.00

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Rating Definitions:

- 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.

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 22-Aug-23

	Company Coverage		Investment Banking	
Ratings Distribution	# of Companies	% of Total	# of Companies	% of Totals
Market Outperform (Buy)	23	65.70%	3	8.60%
Market Perform (Neutral)	12	34.30%	3	8.60%
Market Underperform (Sell)	0	0%	0	0.00%
Total	35	100%	6	17.20%

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