

CollPlant Holdings

Earnings update

Ongoing third-party interest in Biolnk

CollPlant demonstrated another productive quarter with a 209% increase in reported revenue over the same period in 2017, mainly attributed to sales of its Biolnk product in the US and its Vergenix product brands, primarily its VergenixSTR for tendinopathy, in Europe. The rhCollagen-based Biolnk continues to demonstrate that it is a strategic area of development for CollPlant with repeat sales to third parties.

Year end	Revenue (NISm)	PBT* (NISm)	EPS* (NIS)	DPS (NIS)	P/E (x)	Yield (%)
12/16	0.3	(27.9)	(0.28)	0.0	N/A	N/A
12/17	1.7	(20.9)	(0.16)	0.0	N/A	N/A
12/18e	3.3	(21.7)	(0.10)	0.0	N/A	N/A
12/19e	7.3	(20.1)	(0.09)	0.0	N/A	N/A

Note: *PBT and EPS are normalised, excluding amortisation of acquired intangibles, exceptional items and share-based payments.

A productive quarter

The company recently announced its Q218 results. Revenues, which are based on sales of CollPlant's Biolnk for the development of 3D bioprinting organs in the US as well as sales of its Vergenix product brand in Europe, were \$170,000 (NIS653,000), which is a 209% increase from Q217 (\$55,000).

Biolnk sales for research continue

Previously, CollPlant announced that it had received multiple orders of its Biolnk product from a biotechnology and medical device company, intended for research into the development of bioprinted organs and orthopaedic implants, respectively. Biolnk is attractive for these applications because it can produce an organized collagen matrix with tuneable properties.

Voluntarily de-listing from the TASE

In early August, CollPlant confirmed its plans to de-list its ordinary shares, Series I warrants and Series K warrants from the TASE and that the last day of trading on the TASE will be on 29 October 2018. The company's American depository shares (ADS) (ie ADSs trade at a 1 to 50 ratio of ordinary shares) will continue to trade on the NASDAQ.

Valuation: \$79.9m or \$20.96 per ADS (NIS1.50 per share)

We have slightly adjusted our valuation to \$79.9m or \$20.96 per ADS from \$79m or \$22.96 per ADS. This was driven by rolling forward our NPVs and partially offset by lower net cash. We expect CollPlant to require \$7m in additional capital to reach profitability in 2021.

Pharma & biotech

3 October 2018

Price* **NIS0.38**
Market cap **NIS72m**

NIS3.57/US\$

*Priced at 1 October 2018

Net cash (\$m) at June 2018, plus private placement 3.9

Shares in issue/ADS in issue 190.53m/3.81m

Free float 43%

Code CLGN

Primary exchange NASDAQ

Secondary exchange TASE

Share price performance



% 1m 3m 12m

Abs (5.5) (9.3) (29.0)

Rel (local) (9.2) (16.5) (38.9)

52-week high/low NIS0.6 NIS0.4

Business description

CollPlant is an Israel-based regenerative medicine company. It is focused on developing and commercialising tissue repair products with its plant-based technology, rhCollagen. It has two products on the market, VergenixSTR and VergenixFG, and has received several orders for its 3D bioprinting product, Biolnk.

Next events

Last trading day on the TASE 29 October 2018

Continued sales ramp-up 2018

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Potential for BioInk

BioInk continues to demonstrate that it is a key area of development for CollPlant. Instead of internally developing printed tissue products, the company supplies biotechnology and medical device companies for their development purposes. The company previously announced that it had received multiple orders of its BioInk product from a biotechnology and medical device company, intended for research into the development of bioprinted organs and orthopaedic implants, respectively. The first sales of the product were in Q417 and the company has delivered repeat orders in H118; however, the details of these orders have not been fully disclosed. CollPlant's BioInk is of interest to third parties because the unique properties of the rhCollagen used in the product make it attractive as a matrix for bioprinting. Collagen is a major component of the extracellular matrix in natural tissue that provides structural support. CollPlant's rhCollagen produces a highly organised collagen matrix with tuneable properties and a well-controlled number of cell-binding sites, unlike collagen reclaimed from animal sources. A potential co-development agreement between CollPlant and a third party would provide further validation of CollPlant's technology.

Valuation

We have slightly adjusted our valuation to \$79.9m or \$20.96 from \$79m or \$22.96 per ADS. This increase in overall valuation was driven by rolling forward our NPVs, offset by lower net cash. The decrease in price per share is due to the increase in number of shares as of 25 September 2018. We do not include recurring revenue from the BioInk product in our model, although we may add this at a later date if the company continues to receive orders or if the technology is licensed and integrated into a product.

Exhibit 1: Valuation of CollPlant

Product	Status	NPV (\$m)	rNPV (\$m)
VergenixFG: Woundcare	Europe market	29.1	29.1
VergenixSTR: Tendonopathy	Europe market	58.3	58.3
Portfolio total		87.5	87.5
R&D			-7.1
SG&A			-4.4
Cash (Q218 + private placement)			3.9
Overall valuation			79.9
ADSs			3.81
Value per basic ADS			20.96
Warrants, Options, and Debentures			3.5
Total diluted ADSs			7.3
Diluted value			104.5
Value per diluted ADS			14.22

Source: CollPlant reports, Edison Investment Research

Financials

CollPlant reported revenue of \$170,000 (NIS653,000) in Q218 from sales of its BioInk product in the US as well as sales of its Vergenix product brands in Europe (primarily its VergenixSTR for tendonopathy). Operating expenses were \$1.4m, down from \$1.6m in Q117. This decrease is mainly attributable to the grant from the Israel Innovation Authority during Q218, which supports the rhCollagen-based BioInk for 3D bioprinting of tissues and organs development programme. The

company ended the quarter with \$2.6m in cash and cash equivalents, and received an additional \$1.25m through a private placement of 11.1m ordinary shares from another investor. We forecast that the company will need \$7m (NIS25m) in additional capital to reach profitability in 2021, which we record as illustrative debt in 2019. The company includes prefunded warrants in its basic shares outstanding and in its EPS calculations, and our estimates reflect this calculation.

Exhibit 2: Financial summary

NIS000s	2015	2016	2017	2018e	2019e
Year-end 31 December	IFRS	IFRS	IFRS	IFRS	IFRS
PROFIT & LOSS					
Revenue	0	292	1,668.00	3,272.56	7,311.60
Cost of Sales	0	0	(52)	(1,244)	(3,656)
Gross Profit	0	292	1,616	2,028	3,656
R&D expenses, net	0	(16,789)	(14,066)	(14,064)	(14,767)
SG&A expenses	0	(11,048)	(8,303)	(9,727)	(9,050)
EBITDA	(18,026)	(27,023)	(19,670)	(20,688)	(18,743)
Operating Profit (before amort. and except)	(18,814)	(27,545)	(20,753)	(21,763)	(20,161)
Intangible Amortisation	0	0	0	0	0
Exceptionals	0	0	0	0	0
Operating Profit	(18,814)	(27,545)	(20,753)	(21,763)	(20,161)
Other	0	0	0	0	0
Net Interest	164	(348)	(127)	90	65
Profit Before Tax (norm)	(18,650)	(27,893)	(20,880)	(21,673)	(20,097)
Profit Before Tax (FRS 3)	(18,650)	(27,893)	(20,880)	(21,673)	(20,097)
Tax	0	0	0	0	0
Profit After Tax (norm)	(18,650)	(27,893)	(20,880)	(21,673)	(20,097)
Profit After Tax (FRS 3)	(18,650)	(27,893)	(20,880)	(21,673)	(20,097)
Average Number of Shares Outstanding (m)	84.7	100.6	133.2	209.0	234.1
EPS - normalised (NIS)	(22.03)	(27.72)	(15.68)	(10.37)	(8.59)
EPS - FRS 3 (NIS)	(0.22)	(0.28)	(0.16)	(0.10)	(0.09)
Dividend per share (NIS)	0.0	0.0	0.0	0.0	0.0
BALANCE SHEET					
Fixed Assets	4,971	6,364	5,631	6,779	6,233
Intangible Assets	1,721	1,631	1,454	1,363	1,363
Tangible Assets	2,612	4,008	3,582	4,729	4,183
Other	638	725	595	687	687
Current Assets	8,558	8,069	22,414	16,264	26,888
Stocks	0	487	700	1,038	2,983
Debtors	3,241	3,785	3,897	2,483	3,147
Cash	5,317	3,797	17,817	12,743	20,758
Other	0	0	0	0	0
Current Liabilities	(3,750)	(6,806)	(4,918)	(5,461)	(5,465)
Creditors	(2,496)	(5,189)	(2,922)	(3,911)	(3,915)
Short term borrowings	0	0	0	0	0
Short term leases	0	0	0	0	0
Other	(1,254)	(1,617)	(1,996)	(1,550)	(1,550)
Long Term Liabilities	0	(2,467)	(14,044)	(6,011)	(31,011)
Long term borrowings	0	(286)	(12,700)	0	(25,000)
Long term leases	0	0	0	0	0
Other long term liabilities	0	(2,181)	(1,344)	(6,011)	(6,011)
Net Assets	9,779	5,160	9,083	11,571	(3,355)
CASH FLOW					
Operating Cash Flow	(14,496)	(19,384)	(17,903)	(13,518)	(16,048)
Net Interest	(2)	8	19	562	(65)
Tax	1	0	0	0	0
Capex	(1,389)	(492)	(447)	(2,260)	(873)
Acquisitions/disposals	0	0	0	0	0
Financing	10,010	18,219	20,234	22,573	0
Dividends	0	0	0	0	0
Other	27	0	0	210	0
Net Cash Flow	(5,849)	(1,649)	1,903	7,567	(16,985)
Opening net debt/(cash)	(11,062)	(5,317)	(3,511)	(5,117)	(12,743)
HP finance leases initiated	0	0	(253)	0	0
Other	104	(157)	(44)	59	0
Closing net debt/(cash)	(5,317)	(3,511)	(5,117)	(12,743)	4,242

Source: ColiPlant reports, Edison Investment Research

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