

CollPlant Holdings

Earnings update

Big potential for Biolnk

Pharma & biotech

28 March 2018

Price* **NIS0.42**
Market cap **NIS72m**

*Priced at 26 March 2018

NIS3.49/US\$

Net cash (\$m) at year end 2017 and subsequent financings 6.7

Shares in issue 171m

Free float 83%

Code CLGN

Primary exchange TASE

Secondary exchange NASDAQ

Over the course of H217, CollPlant announced that it had received orders for its Biolnk product from two companies for development of 3D printed organs and orthopaedic devices respectively. In the FY17 results the company announced that the first two orders accounted for NIS0.69m in revenue, bringing revenue for the year to NIS1.67m. One of the clients placed a repeat order, which is expected to be recorded in Q118 results.

Year end	Revenue (NISm)	PBT* (NISm)	EPS* (NIS)	DPS (NIS)	P/E (x)	Yield (%)
12/16	0.3	(27.9)	(27.72)	0.0	N/A	N/A
12/17	1.7	(20.9)	(15.68)	0.0	N/A	N/A
12/18e	3.2	(18.8)	(10.46)	0.0	N/A	N/A
12/19e	7.1	(18.3)	(9.69)	0.0	N/A	N/A

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

Several sales of Biolnk for research

Full details of the Biolnk orders have not been released, although we know that the first order was from a biotechnology company for the 3D printing of organ tissue (which subsequently placed a follow-up order), and the second order was from a medical device company developing orthopaedic devices. Biolnk is attractive for these applications because it can produce an organized collagen matrix with tuneable properties.

Progress continues with Vergenix brand

The company's two marketed medical products, VergenixFG and VergenixSTR for wound care and tendinopathy respectively had combined sales of NIS0.98m for FY17, the first full year of both products being marketed. We expect continued growth as the company expands the distribution base in Europe. We forecast sales of NIS2.7m in FY18 for the two products.

NASDAQ listing complete

The company delivered on its plan to uplist to NASDAQ in January 2018 under the new ticker CLGN. ADSs trade at a 1 to 50 ratio of ordinary shares. The uplisting also triggered several tranches of the company's ongoing financings, collectively valued at \$7.4m (NIS26m, and expected to fully close in April 2018). This was followed on 12 January 2018 with a private placement of 4.3m ordinary shares for \$0.6m (NIS2.2m).

Valuation: \$77.4m or \$22.62 per ADS

We have increased our valuation slightly to \$77m (NIS270m) from \$76m (NIS267m), although it is lower on an ADS/share basis: \$22.62 from \$23.23 per basic ADS or NIS1.58 from NIS1.63 per basic share. The increase is driven by increased cash following the recent offerings and rolling forward our NPVs. G&A spending for the recent period was higher than expected (NIS8.30m vs. NIS5.43m), and this increase carried forward was partially offset. We estimate current net cash of \$6.7m (NIS23.4m), which we expect to provide a runway into 2019.

Share price performance



% 1m 3m 12m

Abs (17.5) (19.5) 14.6

Rel (local) (13.8) (16.5) 9.9

52-week high/low NIS0.6 NIS0.3

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

Continued sales ramp 2018

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Progress with BioInk continues

One of the key areas of development for CollPlant is using its BioInk technology in the 3D printing of organs and tissue. Instead of internally developing printed tissue products, the company supplies biotechnology and medical device companies for their development purposes. The first sales of the product were in Q417, and the company has delivered repeat orders in Q118. The details of these orders are not fully disclosed; we know that the company has supplied a biotechnology company developing 3D printed organs and a medical device company developing orthopaedic implants. The company recorded revenue from BioInk of NIS689,000 for 2017.

To further the goals of advancing the BioInk program, the company has also joined the RegenMed Development Organization's (ReMDO's) biomanufacturing initiative. ReMDO is a non-profit organisation set up as a consortium of 60 academic and industry partners focused on the advancement of regenerative medicine technologies. Its universal Bioink project is one of two ongoing development projects and has a total of 18 collaborators.

The interest in CollPlant's BioInk is 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.

CollPlant listed on NASDAQ

The company successfully executed on its intention to uplist to NASDAQ, where its new ticker (CLGN) started trading on 31 January 2018. ADSs will trade on the exchange with a ratio of one ADS per 50 ordinary shares. The company has three ongoing financings, of which the uplisting triggered the final tranche in two (Ami Sagi, and Meitav Dash), with the third expected to close in April 2018. These deals provide approximately \$7.4m (NIS26m) in direct financing and the company may raise up to \$15m (NIS53m) in additional capital through associated warrants. In addition, the company announced on 12 January 2018 that it performed a private placement of 4.3m ordinary shares for \$0.6m (NIS2.2m).

Valuation

We have increased our valuation slightly to \$77m (NIS270m) from \$76m (NIS 267), although it is lower on an ADS/share basis: \$22.62 from \$23.23 per basic ADS or NIS1.58 from NIS1.63 per basic share. The increase in valuation was driven by increased cash and rolling forward our NPVs, offset by increases in G&A expenses. Our net cash is adjusted for the recent offerings including the last tranche of the Alpha financing expected in April 2018 and the conversion of \$3.65m in liabilities associated with debentures. The recent offerings has resulted in an increase in the number of potentially dilutive securities, convertible to approximately 3.5m ADSs, resulting in a value per diluted ADS of \$14.74. We currently do not include recurring revenue from the BioInk product in our models, although we may add this at a later date, if the company continues to receive orders or if it is integrated into a product.

Exhibit 1: Valuation of ColIPlant

Product	Status	NPV (\$m)	rNPV (\$m)
VergenixFG: Woundcare	Europe market	27.5	27.5
VergenixSTR: Tendonopathy	Europe market	55.0	55.0
Portfolio total		82.5	82.5
R&D			-7.6
SG&A			-4.2
Cash (YE17 + financings)			6.7
Overall valuation			77.4
ADSs			3.42
Value per basic ADS			22.62
Warrants, Options, and Debentures			3.5
Total diluted ADSs			7.0
Diluted value			102.6
Value per diluted ADS			14.74

Source: ColIPlant reports, Edison Investment Research

Financials

ColIPlant reported revenue of \$275,000 (NIS952,000) for Q418 and \$481,000 (NIS1.67m) for the year. The increase over FY16 (\$84,000 for the year) was primarily driven by the recent orders of BioInk, but the company continues to expand its commercial operation for VergenixFG and VergenixSTR in Europe. We expect the company to continue to expand the territories where the products are available and currently forecast revenue of \$917,000 (NIS3.20m) in FY18. G&A expenses for FY17 were \$2.39m (NIS8.30m), which was higher than expected (NIS5.43m) primarily due to higher than expected share-based compensation associated with services received from Alpha Capital. The company ended the year with \$5.14m (NIS17.82m) in cash, which along with the recent private placement should provide a cash runway into FY19. We expect the company to require \$5.7m (NIS20.0m) in additional cash to meet operational needs until the company reaches profitability in FY21. We expect a large portion of this will be provided from outstanding warrants, although at this time we record it as illustrative debt in FY19.

Exhibit 2: Financial summary

	NIS000s	2015	2016	2017	2018e	2019e
Year end 31 Dec		IFRS	IFRS	IFRS	IFRS	IFRS
PROFIT & LOSS						
Revenue		0	292	1,668.00	3,199.22	7,147.75
Cost of Sales		0	0	(52)	(1,600)	(3,574)
Gross Profit		0	292	1,616	1,600	3,574
R&D expenses,net		(11,864)	(16,789)	(14,066)	(13,363)	(14,031)
SG&A expenses		(6,950)	(11,048)	(8,303)	(7,133)	(7,847)
EBITDA		(18,026)	(27,023)	(19,670)	(17,822)	(16,873)
Operating Profit (before amort. and except)		(18,814)	(27,545)	(20,753)	(18,896)	(18,304)
Intangible Amortisation		0	0	0	0	0
Exceptionals		0	0	0	0	0
Operating Profit		(18,814)	(27,545)	(20,753)	(18,896)	(18,304)
Other		0	0	0	0	0
Net Interest		164	(348)	(127)	90	26
Profit Before Tax (norm)		(18,650)	(27,893)	(20,880)	(18,807)	(18,278)
Profit Before Tax (FRS 3)		(18,650)	(27,893)	(20,880)	(18,807)	(18,278)
Tax		0	0	0	0	0
Profit After Tax (norm)		(18,650)	(27,893)	(20,880)	(18,807)	(18,278)
Profit After Tax (FRS 3)		(18,650)	(27,893)	(20,880)	(18,807)	(18,278)
Average Number of Shares Outstanding (m)		84.7	100.6	133.2	179.7	188.7
EPS - normalised (NIS)		(22.03)	(27.72)	(15.68)	(10.46)	(9.69)
EPS - FRS 3 (NIS)		(22.03)	(27.72)	(15.68)	(10.46)	(9.69)
Dividend per share (NIS)		0.0	0.0	0.0	0.0	0.0
BALANCE SHEET						
Fixed Assets		4,971	6,364	5,631	6,816	6,259
Intangible Assets		1,721	1,631	1,454	1,454	1,454
Tangible Assets		2,612	4,008	3,582	4,767	4,210
Other		638	725	595	595	595
Current Assets		8,558	8,069	22,414	9,644	17,095
Stocks		0	487	700	700	700
Debtors		3,241	3,785	3,897	3,897	3,897
Cash		5,317	3,797	17,817	5,047	12,498
Other		0	0	0	0	0
Current Liabilities		(3,750)	(6,806)	(4,918)	(4,899)	(4,899)
Creditors		(2,496)	(5,189)	(2,922)	(2,922)	(2,922)
Short term borrowings		0	0	0	0	0
Short term leases		0	0	0	0	0
Other		(1,254)	(1,617)	(1,996)	(1,977)	(1,977)
Long Term Liabilities		0	(2,467)	(14,044)	(1,405)	(21,405)
Long term borrowings		0	(286)	(12,700)	(61)	(20,061)
Long term leases		0	0	0	0	0
Other long term liabilities		0	(2,181)	(1,344)	(1,344)	(1,344)
Net Assets		9,779	5,160	9,083	10,157	(2,950)
CASH FLOW						
Operating Cash Flow		(14,496)	(19,384)	(17,903)	(12,592)	(11,651)
Net Interest		(2)	8	19	(90)	(26)
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	14,811	0
Dividends		0	0	0	0	0
Other		27	0	0	0	0
Net Cash Flow		(5,849)	(1,649)	1,903	(131)	(12,550)
Opening net debt/(cash)		(11,062)	(5,317)	(3,511)	(5,117)	(4,986)
HP finance leases initiated		0	0	(253)	0	0
Other		104	(157)	(44)	0	0
Closing net debt/(cash)		(5,317)	(3,511)	(5,117)	(4,986)	7,563

Source: ColliPlant reports, Edison Investment Research. Note: Equity financing adjusted for debenture liability.

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