

CollPlant Holdings

Steady commercial advancement

Quarterly update

Pharma & biotech

CollPlant's Q317 marked continued commercial progress and increasing interest in its plant-based recombinant human collagen (rhCollagen) based technology. It announced multiple sales of its bioInk product for 3D tissue printing to a major biotechnology company and a major medical device company, which is very encouraging and potentially validating.

Additionally, it expanded its commercial footprint for VergenixFG to Greece and Cyprus with a new distribution deal.

Year end	Revenue (NISm)	PBT* (NISm)	EPS* (NIS)	DPS (NIS)	P/E (x)	Yield (%)
12/15	0.0	(18.7)	(22.03)	0.0	N/A	N/A
12/16	0.3	(27.9)	(27.72)	0.0	N/A	N/A
12/17e	1.6	(20.6)	(15.47)	0.0	N/A	N/A
12/18e	3.2	(17.5)	(9.66)	0.0	N/A	N/A

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

New contracts for bioInk

CollPlant has announced that it has received multiple orders for its bioInk product for the 3D printing of organs and tissues. It received its first order in September from a major biotechnology company, which subsequently reordered more product valued in the hundreds of thousands of dollars. The company intends to use the product to print organs for transplant. Additionally, CollPlant has received an order from a major medical device company in the order of multiple tens of thousands of dollars to develop a 3D printed orthopaedic implant.

VergenixFG: Five European distribution deals

The company announced that it had expanded its commercial operation in Europe with the signing of a distribution deal for Greece and Cyprus. This brings the total number of European distribution contracts to five. It previously signed deals for the product to be sold in Italy, Switzerland, the Netherlands, and Turkey.

Three ongoing deals, runway to 2019

CollPlant recently announced in November 2017 two additional financing deals with some of its largest shareholders, Meitav Dash and Ami Sagi, for approximately \$1.4m and \$1.1m, respectively. This is in addition to the previously announced deal with Alpha Capital for \$5m. The deals are ongoing and expected to complete with the listing of the company on NASDAQ. Combined, this cash should provide the company with a runway into 2019.

Valuation: \$76m or \$0.46 per share

We have increased our total valuation to \$76m (NIS267m) from \$73m, although it is lower on a per share basis, at \$0.46 (NIS1.63) from \$0.56. These adjustments largely reflect the recent deals, of which we include the first tranche of each. Additionally, we have rolled forward our NPVs to the most recent period. We currently do not include the bioInk program in our valuation, although we may add it at a later date if a product is developed or if there is sufficient volume of sales for research.

4 December 2017

Price* **NIS0.56**

Market cap **NIS82m**

*Priced as at 1 December 2017

NIS3.50/US\$

Net cash (NISm) at 30 September 2017 8.2

Shares in issue at 30 September 2017 145.6m

Free float 73.1%

Code CLPT

Primary exchange TASE

Secondary exchange OTCQB

Share price performance



% 1m 3m 12m

Abs 1.3 84.4 34.1

Rel (local) 0.2 76.2 27.4

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 bioInk.

Next events

Completion of financings 2018

NASDAQ up-listing 2018

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3D bio-printing provides new avenues

One of CollPlant's primary objectives in 2017 was to develop and promote its bioInk formulation of rhCollagen for use in 3D bioprinting. The company has subsequently announced two deals with major international healthcare companies to supply its bioInk for development purposes.

CollPlant's rhCollagen has several characteristics that make it attractive as a product for 3D bio-printing. Collagen is useful as a matrix for tissue engineering because it has binding sites that allow the migration of cells over its surface. CollPlant's rhCollagen is unique in that it produces a highly organised collagen matrix with tuneable properties and a well-controlled number of cell binding sites. Collagen reclaimed from animal tissue must be denatured and reformed, which produces a disorganised matrix and more poorly controlled properties. We believe that plant derived rhCollagen is proving attractive to partners because of the increased reproducibility and consistency of the product.

The first deal, announced on 17 September 2017, was with an undisclosed major biotechnology company for the development of 3D printed organs for transplant. The first order was scheduled to be delivered in Q417, and the company subsequently announced an additional order on 28 November 2017. The latter was announced to be worth "hundreds of thousands of dollars." The goal of the program is to provide replacements for organs such as the liver, kidneys, spleen, lungs and heart. Previous attempts at developing 3D printed tissue have largely focused on structural organs such as the ear or bone, and we see this program as highly ambitious to provide complex heterogeneous organs that are critical to life.

CollPlant also announced on 16 October that it had additionally signed an agreement to supply bioInk to a major medical device company for the printing of orthopaedic implants. The company announced that this contract was worth "several tens of thousands of dollars" and would be completed in Q417 and Q118. Details of the development program are unclear at this point, although we can speculate that 3D printed collagen can potentially provide utility for joint replacement. Collagen is a major component of cartilage, along with aggrecan and hyaluronan. Other companies such as Vericel and Histogenics have developed matrix-supported chondrocytes as a product to encourage cartilage growth. Additionally, the company ConforMIS is promoting customised metallic 3D printed devices for knee replacement.

An important takeaway from these recent deals is that the range of applications for 3D printed tissue and by extension rhCollagen is very wide, as evidenced by the two very different programs. We expect there to be continued interest in the product for an array of development activities.

European roll-out continues

CollPlant announced on 28 November 2017 that it had signed an additional distribution agreement for the marketing of VergenixFG in Greece and Cyprus. This is the fifth distributor for the product that has been signed. The company previously announced contracts to sell the product in Italy, Switzerland, the Netherlands, and Turkey, and the first sales of the product in Israel were recorded in July 2017 through a private wound-care clinic. The increasing adoption of the products by distributors is promising and we expect it to continue in 2018.

Financing update: Three deals ongoing

The company has announced two additional financing deals since our last report, bringing the total number of ongoing deals to three when including the previously announced Alpha Capital deal. The first new deal, valued at approximately \$1.4m (NIS4.8m) was with Meitav Dash, an Israel-based institutional pension fund and CollPlant's largest shareholder. The next new deal was with Ami Sagi for approximately \$1.1m (NIS3.7m). Ami Sagi is another of the company's largest shareholders, with a 5% stake ahead of these deals. Combined, the three deals are expected to provide a total of approximately \$7.4m (NIS26m) directly with an additional \$15m (NIS53m) available through the exercise of attached warrants (NIS0.72-0.80 exercise price). The company has stated that it currently has a cash runway into 2019, which is consistent with our estimates. Of these deals, only the first tranche of the Alpha financing has been completed as of this publication.

The structuring of these three deals is complex, with multiple tranches and multiple types of securities (Exhibit 1) and the completion of the final tranches are generally contingent on the up-listing of the stock to NASDAQ. Additionally NASDAQ up-listing will also trigger the mandatory conversion of the debentures from the Alpha financing. The company has a preliminary prospectus filed with the SEC, and we expect the process to complete in 2018.

Exhibit 1: Ongoing financings

Party	Tranche	Amount	Shares (m)	Convertible debentures (share equity, m)	Warrants (m)	Conditions
Alpha Capital	1	\$2m	7.3	16.0		Two board appointments
	2	\$2m		23.3*		One board appointment
	3	\$1m		9.9*	35.7	NASDAQ up-listing
Meitav Dash	1	NIS3.8m	9.5			
	2	NIS960k				Receiving NIS3.7m in financing
	3				11.9	NASDAQ up-listing
Ami Sagi	1	NIS3.7m	9.3			
	2				9.3	NASDAQ up-listing

Source: CollPlant. Note: *These tranches may be in a combination of shares or debentures. Deals presented purely as debentures for illustrative purposes.

Valuation

We have increased our valuation slightly to \$76m from \$73m, although it has decreased on a per share basis to \$0.46 from \$0.56. Our valuation includes the first tranches of the recent financings, and the addition of the Meitav Dash and Ami Sagi financings are a driving factor in the increase in the total valuation as well as lower per share value. Debentures from the Alpha financing are recorded as a liability, but fully converted in our diluted valuation. Additionally, we have rolled forward our NPVs. If we model the valuation upon NASDAQ up-listing on a pro forma basis using the most recent financials, we arrive at a valuation of \$81m or \$0.38 per share (\$96m and \$0.34 per share including dilutive warrants). This assumes the mandatory conversion of debentures upon up-listing resulting in 216m shares outstanding (and 71m additional warrants). We do not include the bioInk programs in our valuation at this time, because they are too early in development to gauge commercial potential. We may add this program to our valuation in the future if either a product using CollPlant's rhCollagen advances or if there is a sufficient volume of orders for research purposes to support its inclusion.

Exhibit 2: Valuation of ColiPlant reflecting the first tranches of the recent financings only

Product	Status	NPV (\$m)	rNPV (\$m)
VergenixFG: wound care	Europe market	26.8	26.8
VergenixSTR: tendonopathy	Europe market	53.5	53.5
Portfolio total		80.3	80.3
R&D			(7.2)
SG&A			(1.8)
Net cash (Q3 + first tranches - new debentures)			5.1
Overall valuation			76.4
Shares (m)			164.42
Value per basic share (\$)			0.46
Shares from convertible debentures			16.0
Total diluted shares (m)			180.4
Diluted value			77.8
Value per diluted share (\$)			0.43

Source: ColiPlant reports, Edison Investment Research

Financials

The company reported revenue of NIS263,000 for Q317, bringing total revenue for the year to date to NIS716,000. We have increased our 2017 and 2018 revenue predictions (to NIS1.6m and NIS3.2m from NIS1.2m and NIS2.7m, respectively) to reflect the recent bioInk orders. The operational loss for the most recent period was NIS3.7m and the company ended the quarter with NIS8.2m in cash. We currently model the first tranches closing in 2017 and the remainder closing in 2018. This results in a short-term liability in 2017 associated with the debentures, which we remove in 2018 on mandatory conversion. We have increased our capex expectations in 2018 to NIS2.1m to reflect the scaling up of production for the EU roll-out and for bioInk. We expect cash from the recent offering to provide a runway into 2019, consistent with company guidance. At that time we model the company requiring an additional NIS20m, which we believe will be sufficient to reach profitability in 2021.

Exhibit 3: Financial summary

	NIS'000s	2015	2016	2017e	2018e
Year end 31 Dec		IFRS	IFRS	IFRS	IFRS
PROFIT & LOSS					
Revenue		0	292	1,637.12	3,208.39
Cost of Sales		0	0	(491)	(1,604)
Gross Profit		0	292	1,146	1,604
R&D expenses,net		(11,864)	(16,789)	(15,950)	(15,152)
SG&A expenses		(6,950)	(11,048)	(5,435)	(3,979)
EBITDA		(18,026)	(27,023)	(19,156)	(16,546)
Operating Profit (before amort. and except)		(18,814)	(27,545)	(20,239)	(17,527)
Intangible Amortisation		0	0	0	0
Exceptionals		0	0	0	0
Operating Profit		(18,814)	(27,545)	(20,239)	(17,527)
Other		0	0	0	0
Net Interest		164	(348)	(387)	63
Profit Before Tax (norm)		(18,650)	(27,893)	(20,626)	(17,464)
Profit Before Tax (FRS 3)		(18,650)	(27,893)	(20,626)	(17,464)
Tax		0	0	0	0
Profit After Tax (norm)		(18,650)	(27,893)	(20,626)	(17,464)
Profit After Tax (FRS 3)		(18,650)	(27,893)	(20,626)	(17,464)
Average Number of Shares Outstanding (m)		84.7	100.6	133.3	180.8
EPS - normalised (NIS)		(22.03)	(27.72)	(15.47)	(9.66)
EPS - FRS 3 (NIS)		(22.03)	(27.72)	(15.47)	(9.66)
Dividend per share (NIS)		0.0	0.0	0.0	0.0
BALANCE SHEET					
Fixed Assets		4,971	6,364	5,378	6,483
Intangible Assets		1,721	1,631	1,495	1,495
Tangible Assets		2,612	4,008	3,269	4,374
Other		638	725	614	614
Current Assets		8,558	8,069	14,481	11,089
Stocks		0	487	550	550
Debtors		3,241	3,785	1,379	1,379
Cash		5,317	3,797	12,552	9,160
Other		0	0	0	0
Current Liabilities		(3,750)	(6,806)	(9,044)	(4,231)
Creditors		(2,496)	(5,189)	(2,254)	(2,254)
Short term borrowings		0	0	(4,813)	0
Short term leases		0	0	0	0
Other		(1,254)	(1,617)	(1,977)	(1,977)
Long Term Liabilities		0	(2,467)	(2,467)	(2,467)
Long term borrowings		0	(286)	(286)	(286)
Long term leases		0	0	0	0
Other long term liabilities		0	(2,181)	(2,181)	(2,181)
Net Assets		9,779	5,160	8,348	10,874
CASH FLOW					
Operating Cash Flow		(14,496)	(19,384)	(15,865)	(12,703)
Net Interest		(2)	8	(20)	(63)
Tax		1	0	0	0
Capex		(1,389)	(492)	(344)	(2,085)
Acquisitions/disposals		0	0	0	0
Financing		10,010	18,505	20,171	16,273
Dividends		0	0	0	0
Other		27	(286)	0	0
Net Cash Flow		(5,849)	(1,649)	3,942	1,421
Opening net debt/(cash)		(11,062)	(5,317)	(3,511)	(7,453)
HP finance leases initiated		0	0	0	0
Other		104	(157)	0	(0)
Closing net debt/(cash)		(5,317)	(3,511)	(7,453)	(8,874)

Source: ColiPlant reports, Edison Investment Research. Note: Assumes first tranches of ongoing financings in 2017 and the remainder in 2018 (Exhibit 1).

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