

August 28, 2020



CollPlant Biotechnologies Reports Second Quarter (Q2) 2020 Financial Results

Increasing sales of BioInk for 3D Bioprinting and Medical Aesthetics

REHOVOT, Israel, Aug. 28, 2020 /PRNewswire/ -- **CollPlant** (NASDAQ: CLGN), a regenerative and aesthetics medicine company, today announced financial results for the second quarter ended June 30, 2020 and provided an update on the Company's business developments. Certain metrics, including those expressed on an adjusted basis, are non-GAAP measures. See "Use of Non-GAAP Measures" below.



CollPlant reported revenues of \$823,000 for the second quarter of 2020, a 36% increase from the \$606,000 recorded in the second quarter of 2019. The Company ended the second quarter of 2020 with \$3.7 million in cash and cash equivalents. Comprehensive loss for the second quarter of 2020 was \$2.0 million on a GAAP basis, or adjusted comprehensive loss of \$1.4 million, on a non-GAAP basis.

"We continue to make major strides in revolutionizing the fields of regenerative and aesthetic medicine through our first-in-class, recombinant human collagen (rhCollagen) platform technology. First, we are partnering with United Therapeutics Corporation (NASDAQ: UTHR)

in efforts to address global organ shortages. We plan to leverage this experience in 3D bioprinting of lung scaffolds to explore other life-saving organs and tissues in the future," stated Yehiel Tal, the Chief Executive Officer of CollPlant. "Second, the combination of hyaluronic acid and rhCollagen in our next-generation, regenerative, photocurable dermal fillers will provide superior skin rejuvenation inclusive of the ability to inject into deep wrinkles, as well as other key attributes. Moreover, we are looking forward to sharing new data on our innovative photocurable dermal fillers and additional updates on our breast implant product pipeline at the exclusive Science of Aging Virtual Symposium 2020, which will be held digitally on September 16, 2020. Third, we continue to abide by Israeli Health Ministry guidelines for optimal protection of our employees. To accommodate heightened social distancing policies amid the ongoing pandemic, we have concentrated efforts on amplifying corporate visibility through a stronger online and social media presence. Finally, we remain committed to bolstering our workforce with brilliant scientists and support staff from prestigious institutions here in Israel. We are opportunistic about establishing relationships with new strategic partners who can support our pipeline development efforts."

Financial Results

Second Quarter 2020 Financial Results on US GAAP basis ("GAAP")

Revenues for the three months ended June 30, 2020 increased by 36% to \$823,000, compared to \$606,000 in the second quarter of 2019. Revenues were derived mainly from CollPlant's BioInk for the development of 3D bioprinting of human organs, and from sales of rhCollagen for medical aesthetics product development.

Cost of revenue was \$748,000 in the three months ended June 30, 2020, an increase of 62% compared to \$463,000 in the same period in 2019. The increase is primarily related to differences in the mix of products sold, different profitability and the different capacity of production in the reported periods presented.

The Company's gross profit for the three months ended June 30, 2020 decreased by \$68,000 to \$75,000 compared to \$143,000 in the second quarter of 2019.

Total operating expenses for the three months ended June 30, 2020 were \$2.0 million, an increase of 5% compared to \$1.9 million in the second quarter of 2019.

Operating loss for the three months ended June 30, 2020 was \$1.9 million, an increase of 6% compared to an operating loss of \$1.8 million in the second quarter of 2019.

Financial expense, net for the three months ended June 30, 2020 was \$58,000 compared to financial income, net of \$513,000 in the second quarter of 2019. Financial expense in the three months ended June 30, 2020 derived from non-cash exchange differences of operating lease liabilities under ASC 842, compared to financial income in the three months ended June 30, 2019 which derived from re-evaluation of financial instruments.

Comprehensive loss for the second quarter of 2020 was \$2.0 million, or \$0.28 per share, compared to a comprehensive loss of \$1.2 million, or \$0.27 per share, for the second quarter of 2019.

Cash used in operating activities during the six months ended June 30, 2020 was \$4.3

million compared to \$2.7 million in the six months ended June 30, 2019. As of June 30, 2020, cash and cash equivalents totaled \$3.7 million.

Cash used in investing activities during the six months ended June 30, 2020 was \$246,000 compared to \$1.1 million in the six months ended June 30, 2019. The decrease is mainly attribute to costs incurred in the establishment in 2019 of CollPlant's new HQ and R&D center in Rehovot, Israel.

Cash provided by financing activities during the six months ended June 30, 2020 was \$4.5 million compared to cash used in financing activities of \$18,000 in the six months ended June 30, 2019. The increase is mainly attribute to proceeds from issuance of shares in a private placement in February 2020.

Second Quarter 2020 Financial Results on Non-US GAAP Basis ("non-GAAP")

On a non-GAAP basis, the operating expenses for the second quarter of 2020 were \$1.4 million, compared to \$1.5 million for the second quarter of 2019.

Comprehensive loss for the second quarter of 2020 was \$1.4 million, or \$0.20 per share, compared to \$1.5 million, or \$0.31 per share, for the second quarter of 2019.

Non-GAAP measures exclude certain non-cash expenses. The table on page 10 includes a reconciliation of the Company's GAAP results to non-GAAP results. The reconciliation reflects non-cash expenses in the amount of \$555,000 with respect to (i) change in fair value of financial instruments, (ii) share-based compensation to employees, directors and consultants and (iii) change of operating lease accounts, including related financial expenses.

Use of Non-GAAP Measures

This press release contains certain non-GAAP financial measures for operating costs and expenses, operating loss, comprehensive loss and basic and diluted comprehensive loss per share that exclude the effects of non-cash expense for fair market value attributed to change in fair value of financial instruments, share-based compensation to employees, directors and consultants, and change in operating lease accounts. Management believes that these non-GAAP financial measures provide meaningful supplemental information regarding the Company's performance that enhances management's and investors' ability to evaluate the Company's operating costs, comprehensive loss and loss per share, and to compare them to historical Company results.

The presentation of this non-GAAP financial information is not intended to be considered in isolation or as a substitute for the financial information prepared and presented in accordance with GAAP. Management uses both GAAP and non-GAAP measures when operating and evaluating the Company's business internally and therefore decided to make these non-GAAP adjustments available to investors. The non-GAAP financial measures used by the Company in this press release may be different from the measures used by other companies.

For more information on the non-GAAP financial measures, please see the "Reconciliation of GAAP to Non-GAAP Financial Measures" table on page 10 in this press release. This

accompanying table on page 10 has more details on the GAAP financial measures that are most directly comparable to non-GAAP financial measures and the related reconciliations between these financial measures.

The Company's consolidated financial results as of, and for the six months ended, June 30, 2020 are presented in accordance with generally accepted accounting principles in the United States of America ("U.S. GAAP").

About CollPlant

CollPlant is a regenerative and aesthetic medicine company focused on 3D bioprinting of tissues and organs, and medical aesthetics. Our products are based on our rhCollagen (recombinant human collagen) that is produced with CollPlant's proprietary plant based genetic engineering technology.

Our products address indications for the diverse fields of tissue repair, aesthetics and organ manufacturing, and, we believe, are ushering in a new era in regenerative and aesthetic medicine.

Our flagship rhCollagen BioInk product line is ideal for 3D bioprinting of tissues and organs. Our flagship rhCollagen BioInk product line is ideal for 3D bioprinting of tissues and organs. In October 2018, we entered into a licensing agreement with United Therapeutics, whereby United Therapeutics is using CollPlant's BioInks in the manufacture of 3D bioprinted lungs for transplant in humans.

In January 2020, we also entered into a Joint Development Agreement with 3D Systems Corporation, or 3D Systems, pursuant to which we and 3D Systems jointly develop tissue and scaffold bioprinting processes for third party collaborators. Our industry collaboration also includes the Advanced Regenerative Manufacturing Institute, or ARMI.

For more information about CollPlant, visit <http://www.collplant.com>

Safe Harbor Statements

This press release may include forward-looking statements. Forward-looking statements may include, but are not limited to, statements relating to CollPlant's objectives plans and strategies, as well as statements, other than historical facts, that address activities, events or developments that CollPlant intends, expects, projects, believes or anticipates will or may occur in the future. These statements are often characterized by terminology such as "believes," "hopes," "may," "anticipates," "should," "intends," "plans," "will," "expects," "estimates," "projects," "positioned," "strategy" and similar expressions and are based on assumptions and assessments made in light of management's experience and perception of historical trends, current conditions, expected future developments and other factors believed to be appropriate. Forward-looking statements are not guarantees of future performance and are subject to risks and uncertainties that could cause actual results to differ materially from those expressed or implied in such statements. Many factors could cause CollPlant's actual activities or results to differ materially from the activities and results anticipated in forward-looking statements, including, but not limited to, the following: the Company's history of significant losses, its ability to continue as a going concern, and its need to raise additional capital and its inability to obtain additional capital on acceptable

terms, or at all; the outbreak of coronavirus; the Company's expectations regarding the timing and cost of commencing clinical trials with respect to tissues and organs which are based on its rhCollagen based BioInk and products for medical aesthetics; the Company's ability to obtain favorable pre-clinical and clinical trial results; regulatory action with respect to rhCollagen based BioInk and medical aesthetics products including but not limited to acceptance of an application for marketing authorization review and approval of such application, and, if approved, the scope of the approved indication and labeling; commercial success and market acceptance of the Company's rhCollagen based products in 3D Bioprinting and medical aesthetics; the Company's ability to establish sales and marketing capabilities or enter into agreements with third parties and its reliance on third party distributors and resellers; the Company's ability to establish and maintain strategic partnerships and other corporate collaborations; the Company's reliance on third parties to conduct some or all aspects of its product manufacturing; the scope of protection the Company is able to establish and maintain for intellectual property rights and the Company's ability to operate its business without infringing the intellectual property rights of others; the overall global economic environment; the impact of competition and new technologies; general market, political, and economic conditions in the countries in which the Company operates; projected capital expenditures and liquidity; changes in the Company's strategy; and litigation and regulatory proceedings. More detailed information about the risks and uncertainties affecting CollPlant is contained under the heading "Risk Factors" included in CollPlant's most recent annual report on Form 20-F filed with the SEC, and in other filings that CollPlant has made and may make with the SEC in the future. The forward-looking statements contained in this press release are made as of the date of this press release and reflect CollPlant's current views with respect to future events, and CollPlant does not undertake and specifically disclaims any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

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COLLPLANT BIOTECHNOLOGIES LTD.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(U.S. dollars in thousands, except share and per share data)
(Unaudited)

	Six months ended June 30		Three months ended June 30	
	2020	2019	2020	2019
	U.S. dollars in thousands, except per share data			
Revenue from product sales	\$ 1,228	\$ 1,048	\$ 713	\$ 606
Revenue from service	204	152	110	-
Total Revenue	1,432	1,200	823	606
Cost of Revenue	1,223	883	748	463
Gross Profit	209	317	75	143
Operating expenses:				
Research and development, net	1,812	1,856	1,002	1,084
General, administrative and marketing	2,017	1,749	986	820
Total operating loss	3,620	3,288	1,913	1,761
Financial income	26	48	9	630
Financial expenses	(6)	(6)	(2)	(6)
Exchange differences	28	(242)	(65)	(111)
Financial income (expenses), net	48	(200)	(58)	513
Loss for the period	\$ 3,572	\$ 3,488	\$ 1,971	\$ 1,248
Basic and diluted loss per ordinary share	\$ 0.52	\$ 0.75	\$ 0.28	\$ 0.27
Weighted average ordinary shares outstanding	6,809,666	4,660,862	6,958,109	4,661,506

COLLPLANT BIOTECHNOLOGIES LTD.
CONDENSED CONSOLIDATED BALANCE SHEETS
(U.S. dollars in thousands)
(Unaudited)

	June 30, 2020	December 31, 2019
Assets		
Current assets:		
Cash and cash equivalents	\$ 3,672	\$ 3,791
Trade receivables	321	79
Other accounts receivable and prepaid expenses	750	270
Restricted deposit	12	12
Inventory	730	888
Total current assets	5,485	5,040
Non-current assets:		
Restricted deposit	167	168
Operating lease right-of-use assets	3,048	3,215
Property and equipment, net	2,248	2,329
Total non-current assets	5,463	5,712
Total assets	\$ 10,948	\$ 10,752

COLLPLANT BIOTECHNOLOGIES LTD.
CONDENSED CONSOLIDATED BALANCE SHEETS
(U.S. dollars in thousands)
(Unaudited)

	June 30, 2020	December 31, 2019
Liabilities and shareholders' equity		
Current liabilities:		
Loan	\$ 12	\$ 24
Accounts payable:		
Trade payables	559	833
Accrued liabilities and other	866	1,203
Operating lease liabilities	442	455
Deferred revenues	297	942
Total current liabilities	<u>2,176</u>	<u>3,457</u>
Non-current liabilities:		
Derivatives	42	68
Operating lease liabilities	2,953	3,139
Total non-current liabilities	<u>2,995</u>	<u>3,207</u>
Total liabilities	<u>5,171</u>	<u>6,664</u>
Commitments and contingencies		
Shareholders' Equity:		
Ordinary shares, NIS 1.5 par value - authorized: 30,000,000 ordinary shares as of June 30, 2020 and December 31, 2019; issued and outstanding: 6,467,536 and 5,670,829 ordinary shares as June 30, 2020 and December 31, 2019, respectively	2,713	2,368
Additional paid in capital and warrants	74,865	69,949
Currency translation differences	(969)	(969)
Accumulated deficit	(70,832)	(67,260)
Total shareholders' equity	<u>5,777</u>	<u>4,088</u>
Total liabilities and shareholders' equity	<u>\$ 10,948</u>	<u>\$ 10,752</u>

COLLPLANT BIOTECHNOLOGIES LTD.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(U.S. dollars in thousands)
(Unaudited)

	Six months ended June 30, 2020	2019
Cash flows from operating activities:		
Net cash used in operations (see Appendix A)	\$ (4,343)	\$ (2,725)
Net cash used in operating activities	<u>(4,343)</u>	<u>(2,725)</u>
Cash flows from investing activities:		
Purchase of property and equipment	(246)	(1,060)
Net cash used in investing activities	<u>(246)</u>	<u>(1,060)</u>
Cash flows from financing activities:		
Proceeds from issuance of shares, net	4,400	-
Exercise of options into shares	67	7
Loan paid	(12)	(8)
Payments made for equipment on financing terms	-	(17)
Net cash provided by (used in) financing activities	<u>4,455</u>	<u>(18)</u>
Decrease in cash and cash equivalents and restricted deposits	<u>(134)</u>	<u>(3,803)</u>
Cash and cash equivalents and restricted deposits at the beginning of the period	3,971	5,663
Exchange differences on cash and cash equivalents and restricted deposits	14	54
Cash and cash equivalents and restricted deposits at the end of the period	<u>\$ 3,851</u>	<u>\$ 1,914</u>

COLLPLANT BIOTECHNOLOGIES LTD.
APPENDICES TO CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(U.S. dollars in thousands)
(Unaudited)

	Six months ended June 30,	
	2020	2019
Appendix to the statement of cash flows		
A. Net cash used in operations:		
Loss	\$ (3,572)	\$ (3,488)
Adjustments for:		
Depreciation	327	228
Share-based compensation to employees and consultants	794	629
Exchange differences on cash and cash equivalents	(14)	(54)
Financial expenses related to financial instruments	(26)	60
Net change of operating lease accounts	(32)	292
	<u>(2,523)</u>	<u>(2,333)</u>
Changes in operating asset and liability items:		
Increase in trade receivables	(242)	(95)
Decrease (increase) in inventory	158	(144)
Decrease (increase) in other receivables (including long-term receivables)	(480)	11
Increase (decrease) in trade payables (including long-term payables)	(274)	156
Increase (decrease) in accrued liabilities and other payables	(337)	91
Decrease in deferred revenues (including long term deferred revenues)	(645)	(411)
	<u>(1,820)</u>	<u>(392)</u>
Net cash used in operations	<u>\$ (4,343)</u>	<u>\$ (2,725)</u>
Supplemental disclosures of non-cash investing and financing activities:		
Conversion of pre-paid warrants to ordinary shares	137	-
Obtaining right of use assets in exchange for a lease liability	23	-
Classification of warrants from equity to liabilities, net	-	1,804

CollPlant Biotechnologies Ltd.
Reconciliation of GAAP to Non-GAAP Financial Measures
(U.S. dollars in thousands, except per share data)
(Unaudited)

	Six months ended June 30		Three months ended June 30	
	2020	2019	2020	2019
	USD in thousands			
GAAP gross profit	<u>\$ 209</u>	<u>\$ 317</u>	<u>\$ 75</u>	<u>\$ 143</u>
GAAP operating costs and expenses:	3,829	3,605	1,988	1,904
Change of operating lease accounts	32	(292)	(87)	(88)
Share-based compensation to employees, directors and consultants	(794)	(629)	(477)	(289)
Non-GAAP operating costs and expenses:	<u>3,067</u>	<u>2,684</u>	<u>1,424</u>	<u>1,527</u>
GAAP operating loss	<u>3,620</u>	<u>3,288</u>	<u>1,913</u>	<u>1,761</u>
Non-GAAP operating loss	<u>2,858</u>	<u>2,367</u>	<u>1,349</u>	<u>1,384</u>
GAAP Comprehensive loss	<u>3,572</u>	<u>3,488</u>	<u>1,971</u>	<u>1,248</u>
Change in fair value of financial instruments	26	(60)	9	579
Change of operating lease accounts	32	(292)	(87)	(88)
Share-based compensation to employees, directors and consultants	(794)	(629)	(477)	(289)
Non-GAAP Comprehensive loss	<u>\$ 2,836</u>	<u>\$ 2,507</u>	<u>\$ 1,416</u>	<u>\$ 1,450</u>
GAAP Basic and diluted loss per ordinary share	<u>\$ 0.52</u>	<u>\$ 0.75</u>	<u>\$ 0.28</u>	<u>\$ 0.27</u>
Non-GAAP Basic and diluted loss per ordinary share	<u>\$ 0.42</u>	<u>\$ 0.54</u>	<u>\$ 0.20</u>	<u>\$ 0.31</u>

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