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BioStem Technologies (PINK:BSEM)

BSEM: Growth Continue to Accelerate

BSEM is changing the skin graft market by using the natural properties of perinatal tissue. Growth is accelerating as management makes smart and aggressive moves.

OUTLOOK

BioStem Technologies is a leading innovator focused on harnessing the natural properties of perinatal tissue in the development, manufacture, and commercialization of allografts for regenerative therapies.

The company released its 2Q2024 results that blew past estimates as demand for its innovative wound care products accelerates. The company also outlined plans to continue and advance the rapid growth seen in 2024.

Current Price (08/09/24) \$12.00
Valuation \$24.25

SUMMARY DATA

52-Week High \$15.50
 52-Week Low \$1.44
 One-Year Return (%) 585.71
 Beta 0.03
 Average Daily Volume (sh) 18,982

Shares Outstanding (mil) 16
 Market Capitalization (\$mil) \$196
 Short Interest Ratio (days) N/A
 Institutional Ownership (%) 0
 Insider Ownership (%) N/A

Annual Cash Dividend \$0.00
 Dividend Yield (%) 0.00

5-Yr. Historical Growth Rates
 Sales (%) N/A
 Earnings Per Share (%) N/A
 Dividend (%) N/A

Risk Level Medium
 Type of Stock Growth
 Industry Health Care

ZACKS ESTIMATES

Revenue

(in millions of \$)

	Q1	Q2	Q3	Q4	Year
	(Mar)	(Jun)	(Sep)	(Dec)	(Dec)
2022	2.7 A	2.2 A	1.1 A	0.9 A	6.9 A
2023	0.6 A	1.1 A	3.6 A	11.5 A	16.7 A
2024	41.9 A	74.5 A	78.2 E	82.1 E	276.7 E
2025	80.5 E	82.0 E	82.5 E	83.5 E	328.5 E

Adjusted Earnings*

	Q1	Q2	Q3	Q4	Year
	(Mar)	(Jun)	(Sep)	(Dec)	(Dec)
2022	-0.09 A	0.02 A	-0.14 A	-0.41 A	-0.62 A
2023	-0.10 A	0.07 A	0.12 A	-0.18 A	-0.09 A
2024	0.34 A	0.35 A	0.36 E	0.38 E	1.43 E
2025	0.40 E	0.47 E	0.53 E	0.68 E	2.08 E

*Earning adjusted for noncash compensation—beginning in 2023.

Update

BioStem Technologies, Inc. (PINK: BSEM) is a leading innovator focused on harnessing the natural properties of perinatal tissue in the development, manufacture, and commercialization of allografts for regenerative therapies. The company states its mission is “to discover, develop and produce the most effective regenerative medicine products in the world,” and we believe that the company is well on its way to achieving that goal—providing to investors what we believe is an opportunity to invest in a company that is both providing a vital service to the human population and providing economic value to shareholders when doing so.

Investors are increasingly understanding our positive view of BSEM as the stock has experienced a rapid rise over the past year, but we believe the stock is still undervalued. The company released its 2Q2024 earnings results, which vastly exceeded estimates as revenue growth accelerated, and the company posted profits that exceeded our projections. Other details include:

- Revenues of \$74.5 million represented a nearly 74-fold increase over the year-ago period.
- Margins remained at 95%, and management believes the company will be able to maintain that level.
- In the call following the announcement, the company also reminded investors that it has retained an experienced clinical research professional to lead BioStem’s Diabetic Foot Ulcer and Venous Leg Ulcer trials.
 - These trials are an attempt to proactively address potentially changing reimbursement requirements by Medicare Administrative Contractors.
 - Proposals have been made to sharply cut the number of approved treatments and, while the industry is largely fighting against such a drastic cut, BSEM is preparing for whatever decision ultimately comes down.
 - The Institutional Review Board (IRB) approved a study evaluating AmnioWrap2 in diabetic foot ulcers, which the company believes will lead to an expansion of insurance coverage and greater commercial growth.
- The company posted another positive net income reading by earning just over \$6.3 million.
- The company’s cash balance improved from just over \$600,000 in 1Q to \$6.6 million at the end of 2Q.
- The company also spoke about the uplisting of BSEM stock to the NASDAQ stock exchange and believes that process should be complete in the next 60-90 days.

These results are further evidence, in our view, that the medical community is increasingly realizing the benefits and superiority of the BioStem products and increasingly realizing the benefits patients can get from having access to those products. Our belief is that now that BioStem has a solid foothold in that tough to break into community, the acceptance and use of the company’s products will continue to accelerate as we’ve begun to see over the past couple of quarters. Additionally, we continue to be impressed with the leadership of BioStem, headed by CEO Jason Matuszewski, which has remained confident in its products and science, while also focusing on getting the improved solution out to patients and accelerating commercial growth.

As a result of the continued growth in revenue and improved outlook for the future we are boosting our price target to \$24.25 per share.

Summary

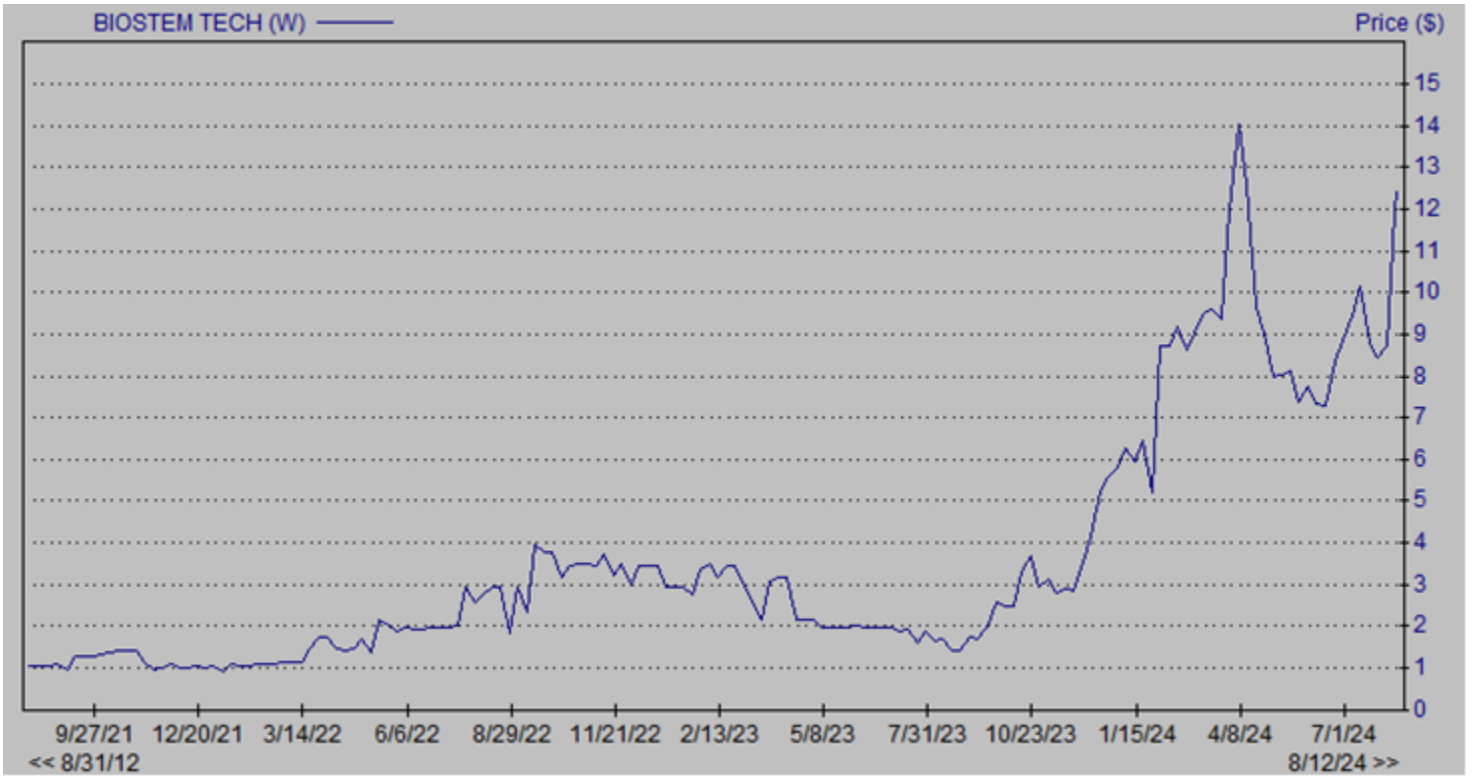
We reiterate our belief the BSEM is still underpriced even after its recent move higher and continues to represent a good opportunity at recent prices for investors to get in before what we believe will be a more

aggressive move higher in the not-too-distant future. The vision management has for the company's products and the focus they are using to deliver results are encouraging and are now being rewarded by increased demand. As such, we urge investors to take a good look at BSEM.

PROJECTED INCOME STATEMENT & BALANCE SHEET

Biostem Technologies, Inc. Income Statement and Balance Sheet							
	2022A	2023A	1Q2024A	2Q2024A	3Q2024E	4Q2024E	2025E
Revenue	6,875,202	16,685,405	41,904,213	74,491,996	78,216,596	82,127,426	328,509,702
Cost of good sold	881,754	1,261,750	2,224,704	3,747,896	3,910,830	4,106,371	16,425,485
Gross profit	5,993,448	15,423,655	39,679,509	70,744,100	74,305,766	78,021,054	312,084,217
Operating Expenses:							
General and administration	9,252,744	10,066,410	4,399,262	2,786,106	2,925,411	3,071,682	12,286,727
Sales and marketing	954,059	11,959,655	30,547,721	59,003,833	61,954,025	65,051,726	260,206,904
Research and dev.	224,775	327,344	70,748	80,917	84,963	89,211	356,844
Depreciation and amort.	243,418	229,014	53,665	54,113	56,819	59,660	238,638
Total Operating Expenses	10,674,996	22,582,423	35,071,396	61,924,969	65,021,217	68,272,278	273,089,113
Income/(Loss) from operations	(4,681,548)	(7,158,768)	4,608,113	8,819,131	9,284,549	9,748,776	38,995,104
Other Income/(Expenses):							
Interest income/(expense)	(468,153)	(700,326)	(163,942)	(142,722)	(149,858)	(157,351)	(629,404)
Other	(2,082,095)	(3,689)	(1,571)	(115)	(121)	(127)	(507)
Total other inc./(exp.)	(2,550,248)	(704,015)	(165,513)	(142,837)	(149,979)	(157,478)	(629,911)
Net Inc./(Loss) from Operations Before Tax	(7,231,796)	(7,862,783)	4,442,600	8,676,294	9,134,570	9,591,298	38,365,193
Income Tax	-	-	-	(2,323,937)	(2,440,134)	(2,562,141)	(2,690,248)
Net loss attributable to noncon. Interest	(38,847)	-	-	-	-	-	-
Net Income/(Loss)	(7,192,949)	(7,862,783)	4,442,600	6,352,357	6,694,436	7,029,158	35,674,945
Net Income/(Loss) per share	\$ (0.63)	\$ (0.57)	\$ 0.20	\$ 0.30	\$ 0.31	\$ 0.32	\$ 1.52
Adjustment for non-cash compensation	5,376,894	6,661,793	3,279,098	1,088,391	1,142,811	1,199,951	13,116,392
Adjusted Earnings Per Share	\$ (0.16)	\$ (0.09)	\$ 0.34	\$ 0.35	\$ 0.36	\$ 0.38	\$ 2.08
Diluted Common Shares Outstanding	11,404,995	13,707,077	22,383,275	21,350,511	21,564,016	21,779,656	23,502,439
Current Assets							
Cash	772,136	239,406	643,241	6,572,126	6,703,569	6,837,640	6,974,393
Accounts receivable	37,206	11,371,730	41,622,643	78,190,570	82,100,099	86,205,103	90,515,359
Inventory	395,228	658,678	882,763	1,370,749	1,439,286	1,511,251	1,586,813
Other	281,931	329,239	585,489	1,939,187	2,036,146	2,137,954	2,244,851
Total Current Assets	1,486,501	12,599,053	43,734,136	88,072,632	92,279,100	96,691,948	101,321,416
Property, Plant and Equip.	1,249,784	1,154,856	1,133,865	1,443,677	1,414,803	1,386,507	1,358,777
Right-of-use asset	19,832	11,443	9,636	318,334	286,501	257,851	232,065
Construction-in-process	103,110	202,700	215,081	43,423	47,765	52,542	57,796
Intangible and goodwill	607,206	592,239	581,372	580,514	551,488	523,914	497,718
Total other assets	1,979,932	1,961,238	1,939,954	2,385,948	2,300,558	2,220,814	2,146,357
Total Assets	3,466,433	14,560,291	45,674,089	90,458,580	94,579,657	98,912,761	103,467,773
Current Liabilities							
Accounts payable	570,115	1,031,010	2,818,370	6,892,842	7,099,627	7,312,616	7,531,995
Interest payable	1,478,421	1,697,787	1,762,824	1,829,534	1,884,420	1,940,953	1,999,181
Notes payable--current	3,018,679	4,445,782	4,125,902	4,007,331	4,127,551	4,251,377	4,378,919
Convertible notes--current	723,350	-	-	-	-	-	-
Other current liabilities	537,541	8,085,608	30,099,897	61,479,594	62,709,186	63,963,370	65,242,637
Total current liabilities	6,328,106	15,260,187	38,806,993	74,209,301	75,820,784	77,468,316	79,152,732
Notes payable--long-term	1,026,462	265,635	216,263	142,436	135,314	128,548	122,121
Other long-term liabilities	61,817	18,144	8,822	235,598	212,038	190,834	171,751
Total long-term liabilities	1,088,279	283,779	225,085	378,034	347,352	319,383	293,872
Total Liabilities	7,416,385	15,543,966	39,032,078	74,587,335	76,168,136	77,787,699	79,446,604
Stockholders' equity/(deficit)							
Capital stock/treasury stock, net	(31,185)	(27,134)	(26,992)	(26,928)	(27,197)	(27,469)	(27,744)
Additional paid in capital	33,095,921	44,047,375	47,851,046	50,717,858	52,625,082	54,641,715	56,773,404
Noncontrolling interest	126,444	0	0	0	0	0	0
Accumulated deficit	(37,141,133)	(45,003,916)	(41,182,043)	(34,819,685)	(34,186,364)	(33,489,183)	(32,724,490)
Total Stockholders' Equity/(Deficit)	(3,949,953)	(983,675)	6,642,011	15,871,245	18,411,521	21,125,062	24,021,170
Total Liabilities and Stockholders' Equity	3,466,433	14,560,291	45,674,089	90,458,580	94,579,657	98,912,761	103,467,773

HISTORICAL STOCK PRICE



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