November 16, 2022

Zacks Small-Cap Research

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BioStem Technologies (OTCPK:BSEM)

BSEM: 3Q Results Show Growth and Market Expansion.

BSEM is changing the skin graft market by using the natural properties of perinatal tissue. Revenues are rising and the market is expanding.

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.

We see evidence the demand for the BioStem technology is growing and believe that growth, combined with the efficiency changes made by management, will propel BSEM higher.

Current Price (11/15/22)	$3.75
Valuation	**$6.30**

SUMMARY DATA

52-Week High	**$4.00**
52-Week Low	**$1.85**
One-Year Return (%)	**N/A**
Beta	**N/A**
Average Daily Volume (sh)	**6,844**
Shares Outstanding (mil)	**12**
Market Capitalization ($mil)	**$46**
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**
P/E using TTM EPS	**N/A**
P/E using 2022 Estimate	**N/A**
P/E using 2023 Estimate	**N/A**
Zacks Rank	**N/A**

Risk Level	**Medium-High**
Type of Stock	**Growth**
Industry	**Health Care**

ZACKS ESTIMATES

Revenue
(in millions of $)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2022	2.7 A	2.2 A	1.1 A	1.2 E	7.2 E
2023	2.0 E	2.2E	2.4 E	2.8 E	9.4 E
2024	3.0 E	3.0 E	3.1 E	3.1 E	12.2 E
2025	3.3 E	3.7 E	4.0 E	4.9 E	15.9 E

Earnings

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2022	-0.09 A	0.02 A	-0.14 A	0.02 E	-0.19 E
2023	-0.05 E	-0.02 E	0.00 E	0.01 E	-0.06 E
2024	0.01 E	0.01 E	0.02 E	0.03 E	0.07 E
2025	0.05 E	0.06 E	0.07 E	0.07 E	0.25 E

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Updates

- Biostem reported 3Q 2022 revenues of $1.1 million, down from the year ago quarter but up 95% for the nine months ended September 30, 2022 versus last year.
    - Gross profits for the first nine months of 2022 increased to 83% of revenue, up from 62% from a year earlier.

- The company reported a net loss of $0.14 per share, below estimates, largely due to a decrease in revenue from 2Q and a greater-than-expected increase in compensation expense.
    - The increase in compensation expense is something we are pleased to see as it is attributable to increasing the direct sales staff of Biostem, which we believe will translate to greater revenue growth in coming quarters.

- Management noted that since the Center for Medicare and Medicaid Services (CMS) granted Vendaje a Q-Code in October 2021 market acceptance and sales volume has increased—something we expect to continue.

- The company converted over $400,000 of liabilities to common stock, further strengthening their balance sheet.
    - Cash on the balance sheet increased to over $1 million from $340,000 at the end of last year.

Summary

Biostem continues to grow its market size and we believe the additional expenses being incurred to build out and train its sales force will prove beneficial in terms of increased sales. With a technology such as Vendaje we believe the specially trained sales people are much more effective in explaining the benefits available from using the company's product. The balance sheet has been strengthened and it appears to us that BSEM is well prepared for future growth. As such, we suggest investors with a modestly higher risk tolerance take a look at BSEM.

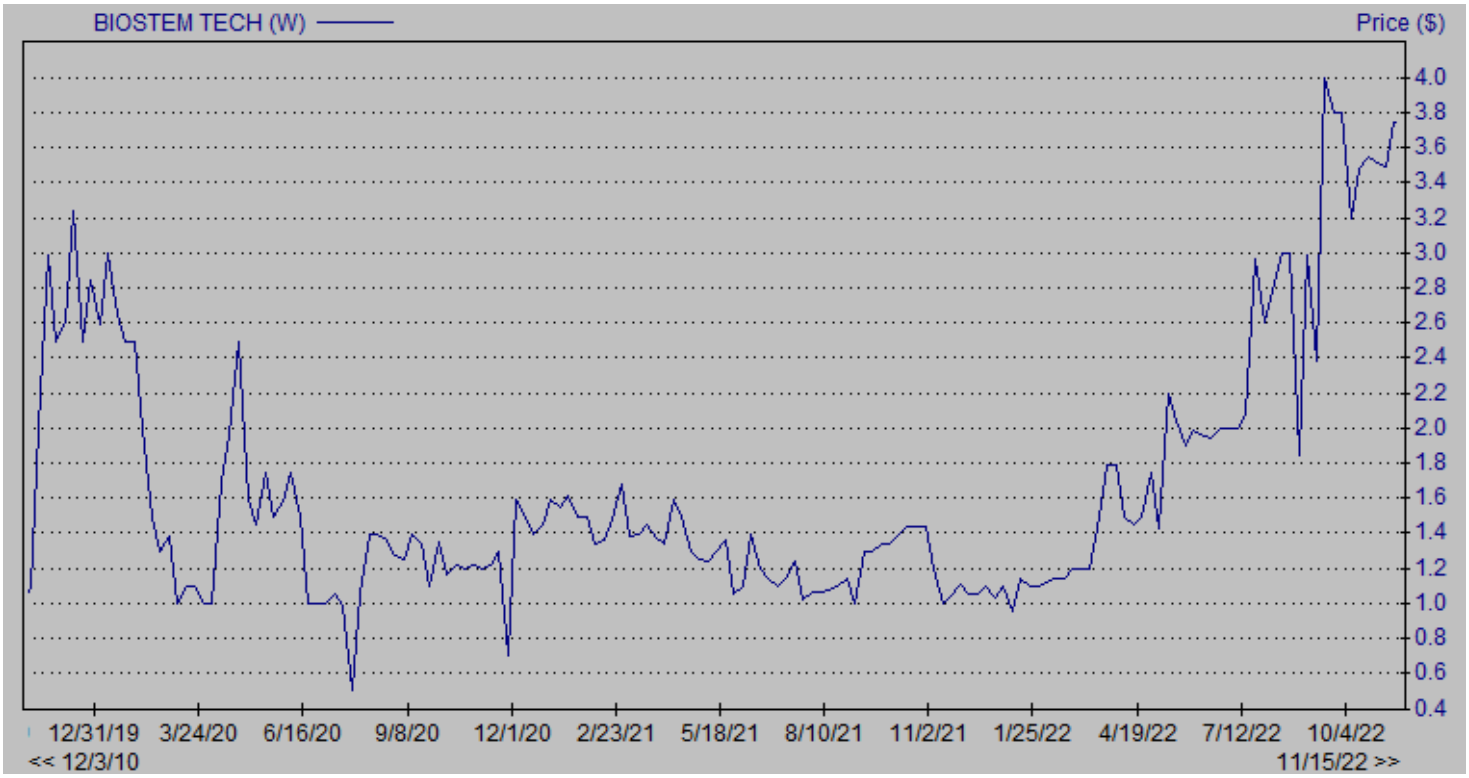
RISKS

- Supply issues could cause margin compression or fewer sales.
- If sales don't ramp up as expected, funding could become an issue.
- Increased competition could lead to fewer sales or increasing price wars.
- Current management could leave.
- As with any micro-cap stock, a lack of liquidity could hurt investors' ability to sell shares at the stated market price.

PROJECTED INCOME STATEMENT & BALANCE SHEET

Biostem Technologies, Inc. Income Statement and Balance Sheet							
	1Q2022A	2Q2022A	3Q2022A	2022E	2023E	2024E	2025E
Revenue	2,748,622	2,157,823	1,145,755	7,220,870	9,387,131	12,203,270	15,864,252
Cost of good sold	403,434	384,970	303,015	1,299,757	1,689,684	2,196,589	2,855,565
Gross profit	2,345,188	1,772,853	842,740	5,921,113	7,697,448	10,006,682	13,008,686
Operating Expenses:							
Compensation expense	2,769,186	876,728	1,782,715	5,464,283	5,573,569	5,852,247	6,144,860
General and administration/Prof. fees	285,291	505,120	631,834	2,066,716	2,273,387	2,500,726	2,750,799
Depreciation and amort.	67,566	56,051	61,978	248,813	236,372	224,553	213,326
Total Operating Expenses	3,122,043	1,437,899	2,476,527	7,779,812	8,083,328	8,577,527	9,108,984
Income/(Loss) from operations	(776,855)	334,954	(1,633,787)	(1,858,698)	(385,881)	1,429,155	3,899,702
Other Income/(Expenses):							
Interest income/(expense)	(122,952)	(123,306)	(110,569)	(469,607)	(446,127)	(423,821)	(402,630)
Other	21,192	(8,237)	2,809	28	37	46	63
Total other inc./(exp.)	(101,760)	(131,543)	(107,760)	(469,579)	(446,090)	(423,775)	(402,567)
Net Inc./(Loss) from Operations Before Tax	(878,615)	203,411	(1,741,547)	(2,328,277)	(831,971)	1,005,380	3,497,136
Net loss attributable to noncon. Interest	-	-	90,566	-	-	-	-
Net Income/(Loss)	(878,615)	203,411	(1,650,981)	(2,328,277)	(831,971)	1,005,380	3,497,136
Net Income/(Loss) per share	$ (0.09)	$ 0.02	$ (0.14)	$ (0.19)	$ (0.06)	$ 0.07	$ 0.25
Diluted Common Shares Outstanding	9,317,767	11,685,291	11,985,331	12,225,038	12,836,290	13,478,104	14,152,009
Current Assets							
Cash	809,238	1,372,161	1,041,453	989,380	939,911	892,916	848,270
Accounts receivable	798,556	489,150	216,855	223,361	230,061	236,963	244,072
Inventory	589,285	687,500	519,817	493,826	469,135	445,678	423,394
Other	53,051	138,127	154,872	153,323	151,790	150,272	148,769
Total Current Assets	2,250,130	2,686,938	1,932,997	1,859,890	1,790,898	1,725,829	1,664,506
Property, Plant and Equip.	1,260,748	1,392,022	1,338,704	1,311,930	1,285,691	1,259,977	1,234,778
Right-of-use asset	22,187	32,941	22,220	22,442	22,667	22,893	23,122
Intangible and goodwill	440,361	426,040	602,744	584,662	567,122	550,108	533,605
Total other assets	1,723,296	1,851,003	1,963,668	1,919,034	1,875,480	1,832,979	1,791,505
Total Assets	3,973,426	4,537,941	3,896,665	3,778,924	3,666,377	3,558,808	3,456,011
Current Liabilities							
Accounts payable	804,157	643,003	361,593	368,825	376,201	383,725	391,400
Interest payable	1,070,783	1,392,925	1,404,865	1,376,768	1,349,232	1,322,248	1,295,803
Notes payable--current	-	3,152,813	3,000,000	2,850,000	2,707,500	2,572,125	2,443,519
Convertible notes--current	981,211	948,610	473,350	449,683	427,198	405,838	385,547
Other current liabilities	16,349	15,444	237,341	242,088	246,930	251,868	256,906
Total current liabilities	2,872,500	6,152,795	5,477,149	5,287,363	5,107,062	4,935,805	4,773,173
Notes payable--long-term	3,895,630	904,480	1,049,810	1,259,772	1,196,783	1,136,944	1,080,097
Other long-term liabilities	5,323	167,681	382,775	574,163	579,904	585,703	591,560
Total long-term liabilities	3,900,953	1,072,161	1,432,585	1,833,935	1,776,688	1,722,647	1,671,657
Total Liabilities	6,773,453	7,224,956	6,909,734	7,121,297	6,883,749	6,658,452	6,444,831
Stockholders' equity/(deficit)							
Capital stock/treasury stock, net	(31,778)	(31,770)	(31,259)	(31,770)	(31,770)	(31,770)	(31,770)
Additional paid in capital	27,250,181	28,197,564	29,121,237	29,443,261	29,737,694	30,035,071	30,335,422
Noncontrolling interest	283,347	265,706	175,140	169,886	164,789	159,846	155,050
Accumulated deficit	(30,301,777)	(31,118,515)	(32,278,187)	(32,923,751)	(33,088,086)	(33,262,791)	(33,447,522)
Total Stockholders' Equity/(Deficit)	(2,800,027)	(2,687,015)	(3,013,069)	(3,342,374)	(3,217,373)	(3,099,644)	(2,988,820)
Total Liabilities and Stockholders' Equity	3,973,426	4,537,941	3,896,665	3,778,924	3,666,377	3,558,808	3,456,011

HISTORICAL STOCK PRICE



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