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Zacks Small-Cap Research

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BioStem Technologies (OTCQB:BSEM)

BSEM: Attractive Opportunity Ahead of Earnings.

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 stock has languished as of late and we believe provides an attractive entry point ahead of the company's earnings release and corporate update that we believe will provide some fuel for BSEM.

Current Price (07/14/23)	$1.95
Valuation	**$6.35**

SUMMARY DATA

52-Week High	**$4.00**
52-Week Low	**$1.21**
One-Year Return (%)	**N/A**
Beta	**N/A**
Average Daily Volume (sh)	**2,986**
Shares Outstanding (mil)	**13**
Market Capitalization ($mil)	**$26**
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**
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 Technologies, Inc. (OTCQB: 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.

Vendaje is BioStem’s primary product and comes in several different forms and sizes and is a human connective tissue matrix comprised of amniotic tissue. This amniotic tissue is processed using the company’s proprietary BioRetain process, which creates a dehydrated human amniotic membrane allograft. Placentally-derived human amniotic membrane (AM) is a source of pro-healing growth factors and anti-inflammatory cytokines and has successfully been used in regenerative medicine for over a century. Vendaje is the result of the modernization of this science. According to the company, early users of AM for wounds and post-surgical applications noted how the membrane seemed to disappear and integrate with the patient’s own tissue without a host reaction. This apparent immune neutrality is a result of mechanisms that suppress and modulate the immune system.

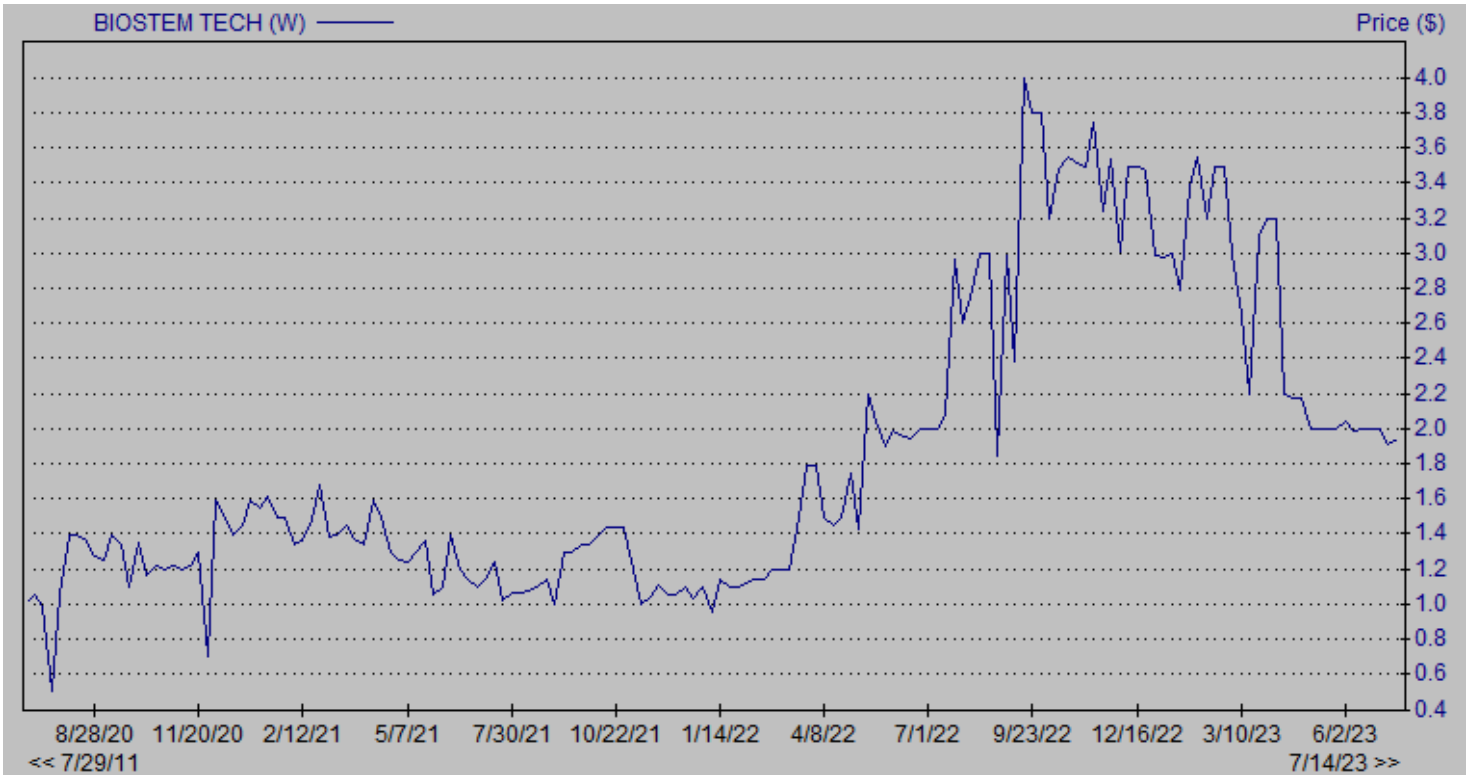
We have written before how the market for products BioStem has developed and is continuing to develop is extensive and this cutting-edge technology can prove to be a game-changer to many patients suffering from painful and slow recoveries. We continue to believe that this is the case and believe investors aren’t yet recognizing the potential for BSEM to impact patients and expand the company’s business in an exponential way as more doctors become familiar with the BSEM technology.

We are also surprised that investors aren’t recognizing the business efficiencies that the company has been engaged in expanding over the past year that we believe will start to show up in the next earnings announcement. In conversations with management, we became excited about the strategy outlined to increase sales and improve operations. The company is transitioning from indirect to direct sales, which we believe will provide for a more focused, motivated and consistent message, while the company is also investing in promoting its message by updating its branding and relaunching its website. Company management has also made the decision to invest in its sales and ordering platform and noted that they were “very optimistic about the business-to-business platform,” believing it to be a “game changer.” Operational processes that were outsourced are now being brought in house and documentation is moving to electronic.

Summary

We reiterate our belief the BSEM is underpriced and represents a good opportunity at recent prices for investors to get in before what we believe will be a move higher in the not-too-distant future. The vision management has for the company’s product and the focus they are using to deliver results are encouraging. With a technology such as Vendaje we believe the specially trained sales people recently installed are much more effective in explaining the benefits available from using the company’s product—and will enable sales to grow at a rapid rate going forward. As such, we suggest investors with a modestly higher risk tolerance take a look at BSEM.

HISTORICAL STOCK PRICE



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