

Zacks Small-Cap Research

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BioStem Technologies (OTCQB:BSEM)

BSEM: Demand is Increasing

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 has had a string of positive releases that point to increased demand for BioStem's innovative products and further confirms our belief that BSEM has room to rise.

Current Price (09/18/23) \$2.58
Valuation \$6.40

SUMMARY DATA

52-Week High \$4.00
52-Week Low \$1.21
One-Year Return (%) N/A
Beta N/A
Average Daily Volume (sh) 4,873

Shares Outstanding (mil) 13
Market Capitalization (\$mil) \$35
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 2023 Estimate N/A

P/E using 2024 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	0.9 A	6.9 A
2023	0.6 A	1.1 A	1.4 E	1.8 E	4.9 E
2024	2.0 E	2.2 E	2.3 E	2.4 E	8.7 E
2025	2.3 E	2.3 E	2.4 E	2.5 E	9.5 E

Earnings

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2022	-0.09 A	0.02 A	-0.14 A	-0.41 A	-0.62 A
2023	-0.14 A	-0.20 A	-0.18 E	-0.17 E	-0.69 E
2024	-0.15 E	-0.12 E	-0.12 E	-0.10 E	-0.49 E
2025	-0.14 E	-0.13 E	-0.11 E	-0.10 E	-0.48 E

Update

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.

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. An increasing number of entities are recognizing the superiority of the BioStem products, and a string of recent announcements confirms our long-held belief that demand for those products would increase at a rapid rate as word got out. The company recently announced that:

- Lovell Government Services, which describes itself as a “highly reliable government partner that has a proven track record of successfully connecting suppliers with government markets,” is now listing BioStem products on key government contract systems.
 - We have long believed that the military is one of the key areas that could benefit from the BioStem technology, and this relationship is one that we believe will greatly bolster the demand for BioStem products.
- The company announced that NovaBay Pharmaceuticals (NYSE: NBY) has come to an agreement to commercialize BioStem’s Amniotic Tissue Allograft, which is intended to be used as a protective cover during repair done to ocular (eye) surfaces.
 - These are the types of deals that we believed were coming and that similar deals will continue to be announced. Having partnerships with already-established health care providers bolsters visibility and demand for BioStem products.
- As an example, shortly after the company announced the above deal, BioStem announced that Venture Medical, which is a leading distributor of various medical devices including biologics, will be distributing the new AmnioWrap 2 product. This product is described as “an advanced biologic skin substitute that is meticulously processed to offer an extensive range of wound healing and wound care solutions.”
 - Another example of BioStem expanding its product line and market size that bodes well for future revenues.

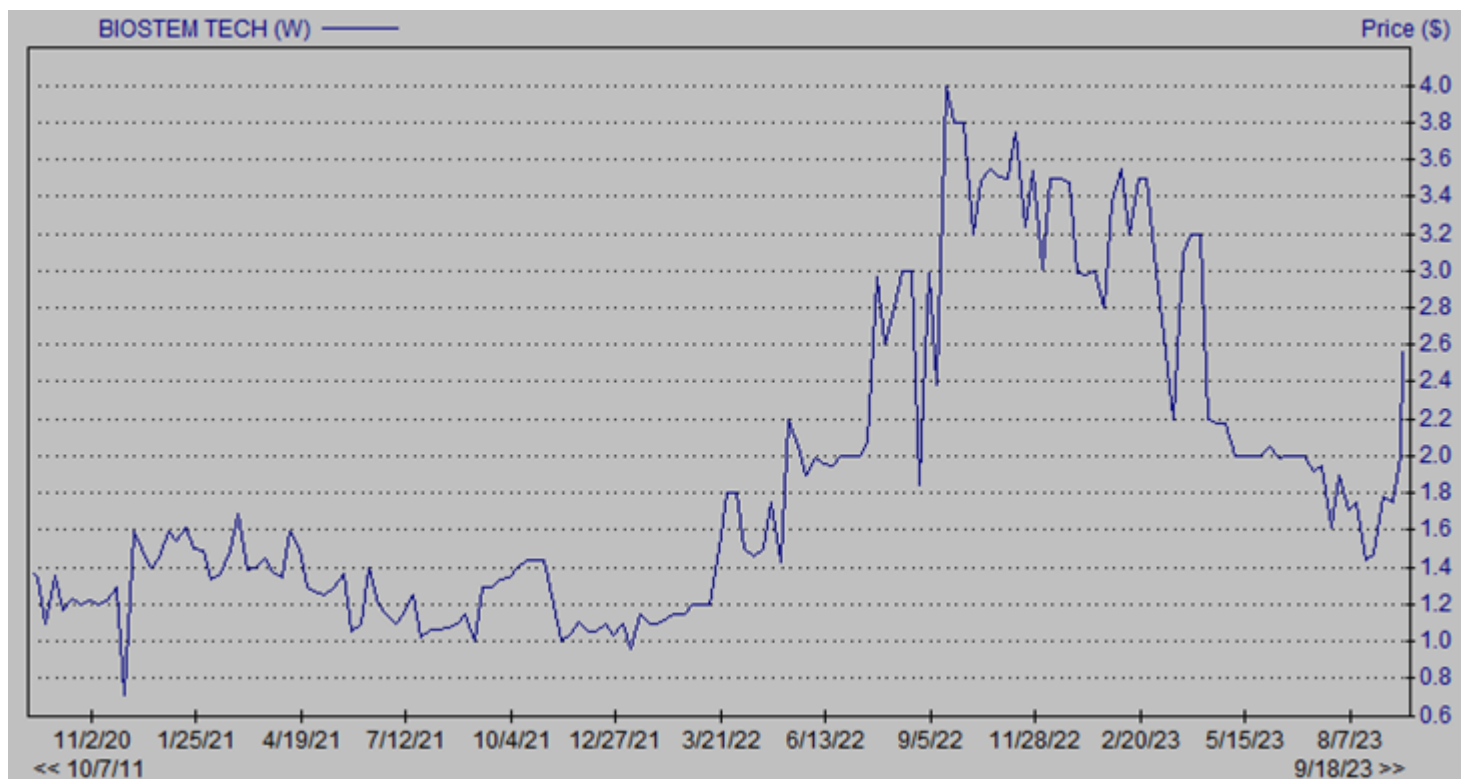
Summary

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 product and the focus they are using to deliver results are encouraging and are now being rewarded by increased demand. As such, we suggest investors with a modestly higher risk tolerance take a look at BSEM.

INCOME STATEMENT AND BALANCE SHEET

Biostem Technologies, Inc. Income Statement and Balance Sheet								
	2022A	1Q2023A	2Q2023A	3Q2023E	4Q2023E	2024E	2025E	
Revenue	6,875,202	576,103	1,068,400	1,388,920	1,805,596	8,666,861	9,533,547	
Cost of good sold	881,754	101,149	204,344	250,006	325,007	1,560,035	1,716,038	
Gross profit	5,993,448	474,954	864,056	1,138,914	1,480,589	7,106,826	7,817,508	
Operating Expenses:								
Compensation expense	8,530,960	1,513,853	2,370,905	2,418,323	2,466,690	8,880,082	9,324,087	
General and administration/Prof. fees	1,900,618	489,142	907,870	998,657	1,098,523	4,394,091	4,833,500	
Depreciation and amort.	243,418	58,345	60,018	57,017	54,166	216,665	205,832	
Total Operating Expenses	10,674,996	2,061,340	3,338,793	3,473,997	3,619,379	13,490,838	14,363,418	
Income/(Loss) from operations	(4,681,548)	(1,586,386)	(2,474,737)	(2,335,083)	(2,138,790)	(6,384,012)	(6,545,910)	
Other Income/(Expenses):								
Interest income/(expense)	(468,153)	(120,434)	(130,319)	(123,803)	(117,613)	(114,412)	(108,692)	
Other	(1,964,008)	3,499	1,402	1,444	1,487	1,517	1,547	
Total other inc./(exp.)	(2,432,161)	(116,935)	(128,917)	(122,359)	(116,126)	(112,895)	(107,144)	
Net Inc./(Loss) from Operations Before Tax	(7,113,709)	(1,703,321)	(2,603,654)	(2,457,442)	(2,254,915)	(6,496,908)	(6,653,054)	
Net loss attributable to noncon. Interest	(38,847)	-	-	-	-	-	-	
Net Income/(Loss)	(7,113,709)	(1,703,321)	(2,603,654)	(2,457,442)	(2,254,915)	(6,496,908)	(6,653,054)	
Net Income/(Loss) per share	\$ (0.62)	\$ (0.14)	\$ (0.20)	\$ (0.18)	\$ (0.17)	\$ (0.49)	\$ (0.48)	
Diluted Common Shares Outstanding	11,405,227	12,564,950	13,259,109	13,391,700	13,525,617	13,193,198	13,852,857	
Current Assets								
Cash	772,136	148,657	323,714	307,528	292,152	141,224	134,163	
Accounts receivable	37,207	90,796	165,338	170,298	175,407	93,520	96,325	
Inventory	395,229	425,995	498,280	473,366	449,698	404,695	384,460	
Other	281,931	348,080	286,885	284,016	281,176	344,599	341,153	
Total Current Assets	1,486,503	1,013,528	1,274,217	1,235,209	1,198,433	984,038	956,102	
Property, Plant and Equip.	1,352,894	1,384,183	1,361,915	1,334,677	1,307,983	1,356,499	1,329,369	
Right-of-use asset	19,832	17,444	15,444	15,598	15,754	17,618	17,795	
Intangible and goodwill	607,204	685,090	653,960	634,341	615,311	664,537	644,601	
Total other assets	1,979,930	2,086,717	2,031,319	1,984,616	1,939,049	2,038,655	1,991,765	
Total Assets	3,466,433	3,100,245	3,305,536	3,219,825	3,137,481	3,022,694	2,947,867	
Current Liabilities								
Accounts payable	570,116	784,982	735,349	750,056	765,057	800,682	816,695	
Interest payable	1,478,421	1,551,846	1,625,385	1,592,877	1,561,020	1,520,809	1,490,393	
Notes payable--current	3,018,679	3,199,038	3,611,091	3,430,536	3,259,010	3,039,086	2,887,132	
Convertible notes--current	723,350	473,350	473,350	449,683	427,198	449,683	427,198	
Other current liabilities	537,541	583,676	660,525	673,736	687,210	595,350	607,257	
Total current liabilities	6,328,107	6,592,892	7,105,700	6,896,888	6,699,495	6,405,609	6,228,675	
Notes payable--long-term	1,026,462	1,026,462	1,410,927	1,340,381	1,273,362	975,139	926,382	
Other long-term liabilities	61,817	46,026	36,621	36,987	37,357	46,486	46,951	
Total long-term liabilities	1,088,279	1,072,488	1,447,548	1,377,368	1,310,719	1,021,625	973,333	
Total Liabilities	7,416,386	7,665,380	8,553,248	8,274,256	8,010,214	7,427,234	7,202,008	
Stockholders' equity/(deficit)								
Capital stock/treasury stock, net	(31,185)	(30,245)	(29,878)	(30,177)	(30,479)	(30,783)	(31,091)	
Additional paid in capital	32,997,834	34,191,478	38,041,367	38,421,781	38,805,998	34,533,393	34,878,727	
Noncontrolling interest	126,444	0	0	0	0	0	0	
Accumulated deficit	(37,023,046)	(38,726,368)	(43,259,201)	(43,446,034)	(43,648,253)	(38,907,150)	(39,101,777)	
Total Stockholders' Equity/(Deficit)	(3,929,953)	(4,565,135)	(5,247,712)	(5,054,430)	(4,872,733)	(4,404,540)	(4,254,141)	
Total Liabilities and Stockholders' Equity	3,486,433	3,100,245	3,305,536	3,219,825	3,137,481	3,022,694	2,947,867	

HISTORICAL STOCK PRICE



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