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Zacks Small-Cap Research

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Brad Sorensen
312-265-9574
bsorensen@zacks.com

scr.zacks.com
10 S. Riverside Plaza, Chicago, IL 60606

BioStem Technologies (PINK:BSEM)

BSEM: Blowout Earnings Release

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.

Current Price (11/13/23)	$3.09
Valuation	**$9.25**

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 posted 3Q earnings that were well ahead of our expectations and showed stellar growth in revenue over the past year. With the company's recent announcement of a Q code, we believe rapid growth is set to continue and are raising our valuation level as a result.

SUMMARY DATA

52-Week High	**$3.75**
52-Week Low	**$1.21**
One-Year Return (%)	**-17.60**
Beta	**-1.46**
Average Daily Volume (sh)	**13,275**
Shares Outstanding (mil)	**15**
Market Capitalization ($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 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	3.6 A	4.7 E	10.0 E
2024	5.3 E	5.5 E	5.8 E	5.9 E	22.5 E
2025	6.0 E	6.2 E	6.2 E	6.3 E	24.7 E

Adjusted 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	-0.10 A	0.07 A	0.12 A	0.16 E	0.25 E
2024	0.17 E	0.17 E	0.18 E	0.19 E	0.71 E
2025	0.19 E	0.19 E	0.19 E	0.20 E	0.77 E

*Earning adjusted for noncash compensation—beginning in 2023.

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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.

BSEM announced its 3Q financial results today and the numbers were impressive:

- Net revenue was up 214% over a year ago to $3.6 million, well ahead of our estimates.
- Gross profit rose to $3.3 million, which represented 91% of revenue, substantially higher than the 79% seen a year ago.
- BSEM blew past our earnings estimates by posting a $0.03 net income per share.

The company also recently announced that one of its primary products, Vendaje AC, was issued a "Q" code from the Centers for Medicare and Medicaid Services. This code applies to drugs, biologics and medical equipment and services that are not identified by the national code needed for Medicare claims processing and allows these "Q" products to be reimbursed by Medicare.

Vendaje AC is intended for homologous use as a protective covering and comprised of dehydrated amniotic/chorionic tissue.

- The combined amniotic and chorionic membrane advantages:
  - The combination of amnion and chorion is thicker and higher in tensile strength than allografts containing amnion alone. It is also richer and more varied in growth factors as well thanks to the higher quantity of growth factors present in the chorion layer.

Additionally, the company announced in October that it was opening the first site for a clinical trial to evaluate its Vendaje tissue allograft in the treatment of diabetic foot ulcers. Management also announced a capital raise of $2 million that will bolster the company's ability to facilitate the trial and continue to invest in grow.

These recent announcements reinforce our belief that growth is just beginning for BSEM and as a result we are raising earnings estimates and, in conjunction with the earnings beat this quarter and our raising of future years, raising our valuation target to $9.25.

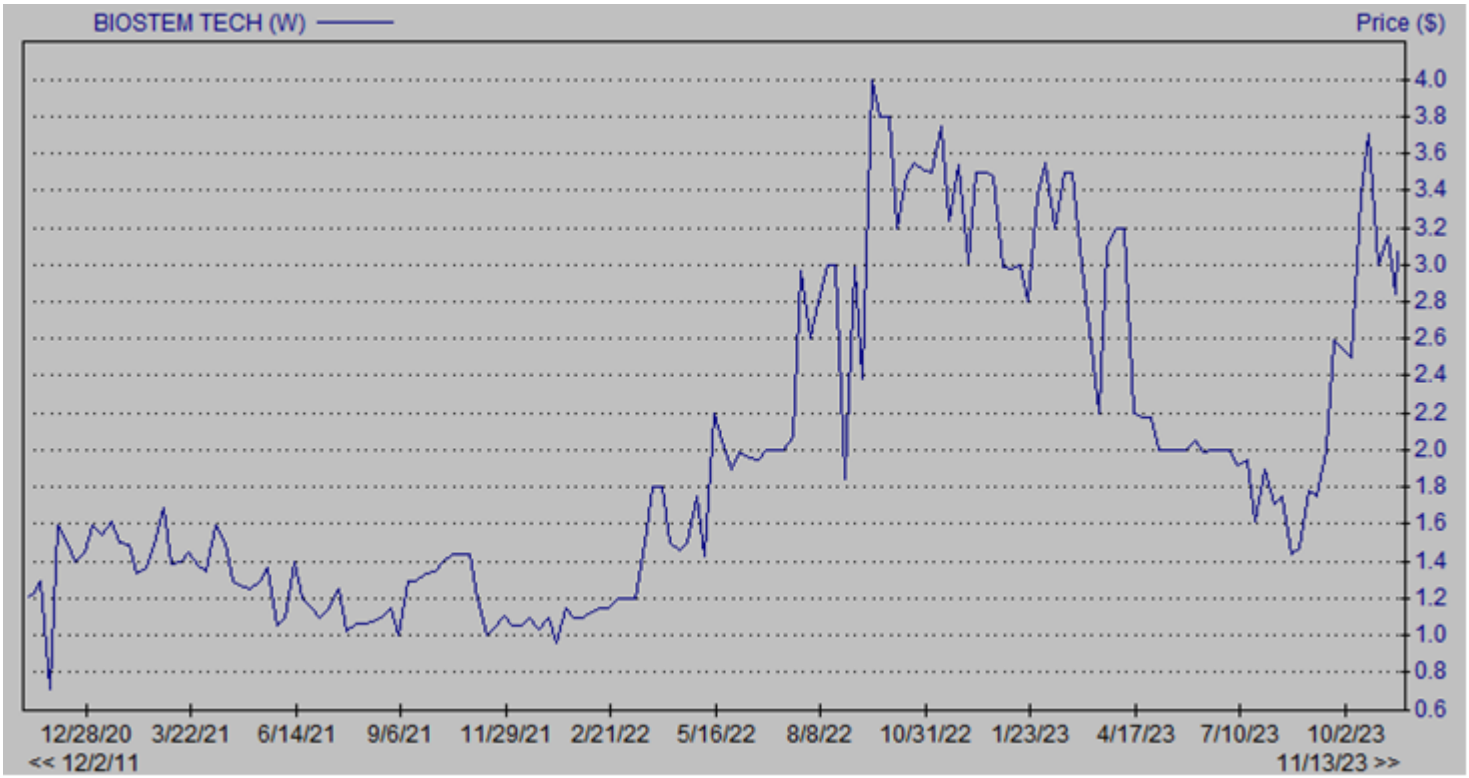
Summary

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	3Q2023A	4Q2023E	2024E	2025E
Revenue	6,875,202	576,103	1,068,400	3,599,068	4,678,788	22,458,184	24,704,003
Cost of good sold	881,754	101,149	204,344	307,237	842,182	4,042,473	4,446,720
Gross profit	5,993,448	474,954	864,056	3,291,831	3,836,606	18,415,711	20,257,282
Operating Expenses:							
General and administration	8,530,960	1,513,853	2,370,905	2,513,274	2,563,539	9,228,742	9,690,179
Professional fees	1,900,618	489,142	907,870	192,580	211,838	847,352	932,087
Depreciation and amort.	243,418	58,345	60,018	56,045	53,243	212,971	202,322
Total Operating Expenses	10,674,996	2,061,340	3,338,793	2,761,899	2,828,620	10,289,065	10,824,589
Income/(Loss) from operations	(4,681,548)	(1,586,386)	(2,474,737)	529,932	1,007,986	8,126,646	9,432,693
Other Income/(Expenses):							
Interest income/(expense)	(468,153)	(120,434)	(130,319)	(162,613)	(154,482)	(114,412)	(108,692)
Other	(1,964,008)	3,499	1,402	(489)	(504)	(514)	(524)
Total other inc./(exp.)	(2,432,161)	(116,935)	(128,917)	(163,102)	(154,986)	(114,926)	(109,216)
Net Inc./(Loss) from Operations Before Tax	(7,113,709)	(1,703,321)	(2,603,654)	366,830	853,000	8,011,720	9,323,478
Net loss attributable to noncon. Interest	(38,847)	-	-	-	-	-	-
Net Income/(Loss)	(7,113,709)	(1,703,321)	(2,603,654)	366,830	853,000	8,011,720	9,323,478
Net Income/(Loss) per share	$ (0.62)	$ (0.14)	$ (0.20)	$ 0.03	$ 0.06	$ 0.61	$ 0.67
Adustment for non-cash compensation	4,903,186	494,062	3,479,076	1,274,739	1,300,234	1,326,238	1,352,763
Adjusted Earnings Per Share	$ (0.19)	$ (0.10)	$ 0.07	$ 0.12	$ 0.16	$ 0.71	$ 0.77
Diluted Common Shares Outstanding	11,405,227	12,564,950	13,259,109	13,493,387	13,628,321	13,193,198	13,852,857
Current Assets							
Cash	772,136	148,657	323,714	109,864	104,371	141,224	134,163
Accounts receivable	37,207	90,796	165,338	2,912,865	3,000,251	3,090,258	3,182,966
Inventory	395,229	425,995	498,280	495,004	470,254	404,695	384,460
Other	281,931	348,080	286,885	280,079	277,278	344,599	341,153
Total Current Assets	1,486,503	1,013,528	1,274,217	3,797,812	3,852,154	3,980,777	4,042,743
Property, Plant and Equip.	1,352,894	1,384,183	1,361,915	1,379,488	1,351,898	1,356,499	1,329,369
Right-of-use asset	19,832	17,444	15,444	13,250	13,383	17,618	17,795
Intangible and goodwill	607,204	685,090	653,960	623,105	604,412	664,537	644,601
Total other assets	1,979,930	2,086,717	2,031,319	2,015,843	1,969,693	2,038,655	1,991,765
Total Assets	3,466,433	3,100,245	3,305,536	5,813,655	5,821,846	6,019,432	6,034,508
Current Liabilities							
Accounts payable	570,116	784,982	735,349	1,178,029	1,201,590	1,225,621	1,250,134
Interest payable	1,478,421	1,551,846	1,625,385	1,697,279	1,663,333	1,696,600	1,662,668
Notes payable--current	3,018,679	3,199,038	3,611,091	3,831,095	3,639,540	3,712,331	3,526,715
Convertible notes--current	723,350	473,350	473,350	473,350	449,683	458,676	435,742
Other current liabilities	537,541	583,676	660,525	726,988	741,528	756,358	771,485
Total current liabilities	6,328,107	6,592,892	7,105,700	7,906,741	7,695,674	7,849,587	7,646,744
Notes payable--long-term	1,026,462	1,026,462	1,410,927	1,405,346	1,335,079	1,268,325	1,204,909
Other long-term liabilities	61,817	46,026	36,621	27,413	27,687	46,486	46,951
Total long-term liabilities	1,088,279	1,072,488	1,447,548	1,432,759	1,362,766	1,314,811	1,251,860
Total Liabilities	7,416,386	7,665,380	8,553,248	9,339,500	9,058,439	9,164,398	8,898,604
Stockholders' equity/(deficit)							
Capital stock/treasury stock, net	(31,185)	(30,245)	(29,878)	(29,764)	(30,062)	(30,362)	(30,666)
Additional paid in capital	32,997,834	34,191,478	38,041,367	39,386,493	39,780,358	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)	(42,882,574)	(42,986,890)	(37,647,997)	(37,712,157)
Total Stockholders' Equity/(Deficit)	(3,929,953)	(4,565,135)	(5,247,712)	(3,525,845)	(3,236,594)	(3,144,966)	(2,864,096)
Total Liabilities and Stockholders' Equity	3,486,433	3,100,245	3,305,536	5,813,655	5,821,846	6,019,432	6,034,508

HISTORICAL STOCK PRICE



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