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Zacks Small-Cap Research

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Bone Biologics (BBLG-NASDAQ)

BBLG: Announces Split and Continues Back Treatment Pursuit

BBLG continues to pursue a way to make bone regeneration more efficient and with better outcomes for patients. We value BBLG at $19.50 per share using the discounted cash flow method.

Outlook

Bone Biologics is pursuing a better and more effective way of dealing with back pain requiring surgery by developing bone regeneration in spinal fusion using the recombinant human protein known as NELL-1/DBX.

The company announced a reverse stock split that will enable BBLG to remain listed on the NASDAQ, which we believe is an important step for investors.

Current Price (12/20/23)	$3.20
Valuation	**$19.50**

SUMMARY DATA

52-Week High	**$93.76**
52-Week Low	**$3.04**
One-Year Return (%)	**-94.82**
Beta	**0.08**
Average Daily Volume (sh)	**30,750**
Shares Outstanding (mil)	**1**
Market Capitalization ($mil)	**$1**
Short Interest Ratio (days)	**N/A**
Institutional Ownership (%)	**N/A**
Insider Ownership (%)	**13%**
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**

Risk Level	**High**
Type of Stock	**Small-Value**
Industry	**Med-Biomed/Gene**

ZACKS ESTIMATES

Revenue
(in millions of $)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2022	0 A	0 A	0 A	0 A	0 A
2023	0 A	0 A	0 E	0 E	0 E
2024	0 E	0 E	0 E	0 E	0 E
2025	0 E	0 E	0 E	0 E	0 E

Earnings per share

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2022	-0.07 A	-0.05 A	-0.12 A	-0.02 A	-0.13 A*
2023	-0.23 A	-1.69 A	-0.61 A	-5.56 E	-3.23 E*
2024	-7.60 E	-7.52 E	-7.36 E	-7.36 E	-29.84 E
2025	-7.76 E	-7.92 E	-8.00 E	-7.45 E	-31.13 E

* Quarterly numbers don't add to annual due to share issuance and reverse split.

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COMPANY UPDATE

There are approximately 350,000 spinal fusion surgeries done in the US every year with varying degrees of success in alleviating often debilitating back pain. The existing dominant technology, known as rhBMP, has been quite successful in advancing the spinal fusion procedure but there are also challenges that can come along with using that technology. Patients can experience such impacts as rapid, uncontrolled bone growth that causes an unsound structure and unwanted bone formation where bone will grow where it is not intended. Back pain impacts 65 million Americans, with 16 million of those having what would be considered chronic back pain, leading to an estimated $12 billion per year in health care and indirect cost according to the Georgetown Policy Institute. While spinal fusion surgery isn't the appropriate treatment for every kind of back pain, it can help to relieve the pain associated with a variety of conditions.

The NELL-1 technology is the centerpiece of what Bone Biologics is developing. It was developed by UCLA TDG and Bone holds the exclusive worldwide rights to that technology. NELL-1 has been reviewed positively in over 45 peer reviewed publications demonstrating technological viability. NELL-1 has shown spine fusion effectiveness across three animal species—rodent, sheep and nonhuman primate and has competed two clinically relevant sheep studies that demonstrated NELL-1 increases the fusion rate and quantity of bone compared to the control group.

Bone Biologics recently announced that it has received approval to begin pilot clinical trials with NB1 in spinal fusion patients. The approval was given by the Human Research Ethics Committee and the trials will take place in Australia. This is an important and exciting step for Bone as the study will evaluate the safety and effectiveness of the company's bone graft product—NB1. The study will include 30 adults who undergo transforaminal lumbar interbody fusion to treat degenerative disc disease. Importantly, this study design has been reviewed by the FDA's Division of Orthopedic Devices and is intended to support progression to a clinical study in the US.

That brings us to the recent announcement of a reverse 1:8 split in BBLG stock. Investors typically don't love to see reverse splits, but the maneuver is not all that unusual in the clinical biotechnology space. We appreciate that the company has bolstered its cash and is committed to keeping BBLG listed on a major exchange, providing better access for investors, resulting in us adjusting the valuation due to the split. We are not raising the price target by eight times due to the market dynamics of a reverse spit but we are not downgrading our overall outlook and still believe that BBLG provides a good opportunity for investors.

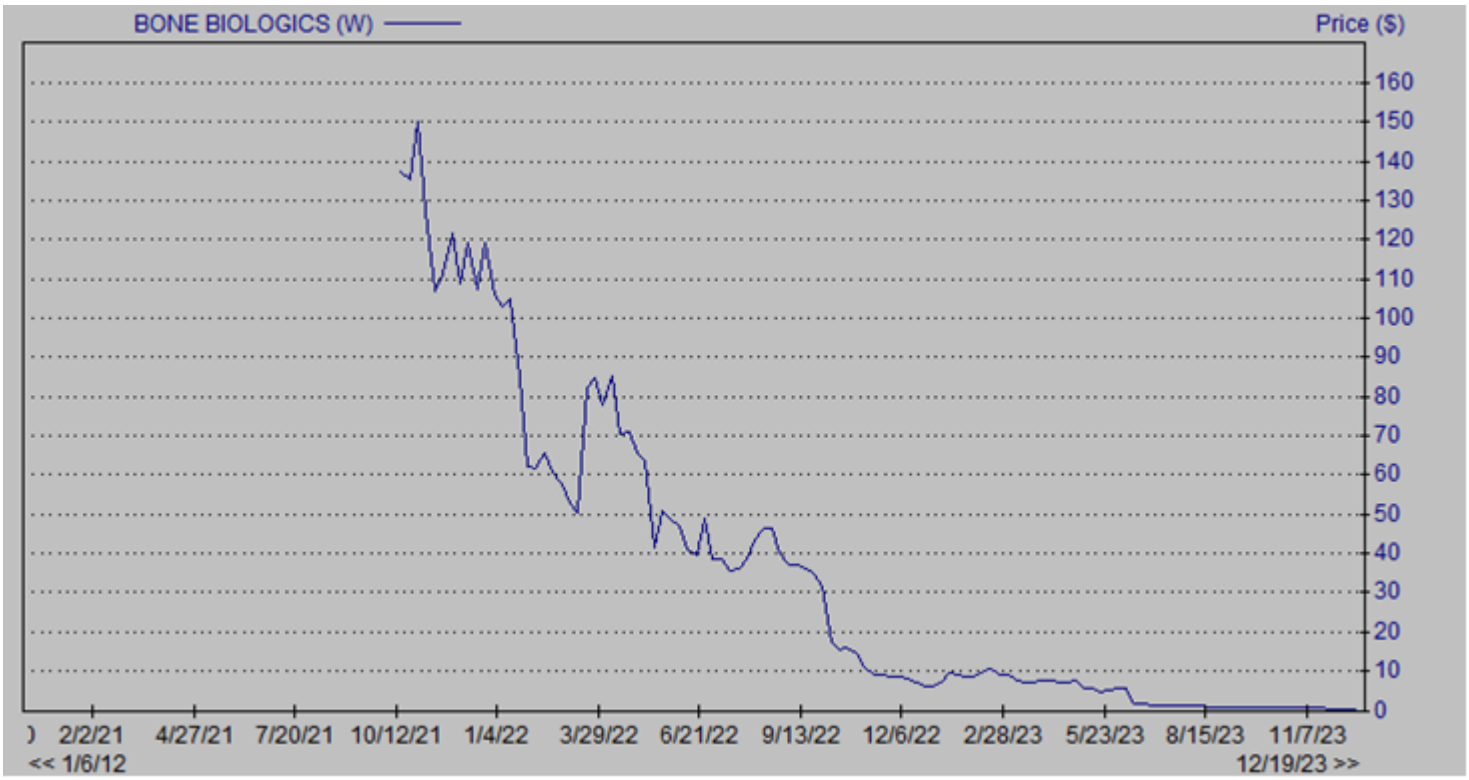
Summary

We have written before about the market opportunity that BBLG has, and it continues to grow. Investors have been slow to recognize the potential in our view but now, ahead of the human trials, is the opportunity to get in at what we view as a discounted price. If trial results are positive, as we believe they will be, the positive reaction in the investing community will likely be swift. We continue to be excited about the opportunity and the science behind NELL-1 and are looking forward to the human trials beginning this year. BBLG has what we believe is a product with great potential, addressing a market with seemingly insatiable demand and a solid funding situation, which is vital in this environment. As such, we believe investors with a longer-term investing horizon should take a look at BBLG.

INCOME STATEMENT AND BALANCE SHEET

Bone Biologics Income Statement and Balance Sheet								
		2022A	1Q2023A	2Q2023A	3Q2023A	4Q2023E	2024E	2025E
Revenues		0	0	0	0	0	0	0
Cost of Good Sold		0	0	0	0	0	0	0
Gross Profit		0	0	0	0	0	0	0
Operating Expenses								
	Research and Dev.	1,579,298	2,590,645	2,295,251	1,574,850	1,732,335	10,362,580	10,880,709
	Gen. and Admin.	2,085,875	556,892	744,617	506,040	556,644	2,227,568	2,338,946
Total Operating Expenses		3,665,173	3,147,537	3,039,868	2,080,890	2,288,979	12,590,148	13,219,655
Loss From Operations		(3,665,173)	(3,147,537)	(3,039,868)	(2,080,890)	(2,288,979)	(12,590,148)	(13,219,655)
	Interest income (expense)	0	556	428	536	0	(300,000)	(900,000)
	Other income/(expenses)	2,180,553	(562,918)	1,270,202	160,645	0	0	0
Loss before provision for income taxes		(1,484,620)	(3,709,899)	(1,769,238)	(1,919,709)	(2,288,979)	(12,890,148)	(14,119,655)
Provision for Income taxes		0	0	0	0	0	0	0
Net loss		(1,484,620)	(3,709,899)	(1,769,238)	(1,919,709)	(2,288,979)	(12,890,148)	(14,119,655)
Net loss per share		($0.13)	($0.23)	($1.69)	($0.61)	($5.56)	($29.84)	($31.13)
Wtd Avg Shares Outstanding		11,423,074	16,115,577	1,047,022	3,134,391	411,389	431,958	453,556
Assets								
Current Assets								
	Cash	7,538,312	6,188,319	7,007,809	4,452,586	4,541,638	4,632,470	4,725,120
	Prepaid Expenses	956,925	595,434	615,238	523,758	549,946	577,443	606,315
Total Assets		8,495,237	6,783,753	7,623,047	4,976,344	5,091,584	5,209,914	5,331,435
Liabilities and Stockholders Equity								
Current Liabilities								
	Accounts Payable	888,461	2,279,194	1,689,095	1,102,721	1,157,857	1,215,750	1,276,537
	Notes Payable	0	0	0	0	0	5,000,000	15,000,000
	Other liabilities	1,659,468	1,732,160	241,160	80,514	84,540	88,767	93,205
Total Liabilities		2,547,929	4,011,354	1,930,255	1,183,235	1,242,397	6,304,517	16,369,742
Stockholders Equity								
	Common Stock	15,300	16,701	3,135	3,135	3,135	3,135	3,135
	Additional Paid-in Capital	77,892,235	78,425,824	83,129,021	83,149,047	83,980,537	78,425,824	78,425,824
	Accumulated Deficit	(71,960,227)	(75,670,126)	(77,439,364)	(79,359,073)	(80,134,485)	(79,523,562)	(89,467,266)
Total Stockholders Equity		5,947,308	2,772,399	5,692,792	3,793,109	3,849,187	(1,094,603)	(11,038,307)
Total Liabilities and Stockholders Equity		8,495,237	6,783,753	7,623,047	4,976,344	5,091,584	5,209,914	5,331,435

HISTORICAL STOCK PRICE (DOES NOT INCLUDE SPLIT)



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