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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: Company Appears to Be Making All the Right Moves

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 released some preliminary 2023 fiscal data that showed the company continues to gain business and exceed expectations.

Current Price (01/31/24)	$7.35
Valuation	**$18.70**

SUMMARY DATA

52-Week High	**$7.35**
52-Week Low	**$1.21**
One-Year Return (%)	**104.74**
Beta	**-0.45**
Average Daily Volume (sh)	**27,550**
Shares Outstanding (mil)	**14**
Market Capitalization ($mil)	**$103**
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**

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	11.4 E	16.7 E
2024	13.1 E	13.7 E	14.0 E	14.4 E	55.2 E
2025	14.5 E	14.9 E	15.1 E	16.2 E	60.7 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	0.47 E	0.56 E
2024	0.65 E	0.66 E	0.65 E	0.68 E	2.64 E
2025	0.69 E	0.70 E	0.70 E	0.71 E	2.80 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.

Investors are starting to agree with our view as the stock has moved solidly higher over the past year, moving up over 140%, while the Russell 2000 was roughly flat over the same period. The company really gained momentum in the second half of 2023 as BioStem was awarded a valuable Q code for Vendaje AC by the Centers for Medicare and Medicaid Services and solidified its funding situation. Recently, the company announced that its Healthcare Common Procedure Coding System code for Vendaje AC became effective and that the Center for Medicare Services established national pricing for AmnioWrap2 in all 50 states and territories.

These moves are further evidence, in our view, that the medical community is increasingly realizing the benefits and superiority of the BioStem products and increasingly realizing the benefits patients can get from having access to those products. Our belief is that now that BioStem has a solid foothold in that tough to break into community, the acceptance and use of the company’s products will continue to accelerate.

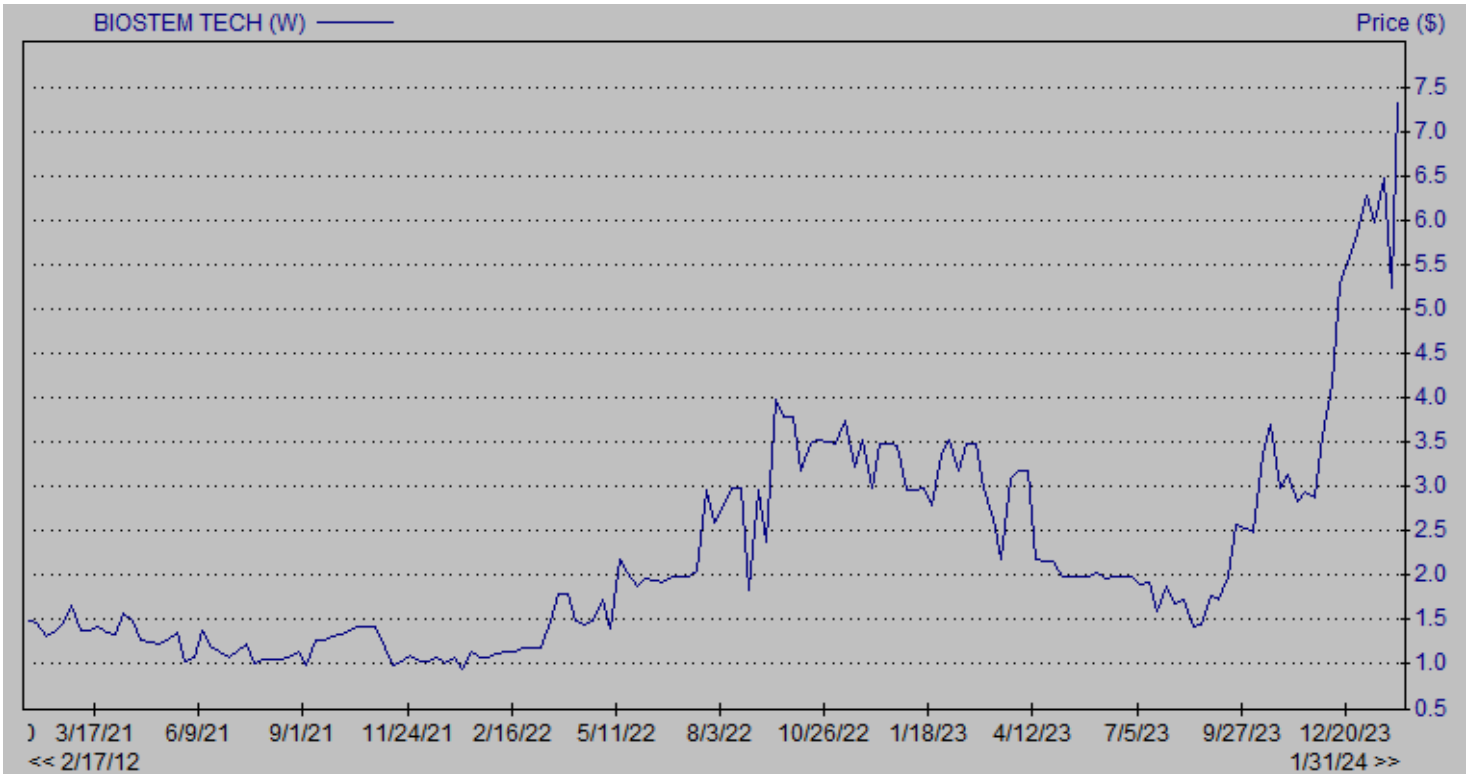
The company also released some preliminary and unaudited numbers that showed net revenue for 4Q2023 of $11.5 million, well ahead of our estimates and a more than 1300% increase from the year ago period. For the year, the company showed preliminary net revenue of $16.7 million, which would be more than a 140% increase over 2022. The official release and the full financials, according to the company, will be released in March.

These recent announcements and stellar financial results reinforce our belief that growth is just beginning for BSEM and as a result we are raising earnings estimates raising our valuation target to $18.70.

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.

HISTORICAL STOCK PRICE



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