

Quarterly UpdateJune 7th, 2017**Collect Biotechnology Ltd.: Exposure to the global stem cells industry****Price target unchanged**

Primary exchange: TASE

Symbol: TASE, NASDAQ: "APOP"

Sector: Biotechnology

Sub-sector: Stem cells

Stock price target: NIS 2.70

Expected annual burn rate: NIS 12-15 m

As of 4 June 2017:

Closing price: NIS 1.52

Market cap: NIS 165.4 m

of shares: 108.5 m

Stock performance (YTD): -22%

Daily-trading-vol. (12 months):
NIS, 619k

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Tel. :+972-9-9502888**Company overview**

Collect Biotechnology LTD. (hereinafter "Collect" or "the company") focuses on the development of a technological platform (titled "ApoGraft") which functionally selects stem cells from a mixed population of cells based on their sensitivity to apoptosis. The first product under development is the Apotainer selection kit. The company is currently conducting a proof-of-concept phase I/II trial with leukemia patients in Israel, which is expected to be completed by the end of Q3 2018. Based on trial results and safety issues, the company plans to integrate its technology across a range of procedures that make use of stem cells, as well as stepping into the manufacturing process of adult stem cells.

Highlights - Updates

- The company received a notice of intention from the European Patent Office to apply for a grant for patent-protecting its technology in multiple indications.
- Also, as we expected, it received a green light from the FDA for the submission of an application for ApoGraft IND in the US.
- An investment in Collect's stock is an exposure to the stem cells industry, a \$5.8 billion market with a rapid growth rate of 20.1%. The company may serve as a pivotal enabler for this market.
- Collect's pipeline is based on the "ApoGraft" platform that is designed to enable the production of various products that target numerous markets.
- Its clinical program is currently in an ongoing phase I/II proof-of-concept clinical study – a vital milestone for the company's future, which, if successful, may allow the company to embark on IP licensing deals prior to securing market approval for its products.
- Collect has a strategic joint product development agreement in place for its product with Entegris, a US-based company that specializes in advanced plastic devices. These devices will in fact be the products that the company will sell based on clinical success.
- We estimate the company's equity value at \$80.1 million/NIS 290.2; price target of NIS 2.70 per share (range of NIS 2.47 - 2.95).

Stock Prices Overview YTD (Source: tase.co.il)

Executive Summary

Investment Thesis

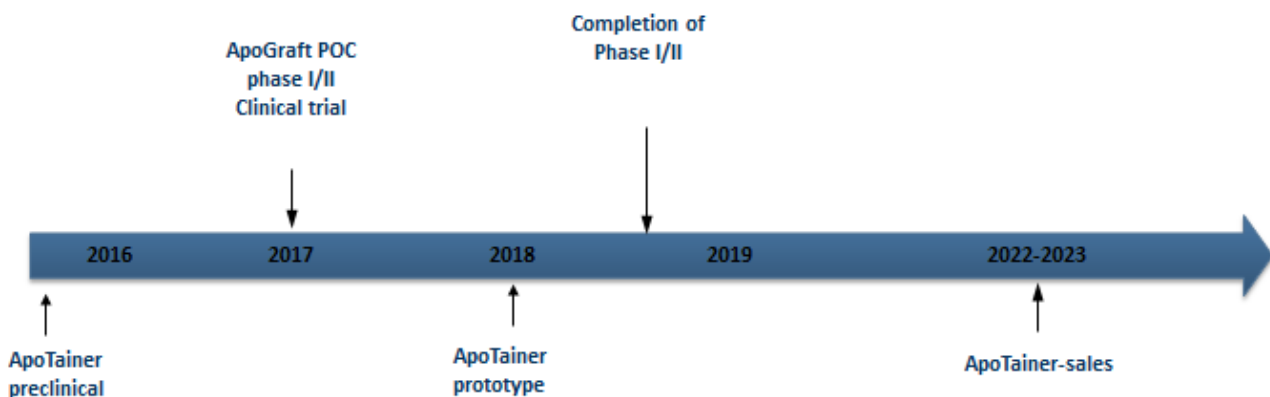
The company's clinical and regulatory progress is in line with our estimation.

During Q1 2017, Collect announced a successful stem cell transplantation of the first blood cancer Patient, and is continuing with its recently initiated proof-of-concept phase I/II trial in leukemia patients to prove safety as well as efficacy of its product. Additionally, Collect is continuing with its preparation for entrance into US clinical trials. The company received a green light from the FDA to submit an Investigational New Drug (IND) application for ApoGraft in the US following its pre-IND meeting. A pre-IND early communication is intended to facilitate and foster the assignment of data needed to support the rationale for testing a drug in humans in the US. The IND is the means through which the company technically obtains this exemption from the FDA.

The company has also received a notice of intention from the European Patent Office to apply for a grant for patent-protecting its technology in multiple indications.

We estimate the following timeline for Collect's progress:

Pipeline Summary



Upside scenarios	Downside scenarios
Success in proof-of-concept (Q3 2018) will be a game changer – we estimate it as a 60% chance.	Proof-of-concept (POC) is the first step required on the journey to commercialization
A unique enabling technology, supported by a strong scientific management team, which provides stem cells as a raw material; the company's "product" may be required by the whole stem cell industry.	Even if the company succeeds in its POC, it will need to find a sponsor and form a strategic deal.

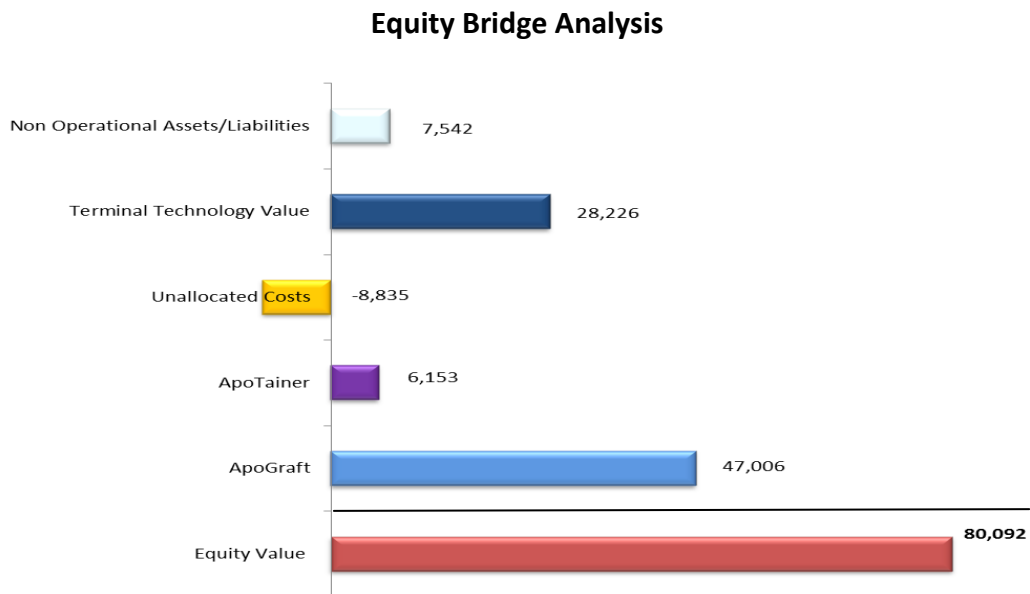
Upcoming Potential Catalysts

Project	Event	Significance	Timeline
ApoGraft	ApoGraft POC interim results	High	Q4/2017
	Completion of ApoTainer prototype	Medium	Q1/2018
	ApoGraft POC final results	High	Q3/2018

Valuation Summary

We estimate a presence in the market no sooner than the year 2022. Collect’s clinical development plan is based on partnering with early- or late-stage cell therapy companies that will incorporate ApoGraft technology into their clinical trials. The sponsor of a clinical trial will pay Collect’s licensing fees, milestone fees, and a percentage of product sales.

We evaluate the company's value as follows (\$K):



Based on the above-mentioned parameters, we estimate the equity value of the company at \$80.1 million/NIS 290.2 milion, with a price target of NIS 2.70 per share (price range of NIS 2.47 - 2.95)

Appendices

Appendix - Financial Reports

<i>Balance Sheet</i>	\$, 000	\$, 000	\$, 000
	<u>31.12.2015</u>	<u>31.12.2016</u>	<u>31.3.2017</u>
Current Assets:			
Cash and cash equivalents	1,007.01	1,633	1,561
Short term deposits	-	5,113	4,951
Marketable securities	2,014.79	1,300	600
Accounts receivable	106.03	380	415
Total	3,128	8,426	7,527
Non-Current Assets			
Restricted cash	5.15	36	39
PPE, net	305.47	357	372
Total	310.62	393	411
Total Assets	3,438	8,819	7,938
Current Liabilities			
Trade payables	119.93	364	350
Other accounts payable	616.10	542	365
Total	736	906	715
Non-Current Liabilities			
Warrants exercisable into shares	0	504	2,398
Total Liabilities	736	1,410	3,113
Total Equity	2,702	7,409	4,825
Total Liabilities+Equity	3,438	8,819	7,938

<i>Statement of profit and loss</i>	(\$000s)	(\$000s)	(\$000s)	(\$000s)	(\$000s)
Reporting Period:	<u>31.12.2013</u>	<u>31.12.2014</u>	<u>31.12.2015</u>	<u>31.12.2016</u>	<u>31.3.2017</u>
Research and development expenses	294	857	1,517	2,147	777
General and administrative expenses	672	698	1,082	2,072	702
Other Income	0	0	0	73	0
Total Operating expenses	966	1,555	2,598	4,146	1,479
Operating loss	966	1,555	2,598	4,073	1,479
Financial expenses due to warrants	3	10	1	172	1,865
Other financial expenses (income), net	56	11	20	9	84
Total loss	1,019	1,556	2,618	3,910	3,428
Basic and diluted loss per share	0.021	0.024	0.035	0.044	0.037

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