

Buy: ORGO

PT: \$11

Upside: 38%

Buy: Organogenesis, Inc. (NASDAQ: ORGO)



Healthcare Sector

Sector Head: Hannah Kozlenko

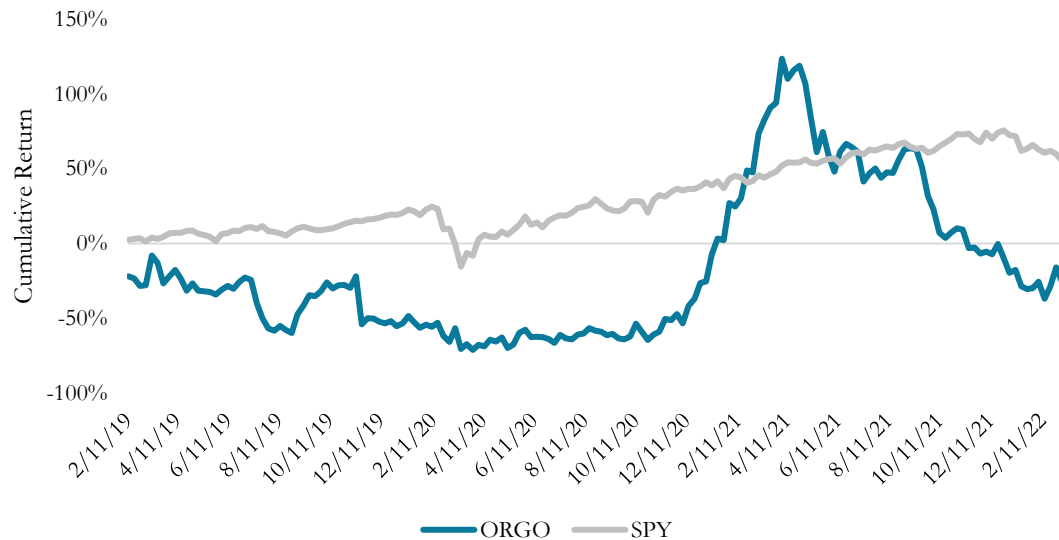
Lead Analyst: Ryan Levine

Company Overview

ORGO Overview

- Organogenesis is a leading producer of skin-substitutes
- Operates across two segments: **Advanced Wound Care** (92% of rev.) and **Surgery & Sports Medicine** (8% of rev.)
- Sells skin substitutes to hospitals, wound care clinics, independent physicians, surgery centers, etc.
- Went public through a **SPAC** in 2018; stock has been volatile since

Historical Stock Price



Key Metrics

| | |
|------------------|----------------|
| Share Price: | \$7.99 |
| Market Cap: | \$1.03 billion |
| 2021 Revenue: | \$468 million |
| Y/Y Rev. Growth | 39% |
| 2021 Net Income: | \$95 million |

Key Products

| Product | Description |
|---------|--|
| | <ul style="list-style-type: none"> • Industry's most effective antimicrobial wound matrix • Prevents formation of biofilm, which keeps wounds clean and allows for further treatment |
| | <ul style="list-style-type: none"> • Contains living skin cells that induce wound healing • Most effective skin sub. for treating DFUs and VLU |
| | <ul style="list-style-type: none"> • Wound covering that utilizes viable amniotic cells to treat range of chronic and acute wounds |

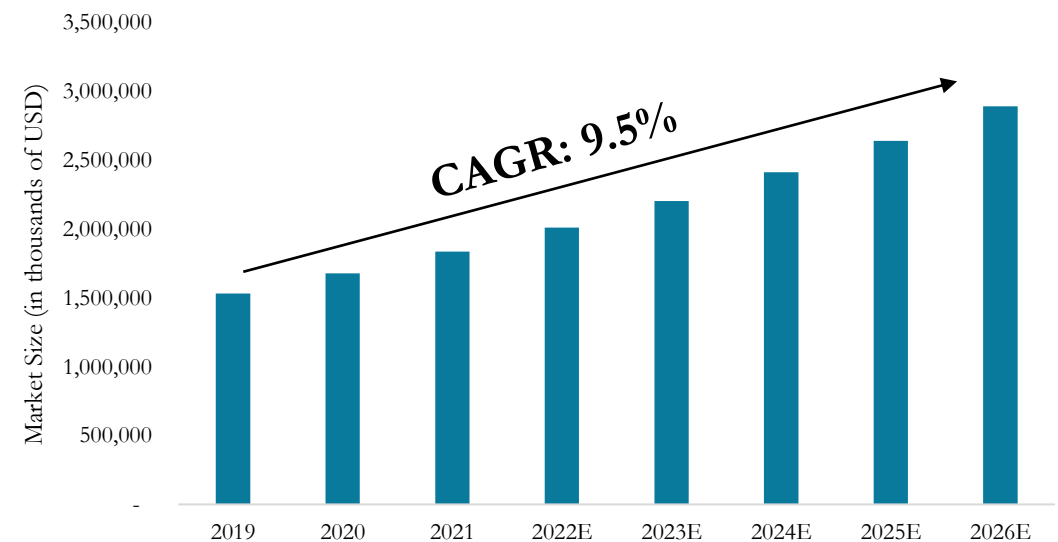
Advanced Wound Care – Skin Substitutes

- **Advanced wound care** provides treatment for chronic/non-healing wounds that are not responsive to traditional methods of treatment, such as traditional dressings, ointments, and debridement
- Some of the most common chronic wounds are diabetic foot ulcers (DFUs), venous leg ulcers (VLUs), and pressure ulcers
- About **2 million American** suffer from a diabetic foot ulcer each year; Over **80%** of amputations begin with a DFU
- Skin Substitutes are an **alternative method of chronic wound treatment** that often use living cells to **spur cell regeneration** and **wound healing** in chronic wounds
- ORGO estimates that currently **<5%** of addressable wounds are treated with skin substitutes

Key Competitors

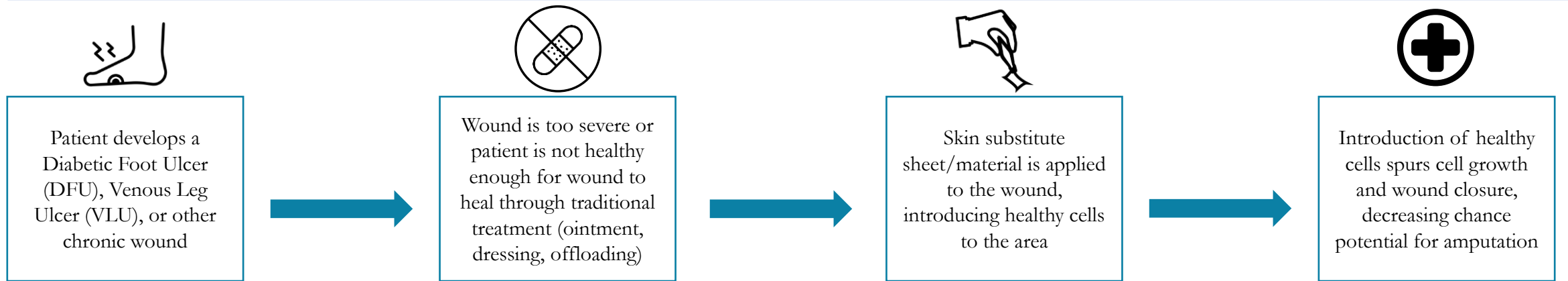
| Firm | Mkt Cap. | 2021 Revenue | Rev. Growth vs. 2019 |
|------|----------|-----------------|----------------------|
| | \$533M | \$258.6 million | -13.5% |
| | \$5.47B | \$1.5 billion | 1.6% |
| | \$14.29B | \$5.2 billion | 1.4% |

Growing Skin Substitutes Market



Skin Substitutes Explained

Role of Skin Substitutes



DFUs and VLUs

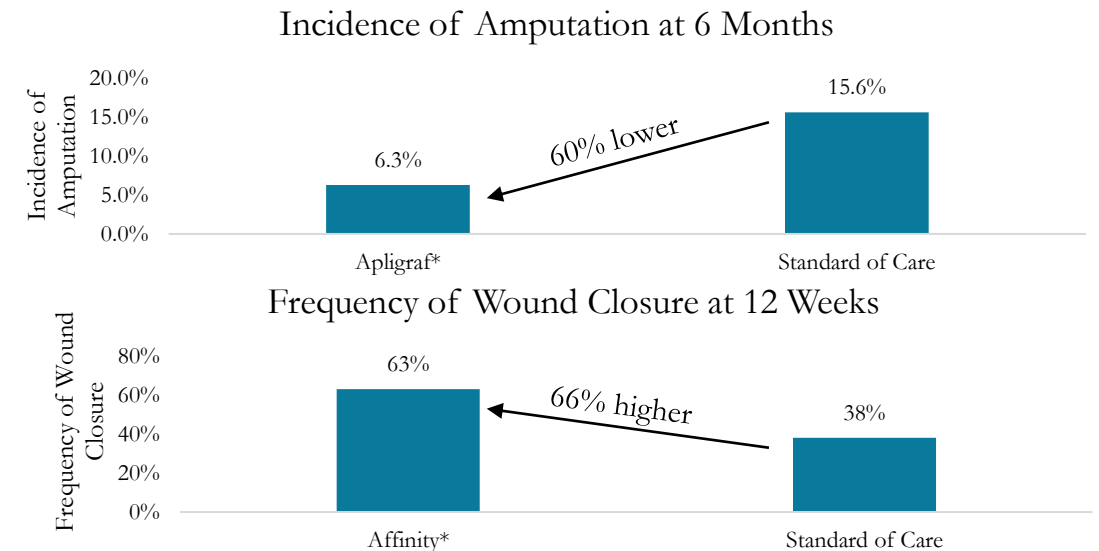
DFU

- An open sore or wound typically located on bottom of the foot
- Forms due to a lack of feeling, poor circulation, irritation, and duration of diabetes
- **20%** of patients with DFUs have an **amputation**

VLU

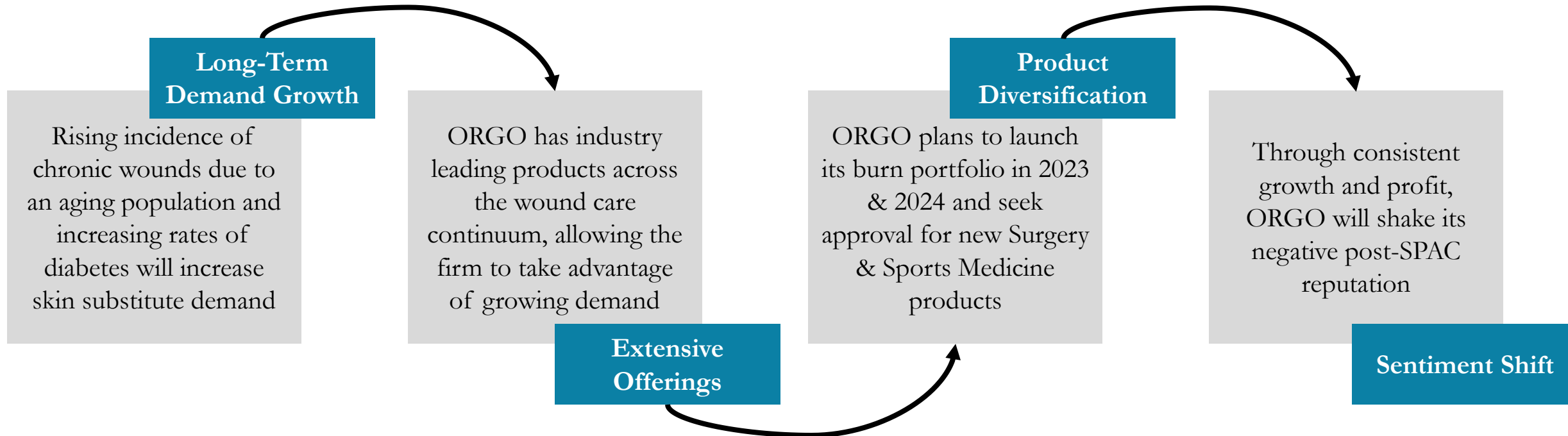
- Chronic sore that develops above the ankle on the inside of the leg
- Caused by poor circulation that leads to tissue damage
- 1 in 50 people over the age of 80 has a VLU

Skin Substitute Efficacy



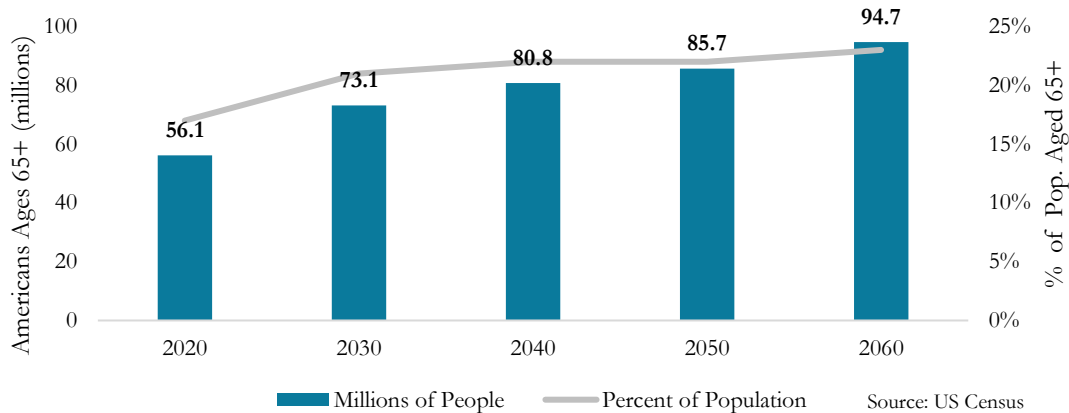
*ORGO Products

Investment Thesis



Catalyst 1: Growing Need for Chronic Wound Care

Aging Demographics

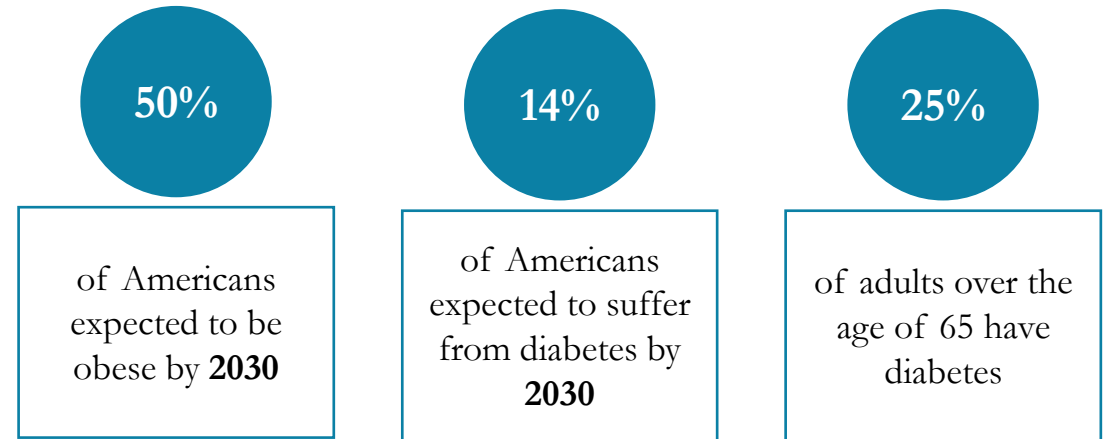


Impact on Chronic Wound Care Demand

- People older than 74yo have been found to compose the majority of chronic wound patients at **70%**
- Those older than 60yo are **28 times more likely** to suffer from a chronic wound than those <20yo
- **15-25%** of diabetic patients will suffer from at least one chronic wound in their lifetime

Growth of elderly and diabetic populations will contribute to long-term skin substitute demand growth

Growing Instance of Obesity & Diabetes



Pathway to Increased Utilization

Currently, <5% of addressable wounds are treated with skin substitutes

Expanding Sales Force

- ORGO has increased sales reps at CAGR of 15% since 2017, reaching 340 by 2021
- Plans to reach **390** sales reps by YE 2022

Rise of Large Physician Groups

- As more physicians join larger groups, access to larger capital pools will make **skin substitutes more accessible** for physicians

Catalyst 2: One-Stop Skin Substitute Shop

Products Addressing the Continuum of Wound Care

1 Inflammation



- **PuraPly** is an anti-microbial wound matrix that prevents the formation of biofilm
- This keeps the wound clean, **preventing inflammation** and enabling further treatment
- Allows ORGO to treat wounds at their **earliest stage**

2 Proliferation

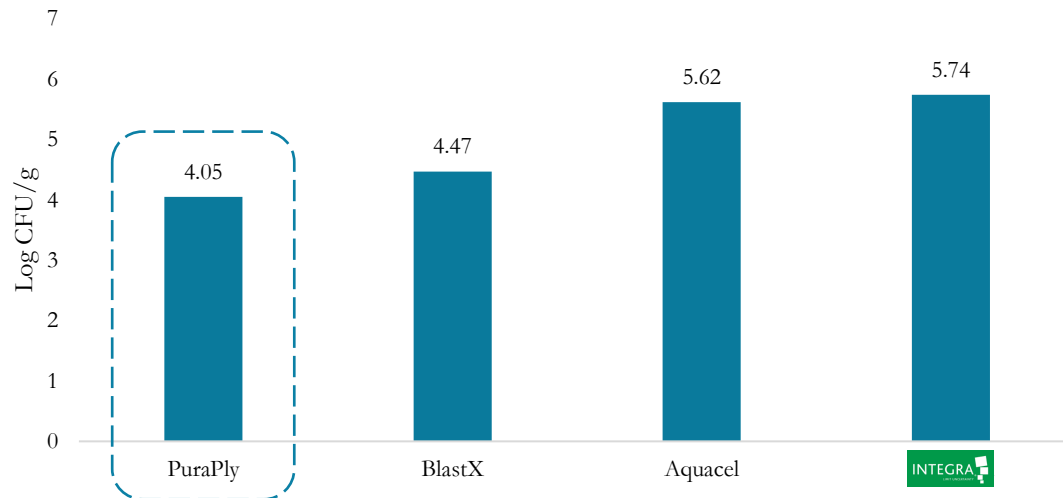


- Affinity and Apligraf are **skin substitutes** that advance the **healing of stalled wounds** and can bring wounds all the way to closure
- Offerings across continuum of wound care make ORGO the only one-stop shop for skin substitutes with **industry-leading** products; this is convenient for wound centers and physicians purchasing skin substitutes

3 Remodeling

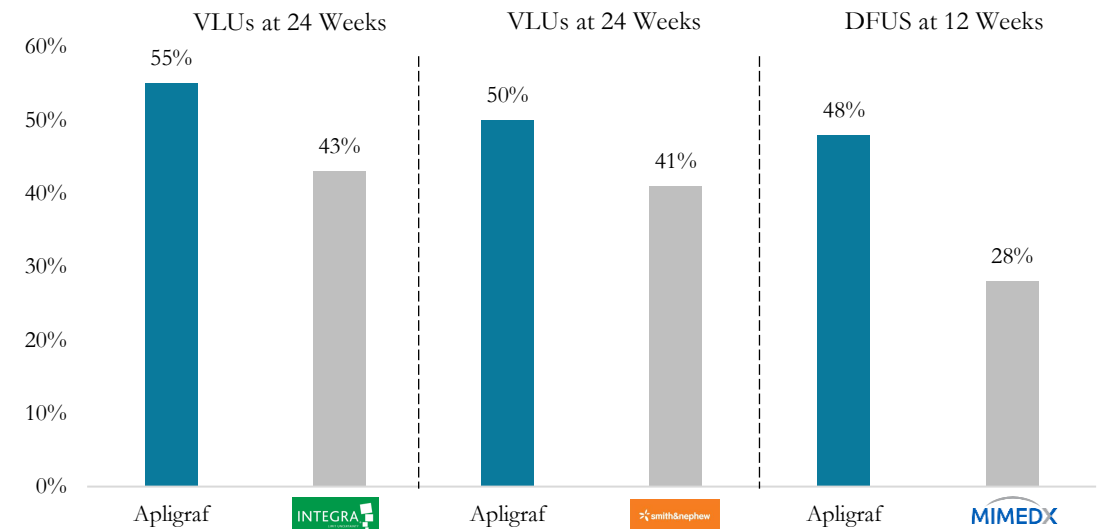
PuraPly vs. Competitors

MRSA Counts (Amt of Bacteria) at 8 Days From Use



Apligraf vs. Competitors

Incidence of Wound Closure

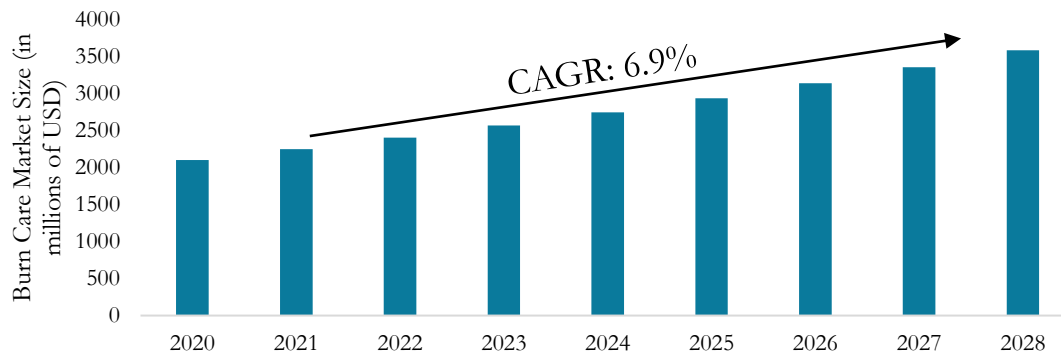


Catalyst 3: Product Diversification

FortiShield & TransCyte

- Rollout of FortiShield & Transcyte will mark ORGO's launch into the **burn treatment market**
- **Transcyte**: tissue scaffold targeted at treating **2nd and 3rd degree burns**
- **Fortishield**: temporary wound covering for 2nd degree burns
- Expected to fully launch in **2023 & 2024**, following buildout of new Massachusetts manufacturing facility

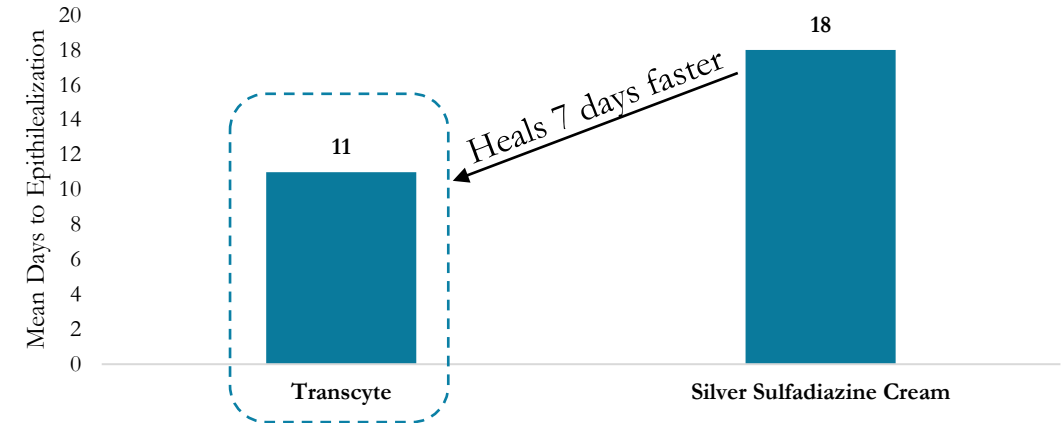
Burn Market Opportunity



Currently, there is only one other skin substitute approved for the treatment of burns (Biobrane)

ORGO estimates that the burn market represents a ~\$200 million opportunity

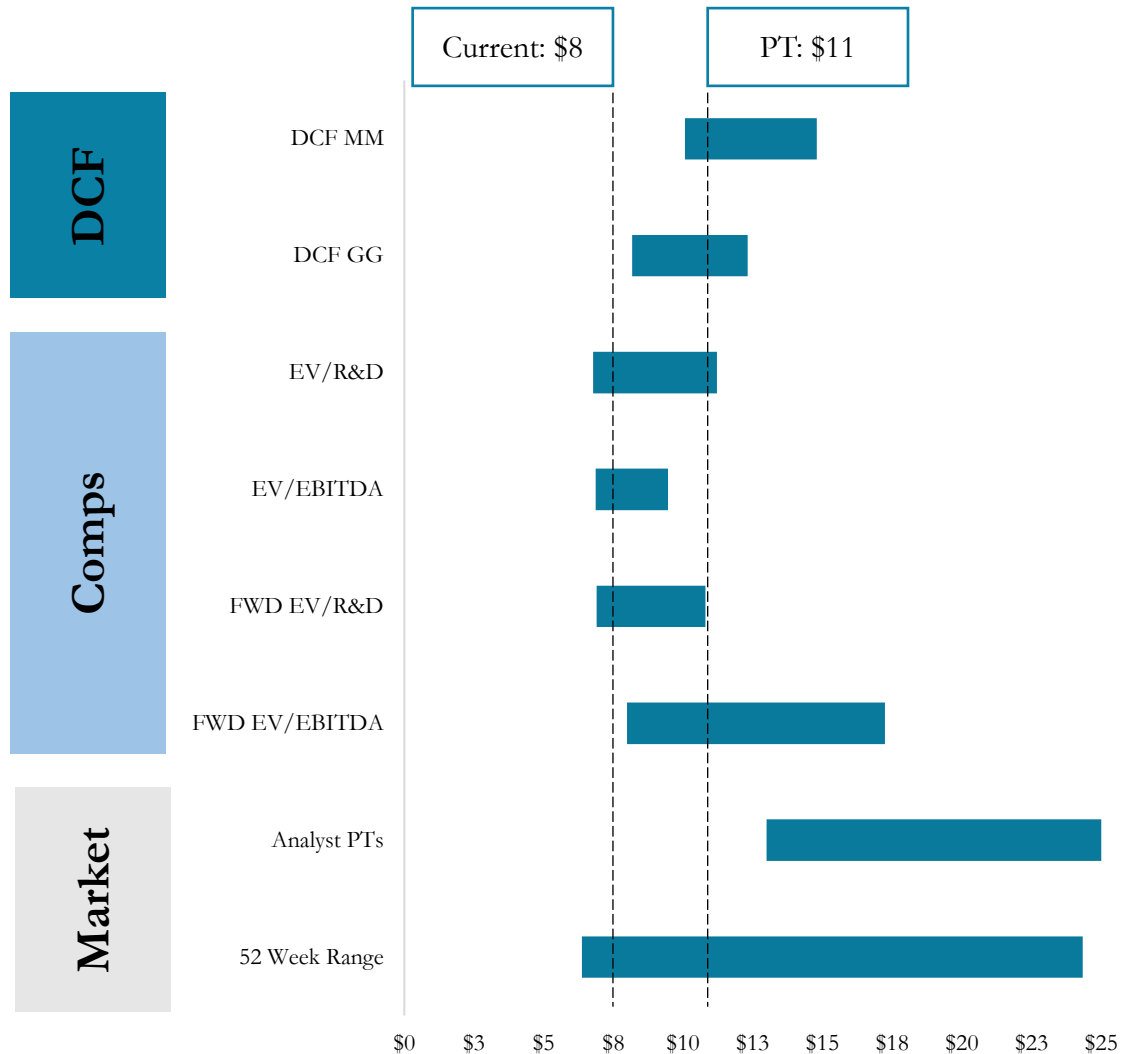
Transcyte Efficacy



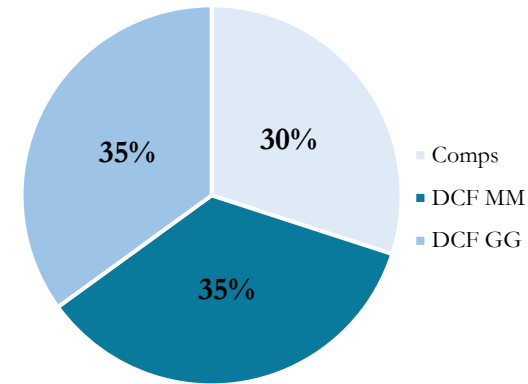
Surgery & Sports Medicine in the Pipeline

- Plans to seek approval for **ReNu**, an amniotic fluid product intended to **treat knee osteoarthritis** through injection
 - About **32 million** Americans suffer from OA
 - Estimated to be a **\$3.8B market** growing at a **9.4% CAGR**
- ReNu's clinical trials have shown improved patient outcomes and lower pain levels compared to commercially available options
- Potential success will allow for decreased reliance on the Advanced Wound Care segment and greater contribution from Surgery and Sports Medicine segment

Football Field



Valuation Weighting



DCF GG: \$11.27

DCF MM: \$10.84

Comps: \$10.61

Analyst Ratings

| | | |
|---------------|-----|---------|
| Credit Suisse | Buy | \$25 PT |
| BTIG | Buy | \$18 PT |
| Oppenheimer | Buy | \$21 PT |
| SVB Leerink | Buy | \$13 PT |

Risks & Mitigants

As a smaller firm, ORGO may be unable to increase production to keep up with rising demand

ORGO's burn products do not gain market share due to established standard of care and existing alternative products

As a small-cap firm, ORGO is at risk to suffer from a potential recession as demand may be negatively impacted

ORGO is currently in the process of transitioning operations to a new manufacturing facility in Massachusetts to increase capacity

Transcyte is proven to be more effective than the standard of care and is safer than the only skin sub. for burns on the market (Biobrane)

ORGO's products are non-discretionary and demand should not be impacted by macroeconomic conditions. Also, ORGO products are covered by Medicare

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Catalyst Recap

1. Aging demographics and increasing incidence of diabetes will fuel long-term demand growth for skin substitutes
2. ORGO's offerings extend across the continuum of wound care, making it a one-stop-shop for skin substitutes
3. Expansion into burn market presents additional opportunity for growth and revenue diversification

Investment Thesis

- ORGO is currently being undervalued compared to peers due to the stigma associated with former SPACs
- ORGO's industry leading products will allow the firm to grow revenue and profit as demand for skin subs grows
- Through consistent performance of efficacious products, ORGO will prove its legitimacy and shake its negative post-SPAC reputation

Appendix

Appendix A: Balance Sheet

Appendix B: Income Statement

Appendix C: Statement of Cash Flows

Appendix D: Revenue Build

Appendix E: NWC + D&A

Appendix F: WACC

Appendix G: DCF

Appendix H: Comparable Companies

Appendix I: ORGO Short Report

Appendix J: Apligraf Efficacy

Appendix K: PuraPly Efficacy

Appendix L: Rise of Physician Groups

Appendix M: Financial Analysis

Appendix N: ORGO vs. SPAK vs. SPY

Appendix A: Balance Sheet

| Organogenesis, Inc. (NASDAQ: ORGO) | | | | | | | | |
|---|-------------------|-------------------|-------------------|----------|----------|----------|----------|----------|
| Balance Sheet (in thousands of USD) | FY 2019 | FY 2020 | FY 2021 | FY 2022E | FY 2023E | FY 2024E | FY 2025E | FY 2026E |
| Current assets: | | | | | | | | |
| Cash and cash equivalents | \$ 60,174 | \$ 84,394 | \$ 113,929 | | | | | |
| Restricted cash | 196 | 412 | 599 | | | | | |
| Accounts receivable, net | 39,359 | 56,804 | 82,460 | 84,189 | 93,909 | 103,941 | 114,182 | 123,547 |
| Inventory | 22,918 | 27,799 | 25,022 | 31,898 | 33,357 | 36,100 | 38,756 | 40,959 |
| Prepaid expenses and other current assets | 2,953 | 4,935 | 4,969 | 6,212 | 6,930 | 7,670 | 8,426 | 9,117 |
| Total current assets | 125,600 | 174,344 | 226,979 | | | | | |
| Property and equipment, net | 47,184 | 55,792 | 79,160 | | | | | |
| Notes receivable from related parties | 556 | 0 | 0 | | | | | |
| Intangible assets, net | 20,797 | 30,622 | 25,673 | | | | | |
| Goodwill | 25,539 | 28,772 | 28,772 | | | | | |
| Operating lease right-of-use assets, net | | 0 | 49,144 | | | | | |
| Deferred tax asset, net | 127 | 18 | 31,994 | | | | | |
| Other assets | 884 | 670 | 1,537 | | | | | |
| Total assets | 220,687 | 290,218 | 443,259 | | | | | |
| Current liabilities: | | | | | | | | |
| Current portion of deferred acquisition consideration | 5,000 | 483 | 1,436 | | | | | |
| Current portion of term loan | | 16,666 | 2,656 | | | | | |
| Current portion of finance lease obligations | 3,057 | 3,619 | 200 | | | | | |
| Current portion of operating lease obligations | | 0 | 11,785 | | | | | |
| Current portion of deferred rent and lease incentive obligation | | 95 | 0 | | | | | |
| Accounts payable | 28,387 | 23,381 | 29,339 | 32,132 | 33,601 | 36,364 | 39,040 | 41,259 |
| Accrued expenses and other current liabilities | 23,450 | 23,973 | 36,589 | 36,896 | 38,583 | 41,756 | 44,828 | 47,376 |
| Total current liabilities | 59,894 | 68,217 | 82,005 | | | | | |
| Line of credit | 33,484 | 10,000 | 0 | | | | | |
| Term loan, net of current portion | 49,634 | 43,044 | 70,769 | | | | | |
| Deferred acquisition consideration, net of current portion | | 1,436 | 0 | | | | | |
| Earnout liability | | 3,985 | 0 | | | | | |
| Deferred rent and lease incentive obligation, net of current portion | 1,012 | 2,315 | 0 | | | | | |
| Finance lease obligations, net of current portion | 14,431 | 11,442 | 0 | | | | | |
| Operating lease obligations, net of current portion | | 0 | 46,893 | | | | | |
| Other liabilities | 6,649 | 7,971 | 1,557 | | | | | |
| Total liabilities | 165,104 | 148,410 | 201,224 | | | | | |
| Stockholders' equity: | | | | | | | | |
| Preferred stock, \$0.0001 par value; 1,000,000 shares authorized; none issued | | | | | | | | |
| Common stock, \$0.0001 par value; | 10 | 13 | 13 | | | | | |
| Additional paid-in capital | 226,580 | 296,830 | 302,155 | | | | | |
| Accumulated deficit | (171,007) | (155,035) | (60,133) | | | | | |
| Total stockholders' equity | 55,583 | 141,808 | 242,035 | | | | | |
| Total liabilities and stockholders' equity | \$ 220,687 | \$ 290,218 | \$ 443,259 | | | | | |

Appendix B: Income Statement



| Organogenesis, Inc. (NASDAQ: ORGO) | | | | | | | | |
|--|-----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| <i>Income Statement (in thousands of USD)</i> | FY 2019 | FY 2020 | FY 2021 | FY 2022E | FY 2023E | FY 2024E | FY 2025E | FY 2026E |
| Net revenue | \$ 260,981 | \$ 338,298 | \$ 468,059 | 510,341 | 569,261 | 630,075 | 692,159 | 748,923 |
| Cost of goods sold | 75,948 | 87,319 | 114,199 | 122,482 | 128,084 | 138,616 | 148,814 | 157,274 |
| Gross profit | 185,033 | 250,979 | 353,860 | 387,859 | 441,177 | 491,458 | 543,345 | 591,649 |
| <i>Gross margin</i> | 71% | 74% | 76% | 76% | 78% | 78% | 79% | 79% |
| Operating expenses: | | | | | | | | |
| Selling, general and administrative | 200,088 | 204,193 | 250,200 | 255,170 | 273,245 | 296,135 | 318,393 | 337,016 |
| Research and development | 14,799 | 20,086 | 30,742 | 35,724 | 39,848 | 44,105 | 44,990 | 44,935 |
| Total operating expenses | 214,887 | 224,279 | 280,942 | 290,894 | 313,094 | 340,240 | 363,383 | 381,951 |
| Income (loss) from operations | (29,854) | 26,700 | 72,918 | 96,965 | 128,084 | 151,218 | 179,961 | 209,699 |
| <i>Operating margin</i> | -11% | 8% | 16% | 19% | 23% | 24% | 26% | 28% |
| Other expense, net: | | | | | | | | |
| Interest expense | (8,996) | (11,279) | (7,236) | (9,170) | (9,170) | (9,170) | (9,170) | (9,170) |
| Gain on settlement of deferred acquisition consideration | 0 | 2,246 | 0 | - | - | - | - | - |
| Change in fair value of warrant liability | 2,140 | 0 | 0 | - | - | - | - | - |
| Loss on the extinguishment of debt | (1,862) | 0 | (1,883) | - | - | - | - | - |
| Other income (loss), net | 13 | 97 | (13) | 32 | 32 | 32 | 32 | 32 |
| Total other expense, net | (8,705) | (8,936) | (9,132) | (9,138) | (9,138) | (9,138) | (9,138) | (9,138) |
| Net income (loss) before income taxes | (38,559) | 17,764 | 63,786 | 87,827 | 118,946 | 142,080 | 170,823 | 200,561 |
| Income tax (expense) benefit | (150) | (530) | 31,116 | (21,518) | (29,142) | (34,810) | (41,852) | (49,137) |
| <i>Tax Rate</i> | 0.4% | -3.0% | 48.8% | 24.5% | 24.5% | 24.5% | 24.5% | 24.5% |
| Net income (loss) | (38,709) | 17,234 | 94,902 | 66,309 | 89,804 | 107,270 | 128,972 | 151,423 |
| <i>Net margin</i> | -15% | 5% | 20% | 13% | 16% | 17% | 19% | 20% |
| Net income (loss) attributed to common shareholders, per share: | | | | | | | | |
| Basic | \$ (0.42) | \$ 0.16 | \$ 0.74 | \$0.52 | \$0.70 | \$0.84 | \$1.00 | \$1.18 |
| Diluted | \$ (0.42) | \$ 0.15 | \$ 0.71 | \$0.50 | \$0.67 | \$0.80 | \$0.96 | \$1.13 |
| Weighted-average common shares outstanding | | | | | | | | |
| Basic | 92,840,401 | 107,737,936 | 128,331,022 | 128,331,022 | 128,331,022 | 128,331,022 | 128,331,022 | 128,331,022 |
| Diluted | 92,840,401 | 111,360,831 | 133,662,659 | 133,662,659 | 133,662,659 | 133,662,659 | 133,662,659 | 133,662,659 |

Appendix C: Statement of Cash Flows

| Organogenesis, Inc. (NASDAQ: ORGO) Statement of Cash Flows (in thousands of USD) | FY 2019 | FY 2020 | FY 2021 | FY 2022E | FY 2023E | FY 2024E | FY 2025E | FY 2026E |
|---|-----------------|-----------------|-----------------|-----------|-----------|------------|------------|------------|
| Cash flows from operating activities: | | | | | | | | |
| Net income (loss) | \$ (38,709) | \$ 17,234 | \$ 94,902 | \$ 66,309 | \$ 89,804 | \$ 107,270 | \$ 128,972 | \$ 151,423 |
| Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities: | | | | | | | | |
| Depreciation | 3,783 | 4,438 | 5,781 | | | | | |
| Amortization of intangible assets | 6,043 | 3,745 | 4,949 | | | | | |
| Amortization of operating lease right-of-use assets | 0 | 0 | 5,946 | | | | | |
| Total D&A | 9,826 | 8,183 | 16,676 | 16,580 | 18,495 | 20,470 | 22,488 | 24,332 |
| Non-cash interest expense | 243 | 236 | 346 | | | | | |
| Deferred interest expense | 1,446 | 2,133 | 1,493 | | | | | |
| Deferred rent expense | 882 | 1,273 | 0 | | | | | |
| Gain on settlement of deferred acquisition consideration | 0 | (2,246) | 0 | | | | | |
| Deferred tax expense (benefit) | 111 | 112 | (31,976) | | | | | |
| Loss on disposal of property and equipment | 146 | 201 | 1,407 | | | | | |
| Provision recorded for doubtful accounts | 239 | 1,183 | 2,999 | | | | | |
| Adjustment for excess and obsolete inventories | 1,297 | 3,050 | 12,079 | | | | | |
| Stock-based compensation | 936 | 1,661 | 3,864 | | | | | |
| Loss on extinguishment of debt | 1,862 | 0 | 1,883 | | | | | |
| Change in fair value of Earnout liability | 0 | 203 | (3,985) | | | | | |
| Change in fair value of warrant liability | (2,140) | 0 | 0 | | | | | |
| Changes in operating assets and liabilities: | | | | | | | | |
| Accounts receivable | (4,691) | (17,567) | (28,654) | | | | | |
| Inventory | (11,063) | (6,700) | (9,302) | | | | | |
| Prepaid expenses and other current assets | (625) | (355) | (34) | | | | | |
| Operating leases | 0 | 0 | (6,156) | | | | | |
| Accounts payable | 4,700 | (4,102) | 3,847 | | | | | |
| Accrued expenses and other current liabilities | 2,942 | 1,443 | 8,654 | | | | | |
| Other liabilities | (930) | (476) | (6,065) | | | | | |
| Net cash provided by (used in) operating activities | (33,528) | 5,466 | 61,978 | | | | | |
| Cash flows from investing activities: | | | | | | | | |
| Purchases of property and equipment | (5,984) | (17,678) | (31,220) | 10,097 | 12,946 | 16,376 | 20,239 | 23,845 |
| Cash paid for business acquisition | | (5,820) | | | | | | |
| Acquisition of intangible asset | (250) | | | | | | | |
| Net cash used in investing activities | (6,234) | (23,498) | (31,220) | | | | | |
| Cash flows from financing activities: | | | | | | | | |
| Line of credit borrowings (repayments), net | 7,000 | (23,484) | (10,000) | | | | | |
| Term loan borrowings (repayments) under the 2019 Credit Agreement, net of debt discount and issuance cost | 49,076 | 10,000 | (60,000) | | | | | |
| Proceeds from term loan under the 2021 Credit Agreement, net of debt discount and issuance cost | | | 73,174 | | | | | |
| Term loan repayments under the 2021 Credit Agreement | | | (938) | | | | | |
| Proceeds from equity financing | 50,340 | 64,729 | | | | | | |
| Payment of equity issuance costs | (2,973) | (5,656) | | | | | | |
| Repayment of notes payable | (17,585) | | | | | | | |
| Principal repayments of capital lease obligations | (1,266) | (2,427) | (2,630) | | | | | |
| Redemption of redeemable common stock placed into treasury | (6,762) | | | | | | | |
| Proceeds from the exercise of stock options | 269 | 2,823 | 2,198 | | | | | |
| Proceeds from the exercise of common stock warrants | 628 | | | | | | | |
| Payments of withholding taxes in connection with RSUs vesting | | | (737) | | | | | |
| Payments of deferred acquisition consideration | | (3,517) | (483) | | | | | |
| Payment to extinguish debt | | | (1,620) | | | | | |
| Net cash provided by (used in) financing activities | 78,727 | 42,468 | (1,036) | | | | | |
| Change in cash and restricted cash | 38,965 | 24,436 | 29,722 | | | | | |
| Cash and restricted cash, beginning of year | 21,405 | 60,370 | 84,806 | | | | | |
| Cash and restricted cash, end of year | 60,370 | 84,806 | 114,528 | | | | | |

Appendix D: Revenue Build



| Organogenesis, Inc. (NASDAQ: ORGO) | | | | | | | | |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Revenue Build (in thousands of USD) | FY 2019 | FY 2020 | FY 2021 | FY 2022E | FY 2023E | FY 2024E | FY 2025E | FY 2026E |
| Total Revenue | 260,981 | 338,298 | 468,059 | 510,341 | 569,261 | 630,075 | 692,159 | 748,923 |
| <i>% Growth</i> | | 29.6% | 38.4% | 9.0% | 11.5% | 10.7% | 9.9% | 8.2% |
| Advanced Wound Care | 220,744 | 294,624 | 430,839 | 470,978 | 528,944 | 588,847 | 650,073 | 706,042 |
| <i>% of Total</i> | 85% | 87% | 92% | 92% | 93% | 93% | 94% | 94% |
| <i>% Growth</i> | | 33% | 46% | 9% | 12% | 11% | 10% | 9% |
| Sports Medicine & Surgery | 40,237 | 43,674 | 37,220 | 39,363 | 40,317 | 41,228 | 42,086 | 42,881 |
| <i>% of Total</i> | 15% | 13% | 8% | 8% | 7% | 7% | 6% | 6% |
| <i>% Growth</i> | | 9% | -15% | 6% | 2% | 2% | 2% | 2% |
| Advanced Wound Care Biologics Market Size | 1,533,000 | 1,678,635 | 1,838,105 | 2,012,725 | 2,203,934 | 2,413,308 | 2,642,572 | 2,893,617 |
| <i>ORGO Market Share</i> | 14.4% | 17.6% | 23.4% | 23.40% | 24.00% | 24.40% | 24.60% | 24.40% |
| Sports Medicine & Surgery Market - Skin Subs | 6,210,022 | 6,643,156 | 7,106,500 | 7,569,844 | 8,063,398 | 8,589,131 | 9,149,142 | 9,745,667 |
| <i>ORGO Market Share</i> | 0.65% | 0.66% | 0.52% | 0.52% | 0.50% | 0.48% | 0.46% | 0.44% |

Appendix E: NWC + D&A

| Organogenesis, Inc. (NASDAQ: ORGO) | | | | | | | | |
|--|---------|---------|---------|----------|----------|----------|----------|----------|
| <i>NWC, CapEX, and D&A (in thousands of USD)</i> | FY 2019 | FY 2020 | FY 2021 | FY 2022E | FY 2023E | FY 2024E | FY 2025E | FY 2026E |
| Revenue | 260,981 | 338,298 | 468,059 | 510,341 | 569,261 | 630,075 | 692,159 | 748,923 |
| COGS | 75,948 | 87,319 | 114,199 | 122,482 | 128,084 | 138,616 | 148,814 | 157,274 |
| D&A + CapEx | | | | | | | | |
| Depreciation & Amortization | 9,826 | 8,183 | 16,676 | 16,580 | 18,495 | 20,470 | 22,488 | 24,332 |
| <i>% of Sales</i> | 4% | 2% | 4% | 3% | 3% | 3% | 3% | 3% |
| Capital Expenditures | 5,984 | 17,678 | 31,220 | 10,097 | 12,946 | 16,376 | 20,239 | 23,845 |
| <i>% of D&A</i> | 61% | 216% | 187% | 61% | 70% | 80% | 90% | 98% |
| Net Working Capital | | | | | | | | |
| Accounts Receivable | 39,359 | 56,804 | 82,460 | 84,189 | 93,909 | 103,941 | 114,182 | 123,547 |
| <i>Days Sales Outstanding</i> | 54 | 60 | 63 | 59 | 59 | 59 | 59 | 59 |
| Inventory | 22,918 | 27,799 | 25,022 | 31,898 | 33,357 | 36,100 | 38,756 | 40,959 |
| <i>Inventory Turnover</i> | 109 | 115 | 79 | 94 | 94 | 94 | 94 | 94 |
| Prepaid Expenses and Other Current Assets | 2,953 | 4,935 | 4,969 | 6,212 | 6,930 | 7,670 | 8,426 | 9,117 |
| <i>% of Revenue</i> | 1% | 1% | 1% | 1% | 1% | 1% | 1% | 1% |
| Accounts Payable | 28,387 | 23,381 | 29,339 | 32,132 | 33,601 | 36,364 | 39,040 | 41,259 |
| <i>Days Payables Outstanding</i> | 135 | 96 | 92 | 94 | 94 | 94 | 94 | 94 |
| Accrued Expenses and Other Current Liabilities | 23,450 | 23,973 | 36,589 | 36,896 | 38,583 | 41,756 | 44,828 | 47,376 |
| <i>% of COGS</i> | 31% | 27% | 32% | 30% | 30% | 30% | 30% | 30% |
| Net Working Capital | 13,393 | 42,184 | 46,523 | 53,272 | 62,011 | 69,591 | 77,497 | 84,987 |
| Change in Net Working Capital | | 28,791 | 4,339 | 6,749 | 8,739 | 7,580 | 7,906 | 7,491 |

Appendix E: WACC

| Organogenesis, Inc. (NASDAQ: ORGO) | |
|---|---------------|
| <i>Weighted Average Cost of Capital</i> | |
| Total Capitalization | 1,185,627 |
| Market Value of Debt | 117,662 |
| Weight of Debt | 10% |
| Pre-Tax Cost of Debt | 3.43% |
| Tax Affected Cost of Debt | 2.59% |
| Market Value of Equity | 1,067,965 |
| Weight of Equity | 90% |
| Risk-free Rate | 2.66% |
| Market Risk Premium | 7% |
| Beta | 1.31 |
| Cost of Equity | 11.8% |
| Weighted Average Cost of Capital | 10.89% |

| EBIT Interest Coverage Ratio | |
|------------------------------|--------------|
| EBIT | 72,918 |
| Interest Expense | (7,236) |
| Coverage Ratio | 10.08 |
| Implied Spread | 0.82% |
| Risk-free Rate | 2.61% |
| Cost of Debt | 3.43% |

Appendix F: DCF

| Organogenesis, Inc. (NASDAQ: ORGO) | | | | | | | |
|------------------------------------|----------|---------|----------|----------|----------|----------|----------|
| <i>Discounted Cash Flow</i> | FY 2020 | FY 2021 | FY 2022E | FY 2023E | FY 2024E | FY 2025E | FY 2026E |
| EBIT | 26,700 | 72,918 | 96,965 | 128,084 | 151,218 | 179,961 | 209,699 |
| Taxes | (530) | 31,116 | (23,756) | (31,381) | (37,048) | (44,091) | (51,376) |
| <i>Tax Rate</i> | -2.0% | 42.7% | -24.5% | -24.5% | -24.5% | -24.5% | -24.5% |
| NOPAT | 26,170 | 104,034 | 73,208 | 96,703 | 114,170 | 135,871 | 158,322 |
| Plus: D&A | 8,183 | 16,676 | 16,580 | 18,495 | 20,470 | 22,488 | 24,332 |
| Less: CapEx | 17,678 | 31,220 | 10,097 | 12,946 | 16,376 | 20,239 | 23,845 |
| Less: Change in NWC | 28,791 | 4,339 | 6,749 | 8,739 | 7,580 | 7,906 | 7,491 |
| Free Cash Flow | (12,116) | 85,151 | 72,942 | 93,513 | 110,684 | 130,213 | 151,318 |
| <i>Discount Factor</i> | | | 0.5 | 1.5 | 2.5 | 3.5 | 4.5 |
| PV of Cash Flows | | | 69,267 | 80,079 | 85,474 | 90,678 | 95,025 |

| Sensitivity Analysis | | | | | | |
|----------------------|-------|----------------------|-------|-------|-------|-------|
| | | Terminal Growth Rate | | | | |
| | | 1.00% | 1.50% | 2.00% | 2.50% | 3.00% |
| WACC | 9.4% | 12.32 | 12.94 | 13.65 | 14.46 | 15.39 |
| | 10.4% | 10.95 | 11.43 | 11.96 | 12.57 | 13.25 |
| | 11.4% | 9.84 | 10.22 | 10.64 | 11.10 | 11.62 |
| | 12.4% | 8.94 | 9.24 | 9.57 | 9.93 | 10.34 |
| | 13.4% | 8.18 | 8.42 | 8.69 | 8.98 | 9.31 |
| | | EV/EBIT | | | | |
| | | 6.99 | 7.99 | 8.99 | 9.99 | 10.99 |
| WACC | 9.4% | 11.29 | 12.46 | 13.62 | 14.79 | 15.96 |
| | 10.4% | 10.96 | 12.08 | 13.20 | 14.32 | 15.45 |
| | 11.4% | 10.65 | 11.72 | 12.80 | 13.88 | 14.96 |
| | 12.4% | 10.35 | 11.39 | 12.42 | 13.45 | 14.49 |
| | 13.4% | 10.07 | 11.06 | 12.06 | 13.05 | 14.05 |

| Terminal Value Calculations | | | |
|-----------------------------|------------------|---------------------------------|------------------|
| Gordon Growth Method | | Terminal Multiple Method | |
| Terminal Cash Flow | 151,318 | Terminal EBIT | 234,030 |
| WACC | 10.89% | WACC | 10.89% |
| Terminal Growth Rate | 2.00% | EV/EBIT | 7.02x |
| Terminal Value | 1,735,736 | Terminal Value | 1,643,079 |
| PV of Terminal Value | 1,090,008 | PV of Terminal Value | 1,031,821 |
| Enterprise Value | 1,510,532 | Enterprise Value | 1,452,345 |
| Less: Debt | 117,662 | Less: Debt | 117,662 |
| Plus: Cash | 113,929 | Plus: Cash | 113,929 |
| Equity Value | 1,506,799 | Equity Value | 1,448,612 |
| Diluted Shares Outstanding | 133,663 | Diluted Shares Outstanding | 133,663 |
| Price Per Share | \$11.27 | Price Per Share | \$10.84 |
| Upside | 41% | Upside | 36% |

Appendix H: Comparable Companies



| Organogenesis, Inc (NASDAQ: ORGO) | | | | | | | | 2021 | | | | | 2023 | | | | |
|--------------------------------------|-------------|--------------------|----------------|------------------|----------------|------------------|------------------|-----------------|----------------|---------------|------------------|-------------------|-----------------|----------------|---------------|------------------|-------------------|
| <i>Comparable Companies Analysis</i> | | | | | | | | Revenue | EBIT | Net Income | EBITDA | R&D | Revenue | EBIT | Net Income | EBITDA | R&D |
| Ticker | Share Price | Shares Outstanding | Market Cap | Cash | Debt | Enterprise Value | | | | | | | | | | | |
| Organogenesis | ORGO | 7.99 | 128,331 | 1,025,365 | 113,929 | 117,662 | 1,029,098 | 468,059 | 72,918 | 94,902 | 89,594 | 30,742 | 569,261 | 128,084 | 89,804 | 146,578 | 39,848 |
| MiMedx | MDXG | 4.67 | 112,400 | 524,908 | 87,100 | 53,100 | 490,908 | 258,600 | (4,700) | (10,300) | 1,800 | 17,300 | 307,330 | 15,770 | 11,250 | 16,530 | 22,000 |
| Integra | IART | 64.14 | 83,200 | 5,336,448 | 513,400 | 1,651,300 | 6,474,348 | 1,542,400 | 272,500 | 169,100 | 412,600 | 75,600 | 1,675,500 | 411,500 | 310,270 | 460,440 | 124,199 |
| Smith & Nephew | SNN | 32.39 | 438,500 | 14,203,015 | 113,000 | 44,800 | 14,134,815 | 5,212,000 | 864,000 | 448,000 | 1,431,000 | 356,000 | 5,714,270 | 888,430 | 717,000 | 1,455,250 | 359,880 |
| Organogenesis | ORGO | | | | | | | EV/Sales | EV/EBIT | P/E | EV/EBITDA | EV/R&D | EV/Sales | EV/EBIT | P/E | EV/EBITDA | EV/R&D |
| | | | | | | | | 2.20x | 14.11x | 10.80x | 11.49x | 33.48x | 1.81x | 8.03x | 11.42x | 7.02x | 25.83x |
| MiMedx | MDXG | | | | | | | 1.90x | NM | NM | NM | 28.38x | 1.60x | 31.13x | 46.66x | 29.70x | 22.31x |
| Integra | IART | | | | | | | 4.20x | 23.76x | 31.56x | 15.69x | 85.64x | 3.86x | 15.73x | 17.20x | 14.06x | 52.13x |
| Smith & Nephew | SWBI | | | | | | | 2.71x | 16.36x | 31.70x | 9.88x | 39.70x | 2.47x | 15.91x | 19.81x | 9.71x | 39.28x |

Appendix I: ORGO Short Report

The Report

- Published in Oct. 2021 on Value Investors Club, a site that allows users to anonymously publish stock ideas
- Claimed that ORGO has overbilled Medicare for major products like PuraPly and Affinity, which has contributed to revenue growth in recent years
- Caused an 18% drop in ORGO stock price
- Is the basis for a shareholder lawsuit against ORGO

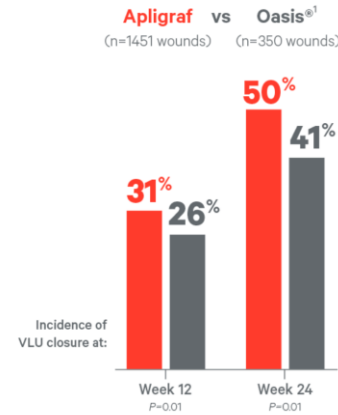
Disproving the Report

- Analysts have maintained a **consensus buy rating** of ORGO since the report has been published
- The report makes the **false claim** that PuraPly is not an effective antimicrobial wound matrix, despite its efficacy being proven through several trials
- New products that have proven efficacy, like Affinity, are often given **high initial reimbursement rates** in order to **encourage physician usage** early on; This is not uncommon.
- It's been 6 months since the report was issued and **no formal investigation** into Organogenesis has been announced
- ORGO was likely an **easy target** for the author of the report due to the existing negative reputation it has as a former SPAC that is not widely known and operates in an esoteric space
- There are **200+ publications** reviewing the efficacy of ORGO's products
- ORGO beat Q3, Q4, and FY2021 earnings estimates despite the report claiming that ORGO's unethical practices ended in July of 2021, proving that strong performance was not due to the post's claims
 - ORGO has invested heavily in its sales force in recent years, which explains the firm's revenue growth

Appendix J: Apligraf Efficacy

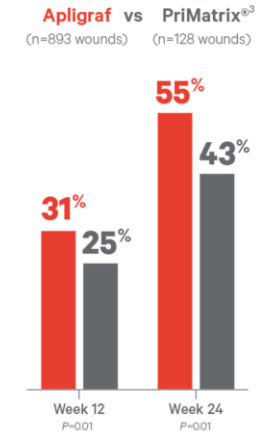
ORGO vs. Smith & Nephew

- 50% of VLU wounds closed by week 24 for Apligraf vs 41% for Oasis ($P=0.01$)¹
- Median time to wound closure was 24 weeks for Apligraf vs 43 weeks for Oasis ($P=0.01$)¹
- Apligraf closed VLUs **44% faster**¹



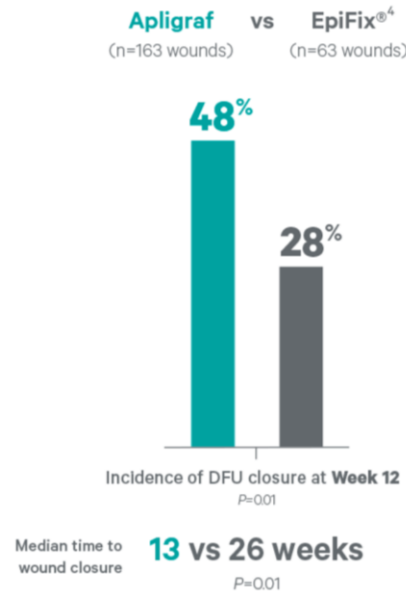
ORGO vs. Integra

- 55% of VLU wounds closed by week 24 for Apligraf vs 43% for PriMatrix ($P=0.01$)³
- Median time to wound closure was 19 weeks for Apligraf vs 30 weeks for PriMatrix ($P=0.01$)³
- Apligraf closed VLUs **37% faster**³



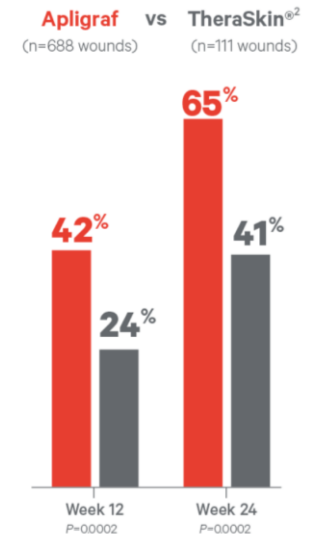
ORGO vs. MiMedx

- Incidence of DFU closure at week 12 was 48% vs 28% for EpiFix ($P=0.01$)⁴
- Median time to wound closure was 13 weeks for Apligraf vs 26 weeks for EpiFix ($P=0.01$)⁴
- Apligraf closed DFUs **49% faster**⁴



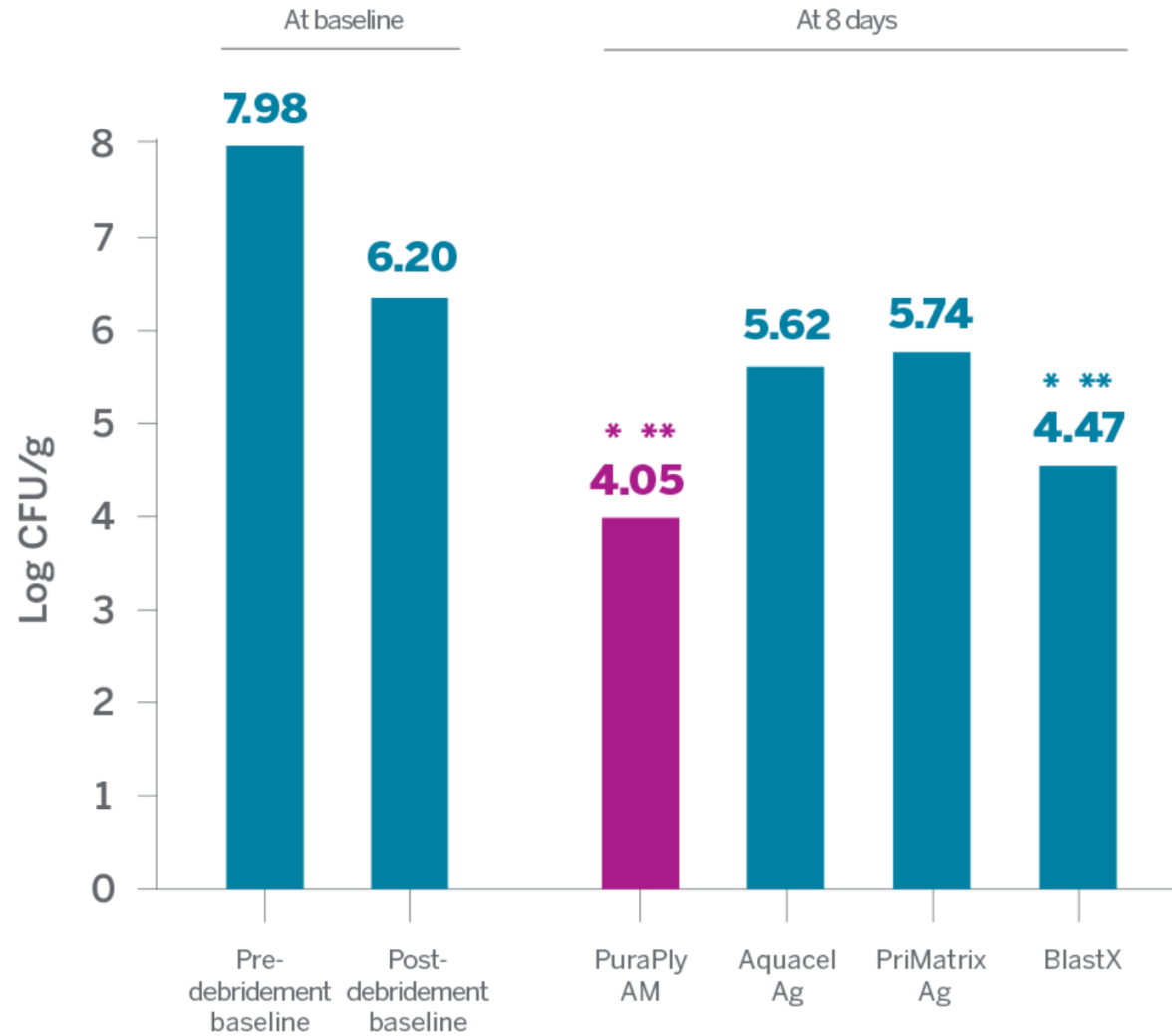
ORGO vs. Misonix

- 65% of VLU wounds closed by week 24 for Apligraf vs 41% for TheraSkin ($P=0.0002$)²
- Median time to wound closure was 15 weeks for Apligraf vs 31 weeks for TheraSkin ($P=0.0002$)²
- Apligraf closed VLUs **52% faster**²



Appendix K: PuraPly Efficacy

MRSA counts (in vivo)

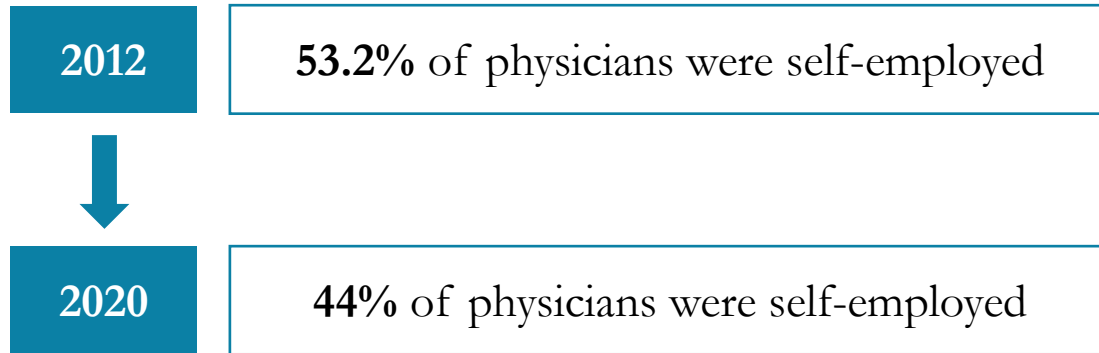


* $P < 0.05$ vs Aquacel Ag and vs PriMatrix Ag

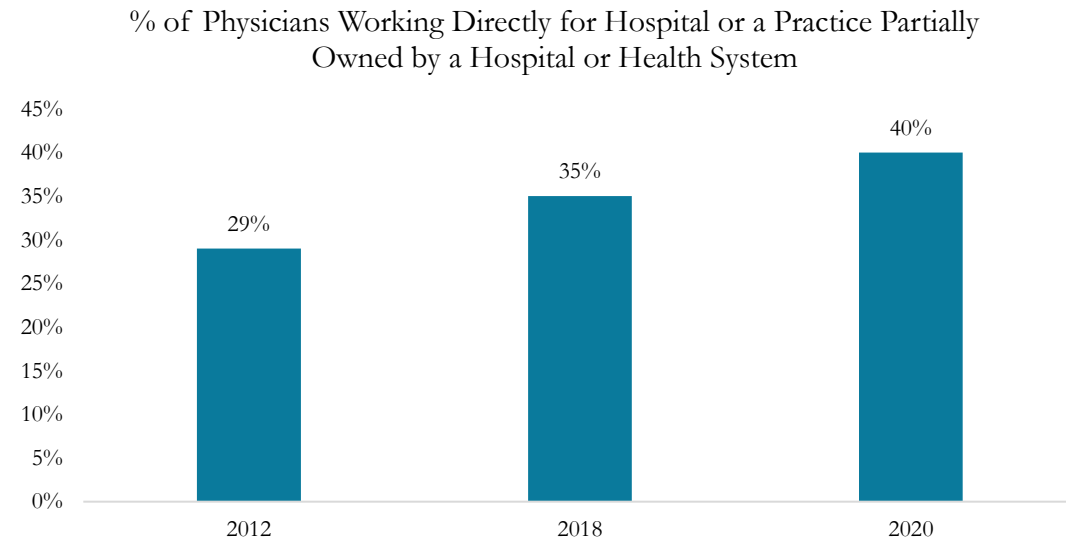
** $P < 0.05$ vs pre- and post-debridement baselines

Appendix L: Rise of Physician Groups

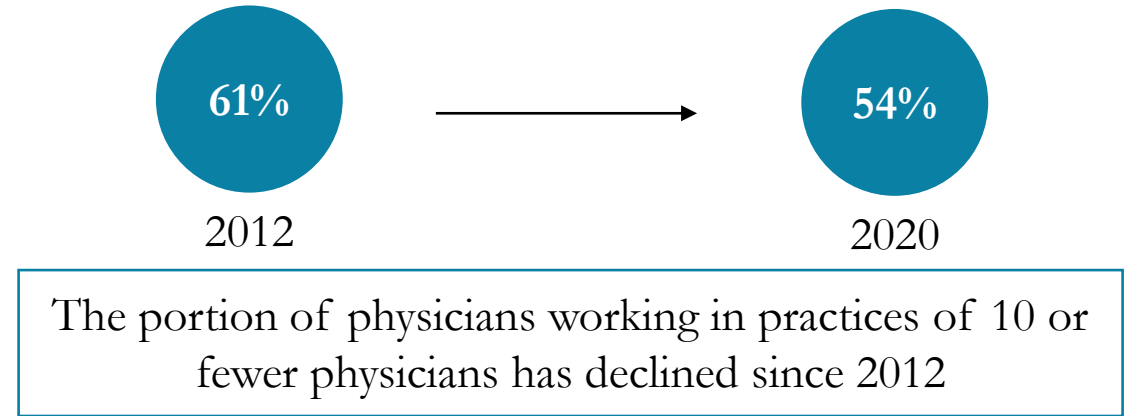
Employment Status



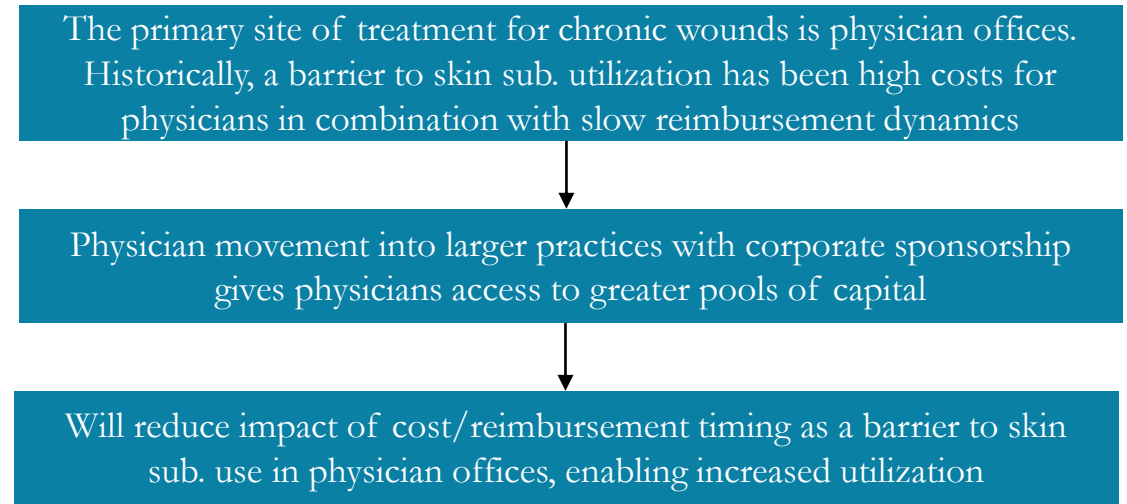
Practice Ownership



Practice Size



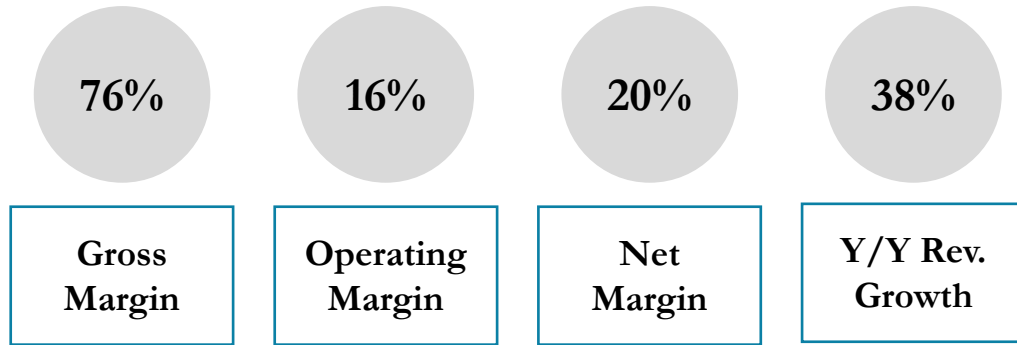
Influence on Skin Sub. Use



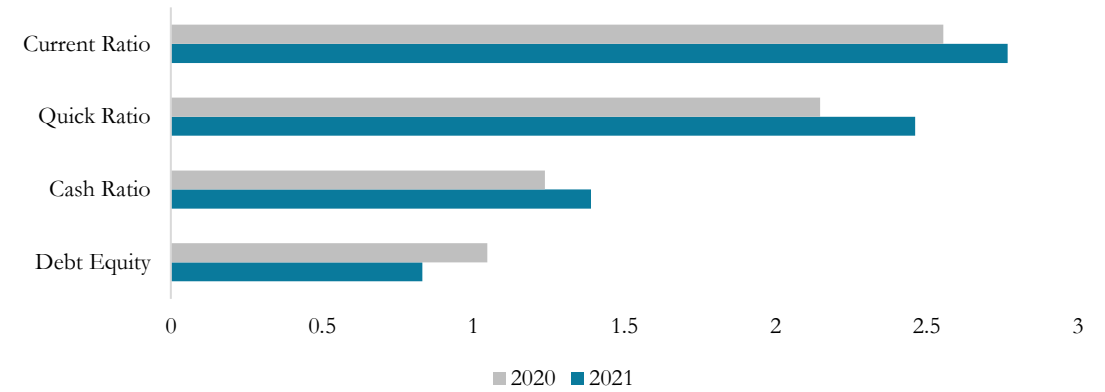
Source: American Medical Association

Appendix M: Financial Analysis

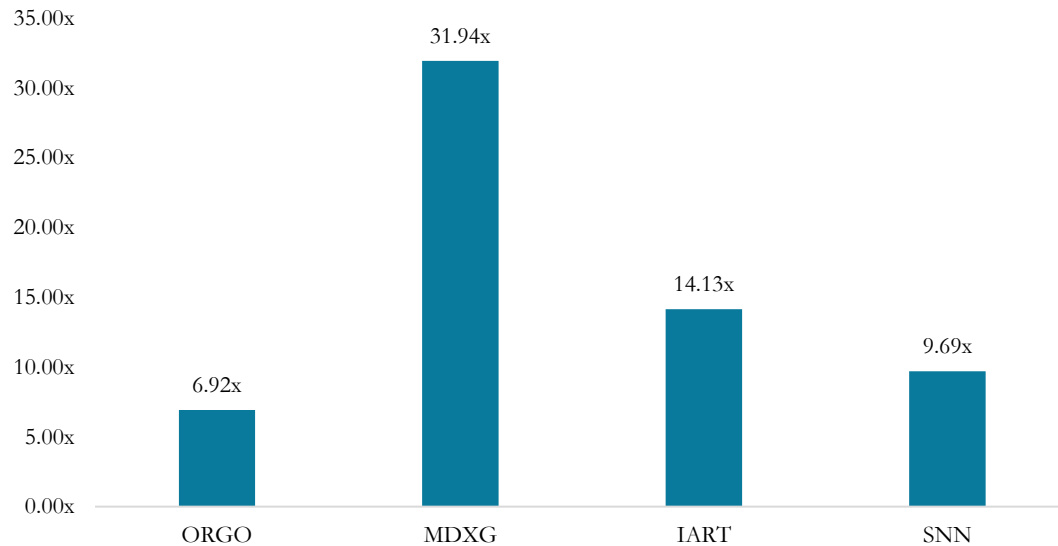
Key 2021 Metrics



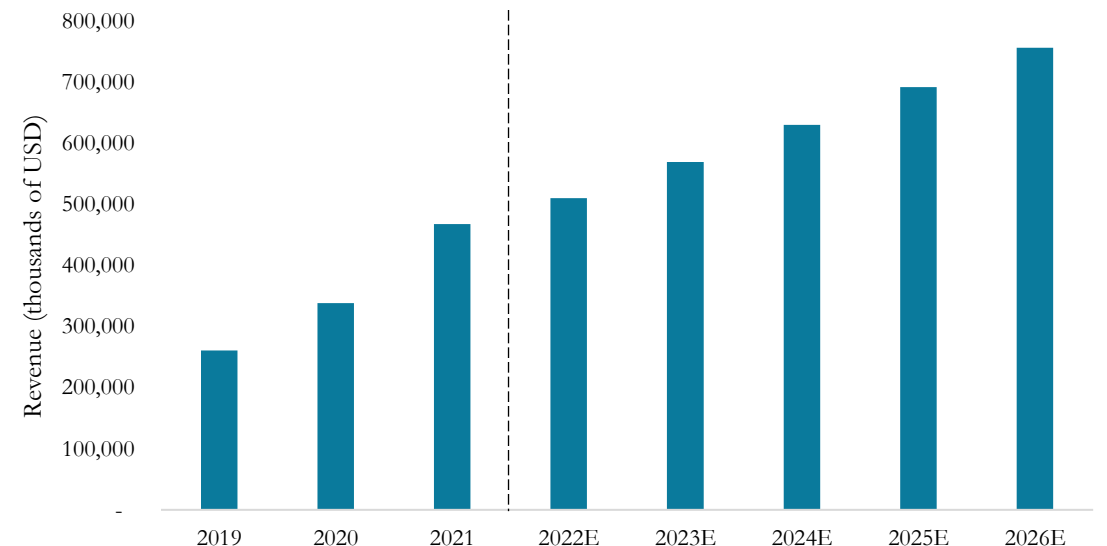
Key Ratios



2024 EV/EBITDA vs. Peers



Revenue Projection



Appendix N: ORGO vs. SPAK vs. SPY

Binghamton Investment Fund | Healthcare Sector

