Zacks Small-Cap Research

April 28, 2014
Jason Napodano, CFA
312-265-9421
jnapodano@zacks.com

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

Cytomedix, Inc (CMXI-OTCQX)

CMXI: Upgrading Cytomedix – AutoloGel Ready For Prime Time…

Current Recommendation	**Buy**
Prior Recommendation	Neutral
Date of Last Change	04/25/2014
Current Price (04/28/14)	$0.60
Target Price	**$1.50**

UPDATE

Last week we attended the Symposium on Advanced Wound Care (SAWC) in Orlando, FL. We spent over three hours on the massive exhibit hall floor, having conversations with various companies and wound care professionals. Almost every major advanced product for the treatment of chronic wounds was there on display, including Dermagraft®, Apligraf®, Epifix®, Grafix®, Oasis® Wound Matrix, Regranex®, MatriStem®, and AutoloGel®.

In our report we highly Cytomedix data from SAWC and outline our belief that now is a good time to establish a position in the stock. We believe the shares are fairly-value at $1.50, and this includes no contribution from the Aldagen pipeline or the ongoing RECOVER-Stroke trial with ALD-401 that is expected to report data very soon. Our rating is now 'Buy'.

SUMMARY DATA

52-Week High	**$0.65**
52-Week Low	**$0.36**
One-Year Return (%)	**18.63**
Beta	**0.17**
Average Daily Volume (sh)	**503,178**
Shares Outstanding (mil)	**107**
Market Capitalization ($mil)	**$65**
Short Interest Ratio (days)	**1.62**
Institutional Ownership (%)	**0**
Insider Ownership (%)	**14**
Annual Cash Dividend	**$0.00**
Dividend Yield (%)	**0.00**
5-Yr. Historical Growth Rates	
Sales (%)	**21.7**
Earnings Per Share (%)	**N/A**
Dividend (%)	**N/A**
P/E using TTM EPS	**N/A**
P/E using 2014 Estimate	**N/A**
P/E using 2015 Estimate	**N/A**

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

ZACKS ESTIMATES

Revenue
(in millions of $)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2013	2.3 A	2.4 A	3.4 A	3.5 A	11.6 A
2014	3.8 E	4.7 E	7.2 E	10.7 E	26.4 E
2015					45.5 E
2016					71.9 E

Earnings per Share
(EPS is based on diluted shares)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2013	-$0.05 A	-$0.05 A	-$0.05 A	-$0.05 A	-$0.20 A
2014	-$0.04 E	-$0.03 E	-$0.03 E	-$0.02 E	-$0.11 E
2015					-$0.05 E
2016					$0.01 E

© Copyright 2014, Zacks Investment Research. All Rights Reserved.

WHAT'S NEW

Last week we attended the **Symposium on Advanced Wound Care** (SAWC) in Orlando, FL. We spent over three hours on the massive exhibit hall floor, having conversations with various companies and wound care professionals. Almost every major advanced product for the treatment of chronic wounds was there on display, including Dermagraft®, Apligraf®, Epifix®, Grafix®, Oasis® Wound Matrix, Regranex®, MatriStem®, and AutoloGel®. Exploring the exhibit hall floor, we observed the following:

1) The wound care market is highly fragmented, with no major player holding over 25% share. Prior to CMS packaging, which has taken effect in 2014, market share was driven by a combination of active and aggressive promotion from some of the industry's top players and economic incentives from physicians.

2) The changes instituted by CMS in November 2013 for wound care reimbursement will have a dramatic and profound effect on new market share starting in 2014. Past leaders, Dermagraft and Apligraf, each having posted over $100 million in sales in 2013, will see their business struggle in 2014 (note that Shire has divested Dermagraft and privately held Organogenesis recently slashed its staff).

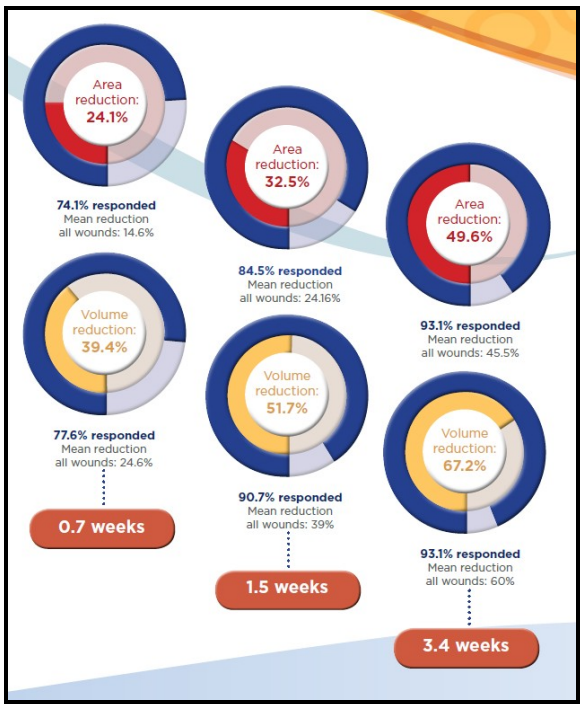
3) High quality data are lacking in the wound care market. Most data are retrospective and randomized controlled trials are small. Cytomedix is currently enrolling four clinical programs with a goal to have data on over 2,500 by the end of 2015. We believe additional programs are planned. This will help the company dramatically increase awareness for AutoloGel in the coming quarters.

4) Cost will play a much bigger role in the sustainability of wound care products than ever before thanks to CMS packaging. We believe AutoloGel has >70% gross margin under existing pay rules for HOPPS and PFS, and that should allow Cytomedix ample profitability for active promotion and favorable economics to the wound care professional. This should allow Cytomedix the opportunity to gain sizable market share in the coming quarters.

At SAWC, Cytomedix presented at posted on Saturday, April 26, 2014, entitled, "Platelet Rich Plasma Gel Consistently Reduces Pressure Ulcer Size (Poster No. CS058, Carelyn P. Fylling, RN, MSN, CWS, CLNC Vice President, Professional Services and Laurie Rappl, PT, DPT, CWS Clinical Specialist – Cytomedix, Inc.). The purpose of the poster was to demonstrate that AutoloGel (autologous platelet rich plasma) could provide an effective topical treatment for difficult to treat pressure ulcers.

The poster presented findings from 46 patients (58 pressure ulcers) treated at long-term acute care facilities in the U.S. with AutoloGel. The mean baseline wound for this study at an area of 27.6 cm^2 and volume of 71.9 cm^3, with an average duration of 45.9 weeks. We present the key findings from the analysis. Results show a consistent and impressive improvement in both wound area and volume following ~3.5 weeks and 4-5 treatments with AutoloGel.

	Area Reduction	Volume Reduction
1 Treatment	26.3 % 72.5% responded. Mean reduction all wounds: 16.9%	41.1 % 78.4% responded. Mean reduction all wounds: 26.4%
2 Treatments	33.5 % 86.3% responded. Mean reduction all wounds: 26.8%	53.5 % 86.3% responded. Mean reduction all wounds: 41.0%
3 Treatments	48.7 % 84.3% responded. Mean reduction all wounds: 38.8%	63.8 % 92.2% responded. Mean reduction all wounds: 58.7%
4.3 Treatments	51.2 % 94.1% responded. Mean reduction all wounds: 47.4%	69.4 % 94.1% responded. Mean reduction all wounds: 62.5%



Source: Cytomedix, Inc.

Upgrading Our Rating To Buy

After almost a year of telling investors that fundamentals at Cytomedix are set to dramatically improve based on the National Coverage Determination decision by CMS last year, we are now officially increasing our rating to 'Buy'. We believe now is an excellent time to start acquiring shares of Cytomedix for the long-term. Our price target has increased from $1.00 to $2.00 per share. Below we outline five reasons why now is an excellent time to add Cytomedix to your portfolio.

No. 1 ➔ *AutoloGel Going From Zero To Hero In Wound Care*

We believe the new payment rules put into place January 1, 2014 by CMS dramatically enhance the commercial viability of Cytomedix' AutoloGel (autologous platelet-rich plasma) for the treatment of chronic wounds, including diabetic foot ulcers, venous leg ulcers, and pressure ulcers. For example, under the new classification in Hospital Outpatient Prospective Payment System (HOPPS) as a Level-2 skin substitute (APC-0327) AutoloGel will be reimbursed at an average rate of $411 per treatment encounter. This is roughly a five-fold increase from the average reimbursement under HOPPS for AutoloGel of $74 in 2013. We believe this represents approximately 65% of the Medicare market for the treatment of chronic wounds. Reimbursement under PFS is being directed by the Medicare Administrative Contractors (MAC) based on claims submitted by individual healthcare providers.

We believe that reimbursement at $411 average per treatment is a highly profitable product to both Cytomedix and the hospital outpatient facility or physician's office. We believe Cytomedix was previously selling AutoloGel "at cost" in 2013, which was around $74. As such, Medicare business prior to 2014 was virtually nil. Instead, the company was focused primarily on the limited number of private payer and long-term acute care facilities that were paying for AutoloGel. In 2013, this business generated $0.6 million in revenues to the company. Today, with national coverage under CED and a dramatically leveled playing field in the wound care market, it's a whole new ballgame for Cytomedix. The focus over the next six to nine months is on execution.

Above we noted how the claims under PFS are getting kicked back from improper coding. It is clear that there are still bumps in the road under both PFS and HOPPS. As such, the company is holding off on hiring and expanding its sales force. Instead, management has brought in talented senior leadership to point the ship in the right direction before they put their foot on the gas pedal. We note two recent hires:

- Dean Tozer: Dean Tozer has been consulting with Cytomedix for the past several months. We actually had he opportunity to sit down with Dean face-to-face with him in January 2014. He brings more than 25 years' experience in the global healthcare industry and has an established track record of successfully launching and marketing wound care products. From 2006 to 2011, he was Senior Vice President at Advanced BioHealing Inc. where he was responsible for the acquisition and reintroduction of Dermagraft into the U.S. market. Subsequently, Mr. Tozer became Vice President of Corporate Development at Shire Regenerative Medicine following the acquisition of Advanced BioHealing, where he led the business development efforts for that division including the 2012 acquisition of Pervasis Therapeutics. Mr. Tozer was also a founding executive and officer of the Alliance for Regenerative Medicine, where he served as Treasurer. He earned a Bachelor of Commerce degree from St. Mary's University in Halifax, Canada and is a Certified Management Accountant.

- Jennifer Linsky: Jennifer Linsky also joins Cytomedix from Shire Regenerative Medicine, where she was a National Accounts Manager and National Manager of Market and Business Development. At Shire, she launched a business development and comprehensive disease management program initiative that increased the diabetic wound market potential nationwide. Ms. Linsky also spent more than 7 years in positions of increasing responsibility at GlaxoSmithKline, culminating in her promotion to a four-year position as a District Sales Manager. Ms. Linsky earned a Bachelor of Science in Nutritional Science/Pre-Medicine and graduated cum laude from Auburn University.

These are great hires by Cytomedix to oversee the re-launch of AutoloGel in 2014. Dermagraft was a product that languished for a period of time prior to CMS reimbursement. However, post national coverage by CMS, Dermagraft sales took off, ramping from under $10 million in 2007 to over $150 million in 2012. The wound care market has changed since Dermagraft was positing sales above $150 million.

In fact, the changes instituted by CMS in late 2013 to the market made Shire divest the product because the sales opportunity has been significantly impaired. Nevertheless, the economics for AutoloGel are attractive under the new payment schedules and we believe the experience of Mr. Tozer and Ms. Linsky will help Cytomedix realize the potential of the product once many of the remaining "kinks" with respect to coding and filing claims gets worked out.

As far as the required clinical programs under CED, all things look to be on track. By the end of the year, management expects to have over 1,000 patients enrolled in all four programs combined. We remind investors that the four CED programs include one randomized clinical trial (RCT) seeking to enroll 280 patients with varied wounds, and then three separate registry programs each seeking to enroll up to 750 patients with diabetic foot ulcers, venous legs ulcers, and pressure ulcers, respectively. Management expects the RCT program to fully enroll in 2013. The other three programs, as well as any new programs the company elects to initiate, will likely take 18 to 24 months to enroll and report data.

The company currently has nine sales representatives out in the field promoting the product, with a goal of 20 by the end of the year. We went back and looked at the magnitude of business that Advanced BioHealing (ABH) was doing with Dermagraft in 2012 prior to its acquisition by Shire Pharmaceuticals. ABH had Dermagraft sales near $150 million annualized at the time of the deal, with about 100 full-time representatives. That equates to around $1.5 million per rep. If Cytomedix can match even half that efficiency, with a goal of 20 reps in the field at year-end 2014, Cytomedix could be annualizing at $15 million in revenue with AutoloGel in 2015. That's an incredible ramp!

If we look at the base generated in 2013 of $0.6 million, we think CMS reimbursement kicks open significant opportunity for expanding sales with long-term acute care facilities, non-Medicare patients, and VA hospitals. Specifically, we believe Cytomedix can turn that $0.6 million base business in 2013 into $1.5 to $2.0 million in 2014. Additionally, by just enrolling the four CED programs in 2014, we expect the company to generate $3 to $5 million in revenues. Ultimately, $15 million in sales may be an aggressive assumption for 2015 given that the company does not plan to bring these new reps on until the second half of the year, but with 20 reps to enter 2015 and a long-term goal to get to 60 reps in a few years, AutoloGel sales should surge in 2015 and 2016.

As noted above, priority one is standardizing the policies and procedures under the new CMS payment rules, enrolling the CED trials, and working with PFS and HOPPS groups to iron out and kinks in the process so that when the reps do come on board, or a deal with a pharmaceutical company is struck, the ramp goes smoothly. Given the size of the wound care market at an estimated $3.5 billion, and the fact that AutoloGel has an FDA approved label for all three wound types – diabetic foot ulcers, pressure ulcers, and venous leg ulcers (note: Dermagraft and Apligraf has label indication only for diabetic foot ulcers) – and the favorable economics associated with AutoloGel, we see the product as having speak sales in the $100 million range. We plug this number into our valuation model discussed below.

No. 2 ➔ *Angel Will Soar Under Athrex*

In August 2013, Cytomedix partnered its Angel Concentrated PRP system by licensing the rights to Arthrex, Inc. in return for $5 million in cash and future low-teens royalties (we model 13%). We think this was a wonderful transaction for Cytomedix, and one where the market really hasn't come to grips with the potential upside Arthrex, Inc. brings to the table. For example, based on analysis of previous quarterly reports, we believe Angel delivered around 15-20% net margin to Cytomedix. On sales of around $10 million over the trailing twelve months, that's a net profit of $1.5 to $2.0 million. At 13% royalty, all that needs to happen for Cytomedix to have essentially made a good decision here is for Arthrex, Inc. to do around $15 million in Angel sales. That's only $5 million more than Cytomedix was doing itself, promoting with 10 independent contract sale representatives, and sales in the fourth quarter 2013 were $2.8 million, annualizing at $11.2 million.

Arthrex, Inc. has over 1,500 sales reps! Arthrex, Inc. also has the potential to package Angel with its existing bone marrow aspirate cell suspension products, its BioCartilage® matrix, its Autograft osteochondral repair system, or its existing PRP autologous systems. Arthrex, Inc. is going to turn Angel from a $10 million product to a $50 million product in our view. Just take a look at the product brochure that Arthrex has prepared on Angel ahead of the official re-launch in April 2014. Not only is this a significant step-up in promotional material, but it seems clear that Arthrex is already attempting to up-sell Angel with existing product-lines noted above. The company has created a bone marrow aspiration kit that sells at nearly double the cost of the stand-alone Angel device. And keep in mind, Cytomedix gets a low-teen royalty on all Angel-related product sales, including these far more expensive kits. That alone could turn the $11 million run-rate into well above the $15 million hurdle for a "good decision" noted above.

The royalties to Cytomedix are going to dwarf the previous sales in a few years. For 2014, we believe Arthrex will post Angel sales in the area of $18 million. In 2015, we believe Arthrex can growth the franchise to over $28 million, peaking at $75 million in the next few years. Similar to AutoloGel, we plug these numbers into our valuation model discussed below.

No. 3 ➔ *Stroke Trial – A Free Call Option*

The company's Phase 2 RECOVER-Stroke clinical study with ALD-401 completed enrollment at 48 patients in January 2014. Originally, the company planned to enroll 100 patients in the study, but based on an interim resizing analysis conducted by the company in January 2014, management concluded that the trial is adequately powered based on pre-specified assumptions at 48 patients. On the fourth quarter update call, management specifically noted this interim analysis determined that the trial was adequately powered to demonstrate a clinically appropriate difference in the primary efficacy endpoint. The previous protocol noted that RECOVER was 90% powered to detect a 0.8 drop in Modified Rankin Scale (MRS) from baseline to recovery at 90 days. We believe at 48 patients, the powering is lower than the 90% original assumption, but still adequate enough to provide evidence of efficacy in this proof-of-concept study.

Data from RECOVER in early May is a major catalyst for Cytomedix. If it is positive – meaning the primary endpoint hits and delivered a >0.8 reduction in mRS at 90 days post treatment – the shares skyrocket. We think they could hit $2.00 on the news. Any reduction vs. the shame procedure and we think the stock still reacts well considering expectations are very low and its clear things like powering assumptions and enrollment can be expanded in later studies. No reduction – a complete failure – and we think the stock maintains current in value because that means Cytomedix will probably be done spending money on the Bright Cell technology. As such, data from RECOVER represents a risk-free call option for Cytomedix investors.

No. 4 ➔ *Finally, The Cash To See Things Through*

Cytomedix exited 2013 with $3.3 million in cash on the books. The company burned approximately $3.5 million in the fourth quarter and $10.0 million during the full year 2013. On March 31, 2014, Cytomedix announced a tiered financing agreement with Deerfield Management Company and Anson Group. We provide a quick summary of the transaction below:

- Deerfield: Under terms of the agreement, Deerfield has agreed to provide up to $35 million in capital to Cytomedix through a senior convertible note. The commitment will be funded in two separate tranches. Deerfield initially provided $9.0 million at the closing of the transaction (which took place on March 31, 2014). The senior note is convertible into Cytomedix common stock at $0.52 per share. This equates to 17.3 million shares. Deerfield also received 25.1 million warrants to purchase Cytomedix common stock at an exercise price of $0.52 per share; these warrants expire on March 31, 2021.

  Tranche two of the transaction will occur after Cytomedix obtains shareholder approval to increase the authorized share count. We note the current authorized share count is 200 million and as of March 24, 2014, Cytomedix had a basic count of 110.8 million plus another 61.1 million in stock options, warrants, convertible notes, and contingent consideration to Aldagen. That put the fully-diluted number at 171.9 million prior to the Deerfield financing. Including the 42.4 million issuable under the first tranche of the Deerfield transaction, Cytomedix would be at 213.3 million, above the authorized amount by 13.3 million. Therefore, we expect the company to seek approval to increase the authorized amount in the next few months.

  Once the authorized amount has been increased, Cytomedix can collect tranche two of the Deerfield transaction, which includes expanding the senior convertible note by another $26 million. Under the same terms as the first tranche, this equates to 50.0 million shares of common stock when converted and 67.5 million warrants to purchase common stock at $0.52 with seven-year term.

- Anson: Under terms of the agreement with Anson Group, Cytomedix issued 3.846 million shares of common stock at $0.52 per share to raise gross proceeds of $2.0 million. Anson also received 2.884 million warrants to purchase common stock at $0.52 per share. The warrants expire on March 31, 2019.

In conjunction with the Deerfield and Anson financings, Cytomedix paid approximately $3.8 million to extinguish the secured debt (including accrued interest and fees) owed to MidCap Financial originally entered into in February 2013. Summing up the Deerfield, Anson, and MidCap transactions, Cytomedix netted approximately $6.0 million in cash. As of March 31, 2014, we believe the company held just over $7.0 million in cash on the books. We believe this is enough cash to fund operations for another six months. We expect that tranche two from Deerfield will be completed by June or July 2014, which will bring in another $26.0 million to the company.

No. 5 ➔ *Attractive Valuation*

To value Cytomedix, we are doing a simple "sum-of-parts" valuation for the three drivers of the top-line: AutoloGel, Angel, and ALD-401. We believe AutoloGel is a $100 million product for Cytomedix. We believe Angel is a $75 million product for Arthrex, Inc., of which Cytomedix gets low-teens royalty. We apply no value for ALD-401.

The wound care market is $3.4 billion in sales, with a dramatic shift towards cheaper, easier to use, more effective products expected in 2014 thanks to a monumental CMS decision in November 2013. AutoloGel is a highly effective product with favorable economics to both payers and providers. The AutoloGel label includes approval for use in all three major wound categories, providing a distinct competitive advantage over completing products looking to crack private formularies and gain use in VA hospitals and long-term acute care facilities. The four CED programs that Cytomedix plans to enroll in 2014 should generate $3-5 million in sales alone in 2014. Assuming modest growth in the base business, AutoloGel sales should eclipse $4 million in 2014. Industry analysis of previous wound care products suggest that with 20 reps, AutoloGel could do $12-15 million in revenues in 2015 and $25 million in 2016. With peak sales in the $100 million range by 2018, a premium 5x price-to-sale multiple, and a 20% discount rate, AutoloGel alone is worth $240 million in market value.

Arthrex Inc. should be able to turn Angel into a $75 million product by 2018. They will accomplish this through a combination of dramatically increasing the sale and promotional effort, raising the price of the device, and coupling Angel with other Arthrex products and developing custom kits for things like bone marrow aspiration. Cytomedix received a low-teen royalty on sales of all Angel and Angel-coupled products at Arthrex, plus a small low-single digit mark-up on finished goods transfer. With $75 million in peak sales and 13% royalty, applying the same valuation measures as noted above with AutoloGel, Angel is worth $30 million in market value.

ALD-401 remains a wild-card in our valuation model. At this point, we place no value on the program. Data from RECOVER-Stroke is expected in early May 2014. Once the data is out, we will reassess our valuation. If Cytomedix kills the program, there should be no change to our current valuation. If the trial succeeds, ALD-401 could be worth another $100 to $200 million in immediate value.

Summing these parts together and we believe Cytomedix shares are fairly-valued right now at $1.50.

PROJECTED FINANCIALS

Cytomedix, Inc.
Income Statement

Cytomedix, Inc.	2012 A	2013 A	Q1 E	Q2 E	Q3 E	Q4 E	2014 E	2015 E	2016 E
Med Product Sales	**$7.24**	**$10.50**	**$3.18**	**$4.00**	**$6.25**	**$9.50**	**$22.93**	**$40.50**	**$65.00**
Aldagen Pipeline	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
YOY Growth	-	-	-	-	-	-	-	-	-
Royalties & Collabs	**$3.32**	**$1.07**	**$0.62**	**$0.70**	**$0.92**	**$1.22**	**$3.46**	**$4.98**	**$6.88**
YOY Growth	-	-	-	-	-	-	-	-	-
Total Revenues	**$10.56**	**$11.57**	**$3.80**	**$4.70**	**$7.17**	**$10.72**	**$26.39**	**$45.48**	**$71.88**
YOY Growth	45.8%	9.5%	64.0%	93.7%	113.0%	209.5%	128.0%	72.4%	58.0%
Cost of Royalties	$0.02	$0.09	$0.05	$0.05	$0.05	$0.05	$0.20	$0.25	$0.25
Cost of Sales	$3.90	$8.36	$2.98	$3.56	$5.25	$7.58	$19.37	$31.05	$46.50
Product Gross Margin	46.2%	20.3%	6.3%	10.9%	16.0%	20.3%	15.5%	23.3%	28.5%
R&D	$3.39	$3.80	$0.80	$0.85	$0.90	$0.95	$3.50	$3.75	$4.00
% R&D	32.1%	32.8%	21.1%	18.1%	12.6%	8.9%	13.3%	8.2%	5.6%
SG&A, Other Fees	$16.16	$17.41	$3.70	$3.95	$4.10	$4.25	$16.00	$17.50	$18.50
% G&A	152.9%	150.5%	97.4%	84.1%	57.2%	39.6%	60.6%	38.5%	25.7%
Operating Income	($12.88)	($18.10)	($3.73)	($3.72)	($3.13)	($2.11)	($12.68)	($7.07)	$2.63
Operating Margin	-121.9%	-156.4%	-98.1%	-79.2%	-43.7%	-19.6%	-48.1%	-15.5%	3.7%
Interest & Other Income	($6.89)	($2.13)	($0.50)	($0.50)	($0.50)	($0.50)	($1.00)	($1.00)	($1.00)
Pre-Tax Income	($19.76)	($20.23)	($4.23)	($4.22)	($3.63)	($2.61)	($13.68)	($8.07)	$1.63
Taxes	$0.02	$0.009	$0	$0	$0	$0	$0	$0	$0
Tax Rate	0%	0%	0%	0%	0%	0%	0%	0%	0%
Preferred A, B, D, E	$0.01	$0	$0	$0	$0	$0	$0	$0	$0
Net Income	($19.80)	($20.24)	($4.23)	($4.22)	($3.63)	($2.61)	($13.68)	($8.07)	$1.63
Net Margin	-187.4%	-174.9%	-111.3%	-89.8%	-50.6%	-24.3%	-51.9%	-17.7%	2.3%
Reported EPS	**($0.24)**	**($0.20)**	**($0.04)**	**($0.03)**	**($0.03)**	**($0.02)**	**($0.11)**	**($0.05)**	**$0.01**
YOY Growth	217.7%	-19.2%	-27.0%	-29.9%	-47.2%	-65.9%	-44.0%	-57.9%	-117.7%
Weighted Ave. Shares Out	81.9	103.6	107.5	125.0	145.0	165.0	125.0	175.0	200.0

Source: Zacks Investment Research, Inc. *Jason Napodano, CFA*

© Copyright 2014, Zacks Investment Research. All Rights Reserved.

HISTORICAL ZACKS RECOMMENDATIONS



© Copyright 2014, Zacks Investment Research. All Rights Reserved.

DISCLOSURES

The following disclosures relate to relationships between Zacks Small-Cap Research ("Zacks SCR"), a division of Zacks Investment Research ("ZIR"), and the issuers covered by the Zacks SCR Analysts in the Small-Cap Universe.

ANALYST DISCLOSURES

I, Jason Napodano, CFA, CFA, hereby certify that the view expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the recommendations or views expressed in this research report. I believe the information used for the creation of this report has been obtained from sources I considered to be reliable, but I can neither guarantee nor represent the completeness or accuracy of the information herewith. Such information and the opinions expressed are subject to change without notice.

INVESMENT BANKING, REFERRALS, AND FEES FOR SERVICE

Zacks SCR does not provide nor has received compensation for investment banking services on the securities covered in this report. Zacks SCR does not expect to receive compensation for investment banking services on the Small-Cap Universe. Zacks SCR may seek to provide referrals for a fee to investment banks. Zacks & Co., a separate legal entity from ZIR, is, among others, one of these investment banks. Referrals may include securities and issuers noted in this report. Zacks & Co. may have paid referral fees to Zacks SCR related to some of the securities and issuers noted in this report. From time to time, Zacks SCR pays investment banks, including Zacks & Co., a referral fee for research coverage.

Zacks SCR has received compensation for non-investment banking services on the Small-Cap Universe, and expects to receive additional compensation for non-investment banking services on the Small-Cap Universe, paid by issuers of securities covered by Zacks SCR Analysts. Non-investment banking services include investor relations services and software, financial database analysis, advertising services, brokerage services, advisory services, equity research, investment management, non-deal road shows, and attendance fees for conferences sponsored or co-sponsored by Zacks SCR. The fees for these services vary on a per client basis and are subject to the number of services contracted. Fees typically range between ten thousand and fifty thousand USD per annum.

POLICY DISCLOSURES

Zacks SCR Analysts are restricted from holding or trading securities placed on the ZIR, SCR, or Zacks & Co. restricted list, which may include issuers in the Small-Cap Universe. ZIR and Zacks SCR do not make a market in any security nor do they act as dealers in securities. Each Zacks SCR Analyst has full discretion on the rating and price target based on his or her own due diligence. Analysts are paid in part based on the overall profitability of Zacks SCR. Such profitability is derived from a variety of sources and includes payments received from issuers of securities covered by Zacks SCR for services described above. No part of analyst compensation was, is or will be, directly or indirectly, related to the specific recommendations or views expressed in any report or article.

ADDITIONAL INFORMATION

Additional information is available upon request. Zacks SCR reports are based on data obtained from sources we believe to be reliable, but are not guaranteed as to be accurate nor do we purport to be complete. Because of individual objectives, this report should not be construed as advice designed to meet the particular investment needs of any investor. Any opinions expressed by Zacks SCR Analysts are subject to change without notice. Reports are not to be construed as an offer or solicitation of an offer to buy or sell the securities herein mentioned.

ZACKS RATING & RECOMMENDATION

ZIR uses the following rating system for the 1079 companies whose securities it covers, including securities covered by Zacks SCR:
Buy/Outperform: The analyst expects that the subject company will outperform the broader U.S. equity market over the next one to two quarters.
Hold/Neutral: The analyst expects that the company will perform in line with the broader U.S. equity market over the next one to two quarters.
Sell/Underperform: The analyst expects the company will underperform the broader U.S. Equity market over the next one to two quarters.

The current distribution is as follows: Buy/Outperform- 17.1%, Hold/Neutral- 74.9%, Sell/Underperform – 7.2%. Data is as of midnight on the business day immediately prior to this publication.