Zacks Small-Cap Research

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CytoSorbents Cp (CTSO-OTCBB)

CTSO: Record Product Sales in Q4 But Even Bigger Plans for 2014

Current Recommendation	**Outperform**
Prior Recommendation	N/A
Date of Last Change	06/04/2012
Current Price (04/02/14)	$0.21
Target Price	**$0.50**

OUTLOOK

CytoSorb was CE Marked in March 2011 and subsequently commenced its initial commercialization. Initial focus on building awareness appears to be paying off. CTSO now generating clinical outcomes data which is just starting to be used to accelerate adoption and utilization. Mgmt outlined a multi-point plan on Q4 call to use recent cash raise to further accelerate sales as well as generate additional clinical data and build awareness. CTSO now expects to pursue cardiac surgery indication in the U.S. as this may provide the lowest cost, easiest and fastest route to the U.S. market. Cardiac surgery indication has driven substantial interest overseas with successful outcomes. Gov't contracts/grants that CTSO continues to score should benefit near-term revenue and cash flow as well as also aid their awareness-building efforts, further increase visibility and credibility of the technology, and potentially expand the menu of potential applications of the device. Interest in and use of CytoSorb from key opinion leaders continues to increase.

SUMMARY DATA

52-Week High	**$0.35**
52-Week Low	**$0.08**
One-Year Return (%)	**88.79**
Beta	**-1.78**
Average Daily Volume (sh)	**2,287,269**
Shares Outstanding (mil)	**288**
Market Capitalization ($mil)	**$60**
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**
P/E using TTM EPS	**N/A**
P/E using 2014 Estimate	**N/A**
P/E using 2015 Estimate	**- N/A**
Zacks Rank	**N/A**

Risk Level	**N/A**
Type of Stock	**N/A**
Industry	**Med Products**

ZACKS ESTIMATES

Revenue
(in '000 of $)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2013	371 A	292 A	881 A	879 A	2423 A
2014	1023 E	1155 E	1144 E	1338 E	4660 E
2015					14210 E
2016					22380 E

Earnings per Share

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2013	-0.01 A	-0.01 A	-0.01 A	-0.01 A	-0.03 A
2014	-0.01 E	-0.01 E	-0.01 E	-0.01 E	-0.03 E
2015					-0.01 E
2016					-0.01 E

Zacks Projected EPS Growth Rate - Next 5 Years % **N/A**

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Q4 Financials, Business Update

Q4 Financials: Record Product Revenue, Record-Implying Guidance, Several Catalysts To Ramp 2014…

CytoSorbents reported results for the fourth quarter ending December 31, 2013 and as expected following the Q4 revenue pre-announcement in mid-January, product sales came in at an all-time high with total revenue missing the quarterly record by less than $2k. While product sales came in about $16k shy of the low range of $330k - $360k expected with the pre-announcement (management noted on the call that ~$37k of orders expected to be recognized in Q4 were pushed back to Q1 2014), they jumped 54% sequentially, were up 257% from the same period in 2012 and accounted for 38% of the total product sales for all of 2013.

Importantly, product sales have increased on a sequential basis every quarter except one since Q3 2012. Additionally, comments on the call indicate management expects product sales to maintain or even accelerate this momentum throughout 2014. This includes Q1 2014 guidance.for product sales in the range of $530k - $570k (sequential growth of 75% - 82%) and 2014 full-year total revenue potentially being "multiples" of the $857k generated in 2013. We model a sequential uptick in revenue throughout 2014 as near-term catalysts, including several of those that management outlined on the call, make an increasing contribution over time.

And while there's still potential to see some quarterly volatility, we think it is now clear that follow-on orders from existing customers (where the majority of orders are coming from – which we view as particularly positive), use of CytoSorb in an expanded number of critical care applications and in broadening of the geographic commercialization footprint are all contributing to the consistent sequential revenue growth. Awareness-building, clinical data and case studies outlining successful interventions with CytoSorb has been at the heart of CTSO's sales efforts, the fruits of which are being seen in the consistent product revenue growth. CTSO will continue to build on this in 2014 and with the launch of the patient registry documenting real-world successful interventions with CytoSorb, the bulk of clinical evidence will continue to grow which should further enable the marketing message.

Q4 total revenue was $879k, up 46% yoy and flat from Q3 2013. Revenue consisted of $314k in product sales and approximately $249k and $316k in DARPA and other grant revenue, respectively. For the full year, revenue increased 80% to $2.4M and consisted of $822k (+442% yoy) in product sales and approximately $1.1M and $479k in DARPA and other grant revenue, respectively.

In addition to expected significant growth of product sales in 2014, CTSO will also be booking additional grant revenue. As of the close of 2013 up to approximately $1.6M remains to be billed under the DARPA grant as does about $375k of the Phase II SBIR contract and ~$100k of the NHLBI Ph 1 HemoDefend grant. And the company has yet to bill anything under the USAF funded rhabdomyolysis study, valued at about $3M, and which just recently commenced.

Product gross margins were 54% and 61% in Q4 and the full year 2013, respectively, compared to 55% and 46% in the year-earlier periods. Total gross margin, which is less reflective of the core business and is impacted by grant-related R&D expenses being captured in COGS, was 5% and 21% in Q4 and the full-year 2013. Q4 operating expenses were $1.1M, well below our estimated $1.4M estimate – the difference related to lower R&D expenses (which were just $32k – and again, reflects grant-related R&D being captured in COGS), partially offset by higher than modeled SG&A expense.

Q4 net income and EPS were ($1.8) million and ($0.01), in-line with our ($1.8) million and ($0.01) estimates. For the full-year, net income and EPS were ($7.1) million and ($0.03).

Cash used in operating activities was $1.1M and $3.5M in Q4 and the full-year, respectively. CTSO exited 2013 with $2.2M in cash and equivalents. Subsequent to year-end the company raised gross proceeds of $10.2M through the issuance of 40.8M common shares (@ $0.25) with 50% warrant coverage (5-year, $0.3125 exercise price).

Putting The Cash To Work…

A key topic on the Q4 call was that CTSO will be putting the recent cash raise to work in specific areas to add another layer of growth. This includes additions to the sales force (particularly for the German market), additional distribution agreements (up to 5 more distributors in 2014) and partnerships, hiring of support personnel to help communicate the clinical successes of CytoSorb, adding to their clinical support staff and generation of more clinical

data. Repeated was the message that they will be discerning in expanding geographically and will focus on areas that accept the CE Mark and with favorable reimbursement. Case reports of positive patient outcomes and additional clinical data is expected to help facilitate sales efforts within their existing footprint and will support efforts to establish reimbursement in countries that CTSO may look to enter.

CTSO also will look to use the funding to initiate a U.S. study for CytoSorb – not in the previously expected application for sepsis, but instead for cardiac surgery. On the call Dr. Chan laid out a compelling case for the reasons to pursue cardiac surgery (an application where CytoSorb has already had documented successes overseas) instead of sepsis in the U.S. – which we discuss further below.

CTSO Expects a Busy 2014…
The cash infusion provides CTSO with new options for growth. Dr, Chan mentioned on the call that, "Instead of doing what we need to do, we now have the capital resources to do what we want to do and what is right for the business in order to build shareholder value, as well as grow our business more rapidly."

The company already has a game-plan and dedicated much of their earnings call to discussion of it. We list many of the highlights below.

- **Beefed-up distribution:** as of the end of 2013 CTSO had five distributors (covering parts of the UK, Ireland, The Netherlands, Turkey and Russia) plus the partnership with Biocon covering India. CTSO expects to add up to five additional distributors in 2014 in areas of the world (ex-Germany where they have a direct sales force) that accept the CE Mark (which is essentially all of Europe as well as other areas of the world).
  CTSO will also look for other partnership arrangements similar to the one with Biocon, a relationship that appears to be mutually beneficial. In fact Biocon noted on their Q3 2013 earnings call (Jan. 23, 2014) that, "Our recent launches Alzumab and CytoSorb have done extremely well, with strong uptake from both doctors and patients." Biocon appears to be solidly behind promoting CytoSorb, both from the clinical evidence side as well as feet on the ground. CTSO noted that Biocon will create a dedicated sales force for CytoSorb which will be focused on building awareness and educating physicians on use of the device. Biocon will also be setting up a patient registry and use case studies in promotion of the device and to develop manuscripts. We think additional partnerships similar to the one with Biocon can add meaningfully to CTSO's results.

- **Beefed-up sales force:** as of the end of 2013 CTSO had four sales people selling direct in Germany, Austria and Switzerland. With just this skeleton crew, CTSO was able to ramp product sales to more than $800k in 2013 and established a presence with more than 100 key opinion leaders. CTSO expects to increase the sales force to 10 reps by the end of 2014 and has already brought on three additional reps since the end of 2013 – the direct sales force will continue to have a majority focus on Germany. And with cardiac surgery now a major focus (as is sepsis), CTSO has recently hired reps with contacts specifically in the cardiac surgery space.

- **Drive utilization:** CTSO first outlined their general plans to increase adoption and drive utilization last summer. Noting that while their initial sales strategy had focused almost exclusively on "cast(ing) a wide net" to broaden awareness and get hospitals and doctors interested in the device, that they would now also place a greater emphasis on penetration within the critical departments which have already been introduced to the technology in order to increase adoption and utilization. CTSO indicated on the call that they have already had successes in this regard – where CytoSorb may have been introduced to a particular hospital by a KOL and used in his or her intensive care specialty, but is now being used by other intensive care units within the same hospital.

- **Clinical data:** clinical outcomes data has been a driving force in accelerating product sales. CTSO will dedicate more resources towards additional studies and expects to have a regular flow of outcomes data coming from the various investigator initiated studies. A patient registry, case studies (on the call Dr. Chan highlighted several successful outcomes when CytoSorb was introduced with critically ill patients) and additional support personnel to help communicate the successes of CytoSorb along with presentations and publications will all be major focuses in 2014 to build awareness, drive adoption, increase sales and to support reimbursement.

  Approximately 30 investigator initiated studies are ongoing as is the sepsis dosing study. In late December CTSO announced preliminary results from the dosing study. Results showed no serious device-related adverse events and demonstrated removal of cytokines throughout the 24hr treatment period in the 28 patients enrolled in the 24hrs/7days treatment arm. The other treatment arm (6hrs/up to 14 days) is currently enrolling patients. Assuming positive results, CTSO game plan now is to move to a larger study in sepsis in Germany.

Among the 30 investigator initiated studies, 11 relate to cardiac surgery. CTSO expects two of these controlled studies to be completed by Q3 (or earlier) of this year. Six other studies are using the device in septic shock, severe sepsis and lung injury – one of which should also complete this year. The other studies include patients with liver disease, trauma, burn injuries and acute pancreatitis. Data from these studies offer potential catalysts that can positively impact the marketing message and rate of adoption and utilization of CytoSorb.

- **Presentations, conferences, user-meetings:** another key to CTSO's awareness-building efforts have been attendance and presentations at industry conferences. This will be an ongoing focus. Recently CTSO held its first Users Meeting at the DIVI conference in Germany which allows attendees to hear success stories directly from users the device. Comments at the Users Meeting included that physicians could "see the therapy turning the patient around". CTSO noted that they have had impressive attendance at presentations at recent industry conferences.

- **U.S. study:** CTSO previous game-plan relative to the U.S. market was to use the European sepsis dosing trial data as support for FDA approval to run a sepsis trial in the U.S. On the Q4 call, however, CTSO said that they are now focused on running a pivotal trial in the U.S. for cardiac surgery. The reasons for focusing on cardiac surgery include the demand (and clinical successes) that CytoSorb has had in that application in Europe and CTSO believes cardiac surgery represents a faster regulatory approval timeline and will be lower cost and have less risk of failure than a sepsis related trial. For one, CTSO noted that outcomes are more predictable with cardiac surgery than with sepsis. Also, mortality will not be an endpoint in cardiac surgery – whereby it is with sepsis and is a relatively high hurdle. The cardiac surgery focus for the U.S. makes sense in that it is a relatively lower-risk endeavor and can get CytoSorb's foot in the domestic door – the company can then focus on expanding the label to encompass additional indications. It also likely puts the device on the U.S. market and generating revenue here earlier than would have been the case if CTSO had pursued sepsis as the initial indication.

  In addition, while there are currently blood-filtration products on the market that are used during cardiac surgery to reduce inflammatory substances, they do not target cytokines – which offers CytoSorb a wide-open market opportunity. While cardiac surgery was barely mentioned just 18 months ago, this seems to have quickly become a major driver of demand and interest in CytoSorb – with CTSO noting that 22 cardiac surgery centers have either used the device or expressed interest in doing so – this is up from just 10 in 2013. CTSO also indicated that based on interest that they've seen for the cardiac surgery application that specifically changed some of their sales efforts to dedicate more focus on cardiac surgery.

  And while the market for cardiac surgery, at approximately $500M in the U.S.(per CTSO estimates), is likely significantly smaller than for sepsis (potentially 1+billion dollars), it still represents a relatively large target market. And, again, the company would likely look to expand the label In the U.S. beyond just cardiac surgery. CTSO did not provide much in the way of specifics on the call relative to the near-term game plan for a U.S. cardiac surgery trial, although did note that they will be hiring a Chief Scientific Officer to manage the U.S. trial (as well as European studies) and will be recruiting a Cardiac Surgery Advisory Board. The cardiac surgery clinical data generated overseas might be used as support to petition U.S. regulators to initiate a clinical study in this country.

- **Partnering for other products:** CTSO had mentioned on prior calls that they would look for partners for commercialization of some of their other products – these include HemoDefend (blood purification and storage), ContrastSorb (prevention of CIN), and DrugSorb,(drug detox and overdose) as well as four or five other products that are in the pipeline. This will be an ongoing focus in 2014. CTSO is focused on what they termed "de-risking" these products to make them even more attractive to potential commercialization partners – which includes making enhancements to the products. Further de-risking of HemoDefend may also come from the ABLE (Canada) and RECESS (U.S.) pivotal studies. The studies are attempting to determine whether aged blood may be potentially more toxic than new blood – data from these could be available during the year – and could potentially provide support for use HemoDefend to keep blood fresh. CTSO noted on the call that they have confirmed the regulatory pathway in both the U.S. and E.U. (although mgmt. did not elaborate) for the in-line filter HemoDefend product.

Recent operational highlights include;

COMMERCIALIZATION

- Direct sales of CytoSorb commenced in Germany, Austria and Switzerland
- CTSO posted record product sales in Q4 2013 of $314k. Guidance for Q1 2014 is for product sales of $530k-$570k. Seeing more hospitals as well as more departments within hospitals using CytoSorb
- Distribution agreement with Biocon, Ltd signed in Q3 2013. Biocon is largest biotech in India. Affords potential to market Biocon's antibiotics with CytoSorb as a total treatment for sepsis (sort of a one-two punch) in that country. Revenue contribution from Biocon started in Q4 2013. Biocon appears strongly behind CytoSorb and noted on their Q3 2013 call that CytoSorb sales have been very strong.
- CTSO beefed up their internal sales force from 4 (at end of 2013) to 7 currently. Will look to add 3 more by year-end 2014. Both cardiac surgery and sepsis are major focus points as its driving adoption and utilization to different depts within a hospital.
- Distribution agreement with WMC Medical for Netherlands signed in October 2013
- Agreement penned in May 2013 with L.IN.C Medical Systems to distribute CytoSorb in the U.K. and Ireland. In June CTSO signed agreement with Hiti Medical Systems for distribution in Turkey. In November 2013 signed agreement with INTENSIVMED for distribution in Russia
- International expansion via additional distribution agreements is a major focus for 2014
- $10M capital raise in early 2014 will be used to beef-up distribution and the direct sales force, increase the amount of clinical data and case study reports, increase overall awareness building, build out the patient registry and initiate plans for a U.S.-based cardiac surgery study as well as move forward with a sepsis study in Germany

VALIDATION / REGULATORY

- In June 2013 the FDA approved the first U.S. based human study of CytoSorb in critically ill patients - a significant milestone in our opinion
- CTSO recently noted that about 100 (up from 60 in just the last few months) key opinion leaders (KOL) are either using CytoSorb, want to use it or are planning to use it in clinical trials. As of March 2014 there were 30 investigator initiated studies, some of which are expected to complete in 2014. These studies run a wide gamut of medical complications including cardiac surgery, sepsis, trauma, surgery, pancreatitis, organ failure and acute respiratory failure.
- Relative to cardiac surgery, this has quickly become a high-potential indication. 11 of the investigator initiated studies relate to cardiac surgery. Demand is coming specifically for this indication. Positive patient outcomes in cardiac surgery should further catalyze this opportunity. Two recent sales rep hires have specific contacts in the cardiac surgery space. CTSO announced in March 2014 that instead of pursuing a pivotal study in sepsis in the U.S., that they will now pursue cardiac surgery.
- Dosing study (Europe) ongoing with more patients being enrolled. CytoSorb has been used for up to 24 hours over 7 days with no serious device related events reported and showed reduction in cytokines over the full 24-hour treatment period. Other arm (6hrs/up to 14 days) is now enrolling. We could see add'l data from this study in 2014. CTSO will expand the study to ten leading hospitals in Germany (currently 8). Data from the study is expected to be used to further supplement the data from the European Sepsis trial. CTSO expects to initiate a larger sepsis trial in Germany.
- CTSO recently noted that a number of case study reports have been borne from ongoing studies. The first published in Blood Purification in July. Others are being prepared and expected to be published in near-term. CTSO just established a patient registry where case studies and clinical outcomes data will be kept.
- Initial feedback from physicians using CytoSorb in clinical practice with critically ill patients, including those with septic shock, cardiac surgery and multiple organ failure (which includes the initial indications addressed by CytoSorb), have been encouraging with outcomes including a dramatic reduction in IL-6 levels (which was also an endpoint in the European Sepsis Trial), stabilized organ failure, and patient recovery. Feedback at first Users Meeting held in December 2013 offered further evidence of efficacy - comments included that physicians could "see the therapy turning the patient around".
- Will now pursue cardiac surgery as the initial indication in the U.S. instead of sepsis. CTSO believes cardiac surgery makes more sense as it represents a faster regulatory approval timeline and will be lower cost and have less risk of failure than a sepsis related. Once FDA approved, the game plan will be to expand the label to include other indications.
- Initiation of work under the Phase II Small Business Innovation Research grant from the U.S. Army, worth up to $1 million. Initial revenue recorded for this grant in 2013
- Awarded Phase I grant from NHLBI for HemoDefend worth $203k in September 2013.

AWARENESS-BUILDING

- Presentations, exhibitions and research talks at several scientific meetings. Anticipate this will continue and will also be supplemented by presentations by key opinion leaders which are using CytoSorb
- The company attended and presented at several key industry conferences in 2013 in both the U.S. and throughout Europe (including Germany, France and Austria). The company held its first ever Users Meeting at the DIVI conference in Germany in December 2013. Feeback was positive. CTSO also presented at the DIVI meeting, noting strong attendance and significant interest in CytoSorb. CTSO also recently sponsored a research symposium at the International Symposium on Intensive Care and Emergency Medicine where doctors discussed intervention with CytoSorb in various critical care illnesses
- Two abstracts were accepted for presentation at the German Sepsis Society meeting in September. One, from the University of Ulm, Germany related to the first successful fungal sepsis case treated and, the other, from Trauma Hospital in Linz, Austria for the treatment of a septic shock patient with liver cirrhosis. The patient registry and ongoing investigator studies are expected to begin to produce data for a regular flow of manuscripts and publications. This is expected to be a facilitator in increasing adoption and utilization

- **PIPELINE**
  - HemoDefend: refined the filter which now allows a unit of blood to flow through in under a half-hour, within the requirements for blood transfusions. CTSO now working to reduce unit production costs including optimizing packaging. CTSO noted on the Q4 2013 call that they have confirmed the regulatory pathway in both the U.S. and E.U. (although mgmt. did not elaborate) for the in-line filter HemoDefend product
  - In August 2013 Dr. Chan made a presentation on HemoDefend at the Military Health System Research Symposium
  - Beads in a Bag: progress continues towards eventual commercialization. Beads in a Bag technology was the subject of CTSO's poster presentation at the 2012 American Association of Blood Banks conference
  - NHLBI grant provides add'l funding to progress development of HemoDefend and also provides add'l validation of the technology
  - CTSO indicated there is real interest in HemoDefend from potential partners, for both the Beads in a Bag as well as in-line filter configuration
  - ContrastSorb: CTSO's most recent pipeline candidate is being designed to prevent contrast-induced nephropathy (CIN), a condition that patients with compromised kidney function are susceptible to when undergoing procedures that require use of a contrast agent such as image-guided cardiology and certain radiology procedures. CIN has been estimated to be a ~$500 million/yr market. Current standard of care to address CIN, which is essentially indiscriminately flushes the contrast agent from the body, is often times ineffective. CTSO believes their ContrastSorb technology may be a more effective option to remove contrast agents from these high risk patients

OUTLOOK / RECOMMENDATION / VALUATION

We model a sequential uptick in revenue throughout 2014 as near-term catalysts, including several of those that management outlined on the Q4 call, make an increasing contribution over time. And while there's still potential to see some quarterly volatility, we think it is now clear that follow-on orders from existing customers (where the majority of orders are coming from – which we view as particularly positive), use of CytoSorb in an expanded number of critical care applications and in broadening of the geographic commercialization footprint are all contributing to the consistent sequential revenue growth. Awareness-building, clinical data and case studies outlining successful interventions with CytoSorb has been at the heart of CTSO's sales efforts, the fruits of which are being seen in the consistent product revenue growth. CTSO will continue to build on this in 2014 and with the launch of the patient registry documenting real-world successful interventions with CytoSorb, the bulk of clinical evidence will continue to grow which should further enable the marketing message.

Our modeled revenue in 2014 and beyond includes mostly sales of CytoSorb (with a relatively small % contribution from contracts/grants). Assuming positive results from company-sponsored and investigator-led studies as well as supportive feedback from hospitals and critical care professionals, we think 2014 could be more of an inflection

point for CytoSorb and mark the beginning of a significantly greater ramp in commercial sales. On the Q4 2013 call management indicated 2014 revenue could be multiples of that generated in 2013.

Based on the current ambiguity relative to what the FDA will be looking for to support a potential future PMA submission and the real risk of delays, we do not incorporate any contribution from sales of CytoSorb in the U.S. prior to 2018. However, management's recent decision to focus on a cardiac surgery indication instead of the previously expected sepsis indication, may provide an easier, lower cost and quicker time to FDA approval. We look forward to hearing more about CTSO's plans for initiating a U.S.-based pivotal study. We will update our assumptions relative to the U.S. market if and when we feel there is enough clarity to make an informed opinion relative to the regulatory pathway requirements and general launch timelines.

Based on our 10-year DCF model, which uses a 13% discount rate to account for certain risks and uncertainties that CytoSorbents faces (several of which we detailed in our initiation report), the shares are valued at approximately $0.50. Our model and assumptions will be updated commensurate with news flow which could also influence the valuation. As it is now, we value the company at $0.50/share, implying upside to the current share price and reflecting our Outperform rating.

FINANCIAL MODEL

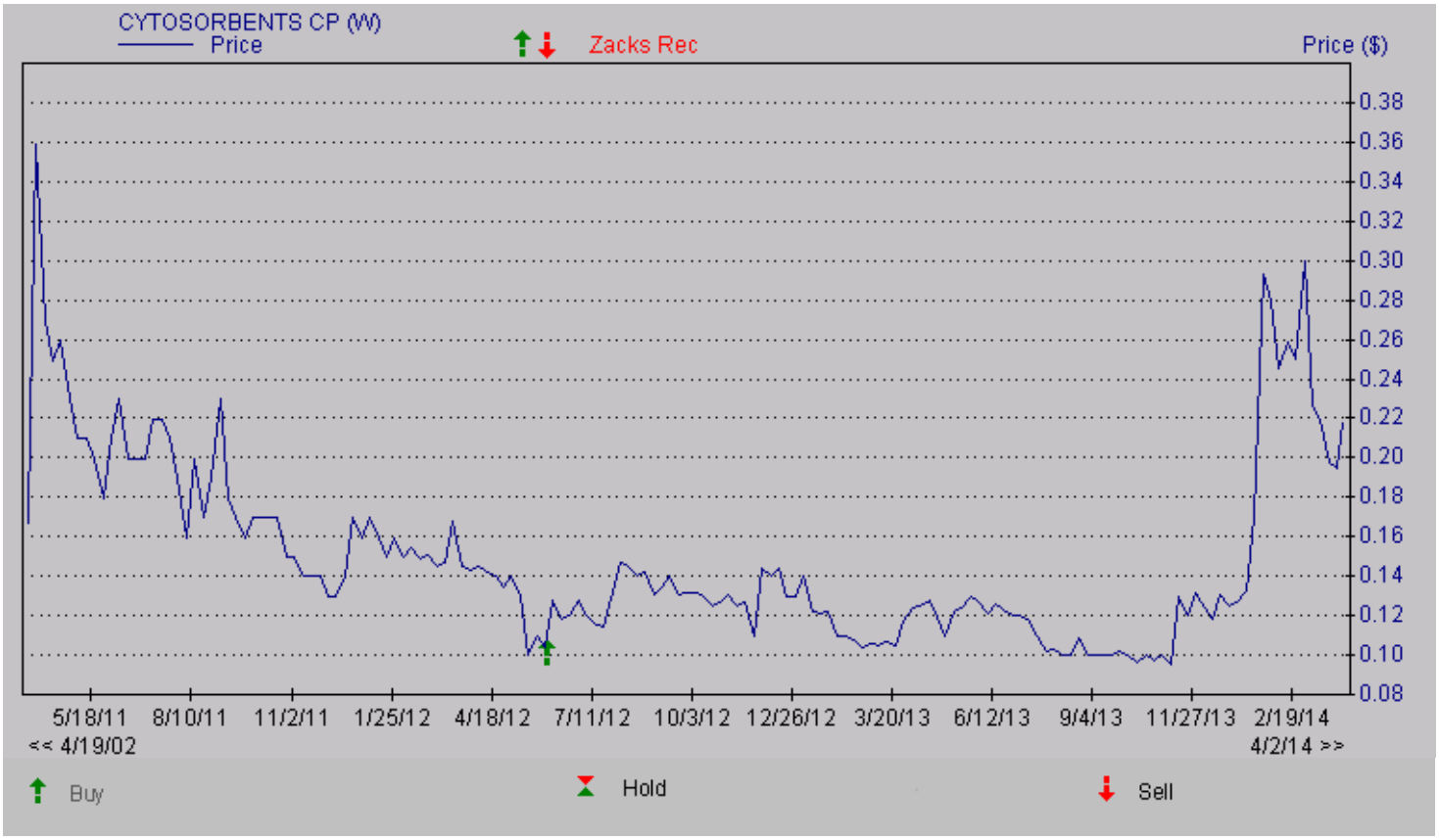
CytoSorbents Inc.

	2013 A	Q1E	Q2E	Q3E	Q4E	2014 E	2015 E	2016 E	2017 E
CytoSorb Sales	$821.8	$550.0	$688.0	$788.0	$988.0	$3,014.0	$13,110.0	$22,180.0	$30,090.0
y-o-y growth	*442.1%*	*212.3%*	*437.6%*	*287.1%*	*214.5%*	*266.8%*	*335.0%*	*69.2%*	*35.7%*
Total Royalties/Grants	$1,600.9	$473.0	$467.0	$356.0	$350.0	$1,646.0	$1,100.0	$200.0	$0.0
y-o-y growth	*34.4%*	*142.3%*	*185.6%*	*-47.4%*	*-38.1%*	*2.8%*	*-33.2%*	*-81.8%*	*-100.0%*
Revenue	$2,422.7	$1,023.0	$1,155.0	$1,144.0	$1,338.0	$4,660.0	$14,210.0	$22,380.0	$30,090.0
YOY Growth	*80.4%*	*175.5%*	*296.2%*	*29.9%*	*52.2%*	*92.4%*	*204.9%*	*57.5%*	*34.5%*
Cost of Goods Sold	$1,911.6	$704.4	$729.5	$646.3	$723.8	$2,804.0	$6,285.9	$8,880.2	$11,735.1
Gross Income	$511.1	$318.6	$425.5	$497.7	$614.2	$1,856.0	$7,924.1	$13,499.8	$18,354.9
Gross Margin	*21.1%*	*31.1%*	*36.8%*	*43.5%*	*45.9%*	*39.8%*	*55.8%*	*60.3%*	*61.0%*
SG&A	$3,485.4	$970.0	$990.0	$1,010.0	$1,040.0	$4,010.0	$9,372.0	$12,845.0	$15,496.4
% SG&A	*143.9%*	*94.8%*	*85.7%*	*88.3%*	*77.7%*	*86.1%*	*66.0%*	*57.4%*	*51.5%*
R&D	$1,738.9	$422.0	$515.0	$766.0	$825.0	$2,528.0	$4,500.0	$4,200.0	$3,100.0
% R&D	*71.8%*	*41.3%*	*44.6%*	*67.0%*	*61.7%*	*54.2%*	*31.7%*	*18.8%*	*10.3%*
Operating Income	($4,713.2)	($1,073.4)	($1,079.5)	($1,278.3)	($1,250.8)	($4,682.0)	($5,947.9)	($3,545.2)	($241.4)
Operating Margin	-	-	-	-	-	-	-	-	-
Total Other Expense	$422.8	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Pre-Tax Income	($5,136.1)	($1,073.4)	($1,079.5)	($1,278.3)	($1,250.8)	($4,682.0)	($5,947.9)	($3,545.2)	($241.4)
Taxes (benefit)	($458.3)	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Tax Rate	*8.9%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*
Preferred Dividend	$2,395.5	$600.0	$600.0	$600.0	$600.0	$2,400.0	$0.0	$0.0	$0.0
Net Income	($7,073.3)	($1,673.4)	($1,679.5)	($1,878.3)	($1,850.8)	($7,082.0)	($5,947.9)	($3,545.2)	($241.4)
Net Margin	-	*-163.6%*	*-145.4%*	*-164.2%*	*-138.3%*	-	*-41.9%*	*-15.8%*	*-0.8%*
EPS	($0.03)	($0.01)	($0.01)	($0.01)	($0.01)	($0.02)	($0.01)	($0.01)	($0.00)
YOY Growth	-	-	-	-	-	-	-		
Diluted Shares O/S	236,019	289,000	298,000	305,000	315,000	301,750	550,000	570,000	590,000

Brian Marckx, CFA

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