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Zacks Small-Cap Research

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CryoPort Inc (CYRX-NASDAQ)

CYRX: Q1 Revenue +53%. Revenue Guidance of 150%+ Reiterated.

Current Recommendation	**Buy**
Prior Recommendation	Underperform
Date of Last Change	05/20/2015
Current Price (08/07/15)	$2.99
Target Price	**$9.00**

OUTLOOK

Following a change in management and additions to the Board, CYRX recently revamped their offerings from a one-sized fits all approach to a more tailored, yet sill comprehensive and turn-key solution to appeal to a broader and more diverse set of customers. With fourteen straight quarters of revenue growth, a recent doubling of the customer base, and consummation of key relationships, these changes are clearly already paying dividends. We expect this record revenue streak to continue. Recent capital raises being pumped back into sales/mktg. Expect this to result in big revenue push. Management guiding to 2016 revenue growth of 154% - 205%. We are maintaining our Buy rating.

SUMMARY DATA

52-Week High	**$10.44**
52-Week Low	**$2.24**
One-Year Return (%)	**-46.41**
Beta	**-1.10**
Average Daily Volume (sh)	**38,151**
Shares Outstanding (mil)	**5**
Market Capitalization ($mil)	**$15**
Short Interest Ratio (days)	**N/A**
Institutional Ownership (%)	**0**
Insider Ownership (%)	**14**
Annual Cash Dividend	**$0.00**
Dividend Yield (%)	**0.00**
5-Yr. Historical Growth Rates	
Sales (%)	**79.6**
Earnings Per Share (%)	**N/A**
Dividend (%)	**N/A**
P/E using TTM EPS	**N/A**
P/E using 2016 Estimate	**N/A**
P/E using 2017 Estimate	**N/A**
Zacks Rank	**N/A**

Risk Level	**High,**
Type of Stock	**N/A**
Industry	**Rubber&Plastics**

ZACKS ESTIMATES

Revenue
(in '000s of $)

	Q1 (June)	Q2 (Sep)	Q3 (Dec)	Q4 (Mar)	Year (Mar)
2015	936 A	825 A	975 A	1190 A	3,935 A
2016	1431 A	1819 E	2543 E	3009 E	8,802 E
2017					26,536 E
2018					46,172 E

Earnings per Share

	Q1 (June)	Q2 (Sep)	Q3 (Dec)	Q4 (Mar)	Year (Mar)
2015	-$0.61 A	-$0.64 A	-$0.40 A	-$0.79 A	-$2.43 A
2016	-$1.31 A	-$0.29 E	-$0.27 E	-$0.26 E	-$1.85 E
2017					-$0.20 E
2018					$0.17 E

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

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WHAT'S NEW....

Q1 Fiscal 2016: Inline With Our Numbers. Management Reiterates $10M-$12M Current Yr Revenue Guidance…

CYRX announced financial results for their fiscal 2016 first quarter ending June 30th. Results were about as dead-on with our numbers as we could have hoped for. Revenue continues to climb at an accelerating rate which, hopefully, indicates that our snowball-effect thesis of more customers and greater average per-customer shipping/logistics volumes is finally starting to play out. Customer acquisition activity was robust over the last few months with CYRX bringing on at least five notable accounts. These types of customer wins, increasing activity per-customer, accelerating growth of targeted segments such as immunotherapies and reproductive medicine (among others), deeper penetration of the overall cryogenic shipping market and increased awareness of CYRX and their services should bode well for further steepening of the revenue curve.

And while the relationships with the three major cargo carriers, FedEx, UPS and DHL, have yet to result in significant revenue for CYRX, management believes that these will eventually bear much more fruit given the carriers' focus on capturing share of the burgeoning market for cold chain shipping. While the FedEx deal has been in place for some time - and has been somewhat of a disappointment in terms of expectations about the amount of business the relationship would initially bring to CYRX, the DHL and UPS agreements, penned in mid and late 2014, respectively, are more recent.

All three carriers view cold chain shipping as a significant growth opportunity and each have dedicated divisions focused specifically on life sciences temperature controlled shipping. As an example, LifeConEx, which is DHL's cold chain shipping division, estimates that about 30% of all shipments will be cold-chain related by the year 2030, up from only about 10% today. And where specifically does LifeConEx see near-term growth? In a recent interview David Bang, CEO of LifeConEx indicated that shipping from ex-U.S. pharmaceutical and biotech companies working to develop biosimilars and generics is an area of opportunity. Also noting that pharma/biotech-related demand to and from companies in Asia, the Middle East and South America are attractive areas for growth.

Similar to the other relationships, CYRX acts as LifeConEx's sole cryogenic shipping provider. We think this DHL deal could have particular significant upside for CryoPort given that, unlike FedEx, DHL has a massive international presence with 220 locations and covering ~120k locations. International, as opposed to domestic shipping, is where the benefits of CYRX's logistics expertise and dewar with 10+ days holding time are most important. And with a significant portion of clinical trials being done overseas, CYRX seems a natural fit for the major carriers (UPS also has a significant international presence) and to address the growing demand for life sciences cryogenic shipping. So while these relationships with the three major cargo carriers have yet to result in any substantial revenue for CYRX, the pieces are in place for these deals to be significant contributors in the future.

In terms of direct customer wins, CYRX has recently added clients focused on various segments in the life sciences market including cancer, immunotherapies, in vitro fertilization, diagnostics, cell-based and other regenerative therapies and others. These are some of the fastest growing sectors in medicine. Frost & Sullivan's Healthcare & Life Sciences division recently released estimates indicate the global stem cell therapy market should grow at a CAGR of over 16% to $180 billion by 2030. The expected growth overseas, estimated at a CAGR of 27%, is even more robust.

Management noted on the call that they currently have approximately 350 customers - all of which actively ship (albeit some with minimal activity). And the retention remains incredibly sticky - with the company estimating about 99% of clients that try their offerings remain customers. CYRX is currently supporting 45 clinical trials, eight of which are phase III trials. And as the therapies progress to later stage studies, which require larger patient enrollment, CYRX should benefit with greater demand for their services. Management also noted that one of these late-stage trial candidates could initiate commercialization activities in late calendar 2016 - and if that happens CYRX expects to be supporting the roll out - which could be in the form of logistics, shipping or both. These trials, and particularly therapies that are eventually approved and commercialized, could draw meaningful demand - this is certainly one area where we think there could be low hanging fruit opportunity.

Financials

Q1 revenue of $1.4M was up 53% yoy and 19% sequentially and inline with our $1.4M estimate. This marks the 15th straight quarter of yoy revenue growth and sequential growth over ten of the last eleven quarters. On the Q2

call management reiterated FY 2016 revenue guidance of $10M - $12M, implying growth of 154% - 205%. We continue model a more conservative current year revenue of $8.8M (124%)

Gross margin also continues to expand, coming in at 34% in Q1, better than our 31% estimate and up from 31% in Q4 and 30% for all of fiscal 2015. We continue to expect incremental widening of GM with revenue growth. Management believes a GM of 60% is attainable with revenue of at least $12M.

Q1 OpEx was $2.1M, slightly better than our $2.2M estimate and flattish from Q4. CYRX is pumping funds from the late-June $6.8M (gross) common stock raise, which followed a $4.5M (gross) preferred raise in Q1, back into the business - this includes additional hires in sales and marketing - which management noted is having an immediate impact on closing new customers. While this will almost certainly push SG&A up, it's an investment that should pay dividends in terms of revenue growth and improvement in operating income.

Q1 net income and EPS (excluding non-cash preferred stock conversion charge) were ($2.1)M and ($0.42), compared to our ($2.2)M and ($0.44) estimates. CYRX exited the quarter with $2.4M in cash and equivalents. Subsequent to quarter end they raised $6.8M gross via the issuance of 2.09M shares @ $3.25/share with 100% warrant coverage (5yr, $3.57 strike, immediately exercisable).

Operational Update: Expanding Customer Base, Clinical Trials, New Sales Reps…

CYRX continues to scale the customer base through deeper penetration of existing markets and territories and recent entry into others. We think the long streak of consecutive q-o-q increases in revenue is indicative of the high customer retention rate, growth of the customer base and increasing average utilization. The recent hires and expansion of the sales and marketing infrastructure, facilitated by the recent capital raises, is expected to result in accelerating customer wins and resultant steepening of the revenue curve. We continue to think that a point of much higher scale is reachable in the near term - to a point where revenue grows much faster than OpEx and there's a dual benefit with significant gross margin widening. Management believes this latest sales/marketing push can result in a very rapid and near-term steeping in sales - and push revenue to $10M or more through the end of fiscal 2016 (March 2016).

Activities at CYRX have heated up even more over the last few months and have included consummation of new customer relationships, expansion of others, the introduction of new services and products and entry into at least one new geographical territory. Interest in CYRX's services continues to come from several segments including in-vitro fertilization, cell-based therapies and animal husbandry, areas where CYRX has recently seen increasing demand for their cryogenic shipping solution.

And in addition to growth in customer segmentation, CYRX is also seeing increasing demand for its various service offerings – from logistics to containers to its full turnkey solution. This broadening in both the types of customers that are increasingly showing interest coupled with demand across their menu of offerings is highly encouraging. It also further demonstrates that the company's recent shift from a one-size-fits all approach focused on only a select end-user profile to more of an ala-carte services and product menu appropriate for a much broader customer base is paying significant dividends.

New or expanded relationships that have been recently entered into include:

- Agreement (June 2015) with ArunA Biomedical to support shipping of their stem cell kits
- Agreement (June 2015) with Lynden International as that company's preferred cryogenic logistics provider supporting clinical trials in Africa. Lynden is a freight forwarder with over 50 offices throughout the world
- Agreement (June 2015) to provide logistics support for CaRE Arthritis, a Canadian academic research organization which supports arthritis research
- Agreement (June 2015) with ZenBio to support distribution of that company's human cell-based products
- Agreement (July 2015) with HemaCare Corp, a provider of biological material, for logistics support
- Expanded relationship with Sanaria, a biotech focused on the development and production of malaria vaccines. CryoPort is working with Sanaria to provide cold-chain shipping of its vaccines for clinical trials as well as for clinical use in Africa. Vaccines must be kept at specific temperatures in order to maintain their integrity. CYRX's shipping solution provides unparalleled durability, holding time and temperature maintenance, which

are all critical for shipping vaccines internationally and particularly to remote parts of Africa with harsh conditions and where Malaria is most problematic

- Kite Pharma (NASDAQ: KITE), a $2.5B biopharma developing novel cancer therapies, will use CYRX's cryogenic shipping and logistics for clinical trials of its lead candidate, KTE-C19, a CAR-T cell therapy for non-Hodgkin's lymphoma
- CYRX expanded their relationship with Fred Hutchinson Cancer Research Center whereby the company will now support more of the cancer center's labs. CYRX is specifically involved in Fred Hutch's research on cord blood transplants and trials for cell-based therapies
- CombiMatrix (NASDAQ: CBMX), a molecular diagnostics company focused on prenatal and postnatal genetic testing, entered into an agreement for CYRX to provide logistics support for distribution of its recently launched IVF genetic test, CombiPGS. CombiPGS targets physicians and will be used prior to implantation to assess the embryos for chromosomal abnormalities.
  As noted, CYRX has made a strong and dedicated move towards the opportunities in in-vitro fertilization. This relationship with CBMX, as well as their recent entry into Nepal with a focus on IVF, are their most recent efforts in this space. We continue to view IVF as holding potential to become a significant driver of demand for CYRX's cryogenic shipping and logistics.
- Roslin Cells, a major U.K.-based developer of cell therapies, chose CYRX to provide logistics for its pluripotent stem cell reprogramming service
- CYRX will be providing logistics support for Capricor's multi-site clinical trials for its lead candidate CAP-1002, being developed for treatment of cardiovascular disease
- Yancey Farms, (per the company's website) "one of the oldest and most respected warmblood breeders in the United States", chose CYRX to ship equine semen for artificial insemination of top German sport horse stallions. Judy Yancey, the founder of the Farm, was the first person to import and market frozen horse semen in North America – which we think provides credibility to the trustworthiness they place in CYRX shipping capabilities.
  And anecdotally, we see this as a vote of confidence in CYRX's capabilities and the quality of their shipping and logistics. Maintaining the integrity and safety of prized and expensive stud horse semen is important and provides piece of mind and assurance that the sample has not been compromised in any way.
  In March CYRX announced introduction of "Vet Secure" a tamper-proof lock on its shippers which international shipping regulations require for shipment of animal husbandry products (such as horse semen)
- CYRX will be supporting NeoStem's (NASDAQ: NBS) late stage clinical trial for its lead cancer candidate, NBS20, which is being developed for the treatment of metastatic melanoma. The NBS20 program has been granted FDA Fast Track status and Orphan Drug designation

In addition to these new and expanded customer relationships, CYRX has made recent headway elsewhere as well. This includes the recent entry into Nepal to support the burgeoning demand for IVF services in that country which is coming from both the Nepalese population as well as from medical tourism.

The company also recently launched a new services offering. In February the company announced the introduction of services to aid in the relocation of facilities used for cryogenic sample collections. CYRX, which will leverage their logistics capabilities, expertise and shipping resources, has already been engaged by a "leading research laboratory and IVF clinic" to provide relocation assistance.

CYRX is also building out its warehouse infrastructure and staffing, which implies they are scaling up for anticipated greater shipping demand.

Maintaining Buy Recommendation

Revenue has now posted positive growth fifteen straight quarters on a yoy basis and ten of the last eleven quarters on a sequential basis. Gross margin has solidified and will expand – likely substantially so – with higher levels of revenue. Operating expenses, while recently increasing from the new hires in sales and marketing, should see much more leverage as the top line continues to grow. Management continues to guide for fiscal 2016 revenue of $10M - $12M, implying yoy growth of 154% to 205%.

Dis-aggregating their service offerings from a one-size fits all approach to a more customer-centric and customized solution we think has been key with scoring new customers. We attribute the expected ramp in revenue to applying this customer-centric service offering to high-potential growth areas and facilitated by the recent sales/mktg build-out. Management has done an impressive job in identifying new opportunities in the cryogenic shipping space, particularly on the product side where accelerated development of novel biologic therapies and a related increase in clinical programs has created a tailwind for demand of reliable cryogenic shipping.

The company recently beefed up their sales force in order to capitalize on these emerging opportunities. The current base of business should provide a floor on revenue while shipping volume growth from the existing customer portfolio and new customer wins bode well in our opinion for ramping revenue – not just through 2016 but well beyond. With the global cryogenic shipping market aggregating to almost $2B annually and much of this serviced by antiquated and relatively unreliable dry ice containers, we see significant opportunity for CryoPort to take share and steepen the revenue curve.

We currently model $8.8M in revenue in 2016, slightly more conservative than management's guidance. We think with solid execution this can grow to almost $62M in 2018.

We continue to value the company based on an industry P/E multiple (currently 18x) and discount this back to the present at 15% / year. We look for EPS of $0.82 in 2018 - based our valuation methodology, this values the stock at approximately $9 / share. This is moved down from $15/share as a result of the higher than anticipated (lower than anticipated offering price) share count issued in the recent raise. We think the recent sell off has created a particularly attractive entry point and are maintaining our Buy recommendation.

FINANCIAL MODEL

CryoPort Inc.

	2015 A	Q1 A	Q2 E	Q3 E	Q4 E	2016 E	2017 E	2018 E	2019 E
Total Revenues	$3,935.3	$1,431.1	$1,818.8	$2,542.5	$3,009.4	$8,801.7	$26,536.1	$46,171.9	$61,725.0
YOY Growth	*47.9%*	*52.8%*	*120.5%*	*160.7%*	*151.1%*	*123.7%*	*201.5%*	*74.0%*	*33.7%*
Cost of Revenues	$2,766.4	$943.2	$1,195.3	$1,644.0	$1,850.2	$5,632.6	$15,003.4	$24,070.2	$27,229.9
Gross Income	$1,168.9	$487.9	$623.5	$898.5	$1,159.2	$3,169.1	$11,532.7	$22,101.7	$34,495.1
Gross Margin	*29.7%*	*34.1%*	*34.3%*	*35.3%*	*38.5%*	*36.0%*	*43.5%*	*47.9%*	*55.9%*
SG&A	$6,409.4	$2,026.4	$2,317.1	$2,527.2	$2,780.7	$9,651.4	$13,055.8	$19,115.2	$22,344.5
% SG&A	*162.9%*	*151.0%*	*127.4%*	*99.4%*	*92.4%*	*71.0%*	*49.2%*	*41.4%*	*36.2%*
R&D	$352.6	$77.7	$90.0	$90.0	$92.0	$349.7	$630.0	$844.0	$915.0
% R&D	*9.0%*	*5.4%*	*4.9%*	*3.5%*	*3.1%*	*4.0%*	*2.4%*	*1.8%*	*1.5%*
Operating Income	($5,593.0)	($1,616.2)	($1,783.6)	($1,718.7)	($1,713.5)	($6,832.0)	($2,153.1)	$2,142.5	$11,235.6
Operating Margin	*-142.1%*	*-112.9%*	*-98.1%*	*-67.6%*	*-56.9%*	*-77.6%*	*-8.1%*	*4.6%*	*18.2%*
Interest income, net	($1,428.0)	($303.8)	($22.0)	$12.0	$8.0	($305.8)	$0.0	$16.0	$24.0
Loss on asset sale	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Change in derivative value	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Pre-Tax Income	($7,025.3)	($1,920.9)	($1,807.1)	($1,708.2)	($1,706.9)	($7,143.1)	($2,153.1)	$2,158.5	$11,259.6
Taxes	$1.6	$3.3	$0.0	$0.0	$0.0	$3.3	$0.0	$174.8	$1,711.5
Tax Rate	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*8.1%*	*15.2%*
Preferred Stck Conversion Charge	($4,864.3)	($4,474.3)	$0.0	$0.0	$0.0	($4,474.3)	$0.0	$0.0	$0.0
Net Income	($12,196.5)	($6,607.1)	($2,106.1)	($2,007.2)	($2,005.9)	($12,726.2)	($2,153.1)	$1,983.7	$9,548.1
YOY Growth	*-37.7%*	*115.4%*	*-33.8%*	*0.6%*	*-49.2%*	*4.3%*	*-83.1%*	*-192.1%*	*381.3%*
Net Margin	*-309.9%*	*-461.7%*	*-115.8%*	*-78.9%*	*-66.7%*	*-144.6%*	*-8.1%*	*4.3%*	*15.5%*
EPS	($2.43)	($1.31)	($0.29)	($0.27)	($0.26)	($1.85)	($0.20)	$0.17	$0.82
YOY Growth	*-49.4%*					*-24.0%*	*-89.4%*		
Diluted Shares O/S	5,016	5,056	7,200	7,500	7,800	6,889	11,000	11,500	11,700

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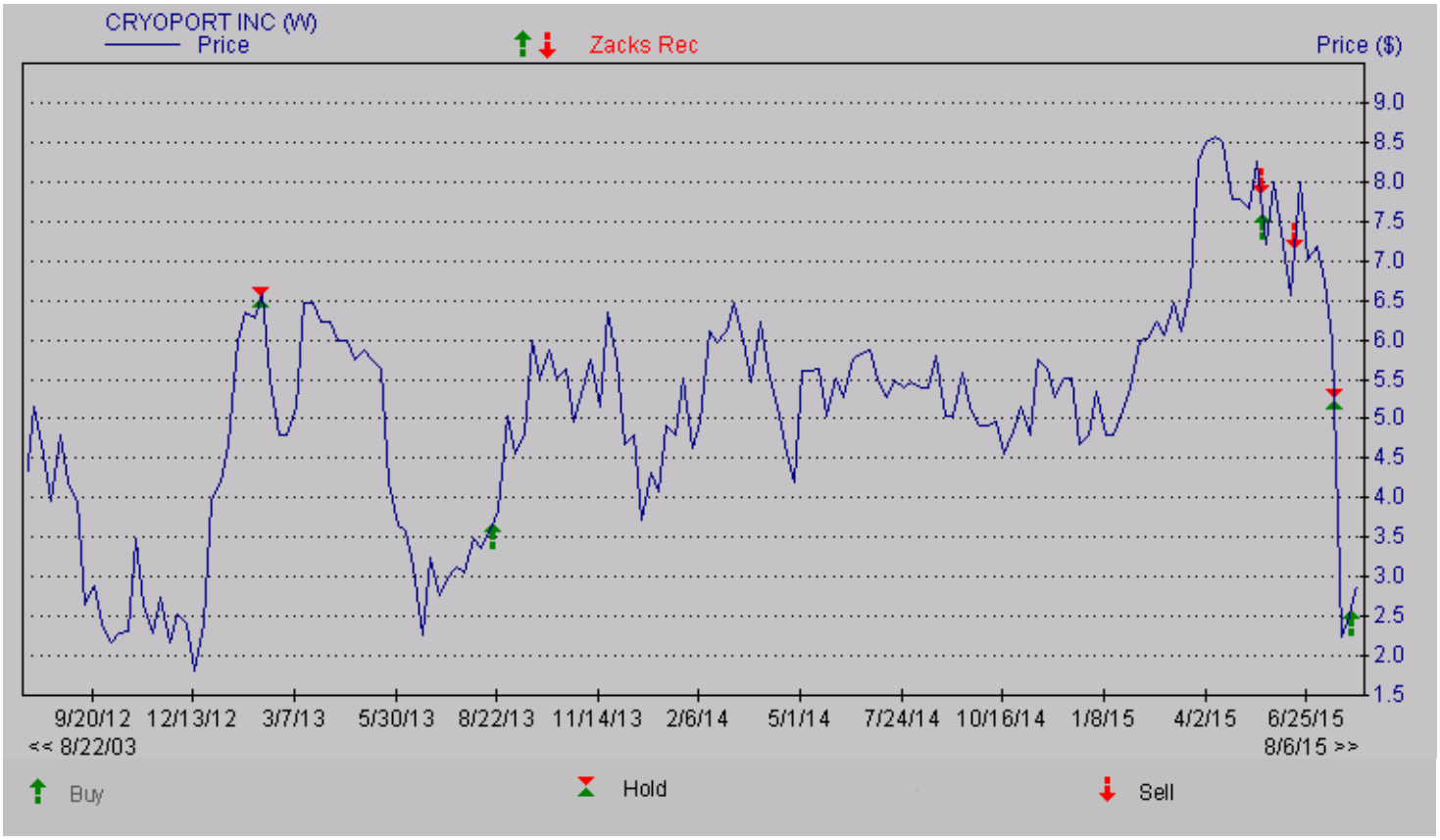

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