August 12, 2014

Brian Marckx, CFA
bmarckx@zacks.com
Ph (312) 265-9474

Zacks Small-Cap Research

scr.zacks.com

10 S. Riverside Plaza, Ste 1600, Chicago, IL 60606

Chembio Diagnostics Inc. (CEMI- NASDAQ)

CEMI: Record DPP Sales Drive 38% Revenue Growth

Current Recommendation	**Outperform**
Prior Recommendation	N/A
Date of Last Change	06/14/2010
Current Price (08/12/14)	$3.55
Target Price	**$10.00**

OUTLOOK

Dist agreement with Alere terminated and Alere launching competing product which could potentially impact CEMI's U.S. sales - particularly in the near term. CEMI now bldg direct sales force to sell direct in the U.S. Int'l lateral flow sales remain variable which negatively impacted 1H 2014 revenue. DPP sales ex-Brazil look to be accelerating with the recent launch of DPP HIV/Syphilis test. This should help reduce the impact of a flattening or contraction of FIOCRUZ sales in 2014 and a significant reduction in FIOCRUZ-related revenue upon trigger of the tech transfer (which we estimate will happen in 2015). Pipeline progress continues - DPP HIV CLIA waiver could come in Q3 and we now look for this test to launch in U.S. POC mrkt in 2015. CEMI also focused on complementary revenue opportunities including add'l R&D contracts/grants, expansion of international commercialization footprint, and potentially in-licensing products.
CEMI maintains strong cash position and balance sheet.
We are maintaining our Outperform rating.

SUMMARY DATA

52-Week High	**$4.42**
52-Week Low	**$3.55**
One-Year Return (%)	**-13.80**
Beta	**0.01**
Average Daily Volume (sh)	**23,623**
Shares Outstanding (mil)	**10**
Market Capitalization ($mil)	**$34**
Short Interest Ratio (days)	**0.78**
Institutional Ownership (%)	**16**
Insider Ownership (%)	**6**
Annual Cash Dividend	**$0.00**
Dividend Yield (%)	**0.00**
5-Yr. Historical Growth Rates	
Sales (%)	**21.1**
Earnings Per Share (%)	**-31.0**
Dividend (%)	**N/A**
P/E using TTM EPS	**32.27**
P/E using 2014 Estimate	**N/A**
P/E using 2015 Estimate	**177.5**
Zacks Rank	**N/A**

Risk Level	**Average,**
Type of Stock	**Small-Value**
Industry	**Med Products**

ZACKS ESTIMATES

Revenue
(millions)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2013	$6.68 A	$5.39 A	$9.62 A	$7.86 A	$29.55 A
2014	$5.81 A	$7.42 A	$7.33 E	$7.16 E	$27.72 E
2015					$25.60 E
2016					$31.87 E

Adjusted Earnings per Share

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2013	$0.05 A	-$0.04 A	$0.11 A	-$0.02 A	$0.11 A
2014	-$0.04 A	-$0.02 A	-$0.02 E	-$0.01 E	-$0.09 E
2015					$0.02 E
2016					$0.18 E

Zacks Projected EPS Growth Rate - Next 4 Years % **41**

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

WHAT'S NEW

Q2 2014: *Huge Jump In DPP Sales More Than Offsets Weak Lateral Flow*

Q2 revenue of $7.4M was up 37.6% from the comparable period in 2013 with product sales up 43.2%. On a sequential basis, total revenue and product revenue increased by 27.6% and 47.8%, respectively. The relative strong growth is even more impressive given that lateral flow sales were weak in Q2, falling 54.6% yoy and 46.6% sequentially. The revenue growth in Q2 was a result of record revenue from DPP products - while the company provided only limited disclosure behind the reasons for the record DPP sales ($5.1M), we suspect there may have been a significant jump in sales of the DPP HIV/Syphilis assay in Mexico. We have since made some upward adjustments to our modeled DPP revenue.

Domestic and international lateral flow sales were approximately $1.5M and $424k, compared to our $2.4M and $2.4M estimates. As a reminder, international lateral flow sales can be volatile due to ordering patterns and timing of international procurement programs - as such, there is reason to expect they will rebound significantly from this level. Relative to domestic sales, while we had expected the termination of the Alere distribution agreement (terminated 6/3/14) to take a meaningful bite out of U.S. lateral flow sales, this revenue clearly fell earlier and more dramatically then we had anticipated. CEMI has already started building a sales force and began detailing the (CLIA waived) STAT-PAK HIV test, although we continue to think there may be some downward pressure for at least the next couple of quarters to U.S. sales as they get their sales strategy implemented.

Management noted on the call that they currently have two direct sales reps which are targeting the public health segment with STAT-PAK HIV where the sales approach is much more efficient. They expect to scale the sales force and potentially bring in third-party distribution with CLIA waiver of the DPP HIV assay - which the company hopes will be granted in Q3.

DPP sales of $5.1M were well ahead of our $1.6M estimate, crushed the prior quarterly record of $2.9M and represented yoy and sequential growth of 644% yoy and 342%, respectively. A footnote in the 10-Q indicates much of the yoy growth relates to FIOCRUZ (i.e. Brazil) although, as noted, we think there has been a fairly sizeable contribution from sales of DPP HIV/Syphilis in Mexico throughout the first half of 2014. As we have mentioned in recent updates, we think this DPP HIV/Syphilis test could all broad appeal in international markets - which we think is already the case.

Total revenue in Q2 of $7.4M was well ahead of our $6.7M number with the miss on lateral flow more than offset by the extraordinarily strong DPP revenue. Total revenue consisted of $7.3M in product sales ($6.6M estimate) and $174k in license/royalty/R&D contract revenue.

Q2 gross margin at 40.2% fell from 42.3% in Q2 2013 but was up nicely from 39.1% in Q1 2014 and better than our 38.6% estimate. Product margin held up very well at 38.7%, up from 38.5% in Q2 2013 and 27.8% in Q1 2014. For the full year we continue to look for total gross margin to fall compared to 2013 as we expect lower non-product revenue in the current year. We think gross margin begins to expand in 2015 with growth in domestic product sales (via direct sales force).

EPS

We use adjusted net income and EPS for consistency purposes. As a reminder, in Q4 2011 CEMI took a non-cash gain of $5.16 million to income from the reversal of deferred tax asset as they expected to generate positive pre-tax income from that point forward. Their GAAP income tax rate of ~35.1% is ~90% non-cash until they exhaust (which, based on our current model will occur sometime in 2018) their entire deferred tax asset which stood at $3.8 million at the end of Q2.

Q2 adjusted net income and EPS of approximately ($224)k and ($0.02) came in largely in-line with our ($155)k and ($0.02) estimates. We now look for adjusted EPS of ($0.06) for the full-year 2014.

Cash

Excluding changes in working capital, cash from operations was an inflow of $89k in Q2. The company also used $450k in Q2 and $517k through the first half of the year for their pre-announced enhancements to their manufacturing, distribution and warehouse facilities to improve efficiencies and capacity. CEMI exited the quarter with $6.8M in cash and equivalents, compared to $9.1M at the end of Q1. The balance sheet remains debt-free.

Business / Pipeline Update

Highlights since the close of 2013 include CEMI terminating the domestic distribution agreement with Alere related to their STAT-PAK HIV rapid lateral flow test. The agreement terminated on June 3, 2014. Alere will continue to distribute CEMI's other lateral flow HIV test, branded as Clearview Complete. CEMI has already started assembling a sales force including a director of sales, director of marketing and currently has two sales reps on board to handle direct sales of STAT-PAK as well as the DPP products. Management has indicated that their initial direct sales strategy for STAT-PAK HIV will be focused on public health facilities. With CLIA waiver (potentially as soon as Q3) of DPP HIV they expect to incrementally grow their direct sales force as well as potentially supplement direct sales with U.S. third party distribution.

Termination of the Alere agreement came about as Alere launched a competing product, HIV 1/2 antibody / p24 antigen rapid test. The P24 test was recently launched into the "moderately complex" professional lab market and is awaiting CLIA waiver - if and when granted Alere will sell into the POC channel and offer direct competition to CEMI's rapid tests. However, it is unclear how competitive Alere's test may be as these 4th-gen antigen/antibody tests (which are developed to detect both acute and chronic infection) have not performed particularly well in certain studies in terms of sensitivity on the antigen (acute) marker.

The other most recent noteworthy news came is that CEMI has completed the additional in-house studies that FDA had previously requested for support of its CLIA waiver application. This additional data was submitted to FDA during Q2. CEMI hopes to hear a response from FDA in Q3 as to whether CLIA waiver has been granted. We continue to model a launch of DPP HIV in the POC market in early 2015.

DPP HIV, U.S.

FDA approval for all sample types (oral fluid, whole blood, serum, and plasma) came in December 2012. Studies to support CLIA waiver wrapped up in Q4 and CLIA waiver application was filed in December 2013. CEMI had hoped to have CLIA waiver and launch the test in the U.S. point-of-care market in the first half of this year. FDA's request for additional information has prompted us to push back our anticipated POC channel launch to early 2015.

In clinical studies the product has shown to have superior performance to OraSure's oral fluid test as well as other rapid HIV tests using blood samples. CEMI's DPP HIV test's FDA approved label includes claims of sensitivity/specificity on oral fluid and whole blood of 98.9%/99.9% and 99.9%/100%, respectively. Oral fluid sensitivity was 100% among patients not on anti-retroviral medication.

Certain advantages of CEMI's DPP HIV product, including superior performance, long shelf-life, broader label including approved for patients 2 years and older (versus 13 yrs and older with competitors'), and earlier detection on serum samples should bode well for it competing against OraSure's oral fluid rapid HIV test. CEMI's plan for selling the test to the POC market includes detailing with its own sales force as well as through distributors in order to broaden its U.S. reach.

DPP Syphilis Screen and Confirm

Syphilis Screen and Confirm (treponemal / non-treponemal) test was CE Marked in Europe in early October 2011. CEMI noted that during Q2 2013 they established distribution for the test in the U.K.

Relative to the road to FDA approval, CEMI believes the data they have, which includes data from a multi-site study done in China with over 3,000 samples and published late last year online in the journal Clinical Infectious Diseases (link: http://cid.oxfordjournals.org/content/early/2012/10/29/cid.cis928.abstract) provides significant support to reinitiate clinical trials in their quest to gain 510(k) clearance from the FDA. CEMI submitted the additional data to the FDA and the regulator responded in February. While CEMI believes they have what they need to pursue trials, in August 2013 they noted that they have a supply issue for a key raw material and until that issue is resolved, the studies will be on hold. Prior to this issue CEMI had hoped to commence the studies in April or May, submit the 510(k) application by end of Q3 2013 and have FDA clearance by mid-2014. Obviously that timeline will now not happen.

As a reminder, CEMI had previously announced that they have already identified 3 study sites and drafted contracts related to the studies - so at least some of the early leg-work seems to be done.

We think CEMI's DPP POC syphilis screen and confirm test could have significant appeal given that it would be the first POC treponemal/non-treponemal test on the market with accuracy competitive to lab tests. The test would potentially draw significant demand overseas as well, particularly in developing countries where infectious diseases (including HIV and syphilis) can be overly problematic. However, given the recent lack of progress on moving this project forward, we have removed any contribution from it from our model.

DPP HCV

Chembio is now even more focused on development of a competitive DPP hepatitis C test following the recently released draft recommendation by the CDC that all Americans ages 45 - 65 be tested for the virus as well as independent data published in the Journal of Virology which indicated relatively high accuracy of CEMI's HCV test.

Chembio efforts relative to DPP HCV have most recently focused on improving upon accuracy and competitiveness compared to rapid HCV tests already on the market. Chembio is now looking at including antigen detection on top of antibody detection. All the rapid HCV tests currently on the U.S. market are all antibody tests, which can fail to detect the virus especially in the early stages of the disease when antibody presence is low.

In Q3 2012 CEMI completed an initial feasibility study on proprietary antigens and had been awaiting additional proprietary materials to further improve the performance of their initial DPP HCV test (the initial test was used in the study cited in The Journal of Virology article) compared to competitive products. CEMI has since received these and is continuing with development of the test.

Assuming development continues with positive results, clinical trials could commence in late-2014 with potential commercialization in early 2016.

We note that we had removed a DPP HCV test from our model in early 2011 when it looked like CEMI may abandon the program. While we still do not model the test, we will revisit this depending on how things progress.

DPP Syphilis / HIV Combo

We think this DPP Syphilis / HIV combo test is a potentially significant needle-mover for CEMI - initial meaningful revenue contribution appears to have already materialized during 1H 2014. In late October 2013 CEMI announced the test launched in Mexico and that they received their first P.O. for the test from their Mexican distributor. In October they also announced that the test was accepted on the USAID list of products eligible to be used in international procurement programs. This will be the only Syphilis / HIV combo test currently on the USAID waiver list. The test looks like it could have potentially significant appeal in emerging markets, particularly for prenatal testing where relatively high rates of both HIV and syphilis are commonplace and programs to reduce the incidence of mother-to-child transmission have been implemented.

Relative to the FDA approval pathway, CEMI submitted a guidance request to the FDA to determine the appropriate regulatory pathway. FDA recently responded that PMA pathway would be required - as opposed to the quicker 510(k). Most recently CEMI announced that FDA indicated to the company that performance of the test will need to comply with a new (higher) standard. CEMI recently requested a meeting with FDA relative to meeting the requirement and hopes to have more information within the next few months relative to a path to satisfy this standard. With this delay, CEMI now hopes to have the test approved, CLIA waived and launched in the U.S. market sometime next year. We more conservatively model a launch in the point-of-care segment in early 2016, an approximate 6 month delay from our prior timeline.

OTC HIV

CEMI had been waiting for FDA's decision on OraSure's OTC HIV test before going full-bore on their OTC HIV program. In July 2012 the FDA approved OraSure's OraQuick over-the-counter rapid HIV. The test, which uses an oral swab (saliva) as the sample and is basically identical to the test sold to the clinical market, is the first HIV test to be approved for home use.

FDA's decision essentially green-lighted CEMI's move to proceed with their home-use HIV test. Chembio continues to evaluate the OTC market size and opportunity and will proceed cautiously before committing to expensive clinical trials to gain OTC approval of their Sure Check rapid HIV test, which is already FDA approved for the clinical market. The design, scope, size and cost of CEMI's OTC program are yet to be nailed down but Chembio has almost certainly reviewed the path that OraSure already paved and can use that as (at least) a rough guide for what to expect to gain FDA approval. They will also have the advantage of seeing exactly how well OSUR's test sells and the demand for OTC HIV testing.

Chembio completed the self-testing study required for an IDE submittal but it now in sort of a holding pattern and waiting for more history on how OSUR's test does in the market before committing to further development. If CEMI does go ahead and has an IDE granted, CEMI can then work towards their clinical trials. This would initially involve phase II observed clinical studies followed by a pivotal trial.

It's difficult to gauge the scope of the development program that CEMI will need to follow but for reference, OraSure enrolled ~5,800 people in its pivotal clinical trial. We think it's probably safe to assume that this will be a multi-year and multi-million dollar endeavor. As it is now, we assume FDA approval will not happen prior to the out-year (2017) of our model (we have yet to model any contribution from this OTC test). CEMI may also look to partner - we will update our assumptions as necessary.

We think, if and when Chembio gets regulatory approval for and launches their OTC HIV test, it can be very competitive to OraSure's OTC test, particularly on performance. We also note that FDA approved OSUR's OraQuick OTC test, despite seemingly low (~92%) sensitivity when administered by consumers (as opposed to by doctors). This low sensitivity is likely in CEMI's sights and we think that if they can show better performance, that would be a very compelling message when the product rolls out. We do note that OSUR's test uses an oral swab as the sample, whereby CEMI's current Sure Check uses blood. Assuming equal performance, oral swab would be considered an advantage from an ease and comfort of administration basis - but this advantage could be potentially largely negated with superior performance. For obvious reasons, FDA and physicians (and consumers) have serious concerns relative to accuracy of HIV home tests - oral swab versus blood sampling may be a relatively benign convenience gap if CEMI's test shows greater accuracy.

Meanwhile, in March 2014 CEMI announced that their HIV 1/2 STAT-PAK lateral flow test received CE Mark. CEMI is in the process of strategizing distribution of the test for the European POC market. However, as we have noted in the past, we think there may be only limited opportunity in the European POC market due to the lower HIV prevalence in Europe and heavier reliance on clinical lab testing (as opposed to the POC setting).

DPP HIV Multiplex P24 Antigen / Antibody

CEMI continues to look to leverage the multiplexing capability of the DPP technology and is now in the early development stages of a DPP HIV P24 Antigen / Antibody test. The potential advantage over their other HIV tests is this multiplex test would be capable of identifying acute (P24 antigen) as well as chronic (antibody) HIV infection, potentially allowing for diagnosis at an earlier state of infection.

Alere has a P24 antigen test which was initially only sold ex-U.S. In late October 2013 Alere received FDA approval of their test (Determine HIV 1/2 Ag/Ab Combo) and is currently undergoing CLIA waiver studies. Alere noted that they had expected to submit a CLIA waiver application in Q4 2013 although this timeline has been pushed back. Nonetheless, CLIA waiver and launch could happen during the current year. While it's currently difficult to judge the potential demand for a P24 test, in part due to somewhat conflicting performance results in clinical studies (earlier P24 test versions suffered from poor sensitivity, although Alere's published clinical test results for their Determine test indicate relatively very high sensitivity and specificity) the advantages of an accurate rapid test that can detect both acute and chronic HIV infection would likely have broad appeal.

In August 2013 CEM announced that they expected to pursue a similar test using its DPP technology. CEMI most recently noted that they will continue to evaluate their strategy for this test.

Complementary Revenue Opportunities

CEMI has recently dedicated a greater focus on what we characterize as complementary revenue opportunities - essentially non-core commercialization activities that have the potential to provide incremental revenue with little additional operating expense. The company has had significant success over the years with scoring R&D contracts and grants from private and government entities related to development of various diagnostic tests which have provided a meaningful contribution to both revenue and margins. Management has indicated that they will be very active in pursuing future contracts.

On the Q2 2014 call management noted that they are exploring other applications for their DPP technology - while still light on details, the company indicated that they are exploring non-infectious disease areas. Some of these projects, if moved forward, could be collaborations with partners - which management mentioned they have already had discussions surrounding.

The other complementary revenue opportunities come from expanding their international footprint with their existing suite of products, something that management has clearly put additional effort into recently and is expected to be an ongoing focus going forward. In May 2013 CEMI entered into an assembly and distribution agreement with Labtest Diagnostica of Brazil whereby CEMI will sell Labtest components to certain DPP tests which will be assembled and sold by the Brazilian company. CEMI will receive a royalty on sales.

In February 2014 CEMI penned technology transfer agreement with RVR Diagnostics or Malaysia whereby RVR will manufacture and distribute the DPP HIV 1/2 and DPP HIV/Syphilis tests in parts of Asia (ex-China) and will pay

CEMI a royalty on sales as well as consummation and milestone fees. Chembio indicated that they think this RVR opportunity, in particular, could have significant revenue potential.

Management also noted on the Q4 2013 earnings call that they are open to considering in-licensing products - which would presumably leverage off of their future domestic sales force - a low-risk, incremental revenue opportunity.

OUR OUTLOOK

Revenue

We look for 2014 revenue of $27.7 million, implying a decline of 6% from 2013. We currently model double-digit declines in both U.S. and international lateral flow sales. We note, however, that international sales in particular are difficult to forecast given that they are largely driven by purchases from international procurement programs - purchase timing and amounts of which can be highly variable. As such, our estimates are subject to change. We model international DPP-related revenue of approximately $10.9M - a 66% increase from 2013, with a large contribution coming from the $5.2M in sales recorded in Q2.

Net Income / EPS

We think net income and EPS come down due to contraction in revenue, an increase in SG&A expense as a result of the additional sales force and tightening in gross margin. We model adjusted net income and EPS of ($866)k and ($0.06) in 2014 (compared to $989k and $0.11 in 2013).

For 2015 we model additional negative revenue growth (due to our expectations that FIOCRUZ will trigger the technology transfer and result in further contraction in FIOCRUZ related revenue) yet increases in net income and EPS, the latter a result of wider gross margin from a higher percentage of domestic sales and realization of manufacturing efficiencies, greater leverage on SG&A and flat R&D expense.

RECOMMENDATION / VALUATION

We continue to believe that CEMI trades significantly cheaper than warranted. We value CEMI using 3.5x our estimated 2014 revenue which values the company at approximately $10.00/share. We are maintaining our Outperform rating.

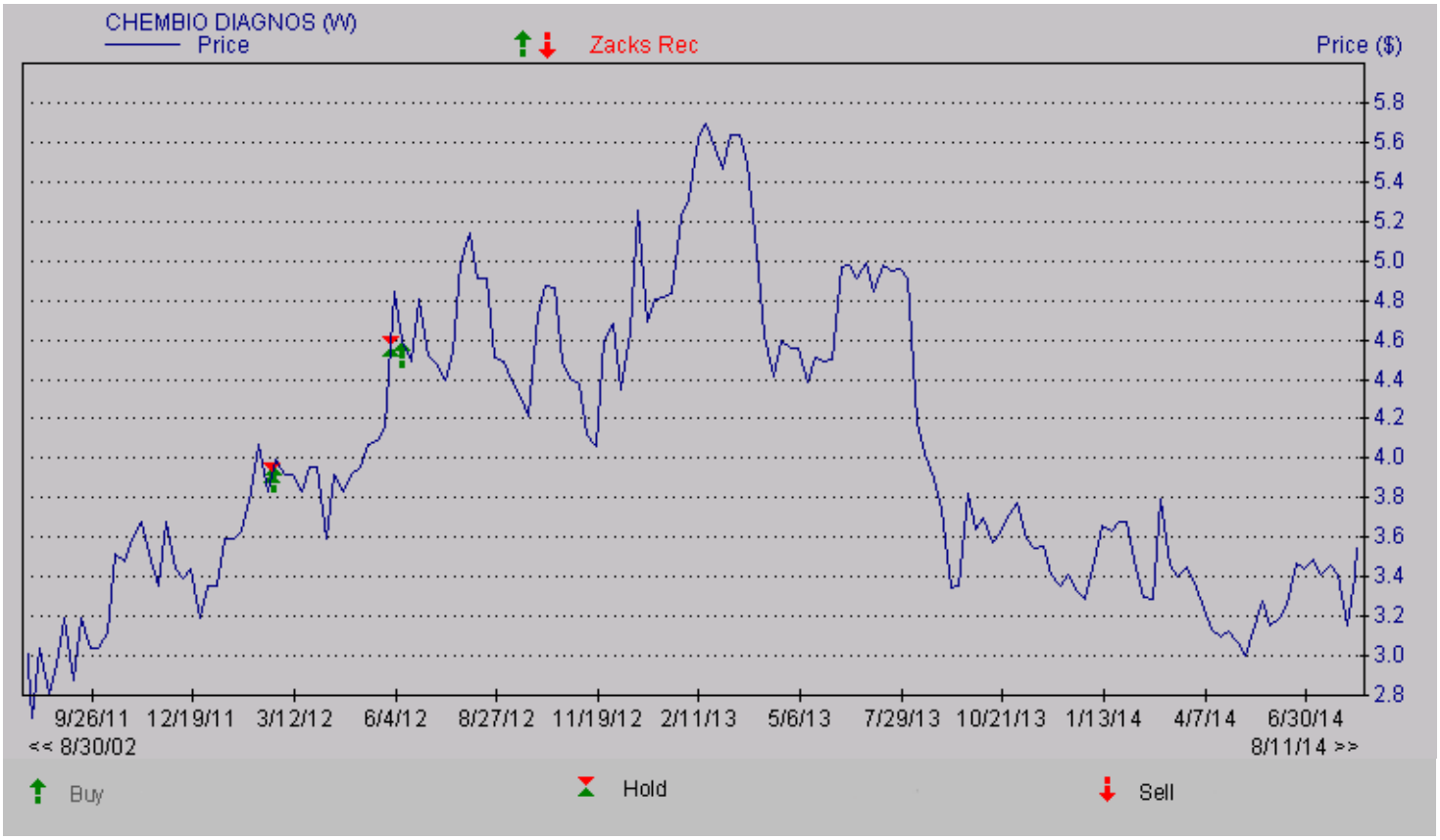
INCOME STATEMENT

Chembio Diagnostics, Inc.

	2013 A	Q1A	Q2A	Q3E	Q4E	2014 E	2015 E	2016 E	2017 E
Product sales	**$27,516**	**$4,904**	**$7,248**	**$7,160**	**$6,978**	**$26,291**	**$23,743**	**$30,048**	**$33,169**
% of total revenue	*93.1%*	*84.4%*	*97.6%*	*97.7%*	*97.5%*	*94.8%*	*92.8%*	*94.3%*	*94.5%*
YOY Growth	*13.1%*	*-22.3%*	*43.2%*	*-20.8%*	*-1.7%*	*-4.5%*	*-9.7%*	*26.6%*	*10.4%*
License & royalty income	**$5**	**$0**	**$7**	**$20**	**$30**	**$57**	**$452**	**$518**	**$580**
% of total revenue	*0.0%*	*0.0%*	*0.1%*	*0.3%*	*0.4%*	*0.2%*	*1.8%*	*1.6%*	*1.7%*
R&D contracts, grants, milestones	**$2,029**	**$909**	**$167**	**$150**	**$150**	**$1,376**	**$1,400**	**$1,300**	**$1,365**
% of total revenue	*6.9%*	*15.6%*	*2.2%*	*2.0%*	*2.1%*	*5.0%*	*5.5%*	*4.1%*	*3.9%*
Total Revenues	$29,550.2	$5,813.1	$7,422.6	$7,330.0	$7,158.0	$27,723.7	$25,595.1	$31,865.8	$35,114.2
YOY Growth	*15.4%*	*-13.0%*	*37.6%*	*-23.8%*	*-8.9%*	*-6.2%*	*-7.7%*	*24.5%*	*10.2%*
Cost of Revenues	$17,249	$3,540	$4,440	$4,382	$4,222	$16,584	$14,056	$17,127	$18,508
Gross Income	$12,301	$2,273	$2,983	$2,948	$2,936	$11,140	$11,539	$14,739	$16,606
Gross Margin	*41.6%*	*39.1%*	*40.2%*	*40.2%*	*41.0%*	*40.2%*	*45.1%*	*46.3%*	*47.3%*
Product Margin	*37.3%*	*27.8%*	*38.7%*	*38.8%*	*39.5%*	*36.9%*	*40.8%*	*43.0%*	*44.2%*
Research & Development	$5,834	$1,198	$1,269	$1,265	$1,150	$4,881	$4,934	$4,987	$4,754
% R&D	*19.7%*	*20.6%*	*17.1%*	*17.3%*	*16.1%*	*17.6%*	*19.3%*	*15.7%*	*13.5%*
Selling General & Admin	$5,461	$1,458	$1,947	$1,884	$1,868	$7,157	$6,476	$7,998	$8,076
% SG&A	*18.5%*	*25.1%*	*26.2%*	*25.7%*	*26.1%*	*25.8%*	*25.3%*	*25.1%*	*23.0%*
Operating Income	$1,005	($383)	($233)	($201)	($82)	($898)	$130	$1,753	$3,776
Operating Margin	*3.4%*	*-6.6%*	*-3.1%*	*-2.7%*	*-1.1%*	*-3.2%*	*0.5%*	*5.5%*	*10.8%*
Other income (expense)	$8	$0	($6)	$0	$0	($6)	$0	$0	$0
Interest income, net	$5	$2	$2	$1	($1)	$3	$95	$125	$155
Pre-Tax Income	$1,018	($381)	($237)	($200)	($83)	($901)	$225	$1,878	$3,931
Taxes	$487	($156)	($91)	($70)	($29)	($346)	$84	$704	$1,474
Tax Rate	*47.8%*	*41.0%*	*38.4%*	*35.0%*	*35.0%*	*36.8%*	*37.5%*	*37.5%*	*37.5%*
Net Income	$531	($225)	($146)	($130)	($54)	($554)	$140	$1,174	$2,457
YOY Growth	*-43.6%*	*-170.9%*	*-39.4%*	*-118.1%*	*-79.4%*	*-204.4%*	*-125.3%*	*736.4%*	*109.3%*
Net Margin	*1.8%*	*-3.9%*	*-2.0%*	*-1.8%*	*-0.8%*	*-2.0%*	*0.5%*	*3.7%*	*7.0%*
GAAP EPS	$0.06	($0.02)	($0.02)	($0.01)	($0.01)	($0.06)	$0.01	$0.12	$0.23
Adjusted EPS	$0.11	($0.04)	($0.02)	($0.02)	($0.01)	($0.09)	$0.02	$0.18	$0.36
YOY Growth	*-34.5%*	*-171.1%*	*-39.3%*	*-119.0%*	*-58.1%*	*-198.5%*	*-124.6%*	*725.5%*	*96.2%*
Weighted Avg. Shares O/S	8,994	9,339	9,556	9,600	9,622	9,529	9,825	9,955	10,620

Brian Marckx, CFA

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, Brian Marckx, 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 1115 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- 17.2%, Hold/Neutral- 76.3%, Sell/Underperform – 5.6%. Data is as of midnight on the business day immediately prior to this publication.