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Zacks Small-Cap Research

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

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

CombiMatrix Cp (CBMX-NASDAQ)

CBMX: Q4: Huge Jump in Testing Volumes, Big Beat on EPS

Current Recommendation	**Outperform**
Prior Recommendation	N/A
Date of Last Change	07/07/2014
Current Price (02/26/15)	$2.05
Target Price	**$3.50**

OUTLOOK

Molecular diagnostics company CBMX has offered a variety of genetic tests for various indications but just recently shifted the majority of its focus for growth on chromosomal microarray analysis (CMA) in the prenatal setting. A relatively novel genetic testing method, CMA has gained more attention due to two recent NEJM-published studies and a recommendation from an influential trade association supporting its use in prenatal analysis. CBMX is positioning itself to exploit an industry shift away from the current standard testing method towards CMA by expanding distribution, entering into key partnerships and leveraging competitive advantages. Early indications are that this plan is already bearing fruit.

SUMMARY DATA

52-Week High	**$3.65**
52-Week Low	**$1.09**
One-Year Return (%)	**-32.40**
Beta	**-0.05**
Average Daily Volume (sh)	**116,207**
Shares Outstanding (mil)	**11**
Market Capitalization ($mil)	**$23**
Short Interest Ratio (days)	**2.51**
Institutional Ownership (%)	**13**
Insider Ownership (%)	**2**
Annual Cash Dividend	**$0.00**
Dividend Yield (%)	**0.00**
5-Yr. Historical Growth Rates	
Sales (%)	**12.8**
Earnings Per Share (%)	**N/A**
Dividend (%)	**N/A**
P/E using TTM EPS	**N/A**
P/E using 2015 Estimate	**N/A**
P/E using 2016 Estimate	**N/A**
Zacks Rank	**N/A**

Risk Level	**High,**
Type of Stock	**Small-Blend**
Industry	**Instru-Scientfc**

ZACKS ESTIMATES

Revenue
(in 000s of $)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2014	1,822 A	1,941 A	2,062 A	2,217 A	8,042 A
2015	2,430 E	2,497 E	2,807 E	3,171 E	10,905 E
2016					16,331 E
2017					22,135 E

Earnings per Share

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2014	-$0.18 A	-$0.23 A	-$0.23 A	-$0.15 A	-$0.79 E
2015	-$0.14 E	-$0.14 E	-$0.14 E	-$0.12 E	-$0.54 E
2016					-$0.23 E
2017					-$0.17 E

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

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WHAT'S NEW….

Q4 Financial Results: Softer Avg Reimbursement More Than Offset By Huge Jump in Testing Volumes…

CBMX announced financial results for the fourth quarter and year ending December 31. Average per-test reimbursement slipped fairly significantly – by about 7% from Q3 and ~15% lower than what we had forecast but the softer reimbursement was more than offset by a big beat on testing volumes. The net result was revenue about 3% better than our number. And the beat wasn't confined to the top line with OpEx coming in well below our estimate, some of which relates to lower than modeled litigation expense but also to CBMX's efficiency efforts. The better revenue and expenses numbers resulted in a significant beat on EPS and net loss.

And while the dip in reimbursement was a disappointment, importantly the company is actively addressing the issue of price erosion which includes the recent hiring of an experienced payer-relations professional who will be focused on improving reimbursement. Other initiatives aimed at firming up revenue per test and reducing exposure to ambiguous insurance reimbursement policies include the recently launched in-vitro fertilization genetic test which will be 100% patient-pay and increasing the number of managed care network relationships (which most recently included a contract with Fortified Provider Network, which has 4 million members spanning 200 payor clients).

But while pricing was not a highlight in Q4, testing volumes definitely were. Not only were volumes of both prenatal microarray and total tests at all-time highs, they also crushed our estimates. Prenatal microarray (CMBX's bread-and-butter) and total billable tests increased 68% and 52%, respectively in Q4 to 1,126 and 2,289 – compared to our respective estimates of 972 (+62% E) and 1,860 (23% E).

As noted, the beat on volumes more than offset the relative weakness in pricing. Prenatal microarray and total billable test average reimbursement were $1,258 and $955, compared to our $1,522 and $1,133 estimates.

For the full-year 2014 prenatal microarray and total billable tests increased to 3,660 (+62%) and 7,761 (+26%) while related average reimbursement was $1,386 (-13%) and $1,017 (+1%), compared to $1,598 and $1,009 in 2013. As this illustrates, the softness in pricing is related to the microarray tests – which is where CBMX is focusing its reimbursement-improvement initiatives.

As we detail further below, we have made some adjustments to our financial model following Q4 results, which includes bumping up our forecasted volume growth rate and trimming our per-test reimbursement. The net result, similar to what we saw with Q4, is close to a wash on forecasted revenue. We have also made some downward adjustments to forecasted near-term OpEx, reflecting a reduction to estimated litigation expense as we now think it is more likely than not that a final court-order in CBMX's favor will be forthcoming.

Q4 total revenue of $2.2 million was up 27% yoy, up 8% sequentially and about 3% better than our $2.1 million estimate. Q4 marked the fifth straight quarter where testing services revenue set a new all-time record. Testing services revenue increased 28% yoy and 9% sequentially. Prenatal microarray continues to be the catalyst driving the top-line, accounting for 64% and 59% of total revenue in Q4 and 2014, respectively, and for 83% and 91% of the total revenue growth over those same periods.

For the full-year 2014, revenue was $8.0 million, up 26% from 2013.

	Q4E	Q4A
Non-Prenatal Microarray growth rate	0.5%	
Non-Prenatal $ per test	$0.940	$1.045
Non-Prenatal Microarray Revenue	$553	$561
Number of Non-Prenatal tests	588	537
Number of tests		
Total Prenatal Microarray tests	972	1,126
prenatal as %of total microarray tests	62%	68%
YOY Growth	*44.3%*	*67.1%*
Total Microarray tests	1,560	1,663
microarray %of total tests	84%	73%
YOY Growth	*23.9%*	*32.1%*
Non-microarray tests	300	626
non-microarray %of total tests	16%	27%
YOY Growth	*20.0%*	*150.4%*
Total Billable tests	**1,860**	**2,289**
YOY Growth	*23.3%*	*51.7%*
Revenue per test		
Prenatal microarrays	$1.522	$1.258
All microarrays	$1.303	$1.189
Non-microarrays	$0.250	$0.334
Total	**$1.133**	**$0.955**
Total revenue per test		
Prenatal microarrays	$1,480	$1,416
YOY Growth	*43.4%*	*37.2%*
All microarrays	$2,033	$1,977
YOY Growth	*23.5%*	*20.1%*
Non-microarrays	$75	$209
YOY Growth	*23.7%*	*244.8%*
Total	**$2,108**	**$2,186**
YOY Growth	*23.5%*	*28.1%*
Diagnostic Svcs	$2,107.6	$2,186.0
YOY Growth	*23.6%*	*28.2%*
Royalties	$40.0	$31.0
YOY Growth	*-16.7%*	*-35.4%*
Total Revenues	$2,147.6	$2,217.0
YOY Growth	*22.5%*	*26.5%*

Service margin, likely impacted by the dip in average reimbursement, fell to 42.7% from 47.6% in the year-earlier period and 43.9% in Q3. Lab efficiencies, higher testing volumes and benefits realized from recently implemented reimbursement initiatives have us continuing to model improvement in GM, although we have trimmed our forecasts some since Q4 results.

Q4 operating expenses were $2.5 million, significantly better than our $3.2 million forecast, The difference coming from lower than modeled R&D expenses (CBMX completed development and launched the IVF test slightly earlier than our expectations) as well as lower than anticipated litigation expense. Litigation expense was $200k in Q4 and $2.3 million in all of 2014. As we think conclusion of the lawsuit is forthcoming, we anticipate much lower litigation expense in 2015 and beyond.

Q4 net loss and EPS were $1.6 million and ($0.15), significantly better than our $2.3 million loss and ($0.21). For the full year net loss and EPS were $8.7 million and ($0.79).

The updates to our model for 2015 include increasing growth of total billable tests from 23% to 32% and reducing average reimbursement from $1,210 to $1,053. We think our growth rate is reasonable given the rapid ramp in prenatal microarray testing volumes plus the incremental volume expected from the newly launched IVF and Targeted Array products. We think average reimbursement can begin to firm up in the near-term with the recent targeted initiatives. We have trimmed our OpEx estimates for 2015, reflecting lower than previously modeled litigation expense and some additional efficiencies in sales and marketing. The net result is improvement in estimated 2015 net loss from $7.5 million to $7.0 million. Our out-years in our financial model and related 10-year DCF are significantly less affected.

We are maintaining our Outperform rating and $3.50/share price target. As we detail below, which comes from our recent investor note, we think certain risks have been exaggerated which has put downward pressure on the share price and kept it from appreciating closer to where we think fair value is – although the share price has reacted favorably over the last several weeks since our investor note published.

Risks Overhyped…

We think CBMX has been dogged by circumstances that we think have been more exaggerated than warranted and which have had the effect of keeping the shares from appreciating beyond what we think is an undeservedly undervalued level. We continue to think fair value is approximately $3.50/share yet the stock has traded well below this level since early 2014 despite significant and consistent improvement in financial results. The recent hyper-risk scare has provided an attractive entry point for investors, although we would expect the share price to appreciate towards our target price as specifics of these recent events and their potential impact (or non-impact) on CBMX becomes more clear and investors begin to again focus on the ever-improving fundamentals of the company.

The most glaring of these overhyped risks, in our opinion, have been an ongoing lawsuit and, more recently, FDA's recent decision to begin oversight of laboratory developed tests. It is clear that the most significant overhang on the stock has been the long outstanding lawsuit first filed by Michael Strathman, a former employee of CombiMatrix, against CombiMatrix (and two other defendants) in early 2011 in the state of California. The suit claimed that the company filed false insurance claims related to a prior lawsuit. While specifics in terms of potential damages/awards are not clear, court documents suggest this could be as much $75 million.

Lawsuit risk greatly diminished with 2nd ruling in CBMX's favor…

The lawsuit was dismissed by the court later in 2011. An appeals court reversed this decision in late 2012 and the case was remanded to the Superior Court of California. Strathman filed an amended complaint and, following an unsuccessful motion by CBMX for the court to rule in their favor without a trial, on January 6, 2015 the Superior Court issued a tentative ruling in favor of CombiMatrix and against all claims of Michael Strathman. The court specifically determined that the defendants had no fraudulent intent.

Mr. Strathman had fifteen business days following the ruling (i.e.- Jan 27th) to file any objections – which, unsurprisingly he did. The court now has 60 days from Strathman's filing to consider his objections or to hear any additional arguments before issuing its final ruling. So while it is possible the court may consider Mr. Strathman's objections, we think, given that the plaintiff has now lost twice, that any potential adverse outcomes from this lawsuit have now significantly diminished.

LDT oversight more bark than bite…

Another potential overhang on the stock has been FDA's recent guidance on additional regulation of laboratory developed tests (LDTs). FDA has historically had discretion regarding regulation of these tests. But in the summer 2014 FDA issued a guidance document to Congress notifying them that the agency intends to propose risk-based oversight framework for LDTs which are designed, manufactured and used within a single lab. A draft guidance document was issued in October detailing more specifics. This oversight is expected to include premarket review for what the agency will classify as higher-risk tests that compete against already FDA-approved companion diagnostics and a potential phase-in over time of premarket review for other high risk and moderate risk LDTs.

The only requirement so far is for LDT manufacturers to notify FDA that they are currently making and using these tests and to provide information about the tests. The guidance recommends that premarket review begin 12 months after the guidance is finalized for the highest risk LDTs, for it to phase in over four years for the remaining high risk devices and for premarket review to begin five years after the guidance is finalized for moderate risk devices.

Exactly what might be involved in the premarket review still isn't clear. What is clear, however, is that FDA believes many of the LDTs already on the market have been validated by clinical studies and literature and that the agency will use this as part of its review. Per the draft guidance, "FDA emphasizes that it is the Agency's practice to leverage such information from the literature in lieu of requiring additional studies to demonstrate clinical validity. In these cases FDA may still require studies demonstrating device performance (e.g., analytical evaluations) but generally intends to rely on the scientific literature to support clinical validity if appropriate. FDA intends to work with the laboratory community, the healthcare professional community and other stakeholders to determine whether an LDT's clinical validity has already been established in the literature."

And while this premarket review (i.e. – FDA clearance) requirement will likely apply to most LDTs, including CBMX's, we think the financial and operational risk to CBMX is minimal. For one, the premarket review phase-in period could be as long as five years. And secondly, and most important, is that as we have highlighted in our

coverage of CBMX, there is significant clinical evidence and published studies demonstrating the performance of the company's tests. We also note that there are over 11,000 LDTs currently commercialized by more than 2,000 labs and we think it is unlikely that FDA will implement an approval process that is so stringent and costly that it could have the effect of potentially decimating this hugely important cog in the medical diagnostics space.

New Product Launches Further Build Out CBMX's Microarray Testing Menu

CBMA recently launched two new tests which further builds out their women's health microarray testing menu and which should incrementally benefit revenue growth. In November CombiPGS, an in-vitro fertilization genetic screening test was launched. CombiPGS will target IVF physicians and will be used prior to implantation to assess the embryos for chromosomal abnormalities. CombiPGS not only expands CBMX's footprint to now include IVF but also provides the benefit that this will be all customer cash-pay, which eliminates any issues of insurance reimbursement.

And in December Targeted Array for Prenatal Analysis was launched which addresses the issue of arrays returning results with variants of unknown significance (VOUS). While chromosomal microarray (CMA) is a very powerful tool in evaluating prenatal development disorders, there is still a lot to learn about the human genome, which means that CMA can return results with uncertain clinical significance. The issue with VOUS is that this can cause patient anxiety and often requires that counselors be available to address this. It has also been cited as perhaps constraining uptake, at least to a certain extent of CMA in place of karyotyping. CBMX's Targeted Array focuses only on certain chromosomal abnormalities that are specific to the needs of each maternal fetal medicine practice, thereby reducing the risk of VOUS. We think the test could hold meaningful promise and will be eagerly awaiting future updates on demand and uptake of the test.

Add'l Study Data Supports CMA's Superiority Over Standard Genetic Testing…

CBMX presented new study data at the American Society of Human Genetics Annual Meeting in October which provides additional support of the superiority of CMA as compared to standard prenatal genetic testing. The study included 3,408 samples from both fresh tissue (n = 2,712) and tissue preserved (n = 564) with formalin and embedded paraffin (FFPE) which were analyzed by three CMA platforms; BAC-aCGH, oglio-aCGH and SNP array. SNP, one of the platforms that CBMX utilizes, demonstrated the highest abnormality detection rate at 53.8%.

CMA analysis provided a successful result in 86.5% (2,345/2,712) of the fresh samples and 87.2% (492/564) of the preserved samples. This relatively high success rate is similar to other studies which have shown CMA provides a successful result between 87% and 98% of the time while karyotyping, the standard products of conception testing method, produces a successful result only about 60% - 70% of the time.

The lower success rate of karyotyping is largely due to the need to culture the cells (which is not required with CMA) for a period prior to analysis, during which time the cells may die. This "culture failure" can occur in as many as 20% - 55% of cases, making karyotyping much less reliable than CMA given that the latter can analyze non-living tissue.

OUTLOOK / VALUATION

OUTLOOK

CombiMatrix's prenatal microarray testing volumes increased 272% (983 to 3,660) from 2012 to 2014 while their non-prenatal microarray testing volumes fell 16% (2,641 to 2,223) over the same period, reflecting the company's deliberate strategic shift to focus on the area that holds the most potential for long-term growth. While recent growth benefitted from the company allocating the bulk of sales efforts towards the prenatal microarray market, as well as potentially from the NEJM articles, the addition of other catalysts along with what we believe are important competitive advantages of CBMX have the potential to extend this growth momentum of prenatal microarray testing over the long-term. And as prenatal microarray per-test revenue and margins are the highest among the company's testing segments, this is also where the bulk of the opportunity for profitability lies.

The ACOG Committee Opinion was published in December 2013 and we also expect this, along with the supporting December 2012 NEJM articles and more recent clinical data presentations, to help build

awareness of the benefits of prenatal chromosomal microarray testing - although we view the benefit of these as more longer-term catalysts in helping to shape changes in clinical practice away from the use of karyotyping and towards the use of chromosomal microarray. We also assign real value to CBMX's competitive strengths including; 1) their sales strategy, whereby they will detail to several decision-makers, including the pathologist, in order to increase the number of shots on goal, 2) high-level, high-expertise, on-staff counseling services and 3) test turnaround times that are as fast or faster than their competitors'. And in, addition, new product launches including the CombiPGS (IVF) test and Targeted Array which both launched in late 2014 have the potential to expand to new markets and further penetrate existing markets.

We estimate the market size directly related to CBMX's prenatal / POC microarray offerings at approximately $400M or more. As a placeholder for now, we assume this market expands at approximately 5% per year. The company has already made some headway in penetrating this market - particularly in miscarriage analysis, although we think 90%+ of this market remains virtually untapped. Almost all of our anticipated revenue growth for every modeled period is coming from prenatal microarray while we model flat growth of non-prenatal microarray and non-microarray testing.

Our 2015 revenue growth, including +56% from prenatal microarray testing, is driven from the recent and ongoing expansion of the sales force, new payor contracts, greater awareness and some incremental growth from new products.

Beyond 2015 we think contribution from the additional, aforementioned catalysts begin to make a more substantial impact. We also think it is not unreasonable to believe that additional future studies and publications will provide further insight into the human genome, soften certain current headwinds to adoption of CMA (i.e. - provide more knowledge related to variants of unknown significance) and provide support for the utility of chromosomal microarray analysis in the prenatal space. These catalysts should result in steepening of the rate of adoption of chromosomal microarray analysis. This, coupled with the company's competitive positioning and our assumption that CBMX continues to grow their distribution footprint via incremental expansion of their sales force and, possibly, additional partnerships, provide what we believe will be a position of strength for CBMX in terms of being able to increase penetration of their target prenatal markets and grow revenue over the long-term.

We currently model CBMX achieving just under 2% penetration of the targeted prenatal microarray markets in 2015 and this growing to ~mid-single digit penetration by 2018 and approximately 10% by 2022. Additional new product launches could prompt an upward revision to our forecast, particularly as it relates to our out-years. We look for incremental widening of gross margin as prenatal microarray, the highest priced of the company's tests, grows to account for an ever larger proportion of total revenue. We model improvement in leverage in operating expenses during the current year, reflecting lower litigation expense compared to 2014 and increased efficiencies from the sales force.

VALUATION

We use a 10-year DCF model to value CBMX. We model revenue to grow from $8.0M in 2014 to $30M in 2018 and to $85.0M in 2024, representing a 10-year CAGR of 27%. We believe our revenue estimates are reasonable, particularly as out our out-year number assumes just less than 13% penetration of the estimated prenatal chromosomal microarray analysis market at that time. And, as noted, we model relatively flat growth of all other testing segments, which is also arguably conservative. We also do not incorporate contribution from any new products that CBMX may potentially bring to market through the term of DCF - new product launches and/or a higher rate of revenue growth (relative to our assumptions) from existing tests could provide some upside to our numbers and associated calculated valuation.

Other key inputs into our DCF include a 9% discount rate and 2% terminal growth rate. Based on our DCF model, CBMX is valued at approximately $3.50/share. We are maintaining our Outperform rating and $3.50/share price target.

FINANCIAL MODEL

CombiMatrix Corporation

	2014 A	Q1E	Q2E	Q3E	Q4E	2015 E	2016 E	2017 E	2018 E
Prenatal microarrays	$5,072	$1,589	$1,748	$2,112	$2,442	$7,891	$13,759	$19,541	$27,130
YOY Growth	*42.8%*	*41.6%*	*43.2%*	*60.9%*	*72.5%*	*55.59%*	*74.36%*	*42.02%*	*38.84%*
All microarrays	$7,318	$2,246	$2,313	$2,619	$2,995	$10,173	$15,871	$21,675	$29,264
YOY Growth	*26.1%*	*31.0%*	*29.2%*	*42.6%*	*51.5%*	*39.02%*	*56.00%*	*36.57%*	*35.01%*
Non-microarrays	$575	$144	$144	$147	$136	$572	$300	$300	$300
YOY Growth	*42.6%*	*89.4%*	*24.4%*	*-15.4%*	*-34.9%*	*-0.61%*	*-47.51%*	*0.00%*	*0.00%*
Total	**$7,893**	**$2,390**	**$2,457**	**$2,767**	**$3,131**	**$10,745**	**$16,171**	**$21,975**	**$29,564**
YOY Growth	*27.2%*	*33.5%*	*28.9%*	*37.6%*	*43.2%*	*36.13%*	*50.50%*	*35.89%*	*34.54%*
Diagnostic Svcs	$7,893.0	$2,390.1	$2,457.2	$2,766.6	$3,131.1	$10,745.0	$16,171.1	$21,974.8	$29,564.2
YOY Growth	*27.2%*	*33.5%*	*28.9%*	*37.6%*	*43.2%*	*36.13%*	*50.50%*	*35.89%*	*34.54%*
Royalties	$149.0	$40.0	$40.0	$40.0	$40.0	$160.0	$160.0	$160.0	$160.0
YOY Growth	*-8.6%*	*25.0%*	*14.3%*	*-21.6%*	*29.0%*	*7.38%*	*0.0%*	*0.0%*	*0.0%*
Total Revenues	$8,042.0	$2,430.1	$2,497.2	$2,806.6	$3,171.1	$10,905.0	$16,331.1	$22,134.8	$29,724.2
YOY Growth	*26.3%*	*33.4%*	*28.7%*	*36.1%*	*43.0%*	*35.6%*	*49.8%*	*35.5%*	*34.3%*
Cost of Services	$4,432.0	$1,362.4	$1,412.9	$1,604.6	$1,775.3	$6,155.2	$8,619.2	$11,185.2	$14,368.2
Gross Income	$3,610.0	$1,067.7	$1,084.3	$1,202.0	$1,395.8	$4,749.8	$7,711.9	$10,949.6	$15,356.0
Services Margin	*43.8%*	*43.0%*	*42.5%*	*42.0%*	*43.3%*	*43.6%*	*46.7%*	*49.1%*	*51.4%*
R&D	$725.0	$194.0	$201.0	$194.0	$187.0	$776.0	$918.0	$971.0	$888.0
% R&D	*9.0%*	*8.0%*	*8.0%*	*6.9%*	*5.9%*	*7.1%*	*5.6%*	*4.4%*	*3.0%*
SG&A	$11,525.0	$2,520.0	$2,710.0	$2,756.0	$2,767.0	$10,737.0	$12,476.9	$14,299.1	$16,794.2
% SG&A	*143.3%*	*103.7%*	*108.5%*	*98.2%*	*87.3%*	*98.5%*	*76.4%*	*64.6%*	*56.5%*
Patent amort. & royalties	$114.0	$26.0	$26.0	$26.0	$26.0	$104.0	$120.0	$110.0	$110.0
Goodwill impairment	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Operating Income	($8,754.0)	($1,612.3)	($1,792.7)	($1,716.0)	($1,746.2)	($6,867.2)	($5,803.0)	($4,430.5)	($2,436.2)
Operating Margin	*-108.9%*	*-66.3%*	*-71.8%*	*-61.1%*	*-55.1%*	*-63.0%*	*-35.5%*	*-20.0%*	*-8.2%*
Total Other income	$47.0	($25.0)	($10.0)	($15.0)	($20.0)	($70.0)	($150.0)	($175.0)	($150.0)
Pre-Tax Income	($8,707.0)	($1,637.3)	($1,802.7)	($1,731.0)	($1,766.2)	($6,937.2)	($5,953.0)	($4,605.5)	($2,586.2)
Taxes	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Tax Rate	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*
Preferred Dividends	$0	$0	$0	$33	$0	$33	$0	$0	$0
Net Income	($8,707.0)	($1,637.3)	($1,802.7)	($1,764.0)	($1,766.2)	($6,970.2)	($5,953.0)	($4,605.5)	($2,586.2)
YOY Growth	*-28.7%*	*-18.0%*	*-30.1%*	*-29.9%*	*9.2%*	*-19.9%*	*-14.6%*	*-22.6%*	*-43.8%*
Net Margin	*-108.3%*	*-67.4%*	*-72.2%*	*-62.9%*	*-55.7%*	*-63.9%*	*-36.5%*	*-20.8%*	
EPS	($0.79)	($0.14)	($0.14)	($0.14)	($0.12)	($0.54)	($0.32)	($0.17)	($0.09)
YOY Growth	*-74.5%*	*-24.2%*	*-39.1%*	*-38.9%*	*-17.8%*	*-32.0%*	*-40.8%*	*-47.2%*	*-43.8%*
Diluted Shares O/S	11,029	11,830	12,700	12,700	14,700	12,983	18,742	27,446	27,446

Brian Marckx, CFA

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MANAGEMENT

Mark McDonough
President & CEO

Mr. McDonough brings over 16 years of experience in diagnostic healthcare and life sciences to CombiMatrix. Led by his passion for patient care, he has spent his career growing early stage and emerging Cancer Diagnostics, Molecular Diagnostics and Commercial Laboratory organizations. In August 2012, Mr. McDonough joined CombiMatrix as Chief Commercial Officer. His efforts to optimize the commercial aspects of CombiMatrix and his focus on prenatal testing had an immediate impact on the company's long-term strategy and financial success. Mr. McDonough came to CombiMatrix from Pathwork Diagnostics where he was Vice President of Sales and Service. His business acumen was instrumental in driving all phases of the commercial efforts at Pathwork Diagnostics; including sales, reimbursement strategies, and market creation of novel diagnostics that fulfilled a critical, yet unmet need for patients with metastatic disease. Preceding his time at Pathwork Diagnostics, Mr. McDonough held positions of increasing responsibility at US LABS, ultimately assuming the role of Vice President of Sales. He also served in an executive capacity at Dianon and Laboratory Corporation of America (post acquisition). His contributions as a field sales resource and sales leader from 2002-2004 were instrumental in the growth of US LABS from $17M to $75M, resulting in its successful acquisition by Laboratory Corporation of America in early 2005. Prior to US LABS, Mr. McDonough was with EMC Corporation and Ventana Medical Systems. Before to joining the healthcare industry, Mr. McDonough was a ranking officer in the United States Navy for six years, where he served as Navigator of the USS FLETCHER (DD 992).
Mr. McDonough received his Bachelor's Degree in Finance from Miami University-Ohio.

Scott Burell
Chief Financial Officer

Scott Burell was promoted to Chief Financial Officer of CombiMatrix in November 2006. He has successfully led the split-off of the Company in 2007 from its former parent, has led several successful public and private debt and equity financing transactions and successfully executed the Company's reorganization and relocation in 2010. Prior to this, Mr. Burell had served as our Vice President of Finance since November 2001 and as our Controller from February 2001 to November 2001. From May 1999 to first joining CombiMatrix in February 2001, Mr. Burell was the Controller for Network Commerce, Inc., a publicly traded technology and information infrastructure company located in Seattle. Prior to this, Mr. Burell spent 9 years with Arthur Andersen's Audit and Business Advisory practice in Seattle. During his tenure in public accounting, Mr. Burell worked with many clients, both public and private, in the high-tech and healthcare markets, and was involved in numerous public offerings, spin-offs, mergers and acquisitions.
Mr. Burell obtained his Washington state CPA license in 1992 and is a certified public accountant (currently inactive). He holds Bachelor of Science degrees in Accounting and Business Finance from Central Washington University.

Kim Leroux
Vice President of Billing & Reimbursement

Kim Leroux offers over 12 years of experience in laboratory experience, specifically focused on Billing and Support Services. Ms. Leroux serves as CombiMatrix's Vice President of Billing & Reimbursement.
Prior to joining CombiMatrix, Ms. Leroux worked at US LABS, a division of Laboratory Corporation of America for 10 years. There, she served as National Director of Client Services, and was instrumental in standardizing Client Service process at affiliated facilities, developing call-back programs to increase revenue and days sales outstanding (DSO), and developing Management Programs to monitor top revenue accounts.
Ms. Leroux earned her Bachelor Degree in Public Relations from California State University of Fullerton.

Andy Moye
Vice President of Sales & Business Development

Andy Moye has over 8 years of healthcare experience, specifically in sales and business development for diagnostics and life sciences companies. In August 2013, Mr. Moye joined CombiMatrix and has led multiple successful business development partnerships. Currently Mr. Moye serves as the VP for sales and business development, focusing on the commercial aspects of CombiMatrix through direct sales, business development, and product development.
Mr. Moye came to CombiMatrix from Riveron Consulting where he served as Principal for healthcare mergers and acquisitions. Prior to Riveron, Mr. Moye served as VP, Product and Business Development, and VP of Hematology for Caris Life Sciences, which was acquired by Miraca Holdings in 2011. Before joining the healthcare industry, Mr. Moye spent eight years as a Naval Officer flying on P-3C Orion aircraft during Operations Enduring Freedom and Iraqi Freedom.
Mr. Moye received his Bachelor's Degree in Physiology from the University of Arizona and his MBA from the University of Florida.

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Karen Warner

Vice President of Payer & Reimbursement

Karen Warner R.N., brings over 30 years of healthcare experience to CombiMatrix, spending the first half of her career in Nursing. Throughout her career, Ms. Warner's success has always been driven by putting the patient first. She successfully managed a 16 bed CT ICU for the VA population and has continued that trajectory by leading successful teams in Pharmaceuticals Sales, Training, Diagnostic Health Care and Payor Access.

Prior to joining CombiMatrix, Ms. Warner worked at Bako Integrated Physician Solutions where she served as Director of Payer Relations and was responsible for national market access for all payers. During her tenure at Bako, she secured direct multi-year national agreements at preferred pricing with six large national payers and 27 key regional/state Blues plans. Prior to Bako, Ms. Warner was president of Touch Point Consulting, a payer relations consulting company in molecular diagnostics, genetics and personalized medicine. Ms. Warner has previously held various positions in Sales, Payor Relatios and Reimbursment at Genoptix Medical Laboratories, Alkermes and Sanofi-Synthelabo.

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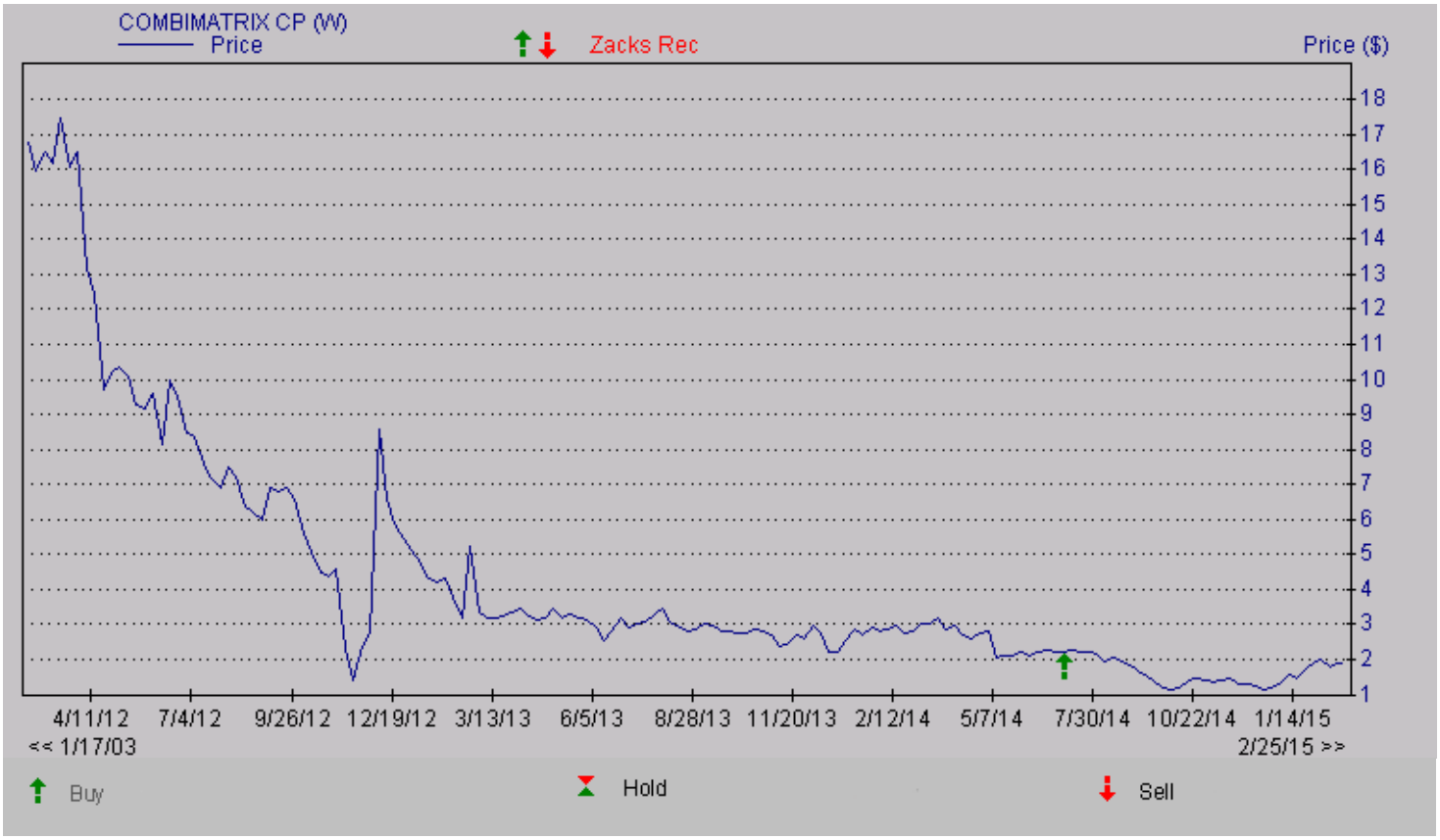

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