Zacks Small-Cap Research

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BioLife Solutions Inc (BLFS-NASDAQ)

BLFS: Record Product Revenue, Expect Continued Strong Growth in 2015

Current Recommendation	**Outperform**
Prior Recommendation	Neutral
Date of Last Change	02/13/2014
Current Price (01/12/15)	$1.95
Target Price	**$8.50**

OUTLOOK

Demand for biopreservation media is estimated to grow at an annual rate of almost 20% over the next several years, largely driven by rapid growth of the emerging field of regenerative medicine (including cell therapy and tissue engineering). BioLife's strategy is to build greater visibility and awareness of the benefits of their biopreservation products compared to the "home-brews" that currently dominate the market. The company's contract manufacturing business was providing a source of near-term revenue although loss of their major mfg customer will cause a big hiccup in revenue in 2014. However, the core biopreservation product sales are growing 25%+ due to growing uptake from clinical trial-stage products as well as in the hair restoration field. This is what we expect to be the long-term driver of revenue and earnings. Company also recently signed a new contract mfg agreement and entered into a JV - both of which we see as complementary revenue opportunities.

SUMMARY DATA

52-Week High	**$9.10**
52-Week Low	**$1.58**
One-Year Return (%)	**-72.99**
Beta	**-0.22**
Average Daily Volume (sh)	**30,444**
Shares Outstanding (mil)	**12**
Market Capitalization ($mil)	**$24**
Short Interest Ratio (days)	**0.06**
Institutional Ownership (%)	**4**
Insider Ownership (%)	**8**
Annual Cash Dividend	**$0.00**
Dividend Yield (%)	**0.00**
5-Yr. Historical Growth Rates	
Sales (%)	**50.9**
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	**Above Avg.,**
Type of Stock	**Small-Blend**
Industry	**Med Products**

ZACKS ESTIMATES

Revenue
(in '000 of $)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2013	2160 A	2330 A	2171 A	2289 A	8949 E
2014	2065 A	1212 A	1243 A	1764 E	6284 E
2015					8861 E
2016					12582 E

Earnings per Share

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2013	-$0.00 A	-$0.06 A	-$0.06 A	-$0.10 A	-$0.22 A
2014	-$0.10 A	-$0.07 A	-$0.07 A	-$0.08 E	-$0.31 E
2015					-$0.14 E
2016					$0.04 E

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

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WHAT'S NEW……

Q4 2014 Revenue Pre-Announcement: Record Product Sales, Initial Contribution from Somahlution

This morning (1/12/15) BioLife pre-announced revenue for the fourth quarter and full year ending December 31, 2014. Q4 revenue of approximately $1.8 million is ahead of the $1.5 million we had forecasted, with almost all of the difference coming from a big beat in contract manufacturing revenue ($50k E vs. $300k A). Meanwhile, Q4 product sales were ~$1.47 million, largely in-line with our $1.41 million estimate and set a new all-time record. Importantly, product sales growth, which was 21% in Q4 and 25% for the full year, remains very strong. And while total revenue contracted by 36% and 33% in Q4 and the full year, respectively, this is due to the loss of the major contract manufacturing customer (Organ Recovery Systems) during Q2.

We continue to expect product sales to exhibit strong double-digit growth in 2015, catalyzed by the ever-growing number of clinical trials that the company's proprietary storage media are being used in. In fact, last week BLFS announced that HypoThermosol and CryoStor are now being used in as many as 175 clinical trials - a huge jump from just a few months ago when they were being used in roughly 130 trials. The increase has been largely attributed to rapid uptake of the products in cellular immunotherapy, which we continue to view as a very attractive segment for BioLife's products. Continued strong growth of product sales is particularly important given that this is where the majority of the margin is. As such, we think that not only product sales and total revenue will improve in 2015, but so will operating income and cash burn. We continue to think the company can reach positive net income in 2016.

We also look for contract manufacturing to return to more sustainable growth during 2015. As a reminder, in July BLFS consummated a three-year agreement with Somahlution for the manufacture of that company's DuraGraft. Revenue from manufacture of DuraGraft, which recently received CE Marking for sale in Europe, is expected to be a meaningful contributor to revenue throughout 2015 and beyond. If and when the product is cleared for sale in the U.S. (FDA clearance would presumably follow the 510k pathway), this could provide an even more significant revenue opportunity for BLFS. The company also noted that they will also continue to look for additional contract manufacturing opportunities.

We also model financial contribution from the biologistex JV (announced in September) beginning in 2015. biologistex, will generate revenue via the rental of SAVSU's temperature controlled smart containers, including the EVO shipper. The containers, via embedded monitoring sensors, transmit location data, payload temperature and environmental data to a cloud-based portal which customers will have access to. Rentals will be on a monthly basis and the customer will choose their preferred shipping method and service.

We view biologistex as a complementary revenue opportunity for BLFS and offering potential synergies with its core cryopreservation customer base - particularly as BLFS's cryopreservation media are being used in about 175 clinical trials. And as each of these markets are closely related and significant in terms of both current size and expected future growth, the marriage of the two offerings under BLFS's umbrella provides the potential to steepen the rate of the company's already robust product revenue growth and leverage their current operational infrastructure.

Cash position remains very healthy. BLFS notes in the pre-announcement that they exited 2014 with approximately $10 million in cash and liquid investments. The balance sheet is solid with no outstanding debt.

We have updated our model for the pre-announcement. We are maintaining our Outperform rating. Our price target has moved from $8.00/share to $8.50/share.

VALUATION / RECOMMENDATION

Our comparable group used to value BLFS consists of direct competitors as well as small stem cell therapeutics and regenerative medicine companies. Our valuation metrics include enterprise value-to-sales (EV/Sales) and price-to-sales (P/Sales) multiples using sales at trailing twelve months (ttm), estimated 2014, and estimated 2015 (estimates from analyst forecasts).

Based on these six metrics, BioLife is valued between approximately $5/share and $14/share. Average valuation of all six metrics is about $8.50/share. BLFS currently trades at approximately $2.00, which is below what we calculate to be fair value. We are maintaining our Outperform rating. Our price target is $8.50/share.

	TICKER					Implied
METRIC	CYRX	ICEL	PLI	CYTX	Average	BLFS pps
EV/Sales (ttm)	7.5	4.3	44.0	8.9	16.2	$13.04
EV/Sales (2014 E)	4.4	4.1	31.3	6.4	11.5	$7.03
EV/Sales (2015 E)	1.7	2.4	20.9	3.8	7.2	$6.29
P/Sales (ttm)	7.2	6.3	55.0	6.5	18.7	$13.96
P/Sales (2014 E)	4.0	2.4	31.3	4.8	10.6	$6.02
P/Sales (2015 E)	1.5	3.5	20.9	2.8	7.2	$5.30
					Avg.	**$8.60**

FINANCIAL MODEL

BioLife Solutions Inc.

	2013 A	Q1A	Q2A	Q3A	Q4E	2014 E	2015 E	2016 E	2017 E
Prdct Sales/Ctrct Manu/JV	$8,340.2	$2,065.0	$1,211.9	$1,243.4	$1,764.0	$6,284.3	$8,861.2	$12,581.8	$17,038.4
YOY Growth	*47.8%*	*33.2%*	*-48.0%*	*-42.7%*	*-22.9%*	*-24.7%*	*41.0%*	*42.0%*	*35.4%*
Licensing Revenue	$609.2	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
YOY Growth	*2945.8%*	-	-	-	-	-	-	-	-
Total Revenues	$8,949.4	$2,065.0	$1,211.9	$1,243.4	$1,764.0	$6,284.3	$8,861.2	$12,581.8	$17,038.4
YOY Growth	*58.0%*	*-4.4%*	*-48.0%*	*-42.7%*	*-22.9%*	*-29.8%*	*41.0%*	*42.0%*	*35.4%*
Cost of Product Sales	$5,186.5	$1,161.6	$666.6	$655.0	$1,012.4	$3,495.6	$4,240.4	$5,349.5	$6,620.6
Gross Income	$3,762.9	$903.4	$545.3	$588.4	$751.6	$2,788.7	$4,620.8	$7,232.3	$10,417.8
Gross Margin	*42.0%*	*43.7%*	*45.0%*	*47.3%*	*42.6%*	*44.4%*	*52.1%*	*57.5%*	*61.1%*
R&D	$487.8	$167.3	$192.8	$153.3	$188.0	$701.4	$705.0	$730.0	$825.0
% R&D	*5.5%*	*8.1%*	*15.9%*	*12.3%*	*10.7%*	*11.2%*	*8.0%*	*5.8%*	*4.8%*
Selling & Mktg	$841.5	$241.4	$270.6	$298.3	$355.9	$1,166.2	$1,400.1	$1,698.5	$1,874.2
% Sell&Mktg	*9.4%*	*11.7%*	*22.3%*	*24.0%*	*20.2%*	*18.6%*	*15.8%*	*13.5%*	*11.0%*
G&A	$2,719.0	$863.7	$969.8	$1,011.3	$1,176.0	$4,020.9	$4,628.0	$4,290.4	$5,128.6
% G&A	*30.4%*	*41.8%*	*80.0%*	*81.3%*	*66.7%*	*64.0%*	*52.2%*	*34.1%*	*30.1%*
Operating Income	($285.3)	($369.1)	($887.9)	($874.5)	($968.3)	($3,099.8)	($2,112.3)	$513.4	$2,590.0
Operating Margin	*-3.2%*	*-17.9%*	*-73.3%*	*-70.3%*	*-54.9%*	*-49.3%*	*-23.8%*	*4.1%*	*15.2%*
Total Other Inc. (Exp.)	($798.8)	($190.3)	$4.5	$12.1	$10.9	($162.9)	$50.0	$75.0	$100.0
Pre-Tax Income	($1,084.1)	($559.4)	($883.4)	($862.5)	($957.4)	($3,262.6)	($2,062.3)	$588.4	$2,690.0
Taxes	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Tax Rate	-	-	-	-	-	-	-	-	-
Net Income	($1,084.1)	($559.4)	($883.4)	($862.5)	($957.4)	($3,262.6)	($2,062.3)	$588.4	$2,690.0
YOY Growth	*-34.7%*	*7670.5%*	*212.4%*	*178.3%*	*97.7%*	*200.9%*	*-36.8%*	*-128.5%*	*357.2%*
Net Margin	*-12.1%*	*-27.1%*	*-72.9%*	*-69.4%*	*-54.3%*	*-51.9%*	*-23.3%*	*4.7%*	*15.8%*
EPS	($0.22)	($0.10)	($0.07)	($0.07)	($0.08)	($0.31)	($0.14)	$0.04	$0.16
YOY Growth	*-35.1%*					*44.5%*	*-56.1%*	*-126.4%*	*334.7%*
Diluted Shares O/S	5,008	5,569	12,010	12,043	12,085	10,427	15,000	16,200	17,040

Brian Marckx, CFA

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MANAGEMENT

Michael Rice
Chairman & Chief Executive Officer

Mike Rice became president and chief executive officer and a member of our Board of Directors in August 2006, and Chairman in August 2007. He has more than 20 years of leadership and entrepreneurial experience in the medical and high tech industries. He was most recently the senior business development manager for medical and wireless products at AMI Semiconductor (NASDAQ:AMIS). Mr. Rice also served as the director of marketing and business development at Cardiac Science, Inc., a manufacturer of automated external defibrillators. Prior to that, he was the Vice President, Sales and Marketing for TEGRIS Corporation, a privately held network services provider. Mr. Rice also spent 12 years at Physio Control Corporation in several sales and marketing management roles prior to its acquisition by Medtronic Inc.

Aby J. Mathew, Ph.D.
Sr. Vice President and Chief Technology Officer

Dr. Mathew was part of the founding team of BioLife Solutions, and is a co-developer of BioLife′s biopreservation media solutions. He is a co-inventor on multiple issued and pending patents related to methods, devices, and formulations for the preservation of cells, tissues, and organs. He holds a Ph.D. in Biological Sciences within the Biochemistry, Cell and Molecular Biology Program from Binghamton University and a B.S. in Microbiology from Cornell University. Dr. Mathew has been researching low temperature biopreservation since 1994, and his studies contributed to the development of BioLife′s current commercial HypoThermosol and CryoStor product platforms and intellectual property foundation. Dr. Mathew was part of the scientific team that linked cell death via apoptosis (programmed cell death) to exposure to hypothermic and/or freezing temperatures. These discoveries were integral to the development of BioLife′s improved intracellular-like biopreservation solutions, and also contributed to improvements in cryosurgical ablation of cancer. Dr. Mathew is currently active in, or previously a member of, the International Society for Cell Therapy (ISCT), AABB (formerly the American Association of Blood Banks), BEST (the Biomedical Excellence for Safer Transfusion collaborative), Tissue Engineering & Regenerative Medicine International Society (TERMIS), Society for Cryobiology, International Society for Biological and Environmental Repositories (ISBER), American Society for Cell Biology, and the Society for In Vitro Biology.

Daphne Taylor
Vice President, Finance & Administration, Chief Financial Officer

Daphne Taylor has served as Vice President, Finance & Administration, and Chief Financial Officer since August 2011. She has 20 years experience as a finance professional. Prior to joining BioLife, Ms. Taylor served as Vice President, Corporate Controller and Chief Accounting Officer of Cardiac Science Corporation from November 2005 through January 2009. From April 2002 through November 2005, she held various positions, including Vice President and Corporate Controller for LookSmart, a publicly held Internet technology company. In 2001, Ms. Taylor was Controller at SpeedTrak Communications and prior to that she was Controller for ViroLogic, a publicly held biotechnology company. Ms. Taylor held various finance positions at Core-Mark International, a distribution company, from 1996 to 2000. From 1991 to 1994, she was in public accounting with Coopers & Lybrand and is a licensed CPA. Ms. Taylor holds a B.A. in Management/Accounting from Sonoma State University, California.

Joe Annicchiarico
Chief Operating Officer

Joe joined BioLife Solutions in December 2011 after serving for six years at MediQuest Therapeutics, Inc. in Bothell, Washington, where he was an integral part of the company′s first NDA filing. He spearheaded process scale-up and validation efforts, patent protection, and clinical trial supply chain management. His tenure at MediQuest included time as a Scientist, Formulation Manager, and most recently, as Director of Manufacturing and Clinical Supplies. Prior to his tenure at MediQuest, he worked in speciality chemical sales at Drummond American and spent four years as a formulation development Chemist at a pair of personal care products companies in New Jersey. Joe earned his Bachelor′s Degree in Biology from The Johns Hopkins University in Baltimore, Maryland, in 1997.

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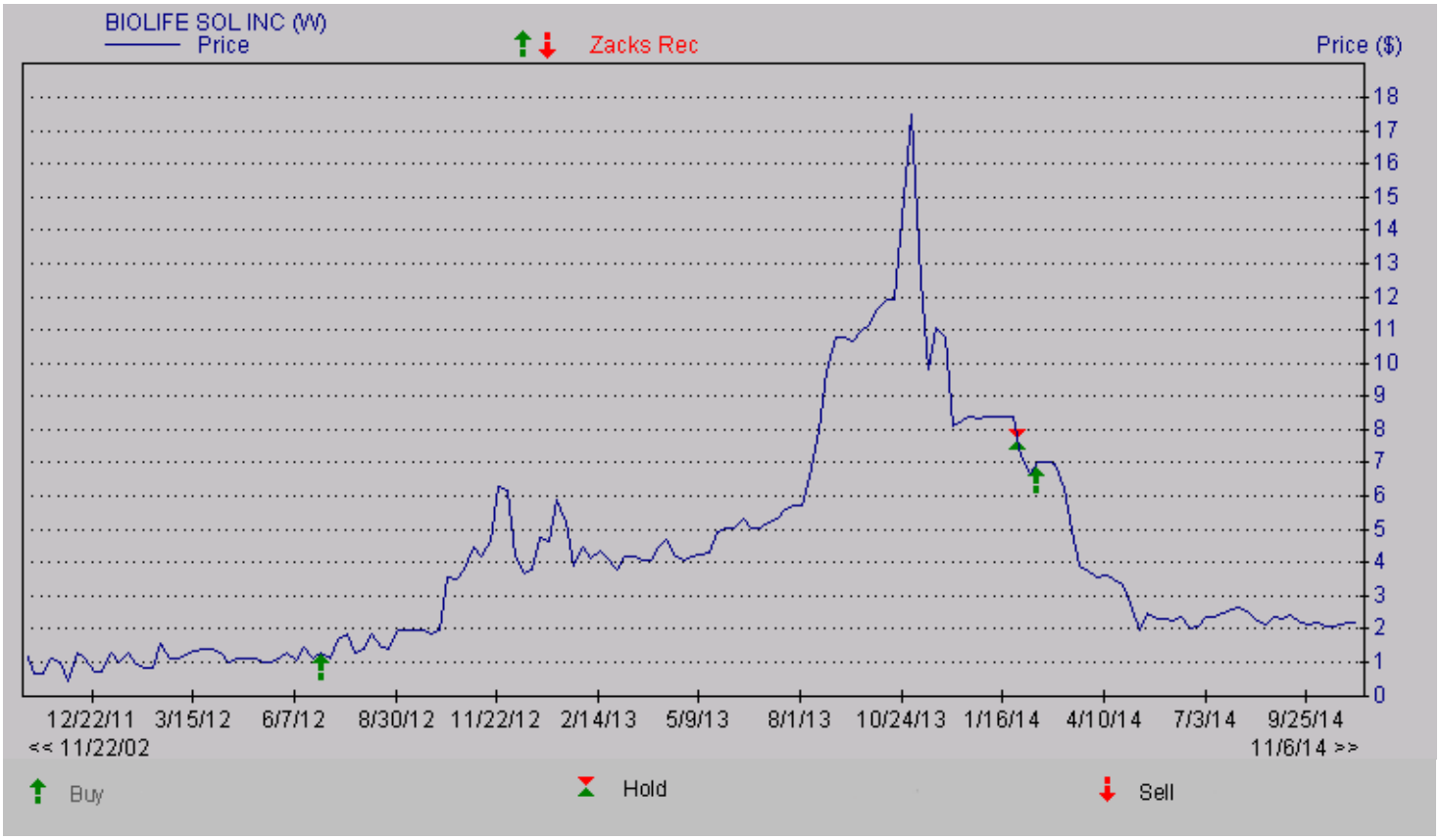

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Sell/Underperform: The analyst expects the company will underperform the broader U.S. Equity market over the next one to two quarters.

The current distribution is as follows: Buy/Outperform- 16.0%, Hold/Neutral- 77.8%, Sell/Underperform – 6.0%. Data is as of midnight on the business day immediately prior to this publication.