Zacks Small-Cap Research

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BioLife Solutions Inc (BLFS-NASDAQ)

BLFS: *Q2 Revenue Preannouncement. Product sales +33% yoy…*

Current Recommendation	**Buy**
Prior Recommendation	Neutral
Date of Last Change	02/13/2014
Current Price (07/13/15)	$2.16
Target Price	**$5.50**

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.

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 entered into a JV – biologistex expected to launch in Q2/Q3, revenue from which could be meaningful. Loss of contract manufacturing not hugely impactful given the low margins in that business. We are maintaining our Buy recommendation.

SUMMARY DATA

52-Week High	**$4.44**
52-Week Low	**$1.50**
One-Year Return (%)	**3.52**
Beta	**-0.31**
Average Daily Volume (sh)	**415.224**
Shares Outstanding (mil)	**12**
Market Capitalization ($mil)	**$26**
Short Interest Ratio (days)	**0.57**
Institutional Ownership (%)	**3**
Insider Ownership (%)	**8**
Annual Cash Dividend	**$0.00**
Dividend Yield (%)	**0.00**
5-Yr. Historical Growth Rates	
Sales (%)	**41.6**
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	**Med Products**

ZACKS ESTIMATES

Revenue
(in '000 of $)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2014	2065 A	1212 A	1243 A	1670 A	6191 A
2015	1501 A	1502 E	1548 E	1663 E	6213 E
2016					8581 E
2017					12449 E

Earnings per Share

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2014	-$0.10 A	-$0.07 A	-$0.07 A	-$0.08 A	-$0.31 A
2015	-$0.09 A	-$0.09 E	-$0.09 E	-$0.08 E	-$0.35 E
2016					-$0.15 E
2017					-$0.00 E

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

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WHAT'S NEW……

Q2 2015 Revenue Preannouncement: *Product Sales +33% yoy, -7% Sequentially…*

This morning (7/13) BioLife pre-announced expected revenue for Q2 of approximately $1.5 million. This includes ~$1.4 million of product sales, representing yoy growth in total revenue and product sales of approximately 24% and 33%, respectively. BLFS did not disclose what the remaining ~$100k in revenue is attributed to. Given that there was expected to be no contribution from contract manufacturing, this $100k might be from either the low weight Dextran solutions or, possibly related to the biologistex JV.

The $1.4 million in product sales is a hair under our $1.5 million estimate although the miss is not meaningful from a future modeling or valuation standpoint. Through the first six months of the year product sales are up healthy 32% yoy with regenerative medicine continuing to be the major catalyst driving demand for the company's preservation media products. The products are being used in an estimated 200 clinical trials.

Management continues to expect contribution from the biologistex and smart shipper business beginning in Q3 of this year. The evo smart shipper received the silver award in the Medical Product Packaging category at the Medical Design Excellence Awards in June.

We have made immaterial adjustments to our model following the pre-announcement. We continue to look for revenue and EPS of $6.2M and ($0.35) in 2015. We are maintaining our Buy recommendation and $5.50/share price target.

FINANCIAL MODEL

BioLife Solutions Inc.

	2014 A	Q1A	Q2E	Q3E	Q4E	2015 E	2016 E	2017 E	2018 E
Prdct Sales/Ctrct Manu/JV	$6,190.7	$1,500.7	$1,502.1	$1,547.5	$1,662.6	$6,213.0	$8,580.9	$12,449.3	$15,275.1
YOY Growth	*-25.8%*	*-27.3%*	*23.9%*	*24.5%*	*-0.5%*	*0.4%*	*38.1%*	*45.1%*	*22.7%*
Licensing Revenue	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
YOY Growth	-	-	-	-	-	-	-	-	-
Total Revenues	$6,190.7	$1,500.7	$1,502.1	$1,547.5	$1,662.6	$6,213.0	$8,580.9	$12,449.3	$15,275.1
YOY Growth	*-30.8%*	*-27.3%*	*23.9%*	*24.5%*	*-0.5%*	*0.4%*	*38.1%*	*45.1%*	*22.7%*
Cost of Product Sales	$3,155.3	$618.1	$595.8	$642.2	$703.2	$2,559.3	$3,880.8	$4,994.6	$5,754.9
Gross Income	$3,035.4	$882.6	$906.4	$905.3	$959.4	$3,653.7	$4,700.1	$7,454.6	$9,520.2
Gross Margin	*49.0%*	*58.8%*	*60.3%*	*58.5%*	*57.7%*	*58.8%*	*54.8%*	*59.9%*	*62.3%*
R&D	$871.1	$322.2	$316.0	$318.0	$321.0	$1,277.2	$1,121.0	$874.0	$855.0
% R&D	*14.1%*	*21.5%*	*21.0%*	*20.5%*	*19.3%*	*20.6%*	*13.1%*	*7.0%*	*5.6%*
Selling & Mktg	$1,329.7	$500.3	$494.0	$506.0	$525.0	$2,025.3	$2,334.0	$2,763.7	$2,810.6
% Sell&Mktg	*21.5%*	*33.3%*	*32.9%*	*32.7%*	*31.6%*	*32.6%*	*27.2%*	*22.2%*	*18.4%*
G&A	$3,970.3	$1,220.7	$1,204.0	$1,168.0	$1,087.0	$4,679.7	$3,758.4	$3,871.7	$4,200.7
% G&A	*64.1%*	*81.3%*	*80.2%*	*75.5%*	*65.4%*	*75.3%*	*43.8%*	*31.1%*	*27.5%*
Operating Income	($3,135.7)	($1,160.5)	($1,107.6)	($1,086.7)	($973.6)	($4,328.4)	($2,513.3)	($54.8)	$1,653.9
Operating Margin	*-50.7%*	*-77.3%*	*-73.7%*	*-70.2%*	*-58.6%*	*-69.7%*	*-29.3%*	*-0.4%*	*10.8%*
Total Other Inc. (Exp.)	($165.1)	$8.2	$6.0	$4.0	$2.5	$20.7	$22.0	$18.0	$41.0
Pre-Tax Income	($3,300.9)	($1,152.3)	($1,101.6)	($1,082.7)	($971.1)	($4,307.7)	($2,491.3)	($36.8)	$1,694.9
Taxes	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Tax Rate	-	-	-	-	-	-	-	-	-
Net Income	($3,217.8)	($1,031.5)	($1,101.6)	($1,082.7)	($971.1)	($4,307.7)	($2,491.3)	($36.8)	$1,694.9
YOY Growth	*196.8%*	*84.4%*	*24.7%*	*25.5%*	*-2.5%*	*33.9%*	*-42.2%*	*-98.5%*	*-4704.2%*
Net Margin	*-52.0%*	*-68.7%*	*-73.3%*	*-70.0%*	*-58.4%*	*-69.3%*	*-29.0%*	*-0.3%*	*11.1%*
EPS	($0.31)	($0.09)	($0.09)	($0.09)	($0.08)	($0.35)	($0.15)	($0.00)	$0.10
YOY Growth	*42.6%*					*14.4%*	*-56.5%*	*-98.6%*	*-4583.2%*
Diluted Shares O/S	10,425	12,101	12,175	12,202	12,304	12,195	16,200	17,040	17,500

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

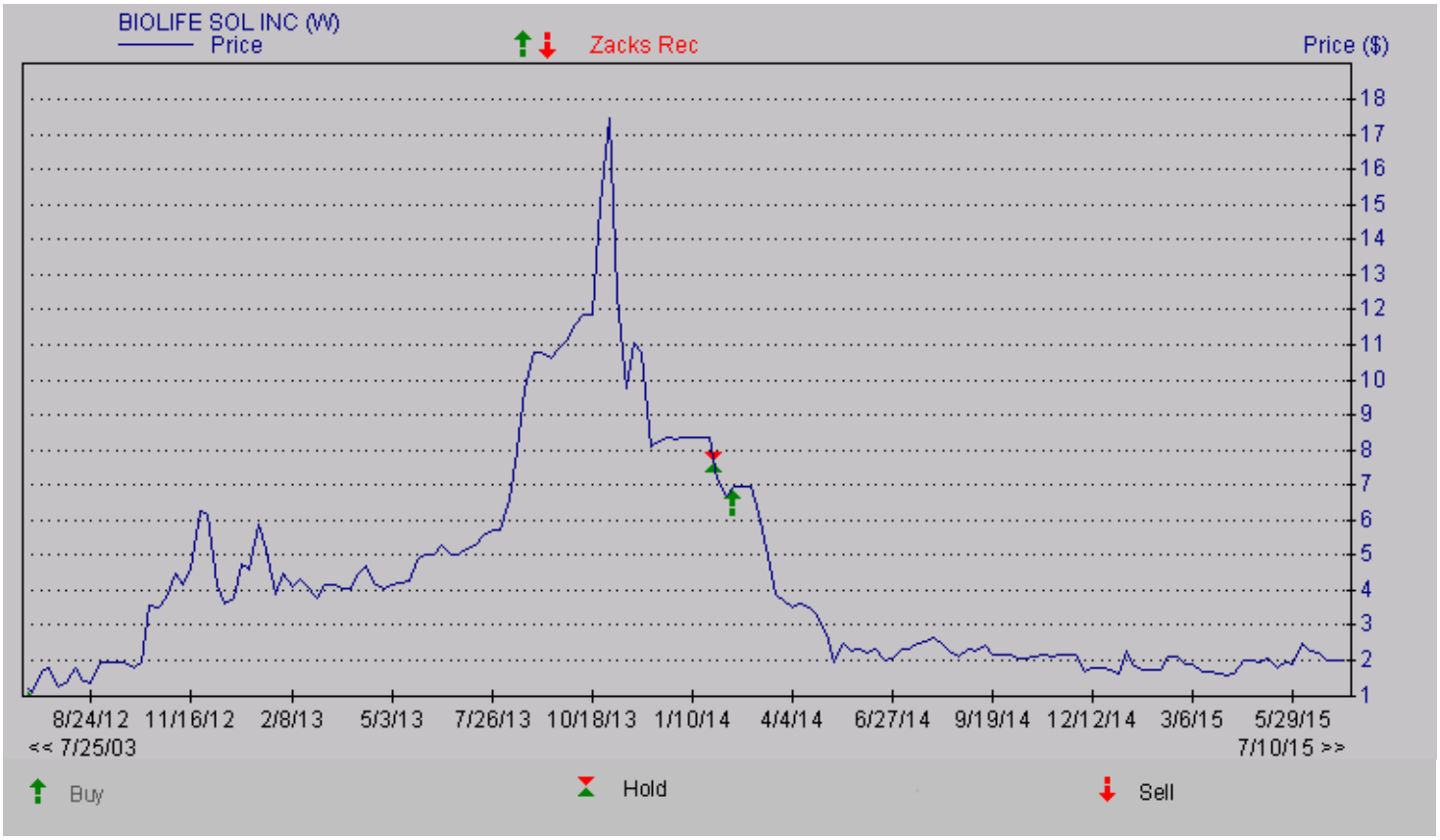
Daphne Taylor has served as Vice President, Finance & Administration, and Chief Financial Officer since August 2011. She has 20 years experience as a finance professional. Prior to joining BioLife, Ms. Taylor served as Vice President, Corporate Controller and Chief Accounting Officer of Cardiac Science 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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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- 28.2%, Hold/Neutral- 52.2%, Sell/Underperform – 16.4%. Data is as of midnight on the business day immediately prior to this publication.