Zacks Small-Cap Research

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Grant Zeng, CFA
312-265-9466
gzeng@zacks.com

scr.zacks.com
111 North Canal Street, Chicago, IL 60606

# Pure Bioscience, Inc. (PURE-NASDAQ)

**PURE: Sales of SDC products are picking up steam in fiscal 2012- Outperform**

| | |
|---|---|
| **Current Recommendation** | **Outperform** |
| Prior Recommendation | Neutral |
| Date of Last Change | 02/23/2012 |
| Current Price (03/16/12) | $0.35 |
| **Twelve- Month Target Price** | **$2.00** |

## OUTLOOK

PURE develops and markets SDC-based antimicrobial products that provide non-toxic solutions to numerous global health challenges. SDC is a novel, patented platform technology with superior efficacy and low toxicity and can be used in diverse markets including personal care, preservatives, industrials, agriculture and pharmaceuticals. Although PURE is in its early stage of commercialization of SDC technology, its lead product PURE Hard Surface is increasingly gaining recognition by consumers and market adoption will accelerate in the coming years due to its superior efficacy data and safety profile.

## SUMMARY DATA

| | |
|---|---|
| **52-Week High** | **$1.70** |
| **52-Week Low** | **$0.32** |
| **One-Year Return (%)** | **-79.29** |
| **Beta** | **0.88** |
| **Average Daily Volume (sh)** | **204,305** |
| **Shares Outstanding (mil)** | **42** |
| **Market Capitalization ($mil)** | **$15** |
| **Short Interest Ratio (days)** | **5.13** |
| **Institutional Ownership (%)** | **9** |
| **Insider Ownership (%)** | **13** |
| **Annual Cash Dividend** | **$0.00** |
| **Dividend Yield (%)** | **0.00** |
| **5-Yr. Historical Growth Rates** | |
| **Sales (%)** | **36.6** |
| **Earnings Per Share (%)** | **N/A** |
| **Dividend (%)** | **N/A** |
| **P/E using TTM EPS** | **N/A** |
| **P/E using 2011 Estimate** | **N/A** |
| **P/E using 2012 Estimate** | **N/A** |
| **Zacks Rank** | **N/A** |

| | |
|---|---|
| **Risk Level** | **High,** |
| **Type of Stock** | **Small-Growth** |
| **Industry** | **Med Products** |
| **Zacks Rank in Industry** | **N/A** |

## ZACKS ESTIMATES

**Revenue**
(in millions of $)

| | Q1 (Oct) | Q2 (Jan) | Q3 (Apr) | Q4 (Jul) | Year (Jul) |
|---|---|---|---|---|---|
| 2011 | 0.02 A | 0.07 A | 0.13 A | 0.24 A | 0.46 A |
| 2012 | 0.26 A | 0.22 A | 0.34 E | 0.42 E | 1.24 E |
| 2013 | | | | | 3.50 E |
| 2014 | | | | | 7.50 E |

**Earnings per Share**
(EPS is operating earnings before non recurring items)

| | Q1 (Oct) | Q2 (Jan) | Q3 (Apr) | Q4 (Jul) | Year (Jul) |
|---|---|---|---|---|---|
| 2011 | -$0.06 A | -$0.07 A | -$0.05 A | -$0.05 A | -$0.22 A |
| 2012 | -$0.06 A | -$0.05 A | -$0.05 E | -$0.05 E | -$0.21 E |
| 2013 | | | | | -$0.17 E |
| 2014 | | | | | -$0.10 E |

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

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## WHAT'S NEW

***Sales of SDC-based products Continue to Grow in Fiscal 2Q12***

On March 16, 2012, PURE Bioscience (PURE) reported financial results for its second quarter ended January 31, 2012.

Revenue for the quarter was $221,000, compared with revenue of $68,000 for the same quarter of the prior year, an increase of 223%. Although second quarter sales were $0.08 million lower than our estimate, they were still impressive considering the 223% increase over the sales of same quarter of prior year.

Cost of goods sold was $40,000 and $15,202 for the three months ended January 31, 2011 and 2010, respectively. The increase was attributable to increased net product sales.

Gross margin as a percentage of net product sales was 82% and 78% for the three months ended January 31, 2011 and 2010, respectively. Current quarter gross margin also increased from first quarter gross margin of 75%. Going forward, we believe PURE can maintain a gross margin of 75-80% depending on product mix it markets. This is pretty impressive.

The net loss for the quarter was $2.2 million, or $0.05 per share, compared with a net loss of $2.5 million, or $0.07 per share, in the second quarter last year.

Revenue for the six months ended January 31, 2012 was $478,000, compared with revenue of $91,000 for the six months ended January 31, 2011. The net loss for the six months ended January 31, 2012 was $4.6 million, or $0.11 per share, compared with a net loss of $4.5 million, or $0.12 per share, for the six months ended January 31, 2011.

As of January 31, 2012, the Company had cash and cash equivalents of approximately $626,000.

***Key Takeaways from the earnings report:***

- Sales continue to pick up steam in the current quarter. The Company has recovered from sales slump during fiscal 2011 due to poor sales performance and material breach of the agreement of its marketing partner Richmont Sciences, LLC.

- The 2Q2012 was the second full quarter of completely and directly controlling the sales and marketing of PURE Hard Surface disinfectant and sanitizer product by the Company itself. PURE has already sold more in the first six months of this fiscal year than in all of last year. We are pleased to see the results of the execution of its business development strategy and marketing activities to date.

- We believe the PURE will do better in fiscal 2012 and onwards due to its diligent and focused marketing efforts. The Company recently added James McClenahan to spearhead its initiatives in the janitorial service industry, which is a key element to the Company's aggressive 'push-pull' marketing effort. Sales will accelerate in the coming quarters and years which will be driven by through the janitorial suppliers while also reaching out directly to end-users such as restaurants, hotels, food processing facilities, hospitals, schools and institutions to create awareness and demand.

We are very pleased with the progresses PURE has made in the past two quarters. The Company took direct control of SDC-based product sales recently from its marketing partner Richmont Sciences, LLC

due to Richmont's poor sales performance and material breach of the agreement. PURE ever since restructured its sales, marketing and distribution strategy and operation.

During the first half of this fiscal year, PURE worked to establish the marketing groundwork necessary to develop awareness and acceptance in key markets for PURE Hard Surface in janitorial services for healthcare facilities, institutions and schools, as well as for use in food processing and oil and gas. The technical sales cycle required to elicit a change from entrenched products to PURE Hard Surface is a process that often includes additional testing, introductory trials and extensive education and guidance. In addition, the long evaluation process is often followed by a complex approval process.

We believe PURE's comprehensive marketing efforts are establishing a foundation for meaningful future sales in multiple channels, and the Company is beginning to show positive results. We believe PURE will do better in the second half of 2012.

### *Balance Sheet Has Been Greatly Beefed Up*

During December, 2011, PURE entered into two purchase agreements with Lincoln Park Capital Fund, LLC (LPC), a Chicago-based institutional investor, for the sale of up to a total of $10 million of its common stock.

The first purchase agreement commits LPC to purchase up to $7.5 million of PURE common stock, from time to time, over a 36-month period. The second purchase agreement commits LPC to purchase up to $2.5 million of PURE common stock, from time to time, over a 36-month period, including an initial investment of $500,000.

Under both agreements, there are no upper limits to the price LPC may pay to purchase PURE common stock. LPC has no right to require any sales by PURE, but is obligated to make investments as PURE directs in its sole discretion in accordance with the purchase agreements. The purchase agreements may be terminated by PURE at any time, without cost or penalty. Any time that PURE elects to sell shares to LPC, the pricing of that sale will be fixed pursuant to a formula based upon the market price of PURE common stock immediately preceding the notice to LPC without any fixed discount. Accordingly, PURE will know on the date it elects to sell stock to LPC the price per share that LPC will be required to pay.

We think the terms of the agreements are favorable to PURE. The common stock purchase agreements with LPC provide PURE with immediate capital and the flexibility to raise additional capital as needed at the Company's discretion. With the commitments of $10 million in 36-month period, PURE will have sufficient financial resources to boost its sales over the next few years by leveraging its foundation of proprietary product superiority, regulatory approvals and a growing sales network to penetrate key target markets.

## KEY POINTS

- We maintain our Outperform rating on PURE Bioscience, and reiterate our 12-month price target of $2.00 per share.
- PURE holds a novel, proprietary antimicrobial **platform technology** silver dihydrogen citrate (**SDC**), which has broad applicability in diverse markets such as personal care, preservatives, industrial, textiles, agriculture, and pharmaceuticals.
- SDC represents a **paradigm shift** for antimicrobial disinfectant and sanitizer active ingredients. SDC has a superior efficacy data and better safety profile compared with existing technologies on the market. In addition, SDC-based products are difficult for bacteria to develop resistance.

- SDC is the first new active disinfectant ingredient to be registered with the US EPA in over 35 years. SDC is an effective antimicrobial, exhibiting **broad spectrum activity with fast kill times** against bacteria, viruses and fungi. SDC has a long shelf life and its low toxicity profile does not sacrifice efficacy.

- PURE has six SDC-based products registered with the US EPA ranging from ready-to-use solutions to concentrates. Its flagship product **SDC3A** (Brand name: **PURE Hard Surface**) is a ready-to-use disinfectant for non-food contact sites/surfaces and food contact surface sanitizer.

- In addition to expand the distribution of disinfectant/sanitizer products, PURE is also developing SDC-based products for pharmaceuticals or as active pharmaceutical ingredient (API). This will further open new opportunities for PURE to expand the application of SDC technology.

- Intellectual property is strong. PURE owns nine U.S. patents related to the SDC technology. These patents cover a broad variety of SDC-based products ranging from single product to combination with other products. The Company also has a number of other patent applications pending in the U.S., including coverage of SDC in medical, personal care and preservative applications, as well as coverage of SDC in combination with traditional chemical disinfectants. In addition, patents have issued or are pending for SDC technology in approximately 70 countries.

- We should be able to see improved financial performance in the next few quarters after the Company terminated its alliance with Richmont and has taken control of its own marketing and sales strategy. A series of measures have been taken to address Richmont's failure to effectively sell its SDC-based products.

- We believe PURE is undervalued based on its fundamentals. Current share price does not reflect the potential of PURE. Our model suggests a fair value of $2.00 per share.

## OVERVIEW

Pure Bioscience (PURE) develops and markets **technology-based bioscience products** that provide non-toxic solutions to numerous global health challenges.

PURE's flagship bioscience technology is a patented, aqueous antimicrobial called **silver dihydrogen citrate (SDC)**. SDC is a new molecular entity, and is an electrolytically generated source of stabilized ionic silver that can serve as the basis for a broad range of products in diverse markets. SDC liquid is colorless, odorless, tasteless, non-caustic and formulates well with other compounds. SDC is distinguished from competitors in the marketplace because of its **superior efficacy** combined with **reduced toxicity**.

PURE is producing pre-formulated, **ready-to-use** products for both its own brands and for private label distribution, as well as varying strengths of **SDC concentrate** as an additive or raw material for inclusion in other companies' products. PURE is also producing SDC as an **active pharmaceutical ingredient (API),** which is currently in pre-clinical trials for multiple indications. In addition to SDC, PURE has obtained patent protection for ionic silver-based molecular entities utilizing 14 organic acids other than citric acid. PURE's technologies are in a position to contribute significantly to today's global trend toward industrial and consumer use of environmentally friendly products, while providing competitive advantages in efficacy and safety.

PURE currently has U.S. Environmental Protection Agency (EPA) registration for **six SDC-based products** including (i) 2400-parts per million (ppm) technical grade SDC concentrate (trade name Axenohl); (ii) Axen and (iii) Axen30, ready-to-use hard surface disinfectant products for commercial,

industrial and consumer applications including restaurants, schools, homes, and childcare and medical facilities; (iv) Axen50 food contact surface sanitizer for sanitization of food contact surfaces and equipment in environments such as farms, food processing plants, schools, hospitals, restaurants and homes; (v) SDC3A disinfectant and food contact surface sanitizer (PURE Hard Surface); and (vi) SDC0240CP humidifier water tank treatment.

SDC is commercially available outside the US in a concentrated aqueous solution for water treatment (PURE Water Treatment) and also commercially available in the US and internationally as an aqueous ready to use solution (PURE Hard Surface).

The current EPA registrations for the ready-to-use hard surface disinfectants include bacteria kill times as quick as 30 seconds, 24 hour residual kills on standard indicator bacteria, 2-minute kill times on some resistant strains of bacteria, a 10-minute kill time on fungi, a 30-second kill time on HIV Type I, and a 3 to 10-minute kill time on other viruses. These claims distinguish the efficacy of PURE's disinfectants from many of the leading commercial and consumer products currently on the market, while maintaining lower toxicity ratings. Based on the EPA toxicity categorization of antimicrobial products that ranges from Category I (high toxicity) down to Category IV, PURE's ready-to-use products, combining the biocidal properties of ionic silver and citric acid, are EPA Category IV antimicrobials for which precautionary labeling statements are normally not required. This compares with at least Category II warning statements for most leading brands of antimicrobial products.

The SDC3A disinfectant/sanitizer will open new markets for PURE, as food borne illnesses create significant health and economic problems in the U.S. and internationally.

PURE was incorporated in the state of California on August 24, 1992 as Innovative Medical Services. In September 2003, the Company changed its name from Innovative Medical Services to PURE Bioscience. PURE began as a provider of pharmaceutical water purification products for the pharmacy market. In 2000, the Company commenced investments in the development of novel bioscience technologies, and subsequent to the May 2005 sale of its Water Treatment Division PURE has been exclusively focused on the development and commercialization of bioscience technologies. In March 2011, the Company reincorporated in Delaware as PURE Bioscience, Inc.

PURE Bioscience is headquartered in El Cajon, California. The Company employs about twenty-four people, all of who are full-time employees.

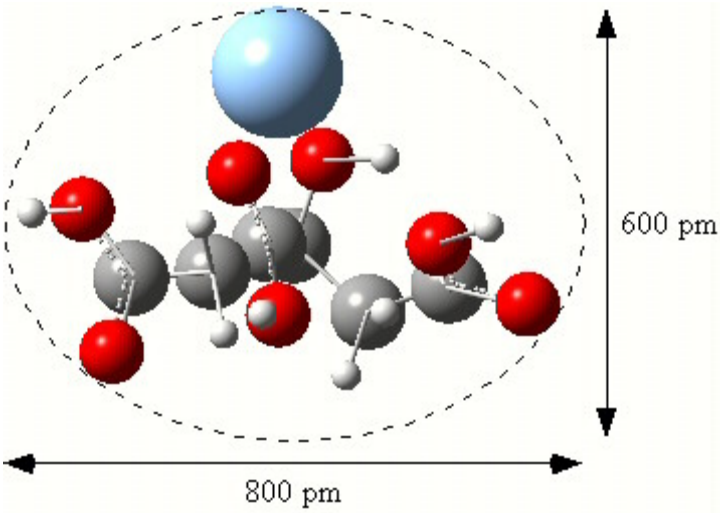
## INVESTMENT THESIS

### *Unique SDC-based Antimicrobial Platform Technology*

PURE's proprietary high efficacy/low toxicity bioscience technologies include its silver dihydrogen citrate (**SDC**)-based antimicrobials, and other ionic silver-based molecular entities utilizing 14 organic acids other than citric acid. SDC-based antimicrobial technology represents innovative advances in diverse markets and lead today's global trend toward industry and consumer use of "green" products while providing competitive advantages in efficacy and safety.

SDC is a worldwide patented technology that provides stabilized silver ion complex in which a single silver ion is weakly bound (stabilized) to a citrate ion. PURE manufactures silver dihydrogen citrate (SDC) using 99.997% pure silver, food grade citric acid and DI water. The final product contains no measurable impurities or manufacturing byproducts.

SDC's chemical structure is 1,2,3□propanetricarboxylic acid, 2□hydroxy□, silver(1+) salt, monohydrate; (AgC6H7O7).




Silver has been used for centuries for its antimicrobial properties. In order for silver to be effective in killing microorganisms, it must be in an ionic form. SDC is a complex of one silver ion weakly bound to one citrate counter ion, providing a stabilized form of ionic silver. The bioavailability of silver ions allows for SDC to be rapidly effective against a broad spectrum of bacteria, viruses and fungi.

Traditional silver-based disinfectants have very short shelf lives - from hours to days. SDC is a stabilized silver ion complex **with a shelf life of several years**. The unique bond of the silver ion in SDC allows the silver ion to remain in solution while at the same time making it more bio-available for antimicrobial action.

SDC kills microorganisms by **dual modes of action**:

- Silver ions are highly attracted to sulfur-containing thiol groups found in metabolic and structural proteins bound to the microbial membrane surface. SDC targets these critical proteins and deactivates their structure. This disruption of the organisms membrane function and integrity lyses the membrane and leads to microbial death;

- Unlike traditional antimicrobials, bacteria are attracted to SDC because they recognize citric acid as a food source. This “Trojan Horse” attack allows SDC to easily enter the microbe through membrane transport proteins. Once inside the organism, SDC binds to the DNA and intracellular proteins causing irreversible damage to the DNA and protein structure. Metabolic and reproductive functions halt leading to its death.

This dual action makes SDC highly and quickly effective against a broad spectrum of microbes.

## *SDC Represents A Paradigm Shift For Antimicrobial Disinfectant/Sanitizer*

Silver Dihydrogen Citrate (SDC) represents a **paradigm shift** for antimicrobial disinfectant and sanitizer active ingredients. It is the first new active disinfectant ingredient to be registered with the US EPA in over 35 years. SDC is an effective antimicrobial, exhibiting **broad spectrum activity with fast kill times** against bacteria (gram□positive and gram□negative), viruses (enveloped and non□enveloped) and fungi. SDC has a long shelf life and its low toxicity profile does not sacrifice efficacy. It is active against some of the most concerning pathogens in the high density living areas and community settings including MRSA, Norovirus, Influenza, *Acinetobacter*, *Klebsiella*, Vancomycin□resistant *Enterococci*, coliforms (fecal and total), *Legionella*, *E coli* O157:H7, HIV, *Salmonella*, Rotavirus, H1N1, etc.

SDC is used to disinfect and/or sanitize hard, nonporous surfaces. The PURE Hard Surface formulation is a stable, non-toxic, odorless and colorless solution which may be used in the presence of people and animals. This SDC based **Ready to Use** formulation has demonstrated 24 hour residual activity after application to a surface, and requires no rinse after application, saving time and money. And this SDC disinfectant and sanitizer formulation is classified in the US EPA's lowest toxicity category, **Category IV**. A Category IV rating by the US EPA means the Agency considers this formulation relatively non-toxic and they do not require any signal word or precautionary statements on the product label. Compare this to other disinfectants and sanitizers on the market that in their concentrated forms and some in their Ready to Use concentrations are rated as Category I or II with Danger or Warning statements, SDC represents a new generation of microbial control.

**Advantages of SDC** include:

- Powerful broad spectrum protection as a disinfectant, fungicide and virucide
- Faster kill times (kills germs in 30 seconds)
- Provides residual protection for 24 hours
- Effective against resistant bacteria such as MRSA and VRE
- Lowest toxicity rating available
- Labeled for use in diverse environments including restaurants, homes, medical facilities, institutions, day care facilities and on children's toys and play areas
- Does not induce bacterial resistance
- Formulates well with other products
- Stable in solution
- Tasteless, odorless, and colorless
- Non-corrosive, non-flammable
- Doesn't stain or bleach fabric

***Table 1: SDC-based PURE Hard Surface has unparalleled efficacy and low toxicity***

| Unparalleled Efficacy | | |
|---|---|---|
| **Category** | **PURE Hard Surface™** | **Leading Brands** |
| **Active Ingredient** | **Silver dihydrogen citrate** | **Ethanol/Ammonium Chloride** |
| **EPA Safety Category** | IV | II |
| **Standard Bacteria Kill Time** | 30 sec | 10 min |
| **Resistant Bacteria Kill Time** | 2 min | None |
| **Fungal/Virus Kill Time** | 10 min | 10 min |
| **Residual Protection** | 24 hour | None |
| **Rinse Required** | No | Yes |
| **Irritating Fumes** | No | Yes |
| **Skin Irritation** | No | Yes |
| **Flammable** | No | Yes |

***Table 2: SDC's strong efficacy against microbes***

| | MIC of SDC | MBC of SDC |
|---|---|---|
| **Microorganism** | **%SDC (ppm Ag+)** | **%SDC (ppm Ag+)** |
| Corynebacterium xerosis ATCC 373 | 0.12 (2.88 ppm) | |
| Corynebacterium minutissimum ATCC 23348 | 0.12 (2.88 ppm) | 0.16 (3.84 ppm) |
| Propionibacterium acnes ATCC 6919 | 0.25 (6.00 ppm) | |
| Staphylococcus aureus ATCC 6538 | 0.16 (3.84 ppm) | 0.31 (7.44 ppm) |
| Escherichia coli ATCC 10536 | 0.08 (1.92 ppm) | 0.16 (3.84 ppm) |
| Pseudomonas aeruginosa ATCC 15442 | 0.16 (3.84 ppm) | 0.08 (1.92 ppm) |
| Candida albicans ATCC 10231 | 0.12 (2.88 ppm) | >1.25 (30 ppm) |
| Malassezia furfur DSM 6171 | 0.25 (6.00 ppm) | |
| Aspergillus niger ATCC 16404 | 0.50 (12 ppm) | >2.5 (60 ppm) |
| Trichophyton mentagrophytes ATCC 9533 | 0.50 (12 ppm) | 0.08 (1.92 ppm) |
| Klebsiella pneumonia ATCC 4352 | | 0.16 (3.84 ppm) |
| Epidermophyton floccosum DSM 10709 | | 0.63 (15.12 ppm) |

*MIC: Minimal Inhibitory Concentrations; MBC: Minimal Bactericidal Concentrations*

***Table 3: SDC has broad spectrum activity with fast kill times***

| Axen 30® EPA Registered Disinfection Claims | |
|---|---|
| **Organism** | **Kill Time** |
| *Pseudomonas aeruginosa* | 30 seconds |
| *Staphylococcus aureus* | 30 seconds |
| *Salmonella choleraesuis* | 30 seconds |
| *Listeria monocytogenes* | 30 seconds |
| Vancomycin resistant *Enterococcus faecium* | 2 minutes |
| Methicillin resistant *Staphylococcus aureus (MRSA)* | 2 minutes |
| *Escherichia coli* 0157:H7 | 2 minutes |
| *Trichophyton mentagrophytes* (Athlete's Foot Fungus) | 10 minutes |
| HIV type 1- Strain HTLV IIIB | 30 seconds |
| Herpes Simplex Type 1 VR-733 F(1) Strain | 1 minute |
| Influenza A VR-544, Hong Kong strain | 10 minutes |
| Rhinovirus R37 VR-1147, Strain 151-1 | 10 minutes |
| Human Coronavirus | 3 minutes |
| Respiratory Syncytial Virus | 3 minutes |
| Adenovirus Type 2 | 3 minutes |
| Murine Norovirus | 10 minutes |
| Norovirus | 10 minutes |
| Acinetobacter baumannii | 2 minutes |
| Swine Influenza A (H1N1) | 60 seconds |
| Influenza A (H1N1) | 60 seconds |
| Rotavirus | 3 minutes |
| Campylobacter jejuni | 2 minutes |
| Community Associated Methicillin resistant Staphylococcus aureus (CA□MRSA□PVL) | 2 minutes |
| Community Associated Methicillin resistant Staphylococcus aureus (CA□MRSA) | 2 minutes |
| Avian Influenza A | 10 minutes |
| Polio Type 2, VR-1002, Lansing Strain | 10 minutes |

## *Current Focus Is Penetrating The Large Disinfectant/Sanitizer Market*

PURE's current focus is to target the **disinfectant/sanitizer** market.

A **sanitizer** reduces the number of bacterial contaminants to safe levels as judged by public health requirements. The term is commonly used with substances applied to inanimate objects (i.e., cutting boards). A sanitizer is a chemical that kills to at least a three log reduction of the specific test bacteria in 30 seconds under the conditions of the official US EPA test protocol.

A **disinfectant** is a chemical agent (sometimes a physical agent) that is applied to inanimate objects to destroy a more complete array of disease□causing pathogens or other harmful microorganisms to at least a five log reduction in 10 minutes or less, under the conditions of the US EPA test protocols.

The disinfectant/sanitizer market is very large, even in the US alone. One example is the food supplies in the US. The United States boasts one of the safest food supplies in the world. Yet using the current sanitizers and disinfectants, each year in the US there are between 48-76 million cases of food poisonings caused by food-borne pathogens (bacteria, toxins, viruses and pathogens). The CDC in 2009 estimated the annual cost from just two of the food pathogens, (Salmonella and E coli O157:H7) representing 1.5 million cases, was over $3 billion dollars.

Minimizing the spread of communicable diseases (MRSA, Influenza, Pneumonia, Measles, Norovirus, etc.), especially in high density living areas and community settings (dormitories, barracks, daycare centers, cruise ships, airlines, nursing homes, religious communities, community residential organizations, close contact sports, shelters, correctional facilities, etc.) is of utmost importance. Over the last 15 years, community associated MRSA has become a public health problem reaching epidemic proportions. In 2009, approximately 10,250 people died of intestinal infections, 35,500 died of septicemia, 7,600 of viral hepatitis, 53,500 from influenza and pneumonia, and 6,500 of other infectious and parasitic diseases in the US. Reducing disease transmission in high density living areas and community settings reduces disease transmission into the general community resulting in reduced overall infection rates and medical costs.

It is clear that the current sanitizers and disinfectants are falling short of "Real Protection" and there is an urgency to come up with new products to meet the unmet needs for the disinfectant/sanitizer market.

We believe SDC may be the ultimate solution based on its superior efficacy data and better safety profile. SDC may represent a paradigm shift and provide real protection and security for the disinfectant/sanitizer market.

In order to address the current challenges in the disinfectant/sanitizer market, PURE has developed a series of products for the market based on its SDC technology. PURE currently has U.S. Environmental Protection Agency (EPA) registration for six SDC-based products including:

- **Axenohl** is a 2400 parts per million (ppm) technical grade SDC **concentrate,** which consists of 0.24% silver ions, 20.66% citric acid, and 79.10% other ingredients. Axenohl is used to manufacture end use disinfectants.

- **Axen30** is a ready-to-use hard surface disinfectant/deodorizer for commercial, industrial and consumer applications including restaurants, schools, homes, and childcare and medical facilities. AXEN30 is a diluted SDC solution which consists of 0.003% **(30 ppm**) silver ions, 4.846% citric acid, and 95.151% other ingredients. Axen30 is a colorless, odorless broad spectrum antimicrobial disinfectant and deodorizer.

- **Axen50** is a food contact surface sanitizer for sanitization of food contact surfaces and equipment in environments such as farms, food processing plants, schools, hospitals, restaurants and homes.

- **SDC3A** is a ready-to-use disinfectant for non-food contact sites/surfaces and food contact surface sanitizer (Brand name: **PURE Hard Surface**). SDC3A consists of 0.003% silver ions, 4.846% citric acid, and 95.151% other ingredients.

- **AXEN** was the first formula to be registered. It is a 12 ppm solution that is not actively marketed (as opposed to the Axen30, which is the 30 ppm disinfectant formula currently sold).

- **SDC0240CP** is a humidifier water tank treatment product PURE developed for a potential marketing partner. This product consists of 0.24% silver (2400 ppm), 20.66% citric acid and 79.1% other ingredients. The SDC0240CP humidifier product is not yet marketed.

The Company's flagship product is PURE Hard Surface, which is registered for use as a disinfectant on hard, non□porous surfaces in hospitals, nursing homes, medical clinics, dental clinics, infirmaries, blood banks, pharmacies, laboratories, ambulances, patient transfer vehicles, bathrooms, kitchens, day care centers, etc. It can be used to disinfect examination tables, over bed tables, wheelchairs, bed frames, walls, floors, counters, sinks, faucet handles, tubs, showers, toilet and urinal exterior surfaces, handrails, light switch covers, remote controls, tables, equipment tables, lab benches, etc. It also can be used as a deodorizer to reduce annoying odors caused by bacteria in hospitals, nursing homes, public restrooms, kitchens, and sink rooms.

PURE Hard Surface can also be used to sanitize **food contact surfaces** in healthcare facilities including cafeterias, institutional kitchens, dining rooms, lunchrooms, break rooms, etc. It can be used to sanitize kitchen surfaces, food processing equipment, counters, dish racks, drain boards, drinking fountains, cutting boards, coolers, refrigerators, freezers, storage bins, food trays, stovetops, blenders, trolleys, tables, scales, carts, racks, chiller tanks, sinks, etc.

PURE also has other pending EPA applications for additional uses and for new formulations. For example, SDC is currently in various trials by third parties in the food processing and agriculture industries, both of which represent significant market opportunities.

Given that the SDC technology has significant advantages over existing technologies, with the additional food contact sanitizer claims, and potential new approvals for additional uses and for new formulations, it should be easy for PURE to attract new, well capitalized partners and distributors in our view.

### *But SDC-based Technology Has Broad Applicability In Various Large Markets*

PURE's SDC technology is truly a platform, which has broad applicability in multiple markets. For example, the Company's current disinfectant/sanitizer products can be used in various industries such as personal care, household, industrial, agriculture, textiles, water treatment, and preservatives, etc. The Company is also developing SDC-based products for animal and human use. The combined market is worth multi-billion dollars.




The Company's **short term strategy** is to expand distribution of currently approved **disinfectant/sanitizer** products, increase the awareness of these new products among institutional customers and consumers, and increase the market share of these SDC-based disinfectants/sanitizers.

The Company is marketing disinfectant/sanitizer products through strong domestic and international partnerships. PURE sells SDC concentrate to certain partners who in turn (i) resell the concentrate as an active ingredient or preservative in other companies' products; (ii) blend the product into hard surface disinfectant products for sale to retail, commercial and institutional customers; and/or (iii) develop novel formulations under a license granted by the Company. In addition PURE sells both bulk and individually bottled hard surface disinfectant products, both directly and through distributors, to retail, commercial and institutional customers.

To date, customers purchasing PURE's hard surface disinfectants have primarily been distributors who sell such products under their own labels as a sub-registrant of PURE's EPA master label in the U.S., and under foreign jurisdiction registrations in foreign markets.

During the fiscal year ended July 31, 2010, PURE began to sell its hard surface disinfectants under the label, IV-7 Ultimate Germ Defense™ (IV-7) through an alliance with a Dallas-based sales and marketing organization, **Richmont Sciences, LLC**, to commercial distributors and commercial customers. Under this agreement with Richmont, PURE was to recognize revenues for products sold to third parties, and pay marketing fees to Richmont based upon those revenues.

In May 2010, IV-7 was launched direct to consumers via a direct sales channel, by a newly formed company called IV-7 Direct, an affiliate of Richmont. PURE sold finished products at contracted unit prices to IV-7 Direct, for IV-7 Direct to resell through a network of independent sales associates using a

multi-level sales model. PURE Bioscience does not have an equity interest in either IV-7 Direct or Richmont.

However, on June 13, 2011, PURE terminated its alliance with Richmont due to Richmont's material breach of the agreement. Richmont failed to sell IV-7 and failed to pay PURE for delivered products. PURE will now market and sell its proprietary new PURE™ Hard Surface disinfectant and food contact surface sanitizer brand into consumer, commercial and institutional markets, including the food processing industry, through a combination of alternative and traditional distribution channels.

We understand that since PURE's disinfectants contains a novel molecule, the market adoption of such products can take significantly longer than for a reformulation of a mature product under an existing brand name. However, we believe SDC-based products will successfully achieve market acceptance as a result of the novel selling points of SDC, such as its broad spectrum efficacy, low toxicity and lack of evidence of pathogenic resistance.

In the mid-term, PURE plans to integrate SDC as a new **active ingredient** in existing third party products or processes resulting in raw material sales.

PURE is selling SDC concentrate to **BASF**, who in turn resells the concentrate under BASF's own brand names within the global personal care, household and institutional markets. BASF currently sells PURE's SDC concentrate on a non-exclusive basis within these markets. BASF's customers include many global, well established companies with powerful existing brands. In 2009, BASF's customers launched the first name brand personal care products containing SDC as the active ingredient.

In the long term, PURE intends to develop SDC as **pharmaceutical products** and active pharmaceutical ingredient **(API)**, which will result in licensing/royalty agreements and raw material sales.

In July 2008, PURE entered into a development and licensing agreement for SDC-based products for human use with FTA Bioscience, LLC. FTA has begun formulation and clinical projects for FDA-regulated dermatology products containing SDC. In July 2010, based on preclinical data developed by FTA, PURE granted two product-specific licenses to FTA for the development of an SDC-based treatment for tinea unguium, also referred to as onychomycosis (**nail fungus**), as well as for tinea pedis (**athlete's foot**). These licenses will allow FTA to file Investigational New Drug (IND) applications with the FDA and pursue clinical trials.

Under the agreement, FTA is funding and directing all development activities and FDA regulatory filings. PURE will be responsible for providing pharmaceutical-grade SDC concentrate as an Active Pharmaceutical Ingredient (API). Subject to FDA approvals, if any, PURE would receive payments from FTA on the achievement of certain milestones for each licensed indication; royalties on commercial sales of any products developed and sold under the agreement; and a transfer price for any SDC API manufactured by PURE for incorporation into products developed and sold under the agreement.

### *PURE May Expand Into Petroleum Industry*

On September 14, 2011, Pure Bioscience announced that it has hired Force Fuels, Inc. to conduct preliminary testing and product research using SDC in various applications within the petroleum industry, including oil wells, pipelines, storage and transportation.

A key focus of Force Fuels' business is the optimization of marginally producing shallow oil wells through implementation of biofilm reduction and refurbishing technologies. Under the cooperation, Pure's technical team will work with Force Fuels' engineers and scientists to develop protocols, SDC-based formulations and proof-of-concept testing to determine if SDC can be used as an effective biofilm treatment at multiple points in the oil production and delivery process.

An electrolytically generated source of stabilized ionic silver in liquid form, Pure's patented SDC provides superior antimicrobial efficacy with residual protection while mitigating bacterial resistance. SDC is colorless, odorless, non-toxic and formulates well with other compounds, making it an ideal basis for a broad range of products.

If SDC proves to be effective in reducing biofilm, it will open a big opportunity for Pure to get into the Petroleum industry, which will ultimately boost its top line and bottom line.

### *PURE Expands Product Line with PURE Commercial Floor Cleaner*

On July 19, 2011, PURE Bioscience announced that it has introduced **PURE Commercial Floor Cleaner** at the Sheriffs' Association of Texas' 133rd Annual Training Conference with its latest distributor, AUH2O Holdings. PURE Commercial Floor Cleaner, together with PURE Hard Surface disinfectant and food contact sanitizer, provides a complete system of protection for janitorial and infection control maintenance throughout an institution.

Pure developed the new product based on market feedback. PURE Commercial Floor Cleaner is sold as part of a system that also includes PURE Hard Surface disinfectant and food contact surface sanitizer. PURE Commercial Floor Cleaner's effective and efficient low foam formula contains environmentally preferred surfactants and is available with or without fragrance as a field-dilutable concentrate. The Company officially launched the PURE Hard Surface and PURE Commercial Floor Cleaner system in August 2011.

### *PURE Obtains EPA Registration of Expanded Claims for PURE Hard Surface Disinfectant*

On July 21, 2011, PURE Bioscience, Inc. announced the US EPA registration of a major amendment to its PURE Hard Surface™ label to add additional pathogens, including Hepatitis B, Hepatitis C and multiple Carbapenem-resistant bacteria as well as to reduce virus kill times to as quick as 30 seconds.

PURE Hard Surface had previously been registered with 30-second kill times against Pseudomonas aeruginosa and Salmonella enterica and 2-minute kill claims for a broad spectrum of additional bacteria, including Methicillin-resistant Staphylococcus aureus(MRSA) and 24-hour residual protection against standard indicator bacteria. The amended PURE Hard Surface label expands the spectrum of bacterial kill claims adding 3 resistant bacteria: Carbapenem-resistant E. coli, Carbapenem-resistant Klebsiella pneumoniaeand NDM-1 (New Delhi metallo-beta-lactamase-1) positive Carbapenem-resistantKlebsiella pneumoniae. Carbapenems are a powerful class of antibiotics typically reserved for treating the most lethal bacteria such as Methicillin-resistant Staphylococcus aureus (MRSA). NDM-1 positive organisms present an additional method of resistance that renders top-line antibiotics useless. As it does against viruses, PURE Hard Surface outperforms highly toxic chemicals against a wide range of unsafe bacteria. The amended label also includes a reduced fungal kill time from 10 minutes to 5 minutes.

PURE Hard Surface's viral efficacy exceeds that of even highly toxic chemicals. The new label cites all viral kill times for PURE Hard Surface at no more than 60 seconds and most at just 30 seconds. In addition, PURE Hard Surface now carries 60-second kill claims for Hepatitis B and Hepatitis C viruses, which, coupled with the existing 30-second HIV claim, meet OSHA standards for blood-borne pathogen control in hospitals and medical facilities.

This new EPA registration sets another key milestone for SDC-based PURE Hard Surface product. PURE Hard Surface kills an even wider scope of organisms in even shorter time frames, including some of the most dangerous and resistant pathogens that continue to plague global human health. The EPA's validation of the new claims for PURE Hard Surface puts it far above the competition when it comes to remarkable efficacy and low toxicity.

As hospital acquired bacteria become progressively more resistant to standard antibacterial treatment, lowering patient and healthcare worker environmental exposures to those resistant bacteria becomes paramount. PURE Hard Surface stands alone in potency and rapid kill times combined with low toxicity to provide a new level of protection in the healthcare setting.

We believe the addition of Hepatitis B and C to the label will bolster the Company's efforts in the hospital market.

We believe all these new developments will boost the Company's top line and bottom line in the coming years or even quarters.

### *Strong Intellectual Property Protection*

PURE owns nine U.S. patents related to the SDC technology (see table 4). These patents cover a broad variety of SDC-based products ranging from single product to combination with other products.

| *US Patent* | *Issuing Date* | *Product* |
|---|---|---|
| **6197814** | March 6, 2001 | Disinfectant and method of making |
| **6583176** | June 24, 2003 | Aqueous disinfectant |
| **6890953** | May 10, 2005 | Process for treating water |
| **7261905** | August 28, 2007 | Disinfectant and method of making |
| **7435438** | October 14, 2008 | Disinfectant and method of use |
| **7601755** | October 13, 2009 | Process for treating water |
| **7732486** | June 8, 2010 | Anhydrous silver dihydrogen citrate compositions |
| **7763297** | July 27, 2010 | Disinfectant and method of use |
| **7803407** | September 28, 2010 | Disinfectant and method of making |

- Patent 6,197,814 covers the SDC disinfectant and method of its making;
- Patent 6,583,176 covers the combination of SDC and alcohol as a disinfectant;
- Patents 6,890,953 and 7,601,755 covers treating water with SDC;
- Patent 7,261,905 covers the process of manufacturing complexes of electrolytically generated stabilized ionic silver with various organic acids;
- Patent 7,435,438 covers the process for treating consumable food products with SDC to reduce or eliminate microbial contamination;
- Patent 7,732,486 covers the anhydrous SDC technology;
- Patent 7763297 covers SDC based products for consumable use and medical treatments;
- Patent 7803407 covers improved aqueous a disinfectant and method of making.

The Company also has a number of other patent applications pending in the U.S., including, among others, coverage of SDC in medical, personal care and preservative applications, as well as coverage of SDC in combination with traditional chemical disinfectants. In addition, patents have issued or are pending for SDC technology in approximately 70 countries. The Company intends to continue to apply for patent protection for new technologies the Company develops whenever it determines that the benefit of patent protection outweighs the cost of obtaining patent protection.

In addition to patents, PURE owns the registered trademarks or pending trademark applications for PURE Bioscience®, Powered by SDC Ag+™, Staph Attack®, Staphacide®, Axenohl®, Axen™, Silvérion®, Kinderguard®, Cruise Control®, Nutripure™, Elderguard™, Critterguard™, Innovex®, RoachX®, AntX™, and TrapX®.

To help protect its proprietary know-how that is not patentable, and for inventions for which patents may be difficult to enforce, PURE relies on trade secret protection and confidentiality agreements to protect its interests.

## *Experienced Management Team*

***Michael L. Krall,*** *President, CEO and Chairman*
Michael is the President, CEO and Chairman of PURE Bioscience, Inc., a position he has held since 1993. Originally founded by Mr. Krall as a pharmaceutical device company, PURE has a long history of operating in the highly regulated pharmaceutical industry. The original device division was sold in 2005 after which PURE turned its complete attention and resources to developing and commercializing its new molecular entity, silver dihydrogen citrate, as a broad spectrum antimicrobial platform. With more than 30 years experience as an entrepreneur and businessman, Mr. Krall's prior leadership roles also include ownership and executive management of a successful residential and commercial building and development company, Bettis-Krall Construction, Inc., as well as general management in the hospitality industry. Mr. Krall served 4 years in the United States Marine Corps and was elected, by general election, to a 4-year term on the Valle de Oro Planning Board.

***Craig Johnson****, CFO*
Craig recently joined as PURE Bioscience Inc.'s Chief Financial Officer, effective August 1, 2011. Mr. Johnson has more than 15 years experience as a senior financial executive in the healthcare industry. Mr. Johnson has been Chief Financial Officer of two publicly-traded companies: NovaDel Pharma Inc., a drug delivery company, (from 2010 to 2011) and TorreyPines Therapeutics Inc., a biopharmaceutical company (from 2004 to 2009). Prior to that, he was Chief Financial Officer and Senior Vice President of Operations for MitoKor, a drug discovery company. Early in his career, Mr. Johnson served as a senior financial executive for several early-stage technology companies, and he also practiced as a Certified Public Accountant with Price Waterhouse. Mr. Johnson received his BBA in accounting from the University of Michigan. Mr. Johnson currently serves on the board of directors, and as chairman of the audit committees, of Ardea Biosciences, Inc., and Adamis Pharmaceuticals Corporation, both of which are publicly-traded biotechnology companies based in San Diego, California.

***Donna*** **Singer**, EVP
Donna is the Executive Vice President of PURE Bioscience, Inc. and serves as a director on the Company's board. From 1996-1998 Ms. Singer was Vice President of Operations for the Company. Ms. Singer is responsible for corporate strategy, corporate communications and investor relations. Previously, Ms. Singer managed investor relations at Western Garnet International, a Toronto Stock Exchange mining company. Ms. Singer graduated from Gonzaga University with a Bachelor of Arts degree and lives in El Cajon, California.

***Tom*** **Myers***, EVP*
Tom is PURE Bioscience, Inc.'s Executive Vice President, Sales and Marketing with a primary focus on food science and the food processing industry. Mr. Myers brings 39 years of food industry experience focusing on operations management, quality control, quality assurance, research and development, product and process development, plant design and construction, cost containment and regulatory compliance. Most recently, Mr. Myers served as the President and Principal of Idaho Milk Products where he built a $105 million green field dairy protein plant and launched a worldwide business that produces revenues in excess of $200 million annually. Myers has also held executive management roles at Weider Nutrition International, Puritan Quartz Pharmaceuticals, FruitSource Associates and FruitSource Confections, Nancy's Specialty Foods, Izaki Glico and Berkshire Hathaway Corporation (See's Candies and See's Candy Shops). Myers holds a Bachelor of Science degree from California State University Long Beach.

## VALUATION AND RECOMMENDATION

We maintain our Outperform rating on PURE and reiterate our 12-month price target of $2 per share.

Our call is based on the Company's fundamentals. PURE is a technology-based bioscience company that provides solutions to numerous global health challenges. PURE's proprietary high efficacy/low toxicity **SDC-based antimicrobials** represent innovative advances in diverse markets and lead today's global trend toward industry and consumer use of "green" products. Patented SDC is an electrolytically generated source of stabilized ionic silver, which formulates well with other compounds. As a platform technology, SDC is distinguished from competitors in the marketplace because of its superior efficacy, reduced toxicity and the inability of bacteria to form a resistance to it.

PURE's SDC is the first new disinfectant registered with EPA in over 30 years. SDC's competitive advantages in efficacy and safety make it outstanding among its competitors and represent a **paradigm shift** in the disinfectant/sanitizer market place.

Another key feature of SDC is that SDC-based products have broad applicability in diverse markets. The Company's current focus is to expand distribution of currently approved **disinfectant/sanitizer** products to institutional customers and consumers in the household, personal care, agriculture, industrial, and preservatives markets. PURE is also developing SDC-based products as **pharmaceuticals and API**. SDC is targeting diverse markets worth multi-billion dollars.

In terms of valuation, we think PURE is undervalued based on its fundamentals. Currently, PURE is trading at about $0.39 per share, which values the Company at about $16 million in terms of market capitalization. This is certainly a discount considering the great potential the Company has in diverse markets. We understand that the Street undervalues PURE because the Company has only limited revenue source currently. This is because SDC-based technology is a brand new platform. It will take a while for it to be accepted by the market.

We remind investors that, currently, the Company is in the early stage of commercialization of its SDC platform technology. We realize that sales in the past few quarters have not been impressive, but this is understandable. SDC technology is quite new to most customers in the disinfectant market, and the costs for SDC are also higher than those for most existing technologies. Therefore, rollout of the SDC platform will take time. However, once customers become familiar with the new SDC platform, and realize its advantages over existing technologies, uptake of SDC-based products by various industries will increase dramatically in our view. We are pleased to see that SDC is increasingly gaining recognition by industrials and consumers and market adoption will accelerate in the coming years due to its superior efficacy data and safety profile.

Revenue growth should accelerate in the next few years when SDC gradually obtains market acceptance. According to our model, total revenue will increase 89% CAGR from fiscal year 2012 to 2017. PURE will become profitable in fiscal 2016 with an EPS of 0.05 based on total revenue of $20 million. We believe PURE shares should be traded at a P/E ratio of 25 x. which is between chemical industry's P/E ratio of 15x and small biotech industry's P/E ratio of 30x. Applying the 25 x P/E multiples with our estimated EPS of $0.15 per share in fiscal 2017, discounted at 15% for 5 years, we come up with a target price of $2.00.

## RISKS

### *Competition Is Fierce*

The markets for SDC and each of its potential channels are highly competitive.

Because SDC is a new technology, the Company's success will depend, in part, upon its ability to achieve market share at the expense of existing, established and future products in relevant target markets. Even where SDC may have technological competitive advantages over competing products,

the Company, its partners or distributors, will need to invest significant resources in order to attempt to displace traditional technologies sold by what are in many cases well-known international industry leaders.

Alternatively, PURE may pursues strategies in selective markets of encouraging existing competitors to incorporate its products into their existing brands, thereby reducing the proportion of end-use revenues that would accrue to the Company. To the extent that PURE was to grant any existing competitor exclusivity to any field and/or territory, the Company would risk having its technology marketed in a manner that may be less than optimal. The Company must adopt innovative marketing methods in order for the market to accept its products, and such methods may not be successful.

As SDC-based disinfectants contains a novel, patented molecule, It's our belief that the market adoption of such products can take significantly longer than for a reformulation of a mature product under an existing brand name. Therefore, initial sales ramp is expected to be slow. However, we believe SDS-based products will successfully achieve market acceptance as a result of the novel selling points of SDC, such as its broad spectrum efficacy, low toxicity and lack of evidence of pathogenic resistance.

### *Cash Burn Is a Concern, but Has Been Relieved with Boosted Balance Sheet*

As of January 31, 2011, the Company had cash and cash equivalents of approximately $0.6 million.

However the Company does not yet have significant cash inflows from product sales or from other sources of revenue to offset its ongoing and planned investments in corporate infrastructure, research and development projects, regulatory submissions, business development activities, and sales and marketing, among other investments.

According to our model, the Company will continue to incur operational losses until fiscal 2016 when PURE will become profitable. We believe the Company may need to tap the capital market later this year or early next year.

However, cash burn concern has been relieved by recent financing deals. During December, 2011, PURE entered into two purchase agreements with Lincoln Park Capital Fund, LLC (LPC), a Chicago-based institutional investor, for the sale of up to a total of $10 million of its common stock with an initial investment of $500,000.

## PROJECTED INCOME STATEMENT

| | 2011E (Jul) | | | | | 2012E (Jul) | | | | | 2013E (Jul) | 2014E (Jul) | 2015E (Jul) | 2016 (Jul) | 2017 (Jul) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| $ in million except per share data | Q1A | Q2A | Q3A | Q4A | FYA | Q1A | Q2A | Q3E | Q4E | FYE | FYE | FYE | FYE | FYE | FYE |
| **Total Revenues** | **$0.02** | **$0.07** | **$0.13** | **$0.24** | **$0.46** | **$0.26** | **$0.22** | **$0.34** | **$0.42** | **$1.24** | **$3.50** | **$7.50** | **$12.50** | **$20.00** | **$30.00** |
| *YOY Growth* | *-89.6%* | *-79.1%* | *-77.2%* | *-24.6%* | *-67.7%* | *1013.3%* | *223.1%* | *164.8%* | *72.1%* | *166.7%* | *182.7%* | *114.3%* | *66.7%* | *60.0%* | *50.0%* |
| *CoGS* | 0.01 | 0.02 | 0.04 | 0.07 | 0.13 | 0.13 | 0.04 | 0.07 | 0.09 | 0.32 | 0.70 | 1.50 | 2.50 | 4.00 | 6.00 |
| **Gross Income** | **$0.01** | **$0.05** | **$0.09** | **$0.17** | **$0.33** | **$0.13** | **$0.18** | **$0.28** | **$0.34** | **$0.92** | **$2.80** | **$6.00** | **$10.00** | **$16.00** | **$24.00** |
| *Gross Margin* | *57.3%* | *77.8%* | *71.3%* | *71.6%* | *71.6%* | *49.8%* | *81.9%* | *80.9%* | *79.8%* | *74.2%* | *80.0%* | *80.0%* | *80.0%* | *80.0%* | *80.0%* |
| R&D | $0.50 | $0.67 | $0.47 | $0.53 | $2.18 | $0.49 | $0.49 | $0.55 | $0.60 | $2.13 | $2.75 | $3.00 | $3.50 | $4.00 | $4.50 |
| *% R&D* | *2173.1%* | *984.2%* | *368.0%* | *218.1%* | *469.5%* | *191.8%* | *221.3%* | *161.8%* | *142.9%* | *172.2%* | *78.6%* | *40.0%* | *28.0%* | *20.0%* | *15.0%* |
| SG&A | $1.53 | $1.88 | $1.44 | $1.67 | $6.52 | $2.00 | $1.89 | $2.00 | $2.00 | $7.88 | $8.00 | $8.25 | $8.50 | $9.00 | $9.50 |
| *% SG&A* | *6647.9%* | *2741.4%* | *1119.4%* | *685.6%* | *1404.7%* | *777.0%* | *852.9%* | *588.2%* | *476.2%* | *636.7%* | *228.6%* | *110.0%* | *68.0%* | *45.0%* | *31.7%* |
| Other | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 | $0.00 |
| *% Other* | - | - | - | - | - | | | | | - | - | - | - | - | - |
| **Operating Income** | **($2.0)** | **($2.5)** | **($1.8)** | **($2.0)** | **($8.4)** | **($2.4)** | **($2.2)** | **($2.3)** | **($2.3)** | **($9.1)** | **($8.0)** | **($5.3)** | **($2.0)** | **$3.0** | **$10.0** |
| *Operating Margin* | - | - | - | - | - | - | - | - | - | - | - | - | - | *15.0%* | *33.3%* |
| Other Net | $0.0 | $0.0 | $0.0 | ($0.0) | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 |
| **Pre-Tax Income** | **($2.0)** | **($2.5)** | **($1.8)** | **($2.0)** | **($8.3)** | **($2.4)** | **($2.2)** | **($2.3)** | **($2.3)** | **($9.1)** | **($8.0)** | **($5.3)** | **($2.0)** | **$3.0** | **$10.0** |
| Income taxes(benefit) | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 | $0.0 |
| *Tax Rate* | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| **Reported Net Income** | **($2.0)** | **($2.5)** | **($1.8)** | **($2.0)** | **($8.3)** | **($2.4)** | **($2.2)** | **($2.3)** | **($2.3)** | **($9.1)** | **($8.0)** | **($5.3)** | **($2.0)** | **$3.0** | **$10.0** |
| *YOY Growth* | - | - | - | - | - | - | - | - | - | - | - | - | - | - | *233.3%* |
| *Net Margin* | - | - | - | - | - | - | - | - | - | - | - | - | - | *15.0%* | *33.3%* |
| *Shares Out* | *35.7* | *37.1* | *37.3* | *39.3* | *37.3* | *40.4* | *42.6* | *44.5* | *45.0* | *43.1* | *48.0* | *52.0* | *57.0* | *60.0* | *65.0* |
| **Reported EPS** | **($0.06)** | **($0.07)** | **($0.05)** | **($0.05)** | **($0.22)** | **($0.06)** | **($0.05)** | **($0.05)** | **($0.05)** | **($0.21)** | **($0.17)** | **($0.10)** | **($0.04)** | **$0.05** | **$0.15** |
| *YOY Growth* | | | | | - | | | | | - | - | - | - | | |
| One time charge | *$0.00* | *$0.00* | *$0.00* | *$0.00* | *$0.00* | *$0.00* | *$0.00* | *$0.00* | *$0.00* | *$0.00* | *$0.00* | *$0.00* | *$0.00* | *$0.00* | *$0.00* |
| **Non GAAP Net Income** | **($2.0)** | **($2.5)** | **($1.8)** | **($2.0)** | **($8.3)** | **($2.4)** | **($2.2)** | **($2.3)** | **($2.3)** | **($9.1)** | **($8.0)** | **($5.3)** | **($2.0)** | **$3.0** | **$10.0** |
| **Non GAAP EPS** | **($0.06)** | **($0.07)** | **($0.05)** | **($0.05)** | **($0.22)** | **($0.06)** | **($0.05)** | **($0.05)** | **($0.05)** | **($0.21)** | **($0.17)** | **($0.10)** | **($0.04)** | **$0.05** | **$0.15** |

*Source: Company filing and Zacks estimates*

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## HISTORICAL ZACKS RECOMMENDATIONS




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