March 7, 2014

Zacks Small-Cap Research

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

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

Chembio Diagnostics Inc. (CEMI- NASDAQ)

CEMI: 2013 Revenue +15%. Expect New DPP/Syph Test To Be Near-Term Needle-Mover

Current Recommendation	**Outperform**
Prior Recommendation	N/A
Date of Last Change	06/14/2010
Current Price (03/06/14)	$3.50
Target Price	**$10.00**

OUTLOOK

Lateral flow sales, especially internationally, were catalysts to revenue growth in 2013. Alere launching competing product, however, which could potentially impact CEMI's U.S. sales. Int'l lateral flow sales have been very strong but can be variable.
DPP sales ex-Brazil could also accelerate, particularly with the roll-out of new DPP HIV/Syphilis test. These should help offset a flattening of FIOCRUZ sales in 2014 and a significant reduction in FIOCRUZ-related revenue upon trigger of the tech transfer (which we estimate will happen in 2015).
Pipeline progress continues although delay in DPP HIV CLIA waiver was a setback - we now look for this test to launch in U.S. POC mrkt in 2015. CEMI also focused on complementary revenue opportunities including add'l R&D contracts/grants, expansion of international commercialization footprint, and potentially in-licensing products.
CEMI exited 2013 with strongest cash position and balance sheet in history of the company.
We are maintaining our Outperform rating.

SUMMARY DATA

52-Week High	**$5.70**
52-Week Low	**$2.98**
One-Year Return (%)	**-34.31**
Beta	**0.13**
Average Daily Volume (sh)	**61,269**
Shares Outstanding (mil)	**9**
Market Capitalization ($mil)	**$33**
Short Interest Ratio (days)	**1.76**
Institutional Ownership (%)	**23**
Insider Ownership (%)	**15**
Annual Cash Dividend	**$0.00**
Dividend Yield (%)	**0.00**
5-Yr. Historical Growth Rates	
Sales (%)	**22.6**
Earnings Per Share (%)	**-28.2**
Dividend (%)	**N/A**
P/E using TTM EPS	**31.8**
P/E using 2014 Estimate	**43.8**
P/E using 2015 Estimate	**15.2**
Zacks Rank	**N/A**

Risk Level	**Above Avg.,**
Type of Stock	**Small-Value**
Industry	**Med Products**

ZACKS ESTIMATES

Revenue
(millions)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2013	$6.68 A	$5.39 A	$9.62 A	$7.86 A	$29.55 A
2014	$7.13 E	$7.39 E	$7.85 E	$7.74 E	$30.10 E
2015					$29.03 E
2016					$34.46 E

Adjusted Earnings per Share

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2013	$0.05 A	-$0.04 A	$0.11 A	-$0.02 A	$0.11 A
2014	-$0.01 E	$0.00 E	$0.03 E	$0.05 E	$0.08 E
2015					$0.23 E
2016					$0.41 E

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

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

WHAT'S NEW

Q4 / Full Year 2013

Q4 and full year 2013 revenue of $7.9 million and $29.6M was essentially flat and up 15% from the same respective periods in 2012. For the quarter, DPP sales eked out a 2% gain and lateral flow sales fell about $350k (8%) which was mostly offset by a $306k increase in non-product revenue. The catalyst behind the 15% annual revenue increase was mostly from international lateral flow sales which increased almost 98% yoy and benefitted from the large $5.3M order received during Q2, most of which was booked in Q3. Meanwhile, domestic lateral flow sales grew 14% and DPP sales fell 35% in 2013.

Q4 revenue handily beat our $6.7M estimate and consisted of $7.1M in product sales (vs. $6.1M estimate) and $764k in R&D contracts, grants and licensing revenue (vs. $619k estimate). The majority of the beat on product revenue relates to DPP sales which at $2.9M (vs. $2.1M estimate) was very strong relative to any other quarter in 2013, was an increase of 2% from Q4 2012 and represented 44% of all DPP sales in 2013.

Encouraging is that while FIOCRUZ has met most of their minimum purchase obligations in order to trigger the technology transfer, they continue to make significant purchases and on the call management noted that they expect 2014 DPP FIOCRUZ-related revenue to remain at about the same level as that in 2013 ($6.5M). We also think the newly launched DPP HIV/Syphilis test, which recently made its introduction in Mexico and could attract significant demand in other parts of the world including Africa and South America through donor funded procurement programs, could make a meaningful contribution to revenue beginning in 2014.

Q4 gross margin at 41.6% fell from 40.1% in Q4 2012 and was lower than our 43.8% estimate due to lower than modeled product margin (35.3% A vs. 38.0% E). For the full year, gross margin fell from 42.1% in 2012 to 41.6% in 2013 with product margin falling from 39.1% to 37.3% - this likely reflects the significant increase in lower margin international product sales in 2013 - management also noted on the call that some manufacturing efficiencies during 2013 adversely impacted gross margin.

CEMI has taken steps to address these inefficiencies, which along with our current expectation of the potential for a slight contraction in international lateral flow sales in 2014, should benefit product gross margins in 2014. However, we continue to model some further contraction in total gross margin in 2014 due to an expectation of lower non-product revenue in the year. We think gross margin begins to expand in 2015 with growth in domestic product sales.

Q4 operating expenses were $3.5M, significantly higher than our $2.4M estimate. Roughly $450k of this is related to the wind-down of the initial CLIA waiver studies for the DPP HIV test. Meanwhile, SG&A bumped up almost $380k sequentially - this is largely related to new hires and implementation of marketing programs, both domestically and internationally, to support the new product launches - most of this increase which we had modeled to initially occur in Q1 2014.

EPS

We use adjusted net income and EPS for consistency purposes. As a reminder, in Q4 2011 CEMI took a non-cash gain of $5.16 million to income from the reversal of deferred tax asset as they expected to generate positive pre-tax income from that point forward. Their GAAP income tax rate of ~35.1% is 90% non-cash until they exhaust (which, based on our current model will occur sometime in 2017) their entire deferred tax asset which stood at $3.6 million at the end of 2013.

Q4 adjusted net income and EPS of approximately ($163)k and ($0.02) came in lower than our $506k and $0.05 estimates. The difference mostly a result of higher than modeled operating expenses which was partially offset by the beat on revenue. For the full year 2013, adjusted net income and EPS were $989k and $0.11, compared to $1.4M and $0.11 in 2012, the difference mostly related to an increase in R&D expense in 2013 related to funding of the CLIA waiver studies and an increase in SG&A in the second half of 2013 related to initial ramping of sales/mktg activities to support new product launches and expansion into additional geographic areas.

Cash

Excluding changes in working capital, cash from operations was an inflow of $46k and $1.9M in the three and 12 months ending 12/31/2013. CEMI exited 2013 with $9.7M in cash and equivalents, compared to $8.1M at the end of Q3 2013 and $3.0M at the close of 2012. The balance sheet remains debt-free.

Business / Pipeline Update

Highlights over the last few quarters include discussions with Alere about that company potentially extending the agreement to remain CEMI's distribution partner for the company's lateral flow products. CEMI noted that Alere has stated that they want to continue this arrangement. Management did not have an update on discussions with Alere on the Q4 earnings call although we continue to expect a decision to happen in the near-term.

As a reminder, during 2013 Alere announced that they expect to launch a competing product (HIV 1/2 antibody / p24 antigen rapid test) which, per terms of the distribution agreement, allows CEMI to make the agreement non-exclusive or (for one of the lateral flow tests) terminate the agreement altogether. If CEMI does decide to sell these tests with their own sales force, which they will assemble in 2014 for their DPP products for the U.S. market, they will realize a significantly higher average sales price given that Alere currently clips a sizeable margin.

The most recent noteworthy news came in early February 2014 when CEMI announced that CLIA waiver for the DPP HIV 1/2 test will be delayed due to FDA's request of additional positive (i.e. -new infections) test results. CEMI will now undertake additional sample collection to satisfy the agency's request. Management noted on the Q4 call that while conversations with FDA are still ongoing relative to the protocol of the additional sample collection, that they expect this will require a significantly smaller patient population (perhaps ~50%) compared to the initial CLIA waiver studies. This delay prompted us to move our anticipated launch of the DPP HIV test back from 1H 2014 to Q1 2015 - this is subject to further updating depending on progress with this follow-on study and action from FDA. We have also updated our model to include additional R&D expense to fund the study.

DPP HIV, U.S.

FDA approval for all sample types (oral fluid, whole blood, serum, and plasma) came in December 2012. Studies to support CLIA waiver wrapped up in Q4 and CLIA waiver application was filed in December 2013. CEMI had hoped to have CLIA waiver and launch the test in the U.S. point-of-care market in the first half of this year. As noted above, FDA's request for additional positive test results means CEMI will need to run a follow-on study which we think pushes back launch to early 2015 - subject to updating.

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

Certain advantages of CEMI's DPP HIV product, including superior performance, long shelf-life, broader label including approved for patients 2 years and older (versus 13 yrs and older with competitors'), and earlier detection on serum samples should bode well for it competing against OraSure's oral fluid rapid HIV test. CEMI's plan for selling the test includes detailing to the public health sector with its own (very small) sales force as well as through distributors to target hospitals and physicians' offices.

DPP Syphilis Screen and Confirm

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

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

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

We think CEMI's DPP POC syphilis screen and confirm test could have significant appeal given that it would be the first POC treponemal/non-treponemal test on the market with accuracy competitive to lab tests. The test would

potentially draw significant demand overseas as well, particularly in developing countries where infectious diseases (including HIV and syphilis) can be overly problematic.

DPP HCV

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

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

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

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

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

DPP Syphilis / HIV Combo

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

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

OTC HIV

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

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

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

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

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

DPP HIV Multiplex P24 Antigen / Antibody

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

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

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

Complementary Revenue Opportunities

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

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

In February 2014 CEMI penned technology transfer agreement with RVR Diagnostics or Malaysia whereby RVR will manufacture and distribute the DPP HIV 1/2 and DPP HIV/Syphilis tests in parts of Asia (ex-China) and will pay CEMI a royalty on sales as well as consummation and milestone fees.

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

OUR OUTLOOK

Revenue

We look for 2014 revenue of $30.1 million, implying growth of 2% from 2013. We currently model mid single-digit growth in U.S. lateral flow sales and a low-to-mid single-digit contraction in international lateral flow sales. We note,

however, that international sales in particular are difficult to forecast given that they are largely driven by purchases from international procurement programs - purchase timing and amounts of which can be highly variable. As such, our estimates are subject to change. We model FIOCRUZ-related revenue of approximately $6.5M - roughly flat from 2013 and in-line with management's guidance. We also look for (non FIOCRUZ-related) contribution from the newly launched DPP HIV/Syphilis test from sales in Mexico as well as other parts of the world.

Net Income / EPS

While we look for revenue to grow modestly in 2014, we think net income and EPS come down due to some contraction in gross margin and an increase in SG&A expense (explained above). We model adjusted net income and EPS of $781k and $0.08 in 2014 (compared to $989k and $0.11 in 2013).

We look for a reversal in these trends in 2015 where we model slight negative revenue growth (due to our expectations that FIOCRUZ will trigger the technology transfer) yet increases in net income and EPS, the latter a result of wider gross margin from a higher percentage of domestic sales and realization of manufacturing efficiencies, greater leverage on SG&A and lower R&D expense.

RECOMMENDATION / VALUATION

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

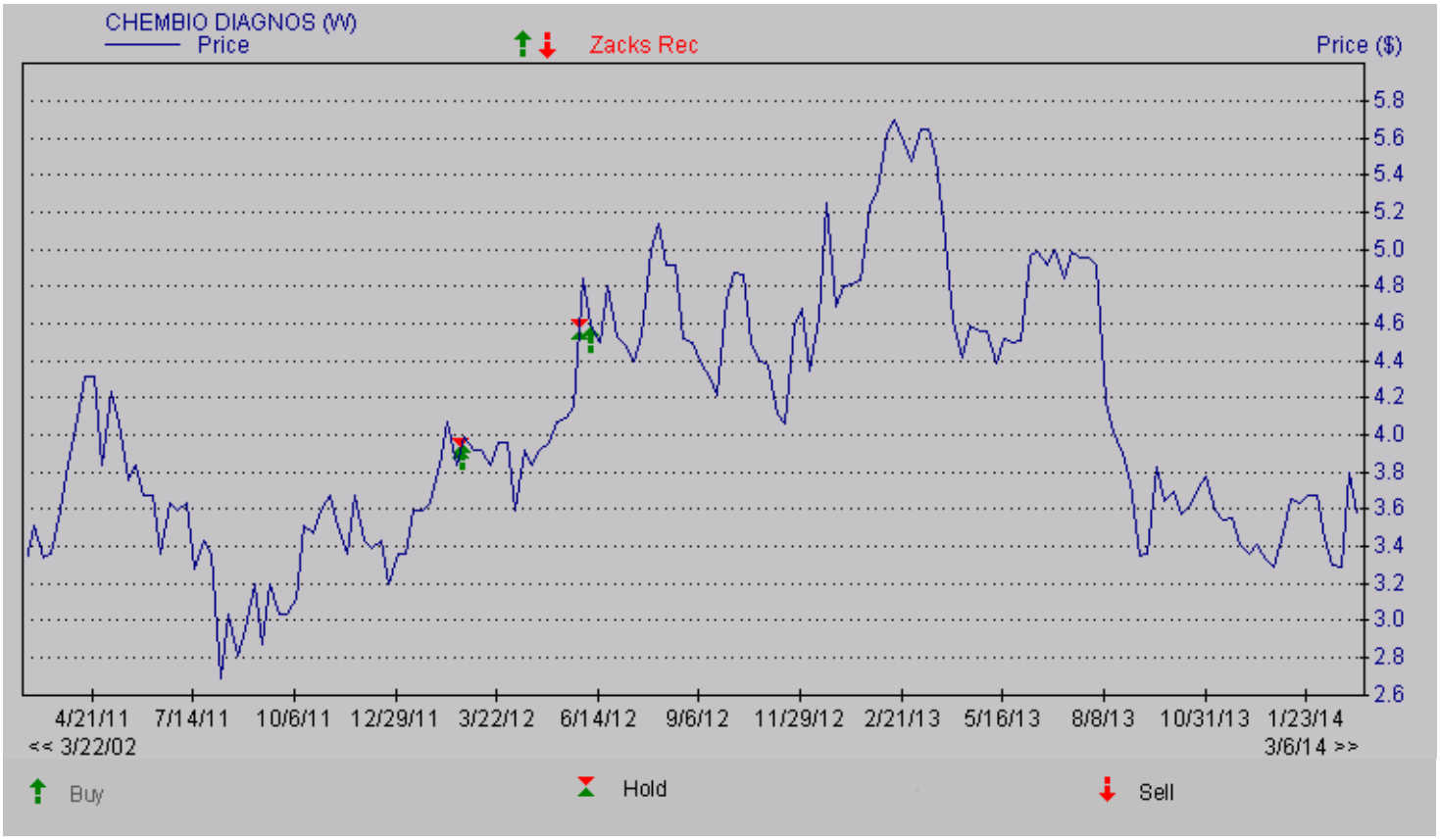
INCOME STATEMENT

Chembio Diagnostics, Inc.

	2013 A	Q1E	Q2E	Q3E	Q4E	2014 E	2015 E	2016 E	2017 E
Product sales	**$27,516**	**$6,933**	**$7,220**	**$7,675**	**$7,559**	**$29,387**	**$27,151**	**$32,638**	**$35,698**
% of total revenue	*93.1%*	*97.2%*	*97.8%*	*97.8%*	*97.7%*	*97.6%*	*93.5%*	*94.7%*	*94.8%*
YOY Growth	*13.1%*	*9.8%*	*42.6%*	*-15.1%*	*6.5%*	*6.8%*	*-7.6%*	*20.2%*	*9.4%*
License & royalty income	**$5**	**$10**	**$15**	**$20**	**$30**	**$75**	**$452**	**$518**	**$580**
% of total revenue	*0.0%*	*0.1%*	*0.2%*	*0.3%*	*0.4%*	*0.2%*	*1.6%*	*1.5%*	*1.5%*
R&D contracts, grants, milestones	**$2,029**	**$189**	**$150**	**$150**	**$150**	**$639**	**$1,425**	**$1,300**	**$1,365**
% of total revenue	*6.9%*	*2.7%*	*2.0%*	*1.9%*	*1.9%*	*2.1%*	*4.9%*	*3.8%*	*3.6%*
Total Revenues	$29,550.2	$7,132.0	$7,385.0	$7,845.0	$7,739.0	$30,101.0	$29,028.1	$34,456.4	$37,642.6
YOY Growth	*15.4%*	*6.8%*	*36.9%*	*-18.4%*	*-1.5%*	*1.9%*	*-3.6%*	*18.7%*	*9.2%*
Cost of Revenues	$17,249	$4,368	$4,455	$4,705	$4,573	$18,101	$15,883	$18,473	$19,634
Gross Income	$12,301	$2,764	$2,930	$3,140	$3,166	$12,001	$13,145	$15,983	$18,009
Gross Margin	*41.6%*	*38.8%*	*39.7%*	*40.0%*	*40.9%*	*39.9%*	*45.3%*	*46.4%*	*47.8%*
Product Margin	*37.3%*	*37.0%*	*38.3%*	*38.7%*	*39.5%*	*38.4%*	*41.5%*	*43.4%*	*45.0%*
Research & Development	$5,834	$1,310	$1,350	$1,265	$1,150	$5,075	$4,855	$4,925	$4,754
% R&D	*19.7%*	*18.4%*	*18.3%*	*16.1%*	*14.9%*	*16.9%*	*16.7%*	*14.3%*	*12.6%*
Selling General & Admin	$5,461	$1,512	$1,551	$1,577	$1,478	$6,118	$5,951	$6,650	$7,227
% SG&A	*18.5%*	*21.2%*	*21.0%*	*20.1%*	*19.1%*	*20.3%*	*20.5%*	*19.3%*	*19.2%*
Operating Income	$1,005	($58)	$29	$298	$538	$808	$2,339	$4,408	$6,028
Operating Margin	*3.4%*	*-0.8%*	*0.4%*	*3.8%*	*6.9%*	*2.7%*	*8.1%*	*12.8%*	*16.0%*
Other income (expense)	$8	$0	$0	$0	$0	$0	$0	$0	$0
Interest income, net	$5	$1	$1	$1	($1)	$2	$95	$125	$155
Pre-Tax Income	$1,018	($57)	$30	$299	$537	$809	$2,434	$4,533	$6,183
Taxes	$487	($20)	$11	$105	$188	$283	$913	$1,700	$2,318
Tax Rate	*47.8%*	*35.0%*	*35.0%*	*35.0%*	*35.0%*	*36.8%*	*37.5%*	*37.5%*	*37.5%*
Net Income	$531	($37)	$20	$195	$349	$526	$1,521	$2,833	$3,864
YOY Growth	*-43.6%*	*-111.7%*	*-108.2%*	*-72.8%*	*-233.3%*	*-1.0%*	*189.2%*	*86.2%*	*36.4%*
Net Margin	*1.8%*	*-0.5%*	*0.3%*	*2.5%*	*4.5%*	*1.7%*	*5.2%*	*8.2%*	*10.3%*
GAAP EPS	$0.06	($0.00)	$0.00	$0.02	$0.03	$0.06	$0.15	$0.26	$0.35
Adjustments	$458	($18)	$10	$94	$169	$255	$821	$1,530	$984
Adjusted Net Income	$989	($55)	$29	$289	$518	$781	$2,343	$4,363	$4,848
Adjusted EPS	$0.11	($0.01)	$0.00	$0.03	$0.05	$0.08	$0.23	$0.41	$0.44
YOY Growth	*-34.5%*	*-112.5%*	*-107.6%*	*-72.6%*	*-361.5%*	*-6.4%*	*165.8%*	*79.3%*	*33.3%*
Weighted Avg. Shares O/S	8,994	8,200	9,925	9,950	9,975	9,513	10,350	10,750	11,000

Brian Marckx, CFA

HISTORICAL ZACKS RECOMMENDATIONS



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

DISCLOSURES

The following disclosures relate to relationships between Zacks Small-Cap Research ("Zacks SCR"), a division of Zacks Investment Research ("ZIR"), and the issuers covered by the Zacks SCR Analysts in the Small-Cap Universe.

ANALYST DISCLOSURES

I, Brian Marckx, CFA, hereby certify that the view expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the recommendations or views expressed in this research report. I believe the information used for the creation of this report has been obtained from sources I considered to be reliable, but I can neither guarantee nor represent the completeness or accuracy of the information herewith. Such information and the opinions expressed are subject to change without notice.

INVESMENT BANKING, REFERRALS, AND FEES FOR SERVICE

Zacks SCR does not provide nor has received compensation for investment banking services on the securities covered in this report. Zacks SCR does not expect to receive compensation for investment banking services on the Small-Cap Universe. Zacks SCR may seek to provide referrals for a fee to investment banks. Zacks & Co., a separate legal entity from ZIR, is, among others, one of these investment banks. Referrals may include securities and issuers noted in this report. Zacks & Co. may have paid referral fees to Zacks SCR related to some of the securities and issuers noted in this report. From time to time, Zacks SCR pays investment banks, including Zacks & Co., a referral fee for research coverage.

Zacks SCR has received compensation for non-investment banking services on the Small-Cap Universe, and expects to receive additional compensation for non-investment banking services on the Small-Cap Universe, paid by issuers of securities covered by Zacks SCR Analysts. Non-investment banking services include investor relations services and software, financial database analysis, advertising services, brokerage services, advisory services, investment research, investment management, non-deal road shows, and attendance fees for conferences sponsored or co-sponsored by Zacks SCR. The fees for these services vary on a per client basis and are subject to the number of services contracted. Fees typically range between ten thousand and fifty thousand per annum.

POLICY DISCLOSURES

Zacks SCR Analysts are restricted from holding or trading securities in the issuers which they cover. ZIR and Zacks SCR do not make a market in any security nor do they act as dealers in securities. Each Zacks SCR Analyst has full discretion on the rating and price target based on his or her own due diligence. Analysts are paid in part based on the overall profitability of Zacks SCR. Such profitability is derived from a variety of sources and includes payments received from issuers of securities covered by Zacks SCR for services described above. No part of analyst compensation was, is or will be, directly or indirectly, related to the specific recommendations or views expressed in any report or article.

ADDITIONAL INFORMATION

Additional information is available upon request. Zacks SCR reports are based on data obtained from sources we believe to be reliable, but are not guaranteed as to be accurate nor do we purport to be complete. Because of individual objectives, this report should not be construed as advice designed to meet the particular investment needs of any investor. Any opinions expressed by Zacks SCR Analysts are subject to change without notice. Reports are not to be construed as an offer or solicitation of an offer to buy or sell the securities herein mentioned.

ZACKS RATING & RECOMMENDATION

ZIR uses the following rating system for the 1066 companies whose securities it covers, including securities covered by Zacks SCR:
Buy/Outperform: The analyst expects that the subject company will outperform the broader U.S. equity market over the next one to two quarters.
Hold/Neutral: The analyst expects that the company will perform in line with the broader U.S. equity market over the next one to two quarters.
Sell/Underperform: The analyst expects the company will underperform the broader U.S. Equity market over the next one to two quarters.

The current distribution is as follows: Buy/Outperform- 17.9%, Hold/Neutral- 74.3%, Sell/Underperform – 7.2%. Data is as of midnight on the business day immediately prior to this publication.