Zacks Small-Cap Research

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Threshold Pharm (THLD-NASDAQ)

THLD: Exited 2014 with strong balance sheet, on track to advance clinical trials– Outperform

Current Recommendation	**Outperform**
Prior Recommendation	N/A
Date of Last Change	04/27/2014
Current Price (03/03/15)	$4.57
Twelve- Month Target Price	**$9.50**

OUTLOOK

Threshold is a late development stage biopharmaceutical company focused on developing hypoxia targeted cancer therapy. The Company's lead prodrug candidate EVOFOSFAMIDE is in a series of clinical trials including two Phase III clinical trials for soft tissue sarcoma and pancreatic cancer respectively.

We model EVOFOSFAMIDE to be approved by the FDA in late 2016 or early 2017 for soft tissue sarcoma. The Company will be cash flow positive in 2018. Balance sheet remains strong.

We rate Threshold Outperform based on its strong fundamentals.

SUMMARY DATA

52-Week High	**$5.50**
52-Week Low	**$2.70**
One-Year Return (%)	**-16.86**
Beta	**2.79**
Average Daily Volume (sh)	**659,295**
Shares Outstanding (mil)	**71**
Market Capitalization ($mil)	**$311**
Short Interest Ratio (days)	**13.58**
Institutional Ownership (%)	**58**
Insider Ownership (%)	**19**
Annual Cash Dividend	**$0.00**
Dividend Yield (%)	**0.00**
5-Yr. Historical Growth Rates	
Sales (%)	**N/A**
Earnings Per Share (%)	**N/A**
Dividend (%)	**N/A**
P/E using TTM EPS	**N/A**
P/E using 2014 Estimate	**N/A**
P/E using 2015 Estimate	**N/A**
Zacks Rank	**N/A**

Risk Level	**Above Avg.,**
Type of Stock	**N/A**
Industry	**Med-Biomed/Gene**
Zacks Rank in Industry	**N/A**

ZACKS ESTIMATES

Revenue
(in millions of $)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2014	3.7 A	3.7 A	3.7 A	3.7 A	14.7 A
2015	3.7 E	3.8 E	3.8 E	3.8 E	15.1 E
2016					25.0 E
2017					57.0 E

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

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2014	-$0.14 A	-$0.12 A	-$0.13 A	-$0.09 A	-$0.48 A
2015	-$0.12 E	-$0.12 E	-$0.13 E	-$0.14 E	-$0.51 E
2016					-$0.48 E
2017					-$0.20 E

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

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WHAT'S NEW

- ***Exited 2014 with a strong balance sheet;***
- ***Data on EVOFOSFAMIDE Phase I/II Trial for Multiple Myeloma presented at ASH;***
- ***Dara on EVOFOSFAMIDE + Avastin Phase I/II Trial for Glioblastoma presented at SNO;***
- ***Valuation is Attractive***

THLD Reports Fourth Quarter 2014 Financial and Operational Results

Revenue for 4Q14 was $3.7 million, compared to $3.2 million for the same periods in 2013. Revenue for both quarters related to the amortization of the aggregate of $110 million in upfront and milestone payments earned in 2013 and 2012 from the company's collaboration with Merck KGaA.

The revenue from the upfront payment and milestone payments earned under the agreement is being amortized over the relevant performance period, rather than being immediately recognized when the upfront payment and milestone are earned or received.

R&D expenses were $8.6 million for 4Q14, compared to $8.5 million for the same period in 2013. The increase was due primarily to a $0.6 million increase in employee related expenses, including a $0.2 million increase in non-cash stock-based compensation expense, partially offset by a $0.5 million decrease in consulting expenses and clinical development expenses.

GA expenses were $2.6 million for the fourth quarter of 2014 versus $2.5 million for the fourth quarter of 2013. The increase was due primarily to an increase in consulting expenses.

Net loss for 4Q14 was $6.0 million ($0.09 per share) compared to a net loss of $7.6 million ($0.13 per share) for the fourth quarter of 2013. Included in the net loss for the fourth quarter of 2014 was an operating loss of $7.6 million and non-cash income of $1.6 million compared to an operating loss of $7.8 million and non-cash income of $0.2 million in the fourth quarter of 2013.

Balance Sheet Boosted by Recent Financing

As of December 31, 2014, Threshold had $58.6 million in cash, cash equivalents and marketable securities with no debt outstanding.

In February 2015, THLD completed an underwritten offering of 8,300,000 shares of its common stock together with accompanying warrants to purchase an aggregate of 8,300,000 shares of common stock.

The combined offering price of each share of common stock and accompanying warrant was $3.62. The net proceeds to Threshold from this offering are expected to be approximately $28.2 million.

All of the shares and accompanying warrants in the offering are sold by Threshold. The initial per share exercise price of the warrants is $10.86, subject to adjustment upon certain events. The warrants may be exercised at any time six months after the date of issuance and up to the fifth anniversary from the date of issuance.

The new financing immediately boosted the company's balance sheet.

Threshold has a collaboration agreement with Merck KGaA worth **total of $550 million** in terms of upfront and milestone payments. To date Threshold has received upfront and milestone payments of $110 million. The Company can earn additional potential milestone payments of up to $440 million, comprised of $100 million in development and regulatory milestones and $340 million in sales-based milestones.

We welcome this non-dilutive financing which benefits all of its shareholders. We estimate current cash balance combined with the potential payment from Merck KGaA could last into 2017 when the Company's EVOFOSFAMIDE could be approved for soft tissue sarcoma.

Update on Ongoing Phase I/II Trial of EVOFOSFAMIDE for MM

Recently, Threshold Pharmaceuticals (THLD) presented updated preliminary data from the **Phase II component** of an ongoing Phase I/II trial of **EVOFOSFAMIDE** (Formerly TH-302) in combination with bortezomib (Velcade®) and low-dose dexamethasone (TBorD)for the treatment of patients with relapsed/refractory multiple myeloma **(MM)** at the 56th ASH Annual Meeting and Exposition in San Francisco, California.

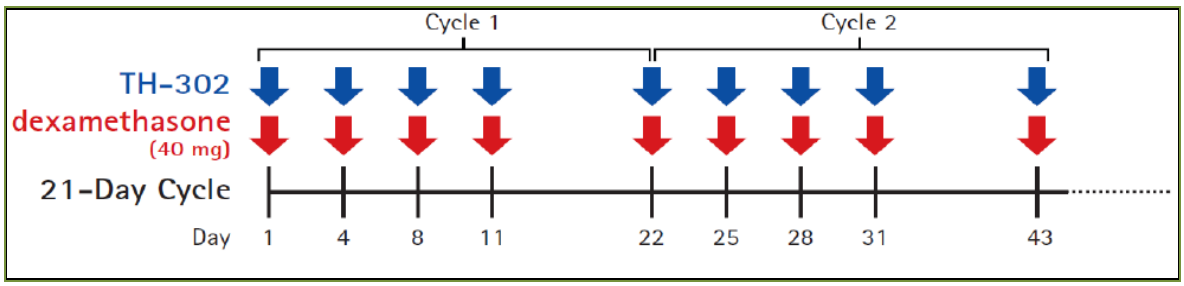
Background

In March 2012, Threshold initiated a **Phase I/II** (the 408 trial) open label clinical trial of EVOFOSFAMIDE with **relapsed/refractory multiple myeloma**.

The study has three parts:

- The first part is designed to establish the maximum tolerated dose of EVOFOSFAMIDE **in combination with dexamethasone**; completed;
- This MTD of EVOFOSFAMIDE will be further evaluated in combination with dexamethasone in additional patients in the second part of the study; ongoing;
- Lastly, the combination of EVOFOSFAMIDE and dexamethasone with **Velcade**® (bortezomib, a proteasome inhibitor currently used to treat patients with multiple myeloma) will be investigated, initiated in July 2014.

The dose of EVOFOSFAMIDE administered in the dose escalation portion of the study was 240, 340, or 480 mg/m^2 given on days 1, 4, 8, and 11 of a 21-day cycle, with 40 mg dexamethasone given on the same days as EVOFOSFAMIDE.



The first part dose escalation of the Phase I/II trial has been completed. **14 patients** received therapy. These patients were heavily pretreated having received 3 to 11 prior treatments (median of 6.5) and all having received a regimen containing bortezomib, an immunomodulatory agent lenalidomide and/or thalidomide, and an alkylating agent. Patients received one to 19 cycles (median of 4 cycles) of therapy with EVOFOSFAMIDE and dexamethasone. **The maximum tolerated dose** was determined to be **340 mg/m^2** EVOFOSFAMIDE. The most frequent Grade 3/4 side effects were thrombocytopenia, leukopenia, anemia, and neutropenia.

New Data from the Phase II Portion at the ASH Presentation

A total of 18 patients with relapsed/refractory MM have been enrolled in the **Phase II TBorD component** of the study as of November 17, 2014. Preliminary safety and efficacy analyses are being presented from

9 patients (7 of whom were evaluable) who initiated therapy prior to September 12, 2014, with presented analyses reflecting data in the clinical database as of November 25, 2014.

Preliminary data showed EVOFOSFAMIDE is **safe and well tolerated**. No dose limiting toxicities were reported during Cycle 1 at EVOFOSFAMIDE doses of 240 mg/m² or 340 mg/m². The maximum tolerated dose of EVOFOSFAMIDE with dexamethasone had previously been established at 340 mg/m^2, and dose escalation above that dose of EVOFOSFAMIDE with dexamethasone plus bortezomib was not allowed.

Of the 9 patients included in the ASH presentation, 7 were evaluable for response. Responses included one very good partial response (VGPR), one partial response (PR), and 4 stable disease (SD). One patient had progressive disease (PD). The patients with PR and VGPR had both previously undergone two autologous transplantations and had received prior current standard treatment including IMiDs, proteasome inhibitors, dexamethasone, and at least one conventional alkylating agent.

We think these initial responses to TBorD therapy are encouraging given that these patients had progressive disease despite having received multiple types of treatment prior to enrollment in this study. We are also pleased with the initial safety and tolerability assessments of the TBorD regimen.

There are few treatment options for patients with advanced multiple myeloma that stop responding to bortezomib and lenalidomide, and responses to subsequent salvage therapy have historically been extremely low. The preliminary results suggest that the combination of EVOFOSFAMIDE with dexamethasone is active in some heavily pretreated patients who have failed conventional therapy.

New Phase I/II Data on EVOFOSFAMIDE in Glioblastoma

New data from an investigator-sponsored **Phase I/II** trial evaluating the combination of EVOFOSFAMIDE and Avastin® (bevacizumab) in patients with bevacizumab-refractory recurrent glioblastoma were presented at the 19th Annual Scientific Meeting and Education Day of the Society for Neuro-Oncology (SNO) held in Miami, Florida, from November 13-16, 2014.

Background

Glioblastoma multiforme (GBM), also called glioblastoma, is the most common and most aggressive type of primary brain tumor and accounts for approximately 50% to 60% of all primary brain tumors. It is estimated that 23,130 people were diagnosed with and 14,080 people died of **cancer of the brain and other nervous system** in 2013 in the US.

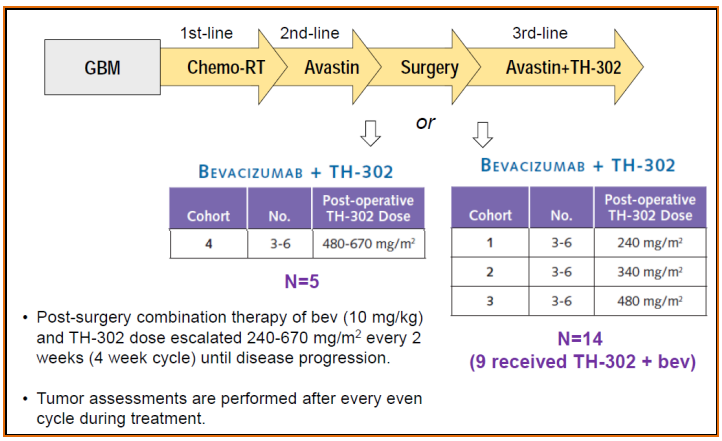
Glioblastomas are among the most aggressively malignant human neoplasms. The median survival time from the time of diagnosis without any treatment is usually less than 1 year. Despite multimodality treatment, median survival is about 14.6 months. The overall 5-year survival is less than 10% with the standard of care today.

Chemotherapy (temozolomide) with radiotherapy (RT) is standard care for newly diagnosed glioblastoma. Avastin (bevacizumab, Roche) is approved in the U.S. for progressive disease following prior therapy. After disease progression on bevacizumab, patients may start a subsequent bevacizumab-containing regimen. These patients typically progress in 5 to 8 weeks.

Treatment Setting	Therapy	Median PFS	Median OS
Newly Diagnosed *first-line setting, after surgical resection*	temozolomide (TMZ) + radiation (RT) followed by maintenance TMZ	~7 months	~15 months *TMZ + RT provides Δ2.5 months benefit over RT alone*
First Recurrence *second-line setting*	bevacizumab	~4 months	~9 months
Second Recurrence *third-line setting*	bevacizumab-containing regimen	~38 days	82 days

An investigator-sponsored **Phase I/II trial (the 4003 trial)** to evaluate EVOFOSFAMIDE in combination with **Avastin**® (bevacizumab) in patients with **recurrent glioblastoma** following bevacizumab failure is ongoing.

This is a single center, dose-escalation, prospective study with 2:1 randomization to EVOFOSFAMIDE single dose of 575 mg/m^2 or placebo administered pre-surgery (cohorts 1-3 only), followed by post-surgery combination therapy of BEV at 10 mg/kg and EVOFOSFAMIDE dose escalated 240-670 mg/m^2 every 2 weeks (4-week cycle) until disease progression. Following the first 5 patients in cohort 3, patients were allowed to proceed directly to EVOFOSFAMIDE/BEV combination therapy without surgery.



The Updated Data from 2014 SNO

A total of 23 patients in the Phase I/II study were treated with bevacizumab 10 mg/kg every two weeks and EVOFOSFAMIDE dose escalated 240-670 mg/m^2 every two weeks (four-week cycle) until disease progression. Patients had received a median of three prior systemic anticancer regimens including both chemoradiation and bevacizumab.

EVOFOSFAMIDE was safe and well tolerated in the patients.

In 22 patients evaluable for response,

- best responses included one complete response (1CR) and three partial responses (3PR) for a response rate of **18%**, and ten stable disease (10 SD) assessments for a clinical benefit rate of **64%**;

- Median progression-free survival was 2.8 months (95% confidential interval (CI): 1.9 to 3.9 months) and 4-month progression-free survival was 22% (95% CI: 3.2% to 41%).

- Median overall survival was 4.6 months (95% CI: 3.4 to 6.2 months).

We think preliminary data from the SNO presentation are encouraging. The 18% objective responses are rarely seen at this advanced stage of the disease. The median PFS with EVOFOSFAMIDE plus bevacizumab was longer than with prior single-agent bevacizumab (2.8 vs 2.4 months). We look forward to updating investors when new Phase II data are available.

Planned Phase II Study

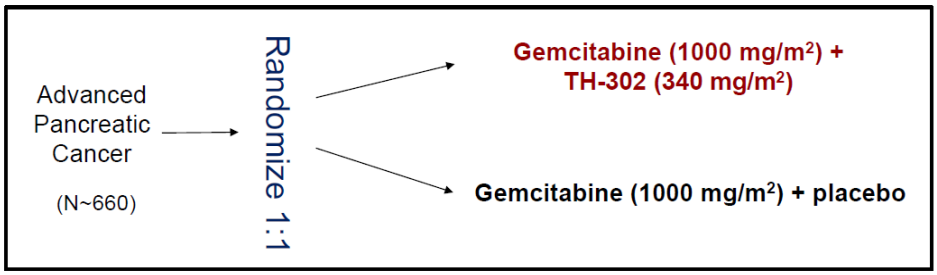
Based on the encouraging Phase I data, investigator-sponsored **Phase II** trial, which is designed to assess safety and efficacy of 670 mg/m^2 EVOFOSFAMIDE in combination with bevacizumab for the treatment of recurrent GBM following prior bevacizumab failure, is expected to enroll up to 33 patients. PET imaging will also be conducted in an effort to predict which patients may benefit from EVOFOSFAMIDE combination therapy.

Target Enrollment for Phase III MAESTRO Study of EVOFOSFAMIDE Completed

On Nov 3, 2014, Threshold announced that its global partner Merck KGaA has completed target enrollment of 660 patients in the global **Phase III MAESTRO** study.

As a reminder, in **December 2012,** Merck KGaA initiated the global pivotal **Phase III MAESTRO** clinical trial assessing the efficacy and safety of EVOFOSFAMIDE in combination with gemcitabine in patients with previously untreated, locally advanced unresectable or metastatic pancreatic adenocarcinoma. MAESTRO stands for EVOFOSFAMIDE in the treatment of MetastAtic or unrESectable pancreaTic adenocaRcinOma.

The MAESTRO trial is a randomized, placebo-controlled, international, multi-center, double-blind Phase III clinical trial of EVOFOSFAMIDE plus gemcitabine compared with placebo plus gemcitabine and is expected to enroll **660 patients**. The primary efficacy endpoint is overall survival; the secondary endpoints include efficacy measured by progression-free survival, overall response rate and disease control rate, as well as assessments of safety and tolerability, pharmacokinetics and biomarkers. The study is being conducted under an **SPA** with the FDA. The study design was also discussed with the European Medicines Agency (EMA) during a scientific advice procedure.



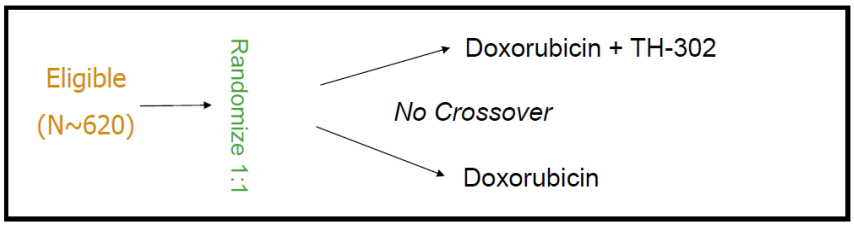
Patients	Metastatic or locally advanced unresectable pancreatic cancer
Primary Endpoint	Overall survival (OS)
Secondary Endpoints	Overall response rate, progression free survival, CA19-9, QOL, pain, safety

The MAESTRO trial of EVOFOSFAMIDE is one of the two pivotal Phase III trials of EVOFOSFAMIDE. The other one is Phase II trial for previously untreated patients with metastatic or locally advanced unresectable soft tissue sarcoma. Both trials have completed enrollment. Top line data from MAESTRO are expected to be available in 2016.

Phase III EVOFOSFAMIDE in Soft Tissue Sarcoma Continues After Interim Analysis

In September, 2014, the Independent Data Monitoring Committee (IDMC) completed the planned interim efficacy and safety analyses of unblinded data for the pivotal **Phase III** clinical trial of EVOFOSFAMIDE in combination with doxorubicin versus doxorubicin alone in patients with locally advanced unresectable or metastatic soft tissue sarcoma (STS).

Based on their analyses, the IDMC recommended that the trial should continue as planned to its natural conclusion. This is in line with our expectations.



Patients	Metastatic or locally advanced unresectable front-line soft tissue sarcoma
Primary Endpoint	Overall survival (OS); 85% power to detect 33% improvement (434 events)
Secondary Endpoints	Overall response rate, progression free survival, duration of response, QOL

Threshold initiated the **pivotal TH-CR-406 trial** in partnership with the Sarcoma Alliance for Research through Collaboration (SARC) in September 2011. CR-406 trial is an international, randomized, pivotal **Phase III** trial enrolling patients with metastatic or locally advanced unresectable **soft tissue sarcoma (STS)** who have not previously received chemotherapy outside the adjuvant or neoadjuvant setting. The trial is designed to evaluate the efficacy and safety of EVOFOSFAMIDE **in combination with doxorubicin**, compared to doxorubicin alone. The study is under a Special Protocol Assessment (SPA) with the FDA.

The primary endpoint is overall survival; secondary endpoints include efficacy measured by progression-free survival, overall response rate, overall survival at 6 and 12 months, progression free rate at 3 months and progression-free rate at 6 months, duration of response, stable disease or better rate, change in Eastern Cooperative Oncology Group or ECOG and performance status, as well as assessments of safety and tolerability, pharmacokinetics and biomarkers. The FDA and the European Commission have granted EVOFOSFAMIDE **orphan drug** designation for the treatment of soft tissue sarcoma.

In December 2013, Threshold completed the target enrollment of **620 patients**. The enrollment achievement triggered a milestone payment of $12.5 million from Merck KGaA.

The Company projected the pre-specified number of events (n=434 deaths) required to trigger the primary efficacy analysis would occur in the **latter half of 2015**. We expect overall survival data will be available in **1Q16.** The FDA approval could be in late 2016 or early 2017.

Sarcomas are a group of aggressive cancers of connective tissues of the body. Currently, there are only limited treatment options for sarcomas. **Soft tissue sarcomas** are usually treated with surgery, chemotherapy and radiation or in combination of these modalities.

Doxorubicin and **ifosfamide** are the most commonly used chemotherapeutic agents in patients with advanced soft tissue sarcoma, but response rates are generally low and toxicity can be significant.

Doxorubicin is the only approved front line therapy with an overall survival rate of approximately 8 months to 12 months, and an overall response rate of approximately 15% to 25%. The most serious toxicity for doxorubicin is the cumulative cardiotoxicity which usually limits the use of doxorubicin.

According to the American Cancer Society, about 12,020 new soft tissue sarcomas will be diagnosed and about 4,740 patients are expected to die of soft tissue sarcomas in the US in 2014.

Pipeline Expanded with License of Hypoxin

In October, 2014, Threshold licensed **Hypoxin** from the University of Auckland.

Hypoxin (formerly known as PR610) is a hypoxia-targeted epidermal growth factor receptor (EGFR) tyrosine-kinase inhibitor (TKI). Hypoxin is designed to selectively release a potent, picomolar irreversible inhibitor in hypoxic tumors. The University of Auckland has completed preclinical and **Phase I** studies. Data suggest that plasma concentrations of Hypoxin that are active in EGFR-dependent tumor xenograft models in mice could be attained in patients with an acceptable therapeutic index. Accordingly, the Company plans to conduct preclinical translational studies to further evaluate the rationale for proceeding with further clinical development of the compound.

Subject to the satisfactory completion of these preclinical studies, the Company expects to initiate a **Phase II** proof-of-concept study in a subset of molecularly-defined **non-small cell lung cancer** patients in **1H2015**.

The license of Hypoxin is a natural expansion of the Company's clinical pipeline, which diversify its clinical risks in our view.

Phase II of EVOFOSFAMIDE in Combination with Pemetrexed in Advanced NSCLC Initiated

In early July, Threshold initiated of a 440-patient, randomized, double-blind, placebo-controlled **Phase II** trial of EVOFOSFAMIDE, in combination with pemetrexed in advanced non-squamous non-small cell lung cancer **(NSCLC).**

The international Phase II trial will compare the combination of EVOFOSFAMIDE and pemetrexed versus the combination of pemetrexed and placebo as second-line therapy for NSCLC. A EVOFOSFAMIDE dose of 400 mg/m^2 will be utilized in combination with full-dose pemetrexed. The **primary endpoint** is overall survival. Secondary endpoints include safety and assessment of anti-tumor activity as determined by progression-free survival and objective response rate.

The initiation of the Phase II trial was based on the positive results from a **completed Phase I/II** study that evaluated EVOFOSFAMIDE in combination with full-dose pemetrexed in 18 patients with relapsed/refractory non-squamous NSCLC. In this Phase I/II trial, median progression-free (PFS) survival was 7.0 months and median overall survival was 14.9 months. Of 15 patients evaluable for response, 6 (40%) achieved a partial response including 4 confirmed responses, 6 (40%) achieved stable disease, and 3 (20%) had progressive disease. The most common adverse events following combination therapy of EVOFOSFAMIDE and pemetrexed were fatigue, anemia, stomatitis and nausea.

Positive data from the ongoing Phase II trial will support a **registrational Phase III** trial in patients with advanced non-squamous non-small cell lung cancer.

Attractive Valuation

We maintain our Outperform rating for Threshold (THLD) shares and reiterate our 12-month price target of $9.50.

Threshold is a late development stage biopharmaceutical company focused on developing and commercializing **hypoxia based therapeutics** for cancer treatment based on its **prodrug platform technology**.

The Company's lead drug candidate is **EVOFOSFAMIDE**, a prodrug which can be taken by cancer cells and released in the microenvironment of tumor hypoxia. Evofosfamide is in a series of clinical trials targeting a variety of cancer indications either alone or in combination with other cancer therapeutics. The most advanced are two ongoing **Phase III clinical trials** for soft tissue sarcoma and for pancreatic cancer, respectively.

Both Phase III trials have completed the target enrollment. An interim efficacy and safety analysis for soft tissue sarcoma trial has concluded and suggests the trial continue to its natural conclusion. Overall survival data for the Phase III soft tissue sarcoma are expected to be available in 1Q16. We estimate EVOFOSFAMIDE could be approved by the FDA in **late 2016 or early 2017**.

Data for the Phase III trial of EVOFOSFAMIDE in combination with gemcitabine in pancreatic cancer patients is expected to be available in 2016.

In addition to the two Phase III trials, Evofosfamide is in more than 10 Phase I/II clinical trials targeting different cancer indications.

Threshold has a collaboration agreement with Merck KGaA to co-develop EVOFOSFAMIDE worth **total of $550 million** in terms of upfront and milestone payments. This agreement is a major de-risk factor for Threshold in our view. This non-dilutive financing not only boosts Threshold's balance sheet, but more importantly validates its technology and clinical programs.

In addition to EVOFOSFAMIDE, Threshold is also developing Hypoxin for cancers, which naturally expand its clinical pipeline.

In terms of valuation, we think Threshold shares are undervalued at current market price. Currently, Threshold shares are trading at about $4.50 per share, which values Threshold at $320 million in terms of market cap based on 71 million outstanding shares. We think this is a discount compared to its peers. Threshold is a late development stage company with its lead candidate EVOFOSFAMIDE to be approved in as early as in late 2016. According to our financial model, we estimate Threshold will become profitable in fiscal 2018 with EPS of $0.27 based on $110 million in revenue. Revenue will grow to $170 million in 2019 with an EPS of $0.83. We think it's appropriate to use 30 x P/E multiple to valuate Threshold. If we use 30 x P/E ratio and EPS of $0.83 for 2019, discounted at 25% for 4 years, we come up with our price target of $9.50 per share. Our price target values Threshold at $675 million in market cap which we think is appropriate.

But keep in mind the **risks** associated with our price target. We assume that EVOFOSFAMIDE will be approved by the FDA in late 2016 or early 2017. There are still some **clinical** and **regulatory** hurdles to overcome by Threshold. If EVOFOSFAMIDE fails to be approved or is delayed for approval by the FDA, the share price could drop dramatically.

Even if EVOFOSFAMIDE is approved by the FDA, there is still commercialization risk for Threshold since the Company has no experience in product commercialization.

Another risk we would like to remind investors is that the broad market fluctuation also has impact on the Company's share price. But overall we think Threshold is a risk/award opportunity for investors with a long term investment horizon.

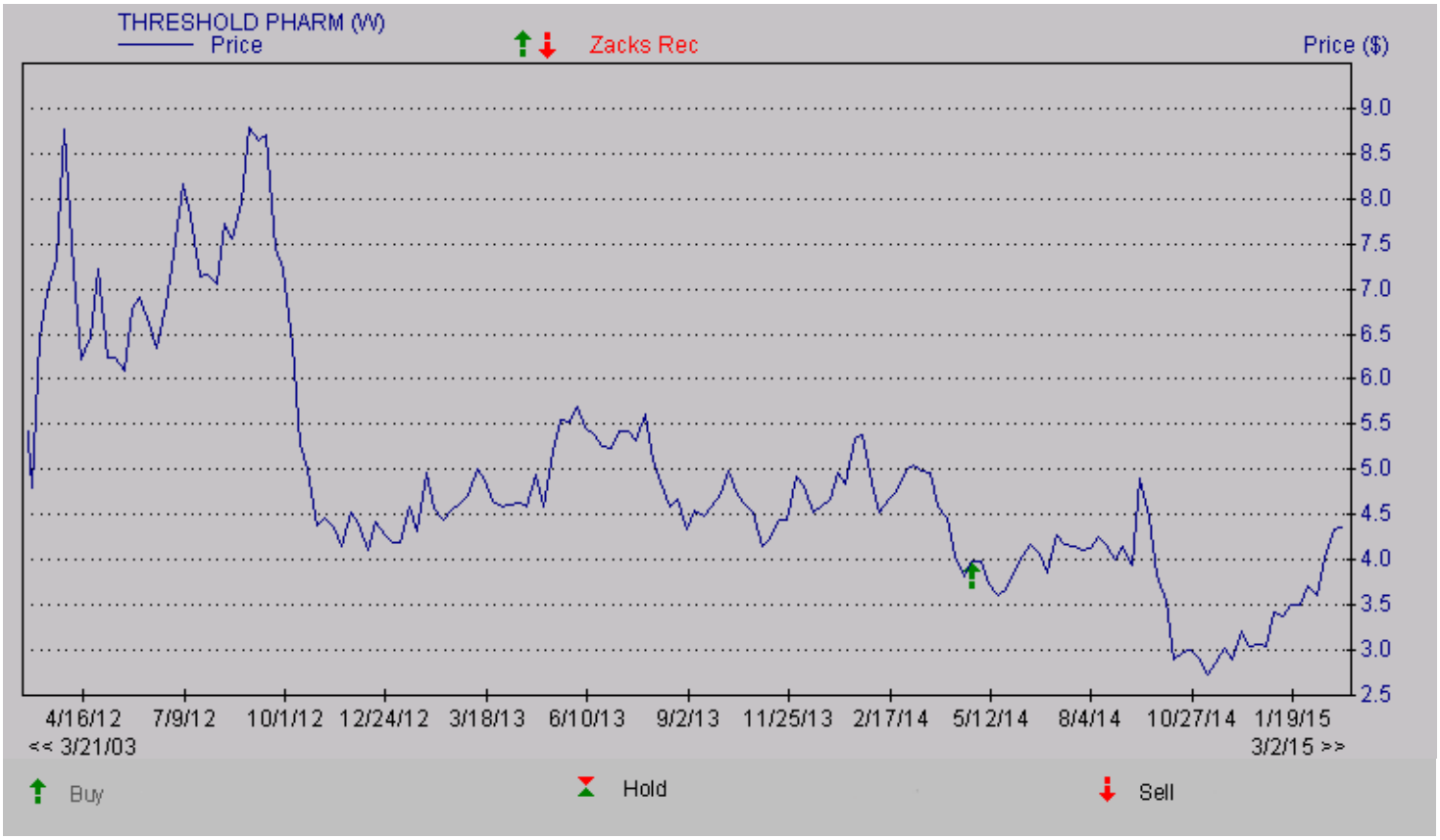
PROJECTED INCOME STATEMENT

	2014A (Dec)					2015E (Dec)					2016E (Dec)	2017E (Dec)	2018E (Dec)	2019E (Dec)
$ in million except per share data	Q1A	Q2A	Q3A	Q4A	FYA	Q1	Q2	Q3	Q4	FYE	FYE	FYE	FYE	FYE
Collaboration revenue	$3.68	$3.68	$3.68	$3.68	$14.72	$3.70	$3.75	$3.80	$3.80	$15.05	$20.00	$22.00	$30.00	$35.00
Product revenue	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$5.00	$35.00	$75.00	$130.00
Total Revenues	**$3.68**	**$3.68**	**$3.68**	**$3.68**	**$14.72**	**$3.70**	**$3.75**	**$3.80**	**$3.80**	**$15.05**	**$25.00**	**$57.00**	**######**	**$165.00**
YOY Growth	26.0%	15.7%	15.7%	14.6%	17.8%	0.5%	1.9%	3.3%	3.2%	2.2%	66.1%	128.0%	84.2%	57.1%
CoGS	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.75	5.25	11.25	19.50
Gross Income	**$3.68**	**$3.68**	**$3.68**	**$3.68**	**$14.72**	**$3.70**	**$3.75**	**$3.80**	**$3.80**	**$15.05**	**$24.25**	**$51.75**	**$93.75**	**$145.50**
Gross Margin	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	97.0%	90.8%	89.3%	88.2%
R&D	$9.65	$8.66	$8.91	$8.61	$35.83	$9.00	$9.50	$10.00	$10.50	$39.00	$46.00	$51.00	$57.00	$62.00
% R&D	262.2%	235.4%	242.0%	233.9%	243.4%	243.2%	253.3%	263.2%	276.3%	259.1%	184.0%	89.5%	54.3%	37.6%
SG&A	$2.63	$2.48	$2.41	$2.62	$10.14	$2.65	$2.80	$3.00	$3.50	$11.95	$14.00	$16.00	$18.00	$20.00
%SG&A	72%	67%	65%	71%	69%	72%	75%	79%	92%	79%	56%	28%	17%	12%
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
Operating Income	**($8.6)**	**($7.5)**	**($7.6)**	**($7.6)**	**($31.3)**	**($8.0)**	**($8.6)**	**($9.2)**	**($10.2)**	**($35.9)**	**($35.8)**	**($15.3)**	**$18.8**	**$63.5**
Operating Margin	-	-	-	-	-	-	-	-	-	-	-	-	-	38.48%
Other Net	$1.5	$6.7	($0.3)	$1.6	$9.5	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Pre-Tax Income	**($7.1)**	**($0.8)**	**($7.9)**	**($6.0)**	**($21.8)**	**($8.0)**	**($8.6)**	**($9.2)**	**($10.2)**	**($35.9)**	**($35.8)**	**($15.3)**	**$18.8**	**$63.5**
Income taxes(benefit)	$0.0	$0.0	($0.2)	$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	**($7.1)**	**($0.8)**	**($7.7)**	**($6.0)**	**($21.8)**	**($8.0)**	**($8.6)**	**($9.2)**	**($10.2)**	**($35.9)**	**($35.8)**	**($15.3)**	**$18.8**	**$63.5**
YOY Growth	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Margin	-	-	-	-	-	-	-	-	-	-	-			
Diluted Shares Out	61.3	63.0	61.5	63.5	62.3	67.2	71.5	72.0	73.0	70.9	74.0	75.0	78.0	80.0
Reported EPS	**($0.12)**	**($0.01)**	**($0.13)**	**($0.09)**	**($0.35)**	**($0.12)**	**($0.12)**	**($0.13)**	**($0.14)**	**($0.51)**	**($0.48)**	**($0.20)**	**$0.24**	**$0.79**
One time charge	*($1.50)*	*($6.67)*	*$0.00*	*$0.00*	*($8.16)*	*$0.00*	*$0.00*	*$0.00*	*$0.00*	*$0.00*	*$0.00*	*$0.00*	*$0.00*	*$0.00*
Non GAAP Net Income	**($8.6)**	**($7.4)**	**($7.7)**	**($6.0)**	**($30.0)**	**($8.0)**	**($8.6)**	**($9.2)**	**($10.2)**	**($35.9)**	**($35.8)**	**($15.3)**	**$18.8**	**$63.5**
Non GAAP EPS	**($0.14)**	**($0.12)**	**($0.13)**	**($0.09)**	**($0.48)**	**($0.12)**	**($0.12)**	**($0.13)**	**($0.14)**	**($0.51)**	**($0.48)**	**($0.20)**	**$0.24**	**$0.79**

Source: company filings and Zacks estimates

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