Zacks Small-Cap Research

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BioLife Solutions Inc (BLFS-NASDAQ)

BLFS: *Q1 Revenue, EPS In-Line. biologistex About to Launch…*

Current Recommendation	**Buy**
Prior Recommendation	Neutral
Date of Last Change	02/13/2014
Current Price (05/11/15)	$1.98
Target Price	**$5.50**

OUTLOOK

Demand for biopreservation media is estimated to grow at an annual rate of almost 20% over the next several years, largely driven by rapid growth of the emerging field of regenerative medicine (including cell therapy and tissue engineering). BioLife's strategy is to build greater visibility and awareness of the benefits of their biopreservation products compared to the "home-brews" that currently dominate the market.

Core biopreservation product sales are growing 25%+ due to growing uptake from clinical trial-stage products as well as in the hair restoration field. This is what we expect to be the long-term driver of revenue and earnings. Company also recently entered into a JV – biologistex expected to launch in Q2, revenue from which could be meaningful. Loss of contract manufacturing not hugely impactful given the low margins in that business. We are maintaining our Buy recommendation.

SUMMARY DATA

52-Week High	**$3.60**
52-Week Low	**$1.50**
One-Year Return (%)	**3.52**
Beta	**-0.31**
Average Daily Volume (sh)	**276,424**
Shares Outstanding (mil)	**12**
Market Capitalization ($mil)	**$25**
Short Interest Ratio (days)	**0.03**
Institutional Ownership (%)	**4**
Insider Ownership (%)	**8**
Annual Cash Dividend	**$0.00**
Dividend Yield (%)	**0.00**
5-Yr. Historical Growth Rates	
Sales (%)	**41.6**
Earnings Per Share (%)	**N/A**
Dividend (%)	**N/A**
P/E using TTM EPS	**N/A**
P/E using 2015 Estimate	**N/A**
P/E using 2016 Estimate	**N/A**
Zacks Rank	**N/A**

Risk Level	**High,**
Type of Stock	**Small-Blend**
Industry	**Med Products**

ZACKS ESTIMATES

Revenue
(in '000 of $)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2014	2065 A	1212 A	1243 A	1670 A	6191 A
2015	1501 A	1529 E	1548 E	1663 E	6240 E
2016					8707 E
2017					12620 E

Earnings per Share

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2014	-$0.10 A	-$0.07 A	-$0.07 A	-$0.08 A	-$0.31 A
2015	-$0.09 A	-$0.09 E	-$0.09 E	-$0.08 E	-$0.35 E
2016					-$0.16 E
2017					-$0.00 E

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

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WHAT'S NEW……

Q1 2015 Results: *Revenue, EPS Inline. Loss of Somahlution Should Have Little Impact to Bottom Line. biologistex About to Launch …*

BioLife reported financial results for the first quarter ending March 31st. Revenue, as expected following the company's preannouncement in mid-April, was $1.5M and inline with our number. Revenue consisted solely of product sales which were at the highest level in company history. Gross margin remains very healthy although just a hair under our estimate. Meanwhile OpEx, net loss and EPS came in just about dead-on where we had anticipated.

But despite Q1 inline, we have made some adjustments to our model for the remainder of 2015 as well as our out-years. This includes upwardly adjusting R&D expense through the remainder of the year – as per management's guidance on the call the $322k in Q1 is expected to carry through and be similar in subsequent periods in 2015. This is higher than we had previously anticipated. Management also revealed on the call that there will be no revenue from Somahlution, the contract manufacturing customer that was announced last year. The contract was for the manufacture of DuraGraft but delays in the FDA clinical trial for the product have resulted in this opportunity falling to the wayside.

The updates to our model are, however, not overly significant to our estimated net income and EPS for the current and out years. This is because we had already expected an uptick in OpEx in 2015 (from 2014) and the loss of Somahlution mostly impacts forecasted revenue with a much more benign effect to the bottom line given the very slim (~10%) margins inherent of the contract manufacturing business.

Importantly management continues to guide to 20% - 30% revenue growth of biopreservation product revenue in 2015 with gross margins remaining in the 55% - 60% range. They also expect to see a contribution from the biologistex business starting in Q3 of this year, with commercialization commencing in June. And the low molecular weight Dextran solutions, which BLFS announced earlier this year that they would begin to manufacture and sell, could provide another revenue opportunity beginning as early as Q2 of this year (while we continue to think this may not be an overly significant opportunity, it has the potential to add incrementally).

But the main potential catalyst to driving the top and bottom lines remains with the proprietary biopreservation media products. As noted, revenue from these are expected to increase by as much as 30% in 2015, which would follow 25% growth in 2014. The products, per management's discussion on the call, are now being used in approximately 20 phase 3 studies and 80 phase 2 studies with at least some of these trials expected to have data in the current year.

Financials

Q1 revenue was $1.50M, while a decrease of 27% yoy and down 10% sequentially, product sales (the bread-and-butter) grew 33% yoy and were 3% higher on a sequential basis. Q1 product sales were a new all-time record. So all of the decrease in total revenue was related to contract manufacturing – there was zero CM revenue in Q1 2015 compared to $933k in Q1 2014 (related to Organ Recover Systems, the contract with which ceased in Q2 2014) and $210k in Q4 2014 (related to engineering and validation services for the Somahlution contract – which has now also ceased). The loss of the contract manufacturing revenue has had very little adverse impact on gross income. This is illustrated by gross income falling only $20k yoy while revenue fell $564k over that same period.

We reiterate that while there is potential for short-term volatility in product sales, we continue to expect revenue from the company's biopreservation media to grow over the long term as BLFS successfully expands their customer base. As noted, management continues to guide for core products revenue to increase another 20% - 30% in 2015.

Q1 OpEx was $2.0M, inline with our $2.0M estimate and up significantly from $1.3M in the prior-year comparable period but roughly flat on a sequential basis. Most of the yoy jump relates to fees/expenses of the biologistex business. Management expects OpEx in the coming periods to roughly match that of Q1 with potential of a slight decrease in Q4 with the conclusion of the joint venture payments to SAVSU ($1M in equal 12 month payments concluding in Q3 2015).

Q1 net loss and EPS were $1.0M and ($0.09), inline with our $1.1M and ($0.09) estimates. This compares to net loss and EPS of $559k and ($0.10) in the prior year period. The yoy increase in net loss is mostly related to higher OpEx for infrastructure build-out and fees related mostly to biologistex, which was partially offset by a 1,510 basis

point widening (43.7% in Q1 2014 to 58.8% in Q1 2015) of gross margin. The huge jump in GM relates to the roll-off of the very low margin CM revenue.

We reiterate that while total revenue has slipped and net loss increased lately, that the details illustrate the fundamentals of the business remain solid and BLFS is restocking for their next anticipated wave of growth. We reiterate that core product sales growth has been (23% in 2012, 30% in 2013, 25% in 2014, 33% Q1 2015) and is expected to continue to be robust (20% - 30% in 2015). The additional OpEx spend relates to new business opportunity investments, namely biologistex – which are expected to make a meaningful contribution over the long-term with initial sales slated to begin in Q3 of this year. The loss of Organ Recovery Systems and, more recently, Somahlution was disappointing but given the very slim margins in this business, it has a relatively benign impact to the bottom line. And the low weight Dextran products could provide some incremental upside.

Cash
Q1 cash used in operating activities was $1.3M. Excluding changes in working capital, cash used in operating activities was $1.0M. Cash used for PP&E was just $41k. Cash balance (including liquid investments) stood at $8.6M at quarter-end. Management expects to end 2015 with approximately $4M of cash and does not expect to need to raise cash in 2015 or 2016.

Model revision…
We have made some small adjustments to our model following Q1 results. This includes upwardly adjusting R&D expense through the remainder of the year – as per management's guidance on the call the $322k in Q1 is expected to carry through and be similar in subsequent periods in 2015. This is higher than we had previously anticipated. We have also removed all contract manufacturing related revenue with the recent news that Somhalution will now not be contributing.

The updates to our model are, however, not overly significant to our estimated net income and EPS for the current and out years. This is because we had already expected an uptick in OpEx in 2015 (from 2014) and the loss of Somahlution mostly impacts forecasted revenue with a much more benign effect to the bottom line given the very slim (~10%) margins inherent of the contract manufacturing business.

We now look for net loss and EPS of $4.3M and ($0.35) in the current year, revised lower from $3.8M loss and ($0.31). Our out years have moved from $56k profit / $0.00 in 2017 and $1.9M profit / $0.11 in 2018 to our new estimates of $37k loss / ($0.00) in 2017 and $1.7M profit $0.10 in 2018.

VALUATION / RECOMMENDATION

Our comparable group used to value BLFS consists of five companies – some direct competitors as well as small stem cell therapeutics and regenerative medicine companies. Our valuation metrics include enterprise value-to-sales (EV/Sales) and price-to-sales (P/Sales) multiples using sales at trailing twelve months (ttm), estimated 2015, and estimated 2016 (estimates from analyst forecasts). As EDTXF has become a high outlier we have removed it and offset this with also removing MBX.TO as a low outlier.

Based on these six metrics, BioLife is valued between approximately $3/share and $9/share. Average valuation of all six metrics is about $5.50/share. BLFS currently trades at approximately $2.00, which is below what we calculate to be fair value. We are maintaining our Buy rating. Our price target is $5.50/share.

	TICKER						Implied
METRIC	CYRX	ICEL	EDTXF	CYTX	MBX.TO	Average	BLFS pps
EV/ Sales (ttm)	15.6	14.3	~~60.0~~	15.0	~~5.7~~	12.7	$8.54
EV/ Sales (2014 E)	10.5	8.9	~~24.0~~	8.8	~~3.2~~	7.8	$5.71
EV/ Sales (2015 E)	3.8	6.1	~~18.0~~	4.0	~~2.2~~	4.0	$4.19
P/ Sales (ttm)	15.6	15.7	~~40.0~~	10.0	~~4.8~~	11.5	$7.10
P/ Sales (2014 E)	10.5	6.1	~~27.0~~	6.0	~~2.8~~	6.3	$4.53
P/ Sales (2015 E)	3.8	6.7	~~20.3~~	2.7	~~1.9~~	3.8	$3.19
						Avg.	**$5.54**

FINANCIAL MODEL

BioLife Solutions Inc.

	2014 A	Q1A	Q2E	Q3E	Q4E	2015 E	2016 E	2017 E	2018 E
Prdct Sales/Ctrct Manu/JV	$6,190.7	$1,500.7	$1,529.0	$1,547.5	$1,662.6	$6,239.9	$8,706.8	$12,620.4	$15,484.0
YOY Growth	*-25.8%*	*-27.3%*	*26.2%*	*24.5%*	*-0.5%*	*0.8%*	*39.5%*	*44.9%*	*22.7%*
Licensing Revenue	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
YOY Growth	-	-	-	-	-	-	-	-	-
Total Revenues	$6,190.7	$1,500.7	$1,529.0	$1,547.5	$1,662.6	$6,239.9	$8,706.8	$12,620.4	$15,484.0
YOY Growth	*-30.8%*	*-27.3%*	*26.2%*	*24.5%*	*-0.5%*	*0.8%*	*39.5%*	*44.9%*	*22.7%*
Cost of Product Sales	$3,155.3	$618.1	$636.1	$642.2	$703.2	$2,599.6	$3,943.0	$5,074.7	$5,847.2
Gross Income	$3,035.4	$882.6	$893.0	$905.3	$959.4	$3,640.3	$4,763.8	$7,545.7	$9,636.8
Gross Margin	*49.0%*	*58.8%*	*58.4%*	*58.5%*	*57.7%*	*58.3%*	*54.7%*	*59.8%*	*62.2%*
R&D	$871.1	$322.2	$316.0	$318.0	$321.0	$1,277.2	$1,121.0	$874.0	$855.0
% R&D	*14.1%*	*21.5%*	*20.7%*	*20.5%*	*19.3%*	*20.5%*	*12.9%*	*6.9%*	*5.5%*
Selling & Mktg	$1,329.7	$500.3	$494.0	$506.0	$525.0	$2,025.3	$2,368.3	$2,801.7	$2,849.1
% Sell&Mktg	*21.5%*	*33.3%*	*32.3%*	*32.7%*	*31.6%*	*32.5%*	*27.2%*	*22.2%*	*18.4%*
G&A	$3,970.3	$1,220.7	$1,204.0	$1,168.0	$1,087.0	$4,679.7	$3,813.6	$3,925.0	$4,258.1
% G&A	*64.1%*	*81.3%*	*78.7%*	*75.5%*	*65.4%*	*75.0%*	*43.8%*	*31.1%*	*27.5%*
Operating Income	($3,135.7)	($1,160.5)	($1,121.0)	($1,086.7)	($973.6)	($4,341.8)	($2,539.0)	($55.0)	$1,674.6
Operating Margin	*-50.7%*	*-77.3%*	*-73.3%*	*-70.2%*	*-58.6%*	*-69.6%*	*-29.2%*	*-0.4%*	*10.8%*
Total Other Inc. (Exp.)	($165.1)	$8.2	$6.0	$4.0	$2.5	$20.7	$22.0	$18.0	$41.0
Pre-Tax Income	($3,300.9)	($1,152.3)	($1,115.0)	($1,082.7)	($971.1)	($4,321.1)	($2,517.0)	($37.0)	$1,715.6
Taxes	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Tax Rate	-	-	-	-	-	-	-	-	-
Net Income	($3,217.8)	($1,031.5)	($1,115.0)	($1,082.7)	($971.1)	($4,321.1)	($2,517.0)	($37.0)	$1,715.6
YOY Growth	*196.8%*	*84.4%*	*26.2%*	*25.5%*	*-2.5%*	*34.3%*	*-41.7%*	*-98.5%*	*-4738.8%*
Net Margin	*-52.0%*	*-68.7%*	*-72.9%*	*-70.0%*	*-58.4%*	*-69.2%*	*-28.9%*	*-0.3%*	*11.1%*
EPS	($0.31)	($0.09)	($0.09)	($0.09)	($0.08)	($0.35)	($0.16)	($0.00)	$0.10
YOY Growth	*42.6%*					*14.8%*	*-56.1%*	*-98.6%*	*-4616.8%*
Diluted Shares O/S	10,425	12,101	12,175	12,202	12,304	12,195	16,200	17,040	17,500

Brian Marckx, CFA

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MANAGEMENT

Michael Rice
Chairman & Chief Executive Officer

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

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

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

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

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

Joe Annicchiarico
Chief Operating Officer

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

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

The current distribution is as follows: Buy/Outperform- 25.7%, Hold/Neutral- 57.1%, Sell/Underperform – 15.0%. Data is as of midnight on the business day immediately prior to this publication.