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Zacks Small-Cap Research

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CryoPort Inc (CYRXD-OTCBB)

CYRX: Customer Wins, Ramping Utilization Could See 2016 Dwarf 48% Growth of 2015

Current Recommendation	**Buy**
Prior Recommendation	Underperform
Date of Last Change	05/20/2015
Current Price (05/20/15)	$7.10
Target Price	**$15.00**

OUTLOOK

Following a change in management and additions to the Board, CYRX recently revamped their offerings from a one-sized fits all approach to a more tailored, yet sill comprehensive and turn-key solution to appeal to a broader and more diverse set of customers. With fourteen straight quarters of revenue growth, a recent doubling of the customer base, and consummation of key relationships, these changes are clearly already paying dividends. We expect this record revenue streak to continue. While the company will need to raise additional capital until they reach cash flow break-even, we feel that the recent changes, substantial operational progress and improvement in financial results is helping to de-risk an investment in CYRX. We are maintaining our Buy rating.

SUMMARY DATA

52-Week High	**$10.44**
52-Week Low	**$4.32**
One-Year Return (%)	**18.29**
Beta	**-1.02**
Average Daily Volume (sh)	**2,160**
Shares Outstanding (mil)	**5**
Market Capitalization ($mil)	**$36**
Short Interest Ratio (days)	**N/A**
Institutional Ownership (%)	**0**
Insider Ownership (%)	**14**
Annual Cash Dividend	**$0.00**
Dividend Yield (%)	**0.00**
5-Yr. Historical Growth Rates	
Sales (%)	**86.5**
Earnings Per Share (%)	**N/A**
Dividend (%)	**N/A**
P/E using TTM EPS	**N/A**
P/E using 2016 Estimate	**N/A**
P/E using 2017 Estimate	**N/A**
Zacks Rank	**N/A**

Risk Level	**High,**
Type of Stock	**N/A**
Industry	**Rubber&Plastics**

ZACKS ESTIMATES

Revenue
(in '000s of $)

	Q1 (June)	Q2 (Sep)	Q3 (Dec)	Q4 (Mar)	Year (Mar)
2015	936 A	825 A	975 A	1190 A	3,935 A
2016	1387 E	1819 E	2543 E	3009 E	8,758 E
2017					26,536 E
2018					46,172 E

Earnings per Share

	Q1 (June)	Q2 (Sep)	Q3 (Dec)	Q4 (Mar)	Year (Mar)
2015	-$0.61 A	-$0.64 A	-$0.40 A	-$0.79 A	-$2.43 A
2016	-$0.44 E	-$0.36 E	-$0.31 E	-$0.25 E	-$1.34 E
2017					$0.31 E
2018					$0.25 E

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

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WHAT'S NEW....

Q4 / FY Fiscal 2015: 48% FY Revenue Growth, GM Widening. We Think Revenue Steepens Further in 2016…

CYRX announced results for their fiscal 2015 fourth quarter and full year ending March 31, 2015. Q4 revenue was up 44% yoy and 23% sequentially from Q3 and came in just about dead-on with our estimate. For the full year, CYRX saw revenue climb 48% to $3.9M, up from $2.7M in fiscal 2014. Revenue has now increased on a yoy basis for fourteen straight quarters and nine of the last ten quarters on a sequential comparison.

Importantly the sources of the revenue growth appear to be sticky with management pointing to a combination of an increase in the number of customers and growth in the frequency of shipments as drivers of the top line. Segmentation-wise, the reproductive medicine market, an industry which some sources say will grow as much as 20%+ over the next several years, has been an especially important contributor to both CYRX's customer count as well as ramp in utilization. And as we have pointed out in the past, CYRX's disaggregation into customizable services offerings has broadened the scope of their capabilities and clearly been a key to scoring new customer wins and added fuel to their recent success.

And as we explained in our prior update earlier this month (and which we included below), new customer accounts, budding demand from the broadening in customer segmentation (such as from animal husbandry) and entry into additional geographies have the potential to add another layer of meaningful revenue in the very near term. One area in particular that may hold enormous promise is in cancer immunotherapies which has recently garnered a tremendous amount investment and interest in by life sciences companies. CYRX continues to be aggressive in going after these and other new opportunities as they arise. As a reminder, the company recently brought on board a highly experienced chief commercial officer and five new sales directors to help exploit these opportunities.

Financials
Q4 revenue of $1.2M was up 44% yoy and 23% sequentially and inline with our $1.2M estimate. This marks the fourteenth straight quarter of yoy revenue growth and sequential growth over nine of the last ten quarters. In addition to the top line, gross margin has also been expanding and came in at 31% in Q4 (slightly better than our 29% estimate) and 30% for the entire 2015 fiscal year. This compares to 17% and 16% for the year-earlier respective comparable periods. In fact the 31% in the most recent period was the biggest GM in company history. We continue to expect further GM widening with top line growth.

Q4 OpEx were almost $2.1M, up meaningfully from $1.6M in Q3 as well as the $1.4M in the year-earlier comparable period. The jump in OpEx is entirely from SG&A and mostly relates to the recent new hires related to sales and marketing. As noted, these additional personnel were brought on to further exploit existing and future revenue opportunities and we continue to expect to see additional operating leverage in fiscal 2016 and beyond.

Q4 net income and EPS (pro forma for the 1 for 12 reverse split), excluding non-cash preferred stock conversion charge, were ($2.0)M and ($0.41), compared to our ($1.5)M and ($0.31) estimates.

CYRX exited the fiscal year with $1.4M in cash and equivalents. Subsequent to year-end the company raised an additional $4.6M via the issuance of preferred shares.

On May 19th CYRX affected a 1 for 12 reverse stock split. The company will also seek to uplist to NASDAQ.

Operational Update: CYRX Brings on Several New Accounts, Expands Services and Enters New Territories…

Activities at CYRX have heated up even more over the last few months and have included consummation of new customer relationships, expansion of others, the introduction of new services and products and entry into at least one new geographical territory. Interest in CYRX's services continues to come from several segments including in-vitro fertilization, cell-based therapies and animal husbandry, areas where CYRX has recently seen increasing demand for their cryogenic shipping solution.

And in addition to growth in customer segmentation, CYRX is also seeing increasing demand for its various service offerings – from logistics to containers to its full turnkey solution. This broadening in both the types of customers

that are increasingly showing interest coupled with demand across their menu of offerings is highly encouraging. It also further demonstrates that the company's recent shift from a one-size-fits all approach focused on only a select end-user profile to more of an ala-carte services and product menu appropriate for a much broader customer base is paying significant dividends.

New or expanded relationships that have been recently entered into include:

- Expanded relationship with Sanaria, a biotech focused on the development and production of malaria vaccines. CryoPort is working with Sanaria to provide cold-chain shipping of its vaccines for clinical trials as well as for clinical use in Africa. Vaccines must be kept at specific temperatures in order to maintain their integrity. CYRX's shipping solution provides unparalleled durability, holding time and temperature maintenance, which are all critical for shipping vaccines internationally and particularly to remote parts of Africa with harsh conditions and where Malaria is most problematic
- Kite Pharma (NASDAQ: KITE), a $2.5B biopharma developing novel cancer therapies, will use CYRX's cryogenic shipping and logistics for clinical trials of its lead candidate, KTE-C19, a CAR-T cell therapy for non-Hodgkin's lymphoma
- CYRX expanded their relationship with Fred Hutchinson Cancer Research Center whereby the company will now support more of the cancer center's labs. CYRX is specifically involved in Fred Hutch's research on cord blood transplants and trials for cell-based therapies
- CombiMatrix (NASDAQ: CBMX), a molecular diagnostics company focused on prenatal and postnatal genetic testing, entered into an agreement for CYRX to provide logistics support for distribution of its recently launched IVF genetic test, CombiPGS. CombiPGS targets physicians and will be used prior to implantation to assess the embryos for chromosomal abnormalities.
  As noted, CYRX has made a strong and dedicated move towards the opportunities in in-vitro fertilization. This relationship with CBMX, as well as their recent entry into Nepal with a focus on IVF, are their most recent efforts in this space. We continue to view IVF as holding potential to become a significant driver of demand for CYRX's cryogenic shipping and logistics.
- Roslin Cells, a major U.K.-based developer of cell therapies, chose CYRX to provide logistics for its pluripotent stem cell reprogramming service
- CYRX will be providing logistics support for Capricor's multi-site clinical trials for its lead candidate CAP-1002, being developed for treatment of cardiovascular disease
- Yancey Farms, (per the company's website) "one of the oldest and most respected warmblood breeders in the United States", chose CYRX to ship equine semen for artificial insemination of top German sport horse stallions. Judy Yancey, the founder of the Farm, was the first person to import and market frozen horse semen in North America – which we think provides credibility to the trustworthiness they place in CYRX shipping capabilities.
  And anecdotally, we see this as a vote of confidence in CYRX's capabilities and the quality of their shipping and logistics. Maintaining the integrity and safety of prized and expensive stud horse semen is important and provides piece of mind and assurance that the sample has not been compromised in any way.
  In March CYRX announced introduction of "Vet Secure" a tamper-proof lock on its shippers which international shipping regulations require for shipment of animal husbandry products (such as horse semen)
- CYRX will be supporting NeoStem's (NASDAQ: NBS) late stage clinical trial for its lead cancer candidate, NBS20, which is being developed for the treatment of metastatic melanoma. The NBS20 program has been granted FDA Fast Track status and Orphan Drug designation

In addition to these new and expanded customer relationships, CYRX has made recent headway elsewhere as well. This includes the recent entry into Nepal to support the burgeoning demand for IVF services in that country which is coming from both the Nepalese population as well as from medical tourism.

The company also recently launched a new services offering. In February the company announced the introduction of services to aid in the relocation of facilities used for cryogenic sample collections. CYRX, which will leverage their logistics capabilities, expertise and shipping resources, has already been engaged by a "leading research laboratory and IVF clinic" to provide relocation assistance.

Maintaining Buy Recommendation

Revenue has now posted positive growth fourteen straight quarters on a yoy basis and nine of the last ten quarters on a sequential basis. Gross margin has solidified and will expand – likely substantially so – with higher levels of revenue. Operating expenses, while recently increasing from the new hires in sales and marketing, should see much more leverage as the top line continues to grow. On the Q3 call management provided revenue guidance for the first time. They look for 2016 revenue between $10M and $12M, implying yoy growth of 154% to 205%. While the company did not reiterate this guidance with the Q4 earnings release, we continue to expect the recent very robust growth to extend into and even accelerate during 2016.

Dis-aggregating their service offerings from a one-size fits all approach to a more customer-centric and customized solution we think has been key with scoring new customers. We attribute the expected ramp in revenue to applying this customer-centric service offering to high-potential growth areas. Management has done an impressive job in identifying new opportunities in the cryogenic shipping space, particularly on the product side where accelerated development of novel biologic therapies and a related increase in clinical programs has created a tailwind for demand of reliable cryogenic shipping.

The company recently beefed up their sales force in order to capitalize on these emerging opportunities. The current base of business should provide a floor on revenue while shipping volume growth from the existing customer portfolio and new customer wins bode well in our opinion for ramping revenue – not just through 2016 but well beyond. With the global cryogenic shipping market aggregating to almost $2B annually and much of this serviced by antiquated and relatively unreliable dry ice containers, we see significant opportunity for CryoPort to take share and steepen the revenue curve.

We currently model $8.8M in revenue in 2016, slightly more conservative than management's guidance. We think with solid execution this can grow to almost $62M in 2018.

Per our methodology below, we see fair value at approximately $15/share and are maintaining our Buy recommendation. While the shares have rallied since early this year we still think there is still significant upside and believe the current market price still offers an attractive entry point.

We continue to value the company based on an industry P/E multiple (currently 18x) and discount this back to the present at 15% / year. We look for EPS of $1.38 in 2018 - based our valuation methodology, this values the stock at approximately $15 / share. We remain steadfast believers in CryoPort's potential and think there's significant upside to the share price, particularly over the longer-term. We are maintaining our Buy recommendation.

FINANCIAL MODEL

CryoPort Inc.

	2015 A	Q1 E	Q2 E	Q3 E	Q4 E	2016 E	2017 E	2018 E	2019 E
Total Revenues	$3,935.3	$1,387.1	$1,818.8	$2,542.5	$3,009.4	$8,757.8	$26,536.1	$46,171.9	$61,725.0
YOY Growth	*47.9%*	*48.1%*	*120.5%*	*160.7%*	*151.1%*	*122.5%*	*203.0%*	*74.0%*	*33.7%*
Cost of Revenues	$2,766.4	$955.7	$1,195.3	$1,644.0	$1,850.2	$5,645.2	$14,958.9	$24,070.2	$24,872.0
Gross Income	$1,168.9	$431.4	$623.5	$898.5	$1,159.2	$3,112.6	$11,577.3	$22,101.7	$36,853.0
Gross Margin	*29.7%*	*31.1%*	*34.3%*	*35.3%*	*38.5%*	*35.5%*	*43.6%*	*47.9%*	*59.7%*
SG&A	$6,409.4	$2,094.6	$2,149.8	$2,222.1	$2,233.0	$8,699.4	$13,055.8	$19,115.2	$23,208.6
% SG&A	*162.9%*	*151.0%*	*118.2%*	*87.4%*	*74.2%*	*71.0%*	*49.2%*	*41.4%*	*37.6%*
R&D	$352.6	$88.0	$90.0	$90.0	$92.0	$360.0	$630.0	$844.0	$915.0
% R&D	*9.0%*	*6.3%*	*4.9%*	*3.5%*	*3.1%*	*4.1%*	*2.4%*	*1.8%*	*1.5%*
Operating Income	($5,593.0)	($1,751.2)	($1,616.3)	($1,413.6)	($1,165.7)	($5,946.8)	($2,108.5)	$2,142.5	$12,729.4
Operating Margin	*-142.1%*	*-126.2%*	*-88.9%*	*-55.6%*	*-38.7%*	*-67.9%*	*-7.9%*	*4.6%*	*20.6%*
Interest income, net	($1,428.0)	($251.0)	($188.0)	($202.0)	($104.0)	($745.0)	($218.0)	($74.0)	$12.0
Loss on asset sale	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Change in derivative value	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Pre-Tax Income	($7,025.3)	($2,003.6)	($1,805.7)	($1,617.1)	($1,271.2)	($6,697.6)	($2,326.5)	$2,068.5	$12,741.4
Taxes	$1.6	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$167.6	$1,936.7
Tax Rate	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*8.1%*	*15.2%*
Preferred Stck Conversion Charge	($4,864.3)	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Net Income	($12,196.5)	($2,234.6)	($2,036.7)	($1,848.1)	($1,502.2)	($7,621.6)	($2,326.5)	$1,901.0	$10,804.7
YOY Growth	*-37.7%*	*-27.1%*	*-36.0%*	*-7.4%*	*-62.0%*	*-37.5%*	*-69.5%*	*-181.7%*	*468.4%*
Net Margin	*-309.9%*	*-161.1%*	*-112.0%*	*-72.7%*	*-49.9%*	*-87.0%*	*-8.8%*	*4.1%*	*17.5%*
EPS	($2.43)	($0.44)	($0.36)	($0.31)	($0.25)	($1.34)	($0.31)	$0.25	$1.38
YOY Growth	*-49.4%*					*-45.0%*	*-77.0%*		
Diluted Shares O/S	5,016	5,100	5,650	5,950	6,100	5,700	7,550	7,720	7,810

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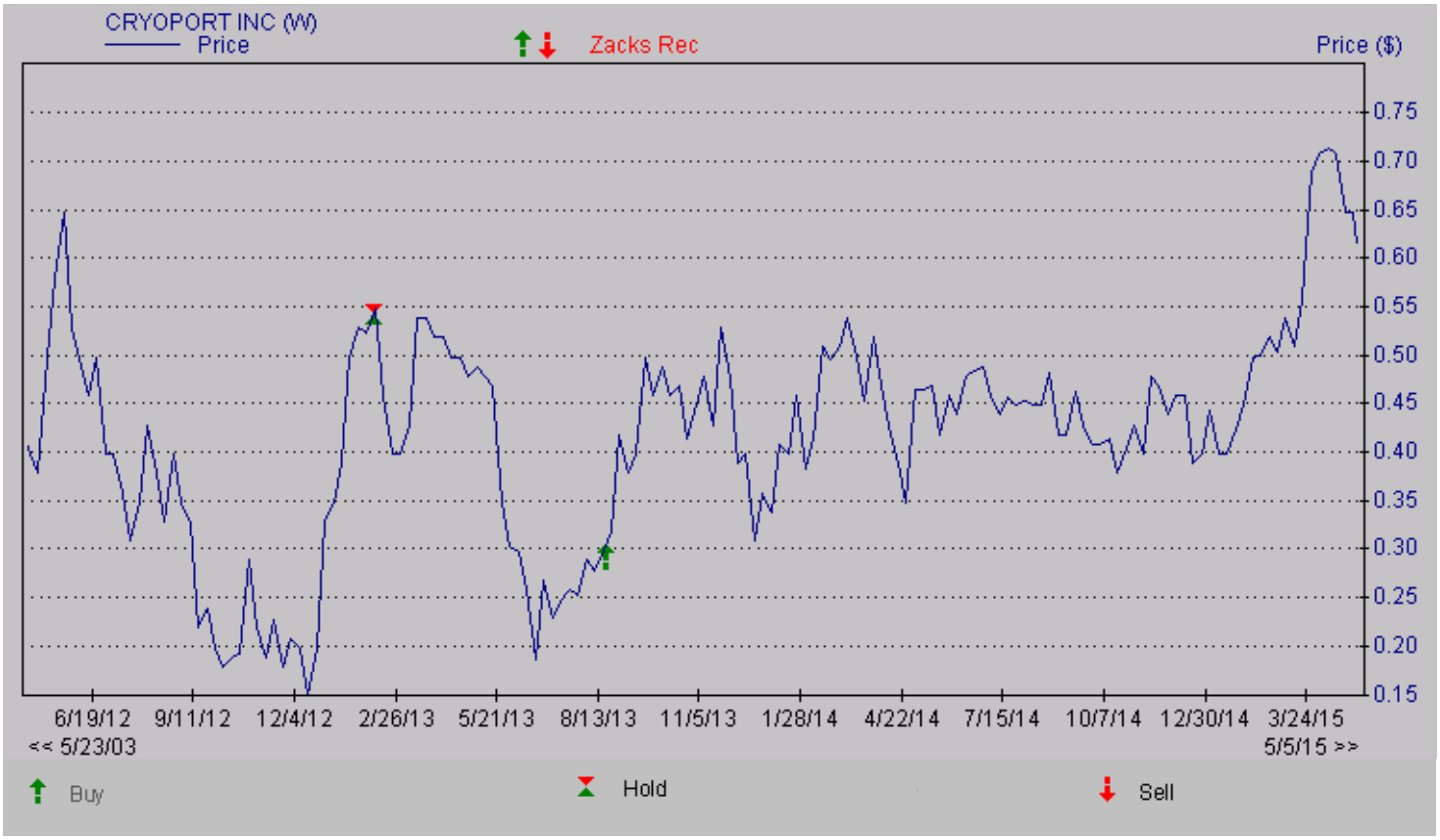

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Sell/Underperform: The analyst expects the company will underperform the broader U.S. Equity market over the next one to two quarters.

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