Zacks Small-Cap Research

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Cryoport Inc (CYRX-NASDAQ)

CYRX: Clinical Trial Pipeline Growth Ramping, Expect Significant Contribution in 2017

We continue to value the company based on an industry P/E multiple (currently 19x) and discount this back to the present at 15% / year. We look for EPS of $0.17 in 2020 - based our valuation methodology, this values the stock at approximately $3 / share.

Current Price (06/30/16)	$2.36
Valuation	**$3.00**

OUTLOOK

CYRX's recent announced move into new and potentially highly synergistic opportunities add a positive wrinkle as we believe these could offer additional and complementary fuel for long-term growth. We believe revenue growth should begin to steepen in the near term, catalyzed by further firming up in the biopharma and regenerative medicine segments including growth in CYRX's clinical trial customer base, progression of clients' trials to later stages and commercialization of new therapies. One recent highlight was the announcement that CYRX will be supporting the commercial launch of a $4B (revenue) product from a big pharmaceutical company - management indicated on the Q4 call that they expect contribution from this relationship in the near-term. And while the animal health business contracted by mid-single digits in 2016, this is another area that could incrementally add to the growth curve as the company looks to add new customers.

SUMMARY DATA

52-Week High	**$7.21**
52-Week Low	**$1.03**
One-Year Return (%)	**-67.22**
Beta	**-0.17**
Average Daily Volume (sh)	**30,215**
Shares Outstanding (mil)	**14**
Market Capitalization ($mil)	**$31**
Short Interest Ratio (days)	**N/A**
Institutional Ownership (%)	**1**
Insider Ownership (%)	**25**
Annual Cash Dividend	**$0.00**
Dividend Yield (%)	**0.00**
5-Yr. Historical Growth Rates	
Sales (%)	**84.4**
Earnings Per Share (%)	**N/A**
Dividend (%)	**N/A**
P/E using TTM EPS	**N/A**
P/E using 2017 Estimate	**N/A**
P/E using 2018 Estimate	**N/A**
Zacks Rank	**N/A**

Risk Level	**High,**
Type of Stock	**Small-Blend**
Industry	**Rubber&Plastics**

ZACKS ESTIMATES

Revenue
(in '000s of $)

	Q1 (June)	Q2 (Sep)	Q3 (Dec)	Q4 (Mar)	Year (Mar)
2016	1431 A	1437 A	1459 A	1556 A	5,882 A
2017	1744 E	1931 E	2119 E	2308 E	8,102 E
2018					15,208 E
2019					30,869 E

Earnings per Share

	Q1 (June)	Q2 (Sep)	Q3 (Dec)	Q4 (Mar)	Year (Mar)
2016	-$1.31 A	-$0.41 A	-$0.42 A	-$0.26 A	-$2.05 A
2017	-$0.19 E	-$0.18 E	-$0.21 E	-$0.21 E	-$0.79 E
2018					-$0.56 E
2019					-$0.17 E

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

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Q4 Fiscal 2016: Revenue Inline. Clinical Trial Pipeline Growth Ramping, Expect Significant Contribution in 2017…

CYRX reported financial results for their fiscal 2016 fourth quarter ending March 31, 2016. Relative to our expectations, revenue was inline, gross margin was significantly better and operating expenses were meaningfully higher. But while the financials were not a particular highlight, CYRX's recent announced move into new and potentially highly synergistic opportunities do add a positive wrinkle as we believe these could offer additional and complementary fuel for long-term growth.

And we believe the growth should begin to steepen in the near term, catalyzed by further firming up in the biopharma and regenerative medicine segments including growth in CYRX's clinical trial customer base, progression of clients' trials to later stages and commercialization of new therapies. One recent highlight was the announcement that CYRX will be supporting the commercial launch of a $4B (revenue) product from a major pharmaceutical company - management indicated on the Q4 call that they expect contribution from this relationship in the near-term. And while the animal health business contracted by mid-single digits in 2016, this is another area that could incrementally add to the growth curve as the company looks to add new customers.

While revenue growth in Q4 remained sluggish on a sequential basis (7%), importantly it remained positive (i.e. higher than the prior quarter), was up 30% yoy and was just about dead-on with our number ($1.556M A vs. $1.538M E). Gross margin surprised big on the upside (37.4% A vs. 31.1% E) and was at the highest level in company history - while we think this may continue to be somewhat variable q-to-q, we view GM as a an important glimpse under the hood and if this continues to strengthen it should be representative of a fundamental shoring up of some initial operating leverage in the business. However, on the less than exciting side, operating expenses continue to grow faster than our expectations and continue to outpace revenue growth - while much of this relates to non-cash stock compensation, it suggests the point of inflection in operating leverage may necessitate a much higher level of revenue than we had been anticipating. Q4 operating expenses were $3.2M ($827k, or 26%, of which was stock comp), including $3.1M in SG&A.

We do continue to reiterate, however, that we believe CYRX remains focused on cost-control where appropriate and allocating funds wisely and while the recently announced new ventures may incrementally increase spend, we believe these not only have potential to steepen the revenue curve further but also provide value-add differentiation and critical capabilities to be able to support the full cold shipping value chain.

Cash used in operating activities (ex-changes in working capital) in fiscal Q4 and full-year 2016 was $1.6M and $5.4M, respectively. Investing activities consumed another $405k and $1.1M in those same periods, resulting in total free cash flow of ($2.0)M in Q4 and ($6.5)M in 2016. CYRX exited the year with $2.8M in cash and equivalents - per the company's CFO on the Q4 call, current cash balance (which was recently bolstered by a warrant tender and rights offering) stands at approximately $4.5M. At the recent operating burn rate (and excluding any assumed capital purchases), this represents slightly less than three quarters worth of operating funds. We continue to expect CYRX to look to raise additional capital in the near-term.

Operational Progress Continues: Highlights Include Growth in Clinical Trial Pipeline, New Synergistic Ventures…

CYRX's clinical trial pipeline has rapidly grown, from supporting 52 studies as of November 2015 to 59 (including 10 in phase 3) at February to 78, including 13 in phase 3, today - which CYRX estimates to be approximately 12% of the global market in these areas and 19% of the phase 3 programs. Clearly, assuming those estimates are accurate, we think garnering this significant amount of market share in a relatively short period is a powerful endorsement for CYRX's capabilities. Opportunity in this segment is where we continue to see the bulk of CYRX revenue growth emanating from, particularly in the near-to-mid terms.

And while supporting clinical trials can be a meaningful revenue contributor, logistics and shipping support for a commercialized product could be much more significant. For reference management estimates that the potential revenue range for support of a phase 1 program is $15k - $75k, phase 2 is $50k - $150k, phase 3 is $200k - $1M and for a commercialized product is $3M - $20M.

CYRX announced that they just signed their first commercial product support contract in which they will be supporting a biologic therapy product that currently generates $4B in revenue. While management refrained from providing specifics regarding their specific role or the name of their client company or drug, they did note the customer is "one of the largest pharmaceutical companies in America" and that they expect to reveal more

information about their role in the future. CYRX did note, however, that they expect this contract to begin making a contribution to revenue in the near future - possibly Q1.

In addition, on the Q4 call management noted that of the 13 phase 3 programs that they are supporting, six companies are potentially interested in product commercialization support. Of these the earliest is expected to launch in late 2017 or early 2018.

We think the impetus for CYRX's recent move into new synergistic ventures including the partnership with Worthington Industries (Taylor-Wharton), launch of a logistics consulting division and entry into the bio-storage market via a partnership with Pacific Bio-Material Management was not just related to increasing the volume of revenue-generating opportunities but also likely to expand their capabilities to better support their existing and growing client base. This $4B biologic relationship fits this theme and potentially allows CYRX to better support a greater portion of the cold shipping and storage value chain. It also affords CYRX opportunity to broaden their marketing and capabilities message to one where they will be involved in the entire end-to-end shipping, bio-storage and logistics process, providing the value-add of one-stop shop and customer security that responsibility for payload remains at a single point of contact.

CYRX recently expanded menu of capabilities includes…

- **Bio-Storage**: June 15th CYRX announced a partnership with Pacific Bio-Material Management Inc whereby they will now provide bio-storage. CryoPort Biostorage will provide cryogenic storage, fulfillment and transportation of biological material. We view biostorage as a particularly critical portion of the cold shipping/storage value chain as this provides not only synergistic benefits to CYRX's shipping and logistics capabilities but also means that they maintain possession of customers' cargo from collection, transport and storage - value-add that can be critical to a customer.

- **Laboratory Relocation Service**: concurrent with the biostorage announcement, CYRX noted that they are also launching a lab relocation service whereby they will provide safe and secure transport of complete laboratories.

- **Worthington Industries Partnership**: on April 13th CYRX announced a partnership with Worthington Industries (WOR), a $2B+ (market cap) metals manufacturing company which diversified into cryogenic containers for shipping and storage with the December 2015 purchase of Taylor-Wharton's CryoScience business. CryoScience's product page can be found at this link (http://worthingtonindustries.com/Products/CryoScience-Products).
  While CYRX's press release does not provide specifics of what the partnership will entail it does note that Worthington "will design and manufacture biostorage and logistics equipment for use in Cryoport's life sciences cryogenic logistics solutions." It further indicates that Worthington may be involved in manufacturing next-gen Cryo shippers for CYRX as well as potentially biostorage products. Biostorage would move CYRX into another and new (to them) part of the cryogenic value chain. While this is not necessarily in the company's 'wheelhouse' of expertise it is complementary to their core business and represents a potential new revenue opportunity. It also would have synergistic sales/marketing benefits such as being able to detail the offering at the same call points as their shipping and logistics services (i.e. – it's an 'add-to-the-bag' opportunity) .

- **Logistics Consulting Service Launched**: on April 11th CYRX announced they are launching a Temperature Controlled Logistics Consulting Division aimed at helping cell-based life sciences companies navigate the intricacies of global cold chain shipping and storage. Tamie Joeckel, who joined CYRX earlier this year and who has significant expertise in pharmaceutical shipping and logistics will head the newly formed division. We have yet to model any potential contribution from this new logistics consulting business and expect to hear more details about it from the company in the near future.

Among the highlighted announcements related to new accounts are;

- **Feb 16**: will manage shipping of solid tumor samples and Perseus PCI's immunotherapy cancer vaccine for their melanoma and ovarian cancer clinical trials from the company's lab in South Carolina to various U.S.-based clinical sites.
  Per clinicaltrials.gov (https://clinicaltrials.gov/ct2/show/NCT02301611), a phase IIb melanoma clinical trial is underway and expected to enroll a total of 120 stage III and IV melanoma patients. Clinicaltrials.gov lists 14 clinical sites that are currently recruiting for this melanoma study. We were unable to find publicly available information (Perseus is privately held) on the ovarian cancer program.

- **March 3**: will support cryogenic logistics of ImmunoCellular Therapeutics' (IMUC) randomized phase III glioblastoma clinical trial of its cancer immunotherapy candidate, ICT-107. The trial will be conducted at 120 clinical sites in North America and Europe. Per clinicaltrials.gov (https://clinicaltrials.gov/ct2/show/NCT02546102?term=ICT-107&rank=2) estimated enrollment is 414 patients. Per CYRX, this is one of the largest clinical trials that the company has supported. Given the relatively large patient size and clinical site diversity, we view this study in particular as another meaningful vote of confidence in CYRX's shipping and logistics capabilities and reliability in maintaining the integrity of clinical trial samples and, importantly, being able to validate this. Assuming CYRX's success in meeting IMUC's requirements, the scope of this type of contract is one which affords 'feather-in-cap' status in our opinion and one which can be influential for marketing the company's capabilities.

- **April 4:**: ProteoGenex will use CYRX's solutions for shipment of their biological specimens. ProteoGenex is a Culver City, CA-based biorepository ("over 200k individual biomaterials") which provides specimens of human tissue and blood and other fluids for clinical trials and other research purposes. ProteoGenex's website touts their quality control program, speed and reliability, size and quality of its biorepository and the fact that its specimens have been used in hundreds of peer-reviewed research publications as reasons why customers should use its products. CYRX's press release announcing the new account states that ProteoGenex will abandon their legacy dry-ice shipping method in favor of CryoPort's and that the two companies are in process of making that transition.

- **May 6**: Cryo Store B.V., a Dutch provider of biostorage, packaging and logistics has agreed to use CYRX for end-to-end cryogenic shipping and logistics for biomaterial shipping to and from its pharmaceutical customers.

- **May 23**: CYRX, utilizing their S. California and Singapore depots, will provide logistics support for International Stem Cell Corp's phase 1 clinical trial in Australia for their Parkinson's disease candidate.

- **June 8**: Tissue Solutions, a tissue biobank with a global customer base, will use CYRX's logistics, dewars and Smart Pak II monitoring system to ship tissue from collection sites to clients based all across the world.

Valuation

We continue to value the company based on an industry P/E multiple (currently 19x) and discount this back to the present at 15% / year. We look for EPS of $0.17 in 2020 - based our valuation methodology, this values the stock at approximately $3 / share. We note that we have only incorporated incremental contribution from support of the recently announced $4B biologic customer and other potential commercialization-support opportunities that may arise over the next 12 - 18 months. Depending on actual contribution, our revenue and earnings estimates - and therefore our price target, could prove conservative. Our model and price target are therefore highly subject to change.

FINANCIAL MODEL

CryoPort Inc.

	2016 A	Q1 E	Q2 E	Q3 E	Q4 E	2017 E	2018 E	2019 E	2020 E
Total Revenues	$5,882.2	$1,743.8	$1,931.3	$2,118.8	$2,307.8	$8,101.5	$15,207.8	$30,868.5	$45,285.4
YOY Growth	*49.5%*	*21.8%*	*34.4%*	*45.3%*	*48.4%*	*37.7%*	*87.7%*	*103.0%*	*46.7%*
Cost of Revenues	$3,991.9	$1,164.5	$1,248.7	$1,347.5	$1,443.3	$5,204.0	$8,263.9	$14,628.2	$19,968.8
Gross Income	$1,890.3	$579.3	$682.5	$771.2	$864.5	$2,897.5	$6,943.9	$16,240.3	$25,316.5
Gross Margin	*32.1%*	*33.2%*	*35.3%*	*36.4%*	*37.5%*	*35.8%*	*45.7%*	*52.6%*	*55.9%*
SG&A	$10,080.9	$2,859.8	$3,215.5	$3,686.6	$3,877.0	$13,638.9	$16,302.7	$18,644.6	$21,284.1
% SG&A	*171.4%*	*164.0%*	*166.5%*	*174.0%*	*168.0%*	*128.0%*	*107.2%*	*60.4%*	*47.0%*
R&D	$550.3	$167.0	$201.0	$212.0	$218.0	$798.0	$740.0	$785.0	$825.0
% R&D	*9.4%*	*9.6%*	*10.4%*	*10.0%*	*9.4%*	*9.9%*	*4.9%*	*2.5%*	*1.8%*
Operating Income	($8,740.9)	($2,447.5)	($2,734.0)	($3,127.4)	($3,230.5)	($11,539.4)	($10,098.8)	($3,189.3)	$3,207.4
Operating Margin	*-148.6%*	*-140.4%*	*-141.6%*	*-147.6%*	*-140.0%*	*-142.4%*	*-66.4%*	*-10.3%*	*7.1%*
Interest income, net	($1,065.9)	($70.0)	($71.0)	($72.0)	($72.0)	($285.0)	$0.0	$2.0	$16.0
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	($9,816.7)	($2,517.5)	($2,805.0)	($3,199.4)	($3,302.5)	($11,824.4)	($10,098.8)	($3,187.3)	$3,223.4
Taxes	$3.6	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Tax Rate	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*
Preferred Stck Conversion Charge	($4,474.3)	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Net Income	($15,057.4)	($2,517.5)	($2,805.0)	($3,199.4)	($3,302.5)	($11,824.4)	($10,098.8)	($3,187.3)	$3,223.4
YOY Growth	*23.5%*	*-61.9%*	*5.3%*	*6.7%*	*18.6%*	*-21.5%*	*-14.6%*	*-68.4%*	*-201.1%*
Net Margin	*-256.0%*	*-144.4%*	*-145.2%*	*-151.0%*	*-143.1%*	*-146.0%*	*-66.4%*	*-10.3%*	*7.1%*
EPS	($2.05)	($0.19)	($0.18)	($0.21)	($0.21)	($0.79)	($0.56)	($0.17)	$0.17
YOY Growth	*-15.7%*	*-85.7%*	*-55.2%*	*-50.3%*	*-19.3%*	*-61.5%*	*37.0%*	*-59.6%*	*-162.9%*
Diluted Shares O/S	7,347	13,500	15,300	15,500	15,575	14,969	18,000	19,000	19,500

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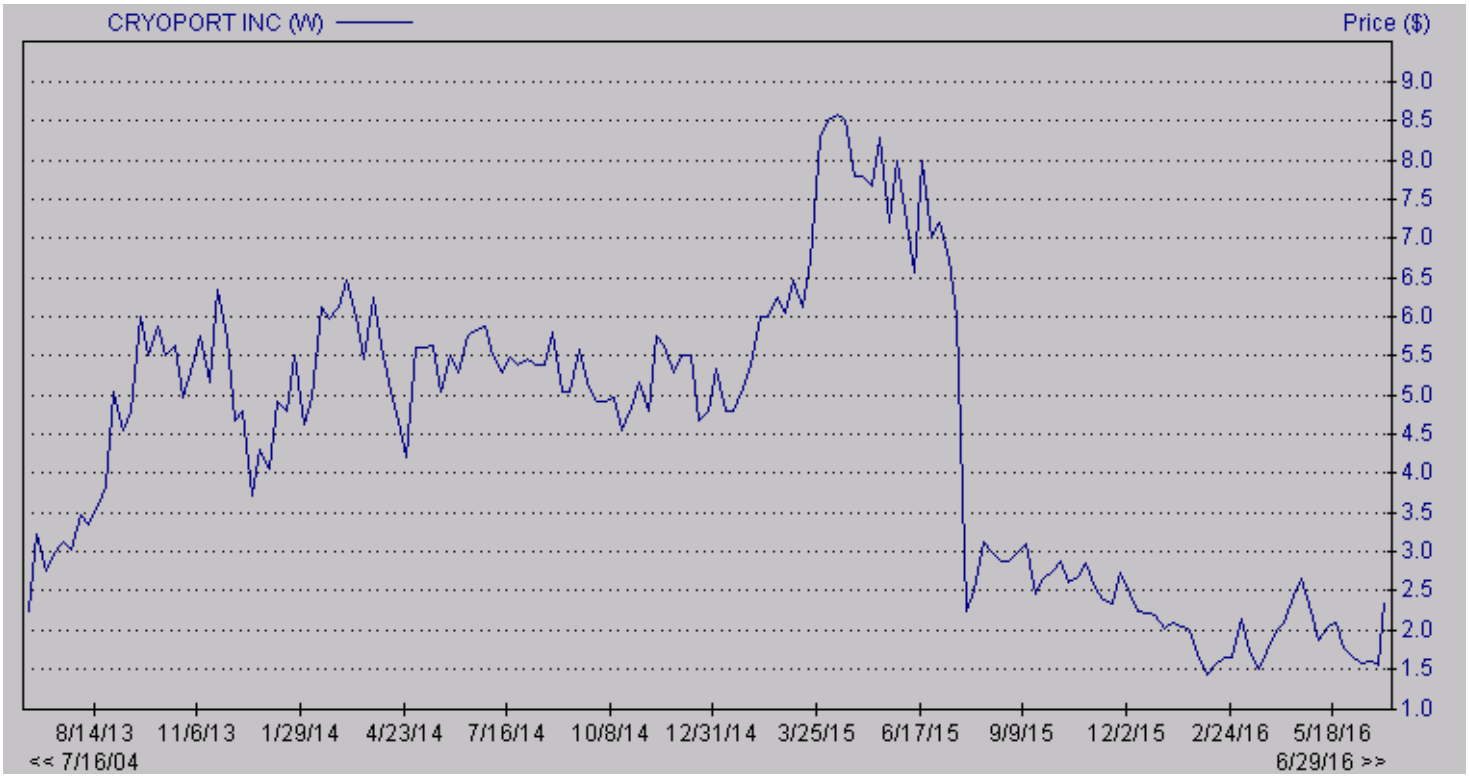

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