Zacks Small-Cap Research

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Cryoport Inc (CYRX-NASDAQ)

CYRX: More Shots on Goal from New Accounts, New Capabilities

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 $0.16 in 2019 - based our valuation methodology, this values the stock at approximately $3 / share.

Current Price (05/06/16)	$1.91
Valuation	**$3.00**

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 still comprehensive and turn-key solution to appeal to a broader and more diverse set of customers. While revenue remains very strong on a yoy basis, it has nearly flatted q-o-q. Mgmt has characterized the recent big downward revision to revenue as a result of 'delayed' sales not 'lost' sales and related to a trio of mostly temporary customer-centric issues. We remain believers in the shipping and logistics solution and mgmt's ability to execute but made significant downward revisions to our revenue estimates following Q3 results. Shares sold off following disappointing Q3 results which is below our revised price target.

SUMMARY DATA

52-Week High	**$8.28**
52-Week Low	**$1.07**
One-Year Return (%)	**-75.66**
Beta	**-0.13**
Average Daily Volume (sh)	**33,790**
Shares Outstanding (mil)	**14**
Market Capitalization ($mil)	**$27**
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)
2015	936 A	825 A	975 A	1190 A	3,935 A
2016	1431 A	1437 A	1459 A	1538 E	5,864 E
2017					8,102 E
2018					18,716 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	-$1.31 A	-$0.41 A	-$0.42 A	-$0.19 E	-$1.95 E
2017					-$0.54 E
2018					-$0.30 E

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

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Busy Last Few Months As CYRX Brings On Several New Accounts, Expands Capabilities:

CryoPort has been busy over the last few months, bringing on several new accounts for shipping and logistics services. The company continues to grow the roster of clinical trials they support with their shipping and logistics services and today is supporting more than 60 clinical trials, including 10 phase III trials. They also recently expanded their logistics services with the launch of a new temperature-controlled logistics offering and expanded their storage capabilities via a partnership with Worthington Industries (Taylor-Wharton CryoScience).

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.

In addition to the above new customer relationships, CYRX also expanded its capabilities over the last couple of months. This includes two meaningful announcements last month…

- **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.

FINANCIAL MODEL

CryoPort Inc.

	2015 A	Q1 A	Q2 A	Q3 A	Q4 E	2016 E	2017 E	2018 E	2019 E
Total Revenues	$3,935.3	$1,431.1	$1,437.0	$1,458.6	$1,537.5	$5,864.2	$8,101.5	$18,715.5	$34,993.5
YOY Growth	*47.9%*	*52.8%*	*74.2%*	*49.6%*	*28.3%*	*49.0%*	*38.2%*	*131.0%*	*87.0%*
Cost of Revenues	$2,766.4	$943.2	$1,000.7	$1,074.3	$1,059.3	$4,077.5	$5,204.0	$10,376.9	$17,880.5
Gross Income	$1,168.9	$487.9	$436.3	$384.3	$478.2	$1,786.7	$2,897.5	$8,338.6	$17,113.0
Gross Margin	*29.7%*	*34.1%*	*30.4%*	*26.3%*	*31.1%*	*30.5%*	*35.8%*	*44.6%*	*48.9%*
SG&A	$6,409.4	$2,026.4	$2,157.8	$2,835.4	$2,229.4	$9,248.9	$10,369.9	$12,539.4	$13,647.5
% SG&A	*162.9%*	*151.0%*	*150.2%*	*194.4%*	*145.0%*	*157.7%*	*128.0%*	*67.0%*	*39.0%*
R&D	$352.6	$77.7	$100.3	$227.8	$92.0	$497.8	$585.0	$740.0	$785.0
% R&D	*9.0%*	*5.4%*	*7.0%*	*15.6%*	*6.0%*	*8.5%*	*7.2%*	*4.0%*	*2.2%*
Operating Income	($5,593.0)	($1,616.2)	($1,821.8)	($2,678.9)	($1,843.2)	($7,960.0)	($8,057.4)	($4,940.7)	$2,680.5
Operating Margin	*-142.1%*	*-112.9%*	*-126.8%*	*-183.7%*	*-119.9%*	*-135.7%*	*-99.5%*	*-26.4%*	*7.7%*
Interest income, net	($1,428.0)	($303.8)	($601.0)	($79.9)	($80.0)	($1,064.7)	($80.0)	$4.0	$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)	($1,920.9)	($2,425.5)	($2,760.1)	($1,924.6)	($9,031.2)	($8,137.4)	($4,936.7)	$2,692.5
Taxes	$1.6	$3.3	$0.0	$0.3	$0.0	$3.6	$0.0	$0.0	$0.0
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)	($4,474.3)	$0.0	$0.0	$0.0	($4,474.3)	$0.0	$0.0	$0.0
Net Income	($12,196.5)	($6,607.1)	($2,664.9)	($2,999.8)	($2,004.6)	($14,276.4)	($8,137.4)	($4,936.7)	$2,692.5
YOY Growth	*-37.7%*	*115.4%*	*-16.3%*	*50.3%*	*-49.3%*	*17.1%*	*-43.0%*	*-39.3%*	*-154.5%*
Net Margin	*-309.9%*	*-461.7%*	*-185.4%*	*-205.7%*	*-130.4%*	*-243.5%*	*-100.4%*	*-26.4%*	*7.7%*
EPS	($2.43)	($1.31)	($0.41)	($0.42)	($0.19)	($1.95)	($0.54)	($0.30)	$0.15
YOY Growth	*-49.4%*	*114.6%*	*-35.6%*	*4.1%*	*-75.9%*	*-20.0%*	*-72.1%*	*-27.0%*	*-137.1%*
Diluted Shares O/S	5,016	5,056	6,505	7,225	10,558	7,336	15,000	16,500	17,500

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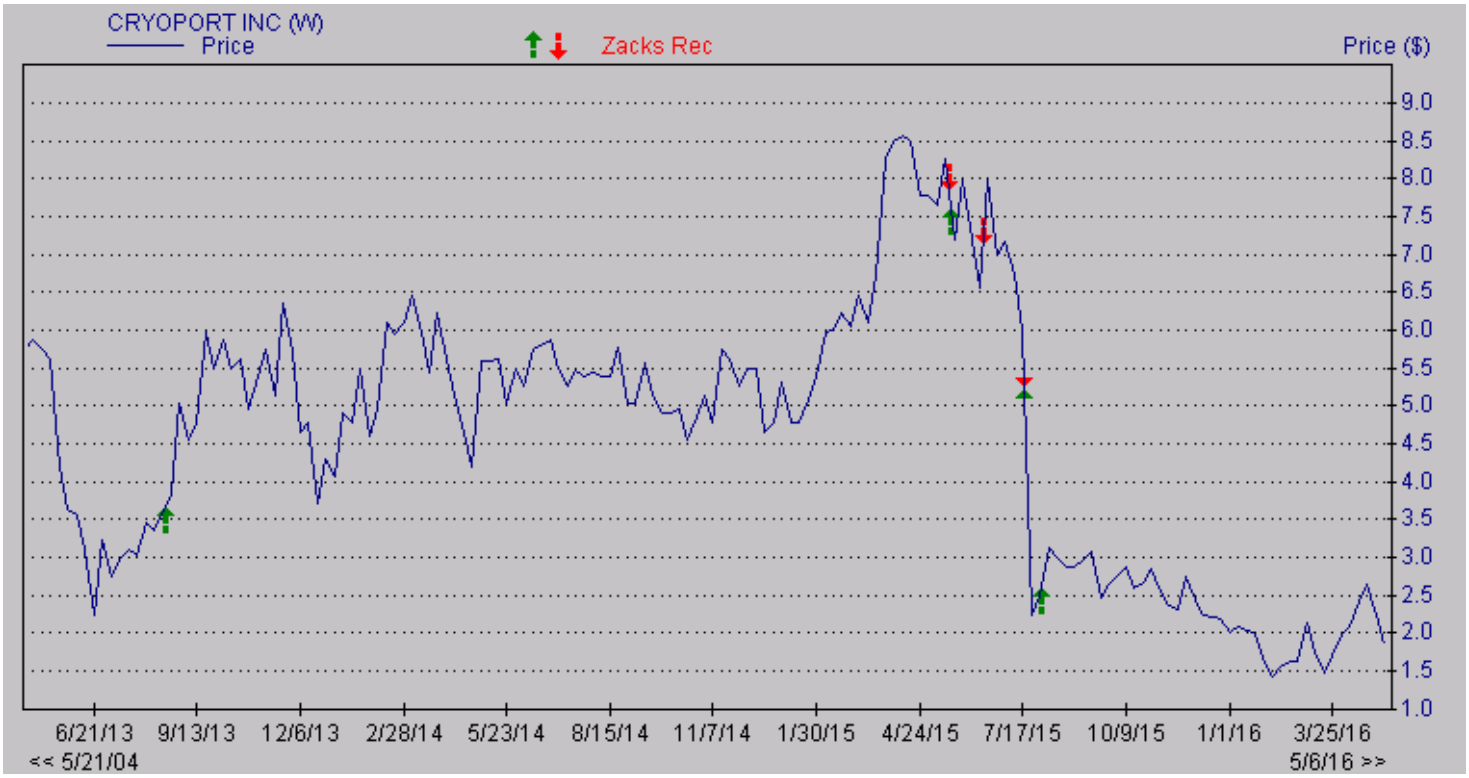

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