Zacks Small-Cap Research

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Biomerica Inc (BMRA-NASDAQ)

BMRA: Additional Info/Progress of InFoods Prompts Upward Revision to Valuation

We use sum of the parts to value BMRA. Comparable P/S and P/B values the base business at $2.50/share. Applying 'upfront' multiple that Celtis paid for rights to InFoods in S. Korea to U.S. market values InFoods at ~$1.50/share. Sum of parts values BMRA at $4/share.

Current Price (09/02/16)	$2.79
Valuation	**$4.00**

OUTLOOK

BMRA made meaningful operational progress during fiscal 2016 – most notably with their IBS test product candidate ('InFoods') including further development activities, assemblage of an expert scientific advisory board to help guide strategy and with intellectual property protection. So while fiscal 2016 has not exactly been a blow-out year relative to the financials, it is slightly improved in that regard relative to the previous year and, importantly, BMRA continues to move down the road with what could potentially and eventually be their most significant product to-date. Additional disclosures regarding InFoods have prompted us to include it in our valuation. Our sum of the parts values BMRA at approximately $4/share. Additional progress towards locking down IP and in development and regulatory activities related to InFoods would likely push our valuation higher.

SUMMARY DATA

52-Week High	**$3.24**
52-Week Low	**$0.77**
One-Year Return (%)	**261.04**
Beta	**0.19**
Average Daily Volume (sh)	**15,541**
Shares Outstanding (mil)	**8**
Market Capitalization ($mil)	**$23**
Short Interest Ratio (days)	**N/A**
Institutional Ownership (%)	**0**
Insider Ownership (%)	**26**
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 2017 Estimate	**N/A**
P/E using 2018 Estimate	**N/A**
Zacks Rank	**N/A**

Risk Level	**High,**
Type of Stock	**Small-Growth**
Industry	**Med-Drugs**

ZACKS ESTIMATES

Revenue
(in millions of $)

	Q1 (Aug)	Q2 (Nov)	Q3 (Feb)	Q4 (May)	Year (May)
2016	1.29 A	1.17 A	1.36 A	1.33 A	5.14 A
2017	1.26 E	1.28 E	1.33 E	1.48 E	5.34 E
2018					5.79 E
2019					6.27 E

Earnings per Share

	Q1 (Aug)	Q2 (Nov)	Q3 (Feb)	Q4 (May)	Year (May)
2016	-$0.01 A	-$0.01 A	-$0.02 A	-$0.16 A	-$0.20 A
2017	-$0.03 E	-$0.03 E	-$0.02 E	-$0.02 E	-$0.10 E
2018					-$0.08 E
2019					-$0.06 E

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

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WHAT'S NEW……

Q4 Results / Operational Update: *Add'l Info on InFoods Prompts Upward Revision in Valuation..*

Biomerica reported financial results for their fiscal fourth quarter ending May 2016. Revenue was just about dead-on with our estimate but softer gross margin and slightly higher than anticipated R&D expense (related to additional spend on InFoods development) resulted in a ~$155k negative variance to operating loss.

Q4 revenue was down about 11% yoy and just about flat from Q3 – worth noting is that Q4 2015 revenue of $1.50M was a relatively very strong – about 29% higher than the average of the first three quarters of that year. So the yoy contraction should be put into context (for comparison Q4 2016 revenue was only ~4% higher than the average of the first three quarters of 2016). We think the 4% revenue growth for the full year is more representative of the current state.

As we had expected, sales in Europe held up nicely through Q4 from the prior quarter and continue to account for around 40% of total revenue, despite contracting by about 23% from the year-earlier period. But, as a reminder, that territory was by far the best performing in 2015, making the yoy comps particularly challenging. Exactly what the recent issues have been in Europe is still not completely clear – although potential integration challenges from the recent merger of the company's European distributor with another company may have been a contributor. Falling revenue in Europe has had a disproportionate impact on total company revenue given that revenue from the region accounted for 55% of the entire top-line in 2015, which fell to 42% in fiscal 2016. Had European revenue just remained flat from 2015, total revenue growth would have been 15% instead of the actual 4% in 2016. So if Europe rebounds, that could have a significant positive impact on the company's financials.

European revenue fell 20% for the full year but, as we had noted in the recent past, recent signs of stabilizing sales around ~$500k/month have us hopeful that this territory has potential to return to positive (albeit possibly only modest) growth in the coming year. Management had previously mentioned that they hope to expand distribution to other countries in Europe – if that happens, European revenue could return to more meaningful growth and outpace our current estimates.

Meanwhile U.S. sales of $220k disappointed, falling 15% yoy and 41% from Q3 and coming in well below our $294k expectation. While we had hoped the $370k (+19% yoy, +70% qoq) booked in U.S. sales in Q3 was a sign that domestic revenue might be turning a corner, the most recent results suggest that may have been more a flash in the pan. U.S. sales were down 4% for the full year. While we had attributed some recent weakness in domestic sales to a customer delaying screening program using EZ Detect, we have since downwardly revised our fiscal 2017 U.S. revenue estimates from low-double digit (previous to Q4 results) to flat (currently) yoy growth given lower confidence of a near-term fundamental inflection.

Asia, the other major territory, surprised on the upside (and more than offset the relative disappointment in the U.S.), churning $512k in revenue in Q4, growth of 40% from Q3 although down 2% yoy but well ahead of our $406k estimate. Asian sales have also been variable but have been the bright spot with revenue growing 71% for the full year to $1.7M. While much of this growth is related to an easy comp due to disruption in sales in 2015 as a result of a switch in distributors, the Q4 revenue number was the highest in all of 2016 and hopefully suggests Asia sales are back trending towards their historical peak of almost $2.8M. Given that Asian sales now account for 34% of total revenue (up from 21% in 2015 and 25% in 2014), even incremental growth from current levels in this territory would have a meaningfully positive effect. We continue to model low double-digit annual growth in Asia sales over the next several years.

Financials

Q4 revenue of $1.32 million was down 11% yoy, down 2% sequentially and inline with our $1.32M estimate. European sales were inline with our estimate, U.S. sales were about 25% lower than our estimate and Asian sales were about 26% better. For the full year, revenue increased 4% (+$178k), which largely reflects a $551k (20%) decrease in European sales being slightly more than offset by a $716k (71%) increase in Asian sales – with much more modest changes in sales of other territories (including U.S. which was mostly flat yoy). This, again, illustrates the potential for revenue to return to more robust growth even if European sales only remain relatively flat.

Q4 OpEx were $618k, slightly higher than our $572k estimate – the difference which we attribute to greater than allocated spend on InFoods-related development in the quarter. For the full year, OpEx were $2.4M, up about 6% from 2015 – which, again, reflects recent headcount additions and related accelerated InFoods-specific activity.

OpEx could increase considerably - which may be dependent on the pace of further development of the IBS test. While additional substantive details of InFoods have become available over the last few months which has given us meaningfully greater confidence in the utility and potential regulatory and commercial success of the test (which is reflected in our revised price target), we will continue to refrain from modeling any clinical trial / regulatory related expenses or any forecasted revenue for the product until at least the IP threshold has been crossed, and likely, until there is more (comfortable) clarity surrounding the regulatory pathway (and related specifics) and requisite supporting clinical programs.

Q4 gross margin came in relatively weak at 26.1% - this compares to 31.2% in the year-earlier period and 30.9% through the first nine months of fiscal 2016. BMRA cites product mix and higher than normal costs as the reason for the recent contraction in GM. For the full year gross margin was 29.7%, down from 31.1% in 2015. We think GM will benefit if and when U.S. sales begin to show a more determined turn around.

BMRA wrote down their deferred tax assets by $958k (from $998k to $41k) in the quarter – implying that they expect net losses to continue for some time. We note, that this assumption also likely incorporates a significant increase in R&D spend related to development of InFoods.

Q4 net loss and EPS, excluding the (non-cash) tax asset charge, were approximately $268k and ($0.03), compared to our $108k / ($0.01) estimates and $40k / ($0.01) in fiscal Q4 2015. For the full year, net loss and EPS, excluding all non-cash income-tax related effects, was approximately $796k and ($0.10), compared to $630k and ($0.08) in fiscal 2015.

Cash
The balance sheet remains solid. BMRA exited fiscal 2016 with $1.9M in cash. Excluding changes in working capital, BMRA used $186k and $531k for operating activities in Q4 and the full year 2016, respectively.

Operational Update
BMRA made meaningful operational progress during fiscal 2016 – most notably with their IBS test product candidate ('InFoods') including further development activities, assemblage of an expert scientific advisory board to help guide strategy and with intellectual property protection. So while fiscal 2016 was not exactly a blow-out year relative to the financials, it slightly improved in that regard relative to the previous year and, importantly, BMRA continues to move down the road with what could potentially and eventually be their most significant product to-date.

BMRA is moving further towards the possibility of bringing their IBS test to market. In early calendar 2015 the company filed the first set of patents related to the product. In March the company announced that their international method and composition patent claims were reviewed by the International Search Authority (ISA) which found them to be novel and non-obvious. Locking down the IP will be an important initial step. Currently 8 patents are pending. In June 2016 the international patent bureau effected an application communication date of May, 19 2016. Additional details regarding the specific test-related methodology is included in the patent application as are examples of how InFoods' methodology differs from prior art (in our opinion prior art is somewhat surprisingly lacking in robustness of statistical and other scientific methodology in regards to identification of IBS-related trigger foods).

Then July in the company announced that the FDA determined InFoods is eligible to pursue 'nonsignificant risk' (NSR) clinical studies - which means that BMRA can eliminate any need to file and have approved by the FDA an Investigational Device Exemption (IDE). Preparation and approval of which could have been lengthy.

BMRA also recently beefed up its board of directors and brought on a scientific advisory board to help further guide their strategy related to the pipeline candidate. Recent additions are the 'who's who' of IBS and GI in the U.S. and includes Dr. Doug Drossman, an expert in IBS who has authored several articles and publications on the disorder. In January 2016 Charles Carter, PharmD, was appointed as a senior advisor and in July Dr. Mark Sirgo was brought on to the board of directors – both Drs. Carter and Sirgo were associated with Salix Pharmaceuticals. Carter was Salix Pharmaceuticals' Director of Medical Affairs and instrumental in getting that company's IBS-D (irritable bowel syndrome with diarrhea) candidate, Xifaxan, through FDA regulatory approval. Sirgo served on Salix's board of directors. Salix's product portfolio, which is mostly focused on gastrointestinal disorders, spans 10+

GI drugs, screening preps and other treatments. Xifaxan, which is also approved for over hepatic encephalopathy, was their largest selling product when the company was acquired by Valeant Pharmaceuticals (NYSE: VRX) in April 2015. Valeant ponied up over $11B to acquire Salix, which represented an almost 44% equity premium. Valeant cited the strong market for GI products as an impetus for the acquisition.

Additional positive developments related to InFoods includes feedback from FDA indicating de novo 510(k) regulatory pathway should be acceptable and the July announcement that FDA has determined InFoods is eligible to pursue 'nonsignificant risk' (NSR) clinical studies (additional details below). And in May, BMRA penned a favorable licensing/distribution agreement for the S. Korean market (details below).

FDA Determines InFoods is 'Nonsignificant Risk' Device: Eliminates Need for IDE Approval, Supports Expectation of De Novo Pathway…

In July Biomerica announced that the FDA has determined InFoods is eligible to pursue 'nonsignificant risk' (NSR) clinical studies. While we were not surprised of the agency's determination, the news is meaningful as it means that BMRA can eliminate any need to file and have approved by the FDA an Investigational Device Exemption (IDE). Preparation and approval of IDE's can be a lengthy process - spanning anywhere from several months to a year or more, depending on the particular device and other circumstances.

NSR determination also means that InFoods should almost certainly not need to follow the FDA Premarket Approval (PMA) pathway, which is relatively lengthy and costly. While this was also a prior assumption of ours, having NSR classification now makes this all but a certainty. As there is no predicate for InFoods, we think de novo 510(k) (appropriate for novel low-risk products for which there is no predicate) is the likely U.S. regulatory clearance route that the candidate will follow.

FDA determines a device is of **'significant risk'** (SR) if it;

• Is intended as an implant and presents a potential for serious risk to the health, safety, or welfare of a subject;
• Is purported or represented to be for use supporting or sustaining human life and presents a potential for serious risk to the health, safety, or welfare of a subject;
• Is for a use of substantial importance in diagnosing, curing, mitigating, or treating disease, or otherwise preventing impairment of human health **and** presents a potential for serious risk to the health, safety, or welfare of a subject; or
• Otherwise presents a potential for serious risk to the health, safety, or welfare of a subject.

If a device does not meet the definition above, then it is considered a **'nonsignificant risk'** device. Per FDA guidelines, NSR studies follow abbreviated requirements (as compared to SR devices) related to labeling, institutional review board (IRB) approval, informed consent, monitoring, records, reports, and prohibition against promotion. And unlike SR studies, there is no need to make progress reports or final reports to FDA. But, perhaps the greatest advantage is that NSR studies do not require the sponsor (i.e. BMRA) to file for or receive IDE approval prior to commencing the study. And while, of course, IRB approval will still be required prior to commencement of any NSR study, the IRB is not required to inform FDA in order for the study to be conducted.

IRB's will also make their own determination of whether a device is NSR or SR. But with FDA already determining InFoods meets their NSR definition, the IRB's can use this to facilitate (i.e. speed up and confirm) their own risk determination process.

Korean Market Licensing Agreement: Includes $1M Equity Investment at ~100% Premium…

In May BMRA announced consummation of an agreement whereby they granted Celtis Pharm Co. of S. Korea exclusive rights to market and sell InFoods in S. Korea. The deal calls for;

- Celtis to pay BMRA up to $1.25M in exclusivity fees based on "certain milestones including Biomerica's starting clinical trials in the United States, receipt of US FDA clearance and Celtis' first sales of IBS Products in Korea"

- If BMRA fails to obtain FDA clearance, $250k of the upfront exclusivity fee will convert into 83k BMRA common shares at $3/share

- Celtis to pay BMRA royalties in the "mid-teens" of sales of InFoods in S. Korea. Minimum royalty to maintain exclusivity status is $7.25M over five years (or longer if Korean regulatory approval is obtained prior to May 31, 2019) beginning when Korean regulatory clearance is obtained

- Upon achieving Korean regulatory clearance and commencement of commercialization, BMRA will sell InFoods to Celtis at cost plus (undisclosed) margin

- Celtis is responsible for funding and obtaining regulatory clearance for the S. Korean market

- Cetlis purchased 333k shares of BMRA common stock @ $3/share (in a private placement) - representing ~100% premium over the quoted market price the day prior to the licensing agreement announcement

The exclusivity agreement can be expanded to other territories in Asia if agreed upon by both parties. It spans five years plus an additional two years for Celtis to obtain Korean regulatory clearance, begins when InFoods is granted FDA marketing clearance. It is cancellable of BMRA has not obtained FDA clearance by December 31, 2017.

Our Comments…
Perhaps relating to significant potential for InFoods, while all details of this licensing agreement were not made public, from our experience this is a somewhat atypical type of deal in that it appears to significantly favor BMRA with most of the financial risk borne by Celtis…

- It implies $250k of the (up to $1.25M total) exclusivity fees was paid at signing, which even if InFoods fails to gain FDA clearance will be converted into BMRA at a ~100% premium to current market value

- Celtis purchased $1M of restricted BMRA common stock at a 100% premium - essentially paying BMRA another $500k upfront

- Celtis bears all financial risk of obtaining Korean regulatory clearance

- BMRA will receive a mid-teens royalty plus margin on sales of InFoods to Celtis

InFoods IBS Test

There is only limited details about the IBS product including that it is a diagnostic for food allergens (i.e. diet) which may be responsible for onset or aggravation of IBS. Additional details include;

- will identify certain trigger foods that may cause or exacerbate IBS symptoms
  - will be used only with individuals already identified with IBS symptoms
  - extensive analysis was done to rank the top several dozen foods most associated with exacerbating IBS
  - we expect somewhere in the range of 20 – 25 foods may be included on the initial panel
  - ELISA test quantifies food-specific IgG antibodies from individual IBS patients which are elicited as immune response
  - results of ELISA test combined with robust statistical methodology will provide a ‘yes’ or ‘no’ result indicating whether a particular person’s IBS symptoms are being triggered by each of the foods on the panel
- will help physicians in guiding treatment protocol including putting the patient on a specific dietary regimen. This is different then other IBS tests which only focus on diagnosing presence of the disease. BMRA's test would be the first to both help diagnose IBS and to help guide treatment decisions
- test will be available for use in both the clinical lab and physician office settings. Lab product is the first which they will pursue (regulatory hurdle is likely lower) and POC will follow
- would be reimbursed under existing CPT codes. As reimbursement is critical for maximizing early adoption, availability of payment under existing CPT codes is a significant benefit
- 8 patents are currently pending. In March 2016 BMRA announced International Search Authority reviewed their international method and composition patent claims and found them to be novel and non-obvious (i.e. the claims are valid)
- FDA has indicated that the risk profile of the test would likely not require a Class III (i.e. ‘high risk’) device designation. This was further supported when in July BMRA announced that FDA determined InFoods is eligible to pursue 'nonsignificant risk' clinical studies. BMRA expects to apply for the de novo route which allows manufacturers of novel low-risk (Class I and II) products for which there is no predicate to avoid the much costlier and time-consuming PMA route

Market considerations related to InFoods: *Living with IBS is hell…*

- “Living with IBS is hell” – plug that into a Google search and it is apparent that the chronic disease symptoms and lack of treatment options leaves IBS sufferers feeling helpless and desperate for more effective options

- Diagnostic cost of IBS in the U.S. is approximately $10.5B in annual direct costs and over $30B when including indirect costs
- IBS afflicts as much as 20% of the U.S. population, 25% of Japan, and 22%+ each of China and the U.K
- IBS is a top 10 reason for primary care doctor visits
- IBS is difficult to diagnose and difficult to treat
    - Exact cause of IBS is not known although adverse reaction to certain foods is largely accepted as a significant contributor in many cases
    - Types of foods and food reactions do not appear to be homogenous from patient-to-patient (i.e. cocoa may trigger symptoms in one patient but not another). Therefore it is important to be able to identify which foods trigger symptoms in each individual patient
    - IBS drugs, such as Xifaxan, only treat the symptoms but not the underlying cause and have unwelcome side effects
    - GI doctors also often prescribe SSRI's off-label, which have shown to help regulate bowel flow – this again, illustrates how limited the treatment options are for IBS
    - Physicians have very limited tools to treat IBS – typical recommendation is for patients to (arbitrarily) begin eliminating certain foods from their diet and/or prescription of symptom-targeting drugs which often fail to provide significant relief, particularly over the long-term
- Win, win, win for patients, physicians and insurers. InFoods could benefit all major stakeholders. Physicians are frustrated with lack of treatment options. Patients feel helpless. Insurers are paying for relatively high cost drugs which do not address the underlying cause and therefore may be chronically prescribed
- Unlike many new medical technologies (drugs, devices and diagnostics) which offer only incremental benefit compared to an existing product and may be geared more towards profit than clinical outcome (and often require a lot of marketing to convince of the 'benefits'), InFoods could be a pioneer in providing a new level of relief for the IBS afflicted. And if InFoods can do that, it should require limited initial awareness-building before the test sells itself via demand-pull from physicians and patients

VALUATION

Previously we had not considered InFoods in our valuation of BMRA as we felt the limited available information about the test was not substantive enough for us to form even an initial opinion about its potential utility or eventual chance of regulatory and commercial success. And while BMRA continues to hold specifics tight to the chest, the additional public information that has recently become available including the general methodology employed in identifying and ranking specific trigger foods and statistically-driven rationale powering the output decision (i.e. 'yes' or 'no' for trigger food x) provides enough information for us to be at least comfortable with the soundness of the science that is employed and presumption that a similar test does not already exist (eventual patent grant should confirm this).

And while more anecdotal in nature, we think there are other reasons that support the proposition of the potential of InFoods. This includes the fact that Drs. Drossman, Carter and Sirgo (and others prominent in the field), all of which have significant experience in the IBS space, recently came onboard and presumably did so because they believe in the robustness of the science (including the non-publicly available information) behind InFoods, is a vote of confidence in the potential for success of the test.

The agreement with Celtis, which seems to favor BMRA, may also be interpreted as an "insider" liking what they see. The fact that, based on terms of the agreement that were made public, Celtis effectively made an upfront, nonrefundable $750k ($250k cash plus purchasing stock at $500k premium) payment to BMRA suggests the S. Korean company believes in the potential of InFoods.

We also think it is worth reiterating that there is a significant unmet need for an effective IBS treatment. As such, if InFoods can help to evenly modestly improve patient's lives, we think it could be wildly successful and rapidly adopted. The dearth of acceptable options to treat IBS is illustrated by IBSchek, a laboratory developed test from Commonwealth Labs (and which Valeant had at one point indicated they would acquire) which tests for two distinct antibodies associated with IBS. Despite it suffering from high false-negative rates (56%) and questionable practical utility (if someone has IBS, it's probably very apparent and they don't need a test to tell them) news of its

launch received massive news coverage (including featured on CBS Nightly News) when it was introduced in 2015.

Updated methodology values BMRA at $4/share

We are now using sum of the parts to value BMRA; the base business (everything except InFoods) plus InFoods. We continue to value the base business using a comparable cohort of five companies of various market capitalizations in the medical diagnostics space with products/services that target the POC and/or clinical lab markets to value BMRA. Based on several metrics and excluding the negative values, BMRA's base business is valued at approximately $2.50/share.

Base Business Comparable Multiples

Ticker	P/E (ttm)	P/E (FY1)	P/E (FY4)	P/Book	EV / EBITDA (ttm)	P/S (ttm)	P/S (FY1)
TRIB	56.8	35.2	38.3	1.5	20.8	3.1	3.0
CEMI	N/A	N/A	0.0	7.6	N/A	4.1	5.2
VIVO	23.0	21.4	12.6	4.9	13.2	4.2	4.1
ERB	N/A	N/A	N/A	1.7	544.0	1.2	1.4
ABAX	35.9	30.9	19.0	4.7	18.6	5.1	4.1
Average	**38.6**	**29.2**	**17.5**	**4.1**	**17.5**	**3.5**	**3.6**

FY1, FY4 = forecast year 1, forecast year 4

Base Business Valuation

	P/E (ttm)	P/E (FY1)	P/E (FY4)	P/Book	P/S (ttm)	P/S (FY1)	AVG
BMRA	-$7.59	-$3.03	-$0.75	$2.81	$2.21	$2.34	**$2.46**

Value InFoods at ~$11M (~$1.50/share):

We think the Celtis agreement provides insight into the value of InFoods. As noted, we think the agreement was somewhat unusual and favored BMRA – the reason for which likely relates to the value that Celtis places on InFoods. While our methodology is admittedly back-of-the-envelope, it piggy-backs off of Celtis' assumed much greater insight they gleaned when they presumably had full access to data sheets and related information on InFoods during due diligence.

Prevalence of IBS in S. Korea is approximately 6% of the population, or ~3M people. Celtis effectively paid $750k upfront (nonrefundable) for rights to InFoods – which equates to approximately $0.25 per person in S. Korea with IBS. There are ~45M people in the U.S. – applying the same $0.25 per person multiple values InFoods at approximately $11M. While this is arguably conservative as it ignores all of Europe and any other parts of the world (ex-S. Korea), we think this is a fair representation of the current value of InFoods. Additional progress towards locking down IP and in development and regulatory activities should push value on InFoods higher from this estimated $11M current base.

Our sum of the parts of $2.50/share for the base business and $1.40/share for InFoods values the entire company at approximately $3.90 – we round to $4/share.

FINANCIAL MODEL

Biomerica Inc.

	2016 A	Q1E	Q2E	Q3E	Q4E	2017 E	2018 E	2019 E	2020 E
Total Revenues	$5,139.8	$1,263.4	$1,275.7	$1,333.3	$1,467.4	$5,339.9	$5,787.0	$6,268.1	$6,706.7
YOY Growth	*3.6%*	*-1.8%*	*9.5%*	*-2.1%*	*10.6%*	*3.9%*	*8.4%*	*8.3%*	*7.0%*
Cost of Goods Sold	$3,615.8	$909.7	$903.2	$917.3	$990.5	$3,720.7	$3,900.4	$4,130.7	$4,392.9
Gross Income	$1,524.1	$353.8	$372.5	$416.0	$476.9	$1,619.2	$1,886.5	$2,137.4	$2,313.8
Gross Margin	*29.7%*	*28.0%*	*29.2%*	*31.2%*	*32.5%*	*30.3%*	*32.6%*	*34.1%*	*34.5%*
SG&A	$1,570.7	$406.8	$408.2	$413.3	$435.8	$1,664.2	$1,736.1	$1,842.8	$1,924.8
% SG&A	*30.6%*	*32.2%*	*32.0%*	*31.0%*	*29.7%*	*31.2%*	*30.0%*	*29.4%*	*28.7%*
R&D	$780.3	$201.0	$198.0	$207.0	$211.0	$817.0	$812.0	$788.0	$771.0
% R&D	*15.2%*	*15.9%*	*15.5%*	*15.5%*	*14.4%*	*15.3%*	*14.0%*	*12.6%*	*11.5%*
Operating Income	($826.9)	($254.1)	($233.7)	($204.3)	($169.9)	($862.0)	($661.5)	($493.4)	($382.0)
Operating Margin	*-16.1%*	*-20.1%*	*-18.3%*	*-15.3%*	*-11.6%*	*-16.1%*	*-11.4%*	*-7.9%*	*-5.7%*
Total Other Income (Expense)	$31.0	$4.0	$3.5	$3.0	$3.0	$13.5	$18.0	$24.0	$25.0
Pre-Tax Income	($796.0)	($250.1)	($230.2)	($201.3)	($166.9)	($848.5)	($643.5)	($469.4)	($357.0)
Tax expense (benefit)	$703.8	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Tax Rate	*-88.4%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*
Net Income	($1,499.8)	($250.1)	($230.2)	($201.3)	($166.9)	($848.5)	($643.5)	($469.4)	($357.0)
YOY Growth	*352.4%*	*265.9%*	*121.0%*	*5.4%*	*-70.6%*	*-43.4%*	*-24.2%*	*-27.1%*	*-23.9%*
Net Margin	*-29.2%*	*-19.8%*	*-18.0%*	*-15.1%*	*-11.4%*	*-15.9%*	*-11.1%*	*-7.5%*	*-5.3%*
EPS	($0.20)	($0.03)	($0.03)	($0.02)	($0.02)	($0.10)	($0.08)	($0.06)	($0.04)
YOY Growth	*348.0%*	*239.9%*	*109.3%*	*4.4%*	*-70.4%*	*-47.2%*	*-24.6%*	*-27.9%*	*-23.9%*
Diluted Shares O/S	7,626	8,150	8,170	8,170	8,170	8,165	8,210	8,300	8,300

Brian Marckx, CFA

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