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Zacks Small-Cap Research

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Cryoport Inc (CYRX-NASDAQ)

CYRX: Commercial Support and Clinical Trial Revenue Ramping. Commercial Support Pipeline Increasing Long-Term Value

We use an average comparable PE/G ratio of 1.9 which is applied to our forecasted revenue growth rate of CYRX of 60% through fiscal 2023 and discounted it back to the present at 11% to come to present value of approximately $18/share.

Current Price (08/22/18)	$13.35
Valuation	**$18.00**

OUTLOOK

While consistent growth in the number of clinical trials that CYRX supports has been of obvious importance to their historic revenue growth, it may eventually prove even more important to CYRX's future growth. We think this is an important point to reiterate given that much of investors' recent interest in the company is focused on their support of GILD's Yescarta and NVS's Kymriah. While commercial support of these two CAR-T therapies undoubtedly represents significant additive long-term revenue, CYRX's clinical trial pipeline continues to be where most of their unrealized long-term revenue potential lies. An estimated ~85% of BLA/EMA filings are expected to result in eventual regulatory approval. This implies that just their current slate of BLA-filed supported therapies represents an estimated $8.5M - $85M (adjusted for ~15% chance of regulatory failure) in incremental annual revenue and the anticipated upcoming (by current year-end) BLA filings represents another ~$7M - $70M of annual revenue. We think this ~$15M - $150M run-rate of estimated incremental annual revenue might be achievable within three to four years. Several factors prompted our decision to revise our assumptions relative to the clinical trial-to-commercial support conversion rate and the related estimated revenue. Our updated assumptions as it relates to conversion of the commercial pipeline significantly increase estimated 2020 revenue (from $43M to $49M). Our revised growth curves also now indicate that incremental revenue from just the current slate of BLA filings (and upcoming filings) could push total revenue to $65M or more by 2021.

SUMMARY DATA

52-Week High	**$16.88**
52-Week Low	**$6.02**
One-Year Return (%)	**78.67**
Beta	**0.85**
Average Daily Volume (sh)	**494,958**
Shares Outstanding (mil)	**29**
Market Capitalization ($mil)	**$381**
Short Interest Ratio (days)	**N/A**
Institutional Ownership (%)	**45**
Insider Ownership (%)	**10**
Annual Cash Dividend	**$0.00**
Dividend Yield (%)	**0.00**
5-Yr. Historical Growth Rates	
Sales (%)	**51.4**
Earnings Per Share (%)	**N/A**
Dividend (%)	**N/A**
P/E using TTM EPS	**N/A**
P/E using 2018 Estimate	**N/A**
P/E using 2019 Estimate	**N/A**
Zacks Rank	**N/A**

Risk Level	**Above Avg.,**
Type of Stock	**Small-Growth**
Industry	**Shipping**

ZACKS ESTIMATES

Revenue
(in '000s of $)

	Q1 (Mar)	Q2 (June)	Q3 (Sep)	Q4 (Dec)	Year (Mar)
2017	2712 A	2917 A	3003 A	3322 A	11,954 A
2018	4023 A	4627 A	5047 E	5565 E	19,262 E
2019					32,718 E
2020					49,132 E

Earnings per Share

	Q1 (June)	Q2 (Sep)	Q3 (Dec)	Q4 (Mar)	Year (Mar)
2017	-$0.10 A	-$0.08 A	-$0.08 A	-$0.09 A	-$0.34 A
2018	-$0.10 A	-$0.09 A	-$0.08 E	-$0.07 E	-$0.33 E
2019					-$0.14 E
2020					-$0.03 E

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

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Q2 2018: ***Commercial Support and Clinical Trial Revenue Ramping. Commercial Support Pipeline Increasing Long-Term Value…***

Cryoport reported Q2 financial results and provided a business update. Revenue remains very strong and, for the 15th consecutive quarter, set a new record high. Revenue from the biopharma segment, which now accounts for more than 83% of the company's total top line and remains the major growth catalyst, jumped a record $1.6M (73%) from the comparable prior-year period to nearly $3.9M. Biopharma revenue is on a tear, having tripled over just the last eight quarters.

While commercial revenue (i.e. from supporting commercialization of the two immunotherapies from Gilead and Novartis) has recently become a meaningful contributor to biopharma revenue (representing 12% and 11% of biopharma revenue in Q2 and 1H '18, respectively), clinical trial support revenue remains the most significant in terms of both contribution (representing 88% and 89% of biopharma revenue in Q2 and 2H '18) and incremental growth (representing 72% of yoy and 77% of qoq biopharma revenue growth in Q2). The regular increase of clinical trial related revenue has been (and continues to be) the product of regular growth in the number of clinical trials that CYRX supports - including the number of phase III trials.

And while consistent growth of the clinical trial pipeline has been of obvious importance to CYRX's historic revenue growth, it may eventually prove even more important to their future growth. We think this is an important point to reiterate given that much of investors' recent interest in CYRX is focused on their support of GILD's Yescarta and NVS's Kymriah. While commercial support of these two CAR-T therapies undoubtedly represents significant additive long-term revenue, CYRX's clinical trial pipeline continues to be where most of their unrealized long-term revenue potential lies.

Biopharma and total revenue grew 73% and 59% yoy from Q2 '17, beating their respective prior bests by 15% and 17%. While impressive, we think not nearly as fundamentally important for long-term investors as is the 100% and 50% yoy growth in the number phase III trials and total clinical trials, respectively, that CYRX supports. For context, if just one-half of these phase III trials results in a commercialized product and each for just one indication, the incremental annual revenue to CYRX is estimated to be between $34M and $340M. If just 5% of CYRX's current phase I and phase II pipeline (combined) results in a single-indication commercialized therapy, that would add another estimated $22M to $220M in annual revenue.

Updated Model for Increasing Potential of Commercial-Support Pipeline

Up until now, we had modeled relatively little assumed revenue from conversion of CYRX's clinical trial support to commercial support. One of the more difficult judgement calls is to decide if and when it is appropriate to model non-current, but potentially future, revenue sources. And if modeled, what will the revenue curves look like?

Several factors prompted our decision to revise our assumptions relative to the clinical trial-to-commercial support conversion rate and the related estimated revenue. This includes the ongoing significant and consistent growth of the number of mid-to-late stage clinical trials that CYRX supports. The total number of clinical trials that CYRX supports has increased by an average of seven per month over the last 18 months, with phase II and phase III trials (i.e. mid-to-late stage trials) increasing at a rate of four per month over that same period.

Our revised assumptions are also based on the additional history of evidence supporting the 'stickiness' of these clinical trial clients – that is, when CYRX supports a particular therapy in clinical trials, there is a very high likelihood that the client will retain CYRX for later-stage trials and (if eventually approved) for commercialization. In addition, the number of new BLA/EMA filings of therapies that CYRX had supported in clinical trials continues to grow – and included five in just the first six months of 2018 and is expected to include another four by current year-end.

An estimated ~85% of BLA/EMA filings are expected to result in eventual regulatory approval. This implies that just their current slate of BLA-filed supported therapies represents an estimated $8.5M - $85M (adjusted for ~15% chance of regulatory failure) in incremental annual revenue and the anticipated upcoming (by current year-end) BLA filings represents another ~$7M - $70M of annual revenue. We think this ~$15M - $150M run-rate of estimated incremental annual revenue might be achievable within three to four years. And, as noted above, successful progression of the clinical trial support pipeline to later stages and to eventual regulatory submission could substantially increase the potential unrealized future revenue curve.

While our updated assumptions as it relates to conversion of the commercial pipeline has virtually no effect on our forecasted 2018 and 2019 revenue, it does significantly increase estimated 2020 revenue (from $43M to $49M).

Our revised growth curves also now indicate that incremental revenue from just the current slate of BLA filings (and upcoming filings) could push total revenue to $65M or more by 2021.

Revenue
Q2 revenue, at $4.6M, was up 59% yoy, up 15% sequentially and about 9% better than our $4.2M estimate. It was also a new record and marked the 15th consecutive quarter of qoq revenue growth. Biopharma, which accounted for 83% of total sales, was again the main catalyst and represented approximately 95% of total yoy revenue growth. This was the second quarter in which commercialized support was a meaningful contributor to biopharma revenue growth. Animal health, which has historically contributed about 10% of CYRX's top-line, turned in a solid 7% growth from the prior year and, at $279k, Q2 was the second highest on record – we continue to think animal health has more room to grow. Meanwhile, reproductive medicine remained very strong – while revenue was roughly flat from the record high of $502k posted in Q1 of this year, it was up a very healthy 17% yoy. This segment, which has benefited from CYRX's recently-introduced CryoStork offering, could experience a new revenue catalyst with the impending roll-out of CroStork Insurance.

Q2 results compared to our estimates; biopharma: $3.85M A vs. $3.47 E, Δ = +11%, reproductive medicine: $499k A vs. $517k E, Δ = -3% and animal health: $279k A vs. $253k E, Δ = +10%.

Relative to biopharma, revenue was $3.9M, an increase of $1.6M (72%) from Q2 '17 and up $567k (17%) from Q1. Commercialized support revenue, which was approximately $446k in the quarter, compared to $0 in Q2 '17 and $318k in Q1 '18, accounted for roughly 28% of the yoy growth and 23% of the sequential growth of the biopharma segment.

The beat to our biopharma revenue number relates entirely to clinical trial support, with commercialized support revenue coming in about 10% lower than our $493k estimate. For the full year 2018, we now look for commercialized support revenue of $2.2M, revised from $2.4M. CYRX added 22 new trials (vs. our 21 estimate) in Q2, bringing the total that they support to 258 – which is up from 236 at the end of Q1 '18 and up 50% from 172 one-year ago. Importantly, the number (and % of total) of phase III trials also continues to grow – from 20 in Q2 '17, to 31 in Q1 '18 and to 34 as of the end of Q2 '18. Phase III's now account for about 13% (vs. 10% in the prior year) of CYRX's total trial roster, while phase IIs and IIIs, combined, account for 57% (vs. 52% in the prior year). Greater weighting of later stage trials should help buoy (what we call) the clinical trial multiple.

Growth of the clinical trial roster remains the major driver of biopharma (and total revenue) – and, increases the unrealized long-term revenue potential of the commercial pipeline. We expect CYRX will have ample opportunity to continue to add new trials. And the recent opening (official opening is set for October) of two new logistics centers (in N.J. and Amsterdam) provides CYRX with greater capacity to bring on even more business. Growth in the clinical trial roster is also indicative of CYRX's capabilities and almost certainly helping to drive awareness of their unmatched expertise in cryogenic shipping and logistics. And while growth in the clinical trial customer base has been the main driver of CYRX's success to-date, that could soon be eclipsed by contribution related to supporting commercialized products.

Relative to animal health, Q2 revenue was $279k – up 7% yoy, up 17% sequentially and the second highest on record (second to only Q4 '17 $352k). Q2 was a favorable turn-around from Q1, which was relatively weak ($239k) and attributed to a temporary pause of one of CYRX's clients' trials. As we noted at that time, that pause was expected to be short-lived and, while some short-term variability was anticipated, fundamentals remained favorable for long-term growth. The Q2 number, which was 10% better than our estimate, further supports the long-term growth viability of this business. Management noted that the most recent quarter benefitted from activity of new companion animal clinical studies. Activity is expected to ramp from existing relationships which should further catalyze revenue growth in animal health – we do note, however, that we think there is likely to continue to be some short-term variability.

Relative to reproductive medicine, Q2 revenue was $499k – up 17% yoy, flat from Q1 ($502k) and 2nd highest on record. Reproductive medicine has been a solid contributor and growing at double-digit rates. Revenue through the first six months of 2018 was up 19% and higher than any previous two-consecutive quarter period. This follows 19% growth in 2016 and another 11% growth in 2017. The catalysts and (partially offsetting) headwinds have remained fairly constant as of late. The catalyst side includes a very frothy domestic IVF market which has been furthered stoked by Cryoport's targeted marketing campaigns and recent introduction of CryoStork Next Flight Out service (which launched in early 2017). This helped push domestic revenue up by 44% in 2017 and 26% through the first six months of 2018.

We also like the macro fundamentals of the domestic IVF market. New technologies related to egg-freezing, more accurate and less-invasive diagnostics and the fact that IVF can be a highly profitable business (and not reliant on third-party reimbursement) have all been cited as reasons for a recent spike in private equity investments in IVF clinics. Frothiness of the IVF space has also prompted consolidation. And CYRX remains resilient on building out capabilities and offerings in their reproductive medicine business. Most recently, this included CryoStork Insurance, a complement to their CryoStork Next Flight Out service. Both cater to the IVF segment. CryoStork insurance, which will only be available to Cryoport clients and their patients, mitigates risk of loss of during shipping. Given that IVF is largely a patient-pay business and is expensive (average cost of an IVF cycle is ~$12k), we think that there could be meaningful demand for CryoStork Insurance. It also provides additional differentiation between CYRX's shipping and logistics solutions and their competitors. CYRX expects to launch the offering shortly.

Meanwhile, CYRX's international reproductive medicine segment continues to struggle as a result of recently implemented restrictions related to medical tourism by certain countries. International reproductive medicine revenue was down 33% in 2017 and fell 1% through the first six months of 2018. Nonetheless, we think this business as a whole as room to grow given relative strength in the domestic market as well as CYRX's active measures to further accelerate growth.

Gross Margin, OpEx: *Gross Margin Remains Near Record High, OpEx Increases on Facility Expenses, Stock Comp…*

Q2 gross margin was 54.1%, near the record high of 54.3% set in Q1 of this year and better than our 52.7% estimate. Importantly, while GM has shown some minor short-term volatility, it continues to climb and has been better than 50% each of the last four quarters. Management continues to guide for this to eventually reach 60%.

Margin improvement has been attributed to a combination of pricing increases and operational efficiencies leveraged with higher business volumes. While we continue to expect fairly regular widening of gross margin, we note that it may continue to show some q-to-q volatility. Nonetheless, we model gross margin to average approximately 54% throughout 2018 and believe management's goal of eventually reaching 60% is realistic.

Meanwhile, operating expenses were $5.0M in Q2, an increase of $1.0M from Q1 of this year and up $1.7M from the prior-year period. And while opex was also ~$650k more than what we had anticipated, most of the difference and comparable-period increases is explained by ~$300k of expenses related to opening of the two new operations facilities and higher stock compensation. Stock comp was ~$1.5M in Q2, or about $500k more than Q1 '18 and ~$650k more than Q2 '17.

So, stripping out stock comp and new facilities' expenses, opex as a percentage of revenue actually improved (i.e. fell) to 70% in Q2 '18, compared to 73% in Q1 '18 and 102% in Q2 '17. Management noted on the call that they expect opex to remain at near the Q2 levels through the end of this year.

We also note that while the new facilities mean incremental opex and capex, that we think the additional costs and expenses are likely to be rapidly absorbed by revenue growth and continued margin expansion. With expected accelerated growth in revenue from just Kymriah and Yescarta, at least a portion of this additional capacity will be almost immediately put to use. Additionally, these facilities are modular in design – allowing for incremental capacity to be added as future demand dictates. All of this should mean that, while the additional infrastructure expenses are not insignificant, that absorption could be fairly rapid and risk of extended periods of overcapacity (and the related cost) largely mitigated.

Cash

Both adjusted EBITDA and cfo ex-changes in working capital show that the higher growth rate of revenue as compared to operating expenses, and coupled with widening of gross margin, is resulting in lower operating cash burn.

Adjusted EBITDA in the three and six months ending 6/30/18 was -$800k and -$1.4M, compared to -$900k and $1.8M in the comparable prior year periods. CYRX used $1.3M and $2.3M ($756k and $1.3M, ex-changes in working capital) for operating activities through the first three and six months of 2018, compared to $568k and $1.4M ($855k and $1.7M, ex-changes in working capital) in the prior-year periods. Meanwhile, PP&E-related capex was $969k through the first six months of 2018, compared to $1.0M in the prior year.

Cash balance was $20.0M at Q2 quarter-end, up from $19.0M at the close of Q1 '18 quarter-end and bolstered by $3M raised through the exercise of derivatives during Q2. At the current (operating and investing) burn rate, current cash balance represents approximately three years' worth of operating funds. We do, however, anticipate profitability to improve and cash burn to moderate with expected acceleration in biopharma revenue growth.

Operational Update:

Biopharma: Of the current 258 clinical trials that CYRX is currently supporting, the majority are in the regenerative medicine space – the outsized growth of that market over just the last few years has clearly created demand-pull for cryogenic shipping and related services. And clearly CYRX, with their expertise in cryogenic shipping and logistics including their real-time temperature monitoring and tracking capabilities, has been the beneficiary of the strict requirements aimed at ensuring the safety and viability of biological material during handling, transport and storage. Current estimates are that more 977 (up from 946 at end of 2017 and 804 at end of 2016) regenerative-medicine clinical trials are now ongoing. This includes 93 phase III trials.

Importantly, CYRX not only continues to grow the number of clinical trials they are supporting, but also continues to consistently grow the number of late-stage trials it supports – they now support 34 phase III and 114 phase II trials, up from 17 and 73, respectively, one-year ago. Later stage trials, which typical have significantly larger patient enrollments than earlier phases, offer similarly greater revenue potential to CYRX.

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 I program is $15k - $75k, phase II is $75k - $125k, phase III is $200k - $1M and for a commercialized product is $2M - $20M.

Rapid Growth of Regenerative Market, Regulatory Submissions

CYRX is in a potentially enviable position given their relative dominance in high-value cryogenic logistics, shipping and support, recent rapid growth of the regenerative medicine market and changes at FDA designed to streamline approval processes.

The number of regenerative medicine clinical trials has grown at a CAGR of more than 20% over the last few years and, catalyzed by a near doubling of investment dollars that poured into the space over the last 12 months, is expected to remain robust.

FDA has helped facilitate growth of this market. Regenerative Medicine Advanced Therapy (RMAT) designation, part of the new 21st Century Cures Act, provides an accelerated approval pathway for regenerative medicine therapies that target unmet needs for serious diseases and conditions and which have shown initial efficacy. FDA release draft guidance in November 2017 related to expedited approval pathways and RMAT designation. The agency followed in June 2018 with a complementary framework around gene therapy approval pathways. We think it is clear that FDA recognizes the importance of gene therapy and their potential to make significant strides in improving patient care. FDA's most recent guidance is also focused on manufacturing quality and standards for gene therapies. While regulation is often seen as an impediment to progress, additional regulation, oversight and guidance of these therapies is likely a benefit to CYRX given their expertise – another competitive differentiation.

Accelerated pathways such as RMAT are an incentive for development and should further promote investment in regenerative therapies. 20 RMAT designations have been granted so far – and CYRX is supporting the majority of these therapies.

Growth and increased investment in the regenerative medicine market has benefitted CYRX, which recently revised the number of BLAs/EMAs that they anticipate supporting in 2018. Initially expected to be between 2 – 4, this has been revised to as many as 9 by the end of 2018, including 5 that they currently support. With ~85% of these filings expected to result in approvals and CYRX having already supported their respective clinical trials, the company could more than triple the number of commercial therapies that they support (from two, currently) within the next 6 - 9 months.

Ramping Roll-Out of Yescarta and Kymriah Should Directly Benefit CYRX…

With indications that commercial activities of both of their currently-supported CAR-T products are accelerating and CYRX beefing up infrastructure (including opening two new logistics centers and upgrading software and tracking) and support functionality (including adding headcount) to meet the anticipated new demand, all indications are that commercial-support related revenue should continue to ramp from the $446k generated in Q2 '18. Based on current consensus analyst estimates, combined sales of Yescarta and Kymriah are forecasted to grow from $366M in 2018 to $849M in 2019 and to more than $1.4B in 2020.

We expect CYRX's commercialization-support revenue to steepen in fairly short order. Gilead/Kite (Yescarta) and Novartis (Kymriah) are aggressively pursuing additional indications for their recently approved respective CAR-T therapies, success of which will automatically bolt on additional revenue opportunity for CYRX.

GILD and NVS are ramping roll-out activities for their respective immunotherapies – aggressiveness which should directly benefit CYRX's revenue. GILD's Yescarta was approved in October 2017 for r/r DLBCL and generated $40M and $108M in the three and six months ending 6/30/18. GILD currently has 60 cancer centers authorized to treat patients (up from 40 as of April), which GILD estimates is enough to treat 80% of Yescarta eligible patients in the U.S. Launch in Europe could come very soon. In July CMPH issued a positive opinion on Yescarta for r/r DLBCL - GILD expects European approval in Q3 2018. GILD anticipates completing authorization of more than 20 cancer centers in Europe by current year-end. They are also opening a manufacturing facility very near where CYRX's new facility is located in Amsterdam.

Importantly, GILD has indicated that 2018 is a focus on increasing the number of authorized treatment locations – and has implied that they expect a much more significant ramp in treatment activity in 2019 and beyond (which may also have the benefit of additional indications on the label). This is important to keep in mind, given that CYRX's commercial revenue will likely be highly correlated to the ramp in treatment activity of their commercial supported immunotherapies.

Current analysts consensus estimates are for Yescarta (in all indications and worldwide) to generate revenue of: 2018 $261M, 2019 $562M, 2020 $970M, 2021 $1.4B, 2022 $1.7B

NVS' Kymriah received approval in the U.S. for its initial indication, treatment of children and young adults with r/r B-cell ALL, in August 2017. FDA approval of its second indication, treatment of children and young adults with r/r DLBCL, came in May 2018. In June CMPH issued a positive opinion for approval of Kymriah for these same two indications. NVS anticipates European approval by the end of Q3. Regulatory filings have also been made in Canda, Japan and Australia.

Kymriah generated $16M and $28M of revenue in the three and six months ending 6/30/18. NVS management noted on the Q2 call that they have experienced some manufacturing variability – while not clear how significant of an issue, it does sound like it has been a headwind to initial growth and may continue to be, at least over the near-term. Current analysts consensus estimates are for Yescarta (in all indications and worldwide) to generate revenue of: 2018 $105M, 2019 $287M, 2020 $470M, 2021 $631M, 2022 $756M

And CYRX Could Be Supporting More Commercial Therapies Soon…

With each commercial contract expected to generate in the range of $2M - $20M per year, CYRX could very likely be heading into 2019 with a commercial-support portfolio worth at least $18M in just the first year. And $18M could prove highly conservative, depending on the ramp of their two current commercial contracts, Yescarta and Kymriah, as well as the respective value of the commercial markets of the outstanding BLAs.

An estimated ~85% of BLA/EMA filings are expected to result in eventual regulatory approval. This implies that just CYRX's current slate of BLA-filed supported therapies represents an estimated $8.5M - $85M (adjusted for ~15% chance of regulatory failure) in incremental annual revenue and the anticipated upcoming (by current year-end) BLA filings represents another ~$15M - $150M of annual revenue. We think this ~$15M - $150M run-rate of estimated incremental annual revenue might be achievable within three to four years. And, successful progression of the clinical trial support pipeline to later stages and to eventual regulatory submission could substantially increase the potential unrealized future revenue curve.

For context, if just one-half of the phase III trials that CYRX currently supports results in a commercialized product and each for just one indication, the incremental annual revenue is estimated to be between $34M and $340M. If just 5% of CYRX's current phase I and phase II pipeline (combined) results in a single-indication commercialized therapy, that would add another estimated $22M to $220M in annual revenue.

Valuation: $18/share
Up until now, we had modeled relatively little assumed revenue from conversion of CYRX's clinical trial support to commercial support. One of the more difficult judgement calls is to decide if and when it is appropriate to model non-current, but potentially future, revenue sources. And if modeled, what will the revenue curves look like?

Several factors prompted our decision to revise our assumptions relative to the clinical trial-to-commercial support conversion rate and the related estimated revenue. This includes the ongoing significant and consistent growth of the number of mid-to-late stage clinical trials that CYRX supports. The total number of clinical trials that CYRX supports has increased by an average of seven per month over the last 18 months, with phase II and phase III trials (i.e. mid-to-late stage trials) increasing at a rate of four per month over that same period.

Our revised assumptions are also based on the additional history of evidence supporting the 'stickiness' of these clinical trial clients – that is, when CYRX supports a particular therapy in clinical trials, there is a very high likelihood that the client will retain CYRX for later-stage trials and (if eventually approved) for commercialization. In addition, the number of new BLA/EMA filings of therapies that CYRX had supported in clinical trials continues to grow – and included five in just the first six months of 2018 and is expected to include another four by current year-end.

An estimated ~85% of BLA/EMA filings are expected to result in eventual regulatory approval. This implies that just their current slate of BLA-filed supported therapies represents an estimated $8.5M - $85M (adjusted for ~15% chance of regulatory failure) in incremental annual revenue and the anticipated upcoming (by current year-end) BLA filings represents another ~$7M - $70M of annual revenue. We think this ~$15M - $150M run-rate of estimated incremental annual revenue might be achievable within three to four years. And, as noted above, successful progression of the clinical trial support pipeline to later stages and to eventual regulatory submission could substantially increase the potential unrealized future revenue curve.

While our updated assumptions as it relates to conversion of the commercial pipeline has virtually no effect on our forecasted 2018 and 2019 revenue, it does significantly increase estimated 2020 revenue (from $43M to $49M) – which represents the first year of significant incremental revenue from the next iteration of commercial support therapies (i.e. in addition to Kymriah and Yescarta). Our revised growth curves also now indicate that incremental revenue from just the current slate of BLA filings (and upcoming filings) could push total revenue to $65M or more by 2021.

Kymriah / Yescarta
As we only have two full quarters of sales of these CAR-T therapies and revenue to CYRX for commercial support, we do not have a lot of confidence that our currently calculated commercial support multiple will not change in the future. As it is now, CYRX generated ~$764k of commercial support revenue in 1H '18 and, over the same period, GILD and NVS have, combined, recognized revenue of $136M from the sales of Yescarta and Kymriah. This implies CYRX has generated approximately $0.0056 for every $1 in recognized revenue of these two therapies. We aknowldege that there are substantial limitations to this methodology but also believe, given the lack of any other usable metrics, that it is a reasonable approach (at least for now).

We round this multiple up to $0.006 and apply it to current analyst consensus sales forecasts of Kymriah and Yescarta (combined) to estimate CYRX's commercial revenue from support of these two therapies. We also assume some pricing power, or otherwise favorable multiple expansion as time passes. We model a multiple of $.0075 in 2019 and beyond.

Using this methodology, we think CYRX generates commercial support revenue related to Kymriah and Yescarta of $2.2M in 2018, $6.5M in 2019 and $10.8M in 2020.

New Commercial Support
Estimating revenue from new commercial support is much more difficult given the additional unknowns. But, we think, given the reasons listed earlier, that new commercial revenue will eventually materialize and, therefore warrants additional attention in modeling. The range of the extent of new commercial revenue (as also explained earlier) is enormous and the unknowns of the commercial support pipeline vast. So, until we have better information to use for estimating new commercial revenue, we will use our forecasted Kymriah and Yescarta revenue curves as a rough guide. We now assume two new commercial support therapies come online and generate approximately $2M in 2019, $8M in 2019 and $15M in 2020 – which is approximately reflective of the forecasted revenue from Kymriah and Yescarta (with a one-year lag). Our new commercial support revenue, along with all other model inputs, will be updated as information flow warrants. This potentially includes additional assumed commercial support agreements.

Clinical Trial Support
We expect clinical trial support will continue to account for the majority of total revenue through at least 2020, but at progressively declining proportional contribution. CYRX added 85 clinicial trials in 2017 and, based on the 1H run-rate, are on track to add a similar number in FY2018. For simplicity, we assume a similar number is added in 2019 and again in 2020. The clinical trial multiple has contracted from a quarterly average of almost $23k during 2017 to about $15k as of Q2 2018. However, this multiple has remained right around $15k since Q4 '17 – which we think relates to the increasing number of mid-to-late stage clinical trials. We assume slight contraction through the remainder of 2018 and again through 2019 and 2020. This results in estimated clinical trial support revenue of $13.4M in 2018, $20.4M in 2019 and $25.5M in 2020.

Valuation
The addition of CYRX to the Russell 2000 and Russell 3000 indices in provides more liquidity in the stock, which we have always treated as a reduction to risk discount - which we have moved from 15% to 11%.

Updates to our model, particularly upward revisions to forecasted new commercial support revenue, increased estimated 5yr growth rate from 49% to 60%. Average comparable PE/G ratio is 1.9 which is applied to our forecasted revenue growth rate of CYRX through fiscal 2023 and discounted it back to the present at 11%. Calculted present value is approximately $18/share.

Inputs			CYRX				
Treasury	Disc Rate	Ind. PE/G	Beta	5yr G	Yr5 EPS	Yr5 Value	PV
2.82%	11.0%	1.88	2.11	60%	$0.22	$24.7	**$18.02**

FINANCIAL MODEL

CryoPort Inc.

	2016 A	2017 A	Q1 A	Q2 A	Q3 E	Q4 E	2018 E	2019 E	2020 E
Commercialized support		$100	$318	$446	$632	$832	$2,228	$8,452	$18,800
All other biopharma		$9,013	$2,964	$3,403	$3,612	$3,890	$13,869	$20,367	$25,470
Biopharma total	$5,302	$9,113	$3,282	$3,849	$4,244	$4,722	$16,098	$28,820	$44,270
Trailing clinical trial multiple	$108.20	$90.81	$13.85	$14.42	$14.00	$14.00	$77.05	$76.00	$72.00
YOY Growth	*57.7%*	*71.9%*	*62.3%*	*72.7%*	*80.9%*	*87.7%*	*76.6%*	*79.0%*	*53.6%*
QoQ Growth		*13.4%*	*30.4%*	*17.3%*	*10.3%*	*11.3%*	*17.3%*	-	-
% of total revenue	*69.0%*	*76.2%*	*81.6%*	*83.2%*	*84.1%*	*84.9%*	*83.6%*	*88.1%*	*90.1%*
New clinical trials added		85	22	22	20	22	86	86	85
Total clinical trials supported	**99**	**180**	**236**	**258**	**278**	**300**	**268**	**354**	**439**
QoQ Growth	*21.9%*	*13.7%*	*10.3%*	*9.3%*	*7.7%*	*8.0%*	*8.8%*	*32.0%*	*24.0%*
YOY Growth	*102.6%*	*81.4%*	*69.8%*	*50.0%*	*42.5%*	*40.2%*	*48.9%*	*32.0%*	*24.0%*
Commercial Support Programs									
Implied/ Assumed Comm Suppt Mltple		0.37%	0.61%	0.53%	0.62%	0.65%	0.61%	0.76%	0.75%
CYRX rev from Yescarta (Kite/ Gilead)			$245	$361	$446	$527	$1,579	$4,271	$7,275
Yescarta analyst estimates		$7,000	$40,000	$68,000	$72,000	$81,000	$261,000	$562,000	$970,000
CYRX rev from Kymriah (Novartis)			$73	$85	$186	$306	$650	$2,181	$3,525
Kymriah analyst estimates		$20,000	$12,000	$16,000	$30,000	$47,000	$105,000	$287,000	$470,000
CYRX rev from Other Pharma							$0	$2,000	$8,000
Other analyst estimates							$0		
Total Commercial Support		**$100**	**$318**	**$446**	**$632**	**$832**	**$2,228**	**$8,452**	**$18,800**
YOY Growth		*#DIV/0!*	*#DIV/0!*	*#DIV/0!*	*#DIV/0!*	*732.0%*	*2128.4%*	*279.3%*	*122.4%*
% of Biopharma revenue		*1.1%*	*8.8%*	*10.4%*	*13.0%*	*15.0%*	*12.2%*	*22.7%*	*29.8%*
% of total revenue		*0.8%*	*7.9%*	*9.6%*	*12.5%*	*15.0%*	*11.6%*	*25.8%*	*38.3%*
Total Drug Sales		**$27,000**	**$52,000**	**$84,000**	**$102,000**	**$128,000**	**$366,000**	**$849,000**	**$1,440,000**
YOY Growth		*#DIV/0!*	*#DIV/0!*	*#DIV/0!*	*#DIV/0!*	*#DIV/0!*	*1255.6%*	*132.0%*	*69.6%*
Reproductive medicine	$1,532	$1,707	$502	$499	$504	$517	$2,022	$2,527	$3,285
YOY Growth	*18.6%*	*11.4%*	*20.1%*	*17.1%*	*23.2%*	*13.8%*	*18.4%*	*25.0%*	*30.0%*
QoQ Growth	*11.4%*	*-0.3%*	*10.6%*	*-0.6%*	*1.0%*	*2.5%*	*3.4%*	*35.7%*	*20.0%*
% of total revenue	*20.0%*	*14.3%*	*12.5%*	*10.8%*	*10.0%*	*9.3%*	*10.5%*	*7.7%*	*6.7%*
Animal health	$845	$1,134	$239	$279	$299	$326	$1,143	$1,371	$1,577
YOY Growth	*-1.3%*	*34.2%*	*-12.1%*	*6.5%*	*20.4%*	*-7.4%*	*0.8%*	*20.0%*	*15.0%*
QoQ Growth	*6.4%*	*14.6%*	*-32.1%*	*16.7%*	*7.0%*	*9.2%*	*0.2%*	*2560.5%*	*-25.0%*
% of total revenue	*11.0%*	*9.5%*	*5.9%*	*6.0%*	*5.9%*	*5.9%*	*5.9%*	*4.2%*	*3.2%*
Shipping revenue	$7,679	$11,954	$4,023	$4,627	$5,047	$5,565	$19,262	$32,718	$49,132
Total Revenues	$7,678.8	$11,954.3	$4,023.2	$4,627.0	$5,046.9	$5,564.7	$19,261.8	$32,717.7	$49,131.6
YOY Growth	*39.0%*	*55.7%*	*48.3%*	*58.6%*	*68.1%*	*67.5%*	*61.1%*	*69.9%*	*50.2%*
Cost of Revenues	$4,577.4	$5,987.8	$1,838.8	$2,123.3	$2,402.3	$2,537.5	$8,902.0	$14,134.0	$19,898.3
Gross Income	$3,101.4	$5,966.4	$2,184.4	$2,503.7	$2,644.6	$3,027.2	$10,359.8	$18,583.6	$29,233.3
Gross Margin	*40.4%*	*49.9%*	*54.3%*	*54.1%*	*52.4%*	*54.4%*	*53.8%*	*56.8%*	*59.5%*
SG&A	$11,269.4	$12,653.2	$3,652.9	$4,520.3	$4,416.1	$4,607.6	$17,196.9	$20,743.0	$27,759.3
% SG&A	*146.8%*	*105.8%*	*90.8%*	*97.7%*	*87.5%*	*82.8%*	*89.3%*	*63.4%*	*56.5%*
R&D	$598.1	$1,205.7	$329.7	$448.6	$454.2	$412.0	$1,644.5	$2,449.0	$2,787.0
% R&D	*7.8%*	*10.1%*	*8.2%*	*9.7%*	*9.0%*	*7.4%*	*8.5%*	*7.5%*	*5.7%*
Operating Income	($8,766.1)	($7,892.5)	($1,798.3)	($2,465.2)	($2,225.7)	($1,992.4)	($8,481.5)	($4,608.4)	($1,313.1)
Operating Margin	*-89.8%*	*-66.0%*	*-44.7%*	*-53.3%*	*-44.1%*	*-35.8%*	*-44.0%*	*-14.1%*	*-2.7%*
Other income, net	($1,936.6)	$14.3	$15.8	$7.1	$9.4	$6.0	$38.3	($15.0)	$6.0
Interest income, net	($139.4)	($15.7)	$0.0	$0.0	$0.0	$0.0	$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	($2,265.4)	$0.0	($899.4)	$0.0	$0.0	$0.0	($899.4)	$0.0	$0.0
Pre-Tax Income	($13,107.5)	($7,893.9)	($2,681.9)	($2,458.1)	($2,216.3)	($1,986.4)	($9,342.7)	($4,621.4)	($1,291.1)
Taxes	$5.4	$5.1	$0.8	$12.8	$0.0	$0.0	$13.6	$0.0	$0.0
Tax Rate	*0.0%*	*-0.1%*	*0.0%*	*-0.5%*	*0.0%*	*0.0%*	*-0.1%*	*0.0%*	*0.0%*
Net Income	($13,188.4)	($7,899.0)	($2,682.8)	($2,470.9)	($2,216.3)	($1,986.4)	($9,356.3)	($4,621.4)	($1,291.1)
YOY Growth	*34.0%*	*-40.1%*	*49.9%*	*32.8%*	*12.0%*	*-12.5%*	*18.4%*	*-50.6%*	*-72.1%*
Net Margin	*-171.7%*	*-66.1%*	*-66.7%*	*-53.4%*	*-43.9%*	*-35.7%*	*-48.6%*	*-14.1%*	*-2.6%*
EPS	($0.93)	($0.34)	($0.10)	($0.09)	($0.08)	($0.07)	($0.33)	($0.14)	($0.03)
YOY Growth	*-43.8%*	*-62.9%*	*-1.4%*	*14.5%*	*-3.2%*	*-22.9%*	*-3.0%*	*-67.3%*	*-87.1%*
Diluted Shares O/S	14,192	22,937	26,774	27,809	28,500	29,000	28,021	34,000	38,000

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