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Zacks Small-Cap Research

Brian Marckx, CFA
bmarckx@zacks.com
Ph (312) 265-9474

scr.zacks.com
10 S. Riverside Plaza, Chicago, IL 60606

Chembio Diagnostics Inc. (CEMI-NASDAQ)

Revenue, margin guidance and historical context indicates this could be opportune entry point

OSUR trades at 4.1x consensus 2019 sales and 3.7x consensus 2020 sales. Based on our estimated CEMI 2019 revenue of $38.1M and 2020 revenue of $47.2M, CEMI is valued at approximately $9.50/share.

Current Price (03/15/19)	$5.77
Valuation	**$9.50**

OUTLOOK

Management provided guidance that includes total revenue of $36M - $40M for FY2019 and reaching $100M of revenue by FY2023. This implies growth of between 8% and 20% in 2019 and a topline CAGR of at least 25% through 2023.

For context, total and product revenue increased 39% and 38%, respectively, in 2019 and experienced CAGRs of 13% and negative 1%, respectively over the five previous years (i.e. 2013 – 2018). Meanwhile adjusted EPS fell from $0.11 in 2013 to ($0.55) in 2018. Over that same period, CEMI's share price and market capitalization increased by about 65% and 200%, respectively.

Our point is that much of the restocking for future growth, which has included building and commercializing the fever portfolio, continued expansion of the STD product line, maintaining key customer relationships (such as Bio-Manghinos), bringing domestic (as well as some international) sales in-house, new collaborations and partnerships, and other growth catalysts, have been developed over the last few years but have yet to be fully realized – but should be over the coming years. As such, and given expectations that margins and profitability will similarly increase with the guided-for topline growth, this could represent a particularly attractive entry point in the stock, in our opinion.

SUMMARY DATA

52-Week High	**$11.55**
52-Week Low	**$4.85**
One-Year Return (%)	**-24.84**
Beta	**1.81**
Average Daily Volume (sh)	**56,854**
Shares Outstanding (mil)	**17**
Market Capitalization ($mil)	**$100**
Short Interest Ratio (days)	**N/A**
Institutional Ownership (%)	**44**
Insider Ownership (%)	**5**
Annual Cash Dividend	**$0.00**
Dividend Yield (%)	**0.00**
5-Yr. Historical Growth Rates	
Sales (%)	**-2.1**
Earnings Per Share (%)	**N/A**
Dividend (%)	**N/A**
P/E using TTM EPS	**N/A**
P/E using 2019 Estimate	**N/A**
P/E using 2020 Estimate	**N/A**
Zacks Rank	**N/A**

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

ZACKS ESTIMATES

Revenue
(millions)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2018	$7.72 A	$8.72 A	$9.38 A	$7.60 A	$33.41 A
2019	$8.24 E	$8.65 E	$9.65 E	$11.56 E	$38.10 E
2020					$47.20 E
2021					$62.25 E

Adjusted Earnings per Share

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2018	-$0.05 A	-$0.12 A	-$0.16 A	-$0.20 A	-$0.55 A
2019	-$0.16 E	-$0.15 E	-$0.10 E	-$0.06 E	-$0.48 E
2020					-$0.18 E
2021					$0.09 E

Zacks Projected EPS Growth Rate - Next 5 Years % **NA**

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Q4 2018: *Total sales benefit from record contracts revenue, margins begin to improve and should continue…*

Chembio reported financial results for their fourth quarter ending December 31st and provided an operating update. Product sales were just about dead-on with our estimate and up 16% yoy to $5.6M. Total revenue jumped 27% to $7.6M, aided by a very healthy $1.7M in R&D contracts, milestones and grant revenue – which is the greatest quarterly revenue from this category in company history.

Product margin was also somewhat of a highlight – at 18.3%, it was well ahead of the prior two quarters. Product margin averaged 19.9% throughout the entire year but, management noted on the call that had their manufacturing been fully automated during 2018, product margin would have been approximately 40%. With the first automated line expected to begin production by the end of the current month and orders for two additional lines already placed, product margin should continue to show regular improvement.

Management provided revenue guidance for the first time since we've been covering the company (June 2010). Guidance includes total revenue of $36M - $40M for FY2019 and reaching $100M of revenue by FY2023. This implies growth of between 8% and 20% in 2019 and a topline CAGR of at least 25% through 2023. Moreover, management indicated on the call that the majority of this growth, as might be expected, is anticipated to come from product sales (as opposed to R&D contracts, milestones and grant revenue), which has accounted for an average of about 80% of total sales over the last several years.

For context, total and product revenue increased 39% and 38%, respectively, in 2019 and experienced CAGRs of 13% and negative 1%, respectively over the five previous years (i.e. 2013 – 2018). Meanwhile adjusted EPS fell from $0.11 in 2013 to ($0.55) in 2018. Over that same period, CEMI's share price and market capitalization increased by about 65% and 200%, respectively.

Our point is that much of the restocking for future growth, which has included building and commercializing the fever portfolio, continued expansion of the STD product line (including high profile products such as DPP HIV/Syphilis), maintaining key customer relationships (such as Bio-Manghinos), bringing domestic (as well as some international) sales in-house, new collaborations and partnerships, and other growth catalysts (including the recent acquisition of opTricon), have been developed over the last few years but have yet to be fully realized – but should be over the coming years. As such, and given expectations that margins and profitability will similarly increase with the guided-for topline growth, this could represent a particularly attractive entry point in the stock, in our opinion.

Product Sales

Q4 product sales were $5.6M, up 16% yoy, down 28% sequentially and inline with our $5.6M estimate. For the year product sales increased 38%. In terms of the sources of growth of product sales in 2018, management noted on the call that sales in Africa, Latin America and Europe were up 142%, 48% and 28%. Much of the growth in Africa is likely coming from the $15.8M Ethiopian tender while sales in Latin America have benefitted from the recent $8.5M Bio-Manghinos (for Brazil's Ministry of Health) order. Meanwhile, CEMI's HIV self-testing products have been driving growth in Europe.

And, with a newly-won contract from Bio-Manghinos for $10.5M (for the production of DPP HIV and DPP Leishmania assays), we think revenue should remain relatively elevated. In addition, ~$11.5M of the Ethiopian tender is expected to be recognized during 2019 and 2020.

Other potential revenue catalysts in 2019 include DPP Ebola (which was recently granted U.S. Emergency Use), DPP Zika (in several areas of the world), one or more DPP Dengue assay launches (including stand-alone Dengue and multiplex Dengue/Zika/Chikungunya), a DPP fever panel, revenue via opTricon and initial sales of the DPP eosinophilic respiratory disease test developed in collaboration with AstraZeneca (which received CE Mark in January). CEMI is now working on a U.S. regulatory pathway for this test. In addition, if all goes well, DPP HIV/Syphilis could receive U.S. regulatory clearance and launch before year end – this, we believe, represents one of the most potent potential near-term revenue and margin drivers for Chembio.

A UNICEF contract, awarded to CEMI earlier this month, represents another potential incremental source of revenue. Contingent on receiving CE Mark of the DPP Zika/Chikungunya/Dengue test and Micro Reader, the contract will pay at least $1.5M and up to $3.5M – and, per management's comments, do so at a price equal to 2x to 3x that of a typical rapid HIV test. Also noteworthy is that this UNICEF contract, which was announced the same day that CEMI announced Q4 earnings, would provide upside to management's $36M - $40M 2019 revenue guidance.

And while maybe not a near-term catalyst, a program that could potentially hold tremendous upside value is CEMI's cancer diagnostic. While this has been somewhat of an 'under-the-radar' program (our wording and characterization) with only scant details disclosed publicly, recent indications had been that this was progressing and with promising results. Management noted on the Q2'18 call in August that their cancer test had completed development "with excellent analytical performance" – the test subsequently moved to the validation phase. So far, we know that it is built on the DPP platform and is a multiplex test for cancer which uses just a finger-prick worth of blood and can deliver results in 15 minutes. While we do not have nearly enough information about the test and initial results to include it in our model, given that early, accurate and non-invasive cancer diagnosis could have multibillion-dollar potential, this remains a program that we will be eager to know more about.

Total Sales

Total sales, which includes license and grant revenue, were $7.6M in Q4, up 27% yoy and down 19% sequentially. Total sales benefitted from $1.7M in R&D, milestones and grant revenue, an all-time quarterly record. For the full-year, R&D, milestones and grant revenue was $5.7M, also a record, up 45% from 2017 and catalyzed by AstraZeneca, LumiraDx and BARDA. FY2018 total sales were $33.4M, up 39%.

Margin

Product and gross margin were 18% and 39% in Q4. While this is down from 30% and 43% in the prior-year period, it is up from an average of 14% and 30% over the prior two quarters. Product and gross margin averaged 20% and 36% for the full year 2018. Product and gross margins have recently been negatively impacted by a greater mix of sales to markets with lower selling prices - which, generally, refers to international tenders – and more specifically, likely largely relates to the Ethiopian tender. For context, product and gross margins over the three prior years were 37%/43% (2015), 31%/47% (2016) and 33%/46% (2017).

We expect revenue mix (including product vs grant revenue and international, particularly EM tenders, vs U.S. sales) to continue to move margin around to some degree. But, with automated manufacturing coming online by the end of the current quarter and CEMI anticipating sales mix shifting towards higher margin products, margins should begin to show fairly consistent improvement. While the first automated line should provide some margin enhancement, the benefits of automation should be even more pronounced once the second and third lines (for automating manufacture of the lateral flow tests) are fully operational (both have now been ordered). We also expect the opTricon acquisition – which means CEMI now owns the proprietary quant reader – will benefit gross margins as they no longer pay mark-up on the devices. Interestingly, these readers may also generate revenue for CEMI as disclosures suggest there is an active market (beyond CEMI themselves) for these products.

Meanwhile, CEMI is pursuing WHO prequalification for their Malaysian production facility, which is capable of producing ~10M tests (for context, CEMI manufactured a total of 20M tests in 2018). If all goes well, manufacturing will begin there this year and bring down production and shipping costs of certain tests sold overseas. This includes STAT-PAK HIV for sale in Africa

CEMI's fully-automated DPP manufacturing line



Source: Chembio Nov 2018 investor presentation

Operational update:
CEMI continues to secure high-revenue product orders and international tenders. Over just the last 24 months Bio-Manguinhos, alone, has committed to purchasing nearly $25M worth of product (for DPP HIV and DPP Leishmania). The latest came in October 2018 – a $10.5M commitment from Bio-Manguinhos for DPP HIV and DPP Leishmania test components and related product. All of this is expected to be recognized as revenue in 2019.

These Bio-Manguinhos purchase commitments and $15.8M Ethiopian STAT-PAK contract were two of several recent highlights on the operational front that will make significant contributions in 2019 (and, in the case of the Ethiopian tender, into 2020 as well). And, given Bio-Manguinos' long history as a customer of CEMIs and their recent purchase volume, we think it is not unlikely that they may continue purchase beyond the current agreements.

In terms of regulatory-related activities, FDA decision on the DPP HIV/Syphilis PMA filing is one of the most anticipated, as is OUS (country-by-country) approval of the DPP Malaria and Dengue assays. And as it relates to business development and other related activities focused on further diversifying the revenue base and increasing (well-aimed and placed) shots on goal, the recent deal with AstraZeneca may represent the first of future similar development/commercialization collaborations.

STD Portfolio:

DPP HIV/Syph: Could launch in 2019. CEMI submitted a PMA filing for the test last year. On the Q4'18 call management noted that in February FDA offered them an option to include additional data to support a claim for testing pregnant women – which is potentially key to drive adoption in addressing mother-to-child transmission of HIV and Syphilis. CEMI expects the related data collection to take approximately eight weeks. As such, and with FDA turnaround time now expected to be no longer (and potentially much shorter) than five months, we think FDA clearance and U.S. launch remains a possibility before current year-end.

We think the U.S. market could be highly receptive to the test given the high rates of HIV/Syphilis co-infection and the fact that CEMI's would likely be the first combination assay to market. And while it might cannibalize some sales of its other HIV products, that should be offset by significantly greater share gains against competing stand-alone rapid HIV tests. Outside the U.S. the product had previously had significant commercial success in Mexico. Additional OUS regulatory approvals for DPP HIV/Syph and their other HIV products could come on a regular basis as CEMI implements an aggressive regulatory strategy. With ~2M pregnancies worldwide affected by mother-to-child HIV or Syphilis transmission, global demand could be substantial.

For some context and back-of-the-envelope math on the U.S. DPP HIV/Syph opportunity….. while CEMI has never disclosed revenue per product per country, they did mention in 2015 that sales of DPP HIV/Syph in Mexico fell by $3.5M. U.S. has about 3x the number of annual HIV infections (and is about 2.5x the total population) as Mexico. So, if we assume (perhaps conservatively) that peak annual sales of DPP HIV/Syph in Mexico were $3.5M, then (proportionally) the U.S. could represent a $10M per year market for the product. CEMI's U.S. sales in 2016 were about $4M, most of which we think relates to their lateral flow HIV products. But, if we assume that DPP HIV/Syph cannabilizes 100% of CEMI's U.S. demand (which we think is unreasonably conservative), this product represents incremental revenue (of a minimum) of $6M per year. In addition, given that DPP HIV/Syph would be first HIV/Syph rapid test on the market, we think it is also highly conservative to assume (as this back-of-the-envelope calculation does) that DPP HIV/Syph does not take additional competitors' share of the HIV rapid testing market.

CEMI appears to already be preparing for launch, noting earlier in 2018 that they contracted with MTMC to facilitate U.S. commercialization of their infectious disease portfolio. CEMI's direct sales team will continue to focus on the public market while MTMC will detail to the private segment – such as physician offices, hospitals and private clinics. MTMC has direct experience in selling HIV diagnostics to this segment and, per CEMI, has strong relationships with Chembio distributors.

Hepatitis C could be another opportunity now with the FIND collaboration (July 2018). The goal is for the development of a rapid HCV test (CEMI and FIND already have an ongoing collaboration for a DPP fever panel). This could be a win for CEMI – and represent incremental revenue that otherwise may have never materialized. Also, if successful, we think it might also potentially lead to development of a combination HCV test, such as HIV/HCV.

Bio-Manguinhos/FIOCRUZ has been an important partner for CEMI and one that we think will continue be a significant customer for the foreseeable future (for not only CEMI's sexually transmitted disease assays, but also for its burgeoning DPP fever portfolio). Over just the past 24 months Bio-Manguinhos signed purchase commitments worth almost $25M. This includes a $5.8M contract in May 2017 related to DPP HIV test components (filled in

2017), $8.5M commitment singed in December 2017 for the purchase of $8.5M worth of DPP HIV and DPP leishmania intermediate product and test components (for 2018) and $10.5 commitment for the purchase of DPP HIV and DPP Leishmania intermediate product and test components during 2019. This is in addition to an long-term agreement signed in May 2018 for commercialization (in Brazil) of DPP Dengue, Zika and Chikungunya tests. DPP Dengue and multiplex DPP Dengue/ Chikungunya/Zika have now been submitted for review by ANVISA and are likely to initiate sales in Brazil this year.

Lateral flow: $4.3M of revenue of the $15.8M Ethiopian contract was expected to be recognized during 2018. CEMI's increased manufacturing capacity (initially in NY and, later, also in Malaysia) provides ability to satisfy larger tenders – the Ethiopian contract may be the first of more large tender wins to come.

Africa could represent a growth opportunity as well. Africa, which has historically been a meaningful contributor to CEMI's product sales (accounting for ~17% in both 2015 and 2016 and 36% in 2017), could represent an even greater opportunity going forward given WHO's initiatives focused on ending HIV/AIDS through increasing availability of HIV testing. With a stated goal of diagnosing 90% (an estimated 30% of people with AIDS do not know they have it) of people living with AIDS by the year 2020, WHO's is pushing HIV self-testing to make that happen. WHO's initiatives, per some estimates, could more than triple current demand for HIV self-testing from the nine 'high burden countries in Africa (i.e. those that represent ~50% of people with HIV). Lower-cost manufacturing, via CEMI's Malaysian facility, could be key to driving this opportunity. Also telling of CEMI's focus on winning more HIV self-testing (and international tenders as a whole) business is the recent hire of a new VP of corporate development – Dr. Christine Rousseau has extensive prior experience at the Bill & Melinda Gates Foundation and will be focused on the company's infectious disease initiatives (including HIV self-testing).

Fever Portfolio:

DPP Malaria / Dengue: Given the outsized potential market for POC Dengue testing and CEMI's efforts to gain approval of their product in other Asia Pacific countries, this test could eventually be a tremendously successful product for the company.

Dengue and malaria annual infections are estimated at approximately 400M and 200M, respectively, and combined, are responsible for almost 450k deaths worldwide. CEMI's DPP Malaria assay (development of which was funded by the Gates Foundation) completed feasibility testing and a lab evaluation. Management has noted that their malaria test has shown sensitivity levels "between 10 times and 30 times greater than the market-leading rapid malaria test".

Meanwhile, commercialization of the DPP Dengue assay could soon be expanded beyond the initial-launch territories in SE Asia. These relatively humongous infected populations are attractive, although pricing of competing rapid tests has pushed so low that economic feasibility may be a question. CEMI believes they can significantly reduce manufacturing costs through their Malaysian operation – that, coupled with much higher sensitivity of their assays may mean that these epidemic-like fever diseases are not only viable targets for the company, but also potential steep inflection-point catalysts.

Feasibility testing of a DPP oral fluid malaria test was completed - development of which would make it the first POC oral fluid malaria diagnostic. An oral fluid version could generate tremendous interest, particularly in remote areas and among asymptomatic individuals given the user-friendliness and greater ease of providing saliva as opposed to blood samples. Saliva testing offers the potential to significantly increase malaria testing in pandemic areas of the world and, as such, the value-add could command pricing premium to the current blood-based POC tests currently on the market. Given the relatively massive size of the malaria testing market, if eventually commercialized (and manufactured at a feasible cost), we think this DPP Malaria saliva/blood could potentially be a tremendous success.

DPP Zika: DPP Zika and the micro reader are approved in Brazil. While it is too early to predict order flow, the prior almost epidemic-like Zika outbreak in Brazil (~1.5M people infected) and proven commercialization capabilities of FIOCRUZ means commercialization in that country could be a meaningful revenue catalyst. The test is also CE Marked and has generated initial revenue in CEMI's Caribbean territories – further expansion in that area offers upside. Additional fever-related launches in the near-term and the large populations of S.E. Asia in Zika-prone geographies present further opportunity to leverage CEMI's Malaysian operations.

A UNICEF contract, awarded to CEMI in March 2019, represents another potential incremental source of revenue. Contingent on receiving CE Mark of the DPP Zika/Chikungunya/Dengue test and Micro Reader, the contract will pay at least $1.5M and up to $3.5M – and, per management's comments, do so at a price equal to 2x to 3x that of a typical rapid HIV test.

DPP Zika also recently received FDA EUA. It is the first and only rapid Zika test to receive that designation. Initial roll-out has already commenced through the company's direct sales organization. CEMI noted that initial detailing focused on state and local health departments - also noting that early feedback was very positive. Expect roll-out to broaden. The next step is to secure CLIA-waiver and 510(k) clearance – if successful those could significantly broaden access and demand for the test in the U.S.

DPP Ebola: while not much of a market for the test as of today, with recent FDA EUA, it could draw demand in case of future domestic Ebola scares.

OUR OUTLOOK

The company has been deliberate in finding ways to grow all of their product lines, diversify their revenue base and increase shots on goal. They have shown an ability to deliver on this strategy. Bringing sales functions in-house which included hiring experienced sales executives to manage the America's and EMEA regions and recruiting international sales directors tasked with increasing sales of the company's products in each of their respective regions (Latin America, Africa and Asia/Pacific) has paid major dividends. This deliberate move to lessen (or potentially eliminate) the company's historic reliance on a small handful of third-party companies and governmental organizations in regulatory affairs, marketing and distribution has already been transformational.

CEMI has indicated that they will continue with what has worked – including additional layering of their US sales capabilities. MTMC could generate needle-moving contribution, particularly once DPP HIV/Syph launches. Other recent "wins" relative to regaining control of their destiny include the addition of Dr. Christine Rousseau, resurgence of U.S. lateral flow sales, OTC HIV segment growth, new Bio-Manguinhos contracts and commercialization agreements, acquiring RVR (providing direct commercial and manufacturing access to large SE Asia markets), the large Ethiopian tender, AstraZeneca development collaboration, acquiring OpTricon and more.

As it relates specifically to opTricon, the acquisition not only offers margin enhancement on the readers, but also provides a tangible European base of operations (the facility will act as CEMI's European HQ) and offers more flexibility in product development and potentially as well in partnering and collaboration arrangements.

The outside collaborations are just the latest iteration of CEMI building their business from the inside, out. AZN was the first of what could be many deals to follow. LumiraDx came to CEMI not just for their technology but also their expertise and success in developing high-potential products and bringing them through regulatory (FDA as well as a host of other countries) and to commercialization. Expect that this, as well as the already-successful AZN collaboration, could be a resume builder and attract additional attention.

Guidance

Management provided revenue guidance for the first time since we've been covering the company (June 2010). Guidance includes total revenue of $36M - $40M for FY2019 and reaching $100M of revenue by FY2023. This implies growth of between 8% and 20% in 2019 and a topline CAGR of at least 25% through 2023. Moreover, management indicated on the call that the majority of this growth, as might be expected, is anticipated to come from product sales (as opposed to R&D contracts, milestones and grant revenue), which has accounted for an average of about 80% of total sales over the last several years.

For context, total and product revenue increased 39% and 38%, respectively, in 2019 and experienced CAGRs of 13% and negative 1%, respectively over the five previous years (i.e. 2013 – 2018). Meanwhile adjusted EPS fell from $0.11 in 2013 to ($0.55) in 2018. Over that same period, CEMI's share price and market capitalization increased by about 65% and 200%, respectively.

Our point is that much of the restocking for future growth, which has included building and commercializing the fever portfolio, continued expansion of the STD product line (including high profile products such as DPP HIV/Syphilis), maintaining key customer relationships (such as Bio-Manghinos), bringing domestic (as well as some international) sales in-house, new collaborations and partnerships, and other growth catalysts (including the recent acquisition of opTricon), have been developed over the last few years but have yet to be fully realized – but should be over the coming years. As such, and given expectations that margins and profitability will similarly increase with the guided-for topline growth, this could represent a particularly attractive entry point in the stock, in our opinion.

Model Estimates

We now look for 2019 revenue of $38.1M, including product sales of $34.5M. This implies total and product sales growth of 14% and 29%, respectively. We show consistent improvement in product margin, benefitting from sales mix towards higher margin products and efficiencies from automated manufacturing. As manufacturing moves

further towards full automation, margins should benefit even more. We now show product and total gross margins of approximately 28% and 35% for the full year 2019, compared to 20% and 36% in 2018. While we expect recent investments in these growth initiatives to result in growth of operating expenses outpacing that of gross profit in 2019, we think that reverses for the full year 2020. We now show net loss and EPS of $8.2M and ($0.48) in 2019 (compared to $7.9M and ($0.55) in 2018) and $3.3M and ($0.18) in 2020. We show further improvement in the new out-year in our model (2021), when we have CEMI generating positive net income and EPS of $0.09.

VALUATION

OSUR trades at 4.1x consensus 2019 sales and 3.7x consensus 2020 sales. Based on our estimated CEMI 2019 revenue of $38.1M and 2020 revenue of $47.2M, **CEMI is valued at approximately $9.50/share,** which is unchanged from our prior update.

INCOME STATEMENT

Chembio Diagnostics, Inc.

	2017 A	Q1A	Q2A	Q3A	Q4A	2018 A	Q1E	Q2E	Q3E	Q4E	2019 E	2020 E	2021 E
Product sales	$19,322	$6,398	$6,858	$7,856	$5,629	$26,741	$7,374	$7,956	$8,672	$10,551	$34,553	$44,025	$57,320
% of total revenue	80.5%	82.9%	78.6%	83.8%	74.1%	80.0%	89.5%	91.9%	89.9%	91.3%	90.7%	93.3%	92.1%
YOY Growth	41.3%	17.9%	137.1%	28.1%	15.6%	38.4%	15.3%	16.0%	10.4%	87.4%	29.2%	27.4%	30.2%
License & royalty income	$742	$202	$277	$229	$242	$949	$246	$281	$243	$251	$1,021	$1,121	$1,446
% of product sales	3.8%	3.2%	4.0%	2.4%	3.2%	2.8%	3.0%	3.2%	2.5%	2.2%	2.7%	2.4%	2.3%
R&D contracts, grants, milestones	$3,952	$1,117	$1,586	$1,292	$1,724	$5,720	$622	$416	$731	$759	$2,528	$2,052	$3,488
% of total revenue	16.5%	14.5%	18.2%	13.8%	22.7%	17.1%	7.5%	4.8%	7.6%	6.6%	6.6%	4.3%	5.6%
Total Revenues	**$24,015**	**$7,717**	**$8,720**	**$9,377**	**$7,595**	**$33,409**	**$8,242**	**$8,653**	**$9,646**	**$11,561**	**$38,102**	**$47,198**	**$62,254**
YOY Growth	34.4%	22.0%	111.9%	23.6%	26.8%	39.1%	6.8%	-0.8%	2.9%	52.2%	14.0%	23.9%	31.9%
Cost of Revenues	$12,921	$4,118	$5,935	$6,775	$4,599	$21,427	$5,966	$6,015	$6,114	$6,837	$24,931	$26,679	$32,558
Gross Income	**$11,094**	**$3,599**	**$2,785**	**$2,602**	**$2,996**	**$11,982**	**$2,276**	**$2,638**	**$3,532**	**$4,724**	**$13,171**	**$20,519**	**$29,696**
Gross Margin	46.2%	46.6%	31.9%	27.7%	39.4%	35.9%	27.6%	30.5%	36.6%	40.9%	34.6%	43.5%	47.7%
Product Margin	33.1%	35.6%	13.5%	13.8%	18.3%	19.9%	19.1%	24.4%	29.5%	35.2%	27.8%	39.4%	43.2%
Research & Development	$8,555	$1,847	$1,991	$1,898	$2,789	$8,526	$2,065	$2,174	$2,112	$2,515	$8,866	$9,886	$11,524
% R&D	35.6%	23.9%	22.8%	20.2%	36.7%	25.5%	25.1%	25.1%	21.9%	21.8%	23.3%	20.9%	18.5%
Selling General & Admin	$9,021	$2,407	$2,547	$3,034	$3,113	$11,101	$2,984	$3,072	$3,154	$3,330	$12,539	$13,923	$16,497
% SG&A	37.6%	31.2%	29.2%	32.4%	41.0%	33.2%	36.2%	35.5%	32.7%	28.8%	32.9%	29.5%	26.5%
Operating Income	**($6,483)**	**($654)**	**($1,754)**	**($2,330)**	**($2,906)**	**($7,644)**	**($2,772)**	**($2,608)**	**($1,734)**	**($1,121)**	**($8,234)**	**($3,291)**	**$1,675**
Operating Margin	-27.0%	-8.5%	-20.1%	-24.8%	-38.3%	-22.9%	-33.6%	-30.1%	-18.0%	-9.7%	-21.6%	-7.0%	2.7%
Other income (expense)	$0	$0	$0	$0	($338)	($338)	$0	$0	$0	$0	$0	$0	$0
Interest income, net	$22	$2	$25	$16	$6	$49	$5	$4	$4	$3	$16	$11	$44
Pre-Tax Income	**($6,460)**	**($652)**	**($1,728)**	**($2,314)**	**($3,237)**	**($7,932)**	**($2,767)**	**($2,604)**	**($1,730)**	**($1,118)**	**($8,219)**	**($3,280)**	**$1,719**
Taxes	($88)	$0	$0	$0	($68)	($68)	$0	$0	$0	$0	$0	$0	$0
Tax Rate	1.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Net Income	**($6,372)**	**($652)**	**($1,728)**	**($2,314)**	**($3,170)**	**($7,865)**	**($2,767)**	**($2,604)**	**($1,730)**	**($1,118)**	**($8,219)**	**($3,280)**	**$1,719**
YOY Growth	-52.3%	-59.6%	-20.5%	295.8%	58.6%	23.4%	324.2%	50.7%	-25.2%	-64.7%	4.5%	-60.1%	-152.4%
Net Margin	-26.5%	-8.5%	-19.8%	-24.7%	-41.7%	-23.5%	-33.6%	-30.1%	-17.9%	-9.7%	-21.6%	-6.9%	2.8%
EPS	**($0.52)**	**($0.05)**	**($0.12)**	**($0.16)**	**($0.20)**	**($0.54)**	**($0.16)**	**($0.15)**	**($0.10)**	**($0.06)**	**($0.48)**	**($0.18)**	**$0.09**
YOY Growth	-	-	-	-	-	-	-	-	-	-	-	-	-

Weighted Avg. Shares O/S	12,347	13,267	14,165	14,174	16,124	14,433	17,204	17,210	17,220	17,225	17,215	18,700	20,000
Brian Marckx, CFA													

HISTORICAL STOCK PRICE



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