Zacks Small-Cap Research

November 10, 2014
Jason Napodano, CFA
David Bautz, PhD
312-265-9421 / jnapodano@zacks.com

scr.zacks.com
10 S. Riverside Plaza, Ste 1600, Chicago, IL 60606

Tonix Pharmaceuticals (TNXP-NASDAQ)

TNXP: Tonix Pushing Forward With TNX-102 SL Despite BESTFIT Miss…

Current Recommendation	**Neutral**
Prior Recommendation	Buy
Date of Last Change	09/29/14
Current Price (11/10/14)	$7.20
Target Price	**$10.00**

We were disappointed to see that the BESTFIT trial did not meet statistical significance in the primary efficacy outcome in September 2014. With the stock price down approximately 75% from the 52-week highs, we see opportunity on this news. Tonix currently has a market cap of approximately $88 million on a fully diluted basis. The company reported over $46 million in cash at the end of the third quarter. Thus, the company currently has an enterprise value of only $42 million.

That being said, we understand the shares will likely remain cheap until Tonix can either report new data on either candidate or, at the very least, confirm the pathway to NDA for TNX-102 SL post their meeting with the FDA. Our target is $10 per share.

SUMMARY DATA

52-Week High	**$18.67**
52-Week Low	**$4.11**
One-Year Return (%)	**84.10**
Beta	**3.69**
Average Daily Volume (sh)	**108,776**
Shares Outstanding (mil)	**11**
Market Capitalization ($mil)	**$83**
Short Interest Ratio (days)	**1.16**
Institutional Ownership (%)	**24**
Insider Ownership (%)	**12**
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 2014 Estimate	**N/A**
P/E using 2015 Estimate	**N/A**

Risk Level	**High**
Type of Stock	**Small-Growth**
Industry	**Med-Biomed/Gene**

ZACKS ESTIMATES

Revenue
(In millions of $)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2013	0 A	0 A	0 A	0 A	0 A
2014	0 A	0 A	0 A	0 E	0 E
2015					0 E
2016					0 E

Earnings per Share
(EPS is operating earnings before non recurring items)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2013	-$0.93 A	-$0.95 A	-$0.87 A	-$0.74 A	-$3.37 A
2014	-$0.59 A	-$0.61 A	-$0.71 A	-$0.61 E	-$2.52 E
2015					-$2.67 E
2016					-$2.06 E

© Copyright 2014, Zacks Investment Research. All Rights Reserved.

WHAT'S NEW

Financial Update – Solid Cash Level

On November 10, 2014, Tonix Pharmaceuticals (TNXP) reported financial results for the third quarter for the period ending September 30, 2014. The company did not report any revenues during the quarter, in-line with expectations and our financial model. Net loss in the quarter totaled $7.4 million, or 71 cents per share, also in-line with our financial model. Loss was driven by $5.2 million in R&D and $2.2 million in G&A.

…R&D Efforts Continue…

R&D expense has been tracking higher over the past few quarters as the company pushes forward with its two key pipeline products, TNX-102 SL and TNX-201. For example, for the three quarters in 2014, R&D has increased from $3.6 million in the first quarter to $4.1 million in the second and $5.2 million in the third. We expect R&D to decline in the fourth quarter now that Phase 2b BESTFIT fibromyalgia study has completed, but not by much. The company will continue to conduct the F203 12-month open-label extension study of BESTFIT. Despite the top-line failure of BESTFIT in September 2014, the goal of this extension study is to obtain prerequisite 6- and 12-month safety data for the planned U.S. NDA. Management expects F203 to continue until August 2015. Besides the continued effort to develop TNX-102 SL in fibromyalgia, the company is also planning to initiate a Phase 2 trial called AtEase in military-related PTSD before the end of the year. Finally, we expect Tonix to initiate a Phase 1 single ascending dose comparative pharmacokinetic, bioequivalencey and safety study of TNX-201, single isomer of isometheptene, also before the end of the year. Assuming no major safety or PK/BE issues, Tonix should move TNX-201 into Phase 2 for episodic tension-type headache in the first half of 2015.

…Cash Position Still Solid…

Tonix exited the third quarter 2014 with $46.2 million in cash and investments. Operating burn in the third quarter totaled $5.0 million. For the first nine months of 2014, Tonix burned approximately $14.9 million in cash. We remind investors that in January 2014, the company raised approximately $40.7 million through a public offering of 2.9 million shares at $15.00 per share. Then, in July 2014, Tonix entered into a registered direct offering of 657,000 shares at $11.90 per share, netting $7.2 million in cash. Besides these offerings, Tonix has also received approximately $5.4 million in warrant exercises through September 2014.

We believe the current cash position is sufficient cash to fund operations for the foreseeable future. We view Tonix high cash balance as a significant reduction in risk for investors despite the lack of visibility with lead pipeline candidate TNX-102 SL in fibromyalgia. As of November 6, 2014, Tonix reported a basic outstanding share count of 10.8 million. Warrants and stock options within 100% of the stock price bring the reasonably fully-diluted number to approximately 12.2 million. This equates to a market capitalization of $88 million. Exercise of all warrants currently in-the-money, 0.992 million at $4.25 per share, would net the company roughly $4.2 million in cash.

Tonix reports results from the Phase 2b/3 BESTFIT trial

On September 29, 2014, Tonix Pharmaceuticals announced top-line results for the Phase 2b BESTFIT trial. The study did not achieve statistical significance in the primary efficacy endpoint of change in average daily pain score at week 12 (p=0.086 by mixed-effect model repeated measure analysis, p=0.172 by jump-to-control, multiple imputation analysis). However, there was a statistically significant effect on pain when examining the percentage of patients achieving a 30% or greater improvement (p=0.030).

Below we will briefly review the BESTFIT trial, take a deeper look at the additional efficacy results that were obtained during the trial, and go over potential next steps for the company.

…Brief Backgrounder On BESTFIT…

BESTFIT was a randomized, double-blind, placebo-controlled 12-week safety and efficacy study in fibromyalgia patients who were given either a TNX-102 SL (cyclobenzaprine HCl 2.8 mg) tablet or placebo at bedtime. A total of 205 patients were enrolled at 17 centers in the U.S. with trial participants randomized to either TNX-102 SL (n=103) or placebo (n=102).

© Copyright 2014, Zacks Investment Research. All Rights Reserved.

The primary endpoint of the trial was the change in pain from baseline to week 12 as measured by the Numeric Rating Scale (NRS). The company also collected information on secondary endpoints, including NRS scores at other time points during the 12-week study, the Fibromyalgia Impact Questionnaire (FIQ), and the Patient Global Impression of Change (PGIC).

…Top-line Misses…

The company conducted two statistical tests to analyze the primary efficacy endpoint, which was the change in average daily pain score. The mixed-effect model repeated measure analysis (MMRM) and the jump-to-control (JTC) multiple-imputation analysis both showed no statistically significant change in pain at week 12 (MMRM p=0.086; JTC p=0.172) when compared to placebo. While the MMRM analysis would be considered a standard statistical test, the JTC analysis is quite conservative, as it relies on imputed calculations for missing data. Thus, while it could be argued that the data was trending toward significance using the MMRM analysis, the same was not true with the JTC analysis.

The primary endpoint chosen for the BESTFIT trial was the same that was utilized by Pfizer and Eli Lilly to gain approval for Lyrica and Cymbalta, respectively, for the treatment of fibromyalgia syndrome. Thus, investors had hoped to see a significant improvement in change in pain just as those two drugs had shown. Failure to reach significance in this endpoint is a major concern of ours for the future development of TNX-102 SL in this indication.

…But Secondary Endpoints Give Hope…

TNX-102 SL was well tolerated in the study, with 86.4% and 83.3% of subjects randomized to TNX-102 SL and placebo, respectively, finishing the trial. There were no reports of serious adverse events. As was expected based on the Phase 1 study results, the rate of tongue numbness (41.7% vs. 1.0%) and abnormal taste (7.8% vs. 0.0%) were higher in the active treatment group. The company reported that tongue numbness was a local effect related to dose administration and was transient in almost all cases. There were only three systemic adverse effects that occurred at a rate of 3.0% or greater in the overall trial population, which are indicated below.

Systemic	TNX-102 SL (N=103)		Placebo (N=101)		Total (N=204)	
Adverse Event	N	%	N	%	N	%
Somnolence	2	1.9	7	6.9	9	4.4
Dry Mouth	4	3.9	4	4.0	8	3.9
Back Pain	5	4.9	3	3.0	8	3.9

Source: Tonix Pharmaceuticals, Inc.

While TNX-102 SL did not show statistically significant activity in the primary endpoint, there were a number of secondary analyses performed where the compound did show statistical significance. These included outcomes in relation to pain, sleep, and fibromyalgia-related symptoms. The table below provides a summary of these analyses.

Outcome Measure at Week 12	Intent-to-Treat Analysis	P value (1)
Pain		
Daily Pain Diary, NRS	Mean Change (2)	0.086 / 0.172 (JTC)
Daily Pain Diary, NRS	Proportion of Patients Achieving 30% Improvement (3)	0.030* (LR)
Clinic NRS 7-day pain recall	Mean Change	0.029*
FIQ-R Pain Item	Mean Change	0.004*
Sleep		
Daily Sleep Quality Diary, NRS	Mean Change	<0.001*
PROMIS Sleep Disturbance	T-score Change	0.003* / 0.004* (JTC)
FIQ-R Sleep Quality Item	Mean Change	<0.001*
Fibromyalgia-Related		
Patient Global Impression of Change	Responder Analysis	0.025* (LR)
FIQ-R Total Score	Mean Change	0.014* / 0.015* (JTC)
FIQ-R Symptom Domain	Mean Change	0.004*
FIQ-R Function Domain	Mean Change	0.060
FIQ-R Anxiety Item	Mean Change	0.015*
FIQ-R Sensitivity Item	Mean Change	0.017*
FIQ-R Stiffness Item	Mean Change	0.039*

*JTC = Jump to Control, Multiple Imputation; LR = Logistic Regression; NRS = Numeric Rating Scale * p < 0.05*

(1) Analysis by Mixed-Effect Model Repeated Measure unless otherwise indicated.

(2) Primary endpoint for FDA approvals of Lyrica® and Cymbalta® in fibromyalgia.

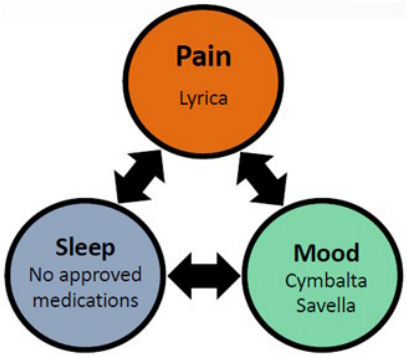
(3) Primary endpoint for FDA approval of Savella® in fibromyalgia.

Source: Tonix Pharmaceuticals, Inc.

The fact that so many different efficacy results showed a statistically significant improvement is encouraging, albeit less so with the primary endpoint failing to reach significance. The company has indicated that they will be presenting the full data from the study at an upcoming medical conference, but will not release any more details about the data before that time. Thus, it is quite difficult to gain any further insight into why so many different outcome measurements yielded statistically significant results while the primary endpoint did not reach statistical significance.

A Path Forward In Sleep?

One of the more important analyses from the chart above has to do with the effect of TNX-102 SL on sleep and sleep quality. TNX-102 SL showed a statistically significant improvement in the Daily Sleep Quality Diary score, the PROMIS Sleep Disturbance Instrument, and the FIQ-R Sleep Quality Item. This is important because the National Pain Foundation estimates that 90% of all FM patients have sleep problems. For most FM patients, it's not a lack of sleep; it's a lack of quality restorative sleep that is debilitating. This is because current treatment options for fibromyalgia continue to leave many patients dissatisfied, particularly in regards to sleep related symptoms. Existing approved fibromyalgia medications such as Lyrica and Cymbalta, which focus on reducing fibromyalgia-associated pain and mood disorder, respectively, do little to improve sleep quality. Insomnia medications such as Ambien and Lunesta improve total sleep time, but do little to improve the chronic fatigue associated with fibromyalgia. The results from the BESTFIT trial show that TNX-102 SL significantly improved sleep related outcomes, thus representing a potential niche in the fibromyalgia market for the compound.



Another important outcome noted in the chart above is the statistical significance seen in the proportion of patients achieving a 30% improvement in pain score (p=0.030). Of interest, this type of "responder analysis" was utilized by Forest Laboratories to gain approval for Savella in 2009 and thus is likely to be the path forward as the company looks ahead to developing a Phase 3 program.

…Waiting For FDA Guidance…

Tonix is currently seeking guidance from the U.S. FDA on the next step in development for TNX-102 SL. Management required a Type-C meeting with the agency in late September 2014 after the BESTFIT results were made public. PDUFA goal response time on a Type-C meeting is 75 days. The company would like to push into Phase 3 studies with TNX-102 SL during the first half of 2015. We believe there are a number of positives that the company will be able to present to the agency, including the statistically significant improvements noted in multiple aspects of the FIQ-R, which looks at a broad range of symptoms associated with fibromyalgia, along with a statistically significant improvement in the responder analysis using Patient Global Impression of Change (PGIC) with a p-value of 0.025.

Clearly, TNX-102 SL shows clinical activity in regards to improving sleep and sleep related symptoms along with certain other pain and fibromyalgia related outcomes in fibromyalgia patients. However, the fact that the change in pain did not show statistical significance is a large hindrance, and makes it quite difficult to forecast the clinical development path from this point forward before the conclusion of the meeting with the FDA. While these measures are important to showing that the compound does have clinical activity, management has stopped short of publicly suggesting how the FDA may advise the company to move forward. We suspect that the agency will require Tonix to conduct two large-scale (n~400) Phase 3 programs with each demonstrating a p-value < 0.05 with 30% responder rate for NRS. Ideally, Tonix can run this program concurrently, but at approximately $10 million per trial we do not believe Tonix will initiate either program until FDA discussions have taken place.

We caution investors that extrapolating secondary endpoints into potential pathways for approval is a dangerous game in the biotech world. There is clear precedent on responder analysis with Forest Labs and the approval of Savella, but until Tonix can sit down with the FDA and map out a development plan we are hesitant to tell investors to buy the stock. That being said, if Tonix can gain approval for TNX-102 SL in fibromyalgia using standardized pain (NRS) endpoints in a Phase 3 responder analysis program, while also demonstrating improvement in clinically important symptoms of fatigue and sleep quality, we believe a meaningful market opportunity exists. Frost & Sullivan estimate that 48 million tablets of cyclobenzaprine were sold specifically for fibromyalgia in 2010. We believe at least a third of fibromyalgia patients would actively seek out prescription therapy, either as a monotherapy or an adjunctive therapy to Lyrica or Cymbalta, with their physicians support, and try a novel sublingual formulation of very low dose cyclobenzaprine.

Based on the generic market, the target population for Tonix with TNX-102 SL is over 2 million patients. We think that the sublingual formulation clearly contains meaningful advantages over the generic oral formulation. These include rapid absorption and minimal next-day residual effects ideal for a bedtime dose, and avoidance of first pass metabolism and build-up of norcyclobenzaprine ideal for chronic dosing. Of course, all this will need to be confirmed in future clinical trials.

For the purpose of our model, we assume Tonix (and its partner) can capture 5% share – that's one out of every twenty patients currently on generic oral cyclobenzaprine for FM switching to TNX-102 SL. At a cost of $10 per pill, with decent tier-2 and tier-3 coverage, we see TNX-102 SL as a $650 million peak drug. We expect that by 2017, both Lyrica and Cymbalta will be generic, and that Tonix commercial partner will have one of the only (if not the only) branded prescription medications for fibromyalgia available.

Up Next, Military-Related PTSD

We note our forecast above is for sales in FM only. In the fourth quarter 2014, Tonix plans to initiate a Phase 2 study with TNX-102 SL for the treatment of military-related post-traumatic stress disorder. This is the same formulation of sublingual low-dose cyclobenzaprine being used in the company's Phase 2b BESTFIT study. In June 2014, the company received IND clearance to begin this study. The Phase 2 study, all AtEase (NCT02277704), will be a randomized, double-blind, placebo-controlled clinical trial investigating the safety and efficacy of two doses of TNX-102 SL and placebo administered once daily at bedtime. This 12-week study is expected to enroll approximately 220 patients at about 25 sites in the U.S. Management plans to use print and radio media to spark military interest in the study, and then hope peer-networking speeds enrollment throughout 2015. The primary efficacy analysis will compare differences in mean scores on the Clinician-Administered PTSD Scale (CAPS). We are anticipating data in early 2016.

As for PTSD, there is enormous overlap between fibromyalgia and PTSD. According to Tonix, 50% of the FM or PTSD patient population meets the criteria for the other disorder. Plus, the manifestations and treatment paradigms are similar, and include disturbed sleep and painkiller abuse and addition. Roughly 3.5% of the U.S. adult population suffers from PTSD. The numbers are shockingly high for U.S. military service personnel, a population with high incidence of suicide and opioid addiction. It's a sad and growing problem, and there have been no new approved medications for PTSD in over a decade. Tonix' Phase 2 program will focus specifically on PTSD associated with military / combat service. Although management has narrowed the PTSD population, eliminating things like car accidents and sexual assault, the homogenous population should lead to improved data collection. Plus, the growing attention of the U.S. government in this area should eventually lead to grants or additional funding in the future. It's an astute development plan in our view.

The U.S. PTSD population is estimated at a similar 8 million in size. We believe approximately 25% of these cases are associated with military service, about half of which seek medical treatment for the disease. This puts the U.S. military-associated PTSD population at around 1 million. Assuming similar pricing and market penetration as noted above for fibromyalgia, we believe TNX-102 SL peak sales in PTSD are around $300 million.

If the results of the AtEase trial are positive, Tonix will likely meet with the FDA to finalize the design of the Phase 3 program that would be required to support approval of an NDA for this indication. Based on our communications with the FDA to date, management believes positive results from two adequate, well-controlled efficacy and safety studies and long-term (6- and 12-month) safety exposure data will be sufficient to support FDA approval for this indication. We expect that Tonix may be able to use the 6- and 12-month long-term safety data currently being generated in the F203 study to supplement the PTSD NDA.

TNX-201 Phase 1 To Begin Soon

On March 3, 2014 Tonix announced that they had recently held a pre-Investigational New Drug (pre-IND) meeting with the U.S. FDA to discuss the development of TNX-201, a single isomer isometheptene (IMH) for the relief of episodic tension-type headache (ETTH). Tension type headaches (TTH) are the most common type of headaches among adults and are also known as "stress headaches". In late October 2014, the company received FDA clearance on the IND. Management's goal is to complete a first-in-man Phase 1 single ascending dose comparative pharmacokinetic and safety study of TNX-201 here in the fourth quarter of 2014. The Phase 1 study will be a comparative pharmacokinetic, bioequivalencey and safety study. Assuming no major safety or PK/BE issues, Tonix should move TNX-201 into Phase 2 for episodic tension-type headache in the first half of 2015.

…Large Market Opportunity…

Approximately 20% of the world's population suffers from tension type headaches. Women are slightly more affected than men and the peak incidence occurs between the ages of 30-39 and decreases with increasing age. A 1997 study showed that lost workdays from TTH are as much as three times greater than from migraine headaches. Despite numerous clinical studies, the exact cause of TTH remains elusive; however, there are certain things that seem to trigger them including: stress and anxiety, squinting, poor posture, dehydration, noise, bright sunlight, tiredness and certain smells. ICHD II classified tension type headaches as either episodic (ETTH) or chronic (CTTH). ETTH are further subdivided into infrequent (occurring less than 12 days per year) or frequent (more than 12 days per year but less than 180 days per year). CTTH are characterized by an occurrence of more than 180 days per year. The clinical symptoms for the three types of headache are all similar and are only differentiated based on their frequency. We note that these types of headaches are different from migraines and cluster headaches.

Isometheptene, 6-methylamino-2-methylheptene, is a compound that has been utilized to treat headaches for greater than 50 years. It is composed of two isomers, one believed to provide efficacy while the other only contributes to side-effects. It was first introduced into the clinic for the treatment of spasdic conditions of the biliary and urinary tracts but quickly became utilized in the treatment of migraine headaches. It is an indirect-acting agent and is thought to elicit an anti-headache action through a sympathomimetic effect leading to constriction of blood vessels in the head. It targets both the Alpha-1A adrenergic receptor and the synaptic vesicular amine transporter. Interaction with these cell surface targets elicits smooth muscle activation leading to vasoconstriction.

Tonix has developed a method for purifying a single isomer of isometheptene that the company believes can potentially reduce the toxicity associated with the racemic mixture (a mixture of the two isomeric forms). Isometheptene falls under the category of drugs where one isomer is believed to confer the anti-headache effect while the other isomer is responsible for the unwanted side effects. Tonix will need to prove this is clinical trials. However, assuming that the clinical trials go according to plan, we foresee TNX-201 clinical trials finishing in 2017 with an NDA filing in 2018 and approval in 2019.

Tonix has an extensive patent portfolio for TNX-201. The intellectual property relates to isometheptene isomers and includes patent applications directed to a purified isomer of isometheptene, pharmaceutical compositions containing isometheptene, isometheptene formulations, methods for modulating headache and other CNS conditions and treating CNS conditions utilizing isometheptene isomers, and methods of manufacturing isometheptene isomers. The Isometheptene Technology patent portfolio includes U.S. patent applications such as U.S. Provisional Patent Application Nos. 61/754,281, 61/793,456, and 61/814,664. If U.S. and non-U.S. patents claiming priority from those applications issue, those patents would expire in 2034, excluding any patent term adjustments or extensions.

TNX-201 clearly targets a large market. Various sources range the number of Americans suffering from TTH between 35 and 45 million. Approximately 80% of these are episodic in nature, with roughly 10% not adequately controlled by OTC NSAIDs or aspirin. Of these approximate 3.2 million individuals, we suspect that 50% will seek medical Rx to treat their TTH. The average sufferer has about one episode per week. Assuming Tonix prices TNX-201 comparable to migraine drugs Cambia® ($33 per pill) and Treximet® ($28 per pill), with 10% market share of the active medical Rx seekers, TNX-201 looks to be around a $300 million drug.

Conclusion

We were disappointed to see that the BESTFIT trial did not meet statistical significance in the primary efficacy outcome in September 2014. With the stock price down approximately 75% from the 52-week highs, we see opportunity on this news. Tonix currently has a market cap of approximately $88 million on a fully diluted basis. The company reported over $46 million in cash at the end of the third quarter. Thus, the company currently has an enterprise value of only $42 million.

We will be quite interested to hear what the FDA has to say in regards to a potential Phase 3 program for TNX-102 SL in fibromyalgia along with what primary outcomes would be acceptable to the agency as part of a path to approval. We suspect that the FDA will ask Tonix to conduct two large-scale Phase 3 programs at roughly 400 patients per trial, with the primary endpoint being 30% responder rate on NRS. With 205 patients in the Phase 2b trial this endpoint hit statistical significance at p=0.030. Two successful Phase 3 trials at p-value less than 0.05 plus 6- and 12-month safety data will likely be required for approval. Tonix requested a Type-C meeting with the agency in late September 2014. We are expecting management to provide an update on TNX-102 SL in fibromyalgia early in 2015.

Nevertheless, based upon the results of BESTFIT, we lowered our rating on the shares to 'Neutral'. We still believe that TNX-102 SL has a pathway forward in both fibromyalgia and military-related PTSD. We are also intrigued by the opportunity with TNX-201 in ETTH. Investors seem to be heavily discounting Tonix' pipeline at today's valuation. That being said, we understand the shares will likely remain cheap until Tonix can either report new data on either candidate or, at the very least, confirm the pathway to NDA for TNX-102 SL post their meeting with the FDA. Our target is $10 per share.

PROJECTED FINANCIALS

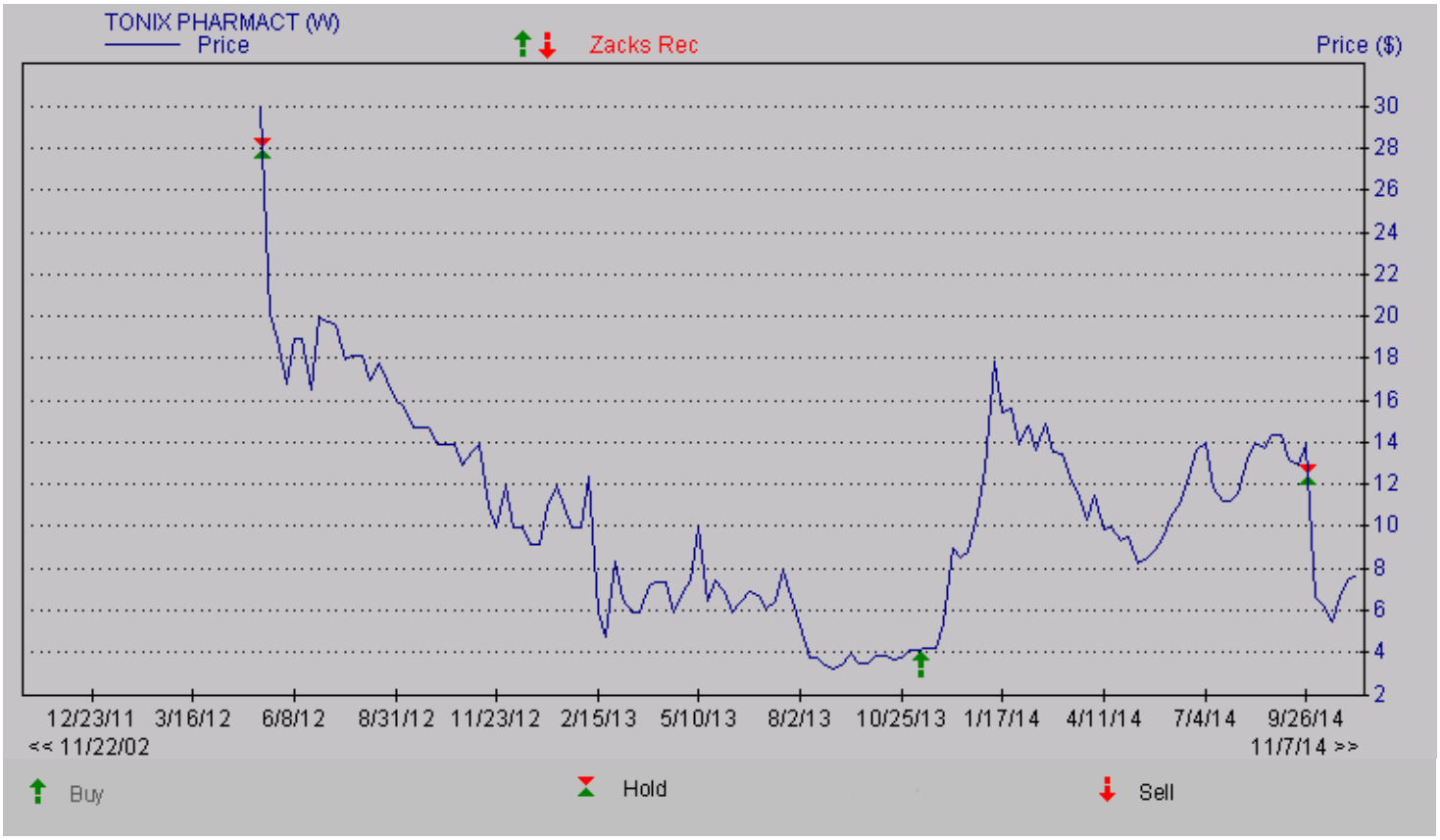
Tonix Pharma
Income Statement

Tonix Pharmaceuticals	2013 A	Q1 A	Q2 A	Q3 A	Q4 E	2014 E	2015 E	2016 E
TNX-102SL (FM)	$0	$0	$0	$0	$0	$0	$0	$0
YOY Growth	-	-	-	-	-	-	-	-
TNX-102SL (PTSD)	$0	$0	$0	$0	$0	$0	$0	$0
YOY Growth	-	-	-	-	-	-	-	-
TNX-201 (ETTH)	$0	$0	$0	$0	$0	$0	$0	$0
YOY Growth	-	-	-	-	-	-	-	-
Research & Collaborations	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
YOY Growth	-	-	-	-	-	-	-	-
Total Revenues	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
YOY Growth	-	-	-	-	-	-	-	-
CoGS	$0	$0	$0	$0	$0	$0	$0.0	$0.0
Product Gross Margin	-	-	-	-	-	-	-	-
R&D	$4.7	$3.6	$4.1	$5.2	$4.5	$17.3	$25.0	$22.0
% R&D	-	-	-	-	-	-	-	-
SG&A	$6.2	$1.6	$2.0	$2.2	$2.1	$7.9	$8.5	$9.0
% SG&A	-	-	-	-	-	-	-	-
Operating Income	($10.9)	($5.2)	($6.0)	($7.4)	($6.6)	($25.3)	($33.5)	($31.0)
Operating Margin	-	-	-	-	-	-	-	-
Interest & Other Income	$0.0	$0.0	$0.0	$0.0	$0.1	$0.1	$0.1	$0.1
Pre-Tax Income	($10.9)	($5.2)	($6.0)	($7.4)	($6.5)	($25.1)	($33.4)	($30.9)
Taxes & Other	$0	$0	$0	$0	$0	$0	$0	$0
Tax Rate	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*
Net Income	($10.9)	($5.2)	($6.0)	($7.4)	($6.5)	($25.1)	($33.4)	($30.9)
Net Margin	-	-	-	-	-	-	-	-
Reported EPS	**($3.37)**	**($0.59)**	**($0.61)**	**($0.71)**	**($0.61)**	**($2.52)**	**($2.67)**	**($2.06)**
YOY Growth	*-39.6%*	-	-	-	-	*-25.1%*	*5.9%*	*-22.9%*
Weighted Shares Outstanding	3.2	8.7	9.9	10.5	10.7	10.0	12.5	15.0

Source: Zacks Investment Research, Inc. *Jason Napodano, CFA*

© Copyright 2014, Zacks Investment Research. All Rights Reserved.

HISTORICAL ZACKS RECOMMENDATIONS



© Copyright 2014, Zacks Investment Research. All Rights Reserved.

DISCLOSURES

The following disclosures relate to relationships between Zacks Small-Cap Research ("Zacks SCR"), a division of Zacks Investment Research ("ZIR"), and the issuers covered by the Zacks SCR Analysts in the Small-Cap Universe.

ANALYST DISCLOSURES

I, Jason Napodano, CFA, CFA, hereby certify that the view expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the recommendations or views expressed in this research report. I believe the information used for the creation of this report has been obtained from sources I considered to be reliable, but I can neither guarantee nor represent the completeness or accuracy of the information herewith. Such information and the opinions expressed are subject to change without notice.

INVESMENT BANKING, REFERRALS, AND FEES FOR SERVICE

Zacks SCR does not provide nor has received compensation for investment banking services on the securities covered in this report. Zacks SCR does not expect to receive compensation for investment banking services on the Small-Cap Universe. Zacks SCR may seek to provide referrals for a fee to investment banks. Zacks & Co., a separate legal entity from ZIR, is, among others, one of these investment banks. Referrals may include securities and issuers noted in this report. Zacks & Co. may have paid referral fees to Zacks SCR related to some of the securities and issuers noted in this report. From time to time, Zacks SCR pays investment banks, including Zacks & Co., a referral fee for research coverage.

Zacks SCR has received compensation for non-investment banking services on the Small-Cap Universe, and expects to receive additional compensation for non-investment banking services on the Small-Cap Universe, paid by issuers of securities covered by Zacks SCR Analysts. Non-investment banking services include investor relations services and software, financial database analysis, advertising services, brokerage services, advisory services, equity research, investment management, non-deal road shows, and attendance fees for conferences sponsored or co-sponsored by Zacks SCR. The fees for these services vary on a per client basis and are subject to the number of services contracted. Fees typically range between ten thousand and fifty thousand USD per annum.

POLICY DISCLOSURES

Zacks SCR Analysts are restricted from holding or trading securities placed on the ZIR, SCR, or Zacks & Co. restricted list, which may include issuers in the Small-Cap Universe. ZIR and Zacks SCR do not make a market in any security nor do they act as dealers in securities. Each Zacks SCR Analyst has full discretion on the rating and price target based on his or her own due diligence. Analysts are paid in part based on the overall profitability of Zacks SCR. Such profitability is derived from a variety of sources and includes payments received from issuers of securities covered by Zacks SCR for services described above. No part of analyst compensation was, is or will be, directly or indirectly, related to the specific recommendations or views expressed in any report or article.

ADDITIONAL INFORMATION

Additional information is available upon request. Zacks SCR reports are based on data obtained from sources we believe to be reliable, but are not guaranteed as to be accurate nor do we purport to be complete. Because of individual objectives, this report should not be construed as advice designed to meet the particular investment needs of any investor. Any opinions expressed by Zacks SCR Analysts are subject to change without notice. Reports are not to be construed as an offer or solicitation of an offer to buy or sell the securities herein mentioned.

ZACKS RATING & RECOMMENDATION

ZIR uses the following rating system for the 1071 companies whose securities it covers, including securities covered by Zacks SCR:
Buy/Outperform: The analyst expects that the subject company will outperform the broader U.S. equity market over the next one to two quarters.
Hold/Neutral: The analyst expects that the company will perform in line with the broader U.S. equity market over the next one to two quarters.
Sell/Underperform: The analyst expects the company will underperform the broader U.S. Equity market over the next one to two quarters.

The current distribution is as follows: Buy/Outperform- 16.8%, Hold/Neutral- 75.9%, Sell/Underperform – 6.4%. Data is as of midnight on the business day immediately prior to this publication.