Zacks Equity Research

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Neurocrine Biosciences, Inc.

(NBIX-NASDAQ)

NBIX: Neurocrine Well Positioned For The Future…

Current Recommendation	**Outperform**
Prior Recommendation	Neutral
Date of Last Change	06/16/2010
Current Price (07/29/10)	$5.46
Six- Month Target Price	**$9.00**

UPDATE

With a strong financial position, we believe Neurocrine is in an outstanding position to build shareholder value over the next several years. The company exited the second quarter with $145.5 million in cash and receivables, with the potential to earn several hundred million more as clinical development progresses. The company's dramatically improved financial position affords management the opportunity to push forward the development of internal pipeline candidates, including VMAT-2, as well as in-license new pre-phase II molecules within the company's core CNS focus. We recommend accumulating the stock at today's price, up to our $9 target.

SUMMARY DATA

52-Week High	**$6.16**
52-Week Low	**$2.00**
One-Year Return (%)	**61.06**
Beta	**0.32**
Average Daily Volume (sh)	**474,299**
Shares Outstanding (mil)	**55**
Market Capitalization ($mil)	**$299**
Short Interest Ratio (days)	**1.33**
Institutional Ownership (%)	**72**
Insider Ownership (%)	**5**
Annual Cash Dividend	**$0.00**
Dividend Yield (%)	**0.00**
5-Yr. Historical Growth Rates	
Sales (%)	**-62.7**
Earnings Per Share (%)	**N/A**
Dividend (%)	**N/A**
P/E using TTM EPS	**N/A**
P/E using 2010 Estimate	**N/A**
P/E using 2011 Estimate	**N/A**
Zacks Rank	**3**

Risk Level	**Below Avg.**
Type of Stock	**Small-Growth**
Industry	**Med-Drugs**
Zacks Rank in Industry	**18 of 77**

ZACKS ESTIMATES

Revenue
(in millions of $)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2009	0.7 A	0.7 A	0.7 A	0.7 A	3.0 A
2010	0.8 A	4.6 A	13.0 E	13.5 E	31.9 E
2011					35.0 E
2012					30.0 E

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

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2009	-$0.51 A	-$0.39 A	-$0.21 A	-$0.20 A	-$1.30 A
2010	-$0.18 A	-$0.09 A	$0.04 E	$0.05 E	-$0.17 E
2011					$0.01 E
2012					-$0.11 E

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

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WHAT'S NEW

Second Quarter Financials…

On July 28, 2010, Neurocrine Bio reported financial results for the second quarter 2010. The company reported total revenues in the second quarter of $4.6 million, which consisted of $1.3 million in sponsored R&D from Abbott Labs (ABT) and Boehringer Ingelheim (BI) and $3.4 million in license fees and milestones, of which roughly $2.6 million was amortization of upfront payments from ABT on elagolix and BI on GPR119, and $0.7 million was from Dainippon Sumitomo Pharma (DSP) on indiplon. As a reminder, Neurocrine signed two research collaborations in the second quarter with, one with ABT for elagolix that included $75 million cash upfront and the potential for $500 million in milestones, and one with BI for GPR119 that included $10 million upfront and the potential for $225 million in milestones. Neurocrine reported a net loss for the second quarter totaled $5.2 million, or 9 cents per share. This was significantly better than our expectations on greater recognition of the upfront milestone payments from both Abbott Labs and Boehringer Ingelheim.

The company's balance sheet on June 30, 2010 reflected total assets of $155.0 million, including cash, investments and receivables of $145.5 million. Cash and investments totaled $131.4 million. Management expects to end the year with roughly $130 million in cash, investments, and receivables.

Neurocrine Looks Well Positioned for the Future

In June 2010, we upgraded our rating on Neurocrine Bio to Outperform and established a price target of $9 per share. We regard the collaboration deal with Abbott Labs as a 'Homerun'. Neurocrine received $75 million upfront and has the potential to earn an additional $500 million in future milestones, of which CEO Kevin Gorman noted the "vast majority" are for development. This gives us confidence that Neurocrine will recognize a significant portion of these milestones prior to potential FDA approval in 2013 or 2014. Abbott is the pioneer and market leader in GnRH antagonists with Lupron (leuprolide) for the treatment of hormone-responsive cancers such as prostate cancer or breast cancer. The drug is also used by Ob/Gyns for the treatment of endometriosis and uterine fibroids, as well as to treat precocious puberty, and to control ovarian stimulation in In-Vitro Fertilization (IVF). Abbott has a strong appreciation for the GnRH mechanism and the company is clearly committed to see elagolix a success with Lupron expected to lose patent protection in 2015. Abbott's Lupron sales in 2009 were $800 million ($540 million U.S.). We believe that Abbott will look to replace Lupron in the Ob/Gyn market with elagolix thanks to superior efficacy and tolerability, as well as patent protection.

The second deal with Boehringer Ingelheim adds icing to the cake. The collaboration will focus on the research and development of G-protein coupled receptor (GPCR) small molecules for the treatment of Type-2 diabetes. The activation of GPR119 receptors located in the digestive system stimulates incretins, resulting in increased insulin production, while activation of GPR119 receptors located on pancreatic islet beta cells also stimulates insulin secretion. As part of terms of the collaboration, Neurocrine received another $10 million upfront milestone payment for research funding, and is eligible to receive up to $225 million in future milestone payments based on the achievement of development, regulatory and commercial goals. Again, CEO Kevin Gorman noted that a "substantial amount" can be achieved in clinical development.

With a strong financial position, we believe Neurocrine is in an outstanding position to build shareholder value over the next several years. The company exited the second quarter with $145.5 million in cash and receivables, with the potential to earn several hundred million more as clinical development progresses. The company has several other outstanding collaboration partners, including with Glaxo on CRF1, DSP on indiplon in Japan, and with the Christchurch Cardioendocrine Research Group and University of Edinburgh for Urocortin-2. These collaborations are a game-changer for Neurocrine. The company's dramatically improved financial position affords management the opportunity to push forward the development of internal pipeline candidates, including VMAT-2, as well as in-license new pre-phase II molecules within the company's core CNS focus. We recommend accumulating the stock at today's price, up to our $9 target.

INVESTMENT THESIS

DAISY Program Offers Positive Results

On May 24, 2010, Neurocrine Bio announced that the DAISY PETAL (Study-901) program provided statistically significant results in all top-line primary and secondary endpoints testing the company's proprietary, orally-active nonpeptide Gonadotropin-Releasing Hormone (GnRH) receptor antagonist, elagolix, in patients with endometriosis. In addition, the company confirmed that the daily scales for menstrual and non-menstrual pelvic pain, developed with extensive input from the U.S. FDA and patients, functioned well in a clinical trial setting. Daisy PETAL (901) study enrolled 137 endometriosis subjects into one of two treatment groups; elagolix 150 mg (n=66) or placebo (n=66) once daily for two months of treatment, in a double-blind design.

Top-line results confirm that elagolix is associated with statistically significant reduction in the two co-primary endpoints, Dysmenorrhea and Non-Menstrual Pelvic Pain, and the exploratory endpoint, Dyspareunia, when compared to placebo based on the ITT population.

Data at Week 8	Baseline	Elagolix	Placebo
Change in Baseline (ITT population) of…			
Dysmenorrhea (mean, 0-3)	2.1 / 2.1	-1.13	-0.37
Non-Menstrual Pelvic Pain (mean, 0-3)	1.4 / 1.3	-0.47	-0.19
Dyspareunia (pain, 0-3)	1.6 / 1.3	-0.61	-0.23
All p<0.01			

Management also conducted a responder analysis that demonstrated clinically meaningful improvement of 30% or greater from baseline on all three endpoints (ITT population).

Data at Week 8	Elagolix	Placebo
Responder Analysis (>30%)…		
Dysmenorrhea	63% [1]	33%
Non-Menstrual Pelvic Pain	63% [1]	33%
Dyspareunia	58% [2]	34%
1 = p<0.01 2 = p<0.05		

Secondary endpoints also demonstrated statistically significant improvement from elagolix subjects versus the placebo on validated efficacy outcome assessments.

Data at Week 8	Elagolix	Placebo
Secondary Efficacy Endpoints (ITT population) on…		
Patient Global Impression of Change (PGIC) "much" or "very much improved"	60%	30%
Endometriosis Health Profile 5 (EHP-5) Related-Pain Assessment, 0-100	-28 pts	-13 pts
Composite Pelvic Signs & Symptoms Scale (CPSSS) Reduction from Baseline (9.5), 0-15)	-4.45 pts	-2.19 pts
All p<0.001		

During the phase II program, the elagolix demonstrated encouraging safety and tolerability. Discontinuation due to adverse events (AEs) was low at 4.4% for elagolix vs. 1.4% for the placebo. The most common adverse event reported more often with elagolix than with placebo was nausea (7.4% elagolix; 2.9% placebo). This was consistent with what we saw in previous clinical studies. Importantly, there were no elagolix treatment-related serious adverse events (SAEs). We note that subjects are continuing for an additional four months of open-label elagolix treatment and assessments program. The last patient is expected to complete treatment in September 2010, after which we expect management to present this follow-up data later in the year.

…Collaboration With Abbott Labs…

On June 16, 2010, Neurocrine Bio announced that they have entered into a collaboration agreement to develop and commercialize elagolix for the treatment of endometriosis-related pain with Abbott Labs. Under the terms of the agreement, Abbott will receive worldwide exclusive rights to develop and commercialize elagolix and all next-generation GnRH antagonists for women's and men's health. This includes potential indication beyond endometriosis pain, such as uterine fibroids, adenomyosis, premenstrual dysphoric disorder (PMDD), polycystic ovarian syndrome (PCOS), breast cancer, or benign prostatic hypertrophy (BPH).

Abbott made an upfront payment of $75 million and will fund all ongoing development activities. Neurocrine is eligible to receive additional milestone payments of approximately $500 million from Abbott for the achievement of certain development, regulatory and commercial milestones. Neurocrine will also receive funding for certain internal collaboration expenses, plus royalty payments (we model 20%) on any future product sales. On the conference call highlighting the deal, CEO Kevin Gorman noted that the “vast majority” of the $500 million milestones are for development. This gives us confidence that Neurocrine will recognize a significant portion of these milestones prior to potential FDA approval in 2013 or 2014. Finally, Neurocrine will handle the CMC and commercial scale-up for elagolix, which will be funding by Abbott Labs.

It’s a ‘home run’ deal in our view for Neurocrine Bio. Abbott is the pioneer and market leader in GnRH antagonists with Lupron (leuprolide) for the treatment of hormone-responsive cancers such as prostate cancer or breast cancer. The drug is also used by Ob/Gyns for the treatment of endometriosis and uterine fibroids, as well as to treat precocious puberty, and to control ovarian stimulation in In-Vitro Fertilization (IVF). Abbott has a strong appreciation for the GnRH mechanism and the company is clearly committed to see elagolix a success with Lupron expected to lose patent protection in 2015. Abbott’s Lupron sales in 2009 were $800 million ($540 million U.S.). We believe that Abbott will look to replace Lupron in the Ob/Gyn market with elagolix thanks to superior efficacy and tolerability, as well as patent protection.

…Next Step – Meet With The FDA…

The top-line data from Daisy PETAL was been reported in late May 2010. Management will request an end of phase II (Type-B) meeting with the Division of Reproductive Products at the FDA. We expect this request (filing) will take place in the next few weeks. The FDA usually responds within 60 days, and our best guess is that the meeting will take place in late September 2010.

In total, Neurocrine and Abbot should be able to sit down with the FDA and offer up data from 6 phase II programs (2 phase IIa and 4 phase IIb) on roughly 1,000 patients. Concurrent to the end of phase II meeting request, management will file a draft proposal for a special protocol assessment (SPA) for the phase III design. The company believes that the first round of discussions on the proposed SPA will take place with the agency at the end of phase II meeting. The final SPA agreement should be in hand by late in the Q3-2010. This should allow Abbott to begin a phase III program before the end of the year.

We expect that the pivotal phase III program will include two large-scale (n~500) patient programs with co-primary Dysmenorrhea and Non-Menstrual Pelvic Pain endpoints. The exploratory Dyspareunia endpoint may also be tested in the phase III program. There will also be a long-term (n~400) safety program. Depending on Abbott’s European strategy, one of the two phase III programs may include a head-to-head non-inferiority program vs. Lupron for the European submission. Peak sales for elagolix in the U.S. are $500 million. We believe a specialty Ob/Gyn sales force of 200 to 250 representatives can effectively target greater than 90% of the market.

…Background Info on Endometriosis…

Endometriosis is a medical condition characterized by growth of the endometrium (uterine tissue) outside of the uterus, most usually on the pelvis, that affects an estimated 100 million women of reproductive age worldwide, or about 5-10% of the female population according to the World Endometriosis Foundation. There are an estimated 8 million women affected by endometriosis in the U.S. Endometriosis also occurs in a small percentage (2-4%) of postmenopausal women. Symptoms of endometriosis are severe recurring pain that can include dysmenorrhea (menstrual pain), dyspareunia (painful sex), dyschezia (painful bowel movements) and dysuria (painful urination). Endometriosis is caused by an excess of the hormone estrogen, and thus can manifest during peak reproductive years. Hereditary and environmental factors, as well as associated infections (such as HPV), can increase incidence and severity.

The disease is often treated, ineffectively, by a number of medications. NSAIDs are used to treat mild-to-moderate pain associated with endometriosis. Progesterone or progestin and hormonal contraceptives are used to regulate estrogen levels when appropriate. In fact, industry data shows that almost 20% of all oral contraceptives prescribed are written specifically for the treatment of endometriosis. Steroids and aromatase inhibitors are used to block estrogen levels and endometrium growth. However, these have significant negative side-effects. Lupron, a gonadotropin depo shot, is used to lower estrogen levels and slow endometrium growth. However, Lupron shuts down estradiol production and puts the body into "medicated menopause", resulting in significant side effects such as hot flashes and a reduction in bone mineral density. In the most severe cases, a hysterectomy is performed.

Elagolix, a gonadotropin-releasing hormone (GnRH) antagonist has efficacy characteristics similar to Lupron for the treatment of endometriosis, but with less potential for bone mineral density loss. The drug works by blocking the action of GnRH and suppressing luteinizing hormone and follicle-stimulating hormone. There are a few other GnRH molecules on the market, but none that are oral in dosing or have amassed the clinical data of elagolix. Therefore, we believe that Neurocrine can achieve significant market share gains with elagolix upon commercialization. Most women shy away from Abbott's Lupron due to side-effects. Nevertheless, Abbott is still the market leader in this category. As such, we believe that Neurocrine has the ideal pharmaceutical partner to further develop and commercialize elagolix in Abbott Labs.

Market research so far has been encouraging. Management noted that they are beginning to receive requests from physicians to prescribe elagolix on a compassionate basis. It is possible the FDA will allow elagolix compassionate use once phase III trials begin in 2010.

…Uterine Fibroids…

Beyond endometriosis-pain, uterine fibroids represent an attractive second indication for elagolix. Uterine fibroids or adenomyosis are benign tumors that form on the wall of the uterus. They are the most common type of growth found in a woman's pelvis and are most common in women aged 30-40 years. While many women do not have symptoms, depending on the size, location and number, uterine fibroids can cause heavy menstrual bleeding, can put pressure on the bladder and rectum, and can cause pain and nausea. Symptoms can also include miscarriages and infertility. Depending on the symptoms, treatment sometimes requires surgery. This is a potential billion-dollar market in the U.S. given the significant number of women affected and the lack of pharmaceutical options available.

…Benign Prostatic Hypertrophy…

In men's health, elagolix has potential in benign prostatic hypertrophy (BPH). BPH is defined by enlargement of the prostate gland. As the prostate grows larger and presses against the urethra, normal flow of urine is hindered. A competitor is developing an injectable peptide GnRH antagonist currently in phase III trials. However, Neurocrine Bio believes that a significant advantage may be provided by oral non-peptide GnRH antagonist, such as elagolix. Moderate to severe BPH affects an estimated 21 million men in the U.S. Additionally, more than 40% of all men over the age of 60 suffer from the symptoms of BPH. Worldwide sales of current treatments for BPH exceeded $3 billion in 2006.

CRF Progressing Slowly At Glaxo

Neurocrine is also developing novel corticotrophin releasing factor (CRF) small molecule antagonists for various mood disorders, including anxiety, depression, and irritable bowel syndrome (IBS). The company has teamed up with GlaxoSmithKline for development of these agents. The previous lead candidate was NBI-876008. Management initiated two phase II "proof-of-concept" trials that that began in late December 2006 – one with 130 patients in IBS and another with 200 patients in SAD. Both trials failed to show a statistically significant improvement vs. placebo. What is interesting with respect to these two failures is that management's ability to screen and predict success of CRF molecules has improved dramatically since 2006. In fact, Neurocrine actually predicted these candidates would failure prior to the data being released.

Instead, management is now focusing on a new candidate, NBI-561679, that its preclinical screening yielded far more encouraging data on. Information learned throughout the program about receptor binding pharmacology point to encouraging signs for NBI-561679 compared to NBI-876008. Glaxo recently completed a multi-dose phase I program and is now advancing this agent into phase II trials for major depression disorder (MDD). This 150-patient trial completed last patient visits in June 2010. We expect data in September / October 2010.

Additionally, Emory University of Atlanta and Mt. Sinai Medical Center in New York, in conjunction with Glaxo, have recently initiated a second phase II clinical trial evaluating NBI-561679 in women with post-traumatic stress disorder (PTSD). This study is a randomized, double-blind, placebo-controlled trial which is expected to enroll approximately 150 patients for a six-week treatment period and is expected to take several years to complete due to the logistics of being an investigator sponsored program.

There is also an additional "back-up candidate", dubbed NBI-586529, which recently completed a phase I dose-escalation program. NBI-586529 offers potential in depression and anxiety disorders. We are enthusiastic about the CRF programs at Neurocrine. The company owns the rights to these agents and will be looking for milestones and royalties on sales from Glaxo.

Phase I Underway On VMAT-2

Neurocrine is current working on a vesicular monoamine transport 2 (VMAT-2) inhibitor, dubbed NBI-98854, which could play an important role in treating or preventing hyperkinetic movement disorders. Targeted dyskinesia (TD) is characterized by involuntary bodily movements as seen in patients suffering from Huntington's disease, Parkinson's disease, or as a side effect of dopamine modulation in patients suffering from schizophrenia. VMAT-2 is a protein concentrated in the human brain that is essential for the transmission of nerve impulses between neurons. Neurocrine identified a highly selective VMAT2 inhibitor that is effective in regulating the levels of dopamine release during nerve communication, while at the same time having minimal impact on the other monoamines thereby reducing the likelihood of "off target" side effects.

In August 2009, management began a phase I single ascending dose study in healthy male volunteers conducted in Canada. Preliminary data show that NBI-98854 was generally safe and well tolerated. There were no serious adverse events, clinically significant drug-related laboratory abnormalities or clinically significant ECG findings. More critically, the characteristics of the compound met the pre-specified pharmacokinetic requirements: dose proportionality, low maximum concentration (Cmax) with adequate area-under-curve (AUC) for drug exposure, low variability, and a half-life which supports once per day dosing.

The company is currently conducting a multiple, repeated dose phase I study in healthy male volunteers. Data is expected in September 2010. Once complete, Neurocrine will approach the FDA regarding the filing of an investigational new drug (IND) application in the U.S. with the express purpose of initiating the proof-of-concept study in patients with Tardive Dyskinesia late in 2010. In addition, NBI-98854 may well be useful in other disorders, such as Huntington's chorea, schizophrenia, Tourette's syndrome, and tardive dystonia.

Management is looking into the potential to file for Orphan Drug status on NBI-98854 in TD. To qualify as an orphan designation there must be less than 200,000 patients in the U.S. with the disease. The company is working with outside consultants in the area of orphan designation and TD to see whether or not the VMAT-2 program will qualify. From an intellectual property standpoint, we are indifferent to the orphan designation. VMAT-2 was developed in-house at Neurocrine and will have significant IP protection once approved. Orphan designation allows for certain tax advantages and potentially a quicker path or market for VMAT-2, but it also requires certain hurdles that may not be necessary through an ordinary application. It also confirms that the market opportunity is small, less than 200,000 patients, but may allow for more aggressive pricing. We expect an update on the potential orphan drug opportunity later in the year.

Looking to Monetize Urocortin-2

Another important mid-stage program is the Urocortin-2 program for mild to moderate congestive heart failure (CHF). Previous phase II data with Urocortin-2 has demonstrated the candidate to be generally well tolerated and that the predicted hemodynamic effects on systolic and diastolic blood pressure, heart rate, cardiac work and, most importantly, cardiac output occurs over the entire 4-hour infusion. Management recently completed some preclinical formulation, toxicology and safety work to support a longer-term duration infusion – potentially up to 14 days. Neurocrine has partnered with academic laboratories to move Urocortin-2 forward.

These collaborations include one with the Christchurch Cardioendocrine Research Group (CCRG) at the University of Otago, New Zealand, Christchurch School of Medicine and Health Sciences. CCRG has initiated enrollment in a 50-person pilot study with Urocortin-2 in patients with acute decompensated heart failure (ADHF). Neurocrine will supply drug and logistical support to CCRG.

The Centre for Cardiovascular Sciences at The University of Edinburgh, through a British Heart Foundation grant, is also conducting clinical-stage trials on Urocortin-2. Management noted that nine studies will be conducted in both healthy volunteers and patients with stable congestive heart failure to determine the impact of Urocortin-2 infusions on biomarkers of cardiovascular function and dysfunction. The studies are anticipated to begin in later this year.

Neurocrine has always been focus on drugs primarily for neurological and endocrine diseases and disorders. We believe that management will look to out-license Urocortin-2 to a pharmaceutical partner focused on cardiovascular disease. This could bring upfront cash perhaps in 2011 or 2012.

Teaming Up With Boehringer Ingelheim

In June 2010, Neurocrine Bio announced a worldwide collaboration with Boehringer Ingelheim to research and develop small molecule GPR119 agonists for the treatment of Type-2 diabetes and other indications, with BI responsible for the global development and commercialization. Under the terms of the agreement, Neurocrine Bio received a $10 million upfront payment, research funding to support discovery efforts and is eligible to receive up to $225 million in milestone payments based on the achievement of development, regulatory and commercial goals as well as royalty payments on any future product sales.

GPR119 is a G-protein coupled receptor (GPCR) that has been implicated as a novel target for the treatment of Type II diabetes. The activation of GPR119 receptors located in the digestive system stimulates incretins, resulting in increased insulin production, while activation of GPR119 receptors located on pancreatic islet beta cells also stimulates insulin secretion.

PROJECTED FINANCIALS

Neurocrine Biosciences Inc.
Income Statement

	2009 A	Q1A	Q2A	Q3E	Q4E	2010 E	2011 E	2012 E	2013 E	2014 E
R&D / Milestones & Fees	**$3.0**	**$0.8**	**$4.6**	**$13.0**	**$13.5**	**$31.9**	**$35.0**	**$30.0**	**$30.0**	**$35.0**
YOY Growth	*-25.7%*	*0.8%*	*533.4%*	*1673.5%*	*1724.3%*	*980.1%*	*9.7%*	*-14.3%*	*0.0%*	*16.7%*
elagolix Royalties	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$25.0**
YOY Growth	-	-	-	-	-	-	-	-	-	-
CRF Antagonists	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
YOY Growth	-	-	-	-	-	-	-	-	-	-
Urocortin 2	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
YOY Growth	-	-	-	-	-	-	-	-	-	-
VMAT-2	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**
YOY Growth	-	-	-	-	-	-	-	-	-	-
Total Revenues	**$3.0**	**$0.8**	**$4.6**	**$13.0**	**$13.5**	**$31.9**	**$35.0**	**$30.0**	**$30.0**	**$60.0**
YOY Growth	*-25.7%*	*0.8%*	*533.4%*	*1673.5%*	*1724.3%*	*980.1%*	*9.7%*	*-14.3%*	*0.0%*	*100.0%*
CoGS / Royalties	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Gross Margin	*100.0%*	*100.0%*	*100.0%*	*100.0%*	*100.0%*	*100.0%*	*100.0%*	*100.0%*	*100.0%*	*100.0%*
SG&A	$14.9	$3.2	$3.3	$3.4	$3.4	$13.2	$14.0	$15.0	$16.0	$17.0
% SG&A	*505.2%*	*424.8%*	*70.0%*	*26.2%*	*25.2%*	*41.5%*	*40.0%*	*50.0%*	*53.3%*	*28.3%*
R&D	$35.8	$7.6	$7.3	$7.7	$8.2	$30.8	$22.0	$24.0	$26.0	$30.0
% R&D	*1212.7%*	*1006.1%*	*156.9%*	*59.2%*	*60.7%*	*96.4%*	*62.9%*	*80.0%*	*86.7%*	*50.0%*
Operating Income	($47.8)	($10.0)	($5.9)	$1.9	$1.9	($12.1)	($1.0)	($9.0)	($12.0)	$13.0
Operating Margin	-	-	-	-	-	-	-	-	-	-
Interest / Other Income	($3.3)	$1.5	$0.7	$0.2	$0.6	$3.1	$1.5	$2.4	$2.5	$2.5
Pre-Tax Income	($51.0)	($8.5)	($5.2)	$2.1	$2.5	($9.0)	$0.5	($6.6)	($9.5)	$15.5
Taxes	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Tax Rate	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*
Net Income	($51.0)	($8.5)	($5.2)	$2.1	$2.5	($9.0)	$0.5	($6.6)	($9.5)	$15.5
YOY Growth	-	-	-	-	-	-	-	-	-	-
Net Margin	-	-	-	-	-	-	-	-	-	-
Reported EPS	**($1.30)**	**($0.18)**	**($0.09)**	**$0.04**	**$0.05**	**($0.17)**	**$0.01**	**($0.11)**	**($0.15)**	**$0.24**
YOY Growth	-	-	-	-	-	-	-	-	-	-
Stock Options	*$6.1*	*$0.6*	*$0.7*	*$1.0*	*$1.5*	*$3.8*	*$4.5*	*$5.0*	*$5.5*	*$6.0*
EPS Impact of FAS-123R	*$0.16*	*$0.01*	*$0.01*	*$0.02*	*$0.03*	*$0.07*	*$0.08*	*$0.08*	*$0.09*	*$0.09*
Shares Outstanding	39.1	46.6	54.8	55.0	55.5	53.0	57.5	60.0	62.5	65.0

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

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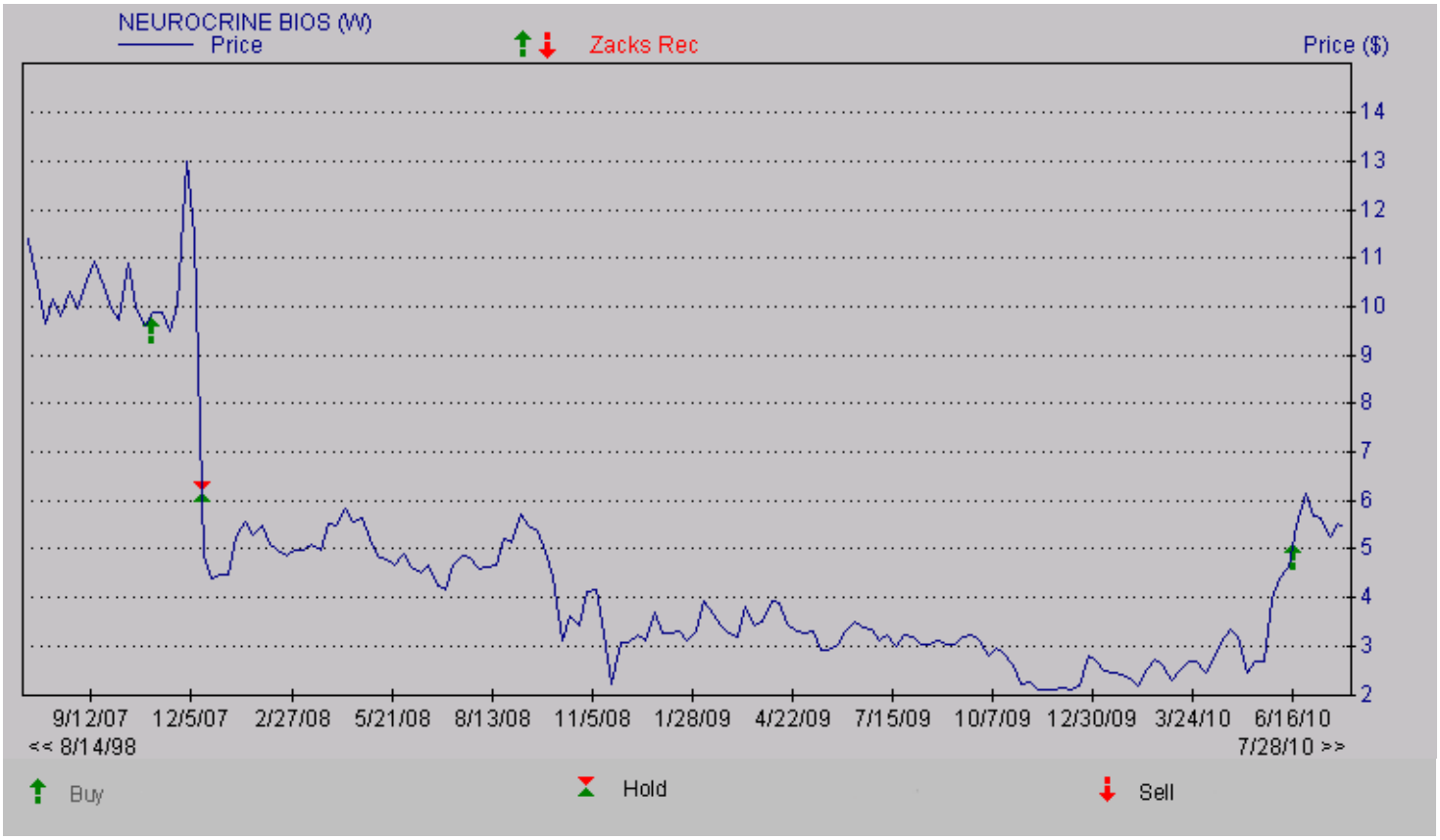
HISTORICAL ZACKS RECOMMENDATIONS



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