Zacks Small-Cap Research

August 24, 2011
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POZEN, Inc. (POZN-NASDAQ)

POZN: Too Cheap To Ignore – Justifying our $6.50 Target…

Current Recommendation	**Outperform**
Prior Recommendation	Neutral
Date of Last Change	03/07/2007
Current Price (08/24/11)	$2.88
Target Price	**$6.50**

UPDATE

We believe Pozen is vastly under-valued at today's price. Our DCF model, included in the back of this report, yields a price target of $6.50 per share. Over half the value is cash and royalties on two approved drugs, Treximet and Vimovo. We think investors can buy today and get PA for free. And based on the phase 2 data on PA-325/40, we are feeling very confident in the outcome of the ongoing phase 3 trials. We remind investors that these trials are being conducted under a SPA agreement with the U.S. FDA. Finally, we think Pozen has the right plan to market PA effectively and efficiently in 2013. We would be buyers of the stock at today's price.

SUMMARY DATA

52-Week High	**$7.42**
52-Week Low	**$2.81**
One-Year Return (%)	**-59.80**
Beta	**1.43**
Average Daily Volume (sh)	**170,052**
Shares Outstanding (mil)	**30**
Market Capitalization ($mil)	**$84**
Short Interest Ratio (days)	**6.62**
Institutional Ownership (%)	**51**
Insider Ownership (%)	**17**
Annual Cash Dividend	**$0.00**
Dividend Yield (%)	**0.00**
5-Yr. Historical Growth Rates	
Sales (%)	**14.7**
Earnings Per Share (%)	**N/A**
Dividend (%)	**N/A**
P/E using TTM EPS	**N/A**
P/E using 2011 Estimate	**N/A**
P/E using 2012 Estimate	**N/A**
Zacks Rank	**2**

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

ZACKS ESTIMATES

Revenue
(In millions of $)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2010	6.9 A	28.2 A	4.3 A	29.0 A	68.5 A
2011	4.5 A	4.6 A	5.0 E	5.6 E	19.8 E
2012					22.1 E
2013					35.5 E

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

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2010	-$0.10 A	$0.53 A	-$0.29 A	$0.61 A	$0.76 A
2011	-$0.19 A	-$0.21 A	-$0.20 E	-$0.20 E	-$0.81 E
2012					-$0.72 E
2013					-$0.34 E

Zacks Projected EPS Growth Rate - Next 4 Years % **N/A**

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WHAT'S NEW

Stock Remains Significantly Undervalued

Pozen remains one of the most undervalued names in our coverage list. The stock is currently trading with a market capitalization of $87 million. As of June 30, 2011, Pozen held $53 million in cash, leaving a net value for the pipeline of only $34 million. We have posted our DCF model in the back of this report outlining or belief that the stock should be trading at $6.50 per share.

Our target incorporates positive phase 3 data from the ongoing PA-325/40 pivotal trials. We note that Pozen expects that enrollment in these ongoing PA-325/40 phase 3 pivotal studies to complete here in the third quarter 2011. As a reminder, the primary endpoint of the trials is, "Cumulative incidence of gastric ulcers following administration of either PA32540 or 325 mg enteric-coated aspirin in subjects at risk for developing aspirin-associated ulcers." Based on previous data from phase 2, and data from the Vimovo pivotal programs, we think hitting statistical significance is a slam dunk. We expect the trials to complete in the first quarter 2012, and then offer data shortly thereafter. We expect the U.S. NDA filing to take place in the third quarter 2012.

The 12-month safety study with PA-325/40 to evaluate the long-term safety of the drug in patients who are at risk for developing aspirin-associated gastric ulcers has been completed. Pozen is reviewing the data and we expect a presentation shortly. This will give excellent insight into the outcome of the phase 3 programs discussed above.

INVESTMENT THESIS

Treximet & Vimovo Royalties Alone Make Pozen Worth Owning

Pozen collects 18% royalty on U.S. sales of migraine drug, Treximet, from GlaxoSmithKline. Sales of Treximet in the second quarter 2011 were $23.0 million. Sales are growing at a modest low-single digit rate per quarter. We expect this trend to continue, peaking out around $100 million per year until the patent expires in late 2017. We expect Glaxo to seek a 6-month pediatric extension to push the exclusivity into early 2018. Below are our sales forecasts and estimated royalty payments on Treximet.

Treximet	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Sales	$46.2	$86.1	$87.3	$92.0	$96.0	$98.0	$100.0	$100.0	$100.0	$100.0	$25.0	$0
Royalties	$2.3	$4.3	$15.7	$16.6	$17.3	$17.6	$18.0	$18.0	$18.0	$18.0	$18.0	$0

The launch of Vimovo has clearly been disappointing so far. Sales of Vimovo at AstraZeneca in the second quarter 2011 were only $6.3 million. Pozen collects a 10% royalty on U.S. sales, and high-single digit / low double-digit royalties on sales outside the U.S. (we model 10%). Pozen has hired an independent consulting firm, separate from the work AstraZeneca is doing, to analyze the Vimovo market opportunity. We have previously been bullish on Vimovo, believing the drug represents a good alternative to Pfizer's $2 billion drug, Celebrex. However, cheap generics and a difficult reimbursement and pricing market has slowed uptake. Still, given the size of the opportunity here – 30 million American's with osteoarthritis / 60 million prescriptions for Cox-2 drugs per year – we think AstraZeneca will eventually get Vimovo to a $100-125 million run-rate in the U.S., and a $100-125 million run-rate in Europe. Our sales forecast for Vimovo (patent expiration in 2023) are below.

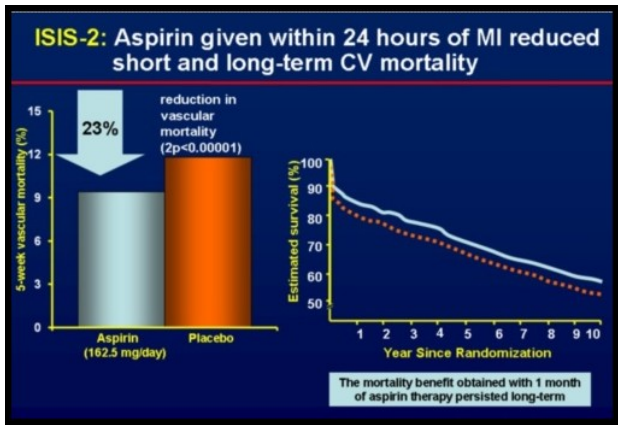
Vimovo	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2018
Sales	-	-	$4.6	$29.5	$48.7	$78.2	$101.8	$129.7	$176.3	$202.5	$221.8	$242.5
Royalties	-	-	$0.5	$2.9	$4.9	$7.8	$10.2	$13.0	$17.6	$20.3	$22.2	$24.3

We note royalties on Treximet and Vimovo are cash payments with little to no ongoing expenses. The Treximet patent case has been won, and we expect a similar outcome to the Vimovo challenge. Royalties on these two drugs alone (NPV of cash flows) are worth more than the entire market value of $87 million. We calculate that Investors can buy Pozen today based on the current cash balance and royalties on Treximet and Vimovo, and get the entire PA-325/40 and PA-650/20 for free.

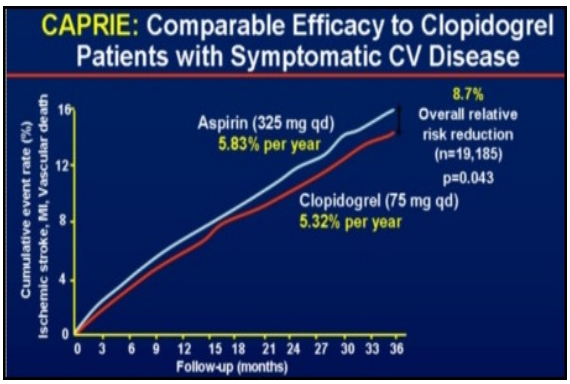
PA Is The Wildcard That Offers Big Upside

Pozen is currently in 2 phase 3 trials for PA-325/40, a "safer aspirin" product that combines 325mg of enteric coated aspirin with the PPI 40mg omeprazole (sold as branded Prilosec). It's a novel formulation and a simple idea that builds off the already approved pathway defined by Vimovo. We expect that once approved Pozen's "safer aspirin" will find its way into daily aspirin therapy for cardiovascular disease. The potential label will be for secondary prevention of cardiovascular or cerebrovascular events in patients at risk for gastric or esophageal ulcers. This is an enormous market. Cardiovascular disease is the leading cause of death in the U.S., with over 50% mortality. An American has a heart attack roughly every 26 seconds!

Aspirin has been used to prevent recurrent myocardial infarction (MI) since the 1940's when the drugs anti-platelet activation properties where first discovered. In 1988, the U.S. FDA approved the use of aspirin for the prevention of recurrent MI. Since that time, data reported in *The Lancet* from the ISIS-2 (2nd International Study of Infract Survival of MI) demonstrates that daily use of 162.5mg aspirin reduces the potential for vascular mortality by 23% (p<0.00001) vs. placebo in the first five weeks following a myocardial infarction. Long-term follow-up data suggest the benefit of daily aspirin use persists in the prevention of recurrent MI as long as 10 years post event.



Over 50 million American's use daily aspirin therapy. Unfortunately, of the 50+ million Americans that take daily aspirin therapy, as many as 50% are at risk for major complications due to gastric bleeding. Roughly 25% of the people that start a daily aspirin therapy will discontinue or reduce frequency or dose due to serious gastrointestinal side-effects. Market research shows a significant opportunity for Pozen's product. Data published from the CAPRIE (Clopidogrel versus Aspirin in Patients at Risk of Ischemic Events) study in 1996 shows that Plavix (clopidogrel) offers only a modest 8.7% efficacy improvement over aspirin, and Plavix posted sales over $7 billion worldwide at its peak. It is clear that Aspirin use is limited by gastrointestinal intolerance and bleeding.



Cumulative Event Rate
(Ischemic Stroke, MI, CV-Death)

Plavix = 5.32%
Aspirin = 5.83%

+8.7% Overall risk reduction for Plavix

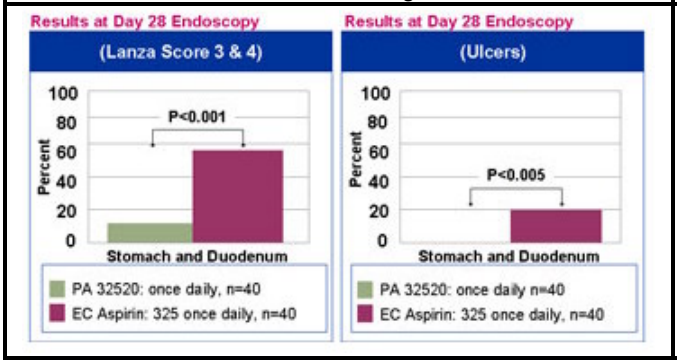
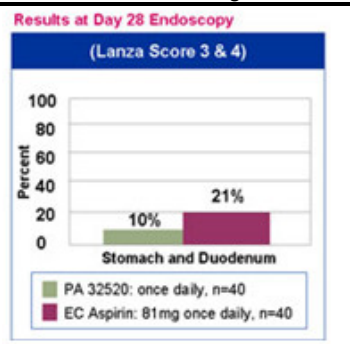
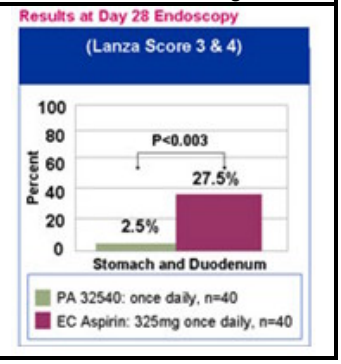
Severe Adverse Events…	**Plavix**	**Aspirin**
…Overall Hemorrhage	9.27%	9.28%
…Intracranial Hemorrhage	0.31%	0.42%
…GI Hemorrhage	1.99%	2.66%
…Severe GI Bleeding	0.49%	0.71%
…GI Adverse Events	27.1%	29.8%

The AHA and ACC recommend daily aspirin use at 75mg to 162mg per day. The European Society of Cardiology recommends 75mg to 150mg per day. These guidelines were put into place to reduce the potential for GI-related bleeding events. Data published in the *American Journal of Cardiology* shows a 2-fold reduction in major bleeding events and a 3-fold reduction in total bleeding events on daily aspirin use <100mg when compared to use >200mg. Pozen's "safer aspirin" product, a drug that is designed to provide a full 325 mg dose of aspirin while greatly reducing the risk for GI-bleeding and ulcers, could find significant use among the 50+ million American's at risk for recurrent MI and GI-related side-effects.

Management has conducted market research yielding encouraging statistics. At about $1/day, roughly 30% of physicians would prescribe PA-325/40 to their patients in need of secondary prevention aspirin therapy. We see this as a $250 million opportunity in the U.S.

…Phase 2 Data Gives Us Confidence…

Pozen's phase 2 trial with PA-325/40 showed a 90% reduction in endoscopically diagnosed Lanza 3 & 4 GI-related damage compared to 325 mg of aspirin alone, and a 50% reduce when compare to 81 mg (baby) aspirin. The current phase 3 program, being conducted under a U.S. FDA Special Protocol Assessment (SPA), is essentially a larger version of the successful phase 2 trial. Management expects enrollment to complete in September 2011, with data expected in the second quarter 2012.

PA325/20 vs. 325mg ECA	PA325/20 vs. 81mg ECA	PA325/40 vs. 325mg ECA
		

…Co-Rx Study Show Potential…

In March 2011, Pozen announced positive top-line results from a phase 1 study of PA-325/40 used in conjunction with clopidogrel (sold as branded Plavix). The data from the Co-Rx Study suggest that PA-325/40 given in conjunction with clopidogrel, dosed at least 10 hours apart, resulted in an approximate 20% improvement inhibition of ADP-induced platelet aggregation (anti-clotting) when compared to a current standard of care (81 mg of EC aspirin, EC omeprazole 40 mg and clopidogrel). This suggests that the dosing combination of Plavix and PA-325/40 could offer a promising new option for the secondary prevention of heart attacks and strokes in cardiovascular patients who require aspirin therapy, but are at risk for gastric ulcers. We expect to see additional data from this study at an upcoming scientific meeting later in the year.

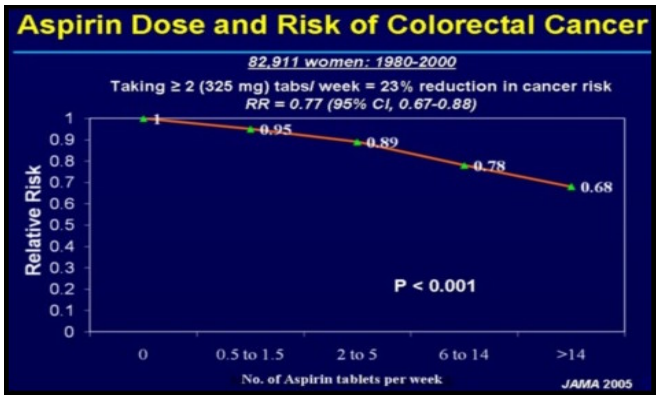
As a reminder, The Co-Rx study was a phase 1, randomized, open-label, two-arm crossover study in which 30 healthy subjects were treated with one of the following:

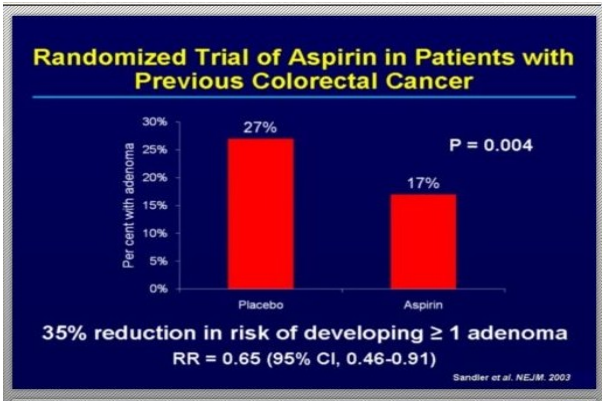
A) PA-325/40 in the morning plus 300mg clopidogrel over 10 hours later on day 1, and PA-325/40 in the morning plus 75mg clopidogrel 10 hours later on days 2-7,
B) 81mg enteric-coated aspirin plus 300mg clopidogrel plus 40mg enteric-coated omeprazole (Prilosec) all in the morning on day 1 followed by 81mg enteric-coated aspirin plus 75mg clopidogrel plus 40mg enteric-coated omeprazole all in the morning on days 2-7

Subjects were first randomized to treatment A or treatment B and then crossed over to the alternate treatment. Each treatment was separated by a 14 day washout period. The primary objective of the study was to assess the effects of PA-325/40 and enteric-coated omeprazole on clopidogrel activity as measured by *ex-vivo* platelet aggregation using 20 uM adenosine diphosphate (ADP), a commonly used platelet assay of clopidogrel effect. The primary endpoint was the percent inhibition of platelet aggregation (IPA) after morning dosing on day seven of each period. In the study, PA-325/40 in the morning, plus clopidogrel 10 hours later, resulted in a significantly greater IPA than 81 mg enteric-coated aspirin plus 40mg enteric-coated omeprazole plus clopidogrel all dosed in the morning.

…Cancer & Pain Indication Offer Upside…

We are intrigued by the significant meta-analysis data showing aspirin use as a potential to reduce incidence of colon cancer. There are an estimated 150k cases of colon or rectal cancer in the U.S each year, with 50k deaths. Data from a prospective analysis of nearly 83k women from 1980 to 2000 published in JAMA in 2005 shows a significant risk reduction when on daily aspirin 325mg.





Randomized Trials of Aspirin and Adenoma Recurrence

Trial	N	Duration	Dose	Result
Sandler, 2003	635	3 years	325 mg	0.65 (0.46-0.91)
Baron, 2003	1121	3 years	81 mg 325 mg	0.83 (0.70-0.98) 0.96 (0.81-1.13)
Benamouzig, 2003	272	1 year	160 mg 300 mg	0.85 (0.57-1.26) 0.61 (0.37-0.99)
Logan, 2008	945	3 years	300 mg	0.79 (0.63-0.99)

In total, there have been four randomized clinical programs demonstrating a significant risk reduction in patients with confirmed adenomas taking aspirin vs. placebo. The pooled analysis shows a 20% to 40% reduction in risk of cancer development for patients taking that high-dose aspirin (325mg). Unfortunately, the same increased risk of GI bleeding and gastric ulcers was seen in the trials as discussed above for cardiovascular disease prevention. There is a 2-fold increase in risk of a major GI bleed for patients taking 325mg aspirin per day vs. placebo. Therefore, despite the reduction in risk of cancer progression, the U.S. Preventive Services Task Force stated in 2007 that, "The harms outweigh the benefits of aspirin and NSAID use for prevention of colorectal cancer." Pozen's PA-325/40 could see sizable off-label use in this indication following approval.

Besides PA-325/40, Pozen is also in plans to conduct a phase 3 trial on PA-650/20 for indications in pain and inflammation. This would be a similar market opportunity to Vimovo, where Pozen would attempt to convince patients to take aspirin for pain instead of NSAIDs or Cox-2 drugs.

…Commercialization Plans…

Pozen intends to market PA-325/40, and eventually PA-650/20, in-house. Over the past year Pozen has been building and enhancing its management team around future plans with PA. In September 2009, Pozen hired Elizabeth A. Cermak as Chief Commercial Officer. Ms. Cermak will be responsible for the development and implementation of Pozen's worldwide commercialization strategy for all of its future product candidates, including the PA franchise. She will also be responsible for the management of all current and future strategic alliances for the portfolio, as well as business development. Ms. Cermak was employed for twenty-five years at Johnson & Johnson, where she held positions of increasing responsibility at Ortho-McNeil Pharmaceuticals, McNeil Consumer and Specialty Pharmaceuticals and other Johnson and Johnson subsidiaries. She most recently held the position of World-Wide Vice President Personal Products Franchise, Johnson & Johnson Healthcare Products. Her experience spans both prescription and OTC businesses across many therapeutic areas.

In July 2011, Pozen hired Tomas S. Bocanegra, M.D. as Executive VP of Development. Dr. Bocanegra is responsible for driving all product development activities at Pozen, starting with lead pipeline candidate, PA32540. In August 2011, Pozen hired Clint Burrus as VP of Customer Development. In this role, Mr. Burrus will be responsible for developing and executing managed markets, trade and reimbursement strategies for PA-325/40. The company is clearly pushing forward on its plans with PA, putting the necessary piece in place ahead of the planned NDA filing in the third quarter 2012.

Pozen plans to conduct an Internet-centric / direct-marketing strategy around PA-325/40. Given the planned cost of the drug at around $1/day, the traditional model that employs large primary-care sales force, heavy physician detailing, direct-to-consumer television and print advertising, and couponing and patient access cards to reduce the high out-of-pocket expense indicative of Tier-3 formulary coverage will not work. Instead, Pozen plans to use the Internet and social media to educate and promote PA in a more efficient manner.

In July 2011, Pozen assembled an esteemed group of digital thought-leaders both in and outside of healthcare to help progress the company's vision for revolutionizing the traditional pharmaceutical commercial model. The Digital Advisory Board (DAB) will work alongside management as it prepares to launch and market PA-325/40. The DAB comprised of leaders in technology, social media and digital marketing, bringing expertise and insights from a wide range of industries to Pozen. Memebers include:

- ✓ Raj Amin, Chief Executive Officer and Co-Founder, HealthiNation; previously Vice President of Business Development, N2 Broadband.
- ✓ John Bax, Chief Financial Officer, LivingSocial; previously Chief Financial Officer, RecycleBank and Walmart.com.
- ✓ Bonin Bough, Director of Digital and Social Media, PepsiCo; previously Director of Global Interactive, Social and Emerging Media Practice, Weber Shandwick.
- ✓ Marc Monseau, Founder and Principal, MDM Communication, LLC; previously Director of Corporate Communication and Social Media, Johnson & Johnson.
- ✓ Daniel Palestrant, M.D., Chief Executive Officer and Founder, Sermo; previously Founder, Azygos, Inc.
- ✓ Meredith Ressi, President, Manhattan Research; previously Chief Operating Officer, Integrated Wellness Solutions.

…A Simple Concept…

PA is such a simple product concept. Fifty million American's use daily aspirin therapy, with 50% of those patients at risk of developing major complications due to gastric bleeding. Roughly 25% of the people that start a daily aspirin therapy will discontinue or reduce frequency or dose due to serious gastrointestinal side-effects. We believe that PA, at $1/day, is a $250 million product. Below is a cartoon that first appeared in the New Yorker magazine we believe sums up the PA story nicely.



Source: The New Yorker

PROJECTED INCOME STATEMENT

DCF Model:

POZNE, INC.	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	
U.S. Sales of Treximet (GSK)	*$92*	*$96*	*$98*	*$100*	*$100*	*$100*	*$100*	*$25*	*$0*	*$0*	*$0*	*X-2018*
WW Sales of Vimovo (AZN)	*$29*	*$49*	*$78*	*$102*	*$130*	*$152*	*$176*	*$202*	*$222*	*$242*	*$264*	*X-2023*
WW Sales of PA325 (POZN)	*$0*	*$0*	*$10*	*$35*	*$70*	*$110*	*$145*	*$175*	*$200*	*$220*	*$235*	*X-2025*
Royalties on Treximet (~18%)	*$17*	*$17*	*$18*	*$18*	*$18*	*$18*	*$18*	*$5*	*$0*	*$0*	*$0*	
Royalties on Vimovo (~10%)	*$3*	*$5*	*$8*	*$10*	*$13*	*$15*	*$18*	*$20*	*$22*	*$24*	*$26*	
Licensing & Collaborative	*$0*	*$2*	*$2*	*$1*	*$0*	*$0*	*$0*	*$0*	*$0*	*$0*	*$0*	
NVIV Sales (in Millions)	**$20**	**$24**	**$37**	**$64**	**$101**	**$143**	**$181**	**$200**	**$222**	**$244**	**$261**	
CoGS	*$0*	*$0*	*$2*	*$7*	*$14*	*$22*	*$29*	*$35*	*$40*	*$44*	*$47*	
R&D	*$26*	*$22*	*$20*	*$20*	*$20*	*$20*	*$20*	*$20*	*$20*	*$20*	*$20*	
SG&A	*$19*	*$23*	*$25*	*$30*	*$35*	*$40*	*$45*	*$50*	*$55*	*$60*	*$65*	
EBIT	($25)	($20)	($10)	$7	$32	$61	$87	$95	$107	$120	$129	
Depreciation and amortization	*$1*	*$1*	*$2*	*$3*	*$3*	*$4*	*$4*	*$4*	*$4*	*$5*	*$5*	
EBITDA	($26)	($22)	($11)	$4	$29	$58	$83	$91	$103	$116	$125	
EBITDA margin	*-132.0%*	*-89.4%*	*-29.5%*	*6.5%*	*28.4%*	*40.3%*	*45.9%*	*45.4%*	*46.3%*	*47.4%*	*47.7%*	
Cash Taxes	$0	$0	$0	($1)	($7)	($17)	($27)	($29)	($33)	($37)	($40)	
Tax Rate	*-*	*-*	*0.0%*	*20.0%*	*25.0%*	*30.0%*	*32.0%*	*32.0%*	*32.0%*	*32.0%*	*32.0%*	
Balance Sheet												
Capital Expenditures	($2)	($6)	($10)	($8)	($5)	($4)	($4)	($3)	($3)	($3)	($3)	
Working Capital	$3	$3	$2	$1	$0	($1)	($2)	($3)	($4)	($5)	($6)	
Other Expense	($1)	($1)	($2)	($2)	($2)	($2)	($3)	($3)	($3)	($3)	($4)	
Capital employed	**$0**	**($5)**	**($10)**	**($9)**	**($7)**	**($7)**	**($9)**	**($9)**	**($10)**	**($11)**	**($13)**	
ROIC	*-*	*-428.4%*	*-97.8%*	*82.1%*	*456.7%*	*844.2%*	*1019.1%*	*1082.8%*	*1071.8%*	*1068.9%*	*1035.5%*	
Discounted Cash Flow												
Net Income	($26)	($22)	($11)	$5	$36	$75	$109	$120	$136	$153	$165	
Depreciation and amortization	$1	$1	$2	$3	$3	$4	$4	$4	$4	$5	$5	
Net Cash Changes	$0	($5)	($10)	($9)	($7)	($7)	($9)	($9)	($10)	($11)	($13)	
Post-Tax Operating Cash Flow	**($25)**	**($25)**	**($19)**	**($1)**	**$32**	**$71**	**$105**	**$115**	**$130**	**$146**	**$157**	
Dividends	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	
Free Cash Flow	**($25)**	**($25)**	**($19)**	**($1)**	**$32**	**$71**	**$105**	**$115**	**$130**	**$146**	**$157**	

Current Cash Balance	$52.6	As of June 30, 2011
Burn to Cash Flow Positive	($57.3)	Assumes cashflow positive operations Q2-2014
Net Capital Needs to BE	($4.7)	

Assumptions	
Beta:	1.5
Equity Risk Premium:	10%
Risk Free Rate:	5%
Probability Adjustment:	50%
Discount Rate:	**18.8%**

Valuation	
10-Year Model:	$127
Terminal Growth:	-5%
Terminal Value:	$95
Debt:	$0
Firm Value:	**$217**

Price Target	
Basic Outstanding:	30.5
Non-Issued:	0
Dilution:	2.5
Fully Diluted:	33.0
Target Price:	**$6.56**

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

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Income statement:

Pozen, Inc.	2009 A	2010 A	Q1 A	Q2 A	Q3 E	Q4 E	2011 E	2012 E	2013 E	2014 E
Treximet (sales)	$86.1	$87.3	$22.0	$23.0	$23.0	$24.0	$92.0	$96.0	$98.0	$100.0
Treximet (royalty)	**$4.3**	**$15.7**	**$4.0**	**$4.0**	**$4.1**	**$4.3**	**$16.6**	**$17.3**	**$17.6**	**$18.0**
YOY Growth	*83.6%*	*265.0%*	*4.8%*	*-3.5%*	*6.5%*	*7.9%*	*5.4%*	*4.3%*	*2.1%*	*2.0%*
Vimovo (sales)	$0	$4.6	$4.1	$6.3	$8.0	$11.0	$29.4	$48.7	$78.2	$101.8
Vimovo (royalty)	**$0**	**$0.5**	**$0.4**	**$0.6**	**$0.8**	**$1.1**	**$2.9**	**$4.9**	**$7.8**	**$10.2**
YOY Growth	-	-	-	-	-	-	*539.1%*	*65.6%*	*60.7%*	*30.2%*
PA-325/40 (Sales)	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**	**$10.0**	**$35.0**
YOY Growth	-	-	-	-	-	-	-	-	-	*250.0%*
Licensing / Development	**$27.9**	**$52.3**	**$0**	**$0**	**$0**	**$0**	**$0**	**$2.0**	**$2.0**	**$1.0**
YOY Growth	*-56.3%*	*87.6%*	-	-	-	-	-	-	-	-
Total Revenues	$32.2	$68.5	$4.5	$4.6	$4.9	$5.4	$19.5	$24.1	$37.5	$64.2
YOY Growth	*-51.3%*	*113.0%*	*-68.8%*	*8.6%*	*-84.7%*	*-21.7%*	*-71.6%*	*23.8%*	*55.1%*	*71.3%*
Cost of Goods Sold	$0	$0	$0	$0	$0	$0	$0	$0	$1.5	$5.3
Product Gross Margin	*100.0%*	*100.0%*	-	-	-	-	*100.0%*	*100.0%*	*95.8%*	*91.7%*
SG&A	$17.8	$23.8	$4.3	$4.8	$4.7	$4.8	$18.6	$22.5	$25.0	$30.0
% SG&A	*55.2%*	*34.7%*	*96.5%*	*103.8%*	*95.1%*	*88.6%*	*95.2%*	*93.2%*	*66.7%*	*46.7%*
R&D	$22.4	$22.6	$5.9	$6.3	$6.5	$7.0	$25.7	$22.0	$20.0	$20.0
% R&D	*69.7%*	*6+.%*	*132.5%*	*136.7%*	*131.6%*	*129.2%*	*131.7%*	*91.1%*	*53.4%*	*31.2%*
Operating Income	($8.0)	$22.1	($5.8)	($6.4)	($6.3)	($6.4)	($24.8)	($20.4)	($9.0)	$8.9
Operating Margin	*-24.9%*	*32.3%*	*-129.0%*	*-140.6%*	*-126.7%*	*-117.7%*	*-126.9%*	*-84.3%*	*-24.1%*	*13.9%*
Interest Income / Net	$0.5	$0.9	$0.1	$0.0	$0.1	$0.1	$0.3	$0.5	$0.6	$0.6
Pre-Tax Income	($7.5)	$23.1	($5.7)	($6.4)	($6.2)	($6.3)	($24.4)	($19.9)	($8.4)	$9.5
Taxes	($0.63)	$0	$0	$0	$0	$0	$0	$0	$0	$1.4
Tax Rate	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0%*	*0.0%*	*15.0%*
Net Income	($6.9)	$23.1	($5.7)	($6.4)	($6.2)	($6.3)	($24.4)	($19.9)	($8.4)	$8.1
YOY Growth	-	-	-	-	-	-	*-205.9%*	*-18.8%*	*-57.5%*	*-196.0%*
Net Margin	*-21.3%*	*33.7%*	*-127.4%*	*-139.6%*	*-124.7%*	*-115.9%*	*-125.3%*	*-82.2%*	*-22.5%*	*12.6%*
Reported EPS	($0.23)	$0.76	($0.19)	($0.21)	($0.21)	($0.21)	($0.82)	($0.65)	($0.27)	$0.25
Fully Diluted Shares	29.9	30.2	29.9	29.9	29.9	30.0	29.9	30.5	31.0	32.0

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

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