Zacks Small-Cap Research

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Verisante Technology Inc. (V.VRS)

V.VRS: Health Canada Approval!

OUTLOOK

This morning Verisante announced that they received marketing approval from Health Canada to market Aura. This marks a major milestone for Verisante and is a testament to the company's ability to get Aura commercialized.

Verisante will now begin preparations for the roll-out in Canada. CE Mark for approval to sell Aura in Europe and Australia is next in line - which could come by the current year-end. As we've noted in the past, the initial roll-out will be a progressive process and, as a result, we model only limited revenue through the end of 2012. By that time, Verisante's distribution and production should be in full-swing and revenue could begin to ramp much faster. Maintaining $2.60 price target, Outperform rating.

Current Recommendation	**Outperform**
Prior Recommendation	N/A
Date of Last Change	02/04/2011
Current Price (10/18/11)	$0.95
Six- Month Target Price	**$2.60**

SUMMARY DATA

52-Week High	**$1.26**
52-Week Low	**$0.15**
One-Year Return (%)	**N/A**
Beta	**N/A**
Average Daily Volume (sh)	**541,227**
Shares Outstanding (mil)	**57**
Market Capitalization ($mil)	**54.2**
Short Interest Ratio (days)	**N/A**
Institutional Ownership (%)	**N/A**
Insider Ownership (%)	**N/A**
Annual Cash Dividend	**$0.00**
Dividend Yield (%)	**N/A**
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 2011 Estimate	**N/A**
P/E using 2012 Estimate	**N/A**
Zacks Rank	**N/A**

Risk Level	**N/A**
Type of Stock	**N/A**
Industry	**Med/Dental-Supp**

ZACKS ESTIMATES

Revenue
(in '000 of $)

	Q1 (Sep)	Q2 (Dec)	Q3 (Mar)	Q4 (Jun)	Year (Jun)
2010	5 A	6 A	0 A	0 E	11 A
2011	0 A	0 A	0 E	0 E	0 E
2012					5,385 E
2013					21,185 E

Earnings per Share

	Q1 (Sep)	Q2 (Dec)	Q3 (Mar)	Q4 (Jun)	Year (Jun)
2010	-$0.01 A	-$0.01 A	-$0.01 A	-$0.01 A	-$0.04 A
2011	-$0.02 A	-$0.01 A	-$0.01 E	-$0.01 E	-$0.05 E
2012					-$0.05 E
2013					$0.07 E

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

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WHAT'S NEW

Health Canada Approval

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Financial Model

We have made no changes to our model as a result of today's announcement as we had been anticipating the news. We also have not adjusted our price target (remains at $2.60/share), although we feel Canadian regulatory approval reduces downside risk in the share price and provides further support that the stock trades cheaper than warranted. While the stock is up over 125% since we initiated coverage of Verisante in February, we think it could still triple from today's price ($0.88) over the course of the next six months.

FINANCIAL STATEMENTS

INCOME STATEMENT (CDN $)

Verisante Technology

	2010 A	Q1A	Q2A	Q3E	Q4E	2011 E	2012 E	2013 E	2014 E
Device sales	$0	$0	$0	$0	$0	$0	$4,725	$16,853	$36,855
% total sales	-	-	-	-	-	-	*87.7%*	*79.6%*	*76.3%*
Cap sales	$0	$0	$0	$0	$0	$0	$660	$4,332	$11,448
% total sales	-	-	-	-	-	-	*12.3%*	*20.4%*	*23.7%*
Revenue	$11	$0	$0	$0	$0	$0	$5,385	$21,185	$48,303
YOY Growth	*-62.5%*	*-100.0%*	*-100.0%*	*#DIV/0!*	*#DIV/0!*	-	-	*293.4%*	*128.0%*
Device COGS	$0	$0	$0	$0	$0	$0	$2,363	$8,426	$18,428
Cap COGS	$0	$0	$0	$0	$0	$0	$33	$217	$572
Cost of sales	$8	$0	$0	$0	$0	$0	$2,396	$8,643	$19,000
Gross Income	$3	$0	$0	$0	$0	$0	$2,990	$12,542	$29,303
Gross Margin	*26.0%*	-	-	-	-	-	*55.5%*	*59.2%*	*60.7%*
SG&A	$1,435	$639	$753	$740	$757	$2,889	$3,222	$3,718	$4,012
% SG&A	-	-	-	-	-	-	*59.8%*	*17.6%*	*8.3%*
R&D	$215	$7	$0	$20	$40	$67	$2,720	$1,055	$1,010
% R&D	-	-	*4.9%*	*4.7%*	*5.1%*	-	*50.5%*	*5.0%*	*2.1%*
Interest expense (income), net	$0.4	$0.0	($13.5)	$0.0	$0.0	($13.5)	$0.0	$0.0	$0.0
Operating Income	($1,648)	($646)	($739)	($760)	($797)	($2,956)	($2,953)	$7,769	$24,281
Operating Margin	-	*#DIV/0!*	*#DIV/0!*	*#DIV/0!*	*#DIV/0!*	-	-	*36.7%*	*50.3%*
Government grants	$160	$0	$0	$75	$75	$150	$100	$50	$50
Royalty payments	$0	($57)	($20)	($25)	($25)	($127)	($323)	($1,271)	($2,898)
FX gain (loss)	$3	($2)	($0)	$0	$0	($2)	$0	$0	$0
Total Other Income	$163	($93)	($20)	$50	$50	($13)	($223)	($1,221)	($2,848)
Pre-Tax Income	($1,485)	($739)	($759)	($710)	($747)	($2,969)	($3,176)	$6,548	$21,433
Taxes (benefit)	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$1,636.9	$5,786.9
Tax Rate	*0.0%*	*0.0%*	*40.0%*	*40.0%*	*40.0%*	*0.0%*	*0.0%*	*25.0%*	*27.0%*
Net Income	($1,485)	($739)	($759)	($710)	($747)	($2,969)	($3,176)	$4,911	$15,646
Net Margin	-	*#DIV/0!*	*#DIV/0!*	*#DIV/0!*	*#DIV/0!*	-	-	*23.2%*	*32.4%*
EPS	($0.04)	($0.02)	($0.01)	($0.01)	($0.01)	($0.05)	($0.05)	$0.07	$0.20
YOY Growth	*30.4%*	*78.8%*	-	-	-	*26.7%*	*-15.0%*	*-244.3%*	*198.7%*
Diluted Shares O/S	35,159	43,109	56,897	60,000	62,500	55,627	70,000	75,000	80,000

Source: Zacks Investment Research *Brian Marckx, CFA*

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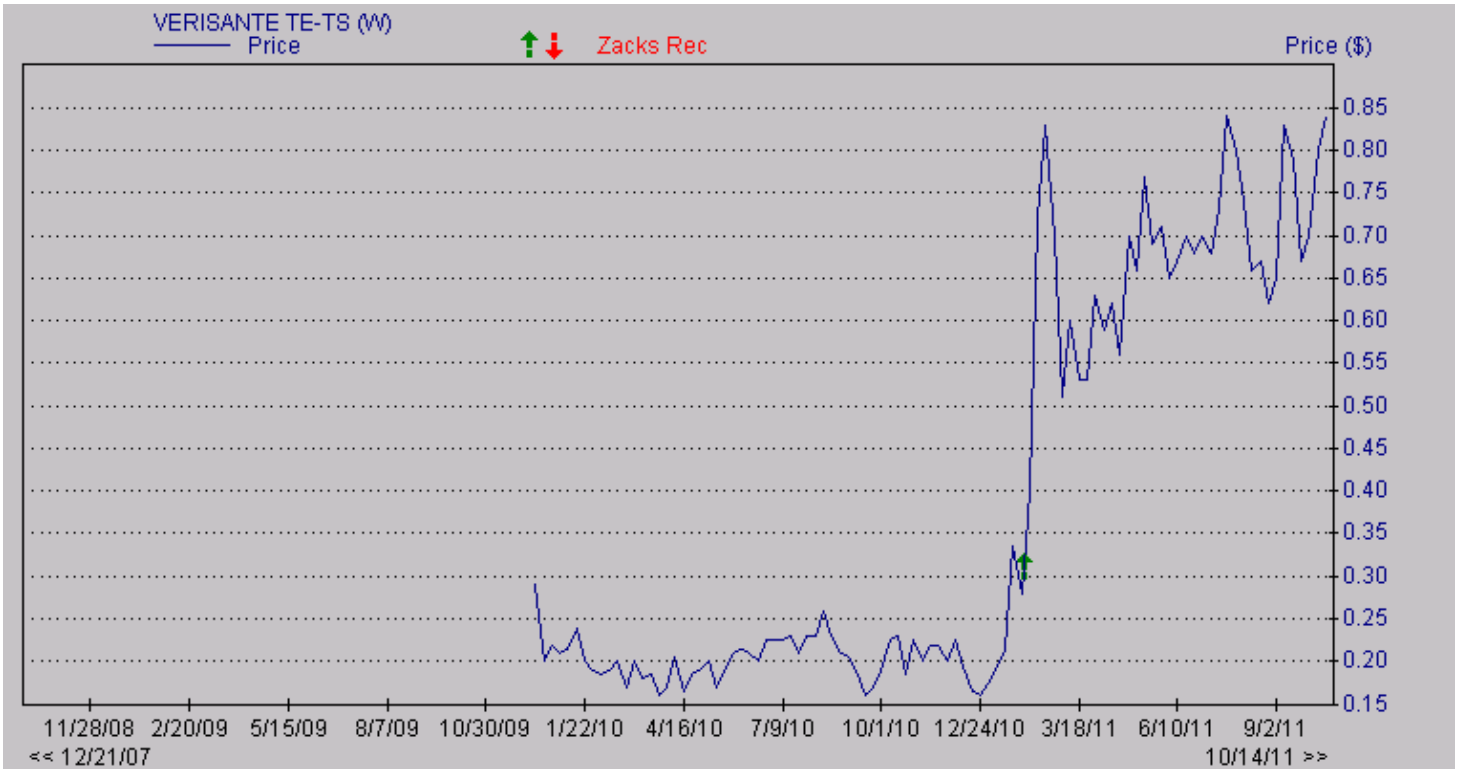
HISTORICAL ZACKS RECOMMENDATIONS



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