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Zacks Small-Cap Research

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Vicor Technologies, Inc. (VCRT-OTC)

VCRT: Q2 2011 Results

Current Recommendation	**Outperform**
Prior Recommendation	N/A
Date of Last Change	04/9/2010
Current Price (08/24/11)	$0.06
Target Price	**$1.20**

OUTLOOK

Vicor began generating revenue in January 2010 after 10 years as a developmental company. 2010 was a slow start but indications suggest the PD2i Analyzer™ has received a positive response from physicians.

Several catalysts may accelerate the unit placement rate including recent expansion of the domestic sales force and newly penned international distribution deals. In the meantime Vicor will need to continue to raise cash to finance operations - which is expected to come from a financing deal finalized in July.

We maintain our Outperform rating. Our price target is $1.20.

SUMMARY DATA

52-Week High	**$0.85**
52-Week Low	**$0.05**
One-Year Return (%)	**-86.75**
Beta	**-0.33**
Average Daily Volume (sh)	**224,988**
Shares Outstanding (mil)	**47**
Market Capitalization ($mil)	**$3**
Short Interest Ratio (days)	**N/A**
Institutional Ownership (%)	**0**
Insider Ownership (%)	**N/A**
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 2011 Estimate	**N/A**
P/E using 2012 Estimate	**N/A**
Zacks Rank	**N/A**

Risk Level	**High,**
Type of Stock	**N/A**
Industry	**Med Instruments**

ZACKS ESTIMATES

Revenue
(in 000's)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2010	$100 A	$8 A	$14 A	$67 A	$189 A
2011	$168 A	$139 A	$453 E	$607 E	$1,508 E
2012					$5,584 E
2013					$17,528 E

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

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2010	-$0.06 A	-$0.05 A	-$0.03 A	-$0.01 A	-$0.14 A
2011	$0.01 A	-$0.00 A	-$0.05 E	-$0.03 E	-$0.09 E
2012					-$0.13 E
2013					-$0.02 E

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

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WHAT'S NEW

Q2 2011 Financial Results

Vicor filed its 10-Q for the second quarter ending June 30, 2011 on August 22nd. Revenue of $139k came in lower than our $279 estimate. However, gross margin held up strong at 48% compared to our 47% estimate.

Q2 EPS was ($0.00) compared to our ($0.01) estimate. The majority of the difference due to a larger than anticipated gain related to valuation of embedded derivatives in the company's various financial instruments.

Cash used in operations was $430k and $1,363k in the three and six months ending 6/30/2011. Cash balance at quarter-end stood at $26k. In late July Vicor entered into a financing deal with Centaurian Fund whereby Vicor can sell up to $10 million in stock to Centaurian over the next three years. With the registration statement now effective, Vicor can begin selling shares to Centaurian. In regard to liquidity, Vicor's Q2 10-Q notes that, "We anticipate various short-term financings over the next 3 - 5 months to provide liquidity in anticipation of a more significant financing event. These include short-term borrowings and sales of equity."

RECENT NEWS

Financing Deal
In a July 26th 8-K filing Vicor noted that it entered into a financing deal with Centaurian Fund whereby Centaurian will be obligated to purchase up to $10MM (although this will be limited to $2.1MM initially) in Vicor common stock over a three year period. Vicor filed a registration statement with the SEC covering up to 15.1MM shares (~$2.1MM worth) which became effective on August 10, 2011. The arrangement allows Vicor to make cash draws once every 7 days. The price per share that Centaurian will pay includes a 7% discount to market price.

Vicor notes in the filing that they expect to limit themselves to $2.1MM and may file a registration statement for the remainder ($7.9MM which represents ~72MM shares at the current share market price) if their share price rises.

ZOLL Medical Agreement
More good news came across the wire in late July when Vicor announced a "licensing and development agreement" with ZOLL Medical (NASDAQ:ZOLL). The agreement allows Zoll to use Vicor's PD2i algorithm (the brains behind the company's PD2i Analyzer) in Zoll's existing and future products. Zoll is a heavyweight in resuscitation devices and makes the only wearable automatic defibrillator, called LifeVest.

While the 8-K was light on specific terms of the deal, it is clearly a very positive sign that a company of Zoll's caliber within resuscitation is interested in PD2i.

RECOMMENDATION

We model EPS of ($0.09) for the full-year 2011, ($0.13) in 2012, ($0.02) in 2013 and $0.08 in 2014. We are maintaining our Outperform rating on Vicor. Our price target is $1.20, based on 25x 2014 EPS, discounted back at an annual rate of 15%.

Risks to our recommendation include; Vicor is unable to obtain additional or sufficient financing, loans are called, PD2i® technology fails to gain significant acceptance by physicians, problems with insurance reimbursement to physicians, per-test revenue and/or unit placements are significantly below our updated forecasts, economic forces constrain physician spending on the Analyzer, Vicor fails to gain SCD and/or trauma indications, and unexpected or higher- than-anticipated expenses adversely impact cash flow/profitability.

FINANCIAL MODEL

Vicor Technologies, Inc

	2010 A	Q1A	Q2A	Q3E	Q4E	2011 E	2012 E	2013 E	2014 E
Total Revenues	$188.9	$168.0	$139.0	$453.2	$606.9	$1,367.1	$5,585.4	$17,528.8	$33,501.5
YOY Growth	-	*-68.0%*	*-1637.5%*	*3137.4%*	*807.1%*	*-623.7%*	*308.6%*	*213.8%*	*91.1%*
Cost of Goods Sold	$131.0	$84.0	$72.0	$234.4	$298.7	$689.1	$1,898.1	$5,166.2	$8,997.4
Gross Profit	$57.9	$84.0	$67.0	$218.9	$308.2	$678.0	$3,687.3	$12,362.6	$24,504.1
Gross Margin	*30.7%*	*50.0%*	*48.2%*	*48.3%*	*50.8%*	*49.6%*	*66.0%*	*70.5%*	*73.1%*
R&D	$638.0	$122.0	$163.0	$205.0	$205.0	$695.0	$1,110.0	$1,180.0	$1,400.0
% R&D	*337.7%*	*72.6%*	*117.3%*	*45.2%*	*33.8%*	*50.8%*	*19.9%*	*6.7%*	*4.2%*
G&A	$5,944.0	$1,455.0	$1,670.0	$1,532.0	$1,605.0	$6,262.0	$7,774.0	$10,850.0	$15,250.0
% G&A	*3146.6%*	*866.1%*	*1201.4%*	*338.0%*	*264.5%*	*458.0%*	*139.2%*	*61.9%*	*45.5%*
Interest Expense	$2,273.0	$1,031.0	$1,172.0	$700.0	$400.0	$3,303.0	$800.0	$700.0	$600.0
Operating Income	($8,797.1)	($2,524.0)	($2,938.0)	($2,218.1)	($1,901.8)	($9,582.0)	($5,996.7)	($367.4)	$7,254.1
Operating Margin	-	-	-	-	-	-	-	*-2.1%*	*21.7%*
Gain/(loss) on derivatives	$3,991.0	$3,211.0	$3,207.0	$0.0	$0.0	$6,418.0	$0.0	$0.0	$0.0
Net Income before preferred div.	($4,806.1)	$687.0	$269.0	($2,218.1)	($1,901.8)	($3,164.0)	($5,996.7)	($367.4)	$7,254.1
Preferred Stock (series A&B) dividends	($436.0)	($115.0)	($106.0)	($100.0)	($100.0)	($421.0)	($400.0)	($400.0)	($400.0)
Amort of deriv discount on series B pref	($1,004.0)	($249.0)	($249.0)	($249.0)	($249.0)	($500.0)	($500.0)	($500.0)	($500.0)
Value of warrants	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Total dividends to preferred stock holders	($1,440.0)	($364.0)	($355.0)	($349.0)	($349.0)	($1,417.0)	($900.0)	($900.0)	$0.0
Pre-Tax Income	($6,246.1)	$323.0	($86.0)	($2,567.1)	($2,250.8)	($4,581.0)	($6,896.7)	($1,267.4)	$7,254.1
Taxes	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Tax Rate	-	-	-	-	-	-	-	-	-
Net Income to common stock	($6,246.1)	$323.0	($86.0)	($2,567.1)	($2,250.8)	($4,581.0)	($6,896.7)	($1,267.4)	$7,254.1
YOY Growth	*5.7%*	*-113.2%*	*-96.0%*	*117.9%*	*371.8%*	*-26.7%*	*50.6%*	*-81.6%*	*-672.4%*
Net Margin	-	-	-	-	-	-	-	*-7.2%*	*21.7%*
EPS	($0.14)	$0.01	($0.00)	($0.05)	($0.03)	($0.09)	($0.13)	($0.02)	$0.08
YOY Growth	-	-	-	-	-	-	-	-	*-491.6%*
Diluted Shares O/S	44,853	46,957	48,611	55,000	65,000	53,892	54,000	65,000	95,000

Brian Marckx, CFA

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BALANCE SHEET

	June 30, 2011	December 31, 2010
Assets		
Current assets:		
Cash	$26	$1,119
A/R	$132	$58
Inventory	$23	$58
Prepaid expenses	$311	$411
Total current assets	$492	$1,646
PP&E, net	$141	$155
Deposits	$18	$18
Deferred charges	$6,161	$8,076
Intellectual property, net of accum. Amortization	$224	$192
Total Assets	**$7,036**	**$10,087**
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued expenses	$2,528	$1,166
Deferred revenue	-	-
Current debt	$910	$360
Due to related parties	$146	$88
Total current liabilities	$3,584	$1,614
Long-term liabilities:		
Long-term debt	$7,829	$8,277
Accrued dividends	$1,153	$932
Derivative financial instruments payable in common stock	$1,274	$7,692
Total Liabilities	**$13,840**	**$16,901**
Net capital deficiency:		
Preferred stock:		
Series A Conv., 157,592 shares o/s @ FYE '08 and '09		-
Series B Junior Conv., 4,781,295 o/s @ FYE '08 and 5,210,101 o/s @ FYE '09		-
Common stock	$5	$5
Additional paid-in-capital	$52,662	$51,275
Stock subscriptions in process	-	-
Deficit accumulated during development stage	($59,471)	($59,708)
Net capital deficiency:	($6,804)	($8,248)

Source: Vicor Technologies, Inc. *Brian Marckx, CFA*

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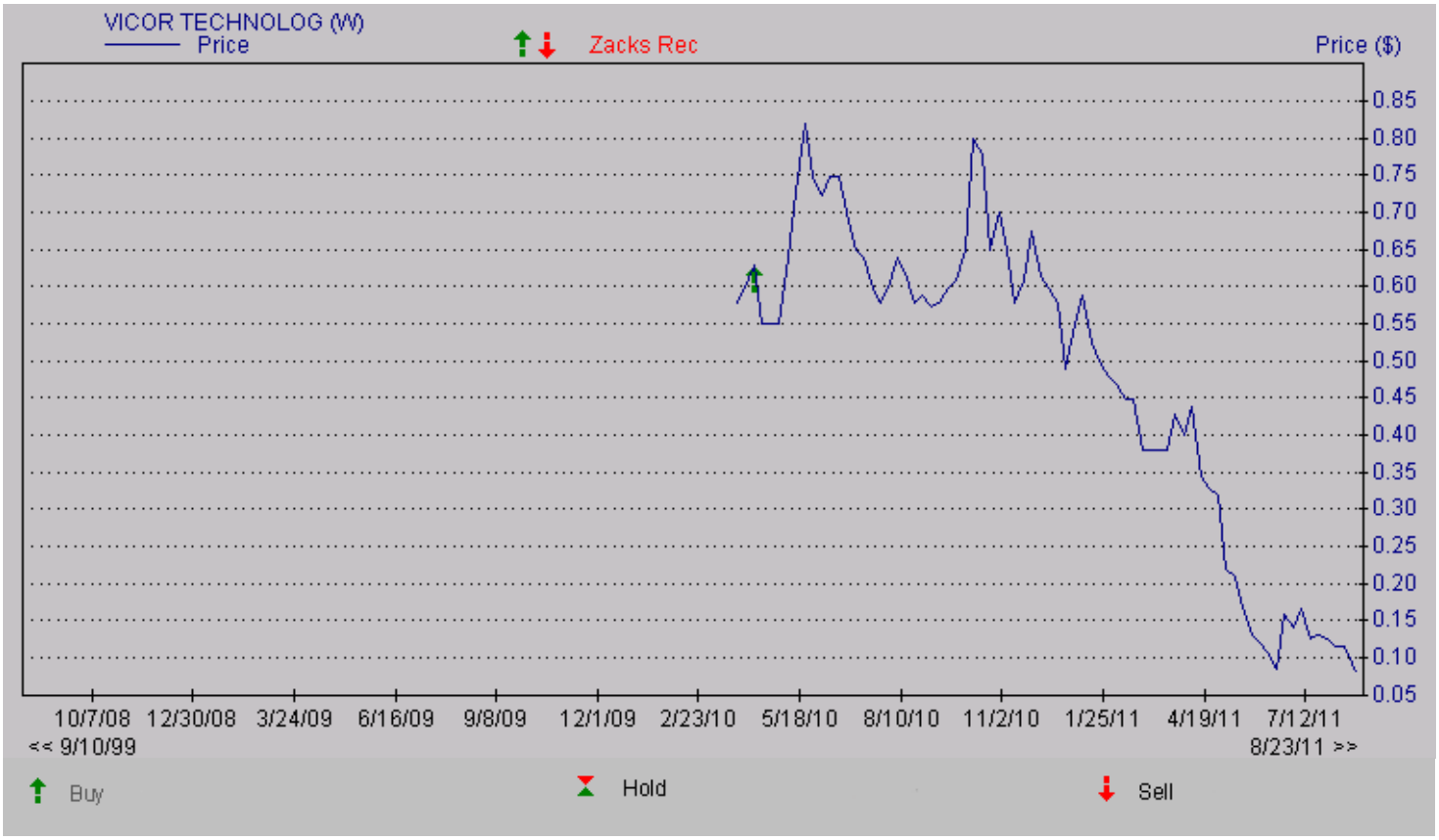
CASH FLOW STATEMENT

	Three Months June 30, 2011	Three Months March 31, 2011	Year Ended December 31, 2010
Cash Flows From Operating Activities:			
Net loss	$269	$687	($4,806)
Depreciation and Amortization	$35	$34	$81
Noncash interest from conversion of debt to equity	-	-	$0
Noncash interest from deferred financing costs and debt-based derivative liabilites	$1,161	$1,009	$1,937
Gain on derivative financial instruments	($3,207)	($3,211)	($3,991)
Gain from sale of assets	-	-	-
Securities issued for services	$154	$15	$596
Beneficial conversion feature of notes	-	-	$102
Contributed research and development expenses	-	-	-
Merger related costs	-	-	-
Shares in lieu of interest payments	$2	-	$7
Warrants issued for consulting	-		$35
Equity-based compensation	$116	$153	$684
Changes in assets and liabilities:			
A/R	($9)	($65)	($58)
Inventory	$11	$24	($58)
Prepaid expenses and other assets	$0	($110)	($1,475)
Accounts payable and accrued expenses	$1,023	$488	$1,328
Accrued royalties due to related party	$15	$43	
Net cash provided by operating activities	($430)	($933)	($5,618)
Cash Flows From Investing Activities:			
Purchase of intellectual property	($31)	($25)	-
Net proceeds from sale of equipment	-	-	-
Purchase of PP&E	($9)	($22)	($178)
Net cash used in investing activities	($40)	($47)	($178)
Cash Flows From Financing Activities:			
Due to related parties	$19	($18)	-
Proceeds from bank loans		-	-
Proceeds from sale of preferred stock		-	-
Proceeds from sale of common stock		-	-
Proceeds from exercise of warrants	$6	-	-
Repayment of notes	-	-	($100)
Proceeds from bridge loan	-	-	-
Procceds from sale of notes	$350	-	$6,471
Proceeds for stock to be issued	-	-	-
Contributed capital	-	-	-
Net cash provided by financing activities	$375	($18)	$6,371

Net increase in cash	($95)	($998)	$575
Cash at beginning of period	$121	$1,119	$544
Cash at end of period	**$26**	**$121**	**$1,119**

Source: Vicor Technologies, Inc. *Brian Marckx, CFA*

HISTORICAL ZACKS RECOMMENDATIONS



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