Akers Biosciences, Inc.

NasdaqCM: AKER

LSE: AKR

November 13, 2014 Target Price: \$11.40 Recent Price: \$3.13

Market Data

| Fiscal Year | December 31 |
|--------------------------|-------------|
| Industry | Medtech |
| Market Cap | \$15.5M |
| Price/Earnings (ttm) | N/A |
| Price/Book (mrq) | 1.0x |
| Price/Sales (ttm) | 4.4x |
| Insider Ownership | 10.2% |
| Institutional Ownership | 15.5% |
| Shares Outstanding | 5.0M |
| Float | 3.7M |
| Avg. Daily Vol. (3 mos.) | 23,549 |
| As of November 13 2014 | |

Income Snapshot

| | TTM |
|----------|----------|
| Revenue | \$3.6M |
| EBITDA | (\$2.7M) |
| Net Loss | (\$3.0M) |

Balance Sheet Snapshot

| Cash | \$10.8M |
|------|---------|
| Debt | \$0.0M |

MRQ

Revenue up 32% YoY; PIFA Heparin/PF4 Rapid Assay Products Gaining Traction

Revenue increased 32% YoY. In 3Q14, AKER reported revenue of \$453,313, a 32% YoY increase as compared to 3Q13 revenue of \$344,709. The growth was primarily driven by U.S. sales of PIFA Heparin/PF4 Rapid Assay products, which showed a 39% YoY increase in sales. Company management was very positive on continued growth from its PIFA Heparin/PF4 Rapid Assay products, both domestically and internationally. AKER has also decreased the amount of time it takes to move new customer trials into sales, which should accelerate sales growth from this product line. The Company also reported a solid gross margin of 64% in 3Q14, which is up from an average of 47% in 2013. General and administrative (G&A) expenses were \$826,756 in 3Q14, as compared to \$370,737 in 3Q13. We expect the G&A figure to stay relatively stable going forward. Sales and marketing expenses in 3Q14 were \$358,650, and we expect this expense to show some additional increases as AKER continues to commercialize its product portfolio. The Company generated a net loss of \$1.1 million in 3Q14, as compared to a net loss of \$544,370 in 3Q13.

Management and the board are confident in strong 4Q14 results; revenues are likely to be lumpy for at least the next few quarters. Management is very confident that 4Q14 results will be strong, leading us to project revenue of just over \$2.0 million for 4Q14. This figure is contingent on international orders; if some of these orders do not materialize in time, we would then expect AKER to report very strong 1Q15 numbers. Given that many of AKER's distribution agreements and product lines are in their initial order stages, it is likely that revenue will be lumpy for some time. We are confident that FY15 will show strong revenue growth for AKER, however, quarterly numbers could differ materially (positively or negatively) due to an uneven order schedule.

We are projecting AKER to report positive net income in FY15 (\$200,813). We believe the Company will reach breakeven sometime in FY15. AKER could fluctuate between reporting positive or negative quarterly net income throughout FY15, depending on order timing.

Product lineup expected to expand significantly in the coming quarters. The Company's upcoming product lineup includes its PIFA PLUSS Infectious Disease single-use assay tests for malaria, dengue fever, and chlamydia, its Breath Ketone "Check" test for diabetic ketoacidosis, and its Breath PulmoHealth "Check" products for lung cancer, COPD, and asthma. Each of these tests has significant worldwide market potential, and the initial groundwork that AKER is laying with its current distribution partnerships could potentially be used to help the commercialization of other tests in the pipeline.

AKER has entered into a joint venture with Hainan Savy Investment Management in China (Hainan). AKER has entered into a joint venture with Hainan in China. This gives the Company access to the Chinese market, which is one of the largest markets for *in vitro* diagnostics and projects at an 18% annual growth rate going forward. AKER owns 19.9% of this joint venture. The Company anticipates product production to begin in 1H15, and initial sales to occur in 3Q15.

Target price of \$11.40. We are applying a 5.0x P/S multiple to our projected FY15 revenue per share of \$2.25. Our target price offers significant upside from the current price of \$3.13. We believe the current entry point is very attractive, especially considering that AKER is trading just below book value (0.99x), has no debt, is generating revenue both domestically and internationally and has many pending product launches on the horizon.

| | | | | = | NCOME | STATEMENT | ⊢ Z U | | | | | | | | | |
|---|-------------|-------------|-----------|-----------|-----------|---------------------|-----------|-----------|-------------|-----------|-----------------------|---------------------|-------------|---|-------------------------|-------------|
| AKER | 2011 | 2012 | 1013 | 2Q13 | 3Q13 | 2013 | 1014 | 2Q14 | 3Q14 | 4Q14E | 2014E | 1Q15E | 2Q15E | 3Q15E | 4Q15E | 2015E |
| REVENUES: | | | | | | | | | | | | | | | | |
| Product Revenues | 1,763,603 | 1,523,650 | 382,148 | 361,514 | 261,376 | 1,325,178 | 324,207 | 1,269,823 | 329,980 | 1,936,279 | 3,890,289 | 1,975,005 | 2,468,756 | 2,839,069 | 3,548,836 | 10,831,666 |
| Product Revenue - Related Party | 21,465 | 12,673 | 919,822 | 631,518 | 0 | 1,719,340 | 766,379 | 0 | 0 | 0 | 766,379 | 0 | 0 | 0 | 0 | 0 |
| License Revenue | 0 | 0 | 200,000 | 0 | 0 | 200,000 | 0 | 0 | 10,000 | 0 | 10,000 | 0 | 0 | 0 | 0 | 0 |
| License Revenue - Related Party | 0 | 27,778 | 83,333 | 83,333 | 83,333 | 333,333 | 83,333 | 83,333 | 83,333 | 83,333 | 333,332 | 83,333 | 83,333 | 83,333 | 83,333 | 333,332 |
| Total Revenue | 1,785,068 | 1,564,101 | 1,585,303 | 1,076,365 | 344,709 | 3,577,851 | 1,173,919 | 1,353,156 | 453,313 | 2,019,612 | 5,000,000 | 2,058,338 | 2,552,089 | 2,922,402 | 3,632,169 | 11,164,998 |
| Cost of Sales: | | | | | | | | | | | | | | | | |
| Product Cost of Sales | (956,620) | (1,007,951) | (776,245) | (633,022) | (94,036) | (1,913,844) | (604,323) | (141,408) | (162,145) | (898,727) | (1,806,603) | (915,960) | (1,008,075) | (1,154,349) | (1,434,707) (4,513,091) | (4,513,091) |
| Total Cost of Sales | (956,620) | (1,007,951) | (776,245) | (633,022) | (94,036) | (1,913,844) | (604,323) | (141,408) | (162,145) | (898,727) | (898,727) (1,806,603) | (915,960) | (1,008,075) | (915,960) (1,008,075) (1,154,349) (1,434,707) (4,513,091) | (1,434,707) | (4,513,091) |
| Gross Profit | 828,448 | 556,150 | 809,058 | 443,343 | 250,673 | 1,664,007 | 569,596 | 1,211,748 | 291,168 | 1,120,885 | 3,193,397 | 1,142,377 | 1,544,014 | 1,768,053 | 2,197,462 | 6,651,907 |
| Gross Margin | 46.41% | 35.56% | 51.03% | 41.19% | 72.72% | 46.51% | 48.52% | 89.56% | 64.23% | 22.50% | 63.87% | 25.50% | 90.50% | 60.50% | %09.09 | 59.58% |
| Other Income | | | | | | | | | | | | | | | | |
| Administrative Expenses | 2,854,631 | 1,009,803 | 210,927 | 271,087 | 270,111 | 1,095,950 | 458,680 | 1,017,047 | 826,756 | 851,756 | 3,154,239 | 861,756 | 871,756 | 881,756 | 891,756 | 3,507,024 |
| Administrative Expenses - Related Party | 333,506 | 483,904 | 83,751 | 109,924 | 100,626 | 42,676 | 195,002 | 0 | 0 | 0 | 195,002 | 0 | 0 | 0 | 0 | 0 |
| Sales and Marketing Expenses | 707,790 | 638,732 | 233,906 | 176,101 | 126,624 | 684,720 | 211,098 | 396,609 | 358,650 | 383,650 | 1,350,007 | 408,650 | 433,650 | 458,650 | 483,650 | 1,784,600 |
| Research and Development Expenses | 888,976 | 900,380 | 247,716 | 274,416 | 233,848 | 1,006,800 | 253,538 | 248,951 | 183,886 | 208,886 | 895,261 | 223,886 | 238,886 | 253,886 | 268,886 | 985,544 |
| Non-Cash Share Based Compensation | 27,766 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Amortization of Non-Current Assets | 228,094 | 258,572 | 61,613 | 64,643 | 64,643 | 258,572 | 64,643 | 64,643 | 64,643 | 64,643 | 258,572 | 64,643 | 64,643 | 64,643 | 64,643 | 258,572 |
| Operating Income (Loss) | (4,212,315) | (2,735,241) | (31,885) | (452,828) | (545,179) | (1,810,711) | (613,365) | (515,502) | (1,142,767) | (388,050) | (2,659,684) | (416,558) | (64,921) | 109,118 | 488,527 | 116,167 |
| Other Income/Expenses: | | | | | | | | | | | | | | | | |
| Foreign Currency Transaction (Income)/Expense | 29,628 | (6,859) | 87 | 0 | (608) | 22 | (5,399) | (1,497) | 1,022 | 0 | (2,874) | 0 | 0 | 0 | 0 | 0 |
| Gain on Sale of Equity Investment - Related Party | 0 | 0 | (91,286) | (99,710) | 0 | (99,710) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Gain from Demutualization of Insurance Carrier | 0 | 0 | 0 | 0 | 0 | (91,286) | (4,669) | 0 | 0 | 0 | (4,669) | 0 | 0 | 0 | 0 | 0 |
| Gain on Disposal of Property, Plant & Equipment | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Interest and Dividend Income | 0 | 0 | (1,054) | 0 | 0 | 0 | (10,697) | (19,010) | (19,469) | (19,936) | (69,112) | (20,415) | (20,905) | (21,406) | (21,920) | (84,646) |
| Other (Income)/Expense | (317,109) | (3,154) | 0 | (91,905) | 0 | (92,999) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Investement (Income)/Expense | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total Other Expense/(Income) | (287,481) | (10,013) | (92,253) | (191,615) | (608) | (283,938) | (17,765) | (20,507) | (18,447) | (19,936) | (76,655) | (20,415) | (20,905) | (21,406) | (21,920) | (84,646) |
| Income (Loss) Before Income Taxes | (3,924,834) | (2,725,228) | 896,09 | (261,213) | (544,370) | (1,526,773) | (295,600) | (494,995) | (1,124,320) | (368,114) | (2,583,029) | (396,143) | (44,017) | 130,525 | 510,448 | 200,813 |
| Income Tax Benefit | 297,890 | 167,408 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Net Income (Loss) | (3,626,944) | (2,557,820) | 898'09 | (261,213) | (544,370) | (1,526,773) | (295,600) | (494,995) | (1,124,320) | (368,114) | (2,583,029) | (396,143) | (44,017) | 130,525 | 510,448 | 200,813 |
| Preferred Stock Dividend | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (15,793) | 0 | 0 | (15,793) | 0 | 0 | 0 | 0 | 0 |
| Net Income (Loss) Attributable to Common Stockholders | (3,626,944) | (2,557,820) | 60,368 | (261,213) | (544,370) | (1,526,773) | (295,600) | (510,788) | (1,124,320) | (368,114) | (2,567,236) | (396,143) | (44,017) | 130,525 | 510,448 | 200,813 |
| Basic & Diluted Loss per Common Share | (3.47) | (2.24) | 0.05 | (0.19) | (0:30) | (0.96) | | (0.10) | | _ | | (0.08) | (0.01) | 0.03 | | 0.04 |
| Basic & Diluted Shares Outstanding | 1,046,283 | 1,143,058 | 1,278,948 | 1,369,114 | 1,791,768 | 1,593,722 4,197,937 | | 4,894,837 | 4,924,837 | 4,954,837 | 4,743,112 | 4,954,837 4,954,837 | 4,954,837 | 4,954,837 | 4,954,837 | 4,954,837 |

Additional Information

Legal: Lucosky Brookman LLP Auditor: Morison Cogen LLP

Transfer Agent: VStock Transfer, LLC

Company Information

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