



## Cancer Genetics, Inc. 1Q15 Revenue Up 206% YoY; Foundation Set for Growth in 2015

(NasdaqCM: CGIX)

**May 13, 2015**  
**Target Price: \$15.80**  
**Recent Price: \$9.89**

[Watch Interview with CEO Panna Sharma](#)

### Market Data

Fiscal Year	December 31
Industry	Healthcare
Market Cap	\$97.2M
Price/Earnings (ttm)	N/A
Price/Book (mrq)	3.1x
EV/Sales (ttm)	5.7x
Insider Ownership	32.0%
Institutional Ownership	25.4%
Shares Outstanding	9.8M
Float	7.7M
Avg. Daily Vol. (3 mos.)	80,766
As of May 12, 2015	

### Income Snapshot

	TTM
Revenue	\$13.1M
Gross Profit	\$2.8M
Gross Margin	21.6%

### Balance Sheet Snapshot

	MRQ
Cash*	\$28.6M
Debt	\$6.4M

\*Includes \$6.3 million in restricted cash;  
 \$6.0 million now unrestricted as of May 7, 2015

**Strong 1Q15 revenue growth (206% YoY, 8% QoQ).** CGIX reported strong growth in biopharma services and clinical services. Overall, 1Q15 revenue grew 206% YoY and 8.3% QoQ, with the majority of growth coming from biopharma services (578% YoY revenue growth). Biopharma services revenue totaled \$3.3 million in 1Q15. 1Q15 revenue from clinical services declined by 7% YoY to \$0.87 million, due to test mix and a repositioning of the Clinical “go-to-market” strategy. 1Q15 gross margin improved significantly to 28.1%, up from 23.3% in 4Q14 and 9.8% in 1Q14. Net loss in 1Q15 was \$4.3 million, or (\$0.44) per diluted share, as compared to a net loss in 1Q14 of \$2.5 million, or (\$0.27) per diluted share. The net loss in 1Q15 was reduced as compared to net losses of \$4.8 million and \$5.2 million in 3Q14 and 4Q14, respectively.

**Biopharma Services contract backlog at over \$30 million.** Signed contracts with biopharma customers now total approximately \$30 million, up from \$25 million. These contracts encompass over 70 clinical trials, and management believes that approximately 1/4<sup>th</sup> of these trials could lead to either a companion diagnostic or therapeutic monitoring option in the clinic. Companion diagnostics could lead to long-term growth in CGIX’s clinical services segment. We expect continued growth in biopharma services, particularly given the continued understanding from big pharma and biotech companies that genomic insights can lead to improved clinical trial success rates, and CGIX’s focus on selling biopharma services.

**Launched NGS panels FOCUS::MYELOID™, FOCUS::CLL™, and FOCUS::HOTSPOT™ during 2015; additional NGS panels projected for 2015 launches.** CGIX recently launched its proprietary NGS panels FOCUS::MYELOID, FOCUS::CLL, and FOCUS::HOTSPOT. The FOCUS::MYELOID NGS panel assesses 54 biomarkers that provide actionable information for improved diagnosis, prognosis, and risk stratification in acute myeloid leukemia, myelodysplastic syndrome, and myeloproliferative neoplasms. There are currently over 275,000 patients in the U.S. living with myeloid malignancies, and there are approximately 54,000 new cases of myeloid cancers in the U.S. each year. The FOCUS::CLL NGS panel assesses 7 biomarkers that provide actionable information for improved diagnosis, prognosis, and patient management in chronic lymphocytic leukemia and small lymphocytic lymphoma. There are approximately 150,000 patients in the U.S. living with these diseases, and 18,200 new cases in the U.S. each year. The FOCUS::HOTSPOT NGS panel targets the five most common solid tumors (breast, colorectal, lung, skin, and ovarian cancer) for the Indian and broader Asian markets, and can reach a patient population of over 370,000 patients per year in India. This panel has been chosen for use in several research programs in India. Additional NGS panels are anticipated to launch in 2015, including the Company’s FOCUS::Lymphoid panel for lymphomas, and a multiple myeloma NGS panel that was developed in the OncoSpire Genomics joint venture with Mayo Clinic. The launch of these panels should drive additional 2015 revenue growth, particularly in the Biopharma Services segment. FOCUS::MYELOID has already been selected to be used in multiple clinical trials, and FOCUS::CLL has also been selected for use in a clinical trial.

**CGIX has 18 research collaborations with academic centers; collaborations can generate insights that strengthen the Company's knowledge base and proprietary tests.** A recent example of new collaborations are new multi-year research collaborations in conjunction with researchers at Moffitt Cancer Center. The first collaboration will examine genetic variants as predictors for the most common chemotherapy induced side effects, and the second collaboration will examine genetic variants as predictors of pain management in cancer. Insights generated from these collaborations will be included in the Company's NGS-based pharmacogenomics panel.

**New discovery services segment has potential to generate new insights, along with upselling and cross-selling synergies.** The Company's new discovery services division generated \$166,000 in revenue in 1Q15. We expect to see further significant revenue growth in this segment in 2015. Discovery services focuses on the technology and discovery needs of research organizations. These services have the potential to generate additional genomic insights for CGIX, along with providing a strong opportunity for upselling and cross-selling opportunities in CGIX's other revenue generating segments. We believe that this segment could provide sustainable long-term value generation for the Company.

**We are applying a 4.0x EV/S multiple to our FY16E revenue per share of \$3.95 to derive a target price of \$15.80.**

Ticker	Company Name	Price Close (USD)	Company Market Cap (USD)	Enterprise Value (USD)	P/S (ttm)	EV/S (ttm)	EV/S (ntm)	EV/S (FY16E)	P/B (mrq)
MYGN	Myriad Genetics Inc	\$34.66	\$2407.18M	\$2272.75M	3.3x	3.1x	3.0x	3.0x	3.6x
EXAS	Exact Sciences Corp	\$22.92	\$2037.88M	\$1796.03M	353.2x	311.3x	24.9x	11.6x	7.9x
FMI	Foundation Medicine Inc	\$39.66	\$1357.47M	\$1285.39M	19.7x	18.7x	9.6x	12.1x	13.0x
GHDX	Genomic Health Inc	\$28.20	\$909.84M	\$781.86M	3.3x	2.8x	2.8x	2.7x	5.7x
SQNM	Sequenom Inc	\$3.68	\$434.59M	\$481.72M	2.9x	3.2x	3.1x	3.2x	-28.8x
TROV	Trovagene Inc	\$11.20	\$273.90M	\$244.98M	924.7x	827.1x	64.2x	30.9x	11.6x
MDXH.PAp	MDxHealth SA	\$5.31	\$199.19M	\$180.30M	17.1x	15.4x	7.7x	5.4x	8.4x
PEB.NZ	Pacific Edge Ltd	\$0.53	\$168.22M	\$157.89M	101.8x	95.3x	17.5x	13.6x	13.5x
VRML	Vermillion Inc	\$1.87	\$80.63M	\$58.77M	32.0x	23.3x	4.2x	2.4x	4.2x
GVI.PA	Genomic Vision SA	\$15.70	\$69.52M	\$41.92M	10.6x	6.4x	10.4x	6.8x	2.5x
VNRX	VolitionRX Ltd	\$3.50	\$62.77M	\$60.99M	4244.3x	4123.5x	34.6x	15.1x	139.7x
ROSG	Rosetta Genomics Ltd	\$3.86	\$45.40M	\$29.82M	34.2x	22.5x	2.7x	1.7x	3.0x
ATOS	Atossa Genetics Inc	\$1.37	\$37.29M	\$28.91M	70.9x	55.0x	3.6x	N/A	3.5x
<i>median</i>			<i>\$199.19M</i>	<i>\$180.30M</i>	<i>32.0x</i>	<i>22.5x</i>	<i>7.7x</i>	<i>6.1x</i>	<i>5.7x</i>
<i>average</i>			<i>\$621.84M</i>	<i>\$570.87M</i>	<i>447.5x</i>	<i>423.6x</i>	<i>14.5x</i>	<i>9.0x</i>	<i>14.4x</i>
<b>CGIX</b>	<b>Cancer Genetics Inc</b>	<b>\$9.89</b>	<b>\$97.19M</b>	<b>\$74.92M</b>	<b>7.4x</b>	<b>5.7x</b>	<b>3.7x</b>	<b>2.2x</b>	<b>3.1x</b>

Source: ThomsonReuters, as of May 12, 2015, fwd. estimates using Starmine

	1Q14	2Q14	3Q14	4Q14	FY14	1Q15	2Q15	3Q15	4Q15	FY15	1Q16E	2Q16E	3Q16E	4Q16E	FY16E
<b>Revenue:</b>															
Biopharma Services	491,250		1,390,799	2,769,313	5,600,000	3,331,090	3,664,199	4,213,829	5,056,595	16,265,712	5,815,084	6,396,592	7,036,251	7,739,877	26,987,804
Clinical Services	939,125		1,237,831	1,120,012	4,400,000	873,041	1,054,197	1,054,197	1,212,327	4,086,258	1,818,480	2,727,735	3,818,829	5,346,360	13,771,413
Discovery Services	0		53,220	107,780	161,000	166,196	216,055	280,871	365,133	1,028,255	474,672	617,074	802,196	1,042,855	2,936,798
Grants	0		0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total Revenue</b>	<b>1,430,375</b>	<b>1,511,670</b>	<b>3,221,850</b>	<b>4,035,492</b>	<b>10,199,387</b>	<b>4,370,327</b>	<b>4,796,947</b>	<b>5,548,897</b>	<b>6,634,054</b>	<b>21,350,225</b>	<b>8,108,246</b>	<b>9,741,401</b>	<b>11,657,276</b>	<b>14,129,092</b>	<b>43,636,015</b>
Cost of revenues	1,290,062	1,503,085	2,565,715	3,094,799	8,453,671	3,141,735	3,353,066	3,767,701	4,371,841	14,634,343	5,181,169	6,029,927	6,632,990	7,474,290	25,318,376
<b>Gross Profit</b>	<b>140,313</b>	<b>8,575</b>	<b>656,135</b>	<b>940,693</b>	<b>1,745,716</b>	<b>1,228,592</b>	<b>1,443,881</b>	<b>1,781,196</b>	<b>2,262,212</b>	<b>6,715,881</b>	<b>2,927,077</b>	<b>3,711,474</b>	<b>5,024,286</b>	<b>6,654,802</b>	<b>18,317,639</b>
Operating Expenses	596,771	1,105,773	1,390,189	1,529,793	4,622,526	1,277,926	1,304,770	1,398,322	1,539,100	5,520,118	1,718,948	1,772,935	1,771,906	1,723,749	6,987,538
Research and Development	2,731,404	2,395,462	3,104,100	4,137,773	12,368,739	2,986,897	3,036,467	3,235,007	3,535,951	12,794,322	3,916,283	4,218,027	4,464,737	4,704,988	17,304,034
General and Administrative	748,979	918,457	1,070,531	1,225,570	3,963,537	1,115,813	1,223,221	1,414,969	1,559,003	5,313,006	1,743,273	1,996,987	2,273,169	2,613,882	8,627,311
Sales and Marketing	4,077,154	4,419,692	5,564,820	6,893,136	20,954,802	5,380,636	6,048,268	6,048,268	6,634,054	23,627,446	7,378,504	7,987,949	8,509,812	9,042,619	32,918,883
Total Operating Expenses	<b>(3,936,841)</b>	<b>(4,411,117)</b>	<b>(4,908,685)</b>	<b>(5,952,443)</b>	<b>(19,209,086)</b>	<b>(4,152,044)</b>	<b>(4,120,577)</b>	<b>(4,267,102)</b>	<b>(4,371,841)</b>	<b>(16,911,565)</b>	<b>(4,451,427)</b>	<b>(4,276,475)</b>	<b>(3,485,526)</b>	<b>(2,387,817)</b>	<b>(14,601,244)</b>
Interest expense	(341,177)	(30,744)	(36,166)	(64,733)	(472,820)	(33,987)	(64,733)	(64,733)	(64,733)	(228,166)	(64,733)	(64,733)	(64,733)	(64,733)	(258,932)
Interest income	22,184	16,157	18,789	16,672	73,802	12,618	16,672	16,672	16,672	62,634	16,672	16,672	16,672	16,672	66,688
Debt conversion costs	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Change in fair value of acquisition note payable	(44,000)	239,000	129,000	93,000	417,000	(15,000)	0	0	0	(15,000)	0	0	0	0	0
Change in fair value of warrant liability	(362,993)	224,413	111,623	242,939	215,982	(126,263)	(48,061)	(48,061)	(48,061)	(180,532)	(48,061)	(48,061)	(48,061)	(48,061)	(192,244)
Total other income (expense)	(4,299,834)	(4,186,704)	(4,797,062)	(5,709,504)	(18,993,104)	(4,278,307)	(4,168,638)	(4,315,163)	(4,419,902)	(17,092,097)	(4,499,488)	(4,324,536)	(3,533,587)	(2,435,878)	(14,793,488)
(Loss) income before income taxes	(1,813,941)	0	0	(536,244)	(2,350,185)	0	0	0	0	0	0	0	0	0	0
Income tax provision	<b>(2,485,893)</b>	<b>(4,186,704)</b>	<b>(4,797,062)</b>	<b>(5,173,260)</b>	<b>(16,642,919)</b>	<b>(4,278,307)</b>	<b>(4,168,638)</b>	<b>(4,315,163)</b>	<b>(4,419,902)</b>	<b>(17,092,097)</b>	<b>(4,499,488)</b>	<b>(4,324,536)</b>	<b>(3,533,587)</b>	<b>(2,435,878)</b>	<b>(14,793,488)</b>
<b>Net income (loss)</b>	<b>(0,27)</b>	<b>(0,45)</b>	<b>(0,50)</b>	<b>(0,55)</b>	<b>(1,76)</b>	<b>(0,44)</b>	<b>(0,42)</b>	<b>(0,44)</b>	<b>(0,45)</b>	<b>(1,74)</b>	<b>(0,41)</b>	<b>(0,39)</b>	<b>(0,32)</b>	<b>(0,22)</b>	<b>(1,34)</b>
Basic net (loss) per share	(0,27)	(0,47)	(0,51)	(0,55)	(1,80)	(0,44)	(0,42)	(0,44)	(0,45)	(1,74)	(0,41)	(0,39)	(0,32)	(0,22)	(1,34)
Diluted net (loss) per share	9,276,643	9,302,737	9,575,789	9,541,586	9,449,189	9,703,576	9,829,169	9,878,315	9,927,706	9,834,692	11,018,306	11,045,852	11,073,466	11,101,150	11,059,694
Weighted average shares - basic	9,276,643	9,318,634	9,575,789	9,541,586	9,461,663	9,703,576	9,829,169	9,878,315	9,927,706	9,834,692	11,018,306	11,045,852	11,073,466	11,101,150	11,059,694
Weighted average shares - diluted	17,4%	-17,5%	88,9%	117,6%	54,3%	205,5%	217,3%	72,2%	64,4%	109,3%	85,5%	103,1%	110,1%	113,0%	104,4%
YoY Revenue Growth	-22,9%	5,7%	113,1%	25,3%	11,6%	8,3%	9,8%	15,7%	19,6%	10,9%	22,2%	20,1%	19,7%	21,2%	104,4%
G&A Revenue Growth	9,8%	0,6%	20,4%	23,3%	17,1%	28,1%	30,1%	32,1%	34,1%	31,5%	36,1%	38,1%	43,1%	47,1%	42,0%
Gross Margin	-275,2%	-291,8%	-152,4%	-147,5%	-186,3%	-95,0%	-85,9%	-76,9%	-65,9%	-79,2%	-54,9%	-43,9%	-29,9%	-16,9%	-33,5%
Operating Margin	41,7%	73,1%	43,1%	37,9%	45,3%	29,2%	27,2%	25,2%	23,2%	25,9%	21,2%	18,2%	15,2%	12,2%	16,0%
R&D % of Rev	191,0%	158,5%	96,3%	102,5%	121,3%	68,3%	63,3%	58,3%	53,3%	59,9%	48,3%	43,3%	38,3%	33,3%	39,7%
G&A % of Rev	52,4%	60,8%	33,2%	30,4%	38,9%	25,5%	25,5%	25,5%	23,5%	24,9%	21,5%	20,5%	19,5%	18,5%	19,8%

## Additional Information

Legal: Lowenstein Sandler LLP

Auditor: McGladrey LLP

Transfer Agent: Continental Stock Transfer & Trust Co.

[Company Website](#)

[Company Information](#)

### About RedChip

*RedChip Companies, an Inc. 5000 company, is an international small-cap research, investor relations, and media company headquartered in Orlando, Florida; with affiliate offices in San Francisco, Seoul, Hong Kong and Singapore. RedChip delivers concrete, measurable results for its clients through its extensive global network of small-cap institutional and retail investors. RedChip has developed the most comprehensive platform of products and services for small-cap companies, including: RedChip Research(TM), Traditional Investor Relations, Digital Investor Relations, Institutional and Retail Conferences, "The RedChip Money Report"(TM) television show, Shareholder Intelligence, Social Media and Blogging Services, and Webcasts. RedChip is not a FINRA member or registered broker/dealer.*

*None of the profiles issued by RedChip Companies, Inc., constitute a recommendation for any investor to purchase or sell any particular security or that any security is suitable for any investor. Any investor should determine whether a particular security is suitable based on the investor's objectives, other securities holdings, financial situation needs, and tax status. RedChip Companies, Inc., employees and affiliates may maintain positions and buy and sell the securities or options of the issuers mentioned herein. All materials are subject to change without notice. Information is obtained from sources believed to be reliable, but its accuracy and completeness are not guaranteed. Cancer Genetics, Inc. ("CGIX") is a client of RedChip Companies, Inc. CGIX agreed to pay RedChip Companies, Inc., a monthly cash fee for twelve (12) months of RedChip investor awareness services. Investor awareness services and programs are designed to help small-cap companies communicate their investment characteristics. RedChip investor awareness services include the preparation of a research profile(s), multimedia marketing, and other awareness services.*

*Additional information about the subject security or RedChip Companies Inc. is available upon request. To learn more about RedChip's products and services, visit <http://www.redchip.com/visibility/productsandservices.asp>, call 1-800-RedChip (733-2447), or email [info@redchip.com](mailto:info@redchip.com).*

### Company Contact Info:

Cancer Genetics, Inc.

201 Route 17 North, 2<sup>nd</sup> Floor

Rutherford, NJ 07070

(201) 528-9200

[www.cancergenetics.com](http://www.cancergenetics.com)

### Investor Contact Info:

RedChip Companies, Inc.

1017 Maitland Center Commons Blvd.

Maitland, FL 32751

(407) 644-4256

[www.redchip.com](http://www.redchip.com)