

COMPANY NOTE

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June 6, 2011

Jefferies

Complete Genomics (GNOM) Survey Confirms: It's Clicking

Key Takeaway

We are resuming coverage of GNOM with a Buy rating. Our 2011 and 2012 revenue forecasts of \$36M and \$80M, respectively, are unchanged. Our price target moves to \$20 (from \$15.50) on a lower WACC assumption (12% vs. our prior 15%), reflecting greater conviction in the evolution and economic viability of GNOM's business model, as well as greater confidence in its intermediate-term revenue and profit margin expansion trajectories.

Survey update bolsters conviction in accelerating demand outlook. Last week we conducted a follow-up to our December 2010 survey of next-gen sequencing technology users' perceptions of, experience with, and plans to utilize outsourced whole human genome sequencing service providers. Based on the results of our proprietary survey, 63% of respondents indicated a willingness to outsource human WGS projects to a third-party service provider (vs. only 37% in December 2010). Additionally, 32% of respondents indicated they are now more likely to outsource WHG sequencing projects (compared to six months ago), likely reflecting the impact of recent price declines on incremental volume demand.

GNOM clearly gaining traction. More than 70% of respondents are now familiar with GNOM's outsourced sequencing service offering, representing a significant increase from 53% in late 2010; 72% would consider using or reusing GNOM's outsourced services (vs. 63% in December 2010). Impressively, 26% of respondents open to outsourcing indicated a preference for GNOM's offering, up from only 16% in our December 2010 survey.

Valuation remains reasonable; upward trajectory should continue. Shares of GNOM currently imply an equity value of 3.6 times our 2013 revenue forecast, which implies a nearly 25% discount to a blended average of other life science product manufacturers and diagnostic service providers. Despite recent strength, we believe the shares should continue trending higher on appreciation for its accelerating new order bookings trajectory and greater confidence in the economic viability of its business model.

Valuation/Risks

Our \$20 price target represents a 10-year discount horizon in our DCF model and implies an equity value of 4.2 times our 2013 revenue forecast. Risks include: execution (turn-around time), ability to evolve technology as fast as current instrumentation vendors, threats from new competitive technologies and litigation risks.

USD	Prev.	2010A	Prev.	2011E	Prev.	2012E	Prev.	2013E
Rev. (MM)	--	9.4	--	36.0	--	80.0	--	161.0
Consensus	--	--	(1.98)	(1.95)	(0.80)	(0.78)	--	0.15
EPS								
Mar	--	(1.42)	(0.50)	(0.48)A	--	--	--	--
Jun	--	(1.10)	(0.53)	(0.48)	--	--	--	--
Sep	--	(1.05)	(0.53)	(0.38)	--	--	--	--
Dec	--	(0.69)	(0.45)	(0.32)	--	--	--	--
FY Dec	--	(4.14)	(2.00)	(1.63)	--	(0.80)	0.75	0.60

BUY

Price target \$20.00

(from \$15.50)

Price \$17.11

Financial Summary

Book Value (MM):	\$123.5
Book Value/Share:	\$4.38
Net Debt (MM):	\$(105.0)

Market Data

52 Week Range:	\$17.72 - \$6.60
Total Entprs. Value (MM):	\$447.7
Market Cap. (MM):	\$552.7
Insider Ownership:	38.1%
Institutional Ownership:	23.9%
Shares Out. (MM):	32.3
Float (MM):	20.0
Avg. Daily Vol.:	255,000

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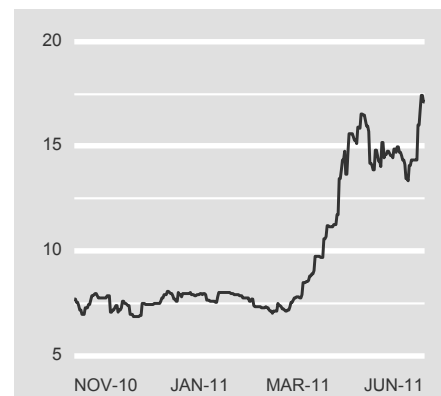
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Price Performance



Scenarios

Target Investment Thesis

- 2011 revenue: \$36M (+283%)
- 2012 revenue: \$80M (+123%)
- 2011: ~4,900 genomes shipped (+500%) at an average ASP of ~\$7,300 / genome
- 2012: ~21,100 genomes shipped (+330%) at an average ASP of ~\$3,790 / genome
- Cash burn of ~\$50M and ~\$35M in 2011 and 2012, respectively
- Target Price: \$20 implies an equity value of 4.2 times our 2013 revenue forecast

Upside Scenario

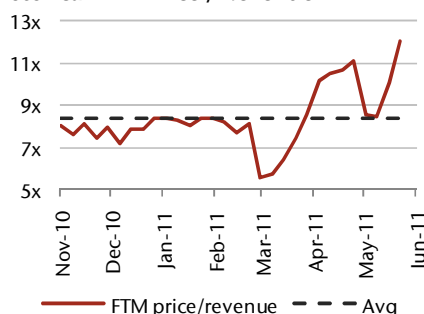
- 2011 revenue: ~\$40M (+325%)
- 2012 revenue: ~\$90M (+125%)
- Limited disruption from competitive outsourced WHG sequencing service offerings
- Faster than expected TAT reductions
- Faster than expected volume growth on continued ASP declines
- Target Price: \$27; Target multiple: 5.0 times 2013 price/revenue

Downside Scenario

- 2011 revenue: ~\$33M (+253%)
- 2012 revenue: ~\$75M (+108%)
- Intensifying competitive pressures from third-party outsourced service providers
- Slower than expected TAT improvements
- Target Price: \$13; Target multiple: 3.0 times 2013 price/revenue

Long Term Analysis

Historical FTM Price / Revenue



Source: Capital IQ, Jefferies estimates

Long Term Financial Model Drivers

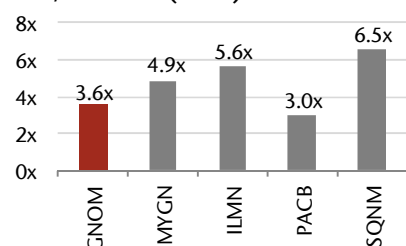
Organic revenue growth	20%
Gross margin (2014E)	65%
Operating margin (2014E)	>20%

Other Considerations

GNOM is the sole pure-play provider of outsourced whole human genome sequencing services in the public arena and is aptly leveraged to favorable secular growth dynamics underway in the DNA sequencing sector of the life science research supply industry.

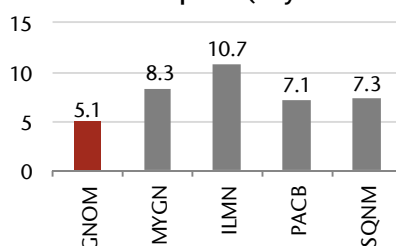
Peer Group

Price / Revenue (2013)



Source: Capital IQ, Jefferies estimates

Short Interest Snapshot (Days to cover)



Source: Capital IQ, Jefferies estimates

Recommendation / Price Target

Ticker	Rec.	PT
GNOM	BUY	\$20
ILMN	NC	-
MYGN	BUY	\$27
PACB	NC	-
SQNM	HOLD	\$7

Catalysts

- Sequencing throughput enhancements on new technology implementation; instrument capacity expansions
- Incremental visibility on new order wins, uptake in pharmaceutical clinical trials
- Price declines that stimulate incremental demand for outsourced service offerings
- Turnaround time (TAT) improvements

Company Description

Complete Genomics offers proprietary human genome sequencing technology, advanced informatics and data management software to academic and biopharmaceutical researchers as an end-to-end outsourced service solution that is capable of delivering research-ready genomic data at a significantly lower cost.

Investment Focus: Survey Confirms Model Is Clicking

We are resuming coverage of Complete Genomics (GNOM) with a Buy rating and \$20 price target. As the only pure-play franchise solely focused on whole human genome sequencing (WGS) services for research applications, we continue to view GNOM as uniquely capable of leveraging its scale to deliver high-quality end-to-end solutions to academic and biopharmaceutical researchers. Whereas GNOM's primary competitors manufacture and sell DNA sequencing instruments and reagents that produce raw sequence data, we view GNOM's outsourced whole human genome services offering as a compelling alternative for researchers conducting large-scale genetic studies, which are rapidly becoming the basis for the understanding and treatment of complex diseases in therapeutic research settings.

Secondary offering to support next phase of growth story

Following the completion of its recent secondary offering, GNOM is well-capitalized to significantly expand its internal sequencing capacity, accelerate its research and development activities, and fund key investments to bolster its sales and marketing infrastructure. Capacity expansions are necessary for GNOM to satisfy the rapidly accelerating demand environment for high-quality, low-cost complete human genome sequencing projects. Our revised model contemplates ~\$23 million of capital expenditures in 2011, primarily reflecting incremental investments needed to upgrade its existing fleet of sequencers, additional instruments to support higher order volumes, and support the development of new equipment. Such investments should more than double its available sequencing capacity to ~1,000 complete human genomes per month by the end of 2011 (up from ~400 genomes per month currently).

Jefferies & Company acted as a Joint Bookrunner on GNOM's recent secondary offering, which priced at \$12.50 per share on 5/25/11. The offering entailed 6,325,000 shares of common stock (including 825,000 over-allotment shares). Net proceeds of ~\$74 million are intended to be used to expand sequencing and computing capacity (~\$20 million) at its Mountain View and Santa Clara, CA facilities, finance further development of its sequencing technology and services (~\$15 million), support ongoing expansion of its sales and marketing organization (~\$15 million), and for working capital and other general purposes.

Raising target price

In early May 2011, GNOM reported better than expected 1Q11 shipments of more than 600 genomes, surpassing our prior ~570 forecast and reflecting a sharp acceleration from ~350 genomes in 4Q10 (>70% growth sequentially). GNOM also indicated it booked roughly 1,700 genomes in 1Q11 (>100% growth versus 800 genomes ordered in 4Q10) and exited with a backlog in excess of 2,000 genomes (excluding an ~1,100 genome option from the National Cancer Institute).

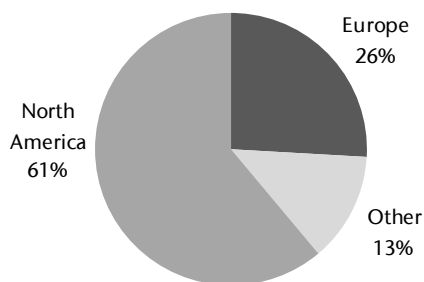
We are maintaining our 2011 and 2012 revenue forecasts of \$36 million and \$80 million, respectively. Our price target moves to \$20 (from \$15.50) on a lower weighted average cost of capital assumption (12% versus our prior 15%), reflecting greater conviction in the evolution and economic viability of GNOM's unique business model and greater confidence in its intermediate-term revenue growth and profit margin expansion trajectories.

NGS Sequencing Technology User Survey, Part II

In order to gauge the recent developments in the current and future roles of outsourced whole human genome sequencing (WGS) service providers, we conducted a follow-up to our December 2010 survey (see our GNOM initiation report entitled, *“Survey Confirms: If You Build It, They Will Come; Initiate at Buy”*, 12/21/10) of next-generation sequencing technology users’ perceptions of, experience with, and plans to utilize outsourced service offerings. The proprietary web-based survey was conducted last week and targeted 175 known users of next-generation sequencing technology platforms at a variety of institutions globally. We received 44 responses, reflecting a healthy response rate of 25% (in light of the summer vacation season), from individuals representing 35 discrete organizations. Charts 1 to 4 depict the mix of responses from our initial December 2010 survey, as well as our recent June 2011 survey, by geographic locale and institution type; we believe such proportions are generally representative of the underlying population of current NGS users.

Chart 1: Respondents by Geography, December 2010

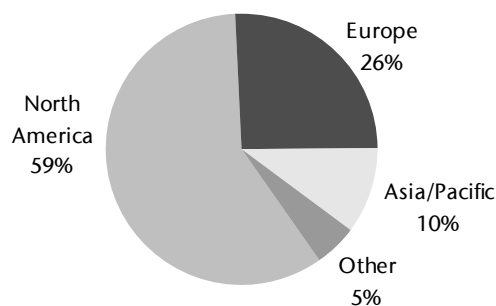
(n=62)



Source: Jefferies

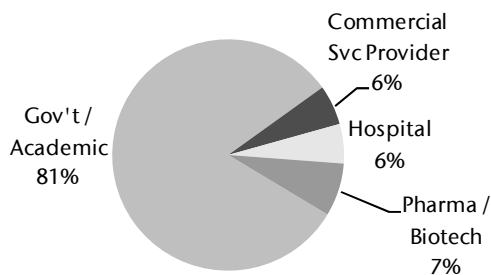
Chart 2: Respondents by Geography, June 2011

(n=44)



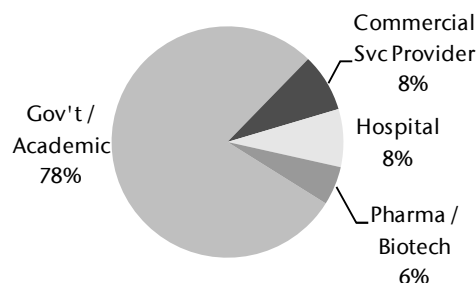
Source: Jefferies

Chart 3: Respondents by Institution Type, December 2010



Source: Jefferies

Chart 4: Respondents by Institution Type, June 2011



Source: Jefferies

Survey Update Bolsters Conviction in Accelerating Demand Outlook

What a difference six months makes! Table 1 below summarizes the outcomes of selected responses from our proprietary survey. Salient takeaways immediately follow.

Table 1: Proprietary NGS User Survey: Summary of Selected Response Outcomes – December 2010 versus June 2011

DECEMBER 2010							
Would consider using a WHG outsourced service?	Complete Genomics		Illumina outsourced offering		2011 internal lab capacity		
	Familiar with outsourced offering?	If yes, would consider using / reusing offering?	Familiar with outsourced offering?	If yes, would consider using / reusing offering?	Expect to be capacity constrained?	If yes, will you be able to fund expansion?	
Yes	37%	53%	63%	67%	54%	46%	80%
No	63%	47%	37%	33%	46%	54%	20%

JUNE 2011							
Would consider using a WHG outsourced service?	Complete Genomics		Illumina outsourced offering		2011 internal lab capacity		
	Familiar with outsourced offering?	If yes, would consider using / reusing offering?	Familiar with outsourced offering?	If yes, would consider using / reusing offering?	Expect to be capacity constrained?	If yes, will you be able to fund expansion?	
Yes	63%	71%	72%	76%	69%	34%	65%
No	37%	29%	28%	24%	31%	66%	35%

RELATIVE CHANGE SINCE DECEMBER 2010							
Would consider using a WHG outsourced service?	Complete Genomics		Illumina outsourced offering		2011 internal lab capacity		
	Familiar with outsourced offering?	If yes, would consider using / reusing offering?	Familiar with outsourced offering?	If yes, would consider using / reusing offering?	Expect to be capacity constrained?	If yes, will you be able to fund expansion?	
Yes	27%	18%	9%	9%	15%	(12%)	(15%)
No	(27%)	(18%)	(9%)	(9%)	(15%)	12%	15%

Source: Jefferies

Our perspectives on the outcomes depicted in Table 1 above are as follows:

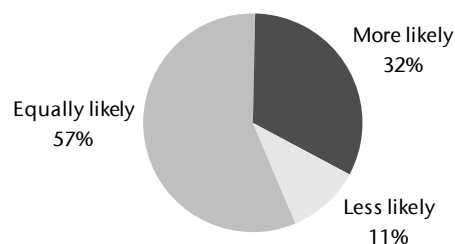
- **Majority would now consider utilizing WHG outsourced service.** While the majority of respondents initially indicated an unwillingness to use an outsourced whole human genome sequencing service provider to supplement internal sequencing capacity in our initial December 2010 survey, our most recent survey suggests 63% of respondents would now consider utilizing an outsourced service provider for whole human genome sequencing projects.
- **GNOM gaining awareness.** More than 70% of respondents are now familiar with GNOM's outsourced sequencing offering, representing a significant increase from 53% of respondents at the end of 2010. Similarly, those familiar with ILMN's comparable offering also increased (76% in June 2011 versus 67% in December 2010), but to a lesser degree than GNOM's relative improvement.
- **Interest in using/re-using GNOM's offering rises.** A greater percentage of respondents familiar with GNOM's offering would consider using / re-using the service than those familiar with ILMN's comparable offering (72% versus 69%).

We queried users on how their feelings toward using an outsourced whole human genome sequencing service provider have changed over the past six months. Encouragingly, 32% of users are more likely to use an outsourced WHG sequencing

service provider (relative to six months ago), likely reflecting the effects of recent price declines on demand (see Chart 5). Such an indication bodes well for continued uptake of GNOM's outsourced services offering, particularly as ongoing price declines continue to stimulate incremental volume demand, in our view.

Chart 5: Change in Survey Respondents' Feelings Toward Using an Outsourced WHG Sequencing Service Provider Over Past Six Months

(n=37)

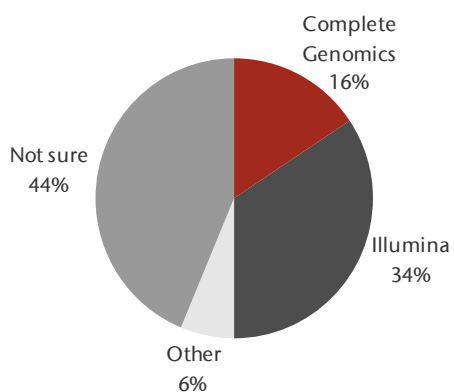


Source: Jefferies

As depicted in Charts 6 and 7 below, 26% of respondents open to outsourcing indicated a preference for GNOM's offering, representing a sharp increase from only 16% in our December 2010 survey (see Chart 6). Meanwhile, 29% currently appear more likely to choose ILMN's Genome Network (23% versus 34% in December 2010) or another service provider (6%). A slightly higher proportion of respondents are currently undecided (45% vs. 44% in December 2010), which suggests a tremendous opportunity for GNOM to continue capturing an increasingly significant share of outsourced demand as its commercial presence grows and operational infrastructure matures, in our view.

Chart 6: Survey Respondents' Ranking of Which Outsourced Service Providers Most Likely to Use, December 2010

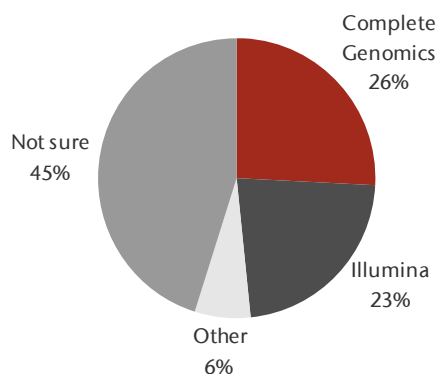
(n=57)



Source: Jefferies

Chart 7: Survey Respondents' Ranking of Which Outsourced Service Providers Most Likely to Use, June 2011

(n=41)



Source: Jefferies

Outlook and Valuation

Our 2011 revenue forecast of \$36 million assumes GNOM completes and ships ~4,900 genomes at an average realized price of ~\$7,300 per genome (down 37% year-over-year). We forecast R&D spending of ~\$28 million (+27%), primarily reflecting incremental headcount growth. Incremental near-term investment in GNOM's marketing, sales and customer support capabilities will be needed to drive market awareness of its value proposition (service-based model vs. the overhead and burden of instrument ownership), forge relationships with new academic and commercial biopharmaceutical customers, and capture share gains against other outsourced service vendors in the market. Significant sales force and customer support investment are expected to contribute to considerable growth in commercial expenses, which we forecast trending up to ~\$13 million in 2011 (from ~\$6 million in 2010). General and administrative expenses, which we forecast to be ~\$11 million in 2011, should rise modestly from ~\$9 million in 2010, primarily reflecting incremental public company costs.

Our 2012 revenue forecast of \$80 million (+123% year-over-year) factors ~21,100 genome shipments (+330% year-over-year) at an average realized price of ~\$3,800 per genome (down 50% year-over-year). Our model assumes commercial expenses grow 51% in 2012 as GNOM continues to build-out its internal sales force and customer support infrastructure.

Intermediate-term profitability targets

GNOM recently indicated it expects to achieve positive gross margins on a \$30-35M annualized revenue run-rate and operating margin break-even on ~\$100M of annualized revenue. Our forecasts continue to assume GNOM is able to achieve operating income break-even in early 2013. Longer term, we believe GNOM's highly scalable business model should be capable of achieving gross margins of 65% and operating profit margins in excess of 20%.

Given GNOM's unique business model as an outsourced provider of whole human genome sequencing services, defining an appropriate peer group is difficult. However, we believe GNOM is most closely comparable to two sub-sectors of the clinical diagnostics and life science research supply markets, including pure-play research product providers involved in next-generation sequencing workflows and service-based molecular diagnostics franchises. We view equity value to revenue as the most appropriate traditional valuation metric, given the magnitude of net cash outlays required to support the development of its commercial infrastructure and fund expansion of its existing sequencing capacity.

As depicted in Table 2 below, shares of GNOM currently imply an equity value of 3.6 times our 2013 revenue forecast, which represents a 23% discount relative to a blended average of other life science product manufacturers and diagnostic services providers. Our \$20 price target represents a 10-year horizon in our discounted cash flow model and implies and equity value of 4.2 times our 2013 revenue forecast.

Table 2: GNOM's Blended Peer Group Valuation Summary (calendar year-end)

Table 2: GNOM 5 Blended Peer Group Valuation Summary (calendar year end)															
	Ticker	Rating	Price		YTD	Mkt Cap (\$mm)	EV/EBITDA			EV/Revenue			Price / Revenue		
			Target	Price			2011	2012	2013	2011	2012	2013	2011	2012	2013
Products Suppliers															
AbCam	AIMABC	NC	-	£4.24	32%	£767	20.5x	18.3x	16.7x	8.0x	7.1x	6.4x	8.5x	7.6x	6.8x
Cepheid	CPHD	BUY	\$35	\$31.32	38%	\$1,935	-	24.2x	16.2x	7.4x	6.0x	5.0x	7.6x	6.2x	5.2x
Illumina	ILMN	NC	-	\$72.13	14%	\$8,882	23.5x	18.2x	14.4x	7.4x	6.2x	5.4x	7.7x	6.5x	5.6x
Luminex	LMNX	HOLD	\$17	\$19.95	9%	\$840	16.7x	14.0x	11.5x	4.3x	3.7x	3.4x	5.0x	4.3x	3.9x
Pacific Biosciences	PACB	NC	-	\$11.53	(28%)	\$616	-	-	-	10.9x	3.0x	1.8x	18.1x	5.0x	3.0x
Qiagen	QGEN	HOLD	\$22	\$19.44	(1%)	\$4,543	11.4x	10.3x	9.1x	3.8x	3.5x	3.2x	3.9x	3.5x	3.2x
				Avg	11%		18.0x	17.0x	13.6x	7.0x	4.9x	4.2x	8.5x	5.5x	4.6x
Services Suppliers															
Genomic Health	GHDX	HOLD	\$29	\$26.50	24%	\$776	28.0x	20.4x	16.8x	3.5x	3.0x	2.7x	3.8x	3.2x	2.9x
Myriad Genetics	MYGN	BUY	\$27	\$24.94	9%	\$2,138	9.2x	9.5x	10.1x	4.2x	4.0x	4.1x	5.0x	4.9x	4.9x
Sequenom	SQNM	HOLD	\$7	\$8.28	3%	\$820	-	-	-	12.2x	9.0x	5.5x	14.4x	10.6x	6.5x
				Avg	12%		18.6x	14.9x	13.5x	6.6x	5.3x	4.1x	7.7x	6.2x	4.8x
Peer group average					11%		18.2x	16.4x	13.5x	6.9x	5.1x	4.2x	8.2x	5.8x	4.7x
Complete Genomics	GNOM	BUY	\$20	\$17.11	129%	\$539	-	-	-	12.1x	5.4x	2.7x	15.0x	6.7x	3.6x
GNOM premium / (discount)							-	-	-	76%	7%	(35%)	82%	17%	(23%)

Source: Jefferies estimates, company data, Capital IQ.

GNOM's Historical and Projected Quarterly Income Statement

(\$ in millions, except per share)

	Historical results					Projections									
	2010					2011					2012				
	Mar-10	Jun-10	Sep-10	Dec-10	Total	Mar-11	Jun-11	Sep-11	Dec-11	Total	Mar-12	Jun-12	Sep-12	Dec-12	Total
Net sales	\$0.3	\$1.1	\$4.2	\$3.8	\$9.4	\$6.8	\$7.6	\$9.3	\$12.2	\$36.0	\$18.8	\$19.1	\$20.8	\$21.3	\$80.0
Cost of revenue	<u>\$4.1</u>	<u>\$4.9</u>	<u>\$6.0</u>	<u>\$4.9</u>	<u>\$19.9</u>	<u>\$6.6</u>	<u>\$7.5</u>	<u>\$7.8</u>	<u>\$9.0</u>	<u>\$31.0</u>	<u>\$12.0</u>	<u>\$11.5</u>	<u>\$11.7</u>	<u>\$10.6</u>	<u>\$45.8</u>
Gross profit	(\$3.7)	(\$3.8)	(\$1.8)	(\$1.1)	(\$10.5)	\$0.3	\$0.1	\$1.5	\$3.1	\$5.0	\$6.8	\$7.6	\$9.2	\$10.6	\$34.2
Research and Development	\$6.2	\$4.9	\$5.0	\$5.6	\$21.7	\$6.8	\$7.0	\$6.9	\$6.8	\$27.6	\$6.6	\$6.5	\$6.9	\$6.8	\$26.8
Commercial expenses	\$1.2	\$1.3	\$1.6	\$2.0	\$6.1	\$2.7	\$3.3	\$3.4	\$3.4	\$12.8	\$4.6	\$4.7	\$5.0	\$5.1	\$19.4
G&A expenses	<u>\$3.1</u>	<u>\$1.8</u>	<u>\$2.3</u>	<u>\$2.2</u>	<u>\$9.3</u>	<u>\$2.8</u>	<u>\$2.7</u>	<u>\$3.1</u>	<u>\$2.7</u>	<u>\$11.2</u>	<u>\$2.8</u>	<u>\$2.9</u>	<u>\$3.1</u>	<u>\$3.0</u>	<u>\$11.8</u>
Operating income	(\$14.2)	(\$11.8)	(\$10.7)	(\$10.9)	(\$47.7)	(\$12.0)	(\$12.8)	(\$11.9)	(\$9.8)	(\$46.6)	(\$7.2)	(\$6.4)	(\$5.8)	(\$4.3)	(\$23.7)
Interest expense	\$0.3	\$0.8	\$0.9	\$0.8	\$2.8	\$0.3	\$0.8	\$0.8	\$0.8	\$2.7	\$0.9	\$0.9	\$0.9	\$0.9	\$3.6
Interest income	(\$0.2)	(\$0.0)	\$8.8	(\$1.4)	\$7.2	\$0.1	(\$0.2)	(\$0.3)	(\$0.3)	(\$0.7)	(\$0.2)	(\$0.2)	(\$0.2)	(\$0.2)	(\$0.8)
Other income, net	<u>\$0.0</u>	<u>\$0.0</u>	<u>\$0.4</u>	<u>\$0.0</u>	<u>\$0.4</u>	<u>\$0.0</u>	<u>\$0.0</u>	<u>\$0.0</u>	<u>\$0.0</u>	<u>\$0.0</u>	<u>\$0.0</u>	<u>\$0.0</u>	<u>\$0.0</u>	<u>\$0.0</u>	<u>\$0.0</u>
Income before taxes	(\$14.3)	(\$12.6)	(\$20.9)	(\$10.3)	(\$58.1)	(\$12.5)	(\$13.4)	(\$12.4)	(\$10.3)	(\$48.6)	(\$7.9)	(\$7.1)	(\$6.6)	(\$5.0)	(\$26.6)
Income tax	<u>\$0.0</u>	<u>\$0.0</u>	<u>\$0.0</u>	<u>\$0.0</u>	<u>\$0.0</u>	<u>\$0.0</u>	<u>\$0.0</u>	<u>\$0.0</u>	<u>\$0.0</u>	<u>\$0.0</u>	<u>\$0.0</u>	<u>\$0.0</u>	<u>\$0.0</u>	<u>\$0.0</u>	<u>\$0.0</u>
Net income	(\$14.3)	(\$12.6)	(\$20.9)	(\$10.3)	(\$58.1)	(\$12.5)	(\$13.4)	(\$12.4)	(\$10.3)	(\$48.6)	(\$7.9)	(\$7.1)	(\$6.6)	(\$5.0)	(\$26.6)
Basic shares outstanding	10.1	11.5	19.8	14.8	14.0	26.0	28.2	32.6	32.7	29.9	32.9	33.1	33.2	33.4	33.1
Diluted shares outstanding	10.1	11.5	19.8	14.8	14.0	26.0	28.2	32.6	32.7	29.9	32.9	33.1	33.2	33.4	33.1
Basic E.P.S.	(\$1.42)	(\$1.10)	(\$1.05)	(\$0.69)	(\$4.14)	(\$0.48)	(\$0.48)	(\$0.38)	(\$0.32)	(\$1.63)	(\$0.24)	(\$0.21)	(\$0.20)	(\$0.15)	(\$0.80)
Diluted E.P.S.	(\$1.42)	(\$1.10)	(\$1.05)	(\$0.69)	(\$4.14)	(\$0.48)	(\$0.48)	(\$0.38)	(\$0.32)	(\$1.63)	(\$0.24)	(\$0.21)	(\$0.20)	(\$0.15)	(\$0.80)
Margin Analysis															
Gross margin	(1113%)	(351%)	(44%)	(29%)	(112%)	3.7%	1.4%	16.0%	25.6%	13.8%	36.0%	40.0%	44.0%	50.0%	42.8%
Research and Development	1836%	453%	119%	148%	231%	99.6%	91.7%	74.4%	56.2%	76.7%	35.0%	34.0%	33.0%	32.0%	33.4%
Commercial expenses	365%	121%	38%	52%	65%	39.5%	43.0%	37.0%	28.0%	35.7%	24.5%	24.5%	24.0%	24.0%	24.2%
G&A expenses	<u>922%</u>	<u>162%</u>	<u>56%</u>	<u>57%</u>	<u>100%</u>	<u>40.7%</u>	<u>34.7%</u>	<u>32.8%</u>	<u>22.1%</u>	<u>31.1%</u>	<u>15.0%</u>	<u>15.0%</u>	<u>15.0%</u>	<u>14.0%</u>	<u>14.7%</u>
Operating margin	(4237%)	(1086%)	(258%)	(286%)	(508%)	(176%)	(168%)	(128%)	(81%)	(130%)	(39%)	(34%)	(28%)	(20%)	(30%)
Income before taxes	(4267%)	(1160%)	(501%)	(270%)	(619%)	(182%)	(176%)	(133%)	(85%)	(135%)	(42%)	(37%)	(31%)	(23%)	(33%)
Income tax	<u>0%</u>	<u>0%</u>	<u>0%</u>	<u>0%</u>	<u>0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>
Net margin	(4267%)	(1160%)	(501%)	(270%)	(619%)	(182.4%)	(176.1%)	(133.2%)	(84.8%)	(135.3%)	(42.1%)	(37.2%)	(31.5%)	(23.5%)	(33.2%)
Growth Analysis															
Net sales						1934%	601%	124%	220%	283%	175%	150%	124%	75%	123%
Cost of revenue						61%	53%	30%	85%	56%	83%	52%	49%	18%	48%
Gross profit						(107%)	(103%)	(181%)	(384%)	(147%)	2595%	7257%	517%	241%	590%
Research and Development						10%	42%	40%	21%	27%	(3%)	(7%)	(1%)	(0%)	(3%)
Commercial expenses						120%	150%	117%	72%	110%	71%	42%	45%	50%	51%
G&A expenses						(10%)	50%	31%	25%	20%	1%	8%	2%	11%	5%
Operating income						(15%)	8%	11%	(10%)	(2%)	(40%)	(50%)	(51%)	(57%)	(49%)
Income before taxes						(13%)	6%	(41%)	1%	(16%)	(37%)	(47%)	(47%)	(52%)	(45%)
Net income						(13%)	6%	(41%)	1%	(16%)	(37%)	(47%)	(47%)	(52%)	(45%)
Diluted E.P.S.						(66%)	(57%)	(64%)	(54%)	(61%)	(50%)	(55%)	(48%)	(52%)	(51%)

Source: Jefferies estimates, company data.

Company Description

Complete Genomics offers proprietary human genome sequencing technology, advanced informatics and data management software to academic and biopharmaceutical researchers as an end-to-end outsourced service solution that is capable of delivering research-ready genomic data at a significantly lower cost.

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Jefferies makes a market in Complete Genomics.

Jefferies makes a market in Myriad Genetics, Inc.

Jefferies makes a market in Sequenom Inc.

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Hold - Describes stocks that we expect to provide a total return (price appreciation plus yield) of plus 15% or minus 10% within a 12-month period.

Underperform - Describes stocks that we expect to provide a total negative return (price appreciation plus yield) of 10% or more within a 12-month period.

The expected total return (price appreciation plus yield) for Buy rated stocks with an average stock price consistently below \$10 is 20% or more within a 12-month period as these companies are typically more volatile than the overall stock market. For Hold rated stocks with an average stock price consistently below \$10, the expected total return (price appreciation plus yield) is plus or minus 20% within a 12-month period. For Underperform rated stocks with an average stock price consistently below \$10, the expected total return (price appreciation plus yield) is minus 20% within a 12-month period.

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Risk which may impede the achievement of our Price Target

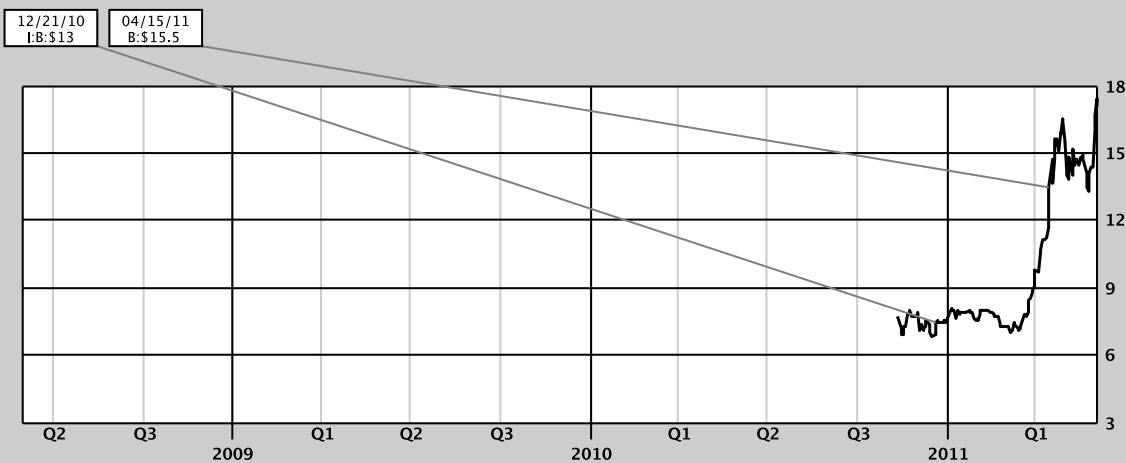
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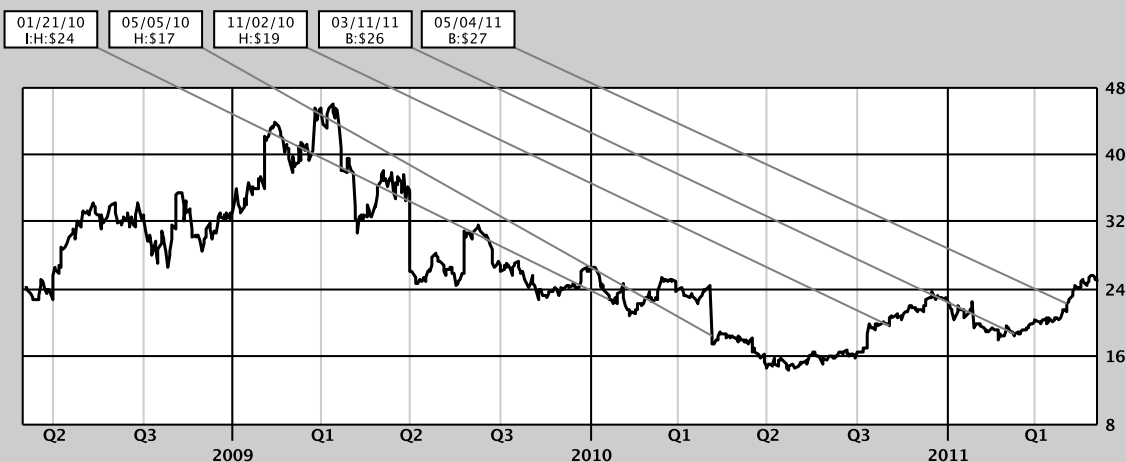
Other Companies Mentioned in This Report

- Complete Genomics (GNOM: \$17.11, BUY)
- Myriad Genetics, Inc (MYGN: \$24.94, BUY)
- Sequenom Inc. (SQNM: \$8.28, HOLD)

Rating and Price Target History for: Complete Genomics (GNOM) as of 06-03-2011



Rating and Price Target History for: Myriad Genetics, Inc (MYGN) as of 06-03-2011

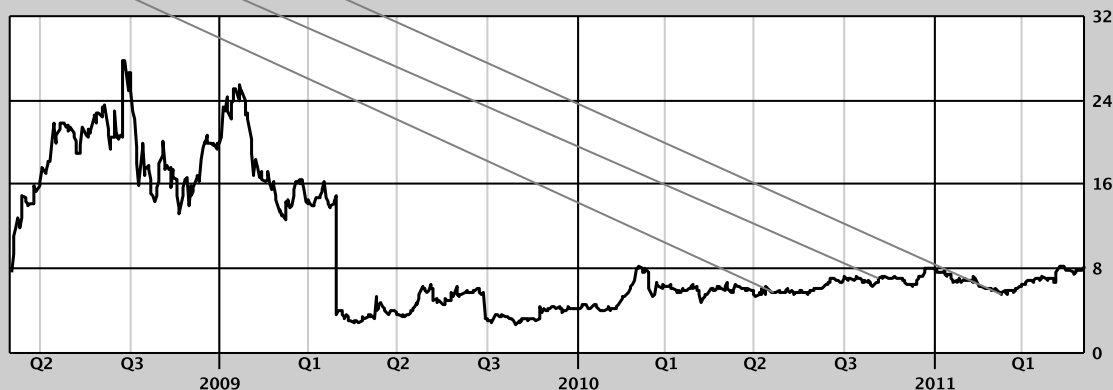


Rating and Price Target History for: Sequenom Inc. (SQNM) as of 06-03-2011

07/21/10
I:H:\$5.5

11/05/10
H:\$6

03/10/11
H:\$7



Distribution of Ratings

Rating	Count	Percent	IB Serv./Past 12 Mos.	
			Count	Percent
BUY	617	52.50%	41	6.65%
HOLD	505	42.90%	28	5.54%
UNDERPERFORM	54	4.60%	3	5.56%

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