

Quick Take

Complete Genomics — Outperform (1)

GNOM: \$7.60

Quick Take: Complete Genomics Announces New ISB Order

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Analysts

Doug Schenkel
(617) 946-3918
doug.schenkel
@cowen.com

Brigham Hyde, Ph.D.
(617) 946-3703
brigham.hyde
@cowen.com

Mayank Gandhi, M.D.
(646) 562-1304
mayank.gandhi
@cowen.com

Conclusion: Complete Genomics has announced the signing of a large genome sequencing order from the Institute of Systems Biology (ISB). The deal calls for sequencing of 615 genomes as part of a study on neurodegenerative disease. Assuming these sequences are to be completed in 2011, this deal represents 14% of our current total 2011 forecast for number of genomes sequenced. Combined with the in-process NCI order, which is expected to be completed in H1, we now know of 16% of our total projected 2011 genomes. We are encouraged by this visibility, especially since it is only January 11th; the bias seems to be to the upside. Reiterate Outperform.

Deal Should be Meaningful in 2011, Size of Deals Continues to Expand.

The deal for 615 genomes represents Complete Genomics' largest deal to date. While price and timing were not disclosed, at \$9k per sample (our current Q1:11 projected price per genome), the deal may be worth >\$5.5MM or 16-17% of our 2011 revenue forecast. The company currently has capacity to sequence 400 genomes per month and we expect that GNOM could exit the year at nearly 1,500 genomes per month. We view the announcement of the deal as a positive for both revenue projections and conviction in the company's emerging business model.

Deal a Good Sign for Repeat Customer Demand & Expanding Study Size.

The deal today with the ISB represents the third such deal with the Institute over the last two years. The last deal with ISB for 100 genomes led to a major publication on the rare disorder Millers Syndrome earlier in 2010. We note that this deal represents a 6-7x increase in the number of genomes sequenced relative to the last deal. The company has recently indicated that 60% of existing customers have initiated a second study with the company, and that typically the second and third study are a magnitude larger in size than original orders.

Addendum

STOCKS MENTIONED IN IMPORTANT DISCLOSURES

Ticker	Company Name
GNOM	Complete Genomics

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(a) Assumptions: Time horizon is 12 months; S&P 500 is flat over forecast period.

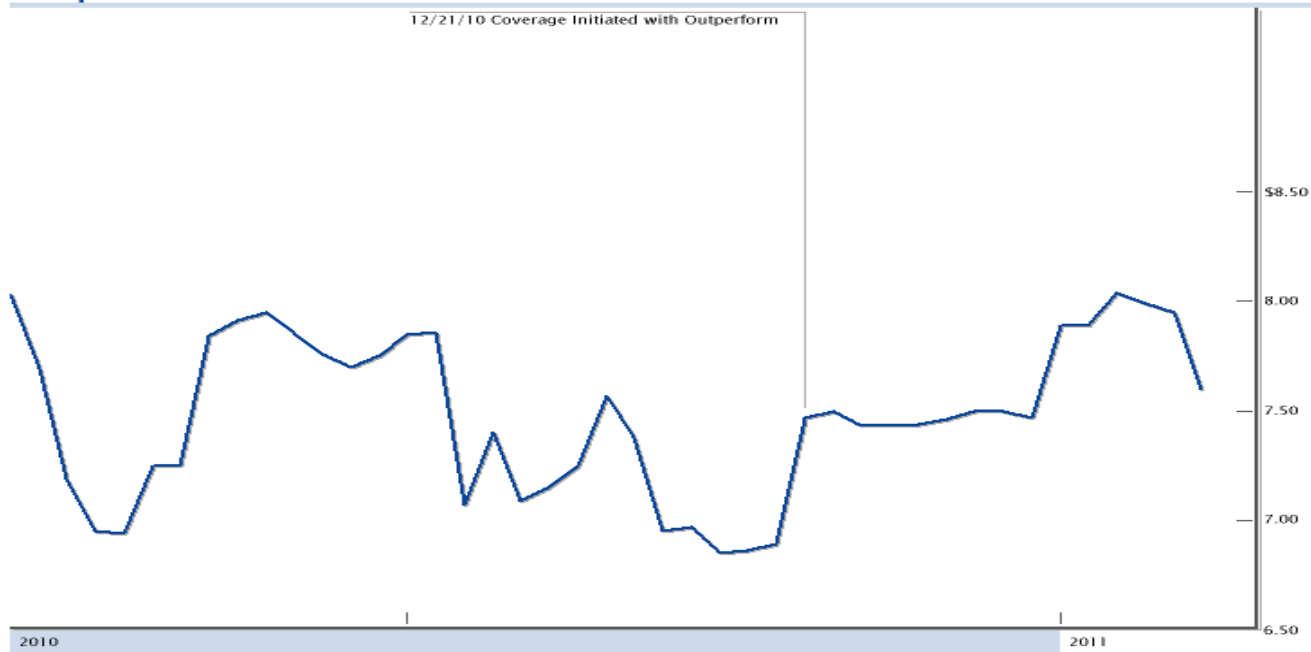
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Complete Genomics - GNOM



Pricing data provided by Reuters America. Chart as of 1/10/11 in USD.