



EARNINGS UPDATE

Life Science & Diagnostic Tools: Life Science Tools

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Recommendation

Rating:	Outperform
Price Target (in \$):	\$20.50
Expected Return:	19.0%
Dividend:	NA
Enterprise Value (MM):	\$369.3

Revenue (MM)

	2012A	2013E	2014E
Q1	1.1	2.4A	5.1
Q2	1.3	2.8A	6.9
Q3	1.2	2.5A	7.1
Prev:	--	3.0	7.6
Q4	2.9	4.3	10.9
FY	6.6	12.1	30.0

Stock Statistics as of 11/13/2013 (in \$)

Price:	\$17.23
52W Range:	\$24.11-\$9.50
Shares Out (MM):	16.3
Market Cap (MM):	\$271.5
Net Debt (MM):	\$(32.8)

Fundamentals

Earnings Per Share ('12A)	\$(2.12)
Earnings Per Share ('13E)	\$(1.81)
Earnings Per Share ('14E)	\$(0.83)
P/E ('12)	NM
P/E ('13)	NM
P/E ('14)	NM



CELLULAR DYNAMICS INTERNATIONAL INC

(NASDAQ:ICEL)

Q3 Revenue And Top 10 Customers Sales Doubled Y/Y

Q3 revenue doubled relative to Q3:12, driven by robust growth at top-10 accounts. While the performance was marginally below our forecast, Product Sales growth remained strong at ~70% in the quarter. Our annual revenue forecasts remain largely unchanged, as does our investment thesis.

Revenue Doubles Year Over Year

In Q3, Cellular Dynamics' revenue increased robustly 105% Y/Y to \$2.5MM, although we note that this was slightly below our expectations and consensus estimates. Growth was driven by higher Product Sales (\$1.8MM, 67% Y/Y) and Collaborations/Other sales (\$0.7MM, ~3.5x growth). Relative to our forecast, Product Sales were \$0.2MM light, and Collaboration/Other revenue was \$0.3MM light. As expected given the nature of the company's products and the stage of development, revenue will likely be a bit choppy from quarter-to-quarter. Notably, average revenue per top-10 customer grew to \$704K, more than doubling vs. Q3:12.

Gross Margin Encouraging; Operating Spend Ticks Up Post-IPO

Q3 gross margin of 85% was higher than our forecast and increased significantly from 76% last quarter and 77% in Q3:12. This was attributable to iCell price increase (26% Y/Y, evenly distributed across different iCell product lines), favorable product mix, and a lower royalty payment. Gross margin for Product Sales alone was 79%, a 600bp improvement over Q3:12; although management expected that margin will likely return closer to historical levels going forward. Operating expenses were \$9.3MM, \$2.1MM higher than our expectations. Combined, this led to a total net loss of \$7.5MM, higher than our estimated \$5.3MM, in part driven by IPO-related expenses recognized in Q3.

Growth Trajectory On Track; CIRM Revenue Could Boost Q4 Results

Total revenue growth of >100% Y/Y and product growth of ~70% driven by iCell unit sales and pricing improvement are in line with our expectations, and we remain confident in our FY:13 revenue forecast of ~\$12MM. (Continued on next page)

Please see addendum of this report for important disclosures.



For Stem Cell Banking, Cellular Dynamics announced last week that it has received the Notice of Grant Award (NGA) from the California Institute of Regenerative Medicine (CIRM) for the \$16MM stem cell banking project, and plans to start recognizing CIRM revenues in Q4:13. In addition, Cellular Dynamics announced that Coriell Institute has also received a NGA from CIRM for an associated \$10MM grant last week, of which CDI is the primary subcontractor. These CIRM revenues will likely provide support to our Q4 revenue forecast.



QUARTERLY SNAPSHOT: CELLULAR DYNAMICS



Cowen vs. Consensus (\$MM, except EPS)

	Q3:12A	Q3:13E		Q3:13A	Full Year Guidance
		Cowen	Consensus		
Revenue	\$1.2	\$3.0	\$3.0	\$2.5	Not provided
Gross Margin	76.7%	75.5%	72%	85.3%	Not provided
Operating Margin	(443.7%)	(168.9%)	N/A	(283.8%)	Not provided
EPS	(\$0.52)	(\$0.32)	(\$0.27)	(\$0.62)	Not provided

Selected Revenue Metrics (\$MM, except EPS)

	Q3:12A	Q2:13A	Q3:13E	Q3:13A	Comments
Product Sales	\$1.1	\$2.0	\$2.0	\$1.8	Q3 Product Sales were slightly below our expectations and consensus estimates. Growth was driven by ASP increase of 26% (evenly distributed across different product lines), increases in number of customers and revenue/top customer. The TTM customer number is 142, up from 128 at FYE:12. Average revenue/top 10 customer increased from \$445k in FY:12 to \$704k in TTM ending June 2013.
Organic Growth (Y/Y)	234.9%	67.7%	84.8%	66.8%	
Cardiomyocytes	\$0.4	\$1.2	\$0.9	\$1.0	In Q3, Cardiomyocyte revenue was again modestly ahead of expectations, more than doubling Y/Y but was lower Q/Q. This was consistent with our expectations.
Organic Growth (Y/Y)			150%	173%	
Organic Growth (Q/Q)			(23.5%)	(16.4%)	
Neurons	\$0.7	\$0.4	\$0.9	\$0.6	In Q3, Neurons were the primary source of the miss relative to our expectations, declining Y/Y, but improving Q/Q. This is explainable given the earlier stage of roll out relative to Cardiomyocytes, and we believe this will remain a bit choppy quarter to quarter.
Organic Growth (Y/Y)			40%	(2%)	
Organic Growth (Q/Q)			120.7%	55.0%	
Other Product	\$0.1	\$0.3	\$0.1	\$0.1	Other iCells were in line with expectations in Q3.
Organic Growth (Y/Y)			80%	71%	
Organic Growth (Q/Q)			(61.3%)	(63.2%)	
Collaborations, Other	\$0.2	\$0.8	\$1.0	\$0.7	Collaborations/Other sales were \$0.3MM below our estimates in Q2. Representing a slight decline Q/Q. Sales included ~\$0.3MM from Lilly, \$0.2MM from AstraZeneca, and \$0.2MM from a NIH-NHBLI grant.
Organic Growth (Y/Y)	2.6%	880.2%	517.1%	362.0%	

Income Statement (\$MM, except EPS)

	Q3:12A	Q2:13A	Q3:13E	Q3:13A	Comments
Revenue	\$1.2	\$2.8	\$3.0	\$2.5	Q3 revenue was \$0.5MM lower than our forecast and consensus expectations driven by lower than expected product and collaboration sales. We expect the business continue to be choppy due to the early stage of product commercialization.
Organic Growth (Y/Y)	159.6%	123.2%	140.2%	104.6%	
Gross Profit	\$0.9	\$2.1	\$2.2	\$2.2	Gross margin was about 10pp better than expected, driven by price increase of iCell products, a favorable product mix (no lower margin MyCell sales), and lower royalty payments. Higher Collaborations/Other revenue also helped the margin, as costs of Collaborations/Other are recognized under R&D. Excluding Collaborations revenue, gross margin of products was 79% in Q3:13, compared to 73% in Q3:12.
Margin	76.7%	76.0%	75.5%	85.3%	
R&D	\$3.5	\$3.9	\$3.7	\$3.9	R&D expense was \$0.2MM above our estimate in Q3 but flat Q/Q. We continue to expect R&D spend to remain relatively stable at current levels.
% of sales	286.2%	139.1%	123.6%	154.8%	
Growth Y/Y	(1.6%)	3.9%	3.7%	10.7%	
SG&A	\$2.9	\$3.3	\$3.6	\$5.4	Q3 SG&A expense was \$1.8MM higher than our estimate, primarily driven by IPO-associated costs and costs incurred in H1:13 but recognized in Q3 (\$0.7MM). We expect SG&A expenses to return to Q2 levels in the coming quarters.
% of sales	234.2%	116.7%	120.9%	214.3%	
Growth Y/Y	24.1%	1.0%	24.0%	87.2%	
Operating Profit	(\$5.5)	(\$5.1)	(\$5.0)	(\$7.2)	
Margin	(443.7%)	(179.8%)	(168.9%)	(283.8%)	
Non-Operating Items	\$0.0	\$0.0	\$0.3	\$0.3	
Pre-Tax Income	(\$5.5)	(\$5.1)	(\$5.3)	(\$7.5)	
Taxes	\$0.0	\$0.0	\$0.0	\$0.0	
Rate	0.0%	0.0%	0.0%	0.0%	
Net Income	(\$5.5)	(\$5.1)	(\$5.3)	(\$7.5)	
Margin	(444.4%)	(180.0%)	(177.5%)	(297.2%)	
Earnings Per Share	(\$0.52)	(\$0.42)	(\$0.32)	(\$0.62)	
Growth (Y/Y)	NM	NM	NM	NM	
Share Count (MM)	10	12	16	12	

Source: Company Reports, Thomson One, and Cowen and Company estimates.

Exhibit 1. Cellular Dynamics (ICEL) Revenue Model

(MM, except EPS)	Q1:12	Q2:12	Q3:12	Q4:12	Q1:13	Q2:13	Q3:13	Q4:13E	Q1:14E	Q2:14E	Q3:14E	Q4:14E	2011	2012	2013E	2014E	2015E	2016E	2017E	5Y CAGR
TOTAL REVENUE	\$1.1	\$1.3	\$1.2	\$2.9	\$2.4	\$2.8	\$2.5	\$4.3	\$5.1	\$6.9	\$7.1	\$10.9	\$2.6	\$6.6	\$12.1	\$30.0	\$56.3	\$79.6	\$107.5	75%
Product Sales	\$0.6	\$1.2	\$1.1	\$2.3	\$1.8	\$2.0	\$1.8	\$3.1	\$2.8	\$3.7	\$3.2	\$5.9	\$1.5	\$5.2	\$8.6	\$15.5	\$30.7	\$52.1	\$77.9	
Collaborations, Other	\$0.5	\$0.1	\$0.2	\$0.7	\$0.6	\$0.8	\$0.7	\$1.2	\$2.3	\$3.2	\$4.0	\$5.0	\$1.1	\$1.4	\$3.4	\$14.5	\$25.6	\$27.5	\$29.6	
Revenue Growth	92%	106%	160%	222%	109%	123%	105%	47%	112%	146%	183%	152%		153%	83%	149%	88%	41%	35%	
Product Sales	165%	189%	235%	367%	173%	68%	67%	36%	57%	87%	77%	89%		255%	67%	80%	98%	70%	50%	
Collaborations, Other	42%	(58%)	3%	55%	26%	880%	362%	85%	262%	285%	443%	312%		23%	144%	324%	77%	7%	8%	
ICells	\$0.6	\$1.2	\$1.1	\$2.3	\$1.8	\$2.0	\$1.8	\$3.1	\$2.8	\$3.7	\$3.2	\$5.9	\$1.5	\$5.2	\$8.6	\$15.5	\$30.7	\$52.1	\$77.9	72%
Growth	165%	203%	246%	347%	173%	68%	62%	36%	57%	87%	77%	89%		255%	67%	80%	98%	70%	50%	
Volume - cell lines	598	1,092	1,013	2,024	1,552	1,782	1,307	3,008	2,436	3,335	2,317	5,680	1,173	4,770	7,649	13,769	27,268	46,328	68,955	
Growth	208%	252%	297%	389%	160%	63%	29%	49%	57%	87%	77%	89%		307%	60%	80%	98%	70%	49%	
ASP	\$1,075	\$1,075	\$1,090	\$1,130	\$1,130	\$1,105	\$1,371	\$1,035	\$1,130	\$1,105	\$1,372	\$1,036	\$1,245	\$1,086	\$1,128	\$1,126	\$1,125	\$1,125	\$1,130	
Growth	(14%)	(14%)	(13%)	(9%)	5%	3%	26%	(8%)	-	-	0%	0%		(13%)	4%	(0%)	(0%)	0%	0%	
Cardiomyocytes	\$0.5	\$0.6	\$0.4	\$1.2	\$1.1	\$1.2	\$1.0	\$1.8	\$1.3	\$1.7	\$1.4	\$2.7	\$1.4	\$2.6	\$5.2	\$7.2	\$9.8	\$13.3	\$17.3	
Growth	99%	56%	29%	164%	137%	110%	173%	52%	20%	40%	40%	50%		93%	98%	39%	37%	35%	30%	
Volume - cell lines	437	544	350	1,069	987	1,111	752	1,711	1,184	1,556	1,052	2,566	1,080	2,400	4,560	6,358	8,711	11,759	15,287	45%
Growth	131%	81%	50%	199%	126%	104%	115%	60%	20%	40%	40%	50%		122%	90%	39%	37%	35%	30%	
ASP	\$1,075	\$1,075	\$1,075	\$1,103	\$1,130	\$1,105	\$1,365	\$1,050	\$1,130	\$1,105	\$1,365	\$1,050	\$1,250	\$1,088	\$1,133	\$1,130	\$1,130	\$1,130	\$1,130	
Growth	(14%)	(14%)	(14%)	(12%)	5%	3%	27%	(5%)	0%	0%	0%	0%		(13%)	4%	0%	0%	0%	0%	
Neurons	\$0.1	\$0.5	\$0.7	\$0.9	\$0.6	\$0.4	\$0.6	\$1.1	\$1.2	\$0.8	\$1.3	\$2.3	\$0.0	\$2.3	\$2.7	\$5.6	\$10.5	\$16.0	\$22.6	
Growth	NM	NM	NM	NM	301%	(24%)	(2%)	24%	110%	100%	100%	103%		4,913%	22%	103%	88%	53%	42%	
Volume - cell lines	129	509	599	861	494	378	468	1,120	1,037	757	936	2,273	36	2,099	2,460	5,003	9,405	14,343	20,295	57%
Growth	NM	NM	NM	NM	282%	(26%)	(22%)	30%	110%	100%	100%	103%		5,729%	17%	103%	88%	53%	42%	
ASP	\$1,075	\$1,075	\$1,100	\$1,058	\$1,130	\$1,105	\$1,385	\$1,005	\$1,130	\$1,105	\$1,385	\$1,005	\$1,250	\$1,075	\$1,118	\$1,117	\$1,115	\$1,115	\$1,115	
Growth	(14%)	(14%)	(12%)	(15%)	5%	3%	26%	(5%)	0%	0%	0%	0%		(14%)	4%	(0%)	0%	0%	0%	
Other iCells (Inc. MyCell)	\$0.0	\$0.0	\$0.1	\$0.1	\$0.1	\$0.3	\$0.1	\$0.2	\$0.2	\$1.1	\$0.4	\$0.9	\$0.1	\$0.3	\$0.7	\$2.7	\$10.3	\$22.9	\$38.0	
Growth	444%	236%	65%	44%	138%	669%	71%	90%	200%	250%	275%	375%		380%	129%	282%	280%	121%	66%	
Volume - cell lines	32	39	65	93	72	292	88	177	215	1,023	329	841	57	271	629	2,408	9,152	20,226	33,373	162%
Growth	533%	291%	280%	280%	127%	648%	36%	90%	200%	250%	275%	375%		380%	132%	283%	280%	121%	65%	
ASP	\$1,075	\$1,075	\$1,075	\$1,075	\$1,130	\$1,105	\$1,355	\$1,075	\$1,130	\$1,105	\$1,355	\$1,075	\$1,150	\$1,150	\$1,134	\$1,131	\$1,130	\$1,130	\$1,140	
Growth	(14%)	(14%)	0%	0%	5%	3%	26%	0%	0%	0%	0%	0%			(1%)	(0%)	0%	0%	1%	
Stem Cell Banking	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.2	\$0.3	\$0.8	\$1.0	\$1.4	\$0.0	\$0.0	\$0.2	\$3.5	\$7.0	\$11.3	\$16.9	
Growth																	100%	60%	50%	
Volume - cell lines									30	70	90	130				320	640	1,024	1,536	
Growth																	100%	60%	50%	
ASP									\$11,000	\$11,000	\$11,000	\$11,000				\$11,000	\$11,000	\$11,000	\$11,000	
Growth																	-	-	-	
Other	\$0.5	\$0.1	\$0.2	\$0.7	\$0.6	\$0.8	\$0.7	\$1.0	\$2.0	\$2.5	\$3.0	\$3.6	\$1.1	\$1.4	\$3.2	\$11.0	\$18.6	\$16.2	\$12.7	55%
Collaborations - existing business, other	\$0.5	\$0.1	\$0.2	\$0.7	\$0.3	\$0.5	\$0.4	\$0.6	\$0.5	\$0.5	\$0.5	\$0.5	\$1.1	\$1.4	\$1.7	\$1.9	\$5.0	\$4.2	\$4.5	
CIRM/related					\$0.4	\$0.4	\$0.4	\$0.4	\$1.5	\$1.5	\$1.5	\$1.6	\$0.0	\$0.0	\$1.5	\$6.1	\$8.4	\$5.0	\$0.0	
Therapeutic Partnerships									\$0.0	\$0.5	\$1.0	\$1.5	\$0.0	\$0.0	\$0.0	\$3.0	\$5.2	\$7.0	\$8.2	

Source: Company Reports, Thomson One, and Cowen and Company.

Exhibit 2. Cellular Dynamics (ICEL) Income Statement

(MM, except EPS)	Q1:12	Q2:12	Q3:12	Q4:12	Q1:13	Q2:13	Q3:13	Q4:13E	Q1:14E	Q2:14E	Q3:14E	Q4:14E	2011	2012	2013E	2014E	2015E	2016E	2017E	5Y CAGR	Comments
TOTAL REVENUE	\$1.1	\$1.3	\$1.2	\$2.9	\$2.4	\$2.8	\$2.5	\$4.3	\$5.1	\$6.9	\$7.1	\$10.9	\$2.8	\$6.8	\$12.1	\$30.0	\$68.3	\$79.8	\$107.5	75%	
Reported Growth	92.3%	106.2%	159.6%	221.6%	108.6%	123.2%	104.6%	47.0%	111.6%	146.5%	183.1%	151.6%		NM	83.1%	NM	87.6%	41.4%	35.1%		
Cost of Sales	\$0.1	\$0.4	\$0.3	\$1.2	\$0.6	\$0.7	\$0.4	\$1.2	\$1.3	\$1.8	\$2.0	\$2.9	\$0.7	\$2.1	\$2.8	\$8.1	\$14.1	\$17.8	\$21.8		
Gross Profit	\$1.0	\$0.8	\$0.9	\$1.7	\$1.8	\$2.1	\$2.2	\$3.1	\$3.7	\$5.1	\$5.1	\$8.0	\$1.9	\$4.5	\$9.2	\$21.9	\$42.2	\$61.8	\$85.7	80%	
% of sales	87.5%	66.8%	76.7%	57.8%	75.9%	76.0%	85.3%	72.7%	73.4%	73.3%	72.1%	73.5%	72.0%	68.3%	76.7%	73.1%	74.9%	77.7%	79.7%		
Growth	NM	NM	NM	NM	80.8%	NM	NM	84.8%	NM	NM	NM	NM	NM	NM	NM	NM	92.1%	46.6%	38.7%		
Incremental Margin	102.7%	70.9%	86.9%	46.3%	65.1%	83.4%	93.5%	104.3%	71.1%	71.5%	64.9%	74.0%	72.0%	65.8%	86.9%	70.7%	76.9%	84.4%	85.5%		
Research & Development	\$3.1	\$3.8	\$3.5	\$3.9	\$3.9	\$3.9	\$3.9	\$3.7	\$4.6	\$4.8	\$4.8	\$4.6	\$13.7	\$14.3	\$15.3	\$18.3	\$20.3	\$22.7	\$25.3		
% of sales	266.8%	298.8%	286.2%	134.2%	161.3%	139.1%	154.8%	84.6%	90.2%	65.8%	63.8%	42.6%	526.0%	217.3%	127.2%	61.0%	36.0%	28.5%	23.5%		
Growth	(4.7%)	15.1%	(1.6%)	9.9%	26.1%	3.9%	10.7%	(7.3%)	18.3%	16.6%	16.7%	26.8%	NM	4.7%	7.2%	19.5%	NM	11.9%	11.4%		
Sales, General & Admin.	\$2.7	\$3.3	\$2.9	\$3.6	\$3.6	\$3.3	\$5.4	\$3.9	\$3.8	\$3.9	\$4.0	\$4.1	\$9.5	\$12.4	\$18.2	\$16.7	\$18.8	\$18.3	\$20.4		
% of sales	238.5%	258.0%	234.2%	120.6%	152.1%	116.7%	214.3%	89.8%	75.3%	56.4%	55.4%	37.3%	366.3%	188.7%	134.5%	52.4%	29.8%	23.0%	18.9%		
Growth	23.3%	29.0%	24.1%	45.0%	33.0%	1.0%	87.2%	9.4%	4.8%	19.1%	(26.7%)	4.5%	NM	30.6%	30.5%	(2.9%)	6.7%	8.9%	11.2%		
Other/Intangible Amortization	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0		
% of sales	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%		
Growth	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM		
Total Operating Expenses	\$5.8	\$7.0	\$6.4	\$7.5	\$7.5	\$7.2	\$9.3	\$7.5	\$8.4	\$8.5	\$8.5	\$8.7	\$23.2	\$26.7	\$31.5	\$34.1	\$37.1	\$41.0	\$46.7		
% of sales	505.3%	556.8%	520.4%	254.8%	313.5%	255.8%	369.1%	174.4%	165.5%	122.2%	119.3%	79.9%	892.3%	406.0%	261.7%	113.5%	65.9%	51.5%	42.4%		
Growth	6.7%	21.1%	8.5%	24.2%	29.4%	2.5%	45.1%	0.6%	11.7%	17.8%	(8.5%)	15.3%	NM	15.3%	18.0%	8.0%	8.9%	10.6%	11.3%		
EBITDA	(\$4.8)	(\$6.2)	(\$5.5)	(\$5.8)	(\$5.7)	(\$5.1)	(\$7.2)	(\$4.4)	(\$4.7)	(\$3.4)	(\$3.4)	(\$0.7)	(\$21.3)	(\$22.2)	(\$22.3)	(\$12.1)	\$5.1	\$20.8	\$40.1	-	
% of sales	(417.8%)	(490.0%)	(443.7%)	(197.0%)	(237.6%)	(179.8%)	(283.8%)	(101.7%)	(92.1%)	(48.9%)	(47.2%)	(6.4%)	(820.3%)	(337.7%)	(185.0%)	(40.4%)	9.0%	26.1%	37.2%		
Growth	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	92.5%	
Depreciation & Amortization	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0		
Operating Profit	(\$4.8)	(\$6.2)	(\$5.5)	(\$5.8)	(\$5.7)	(\$5.1)	(\$7.2)	(\$4.4)	(\$4.7)	(\$3.4)	(\$3.4)	(\$0.7)	(\$21.3)	(\$22.2)	(\$22.3)	(\$12.1)	\$5.1	\$20.8	\$40.1	-	Operating breakeven ~\$50MM
% of sales	(417.8%)	(490.0%)	(443.7%)	(197.0%)	(237.6%)	(179.8%)	(283.8%)	(101.7%)	(92.1%)	(48.9%)	(47.2%)	(6.4%)	(820.3%)	(337.7%)	(185.0%)	(40.4%)	9.0%	26.1%	37.2%		
Growth	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	92.5%	
Incremental Margin	36.2%	(117.7%)	20.8%	(25.6%)	(71.6%)	72.0%	(130.9%)	101.0%	38.2%	40.5%	82.0%	56.4%	(820.3%)	(23.3%)	(1.2%)	56.7%	65.4%	67.5%	68.9%		
Other non-Operating Expense	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	(\$0.0)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	(\$0.0)	\$0.0	(\$0.0)	\$0.0	\$0.0	\$0.0	\$0.0		
Net Interest Expense	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.4	\$0.4	\$0.4	\$0.4	\$0.4	\$0.4	\$0.0	\$0.0	\$0.7	\$1.4	\$1.0	\$0.0	\$0.0		Reflects \$12MM VC loan (pre-IPO) at 8.5%
Earnings Before Taxes	(\$4.8)	(\$6.2)	(\$5.5)	(\$5.8)	(\$5.7)	(\$5.1)	(\$7.5)	(\$4.8)	(\$5.0)	(\$3.7)	(\$3.7)	(\$1.1)	(\$21.3)	(\$22.3)	(\$23.0)	(\$13.5)	\$4.1	\$20.8	\$40.1	-	
Margin	(418.6%)	(490.7%)	(444.4%)	(197.2%)	(237.9%)	(180.0%)	(297.2%)	(110.0%)	(99.2%)	(54.1%)	(52.2%)	(9.7%)	(821.9%)	(338.3%)	(190.9%)	(45.1%)	7.2%	26.1%	37.2%		
Growth	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	92.5%	
Income Taxes	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$8.2	\$12.0		
Rate																		30.0%	30.0%		
Net Income	(\$4.8)	(\$6.2)	(\$5.5)	(\$5.8)	(\$5.7)	(\$5.1)	(\$7.5)	(\$4.8)	(\$5.0)	(\$3.7)	(\$3.7)	(\$1.1)	(\$21.3)	(\$22.3)	(\$23.0)	(\$13.5)	\$4.1	\$14.6	\$28.0	-	
Margin	(418.6%)	(490.7%)	(444.4%)	(197.2%)	(237.9%)	(180.0%)	(297.2%)	(110.0%)	(99.2%)	(54.1%)	(52.2%)	(9.7%)	(821.9%)	(338.3%)	(190.9%)	(45.1%)	7.2%	18.3%	26.1%		
Growth	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	92.5%	
GAAP Earnings Per Share	(\$0.47)	(\$0.59)	(\$0.52)	(\$0.54)	(\$0.48)	(\$0.42)	(\$0.62)	(\$0.29)	(\$0.31)	(\$0.23)	(\$0.23)	(\$0.06)	(\$2.22)	(\$2.12)	(\$1.81)	(\$0.83)	\$0.25	\$0.89	\$1.72	-	Adjusted for IPO split (1 for 9.75)
Shares Outstanding	10	10	10	11	12	12	12	16	16	16	16	16	10	10	13	16	16	16	16		
Growth	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	92.5%	
CELLULAR DYNAMICS - CONSENSUS ESTIMATES																					
(MM, except EPS)	Q1:12	Q2:12	Q3:12	Q4:12	Q1:13	Q2:13	Q3:13	Q4:13E	Q1:14E	Q2:14E	Q3:14E	Q4:14E	2011	2012	2013E	2014E	2015E	2016E	2017E	5Y CAGR	
Consensus Revenue																					
Growth																					
Actual/Cowen	\$1.1	\$1.3	\$1.2	\$2.9	\$2.4	\$2.8	\$2.5	\$4.3	\$5.1	\$6.9	\$7.1	\$10.9	\$2.6	\$6.6	\$12.1	\$30.0	\$68.3	\$79.8	\$107.5		
Consensus Gross Margin																					
Actual/Cowen	87.5%	66.8%	76.7%	57.8%	75.9%	76.0%	85.3%	72.7%	73.4%	73.3%	72.1%	73.5%	72.0%	68.3%	76.7%	73.1%	74.9%	77.7%	79.7%		
Consensus Op. Margin																					
Actual/Cowen	(418%)	(490%)	(444%)	(197%)	(238%)	(180%)	(284%)	(102%)	(92%)	(49%)	(47%)	(6%)	(820%)	(338%)	(185%)	(40%)	9%	26%	37%		
Consensus EPS																					
Actual/Cowen	(\$0.47)	(\$0.59)	(\$0.52)	(\$0.54)	(\$0.48)	(\$0.42)	(\$0.62)	(\$0.29)	(\$0.31)	(\$0.23)	(\$0.23)	(\$0.06)	(\$2.22)	(\$2.12)	(\$1.81)	(\$0.83)	\$0.25	\$0.89	\$1.72		

Source: Company Reports, Thomson One, and Cowen and Company.



Valuation Methodology & Investment Risks

Valuation Methodology

Life Science & Diagnostic Tools:

Price targets are based on several methodologies which may include: analysis of market risk, growth rate, revenue stream, discounted cash flows (DCF), EBITDA, EPS, cash flow (CF), free cash flow (FCF), EV/EBITDA, P/E, PE/growth, P/CF, P/FCF, premium (discount) / average group EV/EBITDA, premium (discount) / average group P/E, sum of the parts, net asset value, dividend returns, and return on equity (ROE) over the next 12 months.

Investment Risks

Life Science & Diagnostic Tools:

Risks to the Medical and Life Science Tools sector may include: reduction or delay in research and development budgets and government funding, reduced or delayed purchasing from health care / hospital customers, increased or extended regulatory hurdles or processes for regulated products, increased dependence on volatile emerging markets for revenues and profitability, and general macroeconomic challenges.

Company Specific Risks

Risks include but are not limited to: product is in early stage and customer adoption could be slower than expected, competition could intensify, market opportunity is difficult to define, and low visibility on financial trajectory.



Addendum

STOCKS MENTIONED IN IMPORTANT DISCLOSURES

Ticker	Company Name
ICEL	Cellular Dynamics International Inc

Analyst Certification

Each author of this research report hereby certifies that (i) the views expressed in the research report accurately reflect his or her personal views about any and all of the subject securities or issuers, and (ii) no part of his or her compensation was, is, or will be related, directly or indirectly, to the specific recommendations or views expressed in this report.

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COWEN AND COMPANY RATING DEFINITIONS

Cowen and Company Rating System effective May 25, 2013

Outperform (1): The stock is expected to achieve a total positive return of at least 15% over the next 12 months

Market Perform (2): The stock is expected to have a total return that falls between the parameters of an Outperform and Underperform over the next 12 months

Underperform (3): Stock is expected to achieve a total negative return of at least 10% over the next 12 months

Assumption: The expected total return calculation includes anticipated dividend yield

Cowen and Company Rating System until May 25, 2013

Outperform (1): Stock expected to outperform the S&P 500

Neutral (2): Stock expected to perform in line with the S&P 500

Underperform (3): Stock expected to underperform the S&P 500

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

Cowen Securities, formerly known as Dahlman Rose & Company, Rating System until May 25, 2013

Buy – The fundamentals/valuations of the subject company are improving and the investment return is expected to be 5 to 15 percentage points higher than the general market return

Sell – The fundamentals/valuations of the subject company are deteriorating and the investment return is expected to be 5 to 15 percentage points lower than the general market return

Hold – The fundamentals/valuations of the subject company are neither improving nor deteriorating and the investment return is expected to be in line with the general market return

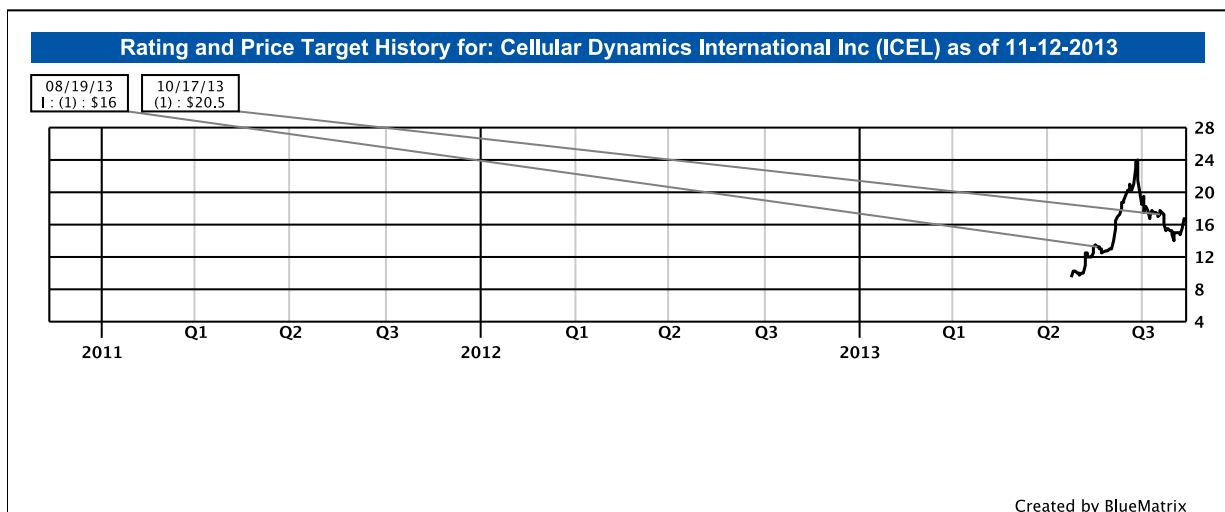
COWEN AND COMPANY RATING ALLOCATION

Distribution of Ratings/Investment Banking Services (IB) as of 09/30/13

Rating	Count	Ratings Distribution	Count	IB Services/Past 12 Months
Buy (a)	394	58.72%	54	13.71%
Hold (b)	255	38.00%	5	1.96%
Sell (c)	22	3.28%	1	4.55%

(a) Corresponds to "Outperform" rated stocks as defined in Cowen and Company, LLC's rating definitions. (b) Corresponds to "Market Perform" as defined in Cowen and Company, LLC's ratings definitions. (c) Corresponds to "Underperform" as defined in Cowen and Company, LLC's ratings definitions.

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Legend for Price Chart:

I = Initiation | 1 = Outperform | 2 = Market Perform | 3 = Underperform | UR = Price Target Under Review | T = Terminated Coverage | \$xx = Price Target | NA = Not Available