



EARNINGS UPDATE

Life Science & Diagnostic Tools: Life Science Tools

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Recommendation

Rating:	Outperform
Price Target (in \$):	\$16.00
Expected Return:	25.9%
Dividend:	NA
Enterprise Value (MM):	\$292.1

Revenue (MM)

	2012A	2013E	2014E
Q1	1.1	2.4A	5.1
Q2	1.3	2.8A	6.9
Prev:	--	2.9	6.6
Q3	1.2	3.0	7.6
Q4	2.9	4.3	10.9
Prev:	--	--	10.8
FY	6.6	12.5	30.5

Stock Statistics as of 08/28/2013 (in \$)

Price:	\$12.71
52W Range:	\$14.47-\$9.50
Shares Out (MM):	16.3
Market Cap (MM):	\$200.0
Net Debt (MM):	\$28.0

Fundamentals

Earnings Per Share ('12A)	\$(2.12)
Earnings Per Share ('13E)	\$(1.51)
Earnings Per Share ('14E)	\$(0.78)



CELLULAR DYNAMICS INTERNATIONAL INC

(NASDAQ:ICEL)

Strong, In Line Q2 Update

Q2 revenue and operating results were largely as expected. Our annual revenue forecasts remain largely unchanged, as does our investment thesis. Accordingly, we continue to believe shares are positioned to generate at least 15-20% upside from current levels and maintain our \$16 price target.

Revenue As Expected

In Q2, Cellular Dynamics' revenue increased 123% Y/Y to \$2.8MM, about in line with consensus expectations and our forecast. Growth was driven by higher Product Sales (\$2.0MM, 68% Y/Y) and Collaborations/Other sales (\$0.8MM, near 9x growth). Relative to our forecast, Product Sales were \$0.1MM better than we expected, and Collaboration/Other revenue was about \$0.2MM light. Additionally, we note that Cardiomyocytes were a bit stronger than expected, while Neurons were a bit light. While revenues will likely be a bit volatile from quarter-to-quarter (as will visibility), we are particularly encouraged by growing contributions from new products.

Clean Operating Performance

Gross margin was 76%, in line with levels seen in Q1:13 and higher than the FY:12 average of 68.3%. Gross margin was also higher than our estimate. Operating expenses were \$7.2MM, \$0.1MM higher than our expectations. Combined, this led to a total net loss of \$5.1MM, lower than our estimated \$5.4MM – generally speaking, the operating performance was as expected.

Growth Trajectory & Investment Thesis Intact

Total revenue growth of >100% Y/Y and product growth ~70% driven by iCell unit sales are in line with our expectations, and we believe that Cellular Dynamics remains on track to generate at least \$12MM in FY:13 revenue. Our 2014 and 2015 revenue forecasts remain largely unchanged. Applying 6x 2014 and 4x 2015 EV multiples to our revenue projections suggest ICEL shares are positioned to outperform the market by at least 15-20% over the next 12-18 months.

Please see addendum of this report for important disclosures.



QUARTERLY SNAPSHOT: CELLULAR DYNAMICS



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

	Q2:12A	Q2:13E		Q2:13A	Full Year Guidance
		Cowen	Consensus		
Revenue	\$1.3	\$2.9	\$2.9	\$2.8	Not provided
Gross Margin	66.8%	61.0%	69.5%	76.0%	Not provided
Operating Margin	(490.0%)	(188.8%)	N/A	(179.8%)	Not provided
EPS	(\$0.59)	(\$0.45)	(\$0.41)	(\$0.42)	Not provided

Selected Revenue Metrics (\$MM, except EPS)

	Q2:12A	Q1:13A	Q2:13E	Q2:13A	Comments
Product Sales	\$1.2	\$1.8	\$1.9	\$2.0	Product sales was about in line with our expectations and consensus estimates. Growth driven by increases in number of customers and revenue/top customer. TTM customer number is 136, up from 128 at FYE:12. Average revenue/top 10 customer increased from \$445k in FY:12 to \$626k in TTM ending June 2013. Relative to our model,
Organic Growth (Y/Y)	189.2%	172.8%	60.1%	67.7%	
Cardiomyocytes	\$0.6	\$1.1	\$0.9	\$1.2	Cardiomyocyte revenue was modestly ahead of expectations, more than doubling Y/Y and increasing 10% vs. Q1.
Organic Growth (Y/Y)			40%	110%	
Organic Growth (Q/Q)			(19.0%)	10%	
Neurons	\$0.5	\$0.6	\$0.9	\$0.4	Neurons were a bit light relative to our expectations declining both Y/Y and Q/Q. While this is arguably notable given the earlier stage of roll out relative to Cardiomyocytes, the true numbers are small and this will be a bit choppy quarter to quarter.
Organic Growth (Y/Y)			80%	(23.6%)	
Organic Growth (Q/Q)			64.0%	(25.1%)	
Other Product	\$0.0	\$0.1	\$0.1	\$0.3	Other iCells were better than expected, which bodes well for future quarters.
Organic Growth (Y/Y)			50%	669%	
Organic Growth (Q/Q)			(24.4%)	299%	
Collaborations, Other	\$0.1	\$0.6	\$1.0	\$0.8	Collaborations/Other sales were \$0.2MM below our estimates.
Organic Growth (Y/Y)	(58.0%)	26.4%	1,033.7%	880.2%	

Income Statement (\$MM, except EPS)

	Q2:12A	Q1:13A	Q2:13E	Q2:13A	Comments
Revenue	\$1.3	\$2.4	\$2.9	\$2.8	Revenue was about in line with our forecast and consensus expectations.
Organic Growth (Y/Y)	106.2%	108.6%	126.6%	123.2%	
Gross Profit	\$0.8	\$1.8	\$1.7	\$2.1	Gross margin was higher than our estimates, and was in line with Q1:13 level (mid 70s)
Margin	66.8%	75.9%	61.0%	76.0%	
R&D	\$3.8	\$3.9	\$3.7	\$3.9	R&D expense was \$0.2MM above our estimates.
% of sales	298.8%	161.3%	128.2%	139.1%	
Growth Y/Y	15.1%	26.1%	(2.8%)	3.9%	
SG&A	\$3.3	\$3.6	\$3.5	\$3.3	SG&A expense was \$0.2MM below our estimates. Total operating expenses grew 15% Y/Y in H1:13.
% of sales	258.0%	152.1%	121.6%	116.7%	
Growth Y/Y	29.0%	33.0%	6.7%	1.0%	
Operating Profit	(\$6.2)	(\$5.7)	(\$5.4)	(\$5.1)	Operating loss was \$0.3MM below our estimates, largely due to a higher gross margin.
Margin	(490.0%)	(237.6%)	(188.8%)	(179.8%)	
Non-Operating Items	\$0.0	\$0.0	\$0.0	\$0.0	
Pre-Tax Income	(\$6.2)	(\$5.7)	(\$5.4)	(\$5.1)	
Taxes	\$0.0	\$0.0	\$0.0	\$0.0	
Rate	0.0%	0.0%	0.0%	0.0%	
Net Income	(\$6.2)	(\$5.7)	(\$5.4)	(\$5.1)	
Margin	(490.7%)	(237.9%)	(188.8%)	(180.0%)	
Earnings Per Share	(\$0.59)	(\$0.48)	(\$0.45)	(\$0.42)	EPS loss was \$0.03 lower than our expectations.
Growth (Y/Y)	NM	NM	NM	NM	
Share Count (MM)	10	12	12	12	

Source: Company Reports and Cowen and Company estimates.

Exhibit 1. ICEL – Summary Revenue Model

CELLULAR DYNAMICS - REVENUE BUILD (\$MM)																								
(MM, except EPS)	Q1:11	Q2:11	Q3:11	Q4:11	Q1:12	Q2:12	Q3:12	Q4:12	Q1:13	Q2:13	Q3:13E	Q4:13E	Q1:14E	Q2:14E	Q3:14E	Q4:14E	2011	2012	2013E	2014E	2015E	2016E	2017E	5Y CAGR
TOTAL REVENUE	\$0.8	\$0.8	\$0.5	\$0.9	\$1.1	\$1.3	\$1.2	\$2.9	\$2.4	\$2.8	\$3.0	\$4.3	\$5.1	\$6.9	\$7.8	\$10.9	\$2.6	\$6.8	\$12.5	\$30.5	\$57.3	\$81.1	\$109.8	76%
Product Sales	\$0.2	\$0.4	\$0.3	\$0.5	\$0.6	\$1.2	\$1.1	\$2.3	\$1.8	\$2.0	\$2.0	\$3.1	\$2.8	\$3.7	\$3.6	\$5.9	\$1.5	\$5.2	\$8.8	\$15.9	\$31.6	\$53.7	\$80.2	
Collaborations, Other	\$0.4	\$0.2	\$0.2	\$0.4	\$0.5	\$0.1	\$0.2	\$0.7	\$0.6	\$0.8	\$1.0	\$1.2	\$2.3	\$3.2	\$4.0	\$5.0	\$1.1	\$1.4	\$3.7	\$14.5	\$25.6	\$27.5	\$29.6	
Revenue Growth					92%	106%	160%	222%	109%	123%	140%	47%	112%	146%	156%	152%		153%	90%	144%	88%	42%	35%	
Product Sales					165%	189%	235%	367%	173%	68%	85%	36%	57%	87%	83%	89%		255%	70%	81%	98%	70%	49%	
Collaborations, Other					42%	(58%)	3%	55%	26%	880%	517%	85%	262%	285%	307%	312%		23%	161%	296%	77%	7%	8%	
iCells	\$0.2	\$0.4	\$0.3	\$0.5	\$0.6	\$1.2	\$1.1	\$2.3	\$1.8	\$2.0	\$2.0	\$3.1	\$2.8	\$3.7	\$3.6	\$5.9	\$1.5	\$5.2	\$8.8	\$15.9	\$31.6	\$53.7	\$80.2	73%
Growth	NM	NM	NM	NM	165%	203%	246%	347%	173%	68%	80%	36%	57%	87%	83%	89%		255%	70%	81%	98%	70%	49%	
Volume - cell lines	194	310	255	414	598	1,092	1,013	2,024	1,552	1,782	1,829	3,008	2,436	3,335	3,337	5,680	1,173	4,770	8,170	14,788	29,301	49,666	73,853	
Growth					208%	252%	297%	389%	160%	63%	80%	49%	57%	87%	82%	89%	NA	307%	71%	81%	98%	70%	49%	
ASP	\$1,250	\$1,250	\$1,250	\$1,236	\$1,075	\$1,075	\$1,090	\$1,130	\$1,130	\$1,105	\$1,086	\$1,035	\$1,130	\$1,105	\$1,088	\$1,036	\$1,245	\$1,086	\$1,080	\$1,079	\$1,080	\$1,081	\$1,086	
Growth					(14%)	(14%)	(13%)	(9%)	5%	3%	(0%)	(8%)	-	-	0%	0%		(13%)	(1%)	(0%)	0%	0%	0%	
Cardiomyocytes	\$0.2	\$0.4	\$0.3	\$0.4	\$0.5	\$0.6	\$0.4	\$1.2	\$1.1	\$1.2	\$0.9	\$1.8	\$1.3	\$1.7	\$1.3	\$2.7	\$1.4	\$2.6	\$5.1	\$7.1	\$9.7	\$13.0	\$17.0	
Growth					99%	56%	29%	164%	137%	110%	150%	52%	20%	40%	40%	50%	NA	93%	95%	39%	37%	35%	30%	
Volume - cell lines	189	300	233	358	437	544	350	1,069	987	1,111	874	1,711	1,184	1,556	1,223	2,566	1,080	2,400	4,682	6,529	8,945	12,075	15,698	46%
Growth					131%	81%	50%	199%	126%	104%	150%	60%	20%	40%	40%	50%	NA	122%	95%	39%	37%	35%	30%	
ASP	\$1,250	\$1,250	\$1,250	\$1,250	\$1,075	\$1,075	\$1,075	\$1,103	\$1,130	\$1,105	\$1,075	\$1,050	\$1,130	\$1,105	\$1,075	\$1,050	\$1,250	\$1,088	\$1,085	\$1,082	\$1,080	\$1,080	\$1,080	
Growth					(14%)	(14%)	(14%)	(12%)	5%	3%	0%	(5%)	0%	0%	0%	0%		(13%)	0%	0%	0%	0%	0%	
Neurons	\$0.0	\$0.0	\$0.0	\$0.0	\$0.1	\$0.5	\$0.7	\$0.9	\$0.6	\$0.4	\$0.9	\$1.1	\$1.2	\$0.8	\$1.8	\$2.3	\$0.0	\$2.3	\$3.0	\$8.1	\$11.6	\$17.6	\$24.9	
Growth					NM	NM	NM	NM	301%	(24%)	40%	24%	110%	100%	100%	103%	NA	4,913%	34%	103%	88%	53%	42%	
Volume - cell lines	-	-	5	31	129	509	599	861	494	378	839	1,120	1,037	757	1,677	2,273	36	2,099	2,831	5,744	10,799	16,469	23,303	62%
Growth					NM	NM	NM	NM	282%	(26%)	40%	30%	110%	100%	100%	103%	NA	5,729%	35%	103%	88%	53%	42%	
ASP	\$1,250	\$1,250	\$1,250	\$1,250	\$1,075	\$1,075	\$1,100	\$1,058	\$1,130	\$1,105	\$1,100	\$1,005	\$1,130	\$1,105	\$1,100	\$1,005	\$1,250	\$1,075	\$1,068	\$1,068	\$1,070	\$1,070	\$1,070	
Growth					(14%)	(14%)	(12%)	(15%)	5%	3%	0%	(5%)	0%	0%	0%	0%		(14%)	(1%)	0%	0%	0%	0%	
Other iCells (Inc. MyCell)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.1	\$0.1	\$0.1	\$0.3	\$0.1	\$0.2	\$0.2	\$1.1	\$0.5	\$0.9	\$0.1	\$0.3	\$0.7	\$2.7	\$10.4	\$23.0	\$38.3	
Growth					444%	236%	65%	44%	138%	669%	80%	90%	200%	250%	275%	375%	NA	380%	131%	282%	279%	121%	67%	
Volume - cell lines	5	10	17	25	32	39	65	93	72	292	116	177	215	1,023	436	841	57	271	657	2,515	9,558	21,122	34,852	164%
Growth					533%	291%	280%	280%	127%	648%	80%	90%	200%	250%	275%	375%	NA	380%	142%	283%	280%	121%	65%	
ASP	\$1,250	\$1,250	\$1,250	\$1,020	\$1,075	\$1,075	\$1,075	\$1,075	\$1,130	\$1,105	\$1,075	\$1,075	\$1,130	\$1,105	\$1,075	\$1,075	\$1,150	\$1,150	\$1,094	\$1,092	\$1,090	\$1,090	\$1,100	
Growth					(14%)	(14%)	0%	0%	5%	3%	0%	0%	0%	0%	0%	0%			(5%)	(0%)	0%	0%	1%	
Stem Cell Banking	\$0.0	\$0.0	\$0.0	\$0.0	\$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	\$0.4	\$0.2	\$0.2	\$0.4	\$0.5	\$0.1	\$0.2	\$0.7	\$0.6	\$0.8	\$1.0	\$1.0	\$2.0	\$2.5	\$3.0	\$3.6	\$1.1	\$1.4	\$3.4	\$11.0	\$18.6	\$18.2	\$12.7	55%
Collaborations - existing business, other	\$0.4	\$0.2	\$0.2	\$0.4	\$0.5	\$0.1	\$0.2	\$0.7	\$0.3	\$0.5	\$0.6	\$0.6	\$0.5	\$0.5	\$0.5	\$0.5	\$1.1	\$1.4	\$1.9	\$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. ICEL – Summary Income Statement

CELLULAR DYNAMICS - INCOME STATEMENT (\$MM)																			
(MM, except EPS)	Q1:12	Q2:12	Q3:12	Q4:12	Q1:13	Q2:13	Q3:13E	Q4:13E	Q1:14E	Q2:14E	Q3:14E	Q4:14E	2011	2012	2013E	2014E	2015E	2016E	2017E
TOTAL REVENUE	\$1.1	\$1.3	\$1.2	\$2.9	\$2.4	\$2.8	\$3.0	\$4.3	\$6.1	\$6.9	\$7.6	\$10.9	\$2.6	\$6.8	\$12.5	\$30.5	\$57.3	\$81.1	\$109.8
Reported Growth	92.3%	106.2%	159.6%	221.6%	108.6%	123.2%	140.2%	47.0%	111.6%	146.5%	156.4%	151.6%		NM	89.8%	NM	88.0%	41.7%	35.3%
Cost of Sales	\$0.1	\$0.4	\$0.3	\$1.2	\$0.6	\$0.7	\$0.7	\$1.2	\$1.3	\$1.8	\$2.1	\$2.9	\$0.7	\$2.1	\$3.2	\$8.2	\$14.3	\$18.1	\$22.2
Gross Profit	\$1.0	\$0.8	\$0.9	\$1.7	\$1.8	\$2.1	\$2.2	\$3.1	\$4.7	\$5.1	\$5.5	\$8.0	\$1.9	\$4.5	\$9.3	\$22.3	\$42.9	\$63.1	\$87.6
% of sales	87.5%	66.8%	76.7%	57.8%	75.9%	76.0%	75.5%	72.7%	73.4%	73.3%	72.6%	73.5%	72.0%	68.3%	74.7%	73.2%	75.0%	77.7%	79.8%
Growth	NM	NM	NM	NM	80.8%	NM	NM	84.8%	NM	NM	NM	NM	NM	NM	NM	NM	92.5%	46.9%	38.9%
Incremental Margin	102.7%	70.9%	86.9%	46.3%	65.1%	83.4%	74.7%	104.3%	71.1%	71.5%	70.7%	74.0%	72.0%	65.8%	81.9%	72.2%	77.0%	84.4%	85.5%
Research & Development	\$3.1	\$3.8	\$3.5	\$3.9	\$3.9	\$3.9	\$3.7	\$3.7	\$4.6	\$4.6	\$4.6	\$4.6	\$13.7	\$14.3	\$15.1	\$18.3	\$20.1	\$22.4	\$24.8
% of sales	266.8%	298.8%	286.2%	134.2%	161.3%	139.1%	123.6%	84.6%	90.2%	65.8%	60.1%	42.6%	526.0%	217.3%	120.8%	60.1%	35.1%	27.6%	22.6%
Growth	(4.7%)	15.1%	(1.6%)	9.9%	26.1%	3.9%	3.7%	(7.3%)	18.3%	16.6%	24.6%	26.8%	NM	4.7%	5.5%	21.4%	NM	11.4%	10.8%
Sales, General & Admin.	\$2.7	\$3.3	\$2.9	\$3.6	\$3.6	\$3.3	\$3.6	\$3.9	\$3.8	\$3.9	\$4.0	\$4.1	\$9.5	\$12.4	\$14.4	\$15.7	\$16.8	\$18.3	\$20.4
% of sales	238.5%	258.0%	234.2%	120.6%	152.1%	116.7%	120.9%	89.8%	75.3%	56.4%	52.1%	37.3%	366.3%	188.7%	115.2%	51.7%	29.3%	22.6%	18.5%
Growth	23.3%	29.0%	24.1%	45.0%	33.0%	1.0%	24.0%	9.4%	4.8%	19.1%	10.6%	4.5%	NM	30.6%	15.8%	9.4%	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	\$7.2	\$7.5	\$8.4	\$8.5	\$8.5	\$8.7	\$23.2	\$26.7	\$29.5	\$34.1	\$36.9	\$40.7	\$45.2
% of sales	505.3%	556.8%	520.4%	254.8%	313.5%	255.8%	244.5%	174.4%	165.5%	122.2%	112.2%	79.9%	892.3%	406.0%	235.9%	111.8%	64.5%	50.2%	41.2%
Growth	6.7%	21.1%	8.5%	24.2%	29.4%	2.5%	12.8%	0.6%	11.7%	17.8%	17.7%	15.3%	NM	15.3%	10.3%	15.6%	8.4%	10.3%	11.0%
EBITDA	(\$4.8)	(\$6.2)	(\$5.5)	(\$5.8)	(\$5.7)	(\$5.1)	(\$5.0)	(\$4.4)	(\$4.7)	(\$3.4)	(\$3.0)	(\$0.7)	(\$21.9)	(\$22.2)	(\$20.1)	(\$11.8)	\$6.0	\$22.4	\$42.4
% of sales	(417.8%)	(490.0%)	(443.7%)	(197.0%)	(237.6%)	(179.8%)	(168.9%)	(101.7%)	(92.1%)	(48.9%)	(39.6%)	(6.4%)	(820.3%)	(337.7%)	(161.2%)	(38.6%)	10.5%	27.6%	38.6%
Growth	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	89.6%
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)	(\$5.0)	(\$4.4)	(\$4.7)	(\$3.4)	(\$3.0)	(\$0.7)	(\$21.9)	(\$22.2)	(\$20.1)	(\$11.8)	\$6.0	\$22.4	\$42.4
% of sales	(417.8%)	(490.0%)	(443.7%)	(197.0%)	(237.6%)	(179.8%)	(168.9%)	(101.7%)	(92.1%)	(48.9%)	(39.6%)	(6.4%)	(820.3%)	(337.7%)	(161.2%)	(38.6%)	10.5%	27.6%	38.6%
Growth	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	89.6%
Incremental Margin	36.2%	(117.7%)	20.8%	(25.6%)	(71.6%)	72.0%	27.1%	101.0%	38.2%	40.5%	43.0%	56.4%	(820.3%)	(23.3%)	35.4%	46.6%	66.3%	68.4%	69.9%
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	\$0.3	\$0.3	\$0.3	\$0.3	\$0.3	\$0.3	\$0.0	\$0.0	\$0.5	\$1.0	\$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)	(\$5.3)	(\$4.7)	(\$4.9)	(\$3.6)	(\$3.3)	(\$1.0)	(\$21.9)	(\$22.3)	(\$20.7)	(\$12.8)	\$5.0	\$22.4	\$42.4
Margin	(418.6%)	(490.7%)	(444.4%)	(197.2%)	(237.9%)	(180.0%)	(177.5%)	(107.6%)	(97.2%)	(52.6%)	(43.0%)	(8.8%)	(821.9%)	(338.3%)	(165.4%)	(41.9%)	8.8%	27.6%	38.6%
Growth	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	89.6%
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	\$6.7	\$12.7
Rate																		30.0%	30.0%
Net Income	(\$4.8)	(\$6.2)	(\$5.5)	(\$5.8)	(\$5.7)	(\$5.1)	(\$5.3)	(\$4.7)	(\$4.9)	(\$3.6)	(\$3.3)	(\$1.0)	(\$21.9)	(\$22.3)	(\$20.7)	(\$12.8)	\$5.0	\$15.7	\$29.7
Margin	(418.6%)	(490.7%)	(444.4%)	(197.2%)	(237.9%)	(180.0%)	(177.5%)	(107.6%)	(97.2%)	(52.6%)	(43.0%)	(8.8%)	(821.9%)	(338.3%)	(165.4%)	(41.9%)	8.8%	19.3%	27.0%
Growth	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	89.6%
GAAP Earnings Per Share	(\$0.47)	(\$0.59)	(\$0.52)	(\$0.54)	(\$0.48)	(\$0.42)	(\$0.32)	(\$0.28)	(\$0.30)	(\$0.22)	(\$0.20)	(\$0.08)	(\$2.22)	(\$2.12)	(\$1.51)	(\$0.78)	\$0.31	\$0.96	\$1.82
Shares Outstanding	10	10	10	11	12	12	16	16	16	16	16	16	10	10	14	16	16	16	16
Growth	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	89.6%
CELLULAR DYNAMICS - CONSENSUS ESTIMATES																			
(MM, except EPS)	Q1:12	Q2:12	Q3:12	Q4:12	Q1:13	Q2:13	Q3:13E	Q4:13E	Q1:14E	Q2:14E	Q3:14E	Q4:14E	2011	2012	2013E	2014E	2015E	2016E	2017E
Consensus Revenue						\$2.9	\$2.9	\$4.5	\$6.1	\$6.8	\$7.9	\$9.9			\$12.9	\$31.4	\$55.5	\$80.3	\$102.5
Growth									134.5%	151.7%	120.0%					143.4%	76.8%	44.7%	27.6%
Actual/Cowen	\$1.1	\$1.3	\$1.2	\$2.9	\$2.4	\$2.8	\$3.0	\$4.3	\$6.1	\$6.9	\$7.6	\$10.9	\$2.6	\$6.6	\$12.5	\$30.5	\$57.3	\$81.1	\$109.8
Consensus Gross Margin						69.5%	69.5%	67.0%	N/A	N/A	N/A	N/A			69.0%	72.0%	71.5%	N/A	N/A
Actual/Cowen	87.5%	66.8%	76.7%	57.8%	75.9%	76.0%	75.5%	72.7%	73.4%	73.3%	72.6%	73.5%	72.0%	68.3%	74.7%	73.2%	75.0%	77.7%	79.8%
Consensus Op. Margin																			
Actual/Cowen	(418%)	(490%)	(444%)	(197%)	(238%)	(180%)	(169%)	(102%)	(92%)	(49%)	(40%)	(6%)	(820%)	(339%)	(161%)	(39%)	11%	28%	39%
Consensus EPS						(\$0.41)	(\$0.34)	(\$0.34)	(\$0.34)	(\$0.28)	(\$0.25)	(\$0.13)			(\$1.54)	(\$1.10)	(\$0.76)	\$0.50	\$1.18
Actual/Cowen	(\$0.47)	(\$0.59)	(\$0.52)	(\$0.54)	(\$0.48)	(\$0.42)	(\$0.32)	(\$0.28)	(\$0.30)	(\$0.22)	(\$0.20)	(\$0.08)	(\$2.22)	(\$2.12)	(\$1.51)	(\$0.78)	\$0.31	\$0.96	\$1.82

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

Analyst Certification

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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

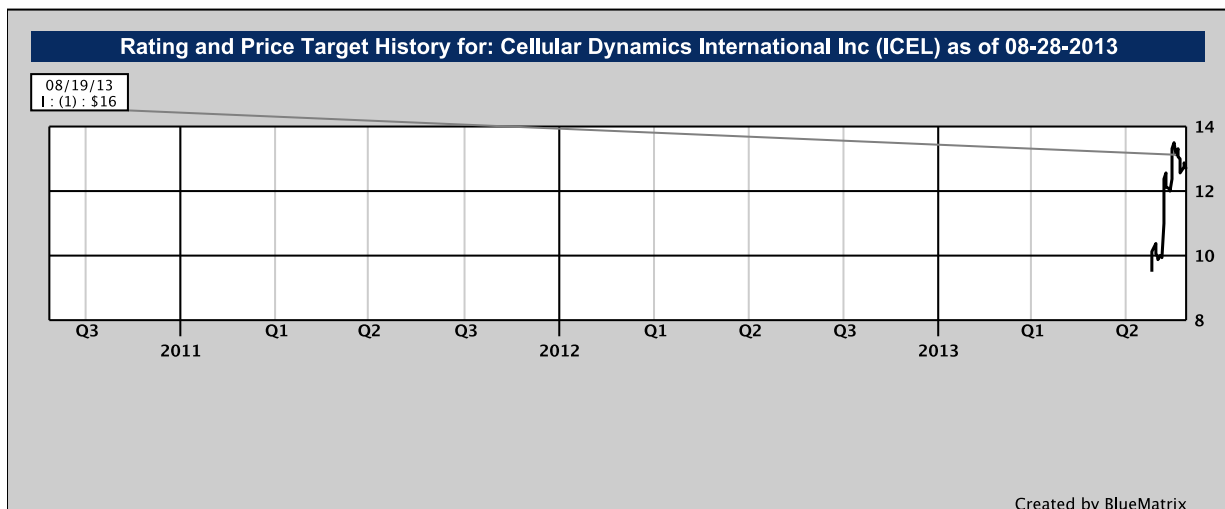
COWEN AND COMPANY RATING ALLOCATION

Distribution of Ratings/Investment Banking Services (IB) as of 06/30/13

Rating	Count	Ratings Distribution	Count	IB Services/Past 12 Months
Buy (a)	380	58.37%	48	12.63%
Hold (b)	247	37.94%	2	0.81%
Sell (c)	24	3.68%	1	4.17%

(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 | T = Terminated Coverage | \$xx = Price Target | NA = Not Available