

November 6, 2013

Stock Rating
Overweight

Industry View
In-Line

NanoString Tech

Q3: Life science revenue strength drives upside

Life science revenues grew 34%, once again ahead of MSe (26%), with instruments the standout, up 50%. Prosigna, the company's differentiated FDA approved breast cancer assay, remains on track for '14 launch, & we've adjusted our ramp to be more 2H '14 weighted given insurance coverage timing.

Revenues of \$8.4M vs. MSe \$8.0M: Life science revs remain NSTG's key revenue contributor, and similar to Q2 posted another solid qtr, growing 34% vs. MSe 26%. Instruments were the driver this quarter, we estimate 16 LS placements (vs. MSe 13), while consumables came in at \$4.4 vs. MSe \$4.3, approx pull thru \$114K.

Pharma & AsiaPac strong: Within LS, Pharma strength was once again singled out, with one key customer having >\$1MM in consumable spend. Mgmt estimates one top-20 pharma customer with 6 systems more than able to expand to 10, implying TAM of 200 units (current pharma ~20% of install base, approx 32 units). AsiaPac revenues were also a key driver in Q3, with half of growth coming from APAC new placements.

Prosigna Update: Post FDA approval company is in midst of hiring commercial leadership team and is building awareness thru publications, conferences, direct contact. Guidance calls for early adoption of test by select cancer centers and commercial labs prior to reimbursement coverage (potential MoIDX decision in Q3 '14). Expect a slow EU launch due to time needed to secure reimbursement, dispersed customer base, though opportunity remains meaningful. We shifted our '14 Prosigna forecasts to account for a more 2H weighted ramp given timing of insurance adoption, & remain constructive on Prosigna's ultimate commercial penetration.

NSTG bottom line: NSTG remains an exciting small cap story with a strong growth outlook trading at an attractive valuation, executing well as a newly public company, with numerous catalysts ahead .OW.

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Key Ratios and Statistics

Reuters: NSTG.O Bloomberg: NSTG US

Life Science Tools & Diagnostics / United States of America

Price target	\$14.00
Shr price, close (Nov 5, 2013)	\$10.20
Mkt cap, curr (mm)	\$149
52-Week Range	\$14.10-7.01

Fiscal Year ending	12/12	12/13e	12/14e	12/15e
Revenue, net (\$mm)	23.0	30.3	50.1	71.0
Sales, consensus (\$mm)	-	30.4	54.5	81.3
EBIT (\$mm)	(16.5)	(31.3)	(34.1)	(23.2)
EBIT, consensus (\$mm)	-	(34.3)	(38.8)	(22.1)
ModelWare EPS (\$)	(71.11)	(4.22)	(2.43)	(1.63)

Unless otherwise noted, all metrics are based on Morgan Stanley ModelWare framework (please see explanation later in this note).

e = Morgan Stanley Research estimates

Quarterly Revenue, net (\$mm)

Quarter	2012	2013e		2014e	
		Prior	Current	Prior	Current
Q1	4.5	-	5.7a	8.6	8.3
Q2	5.9	-	7.2a	12.1	10.6
Q3	6.0	-	8.4a	14.1	14.2
Q4	6.5	9.4	9.0	16.8	17.0

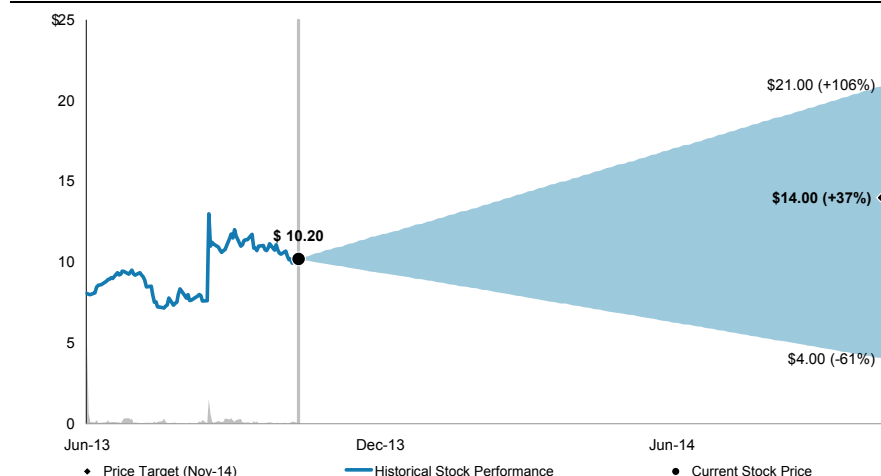
e = Morgan Stanley Research estimates, a = Actual company reported data

November 6, 2013

NanoString Tech

Risk-Reward Snapshot: NanoString Tech (NSTG, \$10.20, Overweight, PT \$14)

Risk-Reward View: Exciting diagnostic opportunity and underappreciated life science tools business create bias to upside



Source: Thomson Reuters, Morgan Stanley Research

Price Target: \$14

We reach our price target of \$14 using a 3x 2015 AV / Sales multiple on base case sales of ~\$71MM assuming a slight discount vs the peer group's median AV / 2014 Sales multiple of 4.1x given uncertainty on US diagnostic launch.

▲ Bull Case: \$21

4.1x 2015 AV / Sales

Our bull case of \$21 based on a 2015 AV / Sales multiple of 4x, reflects validation of Prosigna in US market and better than expected ex US penetration coupled with strong LS execution. We assume total revs of \$75MM and multiple expansion as superior growth allows NSTG to trade in line with peer group median.

Base Case: \$14

3.0x 2015 AV / Sales

Our base case \$14 reflects a 2015 AV / Sales multiple of 3x on \$71MM of revs driven by uptake in the US of the Prosigna breast cancer assay achieving ~11% of the addressable market, strong placements of Gen 2 nCounters and a successful launch of the Gen 3 instrument in smaller budget labs.

▼ Bear Case: \$4

1.5x 2015 AV / Sales

Our bear case of \$4 reflects a 2015 AV / Sales multiple of 2x on \$54MM of revs. Under this scenario, we assume that US diagnostic revenues fail to materialize as reimbursement and guidelines prove to be bigger hurdles than expected. Assume ramp of Gen 3 instruments is slower than expected and multiple contracts.

Investment Thesis

- Prosigna, NSTG's breast cancer molecular diagnostic assay, has a differentiated clinical profile which should provide for share gains.
- The company's distributed approach to molecular diagnostic testing allows local labs to participate in attractive economics of Prosigna assay and will help drive adoption.
- nCounter's differentiated attributes (superior multiplexing, workflow ease, no amplification, FFPE capability) support a healthy life science tools segment growth rate w/ attractive high margin consumable pull thru.

Key Value Drivers

- US Prosigna adoption is critical and we see Prosigna ramping to ~11% of the node negative ER+ early stage breast cancer market in 2015.
- Continued strength in nCounter placements: we expect the existing install base of Gen 2 instruments to grow +9% in 2015, with successful 2014 launch of Gen 3 box (lower ASPs to drive penetration into smaller labs) growing 141% in 2015.
- Introduction of more diagnostic tests for nCounter platform: simplicity, throughput and digital nature of nCounter makes it ideal for diagnostic setting. Management plans to evaluate new assays for the system.

Potential Risks

- Weaker diagnostic ramp
- Failure to gain adequate reimbursement
- Competitor platforms or technologies outperform nCounter
- Sequestration in US a downside risk for tools business.

Exhibit 1

Quarter Variance Table

(\$ in MM, except EPS)	3Q 13E	3Q 13A	Current Quarter					3Q 12A	Y/Y % Change	Comments
			A vs E (\$)	A vs E (%)	Impact	Cons Est	Variance			
Life Science	7.6	8.1						6.0	33.6%	Consumable strength from Pharma, strong APAC
Diagnostics	0.4	0.3						0.0		Sold 2 box to EU customers, ME \$40K Prosigna
Total Revenues	8.0	8.4	0.4	4.5%	(\$0.03)	7.7	8.9%	6.0	39.0%	
COGS	4.2	3.8	(0.4)	-10.2%		3.9		3.1	22.6%	Consumable manufacturing efficiencies
Gross Profit	3.8	4.6	0.8	20.8%		3.8	22.3%	2.9	56.2%	
SG&A	9.4	8.0	(1.4)	-15.3%				4.2	91.6%	Investments in sales channel, litigation, and corp costs
R&D	4.8	3.8	(1.0)	-21.4%				3.1	22.7%	Development of next gen box
Total Operating Expenses	14.2	11.8	(2.5)	-17.4%		13.1		7.3	62.3%	
Operating Income (Loss)	(10.4)	(7.2)	3.3	-31.3%		(9.3)	-22.9%	(4.3)	66.4%	
Interest Income (Expense)	(0.5)	(0.5)	0.0	-0.9%	\$0.00			(0.4)	48.1%	
Income Taxes	0.0	0.0	0.0					0.0		
Net Income (Loss)	(11.0)	(7.7)	3.3	-29.8%		(9.9)	-22.2%	(4.7)	65.0%	
Diluted Shares Outstanding	14.6	14.6	0.0	0.1%		14.8		0.4	3987.3%	
EPS, Diluted	(\$0.75)	(\$0.53)	\$0.22	-29.9%	\$0.22	(\$0.67)	-21.4%	(\$18.30)	-97.1%	

Margin Analysis

Gross Margin	47.5%	54.9%	740 bps	\$0.04	48.9%	48.9%	600 bps	Mix shift due to strong instruments
SG&A	117.5%	95.2%	(2,230 bps)	(\$0.12)		69.1%	2,610 bps	
R&D	60.0%	45.1%	(1,490 bps)	(\$0.08)		51.1%	(600 bps)	
Operating Income	-130.0%	-85.4%	4,460 bps		-120.8%	-71.4%	(1,410 bps)	
Net Income	-136.7%	-91.8%	4,490 bps		-128.6%	-77.3%	(1,450 bps)	

Source: Company Data, Morgan Stanley Research estimates

Exhibit 2

Revenue Breakdown & Business Updates

Analysis	Commentary
Business Lines	
Life Science	<p>LS revs +34% Y/Y driven by increasing instrument revs (+50% Y/Y) due to commercial channel and execution. Growth strong ex US with APAC 50% of all growth. Strength in demand from biopharma with one leading customer palcing over \$1MM in consumable orders to support large scale development of cancer drugs. Approximately 70% of new placements focused on cancer research. nCounter Elements early access program launched in July, have 15 users spread across 3 continents, handful of early access users in research with majority using Elements for LDT assay development. Single cell opportunity estimated at \$75MM growing to \$500MM by 2018. Collaboration with BD allows for complete workflow from isolation to analysis. Expect single cell to contribute to growth in 2014. Settled all outstanding lawsuits with FLDM. Academic in US was weak but much of growth in Asia was to academic labs. See ramp continuing with new distributors and salespeople taking on average 9 mths to ramp up to speed. Expect Elements to open up CLIA lab oppty</p>
Diagnostics	<p>Ex US, continue to focus on placing nCounters in major academic and commercial labs to serve as local or regional centers. Early adopters have generally preferred to purchase systems instead of reagent rental thus extending sales cycles to ~6 mths, similar to LS. Majority of early DX revs from instrument sales. In Q3, generated ~\$40K of sales of Prosigna assays from 1 commercial nCounter sold to DX lab in MidEast in Q2. Decision impact studies are ongoing in Spain and Germany. 2 new boxes placed into Italy and Turkey. Expect further publications of TransATAC and ABCSG8 studies. For reimbursement, working on coding and coverage decisions as well as inclusion in guidelines for next year. Key NCCN guideline expected to include Prosigna in H2 2014. Actively recruiting US commerical team.</p>

Source: Company Data, Morgan Stanley Research

Exhibit 3

2013 Guidance

(\$ in MM, except EPS)	2012 Actual	Guidance Prior	Guidance Current	2013 MSe	Commentary
Life Science	23.0	\$28.5 - \$30.0	\$29.0 - \$30.0	29.3	Driven by addl placements
Diagnostics	0.0	\$1.0 - \$1.5	\$1.0 - \$1.5	1.0	Driven by addl placements with some sales to US customers; reagent rental vs outright purchase to vary
Total Revenues	23.0	\$29.5 - \$31.5	\$30.0 - \$31.5	30.3	
Gross Margins	46.2%	48% - 51%	50% - 53%	51.3%	Momentum in instrument sales will cause mix shift
OpEx	27.1		\$44 - \$46	46.8	1/3 R&D, 2/3 SGA
Net Income	(25.2)	-\$30 - \$35	-\$28 - \$32	(32.0)	
Diluted Shares	0.4			14.6	

Source: Company Data, Morgan Stanley Research estimates

Exhibit 4

Model Changes

	2012	2013	2014	2015
Total Revenues				
Current	23.0	30.3	50.1	71.0
% Y/Y	29.1%	32.0%	65.2%	41.7%
Prior	23.0	30.3	51.5	72.5
% Y/Y	29.1%	31.8%	70.2%	40.7%
COGS				
Current	12.4	14.8	20.6	24.7
% of Revenues	53.8%	48.7%	41.1%	34.7%
Prior	12.4	15.3	21.2	25.2
% of Revenues	53.8%	50.7%	41.1%	34.7%
SG&A				
Current	15.5	31.4	44.1	48.5
% of Revenues	67.4%	103.5%	88.1%	68.4%
Prior	15.5	33.2	45.7	49.6
% of Revenues	67.4%	109.7%	88.6%	68.3%
R&D				
Current	11.6	15.4	19.5	21.0
% of Revenues	50.6%	50.9%	38.9%	29.6%
Prior	11.6	16.7	20.2	21.4
% of Revenues	50.6%	55.0%	39.1%	29.5%
Other Exp				
Current	(1.2)	(0.7)	(1.4)	(0.5)
Prior	(1.2)	(0.7)	(1.4)	(0.6)
Net Income				
Current	(25.2)	(32.0)	(35.6)	(23.8)
% of Revenues	NM	NM	NM	NM
Prior	(25.2)	(35.7)	(36.9)	(24.2)
% of Revenues	NM	NM	NM	NM
EPS				
Current	(71.11)	(4.22)	(2.43)	(1.63)
Prior	(71.11)	(4.71)	(2.53)	(1.66)

Source: Company Data, Morgan Stanley Research estimates

Exhibit 5

Income Statement

	2010A	2011A	2012E	2013E				2013E	2014E	2015E	2016E	2017E
				Mar-13	Jun-13	Sep-13	Dec-13					
Revenues												
Instrument Sales	6.5	7.1	8.8	1.6	2.5	3.6	3.5	11.2	17.3	15.1	16.5	17.0
CodeSets & Reagents	5.0	10.0	13.0	3.7	4.3	4.4	5.2	17.6	31.1	54.1	69.1	85.1
Services	0.2	0.7	1.2	0.3	0.4	0.4	0.4	1.5	1.7	1.8	1.9	1.9
Total Revenues	11.7	17.8	23.0	5.7	7.2	8.4	9.0	30.3	50.1	71.0	87.4	104.0
Total COGS	9.1	9.8	12.4	2.9	3.5	3.8	4.6	14.8	20.6	24.7	26.0	25.7
Gross Profit	2.6	8.0	10.6	2.8	3.7	4.6	4.5	15.6	29.5	46.3	61.4	78.3
R&D	7.5	9.0	11.6	3.1	3.6	3.8	5.0	15.4	19.5	21.0	22.0	23.1
SG&A	8.0	9.5	15.5	6.1	6.7	8.0	10.6	31.4	44.1	48.5	52.1	55.8
Total One-Time Items	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Operating Expenses	15.6	18.5	27.1	9.2	10.3	11.8	15.5	46.8	63.6	69.5	74.1	78.9
EBIT	(13.0)	(10.5)	(16.5)	(6.4)	(6.6)	(7.2)	(11.1)	(31.3)	(34.1)	(23.2)	(12.6)	(0.6)
Interest Income / (Expense) / Other	0.2	(0.4)	(1.1990)	(0.9)	1.1	(0.5)	(0.5)	(0.7)	(1.4)	(0.5)	(0.1)	(0.1)
Pre-tax Income / (Loss)	(12.8)	(10.9)	(17.7)	(7.3)	(5.5)	(7.7)	(11.5)	(32.0)	(35.6)	(23.8)	(12.7)	(0.7)
Income Tax Expense / (Benefit)	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 Income / (Loss)	(12.8)	(10.9)	(17.7)	(7.3)	(5.5)	(7.7)	(11.5)	(32.0)	(35.6)	(23.8)	(12.7)	(0.7)
Accretion of Mandatory Preferreds	(4.4)	(5.3)	(7.5)	(2.3)	(2.3)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net Income / (Loss) to Common	(17.1)	(16.2)	(25.241)	(9.6)	(7.8)	(7.7)	(11.5)	(32.0)	(35.6)	(23.8)	(12.7)	(0.7)
Diluted EPS	(\$54.11)	(\$50.03)	(\$71.11)	(\$1.05)	(\$0.85)	(\$0.53)	(\$0.79)	(\$4.22)	(\$2.43)	(\$1.63)	(\$0.87)	(\$0.05)
Diluted EPS (GAAP)	(\$54.11)	(\$50.03)	(\$71.11)	(\$17.88)	(\$13.69)	(\$0.53)	(\$0.79)	(\$4.22)	(\$2.41)	(\$1.29)	(\$0.68)	(\$0.04)
Basic Shares Outstanding	0.3	0.3	0.4	0.5	0.6	14.6	14.6	7.6	15.2	18.4	19.1	19.1
Non-GAAP Shares	0.3	0.3	0.4	9.2	9.2	14.6	14.6	7.6	14.6	14.6	14.6	14.6
Diluted Shares Outstanding	0.3	0.3	0.4	0.5	0.6	14.6	14.6	7.6	14.8	18.4	18.6	19.1

Margins Analysis (% of Revenues)												
COGS	77.8%	54.9%	53.8%	50.8%	48.8%	52.5%	50.5%	48.7%	41.1%	34.7%	29.7%	24.7%
Gross Profit	22.2%	45.1%	46.2%	49.2%	51.2%	47.5%	49.5%	51.3%	58.9%	65.3%	70.3%	75.3%
R&D	64.3%	50.5%	50.6%	53.9%	50.2%	60.0%	55.0%	50.9%	38.9%	29.6%	25.2%	22.2%
SG&A	68.4%	53.5%	67.4%	107.9%	92.9%	117.5%	117.0%	103.5%	88.1%	68.4%	59.5%	53.6%
Total OPEX	132.8%	104.0%	118.1%	161.8%	143.2%	140.3%	172.0%	154.5%	127.0%	98.0%	84.7%	75.9%
EBIT	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM
EBITDA	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	3.8%
Effective Income Tax Rate	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 Income	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM

Source: Company Data, Morgan Stanley Research estimates

Exhibit 6

Revenue Build

	2010A	2011A	2012E	2013E				2013E	2014E	2015E	2016E	2017E
				Mar-13	Jun-13	Sep-13	Dec-13					
Instrument Sales	6.5	7.1	8.8	1.6	2.5	3.6	3.5	11.2	17.3	15.1	16.5	17.0
CodeSets and Reagents	5.0	10.0	13.0	3.7	4.3	4.4	5.2	17.6	31.1	54.1	69.1	85.1
Services	0.2	0.7	1.2	0.3	0.4	0.4	0.4	1.5	1.7	1.8	1.9	1.9
Total	11.7	17.8	23.0	5.7	7.2	8.4	9.0	30.3	50.1	71.0	87.4	104.0

Life Sciences	0.497											
Instrument Revenues (\$MM)	6.5	7.1	8.8	1.6	2.3	3.3	3.1	10.3	16.4	14.7	15.7	16.2
Consumables Revenues (\$MM)	4.6	10.0	13.0	3.7	4.3	4.4	5.1	17.4	20.5	26.5	31.5	36.9
Service (\$MM)	0.7	0.7	1.2	0.3	0.4	0.4	0.4	1.5	1.7	1.8	1.9	1.9
Total (\$MM)	11.7	17.8	23.0	5.7	7.0	8.1	8.6	29.3	38.6	43.0	49.0	55.0

Diagnostics												
United States												
Total US NanoString Tests (#)				0	0	0	0	0	2,937	8,844	11,448	15,855
ASP (\$)				2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Revenues (\$MM)				0.0	0.0	0.0	0.0	0.0	5.9	17.7	22.9	31.7
Europe												
Total EU NanoString Tests (#)				0	24	88	118	229	887	2,088	4,231	4,796
ASP (\$)				0	0	0	500	500	1,527	2,000	2,000	2,000
Revenues (\$MM)				0.0	0.0	0.0	0.1	0.1	1.4	4.2	8.5	9.6
Diagnostics Instrument Sales				0	1	2	7	10	6	4	8	8
ASP (\$)				200,000	200,000	142,500	50,000	50,000	150,000	100,000	100,000	100,000
Diag Instrument Revenues (\$MM)				0.0	0.2	0.285	0.4	0.8	0.9	0.4	0.8	0.8
Total Europe Revenues (\$MM)				0.0	0.2	0.3	0.4	0.9	2.3	4.6	9.3	10.4
RoW												
NanoString Tests				0	0	21	35	56	1,679	2,833	3,130	3,439
ASP				2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000
Revenues (\$MM)				0.0	0.0	0.0	0.1	0.1	3.4	5.7	6.3	6.9
Total Diagnostics Revenues				0.0	0.2	0.3	0.5	1.0	11.5	27.9	38.4	49.0

Revenue Mix (% of Total Revenues)												
Life Sciences	100.0%	100.0%	100.0%	100.0%	97.2%	96.1%	94.7%	96.7%	77.1%	60.6%	56.1%	52.9%
Diagnostics	0.0%	0.0%	0.0%	0.0%	2.8%	3.9%	5.3%	3.3%	22.9%	39.4%	43.9%	47.1%
Instruments	55.2%	40.0%	38.2%	28.9%	35.0%	42.3%	38.2%	36.8%	34.6%	21.3%	18.9%	16.3%
Consumables	42.9%	56.2%	56.7%	65.2%	59.6%	52.7%	57.4%	58.1%	62.1%	76.2%	79.0%	81.8%
Service & License & Other	1.9%	3.9%	5.0%	6.0%	5.4%	5.0%	4.4%	5.1%	3.4%	2.5%	2.1%	1.9%

Source: Company Data, Morgan Stanley Research estimates

Exhibit 7

Balance Sheet

	2010A	2011A	2012E	2013E				2013E	2014E	2015E	2016E	2017E
				Mar-13	Jun-13	Sep-13	Dec-13					
Assets												
Current assets:												
Cash and cash equivalents	4.4	10.9	21.7	11.8	10.8	52.2	42.9	42.9	11.9	21.2	19.2	18.8
Accounts receivable, net	2.1	3.1	3.3	4.4	4.8	5.5	5.4	5.4	8.0	6.2	7.7	9.0
Inventory	2.2	3.5	5.4	5.3	5.6	6.2	7.0	7.0	7.5	6.3	6.0	5.8
Prepaid expenses and other	0.4	1.5	1.3	2.2	2.5	2.9	3.2	3.2	4.2	3.8	4.7	5.5
Total current assets	9.1	19.0	31.7	23.6	23.7	66.9	58.5	58.5	31.7	37.5	37.5	39.2
Restricted cash	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Deferred offering costs	0.0	0.0	1.8	2.3	3.4	0.0	0.0	0.0				
Property and equipment, net	4.0	5.2	3.7	3.3	3.0	3.0	2.9	2.9	3.2	3.8	5.0	6.1
Other assets	0.1	0.2	0.1	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Total assets	13.3	24.6	37.4	29.6	30.5	70.2	61.8	61.8	35.2	41.7	42.9	45.7
Liabilities												
Current liabilities:												
Accounts payable	2.9	1.7	2.9	1.8	2.7	3.7	4.0	4.0	6.0	5.6	6.0	5.8
Accrued liabilities	1.8	2.6	4.5	3.8	5.7	6.5	8.6	8.6	9.5	9.6	10.2	10.8
Deferred revenue, current portion	0.3	1.0	0.9	1.0	1.1	1.2	1.2	1.2	2.3	2.6	3.2	3.8
Deferred rent, current portion	0.6	0.7	0.8	0.8	0.6	0.7	0.9	0.9	1.0	1.0	1.1	1.2
Long-term debt, current portion	0.6	0.9	2.8	4.0	2.7	4.6	5.2	5.2	11.9	0.0	0.0	0.0
Total current liabilities	6.2	6.8	11.8	11.4	12.8	16.7	19.9	19.9	30.8	18.8	20.4	21.6
Deferred revenue, net of current portion	0.2	0.1	0.4	0.5	0.5	0.5	0.6	0.6	1.1	1.2	1.5	1.7
Deferred rent, net of current portion	1.4	2.7	1.9	1.7	1.7	1.9	2.5	2.5	2.8	2.8	3.0	3.2
Long-term debt, net of current portion	1.2	1.0	10.0	8.8	15.0	12.5	11.4	11.4	0.1	0.5	0.5	0.5
Preferred stock warrant liability	0.0	2.5	3.5	4.0	2.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total liabilities	8.9	13.1	27.5	26.4	32.5	31.7	34.4	34.4	34.8	23.3	25.4	27.0
Equity												
Common stock	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
APIC	0.0	0.0	0.0	0.0	0.0	156.3	156.3	156.3	163.3	203.3	213.3	213.3
Accumulated deficit	(53.5)	(69.5)	(93.8)	(102.8)	(110.3)	(117.7)	(128.9)	(128.9)	(162.9)	(184.9)	(195.8)	(194.5)
Total stockholders' deficit	(53.5)	(69.5)	(93.8)	(102.8)	(110.3)	38.6	27.4	27.4	0.4	18.4	17.5	18.7
Total Liabilities and Equity	13.3	24.6	37.4	29.6	30.5	70.2	61.8	61.8	35.2	41.7	42.9	45.7

Source: Company Data, Morgan Stanley Research estimates

Exhibit 8

Cash Flow Statement

	2010A	2011A	2012E	2013E				2013E	2014E	2015E	2016E	2017E
				Mar-13	Jun-13	Sep-13	Dec-13					
Net Income / (Loss)	(12.8)	(10.9)	(17.7)	(7.3)	(5.5)	(7.7)	(11.5)	(32.0)	(35.6)	(23.8)	(12.7)	(0.7)
Depreciation & Amortization	1.0	1.5	1.9	0.5	0.4	0.5	0.5	1.9	2.3	2.9	3.6	4.6
Amortization of debt discount	0.0	0.3	0.1	0.1	0.1	0.1	0.1	0.2	0.3	0.2	0.0	0.0
Stock based compensation	0.1	0.2	0.7	0.2	0.3	0.3	0.4	1.1	1.6	1.7	1.9	1.9
Revaluation of preferred stock warrant liability	(0.0)	(0.1)	0.4	0.5	(1.6)	0.0	0.0	(1.2)	0.0	0.0	0.0	0.0
Interest accrued on LT note loan	0.0	0.0	0.1	0.1	0.0	0.1	0.1	0.3	0.3	0.2	0.0	0.0
Loss on disposal of PPE	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Δ in Operating Working Capital	0.6	(1.8)	(0.4)	(3.1)	1.1	0.5	2.4	0.9	0.8	3.5	0.1	(0.4)
Net Cash from Operating Activities	(11.0)	(10.7)	(14.8)	(9.0)	(5.2)	(6.3)	(8.1)	(28.6)	(30.3)	(15.2)	(7.2)	5.4
Capital expenditures	(1.9)	(2.7)	(0.4)	(0.1)	(0.1)	(0.4)	(0.5)	(1.1)	(2.5)	(3.5)	(4.8)	(5.8)
Restricted cash	0.0	(0.1)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net Cash from Investing Activities	(1.9)	(2.8)	(0.4)	(0.1)	(0.1)	(0.4)	(0.5)	(1.1)	(2.5)	(3.5)	(4.8)	(5.8)
Proceeds from common stock issuance	0.0	0.0	0.0	0.0	0.0	156.3	0.0	156.3	7.0	40.0	10.0	0.0
Preferred stock & warrants issuance / repurchase	15.0	14.9	15.1	0.0	0.0	(110.8)	0.0	(110.8)	0.0	0.0	0.0	0.0
Debt issuance / repayment	0.5	5.1	11.3	(0.1)	4.9	(0.7)	(0.7)	3.4	(5.2)	(11.9)	0.0	0.0
Deferred offering costs	0.0	0.0	(0.6)	(1.0)	(0.7)	3.4	0.0	1.7	0.0	0.0	0.0	0.0
Exercise of options & common stock warrants	0.0	0.0	0.2	0.3	0.1	0.0	0.0	0.4	0.0	0.0	0.0	0.0
Common stock repurchase	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 Cash from Financing Activities	15.5	20.0	26.1	(0.8)	4.3	48.1	(0.7)	50.9	1.8	28.1	10.0	0.0

Source: Company Data, Morgan Stanley Research estimates



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November 6, 2013

NanoString Tech

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Not-Rated/Hold	109	4%	28	3%	26%
Underweight/Sell	541	18%	152	14%	28%
Total	2,934		1076		

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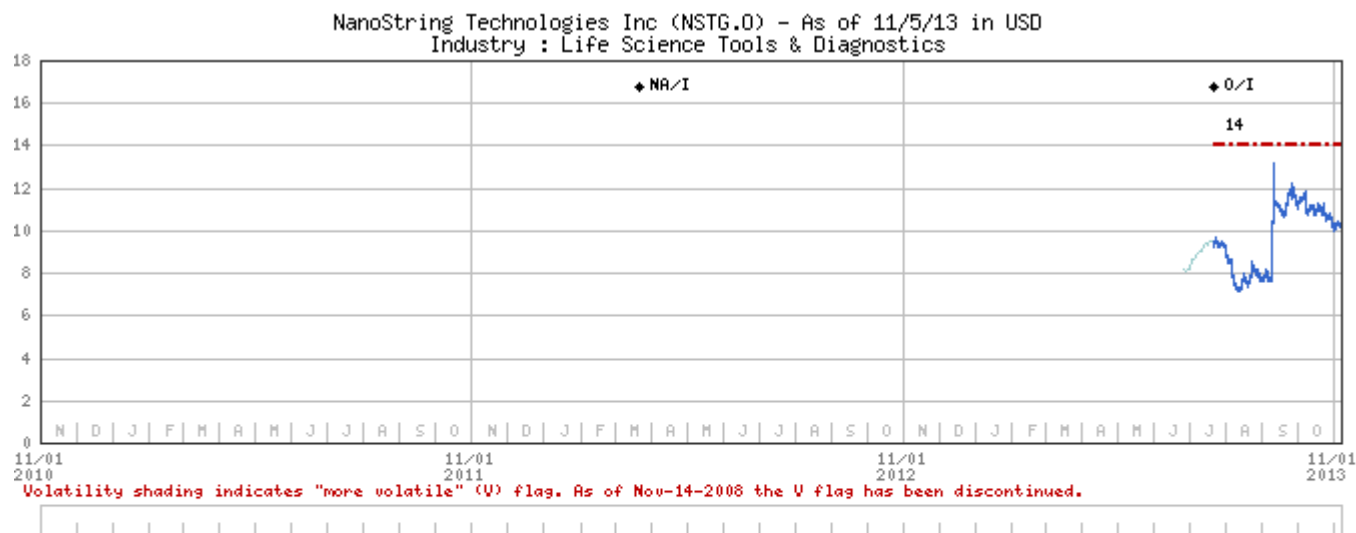
Attractive (A): The analyst expects the performance of his or her industry coverage universe over the next 12-18 months to be attractive vs. the relevant broad market benchmark, as indicated below.

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Stock Price, Price Target and Rating History (See Rating Definitions)



Stock Rating History: 3/22/12 : NA/I; 7/22/13 : O/I

Price Target History: 7/22/13 : 14

Source: Morgan Stanley Research Date Format : MM/DD/YY Price Target -- No Price Target Assigned (NA)
 Stock Price (Not Covered by Current Analyst) — Stock Price (Covered by Current Analyst) —
 Stock and Industry Ratings (abbreviations below) appear as ♦ Stock Rating/Industry View
 Stock Ratings: Overweight (O) Equal-weight (E) Underweight (U) Not-Rated (NR) More Volatile (V) No Rating Available (NA)
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Industry Coverage: Life Science Tools & Diagnostics

Company (Ticker)	Rating (as of)	Price* (11/05/2013)
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Illumina Inc. (ILMN.O)	E (03/05/2012)	\$95.44
Life Technologies Corp. (LIFE.O)	E (03/05/2012)	\$75.39
Mettler Toledo International Inc (MTD.N)	O (09/06/2013)	\$246.61
NanoString Technologies Inc (NSTG.O)	O (07/22/2013)	\$10.2
Pacific Biosciences of California, Inc. (PACB.O)	U (07/30/2012)	\$4.23
PerkinElmer Inc. (PKI.N)	O (01/03/2013)	\$37.29
Qiagen NV (QGEN.O)	E (09/06/2013)	\$22.96
Sigma-Aldrich Corp (SIAL.O)	U (10/17/2013)	\$85.15
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