

Roka Bioscience (ROKA)

Downgrading ROKA to NEUTRAL on Unexpected Listeria Product Issues and a More Onerous Sales Cycle - Lowering PT to \$9 from \$15

- **Downgrading to NEUTRAL from OUTPERFORM on listeria test false-positive issues and slower sales cycle improvement.** ROKA's listeria test represents ~ one-third of the company's sales. In late August, a high-volume contract testing customer experienced high false positive rates with the test and had difficulty implementing a new version of the product. This impacted test sales and new instrument placements with the customer and represents a significant near-term distraction for ROKA, in our view.
- **New strategic account wins (i.e., large beef, poultry, and 3rd party labs) are taking longer. Top-4 beef contract win is now likely a 1Q15 story.** As a reminder, given the company's solid 1H14 momentum, we believed a top-four beef win was likely in 2H14. It appears that the potential new beef customer wants to do additional head-to-head analysis, thus delaying the process. Additional wins in 3Q14 failed to materialize as well.
- **3Q14 sales and system placements miss by a wide margin.** ROKA reported 3Q14 sales of \$1.5 MM and GAAP EPS loss of \$0.49 (adjusted for actual share count) which missed our \$2.1 MM and (\$0.45) EPS loss estimate. Wall Street consensus estimates were for \$2.2 MM and a loss of (\$0.49). The company did not place any new instruments in the quarter versus our estimate for eight systems.
- **A new user-friendly Listeria test is expected for 2Q15 launch. Next-gen product pipeline is unaffected by the Listeria issue, according to ROKA.**
- **Lowering 2014, 2015 and 2016 revenue estimates by 29%, 43% and 23%.**
- **Moving to the sidelines while ROKA regains its footing. Lowering PT to \$9 from \$15.** We continue to be optimistic long term based on the best-in-class automation technology and the secular shift to molecular. We arrive at our new 12-month \$9 price target through an EV/sales valuation framework where we assume a 7x 2016E EV/sales multiple (down from 10x) with no cash and roughly 19 MM shares outstanding discounted back at 20%. Versus early-stage life science tools, diagnostics and med tech group, ROKA is trading at a premium on a 2015 EV/sales multiple basis (9.5x vs. 3.7x). We believe lower regulatory risk, scarcity value in food safety and strength of management helps justify the higher multiple.

November 6, 2014

Price
\$8.34

Rating
NEUTRAL
(from OUTPERFORM)

12-Month Price Target
\$9 (from \$15)

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Company Information

Shares Outst (M)	18
Market Cap (M)	\$147
52-Wk Range	\$8.06 - \$13
Cash/sh	4
Enterprise Value	94
LT Debt/Cap	0.108
2015 EV/Sales	9 x
Book Value/sh	4.9

Company Description

ROKA is an early stage diagnostics company focused on pathogen detection for food safety. The company's Atlas system and assay technologies represent a more accurate and more highly automated platform versus the competition.

FYE Dec	2013A	2014E			2015E		
REV (M)	ACTUAL	CURR.	PREV.	CONS.	CURR.	PREV.	CONS.
Q1 Mar	\$0.3A	\$0.8A		N/AA	\$2.0E	\$3.6E	\$4.2E
Q2 Jun	\$0.7A	\$1.4A		N/AA	\$2.5E	\$4.6E	\$5.2E
Q3 Sep	\$0.6A	\$1.5E	\$2.1E	\$2.2E	\$3.3E	\$5.6E	\$5.7E
Q4 Dec	\$0.7A	\$1.5E	\$2.8E	\$3.4E	\$4.3E	\$6.7E	\$7.0E
Year*	\$2.2A	\$5.2E	\$7.1E	\$7.8E	\$12.0E	\$20.5E	\$23.6E
Change	1979%	140%			129%		
EPS	ACTUAL	CURR.	PREV.	CONS.	CURR.	PREV.	CONS.
Q1 Mar	\$0.00A	(\$0.45)A		N/AA	(\$0.46)E	(\$0.39)E	(\$0.41)E
Q2 Jun	\$0.00A	(\$0.40)A		N/AA	(\$0.47)E	(\$0.38)E	(\$0.40)E
Q3 Sep	\$0.00A	(\$0.64)E	(\$0.45)E	(\$0.49)E	(\$0.45)E	(\$0.37)E	(\$0.36)E
Q4 Dec	\$0.00A	(\$0.48)E	(\$0.41)E	(\$0.43)E	(\$0.43)E	(\$0.34)E	(\$0.32)E
Year*	(\$0.30)A	(\$1.97)E	(\$1.72)E	(\$1.99)E	(\$1.82)E	(\$1.48)E	(\$1.48)E
P/E	NM	NM			NM		
Change	-96%	568%			-8%		

Consensus estimates are from Thomson First Call.

* Numbers may not add up due to rounding.



Source: Thomson Reuters

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Investment Thesis

ROKA is a pure-play diagnostics company focused on the food safety industry. The company operates a razor/razor blade business model where it sells equipment and testing consumables directly to food processing plants and third-party laboratories. ROKA's Atlas platform represents a more highly automated, accurate and flexible platform for detection of pathogens (e.coli, listeria and salmonella), which we believe will, over time, take share from incumbent players and become the gold standard. The commercial story remains early and the company began to see positive inflection with higher quality and higher volume customers in 1H14. In our view, ROKA is primarily an execution story and the company's strong management team, with a prior record of success, inspires confidence. We believe ROKA represents an attractive long-term play on the automation secular theme and the growing global need for better food safety. Near term, the company is experiencing some growing pains with the need to reconfigure its listeria test (due to false-positive issues) and a very lengthy sales cycle that is not shortening as quickly as we would like.

We arrive at our 12-month \$9 price target through EV/sales valuation framework where we assume a 7x 2017E EV/sales multiple (vs. 10x previously) with no cash and roughly 19 MM shares outstanding discounted back at 20%. Versus early-stage life science tools, diagnostics and med tech group, ROKA is trading at a premium on a 2015 EV/sales multiple basis (9.5 vs. 3.7). We believe the early-stage growth phase, lower regulatory risk, scarcity value in food safety testing and strength of management helps justify the multiple.

Results

ROKA reported 3Q14 sales of \$1.5 MM and GAAP EPS loss of \$0.49 (adjusted for actual share count) which missed our \$2.1 MM and (\$0.45) EPS loss estimate. Wall Street consensus estimates were for \$2.2 MM and a loss of (\$0.49). The company did not place any new instruments in the quarter versus our eight system estimate. We believe it has been around two years since the company went a quarter without placing an instrument. System consumable utilization was roughly \$150,000 per instrument in 3Q14, which is up slightly versus \$148,000 in the 2Q14.

Figure 1: Results

	3Q:14	
	REV (m)	EPS
Actual	1.5	(\$0.64)
Actual (assuming full Q of IPO shares)	1.5	(\$0.49)
Wedbush	2.1	(\$0.45)
Consensus	2.2	(\$0.49)

Source: Company data, Wedbush Securities, Inc.

Listeria Product Issues

According to the company, back in the spring of 2014 a large customer "experienced sporadic false positive" results from inadvertent contamination. As a result of this, ROKA made modifications to its test workflow to minimize contamination from the sample collection bag to the transport tube. The company says that the new procedure was successfully implemented by many of their customers, but one large-volume 3rd party lab customer had some difficulties with implementation because it was "a bit outside their normal protocol", the lab is very busy and the lab has an inherently high level of listeria contamination on the exterior of its bags. The company began an initiative in October to develop a more user-friendly version of the test that is less prone to contamination by decreasing the efficiency of the amplification chemistry, while increasing the sample volume brought into the assay. This reduces the potential for false positives by increasing the amount of contamination required (~100x increase) to skew the test result. An alpha version of the test is expected to go live in January 2015 and final version is expected in 2Q15. The company says it has done a lot of work already in development of the new listeria test. Of note, the company was clear that salmonella, e.coli and STEC customers have not experienced any of the false-positive issues and that listeria is unique because there is an ubiquitous level of listeria in the environment.

Sales Funnel Update

The company says they continue to have strong interest from the major beef processors and is about to begin a head-to-head comparison with several of the major beef players. Management says it continues to make good progress in the poultry area. They say that Tyson is just beginning to use the product and other poultry processors are in the evaluation stage. Additionally, the company reconfirmed that a number of the contract testing labs are evaluating the product and implementing assays.

Figure 2: Catalysts/Pipeline

Catalyst/Milestones	Timing
Earnings (system placements and test utilization metrics)	Quarterly
Additional Large Lab Wins	2014
Large Beef Contract	1Q15
Listeria user friendly (low fals positive test)	2Q15
Listeria Non-Amplified Test Launch	2015
Min-Atlas Prototype Completion	2015
Next-Gen E.Coli test (faster)	2H15
Min-Atlas Commercial Launch	2016/2017
Potential multiplexed allergen testing	2017+

Source: Company data, Wedbush Securities, Inc.

Figure 3: Variance

	3Q13A	3Q14E	3Q14A	Δ Y/Y	Δ A/E
Product Revenue	557	2,097	1,483	166%	-29%
Total Revenues	557	2,097	1,483	166%	-29%
Cost of revenues	2,094	2,154	2,578	23%	20%
COGS as % of sales	376%	103%	174%	-54%	69%
Gross profit	(1,537)	(57)	(1,095)	-29%	1819%
Gross Margins	-275.9%	-2.7%	-73.8%	-73%	2614%
Research and development	2,139	2,300	1,922	-10%	-16%
General and administrative	1,729	5,450	4,618	167%	-15%
Selling and Marketing	2,635	0	0	-100%	NA
Amortization of intangibles	42	50	738	1657%	NA
Total operating expenses	6,545	7,800	7,278	11%	-7%
Operating Income	(8,082)	(7,857)	(8,373)	4%	7%
Interest income	(2,722)	(338)	(476)	-83%	41%
Other	0	(84)	(223)	NA	165%
Income before taxes	(10,804)	(8,279)	(9,072)	-16%	10%
Provision for income taxes	(1,022)	0	11	NA	NA
Tax Rate				NA	NA
Net income	(9,782)	(8,279)	(9,083)	-7%	10%
Net Income	(9,782)	(8,279)	(9,083)	-7%	10%
GAAP EPS -Basic		(\$0.47)	(\$0.64)		37%
GAAP EPS -Diluted		(\$0.45)	(\$0.64)		43%
Non-GAAP EPS -Diluted		(\$0.45)	(\$0.64)		43%
Weighted average shares - basic	17,653	14,154	14,154		-20%
Weighted average shares - diluted	18,455	14,154	14,154		-23%
Cash and Equivalents (pro forma)	73,809	73,604		0%	
Debt	14,100	14,100		0%	
Net Cash	59,709	59,504		0%	
Net Cash/share	3.2	4.2		30%	
% of Rev.	3Q13A	3Q14E	3Q14A		
Gross Margins	-276%	-3%	-74%		
Research and development	384%	110%	130%		
General and administrative	310%	260%	311%		
Total operating expenses	1175%	372%	491%		
EBIT	-1451%	-375%	-565%		
Tax rate	0%	0%	0%		
Net income	-1756%	-395%	-612%		

Source: Company data, Wedbush Securities, Inc.

Risks to the attainment of our price target

ROKA continues to burn cash and the path to profitability is murky. We estimate that the company has at least two years' worth of cash and may need to raise additional funds at some point in the next two years. ROKA has execution risk as sales cycles in the food testing business tend to be long and unpredictable. Additionally, the period of time between placement of and Atlas instrument and full implementation can take several months. In addition, the adoption curve is more difficult to predict relative to other diagnostics companies given the lack of close comparables.

Figure 4: Income Statement

	2012	2013	1Q14	2Q14	3Q14	4Q14E	2014E	1Q15E	2Q15E	3Q15E	4Q15E	2015E	2016E
Product Revenue	105	2,183	828	1,390	1,483	1,534	5,235	1,962	2,452	3,277	4,287	11,978	27,481
Total Revenues	105	2,183	828	1,390	1,483	1,534	5,235	1,962	2,452	3,277	4,287	11,978	27,481
Cost of revenues	3,186	6,601	1,265	1,573	2,578	2,753	8,169	3,151	3,547	4,008	4,472	15,177	22,797
Gross profit	(3,081)	(4,418)	(437)	(183)	(1,095)	(1,219)	(2,934)	(1,188)	(1,095)	(731)	(184)	(3,199)	4,684
Gross Margins	-2934.3%	-202.4%	-52.7%	-13.2%	-73.8%	-79.5%	-56.1%	-60.6%	-44.7%	-22.3%	-4.3%	-26.7%	17.0%
Research and development	9,584	7,568	1,842	2,227	1,922	2,325	8,316	2,000	2,000	2,000	2,000	8,000	8,000
G&A (plus S&M as of 2Q14)	16,052	7,264	2,255	4,548	4,618	4,900	16,321	5,200	5,400	5,500	5,600	21,700	23,200
Selling & Marketing	0	10,218	2,793	0	0	0	2,793	0	0	0	0	0	0
Amortization of intangibles	168	168	42	42	738	50	872	200	200	200	200	800	800
Total operating expenses	25,804	25,218	6,932	6,817	7,278	7,275	28,302	7,400	7,600	7,700	7,800	30,500	32,000
Operating Income	(28,885)	(29,636)	(7,369)	(7,000)	(8,373)	(8,494)	(31,236)	(8,588)	(8,695)	(8,431)	(7,984)	(33,699)	(27,316)
Interest income	(140)	(2,980)	(389)	(378)	(476)	(200)	(1,443)	27	9	(10)	(30)	(4)	(289)
Other	0	(53)	(603)	41	(223)	(81)	(866)	0	0	0	0	0	0
Income before taxes	(29,025)	(32,669)	(8,361)	(7,337)	(9,072)	(8,775)	(33,545)	(8,562)	(8,686)	(8,442)	(8,014)	(33,703)	(27,605)
Provision for income taxes	0	(3,092)	6	0	11	0	17	0	0	0	0	0	0
Tax Rate													
Net income	(29,025)	(29,577)	(8,367)	(7,337)	(9,083)	(8,775)	(33,562)	(8,562)	(8,686)	(8,442)	(8,014)	(33,703)	(27,605)
Accretion of convertible preferred stock	(286)	-				0	0	0	0	0	0	0	0
Net Income	(29,311)	(29,577)	(8,367)	(7,337)	(9,083)	(8,775)	(33,562)	(8,562)	(8,686)	(8,442)	(8,014)	(33,703)	(27,605)
GAAP EPS -Basic	(\$8.05)	(\$0.30)	(\$0.48)	(\$0.42)	(\$0.64)	(\$0.50)	(\$2.03)	(\$0.48)	(\$0.49)	(\$0.47)	(\$0.45)	(\$1.90)	(\$1.53)
GAAP EPS -Diluted	(\$8.05)	(\$0.30)	(\$0.45)	(\$0.40)	(\$0.64)	(\$0.48)	(\$1.97)	(\$0.46)	(\$0.47)	(\$0.45)	(\$0.43)	(\$1.82)	(\$1.47)
Non-GAAP EPS -Diluted	(\$8.05)	(\$0.30)	(\$0.45)	(\$0.40)	(\$0.64)	(\$0.48)	(\$1.97)	(\$0.46)	(\$0.47)	(\$0.45)	(\$0.43)	(\$1.82)	(\$1.47)
Weighted average shares - basic	3,639	100,121	17,600	17,600	14,154	17,600	16,738	17,662	17,723	17,785	17,848	17,755	18,004
Weighted average shares - diluted	3,639	100,121	18,400	18,400	14,154	18,400	17,338	18,464	18,529	18,594	18,659	18,562	18,823
Cash and Equivalents	17,314	32,728	32,699	26,013	62,849	69,968	69,968	62,860	55,074	47,399	39,520	39,520	15,651
Debt	0	9,725	19,725	14,100	9,875	9,875	9,875	9,875	9,875	9,875	9,875	9,875	9,875
Net Cash	17,314	23,003	12,974	11,913	52,974	60,093	60,093	52,985	45,199	37,524	29,645	29,645	5,776
Net Cash/share		NA	0.7	0.6	3.7	3.3	3.3	2.9	2.4	2.0	1.6	1.6	0.3
% of Sales	2012	2013	1Q14	2Q14	3Q14	4Q14E	2014E	1Q15E	2Q15E	3Q15E	4Q15E	2015E	2016E
Gross Margins	-2934%	-202%	-53%	-13%	-74%	-80%	-56%	-61%	-45%	-22%	-4%	-27%	17%
Research and development	9128%	347%	222%	160%	130%	152%	159%	102%	82%	61%	47%	67%	29%
General and administrative	15288%	333%	272%	327%	311%	320%	312%	265%	220%	168%	131%	181%	84%
Sales and Marketing	0%	468%	337%	0%	0%	0%	53%	0%	0%	0%	0%	0%	0%
Total operating expenses	24575%	1155%	837%	490%	491%	474%	541%	377%	310%	235%	182%	255%	116%
EBIT	-27510%	-1358%	-890%	-504%	-565%	-554%	-597%	-438%	-355%	-257%	-186%	-281%	-99%
Tax rate	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Net income	-27915%	-1355%	-1010%	-528%	-612%	-572%	-641%	-436%	-354%	-258%	-187%	-281%	-100%
Free Cash Flow	-27918%	-1493%	-901%	-458%	-511%	-435%	-536%	-408%	-328%	-235%	-167%	-258%	-83%
y/y Δ	2012	2013	1Q14	2Q14	3Q14	4Q14E	2014E	1Q15E	2Q15E	3Q15E	4Q15E	2015E	2016E
Total Revenues	NA	1979%	211%	107%	166%	123%	140%	137%	76%	121%	180%	129%	129%
Cost of revenues	NA	107%	-32%	82%	23%	55%	24%	149%	125%	55%	62%	86%	50%
Gross Margins	NA	-93%	-91%	-54%	-73%	-49%	-72%	15%	239%	-70%	-95%	-52%	-164%
Sales and Marketing	NA	-21%	5%	14%	-10%	34%	10%	9%	-10%	4%	-14%	-4%	0%
General and administrative	NA	-55%	23%	173%	167%	141%	125%	131%	19%	14%	14%	33%	7%
Research and development	NA	NA	15%	-100%	-100%	-100%	-73%	-100%	NA	NA	NA	-100%	NA
Total operating expenses	NA	-2%	15%	9%	11%	14%	12%	7%	11%	6%	7%	8%	5%
EBIT	NA	3%	-4%	8%	4%	14%	5%	17%	24%	1%	-6%	8%	-19%
Tax rate	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Net income	NA	1%	20%	24%	-7%	28%	13%	2%	18%	-7%	-9%	0%	-18%

Source: Company data, Wedbush Securities, Inc.

Figure 5: Balance Sheet

	2012	2013	Q1	Q2	Q3	Q4E	2014E	2015E	2016E
Current assets:									
Total Cash and Cash Equivalents	17,314	32,728	32,699	26,013	73,604	69,968	69,968	39,520	15,651
Accounts Receivable	30	277	515	566	1,483	767	767	2,144	4,313
Inventory	4,066	3,879	4,180	4,706	3,000	128	128	357	719
Prepaid expenses and other Current Assets	1,088	5,572	3,031	3,819	3,819	3,000	3,000	3,000	3,000
Total current assets	22,498	42,456	40,425	35,104	81,906	73,863	73,863	45,021	23,683
Property, Plant and Equipment	13,783	14,510	13,860	13,258	13,658	13,735	13,735	14,334	15,708
Intangible assets/Goodwill	1,512	1,344	1,662	1,260	1,260	(540)	(540)	(7,540)	(16,340)
Restricted cash and other non-current assets	624	804	333	3,183	183	683	683	2,283	(875)
Total assets	38,417	59,114	56,280	52,805	97,007	87,740	87,740	54,097	22,176
LIABILITIES AND STOCKHOLDERS' EQUITY									
Current liabilities:									
Accounts Payable and accrued expenses	3,333	1,226	993	882	1,267	775	775	836	877
Deferred revenue and Other Current Liabilities	1,733	7,639	12,259	15,808	15,808	15,808	15,808	15,808	15,808
Total current liabilities	5,066	8,865	13,252	16,690	17,075	16,583	16,583	16,644	16,685
Long-term liabilities:									
Long Term Debt	0	212	383	4,358	4,358	4,358	4,358	4,358	0
Other long term liabilities	2,542	3,584	4,395	382	382	382	382	382	382
Total liabilities	7,608	12,661	18,030	21,430	21,815	21,323	21,323	21,384	17,067
Stockholders' equity:									
Preferred Stock	100,537	127,797	127,961	127,698	127,698	127,698	127,698	127,698	127,698
Common Stock, APIC, RE	(69,728)	(81,344)	(89,711)	(96,323)	(52,506)	(61,281)	(61,281)	(94,984)	(122,589)
Total liabilities and stockholders' equity	38,417	59,114	56,280	52,805	97,007	87,740	87,740	54,097	22,176

Source: Company data, Wedbush Securities, Inc.

Figure 6: Cash Flow Statement

	2012	2013	Q1	Q2	Q3	Q4E	2014E	2015E	2016E
Cash Flows from Operating Activities:									
Net (loss) income	(23,246)	(29,577)	(8,367)	(7,337)	(9,083)	(8,775)	(33,562)	(33,703)	(27,605)
Depreciation	2,045	2,437	661	670	1,200	1,800	4,331	7,000	8,800
change in FV of investor rights obligation	(4,996)	2,595	836	0	0	0	836	0	0
Loss on disposal/provision for inventory	2,197	1,118	167	0	0	0	167	0	0
Stock-based compensation expense	739	696	261	500	500	500	1,761	2,400	2,800
Deferred taxes	0	(3,127)	0	0	0	0	0	0	0
non-cash interest expense/impairment/deferred taxes	186	457	268	(1,180)	(1,000)	(1,000)	(2,912)	(4,000)	(4,000)
Change in working capital	(4,699)	(2,050)	1,993	2,073	1,174	3,916	9,156	(1,546)	(2,490)
Net cash provided by operating activities	(27,774)	(27,451)	(4,181)	(5,274)	(7,209)	(3,560)	(20,223)	(29,849)	(22,495)
Cash Flows from Investing Activities:									
Purchase of property and equipment	(5,929)	(3,410)	12	602	(400)	(77)	137	(599)	(1,374)
increase in restricted cash		0	0	(614)	0	0	(614)	0	0
Net cash used in investing activities	(5,929)	(3,410)	12	(12)	(400)	(77)	(477)	(599)	(1,374)
Cash Flows from Financing Activities:									
Proceeds from Issuance of Restricted Stock	0	4,672	0	0	0	0	0	0	0
proceeds from issuance of preferred stock	20,000	41,783	(15)	0	0	0	(15)	0	0
proceeds from issuance of common stock	0	20	5,000	0	60,000	0	65,000	0	0
costs of issuance/other	4	(199)	(845)	(1,400)	(4,800)	0	(7,045)	0	0
Net cash provided by financing activities	20,004	46,276	4,140	(1,400)	55,200	0	57,940	0	0
Net increase (decrease) in cash and cash equivalents	(13,699)	15,415	(29)	(6,686)	47,591	(3,636)	37,240	(30,448)	(23,869)
Cash and cash equivalents, beginning of period	31,013	17,314	32,728	32,699	26,013	73,604	32,728	69,968	39,520
Cash and cash equivalents, end of period	17,314	32,729	32,699	26,013	73,604	69,968	69,968	39,520	15,651

Source: Company data, Wedbush Securities, Inc.

Analyst Biography

Zarak Khurshid is a senior equity research analyst covering the Medical Diagnostics and Life Science Tools sectors. Prior to joining Wedbush in January 2010, Mr. Khurshid was Vice President and senior equity research analyst with Caris & Company where he covered the Medical diagnostics and Life Sciences Tools sectors from 2006 to 2010. Mr. Khurshid's aggressive risk/reward focused investment style is supported by data points from a diverse network of contacts from industry, hospitals, clinical labs, and academia. Mr. Khurshid was ranked #1 in the Life Science Tools and Services sectors and #4 on Wall Street for earnings accuracy in 2012 by *Starmine*. Prior to his start on Wall Street with Pacific Growth Equities in 2004, Mr. Khurshid was a Research Associate with Cytokinetics and an Associate Bioengineer with Aurora Biosciences. Mr. Khurshid received a BS in Bioengineering and a BA in Economics from the University of California, San Diego.

Analyst Certification

I, Zarak Khurshid, certify that the views expressed in this report accurately reflect my personal opinion and that I have not and will not, directly or indirectly, receive compensation or other payments in connection with my specific recommendations or views contained in this report.

Disclosure information regarding historical ratings and price targets is available at <http://www.wedbush.com/ResearchDisclosure/DisclosureQ314.pdf>

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The Investment Ratings are based on the expected performance of a stock (based on anticipated total return to price target) relative to the other stocks in the analyst's coverage universe (or the analyst's team coverage).*

Rating Distribution (as of September 30, 2014)	Investment Banking Relationships (as of September 30, 2014)
Outperform: 54%	Outperform: 23%
Neutral: 43%	Neutral: 1%
Underperform: 3%	Underperform: 0%

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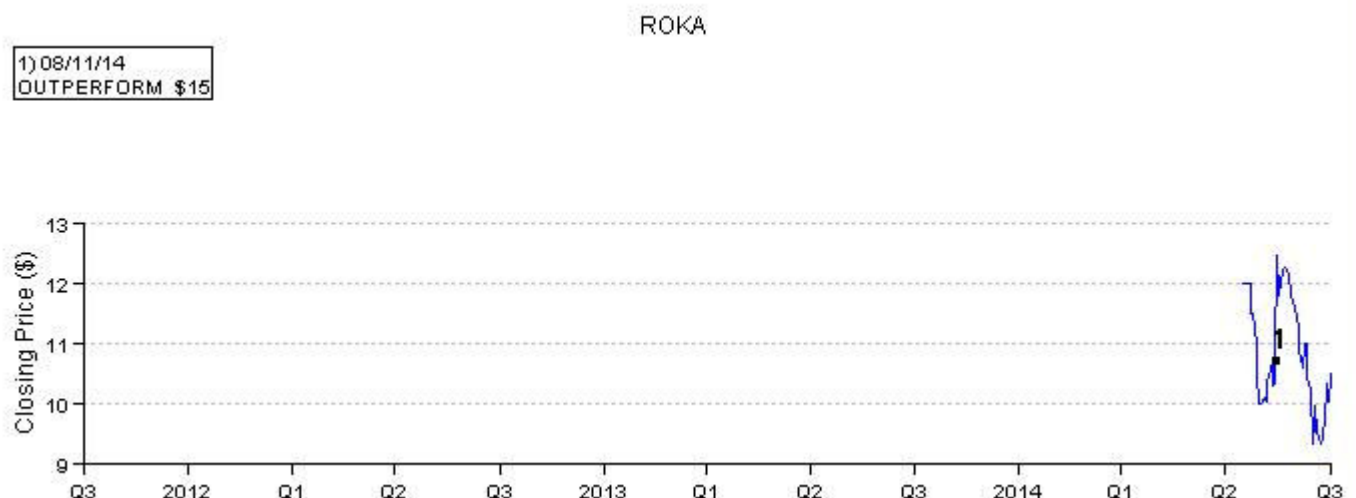
Company	Disclosure
Roka Bioscience	1,3,5,7

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Please access the attached hyperlink for WS' Coverage Universe: <http://www.wedbush.com/services/cmg/equities-division/research/equity-research> Applicable disclosure information is also available upon request by contacting Ellen Kang in the Research Department at (213) 688-4529, by email to ellen.kang@wedbush.com, or the Business Conduct Department at (213) 688-8090. You may also submit a written request to the following: Business Conduct Department, 1000 Wilshire Blvd., Los Angeles, CA 90017.

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