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# Cryoport, Inc.

## First Quarter 2018 Earnings Call

## May 3, 2018

## CORPORATE PARTICIPANTS

**Jerrell Shelton,** *Chief Executive Officer*

**Mark Sawicki,** *Chief Commercial Officer*

**Robert Stefanovich,** *Chief Financial Officer*

## CONFERENCE CALL PARTICIPANTS

**Paul Knight,** *Janney Montgomery Scott*

**Richard Baldry,** *Roth Capital*

**Jason Seidl,** *Cowen & Company*

**Brian Marckx,** *Zacks Investment Research*

## PRESENTATION

**Operator:**

Good afternoon. Before we begin today, I would like to remind everyone that this conference call contains certain forward-looking statements. All statements that address our operating performance, events or developments that we expect or anticipate occurring in the future, are forward-looking statements. These forward-looking statements are based on management's beliefs and assumptions and not on information currently available to our management team. Our management team believes these forward-looking statements are reasonable as and when made; however, you should not place undue reliance on any such forward-looking statements because such statements speak only as of the date when made. We do not undertake any obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise, except as required by law.

In addition, forward-looking statements are subject to certain risks and uncertainties that could cause actual results, events, and developments to differ materially from our historical experiences and our present expectations or projections. These risks and uncertainties include but are not limited to those described in Item 1A, "Risk Factors", and elsewhere in our annual report on Form 10K, filed with the Securities and Exchange Commission, and those described from time to time in other reports which we file with the Securities and Exchange Commission.

I would now like to turn the call over to Mr. Jerry Shelton, Chief Executive Officer of Cryoport. Jerry, the floor is yours.



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**Jerrell Shelton:**

Thank you John. Good afternoon, ladies and gentlemen, and thank you for joining us today. With me this afternoon is our Chief Commercial Officer, Dr. Mark Sawicki, and our Chief Financial Officer, Mr. Robert Stefanovich. Later during this call, Dr. Sawicki will provide you with his comments on our sales and marketing activities and Mister Stefanovich will detail our financial results for the first quarter of 2018.

This was another strong quarter for our company, which included the continued ramp of reported revenue from our commercial agreements to support Kite-Gilead's Yescarta and Novartis's Kymriah. When fully rolled out, these therapies will represent significant sources of revenue growth for Cryoport as patient numbers expand and they gain traction in the medical community. I will touch on these programs in a moment, but first a quick recap of the quarter.

Our top line revenue for the first quarter was $4 million, representing a 48% increase over the first quarter of 2017 and a 21% increase over the fourth quarter of 2017. This increase was primarily driven by biopharma revenue, which rose 62% year over year. Revenue from our commercial agreements, Yescarta and Kymriah, accounted for approximately $318,000 of our biopharma revenue, with the remainder fueled by new client wins and expanded relationships that provide our advanced temperature control logistic solutions to support ground-breaking clinical trials in the regenerative medicine space.

It is important to remember that we are in our infancy with respect to these first two commercial CAR-T cell therapies. But make no mistake; the pace of our expansion will accelerate this year as both Gilead and Novartis's commercial activities ramp over the remainder of 2018 and beyond.

As a reminder, Novartis's Kymriah became the first CAR-T cell therapy to receive regulatory approval when it was approved by the FDA in August last year for the treatment of patients up to 25 years of age with B cell precursor ALL that is refractory or in second or later relapse. Kymriah sales are still in their early stages, generating $12 million in revenue to Novartis last quarter. To prepare for increased patient adoption, Novartis has been focused on establishing its points of care sites. It recently stated that it now has 35 qualified points of care centers running, over 500 employees dedicated to Kymriah, and has shipped Kymriah into 11 countries to date. It is indeed inspiring to see Novartis comprehensively planning for large-scale patient adoption.

Cryoport has a global role in supporting the distribution of Kymriah and is building out new state of the art logistic centers in Livingston, New Jersey, and Amsterdam, Netherlands, to meet the coming demand. Novartis is also working closely with the FDA and the EMA to make Kymriah available to a wider patient audience with critical unmet needs. Earlier this week, Novartis announced that the FDA has approved Kymriah for its second indication, the treatment of adult patients with relapsed or refractory large B cell lymphoma who are ineligible for or relapsed after autologous stem cell transplant. This makes Kymriah the only CAR-T cell therapy that is FDA-approved for two distinct indications. Our current agreement with Novartis covers this expansion of services for Kymriah as well as any other future additional indications.

In the E.U., the European Medicines Agency has granted an accelerated access to Novartis's application for approval of the therapy to treat children and young adults with relapsed or refractory B cell acute lymphoblastic leukemia. This approval will also further expand our support under our existing commercial agreement.

Gilead-Kite's Yescarta is the first CAR-T therapy for adults living with certain types of non-Hodgkin's lymphoma who have failed at least two other kinds of treatment. Its FDA approval was granted in October of last year. During the first quarter of this year, we continued the early stages of supporting the commercial launch of Yescarta. Gilead recently reported $40 million of sales from Yescarta for its first



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quarter. It has certified 40 points of care centers, and by mid year expects to have enough of these qualified centers to treat approximately 80% of eligible Yescarta patients.

Cryoport has a global role in supporting the distribution of Yescarta, and will employ its global logistic center network, especially in Irvine, California, and Amsterdam, Netherlands, to this end.

Both Kymriah and Yescarta are in early roll-out stages and represent substantial embedded revenue growth opportunities for Cryoport as each company works toward its respective stated patient targets and these revolutionary therapies gain traction.

In addition, based on the success of these therapies, both Novartis and Gilead are increasing the number of clinical trials, as well as targeted indications supported by their CAR-T programs.

As you know, Novartis and Gilead-Kite are the big news in the biopharma market, however Cryoport's embedded revenue growth extends far beyond that to include many clinical trials we support in the regenerative medicine space.

While the recognition of commercial revenue continued to increase during this first quarter, we also continued to grow the foundation of Cryoport's additional future commercial revenue. In the first quarter we secured continued solid growth in the number of clinical trials we support by adding a net total of 22 new trials, bringing the total number of clinical trials supported to a record 236, up from 214 at the end of the fourth quarter and up from 139 in the first quarter of 2017. Significantly, 31 of these trials that are currently supported by Cryoport are now in Phase III.

Furthermore, we anticipate supporting a further five or six additional BLA or EMA filings in 2018, based on internal information and a forecast from the Alliance for Regenerative Medicine, in addition to Kymriah's second indication approval, which I mentioned earlier on this call.

Now, turning to animal health and reproductive medicine, which are also important markets for us, our animal health revenue declined 12% year over year or 32% sequentially. This relative decline was attributable to a large one-time transaction in the prior year spanning previous quarters, as well as a temporary pause in a clinical trial that will restart in the current fiscal quarter. Given our current base in animal health, revenue recognition can be uneven. However, animal health has considerable upside and we view this market as an important part of our business.

In reproductive medicine, we reported 20% year over year revenue growth or 11% growth over the previous quarter.

Regarding Investor Relations, we consider getting our story out an essential part of keeping the financial markets informed and building shareholder value through recognition and familiarization. We have an intensified effort with our investment bankers to further develop institutional investors through regularly conducted non-deal road shows. We are participants at investor conferences sponsored by Janney Montgomery, Needham, Cowen, Roth, and for the first time we will be presenting at the 2018 Jefferies and Deutsche Bank healthcare conferences.

Now, for more detailed information on our sales and marketing activities, initiatives, successes and outlook, I'm going to turn the call over to Dr. Mark Sawicki, our Chief Commercial Officer. Mark?

**Mark Sawicki:**

Thank you Jerry. It's a pleasure to have the opportunity to speak with you today.



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Cryoport operates at the cutting edge of the life sciences industry. As a result, our sales and marketing team works every day alongside clients that are in the early stages of changing the face of medicine as we know it today.

I would now like to provide some more insight into the trends we are seeing from these clients and how these trends are impacting Cryoport, focusing my comments primarily on the biopharmaceutical market, specifically within regenerative therapy.

Many of our clients are projecting significant increases in their respective number of regenerative therapy clinical trials in 2018. In anticipation of the rising number of cell and gene therapy clinical trials, the industry is witnessing large-scale investments in facility expansions throughout the world.

Lonza, a Cryoport client and the world's foremost custom manufacturer and developer to the biopharma industry, just opened the world's largest cell and gene therapy manufacturing facility, based in Pearland, Texas, spanning approximately 300,000 square feet.

Likewise, Bluebird Bio recently acquired a 125,000 square foot manufacturing site, where it will be developing its pipeline of gene therapy products for the treatment of genetic diseases and cancers.

Internationally, Adaptimmune is expanding its cell and gene therapy manufacturing capacity to include a new facility opening in the U.K., and Stem Cell Technologies is planning to launch a major manufacturing facility in Vancouver following a $45 million pledge from the British Columbia provincial and Canadian federal governments.

This is just a small sample of the activity we are seeing. There are many others, most of whom are Cryoport clients.

Given the rapid development of the regenerative therapy market, we have been preparing for a substantial increase in the number of clinical trials, as well as commercial products we can support within our infrastructure. In anticipation of this increase in demand from developers of the next era in medicine and to ensure we are ready to help them to deliver these types of treatments to patients around the world effectively, efficiently, and safely, we are constructing two new state of the art logistics centers. As Jerry indicated, the construction of these facilities are nearing completion and will expand our capacity, not just here in the United States, but in Europe as well.

To retain our leading position in the market, we are constantly innovating, and in the second half of last year we launched our 2° to 8° solution called Cryoport Express C3 or Cryoport Certified Cool to address the front end of autologous solutions. Albeit a beginning, Cryoport Express C3 revenue increased 63% sequentially during our first quarter this year, and we expect uptake for our Cryoport Express C3 shipper to continue to accelerate as market awareness improves.

For several years now, our biopharma strategy has been focused on securing agreements to support clinical stage therapies so that when these products move through the clinical phases towards commercialization, and the logistics requirements rise, we are the first choice logistics provider.

Of the trials we currently support, the net number of Phase IIIs jumped to 31 in the most recent quarter, representing an increase of 19% sequentially. This growing number of regenerative therapies that are making it to Phase III trials is indicative of the maturation of our current client base and the enormous promise of these therapeutic treatments to treat a broad spectrum of diseases. We view this as a validation of a growth strategy, but most importantly, as an indication of our potential revenue ramp in the months ahead.



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Our market positioning and our unrivaled technology, which is head and shoulders above anything else on the market, has given us a platform to raise our profile and become the gold standard in temperature-controlled logistics.

We have recently featured in several life sciences publications including *Contract Pharma, Biopharma Dive*, and *Biopharma Reporter .com*, as well as a featured article in *Wired* magazine. We have a strong presence at all of the major industry conferences in the United States, including Bio 2018 and the CAR-TCR summit, both of which will be held in Boston this year. We are already regular participants at the Cell and Gene Meeting on the Mesa, which is organized by the Alliance for Regenerative Medicine, and will be attending Scientific Congress and Expo of the American Society of Reproductive Medicine, ASRM, in Denver this October. Moreover, we are continually growing our presence at international industry conferences, and are proud to be the benefactor of the Fourth International Vatican Conference, one of the premier conferences in the regenerative medicine market, hosted in Vatican City. We will also be presenting at the World Advanced Therapies and Regenerative Medicine Congress 2018 in London this month. Other international industry conferences that we are slated to attend this year include the CAR-TCR Summit Asia in Singapore and the European Society of Human Reproduction and Embryology annual meeting in Barcelona. Our sales and marketing presence is starting to take on major company status, and we have a client list to match.

Although Cryoport is still early in its development, the potential upside is clear, and we are already in the advanced stages of laying the groundwork to fuel the scaling of our evolution, as we continue to mature into a larger company.

Turning now to animal health, as Jerry mentioned previously, we are experiencing uneven revenue growth at the moment. This is due to the fact that we have recently onboarded a number of new companion animal clinical trials that tend to have lumpy revenues earlier in their clinical development pipeline, as well as a number of larger laboratory moves supporting another large animal health entity. Any of these opportunities may grow into larger volumes in the near future, thus our enthusiasm for revenue growth in the space in the coming quarters.

Finally, within our reproductive medicine market, we saw 20% year-over-year growth and 11% sequential growth. We anticipate our revenue continuing to grow in the coming quarters, as larger numbers of clinics adopt our Cryostore services in order to mitigate risk in the movement of their clients' reproductive materials from one clinic to another. In fact, Cryoport already supports some 400 clinics, within the U.S. and abroad, and we are regularly referred clients from our clinical partners, especially within the U.S.

That concludes my remarks. Thank you. I will now turn the call back over to Jerry.

**Jerrell Shelton:**

Thank you Mark. Now, for a detailed financial report on our first quarter, I will turn the call over to our Chief Financial Officer Mr. Robert Stefanovich. Robert, the floor is yours.

**Robert Stefanovich:**

Thank you Jerry. Good afternoon everyone. I will review the first quarter results for our fiscal year 2018, provide some additional comments, and then turn the call back to Jerry.

For the first quarter, net revenue increased by $1.3 million or 48% to $4 million compared to $2.7 million for the prior year first quarter. This quarter was driven by our success in the biopharma market, where revenues increased by 62% over the prior year quarter to $3.3 million from $2 million in Q1 of 2017. The increase in the number of clinical trials and ramp in revenue from the two commercial therapies we are



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currently supporting are the growth drivers for this quarter, and are expected to drive future revenue acceleration as clinical trials advance and are commercialized and commercial therapies ramp and are launched in new geographies or for additional indications.

Our revenue from animal health decreased 12% to $239,000 for the quarter compared to the same period in 2017, primarily as a result of a temporary pause in the trial conducted by one of our animal health customers, which is expected to resume during the current quarter.

Revenue in the reproductive medicine market increased by 20% over the prior year first quarter to $502,000. This increase was primarily due to an increase in the U.S. market by 29% (inaudible) continuous success of our targeted marketing campaign, including the launch of the new website supporting our Cryostore cryogenic logistics solutions offering, and was partially offset by a 3.8% decrease in revenues in the international market.

Gross margin for the first quarter of 2018 was 54% or $2.2 million compared to 46% or $1.3 million for the prior year quarter. This increase in gross margin by over 8 percentage points is primarily due to the economies of scale from the increase of business volume. As we have mentioned in previous calls, our target gross margin is 60%.

Operating expenses increased by $1 million for the three months ended March 31, 2018, or 32% as compared to the prior year. This increase is primarily due to an increase in the number of employees and related salaries and associated employee costs as well as recruiting fees and non-cash stock-based compensation expense. We continue to build out our organization and expertise in a measured way to meet the growing demand for our solutions and expected ramp in business.

We reported no interest expense for the quarter ended March 31, 2018, compared to interest expense in the prior year quarter of $16,000.

Net loss for the first quarter of 2018 was $2.7 million or $0.10 per share compared to net loss of $1.8 million or $0.10 per share for the first quarter of 2017. The net loss for the first quarter of 2018 includes a one-time non-cash charge of $0.9 million as a result of the warrant tender offer completed in February of this year.

Adjusted EBITDA for the three-month period ended March 31, 2018, continued to improve to a negative $0.5 million compared with a negative $0.9 million for the same three-month period in the prior year.

We ended our year with a strong cash position and are debt-free, reporting $19 million in cash and cash equivalents as of March 31, 2018, compared to $15 million as of December 31, 2017. The increase in cash and cash equivalents was primarily a result of the aforementioned warrant tender offer with net proceeds of $4.6 million further bolstering our cash balance and allowing us to execute on our plans for 2018. Overall, we are very well positioned and funded to continue to execute on our strategy and drive organic growth.

Lastly, we will be filing our Form 10Q with the SEC for the three-month period ended March 31, 2018, later today.

Now I will turn the call back to Jerry. Jerry?

**Jerrell Shelton:**

Thank you Robert. Now I'll ask the Operator to take your questions.



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**Operator:**

Thank you. At this time we will be conducting a question and answer session. If you'd like to ask a question please press star, one on your telephone keypad. A confirmation tone will indicate your line is in the question queue. You may press star ,two if you like to remove your question from the queue. For participants using speaker equipment, it may be necessary to pick up your handset before pressing the star keys. One moment, please, while we poll for questions.

Our first question is from Paul Knight with Janney Montgomery. Please proceed with your question.

**Paul Knight:**

Hi Jerry, congratulations on the quarter.

**Jerrell Shelton:**

Thank you Paul. Thank you.

**Paul Knight:**

Regarding this second Kymriah label, do you have any idea on patient population versus the first label on Kymriah?

**Jerrell Shelton:**

Paul, we don't, and we make it a practice not to comment on those sorts of things for our clients. They do put out a lot of information on their websites, and I would suggest that you go there to find that information.

**Paul Knight:**

Okay. What was the revenue in the fourth quarter for these two therapeutic indications?

**Jerrell Shelton:**

I think we said it in the earlier on, it was about—Robert, is it $318,000?

**Robert Stefanovich:**

For the previous quarter it was $100,000 just as they just commenced towards the end of the year, and then for Q1 it was $318,000.

**Paul Knight:**

Okay, thanks. Then lastly, when you talk about these net clinical trials, you're talking 22 increase (inaudible) sequentially, sorry, 26 incrementally, isn't that right? And this is after you have clinical trial closures, is that right, Jerry?



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**Jerrell Shelton:**

No, that's exactly right, Paul. In each phase, the trials fall out. They fall out in Phase I heavily, at Phase II a little bit less heavily, Phase III much less heavily, but they fall out in each phase, and so our increases are net increases in numbers of trials that we're supporting.

**Paul Knight:**

Then lastly, you have in the past said each Phase III approval is potentially $2 million to $20 million. Is that still your thought, Jerry, in terms of what you've seen with your two approvals and the five to six that you're talking about potentially here in this year?

**Jerrell Shelton:**

It is, Paul. It's consistent with our thinking. Companies start to put their BLAs together in the last half of Phase III, and in our examination looking we have no reason to change that range of forecasts of $2 million to $20 million for each approval.

**Paul Knight:**

Okay. Thank you very much.

**Jerrell Shelton:**

Thank you, Paul.

**Operator:**

Our next question is from Richard Baldry with Roth Capital. Please proceed with your question.

**Richard Baldry:**

Thanks. As one of the newer analysts, maybe I don't kind of get some of these things, so just quickly, the incremental gross margins, looking from the fourth quarter to the first quarter, on incremental revenues came in at around 67%, and you just stated that your long-term goal is a 60% gross margin goal. Is there something unusual about the added revenues we saw in the first quarter that make them above trend, or would we view that 60% as more maybe an interim goal with a longer term ability to scale up from that?

**Jerrell Shelton:**

Rich, I'm going to ask Robert to answer that question.

**Robert Stefanovich:**

Hi Richard. I've mentioned in the past, the model which I would call relatively asset-light model, it's very technology-centric, and then as we grow our revenues, you'll see the contribution and then gross margin increase. We have set a target at 60%. I think you are correct; there is some room for upward growth as we further build our global organization.

With that said, if you look at the incremental growth here in Q1, now it's really just leveraging the technology we have. There was a little bit less freight as part of the overall revenue, which caused an increase in gross margins for the quarter.



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**Richard Baldry:**

Okay. Receivables ticked up a little bit. They were still relatively small numbers, but has that got some thing to do with the commercialization, and if so, as commercialization revenues become sort of more predominant in the model, should we expect that receivables growth sort of track that expansion as a percent of revenue?

**Robert Stefanovich:**

No, it's not related to the commercial revenue stream. There's not a specific driver for the growth in revenue. In general, life science companies, you're looking at an average of 45 to 60-day terms, and so there's really not a difference on the payment terms if you look at the commercial therapies versus other clinical trial type of revenue streams.

**Richard Baldry:**

Great. Thanks.

**Operator:**

Our next question comes from Jason Seidl with Cowen and Company. Please proceed with your question.

**Jason Seidl:**

Thank you, Operator. Hey Jerry. Hey, team. When you're looking at these items from Novartis and Gilead, it sounds like this was sort of expected for you, but when I look at it Gilead actually seemed to have above the expected revenues in the quarter from their product. Now, I want to talk a little bit about going forward as you take on all this new growth, the ability for your network to scale and thus push more to the bottom line. I don't know if you can help us sort of try to understand that and model that out.

**Jerrell Shelton:**

So your question, Jason, is, as we build the network, does it push more to the bottom line?

**Jason Seidl:**

Yes, I'm thinking about the ability to scale, because clearly you're in a very high-growth sector, right? In some cases some of these things are coming to fruition a little bit quicker than some people at least have thought out there in the marketplace. I'm just thinking of Cryoport obviously you're building on some of the expansion (inaudible) facilities. What's the ability in terms of the operation right now to scale, how much do you think in total you can handle?

**Jerrell Shelton:**

Well, we are structured, Jason, in a modular fashion, so that we can build all aspects of our business on a modular basis. We're currently expanding our inventory, we definitely are adding headcount as we add new functions, and we're building out our infrastructure substantially, physically, at least those two facilities to begin with, and then of course there's software and other systems behind that. Those two new systems, of course, are opening in New Jersey and the Netherlands so we're trying to make sure we take care of Europe as well as the United States. But there'll be others that will open as well. So we feel



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confident. We're in a good position to handle these therapies and to scale as they're introduced. I don't have any worries about that whatsoever.

**Jason Seidl:**

Okay. I don't know if I missed it but what are the open dates for both of those two new facilities?

**Jerrell Shelton:**

They'll open in the late June–July period. They'll be soft openings and then we'll have official openings following up after that, Jason.

**Jason Seidl:**

Okay, perfect. I think you sort of alluded to it before, but it seems like at least on a balance sheet perspective you guys feel pretty comfortable with your cash position, no need to raise further funds. I just want to know if you wanted to comment on that because there have been—at times your stock's moved around and we've heard rumors in the market it was because people felt that you were going (inaudible) never even raise cash, so I'm just curious what your official statement on your balance sheet is.

**Jerrell Shelton:**

I think some of those rumors in the market came as a result of what I mentioned at the end of my comments. We are in the market building out our relationships in the marketplace with institutional investors and others because a lot of folks simply haven't heard of us, and we run into them every day. We're not a large company, we haven't been around all that long, and a lot of people haven't heard of us. So we do spend time. So those rumors got started. They were obviously they didn't come true, and we don't anticipate them coming true.

We're in a comfortable cash position right now, fortunately, and so we don't have any plans immediately to raise capital on any basis right now, other than there'll be some warrants that will come in over this year because they'll expire and so we'll get some money from that, some investment from that, but we don't have any plans for today for a capital raise.

**Jason Seidl:**

Perfect, that's what I thought. Listen, gentlemen, I appreciate the time as always.

**Jerrell Shelton:**

Thank you. Thank you very much, Jason. Thanks for your support.

**Operator:**

Our next question comes from Brian Marckx with Zacks Investment Research. Please proceed with your question.

**Brian Marckx:**

Hi guys. Congrats on the quarter, again. Relative to the $318,000 I think it was, that, just for clarity, that only relates to the two commercial therapies that you support, right, so, any presumably any other clinical



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trials that you would be supporting for those two companies related to label expansion is not included in that 300-plus, is that correct?

**Jerrell Shelton:**

That's correct. That's correct.

**Brian Marckx:**

Okay. Okay. So, I guess, is it safe to assume that that 318, given the fact that the expectation is that activities will ramp relative to commercialization of the two therapies, that 318 is basically the low number to build off of going forward?

**Jerrell Shelton:**

Yes, I mean these are revolutionary therapies going to the market, so the ramp takes a lot of care, and so this is just the very beginning of the ramp. As Robert said in the quarter before we had $100,000 coming in, this is 318 this quarter, and the ramp's getting under way. I mentioned in my comments, and Mark I think mentioned in his comments, some of the work that's going on in the points of care centers, so, it's just beginning.

**Brian Marckx:**

Jerry, can you talk about how the contracts are structured with Gilead and Novartis? I'm not looking for details, but in terms of your revenue model with those contracts and commercial support contracts in the future, is it you get paid on per shipment, I guess, but is there another revenue component in that, that is not tied to shipments, I guess is the easiest way to say it.

**Jerrell Shelton:**

We don't comment in detail, but I'm going to turn that question to Mark to talk, because we do provide a variety of services that most people don't think of offhand.

**Mark Sawicki:**

The short answer is our agreements in these particular commercial spaces are typically three-year deals that are evergreen, so auto-renew, and they are complex, there's multiple components beyond just shipping revenue that's associated with those. In certain cases they can be a sole source contract as well.

**Brian Marckx:**

Okay. Then, Robert, relative to gross margin and the opening of the new facilities, will there be any incremental depreciation that'll run through gross margin that relates to the opening of those facilities?

**Robert Stefanovich:**

It's a very good question. As we build out our infrastructure and build out the facilities, you're right, there will be additional costs. We're trying to do that in a very measured way. That's why now as we're seeing that ramp and the necessity to build up infrastructure, we're doing it at this point in time. There will be a little bit of a ramp to get those units fully operational and contributing from a margin perspective, so that



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will have some impact, but we believe, based on the expected ramp in revenues over all and commercial revenues, that our target 60% is still very very realistic.

**Brian Marckx:**

Okay. Thanks guys. Appreciate it.

**Jerrell Shelton:**

Thank you.

**Operator:**

Ladies and gentlemen, we have reached the end of the Q&A session. At this time I would like to turn the call back to Jerry Shelton for closing comments.

**Jerrell Shelton:**

Thank you Operator, and thanks to everyone who joined us on today's call. I believe we're in a strong position to execute in serving our markets and to continue to build shareholder value. We have the people, the strategy, the culture and the resolve. It is difficult to overstate the promise of the healthcare revolution that is under way. It will be transformative for many years, as new methodologies and continuing improvements in science make their way through systems yet to be developed. It is truly an exciting time.

A recent report from Goldman Sachs stated that genome medicines, which are sometimes known as personalized medicine or way to customize medical care to your body's unique genetic makeup, represent a $4.8 trillion total addressable market. To me this says disruption and new paradigms. It implies commercial opportunities that are unprecedented. This new wave of medicine promises to target diseases at a genetic level, disrupting therapeutic markets and providing patients with potentially life-saving treatment alternatives. The good news for us is that these revolutionary cellular therapies must have reliable and proven temperature-controlled logistics processes and solutions.

You can see the beauty of Cryoport's strategic positioning and our development is just starting. This is why the most high-profile developers of regenerative cell therapies have come to rely on Cryoport to manage their temperature-controlled end-to-end logistics needs. They can depend on us.

As the most trusted provider of temperature-controlled logistics serving the life sciences industry, we are unique. We're forward thinking and building out our company for the onslaught of business that is rapidly developing. Driven by a great complement of people, Cryoport's end-to-end solutions are powered by the most advanced temperature control technologies in the life sciences industry including our Cryoportal logistics management platform, our Smart Pak II condition monitoring system, our family of Cryoport Express shippers, and most importantly, our know-how. The advanced technology platform and our proprietary know-how has enabled us to develop an unrivaled reputation in the life sciences industry, and we intend to keep that position by being always ready to serve our clients. So when you see us adding positions, people, logistics centers and services, it's to support the demand we see coming.

In simple terms, our mission is to build a meaningful blue chip company for the benefit of humanity and the benefit of our long-term shareholders.

Once again, thank you for joining us today. We look forward to updating you again next quarter. Operator, you may conclude our earnings call.



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**Operator:**

Thank you. This concludes today's conference. You may disconnect your lines at this time, and we thank you for your participation.



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