

March 26, 2014

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# Cancer Genetics, Inc. Announces Fourth Quarter and Year-End 2013 Results, Provides Corporate Update

- **72% Year-Over-Year Revenue Growth During Fourth Quarter 2013**
- **54% Full Year 2013 Revenue Growth Achieving \$6.6 Million For 2013**
- **Gross Margins Increased Threefold to 25.5% for Full Year 2013 from 8.7% in 2012**
- **Increased Sales & Marketing Team During Fourth Quarter To Have National Presence & Increased Focus on Hospitals and Cancer Centers**
- **Conference Call Scheduled for Today, Wednesday, March 26, 2014, at 4:30 p.m. Eastern Time**

RUTHERFORD, N.J., March 26, 2014 (GLOBE NEWSWIRE) -- Cancer Genetics, Inc. (Nasdaq:CGIX) ("CGI" or the "Company"), a DNA-based diagnostics company focused on developing genomic-based oncology tests and services, reported financial results for the 2013 fiscal year and for the fourth quarter ended December 31, 2013. Revenue for the fourth quarter was \$1.9 million, an increase of 72%, compared to 2012 fourth quarter revenue of \$1.1 million. Full year 2013 revenue was \$6.6 million, an increase of 54%, compared to full-year 2012 revenue of \$4.3 million. During 2013, 10,771 tests were reported to physicians, pathologists, cancer centers and biotech and pharma customers, up 63% from 6,610 tests during 2012.

"We experienced strong revenue growth in 2013, driven in large part by the ongoing adoption of CGI's unique tests and comprehensive approach to disease-specific oncology testing. During Q4 we scaled up our commercial teams in order to develop a wider footprint of clinical sales professionals, and we expanded our pipeline into areas of high unmet need, including renal and cervical cancers," said Panna Sharma, CGI's president and chief executive officer. "We look forward to accelerating growth during 2014 due to our improved sales and marketing infrastructure and our robust, targeted portfolio of unique cancer tests for blood-borne and urogenital cancers. We are also on track in advancing our own next-generation sequencing programs and those in our joint-venture, Oncospire Genomics™ with Mayo Clinic."

Operating expenses for the fourth quarter of 2013 were \$3.2 million, inclusive of \$0.8 million in stock based compensation expense. This compares with operating expenses of \$1.9 million during the fourth quarter of 2012, inclusive of \$0.1 million in stock based compensation. The fourth quarter increase in operating expenses was driven by increases in headcount, professional fees and other costs of being public. Net loss was \$2.5 million in the fourth quarter, or \$0.31 per basic share and \$0.37 per diluted share, compared with a net loss of \$4.0 million in the fourth quarter of 2012. The Q4-2013 net loss included \$0.3 million in interest expense. Interest expense is expected to decrease by over 85% starting in the second quarter of 2014 as a result of the completion of the amortization of the loan guarantee and financing fees.

For the full year, operating expenses were \$10.1 million, inclusive of \$1.2 million in stock-based compensation expense, compared to \$8.0 million in 2012, inclusive of \$0.9 million in stock-based compensation expense. The increase in operating expenses during 2013 includes one-time costs of \$0.8 million related to the IPO. Operating losses for the full year 2013 were \$8.5 million as compared to \$7.6 million during 2012. Net loss for the full year was \$12.4 million, or \$2.65 per basic share and \$3.64 per diluted share. The loss includes \$2.4 million in interest expense.

At December 31, 2013, the company had \$49.5 million of cash and cash equivalents as a result of completing three public financings, including a successful IPO and two follow-on offerings raising a total of approximately \$61.5 million net of offering costs.

### **Financial Highlights: Fourth-Quarter 2013**

- Total revenue for the 4<sup>th</sup> quarter was \$1.9 million, a 72% increase from the \$1.1 million reported in the 4<sup>th</sup> quarter of 2012.
- Test volume in the quarter was 2,736 compared with 1,673 in the 4<sup>th</sup> quarter of 2012, an increase of 64%.
- Gross margins were 26.5%, compared with 2.5% in the 4<sup>th</sup> quarter of 2012.
- Total operating expenses were \$3.2 million, compared to \$1.9 million in the 4<sup>th</sup> quarter of 2012.
- Net loss for the quarter was \$2.5 million, or \$0.37 per share (fully diluted), compared to a net loss of \$4.0 million, or \$3.86 per share (fully diluted) in the 4<sup>th</sup> quarter of 2012.

### **Financial Highlights: Fiscal Year 2013**

- Total revenue for 2013 was \$6.6 million an increase of 54% from the \$4.3 million reported in 2012, driven primarily by increases in test volume.
- Test volume increased by 63% to 10,771 for the year ended December 31, 2013, up from 6,610 for the same period in 2012.
- Average revenue (excluding grant revenue and probe revenue) per test increased to \$566 per test for 2013, up from \$553 per test in 2012.
- Gross profit for the year was \$1.7 million, compared with \$0.4 million in the prior year. Gross margins were 25.5%, compared with 8.7% in 2012.
- Total operating expenses for 2013 were \$10.1 million, compared to \$8.0 million for the same full-year period of 2012.
- Loss from operations for the 2013 fiscal year was \$8.5 million, compared to a loss from operations of \$7.6 million for 2012.
- Net loss for 2013 was \$12.4 million, compared to a net loss of \$6.7 million for 2012.
- Cash and cash equivalents were approximately \$49.5 million as of December 31, 2013, providing CGI with liquidity to fund future research and development programs and company operations.

### **Recent Business Highlights**

- In October 2013, CGI completed a public follow on share offering, selling 3,286,700 shares of common stock at a public offering price of \$14.00 per share, resulting in gross proceeds of \$46.0 million (\$42.3 million net proceeds).
- In November, following CLIA approval, CGI launched its proprietary genomic-based

diagnostic for cervical cancer, FFACT™ in the U.S.

- In January, CGI signed an agreement with health insurer Three Rivers Provider Network, Inc., to provide cancer diagnostic services to more than 15 million domestic plan members.
- FFACT™, CGI's cervical cancer test was adopted by Kamineni Hospital Group in India on International Women's Day culminating a nine month validation to establish the validity and clinical value of the test.
- The Mayo Clinic hosted an event to highlight progress at Oncospire Genomics™, a joint venture with CGI to develop genetic tests leveraging next generation sequencing (NGS). The JV is initially pursuing the development of NGS panels for lung cancer, multiple myeloma, and follicular lymphoma.
- New data on CGI's novel, patent protected kidney diagnostic array, from a 6 month study that was conducted in collaboration with Memorial Sloan Kettering, were presented at the Molecular Pathology (AMP) Annual Conference in November.
- Genomic data and findings on CGI's novel diagnostic and prognostic test for diffuse, large B-Cell lymphoma (DLBCL) were presented at the American Society of Hematology (ASH) meeting in December.
- In March, new data further validating CGI's UroGenRA™-Kidney diagnostic test for renal cell cancer were presented at the annual United States & Canadian Academy of Pathology (USCAP) in San Diego, CA. These new data were generated as part of a collaborative study conducted with the Cleveland Clinic and demonstrated 93% diagnostic accuracy of the test.
- Christopher Mitton was appointed as Director of National Account Development and Sales Operations in December.
- In January, biotechnology industry veteran John Pappajohn was appointed to serve as the Chairman of the Board, a position previously held by Dr. Raju S.K. Chaganti, effective January 6, 2014.
- Dr. Paul Rothman, Dean of the Medical Faculty and CEO of Johns Hopkins Medicine, was appointed to CGI's Board of Directors, also in January.
- In March, Edward J. Sitar was appointed as Chief Financial Officer, effective April 1 2014. Mr. Sitar previously served in senior financial roles across multiple healthcare sectors and has extensive expertise in navigating the highly technical insurance and reimbursement landscape.

## Conference Call and Webcast Details

As previously announced, CGI will hold a conference call on Wednesday, March 26, 2014, to discuss its results for 2013.

Time:	4:30 p.m. Eastern Time
Dial in (domestic)	(877) 407-4018
Dial in (international)	(201) 689-8471
Conference ID:	13579135

To participate in the call, please dial in approximately 10 minutes prior to the scheduled start time. Interested parties can also listen via a live Internet webcast, which can be found via the Company's website at <http://ir.cancergenetics.com/events>.

A replay of the call will be available for two weeks from March 26, 2014, until April 9, 2014. In addition, a recording of the call will be available via the Company's website at <http://www.cancergenetics.com>.

Replay (domestic) (877)-870-5176  
Replay  
(international) (858) 384-5517  
Conference ID: 13579135

### **About Cancer Genetics:**

Cancer Genetics, Inc. is an emerging leader in DNA-based cancer diagnostics, servicing some of the most prestigious medical institutions in the world. Our tests target cancers that are difficult to diagnose and predict treatment outcomes. These cancers include hematological, urogenital and HPV-associated cancers. We also offer a comprehensive range of non-proprietary oncology-focused tests and laboratory services that provide critical genomic information to healthcare professionals, as well as biopharma and biotech companies. Our state-of-the-art reference lab is focused entirely on maintaining clinical excellence and is both CLIA certified and CAP accredited and has licensure from several states including New York State. We have established strong research collaborations with major cancer centers such as Memorial Sloan-Kettering, The Cleveland Clinic, Mayo Clinic and the National Cancer Institute. For further information, please see [www.cancergenetics.com](http://www.cancergenetics.com).

### **Forward-Looking Statements:**

*This press release contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. All statements pertaining to future financial and/or operating results, future growth in research, technology, clinical development and potential opportunities for Cancer Genetics, Inc. products and services, along with other statements about the future expectations, beliefs, goals, plans, or prospects expressed by management constitute forward-looking statements. Any statements that are not historical fact (including, but not limited to, statements that contain words such as "will," "believes," "plans," "anticipates," "expects," "estimates") should also be considered to be forward-looking statements. Forward-looking statements involve risks and uncertainties, including, without limitation, risks inherent in the development and/or commercialization of potential products, uncertainty in the results of clinical trials or regulatory approvals, need and ability to obtain future capital, maintenance of intellectual property rights and other risks discussed in the Company's Form 10-Q for the quarter ended September 30, 2013 and other filings with the Securities and Exchange Commission. These forward-looking statements speak only as of the date hereof. Cancer Genetics disclaims any obligation to update these forward-looking statements.*

**CANCER GENETICS, INC. AND SUBSIDIARY**  
**Condensed Consolidated Balance Sheets**

**December 31,**  
**2013**

	Unaudited	2012
<b>ASSETS</b>		
CURRENT ASSETS		
Cash and cash equivalents	\$49,459,564	\$819,906
Accounts receivable, net of allowance for doubtful accounts of 2013 \$36,000; 2012 \$36,000	1,567,039	850,545
Other current assets	864,616	489,278
<b>Total current assets</b>	<b>51,891,219</b>	<b>2,159,729</b>
FIXED ASSETS, net of accumulated depreciation	<b>1,264,624</b>	<b>964,923</b>
OTHER ASSETS		
Security deposits	1,564	1,564
Restricted cash	300,000	250,000
Loan guarantee and financing fees, net of accumulated amortization of 2013 \$517,500; 2012 \$929,498	310,500	1,907,502
Patents	401,709	324,764
Investment in joint venture	987,657	—
Deferred offering costs	—	3,343,289
	<b>2,001,430</b>	<b>5,827,119</b>
<b>Total Assets</b>	<b>\$55,157,273</b>	<b>\$8,951,771</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)</b>		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$2,346,240	\$4,578,761
Obligations under capital leases, current portion	51,400	17,158
Deferred revenue	199,560	468,010
Notes payable, current portion	22,298	3,836,567
Line of credit	—	2,871,200
<b>Total current liabilities</b>	<b>2,619,498</b>	<b>11,771,696</b>
Obligations under capital leases	309,777	7,490
Deferred rent payable	170,789	164,298
Notes payable, long-term	—	2,440,683
Line of credit	6,000,000	6,000,000
Warrant liability	594,000	12,549,000
<b>Total liabilities</b>	<b>9,694,064</b>	<b>32,933,167</b>
STOCKHOLDERS' EQUITY (DEFICIT)		
Convertible Preferred Stock	—	241
Common stock, additional paid-in capital, treasury stock and accumulated equity (deficit)	45,463,209	(23,981,637)
<b>Total Stockholders' Equity (Deficit)</b>	<b>45,463,209</b>	<b>(23,981,396)</b>
<b>Total Liabilities and Stockholders' Equity (Deficit)</b>	<b>\$55,157,273</b>	<b>\$8,951,771</b>

**Cancer Genetics, Inc. and Subsidiary**  
**Consolidated Statements of Operations**

Three Months Ended December 31, Year Ended December 31,

	2013	2012	2013	2012
	Unaudited	Unaudited	Unaudited	
<b>Revenue</b>	<b>\$1,854,495</b>	\$1,075,732	<b>\$6,609,957</b>	\$4,301,563
<b>Cost of revenues</b>	<b>1,363,948</b>	1,048,751	<b>4,924,626</b>	3,928,993
<b>Gross profit</b>	<b>490,547</b>	26,981	<b>1,685,331</b>	372,570
Operating expenses:				
Research and development	<b>806,082</b>	560,275	<b>2,190,204</b>	2,111,947
Sales and marketing	<b>567,055</b>	348,790	<b>1,841,675</b>	1,398,786
General and administrative	<b>1,855,860</b>	1,027,123	<b>6,115,035</b>	4,502,424
<b>Total operating expenses</b>	<b>3,228,997</b>	1,936,188	<b>10,146,914</b>	8,013,157
<b>Loss from operations</b>	<b>(2,738,450)</b>	(1,909,207)	<b>(8,461,583)</b>	(7,640,587)
Other (expense) income:				
Interest expense	<b>(347,987)</b>	(1,441,018)	<b>(2,387,733)</b>	(4,701,028)
Interest income	<b>25,048</b>	—	<b>29,693</b>	—
Debt conversion costs	—	(1,862,012)	<b>(6,849,830)</b>	(1,862,012)
Change in fair value of warrant liability	<b>537,000</b>	1,168,000	<b>4,633,000</b>	7,538,000
<b>Total other (expense) income</b>	<b>214,061</b>	(2,135,030)	<b>(4,574,870)</b>	974,960
<b>Loss before income taxes</b>	<b>(2,524,389)</b>	(4,044,237)	<b>(13,036,453)</b>	(6,665,627)
Income tax provision (benefit)	—	—	<b>(663,900)</b>	—
<b>Net loss</b>	<b>\$(2,524,389)</b>	\$(4,044,237)	<b>\$(12,372,553)</b>	\$(6,665,627)
Basic net loss per share	<b>\$(0.31)</b>	\$(3.00)	<b>\$(2.65)</b>	\$(4.97)
Diluted net loss per share	<b>\$(0.37)</b>	\$(3.86)	<b>\$(3.64)</b>	\$(10.55)
Basic Weighted Average Shares Outstanding	<b>8,270,074</b>	1,347,437	<b>4,665,316</b>	1,342,174
Diluted Weighted Average Shares Outstanding	<b>8,298,014</b>	1,349,999	<b>4,675,974</b>	1,346,161

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Source: Cancer Genetics