

August 14, 2014

Cancer Genetics Reports Second Quarter 2014 Financial Results

Conference Call Today at 8:30 a.m. Eastern / 5:30 a.m. Pacific

RUTHERFORD, N.J., Aug. 14, 2014 (GLOBE NEWSWIRE) -- Cancer Genetics, Inc. (Nasdaq:CGIX), an emerging leader in DNA-based cancer diagnostics, announced today financial results for the second quarter and six months ended June 30, 2014.

"We continued to make progress toward our goal of developing a long-term sustainable genomics business that will impact the diagnosis and treatment of cancer," said Panna Sharma, CGI's president and chief executive officer. "In the last several months, we've agreed to acquire two companies with world-class capabilities, infrastructure and a client base that will help to create substantial opportunities for new revenue and increased product and service demand. Both the Gentris and BioServe acquisitions' existing diagnostic and testing services will add immediate revenue upon closing and help launch CGI's capabilities into wholly new sets of customers. Importantly, the acquisitions also provide Cancer Genetics with a chance to deliver our proprietary genomic tests and oncology diagnostic services to new high growth markets including India and China and to a world-class roster of biotechnology and pharmaceutical companies."

"Sales of diagnostic services and genomic testing to third-party insurance companies and payers like Medicare, as well as direct-bill customers in the hospitals and cancer-centers continued to show solid growth," continued Mr. Sharma. "Year over year our revenues to these customers grew by about 19% while quarterly growth over the first quarter of 2014 was over 14%. However, we reported a decline in our SelectOne™ revenues due to delays with specific large-scale trials in our biopharma business and this factor impacted our overall growth and revenue in the second quarter. This reduction was a timing issue that was due to the later start of two large clinical trials being undertaken by one of our largest biopharma customers. As these trials ramp up, we anticipate recognizing the associated revenues during the next several quarters."

Financial Highlights

Second Quarter 2014 Aggregated Results Which Include Results Of Gentris Corporation (non-GAAP measures) ⁽¹⁾

- Total combined revenues of \$3.2 million, a 76% increase over revenues reported by CGI in Q2 2013.
- Revenue growth of 126% when compared to CGI reported revenue in Q1 2014.
- Combined gross profit of 26% compared to CGI reported gross profit of 1% during Q2 2014
- Total operating expenses of \$5.8 million, compared with \$2.3 million reported by GGI in Q2 2013.
- Net losses of \$4.7 million, or (\$0.50) per basic share, compared to a loss of \$9.1

million or (\$2.29) per share reported by CGI in Q2 2013.

Second Quarter Ended June 30, 2014 vs. Second Quarter Ended June 30, 2013

- Revenues were \$1.5 million, compared to \$1.8 million in Q2 2013, a decrease of 17%.
- Revenues from Medicare increased 77% year over year.
- Revenue from SelectOne™ customers which includes biotechnology and pharmaceutical companies, decreased by 55% year over year primarily driven by a delay in initiating several new trials.
- Revenue from clinical testing customers which includes cancer centers, hospitals, laboratories and oncology and pathology offices increased by 19.3%.
- Net loss was \$4.2 million, compared to a net loss \$9.1 million in Q2 2013.

Year to Date 2014 Results

- Overall test volume increased 6% to 5,436 from 5,115 in the prior year period. Net loss was \$6.7 million, compared with \$6.8 million in the comparable period last year.
- Revenues were \$2.9 million, compared with \$3.1 million in the comparable period of 2013, a decrease of 4%. The decrease was principally due to a decrease in revenue per test partially offset by an increase in test volume.
- Net loss was \$6.7 million, compared with \$6.8 million in the comparable period last year.
- Total cash was \$43.4 million at June 30, 2014, with \$37.4 unrestricted cash and cash equivalents and \$6 million restricted to collateralize a credit line as compared with \$49.5 million at December 31, 2013.

Second Quarter 2014 Corporate Highlights

- Announced the acquisition of Gentris Corporation for approximately \$4.75M in cash and CGIX stock, along with a potential for additional performance-based earn-outs of up to \$1.5M.
 - Gentris provides genomic testing and pharmacogenomics services to half of the top ten biopharma companies globally.
 - Signed contracts with biopharma customers now exceed \$18 million.
 - The transaction closed on July 16, 2014.
- Announced the acquisition of BioServe Biotechnologies (India) Pvt. Ltd., for approximately \$1.9M in CGIX common stock, other deferred consideration and cash.
 - The pending acquisition will add immediate revenue, valuable client base, and is expected to be accretive in 2015.
 - The transaction is expected to close during the third quarter of 2014.
- Announced preliminary results of a study in clear cell Renal Cell Carcinoma (ccRCC) at the 105th Annual Meeting of the American Association of Cancer Research, highlighting results from 16 significant aberrations that were identified to occur at higher frequencies in metastatic compared to primary samples across unmatched and matched analyses.
- Launched a genetic diagnostic test for detecting mutations in the calreticulin (CALR) gene, helping physicians identify patients with certain types of myeloproliferative neoplasms, which have the potential to evolve into acute leukemia.
- Promoted FFACT™, CGI's non-invasive genomic test that can identify lesions caused by persistent HPV infection and that are more likely to progress to Cervical Cancer, at

- the American Congress of Obstetricians and Gynecologists' Annual Clinical Meeting.
- Launched a genomic test for Follicular Lymphoma and Mantle Cell Lymphoma, extending the portfolio in hematologic cancers being developed by CGI.
 - Announced a multi-year collaboration agreement with PathAdvantage Associates of Texas whereby CGI will provide FFACT® for the detection and management of cervical cancer.
 - Partnered with AstraZeneca CAMCAR, S.A. to provide biomarker-based diagnostic testing for cancer in Central America and the Caribbean.

Financial Results for the Three Months Ended June 30, 2014 and 2013

Total revenues were \$1.5 million, down 17% from \$1.8 million in the same period last year, principally due to decreases in test volumes related to the clinical trials business and a decrease in revenue per test, both of which were partially offset by increases in volumes related to Medicare and other direct bill customers. Test volume was 2,664 compared with 3,204 in the prior year period. Average revenue per test (excluding grant revenue and probe revenue) was \$542 per test compared with \$557 per test in the prior year period primarily related to direct bill tests, which includes FFACT™, the Company's proprietary FISH-based HPV-associated cancer test.

The decrease in test volumes and associated revenues in the clinical trials business was primarily due to the later than expected start of large clinical trials that are being conducted by one of CGI's largest biopharma customers. The Company expects these trials to proceed and anticipates revenues in future quarters.

Cost of revenues were \$1.5 million, an increase of 18% from \$1.3 million in the same period last year, principally due to an increase in salary and benefit costs associated with an increase in headcount and an increase in clinical supply costs related to test mix.

Research and development expenses totaled \$1.1M, up from \$456,000. Approximately \$300,000 of the increase is due to the increased activity and resulting share of the loss from OncoSpire™ (the Company's Joint Venture in Next-Generation Sequencing with Mayo Clinic). The remaining increase is due to higher stock-based compensation costs along with the costs of increased staffing.

General and administrative expenses totaled \$2.4 million, up from \$1.4 million. Stock-based compensation accounted for 45% of this increase and is a non-cash expense, and 43% is related to the costs associated with being a public company and the professional service fees associated with the announced transactions.

Sales and marketing expenses totaled \$919,000, up from \$447,000, principally due to increased compensation costs and commercial activity associated with the development of a national sales-force.

The change in the fair value of CGIX's warrant liability resulted in \$239,000 in non-cash income for the three months ended June 30, 2014, compared with a non-cash expense of \$170,000 for the three months ended June 30, 2013. The fair market value of certain outstanding common stock warrants that are required to be accounted for as liabilities, are re-valued each quarter at amounts that correspond with changes in the value of the Company's common stock.

Net loss in the second quarter was \$4.2 million, compared to a loss of \$9.1 million in the second quarter of 2013.

Financial Results for the Six Months Ended June 30, 2014 and 2013

Total revenues were \$2.9 million, a decline of 4% from \$3.1 million, principally due to a decrease in revenue per test, partially offset by an increase in test volume, which increased 6% to 5,436 from 5,115 in the prior year period.

Revenue from Medicare increased 27%, principally due to an increase in Medicare volumes partially offset by a decrease in revenue per test. Revenue from direct bill (including clinical trials customers) decreased 1%, principally due to a decrease in clinical trial service volumes that resulted from the delayed start of two clinical trials as described above, and a decrease in revenue per test both of which were partially offset by an increase in volumes from direct bill customers.

Cost of revenues totaled \$2.8 million, up 19%, from \$2.4 million, principally due to increased salary costs associated with an increase in headcount and an increase in clinical supply costs related to test mix.

Research and development expenses totaled \$1.7 million, compared with \$951,000, principally due to the increased activity and resulting share of the loss from OncoSpire™ (the Company's Joint Venture in Next-Generation Sequencing with Mayo Clinic) and increase in non-employee stock-based compensation and salary costs.

General and administrative expenses totaled \$5.1 million, up from \$3.0 million, principally due to increased stock-based compensation costs, compensation costs related to a separation agreement with the Company's former CFO, as well as costs associated with being a public company and professional fees associated with the BioServe and Gentris acquisitions, partially offset by the write-off of \$618,000 of deferred IPO costs in 2013.

Sales and marketing expenses totaled \$1.7 million, up from \$832,000 principally due to increased compensation costs and commercial activity associated with an increase in the sales and marketing teams.

The change in the fair value of CGIX's warrant liability resulted in \$195,000 in non-cash income for the six months ended June 30, 2014, compared with non-cash income of \$5.1 million for the six months ended June 30, 2013. During the six months ended June 30, 2014 and 2013, the Company received \$1.8 million and \$664,000, respectively, in cash from the sale of certain state net operating loss carry-forwards.

Net loss for the six month period ending June 30 2014 was \$6.7 million, compared with a loss of \$6.8 million in the comparable period in 2013.

Conference Call & Webcast @ 8:30 a.m. Eastern Time/5:30 a.m. Pacific Time

Domestic: 877-407-4018

International: 201-689-8471

Conference ID: 13587677

Webcast: <http://www.cancergenetics.com>

Replays – Available through Thursday, August 28

Domestic: 877-870-5176

International: 858-384-5517

Conference ID: 13587677

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.

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-K for the year ended December 31 2013 and Form 10-Q for the quarter ended June 30, 2014 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.

(1) The amounts discussed above in the "Second Quarter 2014 Aggregated Results" are the result of the aggregation of the results reported for the second quarter of 2014 by both Cancer Genetics, Inc. and Gentriss Corporation. The amounts may not be indicative of future results. These amounts include an estimated impact of adjustments due to Purchase Price accounting. This estimate is based on preliminary data and subject to revision.

Consolidated Statements of Operations

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Revenue	\$1,511,670	\$1,831,649	\$2,942,045	\$3,050,316
Cost of revenues	1,503,095	1,279,274	2,793,157	2,349,294
Gross margin	8,575	552,375	148,888	701,022
Operating expenses:				
Research and development	1,105,773	455,570	1,702,544	950,597
General and administrative	2,395,462	1,384,123	5,126,866	2,961,374
Sales and marketing	918,457	446,468	1,667,436	831,955
Total operating expenses	4,419,692	2,286,161	8,496,846	4,743,926
Loss from operations	(4,411,117)	(1,733,786)	(8,347,958)	(4,042,904)
Other income (expense):				
Interest expense	(30,744)	(389,319)	(371,921)	(1,683,308)
Interest income	16,157	744	38,341	1,354
Debt conversion costs	—	(6,849,830)	—	(6,849,830)
Change in fair value of warrant liability	239,000	(170,000)	195,000	5,129,000
Total other income (expense)	224,413	(7,408,405)	(138,580)	(3,402,784)
Income (loss) before income taxes	(4,186,704)	(9,142,191)	(8,486,538)	(7,445,688)
Income tax provision (benefit)	—	—	(1,813,941)	(663,900)
Net income (loss)	\$(4,186,704)	\$(9,142,191)	\$(6,672,597)	\$(6,781,788)
Basic net income (loss) per share	\$(0.45)	\$(2.29)	\$(0.72)	\$(2.54)
Diluted net loss per share	\$(0.47)	\$(2.29)	\$(0.74)	\$(4.46)
Basic Weighted Average Shares Outstanding	9,302,737	3,985,663	9,289,624	2,667,799
Diluted Weighted Average Shares Outstanding	9,318,634	3,985,663	9,314,155	2,667,799

Cancer Genetics, Inc. and Subsidiary

Consolidated Balance Sheets

(Unaudited)

	June 30, 2014	December 31, 2013
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$37,417,742	\$49,459,564
Accounts receivable, net of allowance for doubtful accounts of \$36,000	2,056,266	1,567,039
Other current assets	1,219,205	864,616
Total current assets	40,693,213	51,891,219
FIXED ASSETS, net of accumulated depreciation	1,476,247	1,264,624
OTHER ASSETS		

Security deposits	1,564	1,564
Restricted cash	6,300,000	300,000
Loan guarantee and financing fees, net of accumulated amortization of \$517,500 in 2013.	—	310,500
Patents	450,934	401,709
Investment in joint venture	677,464	987,657
	<u>7,429,962</u>	<u>2,001,430</u>
Total Assets	<u>\$49,599,422</u>	<u>\$55,157,273</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued expenses	\$2,283,032	\$2,346,240
Obligations under capital leases, current portion	57,606	51,400
Deferred revenue	31,833	199,560
Notes payable, current portion	—	22,298
Line of credit	—	6,000,000
Total current liabilities	2,372,471	8,619,498
Obligations under capital leases	331,636	309,777
Deferred rent payable	157,978	170,789
Line of credit	6,000,000	—
Warrant liability	274,000	594,000
Total liabilities	9,136,085	9,694,064
STOCKHOLDERS' EQUITY		
Preferred stock, authorized 9,764,000 shares, \$0.0001 par value	—	—
Common stock, authorized 100,000,000 shares, \$0.0001 par value, 9,464,709 and 9,275,384 shares issued and outstanding at June 30, 2014 and December 31, 2013, respectively	947	927
Additional paid-in capital	108,459,567	106,786,862
Accumulated deficit	(67,997,177)	(61,324,580)
Total Stockholders' Equity	40,463,337	45,463,209
Total Liabilities and Stockholders' Equity	<u>\$49,599,422</u>	<u>\$55,157,273</u>

Cancer Genetics, Inc. and Subsidiary
Aggregated Summary Income Statement Which Includes Results Of Gentris Corporation
(Unaudited, non-GAAP)

	<u>3 months ended June 30, 2014</u>			
	<u>Gentris</u>	<u>Adjustments</u>	<u>CGI</u>	<u>Combined</u>
Revenue	\$1,719,110	—	\$1,511,670	\$3,230,780
Cost of revenues	898,595	—	1,503,095	2,401,690
Gross profit	820,515	—	8,575	829,090
Total operating expenses	1,324,900	25,743	4,419,371	5,770,014
Loss from operations	(504,385)	(25,743)	(4,410,796)	(4,940,924)

Total other (expense) income	(5,170)	—	224,092	218,922
Loss before income taxes	<u>(509,555)</u>	<u>(25,743)</u>	<u>(4,186,704)</u>	<u>(4,722,002)</u>
Income tax (benefit) provision	—	—	—	—
Net loss	<u><u>\$(509,555)</u></u>	<u><u>\$(25,743)</u></u>	<u><u>\$(4,186,704)</u></u>	<u><u>\$(4,722,002)</u></u>
Basic net loss per share			<u>\$ (0.45)</u>	<u>\$ (0.50)</u>
Diluted net loss per share			<u>\$ (0.47)</u>	<u>\$ (0.52)</u>
Basic Weighted Average Shares Outstanding		<u>147,844</u>	<u>9,302,737</u>	<u>9,450,581</u>
Diluted Weighted Average Shares Outstanding.		<u>147,844</u>	<u>9,318,634</u>	<u>9,466,478</u>

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Source: Cancer Genetics