

Vermillion Reports First Quarter 2020 Financial Results

Description

For a link to a pdf of the press release please click [here](#)

AUSTIN, Texas — May 14, 2020 — Vermillion, Inc. (Nasdaq: VRML), a bio-analytical based women's health company focused on gynecologic disease, today reported its financial results for the first quarter March 31, 2020.

"Despite late first quarter challenges from COVID-19, we delivered strong first quarter revenue and test volume growth year over year. In fact, test volume was only down 5% as compared to the fourth quarter 2019. Delivering surgical triage results to physicians during this period of operation room rationing and backlog is essential," said Valerie Palmieri, Chief Executive Officer of Vermillion.

"We are starting to see patients return to their providers and test volumes rebound. OVA^Nex and Endocheck study site recruitment also continues and we do not expect a significant delay in our product pipeline. In fact, we believe we are well positioned to emerge even stronger following the pandemic due to our fundamentals, pipeline and our overall value to the global healthcare system."

Recent Corporate Highlights

First Quarter 2020 versus First Quarter 2019:

- Product volume increased 58% to 3,654 units up from 2,313 units in the first quarter of last year.
- Through the end of February prior to the COVID impact in March, volume had increased 80% year on year and was accelerating.
- Product revenue increased 55% to \$1.2 million up from \$779 thousand in the first quarter of last year.
- Total number of customers increased by 47% compared to the first quarter of last year.
- Through the end of February prior to the COVID-19 impact in March, total customers had increased 65% year over year.
- New customers increased 19% compared to the first quarter of last year.

COVID Test Offering

ASPIRA Labs will be offering COVID Antigen and Antibody testing. This testing will be part of our current comprehensive Pre-Surgical Risk Triage test offering which includes proteins, genetics and soon to be launched COVID antibody and antigen testing. We will be commencing with the antibody testing first and we will be offering the Roche Elecsys Anti-SARS-CoV-2. The assay has 99.81% sensitivity and 100% specificity.

Sales Contact and Virtual Ordering Process

We have developed and launched our Virtual Sales and Marketing Strategy. In addition, we have developed a process to facilitate physician online ordering to enable a more efficient virtual go-to-market strategy. The process will be fully rolled out and implemented in the second quarter.

In-Network Preferred Cigna Contract

As previously disclosed, we have executed a preferred in-network contract agreement with Cigna. This in-network agreement adds another 16 million lives to our contracted plans, and includes not only OVA1, but also Overa and our ovarian and carrier genetics testing panels. We commenced billing CIGNA per the contract agreement on April 1, 2020 and are receiving reimbursement at contracted rates.

Payroll Protection Program Financing

On May 1, 2020, we received a loan pursuant to the Paycheck Protection Program (the "PPP"), which was established under the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"), as administered by the U.S. Small Business Administration. The loan, in the principal amount of \$1,005,767 (the "PPP Loan"), was disbursed by BBVA USA ("Lender") pursuant to a promissory note issued by the Company (the "Promissory Note"). Pursuant to the CARES Act and the PPP, all or a portion of the principal amount of the PPP Loan is subject to forgiveness so long as, over the eight-week period following the receipt by the Company of the proceeds of the PPP Loan, the Company uses those proceeds for payroll costs, rent, utility costs or the maintenance of employee and compensation levels.

State of Connecticut Financing

We recently concluded an amendment to our agreement with the State of Connecticut Department of Economic Community Development. We previously announced a \$4M loan from Connecticut, \$2M of which we received in 2016. We are eligible for the additional \$2M based on target revenue and, as of this new amendment, a revised target employment milestone. We expect to achieve the revised target employment levels in the second quarter of 2020.

First Quarter Financial Highlights:

- Product revenue increased 55% to \$1.2 million for the first quarter 2020, compared to \$779 thousand for the same period in 2019. The increase is primarily driven by the launch of OVA1PLUS and an expansion of our commercial team during 2019.
- The number of OVA1 tests performed increased 58% to 3,654 during the first quarter 2020 compared to 2,313 for the same period in 2019.
- Revenue on a per test performed basis for product revenue was \$324 in the first quarter of 2020 compared to \$337 in the first quarter of 2019, driven by patient pay in specific geographies. We anticipate some price appreciation in the second quarter as the Cigna contract commenced April 1,

2020.

- Gross profit on OVA1 product revenue was \$520 thousand (a 44% profit margin) for the first quarter 2020 compared to \$263 thousand for the same period in 2019 (a 34% profit margin).
- Research and development expenses for the first quarter 2020 were \$395 thousand and increased by \$186 thousand compared to the same period in 2019. This increase was primarily due to the development of OVANex, our third-generation serial monitoring product as well as our bioinformatics investment.
- Sales and marketing expenses for the first quarter 2020 were \$2.1M compared to \$2.4M the same period in 2019. This decrease was primarily due to reduced commissions and travel and entertainment relating to the impact of the COVID-19 pandemic compared to those in the same period in 2019.
- General and administrative expenses for the first quarter 2020 were \$1.7M compared to \$1.3M for the same period in 2019. This increase was primarily due to an increase in personnel related expenses and legal expenses in support of strategic collaboration agreements during 2020.
- The cash balance at March 31, 2020 was \$8.1 million. Cash utilization in the first quarter of 2020 was \$3.6M. This was higher than the preceding quarter due to non-recurring legal expenses in support of strategic collaboration agreements, the payout of 2019 bonuses as well as one-time transition costs to bring the company's billing function in-house.

Conference Call and Webcast

Vermillion, Inc. will host a call today at 4:30 p.m. Eastern Daylight Time to discuss results followed by a question and answer period. Conference call details are as follows:

Thursday, May 14th @ 4:30pm ET

Domestic: 877-407-4018

International: 201-689-8471

Conference ID: 13703168

Webcast: <http://public.viavid.com/index.php?id=139650>