

Vermillion Reports Second Quarter 2017 Results

Description

Link to PDF with Financials –

[VRML_08 09 2017 Earnings Release](#)

Conference Call at 4:30 p.m. ET Today

AUSTIN, Texas — August 9, 2017 — Vermillion, Inc. (NASDAQ: [VRML](#)), a bio-analytical solutions company focused on gynecologic disease, reported on its financial results for the second quarter ended June 30, 2017.

Valerie Palmieri, President and CEO stated, “The second quarter was a milestone quarter as we had the highest organic quarterly product revenue and growth since the inception of our CLIA laboratory. We were pleased to see positive momentum in field sales progress, and in our patient advocacy program and managed care contracts in key markets. The economics of our business also continued to improve, as evidenced by higher revenues per test and higher gross margins.”

Recent Corporate Developments:

- Achieved year over year ASPIRA Labs revenue growth of 55%, and in territories covered by our field sales force, volume growth of 19% on a per day basis.
- Foundational total cost of care manuscript accepted for publication.
- Peer reviewed manuscript “Economic Impact of Increased Utilization of Multivariate Assay Testing to Guide Treatment of Ovarian Cancer: A Payer Perspective” was authored by Burton S. Brodsky MD, Gary M. Owens MD and Dennis J. Scotti PhD MBA. Estimated publication date is Q4 2017.
- Patient Advocacy Program successfully piloted with new customers in the first half of 2017.
- Program is an extension of our customer services to provide proactive educational and billing information to the patient prior to OVA1/Overa being performed. The program has been well received and directly addresses coverage challenges while we continue to expand payer coverage.
- ASPIRA IVD entered into a definitive agreement with a top 10 pharmaceutical company to provide validation testing services for a key companion diagnostic biomarker.

Q2 2017 Financial Results

Product revenue in the second quarter of 2017 totaled \$860,000 compared to \$554,000 in the prior year quarter, representing a 55% year-over-year increase. ASPIRA IVD service revenue in the second quarter of 2017 totaled \$38,000 compared to \$155,000 in the prior year quarter and will vary from quarter to quarter based on the size of ongoing customer projects. Total revenue in the second quarter of 2017 was \$898,000 compared to \$709,000 in the same year-ago quarter, representing an increase of 27%. There were 2,418 [OVA1](#) tests performed during the second quarter of 2017 compared to the 2,345 OVA1 tests performed in the prior year quarter, a 3% increase. Additionally, revenue on a per test performed basis increased to \$356 in the second quarter of 2017 compared to \$236 in the second quarter of 2016, representing a 51% increase. This number compared to \$296 in the first quarter of 2017 or a 20% increase

sequentially.

We do expect test volume and, to a lesser extent, product revenue to decrease in the third quarter of 2017 primarily due to the loss of one client bill customer. We expect the direct volume loss from the client bill customer to be between 5% and 10% in the third quarter relative to volume in the second quarter of 2017. We also expect some additional volume loss due to summer seasonality and the July holiday calendar. We are working to mitigate the losses and have already begun to partially replace the volume loss with direct arrangements with hospital systems and groups.

Cost of product revenue for the second quarter of 2017 totaled \$428,000 representing a 19% decrease from the prior year quarter due to lower consulting and personnel costs. Our gross product margin improved to 50% in the second quarter of 2017 compared to just 5% in the prior year quarter.

Cost of service revenue was \$266,000 for the second quarter of 2017 compared to \$60,000 for the same period in 2016. ASPIRA IVD did not commence operations until June 2016 and thus included only one month of expense in 2016 compared to a full quarter of expense in 2017.

Total operating expenses in the second quarter of 2017 decreased to \$2.6 million compared to \$3.9 million in the same year-ago quarter, representing a decrease of 34%. The decrease was due primarily to commercial operating efficiencies as well as lower research and development costs following expiration of our collaboration agreement with The Johns Hopkins University School of Medicine and the clearance of Overa in March 2016.

Net loss for the second quarter of 2017 was \$2.4 million or \$(0.04) per share, as compared to a net loss of \$3.7 million or \$(0.07) per share in the same year-ago quarter.

As of June 30, 2017, cash and equivalents totaled \$6.0 million. The company utilized \$1.7 million in cash in the second quarter of 2017 after deducting the final payments related to expenses for the February 2017 private placement of common stock. We plan for cash utilization to remain under \$2.0 million per quarter over the balance of 2017.

Conference Call and Webcast

Vermillion's President and CEO, Valerie Palmieri, will host a call today to discuss results followed by a question and answer period.

Wednesday, August 9th @ 4:30pm Eastern Time

Domestic: 888-437-9274

International: 719-325-2437

Conference ID: 8515049

Webcast: <http://public.viavid.com/index.php?id=125153>

Replays, available through August 23rd:

Domestic: 844-512-2921

International: 412-317-6671

Replay PIN: 8515049

Please call the conference telephone number five minutes prior to the start time. An operator will register your name and organization. If you have any difficulty connecting with the conference call, please contact Vermillion at (203) 993-8300.

Vermillion, Inc.

Consolidated Balance Sheets

(Amounts in Thousands, Except Share and Par Value Amounts)
(Unaudited)