

April 25, 2016

Great Basin Scientific (Nasdaq/GBSN)
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Neutral Customer acquisition pace picking up
Great Basin makes and markets molecular diagnostic instruments and assays
Investment Highlights

1) **Great Basin recently announced several financial and operational results for their Q1/2016 quarter (ending March)**, including revenues of \$731,000, an increase of 59% year-over-year, and customer count of 222, up 36 from the start of the year. While complete financial results are expected to be released next month, we believe that Great Basin's higher revenues in the first quarter were driven by additional customers for the original assay for C. Diff as well as adoption for the new test, Group B Strep, which was introduced mid-year 2015, and was active in 70 accounts (about 35% of total) on average in the first quarter. Company management also outlined milestones for this year and next, including anticipated launches of its third and fourth diagnostics tests, for Shiga Toxin (*e. coli*) in May of 2016 and Staph ID/R blood culture, the Company's first multiplex panel which is expected to be introduced in June 2016. Great Basin also drew on its recent positive experience with customer acquisition rates to project between 300-325 accounts open by the end of 2016 and 500-550 in the fold by the end of next year. Finally, the Company commented on its stepped-up R&D programs, outlining a product pipeline featuring three new diagnostic assays set to begin clinical trials this year with anticipated clearance and introduction by late-2016 or early 2017, (Group A Strep, Pertussis, and multiplex Foodborne pathogens), and two more (Candida blood infections, *Staph Aureus* pre-surgical screen) also set for the start of clinical trials in 2017 but with regulatory OK not expected until later next year.

2) **Following financial results for Q4/2015 and recent guidance for Q1/2016, we are adjusting our estimates for 2016E and 2017E for Great Basin.** In 2015, the Company posted revenues of \$2.1 million and an operating loss of \$22.4 million, including approximately \$19.7 million in operating expenses. We are estimating that Great Basin will record \$9.75 million in revenues in 2016E, with a net loss of \$21.3 million or (\$5.68) per share, including cost of sales of \$8.0 million and operating expenses (R&D, sales and marketing, and general and

Current Price \$3.38
Price Target N/A

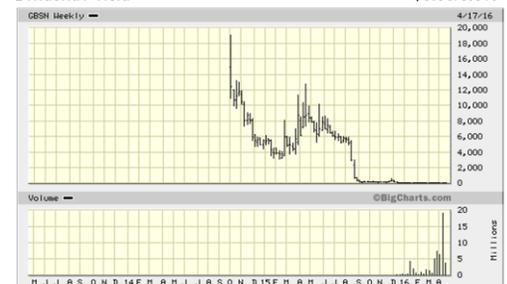
Estimates	F2014A	F2015E	F2016E
Revenues(\$000s)	\$1,606	\$2,142 E	\$9,750 E
1Q March	349	459 A	731 A
2Q June	402	526 A	
3Q September		546 A	
4Q December		612 A	
Prev. Rev. Estimate (\$000s)		\$2,353	\$16,931

EPS (diluted) (\$377.63) A (\$5.68) E

1Q March			
2Q June			
3Q September			
4Q December			
Previous EPS Estimate			
P/E (x)	N/A	N/A	N/A

EBITDA/Share	(\$513.95)	(\$18.43)	(\$5.24)
EV/EBITDA (x)	N/A	N/A	N/A

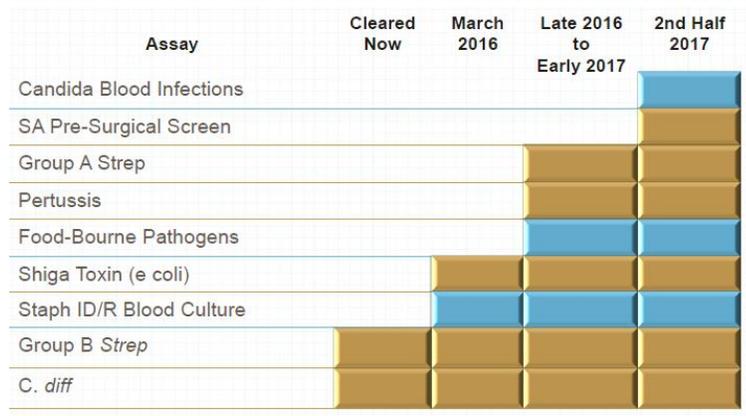
Stock Data	
52-Week Range (Since split)	\$3.03-\$7.85
Shares Outstanding (mil.)	3.3
Market Capitalization (mil.)	\$11.2
Enterprise Value (mil.)	\$10.7
Debt to Capital (12/15)	N/A
Book Value/Share (12/15)	N/A
Price/Book	N/A
Average Trading Volume (3-month)	1,080,000
Insider Ownership	4.1%
Institutional Ownership	0.4%
Short interest	219,500
Dividend / Yield	\$0.00/0.0%


Price target and ratings changes over the past 3 yrs:

Initiated - May 26, 2015 - Buy - Price Target \$10

Updated - December 26, 2015 - Rating lowered to Neutral

administrative) of \$23 million. Our revenue estimates are based primarily on contributions from currently marketed assays for *C. diff* and Group B strep, while recently cleared tests for Shiga Toxin and Staph ID/R panel are expected to have somewhat lesser impact this year. For 2017E, we are estimating that a full product portfolio of diagnostic assays (see product pipeline chart to the right – *Source: Great Basin Scientific*) will help bring revenues up to \$25 million, and combined with improved gross margins forecast at 52% and lower operating expenses of \$22.0 million as fewer resources are needed for R&D, will help lower net losses next year to \$9.2 million. Our estimates assume year-end customer placements of 300 for 2016E and 500 for 2017E. Operating cash burn for this year is expected to be within the range of current cash and restricted cash on hand, although additional fundraising efforts may be required next year unless the Company approaches break-even results sooner than expected.



3) Positive catalysts for this year for Great Basin investors are expected to center around the Company’s diagnostic assays product pipeline, specifically completing necessary clinical trials, filing FDA marketing approval, final approval for the new test, and ultimately launching the new products into the marketplace. Customer acquisitions counts, particularly if greater-than-anticipated, may also provide positive catalysts for Great Basin.

Conclusion/Stock Valuation

Great Basin shares have held steady this month following a recent reverse stock split at the end of March, responding to favorable developments in the areas of product approvals, customer acquisition, balance sheet enhancement, and improved capital structure. Further down the road, we believe both growth- and value-oriented investors can find Great Basin shares attractive due to a much-bolstered balance sheet, a growing customer base in its target small- to medium-sized hospital market, two new diagnostic assays soon ready to launch and as many as five more potentially cleared and ready to launch by 2017. However, we are maintaining our Neutral rating on GBSN shares for the time being until share trading volatility is reduced to some degree.

Catalysts/Investor Timeline

- 1) Q1/2016 (March) quarterly earnings announcement – May 2016
- 2) New Product Marketing launches – Staph ID/R (June 2016) and Shiga Toxin (*e. Coli*) (May 2016)
- 3) New Product 510(k) applications submitted to FDA – Group A Strep, Pertussis, *Staph Aureus* Pre-Surgical Screening, Candida blood infections and Foodborne pathogens diagnostic assays – H2/2016 through H1/2017
- 4) Upcoming Medical and Investment Conferences – Ongoing 2016-2017
- 5) Additional clinical trials initiated – 5-6 diagnostic assays - 2017

Risk Factors

In addition to normal economic and market risk factors that impact most equities and the common risks shared by Great Basin with other companies in the industry, we believe an investment in GBSN involves the following risks:

- **FDA and regulatory risks** – Great Basin is subject to regulatory review for its ongoing research and development activities, as well as manufacturing facilities, principally with the US Food and Drug Administration but also potentially with other international regulatory agencies as well.
- **Need to defend patents, trade secrets and other intellectual property** – At present, GBSN holds certain intellectual property related to its molecular diagnostic tests and analyzer system. The Company may need to defend its intellectual property in the US and overseas in the future, particularly as its medical device and related diagnostic tests become commercially successful.
- **Need to raise additional capital** - Currently, GBSN has enough cash on hand to fund ongoing research and development programs and product commercialization activities through late 2016, approximately. However, the Company does not have a history of profitable operations and unforeseen events including potential delays in product sales, clinical programs and regulatory approvals could require GBSN to raise additional capital through the sale of equity within a shorter time-frame, therefore potentially diluting current shareholders. In addition, at present the Company has a large number of warrants which may be exercised in the future, which could dilute current shareholders to a large degree.
- **Limited stock liquidity** – Trading volume in GBSN shares has been relatively heavy in recent weeks, however future events could lead to reduced trading volume for these shares, and as such, news regarding GBSN, its target market, partners and/or competitors could lead to significant volatility in the stock price.
- **Competitive Markets** – The Company competes in its target medical device markets with a number of other manufacturers, some of which represent much larger companies. There can be no assurance that the Company will be able to successfully launch new tests into these competitive markets in the future.

Great Basin Scientific, Inc.
Consolidated Statements of Operations

Robert M. Wasserman

FYE December	2013	2014	Q1/2015A	Q2/2015A	Q3/2015A	Q4/2015A	2015A	2016E	2017E
Revenue	\$760,646	\$1,606,254	\$458,730	\$525,506	\$545,934	\$611,870	\$2,142,040	\$9,750,000	\$25,000,000
Cost of sales	<u>2,185,992</u>	<u>3,968,185</u>	<u>966,593</u>	<u>1,299,948</u>	<u>1,102,727</u>	<u>1,444,147</u>	<u>4,813,415</u>	<u>8,000,000</u>	<u>12,000,000</u>
Gross profit (loss)	(1,425,346)	(2,361,931)	(507,863)	(774,442)	(556,793)	(832,277)	(2,671,375)	1,750,000	13,000,000
Operating Expenses:									
Research and development	3,345,693	4,609,913	1,503,558	1,902,296	2,878,316	2,201,498	8,485,668	8,000,000	6,000,000
Sales and marketing	2,618,901	2,301,610	806,118	919,699	1,481,140	1,800,363	5,007,320	7,000,000	7,500,000
General and administrative	1,866,875	2,928,186	1,060,652	1,276,555	1,795,766	2,108,460	6,241,433	8,000,000	8,500,000
Other one-time	<u>22,768</u>	<u>(8,166)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total operating expenses	<u>7,854,237</u>	<u>9,831,543</u>	<u>3,370,328</u>	<u>4,098,550</u>	<u>6,155,222</u>	<u>6,110,321</u>	<u>19,734,421</u>	<u>23,000,000</u>	<u>22,000,000</u>
Operating income (loss)	(9,279,583)	(12,193,474)	(3,878,191)	(4,872,992)	(6,712,015)	(6,942,598)	(22,405,796)	(21,250,000)	(9,000,000)
Other income (expense), net									
Interest expense	(284,323)	(1,136,054)	(305,582)	(309,785)	(253,220)	(10,888,858)	(11,757,445)	(250,000)	(350,000)
Interest income	3,876	3,176	4,297	9,035	4,746	115	18,193	200,000	150,000
Other income (expense)	<u>0</u>	<u>(8,396,169)</u>	<u>(66,994,149)</u>	<u>24,335,676</u>	<u>20,016,848</u>	<u>(1,111,246)</u>	<u>(23,752,871)</u>	<u>0</u>	<u>0</u>
Income (loss) before tax	(9,560,030)	(21,722,521)	(71,173,625)	19,161,934	13,056,359	(18,942,587)	(57,897,919)	(21,300,000)	(9,200,000)
Income tax expense (benefit)	<u>1,250</u>	<u>5,297</u>	<u>1,250</u>	<u>1,250</u>	<u>1,250</u>	<u>1,250</u>	<u>1,250</u>	<u>1,250</u>	<u>1,250</u>
Net income (loss)	(9,561,280)	(21,727,818)	(71,173,625)	19,160,684	13,056,359	(18,942,587)	(57,899,169)	(21,300,000)	(9,200,000)
Cumulative preferred stock dividends	<u>(2,533,470)</u>	<u>(2,533,470)</u>	<u>(2,533,470)</u>	<u>(2,533,470)</u>	<u>(2,533,470)</u>	<u>(2,533,470)</u>	<u>(2,533,470)</u>	<u>(2,533,470)</u>	<u>(2,533,470)</u>
Net loss to common stockholders	<u>(12,094,750)</u>	<u>(24,261,288)</u>	<u>(71,173,625)</u>	<u>19,160,684</u>	<u>13,056,359</u>	<u>(18,942,587)</u>	<u>(57,899,169)</u>	<u>(21,300,000)</u>	<u>(9,200,000)</u>
Net loss per share - basic	<u>(\$3,664.76)</u>	<u>(\$1,160.61)</u>	<u>(\$489.70)</u>	<u>\$105.05</u>	<u>\$12.17</u>	<u>(\$5.15)</u>	<u>(\$377.63)</u>	<u>(\$5.68)</u>	<u>(\$1.60)</u>
Net loss per share - diluted	<u>(\$3,664.76)</u>	<u>(\$1,160.61)</u>	<u>(\$489.70)</u>	<u>\$24.97</u>	<u>\$10.12</u>	<u>(\$5.15)</u>	<u>(\$459.77)</u>	<u>(\$5.68)</u>	<u>(\$1.60)</u>
Shares outstanding - basic	3,300	20,904	145,340	182,389	1,072,653	3,675,169	1,131,502	3,750,000	5,750,000
Shares outstanding - diluted	3,300	20,904	145,340	767,405	1,289,597	3,675,169	1,131,502	3,750,000	5,750,000
Key ratios:									
Revenue growth	N/A	111.2%	31.4%	30.6%	33.4%	37.4%	33.4%	355.2%	156.4%
Gross margins	-187.4%	-147.0%	-110.7%	-147.4%	-102.0%	-136.0%	-124.7%	17.9%	52.0%
R&D/revenues	439.8%	287.0%	327.8%	362.0%	527.2%	359.8%	396.1%	82.1%	24.0%
Sales & marketing/revenues	344.3%	143.3%	175.7%	175.0%	271.3%	294.2%	233.8%	71.8%	30.0%
General & admin/revenues	245.4%	182.3%	231.2%	242.9%	328.9%	344.6%	291.4%	82.1%	34.0%
Depr, amort & stock-based comp.	\$966,041	\$1,455,220	\$358,313	\$384,000	\$400,000	\$410,000	\$1,552,313	\$1,600,000	\$1,800,000
Tax Rate	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Cash Flow/share	(\$2,604.39)	(\$568.14)	(\$26.29)	(\$26.27)	(\$6.12)	(\$4.74)	(\$28.80)	(\$5.25)	(\$1.29)
EBITDA/share	(\$2,519.42)	(\$513.95)	(\$24.22)	(\$24.62)	(\$5.88)	(\$1.78)	(\$18.43)	(\$5.24)	(\$1.25)

Balance Sheets

	12/31/14	12/31/15
<i>Assets:</i>		
Cash	\$2,017,823	\$4,787,759
Restricted Cash		13,800,000
Accounts receivable	267,485	411,390
Inventory	457,094	1,133,142
Prepaid expenses & other	<u>376,778</u>	<u>564,910</u>
Total current	\$3,119,180	\$20,697,201
Property and equipment, net	4,237,467	7,741,991
Intangible assets and other	<u>216,580</u>	<u>119,171</u>
TOTAL ASSETS	7,573,227	28,558,363
<i>Liabilities:</i>		
Accounts payable	\$1,369,169	\$2,432,459
Accrued expenses	612,359	1,313,149
Current portion of notes payable	49,994	5,693
Notes payable - related party	441,667	2,138,717
Current portion of capital lease obligations	<u>947,422</u>	<u>1,305,426</u>
Total current	3,420,611	7,195,444
Notes payable, net of current portion	5,693	525,000
Capital lease obligations, net of current	2,156,837	851,410
Derivative liability	<u>9,998,636</u>	<u>43,181,472</u>
Total liabilities	15,581,777	51,753,326
Stockholders' equity (deficit)	<u>(8,008,550)</u>	<u>(23,194,963)</u>
TOTAL LIAB & EQ	\$7,573,227	\$28,558,363

Net sales by test (\$000s)

	2014A	2015E	2016E	2017E
Customer placements - Year-en	84	186	300	500
C. difficile	\$1,606	\$2,000	\$4,500	\$9,000
Group B strep	0	142	2,500	5,000
Shiga Toxin (e. coli)	0	0	1,000	2,500
Staph ID/R Blood Culture	0	0	1,000	4,000
Pertussis	0	0	250	1,000
Group A strep	0	0	250	1,000
Foodborne pathogens	0	0	250	1,500
SA Pre-Surgical screen	0	0	0	500
Candida blood infections	0	0	0	500
Total revenues	\$1,606	\$2,142	\$9,750	\$25,000

* Assumes Group B strep product launch Q2/2015, Shiga Toxin and Staph ID/R launch Q2/2016 launches for Foodborne pathogens, Group A Strep and Pertussis late 2016 or early 2017, and launches for Candida Blood infections and SA Pre-surgical screen in H2/2017

Source: Dawson James Securities, Inc. estimates; Company documents

Important Disclosures:

Price Chart:



Price target and ratings changes over the past 3 years:

Initiated – May 26, 2015 – Price Target \$10

Updated – December 26, 2015 – Rating lowered to Neutral

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Market Perform (Neutral)	8	33%	6	75%
Market Underperform (Sell)	0	0%	0	0%
Total	24	100%	16	67%

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