

From: Boris Nikolic <[REDACTED]>

To: Jeffrey Epstein <jeevacation@gmail.com>

Subject: FMI

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Importance: Normal

So crazy how the market is not rational.

I agree with their analysis.

In matter of fact - I am expecting greatly increased revenues - FMI was > doubling its revenue for 3-4 years in the row and it will continue.

At least I have some hope

Talk tmr morning

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William Blair Initiates Coverage of Foundation Medicine with Market Perform Rating

April 18, 2014

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By [a GenomeWeb staff reporter](#)

NEW YORK (GenomeWeb News) – Investment bank William Blair on Thursday initiated coverage of Foundation Medicine with a Market Perform rating.

In a report, analyst Amanda Murphy noted Foundation's differentiated platform, an untapped clinical market, and the company's pharmaceutical business.

The Cambridge, Mass.-based company offers the FoundationOne cancer panel for solid tumors and the FoundationOne Heme for blood-based cancers. Together, the tests represent "the most comprehensive set of genes and alteration types and is thus able to identify more actionable alterations than other assays on the market," Murphy said.

Additionally, Foundation's database includes external data from clinical trials and published literature, allowing the firm to monetize "access to centralized molecular information." As more data is created, Murphy added, the database will become even "more powerful."

She further said that the company's clinical business has seen accelerated adoption, and as Foundation expands its sales force, driving physician adoption, that business will continue to grow. Murphy estimated the near-term

addressable market for Foundation's tests at 1 million patients, implying a potential market opportunity of \$2.8 billion, and she assumes the firm reaches a market penetration of 7 percent by 2016.

Lastly, she said that nearly half of Foundation's revenues come from pharmaceutical companies, which use its proprietary molecular information platform in their therapeutic development work. Foundation has 18 pharma clients, and while Murphy said she expects Foundation's clinical diagnostics revenues "to far exceed" its clinical trials revenues as a share of the firm's total sales, the pharma business provides "a level of support and a more predictable revenue stream."

She estimated Foundation's 2014 revenues at \$57.7 million and its 2015 revenues at \$105.0 million.

Key risks to the company's shares include reimbursement pressure once Medicare and private payors start covering Foundation's tests, Murphy said. Also, the US Food and Drug Administration may take steps to increase regulation of laboratory-developed tests such as FoundationOne and FoundationOne Heme.

The company could also face increased competition in the next-generation sequencing- based cancer diagnostics space. For example, non-profit outfit Paradigm recently [began offering a cancer panel](#) based on DNA and RNA sequencing, as *Clinical Sequencing News* reported.

"As more labs offer somatic alteration panels, this could heighten concerns about Foundation's ability to secure market share and/or maintain reimbursement to the extent competitors compete on price," Murphy said.

Foundation's shares closed down 2 percent at \$26.54 on Thursday on the Nasdaq. Earlier in the week, the company said that it had filed a request with the US Securities and Exchange Commission to [withdraw a planned public offering](#) of up to \$150 million of its common shares, citing market conditions.