

It is now my pleasure to introduce your host, Ronnie Morris. Thank you, you may begin.
Ronnie Morris

Good afternoon. Joining me today is David Miller, our Chief Financial Officer. Thank you for joining us for our quarterly earnings call.

Before I begin, I will remind you that we will make forward-looking statements during today's call and that actual results could differ materially from what is described in those statements. Additional information on factors that could cause results to differ is available in our Form 10-Q and Form 10-K. A reconciliation of non-GAAP financial measures that may be discussed during the call to GAAP financial measures is available in the earnings release.

Overall, this quarter's successful results reflected the execution of our strategic vision and a continuation of the positive momentum that has been building throughout the year. Our revenue grew to \$10.8M, as we continue to successfully expand our services, as well as investing for future growth opportunities.

As you know, last quarter we announced a significant achievement for Champions, the launch of Lumin Bioinformatics, our proprietary SaaS platform. As a reminder, Lumin was developed by combining our unique and proprietary data with large publicly available data sets to provide a tool for biologists to leverage computational analytics in their discovery and development programs. We continue to add functionality, enhanced analytical tools and visualizations, as well as additional data to the platform. As an example, we recently announced the addition of a proteomics module which provides biologists with unique analytics and visualizations to understand proteomic effects in relation to genomic characterizations. While Lumin is still

considered in the early launch stage, the feedback from our customers has been extremely positive and we have successfully increased our software license sales this quarter. It is still too early to project the potential revenue contribution of our Lumin software, but we are continuing to invest in its development and will be looking to broaden its adoption with both our existing and new customers.

Turning to our ex-vivo platform, it continues to expand and contribute meaningfully to our revenue growth. As we have discussed throughout the year, we have historically worked with partners to perform our solid tumor ex-vivo studies, with the goal of bringing this work in house at the start of our 4th quarter. We are on track and have started performing solid tumor ex-vivo work at Champions. We expect to benefit from the lower costs and greater control.

Furthermore, we believe that as we continue to expand our comprehensive and unique ex-vivo platform, it will contribute meaningfully to our revenue growth as we head into the next fiscal year.

With regards to our biomarker assays and specifically regulatory flow cytometry and histology, our bookings were in line with our expectations for the quarter. As covid's negative impact on clinical trials recedes, and our deal flow grows, we remain cautiously optimistic that our regulatory clinical services will reach the levels anticipated when we first decided to enter the market. In order to expand our available market opportunities, over the next several months, we will be opening a lab in Europe- which will enable us to bid on additional global clinical trial work being performed in Europe. We look forward to continued expansion of our clinical biomarker business in the coming quarters.

On the R&D front, we are investing in the development of our service offerings and enriching the data contained in our models. As mentioned earlier, we have begun the proteomic characterization of our tumors which will only further enhance the uniqueness and value of our tumor bank. Over the coming quarters, we anticipate that we will be reinvesting some of our profits in new R&D projects that will lead to further strategic opportunities for Champions as we transition towards new services and revenue streams.

In summary, we had a successful third quarter as we executed on multiple fronts, continuing to grow our service business while also investing for future revenue growth opportunities.

Now let me turn the call over to David Miller for a more detailed review of our financial results.

Thanks, Ronnie. Our full results on Form 10-Q will be filed with the SEC on or before Monday March 15th.

Our third quarter revenue was a record \$10.8 million, compared to \$9 million in the year ago period, a robust year over year increase of \$1.8 million, or 20%. As we've noted over the years, quarterly revenue can fluctuate based on the timing of study completions. This quarter, we did benefit from some Q4 scheduled revenue completing early, pulling into Q3. Excluding stock based compensation and depreciation, we recognized income of \$1.3 million compared to income of \$900,000 in the year ago period, an increase of 46%. Our non-cash expenses including stock comp and depreciation totaled \$530,000 for the quarter, resulting in GAAP

income from operations of \$763,000 compared to \$433,000 in the year ago period. I will now focus on our results on a cash basis.

Our third quarter gross margin was 56%, up from 52% in the same period last year. Cost of sales was \$4.8 million in the quarter, compared to \$4.3 million last year, a year over year increase of \$500,000, or 11%. As discussed on our prior earnings calls, we've partnered with other companies to expedite the expansion of our service offerings, specifically our ex-vivo platform, to continue to drive top line growth. While these partnerships enabled us to accelerate our growth rate, it put pressure on our margins as we recognize upfront cost on signing the business, while the revenue is only recognized when the work is completed. I indicated that as revenue was recognized, we would see an improving margin, which materialized this quarter. I'll highlight that just as our true margins were higher than the 45% reported previously, our margins received a lift this quarter above their traditional norm. But most importantly, As Ronnie mentioned, we are taking this work in house which will generate higher ex-vivo specific margins in the future, as well as smoothing out the ex-vivo related margin fluctuations.

R&D expense was \$1.9M compared to \$1.4M in the year ago period, an increase of \$500,000 or 35%. The increase is due to the continued development work to expand and enhance our product offerings, including an investment in proteomic characterization of our tumorbank.

Sales and marketing expense was \$1.4M compared to \$1.2M last year, an increase of \$229,000 or 19%. The increase in sales and marketing was mainly due to compensation related expenses as we continue to invest in expanding our sales team and marketing efforts.

Our G&A expense increased to \$1.4 million compared to \$1.2million in the year ago period. As a percentage of revenue, our G&A expense remained flat at 17% and we anticipate greater leverage as we grow.

In total, our cash-based expenses were \$9.5 million for the third quarter of fiscal 2021, compared to \$8.1 million in the same period last year, an increase of approximately \$1.4 million, consisting of a \$500,000 increase in R&D and modest increases in other expenses given our revenue jump.

Now Turning to cash ...

We ended the quarter with a balance of \$7.4 million compared to \$3.3 million in the same period last year. For the quarter, net cash from operating activities was near break even. During the quarter, we reduced our accounts payable by nearly \$2 million which contributed to this result. While there can be variability in cash from operations on a quarterly basis due to the timing of receipts and disbursements in our working capital accounts, directionally, our anticipated revenue growth should lead to an overall increase in cash generated from operations over the coming quarters. Our balance sheet remains strong and we have no debt.

In summary, it was a very successful quarter. We hit a new record for quarterly revenue and Excluding stock comp and depreciation, we had a net profit of \$1.3 million. The underlying strength of our core business remains solid and our new products are contributing to our growth. Overall, Our long term prospects look promising. As we're currently in our year end quarter, the next earnings call will likely occur in late July. We will disclose any significant milestones should they occur before our next call. We're looking forward to closing out our fiscal year 2021 and speaking with you again on our year end call. We would now like to open the call for your questions.

After Q&A