

## Medical Devices

# Remedent, Inc. | REMI - \$0.55 - OTC | Buy

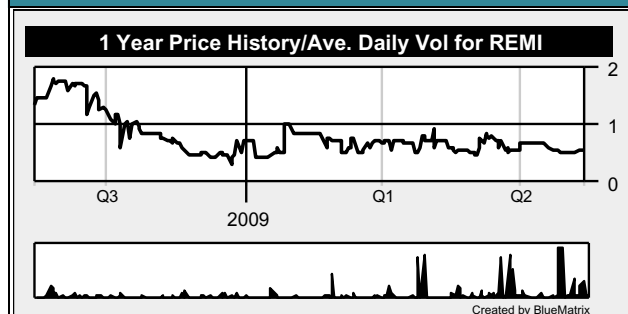
### Analysis of Sales/Earnings

Estimates Changed, Target Price Changed

Stock Data	
52 Week Low - High	\$0.30 - \$1.90
Shares Out. (mil)	20.00
Mkt. Cap.(mil)	\$11.0
3-Mo. Avg. Vol.	19,582
12-Mo.Price Target	\$1.50
Cash (mil)	\$1.6
Tot. Debt (mil)	\$1.6
Est. 3Yr. EPS Growth	NA

EPS (\$)				
Yr Mar	2009	—2010E—		—2011E—
	Actual	Curr	Prev	Curr
1Q	0.01A	(0.03)A	(0.02)E	(0.01)E
2Q	(0.25)A	(0.03)E	(0.02)E	(0.02)E
3Q	(0.02)A	(0.02)E	0.01E	0.00E
4Q	(0.05)A	(0.02)E	0.01E	0.00E
YEAR	(0.31)A	(0.10)E	(0.02)E	(0.03)E
P/E	NM	NM	NM	NM

Revenue (\$ millions)				
Yr Mar	2009	—2010E—		—2011E—
	Actual	Curr	Prev	Curr
1Q	3.6A	2.2A	3.7E	3.1E
2Q	2.8A	2.0E	4.3E	2.8E
3Q	4.8A	2.7E	5.3E	3.6E
4Q	3.4A	3.0E	5.6E	3.7E
YEAR	14.6A	9.9E	18.8E	13.2E



## Cutting Target on Manufacturing Headaches; Den-Mat Relationship Appears Healthy

We have cut our 12-month target price on REMI to \$1.50, from \$2, to account for the manufacturing deficiencies the company has faced as it transitions these operations to China. Longer-term, we believe Remedent's relationship with Den-Mat remains healthy and that Den-Mat's reach will help accelerate REMI's growth once its manufacturing capabilities improve (likely beginning in the December quarter).

- Remedent reported weaker than expected F1Q10 revenues of \$2.2 million, below our projection by \$1.5 million on a reported decline of 40% yoy and 36% sequentially. We note that the comparable period a year ago included \$1.25 million in fees from a distributor, which would imply an underlying decline of 9% yoy. Net loss per share was (\$0.03), a penny wider than our projection on a decline of four cents yoy (due to a weaker gross margin) but an improvement of two cents sequentially (due to lower operating costs).
- GlamSmile / LumiTray revenue came in \$1.2 million below our projection, while OTC sales came in just \$200k below our projection at \$1.1 million (see chart in Summary). Management indicated that its manufacturing transition to China is taking longer than expected, and we believe the company's inability to satisfy end-user demand accounted for the bulk of the downside in the quarter. We expect REMI's manufacturing capabilities should improve going forward, offsetting the 5k to 6k cases per month that we estimate Den-Mat has had to cover due to Remedent's transition and improving to 10k per month by November.
- Remedent ended the quarter with \$1.6 million in cash on its balance sheet, down from \$1.8 million at the end of March. Despite its manufacturing challenges, we remain comfortable with the company's capital position, considering Den-Mat's apparent financial commitment to commercializing LumiTray, LumiStrip and FirstFit.
- Continued in Summary.

Intraday Price \$0.55 at 1:50PM Eastern

**Refer to important disclosure information and rating System Definition on pages 6 - 7 of this report.** Regulation Analyst Certification ("Reg AC"): The research analyst primarily responsible for the content of this report certifies the following under Reg AC: I hereby certify that all views expressed in this report accurately reflect my personal views about the subject company or companies and its or their securities. I also certify that no part of my compensation was, is or will be, directly or indirectly, related to the specific recommendations or views expressed in this report.

## SUMMARY

### F1Q10 Results Breakdown

	F1Q10 Actual	ROTH Est	QoQ Grth	YoY Grth
<b>Total Revenue</b>	\$2.2	\$3.7	-36%	-41%
<b>US LumiTray</b>	\$0.5	\$1.4	-50%	-57%
<b>OUS GlamSmile</b>	\$0.6	\$0.9	-24%	36%
<b>OTC Sales</b>	\$1.1	\$1.4	-34%	-45%
<b>GAAP EPS</b>	(\$0.03)	(\$0.02)	NM	NM

Source: Company Reports; ROTH Capital Partners Estimates

On the product development front, FirstFit remains on track to be launched next month and fully introduced at a Las Vegas dental meeting in November. Remedent also announced that it will be launching a new device for applying its GlamSmile veneers, called GlamStrip, which Den-Mat now has the option to use as an alternative to REMI's tray technology. GlamStrip will allow for better visualization and the ability to be used with Den-Mat's veneer products. Importantly, if Den-Mat exercises this option, it has no impact on the minimum payments Den-Mat must pay under its existing agreement with Remedent.

Given the company's manufacturing interruptions, we have decreased our FY10 revenue projection to \$9.9 million, which assumes a slower rollout of GlamSmile and LumiTray as REMI's manufacturing capabilities in China come up to speed. Accordingly, our FY10 EPS projection now stands at (\$0.10), versus (\$0.02). We are introducing our FY11 revenue and EPS projections of \$13.2 million and (\$0.03), respectively, which assumes 34% top line growth that year. We have not included any revenue from FirstFit in our projections.

## VALUATION

---

Shares of REMI are currently trading with an EV to sales multiple of 1.4x our FY11 sales projection, which we believe undervalues the company's potential and the milestones it has achieved to date. Given its operational strategy and its relationship with Den-Mat, we believe Remedent's business model can achieve growth over the next several years. Our 12-month target price of \$1.50 reflects a fully diluted price to sales multiple of 3.8x our FY11 revenue projection.

## RISKS

---

There exist a number of risks that could impede the realization of our estimates. Foremost, our projections rely heavily on the successful launch of the company's GlamSmile veneer product in the US along with continued adoption of the company's teeth whitening products in the office and over the counter marketplace. GlamSmile has significantly less clinical data than its competitors, Lumineers and traditional porcelain veneers, which could drastically slow down its ability to penetrate the market. With a constantly evolving competitive landscape, any unforeseen product and price competition, along with product malfunctions or defects, could hamper or accelerate future sales growth and accordingly affect the value of shares of REMI.

## COMPANY DESCRIPTION

---

Remedent, Inc., a publicly-traded company on the OTCBB, specializes in the research, development, manufacturing and marketing of oral care and cosmetic dentistry products. With offices in California, Belgium and Singapore, Remedent distributes its products in more than 35 countries.

## MENTIONED COMPANIES

---

Remedent Inc. (REMI) Revenue and Earnings Model (in \$ thousands)																	
August 14, 2009 Fiscal Year End: March 31	FY 2007	FY 2008	FY 2009				FY 2009	FY 2010				FY 2010 (E)	FY 2011				FY 2011 (E)
			Q1 Jun	Q2 Sep	Q3 Dec	Q4 Mar		Q1 Jun	Q2 Sep (E)	Q3 Dec (E)	Q4 Mar (E)		Q1 Jun (E)	Q2 Sep (E)	Q3 Dec (E)	Q4 Mar (E)	
<i>Product sales growth - qtr./qtr.</i>			20.1%	-23.8%	74.8%	-30.0%		-36.3%	-9.6%	40.7%	10.0%		1.4%	-8.0%	27.2%	4.4%	
<i>Product sales growth - yr. / yr.</i>	-9.7%	12.1%	192.1%	157.5%	127.0%	12.0%	95.7%	-40.6%	-29.5%	-43.2%	-10.8%	-32.5%	41.9%	44.4%	30.5%	23.9%	33.7%
<b>Product sales</b>	\$ 6,676	\$ 7,482	\$ 3,635	\$ 2,771	\$ 4,843	\$ 3,390	\$ 14,640	\$ 2,161	\$ 1,954	\$ 2,749	\$ 3,024	\$ 9,888	\$ 3,066	\$ 2,822	\$ 3,589	\$ 3,747	\$ 13,224
Cost of goods sold	3,343	3,976	1,269	785	2,910	1,650	6,615	1,096	987	1,369	1,501	4,953	1,518	1,376	1,737	1,804	6,435
<b>Gross income (loss)</b>	<b>3,334</b>	<b>3,506</b>	2,366	1,986	1,933	1,740	<b>8,025</b>	1,065	967	1,380	1,523	<b>4,935</b>	1,548	1,446	1,852	1,943	<b>6,789</b>
<b>Operating Expenses:</b>																	
Sales and Marketing	889	1,886	671	840	912	370	2,794	351	352	481	529	1,713	460	508	565	581	2,114
General and Administrative	3,289	4,057	1,130	1,274	1,269	1,640	5,312	1,043	1,038	1,100	1,150	4,330	1,156	1,162	1,167	1,173	4,658
Research and Development	342	333	125	47	52	24	249	27	24	33	33	117	38	35	43	41	158
Depreciation and Amortization	209	301	91	183	167	174	616	173	173	173	173	694	173	173	173	173	694
Total Expenses	4,729	6,577	2,018	2,344	2,400	2,208	8,970	1,594	1,587	1,788	1,886	6,854	1,827	1,878	1,949	1,969	7,623
<b>Operating income (loss)</b>	<b>(1,395)</b>	<b>(3,071)</b>	<b>348</b>	<b>(359)</b>	<b>(467)</b>	<b>(468)</b>	<b>(946)</b>	<b>(529)</b>	<b>(620)</b>	<b>(407)</b>	<b>(363)</b>	<b>(1,920)</b>	<b>(279)</b>	<b>(432)</b>	<b>(97)</b>	<b>(26)</b>	<b>(834)</b>
Warrants issued pursuant to Distribution Agreement	-	-	-	(4,323)	-	-	(4,323)	-	-	-	-	-	-	-	-	-	-
Interest income (expense), net	(176)	(17)	(18)	(5)	121	(165)	(67)	(25)	(25)	(25)	(25)	(99)	(25)	(25)	(25)	(25)	(99)
Other Income, Net	75	1	-	-	-	(300)	(300)	66	25	25	25	141	25	25	25	25	100
Income (loss) before income taxes	(1,496)	(3,086)	331	(4,687)	(346)	(933)	(5,636)	(488)	(620)	(407)	(363)	(1,877)	(279)	(432)	(97)	(25)	(833)
Provision for income taxes	-	-	-	-	-	(33)	(33)	-	-	-	-	-	-	-	-	-	-
<i>Tax rate</i>	0.0%	0.0%	0.0%	0.0%	0.0%	NM	0.6%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Minority Interest	NM	(192)	(62)	-	-	-	(192)	(62)	-	-	-	(62)	-	-	-	-	-
<b>GAAP Net Income</b>	<b>(1,496)</b>	<b>(3,086)</b>	<b>331</b>	<b>(4,687)</b>	<b>(424)</b>	<b>(1,080)</b>	<b>(5,795)</b>	<b>(549)</b>	<b>(620)</b>	<b>(407)</b>	<b>(363)</b>	<b>(1,939)</b>	<b>(279)</b>	<b>(432)</b>	<b>(97)</b>	<b>(25)</b>	<b>(833)</b>
GAAP EPS Basic	(0.12)	(0.17)	0.02	(0.25)	(0.02)	(0.05)	(0.30)	(0.03)	(0.03)	(0.02)	(0.02)	(0.10)	(0.01)	(0.02)	-	-	(0.03)
<b>GAAP EPS Diluted</b>	<b>\$ (0.12)</b>	<b>\$ (0.17)</b>	<b>0.01</b>	<b>(0.25)</b>	<b>(0.02)</b>	<b>(0.05)</b>	<b>\$ (0.31)</b>	<b>(0.03)</b>	<b>(0.03)</b>	<b>(0.02)</b>	<b>(0.02)</b>	<b>\$ (0.10)</b>	<b>(0.01)</b>	<b>(0.02)</b>	<b>-</b>	<b>-</b>	<b>\$ (0.03)</b>
Shares outstanding - basic	12,972	17,823	18,638	18,969	19,269	19,996	19,218	19,996	19,368	20,146	19,518	19,757	19,668	19,907	19,818	20,057	19,862
Shares outstanding - diluted	12,972	23,051	27,001	27,301	27,601	27,901	27,451	32,702	32,852	33,002	33,152	32,927	33,302	33,452	33,602	33,752	33,527
<b>Margin Analysis:</b>																	
<i>Gross Margin</i>	49.9%	46.9%	65.1%	71.7%	39.9%	51.3%	54.8%	49.3%	49.5%	50.2%	50.4%	49.9%	50.5%	51.3%	51.6%	51.9%	51.3%
<i>Sales and Marketing</i>	13.3%	25.2%	18.5%	30.3%	18.8%	10.9%	19.1%	16.2%	18.0%	17.5%	17.5%	17.3%	15.0%	18.0%	15.8%	15.5%	16.0%
<i>General and Administrative</i>	49.3%	54.2%	31.1%	46.0%	26.2%	48.4%	36.3%	48.3%	53.1%	40.0%	38.0%	43.8%	37.7%	41.2%	32.5%	31.3%	35.2%
<i>Research and Development</i>	5.1%	4.4%	3.4%	1.7%	1.1%	0.7%	1.7%	1.2%	1.3%	1.2%	1.1%	1.2%	1.3%	1.3%	1.2%	1.1%	1.2%
<i>Depreciation and Amortization</i>	3.1%	4.0%	2.5%	6.6%	3.5%	5.1%	4.2%	8.0%	0.0%	0.0%	0.0%	7.0%	0.0%	0.0%	0.0%	0.0%	5.2%
<i>Total Expenses</i>	70.8%	87.9%	55.5%	84.6%	49.6%	65.1%	61.3%	73.8%	81.2%	65.0%	62.4%	0.0%	59.6%	66.6%	54.3%	52.5%	0.0%
<i>Operating Margin</i>	-20.9%	-41.0%	9.6%	-12.9%	-9.6%	-13.8%	-6.5%	-24.5%	-31.7%	-14.8%	-12.0%	-19.4%	-9.1%	-15.3%	-2.7%	-0.7%	-6.3%
<i>Net profit Margin</i>	-22.4%	-41.3%	9.1%	-169.1%	-8.8%	-31.8%	-39.6%	-25.4%	-31.7%	-14.8%	-12.0%	-19.6%	-9.1%	-15.3%	-2.7%	-0.7%	-6.3%

\* 3Q09 EPS excludes \$2.8 million gain on disposition of OTC

Source: Company Reports and ROTH Capital Partners Estimates

Matthew Pommer, Ph.D.  
mpommer@roth.com  
949-720-7163

Matt Dolan  
mdolan@roth.com  
949-720-5796

Remedent Inc. (REMI) August 14, 2009	FY 2009				FY 2010				FY 2011				FY2008	FY2009	FY2010 (E)	FY2011 (E)
	Q1 Jun	Q2 Sep	Q3 Dec	Q4 Mar	Q1 Jun	Q2 Sep (E)	Q3 Dec (E)	Q4 Mar (E)	Q1 Jun (E)	Q2 Sep (E)	Q3 Dec (E)	Q4 Mar (E)				
<i>Rev. Growth - Qrt. / Qrt.</i>	22.0%	-23.8%	74.8%	-30.0%	-36.3%	-9.6%	40.7%	10.0%	1.4%	-8.0%	27.2%	4.4%				
<i>Rev. Growth - Yr. / Yr.</i>	186.3%	152.8%	126.6%	13.8%	-40.6%	-29.5%	-43.2%	-10.8%	41.9%	44.4%	30.5%	23.9%	1.7%	95.7%	-32.5%	33.7%
<b>Total Revenue</b>	<b>\$3,635</b>	<b>\$2,771</b>	<b>\$ 4,843</b>	<b>\$ 3,390</b>	<b>\$ 2,161</b>	<b>\$ 1,954</b>	<b>\$ 2,749</b>	<b>\$ 3,024</b>	<b>\$ 3,066</b>	<b>\$ 2,822</b>	<b>\$ 3,589</b>	<b>\$ 3,747</b>	<b>\$7,482</b>	<b>\$14,639</b>	<b>\$9,888</b>	<b>\$13,224</b>
<b>Product Sales</b>	<b>\$3,635</b>	<b>\$2,771</b>	<b>\$4,843</b>	<b>\$3,390</b>	<b>\$2,161</b>	<b>\$1,954</b>	<b>\$2,749</b>	<b>\$3,024</b>	<b>\$3,066</b>	<b>\$2,822</b>	<b>\$3,589</b>	<b>\$3,747</b>	<b>\$7,482</b>	<b>\$14,639</b>	<b>\$9,888</b>	<b>\$13,224</b>
<i>Yr / Yr Grth</i>	186.3%	152.8%	126.6%	13.8%	-40.6%	-29.5%	-43.2%	-10.8%	41.9%	44.4%	30.5%	23.9%	1.7%	95.7%	-32.5%	33.7%
<i>QoQ Grth</i>	22.0%	-23.8%	74.8%	-30.0%	-36.3%	-9.6%	40.7%	10.0%	1.4%	-8.0%	27.2%	4.4%	NM	NM	NM	NM
<b>US LumiTray (Den-Mat)</b>	<b>\$1,151</b>	<b>\$1,729</b>	<b>\$3,005</b>	<b>\$983</b>	<b>\$488</b>	<b>\$605</b>	<b>\$902</b>	<b>\$1,032</b>	<b>\$1,024</b>	<b>\$1,089</b>	<b>\$1,397</b>	<b>\$1,497</b>	<b>\$316</b>	<b>\$6,868</b>	<b>\$3,027</b>	<b>\$5,008</b>
<i>Yr / Yr Grth</i>	NM	NM	NM	284%	-58%	-65%	-70%	5%	110%	80%	55%	45%		2073%	-56%	65%
<i>QoQ Grth</i>	350%	50%	74%	-67%	-50%	24%	49%	14%	-1%	6%	28%	7%				
<i>% of Sales</i>	32%	62%	62%	29%	23%	31%	33%	34%	33%	39%	39%	40%	4%	47%	31%	38%
<b>OUS GlamSmile</b>	<b>\$450</b>	<b>\$550</b>	<b>\$821</b>	<b>\$807</b>	<b>\$612</b>	<b>\$660</b>	<b>\$780</b>	<b>\$904</b>	<b>\$949</b>	<b>\$1,023</b>	<b>\$1,092</b>	<b>\$1,130</b>	<b>\$878</b>	<b>\$2,628</b>	<b>\$2,956</b>	<b>\$4,193</b>
<i>Yr / Yr Grth</i>	674%	239%	183%	120%	36%	20%	-5%	12%	55%	55%	40%	25%	2088%	199%	12%	42%
<i>QoQ Grth</i>	23%	22%	49%	-2%	-24%	8%	18%	16%	5%	8%	7%	3%				
<i>% of Sales</i>	12%	20%	17%	24%	28%	34%	28%	30%	31%	36%	30%	30%	12%	18%	30%	32%
<b>Professional Sales</b>	<b>\$1,601</b>	<b>\$2,279</b>	<b>\$3,826</b>	<b>\$1,790</b>	<b>\$1,100</b>	<b>\$1,265</b>	<b>\$1,681</b>	<b>\$1,936</b>	<b>\$1,973</b>	<b>\$2,112</b>	<b>\$2,489</b>	<b>\$2,626</b>	<b>\$1,194</b>	<b>\$9,496</b>	<b>\$5,982</b>	<b>\$9,201</b>
<i>Yr / Yr Grth</i>	2654%	1306%	992%	187%	-31%	-44%	-56%	8%	79%	67%	48%	36%	2876%	696%	-37%	54%
<i>QoQ Grth</i>	157%	42%	68%	-53%	-39%	15%	33%	15%	2%	7%	18%	6%				
<i>% of Sales</i>	44%	82%	79%	53%	51%	65%	61%	64%	64%	75%	69%	70%	16%	65%	61%	70%
<b>OTC Sales</b>	<b>\$1,944</b>	<b>\$492</b>	<b>\$1,017</b>	<b>\$1,600</b>	<b>\$1,061</b>	<b>\$689</b>	<b>\$1,068</b>	<b>\$1,088</b>	<b>\$1,093</b>	<b>\$709</b>	<b>\$1,100</b>	<b>\$1,121</b>	<b>\$5,352</b>	<b>\$5,053</b>	<b>\$3,906</b>	<b>\$4,023</b>
<i>Yr / Yr Grth</i>	145%	-18%	-40%	-29%	-45%	40%	5%	-32%	3%	3%	3%	3%	2%	-6%	-23%	3%
<i>QoQ Grth</i>	-14%	-75%	107%	57%	-34%	-35%	55%	2%	0%	-35%	55%	2%				
<i>% of Sales</i>	53%	18%	21%	47%	49%	35%	39%	36%	36%	25%	31%	30%	72%	35%	39%	30%
<b>Other Professional Sales</b>	<b>\$90</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$936</b>	<b>\$90</b>	<b>\$0</b>	<b>\$0</b>
<i>Yr / Yr Grth</i>	-79%	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	-55%	-90%		
<i>QoQ Grth</i>	0%	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM				
<i>% of Sales</i>	2%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	13%	1%	0%	0%

Source: Company Reports and ROTH Capital Partners Estimates

Matthew Pommer, Ph.D.  
mpommer@roth.com  
949-720-7163

Matt Dolan  
mdolan@roth.com  
949-720-5796

## Disclosures:

ROTH makes a market in shares of Remedent, Inc. and as such, buys and sells from customers on a principal basis.

Shares of Remedent, Inc. may not be eligible for sale in one or more states.

Shares of Remedent, Inc. may be subject to the Securities and Exchange Commission's Penny Stock Rules, which may set forth sales practice requirements for certain low-priced securities.



Each box on the Rating and Price Target History chart above represents a date on which an analyst made a change to a rating or price target, except for the first box, which may only represent the first note written during the past three years. **Distribution Ratings/IB Services** shows the number of companies in each rating category from which Roth or an affiliate received compensation for investment banking services in the past 12 month.

### Distribution of IB Services Firmwide

Rating	Count	Percent	IB Serv./Past 12 Mos. as of 08/14/09	
			Count	Percent
BUY [B]	134	66.0	12	9.0
HOLD [H]	66	32.5	0	0
SELL [S]	3	1.5	0	0
NOT RATED [NR]	0	0.0	0	0

Our rating system attempts to incorporate industry, company and/or overall market risk and volatility. Consequently, at any given point in time, our investment rating on a stock and its implied price movement may not correspond to the stated 12-month price target.

Ratings System Definitions - ROTH employs a rating system based on the following:

**Buy:** A security, which at the time the rating is instituted and or reiterated, indicates an expectation of a total return of at least 10% over the next 12 months.

**Hold:** A security, which at the time the rating is instituted and or reiterated, indicates an expectation of a total return between negative 10% and 10% over the next 12 months.

**Sell:** A security, which at the time the rating is instituted and or reiterated, indicates an expectation that the price will depreciate by more than 10% over the next 12 months.

**Not Rated:** A security which at the time the rating is instituted and or reiterated, indicates that we have no opinion or expectations as to the price of the security over the next 12 months.

**Not Covered (NC):** ROTH does not publish research or have an opinion about this security.

ROTH Capital Partners, LLC expects to receive or intends to seek compensation for investment banking or other business

relationships with the covered companies mentioned in this report in the next three months. The material, information and facts discussed in this report other than the information regarding ROTH Capital Partners, LLC and its affiliates, are from sources believed to be reliable, but are in no way guaranteed to be complete or accurate. This report should not be used as a complete analysis of the company, industry or security discussed in the report. Additional information is available upon request. This is not, however, an offer or solicitation of the securities discussed. Any opinions or estimates in this report are subject to change without notice. An investment in the stock may involve risks and uncertainties that could cause actual results to differ materially from the forward-looking statements. Additionally, an investment in the stock may involve a high degree of risk and may not be suitable for all investors. No part of this report may be reproduced in any form without the express written permission of ROTH. Copyright 2009. Member: FINRA/SIPC.