

## Medical Devices

# Remedent, Inc. | REMI - \$0.54 - OTC | Buy

Stock Data	
52 Week Low - High	\$0.30 - \$1.90
Shares Out. (mil)	20.00
Mkt. Cap.(mil)	\$10.8
3-Mo. Avg. Vol.	18,288
12-Mo.Price Target	\$2.00
Cash (mil)	\$2.6
Tot. Debt (mil)	\$1.1
Est. 3Yr. EPS Growth	NA

EPS (\$)			
Yr Mar	2008	—2009E—	—2010E—
	Actual	Curr	Curr
1Q	(0.03)A	0.01A	0.01E
2Q	(0.05)A	(0.25)A	0.01E
3Q	(0.06)A	(0.02)A	0.01E
4Q	(0.03)A	0.00E	0.02E
YEAR	(0.17)A	(0.26)E	0.05E
P/E	NM	NM	10.8x

Revenue (\$ millions)			
Yr Mar	2008	—2009E—	—2010E—
	Actual	Curr	Curr
1Q	1.2A	3.6A	4.9E
2Q	1.1A	2.8A	5.0E
3Q	2.1A	4.8A	5.3E
4Q	3.0A	4.7E	5.4E
YEAR	7.5A	16.0E	20.7E



## Sales Light but GlamSmile Still Putting Up Growth; Call Wednesday Morning

- Remedent reported its fiscal-4Q09 (ended March) financial results last night and has a conference scheduled for tomorrow morning (Wednesday, July 1) at 11AM (ET).
- Sales in the March quarter totaled \$3.4 million, well below our \$4.7 million projection despite demonstrating 12% growth over the same quarter year ago. Revenues declined 30% sequentially, and we expect the broader economic slowdown has impacted both segments of Remedent's business (OTC and Professional / GlamSmile sales), including a slower than anticipated rollout of LumiTray with Den-Mat.
- Our model had assumed \$900k in OTC sales in fiscal-4Q09 and \$3.8 million in GlamSmile / LumiTray revenues. While we have yet to obtain a more detailed revenue breakdown by product line, we estimate that OTC sales saw a significant decline over fiscal 4Q08's record OTC performance (\$2.3 million), possibly putting that segment's revenue below our projection.
- In addition, the company indicated that GlamSmile sales for the year grew to \$7.9 million versus \$1.2 million in the prior fiscal year, which we view as a positive general indication of growth. However, GlamSmile surely missed our \$3.8 million projection (by maybe around \$1 million), versus \$600k in sales in the comparable period a year ago and down from \$3.8 million in the December quarter.
- Loss from operations was \$468k, versus our projection of operating income of \$165k, essentially due to weaker than expected sales. Operating loss was flat sequentially (despite the sequential downtick in sales) and improved slightly yoy on better revenue. Net loss per share was (\$0.05), wider than our break even projection due to (1) the company's loss from operations, (2) higher than expected interest expenses and (3) a \$300k provision for IMDS.
- The company ended March with cash and equivalents of \$1.8 million, down from \$2.6 million at the end of December.
- Our projections and financial model are under review, and we will provide a more detailed update following tomorrow's call. We continue to view the company's relationship Den-Mat to distribute two key products (LumiTray and FirstFit) as the significant value driver for the Remedent story, representing a possible long-term strategic fit for the company's technology.

Refer to important disclosure information and rating System Definition on page 4 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.

- Management is scheduled to host its financial results conference call at 11AM (ET) tomorrow (Wednesday, July 1). Dial in 800-894-5910 (domestic) or 785-424-1052 (international). Conference ID: 7REMEDENT.
- Beyond operating results, we will look for more color on the company's relationship with Den-Mat, including its recently signed agreement for FirstFit (utilizes Remedent's CAD process and is designed to speed the manufacturing and placement of dental bridges and crowns – 10 steps are essentially cut in half).

## VALUATION

Shares of REMI.OB are currently trading with an EV to sales multiple of 0.7x our FY10 sales projections, which we believe undervalues the company's potential and the milestones it has achieved to date. Given its operational strategy, we believe Remedent's business model can achieve significant operating leverage over the next several years. Our 12-month target price of \$2 reflects a fully diluted price to sales multiple of 2.8x our FY10 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

## 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 06/30/09	
			Count	Percent
BUY [B]	128	63.1	8	6.2
HOLD [H]	72	35.5	1	1.4
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.