

Medical Devices

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

Analysis of Sales/Earnings

Estimates 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.	18,614
12-Mo.Price Target	\$2.00
Cash (mil)	\$1.8
Tot. Debt (mil)	\$0.8
Est. 3Yr. EPS Growth	NA

EPS (\$)				
Yr Mar	2008	—2009A—	—2010E—	
	Actual	Curr	Curr	Prev
1Q	(0.03)A	0.01A	(0.02)E	0.01E
2Q	(0.05)A	(0.25)A	(0.02)E	0.01E
3Q	(0.06)A	(0.02)A	0.01E	0.01E
4Q	(0.03)A	(0.05)A	0.01E	0.02E
YEAR	(0.17)A	(0.31)A	(0.02)E	0.05E
P/E	NM	NM	NM	11.0x

Revenue (\$ millions)				
Yr Mar	2008	—2009A—	—2010E—	
	Actual	Curr	Curr	Prev
1Q	1.2A	3.6A	3.7E	4.9E
2Q	1.1A	2.8A	4.3E	5.0E
3Q	2.1A	4.8A	5.3E	5.3E
4Q	3.0A	3.4A	5.6E	5.4E
YEAR	7.5A	14.6A	18.8E	20.7E



Tempering Estimates Due to Growing Pains, but Looking for a Strong FY10; Buy

Remedent reported its fiscal-4Q09 results with sales \$3.4 million in the March quarter, well below our \$4.7 million projection despite demonstrating 12% growth over the same quarter year ago. Revenues declined 30% sequentially, which we believe was due in part to a manufacturing constraint at Remedent's Vietnamese facility leading to a slower than anticipated rollout of LumiTray with Den-Mat.

- Additionally, we expect the broader economic slowdown has impacted both segments of Remedent's business (OTC and Professional / GlamSmile sales). However, we also note that the comparative sequential quarter (fiscal-3Q09) included a \$1 million royalty payment that if excluded would imply a sequential decline of only about 12%.
- By segment, Remedent reported Professional sales of \$1.8 million, an increase of 53% from the year ago period and a decline of 53% sequentially and about \$2 million below our projection. Remedent's OTC sales were \$1.6 million in the quarter, reflecting a decline of 29% yoy and a 57% increase sequentially and about \$700k above our projection.
- 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.
- We believe the company's LumiTray rollout is progressing and expect revenue to ramp well in the back half of FY10 as the company shifts its manufacturing to China. Although we expect some lumpiness to revenues going forward (1Q09), we project solid growth in all segments in FY10. Our FY10 revenue and EPS projections now stand at \$18.8 million and (\$0.02), respectively, down from \$20.7 million and 0.05. We note that our projections do not include any impact from the launch of FirstFit expected earlier this year.
- We maintain our Buy rating on the shares of REMI and 12-month target price of \$2.

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

Remedent reported its fiscal-4Q09 results with sales \$3.4 million in the March quarter, well below our \$4.7 million projection despite demonstrating 12% growth over the same quarter year ago. Revenues declined 30% sequentially, which we believe was due in part to a manufacturing constraint at Remedent's Vietnamese facility leading to a slower than anticipated rollout of LumiTray with Den-Mat.

Additionally, we expect the broader economic slowdown has impacted both segments of Remedent's business (OTC and Professional / GlamSmile sales). However, we also note that the fiscal-3Q09 period included a \$1 million royalty payment that if excluded would imply a sequential decline of about 12%.

By segment Remedent reported that in fiscal-4Q09 Professional sales were \$1.8 million on an increase of 53% from the year ago period and a decline of 53% sequentially and about \$2 million below our projection. Remedent's OTC sales were \$1.6 million in the quarter, reflecting a decline of 29% yoy and a 57% increase sequentially and about \$700k above our projection.

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.

FirstFit

We believe the company remains on track for a preliminary launch of its FirstFit product in September, likely followed by a full launch at a conference in Las Vegas this November. We view FirstFit as a potentially significant opportunity for Remedent (although not yet in our model), as it has the potential to speed the manufacturing and placement of dental bridges and crowns – 10 steps are essentially cut in half. Recall, the company has a recently signed an agreement for FirstFit, which utilizes Remedent's CAD/CAM process.

Balance Sheet

The company ended March with cash and equivalents of \$1.8 million, down from \$2.6 million at the end of December. Based on our current outlook, we believe Remedent remains well capitalized to grow its business.

Model Update

We believe the company's LumiTray rollout is progressing and expect revenue to ramp well in FY10 as the company improves its manufacturing capabilities in China. Although we expect some lumpiness to revenues going forward, we project solid growth in all segments in FY10. Our FY10 revenue and EPS projections now stand at \$18.8 million and (\$0.02), respectively, down from \$20.7 million and 0.05.

We maintain our Buy rating on the shares of REMI and 12-month target price of \$2.

VALUATION

Shares of REMI.OB are currently trading with an EV to sales multiple of 0.8x 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 2.9x 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

Remedent Inc. (REMI)
Revenue and Earnings Model
(in \$ thousands)

July 2, 2009 Fiscal Year End: March 31	FY 2008					FY 2009					FY 2010					
	FY 2007	Q1 Jun	Q2 Sep	Q3 Dec	Q4 Mar	FY 2008	Q1 Jun	Q2 Sep	Q3 Dec	Q4 Mar	FY 2009	Q1 Jun (E)	Q2 Sep (E)	Q3 Dec (E)	Q4 Mar (E)	FY 2010 (E)
<i>Product sales growth - qtr./qtr.</i>		-31.1%	-13.5%	98.2%	42.0%		20.1%	-23.8%	74.8%	-30.0%		8.7%	16.0%	23.6%	5.7%	
<i>Product sales growth - yr. / yr.</i>	-9.7%	-3.9%	-55.4%	84.0%	67.7%	12.1%	192.1%	157.5%	127.0%	12.0%	95.7%	1.4%	54.3%	9.2%	64.7%	28.6%
Product sales	\$ 6,676	\$ 1,245	\$ 1,076	\$ 2,133	\$ 3,028	\$ 7,482	\$ 3,635	\$ 2,771	\$ 4,843	\$ 3,390	\$ 14,640	\$ 3,687	\$ 4,276	\$ 5,286	\$ 5,585	\$ 18,833
Cost of goods sold	3,343	665	687	1,271	1,352	3,976	1,269	785	2,910	1,650	6,615	1,862	2,138	2,616	2,773	9,389
Gross income (loss)	3,334	579	390	862	1,676	3,506	2,366	1,986	1,933	1,740	8,025	1,825	2,138	2,669	2,812	9,444
Operating Expenses:																
Sales and Marketing	889	103	283	611	889	1,886	671	840	912	370	2,794	369	770	925	977	3,041
General and Administrative	3,289	745	1,059	1,087	1,166	4,057	1,130	1,274	1,269	1,640	5,312	1,518	1,510	1,100	1,150	5,278
Research and Development	342	29	46	172	85	333	125	47	52	24	249	46	53	63	61	224
Depreciation and Amortization	209	66	70	80	85	301	91	183	167	174	616	174	174	174	174	696
Total Expenses	4,729	943	1,458	1,951	2,226	6,577	2,018	2,344	2,400	2,208	8,970	2,107	2,507	2,262	2,363	9,239
Operating income (loss)	(1,395)	(363)	(1,069)	(1,089)	(550)	(3,071)	348	(359)	(467)	(468)	(946)	(282)	(370)	407	449	205
Warrants issued pursuant to Distribution Agreement	-	-	-	-	-	-	-	(4,323)	-	-	(4,323)	-	-	-	-	-
Interest income (expense), net	(176)	(29)	64	(8)	(45)	(17)	(18)	(5)	121	(165)	(67)	50	50	50	50	200
Other Income, Net	75	1	-	-	-	1	-	-	-	(300)	(300)	-	-	-	-	-
Income (loss) before income taxes	(1,496)	(391)	(1,005)	(1,097)	(594)	(3,086)	331	(4,687)	(346)	(933)	(5,636)	(232)	(320)	457	499	405
Provision for income taxes	-	-	-	-	-	-	-	-	-	(33)	(33)	-	-	-	-	-
<i>Tax rate</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>NM</i>	<i>0.6%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>
Minority Interest	NM	NM	NM	(78)	(114)	(192)	(124)	(144)	(178)	(188)	(192)	(124)	(144)	(178)	(188)	(634)
GAAP Net Income	(1,496)	(391)	(1,005)	(1,097)	(594)	(3,086)	331	(4,687)	(424)	(1,080)	(5,795)	(356)	(464)	279	311	(229)
GAAP EPS Basic	(0.12)	(0.03)	(0.05)	(0.06)	(0.03)	(0.17)	0.02	(0.25)	(0.02)	(0.05)	(0.30)	(0.02)	(0.02)	0.01	0.01	(0.02)
GAAP EPS Diluted	\$ (0.12)	(0.03)	(0.05)	(0.06)	(0.03)	\$ (0.17)	0.01	(0.25)	(0.02)	(0.05)	\$ (0.31)	(0.02)	(0.02)	0.01	0.01	\$ (0.02)
Shares outstanding - basic	12,972	13,612	18,596	18,602	20,483	17,823	18,638	18,969	19,269	19,996	19,218	20,296	20,596	20,896	21,196	20,746
Shares outstanding - diluted	12,972	13,612	25,897	26,197	26,497	23,051	27,001	27,301	27,601	27,901	27,451	28,201	28,501	28,801	29,101	28,651
Margin Analysis:																
Gross Margin	49.9%	46.5%	36.2%	40.4%	55.3%	46.9%	65.1%	71.7%	39.9%	51.3%	54.8%	49.5%	50.0%	50.5%	50.4%	50.1%
<i>Sales and Marketing</i>	<i>13.3%</i>	<i>8.3%</i>	<i>26.3%</i>	<i>28.7%</i>	<i>29.4%</i>	<i>25.2%</i>	<i>18.5%</i>	<i>30.3%</i>	<i>18.8%</i>	<i>10.9%</i>	<i>19.1%</i>	<i>10.0%</i>	<i>18.0%</i>	<i>17.5%</i>	<i>17.5%</i>	<i>16.1%</i>
<i>General and Administrative</i>	<i>49.3%</i>	<i>59.8%</i>	<i>98.4%</i>	<i>51.0%</i>	<i>38.5%</i>	<i>54.2%</i>	<i>31.1%</i>	<i>46.0%</i>	<i>26.2%</i>	<i>48.4%</i>	<i>36.3%</i>	<i>41.2%</i>	<i>35.3%</i>	<i>20.8%</i>	<i>20.6%</i>	<i>28.0%</i>
<i>Research and Development</i>	<i>5.1%</i>	<i>2.4%</i>	<i>4.3%</i>	<i>8.1%</i>	<i>2.8%</i>	<i>4.4%</i>	<i>3.4%</i>	<i>1.7%</i>	<i>1.1%</i>	<i>0.7%</i>	<i>1.7%</i>	<i>1.3%</i>	<i>1.3%</i>	<i>1.2%</i>	<i>1.1%</i>	<i>1.2%</i>
<i>Depreciation and Amortization</i>	<i>3.1%</i>	<i>5.3%</i>	<i>6.5%</i>	<i>3.8%</i>	<i>2.8%</i>	<i>4.0%</i>	<i>2.5%</i>	<i>6.6%</i>	<i>3.5%</i>	<i>5.1%</i>	<i>4.2%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>0.0%</i>	<i>3.7%</i>
<i>Total Expenses</i>	<i>70.8%</i>	<i>75.7%</i>	<i>135.5%</i>	<i>91.5%</i>	<i>73.5%</i>	<i>87.9%</i>	<i>55.5%</i>	<i>84.6%</i>	<i>49.6%</i>	<i>65.1%</i>	<i>61.3%</i>	<i>57.1%</i>	<i>58.6%</i>	<i>42.8%</i>	<i>42.3%</i>	<i>0.0%</i>
Operating Margin	-20.9%	-29.2%	-99.3%	-51.1%	-18.1%	-41.0%	9.6%	-12.9%	-9.6%	-13.8%	-6.5%	-7.6%	-8.6%	7.7%	8.0%	1.1%
Net profit Margin	-22.4%	-31.4%	-93.3%	-51.4%	-19.6%	-41.3%	9.1%	-169.1%	-8.8%	-31.8%	-39.6%	-9.7%	-10.8%	5.3%	5.6%	-1.2%

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

Source: Company Reports and ROTH Capital Partners Estimates

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Remedent Inc. (REMI) July 2, 2009	FY 2008				FY 2009				FY 2010				FY2007	FY2008	FY2009	FY2010 (E)
	Q1 Jun	Q2 Sep	Q3 Dec	Q4 Mar	Q1 Jun	Q2 Sep	Q3 Dec	Q4 Mar	Q1 Jun (E)	Q2 Sep (E)	Q3 Dec (E)	Q4 Mar (E)				
<i>Rev. Growth - Qrt. / Qrt.</i>	-22.1%	-13.7%	95.0%	39.4%	22.0%	-23.8%	74.8%	-30.0%	8.8%	16.0%	23.6%	5.7%				
<i>Rev. Growth - Yr. / Yr.</i>	-15.1%	-62.4%	62.3%	82.8%	186.3%	152.8%	126.6%	13.8%	1.4%	54.3%	9.1%	64.7%	39.2%	1.7%	95.7%	28.6%
Total Revenue	\$ 1,270	\$ 1,096	\$ 2,137	\$ 2,979	\$3,635	\$2,771	\$ 4,843	\$ 3,390	\$ 3,687	\$ 4,276	\$ 5,286	\$ 5,585	\$7,356	\$7,482	\$14,640	\$18,833
Product Sales	\$1,270	\$1,096	\$2,137	\$2,979	\$3,635	\$2,771	\$4,843	\$3,390	\$3,687	\$4,276	\$5,286	\$5,585	\$7,356	\$7,482	\$14,640	\$18,833
<i>Yr / Yr Grth</i>	-15.1%	-62.4%	62.3%	82.8%	186.3%	152.8%	126.6%	13.8%	1.4%	54.3%	9.1%	64.7%	-9.7%	1.7%	95.7%	28.6%
<i>QoQ Grth</i>	-22.1%	-13.7%	95.0%	39.4%	22.0%	-23.8%	74.8%	-30.0%	8.8%	16.0%	23.6%	5.7%	NM	NM	NM	NM
US LumiTray (Den-Mat)	\$0	\$0	\$60	\$256	\$1,151	\$1,729	\$3,005	\$983	\$1,381	\$2,127	\$2,855	\$2,998	NM	\$316	\$6,868	\$9,361
<i>Yr / Yr Grth</i>	NM	NM	NM	NM	NM	NM	NM	284%	20%	23%	-5%	205%	NM	NM	2073%	36%
<i>QoQ Grth</i>	NM	NM	NM	327%	350%	50%	74%	-67%	41%	54%	34%	5%	NM	NM	NM	NM
<i>% of Sales</i>	NM	NM	2.8%	9%	32%	62%	62%	29%	37%	50%	54%	54%	NM	4%	47%	50%
OUS GlamSmile	\$58	\$162	\$290	\$367	\$450	\$550	\$821	\$807	\$945	\$1,018	\$1,108	\$1,147	\$40	\$878	\$2,628	\$4,217
<i>Yr / Yr Grth</i>					674%	239%	183%	120%	110%	85%	35%	42%	-10%	2088%	199%	60%
<i>QoQ Grth</i>	152%	179%	79%	26%	23%	22%	49%	-2%	17%	8%	9%	3%	NM	NM	NM	NM
<i>% of Sales</i>	5%	15%	14%	12%	12%	20%	17%	24%	26%	24%	21%	21%	100%	12%	18%	22%
Professional Sales	\$58	\$162	\$350	\$623	\$1,601	\$2,279	\$3,826	\$1,790	\$2,326	\$3,144	\$3,963	\$4,145	\$40	\$1,194	\$9,496	\$13,578
<i>Yr / Yr Grth</i>	5009%	2675%	3372%	2604%	2654%	1306%	992%	187%	45%	38%	4%	131%	-10%	2876%	696%	43%
<i>QoQ Grth</i>	152%	179%	116%	78%	157%	42%	68%	-53%	30%	35%	26%	5%	NM	NM	NM	NM
<i>% of Sales</i>	5%	15%	16%	21%	44%	82%	79%	53%	63%	74%	75%	74%	100%	16%	65%	72%
OTC Sales	\$792	\$598	\$1,696	\$2,266	\$1,944	\$492	\$1,017	\$1,600	\$1,361	\$1,132	\$1,323	\$1,440	\$5,251	\$5,352	\$5,053	\$5,255
<i>Yr / Yr Grth</i>	-6%	-75%	96%	99%	145%	-18%	-40%	-29%	-30%	130%	30%	-10%	-10%	2%	-6%	4%
<i>QoQ Grth</i>	-30%	-24%	183%	34%	-14%	-75%	107%	57%	-15%	-17%	17%	9%	NM	NM	NM	NM
<i>% of Sales</i>	62%	55%	79%	76%	53%	18%	21%	47%	37%	26%	25%	26%	100%	72%	35%	28%
Other Professional Sales	\$419	\$336	\$91	\$90	\$90	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$2,065	\$936	\$90	\$0
<i>Yr / Yr Grth</i>	-35%	-33%	-79%	-81%	-79%	NM	NM	NM	NM	NM	NM	NM	-10%	-55%	-90%	-100%
<i>QoQ Grth</i>	-11%	-20%	-73%	-1%	0%	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM
<i>% of Sales</i>	33%	31%	4%	3%	2%	0%	0%	0%	0%	0%	0%	0%	100%	13%	1%	0%

Source: Company Reports and ROTH Capital Partners Estimates

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Disclosures:

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

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Distribution of IB Services Firmwide

Rating	Count	Percent	IB Serv./Past 12 Mos. as of 07/02/09	
			Count	Percent
BUY [B]	129	63.2	8	6.2
HOLD [H]	72	35.3	1	1.4
SELL [S]	3	1.5	0	0
NOT RATED [NR]	0	0.0	0	0

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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.

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