



Novel Molecular Tests, A Robust Pipeline and Sales Force Momentum Will Drive Top-line Growth In 2H:11; Maintain BUY; \$2.50 Target

NEOGENOMICS, INC.

OTCBB: NGNM

2Q:11 Highlights

July 28, 2011

Maintain: BUY

Price 07/27/11 \$1.30

Target Price \$2.50

2Q:11 Revenue	\$10,466,000
2Q:11 Net Loss	(\$293,000)
2Q:11 EPS	(\$0.01)

52 week range \$0.95-\$1.67

Basic Shares O/S	42.9M
Float	21.6M
Market Cap	\$55.7M
Inside ownership	38.1%
Average daily volume	14.5K
Assets (06/30/11)	\$16,658,000
Liabilities (06/30/11)	\$11,369,000
Fiscal year-end Dec. 31	

COVERING ANALYST

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HIGHLIGHTS

- NGNM's robust 2Q:11 performance and a positive EBITDA has reinforced our outlook and we contend that its newly restructured sales force is gaining traction. We maintain our target price of \$2.50 and continue to expect NGNM to return to profitability in 4Q:11 and model positive adjusted EBITDA of \$0.382 million in 3Q:11. NGNM reported significantly lower net loss of (\$0.331) million in 3Q:11 versus (\$1.198) million in 3Q:10.
- Revenue in 2Q:11 increased 23.3% year-over-year to \$10.5 million (from \$8.5 million). We expect a similar year over year growth in 3Q:11 to \$10.5 million and continue to expect five year revenue CAGR of 24.5%.
- The gross margin shrank 163 basis points in 2Q:11 to 44.5% due to a \$17 decrease in Average Unit Price from Q2:10 last year. We expect the gross margin to remain flat for the remainder of 2011 as a result of a lower unit price and a higher average cost of supplies per test in conjunction with higher priced labor contracts.
- Average price-per-test declined by 2.9% to \$570.12 in 2Q:11. We expect the Average Revenue per Test to remain unchanged in 3Q:11 and expect Average Revenue per Requisition to be in the \$878 range in 3Q:11.
- SG&A expense as a percentage of revenue declined approximately 1000 basis points to 45.6% from 55.5% in Q2:10 due to increases in operating leverage. Total SG&A expense increased 3% year over year, which helped drive 35% of the incremental \$2 million of revenue to the bottom line.
- Laboratory productivity improved with increased test volumes. Test volumes are expected to rise 27.8% in 3Q:11 to 18,505 from 14,477 in 3Q:10.

SUMMARY

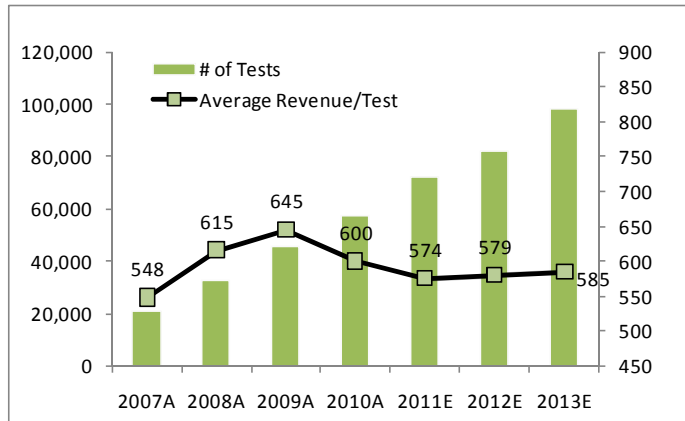
We reiterate our BUY rating to reflect the NGNM's strong financials, maturing sales and marketing infrastructure, new R&D initiatives in place, and significant product pipeline. In Q2:11, NGNM added several molecular tests and expanded its FISH menu for numerous cancers. NGNM continues to adapt to the rapidly changing industry dynamics and management has displayed a consistent, disciplined approach to sustainable growth. We expect that NGNM's services will continue to distinguish them from competitors.

NGNM's revenue outperformed our estimate of \$9.6 million for 2Q:11 by 9%. Revenue totaled \$10.5 million and included \$300,000 of non-recurring revenue attributed to one-time testing for a large client. NGNM experienced year-over-year growth of nearly 27% in test volumes. However, after adjusting tests associated with the non-recurring revenue in 2Q:11 and the test volume lost from in-sourcing in Q2 2010, test volume grew by 32% on a year-over-year basis. Requisition numbers increased by 24.5%, and the average revenue per requisition decreased by 1% from Q2:10. Management expects the Average Revenue per Test to remain at approximately \$570 for 2H:11.

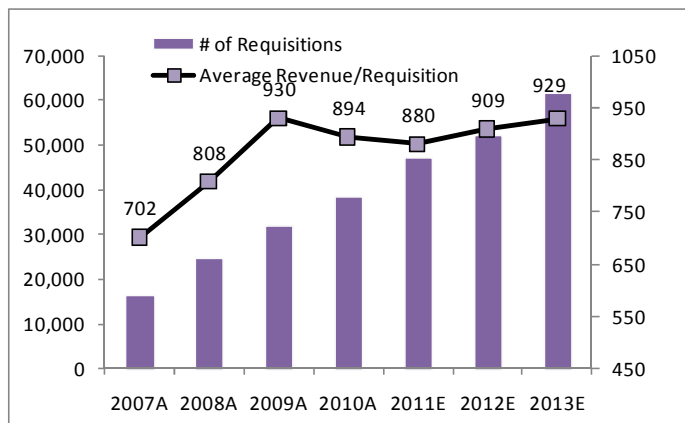
NGNM continues to invest in new product development. NGNM added several molecular tests in its product portfolio and is enhancing its FISH Test menu. Management expects to roll out 6 tests during 2H:11. The Company is investing heavily on its immunohistochemistry product line as a direct result of increased demand by NGNM's customers. NGNM is also spending on information technology along with its medical team to improve systems' capabilities to increase efficiency and add to medical team's capabilities.

We continue to rate NGNM stock a BUY, and reiterate our one-year price target of \$2.50 per share. We reiterate our BUY rating as we continue to see favorable results in the sales team's productivity and NGNM's consistency to roll out new offerings. We expect the business model to gain strength and scalability and continue to see significant traction going forward.

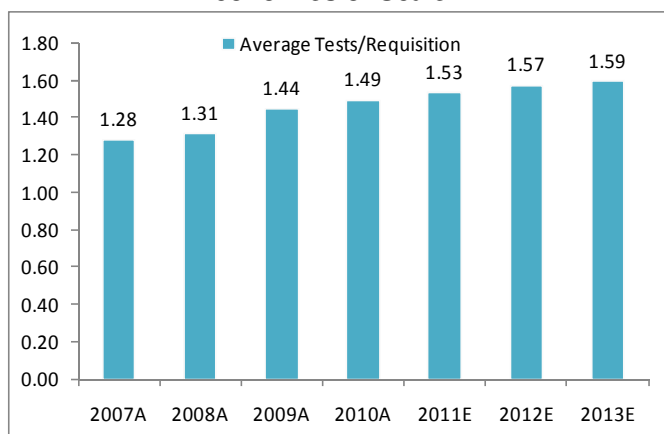
Growing Number of Tests Offsets Lower Average Revenue per Test



Requisition Volumes and Average Revenue per Requisition Expected to Increase



Average Test per Requisition: Significant Economies of Scale



BACKGROUND

Company Profile

NeoGenomics Inc. (OTC BB: NGNM, BUY) is a network of three clinical laboratories formed in 2001 and headquartered in Fort Meyers, Florida. NGNM concentrates on cancer diagnosis and prognosis by providing complex genetic cancer testing services to oncologists and pathologists. NGNM's tests are performed using bone marrow, urine and solid tumor samples. NGNM primarily employs four different genetic test methods; Cytogenetics Testing, Flow Cytometry, Fluorescence In Situ Hybridization (FISH), and Molecular testing. Pathologists have the option of receiving a comprehensive report, which includes an in-house pathologist's interpretation of the test results or a technical report without the interpretation. The tech-only option allows community pathologists to retain the professional interpretation portion of the revenue stream and compete with large lab competitors. This strategy gives NGNM an advantage, as many of its competitors only offer the comprehensive reporting model. Furthermore, the "tech-only" business model turns customers into strategic partners that share in the revenue stream.

Industry

According to Knowledge Source, the clinical laboratory industry consists primarily of three types of providers: hospital-based laboratories, physician office laboratories and independent clinical laboratories. The entire U.S. clinical laboratory testing industry had revenues of more than \$52 billion in 2009; approximately 55% of such revenues

Competition

Quest Diagnostics Inc. (NYSE: DGX, NC) and Laboratory Corporation of America Holdings (NYSE:LH, NC) are the two largest clinical labs in the US. Quest has captured over 15% or \$7.5 billion of the total US diagnostic testing market. Other independent clinical labs comprise 20% of the market, hospital based laboratories have captured 60% of the market and the remaining 5% of the market is physician office labs. Pure-play genetic testing labs are significantly smaller without any single player having a substantial market share, however growth rates experienced by these players typically range from the mid- to upper double-digits.

were attributable to hospital-affiliated laboratories, approximately 34% were attributable to independent clinical laboratories and others, and approximately 11% were attributable to physicians in their offices and laboratories. NGNM's niche is the independent clinical market, which is highly fragmented. An estimated 10% of the players in the independent clinical market perform genetic testing.

Regulatory Environment

The medical industry is highly regulated given the nature of its products and services. The sector in which NGNM operates, the clinical lab industry, is primarily regulated by the Clinical Laboratory Improvement Act and related amendments (CLIA). Given the explosion in growth and demand for esoteric and gene-based testing, the FDA recently proposed regulating the industry and classifying tests like those by NGNM as medical devices. The implications of FDA regulation could have a significant impact on the diagnostic industry, pharmaceutical companies, the healthcare system, and patients.

Merger & Acquisition Activity

During the last three months, the clinical laboratories industry had an active increase in strategic acquisitions. The major deal in this sector during 2Q:11 was the acquisition of Rex Healthcare, Inc. by WakeMed Raleigh Campus for \$750 million. During the 1H:11 average EV/Revenue multiples ranged from 5.32x to 1.24x, with higher valuation multiples generally associated with genetic labs. NGNM may see a significant increase in value if acquired.

STRENGTHS

Competitive Advantages

NGNM has been successful in achieving high accuracy rates, rapid turn-around times (TAT's) and the continuous development of new tests. Geographically, NGNM has positioned its labs in three regions of the U.S., which has helped expand customer base and market presence. The company has been able to set and maintain turn-around times for test results that have become industry benchmarks. NGNM's FISH tests average a 2-4 day TAT, Flow Cytometry tests between 12-24 hours and Cytogenetics within 3-5 days. NGNM is one of few



labs to offer a tech-only option for its services, which subsequently has resulted in new customers.

Growth Catalysts

Sales force productivity has gained traction. The number of tests reported per day increased 18.2% sequentially from 1Q:11, reflecting the effectiveness of the sales team and the ability to reach the medical community.

Increased operating leverage .NGNM has undertaken initiatives to reduce its cost structure to achieve positive EBITDA. The company's reduction in the size of its workforce and leverage of its cost of goods sold by improving pricing agreements with suppliers and labor contractors led to significant increases in operating leverage, which enabled SG&A expense to grow only 3% year over year and helped to drive 35% of the incremental revenue to its bottom-line. Continued focus on controlling SG&A expenses will increase productivity and drive the bottom line, in our view.

Listing on AMEX or NASDAQ will be a definite positive for the NGNM. While the company remains adequately funded and backed (by the investor community as well as Management), listing on a broader exchange will provide a significant visibility to the currently undervalued shares of the company. Management has stated that NGNM's goal is to achieve a listing on either exchange by year-end, providing they meet the minimum per share requirements. The company has stated that they meet all other requirements for listing.

Enhancements in NGNM's information technology. Management has indicated improvements within its Laboratory Information Systems capabilities are forthcoming. Improvements will allow better functionality for customers.

A solid pipeline of new tests in 2H:11. NGNM intends to introduce a number of new tests in H2:11, including the launch of a second test under its strategic supply agreement with Abbott Lab, in 4Q:11. After that, the company still has the opportunity to provide one more test under its agreement with Abbott. We also expect the company to broaden its immunohistochemistry test menu,

which conveys management's quick response to changing demand.

NGNM has strong financials. The company has achieved a positive adjusted EBITDA for 2Q:11. For 3Q:11, the company has provided guidance of \$10.2-\$10.8 million in revenue with positive adjusted EBITDA and earnings per share of between \$0.00 – (\$0.02) per share. The financial position of the company is robust. The company has a healthy cash balance of \$3.1 million of cash and restricted cash on hand and \$880,000 available under a credit facility.

RISKS

Slowing industry growth. Laboratory industry growth slowed considerably y-o-y from 5.4% to 1.3% in the current quarter (based on growth of the 16 publicly traded companies). While the company is growing at a much faster pace than the overall industry, the macro-economic environment continues to present a challenge.

The company needs to continue to be creative with its sales strategy as well as its operating platform to remain cost efficient in a slowing sales environment.

Lack of Physician Awareness of the new Melanoma FISH Test. The dermapathology community is unaware of the gene-based tests. This requires more initiative from the company to train and bring awareness of its products to encourage acceptability. We expect that these training efforts would bear fruits in the longer term, but in the short term the expenses associated with such efforts will weigh on the financials.

PERFORMANCE

2Q:11 Analysis

Revenue for 2Q:11 increased 23.3% to \$10.5 million from \$8.4 million in 2Q:10. \$300,000 of this revenue was non-recurring overflow testing. After adjusting for this and the internalization of certain tests by one large client in 2Q:10, recurring revenue and test volume grew by 25% and 32%, respectively.

Average revenue per requisition (ARPreq) in 2Q:11 was \$878, down nearly 1% versus 2Q:10. On a year-over-year basis, average revenue per test



declined 2.9% in 2Q:11. The average number of tests per requisition came in at 1.54, which was a marginal increase from 1.51 on a year over year basis. Test volumes experienced a staggering growth, up 26.9% on a y-o-y basis and 16.7% on a sequential basis. Requisitions increased by 24.5%. DSOs (Day's Sales Outstanding) stood at 62 days at end of 2Q:11 versus 58 days in 2Q:10.

The gross margin decreased by 1.6% year-over-year basis. The decrease is primarily due to the \$17 decrease in average unit price from Q2 last year. The company reported Net loss of (\$293,000) compared to (\$978,000) in 2Q:10 and (\$894,000) in 1Q:11.

Sales and marketing expenses came in at 16% of revenues in 2Q:11 compared to 20% in 1Q:11. Sales and Marketing expenses decreased 3.9% sequentially and 13.3% on a Y-o-Y basis. The sales team is now more capable and productive. General and administrative expenses increased by 9.3% on a year-over-year basis and increased 11.45% sequentially to approximately \$3.08 million.

Interest expense was virtually flat on a sequential basis and on a year over year. Depreciation expense for the quarter stood at \$474,000. Adjusted EBITDA turned positive to \$484,000 in 2Q:11. Full time employees were at 196 at 2Q:11. Management expects to fill in the position add senior medical leadership and more pathologists in 2H:11. The Company filled certain positions in July 2011 and current FTE stand at 203 employees. We have reflected the same in our model.

OUTLOOK

We reiterate that NGNM's business model is strong and poised for growth. Led by a motivated and experienced management team, we expect NGNM to continue to accelerate its revenue growth and drive profitability. NGNM's business model is very flexible and continues to adapt to the fluctuating industry environment. We expect cost restructuring and productivity improvement initiatives that will allow the company to return to quarterly profitability in 4Q:11.

For 3Q:11, we expect unit pricing in-line with 2Q:11. Both test mix and prices have normalized with in-sourcing out of the system and contacts in place with insurance providers. Average revenue per test is expected to be \$570.0 in 3Q:11, representing flat growth sequentially but 5.2% decline on a year over-year basis as the metric is adjusted lower to reflect the blanket decline in reimbursement rates. We expect Average Tests per Requisition to remain at 1.54 in 3Q:11. Average revenue per requisition is expected to remain unchanged but decline 2.4% on a year over year basis in 3Q:10.

We expect the top line to increase 21.1% year over-year in 3Q:11 to approximately \$10.5 million. Primary internal drivers for revenue growth are; introduction of new tests and higher sales productivity from a restructured sales team.

NGNM has historically sustained an average gross margin of 50.0%. Due to lower average unit prices resulting from decreases from Medicare reimbursements and managed care provider contracts. NGNM has experienced significant margin compression. We contend the gross margin will begin expanding as the operating leverage implied by increasing testing volumes begins to appear. We model a flat gross margin at 44.5% in 3Q:11. G&A as a percentage of revenue is expected to remain constant at 29.5%. Management has noted that it does not foresee any new hires except replacements, when required. We model slightly higher Sales and Marketing expenses. As a result, we expect sales and marketing expense to come in at 16.6% of revenue in 3Q:11 from 16.1% in 2Q:11.

We model flat to lower interest expenses as the company uses the recent equity raise to supplement its credit lines in order to fund its growth initiatives. We expect NGNM to report a loss of (\$331,000) in 3Q:11.

Based on a share count of approximately 42.94 million, we expect a net loss per diluted share of (\$0.01) in 3Q:11. NGNM continue to be financially sound and we contend that the company has access to adequate capital for operations and future growth opportunities. In our view, NGNM will not require funding in the short or intermediate term.

VALUATION

NeoGenomics Inc. is currently trading at \$1.30 per share. The stock price has seen a high of \$1.67 and a low of \$0.95 over the last 52 weeks. We contend that NGNM stock remains undervalued with significant upside potential to the stock. NGNM remains a value-play.

The equity raise early this year through insiders at \$1.50 per share was looked at favorably by the investment community, as the stock price jumped from \$1.14 to \$1.55. NGNM continues to be transparent and effective in communicating its position and its confidence to investors.

Our valuation methodology uses a forward Enterprise Value (market cap+debt-cash)/ Sales metric, as the institutional investment community is interested in NeoGenomics' ability to continue growing revenue rather than earnings at this time.

We have incorporated no meaningful increase in unit pricing to our revenue estimates and we have factored in all of NGNM's productivity initiatives and other growth catalysts. We deem that NGNM deserves a premium to the peer group average based on four factors; the Abbott agreement, which will allow NGNM to launch three proprietary tests (melanoma was the first of the three), management expertise in handling and directing the company to profitability, rapid turn around time of the company's testing services, which are among the best in the industry, and lastly, a sales force that has been restructured, which is now gaining traction.

We contend that given NeoGenomics' value proposition, it should trade at a premium to its peers and that over the next 12 months it will trade up to 2.2x our 2012 sales estimate of \$48.4 million. This multiple is based on a comparable analysis of peers and results in an expected price target of \$2.50 per share over the next twelve months.

NGNM is a young and vibrant company focused on growth and profitability. The company's business model is robust and flexible. NGNM has a strong balance sheet and cash position. The company has several viable growth opportunities including its Tech-only product testing line, a strong pipeline and

the launch of a new proprietary test in partnership with Abbott in 4Q:11. The Abbott transaction has opened doors to excellent future opportunities for the company. The availability of Abbott IP and technology for further tests coupled with the established operating infrastructure represents an untapped potential.

We contend that NGNM will begin quarterly profitability during 4Q:11. With ample upside to our target, we advise investors to take advantage of the current valuation and we reiterate our BUY rating of this compelling long-term opportunity.

NeoGenomics, Inc. (OTCBB: NGNM)

Historical and Projected Annual Statements of Income updated:
 US\$ in thousands, except where noted

KEY METRICS	2010A				2011E				Annual Comparison					
	Mar Qtr 1 A	Jun Qtr 2 A	Sep Qtr 3 A	Dec Qtr 4 A	Mar Qtr 1 A	Jun Qtr 2 A	Sep Qtr 3 E	Dec Qtr 4 E	2008A	2009A	2010A	2011E Projection		
Average Revenue/Requisition	879	887	900	911	862	878	878	902	808	930	894	880	926	961
Average Tests/Requisition	1.47	1.51	1.50	1.49	1.51	1.54	1.54	1.54	1.31	1.44	1.49	1.53	1.57	1.59
Average Revenue/Test	599.5	587.0	601.5	610.2	571.9	570.1	570.0	586.0	615.1	645.2	599.5	574.5	590.1	604.7
# of Tests	14,042	14,464	14,477	14,349	15,396	18,358	18,505	19,800	32,539	45,675	57,332	72,059	81,931	98,072
# of Requisitions	9,580	9,576	9,677	9,610	10,214	11,924	12,016	12,857	24,780	31,677	38,443	47,070	52,185	61,680
DSO	59	58	59	55	63	62	59	59	60	52	58	59	59	59
Number of Cases/day	221	228	228	226	242	289	291	312						
Sequential Growth														
Average Revenue/Requisition	(3.2%)	0.9%	1.5%	1.2%	(5.4%)	1.8%	0.0%	2.8%	15.0%	15.2%	(3.9%)	(1.6%)	5.3%	3.8%
Average Tests/Requisition	(1.0%)	3.0%	(1.0%)	(0.2%)	1.0%	2.1%	0.0%	0.0%	2.3%	10.1%	3.4%	2.7%	2.5%	1.3%
Average Revenue/Test	(2.3%)	(2.1%)	2.5%	1.4%	(6.3%)	(0.3%)	(0.0%)	2.8%	12.3%	4.9%	(7.1%)	(4.2%)	2.7%	2.5%
# of Tests	10.4%	3.0%	0.1%	(0.9%)	7.3%	19.2%	0.8%	7.0%	55.0%	40.4%	25.5%	25.7%	13.7%	19.7%
# of Requisitions	11.5%	(0.0%)	1.1%	(0.7%)	6.3%	16.7%	0.8%	7.0%	51.2%	27.8%	21.4%	22.4%	10.9%	18.2%
	10.4%	3.0%	0.1%	(0.9%)	7.3%	19.2%	0.8%	7.0%	32.8%	(12.6%)	10.5%	2.2%	0.0%	0.0%
Year-over-Year Growth														
Average Revenue/Requisition	(2.4%)	(6.9%)	(6.8%)	0.3%	(1.9%)	(1.0%)	(2.4%)	(0.9%)	15.0%	15.2%	(3.9%)	(1.6%)	5.3%	3.8%
Average Tests/Requisition	7.7%	4.5%	1.0%	0.9%	2.8%	1.9%	2.9%	3.1%	2.3%	10.1%	3.4%	2.7%	2.5%	1.3%
Average Revenue/Test	(9.3%)	(11.0%)	(7.8%)	(0.5%)	(4.6%)	(2.9%)	(5.2%)	(4.0%)	12.3%	4.9%	(7.1%)	(4.2%)	2.7%	2.5%
# of Tests	34.3%	27.8%	29.4%	12.9%	9.6%	26.9%	27.8%	38.0%	55.0%	40.4%	25.5%	25.7%	13.7%	19.7%
# of Requisitions	24.7%	22.3%	28.1%	11.9%	6.6%	24.5%	24.2%	33.8%	51.2%	27.8%	21.4%	22.4%	10.9%	18.2%
INCOME STATEMENT														
Net Revenue	\$8,418	\$8,490	\$8,708	\$8,755	\$8,804	\$10,466	\$10,548	\$11,603	\$20,015	\$29,469	\$34,372	\$41,421	\$48,348	\$59,304
Cost of Services	4,344	4,575	4,818	4,851	4,940	5,810	5,859	6,334	9,354	14,255	18,588	22,943	24,657	29,652
Gross Profit	\$4,074	\$3,915	\$3,890	\$3,904	\$3,864	\$4,656	\$4,689	\$5,269	\$10,661	\$15,214	\$15,784	\$18,479	\$23,690	\$29,652
General & Administrative	2,902	2,769	2,919	2,677	2,823	3,086	3,091	3,249			\$11,267	12,249	13,054	14,826
Sales & Marketing	1,763	1,943	1,983	1,790	1,753	1,684	1,753	1,832	8,695	6,885	7,479	7,023	8,219	9,489
EBIT	(\$591)	(\$797)	(\$1,012)	(\$563)	(\$712)	(\$114)	(\$155)	\$188	\$1,966	\$8,329	(\$2,962)	(\$793)	\$2,417	\$5,337
Interest Expense	159	181	186	188	182	179	176	178	299	515	714	715	715	715
Non-recurring Expenses/(Gains)	-	-	-	(374)	-	-	-	-	200	0	(374)	0	0	0
Total Expenses	4,824	4,893	5,088	4,281	4,758	4,949	5,020	5,259	9,194	7,400	19,086	19,986	21,988	25,029
Net Income (GAAP)	(750)	(978)	(1,198)	(377)	(894)	(293)	(331)	10	(\$1,383)	(\$2,244)	(\$3,302)	(\$1,508)	\$1,703	\$4,623
Basic EPS (GAAP)	(\$0.02)	(\$0.03)	(\$0.03)	(\$0.01)	(\$0.02)	(\$0.01)	(\$0.01)	\$0.00	(\$0.04)	(\$0.06)	(\$0.09)	(\$0.04)	\$0.04	\$0.10
Basic shares	37,220	37,307	37,377	37,411	41,734	42,857	42,942	43,028	31,507	34,605	37,329	42,640	44,772	47,011
Diluted EPS (GAAP)	(\$0.02)	(\$0.03)	(\$0.03)	(\$0.01)	(\$0.02)	(\$0.01)	(\$0.01)	\$0.00	(\$0.04)	(\$0.06)	(\$0.09)	(\$0.04)	\$0.03	\$0.09
Diluted shares	37,220	37,307	37,377	37,411	41,734	42,857	42,942	43,028	33,239	36,823	37,329	42,640	48,700	48,800
Non-recurring Expenses	0	0	100	374	0	0	0	0	(933)	0	0	0	0	0
Net Income (Pro-Forma)	(750)	(978)	(1,098)	(751)	(894)	(293)	(331)	10	(\$450)	(\$2,244)	(\$3,302)	(\$1,508)	\$1,703	\$4,623
Diluted EPS (Pro-Forma)	(\$0.02)	(\$0.03)	(\$0.03)	(\$0.02)	(\$0.02)	(\$0.01)	(\$0.01)	\$0.00	(\$0.01)	(\$0.06)	(\$0.09)	(\$0.04)	\$0.03	\$0.09
Stock Compensation	128	225	155	108	126	123	126	130	279	440	616	505	631	789
D&A Expense	415	423	459	483	488	475	411	433	741	1,184	1,780	1,807	1,987	2,186
EBITDA	(\$48)	(\$149)	(\$298)	\$28	(\$98)	\$484	\$382	\$750	\$2,985	\$9,953	(\$566)	\$1,519	\$5,036	\$8,313
Margin Analysis														
Cost of Services	51.6%	53.9%	55.3%	55.4%	56.1%	55.5%	55.5%	54.6%	46.7%	48.4%	54.1%	55.4%	51.0%	50.0%
Gross Profit margin	48.4%	46.1%	44.7%	44.6%	43.9%	44.5%	44.5%	45.4%	53.3%	51.6%	45.9%	44.6%	49.0%	50.0%
General & Administrative	34.5%	32.6%	33.5%	30.6%	32.1%	29.5%	29.3%	28.0%	29.6%	21.8%	32.8%	29.6%	27.0%	25.0%
Sales & Marketing	20.9%	22.9%	22.8%	20.4%	19.9%	16.1%	16.6%	15.8%	43.4%	23.4%	21.8%	19.7%	17.0%	16.0%
Net	(8.9%)	(11.5%)	(13.8%)	(4.3%)	(10.1%)	(2.8%)	(3.1%)	0.1%	(6.9%)	(7.6%)	(9.6%)	(3.6%)	3.5%	7.8%
Growth (sequential)														
Revenue	7.9%	0.9%	2.6%	0.5%	0.6%	18.9%	0.8%	10.0%						
Cost of Sales	5.8%	5.3%	5.3%	0.7%	1.8%	17.6%	0.8%	8.1%						
Gross Profit	10.4%	(3.9%)	(0.7%)	0.4%	(1.0%)	20.5%	0.7%	12.4%						
General & Administrative	(4.7%)	(4.6%)	5.4%	(8.3%)	5.5%	9.3%	0.2%	5.1%						
Sales & Marketing	(13.4%)	10.2%	2.1%	(9.7%)	(2.1%)	(3.9%)	4.1%	4.5%						
EBIT	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF						
Net Income (proforma)	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF						
EPS	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF						
Growth (y-o-y)														
Revenue	21.8%	13.8%	19.3%	12.3%	4.6%	23.3%	21.1%	32.5%	74.0%	47.2%	16.6%	20.5%	16.7%	22.7%
Cost of Sales	40.5%	35.2%	31.2%	18.1%	13.7%	27.0%	21.6%	30.6%	69.4%	52.4%	30.4%	23.4%	7.5%	20.3%
Gross Profit	6.6%	(3.9%)	7.3%	5.8%	(5.1%)	18.9%	20.5%	35.0%	78.2%	42.7%	3.7%	17.1%	28.2%	25.2%
General & Administrative	24.0%	25.0%	18.8%	(12.0%)	(2.7%)	11.4%	5.9%	21.4%				8.7%	6.6%	13.6%
Sales & Marketing	32.2%	12.8%	10.6%	(12.1%)	(0.6%)	(13.3%)	(11.6%)	2.4%	(4.7%)	(20.8%)	8.6%	(6.1%)	17.0%	15.4%
EBIT	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	-135.6%	-73.2%	-404.9%	120.8%
Net Income (proforma)	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	47.2%	-54.3%	-212.9%	171.5%
EPS	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	45.2%	-60.0%	-198.9%	170.9%



NeoGenomics Inc. Second Quarter 2011 Update

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RISKS, RATINGS AND ANALYST CERTIFICATION

Risks: There are many risks associated with investing in micro-cap stocks. Following are comments regarding some of the risks inherent in an investment in NGNM:

- Competition from larger and better capitalized companies.
- Adverse regulatory developments including reduced reimbursement rates.
- Industry shortage of highly trained genetic technologists.

DISTRIBUTION OF RATINGS AND RECOMMENDATION HISTORY:

About Our Ratings:

Our ratings are divided into three classifications: Buy, Neutral and Sell. Analysts may also elect to withhold or suspend a rating on a company or publish informational reports on a company without ratings, price targets or price ranges.

Buy – The current price of the company represents a substantial discount from the market. The company has strong fundamentals, an attractive valuation and should significantly outperform the Russell Micro Cap Index over the next 12 months.

Neutral – The current price reflects a fair valuation relative to the company's peers and the broader market. The company's performance should be in-line with the Russell Micro Cap Index over the next 12 months.

Sell – The current price may represent overvaluation of the company's shares and an investment should produce below market returns. The company's fundamentals may be deteriorating and it should underperform the Russell Micro Cap Index over the next 12 months.

Disclosures:

Analyst Certification: I, Puja Jain, hereby certify that all views expressed in this report accurately reflect my personal views about the company, and that no part of my compensation was or will be related to the views expressed in this report.

Distribution of Ratings:

	#	%
Buy	13	87
Accumulate	2	13
Neutral	0	
Sell	0	0

NGNM Recommendation History:

Date	Rating	Price Target	Diluted EPS
26-July-11	Buy	\$2.50	(\$0.04) for '11
28-Apr-11	Buy	\$2.50	(\$0.03) for '11
17-Feb-11	Buy	\$2.50	\$0.01 for '11
5-Nov-10	Buy	\$2.40	(\$0.10) for '10
10-Aug-10	Buy	\$2.40	(\$0.07) for '10
26-May-10	Buy	\$3.01	(\$0.05) for '10
16-Mar-10	Buy	\$3.01	\$0.00 for '10
1-Dec-09	Buy	\$2.15-\$2.50	\$0.06 for '10
11-Aug-09	Buy	\$2.15-\$2.50	\$0.08 for '10
8-May-09	Buy	\$2.08-\$2.38	\$0.00 for '10
18-Mar-09	Buy	\$2.08-\$2.38	\$0.05 for '10
21-Nov-08	Buy	\$2.20	\$0.11 for '09
15-Aug-08	Buy	\$2.20	\$0.11 for '09
19-Jan-07	Buy	\$1.80-\$2.10	\$0.06 for '07
31-Jul-06	Buy	\$0.90-\$1.05	\$0.05 for '07
12-May-06	Accumulate	\$0.60-\$0.70	\$0.05 for '07
3-Apr-06	Accumulate	\$0.60-\$0.70	\$0.05 for '07