ALLIQUA BIOMEDICAL, INC.

Moderator: David Johnson
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4:00 pm CT

Operator: Please stand by, we're about to begin. Good evening ladies and gentlemen and welcome to the Third Quarter of Fiscal 2014 Earnings Conference Call for Alliqua Biomedical, Incorporated. At this time, all participants have been placed in a listen-only mode. At the end of the company's prepared remarks, we will conduct a question and answer session. Please note that this conference is being recorded and that the recording will be available on the company's Web site for replay shortly.

Before we begin, I would like to remind everyone that our remarks and responses to your questions today may contain forward-looking statements that are based on the current expectations of management and involve inherent risks and uncertainties that could cause actual results to differ materially from those indicated, including those identified in the risk factors section of our annual report on form 10K filed with the SCC on March 24, 2014. As such factors may be updated from time to time in our filings with the SCC, which are available on our Web site. We undertake no obligation to publicly update or revise our forward-looking statements as a result of new information, future events, or otherwise.

I would now like to turn the call over to Mr. Dave Johnson, the company's Chief Executive Officer. Please go ahead, sir.

David Johnson: Thank you, Operator. Hello and welcome everybody to Alliqua's Third Quarter of 2014 Earnings Conference Call. With me on the call today in our board room here in Langhorne, Pennsylvania is Brian Posner, our Chief Financial Officer; Brad Barton, our Chief Operating Officer; Lori Toner, our Chief Marketing Officer; and Dr. Janice Smiell, our Chief Medical Officer.

We have a lot to discuss on today's call so let me start with a very quick agenda. I'll start off with an overview of Alliqua Biomedical, followed by a brief review of our third quarter revenue performance, and a summary of our progress in 2014 towards our strategic growth initiatives. I'll then turn the call over to Brian Posner, our Chief Financial Officer, who will walk us through a detailed review of our third quarter financial performance and our fiscal 2014 and fiscal 2015 revenue guidance, which we introduced in today's earnings press release.

I will then return to provide some commentary on the company's near term milestones and our growth expectations for the business as currently constructed over the next few years. Of course, then we'll open this up for Q and A.

So this is our first quarterly conference call. We thought it would be helpful to spend just a few minutes describing our business and the primary market in which we operate. Alliqua Biomedical is an advanced wound care company headquartered in Langhorne, Pennsylvania. As an entity, the company has actually been in existence under different names for over seventeen years and has operated in a variety of markets during that period of time.

When I joined Alliqua in 2013, we really shifted the focus of the business to the advanced wound care market -- quite frankly, my area of expertise for over 30 years -- with the aim of developing a comprehensive platform of innovative advanced wound care products. In the time since we shifted our strategic focus, we have made great progress in developing this advanced wound care platform through licensing agreements, strategic partnerships, and acquisitions. Today, our

proprietary product portfolio includes four product families -- Sorbion, BIOVANCE, TheraBond -- and our hydrogel wound care products.

Alliqua Biomedical competes in the global advanced wound care market which, based on independent data, represents a market opportunity in excess of $8 billion, with the US of course representing the largest geography in the global marketplace.

We chose to focus on this wound care market for a few reasons. First, the market has strong underlying growth characteristics. Second, the market is highly fragmented. Third, market share is shifting from traditional therapies to advanced wound management techniques. And finally, our management team has significant prior experience in this market. So let me speak to each one of these just in a little greater detail.

First, the advanced wound care market is characterized by strong fundamental growth. It is the fastest grower among the many wound care specialties, and we expect this growth rate to accelerate in the years to come. We expect the already increasing trends in wound incidence to see further improvement driven by demographic trends in the healthcare industry, including the increasing median age of the population and the increasing prevalence of diabetes and obesities.

Second, the advanced wound care industry is highly fragmented. Today we estimate that five to six large, diversified companies control roughly half of the total market. The remaining market share is divided amongst literally hundreds of smaller, often undercapitalized businesses. This landscape provides Alliqua with many opportunities to acquire and consolidate novel technologies under a single product portfolio.

Third, we expect the global demand for wound treatment products to see a continued shift from traditional therapies to advanced wound healing techniques. There is a clear need for advanced wound care products that have the combination of strong clinical benefit and a compelling

economic value proposition relative to traditional wound care therapies. Superior, advanced wound care products have the potential to reduce inpatient hospitalization time and lower readmission rates, hospital acquired infections, and in some cases the risk of amputation.

And lastly, we chose to focus on advanced wound care because both my team and I have had extensive career experience in wound care which has provided us, quite frankly, with a first-hand insight into the potential opportunities that this market represents. During our respective careers, we have observed the potential for the right company to pursue a strategy of identifying, acquiring, and consolidating small companies with innovative technologies. And further, we recognize the power of layering a comprehensive wound care portfolio across a targeted, experienced sales and distribution platform like the one we are building here at Alliqua.

These notions formed the core of Alliqua's growth strategy. Our corporate objective is to consolidate differentiated technologies which have strong clinical efficacy relative to the current standards of care, and have an economic value proposition for all constituents in the healthcare system -- our patients, our practitioners, and of course the payer community. We are building a comprehensive portfolio of advanced wound care products that address the many needs and challenges associated with treating acute and chronic wounds.

Importantly, we have made considerable progress since the fall of 2013 towards our strategic objective of creating a diversified product offer. In September 2013, we entered into an exclusive distribution agreement with Sorbion, a German wound care company, and became the exclusive distributor of their Sorbion sachet S and Sorbion sana products in the Americas.

In 2013 -- November -- we signed a licensing agreement with Celgene Cellular Therapeutics -- an affiliate of the Celgene Corporation -- and began a strategic partnership to develop and market CCT's biologic wound care products. We launched the first product from this strategic partnership, the BIOVANCE human amniotic membrane allograft, in the spring of this year.

This launch marked our entry into biologics, one of the fastest growing segments in the advanced wound care market. As you can only imagine, a partnership with Celgene, one of the world's leading biotechs, is of significant value to our company as we look forward to growing our proprietary product portfolio with products sourced from their development pipeline going forward.

And then, of course, in May 2014, we acquired all of the outstanding equity interest in choice therapeutics and began marketing their family of products, including the TheraBond 3D antimicrobial barrier system in the second quarter of this year.

In order to market our developing portfolio of products, we hired and trained a direct sales force of twenty-five experienced wound care sales representatives which began contributing to revenue in the second quarter of this year. We've been able to fund the investments in our products and distribution platform by raising a total of $37 million over this same period. It is significant to note that a large portion of the proceeds raised came from prominent healthcare investors, our strategic partner Celgene, and warrant holders who, as part of previous financing, exercised warrants that had more than four years remaining on their term.

Although we are still in the early stages of our commercialization process with new products and a newly trained direct sales force, quite frankly we have only just begun to see great, promising results. To put our early commercialization progress in perspective, note that in the third quarter of 2013, we reported total revenues of $438,000, 85% of which was derived from our legacy contract manufacturing business. Today, we are happy to repot third quarter 2014 revenues of $1.5 million, of which nearly a million dollars were derived from the sales of proprietary wound care products.

Now I'm going to turn this over to Brian in a minute or two to provide you with a detailed review of the financial performance of the quarter, but as you can see, the investments we have made in

the product portfolio and sales force have already begun to deliver promising results on the top line.

In spite of all we've achieved thus far in our short history as an advanced wound care company, we still believe that our progress to date represents a fraction of our growth potential. Over the next few quarters, we anticipate improving top line performance driven by continued focus on the following three growth areas: one, further penetration of the advanced wound care market with our current product portfolio which we intend to achieve by leveraging our direct sales force; two, very targeted and accretive business development through which we will expand our technology and product portfolio. As you know, we acquired Choice Therapeutics during the second quarter. We are currently evaluating several M&A opportunities and, importantly, we expect to continue to expand on both the size and the financial impact that our future M&A activities will have on our business.

And third, continued expansion of our product portfolio by leveraging the product pipelines of two strategic partners that we currently have agreements with, both Celgene and Sorbion. We feel that we've already begun to demonstrate the success of these strategic relationships. After launching BIOVANCE this spring, we announced an expansion of our licensing agreement with Celgene which now allows us to market BIOVANCE for podiatric and orthopedic applications. We expect to work with both of these strategic partners to leverage and maximize both their current portfolio and future pipeline opportunities.

So with that, I'll now turn the call over to Brian for a detailed review of our third quarter performance and our revenue guidance for fiscal 2014 and 2015, which as I said earlier - introduced earlier today on our press release this evening. Brian?

Brian Posner: Thank you, Dave. Total revenue for the third quarter of 2014 increased 241% year over year to a total of $1.5 million. As Dave mentioned in his prepared remarks, we acquired Choice

Therapeutics on May 5 of this year. Revenue growth from sales of the TheraBond family of products, which we obtained in the Choice acquisition, was approximately 132% in Q3. ((Inaudible)) our other products, proprietary and contract manufacturing, comprised a remaining 109% of total revenue growth this quarter. Overall, we are pleased with the contributions we saw from both of our business lines -- contract manufacturing and proprietary products.

Sales from proprietary products were the primary driver of total revenue growth in the quarter. Our revenue from proprietary products -- which includes Sorbion, BIOVANCE, TheraBond, and our hydrogel wound care products -- increased 1445% year over year to $993,000. Sales from our contract manufacturing business increased $127,000 -- or 34% -- to $501,000.

This was a particularly strong quarter for our contract manufacturing business, with growth above the long term growth trends we normally expect from these OEM sales, which have historically trended in the high single digits on an annualized basis.

Gross profit for the third quarter 2014 increased $714,000 year over year to $578,000, or 39% of sales compared to a loss of $136,000 last year. The increase in gross margin was driven by the change in mix due to increased sales of proprietary producers. We expect gross margin to continue to increase as the mix of our total revenue shifts towards proprietary products.

Total operating expenses increased $3.6 million, or 169%, to $5.7 million this quarter. The increase in operating expenses was primarily due to higher compensation, benefits, and stock compensation expenses related to the increasing head count compared to the prior year. Operating expenses also increased due to incremental expenses from our acquisition of Choice, which we owned for the full quarter period in Q3 after closing on the transaction early in Q2.

Loss from operations for the third quarter of 2014 was $5.2 million compared to a loss of $2.2 million for the same period last year. Net loss for the third quarter of 2014 was $5.1 million compared to a net loss of $2.2 million last year.

Total revenue for the nine month period ending September 30, 2014 increased $1.8 million, or 135% year over year. Total revenue growth was driven by a 2172% increase in sales of proprietary products and a 17% increase in contract manufacturing revenues compared to the prior year. Total revenue in the first nine months of 2014 included contributions from the acquisition of Choice in May of approximately $900,000. Net loss for the first nine months of 2014 was $20.1 million compared to a net loss of $7 million for the same period last year.

As of September 30, 2014, the company had $19.9 million in cash and cash equivalents, compared to $12.1 million at December 31, 2013. The increase was largely due to net financing proceeds of $14.4 million and proceeds from the exercise of stock options and warrants totaling $6.5 million, offset by cash used in operating activities of $10.2 million, and $2 million for our acquisition of Choice during the nine months ending September 30, 2014.

Turning to a discussion of our financial guidance for the 2014 and ’15 fiscal years - for the fiscal year ending December 31, 2014, the company expects total revenue in the range of approximately $4.7 to $5 million dollars, representing growth of approximately 160 to 180% year over year. Revenue from proprietary products is expected in the range of approximately $1.3 to $1.6 million in the fourth quarter of 2014, representing growth of approximately 35 to 60% sequentially.

Revenue from contract manufacturing is expected in the range of approximately $250,000 to $300,000 in the fourth quarter fiscal 2014. Our contract manufacturing business is subject to periods of quarterly volatility related to the timing of customer orders, but is projected to increase approximately 6 to 9% year over year for the full year of fiscal 2014.

For the fiscal year ending December 31, 2015, the company expects total revenue in the range of approximately $11 million to $13 million. Note that our guidance in fiscal 2014 and fiscal 2015 excludes any potential benefit from a BIOVANCE Q code approval system from the Center of Medicare and Medicaid Services, as well as contributions from any future acquisitions.

With that, I'll turn the call back to Dave to provide some additional color regarding our business and the upcoming announcement on BIOVANCE reimbursement.

David Johnson: Thanks, Brian. As I mentioned earlier, for where we sit today, we feel that we've made a lot of progress over the past year. We feel very confident we've created a unique business model that is already beginning to prove its effectiveness in the market.

One of the great things about Alliqua is that, for a company of our size as we build a platform of multiple advanced wound care technologies, we really do decrease our reliance on the performance of any one product. As we mentioned in our press release this evening, we expect to receive a final ruling from the Center for Medicare Services in early November regarding our approval for the assignment of a permanent Q code reimbursement for BIOVANCE.

With regard to the market opportunity for BIOVANCE, as many of you on the phone know, there was strong growth potential for our skin substitute product in both the inpatient and outpatient market settings. In terms of the inpatient market setting, which includes hospitals where DRG-related procedures are performed as well as procedures performed in the Veteran's Administration hospital system, we believe that these facilities represent nearly 50% of the current market for skin substitutes. With our commercial launch of BIOVANCE in Q2, we're already seeing some very good penetration of these inpatient facilities which do not require any further extension of reimbursement coverage.

The outpatient market opportunity relates directly to Part B billing for Medicare -- primarily, procedures that occur in wound care clinics. These outpatient facilities utilize the Q code reimbursement structure, and thus our pending approval decision will surely impact the commercialization wrap for BIOVANCE in this portion of the market. Should we be successful in gaining a Q code, we will begin to pursue coverage from payers and Medicare administrative contractors -- or MACS -- as leveraging our Q code reimbursement status.

Our progress with payers and MACS will be further supported by an increasing body of clinical support for BIOVANCE. Payers typically like to see products that are supported by real world data, as well as evidence for randomized control studies. As part of our strategic agreement with Celgene, we have obtained access to a registry study on BIOVANCE that includes 230 patients and 244 wounds across nineteen wound care facilities. This data demonstrates real world efficacy for BIOVANCE and has informed our design for randomized clinical studies of BIOVANCE in 2015, which we look forward to sharing more details about on our fourth quarter call.

So stepping back from the reimbursement overhang on BIOVANCE, let me share how we think about our current portfolio of products developing over the next few years; again, excluding any upside related to a Q code for BIOVANCE or any M&A transactions.

In the VA and DRG markets alone, we've already begun to achieve significant contributions in our total revenue this year. We expect that we will be able to continue to gain share and we plan to build the BIOVANCE business to more than $20 million in annual sales in the VA and DRG markets alone over the next few years.

Building on the strong base of BIOVANCE sales, we expect strong contributions from our exclusive distribution agreement for Sorbion products in the US and further in the Americas, the largest wound care markets in the world. To help you frame this opportunity for Alliqua over the

next few years, let me share that our strategic partner, according to many estimates in the market, is generating approximately $15 million to $20 million in revenue from these products, with a similar size sales force in Germany alone, let alone all throughout the European Union. We see no reason why Alliqua's Sorbion business should not produce similar sales performance in the US over those same next several years.

Choice Therapeutics, the company which we acquired in May, was on a sales run rate of $1.8 million at the time of our acquisition, led by sales of their TheraBond 3D product. They achieved this productivity with only a handful of sales representatives. We remain confident that our team of close to twenty-five reps today will be able to drive increasing productivity out of the Choice Therapeutics assets in the years to come.

And lastly, we expect our legacy contract manufacturing business and our hydrogel wound care products -- Hydress and Silverseal -- to deliver a combined $2 million to $3 million per annum, although at slower growth rates than the rest of our proprietary product offering.

So let me summarize. We believe we have visibility into an advanced wound care business that could generate close to $50 million in annual sales in the next few years from our existing product portfolio as constructed today; again, excluding the positive impact related to a Q code for BIOVANCE and any future acquisitions.

To the extent that we receive the Q code decision in early November, we look forward to the incremental revenues related to our outpatient commercialization strategy starting in fiscal 2015. This also continues to be a story about consolidating a fragmented market and we are confident in our ability to identify and acquire innovative businesses to further enhance our total company growth.

So before we open up the call for questions, let me close by reiterating three key strategic focus areas. First, we will continue to drive adoption of our current portfolio in the advanced wound care market by leveraging our direct sales force. Second, we will focus on increasing our technology and product portfolio through targeted and accretive business development opportunities. And third and finally, we will continue to work with our strategic partners to bring new products to the market.

As you can see, our strategic focus areas are clearly defined and we believe that our continued success in executing against these objectives is the most efficient path to growing the scale of our business and delivering strong returns to our current shareholders. I know my team and I believe strongly in the Alliqua business model and the growth opportunity, and we hope you agree as well.

We appreciate your participation on today's call and your interest in the Alliqua story. With that, Operator, let me turn the call back to you and we'll start with some questions.

Operator: If you would like to ask a question over the phone, please signal by pressing star 1 on your telephone keypad. If you're using a speakerphone, please make sure your mute function is turned off to allow your signal to reach our equipment. Once again, that's star 1 to ask a question.

We'll take our first question from (Raymond Myers) with Alere Financial Partners.

(Raymond Myers): Thank you and good evening. Thank you for hosting the call. My first question is for Dave. Would you discuss the leverage that you might hope to achieve from potential acquisitions that you're currently evaluating?

David Johnson: Yes, thanks for the question, (Ray). I appreciate it. So let me take a step back in and around M&A in totality. Let me re-stress the three growth drivers in our business: first, driving

organic growth with our current portfolio; second, leveraging our partners and our current partners' pipeline; and third, accretive M&A continuing to roll up this space.

Second, I would say remember the space is an $8 billion market, which I mentioned a little earlier in my organized remarks. It's a highly fragmented market so the point there is there's a fair amount of opportunities out there.

And then finally I would say -- before I answer the point directly -- we couldn't be happier with the results of the first acquisition which we did back in May of Choice Therapeutics. Here we are less than six months later. We've integrated this business, granted it was small but complex. We've integrated it well. We've started to grow the top line and accelerate from where they were. And in 2015, we anticipate operating margins of 30% plus on the bottom line continuing to benefit our cash flow and our business moving forward. I think this is a great example of a tuck-in within our business.

So (Ray), to your point - where do we go from here? Our key areas of focus right now are in the areas of antimicrobial technology to continue to drive an ability to help in the fear of infection which remains a major issue in hospitals all around the world; second, to continue to expand on our regenerative medicine base. We're excited about BIOVANCE but we think there's a continued way to expand this area of our business. And finally, we continue to look for - I'll call them unique technologies which have a chance to display current standard of care in the marketplace. So that's really where we're focusing. I think we've got a good level of opportunities within our pipeline today of M&A.

So what's the number and how do we leverage? (Ray), I think you take the model of Choice Therapeutics and you think of larger, impactful financial transactions that we can do in a very similar way. Hopefully that answers your question. I know it's a long answer, but I wanted to give you some context as well.

(Raymond Myers): Yes, thank you Dave. That's very helpful. I have more questions but I'll get back into queue and wait for the others.

David Johnson: Alright, thank you very much.

Operator: We'll take our next question from (Kay Nicave) from Ascendiant Capital.

(Kay Nicave): Yes, thank you. I wondered if you can share any efforts on your part to help inform, clarify with CMS the nature of your BIOVANCE product to help facilitate a positive decision on the Q code.

David Johnson: Thanks for the question, (Kay). I'd be surprised if I didn't hear that, quite frankly. So let me take a step back for the people on the call who may be not quite as familiar with this. As those of you who were on the call ((inaudible)) familiar with it, BIOVANCE is the first product that we have launched from our Celgene strategic relationship. As you can only imagine, with world-class company like Celgene, this is the start of a number of product launches we see over a period of time from a very robust pipeline.

I would say second that you should be aware that BIOVANCE is regulated as human tissue -- or as they often refer to it, HCTP -- under Section 361 of the Public Health Service Act. So this means that BIOVANCE meets the criteria that must be met under what they call 21CFR1271 -- way too much detail right now.

And then third, I think it's really important to remember that our initial focus on BIOVANCE remains in the Veterans' Administration network of hospitals and the inpatient DRG environments where we're gaining some nice traction; and as I suggested, represents about 50% of the business.

So with that as a backdrop, I'm going to turn this over to Lori Toner to really just give you a flavor on where are we on the Q code decision and how ((inaudible)).

Lori Toner: Sure, thanks Dave and good evening. So for those on the call, as Dave mentioned, that may not be familiar with the process, I'll first take you through the Q code process for biologics - what everyone goes through.

You submit in December of the previous year and you get a preliminary decision in April as to the coding decision and then a final decision in November. And then it takes effect in January of the following year.

So let me tell you a little bit about our process. So we filed for our Q code with our dossier in December of '13. We received a preliminary decision in April and we were very surprised to receive an A code for our 361 tissue product that's clearly not a collagen dressing as the A code designation would have indicated.

And then between the preliminary and the final decision, you have a couple of opportunities. You have public meetings to comment and you also have private meetings. We've taken advantage of both of those opportunities to make our case, to provide data, to provide further information. We believe we've made a very good case that BIOVANCE deserves a Q code as a biologic. And we await CMS's decision in the coming days.

David Johnson: Thanks, Lori.

(Kay Nicave): Okay, thank you for that. And with respect to the ECM product, can you tell us where you're at with respect to that filing?

David Johnson: So I think the only thing - right now, (Kay), I think the best way to describe it is - in this case, because we have spoken to many in the investment community, our partners have filed with the FDA for a 510K. It is currently in review and really there's nothing else we can talk about at this point. What we will do in the future is ensure that upon any kind of FDA clearances, we will ensure that we communicate to the investment community and let everyone know where we are.

(Kay Nicave): Okay, a question for Brian on stock-based comp -- we did see that decline slightly from last quarter. I'm just wondering what's the ((inaudible)) think about for stock-based comps going forward.

Brian Posner: Yes, I'm not going to give a specific number at this point, (Kay), but I will say we totally expect that decrease in the trend there to continue. Obviously, the company in previous years was giving out a significant amount of stock options to consultants and others, and the stock compensation is a part of our compensation now. We have other means to compensate folks in the appropriate manner. So that trend will continue but I think it's a little bit premature to give a specific number at this point.

(Kay Nicave): Okay, and just a follow-up question for Dave following up on (Ray)'s question earlier about M&A. Obviously you've talked about a lot of opportunities, several that you're looking at. But in terms of being able to pull the trigger and finalize one, is it a question of trying to find the right fit or are the valuations that both sides need to agree on at this point just simply not working out?

David Johnson: So I think the best way to describe it -- and I know - I think it's important just to put some context. So in September, as you know, we did our first deal with Sorbion. It was an exclusive distribution agreement. In November, we did our first licensing agreement with Celgene. In May, we did our first acquisition. So we have done three M&A transactions in a relatively short period of time.

I think the one thing that we're adamant about -- the number of opportunities out there remain extremely positive. We need to make sure that it's the right one and that we feel that we can maximize the benefits and make it accretive in the early days. There's a lot of factors that go into that. I think the pipeline remains extremely healthy in M&A and I'll leave you with that. So that's probably the best way to describe it.

(Kay Nicave): Okay, thanks.

Operator: We'll take our next question from (ChrisWalpert) with Lakelawn Company.

(Chris Walpert): Hi guys. Congratulations on a great quarter. I just wanted to ask a quick question. Looking at gross margins, they really increased significantly. So if you could just lead us through how to look at the margin mix as you ramp up with BIOVANCE and some of the other product categories start to come up in sales.

David Johnson: Yes, good evening. I think - thanks for noticing that trend. They've really increased. There was a negative margin in Q1. We've gone 19% in Q2 and now 39%, and that trend's going to continue as the mix of products become a bigger part of our total revenue. That percentage will go higher and higher. Some of our products at the lower end are still in the upper sixties and the BIOVANCE product is significantly higher than that. So you could expect to see significant gross margin growth over the next several quarters and beyond.

(Chris Walpert): Alright, excellent. Thank you so much.

Operator: And we'll take our next question from (Cheyenne Pacula-Ramikan) with HC Wainwright.

(Cheyenne Pacula-Ramikan): Good evening folks. On the quarterly revenue of $990,000, I was wondering - what does BIOVANCE contribute to that? And let's say in November we get the Q code -- how could that number change potentially - launching of the Q code in 2015?

David Johnson: So I'm probably going to frustrate you a little bit with our answer on this, which is - at this point, we're not breaking down our proprietary product revenue down to a brand level. I will say this -- I'm extremely encouraged with the balanced nature of our portfolio at this stage and quite frankly, right now in regards to BIOVANCE, we like the trend we see in the market. We like the penetration that we see and we're really focused on the VA and the DRG environments at this stage. We'll wait for any kind of Q code and then, obviously, we would give further guidance in our Q4 call early next year depending on if there was any change.

(Cheyenne Pacula-Ramikan): Okay, thank you. Looking into the 2015 revenue guidance of eleven to thirteen million, I was just wondering what are the assumptions behind that number - of that range and - so that we understand where the management stands in terms of achieving that number?

Brian Posner: Hi, it's Brian. The growth is going to come from the products. I think we have a very balanced portfolio, so we're not going to give detailed product right now. But when one looks at growth in this company, it's going to come from Sorbion, BIOVANCE, Choice, as well as -- to some extent -- the hydrogels. Again, the contract manufacturing business is an important part of the business right now, but it's not the growth part of the business. so that's how one should be looking at it.

David Johnson: And maybe just to add to that, if we really think about it by product, I think in many ways during our comments so far today we've given a lot of that. So we love the trends in Sorbion that we've seen since we've taken over this business and as long as we continue to see those trends, we see that going to a very nice place in '15.

Clearly, with TheraBond it's about taking this really quality product line, which got close to $2 million by a handful of people; and now we put it in the hands of twenty-five of our direct sales people and see that working. We talked about the BIOVANCE and the real nice penetration we're seeing in the two key environments we're focusing on at this stage; and of course, some slower growth with our hydrogel franchise. If you add all of those up, we get to the eleven to thirteen number, and I think all of us around the room feel pretty darn comfortable about it.

(Cheyenne Pacula-Ramikan): Okay. The last question I have for you folks this afternoon is how should I think about the pushes and pulls in the operational expenses lines for 2015? I know I did get some commentary on the gross margin, but I'm thinking about the other operational lines below the gross margin level.

Brian Posner: Op ex - if you look at our P&L -- and again, I'll take out the stock option comp -- has been running about 3.7. We don't see any significant increase in that right now, but in fairness we are going through our strategic planning right now. So I don't want to say too much, but obviously we're very careful. This is a growth story on one hand, but we're very careful and very cognizant of our burn and how we deploy our capital.

(Cheyenne Pacula-Ramikan): Okay, thank you.

Operator: There are no more remaining questions, so that does conclude our call for today. Thank you for your participation. You may now disconnect.

David Johnson: Thanks everybody. I appreciate your time today.

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