

RESEARCH NOTE

Accelerating revenue growth

VICOR TECHNOLOGIES, INC

Vicor is a development stage company which has developed a noninvasive diagnostic technology that measures heart rate variability to assess the risk of total mortality in patients with a number of life threatening conditions as well as the presence of autonomic nervous system dysfunction in diabetic patients. The company has received a 510(k) clearance from FDA to measure heartbeat rate variability and anticipates obtaining clearances for two more applications: as a diagnostic to identify congestive heart failure patients with a high risk of cardiac mortality (either from arrhythmic death or pump failure death) and to use its technology as a vital sign indicator to identify trauma patients requiring immediate life saving intervention (developed in collaboration with the U.S. Army). Studies for other applications are also underway.

Analyst: Vitalie Eremia, CFA

Vicor has announced revenues for January 2011, which exceeded sales for the whole of Q4-2010, reaching \$77 thousand. Of course, revenues remain volatile and this number has to be taken cautiously, but it looks very promising when compared against \$190 thousand in sales booked for the whole of 2010.

Revenue acceleration was to be expected in the light of Vicor's efforts to boost its sales force and push its products into the market, which we covered in our previous update report. This new announcement may signify that the company's efforts are starting to pay off.

We expect to see exponential revenue growth, starting with small initial sales and expanding at a fast rate in the next quarters and years, as market acceptance grows and as recurring revenues become a more substantial part of the company's revenue streams. Initially, however, we believe that sales will consist mostly of equipment sales as Vicor needs to establish a solid installed base first.

We maintain our rating of Speculative Buy on Vicor.

Meaning of Ratings

Buy

We believe the company is undervalued relative to its market and peers. We believe its risk reward ratio strongly advocates purchase of the stock relative to other stocks in the marketplace. Remember, with all equities there is always downside risk.

Speculative Buy

We believe that the long run prospects of the company are positive. We believe its risk reward ratio advocates purchase of the stock. We feel the investment risk is higher than our typical "buy" recommendation. In the short run, the stock may be subject to high volatility and continue to trade at a discount to its market.

Neutral

We will remain neutral pending certain developments.

Underperform

We believe that the company may be fairly valued based on its current status. Upside potential is limited relative to investment risk.

Sell

We believe that the company is significantly overvalued based on its current status. The future of the company's operations may be questionable and there is an extreme level of investment risk relative to reward.

Some notable Risks within the Microcap Market

Stocks in the Microcap segment of the market have many risks that are not as prevalent in Large-cap, Blue Chips or even Small-cap stocks. Often it is these risks that cause Microcap stocks to trade at discounts to their peers. The most common of these risks is liquidity risk, which is typically caused by small trading floats and very low trading volume which can lead to large spreads and high volatility in stock price. In addition, Microcaps tend to have significant company specific risks that contribute to lower valuations.

Investors need to be aware of the higher probability of financial default and higher degree of financial distress inherent in the microcap segment of the market.

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