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PRESENTATION

Operator

Good afternoon, and welcome to the Organovo fiscal third quarter 2016 earnings conference call.

(Operator Instructions)

Please note, this event is being recorded.

I would now like to turn the conference call over to Steve Kunszabo, Head of Investor Relations. Please go ahead, sir.

Steve Kunszabo - Organovo - IR

Good afternoon. Thanks for joining us. I'd like to welcome you to our fiscal third quarter 2016 earnings call. Joining me on the call this afternoon are CEO, Keith Murphy; and our CFO, Barry Michaels.

Today's call will begin with a discussion of the 2016 fiscal third quarter results followed by Q&A.

Before I turn things over to Keith, I'd like to caution all participants that our call this afternoon may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are statements that are not historical fact, and include statements about our future expectations, plans and prospects.

Such forward-looking statements are based upon our current beliefs and expectations and are subject to risks which could cause actual results to differ from the forward-looking statements. Such risks are more fully discussed in our filings with the Securities and Exchange Commission. Our remarks today should be considered in light of such risk.

Any forward-looking statements represent our views only as of today and while we may elect to update forward-looking statements at some point in the future, we specifically disclaim any obligation to do so, even if our expectations or views change.

During the call, we'll also be referring to certain supplemental financial measures. These supplemental financial measures are not prepared in accordance with generally accepted accounting principles. Please refer to today's earnings release for definition of these supplemental financial measures.

With that, let me turn things over to Keith.



Keith Murphy - *Organovo - CEO*

Thanks Steve and good afternoon everyone. I'm going to jump right in by highlighting that based on what we see with the month already behind us in the fourth quarter, we've updated our fiscal 2016 outlook for net cash utilization and revenue recognition from our previously disclosed liver contract booking.

We are making steady progress on the topline. Total revenue gained 112% versus last year's comparable period with the primary contribution coming from service work related to our exVive3D Human Liver Tissue.

Barry will cover these financial updates and trends later on in his remarks. I'll spend my time today on recent developments in the preclinical safety market, progress we're making with our collaborators and partners, the development of our kidney program, and the steps we are talking in the therapeutic tissue space.

Before I dive in, it's worth revisiting the key fundamental element that formed the foundation for our excellent long term growth prospect. First, we are serving critical unmet needs in markets with very attractive profiles. There is a clear demand for more productive preclinical tissue models, given the hundreds of late stage trial clinical trial failures and drug withdrawals that have occurred over the last two decade.

Of these failures and overwhelming percentage were for either toxicity, or lack of efficacy, resulting in billions of dollars in wasted drug discovery and development costs.

Similarly, for our therapeutic tissue opportunities, when you consider more than 75% gap in transplant medicine between patients on a waiting list and transplants that are completed in an average year, it's evident that we may have a long term answer by creating tissue replacement products for surgical implantation.

Second, we lead the industry with the innovation in cutting-edge services that come with the first mover advantage. In short, no one else has achieved what we do building 100% cellular tissue that is demonstrated to reproduce native tissue function.

There are others marketing or attempting to develop improvement to traditional models, but none of them have demonstrated the ability to recreate the key aspect of in vivo form and function in the same way as Organovo bioprinted tissue.

Third, we are fortifying our competitive advantage with the world class IP portfolio. Our team really does a great job here extending the influence and reach of our innovation, while also putting us in a strong position to defend our products and services.

It starts with the NovoGen bioprinting process where our engineering team continues to make significant enhancements to further develop that platform. Our IP portfolio now includes more than 25 exclusive patents globally and more than 80 patent applications pending. These patent filings don't just relate to our bioprinting technology, but also cover uses in drug discovery and tissue constructs.

To name just one recent success here, we recently had our first liver tissue patent issued in the United States. Taking all this together, we have a flexible platform that allows us to target multiple revenue streams across the preclinical safety, efficacy modeling, and therapeutic markets. When you take a step back, we really have great operating leverage, as a portfolio company, with valuable assets.

Turing to discussion of our progress in key areas. In the preclinical safety segment, we continue to grow customer adoption of the exVive 3D Human Liver tissue. Although this product was launched in late 2014, it's worth reinforcing that given the long revenue recognition cycle, we have less than one year of true commercial result. That's a short period of time for any new product or business.

These are multi-dimensional, high-content projects that often spread over many months with different milestones. Fiscal 2017 will be an important period as we'll have year-over-year comparisons to point to as we evaluate our ongoing performance. Those benchmarks don't exist today as we are still breaking new ground.

We remain encouraged with our early customer profile in the liver business. Our customers span the globe including the United States, Europe, and Asia, and we continue to penetrate the top 25 global pharmaceutical companies. Repeat contract continue to commend at a solid pace.

We had another top 25 global pharmaceutical customer win in the last few weeks, bringing our total to four with this important group. While we can't always refer to these customers by name due to confidentiality and business reason, over time we'll describe as much as we can about the customers and the work we are doing for them.

Two of our top 25 global pharmaceutical customers have had their peer-reviewed accepted for the Society of Toxicology's annual meeting in March. They will be discussing the results they've seen in preclinical studies that are using our technology. We'll also be presenting two posters ourselves at this influential conference, highlighting the strong data we've recently achieved internally with exVive 3D evaluation studies.

As I've shared before, these types of collaborations with key customers, as well as our continuing to build the data set that validates our product and services will be vital to customer penetration in all of our business lines. It's all about credibility with our customers and we continue invest to do more.

Moving now to kidney tissue development. As you may remember, we hit the functional validation milestone for our kidney tissue back in October. We are working diligently to publish this great work by our researchers in conference presentations and peer-reviewed journals are also taking the necessary steps in manufacturing, quality and other functional areas to ready this product for commercial use.

We are still on track to commence data testing for the kidney tissue in the second calendar quarter of 2016 and for the initiation of contracting later in the year. With an addressable market of over \$2 billion and roughly 6,500 annual programs that required toxicity testing, we are well-positioned to capitalize on this potential \$100 million plus annual revenue opportunity.

The lack of existing alternatives, particularly effective 2D cell models is even more acute in kidney than in the liver business, and we forecast pricing to be superior to the liver tissue. Ongoing discussions with our toxicology customers suggest there is a strong demand for our kidney tissue and we'll also take our learnings from the liver commercial launch to drive early success.

Before I wrap up with a quick update on our partnerships and therapeutic segment, let's spend some time on how we've recalibrated our sales and marketing approach. Now that we've had dedicated business development resources in place across the United States and in Europe for a full quarter, the focus has shifted to refining and segmenting how we sell to our customers.

Some customers may just need a quick report on one compound with basic data on tissue health and tissue histology, while others undertake multi-compounds and require a full redoubt including several functional biomarkers and metabolism. The adaptability of our platform lets us address diverse customer needs while looking at key aspects of liver biology to tell a complete story. To that end, we now offer a structured menu to access or service offerings allowing our customers to tailor the framework of their preclinical testing programs.

Moving now to a quick update on our partnerships and therapeutics business. Our partnership with L'Oreal continues to move ahead, and I'm excited to report today that we expect to complete Phase1 of our agreement ahead of schedule with this leader in the beauty and cosmetics market. We also expect to recognize revenue in a few months for the completion of this first part of our contract and have already begun work on the next set of deliverables.

As a reminder, our collaboration with L'Oreal's United States based technology incubator contemplates a few primary sources of revenue, including being a commercial supplier for our bioprinted skin tissue, co-marketing our skin model to other beauty and cosmetics company, and royalty and licensing payments from cosmetic products tested and marketed using our product.

As for our Merck relationship, we continue to work on both the toxicology and custom tissue disease modeling parts of that agreement and are also pleased to announce that we have completed our earliest deliverables and recognized revenue from multiple stages of this contract.



We'll expect you to do the same with additional stages overtime. This is a multifaceted long-term agreement and we hope to provide more detailed information as the deal progresses.

Finally, we continue to see great promise for our tissue replacement products where the potential exists to revolutionize therapeutic applications and materially improve patient outcomes. We're still in the early days and are seeing solid result in animal models in the multiple tissue types that we're evaluating.

Our timelines are on course as we continue to aim for an investigational new drug or IND submission with the FDA in the next three to five years depending on the tissue type and expect to share preliminary data from the animal models in the next 12 months to 18 months.

In wrapping up my thoughts, we continue to achieve the scientific and operating targets we've set for ourselves and are seeing steady progress across our business line. We are poised to penetrate the next set of customers and are refining our sales in marketing effort to maximize the breadth of our revenue profile. The liver business is growing, the skin model is advancing and the kidney product is on schedule.

Our investment thesis and our long-term profile are intact and we're prudently deploying capital to change the shape of medical research and practice. We look forward to updating you on our progress again after the 2016 fiscal year-ends.

With that, I'll turn it over to Barry for a more detailed financial review.

Barry Michaels - *Organovo - CFO*

Thanks Keith, good afternoon, everyone.

I'll begin by summarizing our key financial metrics for the fiscal third quarter and then walk you through the full year and long range financial targets, we updated today. I'll wrap up my thoughts by briefly reviewing our balance sheet and liquidity profile.

Organovo recorded fiscal third quarter total revenue of \$0.3 million, which was up 112% from the year ago period and 9% on a sequential basis. Total revenue benefited from a \$0.2 million increase in product and services revenue.

From an operating viewpoint, we generated product and service revenue of \$0.3 million versus \$0.1 million in the year ago period. Product and service revenue was driven largely by customer contracts for our exVive3D Human Liver Tissue research services.

As Keith noted, we're seeing traction across the board with a recent top-25 global pharma win in our commercial toxicology business. Steady progress on our kidney development timeline, the anticipated completion of a key milestone for our L'Oreal contract and initial revenue recognition from our Merck agreement.

I'll focus next on operating expenses and would continue to underscore that the core driver in the forecast growth of our cash operating expenses for the foreseeable future is the people we bring onboard to grow our commercial operations and support our manufacturing, sales and administrative functions. We now have approximately 110 employees on the Organovo team.

We recorded \$6.2 million in selling, general and administrative expenses during the fiscal third quarter, a 60% year-over-year increase, primarily resulting from the higher non-cash, share based compensation expense and employee related costs, that is salaries, recruiting and benefits.

It's worth noting that our headcount in this area has increased roughly 75% in the last 12 months as higher staffing expenses are directly tied to providing strategic infrastructure, and developing collaborative relationships, and the ongoing commercialization of our products and services. As noted on our last earnings call, we meaningfully expanded our sales footprint in the late calendar 2015 and now have a vice president of sales and three dedicated sales directors across United States and Europe working on deals with pharmaceutical customers.

In addition, we have two technical marketing professionals and are our newly hired senior director of global marketing supporting the business development effort bringing the total size of our commercial organization to eight employees. We are confident that the size of this group allows us to effectively execute against our near term revenue opportunities.

Lastly, I'd point out that approximately \$2.6 million of our SG&A cost during the quarter related to non-cash share-based compensation expense. Research and development expenses were \$4.6 million, a 42% increase from the year ago period largely due to higher employee related costs, again, salary and benefits and lab supplies.

As with the SG&A line, we increased our research staff approximately 45% to support product development and sales activities that align with ongoing commercialization of our product and services, as well as in meeting our obligations under existing collaborative research agreements.

Before I jump to our financial and operating targets, I'd like to quickly recap the launch of commercial operations for our wholly-owned subsidiary Samsara Sciences in mid January. Samsara's core mission is to provision of high-quality primary human liver cells for a wide variety of in vivo and in vitro research applications. [Challenges] raw materials are a critical input for Organovo's products and services and this step allows us to improve our supply chain and reduce expenses.

Organovo has already begun to receive these sales for use in its preclinical safety and therapeutic tissues businesses while Samsara has also now signed a distribution agreement to deliver liver sales to other commercial buyers. As Samsara is a wholly-owned subsidiary, future revenue traction will be consolidated within our financial results.

Moving now to our fiscal 2016 and long-range financial guidance, which we updated this afternoon, we now forecast total revenue recognized from previous reported contract bookings for exVive3D Human Liver Tissue to be \$0.7 million to \$0.9 million during fiscal 2016.

To be clear, our revised outlook reflect certain deliverables being pushed out. This is a matter of timing, and not a change in our overall contracts profile. It is important to remember that the pace of customer activity and their work plans are an important driver of how we recognize revenue.

For example, a customer can be very pleased with the results of one-phase of toxicology work we've done for them, but may take more time than anticipated to move to the following phase, if they need to modify the compounds or dosages that they want to continue to test based on the past results or there may be a shift in their R&D calendar that causes delays.

In short, we still expect to recognize a bulk of \$2 million in our previously reported liver contract bookings, although some of that will now move to fiscal 2017. Lastly, we'll continue to recognize hundreds of thousands of dollars of revenue in fiscal 2016 related to new contracts we've signed which weren't included in our previously recorded liver contract bookings.

On a same basis for the full year of fiscal 2016, we expect net cash utilization of between \$32 million and \$34 million. Our net cash utilization of \$23.3 million during the first nine months of fiscal 2016 is consistent with this outlook. This improvement in our burn rate not only reflects operating efficiencies from the thoughtful deployment of our capital resources when you consider how we've built out lab and manufacturing facilities, but also being measured in how and when we add headcount in key areas.

As for our long range outlook, we continue to expect that our liver tissue product and service will grow into the tens of millions in annual revenue as it penetrates the toxicology market with greater than \$100 million in revenue potential as a part of \$1 billion addressable market, and that we will initiate the commercial contracting of our kidney tissue product in a calendar third quarter of 2016.

Moving to a review of our balance sheet and liquidity position, at the end of fiscal third quarter, we had cash and cash equivalence balance of approximately \$70 million which compares favorably to our cash position in the year ago period of 50.1 million.

However, our negative cash flow from operations again increased from the prior year quarter as we continue to invest in additional plant, equipment and people, in connection with a ramp up of our liver business, development of our kidney tissue product and collaborative agreements.



In closing, just a few words on my retirement after the end of this fiscal year. It has been a privilege to finish my professional career with the Organovo team, these last 4 1/2 years. We've accomplished so much together through the leadership of a great executive team and so many dedicated associates that innovate and grow this Company each day.

I'm thankful to my teammates for all their support and grateful to our customers and investors for partnering with us in building this business. As a long term Organovo shareholder, I look forward to following the company's success for many years to come.

With that, I'll turn things back to the operator for the Q&A portion of this afternoon's call.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) The first question in the queue comes from Brandon Couillard of Jefferies.

Unidentified Participant

Hi, good afternoon. This is Sachin in for Brandon, can you hear me okay?

Keith Murphy - Organovo - CEO

Okay, you're loud and clear Sachin.

Unidentified Participant

Is the push-out to revenue recognition target in FY16 a function of one or multiple contracts? And was there any update around how the selling cycle or convergence cycles are playing out relative to your initial plan?

Barry Michaels - Organovo - CFO

This is Barry, Sachin. No, there is not a revision to the timing in terms of how this plays out. Internally we've been able to respond within a timely fashion to the information and the data set that we're providing to customers.

Please remember that many times we're providing answers to questions that previously were that they didn't have the ability to ask if you would and so in certain cases its taking some internal time in the part of our customers to assess and evaluate the next steps as they want to go through in the timing of delivering as we said before either additional compounds that were called for under a multi step agreement or perhaps reevaluating the doses or the timing that they want to have those doses applied in our study.

And as simply as many times when we are talking about revenue recognition with a certain snap-shot and time period cut off, it may simply be the difference between one week that would have a fall in one period versus having to come in two weeks later and having that revenue recognition in the following period.

Keith Murphy - Organovo - CEO

Sachin, this is Keith. This is related to one large customer and as Barry said if that hits in late March versus early April, it changes the period that it falls in. So we do expect to recognize that revenue without question but it's just going to take a little longer because of the internal decision making



and we're always subject to the internal decision making timelines of the customer when there is a large contract like that that is -- that put in place with multiple stages as Barry pointed out.

We're going to subject to when they make a decision to trigger the next stage if they want to look at their data for longer, between stages and things like that, to perhaps tweak the next stage, we can lack the ability to predict very well, I think that's what the challenge is.

Unidentified Participant

Got it. And would that provide any numbers --?

Keith Murphy - Organovo - CEO

We don't see any -- I'm sorry to your second part of your question, we don't see changes to the overall trends in turnaround timeframes and the sales and revenue recognition cycle.

Still it's quite a bit of time to end the contract and then execution as we pointed out in our prepared remarks, I think you can see that we do have some customers who have - who want a very specific off-the-shelf set of information, the turnaround can be quicker but for these multistage programs it can take multiple months to recognize the revenue, do the work and recognize the revenue.

Unidentified Participant

Got it. And would that provide numbers around specific customers or contracts, any update on the percentage of early adopters they have like been repeat orders or repeat customers?

Keith Murphy - Organovo - CEO

We don't have an update for you at this time. We're considering doing that. We'd like to have right end, the right denominator for you. Once we have the ability to actually point to enough customers and whether or not they've had a time to make a decision and things like that, we prudentially can give you an update on that.

But what we said it will standby. We're seeing a solid pace of repeat business, we do feel very strongly that the customer feedback has been excellent, they're learning things that they couldn't have learned with any other system, it's eye opening for them and that can be good and a bad thing, it's very good in the sense but it stimulates them to do more work.

But in some cases, honestly they are learning something new about biology. So they've got to go do deep thinking and really be playful about how they're going to approach the problems that they're trying to solve given that they're just starting to understand the depth that we can give them in terms of information, and the revelation the cutting edge scientific information that we're providing causes them to think differently even about basic aspects of liver biology.

So I'll just point to the fact that two of our customers already have posters and oral presentation, or at least oral presentation at the Society of Toxicology that's because they are seeing new things. They are seeing scientifically interesting and important things. They are getting out there at a conference level and talking about it.

Unidentified Participant

Thank you, guys.



Operator

The next question will come from Caroline Corner of Cantor Fitzgerald.

Caroline Corner - *Cantor Fitzgerald - Analyst*

Just following up a little bit from previous questions. When you're talking about the large customer that got rolled over into fiscal 2017, can you remind us how you're defining a large customer? I realize it's multi-phase but are we talking about revenues over a couple of years of several million dollars or is this just a large company customer coming from a large company? How are you defining a large customer at opposed to the small customer?

Keith Murphy - *Organovo - CEO*

Good question. We haven't undertaken to define that, but we said it within the context of the previously disclosed 1.94 million in contract bookings, a portion of that was from a single customer and what we are seeing is that changes within our expectations, revenue recognition due to customer decision making and [side that] have just shifted to where we expected in early fiscal 2017.

So I can't give you an exact answer. If you look at the difference, that's representative of a portion of the contract and then I'd also note that we have already recognized revenue from that customer. We're just talking about next stages that are remaining to be recognized.

Caroline Corner - *Cantor Fitzgerald - Analyst*

And are next stage is on the same length order of what's previously been reported or is the next stage is bigger orders?

Keith Murphy - *Organovo - CEO*

I don't think it's right to speak to that exactly, but certainly if you look at the fact that we were talking about 500,000 more and we are still saying we are expecting to recognize that. We are still looking at that being probably an increase in future quarters over what we have shown in the past quarters.

Caroline Corner - *Cantor Fitzgerald - Analyst*

Okay. And then given the last couple of quarters, bumpy with regards to revenue recognition, I know you're not giving 2017 outlook yet but when you do give your 2017 outlook, what can you tell us now that should give us confidence that you are going to be able to better estimate the timing of some of these orders and when you're going to be able to actually get paid from them.

Keith Murphy - *Organovo - CEO*

I think it's important to recognize that we undertook to talk about the nearly 2 million contract bookings for specific reason. We are striving to give the information to the market that it wants to understand the business. And we undertook to give that \$2 million number in response to request around how did the launch go?

We sense there was an interest in understanding how well the market was receiving what we were doing and we put that \$2 million number out there. So the slight update here recognizes that, even that is aggressive to do that, I think, we've got to be really cautious in our ability to predict because we are creating a new market here. We have to remember that. We are creating a new market.

I'll reiterate my previous comments. We are teaching our customer's aspects of biology that they haven't considered before. A good example of that is the fact that our customers aren't used to having the ability to look at tissue sections, look at a slice of this tissue under the microscope, when they are doing study, they are used to two dimensions, where they can't actually look and get that level of information.

To understand that, they have to bring entirely new people into the room, the animal pathologist [who aren't used] to working in the animal studies and looking at that. They have to come in the room with the folks who are used to doing the work in multi [world] plates or petri dishes.

And so it adds complexity to how they have to work on this information. So it's hard to predict, which is why we are careful about predicting. In this case, maybe we should have been more careful. But I think that it doesn't change our overall expectation which is that, if you fundamentally change the game and solve the unmet needs of the customer, you are going to have success.

And Caroline, I think you'd agree that the folks that you are preparing your information for are motivated with a lot more line understanding that you've looked at the science behind this, you have an understanding of why it's ground-breaking and breakthrough technology and can impact that unmet need, then they are about \$100,000 - amounts in the \$100,000 moving between two quarters.

Caroline Corner - *Cantor Fitzgerald - Analyst*

Okay. I appreciate Barry's comment about his retirement and that's helpful. Can you talk a little bit about your CFO search in, when you expect that person to come on and is it going to be kind of a - Barry will be onboard at the same time as the new person to ease it in or how are you anticipating that happening?

Keith Murphy - *Organovo - CEO*

Yes, good question. I'll make a couple comments then I'll let Barry speak. We have a flexible timeline, Barry has been gracious to us in that context, there is no fixed date. We wanted to make sure we went beyond the fiscal year and that makes things little easier in the transition and the hand off for everyone. So beyond March 31.

There is no fixed date. My hope is that we have someone on at a pretty rapid pace in the course of several months here and that we can make that transition expeditious - very expeditious I should say because I don't want to keep Barry from overdue rush then his ability to travel or whatever he wants to do but so far we don't have a fixed date and then I'll let Barry comment as well.

Barry Michaels - *Organovo - CFO*

Yes, that perhaps somewhat guided by my wife and her interest in doing a little traveling right, so I may have to take some vacation during some of that period. But I'm facilitating and helping with the search process. The organization certainly wants to make sure that it gets the right individual in here and I have some flexibility in time. So I'm happy and pleased to support that.

So, it's not to rush out the door in any sense of the imagination and although after having been in the industry for so long, I do look for to an opportunity to go out and have some flexibility in my schedule.

Caroline Corner - *Cantor Fitzgerald - Analyst*

Okay. Thank you very much.

Operator

Next, we have a question from Mark Massaro of Canaccord Genuity.

Mark Massaro - *Canaccord Genuity - Analyst*

Hi, thanks for taking the question. So you guys have a lot of interesting partners both in the pharmaceutical world and also in the cosmetic world. At a high level what is typically the run rate between when you initiate discussion with some of these prospective customers and when you bring them onboard, just talking about the earliest stage of your discussions with new potential customers.

Keith Murphy - *Organovo - CEO*

Yes, great question. So let me address it two ways, partners can be quite variable right, because partners you're talking about a greater level of complexity like the L'Oreal deal or that can take longer simply because you agree in principle within several months but then you got to go through contracts and things like that.

There is more standard contracting process for the commercial business with what I'll call customers who are using the exVive3D Human Liver Tissue, so Mark they're essentially - it's a long process but it tends to work more in the four to six month timeframe.

So from a start of a conversation with a serious customer to a signed contract takes about four to six months and then depending on the contract if it's multiple stages and things like that, it can be a typical case not a very large customer case, it can be four to five months to recognize the revenue from that deal after signing.

Mark Massaro - *Canaccord Genuity - Analyst*

Okay, great. And then with the update today with the revenue recognition lag, if we assume that the old assumption was 8 to 11 months revenue recognition, where are we now, is it more like a 9 to 12 months or 9 to 15 months period?

Keith Murphy - *Organovo - CEO*

No I don't think that changes it because the 8 to 11 months which is the correct - you're summing up with the two numbers that I gave there, that's a typical - still true of the typical customer.

What I would say is, just we're going to have some customers who are atypical. The customer in question recognizes revenue within that timeframe but they have multiple stages of the contract and so the next stages are the ones that have been pushed back a bit due to their internal decision making and timelines. And so it's when we have multiple stage contract that is it harder to predict exactly when something is going to head especially when it's near the end of a period.

Mark Massaro - *Canaccord Genuity - Analyst*

Great, thank you. And I know you talked about how the large customer is modifying compound or looking at dosage levels, is this the case where maybe adding an additional resource on your end could potentially speed the timing of RevRac or is this more a function of the customer trying to figure things out as you mentioned, it's a new way for them to do things.

Just at a high level, I'm trying to determine what you can do internally to make sure that the customer has everything they need to move onto the next stage?



Keith Murphy - *Organovo - CEO*

I think I understand what you're getting to because in some cases people will have alliance managers for larger customers and overtime I expect us to have that kind of thing for key accounts and with the targets that we have around top 25 global pharma companies, we certainly expect those to be key accounts and will be doing more and more overtime.

So, we'll continue to evaluate if it's necessary for us to have that kind of personnel onboard and I think it's a good insight that you have. What I would say is that this is more related to simply meeting to have time for them to understand what's going on, come to the next stage of the contract and move it forward in this particular case.

Mark Massaro - *Canaccord Genuity - Analyst*

Great. Thank you very much.

Operator

And the next question comes from John Meckler of 3D Printing Fund Advisors.

John Meckler - *3D Printing Fund Advisors - Analyst*

So Caroline actually addressed my question was just about CFO search. So if I guess the only additional detail I'd ask you is, is it possible to say whether looking at your board someone from the board perhaps to come on such as James Glover who I know has a lot of accounting expertise.

Keith Murphy - *Organovo - CEO*

Well, I won't comment one way or the other exactly. Certainly Jim Glover has extensive expertise. He has certainly been more in a mode where he is serving as a Director of Company's not in an active operational role but I can never rule anything out.

John Meckler - *3D Printing Fund Advisors - Analyst*

All right, fair enough. Thanks.

Operator

(Operator Instructions) And our next question will come from Vesselin Mihaylov of Newport Coast Securities.

Vesselin Mihaylov - *Newport Coast Securities - Analyst*

Just a question about the fourth quarter here, should the midpoint of the revenue from previously announced bookings which has been pulled down by about \$500,000. At the same time I heard that Barry said, the company is expected to still recognize hundreds of thousands of dollars of revenues from contracts time to later date. Therefore I was just asking for a little more clarity on Q4, can we expect sequential revenue growth here off the 220 that was recorded or not?

Keith Murphy - *Organovo - CEO*

So, thanks for the question. Go ahead Barry sorry.



Barry Michaels - *Organovo - CFO*

Vess, we're not providing forward forecast on guidance on revenue in consistent with what we've done before. Again we have provided that guidance around bookings and so on, all we were - and we've provided guidance about the timing of recognizing that and what we've just indicated here is even though from those original bookings, there is a slip, if you would, in timing but no change and direction that we've had and how much of those that we've had and we're only indicating that also remember that during his period of time, we've had new contracts and customers that have come onboard and we're seeing that but we are not really prepared to provide additional guidance at this point.

Keith Murphy - *Organovo - CEO*

I would just add to that by saying that I think you raise a question that leads to an important point to make, it would be a mistake for someone to read those numbers - the updated numbers as the total expected revenue recognition for the year. Those are of course only the percentage out of that initial contract bookings number that we gave.

So we certainly as Barry said in his remark, we're expecting hundreds of thousands of dollars more than that and that lead you to better understanding may be of the fourth quarter and I would just point out that in the Q that is now filed for the current quarter that we're reporting on today, we did have \$689,000 in product and service revenues recognized just from the nine months ended December 31, 2015 already.

Vesselin Mihaylov - *Newport Coast Securities - Analyst*

Okay, very well. And then just request if you could please consider releasing fourth quarter revenue guidance to the best of your ability in the month of May, maybe middle of May because otherwise we don't hear it from you guys until the end of June which is okay, that's what you're required to do by law but investors are looking for little bit more clarity so if possible sometime in the month of May to preannounce the fourth quarter numbers that would be great?

Barry Michaels - *Organovo - CFO*

Thanks for the comment. We will reserve any commitment there of course but we definitely seek to try and be proactive in forward thinking and how we can get the right level of information out there. The only caution to that is that we want to make sure people aren't over focused on the quarterly numbers at this time.

This is a business that has to grow year-over-year not necessarily quarter-over-quarter and we need to make and demonstrate steady progress towards that goal of getting it into the tens and millions but I'm hopeful that people understand the nature of this is we're changing the game, we've got to get the products out there but the scientific demonstration that we've got should be much more important to people at this stage because that's what drives the revenue long-term not a short term focus on that kind of number.

Vesselin Mihaylov - *Newport Coast Securities - Analyst*

Very much, so I agree with that. Now do you expect any revenues recognized in the fourth quarter from the new subsidiary Samsara?

Barry Michaels - *Organovo - CFO*

I appreciate the comment Vess but we're just not going to provide guidance on that at this point. I think as we indicated, we've got an addition to what we consume internally here at Organovo from that subsidiary, they have established a distribution, a third party distributor and so it's yet to be seen.

Vesselin Mihaylov - Newport Coast Securities - Analyst

Okay. And Keith one final question, the peak expected revenues of approximately \$100 million out of billion dollar market which itself is growing, your timeframe on that is it three to five years, is it five to seven years from now, what would you say under safe harbor?

Keith Murphy - Organovo - CEO

Well let's clarify our language on that because it's not a prediction of revenue, it's a statement that the market has that kind of potential. So as we make diligent efforts in developing this and commercializing it, that is the kind of potential that this market could have, the liver tissue could have - has 100 million potential and the kidney tissue separately has its own 100 million plus potential.

But that has to be achieved over time and we can't commit to that time frame of course as you can understand. However pointing again to that same guidance statement, they are very confident in this growing into the tens of millions each tissue going into the tens of millions, so we're focused on that right now, over time it definitely has potential to be a lot bigger.

Vesselin Mihaylov - Newport Coast Securities - Analyst

Okay, wonderful. Thank you very much for your time today and Barry thank you very much for your service and good luck in retirement.

Barry Michaels - Organovo - CFO

Thanks.

Operator

And this concludes our question-and-answer session. I would like to turn the conference back over to Keith Murphy for any closing remarks.

Keith Murphy - Organovo - CEO

Thank you very much. In closing, I want to thank you all for your time today and then most especially I just want to thank my friend Barry Michaels for his dedicated service to Organovo over the past 4 1/2 years.

Great opportunity is on the road with Barry to get to know him really well and couldn't be happier to have had him at Organovo and has the benefit of his guidance throughout the past 4 1/2 years and we wish him nothing but the best in his retirement. Good luck Barry and we'll miss you.

Barry Michaels - Organovo - CFO

Thank you, Keith.

Operator

The conference has now concluded. Thank you for attending today's presentation. You may now disconnect.

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