



Launch of Melanoma FISH Test in 1Q:10 And Five New Tests For 2010 Position NGNM For Growth; Maintain BUY, \$3.01 Target

HIGHLIGHTS

- A highlight of the NGNM story has been the Melanoma FISH Test, which we expect to be a growth catalyst in 2011.
- Revenue in 1Q:10 increased 22% year-over-year to \$8.4 million from \$6.9 in 1Q:09, we expect a 5 year revenue CAGR of 42%.
- The gross margin improved 100 basis points sequentially reflecting improving operating efficiencies.
- A maturing sales force is expected to drive test numbers; Test volumes are expected to increase 34% to 15,200 in 2Q:10 from 11,316 in 2Q:09.
- Insurance reimbursements remain under pressure in the short term and we expect average revenue per test to decline 13.1% as a result, but is offset by greater test volumes.
- NGNM remains on track with the launch of five new molecular tests for 2010 and second Abbott test early 2011.
- NGNM's financial position is robust. The company has a healthy cash balance of \$2.7 million as of March 31, 2010, along with available credit under various facilities. NGNM has \$1.6 million in long-term debt.

SUMMARY

NeoGenomics remains poised for growth as revenue in 1Q:10 exceeded our projections by 4%. This disparity was due to higher than expected test volumes. Test volumes continue to grow rapidly with the aid of a bolstered and maturing sales force and innovative products. We contend NGNM's focus on marketing efforts and the ability to maintain its competitive advantages will continue to provide strong momentum to the top line. However, contracts with insurance payers are expected to dampen reimbursement rates. We expect this softness to be offset by greater test volumes. As the tests become more mainstream and endorsed by insurance providers and the contracts with insurers mature reimbursement rates will increase over time.

We expect operating expenses to rationalize as a percent of total revenue and decline as NGNM gains scale and higher productivity from a trained workforce. The company's new CRM software and training programs are expected to yield improved productivity during the second half of this year. We reiterate our admiration for NGNM's management and their ability to drive growth and profitability.

NGNM remains focused on three primary initiatives;

- 1) Growing its sales and marketing team and increasing productivity
- 2) Driving continued gains through operating efficiencies
- 3) Developing new tests

We reiterate the strength and scalability of the business model and continue to see significant traction going forward. We reiterate NGNM's BUY rating with a one-year price target range of \$3.01 per share.

NEOGENOMICS, INC.

OTCBB: NGNM

1Q:10 HIGHLIGHTS

May 26, 2010

MAINTAIN: BUY

Price 05/25/10 \$1.30

Target Price \$3.01

1Q:10 Revenue: \$8,418,000

1Q:10 Net Loss: \$750,000

1Q:10 EPS: (\$0.02)

KEY DATA & STATISTICS

52-Wk Range: \$1.15 - \$2.25

Fully Diluted Shares O/S: 48.6M

Basic Shares O/S 37.3 M

Float: 31.1M

Market Cap: 51.41M

Insider Ownership: 42.3%

Average Daily Volume: 33.3 K

Assets (3/31/10): \$14,218,000

Liabilities (3/31/10): \$9,115,000

Fiscal Year End: Dec. 31

COVERING ANALYST

Puja Jain

Director of Research and President:

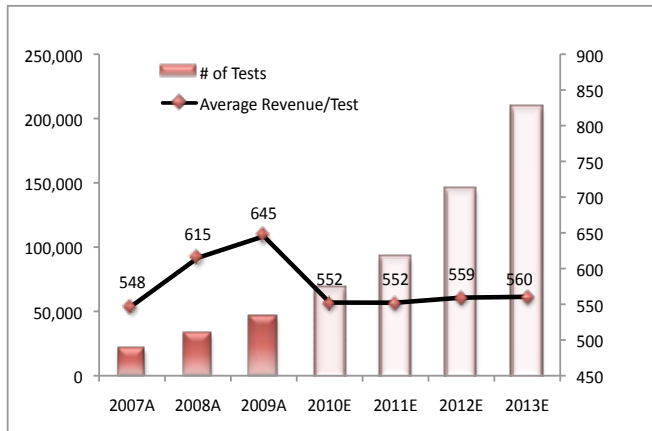
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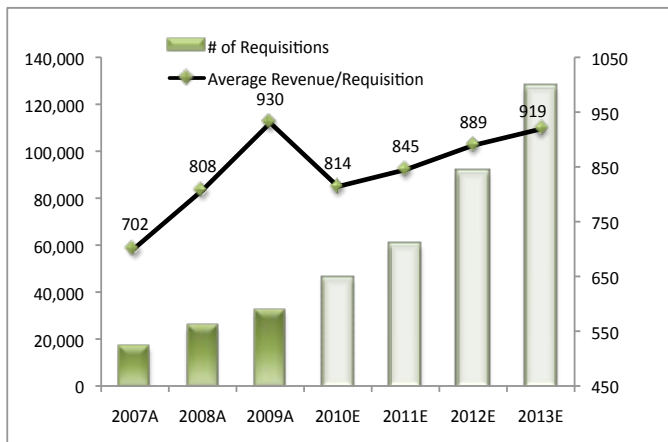
Important disclosures and
disclaimers on pages 9-10.

KEY STATISTICS

Growing Number of Tests as well



Requisition volume expected to increase



Average test per requisition: significant economics of scale



BACKGROUND

Company Profile

NeoGenomics Inc. (OTC BB: NGNM, BUY) is a network of three clinical laboratories formed in 2002 and headquartered in Fort Meyers, Florida. NGNM concentrates on cancer diagnosis and prognosis by providing complex 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 Testing, Fluorescence In Situ Hybridization (FISH) Testing, and Molecular Testing. Pathologists have the option of receiving a comprehensive report, which includes an in-house physician's interpretation of the test results or technical report without the interpretation. The tech-only option allows community pathologists to compete with large lab competitors, as results are turned around very quickly. This strategy gives NGNM an advantage, as many of its competitors only offer the comprehensive reporting model.

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 US clinical laboratory testing industry had revenues of more than \$52 billion in 2009; approximately 55% of such revenues 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.

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.

STRENGTHS

Competitive Advantages

NGNM has been successful in achieving a high accuracy rate, a rapid turn-around time 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 have a 2-4 day turn around, Flow Cytometry tests between 12-24 hours and Cytogenetics within 3-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

•**The Melanoma FISH test launched in February 2010 is on its way to propel growth in 2011, in our view.** The validation study consisted of the analysis of over 500 biopsy specimens, which included normal nevi, dysplastic unusual looking nevi and abnormal melanoma samples. The diverse sample base was tested over a four-month period by other institutions. NGNM obtained a specificity of 97% and sensitivity of 77%. This is important to the NGNM story because a high degree of accuracy at this level encourages adoption of the test by the dermatopathology community. The Melanoma FISH test has been actively marketed by a bolstered sales team in 1Q:10 and the initial response has been positive. The team is encouraging the use of these tests in difficult to diagnose cases and has trained over 80 pathologists. We expect NGNM to recoup and nullify any negative 1H:10 financial impact from the Melanoma test in 2H:10.

•**Five new Molecular Tests expected by 2010 year-end.** Management's ability to provide new tests puts NGNM on the medical map of exciting change and growth. NGNM intends to introduce five new molecular tests in this year. The Company's innovative new tests and products, coupled with its competitive advantages of superior service and faster turnaround times will continue to provide a boost to sales. We expect the five new tests to add substantially to the top line in 2010.

•**Management intends to be highly visible in 2010.** NGNM has three scheduled national trade shows during 2Q:10, all focused on the dermatopathology community. The effort is focused on educating first time users while demonstrating the added value to present users. NGNM has created a gamut of marketing materials to support its sales initiatives. The new test will continue to build NGNM awareness, in our opinion. MelanoSITE has been launched in strategic partnership with Aurora Diagnostics, Dermatopathology Laboratory of Central States and Path Logic. We contend that this will create awareness among a large audience across the country, which will aid NGNM's sales force. We expect the simultaneous launch of the test will increase the success rate and enable faster absorption in the market. We expect the continued marketing efforts and ongoing research efforts will positively impact the company in the long run.

•**We think NGNM's strategic investments in marketing and sales infrastructure will help leverage sales.** Over the last year NGNM has invested heavily in its sales team, training and equipping them with marketing material to push sales. We contend that a mature sales force should be able to add considerably to the number of tests performed. Management has stated that the sales team is ready to take the company to the next level with its knowledge base and training and expects significant traction from its sales force over the next few quarters.

•**Organic Growth.** NGNM has invested in its operational and sales infrastructure over the last two years and has built considerable momentum in its top line. We contend NGNM is on a high growth trajectory and should be able to ride the strong wave being created by market forces and grow through its internal efficiencies.

• **A new lab will offer NGNM consistency in test production, in our view.** NGNM has designed, built and staffed an automated melanoma FISH laboratory adjacent to its laboratory in Irvine, CA. The state-of-the-art FISH facility with an AP laboratory will enable histology, IHC and virtual imaging capabilities. This extended infrastructure will allow

diverse tests giving NGNM a formidable operating base.

- **Melanoma is currently the fastest growing form of cancer in the United States representing an annual revenue opportunity of \$50-\$100 million in four to six years.** We contend Abbott's interest in NGNM further validates the company's strong business model and the distinct competitive advantage it offers. We think NGNM is advantageously positioned with this strategic agreement. The Abbott agreement will play a critical role in augmenting the product portfolio at NeoGenomics and taking the company to the next stage of development.

- **The 65 and older demographic also will fuel NGNM, in our opinion.** With a growing incidence of cancer in older people and the graying U.S. demography have produced calls for strong innovation to curb associated costs of treatment. Proper and timely diagnosis can save the government millions of dollars in Medicare reimbursements. NeoGenomics is a beneficiary of this macro trend and is well positioned to capitalize on the opportunity with its quality test offerings.

RISKS

- **Dealing with insurance payers.** In some instances, NGNM was not a participating provider in certain managed care contracts, and the resulting lowered reimbursement for certain tests performed in 1Q:10 adversely impacted the average revenue per test. NGNM is actively tackling the issue and has hired a director with significant experience in managed care contracts. The company is targeting key insurance carriers for new contracts. These network contracts typically reimburse at a lower rate as the tests are new and still not mainstream. NGNM expects an increase in test volumes as insurance companies begin to endorse the tests and patients become more comfortable using the tests, and as broader coverage materializes. In the long run, we contend that higher test volumes will offset the discounted price by managed care organizations and NGNM will experience profitability from these contracts.

- **Lack of physician awareness.** The dermatopathology community is largely unaware of the gene-based tests. Raising awareness requires more initiative from NGNM management to train and bring awareness of its products to encourage acceptability. We expect awareness to continue to ramp up and note that training efforts will bear fruit in the long run, but in the short term the expenses associated with such efforts will weigh on the financials.

- **Pressure on Reimbursement Rates.** Commoditization of genetic tests and the growing number of Medicare enrollments will put pressure on reducing reimbursement rates.

- **In-sourcing Trends:** At an increasing rate, labs are beginning to in-source. This trend is impacting the revenues of independent labs such as NGNM. NGNM has an advantage over peers with its tech-only test. The company offers to perform only the tech part of the test and be reimbursed only a split of the total reimbursement. This minimizes the total loss of revenues and helps the company continue relationships with customers without infringing on its portion of the reimbursements.

PERFORMANCE

1Q 2010 QUARTER ANALYSIS

Revenue beat our estimate by 4% in 1Q:10, due to an increased number of tests performed versus our model. The top line increased 22% year-over-year in 1Q:10, driven by an increase in test volumes and a higher number of tests per requisition. Top line growth was partially limited a change in product mix versus 1Q:09, which lowered revenue per test and included higher volumes of lower priced immunohistochemistry tests.

The gross margin contracted to 48% in 1Q:10 from 55% in 1Q:09. The 700 basis point contraction was the result of a significant number of higher margin bladder tests, which have been internalized by one large customer since mid-2009. The higher margin test has been replaced by lower margin immunohistochemistry tests.

Sales and marketing expenses increased 32% y-o-y to \$1.8 million in 1Q:10 from approximately \$1.3 million in 1Q:09, representing 21% of total revenue. Management began bolstering the NGNM sales force in early 2009 and ended the quarter with 23 sales representatives, 4 regional managers, 6 marketing personnel and many customer services representatives. General and administrative expenses increased 34% on a year-over-year basis to approximately \$2.9 million including approximately \$1.0 million in restructuring and other one-time charges.

Interest expense increased 38% year-over-year primarily due to increased expense on capital leases. At the end of the first quarter, the company had \$552,000 drawn on its working capital facility and approximately \$3 million outstanding on the capital lease facilities. Depreciation expense for the quarter stood at \$415,000. EBITDA was negative \$176,000. Excluding the non-cash stock based- expense charge and loan amortization of \$128,000, the adjusted EBITDA was negative \$48,000 for 1Q:10.

NGNM ended the period with \$2.66 million in cash and restricted cash, \$0.5 million available through its credit facilities, and \$8.0 million available from the share purchase agreement with Fusion capital. NGNM also established a \$5.0 million accounts receivable facility during 1Q:10 . NGNM has \$1.1 million available under this facility. The restricted cash of \$1.0 million was against the capital lease line. NGNM's bankers have now permitted the company to establish a line of credit to borrow against that \$1 million. The company expects to draw on the line as and when required.

FINANCIAL OUTLOOK

For 2Q:10 we expect a continued increase in test volumes as the Melanoma FISH test gains traction and the NGNM sales force matures. Also, product promotion efforts by management will continue to provide the impetus to drive test volumes. We expect the growth in test numbers to be partially offset by a decline in average revenue per test and average test per requisition. For 2Q:10, we expect test volumes to increase 34.4% on a year over year basis to approximately 15,200 tests. Requisition volumes are expected to increase 34% y-o-y to 10,490 in 2Q:10.

We expect the test mix to include more IMH and molecular tests, which are reimbursed at lower levels than other tests. These tests formed nearly 10% of the test mix in 1Q:09 and have increased to almost 15% in 1Q:10. We expect these lower value tests to comprise approximately 15-18% of the total test mix in 2Q:10. Also adding pressure to test reimbursements are the ongoing contracts with insurance companies. While NGNM is in the process of contracting with the top five insurance companies in its region of operation, we expect a lower reimbursement per test in the coming quarter. Average revenue per test is expected to be \$573 in 2Q:10, representing a decrease of 4.5% sequentially. We expect an Average test per Requisition of 1.45 in 2Q:10. This remains relatively unchanged on a year over year basis. Average revenue per requisition is expected to decrease 5.5% sequentially and 12.8% on a year over year basis in 2Q:10.

However, even with conflicting metrics, we expect the top line to increase 16.8% year over year in 2Q:10 to \$8.7 million. Primary internal drivers for revenue growth are an increase in sales productivity from a maturing sales team and ongoing focused promotional activities by the company coupled with an expert management. We expect NGNM to continue to grow at a 42% five year revenue CAGR.

NGNM has sustained an average gross margin of 52%, recently dropping to 47-48%. The loss of higher margin tests will continue to impact the gross margin in the coming two quarters. We expect the company will be able to leverage its efficiencies to offset the impact of lower margin products in the test mix. We expect no change in the gross margin and model it at 48% in 2Q:10. We contend with the introduction of new tests the gross margin will revert to a more historical range by 2011.



NGNM has been investing about 30-40% of revenue in sales initiatives. We expect continued investment in the sales organization to sustain its fast paced growth. We model the cost impact of such initiative to be a lower percent of sales as NGNM experiences economies of scale. Sales and marketing expenses are expected to be \$1.8 million in 2Q:10 representing 21% of the total revenue. General and administrative expenses are modeled at 34% of revenue. The G&A expenses are on a declining trend as NGNM finds operational efficiencies. NGNM will continue to adopt a balanced approach to profitability, in our opinion and we think these investments will pay off significantly in the near future.

We contend that NGNM has access to adequate capital for funding its operations and future growth opportunities. The new accounts receivable facility will ride the company through irregularities with test reimbursements such as the T.C Grandfather case. In our view, NGNM will not require funding in the short or intermediate term. We have modeled higher interest expenses as the company uses its credit lines to fund its sales and marketing initiatives. We expect a net loss per diluted share of \$0.02 in 2Q:10.

VALUATION

NeoGenomics is currently trading at \$1.30 per share. The stock price has seen a high of \$1.57 and a low of \$1.25 over the last quarter. The company has been transparent and has been effective in communicating its position to the investment community. The prices have almost always rebounded after any major event pulling down prices. We contend the company is 40-50% undervalued relative to its peers on a comparable multiple basis, especially given NeoGenomics' value proposition and the experience level of the company's management team.

We have historically valued the stock on a relative P/E basis using a seven-member peer group. Going forward, we are eliminating Lab Corp and Quest from the peer group as they are not good comparable companies. We are also transitioning our valuation methodology to an Enterprise Value (market cap + net

debt - cash)/ Sales metric, as the institutional investment community is interested in NeoGenomics' peers ability to continue growing revenue rather than earnings at this time.

An example is Clariant (Nasdaq: CLRT, N/C), which in 2009 generated \$91 MM in revenue, a 24% increase over 2008, but lost over \$10 MM, yet CLRT still trades at an EV/Sales multiple of 2.0x 2011 estimated revenue. In contrast, NeoGenomics generated \$29.5 million in revenue in 2009, a 47% increase over 2008, yet NGNM trades at an EV/Sales multiple of 1.0x 2011 estimated revenue. We contend that NGNM remains undervalued because the investment community has not developed a full understanding of NGNM's value proposition. 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), the management expertise in handling and directing the company to profitability, the rapid turnaround-times of the company's testing services, which are among the best in the industry, and lastly, a maturing sales force, which is expected to provide a fresh impetus to the top line.

Valuation: We contend that given NeoGenomics' value proposition, it should trade at a premium to its peers and that over time it will trade up to 2.5x our 2011 sales estimate of \$50.3 million. This, and a comparable analysis of competitors, results in an expected price target of \$3.01 per share over the next twelve months.

NGNM remains a compelling investment story, in our opinion. The company has positioned itself well competitively with established products backed by excellent scientific foundations. NGNM is growing rapidly in a fast growing industry and has reported accelerating operating performance. The company's performance continues to impress the Street with a strong balance sheet and cash position, which indicate that management has both the means and mind to continue building NGNM in line with its stated game plan. NGNM continues to demonstrate strength, both operationally and financially. And lastly, the healthcare industry as a whole will benefit by the government's current emphasis on improving care and reducing costs using advanced technology. Genetic testing, with its ability to not only accurately diagnose cancers but also to advise on which treatments will be effective with patients, allows for cost containment and better care.

In our opinion, NeoGenomics is primed. The growth prospects for NGNM are diverse with organic growth coming from existing products and from new proprietary tests launch as a result of their partnership with Abbott. NeoGenomics has also hinted that it intends to expand through mergers and acquisitions as well. NGNM remains adequately cushioned in this poor credit environment and management has maintained a disciplined approach to sustain growth and increase shareholder value. We think that NGNM's scalable model is sound and we see significant traction going forward. We expect that 2010 will be another transition year at NGNM and 2011 will be the year NeoGenomics turns an annual profit. 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.

Company	Ticker	5/25/10 Stock Price	2008A Price/Sale	2009A Price/Sale	2010E Price/Sale	2011E Price/Sale	Market Cap
Bio-Reference Laboratories Inc	BRLI	22.58	2.1	1.7	1.7	1.6	639M
Clariant Inc.	CLRT	2.78	3.5	2.8	2.3	2.0	261M
Genomic Health Inc.	GHDX	14.63	4.2	3.1	2.5	2.1	462M
Genoptix, Inc.	GDX	25.46	5.6	3.5	2.7	2.2	651M
AVERAGE			3.9	2.8	2.3	2.0	
NeoGenomics Inc.	NGNM	1.30	2.4	1.6	1.8	1.0	51M

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

	2008A				2009A				2010E				Annual Comparison						
	Mar	Jun	Sep	Dec	Mar	Jun	Sep	Dec	2008A	2009A	2010E	2011E	2012E	2013E					
KEY METRICS																			
Average Revenue/Requisition	722	835	801	820	900	953	964	908	870	820	785	760	808	920	814	845	880	910	
Average Tickets/Requisition	117	135	133	131	130	145	148	148	147	148	147	147	144	144	147	153	159	164	
Average Revenue/Test	615.9	617.4	602.4	623.9	661.1	659.2	652.2	613.5	599.5	572.8	533.9	503.4	615.1	645.2	552.4	552.2	559.3	560.5	
# of Tests	4394	7906	8384	9490	10457	11316	11188	12774	14042	15211	17302	20776	32539	45675	67330	91045	143910	207513	
# of Requisitions	5405	5845	6308	7222	7881	7829	7555	8591	9580	10990	11770	13759	24780	31677	45599	59507	90510	126533	
D50	64	68	62	45	51	51	53	54	59	57	55	55	60	52	57	55	55	55	
Sequential Growth																			
Average Revenue/Requisition	0.3%	15.4%	(4.1%)	2.4%	9.8%	5.9%	1.4%	(6.0%)	(2.4%)	(15.5%)	(6.5%)	(3.2%)	15.0%	15.2%	(12.5%)	3.8%	5.3%	3.4%	
Average Tickets/Requisition	(7.9%)	15.4%	(1.5%)	(1.5%)	3.9%	6.2%	2.5%	(0.7%)	(1.0%)	(15.5%)	(1.4%)	2.7%	2.3%	2.2%	2.2%	3.8%	3.9%	3.1%	
Average Revenue/Test	1.8%	0.3%	3.6%	3.2%	6.0%	(0.3%)	(1.1%)	(5.9%)	(2.3%)	(4.5%)	(6.8%)	(5.7%)	12.3%	4.9%	(7.4%)	4.9%	1.3%	0.2%	
# of Tests	8.2%	17.0%	6.0%	13.2%	10.2%	8.2%	(1.1%)	(3.6%)	10.4%	8.3%	13.7%	20.7%	55.0%	40.4%	47.4%	35.2%	58.1%	44.2%	
# of Requisitions	2.2%	8.1%	7.9%	14.5%	6.4%	1.9%	(3.5%)	13.7%	11.5%	9.5%	12.2%	16.9%	51.2%	27.8%	44.0%	30.5%	52.1%	39.8%	
Year-over-Year Growth																			
Average Revenue/Requisition	(10.3%)	23.6%	17.2%	13.7%	24.4%	14.1%	20.6%	10.8%	(2.4%)	(15.5%)	(18.7%)	(16.3%)	(2.4%)	(15.2%)	(12.5%)	3.8%	5.3%	3.4%	
Average Tickets/Requisition	(15.2%)	18.1%	9.1%	9.6%	16.2%	7.1%	1.3%	(1.2%)	(1.0%)	(15.5%)	(1.4%)	2.7%	2.3%	2.2%	2.2%	3.8%	3.9%	3.1%	
Average Revenue/Test	61.1%	76.4%	48.3%	42.4%	54.7%	43.1%	33.4%	34.0%	(6.3%)	(13.1%)	(18.7%)	(17.9%)	34.3%	54.6%	(47.4%)	44.2%	58.1%	44.2%	
# of Tests	75.3%	68.5%	38.0%	37.2%	42.1%	33.9%	19.8%	18.9%	24.7%	34.0%	55.8%	60.2%	24.7%	34.0%	27.8%	30.5%	52.1%	39.8%	
INCOME STATEMENT																			
Net Revenue	\$4,163	\$4,881	\$5,051	\$5,920	\$6,914	\$7,459	\$7,297	\$7,799	\$8,418	\$8,712	\$9,238	\$10,489	\$20,015	\$29,469	\$37,726	\$50,275	\$80,489	\$116,301	
Cost of Services	1,856	2,184	2,335	2,275	3,091	3,384	3,672	4,102	4,344	4,495	4,757	5,386	4,946	4,495	4,757	5,386	5,386	5,386	5,386
Gross Profit	\$2,304	\$2,698	\$2,515	\$3,144	\$3,823	\$4,075	\$3,625	\$3,692	\$4,074	\$4,217	\$4,480	\$5,072	\$15,069	\$14,974	\$12,979	\$14,889	\$14,889	\$14,889	\$14,889
General & Administrative	2,515	2,556	1,832	1,018	2,341	2,215	2,458	3,044	2,902	2,962	3,048	2,092	2,902	2,962	3,048	2,092	2,902	2,962	3,048
Sales & Marketing	(3,210)	(3,142)	(3,120)	(3,695)	(3,148)	(3,138)	(3,626)	(3,138)	(3,591)	(3,575)	(3,600)	(3,157)	(3,591)	(3,575)	(3,600)	(3,157)	(3,591)	(3,575)	(3,600)
EBIT	55	69	75	99	115	130	129	141	159	201	186	229	209	515	775	550	515	550	550
Interest Expense	29	29	29	29	29	29	29	29	29	29	29	29	29	29	29	29	29	29	29
Non-recurring Expenses	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Expenses	(2,579)	(2,635)	(2,711)	(4,138)	(3,790)	(4,067)	(4,380)	(5,221)	(4,824)	(4,992)	(5,267)	(5,459)	(5,194)	(7,400)	(20,542)	(21,414)	(33,351)	(45,907)	
Net Income (GAAP)	(2,524)	(2,566)	(2,636)	(4,039)	(3,675)	(3,937)	(4,251)	(5,080)	(4,665)	(4,785)	(4,787)	(5,189)	(4,985)	(7,200)	(22,267)	(23,964)	(38,462)	(50,916)	
Basic EPS (GAAP)	(\$0.01)	(\$0.00)	(\$0.01)	(\$0.03)	(\$0.00)	(\$0.00)	(\$0.02)	(\$0.04)	(\$0.02)	(\$0.02)	(\$0.02)	(\$0.01)	(\$0.04)	(\$0.06)	(\$0.06)	(\$0.04)	(\$0.18)	(\$0.29)	(\$0.29)
Diluted EPS (GAAP)	(\$0.01)	(\$0.00)	(\$0.01)	(\$0.03)	(\$0.00)	(\$0.00)	(\$0.02)	(\$0.04)	(\$0.02)	(\$0.02)	(\$0.02)	(\$0.01)	(\$0.04)	(\$0.06)	(\$0.06)	(\$0.04)	(\$0.18)	(\$0.29)	(\$0.29)
Preferred Dividends (GAAP)	(\$0.00)	(\$0.00)	(\$0.00)	(\$0.00)	(\$0.00)	(\$0.00)	(\$0.00)	(\$0.00)	(\$0.00)	(\$0.00)	(\$0.00)	(\$0.00)	(\$0.00)	(\$0.00)	(\$0.00)	(\$0.00)	(\$0.00)	(\$0.00)	(\$0.00)
Diluted Shares	31,401	38,244	31,440	31,871	35,630	38,986	36,000	37,177	37,220	37,992	37,300	48,600	33,229	36,823	48,600	49,000	49,000	49,717	
Non-recurring Expenses	0	0	0	(933)	0	0	0	(600)	0	0	0	0	0	0	0	0	0	0	0
Net Income (Pro-Forma)	(\$2,651)	(\$2,572)	(\$2,636)	(\$3,106)	(\$3,675)	(\$3,937)	(\$4,251)	(\$5,080)	(4,665)	(4,785)	(4,787)	(5,189)	(4,985)	(7,200)	(22,267)	(23,964)	(38,462)	(50,916)	
Diluted EPS (Pro-Forma)	(\$0.01)	(\$0.00)	(\$0.01)	(\$0.03)	(\$0.00)	(\$0.00)	(\$0.02)	(\$0.03)	(\$0.02)	(\$0.02)	(\$0.02)	(\$0.01)	(\$0.04)	(\$0.06)	(\$0.06)	(\$0.04)	(\$0.18)	(\$0.29)	(\$0.29)
Stock Compensation	49	76	105	49	78	123	143	96	128	172	200	134	279	440	616	862	1,207	1,449	
DEFA Expense	156	189	228	228	237	266	311	311	415	435	516	552	741	1,184	1,918	2,110	2,321	2,321	
EBITDA	(\$51)	\$385	\$174	(\$418)	\$463	\$527	(\$172)	(\$922)	(\$48)	\$32	\$116	\$530	\$2,985	\$9,953	\$9,911	\$8,502	\$12,382	\$19,121	
Margin Analysis																			
Revenue	45%	45%	50%	47%	45%	45%	50%	53%	52%	52%	52%	52%	47%	48%	51%	49%	48%	48%	
Cost of Services	55%	55%	50%	53%	55%	55%	50%	50%	46%	46%	46%	46%	53%	52%	52%	52%	52%	52%	
Gross Profit	60%	60%	52%	48%	60%	60%	52%	48%	52%	52%	52%	52%	47%	48%	51%	49%	48%	48%	
Sales & Marketing	NMF	1%	-4%	-17%	0%	0%	-10%	-20%	-9%	-9%	-9%	-4%	-7%	-8%	-6%	10%	10%	13%	
Net	9.7%	17.3%	3.5%	17.2%	16.8%	7.9%	-2.2%	6.9%	7.9%	3.5%	6.0%	13.2%	4.7%	4.7%	7.4%	6.9%	4.7%	4.7%	
Growth (sequential)																			
Revenue	-2.1%	17.3%	16.1%	17.2%	11.3%	9.3%	8.3%	11.9%	5.4%	4.7%	5.8%	13.2%	4.7%	4.7%	7.4%	6.9%	4.7%	4.7%	
Cost of Services	-1.1%	17.3%	16.1%	17.2%	-1.1%	9.3%	8.3%	11.9%	-4.7%	-4.7%	-4.7%	-4.7%	-4.7%	-4.7%	-4.7%	-4.7%	-4.7%	-4.7%	
Gross Profit	-27.3%	1.7%	-6.6%	25.1%	-52.7%	29.1%	14.6%	13.6%	-13.4%	3.8%	11.1%	2.9%	-13.4%	3.8%	11.1%	2.9%	-13.4%	3.8%	
Sales & Marketing	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	
EBIT	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	
Net Income (proforma)	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	
Growth (Y-o-Y)																			
Revenue	85.6%	108.2%	61.7%	56.0%	66.1%	52.8%	44.5%	31.7%	21.8%	16.8%	26.6%	34.1%	74.0%	47.2%	26.0%	35.4%	60.1%	44.5%	
Cost of Services	99.4%	87.3%	66.7%	46.2%	66.3%	55.0%	44.8%	47.9%	40.5%	32.8%	29.6%	31.1%	69.4%	52.4%	33.2%	27.8%	61.8%	44.5%	
Gross Profit	76.3%	24.1%	-63.1%	-18.4%	-46.9%	-32.6%	34.2%	-27.8%	24.0%	6.2%	13.4%	2.2%	-4.7%	-20.8%	12.1%	36.8%	52.5%	44.5%	
Sales & Marketing	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	
EBIT	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	
Net Income (proforma)	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	NMF	
Debt & Lease																			
Debt	1178.9	1175.0	2680.3	3187.0	3913.5	2222.1	1857.7	1064.2	1600.0	2450.0	2450.0	2450.0	3000.0	3450.0	3450.0	1500.0	1500.0	1500.0	
Working capital	5.1%	5.9%	6.4%	3.4%	3.0%	3.0%	3.0%	2.1%	2.8%	3.4%	2.7%	3.1%	2.7%	3.1%	3.1%	3.1%	2.7%	3.1%	
Interest expense																			

Notes: Revenues do not include prior period adjustments

NOL carryforward of \$4.7 million on 12/31/07

NMF - 'No Meaningful Figure'

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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. Our buy rating is divided into two sub-classifications to reflect the degree of undervaluation reflected in the current stock price. These sub-classifications include Accumulate and Strong Buy. 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.

Accumulate – The current price reflects a discount from the market over the next 12 months. The company has positive long-term prospects and should 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.

Distribution of Ratings:

	#	%
Buy	4	67
Accumulate	2	33
Neutral	0	0
Sell	0	0

NGNM Recommendation History:

Date	Rating	Price Target	Diluted EPS
April 03, 2006	Accumulate	\$0.60-\$0.70	\$0.05 for '07
May 12, 2006	Accumulate	\$0.60-\$0.70	\$0.05 for '07
July 31, 2006	Buy	\$0.90-\$1.05	\$0.05 for '07
Jan. 19, 2007	Buy	\$1.80-\$2.10	\$0.06 for '07
Aug. 15, 2008	Buy	\$2.20	\$0.11 for '09
Nov. 21, 2008	Buy	\$2.20	\$0.11 for '09
Mar. 18, 2009	Buy	\$2.08-\$2.38	\$0.05 for '10
May 08, 2009	Buy	\$2.08-\$2.38	\$0.00 for '10
Aug. 11, 2009	Buy	\$2.15-\$2.50	\$0.08 for '10
Dec. 01, 2009	Buy	\$2.15-\$2.50	\$0.06 for '10
Mar. 16, 2010	Buy	\$3.01	

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.