

Milestone Scientific Inc.

(OTCQB: MLSS, Target Price: \$1.77)

We initiate coverage on Milestone Scientific Incorporated (Milestone) with a price target (PT) of \$1.77 per share. Milestone provides advanced injection technologies for the dental and medical markets. The company's *CompuFlo* drug delivery injection system is a computer-controlled injection instrument and disposable handpiece designed as an alternative to hypodermic syringe needles. This patented, FDA-approved system leverages dynamic pressure sensing (DPS) technology to provide a safe, controlled and painless medication delivery (and fluid aspirations).

Milestone has initially targeted the dental market with its injection technology and has administered over 48mn injections to date. The company has secured global distribution with its flagship dental product, the Single-Tooth Anesthesia (STA) System, and announced in November that it has struck a partnership with Aceptico Inc. to become the company's strategic marketing partner and exclusive distributor in the US and Canada. We see potential for growth from Milestone over the next several years as a result of the new selling strategy in the dental space, as well as new product introductions in the medical market targeting epidural and intra-articular injections. If Milestone is successful proving its injection platform in its initial medical markets we believe there is a possibility for further growth from numerous future medical applications including self-administered injections and cosmetic surgeries.

INVESTMENT HIGHLIGHTS

Attractive recurring revenue model in dental

Milestone's products can be used for all dental treatments and have the potential to generate an attractive high margin recurring revenue business if it can drive the top-line. Milestone generates revenue from selling instruments and high margin disposable handpieces. The company's the *Single Tooth Anesthesia* (STA) system and *Wand* handpiece incorporate *CompuFlo* technology by allowing allows dentists to administer injections with better targeting, faster results, and with substantially reduced risk of deflection. If the company can achieve critical market penetration, we expect that gross margins can expand from the low-60% range to approach 70% over time. The company is still in the early stages of market penetration having garnered about 4.5% of the available market.

Medical applications to expand market opportunity

Milestone has initially targeted the dental market but has plans to develop products that apply its *CompuFlo* system to medical markets. The company is initially targeting the market for epidurals, which management estimates could represent a \$1Bn incremental opportunity in the US alone. Milestone is in the process of filing its 510(k) application with the FDA. If the application is successful we would expect the company to attain approval by the end of 2013 and be able to sell commercial products that leverage its proprietary technology by early 2014. Milestone commissioned an independent study that identified over 700 potential non-dental medical injections for *CompuFlo*, though we expect the company to focus initially on products for epidurals and intra-articular injections used in osteoarthritis.

Initiate coverage with a price target of \$1.77

Our analysis indicates a fair value estimate of \$1.77 per share (detailed on pages 7 and 8), implying an upside of 61.2% from the recent price of \$1.10 on April 8, 2013. Pricing at this level suggests EV/Sales multiples of 3.3x and 2.3x our 2013E and 2014E estimates, respectively. We view a slight premium to 2013 peer valuations as appropriate given the promising catalysts for the company's new medical products, which we have forecast to begin generating revenue in 2014.

Stock Details (04/08/2013)

OTCBB:	MLSS
Sector / Industry	Healthcare / Instruments & Supplies
Price target	\$1.77
Recent share price	\$1.10
Shares o/s (mn)	16.8
Market cap (in \$mn)	18.4
52-week high/low	\$1.80 /\$0.25

Source: Thomson Reuters, SeeThruEquity Research

Key Financials (\$mn unless specified)

	FY12A	FY13E	FY14E
Revenues	8.6	9.2	13.0
EBITDA	(0.4)	0.1	1.0
EBIT	(0.5)	0.0	0.9
Net income	(0.9)	(0.2)	0.7
EPS (\$)	(0.05)	(0.01)	0.04

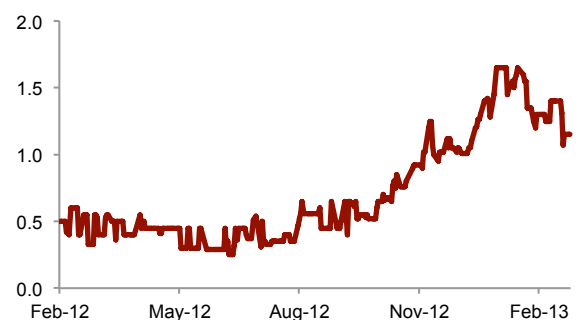
Source: SeeThruEquity Research

Key Ratios

	FY12A	FY13E	FY14E
Gross margin (%)	64.7	63.6	64.4
Operating Margin (%)	(6.0)	0.1	7.0
EBITDA margin (%)	(4.9)	1.1	7.7
Net margin (%)	(10.1)	(1.8)	5.7
P/Revenue (x)	2.1	2.0	1.4
EV/EBITDA (x)	NM	NM	18.8
EV/Revenue (x)	2.2	2.0	1.4

Source: SeeThruEquity Research

Share Price Performance (\$, LTM)



Source: Thomson Reuters

SUMMARY TABLE

Figure 1. Summary Table (As of April 8, 2013)

Share data		B/S data (As on 4Q12)		Key personnel:	
Recent price:	\$1.10	Total assets:	5.7mn	CEO:	Leonard Osser
Price target:	\$1.77	Total debt:	0.5mn	CFO:	Joseph D'Agostino
52-week range:	\$1.80/\$0.25	Equity:	1.9mn	Chairman:	Leslie Bernhard
Average volume:*	5,705	W/C:	(0.8mn)	External IR:	Crescendo IR
Market cap:	\$18.4mn	ROE '12E:	-45%		
Book value/share:	\$0.12	ROA '12E:	-15%		
Cash/share:	\$0.01	Current ratio:	0.8		
Dividend yield:	0.00%	Asset turnover:	1.6		
Risk profile:	High / Speculative	Debt/Cap:	0.2		

* LTM average volume (number of shares)

FY December	Estimates				Valuation	
	Rev (\$mn)	EBITDA (\$mn)	EPS (\$)	P/Rev (x)	EV/Rev (x)	P/E (x)
2011	8.4	(1.1)	(0.10)	2.2x	2.2x	NM
1Q12A	1.9	(0.2)	(0.02)	2.4x	2.4x	NM
2Q12A	2.3	(0.0)	(0.01)	2.0x	2.0x	NM
3Q12A	2.1	0.1	0.00	2.2x	2.2x	NM
4Q12A	1.9	(0.2)	(0.02)	2.4x	2.4x	NM
2012A	8.6	(0.4)	(0.05)	2.1x	2.2x	NM
2013E	9.2	0.1	(0.01)	2.0x	2.0x	NM
2014E	13.0	1.0	0.04	1.4x	1.4x	25.2x
2015E	16.6	1.9	0.10	1.1x	1.1x	10.6x

Source: SeeThruEquity Research

INVESTMENT THESIS

Milestone Scientific (Milestone) has developed an intriguing line of dental and medical injection products in an effort to become a leading alternative to the hypodermic needle syringes used for subcutaneous injections. Milestone products utilize a proprietary technology to provide safe, controlled, and painless injection delivery (and fluid aspiration). Milestone's core *CompuFlo* technology uses a computer-controlled injection system to regulate and control the rate of fluid delivery with real time feedback during use. Milestone has a strong IP position underpinning its *CompuFlo* technology, with 24 issued patents and favorable evaluations in over 50 peer reviewed and independent clinical research reports. The company has commercialized instrument and handpiece products for the dental care market and expects to offer products for epidural anesthesia injections in the next year and intra-articular injections in the next 18 months. Based in Livingston, NJ, Milestone has 16 full-time employees and product distribution in over 60 countries.

Attractive dental business with recurring revenue attributes

Milestone initially commercialized its *CompuFlo* technology into products targeting the dental market, and has introduced an award-winning product line called the *Single-Tooth Anesthesia (STA) System* and the *Wand* surgical handpiece. The STA instrument and *Wand* surgical handpiece provide dentists with a compelling alternative to syringes for administering injections. The STA system is capable of performing all the injections done with a conventional syringe allows but has several advantages. Namely, the STA system allows dentists to anesthetize a patient



with better speed, safety and accuracy than a conventional syringe, per the following table.

Figure 2. Overview of benefits of STA System

Method	Conventional Syringe	STA	STA Advantage
Accuracy	Block	Single tooth	Site specific targeting
Collateral anesthesia	Cheek, lips, tongue	None	Post-surgery safety
Speed to Anesthetize	8-12 minutes	2 minutes	Reduced wait time
Pressure Sensing	Manual	Computerized	Patient safety
Risk of Deflection	30% deflection	No deflection	Patient comfort & safety
Needle Size	1.25 inches	Smaller	Less anxiety
Bilateral Procedures	Two Appointments	Single Appointment	Office productivity

Source: Company investor materials, SeeThruEquity Research

Milestone generated \$8.6mn of revenue in 2012, the majority of which came from the sale of STA instruments and handpieces. The company has an attractive revenue model with margins, which should scale nicely as the company grows its installed base of instruments, as indicated by the following table.

Figure 3. Recurring Handpieces business driving gross margins

MLSS Fiscal Period	Dental Revenue by Product			Business Mix (%)		
	2010	2011	2012	2010	2011	2012
Instruments	3,690,456	2,823,669	2,146,756	38%	34%	25%
Handpieces	5,962,965	5,457,196	6,344,021	61%	65%	73%
Other	96,547	97,229	157,465	1%	1%	2%
Total Revenue	9,749,968	8,378,094	8,648,242	100%	100%	100%
Gross Margin	6,218,516	5,361,452	5,592,251	63.8%	64.0%	64.7%

Source: Company investor materials, SeeThruEquity Research

Selling initiatives in dental may be a catalyst for growth

Milestone has been spending considerable efforts trying to educate large group dental practices about their products. This has been a longer than expected sales process so far. The upside for MLSS is significant, however, because success in this effort could justify a price increase for *Wand* disposable handpieces. Currently dental practices do not charge patients for the use of hypodermic needle syringes, so a switch to the more expensive Milestone product line represents an incremental cost, which has restrained sales growth, despite performance advantages. MLSS believes large group dental practices should be able to charge a reasonable fee for *Wand* handpieces, though, because switching to the STA system is a new technology requiring training in a new technique, and the handpieces are disposable. By shifting the selling framework from a higher cost to a new revenue opportunity, Milestone believes that it should be able to increase its price point and margins. While Milestone focuses on large group practices, the company has formed a strategic alliance with Aseptico, which will serve as the exclusive distributor of STA Systems and related disposable items in the United States and Canada. Aseptico will take over responsibility of direct marketing to individual dentists and small offices in 2013, leveraging its 36-year history of serving the dental market in the US and Canada.

Large opportunities available for medical applications

Milestone commissioned an independent study in 2006, which found over 700 potential injections in the medical field for its proprietary injection and delivery technology. The company formed a 50/50 joint venture with Beijing 3H Scientific Technology to develop medical products using Milestone's technology. Milestone contributed the technology to the joint venture while Beijing 3H Group has contributed \$1.5mn in capital for

initial product development. Milestone is initially targeting the markets for epidural anesthesia injections and Intra-articular injections—areas where the company believes it has a distinct advantage versus the current standard of care.

Milestone estimates that the epidural market represents a \$1Bn market opportunity considering that 4mn women give birth each year in the United States and approximately 2.4mn receive epidural injections, as well as the growing use of epidural anesthesia injections used in pain management. Doctors who use conventional syringes to administer epidural shots are heavily reliant on the subjective “feel” of identifying the epidural space, increasing the risk of complications. Milestone’s *CompuFlo* technology detects the difference in pressure between the ligamentum flavum and the extraligamentary tissue in real time, allowing the doctor to use two hands and know exactly where the needle is at all times. Impressively, *CompuFlo* identified the epidural space 100% of the time in a 2005 study conducted by the company at the University of Texas Health Science Center at Houston under the direction of Dr. Oscar Ghelber. Milestone already has general 510(k) approval for the *CompuFlo* technology and is in the process of filing a 510(k) application for products specific to the epidural market. Management expects to receive approval during 2013, and therefore we have forecast commercial selling activity to begin in earnest during 2014.

Epidural*Intra-articular*

Similarly, Milestone believes its products will have a differentiated competitive position in the intra-articular injection market. Intra-articular injections are administered directly into a joint, and medicine is released into the joint space for relieving pain. Milestone’s product is differentiated by its ability to accurately identify the joint space and control the distribution and flow of medicine during delivery. Intra-articular injections are used as part of treatment for osteoarthritis, the most common joint disease. Osteoarthritis affects 33mn people in the United States alone, and 21mn people receive intra-articular injections. MLSS estimates that this could represent a \$7Bn market opportunity by 2015. We expect Milestone to file its 510(k) submission during 2013 and, if it is approved, we believe the company could begin commercialization of this product in the second half of 2014 or early 2015.

Milestone has identified several other potential medical applications for its *CompuFlo* technology, including self-administered injectable drugs and cosmetic surgery. The company has identified 70 unique injection instruments and 240 unique disposable products, which could be manufactured for a range of medical applications. We believe this provides Milestone with a long runway for potential growth if it can achieve success in its initial medical products, but have only incorporated medical products other than epidural and intra-articular into our forecast at this time.

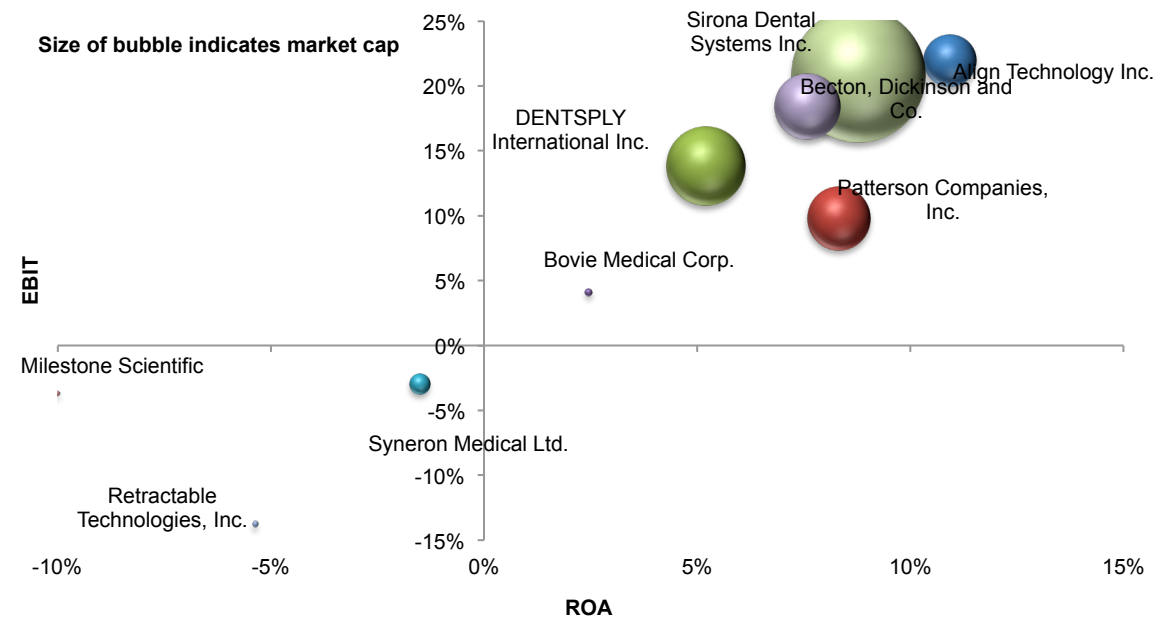
COMPETITIVE LANDSCAPE

Milestone operates in the medical instruments and supplies market. Companies in this industry manufacture medical equipment and supplies, which include surgical and medical instruments, dental equipment, and surgical appliances. This market is extremely competitive and consists of many firms that are larger with greater resources and brand recognition than Milestone. The global market for medical instruments and supplies is approximately \$340bn in revenue per year, according to *First Research, Inc.* The US is the largest market for medical instruments and supplies, with over 11,000 companies and annual revenue of \$125Bn. Major trends affecting this industry include changing regulatory environment in the United States and increasing demand as a result of an increasing portion of the population above the age of 65.

Milestone's products are designed to be an advanced solution that competes with conventional hypodermic needle syringes. Needles and syringes are amongst the most extensively used medical disposables. The global market for syringes is expected to reach \$15.1Bn by 2015, according to Global Industry Analysts, Inc. With \$8.6mn in revenue in 2012, Milestone does not have the scale of larger competitors in this industry, such as Becton, Dickinson and Co., which had \$7.7Bn in during fiscal 2012. Per the following chart, many of Milestone's larger peers are able to generate operating margins above 15% at scale.

Milestone competes based on product quality, safety, and performance. The company has initially applied its computer-controlled injection technologies to the dental market and plans to enter medical market with epidural anesthesia and intra-articular injection products in the next year. Milestone's products are priced at a premium to conventional syringes, and also face the challenge of educating potential customers as conventional disposable and reusable syringes use established and well-understood methodologies in both the dental and medical marketplaces.

Figure 2. ROA vs. EBIT – MLSS vs. Peers



Source: Company filings, SeeThruEquity Research

FINANCIALS AND FUTURE OUTLOOK

Revenue/Drivers

We expect Milestone’s revenue to grow from \$8.6mn in 2012 to reach \$16.6mn in 2015E due to growth in its dental business and the addition of new medical product lines for epidural anesthesia and intra-articular injections. These products have been developed and the company is in the process of seeking FDA approval via 510(k) submission. We have modeled dental product revenue to grow modestly in 2013E, to \$9.2mn, as Milestone transitions much of its selling efforts to Aseptico.

We have projected 2014E to be a key year for growth, with total revenue increasing to \$13mn. Underpinning this growth is the assumption that Aseptico improves its selling efficiency in year two, and that the company begins commercialization of its epidural product with a strategic sales and marketing partner in 1Q14. We have assumed that MLSS gains approval for its epidural products by the end of 2013, and its intra-articular products by 4Q14. Although we believe it is likely that MLSS will seek to introduce additional medical products after these two, we have not included any additional products in our model. From 2012 to 2018E, we have forecasted Milestone revenue to accelerate from \$8.6mn to \$30.1mn, representing a CAGR of 23.1%.

Margins/Expenses

Although Milestone has the potential to produce gross margins that approach 70%, we believe that the company will generate gross profit margins in the low to mid 60% range at the beginning of our forecast period due to its relationship with Aseptico. We then expect margins to expand as the return to the high 60% range by the end of our forecast period. In line with management’s guidance that it expects to generate cash, we have forecast MLSS to generate 1.1% EBITDA margins in 2013E. With the company’s scalable profit model, we have forecast EBITDA to grow rapidly throughout our forecast period, reaching \$5.7mn in 2018E. Our forecast for operating margin closely follows our EBITDA forecast, as D&A expenses are relatively minor at MLSS.

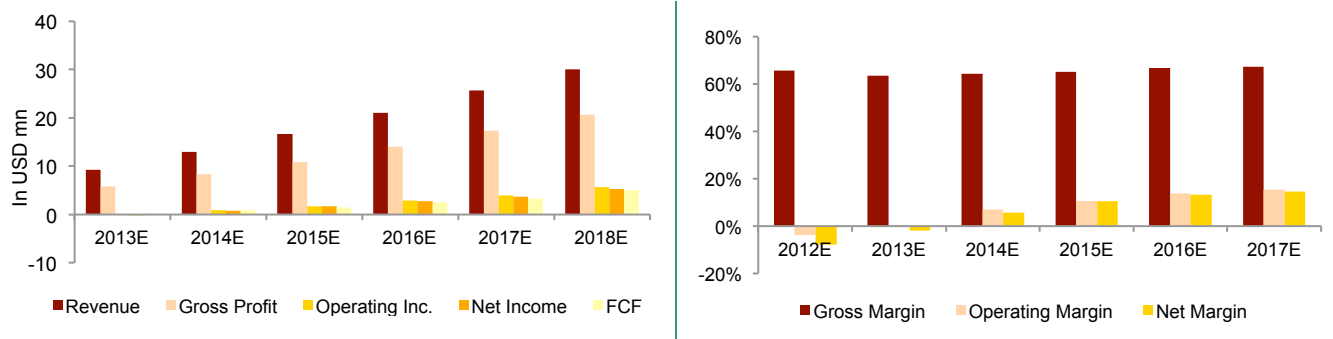
Balance Sheet

Milestone has a weak balance sheet with cash on hand of \$165,249 and \$450,000 of debt outstanding owed to a large shareholder at the end of 4Q12. Additionally, at the end of 4Q12, the company’s working capital was (\$0.8mn). At the end of 2012, Milestone received a going concern rating from its auditor Holtz Rubenstein Reminick LLP. We view the company as having little room for error, and see the balance sheet as the weakest part of the story and possibly a hindrance to large account sales. We have forecast that Milestone generates positive EBITDA in 2013, in line with management’s guidance, however, in our opinion, MLSS would benefit from the financial de-risking that a capital raise would bring.

Quarterly

Milestone reported revenue of \$2.3mn in 4Q12 with gross margins coming in at 59.8% of sales. The company had a higher mix of instruments than 3Q12, which had gross margins of approximately 70%. 4Q12 net income per share was (\$0.02) versus breakeven results in 3Q12. We expect revenue of \$2.2mn in 1Q13 with gross margins of 62.7% as a result of normalized product mix and the impact of milestone’s relationship with Aseptico. Our forecast calls for EPS of (\$0.00) in 1Q13.

Figure 3. Key Performance Indicators of MLSS, FY13E–18E



Source: Company filings, SeeThruEquity Research

VALUATION

We have valued Milestone using two different valuation methods; DCF and Peer Group Valuation. Our blended valuation, combining the two methodologies mentioned above, yields a fair value of \$1.77/share, representing upside of 61.2% from the recent price of \$1.10 as of April 8, 2013.

DCF

We view the DCF valuation approach as a worthwhile exercise given the large available market for medical products which we estimate will be introduced in 2014. Taking into consideration our projections for revenue growth and margin expansion, as well as adjusting for depreciation, amortization working capital and capital spending needs, we project free cash flow of \$0.01mn in 2013E. Thereafter, between 2014E and 2018E, we expect free cash flows to increase to \$5.0 in 2018E from \$0.9mn in 2014E. We discounted cash flows at a weighted average cost of 12.3% and assumed a terminal growth rate of 2% at the end of 2018E to arrive at an enterprise value of \$33.4mn. Adjusting for net debt of \$0.3mn, we arrived at a value of \$2.03 per share.

Figure 1. Discounted Cash Flow Analysis

\$' 000	FY13E	FY14E	FY15E	FY16E	FY17E	FY18E
EBIT	11	910	1,761	2,896	3,986	5,621
Less: Tax	0	0	21	107	239	337
NOPLAT	11	910	1,740	2,789	3,747	5,284
Changes in working capital	(91)	(92)	(357)	(415)	(550)	(356)
Depreciation	92	88	90	93	99	105
Capex	(4)	(13)	(17)	(21)	(26)	(30)
FCFF	8	894	1,456	2,446	3,270	5,003
Discount factor	0.92	0.82	0.73	0.65	0.58	0.51
PV of FCFE	7	730	1,059	1,584	1,887	2,571
Sum of PV of FCFE						7,839
Terminal cash flow						49,701
PV of terminal cash flow						25,542
Enterprise value						33,381
Less: Debt						450
Add: Cash						165
Equity value						33,996
Outstanding shares (mn)						16.8
Fair value per share (\$)						2.03
Summary conclusions			Key assumptions			
DCF FV (\$ per share)	2.03		Beta	1.0		
Recent price (\$ per share)	1.10		Cost of equity	12.40%		
Upside (downside)	84.2%		Cost of debt (post tax)	7.20%		
WACC	12.3%		Terminal Growth Rate	2.00%		

Source: SeeThruEquity Research

Figure 5. Sensitivity of Valuation – WACC vs. Terminal Growth Rate

		WACC (%)				
		9.9%	11.8%	12.3%	12.8%	13.3%
Terminal growth rate (%)	1.00%	2.51	1.99	1.88	1.78	1.69
	1.50%	2.64	2.07	1.95	1.84	1.74
	2.00%	2.78	2.16	2.03	1.91	1.81
	2.50%	2.94	2.25	2.11	1.99	1.87
	3.00%	3.13	2.36	2.21	2.07	1.95
	3.50%	3.34	2.48	2.31	2.17	2.03

Source: SeeThruEquity Research

Peer Group Valuation

We compared Milestone with peers in the dental and medical instrument and supply industry such as Retractable Technologies Inc., Align Technology Inc., BIOLASE, Inc., DENTSPLY International Inc., and Cardica Inc., among others, under the market multiple approach. Our DCF valuation of \$2.03 per share implies estimated revenue of \$9.2mn in 2013E and \$13.0 in 2014E, respectively. This implies EV/Revenue multiples of 3.5x and 2.5x, respectively, indicating Milestone would be trading at a premium relative to the list of selected peers.

We arrived at a fair value range of \$1.44 - \$1.60 per share based on EV/Revenue and P/Revenue multiples of selected peers. We considered a target multiple of 2.6x for the EV/Revenue multiple and 2013E revenue of \$9.2mn to arrive at a fair value of \$1.44 per share. Similarly, we used a P/Revenue multiple of 2.9x to the 2013E Revenue forecast of \$9.2mn to arrive at a fair value of \$1.60 per share.

Figure 6. Comparable Valuation

Company	Mkt cap (\$ mn)	EV/Revenue(x)		Price/Revenue(x)	
		FY12E	FY13E	FY12E	FY13E
Align Technology Inc.	2,549	3.9x	3.5x	4.6x	4.1x
DENTSPLY International Inc.	5,911	2.5x	2.5x	2.0x	2.0x
Patterson Companies, Inc.	3,707	1.1x	1.0x	1.0x	1.0x
LeMaitre Vascular, Inc.	94	1.2x	1.2x	1.7x	1.6x
Bovie Medical Corp.	49	1.8x	1.5x	1.8x	1.4x
Syneron Medical Ltd.	363	0.9x	0.8x	1.4x	1.2x
Cardica Inc.	46	11.0x	10.6x	12.5x	12.1x
BIOLASE, Inc.	104	1.9x	1.6x	1.8x	1.6x
Retractable Technologies, Inc.	27	NM	NM	NM	NM
Sharps Compliance Corp.	44	1.2x	1.2x	2.0x	2.0x
Becton, Dickinson and Co.	17,072	2.4x	2.3x	2.2x	2.1x
Sirona Dental Systems Inc.	4,017	4.1x	3.6x	4.1x	3.7x
Bioject Medical Technologies	1	NM	NM	NM	NM
IMRIS, Inc.	192	2.8x	1.9x	3.5x	2.3x
Average		2.9x	2.6x	3.2x	2.9x
Milestone Scientific	18	2.2x	2.0x	2.1x	2.0x
Premium (discount)		(25.3%)	(23.1%)	(33.5%)	(31.4%)

Source: SeeThruEquity Research

RISK CONSIDERATIONS

Financial Solvency

Milestone has limited financial resources and may be forced to raise additional capital if the company does not meet its plan to generate cash from operations in 2013. MLSS ended 4Q12 with cash on hand of \$0.2mn and tangible equity of \$1.3mn. Additionally, Milestone has a substantial history of operating losses and has generated losses in each year since its inception. Although the company has taken steps to reduce SG&A commitments by engaging a strategic sales and marketing partner, and expects to generate cash during 2013, MLSS has little room for error. If the company experiences difficulty or delay meeting its goals, it may be forced to raise equity capital on unfavorable terms, or may be unable to raise additional capital.

Going Concern

Milestone's auditors expressed a "going concern" opinion in its 2011 and 2012 audited financial results. The going concern opinion expressed doubt as to the company's ability to continue as a going concern without raising additional capital. Additionally, this opinion may make it more difficult to raise capital on good terms.

Regulatory

As a medical device company, MLSS operates in a highly regulated industry. The manufacture and sale of medical devices in the United States are subject to extensive regulation by the FDA pursuant to the FDC Act, and by other federal, state and foreign authorities. Under the FDC Act, medical devices must receive FDA clearance before they can be marketed commercially in the U.S. The time required to receive FDA clearance can be lengthy and difficult to predict. Additionally, much of the long term growth potential for MLSS depends on successful introduction of medical products which have not yet been approved by the FDA. The company plans to file 510(k) submissions with the FDA in the next twelve months for new products targeting epidural and intra-articular injections.

Growth

Milestone does not have resources to invest in growth from internal sales and marketing efforts. The company's sales growth has been significantly limited, in our view, by a lack of resources to invest in driving growth in the dental market. Additionally, Milestone has experienced longer than expected sales cycles from efforts to target group dental practices. As a result, the company has formed two important partnerships that will have a significant impact on growth: a selling and marketing partnership with Aseptico to be the exclusive distributor of STA products in the US and Canada, and a joint venture with Beijing 3H Scientific Technology to develop medical products using MLSS technology. Milestone's growth is largely dependent its successful execution of these partnerships.

Competition & Technology

Although Milestone believes it has a strong portfolio of patents and differentiated technology, the company operates in a highly competitive environment, and many competitors have better reputations and substantially greater financial resources. Milestone has not captured significant market share with its dental products, and is exposed to risk from a new alternative to conventional syringes. Additionally, the company's products are priced at a premium to conventional syringes. Conventional disposable and reusable syringes sell at lower prices than Milestone's handpieces and use established and well-understood methodologies in both the dental and medical marketplaces. Therefore Milestone or its selling partners must spend time and marketing dollars to educate potential customers about the benefits of switching to Milestone products.

Liquidity

Milestone shares are listed over-the-counter, and it may be difficult to purchase or sell shares without affecting the share price. Milestone shares have traded an average of 5,705 shares per day over the last year. Using the recent price of \$1.10, this implies that on average only \$6,276 of market value trade per day.

Management Team

Leonard Osser, Chief Executive Officer

In March of 2009, Leonard reassumed the position of Milestone's Chief Executive Officer and has served as the Company's Chairman from 1991 until September of 2009. He originally served as the Company's Chief Executive Officer from 1991 through 2007. From 1980 until the consummation of Milestone's public offering in November 1995, Leonard was primarily engaged as the principal owner and Chief Executive Officer of U.S. Asian Consulting Group, Inc., a New Jersey-based provider of consulting services specializing in distressed or turnaround situations in both the public and private markets.

Joseph D'Agostino, Chief Financial Officer

Mr. D'Agostino joined Milestone in January 2008 as CFO. He brings Milestone a wealth of finance and accounting experience earned over 25 years serving both publicly and privately held companies. A results-oriented and decisive leader, he has specific proven expertise in treasury and cash management, strategic planning, information technology, internal controls, Sarbanes-Oxley compliance, operations and financial and tax accounting. Immediately prior to joining Milestone, Joseph served as Senior Vice President and Treasurer of Summit Global Logistics, a publicly traded, full service international freight forwarder and customs broker with operations in the United States and China. Previous executive posts also included Executive Vice President and CFO of Haynes Security, Inc., a leading electronic and manned security solutions company serving government agencies and commercial enterprises; Executive Vice President of Finance and Administration for Casio, Inc., the U.S. subsidiary of Casio Computer Co., Ltd., a leading manufacturer of consumer electronics with subsidiaries throughout the world; and Manager of Accounting and Auditing for KPMG's national office in New York City. Joseph is a Certified Public Accountant and holds memberships in the American Institute of CPA's, New Jersey Society of CPA's, Financial Executive Institute, Consumer Electronics Industry Association and Homeland Security Industry Association. He is a graduate of William Paterson University where he earned a Bachelor of Arts degree in Science.

Leslie Bernhard, Chairman of the Board

Leslie Bernhard serves as Milestone's Chairman of the Board. She became Chairman in October 2009, filing a position left vacant by Mr. Osser, who assumed the position of Chief Executive Officer. Leslie Bernhard has served as an Independent Director of Milestone since May 2003 and was named Chairman of the Board in September of 2009. She co-founded AdStar, Inc. and since 1986 has served as its President, Chief Executive Officer and Executive Director. AdStar is an application service provider for the newspaper classified advertising industry. She serves on the Board of Directors of Universal Power Group (AMEX:UPG) of Dallas, Texas and has done so since 2006. Ms. Bernhard's professional experience and background with AdStar and with us, as one of our directors since 2003, have given her the expertise needed to serve as Chairman of the Board.

Mark Hochman, D.D.S., Director of Clinical Affairs

Dr. Hochman has served as Director of Clinical Affairs and Director of Research and Development since 1999. He has a Doctorate of Dental Surgery with advanced training in the specialties of Periodontics, Orthodontics and Implant Dentistry from New York University of College of Dental Surgery, and has been practicing Dentistry since 1984. He formally held a part-time faculty appointment as a clinical associate professor at NYU School of Dental Surgery for over ten years and remains an active international lecturer on a variety of topics. He is recognized as a world authority on Advanced Drug Delivery Systems, having published numerous scientific articles in this area, and is credited for developing several new techniques using this innovative technology. Dr. Hochman has been responsible for inventing and contributing to the development of much of the technology currently available from Milestone.



Major Insider, Top Institutional and 13F Filer Ownership

Shareholder Major Holders & Key Insiders	Number of Shares Owned	Percent of Shares Outstanding
Leonard Osser	2,686,701	16.0%
K. Tucker Anderson	2,511,230	15.0%
Tom Cheng	1,002,862	6.0%
Joseph D'Agostino	877,729	5.2%
Total	7,078,522	42.2%

*** Percent ownership calculated on 16.8mn shares outstanding

FINANCIAL SUMMARY

Figure 7. Income Statement

Figures in \$mn unless specified	FY11A	FY12A	FY13E	FY14E	FY15E	FY16E
Revenue	8.4	8.6	9.2	13.0	16.6	21.0
YoY growth	(14.1%)	3.2%	6.6%	41.0%	27.7%	26.3%
Cost of sales	3.0	3.1	3.4	4.6	5.8	7.0
Gross Profit	5.4	5.6	5.9	8.4	10.8	14.0
Margin	64.0%	64.7%	63.6%	64.4%	65.0%	66.7%
Operating expenses	6.6	6.1	5.9	7.5	9.0	11.1
EBIT	(1.2)	(0.5)	0.0	0.9	1.8	2.9
Margin	(14.6%)	(6.0%)	0.1%	7.0%	10.6%	13.8%
EBITDA	(1.1)	(0.4)	0.1	1.0	1.9	3.0
Margin	(13.3%)	(4.9%)	1.1%	7.7%	11.1%	14.2%
Other income/ (expense)	(0.2)	0.3	0.5	1.4	2.3	3.4
Profit before tax	(8.2%)	8.2%	14.8%	30.7%	39.4%	49.4%
Tax	(0.3)	(0.3)	(0.2)	(0.2)	0.0	0.0
Net income	(1.5)	(0.9)	(0.2)	0.7	1.8	2.9
Margin	0.0	0.0	0.0	0.0	0.0	0.1
Reported Net income	(1.5)	(0.9)	(0.2)	0.7	1.7	2.8
Margin	(17.7%)	(10.1%)	(1.8%)	5.7%	10.5%	13.3%
Reported EPS (\$ per share)	(0.10)	(0.05)	(0.01)	0.04	0.10	0.17

Source: SeeThruEquity Research

Figure 8. Balance Sheet

Figures in \$mn, unless specified	FY11A	FY12A	FY13E	FY14E	FY15E	FY16E
Current assets	3.3	2.5	3.2	5.1	7.2	10.9
Intangibles	0.7	0.6	0.6	0.6	0.6	0.5
Other assets	3.0	2.5	2.3	2.2	2.2	2.1
Total assets	7.0	5.7	6.2	7.9	10.0	13.5
Current liabilities	4.6	3.3	3.6	4.1	4.5	4.7
Other liabilities	0.4	0.5	0.5	0.5	0.0	0.0
Shareholders' equity	1.9	1.9	2.2	3.3	5.5	8.8
Total liab and shareholder equity	7.0	5.7	6.2	7.9	10.0	13.5

Source: SeeThruEquity Research

Figure 9. Cash Flow Statement

Figures in \$mn, unless specified	FY11A	FY12A	FY13E	FY14E	FY15E	FY16E
Cash from operating activities	(0.6)	(0.0)	0.2	1.2	1.9	2.9
Cash from investing activities	(0.0)	(0.0)	(0.1)	(0.1)	(0.1)	(0.1)
Cash from financing activities	0.1	0.2	0.0	0.0	(0.5)	0.0
Net inc/(dec) in cash	(0.5)	0.1	0.2	1.1	1.4	2.9
Cash at beginning of the year	0.6	0.1	0.2	0.3	1.4	2.8
Cash at the end of the year	0.1	0.2	0.3	1.4	2.8	5.7

Source: SeeThruEquity Research

About Milestone Scientific Inc.

Headquartered in Livingston, New Jersey, Milestone Scientific is engaged in pioneering advanced computer-controlled drug delivery technologies for the medical and dental markets. By using pressure sensing technology, the company has developed a patented and FDA approved injection system that enables dentists and healthcare practitioners to administer pain-free injections by controlling the flow rate of the fluid being injected. Milestone currently sells its award-winning products through a global distribution network serving North and South America, Asia, Africa, Europe and the Middle East. For more information on the STA Single Tooth Anesthesia System® instrument and other innovative Milestone products, please visit the Company's web site found at www.milestonescientific.com.



CONTACT:

Ajay Tandon
Director of Research
SeeThruEquity, LLC
www.seethruequity.com
(646) 495-0939
ajay@seethruequity.com

Jay Albany, CFA
Senior Vice President, Equity Research
SeeThruEquity, LLC
www.seethruequity.com
(646) 495-0939
jalbany@seethruequity.com

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