

CHAMPIONS ONCOLOGY, INC.

Form 10-Q

December 15, 2017

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended October 31, 2017

Or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 001-11504

CHAMPIONS ONCOLOGY, INC.

(Exact name of registrant as defined in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

52-1401755

(I.R.S. Employer
Identification No.)

One University Plaza, Suite 307

Hackensack, New Jersey

(Address of principal executive offices)

07601

(Zip Code)

(201) 808-8400

(Registrant's telephone number, including area code)

Not Applicable

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

Non-accelerated filer Emerging growth company

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(Do not check if a smaller reporting
company)

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The number of Common Shares of the Registrant outstanding as of December 9, 2017 was 10,988,347.

DOCUMENTS INCORPORATED BY REFERENCE - None

INDEX TO FORM 10-Q
FOR THE QUARTERLY PERIOD ENDED OCTOBER 31, 2017

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

CHAMPIONS ONCOLOGY, INC.
 CONDENSED CONSOLIDATED BALANCE SHEETS
 (In thousands except for shares)

	October 31, 2017	April 30, 2017
	(unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 660	\$ 3,295
Accounts receivable, net	2,578	2,274
Prepaid expenses and other current assets	303	300
Total current assets	3,541	5,869
Restricted cash	150	150
Property and equipment, net	2,026	1,216
Other Long Term Assets	107	107
Goodwill	669	669
Total assets	\$ 6,493	\$ 8,011
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 1,549	\$ 1,852
Accrued liabilities	390	685
Deferred revenue	3,879	4,910
Total current liabilities	5,818	7,447
Other non-current liabilities	302	164
Total liabilities	6,120	7,611
Stockholders' equity:		
Common stock, \$.001 par value; 200,000,000 shares authorized; 11,265,175 and 11,251,844 shares issued and 10,988,347 and 10,982,159 shares outstanding as of October 31, 2017 and April 30, 2017, respectively	11	11
Treasury stock, at cost, 269,685 common shares as of October 31, 2017 and April 30, 2017	(1,252)	(1,252)
Additional paid-in capital	71,732	70,991
Accumulated deficit	(70,118)	(69,350)
Total stockholders' equity	373	400
Total liabilities and stockholders' equity	\$ 6,493	\$ 8,011

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

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CHAMPIONS ONCOLOGY, INC.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Dollars in Thousands, Except Per Share Amounts)

	Three Months Ended October 31,		Six Months Ended October 31,	
	2017	2016	2017	2016
Operating revenue:				
Personalized oncology solutions	\$378	\$ 497	\$818	\$ 1,007
Translational oncology solutions	4,825	3,960	9,419	7,119
Total operating revenue	5,203	4,457	10,237	8,126
Costs and operating expenses:				
Cost of personalized oncology solutions	259	374	646	847
Cost of translational oncology solutions	2,394	1,829	4,648	3,879
Research and development	1,115	1,008	2,233	2,219
Sales and marketing	551	717	1,235	1,643
General and administrative	954	1,022	2,164	2,555
Total costs and operating expenses	5,273	4,950	10,926	11,143
Loss from operations	(70)	(493)	(689)	(3,017)
Other (expense):				
Other (expense)	(13)	(16)	(64)	(25)
Total other (expense)	(13)	(16)	(64)	(25)
Loss before provision for income taxes	(83)	(509)	(753)	(3,042)
Provision for (Benefit from) income taxes	11	(5)	15	9
Net loss	\$(94)	\$(504)	\$(768)	\$(3,051)
Net loss per common share outstanding basic and diluted	\$(0.01)	\$(0.05)	\$(0.07)	\$(0.32)
Weighted average common shares outstanding basic and diluted	10,988,320	10,967,491	10,984,705	10,956,088

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

CHAMPIONS ONCOLOGY, INC.
 UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
 (Dollars in Thousands)

	Six Months Ended October 31, 2017 2016	
Operating activities:		
Net loss	\$(768)	\$(3,051)
Adjustments to reconcile net loss to net cash used in operating activities:		
Stock-based compensation expense	711	1,664
Depreciation expense	132	87
Reversal of allowance for doubtful accounts	(41)	(2)
Issuance of common stock for services	30	15
Changes in operating assets and liabilities:		
Accounts receivable	(263)	(577)
Prepaid expenses and other current assets	(3)	(3)
Accounts payable	(303)	(744)
Accrued liabilities	(295)	31
Other non-current liability	151	20
Deferred revenue	(1,031)	5
Net cash used in operating activities	(1,680)	(2,555)
Investing activities:		
Purchase of property and equipment	(942)	(30)
Net cash used in investing activities	(942)	(30)
Financing activities:		
Proceeds from June 2016 Public Offering, net of financing costs of \$742	—	4,340
Capital lease payments	(13)	(12)
Net cash (used in)/provided by financing activities	(13)	4,328
(Decrease)/Increase in cash and cash equivalents.	(2,635)	1,743
Cash and cash equivalents, beginning of period	3,295	2,585
Cash and cash equivalents, end of period	\$660	\$4,328

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

CHAMPIONS ONCOLOGY, INC.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Organization, Use of Estimates and Basis of Presentation

Champions Oncology, Inc. (the “Company”) is engaged in the development and sale of advanced technology solutions and products to personalize the development and use of oncology drugs. The Company’s TumorGraft Technology Platform is a novel approach to personalizing cancer care based upon the implantation of human tumors in immune-deficient mice. The Company uses this technology, in conjunction with related services, to offer solutions for two consumer groups: Personalized Oncology Solutions (“POS”) and Translational Oncology Solutions (“TOS”). POS assists physicians in developing personalized treatment options for their cancer patients through tumor specific data obtained from drug panels and related personalized oncology services. The Company’s TOS business offers a technology platform to pharmaceutical and biotechnology companies using proprietary TumorGraft studies, which the Company believes may be predictive of how drugs may perform in clinical settings.

The Company has two operating subsidiaries: Champions Oncology (Israel), Limited and Champions Biotechnology U.K., Limited. For the three and six months ended October 31, 2017 and 2016, there were no revenues earned by these subsidiaries.

The Company’s foreign subsidiaries functional currency is the U.S. dollar. Transaction gains and losses are recognized in earnings. The Company is subject to foreign exchange rate fluctuations in connection with the Company’s international operations.

These unaudited condensed consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission, or the SEC. All significant intercompany transactions and accounts have been eliminated. Certain information related to the Company’s organization, significant accounting policies and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States, or GAAP, has been condensed or omitted. The accounting policies followed in the preparation of these unaudited condensed consolidated financial statements are consistent with those followed in the Company’s annual consolidated financial statements for the year ended April 30, 2017, as filed on Form 10-K. In the opinion of management, these unaudited condensed consolidated financial statements contain all material adjustments necessary to fairly state our financial position, results of operations and cash flows for the periods presented and the presentations and disclosures herein are adequate when read in conjunction with the Company’s Annual Report on Form 10-K for the year ended April 30, 2017.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Liquidity

Our liquidity needs have typically arisen from the funding of our research and development programs and the launch of new products, working capital requirements, and strategic initiatives. In the past, we have met these cash requirements through our sales of products and services, working capital management, and proceeds from certain private and public offerings of our securities. For the six months ended October 31, 2017, we had a net loss of \$768,000 and net operating cash outflows of \$1.7 million. In addition, as of October 31, 2017, we had negative working capital of \$2.3 million and cash and cash equivalents on hand of \$660,000. The reduction of cash from year-end was mainly due to the \$910,000 investment in equipment for our new lab facility along with the timing of

accounts receivable collections and expense payments in the normal course of business. Additionally, we incurred approximately \$100,000 of non-capitalized, non-recurring costs related to the new lab set-up. Finally, we closed on a line of credit ("LOC") agreement which provides that the Company may borrow up to \$1.5 million. The Company does not plan to utilize the LOC as we believe that our cash and cash equivalents on hand at October 31, 2017 and future revenue are adequate to fund our operations through at least December 2018.

However, in order for us to continue our operations beyond December 2018, we need to continue to increase revenues while managing increases in expense levels. If we are unable to maintain our operating levels, we may need to obtain capital from external sources. If we could not obtain additional financing, we may be required to reduce the scope of, or delay or eliminate, some of our research and development and other activities, which could harm our financial condition and operating results. Financing may not be available on acceptable terms or at all, and our failure to raise capital when needed could negatively impact our growth plans and our financial condition and results of operations. Additional equity financing may be dilutive to the holders of our common stock and debt financing, if available, may involve significant cash payment obligations and covenants and/or financial ratios that could restrict our ability to operate our business.

Earnings Per Share

Basic net loss per share is computed by dividing the net loss for the period by the weighted-average number of shares of common stock outstanding during the period. Diluted net loss per share is computed by dividing the net loss for the period by the weighted-average number of shares of common stock plus dilutive potential common stock considered outstanding during the period. Such dilutive shares consist of incremental shares that would be issued upon exercise of the Company's common stock purchase warrants and stock options. For the three and six months ended October 31, 2017 and 2016, basic and dilutive loss per share were the same, as the potentially dilutive securities did not have a dilutive effect.

	Three Months Ended		Six Months Ended	
	October 31, 2017	2016	October 31, 2017	2016
Basic and diluted net loss per share computation:				
Net loss attributable to common stockholders	\$(94,318)	\$(504,000)	\$(768,475)	\$(3,051,000)
Weighted Average common shares – basic	10,988,321	10,967,491	10,984,703	9,560,088
Basic and diluted net loss per share	\$(0.01)	\$(0.05)	\$(0.07)	\$(0.32)

The following table reflects the total potential share-based instruments outstanding at October 31, 2017 and 2016 that could have an effect on the future computation of dilution per common share:

	October 31,	
	2017	2016
Stock options	2,494,930	2,449,753
Warrants	2,004,284	2,109,840
Total common stock equivalents	4,499,214	4,559,593

Income Taxes

Deferred income taxes have been provided to show the effect of temporary differences between the recognition of expenses for financial and income tax reporting purposes and between the tax basis of assets and liabilities, and their reported amounts in the consolidated financial statements. In assessing the realizability of deferred tax assets, the Company assesses the likelihood that deferred tax assets will be recovered through tax planning strategies or from future taxable income, and to the extent that recovery is not likely or there is insufficient operating history, a valuation allowance is established. The Company adjusts the valuation allowance in the period management determines it is more likely than not that net deferred tax assets will or will not be realized. Changes in valuation allowances from period to period are included in the tax provision in the period of change. As of October 31, 2017 and April 30, 2017, the Company provided a valuation allowance for all net deferred tax assets, as recovery is more likely than not based on an insufficient history of earnings.

Tax positions are positions taken in a previously filed tax return or positions expected to be taken in a future tax return that are reflected in measuring current or deferred income tax assets and liabilities reported in the consolidated financial statements. Tax positions include, but are not limited to, the following:

- An allocation or shift of income between taxing jurisdictions;
- The characterization of income or a decision to exclude reportable taxable income in a tax return; or
- A decision to classify a transaction, entity or other position in a tax return as tax exempt.

The Company reflects tax benefits only if it is more likely than not that we will be able to sustain the tax position, based on its technical merits. If a tax benefit meets this criterion, it is measured and recognized based on the largest amount of benefit that is cumulatively greater than 50% likely to be realized. The Company has recorded \$121,000 of liabilities related to uncertain tax positions relative to one of its foreign operations as of October 31, 2017 and April 30, 2017.

The Company's practice is to recognize interest and/or penalties related to income tax matters in income tax expense. The Company had no accrual for interest or penalties on the Company's balance sheets at October 31, 2017 and April 30, 2017, and has not recognized interest and/or penalties in the statement of operations for either period. We do not anticipate any significant unrecognized tax benefits will be recorded during the next 12 months.

The income tax provision for the six months ended October 31, 2017 and 2016 was \$15,000 and \$9,000, respectively.

Note 2. Property and Equipment

Property and equipment is recorded at cost and primarily consists of laboratory equipment, leasehold improvements, furniture and fixtures, and computer equipment and software. Depreciation and amortization is calculated on a straight-line basis over the estimated useful lives of the various assets ranging from three to seven years. Property and equipment consisted of the following (table in thousands):

	October 31, 2017 (unaudited)	April 30, 2017 (unaudited)
Furniture and fixtures	\$ 73	\$ 74
Computer equipment and software	956	872
Laboratory equipment	2,232	918
Assets in progress	19	472
Leasehold improvements	—	2
Total property and equipment	3,280	2,338
Less: Accumulated depreciation	(1,254)	(1,122)
Property and equipment, net	\$ 2,026	\$ 1,216

Depreciation and amortization expense, excluding expense recorded under capital lease, was \$97,000 and \$34,000 for the three months ended October 31, 2017 and 2016, respectively, and \$119,000 and \$74,000 for the six months ended October 31, 2017 and 2016, respectively. As of October 31, 2017 and April 30, 2017, property, plant and equipment included assets held under capital lease of \$124,000. Related depreciation expense was \$7,000 and \$6,000, respectively, for the three months ended October 31, 2017 and 2016, and \$13,000 and \$12,000 for the six months ended October 31, 2017 and 2016, respectively.

Capital Lease

In November 2014, the Company entered into a capital lease for laboratory equipment. The lease has costs of approximately \$149,000 and matures on November 2019. The current monthly capital lease payment is approximately \$3,000.

The following is a schedule by years of future minimum lease payments under this capital lease together with the present value of the net minimum lease payments as of October 31, 2017 (table in thousands):

For the Years Ended April 30,	Total
2018 (remaining)	\$ 14
2019	28
2020	16
Total minimum payments	58
Less: amount representing interest	(3)
Present value of minimum payments	55
Less: current portion	(26)

\$29

The present value of minimum future obligations shown above is calculated based on an interest rate of 5%. The short-term and long-term components of the capital lease obligation are included in accrued liabilities and other non-current liabilities, respectively at October 31, 2017 and April 30, 2017.

Note 3. Share-Based Payments

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The Company has in place a 2010 Equity Incentive Plan and a 2008 Equity Incentive Plan. In general, these plans provide for stock-based compensation in the form of (i) Non-statutory Stock Options; (ii) Restricted Stock Awards; and (iii) Stock Appreciation Rights to the Company's employees, directors and non-employees. The plans also provide for limits on the aggregate number of shares that may be granted, the term of grants and the strike price of option awards.

Stock-based compensation in the amount of \$148,000 and \$535,000 was recognized for the three months ended October 31, 2017 and 2016, respectively, and \$711,000 and \$1.7 million was recognized for the six months ended October 31, 2017 and 2016, respectively. Included in stock-based compensation expense for the the six months ended October 31, 2017 under general and administrative line item is an option modification charge of \$56,529.

Stock-based compensation expense was recognized as follows (table in thousands):

	Three Months Ended October 31, 2017		Six Months Ended October 31, 2016	
General and administrative	\$96	\$469	\$519	\$1,298
Sales and marketing	7	18	41	187
Research and development	42	45	122	130
TOS cost of sales	3	3	28	47
POS cost of sales	—	—	1	2
Total stock-based compensation expense	\$148	\$535	\$711	\$1,664

On October 31, 2017, there was \$160,365 in unrecognized stock based compensation which will be recognized as expense over 2.5 years.

Stock Option Grants

Black-Scholes assumptions used to calculate the fair value of options granted during the three and six months ended October 31, 2017 and 2016 were as follows:

	Three Months Ended October 31, 2017		Six Months Ended October 31, 2016	
Expected term in years	6	6	6	2.6 - 6
Risk-free interest rates	1.98%	1.48%	1.98%	0.75% - 1.48%
Volatility	87.1%	87.32%	87.1%	73.2% - 95.6%
Dividend yield	—%	—%	—%	—%

The weighted average fair value of stock options granted during the three months ended October 31, 2017 and 2016 was \$0.00 and \$1.16, respectively, and \$1.84 and \$1.73 was recognized for the six months ended October 31, 2017 and 2016, respectively. The Company's stock options activity for the six months ended October 31, 2017 was as follows:

	Non-Employees	Directors and Employees	Total	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value
Outstanding, May 1, 2017	50,000	2,258,704	2,308,704	\$ 2.86	6.1	\$1,282,000
Granted	—	194,977	194,977	2.51	9.7	
Exercised	—	—	—	—		
Forfeited	—	(6,042)	(6,042)	7.58		
Canceled	—	—	—	—		
Expired	—	(2,709)	(2,709)	8.44		
Outstanding, October 31, 2017	50,000	2,444,930	2,494,930	2.82	5.9	\$2,512,000
Vested and expected to vest as of October 31, 2017	50,000	2,444,930	2,494,930	2.82	5.9	\$2,512,000
Exercisable as of October 31, 2017	33,336	2,391,889	2,425,225	2.81	5.9	\$2,484,000

Stock Purchase Warrants

As of October 31, 2017 and April 30, 2017, the Company had warrants outstanding for the purchase of 2,004,284 shares of its common stock, all of which were exercisable. Activity related to these warrants, which expire at various dates through March 2020, is summarized as follows:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value
Outstanding, May 1, 2017	2,004,284	\$ 5.57	2.8	\$ —
Granted	—	—	—	—
Exercised	—	—	—	—
Expired	—	—	—	—
Outstanding, October 31, 2017	2,004,284	\$ 5.57	2.3	\$ —

Note 4. Related Party Transactions

Related party transactions include transactions between the Company and its shareholders, management, or affiliates. The following transactions were in the normal course of operations and were measured and recorded at the exchange amount, which is the amount of consideration established and agreed to by the parties.

Consulting Services

During the six months ended October 31, 2017 and 2016, the Company paid a member of its Board of Directors \$36,000 and \$36,000, respectively, for consulting services unrelated to his duties as a board member. During the six months ended October 31, 2017 and 2016, the Company paid an affiliate of a board member \$48,718 and \$0, respectively, for consulting services unrelated to their duties as board members. As of October 31, 2017, no amounts

were due to these related parties.

Note 5. Commitments and Contingencies

Operating Leases

The Company currently leases its office facilities. Rent expenses totaled \$306,000 and \$198,000 for the six months ended October 31, 2017 and 2016, respectively. The Company considers its facilities adequate for our current operational needs.

The Company leases the following facilities under non-cancelable operating lease agreements:

One University Plaza, Suite 307, Hackensack, New Jersey 07601, which, since November 2011, serves as the Company's corporate headquarters. The lease expires in November 2021. The Company recognized \$45,000 and \$43,000 of rental costs relative to this lease for the six months ended October 31, 2017 and 2016, respectively.

855 North Wolfe Street, Suite 619, Baltimore, Maryland 21205, which consists of laboratories and office space where the Company conducts operations related to its primary service offerings. This lease expires December 2017. The Company recognized \$58,000 and \$52,000 of rental costs relative to this lease for the six months ended October 31, 2017 and 2016, respectively.

450 East 29th Street, New York, New York, 10016, which is a laboratory facility. The Company recognized \$52,000 and \$103,000 of rental expense for the six months ended October 31, 2017 and 2016, respectively. The lease expired in May 2017 and was not renewed.

1330 Piccard Drive, Suite 025, Rockville, MD 20850, which consists of laboratory and office space where the Company will conduct operations related to its primary service offerings. The Company executed this lease on January 11, 2017. The operating commencement date was August 11, 2017. This lease expires in August 2028. The Company recognized \$151,000 and nil of rental expense for the six months ended October 31, 2017 and 2016, respectively.

Legal Matters

The Company is not currently party to any legal matters to its knowledge. The Company is not aware of any other matters that would have a material impact on the Company's financial position or results of operations.

Registration Payment Arrangements

The Company has entered into an Amended and Restated Registration Rights Agreement in connection with the March 2015 Private Placement and is discussed more fully in Note 7 in the Company's Form 10-K for the fiscal year ended April 30, 2017. This Amended and Restated Registration Rights Agreement contains provisions that may call for the Company to pay penalties in certain circumstances. This registration payment arrangement primarily relates to the Company's ability to file a registration statement within a particular time period, have a registration statement declared effective within a particular time period and to maintain the effectiveness of the registration statement for a particular time period. The Company has not accrued any liquidated damages associated with the Amended and Restated Registration Right Agreement as the Company has filed the required registration statement and anticipates continued compliance with the agreement.

Note 6. Segment Information

The Company operates in two reportable segments, POS and TOS. The accounting policies of the Company's segments are the same as those described in Note 2 of the Company's annual financial statements for the year ended April 30, 2017, as filed on Form 10-K. The Company evaluates performance of its segments based on profit or loss from operations before stock compensation expense, depreciation and amortization, interest expense, interest income, gain on sale of assets, special charges or benefits, and income taxes ("segment profit"). Management uses segment profit information for internal reporting and control purposes and considers it in making decisions regarding the allocation of capital and other resources, risk assessment, and employee compensation, among other matters. The following tables summarize, for the periods indicated, operating results by reportable segment (table in thousands):

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Three months ended October 31, 2017	Personalized Oncology Solutions (POS)	Translational Oncology Solutions (TOS)	Unallocated Corporate Overhead	Consolidated
Net revenue	\$ 378	\$ 4,825	\$ —	\$ 5,203
Direct cost of services	(259)	(2,392)	—	(2,651)
Sales and marketing costs	(85)	(459)	—	(544)
Other operating expenses	—	(1,073)	(857)	(1,930)
Stock- based compensation expense (1)	—	—	(148)	(148)
Segment profit (loss)	\$ 34	\$ 901	\$ (1,005)	\$ (70)

Three months ended October 31, 2016	Personalized Oncology Solutions (POS)	Translational Oncology Solutions (TOS)	Unallocated Corporate Overhead	Consolidated
Net revenue	\$ 497	\$ 3,960	\$ —	\$ 4,457
Direct cost of services	(374)	(1,826)	—	(2,200)
Sales and marketing costs	(128)	(571)	—	(699)
Other operating expenses	—	(964)	(552)	(1,516)
Stock- based compensation expense (1)	—	—	(535)	(535)
Segment profit (loss)	\$ (5)	\$ 599	\$ (1,087)	\$ (493)

Six Months Ended October 31, 2017	Personalized Oncology Solutions (POS)	Translational Oncology Solutions (TOS)	Unallocated Corporate Overhead	Consolidated
Net revenue	\$ 818	\$ 9,419	\$ —	\$ 10,237
Direct cost of services	(645)	(4,620)	—	(5,265)
Sales and marketing costs	(171)	(1,023)	—	(1,194)
Other operating expenses	—	(2,111)	(1,645)	(3,756)
Stock- based compensation expense (1)	—	—	(711)	(711)
Segment profit (loss)	\$ 2	\$ 1,665	\$ (2,356)	\$ (689)

Six Months Ended October 31, 2016	Personalized Oncology Solutions (POS)	Translational Oncology Solutions (TOS)	Unallocated Corporate Overhead	Consolidated
Net revenue	\$ 1,007	\$ 7,119	\$ —	\$ 8,126
Direct cost of services	(845)	(3,832)	—	(4,677)
Sales and marketing costs				