

CHAMPIONS ONCOLOGY, INC.

Form 10-Q

March 18, 2019

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 January 31, 2019

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
Emerging growth 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 March 14, 2019 was 11,615,272.

DOCUMENTS INCORPORATED BY REFERENCE - None

INDEX TO FORM 10-Q
FOR THE QUARTERLY PERIOD ENDED JANUARY 31, 2019

PART I - FINANCIAL INFORMATION

Item 1.	<u>Financial Statements.</u>	
	<u>Condensed Consolidated Balance Sheets as of January 31, 2019 (unaudited) and April 30, 2018</u>	<u>4</u>
	<u>Unaudited Condensed Consolidated Statements of Operations for the Three and Nine Months Ended January 31, 2019 and 2018</u>	<u>5</u>
	<u>Condensed Consolidated Statement of Changes in Stockholders' Equity as of January 31, 2019 (unaudited)</u>	<u>6</u>
	<u>Unaudited Condensed Consolidated Statements of Cash Flows for the Nine Months Ended January 31, 2019 and 2018</u>	<u>7</u>
	<u>Notes to Unaudited Condensed Consolidated Financial Statements</u>	<u>8</u>
Item 2.	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>20</u>
Item 3.	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>24</u>
Item 4.	<u>Controls and Procedures</u>	<u>24</u>

PART II - OTHER INFORMATION

Item 1.	<u>Legal Proceedings</u>	<u>26</u>
Item		
1A.	<u>Risk Factors</u>	<u>26</u>
Item 2.	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>26</u>
Item 3.	<u>Defaults Upon Senior Securities</u>	<u>26</u>
Item 4.	<u>Mine Safety Disclosures</u>	<u>26</u>
Item 5.	<u>Other Information</u>	<u>26</u>
Item 6.	<u>Exhibits</u>	<u>27</u>

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

CHAMPIONS ONCOLOGY, INC.
 CONDENSED CONSOLIDATED BALANCE SHEETS
 (Dollars in Thousands)

	January 31, 2019	April 30, 2018
	(unaudited)	
ASSETS		
Current assets:		
Cash	\$ 3,310	\$ 856
Accounts receivable, net	3,919	3,917
Prepaid expenses and other current assets	298	287
 Total current assets	 7,527	 5,060
Restricted cash	—	150
Property and equipment, net	2,578	2,083
Other long term assets	137	116
Goodwill	669	669
 Total assets	 \$ 10,911	 \$ 8,078
 LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 2,116	\$ 2,154
Accrued liabilities	641	569
Current portion of capital lease	224	26
Deferred revenue	4,723	4,704
 Total current liabilities	 7,704	 7,453
Deferred rent	733	454
Capital lease, net of current portion	—	17
Other non-current liabilities	151	151
 Total liabilities	 \$ 8,588	 \$ 8,075
Stockholders' equity:		
Common stock, \$.001 par value; 200,000,000 shares authorized; 11,612,700 and 11,277,675 shares issued and 11,612,700 and 11,003,228 shares outstanding as of January 31, 2019 and April 30, 2018, respectively	12	11
Treasury stock, at cost, nil and 269,685 common shares as of January 31, 2019 and April 30, 2018, respectively	—	(1,252)
Additional paid-in capital	72,756	72,070
Accumulated deficit	(70,445)	(70,826)

Total stockholders' equity	2,323	3
Total liabilities and stockholders' equity	\$ 10,911	\$ 8,078

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

4

CHAMPIONS ONCOLOGY, INC.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Dollars in Thousands, Except Per Share Amounts)

	Three Months Ended January 31,		Nine Months Ended January 31,	
	2019	2018	2019	2018
Oncology services revenue	\$6,430	\$ 5,082	\$19,348	\$ 15,319
Costs and operating expenses:				
Cost of oncology services	3,429	2,473	9,963	7,737
Research and development	1,269	1,045	3,550	3,308
Sales and marketing	879	627	2,138	1,862
General and administrative	1,223	1,004	3,311	3,167
Total costs and operating expenses	6,800	5,149	18,962	16,074
Income (loss) from operations	(370)	(67)	386	(755)
Other expense:				
Other (income) expense	(1)	7	5	71
Total other (income) expense	(1)	7	5	71
Income (loss) before provision for income taxes	(369)	(74)	381	(826)
Provision for income taxes	—	2	—	18
Net income (loss)	\$(369)	\$(76)	\$381	\$(844)
Net income (loss) per common share outstanding				
basic	\$(0.03)	\$(0.01)	\$0.03	\$(0.08)
and diluted	\$(0.03)	\$(0.01)	\$0.03	\$(0.08)
Weighted average common shares outstanding				
basic	11,508,180	10,994,434	11,257,314	10,987,797
and diluted	11,508,180	10,994,434	13,909,060	10,987,797

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

CHAMPIONS ONCOLOGY, INC.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY

(Dollars in Thousands)

	Common Stock		Treasury Stock		Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount	Shares	Amount			
Balance, May 1, 2018	11,003,228	\$ 11	269,685	\$(1,252)	\$ 72,070	\$(70,826)	\$ 3
Stock-based compensation	—	—	—	—	75	—	75
Issuance of common stock for services	4,762	—	—	—	—	—	—
Issuance of common stock on exercise of stock options	20,000	—	—	—	42	—	42
Net income	—	—	—	—	—	483	483
Balance, July 31, 2018 (unaudited)	11,027,990	11	269,685	(1,252)	72,187	(70,343)	603
Stock-based compensation	—	—	—	—	88	—	88
Issuance of common stock on exercise of stock options and warrants	446,815	—	(269,685)	1,252	(218)	—	1,034
Net income	—	—	—	—	—	267	267
Balance, October 31, 2018 (unaudited)	11,474,805	11	—	—	72,057	(70,076)	1,992
Stock-based compensation	—	—	—	—	335	—	335
Issuance of common stock on exercise of stock options and warrants	137,895	1	—	—	364	—	365
Net loss	—	—	—	—	—	(369)	(369)
Balance, January 31, 2019 (unaudited)	11,612,700	\$ 12	—	\$—	\$ 72,756	\$(70,445)	\$ 2,323

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)

	Nine Months Ended January 31,	
	2019	2018
Operating activities:		
Net income (loss)	\$381	\$(844)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Stock-based compensation and modification expense	498	848
Issuance of common stock for services	8	15
Depreciation and amortization expense	433	253
Provision for doubtful accounts	53	—
Deferred rent	279	302
Changes in operating assets and liabilities:		
Accounts receivable	(55)	(669)
Prepaid expenses and other current assets	(11)	115
Other long term assets	(21)	—
Accounts payable	(46)	124
Accrued liabilities	72	(320)
Deferred revenue	19	(1,059)
Net cash provided by (used in) operating activities	1,610	(1,235)
Investing activities:		
Purchase of property and equipment	(693)	(1,017)
Net cash used in investing activities	(693)	(1,017)
Financing activities:		
Proceeds from exercise of options and warrants	1,440	38
Capital lease payments	(53)	(19)
Net cash provided by financing activities	1,387	19
Increase/(decrease) in cash and restricted cash	2,304	(2,233)
Cash and restricted cash at beginning of period	1,006	3,295
Cash and restricted cash at end of period	\$3,310	\$1,062
Non-cash investing activities:		
Purchase equipment under capital lease	235	—

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 an end-to-end range of research and development technology solutions and services to improve 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: Translational Oncology Solutions (“TOS”) and Personalized Oncology Solutions (“POS”). 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. 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 has two operating subsidiaries: Champions Oncology (Israel), Limited and Champions Biotechnology U.K., Limited. For the three and nine months ended January 31, 2019 and 2018, 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, 2018, 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, 2018.

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. Certain amounts in the prior periods presented have been reclassified to conform to the current period financial statement presentation. These reclassifications have no effect on previously reported net income.

Note 2. Significant Accounting Policies

Significant accounting policies are detailed in "Note 2: Significant Accounting Policies" of the Annual Report on Form 10-K for the year ended April 30, 2018. Significant changes to the Company's accounting policies as a result of adopting ASC 606 - Revenue from Contracts with Customers and all the related amendments ("New Revenue Standard" or "ASC 606") have been included below:

Cash, Cash Equivalents and Restricted Cash

The Company considers only those investments which are highly liquid, readily convertible to cash, and that mature within three months from date of purchase to be cash equivalents. Restricted cash as of January 31, 2019 and April 30, 2018 was nil and \$150,000, respectively, which is classified as a non-current asset on the consolidated balance sheets. This restricted cash served primarily as collateral for corporate credit cards to provide financial assurance that the Company will fulfill its obligations. The cash was held in custody by the issuing bank, was restricted as to withdrawal or use, and was invested in an interest-bearing Certificate of Deposit ("CD"). The CD matured in October 2018 and the issuing bank determined it was not necessary for the Company to renew. As a result, the \$150,000 was reclassified to cash on the Company's January 31, 2019 Condensed Consolidated Balance Sheet.

Cash and restricted cash consists of the following (table in thousands):

	January 31, 2019	April 30, 2018
	(unaudited)	
Cash	\$ 3,310	\$ 856
Restricted cash	—	150
Total cash and restricted cash shown in the statement of cash flows	\$ 3,310	\$ 1,006

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 other strategic initiatives. In the past, we have met these cash requirements through our cash, working capital management, proceeds from certain private placements and public offerings of our securities and sales of products and services. For the nine months ended January 31, 2019, the Company had net income of approximately \$381,000 and cash flows from operations of \$1.6 million. As of January 31, 2019, the Company had an accumulated deficit of approximately \$70.4 million, negative working capital of \$177,000 and cash of \$3.3 million. We believe that our cash on hand, together with continued improved cash flows from operations, are adequate to fund operations through at least March 2020. Should the Company be required to raise additional capital, there can be no assurance that management would be successful in raising such capital on terms acceptable to us, if at all.

Earnings Per Share

Basic net income or loss per share is computed by dividing the net income or loss for the period by the weighted-average number of shares of common stock outstanding during the period. Diluted net income per share is computed by dividing the net income 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.

	Three Months Ended January 31, 2019		Nine Months Ended January 31, 2019	
Basic and diluted net loss per share computation (dollars in thousands):				
Net income (loss) attributable to common stockholders	\$(369)	\$(76)	\$381	\$(844)
Weighted Average common shares – basic	11,508,180	10,994,434	11,257,101	10,987,797
Basic net income (loss) per share	\$(0.03)	\$(0.01)	\$0.03	\$(0.08)
Diluted income (loss) per share computation:				
Net income (loss) attributable to common stockholders	\$(369)	\$(76)	\$381	\$(844)
Income (loss) available to common stockholders	\$(369)	\$(76)	\$381	\$(844)
Weighted Average common shares	11,508,180	10,994,434	11,257,101	10,987,797
Incremental shares from assumed exercise of warrants and stock options	—	—	2,651,749	—
Adjusted weighted average share – diluted	11,508,180	10,994,434	13,908,850	10,987,797
Diluted net income (loss) per share	\$(0.03)	\$(0.01)	\$0.03	\$(0.08)

The following table reflects the total potential share-based instruments outstanding at January 31, 2019 and 2018 that could have an effect on the future computation of dilution per common share:

	January 31,	
	2019	2018
Stock options	2,490,168	2,518,845
Warrants	1,671,440	2,004,284
Total common stock equivalents	4,161,608	4,523,129

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. Our ability to utilize net operating losses (“NOL”) carryforwards to offset our future taxable income taxes would be limited if we have undergone or were to undergo an “ownership change” within the meaning of Section 382 of the Internal Revenue Code (the “IRC”). The Company performed a Section 382 study and concluded that there are adequate NOL's available to offset any net income generated during the fiscal year ending April 30, 2019. 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 January 31, 2019 and April 30, 2018, the Company provided a valuation allowance for all net deferred tax assets, as recovery is not 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 \$151,000 of liabilities related to uncertain tax positions relative to one of its foreign operations as of January 31, 2019 and April 30, 2018.

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 January 31, 2019 and April 30, 2018, 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 nine months ended January 31, 2019 and 2018 was \$0 and \$18,000, respectively.

Revenue Recognition

All revenue is generated from contracts with customers. The Company's arrangements are service type contracts that mainly have a duration of less than a year. The Company recognizes revenue when control of these services is transferred to the customer in an amount, referred to as the transaction price, that reflects the consideration to which the Company is expected to be entitled in exchange for those services. The Company determines revenue recognition utilizing the following five steps: (1) identification of the contract with a customer, (2) identification of the performance obligations in the contract (promised goods or services that are distinct), (3) determination of the transaction price, (4) allocation of the transaction price to the performance obligations, and (5) recognition of revenue when, or as, the Company transfers control of the product or service for each performance obligation. The Company records revenues net of any tax assessments by governmental authorities, such as value added taxes, that are imposed

on and concurrent with specific revenue generating transactions.

Pharmacology Study, POS Services and Other Services

The Company generally enters into contracts with customers to provide oncology services with payments based on fixed-fee arrangements. At contract inception, the Company assesses the services promised in the contracts with customers to identify the performance obligations in the arrangement. The Company's fixed-fee arrangements for oncology services are considered a single performance obligation because the Company provides a highly-integrated service.

The Company recognizes revenue over time using a progress-based input method since there is no single output measure that would fairly depict the transfer of control over the life of the performance obligation. Revenue is recognized for the single performance obligation over time due to the Company's right to payment for work performed to date and the performance does not create an asset with an alternative use. The Company recognizes revenue as portions of the overall performance obligation are completed as this best depicts the progress of the performance obligation.

Variable Consideration

In some cases, contracts provide for variable consideration that is contingent upon the occurrence of uncertain future events, such as the success of the initial performance obligation. Variable consideration is estimated at the expected value or at the most likely amount depending on the type of consideration. Estimated amounts are included in the transaction price to the extent it is probable that a significant reversal of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is resolved. The estimate of variable consideration and determination of whether to include estimated amounts in the transaction price are based largely on an assessment of its anticipated performance and all information (historical, current and forecasted) that is reasonably available to the Company.

Trade Receivables, Unbilled Services and Deferred Revenue

In general, billings and payments are established by contractual provisions including predetermined payment schedules, which may or may not correspond to the timing of the transfer of control of the Company's services under the contract. In general, the Company's intention in its invoicing (payment terms) is to maintain cash neutrality over the life of the contract. Upfront payments, when they occur, are intended to cover certain expenses the Company incurs at the beginning of the contract. Neither the Company nor its customers view such upfront payments and contracted payment schedules as a means of financing. Unbilled services primarily arise from timing of payment terms and when an input method of revenue recognition is utilized and revenue recognized exceeds the amount billed to the customer.

Deferred revenue consists of unearned payments received in excess of revenue recognized. As the contracted services are subsequently performed and the associated revenue is recognized, the deferred revenue balance is reduced by the amount of the revenue recognized during the period. Deferred revenue is classified as a current liability on the condensed consolidated balance sheet as the Company expects to recognize the associated revenue in less than one year.

Accounting Pronouncements Being Evaluated

In August 2018, the FASB issued ASU 2018-15, which amends ASC 350-40, Intangibles—Goodwill and Other—Internal-Use Software, to address a customer's accounting for implementation costs incurred in a cloud computing arrangement ("CCA") that is a service contract. This update aligns the accounting for costs incurred to implement a CCA that is a service arrangement with the guidance on capitalizing costs associated with developing or

obtaining internal-use software. The update is effective for public business entities for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. Early adoption of the amendments in this update is permitted, including adoption in any interim period. We are currently assessing the impact of this update on our consolidated financial statements.

In June 2016, the FASB issued ASU No. 2016-13, "Financial Instruments - Credit Losses". This update requires immediate recognition of management's estimates of current expected credit losses ("CECL"). Under the prior model, losses were recognized only as they were incurred. The new model is applicable to all financial instruments that are not accounted for at fair value through net income. The standard is effective for fiscal years beginning after December 15, 2019 for public entities. Early adoption is permitted. We are currently assessing the impact of this update on our consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, "Leases". The Company is in the process of finalizing its evaluation of current leases and quantifying the impact to its balance sheet. The Company expects that the adoption of the standard will have a material impact on its consolidated balance sheet for the recognition of certain operating leases as right-of-use assets and lease liabilities. The Company does not expect the adoption of this standard to have a material impact on its consolidated statements of operations or cash flows. The Company will adopt the new accounting standard using the modified retrospective transition option on adoption on May 1, 2019.

Recently Adopted Accounting Pronouncements

In June 2018, the FASB issued ASU 2018-07, "Compensation-Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting". This ASU expands the scope of Topic 718, Compensation—Stock Compensation (which currently only includes share-based payments to employees) to include share-based payments issued to nonemployees for goods or services. Under the new guidance, the existing employee guidance will apply to nonemployee sharebased transactions (as long as the transaction is not effectively a form of financing), with the exception of specific guidance related to the attribution of compensation cost. The cost of nonemployee awards will continue to be recorded as if the grantor had paid cash for the goods or services. The new accounting guidance will be effective for the Company on May 1, 2019. The Company has adopted this new rule beginning with its financial reporting for the quarter ended January 31, 2019. The adoption had no material impact on our consolidated financial statements.

In August 2018, the Securities and Exchange Commission issued Release No. 33-10532 that amends and clarifies certain financial reporting requirements. The principal change to the Company's financial reporting is the inclusion of the annual disclosure requirement of changes in stockholders' equity in Rule 3-04 of Regulation S-X to interim periods. The Company has adopted this new rule beginning with its financial reporting for the quarter ended October 31, 2018.

On November 17, 2016, the FASB issued ASU No. 2016-18, "Restricted Cash (a consensus of the FASB Emerging Issues Task Force)" ("ASU 2016-18"), which addresses classification and presentation of changes in restricted cash on the statement of cash flows. ASU 2016-18 requires an entity's reconciliation of the beginning-of-period and end-of-period total amounts shown on the statement of cash flows to include in cash and cash equivalents amounts generally described as restricted cash and restricted cash equivalents. ASU 2016-18 is effective for public business entities for annual and interim periods in fiscal years beginning after December 15, 2017. The Company adopted ASU 2016-18 on May 1, 2018. See "Note 2. Summary of Significant Accounting Policies" for additional disclosure.

In August 2016, the FASB issued ASU No. 2016-15, "Statement of Cash Flows: Classification of Certain Cash Receipts and Cash Payments". The new standard attempts to reduce diversity in practice in how cash receipts and cash payments are presented and classified in the statement of cash flows. ASU No. 2016-15 provides guidance on eight specific cash flow issues. The new guidance was effective for fiscal years beginning after December 15, 2017 and interim periods within those fiscal years. The Company adopted this update on May 1, 2018 and did not have a material impact on our consolidated financial statements.

In May 2014, the FASB and the International Accounting Standards Board issued a converged standard on the recognition of revenue from contracts with customers ("ASU 2014-09"). The objective of the new standard is to establish a single comprehensive revenue recognition model that is designed to create greater comparability of financial statements across industries and jurisdictions. Under the new standard, companies will recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration to which the company expects to be entitled in exchange for those goods or services. The Company adopted ASU 2014-09 on May 1, 2018 using the modified retrospective method for all contracts not completed as of the date of adoption and by recognizing

the cumulative effect of applying the standard as an adjustment to the Company's Balance Sheet. The adoption of this update did not have a material measurement impact on our consolidated financial statements. See "Note 4. Revenue from Contracts with Customers" for more information.

Note 3. Accounts Receivable, Unbilled Services and Deferred Revenue

Accounts receivable and unbilled services were as follows (in thousands):

	January 31, 2019	April 30, 2018
	(unaudited)	
Accounts receivable	\$ 2,367	\$ 1,827
Unbilled services	1,565	2,103
Total accounts receivable and unbilled services	3,932	3,930
Less allowance for doubtful accounts	(13)	(13)
Total accounts receivable, net	\$ 3,919	\$ 3,917

Deferred revenue was as follows (in thousands):

	January 31, 2019	April 30, 2018
	(unaudited)	
Deferred revenue	\$ 4,723	\$ 4,704

Deferred revenue is shown as a current liability on the Company's balance sheet.

Note 4. Revenue from Contracts with Customers

Oncology Services Revenue

The Company adopted ASC 606 on May 1, 2018 using the modified retrospective method for all contracts not completed as of the date of adoption. The reported results for the three and nine months ended January 31, 2019 reflect the application of ASC 606, while the reported results for the three and nine months ended January 31, 2018 were prepared under ASC 605 - Revenue Recognition and other authoritative guidance in effect for this period. In accordance with ASC 606, revenue is now recognized when, or as, a customer obtains control of promised services. The amount of revenue recognized reflects the consideration to which the Company expects to be entitled to receive in exchange for these services.

A performance obligation is a promise (or a combination of promises) in a contract to transfer distinct goods or services to a customer and is the unit of accounting under ASC 606 for the purposes of revenue recognition. A contract's transaction price is allocated to each separate performance obligation based upon the standalone selling price and is recognized as revenue, when, or as, the performance obligation is satisfied. The majority of the Company's contracts have a single performance obligation because the promise to transfer individual services is not separately identifiable from other promises in the contracts, and therefore, is not distinct.

The majority of the Company's revenue arrangements are service contracts that are complete within a year or less. There are a few contracts that range in duration between 1 and 3 years. Substantially all of the Company's performance obligations, and associated revenue, are transferred to the customer over time. Most of the Company's contracts can be terminated by the customer without cause. In the event of termination, the Company's contracts provide that the customer pay the Company for services rendered through the termination date. The Company generally receives compensation based on a predetermined invoicing schedule relating to specific milestones for that contract. In addition, in certain instances a customer contract may include forms of variable consideration such as performance increases or other provisions that can increase or decrease the transaction price. This variable

consideration is generally awarded upon achievement of certain performance metrics. For the purposes of revenue recognition, variable consideration is assessed on a contract-by-contract basis and the amount to be recorded is estimated based on the assessment of the Company's anticipated performance and consideration of all information that is reasonably available. Variable consideration is recognized as revenue if and when it is deemed probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is resolved in the future.

Amendments to contracts are common. The Company evaluates each amendment which meets the criteria of a contract modification under ASC 606. Each modification is further evaluated to determine whether the contract modification should be accounted for as a separate contract or as a continuation of the original agreement.

The Company accounts for amendments as a separate contract as they meet the criteria under ASC 606-10-25-12.

The following tables represents disaggregated revenue for the three and nine months ended January 31, 2019 and 2018:

	Three Months Ended January 31,		Nine Months Ended January 31,	
	2019	2018	2019	2018
Pharmacology services	\$5,988	\$4,447	\$18,037	\$13,600
Personalized oncology services	416	259	1,024	1,077
Other	26	376	287	642
Total oncology services revenue	\$6,430	\$5,082	\$19,348	\$15,319

Contract Balances

Contract assets include unbilled amounts typically resulting from revenue recognized in excess of the amounts billed to the customer for which the right to payment is subject to factors other than the passage of time. These amounts may not exceed their net realizable value. Contract assets are classified as current. Contract liabilities consist of customer payments received in advance of performance and billings in excess of revenue recognized, net of revenue recognized from the balance at the beginning of the period. Contract assets and liabilities are presented on the balance sheet on a net contract-by-contract basis at the end of each reporting period.

Note 5. 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):

	January 31, April 30, 2019 2018 (unaudited)	
Furniture and fixtures	\$ 127	\$ 73
Computer equipment and software	1,086	973
Laboratory equipment	3,241	2,490
Assets in progress	25	15
Total property and equipment	4,479	3,551
Less: Accumulated depreciation	(1,901)	(1,468)
Property and equipment, net	\$ 2,578	\$ 2,083

Depreciation and amortization expense, excluding expense recorded under capital lease, was \$127,000 and \$98,000 for the three months ended January 31, 2019 and 2018, respectively, and \$353,000 and \$233,000 for the nine months ended January 31, 2019 and 2018 respectively. As of January 31, 2019 and April 30, 2018, property, plant and equipment included assets held under capital lease of \$366,000 and \$130,000, respectively. Related depreciation expense was \$37,000 and \$7,000 for the three months ended January 31, 2019 and 2018, respectively, and \$80,000 and \$20,000 for the nine months ended January 31, 2019 and 2018, 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 in November 2019. The current monthly capital lease payment is approximately \$3,000.

In July 2018, the Company entered into a second capital lease for laboratory equipment. The lease has costs of approximately \$266,000 with a monthly payment of approximately \$11,000. Although the lease was originally due to mature in July 2020, the Company decided to pay the outstanding balance on February 1, 2019. As a result, the entire outstanding balance is included as a current liability on the January 31, 2019 balance sheet.

The following is a schedule by years of future minimum lease payments under both capital leases with the present value of the net minimum lease payments as of January 31, 2019 (table in thousands):

For the Years Ended April 30,	Total
2019 (remaining)	\$218
2020	16
Total minimum payments	234
Less: amount representing interest	(10)
Present value of minimum payments	224
Less: current portion	(224)

\$—

The present value of minimum future obligations shown above is calculated based on an interest rate of 5% for the November 2014 lease and 7% for the July 2018 lease. The short-term and long-term components of the capital lease obligation are included in accrued liabilities and other non-current liabilities, respectively at January 31, 2019 and April 30, 2018.

Note 6. Share-Based Payments

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 \$335,000 and \$152,000 was recognized for the three months ended January 31, 2019 and 2018, respectively. The increase in 2019 is due to the increased expense associated with stock options granted during the period. Stock-based compensation in the amount of \$498,000 and \$848,000 was recognized for the nine months ended January 31, 2019 and 2018, respectively. Included in stock-based compensation expense for the nine months ended January 31, 2018 under general and administrative line item is an option modification charge of \$57,000. Stock-based compensation expense was recognized as follows (table in thousands):

	Three Months Ended January 31, 2019		Nine Months Ended January 31, 2018	
General and administrative	\$251	\$110	\$326	\$614
Sales and marketing	53	7	100	47
Research and development	4	33	13	156
Cost of oncology services	27	2	59	31
Total stock-based compensation expense	\$335	\$152	\$498	\$848

On January 31, 2019, there was \$970,000 in unrecognized stock based compensation which will be recognized as expense over 4.3 years.

Stock Option Grants

Black-Scholes assumptions used to calculate the fair value of options granted during the three and nine months ended January 31, 2019 and 2018 were as follows:

	Three Months Ended January 31,		Nine Months Ended January 31,	
	2019	2018	2019	2018
Expected term in years	3-6	3	3-6	3-6
Risk-free interest rates	2.57% - 3.00%	1.98%	2.57% - 3.00%	1.77%-1.98%
Volatility	64.55%-84.91%	85.59%	64.55%-84.91%	85.59%-87.66%
Dividend yield	—%	—%	—%	—%

The weighted average fair value of stock options granted during the three months ended January 31, 2019 and 2018 was \$5.76 and \$2.32, respectively, and \$6.03 and \$1.95 for the nine months ended January 31, 2019 and 2018, respectively. The Company's stock options activity for the nine months ended January 31, 2019 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, 2018	50,000	2,655,845	2,705,845	\$ 2.85	5.9	\$5,265,000
Granted	—	206,790	206,790	9.86	8.1	—
Exercised	—	(357,242)	(357,242)	2.18	4.7	2,782,000
Forfeited	—	(8,375)	(8,375)	—	—	—
Canceled	—	(40,183)	(40,183)	2.10	—	370,626
Expired	—	(16,667)	(16,667)	—	—	—
Outstanding, January 31, 2019	50,000	2,440,168	2,490,168	3.45	5.6	\$22,036,000
Vested and expected to vest as of January 31, 2019	50,000	2,440,168	2,490,168	3.45	5.6	\$22,036,000
Exercisable as of January 31, 2019	25,836	2,109,252	2,135,088	2.89	5.1	\$20,087,000

Canceled shares represents a cashless payment for the net settlement of options exercised during the period. These shares were withheld by Champions Oncology, Inc. at the request of the option holder for payment of the exercise price based on the market price of Champions Oncology, Inc. common stock on the date of exercise and immediately canceled.

Stock Purchase Warrants

As of January 31, 2019 and April 30, 2018, the Company had warrants outstanding for the purchase of 1,671,440 and 2,004,284, respectively, 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, 2018	2,004,284	\$ 5.57	1.8	\$—
Granted	—	—	—	—
Exercised	(247,468)	5.16	—	668,195
Canceled	(85,376)	4.80	—	628,128
Expired	—	—	—	—
Outstanding, January 31, 2019	1,671,440	\$ 5.58	1.1	\$12,044,000

Canceled shares represents a cashless payment for the net settlement of warrants exercised during the period. These shares underlying the warrants were withheld by Champions Oncology, Inc. at the request of the warrant holder for

payment of the exercise price based on the market price of Champions Oncology, Inc. common stock on the date of exercise and immediately canceled.

Note 7. 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 each of the nine month periods ended January 31, 2019 and 2018, the Company paid a member of its Board of Directors \$54,000, for consulting services unrelated to his duties as a board member. During the nine months ended January 31, 2019 and 2018, the Company paid an affiliate of a board member \$54,000 and \$73,000, respectively, for consulting services unrelated to his duty as a board member. As of January 31, 2019, no amounts were due to these related parties.

Note 8. Commitments and Contingencies

Operating Leases

The Company currently leases its office facilities. Rent expenses totaled \$583,000 and \$480,000 for the nine months ended January 31, 2019 and 2018, 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 \$68,000 and \$67,000 of rental costs relative to this lease for the nine months ended January 31, 2019 and 2018, respectively.

855 North Wolfe Street, Suite 619, Baltimore, Maryland 21205, which consists of laboratories and office space where the Company conducted operations related to its primary service offerings. This lease was terminated in October 2017. The Company transitioned its activities from this location to 1330 Piccard Drive, Suite 025, Rockville, MD. The Company recognized nil and \$59,000 of rental costs relative to this lease for the nine months ended January 31, 2019 and 2018, respectively.

450 East 29th Street, New York, New York, 10016, which was a laboratory facility. The Company recognized nil and \$52,000 of rental expense for the nine months ended January 31, 2019 and 2018, 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 conducts 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 \$453,000 and \$302,000 of rental expense for the nine months ended January 31, 2019 and 2018, respectively.

910 Clopper Road, Suites 260S and 280S, Gaithersburg, Maryland 20878, which consists of laboratory and office space where the Company conducts operations related to its primary service offerings. The Company executed this lease on April 1, 2018. The operating commencement date was May 1, 2018. This lease expires in August 2028. The Company recognized \$41,000 and nil of rental expense for nine months ended January 31, 2019 and 2018,

respectively. The Company transitioned its activities from this location to the New Location, as defined below, and terminated this lease seven days after the commencement date of the New Location.

1405 Research Boulevard, Suites 125, Rockville, Maryland 20850 (“New Location”), which consists of laboratory and office space where the Company conducts operations related to its primary service offerings. The Company executed this lease on November 1, 2018. The operating commencement date was January 17, 2019. This lease expires in January 2024. The Company recognized \$21,000 and nil of rental expense for the nine months ended January 31, 2019 and 2018, respectively.

Future minimum lease payments due each fiscal year as follows (in thousands):

2019 (remaining)	\$ 155
2020	1,077
2021	1,161
2022	1,139
2023	1,102
Thereafter	4,225
	\$8,859

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.

Note 9. Lines of Credit

On October 30, 2017, the Company entered into a line of credit agreement with a national bank which provides that the Company may borrow up to \$1.5 million. The revolving line maturity date was October 29, 2018 and the line of credit was not renewed. The Company believes that such line of credit is not currently necessary to fund the Company's working capital needs.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion of our historical results of operations and our liquidity and capital resources should be read in conjunction with the condensed consolidated financial statements and related notes that appear elsewhere in this report and our most recent annual report for the year ended April 30, 2018, as filed on Form 10-K.

Forward-Looking Statements

This Quarterly Report on Form 10-Q contains certain "forward-looking statements," which include information relating to future events, future financial performance, strategies, expectations, competitive environment, regulation, and availability of resources. These forward-looking statements include, without limitation, statements regarding: proposed new programs; expectations that regulatory developments or other matters will not have a material adverse effect on our financial position, results of operations, or liquidity; statements concerning projections, predictions, expectations, estimates, or forecasts as to our business, financial and operational results, and future economic performance; and statements of management's goals and objectives and other similar expressions concerning matters that are not historical facts. Words such as "may," "should," "could," "would," "predicts," "potential," "continue," "expects," "anticipates," "future," "intends," "plans," "believes," "estimates" and similar expressions, as well as statements in future tense identify forward-looking statements.

Forward-looking statements should not be read as a guarantee of future performance or results, and will not necessarily be accurate indications of the times at, or by, which such performance or results will be achieved. Forward-looking statements are based on information available at the time those statements are made or management's good faith belief as of that time with respect to future events, and are subject to risks and uncertainties that could cause actual performance or results to differ materially from those expressed in or suggested by the forward-looking statements.

Forward-looking statements speak only as of the date the statements are made. Factors that could cause actual results to differ from those discussed in the forward-looking statements include, but are not limited to, those described in "Risk Factors" in Part I, Item 1A of our Annual Report on Form 10-K for the fiscal year ended April 30, 2018, as updated in our subsequent reports filed with the SEC, including any updates found in Part II, Item 1A of this or other reports on Form 10-Q. You should not put undue reliance on any forward-looking statements. We assume no obligation to update forward-looking statements to reflect actual results, changes in assumptions, or changes in other factors affecting forward-looking information, except to the extent required by applicable securities laws. If we do update one or more forward-looking statements, no inference should be drawn that we will make additional updates with respect to those or other forward-looking statements.

Overview and Recent Developments

We are engaged in the development and sale of advanced technology solutions and products utilized in the development and use of oncology drugs. Utilizing our TumorGraft Technology Platform, we provide select services to pharmaceutical and biotechnology companies seeking personalized approaches to drug development. By performing studies to predict the efficacy of oncology drugs, our Platform facilitates drug discovery with lower costs and increased speed of drug development as well as increased adoption of existing drugs.

Our platform provides a novel approach to simulating the results of human clinical trials used in developing oncology drugs. According to a 2013 study conducted by Cutting Edge Information, it can cost up to \$100,000 per patient in oncology clinical trials and the typical cost for each phase of development per year increases from approximately \$3 million in the pre-clinical setting to approximately \$150 million in phase III. Simulating trials before executing them provides benefits to both pharmaceutical companies and patients. Pharmaceutical companies can lower the risk of

spending resources on drugs that do not show significant anti-cancer activities and increase the chance that the clinical development path they pursue will be focused on an appropriate patient population and a successful combination with other drugs.

We plan to continue our efforts to expand our TumorGraft Technology Platform in order to expand our TOS program. Our POS program will not be the focus of our growth moving forward.

Liquidity and Capital Resources

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 other strategic initiatives. In the past, we have met these cash requirements through cash, working capital management, proceeds from certain private placements and public offerings of our securities and sales of products and services. For the nine months ended January 31, 2019, the Company had net income of approximately \$381,000 and cash flows from operations of \$1.6 million. As of January 31, 2019, the Company had an accumulated deficit of approximately \$70.4 million, negative working capital of \$177,000 and cash of \$3.3 million. We believe that our cash on hand, together with continued improved cash flows from operations, are adequate to fund operations through at least March 2020. Should the Company be required to raise additional capital, there can be no assurance that management would be successful in raising such capital on terms acceptable to us, if at all.

Operating Results

The following table summarizes our operating results for the periods presented below (dollars in thousands):

	For the Three Months Ended January 31,				
	2019	% of Revenue	2018	% of Revenue	% Change
Oncology services revenue	\$6,430	100.0 %	\$5,082	100.0 %	26.5 %
Costs and operating expenses:					
Cost of oncology services	3,429	53.4	2,473	48.6	38.7
Research and development	1,269	19.7	1,045	20.6	21.4
Sales and marketing	879	13.7	627	12.3	40.2
General and administrative	1,223	19.0	1,004	19.8	21.8
Total costs and operating expenses	6,800	105.9	5,149	101.3	32.1
Loss from operations	\$(370)	(5.9)%	\$(67)	(1.3)%	(452.2)%

	For the For the Nine Months Ended January 31,				
	2019	% of Revenue	2018	% of Revenue	% Change
Oncology services revenue	\$19,348	100.0 %	\$15,319	100.0 %	26.3 %
Costs and operating expenses:					
Cost of oncology services	9,963	51.5	7,737	50.5	28.8
Research and development	3,550	18.3	3,308	21.6	7.3
Sales and marketing	2,138	11.1	1,862	12.2	14.8
General and administrative	3,311	17.2	3,167	20.7	4.5
Total costs and operating expenses	18,962	98.1	16,074	105.0	18.0
Income (loss) from operations	\$386	1.9 %	\$(755)	(5.0)%	151.1%

Oncology Services Revenue

Oncology services revenue was \$6.4 million and \$5.1 million for the three months ended January 31, 2019 and 2018, respectively, an increase of \$1.3 million or 26.5%. Oncology services revenue was \$19.3 million and \$15.3 million for the nine months ended January 31, 2019 and 2018, respectively, an increase of \$4.0 million or 26.3%. The increase in revenue for both the three month and nine month periods is due to increased sales, both in number and size of studies, expanding our customer base, and growth of the platform.

Cost of Oncology Services

Cost of oncology services for the three months ended January 31, 2019 and 2018 were \$3.4 million and \$2.5 million, respectively, an increase of \$956,000 or 38.7%. For the three months ended January 31, 2019 and 2018, gross margins were 46.7% and 51.3%, respectively. Cost of oncology services for the nine months ended January 31, 2019 and 2018 were \$10.0 million and \$7.7 million, respectively, an increase of \$2.2 million or 28.8%. For the nine months ended January 31, 2019 and 2018, gross margins were 48.5% and 49.5%, respectively. The increase in cost of oncology services for both the three and nine month periods was mainly due to an increase in salary and mice costs resulting from the increase in study volume. Gross margin varies based on timing differences between expense and revenue recognition and was impacted by the increase in cost ahead of revenue related to the increase in number of studies performed.

Research and Development

Research and development expenses for the three months ended January 31, 2019 and 2018 were \$1.3 million and \$1.0 million, respectively, an increase of \$224,000 or 21.4%. Research and development expenses for the nine months ended January 31, 2019 and 2018 were \$3.6 million and \$3.3 million, respectively, an increase of \$242,000 or 7.3%. The increase for both the three and nine month periods is due to lab costs and salaries related to new product development costs.

Sales and Marketing

Sales and marketing expenses for the three months ended January 31, 2019 and 2018 were \$879,000 and \$627,000, respectively, an increase of \$252,000, or 40.2%. Sales and marketing expenses for the nine months ended January 31, 2019 and 2018 was \$2.1 million and \$1.9 million, respectively, an increase of \$276,000 or 14.8%. The increase for both the three and nine month periods is mainly due to commissions paid to the business development team on bookings.

General and Administrative

General and administrative expenses for the three months ended January 31, 2019 and 2018 were \$1.2 million and \$1.0 million, respectively, an increase of approximately \$219,000, or 21.8%. The increase for the three month period was mainly due to an increase in stock-based compensation and salary expenses. General and administrative expenses for the nine months ended January 31, 2019 and 2018 were \$3.3 million and \$3.2 million, respectively, an increase of approximately \$144,000 or 4.5%. The increase for the nine month period was mainly due to an increase in recruiting and salary expenses.

Inflation

Inflation does not have a meaningful impact on the results of our operations.

Cash Flows

The following discussion relates to the major components of our cash flows:

Cash Flows from Operating Activities

Net cash provided by operating activities was \$1.6 million for the nine months ended January 31, 2019 compared to net cash used in operating activities of \$1.2 million for the nine months ended January 31, 2018, respectively. The improvement in cash flow is primarily the result of the increase in net income compared to the same period from prior year, along with the timing of ordinary business fluctuations in current operating accounts.

Cash Flows from Investing Activities

Net cash used in investing activities was \$693,000 and \$1.0 million for the nine months ended January 31, 2019 and 2018, respectively. The current capital investment is the result of continued expansion of the Company's product and service offerings. The prior year cash outflows was due to the purchase of property and equipment relating to the Company's new lab facility in Rockville, Maryland.

Cash Flows from Financing Activities

Net cash provided by financing activities was \$1.4 million and \$19,000 for the nine months ended January 31, 2019 and 2018, respectively. The increase in net cash provided by financing activities relates primarily to the exercise of stock options.

Critical Accounting Estimates and Policies

The preparation of these condensed consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to apply methodologies and make estimates and assumptions that affect the reported amounts of assets and liabilities and the 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. Significant estimates of the Company include, among other things, accounts receivable realization, revenue recognition (replacement of licensed tumors), valuation allowance for deferred tax assets, valuation of goodwill, and stock compensation and warrant assumptions. Actual results could differ from those estimates. The Company's critical accounting policies are summarized in the Company's Annual Report on Form 10-K, filed with the SEC on July 30, 2018.

Recent Accounting Pronouncements

For detailed information regarding recently issued accounting pronouncements and the expected impact on our condensed consolidated financial statements, see Note 2, "Significant Accounting Policies" in the accompanying Notes to Condensed Consolidated Financial Statements included in Item 1 of this Report on Form 10-Q.

Off-Balance Sheet Financing

We have no off-balance sheet debt or similar obligations. We have no transactions or obligations with related parties that are not disclosed, consolidated into or reflected in our reported results of operations or financial position. We do not guarantee any third-party debt.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Not applicable to smaller reporting companies.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

It is management's responsibility to establish and maintain "disclosure controls and procedures" as such term is defined in Rule 13a-15(e) under the Securities Exchange Act of 1934. Our management, with the participation of our Chief Executive Officer and our Chief Financial Officer have reviewed and evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this quarterly report. Based on that evaluation, our management, including our Chief Executive

24

Officer and our Chief Financial Officer, have concluded that our disclosure controls and procedures were effective as of January 31, 2019 at the reasonable assurance level in ensuring that information required to be disclosed in the reports that we file or submit under the Securities Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms and is accumulated and communicated to management, including our Chief Executive Officer and our Chief Financial Officer as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting in connection with the evaluation required by Rule 13a-15(d) of the Exchange Act that occurred during the period covered by this Quarterly Report on Form 10-Q that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

None.

Item 1A. Risk Factors

We may not be able to meet our cash requirements beyond March 2020 without continued improved cash flows from operations, reducing the scope of our activities or obtaining additional capital from external sources, and if we are unable to do so, we may not be able to continue as a going concern.

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 other strategic initiatives. In the past, we have met these cash requirements through our cash, working capital management, proceeds from certain private placements and public offerings of our securities and sales of products and services. For the nine months ended January 31, 2019, the Company had a net income of approximately \$381,000 and cash flows from operations of \$1.6 million. As of January 31, 2019, the Company had an accumulated deficit of approximately \$70.4 million, negative working capital of \$177,000 and cash of \$3.3 million. We believe that our cash on hand, together with continued improved cash flows from operations, are adequate to fund operations through at least March 2020. Should the Company be required to raise additional capital, there can be no assurance that management would be successful in raising such capital on terms acceptable to us, if at all.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

No. Exhibit

31.1* 8650 Section 302 Certification of Principal Executive Officer

31.2* 8650 Section 302 Certification of Principal Financial Officer

32.1** Certification Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

XBRL

101.INS* Instance
Document.
XBRL

Taxonomy

101.SCH* Extension
Schema
Document.
XBRL

Taxonomy

101.CAL* Extension
Calculation
Linkbase
Document.
XBRL

Taxonomy

101.DEF* Extension
Definition
Linkbase
Document.
XBRL

Taxonomy

101.LAB* Extension
Label
Linkbase
Document.
XBRL

Taxonomy

101.PRE* Extension
Presentation
Linkbase
Document.

* filed herewith

** furnished herewith

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CHAMPIONS ONCOLOGY, INC.
(Registrant)

Date: March 18, 2019 By: /s/ Ronnie Morris
Ronnie Morris
Chief Executive Officer
(principal executive officer)

Date: March 18, 2019 By: /s/ David Miller
David Miller
Chief Financial Officer
(principal financial and accounting officer)