

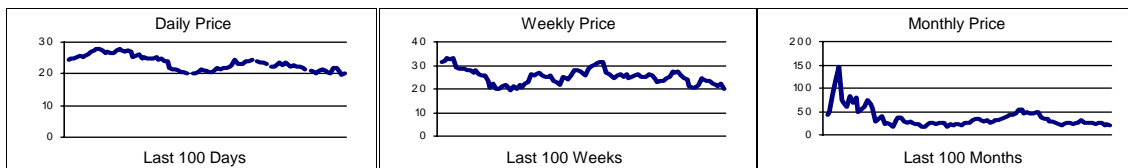
AFFX AFFYMETRIX INC

Current Price \$19.90

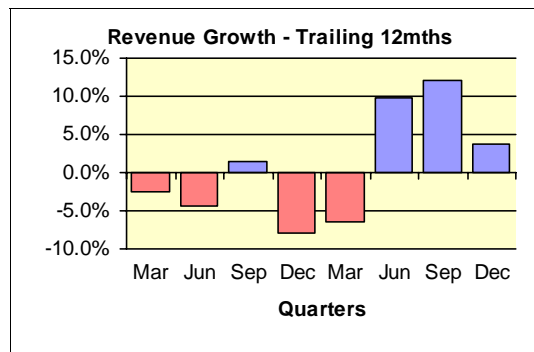
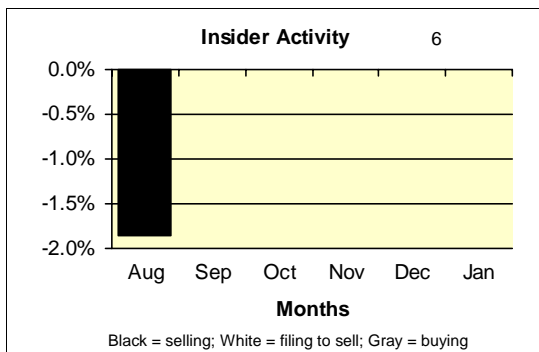
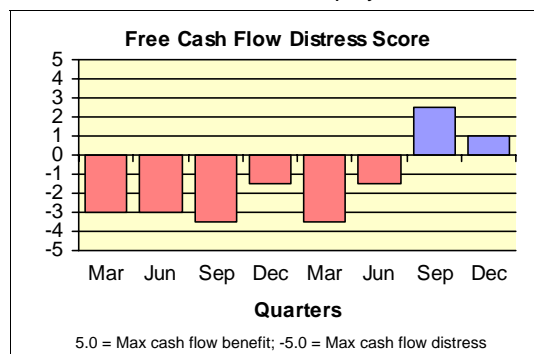
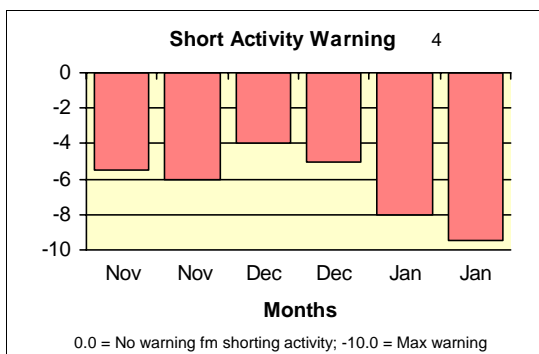
Market cap \$1,374

Price, 52-wk Hi/Lo \$31.95 / \$19.91

Affymetrix Inc. engages in the development manufacture sale and servicing of consumables and systems for genetic analysis for use in the life sciences and clinical healthcare markets.



Options?	Yes	Recent convertible	No	Convertible debts and pfd ¹	\$120
PE TTM	60.3x	Insider ownership	1 %	Next earnings due:	4/25/2008
Estimated PE	32.6x	Potential dilution ²	9 %	Bankruptcy Z-Score ³	4.8



RED FLAGS

<p><i>Ability to meet expectations</i></p> <p>High P/S ratio TTM ⁷ <input checked="" type="checkbox"/></p> <p>Negative free cash flow ⁸ <input type="checkbox"/></p> <p>Sales growth slowdown ⁹ <input checked="" type="checkbox"/></p> <p><i>Accounting issues</i></p> <p>Change in actg principles ¹⁰ <input type="checkbox"/></p> <p>Qualified audit language ¹¹ <input type="checkbox"/></p>	<p><i>Early balance sheet warnings</i></p> <p>Rising inventory to sales ¹² <input type="checkbox"/></p> <p>Rising accounts receivable ¹³ <input checked="" type="checkbox"/></p> <p>High long-term debt to capital ¹⁴ <input type="checkbox"/></p> <p><i>Stock and debt ratings</i></p> <p>Recent downward earns ests ¹⁵ <input type="checkbox"/></p> <p>S+P Debt Downgrade ¹⁶ <input type="checkbox"/></p>	<p><i>Stock selling signals</i></p> <p>High insider selling ¹⁷ <input type="checkbox"/></p> <p>Large institutional ownership ¹⁸ <input type="checkbox"/></p> <p>Co sales of common stock ¹⁹ <input type="checkbox"/></p>
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INVESTMENT CONCERNS

Once the clearly dominant provider of RNA/DNA microarray systems, Affymetrix now faces a crowded field of high quality competitors, many of which have developed potentially revolutionary technologies. A year ago Affymetrix won a \$16.7 million patent infringement suit against Illumina, who promptly appealed the decision. Illumina recently decided to settle for \$90 million so that they can compete head-to-head with Affymetrix. Affymetrix also faces execution risks for the production of SNP 6 and ongoing regulatory and approval hurdles. Even though the stock has declined substantially over the last three years, it still trades at a nosebleed 60x earnings.