TAGLICHBROTHERS
The Standard of Excellence in the Microcap Market
Member: FINRA, SIPC

Research Report – Update

Investors should consider this report as only a single factor in making their investment decision.

Simulations Plus, Inc.

Rating: Speculative Buy

Howard Halpern

SLP $1.14 — (NasdaqCM)

April 30, 2009

	FY (08/07) A	FY (08/08) A	*FY (08/09) E*	*FY (08/10) E*
Net sales (in millions)	$8.86	$8.97	***$9.92***	***$10.92***
Earnings per share	$0.08	$0.10	***$0.10***	***$0.12***

52-Week range	$2.30 – $0.79	Fiscal year ends:	August
Shares outstanding a/o 04/10/09	16.03 million	Revenue/shares (ttm)	$0.53
Approximate float	8.91 million	Price/Sales (ttm)	2.2X
Market Capitalization	$18 million	Price/Sales (2010)E	1.8X
Tangible Book value/shr a/o 02/28/09	$0.65	Price/Earnings (ttm)	12.7X
Price/Book	1.8X	Price/Earnings (2010)E	9.5X

Simulations Plus, Inc., based in Lancaster, California, is a developer of drug discovery and development software, which is licensed to and used in the conduct of drug research by major pharmaceutical and biotechnology companies worldwide. The Company operates a wholly-owned subsidiary called Words+, Inc. that is focused on producing computer software and specialized hardware for use by people with disabilities. Web address: www.simulations-plus.com

Key Investment Considerations:

We are reiterating our Speculative Buy rating on shares of Simulations Plus, Inc. (AMEX: SLP). Also, we are increasing our twelve-month price target to $1.85 per share (prior was $1.70 per share). The increase in the price target is a result of our growth expectations for sales, EBITDA, and tangible book value over the next twelve-month period, as well as an expansion of valuation multiples.

On April 15, 2009, SLP announced net sales for the second quarter of fiscal 2009 increased by 12.7% to $2.457 million versus $2.180 million in the same period last year. EBITDA was $0.680 million versus $0.791 million in the second quarter of fiscal 2008. Net income decreased to $0.368 million or $0.02 per diluted share versus $0.565 million or $0.03 per diluted share in the second quarter of fiscal 2008.

Based on our interpretation of the public comments made by Management during the Q2'09 conference call, analysis of financial results (including higher marketing expenditures to promote its offerings), and overall market conditions, we are adjusting our 2009 forecasts, which calls for net sales of $9.92 million (prior was $9.63 million) and net income of $1.71 million or $0.10 per diluted share (prior was $1.88 million or $0.11 per share). In addition, we are forecasting EBITDA of $3.097 million versus our prior forecast of $3.217 million.

We are adjusting our forecast for fiscal 2010, which calls for net sales of $10.915 million, EBITDA of $3.670 million, and net income of $2.050 million or $0.12 per diluted share. Our prior forecast called for net sales of $10.52 million, EBITDA of $3.75 million, and net income of $2.330 million or $0.13 per diluted share. Our forecast is based on our belief of continued organic growth even given the tough macro economic conditions.

**** Please view our disclaimer located on page 15.***

The Company

Simulations Plus, Inc. (NasdaqCM: SLP), founded in 1996, went public during June of 1997 through a $5.0 million initial public offering. The Company, which has 35 employees (33 full-time and 2 part-time), includes 17 professionals in research and development, 6 in production, and 6 in marketing and sales. 11 employees have Ph.D.s and one is a Ph.D. candidate. Five others have one or more Master's degrees. SLP continues to seek additional scientists to expand its Life Sciences team.

SLP's net sales are derived from two distinct operations:

- Simulations Plus, Inc., develops and licenses software for pharmaceutical research and development, and performs contract studies for pharmaceutical and biotechnology companies. The Company's software offerings are in two major areas: simulation and cheminformatics (the use of computer and informational techniques, applied to a range of problems in the field of chemistry). The offerings focus on ADMET (absorption, distribution, metabolism, elimination, and toxicity) and on tools for discovery chemistry in the pharmaceutical and biotechnology industries. The Company's software assists pharmaceutical scientists to predict certain key potential drug dynamics and compound properties rapidly, thereby increasing the likelihood of eliminating multi-million dollar clinical trial failures and speeding up the time to market of effective new medications. SLP provides the following software offerings:

    - **ADMET Predictor™/ADMET Modeler™ -** the predictor component is an advanced property prediction program that enables pharmaceutical researchers to rapidly estimate a number of ADMET properties of new chemical entities from their molecular structure. The modeler component allows researchers to build artificial neural network ensemble or support vector machine (svm) ensemble models from their own data. During the second quarter of fiscal 2009 under a funded collaboration with Pfizer (NYSE: PFE) an addition to the offering occurred which added the capability for scientists to run large molecular libraries through ADMET Predictor in order to generate the predicted dose amount that would be required to achieve an effective concentration level for each potential new drug. The Company expects to release Version 3.1 by the end of May 2009, which will include five new liver toxicity predictions and a new prediction fro blood plasma concentration ratio, as well as a completely new model for log D (how a drug molecule prefers to go into water or fat). All existing models we be retrained in Version 3.1 in order to take advantage of new descriptors. Also, it should be noted that in April 2009, the Company was awarded a $0.525 million Phase II SBIR grant from the National Cancer Institute of the U.S. National Institutes of Heath. According to Management this grant extends the unique very fast calculation of quantum descriptors in ADMET Predictor to include a larger training database and new properties for that have been independently rated best-in-class;

    - **ClassPharmer™ -** enhances the hits-to-lead-to-clinic process which aids in finding drug leads with novel and unpatented structural motifs, reduces screening costs with more efficient follow-up screening strategies, and improves productivity with software that thinks like a medicinal chemist. **On January 9, 2009, version 4.6 was released.** This version provided an extended data mining and molecule design capability to help medicinal and computational chemists to analyze results from high throughput screening experiments, and then to use the information gained from those experiments to design new molecules. Management indicated that it anticipates another release in the near future with a new scaffold hopping feature. This feature will enable chemists to substitute the core (scaffold) portion of a molecule while retaining other atoms around the periphery. ClassPharmer currently only has the inverse capability (to replace the atoms surrounding the core). According to Management, scaffold hopping is a technique with growing interest among chemists; therefore its inclusion into this offering should attract additional users;

  - **DDDPlus™ -** is still a unique tool for formulation scientists, which enables them to predict how changes in formulation or changes in experimental setup are likely to affect dissolution rate in laboratory experiments. According to the Company's Q2 fiscal 2009 10Q filing, work on the next update will include making the program match the user interface in GastroPlus as closely as possible since many formulation scientists can use both programs. Additions to the program's capabilities and built-in databases for excipient ingredients and dissolution media will also be included. The updated Version 3.0 was released on April 29, 2009; and

  - **GastroPlus™ -** simulates absorption, pharmacokinetics (PK) (the process by which a drug is absorbed, distributed, metabolized, and eliminated by the body), and pharmacodynamics (PD) (the combination of therapeutic and adverse effects on the body) for orally dosed and injected drugs. In the drug development phase, GastroPlus is designed to aid researchers in dosage formulation, the effects of various controlled release profiles, and evaluation of heterogeneic variations in physiology and transit times. The release of Version 6.0 during fiscal 2008 provided major upgrades to several modules and additional user conveniences. The upgrades include the enhanced analysis of what are called in vitro – in vivo (IVIV) correlations – the relationship between how a dosage form dissolves in the lab (in vitro) with how it dissolves in humans or animals (in vivo). The new IVICPlus™ Module provides a fast and convenient way for formulation scientists to perform IVIV correlations, both using traditional methods and with a new method the Company developed that provides more accurate and useful correlations. Another improved module is PKPlus™, which enables the scientist to rapidly fit simple empirical models for how a drug behaves once it enters the body. An additional GastroPlus upgrade offers the ability to predict and track the metabolites that are formed when a drug is converted into a different molecule by enzymes in the body.

- We believe that following highlights are important for investors to recognize:

  - The tight integration with GastroPlus and ADMET Predictor software products means that the capabilities of GastroPlus and ADMET Predictor have also been enhanced, thus allowing chemists to automate the screening of new molecular structures to a new level. Investors should note that the U.S. Food and Drug Administration was one of the first organizations to order GastroPlus with the new ADMET Predictor Module;

  - Management stated that its ADMET Predictor/ADMET Modeler offering can now be purchased via four individual modules. This was requested by a number of smaller potential customers. During the Company's second quarter fiscal 2009 earnings conference call, Management indicated that marketing and selling individual models appears to be a successful pricing strategy; and

  - According to Management, the Company's sales for its DDDPlus offering are increasing at a steady rate, with customers in the U.S., Europe, Japan, and India, including two licenses at the FDA; and

  - The Company's own marketing intelligence and reorder history indicate that its flagship offering GastroPlus continues to enjoy a dominant position in the number of users worldwide. In addition to virtually every major pharmaceutical company, licenses include government agencies in the U.S and abroad, a growing number of smaller pharmaceutical and biotech companies, generic drug companies, and drug delivery companies.

- Other current/future opportunities include:

  - **Funded Collaborations** – the Company has four funded collaborations to extend the capabilities of GastroPlus into new types of analysis. All four funded collaborations are from the top 5 pharmaceutical companies (3 different companies), and all are for significant improvements. One is funding the extension of GastroPlus' capabilities into the area of drug-drug interactions, another is for the development of the ocular drug delivery capabilities, a third is for the development of a nasal-pulmonary drug delivery capability, and a fourth is to add a capability to ADMET Predictor (based on a scaled-down GastroPlus simulation engine) to automatically determine the dose amount that would be needed to reach effective plasma concentration for new drug molecules in early discovery.

- **Contract Research and Consulting Services** – the Company has expertise in oral absorption and pharmacokinetics. This has allowed SLP to develop a revenue source by conducting contracted studies for customers who prefer to have studies run by SLP's scientists rather than to license the software. According to the Company's SEC filings, the demand for consulting services has been increasing steadily, and Management expects that trend to continue. Also, long-term collaborations and shorter-term consulting contracts serve both to showcase the Company's technologies, as well as providing a way to build and strengthen customer relationships. Management indicated that a Director of Business Development was hired and will start at the Company in mid-May 2009 and one of his responsibilities will be to coordinate and continue to build contract research and consulting services. According to the Company, more details will be forthcoming during mid-May 2009.

- **MembranePlus™** – a computer program that simulates in-vitro experiments that measure the permeability of new drug-like molecules through a layer of living cells or through an artificial membrane. Investors should note that development of this new program is on hold until additional scientists can be hired to expand the Life Sciences team.

- The Words+ Inc., subsidiary, which was founded in 1981, produces computer software and specialized hardware for use by people with severe disabilities. This subsidiary's focus is on introducing and improving augmentative and alternative communication and computer access software and devices for disabled persons. In 2003, the subsidiary acquired Say-it! SAM technologies from SAM Communications, LLC. This provided the Company a small, light augmentative communication system, which is based on a Hewlett-Packard iPAQ personal digital assistant (PDA). Since the acquisition, the Company has continued to add new functionality to the SAM software and to offer it on additional hardware platforms. Also, just before the end of the third quarter of fiscal 2008, Words+ introduced the Conversa™. According to Management, this product offers the most human-sounding synthetic speech output available in the marketplace utilizing AT&T synthetic voices and a new custom designed Sound Pack.

Recent Developments

As of April 10, 2009, according to Management's second quarter fiscal 2009 10Q, the Company had repurchased approximately 0.374 million shares for a total cost of approximately $0.373 million. Investors should remember that on October 23, 2008 the Company announced that its Board of Directors authorized a share repurchase program. The authorization enables the Company to buyback up to $2.5 million of its common shares during the twelve month period beginning October 27, 2008. As of April 14, 2009, the Company had $2.114 million of funds remaining to repurchase shares under the authorization, according to Management during the Company's second quarter of fiscal 2009 earnings conference call on April 15, 2009.

Subsequent to the end of February 28, 2009, the Company was advised the August 2008, resubmitted Phase II NIH SBIR (Small Business Innovation Research) grant proposal will be funded at a level of $0.525 million over a two year period. On it own, SLP had continued developing improvements in the predictive capability of its ADMET Predictor offering. Management stated during the Company's second quarter 2009 earnings conference call (which was confirmed by a press announcement on April 20, 2009), that revenue from this effort should begin during the third quarter of fiscal 2009.

Financial Results ***for the second quarter of fiscal 2009***

For the three-month period ended February 28, 2009, versus the three-months ended February 28, 2008:

- Net sales increased to $2.457 million versus $2.180 million. Taglich Brothers' estimate called for net sales of $2.265 million;
- Gross margin was decreased to 77.49% versus 79.10%;
- SG&A expenses increased to $1.037 million versus $0.832 million. As a percentage of net sales, SG&A expenses increased to 42.20% versus 38.19%, primarily resulting from higher aggregate expenses that more than offset the increase in top line results;
- Research and development expenses increased to $0.360 million versus $0.252 million. Investors should note that the Company capitalized R&D costs in the amount of $0.152 million versus $0.215 million in the same period last year;
- Operating income decreased by approximately 20.4% to $0.559 million versus $0.702 million;
- Provision for income taxes increased to $0.191 million from $0.137 million; and
- Net income was $0.368 million or $0.02 per diluted share versus net income of $0.565 million or $0.03 per diluted share. Taglich Brothers' estimate called for net income of $0.370 million or $0.02 per diluted share.

Management attributed the 12.7% growth in year-over-year net sales to an approximately 14.8% (or $0.229 million) increase from pharmaceutical software and services. The higher level of sales was primarily attributable to new study contracts with large pharmaceutical companies, new customers, and sale of new modules to existing customers, as well as increases in number of licenses with existing customers. The increase in those areas outweighed the loss of some customers and revenues from an SBIR grant that occurred in the same period last year.

Also, positively contributing to top line results was an increase of 7.6% (or $0.048 million) from the Company's Words+ subsidiary. The higher level of sales was primarily due to an increase in Freedom products with EZKeys or Say-it! SAM software. The increase outweighed declines in its Say-it! SAM handheld speech output devices. Investors should be aware that during the same period last year the Company experienced significant revenues from its Say-it! SAM speech output device kits without PDA hardware for an overseas wholesaler, while no such order occurred during the second quarter of fiscal 2009.

Gross margin decreased by 161 basis points primarily due to the systematic amortization of capitalized software development costs; therefore, as more new products become available for sale in the pharmaceutical software and services side of SLP, this cost should increase. During the current period, amortization cost increased by approximately $0.007 million versus the same period last year. Royalty expense, which is a variable cost (relating to GastroPlus and the ADMET Predictor Enslein Metabolism module) increased by approximately $0.021 million. Also, Words+ cost of sales increased by approximately $0.069 million on a year-over-year basis.

The overall $0.204 million increase in SG&A expenses versus the second quarter of fiscal 2008 was the result of higher commission costs, expanded trade show expenses, travel expenses, bad debts, technical service costs, and professional fees, which outweighed decreases in contract labor, bonus to Company's Secretary, hiring expense, vacation expense, as well as marketing consulting fees (which resulted from the consultant becoming an employee).

In total, the Company incurred approximately $0.512 million of research and development costs during the second quarter of fiscal 2009. However, $0.152 million was capitalized and as noted on the income statement, $0.360 was expensed. During the same period last year, $0.467 million of research and development costs were incurred with $0.215 million capitalized and $0.252 million expensed. The aggregate increase was due primarily to increases in salaries resulting from a new hire, as well as raises to existing staff.

Other income decreased by $0.010 million to $0.052 million from $0.062 million in the second quarter of fiscal 2008. According to the Company's second quarter 10Q filing, the decrease was due to lower interest from money market accounts.

The provision for income taxes during the second quarter of fiscal 2009 increased to $0.191 million from $0.137 million during the same period last fiscal year. According to the Company's 10Q filing, the increase was primarily the result of higher provision for income tax in fiscal year 2009. Investors should note that the tax rate used is lower than the standard rate because of current R&D tax credits generated and used during the current period. Also, the Company stated that it anticipates based on current information that the tax rate for the full year to be in the range of 32 – 35%, where it falls in that range will depend on the amount of R&D tax credits generated during the balance of fiscal 2009.

Balance Sheet Snapshot as of February 28, 2009
The Company had cash of $7.522 million versus $5.890 million as of its fiscal year ended August 31, 2008. Working capital at the end of the second quarter of fiscal 2009 was $9.252 million versus $7.954 million as of August 31, 2008. Total assets, which stood at $12.630 million, were primarily comprised of cash, accounts receivable (that totaled $2.182 million) and a deferred tax asset of $0.432 million. As of August 31, 2008, total assets stood at $11.553 million.

Also, the Company had total liabilities of $2.177 million, retained earnings of $4.262 million, and total shareholders' equity of $10.453 million. Investors should be aware that the Company has been able to achieve compounded annual growth of its shareholders' equity by 26.8% between fiscal 2005 and 2008. At the end of fiscal 2008, the Company had total liabilities of $11.553 million with retained earnings of $3.582 million, and total shareholders' equity of $11.553 million.

Management believes (and we concur) that existing capital and anticipated funds from operations will be sufficient to meet cash needs for working capital and capital expenditures for the foreseeable future.

Outlook

We believe the Company's primary simulation software products (GastroPlus™, ADMET Predictor/Modeler™, DDDPlus™, and ClassPharmer™) will continue to gain exposure to a wider audience within the community of researchers in the Pharmaceutical, Biotechnology, and Drug Discovery Industries of the Healthcare Sector. However, investors should be aware that the Company's sales cycle for its pharmaceutical software products tends to average about six months. The long sales cycle is because customers frequently need to evaluate software and then obtain approvals from multiple decision makers prior to the purchase order being placed.

This is most likely to be accomplished through continued exposure at large and small conferences around the world and an increase in the Company's sales personnel. According to the Company's SEC filings, members of its staff have been speakers or presenters at over 50 prestigious scientific meeting worldwide over the past five years. The following are examples:

- During the spring of 2008, Management attended a number of conferences to present the Company's offerings including one in China. At the conference in China, SLP's CEO was an invited speaker. According to Management, China appears to offer significant market potential for SLP's offerings.

- Management announced during the Company's second quarter fiscal 2009 earnings conference call, that the Company is developing a relationship with an independent business man based in China who will engage in selling SLP's offerings. The only investment that SLP is likely to make is to bring the person to Lancaster, California for a week or two of training.

- During November 2008, Management attended the American Association of Pharmaceutical Scientists in Atlanta to showcase its portfolio of Simulations Plus software. According to

Management, the GastroPlus program was mentioned in numerous presentations and posters by others. During the full year earnings conference call, Management publicly stated that as a result of attending this conference the number of new leads obtained was more than double any other meeting SLP has ever attended. According to Management, the estimated number of leads garnered at the Atlanta conference was over 100. We believe it will take some time to convert those leads to sales, maybe sometime during the second half of fiscal 2009.

- During the Company's second quarter of fiscal 2009 earnings conference call, Management indicated that it has a very busy conference schedule planned for calendar 2009. During the month of April 2009, SLP will be attending/presenting at least eight different conferences/expos. That is an example of the increase in marketing its offerings to a targeted audience. After April 2009, the Company indicated on its Web-site that it will attend/present at approximately 15 additional conferences/expos for the balance of calendar 2009. Management stated that this is at least double versus calendar 2008. At the end of April 2009, Management will be attending the 15th Annual SBS Conference and Exhibition in Lille, France, with the conference theme being Bioassay & Technology Innovation: 15 Years of Shaping Drug Discovery.

- Management indicated during the Company's second quarter of fiscal 2009 earnings conference call that the area of toxicology, which is outside of the pharmaceutical industry (i.e., EPA and environmental/industrial waste), appears to be a potential new market. It is likely to take time to develop this potentially new area as Management tends to move carefully.

Management reiterated during the second quarter conference call that it continues to conduct a number of interviews with the hope of hiring additional professionals, in order to boost organic growth of its simulation software offering and services (i.e., contract services). The increase in its professional staff is important since each has the potential to bring in new customers due to their knowledge and interaction with scientists.

Additionally, as a result of the established relationships with large pharmaceutical companies, other researchers within those companies are exposed to Simulations Plus product offerings. This has lead to increased activity related to its ADMET Partners global licensing program for large pharmaceutical companies.

Management has publicly stated that it intends to put the Company's growing cash balance to work. We believe the following is likely to occur in order to maximize shareholder value, as well as create organic growth opportunities:

- Exploiting the growing demand for consulting services due to a shortage of personnel with expertise in simulation and modeling within pharmaceutical and biotechnology companies. On recent earnings conference calls, Management publicly stated that the Company is usually working on at least two or three consulting contracts at any given point in time. We believe the hiring of additional professionals (as noted above) should add to the potential number of revenue generating projects the Company could handle at any particular point in time. This not only brings in revenue, but can be leveraged by the Company as a marketing tool, since doing consulting services has the potential to lead to software license revenue. Also, Management indicated that some generic drug companies are increasing their usage of the Company's consulting services in order to mitigate the cost of purchasing a license for software that would be infrequently used;

- Generating alliance opportunities with large pharmaceutical companies and contract research organizations. It is Management's intent to have partnerships with large pharmaceutical companies that will help fund software product extension. On November 20, 2008, SLP announced that it signed a collaboration agreement with a top-three pharmaceutical company in order to extend and enhance its ADMET Predictor program to predict the optimum dose level that would be required for new molecules to achieve effective plasma concentrations for large batches of new molecules in early discovery. The Company was also able to obtain a collaboration agreement for nasal/pulmonary delivery;

– Creating a new area to generate revenue that is tangential to the Company's current technologies and expertise. Management has publicly stated its intent to develop a training seminar segment that will utilize the Company's current Life Sciences and Marketing sales teams to teach and train professionals on modeling and simulation software. Management believes that this will become a profit center, as well as a marketing vehicle for the Company's offerings. According to the Company's second quarter fiscal 2009 earnings conference call this has yet to commence. We believe that Management will provide details when appropriate;

– Seeking accretive acquisitions to enhance and expand the product portfolio, as well as seeking new collaborations. This point was reiterated during the Company's recent earnings conference calls. Management is seeking acquisitions for both the pharmaceutical software side and Words+ side of the business. The intent is to increase revenues and earnings by acquiring products and technologies that complement Simulations Plus and Words+. The second quarter of fiscal 2009 earnings announcement stated that the due diligence process on an acquisition candidate mentioned during the last earnings conference call is ongoing and taking longer than expected. SLP hopes to conclude it one way or another (go or no go) within the next two or three months; and

– Utilizing Small Business Innovation Research (SBIR) funding opportunities grant funds, which provide the ability to expand staff and grow the product line without adversely affecting earnings, because the expenses associated with the efforts in the studies are funded largely, if not completely, through the grants. Most recently, after completing a Phase I SBIR grant, the Company had applied for a Phase II follow-on grant of $0.750 million over two years. During April 2008, the Company received notice that its proposal was returned unscored. During August 2008, the Company submitted a revised Phase II proposal, which then received a favorable score, and funding was commenced in April 2009 at approximately $0.375 million plus 40% for overhead (totaling $0.525 million, over a two year period).

We believe Management's efforts to grow the Words+ subsidiary and have it make a more positive overall contribution to the Company are paying off as evidenced by achieving record revenues for the third quarter of fiscal 2008 and growing by 17.6% year-over-year top line results for the first half of fiscal 2009. The primary driver is its newly designed PDA-based Say-it! SAM augmentative communication device, which includes a new audio amplifier and speaker system. We also believe driving future sales is a relatively new product called Conversa™, which is a 12" touch tablet-based system that fills a need for customers, as well as being priced to fit within the Medicare repayment schedule. A prime factor contributing to this subsidiary's positive prospects was the hiring during fiscal 2008 of a full-time National Sales Manager, which has improved marketing and sales activities and dealer relationships, as well as the hiring of two new commissioned sales representatives serving California.

Projections

We are tweaking our fiscal 2009 net sales forecast based on our interpretation of the public comments made by Management during the second quarter fiscal 2009 conference call, our analysis of recent financial results, and overall market conditions. Our net sales forecast calls for sales of $9.920 million (prior was $9.628 million). Our expectations for fiscal 2009 takes into account the current economic environment, as well as increased emphasis by the Company on marketing its offerings via increased participation as presenters/exhibitors at conferences both in the U.S. and abroad. Our net sales forecast for fiscal 2010, which takes into account the potential for slightly better economic conditions, stable budgets for the pharmaceutical and biotechnology companies, as well as the benefits of increased marketing efforts is $10.915 million (prior was $10.515 million).

Our fiscal 2009 forecast (which does not include the potential for accretive acquisitions) would be a 10.62% increase versus fiscal 2008 results. For fiscal 2010, our forecast would be a 10.0% increase versus our fiscal 2009 forecast. We anticipate net sales growth for simulations software products in fiscal 2009 of approximately 11.6% to $6.757 million. Our net sales expectation for the Words+ subsidiary for fiscal 2009 is $3.163 million, which is approximately an 8.6% increase versus fiscal 2008. For fiscal 2010, we anticipate simulations software product sales of $7.734 million and Word+ sales of $3.181 million.

The table below illustrates the cost structure (which incorporates higher marketing expenses) we anticipate for fiscal 2009 and 2010, versus actual results achieved in fiscal 2008.

Cost Structure

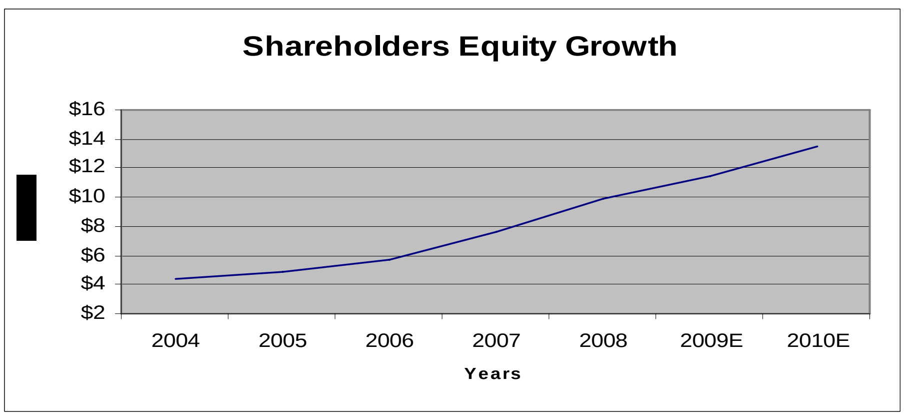
	2008A	2009E		2010 E	
	Actual	Prior	Revised	Prior	Revised
Gross Margin	76.58%	77.40%	77.58%	77.94%	77.97%
SG&A expenses (as a Percent of Net Sales)	41.25%	38.78%	40.33%	37.52%	38.84%
Research and Development (as a Percent of Net Sales)	11.04%	12.48%	13.07%	11.41%	11.91%
Operating Margin	24.29%	26.14%	24.18%	29.00%	27.21%
Tax rate	29.46%	31.40%	33.32%	31.77%	33.22%
Pre-tax Margin	27.28%	28.49%	25.77%	32.48%	28.13%

Source: Company filings and Taglich Brothers estimates

Based on our net sales and cost structure estimates, EBITDA should approach $3.097 million in fiscal 2009 and $3.670 million in fiscal 2010 versus EBITDA of $2.805 million in fiscal 2008. Our revised net income forecast for fiscal 2009 is $1.705 million or $0.10 per diluted share (prior was $1.882 million or $0.11 per diluted share). Our net income forecast for fiscal 2010 is $2.050 million of 0.12 per diluted share (prior was $2.330 million or $0.13 per diluted share).

Our EPS forecast are based on average fully diluted shares of 17.177 million and 16.955 million, respectively. Incorporated in our forecast is the share repurchase program and as time progresses we may change our share estimates based on the actual number of common shares purchased under the authorization.

During the Company's earnings conference calls, Management continued to point out that shareholders' equity increased by 29.4% in fiscal 2008 versus fiscal 2007. For investors, we believe the following chart is an important metric to focus on, as it illustrates the growth of shareholders' equity since 2004, as well as our expectation for fiscal 2009 and 2010.



Given our shareholders equity forecast for fiscal 2009 and 2010, we estimate tangible book value per share of approximately $0.71 per share and $0.83 per share, respectively. Historically, the Company has had a price-to-book multiple as high as 17.5X and as low as 2.6X.

Risks

Growth Management

Investors need to be aware that as the Company becomes increasingly successful, it must meet the challenges associated with growth. If the Company is not successful in meeting these challenges, its business will be adversely impacted. Additionally, Management believes that future success will depend on the ability to attract, hire, and retain qualified personnel in order to expand the Company's overall intellectual knowledge base.

Technology

The Company's strongest area of growth is its software products for pharmaceutical research. In general the software industry is highly competitive and changes rapidly. The Company's operating results could be significantly affected by its ability to maintain and increase acceptance of its current and future products by researchers in the industry.

Pharmaceutical Consolidation

On Monday, January 26, 2009, it was announced that Pfizer Inc. was going to purchase Wyeth in a $68 billion deal. As consequence of the purchase, it was reported that 8,000 job cuts would occur. Also, during March 2009, Merck announced it was going to acquire Schering-Plough. Investors should be aware that industry consolidation could have the potential of Management reevaluating research budgets. While that might cause a delay, money spent by those companies on research and development projects should continue, even if the time frame becomes elongated. We believe the reason why spending on software productivity tools should continue is that there is an ever greater need for productivity tools (i.e., software), which have the highest productivity gain of any technology. Accordingly, during the Company's April 15, 2009, earnings conference call, Management indicated that it has not seen any impact from the above consolidation efforts, especially as it relates to SLP's relationship with Pfizer, which recently published the results of a two-year study that concluded that the Company's GastroPlus software had the most accurate predictive capability among all of its competing products.

Customer Concentration

International sales accounted for 38% and 37% of net sales for fiscal 2008 and 2007, respectively. During the first half of fiscal 2009 and 2008, International sales accounted for 29% and 43%, respectively.

For simulation software sales, two customers accounted for 30% of net sales for fiscal 2008 compared to two customers accounting for 27% of net sales in fiscal 2007. Three customers represented approximately 59% of the net accounts receivable as of August 31, 2008, while two customers accounted for 44% of the net accounts receivable during the same period last year. For simulation software sales, two customers accounted for 44% and 30% of net sales for the first half of fiscal 2009 and 2008, respectively. Also, three customers represented approximately 44% and four customers represented 63% of the net accounts receivable during the first half of fiscal 2009 and 2008, respectively.

For the Words+ subsidiary, one government agency accounted for 21% of net sales during fiscal 2008, and one government agency represented approximately 34% of net accounts receivable. During fiscal 2007, one government agency and one customer accounted for approximately 25% of net sales and one government agency represented approximately 29% of net accounts receivable.

For the Words+ subsidiary, two government agencies accounted for 39%, of net sales during the first half of fiscal 2009, compared with one government agencies and one customer that accounted for 33% of net sales during the first half of fiscal 2008. Also, three government agencies accounted for 53%, of accounts receivable during the first half of fiscal 2009 and two government agencies and two customers represented 62% of accounts receivable during the first half of fiscal 2008.

Revenue Recognition

Simulation Plus accounts for the licensing of software in accordance with American Institute of Certified Public Accountants (AICPA) Statement of Position (SOP) 97-2 (Software Revenue Recognition). The application of SOP 97-2 requires judgment, including whether a software arrangement includes multiple elements, and if so, whether vendor-specific objective evidence (VSOE) of fair value exists for those elements.

The end users receive certain elements of its products over a period of time. These elements include free post-delivery telephone and e-mail support and the right to receive unspecified upgrades/enhancements. In accordance with SOP 97-2, Management has evaluated these agreements and recognized the entire license fee on the date the software is delivered to and accepted by the customer. In order to recognize the fee in this manner, the Company must meet all the criteria required, including: 1) the post contract customer support (PCS) fee is included in the initial licensing fee; 2) the PCS included with the license is for one year or less; 3) the estimated cost of providing the PCS during the arrangement is insignificant; and 4) unspecified upgrades/enhancements during the PCS arrangements have been and are expected to continue to be minimal and infrequent.

Changes to the elements in a software arrangement, the ability to identify VSOE for those elements, the fair value of the respective elements, the costs associated with providing PCS, and changes to a product's estimated life cycle could materially impact the amount of earned and unearned revenue. Going forward, Management has stated that multi-year software licenses will be unlocked and invoiced at the beginning of each license year, which will require recognizing revenues one year at a time.

Shareholder Control

We estimate that Walter Woltosz, the Company’s Co-founder, Chairman of the Board, President, and CEO, and Virginia Woltosz, the Company’s Co-founder, Corporate Secretary, and Treasurer, own approximately 44% of the outstanding voting stock (based on shares outstanding as of January 9, 2009). Therefore, Walter and Virginia Woltosz should be able to control the outcome, or greatly influence the outcome, on all matters requiring stockholder approval, including the election of directors, amendment of certificate of incorporation, and any merger, consolidation or sale of all or substantially all of the Company’s assets or other transactions resulting in a change of control.

Seasonality

Historically, the third and fourth fiscal quarters have generated higher revenues and bottom line results compared to the first and second fiscal quarters of the year (the Company’s fiscal year ends August 31). Management believes that sales of its Words+ products to schools are slightly seasonal, with greater sales to schools during the March to May and June to August periods.

Management believes that sales of pharmaceutical products exhibit minimal seasonal fluctuation. However, the tendency is for the first fiscal quarter to almost always be below the average for all quarters. According to the Company’s fiscal 2008 10K filing, this trend has continued for nine out of the last ten years.

Intellectual Property Rights

Despite the Company’s best efforts to protect its intellectual property rights, third parties may infringe or misappropriate those rights, or otherwise independently develop substantially equivalent products and/or services. The loss of intellectual property protection or the inability to secure or enforce intellectual property protection could harm its business and/or ability to compete.

Government Regulation

The Company's pharmaceutical software products are tools used in research and development and do not need to obtain approval by the Food and Drug Administration or other government agency. Changes in government regulations regarding the use of augmentative communication aids and other assistive technology under such funding could affect the Company's operations of its Words+ subsidiary. On January 1, 2001, Medicare began funding augmentative communication devices for the first time and over the Company's 28-year history, the trend has been toward increasing funding from government agencies. There can be no assurance that government funding for such devices will continue, or if it does continue, that the Company's products will continue to meet the requirements imposed for funding of such devices.

Vendor(s)

The Company’s subsidiary purchases most of the notebook computers for its disability related computer products from a single vendor. In addition, it uses a number of pictographic symbols that are used in its software products which are licensed from a third party. The inability of the Company to obtain computers used in its products or to renew its licensing agreement to use pictographic symbols could negatively impact its financial position, results of operations, and cash flows.

Legal Issues

While the Company may from time to time be involved in various claims, lawsuits or disputes with third parties, the Company is not a party to any significant litigation and is not aware of any pending or threatened litigation against the Company.

Foreign Exchange Risks

Even though most of the Company's transactions are in U.S. dollars, revenues are generated from overseas customers. Specifically, the Company is compensated in Japanese yen by most Japanese customers. During the fiscal 2008, the Company experienced a very small gain from currency exchange. If foreign currency transactions increase significantly, then SLP may mitigate this effect through foreign currency forward contracts whose market-to-market gains or losses are recorded in other income or expense at the time of the transaction. To date, exchange rate exposure has not resulted in a material impact.

Miscellaneous Risk

The Company's financial results and equity values are subject to other risks and uncertainties known and unknown, including but not limited to competition, operations, financial markets, regulatory risk, and/or other events. These risks may cause actual results to differ from expected results.

Trading Volume

Liquidity is a potential concern. Based on our calculations, the average daily-volume during calendar 2006 was 21,398 shares a day. During calendar 2007, average daily volume increased to 197,967 shares traded a day and during calendar 2008, average daily volume decreased to 60,242 shares traded a day. During the first four months of calendar 2009, average daily volume decreased to 20,427. Investors need to be aware that by nature a thinly traded equity can have significant price volatility.

Valuation

We are reiterating our Speculative Buy rating on shares of Simulations Plus, Inc. (AMEX: SLP), as we continue to forecast positive growth trends for at least the next twelve months.

We are increasing slightly our twelve-month price target to $1.85 per share (prior was $1.70 per share). The increase in the price target is a result of our growth expectations for sales, EBITDA, and tangible book value over the next twelve-month period, as well as a slight expansion of valuation multiples compared to our prior report.

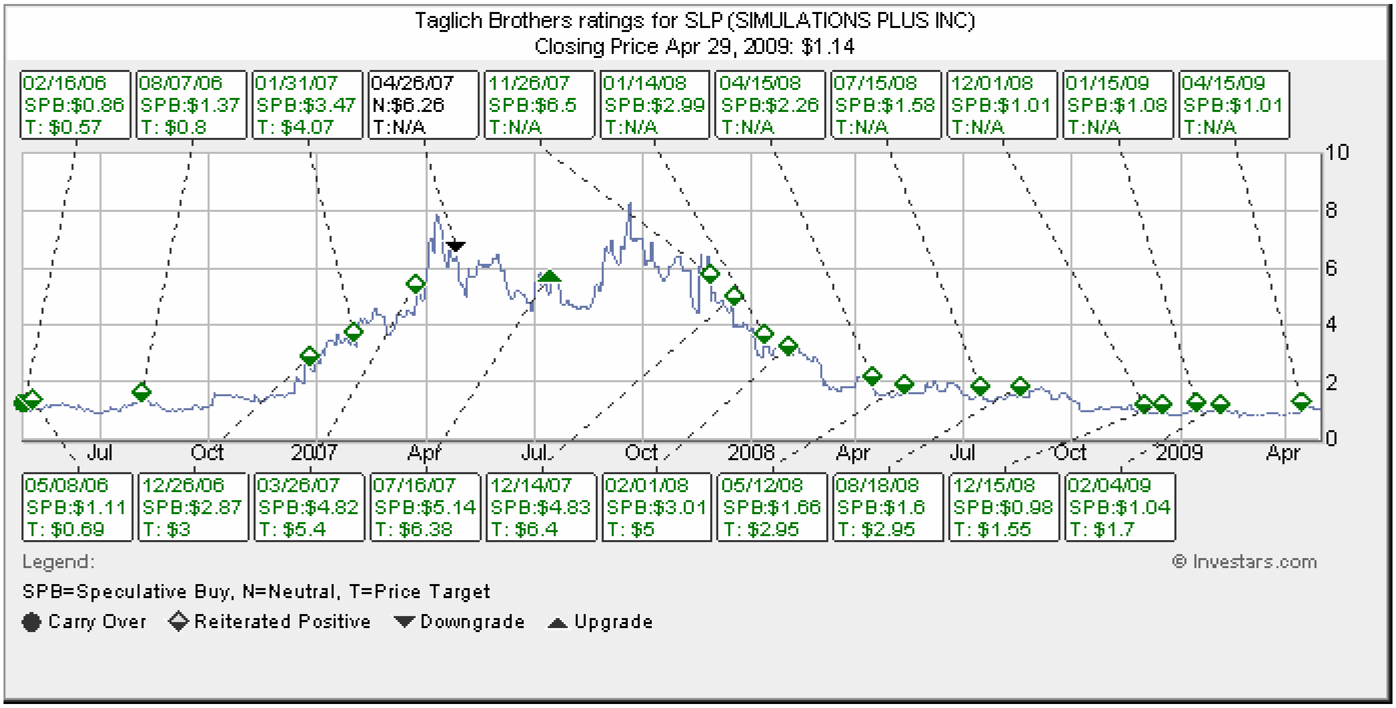
Our price target is based on the following valuation models discounted by 30% to account for microcap risk along with Company specific risks, as well as the current economic environment:

- A 5.0X price-to-sales multiple, which is the trailing twelve month multiple (as of April 15, 2009) for the Application and Business Software and Services Industry, applied to our estimate of $0.61 per share for the next four quarters;

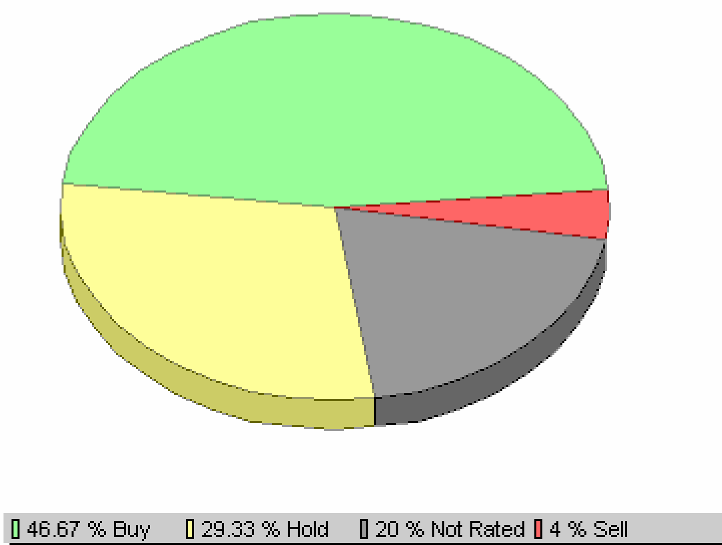
- A 12.9X price-to-EBITDA multiple, which is the trailing twelve month multiple (as of April 15, 2009) for he Application and Business Software and Services Industry, applied to our estimate of $0.20 per share for the next four quarters;

- A 16.4X price-to-earnings multiple, which is the trailing twelve month multiple (as of April 15, 2009) for the Application and Business Software and Services Industry according to moneycentral.msn.com, applied to our fully taxed EPS estimate of $0.10 per share for the next four quarters (our EPS estimate for the next four quarters is $0.11 per share but is only taxed at approximately a 33.4% rate, we adjusted our figure to reflect a 40% tax rate); and

- A 4.2X price-to-book multiple, which is the trailing twelve month multiple (as of April 15, 2009) for the Application and Business Software and Services Industry according to moneycentral.msn.com, applied to our estimated book value per share of $0.76 per share for the next four quarters.



Taglich Brothers Current Ratings Distribution



Investment Banking Services for Companies Covered in the Past 12 Months

Rating	#	%
Buy	2	7.14%
Hold	0	0
Sell	0	0
Not Rated	0	0

Meaning of Ratings

Buy

We believe the Company is undervalued relative to its market and peers. We believe its risk reward ratio strongly advocates purchase of the stock relative to other stocks in the marketplace. Remember, with all equities there is always downside risk.

Speculative Buy

We believe that the long run prospects of the Company are positive. We believe its risk reward ratio advocates purchase of the stock. We feel the investment risk is higher than our typical “buy” recommendation. In the short run, the stock may be subject to high volatility and continue to trade at a discount to its market.

Neutral

We will remain neutral pending certain developments.

Underperform

We believe that the Company may be fairly valued based on its current status. Upside potential is limited relative to investment risk.

Sell

We believe that the Company is significantly overvalued based on its current status. The future of the Company's operations may be questionable and there is an extreme level of investment risk relative to reward.

Some notable Risks within the Microcap Market

Stocks in the Microcap segment of the market have many risks that are not as prevalent in Large-cap, Blue Chips or even Small-cap stocks. Often it is these risks that cause Microcap stocks to trade at discounts to their peers. The most common of these risks is liquidity risk, which is typically caused by small trading floats and very low trading volume which can lead to large spreads and high volatility in stock price. In addition, Microcaps tend to have significant company-specific risks that contribute to lower valuations. Investors need to be aware of the higher probability of financial default and higher degree of financial distress inherent in the microcap segment of the market.

From time to time our analysts may choose to withhold or suspend a rating on a company. We continue to publish informational reports on such companies; however, they have no ratings or price targets. In general, we will not rate any company that has too much business or financial uncertainty for our analysts to form an investment conclusion, or that is currently in the process of being acquired.

<u>Public Companies mentioned in this report:</u>

Abbott Laboratories	(NYSE: ABT)
Eli Lilly	(NYSE: LLY)
GlaxoSmithKline PLC	(NYSE: GSK)
Pfizer Inc.	(NYSE: PFE)

As of the date of this report, we, our affiliates, any officer, director or stockholder, or any member of their families do not have a position in the stock of the company mentioned in this report. Taglich Brothers, Inc. does not currently have an Investment Banking relationship with the company mentioned in this report and was not a manager or co-manager of any offering for the company with in the last three years.

All research issued by Taglich Brothers, Inc. is based on public information. The company paid for the first year of distribution a fee of $21,000 (USD) on May 2004, and since August 2005 pays a monthly monetary fee of $1,750 (USD) to Taglich Brothers, Inc. for the creation and dissemination of research reports.

I, Howard Halpern, the research analyst of this report, hereby certify that the views expressed in this report accurately reflect my personal views about the subject securities and issuers; and that no part of my compensation was, is, or will be directly or indirectly related to the specific recommendations or views contained in this report.

Simulations Plus, Inc.
Consolidated Balance Sheets
(in thousands)

	August 2006 Fiscal Year End	August 2007 Fiscal Year End	August 2008 Fiscal Year End	Nov. 2008 1st Qtr End	Feb 2009 2nd Qtr End
ASSETS					
Current assets:					
Cash	$ 1,685	$ 4,538	$ 5,890	$ 6,064	$ 7,522
Accounts receivable, net	1,589	2,060	2,105	2,474	2,182
Contracts receivable, net	194	47	-	-	-
Inventory	237	231	342	337	392
Deferred tax	109	241	318	341	432
Prepaid expense and other current assets	81	74	195	125	107
Total current assets	**3,895**	**7,191**	**8,850**	**9,341**	**10,635**
Investments	-	-	750	750	-
Capitalized computer software development costs, net	1,374	1,528	1,789	1,867	1,890
Property and Equipment, net	96	90	103	94	55
Contracts receivable	37	-	-	-	-
Customer relationships	100	69	43	38	32
Deferred tax	991	-	-	-	-
Other assets	18	18	18	18	18
Total assets	**$ 6,513**	**$ 8,895**	**$ 11,553**	**$ 12,108**	**$ 12,630**
LIABILITIES AND STOCKHOLDERS' EQUITY					
Current liabilities:					
Accounts payable	215	201	181	165	174
Accrued payroll and other expenses	364	492	537	564	596
Accrued bonuses to officers	99	201	60	84	53
Accrued income taxes	2	71	-	129	302
Accrued warranty and service costs	35	38	34	41	52
Current portion of deferred revenue	129	-	83	33	206
Other current liabilities	0	-	-	-	-
Total current liabilities	**845**	**1,004**	**896**	**1,016**	**1,383**
Deferred tax liability	-	227	742	777	794
Stockholders' equity:					
Common stock, no par value; authorized 20,000,000 shares;	4	4	5	5	5
Additional paid-in capital	5,274	5,804	6,328	6,416	6,186
Accumulated deficit	390	1,857	3,582	3,894	4,262
Total stockholders' equity	**5,669**	**7,665**	**9,915**	**10,315**	**10,453**
Total liabilities and stockholders' equity	**$ 6,513**	**$ 8,895**	**$ 11,553**	**$ 12,108**	**$ 12,630**
SHARES OUT	14,883	15,761	16,297	16,406	16,137

Simulations Plus, Inc.
Annual Income Statement Model
For the Years Ended August 31,
(in thousands)

	FY2007A	FY2008A	**FY2009E**	**FY2010E**
Net sales	8,858	8,968	**9,920**	**10,915**
Cost of sales	2,082	2,100	**2,224**	**2,405**
Gross Profit	6,776	6,868	**7,696**	**8,510**
Gross Margins	76.49%	76.58%	**77.58%**	**77.97%**
Operating Expenses:				
Selling, general, and administrative	3,458	3,699	**4,000**	**4,240**
Research and development	815	990	**1,297**	**1,300**
Total Operating Expenses	4,273	4,690	**5,297**	**5,540**
EBITDA	3,023	2,805	**3,097**	**3,670**
Operating Income (loss)	2,503	2,178	**2,399**	**2,970**
Operating Margin	28.26%	24.29%	**24.18%**	**27.21%**
Other income (expense)				
Interest income	114	185	**108**	**100**
Interest expense	(0)	(0)	-	-
Gain (Loss) on exhange of currency	2	83	**50**	-
Gain (Loss) on sale of assets	5	0	**0**	-
Total Other Income (expense)	122	268	**158**	**100**
Pre-Tax Income (loss)	2,624	2,446	**2,557**	**3,070**
Pre-Tax Margins	29.63%	27.28%	**25.77%**	**28.13%**
Income Tax Expense (Benefit)	1,158	721	**852**	**1,020**
Release of valuation allowance	-	-	-	-
Tax Rate	44.14%	29.46%	**33.32%**	**33.22%**
Net income (loss)	$ 1,466	$ 1,726	**$ 1,705**	**$ 2,050**
Earnings per share -- Diluted	$ 0.08	$ 0.10	**$ 0.10**	**$ 0.12**
Avg Shares Outstanding	17,957	18,141	**17,177**	**16,955**
Percent of Revenue				
Selling, general, and administrative	39.04%	41.25%	40.33%	38.84%
Research and development	9.20%	11.04%	13.07%	11.91%
YEAR / YEAR GROWTH				
Total Revenues	51.29%	1.24%	10.62%	10.03%
Earnings per share	92.72%	16.50%	4.34%	21.83%

Simulations Plus, Inc.
Income Statement Model
For the Year Ended August 31, 2008
(in thousands)

	Q1(11/07)A	Q2 (02/08)A	Q3 (05/08)A	Q4 (08/08)A	**FY2008A**
Net sales	1,984	2,180	2,968	1,836	**8,968**
Cost of sales	486	456	624	535	**2,100**
Gross Profit	1,498	1,724	2,345	1,301	**6,868**
Gross Margins	*75.50%*	*79.10%*	*78.99%*	*70.87%*	**76.58%**
Operating Expenses:					
Selling, general, and administrative	930	832	942	995	**3,699**
Research and development	226	252	222	290	**990**
Total Operating Expenses	1,156	1,084	1,164	1,285	**4,690**
EBITDA	483	791	1,336	196	**2,805**
Operating Income (loss)	342	640	1,180	16	**2,178**
Operating Margin	*17.22%*	*29.35%*	*39.77%*	*0.89%*	**24.29%**
Other income (expense)					
Interest income	45	47	54	39	**185**
Interest expense	-	-	(0)	(0)	**(0)**
Gain (Loss) on exhange of currency	19	15	11	38	**83**
Gain (Loss) on sale of assets	0	-	(58)	58	**0**
Total Other Income (expense)	64	62	8	135	**268**
Pre-Tax Income (loss)	405	702	1,188	151	**2,446**
Pre-Tax Margins	*20.44%*	*32.20%*	*40.02%*	*8.22%*	**27.28%**
Income Tax Expense (Benefit)	162	137	435	(14)	**721**
Release of valuation allowance	-	-	-	-	**-**
Tax Rate	*40.00%*	*19.52%*	*36.64%*	*-9.18%*	**29.46%**
Net income (loss)	$ 243	$ 565	$ 753	$ 165	**$ 1,726**
Earnings per share -- Diluted	$ 0.01	$ 0.03	$ 0.04	$ 0.01	$ 0.10
Avg Shares Outstanding	18,430	18,280	17,869	17,987	**18,141**
Percent of Revenue					
Selling, general, and administrative	46.89%	38.19%	31.73%	54.16%	41.25%
Research and development	11.39%	11.56%	7.49%	15.82%	11.04%
YEAR / YEAR GROWTH					
Total Revenues	36.21%	-13.98%	12.81%	-17.89%	1.24%

Simulations Plus, Inc.
Income Statement Model
For the Year Ended August 31, 2009
(in thousands)

	Q1(11/08)A	Q2 (02/09)A	Q3 (05/09)E	Q4 (08/09)E	**FY2009E**
Net sales	2,133	2,457	2,995	2,335	**9,920**
Cost of sales	526	553	625	520	**2,224**
Gross Profit	1,607	1,904	2,370	1,815	**7,696**
Gross Margins	*75.32%*	*77.49%*	*79.13%*	*77.73%*	**77.58%**
Operating Expenses:					
Selling, general, and administrative	904	1,037	1,015	1,045	**4,000**
Research and development	301	360	330	305	**1,297**
Total Operating Expenses	1,205	1,397	1,345	1,350	**5,297**
EBITDA	577	680	1,200	640	**3,097**
Operating Income (loss)	402	507	1,025	465	**2,399**
Operating Margin	*18.83%*	*20.63%*	*34.22%*	*19.91%*	**24.18%**
Other income (expense)					
Interest income	33	20	25	30	**108**
Gain (Loss) on exhange of currency	18	32	-	-	**50**
Total Other Income (expense)	51	52	25	30	**158**
Pre-Tax Income (loss)	453	559	1,050	495	**2,557**
Pre-Tax Margins	*21.24%*	*22.74%*	*35.06%*	*21.20%*	**25.77%**
Income Tax Expense (Benefit)	141	191	350	170	**852**
Release of valuation allowance	-	-	-	-	**-**
Tax Rate	*31.20%*	*34.13%*	*33.33%*	*34.35%*	**33.32%**
Net income (loss)	$ 312	$ 368	$ 700	$ 325	**$ 1,705**
Earnings per share -- Diluted	$ 0.02	$ 0.02	$ 0.04	$ 0.02	$ 0.10
Avg Shares Outstanding	17,517	17,108	17,075	17,010	**17,177**
Percent of Revenue					
Selling, general, and administrative	42.36%	42.20%	33.89%	44.76%	40.33%
Research and development	14.13%	14.66%	11.02%	13.06%	13.07%
YEAR / YEAR GROWTH					
Total Revenues	7.53%	12.71%	0.90%	27.17%	10.62%
Earnings per share	34.82%	-30.37%	-2.67%	108.46%	4.34%

Simulations Plus, Inc.
Income Statement Model
For the Year Ended August 31, 2010
(in thousands)

	Q1(11/09)E	Q2 (02/10)E	Q3 (05/10)E	Q4 (08/10)E	**FY2010E**
Net sales	2,430	2,675	3,310	2,500	**10,915**
Cost of sales	585	600	670	550	**2,405**
Gross Profit	1,845	2,075	2,640	1,950	**8,510**
Gross Margins	*75.93%*	*77.57%*	*79.76%*	*78.00%*	**77.97%**
Operating Expenses:					
Selling, general, and administrative	1,035	1,090	1,065	1,050	**4,240**
Research and development	325	325	325	325	**1,300**
Total Operating Expenses	1,360	1,415	1,390	1,375	**5,540**
EBITDA	660	835	1,425	750	**3,670**
Operating Income (loss)	485	660	1,250	575	**2,970**
Operating Margin	*19.96%*	*24.68%*	*37.76%*	*23.00%*	**27.21%**
Other income (expense)					
Interest income	25	25	25	25	**100**
Total Other Income (expense)	25	25	25	25	**100**
Pre-Tax Income (loss)	510	685	1,275	600	**3,070**
Pre-Tax Margins	*20.99%*	*25.61%*	*38.52%*	*24.00%*	**28.13%**
Income Tax Expense (Benefit)	165	230	430	195	**1,020**
Release of valuation allowance	-	-	-	-	-
Tax Rate	*32.35%*	*33.57%*	*33.73%*	*32.50%*	**33.22%**
Net income (loss)	$ 345	$ 455	$ 845	$ 405	**$ 2,050**
Earnings per share -- Diluted	$ 0.02	$ 0.03	$ 0.05	$ 0.02	$ 0.12
Avg Shares Outstanding	16,985	16,965	16,945	16,925	**16,955**
Percent of Revenue					
Selling, general, and administrative	42.59%	40.75%	32.18%	42.00%	38.84%
Research and development	13.38%	12.15%	9.82%	13.00%	11.91%
YEAR / YEAR GROWTH					
Total Revenues	13.91%	8.88%	10.52%	7.07%	10.03%
Earnings per share	14.14%	24.68%	21.63%	25.26%	21.83%

Simulations Plus, Inc.
Cash Flow Statement
(in thousands)

	FY2006A	FY2007A	FY2008A	6 Mos 2009A
Cash Flows from Operating Activities				
Net Income (loss)	$ 676	$ 1,466	$ 1,726	$ 680
Depreciation and amortization of property and equipment	48	51	51	11
Amortization of capitalized software development	287	430	467	252
Amortization of customer relationships	28	32	26	11
Bad debt expense	-	63	63	130
Stock-based compensation	-	17	90	81
Contribution of equipment at book value	-	1	-	-
Loss on sale of assets	(11)	(4)	-	-
	1,028	2,055	2,422	1,164
Changes In:				
Accounts receivable	(275)	(351)	(60)	(210)
Inventory	44	6	(93)	22
Deferred tax	211	1,087	437	(62)
Other assets	(8)	8	(122)	92
Accounts payable	124	(14)	(20)	(7)
Accrued payroll and other expenses	(34)	127	46	59
Accrued bonuses to officers	60	103	(141)	(7)
Income taxes	-	70	(71)	302
Accrued warranty and service costs	7	3	(4)	18
Deferred revenue	(12)	(129)	83	123
Net Changes in Working Capital	119	909	55	329
Net cash Provided by Operations	1,148	2,964	2,477	1,493
Cash Flows from Investing Activities				
Purchase of property and equipment	(62)	(48)	(82)	(35)
Investment in securities	-	-	(750)	750
Purchases of Bioreason's assets	(826)	-	-	-
Capitalized computer software development costs	(480)	(583)	(728)	(353)
Proceeds from sale of assets	21	7	-	-
Cash Flows from Investing Activities	(1,347)	(624)	(1,560)	362
Cash Flows from Financing Activities				
Repurchase of common stock	-	-	-	(272)
Proceeds from the exercise of stock options	131	513	435	49
Net cash provided by Financing	131	513	435	(223)
Net change in Cash	(69)	2,853	1,352	1,633
Cash Beginning of Period	1,754	1,685	4,538	5,890
Cash End of Period	$ 1,685	$ 4,538	$ 5,890	$ 7,522