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Research Note

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

Simulations Plus, Inc.

Rating: Speculative Buy

Howard Halpern

SLP $1.56 — (NasdaqCM)

June 15, 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	***$9.76***	***$10.92***
Earnings per share	$0.08	$0.10	***$0.09***	***$0.12***

52-Week range	$2.08 – $0.79	Fiscal year ends:	August
Shares outstanding a/o 04/10/09	16.03 million	Revenue/shares (ttm)	$0.53
Approximate float	8.25 million	Price/Sales (ttm)	2.9X
Market Capitalization	$25 million	Price/Sales (2010)E	2.4X
Tangible Book value/shr a/o 02/28/09	$0.65	Price/Earnings (ttm)	17.3X
Price/Book	2.4X	Price/Earnings (2010)E	13.0X

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 maintaining our Speculative Buy rating on shares of Simulations Plus, Inc. (NasdaqCM: SLP), as well as our twelve-month price target of $1.85 per share. Our price target is based on our expectations for sales and EBITDA over the next twelve-month period.

On June 2, 2009, Simulations Plus announced preliminary revenues of approximately $2.712 million for its third quarter of fiscal 2009, ended May 31, 2009. During the same period last year the Company reported revenues of $2.968 million. The Company announced that a large pharmaceutical software license order slipped into the fourth quarter of fiscal 2009 (from the third quarter) and that the Words+ subsidiary did not receive a large order from its distributor in the U.K. that it obtained in the same period last year.

Based on preliminary revenue guidance and our interpretation of the public comments made by Management during a June 3, 2009 Webiniar (a Web-based seminar) and overall market conditions, we are adjusting our 2009 forecasts, which calls for net sales of $9.76 million (prior was $9.92 million) and net income of $1.612 million or $0.09 per diluted share (prior was $1.71 million or $0.10 per share). In addition, we are forecasting EBITDA of $2.965 million versus our prior forecast of $3.097 million.

Currently, we are maintaining 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 forecast is based on our belief of continued organic growth despite tough macro economic conditions.

**** Please view our disclaimer located on page 8.***

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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.

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 scientific meetings worldwide over the past five years. According to Management, the schedule for SLP during calendar 2009 call for the Company to do 2 to 3 times as many conferences, shows, and meetings as compared to last year. This marketing push, which also include HTML e-mails going out regularly to advise customers' and prospects of the Company's activities, has, according to Management, driven its sales lead pipeline well above what was accomplished last year.

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.

During the Company's June 3, 2009 public Webinar, Management laid out the following strategy going forward:

- Continue to expand its pharmaceutical software offerings and services:
    - Management 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. 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. The infusion of new scientists will also assist in new product development, as well as increase the capacity to conduct consulting studies and funded collaborations;
    - Seek to complete strategic accretive acquisitions in order to enhance and expand the product portfolio, as well as new collaborations. According to the June 3, 2009 public Webinar held by Management, SLP has three acquisition candidates under consideration with a revenue size ranging from $1 to $3 million; and
    - Examine additional Small Business Innovation Research (SBIR) opportunities. The 2009 stimulus package of the United States has the potential to provide monies to fund additional grant opportunities.
- Words+ subsidiary:
    - Continue product improvements and more aggressive marketing and sales;
    - Utilized the added staff to process prior authorizations and accounts receivables more quickly in order to collect old receivables from state Medicaid agencies; and
    - Look for potential SBIR funding opportunities that fit the subsidiaries expertise.

Projections

Based on preliminary fiscal 2009 third quarter revenue guidance, our interpretation of the public comments made by Management during a June 3, 2009 Webiniar and overall market conditions, we are adjusting our net sales forecast to $9.757 million (prior was $9.920 million). Our expectations for fiscal 2009 take 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, remains at $10.915 million.

Our fiscal 2009 forecast (which does not include the potential for accretive acquisitions) would be an 8.80% increase versus fiscal 2008 results. For fiscal 2010, our forecast would be a 11.87% increase versus our fiscal 2009 forecast. We anticipate net sales growth for simulations software products in fiscal 2009 of approximately 13.4% to $6.887 million. Our net sales expectation for the Words+ subsidiary for fiscal 2009 is $2.870 million, which is approximately a 1.5% decrease versus fiscal 2008 (which is primarily due to a large order obtained during fiscal 2008 from its distributor in the U.K. that is unlikely to occur during fiscal 2009). 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%	77.58%	77.51%	77.97%	77.96%
SG&A expenses (as a Percent of Net Sales)	41.25%	40.33%	41.00%	38.84%	38.84%
Research and Development (as a Percent of Net Sales)	11.04%	13.07%	13.29%	11.91%	11.91%
Operating Margin	24.29%	24.18%	23.32%	27.21%	27.21%
Tax rate	29.46%	33.32%	33.50%	33.22%	33.23%
Pre-tax Margin	27.28%	25.77%	24.84%	28.13%	28.12%

Source: Company filings and Taglich Brothers estimates

Based on our net sales and cost structure estimates, EBITDA (defined as operating income plus depreciation and amortization of property, equipment, and capitalized software development, and stock-based compensation) should approach $2.965 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 $1.612 million or $0.09 per diluted share (prior was $1.705 million or $0.10 per diluted share). Our net income forecast for fiscal 2010 remains unchanged at $2.050 million of 0.12 per diluted share.

Our EPS forecasts 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.

Recent Developments

As of June 2, 2009, according to Management's June 3, 2009 Webinar, the Company had repurchased approximately 400,000 shares. This means that over $2.5 million remains under authorization for additional repurchases. Investors should remember that the goal is to buy back the maximum number of shares, not to support a particular stock price.

On May 22, 2009, Simulations Plus announced that one of its acquisition opportunities is no longer under consideration, while two new opportunities have appeared and are under investigation. Also, according to the June 3, 2009 public Webinar held by Management, a third acquisition candidate is under consideration. According to Management, the revenue size of these potential accretive acquisitions range from $1 to $3 million.

On May 19, 2009, the Company announced the appointment of Michael Pelekis, Ph.D., M.B.A., to the position of Director, Business Development. Dr. Pelekis has over 20 years of experience in the pharmaceutical and environmental toxicology industries. He most recently held the position of Principal Scientist with a top five pharmaceutical company. His Ph.D. is in Pharmacokinetics and Toxicology. Dr. Pelekis's experience includes a broad spectrum of pharmaceutical and environmental research and development, as well as business planning and strategy implementation, including serving as a research pharmacokineticist/toxicologist in the Toxicology Division of the Air Force Research Laboratory at Wright-Patterson AFB, Ohio.

Risks

Technology

The Company's strongest area of growth is 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 (may be at only a slightly slower pace) 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. However, based on the slippage of a software license from the third quarter to the fourth quarter of fiscal 2009, the elongation of spending patterns might be occurring.

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. 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 43.8% of the outstanding voting stock (based on shares outstanding as of April 10, 2009 and a Form 4 filing with the SEC on June 5, 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.

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.

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 five months of calendar 2009, average daily volume decreased to 18,659. Investors need to be aware that by nature a thinly traded equity can have significant price volatility.

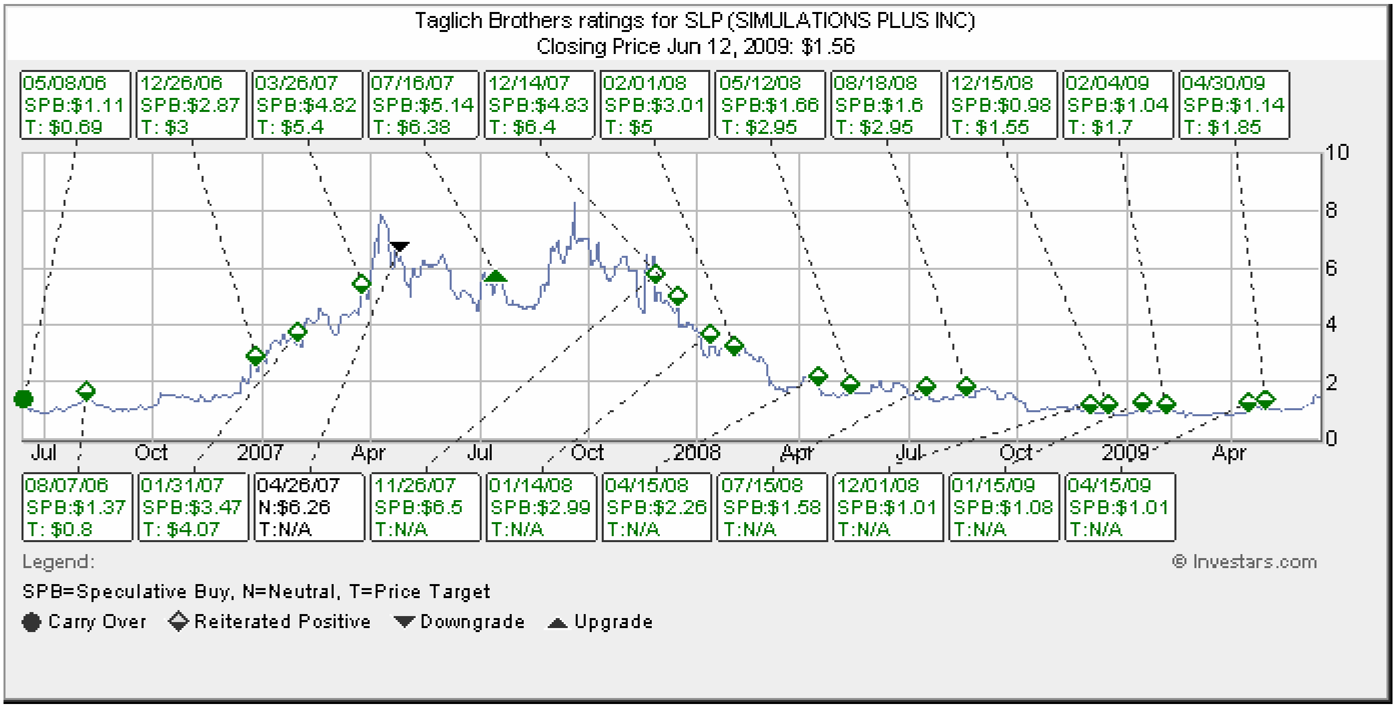
Valuation

We are reiterating our Speculative Buy rating on shares of Simulations Plus, Inc. (NasdaqCM: SLP), as we continue to forecast positive growth trends for at least through fiscal 2010.

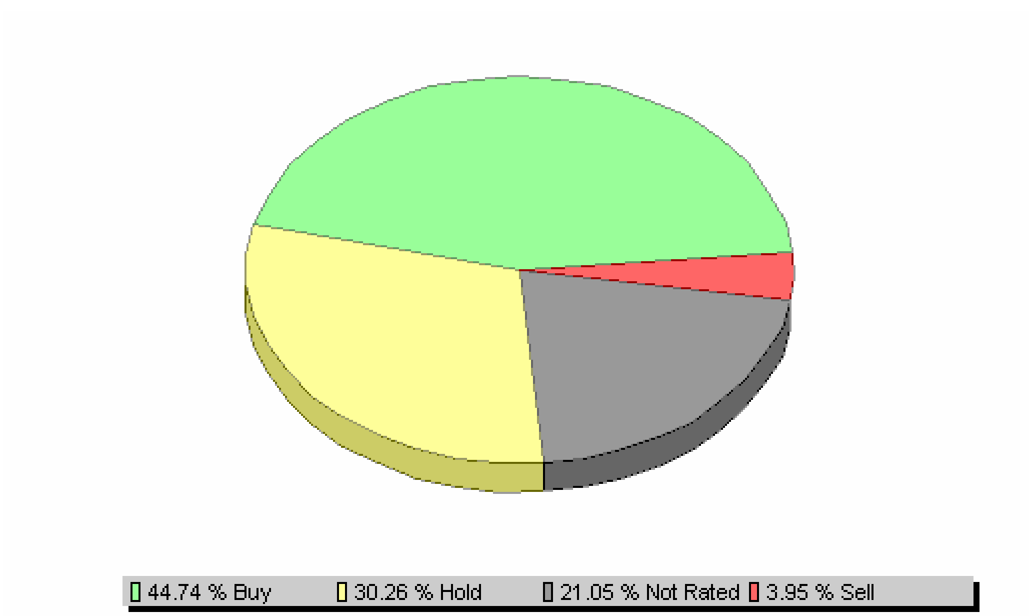
We are maintaining our twelve-month price target of $1.85 per share. Our price target is based on averaging the following two valuation models (which we believe are the most appropriate) then discounting the result by 30% to account for microcap risk along with Company specific risks, as well as the current economic environment:

- A 3.9X price-to-sales multiple, which is the trailing twelve month multiple (as of June 9, 2009) for the Application and Business Software and Services Industry, applied to our estimate of $0.63 per share for the next four quarters ending May 31, 2010;

- A 13.8X price-to-EBITDA multiple, which is the trailing twelve month multiple (as of June 9, 2009) for he Application and Business Software and Services Industry, applied to our estimate of $0.21 per share for the next four quarters ending May 31, 2010;



Taglich Brothers Current Ratings Distribution



Investment Banking Services for Companies Covered in the Past 12 Months

Rating	#	%
Buy	1	4.00%
Hold	1	14.29%
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.

Public Companies mentioned in this report:

Merck & Co., Inc.	(NYSE: MRK)
Pfizer Inc.	(NYSE: PFE)
Schering-Plough Corporation	(NYSE: SGP
Wyeth	(NYSE: WYE

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	**9,757**	**10,915**
Cost of sales	2,082	2,100	**2,194**	**2,405**
Gross Profit	6,776	6,868	**7,563**	**8,510**
Gross Margins	76.49%	76.58%	**77.51%**	**77.96%**
Operating Expenses:				
Selling, general, and administrative	3,458	3,699	**4,001**	**4,240**
Research and development	815	990	**1,296**	**1,300**
Total Operating Expenses	4,273	4,690	**5,297**	**5,540**
EBITDA	3,023	2,805	**2,965**	**3,670**
Operating Income (loss)	2,503	2,178	**2,266**	**2,970**
Operating Margin	28.26%	24.29%	**23.22%**	**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	**2,424**	**3,070**
Pre-Tax Margins	29.63%	27.28%	**24.84%**	**28.12%**
Income Tax Expense (Benefit)	1,158	721	**812**	**1,020**
Release of valuation allowance	-	-	**-**	**-**
Tax Rate	44.14%	29.46%	**33.50%**	**33.23%**
Net income (loss)	$ 1,466	$ 1,726	**$ 1,612**	**$ 2,050**
Earnings per share -- Diluted	$ 0.08	$ 0.10	**$ 0.09**	**$ 0.12**
Avg Shares Outstanding	17,957	18,141	**17,177**	**16,955**
Percent of Revenue				
Selling, general, and administrative	39.04%	41.25%	41.00%	38.84%
Research and development	9.20%	11.04%	13.29%	11.91%
YEAR / YEAR GROWTH				
Total Revenues	51.29%	1.24%	8.80%	11.87%
Earnings per share	92.72%	16.50%	-1.34%	28.82%

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	2,712	2,455	**9,757**
Cost of sales	526	553	570	545	**2,194**
Gross Profit	1,607	1,904	2,142	1,910	**7,563**
Gross Margins	*75.32%*	*77.49%*	*78.98%*	*77.80%*	**77.51%**
Operating Expenses:					
Selling, general, and administrative	904	1,037	1,015	1,045	**4,001**
Research and development	301	360	330	305	**1,296**
Total Operating Expenses	1,205	1,397	1,345	1,350	**5,297**
EBITDA	577	680	972	735	**2,965**
Operating Income (loss)	402	507	797	560	**2,266**
Operating Margin	*18.83%*	*20.63%*	*29.39%*	*22.82%*	**23.22%**
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	822	590	**2,424**
Pre-Tax Margins	*21.24%*	*22.74%*	*30.31%*	*24.04%*	**24.84%**
Income Tax Expense (Benefit)	141	191	275	205	**812**
Release of valuation allowance	-	-	-	-	**-**
Tax Rate	*31.20%*	*34.13%*	*33.45%*	*34.74%*	**33.50%**
Net income (loss)	$ 312	$ 368	$ 547	$ 385	**$ 1,612**
Earnings per share -- Diluted	$ 0.02	$ 0.02	$ 0.03	$ 0.02	$ 0.09
Avg Shares Outstanding	17,517	17,108	17,075	17,010	**17,177**
Percent of Revenue					
Selling, general, and administrative	42.36%	42.20%	37.43%	42.57%	41.00%
Research and development	14.13%	14.66%	12.17%	12.42%	13.29%
YEAR / YEAR GROWTH					
Total Revenues	7.53%	12.71%	-8.64%	33.70%	8.80%
Earnings per share	34.82%	-30.37%	-23.93%	147.04%	-1.34%

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	3,195	2,615	**10,915**
Cost of sales	585	600	645	575	**2,405**
Gross Profit	1,845	2,075	2,550	2,040	**8,510**
Gross Margins	*75.93%*	*77.57%*	*79.81%*	*78.00%*	**77.96%**
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	1,335	840	**3,670**
Operating Income (loss)	485	660	1,160	665	**2,970**
Operating Margin	*19.96%*	*24.68%*	*36.30%*	*25.42%*	**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	1,185	690	**3,070**
Pre-Tax Margins	*20.99%*	*25.61%*	*37.09%*	*26.38%*	**28.12%**
Income Tax Expense (Benefit)	165	230	400	225	**1,020**
Release of valuation allowance	-	-	-	-	-
Tax Rate	*32.35%*	*33.57%*	*33.76%*	*32.62%*	**33.23%**
Net income (loss)	$ 345	$ 455	$ 785	$ 465	**$ 2,050**
Earnings per share -- Diluted	$ 0.02	$ 0.03	$ 0.05	$ 0.03	$ 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%	33.34%	40.15%	38.84%
Research and development	13.38%	12.15%	10.17%	12.43%	11.91%
YEAR / YEAR GROWTH					
Total Revenues	13.91%	8.88%	17.81%	6.52%	11.87%
Earnings per share	14.14%	24.68%	44.57%	21.28%	28.82%

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