

## Research Note

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

### Zynex, Inc.

**Rating: Neutral**

Juan Noble

July 15, 2013

### ZYXI \$0.48 (ZYXI: OTC)

	2009A	2010A	2011A	2012A
Total revenues (in millions)	\$ 18.7	\$ 24.1	\$ 34.1	\$ 40.0
Earnings (loss) per share	\$ 0.08	\$ 0.01	\$ 0.05	\$ 0.05

52 - Week range	\$1.01 – \$ 0.35	Fiscal year ends:	December
Shares outstanding as of May 13, 2013	31.1 million	Revenue/share (ttm)	\$1.23
Approximate float	12 million	Price/Sales (ttm)	0.3X
Market Capitalization	\$13.1 million	Price/Sales (2014)E	NA
Tangible Book value as of Mar. 31, 2013	\$0.36	Price/Earnings (ttm)	14.2X
Price/Book	1.2 X	Price/Earnings (2014)E	NA

*Zynex, Inc., based in Lone Tree, Colorado, manufactures a line of electrotherapy devices that relieve pain while reducing reliance on drugs, and speeds rehabilitation and recovery of i mobility. The company also produces diagnostic devices and distributes electrotherapy systems manufactured by others. A substantial portion of revenue is recurring – device rentals and the sale of electrodes and batteries sent to patients using rented or purchased units.*

#### Key Investment Considerations:

*We have lowered our investment rating to Neutral from Speculative Buy, as visibility on the earnings outlook is significantly diminished. Zynex has disclosed that operating results for 2013 will be significantly lower than we projected.*

*We had projected 2Q13 earnings of \$0.01 EPS on revenue of \$7.5 million, and full-year EPS of \$0.02 on revenue of \$32 million. On July 12, 2013 Zynex reported that the company will not achieve its original 2013 revenue and earnings guidance, issued May 8, 2013, of net revenues of \$38 million to \$42 million and net income of \$0.04 to \$0.08 per share.*

*Revenue for 2Q13 and the full year will be less than anticipated. Zynex expects to incur a loss for 2Q13 and the full year.*

*Reimbursement changes for durable medical equipment have caused uncertainty among medical practitioners, leading to reduced demand and delayed orders for Zynex's electrotherapy products. Reimbursements from government and third party payors relating to certain applications for the company's electrotherapy products have become more restrictive.*

*In response to weaker revenue, Zynex is undertaking measures to lower its costs and reduced expenses.*

*In our view, the uncertain near-term earnings outlook makes these ZYXI shares suitable mainly for highly risk-tolerant accounts.*

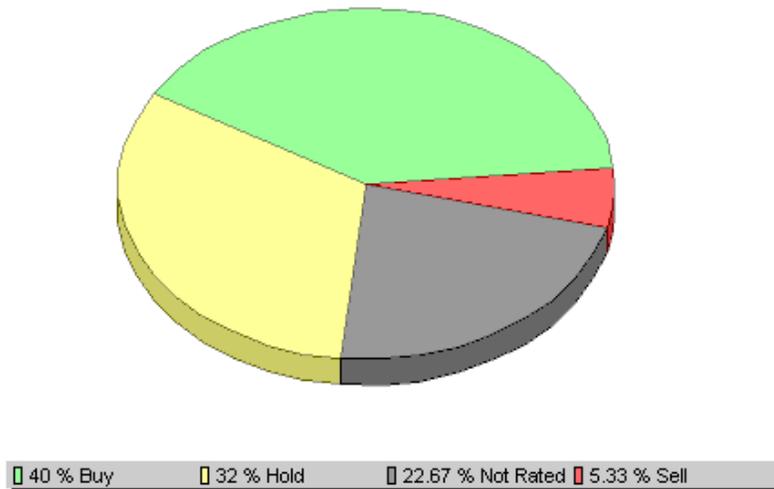
**See disclosures on pages 3 - 4**

Zynex, Inc.

**Price Chart**



**Taglich Brothers Current Ratings Distribution**



<b>Investment Banking Services for Companies Covered in the Past 12 Months</b>		
<u>Rating</u>	<u>#</u>	<u>%</u>
Buy	1	4
Hold	1	17
Sell		
Not Rated		

### **Important Disclosures**

At this writing, none of Taglich Brothers' affiliates, officers, directors or stockholders, or any member of their families have a position in the stock of Zynex, Inc. Taglich Brothers, Inc. does not have an investment banking relationship with Zynex, Inc. and was not a manager or co-manger of any offering for the company within the last three years.

All research issued by Taglich Brothers, Inc. is based on public information. In September 2012 the company paid an initial monetary engagement fee of US\$4,500 to Taglich Brothers, Inc. representing payment for the first three months of creation and dissemination of research reports, after which the company will pay Taglich Brothers, Inc. a monetary fee of US\$1,500 per month for a minimum of three more months for such services.

### **General Disclosures**

The information and statistical data contained herein have been obtained from sources, which we believe to be reliable but in no way are warranted by us as to accuracy or completeness. We do not undertake to advise you as to change in figures or our views. This is not a solicitation of any order to buy or sell. Taglich Brothers, Inc. is fully disclosed with its clearing firm, Pershing, LLC, is not a market maker and does not sell to or buy from customers on a principal basis. The above statement is the opinion of Taglich Brothers, Inc. and is not a guarantee that the target price for the stock will be met or that predicted business results for the company will occur. There may be instances when fundamental, technical and quantitative opinions contained in this report are not in concert. We, our affiliates, any officer, director or stockholder or any member of their families may from time to time purchase or sell any of the above-mentioned or related securities. Analysts and members of the Research Department are prohibited from buying or selling securities issued by the companies that Taglich Brothers, Inc. has a research relationship with, except if ownership of such securities was prior to the start of such relationship, then an analyst or member of the Research Department may sell such securities after obtaining expressed written permission from Compliance.

### **Analyst Certification**

**I, Juan Noble, 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.**

### **Meaning of Ratings**

**Buy** - 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.

**Dropping Coverage** – we have discontinued research coverage due to the acquisition of the company, termination of research services, non-payment for such services, or departure of the analyst.

### **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.