

ZYNEX, INC.

Bioelectric Treatments Expanding Care Continuum; BUY and \$7.75 Price Target

ZYXI (OTC)

Company & Market Data

Closing Price (as of 06/27/2018):	\$3.06
Rating:	BUY
Price Target:	\$7.75
52 Week Range:	\$0.55 - \$5.50
Shares Outstanding (MM):	32.6
Market Capitalization (MM):	\$100
Cash (MM):	\$4.4
Debt (MM):	\$0.1
Fiscal Year End:	Dec

Estimates

EPS	2018E	2019E	2020E
1Q	\$0.06A	\$0.09	\$0.11
2Q	\$0.05	\$0.06	\$0.08
3Q	\$0.05	\$0.07	\$0.08
4Q	\$0.06	\$0.08	\$0.10
Full Year	\$0.23	\$0.30	\$0.37
Revenue (MM)	2018E	2019E	2020E
1Q	\$6.9A	\$8.4	\$10.0
2Q	\$7.6	\$9.0	\$10.6
3Q	\$8.1	\$9.6	\$11.3
4Q	\$8.7	\$10.4	\$12.2
Full Year	\$31.3	\$37.4	\$44.1

Ratios

P/E	13.3x	10.2x	8.3x
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Chart data: Bloomberg

We are initiating coverage of Zynex, Inc. (ZYXI) with a BUY rating and \$7.75 price target. Zynex is a medical device company offering various stimulation, blood volume monitoring, and private label products. The Colorado-based company's current markets include pain management and control and rehabilitation. The company's products for pain and rehabilitation include NexWave, InWave, and NeuroMove which are commercialized through a direct salesforce of approximately 130 sales representatives. The NexWave is an electrotherapy device for chronic, post-traumatic, or post-surgical pain by combining transcutaneous nerve stimulation (TENS), interferential current (IFC), and neuromuscular electrical muscle stimulation (NMES). The InWave device is utilized for urinary incontinence including stress, urge, and mix in women. The NeuroMove is a rehabilitation device for stroke patients who have suffered a spinal cord injury.

Stimulation devices utilize a range of different forms including TENS, percutaneous nerve stimulation (PENS), NEMS, IFC, pulsed electromagnetic field therapy (PEMF), and galvanic stimulation (GS) as a therapeutic treatment for various ailments including nonunions, urinary incontinence, stroke, depression, and insomnia. Stimulation for pain is currently one of the most common therapeutic treatments as more than 100 million Americans suffer from some sort of pain that with the largest population ranging in age from 45 years to 64 years (American Academy of Pain Medicine).

Treatments for chronic pain are both pharmacological and nonpharmacological. Within pharmacological are opioid analgesics that are successful in reducing pain, however, have led to the current opioid epidemic in America. According to an article in *About the U.S. Opioid Epidemic*, in 2016 there were more than 42,000 opioid-related deaths with 40% of deaths from prescribed opioids. The epidemic has greatly altered the way governmental agencies and healthcare professionals treat patients with pain.

Urinary incontinence affects upwards of 25 million Americans and is most prevalent in women. Current treatments include pharmaceuticals, surgery, kegel exercises, and stimulation. Surgical options are considered invasive and are typically a last effort for physicians and patients while kegel exercises require a daily regimen and may not be effective if patients are not compliant. Stimulation for urinary incontinence is gaining increased interest by medical professionals as it fills a gap within the continuum of care for women.

According to Stroke Center, approximately 15 million individuals suffer from stroke each year with more than 795,000 Americans suffering annually. Centers for Disease Control has also determined that stroke costs the healthcare system approximately \$34 billion a year. Current treatments include rehabilitation and physical therapy and, for some patients, stimulation is utilized as an adjunct.

ZYXI continues to expand their existing sales force as well as their product offerings. The company plans to reinvest in development of enhanced or new products that also bolster their profit margins. Although it is anticipated that most innovations will be executed in-house, the company could evaluate potential M&A opportunities.

Based on our Comparable Company Valuation table, we believe it is appropriate to value the company based on its representative peers. As such, we have determined that the company's valuation should be an average of two metrics; enterprise value/revenues and price/earnings. We are using 5.0 times revenue and a P/E of 30 times for 2020 revenues of \$44.1 million and EPS of \$0.35, respectively, which yields a price target of \$7.75. Our calculation for the two metrics is for FY-2020 and discounted by one year and 10% to account for the passage of time.

Disclosures and Analyst Certifications can be found in Appendix A.

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Member: NYSE, NYSE American, NYSE Arca, FINRA, all other principal exchanges and SIPC

Company: History, Strategy & Investment Thesis

Zynex, Inc. is a Colorado-based medical device company focused on stimulation, blood volume monitoring, and selling private label medical products through their expanding salesforce. The company currently sells products for pain management and control and rehabilitation. The blood monitor device is currently pending FDA approval (510(k) submitted in 2015). The current stimulation device utilized for pain is the NexWave and the NeuroMove is for stroke rehabilitation. The company also has a stimulation device for urinary incontinence called InWave. The company's private labeled products include Comfortrac, JetStream, and LSO Back Braces.

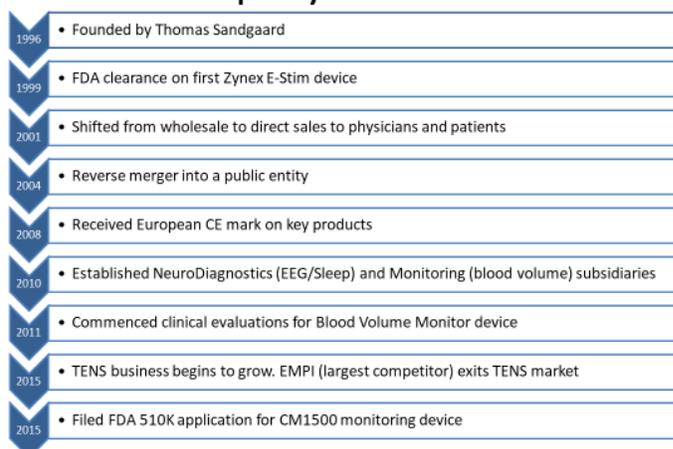
History

In 1996, Thomas Sandgaard, current CEO and Chairman of the Board (see Management section below), founded several small medical device companies which were eventually folded into Zynex, Inc. and was formally incorporated in 2001. The parent company operated through six subsidiaries that included Zynex Medical, Inc., Zynex Neurodiagnostics, Inc., Zynex Monitoring Solutions, Inc., Zynex Billing and Consulting LLC, Zynex Europe, and Pharmazy. In 2004, Zynex engaged in a reverse merger into a public company called Fox River Holdings, Inc. Fox River primarily focused on computer graphics and has rental services with clients that included large international medical equipment companies.

Currently, Zynex operates through one primary subsidiary which is Zynex Medical, Inc. International sales, though minimal, are generated through Zynex Europe. The company's Monitoring Solutions subsidiary has one device that is in the process of being approved by the FDA and to date has not generated any revenue. The remaining subsidiaries remain fairly inactive.

Exhibit 1: Corporate History

Company Milestones



Source: Zynex, Inc.



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Strategy

The company is currently focused on expanding their market through salesforce expansion to further drive product awareness and adoption. We anticipate the salesforce will expand into current and new territories. As of Q1-2018 the company had 130 sales representatives. Additionally, the company's sales team is now responsible for selling the NeuroMove device. Previously, the device was not sold through the existing domestic salesforce to rehabilitation centers but rather for in-home utilization. This strategy allows physicians to initially monitor their patients' progress and then transition the patient to an in-home setting which is likely to increase compliance with the treatment protocol. We believe enhancing the salesforce is key as a main competitor recently left the market thus creating potential acquisition opportunities of new and substantial accounts.

Zynex is also investing in sales through product enhancements and expansion. The company expects innovations to be primarily in-house but has mentioned potential M&A activity if the product or technology is aligned with their current product offerings and addressable market. The company is also developing the CM-1500, which is the non-invasive blood monitoring system, and is awaiting FDA approval. The company continues to utilize resources to further develop and support the CM-1500 and if approved could continue to expand the company's current markets. The company currently trades on the OTCBK and has openly discussed uplisting to a national exchange such as the NASDAQ within 2018. We believe uplisting could greatly enhance trading and awareness of the stock.

Exhibit 2: Strategic Objectives

Long-Term Objectives

- Up-listing to a senior exchange NYSE MKT or NASDAQ
- Grow recurring revenue streams
- Generate consistent net earnings and positive free cash flow
- Reinvest to develop devices and applications with high GPM
- Focus on driving value thru organic growth and strategic acquisitions



Source: Zynex, Inc.

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Stimulation

Stimulation has been employed to treat a range of ailments from skeletal nonunions to depression and insomnia, to urinary incontinence. There are various forms of electrotherapy due to the range of electrical waveforms. These types include (but not limited to) transcutaneous electrical nerve stimulation (TENS), percutaneous nerve stimulation (PENS), neuromuscular electrical muscle stimulation (NEMS), interferential current (IFC), pulsed electromagnetic field therapy (PEMF), and galvanic stimulation (GS).

Transcutaneous nerve stimulation delivers low voltage electric to nerves through electrodes applied to the skin over the site of pain. The currents that enter the body block the pain receptors from receiving the pain. A TENS device can be utilized to treat short-term or long-term pain and is either prescribed by a physician or found in low doses OTC. TENS is most commonly utilized to treat osteoporosis, fibromyalgia, tendinitis, bursitis, neck pain, labor pain, and cancer pain. There have been no severe adverse events associated with use to date.

Neuromuscular electrical stimulation is an externally utilized device that delivers electrical currents to the muscles. They are used to minimize muscle spasms, tone weak or atrophying muscles, and add additional stimulation concurrent to healing muscles. NEMS provides electrical current to a greater surface area and instructs the muscle to contract and relax which both strengthens the muscles and increases blood flow to the affected area.

Interferential current utilizes a carrier frequency typically 4000 Hz and crosses two independent current generators. The cross creates interference that produces the stimulation that is capable to penetrating the skin and targeting a greater area than solely where the electrodes are placed. NEMS has been used as a treatment for pain for several years with minimal adverse effects. The stimulation is typically prescribed by a physician.

Pain Management and Control

According to the American Academy of Pain Medicine, pain affects more than 100 million Americans annually which is greater than diabetes, heart disease, and cancer combined (*AAPM Facts and Figures on Pain*). The population most affected by pain are those 45 years to 64 years old. Pain affects nearly all areas of life including concentration (70% of patients reported inability to focus), energy (74% reported a negative impact on energy levels), and sleep (80% reported interrupted sleep or inability to sleep). Pain, and the various areas of life it affects, also negatively impacts individuals in the workforce. It is estimated that \$61.2 billion was lost due to pain coupled with a 76.6% decrease in productivity.

Pain is segmented into two overarching categories that include acute and chronic. Acute pain, according to American Pain Society, is defined as unpleasant experience that occurs in response to tissue trauma. Chronic pain is defined as pain that resonates for three to six months or longer. Chronic pain is also more likely to disrupt sleep and negatively impact one's overall health. There are approximately 100 million Americans who suffer from chronic pain and ultimately cost the healthcare system greater than \$550 billion to \$635 billion annually (American Academy of Pain Medicine).

Treatments for chronic pain are categorized as pharmacological and nonpharmacological. Within the pharmacological category there are three predominant segments that include nonopioid analgesics, opioid analgesics, and adjuvant analgesics. Nonopioid refers to over-the-counter remedies such as NSAIDs like aspirin and ibuprophen. Adjuvant drugs are those not primarily for treating pain but can be utilized for pain such as antidepressants. Opioids are prescription drugs that act on opioid receptors on the nerve cells. Although effective in reducing pain, opioids have had severe impacts on patients.

Due to the addictive qualities of opioids there has been increased misuse and in 2017 the U.S. Department of Health and Human Services (HHS) declared the opioid crisis a public health emergency. In 2016, opioid overdose accounted for more than 42,000 deaths with 40% of the deaths from opioid patients having been prescribed (*About the U.S. Opioid Epidemic, 2017*). The crisis has led government agencies and healthcare professionals to reevaluate treatments for pain.

Alternative treatments within the nonpharmacological category include stimulation, meditation, relaxation, visual imagery, biofeedback, heat/cold therapy, and massage. These techniques are easy to do or acquire, however, are not backed by clinical data except for stimulation. The currently utilized stimulation specific to chronic pain is electrotherapy.

Urinary Incontinence

Urinary incontinence is the inability to control urine which often results in leakage. According to the National Association for Incontinence, there are approximately 25 million Americans suffering from urinary incontinence and 75%-80% are women. Stress urinary incontinence, which is the result of a weak pelvic floor, affects more than 15 million women in the U.S. Although anyone can suffer from urinary incontinence, it is most prevalent in women who are pregnant, post-childbearing, or menopausal.

The current treatment landscape for urinary incontinence is drugs (mostly treating overactive bladder), surgery, kegel exercises, and stimulation. Stimulation has become more readily studied specifically for urinary incontinence as it fills a significant gap within the spectrum of care for women's health. Surgery is considered invasive (even when a minimally invasive procedure is performed) while kegels require compliance with a daily regimen that can be unrealistic, time consuming, and ineffective.

Electrical stimulation is currently approved for supplementary treatment of urinary incontinence. There are two ways in which current is applied. The first option is to place the electrodes on the patient's leg where a signal is sent to the nerves that control the bladder. This is referred to as Percutaneous Tibial Nerve Stimulation (PTNS). PTNS treatment typically requires patients to commit to a 12-weekly 30-minute visits to a physician or OBGYN. For the alternative method a probe is inserted into the vaginal cavity that stimulates and strengthens the pelvic floor reducing the amount of leakage. Stimulation is becoming more popular among women as it reduces the risks associated with surgeries and provides an additional level of support over kegel exercises alone.

Stroke

According to Stroke Center (a project supported by NIH Specialized Programs of Translational Research in Acute Stroke) 15 million individuals suffer from a stroke annually with approximately 795,000 Americans suffering each year. Stroke causes more than 140,000 deaths annually and greater than three quarters of strokes take place in individuals 65 years of age or older. According to Centers for Disease Control and Prevention, strokes cost the U.S. approximately \$34 billion a year which is inclusive of services, medications, and missed days of work. The greatest risk factors for stroke are high blood pressure, high cholesterol, smoking, obesity, and diabetes. It is unsurprising that the rate of stroke is high in the U.S. as one in three adults have one or more of the above-mentioned ailments.

Spinal cord infarction is defined as a stroke in the spinal cord debilitating the arteries that supply blood to the spinal cord. The injuries are either complete or incomplete which describes the spinal cord's ability to communicate with the brain. Spinal cord injury results in some form of paralysis and inhibits individuals from normal motor function. Rehabilitation and physical therapy are the most common treatments for reeducating the body. Stimulation is also utilized as an adjunct to traditional therapies.

Deep brain stimulation was first utilized in human patients in 2015 by the Cleveland Clinic. The procedure requires implantation of electrodes into the brain which regulate the body's natural impulses with electrical impulses. The device that controls the stimulation functions similarly to a pacemaker and is placed under the skin in one's upper chest.

External neuromodulation is another form of stimulation studied and used for treating stroke patients and is typically utilized concomitantly with physical therapy. Transcranial Magnetic Stimulation (TMS) and Transcranial Direct Stimulation (DCS) are the two types of external stimulations used. TMS requires a paddle to be held of the target region while a magnetic field generates an electrical current strong enough to pass through the skull and stimulate activity in cortical neurons. TMS creates a constant direct current that is transferred between a cathode and anode that are placed in varying locations on the skull. According to National Institutes of Health, the stimulation improves motor performance, hand function, and reduction in neural spasticity. The findings from ongoing studies continue to support the development of stimulation techniques combined with basic therapeutic treatments for stroke patients.

Zynex Solutions

Zynex has a variety of products that include treatments and therapies for pain, urinary incontinence, muscle reeducation, stroke recovery, and blood volume monitoring. The company’s approved stimulation devices utilize TENS, IFC, and NMES electrotherapy.

Exhibit 3: Pain and Rehab Products

Pain & Rehabilitation

	<p>NexWave</p> <ul style="list-style-type: none"> •Augments healing, alleviates swelling through increased blood circulation, and reduces both acute/chronic pain through the use of electrical currents 	Electrotherapy	•\$500 million industry worldwide
	<p>InWave</p> <ul style="list-style-type: none"> • Delivers a nonsurgical, drug-free therapy that offers a conservative treatment to manage incontinence and is of relatively low cost to patients. 	Incontinence Treatment	•\$5Billion industry worldwide
	<p>NeuroMove</p> <ul style="list-style-type: none"> •Augment healing, as well as assist in recovery for stroke, Spinal Cord Injuries and Traumatic Brain Injury, retrains muscles, increases range of motion 	Stroke Rehab	•\$100 million industry worldwide

- Zynex Medical – Electrotherapy Pain Management
 - Opioid epidemic favor using Zynex’s NexWave as 1st Line-Of-Defense.
 - Rapid Growth through expanding sales force.
 - EMPI announced exit from TENS market in Late 2015/Early 2016.



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Source: Zynex, Inc.

NexWave

The NexWave device combines TENS, IFC, and NMES into one device that is indicated for external treatment of chronic, intractable, post-traumatic, or post-surgical pain. The device reduces pain by decreasing frequency and intensity of muscle spasms and increasing blood flow to the affected areas.

For IFC mode, there are two channel frequencies; 4000Hz and 4001-4128Hz that produce stimulation of 64Hz with six seconds on, one second off then ramp up one second and ramp down 0.5 seconds. The waveform is symmetrical biphasic which increases the surface area to be treated. TENS mode produces a frequency of one to 125 Hz with a pulse width of 120 microseconds to 300 microseconds. The waveform is also symmetrical biphasic with sweep, high, and low modulated modes. NMES emits a frequency of 35Hz with a pulse width of 480 microseconds. The on time is ten seconds with off times of ten seconds, 20 seconds, or 30 seconds. The waveform is also symmetrical biphasic.

Beyond the three-in-one nature of the device, it also has a timer for ten to 90 minutes in ten-minute increments and will record total usage time in minutes as well as number of times utilized to hold patients accountable and increase compliance with treatment regimen.

InWave

InWave is a drug-free therapy for incontinence that is portable, programable, and can be utilized in conjunction with biofeedback and kegel exercises to bolster the positive effects. The device has three treatment modes for stress, urge, and mix. For stress, the frequency is 50Hz with a pulse width of 200 microseconds and a choice between five seconds on ten seconds off, three seconds on ten seconds off, or five seconds on five seconds off. For urge, the frequency is 12.5Hz with a pulse width of 600 microseconds. The frequency provides options of ten seconds on three seconds off, six seconds on three seconds off, or ten seconds on ten seconds off.

Finally, for mixed it is recommended to do ten-minute treatments of each setting. The duration options include 10 minutes with five seconds on ten seconds off with stress setting and ten minutes of ten seconds on three seconds off with urge setting. The second option is five minutes with five seconds on five seconds off with stress and five minutes with ten seconds on three seconds off. The third option is two minutes with five seconds on ten seconds off with stress and two minutes with ten seconds on three seconds off with urge.

NeuroMove

NeuroMove is the company's stroke rehabilitation device capable of detecting attempts to move a muscle group sent by the brain. The device is cleared by the FDA and has the CE Mark for stroke rehab with numerous strokes stemming from spinal cord injury. The device's microprocessor distinguishes between regular muscle activity, muscle tone, noise, and real attempts. Once it detects an attempt it rewards the patient with a small muscle contraction. The visual and sensory feedback is crucial to relearning movement for stroke patients.

NeuroMove varies from alternative stimulators as it only provides minor stimulation when the patient initiates movement as compared to stimulators that produce an electrical current at a set pace for a set period of time. The device is also different from electromyography devices as it is better suited to distinguish intentional attempts.

NeuroMove is utilized for a total of 30 minutes per session and three to five times per week. Since the device activates when intentional attempts at movement are made each session requires concentration. A session greater than 30 minutes would have diminishing returns and the level of focus would significantly decrease over time.

Some of the key features of NeuroMove are a built-in battery that only requires a weekly charge and graphic displays providing 60 seconds of history that allows it to adjust to respond when a patient makes an attempt greater than the last. The device is intuitive and can sense movement before the neuron fires and will adjust on its own when utilized on various patients.

E-Wave

E-Wave is a small dual channel NMES device with two selectable waveforms; symmetrical biphasic alternating current or pulsed direct current. The pulse rate can be adjusted from 4Hz to 100Hz and last for 50 to 300 seconds depending of use and patient preference. E-Wave also tracks user compliance by providing utilization time and duration. It is also capable of increasing amplitude from 0.1 seconds to 6 seconds.

The primary uses for E-Wave include muscle reeducation, reduction of muscular atrophy, increased blood flow to affected areas, enhanced range of motion, and decrease in muscle spasms. The device is suitable for larger muscles due to the waveform and power of the device.

CM 1500

CM 1500 is the company's blood volume monitor utilizing six independent parameters to create a fluid index. Sensors are placed on the patient's arm and the device assesses the changes in blood volume. The CM 1500 is currently unapproved by the FDA. The company filed a 510(k) with the FDA on September 23, 2015 and is still currently pending.

Exhibit 4: Monitoring Solutions

Blood Volume Monitor

	<p>CM-1500</p>	<p>Used in operating and recovery rooms to detect blood loss and internal bleeding</p>	<p>•\$3 Billion industry worldwide. No competition.</p>
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- Zynex Monitoring Solutions - CM1500
 - FDA 510(k) application filed for clearance of CM1500 monitoring device.
 - CE marking (European Market) in progress.
 - The CM1500 is capable of monitoring a patient's fluid levels, including blood loss, during surgery and in recovery.
 - Product fully developed.



Source: Zynex, Inc.

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Competition

The competitive landscape has altered slightly since the exit of alternative competitors. Currently, the company has one direct competitor with several indirect competitors. The company's current competitive landscape includes similar medical device companies, rehabilitation centers, opioids, and OTC devices. The rehabilitation centers are considered competition as physicians may opt to not utilize a stimulation device and solely prescribe an exercise regimen supervised by the physical therapist or assistant.

Opioids remain one of the largest epidemics within the US and are also considered competitors of the company. Physicians may utilize a pain medication as opposed to a stimulation or support device for chronic pain. However, many physicians have begun to move away from opioids as a first line of defense and require patients to utilize a stimulation device prior to any other treatment. As such, opioids, while still prominent, will likely pose as less competitive. There are various OTC devices that utilize low-levels of stimulation. Due to the low levels these devices are not clinically proven and do not require stringent evaluation by the FDA. The OTC products also do not require a prescription making them far more readily available to patients.

RS Medical, Inc.

RS Medical, Inc. is a privately owned medical device company that offers electrotherapy and bracing solutions for pain management and control. The Washington-based company, with approximately 75 employees, has seven products that include stimulators, braces, and traction devices.

The RS-4i Plus Sequential Stimulator with Intersperse is RS Medical's TENS stimulation device that utilizes inferential stimulation with muscle stimulation to appease pain and provide rehabilitation within the prescribed 35-minute treatment. The first phase of the treatment is the interferential therapy to block pain signals while the second step is muscle stimulation that relaxes the muscle to provide improved circulation, range of motion, and calm muscle spasms. The third step incorporates Intersperse which combines the two forms. The company also has two conductive garments used concurrent with the stimulation device. The RS-FBG covers the entire back and is worn similarly to a vest while the other RS-LB covers only the lower back.

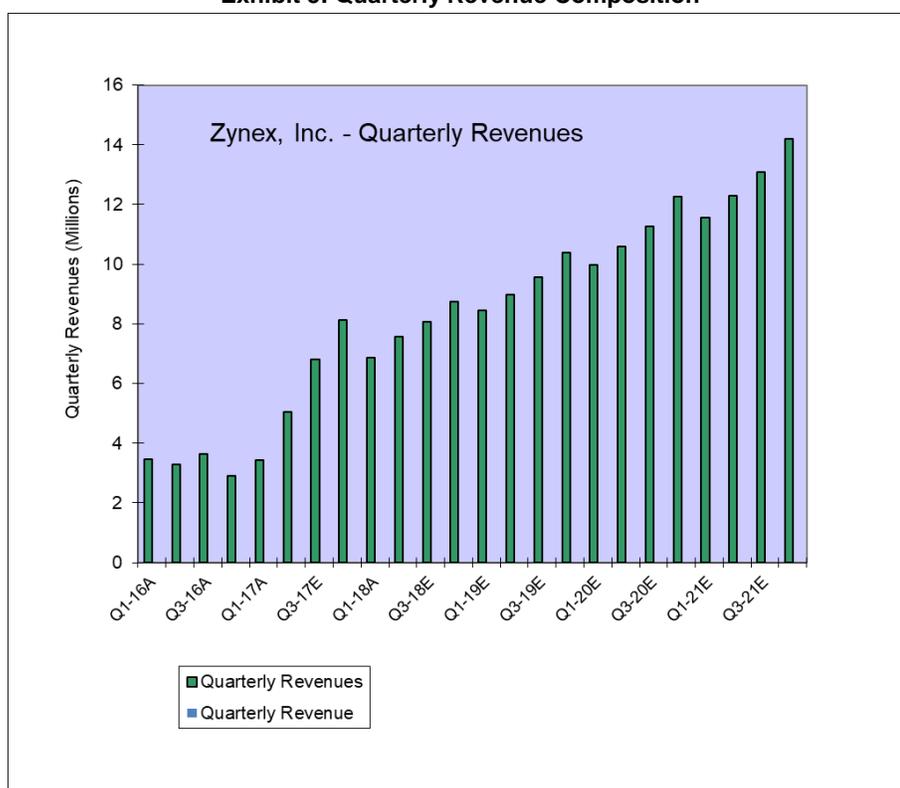
The Pronex Inline Cervical Traction is an at-home traction kit. Patients lay with their heads on the headrest while the bellows directly behind the neck are inflated manually by the patient. The second traction product is the ComforTrac Cervical Traction that can be adjusted to different angles and provide 50 pounds of force. The headrest is slightly contoured and the traction is initiated by a hand pump.

Valuation

Financial Assumption and Modelling

Zynex currently reports revenues in two reportable segments, devices and supplies. During FY-2017 product devices accounted for 37% of revenues and product supplies accounted for 63% of revenues. For 2018 we estimate that devices will grow -4% with 27% composition to revenues, while supplies will grow 55% with 73% of revenues. For 2019-2021 we anticipate both segments to grow at approximately the same rate and account for 27% and 73% of revenues, respectively.

Exhibit 5: Quarterly Revenue Composition



Source: Ladenburg Thalmann & Co., Inc. estimates

Total revenues for the company during 2017 were \$23.4 million. For 2018 we are estimating gross revenues to increase 33.4% to \$31.3 million. For 2019-2021 we are estimating revenue growth of 19.5%, 18.0% and 16% to \$37.4, \$44.1 and \$51.1 million, respectively.

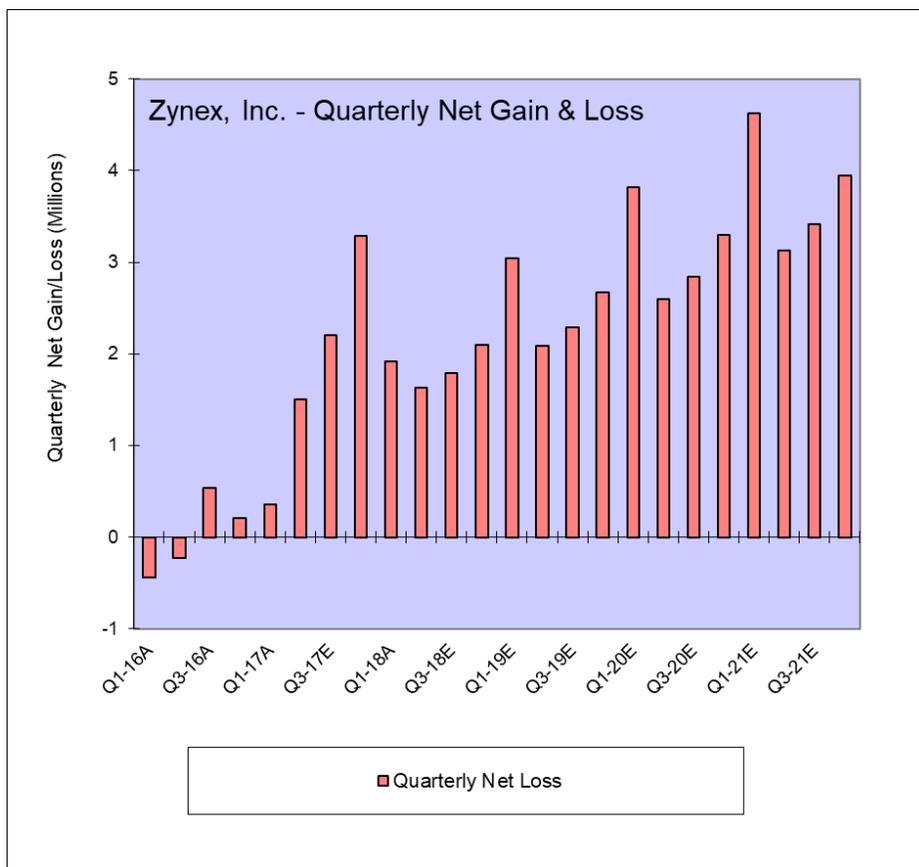
Zynex gross margins have been extremely healthy, with 2016 and 2017 levels of 74% and 79%, respectively. We are estimating that these levels still have further room to grow and are estimating 2018 blended rates of 78.9%. 2018 estimates could prove to be conservative given the 82% reported during Q1. 2019-2021 gross margins are currently estimated to be 79%, 79.5%, and 80%, respectively.

The company currently reports SG&A as one line item which only provides overall trends as to specific headcount and spend. SG&A was \$9.7 million and 41% of revenues for 2017 and we are estimating that SG&A will grow 55.8% to \$15.1 million and 48% of revenue during 2018. For 2019-2021 we are estimating that SG&A will grow 16%, 15% and 14% to levels of \$17.5, \$20.1 and \$22.9 million and 37%, 26% and 45% of revenues, respectively.

Income tax expense has been minimal to date, but is expected to grow with future positive income. We are assuming a 27% tax rate going forward with 2018 through 2021 tax expense of \$2.0, \$3.3, \$4.0 and \$4.9 million, respectively.

2017 net income for Zynex was \$7.4 million and \$0.22 earnings per fully diluted share. For 2018 we are estimating net income of \$7.4 million and \$0.21 per share. For 2019 through 2021 we are estimating that earnings will accelerate to \$12.0 million (\$0.28), \$15.0 million (\$0.35) and \$18.0 million (\$0.43).

Exhibit 6: Quarterly Net Gain and Loss



Source: Ladenburg Thalmann & Co., Inc. estimates

We believe that Zynex, Inc. should be valued in comparison with other micro and small-cap technologically advanced medical device companies within the healthcare equipment sector. Our Comparable Company Valuation table provides a comprehensive list of similar companies and measures their current revenue multiple valuations compared to anticipated revenues out four years.

Based on our Comparable Company Valuation table, we believe it is appropriate to value the company based on its representative peers. As such, we have determined that the company's valuation should be an average of two metrics; enterprise value/revenues and price/earnings. We are using 5.0 times revenues and a P/E of 30 times for 2020 revenues of \$44.1 million and EPS of \$0.35, which yields a price target of \$7.75. Our calculation for the two metrics is for FY-2020 and discounted by one year and 10% to account for the passage of time.

Exhibit 7: Calculated Price Target

Zynex, Inc. - EV/Revenue Price Target Model (\$MM)	
Enterprise Value to Revenue (EV/R)	
EV/Revenue average for peer group	5.00
Total current cash & investments	\$ 4.37
Total current debt	\$ 0.1
Total outstanding shares used in calculation	33.20
Estimated Revenue for FY-2020	\$ 44.08
Market Cap at EV/Revenue multiple	224.69
Price target at EV/Revenue multiple	\$ 6.77
Annual Discount Rate	10%
Discounted number of years	1
Discounted Price Target at EV/Revenue Multiple	\$ 6.09
Source: Ladenburg Thalmann & Co. Inc., Company reports	

Zynex, Inc.- P/E Price Target Model (MM)	
Price to Earnings (P/E)	
Peer Group - Price to Earnings Ratio Average	30.00
Estimated Earnings for FY-2020	\$ 0.35
Estimated Price Target at P/E multiple	\$ 10.60
Annual discount rate	10.0%
Discounted number of years	1.0
Price Target at P/E Multiple	\$ 9.54
Source: Ladenburg Thalmann & Co. Inc., Company reports	

Zynex, Inc. - Average Price Target Model	
Price Target at EV/Revenue Multiple	\$ 6.09
Price Target at P/E Multiple	\$ 9.54
Average Price Target	\$ 7.81
Source: Ladenburg Thalmann & Co. Inc., Company reports	

Source: Ladenburg Thalmann & Co., Inc estimates.

Exhibit 8: Comparable Company Analysis

Company Name	Company Name Ticker	Rating	Market Data			Revenue Estimate			EV/Total Revenue Estimat		
			Price	Shares (MM)	Market Cap	FY2018	FY2019	FY2020	FY2018	FY2019	FY2020
Zynex, Inc.	OTCPK:ZYXI	BUY	3.06	33	100	31	40	-	3.0x	2.4x	-
Viveve Medical, Inc.	NasdaqCM:VIVE	BUY	2.71	31	85	21	33	48	3.5x	2.3x	1.6x
Nuvectra Corporation	NasdaqGM:NVTR	NR	21.03	14	298	47	71	102	6.0x	4.0x	2.8x
Cutera, Inc.	NasdaqGS:CUTR	NR	38.10	14	519	179	205	243	2.8x	2.4x	2.0x
Bovie Medical Corporation	AMEX:BVX	NR	4.40	33	145	42	46	52	3.3x	3.0x	2.7x
Semler Scientific, Inc.	OTCPK:SMLR	NR	14.80	6	88	19	24	29	4.7x	3.7x	3.1x
Second Sight Medical Product	NasdaqCM:EYES	NR	1.68	67	112	8	25	45	12.9x	4.3x	2.4x
Cytosorbents Corporation	NasdaqCM:CTSO	NR	10.90	30	327	22	34	54	14.6x	9.2x	5.9x
Average			12.1	28.4	209.2	46.2	59.8	81.9	6.4	3.9	2.9
Median			7.7	30.7	128.3	26.5	37.2	52.2	4.1	3.3	2.7

Source: S&P Capital IQ

NR = Not Rated.

Pricing is as of 06/27/2018.

Mention of specific companies not covered by Ladenburg Thalmann & Co Inc. is not a recommendation to buy, hold or sell those securities mentioned.

Primary Risks

In addition to normal economic and market risk factors that impact most all equities, we believe that the primary risks to our recommendation and price target of an investment in Zynex, Inc. shares include, but are not limited to:

Management and Board Stability

Significant loss of key personnel could prove to be damaging towards the operational efficiencies and further growth of the company. The departure of key personnel could materially affect the overall performance and strategy of the company going forward. The company is highly dependent on the services of its current management team and board. Key to the company's progress over the past 22 years is Thomas Sandgaard, who currently serves as the company's CEO, President and Chairman of the Board.

Commercialization

Although it is likely the company will maintain its existing commercialization channels, there is no guarantee the company will be successful in their efforts to expand into alternative international markets or business segments. The commercialization strategy may limit the company's ability to generate estimated revenues henceforth. The company's products are sold in highly competitive markets and could be outdone by a superior competitor thus disrupting projected revenues.

Competition and Adoption

As is the case within the healthcare industry, there exist various innovative and highly competitive corporations. The company could be negatively impacted from current and future competitive products into the marketplace. There can be no assurances that Zynex will continue to provide attractive products as compared with other technologies which exist or are developed. Clinicians and users may find that there are alternative solutions which could potentially offer better performance or outcomes. Potential current and future market share and market acceptance of the company's technologies will depend on its ability to demonstrate that its products represent an attractive alternative as compared with other offerings.

Regulatory / Development Risks

Modifications or future iterations of the company's currently approved, and products under development, are subject to FDA and other regulatory body requirements in the United States and similar agencies in other countries. Products under current development may require extensive testing, studies, data submission and/or clinical evaluation prior to granting proper licenses to sell in various geographies. If the company fails to comply with applicable regulatory requirements the FDA and other regulatory bodies could deny marketing clearance or approval, withdraw approvals, or impose civil penalties, including fines, product seizures or product recalls and, in extreme cases, criminal sanctions. There can be no assurances that the product will be available for sale or that anticipated revenues coincide with our current estimates. If or when approved there can be no assurances that clinicians will adopt usage of the product as compared with our current estimates.

Other

Zynex's business is subject to economic, political, regulatory and other risks associated with international sales and operations.

The company has had a lack of liquidity in recent periods which has led to a going concern opinion in prior years

The Tax Cuts and Jobs Act could have material effects on the Company

The company has had material weaknesses in their internal controls over financial reporting in previous periods The company's common stock may be subject to the penny stock rules of the SEC and the trading market in their securities is limited , which makes transactions in their stock cumbersome and may reduce the value of an investment in their stock.

The company's status as a controlled company could make our class A stock less attractive to some investors or otherwise harm their stock price

Management

Thomas Sandgaard

Chairman, President, and Chief Executive Officer

Mr. Thomas Sandgaard has served as President, CEO, and Chairman of the Board since founding the company in 1996. Prior to Zynex Mr. Sandgaard held various management positions with large global companies such as ITT, Siemens, GN Danavox, Dataco, and Philips. His focus and expertise is in international sales, distribution, technology transfers, and mergers. He applies the knowledge acquired from the semiconductor, telecommunications, data communications, and medical equipment industries to his current business and strategy. He earned his degree in electronics engineering from Denmark's Odense University of Engineering and an MBA from Copenhagen Business School.

Dan Moorhead

Chief Financial Officer

Mr. Dan Moorhead currently serves as the company's Chief Financial Officer and has since 2017. Previously, he served as CFO of Evolving Systems, Inc. a software company focused upon personalized customer engagement. Mr. Moorhead also served as VP of Finance and Administration at Evolving Systems four years prior to his promotion. He stands as a key member of the management team as the company evaluates various financial strategies going forward. He earned his B.B.A. in Accounting from the University of Northern Colorado and is a Certified Public Accountant in Colorado.

Executives

Robert Bird**Vice President of Marketing**

Mr. Robert Bird currently serves as the Vice President of Marketing and is responsible for all marketing initiatives as well as inside sales, and compounding products. Mr. Bird has acquired greater than 20 years of management and marketing expertise which he directly applies to his role at Zynex. He received his B.S. in Business Administration from California State University, Hayward.

Michael Frabotta**Vice President of Sales**

Mr. Michael Frabotta serves as the Vice President of Sales which includes responsibilities such as promoting the electrotherapy and compound pharmacy products in the United States. Previously, he held various positions at companies such as RS Medical and ERMI where he gathered greater than 14 years of experience. RS Medical, where Mr. Frabotta served as Director of Sales, National Director or Payor Contracting, Regional Manager, and Sales Representative, was highly competitive in the electrotherapy industry. He earned his B.S. in Nursing with a specialization in Orthopedics from the University of Pittsburgh.

Board of Directors

Thomas Sandgaard

President, CEO and Chairman of the Board - see Management bio above

Michael Cress

Mr. Michael Cress currently serves as the Chairman and Managing Partner of MD Cress Ventures that is active in the healthcare sector as well as the Chairman of Rainier Healthcare. Preceding MD Cress, he held the position of CEO and President of Cornerstone Healthcare Group which owns several hospitals within the United States. Prior, he served as the VP of Business Development at Kindred Healthcare that owns and operates hospitals, nursing homes, rehabilitation, pharmacies, and various other segments within the healthcare industry. He has also served as CEO at Vencor Hospital of San Diego. He is affiliated with many non-profit boards and often acts as an advisor to companies such as Linley Capital and BankSNB.

Barry Michaels

Mr. Barry Michaels has acquired greater than 40 years of financial and management expertise from holding various management roles at global industry leaders including Medtronic, J&J, and Baxter Healthcare. He has also served as CEO and President for seven start up or emerging companies within the healthcare sector. His most recent role was a consultant to Organovo Holdings, Inc. following his retirement in 2016. He earned his MBA with a specialization in Finance from San Diego State University and has completed the Executive Program at UCLA Anderson Graduate School of Management.

Josh Disbrow

Mr. Josh Disbrow has greater than 20 years of experiences in the life sciences industry that includes pharmaceuticals, diagnostics, and medical devices. He currently holds the position of Chairman and CEO of Aytu Biosciences that provides diagnostic and treatment products for prostate cancer and low testosterone patients. Preceding Aytu, Mr. Disbrow served as the CEO of Ampio Pharmaceuticals leading the Luoxis Diagnostics Subsidiary. Luoxis later merged into Aytu in 2015. Prior to Ampio he also served as the VP of Commercial Operations at Arbor Pharmaceuticals. He was involved in the development of Arbor as one of the initial management members. He played a key role in growing the company's revenue from zero to \$127 million in approximately four years. Mr. Disbrow earned his B.S. in Management from North Carolina State University and MBA from Wake Forest University.

Financials Statement & Modelling

Exhibit 9: Quarterly Revenue Composition

Zynex, Inc. - Segmented Statement of Operations (SMM)	2015 A	2016 A	2017 A	Q1-18 A	Q2-18 E	Q3-18 E	Q4-18 E	2018 E	Q1-19 E	Q2-19 E	Q3-19 E	Q4-19 E	2019 E	Q1-20 E	Q2-20 E	Q3-20 E	Q4-20 E	2020 E	2021 E
All figures are U.S. Dollars (\$ in Millions) Blue shading denotes variables	Dec-15	Dec-16	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Dec-20	Dec-21
Net revenue:																			
Product devices		9.03	8.76	1.59	2.24	2.25	2.37	8.44	2.10	2.58	2.58	2.72	9.98	2.47	3.04	3.05	3.21	11.78	13.66
Product supplies	7.99	4.28	14.68	5.29	5.34	5.81	6.38	22.82	6.35	6.40	6.97	7.66	27.38	7.49	7.56	8.23	9.04	32.31	37.48
Rental	2.48																		
Sales																			
Pharmacy and other	1.17																		
Total revenue	11.64	13.31	23.43	6.88	7.58	8.06	8.75	31.26	8.44	8.98	9.56	10.38	37.36	9.96	10.60	11.28	12.25	44.08	51.14
Revenue composition:																			
Product devices		273%	37%	23%	30%	28%	27%	27%	25%	29%	27%	26%	27%	25%	29%	27%	26%	27%	27%
Product supplies	69%	127%	63%	77%	70%	72%	73%	73%	75%	71%	73%	74%	73%	75%	71%	73%	74%	73%	73%
Rental	21%																		
Sales																			
Pharmacy and other	10%																		
Total	100%			100%	100%	100%	100%		100%	100%	100%	100%		100%	100%	100%	100%		
Growth analysis (YY):																			
Product devices			-3%	-15%	-9%	-3%	12%	-4%	32%	15%	15%	15%	18%	18%	18%	18%	18%	18%	16%
Product supplies		-46%	243%	236%	107%	29%	6%	55%	20%	20%	20%	20%	20%	18%	18%	18%	18%	18%	16%
Total		14%	76%	100%	50%	18%	8%	33%	23%	19%	19%	19%	20%	18%	18%	18%	18%	18%	16%

Source: Ladenburg Thalmann & Co. Inc., Company reports

Exhibit 10: Income Statement

Zynex, Inc. - Consolidated Statement of Operations (\$MM)	2015 A	2016 A	2017 A	Q1-18 A	Q2-18 E	Q3-18 E	Q4-18 E	2018 E	Q1-19 E	Q2-19 E	Q3-19 E	Q4-19 E	2019 E	Q1-20 E	Q2-20 E	Q3-20 E	Q4-20 E	2020 E	2021 E
All figures are U.S. Dollars (\$ in Millions) Blue shading denotes variables	Dec-15	Dec-16	Dec-17	Mar-18	Jun-18	Sep-18	Dec-18	Dec-18	Mar-19	Jun-19	Sep-19	Dec-19	Dec-19	Mar-20	Jun-20	Sep-20	Dec-20	Dec-20	Dec-21
Total Revenue	11.64	13.31	23.43	6.88	7.58	8.06	8.75	31.26	8.44	8.98	9.56	10.38	37.36	9.96	10.60	11.28	12.25	44.08	51.14
Cost of revenue and OPEX																			
Cost of revenue	4.94	3.52	4.82	1.24	1.67	1.77	1.92	6.60	1.77	1.89	2.01	2.18	7.85	2.04	2.17	2.31	2.51	9.04	10.23
Selling, general, and administrative	9.19	9.16	9.67	3.69	3.65	3.81	3.92	15.06	4.27	4.24	4.42	4.54	17.47	4.92	4.87	5.08	5.23	20.09	22.91
Total cost of revenue and OPEX	14.12	12.67	14.49	4.92	5.32	5.58	5.84	21.66	6.05	6.12	6.42	6.72	25.32	6.96	7.05	7.39	7.74	29.13	33.13
Income from operations	(2.48)	0.64	8.94	1.96	2.26	2.48	2.91	9.60	2.39	2.86	3.13	3.66	12.04	3.00	3.55	3.89	4.51	14.95	18.00
Other expense																			
Other expense	(0.01)																		
Interest expense	(0.50)	(0.35)	(1.45)	(0.12)	(0.03)	(0.03)	(0.03)	(0.21)					0.00					0.00	0.00
Income from operations before taxes	(2.99)	0.08	7.49	1.84	2.23	2.45	2.88	9.39	2.39	2.86	3.13	3.66	12.04	3.00	3.55	3.89	4.51	14.95	18.00
Income tax expense	0.06	0.02	0.13	(0.08)	0.60	0.66	0.78	1.96	0.65	0.77	0.85	0.99	3.25	0.81	0.96	1.05	1.22	4.04	4.86
Noncontrolling interest	0.02																		
Net gain (loss)	(2.91)	0.07	7.35	1.92	1.63	1.79	2.10	7.43	3.04	2.09	2.29	2.67	10.08	3.81	2.59	2.84	3.29	12.54	15.11
Net loss attributable to common shareholders, per share basic	(0.09)	0.00	0.23	0.06	0.05	0.05	0.06	0.23	0.09	0.06	0.07	0.08	0.30	0.11	0.08	0.08	0.10	0.37	0.44
Net loss attributable to common shareholders, per share diluted	(0.09)	0.00	0.22	0.06	0.05	0.05	0.06	0.21	0.09	0.06	0.06	0.08	0.28	0.11	0.07	0.08	0.09	0.35	0.43
Weighted Average number of outstanding basic shares (MM)	31.27	31.27	32.16	32.60	32.70	32.80	33.00	32.16	34.00	34.00	34.00	34.00	32.16	34.00	34.00	34.00	34.00	32.16	32.16
Weighted Average number of outstanding diluted shares (MM)	31.27	31.27	33.20	34.41	34.50	34.60	34.80	33.20	35.40	35.40	35.50	35.50	33.20	35.50	35.50	35.50	35.50	33.20	33.20
MARGIN ANALYSIS																			
Cost of revenue (COGS)																			
Cost of goods	42.4%	26%	21%	18.0%	22.0%	22.0%	22.0%	21.1%	21.0%	21.0%	21.0%	21.0%	21.0%	20.5%	20.5%	20.5%	20.5%	20.5%	20.0%
Gross margins	57.6%	74%	79%	82.0%	78.0%	78.0%	78.0%	78.9%	79.0%	79.0%	79.0%	79.0%	79.0%	79.5%	79.5%	79.5%	79.5%	79.5%	80.0%
Expenses																			
Selling, general, and administrative	79%	69%	41%	54%	48%	47%	45%	48%	51%	47%	46%	44%	47%	49%	46%	45%	43%	46%	45%
Tax rate					27%	27%	27%		27%	27%	27%	27%		27%	27%	27%	27%		
GROWTH ANALYSIS (Y/Y)																			
Revenues		14.4%	76.0%	100.1%	50.3%	18.1%	7.6%	33.4%	22.8%	18.5%	18.6%	18.6%	19.5%	18.0%	18.0%	18.0%	18.0%	18.0%	16.0%
Revenues (q/q)				-15.5%	10.2%	6.3%	8.6%		-3.5%	6.4%	6.4%	8.6%		-4.0%	6.4%	6.4%	8.6%		
Cost of goods		-28.8%	37.0%	33.9%	63.5%	31.6%	25.9%	37.0%	43.4%	13.1%	13.2%	13.3%	18.9%	15.2%	15.2%	15.2%	15.2%	15.2%	13.2%
Expenses																			
Selling, general, and administrative		-0.3%	5.6%	81.5%	75.0%	50.0%	30.0%	55.8%	16.0%	16.0%	16.0%	16.0%	16.0%	15.0%	15.0%	15.0%	15.0%	15.0%	14.0%

Source: Ladenburg Thalmann & Co. Inc., Company reports

Exhibit 11: Annual Revenue Composition

Zynex, Inc. - Segmented Statement of Operations (\$MM)	2015 A	2016 A	2017 A	2018 E	2019 E	2020 E	2021 E
All figures are U.S. Dollars (\$ in Millions) Blue shading denotes variables	Dec-15	Dec-16	Dec-17	Dec-18	Dec-19	Dec-20	Dec-21
Net revenue:							
Product devices		9.03	8.76	8.44	9.98	11.78	13.66
Product supplies	7.99	4.28	14.68	22.82	27.38	32.31	37.48
Rental	2.48						
Sales							
Pharmacy and other	1.17						
Total revenue	11.64	13.31	23.43	31.26	37.36	44.08	51.14
Revenue composition:							
Product devices		273%	37%	27%	27%	27%	27%
Product supplies	69%	127%	63%	73%	73%	73%	73%
Rental	21%						
Sales							
Pharmacy and other	10%						
Total	100%						
Growth analysis (Y/Y):							
Product devices			-3%	-4%	18%	18%	16%
Product supplies		-46%	243%	55%	20%	18%	16%
Total		14%	76%	33%	20%	18%	16%

Source: Ladenburg Thalmann & Co. Inc., Company reports

Exhibit 12: Annual Income Statement

Zynex, Inc. - Consolidated Statement of Operations (\$MM)	2015 A	2016 A	2017 A	2018 E	2019 E	2020 E	2021 E
All figures are U.S. Dollars (\$ in Millions) Blue shading denotes variables	Dec-15	Dec-16	Dec-17	Dec-18	Dec-19	Dec-20	Dec-21
Total Revenue	11.64	13.31	23.43	31.26	37.36	44.08	51.14
Cost of revenue and OPEX							
Cost of revenue	4.94	3.52	4.82	6.60	7.85	9.04	10.23
Selling, general, and administrative	9.19	9.16	9.67	15.06	17.47	20.09	22.91
Total cost of revenue and OPEX	14.12	12.67	14.49	21.66	25.32	29.13	33.13
Income from operations	(2.48)	0.64	8.94	9.60	12.04	14.95	18.00
Other expense							
Other expense	(0.01)						
Interest expense	(0.50)	(0.35)	(1.45)	(0.21)	0.00	0.00	0.00
Income from operations before taxes	(2.99)	0.08	7.49	9.39	12.04	14.95	18.00
Income tax expense	0.06	0.02	0.13	1.96	3.25	4.04	4.86
Noncontrolling interest	0.02						
Net gain (loss)	(2.91)	0.07	7.35	7.43	10.08	12.54	15.11
Net loss attributable to common shareholders, per share basic	(0.09)	0.00	0.23	0.23	0.30	0.37	0.44
Net loss attributable to common shareholders, per share diluted	(0.09)	0.00	0.22	0.21	0.28	0.35	0.43
Weighted Average number of outstanding basic shares (MM)	31.27	31.27	32.16	32.16	32.16	32.16	32.16
Weighted Average number of outstanding diluted shares (MM)	31.27	31.27	33.20	33.20	33.20	33.20	33.20
MARGIN ANALYSIS							
Cost of revenue (COGS)							
Cost of goods	42.4%	26%	21%	21.1%	21.0%	20.5%	20.0%
Gross margins	57.6%	74%	79%	78.9%	79.0%	79.5%	80.0%
Expenses							
Selling, general, and administrative	79%	69%	41%	48%	47%	46%	45%
Tax rate							
GROWTH ANALYSIS (Y/Y)							
Revenues		14.4%	76.0%	33.4%	19.5%	18.0%	16.0%
Revenues (q/q)							
Cost of goods		-28.8%	37.0%	37.0%	18.9%	15.2%	13.2%
Expenses							
Selling, general, and administrative		-0.3%	5.6%	55.8%	16.0%	15.0%	14.0%
Source: Ladenburg Thalmann & Co. Inc., Company reports							

Exhibit 13: Consolidated Balance Sheet

Zynex, Inc. - Consolidated Balance Sheet (\$MM) <i>All figures are denominated into U.S. Dollars (\$ in Millions)</i>	2015 A Dec-15	2016 A Dec-16	2017 A Dec-17	Q1-18 A Mar-18	2018 E Dec-18	2019 E Dec-19	2020 E Dec-20
Assets							
Current Assets							
Cash and cash equivalents	0.01	0.25	5.57	4.37	11.81	21.90	33.93
Accounts receivable	2.43	3.03	2.19	2.67	2.00	2.00	1.00
Inventories, net	0.31	0.11	0.42	0.71	0.00	0.00	0.00
Prepaid expenses and other current assets	0.03	0.04	0.20	0.62	0.00	0.00	0.00
Total Current Assets	2.77	3.42	8.37	8.36	13.81	23.90	34.93
Property and equipment, net	0.80	0.58	0.19	0.58	1.50	2.00	2.00
Deposits and other assets	0.06	0.06	0.37	0.38	0.35	1.06	1.00
Amortizable intangible assets, net	0.07	0.03					
Total assets	3.70	4.09	8.93	9.31	15.66	26.96	37.93
Liabilities and Stockholders' Equity (Deficit)							
Current liabilities							
Line credit	4.00	2.77	0.00				
Current portion of unsecured subordinated promissory notes	0.00	0.00	0.23	0.01	0.10	0.50	0.50
Current portion of capital lease	0.11	0.12	0.12	0.09	0.20	1.00	1.00
Accounts payable and accrued expenses	2.78	3.24	2.24	2.11	2.00	2.00	2.37
Income taxes payable	0.08						
Accrued payroll and related taxes	0.48	0.73	0.54	0.66	1.00	1.00	1.00
Deferred insurance reimbursement	0.00	0.88	0.88	0.88	1.00	1.00	1.00
Deferred revenue	0.09						
Total Current Liabilities	7.54	7.75	4.02	3.75	4.30	5.50	5.87
Long term liabilities							
Long-term portion of unsecured subordinated promissory note							
Obligation to issue common stock to private placement noteholders							
Capital leases, less current portion	0.22	0.14	0.00				
Deferred rent				0.33	1.00	1.00	1.00
Warranty liability	0.01	0.01	0.01	0.01	0.36	0.01	0.01
Total liabilities	7.77	7.89	4.03	4.09	5.66	6.51	6.88
Commitments and Contingencies							
Preferred stock, \$0.0001 par value; 10m auth., none issued							
Common stock \$0.001 par, 10m auth. 32.8m issued 31.3m issued	0.03	0.03	0.03	0.03	0.05	0.05	0.05
Additional paid in capital	5.83	6.03	7.61	7.76	7.80	5.40	3.00
Treasury stock 86.8k 0 shares	0.00	0.00	-0.24	-2.00	-2.00	-2.00	-2.00
Accumulated deficit	-9.85	-9.78	-2.41	-0.49	4.15	17.00	30.00
Total Zynex, Inc. Stockholders Equity	-3.98	-3.71	4.99	5.30	10.00	20.45	31.05
Non-controlling interest	-0.09	-0.09	-0.09	-0.09	-0.10	-0.10	-0.10
Total Stockholders Equity	-4.07	-3.80	4.90	5.22	9.90	20.35	30.95
Total Liabilities and Stockholders Equity	3.70	4.09	8.93	9.31	15.66	26.96	37.93

Source: Ladenburg Thalmann & Co. Inc., Company reports

Exhibit 14: Consolidated Statement of Cash Flows

Zynex, Inc. - Consolidated Statement of Cash Flows (\$MM)	2015 A Dec-15	2016 A Dec-16	2017 A Dec-17	Q1-18 A Mar-18	2018 E Dec-18	2019 E Dec-19	2020 E Dec-20
<i>All figures are denominated into U.S. Dollars (\$ in Millions)</i>							
Operating Activities							
Net gain (loss)	-2.93	0.07	7.37	0.99	7.43	10.08	12.54
Adjustments for reconciliation - operating activities							
Depreciation expense	0.37	0.40	0.25		1.00	2.00	2.00
Noncore inventory write-off							
Write-off rental units		0.03					
Net gain on lease termination							
Provision for losses on accounts receivable	1.04	1.43			0.00	0.00	0.00
Amortization of intangible assets	0.06	0.04	0.03		0.50	1.00	1.00
Amortization of financing fees			0.51		0.00	0.00	0.00
Issuance of common stock for services			0.23		0.00	0.00	0.00
Provision for obsolete inventory	0.03		0.23		0.00	0.00	0.00
Loss on disposal of property		0.02					
Deferred rent							
Interest expense related to common stock issued in connection with private placement			0.74		0.00	0.00	0.00
Employee stock-based compensation expense	0.13	0.20	0.07		1.00	1.00	1.00
Change in operating assets and liabilities							
Accounts receivable	-0.28	-2.02	0.84		1.00	1.00	1.00
Inventory	1.60	0.20	-0.32		-1.00	-1.00	-1.00
Prepaid expenses	0.22	-0.01	-0.47				-0.50
Income tax receivable	0.27						
Deposits and other assets	-0.05						
Deferred revenue	-0.02	0.85					
Accounts payable	-0.07	0.40	-1.22		-1.00	-1.00	-1.00
Accrued liabilities	-0.02	0.17					
Income taxes payable							
Net cash and cash equivalents used in operating activities	0.34	1.77	8.26	0.99	8.43	12.58	15.04
Investing Activities							
Net disposals of equipment	0.01						
Purchases used for rental		-0.23					
Purchase of property plant and equipment			-0.09	-0.16	-1.00	-1.00	-1.00
Change in inventory used for rental	0.10	0.00					
Payments on contingent consideration							
Net cash and cash equivalent used in investing activities	0.11	-0.23	-0.09	-0.16	-1.00	-1.00	-1.00
Financing Activities							
Payments on line of credit	-0.44	-1.23	-2.77		-0.50	-1.00	-1.00
Principal payments on subordinated				-0.33			
Proceeds from unsecured subordinated promissory notes			-0.65		0.00	0.00	0.00
Payment of commission and placement agent fees and related expenses			1.04		0.00	0.00	0.00
Payments on capital lease obligation	-0.06	-0.07	-0.16	-0.03	-1.00	-1.00	-1.00
Purchase of treasury stock				-1.76			
Proceeds from the issuance of stock				0.09			
Net cash and cash equivalents provided by financing activities	-0.50	-1.30	-2.54	-2.03	-1.50	-2.00	-2.00
Net increase (decrease) in cash and cash equivalents	-0.06	0.24	5.63	-1.20	5.93	9.58	12.04
Cash and Cash equivalents - beginning of year	0.06	0.01	0.25	5.57	5.88	11.81	21.40
Cash and Cash equivalents - end of year	0.01	0.25	5.88	4.37	11.81	21.40	33.43
Supplemental disclosure of cash flow information							
Interest paid	0.50	0.35	0.20	0.01	0.00	0.00	0.00
Treasury stock purchased and included in accrued liabilities but not settled			0.02				

Source: Ladenburg Thalmann & Co. Inc. Company reports

APPENDIX A: IMPORTANT RESEARCH DISCLOSURES

ANALYST CERTIFICATION

I, Jeffrey S. Cohen, attest that the views expressed in this research report accurately reflect my personal views about the subject security and issuer. Furthermore, no part of my compensation was, is, or will be directly or indirectly related to the specific recommendation or views expressed in this research report, provided, however, that:

The research analyst primarily responsible for the preparation of this research report has or will receive compensation based upon various factors, including the volume of trading at the firm in the subject security, as well as the firm's total revenues, a portion of which is generated by investment banking activities.

Additional information regarding the contents of this publication will be furnished upon request. Please contact Ladenburg Thalmann, Compliance Department, 277 Park Avenue, 26th floor, New York, New York 10172 (or call 212-409-2000) for any information regarding current disclosures, and where applicable, relevant price charts, in regard to companies that are the subject of this research report.

COMPANY BACKGROUND

Zynex, Inc., a medical technology company, designs, manufactures, and markets electrotherapy medical devices used for pain management and rehabilitation. Its products include NexWave, NeuroMove, and InWave. The company also distributes private labeled products. In addition, it develops non-invasive blood volume monitors for use in hospitals and surgery centers. The company offers its products for pain management and control and stroke and spinal cord injury rehabilitation. It sells its products through direct and independent sales representatives primarily in the United States.

VALUATION METHODOLOGY

Based on our Comparable Company Valuation table, we believe it is appropriate to value the company based on its representative peers. As such, we have determined that the company's valuation should be an average of two metrics; enterprise value/revenues and price/earnings. We are using 5.0 times revenues and a P/E of 30 times for 2020 revenues of \$44.1 million and EPS of \$0.35, which yields a price target of \$7.75. Our calculation for the two metrics is for FY-2020 and discounted by one year and 10% to account for the passage of time.

RISKS

In addition to normal economic and market risk factors that impact most all equities, we believe that the primary risks to our recommendation and price target of an investment in Zynex, Inc. shares include, but are not limited to:

Management and Board Stability: Significant loss of key personnel could prove to be damaging toward the operational efficiencies and further growth of the company. The departure of key personnel could materially affect the overall performance and strategy of the company going forward. The company is highly dependent on the services of its current management team and board. Key to the company's progress over the past 22 years is Thomas Sandgaard, who currently serves as the company's CEO, President and Chairman of the Board.

Commercialization: Although it is likely the company will maintain its existing commercialization channels, there is no guarantee the company will be successful in its efforts to expand into alternative international markets or business segments. The commercialization strategy may limit the company's ability to generate estimated revenues henceforth. The company's products are sold in highly competitive markets and could be outdone by a superior competitor thus disrupting projected revenues.

Competition and Adoption: As is the case within the healthcare industry, there exist various innovative and highly competitive corporations. The company could be negatively impacted from current and future competitive products into the marketplace. There can be no assurances that Zynex will continue to provide attractive products as compared with other technologies that exist or are developed. Clinicians and users may find that there are alternative solutions which could potentially offer better performance or outcomes. Potential current and future market share and market acceptance of the company's technologies will depend on its ability to demonstrate that its products represent an attractive alternative as compared with other offerings.

Regulatory / Development Risks: Modifications or future iterations of the company's currently approved, and products under development, are subject to FDA and other regulatory body requirements in the United States and similar agencies in other countries. Products under current development may require extensive testing, studies, data submission and/or clinical evaluation prior to granting proper licenses to sell in various geographies. If the company fails to comply with applicable regulatory requirements the FDA and other regulatory bodies could deny marketing clearance or approval, withdraw approvals, or impose civil penalties, including fines, product seizures or product recalls and, in extreme cases, criminal sanctions. There can be no assurances that the product will be available for sale or that anticipated revenues coincide with our current estimates. If or when approved there can be no assurances that clinicians will adopt usage of the product as compared with our current estimates.

Other: ZYXI's business is subject to economic, political, regulatory and other risks associated with international sales and operations.

STOCK RATING DEFINITIONS

Buy: The stock's return is expected to exceed 12.5% over the next twelve months.

Neutral: The stock's return is expected to be plus or minus 12.5% over the next twelve months.

Sell: The stock's return is expected to be negative 12.5% or more over the next twelve months.

Investment Ratings are determined by the ranges described above at the time of initiation of coverage, a change in risk, or a change in target price. At other times, the expected returns may fall outside of these ranges because of price movement and/or volatility. Such interim deviations from specified ranges will be permitted but will become subject to review.

RATINGS DISPERSION AND BANKING RELATIONSHIPS AS OF (June 28, 2018)

Rating	%	IB %
BUY	81.9	57.6
NEUTRAL	18.1	45.7
SELL	0.0	0.0

COMPANIES UNDER JEFFREY'S COVERAGE

Amedica Corporation (AMDA)	Avinger, Inc. (AVGR)
ChromaDex Corporation (CDXC)	Celsius Holdings, Inc. (CELH)
CHF Solutions, Inc. (CHFS)	CryoLife, Inc. (CRY)
Corindus Vascular Robotics, Inc. (CVRS)	Dynatronics Corp. (DYNT)
Microbot Medical Inc. (MBOT)	Mazor Robotics Ltd. (MZOR)
Neovasc, Inc. (NVCN)	InVivo Therapeutics Holdings Corp. (NVIV)
Orthofix International N.V. (OFIX)	Opsens Inc. (OPS)
ReShape Lifesciences Inc. (RSLI)	SeaSpine Holdings Corporation (SPNE)
Tenax Therapeutics, Inc. (TENX)	TransEnterix, Inc. (TRXC)
Viveve Medical, Inc. (VIVE)	Zynex, Inc. (ZYXI)

COMPANY SPECIFIC DISCLOSURES

Ladenburg Thalmann & Co. Inc. makes a market in Viveve Medical, Inc..

Ladenburg Thalmann & Co. Inc. has managed or co-managed a public offering for Viveve Medical, Inc. within the past 12 months.

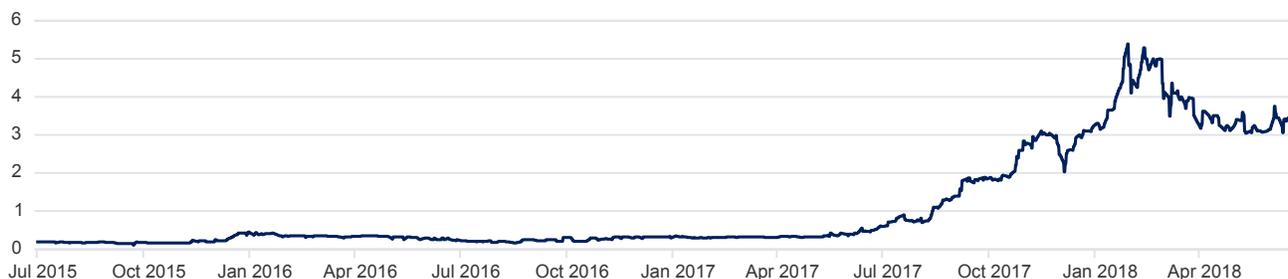
Ladenburg Thalmann & Co. Inc received compensation for investment banking services from Viveve Medical, Inc. within the past 12 months.

OTHER COMPANIES MENTIONED

Viveve Medical, Inc. (VIVE, \$2.71, BUY)

INVESTMENT RATING AND PRICE TARGET HISTORY**Zynex, Inc. Rating History as of 06/27/2018**

powered by: BlueMatrix



B=Buy N=Neutral S=Sell D=Drop Coverage I=Initiate NR=Not Rated

Viveve Medical, Inc. Rating History as of 06/27/2018

powered by: BlueMatrix

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