Zacks Small-Cap Research

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Corgenix Medical (CONX-OTCQB)

CONX: *Board Approves Acquisition at $0.27/share*

Current Recommendation	**Neutral**
Prior Recommendation	Outperform
Date of Last Change	08/28/2014
Current Price (08/28/14)	$0.27
Target Price	**$0.27**

OUTLOOK

This morning (8/28/2014) Corgenix announced that their board of directors unanimously approved for the company to be acquired $0.27/share (~$16 million) by Orgentec Diagnostika, a privately-held specialty diagnostics company based in Mainz, Germany.

The stock closed at $0.34 on 8/27/14, up 162% since our 10/19/2011 initiation on CONX (at $0.13/share). As we expect this announcement will keep the trading in a tight range around $0.27/share, we are moving our price target to $0.27 and our recommendation to Neutral.

SUMMARY DATA

52-Week High	**$0.56**
52-Week Low	**$0.17**
One-Year Return (%)	**22.50**
Beta	**0.80**
Average Daily Volume (sh)	**123,111**
Shares Outstanding (mil)	**52**
Market Capitalization ($mil)	**$14**
Short Interest Ratio (days)	**N/A**
Institutional Ownership (%)	**0**
Insider Ownership (%)	**9**
Annual Cash Dividend	**$0.00**
Dividend Yield (%)	**0.00**
5-Yr. Historical Growth Rates	
Sales (%)	**7.1**
Earnings Per Share (%)	**N/A**
Dividend (%)	**N/A**
P/E using TTM EPS	**27.0**
P/E using 2014 Estimate	**27.0**
P/E using 2015 Estimate	**27.0**
Zacks Rank	**N/A**

Risk Level	**High,**
Type of Stock	**Small-Blend**
Industry	**Med Products**

ZACKS ESTIMATES

Revenue
(in '000)

	Q1 (Sep)	Q2 (Dec)	Q3 (Mar)	Q4 (Jun)	Year (Jun)
2013	$2,821 A	$2,478 A	$2,495 A	$2,393 A	$10,188 A
2014	$2,878 A	$2,712 A	$2,451 A	$2,992 E	$11,032 E
2015					$12,186 E
2016					$13,715 E

Earnings per Share

	Q1 (Sep)	Q2 (Dec)	Q3 (Mar)	Q4 (Jun)	Year (Jun)
2013	$0.00 A	$0.00 A	$0.00 A	-$0.00 A	$0.01 A
2014	$0.00 A	$0.00 A	$0.00 A	$0.00 E	$0.01 E
2015					$0.01 E
2016					$0.02 E

Zacks Projected EPS Growth Rate - Next 5 Years % **N/A**

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Board Approves Acquisition By German-Based Orgentec Diagnostika for $0.27/Share

This morning (8/28/2014) Corgenix announced that their board of directors unanimously approved for the company to be acquired $0.27/share (~$16 million) by Orgentec Diagnostika, a privately-held specialty diagnostics company based in Mainz, Germany. CONX has had a historical relationship with Orgentec as that company has provided an ELISA test to Corgenix for the international market.

As a reminder, in mid-March CONX announced that the company was "exploring strategic alternatives" to enhance shareholder value and indicated that a sale of the company was one of those alternatives. As noted in today's press release, the $0.27/share offer represents an approximate 29% premium over the average share price of $0.21 over the 90 days prior to the March 12th announcement that the company was looking at strategic alternatives. The offer of $0.27/share is also the same price that the stock closed at on March 12th.

CONX implies that there may have been other potential suitors interested as well ("after a robust auction process") and that the board accepted Orgentec's offer as the best to maximize shareholder value. CONX will file a preliminary proxy statement to SEC and upon approval file a definitive proxy statement. Closing of the transaction, which is anticipated in Q4, is subject to shareholder approval. Interestingly, CONX's CEO, Doug Simpson, and CFO, Bill Critchfield, will not be retained by the combined company in their respective roles (although the plan is that Mr. Simpson will be retained as a consultant), assuming the transaction is approved by shareholders.

The stock closed at $0.34 on 8/27/14, up 162% since our 10/19/2011 initiation on CONX (at $0.13/share). As we expect this announcement will keep the trading in a tight range around $0.27/share, we are moving our price target to $0.27 and our recommendation to Neutral.

FINANCIAL MODEL

Corgenix Medical Corporation

	2013 A	Q1A	Q2A	Q3A	Q4E	2014 E	2015 E	2016 E	2017 E
North America sales	$8,898.0	$2,720.7	$2,348.8	$2,241.4	$2,780.8	$10,091.8	$11,103.2	$12,420.5	$13,810.2
y-o-y growth	*9.7%*	*11.2%*	*15.4%*	*-0.9%*	*29.0%*	*13.4%*	*10.0%*	*11.9%*	*11.2%*
International sales	$1,289.8	$156.8	$362.9	$209.2	$211.2	$940.1	$1,082.9	$1,294.1	$1,477.9
y-o-y growth	*9.7%*	*-58.2%*	*-18.0%*	*-10.8%*	*-11.1%*	*-27.1%*	*15.2%*	*19.5%*	*14.2%*
Revenue	$10,187.9	$2,877.5	$2,711.7	$2,450.6	$2,992.0	$11,031.8	$12,186.2	$13,714.7	$15,288.1
YOY Growth	*9.7%*	*2.0%*	*9.4%*	*-1.8%*	*25.0%*	*8.3%*	*10.5%*	*12.5%*	*11.5%*
Cost of Goods Sold	$5,624.3	$1,546.6	$1,394.7	$1,322.1	$1,614.7	$5,878.0	$6,420.4	$7,202.2	$7,991.7
Gross Income	$4,563.5	$1,331.0	$1,317.0	$1,128.5	$1,377.4	$5,153.8	$5,765.8	$6,512.4	$7,296.4
Gross Margin	44.8%	46.3%	48.6%	46.0%	46.0%	46.7%	47.3%	47.5%	47.7%
Sales / Mktg	$1,701.6	$483.7	$429.6	$414.5	$493.7	$1,821.6	$2,022.9	$2,208.1	$2,446.1
% S&M	*16.7%*	*16.8%*	*15.8%*	*16.8%*	*16.5%*	*16.5%*	*16.6%*	*16.1%*	*16.0%*
R&D	$582.8	$205.1	$147.7	$37.8	$135.0	$525.6	$665.0	$675.0	$700.0
% R&D	*5.7%*	*7.1%*	*5.4%*	*1.5%*	*4.5%*	*4.8%*	*5.5%*	*4.9%*	*4.6%*
G&A	$1,982.8	$540.5	$558.9	$610.3	$585.0	$2,294.7	$2,327.6	$2,400.1	$2,522.5
% G&A	*19.5%*	*18.8%*	*20.6%*	*24.9%*	*19.6%*	*20.8%*	*19.1%*	*17.5%*	*16.5%*
Disposal of assets	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Operating Income	$296.4	$101.7	$180.7	$65.9	$163.7	$511.9	$750.3	$1,229.3	$1,627.8
Operating Margin	*2.9%*	*3.5%*	*6.7%*	*2.7%*	*5.5%*	*4.6%*	*6.2%*	*9.0%*	*10.6%*
Total other income	($17.9)	($3.7)	($2.2)	($5.4)	($4.9)	($16.2)	($7.0)	$10.0	$15.0
Pre-Tax Income	$278.5	$98.0	$178.5	$60.5	$158.8	$495.8	$743.3	$1,239.3	$1,642.8
Taxes (benefit)	$0.0	$14.0	$0.0	$0.0	$0.0	$14.0	$0.0	$0.0	$0.0
Tax Rate	*0.0%*	*14.3%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*
Preferred dividends	$3.1	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Income to common	$275.4	$84.0	$178.5	$60.5	$158.8	$481.8	$743.3	$1,239.3	$1,642.8
Net Margin	*2.7%*	*2.9%*				*4.4%*	*6.1%*	*9.0%*	
EPS	$0.01	$0.00	$0.00	$0.00	$0.00	$0.01	$0.01	$0.02	$0.03
YOY Growth	*NA*	*-61.6%*				*62.2%*	*49.6%*	*61.1%*	
Diluted Shares O/S	51,233	54,332	54,143	56,105	56,500	55,270	57,000	59,000	63,000

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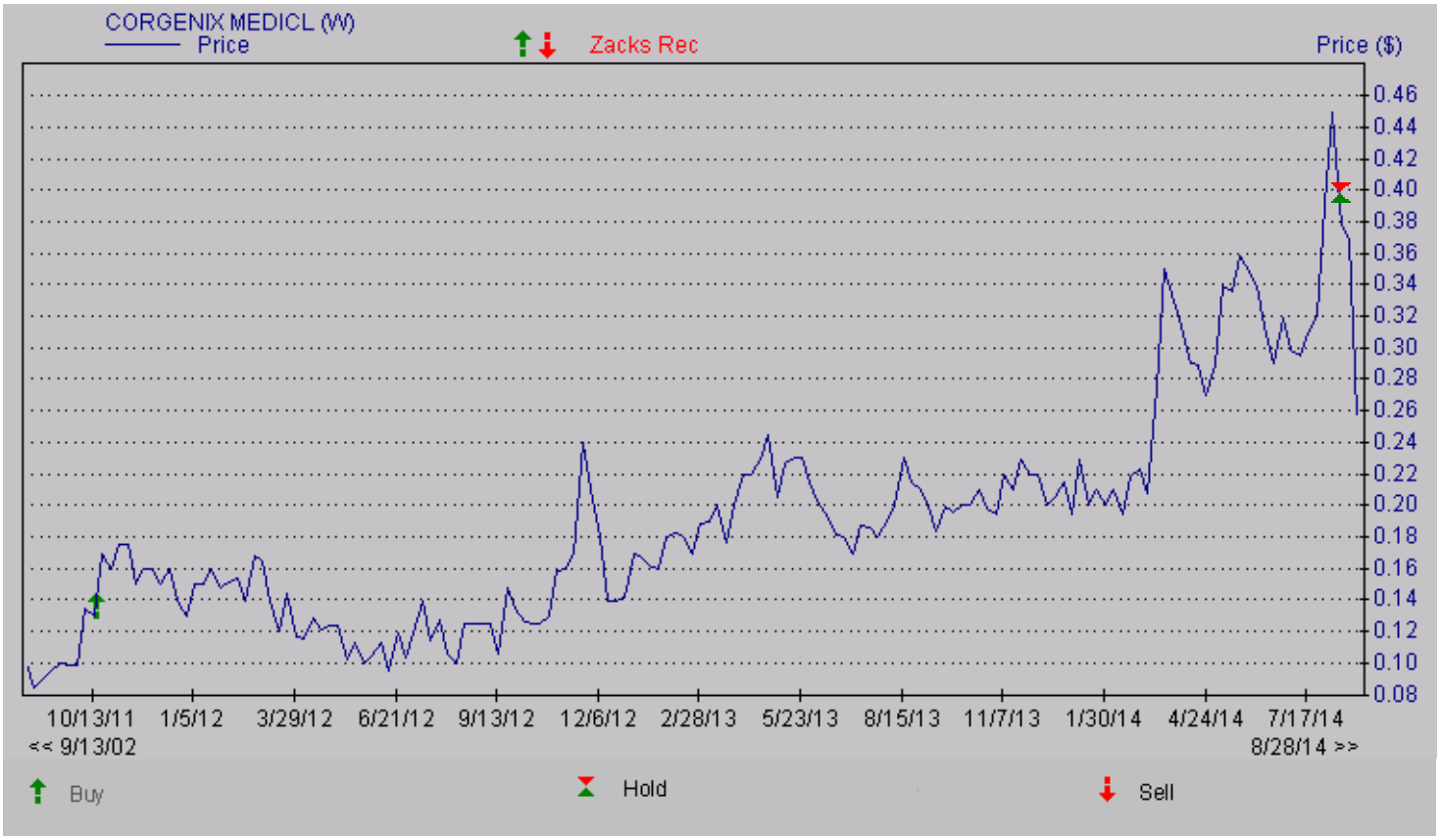

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