Zacks Small-Cap Research

October 1, 2012
Brian Marckx, CFA
bmarckx@zacks.com
Ph. (312) 265-9474

scr.zacks.com
111 North Canal Street, Chicago, IL 60606

Corgenix Medical (CONX-OTC)

CONX: *Strong 2013 Guidance. Moving Price Target Up To $0.60/share.*

Current Recommendation	**Outperform**
Prior Recommendation	N/A
Date of Last Change	10/18/11
Current Price (10/01/12)	$0.14
Target Price	**$0.60**

OUTLOOK

Coming off 17% revenue growth in fiscal 2012, management is guiding for mid-to-high revenue growth and positive income and cash flow in 2013. AspirinWorks and Contract Manufacturing expected to catalyze revenue growth in 2013. Int'l revenue disappointed but is expected to turn the corner and return to growth in 2013. AspirinWorks and new product launches (domestically and overseas) will be relied on to drive revenue longer-term. Based on comparable valuations, Corgenix's shares trade significantly cheaper than warranted. Our fair value estimate has moved from $0.50/share to $0.60/share. We are maintaining our Outperform rating.

SUMMARY DATA

52-Week High	**$0.19**
52-Week Low	**$0.08**
One-Year Return (%)	**36.64**
Beta	**0.86**
Average Daily Volume (sh)	**17,162**
Shares Outstanding (mil)	**46**
Market Capitalization ($mil)	**$6**
Short Interest Ratio (days)	**N/A**
Institutional Ownership (%)	**0**
Insider Ownership (%)	**16**
Annual Cash Dividend	**$0.00**
Dividend Yield (%)	**0.00**
5-Yr. Historical Growth Rates	
Sales (%)	**1.2**
Earnings Per Share (%)	**N/A**
Dividend (%)	**N/A**
P/E using TTM EPS	**N/A**
P/E using 2013 Estimate	**N/A**
P/E using 2014 Estimate	**13.5**
Zacks Rank	**N/A**

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

ZACKS ESTIMATES

Revenue
(in '000)

	Q1 (Sep)	Q2 (Dec)	Q3 (Mar)	Q4 (Jun)	Year (Jun)
2012	$2,178 A	$2,066 A	$2,717 A	$2,328 A	$9,289 A
2013	$2,624 E	$2,772 E	$2,704 E	$2,885 E	$10,985 E
2014					$12,464 E
2015					$14,098 E

Earnings per Share

	Q1 (Sep)	Q2 (Dec)	Q3 (Mar)	Q4 (Jun)	Year (Jun)
2012	-$0.00 A	-$0.00 A	-$0.00 A	-$0.01 A	-$0.01 A
2013	$0.00 E	$0.00 E	-$0.00 E	$0.00 E	$0.00 E
2014					$0.01 E
2015					$0.02 E

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

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Q4 2012 Financial Results

Corgenix reported financial results for the fiscal fourth quarter ending June30, 2012 on September 27th. As a reminder, in July the company pre-announced that fiscal Q4 revenue was expected to be approximately $2.3MM, or about $170k (8%) higher than previously anticipated. Q4 revenue came in at $2.33 million, down about 1% from 2011. For the full year, 2012 revenue was $9.29 million, up 17% from 2011 and an all-time annual record.

The relative strength in revenue growth in 2012 did not translate into a commensurate increase in net income or EPS due to contraction in the gross margin and meaningful increases in SG&A and R&D expense. Management expects this to turn around in fiscal 2013, however, and believes mid-to-high teens revenue growth, stabilizing gross margins and leverage from the SG&A and R&D investments made during fiscal 2012 will push the company to profitability and positive cash flow.

Management noted on the earnings conference call that fiscal 2013 is already off to a promising start and we think CONX may show some strong revenue numbers beginning as early as Q1 (we model +20% in Q1 and +18% for the full year). Revenue growth in 2013 is expected to mostly come from domestic sales and areas that fueled growth in 2012, namely AspirinWorks and contract manufacturing, the latter benefitting from the recently consummated diaDexus manufacturing agreement as well as anticipated increased demand from other existing customers like BG Medicine. Meanwhile, revenue growth in the international business has clearly not materialized as quickly as management had expected with international sales down 19% in 2012. Delay in regulatory approvals and product launches as well as global economic weakness and a slow start from the recently launched automated HA test in Europe have all likely contributed to the disappointing sales overseas. Management believes that the international business will finally turn a corner in 2013, however, and looks for certain regulatory hang-ups to clear and new product launches, including the automated AspirinWorks test, Lassa virus kits and at least one or more products from the ELITech joint development agreement, to materialize throughout 2013.

Revenue

Q4 revenue of $2.33 million consisted of $2.04 million (+25%) in sales from North America and $289k (-5%) internationally, both in-line with our $2.05 million and $280k estimates. We continue to model international sales to return to growth in fiscal 2013, fueled by new product launches. We continue to believe that the automated version of AspirinWorks as well as other new product introductions, including those coming out of the ELITech joint product development agreement represent potentially significant growth opportunities for Corgenix's international business over the long-term.

The domestic business continues to benefit from very strong growth in AspirinWorks sales, which were up 154% in Q4 to $341k. Management indicated on the call that ongoing physician adoption of the test is expected to continue to be very robust in fiscal 2013 and guided towards AspirinWorks sales again doubling. As an illustration of the steep ramp in AspirinWorks sales, the product generated $202k of revenue in 2010, which doubled to $406k in 2011, which then more than doubled to $905k in 2012. We currently model AspirinWorks to generate $1.8 million (implied growth of 95%) in 2013 - which could potentially end up being conservative.

Contract manufacturing was the other major catalyst to revenue growth in 2012 (+185% to $1.0 million) which is expected to be a recurring theme in 2013. The recent deal with diaDexus whereby Corgenix will manufacture and supply the cardiovascular PLAC test, along with an anticipated uptick in business from other existing customers, will be the catalysts to driving contract manufacturing revenue which we model to grow 67% in 2013 to $1.7 million. However, as we've noted in the past, key to stable, long-term revenue growth in the domestic business is new product introductions as revenue from contract manufacturing and contract R&D, which accounted for approximately 65% of the revenue growth in 2012 (and which we estimate will account for ~32% of our modeled total revenue growth in 2013), can be highly variable.

Net Income / EPS

Q4 net income and EPS came in at ($288k) and ($0.01), compared to our ($40k) and ($0.00) estimates. Higher than modeled operating expenses ($1.2MM A vs $1.0MM E) along with a narrower GM (40.2% A vs 43.1% E) both contributed to the miss on the bottom line. As noted earlier, expected stabilization of GM and leverage in operating expenses, coupled with double-digit top-line growth are expected (per management's guidance) to result in profitability and internally generated cash flow in fiscal 2013.

Cash
Corgenix exited Q4 with $1.3 million in cash and equivalents, up from $1.0 million at the end of Q3 (3/31/2012). The sequential increase in cash came from $216k inflow from operations (which benefitted from a $285k reduction in inventories), $53k used in investing activities, and $70k net inflow from financing activities. Debt remained relatively insignificant at quarter end.

Maintaining Outlook / Price Target
We have made only small net adjustments to our model following Q4 results. We continue to value CONX based on our comp valuation methodology (see end of this report) which values the shares at approximately $0.60/share. We are moving our price target from $0.50/share up to $0.60/share and are maintaining our Outperform rating on the stock.

BUSINESS

A pioneer in the field of antiphospholipid antibody detection, Corgenix Medical Corporation is credited with development of the first FDA-cleared assay for measuring anticardiolipin antibodies. The association of antiphospholipid antibodies with thrombosis (antiphospholipid syndrome is a coagulation disorder) encouraged the company to develop assays for other bleeding and clotting disorders. Corgenix has quickly become a renowned expert in the diagnosis and measurement of blood coagulation, vascular occlusion and thrombosis. They offer an array of in vitro diagnostic (IVD) testing products in the areas of **liver diseases** (fibrosis and cirrhosis), **autoimmune disease** (bone and joint disorders) and **vascular disease**, including the only non-blood based test for determining the effectiveness of aspirin, and have sold over 12 million tests to-date.

Most of the company's diagnostic products are developed on an **ELISA** testing format, a method widely used in clinical testing laboratories. As a result of recent R&D collaborations, Corgenix has also implemented additional immunoassay platforms including **lateral flow** (a rapid test format similar to that commonly used for home pregnancy tests) and **immunoturbidimetry** (a liquid-based system for use on automated chemistry analyzers). Although revenue from these additional formats has been immaterial to-date, the immunoturbidimetry format in particular represents an integral portion of the company's growth strategy.

The company has remained competitive in an industry that has experienced substantial consolidation over the recent past by delivering high quality products and service in niche areas such as antiphospholipid syndrome and hemophilia. Over the course of history, sales and distribution have largely been handled in-house. Corgenix's considerable R&D, manufacturing and production capabilities have also afforded the award of several U.S. government contracts and grants as well as facilitated the consummation of partnerships with several leading IVD companies. And while certain products are experiencing rapid growth (i.e. - AspirinWorks), due to increased competition, some of Corgenix's initial areas of expertise now offer less upside opportunity. As a result, the company has begun a measured transition away from reliance on certain legacy tests to a greater focus on faster-growth products and segments. This includes leveraging key partnerships in the development of novel high-potential products and in the expansion of their sales and distribution reach. Corgenix will continue to leverage their R&D/manufacturing capabilities to facilitate product development as well as to attract valuable government grants and manufacturing contracts, all of which are expected to hold outsized opportunities for revenue growth.

Corgenix generates revenue from four main business segments; manufactured products, OEM (private label) products, contract manufacturing, and contract development. Approximately 13% of Corgenix's revenue comes from overseas (i.e. - ex-North America). International revenues fell 48% over a two-year period from $2.26 million in 2010 to $1.18 million in fiscal 2012 while sales in North America increased by more than 35% over the same period, from $6.0 million in 2010 to $8.11 million in 2012.

- **Manufactured Products**: CONX currently manufactures and sells 52 diagnostic products worldwide to hospitals, clinical testing laboratories, universities, biotechnology and pharmaceutical companies and research institutions. In North America, Corgenix's labeled products are sold through a small internal sales force as well as through a number of independent sales representatives. Corgenix, through a wholly-owned subsidiary located in the U.K., had also been handling sales of these products overseas but in October 2010 transferred that responsibility to the ELITech Group, who now serves as the company's international master distributor and is Corgenix's largest shareholder.

- **OEM Products:** CONX sells some of their manufactured IVD products (mainly antiphospholipid and coagulation products) to other diagnostic companies for resale under their own brand names.

- **Contract Manufacturing:** CONX provides contract manufacturing services to other medical diagnostic companies. Contract manufacturing revenue fell almost 21% from 2010 to $356k in fiscal 2011 and accounted for approximately 4% of Corgenix's total revenue. Contract manufacturing substantially rebounded in 2012, however, generating $1.01 million in revenue, growth of 185%. Contract manufacturing is expected to continue to be a big catalyst to CONX's revenue growth in 2013, fueled by the recent agreement with diaDexus and anticipated increased demand from other existing customers.

- **Contract Development:** CONX provides contract development services to strategic partners including ELITech, Tulane University and the National Institutes of Health (NIH). Contract development revenue grew 87% from 2010 to $1.15 million in fiscal 2011 and another 20% in 2012 to $1.4 million.

FACILITIES

Corgenix is headquartered near Denver, CO where, along with its corporate offices, it maintains its research and development, manufacturing and distribution facilities in a 32k square foot building. Corgenix is ISO certified and all of the products are CE marked for sale in Europe.

Headquarters



Product Development



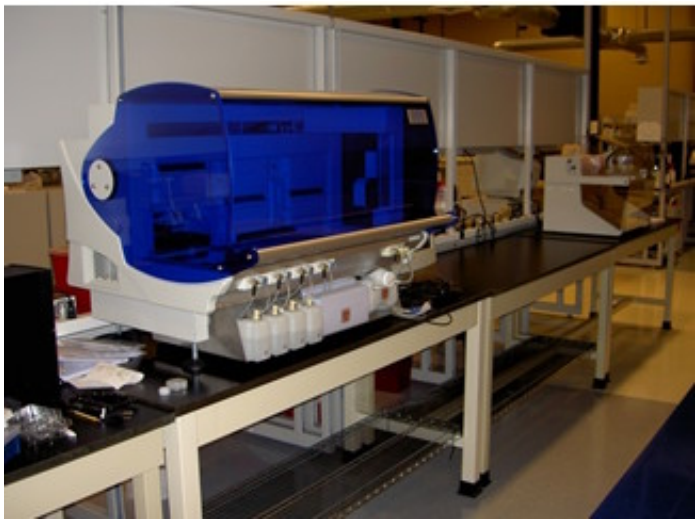
R&D and Production



Automated Filling Line



ELISA Instrumentation **Bulk Reagent Production**





SOURCE: Corgenix Medical Corporation

PRODUCTS

The majority of Corgenix's product lines are developed on an ELISA testing format which are used by trained technicians in clinical labs for the diagnosis of autoimmune disorders, vascular disease and liver diseases. Testing is done with a standard 96-sample well microplate, allowing for automated high-throughput processing with quantitative (i.e. - accurate, non-subjective) results. (The following product and contract descriptions are per Corgenix's most recent 10-K).

- **Autoimmune Disease Products:** sales of autoimmune products fell about 26% from 2011 to $94k in fiscal 2012, representing approximately 1% of the company's total revenue. The products are used for the diagnosis and monitoring of autoimmune diseases, including rheumatoid arthritis, systemic lupus erythematosus, mixed connective tissue disease, Sjogren's Syndrome, dermatopolymyositis and scleroderma**.** The company's autoimmune product line includes tests for antinuclear antibodies (ANA) screening, dsDNA, Sm, SM/RNP, SSA, SSB, Jo-1, Scl-70, Histones, Centromere, Mitochondria, MPO, PR3, Thyroglobulin, LKM-1, anti Ribosomal P, BP-180, DSG-1, DSG-3, anti-polymer antibodies and thyroid peroxidase.

- **Vascular Disease Products:** Corgenix's vascular disease business, which includes antiphospholipid and coagulation products, is Corgenix's single largest source of revenue, accounting for almost 50% of the company's total sales in fiscal 2012. The vascular disease products are sold both as labeled (i.e. - "manufactured products") as well as OEM. OEM-related revenue accounts for approximately 18% of total coagulation and antiphospholipid sales. Corgenix expects OEM-related revenue to show a consistent decline as a percentage of total sales as the company shifts its focus towards higher growth products and segments.

  - **Antiphospholipid antibody testing:** sales of antiphospholipid products fell about 3% from 2011 to $3.28 million in fiscal 2012, representing approximately 35% of Corgenix's total revenue.

    Antiphospholipid antibodies are associated with the presence of both venous and arterial thrombosis (clotting), thrombocytopenia (low platelet count that can result in bleeding), and recurrent miscarriage. These antibodies are frequently found in patients with systemic lupus erythematosis (SLE), and other autoimmune diseases, as well as in some individuals with no apparent previous underlying disease. They are also found in patients with antiphospholipid syndrome, an important medical condition with serious clinical manifestations such as chronic and recurrent venous (deep vein) thrombosis, as well as arterial thromboembolic disease, including heart attacks, strokes and pulmonary embolism. Thrombocytopenia has

been attributed to the temporary removal of platelets from circulation during a thrombotic episode (clot formation). Corgenix manufactures and sells 11 antiphospholipid antibody testing products including aCL IgG, IgA, and IgM; anti-phosphatidylserine ("aPS") IgG, aPS IgA, aPS IgM; anti-ß2-Glycoprotein I ("aß2GPI") IgG, aß2GPI IgA, and aß2GPI IgM; and anti-Prothrombin ("aPT") IgG and IgM.

A potential significant bright spot for Corgenix's vascular disease business is with its "AtherOx" technology. AtherOx is being developed as a novel technology utilizing oxidized low density lipoprotein (oxLDL) in the assessment of cardiovascular disease, the nations number one killer. AtherOx development has been ongoing and the candidate recently entered clinical studies in the U.S. Management believes AtherOx could be a significant product if and when it reaches the market. As there is only limited information related to development and potential for eventual FDA approval we do not currently include any contribution from AtherOx in our financial model. Management referenced AtherOx on the Q4 2012 call and is clearly interested in pursuing further development of the candidate - noting that they may consider a collaboration partner to help facilitate this.

- **Bleeding / Clotting risk tests (coagulation):** sales of bleeding / clotting tests were flat from 2011 to 2012, ending the year at $1.33 million and represented 14% of CONX's total revenue.

  In people that suffer from excessive clotting or bleeding, Corgenix's tests are used to help find the source of the disorder such as von Willebrand's Disease (Hemophilia B). Corgenix's portfolio of bleeding / clotting risks tests include Protein C Antigen ELISA, Protein S Antigen ELISA, Monoclonal Free Protein S ELISA, von Willebrand Factor Antigen ELISA, von Willebrand Factor Activity Test; abp Ristocetin, and Collagen Binding Assay. Corgenix manufactures 5 of the 20 bleeding / clotting tests and markets the other 15 which are manufactured by other companies.

  We expect coagulation may be another area that holds future promise for Corgenix, especially as it relates to expansion into tests for other biological markers on ELITech's immunoturbidimetry testing platform.

- **AspirinWorks:** the AspirinWorks test has been a tremendous bright spot for CONX. Sales have ramped very rapidly - as an illustration, the product generated $202k of revenue in 2010, which doubled to $404k in 2011, which then more than doubled to $905k in 2012 (representing about 10% of CONX's total revenue). We currently model AspirinWorks to generate $1.8 million (implied growth of 95%) in 2013 - which could potentially end up being conservative. The test is sold almost exclusively in North America. Sales growth is being driven by additional customers adopting the test and existing customers placing more orders. A 28% increase in reimbursement under existing CPT codes, which became effective in 2011, has also been a catalyst in driving demand for the test.

AspirinWorks kit



SOURCE: www.aspirinworks.com

Approximately 25% of people are resistant to the benefits of aspirin, a daily dose of which is often recommended to reduce the risk of heart attack or stroke. AspirinWorks is a urine test and the only FDA-cleared test to help doctors accurately determine aspirin's effectiveness by measuring the levels of thromboxane in urine. The test can be administered at the point of care (i.e. - doctor's office) with results available within minutes, a significant advantage over blood sample tests that must be evaluated in a clinical lab. The test allows physicians to adjust aspirin dosage or prescribe different therapy for those individuals that show aspirin resistance. The AspirinWorks test was developed in conjunction with biotechnology company Creative Clinical Concepts and biochemical research products manufacturer Cayman Chemical Company. Certain technology patents covering the test are owned by McMaster University which granted Corgenix exclusive rights to them.

Corgenix, in collaboration with Randox Laboratories, is also working on an immunoturbidimetry version (i.e. - automated version) of the test which would run on clinical lab analyzers, affording high volume throughput. Management had been shooting for regulatory approval and launch of test in Europe before the end of fiscal 2012 (6/30/2012) but regulatory delays have pushed back the launch. Management noted on the Q4 2012 call (Sept 2012) that they think the test could now launch in Europe sometime in the second half of fiscal 2013.

Following eventual launch, we expect this automated test to provide a strong complement in growing the AspirinWorks franchise.

- **Liver Disease test:** sales of the company's hyaluronic acid (HA), liver disease tests grew almost 7% in 2012, after falling about 19% the previous year. The tests generated $834k in revenue in 2012, representing about 9% of CONX's total revenue. The test is used to measure the levels of hyaluronic acid in the blood to help assess the degree of liver fibrosis and cirrhosis in chronic liver disease. We expect revenue from this business to continue to show growth in 2013. Liver disease is another area where we think there is significant upside potential from new products via the ELITech development agreement and a segment which we model to grow at a 20%+ annual rate over the next several years.

R&D CONTRACTS / GRANTS

Corgenix's contract development business currently covers two main areas; government contracts and grants which are mainly involved in infectious diseases, and a joint-development agreement with ELITech. Revenue from this segment increased 20% in fiscal 2012 to $1.38 million. R&D contracts / grants gross margin was 24% in 2012, compared to approximately 46% for the remainder of Corgenix's combined businesses.

- **Government Contracts / Grants:** These are typically one to three year contracts. Corgenix serves as a sub-contractor to Tulane University for several NIH funded grants and contracts related to development of diagnostics, vaccines and therapeutics for hemorrhagic fever viruses. Corgenix serves as the principal investigator for a $600k NIH funded two-year contract to develop recombinant diagnostic tests for the filoviruses (Ebola and Marburg), and has engaged three subcontractors (Tulane University, Autoimmune Technologies and the Scripps Research Institute) to assist in the development. Ebola and Marburg viruses are indigenous to Africa, cause hemorrhagic fever and can be fatal.

  The company, along with Tulane and other collaboration partners, are also working on development of Lassa virus test kits as part of an NIH grant. Lassa virus, spread by rodents and potentially fatal, is endemic in parts of Africa. The Lassa kits have been used in clinical trials in Africa and are expected to be submitted for regulatory clearance in the near-term. The regulatory process is expected to be relatively simple and commercial sales in Africa could potentially commence by Q2 or Q3 2013. Corgenix has rights to manufacture and market these infectious disease tests upon gaining all the requisite approvals - upon commercialization, sales will flow through ELITech (international distributor). While sales of tests for infectious diseases related to developing countries may not offer much in the way of significant revenue for Corgenix, the company's capabilities in developing these tests should bode well for procuring additional government grants.

  In an effort to continue to grow this business, Corgenix regularly submits for additional government grants (related to both infectious diseases and bio-terrorism) and recently indicated that they are in discussions with a number of other potential R&D contract partners that could materialize in the future (no timeline was offered). We model this segment to grow at a low double-digit to mid-teens annual rate over the next several years (although revenue from this segment may be flat to slightly negative in 2013) as a result of new government contracts and the ELITech deal (described below).

- **ELITech Joint Product Development Agreement:** The ELITech Group (ELITech) is a worldwide manufacturer and distributor of IVD equipment, chemical analyzers and reagents. ELITech distributes diagnostic products for clinical chemistry, microbiology, immunology, and molecular biology through its own sales force as well as a distribution network to over 100 countries.

  ELITech also serves as Corgenix's international master distributor and is the company's largest shareholder. In 2010 Corgenix entered into a product co-development agreement with ELITech called the Joint Product Development Agreement. In July 2011 the agreement was amended and extended until July 2014 (with options to extend it further). The current agreement has two phases; Phase I entails modification of Corgenix's existing assay technology for use in ELITech's analyzers (testing instruments) while Phase II is focused on the development of new Corgenix Immunoturbidimetry (IT) assays for use in ELITech analyzers.

Corgenix recently beefed up their manufacturing capabilities to support production of these new assays. Corgenix manufactures and sells the assays to ELITech (for sales overseas) and also has the option of selling derivatives of the assays in North America. In mid-February 2012 Corgenix announced the first of the two products, an IT-format (automated) hyaluronic acid test, received CE Mark and launched through ELITech shortly afterwards. Management noted on the Q4 2012 call that sales have been modest so far as customers continue to use ELISA tests. This should reverse over the longer-term, however. The other product has completed development and as of the Q1 2012 earnings call was expected to be CE Marked in the near term as well. Regulatory delays have persisted however, which has delayed the launch. Upon launch, CONX will announce exactly what this products is. Although we have no particular insight, we assume this product now launches in fiscal 2013 (pushed back from our prior expectations of a fiscal 2012 launch).

Corgenix expects to continue pumping out new products on a regular basis through their partnership with ELITech and has indicated several tests are under development and could reach commercialization in the not-too-distant future. We expect new products through this deal, coupled with ELITech's significant international distribution reach, to be a significant driver of Corgenix's revenue (including reviving sales of the vascular disease segment) over the next several years.

CONTRACT MANUFACTURING

CONX provides contract manufacturing services to other medical diagnostic companies. Their most significant contract manufacturing customer has been BG Medicine (although business from diaDexus will likely soon eclipse that from BG), a Boston, MA based biotechnology company.

Contract manufacturing revenue significantly ramped in 2012, increasing by more than $650k (+185%) from 2011 as result of an increase in business under existing accounts and commencement of activity under recently signed contracts. Corgenix is also in the midst of expanding their testing platforms (from almost exclusively ELISA to also focusing on immunoturbidimetry and lateral flow) which not only broadens their potential customer base, it also allows them to hold onto existing clients that switch between testing platforms - all of this is expected to benefit CONX's manufacturing business.

Corgenix expects their contract manufacturing business to particularly benefit from a recent deal with diaDexus, which develops and manufactures in vitro tests for cardiovascular disease. In June 2012 the company announced a five year manufacturing and supply agreement with diaDexus. Under the deal, Corgenix will manufacture and supply the PLAC test, a cardiovascular assay that measures LP-PLA2, a marker which recently got an endorsement from the American Association of Clinical Endocrinologists when they added it to their recommended list of tests for heart disease.

We look for the diaDexus deal along with an increase in activity from other existing accounts to push contract manufacturing revenue up by 95% to $1.77 million in 2013.

FINANCIAL CONDITION

Corgenix exited Q4 with $1.3 million in and equivalents, up from $1.0 million at the end of Q3 (3/31/2012). The sequential increase in cash came from $216k inflow from operations (which benefitted from a $285k reduction in inventories), $53k used in investing activities, and $70k net inflow from financing activities. Debt remained relatively insignificant at quarter end.

VALUATION

Revenue

We model $11.0 million (+18%) in revenue in fiscal 2013 and look for this to grow at a CAGR of about 14% through 2016, reflecting North America and International annual revenue growth of approximately 13% and 22%, respectively.

Income / EPS

We model net income of approximately $129k ($0.00 EPS) in 2013, up from a net loss of $623k (-$0.01 EPS) in 2012. This reflects our ~18% estimated growth in revenue, relatively flat GM and some leverage in operating expenses coming off of the R&D and SG&A investments made in the prior year.

We expect Corgenix to gain slightly more leverage in operating expenses going forward and, coupled with strong revenue growth and incremental widening of gross margin, to result in EPS showing consistent year-over-year improvement. We look for EPS of $0.03 in 2016.

Our comparable cohort used to value CONX consists of several companies in the medical diagnostic testing space, some of which are considered direct competitors to Corgenix. Our valuation methodology uses the average of four metrics; price-to-2016 estimated EPS, price-to-book value, price-to-sales (trailing 12 months), and enterprise value-to-sales (trailing 12 months).

Average valuation based on these four metrics is about $0.60/share which moved up from $0.50 since our last update and based on CONX's current market price of approximately $0.14/share, indicates the stock remains significantly undervalued. As such, we continue to recommend accumulating the stock and are maintaining our Outperform rating on Corgenix.

Ticker	Est Long-term EPS growth	Implied 2016 P/E	Price / Book Value	Price / Sales (ttm)	EV / Sales (ttm)
IVD	NA	NA	1.9	1.2	1.1
DIA.MI	4.6%	12.2	NA	NA	3.3
OSUR	NA	NA	5.2	6.6	6.5
TRIB	14.1%	9.2	1.7	3.3	2.4
CEMI	45.0%	8.2	2.8	1.5	1.9
IDXX	13.3%	19.8	9.3	4.5	4.5
VIVO	12.8%	15.2	5.6	4.7	4.5
QDEL	NA	NA	3.4	4.5	4.5
ABAX	12.4%	23.1	4.9	4.9	4.4
Average	**14.6%**	**14.6**	**4.3**	**3.9**	**3.7**

	Value using 2016 Comp P/E	Value using Comp Price/Book	Value using Comp Price/Sales	EV using Comp EV/Sales	Value using Comp EV/Sales	AVG
CONX	$0.44	$0.46	$0.81	$34.12	$0.78	**$0.62**

KEY PERSONNEL

Douglass Simpson, President/ CEO

Douglass T. Simpson has been the President of Corgenix since May 1998 and was elected a director in May 1998. Mr. Simpson joined Corgenix's operating subsidiary as Vice President of Business Development in 1992, was promoted to Vice President, General Manager in 1995, to Executive Vice President in 1996, to President in February 1998 and then to Chief Executive Officer in April 2006. Prior to joining Corgenix's operating subsidiary, he was a Managing Partner at Venture Marketing Group in Austin, Texas, a health care and biotechnology marketing firm, and in that capacity, served as a consultant to REAADS from 1990 until 1992. From 1984 to 1990 Mr. Simpson was employed by Kallestad Diagnostics, Inc. (now part of BioRad Laboratories, Inc.), one of the largest diagnostic companies in the world, where he served as Vice President of Marketing, in charge of all marketing and business development. Mr. Simpson holds B.S. and M.S. degrees in Biology and Chemistry from Lamar University in Beaumont, Texas.

William Critchfield, SVP Operations & Finance/CFO

William H. Critchfield has been Senior Vice President Operations and Finance and Chief Financial officer since April 2011, was the Senior Vice President Finance and Administration and Chief Financial Officer of the Company since April 2006, and was Vice President and Chief Financial Officer from December 2000 to April 2006. Prior to joining Corgenix, Mr. Critchfield was Executive Vice President and Chief Financial Officer of U.S. Medical, Inc., a Denver, Colorado based privately held distributor of new and used capital medical equipment. From May of 1994 through July of 1999, he served as President and Chief Financial Officer of W.L.C. Enterprises, Inc., a retail business holding company. From November 1991 to May 1994, Mr. Critchfield served as Executive Vice President and Chief Financial Officer of Air Methods Corporation, a publicly traded company which is the leading U.S. company in the air medical transportation industry and is the successor company to Cell Technology, Inc., a publicly traded biotechnology company, where he served in a similar capacity from 1987-1991. From 1986 through September 1987 he served as Vice President of Finance and Administration for Biostar Medical Products, Inc., a developer and manufacturer of diagnostic immunoassays. In the past, Mr. Critchfield also served as Vice President of Finance for Nuclear Pharmacy, Inc., formerly a publicly traded company and the world's largest chain of centralized radiopharmacies.
Mr. Critchfield is a certified public accountant in Colorado. He graduated magna cum laude from California State University-Northridge with a Bachelor of Science degree in Business Administration and Accounting.

Luis Lopez, M.D.

Luis R. Lopez, M.D., served as the Chief Executive Officer and Chairman of the Board of Directors of Corgenix from May 1998 until April 2006 when his title was changed to Chairman of the Board of Directors and Chief Medical Officer. In July 2009, Dr. Lopez stepped down from his role as Chairman. From 1987 to 1990, Dr. Lopez was Vice President of Clinical Affairs at BioStar Medical Products, Inc., a Boulder, Colorado diagnostic firm. From 1986 to 1987 he served as Research Associate with the Rheumatology Division of the University of Colorado Health Sciences Center, Denver, Colorado. From 1980 to 1986 he was Professor of Immunology at Cayetano Heredia University School of Medicine in Lima, Peru, during which time he also maintained a medical practice with the Allergy and Clinical Immunology group at Clinica Ricardo Palma in Lima. From 1978 to 1980 Dr. Lopez held a fellowship in Clinical Immunology at the University of Colorado Health Sciences Center. He received his M.D. degree in 1974 from Cayetano Heredia University School of Medicine in Lima, Peru. He is a clinical member of the American College of Rheumatology, and a corresponding member of the American Academy of Allergy, Asthma and Immunology. Dr. Lopez is licensed to practice medicine in Colorado, and is widely published in the areas of immunology and autoimmune disease.

Ann Steinbarger, SVP Sales & Marketing

Ann L. Steinbarger has been the Senior Vice President of Sales & Marketing since April 2011, was the Senior Vice President of Operations from April 2006 to April 2011 and was the Vice President of Sales and Marketing from May 1998 to April 2006. Ms. Steinbarger joined Corgenix's operating subsidiary in January 1996 as Vice President, Sales and Marketing with responsibility for its worldwide marketing and distribution strategies. Prior to joining Corgenix, Ms. Steinbarger was with Boehringer Mannheim Corporation, Indianapolis, Indiana, a $200 million IVD company. At Boehringer from 1976 to 1996, she served in a series of increasingly important sales management positions. Ms. Steinbarger holds a B.S. degree in Microbiology from Purdue University in West Lafayette, Indiana.

Taryn G. Reynolds, VP Facilities and IT

Taryn Reynolds has been a Vice President of Corgenix since May 1998. Mr. Reynolds joined Corgenix's operating subsidiary in 1992, serving first as Director of Administration, then as Managing Director, U.S. Operations. He has served as Vice President, Operations and in 1999, became Vice President, Facilities and Information Technology. Prior to joining Corgenix, Mr. Reynolds held executive positions at Brinker International, MJAR Corporation and M&S Incorporated, all property, operational and financial management firms.

FINANCIAL MODEL

Corgenix Medical Corporation

	2012 A	Q1E	Q2E	Q3E	Q4E	2013 E	2014 E	2015 E	2016 E
North America sales	$8,113.5	$2,305.2	$2,415.2	$2,429.7	$2,584.9	$9,735.0	$10,922.7	$12,215.7	$13,848.4
y-o-y growth	*25.1%*	*22.9%*	*39.3%*	*-1.4%*	*26.7%*	*20.0%*	*12.2%*	*11.8%*	*13.4%*
International sales	$1,175.8	$318.4	$357.2	$274.1	$299.7	$1,249.4	$1,541.8	$1,882.5	$2,279.7
y-o-y growth	*-19.4%*	*5.3%*	*7.7%*	*8.2%*	*3.9%*	*6.3%*	*23.4%*	*22.1%*	*21.1%*
Revenue	$9,289.4	$2,623.6	$2,772.4	$2,703.9	$2,884.6	$10,984.5	$12,464.4	$14,098.2	$16,128.1
YOY Growth	*17.0%*	*20.4%*	*34.2%*	*-0.5%*	*23.9%*	*18.2%*	*13.5%*	*13.1%*	*14.4%*
Cost of Goods Sold	$5,355.0	$1,490.9	$1,588.3	$1,546.8	$1,640.8	$6,266.8	$6,926.9	$7,709.1	$8,729.6
Gross Income	$3,934.4	$1,132.7	$1,184.1	$1,157.1	$1,243.8	$4,717.6	$5,537.5	$6,389.1	$7,398.5
Gross Margin	42.4%	43.2%	42.7%	42.8%	43.1%	42.9%	44.4%	45.3%	45.9%
Sales / Mktg	$1,996.9	$477.5	$504.6	$497.5	$542.3	$2,021.9	$2,143.9	$2,368.5	$2,645.0
% S&M	*21.5%*	*18.2%*	*18.2%*	*18.4%*	*18.8%*	*18.4%*	*17.2%*	*16.8%*	*16.4%*
R&D	$517.1	$140.2	$127.6	$131.1	$128.5	$527.4	$502.0	$487.0	$472.0
% R&D	*5.6%*	*5.3%*	*4.6%*	*4.8%*	*4.5%*	*4.8%*	*4.0%*	*3.5%*	*2.9%*
G&A	$1,889.3	$451.7	$496.2	$518.2	$512.5	$1,978.6	$2,119.0	$2,312.1	$2,612.8
% G&A	*20.3%*	*17.2%*	*17.9%*	*19.2%*	*17.8%*	*18.0%*	*17.0%*	*16.4%*	*16.2%*
Disposal of assets	$17.2	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Operating Income	($486.2)	$63.3	$55.7	$10.3	$60.5	$189.7	$772.7	$1,221.5	$1,668.8
Operating Margin	*-5.2%*	*2.4%*	*2.0%*	*0.4%*	*2.1%*	*1.7%*	*6.2%*	*8.7%*	*10.3%*
Total other income	($117.5)	($11.4)	($10.8)	($10.0)	($9.0)	($41.2)	($43.0)	$24.0	$63.0
Pre-Tax Income	($603.7)	$51.9	$44.9	$0.3	$51.5	$148.5	$729.7	$1,245.5	$1,731.8
Taxes (benefit)	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0
Tax Rate	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*
Preferred dividends	$19.7	$5.0	$5.0	$5.0	$5.0	$20.0	$0.0	$0.0	$0.0
Income to common	($623.4)	$46.9	$39.9	($4.7)	$46.5	$128.5	$729.7	$1,245.5	$1,731.8
Net Margin	*-6.7%*	*1.8%*	*1.4%*	*-0.2%*	*1.6%*	*1.2%*	*5.9%*	*8.8%*	*10.7%*
EPS	($0.01)	$0.00	$0.00	($0.00)	$0.00	$0.00	$0.01	$0.02	$0.03
YOY Growth	*NA*	*NA*	*NA*	*NA*	*NA*	*NA*	*324.3%*	*70.7%*	*39.0%*
Diluted Shares O/S	44,864	52,991	53,040	47,122	53,122	51,569	69,000	69,000	69,000

Brian Marckx, CFA

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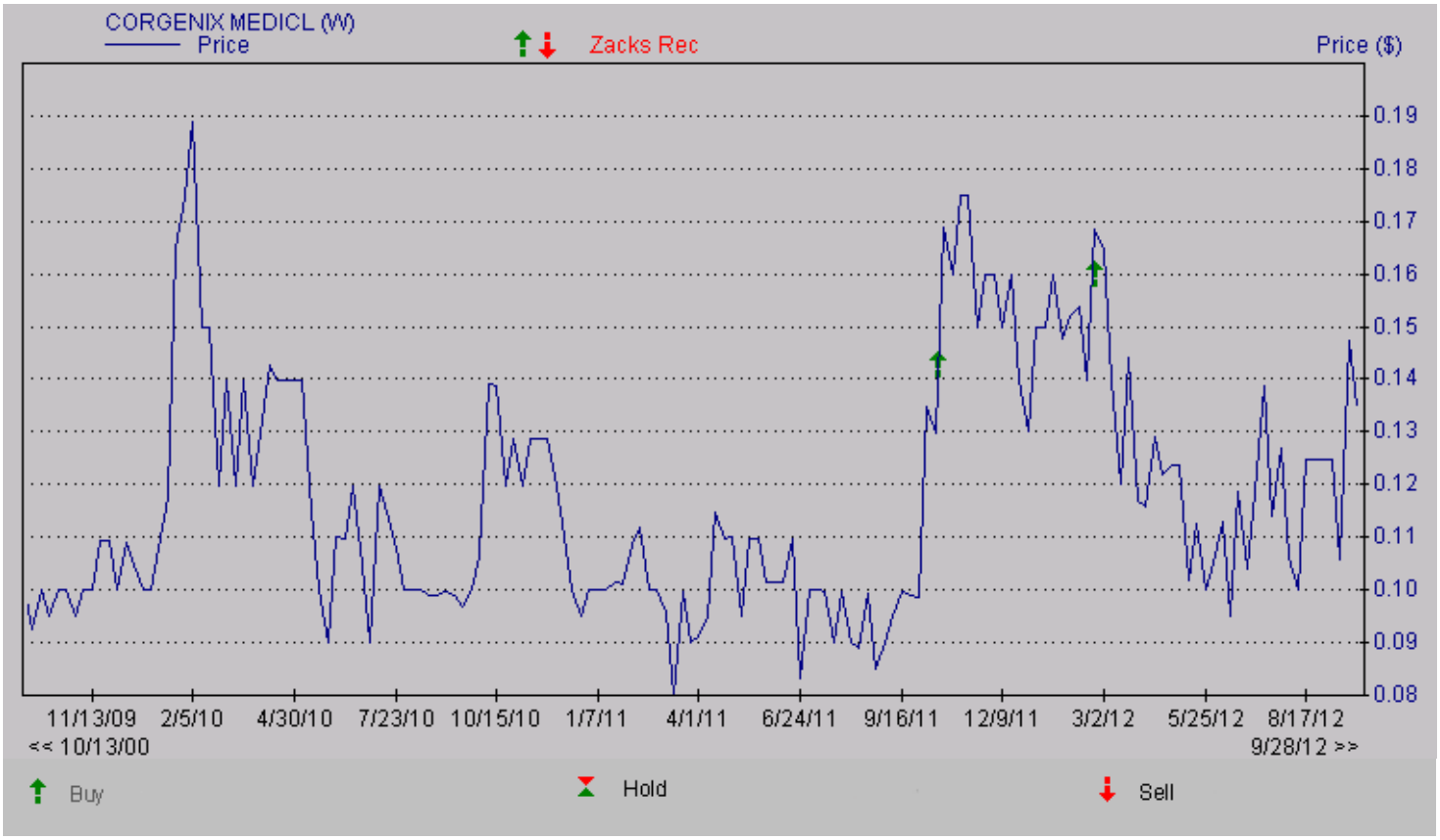

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