

Zynex Inc.(ZYXI) – pain relief device manufacturer with good revenue growth. The company is going to start selling a new promising product and at the same time, with a good report, it has decreased in price more than 50% LTM, which seems to be good points to buy.

Zynex is a manufacturer of medical devices used in pain management, physical rehabilitation, neurological diagnostics and heart monitoring. Founded in 1996.

The company released its Q1 report on March 31, which fell short of market expectations; although actual revenue growth was 58% (YoY) and orders were up 140% (YoY).



Main products:

NexWave, electrotherapy. Provides healing of augment, relieves edema by increasing blood circulation and reduces both acute and chronic pain through the use of electric currents. Reduces opioid use: 84% of patients reduce drug use when using this technology.

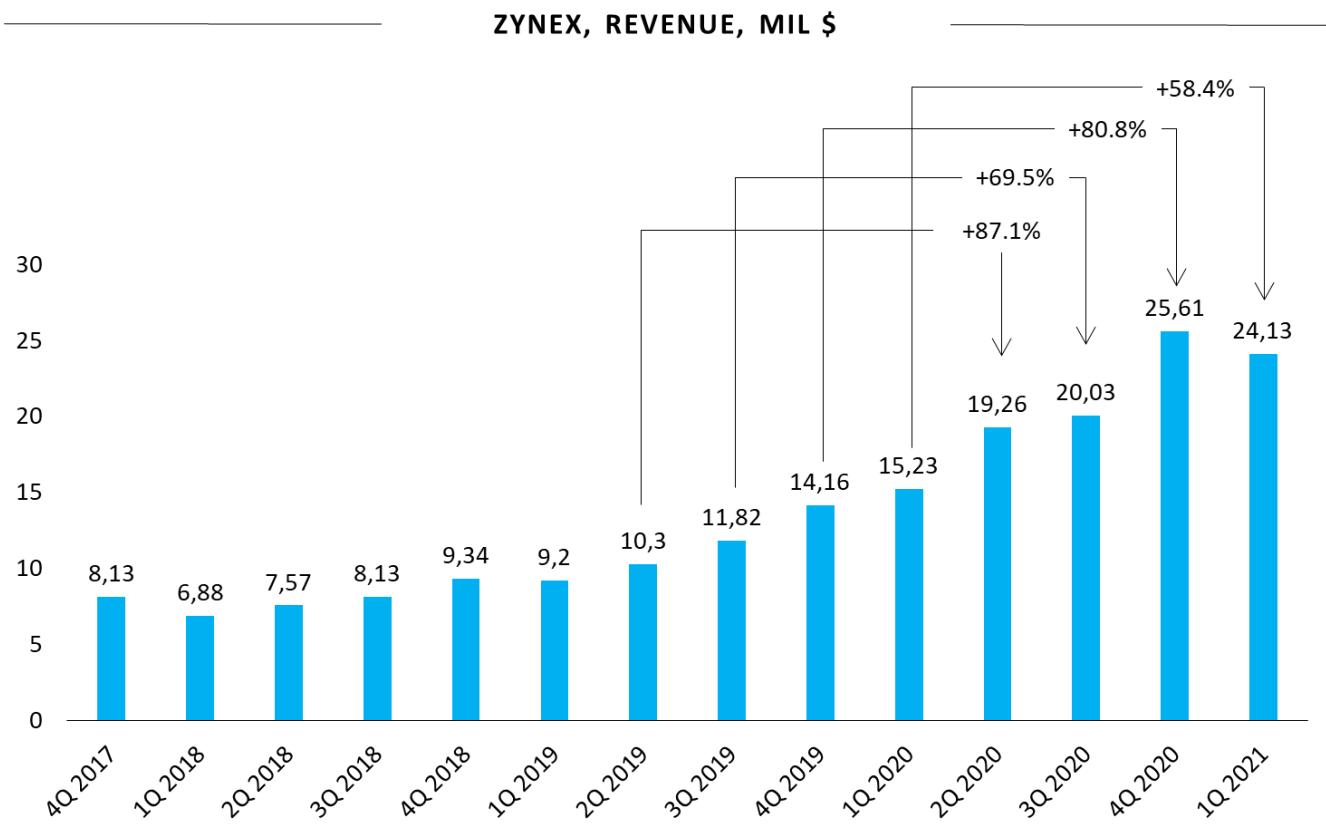
InWave, incontinence treatment. Provides non-surgical, drug-free therapy that offers conservative incontinence treatments at relatively low cost to patients.

NeuroMove, neurological rehabilitation after stroke, spine and brain injuries. Provides assistance in the above cases, and also trains muscles and increases the range of motion.

CM1500, non-invasive blood volume monitor. The company received US and European patents and FDA approval in February 2020.

The company demonstrates good revenue growth rates

Zynex posted 58.4% growth in the last quarter on a 57.4% historical average.



For the first quarter, the Company reported net revenue of \$24.1 million, a 58% increase over the first quarter of 2020. Gross margins were 76% in the first quarter of 2021 and net loss was \$0.7 million. The management also provided a forecast for 2021: \$ 135- \$ 150 million or 68-87% growth over the results for 2020.

73% of the company's revenue comes from Supplies: batteries and electrodes for Zynex devices, the rest of the revenue comes from Zynex devices. In general, these are good indicators and a business model in which the sold devices generate revenue in future periods through consumables with an actively growing customer base.

[Undervaluation of EV / S relative to competitors](#)

The selection includes manufacturers of medical devices.

ZYNEX VS PEERS COMPARISON

Company	Mcap, mil \$	EV, mil \$	EV/S	EV/S ann*	EV/EBITDA	EV/EBITDA ann*	Sales last growth, %	Sales hist growth, %
Zynex	503	467	5.2	4.8	77.8	< 0	58.4%	63.6%
T2 Biosystems	176.7	192.5	10.6	6.2	< 0	< 0	153.8%	77.5%
Integer Holdings Corp	3130	3850	3.03	3.3	22.8	17.2	-11.6%	-3.1%
Merit Medical Systems	3620	3940	4.1	4.0	27.3	25.8	2.2%	10.5%
Shockwave Medical	5170	4970	73.4	54.7	< 0	< 0	58.70%	178.75%
Abiomed Inc	13440	12860	15.2	13.3	51.0	46.8	16.70%	16.9%
Medtronic	170800	186650	6.7	6.0	29.6	20.0	0.80%	-0.68%
Average	28120.0	30418.5	16.9	13.2	41.7	27.5	40%	49%

* Ann - annualized

Zynex is undervalued, relative to competitors, in terms of EV/S multiples: 5.2x versus 16.9x. At the same time, the company has a relatively expensive EV / EBITDA valuation, which is associated with high marketing and customer base development costs: the main driver of future revenue growth. Zynex also has significant revenue growth rates.

Growth of the pain management devices market and the launch of a new product as the main growth drivers

1. The company launches a new patented product

The FDA-approved CM1500 is expected to further drive revenue growth in 2021. The device is a non-invasive blood volume control monitor that calculates the blood volume by 6 different indicators and, according to the developed formula, recognizes the body's blood loss. Such a technology can be useful both during surgical operations and during the initial examination and after the operating period, when the risk of opening the sutures and injuries is high. The main benefit of the device is to reduce mortality in hospitals. Reducing the risk of uncontrolled bleeding and complications in patients after surgery and trauma through prompt notification of doctors seems to be a good solution for US clinics. Management expects significant demand for this device.

The company also managed to hire Neil Freerie as President and Chief Operating Officer of the Surgical Department, who has extensive experience at Zimmer Biomet (ZBH), which specializes in medical and surgical equipment. There, he oversaw the launch of a number of projects in the surgical department with a cost of approximately \$ 500 million, which is equivalent to capitalizing ZYNE. This replenishment of the management team will have a synergistic effect and will allow launching a new product in an effective manner.

2. Market with a projected CAGR of 6.8% for the next 6 years

The pain management devices market is projected to grow at an average rate of 6.8% each year through 2026. More than half of the market is in the North American region, where the threat of the opioid crisis, the availability of innovation and a developed healthcare system are observed.

Kind Regards,
Enhanced Investments Team

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