

OptimizeRx Corp (OPRX-OTC)**OPRX: Q3 Revenue Pre-Announcement 14%
Ahead of Our Estimate**

Current Recommendation	Outperform
Prior Recommendation	N/A
Date of Last Change	09/26/2011
Current Price (10/09/13)	\$1.10
Target Price	\$3.50

OUTLOOK

The expectation is that sales should significantly ramp with growth in revenue from voucher printing - which should pick as SampleMD's distribution is further expanded, especially as it relates to Allscripts, DrFirst and NewCrop. The additional functionality and integration into new solutions should also increase awareness, increase value to the end user, increase the physician base and utilization, help to increase the number of drugs promoted, and expand opportunities for further growth. OPRX's business model is super scalable. OPRX was cash flow positive in Q4, full-year 2012 and 1H 2013. We look for revenue growth of 133% in 2013. Distribution growth numbers are very encouraging. Further revenue growth could mean earnings/EPS/cash flow really accelerate. We are maintaining our Outperform rating.

SUMMARY DATA

52-Week High	\$2.05
52-Week Low	\$0.86
One-Year Return (%)	-24.83
Beta	2.43
Average Daily Volume (sh)	36,777

Shares Outstanding (mil)	14
Market Capitalization (\$mil)	\$16
Short Interest Ratio (days)	N/A
Institutional Ownership (%)	0
Insider Ownership (%)	N/A

Annual Cash Dividend	\$0.00
Dividend Yield (%)	0.00

5-Yr. Historical Growth Rates	
Sales (%)	379.3
Earnings Per Share (%)	N/A
Dividend (%)	N/A

P/E using TTM EPS	N/A
P/E using 2013 Estimate	22.0
P/E using 2014 Estimate	8.5

Zacks Rank	N/A
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Risk Level	N/A
Type of Stock	N/A
Industry	Comp-Software

ZACKS ESTIMATES**Revenue**
(in '000 of \$)

	Q1	Q2	Q3	Q4	Year
	(Mar)	(Jun)	(Sep)	(Dec)	(Dec)
2012	329 A	515 A	453 A	751 A	2,049 A
2013	669 A	1104 A	1370 E	1621 E	4,764 E
2014					8,882 E
2015					16,749 E

Earnings per Share

	Q1	Q2	Q3	Q4	Year
	(Mar)	(Jun)	(Sep)	(Dec)	(Dec)
2012	-\$0.02 A	-\$0.01 A	-\$0.01 A	-\$0.01 A	-\$0.03 A
2013	-\$0.01 A	\$0.01 A	\$0.01 E	\$0.02 E	\$0.05 E
2014					\$0.13 E
2015					\$0.19 E

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

WHAT'S NEW....

Q3 2013 Pre-announcement: Revenue Up 202% yoy and 14% Ahead of Our Estimate...

Yesterday (10/8/13) OptimizeRx pre-announced expected revenue for the third quarter ending 9/30/13. The company expects revenue of \$1.37 million, which will be an increase of 202% from the same period in 2012 and is 14% better than our estimated \$1.20 million. The Q3 revenue number will also crush the previous quarterly record of \$1.10 million, set in Q2 of this year. The company also disclosed that there were almost 325k coupons distributed via SampleMD in the quarter, an increase of 22% from Q2 2013 and +260% from Q3 2012.

We have updated our model for the pre-announcement. We now look for full-year 2013 revenue of \$4.8 million (+133% yoy), up from \$4.3 million prior to the announcement. Our current year EPS estimate has moved from \$0.04 to \$0.05. We have also made some slight upward adjustments to our out-year revenue estimates given the moderately steeper recent ramp in growth relative to our expectations.

CEO Resignation A Non-Event

OptimizeRx (OPRX) explained in a September conference call that the resignation of the company's Chairman and CEO, Shad Stastney, was related to the revelation of a settlement between the SEC and Stastney in a matter unrelated to OptimizeRx.

The settlement relates to accusations by the SEC that Stastney breached his fiduciary duties when he was a principal at Vicis Capital LLC, which occurred years prior to becoming OPRX's CEO. OptimizeRx noted on the call that after consulting with their attorneys that it was in the best interest of the company for Shad to step down as CEO - although clearly there is no liability risk to OPRX. Similarly, Stastney also resigned from other companies in which he held a board seat, including from Ambient Corp (AMBT) and Deer Valley (DVLY).

While OPRX's share price has languished since the resignation announcement, we do not view this as an overly material event. Stastney, a founding partner of Vicis Capital which has been a significant financier of OPRX, had been on OptimizeRx's board of directors since 2009 and was named CEO in January of this year. As management explained on the call, he was not entrenched in the day-to-day operations of the business. And coupled with the fact that David Harrell (the founder of OPRX and prior CEO who will re-assume the Chairman role), David Lester (the prior CEO) and Terry Hamilton (V.P. of Sales since 2008) which have all played significantly into the success of OPRX over the last few years and remain with company, we think OptimizeRx remains in good hands and expect Stastney's departure to create little disruption. OPRX is now undergoing a search for a qualified replacement. Stastney will serve in a consulting capacity through the end of the current year.

The conference call cleared up any ambiguity surrounding the Sept 20th departure announcement. Management also provided a general business update including a little more insight into their recently announced strategy to offer additional services to their client base (through "OptimizEHR") and offered positive comments about the continued growth of their base e-couponing business.

Over the last few years OPRX has done the heavy lifting to establish substantial distribution of the e-couponing business. With OptimizEHR they will look to leverage this distribution by offering additional services and functionality to their pharma clients, presumably providing another high margin revenue stream. OPRX has alluded to this in the past but with the recently consummated relationships with the likes of PDR and Krames-Staywell, prescribing and patient education information sources that will likely be part of the additional service offerings, and the advent of OptimizEHR moniker, this business line is now functional. Management noted on the call that they recently had productive discussions with a "\$22 billion pharmaceutical company" which included strategies around their EHR programs.

Management has not disclosed the revenue model of the OptimizEHR business, other than noting it is consulting-based and also that they believe they can generate significant fees from it. We also think it's clear that this business, which is still in its early stages, has real potential to evolve and expand, particularly as the company has the opportunity to meet with and receive feedback from its pharma partners on specific services and functionality which they may have a need for.

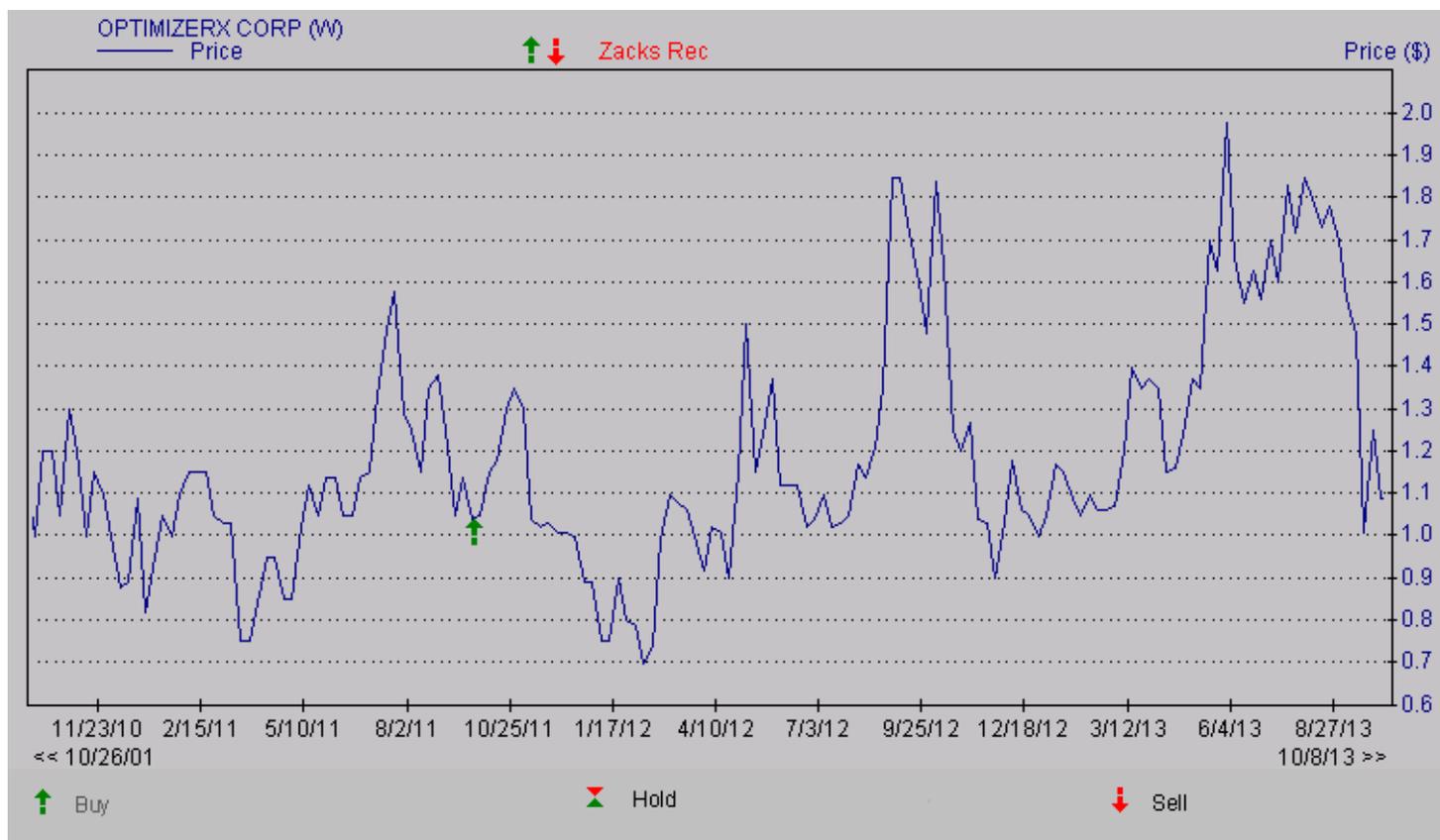
We view the resignation of Shad Stastney as a relatively insignificant event. OPRX continues to post impressive revenue growth with sales up 84% in 2012, up 202% in Q3 2013 and up 142% through the first nine months of 2013, which were all-time records for each respective period. Distributions (the driver of the e-coupons business) have shown relatively consistent sequential growth over the last several quarters which we think is setting the stage for revenue to ramp fairly substantially over the near-to-mid term. The new OptimizEHR business potentially bolts on another high-margin, near-term revenue stream. OPRX generated positive cash flow in Q2 and management indicated that they expect this to continue. We continue to value the stock at \$3.50/share.

FINANCIAL MODEL

OptimizeRx Corporation

	2012 A	Q1A	Q2A	Q3E	Q4E	2013 E	2014 E	2015 E	2016 E
Revenue	\$2,048.7	\$669.3	\$1,104.1	\$1,370.0	\$1,620.5	\$4,763.9	\$8,881.5	\$16,749.0	\$24,487.7
<i>YOY Growth</i>	84.3%	103.2%	114.2%	202.3%	115.9%	132.5%	86.4%	88.6%	46.2%
SG&A	\$2,413.0	\$774.2	\$750.0	\$869.1	\$918.2	\$3,311.4	\$4,094.4	\$7,403.1	\$8,840.1
<i>% SG&A</i>	117.8%	115.7%	67.9%	63.4%	56.7%	60.6%	46.1%	44.2%	36.1%
Operating Income	(\$364.3)	(\$104.9)	\$354.1	\$500.9	\$702.3	\$1,452.5	\$4,787.1	\$9,345.9	\$15,647.6
<i>Operating Margin</i>	-17.8%	-15.7%	32.1%	36.6%	43.3%	30.5%	53.9%	55.8%	63.9%
Other income	\$0.0	\$0.1	\$1.0	\$1.5	\$2.5	\$5.1	\$75.0	\$100.0	\$135.0
Pre-Tax Income	(\$364.3)	(\$104.8)	\$355.1	\$502.4	\$704.8	\$1,457.5	\$4,862.1	\$9,445.9	\$15,782.6
Taxes (benefit)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$1,422.0	\$4,734.8
<i>Tax Rate</i>	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	15.1%	30.0%
Net Income	(\$364.3)	(\$104.8)	\$355.1	\$502.4	\$704.8	\$1,457.5	\$4,862.1	\$8,023.9	\$11,047.8
<i>Net Margin</i>	-17.8%	-15.7%	32.2%	36.7%	43.5%	30.6%	54.7%	47.9%	45.1%
EPS	(\$0.03)	(\$0.01)	\$0.01	\$0.01	\$0.02	\$0.05	\$0.13	\$0.19	\$0.24
<i>YOY Growth</i>	-					-296.6%	161.7%	42.0%	26.0%
Diluted Shares O/S	14,264	14,232	33,608	33,750	34,500	29,023	37,000	43,000	47,000
<i>Brian Marekx, CFA</i>									

HISTORICAL ZACKS RECOMMENDATIONS



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