

Petit Petit Addresses New Short Advocate

October 13, 2017

We are adding some new posts to this section of our website in order to keep you fully informed regarding these unfortunate “short seller attacks.” There is a new entrant to this battle, and it comes from a short seller by the name of Marc Cohodes. Cohodes’ approach is generally very bombastic, and emotionally charged. His language is often vile and his allegations about MiMedx are unfounded. So, this activity has become a “Circus!”

Cohodes is receiving comments from the employees we terminated for cause and some of their allies and accepting them as FACT. He has not used any common sense or business acumen in assessing the so called “channel stuffing” allegations or the other trivial operating procedures allegations.

Marc also called for my “resignation.” Well, that is very, very presumptuous. It might be slightly more credible if he owned some MiMedx stock instead of just having it on loan in short transactions! Hopefully, his short transactions are covered and not “naked.”

So, here is my advice to the Circus Ringmaster:

1. Get off your ego trip and on to a business trip and learn GAAP accounting rules and normal business processes for sales and operational management.
2. Find credible sources for your allegations.

Cohodes has given me a nickname. After mentioning it to my wife, she pointed out that “Pepe Le Pew” was a cartoon character in some of our grandchildren’s books and cartoons. Apparently Pepe Le Pew is a “skunk.” Also, he has called me a liar in one of his tweets. At this point, I am just a “lying skunk.” In rebuttal, I am simply calling him the “Ringmaster” of this “Circus.” I hope he appreciates the way I am reacting to his derogatory, and I hope, joking nicknames!

When being interviewed at the Grant’s Interest Rate Observer Conference by Linette Lopez, Mark Cohodes commented: “I always say Bet the jockey not the horse. So I look for inept and/or dishonest management who has a track record of running companies into the ground. Telling a lie or two along the way also helps. I also look for balance sheet stress and financial engineering to make the business look stronger than it truly is.”

A logical person with business acumen would ask whether there is any similarity between Cohodes’ so called “philosophy” and the track record of MiMedx and its Chairman and CEO, Pete Petit (website: petepetit.com). The answer is an emphatic NO.

Remember it is very likely, Cohodes is obtaining his allegations, which he characterizes as truth, from employees who were terminated for significant cause. Two of them admitted to lying during their depositions. The other disclosures appear to be coming from a few other terminated employees. Cohodes does not seem to do any checking or due diligence on his sources. Neither do Viceroy, Aurelius or The Capitol Forum.

One terminated employee apologized and has settled his lawsuit with MiMedx and agreed to pay a substantial six figure sum. <http://phx.corporate-ir.net/phoenix.zhtml?c=213465&p=irol-newsArticle&ID=2302818>

I strongly suggest that all shorts be more skeptical as they talk to our ex-employees, particularly those that were fired for cause, about any of these types of issues. In our case, they are not fully informed of the business processes and procedures that take place, but most importantly, they are not motivated to tell the truth about anything. THEY HAVE VERY STRONG NEGATIVE FEELINGS ABOUT THE COMPANY BECAUSE THEY WERE CAUGHT IN CORRUPT PRACTICES AND WRONG-DOING AND TERMINATED FOR CAUSE. Subsequently, MiMedx filed lawsuits against them. In order to be credible, I would encourage all short sellers to have ways to verify the information that they are making public and in many cases embellishing and distorting.

TO BE CREDIBLE, YOU MUST HAVE CREDIBLE SOURCES...AND STILL DO SOME DUE DILIGENCE!

Short sellers should simply ask our terminated employees why they did not report these “supposed” incidents of wrong doing or malfeasance at the time they were supposedly happening through the corporate compliance reporting systems. In one solution, their phone calls could go straight to the Board of Directors. In the other case, a “Dear Pete” letter could come straight to the Chairman’s office without anyone else seeing the document. When individuals do not use those readily available systems, one should question their motives and also their reported facts. By the way, the “Dear Pete” letter Cohodes read was never received by the Company. Probably a recent creation after the fact!

We have recently discovered a several page email which has been sent to numerous sources allegedly written by a “current MiMedx employee.” It is apparent that this document was created not by an employee, but an outside source. It is fraudulent and full of misinformation and lies. This is typical of short sellers “information” that has no verification or due diligence accomplished.

Again, I would encourage the short sellers trying to develop some meaningful shorting data on MiMedx to carefully and thoroughly check their SOURCES for credibility and truthfulness.

A company cannot engage in “channel stuffing” for extended periods of time. If they do, customers quit paying for the inventory they have supposedly “bought.” The company’s accounts receivable from customers ages out considerably. A shining example of “channel

stuffing” is one of our small competitors who saw their accounts receivable age to almost 140 days before their alleged activities “blew up.” MiMedx has had 27 straight quarters of increasing revenue growth. During that time period, we only once missed our revenue forecast, and that by only a small percent. That is certainly the signal of a well-run and efficient corporate entity.

During that same period of time, our cash flows have been strong. The collections of our receivables are now running in the mid 60’s for sales outstanding (DSO), which is reasonably efficient. We hired extra staff over a year ago to assist in managing our rapidly growing base of customers and their payments to MiMedx. That has improved our cash flow and DSOs.

Over time, we have naturally terminated some of our sales employees because of their performance issues. That is a normal business process whereby some individuals cannot keep up with the commitments that they have made or cannot keep up with the Company’s growth. As every company does, we hold managers accountable at the end of a quarter to fulfill the revenue forecasts that they have made at the beginning of a quarter, which we passed on to shareholders. We always obtain the sales management’s input on where they think their regions or areas will be relative to revenue. We reduce that amount for conservatism, and then we provide that to our shareholders as a forecast. As I said, we made those revenue forecasts in 26 out of 27 of the last quarters which is a phenomenal track record.

I submit to you that MiMedx is an efficient and effective corporate entity with an exceptional growth rate. *Fortune Magazine* just published the 100 fastest growing public companies in the country, and MiMedx was number 5, ahead of Facebook and Amazon. That is a tribute to the exceptional product line that we have and our very experienced executives and management group.

I expect you will see tweets, reports and all kind of misinformation and lies as we move forward. We do not plan to answer all of this “noise” from the “Circus”. We will certainly work with any federal regulators who wish to discuss these matters with the Company. After those discussions, we should have these matters behind us rather quickly, I believe. However, in the meantime, please do not assume that any of this short selling activity is going to affect the operating performance of the Company, because it will not. MiMedx has matured quite rapidly, and our business assets are functioning well and producing exceptional results.

In the meantime, please continue to check this Section of our website for additional posts. Also, do not become frustrated with Cohodes or other short sell articles that might come out. That is just part of their game plan. As usual, it will be based on misinformation twisted into lies.

From our standpoint, we will continue to pursue our civil lawsuits related to legally actionable activities. MOST IMPORTANTLY, WE WILL CONTINUE OUR RELENTLESS REVENUE GROWTH.