

Waytronx, Inc. (OTC BB: WYNX)



Waytronx, Inc. (the "Company"), founded in 1998 and headquar-

tered in Tualatin, Oregon, is a manufacturer of electromechanical component products with a focus on commercialization of advanced technologies, including its revolutionary proprietary thermal management solution developed for a broad range of microelectronics applications. The Company has made the transition from a research and development firm to an operating company generating positive EBITDA. In addition, its program of in-licensing technologies providing needed solutions for identifiable markets gives Waytronx potential for rapidly expanding revenues and significant earnings in coming years. **Waytronx' market capitalization is only 1.0 times projected 2009 revenue and less than 0.6 times projected 2010 revenue. The Company has the potential to achieve profitability late next year, and the shares are currently trading at about 5 times potential earnings for 2011 and less than 3 times potential earnings for 2012.**

The Company's patented WayCool™ and WayFast™ technology addresses the performance-limiting issue of intense heat generated by electronic systems, referred to as microwarming. Its openly licensable, fully scalable and cost effective architecture is designed to provide optimal cooling, communications and current transition for a wide range of microelectronic components used in the semiconductor, electronic packaging, solar energy, medical device and automotive industries. The Company is implementing a broad intellectual property licensing program expected to yield worldwide license and royalty agreements, focusing on 3D-stacked integrated circuit applications.

Through its wholly owned subsidiaries, CUI, Inc. ("CUI") and CUI Japan Ltd ("CUI-Japan"), acquired in May 2008 and July 2009 respectively, the Company also provides electronic components to OEMs in various industries. Integrating manufacturing, sales and distribution, as well as R&D capabilities in the U.S. and Japan, the Company created a comprehensive platform for effective global product introductions, cross-market penetration, rapid revenue growth and numerous operating synergies. In addition to the acquired revenue-generating legacy products, the Company is aggressively pursuing commercialization of novel in-licensed high-margin technologies, including two recently launched lines of encoders, C14 and AMT, resulting in distributor relationships with Digi-Key Corporation and MicroMo Electronics, Inc. of the Faulhaber Group, and a digital power module targeting telecom and LED OEMs. **The Company is also preparing to launch an industry-first intra-pipeline measurement device for the natural gas industry.**



CURRENT PRICE: \$0.16
52-WEEK RANGE: \$0.03 - \$0.26
AVG DAILY VOLUME (50-DAY): 109,300
FLOAT: 89.5 million
OUTSTANDING SHARES: 167.0 million
MARKET CAPITALIZATION: \$26.7 million

INCOME STATEMENT HIGHLIGHTS

REVENUES: \$27.1 million
GROSS PROFIT: \$10.9 million
EBITDA: \$2.2 million
NET INCOME: (\$4.2 million)
DILUTED EPS: (\$0.02)

All figures for twelve months ended June 30, 2009

BALANCE SHEET HIGHLIGHTS

CASH & EQUIVALENTS: \$180.8 thousand
WORKING CAPITAL: (\$366.4 thousand)
TOTAL ASSETS: \$35.3 million
LONG TERM DEBT: \$20.3 million
NET WORTH: \$8.1 million

All figures as of June 30, 2009

RECENT COMPANY HEADLINES

Wednesday July 15, 2009 — Waytronx announced continuing its move to a technology/licensing based business model by successfully engaging six manufacturing representative organizations with comprehensive coverage of the United States and service in Mexico, Puerto Rico and Western Canada.

Tuesday June 30, 2009 — Waytronx announced Mark Adams, a sales and product development leader in the semiconductor industry with more than 17 years of experience acquiring and managing major accounts, such as Cisco Systems, Juniper Networks, Dell, Hewlett Packard, Intel and others, has joined its wholly owned subsidiary, CUI, Inc., as Vice President of Worldwide Sales.

INDUSTRY QUOTE

"Intel worries more about improving energy efficiency than performance... [Gordon] Moore admits that the limitations of power consumption caught him, as well as the industry, by surprise."

Source: Wall Street Journal, Lee Gomes "Even an Intel Founder Can Still Be Impressed", October 10, 2007

CORPORATE CONTACT INFORMATION

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GROWTH STRATEGY

Over the past 18 months, the Company's management has created a complete infrastructure, including strategically located manufacturing facilities in the U.S. and Japan, highly qualified engineering support, as well as a widespread sales organization and extensive independent distribution network for bringing to market innovative technologies with broad applications in diverse industries. The Company's strategy is centered on the commercialization of its innovative proprietary cooling technology and continued expansion of its current electronic components product offering through in-licensing and acquisitions. This approach offers vast long-term sales growth opportunities in a number of vertical market applications, while easing the burden of research and development costs on its current cash flow by generating significant ongoing sales.

Formerly known as OnScreen Technologies, Inc., the Company utilized its thermal technology and architecture to develop advanced, proprietary LED display solutions marketed under the names RediAlert™ and Living Window™. Subsequently, Waytronx focused on the development and commercialization of its technology in leading edge cooling and performance-improving applications for the semiconductor and electronic packaging industries. In addition to revolutionizing advanced CPUs and multicore processors, as well as graphics and memory chips utilized by all forms of computers from notebooks to server farms, the thermal management technology offers broad potential applications for the solar, medical, government, automotive, power supply and electronic displays markets. The Company has begun to implement an intellectual property licensing program intended to exploit the WayCool™/WayFast™ system targeting various suppliers in the microprocessor-based electronics markets, including chip original equipment manufacturers (OEMs) and original development manufacturers (ODMs), as well as companies serving the after-market retail segment. This strategy has been adapted to (i.) limit capital requirements, (ii.) provide immediate revenue streams through advance licensing fees and royalties to fund further research, (iii.) increase margins and (iv.) improve adaptation and proliferation of the technology.



In May 2008, Waytronx formed a wholly owned subsidiary that acquired the assets of CUI, a provider of electromechanical components, including power supplies, transformers, convert-

ers, connectors, and industrial controls for OEMs. Delivering quality products and



superior personal service resulting in solid customer commitment since 1989, CUI has a well established manufacturing facility in Tualatin, Oregon, as well as a marketing and distribution organization with an international sales network present in the U.S., Europe and China. Through the acquisition of CUI, the Company also obtained a 10.47% interest in Test Products International, Inc., a provider of hand-held test and measurement equipment.

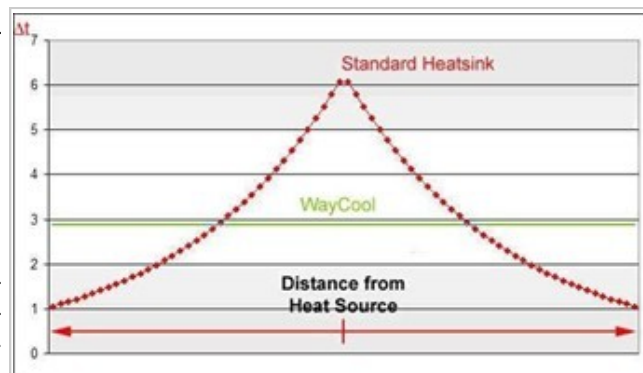
In July 2009, the Company acquired 100% of Comex Instruments Ltd and 49% of Comex Electronics Ltd (collectively "Comex"), two Japanese providers of high-margin electronic components, ranging from high-end airline instrumentation to automobile sensors and other testing equipment. Due to foreign ownership restrictions related to a contract with the Japanese Defense Force, the Company will need to acquire the remaining 51% of Comex Electronics gradually over the next three years in 17% increments per year. The companies have an extensive Asian distribution network, which includes Fox Distribution acquired by Comex Instruments shortly prior to the transaction with the Company. Throughout their nearly 20 years of market presence, the companies have built an impressive customer list, which includes such stalwarts as Mitsubishi, Subaru, Toshiba and Hitachi, among others. Operating the business as CUI-Japan, the Company expects to deeply penetrate the Japanese market with its current product line marketed by CUI and realize additional synergies leading to revenue growth and improved profitability. The Company will capitalize on the local expertise and long-standing personal relationships of Comex's founder and principal owner, Kunio Yamagishi, who has signed a 4-year contract to lead CUI-Japan as a Managing Director. In addition, the Japanese manufacturing facilities in Nagano will allow Waytronx to manufacture its current and future CUI products closer to market, while the in-house staff of nine highly qualified hardware and software engineers will enhance the Company's ability to develop and commercialize new technologies.

Having built a broad geographically dispersed in-house sales force, Waytronx is focused on expanding its global sales organization by engaging independent distribution partners worldwide. Recently,

the Company signed six commission-based agreements with manufacturing representative organizations covering the U.S., Mexico, Puerto Rico and Western Canada. These relationships provide access to a number of synergistic lead lines, including companies like Xilinx, Texas Instruments, Broadcom, Renesas, IDT, Cypress Semiconductor and Panasonic, allowing Waytronx to enter the design cycles earlier and at higher levels within the customer base. The Company currently employs 91 full-time and part-time employees, with 15 people devoted to marketing and sales activities, and has an outside independent sales force of 63 representatives including 39 electrical engineers and five others with engineering degrees.

THERMAL MANAGEMENT TECHNOLOGY

Industry Overview One of the bottlenecks to a continued advancement of microelectronic components and systems is overheating, which limits their performance and reliability, as well as increases development and manufacturing costs. The costs and complexity of cooling techniques are setting overall system performance limits that negate many of the gains in successive generations of high-end processors and multiprocessors. The issue of imbalance between the heat generated by today's leading edge processors and yesterday's outdated cooling solutions has turned into an industry-critical chal-

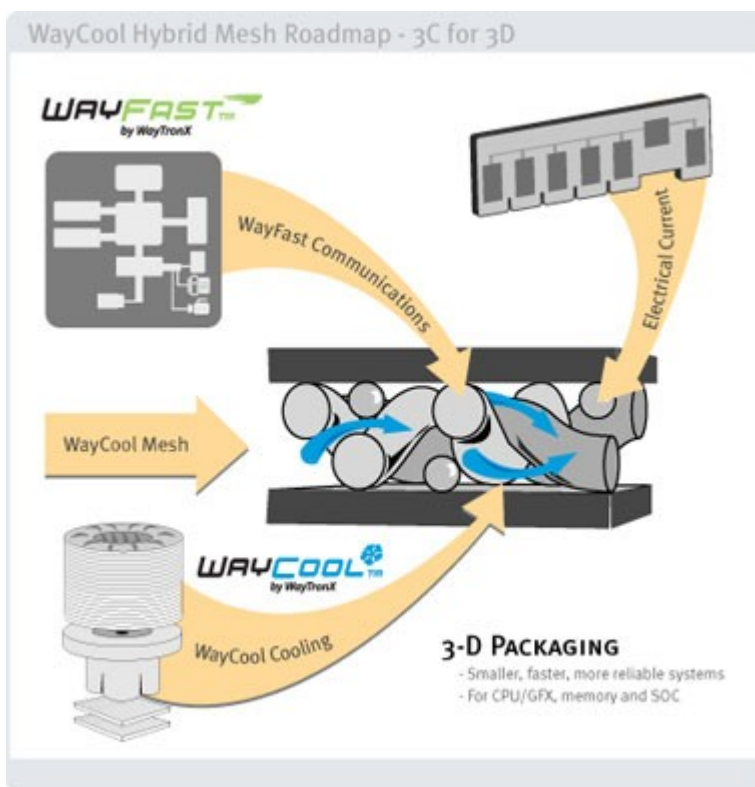


Improved isothermicity with WayCool architecture. Theoretically modeled heat distribution in a conventional passive cooler (red) and a theoretically perfect WayCool device (green), based on the same amount of thermal energy. The central temperature of the conventional cooler nearest to the heat source is shown to be approximately twice as high as that of the WayCool device.

lenge. In fact, as components in the microelectronics industry run at higher and higher speeds with ever-increased computing capacity and density between components, the primary gating factor to the performance is thermal management.

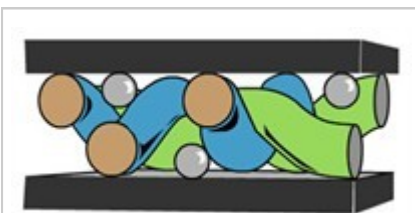
The industry megatrend is moving from two-dimensional packaging (2D) to three-dimensional (3D) stacking. A semiconductor package is the physical and electrical interface between a semiconductor chip and the system in which it operates. 3D packaging, where integrated circuits (ICs) are combined, stacked and interconnected, combines central processing units (CPUs), memory, logic, sensors and optoelectronics into a much smaller, thinner and more powerful form than traditional horizontal 2D packaging. Stacking several chips in a small space enhances system performance, saves valuable space and shortens the distance for data and current flow.

WayCool™ & WayFast™ Waytronx thermal management technology is designed to address chip and system limitations in three focused areas: Cooling, Communications and Current, offering a 3C for 3D solution. The WayCool™ component addresses the advanced thermal management that is necessary to meet increasingly demanding performance requirements of modern processors. This cooling system results in more even temperature across the entire body of the device and substantially lower temperatures than peak when compared with conventional coolers exposed to the same heat



source. The WayFast™ component focuses on high speed data communications and power management at highly increased rates, expanding design opportunities and enhancing performance in any application. Integrated in a self-contained design with highly flexible form factors, the Waytronx solution fits almost any system size and shape, specifically meeting both Intel and AMD requirements.

The WayCool™ technology involves a carbon-based hybrid mesh system combining air and liquid cooling for improved isothermicity, durability and reliability of microprocessors and other digital electronics. Alongside industry-leading quiet and power-efficient fans, it uses a capillary network of microchannels to transport fluid at a rapid rate moving heat away from the source, instead of using traditional passive heat transference through solid materials. Due to removal of hot fluid from the area in contact with the heat source and replacement with colder fluid, the system's efficiency is not limited to the thermal conductivity of the material. The WayFast™ technology is also hybrid in nature, bringing electrical and optical input/output (I/O) solutions together into a single, integrated system. It involves layers of woven meshes made with electrical power delivery and/or wire line communications in direct contact with heat source surfaces.



Multiple die stack with alternating optical conduit arrays and electrical conduit

MANAGEMENT

Colton Melby, Chairman of the Board of Directors

Mr. Melby, chairing the board since June 2008, has a two decade background in aerospace manufacturing, as well as vast knowledge of other production and service industries. He spent 15 years as owner and chief executive officer of Metal Form, Inc., serving worldwide customers, including Boeing, Bombardier, Rockwell, Grumman, Lockheed Martin and others. Under his leadership, Metal Form received numerous awards of excellence including Boeing's President Award and three consecutive "Supplier of the Year" awards. Mr. Melby is also a founding member of Melby Brothers Performance Investments, a firm with a strong history of financing successful start-up and turnaround organizations, including the financing and purchase of firearms-maker Smith & Wesson from London-based Tomkins PLC in 2001 and recent investments in Earth 911, a green initiatives and recycling company.

William J. Clough, Esq., President & Chief Executive Officer, Director

Mr. Clough, President and Chief Executive Officer since September 2007, was previously Executive Vice President of Corporate Development. Earlier in his career, Mr. Clough founded a private practice law firm with offices in Los Angeles, San Francisco and Honolulu. During his sixteen-years practice, he successfully represented numerous parties in multi-million dollar cases throughout the US, including large manufacturing and entertainment entities such as MGM Studios, 20th Century Fox, News Corp., Lions Gate Films, Artisan Pictures, Sony and Mediacopy. In 2000, Mr. Clough obtained the then-largest ever non-wrongful death jury verdict in Los Angeles County Superior Court. Mr. Clough received his Juris Doctorate, cum laude, from the University of California, Hastings College of the Law in 1990 and is certified to practice law in state and federal courts in California, Illinois, Hawaii, and before the US Supreme Court.

Matthew M. McKenzie, Chief Operational Officer, Director

Mr. McKenzie has been working for over a decade in various functions at CUI, Inc., the company's wholly-owned subsidiary, gaining intimate knowledge of the business, its operations, and its opportunities for growth. In collaboration with a senior engineer, Mr. McKenzie established one of CUI's most successful and profitable business brands: V-Infinity, an internal power product division possessing significant opportunities in conjunction with the company's WayCool™ technology. Among many other achievements at CUI, Inc., he has initiated ISO 9000, implemented an effective ERP system and provided structure to global logistics, including Chinese partnerships. Mr. McKenzie holds an MBA from George Fox University.

Daniel N. Ford, Chief Financial Officer

Mr. Ford has a background in the big accounting firms, including KPMG. In the past six years, Mr. Ford served as CFO of CUI, Inc., the company's wholly-owned subsidiary, consistently improving efficiency and profitability by transforming accounting, inventory management and vendor relations processes. He has led the establishment of an advanced internal fixed asset tracking, implemented a "real-time" inventory system and participated in setting-up the ERP system. Mr. Ford holds an MBA from George Fox University.

Bradley J. Hallock, Senior Vice President, Business Development

Mr. Hallock brings more than 25 years of corporate business development experience. Mr. Hallock was the founder and chief executive officer of C and R, Ltd., a provider of wholesale services to the automobile industry, with annual revenue in excess of \$10 million. For three years, Mr. Hallock served as a senior executive for First America Automotive, Inc. (FAA), an \$800 million annual revenue company that was later acquired by Sonic Automotive, Inc. (NYSE: SAH). As a senior executive at FAA, he conceived and implemented the "Auto Factory" concept to vertically integrate used car operations across disparate retail franchises on a regional basis. He led the expansion of this concept into a \$100 million annual revenue division of FAA. During his tenure at FAA, Mr. Hallock was a key member of the merger and acquisition team, where he was instrumental in the successful acquisition and integration of more than 50 new car retail franchises.

The numerous applications Waytronx has currently identified for its thermal management technology include: Graphics Processing Units (“GPU”), Central Processing Units (“CPU”), Power Supply Units (“PSU”), Solar Energy Devices, Medical Monitors, Test Appliances, Server Farms and Home Electronics Displays.

ELECTRONIC COMPONENTS PRODUCTS

Through its CUI and CUI-Japan subsidiaries, the Company offers a broad portfolio of electromechanical component products, including linear and switching external power supplies, internal power supplies (marketed under V-Infinity brand), transformers, converters, testing and measurement equipment, connectors and custom cable assemblies, as well as industrial controls and other instrumentation. The Company provides a variety of support services in association with its offering, including product customization, access to specifications and 3D modeling, in-house testing and application assistance, global sourcing and tailored shipping services. Recently, the Company embarked on a product expansion program by identifying and in-licensing advanced electronic components with worldwide market reach potential, including two lines of encoders, an intra-pipeline gas quality and interchangeability measurement device and a specialized digital power module.

C-14 and AMT Encoders Based on two separate exclusive worldwide licensing agreements stipulating 15% royalty fees, effective since April 2009, the Company manufactures, sells and distributes two lines of innovative proprietary encoder devices converting rotary displacement into digital representation, C-14 and AMT. The Company has established a relationship with Digi-Key Corporation, a leading global distributor of electronic components, quickly becoming its 11th largest supplier in the product category by obtaining several design wins. The C-14 optical encoder, developed by the Company’s Japanese partner Stonewells, has recently been implemented into sophisticated medical equipment, including ultrasonography machines produced by Philips. The AMT line based on capacitive code-generating technology, which replaces optical or magnetic encoding, was



Philips Sonogram

developed by AnderMotion Technologies LLC, a Kirkland, Washington-based developer. It is used in cash machines (ATMs) manufactured by Diebold Incorporated (NYSE: DBD) and also distributed to high-end DC motor manufacturers through MicroMo Electronics, Inc., the North American distributor for the Faulhaber Group, a premier German-based provider of miniature drive systems. The Company is currently preparing to expand its C14 and AMT production capacity to its recently acquired facilities in Nagano, Japan.



Diebold ATM

Digital Power Market The Company has a Letter of Intent for licensing flexible, cost-effective and energy-efficient proprietary digital power modules based on patented microchip developed by a large digital power chip maker. Nearing completion of the design phase, the product could be ready for manufacturing and distribution to Tier 2 & Tier 3 Telecom and LED OEM’s in the first quarter of 2010.

ADVANTICA GasPT

In addition to its electronic components product group, the Company’s is targeting a large potential natural gas market with an intra-pipeline device for measurement of gas quality and interchangeability. The prototype was designed and developed by GL Industrial Services UK (formerly: Advantica Ltd, a subsidiary of British Gas), a provider of advanced technology and system solutions for the energy industry for over 30 years. Protected by 85 international patents, Advantica GasPT, first such product in the industry, is fully certified for installation in the E.U., U.S., Asian and African natural gas facilities. Following successful completion of remaining on-site testing programs, the Company intends to begin mass production and delivery in the first quarter of 2010, targeting large-scale natural gas providers, such as BP, Standard Oil, Shell Gas, and their clients, such as Southern California Edison, San Diego Power & Gas and Pacific Gas & Electric, as well as other large-scale consumers worldwide.



Advantica GasPT

COMPETITION

The highly diversified and competitive electronic components industry is global in nature and composed of companies with varied business models competing within various segments. The Company's competitors include such companies as CNB Electronique, a French developer and manufacturer of measuring and energy conversion instruments, Avnet Electronics Marketing, a division of Avnet, Inc. (NYSE: AVT) providing integrated supply-chain and design-chain services in the electronic components industry, and Tessera Technologies, Inc. (NASDAQ: TSRA) engaged in licensing miniaturized technologies for the microelectronics market.

The thermal management solutions in digital electronic devices have traditionally involved cumbersome external contraptions versus designed-in internal architecture developed by the Company. While all CPUs come with a heat sink and fan designated to cool it, there is also an aftermarket for coolers used to either reduce noise in the computer or provide over clocking capacity while at the same time lowering the temperature at full load. Several companies compete in this segment, utilizing somewhat different technologies, including: Aerocool, Cooler Master, Evercool, Scythe, Silverstone, Thermaltake, Zalman, GlacialTech, Inc., Arctic Cooling, VapoChill www.koolance.com (liquid cooling systems and accessories) and Denmark-based Danamics (liquid metal coolers).

FINANCIALS

Acquisition Financing Effective May 16, 2008, Waytronx acquired CUI for a purchase price of \$37,500,000. The funding for this transaction was provided by:

- A \$6,000,000 cash loan from Commerce Bank of Oregon, with a term of 3 years, paying interest at the prime rate less 0.5%, which was 4.5% on June 30, 2009, and secured by personal Letters of Credit from related parties. The net long-term balance of this note as of June 30, 2009 is \$6,069,686.
- A \$14,000,000 seller's promissory note to International Electronic Device, Inc. ("IED", formerly CUI, Inc.) with a term of three years and an effective interest rate of 4.0%, payable at \$30,000 per month with a balloon payment at the end of the term. The net long term balance of this note is \$13,099,749.
- A \$17,500,000 seller's convertible promissory note to IED with 4% effective interest, permitting the payee to convert any unpaid principal, interest and success fee to Waytronx common stock at a

per share price of \$0.25 at the end of a three year term, subsequently readjusted.

On April 24, 2009, Waytronx and IED, the debt holder, amended the previous \$17,500,000 convertible promissory note by reducing the conversion rate from \$0.25 to \$0.07 per share, effectively reducing the note principal from \$17,500,000 to \$4,900,000 and stipulating potential maximum conversion of at 70,000,000 shares, which will not occur if the note is paid off. The net long-term balance of this note as of June 30, 2009 is \$1,117,880.

The Japan-based companies, which form CUI-Japan, were purchased for approximately \$260,000 in cash, with an initial payment of approximately \$105,000 due on or before September 30, 2009 to acquire Comex Instruments and 49% of Comex Electronics, and three equal annual payments over the next three years to acquire the remaining 51% of Comex Electronics, in 17% blocks per year.

Operating Results During the year ended 2008, the Company reported revenues of \$19,555,935, comprised almost entirely of CUI product sales, versus \$157,258 in 2007, which was still only attributable primarily to Living Window™ and RediAlert™ products. The 2008 cost of revenue was \$11,874,250, resulting in gross profit of \$7,681,685 and a 39% gross margin. The Company's 2008 EBITDA was \$2,398,129. The net loss of \$1,830,367 reported in 2008 was largely the result of \$3,704,790 in cash and non-cash interest expense associated with long-term debt stemming from the May 2008 acquisition of CUI.

During the quarter ended June 30, 2009, Waytronx posted revenues of \$6,035,790, as compared to \$4,396,454 in the same period a year earlier. The revenues for both comparable quarters were derived primarily from CUI product sales, which amounted to \$6,016,499 in 2009 versus \$4,341,295 in 2008, representing a growth rate of 38.6%, but attributable mostly to the fact that the 2008 figure reflects CUI consolidation only since May 16, 2008, the date of the acquisition. The cost of revenue for this year's second quarter was \$3,605,400, resulting in a gross profit of \$2,430,390 and a gross margin of 38.2%, while selling, general and administrative (SG&A) expense was \$2,453,871, or 40.7% of revenue. The Company had an EBITDA of \$1,033,166 for the second quarter of 2009. Its loss before extraordinary items was \$1,418,073, excluding a net gain of \$1,135,886 related to the restructuring of the CUI seller's note, which yields a net loss of \$282,187, compared to the 2008 second quarter net profit of

\$1,967,300, which included one-time derivative income of \$2,782,537.

For the six months ended June 30, 2009, Waytronx posted revenue of \$12,160,840 versus \$4,457,099 in the year earlier period, again generated mostly from CUI product sales of \$12,077,400 and \$4,341,295 respectively, with the large difference between the periods reflecting primarily the timing of the CUI acquisition in 2008. The cost of revenue for this year's first half was \$7,261,555, resulting in a gross profit of \$4,899,285 and a gross margin of 40.3%. SG&A expense in the first half was \$4,825,036, or 39.9% of revenue. The net loss of \$1,568,902 for the first six months of 2009 would have equaled \$2,704,788 excluding the CUI debt restructuring transaction, comparing to a net profit of \$769,277 in the same period of 2008, which included \$2,782,537 in other derivative income. The results in the first six months of 2009 were burdened with \$2,452,656 of interest expense, which is now significantly reduced. Overall, the year-to-date EBITDA as of June 30, 2009 was \$1,208,353.

Balance Sheet Position As of June 30, 2009, the Company had a working capital deficit of \$366,378, attributable in significant part to an outstanding balance of \$1,068,674 on a \$3,000,000 working capital line of credit with Key Bank maturing in September 1, 2009, as well as two promissory notes stemming from past capital transactions in 2005 in the total amount of \$1,350,000 becoming due in August and October 2009. As evidenced by the \$10,698,169 reduction of outstanding debt related to the CUI purchase, the Company's management is committed to improving its balance sheet position. However, as of June 30, 2009, the Company still had long-term debt balance of \$20,287,315, on total assets of \$35,349,071. Coupled with continuing net losses, these factors according to the auditors may raise doubt about the Company's ability to continue as a going concern.

As of June 30, 2009, the Company's net worth was \$8,124,256. On August 3, 2009, its capital structure consisted of 167,005,919 issued and outstanding shares of common stock spread amongst over 3,000 shareholders of record and 50,543 shares of Series A Convertible Preferred Stock. The Company also has 9,363,273 outstanding warrants to purchase common stock, of which 7,905,273 is currently exercisable at average exercise price of \$0.17 and remaining average contract life of 7.12 years.

GROWTH OUTLOOK

The management expects to organically grow its legacy products revenue from CUI and CUI-Japan

acquisitions, while gaining significant market share for its newly in-licensed products, especially the C14 and AMT lines in the short-term, and the GasPT device several months after its expected year-end launch. The new distributor relationships secured this summer should enhance the sales cycle for these lines, with substantial results from current and potential agreements expected to materialize in mid-2010. Having achieved substantial sales coverage of North America and North-East Asia, the Company will also focus its distribution efforts on expansion into Europe, specifically, Germany, France and Italy. Finally, the Company is also in negotiations with BAE Systems, Inc., the North American Division of British Aerospace, to explore uses for the WayCool/WayFast thermal management technology in several BAE government projects. While the management does not expect immediate commercial revenue from this technology, it is expected to generate R&D and non-recurring engineering payments to the Company in the next 6 to 12 months.

Projections With revenues of \$12.1 million already booked in the first half of 2009, we believe CUI products can provide at least \$22 million in revenues for the year. Second half revenue is expected to be supplemented by the July acquisition of CUI-Japan and the third quarter roll-out of the C14 and AMT encoders. The 2009 combined Comex revenue attributable to Waytronx is projected at \$1 million and revenue from the C14 encoder and AMT encoders are estimated at \$1 million and \$2 million, respectively. It should be noted that revenue projections for new product lines are speculative in nature. However, the Company believes that these products are strategically positioned to serve well-defined industry niches and therefore provide a high degree of visibility. Totalling these revenue streams, we generate a full year 2009 revenue estimate of \$26 million. We anticipate that Waytronx will continue to achieve a gross margin of 40% on the CUI business. Management anticipates gross margins of 50% for C14 and 60% for AMT. Management believes Comex profits will be restrained by transition and legacy costs and the gross profit from this business is projected at only about \$200,000 this year. This brings the possible total gross profit for the full 2009 year to \$10.7 million. We anticipate that SG&A as a percentage of revenue remains at about 40% and this expense line would total \$10.4 million for 2009. Other expense, which assumes a reduction in interest costs in the second half of the year as a result the extinguishment of debt, is estimated at \$4.6 million. The result would be a net loss of \$4.3 million before the \$10.7 million goodwill impairment charge

and the \$11.8 million gain on debt extinguishments. EBITDA, assuming about \$700,000 in depreciation and amortization and \$4.4 million in total interest would be a positive \$800,000. Looking forward, the management anticipates revenues for the various business segments as set in Table 1.

On this basis, our total revenue estimates are \$47 million for 2010, \$72 million for 2011, and \$101 million for 2012. Assuming: i.) gross margins of 40% for existing product lines, 50% for the C14 encoder, 60% for the AMT encoder, 60% for digital power modules, 45% for the AdvanticaGasPT product, and 40% for the Comex business; ii.) SG&A as a percentage of revenues declining to 36% in 2010, 34% in 2011 and 32% in 2012 as the revenue base grows, and iii.) annual net other expenses at \$4.2 million, we can project pre-tax results of breakeven in 2010 and profits of \$4.4 million in 2011 and \$10.5 million in 2012. Since Waytronx has a \$28.0 million tax loss carry-forward, these earnings will be shielded from taxation. Assuming the current 167 million shares outstanding, but understanding that this level may rise in the future (the conversion of the convertible promissory note would reduce interest by almost \$200,000 but add 70 million shares, and there are 9.3 million warrants outstanding), we generate earnings per share estimates of \$0.00 for 2010, \$0.03 (\$0.02 assuming dilution) for 2011, and \$0.06 (\$0.04 assuming dilution) for 2012.

Conclusion Waytronx is at the cusp of a period of potential rapid revenue growth and profitability. Like many emerging companies it must deal with near-term liquidity issues some of which may be addressed through further debt restructuring. In addition to a working capital deficit, the Company faces other general risks associated with emerging growth, including the lack of current profitability, competition and inability to penetrate new markets, limited trading liquidity and price volatility of bulleting board companies, as well as future dilution from potential offerings and warrants exercise. We believe that the current share price reflects these issues and as management strengthens its balance sheet and as new product initiatives are commercialized, the stock has the potential to build on recent strength which brought the share price back to last fall's levels. Assuming a price/earnings multiple of 20 on potential 2012 diluted earnings, and discounting this figure by 20% per annum would generate a present value of \$0.46 per share, 187.5% above the current market value.

Alan Stone, Managing Director
Paul J. Resnik, CFA, Senior Analyst
Tytus Biniakiewicz, Director of Global Research



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Table 1 (\$ millions)	2010	2011	2012
Existing Lines (CUI)	26	29	32
Comex	6	8	10
C14 Encoder	3	5	7
AMT Encoder	4	10	14
Digital Power Modules	2	5	8
Advantica GasPT	6	15	30
Total Revenue	47	72	101