

FAB UNIVERSAL CORPORATION

A Tremendous Upside Opportunity

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FAB UNIVERSAL CORPORATION (NYSE MKT – FU - \$3.95)

Price Target: \$9.00

Rating: Strong Buy (2)

COMPANY SNAPSHOT

FAB Universal Corp. is a global leader in digital media entertainment sales and distribution. FAB delivers media through Intelligent Kiosks, Retail Stores, Retail Licensees and online through three business units: Digital Media Services, Retail Media Sales and Wholesale Media Distribution. Billions of movie, music, podcast, TV show and other digital files are distributed to consumers in 240 countries. Sales of digital media are generated through kiosks networks, subscription sales for mobile devices, smartphone Apps and Netflix-like subscription models. In 2012, billions of downloads of copyrighted music, games, ringtones, ebooks, movies and podcasts were distributed to 50M+ people worldwide.

KEY STATISTICS

Price as of 3/22/13	\$3.95
52 Wk High – Low	\$5.70 – 1.90
Est. Shares Outstanding	20.7M
Market Capitalization	\$81.8M
3 Mo Avg Vol	55,000
Exchange	NYSE: MKT

COMPANY INFORMATION

FAB Universal Corporation
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Pittsburgh PA 15213
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www.fabuniversal.com
IR: Arthur Douglas & Associates
Art Batson: 407.478.1120

INVESTMENT HIGHLIGHTS

U.S.-based FAB Universal has undergone a transformation from a leader in a niche market to one of the most profitable and diverse players in the digital media distribution market. FAB owns and operates high profile sales and distribution businesses in China and the largest network of independent and professional digital media publishers using podcasting.

A recent study by PwC forecasts that China will be one of the fastest growing entertainment media markets among emerging nations. FAB has a major foothold in China through its wholesale media distribution, retail media sales, and its ubiquitous kiosk networks.

The Company's legacy podcasting business is a sleeping giant. For 2012, the Company's network received 1.6 billion download requests and reaches roughly 25 million people. We expect that significant asset monetization through ad revenue generation will occur in the next 2-3 years.

Driven in large part by its digital media sales and distribution in China, we expect FAB to generate nearly \$100M in revenue and over \$19M in profit in 2013, or \$0.91 per share in EPS. This compares to a \$27.5M in sales and a loss in 2012.

FAB is an incredibly undervalued stock that has been overlooked by the Street, presenting a unique opportunity for investors. Despite its EPS outlook and \$5M per quarter in cash generation, FAB trades only 4.3x our FY13E EPS estimate. Even with a discount for its foreign operations, the stock should be afforded at least a 10x multiple on FY13E EPS by year-end. Therefore, we rate these shares Strong Buy with a year-end price target of \$9.00.

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COMPANY OVERVIEW

Tracing its roots to 1995, Pittsburgh-based FAB Universal Corporation (NYSE – FU) is a global leader in digital media sales and distribution serving customers worldwide in three segments: *Digital Media Services*, *Retail Media Sales* and *Wholesale Media Distribution*. The Company, formerly Wizzard Software (NYSE: WZE), completed the acquisition of Digital Entertainment International Ltd (FAB) on September 26, 2012. This transformative and milestone achievement provided the Company with a major foothold in China as well as a substantial revenue and customer base, in addition to profitability. As expected, the deal has already proven accretive as of 4Q12, and is expected to serve as a driver of business, cash generation, and serve as a hub for other potential acquisitions in the region.

For investors, the view from 10,000 feet provides keen insight into the Company's unique positioning. Management has successfully leveraged its digital media distribution expertise away from the legacy Wizzard podcasting business to the broader digital media distribution space via the acquisition of a firm that executes a clever cradle-to-grave strategy in order to foster and generate substantial, consistent revenue.

In China, FAB generates revenue through the sale of media hardware and software to retail chains but also supplies its own retail stores and its kiosk "franchisees", or licensees of the FAB kiosk concept that is akin to Redbox meets Netflix meets iTunes inside existing stores and businesses. Plus, with a celebrity promotional strategy utilized by its retail segment, tremendous brand awareness is fostered. As a result, the Company perpetuates the brand through the retail marketing, the license of its kiosk network, and the provision of content/product from its wholesale segment.

Billions of movie, music, podcast, TV show and other digital files are distributed to consumers in 240 countries. Sales of digital media are generated through kiosks networks, subscription sales for mobile devices, smartphone Apps and Netflix-like subscription models. In 2012, billions of downloads of copyrighted music, games, ringtones, ebooks, movies and podcasts were distributed to 50M+ people worldwide.

For 2012, FAB recorded \$27.5M in revenue and a loss per share of (\$0.34.) However, for 4Q12, the Company reported revenue of \$24M and EPS of \$0.11, generating fully \$5M in cash for the period. Clearly, this accretive transaction has transformed the Company from a sleepy podcasting network pioneer to a diverse, global digital media distribution power. Therefore, investors should expect management will continue to execute its successful growth model both organically and through M&A over the next two years to build this global distribution powerhouse for mobile digital entertainment.

FAB UNIVERSAL: SEGMENT ANALYSIS

FAB's business can be divided into three segments: *Digital Media Services*, *Retail Media Sales* and *Wholesale Media Distribution*. As part of the services segment, the Company licenses its kiosk business and provides podcast hosting services. FAB also has a legacy software business that provides support for speech recognition and text-to-speech technology.

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The Company essentially operates through two subsidiaries. These include Webmayhem, Inc. ("Libsyn"), a Pennsylvania corporation, which operates the podcast hosting and distribution services, and Digital Entertainment International Ltd. ("DEI"), which is the umbrella for FAB's China operations. DEI was incorporated under the law of the Hong Kong Special Administrative Region, is also a wholly owned subsidiary of FAB Universal, and operates its wholly-owned subsidiary, Beijing Dingtai Guanqun Culture Co., Ltd. ("DGC"), which operates Beijing FAB Culture Media Co., Ltd. ("FAB Media"), a variable interest entity ("VIE"), and Beijing FAB Digital Entertainment Products Co., Ltd. ("FAB Digital"), a wholly owned subsidiary of FAB Media. DGC controls the management of the operating entities, FAB Media and FAB Digital, through VIE contracts.

Digital Media Services



Image I. FAB Universal Media Kiosks
Source: FAB Universal Corporation

FAB Media Kiosks are ATM-style terminals where consumers can download copyrighted music, video games, ringtones, mobile apps, digital books and movies directly to their cell phones, memory sticks or other mobile storage devices. FAB Media Kiosks can also run video ads on the high-tech LCD screens, which can provide a complementary another revenue stream to the kiosks. Although it is hard for users in the U.S. to envision, these kiosks are akin to Redbox meets Netflix meets iTunes meets payment centers, as these machines can accept payments for utility bills, metro cards, and credit card bills. The Company has deployed over 12,500 kiosks through its multi-year licensing program focused on targeting high traffic areas. Along with content download and paid advertising as revenue, the company sells media membership card sales. Currently, FAB has more than 350,000 membership cardholders.

In our view, the kiosk business is the key driver of growth for FAB Universal. Due to the multi-year revenue license model and revenue-sharing, this segment is able to record gross margin in the high 80% range. Moreover, although FAB already has 12,500 deployed kiosks, we believe that the Company has not yet even scratched the surface of its deployment potential. There are 160 cities in China with greater than 1 million citizens. Given the urbanized model, and the ability to place multiple kiosks in many locations, we would not be

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surprised to see 100,000 kiosks operational in the next few years. A new express model targeting supermarkets and cinemas in Beijing could be a wild card and provide extra juice to revenue this year.

As noted above, the Company operates its Libsyn subsidiary as part of the legacy of Wizzard Software. Libsyn is currently the largest network of independent and professional digital media publishers utilizing RSS, or podcasting, for distribution of video and audio shows in the industry. The platform hosted over 1 million shows in 2012. The fact that the Company generates revenue from this service, where it is free elsewhere, is a badge of honor for management and demonstrates superior service and delivery. Libsyn Publishing Services delivers hosting, content, platform development, and distribution networks. In 2012, the Libsyn Network received 1.6 billion download requests, up from 1.3 billion in 2011. This network reached around 25 million people globally and delivers an advertising platform as well as smart device application sales to generate revenue.

Going forward, we believe that changes in how Nielsen and other ratings agencies monitor and value these types of services will play a role in a greater monetization of this asset through advertising revenue, as advertisers can truly record how often downloads occur and target market ads effectively. As a result, we would not be surprised to see this segment approach the \$1M in free cash flow run-rate later this year.

Retail Media Services

Figure 6: FAB Retail Stores



Image II. FAB Retail Store
Source: FAB Universal Corporation

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This FAB retail segment is part of the legacy Digital Entertainment International (DEI) and has been in operation since 2003. Each store has over 20,000 square feet and sells copyright-protected audio and video media products. The Company operates a large 30,000 square foot store in Joy City and has recently opened an entertainment store in SoShow.

The SoShow flagship store offers many new electronic digital products and mobile storage devices while serving as a center for the 5C, the download supermarket of traditional copyright protected audio-video products. Consumers can download the latest movies, songs, games, e-books and applications to mobile storage devices through the intelligent 5C Kiosk.

The Chinese 'super store' is a unique departure from the shopping experience in the United States and other international markets. Large retail space can be 'sublet' for several retail outlets, providing a chance to franchise or provide smaller corporate stores. FAB has several large flagship stores and additionally sells franchises to allow for presence in these smaller retail places.

Still, what we believe is the real engine behind the retail business is the uncanny ability of management to successfully promote the now ubiquitous brand, as this brand recognition is a key factor in FAB's expansion of its retail and digital services in China. The large flagship stores have are sites for weekly celebrity appearances and signing events. These events attract thousands of fans and promote sales and increase FAB brand recognition and is a great organic way of broadening the reach of the entire organization

Wholesale Media Distribution



Image III. FAB Wholesale Segment
Source: FAB Universal Corporation

FAB Wholesale Media is also part of the DEI legacy in China. This segment is designed to serve three customer bases: large retail stores, FAB franchises (kiosks), and small wholesale resellers. It sells a variety of media hardware and software products to over 80 customers including Sohu (NASDAQ – SOHU), Dangdang and Century Outstanding Information Technology Company, a subsidiary of Amazon.com (NASDAQ – AMZN). The Wholesale Media segment revenue doubled over a three year period from 2009 to 2012, going from \$24

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million to \$55 million. FAB's licensing and agreements with over 100 suppliers allow the company to manage the growth in the industry and keep it positioned to reap significant market share.

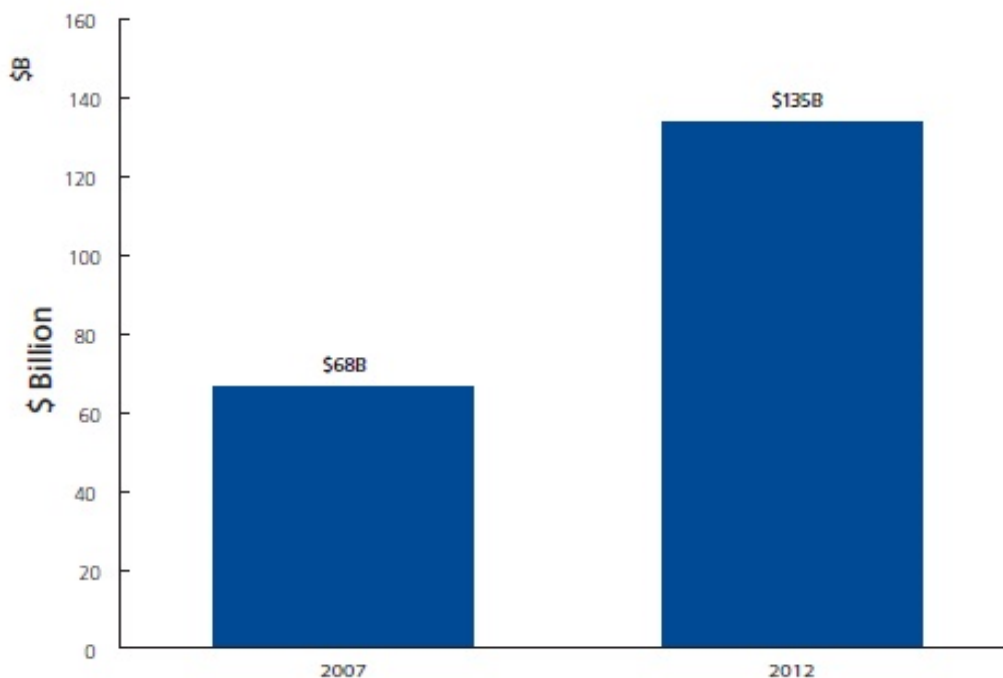
INDUSTRY SNAPSHOT

In October 2012, the noted accounting and consulting firm Ernst and Young released a report that forecast a 17% compound annual growth rate (CAGR) for the Chinese media and entertainment industry between 2010 and 2015. (Source: http://www.ey.com/GL/en/Newsroom/News-releases/News_China-media-and-entertainment-industry-continues-to-experience-exponential-growth)

The tables below illustrate the overall growth achieved in the Chinese media market from 2007 to 2012 and the U.S. While both markets experienced significant growth, on a dollar basis, the Chinese market surpassed the U.S.

Figure 1: Growth of Chinese Media Market 2007 – 2012

Source: (http://www.deloitte.com/assets/Dcom-UnitedStates/Local%20Assets/Documents/TMT_us_tmt/u_tmt_wherehethetruegrowthlies_200910.pdf)

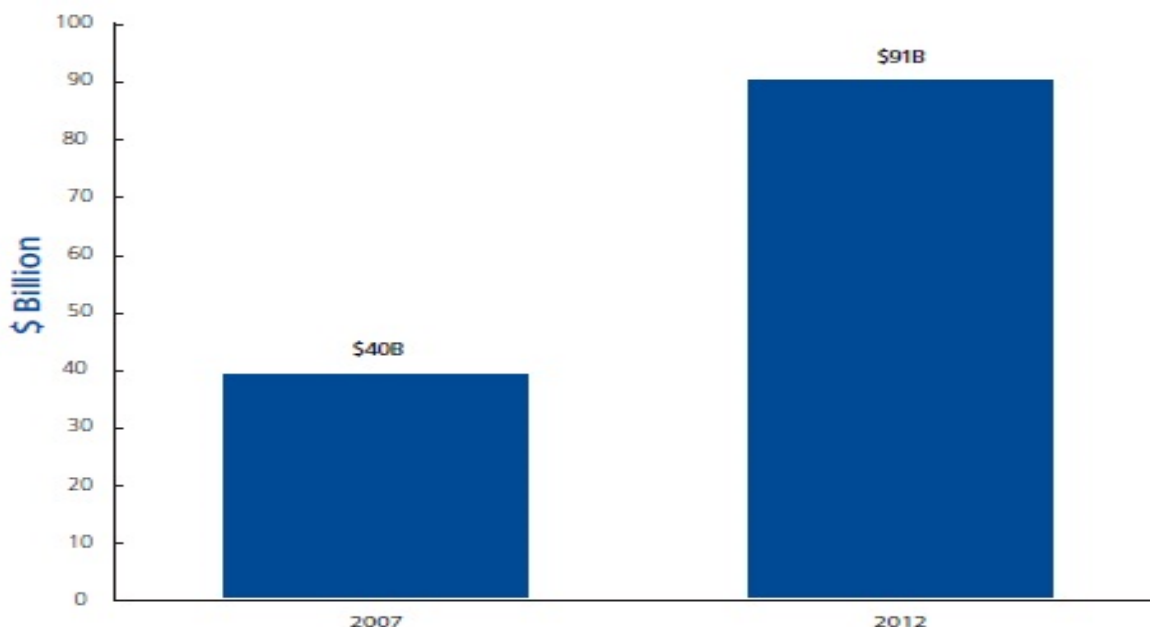


Source: Deloitte analysis

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Figure 2: Growth of US Interactive Media Market 2007 – 2012

Source: (http://www.deloitte.com/assets/Dcom-UnitedStates/Local%20Assets/Documents/TMT_us_tmt/u_tmt_wherehethetruegrowthlies_200910.pdf)



Source: Deloitte analysis

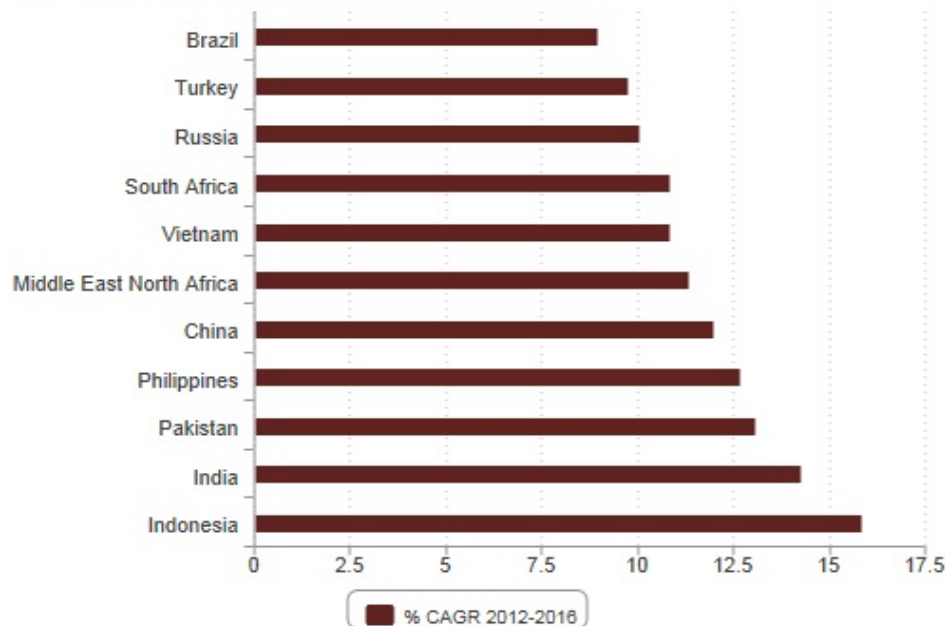
What do the figures mean? FAB is in a great position to capitalize on this growing industry, particularly in China. The retail kiosk business represents a huge opportunity for original content download revenue, as home internet in China does not have the same bandwidth and speed that allow for large file downloads.

Finally, to illustrate this point further, Figure 3 illustrates results from a study performed by PwC showing China among other emerging market countries and the related forecast growth in media and entertainment through 2016, in those markets. This forecast is predicting nearly a 12% annual growth rate in China, along with significant growth in Indonesia, India, and Vietnam other areas of potential market penetration for FAB.

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Figure 3: PwC Global Media and Entertainment Outlook: 2012-2016

Fastest growing E&M markets to 2016



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THE FAB UNIVERSAL LEADERSHIP TEAM

FAB has a seasoned and entrepreneurially focused management team. The C-level executives have over 100 years combined experience in media technology, ventures, financing, and the successful execution of business in China and the United States.

Zhang Hongcheng, Chairman

Zhang Hongcheng has served as Chairman of the Board since September 26, 2012. Mr. Zhang has 25 years of experience in digital entertainment product publishing and distribution industry in China. He is the Vice President of China Audio & Video Association, Member of Copyright Society of China, Chairman of National Anti-Piracy Alliance; Chairman of the China Digital Education Industry Alliance and Executive Chairman of International Digital Culture Industry Investment Forum. Mr. Zhang holds a China-Europe International Business School EMBA degree.

FAB UNIVERSAL CORPORATION (NYSE MKT: FU)**Christopher Spencer, President, Chief Executive Officer**

Christopher Spencer has served as our Chief Executive Officer, President and as a director of FAB since February 7, 2001. Mr. Spencer has been responsible for the Company's overall direction since its inception, and has been instrumental in leading us to our current position in the podcasting industry. From 1994 until 1996, Mr. Spencer founded and worked for ChinaWire, Inc., a high-technology company engaged in financial remittance between international locations and China. Mr. Spencer worked for Lotto USA, Inc. from 1992-1994, where he was founder and Chief Executive Officer for the Pennsylvania computer networking company. From 1990 until 1992, Mr. Spencer worked for John Valiant, Inc., and was responsible for business concept development and obtaining financing.

John Busshaus, Chief Financial Officer

John Busshaus served as Controller from April 2006, until his election as our Chief Financial Officer on January 29, 2007. Mr. Busshaus has been responsible for overall accounting and financial reporting functions since joining the Company in April 2006. From 2004 to 2006, Mr. Busshaus was an independent business consultant. Mr. Busshaus' efforts were assisting organizations with the implementation of Sarbanes Oxley, filing of SEC reports, and taking a company through an IPO. Mr. Busshaus worked for Talanga International from 2001 to 2004, where he was the Chief Financial Officer for the company. From 1999 to 2000, Mr. Busshaus worked for Mellon Bank as Controller and Vice President, and was responsible for strategic planning and managing the annual and monthly budgeting within Global Security Services. From 1994 to 1998, Mr. Busshaus worked for PepsiCo as Senior Business Planner, and was responsible for annual and quarterly budgets planning, as well as weekly, monthly and quarterly reporting of results. As a member of management, Mr. Busshaus' efforts contributed to the revenue growth and market share increases in a market that was categorized as saturated.

Douglas Polinsky, Director

Douglas Polinsky has served as a Director of FAB since October 2007. Mr. Polinsky serves as the President of Great North Capital Corp., a Minnesota-based financial services company he founded in 1995. Great North advises corporate clients on capital formation and other transaction-related financial matters. Mr. Polinsky earned a Bachelor of Science degree in Hotel Administration at the University of Nevada at Las Vegas.

Greg Smith, Director

Greg Smith has served as a Director of FAB since October 2007. Mr. Smith is an award-winning producer and entrepreneur with over 10 years of experience in Non-Fiction Television. In 2000, Mr. Smith established The Solution Film Group, LLC and acts as the Company's President. Mr. Smith provides professional production and editorial support for various forms of non-fiction television entertainment, including the direction of media projects from development through production and post-production. His clients include Discovery Channel, Science Channel, Discovery HD Theater, Animal Planet, The Military Channel, PBS, and Discovery Networks International. Mr. Smith most recently won an Emmy in 2006 for the Discovery Channel's animated special

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Before the Dinosaurs. His other awards for excellence in production and editing include Emmys for the Discovery Channel's Walking with Prehistoric Beasts and Allosaurus: A Walking with Dinosaurs Special. From 1997 to 2000, Mr. Smith worked for Discovery Communications, Inc. in the capacity of Supervising Producer from January 1998 to November 2000, and Producer/Editor from October 1997 to January 1998. From 1995 to 1996, Mr. Smith worked for Discovery Channel Pictures serving as Assistant Editor from March 1996 to October 1997, and Production Assistant from September 1995 to March 1996. From 1994 to 1995, Mr. Smith worked for Crawford Communications in Atlanta, Georgia as a Manager of Satellite Services for The Learning Channel.

Denis Yevstifeyev, Director

Denis Yevstifeyev has served as a Director of FAB since October 2007. Mr. Yevstifeyev currently serves as the Director of Financial Planning & Analysis for Education Management Corporation – Online Higher Education. From 2007 to 2008, Mr. Yevstifeyev served as Sr. Financial Reporting Analyst for American Eagle Outfitters, Inc. in Pittsburgh. His duties included: preparing and analyzing various internal and external financial reports; researching new accounting pronouncements and evaluating any impact on the financial statements. He also reviewed accounting work papers and prepared the company's SEC filings for forms 8-K, 10-Q and 10-K. From 2005 to 2007, Mr. Yevstifeyev worked for Schneider Downs, Inc., where he worked on Sarbanes-Oxley compliance engagements. In 2005, Mr. Yevstifeyev graduated with a Bachelor of Science degree in Business from Washington and Jefferson College. He also graduated with honors from the Moscow Bank College of the Central Bank of Russia in Moscow with a degree in Finance in 2000. From 2002 to 2003, Mr. Yevstifeyev served as the Settlement Department Manager for SDM BANK in Moscow, where he dealt with domestic and international corresponding banks, among other responsibilities.

Gu Jansen, Director

Gu Jansen has served as a Director of FAB since September 2012. Ms. Gu is a musician who has served as a composer at Central Song and Dance Ensemble. She has been a council member for several international organizations, including the China International Cultural Exchange Center, Association for Promoting Peaceful Reunification of China, and Beijing Municipal Association for Friendship with Foreign Countries. Ms. Gu has been recognized by several organizations for her compositions. She won an Excellent Work Award of Asian & Pacific Region, sponsored by UNESCO. She was elected vice-president of the Chinese Musicians Association in 1999. Ms. Gu graduated from the Composition Department of Northeast Music School.

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FINANCIALS

Prior to the FAB Universal transaction, the company formerly known as Wizzard Software did not operate profitably and its top-line growth was uneven. Of course all of that has changed the closing of its key transaction in late 3Q12.

2012

We should note that in addition to the Chinese acquisition, the Company also discontinued some of its non-core operations. For ease of reconciliation and so as not confuse the investor, the quarterly figures we have produced in our model for each of the first three quarters of 2012 are identical with those found in the Company's filings. On a continuing operations basis, investors should assume that approximately \$3M in what we term podcasting revenue was recorded during those three quarters.

While management did provide specific top-line and bottom-line figures for 4Q12, it did not break out revenue by segment, as the full-year figures for all continuing operations included podcasting for the full year and the Chinese operations for all of 4Q12 and a few days in 3Q12, which is logical to us. Total revenue was \$24M with EPS of \$0.11. Importantly, the Company generated \$5M in cash for the period and is a great barometer for what investors should expect going forward.

For the full year 2012, revenue from continuing operations totaled \$27.5M, with the wholesale segment comprising the largest percentage of the total at 28%, or \$16.4M. Kiosk sales were \$7.8M, retail revenue was \$2.0M and podcasting represented \$3.8M. What bodes well for FAB going forward is that 2 of its fastest growing segments, kiosk sales and podcasting, carried 90% and 57% gross margins, respectively. Net loss for the year (before foreign exchange) was (\$0.34.)

2013

With one full quarter behind it, and with solid visibility aided in part by the sale of multi-year kiosk licenses and memberships, management provided guidance for both 1Q13 and FY13. Investors should note that our forecasts are within the guidance provided in the most recent conference call. Our full financial model can be found at the end of this report.

However, while management provided top-line and bottom-line financial guidance, we believe it would be useful to attempt to break down quarterly revenue by segment. As a result, our projections and associated margins are subject to change, going forward. Still, we believe that investors should monitor trends, particularly with the kiosk sales. The greater the sales in that segment, the greater the profitability for FAB.

As FAB continues to generate roughly \$5M in cash per quarter, we would not be surprised to see another accretive and complementary acquisition on the distribution front, whether it is in the Asia-Pacific region, or elsewhere. Clearly, with an ever-improving balance sheet, management has both leverage and flexibility in structuring future deals as part of its objective of leadership status in digital media distribution.

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RISK FACTORS

In our view, the greatest risk to FAB's success is a slowdown in any of the key businesses in China. On a secondary basis, negative foreign currency translation could also negatively impact results, although we believe that the effect would be muted. We view the wholesale business as "Steady-Eddie" and the kiosk side is clearly generating serious demand, so execution risk in the aggregate remains the biggest obstacle, in our opinion. Separately, potential competition from larger firms or even from newer entrants are always potential risks for emerging growth entities. These risks, of course, are consistent with firms of FAB's size and standing.

VALUATION AND CONCLUSION

In our view, FAB is an incredibly undervalued stock that has been overlooked by the Street, thus presenting a unique opportunity for investors. The Company has reached a key inflection point in its business model, as a result of the recent acquisition of key business operations in China. Overnight, it has transformed itself from a niche market leader to a profitable, global digital media distribution power, enabling it to attract an entirely new class of investors. These investors should begin to value the Company based upon revenue growth, profitability, penetration, etc., rather than other metrics associated with early-stage, unprofitable firms. Plus, as the Company begins to monetize the podcasting business, this value and contribution to cash flow could be a wild card for investors as well.

Despite its revenue growth and EPS outlook and \$5M per quarter in recent and projected cash generation, FAB trades only 4.3x our FY13E EPS estimate. We believe that even with a discount that is typically associated with stocks whose primary businesses are abroad, the stock is too cheap. With 20% projected net margins and an increasingly dominant share of the market, an argument could be made that FAB should trade 15x our FY13E EPS.

However, given the "fresh" nature of the recent acquisition, we have elected to take a more conservative stance and project that a 33% discount for its foreign operations could be assessed this year. If FAB is afforded at least a 10x multiple on FY13E EPS by year-end, the stock would reach our \$9.00 price objective. Given the huge profitability and leading market status, we rate these shares Strong Buy.

Goldman Small Cap Research Ratings and Risk Profile Definitions:

Strong Buy (1) The expectation that the stock will exceed stock market performance, with below average equity market risk.

Strong Buy (2) The expectation that the stock will exceed stock market performance, with average equity market risk.

Strong Buy (3) The expectation that the stock will substantially exceed equity stock market performance, with above average to speculative risk.

Speculative Buy: The expectation that the stock will substantially exceed stock market performance, with speculative market risk.

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Recent Trading History For FU

(Source: BarChart.com)

FU - Fab Universal Corp - Daily OHLC Chart



FAB UNIVERSAL CORPORATION (NYSE MKT: FU)

Table I. Projected Income Statement

FAB Universal Corporation

(in thousands, \$)

	<u>1Q12</u>	<u>2Q12</u>	<u>3Q12</u>	<u>4Q12</u>	<u>FY12E</u>	<u>1Q13E</u>	<u>2Q13E</u>	<u>3Q13E</u>	<u>4Q13E</u>	<u>FY13E</u>	<u>FY14P*</u>
Revenue											
Wholesale					\$16,400	\$14,400	\$14,500	\$14,500	\$14,500	\$57,900	\$59,000
Retail					\$2,000	\$1,500	\$1,500	\$1,600	\$1,700	\$6,300	\$7,000
Kiosk					\$7,800	\$7,000	\$7,500	\$8,000	\$8,500	\$31,000	\$38,000
Podcast (and legacy)					\$3,800	\$800	\$800	\$800	\$900	\$3,300	\$4,000
Total Revenue	\$1,856	\$2,037	\$1,745	\$24,000	\$27,459	\$23,700	\$24,300	\$24,900	\$25,600	\$98,500	\$108,000
Cost of Sales	\$968	\$1,122	\$784	\$10,900	\$16,440	\$12,324	\$12,393	\$12,450	\$12,800	\$49,967	\$51,840
Gross Profit (Loss)	\$888	\$915	\$961	\$13,100	\$11,019	\$11,376	\$11,907	\$12,450	\$12,800	\$48,533	\$56,160
Operating Exp											
R&D	\$66	\$70	\$73	\$100	\$270	\$100	\$100	\$100	\$100	\$400	\$700
SG&A	\$1,819	\$1,182	\$5,672	\$7,680	\$13,502	\$5,925	\$6,075	\$6,225	\$6,400	\$24,625	\$24,840
Operating Inc (Loss)	(\$997)	(\$337)	(\$4,784)	\$5,320	(\$2,753)	\$5,351	\$5,732	\$6,125	\$6,300	\$23,508	\$30,620
Other Expense	\$354	\$0	\$1,036	\$0	\$79	\$200	\$200	\$200	\$200	\$800	\$1,000
Other Income	\$160	\$6	\$132	\$0	\$0	\$100	\$200	\$300	\$400	\$1,000	\$1,500
Taxes	\$0	\$0	\$52	\$0	\$1,351	\$945	\$1,032	\$1,121	\$1,170	\$4,267	\$5,602
Net Income (Loss)	(\$997)	(\$331)	(\$4,951)	\$5,320	(\$4,183)	\$4,306	\$4,700	\$5,105	\$5,330	\$19,441	\$25,518
Inc Discnt Ops					\$178						
Comp Inc/For Curr			\$338		\$1,562						
Total Inc/Loss			(\$4,614)		(\$4,005)						
Net Inc. (Loss) per Share	(\$0.12)	(\$0.04)	(\$0.51)	\$0.11	(\$0.34)	\$0.21	\$0.22	\$0.24	\$0.25	\$0.92	\$1.09
Est. Shares Outstanding	8,192	8,659	9,724	20,000	11,779	20,750	21,000	21,200	21,500	21,113	23,500

* denotes preliminary estimate

Note 1: FY12 quarterly results include revenue and expenses from discontinued businesses from 1Q12-3Q12 and China operations beginning late 3Q13. Not all expense items were

Note 2: Management provided 1Q13 revenue and net income guidance as well as FY13 revenue and net income guidance. Quarterly estimates are projected solely by GSCR.



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Analyst: Robert Goldman

Rob Goldman has over 20 years of investment and company research experience as a senior research analyst and as a portfolio and mutual fund manager. During his tenure as a sell side analyst, Rob was a senior member of Piper Jaffray's Technology and Communications teams. Prior to joining Piper, Rob led Josephthal & Co.'s Washington-based Emerging Growth Research Group. In addition to his sell-side experience Rob served as Chief Investment Officer of a boutique investment management firm and Blue and White Investment Management, where he managed Small Cap Growth portfolios and *The Blue and White Fund*.

Analyst Certification

I, Robert Goldman, hereby certify that the view expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the recommendations or views expressed in this research report.

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