

WPCS International, Inc. (WPCS)

Buy

September 15, 2009

Alex Kurtz
Senior Vice President
(415) 568-3926
akurtz@mcfc.com

Strong Beat on Bottom Line, Government and Healthcare Verticals To Drive F2H10 Results; Reiterate Buy Rating

Key Metrics

Price:	\$4.03
Rating:	Buy
52 Week Range	\$1.32-5.5
Cash (M):	\$8.6
Debt (M):	\$5.6
Debt/Capital:	9%
Tan Book Value/Share:	\$3.64

Market Data

Market Cap (M):	\$28.0
Enterprise Value (M):	\$25.1
Shares Out. (M):	7.0
Float (M):	5.3
30-Day Avg. Vol. (M):	0.020
Institutional Ownership:	52.0%

Stock Performance



Source: BigCharts.com

Valuation (CY10E)

EV/CY10Sales:	0.2x
CY10 PE:	8.4x

Company Description

WPCS International, Inc. provides design-build engineering services for specialty communications systems and wireless infrastructure include site design, integration structured cabling electrical contracting trenching, construction and maintenance for corporations, government entities, and educational institutions worldwide. The company currently has 361 employees and 12 offices in the U.S. and a presence in China and Australia.

Investment Conclusion

We recently initiated coverage of WPCS with a Buy Rating. WPCS is a leading systems integrator and engineering contractor for wireless communication and energy infrastructure that is levered towards several key market trends: Federal Stimulus dollars that are flowing to Federal, State and Local government for the build out of new IP networks and related infrastructure approaching a \$30B opportunity (our estimate) and upgrades to healthcare infrastructure that are benefiting from an increased Government focus on reducing operating expenses. WPCS maintains strong technical knowledge in the building, designing and deploying of data networks as well as energy infrastructure and building services. We expect improving operating leverage heading into FY11. We believe fair value is in the \$6-7 range (implying a 12x CY10 multiple on EPS).

Summary

- **WPCS reported strong bottom line results.** WPCS reported 1Q10 revenues and EPS of \$25.3M and \$0.06 vs. our estimates of \$25.2M and \$0.01, respectively. The upside in earnings was largely driven by better than expected operating expense control in the quarter, coming in at \$5.85M vs. our estimate of \$6.20M.
- **Backlog and bids should be reaching trough in 1Q10.** WPCS reported backlog and outstanding bids of \$32M and \$161M, down from \$38M and \$169M in the company's 4Q09. While we would have liked to have seen a flat quarter for these numbers, with the government's fiscal year ending in 2Q10 (which represents about 60% of WPCS' bids in 1Q10), we remain confident in expected backlog growth in the October quarter.
- **Government and Healthcare verticals still in third gear.** These two verticals remain the key drivers for WPCS for the next 12-24 months and represent 82% of backlog in 1Q10. Yet management did acknowledge that Stimulus dollars are still under 25% dispersed due to coordination challenges between state and federal agencies and pending healthcare legislation is causing some providers to hold on near-term spending. We expect these issues, especially stimulus spending, to alleviate heading into 2Q10.
- **WPCS reaffirms FY10 guidance.** WPCS reiterated FY10 guidance of \$112 M in revenues and EPS of \$0.31-0.34. We are raising our FY10 EPS to factor in the 1Q beat and maintaining FY10 EPS. WPCS generated \$2.8M in CFO.
- **Valuation.** WPCS's earnings outlook is highly cyclical given its fixed cost structure and thus its multiple deserves some discount to its growth rates. That said, a 12x multiple on CY10 EPS yields a valuation range of \$6-7 vs. peers Quanta (PWR \$24.85; Not Rated) and Tetra Tech (TTEK \$28.30; Not Rated), Black Box (BBOX \$26.51; Not Rated) at 20x.

MCF Estimates

	FY09A		FY10E		FY11E
Sales (M)		Prev			
1Q	\$28.3	25.2	\$25.3A		\$28.5
2Q	28.8	26.7	28.0		30.5
3Q	25.3	28.7	27.0		29.5
4Q	24.7	31.4	31.8		32.8
FY (Apr)	\$107.1	\$112.0	\$112.0		\$121.3
EV/S	0.23x		0.22x		0.21x
EPS					
1Q	\$0.12	\$0.01	\$0.06A		\$0.07
2Q	0.05	0.04	0.08		0.13
3Q	0.03	0.11	0.05		0.12
4Q	0.04	0.16	0.15		0.20
FY (Apr)	\$0.23	\$0.33	\$0.34		\$0.52
P/E	17.4x		11.8x		7.7x

MERRIMAN CURHAN
FORD 600 California
Street
9th Floor
San Francisco, CA 94108
(415) 248-5600 Main
(415) 248-5690 Fax
(800) 909-7897 Trading
www.mcfc.com

NASDAQ: MERR

Member FINRA/SIPC

Please see
important
disclosures on the
last page of this
report

WPCS International, Inc. (WPCS)

Buy

Public Comparables

MERRIMAN CURHAN FORD

Emerging Data Center & Enterprise Technologies

Alex Kurtz 415.568.3926

Company Name	Sym.	Rating	Price	SO (m)	Mkt Cap (m)	Ent Val (m)	Est '08 EPS	Est '09 EPS	Est '10 EPS	Est (m) '08 Rev	Est (m) '09 Rev	Est (m) '10 Rev	P/E '08	P/E '09	P/E '10	EnVI / '08 Rev	EnVI / '09 Rev	EnVI / '10 Rev	
IT Services																			
Agilysys	AGYS	NR	\$ 6.93	23	\$ 157	\$ 121	NA	\$ (0.78)	\$ 0.44	\$ 769	\$ 660	\$ 682	NM	NM	NM	0.2x	0.2x	0.2x	
Black Box	BBOX	NR	\$ 26.51	18	\$ 465	\$ 690	NA	\$ 2.95	\$ 3.17	\$ 1,004	\$ 944	\$ 958	-	9.0x	8.4x	0.7x	0.7x	0.7x	
ePlus	PLUS	NR	\$ 15.50	8	\$ 128	\$ 56	NA	NA	NA	\$ 752	NM	NM	NM	NM	NM	NM	0.1x	NM	NM
INXI	INXI	Neutral	\$ 5.94	9	\$ 55	\$ 42	\$ 0.47	\$ 0.21	\$ 0.29	\$ 259	\$ 237	\$ 255	6.8x	8.6x	5.7x	0.2x	0.2x	0.2x	
Quanta Services	PWR	NR	\$ 24.85	198	\$ 4,930	\$ 4,544	\$ 0.88	\$ 0.69	\$ 1.05	\$ 3,780	\$ 3,282	\$ 4,010	28.2x	36.0x	23.7x	1.2x	1.4x	1.1x	
Tetra Tech	TTEK	NR	\$ 28.30	61	\$ 1,729	\$ 1,787	\$ 1.07	\$ 1.45	\$ 1.43	\$ 1,298	\$ 1,397	\$ 1,565	26.4x	19.5x	19.8x	1.4x	1.3x	1.1x	
WPCS	WPCS	Buy	\$ 4.03	7	\$ 28	\$ 25	\$ 0.32	\$ 0.23	\$ 0.48	\$ 109	\$ 105	\$ 120	12.7x	17.6x	8.4x	0.2x	0.2x	0.2x	
Median													19.6x	17.6x	8.4x	0.2x	0.5x	0.5x	

Source: Company financial statements, MCF Estimates and Thomson Financial, Capital IQ, # - Estimates represent approx. calendar year

MERRIMAN CURHAN FORD											
Emerging Data Center & Enterprise Technologies											
Alex Kurtz 415.568.3926											
WPCS International, Inc. Income Statement											
(M) - NON GAAP Presentation ¹	FY2008A	Jul 1QA	Oct 2QA	Jan 3QA	Apr 4QA	FY2009A	Jul 1QA	Oct 2QE	Jan 3QE	Apr 4QE	FY2010E
Wireless Communication % of Rev	\$ 46,021	\$ 9,016	\$ 9,176	\$ 8,077	\$ 7,892	\$ 34,161	\$ 7,079	\$ 8,500	\$ 8,000	\$ 9,250	\$ 32,829
Sp. Construction	\$ 13,059	\$ 4,376	\$ 4,454	\$ 3,920	\$ 3,831	\$ 16,581	\$ 3,540	\$ 4,500	\$ 4,250	\$ 6,500	\$ 18,790
Electrical Power	\$ 42,351	\$ 14,875	\$ 15,138	\$ 13,326	\$ 13,020	\$ 56,359	\$ 14,665	\$ 15,000	\$ 14,750	\$ 16,000	\$ 60,415
Electrical Power % of Revenue	\$ 41.8%	\$ 52.6%	\$ 52.6%	\$ 52.6%	\$ 52.6%	\$ 52.6%	\$ 52.6%	\$ 52.6%	\$ 52.6%	\$ 52.6%	\$ 52.6%
Total Revenues	\$ 101,431	\$ 28,268	\$ 28,768	\$ 25,323	\$ 24,743	\$ 107,101	\$ 25,284	\$ 28,000	\$ 27,000	\$ 31,750	\$ 112,034
Y/Y Growth	-	29.6%	2.4%	2.1%	-7.4%	5.6%	-10.6%	-2.7%	6.6%	28.3%	4.6%
Q/Q Growth	-	5.8%	1.8%	-12.0%	-2.3%	-	2.2%	10.7%	-3.6%	17.6%	-
% of Annual Revenues	100.0%	26.4%	26.9%	23.6%	23.1%	100.0%	22.6%	25.0%	24.1%	28.3%	100.0%
Total Cost of revenue	\$ 73,084	\$ 20,185	\$ 21,421	\$ 18,360	\$ 18,359	\$ 70,334	\$ 18,158	\$ 20,190	\$ 19,463	\$ 22,824	\$ 80,692
% of Total Revenue	72.1%	71.4%	74.5%	72.5%	74.2%	73.1%	71.8%	72.1%	72.1%	72.0%	72.0%
Gross Profit	\$ 28,347	\$ 8,083	\$ 7,346	\$ 6,956	\$ 6,384	\$ 36,767	\$ 7,126	\$ 7,810	\$ 7,537	\$ 8,926	\$ 31,342
Gross Margin	28.1%	28.6%	25.6%	27.5%	25.8%	34.1%	28.6%	27.6%	27.9%	28.0%	27.9%
SG & A	\$ 19,202	\$ 5,927	\$ 5,945	\$ 5,000	\$ 5,255	\$ 22,052	\$ 5,852	\$ 6,180	\$ 6,210	\$ 6,318	\$ 24,570
% of Total Revenue	19.0%	21.0%	20.7%	19.3%	21.3%	20.6%	23.2%	22.1%	23.0%	19.9%	21.9%
Depreciation & Amortization	\$ 2,399	\$ 0,689	\$ 0,651	\$ 0,615	\$ 0,624	\$ 2,579	\$ 0,650	\$ 0,728	\$ 0,702	\$ 0,784	\$ 2,874
% of Total Revenue	2.4%	2.4%	2.3%	2.4%	2.5%	2.4%	2.6%	2.6%	2.6%	2.5%	2.6%
Total operating expenses	\$ 21,701	\$ 6,627	\$ 6,597	\$ 5,619	\$ 5,889	\$ 25,631	\$ 6,503	\$ 6,916	\$ 6,912	\$ 7,112	\$ 27,443
Total operating costs & expenses	\$ 94,786	\$ 26,812	\$ 28,018	\$ 24,888	\$ 24,248	\$ 103,965	\$ 24,661	\$ 27,106	\$ 26,375	\$ 29,936	\$ 108,136
EBIT	\$ 6,645	\$ 1,456	\$ 0,750	\$ 0,435	\$ 0,495	\$ 3,136	\$ 0,623	\$ 0,894	\$ 0,626	\$ 1,814	\$ 3,898
% of Total Revenue	6.6%	5.2%	2.6%	1.7%	2.0%	2.9%	2.5%	3.2%	2.3%	5.7%	3.5%
Other Income	\$ 0,010	\$ (0,127)	\$ (0,135)	\$ (0,156)	\$ (0,058)	\$ (0,475)	\$ 0,050	\$ (0,073)	\$ (0,073)	\$ (0,073)	\$ (0,189)
Total other income (expense)	\$ 6,656	\$ 1,329	\$ 0,615	\$ 0,279	\$ 0,437	\$ 2,661	\$ 0,673	\$ 0,821	\$ 0,552	\$ 1,741	\$ 3,729
EBT	\$ 12,311	\$ 2,788	\$ 1,330	\$ 0,714	\$ 0,874	\$ 5,327	\$ 1,343	\$ 1,695	\$ 1,177	\$ 3,482	\$ 7,478
Tax Rate	38.7%	36.9%	41.2%	36.2%	32.9%	37.2%	35.4%	35.0%	35.0%	35.0%	35.0%
Income tax	\$ 2,577	\$ 0,491	\$ 0,553	\$ 0,260	\$ 0,287	\$ 0,989	\$ 0,238	\$ 0,287	\$ 0,183	\$ 0,603	\$ 1,328
GAAP Net Income (loss)	\$ 4,078	\$ 0,838	\$ 0,382	\$ 0,178	\$ 0,283	\$ 1,672	\$ 0,438	\$ 0,534	\$ 0,399	\$ 1,131	\$ 2,401
Unltd Shares	-	7,260	7,252	7,077	7,154	-	6,950	7,100	7,200	7,300	-
GAAP EPS	\$ 0.52	\$ 0.12	\$ 0.05	\$ 0.03	\$ 0.04	\$ 0.23	\$ 0.06	\$ 0.08	\$ 0.05	\$ 0.15	\$ 0.34
Y/Y Growth	-	-27.0%	-73.6%	-48.8%	-67.7%	-55.7%	-45.9%	50.8%	98.2%	277.9%	48.0%
Q/Q Growth	-	-9.0%	-56.9%	-48.5%	63.0%	-	52.3%	-67.5%	-33.7%	210.8%	-

1 - Operating expenses and product costs excludes minority interest and other one time items
Source: WPCS and Merriman Curhan Ford estimates

WPCS International, Inc. (WPCS)

Buy

MERRIMAN CURHAN FORD

Emerging Data Center & Enterprise Technologies
Alex Kurtz 415.568.3926

WPCS International, Inc. Balance Sheet

(M) Fiscal Year End: April	Jul FY09 1QA	Oct FY09 2QA	Jan FY09 3QA	Apr FY09 4QA	Jul FY10 1QA
Assets:					
Cash and Equivalents	\$ 3.995	\$ 13.236	\$ 9.666	\$ 6.397	\$ 8.616
Accounts Receivables	\$ 32.418	\$ 26.542	\$ 23.225	\$ 25.663	\$ 24.350
Costs and Estimates in Excess	\$ 4.808	\$ 4.819	\$ 4.573	\$ 5.229	\$ 4.468
Inventory	\$ 3.345	\$ 3.186	\$ 2.757	\$ 2.481	\$ 2.667
Prepaid Expenses and Other Current Assets	\$ 1.586	\$ 1.827	\$ 1.769	\$ 1.675	\$ 2.227
Prepaid Income taxes	\$ -	\$ -	\$ 0.361	\$ 0.296	\$ 0.103
Deferred Tax Assets, net	\$ 0.159	\$ 0.166	\$ 0.115	\$ 0.070	\$ 0.224
Total Current Assets	\$ 46.312	\$ 49.777	\$ 42.466	\$ 41.811	\$ 42.654
Net PP&E	\$ 7.036	\$ 6.858	\$ 6.599	\$ 6.668	\$ 6.699
Other Intangible Assets, net	\$ 2.672	\$ 2.237	\$ 2.070	\$ 1.984	\$ 1.918
Goodwill	\$ 32.240	\$ 32.081	\$ 32.257	\$ 32.549	\$ 32.885
Other Assets	\$ 0.395	\$ 0.155	\$ 0.159	\$ 0.133	\$ 0.132
Total Assets	\$ 88.655	\$ 91.107	\$ 83.551	\$ 83.145	\$ 84.287
Liabilities & Shareholders' Equity:					
Current Portion of Loans Payable	\$ 0.697	\$ 0.107	\$ 0.097	\$ 0.089	\$ 0.074
Borrowings Under Line of Credit	\$ -	\$ -	\$ -	\$ 5.626	\$ 5.626
Current Portion of Capital Lease Obligations	\$ 0.071	\$ 0.106	\$ 0.097	\$ 0.096	\$ 0.095
Accounts Payable and Accrued Expenses	\$ 8.572	\$ 10.715	\$ 6.589	\$ 8.997	\$ 8.140
Billings in Excess	\$ 4.829	\$ 6.144	\$ 3.366	\$ 2.511	\$ 3.467
Deferred Revenue	\$ 0.869	\$ 0.808	\$ 0.706	\$ 0.508	\$ 0.702
Income Taxes Payable	\$ 2.588	\$ 0.171	\$ -	\$ -	\$ -
Due to Shareholders	\$ 0.328	\$ 3.195	\$ 3.334	\$ 2.951	\$ 2.957
Total Current Liabilities	\$ 17.955	\$ 21.247	\$ 14.191	\$ 20.778	\$ 21.061
Borrowings Under Line of Credit	\$ 7.626	\$ 7.626	\$ 7.626	\$ -	\$ -
Loans Payable, net of current	\$ 0.132	\$ 0.104	\$ 0.087	\$ 0.072	\$ 0.058
Capital Lease Obligations, net of current	\$ 0.234	\$ 0.204	\$ 0.183	\$ 0.151	\$ 0.129
Deferred Tax Liabilities	\$ 1.627	\$ 1.174	\$ 1.253	\$ 1.468	\$ 1.556
Total Liabilities	\$ 27.573	\$ 30.356	\$ 23.340	\$ 22.469	\$ 22.803754
Minority Interest in Subsidiary	\$ 1.373	\$ 1.393	\$ 1.467	\$ 1.440	\$ 1.329
Total Shareholders' Equity	\$ 59.708	\$ 59.359	\$ 58.744	\$ 59.236	\$ 60.154
Total Liabilities and Shareholders' Equity	\$ 88.655	\$ 91.107	\$ 83.551	\$ 83.145	\$ 84.287
Deferred Revenues Q/Q	44.2%	-7.0%	-12.6%	-28.1%	38.3%
DSO	93.0x	64.0x	68.0x	73.0x	69.0x
Accounts Payable Days	39.9x	40.5x	42.4x	38.2x	42.5x
Inventory Turns	6.6x	6.6x	6.2x	7.0x	7.1x

WPCS International, Inc. (WPCS)

Buy

MERRIMAN CURHAN FORD

Emerging Data Center & Enterprise Technologies

Alex Kurtz 415.568.3926

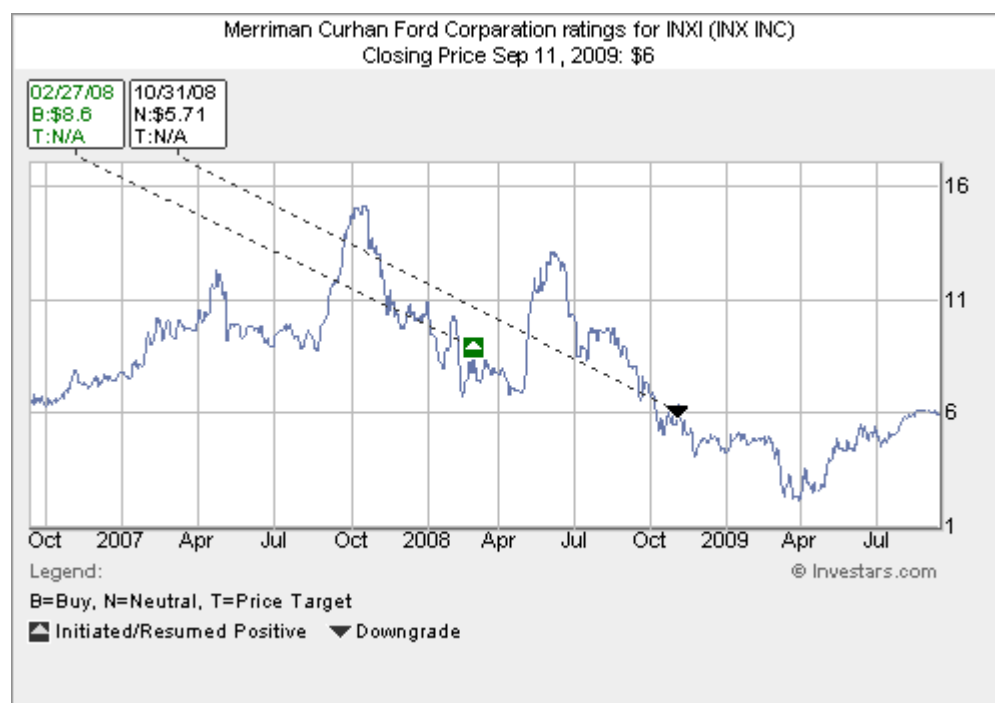
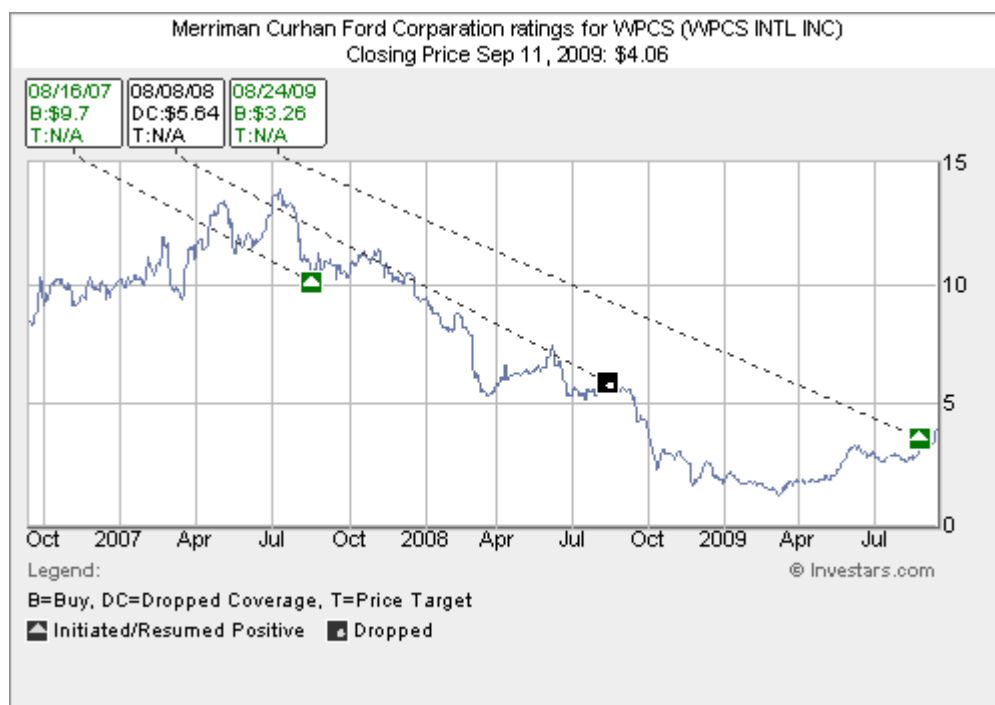
WPCS International, Inc. Cash Flow

(M) Fiscal Year End: April	Jul FY09 1QA	Oct FY09 2QA	Jan FY09 3QA	Apr FY09 4QA
Cash flows provided by (used for) operating activities				
Net income (loss)	\$ 0.838	\$ 0.362	\$ 0.178	\$ 0.293
Adjustments to reconcile net income to net cash from operations				
Depreciation & Amortization	\$ 0.689	\$ 0.651	\$ 0.615	\$ 0.624
Compensation expense related to stock options	\$ 0.011	\$ 0.013	\$ 0.014	\$ 0.096
Provision for doubtful accounts	\$ 0.012	\$ 0.041	\$ 0.022	\$ 0.057
Amortization of debt issuance costs	\$ 0.003	\$ 0.003	\$ 0.004	\$ 0.004
Excess tax benefit from exercise of stock options	\$ -	\$ -	\$ -	\$ -
Minority interest	\$ 0.041	\$ 0.020	\$ 0.074	\$ (0.027)
Loss (gain) on sale of fixed assets	\$ (0.003)	\$ (0.000)	\$ 0.027	\$ 0.007
Deferred income taxes, net	\$ 0.003	\$ (0.090)	\$ (0.022)	\$ (0.017)
Operating changes in assets and liabilities				
Accounts receivable	\$ (3.281)	\$ 5.580	\$ 3.403	\$ (2.442)
Costs and estimated earnings in excess	\$ (0.921)	\$ (0.083)	\$ 0.232	\$ (0.621)
Inventories	\$ (0.547)	\$ 0.071	\$ 0.434	\$ 0.341
Prepaid expenses and other current assets	\$ (0.206)	\$ (0.248)	\$ 0.054	\$ (0.114)
Other assets	\$ 0.275	\$ 0.197	\$ 0.008	\$ 0.081
Accounts payable and accrued expenses	\$ (0.746)	\$ 2.258	\$ (4.167)	\$ 2.361
Billings in excess	\$ 1.153	\$ 1.336	\$ (2.774)	\$ (0.863)
Deferred Revenue	\$ 0.267	\$ (0.061)	\$ (0.102)	\$ (0.199)
Income Taxes Payable	\$ 0.450	\$ (0.099)	\$ (0.526)	\$ (0.001)
Net cash provided by (used for) operations	\$ (1.964)	\$ 9.950	\$ (2.528)	\$ (0.420)
Cash flows provided by (used for) investing activities				
Purchase of PPE, net	\$ (0.431)	\$ (0.283)	\$ (0.204)	\$ (0.316)
Acquisition of NECS (Hartford)	\$ -	\$ -	\$ -	\$ -
Acquisition of SECS (Sarasota)	\$ -	\$ -	\$ -	\$ -
Acquisition of Voacolo (Trenton)	\$ (2.500)	\$ -	\$ -	\$ -
Acquisition of Lincoln Wind (Seattle)	\$ (0.416)	\$ (0.004)	\$ -	\$ 0.661
Acquisition of Max (Houston)	\$ -	\$ (0.287)	\$ -	\$ (0.422)
Acquisition of Empire (Sacramento)	\$ -	\$ (0.008)	\$ -	\$ -
Acquisition of James (Brisbane)	\$ (0.285)	\$ (0.003)	\$ -	\$ -
Acquisition of Energize (Brendale)	\$ (0.022)	\$ (0.003)	\$ -	\$ (0.171)
Acquisition of BRT (Portland)	\$ -	\$ -	\$ (0.158)	\$ (0.175)
Net cash provided by (used for) investing activities	\$ (3.653)	\$ (0.588)	\$ (0.362)	\$ (0.423)
Cash flows provided by (used for) financing activities				
Net proceeds from options exercise	\$ -	\$ -	\$ -	\$ -
Repurchase of common stock	\$ -	\$ -	\$ (0.730)	\$ -
Excess tax benefit from options exercise	\$ -	\$ -	\$ -	\$ -
Equity issuance costs	\$ -	\$ (0.005)	\$ -	\$ -
Borrowing under lines of credit, net	\$ 2.500	\$ -	\$ -	\$ 0.750
Repayments under lines of credit	\$ -	\$ -	\$ -	\$ (2.750)
Repayments under loans payable, net	\$ (0.613)	\$ (0.604)	\$ (0.028)	\$ (0.028)
Borrowing/(repayments) of amounts due to shareholders	\$ 0.233	\$ 0.594	\$ 0.135	\$ (0.381)
Payments of capital lease obligations	\$ (0.003)	\$ (0.023)	\$ (0.029)	\$ (0.033)
Net cash provided by (used for) financing activities	\$ 2.118	\$ (0.038)	\$ (0.651)	\$ (2.442)
Effect of exchange rate changes on cash	\$ 0.029	\$ (0.099)	\$ (0.051)	\$ 0.071
Net increase (decrease) in cash and cash equivalents	\$ (3.470)	\$ 9.224	\$ (3.592)	\$ (3.215)
Cash and Cash Equivalents, beginning of period	\$ 7.450	\$ 3.979	\$ 13.204	\$ 9.612
Cash and Cash Equivalents, end of period	\$ 3.979	\$ 13.204	\$ 9.612	\$ 6.397
Free Cash Flow	\$ (2.395)	\$ 9.667	\$ (2.732)	\$ (0.736)
% of Sales	-9.5%	36.2%	-9.5%	-2.3%
Cash Flow from Operations	\$ (1.964)	\$ 9.950	\$ (2.528)	\$ (0.420)
% of Sales	-7.8%	37.3%	-8.8%	-1.3%

Source: WPCS and Merriman Curhan Ford estimates

WPCS International, Inc. (WPCS)

Buy



WPCS International, Inc. (WPCS)

Buy

IMPORTANT DISCLOSURES

This research has been prepared by Merriman Curhan Ford & Co., a wholly owned subsidiary of Merriman Curhan Ford Group, Inc. Some companies Merriman Curhan Ford & Co. follows are emerging growth companies whose securities typically involve a higher degree of risk and more volatility than the securities of more established companies.

The securities discussed in Merriman Curhan Ford & Co. research reports may be unsuitable for some investors depending on their specific investment objectives, financial status, risk profile, or particular needs. Investors should consider this report as only a single factor in making their investment decisions and should not rely solely on this report in evaluating whether or not to buy or sell the securities of the subject company.

Regulation Analyst Certification ("Reg. AC")

All of the views expressed in this research report accurately reflect the research analyst's personal views about any and all of the subject securities or issuers. No part of the research analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by the research analyst in the subject company of this research report. Research analysts are not directly compensated for specific revenue generated by the firm's investment banking transactions/activities.

General Disclosures

MCF & Co. expects to receive or intends to seek compensation for investment banking services for all of the companies in its research universe in the next three months. Investors should assume that MCF & Co. is soliciting or will solicit investment banking or other business relationships from the companies covered in this report in the next three months.

Security prices in this report may either reflect the previous day's closing price or an intraday price, depending on the time of distribution. Designated trademarks and brands are the property of their respective owners.

Specific Disclosures

- MCF & Co. has not received compensation for investment banking services within the last 12 months, and does not expect to receive or intend to seek compensation for investment banking services in the next three months, from WPCS International Inc. or INX, Inc.
- Within the last 12 months MCF & Co. has not managed or co-managed a public offering for WPCS International Inc., or INX, Inc.
- MCF & Co. makes a market in WPCS and INXI and as such buys and sells from customers on a principal basis.
- Neither Alex Kurtz nor a member of his household owns shares of WPCS or INXI.
- Neither MCF & Co. nor its officers, principals, employees, or owners own options, rights, or warrants to purchase WPCS or INXI.
- No MCF & Co. employee serves on the board of directors of WPCS International Inc. or INX, Inc.
- Neither Alex Kurtz nor a member of his household serves on the board of directors of WPCS International Inc. or INX, Inc.
- Neither MCF & Co. nor its affiliates beneficially owns 1% or more of an equity security of WPCS International Inc. or INX, Inc.

Key to Investment Rankings (expected total share price return inclusive of dividend reinvestment, if applicable)

Rating	Percent of Universe	No. of Stocks	Description	Percent of companies under research coverage from which MCF & Co. received compensation for investment banking services provided in the previous 12 months or expects to receive or intends to seek in the next three months
Buy	77%	77	MCF & Co. expects the stock price to appreciate 10% or more over the next 12 months. Initiate or	6%
Neutral	21%	21	MCF & Co believes the stock price is fairly valued at current levels. Maintain position or take no action.	0%
Sell	2%	2	MCF & Co. expects the stock price to depreciate over the next 12 months. Sell or decrease position.	0%

MCF & Co. archives and reviews outgoing and incoming email. Such may be produced at the request of regulators. Sender accepts no liability for any errors or omissions arising as a result of transmission. Use by other than intended recipients is prohibited.

The information contained herein is based on information obtained from sources believed to be reliable but is neither all-inclusive nor guaranteed by Merriman Curhan Ford & Co. No independent verification has been made as to the accuracy or completeness of the information. Opinions, if any, reflect our judgment at the time the report is first published and are subject to change without notice. Merriman Curhan Ford & Co. does not undertake to advise you of changes in its opinion or information.

Member FINRA / SIPC. Copyright © 2009. All rights reserved. Additional information supporting the statements in this report is available upon request.