

COMPANY OF THE MONTH

Dynasil Corp. of America was incorporated in New Jersey in 1960 to manufacture synthetic-fused silica. And, since its beginning, DYSL has made synthetic-fused silica and fused-quartz products in a wide range of photonics applications.

Today, Dynasil, after several acquisitions, is comprised of five related businesses: 1) the original optical materials; 2) optical components; 3) optical coatings; 4) optical instruments and 5) contract research.

On Mar'05, DYSL acquired the operating assets and assumed certain liabilities of Optometrics LLC--a worldwide supplier of optical components and instruments, including diffraction gratings, interference filters, laser optics and monochromators. This acquisition doubled revenues and added significant profitability.

In Oct'06, 100% of the stock of Evaporated Metal Films Corp. was acquired. It provides optical thin-film coatings for a broad range of markets, including solar energy, display systems, optical instruments, satellite communications and lighting--increasing fiscal 2007 revenues 37%.

In Jan'08, Optometrics--now a DYSL subsidiary--took over the optical filter equipment and customer list of Precision Optics Corp. The list has the potential of generating \$500,000 in annual revenues.

Dynasil has been granted 27 patents and has 17 more in the application process.

The RMD Deal

The company completed the purchase, in Jul'08, of all the outstanding capital stock of RMD Research and the assets and liabilities of RMD Instruments, in the company's most significant transaction.

Total cost was \$20,353,251, of which \$12.5 million was in cash, \$7,552,100 in stock and \$301,151 in acquisition costs. The transaction was facilitated by the issuance of 5,256,000 shares of Series C Preferred stock, as well as bank financing.

RMD Instruments Corp. manufactures instruments and components that management believes have high-growth potential. These are sold into the medical imaging, environmental sensing and quality control markets and include hand-held analyzers for lead paint, plus medical probes for cancer surgery that have the possibility of significantly improved surgical outcome.

More than 30% of RMD's 2007 commercial revenue came from after-sales maintenance. And, RMD has been conducting government research under the SBIR program for more than 25 years with the current backlog exceeding one year's work.

Marketing

The company caters to markets in the medical, industrial and homeland security/defense sectors.

In the latest available 10K, the company notes that it has over 550 customers with 38% of the business concentrated in 10 top customers, of which the five largest account for 10.5%, 7.2%, 4.5%,

3.2% and 2.7% of annual sales.

Products are distributed through direct sales as well as other channels by 17 sales and marketing specialists.

A major industry association estimates the photonics industry at \$264 billion and growing at a double digit rate. It is highly fragmented with more than 90% of firms worldwide estimated to have 50 employees or less.

Dynasil Corp.

Bulletin Board: DYSL

BOWSER RATING: 8

Last 24 Months--

\$1.05 to \$2.50

Management

Craig T. Dunham, 52, president and chief executive officer, has been with the company since Oct'04. Prior to that he spent one year partnering with a private equity group pursuing acquisitions of mid-market manufacturing companies.

From 2000 to 2003, he was vp/general manager of the Tubular Division at Kimble Glass. From 1979 to 2000, he held various management positions with Corning Inc. He has a B.S. in mechanical engineering and an MBA from Cornell University.

Since Mr. Dunham joined the company, DYSL has grown from an unprofitable \$2 million of sales to an expected \$35 million or more in fiscal 2009. The company's goal is to reach \$100 million in annual revenue by 2012.

The CEO is the second largest shareholder, with 26.9% ownership. However, the largest--at 4,363,098 --shares is Gerald Entine, Ph.D., the founder and president of RMD, who is now a DYSL director.

Dr. Entine has more than 40 years of experience in optics, nuclear sensors and instruments. And, with his assistance since Jul'08, the company has achieved 20% growth in contract research awards.

Another large shareholder is James Saltzman, 65, with 571,883 DYSL shares in his portfolio. A founder of several companies and a private investor, he is chairman of the board, having been with Dynasil since 1998. (The company pays modest executive salaries.)

In the six months ending March 31, sales ballooned to \$17.4 million, compared to \$5.9 million in the same 2008 period. Net income more than doubled to \$759,775.

CEO Dunham credits the RMD acquisition for much of the latest improved financial performance, observing: "We made substantial progress in identifying potential products for commercialization and developing additional government funding."

"The new products can include improved sensors for medical imaging, non-destructive testing for cracks in metal parts and Homeland Security's detection of nuclear threats."

The long-term debt has been whittled down from \$8.2 million to \$7.3 million in the last six months. (As of Dec'08, there were 184 employees.)

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	2007	2008	2009(A)
SALES	\$10,794,650	\$17,116,341	\$17,370,161
NET INCOME	\$ 542,010	\$ 1,161,967	\$ 759,775
WORKING CAPITAL	\$ 2,277,973	\$10,676,784	\$ 5,826,789
BOOK VALUE	\$0.49	\$2.05	\$1.58
TOTAL SHARES(B)	6,476,128	8,412,935	11,358,143
(A) 6 MONTHS ENDED 3/31/09; (B) 5,966,000 SHARES 10% CUMULATIVE, CONVERTIBLE PREFERRED.			