

AVT, Inc. (OTCPK : AVTC)

Price (last)	\$0.94
Revenue ('08)	\$3M
Avg Volume (200 day)	9,600
52-wk High	\$2.65
52-wk Low	\$0.41
Issued/ Out Shares	18.375m
Rev/ Share	\$0.16

Contact Information

AV T, Inc.

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James Winsor, CEO

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Status: Nevada Corporation

Sector: Primary - Canteen Food Service
Secondary and Growth Factor -
Technology & Digital Media Advertising:
- Mfr of Vend Mgt Systems, including:
network appliances with proprietary
software and other wireless network
applications; network operations center
allowing for centralized server/web based
access to control networked vending
outlets, including digital advertising.

Inception: Reorganized in October 2005
to focus on technology based product
dispensing

Management:

James Winsor, CEO

Natalie Russell, President & CFO

Primary Competition:

Compass Group, (CPG.L: FTSE)

Zoom Systems (private – Sierra Ventures)

USA Technologies (NASDAQ:USAT)

Focus Media (NASDAQ :FMCN)

Company Overview: AVT, Inc. is a Nevada Corporation, established as a core vending and food distribution company, then reorganized under present management in October 2005 to focus on technology based product dispensing/vending systems. In August 2008, AVT, Inc., filed its Form 10 and is a fully reporting Pink Sheets traded company awaiting final acceptance by the SEC to trade on the OTCBB. The company develops and manufactures a comprehensive line of unique and state-of-the-art vending equipment and Vend Management Systems (VMS), including: proprietary, plug-and-play network appliance equipment; VMS software and network management solutions, which suit the needs of the rapidly evolving vending market.

AVT, Inc., leads the vending industry with its innovations in vending technology and product dispensing machines. This has included the development and rapid acceptance of product dispensing machines and the associated newer interactive technologies which are capable of dispensing and managing many new products, including a digital advertising component that was not available through this channel before. Americans now spend an estimated \$21 billion a year buying food and drinks from vending machines and their choices are going upscale. Wine now comes in a different kind of box -- a metal one. Vending machines are dispensing everything from Cabernet and CDs, to iPods, dinner and a movie. AVT, Inc., is one of the first providers of a super-fast USB flash drive, downloadable, movie-dispensing technology allowing renters to rent/purchase movies in seconds at the local convenience store for less than they can rent at Blockbuster. These new high-tech machines accept credit cards in addition to the standard cash option. In addition, digital signage space sold to advertisers adds to the revenue earning potential of each location/vending dispenser.

Hi-Tech vending is becoming the standard in more and more areas, rapidly becoming a global trend. This Hi-Tech vending trend offers much more than just food. The most revolutionizing and interesting breakthroughs in vending innovations have been the incorporation of telemetry technology. This involves the use of wireless technology to transmit data to a remotely located headquarters to enable the management of each machines touch screen systems, inventory, pricing changes, digital media/advertising, arrangement of route stops, recognizing component malfunction and collection verification.

AVT, Inc., is poised to leverage its Hi-Tech vending systems technology into becoming a national or global vending network management provider, including real time, internet accessible vending network management and digital media advertising placement, a multi-billion dollar market place.

Strategic Highlights:

Brick and mortar retailers face a myriad of issues nowadays, competition from the each other, internet retail, and from changing consumer habits. Customers want more convenience, more choice, and new items. In response, self-service solutions are becoming indispensable tools for retailers to reach out to new customers, bring the old customers back into their stores. New retail technology can also bring in more SKUs without impacting infrastructure and overhead. Here's what today's retailers want and need from a retail technology supplier:

- **User friendly – Familiarity.** As kiosk or retail product dispensing equipment incorporate newer technology, it's easy to fall into the trap of designing systems that are overcomplicated, intimidating, and overwhelming. AVT, Inc's IVIDS and cell phone dispensing machines incorporate the Company's expertise to simplify technology and maximize the usability of its products at the consumer level.
- **Greater reliability.** Today's self-service systems must work all day and offer the durability needed in punishing out-of-home environments. And they must be absolutely reliable, because down time is waste; downtime means service not rendered, or sale not completed.
- **Headquarter control.** When the number of end points number hundreds and thousands, centralized control is required to track and manage configuration and usage. AVT, Inc's VMS *Connections* allow any number of product dispensing machines or kiosks to be centrally managed through internet connectivity.
- **Flexible POS system.** The AVT, Inc., cashless payment system can integrate to any electronic payment processor and any payment gateway.
- **Custom solutions.** Retailers can't rely on old formulas to support the changing needs of consumers. For instance, AVT Inc's, IVIDS USB movie rental kiosks provide custom solutions to suit the need of specialty retailers. The Company can customize its Movie rental on USB Kiosks to the clients needs. Possible customizations include color theme, custom video display content, custom device drivers for downloaded media, download-to-burn integration and many other configurations. AVT, Inc's IVIDS and other products combine a wealth of knowledge, application experience, technical expertise and a track record of innovation.

AVT, Inc., is focusing all of its capital investment and R&D into the highest potential growth segment of the product dispensing market, which includes the following:

IVIDS – Movie Rental and Sales on USB memory sticks - AVT, Inc., designed and built Integrated Video and Interactive Dispensing System (IVIDS) is an Interactive Video Downloading and Product Dispensing System targeted for convenience and retail chain stores. The product dispensing system is a next generation vending system capable of securely transferring high definition movies from the system's local computer to a user owned USB memory stick for the purpose of in-home viewing. The system has an interactive touch display for the purpose of selecting movies from specific categories and completing the 'rental' transaction through the use of a debit or charge card. Movie trailers and advertisements are played on an oversized LCD display mounted directly above the touch screen. The small footprint is ideal for "C" stores and retail shops alike. The IVIDS system is another indication of how AVT, INC., continues to shape the future of vending and product dispensing through the use of technology.

The past 5 years have seen a revolution in how movies are delivered to the customer. Witness the rise of movies rental by mail and on the internet, double-digit annual growth in sell-through demand and the slowly dwindling of mom-and-pop video stores. The brick and mortar video store is now re-defined with the Self-Service DVD Kiosk and IVIDS is a key supplier to this burgeoning self-service market. AVT, Inc., will display the system during the week of the Consumer Electronics Show (CES) in Las Vegas, Nevada (January 8th-11th) demonstrating USB memory stick dispensing, video downloading and interactive advertising. We expect significant placement of these systems in specific retail locations throughout the US in 2009 adding substantially to the Company's revenue and earnings capability over the next several years.

VMS® - OUR TECHNOLOGY-BASED SOLUTION – AVT, Inc., offers the VMS® end-to-end solution for turnkey cashless payment processing, remote management, and on-line reporting for distributed assets such as vending/product dispensing machines, kiosks, office equipment, and laundry machines. The VMS® solution consists of a device or software in the distributed asset (the "Client"), a connectivity medium, and the proprietary VMS® network, all coupled with first-class technology support and customer service. **The Client** - As part of the end-to-end solution, the Company offers its

customers several different Clients to connect their distributed assets. These range from software to hardware devices consisting of control boards, magnetic strip card readers, and RFID readers. The Client can be embedded inside the host equipment, such as software residing in the central processing unit of a Kiosk or Business Center computer; it can be integrated as part of the host equipment, such as our VMS® hardware that can be attached to the door of a vending machine; or it can be a peripheral, stand-alone terminal, such as those dedicated to our soon to be released kiosk informational and WI-FI centers.

AVT, Inc., VMS network clients are charged a flat \$5.99 per month user fee for this service. The target market for this service conservatively includes several million vending machines currently in service. AVT, INC., is in discussions with two very large organizations that may begin utilizing the Company's technology and network service in 2009. We have projected pro-rata income from this revenue source of approximately \$1 million in 2009, adding significantly to earnings as it is incrementally a very low-cost, high margin profit center for AVT, INC.

B) AVT, INC.'s Digital Signage Networks – Automatic Merchandiser, a leading vending industry publication, recently reported that AVT, INC., has done more extensive research testing using LCD screens for vending machines than any other company in the industry/sector. Why AVT, INC.,'s digital signage technology solution in vending? To inform, entertain, educate or engage. Compared to any other media, it is only Digital Signage Networks that can create a captive and dynamic advertising environment at indoor vending locations. Whether it is for revenue generation through media space sales, or entertaining your customers, the future is here for this format of indoor advertising. It is commonly termed narrowcasting, and it may be better stated with stunning statistics that customers are 500% to 1000% more likely to notice a digital signage compared to a static sign. They are 200% to 500% more likely to retain the information that has direct influence in increasing sales by 30%. Chances are, if you have visited a retail store, restaurant, theme park, hotel, shopping mall, convention center, airport, or other public or private locations within the last 12 months, you experienced the presence of narrowcasting.

Given the above information the advantages of including multi-media and touch screens is fairly obvious. Narrowcasting is a prevalent, new advertising system. It includes LED, OLED, LCD, CRT, plasma or digital-projection devices. Generally, electronic media content is fed from a content distribution control room through either telephone-type lines or a wireless narrowcasting system to display changeable messages (still, animated, or video) from a prerecorded or real-time source, in this case over AVT, INC.,'s VMS® end-to-end solution. Though the content is distributed from a central source in a particular location, each site can play localized information such as promotional messages, cultural clippings, weather, traffic announcements, regional news, etc. The information shown on these displays can be updated on the fly without ever visiting the physical machine, as long as the machine is connected to an IP network. The computer used in digital signage touch screen technology enables simplified vending machine networking for two-way remote monitoring. (Aka. bi-directional remote monitoring.) Digital signage displays that are built in to the vending machines can display product information or other advertising as up-sell opportunities. Recently, Apple has made the most of this with their ipod® product dispensing/vending machines.

Product dispensing/vending equipment and other kiosk equipment and devices continually evolve into self-service units, operators need now, more than ever, a competitive advantage. Digital signage and touch screens may be this advantage and thus, may soon become a regular tool for vending operators. Converting to a digital signage network strategy requires careful planning in order to run a successful narrowcasting project. Expenses can quickly overcome the novice entering into this arena, owing to the active involvement of disciplines such as IT, Marketing, Finance and Facilities. All of which makes this business better left to specialized companies with high proficiencies in the latest systems, like the experts at AVT, INC.,.

AVT, INC., VMS® clients are the primary target for the additional signage revenue-share program. One vending machine on average generates approximately \$100 per month in ad revenue. AVT, INC., manages all aspects of the digital signage network for its clients, including its VMS® clients, providing access to advertising placement contracts, then splitting the ad revenue 50/50. AVT, INC.,'s digital signage network operations are expected to add more than \$2 million in revenue and more than \$1 million in earnings over the next 12 –to- 24 months. (see Selected Financial Projections below).

B) AVT, INC.,'s Core Vending Business – AVT, INC., continues to leverage its vending assets, located exclusively in Southern California, to finance and serve as the base model for its expansive **VMS® TECHNOLOGY-BASED SOLUTION and AVT, INC., Digital Signage Networks**. As of Sep 30, 2008, the Company had approximately 800 vending and product dispensing

systems in its local operations and is in the process of retrofitting these systems to connect up to the newly developed VMS management and digital signage network. This retrofitting will take place over the next 6-to-12 months and the company expects to grow the number of its locally owned and placed product dispensing machines with connected to the VMS network and equipped with digital signage to over 3,000 devices within the next 18-to-24 months. AVT's customers fall into the following categories: vending machine owners and operators, business center operators which include hotels and audio visual companies, commercial laundry operators servicing colleges, universities and multi-family housing, brand marketers wishing to provide their products or services via kiosks or vending machines and equipment manufacturers that would like to incorporate the technological features of our networked devices (i.e. remote monitoring, reporting and control as well as cashless payments) into their products.

Selected Financial Projections:

AVT, Inc. (OTCpk: AVTC)	<u>2007</u>	<u>2008</u>	<u>2009(E)</u>	<u>2010(E)</u>
Total Revenue – Core Vending	\$2,340,724	\$2,935,042	\$6,500,000	\$10,000,000
IVIDS			\$500,000	\$1,000,000
VMS Software & Network Mgt.			\$1,000,000	\$1,500,000
Digital Signage Networks			\$1,000,000	\$1,500,000
TOTAL AVT, INC. REVENUE	\$2,340,724	\$2,935,042	\$9,000,000	\$14,000,000
Operating Margin	10.27%	15%	25%	35%
Net Profit	\$240,296	\$149,155	\$2,250,000	\$4,900,000
Estimate EPS un-adjusted for additional capital raised	\$0.02	\$0.01	\$0.12/share	\$0.27/share
Share price at 30X P/E	N/A	\$.30	\$3.60	\$8.00

For purposes of this valuation, we are incorporating the asset value and revenue generating ability of those assets based upon our pro forma projections. AVT, INC., has developed proprietary software, product dispensing systems and multiple designed or developed products which are currently in the state of "patent pending." The Company's developed products include inventory control software, progress monitors, service logs, purchase order, data base management, generators, touch screen vending, cashless payment systems, and digital signage. Hardware assets include 24 hour Vend Mart, Tech Store, Automated Express Market, Ivend and Vend Sensor System. These technology and Intellectual Property assets have been developed by the Company over the past 4 years.

AVT, INC., has achieved an advanced status in the vending community with the completion of its technology platforms and the current roll-out of their VMS and Digital Signage Network, expected to become one of the leading network platforms available to both regional and nationally based vending distributors. The Company faces very few capable competitors in the market space at this time, with a few tech companies offering hardware components or small regional providers of network vending management. As of this writing we were unable to find any publically traded end-to-end providers of all components of the modern, technologically enhanced product dispensing/vending model, a model that AVT, INC., has brought to a highly evolved state. We believe that if AVT, INC., is successful in working with just a few of the major nationally based corporations involved in product dispensing via vending distribution of their products that the Company has a good chance of receiving a buyout offer at a much higher valuation.

VALUATION & RECOMMENDATION: Based upon industry comparisons amongst a mix of technology, vending/food distributors and digital network & signage/digital media advertising companies publicly traded on the U.S. Securities Markets, and utilizing the low, median and high average Price/Sales ratios to value AVT, INC., we believe the publicly traded shares of the fully reporting OTCpk: AVTC., would be more fairly valued if priced currently, based upon 1 year forward estimates, at between \$2.40(5x price/sales) per share -and- \$3.84(8x price/sales) per share.

Risk Factors

Potential investors should be aware of the difficulties normally encountered by new technology companies and the high rate of failure of such enterprises. These potential problems include, but are not limited to, unanticipated problems relating to production, and additional costs and expenses that may exceed AVT, INC.,’s current estimates. Additionally, if AVT, INC., does not complete the anticipated new contracts with its large vending partners its revenue in the near term will be considerably less than projected, while operating costs as a percentage of sales will be considerably higher than projected. However, based upon due diligence we have completed, we believe the Company has substantially met the requirements of these potential partners and are confident at this time in our projections. The Company’s ability to raise additional capital could also significantly effect results during the next 12-to-24 months.

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