

POWER TECH CORPORATION INC.

Equity Research | Special Situations

Ticker

Recommendation

12-month Target

Please see important disclosures at the end of this document

TSX:PWB
\$0.58

SPEC. BUY
(unchanged)

\$0.89
(unchanged)

Power Review-2006 Fiscal Year

January 15, 2007

Market Data

52-week High-Low	\$0.84-\$0.53
Shares Outstanding	
– Basic	30.1 million
– Fully diluted	37.6 million
Market Capitalization	\$17.5 million
Book Value (Sep. 30/06)	\$0.2 million
Long Term Debt (Sep. 30/06)	\$0.5 million
Fiscal Year End	September 30
Major shareholders	Insiders: 52.6%

Financial Data

(<i>'000s, except EPS</i>)	FY06A	FY07E	FY08E
Revenue	\$417.7	\$1,613.1	\$5,649.7
EBITDA	\$(1,822.8)	\$(441.4)	\$(547.1)
Net Earnings	\$(2,219.7)	\$(1,117.8)	\$(1,403.9)
CFO	\$(2,054.5)	\$169.4	\$(779.8)
EPS (basic)	\$(0.08)	\$(0.04)	\$(0.05)

Investor Risk Tolerance Scale



Company Description

Power Tech Corporation Inc. designs, manufactures and markets specialized and, literally, groundbreaking technologies aimed at improving the performance, productivity and functionality of excavation equipment and industrial excavation systems. The Company presently has one product on the market, the PicBucket 2000, which attaches to conventional backhoes made by all manufacturers and combines the percussive power of a hydraulic hammer with the stripping force and maneuverability of the conventional bucket found on original equipment. The PicBucket can be used in the construction, demolition, forestry and mining industries, as well as by the military.

Event

On Friday January 12th, 2007, Power Tech Corporation Inc. (“PowerTech”, “the Company” or “PWB”) released its audited year-end financial statements for 2006

Highlights

Revenue: In 2005, PowerTech had no revenue. We were looking for \$472,000 on sales of 14 PicBuckets, and while the Company did sell that many, it sold them at lower margins to make these initial sales. Revenues 2006 came in at \$420,000.

EBITDA: EBITDA For 2005 was (\$1.7) million. We had expected this number to drop to (\$1.5) million, but alas, we were a little too optimistic. EBITDA for 2006 was (\$1.8) million.

Net Loss: For the year ended on September 30th 2005, PWB lost \$1.8 million or \$0.08 per share. We had expected a net loss of \$1.9 million this year and we were again too optimistic as the Company lost \$2.2 million or \$0.08 per share.

Cash Flow from Operations: A year ago, Powertech had a \$2 million cash outflow from operations. We had expected this to decrease to \$1.1 million in 2006, but this number stayed at \$2 million due to increases in accounts receivable and, more significantly, inventory as the Company bent over backward to make sales and be ready for orders when they came in.

Investment Conclusion

Like Cat Stevens said “The First Cut is the Deepest”, and if more companies would use the PicBucket technology they would see it was true on their demolition/construction sites. The first year that a product hits the shelves (or is commercialized) is also always the hardest, and the number from 2006 for PowerTech would seem to bear that out. While the Company’s results were below our estimates, they were only off by a relatively small amount giving us no reason to change our recommendation or 12-month target on the stock. We are encouraged by the facts that the majority of the revenue was earned in the last four months of the year and that the much awaited 1000 Series is now available for sale. For these reasons we are **reiterating our SPECULATIVE BUY rating on the stock and our \$0.89 target.**

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Table 1: Financial Results

<i>(000, except per share data)</i>	Q4-2005A	Q3-2006A	Q4-2006A	FY-2005A	FY-2006A
Revenue	\$0.0	\$231.5	\$48.8	\$0.0	\$419.7
Cost of Sales	\$0.0	\$160.2	\$55.2	\$0.0	\$317.0
Gross Margin	\$0.0	\$71.3	(\$6.4)	\$0.0	\$102.7
Gross margin (%)	0.0%	30.8%	-13.1%	0.0%	24.5%
EBITDA	(\$589.5)	(\$369.3)	(\$579.6)	(\$1,695.2)	(\$1,822.8)
Net earnings	(\$624.2)	(\$496.8)	(\$675.2)	(\$1,773.2)	(\$2,219.7)
Cash Flow from Operations	(\$824.8)	(\$778.3)	(\$419.9)	(\$2,022.8)	(\$2,054.5)
Earnings per basic share	(\$0.03)	(\$0.02)	(\$0.02)	(\$0.08)	(\$0.08)
Earnings per fully diluted share	(\$0.03)	(\$0.02)	(\$0.02)	(\$0.08)	(\$0.06)

Source: Company Reports