

## **Omni-Lite Products Worth Their Weight In Gold**

by Richard Ketchen

April 16, 2001

At any one time, most of us are conducting uncontrolled science experiments in our home refrigerators. Trouble is, we don't have a clue what we're doing, and potential miracle medical cures are routinely flushed.

David Grant, CEO and founder of Omni-Lite Industries (CDNX: OML), took a slightly different, and ultimately more successful approach. He invested \$1,400 in research and development that he conducted in his living room, ruining the carpet in the process. However, it was worth it. Today, his company can count household names like Nike (NYSE: NKE), Reebok (NYSE: RBK), Boeing (NYSE: BA), Daimler-Chrysler (NYSE: DAJ), NATO, and a host of others as customers.

Cerritos, Calif.-based Omni-Lite manufactures a diverse range of precision metal and composite components for military, recreational and automotive uses. Using computer-controlled manufacturing, Omni-Lite has created a very profitable niche market cold-forging advanced composite materials.

In an era where much is focused on attempts to go faster, higher and harder, traditional metals and manufacturing methods aren't always up to the task. It's no co-incidence then that Grant's two biggest divisions serve recreation and military users.

"We started in the sports and rec field just before the Olympics in Atlanta," says Grant. "That was probably our first claim to fame when Nike came to us and asked us if we could use our composites to develop something for the Olympic games."

Nike wanted spikes that were stronger and lighter than steel. Not only did Omni-Lite turn in a medal performance, 20 athletes using Omni-lite track shoe spikes won gold medals in Atlanta, including Michael Johnson in his ceramic-spiked gold shoes. Since then, the market penetration for his track shoe spikes has grown exponentially. Grant claims to have captured 90% of the world market. And the spikes continue to garner gold, having propelled Cathy Freeman to her emotional victory at the Sydney Olympics.

Using patented manufacturing processes, Omni-Lite is able to make parts to exacting standards and tolerances. For a Daimler-Chrysler auto transmission part, that's to within 0.0007 inches. The specialized cold-forging maintains the strength of the basic materials that can be lost in conventional manufacturing processes.

Consequently, Omni-Lite has attracted some fussy customers. Their patented products are used in a special coupling for one of NATO's mortars and the M-16 and .38 calibre arsenal for the U.S. military.

"We've developed components that have failed for over 25 years in the U.S.," says Grant.

Omni-Lite has also proven its reliability financially. By using highly specialized, computer-controlled manufacturing machinery, one operator can run two or three machines.

"The company only has 10 or 12 employees and is producing \$250,000 to \$400,000 annually per employee in sales," reports Grant.

That efficiency goes straight to the bottom line. Gross margins to the end of the third quarter (September) averaged 73% on sales of \$1.4 million. Net income was 36% of sales, or \$0.5 million, with earnings per share of \$0.05.

Even though the company has been profitable for four years, the numbers aren't huge by any means. Low sales, and poor visibility of significant increases, have been one of the knocks against the company according to Robert Peets, Golden Capital Securities research analyst.

That may be changing. The company has announced new military and aerospace orders and released first-quarter sales 24% higher than last year. Grant has added a sales team to expand the military business and expects 2001 earnings per share of \$0.20 to \$0.30.

"The sales cycle has been pretty long," says Peets. This year, he's calling for revenues of \$5 million and is maintaining a 'speculative buy' rating with a 12-month target of C\$3.00.

Grant is confident that Omni-Lite's patented manufacturing processes and products provide sufficient entry barriers to competition. He says the biggest risk the company faces is a slowdown in the economy. "We think that the worst has occurred."

The stock, which typically has been very thinly traded, ticked up recently on heavier volume from rumoured institutional interest.

While Omni-Lite's business has yet to reach Olympian proportions, the company certainly appears to have the inside lane in its race to build higher sales volumes.