

HYDRALOGIC SYSTEMS INC.

Price (October 6, 2009)	\$0.01
52-Week High-Low	\$0.06 - \$0.005
Shares O/S	58.26 million
Market Cap	\$582,600
50-day Average Volume	22,700
200-day Average Volume	84,200
Year-End	December 31
Symbol	TSX-V: HLS
Website	www.hydralogic.com

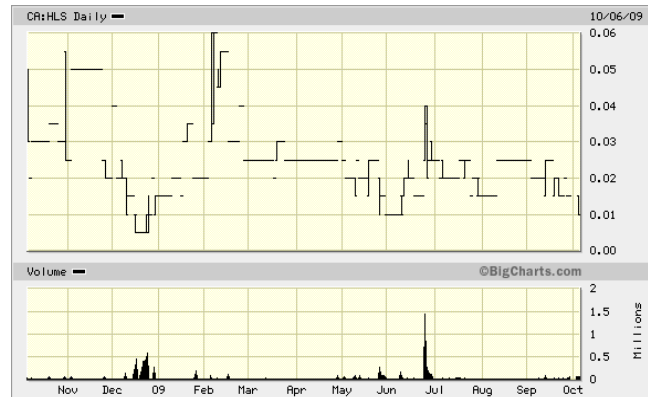
Financial Data (US\$)

	Last 12 Mos Jun-09	Year End Dec-08
Selected Income/Cash Flow		
Revenues	\$6,234	\$7,258
Gross Profit	\$3,331	\$3,890
EBITDA	(\$1,380)	(\$1,654)
Net Loss	(\$5,857)	(\$5,967)
Cash Flow (CF) From Ops	(\$540)	(\$1,020)
Selected Balance Sheet		
Cash	\$186	\$188
Total Debt	\$2,320	\$2,471
Shareholders' Equity	\$2,637	\$2,711
Total Assets	\$6,113	\$6,436
Enterprise Value (\$ millions)	\$3,008	\$3,157
Working Capital	(\$1,528)	(\$1,363)
Working Capital Ratio	0.57x	0.63x
Key Ratios		
Gross Profit Margin	53.4%	53.6%
EBITDA Margin	-22.1%	-22.8%
Net Profit Margin	-94.0%	-82.2%
Return on Equity (ROE)	-222.1%	-220.1%
Return on Assets (ROA)	-95.8%	-92.7%
Per Share Statistics		
Revenue Per Share	\$0.11	\$0.12
Earnings Per Share	(\$0.10)	(\$0.10)
Cash Flow Per Share	(\$0.01)	(\$0.02)
Shareholders' Equity Per Share	\$0.05	\$0.05
Cash Per Share	\$0.00	\$0.00
Enterprise Value Per Share	\$0.05	\$0.05
Multiples		
Price/Revenue	0.14x	0.12x
Price/Book	0.33x	0.32x

eResearch Analysts: Perry Siu, M.A.Sc., CFA Candidate
Bob Weir, B.Sc., B.Comm., CFA

eResearch Corporation
56 Temperance Street, Suite 501
Toronto, ON M5H 3V5
Telephone: 416-643-7650
Toll Free: 877-856-0765

Note: This report was prepared with public information only.



Source: www.bigcharts.com

THE COMPANY

HydraLogic Systems Inc. ("HydraLogic" or the "Company") develops, manufactures, distributes, and provides service and solutions of its patented proprietary innovations for environmental odor control, waste management, agriculture, and insect control markets. It has been rapidly growing in recent years and, through a number of major acquisitions, it now has offices in Toronto, Houston, and Ft. Lauderdale, while still continuing to expand across the U.S.A.

INVESTMENT CONSIDERATIONS

Strengths

- Strong rapid revenue growth evident from the major acquisitions since 2004;
- Acquired companies that possess technologies or services that are relevant to their own product lines to strengthen expertise and reduce costs through economies of scale;
- Possesses and actively seeking quality wholesale, distribution, and retail partnerships, and retains strong brand presence in gulf coast states; and
- Aggressive near-term plans to expand into major states that could open up new markets and considerably increase sales volume.

Challenges

- Staying solvent, and remaining a "going concern";
- Operating/overhead costs need to be further reduced;
- Need to rectify its breach of covenant with its Lender on US\$2.3 million note payable, due September 2010, and additional financing likely required; and
- Exchange rate risk: 66% of revenue are in U.S. funds.

CORPORATE STRATEGY

Key priorities for management include the following:

- Obtain necessary financing to fund operations;
- Accelerate growth strategy through acquisition of companies with relevant products or expertise;
- Expand across the U.S. for maximum revenue growth;
- Seek joint ventures with qualified manufacturers, distributors, service providers, and retailers; and
- Offer franchise opportunities for the Bug DeFence brand in key areas of the U.S.A. and Canada.

ACQUISITIONS & DIVISIONS

Starting as a small research and development company in 2000, HydraLogic merged with a public company in 2004 and, since then, has acquired a significant number of competitive companies. HLS Ecolo was formed after it acquired Sager Industries and NuTech Environmental in December 2005. From mid-2006 to mid-2007, HydraLogic continued to acquire companies in Texas and Florida, where they NOW own branch offices through consolidating existing resources of the target companies.

PRODUCTS & SERVICES

Currently, HydraLogic has four major products lines, namely Bug DeFence, AirStreme, BioStreme, and AirSolution. They can be categorized into insect management (former two) and odor management (latter three) products. These are marketed as standalone chemical products as well as engineered misting systems. The Company also provides customized installation services and solutions to households as well as businesses throughout North America, Caribbean, and Mexico. Meanwhile, HydraLogic has products under research and development, such as GreenStreme and SoftStreme.

INDUSTRY

With the global focus on efforts to combat global warming, green businesses have arguably positioned themselves well on the road to success. In this regard, HydraLogic features natural, non-toxic products that are environmentally friendly, solid and liquid waste solutions, as well as organic fertilizers that are under development.

FINANCIAL REVIEW

HydraLogic has seen impressive revenue growth of over 10 times since 2004. Despite a corresponding increase in operating expenses, profit margins have had some improvement over the years. The low working capital can be explained by a low cash reserve, since the Company's long-term debt has just matured and was paid off in 2008.

Additional financing is expected in order to meet the immediate needs for the notes payable.

RECENT DEVELOPMENTS

- *August 11, 2009:* HydraLogic released its 2009 Q2 financial results. The gross margin was maintained in Q2 and operating costs and overhead saw further reduction. Slight loss for the six-month period, but much less than in the corresponding year-ago period.
- *June 25, 2009:* HydraLogic signed a distribution agreement with Chinese company Shanghai Yema EPE Co. Ltd., who obliged to meet annual purchases totaling an equivalent of US\$5.08 million over the next 5 years.
- *May 29, 2009:* HydraLogic released its 2009 Q1 results, including a 22% reduction in operating expenses and a 19% decrease in net loss (compared to 2008 Q1).
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MANAGEMENT & DIRECTORS

Michael Beckley, President, CEO and Director. Former President of HSS; V.P. Operations of Enviro Pro Alternatives Inc.

Richard MacDonald, Chairman since 2008. Former V.P. of International Business Development; Consultant of Environment Canada

Doug Smith, Director since 2008, Interim CFO. Former President of Nalco Canada.

Calvin Sager, Director since 2006. Former President of Sager Industries.

MAJOR OWNERSHIP

- Institutional investors own 28%.
- Management and directors own 8%.

CORPORATE INFORMATION

HydraLogic Systems Inc.

Toronto Office

59 Penn Drive

Toronto, ON M9L 2A6

Telephone: 416-740-3900

Fax: 416-740-3800

Website: www.hydralogic.com

E-mail: info@hydralogic.ca

