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"Every moment think steadily as a Roman and a man to do what thou hast in hand with perfect and simple dignity . . ."

- Marcus Aurelius,
Roman Emperor 161 AD-180 AD

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IMX (AMEX) VS. TASR (NASDAQ) - NOW THIS IS A REAL DUEL

By Patrick Pawling

Sometimes it's difficult to understand why the market does what it does. And then again sometimes it's not that important to understand why it does what it does. What really matters is how to take advantage of those inexplicable moves.

Consider, for example, this tale of two companies. Both play in roughly the same arena. Both have solid financials. Both have promise. The difference? One lit off like a rocket. The other is gaining ground steadily, but not in spectacular fashion. Could this be another case of the turtle eventually outdistancing the hare?

First we look at the rocket: Taser International, which sells stun guns used by law enforcement agencies and, in some cases, the military. In the spring of 2003, TASR was about \$6, with a market cap of less than \$20 million. You probably know the story. The stock is now in the \$50s - after a three-for-one split. Now a com-



The Quantum Sniffer is a real-time, non-contact explosives trace detection device utilized to detect explosives vapors and particles from surfaces.

pany with sales of around \$24 million has a market cap of \$500 million. Its trailing P/E is about 160. Going forward, the P/E is in the 39-40 range. Is that rational? The short interest says "no" but so far, the shorts have been wrong.

Still, *Baron's* recently estimated that if every police and corrections officer in the U.S. bought a Taser stun gun, total retail sales would be about \$440 million - about the current value placed on the company. What happens when market saturation occurs?

This brings us to Implant Sciences Corporation - IMX on the AMEX - a Massachu-

sets company armed with a boatload of physicists, several promising and varied products, and not a bad looking balance sheet, either: near-zero long-term debt and about \$3 million in cash. Unlike TASR, it's not in the black - yet. In February, it reported a diluted net loss per share for the quarter of \$0.16. More on that in a moment. However, the company has received \$5.9 million in government contracts and grants, and according to CEO and founder, Dr. Anthony Armini, the company is not spending any of their own money on explosives detection research and development.

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IMX Road Show Schedule

March 25th, 2004

Boca Raton

6:30 pm to 8:30 pm (Dinner)

[Demonstration at 7:15 pm](#)

Boca Raton Marriott
5150 Town Center Circle
Boca Raton, FL 33486

April 8th, 2004

New York

12:00 pm to 2:00 pm (Lunch)

[Demonstration at 12:30 pm](#)

New York Harvard Club
27 West 44th St.
New York, NY 10036

April 8th, 2004

New York

6:30 pm to 8:30 pm (Dinner)

[Demonstration at 7:15 pm](#)

New York Harvard Club
27 West 44th St.
New York, NY 10036

April 22nd, 2004

Boston

12:00 pm to 2:30 pm (Lunch)

[Demonstration at 12:30 pm](#)

Omni Parker House Hotel
60 School Street
Boston, MA 02108

April 29th, 2004

Denver

6:30 pm to 8:30 pm (Dinner)

[Demonstration at 7:15 pm](#)

Loews Denver Hotel
4150 E Mississippi Ave
Denver, CO 80246

May 11th to 13th

Las Vegas Money Show

Booth # 808

[4:15 pm Live Demonstration on the 11th](#)

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Aurelius Consulting Group, Inc. 2003 Year End Review

UFM	Consumer Mortgages	137 %
NKBS	Business Services	60 %
CTE	Medical Devices	297 %
GBI	Biotech	31 %
IMX	Homeland Security/Medical Devices	78 %
DDSU	Technology	15 %
SATC	Electronic Equipment/Mfg.	242 %
AZMN	Mining	75 %
Total Average Gain		117%

IMX vs. TASR - Continued

First, a briefing on the company's technology. Implant Sciences uses ion technology to develop, manufacture and market products for national security, industry and medicine.

As you know, national security is still a hot subject. IMX is developing a commercial version of their Quantum Sniffer, a hand-held explosives-detection device that has passed real-world tests conducted by the United States Navy. The U.S. Navy was so impressed with the performance of the company's technology that it has given IMX a \$1.9 million contract to deliver three commercial versions of its hand-held trace explosives detection devices this summer. Once that hap-

pens, the company could receive orders for up to 400 more units, which would sell for about \$25,000 each. It is also developing a bench top version of the system for the Transportation Security Agency (TSA), a division of the Department of Homeland Security. The company expects to deliver its first prototype this summer. These units will sell for approximately \$45,000 each.

This follows the exciting news that IMX has entered into an exclusive agreement with InVision (INVN) to jointly evaluate Implant's explosives detection technology for future incorporation into automated explosives detection systems for airport screening of passengers and carry-on bags. InVision,

which also makes checked-baggage bomb-detection machines for airports, said recently it expects 2004 revenues of about \$310 million.

One of the interesting aspects of the company is that the same proprietary technology that goes into its explosives-sniffing equipment is also used for its medical devices. One example: Working with a physics team from Memorial Sloan-Kettering Cancer Center, it developed a lower-energy radiation source for the treatment of breast cancer. The machine's less-dangerous energy source allows hospitals to avoid spending \$1 million each on highly shielded rooms needed to protect people from competitors' machines.

IMX vs. TASR - Continued

Given equal performance, which technology do you think the hospitals are going to choose? These low-radiation systems will sell for around \$300,000 each, with annual maintenance fees of at least \$35,000. It's estimated that some 80 percent of U.S. hospitals could use that technology - a \$150 million to \$200 million market opportunity.

Ion beam physics also enables the company to sell equipment for semiconductor manufacturing (a high cash flow business enabling R&D) and other medical uses, including radioactive "seeds" for treating prostate cancers and eye cancer treatment devices. New medical devices are being researched as well, under grants from the National Institutes of Health. The company is also developing a narcotics detection system.

All of these markets appear to have promise. [The worldwide market for explosives detection is estimated at \\$1.9 billion.](#) Bottom line for IMX: Annual revenues that started under \$3 million in FY 1999 could conservatively be expected to exceed \$8 million in fiscal 2004 which ends June 30. Revenues could take a major leap once the company commences sales of its Quantum Sniffer. The sale of only 400 Quantum Sniffers would swing the company into profitability and boost its revenues to almost \$20 million.

Here's where the comparison with TASR gets interesting. TASR was recently trading at a price to sales ratio of about 21. If sales of IMX's Quantum Sniffer reach \$14 million and the stock trades at 20 x revenues (TASR has been trading at around 20 x revenues), its share price would

reach \$57.00.

Interestingly, the companies' share structures aren't all that different. IMX has about 7 million shares outstanding and a float of 4 million. TASR has about 14 million out and 10 million in the float.

The big difference in the two companies? TASR is a known story. [IMX is less known, but promising, given that their Quantum Sniffer technology addresses a \\$1.9 billion explosives detection market. And the word is getting out. On Monday, March 29th the stock closed at \\$14.95, near its all-time high.](#) The stock made a 41.7% move three days after a live demonstration of its Quantum Sniffer in Boca Raton, Florida to a packed room of investors, fund-managers, and stockbrokers. The CBS and FOX news affiliates in West Palm Beach aired the demonstration live reaching 120,000 viewers. The demonstration in Boca Raton was the first of a five-city road show the company has launched leading up to the delivery of the commercial versions of its Quantum Sniffers to the U.S. Navy this summer.

Joanne Arsenault, director of detection sales and marketing for IMX, explained that the company's technology is based on ion mobility spectrometry, which uses lasers for ionization rather than a radioactive source. The advantages in explosives detection: There is no contact with the target, whereas equipment in use today requires a worker to "wipe" areas to be inspected and then hold the wipe up to be "sniffed." That method also takes more time.

"Our product is faster because they don't have to collect a sample," said Arsenault. "It's real-time detection. That's important because TSA is not in the game of

bringing the country to a halt. They are in the business of getting people on their way safely."

There are only two major competitors, and both use a radioactive source rather than lasers - which makes their systems more complicated and more difficult to administer. And unlike the IMX product, the competition has difficulty detecting ANFO—ammonium nitrate fuel oil (think Oklahoma City) and black powder.

Arsenault said, "It's difficult to say exactly how quickly the market will respond to this next generation in explosives detection equipment, because most of the buyers are government and typically have a long sales cycle." However, IMX's winning strategy has been to spread the Quantum Sniffer word to DHS and other interested government agencies while the product is still in development. There is a pressing need for these products and they have managed to generate enthusiasm and communicate the superiority of IMX Laser IMS technology to the "right" people. They expect to have waiting customers by the time the production models are available. ["I think the sky is the limit," she said. "I am very encouraged. I think this marketplace and this product are winners."](#)

So why has TASR left IMX so far behind? That's tough to answer, because the answer probably lies somewhere deep in the psychology of the market. The more important question at this point: Which company has already had its big run, and which appears to have its best in front of it? Taser, overall, has a good product and good management. But Implant Sciences Corporation (IMX) appears to be at the cusp of reaching some very substantial corporate milestones. IMX is a stock with breakthrough technologies.

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