



# TAGLICH BROTHERS

The Standard of Excellence in the Microcap Market

Member: FINRA, SIPC

## Earnings Note

*Investors should consider this report as only a single factor in making their investment decision.*

**CTI Industries Corp.**

**Rating: Speculative Buy**

Luis Martins

**CTIB \$1.71 (NASDAQ)**

April 1, 2009

*CTI Industries Corp. is an international manufacturer and marketer of mylar and latex balloons, and specialty, laminated, printed films, and pouches used for commercial and industrial applications, as well as consumer use. The Company's products are sold domestically and in several foreign countries.*

On March 31, 2009, CTIB announced 2008 fourth quarter results for the period ended December 31, 2008. Below are the Company's results along with Taglich Brothers' estimates (in thousands \$):

	<b>Q4 (12/08)A</b>	<b>Q4 (12/08)E</b>	<b>Q4(12/07)A</b>
Revenues	\$ 9,832	\$ 12,851	\$ 10,299
Costs of Goods Sold	<u>7,496</u>	<u>9,895</u>	<u>7,880</u>
<b>Gross Profit</b>	2,336	2,956	2,419
<i>Gross Margins</i>	23.76%	23.00%	23.49%
Total operating expenses	<u>1,901</u>	<u>2,275</u>	<u>1,911</u>
Operating income	434	681	508
Operating margins	4.41%	5.30%	4.93%
Interest expense/other -net	<u>(249)</u>	<u>(280)</u>	<u>(302)</u>
Pretax income (loss)	185	401	206
Pretax margins	1.88%	3.12%	2.00%
Income tax expense (benefit)	<u>65</u>	<u>80</u>	<u>82</u>
Tax rate	35.14%	19.95%	39.81%
Net income	<u>\$ 121</u>	<u>\$ 321</u>	<u>\$ 125</u>
EPS diluted	<u>\$ 0.04</u>	<u>\$ 0.11</u>	<u>\$ 0.05</u>
Weighted average shares (diluted)	<u>2,843</u>	<u>2,970</u>	<u>2,648</u>
<u>% of revenue</u>			
Operating Expenses	19.33%	17.70%	18.56%
<u>year / year growth</u>			
revenues	-4.50%	24.78%	6.48%

*\* Please view our disclaimer located on page 5.*

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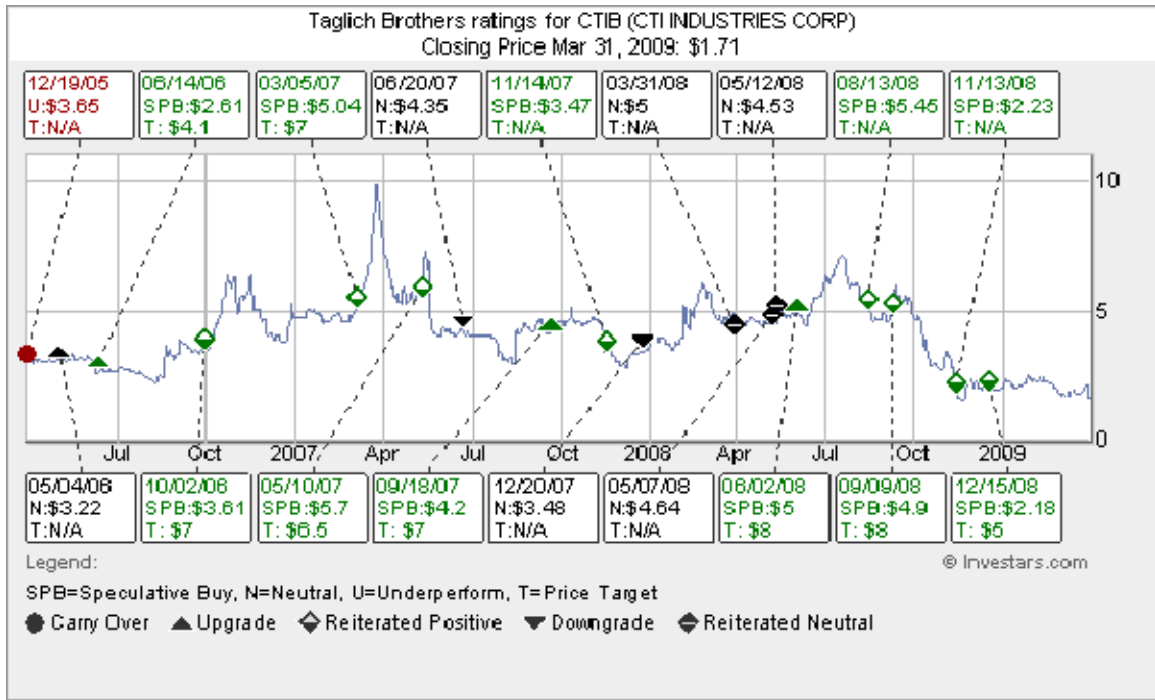
**Estimate Analysis:** Revenues, net income, and EPS fell short of expectations by a considerable measure. Gross margins were slightly higher than expected, while operating and pre-tax margins were lower than expected.

Additionally, on a year over year basis, results were lower than the year ago period.

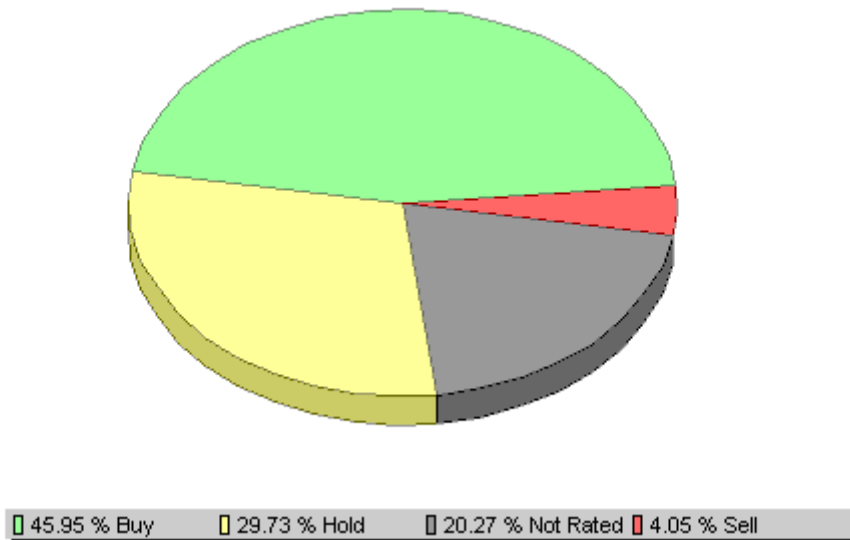
**Rating:** We are maintaining our Speculative Buy rating.

**Risks:** Please review our latest research update (dated December 15, 2008) for a summary of the principal risks underlying the stock.

# CTI Industries Corp.



## Taglich Brothers Current Ratings Distribution



Investment Banking Services for Companies Covered in the Past 12 Months		
Rating	#	%
Buy	2	7.41%
Hold	0	0
Sell	0	0
Not Rated	0	0

### Meaning of Ratings

#### Buy

We believe the Company is undervalued relative to its market and peers. We believe its risk reward ratio strongly advocates purchase of the stock relative to other stocks in the marketplace. Remember, with all equities there is always downside risk.

#### Speculative Buy

We believe that the long run prospects of the Company are positive. We believe its risk reward ratio advocates purchase of the stock. We feel the investment risk is higher than our typical “buy” recommendation. In the short run, the stock may be subject to high volatility and continue to trade at a discount to its market.

#### Neutral

We will remain neutral pending certain developments.

#### Underperform

We believe that the Company may be fairly valued based on its current status. Upside potential is limited relative to investment risk.

#### Sell

We believe that the Company is significantly overvalued based on its current status. The future of the Company's operations may be questionable and there is an extreme level of investment risk relative to reward.

### **Some notable Risks within the Microcap Market**

**Stocks in the Microcap segment of the market have many risks that are not as prevalent in Large-cap, Blue Chips or even Small-cap stocks. Often it is these risks that cause Microcap stocks to trade at discounts to their peers. The most common of these risks is liquidity risk, which is typically caused by small trading floats and very low trading volume which can lead to large spreads and high volatility in stock price. In addition, Microcaps tend to have significant company specific risks that contribute to lower valuations. Investors need to be aware of the higher probability of financial default and higher degree of financial distress inherent in the microcap segment of the market.**

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From time to time our analysts may choose to withhold or suspend a rating on a company. We continue to publish informational reports on such companies; however, they have no ratings or price targets. In general, we will not rate any company that has too much business or financial uncertainty for our analysts to form an investment conclusion, or that is currently in the process of being acquired.

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**I, Luis Martins, the research analyst of this earnings note, hereby certify that the views expressed in this note accurately reflect my personal views about the subject securities and issuers; and that no part of my compensation was, is, or will be directly or indirectly related to the specific recommendations or views contained in this report.**