

COMPANY OF THE MONTH

This is a way, via this young company, to indirectly invest in the handheld electronic phenomenon that has swept through all elements of our society.

ZAGG Corporation's key product, the patent-pending invisible Shield, is made from a protective film that was developed originally to protect the leading edges of military helicopters' rotary blades.

Management determined that this film could be configured to fit onto the surface of electronic devices and marketed to consumers for use in protecting such devices from everyday wear and tear, including scratches, scrapes and other surface blemishes.

The film also permits touch sensitivity. . . . meaning it can be used on devices that have a touchscreen interface. The invisible Shield film material is durable. It is a form of polyurethane--very thin, pliable clear plastic that adheres to the surface and shape of the object to which it is applied.

Unlike competing cases that need months to design and manufacture, the invisible Shield can be quickly configured and packaged for new devices as they enter the marketplace.

The company doesn't have manufacturing facilities itself, but has developed relationships with package assembly and logistic companies that allow production and shipping to be expanded quickly. On average, 59,000 finished packages are shipped monthly, but that total is increasing sharply.

Each purchase comes with an installation kit, consisting of a moisture adhesive-activating solution, a squeegee and instructions for applications on specific electronic devices.

One of ZAGG's fastest-growing market segments is the iPod consumer. Most often, iPod buyers are drawn to the device by its elegant design, as well as its easy-to-use functionality. However, everyday use often mars the iPod's finish, screen and other areas that receive wear and tear. Traditional protective devices are bulky and detract from an iPod's elegance by covering it up.

Other common protectors either do not offer enough protection--such as leaving the function buttons uncovered--or they are not durable enough to offer protection. However, an invisible Shield covering is exactly that--invisible--meaning it does not cover up the design, form or functionality of the iPod.

The company continues to increase its product lines, offering additional electronic accessories to its tech-savvy customer base.

Marketing

ZAGG offers over 2,500 precision pre-cut designs with a lifetime replacement warranty through on-line channels, big box retailers (like Best Buy), resellers, college bookstores, Mac stores and mall kiosks.

Customers include independently-owned retailers of Apple products and accessories. The company has

agreements with some 60 Apple retailers, predominantly in the U.S.

ZAGG products are not only available on the No. American continent, but also in the United Kingdom, Australia, Hong Kong, South Korea, and South America.

In November, CEO Robert G. Pedersen II noted: "The expansion of our sales distribution has been a key factor in our record sales in 2008 and has really helped promote the invisible Shield brand."

Management

Mr. Pedersen, 41, who is also president, has an extensive entrepreneurial record. Having previously successfully started

up two companies, the last of which he sold to Zion's Bank. A graduate of the University of Phoenix, he later earned an MBA at Brigham Young University.

He joined ZAGG in Oct'05 as a consultant and, in Jan'06, was named chief executive officer and chairman. Mr. Pedersen is the largest shareholder, owning and controlling 39% of the outstanding shares.

Brandon T. O'Brien, 37, has been chief financial officer since Feb'07. Previously, he was v-p of finance at Fonix Corp., a speech recognition software company, from 2003 until joining ZAGG.

Salaries are modest. In 2007, CEO Pedersen was paid \$120,000, with a \$12,000 bonus. And, interestingly, the company does not have an employment contract with the CEO or the CFO.

ZAGG is not a party to any legal proceedings.

The company became profitable last year. In the latest reported quarter (9/30/08), net income was \$890,000 on sales of \$6.9 million, a revenue gain of 393% over the same period in 2007.

Management can be proud of its balance sheet. There is no debt. For every \$1 of current liabilities, there is \$5.80 of current assets. Shareholders' equity increased \$1,230,146 in the last year.

Honors

Last month, ZAGG was named as an Emerging Elite Company by the Mountain Capital Network which presented awards to the 100 fastest-growing companies in Utah. "Elite" firms are those that are less than five years old.

Also, in December, Red Chip Visibility--a division of Red Chip Companies--upgraded its rating from "Speculative Buy" to "Buy" and revised its 12-month target price to \$3 a share.

Long-time subscriber, Ian J. Cassel, Lititz, PA, a business development consultant, alerted us to ZAGG. He estimates that, in 2009, sales will reach \$35 million and the company will earn 20¢ a share.

There are 59 full-time employees and 17 part-timers. Office: 3855 S. 500 West, Ste. J, Salt Lake City, UT 84115, 801/263-0699, Fax: 801/263-1841, www.zagg.com.

ZAGG Inc.

Bulletin Board: ZAGG

BOWSER RATING: 8

Price Last 24 Months--
\$0.56 to \$1.17

	2006	2007	2008(A)
SALES	\$2,777,036	\$5,135,715	\$12,460,812
NET INCOME(LOSS)	\$ (141,253)	\$ (759,511)	\$ 950,278
WORKING CAPITAL	\$ (79,473)	\$2,514,829	\$ 4,026,615
BOOK VALUE	\$0.01	\$0.21	\$0.24
TOTAL SHARES	10,052,808	16,139,177	19,093,955
FLOAT	N/A	N/A	11,120,000
(A) 9 MONTHS ENDING SEPT. 30.			