

# Mossberg's Investor Digest

## Best Idea Profile:

Aggreko plc (OTC:ARGKF)

### DESCRIPTION:

Aggreko provides temporary power and temperature control to customers worldwide who need assistance in a hurry, or for a short period of time. Its services are used in supporting utilities in developing countries, in emergency response to natural disasters, in military support, and for special events: Olympics, FIFA World Cup, Superbowl, Ryder Cup. Its services are often mission critical; where availability, service and reliability are more important than price. It rents out items such as gas and diesel generators, transformers, cable, fueling systems, chillers, heaters, air conditioners, cooling towers, and compressors. It provides services in approximately 100 countries and has 5,400 employees. Aggreko is based in Glasgow, the United Kingdom, and was founded in 1962.

### KEY INVESTMENT CONSIDERATIONS:

**Local Business** – Local business is one of two business models that share the company's resources. Local business rents power and temperature control equipment to commercial, industrial, utility and government users. Emergency response represents a quarter of its business, such as the deployment of assets for the tsunami in Japan and Hurricane Sandy. It is performing well, with the Americas growing by almost 10% in the third quarter. Other regions also did well but had tough comparables in the quarter. Although there is fierce local competition, few are able to compete for large or technically demanding work. This business is critical to customers who do not want to, or can't, invest the capital needed to provide these services.

**Emerging Markets' Need For Power** – The Power Projects business model sells electricity, and supplies and operates utility power plants, mainly in emerging markets, for utility and government users. The demand for power is growing very rapidly in developing countries, with a 5% compound annual growth in electricity consumption. Demand for electricity is growing faster than the supply, and yet infrastructure investment is chronically low, resulting in frequent shortages and breakdowns. The capital markets are unwilling to support long-term infrastructure projects in these countries because of the political risk involved. All of these factors contribute to a very positive environment for Aggreko power projects: the pay-as-you-go model eliminates the need to raise capital, power can go where it is most needed, political risk is minimal, there is a stabilizing effect on the grid, and no

long-term commitment is required as users can quit using the power when it is no longer needed.

**Market Diversification** – Aggreko has an attractive mix of emerging and mature markets with emerging markets representing 55% of 2012 revenues and two-thirds of the profits, and is growing at twice the rate of mature markets. These two businesses, Local business and Power Projects, are both large and growing fast, and although they are each subject to short-term variations, together they smooth the total group's performance. The customer base is diversified as well, by revenue type and by geography.

**Flexibility of Assets** – The Company's two businesses share fleet assets, expertise and infrastructure. The assets can be quickly redeployed at the end of their use. The equipment has a long life and older assets can get the same rental rate as new assets.

### VALUATION:

Aggreko has a history of favorable financial results: nine-year compound annual growth rate of 19% for revenue, and 29% for earnings per share. The stock has returned 247% to shareholders from 2008 through 2012. Its ongoing business model looks strong with much room for growth. These factors make this an attractive long-term investment.

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Investment Data (as of 12/7/13)

<b>Recent Price</b>	<b>\$26.45</b>
52-Week Range	\$23.15 - \$35.55
Fiscal Year End	Dec
Dividend	NA
Yield	NA
Shares Outstanding	267 M
Average Trading Volume (3 mos)	3 k
Market Capitalization	\$7 B
Cash	\$51 M
Long-term Debt	\$955 M
Enterprise Value (EV)	\$8 B
Book Value	\$6.85
TTM Revenue	\$2.6 B
P/ Revenue	3 x
TTM EPS	\$1.64
P/ EPS	16 x
TTM EBITDA	\$1 B
EV/ EBITDA	7 x

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