

Mossberg's Investor Digest

Best Idea Profile:

Chicago Bridge and Iron Co. (NYSE:CBI)

DESCRIPTION:

Headquartered in The Hague, Netherlands; Chicago Bridge & Iron N.V. is a leading global provider of integrated engineering, procurement and construction ("EPC") services. The Company is also a major process technology licensor, delivering comprehensive solutions to customers in the energy and natural resource industries. Chicago Bridge and Iron has more than a century of experience and approximately 13,000 employees worldwide. The Company has three business units: CB&I Steel Plate Structures, CB&I Lummus, and Lummus Technology. Through these business sectors, Chicago Bridge ("CBI") offers services both independently and on an integrated basis. During 2010, the Company executed over 700 projects in more than 70 countries.

KEY INVESTMENT CONSIDERATIONS:

Global Footprint – Chicago Bridge has offices on 6 continents with experience ranging from 50-100 years in various regions of the globe. The Company engineers and constructs some of the world's largest construction projects.

Strong and Growing Backlog – Backlog at the end of Q211 was approximately \$7.3 billion, vs. \$6.9 billion a year ago, as new awards exceeded revenue for the first six months of 2011.

Geographic Diversification - Approximately 80% of the Company's Backlog is from business outside of the U.S. The payment method breakdown is 50/50 Lump Sum vs. reimbursable contracts.

Market Leadership – Chicago Bridge has deep domain expertise and competitive strengths in all three business segments. Lummus Technologies has the most complete portfolio of olefins technologies in the world and is a leader in heavy oil upgrading technologies. CB&I Lummus has a number one market position in the energy construction niches of Liquefied Natural Gas, Gas Processing, Petrochemicals, Oil Sands Installations and Offshore Oil Facilities. CB&I Steel Plate Structure has Global brand leadership with 46,000 tanks/storage structures previously constructed and the capability to build the largest projects anywhere (7 continents).

Recurring Revenue – Lummus Technologies is an operating income driver and generates recurring revenues from its licensing and technical services activities. This division generated \$209 million in revenues for the first 6 months of FY11.

Return On Equity – The Company's business model regularly produces returns in excess of 20%. This is due to the relatively limited working capital needs, attractive asset turnover and margins.

New Contracts – Chicago Bridge recently announced a \$2.3 Billion contract for work on the Gorgon LNG project in Western Australia and a \$500 million contract for two additional LNG storage tanks in Australia. These awards will be reported in Q3 results.

VALUATION:

Chicago Bridge has some strong revenue drivers due to its niches in the Energy sector. The Company trades at just 9.8x the current FY2012 EPS estimate of \$3.05, which is an attractive multiple for a company with its above average rates of return.

(Chicago Bridge and Iron: NYSE) Investment Data (as of 9/29/11)

Recent Price	\$30.38
52-Week Range	\$23.54 - \$45.12
Fiscal Year End	Dec
Dividend	0.17
Yield	0.6%
Shares Outstanding	99MM
Average Trading Volume	1.3MM
Market Capitalization	\$3B
Cash	\$376MM
Long Term Debt	\$85MM
Enterprise Value (EV)	\$2.7B
BV/ Share	\$11.60
TTM Revenue	\$3.9B
P/ Revenue	0.78x
TTM EPS	\$2.27
P/ EPS	13.4x
TTM EBITDA	\$380MM
EV/ EBITDA	7.0x

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