

Mossberg's Investor Digest

Best Idea Profile:

Cimatron Ltd. (NASDAQ:CIMT)

DESCRIPTION:

Cimatron develops and distributes CAD/CAM software for the manufacturing industry. It has two major product lines. Cimatron E is for tool making, including solutions for mold making, die making and manufacturing. GibbsCAM supports the full range of metal cutting machine tools for the aerospace, automotive, defense, energy and medical industries. Its solutions speed up productivity and shorten delivery times. Cimatron has subsidiaries in Asia, North America and Europe. Nearly half of its revenues come from Europe, with another third from North America, and 44% of the revenues come from licensing. Cimatron was established in 1982 and has headquarters in Israel.

KEY INVESTMENT CONSIDERATIONS:

Significance of 3D Printing – 3D printing, or additive manufacturing, is the process of making a three-dimensional solid object into a variety of shapes using a digital model. It adds successive layers of material to create a shape, versus more traditional machining that removes material to create an object. Demand for 3D printing is growing rapidly as 3D printers are rapidly declining in price and as they are used in more technology-driven applications by custom manufacturers and by individuals.

Entering 3D Printing – By 2015, the 3D printing industry is expected to be worth \$3.7 billion. While the company does not intend to sell 3D printers and related materials, with its expertise in CAD/CAM, 3D printing is a natural fit for Cimatron's manufacturing software solutions. Announced in August 2013, Cimatron's new product is designed to create higher-quality plastic 3D molds and parts. This tool addresses the growing design need for more efficient conformal cooling systems to create higher-quality molds and shorter cycle times using advanced 3D printing, or additive manufacturing, technologies. Management says it will be launched in mid-2014; however, significant revenues will not likely occur for quite some time. This adds a significant growth component to the company's already dynamic product line.

CAD/CAM expertise – Cimatron is currently in the top 10 suppliers of CAD/CAM in every global region, including 40 countries. Its products are known for providing comprehensive, cost-effective solutions that streamline manufacturing cycles and shorten product delivery time.

Record Year and Attractive Financial Position – For 2013 Cimatron recorded record revenue, up 3% over 2012, and record income. It has a strong cash position and very little debt. Despite management's expectation that additive manufacturing will be a growth business in the future, the company will keep investing in its traditional markets and products, where there are additional growth opportunities.

Allure as Acquisition Target – Cimatron would make an attractive acquisition based on several factors: strong financial position, reasonable valuation, and dominance in all regions of CAD/CAM manufacturing. The recent acquisition of three of its direct competitors over the past few months may raise Cimatron's profile among acquirers.

VALUATION:

Based on multiple factors, including a trailing price/earnings multiple of 16, and historical and expected earnings growth, Cimatron looks attractively valued compared with other 3D printing software companies.

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Investment Data (as of 3/21/14)

Recent Price	\$7.85
52-Week Range	\$5.25 - \$10.75
Fiscal Year End	Dec
Dividend	NA
Yield	NA
Shares Outstanding	10.7 M
Average Trading Volume (3 mos)	355k
Market Capitalization	\$84 M
Cash	\$13 M
Long-term Debt	\$5 K
Enterprise Value (EV)	\$74 M
Book Value	\$2.02
TTM Revenue	\$44 M
P/ Revenue	2 x
TTM EPS	\$0.49
P/ EPS	16 x
TTM EBITDA	\$6.5 M
EV/ EBITDA	11 x

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