

# Mossberg's Investor Digest

## Best Idea Profile:

## Bolt Technology Corp. (NASDAQ:BOLT)

### DESCRIPTION:

Bolt Technology Corporation products comprise key components needed by seismic exploration vessels to acquire seismic data. This includes the energy source, or air gun; synchronization; and communication between the guns and the controller using cables. Customers include marine seismic exploration contractors, oil and gas companies, defense industry, fire and rescue organizations, governmental units and educational institutions. Its suite of products was expanded in 2011 through the acquisition of SeaBotix Inc. These underwater remotely operated vehicle systems are used for underwater tasks including maritime security, search and recovery, aquaculture, scientific research, hydro and nuclear energy applications, forensic investigations, and inspections of oil and gas drilling platforms and pipelines. Bolt was founded in 1960 and has its headquarters in Norwalk, Connecticut.

### KEY INVESTMENT CONSIDERATIONS:

**Big Player in Market** – The acquisition of SeaBotix achieved multiple goals for Bolt, including the diversification of the business. In all respects, the acquisition exceeded expectations. The U.S. government is a major customer, using its products for security operations. Schlumberger is also a key customer, with other substantial customers as well.

**Increased Environmental Sensitivities** – The first statutory marine mammal mitigation measures were established in 1998 and have spread to many countries. The trend is towards increasing stringent regulatory requirements, which are likely to increase costs, or even prohibit exploration. For example, environmental groups are aggressively responding to talk of opening up energy exploration in new offshore areas because of the serious risks to sea turtles, whales, and other marine mammals and fish. Bolt has a new product that will be available in 2015 that can alleviate these environmental concerns.

**Exciting New Gun** – The eSource airgun is designed to reduce the high-frequency components that are suspected to have the most potential for causing disturbance to marine life, while still retaining the components that are critical to subsurface seismic exploration. This new airgun could potentially unlock exploration activity in currently restricted areas and prevent new restrictions. The airgun was introduced to the trade in June 2014 and will be commercially available in 2015.

**Attractive Dividend** – Bolt has a strong history of dividends: \$0.10 per share in 2012, \$0.28 in 2013, as well as a \$0.50 special dividend in 2013. Current yield on the \$0.36 dividend is over 2%.

**Financial Strength** – Bolt has been cash flow positive, even during the recession years, and is expected to continue to generate substantial cash. Its strong balance sheet reflects no long-term debt and nearly \$2.50 per share in cash. Its April quarterly report demonstrated strong results: revenues were up almost 40% and earnings per share were up 75%.

### VALUATION:

The stock has taken a substantial summer hit following the company's comment that new orders are weakening in the underwater robotics business, particularly for the U.S. government defense business. Additionally, management commented on the potential impact of global economic and political uncertainty. Although management concluded that "fiscal year 2014 will be another strong year" for the company, the stock has taken a beating. Also it is important to note that Bolt's chief executive officer is the largest single shareholder of Bolt shares and has continued to acquire shares.

### Bolt Technology Corp. (NASDAQ:BOLT) Investment Data (as of 8/5/14)

<b>Recent Price</b>	<b>\$17.43</b>
52-Week Range	\$15.94 - \$22.76
Fiscal Year End	June
Dividend	\$0.36
Yield	2.1%
Shares Outstanding	8.6 M
Average Trading Volume (3 mos)	54k
Market Capitalization	\$150 M
Cash	\$21 M
Long-term Debt	0
Enterprise Value (EV)	\$127 M
Book Value	\$8.47
TTM Revenue	\$72 M
P/ Revenue	2.1x
TTM EPS	\$1.12
P/ EPS	15.6x
TTM EBITDA	\$18 M
EV/ EBITDA	6.9x