

Mossberg's Investor Digest

Best Idea Profile:

DESCRIPTION:

Global Power Equipment designs, engineers and manufactures an array of equipment and services for the global power generation industry. Its Product Solutions provides equipment for utility-scale natural gas turbines, and electrical housing and generator enclosures primarily for the midstream oil and gas industry and the power generation industry. Also serving these industries, as well as chemical/petrochemical, the Energy Services segment provides lifecycle maintenance, repair, construction and fabrication. The company's third segment, Nuclear Services supports domestic utilities' nuclear power facilities. Corporate headquarters are located in Irving, Texas. Global Power was founded in 1998.

KEY INVESTMENT CONSIDERATIONS:

Growth in Current Business – As energy demand increases worldwide, so does demand for power generation products and services. The Energy segment currently has approximately \$40 million in orders, which is up significantly from 2013. Product Solutions orders are \$76 million. Global Power has booked over \$200 million in orders year-to-date, compared with \$170 million in the first half of last year.

Improving Results –For 2014, management is expecting gross profit margin growth of 20 to 30 basis points based on improving product mix, implementation of LEAN and inflation and pricing impacts. Backlog is lower on a consolidated basis, but it is growing for the higher margin businesses of Product Solutions and Energy Services.

Stronger, More Diversified Organization – Global Power implemented major changes in its personnel and operations in the last year. In 2012 it was mostly dependent on fossil-driven markets; whereas today, it is almost equally driven by fossil, industrial gas, and oil and gas. It made significant investments in LEAN, which is a value creation process that eliminates waste that management expects will impact productivity by 3 to 5% annually. The restructuring of businesses and hiring or realignment of management has set the company up to capitalize on growth opportunities. The more integrated organization makes this a scalable business that can expand into multiple relevant energy markets. Over the next two years, Global Power will build its aftermarket business, expand into Middle East and Mexico, continue its investment in infrastructure and systems, and pursue acquisitions.

Global Power Equipment Inc. (Nasdaq:GLPW)

\$30 Million in Recent Awards –On June 11, Global Power announced it was awarded \$30 million of orders for two major projects. Energy Services was awarded a contract for the construction of a pipeline terminal that will have 300,000 barrel per day capacity. Energy Services is also in on the order to service a turnkey gas turbine inlet chilling solution for one of the largest power producers in the U.S.

VALUATION:

The fourth quarter has traditionally been the dominant force in full-year results. Although not as dominant, the fourth quarter is likely going to be the biggest for the company in 2014, making the second half of the year an exciting one for the company and its investors. Orders and backlogs are impressive looking forward. The company's yearly dividend of \$0.36 currently provides a 2.2% yield, which in tandem with potential price appreciation, could provide attractive yields to investors.

Global Power Equipment Inc. (NASDAQ:GLPW)

Investment Data (as of 6/25/14)

Recent Price	\$16.66
52-Week Range	\$15.17 - \$20.98
Fiscal Year End	Dec
Dividend	\$0.36
Yield	2.2%
Shares Outstanding	17.1 M
Average Trading Volume (3 mos)	46k
Market Capitalization	\$281 M
Cash	\$15 M
Long-term Debt	\$25 M
Enterprise Value (EV)	\$291 M
Book Value	\$16.24
TTM Revenue	\$472 M
P/ Revenue	0.6
TTM EPS	\$0.76
P/ EPS	21.6x
TTM EBITDA	\$33 M
EV/ EBITDA	8.9x

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