

Mossberg's Investor Digest

Best Idea Profile:

Maxwell Technologies, Inc. (NASDAQ:MXWL)

DESCRIPTION:

Maxwell is a global leader in the development and manufacture of cost-effective energy storage and power delivery solutions. Maxwell's ultracapacitors are used in multiple industries, including transportation. For rail operations, it captures braking energy and propels the trains with recycled energy therefore, it yields significant energy and infrastructure savings. Maxwell also saves fuel and reduces emissions in all types of urban buses, including hybrid, plug-ins, and electrics. It provides truckers a reliable engine start, extends battery life, saves fuel and reduces emissions. The forces driving adoption for automobiles are cost reductions, intensified emissions standards, and higher power requirements. Maxwell ultracapacitors also improve the consistency of power from renewable energy such as solar and wind, and for cell tower back-up and high volume manufacturing. Its ultracapacitors are also used in industrial applications, such as cranes, mining and heavy equipment; and electronics. Maxwell is based in San Diego.

KEY INVESTMENT CONSIDERATIONS:

Ultracapacitor Fuels Growth – The benefit of an ultracapacitor is that it quickly captures electrical energy that would otherwise be lost, and can release it rapidly. Unlike batteries, which produce and store energy by means of a chemical reaction, ultracapacitors store energy in an electric field. Combining ultracapacitors with batteries provides superior performance, operating range and life. The demand for Maxwell's ultracapacitor solution is propelled by the growing global demand for more power, coupled with the mandate to reduce harmful emissions created by burning fossil fuel. Maxwell leads the markets it serves in the growing ultracapacitor field. Compound annual growth since 2007 for overall revenue is 22.5%, but is 41% for ultracapacitors.

Recent Rail Success – Maxwell is well positioned in the rapidly growing billion-dollar market for ultracapacitors in the rail market. This is driven by the fact that it can help operators achieve 20% energy savings and reduce costly infrastructure requirements. Earlier this year, Maxwell proved its superiority in this market through major customer wins: it is supplying ultracapacitors to ABB to use in upgrading Philadelphia-area rail lines. The Korean subway system continues to expand its reach and each installation employs up to 200 of Maxwell's 48-volt ultracapacitor modules.

Momentum in Revenues – Revenues were \$46 million for the first quarter of 2014, which is up 18% from revenues of \$39 million reported in Q4 2013. Revenues for its ultracapacitor products were \$32 million for the first quarter of 2014 compared with \$26.3 million for the fourth quarter of 2013. This increase was primarily driven by the ramping demand for plug-in hybrid transit buses in China that began late last year as well as increased sales to wind energy applications.

Huge China Market – Many investors have been closely watching the momentum in the Chinese plug-in hybrid bus market, as this could trigger tremendous growth for Maxwell. However, this market continues to offer limited visibility because of the uncertainties involved with the Chinese government.

Leadership – In May, Maxwell appointed a new president and chief executive officer with background and leadership that should provide stability and momentum.

VALUATION:

Second quarter financial results will be reported on July 31. Management has indicated that revenue for the second quarter should be similar to that of the first quarter of 2014. The business has tremendous earnings leverage with Analysts EPS estimates expected to double next year on just a 15% increase in revenue.

Maxwell Technologies, Inc. (NASDAQ:MXWL) Investment Data (as of 7/20/14)

Recent Price	\$12.75
52-Week Range	\$6.75 - \$18.43
Fiscal Year End	Dec
Dividend	NA
Yield	NA
Shares Outstanding	29 M
Average Trading Volume (3 mos)	661k
Market Capitalization	\$374 M
Cash	\$32 M
Long-term Debt	\$11 M
Enterprise Value (EV)	\$350 M
Book Value	\$4.92
TTM Revenue	\$192 M
P/ Revenue	1.9x
TTM EPS	\$0.24
P/ EPS	53 x
TTM EBITDA	\$18 M
EV/ EBITDA	19 x

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