

Mossberg's Investor Digest

February 2015

Issue #80

From the Editor...

Changes to Mossberg's Investor Digest - Based on Feedback I've received from several of my subscribers, I have decided to make changes to Mossberg's Investor Digest. Subscribers have suggested that due to time constraints, they would prefer to have fewer ideas in each issue with more analysis. Therefore, instead of doing brief profiles of four ideas each month, I will do a more in-depth analysis and commentary of one idea each month. Immediate Access Annual subscribers will receive that month's issue in the middle of the month. Annual subscribers will receive that month's issue two weeks later. Look for changes in next month's issue.

The following points reiterate my investment criteria...

Return on Equity Potential – For every investment I make, I look at the three levers of ROE 1) profitability, 2) asset turnover and 3) leverage and how management can pull these levers to drive returns for shareholders. I am less concerned about using trailing financial data, or current financial metrics and more concerned about what the metrics will be in the next 3 years.

Insider Ownership – As a rule of thumb, the smaller the company, the more insider's ownership I like to see.

Management Compensation – I don't mind executives earning excessive salaries, provided that they can influence excess returns. However, if the CEO makes more money in a year than a company has ever made in profit, it's time to move on.

Capital Consumption – Generally, I like businesses that don't consume a lot of capital. Regardless of how good the company is, during hard times, capital consuming companies can be in a bad position.

Porter's Five Forces - Threat of new entrants, Threat of substitute products or services, bargaining power of customers, bargaining power of suppliers, intensity of competitive rivalry.

Other Owners – This is also more important for smaller companies. Who are the owners, exiting or entering their position, and what is their likely exit point.

Thank you for your interest in Mossberg's Investor Digest

Dave Mossberg

February 2015 Issue

EXO U Inc (EXO.V) - \$1.45, February 23, 2015, Page 3 -: The trend toward mobile technology is everywhere, in business as well as inside the classroom. The company's EXOengine software is platform neutral, allowing the development of applications and software that can be used across all platforms and operating systems, and therefore enabling interaction between differing electronic devices. Its products are strong and it is a compelling M&A target. EXO U was recently listed as a TSX Venture 50 company.

Liquidity Services, Inc. (LQDT) - \$9.77, February 24, 2015, Page 4 -: Headquartered in Washington D.C., Liquidity Services runs online auction marketplaces that helps corporations and government agencies liquidate surplus goods. LQDT procures product from many top 10 retailers, online retailers, and the U.S. government. Assuming a recovery back to historical revenue and earnings levels over the next three years, the company has \$1.30 in earnings power, and even a modest multiple yields significant upside for investors with a long-term horizon.

Smith & Wesson Holding Corporation (NASDAQ:SWHC) - \$12.83, February 25, 2015, Page 5 -: Smith & Wesson Holding Corporation produces quality handguns, law enforcement products and firearm safety and security products. It has been selling to law enforcement and military personnel, as well as enthusiasts in target shooting, hunting, and collecting for more than 160 years.

Actua Corporation (NASDAQ:ACTA) - \$15.38, February 26, 2015, Page 6 -: Actua has acquired and built cloud companies that target vertical markets and processes, versus the traditional horizontal markets. This situates Actua in the center of the second wave of Software as a Service implementation, dealing with vertical instead of horizontal markets. ACTA offers a direct and pure-play opportunity to participate in the growth of SaaS as it is oriented around vertical markets. Management has indicated its belief in the stock's value through consistent stock buybacks of 5.7 million shares since 2008. It acquired \$10 million in stock in 2014.

We attempt to provide subscribers with reasoned opinions based on our analysis of publicly available information from sources believed to be reliable, but make no representations as to its accuracy or completeness. Best Idea profiles are not based upon individual needs of subscribers nor are they an offer to buy or sell securities. Additional disclosures can be found under the Disclosures portion of the Mossberg's Investor Digest website.

www.midresearch.com

Mossberg's Investor Digest

Mossberg's Investor Digest Idea Performance

The table below shows selected ideas published from January 2014 until January 2015. The overall performance number includes all ideas published since July 2008, including those not shown. **Performance data quoted represents past performance and does not guarantee future results.** Current performance of ideas may be lower or higher than the performance quoted.

Company	Pub. Date	Original Price	Recent Price	Change	Russell 3000 Change Since Pub. Date	Relative Perf. vs. Russell 3000
Spark Networks, Inc. (NYSE MKT:LOV)	15-Jan-14	\$6.18	\$3.60	-41.7%	13.6%	-54.6%
News Corporation (NASDAQ:NWSA)	21-Jan-14	\$16.76	\$17.53	4.6%	13.8%	-8.6%
Emmis Communications Corp. (NASDAQ:EMMS)	27-Jan-14	\$2.98	\$2.20	-26.2%	17.9%	-43.4%
Brunswick Corporation (NYSE:BC)	30-Jan-14	\$42.51	\$55.04	29.5%	16.9%	12.9%
A.H. Belo Corporation (NYSE:AHC)	5-Feb-14	\$7.82	\$9.11	16.5%	19.9%	-3.0%
O2Micro International (NASDAQ:OIIM)	12-Feb-14	\$3.36	\$2.45	-27.1%	15.4%	-42.3%
DEQ Systems Corp. (TSX:DEQ.V)	25-Feb-14	\$0.23	\$0.16	-30.4%	13.4%	-44.0%
Dresser-Rand (NYSE:DRC)	28-Feb-14	\$54.33	\$81.54	50.1%	12.5%	37.4%
Arcos Dorados (NYSE:ARCO)	7-Mar-14	\$9.38	\$5.14	-45.2%	11.4%	-56.8%
Cimatron Ltd.(NASDAQ:CIMT)	21-Mar-14	\$7.85	\$8.97	14.3%	11.4%	2.1%
Unisys (NYSE:UIS)	26-Mar-14	\$29.63	\$22.99	-22.4%	13.5%	-35.6%
Mueller Industries (NYSE:MLI)	28-Mar-14	\$29.34	\$35.10	19.7%	13.2%	6.8%
WidePoint Corp. (NYSE MKT:WYYY)	4-Apr-14	\$1.51	\$1.71	13.2%	12.7%	0.9%
Allied Motion Tech. Inc. (NASDAQ:AMOT)	10-Apr-14	\$12.00	\$27.33	127.8%	14.8%	113.5%
Ascent Capital Group Inc. (NASDAQ:ASCMA)	28-Apr-14	\$68.34	\$44.47	-34.9%	13.1%	-47.2%
SWK Holdings Corporation (OTCQB:SWKH)	29-Apr-14	\$1.05	\$1.53	45.7%	12.5%	34.0%
Monitise PLC (OTCPK:MONIF)	12-May-14	\$1.08	\$0.31	-71.0%	11.3%	-81.6%
Darling Ingredients Inc. (NYSE: DAR)	27-May-14	\$19.67	\$17.43	-11.4%	10.4%	-21.5%
Radiant Logistics, Inc. (NYSE MKT: RLGT)	29-May-14	\$3.09	\$4.55	47.2%	10.0%	37.5%
Willdan Group, Inc. (NASDAQ:WLDN)	31-May-14	\$6.25	\$14.04	124.6%	9.9%	115.0%
MOCOC, Inc. (NASDAQ:MOCO)	9-Jun-14	\$15.25	\$16.12	5.7%	8.1%	-2.3%
Global Power Equipment Inc. (NASDAQ:GLPW)	26-Jun-14	\$16.52	\$13.37	-19.1%	7.8%	-27.1%
Primo Water Corporation (NASDAQ:PRMW)	30-Jun-14	\$4.77	\$4.06	-14.9%	7.4%	-22.7%
Spectra7 Microsystems Inc. (TSX.V:SEV)	30-Jun-14	\$0.44	\$0.48	9.1%	7.4%	1.2%
Maxwell Technologies, Inc. (NASDAQ:MXWL)	20-Jul-14	\$12.77	\$7.15	-44.0%	7.1%	-50.9%
Tower Semiconductor Ltd. (NASDAQ:TSEM)	23-Jul-14	\$10.90	\$15.88	45.7%	6.6%	39.1%
Schnitzer Steel Industries, Inc. (NASDAQ:SCHN)	25-Jul-14	\$27.42	\$15.91	-42.0%	7.1%	-49.1%
Vertex Energy, Inc. (NASDAQ:VTNR)	31-Jul-14	\$8.22	\$3.41	-58.5%	9.7%	-68.3%
Bolt Technology Corp. (NASDAQ:BOLT)	5-Aug-14	\$17.43	\$22.00	26.2%	10.2%	15.8%
Tribune Publishing Corp. (NYSE:TPUB)	20-Aug-14	\$19.55	\$21.54	10.2%	6.5%	3.4%
Interphase Corp. (NASDAQ:INPH)	29-Aug-14	\$3.27	\$2.20	-32.7%	5.5%	-38.6%
Richardson Electronics Ltd. (NASDAQ:RELL)	31-Aug-14	\$10.19	\$9.17	-10.0%	5.5%	-15.9%
Helen of Troy (NASDAQ:HELE)	15-Sep-14	\$54.62	\$78.49	43.7%	6.8%	36.9%
SMTP, Inc. (NASDAQ:SMTP)	16-Sep-14	\$6.26	\$5.23	-16.5%	6.0%	-22.5%
Mandalay Digital Group, Inc. (NASDAQ:APPS)	24-Sep-14	\$4.92	\$3.60	-26.8%	6.4%	-32.9%
L.B. Foster Company (NASDAQ:FSTR)	30-Sep-14	\$45.94	\$49.77	8.3%	7.9%	1.0%
Chart Industries, Inc. (NASDAQ:GTLS)	13-Oct-14	\$42.06	\$33.53	-20.3%	13.8%	-33.0%
MRI Interventions, Inc. (OTC BB: MRIC)	16-Oct-14	\$1.08	\$0.83	-23.9%	13.8%	-37.4%
Franklin Electric Co., Inc. (NASDAQ:FELE)	23-Oct-14	\$36.99	\$35.13	-5.0%	8.8%	-13.9%
Avigilon Corporation (TSX:AVO.TO)	29-Oct-14	\$15.30	\$24.97	63.2%	7.1%	56.2%
Chemtura Corporation (NYSE:CHMT)	6-Nov-14	\$23.38	\$25.50	9.1%	4.6%	4.9%
Hilltop Holdings Inc. (NYSE:HTH)	11-Nov-14	\$21.14	\$19.29	-8.8%	4.1%	-12.5%
Bravo Brio Restaurant Group, Inc. (NASDAQgs:BBRG)	24-Nov-14	\$13.15	\$13.68	4.0%	2.7%	1.7%
Alamo Group (NYSE: ALG)	26-Nov-14	\$48.97	\$50.45	3.0%	2.5%	0.8%
PGT, Inc. (NASDAQ:PGTI)	12-Dec-14	\$9.00	\$8.64	-4.0%	6.2%	-9.7%
Unilife Corporation (NASDAQ:UNIS)	15-Dec-14	\$2.72	\$4.13	51.8%	6.9%	45.4%
The Dixie Group, Inc. (NASDAQ:DXYN)	19-Dec-14	\$9.21	\$9.02	-2.1%	2.7%	-4.4%
Points International Ltd. (NASDAQ:PCOM)	20-Dec-14	\$12.86	\$10.20	-20.7%	2.7%	-23.1%
Cascade Microtech Inc. (NASDAQ:CSCD)	19-Jan-15	\$14.02	\$13.60	-3.0%	5.0%	-7.6%
Quanex Building Products Corporation (NYSE:NX)	20-Jan-15	\$18.53	\$19.55	5.5%	4.9%	1.0%
Ballantyne Strong, Inc. (NYSE:BTN)	27-Jan-15	\$4.15	\$4.39	5.8%	4.2%	1.4%
InfuSystem Holdings, Inc. (NYSE:INFU)	29-Jan-15	\$2.71	\$2.65	-2.2%	4.6%	-6.9%
Overall Performance since July 2008				71.1%	60.0%	11.1%

We attempt to provide subscribers with reasoned opinions based on our analysis of publicly available information from sources believed to be reliable, but make no representations as to its accuracy or completeness. Best Idea profiles are not based upon individual needs of subscribers nor are they an offer to buy or sell securities. Additional disclosures can be found under the Disclosures portion of the Mossberg's Investor Digest website.

Mossberg's Investor Digest

Best Idea Profile:

EXO U Inc. (TSXV:EXO)

DESCRIPTION:

The trend toward mobile technology is everywhere, in business as well as inside the classroom. The Company's EXOengine software is platform neutral, allowing the development of applications and software that can be used across all platforms and operating systems, and therefore enabling interaction and collaboration between differing electronic devices. The technology agnostic framework provides a way to eliminate many of the challenges of mobile technology. Founded in 2010, EXO U serves enterprises and educational institutes primarily in the United States, Canada, and Latin America. It is based in Montreal, with additional offices in Palo Alto, California.

KEY INVESTMENT CONSIDERATIONS:

BYOD Trends – Analysts expect that by 2018, a billion mobile devices used in the enterprise environment will be employee-owned. The BYOD market will grow from \$65 billion in 2012 to approximately \$238 billion by 2018. Currently, many information technology departments are overwhelmed by the myriad of mobile devices and operating systems emerging as this trend to bring your own device, or BYOD, explodes. Teachers and students are increasingly bringing their own technology devices into the classroom, creating tremendous opportunity for learning when these devices are able to work together across different operating systems. With EXO products, whether the device is Microsoft, Apple, Android or Linux, it can collaborate with other devices.

Advantages of BYOD in the Classroom – Computers in the classroom are ubiquitous; however, content delivery platforms are rapidly leaving desktop delivery behind. The mobility of BYOD is compelling in the educational market from many angles including flexibility and costs. BYOD allows educational institutions to offer state-of-the-art technology without busting their budgets by strategically passing along a majority of the investment in mobile devices, and their accountability, to the students. Students get to use the device of their choice, yet still benefit from high-tech and self-paced interactions between the student and the teacher. Students can be engaged to learn anywhere and at any time, with whichever device they feel most comfortable. They come away more tech savvy and better able to collaborate on projects as they learn at their own pace and access information outside of the classroom. Teachers have more classroom control and can use real-time analytics to evaluate each student's performance. And a large percentage of students own their own

devices: 84% of children aged 13 to 17 own their own mobile phone, and 42% own a tablet. Among 10 to 12 year olds, close to half own a mobile phone, and more than half own a tablet. Even younger children have easy access to these devices.

Recurring Revenue – The model employed by EXO U generates high-margin recurring revenue to the tune of \$3.25 to \$5 per seat, depending whether it is sold directly or through channel partners. Contracts are emerging: EXO U has an educational deployment in Panama and is negotiating several additional contracts expected to deploy in 2015, including the Institute of Economics and Management in the Russian Federation. Although its current focus is on the education market, the company intends to expand into the enterprise market in late 2015.

BYOD Companies Targeted for Acquisition – In the last three years, large technology companies, including Microsoft, Google, VMWare, and Cisco, have been acquiring BYOD companies in deals ranging into the billions of dollars.

VALUATION:

EXO represents a pure play on the burgeoning BYOD educational market, with probable expansion beyond classrooms. Its products are strong and it is a compelling M&A target. EXO U was recently listed as a TSX Venture 50 company.

EXO U Inc. (TSXV:EXO)

Investment Data (as of 2/20/15)

Recent Price	\$1.45
52-Week Range	\$1.03 - \$4.56
Fiscal Year End	Mar 31
Dividend	NA
Yield	NA
Shares Outstanding	41.8 M
Average Trading Volume (3 mos)	25 K
Market Capitalization	\$60 M
Cash	\$8 M
Long-term Debt	0
Enterprise Value (EV)	\$52 M
Book Value/share	\$0.18
TTM Revenue	\$882 K
P/ Revenue	68x
TTM EPS	\$(0.17)
P/ EPS	NA
TTM EBITDA	\$(7 M)
EV/ EBITDA	NA

We attempt to provide subscribers with reasoned opinions based on our analysis of publicly available information from sources believed to be reliable, but make no representations as to its accuracy or completeness. Best Idea profiles are not based upon individual needs of subscribers nor are they an offer to buy or sell securities. Additional disclosures can be found under the Disclosures portion of the Mossberg's Investor Digest website.

Mossberg's Investor Digest

Best Idea Profile:

Liquidity Services (Nasdaq: LQDT)

DESCRIPTION:

Headquartered in Washington D.C., Liquidity Services runs online auction marketplaces that helps corporations and government agencies liquidate surplus goods. LQDT procures product from many top 10 retailers, online retailers, and the U.S. government. After taking possession of the goods at one of its 9 warehouse facilities, the company sorts, barcodes, and palletizes common items. The items are then auctioned on one of its auction sites to eBay power users, thrift shops and back alley liquidators. The company has 2.6 million registered users of its websites liquidation.com, networkinternational.com, govliquidation.com, govdeals.com, truckcenter.com, and liquibiz.com. The company has 1,300 employees across North America, Europe, and Asia.

KEY INVESTMENT CONSIDERATION:

LQDT has an attractive "Asset Light" business model – LQDT's unique business model can generate "negative working capital". This happens because auction winners pay faster than LQDT has to pay for the entire consideration (inventory purchase plus profit sharing distribution) of the product. LQDT has three pricing models.

- 1. Consignment** (13% of revenue) – Under the consignment model, there is no cash outlay for the merchandise sold at auction. Payment is received by LQDT and remits funds to the seller after a few days.
- 2. Profit Share** (16% of revenue) – Under this model, LQDT pays a nominal amount (less than 1% of acquisition value) to the seller, then remits a portion of the profits generated on the sale of the merchandise after selling and other expenses are deducted.
- 3. Purchase** (71% of revenue) – LQDT agrees to a purchase price per item, and sometimes receives terms from the seller that can be as much as 120-180 days. In most cases this is twice as long as it takes LQDT to sell and receive payment for the item.

As a result of this model, LQDT can finance growth without issuing new shares and diluting shareholders. Excess cash can be used to repurchase stock or make acquisitions that further expand the scope and scale. In fact, during the past five years the company's revenue base has more than doubled, while shares outstanding have increased by only 7.5%. It's also conceivable that LQDT could pay a dividend at some point in the future.

Large Market Opportunity – The Company estimates that it has only penetrated 2-3% of the

online surplus management market, which may be as large as \$150 billion annually.

Critical mass and infrastructure create strong value proposition and barriers to entry – In the auction business, the larger the efficiencies of scale and scope the more valuable the auction is to sellers and buyers. The company has 500,000+ unique items and over 19.2 million auction participants. In addition, the company has built infrastructure to support a \$1B business. Its 19 warehouse/storage facilities with over five million sqft. of usable space, systems, and knowledge base would be significant barriers for any new entrant to duplicate.

VALUATION:

The stock has fallen near its 52-week low on news of the termination of its Wal-Mart contract along with changes in the company's DoD business which is under volume and margin pressure. Analysts estimates are calling for approximately \$0.60 in earnings for fiscal 2015 (ending September), which is approximately 40% below the prior year. By contrast shares have fallen 60% year over year. While near term revenue and earnings may face difficult comps, the long-term opportunity for this "asset light" business is very attractive. Assuming a recovery back to historical revenue and earnings levels over the next three years, the company has \$1.30 in earnings power, and even a modest multiple yields significant upside for investors with a long-term horizon.

(Nasdaq: LQDT)

Investment Data (as of 02/23/15)

Recent Price	\$9.77
52-Week Range	7.32 - 27.33
Fiscal Year End	September
Shares Outstanding	30 MM
Average Trading Volume (3 mos)	412,000
Market Capitalization	292 MM
Cash	74 MM
Long Term Debt	0
Enterprise Value (EV)	218 MM
LT Debt/ Equity	0%
Tangible BV/ Share	4.25
TTM Revenue	499 MM
P/ Revenue	0.6x
TTM EPS	-1.33
P/ EPS	N/A
TTM EBITDA	49 MM
EV/ TTM EBITDA	4.5x

We attempt to provide subscribers with reasoned opinions based on our analysis of publicly available information from sources believed to be reliable, but make no representations as to its accuracy or completeness. Best Idea profiles are not based upon individual needs of subscribers nor are they an offer to buy or sell securities. Additional disclosures can be found under the Disclosures portion of the Mossberg's Investor Digest website.

Mossberg's Investor Digest

Best Idea Profile:

Smith & Wesson Holding Corporation (NASDAQ:SWHC)

DESCRIPTION:

Smith & Wesson Holding Corporation produces quality handguns, law enforcement products and firearm safety and security products. It has been selling to law enforcement and military personnel, as well as enthusiasts in target shooting, hunting, and collecting for more than 160 years. The consumer market makes up 85% of sales, while the professional market is 15%. Familiar brands include Smith & Wesson, M&P, Thompson/Center Arms, Caldwell, and Wheeler. Company facilities are located in Massachusetts, Maine, Missouri, and Connecticut. Headquarters is in Springfield, Massachusetts, and the company employs almost 1,800.

KEY INVESTMENT CONSIDERATIONS:

Reason for Optimism – The firearm industry saw a big decline in 2014, which put tremendous pressure on SWHC. But this decline followed an extraordinary 2013, when more than 21 million applications for firearms were submitted to the National Instant Criminal Background Check System. NICS is the most consistent measure of demand as these are the applications that are conducted at the point of sale and tracked by the FBI. Calendar 2013 was the eleventh consecutive year of NICS increase. Was this the Obama effect? The Sandy Hook effect? Regardless, this inflated level of demand ceased in 2014, and produced rapid revenue declines and large inventories industry wide. This indicator now indicates a turnaround and more interest in firearm related sales that will accelerate the recovery. One industry expert estimates the industry is growing at a 7% to 9% annual rate.

Accretive Acquisition – Smith & Wesson acquired Battenfeld Technologies, a maker of hunting and shooting accessories, in late 2014. It supplies major retailers including Cabelas, Bass Pro, and Dick's Sporting Goods, and expands the company's product offerings, stays within its core firearms business, and adds a large production facility. The \$130 million acquisition price cleans out much of the cash and stretches the debt facility. However, at the time of the acquisition, management stated it expected a revenue contribution of \$55 million and \$15 million additional EBITDA per year.

Iconic Brands – Smith & Wesson owns brands that have more than 90% awareness among people who own firearms or intend to buy within a year. And how much more iconic can it be: It is the manufacturer of the 44 Magnum used in the *Dirty Harry* films.

Experienced Management Team – The president and chief financial officer each have more than 20 years of experience. The remainder of the team comes from a diverse range of retail, technical and financial backgrounds.

Reasons to Own – The consumer trends driving handgun growth include concealed carry, personal protection, and recreation. Pistols are driving the growth in handguns, as they now represent over 85% of handguns sold.

VALUATION:

The company guided estimates for revenue and earnings significantly higher on January 20. The stock traded up more than 40% off its low, but is still trading at only 13 times next year's earnings per share estimate. Management has a history of positive surprises, so there may be more on the way. Consensus earnings estimates are up and, despite the big share leap in January, there may be more room to incorporate improving conditions.

Smith & Wesson Holding Corporation (NASDAQ:SWHC)

Investment Data (as of 2/23/15)

Recent Price	\$12.83
52-Week Range	\$9.03 - \$17.28
Fiscal Year End	April 30
Dividend	NA
Yield	NA
Shares Outstanding	53.7 M
Average Trading Volume (3 mos)	1.4 M
Market Capitalization	\$689.0 M
Cash	\$64.4 M
Long-term Debt	\$175.0 M
Enterprise Value (EV)	\$788.9 M
Book Value	\$2.97
TTM Revenue	\$556.6 M
P/ Revenue	1.2x
TTM EPS	\$1.16
P/ EPS	11.0x
TTM EBITDA	\$133.1 M
EV/ EBITDA	5.9x

Mossberg's Investor Digest

Best Idea Profile:

Actua Corporation (NASDAQ:ACTA)

DESCRIPTION:

Actua has acquired and built cloud companies that target vertical markets and processes, versus the traditional horizontal markets. This situates Actua in the center of the second wave of Software as a Service implementation, dealing with vertical instead of horizontal markets. SaaS is the software distribution model in which applications are hosted in the cloud. The vertical markets it is focused on are government communications, through GovDelivery; wealth management, through FolioDynamix; compliance, through MSDSONline; and insurance, through Bolt Solutions. Founded in 1996, the company changed its name from ICG Group, Inc. in September 2014. It is based in Radnor, Pennsylvania.

KEY INVESTMENT CONSIDERATIONS:

Transforming Vertical Markets – The initial, horizontal wave of cloud computing is automating applications in disciplines such as accounting, CRM and human resource; those processes inside the four walls of the enterprise. The second wave of SaaS is the vertical wave where Actua is focused: it is where the company provides industry-specific expertise to help automate and streamline the marketplace outside of the enterprise, such as the supply chains, customer chains, and distribution chains. Actua is building leading brands in vertical markets, including insurance, government, environmental health and safety and financial services. It is able to add customers at low customer acquisition costs, with extremely good retention. Therefore, investments in sales and marketing are efficient, and benefit the tremendous economies of scale generated by the growth.

Targeted Businesses – Actua looks for large, fragmented, non-automated, low market penetration markets where the cloud can have great impact. The more complex the business the better, where doing things the old way no longer works. Its targeted businesses are early in adoption and probably less than 10% penetrated, with significant growth opportunity. Actua has many examples of success with tuck-in acquisitions, moving into adjacent markets that expand cross-selling opportunities and expand the total addressable market. Actua has integrated well. Looking at its current businesses, they were growing at less than 25% in aggregate when acquired. Today they are growing organically more than 30%, despite the larger base of comparison.

Recent Addition – Acquired in November 2014, FolioDynamix added a fourth brand that is similar in size to Actua's other three, and is immediately accretive with strong growth potential despite its substantial existing scale. It offers a comprehensive web-based wealth management technology platform for managing all aspects of the business. Unlike other wealth management platforms, it empowers advisors with a single platform to efficiently manage customer accounts. Management has stated that Folio will increase the company's overall organic growth rate; it appears to be a wise use of the company's substantial cash position.

Good Business Model – High retention rates of more than 95%, recurring revenue rates of over 85%, low acquisition costs, economies of scale, and gross margins above 70% indicate an attractive business model. Guided by veteran leadership, Actua is growing rapidly, but has strong cash and no debt.

VALUATION:

ACTA offers a direct and pure-play opportunity to participate in the growth of SaaS as it is oriented around vertical markets. Management has indicated its belief in the stock's value through consistent stock buybacks of 5.7 million shares since 2008. It acquired \$10 million in stock in 2014. Fourth quarter earnings will be reported on February 26, with guidance of a loss of \$0.39 to \$0.41 per share.

Actua Corporation (NASDAQ:ACTA)

Investment Data (as of 2/25/15)

Recent Price	\$15.38
52-Week Range	\$13.24 - \$22.73
Fiscal Year End	Dec
Dividend	NA
Yield	NA
Shares Outstanding	37 M
Average Trading Volume (3 mos)	108 k
Market Capitalization	\$574 M
Cash (before 11/14 acq.)	\$292 M
Long-term Debt	\$500 K
Enterprise Value (EV)	\$306 M
Book Value	\$11.45
TTM Revenue	\$76 M
P/ Revenue	7.5x
TTM EPS	\$4.49
(includes discontinued op)	
P/ EPS	3.4x
TTM EBITDA	\$(36) M
EV/ EBITDA	\$(8) M

We attempt to provide subscribers with reasoned opinions based on our analysis of publicly available information from sources believed to be reliable, but make no representations as to its accuracy or completeness. Best Idea profiles are not based upon individual needs of subscribers nor are they an offer to buy or sell securities. Additional disclosures can be found under the Disclosures portion of the Mossberg's Investor Digest website.

Mossberg's Investor Digest

Subscription Information

Subscribe to Mossberg's Investor Digest at <http://midresearch.com/subscribe/>

Immediate Access Annual Subscription: \$295/ year

12 Monthly Compilation Issues – At the end of each month, Mossberg's Investor Digest compiles all Best Idea Profiles generated that month into a single compilation issue.

Access to Past Compilation Issues – Password protected access to all previous compilation issues.

Immediate Access to Best Idea Profiles - Approximately two to three times per month, Immediate Access Annual Subscribers receive Best Idea Profiles as soon as they are published.

Annual Subscription: \$245/ year

12 Monthly Compilation Issues

Access to Past Compilation Issues

About Mossberg's Investor Digest

The value proposition of the digest is essentially an "Idea Generator". During the course of my 18-year career in capital markets, I've had the chance to meet and work closely with some very smart professional investors who have consistent track records of outperforming the market indexes. Some of these investors, which include mutual fund managers, hedge fund managers, and other professional investors, are kind enough to share their best ideas with me. I conduct my own analysis of their ideas and publish summaries of those ideas I think represent timely investment opportunities. Over time, I trust the majority of these ideas will pan out and help subscribers generate index-beating returns.

The goal of the Best Idea Profiles in this newsletter is to describe all of relevant investment merits and risks of a company in one page. It is not intended to be an exhaustive report including every detail of a company. With limited space available, I am forced to include only those data points that I feel are most important for subscribers to know before they begin their own due diligence. Thank you for your interest in Mossberg's Investor Digest.

Disclosures

Not Investment Advice: Investors should consult a financial advisor before investing in any securities highlighted in the Digest or subscribing to any newsletter service. We attempt to provide subscribers with reasoned opinions based on our analysis of publicly available information from sources believed to be reliable, but make no representations as to its accuracy or completeness. Best Idea Profiles highlighted in Mossberg's Investor Digest are not based upon individual needs of subscribers nor are they an offer to buy or sell securities. Mossberg's Investor Digest is not suitable for people seeking low to moderate risk investments.

It is the policy of the publisher to follow the CFA Institute's "Standards of Practice" regarding disclosure of potential conflicts of interest. The publisher's policy is to avoid conflicts of interest when possible. However, when potential conflicts are unavoidable, the publisher's policy is to disclose material business relationships between it and issuers of securities highlighted in the letter. In addition, the publisher's ownership in securities highlighted in the letter is disclosed. By disclosing potential conflicts of interest, subscribers and prospective subscribers will have additional information to evaluate the objectivity of ideas highlighted in the newsletter.

*There are no material business relationships between the publisher and the securities highlighted in this issue.

*As of February 2015, the publisher owns shares in DSNY and MFI.

We attempt to provide subscribers with reasoned opinions based on our analysis of publicly available information from sources believed to be reliable, but make no representations as to its accuracy or completeness. Best Idea profiles are not based upon individual needs of subscribers nor are they an offer to buy or sell securities. Additional disclosures can be found under the Disclosures portion of the Mossberg's Investor Digest website.

www.midresearch.com