

# Mossberg's Investor Digest

## Best Idea Profile:

### DESCRIPTION:

Global Power is a leading provider of custom-engineered auxiliary equipment and maintenance support services for the global power generation industry. Its Products Division produces exhaust systems, filter houses and other auxiliary equipment for gas turbines used by utilities and industrial customers, such as General Electric Co. and Siemens AG. Through its Services Division, the Company provides on-site specialty support and outage management services for commercial nuclear reactors in the United States and maintenance services to fossil and hydroelectric power plants and other industrial operations. The Company, founded in 1998 and based in Irving, Texas, has over 40 years of power generation industry experience and emerged from bankruptcy in 2008. It employs 675 people.

### KEY INVESTMENT CONSIDERATIONS:

**Products and Services Groups** – Braden Products, the primary contributor in product sales, is number one or two in marketplaces it serves. Two other highly regarded businesses with combined revenue of \$43 million were added to the products group in 2012. These two acquisitions are both expected to be accretive during 2012. In services, Williams Industrial Services has been in the business for a long time and is regarded as a safe and well-run organization serving the nuclear services market in North America. Global Power has long-standing relationships with a blue-chip customer base.

**New Management and Growth Focus** – The president and CEO joined Global Power in July 2012 and is focused on investing in technology to deepen penetration into its customer base and growing the profitable services segment. He expects to double revenue and operating margins within three to four years. Expect to see this accomplished through tending the current business while investing in technology and seeking profitable acquisitions that are in technologies adjacent to its current products and services. A strong balance sheet supports this growth strategy.

**Growth in Backlog** – Global Power recorded two quarters in a row of record backlog driven by its services growth.

## Global Power Equipment Group Inc. (NASDAQ:GLPW)

**Nuclear and Gas Market Growth** – Market forces will aid in Global Power's growth. There are 104 nuclear reactors with an average age of 30 years that are operating at 90% capacity. Six new reactors are planned to come on line by 2020. The aging of nuclear plants and the increased regulations arising from the Fukushima event will drive capital projects and baseline maintenance, resulting in steady business for the Company. Sluggish growth in the U.S. should abate as coal plants are retired and replaced with natural gas. Additionally, there is a lot of activity in emerging markets such as the Middle East, Asia and Africa as they build out more electrical infrastructure to support their industry. It is the industrial demand that really drives investment in the energy sector. Additionally, consumer product demand in South America will drive energy expansion in that region.

### VALUATION:

Global Power, a strong cash generator, has a multi-pronged capability to create value for shareholders: organic investment, acquisitions, dividends (currently paying 2%) and share buybacks.

#### Global Power Equipment Group Inc. (NASDAQ:GLPW)

Investment Data (as of 3/7/13)

<b>Recent Price</b>	<b>\$16.93</b>
52-Week Range	\$13.55 - \$28.98
Fiscal Year End	Dec
Dividend	\$0.36
Yield	2.1%
Shares Outstanding	17.0 M
Average Trading Volume (3 mos)	55k
Market Capitalization	\$288 M
Cash	\$34 M
Long-term Debt	0
Enterprise Value (EV)	\$255 M
Book Value	\$15.13
TTM Revenue	\$426 M
P/ Revenue	0.7x
TTM EPS	\$0.64
P/ EPS	26.6
TTM EBITDA	\$19.5 M
EV/ EBITDA	13.1

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