

# Mossberg's Investor Digest

## Best Idea Profile

### DESCRIPTION:

Headquartered in Chantilly, Virginia; Intersections is a leading provider of branded and white label identity theft security solutions. INTX provides services to safeguard more than 8 million members, who are primarily acquired through marketing partnerships with major banks along with consumer direct marketing under the brand Identity Guard. Intersections also provides consumer-oriented insurance and membership products through marketing partnerships with major mortgage service providers in the US as well as other financial institutions. INTX has three reportable segments: The Consumer Products and Services segment includes identity theft management tools and other consumer products and services. The Online Brand Protection segment includes corporate brand protection under the subsidiary Net Enforcers. Lastly the Bail Bonds Industry Solutions segment includes software management solutions for the bail bond industry (under the subsidiary Captira Analytical).

### KEY INVESTMENT CONSIDERATIONS:

**A leading franchise addressing a large market -** Intersections is a top player in the industry. The company services some of the largest financial institutions in the US including Bank of America (including MBNA, which was acquired by Bank of America in 2006), Citibank, and Capital One. The company currently partners with 4 of the top 5 US banks and 6 of the top 7 Canadian Banks. According to the Javelin Identity Fraud Survey report (2010) the number of Identity fraud victims reached 11.1 million 2009 with 4.8% of the US population being affected by this type of crime.

**Private Label Program –** Consumers trust their commercial banks for new services. By partnering with large banks on a "White label" basis, Intersections can leverage the trust and customer bases of these institutions for new customers and the increase sell-through with new product offerings. Intersections has developed a strong reputation in this business and has successfully used its white label program as an industry differentiator. This is a profitable business that generates \$40MM in Free Cash Flow.

**Sale of screening business allows focus on core competencies –** In Jul '10, Intersections divested its Background Screening segment for \$15MM in cash plus adjustments for working capital and other items. INTX used the net proceeds of \$11MM to pay down debt. Additionally the sale allows management to more fully focus on other more strategic businesses.

## Intersections Incorporated (NASDAQ:INTX)

**Strong Cash Flow Generator with Solid Balance Sheet –** The Company has generated over \$33MM in cash flow from operations for the first nine mos of FY10 and is on track to generate nearly \$45MM in cash flow for the entire year. With \$33MM in cash and \$25MM in debt, the company has a healthy balance sheet.

**New and Special Dividends/Share repurchase –** Last year, the board authorized management to repurchase \$30 million worth of stock and explore paying special dividends. In addition, the company instituted a regular quarterly cash dividend of \$0.15 cents per share. With \$45 million in cash flow generation in 2010, it is likely that the company will have opportunity to increase the dividend payment, or have other special one-time dividends.

### VALUATION:

Intersections is a strong cash flow generator that has recently demonstrated back to back profitable quarters. Investors have the safety factor of the company's strong cash flow in addition to the company's improving fundamentals which may create higher multiples of an improving EBITDA.

### (NASDAQ:INTX)

Investment Data (as of 1/14/11)

<b>Recent Price</b>	<b>\$9.98</b>
52-Week Range	3.71 - 11.30
Fiscal Year End	Dec
Dividend	\$0.15
Yield	6%
Shares Outstanding	18MM
Average Trading Volume (3 mos)	23k
Market Capitalization	177MM
Cash	\$33MM
Long Term Debt	\$25MM
Enterprise Value (EV)	\$169MM
LT Debt/ Equity	0.2x
BV/ Share	\$6.28
TTM Revenue	\$381MM
P/ Revenue	0.5x
TTM EPS	\$0.61
P/ EPS	16x
TTM EBITDA	\$25MM
EV/ EBITDA	6.7x

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