Mossberg's Investor Digest

September 2010

Issue #27

From the Editor…

Even though we've seen a bit of a rally in the market (The S&P increased 9% during September), from what I see, it appears the equities are still undervalued versus historical averages.

Increase in stock buyback activity – 2Q10 marked the fourth quarter of improvement in stock buyback activity among the S&P 500 stocks. Buyback activity during 2Q10 increased 221% to $78 billion from a record low of $24 billion last year and increased 40% sequentially from 1Q10.

Corporations are still hoarding cash - Even after an increase in share repurchase activity, S&P 500 companies still held significant cash levels. Collectively, S&P Companies held $842 billion at the end of the second quarter, up $70 billion or 10% from the same time a year ago, and up more than 30% from the same time two years ago. At some point, these companies will use this cash to invest in projects, which should boost economic activity.

S&P valuation – S&P earnings are expected to grow 46% this year and 14% in 2011. Based on consolidated earnings estimates, the current valuation of the S&P 500 is 14x and 12x the 2010 and 2011 earnings estimates, respectively. Given the historical mean of 16x, it appears there is upside potential for the market over the next 5 quarters.

Thank you for your interest in Mossberg's Investor Digest. I welcome your feedback.

Dave Mossberg

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Imperial Sugar (Nasdaq: IPSU) - *$13.87, September 10, 2010, Page 3* – Recent studies have shown high fructose corn syrup (HFCS) can fuel cancer growth and obesity. While some question the validity of these studies, sales of HFCS are decreasing nonetheless. Many soft drink makers and others are considering switching back to sugar. IPSU is currently in front of some changes that could produce long term operating improvement. With increased secular demand for sugar, new efficiencies and enhanced production capability, Imperial may be able to producing earnings per share of up to $3. At a 25% discount to book value, the company appears to be attractively priced.

Art Technology Group (NASDAQ: ARTG) - *$3.80, September 24, 2010, Page 4* – ARTG has a solid balance sheet with over $145 million in cash and no long-term debt. With gross margin in excess of 67%, and a solid increase in demand for its services, the company could be in front of a significant expansion in earnings. The company may also be an attractive acquisition target in an industry that has seen significant consolidation.

Unifi, Inc. (NYSE: UFI) – *$4.60, September 24, 2010, Page 5* – Valuation of this nylon and polyester fiber producer is attractive at just 6x EV/ EBITDA. The company is a leader in recycled performance fibers, which is providing a growth driver for the company.

Safeguard Scientifics (NYSE:SFE) – *$12.53, September 30, 2010, Page 6* – SFE builds value in growth stage tech and life sciences businesses by providing partner companies with capital and a range of strategic, operational and management resources. With its position in CLRT valued at over $100 million, the Street is giving little value to the company's 16 other partner companies.

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Mossberg's Investor Digest Idea Performance

The table shows the relative increase (decrease) in the value of the ideas published since Jan 2009. For comparison purposes, the relative change in the Russell 3000 Index is 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
I2 Technologies (Nasdaq: ITWO)	9-Jan-09	6.49	20.00	208.2%	28.3%	179.9%
Cornell Companies (NYSE: CRN)	23-Jan-09	14.67	35.00	138.6%	40.7%	97.9%
Brinks Home Security (NYSE: CFL)	28-Jan-09	22.46	42.50	89.2%	33.8%	55.5%
SmartPros (Nasdaq: SPRO)	29-Jan-09	2.65	2.40	-9.4%	38.5%	-47.9%
Diana Shipping (NYSE: DSX)	17-Feb-09	13.81	12.70	-8.0%	47.8%	-55.8%
DG FastChannel (Nasdaq: DGIT)	20-Feb-09	15.84	21.75	37.3%	51.7%	-14.4%
SAVVIS (Nasdaq: SVVS)	25-Feb-09	5.79	21.08	264.1%	53.0%	211.1%
Anika Therapeutics (Nasdaq: ANIK)	28-Feb-09	3.42	6.01	75.7%	58.8%	16.9%
World Acceptance (Nasdaq: WRLD)	13-Mar-09	14.08	44.16	213.6%	54.6%	159.1%
Integrated Silicon Solution (Nasdaq: ISSI)	20-Mar-09	1.55	8.61	455.5%	52.2%	403.3%
Intevac (Nasdaq: IVAC)	23-Mar-09	5.34	10.01	87.5%	43.2%	44.3%
Carriage Services (NYSE: CSV)	30-Mar-09	1.50	5.01	234.0%	48.3%	185.7%
Pure Technologies (TSX: PUR)	14-Apr-09	3.26	4.18	28.2%	38.3%	-10.1%
RadioShack (NYSE: RSH)	20-Apr-09	9.55	21.33	123.4%	39.7%	83.6%
Evolution Petroleum (Amex: EPM)	24-Apr-09	2.68	6.01	124.3%	33.9%	90.4%
ePlus (Nasdaq: PLUS)	29-Apr-09	12.00	21.45	78.8%	32.5%	46.3%
Signet Jewlers (NYSE: SIG)	11-May-09	17.76	31.74	78.7%	27.5%	51.2%
Smart Balance (Nasdaq: SMBL)	15-May-09	7.71	3.88	-49.7%	31.7%	-81.4%
Virtus (Nasdaq: VRTS)	22-May-09	15.15	30.26	99.7%	30.9%	68.8%
China 3C (OTCBB: CHCG.OB)	31-May-09	1.08	0.23	-78.7%	26.2%	-104.9%
Virtusa (Nasdaq: VRTU)	16-Jun-09	7.26	9.69	33.5%	27.2%	6.3%
MedQuist (Nasdaq MEDQ)	18-Jun-09	4.34	8.76	101.8%	26.2%	75.6%
GameStop (NYSE: GME)	26-Jun-09	22.17	19.71	-11.1%	26.0%	-37.1%
CPI Corp (NYSE: CPY)	29-Jun-09	15.93	25.88	62.5%	25.0%	37.4%
Mattel (NYSE: MAT)	10-Jul-09	14.63	23.46	60.4%	31.5%	28.8%
Novavax (Nasdaq: NVAX)	17-Jul-09	3.04	2.19	-28.0%	23.2%	-51.2%
ABB (NYSE: ABB)	20-Jul-09	15.89	21.12	32.9%	23.2%	9.7%
Teva Pharmaceutical (Nasdaq: TEVA)	21-Jul-09	48.78	52.75	8.1%	21.7%	-13.6%
Palm Harbor Holmes (Nasdaq: PHHM)	11-Aug-09	2.73	1.56	-42.9%	16.0%	-58.9%
Adaptec	25-Aug-09	3.02	2.95	-2.3%	12.3%	-14.6%
TierOne Corp. (Nasdaq: TONEQ.PK)	31-Aug-09	1.20	0.01	-99.2%	12.2%	-111.4%
Dover Motorsports (NYSE: DVD)	31-Aug-09	1.49	1.81	21.5%	12.2%	9.3%
Graphic Packaging (NYSE: GPK)	18-Sep-09	2.29	3.34	45.9%	7.6%	38.3%
White Electronic Designs (Nasdaq: WEDC)	21-Sep-09	4.52	7.00	54.9%	7.9%	46.9%
John B Sanfilippo & Son (Nasdaq: JBSS)	30-Sep-09	11.92	13.02	9.2%	8.9%	0.4%
Hastings Entertainment (Nasdaq: HAST)	30-Sep-09	4.19	6.72	60.4%	8.9%	51.5%
TurboSonic Technologies (OTCBB: TSTA.OB)	13-Oct-09	1.20	0.36	-70.0%	6.9%	-76.9%
Verisk Analytics (Nasdaq: VRSK)	23-Oct-09	28.37	27.87	-1.8%	6.9%	-8.7%
Iconix Brand Group (Nasdaq: ICON)	30-Oct-09	11.66	17.66	51.5%	11.9%	39.6%
FTI Consulting (NYSE: FCN)	30-Oct-09	40.81	33.95	-16.8%	11.9%	-28.7%
Vimicro (Nasdaq: VIMC)	19-Nov-09	4.18	3.38	-19.1%	6.0%	-25.1%
Haynes International (Nasdaq: HAYN)	19-Nov-09	25.96	34.93	34.6%	6.0%	28.6%
TomoTherapy (Nasdaq: TOMO)	27-Nov-09	3.16	3.54	12.0%	6.5%	5.6%
Abraxas Petroleum (Nasdaq: AXAS)	27-Nov-09	1.99	2.80	40.7%	6.5%	34.2%
Aeropostale (NYSE: ARO	18-Dec-09	21.60	23.34	8.1%	4.6%	3.4%
Alamo Group (NYSE: ALG)	19-Dec-09	15.45	22.82	47.7%	4.6%	43.1%
inContact (Nasdaq: SAAS)	22-Dec-09	2.73	2.27	-16.8%	3.1%	-19.9%
Speedway Motorsports (NYSE: TRK)	24-Dec-09	17.28	15.67	-9.3%	2.2%	-11.5%
AspenBio Pharma (Nasdq: APPY)	22-Jan-10	2.20	0.51	-76.8%	5.3%	-82.1%
MarineMax (NYSE: HZO)	27-Jan-10	9.53	7.06	-25.9%	4.8%	-30.7%
Cano Petroleum (Amex: CFW)	27-Jan-10	0.87	0.41	-52.9%	4.8%	-57.7%
Yuchai International Limited (NYSE: CYD)	31-Jan-10	13.18	18.86	43.1%	7.3%	35.8%
Geo Group (NYSE: GEO)	12-Feb-10	19.34	23.36	20.8%	6.8%	14.0%
Rambus (Nasdaq: RMBS)	19-Feb-10	22.45	21.06	-6.2%	3.5%	-9.7%
Belo Corporation (NYSE: BLC)	26-Feb-10	6.73	6.21	-7.7%	4.0%	-11.7%
America Service Group (Nasdaq: ASGR)	26-Feb-10	14.86	14.68	-1.2%	4.0%	-5.2%
Dyanamex (Nasdaq: DDMX)	8-Mar-10	15.50	15.24	-1.7%	0.5%	-2.2%
Innerworkings (Nasdaq: INWK)	12-Mar-10	5.30	6.59	24.3%	-0.6%	24.9%
Wet Seal (Nasdaq: WTSLA)	22-Mar-10	4.60	3.42	-25.7%	-1.8%	-23.8%
Heelys (Nasdaq: HLYS)	24-Mar-10	2.40	2.42	0.8%	-2.0%	2.8%
American Reprographics (NYSE: ARP)	2-Apr-10	9.00	7.83	-13.0%	-2.8%	-10.2%
Techumsea (Nasdaq: TECUA)	13-Apr-10	13.04	11.50	-11.8%	-4.6%	-7.2%
AstroTech (Nasdaq: ASTC)	16-Apr-10	3.43	1.21	-64.7%	-4.3%	-60.4%
A. C. Moore Arts & Crafts (Nasdaq: ACMR)	23-Apr-10	4.07	2.31	-43.2%	-6.5%	-36.7%
Physicians Formula Holdings (Nasdaq: FACE)	1-May-10	3.04	3.11	2.3%	-5.2%	7.6%
Twin Disc (Nasdaq: TWIN)	7-May-10	12.40	14.14	14.0%	3.0%	11.0%
CB Richard Elllis (NYSE:CBG)	19-May-10	15.12	18.43	21.9%	2.3%	19.6%
DJSP Enterprises (Nasdaq:DJSP)	28-May-10	6.38	3.32	-48.0%	4.5%	-52.4%
AOL (NYSE: AOL)	18-Jun-10	22.74	25.26	11.1%	2.1%	9.0%
Vantage Drilling (Amex: VTG)	28-Jun-10	1.46	1.57	7.5%	6.3%	1.2%
Broadvision (Nasdaq: BVSN)	28-Jun-10	12.05	10.30	-14.5%	6.3%	-20.9%
Tuesday Morning (Nasdaq: TUES)	30-Jun-10	3.99	4.89	22.6%	11.0%	11.6%
Manitex International, Inc (Nasdaq: MNTX)	9-Jul-10	1.98	2.43	22.7%	6.3%	16.4%
S1 Corporation (NASDAQ: SONE)	16-Jul-10	5.88	5.25	-10.7%	8.0%	-18.7%
Duoyuan Printing, Inc age (NYSE: DYP)	27-Jul-10	8.14	3.04	-62.7%	2.7%	-65.3%
Moody's Corporation (NYSE: MCO)	31-Jul-10	23.55	25.15	6.8%	3.9%	2.9%
Reddy Ice Holdings Holdings (NYSE: FRZ)	7-Aug-10	2.91	2.18	-25.1%	2.2%	-27.3%
FARO Technologies (Nasdaq: FARO)	16-Aug-10	18.83	21.84	16.0%	6.4%	9.6%
BluePhoenix Solutions (Nasdaq: BPHX)	18-Aug-10	1.45	2.25	55.2%	4.8%	50.3%
Apache Corporation (NYSE: APA)	27-Aug-10	89.96	89.96	0.0%	7.6%	-7.6%
Imperial Sugar (Nasdaq: IPSU)	10-Sep-10	13.87	13.08	-5.7%	3.4%	-9.1%
ART Technology Group (Nasdaq: ARTG)	24-Sep-10	3.80	4.11	8.2%	-0.4%	8.6%
Unifi (NYSE: UFI)	24-Sep-10	4.60	4.51	-2.0%	-0.4%	-1.5%
Safeguard Scientifics (NYSE: SFE)	30-Sep-10	12.53	12.53	0.0%	0.0%	0.0%
			Average	**28%**	**15%**	**13%**

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Best Idea Profile **Imperial Sugar Company (NASDAQ:IPSU)**

DESCRIPTION:

Headquartered in Sugarland, Texas; Imperial Sugar Company is a leading refiner, packager and distributor of sugar in the US. Imperial has a diversified product line that includes granulated, powdered, liquid and brown sugars which are marketed in a variety of packaging options under various brands (Dixie Crystals®, Holly® Imperial® and Wholesome Sweeteners) or private labels. Imperial experienced an explosion and fire in Feb '08, at its sugar refinery in Port Wentworth, GA. Production at this refinery, which accounted for 60% of the company's capacity, was suspended after the accident until imperial commenced limited bulk sugar production in the summer of 2009 and initiated packaging production in the fall of 2009. Imperial has settled a $345MM insurance claim for the accident and realized a gain of $280MM due to the accident settlement. IPSU is currently a 1/3 participant in a joint venture with Sugar Growers and Refiners, Inc (Imperial Subsidiary) and Cargill to build a new state-of-the art sugar cane refinery in Gramercy, LA adjacent to an existing Imperial sugar refinery.

KEY INVESTMENT CONSIDERATIONS:

Solid Domestic Demand - Domestic demand for refined sugar has increased an average of 1.5% per year during the past 5 years. Demand for refined sugar is generally consistent with population growth and is influenced by consumer preferences for sugar versus alt. sweeteners and diet trends. Though it is a large producer, the US is a net importer of sugar.

Earnings Power Obscured by Hedging – Imperial has approximately $30 million in hedging activities. The Port Wentworth plant disaster has left the company unable to deliver against many of its hedged contracts. This shortage of deliverable goods has resulted in the company following mark to market accounting rules for hedging. This creates large earnings fluctuations as the value of options swing with commodity prices. Once the new Gramercy plant is up to standard utilization these swings in earnings will subside.

New Plant Coming Online – Imperial's new refinery in Gramercy, LA will be state-of-the-art and the first new sugar factory in 50 years. Though the ramp to capacity will start in FY11 and take some time, those temporary costs will eventually subside, leaving Imperial with a more efficient and profitable refining operation.

Secular Growth in Cane Sugar - Recent studies have shown high fructose corn syrup (HFCS) can fuel cancer growth and obesity. Sales of HFCS have dropped 9% in the U.S. from 2007 to 2009. Many soft drink makers and others are considering switching back to sugar.

Strong pricing trends - Domestic sugar supplies are most significantly influenced by the size of the domestic sugar beet crop. A Federal Judge recently ruled against the usage of genetically modified beet seed, dampening incentive for beet production. Increasing corn and wheat prices are also discouraging farmers from participating in beet production. Since IPSU processes cane sugar, it should benefit from rising prices.

Joint Venture with Cargill – The new Gramercy refining plant is a joint venture between Imperial, Cargill and Sugar Growers and Refiners, Inc. (A marketing cooperative of 8 sugarcane mills and about 700 cane growers which operates as an Imperial Subsidiary) with each retaining an interest of one third. Cargill will be marketing the sugar, which will lock in the supply and the price, creating less volatility in earnings for Imperial. It appears that Heinz will be switching its product formulas from corn syrup to sugar also-boosting the demand for product.

VALUATION:

IPSU is currently in front of some changes that could produce long term operating improvement. With increased demand for the company's product, new efficiencies and enhanced production capability, Imperial may be able to producing earnings per share of up to $3. At a 25% discount to book value the company appears to be attractively priced.

(NASDAQ: IPSU)
Investment Data (as of 9/10/10)

Recent Price	**$13.87**
52-Week Range	9.50 - 18.52
Fiscal Year End	Sep
Dividend/ Yield	$0.08/ 0.6%
Shares Outstanding	12MM
Average Trading Volume (3 mos)	170,000
Market Capitalization	167MM
Cash	20MM
Long Term Debt	33MM
Enterprise Value (EV)	180MM
LT Debt/ Equity	0.14
BV/ Share	$18.61
TTM Revenue	$791MM
P/ Revenue	0.2x
TTM EPS	$11.59
P/ EPS	1.2x
TTM EBITDA	-38MM
EV/ EBITDA	N/A

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Best Idea Profile — Art Technology Group, Inc. (NASDAQ:ARTG)

DESCRIPTION:

Headquartered in Cambridge, Massachusetts; Art Technology Group, Inc. develops and markets e-commerce software that drives increased online revenue and profitability. Client companies can use Art Technology to power e-commerce websites, attract prospects, convert sales, increase order sizes and encourage return customers. The company's products provide more control over the online channel, and enable customer service agents to provide consumers with more consistent and personalized assistance. Art Technology solutions deliver consistency and relevancy by capturing and maintaining information about consumers' personal preferences, online activity and transaction history for use in a more personalized and contextual way. ARTG delivers services on a SaaS basis via a perpetual license. The company's 1200 Customers are principally Global 2000 companies in four primary verticals retail, telecommunications, media and entertainment, distribution, and consumer goods manufacturing. Art Technology has 1,200 clients, including AT&T, Best Buy, Conde Nast, CVS, DirecTV, Intuit, JC Penney and Sprint.

KEY INVESTMENT CONSIDERATIONS:

Secular growth in shopping on line – Increased availability of broadband is driving consumers to purchase more products on the internet. As the quality of web applications improves, consumers are expecting a richer and more sophisticated shopping experience to meet their expectations for a user friendly and useful experience. According to comScore, ecommerce growth has resumed during 1H10 at approximately 10%, versus no growth last year. Forrester expects growth to remain at 10% through 2014.

Current Economic Environment: Outsourcing of the customer experience to Art Technology speeds up development and deployment timetables. Also, with ARTG's SaaS model, clients do not have to make major capital investments in development or maintenance of customer related systems. This is a meaningful value proposition in today's tough economic environment.

Larger customers view ARTG as a thought leader: The Company has 1200 clients including category leaders such as American Eagle Outfitters, AT&T, Best Buy, Chico's, Conde Nast, Continental Airlines, CVS, DirecTV, Finish Line, France Telecom, Games Workshop and HSBC. ARTG's partners also include some top global systems integrators such as Accenture, Acquity Group, Capgemini, CGI, and Deloitte Consulting.

Recent sales trends are positive: The company reported revenues of $49 million for 2Q10, an 11% increase over last year. Deferred revenue grew 23% on a y-o-y basis during the same period, indicating a big pick up in the demand for future services. The company currently sees "healthy demand" for it's products for the last half of FY10.

Multiple Vertical Markets: Art Technology has expanded beyond the retail vertical, which accounts for 1/3 of the business and into additional verticals including: telecom, media and entertainment, distribution, and consumer goods industries.

VALUATION:

ARTG has a solid balance sheet with over $145 million in cash and no long-term debt. With gross margin in excess of 67%, and a solid increase in demand for its services, the company could be in front of a significant expansion in earnings. The company may also be an attractive acquisition target in an industry that has seen significant consolidation. ARTG is poised to benefit from both improving fundamentals and greater visibility within the investment community. An EV/Revenue multiple of 2.6x seems an attractive price for this growing software company.

(NASDAQ: ARTG)
Investment Data (as of 9/24/10)

Recent Price	**$3.80**
52-Week Range	2.98 - 4.88
Fiscal Year End	Dec
Dividend	NA
Yield	NA
Shares Outstanding	158MM
Average Trading Volume (3 mos)	1.2MM
Market Capitalization	600MM
Cash	145MM
Long Term Debt	NA
Enterprise Value (EV)	475MM
LT Debt/ Equity	NA
BV/ Share	$1.52
TTM Revenue	$187MM
P/ Revenue	3.2x
TTM EPS	$0.11
P/ EPS	37x
TTM EBITDA	25.5
EV/ EBITDA	19x

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Best Idea Profile — Unifi, Inc. (NYSE:UFI)

DESCRIPTION:

Headquartered in Greensboro, NC; Unifi, Inc. is a diversified producer and processor of multi-filament polyester and nylon yarns. UFI's product offerings include specialty and premier value-added ("PVA") yarns with enhanced performance characteristics. Revenue is split roughly 72% polyester and 28% nylon. The Company has manufacturing operations in North, Central, and South America along with joint ventures in Israel and the U.S. In addition, the Company has a wholly-owned subsidiary in the People's Republic of China ("China") focused on the sale and promotion of the Company's specialty and PVA products in the Asian textile market, primarily in China.

KEY INVESTMENT CONSIDERATIONS:

Growing Demand for Product – Since 1980, global demand for polyester has grown steadily with polyester replacing cotton as the fiber with the largest percentage of sales worldwide in 2003. For 2009, global polyester consumption accounted for an estimated 46% of global fiber consumption and demand is projected to increase by approximately 4% annually through 2015. Also in 2009, global nylon consumption accounted for an estimated 5% of global fiber consumption and demand is projected to increase by approximately 1% annually through 2015. In the U.S., the polyester and nylon fiber sectors together accounted for approximately 55% of the textile consumption during calendar year 2009.

Market Stability – After a surge in Chinese textile products, the U.S. government imposed temporary safeguard quotas on various categories of Chinese-made products, citing "market disruption." These safeguard quotas remained in effect until December 31, 2008. Since the beginning of 2009, the share of trade from the regional trade areas has remained relatively stable and the Company is optimistic about the prospects of future stability and potential growth. During the last 12 months, approximately 27 companies have announced investments in North America for plant expansions in the textile and apparel sector.

Domestic Market Niche – The Berry Amendment requires the U.S. DoD to purchase textile and apparel articles which are manufactured in the U.S. of yarns and fibers produced in the U.S. The American Recovery and Reinvestment Act passed on Feb '09 contained a similar provision…the Kissell Amendment that requires the U.S. Dep't of Homeland Security's Transportation Security Administration and the Coast Guard to buy textile and apparel products made in the U.S.

Free Trade and Efficiency – Unifi benefits from requirements of the rules of origin and the associated duty-free cost advantages in the regional free trade agreements ("FTA"), such as NAFTA and CAFTA, together with the Berry and Kissell Amendments, and the growing need for quick response and inventory turns, ensures that a significant portion of the textile industry will remain based in the America regions.

Leader in Recycled Products – Repreve® is the brand name for Unifi's family of recycled goods. UFI's recycled performance fibers are manufactured to provide performance and/or functional properties to fabrics and end products such as flame retardation, moisture wicking, and performance stretch. UFI's branded portion of its yarn portfolio continues to grow to provide product differentiation to brands, retailers and consumers. Since introduced in '06, Repreve® has been UFI's most successful branded product. Repreve® can be found in well-known brands and retailers including the Wal-Mart's Starter and George brands, North Face, Patagonia, REI, LL Bean, Macy's and Kohl's.

VALUATION:

The company is underfollowed with only one analyst covering the stock. With steady improvement Unifi should get more attention from the Street. The expansion of earnings per share along with an E/V to EBITDA of 6x makes Unifi an interesting target to evaluate for investors.

(NASDAQ: UFI)
Investment Data (as of 9/24/10)

Recent Price	**$4.60**
52-Week Range	2.70 - 4.65
Fiscal Year End	June
Shares Outstanding	60MM
Average Trading Volume (3 mos)	180,000
Market Capitalization	277MM
Cash	43MM
Long Term Debt	164MM
Enterprise Value (EV)	398MM
LT Debt/ Equity	0.6x
BV/ Share	$4.33
TTM Revenue	$617MM
P/ Revenue	0.4x
TTM EPS	$0.17
P/ EPS	26x
FY 11 Projected EBITDA	65MM
EV/ EBITDA	6.12x

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Best Idea Profile **Safeguard Scientifics, Inc. (NYSE:SFE)**

DESCRIPTION:

Headquartered in Pennsylvania, and incorporated in 1953; Safeguard Scientifics, Inc. builds value in growth-stage technology and life sciences businesses by providing partner companies with capital and a range of strategic, operational and management resources. SFE's strategic vision is to be a preferred catalyst for creating great companies. Safeguard's focus is on companies with capital requirements of up to $25 million that operate in two sectors: *Technology* — including companies focused on healthcare information technology, financial services technology and internet/new media businesses that have recurring or transactional revenue models; and *Life Sciences* — including companies focused on molecular and point-of-care diagnostics, medical devices/regenerative medicine, specialty pharmaceuticals and healthcare services.

KEY INVESTMENT CONSIDERATIONS:

Investing in Growth Markets – The Life Sciences Group currently targets companies with products or technology-enabled service business models and companies in the molecular and point-of-care diagnostics, medical device, regenerative medicine and specialty pharmaceutical markets. The Technology Group currently targets companies with recurring revenue, transaction-based or software as a service business models and companies in the internet/new media, financial services IT or healthcare IT. In contrast to many sectors of the post recessionary world these areas should continue to provide dynamic growth investments for operating investors such as Safeguard.

Diversification into Early Stage Companies – Most investors have very little exposure in Venture or "Early Stage" companies. Safeguard gives investors the opportunity to get exposure to a diversified portfolio of investments in this sector. Safeguard currently has 17 active partner companies including 10 in life sciences and 7 in technology.

Partner Capital and Financings – Many investors in early stage companies monitor their investments cash position and have to worry about their investment running low on cash. The also have to worry about company managements obtaining cash on unfavorable terms for investors from investment bankers. Safeguard has the expertise and capital to run much of this for partner companies thereby eliminating a substantial amount of risk.

Exit Strategies – The Macro environment for IPO's ad M&A activity was sequentially lower in 2Q10 over that of the first. Nonetheless, SFE sees some potential for exit possibilities over the next year. In any event, its strong financial position allows it to pick the most attractive time to execute on such transactions.

Strong Recent Revenue Results – For 2Q10, SFE reported aggregate revenue for partner companies increased 47% on a y-o-y basis to $92MM. Aggregate partner revenues also increased for 1H10 to $177MM, a 45% increase over the same time period last year.

Clarient – Clarient (Nasdaq:CLRT) is one of SFE's partners and is approaching sustainable profitability. Rev in '09 was $92M, an increase of 24% from '08. SFE currently has beneficial ownership of 31MM shares. The common shares alone are worth nearly $100 million. Therefore Safeguard has a large investment in a fast growing and mature company for future monetization.

VALUATION:

With its position in CLRT valued at over $100 million (based on a recent market price of $3.39 per share) the Street is giving little value to the company's positions in it's other active 16 partner companies. Properly evaluating Safeguard's other partners could produce much higher valuations, perhaps as high as $20+ per share.

(NYSE: SFE)
Investment Data (as of 9/30/10)

Recent Price	**$12.53**
52-Week Range	8.60 - 14.35
Fiscal Year End	Dec
Shares Outstanding	21MM
Average Trading Volume (3 mos)	80,871
Market Capitalization	257MM
Cash & Equivalents	91MM
Long Term Debt	76MM
Enterprise Value (EV)	242MM
LT Debt/ Equity	0.27x
BV/ Share	$8.80
TTM Revenue	NA
P/ Revenue	NA
FY11 EPS (estimate)	($1.15)
P/ EPS	NA
TTM EBITDA	($17MM)
EV/ EBITDA	NA

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