

Mossberg's Investor Digest

November 2010

November 2010 Issue Issue #29

From the Editor...

I recently came across a couple of data points that bode well for equity markets.

Hedge funds are coming back – During 3Q10 hedge funds recorded the largest quarterly asset jump in over three years, with total industry capital increasing by \$120 billion in 3Q10. The pace of closures appears to have stabilized as well...2Q10 closures were only 177 (just 2% of all funds), which is the lowest number since 1Q08. This marks a significant turnaround in an industry that has been on its back for the past two years. According to Hedge Fund Research, 2,000 funds were shut down during 2008 and 2009, and 417 funds were shut down during the first six months of 2010.

Flow of funds back into equities – According to EPFR Global, mutual funds and ETFs saw a \$15 billion inflow during the second full week of November. This is the largest inflow since the beginning of 2008 and is in contrast to \$129 billion that has been withdrawn from U.S. equity funds since the beginning of 2009.

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

Dave Mossberg

Arden Group (Nasdaq:ARDNA) - \$93.90, November 5, 2010, Page 3 – Arden is a supermarket holding company which operates 18 full-service supermarkets in Southern California under the name Gelson's Markets. ARDNA is a top performer in its group in terms of ROE. The company trades at 13.8x this year's EPS estimates, which is not a significant premium to other group members with much lower returns on equity. The street is looking for \$7.11 in earnings per share for FY11. The combination of cash, real estate and a high ROE make Arden Group an interesting value play.

Body Central Corp. (Nasdaq: BODY) - \$13.65, November 5, 2010, Page 4 – Body Central is a growing, multi-channel specialty retailer offering on-trend apparel and accessories at value prices. On October 15th BODY announced the pricing of its IPO. The fact that BODY was able to complete an IPO in today's market speaks to the company's strong business and prospects. With 18% revenue growth for the first half of the year, along with strong profitability BODY is an interesting growth story.

LaserCard Corp. (Nasdaq: LCRD) – \$4.56, November 17, 2010, Page 5 – LaserCard Corp. and its subsidiaries are leading providers of secure identity (ID) solutions and associated professional services to governments and commercial clients around the world. At 3.3x EV/ EBITDA, its valuation may prove very attractive to private equity firms, or other industry participants looking for ways to acquire technology and market share in the security and identification business. The value of the LaserCards technology, market share and balance sheet combine to make this stock an interesting candidate for investors.

Mitek (OTCBB: MITK.OB) – \$3.99, November 24, 2010, Page 6 – Mitek provides imaging and analytical software that allows financial institutions to process payments & deposits via mobile phones and other electronic devices. Mitek has a unique product line that is addressing a market with explosive growth potential. The company is well positioned and appears to have momentum in a rapidly developing market.

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Mossberg's Investor Digest

Mossberg's Investor Digest Idea Performance

The table shows the relative change in the value of the ideas published since Mar '09 and the Russell 3000. *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
World Acceptance (Nasdaq: WRLD)	13-Mar-09	14.08	45.45	222.8%	62.3%	160.5%
Integrated Silicon Solution (Nasdaq: ISSI)	20-Mar-09	1.55	7.60	390.3%	59.7%	330.6%
Intevac (Nasdaq: IVAC)	23-Mar-09	5.34	12.99	143.3%	50.3%	93.0%
Carriage Services (NYSE: CSV)	30-Mar-09	1.50	4.81	220.7%	55.7%	165.0%
Pure Technologies (TSX: PUR)	14-Apr-09	3.26	5.00	53.4%	45.2%	8.2%
RadioShack (NYSE: RSH)	20-Apr-09	9.55	18.71	95.9%	46.7%	49.3%
Evolution Petroleum (Amex: EPM)	24-Apr-09	2.68	6.09	127.2%	40.5%	86.7%
ePlus (Nasdaq: PLUS)	29-Apr-09	12.00	23.86	98.8%	39.1%	59.8%
Signet Jewelers (NYSE: SIG)	11-May-09	17.76	40.02	125.3%	33.8%	91.5%
Smart Balance (Nasdaq: SMBL)	15-May-09	7.71	3.66	-52.5%	38.3%	-90.8%
Virtus (Nasdaq: VRTS)	22-May-09	15.15	43.82	189.2%	37.4%	151.8%
China 3C (OTCBB: CHCG.OB)	31-May-09	1.08	0.25	-77.3%	32.5%	-109.8%
Virtusa (Nasdaq: VRTU)	16-Jun-09	7.26	13.64	87.9%	33.5%	54.3%
MedQuist (Nasdaq MEDQ)	18-Jun-09	4.34	8.92	105.5%	32.5%	73.0%
GameStop (NYSE: GME)	26-Jun-09	22.17	20.50	-7.5%	32.3%	-39.8%
CPI Corp (NYSE: CPY)	29-Jun-09	15.93	27.80	74.5%	31.2%	43.3%
Mattel (NYSE: MAT)	10-Jul-09	14.63	25.73	75.9%	38.1%	37.8%
Novavax (Nasdaq: NVAX)	17-Jul-09	3.04	2.27	-25.3%	29.4%	-54.7%
ABB (NYSE: ABB)	20-Jul-09	15.89	19.58	23.2%	29.4%	-6.1%
Teva Pharmaceutical (Nasdaq: TEVA)	21-Jul-09	48.78	50.69	3.9%	27.8%	-23.9%
Palm Harbor Holmes (Nasdaq: PHHM)	11-Aug-09	2.73	0.15	-94.7%	21.8%	-116.5%
Adapteq	25-Aug-09	3.02	2.71	-10.3%	17.9%	-28.2%
TierOne Corp. (Nasdaq: TONEQ.PK)	31-Aug-09	1.20	0.01	-99.2%	17.8%	-117.0%
Dover Motorsports (NYSE: DVD)	31-Aug-09	1.49	1.79	20.1%	17.8%	2.3%
Graphic Packaging (NYSE: GPK)	18-Sep-09	2.29	3.66	59.8%	12.9%	46.9%
White Electronic Designs (Nasdaq: WEDC)	21-Sep-09	4.52	7.00	54.9%	13.3%	41.6%
John B Sanfilippo & Son (Nasdaq: JBSS)	30-Sep-09	11.92	12.28	3.0%	14.3%	-11.3%
Hastings Entertainment (Nasdaq: HAST)	30-Sep-09	4.19	6.69	59.7%	14.3%	45.4%
TurboSonic Technologies (OTCBB: TSTA.OB)	13-Oct-09	1.20	0.31	-74.2%	12.2%	-86.4%
Verisk Analytics (Nasdaq: VRSK)	23-Oct-09	28.37	30.46	7.4%	12.2%	-4.9%
Iconix Brand Group (Nasdaq: ICON)	30-Oct-09	11.66	18.64	59.9%	17.4%	42.4%
FTI Consulting (NYSE: FCN)	30-Oct-09	40.81	36.11	-11.5%	17.4%	-28.9%
Vimicro (Nasdaq: VIMC)	19-Nov-09	4.18	3.35	-19.9%	11.3%	-31.1%
Haynes International (Nasdaq: HAYN)	19-Nov-09	25.96	41.60	60.2%	11.3%	49.0%
Tomotherapy (Nasdaq: TOMO)	27-Nov-09	3.16	3.62	14.6%	11.8%	2.8%
Abraxas Petroleum (Nasdaq: AXAS)	27-Nov-09	1.99	4.12	107.0%	11.8%	95.3%
Aerostale (NYSE: ARO)	18-Dec-09	21.60	26.90	24.5%	9.8%	14.7%
Alamo Group (NYSE: ALG)	19-Dec-09	15.45	25.82	67.1%	9.8%	57.3%
inContact (Nasdaq: SAAS)	22-Dec-09	2.73	2.91	6.6%	8.2%	-1.6%
Speedway Motorsports (NYSE: TRK)	24-Dec-09	17.28	14.83	-14.2%	7.3%	-21.4%
AspenBio Pharma (Nasdaq: APPY)	22-Jan-10	2.20	0.60	-72.6%	10.6%	-83.2%
MarineMax (NYSE: HZO)	27-Jan-10	9.53	7.48	-21.5%	10.1%	-31.6%
Cano Petroleum (Amex: CFW)	27-Jan-10	0.87	0.30	-66.0%	10.1%	-76.0%
Yuchai International Limited (NYSE: CYD)	31-Jan-10	13.18	25.51	93.6%	12.6%	80.9%
Geo Group (NYSE: GEO)	12-Feb-10	19.34	24.34	25.9%	12.1%	13.7%
Rambus (Nasdaq: RMBS)	19-Feb-10	22.45	20.27	-9.7%	8.7%	-18.4%
Belo Corporation (NYSE: BLC)	26-Feb-10	6.73	5.66	-15.9%	9.2%	-25.1%
America Service Group (Nasdaq: ASGR)	26-Feb-10	14.86	14.58	-1.9%	9.2%	-11.0%
Dyanamex (Nasdaq: DDMX)	8-Mar-10	15.50	23.70	52.9%	5.6%	47.4%
Innerworkings (Nasdaq: INWK)	12-Mar-10	5.30	6.40	20.8%	4.4%	16.4%
Wet Seal (Nasdaq: WTSLA)	22-Mar-10	4.60	3.25	-29.3%	3.1%	-32.4%
Heelys (Nasdaq: HLYS)	24-Mar-10	2.40	3.39	41.3%	2.9%	38.4%
American Reprographics (NYSE: ARP)	2-Apr-10	9.00	7.25	-19.4%	2.1%	-21.5%
Techumsea (Nasdaq: TECUA)	13-Apr-10	13.04	13.36	2.5%	0.2%	2.3%
AstroTech (Nasdaq: ASTC)	16-Apr-10	3.43	1.27	-63.0%	0.4%	-63.4%
A. C. Moore Arts & Crafts (Nasdaq: ACMR)	23-Apr-10	4.07	2.32	-43.0%	-1.9%	-41.1%
Physicians Formula Holdings (Nasdaq: FACE)	1-May-10	3.04	3.60	18.4%	-0.5%	18.9%
Twin Disc (Nasdaq: TWIN)	7-May-10	12.40	24.22	95.3%	8.1%	87.2%
CB Richard Ellis (NYSE: CBG)	19-May-10	15.12	19.08	26.2%	7.4%	18.8%
DJSP Enterprises (Nasdaq: DJSP)	28-May-10	6.38	0.41	-93.6%	9.7%	-103.2%
AOL (NYSE: AOL)	18-Jun-10	22.74	24.67	8.5%	7.2%	1.3%
Vantage Drilling (Amex: VTG)	28-Jun-10	1.46	1.64	12.3%	11.6%	0.7%
Broadvision (Nasdaq: BVSN)	28-Jun-10	12.05	13.00	7.9%	11.6%	-3.7%
Tuesday Morning (Nasdaq: TUES)	30-Jun-10	3.99	5.15	29.1%	16.5%	12.5%
Manitex International, Inc (Nasdaq: MNTX)	9-Jul-10	1.98	3.55	79.3%	11.6%	67.7%
S1 Corporation (NASDAQ: SONE)	16-Jul-10	5.88	6.57	11.7%	13.3%	-1.6%
Duoyuan Printing, Inc age (NYSE: DYP)	27-Jul-10	8.14	2.79	-65.7%	7.8%	-73.5%
Moody's Corporation (NYSE: MCO)	31-Jul-10	23.55	26.65	13.2%	9.1%	4.1%
Reddy Ice Holdings (NYSE: FRZ)	7-Aug-10	2.91	3.08	5.8%	7.3%	-1.4%
FARO Technologies (Nasdaq: FARO)	16-Aug-10	18.83	27.67	46.9%	11.7%	35.2%
BluePhoenix Solutions (Nasdaq: BPHX)	18-Aug-10	1.45	1.94	33.8%	10.1%	23.7%
Apache Corporation (NYSE: APA)	27-Aug-10	89.96	107.19	19.2%	13.0%	6.2%
Imperial Sugar (Nasdaq: IPSU)	10-Sep-10	13.87	13.97	0.7%	8.5%	-7.8%
ART Technology Group (Nasdaq: ARTG)	24-Sep-10	3.80	5.95	56.6%	4.5%	52.1%
Unifi (NYSE: UFI)	24-Sep-10	13.80	14.51	5.1%	4.5%	0.6%
Safeguard Scientifics (NYSE: SFE)	30-Sep-10	12.53	15.11	20.6%	5.0%	15.6%
Global Traffic Network (Nasdaq: GNET)	8-Oct-10	5.93	9.09	53.3%	2.8%	50.5%
Pure Cycle Corp. (Nasdaq: PCYO)	19-Oct-10	3.34	3.50	4.6%	2.8%	1.8%
Triple-S Management Corp. (NYSE: GTS)	29-Oct-10	16.87	18.86	11.8%	1.1%	10.7%
SureWest Communications (Nasdaq: SURW)	29-Oct-10	7.89	9.19	16.5%	1.1%	15.3%
Arden Group (Nasdaq: ARDN.A)	5-Nov-10	93.80	82.05	-12.5%	-2.4%	-10.1%
Body Central (Nasdaq: BODY)	5-Nov-10	13.65	12.92	-5.3%	-2.4%	-2.9%
LaserCard (Nasdaq: LCRD)	17-Nov-10	4.56	4.33	-5.0%	1.3%	-6.4%
Mitek (OTCBB: MITK)	24-Nov-10	3.99	3.99	0.0%	-0.7%	0.7%
Average				28.4%	16.0%	12.4%

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Best Idea Profile

DESCRIPTION:

Headquartered in Compton, CA; Arden Group is a supermarket holding company which operates 18 full-service supermarkets in Southern California under the name Gelson's Markets. Gelson's offers a broad selection of local and national brands, as well as a limited number of private label items. The company also operates a distribution center in the City of Commerce, CA. The business strategy is to offer a comfortable upscale shopping experience, which is superior to its competitors in terms of customer service, merchandise quality, selection and presentation.

KEY INVESTMENT CONSIDERATIONS:

Strong Market Niche – Gelson's merchandise offerings in the markets are tailored in response to Gelson's customer profile. Gelson's stores, which range in size from approximately 18,000 to 40,000 square feet, typically carry a wide range of items, including traditional grocery categories such as dry groceries, produce, meat, seafood, bakery, dairy, wine and liquor, floral, sushi, vitamins and health and beauty aids. Gelson's merchandising also includes specialty items such as imported foods, unusual delicatessen items and organic and natural food products. The pricing strategy at the stores is to be competitive primarily within their market niches, ranging from the more traditional to the more exotic, specialty, or high-end retail. Arden's is serving a basic commodity (food) to an upscale market. This makes the company a uniquely defensive play for an uncertain economic environment.

Real Estate Investments – ARDNA's wholly-owned subsidiary, Mayfair Realty, currently owns two freestanding Gelson's supermarket properties and a shopping center in which a Gelson's Market is located. The shopping center owned by Mayfair Realty is located in Calabasas, CA and consists of approximately 58,000 leasable square feet. Mayfair Realty also owns a 30,000 square foot office building in Compton, California which serves as ARDNA's headquarters and a parcel of unimproved land in Rubidoux, CA. Additionally, Arden also owns (through Mayfair Realty) or leases, several parcels adjacent to, or near, four of its stores.

High Return on Equity – Arden Group has performed well against industry benchmarks for invested capital. The company has a 29% return on equity and outperforms many competitors on this basis.

Insider Ownership – 61% of shares are held by insiders. Management and shareholder interests are closely aligned.

Arden Group (NASDAQ:ARDNA)

Long-Term Leases – Arden currently leases the majority of its store locations. Typically, their supermarket leases have initial 20-year lease terms and may include options for up to an additional 20 years. The average term remaining on the leases, including renewal options, is approximately 18 years. The company's leases, and much of its cost, is already fixed...a plus should the economy experience inflation.

Strong Balance Sheet with limited CAPEX requirement – The company is in a financial position of strength with \$46 million in cash, \$1.2 million in LT-debt and \$11 million in cash flow for the 1H10. Arden continuously evaluates the feasibility of opening new stores in and outside of its existing trade area. The company also remodels its stores when necessary for competitive reasons. In '09, CAPEX totaled \$2.9 million. Many large investments that can create strong returns have already been made.

VALUATION:

ARDNA is a top performer in its group in terms of ROE. The company trades at 13.8x this year's EPS estimates, which is not a significant premium to other group members with much lower returns on equity. The street is looking for \$7.11 in earnings per share for FY11. The combination of cash, real estate and a high ROE make Arden Group an interesting value play.

(NASDAQ: ARDNA)

Investment Data (as of 11/5/10)

Recent Price	\$93.80
52-Week Range	82.02 - 113.65
Fiscal Year End	Jan 2
Dividend	\$1
Yield	1.10%
Shares Outstanding	3.16MM
Average Trading Volume (3 months)	1,500
Market Capitalization	296MM
Cash	46MM
Long Term Debt	\$1.2
Enterprise Value (EV)	251MM
LT Debt/ Equity	N/A
BV/ Share	24.39
TTM Revenue	\$421MM
P/ Revenue	0.7x
TTM EPS	\$6.39
P/ EPS	15x
TTM EBITDA	\$39
EV/ EBITDA	6x

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Best Idea Profile

DESCRIPTION:

Headquartered in Jacksonville, FL; Body Central is a growing, multi-channel specialty retailer offering on-trend apparel and accessories at value prices. BODY operates specialty stores under the Body Central and Body Shop banners, as well as a direct business comprised of the Body Central catalog and an e-commerce website at www.bodyc.com. BODY targets women in their late teens and twenties from diverse cultural backgrounds who seek the latest fashions. Body Central's stores feature an assortment of tops, dresses, bottoms, jewelry, accessories and shoes sold primarily under the exclusive "Body Central" and "Lipstick" labels. BODY continuously updates its merchandise and floor sets with an emphasis on coordinated outfits presented by lifestyle to give its customers a reason to shop frequently. Body Central has 197 stores with an average size of approximately 4,300 square feet. The stores are located in fashion retail venues in the South, Mid-Atlantic and Midwest.

KEY INVESTMENT CONSIDERATIONS:

Established and Differentiated Brand – Body has over 35 years of operating experience building its brand around a key strategy of providing the right fashion and fit at a value price. BODY does not dictate fashion trends, but instead responds to the industry's best selling styles. The concept has established its appeal to consumers, especially in a tough economic environment.

Proven Model – BODY has a proven economic model that works across a variety of market sizes, demographics, climates real estate values and mall classifications. The company's floor format allows it to quickly adapt to available locations and store footprints. BODY's model requires a minimum of capital expenditures for these new stores.

New Growth in Direct Sales – BODY's direct business was 16.8% of net revenues in FY09. In July '10 BODY implemented a new software system to enhance the potential for growth in this segment. The new system should offer a more dynamic merchandise presentation on the company's website and enhance the ability to target specific customer groups.

Revenue Growth – Revenue increased on a year-over-year basis by \$18.6 million, or 18.4% to \$119.3 million for the first 26 weeks of the year. The increase resulted from improvement in both same store sales and store growth, along with a slight increase in direct sales. BODY's direct sales increased \$284,000 or 1.4% to \$20.7 million during the same period.

Body Central Corp. (NASDAQ:BODY)

Store Expansion – Body expects to open over 25 stores in FY10 (22 have already been completed). BODY believes that it can continue new store expansion at a 15% annual growth rate for the next several years.

Proven Management Team – CEO and President Allen Weinstein, CFO Richard Walters and Merchandising Officer Beth Angelo lead a management team that has significant experience in design, marketing, sourcing merchandising and real estate. The company's regional and district manager's average over 20 and 10 years of experience respectively.

VALUATION:

On October 15th BODY announced the pricing of its IPO, selling 5 million shares of common stock at \$13 per share (3.3 million from existing shareholders). BODY received \$37.8 million, which will mostly be used to repay debt. Shares were sold to a small group of shareholders. The current share price of BODY is near that of the offering price. The current price action, along with strong growth prospects, should lead a number of analysts to pick up coverage of the stock. The BODY story may soon be marketed to a large number of new investors for the first time. The fact that BODY was able to complete an IPO in today's market speaks to the company's strong business and prospects. With 18% revenue growth for the first half of the year along with strong profitability BODY is an interesting growth story. The possibility of new analyst coverage along with the company's fundamentals may lead to a higher valuation.

(NASDAQ: BODY)

Investment Data (as of 11/5/10)

Recent Price	\$13.65
52-Week Range	12.76 - 14.49
Fiscal Year End	Jan 2
Shares Outstanding	12MM
Average Trading Volume (3 mos)	375,000
Market Capitalization	164MM
Cash	8.5MM
Long Term Debt	33MM
Enterprise Value (EV)	189MM
LT Debt/ Equity	NA
BV/ Share	NA
TTM Revenue	\$217MM
P/ Revenue	0.7x
TTM EPS	\$0.62
P/ EPS	22x
TTM EBITDA	\$20.4
EV/ EBITDA	9.3x

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Best Idea Profile:

LaserCard Corp. (NASDAQ:LCRD)

DESCRIPTION:

Headquartered in Mountain View, California; LaserCard Corp. and its subsidiaries are leading providers of secure identity (ID) solutions and associated professional services to governments and commercial clients around the world. LaserCard also manufactures a wide range of high quality specialty cards and offers card personalization and ID management solutions. The company serves the European, Middle Eastern, African and Asian markets. The company's cards and systems are used for demanding applications including government identification programs for citizens, foreign residents, vehicle registration, student campus cards and driver license applications. LaserCard's principal OSM and multi-technology card manufacturing operations are located in Mountain View, California.

KEY INVESTMENT CONSIDERATIONS:

Demand is resistant to economic cycles – Demand for the company's products will be around in the marketplace regardless of the economic current environment. The company's cards and systems are used around the world in countries such as the United States, Germany, Italy, India, Costa Rica and the Kingdom of Saudi Arabia. LaserCard is well established in the marketplace and has over 12 years of service with the Department of Homeland Security. It has sold over 20 million optical Green Cards and its optical media has never been compromised.

Recurring Revenue – The predominant application for LCRD's OSM and multi-technology credentials is secure identity in government programs, including immigration, border entry and citizenship. The counterfeit-resistant cards are typically replaced by the government customer every 5 or 10 years. This provides a built-in replacement need for LaserCards' services within its existing client base. Uses of LaserCard technologies currently include US Green Cards, Saudi Arabian National ID Cards and the Italian Citizen ID cards.

Net Cost Advantage – The cost of the company's OSM reader technology is often compared directly to that of chip readers which are significantly less expensive. However, a more appropriate price comparison involves analyzing cost of ownership of the credential plus its infrastructure and support requirements. The company believes that OSM can demonstrate a cost advantage because of the technology's greater durability and less frequent replacement, plus the technology's inherent ability to work securely off-line without the need for high cost networks supported by complex and costly public key infrastructures.

Commercial Market – LaserCard's commercial business includes specialty cards and card printers. The specialty card business competes on the basis of added value in the form of high quality printing and manufacturing, strict quality assurance and high levels of customer service, which tends to differentiate the company from the conventional card manufacturers.

Financial Strength – The company has \$36 million in cash and no debt. LaserCard can has the balance sheet strength to fund a variety of growth initiatives without having to dilute shareholders or tap the capital markets.

Recent Performance – For the second quarter of FY11 the company reported earnings of \$0.07 per share on \$12.7 million in revenues. The company has been consistently profitable since March of 2009.

VALUATION:

LCRD is solidly profitable, but is trading at depressed levels due to concerns about future growth. At 3.3x EV/EBITDA, its valuation may prove very attractive to private equity firms, or other industry participants looking for ways to acquire technology and market share in the security and identification business. The value of the LaserCards technology, market share and balance sheet combine to make this stock an interesting candidate for investors.

(NASDAQ: LCRD)

Investment Data (as of 11/17/10)

Recent Price	\$4.56
52-Week Range	\$3.20 - \$6.90
Fiscal Year End	Mar
Shares Outstanding	12MM
Average Trading Volume (3 mos)	45.000
Market Capitalization	\$56MM
Cash	\$36MM
Long Term Debt	NA
Enterprise Value (EV)	\$20MM
LT Debt/ Equity	NA
BV/ Share	\$2.51
TTM Revenue	\$51MM
P/ Revenue	1.1x
TTM EPS	\$0.28
P/ EPS	16.3x
TTM EBITDA	\$6.5
EV/ EBITDA	3.3x

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Best Idea Profile:

Mitek (OTCBB:MITK.OB)

DESCRIPTION:

Headquartered in San Diego, Mitek provides imaging and analytical software that allows financial institutions to process payments & deposits via mobile phones and other electronic devices. Mitek has invented new pattern recognition software that is able to read and extract data from a photo of any document taken by a smartphone camera. This capability turns smartphone cameras into virtual scanning devices. Using Mitek's technology, mobile applications and camera-equipped smartphones; users can now deposit checks, pay bills, save receipts and fax documents on a mobile basis from any location. Users can simply take pictures of a document and Mitek's products will correct images from distortion, extract relevant data, route images, and process transactions. The company's patented technology is currently used by leading banks in the US to help process more than 10 billion items per year. Mitek has successfully completed six US patents on check fraud and signature validation technologies. The company is currently pursuing an additional patent on mobile capture technology.

KEY INVESTMENT CONSIDERATIONS:

Trusted Platform – Though the margins have contracted on its legacy business, Mitek is a well-known and trusted vendor to the banking community. Commercial banks use Mitek's technology to process about 10 billion checks a year. The company has a history of doing business with nearly all major US banks including the top 5 US banks.

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Investment Data (as of 11/24/10)

Recent Price	\$3.99
52-Week Range	\$0.55 - \$3.99
Fiscal Year End	Sep
Shares Outstanding	17.4MM
Average Trading Volume (3 mos)	64,000
Market Capitalization	\$69MM
Cash	\$1.5MM
Long Term Debt	680k
Enterprise Value (EV)	\$68MM
LT Debt/ Equity	0.7
BV/ Share	N/A
TTM Revenue	\$5.1MM
P/ Revenue	14x
TTM EPS	\$(0.07)
P/ EPS	NA
TTM EBITDA	NA
EV/ EBITDA	NA

Interesting Play on the Growth of Smartphones – Mitek is now leveraging its technology along with the OEM and bank relationships from its legacy check security business to pioneer/enter a niche within the market for Smartphone applications such as:

- "Mobile Deposit" is the first smartphone application to utilize image analytics and pattern recognition software to allow banks to accept check deposits via photos. Mitek began recognizing rev related to Mobile Deposit in the 3Q09, and received patent #7,778,497 in Aug '10, for the Method and Systems for Mobile Image Capture and Processing of Checks.
- "Mobile Receipt" is designed to convert the photo of a receipt taken with a Smartphone into a high quality image and with a single touch thereby converting the data into a professional looking expense report.
- "Mobile Phax" is designed to take a photo of any letter sized document or page and send it as a PDF file to any email address or fax machine.
- "Mobile Photo Bill Pay" allows users to take pictures of their bills with their Smartphone cameras and the product does the rest. With Mobile Photo Bill Pay, users can submit electronic payments from their Smartphone without having to write checks, lick stamps, visit a payment location or even use their personal computers. Mobile Photo Bill Pay is highly secure, accurate, fast and easy to use.

These are entirely new applications that can piggyback on the growth of smartphones. Smartphone sales increased 96% in the 3Q10 and now make up 19% of mobile phones. Smartphone application sales grew to over \$2.2 during 1H10 vs. \$1.7 billion for all of '09.

OEM Relationships – Financial institutions like to purchase integrated solution packages from OEMs. Some major OEM's to the financial industry such as Fiserv and NCR have already integrated Mitek solutions into their platform. Fiserv has agreed to offer Mobile Deposit to more than 1,100 institutions.

Recent Acceptance – Mobile Deposit has recently been accepted by a number of financial industry participants including Jack Henry and Associates, FIS, BankServ and Wausau Financial Systems.

VALUATION:

Mitek has a unique product line that is addressing a market with explosive growth potential. The company is well positioned and appears to have momentum in a rapidly developing market. The company's small size, bulletin board listing and past history of losses have kept this company off the radar screen of many investors and most institutions. Last quarter the company turned profitable and with continued improvement Mitek's valuation should rise rapidly.

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