

Mossberg's Investor Digest

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From the Editor...

A look back at Western Union (NYSE: WU).

WU is 5x larger than its nearest competitor MoneyGram (NYSE: MGI). Its economies of scale and scope give it many sustainable competitive advantages. 1) Brand – The Western Union brand is 150 years old and is recognized for trust, speed and reliability. These are important when consumers entrust WU with their hard-earned cash. The company continues to invest in its brand to the tune of 6% of sales, or \$300 million+ per year. WU has reached critical mass to where it benefits from the 2) network effect, which means the larger the number of people who use the service the more valuable the service becomes (think eBay). It also creates a larger moat around the business and the more difficult it is for competitors to enter. 3) Natural monopoly – WU's business model is a direct marketing model similar to Avon. WU signs up master agents who, in turn, sign up smaller sub-agents and receive a portion of the revenue generated by the sub-agents. Competitors find it impossible to replicate the WU network since it has already tied up many of the most desirable partners as master agents, such as post office networks, in exclusive long term contracts.

Western Union is a cash flow generating machine with relatively small requirement for capital to grow its business. The company is on track to generate \$1.2 billion in cash flow during 2011, and will spend less than \$100 million on capex. The remaining cash is used to pay off debt and/or buy back stock. WU has already repurchased \$800 million worth of stock during the first nine months of 2011 and since going public, WU has repurchased about 141 million shares, or 18% of the original shares outstanding at time of spin off from First Data in Feb of 2006.

The company is expected to earn \$1.80 next year, which gives it a very attractive 10.5x multiple of earnings.

Thank you for your interest,

Dave Mossberg

Rentech Nitrogen Partners L.P. (NYSE:RNF) – \$20.37, January 12, 2012, Page 3 – Rentech Nitrogen Partners LP is a pure-play nitrogen fertilizer company formed by Rentech, Inc. (NYSE: RTK) in November of 2011 as a publicly traded master limited partnership. The facility delivers over 490,000 tons of nitrogen fertilizer products per year. The company expects to pay out \$2.34 per unit in distributions during 2012 (FY ended in September), which equates to an attractive 12% yield.

Points International, Ltd. (NASDAQ:PCOM) - \$8.00, January 23, 2012, Page 4 - Points International provides a range of ecommerce and technology services to loyalty program operators by providing them with a proprietary infrastructure. The consensus estimate for FY2012 EPS is \$0.49. That is a Px/Eps multiple of 16.3x for a company that should grow top line in excess of 25% and 100% growth in EPS With a realistic multiple in the mid-twenties times the FY2012 estimate would equate to 50% upside from current levels.

Conn's Inc. (NASDAQ:CONN) – \$11.95, January 24, 2012, Page 5 - Conn's is a regional specialty retailer of durable consumer products. The Company has 70 retail stores in Texas, Louisiana and Oklahoma. The Company also offers an in-house credit program and finances approximately 60% of its retail sales. The Company current trades at 1x book value and 11x the forward EPS estimate of \$1.07. Positive earnings and fundamentals should catch investors' attention and drive higher multiple and share price.

Trinity Industries, Inc. (NYSE:TRN) - \$31.30, January 26, 2012, Page 6 - Trinity Industries owns a variety of businesses which offer products and services to the industrial, energy, transportation, and construction sectors. The Company manufactures and sells railcars and railcar parts. Analysts EPS estimates for Trinity are \$2.37 for FY2012. This equates to a Px/Eps multiple of 13x when using the current stock price. That is a low multiple to pay for a company with proven results in a strong long-term growth trend for its largest operating segment.

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Mossberg's Investor Digest Idea Performance

The table below shows the relative change in the value of the ideas published since August 2011 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
John Bean Technologies (Nasdaq: JBT)	11-Aug-11	14.85	16.50	11.1%	12.4%	-1.3%
White Mountains Insurance (NYSE: WTM)	17-Aug-11	410.00	457.16	11.5%	10.5%	1.0%
TranSwitch Corp. (Nasdaq: TXCC)	26-Aug-11	2.53	2.91	15.0%	12.3%	2.7%
Halmark Financial (Nasdaq: HALL)	26-Aug-11	6.68	7.09	6.1%	12.3%	-6.2%
Isis Pharmaceuticals (Nasdaq: ISIS)	27-Sep-11	7.31	8.25	12.9%	12.7%	0.2%
Chicago Bridge and Iron (NYSE: CBI)	29-Sep-11	30.38	43.82	44.2%	17.4%	26.8%
Wabash National (NYSE: WNC)	29-Sep-11	4.99	9.01	80.6%	17.4%	63.1%
LB Foster (Nasdaq: FSTR)	29-Sep-11	22.90	29.60	29.3%	17.4%	11.8%
Pizza Inn (Nasdaq: PZZI)	14-Oct-11	3.50	5.63	60.9%	8.2%	52.6%
Destiny Media Technologies (OTCBB: DSNY)	22-Oct-11	0.35	0.42	20.0%	5.5%	14.5%
Boingo Wireless (Nasdaq: WIFI)	28-Oct-11	8.00	8.05	0.6%	2.8%	-2.2%
BioSante Pharmaceuticals (Nasdaq: BPAX)	28-Oct-11	2.75	0.65	-76.4%	2.8%	-79.2%
Firsthand Technology Value Fund (Nasdaq: SVVC)	22-Nov-11	14.30	17.25	20.6%	11.3%	9.3%
Wilhelmina International (OTCBB: WHLM)	22-Nov-11	0.19	0.20	5.8%	11.3%	-5.5%
American Axle (NYSE: AXL)	27-Nov-11	7.51	12.19	62.3%	14.4%	48.0%
GraphTech (NYSE: GTI)	27-Nov-11	12.51	16.67	33.3%	14.4%	18.9%
Headwaters, Inc. (NYSE: HW)	9-Dec-11	2.74	2.37	-13.5%	5.4%	-18.9%
3D Systems Corp. (NYSE: DDD)	23-Dec-11	14.95	19.33	29.3%	4.6%	24.7%
Wilbros Group, Inc. (NYSE: WG)	23-Dec-11	3.71	3.71	0.0%	4.6%	-4.6%
Antares Energy (ASX: AZZ.AX)	31-Dec-11	0.43	0.40	-7.0%	5.3%	-12.3%
Rentech Nitrogen Partners L.P. (NYSE: RNF)	12-Jan-12	20.37	22.65	11.2%	2.0%	9.2%
Points International, Ltd. (NASDAQ: PCOM)	23-Jan-12	8.00	7.95	-0.6%	0.4%	-1.0%
Conn's Inc. (NASDAQ: CONN)	24-Jan-12	11.95	11.81	-1.2%	0.4%	-1.5%
Trinity Industries, Inc. (NYSE: TRN)	26-Jan-12	31.30	31.38	0.3%	0.0%	0.3%
				14.8%	8.6%	6.3%

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Best Idea Profile:

Rentech Nitrogen Partners L.P. (NYSE:RNF)

DESCRIPTION:

Headquartered in Los Angeles, California; Rentech Nitrogen Partners LP is a pure-play nitrogen fertilizer company formed by Rentech, Inc. (NYSE: RTK) in November of 2011 as a publicly traded master limited partnership. The facility delivers over 490,000 tons of nitrogen fertilizer products per year. The Company can produce up to 830 tons of ammonia per day and has an expansion project underway to increase ammonia capacity to approximately 1,022 tons per day. Rentech Nitrogen's facility has the flexibility to vary its product mix significantly, which permits it to upgrade its ammonia production into varying amounts of urea ammonia nitrate solution (UAN), nitric acid and liquid and granular urea each season, depending on market demand, pricing and storage availability. Rentech Nitrogen Partners has a distribution agreement with Agrium Inc. that provides for the distribution and sale of its nitrogen fertilizer products.

KEY INVESTMENT CONSIDERATIONS:

Solid Fertilizer Franchise – The Company's fertilizer operations are located in the heart of the US farm belt and has a 45-year operating history. Rentech Nitrogen currently produces 490,000 tons per year of nitrogen fertilizer products that are primarily ammonia based.

Fertilizer Growth Trends – Increased grain demand is driving higher fertilizer prices. In the Company's core fertilizer market of Iowa, Illinois and Wisconsin Consumption exceeds production by ~4.0x for Ammonia and ~1.4x for Urea and Ammonium Nitrate. Ammonia and UAN consumption in IL, IA and WI have increased by 20% and 14%, respectively, since 2000.

Profitable Expansion of Facilities – Rentech is currently expanding its capacity to serve an increasingly strong demand for its fertilizer products. The Company has new expansion projects underway each of which have returns currently projected to be above 20%. These projects include expanding Urea production by 17,500 tons annually to meet growing demand for Diesel Exhaust Fluid (expected completion by end of 2012) and an Ammonia production capacity expansion of 70,000 tons annually with an additional onsite 20,000 ton ammonia storage capacity (expected completion by end of 2013).

Non-Fertilizer Revenue Sources – In addition to nitrogen fertilizer products, the Company's facility manufactures food-grade carbon dioxide as a by-product and sells it into the food and beverage market. Rentech Nitrogen Partners also produces nitric acid for use in the production of ammonium nitrate solution and for industrial purposes along with small quantities of nitric acid.

New Funding - On January 4, 2012 Rentech, Inc. Announced that it had provided Rentech Nitrogen Partners, L.P. with a commitment to make an unsecured loan of up to \$40 million, to fund the continuation of the ammonia and storage expansion project underway at Rentech Nitrogen. Under the terms of the loan, Rentech Nitrogen may draw on the loan facility periodically through May 31, 2012 at an interest rate of LIBOR plus 5.5%.

VALUATION:

The company expects to pay out \$2.34 per unit in distributions during 2012 (FY ended in September), which equates to an attractive 12% yield.

Rentech Nitrogen Partners L.P. (NYSE:RNF) Investment Data (as of 1/12/12)

Recent Price	\$20.37
52-Week Range	\$16.04 - \$20.65
Fiscal Year End	Sep
Dividend (2012 Projected)	2.34
Yield	11.7%
Shares Outstanding	38 MM
Average Trading Volume (3 mos)	541k
Market Capitalization	\$760MM
Cash	\$51MM
Long Term Debt	NA
Enterprise Value (EV)	\$710MM
Book Value	NA
TTM Revenue	\$180MM
P/ Revenue	4x
TTM EPS	NA
P/ EPS	NA
TTM EBITDA	\$80MM
EV/ EBITDA	10.4x

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Best Idea Profile:

DESCRIPTION:

Headquartered in Toronto, Canada; Points International provides a range of ecommerce and technology services to loyalty program operators by providing them with a proprietary infrastructure. The Company's services are comprised of white label or private branded ecommerce services that enable the sale of loyalty currencies (frequent flyer miles, hotel points, credit card points, etc.), on both a retail and wholesale basis. Points International also offers a consumer focused reward management website referred to by the Corporation as "Points.com". This site offers members multiple loyalty programs the ability to track and manage their loyalty currencies much like their financial assets. Points International has agreements with participating loyalty program operators.

KEY INVESTMENT CONSIDERATIONS:

Loyalty Program Trends – There is a growing worldwide trend, especially in the airline industry, to sell loyalty currency as a customer incentive to third parties. These currency sales are estimated to be over \$12 billion per year (company estimates). These rewards typically accrue ahead of redemption by 20% to 30%.

Premier Outsource Alternative – Points offers white labeled turnkey outsourcing alternatives for loyalty programs. The features on these programs engage customers and bring added value to the client's customers. End users of Point's platform can buy, gift, or sell program points. They can also transfer them or use them for upgrades or special services.

Strong Competitive Position – Points has several indirect competitors that are currently in the market with limited product offerings. These competitors offer products similar to the balance tracking features on Points.com but do not offer any of Points transaction options such as the ability to exchange currency from one program to another, or trade currency with other users. Management believes that none of these competitors are actively partnering with loyalty programs to independently provide a service similar to Points.com.

Global Points Exchange – The Company's Global Points Exchange is the world's first peer-to-peer loyalty currency trading platform. It offers client companies a strong revenue stream with no incremental liability while offering program members more flexibility with their miles.

Points International, Ltd. (NASDAQ:PCOM)

Strong and Growing Client Base – Points currently delivers over 180 products and services to nearly 50 partners worldwide. The Company's customer base includes major airlines such as American, Delta, Mexicana, KLM and Air France. Non-airline partners include names such as Marriot, Avis and Best Buy. For the first three quarters of FY2011, Point added 5 new partners and launched 32 new products.

Financial Performance – Q3FY2011 revenues were \$28.8 million, a 23% year-over year increase. The Company reported EBITDA of \$1.9 million, a 58% year-over year increase.

Financial Strength with a Cash Generation Machine – Points has a strong balance sheet with \$41.1 million in cash and no debt.

VALUATION:

The consensus estimate for FY2012 EPS is \$0.49. That is a Px/Eps multiple of 16.3x for a company that should grow top line in excess of 25% and 100% growth in EPS. With a realistic multiple in the mid-twenties times the FY2012 estimate would equate to 50% upside from current levels.

Points International, Ltd. (NASDAQ:PCOM) Investment Data (as of 1/23/12)

Recent Price	\$8.00
52-Week Range	\$7.55 - \$12.16
Fiscal Year End	Dec
Dividend	NA
Yield	NA
Shares Outstanding	15MM
Average Trading Volume (3 mos)	38k
Market Capitalization	\$122MM
Cash	\$41MM
Long Term Debt	NA
Enterprise Value (EV)	\$88MM
Book Value	\$1.10
TTM Revenue	\$117MM
P/ Revenue	1x
TTM EPS	\$0.15
P/ EPS	54x
TTM EBITDA	\$4MM
EV/ EBITDA	21x

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Best Idea Profile:

Conn's Inc. (NASDAQ:CONN)

DESCRIPTION:

Headquartered in Beaumont, Texas; Conn's is a regional specialty retailer of durable consumer products. The Company has 70 retail stores in Texas, Louisiana and Oklahoma. Conn's merchandise sales are in consumer electronics, home appliances, furniture and mattresses, lawn and garden equipment and repair service agreements. Conn's offers over 4,500 SKUs, at good-better-best price points in its core retail product categories. The Company also offers an in-house credit program and finances approximately 60% of its retail sales.

KEY INVESTMENT CONSIDERATIONS:

Inflection Point/Restructuring Program – Conn's has recently gone through a store rationalization process in which 6 underperforming stores were closed with 5 additional stores closing this month. During Q3FY2011 (MRQ) the Company announced a pre-tax charge of \$14.1 million for debt restructuring to address new accounting guidance, a \$4.7 million charge for inventory and a \$0.4 million charge for store closures. Collectively these charges contributed to a \$12.7 million loss for the quarter. The Company should be operating from a leaner expense base with these items behind it.

Large Addressable Market – The top 100 major appliance retailers reported sales of approximately \$22.6 billion in 2009 (source: Twice). Household furniture sales are estimated to be approximately \$87.6 billion in 2010, up from \$84.0 billion in the prior year (source: U.S. Department of Commerce).

Unique Credit Program – The Company's consumer in-house credit program is an integral part of its business that drives customer loyalty. Conn's has been offering flexible financing alternatives to its customers through its proprietary in-house credit programs for over 45 years. In last three years the Company has financed about 60% of its retail sales through its proprietary in-house credit programs. These programs provide its customers with access to financing alternatives that Conn's competitors typically do not offer.

Texas Economy – Texas was the second largest state by nominal GDP in 2009. From 2000 to 2010, Texas experienced population growth of 20.6% compared to the U.S. population growth of 9.7% over the same period. Moreover, Texas' average unemployment rate of 8.3% continues to trend below the national average.

Improving Gross Margin – In the MRQ, Gross Margin for the Company's retail segment increased to 28.2% from 25.8% on a year-over-year basis.

Improving Credit Portfolio – Q3FY2011 results showed across the board improvement in the Company's credit portfolio. Net charge offs declined to \$5.4 million vs. \$10.7 million on a year-over-year basis.

Same Store Sales – During Q3FY2011 the Company results showed a return to positive same store sales with a YOY increase of 18.9%

Capital and Liquidity – The Company recently completed a \$20 million expansion of its asset-based loan facility, increasing the total commitment to \$450 million to provide additional borrowing capacity.

VALUATION:

The Company current trades at 1x book value and 11x the forward EPS estimate of \$1.07. Positive earnings and fundamentals should catch investors' attention and drive higher multiple and share price.

Conn's, Inc. (NASDAQ:CONN)

Investment Data (as of 1/24/12)

Recent Price	\$11.95
52-Week Range	\$4.10 - \$12.97
Fiscal Year End	Jan
Dividend	NA
Yield	NA
Shares Outstanding	32MM
Average Trading Volume (3 mos)	265k
Market Capitalization	\$380MM
Cash	\$7MM
Long Term Debt	\$311MM
Enterprise Value (EV)	\$666MM
Book Value	\$10.79
TTM Revenue	\$763MM
P/ Revenue	0.5x
TTM EPS	\$(0.51)
P/ EPS	NA
TTM EBITDA	\$20MM
EV/ EBITDA	33x

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Best Idea Profile:

Trinity Industries, Inc. (NYSE:TRN)

DESCRIPTION:

Headquartered in Dallas, Texas; Trinity Industries, Inc. owns a variety of businesses which offer products and services to the industrial, energy, transportation, and construction sectors. The Company manufactures and sells railcars and railcar parts. Trinity also provides a variety of railcar components for the North American market from its plants in the United States and Mexico. The Company also has two repair and coating facilities. Additionally, Trinity leases railcars to its customers through an integrated business model, which includes a captive leasing business, Trinity Industries Leasing Company. Other Trinity business lines include manufacturing and selling inland barges, structural wind towers, concrete, aggregates, highway products, tank containers, and a variety of steel parts and components.

KEY INVESTMENT CONSIDERATIONS:

Diversification – Though nearly 60% of the company's revenues are from rail products Trinity does benefit from diversification. Energy equipment, construction products and barge manufacturing, along with leasing, make up the other 40% of revenues. The business model provides for a strong performance in an up cycle with a downside cushion.

Manufacturing Flexibility – Trinity can easily retool its manufacturing operations to meet strong demand at peak times for different product lines. This flexibility leads to more efficient asset utilization.

Trinity's Lease Fleet – The Company has nearly 70,000 railcars that provide a strong strategic connection to its customers, as well as a long-term stream of profits and cash flows.

New Energy By Rail Trends – New energy production in the Alberta Tar Sands in Canada and the Bakken Shale range in North Dakota is creating a growing demand for railcar transportation due to shortage of pipelines to meet demand. Also, though rail is a more expensive mode of oil transportation than pipelines, expensive markets for the oil more than offsets the difference. There are 30 rail-loading facilities built in the Bakken, with another 40 planned. In addition to Bakken there are over a dozen other shale plays that could generate future demand for railcars.

Keystone-XL – The recent government decision to turn down the Keystone-XL pipeline from Canada will create additional Canadian demand for rail capacity in the US.

Aging US Fleet – Approximately 37% of the North American Railcar fleet is more than 25 years old

Proven Operators – Trinity has built a large fleet of young railcars with long-term leases. From Q1FY2000 through Q3FY2011 Trinity's railcar fleet grew from 8,700 to 69,045 railcars, a 19.7% (CAGR) growth rate.

Strong Results – The Company reported Q3FY2011 EPS results of \$0.40 on revenues of \$797 million vs. \$0.37 in EPS and \$540 million in revenues on a YOY basis. Q3FY2011 Rail Group revenues and Rail leasing and management revenues were \$321 million and \$153 million with operating profits of \$18 million and \$64 million, respectively.

VALUATION:

Analysts EPS estimates for Trinity are \$2.37 for FY2012. This equates to a Px/Eps multiple of 13x when using the current stock price. That is a low multiple to pay for a company with proven results in a strong long-term growth trend for its largest operating segment.

Trinity Industries, Inc. (NYSE:TRN)

Investment Data (as of 1/26/12)

Recent Price	\$31.30
52-Week Range	\$19.10 - \$38.15
Fiscal Year End	Dec
Dividend	\$0.35
Yield	1.10%
Shares Outstanding	80M
Average Trading Volume (3 mos)	812k
Market Capitalization	\$2.5B
Cash	\$273MM
Long Term Debt	\$3.0B
Enterprise Value (EV)	\$5.3B
Book Value	\$22.88
TTM Revenue	\$2.8B
P/ Revenue	0.9x
TTM EPS	\$1.29
P/ EPS	24x
TTM EBITDA	\$563MM
EV/ EBITDA	9.4x

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