

# Mossberg's Investor Digest

April 2012

Issue #46

## From the Editor...

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**The Jobs Act** – President Obama signed the “Jumpstart Our Business Startups (JOBS) Act” this month. The main goal of the new act is to make it easier for small companies to raise capital (and in turn create more jobs), but it also has significant implications for Wall Street. Here are the major items that could affect equity investing.

**Hedge Funds can advertise** – The new act lifts the general ban on advertising for hedge funds. This may be particularly beneficial for smaller funds.

**Less corporate governance & accounting required for Emerging Growth Companies (EGC)** – The act defines an EGC as a firm with less than \$1 billion.

**Fewer restrictions on investment research** – For the first time since the “dot com” bubble burst, research and investment banking departments will be able to communicate with each other about EGCs. In addition, analysts will be free to write about EGCs prior to and immediately following an offering.

**More money from small public offerings** – The act will raise the ceiling on Reg A offerings from \$5 to \$50 million, which would make a Reg A offering an alternative to an IPO.

In summary, this new act should be a significant benefit for smaller companies and smaller hedge funds. For those legitimate entities, this is a great thing. However, it may also make it easier for bad actors to dupe investors. Already, doubters are saying this will reverse the protection put in place to protect the small investor. As such, some are calling this the “Jump-Star Obama’s Bucket Shop Act”. Generally, I favor markets that have less interference from government and investors shouldn’t rely on the government to protect them from every risk. It may require us all to sharpen our pencil before investing, but I think the freedoms are worth it.

Thank you for your interest,

Dave Mossberg

## April 2012 Issue

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**Hecla Mining Co. (NYSE:HL)** - \$4.15, April 26, 2012, Page 3 - Hecla Mining Company is the largest primary silver producer in the U.S. The Company also produces other precious and other metals including gold, lead and zinc. Hecla is trading at just above book value. Investor sentiment is near a low due to the recent mine closure announcement. However, as issues are resolved, the multiple should return to its historic average of approx. 2x, which implies significant upside from current levels.

**The Cash Store Financial, Inc. (NYSE:CSFS)** – \$5.42, April 26, 2012, Page 4 – The Cash Store Financial Services, Inc. operates two of the leading alternative financial services brands in the Canadian market along with a growing presence in the UK market. The recent needed investments and regulatory changes for The Cash Store Financial Services have created a unique opportunity for investors looking to invest in a leading financial franchise. Analysts are estimating \$0.85 in earnings per share for FYSep2013, which equates to a cheap 6x multiple. The Company also pays an attractive yield at 8.8%.

**Silicon Image, Inc. (NASDAQ:SIMG)** - \$5.95, April 29, 2012, Page 5 – Silicon Image, Inc. is a leading provider of HD connectivity solutions for both hard wired and wireless devices for consumers. These solutions allow consumers and businesses to seamlessly connect their HD devices to one another. At current levels, Silicon Image has a Px/Earnings multiple of 13.5x FY2013 analyst estimates. This is an attractive multiple, given the company’s growth prospects.

**GSE Systems Inc. (Amex: GVP)** – \$2.87, April 29, 2012, Page 6 – GSE Systems provides training simulators for nuclear power plants. Excluding the rather substantial cash balance over \$1 per share, the stock currently trades at less than 12x trailing twelve months earnings. Led by new management, the company’s more diversified revenue stream, return to profitability, and growth of new and differentiated services should all be drivers of multiple expansion for the next several years.

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# Mossberg's Investor Digest

## Mossberg's Investor Digest Idea Performance

The table below shows the relative change in the value of the ideas published since September 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
Isis Pharmaceuticals (Nasdaq: ISIS)	27-Sep-11	7.31	8.21	12.3%	19.4%	-7.1%
Chicago Bridge and Iron (NYSE: CBI)	29-Sep-11	30.38	45.47	49.7%	24.0%	25.6%
Wabash National (NYSE: WNC)	29-Sep-11	4.99	8.86	77.6%	24.0%	53.5%
LB Foster (Nasdaq: FSTR)	29-Sep-11	22.90	28.33	23.7%	24.0%	-0.3%
Pizza Inn (Nasdaq: PZZI)	14-Oct-11	3.50	3.22	-8.0%	11.9%	-19.9%
Destiny Media Technologies (OTCBB: DSNY)	22-Oct-11	0.35	0.77	120.0%	14.6%	105.4%
Boingo Wireless (Nasdaq: WIFI)	28-Oct-11	8.00	10.39	29.9%	9.2%	20.7%
BioSante Pharmaceuticals (Nasdaq: BPAX)	28-Oct-11	2.75	0.56	-79.6%	9.2%	-88.8%
Firsthand Technology Value Fund (Nasdaq: SVVC)	22-Nov-11	14.30	25.88	81.0%	18.1%	62.9%
Wilhelmina International (OTCBB: WHLM)	22-Nov-11	0.19	0.14	-25.9%	18.1%	-44.0%
American Axle (NYSE: AXL)	27-Nov-11	7.51	10.18	35.6%	21.1%	14.4%
GraphTech (NYSE: GTI)	27-Nov-11	12.51	11.87	-5.1%	21.1%	-26.2%
Headwaters, Inc. (NYSE: HW)	9-Dec-11	2.74	4.43	61.7%	11.8%	49.9%
3D Systems Corp. (NYSE: DDD)	23-Dec-11	14.95	29.24	95.6%	10.9%	84.7%
Wilbros Group, Inc. (NYSE: WG)	23-Dec-11	3.71	5.07	36.7%	10.9%	25.7%
Antares Energy (ASX: AZZ.AX)	31-Dec-11	0.43	0.51	18.6%	11.6%	7.0%
Rentech Nitrogen Partners L.P. (NYSE: RNF)	12-Jan-12	20.37	29.26	43.6%	8.3%	35.3%
Points International, Ltd. (NASDAQ: PCOM)	23-Jan-12	8.00	12.70	58.8%	6.6%	52.1%
Conn's Inc. (NASDAQ: CONN)	24-Jan-12	11.95	16.65	39.3%	6.7%	32.6%
Trinity Industries, Inc. (NYSE: TRN)	26-Jan-12	31.30	30.35	-3.0%	15.2%	-18.2%
Top Image Systems (Nasdaq: TISA)	18-Feb-12	2.92	5.24	79.5%	3.1%	76.4%
DGSE Companies (Nasdaq: DGSE)	27-Feb-12	7.66	7.43	-3.0%	2.8%	-5.8%
Doral Financial (NYSE: DRL)	27-Feb-12	1.49	1.89	26.8%	2.8%	24.1%
Essex Rental Corporation (Nasdaq: ESSX)	27-Feb-12	3.60	4.06	12.8%	2.8%	10.0%
Plug Power, Inc. (NASDAQ: PLUG)	19-Mar-12	1.77	1.24	-29.9%	-0.5%	-29.5%
Salem Communications (NASDAQ: SALM)	28-Mar-12	4.55	5.26	15.6%	-0.2%	15.8%
21st Century Holding (NASDAQ: TCHC)	29-Mar-12	4.15	4.16	0.2%	0.0%	0.2%
HFF, Inc. (NYSE: HF)	30-Mar-12	16.47	16.49	0.1%	-0.4%	0.5%
Hecla Mining, Inc. (NYSE: HL)	26-Apr-12	4.15	4.27	2.9%	0.2%	2.7%
The Cash Store Financial Services, Inc. (NYSE: CSF)	26-Apr-12	5.42	5.45	0.6%	0.2%	0.3%
Silicon Image, Inc. (NASDAQ: SIMG)	29-Apr-12	5.95	5.95	0.0%	0.0%	0.0%
GSE Systems Inc. (Amex: GVP)	29-Apr-12	2.87	2.87	0.0%	0.0%	0.0%
				<b>24.0%</b>	<b>9.9%</b>	<b>14.4%</b>

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# Mossberg's Investor Digest

## Best Idea Profile:

## Hecla Mining Co. (NYSE:HL)

### DESCRIPTION:

Headquartered in Coeur d'Alene, Idaho; Hecla Mining Company is the largest primary silver producer in the U.S. The Company also produces other precious and other metals including gold, lead and zinc. Hecla sells lead, zinc and bulk concentrates to custom smelters and unrefined gold and silver bullion bars, which may be sold or further refined before being used by precious metals traders. The Company has North American operations which include businesses in Canada, Mexico and the US states of Alaska, Colorado and Idaho.

### KEY INVESTMENT CONSIDERATIONS:

**Diversified Silver Mining Play** – Hecla Mining is primary a Silver play. Yet the company has substantial diversification in its revenue base. Hecla reported that FY2011 revenues that were 54% Silver, 13% Gold, 13% Lead and 20% Zinc.

**Silver Demand** – Industrial demand for Silver increased from 274 mm ounces in 1990 to 487 mm ounces in 2010 (source: GFMS mining reports). That is an increase of 78%, and annualized increases of 3.5% for Hecla's lead product. Silver has the highest electrical conductivity of all metals and superior thermal conductivity. The US and Japan will continue to be large consumers of silver while China and India are estimated to experience technology driven demand in silver consumption of 9% per annum (GFMS mining).

**Economic Instability** – Investment demand has driven silver prices higher as investors look for alternative investments that include both physical silver and exch. traded silver funds. From '90 to '10 demand for silver for coins and medals increased 197%. As governments continue to weaken their currencies with increased money creation the investment demand for silver as a store of wealth will continue to increase.

**Experience in Exploration** – Hecla is an experienced operator with a strong history of delivering new reserves. The Company increased silver reserves 189% from 2006 to 2011.

**Turnaround** – In Jan2012, the U.S. Mine Safety and Health Administration ordered the Silver Shaft at the Lucky Friday Mine closed for shaft material removal for up-to a year. Hecla has changed estimates for silver production for 2012 from more than 9 million ounces to about 7 million ounces. HL estimates that Luck Friday will come back into production in 2013.

**Growth in Production** – Hecla expects 2012 production of 7 million ounces. The Company is expecting silver production to grow 50% from 2013 to 2017.

**Low Cash Cost** – Hecla has the lowest cash cost of silver production in US. In FY2011 the Company had a cash cost of \$1.15 per ounce.

**Silver Linked Dividend** – On Feb. 21, 2012 Hecla's Board of Directors declared a quarterly silver-linked dividend of \$0.01 per share of common stock along with a minimum annual dividend of \$0.01 per share of common stock.

**Financial Strength** – Hecla has \$266 MM in cash and no debt. The Company settled its long running Coeur d'Alene Basin litigation in FY2011 removing a potentially large liability from the Company's balance sheet.

### VALUATION:

Hecla is trading at just above book value Investor sentiment is near a low due to the recent mine closure announcement. However, as issues are resolved, the multiple should return to its historic average of approx. 2x, which implies significant upside from current levels.

#### Hecla Mining, Inc. (NYSE:HL)

Investment Data (as of 4/26/12)

<b>Recent Price</b>	<b>\$4.15</b>
52-Week Range	\$4.03 - \$9.65
Fiscal Year End	Dec
Dividend	\$0.08
Yield	1.9%
Shares Outstanding	285MM
Average Trading Volume (3 months)	6MM
Market Capitalization	\$1.17B
Cash	\$266MM
Long Term Debt	NA
Enterprise Value (EV)	\$904MM
Book Value	\$4.00
TTM Revenue	\$478MM
P/ Revenue	2.5x
TTM EPS	\$0.51
P/ EPS	8x
TTM EBITDA	\$293MM
EV/ EBITDA	3.1x

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## Best Idea Profile:

## The Cash Store Financial, Inc. (NYSE:CSFS)

### DESCRIPTION:

Headquartered in Edmonton, Alberta (Canada); The Cash Store Financial Services, Inc. operates two of the leading alternative financial services brands in the Canadian market along with a growing presence in the UK market. The Company has two well-known store franchises known as The Cash Store Financial and Instalozans. Both of these divisions are brokers of short term loan advances, bank accounts, cheque cashing, prepaid MasterCard, Ria money transfers and other services to consumers. The Company currently has a network of 574 branches in over 200 Canadian communities along with twelve branches in the United Kingdom. Cash Store Financial employs over 2,300 associates.

### KEY INVESTMENT CONSIDERATIONS:

**Dominant Franchise** – Cash Stores holds a dominant position in the Canadian market. The Company has built a network of 573 branches with Canadian locations in nine provinces and two territories. Cash stores are the largest provider of alternative financial services in Canada.

**Growth** – Cash Stores has a history of strong growth. The Company experienced revenue growth of 45% from FY2007 to FY2011. During the same timeframe the number of branch locations grew from 358 to 596.

**Shareholder Returns** – The Company has a strong track record of profitability. From FY2007 through September of FY2010 Cash Stores grew adjusted ebitda from \$33 MM to \$59MM.

**Inflection Point** – The Company reported Earnings-Per-Share of \$0.06 for Q1FY2011 vs. \$0.19 on a year-over-year basis. Cash Stores reported that adjusted Ebitda and earnings were reduced nearly \$1.5 million for investments in product development, expanded operational infrastructure and expansion into the United Kingdom. New, non-mature branches also reduced quarterly earnings by \$696k. Rates caps and operations restrictions from new provincial regulations also reduced loan volume. The Company is likely to resume growth in the future providing an entry point for investors.

**Strong Margins** – Mature branch offices are maintaining operating margins of 40% to 48%. The Company has 45% of its branches that are newer and in growth mode. These branches should mature into a level of profitability similar to older, more mature branches.

**Cash Flow** – Cash Store's business is a strong cash flow generator. The Company reported \$19.2mm in operating cash flow for FY2011 and 42MM in operating cash flow for the 15 months ended FY2010. The Company's branch build-out was financed with internal cash flows.

**Company Tender/Buyback** – The combination of strong cash flows and an all-time low in stock price could prompt Cash Stores to initiate a tender offer or a stock buyback.

**Perpetual Take out Candidate** – Cash Stores could be a tempting target for an Alternative financial company looking for a market leader with which to diversify its product portfolio and establish a leading market position.

**Growth Initiatives** – The Company has a new credit line and Insurance product to roll out in FY2012. These products along with additional branch expansion should provide ample growth opportunities.

### VALUATION:

The recent needed investments and regulatory changes for The Cash Store Financial Services have created a unique opportunity for investors looking to invest in a leading financial franchise. Analysts are estimating \$0.85 in earnings per share for FYSep2013, which equates to a cheap 6x multiple. The Company also pays an attractive yield at 8.8%.

#### The Cash Store Financial Services, Inc. (NYSE:CSFS)

Investment Data (as of 4/26/12)

<b>Recent Price</b>	<b>\$5.42</b>
52-Week Range	\$5.21 - \$16.05
Fiscal Year End	Sep
Dividend	\$0.48
Yield	8.8%
Shares Outstanding	17.4MM
Average Trading Volume (3 mos)	20k
Market Capitalization	\$96MM
Cash	\$11.4MM
Long Term Debt	\$11MM
Enterprise Value (EV)	\$96MM
Book Value	\$5.00
TTM Revenue	\$189MM
P/ Revenue	0.51x
TTM EPS	\$0.38
P/ EPS	14.3x
TTM EBITDA	\$24mm
EV/ EBITDA	4.1x

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## Best Idea Profile:

## Silicon Image, Inc. (NASDAQ:SIMG)

### DESCRIPTION:

Headquartered in Sunnyvale, California; Silicon Image, Inc. is a leading provider of HD connectivity solutions for both hard wired and wireless devices for consumers. These solutions allow consumers and businesses to seamlessly connect their HD devices to one another. The Company also works to define new industry standards for advanced audio and video connectivity among HD devices. Silicon also seeks to grow the available markets for these products and IP (Internet Protocol) solutions through its marketing efforts, which are based on both industry standardization and an individual products value proposition.

### KEY INVESTMENT CONSIDERATIONS:

**Established Innovator** – Silicon Image has been an active and successful leader in digital connectivity since 1995. The Company has introduced and promoted a number of connectivity standards including: DVI (Digital Visual Interface), HDML (Handheld Device Markup Language), MHL (Mobile High-Definition Link), HDMI (High-Definition Multimedia Interface) and Wireless HD (Wireless HD Video Cell Phone/device to TV).

**Addressable Market** – The Company estimates that the addressable market for its current product portfolio is over \$2.5B. Silicon's vision is to offer HD connectivity technology that will be deployed in all mobile, consumer electronics and PC devices.

**Intellectual Property** – Silicon Image has amassed a large and diversified portfolio of intellectual property. The Company has been granted 59 patents and has filed for over 300 additional patents.

**HDMI** – More than 684 million HDMI-enabled products were shipped worldwide in 2011 (Source: In-Stat estimates). HDMI enabled products now have an installed base of over 2.4 billion products. Silicon Image invented and controls the HDMI standard through its. HDMI Licensing, LLC subsidiary.

**MHL** - In FY2011 Silicon image launched MHL, which is an HD audio and video interface that can stream digital video and up to 8 channel digital audio into mobile devices. MHL uses a USB port on cells phones with high resolution and can recharge the battery at the same time. For FY2012, the Company expects at least 100MM more smartphones to be shipped with MHL transmitters.

**Wireless HD** – This technology connects any PC, tablet or mobile video device on a wireless basis (including Video cell phones to Televisions). Portable gaming and HD wireless printers are two new uses for wireless HD. Shipments of Wireless HD enabled devices will “likely rise from the current levels of less than 1 million to nearly 13 million by 2014” (source:2011 In-Stat report).

**Revenue Growth** – The Company has experienced improvement since strategically refocusing on connectivity in FY2011. Revenues for Q4FY2011 were \$58.7 million vs. \$52 million on a year-over year basis with mobile product revenue increasing 47%.

### VALUATION:

At current levels, Silicon Image has a Px/Earnings multiple of 13.5x FY2013 analyst estimates. This is an attractive multiple, given the company's growth prospects.

### Silicon Image, Inc. (NASDAQ:SIMG)

Investment Data (as of 4/28/12)

<b>Recent Price</b>	<b>\$5.95</b>
52-Week Range	\$4.20 - \$8.60
Fiscal Year End	Dec
Dividend	NA
Yield	NA
Shares Outstanding	83MM
Average Trading Volume (3 months)	1MM
Market Capitalization	\$494MM
Cash	\$161MM
Long Term Debt	NA
Enterprise Value (EV)	\$323MM
Book Value	\$2.49
TTM Revenue	\$221MM
P/ Revenue	2.2x
TTM EPS	\$(0.14)
P/ EPS	NA
TTM EBITDA	\$16MM
EV/ EBITDA	21x

# Mossberg's Investor Digest

## Best Idea Profile:

GSE Systems, Inc. (NYSE/AMEX:GVP)

### DESCRIPTION:

Headquartered in Sykesville, Maryland; GSE Systems provides training simulators for nuclear power plants, as well as electric utility, chemical and petrochemical industries. With customers in over 50 countries, the Company has more than 1,005 installations and over 160 courses. GSE has developed a unique and highly effective educational approach incorporating high-end game technology with their educational programs. The Company reports with one operating segment and has a variety of subsidiaries. GSE has a 49% interest in GSE-UNIS Simulation Technology Co., Ltd. a Chinese limited liability company along with a 10% minority interest in Emirates Simulation Academy, LLC, a United Arab Emirates limited liability company.

### KEY INVESTMENT CONSIDERATIONS:

**Innovation** – GSE's programs are highly effective. The Company's inclusion of high-end gaming technology is an innovative and proven medium of learning. The Company's "Learn-By-Doing-Experiential Style" is one of the most effective learning styles and generates a "75% retention rate" (NTL Institute for Applied behavioral Sciences)

**Diversified Growth** – GSE has grown and diversified its revenue stream. The Company's revenue had a CAGR of 21% since 2008; and during 2011, posted record revenue and operating income in more than a decade. As a percentage of total revenue, the nuclear related business is growing slower than other areas, and has decreased to 67% of revenue versus 73% during 2009. The Company has many potential opportunities worldwide in a variety of industries and has an opportunity to grow revenues 10%-20% over the next two years.

**New Management** – In November of 2010 the Company named James Eberle as CEO. Mr. Eberle has helped to restore profitability after several years of losses. GSE reported Net Income of \$1.2MM and Earnings-Per-Share of \$0.15 for FY2011 vs. a net loss of \$2.2MM and \$(0.12) respectively for FY2010

**Clientele** – GSE has a client base that includes well-known names such as GE, ExxonMobil, Emerson, Duke Power and the US Department of Energy.

**Gross Margins** – Gross Margin expanded from 27% in FY2008 to 32% in FY2011 and has an opportunity to reach 40% over the next two years as additional revenues are leveraged its existing platform.

**Energy Demand Driver** – The Company should continue to see strong demand for its legacy business and energy related businesses. Global energy demand is estimated to rise from 67 Quadrillion BTU's in 2010 to 85 Billion by 2025

**Aging Population** – An aging population is creating new opportunities in the high-end training market. This trend is especially true in mission critical functions. The nuclear industry will have to replace 42% of its workforce in the next 5 years due to an aging population and demographic trends (source: GSE systems)

**Share Repurchase** – The Company has reported repurchasing 974,661 shares of common stock from March 2011 through March 6<sup>th</sup> 2012 at an average price of \$1.95.

### VALUATION:

Excluding the rather substantial cash balance over \$1 per share, the stock currently trades at less than 12x trailing twelve months earnings. Led by new management, the company's more diversified revenue stream, return to profitability, and growth of new and differentiated services should all be drivers of multiple expansion for the next several years.

#### GSE Systems, Inc. (NYSE/AMEX:GVP)

Investment Data (as of 4/27/12)

<b>Recent Price</b>	<b>\$2.87</b>
52-Week Range	\$1.50 - \$2..92
Fiscal Year End	Dec
Dividend	NA
Yield	NA
Shares Outstanding	18.4MM
Average Trading Volume (3 months)	101k
Market Capitalization	\$53MM
Cash	\$20MM
Long Term Debt	NA
Enterprise Value (EV)	\$33MM
Book Value	\$2.10
TTM Revenue	\$51MM
P/ Revenue	1x
TTM EPS	\$0.15
P/ EPS	19x
TTM EBITDA	\$3.6MM
EV/ EBITDA	8.6x

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