

Mossberg's Investor Digest

June 2013

Issue #60

From the Editor...

For some companies, negative working capital (current liabilities > current assets) can mean problems for a company's liquidity. However, sometimes negative working capital can be a good thing, especially for growth companies. For example, take a look at CafePress (Nasdaq: PRSS) in this month's issue. Other examples include (Nasdaq: DELL) and Liquidity Services (Nasdaq: LQDT).

These companies are able to generate "negative working capital", which means that they are able to collect from their customers faster than they are required to pay their vendors. These companies are essentially cash generation machines.

Essentially, "negative working capital" generating businesses are able to finance part of their businesses on the back of their vendors. This is a free form of financing. The more free vendor financing, the more equity returns are magnified, which ultimately translates into higher valuation multiples. These are the types of companies that are most likely to outperform and be attractive long term investments.

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

Dave Mossberg

June 2013 Issue

CafePress Inc. (NASDAQ:PRSS) - \$6.81, June 4, 2013, Page 4 – CafePress Inc. has an e-commerce platform that enables customers worldwide to create, buy and sell customized and personalized products. It uses print-on-demand services through a portfolio of brands, led by its flagship website, CafePress.com. CafePress generates negative working capital, which means that it collects from its customers faster than it has to pay its suppliers. As such, it is able to support rapid growth without having lever its balance sheet and/or tap into dilutive financing. Its valuation of \$112 million is low given its \$40 million in cash, little debt, and expectations for further growth.

Carrols Restaurant Group, Inc. (NASDAQ:TAST) \$5.83, June 11, 2013, Page 3 – TAST represents a relatively inexpensive way to own restaurant stocks that are resistant to recession. Carrols stock is modestly valued given its expectations and opportunities for growth and improvement in operating results of its recently acquired restaurants.

Rackspace Hosting, Inc. (NYSE:RAX) \$37.89, June 30, 2013, Page 5 – RAX took a huge hit when it missed revenue and earnings guidance in the first quarter. For short-term and explainable reasons, growth has slowed and pricing has been cut. However, the positive long-term growth story is unchanged. Rackspace's balance sheet is strong and it is fully funded. Growth in hybrid cloud computing is continuing to attract the attention of many deep-pocketed corporations whose interest could provide buy-out opportunities for investors.

Ducommun Inc. (NYSE:DCO) - \$21.26, June 30, 2013, Page 6 – Ducommun Inc. is a global provider of engineering and manufacturing services to aerospace, defense, and diverse technology-driven markets. The aging commercial airline fleet theme should continue to entice investors to invest in DCO and related companies, especially if the merger and acquisition market heats up.

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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 June 2012 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 |
|--|-----------|----------------|--------------|--------------|-------------------------------------|---------------------------------|
| Spectrum Pharmaceuticals, Inc. (Nasdaq: SPPI) | 3-Jun-12 | \$10.86 | \$7.54 | -30.6% | 27.2% | -56.4% |
| Matrix Service Co. (Nasdaq: MTRX) | 8-Jun-12 | \$10.46 | \$15.53 | 48.5% | 22.6% | 27.1% |
| Orbital Sciences Corp. (NYSE: ORB) | 13-Jun-12 | \$12.02 | \$17.32 | 44.1% | 24.0% | 21.8% |
| Landec Corp. (Nasdaq: LNDC) | 18-Jun-12 | \$7.55 | \$13.43 | 77.9% | 21.2% | 58.2% |
| Compass Diversified Holdings (NYSE: CODI) | 7-Jul-12 | \$12.82 | \$17.48 | 36.3% | 19.8% | 17.5% |
| Codexis (NASDAQ: CDXS) | 29-Jul-12 | \$3.23 | \$2.29 | -29.1% | 17.7% | -45.4% |
| Silicon Motion Technology Corp. (NASDAQ: SIMO) | 29-Jul-12 | \$14.96 | \$10.67 | -28.7% | 17.7% | -45.0% |
| Franklin Covey Co. (NYSE: FC) | 29-Jul-12 | \$10.27 | \$13.50 | 31.5% | 17.7% | 15.1% |
| Deere and Company (NYSE: DE) | 13-Aug-12 | \$78.89 | \$83.07 | 5.3% | 15.0% | -8.7% |
| Power Solutions International (OTC BB: PSIX) | 16-Aug-12 | \$16.99 | \$32.50 | 91.3% | 15.0% | 77.3% |
| U.S. Concrete, Inc. (NASDAQ: USCR) | 26-Aug-12 | \$6.24 | \$15.87 | 154.3% | 15.6% | 139.3% |
| Ikanos Communications, Inc. (NASDAQ: IKAN) | 30-Aug-12 | \$0.92 | \$1.43 | 55.4% | 16.4% | 40.2% |
| Zale Corporation (ZLC) | 17-Sep-12 | \$5.87 | \$9.19 | 56.6% | 11.2% | 45.7% |
| Air Transport Services Group, Inc. (ATSG) | 24-Sep-12 | \$4.67 | \$6.52 | 39.6% | 11.7% | 28.5% |
| Northern Technologies International Corp. (NTIC) | 27-Sep-12 | \$10.95 | \$11.21 | 2.4% | 12.5% | -9.4% |
| KEMET Corp. (KEM) | 28-Sep-12 | \$4.40 | \$4.24 | -3.6% | 13.0% | -15.9% |
| GameStop Corp. (NYSE: GME) | 4-Oct-12 | \$21.92 | \$40.98 | 87.0% | 11.5% | 76.1% |
| Sycamore Networks, Inc. (NASDAQ: SCMR) | 11-Oct-12 | \$0.51 | \$0.49 | -3.9% | 13.6% | -16.9% |
| RPX Corp. (NASDAQ: RPXC) | 25-Oct-12 | \$9.69 | \$16.59 | 71.2% | 15.1% | 56.6% |
| Prospect Global Resources, Inc. (NASDAQ: PGRX) | 31-Oct-12 | \$2.76 | \$0.08 | -97.0% | 15.1% | -111.7% |
| Gaiam Inc. (GAIA) | 7-Nov-12 | \$2.94 | \$4.49 | 52.7% | 16.5% | 36.6% |
| Green Dot Corporation (NASDAQ: GDOT) | 26-Nov-12 | \$11.71 | \$19.36 | 65.3% | 15.5% | 50.0% |
| JTH Holdings, Inc. (NASDAQ: TAX) | 27-Nov-12 | \$13.92 | \$16.14 | 15.9% | 16.1% | -0.1% |
| Elephant Talk Communications, Corp. (NASDAQ: ETAK) | 28-Nov-12 | \$1.06 | \$0.63 | -40.6% | 15.2% | -55.7% |
| Sealed Air Corporation (NYSE: SEE) | 16-Dec-12 | \$16.03 | \$24.00 | 49.7% | 14.7% | 35.3% |
| Westmoreland Coal Co. (NASDAQ: WLB) | 17-Dec-12 | \$10.02 | \$10.89 | 8.7% | 13.4% | -4.5% |
| Regional Management Corp. (NYSE: RM) | 18-Dec-12 | \$16.55 | \$24.76 | 49.6% | 12.0% | 37.6% |
| Michael Baker Corporation (NYSE: BKR) | 30-Dec-12 | \$24.30 | \$26.76 | 10.1% | 15.3% | -5.4% |
| DHX Media Ltd. (TSX: DHX.TO) | 12-Jan-13 | \$1.86 | \$3.19 | 71.5% | 9.7% | 61.3% |
| Mood Media Corporation (TSX: MM.TO) | 20-Jan-13 | \$1.93 | \$1.10 | -43.0% | 8.6% | -52.1% |
| MoneyGram International Inc. (NYSE: MGI) | 30-Jan-13 | \$13.93 | \$21.93 | 57.4% | 7.5% | 49.8% |
| GenMark Diagnostics, Inc. (NASDAQ: GNMK) | 30-Jan-13 | \$11.11 | \$10.37 | -6.7% | 7.5% | -14.3% |
| MVC Capital, Inc. (NYSE: MVC) | 12-Feb-13 | \$12.11 | \$12.63 | 4.3% | 6.1% | -2.2% |
| eGain Corporation (Nasdaq: EGAN) | 15-Feb-13 | \$7.50 | \$9.30 | 23.9% | 6.0% | 17.4% |
| DSP Group (NASDAQ: DSPG) | 26-Feb-13 | \$7.41 | \$8.21 | 10.8% | 7.8% | 2.9% |
| Unitech Corporate Parks (LSE: UCP.L) | 28-Feb-13 | \$35.25 | \$41.50 | 17.7% | 6.5% | 11.1% |
| Palomar Medical Technologies, Inc. (NASDAQ: PMTI) | 6-Mar-13 | \$11.91 | \$13.41 | 12.6% | 4.6% | 7.8% |
| Global Power Equipment Group Inc. (NASDAQ: GLPW) | 7-Mar-13 | \$16.84 | \$16.05 | -4.7% | 4.4% | -9.2% |
| NetSol Technologies, Inc. (NASDAQ: NTWK) | 16-Mar-13 | \$10.84 | \$9.97 | -8.0% | 3.1% | -11.4% |
| Kofax, plc (OTC: KFAXF) | 22-Mar-13 | \$4.47 | \$5.13 | 14.8% | 3.4% | 11.3% |
| Tutor Perini (NYSE: TPC) | 16-Apr-13 | \$16.76 | \$17.87 | 6.6% | 2.7% | 4.3% |
| Carbonite (Nasdaq: CARB) | 17-Apr-13 | \$10.00 | \$12.65 | 26.5% | 4.2% | 22.9% |
| GenCorp Inc. (NYSE: GY) | 26-Apr-13 | \$13.06 | \$16.53 | 26.6% | 2.1% | 24.5% |
| Steinway Musical Instruments (NYSE: LVB) | 26-Apr-13 | \$24.67 | \$29.60 | 20.0% | 2.1% | 17.9% |
| AxessTel (Nasdaq: AXST) | 12-May-13 | \$1.30 | \$0.70 | -46.2% | -1.2% | -45.1% |
| Keweenaw Land Association (OTC: KEWL) | 21-May-13 | \$76.28 | \$82.00 | 7.5% | -3.3% | 10.5% |
| Guidance Software, Inc. (NASDAQ: GUID) | 24-May-13 | \$9.23 | \$8.61 | -6.7% | -2.0% | -4.7% |
| Micron Technology, Inc. (NASDAQ: MU) | 29-May-13 | 11.83 | \$14.52 | 22.7% | -2.0% | 24.7% |
| | | | | 21.4% | 11.0% | 10.7% |

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Best Idea Profile:

CafePress Inc. (NASDAQ:PRSS)

DESCRIPTION:

CafePress Inc. has an e-commerce platform that enables customers worldwide to create, buy and sell customized and personalized products. It uses print-on-demand services through a portfolio of brands, lead by its flagship website, CafePress.com. Some of its other websites and companies include CanvasOnDemand.com, GreatBigCanvas.com, InvitationBox.com, and EZ Prints, Inc. CafePress customers include individuals, non-profit groups and businesses. It has a catalog of more than 300 million products that range from Type 1 Diabetes t-shirts and Iron Man coffee mugs to customized GPS systems and wall art. Through two million shops, customers can choose from product designs, many of which are available on over 600 product SKUs. Alternatively, customers can make their own designs online and buy them, or sell them on their own online sites. The company was launched in 1999, went public in March 2012 and is headquartered in Louisville, Kentucky.

KEY INVESTMENT CONSIDERATIONS:

Not Just T-shirts – A few years ago, t-shirts comprised 80% of CafePress business. Although still growing, t-shirts now represent approximately 50% of the business. More than six million products are printed and shipped every year, with more than 11 million people visiting CafePress sites each month.

Three Solid Segments – Half of the company's business comes from the CafePress Marketplace incorporating user-generated content, which, in the most recently reported quarter, showed year-over-year growth of 15%. The next largest segment is "create and buy." It represents one-third of the business and grew about 40% in the last quarter. This business is fueled by logo sportswear and canvas creations. The final 20% comes from CafePress-powered shops. The Shop business is all about providing platforms for CafePress to work with large partners so that they can provide and enable customization on their brands. This includes fan purchases of products from Smithsonian, abc.com, National Geographic, and many others.

Growth Coming from Multiple Channels – CafePress is growing its business organically and through acquisitions. A year ago it acquired LogoSportswear.com which expanded its ability to market team apparel. It intends to add personalized sports gear next. CafePress is seizing opportunities generated through its growth into new markets to cross market its products.

CafePress doubled the size of its Shops business through an acquisition of EZ Prints, Inc. in October 2012. This business offers companies and entertainment studios an inventory-less model to offer thousands of designs and products related to the currently hot topics or characters. The acquisition also added software technology that can more efficiently build and scale large corporate shops, fuel traffic growth and open up content library to a wider audience across the internet.

Expectations of Growth – CafePress appears to be emerging from a period of bumps and bruises to a solid financial outlook. Fiscal year 2013 guidance is for revenue to increase 14-20% year over year and for net income of 7 to 22 cents per share. These appear to be reasonable expectations given the first quarter revenue growth of 32%. It is processing 1 million orders per year with the average order of \$25 increasing because of the expansion in its product line and large group sales.

VALUATION:

CafePress generates negative working capital, which means that collects from its customers faster than it has to pay its suppliers. As such it is able to support rapid growth without having lever its balance sheet and/or tap into dilutive financing. Its valuation of \$112 million is low given its \$40 million in cash, little debt, and expectations for further growth.

CafePress Inc. (NASDAQ:PRSS) Investment Data (as of 6/4/13)

| | |
|--------------------------------|------------------|
| Recent Price | \$6.81 |
| 52-Week Range | \$4.44 - \$15.81 |
| Fiscal Year End | Dec |
| Dividend | NA |
| Yield | NA |
| Shares Outstanding | 17.1 M |
| Average Trading Volume (3 mos) | 49k |
| Market Capitalization | \$111.8 M |
| Cash | \$26.1 M |
| Long-term Debt | \$2.7 M |
| Enterprise Value (EV) | \$88.1 M |
| Book Value | \$5.28 |
| TTM Revenue | \$230 M |
| P/ Revenue | 0.5x |
| TTM EPS | \$(0.21) |
| P/ EPS | NA |
| TTM EBITDA | \$10.4 M |
| EV/ EBITDA | 8.5x |

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Best Idea Profile:

DESCRIPTION:

Carrols Restaurant Group is the largest Burger King franchisee with 572 restaurants in 13 states from Maine to Michigan to South Carolina. The Company, based in Syracuse, New York, was founded in 1960 and employs 17,000. Carrols has operated Burger King restaurants since 1976. It became a public company for the second time with an IPO in 2006, and in 2012, Carrols spun off its Fiesta Restaurant Group to focus on its Burger King operations.

KEY INVESTMENT CONSIDERATIONS:

Strength of Brand – Burger King is the second largest fast-food hamburger restaurant in the world with a 58-year history. It boasts more than 12,900 restaurants in 86 countries, with 7,500 of these across the U.S. and Canada. This size and reputation provides significant advantages to Carrols, not the least of which is its significant marketing power. Despite this strength, Burger King is going through a major transformation and turnaround related to its menu, marketing program, image and operations. It is broadening its marketing to focus on bringing back women, children and seniors. It is introducing new signage and featuring A-list celebrities in its new advertising campaign.

Opportunities Abound in Recent Acquisition – Carrols acquired 278 restaurants from Burger King Corporation in May 2012. This brings even greater economies of scale to its operations and solidifies its position as the largest Burger King franchisee. Carrols also agreed to remodel 455 of its restaurants by 2016 and completed a financing that put \$70 million of cash on the balance sheet for remodeling. There are 90 to 120 remodels planned for 2013 with total capital spending projected to be \$40 to \$50 million. The partnership with Burger King Corporation enhances Carrols' ability to deliver a consistent marketing message, improve its restaurant image and upgrade the consumer experience.

Ability to Boost Performance – Carrols' management has proven a superior ability to operate restaurants compared with corporate owned stores. In 2011 Carrols restaurant level EBITDA margin was 12.7%, compared with Burger King Corporation owned stores margin of 7.2%. Carrols' near-term focus is to capitalize on this financial opportunity by improving the operating and financial performance of recently acquired restaurants. It will roll out proprietary POS software that provides

Carrols Restaurant Group, Inc. (NASDAQ:TAST)

better cash controls and implement other cost saving initiatives while increasing sales.

Right of First Refusal – With the acquisition, Burger King Corporation assigned its right of first refusal on franchisee restaurant sales to Carrols in 20 states. Carrols was also preapproved to expand to 1,000 restaurants. Since there are more than 2,000 franchised restaurants in the 20-state right-of-first-refusal territory, this provides an almost-surefire path for acquisition growth for the company.

Acquisitions Only Part of the Growth – Carrols' first quarter of 2013 was the seventh consecutive quarter of comparable restaurant sales increases. This quarter's comparisons were a positive surprise given the challenging consumer market early in the year and the exceptional growth experienced in the prior quarter.

VALUATION:

Carrols stock is modestly valued given its expectations and opportunities for growth and improvement in operating results of its recently acquired restaurants. TAST represents a relatively inexpensive way to own restaurant stocks that are resistant to recession.

Carrols Restaurant Group, Inc. (NASDAQ:TAST) Investment Data (as of 6/11/13)

| | |
|--------------------------------|-----------------|
| Recent Price | \$5.83 |
| 52-Week Range | \$4.65 - \$6.82 |
| Fiscal Year End | Dec 29 |
| Dividend | NA |
| Yield | NA |
| Shares Outstanding | 22.9 M |
| Average Trading Volume (3 mos) | 104k |
| Market Capitalization | \$133 M |
| Cash | \$27 M |
| Long-term Debt | \$161 M |
| Enterprise Value (EV) | \$267 M |
| Book Value | \$3.72 |
| TTM Revenue | \$610 M |
| P/ Revenue | 0.2x |
| TTM EPS | \$(0.90) |
| P/ EPS | NA |
| TTM EBITDA | \$18 M |
| EV/ EBITDA | 14.8x |

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Best Idea Profile:

Rackspace Hosting, Inc. (NYSE:RAX)

DESCRIPTION:

Rackspace Hosting was founded in 1998 and is headquartered in San Antonio, Texas, with nine data centers in the U.S., U.K. and Australia. Rackspace delivers enterprise-class hybrid cloud infrastructures to businesses based on their specific needs. It offers its 205,000 customers a combination of public cloud, private cloud and dedicated bare metal computing. Public cloud services refer to pooled computing resources delivered on-demand through the Internet. Dedicated cloud services manage the data center, network, hardware and operating system software for the customer. Private cloud has the capabilities of a public cloud but is built on a customer's own infrastructure. The hybrid cloud is the most recent innovation that combines these environments to work together. Rackspace has 4,800 employees, many of whom are dedicated to support.

KEY INVESTMENT CONSIDERATIONS:

Shift to Cloud Computing at Warp Speed – The days of expensive IT departments, huge capital expenditures and slow adaptations is quickly ending. Cloud computing is cheaper, better and faster. Companies can pay for what they use and can scale up and down and rapidly deploy new applications. The transformation to cloud is a larger opportunity than the shift from mainframes to client-servers. Rackspace's Fortune 100 customer base has jumped from 32 to 60 in two years.

Hybrid Cloud is the Place to Be – Rackspace's forward emphasis is on hybrid cloud services, which is where it is best differentiated in the market and where it is winning new enterprise business. This hybrid approach avoids the pitfall of many competitors who are trying to mold their customers' varying needs into one environment when different applications may work best in different computing arrangements. Rackspace offers multiple solutions that satisfy each customer's evolving needs, resulting in superior performance, reliability, and cost efficiency for customers as they move their systems to a cloud. Rackspace has a robust pipeline of pilot programs for hybrid customers that are expected to move into production.

OpenStack is State of the Art – In 2010 Rackspace and NASA founded OpenStack, which has grown to be a global software community of developers collaborating on a standard and massively scalable open source cloud operating system. OpenStack provides a environment for intense customization. Rackspace's reputation as an

OpenStack founder and expert is generating more and more recognition. IBM, one of the corporate sponsors of OpenStack, recently announced that it will base its new cloud products on OpenStack. OpenStack enterprise customers, including Best Buy, Bloomberg, the Soren Research Institute, Comcast, the National Security Agency, PayPal, and Sony recently gave presentations about their use of OpenStack in their plans for further deployments on the open source platform. OpenStack has expanded Rackspace's addressable market, resulting in the Company's recent announcement of its first reference customer for a hybrid cloud offering. HubSpot, an inbound marketing company, which serves 8,000 customers, reported that it achieved a four-fold increase in efficiencies after moving to OpenStack hosted at Rackspace.

VALUATION:

RAX took a huge hit when it missed revenue and earnings guidance in the first quarter. For short-term and explainable reasons, growth has slowed and pricing has been cut. However, the positive long-term growth story is unchanged. Rackspace's balance sheet is strong and it is fully funded. Growth in hybrid cloud computing is continuing to attract the attention of many deep-pocketed corporations whose interest could provide buy-out opportunities for investors.

Rackspace Hosting, Inc. (NYSE:RAX) Investment Data (as of 6/30/13)

| | |
|--------------------------------|-------------------|
| Recent Price | \$37.89 |
| 52-Week Range | \$33.91 - \$81.36 |
| Fiscal Year End | Dec |
| Dividend | NA |
| Yield | NA |
| Shares Outstanding | 138 M |
| Average Trading Volume (3 mos) | 2.5 M |
| Market Capitalization | \$4.8 B |
| Cash | \$279 M |
| Long-term Debt | \$106 M |
| Enterprise Value (EV) | \$4.7 B |
| Book Value | \$6.37 |
| TTM Revenue | \$1.4 B |
| P/ Revenue | 3.5x |
| TTM EPS | \$0.77 |
| P/ EPS | 44.8 |
| TTM EBITDA | \$443 M |
| EV/ EBITDA | 10.7 |

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Best Idea Profile:

Ducommun Inc. (NYSE:DCO)

DESCRIPTION:

Ducommun Inc. is a global provider of engineering and manufacturing services to aerospace, defense, and diverse technology-driven markets. It is made up of two operating segments, the first of which is Ducommun AeroStructures, which represents 42% of sales. DAS designs, engineers and manufactures large and complex contoured aerostructure components and assemblies for commercial and military aircraft. Its largest program is the BLACK HAWK Helicopter. It also supplies composite and metal bonded structures. Products from this division include fuselage skin panels, flight control surface assemblies, door panels and engine ducts. Ducommun acquired LaBarge Technologies in 2011, which now represents the other 58% of revenues. Its technology products are used in aerospace and defense, natural resources, industrial and medical industries. The company's revenues by end market are: 34% defense technologies, 19% defense structures, 27% commercial aerospace, 7% industrial, 7% natural resources, and 6% medical.

KEY INVESTMENT CONSIDERATIONS:

Build Rates for Commercial Growing – The build rate for large commercial aircraft for Boeing and Airbus is expected to grow steadily as the aging of the global air transport fleet continues. Ducommun's strong aerospace business was recently bolstered by the five-year extension of the Boeing 737 spoiler contract. Ducommun will also benefit as deliveries of Boeing's 787 Dreamliner recommence. The commercial aerospace market represents good growth opportunities, providing Ducommun with nearly record level backlog.

Defense Backlog Higher Despite Sequestration – The nation's defense spending has decreased but it remains above historic averages. Sequestration has not had a negative impact on Ducommun's military and space business thus far. The company expects 2013 revenue across defense programs to be flat to up slightly because of a strong product mix and the diversity of its programs. In fact, total defense backlog is higher now than it was a year ago.

Strength of BLACK HAWK Program – Ducommun has supported the BLACK HAWK helicopter since its inception two decades ago. It is Ducommun's largest defense program at \$75 million. It appears to be a very solid contract. In fact, last week Ducommun received an additional multi-year contract related to the helicopter's electronics.

Cross Selling and Expansion Opportunities – Although Ducommun's business outside of aerospace and defense has been weak, management believes it has bottomed out. Additionally, there are significant cross-selling opportunities between business units. Management recently stated it is "able to sell on both sides of the fence." Ducommun is also working to penetrate its major customers more fully, as in the case of Baker and Halliburton. The diversity of the company's end markets will help in expanding its business.

Balance Sheet Improvement – Ducommun is deleveraging its balance sheet. It expects to pay down \$25 to \$30 million of debt this year and is reducing interest expenses. Net debt/EBITDA peaked after the 2011 acquisition of LaBarge in 2011 at 4.2 times. This ratio has declined to 3.9 times at the end of the first quarter and should cross the 3 times threshold by the end of 2015. This will enhance Ducommun's financial flexibility and increase earnings power.

VALUATION:

The aging fleet theme should continue to entice investors to invest in related companies, especially if the merger and acquisition market heats up.

Ducommun Inc. (NYSE:DCO)

Investment Data (as of 6/30/13)

| | |
|--------------------------------|------------------|
| Recent Price | \$21.26 |
| 52-Week Range | \$9.01 - \$26.71 |
| Fiscal Year End | Dec |
| Dividend | NA |
| Yield | NA |
| Shares Outstanding | 11 M |
| Average Trading Volume (3 mos) | 117 K |
| Market Capitalization | \$223 M |
| Cash | \$30 M |
| Long-term Debt | \$358 M |
| Enterprise Value (EV) | \$549 M |
| Book Value | \$21.43 |
| TTM Revenue | \$739 M |
| P/ Revenue | 0.3x |
| TTM EPS | \$1.67 |
| P/ EPS | 12.6 |
| TTM EBITDA | \$83 M |
| EV/ EBITDA | 6.64 |

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