

Mossberg's Investor Digest

November 2013

Issue #65

From the Editor...

The cost of higher education...

I was listening to a presentation given by Bloomberg economist Joseph Brusuelas, at the Southwest IDEAS Investor conference last week. There were lots of interesting data points in Joe's presentation, but the one that stood out to me was a chart on the increase in student loans and the cost of higher education in this country. According to the chart in the presentation, student loan debt surpassed the \$1 trillion mark for the first time during the third quarter of 2013.

According to the National Center for Education Statistics, the annual cost of a college education has increased from \$8,756 in 1980 to \$21,657 in 2010.

So why is this important? It's not just because I have three children that will be entering college in the next 3 to 7 years. More concerning is the potential drag on the economy. During the recession, the number of U.S. households created every year dropped to 500,000. While the number of new households created has increased to 700,000, that number is far off its peak of 1.4 million. One of the biggest reasons is that newly graduated college students are struggling to repay college loans and simply don't have the money to buy a home. This means they also don't buy cars, dishwashers, washing machines, and so on. In addition, it means they don't have kids.

Consumption drives 2/3 of the economy and fewer consumers could have a long-term drag on economic growth.

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

Dave Mossberg

November 2013 Issue

Winmark Corporation (NASDAQ:WINA) \$74.13, November 10, 2013, Page 3 – Winmark Corporation owns five consignment retail brands, representing approximately 1,000 franchise stores. Winmark also operates a middle-market leasing business for technology and a small-business leasing credit business. The appeal of WINA lies in the cash flow and the prospect of another exciting franchise opportunity to contribute to Winmark's diversified businesses. Add to that formula a management with successful concepts and financial incentive to optimize results and the long-term picture of the company evolves into positive returns for new and existing stockholders.

Regional Management Corp. (NYSE:RM) - \$32.04, November 18, 2013, Page 4 – Regional Management Corp. is a specialty consumer finance provider focused on installment lending. It has 264 storefront branches in eight states in the southeast and southwest. Loans range from \$300 to \$27,500 with maturities of six to 72 months. With only five analysts covering a stock that is expected to earn more than \$3 per share next year, RM is an attractive investment opportunity.

USA Technologies (NASDAQ:USAT) - \$1.75, November 26, 2013, Page 5 – USA Technologies provides wireless networking, cashless transactions, asset monitoring, and other value-added services principally to the small-ticket, unattended retail markets. The recurring revenue business model is very attractive because of the visibility of earnings potential. The clear lead USAT has in its markets will fuel growth as the trend toward cashless transactions continues

American Electric Technologies (NASDAQ:AETI) - \$9.33, November 29, 2013, Page 6 – American Electric Technologies, provides power management software and electrical equipment that is used to distribute power, convert power and manage power so that it can be used by the energy industry to find, extract, transport, and process oil and gas. Over the next few years, the Company's business is well positioned to double in size. With pre-tax margins at 3% to 5%, the business is capable of producing \$0.75 to \$1.25 in pre-tax earnings.

We attempt to provide subscribers with reasoned opinions based on our analysis of publicly available information from sources believed to be reliable, but make no representations as to its accuracy or completeness. Best Idea profiles are not based upon individual needs of subscribers nor are they an offer to buy or sell securities. Additional disclosures can be found under the Disclosures portion of the Mossberg's Investor Digest website.

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 October 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
Gaiam Inc. (GAIA)	7-Nov-12	\$2.94	\$6.31	114.6%	31.3%	86.2%
Green Dot Corporation (NASDAQ:GDOT)	26-Nov-12	\$11.71	\$24.25	107.1%	30.2%	79.5%
JTH Holdings, Inc. (NASDAQ:TAX)	27-Nov-12	\$13.92	\$24.35	74.9%	30.8%	46.7%
Elephant Talk Communications, Corp. (NASDAQ:ETAK)	28-Nov-12	\$1.06	\$0.99	-6.6%	29.8%	-33.9%
Sealed Air Corporation (NYSE:SEE)	16-Dec-12	\$16.03	\$32.11	100.3%	29.2%	73.8%
Westmoreland Coal Co. (NASDAQ:WLB)	17-Dec-12	\$10.02	\$14.96	49.3%	27.8%	24.1%
Regional Management Corp. (NYSE:RM)	18-Dec-12	\$16.55	\$33.63	103.2%	26.3%	79.3%
Michael Baker Corporation (NYSE:BKR)	30-Dec-12	\$24.30	\$40.47	66.5%	30.0%	38.8%
DHX Media Ltd. (TSX:DHX.TO)	12-Jan-13	\$1.86	\$5.02	169.9%	23.6%	148.0%
Mood Media Corporation (TSX:MM.TO)	20-Jan-13	\$1.93	\$0.64	-66.8%	22.4%	-87.4%
MoneyGram International Inc. (NYSE:MGI)	30-Jan-13	\$13.93	\$21.09	51.4%	21.1%	32.4%
GenMark Diagnostics, Inc. (NASDAQ:GNMK)	30-Jan-13	\$11.11	\$11.90	7.1%	21.1%	-11.9%
MVC Capital, Inc. (NYSE:MVC)	12-Feb-13	\$12.11	\$14.52	19.9%	19.5%	2.2%
eGain Corporation (Nasdaq:EGAN)	15-Feb-13	\$7.50	\$11.51	53.5%	19.4%	35.7%
DSP Group (NASDAQ:DSPG)	26-Feb-13	\$7.41	\$8.84	19.3%	21.4%	0.0%
Unitech Corporate Parks (LSE:UCP.L)	28-Feb-13	\$35.25	\$41.00	16.3%	20.0%	-1.6%
Palomar Medical Technologies, Inc. (NASDAQ:PMTI)	6-Mar-13	\$11.91	\$13.65	14.6%	17.9%	-1.2%
Global Power Equipment Group Inc. (NASDAQ:GLPW)	7-Mar-13	\$16.84	\$19.53	16.0%	17.6%	0.4%
NetSol Technologies, Inc. (NASDAQ:NTWK)	16-Mar-13	\$10.84	\$5.07	-53.2%	16.2%	-67.5%
Kofax, plc (OTC:KFAXF)	22-Mar-13	\$4.47	\$6.15	37.6%	16.6%	23.1%
Tutor Perini (NYSE:TPC)	16-Apr-13	\$16.76	\$24.49	46.1%	15.7%	33.0%
Carbonite (Nasdaq:CARB)	17-Apr-13	\$10.00	\$12.40	24.0%	17.5%	9.4%
GenCorp Inc. (NYSE:GY)	26-Apr-13	\$13.06	\$18.34	40.4%	15.1%	27.6%
Steinway Musical Instruments (NYSE:LVB)	26-Apr-13	\$24.67	\$40.00	62.1%	15.1%	49.3%
Axesstel (Nasdaq:AXST)	12-May-13	\$1.30	\$0.13	-90.4%	11.3%	-99.8%
Keweenaw Land Association (OTC:KEWL)	21-May-13	\$76.28	\$91.25	19.6%	9.0%	12.4%
Guidance Software, Inc. (NASDAQ:GUID)	24-May-13	\$9.23	\$9.25	0.2%	10.4%	-8.1%
Micron Technology, Inc. (NASDAQ:MU)	29-May-13	\$11.83	\$21.10	78.4%	10.5%	70.0%
CafePress Inc. (NASDAQ:PRSS)	4-Jun-13	\$6.81	\$6.65	-2.3%	11.6%	-11.8%
Carrols Restaurant Group, Inc. (NASDAQ:TAST)	11-Jun-13	\$5.83	\$6.70	14.9%	11.9%	5.1%
Rackspace Hosting, Inc. (NYSE:RAX)	30-Jun-13	\$37.89	\$38.21	0.8%	13.2%	-10.3%
Ducommon Inc. (NYSE:DCO)	30-Jun-13	\$21.26	\$25.34	19.2%	13.2%	8.0%
Syneron Medical Ltd. (NASDAQ:ELOS)	17-Jul-13	\$8.60	\$11.69	35.9%	7.9%	29.5%
BGC Parnters, Inc. (NASDAQ:BGCP)	22-Jul-13	\$6.44	\$5.90	-8.4%	6.9%	-14.0%
Calamos Asset Management Inc. (NASDAQ:CLMS)	28-Jul-13	\$10.75	\$11.09	3.2%	7.1%	-2.6%
Sunshine Heart, Inc. (NASDAQ:SSH)	29-Jul-13	\$7.37	\$9.06	22.9%	7.6%	16.8%
FelCor Lodging Trust (NYSE:FCH)	8-Aug-13	\$5.95	\$7.32	23.0%	6.7%	17.4%
Hydrogenics Corp. (NASDAQ:HYGS)	13-Aug-13	\$11.14	\$15.20	36.4%	6.8%	30.6%
BIO-key International, Inc. (OTCQB:BKYI)	29-Aug-13	\$0.33	\$0.17	-48.8%	10.2%	-58.4%
LRAD Corporation (NASDAQ:LRAD)	30-Aug-13	\$1.52	\$1.90	25.0%	10.7%	15.0%
Famous Dave's (NASDAQ:DAVE)	19-Sep-13	\$16.00	\$20.07	25.4%	4.8%	21.3%
Alteva, Inc. (NYSE:ALTV)	23-Sep-13	\$7.20	\$8.58	19.2%	6.0%	13.7%
Roundy's, Inc. (NYSE:RNDY)	24-Sep-13	\$9.19	\$8.71	-5.2%	6.1%	-11.0%
SMTC Corporation (NASDAQ:SMTX)	26-Sep-13	\$1.97	\$2.37	20.3%	6.0%	14.6%
Blue Earth Inc. (OTCQB:BBLU)	16-Oct-13	\$3.09	\$2.49	-19.4%	4.6%	-24.1%
EveryWare Global, Inc. (NASDAQ:EVRY)	24-Oct-13	\$10.87	\$8.16	-24.9%	2.7%	-28.1%
KapStone Paper & Packaging Corp. (NYSE:KS)	25-Oct-13	\$45.83	\$53.28	16.3%	2.3%	13.5%
Oumu Corporation (NASDAQ:OUMU)	29-Oct-13	\$14.09	\$12.85	-8.8%	1.7%	-10.9%
				25.4%	15.1%	12.0%

We attempt to provide subscribers with reasoned opinions based on our analysis of publicly available information from sources believed to be reliable, but make no representations as to its accuracy or completeness. Best Idea profiles are not based upon individual needs of subscribers nor are they an offer to buy or sell securities. Additional disclosures can be found under the Disclosures portion of the Mossberg's Investor Digest website.

Mossberg's Investor Digest

Best Idea Profile:

Winmark Corporation (NASDAQ:WINA)

DESCRIPTION:

Winmark Corporation owns five consignment retail brands, representing approximately 1,000 franchise stores. It does not operate the stores, rather it franchises them to small-business owners. Two of the concepts sell used clothing and accessories: Plato's Closet stores target the teenage and young adult market, and Style Encore stores focus on adult women. Play It Again Sports stores buy, sell, trade, and consign used and new sporting goods, equipment, and accessories for various athletic activities. The Once Upon A Child stores focus on children's clothing, toys, furniture, equipment, and accessories; and Music Go Round stores buy, sell, trade, and consign used and new musical instruments, speakers, amplifiers, and music-related electronics. Winmark also operates a middle-market leasing business for technology and a small-business leasing credit business. Winmark is based in Minneapolis and was founded in 1988.

KEY INVESTMENT CONSIDERATIONS:

Invested Insiders –Winmark's chief executive officer immediately began purchasing stock upon joining the company in 2000 and has not stopped. He currently owns more than 30% of outstanding shares. The company directors are also making open-market purchases. These actions indicate a strong belief in the company's prospects from the inside. The stock price has appreciated at a compound annual growth rate of more than 45% since the beginning of 2009.

High Margin Businesses – There is very little capital required to run the businesses and they basically operate on the cash flow that is generated. More than 60% of the revenues come from royalties on franchise store sales, which results in gross margins above 90% and net income margins of approximately 30%. During 2003 and 2004, the company made some poor decisions on how to invest their substantial cash flow that have resulted in non-operating impacts to earnings. These investments have now been completely written off so Winmark's earnings power will become more apparent, and especially attractive to quantitative-based investors.

Exciting New Concept – Winmark has proven the growing acceptance and appeal of gently used merchandise with its successful Plato's Closet franchise, which targets teenage buyers who want to own the popular brands. There were 354 Plato's Closet stores at the end of 2012, with new stores opening rapidly, no stores closing and 100% renewal on franchise

agreements. The success of this concept inspired Winmark to recently launch a new franchise concept, Style Encore, which shares a similar business model with Plato's Closet. It also offers high-quality merchandise at substantial savings, but with a different target: women ages 20 to 50. These goods are not your typical Goodwill-type fare: they are high-end clothes that women outgrow or discard after little use.

Enviably Balance Sheet and Cash Flow – Winmark offers technology leasing services that are also a high margin, cash-generating business. More importantly, it provides a good place to invest excess cash flow generated by the franchise retail business. The balance sheet is incredibly sound. Additionally, Winmark pays a tiny dividend that was recently enhanced by a \$5 special dividend.

VALUATION:

The appeal of WINA lies in the cash flow and the prospect of another exciting franchise opportunity to contribute to Winmark's diversified businesses. Add to that formula a management with successful concepts and financial incentive to optimize results and the long-term picture of the company evolves into positive returns for new and existing stockholders.

Winmark Corporation (NASDAQ:WINA)

Investment Data (as of 11/10/13)

Recent Price	\$74.13
52-Week Range	\$52.61 - \$75.97
Fiscal Year End	Dec 29
Dividend	\$0.20
Yield	0.3%
Shares Outstanding	5.1 M
Average Trading Volume (3 mos)	9k
Market Capitalization	\$381 M
Cash	\$9 M
Long-term Debt	\$1 M
Enterprise Value (EV)	\$365 M
Book Value	\$6.48
TTM Revenue	\$55 M
P/ Revenue	6.9x
TTM EPS	\$2.95
P/ EPS	25.0x
TTM EBITDA	\$30 M
EV/ EBITDA	12.3x

We attempt to provide subscribers with reasoned opinions based on our analysis of publicly available information from sources believed to be reliable, but make no representations as to its accuracy or completeness. Best Idea profiles are not based upon individual needs of subscribers nor are they an offer to buy or sell securities. Additional disclosures can be found under the Disclosures portion of the Mossberg's Investor Digest website.

Mossberg's Investor Digest

Best Idea Profile:

Regional Management Corp. (NYSE:RM)

DESCRIPTION:

Regional Management Corp. is a specialty consumer finance provider focused on installment lending. It has 264 storefront branches in eight states in the southeast and southwest. In the first six months of 2013, 40 de novo branches were opened and two branches were acquired. Loans range from \$300 to \$27,500 with maturities of six to 72 months. Small installment loans made from local storefronts represent 45% of loans. In addition, Regional Management partners with furniture and electronics retailers to offer point-of-sale financing, which is 7% of loans. Auto lending, through independent and franchised auto dealers, represents 39% of its receivables book.

KEY INVESTMENT CONSIDERATIONS:

Maturing Branches Provide Growth – In the past 18 months, Regional Management has added nearly 100 branches, a 60% increase in their footprint. Although Regional Management is a 27-year-old company, it has the growth potential of a young company. Management's analysis shows that branches mature in about five years. Considering that 60% of its branches are less than five years old, it appears there is \$170 million of growth in loans available without opening another branch. In the second quarter of 2013, same-store revenues grew 16.6%, above its average of 13.4% per quarter for the last six quarters. The average yield in the portfolio is over 32%.

Logical Expansion – Future growth will come from within the eight states in which the company already operates, where there are 400 sub-markets in areas where Regional has never done business that meet all of the company's development criteria. There are an additional 400 sub-markets in the top five states it is targeting; Missouri, Virginia, Kentucky, Louisiana and Mississippi all represent states that have the demographics, interest rate structures, and political and legislative climates that are attractive to Regional Management. Therefore, management believes there are 800 attractive geographic markets in which to expand. Its expansion also comes from cross-selling opportunities within its existing customer base.

Little Regulatory Risk – The state regulatory market is very positive with several states allowing rate increases and late fees. At the federal level, the company believes its safe lending practices that are focused on closed-end, fixed-rate and fixed-payment

loans, represent solutions to installment lending problems in the eyes of federal regulators.

Excellent Lending Record – Regional's net charge off ratio is consistently low. Charge offs were 6.5% for the past 18 months. Even during 2008 and 2009, two of the worst years for finance companies, charge offs were 8.4% and 8.6%.

Pure and Simple Play – Regional Management represents a pure domestic play on consumer credit. It services all of its loans through its branch system to offer a high-touch, welcoming environment. However it is using other channels to ingrain itself in more consumers' lending lives. For instance, RMC Retail was introduced four years ago to address the customer who is turned down by a furniture, or electronic, dealer's prime financing source. These high-quality-credit loans give Regional the ability to extend beyond the branches' reach (creating a "virtual" branch) and cross-sell its products. Additionally, it is using a very effective and inexpensive direct mail campaign that has historically achieved a response rate of up to 5%, significantly more than the typical mailing campaign.

VALUATION:

With only five analysts covering a stock that is expected to earn more than \$3 per share next year, RM is an attractive investment opportunity.

Regional Management Corp. (NYSE:RM) Investment Data (as of 11/18/13)

Recent Price	\$32.04
52-Week Range	\$14.70 - \$34.65
Fiscal Year End	Dec
Dividend	NA
Yield	NA
Shares Outstanding	12.6 M
Average Trading Volume (3 mos)	101k
Market Capitalization	\$405 M
Cash	\$8 M
Long-term Debt	\$348 M
Enterprise Value (EV)	\$753 M
Book Value	\$12.18
TTM Revenue	\$153 M
P/ Revenue	2.7x
TTM EPS	\$2.17
P/ EPS	14.8 x
TTM EBITDA	\$60 M
EV/ EBITDA	12.5 x

We attempt to provide subscribers with reasoned opinions based on our analysis of publicly available information from sources believed to be reliable, but make no representations as to its accuracy or completeness. Best Idea profiles are not based upon individual needs of subscribers nor are they an offer to buy or sell securities. Additional disclosures can be found under the Disclosures portion of the Mossberg's Investor Digest website.

Mossberg's Investor Digest

Best Idea Profile:

USA Technologies (NASDAQ:USAT)

DESCRIPTION:

USA Technologies provides wireless networking, cashless transactions, asset monitoring, and other value-added services principally to the small-ticket, unattended retail markets. Its flexible platform allows multiple ways to connect: USAT hardware, USAT web service or through third-party hardware and applications. Its product, ePort Connect offers cashless payment and telemetry services that can process traditional magnetic stripe credit and debit cards, contactless credit and debit cards, and NFC-equipped mobile phones. Customers include Canteen, Aramark, Starbucks, PepsiCo and Coca-Cola. Partners and suppliers include Verizon Wireless, Visa, Isis, and Elavon. The company was founded in 1992, employs 50 people, and has its headquarters in Malvern, Pennsylvania.

KEY INVESTMENT CONSIDERATIONS:

Cash Won't Always Be King – The self-serve retail market generates more than \$120 billion in largely cash-based transactions today but continues to shift to cashless transaction. There is a huge untapped market for cashless transactions in what have been traditionally cash-only markets: vending, tolls, kiosks, commercial laundry, taxis.

Dependable Revenue – Most of USAT's revenue is recurring and transaction-based. License and transaction fees generate 84% of the revenue. There is low attrition and USAT has an extremely scalable platform. Customers have grown at a compound annual rate of 67% and the value of each customer is growing. In addition, the company is getting better about mining its customers with expanded products. Management's forecast for fiscal 2014 is for a 25% growth in service revenues, and a 20% to 25% growth in total revenues.

Strong Financial Improvement – USAT has an impressive record of organic growth and the increasing scale is vastly improving cash flow. USAT expects to begin generating sustainable free cash flow in the fourth quarter of fiscal 2014. Year-end adjusted EBITDA has improved from \$(2.8) million at June 2012 to \$5.8 million at June 2013, and management predicts it will gain 40% to 50% in fiscal 2014. USAT had \$6 million of cash on hand at the end of fiscal 2013.

Strength in Vending Market – USAT holds the largest share of existing cashless vending with six to seven million machines; yet the cashless penetration is below

10%. USAT recently announced a major commitment from USConnect, a consortium of 25 independent vending operating companies that has indicated they want to be 85% cashless in five years. This is further demonstration of an acceleration of cashless adoption. USAT's expansion into other, non-vending markets is evident as well. This is evidenced by its growth in adjacent self-serve retail markets such as amusement, commercial laundry and kiosks; all these areas are in the early stages of cashless adoption.

Loyalty Programs – USAT is rolling out a nationwide loyalty promotion, which is a first in the industry. This results in higher transaction dollars and cost saving opportunities for USAT and the vending operator.

VALUATION:

The recurring revenue business model is very attractive because of the visibility of earnings potential. The clear lead USAT has in its markets will fuel growth as the trend toward cashless transactions continues. USAT stock should increasingly reflect this growth potential and the cash flow generated from this scalable business.

USA Technologies (NASDAQ:USAT)

Investment Data (as of 11/26/13)

Recent Price	\$1.75
52-Week Range	\$1.40 - \$2.75
Fiscal Year End	June
Dividend	NA
Yield	NA
Shares Outstanding	34 M
Average Trading Volume (3 mos)	161k
Market Capitalization	\$60 M
Cash	\$6 M
Long-term Debt	\$4 M
Enterprise Value (EV)	\$65 M
Book Value	\$0.62
TTM Revenue	\$38 M
P/ Revenue	1.6x
TTM EPS	\$0.01
P/ EPS	135x
TTM EBITDA	\$6 M
EV/ EBITDA	11x

We attempt to provide subscribers with reasoned opinions based on our analysis of publicly available information from sources believed to be reliable, but make no representations as to its accuracy or completeness. Best Idea profiles are not based upon individual needs of subscribers nor are they an offer to buy or sell securities. Additional disclosures can be found under the Disclosures portion of the Mossberg's Investor Digest website.

Mossberg's Investor Digest

Best Idea Profile:

DESCRIPTION:

American Electric Technologies, provides power management software and electrical equipment that is used to distribute power, convert power and manage power so that it can be used by the energy industry to find, extract, transport, and process oil and gas. The Company differentiates its solutions with 65+ years of experience, a focus on energy industry applications, intellectual property and by providing customized and turnkey solutions for customers. The Company has international joint ventures in China, Brazil and Singapore, which are not consolidated in terms of reporting. AETI owns 40%, 49% and 41% of the ventures in China, Brazil and Singapore, respectively. The Company was founded in 1946, employs 700 people, and has its headquarters in Houston, TX.

KEY INVESTMENT CONSIDERATIONS:

Interesting way to play the energy renaissance in the U.S. – With new drilling technologies, The U.S. has become the Saudi Arabia of natural gas and is rapidly becoming self-sufficient in supplying its own energy needs (the U.S. supplies 85% of its own energy). To support this renaissance, it is expected that \$6 billion to \$10 billion per year will be spent in the U.S. on midstream (pipeline & storage) gas and oil infrastructure for each year for the next 20 years. In addition, about \$71 billion of projects have been announced in the Gulf Coast alone related to petrochemical and \$20 billion is expected to be spent to build liquefied natural gas facilities to support the export of natural gas. These are very large and rapidly growing markets. AETI will be able to participate in the 1% to 2% of these markets, which is expected to be spent on power delivery systems.

Secular growth in custom power solutions versus Standard Products – Companies like AETI and POWL are benefiting from a change in industry dynamics in which increasingly customized solutions are taking share from standard solutions. Management gives an example of a recent customer that chose a customized solution over that of a standard solution. The standard solution would have required a re-design of a drilling rig platform, so AETI's customized solution won out over the standard solution from much larger competitor.

New Management Team - The new CEO, Charles Dauber, started with the Company in September of 2009. While he is the son of the Company's Chairman, he clearly earned his position based on merit and has been instrumental in positioning the company for significant growth. Prior to the joining AETI, he held

American Electric Technologies (NASDAQ:AETI)

several executive leadership in the technology industry. Under Mr. Dauber's leadership the company has exited lower margin business and completely revamped sales and marketing efforts, including a complete trade out of the sales force over the past few years.

Attractive returns from a joint with the "Exxon" of China – AETI has a joint venture (40% owned by AETI) with the China National Petroleum Company (the "Exxon" of China) that produces \$93 million in annual revenue. AETI's initial investment of \$2 million in cash has resulted in \$14 million inequity income and \$7 million in cash dividends back to AETI.

Record revenue, record backlog with lots of runway for growth – In the most recent quarter, the company reported a 50% increase in revenue, a 101% increase in backlog, and an 80% increase in profitability. According to management the current sales force is only reaching 20% of oil and gas customers in the U.S., which leaves significant opportunity for growth as the company continues to add to its sales and marketing efforts.

VALUATION:

While the stock is trading near its 52-week high, and is up 80% this year, it still appears attractive from a long-term perspective. Over the next few years, the Company's business is well positioned to double in size. With pre-tax margins at 3% to 5%, the business is capable of producing \$0.75 to \$1.25 in pre-tax earnings.

American Electric Technologies (NASDAQ:AETI) Investment Data (as of 11/29/13)

Recent Price	\$9.33
52-Week Range	\$4.51 - \$9.49
Fiscal Year End	December
Dividend	NA
Yield	NA
Shares Outstanding	8 M
Average Trading Volume (3 mos)	40k
Market Capitalization	\$75 M
Cash	\$4 M
Long-term Debt	\$0.5 M
Enterprise Value (EV)	\$71 M
Book Value	\$3.12
TTM Revenue	\$62 M
P/ Revenue	1.2x
TTM EPS	\$0.48
P/ EPS	19.4x
TTM EBITDA	\$2.9 M
EV/ EBITDA	24x

We attempt to provide subscribers with reasoned opinions based on our analysis of publicly available information from sources believed to be reliable, but make no representations as to its accuracy or completeness. Best Idea profiles are not based upon individual needs of subscribers nor are they an offer to buy or sell securities. Additional disclosures can be found under the Disclosures portion of the Mossberg's Investor Digest website.

Mossberg's Investor Digest

Subscription Information

Subscribe to Mossberg's Investor Digest at www.mossbergid.com/subscribe.html

Immediate Access Annual Subscription: \$245/ year

12 Monthly Compilation Issues – At the end of each month, Mossberg's Investor Digest compiles all Best Idea Profiles generated that month into a single compilation issue.

Access to Past Compilation Issues – Password protected access to all previous compilation issues.

Immediate Access to Best Idea Profiles - Approximately two to three times per month, Immediate Access Annual Subscribers receive Best Idea Profiles as soon as they are published.

Annual Subscription: \$195/ year

12 Monthly Compilation Issues

Access to Past Compilation Issues

About Mossberg's Investor Digest

The value proposition of the digest is essentially an "Idea Generator". During the course of my 17-year career in capital markets, I've had the chance to meet and work closely with some very smart professional investors who have consistent track records of outperforming the market indexes. Some of these investors, which include mutual fund managers, hedge fund managers, and other professional investors, are kind enough to share their best ideas with me. I conduct my own analysis of their ideas and publish summaries of those ideas I think represent timely investment opportunities. Over time, I trust the majority of these ideas will pan out and help subscribers generate index-beating returns.

The goal of the Best Idea Profiles in this newsletter is to describe all of relevant investment merits and risks of a company in one page. It is not intended to be an exhaustive report including every detail of a company. With limited space available, I am forced to include only those data points that I feel are most important for subscribers to know before they begin their own due diligence. Thank you for your interest in Mossberg's Investor Digest.

Disclosures

Not Investment Advice: Investors should consult a financial advisor before investing in any securities highlighted in the Digest or subscribing to any newsletter service. We attempt to provide subscribers with reasoned opinions based on our analysis of publicly available information from sources believed to be reliable, but make no representations as to its accuracy or completeness. Best Idea Profiles highlighted in Mossberg's Investor Digest are not based upon individual needs of subscribers nor are they an offer to buy or sell securities. Mossberg's Investor Digest is not suitable for people seeking low to moderate risk investments.

It is the policy of the publisher to follow the CFA Institute's "Standards of Practice" regarding disclosure of potential conflicts of interest. The publisher's policy is to avoid conflicts of interest when possible. However, when potential conflicts are unavoidable, the publisher's policy is to disclose material business relationships between it and issuers of securities highlighted in the letter. In addition, the publisher's ownership in securities highlighted in the letter is disclosed. By disclosing potential conflicts of interest, subscribers and prospective subscribers will have additional information to evaluate the objectivity of ideas highlighted in the newsletter.

*There are no material business relationships between the publisher and the securities highlighted in this issue.

*As of November 2013, the publisher owns shares in AZZ.AX, DSNY, DSPG, MFI, and PSTX.

We attempt to provide subscribers with reasoned opinions based on our analysis of publicly available information from sources believed to be reliable, but make no representations as to its accuracy or completeness. Best Idea profiles are not based upon individual needs of subscribers nor are they an offer to buy or sell securities. Additional disclosures can be found under the Disclosures portion of the Mossberg's Investor Digest website.

www.mossbergid.com