Mossberg's Investor Digest

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From the Editor…

Ben Graham's top ten stock selection criteria – Here is a criteria list of Graham's that I think is useful.

1) An earnings-to-price yield of twice the triple-A bond yield.

2) A P/E ratio of 4/10 of the highest average P/E ratio the stock reached in the last five years.

3) A dividend yield of 2/3 of the triple-A bond yield.
4) A stock price down to 2/3 of tangible book.

5) A stock price down to 2/3 of net current asset value (current assets less total debt).

6) Total debt less than tangible book value.

7) Current ratio of two or more.

8) Total debt equal, or less than, 2x the net current asset value (see # 5).

9) Earnings growth over the most recent ten years of 7% compounded.

10) Stability of earnings growth – no more than two declines of 5% or more over the last 10 years.

This is a formidable criteria and it is unlikely that many stocks would make it through this screen. I like to think of this list as a guideline to use when evaluating ideas.

Thank you for your interest in Mossberg's Investor Digest

Dave Mossberg

June 2014 Issue

MOCON, Inc. (NASDAQ:MOCO) *$15.21, June 9, 2014, Page 3 –*: MOCON, Inc. products include a wide variety of specialized instruments that are used for gas detection, measurement and analysis. These products are used in the barrier packaging, food, pharmaceutical, industrial hygiene, air quality monitoring, oil and gas, and other industries. Assuming a return to historical margin levels following the integration of Dansensor, and the continuation of double digit growth, MOCON conservatively has $1.80 to $2.00 in earnings power over the next couple of years.

Global Power Equipment Inc. (NASDAQ:GLPW) - *$16.66, June 25, 2014, Page 4* – Global Power Equipment designs, engineers and manufactures an array of equipment and services for the global power generation industry. Orders and backlogs are impressive looking forward. The company's yearly dividend of $0.36 currently provides a 2.2% yield, which in tandem with potential price appreciation, could provide attractive yields to investors.

Primo Water Corporation (NASDAQ:PRMW) - *$4.74, June 27, 2014, Page 5* – Primo Water Corporation provides multi-gallon purified bottled water, self-service refill water and water dispensers. It is the leading water and dispenser brand. Revenue looking forward is fairly transparent given the recurring nature of the business. Free cash flow positive since 2012 and has had seven consecutive quarters of positive EBITDA. Primo has the financial momentum and scale to be an attractive long-term investment.

Spectra7 Microsystems Inc. (TSX.V:SEV)- *$0.47, June 30, 2014, Page 6* – Spectra7 Microsystems is a fabless semiconductor company that produces analog semiconductors for consumer electronics and wireless infrastructure markets. Spectra7 is addressing very large end markets that are expected to grow in excess of 50% for the next several years. The capital-light "fabless" business model is very scalable and generates significant gross margins with limited need for additional capital.

Mossberg's Investor Digest Idea Performance

The table below shows the relative change in the value of the ideas published since Decembwer 2013 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
Power REIT (NYSE:PW)	7-Dec-13	$8.16	$9.17	12.4%	8.6%	4.9%
Aggreko plc (OTC:ARGKF)	7-Dec-13	$26.45	$27.84	5.3%	8.6%	-2.2%
Osage Exploration and Development, Inc. (OTCBB:OEDV)	9-Dec-13	$1.07	$1.17	9.3%	8.4%	2.0%
Capstone Turbine Corp. (NASDAQ:CPST)	26-Dec-13	$1.22	$1.51	23.8%	6.2%	18.8%
Spark Networks, Inc. (NYSE MKT:LOV)	15-Jan-14	$6.07	$5.89	-3.0%	5.7%	-7.6%
News Corporation (NASDAQ:NWSA)	21-Jan-14	$16.76	$17.98	7.3%	5.9%	2.3%
Emmis Communications Corp. (NASDAQ:EMMS)	27-Jan-14	$2.98	$3.01	1.0%	9.7%	-7.7%
Brunswick Corporation (NYSE:BC)	30-Jan-14	$41.23	$42.19	2.3%	8.8%	-5.8%
A.H. Belo Corporation (NYSE:AHC)	5-Feb-14	$7.90	$12.00	51.9%	11.6%	41.0%
O2Micro International (NASDAQ:OIIM)	12-Feb-14	$3.36	$3.37	0.2%	7.4%	-6.7%
DEQ Systems Corp. (TSX:DEQ.V)	25-Feb-14	$0.24	$0.28	16.7%	5.5%	11.3%
Dresser-Rand (NYSE:DRC)	28-Feb-14	$54.30	$63.43	16.8%	4.7%	12.3%
Arcos Dorados (NYSE:ARCO)	7-Mar-14	$9.25	$11.05	19.5%	3.7%	16.0%
Cimatron Ltd.(NASDAQ:CIMT)	21-Mar-14	$7.85	$6.33	-19.4%	4.4%	-23.6%
Unisys (NYSE:UIS)	26-Mar-14	$29.64	$24.71	-16.6%	5.6%	-21.6%
Mueller Industries (NYSE:MLI)	28-Mar-14	$29.27	$29.30	0.1%	5.3%	-4.6%
WidePoint Corp. (NYSE MKT:WYY)	4-Apr-14	$1.51	$1.82	20.5%	4.9%	16.3%
Allied Motion Tech. Inc. (NASDAQ:AMOT)	10-Apr-14	$11.99	$14.63	22.0%	6.8%	16.0%
Ascent Capital Group Inc. (NASDAQ:ASCMA)	28-Apr-14	$68.34	$64.97	-4.9%	5.2%	-9.1%
SWK Holdings Corporation (OTCQB:SWKH)	29-Apr-14	$1.05	$1.16	10.5%	4.7%	6.8%
Monitise PLC (OTCPK:MONIF)	12-May-14	$1.10	$0.96	-12.7%	3.6%	-15.4%
Darling Ingredients Inc. (NYSE: DAR)	27-May-14	$19.43	$20.92	7.7%	2.8%	5.5%
Radiant Logistics, Inc. (NYSE MKT: RLGT)	29-May-14	$3.03	$3.00	-1.0%	2.4%	-2.8%
Willdan Group, Inc. (NASDAQ:WLDN)	31-May-14	$6.25	$8.00	28.0%	2.3%	26.3%
				8.2%	**5.9%**	**3.0%**

Best Idea Profile: **MOCON, Inc. (NASDAQ:MOCO)**

DESCRIPTION:

MOCON, Inc. products include a wide variety of specialized instruments that are used for gas detection, measurement and analysis. These products are used in the barrier packaging, food, pharmaceutical, industrial hygiene, air quality monitoring, oil and gas, and other industries. The company is divided into three segments: 1. Permeation products (38% of revenue) - measure rates at which gases transmit through materials; 2. Package testing products (44% of revenue) test for leaks and gasses in packaging; and 3. Industrial analyzers (18% of revenue) measure hazardous gases and contaminants for the oil and gas industry and the beverage industry. MOCON is headquartered in Minneapolis, with operations in Texas, Colorado, Germany and China. It has 250 full-time employees.

KEY INVESTMENT CONSIDERATIONS:

Developing Countries Fueling Growth – As living standards and personal income in developing countries grow, the demand for packaging of goods follows. Approximately 10,000 new packaged consumer products are launched worldwide every year. MOCON's package testing business, which is more than 40% of sales, helps packaging companies improve their products' shelf life and distribution, particularly where refrigeration is limited. Its leak detection can determine whether gases and liquids will permeate packaging and spoil food and beverages or contaminate sterile packages.

Margin and Cash Flow Recovery – MOCON acquired Dansensor in 2012 and is steadily integrating it into its systems. Dansensor was the market leader in the packaging segment and brought expanded product lines and geographical markets to the company. This has been a long, but expected, process, and has impacted margins. The acquisition was very strategic and long-term focused. Although it is now accretive, investors with short-term focus have depressed the stock. MOCON has been paying down its debt and should be cash flow positive going forward. As the acquisition becomes fully integrated over the next year, investors will see margins and cash flow approach pre-acquisition levels.

Market Leader – MOCON has 90% market share in permeation and packaging, with only two minor competitors, and remains dominant because of its research and development efforts and strong patent positions. This appears to be a secure position for MOCON. Its industrial analyzer segment has a more modest position, but also expects a higher rate of growth as oil and gas prices and fracking activity continue to explode. This is driven by the oil and gas industry's need to examine contaminants and toxicity levels. Management believes the potential for this market is $100 million and that this segment will grow at 15% to 20%; hence, more rapidly than its other segments.

Steady Dividends – MOCON recently declared its 104th consecutive quarter of cash dividends, and prior to that time, it had been paying dividends on a semi-annual basis since 1984. The current yield of almost 3% is an attractive incentive for investors.

VALUATION:

MOCO has been largely absent from investor attention, in large part due to management's decision and because of the longer term focus on growth and margins. Management is beginning to meet with investors and show interest in telling the company's story, which is likely to be a good one over the next 18 months. Assuming a return to historical margin levels following the integration of Dansensor, and the continuation of double digit growth, MOCON conservatively has $1.80 to $2.00 in earnings power over the next couple of years.

MOCON, Inc. (NASDAQ:MOCO)
Investment Data (as of 6/09/14)

Recent Price	**$15.21**
52-Week Range	$13.25 - $17.49
Fiscal Year End	Dec
Dividend	$0.44
Yield	2.9%
Shares Outstanding	5.7 M
Average Trading Volume (3 mos)	6k
Market Capitalization	$86.0 M
Cash	$4.5 M
Long-term Debt	$7.2M
Enterprise Value (EV)	$88.3 M
Book Value	$6.69
TTM Revenue	$58.0 M
P/ Revenue	1.5x
TTM EPS	$0.59
P/ EPS	25.8x
TTM EBITDA	$7.2 M
EV/ EBITDA	12.4x

Mossberg's Global Investor Digest

Best Idea Profile: **Global Power Equipment Inc. (Nasdaq:GLPW)**

DESCRIPTION:

Global Power Equipment designs, engineers and manufactures an array of equipment and services for the global power generation industry. Its Product Solutions provides equipment for utility-scale natural gas turbines, and electrical housing and generator enclosures primarily for the midstream oil and gas industry and the power generation industry. Also serving these industries, as well as chemical/petrochemical, the Energy Services segment provides lifecycle maintenance, repair, construction and fabrication. The company's third segment, Nuclear Services supports domestic utilities' nuclear power facilities. Corporate headquarters are located in Irving, Texas. Global Power was founded in 1998.

KEY INVESTMENT CONSIDERATIONS:

Growth in Current Business – As energy demand increases worldwide, so does demand for power generation products and services. The Energy segment currently has approximately $40 million in orders, which is up significantly from 2013. Product Solutions orders are $76 million. Global Power has booked over $200 million in orders year-to-date, compared with $170 million in the first half of last year.

Improving Results –For 2014, management is expecting gross profit margin growth of 20 to 30 basis points based on improving product mix, implementation of LEAN and inflation and pricing impacts. Backlog is lower on a consolidated basis, but it is growing for the higher margin businesses of Product Solutions and Energy Services.

Stronger, More Diversified Organization – Global Power implemented major changes in its personnel and operations in the last year. In 2012 it was mostly dependent on fossil-driven markets; whereas today, it is almost equally driven by fossil, industrial gas, and oil and gas. It made significant investments in LEAN, which is a value creation process that eliminates waste that management expects will impact productivity by 3 to 5% annually. The restructuring of businesses and hiring or realignment of management has set the company up to capitalize on growth opportunities. The more integrated organization makes this a scalable business that can expand into multiple relevant energy markets. Over the next two years, Global Power will build its aftermarket business, expand into Middle East and Mexico, continue its investment in infrastructure and systems, and pursue acquisitions.

$30 Million in Recent Awards –On June 11, Global Power announced it was awarded $30 million of orders for two major projects. Energy Services was awarded a contract for the construction of a pipeline terminal that will have 300,000 barrel per day capacity. Energy Services is also in on the order to service a turnkey gas turbine inlet chilling solution for one of the largest power producers in the U.S.

VALUATION:

The fourth quarter has traditionally been the dominant force in full-year results. Although not as dominant, the fourth quarter is likely going to be the biggest for the company in 2014, making the second half of the year an exciting one for the company and its investors. Orders and backlogs are impressive looking forward. The company's yearly dividend of $0.36 currently provides a 2.2% yield, which in tandem with potential price appreciation, could provide attractive yields to investors.

Global Power Equipment Inc. (NASDAQ:GLPW)
Investment Data (as of 6/25/14)

Recent Price	**$16.66**
52-Week Range	$15.17 - $20.98
Fiscal Year End	Dec
Dividend	$0.36
Yield	2.2%
Shares Outstanding	17.1 M
Average Trading Volume (3 mos)	46k
Market Capitalization	$281 M
Cash	$15 M
Long-term Debt	$25 M
Enterprise Value (EV)	$291 M
Book Value	$16.24
TTM Revenue	$472 M
P/ Revenue	0.6
TTM EPS	$0.76
P/ EPS	21.6x
TTM EBITDA	$33 M
EV/ EBITDA	8.9x

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Best Idea Profile: **Primo Water Corporation (NASDAQ:PRMW)**

DESCRIPTION:

Primo Water Corporation provides multi-gallon purified bottled water, self-service refill water and water dispensers sold through major retailers in the United States and Canada. It is the leading water and dispenser brand, and uses three and five-gallon units. Primo claims it is better tasting than tap water, cleaner than filters, more affordable and earth friendly than single serve bottles, and less expensive than home delivery. Primo Water was founded in 2004 and has headquarters in Winston-Salem, North Carolina.

KEY INVESTMENT CONSIDERATIONS:

Industry Outlook – There is a large opportunity for growth in the U.S. and Canada given the positive trends among consumers. Although the bottled water industry took a break from its rapid acceleration through 2007, it is now steadily increasing again. There has been much more emphasis on health and wellness, particularly in the areas of obesity and sugar consumption in North America. In other words, consumers are trading in their sodas for water. Consumers are increasingly concerned about the environmental issues of single-serve water bottles, with some cities voting to phase out the use of bottled water. Their concerns also extend to municipal tap water quality, and water's taste, even that of filtered water. The bottled water industry is again approaching the $12 billion mark and is not showing signs of slowing down.

Business Model – Primo's business model is the epitome of the recurring high-margin revenue business. It is the razor/razorblade model pioneered by Gillette in the early 1900s. It sells lower-margin dispensers in order to sell high margin water on an ongoing basis. Even the names of its three lines of business—dispensers, exchange and refill—indicate the extent to which the business is recurring. And the recurring portion of its sales, the water, offers gross margins above 30% and is about 70% of total revenues.

Strong Customer List – Primo sells to an impressive and diverse customer base: home centers, including Lowes and Ace Hardware; mass merchants, including Walmart, Target and Office Depot; grocery chains, including Kroger, HEB and Publix; membership stores, including Sam's and Costco; and drug stores. Additionally, Primo is the only single vendor retail solution available in the industry. It recently transitioned from 60 sources to a single distributor.

Strategy for Growth – Primo has 24,000 locations, with its eye on 60,000 addressable locations in the near term. It is targeting further household penetration and increased locations to drive revenues.

Executive Track Record – Primo's management was involved in Blue Rhino's successful introduction and development of the razor/razorblade model in the propane tank exchange market. Insiders own 16% of Primo stock and are incented to profitably grow the company.

Improved Financial Position – Primo recently announced a $35 million credit facility that it believes will save more than $2 million in interest savings annually. This can open many opportunities in its bid for expansion.

VALUATION:

With a targeted growth rate of 7 to 15% and a targeted EBITDA margin of 15% to 23%, Primo has the earnings power to produce $25 million in EBITDA over the next three years. Revenue looking forward is fairly transparent given the recurring nature of the business. It is free cash flow positive since 2012 and has had seven consecutive quarters of positive EBITDA. Primo has the financial momentum and scale to be an attractive long-term investment.

Primo Water Corporation (NASDAQ:PRMW)
Investment Data (as of 6/27/14)

Recent Price	**$4.74**
52-Week Range	$1.67 - $4.92
Fiscal Year End	Dec
Dividend	NA
Yield	NA
Shares Outstanding	24.2 M
Average Trading Volume (3 mos)	98k
Market Capitalization	$114.8 M
Cash	$1.3 M
Long-term Debt	$22.2 M
Enterprise Value (EV)	$132.6 M
Book Value	$1.18
TTM Revenue	$92.4 M
P/ Revenue	1.2x
TTM EPS	$(0.49)
P/ EPS	NA
TTM EBITDA	$8.5 M
EV/ EBITDA	15.7x

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Best Idea Profile: **Spectra7 Microsystems Inc. (TSX.V:SEV)**

DESCRIPTION:

Spectra7 Microsystems is a fabless semiconductor company that produces analog semiconductors for consumer electronics and wireless infrastructure markets. Its products address the following:
1***) DisplayDirect***™ allows TV manufacturers to reduce the thickness of panels by up to 85% to as small as 3 to 5 millimeters thick
2***) CouchConnect™*** allows for a low-cost plug-and-play cable to connect an iPad, mobile phone, etc. to a television and deliver true HD quality video. This product is widely available through consumer electronics retailers such as Wal-Mart, Amazon.com, OfficeMax, and others.
3) ***DisplayDirect™*** VR address rapidly growing market for Virtual Reality (VR) eyewear and can transfer audio and digital signals at ultra-high bandwidth up to 50Gbps and deliver a truly immersive virtual reality experience
4) ***ActiveDX*** - Addresses throughput bottlenecks and satisfies the demand for more bandwidth and lower costs in mobile infrastructure market. Wireless infrastructure products support the shift away from large "macro cell" base station sites, typically found along highways and on building tops, to smaller pole or wall-mounted base stations.
Spectra7 has 34 employees, with headquarters in Markham, Ontario, and development centers in Silicon Valley, Irvine, California, and Cork, Ireland.

KEY INVESTMENT CONSIDERATIONS:

Addressing Rapidly Growing Consumer Electronics Markets – All three consumer product lines — HD Displays, Active Cables/Second Screen, and VR — are in markets with rates of growth projected at more than 50%. Near-term growth will come from the interconnect business, with new products in DisplayDirect™ and DisplayDirect™ VR generating increasing growth next year. Facebook/Oculus, Sony Morpheus and Google Glass are expected to drive the consumer market and the demand for the DisplayDirect™ Virtual Reality product.

Growth of Mobile Infrastructure – With the proliferation of mobile devices and tablets, the market is exploding and demanding innovation and cost savings. The mobile infrastructure market, which is trending to small cells, is forecasted to grow 73% compounded annually over the next five years. The smaller geographic area supported by each small cell allows wireless carriers to achieve much better frequency re-use, resulting in ten times as much data capacity. This translates into a much faster return on the carriers' investments. Recent acquisitions within the relevant semiconductor sector indicate consolidation is escalating.

Defendable Markets – Spectra7 has 30 patents issued, with an additional 23 pending. Smaller companies, such as Spectra7 are able to successfully compete against larger players by focusing on analog chipsets (versus digital), which have a long lifecycle and are difficult to duplicate.

Strong Management and Board – Spectra7 has in place experienced management, a supportive and capable board that can enable rapid product introduction and acquisition-minded growth opportunities. Their backgrounds that include senior management positions at firms such Intel, IBM, Samsung and Linear Technology.

VALUATION:

Spectra7 is addressing very large end markets that are expected to grow in excess of 50% for the next several years. As products are commercialized, SEV's technology will be validated and top-line growth should see significant acceleration. The capital-light "fabless" business model is very scalable and generates significant gross margins with limited need for additional capital. Based on successful commercialization, products are a capable of producing $30 million to $40 million, or more, in revenue and 20% to 25% in EBITDA margin over the next three years. Assuming even a modest valuation multiples yields a value several times current levels.

Spectra7 Microsystems Inc. (TSX.V:SEV)
Investment Data (as of 6/23/14)

Recent Price	**$0.47**
52-Week Range	$0.26 - $0.88
Fiscal Year End	Dec
Dividend	NA
Yield	NA
Shares Outstanding	80.0 M
Average Trading Volume (3 mos)	307k
Market Capitalization	$37.6 M
Cash	$4.8 M
Long-term Debt	$3.0 M
Enterprise Value (EV)	$35.8 M
Book Value	$0.14
TTM Revenue	$3.1 M
P/ Revenue	12.4x
TTM EPS	N/A
P/ EPS	N/A
TTM EBITDA	$(10.2) M
EV/ EBITDA	-3.5x

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12 Monthly Compilation Issues

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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.

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