

Mossberg's Investor Digest

Best Idea Profile:

Kofax, plc (OTC: KFAFX)

DESCRIPTION:

Kofax smart process applications help companies improve operating costs and their customers' satisfaction by capturing critical customer information upfront and quickly and efficiently getting it into the companies' systems of record, which are typically large-scale rigid enterprise applications and repositories. These solutions increase speed, convenience and accuracy of business critical information such as information capture (documents, photos and data), process management, analytics, invoice automation, and other back-office automation. Kofax solutions are delivered directly or through a global network of more than 800 partners in 75 countries. Founded in 1985, Kofax is headquartered in Irvine, California, and employs 1,200 people.

KEY INVESTMENT CONSIDERATIONS:

Market Opportunity Doubling – A study conducted by a consulting firm in December 2012 indicates that Kofax's market opportunity will double in the next four years from \$7 billion to \$14 billion. Having started in simple data capture, the Company logically expanded into the markets of business process management and smart process applications. These markets are growing more rapidly than data capture and represent tremendous ongoing opportunity for the Company, especially as customers shift their spending patterns from developing their own applications in-house to purchasing them from software vendors.

Strong Vertical and Geographic Penetration – Kofax has a large installed base spread fairly evenly across a variety of industries including financial services, healthcare, insurance and government. Kofax also boasts that 66 of the Fortune Global 100 companies are customers. Kofax sells directly in more than 30 countries and indirectly in 75 countries in the Americas, Europe and Asia Pacific.

Focus on Mobile Apps – Kofax's business has already moved from simple data capture by monolithic page scanners in centralized back offices to the automation of labor-intensive processes and the ability to manage businesses. Mobile devices are driving the market expansion further by using smart phones and tablets to extend these capabilities to the point of origination. However, the evolution and level of acceptance has a long way to go: two-thirds of organizations claim that mobile is important, but only a quarter of these organizations have made progress towards mobile engagement.

Seeking NASDAQ listing – Management has stated its intent to be listed on NASDAQ by the end of the calendar year. This should increase investor awareness of the stock.

Balance Sheet Supports Acquisition Plans – A large cash position and no debt supports management's stated plan to supplement organic growth with acquisitions. Two acquisitions in the last 18 months have extended the breadth of the Company's offerings to its existing customer base, including the February acquisition of a business intelligence and analytics company. Kofax entered the business process management market through an acquisition in December 2011. This is a strong management team with extensive industry experience and success in growing through acquisitions.

VALUATION:

The valuation appears very compelling for a profitable software company with attractive growth opportunities. On an EV/ EBITDA the company is only 7.7x and EV/Sales is only 1x. This multiple should expand significantly as the Company gains greater awareness from a NASDAQ listing and management executes on its growth plans.

Kofax, plc (OTC:KFAFX) Investment Data (as of 3/22/13)

Recent Price	4.47
52-Week Range	3.78 - 5.04
Fiscal Year End	June 29
Dividend	NA
Yield	NA
Shares Outstanding	84.1 M
Average Trading Volume (3 mos)	5,000
Market Capitalization	\$375M
Cash	\$87M
Long-term Debt	\$0
Enterprise Value (EV)	\$289M
Book Value	\$2.68
TTM Revenue	\$257.8M
P/ Revenue	100.6x
TTM EPS	\$0.11
P/ EPS	40x
TTM EBITDA	\$37.5M
EV/ EBITDA	7.7x

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