Mossberg's Investor Digest

May 2014
Issue #71

From the Editor…

Investment Criteria – I often ask professional investors "what is your investment criteria?" and usually get a fairly detailed response highlighting growth requirements, valuation requirements, liquidity, etc. The following points describe my basic criteria for investment…

Return on Equity Potential – For every investment I make, I look at the three levers of ROE 1) profitability, 2) asset turnover and 3) leverage and how management can pull these levers to drive returns for shareholders. I am less concerned about using trailing financial data, or current financial metrics and more concerned about what the metrics will be in the next 3 years.

Insider Ownership – As a rule of thumb, the smaller the company, the more insider's ownership I like to see.

Management Compensation – I don't mind executives earning excessive salaries, provided that they can influence excess returns. However, if the CEO makes more money in a year than a company has ever made in profit, it's time o move on.

Capital Consumption – Generally, I like businesses that don't consume a lot of capital. Regardless of how good the company is, during hard times, capital consuming companies can be in bad position.

Porter's Five Forces - Threat of new entrants, Threat of substitute products or services, bargaining power of customers, bargaining power of suppliers, intensity of competitive rivalry.

Other Owners – This is also more important for smaller companies. Who are the owners, are they exiting or entering their position, and what is their likely ultimate exit point.

Thank you for your interest in Mossberg's Investor Digest

Dave Mossberg

March 2014 Issue

Monitise PLC (OTCPK:MONIF) *$1.10, May 12, 2013, Page 3* – Monitise develops mobile money products designed to help consumers bank anywhere, pay anyone and buy anything from their mobile phones or tablets. In fact, its business is divided into those categories. The company is essentially debt free. Its five-year guidance for sustainable gross margins is above 70%, with EBITDA margin of at least 30%. It expects to be EBITDA profitable in fiscal 2016. Management has also stated its intent to move the stock to the main market in the 2014 calendar year, which would increase its accessibility and attractiveness.

Darling Ingredients (NYSE: DAR) - *$19.43, May 27, 2014, Page 4* – Darling Ingredients creates sustainable food, feed and fuel ingredients for a growing population. It has been an innovator in the development of biofuels using rendered fats and recycled cooking oils as feedstock. There is non-operational noise around the company's financials that has made it more difficult to evaluate the potential of this focused and growing company. As this noise quiets, this stock should continue to garner attention.

Radiant Logistics, Inc. (NYSE MKT: RLGT) - *$3.03, May 29, 2014, Page 5* – Radiant Logistics is a non-asset based provider of third-party logistics services that offers customized time-critical domestic and international transportation and logistics solutions to manufacturers, distributors and retailers. Radiant doesn't own the planes, trains or automobiles; instead it uses a network of independent carriers and international agents worldwide. It usually handles larger shipments than the typical UPS or Federal Express haul.

Willdan Group, Inc. (NASDAQ:WLDN) - *$6.25, May 31, 2014, Page 6* – Willdan Group provides professional, technical and consulting services to public and governmental agencies, public and private utilities, and commercial and industrial firms through 25 offices from California to New York. Willdan is trading at its high for the year; however, confidence is high for another strong quarter and the expectation that multiple contracts in the second half of the year will continue to drive momentum, particularly in the engineering division.

Mossberg's Investor Digest Idea Performance

The table below shows the relative change in the value of the ideas published since December 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	$9.25	13.4%	6.1%	7.3%
Aggreko plc (OTC:ARGKF)	7-Dec-13	$26.45	$29.45	11.3%	6.1%	5.3%
Osage Exploration and Development, Inc. (OTCBB:OED	9-Dec-13	$1.07	$1.06	-0.9%	5.9%	-6.8%
Capstone Turbine Corp. (NASDAQ:CPST)	26-Dec-13	$1.22	$1.55	27.0%	3.8%	23.3%
Spark Networks, Inc. (NYSE MKT:LOV)	15-Jan-14	$6.07	$4.71	-22.4%	3.2%	-25.6%
News Corporation (NASDAQ:NWSA)	21-Jan-14	$16.76	$17.12	2.1%	3.4%	-1.3%
Emmis Communications Corp. (NASDAQ:EMMS)	27-Jan-14	$2.98	$2.90	-2.7%	7.1%	-9.8%
Brunswick Corporation (NYSE:BC)	30-Jan-14	$41.23	$43.79	6.2%	6.2%	0.0%
A.H. Belo Corporation (NYSE:AHC)	5-Feb-14	$7.90	$11.78	49.1%	9.0%	40.2%
O2Micro International (NASDAQ:OIIM)	12-Feb-14	$3.36	$3.49	3.9%	4.9%	-1.0%
DEQ Systems Corp. (TSX:DEQ.V)	25-Feb-14	$0.24	$0.33	35.4%	3.1%	32.4%
Dresser-Rand (NYSE:DRC)	28-Feb-14	$54.30	$61.26	12.8%	2.3%	10.5%
Arcos Dorados (NYSE:ARCO)	7-Mar-14	$9.25	$8.90	-3.8%	1.3%	-5.0%
Cimatron Ltd.(NASDAQ:CIMT)	21-Mar-14	$7.85	$6.87	-12.5%	2.0%	-14.4%
Unisys (NYSE:UIS)	26-Mar-14	$29.64	$23.77	-19.8%	3.1%	-22.9%
Mueller Industries (NYSE:MLI)	28-Mar-14	$29.27	$28.82	-1.5%	2.8%	-4.4%
WidePoint Corp. (NYSE MKT:WYY)	4-Apr-14	$1.51	$1.60	6.0%	2.5%	3.5%
Allied Motion Tech. Inc. (NASDAQ:AMOT)	10-Apr-14	$11.99	$14.53	21.2%	4.3%	16.8%
Ascent Capital Group Inc. (NASDAQ:ASCMA)	28-Apr-14	$68.34	$61.78	-9.6%	2.7%	-12.3%
SWK Holdings Corporation (OTCQB:SWKH)	29-Apr-14	$1.05	$1.15	9.5%	2.2%	7.3%
				6.2%	**4.1%**	**2.1%**

Best Idea Profile: **Monitise PLC (OTCPK:MONIF)**

DESCRIPTION:

Monitise develops mobile money products designed to help consumers bank anywhere, pay anyone and buy anything from their mobile phones or tablets. In fact, its business is divided into those categories. Bank Anywhere empowers financial institutions to deliver mobile banking to their customers. Pay Anyone enables consumers to make payments at any time or at any place. Buy Anything allows purchase of goods and services via mobile. Lastly, Engage Anytime is an alerting solution that allows real-time, two-way conversations. More than 250 financial institutions are connected to the Monitise global platform, covering Europe, North America, Africa, India and Asia-Pacific. Monitise is headquartered in London and has 560 full-time employees.

KEY INVESTMENT CONSIDERATIONS:

Smartphone Growth Remains Explosive – In 2009 smartphones had penetrated 5% of the global population; at the end of 2013 it had captured 22%. The average adult interacts with their phone 150 times per day. There is a long way to go in this explosion and companies that can offer impactful and unique services will be rewarded. Banking is poised to take advantage of this changed environment. Mobile banking is contributing to the decline in branch banking by saving costs, raising customer interactions, and reducing penalty fees and time spent visiting branches and ATMs. Mobile banking adoption will continue to follow the penetration of smartphones. In fact, Monitise's chairman, formerly the CEO of Visa Europe, expects 50% of Visa's transactions will be initiated from a mobile phone by the year 2020.

Competitive Outlook – Although there are many players in this space, there are few competitors with Monitise's infrastructure, scope of services and market penetration. Monitise is the market leader with 28 million registered end-users. Monitise's suite of products can impact a financial institution's customer retention, revenue generation, cost savings, fraud reduction and customer engagement. Its existing strategic partnerships, advanced technology, and scalability make it more likely to be bought out than crushed by the entry of industry giants. A recent shift to a subscription-based revenue model will lower revenues in the short term, but it will likely accelerate customer additions and, ultimately, revenue. The new model reduces financial and technical barriers to customer onboarding, allowing faster penetration of this attractive market. The company is targeting 200 million registered users by fiscal 2018.

Strategic Partnerships – Through its unique payment and commerce technology, Monitise has developed relationships with major financial institutions; including Visa, MasterCard, PNC, Standard Chartered, and Bank of China. It has an impressive partnership with IBM that can get it in the door of any IT department anywhere in the world. Other partnerships include Positron and Telefónica.

Impact of Major Shareholders – Monitise has strong investors in its stock. It recently placed an additional 160 million new shares to assist in the shift to a global subscription-based business. Its major existing shareholders and its new partner, MasterCard, are participating in the placement.

VALUATION:

The company is essentially debt free. Its five-year guidance for sustainable gross margins is above 70%, with EBITDA margin of at least 30%. It expects to be EBITDA profitable in fiscal 2016. Management has also stated its intent to move the stock to the main market in the 2014 calendar year, which would increase its accessibility and attractiveness. It currently trades on the London Stock Exchange and the OTC Markets Group.

Monitise PLC (OTCPK:MONIF)
Investment Data (as of 5/8/14)

Recent Price	**$1.10**
52-Week Range	$0.51 - $1.38
Fiscal Year End	June
Dividend	NA
Yield	NA
Shares Outstanding	1.6 B
Average Trading Volume (3 mos)	3.6 M
Market Capitalization	$1.8 B
Cash	$113 M
Long-term Debt	$1.7 M
Enterprise Value (EV)	$1.7 B
Book Value	$0.25
TTM Revenue	$154.5 M
P/ Revenue	11.6x
TTM EPS	$(0.05)
P/ EPS	NA
TTM EBITDA	$(54.0) M
EV/ EBITDA	NA

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Best Idea Profile: **Darling Ingredients Inc. (NYSE:DAR)**

DESCRIPTION:

Darling Ingredients creates sustainable food, feed and fuel ingredients for a growing population. It has been an innovator in the development of biofuels using rendered fats and recycled cooking oils as feedstock. Food ingredients are sold worldwide to the pharmaceutical, food, and cosmetic industries. This segment's products include gelatin, food grade fats, casings and Heparin. The Feed ingredients division is Darling's largest segment, and it sells to feed and pet food manufacturers and produces fertilizers. The Fuel ingredient segment includes Diamond Green Diesel, a partnership with Valero Energy Corp. that addresses the growing demand for renewable energy by recycling animal fats and used cooking oils into renewable diesel. Darling is headquartered in Irving, Texas, and operates more than 200 locations on five continents. It recently changed its name from Darling International Inc.

KEY INVESTMENT CONSIDERATIONS:

Population Growth Driving Need for Innovation – Exponential world-wide population growth and even more rapid expansion of wealth in key growth areas such as Asia and Latin America has caused an explosion in the demand for food, feed and fuel, and therefore the search for sustainable means to meet these consumption needs.

Advantages of Diamond Green Diesel – This $445 million joint venture with Valero can fulfill nearly 15% of the national biomass-based diesel mandate using the most economical feedstock available. It was started in 2013 and is nearing its first full year of operation. It is the nation's largest animal fat-to-renewable diesel facility. It is capable of producing 137 million gallons (9,300 barrels) annually. The plant is located adjacent to Valero's refinery, allowing Valero to market the diesel and distribute it via its pipelines.

Focused on Growth – A decade ago Darling was a commodity-only business. It has transformed itself and de-risked this commodity business through innovation and acquisitions. It made three key acquisitions in the last 12 months, one of which management describes as transformational in that it establishes a growth platform in emerging market countries. Darling expects to strengthen its current position through operational efficiencies, customer loyalty and product innovation. It is continually expanding its current operations into new markets and looking for strategic acquisitions.

Exposure to Weather and Materials Pricing – In its latest quarter the company did not achieve consensus financial expectations. This was primarily attributable to the feed business, which was affected by corn and fat prices, as well as the impact of extreme cold weather and natural gas curtailment in the Midwest and Canada. These impacts do not appear to be an issue in the current quarter. The first quarter was also impacted by non-operating costs associated with recent acquisitions. Therefore, the quality and transparency of earnings should return in the second quarter.

EBITDA Potential – In a recent presentation, management stated that it believes the company has $700 million in EBITDA potential, including Diamond Green Diesel.

VALUATION:

There is a lot of non-operational noise around the company's financials that has made it more difficult to evaluate the potential of this focused and growing company. As this noise quiets, this stock should continue to garner attention.

Darling Ingredients Inc. (NYSE: DAR)
Investment Data (as of 5/27/14)

Recent Price	**$19.43**
52-Week Range	$23.95 - $18.34
Fiscal Year End	Dec 28
Dividend	NA
Yield	NA
Shares Outstanding	164.6 M
Average Trading Volume (3mos)	1.2 M
Market Capitalization	$3.2 B
Cash	$143.4 M
Long-term Debt	$2.4 B
Enterprise Value (EV)	$5.5 B
Book Value	$12.11
TTM Revenue	$2.2 B
P/ Revenue	1.5x
TTM EPS	$0.18
P/ EPS	108.6x
TTM EBITDA	$337.1 M
EV/ EBITDA	16.3 x

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Best Idea Profile: **Radiant Logistics, Inc. (NYSE MKT: RLGT)**

DESCRIPTION:

Radiant Logistics is a non-asset based provider of third-party logistics services that offers customized time-critical domestic and international transportation and logistics solutions to manufacturers, distributors and retailers. Radiant doesn't own the planes, trains or automobiles; instead it uses a network of independent carriers and international agents worldwide. It usually handles larger shipments than the typical UPS or Federal Express haul. Radiant Logistics, Inc. became a public company in January of 2006, and is based in Bellevue, Washington.

KEY INVESTMENT CONSIDERATIONS:

Scalable Business – The incremental cost to support the next dollar of revenue is negligible as Radiant is able to leverage its business. This also makes the company very nimble to adjust to economic downturns and recoveries. It uses a network of independent carriers and international agents around the world, reaching 25 airports with regularly scheduled service. Because it doesn't own the assets, ongoing capital expenditure requirements are minimal. It is also able to negotiate attractive pricing with transportation providers because of the volume of its business.

Attractive Plan for Growth – The non-asset based business model is the heart of Radiant's growth strategy. Radiant has demonstrated its ability to grow organically and by acquisition. It brings on new agent stations that recognize the benefit of additional tools and opportunities that Radiant offers them. It also gives business owners a unique opportunity for succession planning and liquidity. Radiant looks for accretive acquisitions that involve conversion of current agent stations, acquisitions of competing agent stations, or acquisitions of competing networks. It targets candidates that generate $1 to $3 million of EBITDA and is able to achieve minimal integration risk and immediate cost synergies. On a recent call, management stated that there are more opportunities in its acquisition pipeline than it's ever had and that the company has more financial flexibility than ever to execute its strategy of growth.

Fragmented Industry – Transportation logistics is a highly fragmented industry, much like the trucking industry itself. One-truck (or other vehicle) operators, as well as small fleet operators, face stiff competition to efficiently manage their business. Radiant's model is set up to help these operators maximize their income and minimize their costs. This makes for a compelling option for haulers and shippers, and a driver of non-asset based growth for Radiant.

Large and Diversified – Radiant has one of the largest network footprints in the industry with more than 90 company-owned and exclusive independent agent offices. It serves a diversified account base with no single account representing more than 5% of revenues.

Strong Cash Flow – Cash flow is typically higher than net income because of significant non-cash depreciation and amortization. March is seasonally the slowest quarter and was particularly impacted by the bad weather in the northeast.

VALUATION:

This small market cap stock is narrowly followed by analysts. Radiant Logistics posted its quarterly earnings results of $0.04 per share on May 14, beating the Thomson Reuters consensus estimate by $0.02. On average, analysts predict that Radiant will post $0.12 earnings per share for the current June fiscal year. Management's guidance for the June quarter is for $0.04 per fully diluted share. Recent insider selling near the stock's 52-week high most likely represents management's need to diversify, not a lack of optimism about the company.

Radiant Logistics, Inc. (NYSE MKT:RLGT)
Investment Data (as of 5/29/14)

Recent Price	**$3.03**
52-Week Range	$1.79 - $3.50
Fiscal Year End	June 30
Dividend	NA
Yield	NA
Shares Outstanding	34 M
Average Trading Volume (3 mos)	60k
Market Capitalization	$103 M
Cash	$4 M
Long-term Debt	$6 M
Enterprise Value (EV)	$106 M
Book Value	$1.15
TTM Revenue	$328 M
P/ Revenue	0.3x
TTM EPS	$0.13
P/ EPS	23x
TTM EBITDA	$12 M
EV/ EBITDA	9x

Best Idea Profile: **Willdan Group, Inc. (NASDAQ:WLDN)**

DESCRIPTION:

Willdan Group provides professional, technical and consulting services to public and governmental agencies, public and private utilities, and commercial and industrial firms through 25 offices from California to New York. Its complementary services include engineering and planning, energy efficiency and sustainability, economic and financial consulting, and homeland security. Celebrating its 50 year anniversary, Willdan was founded in 1964, and became a publicly traded company in 2006. It is based in Anaheim, California.

KEY INVESTMENT CONSIDERATIONS:

Rebounding Demand – The recovery in residential housing has a big impact on Willdan. Additionally, many municipalities downsized their engineering services during the recession and are currently understaffed and looking to outsource these services, driving a steady flow of work in engineering, building safety, and construction management. Most of Willdan's contracts are with small cities, but the numbers add up quickly and the company has added 50 new employees since the beginning of the year in the area. Its one large city contract represents the largest staff outsourcing project in California. Management is very confident that it will add its second large city contract in the second half of 2014 (they have won the competition and are waiting to start services), which will be a substantial win.

Impressive Quarter – The visibility of top-line growth is greatly enhanced by a series of recent positive contracts and expectations for second half wins. First quarter revenue was up 12%, EBITDA was up almost a million, and earnings per share increased from 5 cents to 17 cents over the first quarter of 2013. This exceeded analysts' expectations. Without giving guidance, management stated that it expects 2014 will be more profitable than 2013, and is exuding optimism.

Dual Growth Channels – Management believes there is a good pipeline for tuck-in acquisitions that can be grown at a rapid rate. This combination of organic and acquisition growth fits well into the company's strategy and is well supported by a strong balance sheet.

Cash and NOLs –The balance sheet is very strong with $12.7 million in cash. Additionally, Willdan has $6.8 million and $9.8 million in federal and state operating loss carryovers, respectively, to use.

Interesting Prospects – Management has outlined many interesting prospects for additional work in the second half of 2014. Not the least of these is a long-term contract with FEMA that it expects to receive in the next few months. Willdan's engineering and homeland solutions would be aimed at helping cities reduce risk related to natural disasters. The business is scalable depending on when and where FEMA is called out. However, on average there are 61 natural disasters per year to which FEMA is summoned. Therefore, although potential revenue is unpredictable, it is viewed as a substantial contract. Secondly, Willdan also just won its first contract under the California Clean Energy Jobs Act, Prop. 39. California has allocated $2.5 billion over the next few years to this, and Willdan will be providing energy savings programs in California schools, with the potential for additional contracts.

VALUATION:

Willdan is trading at its high for the year; however, confidence is high for another strong quarter and the expectation that multiple contracts in the second half of the year will continue to drive momentum, particularly in the engineering division.

Willdan Group, Inc. (NASDAQ:WLDN)
Investment Data (as of 5/30/14)

Recent Price	**$6.25**
52-Week Range	$2.32 - $6.25
Fiscal Year End	Dec 27
Dividend	NA
Yield	NA
Shares Outstanding	7.4 M
Average Trading Volume (3 mos)	12k
Market Capitalization	$46 M
Cash	$13 M
Long-term Debt	$539 K
Enterprise Value (EV)	$30 M
Book Value	$2.92
TTM Revenue	$87 M
P/ Revenue	0.5x
TTM EPS	$0.47
P/ EPS	13x
TTM EBITDA	$4 M
EV/ EBITDA	8x

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12 Monthly Compilation Issues

Access to Past Compilation Issues

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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.

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