Mossberg's Investor Digest

Best Idea Profile: **Mueller Industries, Inc. (NYSE:MLI)**

DESCRIPTION:

Mueller Industries, Inc. manufactures products used in residential and commercial building. Its products include copper tube and fittings; brass and copper alloy rod, bar and shapes; aluminum and brass forgings; aluminum and copper impact extrusions; plastic fittings, pipe and valves; refrigeration valves; and fabricated tubular products. It operates through two business segments. Plumbing and refrigeration sells products to wholesalers in the HVAC, plumbing, and refrigeration markets, as well as to building material retailers and distributors of manufactured housing and RVs. The OEM, or original equipment manufacturers, segment sells to OEMs in the HVAC, plumbing, and refrigeration industries. The company was founded in 1917 and is headquartered in Memphis, Tennessee.

KEY INVESTMENT CONSIDERATIONS:

Growing Business and Profits – Mueller made two acquisitions in the fourth quarter that support its strategy to grow its core businesses. And it is growing profitably. Excluding unusual items, 2013 net income grew almost 14% and earnings per share were up 44%. Management expects earnings growth of 12% annually over the next five years, which could be conservative if construction continues to climb to more historical levels.

Upside Potential in Positive Market – Mueller's business is highly dependent on three factors: the construction of new homes; the improvement and reconditioning of existing homes and structures; and the commercial construction market that includes office buildings, factories, hotels, and hospitals. The recovery in the housing market is advancing but at an uneven pace. Mortgage rates moved higher in 2013 which caused some disruption; however, 18% more houses and apartments were started in 2013 than in 2012. There is still considerable upside to reach the housing construction levels of 2007. Non-residential building is a little further behind the curve but activity in 2014 is predicted to improve. Mueller also benefits from home remodeling projects as its products are sold at The Home Depot and Lowe's. Industry forecasters expect home improvement sales will grow almost 6% annually over the next few years.

Wide Product Selection – Mueller's broad range of products gives it an edge over its competition. It is the leading manufacturer of some of the critical materials used in new construction: copper, brass, plastic and aluminum products. And it serves its clients from a broad base of manufacturing facilities across North America, Great Britain, Mexico and China.

Positive Actions for Shareholders – Mueller announced in February a 20% increase in its quarterly dividend, bringing the yearly rate to $0.60 per share. It also announced a 2:1 split that will be completed March 28.

VALUATION:

At year end, MLI's book value/share was $12.43, With growth expected to outperform the S&P 500, and price/earnings multiples below that of the average, the stock could outperform as the construction industry continues to improve. Housing improvements have lagged the rest of the economy but should continue to catch up, benefitting this maker of plumbing and HVAC-related products.

The annual dividend of $0.30 per share is also attractive for a company with the growth potential of Mueller. The per-share data in this report is based on pre-split numbers.

Mueller Industries (NYSE:MLI)
Investment Data (as of 3/28/14)

Recent Price	**$29.27**
52-Week Range	$24.05 - $32.13
Fiscal Year End	Dec. 28
Dividend (forward)	$0.30
Yield	1%
Shares Outstanding	56.6 M
Average Trading Volume (3 mos)	131 K
Market Capitalization	$1.7 B
Cash	$312 M
Long-term Debt	$235 M
Enterprise Value (EV)	$1.6 B
Book Value	$12.42
TTM Revenue	$2.2 B
P/ Revenue	0.8 x
TTM EPS	$3.06
P/ EPS	9.6 x
TTM EBITDA	$161.5 M
EV/ EBITDA	10.1 x