

# Mossberg's Investor Digest

## Best Idea Profile:

## NetSol Technologies, Inc. (NASDAQ:NTWK)

### DESCRIPTION:

Founded in 1997, NetSol Technologies operates from seven offices worldwide, with headquarters in Calabasas, California. NetSol provides asset finance software: information technology services and enterprise solutions primarily for the automobile finance and leasing, banking, healthcare, and financial services industries. Notable clients include Toyota, Mercedes Benz, GMAC, BNP Paribas, Chase, Citigroup, Cisco Systems, and IBM. NetSol Financial Suite is a modular contract management system for asset finance companies that handles systems such as front office processing, credit origination, lease applications and fleet management.

### KEY INVESTMENT CONSIDERATIONS:

**Chinese Market Fueling Growth** – There is a fundamental shift towards leasing underway in China as the economic slowdown has made leasing a more attractive option than purchasing. China trumps the U.S. as the top auto market as its auto sales and production is growing by at least 50% year over year. According to the latest projections, China's market for auto consumption finance is set to exceed \$161 billion in the next 10 years. The company has an increasing presence in Asia Pacific and will expand further in North America with the launch of the next generation NFS system offering the most robust solution of its kind. NetSol is targeting North American revenue contribution will double to 24% within five years. The company has captured just 1% of its total global market.

**Strong Product Potential**– NetSol is developing applications to allow clients to provide mobile solutions to their sales force and back office. Typically any client that has a dealer network or has people on the road either doing proposals, quotations, collecting data or doing audit, are going to have a need for a mobile app for smart phones and tablets. Additionally, NetSol's Vroozii division is an e-procurement search tool that has the potential to triple its sales this year. It recently launched a self-service business shopping platform that is a first in the industry and provides NetSol with a higher net margin recurring revenue stream. In mid-February, the company had thirteen Vroozii enterprise customers and should add 10 more in fiscal 2013.

**Saudi Arabia Joint Venture Major Contributor** – Through a joint venture with a large IT systems integrator, recent efforts in Saudi Arabia are producing results in excess of near-term internal projections. NetSol is winning new projects with major public sector companies, multinational leasing companies and Benz in the area. This joint venture alone produced \$0.06 in earnings per share in the latest quarter and growth is expected to expand in the entire region.

**Higher Visibility of Revenue and Backlog** – Maintenance and service revenue is almost twice what it was a year ago. This builds backlog but also gives higher visibility into clients' future needs, allowing NetSol to optimize delivery and pricing.

**Record Revenues** – The second quarter revenue is the highest recorded for NetSol and represents the second quarter in a row of record revenue. Earnings exceeded internal expectations with six-month net income more than that of the entire previous year. And, typically the second half is the strongest. Guidance is for earnings of \$0.80 to \$1.00 per share for fiscal 2013 and revenue growth of 15-25% annually over the next five years.

### VALUATION:

In its latest report, NetSol had \$9.6 million in cash, up from \$7.6 million at June 30. With substantial earnings momentum, and trading at a discount to its peers, the stock could easily trade higher.

#### NetSol Technologies, Inc. (NASDAQ:NTWK) Investment Data (as of 3/16/13)

<b>Recent Price</b>	<b>\$10.84</b>
52-Week Range	\$3.60 - \$12.81
Fiscal Year End	June
Dividend	NA
Yield	NA
Shares Outstanding	8.0 M
Average Trading Volume (3 mos)	195 k
Market Capitalization	\$88 M
Cash	\$10 M
Long-term Debt	\$10 M
Enterprise Value (EV)	\$88 M
Book Value	\$8.06
TTM Revenue	\$47.8 M
P/ Revenue	2 x
TTM EPS	\$0.91
P/ EPS	11.9 x
TTM EBITDA	\$16.5 M
EV/ EBITDA	5.3 x

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