

Mossberg's Investor Digest

Best Idea Profile:

Top Image Systems, Ltd. (Nasdaq:TISA)

DESCRIPTION:

Headquartered in Israel; Top Image Systems Ltd. develops and markets automated data capture solutions for managing and validating content gathered from customers, trading partners and employees. Whether originating from electronic, paper, mobile or other sources, the Company's solutions deliver digital content to the applications that drive an enterprise by using technologies, including wireless communications, servers, form processing and information recognition systems. Top Image Systems' software improves business processes by integrating different types of data from multiple sources. Top Image Systems Ltd. sells its products through a network of value-added distributors, systems integrators, original equipment manufacturers, and partners in approximately 40 countries worldwide.

KEY INVESTMENT CONSIDERATIONS:

Established Franchise – Top Image is an established provider of content management systems. The Company currently serves 6 key vertical markets: Banking, Finance, Government, Energy, Transportation and Logistics, Retail and Insurance. The current customer base includes names such as Citibank, US Government, FedEx and Coca Cola.

One Unified Platform – Top Image is the only Content ECM Company that offers multiple channels of data on a single platform. The Company's products integrate information regardless of the source and format of the data, whether structured, as in the case of application forms or surveys, or semi-structured, such as invoices, purchase orders, checks, freight and shipping bills and others.

Strong Partner Channel – The Company is building out a strong partner network which currently includes names such as Accenture, Xerox and SAP.

Large Addressable Market – The global document capture market is estimated at \$3 billion and expected to grow by about 9% annually with additional growth of 50% expected by 2013 (source: company).

Banking Upgrade Cycle Driving Growth – Compliance demands, aging platforms and mobile applications are driving a powerful technology upgrade cycle. Top Image adds value to this process as banks assess and implement changes to their front and back end infrastructure. Top Image is automating banking, invoice, mailroom and other processes with its ecm platform *eFLOW*.

Inflection Point – Top Image digested some acquisitions and implemented a number of changes in 2009. Since that time, the Company's performance has continuously improved. Q3FY2011 revenues were \$7.2 million with earnings per share of \$0.05, up 32% and 25% respectively, on a year-over-year basis. The Company has now had 12 consecutive quarters of profitability.

Recurring Revenue – The Company has a significant amount of maintenance work in its sales mix. Nearly 25% of the Company's revenues are from recurring sources.

Financial Strength – Top Image has \$3.3 million in cash and no debt.

VALUATION:

Top Image will report earnings in two weeks and has already articulated a 30% growth in revenue and a 100% growth in operating profits. The lone analyst covering the stock is expecting \$0.30 in EPS for 2011 and \$0.43 for FY2012. At current levels, that is just 10x 2011 earnings and 7x 2012. This is an attractive multiple for a company with solid growth prospects.

Top Image Systems, Ltd. (NASDAQ:TISA) Investment Data (as of 2/17/12)

Recent Price	\$2.92
52-Week Range	\$0.76 - \$3.25
Fiscal Year End	Dec
Dividend	NA
Yield	NA
Shares Outstanding	10.9MM
Average Trading Volume (3 mos)	54k
Market Capitalization	\$32MM
Cash	\$3MM
Long Term Debt	NA
Enterprise Value (EV)	\$29MM
Book Value	\$0.81
TTM Revenue	\$27MM
P/ Revenue	1x
TTM EPS	\$0.10
P/ EPS	30x
TTM EBITDA	\$3.4MM
EV/ EBITDA	8x

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