

Mossberg's Investor Digest

Best Idea Profile:

Wilbros Group, Inc. (NYSE:WG)

DESCRIPTION:

Headquartered in Houston, Texas; Wilbros Group, Inc. provides services to global end markets serving the oil and gas, refinery, petrochemical and power industries. These services include engineering, procurement and construction, turnaround, maintenance and other specialty services which are critical to the expansion and operation of energy infrastructure. The Company designs, constructs and upgrades midstream infrastructure such as pipelines and compressor stations and also does work for downstream facilities, such as refineries. The Wilbros Services business provides maintenance and small capital projects for transmission and distribution facilities for electric and natural gas utilities and large capital projects for renewable power generation and electric transmission projects. Wilbros and its predecessor company have constructed approximately 124,000 miles (200,000 kilometers) of pipeline and have done work in over 60 countries.

KEY INVESTMENT CONSIDERATIONS:

Strong Energy Sector Franchise – Wilbros has a strong and diversified franchise in the energy infrastructure. The Company and its predecessor have been around since 1908 and actively serve the Energy sector with Upstream/Downstream, Midstream, Utility Transmission/Distribution and Downstream construction and service operations.

Recurring Revenue – Many of Wilbros contracts are Master Service Agreements with 1 to 3 year terms. These contracts are based on established rates for materials and include names such as NiSource, Oncor and Syncrude.

High Growth Markets – Wilbros has exposure to expanding markets in electric transmission, hydrocarbon infrastructure and the Canadian oil sands activities. These markets are poised for further growth which is driven by a number of factors such as renewable energy sources, oil shale development, pipeline integrity and ongoing maintenance needs.

Improving Financials – Q3FY2011 adjusted Ebitda was \$31.6mm vs. \$21mm for Q2FY2011. During the same period debt declined to \$297mm from \$318MM. The Company has over \$68 million in cash on the balance sheet.

Utility transmission and Distribution – A build-out in the US in this area has created an opportunity for Wilbros. According to the Edison Electric Institute the Electricity transmission infrastructure market is expected to grow from \$11.2 Billion in 2011 to \$12.3 Billion in 2013. Also, over \$880 billion in new T&D infrastructure is expected from 2010 to 2030 including \$298 billion for transmission infrastructure and \$582 billion to be spent on distribution. (source: Transforming America's Power Industry: The Investment Challenge 2010-2030, Edison Electric Institute) Wilbros now has service offerings to participate in the utility T&D market.

Shale Plays – U.S. production growth is concentrated in Shale Plays which are changing the pipeline landscape. New supply areas lack infrastructure. With Natural Gas, NGL and Oil Midstream sectors being projected to require capital expenditures of \$10 billion per year (source: INGAA, North American Midstream Natural Gas Infrastructure Through 2035: A Secure Energy Future, June 28, 2011.) Wilbros is strategically positioning offices in the North American shale plays.

VALUATION:

Wilbros is at an inflection point. Analysts are expecting a return to profitability in FY2012 with a mean estimate of \$0.45 vs. a \$0.83 loss for FY2011. A multiple of 12x next year's estimate would equal a stock price of \$5.40

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Investment Data (as of 12/23/11)

Recent Price	\$3.71
52-Week Range	\$3.13 - \$12.55
Fiscal Year End	Dec
Dividend	NA
Yield	NA
Shares Outstanding	49MM
Average Trading Volume (3 mos)	430k
Market Capitalization	\$180MM
Cash	\$68MM
Long Term Debt	\$299MM
Enterprise Value (EV)	\$410MM
Book Value	\$7.45
TTM Revenue	\$1.7B
P/ Revenue	0.1x
TTM EPS	\$(4.85)
P/ EPS	NA
TTM EBITDA	\$32MM
EV/ EBITDA	13x

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