

# Mossberg's Investor Digest

Best Idea Profile:

World Energy Solutions, Inc. (NASDAQ:XWES)

## DESCRIPTION:

Headquartered in Worcester, MA; World Energy Solutions, Inc. uses technology, process and people to help companies manage and lower their total energy costs. Via online auction platforms, retail energy consumers (commercial, industrial and governmental) and wholesale energy participants (utilities, electricity retailers, and intermediaries) in North America (listers) are able to negotiate for the purchase, or sale, of electricity, natural gas and renewable energy resources from competing energy suppliers (bidders) that have agreed to participate the company's auction platform. The World Energy Exchange ® is supplemented with information about market rules, pricing trends, energy consumer usage and load profiles. World Energy's staff uses this platform to conduct auctions, analyze results, guide energy consumers through contracting, and track their contracts, sites, accounts and usage history. The team also uses the exchange's sophisticated monitoring, triggering and messaging tools to develop, support and implement comprehensive risk management strategies for its more sophisticated clients.

## KEY INVESTMENT CONSIDERATIONS:

**Market Potential** – According to the N. American Electric Reliability Corporation, demand for electricity is expected to increase over the next 10 years by 19% in the US, but generation capacity is expected to increase by only 12% in the US during that same period. As a result, in N. America, the margin between electric supply and demand is expected to drop below minimum target levels in certain regions in the next 2 to 3 years. To meet demand, N. America is expected to add 698,000 MWh of capacity between '08 and '30. Worldwide, the International Energy Agency expects 4,799,000 MWh of capacity to be required over the same period at a total cost of \$13.7 trillion. This situation presents enormous economic, environmental and logistical challenges for energy consumers. XWES is uniquely positioned to benefit from this trend.

**Solid and Diverse Client Base** – XWES manages energy for more than 33,000 facilities of 500+ customers. Customers in the wholesale market can be either buyers or sellers and can include utilities and municipal utilities that buy power or natural gas to fill in gaps in their portfolios, or to consume in their generation facilities, and retail marketers who buy natural gas and power to resell to retail customers. If the customer is a buyer, World Energy will run a reverse (descending price) auction to secure a lower price. If XWES customers are sellers, XWES will run a forward (ascending price) auction to secure a higher price.

**Competitive Bidding Produces Cost Savings** – Auctions are run on XWES' World Energy Exchange ®, World DR Exchange™ or the World Green Exchange ®, depending on the commodity auctioned. The auction creates a competitive bidding environment that is designed to cause bidders to deliver better prices in response to other competitive bids. Bidders include over 250 competitive electricity and natural gas suppliers and over 150 wholesale electricity suppliers registered on the World Energy Exchange ®, representing a majority of all suppliers in the deregulated electricity and natural gas markets. To date, there are over 150 registered bidders on the World Green Exchange®. Of the registered energy suppliers, approximately 150 had active contracts with energy consumers that were brokered through the World Energy Exchange®.

## VALUATION:

World Energy has built a strong franchise that will benefit from increasing energy prices. Now that the company has demonstrated two quarters of profitability, look for it to attract more attention from the Street. Increasing earnings, cash flow and valuation are now all a distinct possibility.

### (NASDAQ:XWES)

Investment Data (as of 3/28/11)

<b>Recent Price</b>	<b>\$4.40</b>
52-Week Range	\$2.20 - \$4.90
Fiscal Year End	Dec
Shares Outstanding	9.2MM
Average Trading Volume (3 mos)	39,000
Market Capitalization	\$40MM
Cash	\$3.6MM
Long Term Debt	1K
Enterprise Value (EV)	\$36MM
LT Debt/ Equity	NA
BV/ Share	\$1.23
TTM Revenue	\$18MM
P/ Revenue	2.2x
TTM EPS	\$(0.01)
P/ EPS	NA
TTM EBITDA	\$1.3MM
EV/ EBITDA	27.7X

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