Mossberg's Investor Digest

September 2014
Issue #75

**From the Editor…**

Free Cash Flow Yield is a great metric that I often use in valuing stocks. Simply put, Free Cash flow Yield is how much Free Cash Flow (FCF) is generated relative the value of the company (Enterprise Value, EV).

FCF/ EV = Free Cash Flow Yield (FCF Yield)

Free Cash flow is defined as cash that is generated after subtracting all cash expenses (operating cash flow) and capital expenditures. In other words, this is the "Free" cash left over for shareholders (in the form of dividends/share repurchase), or for the company to reinvest (acquisitions, new investments)

Enterprise Value is defined as the market capitalization of the company plus its debt and minus its cash. Think of EV as how much it would take to buy all of the shares of the company at today's share price and pay off all of its net debt (debt-cash).

In addition to relative valuation, FCF Yield can be used in comparison with the yield on a treasury, or a corporate bond, to tell an investor if there is enough additional yield to justify the additional risk.

As with any valuation metric FCF Yield is not infallible. Several factors, such as bloated inventory and receivables balances, can distort cash flows from year to year and must be taken into account in order to calculate the yield. In addition, it is often not possible to use the metric (without modification) to analyze small companies that are investing heavily to grow their businesses.

Thank you for your interest in Mossberg's Investor Digest.

Dave Mossberg

**September 2014 Issue**

**Helen of Troy (NASDAQ:HELE) -** *$53.80, September 12, 2014, Page 3* – Helen of Troy Limited develops and markets consumer products under three segments. Personal care products, housewares and healthcare/ home environment. HELE took off in early 2014, primarily because of the Dutch tender offer of 3.69 million shares. The share buyback was the first in the history of the company and management indicates a shift in its focus on shareholder value.

**SMTP, Inc. (NASDAQ:SMTP) -** *$6.40, September 15, 2014, Page 4* – SMTP, Inc. provides cloud-based email delivery services for companies that want to ensure that their marketing emails reach their customers' inboxes. Because of the proliferation of SPAM, or unwanted emails, internet service providers have continually tightened filters that have caused even legitimate emails to never reach their intended recipients. The stock is attractive because of the dividend but the real investment story is one of growth and acquisitions that are accretive operationally, strategically and financially.

**Mandalay Digital Group, Inc. (NASDAQ:MNDL) -** *$4.91, September 23, 2014, Page 5* – Mandalay Digital Group, Inc. provides mobile content solutions for wireless carriers and original equipment manufacturers globally to help them monetize mobile content. With cash of nearly $19 million, Mandalay significantly improved its balance sheet in the last year by raising more than $33 million. It is essentially debt free. Mandalay has the big-name global customers that many in the U.S. might not recognize. A year ago the largest mobile operator in Australia launched the company's products.

**L.B. Foster Company (NASDAQ:FSTR)** - *$47.28, September 29, 2014, Page 6* – L.B. Foster Company provides infrastructure materials to transportation, construction, utility, energy, recreation and agriculture markets. Strong booking activity in the first half of 2014 bodes well for financial results for the rest of the year. Management indicated it may bump up the dividend in the future, as well as add to its share repurchase program, "because we do have enough liquidity . . . to do the things that we want to do from an acquisition standpoint."

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## Mossberg's Investor Digest Idea Performance

The table below shows selected ideas published from August 2012 until August 2014. The overall performance number includes all ideas published since August 2012, including those not shown. **Performance data quoted represents past performance and does not guarantee future results.** Current performance of ideas may be lower or higher than the performance quoted.

| Company | Pub. Date | Original Price | Recent Price | Change | Russell 3000 Change Since Pub. Date | Relative Perf. vs. Russell 3000 |
|---|---|---|---|---|---|---|
| Deere and Company (NYSE: DE) | 13-Aug-12 | $79.76 | $81.97 | 2.8% | 42.2% | -34.7% |
| Power Solutions International (OTC BB:PSIX) | 16-Aug-12 | $16.99 | $69.00 | 306.1% | 40.9% | 269.7% |
| Zale Corporation (ZLC) | 17-Sep-12 | $5.87 | $21.00 | 257.8% | 36.0% | 225.4% |
| Air Transport Services Group, Inc. (ATSG) | 24-Sep-12 | $4.67 | $7.28 | 55.9% | 36.6% | 23.2% |
| GameStop Corp. (NYSE: GME) | 4-Oct-12 | $22.37 | $41.21 | 84.2% | 36.3% | 51.8% |
| Sycamore Networks, Inc. (NASDAQ:SCMR) | 11-Oct-12 | $0.51 | $0.35 | -97.6% | 38.9% | -132.6% |
| Gaiam Inc. (GAIA) | 7-Nov-12 | $2.94 | $7.35 | 150.0% | 42.4% | 111.3% |
| Green Dot Corporation (NASDAQ:GDOT) | 26-Nov-12 | $11.71 | $21.14 | 80.5% | 41.3% | 42.7% |
| Sealed Air Corporation (NYSE:SEE) | 16-Dec-12 | $16.13 | $34.88 | 116.2% | 40.2% | 79.6% |
| Westmoreland Coal Co. (NASDAQ:WLB) | 17-Dec-12 | $10.02 | $37.41 | 273.4% | 38.6% | 238.1% |
| DHX Media Ltd. (TSX:DHX.TO) | 12-Jan-13 | $1.86 | $8.74 | 369.9% | 34.1% | 338.3% |
| Mood Media Corporation (TSX:MM.TO) | 20-Jan-13 | $1.93 | $0.65 | -66.3% | 32.8% | -96.6% |
| MVC Capital, Inc. (NYSE:MVC) | 12-Feb-13 | $12.24 | $10.76 | -12.1% | 29.7% | -39.2% |
| eGain Corporation (Nasdaq:EGAN) | 15-Feb-13 | $7.50 | $5.95 | -20.7% | 29.6% | -47.9% |
| Palomar Medical Technologies, Inc. (NASDAQ:PMTI) | 6-Mar-13 | $11.91 | $13.65 | 14.6% | 27.9% | -10.5% |
| Global Power Equipment Group Inc. (NASDAQ:GLPW) | 7-Mar-13 | $16.93 | $14.89 | -12.0% | 27.6% | -36.9% |
| Tutor Perini (NYSE: TPC) | 16-Apr-13 | $16.76 | $26.40 | 57.5% | 25.6% | 35.3% |
| Carbonite (Nasdaq: CARB) | 17-Apr-13 | $9.96 | $10.25 | 2.9% | 27.5% | -20.9% |
| Axesstel (Nasdaq:AXST) | 12-May-13 | $1.30 | $0.08 | -93.7% | 20.8% | -111.9% |
| Keweenaw Land Association (OTC: KEWL) | 21-May-13 | $75.00 | $110.00 | 46.7% | 18.2% | 30.8% |
| CafePress Inc. (NASDAQ:PRSS) | 4-Jun-13 | $6.81 | $3.20 | -53.0% | 21.1% | -71.2% |
| Carrols Restaurant Group, Inc. (NASDAQ:TAST) | 11-Jun-13 | $5.83 | $7.11 | 22.0% | 21.5% | 3.3% |
| Syneron Medical Ltd. (NASDAQ:ELOS) | 17-Jul-13 | $8.68 | $9.99 | 15.1% | 17.1% | 0.1% |
| BGC Parnters, Inc. (NASDAQ:BGCP) | 22-Jul-13 | $6.47 | $7.43 | 14.8% | 16.0% | 0.7% |
| FelCor Lodging Trust (NYSE:FCH) | 8-Aug-13 | $5.95 | $9.37 | 57.4% | 15.7% | 43.3% |
| Hydrogenics Corp. (NASDAQ:HYGS) | 13-Aug-13 | $11.06 | $16.92 | 53.0% | 15.9% | 38.6% |
| Famous Dave's (NASDAQ:DAVE) | 19-Sep-13 | $16.14 | $26.90 | 66.7% | 13.7% | 54.1% |
| Alteva, Inc. (NYSE:ALTV) | 23-Sep-13 | $7.26 | $6.99 | -3.7% | 15.0% | -17.7% |
| Blue Earth Inc. (OTCQB:BBLU) | 16-Oct-13 | $3.09 | $3.77 | 22.0% | 13.5% | 8.9% |
| EveryWare Global, Inc. (NASDAQ:EVRY) | 24-Oct-13 | $10.81 | $2.55 | -76.4% | 11.4% | -87.8% |
| Winmark Corporation (NASDAQ:WINA) | 10-Nov-13 | $73.84 | $73.50 | -0.5% | 10.8% | -10.7% |
| Regional Management Corp. (NYSE:RM) | 18-Nov-13 | $32.54 | $17.97 | -44.8% | 9.6% | -53.7% |
| Power REIT (NYSE:PW) | 7-Dec-13 | $8.31 | $10.00 | 20.3% | 8.6% | 12.1% |
| Aggreko plc (OTC:ARGKF) | 7-Dec-13 | $27.79 | $25.50 | -8.2% | 8.6% | -16.4% |
| Spark Networks, Inc. (NYSE MKT:LOV) | 15-Jan-14 | $6.18 | $4.60 | -25.6% | 5.7% | -30.9% |
| News Corporation (NASDAQ:NWSA) | 21-Jan-14 | $16.76 | $16.36 | -2.4% | 5.9% | -8.1% |
| A.H. Belo Corporation (NYSE:AHC) | 5-Feb-14 | $7.82 | $10.69 | 36.7% | 11.6% | 25.1% |
| O2Micro International (NASDAQ:OIIM) | 12-Feb-14 | $3.36 | $2.70 | -19.6% | 7.4% | -27.3% |
| Arcos Dorados (NYSE:ARCO) | 7-Mar-14 | $9.38 | $5.99 | -36.2% | 3.7% | -40.4% |
| Cimatron Ltd.(NASDAQ:CIMT) | 21-Mar-14 | $7.85 | $6.00 | -23.6% | 5.3% | -28.9% |
| WidePoint Corp. (NYSE MKT:WYY) | 4-Apr-14 | $1.51 | $1.72 | 13.9% | 4.9% | 9.0% |
| Allied Motion Tech. Inc. (NASDAQ:AMOT) | 10-Apr-14 | $12.00 | $13.99 | 16.6% | 6.8% | 9.9% |
| Monitise PLC (OTCPK:MONIF) | 12-May-14 | $1.08 | $0.50 | -53.8% | 3.6% | -57.1% |
| Darling Ingredients Inc. (NYSE: DAR) | 27-May-14 | $19.67 | $18.33 | -6.8% | 2.8% | -9.7% |
| MOCON, Inc. (NASDAQ:MOCO) | 9-Jun-14 | $15.25 | $15.01 | -1.6% | 0.6% | -2.4% |
| Global Power Equipment Inc. (NASDAQ:GLPW) | 26-Jun-14 | $16.52 | $14.89 | -9.9% | 0.3% | -10.7% |
| Maxwell Technologies, Inc. (NASDAQ:MXWL) | 20-Jul-14 | $12.77 | $8.72 | -31.7% | -0.3% | -31.5% |
| Tower Semiconductor Ltd. (NASDAQ:TSEM) | 23-Jul-14 | $10.90 | $10.18 | -6.6% | -0.8% | -6.1% |
| Bolt Technology Corp. (NASDAQ:BOLT) | 5-Aug-14 | $17.43 | $21.95 | 25.9% | 2.5% | 22.8% |
| Tribune Publishing Corp. (NYSE:TPUB) | 20-Aug-14 | $19.55 | $20.17 | 3.2% | -0.9% | 3.5% |
| | **Overall Performance since August 2012** | | | **23.1%** | **18.5%** | **6.2%** |

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**Best Idea Profile:** **Helen of Troy (NASDAQ:HELE)**

## DESCRIPTION:

Helen of Troy Limited develops and markets consumer products under three segments. Personal care products include curling and straightening irons, hot air brushes, hair dryers, hair clippers, mirrors, hair brushes, decorative hair accessories, shampoos, fragrances and deodorants. Brands in this segment include Revlon, Hot Tools, Dr. Scholl's, Sure and Brut. The housewares segment provides food preparation tools and storage containers, cutlery, tea and coffee, bathroom accessories, storage products and baby care products. Brands in this segment include OXO, Good Grips, and Soft Works. The healthcare/home environment segment includes thermometers, blood pressure monitors, heating pads, humidifiers, and water filtration systems. Its brands include Vicks, Braun, PUR, Febreze and Honeywell. Helen of Troy is based in El Paso, Texas, and was founded in 1968.

## KEY INVESTMENT CONSIDERATIONS:

**Capitalizing on Wellness and Aging –** At the end of June, Helen of Troy paid $195 million in cash for Healthy Directions. This accretive acquisition helps the company capitalize on the aging population's desire for vitamins, minerals and supplements that help with heart, skin and vision. Healthy Directions targets U.S. consumers aged 55 and older, as over 70% of these take vitamin supplements. Experts believe the vitamin, mineral and supplements market will continue to grow close to 9% annually through 2020. The business had over 8% year-over-year revenue growth and gross margin of 70%, which was approximately 30 percentage points higher than Helen of Troy's consolidated 2014 results. Management has done very well with its acquisitions in 2010 and 2011 of Kaz and PUR, both of which also follow the health and wellness trend. Acquisitions have contributed to tripling of company revenues in the past ten years.

**Licensing Relationships–** Some of the brands it markets are owned by Helen of Troy and some are licensed. The company has very long and deep licensing relationships, many 30 years or more, with Proctor and Gamble, Revlon, Honeywell and Unilever. Helen of Troy is Proctor and Gamble's oldest, largest and most global licensee. These relationships offer considerable opportunity to leverage the scale of its business.

**Personal Care Weakness –** A weak retail environment and sluggish growth in the personal care segment were the factors in management's determination to guide fiscal 2015 sales estimates downward by approximately 5%. Management lowered by about $0.60 its earnings per share guidance to a range of $4.55 to $4.65, excluding Healthy Directions. The company has a history of growth, with a six-year compound annual growth rate of 16% in sales as the company doubled in size. Its EBITDA grew 18% annually over that period. Personal care was 100% of revenues in 2004, but is now just a third. Health care/home environment was created through acquisitions and now represents 43% of the company's revenues. This is a testament to the company's ability to grow organically and from acquisitions.

**Interest From Outside –** HELE shares have been of interest to potential suitors for much of 2014. The stock's pullback following management's most recent downward guidance fuels this speculation further.

## VALUATION:

HELE took off in early 2014, primarily because of the Dutch tender offer of 3.69 million shares. The share buyback was the first in the history of the company and management indicates a shift in its focus on shareholder value. After reaching a high of $70 in April, the price retreated, especially following the recent downward guidance issued in early September. The stock has had several precipitous drops that have landed it in a much more attractive range for purchases.

**Helen of Troy (NASDAQ:HELE)**
Investment Data (as of 9/12/14)

| | |
|---|---|
| **Recent Price** | **$53.80** |
| 52-Week Range | $40.91 - $70.23 |
| Fiscal Year End | Feb 28 |
| Dividend | NA |
| Yield | NA |
| Shares Outstanding | 28.4 M |
| Average Trading Volume (3 mos) | 230k |
| Market Capitalization | $1.5 B |
| Cash | $29.2 M |
| Long-term Debt | $426.0 M |
| Enterprise Value (EV) | $1.9 B |
| Book Value | $27.50 |
| TTM Revenue | $1.3 B |
| P/ Revenue | 1.2x |
| TTM EPS | $2.66 |
| P/ EPS | 20.2x |
| TTM EBITDA | $181 M |
| EV/ EBITDA | 10.7x |

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**Best Idea Profile:** **SMTP, Inc. (NASDAQ:SMTP)**

## DESCRIPTION:

SMTP, Inc. provides cloud-based email delivery services for companies that want to ensure that their marketing emails reach their customers' inboxes. Because of the proliferation of SPAM, or unwanted emails, internet service providers have continually tightened filters that have caused even legitimate emails to never reach their intended recipients. An estimated 22% of opt-in emails, or "permissioned" messages, are either wrongly sent to the junk mail folder or never reach their intended recipient. This is particularly true of the high-volume senders that SMTP targets. SMTP customers pay a monthly subscription to ensure their emails are actually delivered to their customers. SMTP became a public company through a reverse merger in 2012. It is based in Nashua, New Hampshire.

## KEY INVESTMENT CONSIDERATIONS:

**Growth Market –** The email market is currently a $2 billion business and is expected to be $3 billion by 2020. SMTP intends to take a more active and integrated role in that growth and has created a much more aggressive sales organization to drive this growth. Previously it could rely on potential customers searching for simple mail transfer protocol services online and coming up with the company because its name, SMTP, is the same as the email industry acronym. Companies benefit greatly from the knowledge and technology SMTP offers because successful email delivery drives their revenues. Because of the automation of the business, email delivery is very scalable and profitable if managed well.

**Acquisitions Accretive in All Respects –** SMTP was historically focused only on the email delivery part of the business, but with the stated intent to branch into complementary businesses. It fortified its intent with the January 2014 secondary offering of $11.5 million and then uplisted to the NASDAQ. This currency for acquisitions resulted in two very attractive additions. SharpSpring, acquired in August 2014, seamlessly integrates marketing automation with CRM and call tracking functionality for a fraction of the price of competitive solutions. The acquisition of GraphicMail adds email campaign management and editing and a worldwide sales and distribution team. This acquisition is set to close during the fourth quarter of 2014. The integration of all three companies significantly broadens the product offering, and broadens the sales reach from only the U.S. to 12 additional countries. The combined entities will have nearly double the revenues, a higher growth rate and the opportunity over time to materially integrate operating synergies.

**Management Favorably Aligned –** SMTP hired a new chief executive officer approximately a year ago. He is skilled, entrepreneurial and attacking his charge to grow the company profitably. His compensation is primarily aligned with the stock price, as is the Chairman's. The Chairman owns 53% of the shares and takes no salary.

**Dividend –** SMTP's recurring revenue business model generates considerable cash, which the company pays out in an annual dividend of $0.48 per share—a 7.7% yield. The CEO makes it clear that they intend to continue the dividend program because it differentiates the company from other microcap stocks that are not profitable.

## VALUATION:

The investment community has been practically unaware of SMTP stock. Visibility should grow as the company's secondary offering in the first quarter of 2014 allowed it to move to the NASDAQ and the acquisitions raise the profile of the revenues and growth potential. The stock is attractive because of the dividend but the real investment story is one of growth and acquisitions that are accretive operationally, strategically and financially.

**SMTP, Inc. (NASDAQ:SMTP)**
Investment Data (as of 9/15/14)

| | |
|---|---|
| **Recent Price** | **$6.40** |
| 52-Week Range | $1.43 - $10.00 |
| Fiscal Year End | Dec |
| Dividend | $0.48 |
| Yield | 7.5% |
| Shares Outstanding | 5.0 M |
| Average Trading Volume (3 mos) | 11k |
| Market Capitalization | $32.1 M |
| Cash | $11.5 M |
| Long-term Debt | 0 |
| Enterprise Value (EV) | $20.7 M |
| Book Value | $2.38 |
| TTM Revenue | $6.0 M |
| P/ Revenue | 5.4x |
| TTM EPS | $0.37 |
| P/ EPS | 17.1x |
| TTM EBITDA | $1.8 M |
| EV/ EBITDA | 11.9x |

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**Best Idea Profile:** **Mandalay Digital Group, Inc. (NASDAQ:MNDL)**

## DESCRIPTION:

Mandalay Digital Group, Inc. provides mobile content solutions for wireless carriers and original equipment manufacturers globally to help them monetize mobile content. It has Digital Turbine products: DT Ignite is an application management tool that lets operators customize the preloaded applications on a smartphone; DT IQ manages user discovery and organizes apps; DT Content provides application stores and content; and DT Pay manages content and mobile payments. Headquarters are in Los Angeles, serving more than 30 million customers each month across more than 20 global operators.

## KEY INVESTMENT CONSIDERATIONS:

**Dynamic and Growing Market –** In oversimplification, Mandalay makes its money by helping smartphone operators make money off of advertising on smartphones or getting applications onto phones. So the fact that the smartphone market has a long way to go in terms of sheer penetration is a key to the company's growth. Smartphone users are still only 30% of the total 5.2 billion mobile users. And the 300 million smartphones in the U.S. are only 5% of the global opportunity. The focus for the company is on the operators as they have the most to gain, and to lose, in this market.

Many people expected mobile use would look more like desktop use; however, they are actually very different as the vast majority of mobile time is spent on apps versus the web. Facebook and Google are the only companies that have successfully capitalized on the amount of ad spend they have, compared with the amount of time consumers spend on their apps. Other apps have the opportunity to do the same. App installs is the focus of Mandalay. Other mediums' (television, print, internet) ratio of advertising spending/time spent shows the potential opportunity to increase mobile ad spend by more than $30 billion.

**Importance of Big-name Customers –** In mid-August, Mandalay Digital added a tier-one U.S. carrier to its list of customers: it launched DT Ignite with Verizon on LG G3, with more than $6.5 million of media committed for summer device launches globally. The relationship with Verizon will increasingly impact revenues as it is ramped over the next few quarters. But it is also a tremendous boost for further U. S. and global penetration as other global operators see that Verizon is implementing full multi-year deployment of its products. Also in the last quarter Mandalay confirmed deployment of DT IQ on all T-Mobile Android devices.

Mandalay has the big-name global customers that many in the U.S. might not recognize. A year ago the largest mobile operator in Australia launched the company's products. One of the premier communications services providers in Asia, SingTel, is also a user of Digital Turbine products.

**Making Customers and Suppliers Happy –** Digital Turbine products are particularly powerful as they provide the whole ecosystem; from recommending apps, such as music or games, based on what a consumer has loaded, to collecting payments. On the supply side, the company has sold $6.5 million of media and advertising because partners are excited to be able to get directly to the home screen of consumers' devices. They pay Mandalay for that opportunity either for just putting the app on the phone or for each time a customer opens the app.

## VALUATION:

With cash of nearly $19 million, Mandalay significantly improved its balance sheet in the last year by raising more than $33 million. It is essentially debt free. There are many variables that can significantly impact financial results, particularly related to the Verizon ramp, but solid future results will attract investors.

**Mandalay Digital Group, Inc. (NASDAQ:MNDL)**
Investment Data (as of 9/23/14)

| | |
|---|---|
| **Recent Price** | **$4.91** |
| 52-Week Range | $2.28 - $6.47 |
| Fiscal Year End | Mar 31 |
| Dividend | NA |
| Yield | NA |
| Shares Outstanding | 37 M |
| Average Trading Volume (3 mos) | 499k |
| Market Capitalization | $184 M |
| Cash | $19 M |
| Long-term Debt | 0 |
| Enterprise Value (EV) | $162 M |
| Book Value | $0.78 |
| TTM Revenue | $25 M |
| P/ Revenue | 7x |
| TTM EPS | ($0.82) |
| P/ EPS | NA |
| TTM EBITDA | ($14 M) |
| EV/ EBITDA | -12x |

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**Best Idea Profile:** **L.B. Foster Company (NASDAQ:FSTR)**

## DESCRIPTION:

L.B. Foster Company provides infrastructure materials to transportation, construction, utility, energy, recreation and agriculture markets. It accomplishes this mission through three primary divisions. Its rail products segment, representing almost two-thirds of revenues, provides new and used rail primarily to transit authorities, industrial companies, and rail contractors. The construction segment sells and rents steel sheet and other products for foundation and earth retention, and fabricates steel and aluminum for highway, bridge, and transit systems. The tubular segment provides pipe products for natural gas pipelines, utilities, industrial water wells, and irrigation markets. The company's products are currently being used for the construction and rehabilitation of key projects including the New Orleans Flood Barrier, Brooklyn Bridge and the Panama Canal. L.B. Foster was founded in 1902 and has headquarters in Pittsburgh. It operates 20 manufacturing facilities in the U.S., Canada and the United Kingdom, with a global network of distributors and partners.

## KEY INVESTMENT CONSIDERATIONS:

**Warranty Charge –** In the second quarter the company had a $4.6 million warranty charge related to certain concrete railroad ties that were manufactured in a facility it no longer operates for the Union Pacific Railroad. This impacted the second quarter results and somewhat masks the excellent quarterly results outside of this issue.

**Evolving –** Approximately one-third of company revenues are derived from markets and products it did not operate before 2000. Its ongoing focus is to shift emphasis to faster growing markets, while expanding served markets and entering adjacent markets to achieve above-market growth rates of over 5% growth. The percentage of its products destined outside the U.S. has more than tripled in the past three years. The company has a strong history of income and margins.

**Acquisition Plans –** In the August conference call, L.B. Foster's CEO indicated they were seeing an increase in the "deal flow that is coming to our doorstep." He further elaborated that they are looking for investments that will drive value and support competitive advantage in rail and tubular products, mainly aimed at the energy segment. Management's plan over the next five years includes a 4% to 6% compound annual growth in sales from programs currently underway. However, it also intends to be more aggressive in accretive acquisitions that would bring its potential into double-digit growth. The company expects to keep a balance between the cash maintained for acquisitions while still increasing capital spending to support growth programs and drive efficiency and cost reductions.

**Carr Concrete Acquisition –** L.B. Foster acquired Carr Concrete, based in West Virginia, in July 2014. This extended its reach into the east coast market. Carr's more eastern location leverages sales offices where the company was previously uncompetitive on price; this fact is important since transportation costs are 15% to 30% of total. It also expands the product lines available to its customers. Carr Concrete sales were $12 million last year.

## VALUATION:

Strong booking activity in the first half of 2014 bodes well for financial results for the rest of the year. Management indicated it may bump up the dividend in the future, as well as add to its share repurchase program, "because we do have enough liquidity . . . to do the things that we want to do from an acquisition standpoint." Having rebounded fairly nicely in mid-August, the stock is now trading near its late July lows.

**L.B. Foster Company (NASDAQ:FSTR)**
Investment Data (as of 9/29/14)

| | |
|---|---|
| **Recent Price** | **$47.28** |
| 52-Week Range | $40.09 - $57.48 |
| Fiscal Year End | Dec |
| Dividend | $0.12 |
| Yield | 0.30% |
| Shares Outstanding | 10.4 M |
| Average Trading Volume (3 mos) | 31 K |
| Market Capitalization | $490 M |
| Cash | $88 M |
| Long-term Debt | $398 K |
| Enterprise Value (EV) | $402 M |
| Book Value | $32.01 |
| TTM Revenue | $597 M |
| P/ Revenue | 0.8x |
| TTM EPS | $2.68 |
| P/ EPS | 17.7x |
| TTM EBITDA | $50 M |
| EV/ EBITDA | 8.0x |

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The goal of the Best Idea Profiles in this newsletter is to describe all of relevant investment merits and risks of a company in one page. It is not intended to be an exhaustive report including every detail of a company. With limited space available, I am forced to include only those data points that I feel are most important for subscribers to know before they begin their own due diligence. Thank you for your interest in Mossberg's Investor Digest.

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