

CUI GLOBAL INC (NASDAQ:CUI)

Growth opportunities taking shape

Q3 RESULTS – AHEAD OF CONSENSUS

CUI Global Inc (NASDAQ: CUI) reported third-quarter (Q3) results on November 7th, showing revenue of US\$24.7m (Q3 2017: US\$21.8m) and a reduced earnings per share (EPS) loss of US\$0.05 (Q3 2017: -US\$0.09). These compare with the consensus forecasts of US\$23.5m revenue, an EPS loss of US\$0.07 (from market sources). The performance reflects strong execution in the Power & Electromechanical segment and a sharp rebound in the Energy division.

The biggest strategic driver for CUI remains the potential for the GasPT product to deliver dramatic revenue growth in the Energy segment in 2019 and beyond; however, these results show that the company remains focussed on achieving performance across the portfolio.

THE BIG GROWTH DRIVERS – GASPT, ICE

GasPT is a product with transformational potential for CUI Global Inc and for the natural gas industry, providing cost-effective near-real-time analysis of natural gas along transmission pipes.

An important opportunity for GasPT is an existing contract with Snam Rete of Italy, which has been paused pending regulatory clearances not related directly to GasPT. We understand that the Italian government has now appointed an energy authority, and we believe that the project could be cleared to advance in the next few months.

Aside from the Snam Rete programme, in the UK CUI has announced three purchase orders for BioMethane-to-grid terminals, as well as six wins out of eight competed tenders, with 27 more outstanding. BioMethane projects could become a substantial revenue driver in the 2019/2020 time-frame, in our view.

CUI has also made further progress with its ICE (Intelligent Control of Energy) product in the Power and electromechanical (EM) segment, with the selection of ICE by SAP for collaborative trials as a power management solution for SAP data centres. This programme could deliver significant revenues in 2019, in our view.

FINANCIAL METRICS AND VALUATION

The following table shows our financial forecasts for CUI Global Inc. These include growing contributions from GasPT and ICE in 2019 and 2020. Based on current market valuation multiples, for 2020e in particular, we argue that the market is attributing a low probability of the various projects advancing. We see significant upside potential for the stock price when progress is announced on these programmes.

Yr end Dec 31, US\$m	2017A	2018E	2019E	2020E
Revenue	83,275	92,751	112,121	126,229
EBITDA	-11,766	-8,080	10,060	19,330
EPS (US\$)	-0.56	-0.33	0.23	0.40
P/E (x)	-3.1	-5.3	7.7	4.4
EV/Sales (x)	0.4	0.6	0.5	0.3

Source: Company data and Capital Network forecasts

INDUSTRIAL GOODS

08/11/2018

SHARE PRICE	52 WEEK LOW
▲ \$1.75	▲ \$3.28
MARKET CAP	52 WEEK HIGH
▲ \$49.9m	▲ \$1.60
GROSS CASH	NAV
▲ \$2.7m	▲ \$49.7m

MAJOR SHAREHOLDERS

- 1) **First Eagle Investment Mgt LLC: 12.1%**
- 2) **Heartland Advisors Inc. 8.9%**
- 3) **Royce and Associates 6.3%**

Shares in Issue	28.5m
Avg 50 day daily volume	54,093
Primary index	NASDAQ
EPIC	NASDAQ:CUI
Next Key Announcement	Q4 ends December 31st 2018, release expected March 2019
Sector	Industrial goods

SHARE PRICE CHART



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Balance Sheet

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