

Industrial goods

52-WEEK HIGH	\$3.16
52-WEEK LOW	\$1.17
PRICE	\$1.36
MARKET CAP MLN \$	34.30

Share Price



Major Shareholders

First Eagle I.M. LLC, 12.1%	
Heartland Advisors inc., 9.6%	
Royce & Associates LLP, 6.2%	
Shares in issue	28,581,953
Avg Three-month trading volume	44,620
Primary Index	NASDAQ
Next Key Announcement	June 1 2019

Company Information

Address: 20050 SW 112th Avenue, Tualatin, Oregon 97062
Website: www.cuiglobal.com

Analyst Details

Ed Stacey
ed.stacey@proactiveinvestors.com

A whole new venture

Proposed business combination

CUI Global (NASDAQ:CUI) has announced a proposed deal to combine with four other businesses, currently privately held, that provide industrial services to the energy industry and other sectors. The combined business, referred to in the release as Pro-Forma CUI, will be an entirely transformed entity, with more than 3x the revenues (estimated) of the existing CUI. Current CUI shareholders will own about 15% of the enlarged group, while shareholders of the four target businesses will own 85%.

The four target businesses provide services to industries including oil & gas, utilities, and wireless communications. The combined group will become a strong player in midstream/downstream energy infrastructure, and a platform for acquisitive growth going forward.

The chief executive officer (CEO) of the combined group will be Jim O'Neil, formerly of Quanta Services. Quanta is an infrastructure services company that enjoyed very strong acquisitive growth during O'Neil's tenure in top management roles.

Deal structure

The CUI news release includes an outline of the proposed deal structure:

- Issue of 160mln new CUI shares
- Issue of US\$75mln of debt instruments, and absorption of US \$15mln of debts from the four businesses being acquired
- A US\$200mln earn-out payable subject to performance targets

We believe that the terms of the deal imply that the acquired companies are valuing CUI at a premium to its last closing share price of US\$1.20.

Bill Clough is the president, chief executive officer and general counsel of CUI Global Inc. He is also chairman of the board of directors. He is an attorney and former law enforcement officer, and operated his own law firm for 14 years.

Daniel Ford is the chief financial officer of CUI Global Inc, and the chief operating officer of Orbital Gas Systems. He has a background in the big four accounting firms, and brings a breadth of corporate experience to CUI.

Logic of the deal

For the existing shareholders of the four target businesses, we see several attractions in entering into this deal. Firstly, the four privately held companies become part of a stock-market listed growth platform. Secondly, they gain participation in the upside potential of the existing CUI businesses, especially the VPS holding and the GasPT product. These have not been fully reflected in the valuation of stand-alone CUI. Finally, there will be synergies in terms of new project opportunities.

For existing CUI Global shareholders we believe the deal offers a fairer reflection of the value of CUI's business, an expanded platform for growth, and an injection of new management expertise from Jim O'Neil and the team that he will bring.

Pro-forma 2019 metrics for the combined group*			
Revenue	EBITDA	Share count	Debt
\$350m	\$40m	Approx. 185m	Approx. \$90m post deal, +/- operating cashflows

*Estimates based on CUI Global news release. Subject to relevant deal approvals and other factors.

General Disclaimer and copyright

LEGAL NOTICE – IMPORTANT – PLEASE READ

Capital Network is a trading name of Proactive Investors Limited which is regulated and authorised by the Financial Conduct Authority (FCA) under firm registration number 559082. This document is published by Capital Network and its contents have not been approved as a financial promotion by Proactive Investors Limited or any other FCA authorised person. This communication is made on the basis of the 'journalist exemption' provide for in Article 20 of The Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 and having regard to the FCA Rules, and in particular PERG 8.12.

This communication has been commissioned and paid for by CUI GLOBAL INC and prepared and issued by Capital Network for publication. All information used in the preparation of this communication has been compiled from publicly available sources that we believe to be reliable, however, we cannot, and do not, guarantee the accuracy or completeness of this communication.

The information and opinions expressed in this communication were produced by Capital Network as at the date of writing and are subject to change without notice. This communication is intended for information purposes only and does not constitute an offer, recommendation, solicitation, inducement or an invitation by, or on behalf of, Capital Network to make any investments whatsoever. Opinions of and commentary by the authors reflect their current views, but not necessarily of other affiliates of Capital Network or any other third party. Services and/or products mentioned in this communication may not be suitable for all recipients and may not be available in all countries.

This communication has been prepared without taking account of the objectives, financial situation or needs of any particular investor. Before entering into any transaction, investors should consider the suitability of the transaction to their individual circumstance and objectives. Any investment or other decision should only be made by an investor after a thorough reading of the relevant product term sheet, subscription agreement, information memorandum, prospectus or other offering document relating to the issue of securities or other financial instruments.

Nothing in this communication constitutes investment, legal accounting or tax advice, or a representation that any investment or strategy is suitable or appropriate for individual circumstances or otherwise constitutes a personal recommendation for any specific investor. Proactive Research recommends that investors independently assess with an appropriately qualified professional adviser, the specific financial risks as well as legal, regulatory, credit, tax and accounting consequences.

Past performance is not a reliable indicator of future results. Performance forecasts are not a reliable indicator of future performance. The investor may not get back the amount invested or may be required to pay more.

Although the information and date in this communication are obtained from sources believed to be reliable, no representation is made that such information is accurate or complete. Proactive Research, its affiliates and subsidiaries do not accept liability for loss arising from the use of this communication. This communication is not directed to any person in any jurisdiction where, by reason of that person's nationality, residence or otherwise, such communications are prohibited.

This communication may contain information obtained from third parties, including ratings from rating agencies such as Standard & Poor's, Moody's, Fitch and other similar rating agencies. Reproduction and distribution of third-party content in any form is prohibited except with the prior written consent of the related third-party. Credit ratings are statements of opinion and are not statements of fact or recommendations to purchase, hold or sell securities. Such credit ratings do not address the market value of securities or the suitability of securities for investment purposes, and should not be relied upon as investment advice.

Persons dealing with Capital Network or members of the Proactive Investors Limited group outside the UK are not covered by the rules and regulations made for the protection of investors in the UK.

Notwithstanding the foregoing, where this communication constitutes a financial promotion issued in the UK that is not exempt under the Financial Services and Markets Act 2000 or the Orders made thereunder or the rules of the FCA, it is issued or approved for distribution in the UK by Proactive Investors Limited.

London

+44 207 989 0813
 The Business Centre
 6 Wool House
 74 Back Church Lane
 London E1 1AF

New York

+1 347 449 0879
 767 Third Avenue
 Floor 17
 New York
 NY 10017

Vancouver

+1 604-688-8158
 Suite 965
 1055 West Georgia Street
 Vancouver, B.C. Canada
 V6E 3P3

Sydney

+61 (0) 2 9280 0700
 Suite 102
 55 Mountain Street
 Ultimo, NSW 2007