The Value Line®
Special Situations Service

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November 2011

Investment Perspectives

One by one, the markers pointing to a new recession are falling—at least in this country. Recent data, for example, affirm that consumer spending, manufacturing orders, and auto sales are pressing higher, while other reports confirm that industrial production and business investment are rallying. Those still calling for a recession, therefore, are getting less and less of an audience. That said,

The U.S. upturn could move onto a slower track going forward, with growth—which rose to 2.5% in the third quarter—perhaps easing to less than 2% this period. Thereafter, there may be some gradual firming in 2012, with growth possibly averaging 2%, or so. Clearly, though, this forecast is tenuous due to uncertainty in Europe, where a recession seems more likely.

The year ahead holds numerous questions. First, there is Europe, which is in flux, as prior headlines proclaiming a resolution of the debt crisis now look a bit premature. Then, there are Federal Reserve policies, which are fluid and likely to evolve further, as the central bank seeks a balance between promoting faster growth and containing inflation. Also, there are questions about housing and personal income, both of which are under strain. Finally, there's the likelihood of slower growth in China, which would add to global strains. All of this implies that a stronger showing by our economy in 2012 is unlikely.

Earnings season is now in the books, and it has been a respectable one for the most part. However, there were fewer fireworks on the upside than in prior quarters, as profit matchups became more difficult after two years of easy growth. We also think earnings will press forward in the final quarter, but more modestly.

The bulls got a head start on a year-end rally in October, which saw the best month for the stock market in a generation. Although such gains now have been partially reversed, the earlier strength still sets the bar high for the rest of 2011. Meanwhile, the lower odds of a new U.S. recession, if confirmed by later data, could get the ball rolling again on Wall Street. That is, if the latest instability in Europe proves to be a passing event.

Conclusion: We are constructive on the market, although we would not rule out further backing and filling, as equity valuations again have crept higher.

Previously Recommended Special Situations Reviewed in This Issue

Each review in the Company Updates section is a follow-up to an original recommendation and is not necessarily sufficient by itself to form the basis for an investment decision. A subscriber interested in purchasing any of the securities currently rated "Buy/Hold" or "Especially Recommended," who does not have available Value Line's original recommendation of the security, should feel free to request from us a copy of the original recommendation so that he or she will have more information on which to base a decision.

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Edward W. Ulrich..................................Editor

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Index to Stocks

Stocks currently being followed by The Special Situations Service
Prices quoted are those at the close of the market, November 4, 2011

Aggressive

Latest Review Issue	Name	Ticker	Current Advice	Recent Price	Current P/E Ratio	Estimated Yield Next 12 Months	Originally Recommended Price	Originally Recommended Date
06-11	Accuray Incorporated	ARAY	Esp.Rec.	4.01	28.6	Nil	5.74	11-09
11-11	Alexion Pharmaceuticals, Inc.	ALXN	Hold	66.04	53.7	Nil	5.16(a)	5-05
07-11	America's Car-Mart, Inc.	CRMT	Hold	34.33	12.5	Nil	11.75	11-08
10-11	Ancestry.com Inc.	ACOM	Hold	24.52	24.0	Nil	43.52	5-11
09-11	Avago Technologies Ltd.	AVGO	Esp.Rec.	34.38	14.1	1.3%	33.53	9-11
07-11	Bio-Reference Labs., Inc.	BRLI	Esp.Rec.	16.11	12.4	Nil	22.97(a)	4-10
10-11	Dice Holdings, Inc.	DHX	Hold	8.40	21.5	Nil	13.05	6-11
11-11	Echo Global Logistics, Inc.	ECHO	** Esp.Rec.	15.67	27.0	Nil	11.91	12-10
10-11	GeoEye, Inc.	GEOY	Esp.Rec.	26.00	11.8	Nil	32.49	7-10
10-11	Given Imaging Ltd.	GIVN	Esp.Rec.	15.74	43.7	Nil	16.57	1-11
07-11	Hanger Orthopedic Group, Inc.	HGR	Buy/Hold	17.23	11.1	Nil	14.46	9-10
08-11	IMAX Corporation	IMAX	Hold	19.29	21.4	Nil	18.97	5-10
09-11	Insulet Corporation	PODD	Esp.Rec.	17.00	NMF	Nil	14.70	3-10
10-11	Measurement Specialties, Inc.	MEAS	Esp.Rec.	37.74	18.8	Nil	29.51	10-11
08-11	Methanex Corporation	MEOH	Esp.Rec.	24.91	11.6	2.8%	23.43	8-11
09-11	Mindray Medical Int'l Ltd.	MR	Buy/Hold	27.38	18.9	0.9%	30.50	10-10
10-11	Monro Muffler Brake, Inc.	MNRO	Buy/Hold	37.69	21.5	1.0%	15.15(a)	12-08
11-11	NVE Corporation	NVEC	Buy/Hold	54.85	19.9	Nil	42.18	8-10
11-11	Polypore International, Inc.	PPO	Esp.Rec.	56.57	23.4	Nil	69.35	7-11
09-11	Rackspace Hosting, Inc.	RAX	Buy/Hold	42.67	77.6	Nil	17.30	6-10
08-11	Skyworks Solutions, Inc.	SWKS	Esp.Rec.	21.83	13.6	Nil	27.13	4-11
09-11	Summer Infant, Inc.	SUMR	Esp.Rec.	7.19	14.4	Nil	7.18	11-10
07-11	ZAGG Incorporated	ZAGG	Buy/Hold	12.53	21.2	Nil	8.11	3-11

Conservative

Latest Review Issue	Name	Ticker	Current Advice	Recent Price	Current P/E Ratio	Estimated Yield Next 12 Months	Originally Recommended Price	Originally Recommended Date
09-11	Ark Restaurants Corp.	ARKR	Esp.Rec.	13.54	9.7	7.4%	14.80	4-11
01-11	Artesian Resources Corp.	ARTNA	Esp.Rec.	18.35	17.8	4.1%	15.62	11-08
11-11	B&G Foods, Inc.	BGS	Buy/Hold	21.59	19.8	4.3%	13.48	1-11
11-11	Balchem Corporation	BCPC	Hold	40.50	29.1	0.4%	19.93(a)	11-09
08-11	Calavo Growers, Inc.	CVGW	Esp.Rec.	22.64	26.0	2.4%	24.16	2-11
10-11	Compass Diversified Holdings	CODI	Esp.Rec.	13.18	7.5	10.9%	15.93	4-10
08-11	IPC The Hospitalist Co., Inc.	IPCM	Esp Rec.	43.31	23.4	Nil	51.25	5-11
10-11	Koppers Holdings, Inc.	KOP	Esp.Rec.	37.74	12.9	2.3%	29.95	10-11
10-11	Kronos Worldwide, Inc.	KRO	Hold	22.67	7.6	2.6%	30.46	7-11
09-11	LHC Group, Inc.	LHCG	Hold	14.36	6.7	Nil	23.75	6-09
08-11	LaCrosse Footwear, Inc.	BOOT	Esp.Rec.	12.86	17.1	3.9%	18.19	7-10
09-11	Landauer, Inc	LDR	Esp.Rec.	50.21	18.7	4.4%	64.00	5-10
10-11	Maidenform Brands, Inc.	MFB	Esp.Rec.	24.89	11.4	Nil	25.40	8-10
08-11	Mesa Laboratories, Inc.	MLAB	Buy/Hold	37.74	19.4	1.3%	20.65	7-09
09-11	Mistras Group, Inc.	MG	Esp.Rec.	22.14	31.6	Nil	20.01	9-11
10-11	Multi-Color Corporation	LABL	Hold	27.02	12.3	0.7%	16.12	10-10
08-11	National Beverage Corp.	FIZZ	Buy/Hold	17.07	20.3	13.5%	12.67	3-11
11-11	National Research Corp.	NRCI	Esp.Rec.	32.12	21.0	2.7%	34.44	6-11
08-11	Northern Tech. Int'l., Inc.	NTIC	Esp.Rec.	14.42	16.0	Nil	16.70	8-11
08-11	Prosperity Bancshares, Inc.	PRSP	Buy/Hold	38.03	12.6	1.8%	30.05	4-09
10-11	Qiagen N.V.	QGEN	Hold	13.81	20.9	Nil	18.95	9-10
08-11	Quality Systems, Inc.	QSII	Hold	39.81	15.1	3.5%	28.31(a)	9-09
02-11	Unitil Corp.	UTL	Buy/Hold	26.26	18.8	5.3%	20.40	2-09

Explanation of footnotes

***Current advice change.*

(a)*Adjusted for stock splits and/or stock dividends.*

#Stock has been closed out of the Service; will no longer be covered.

Portfolio Update

Notable Developments for Previously Recommended Stocks

The shares of ***Bio-Reference Labs., Inc.*** (BRLI) have struggled since our initial recommendation in April, 2010. The company reported record revenues for its fiscal third quarter ended July 31st of $148.0 million, an increase of 22% year over year. The number of patients it serviced was up 20%, with the net revenue per patient rising 2%. Earnings amounted to $0.36 a share, seven cents higher than the year before. While the company has delivered impressive revenue and earnings growth over the past several years, concerns have been raised recently because it generates a lot of revenues from specialty tests, especially its GenPap test, which screens women for 20 common and rare disorders. Some doctors believe the test is overutilized, since standard tests are available to diagnose the common diseases that GenPap screens for, and at a much lower cost. Allegations have also been raised that Bio-Reference has committed widespread billing violations against Medicaid. At this time, we think it would be prudent for investors to liquidate their positions in the company. **Switch.**

Hanger Orthopedic Group, Inc. (HGR) shares fell after the company announced results for the third quarter. Sales rose 14% year over year, to $235.3 million, while earnings were up $0.24, to $0.45 a share. But management lowered its guidance for the year. Revenues are now expected to range between $914 million and $918 million, down from previous expectations of between $945 million and $955 million, with earnings expected to range between $1.59 and $1.62 a share, down from $1.66 and $1.71. The revision reflects the decision by the state of Arizona to eliminate Medicaid coverage for orthotics, as well as Medicaid rollbacks in Texas and Florida. **The shares have appreciated about 19% since our initial recommendation in September, 2010, and we recommend investors liquidate their positions at this time. Switch.**

The shares of ***LHC Group, Inc***. (LHCG) fell after the company announced third-quarter results. Revenues for the period were down 7% year over year, because of a 5.2% reduction in Medicare home health rates. It also reported a loss of $38.0 million, or $2.08 a share, that was related to an after-tax charge of $45.0 million to settle a case with the Federal government regarding Medicare reimbursement for home health services. Medicare reimbursement rates for 2012 have been finalized, and will be significantly reduced. In addition, congress is considering additional cuts to Medicare and Medicaid, in an effort to cut the deficit. These factors have hurt the shares, which have breeched our stop loss. **In light of these developments, we are reducing our ranking to Switch.**

Mindray Medical International Ltd. (MR) shares were down after the company reported third quarter results. Revenues rose nearly 30% over last year, to $218.4 million, but net income was only up 4%, to $37.3 million, because of lower gross margins and higher operating costs. The days sales outstanding rose to 71 days, compared to 64 in the second quarter, and the cash conversion cycle was 113 days, versus 101 days. It had 100 days worth of inventory on hand, versus 94 days in the second quarter. Management attributed these changes to seasonality. The company also announced it will repurchase up to $100 million in outstanding Mindray stock. In our view, the results raise some concerns that the company could be headed for a slowdown. **The shares are down about 16% since our initial recommendation in October of last year, and we believe now is a good time for subscribers to cut their losses. Switch.**

Maidenform Brands, Inc. (MFB) reported third quarter results just before we went to press; the shares were down sharply after results were announced. The sales of women's intimate apparel were weak for all manufacturers in the third quarter. Maidenform's total sales for the period were up only 1.6% year over year, to $148.2 million, although sales for its popular shapewear line increased 16%. In addition to anemic top-line growth, earnings fell to $0.44 a share, versus earnings of $0.55 a share for the prior-year period. A decline in customer traffic, especially at mid-tier department stores and at a major mass retailer, hurt sales and pushed up costs to promote and liquidate overstocked products. In addition, it ran into higher-than-expected development costs for its new *Adjusts-to-Me* line. Management is expecting these conditions to persist into the fourth quarter, and is cautious about the outlook for 2012. It expects sales for the final period of the year of between $115 million and $120 million, and earnings of between $0.29 and $0.33 a share. (Sales for the fourth quarter of 2010 totaled $118.6 million, along with earnings of $0.29 a share.) Maidenform has hired a new chief supply-chain officer that is working to shorten lead times, improve distribution efficiencies, and lower costs. It also hired a new president that will be responsible for sales, marketing, design, and product development. Despite these travails, it has seen some positive trends in recent weeks, notably through the launch of new shapewear and full-figure products; management stated that Maidenform's overall market share grew by about 70 basis points in the quarter. Shapewear sales were up 25% year to date. **In light of these developments, we are lowering our ranking on the shares to Hold.**

The shares of ***Quality Systems, Inc***. (QSII) split two for one on October 26th. The company announced good results for the third quarter, including year-over-year revenue growth of 32%, to $107.8 million, and earnings of $0.35 a share, versus $0.23 a share last year. We are maintaining our Hold ranking on the shares.

Recent Earnings

COMPANY	LATEST REVIEW ISSUE	PERIOD	SALES (MILL.)	YEAR AGO (MILL.)	PCT. CHANGE	SHARE EARN.	YEAR AGO	PCT CHANGE
Accuray Incorporated	6-11	Quarter (Sep. 30)	100.5	38.1	(+ 163.8)	d0.38	d0.08	(NMF)
Ancestry.com Inc.	10-11	Quarter (Sep. 30)	98.1	74.2	(+ 32.2)	0.44	0.24	(+ 83.3)
Artesian Resources Corp.	1-11	Quarter (Sep. 30)	17.7	18.0	(- 1.7)	0.26	0.38	(- 31.6)
Compass Diversified Holdings	10-11	Quarter (Sep. 30)	490.0	460.8	(+ 6.3)	*0.36	*0.34	(+ 5.9)
Dice Holdings, Inc.	10-11	Quarter (Sep. 30)	46.8	34.4	(+ 36.0)	0.13	0.09	(+ 44.4)
GeoEye, Inc.	10-11	Quarter (Sep 30)	85.8	86.5	(- 0.8)	0.51	d0.30	(NMF)
Given Imaging Ltd.	10-11	Quarter (Sep. 30)	44.7	38.7	(+ 15.5)	0.12	0.03	(+ 300.0)
Hangar Orthopedic Group, Inc.	7-11	Quarter (Sep. 30)	235.3	206.7	(+ 13.8)	0.45	0.21	(+ 114.3)
IMAX Corporation	8-11	Quarter (Sep. 30)	18.4	13.5	(+ 36.3)	0.12	0.10	(+ 20.0)
Insulet Corporation	9-11	Quarter (Sep. 30)	44.6	25.5	(+ 74.9)	d0.29	d0.30	(NMF)
IPC The Hospitalist Co., Inc.	8-11	Quarter (Sep. 30)	114.5	90.9	(+ 26.0)	0.38	0.37	(+ 2.7)
Koppers Holdings, Inc.	10-11	Quarter (Sep. 30)	401.0	336.3	(+ 19.2)	1.08	0.75	(+ 44.0)
Kronos Worldwide, Inc.	10-11	Quarter (Sep. 30)	548.0	376.6	(+ 45.5)	0.74	0.33	(+124.2)
LaCrosse Footwear, Inc.	8-11	Quarter (Sep. 24)	35.3	37.7	(- 6.6)	0.25	0.17	(+ 47.1)
LHC Group, Inc.	9-11	Quarter (Sep. 30)	153.4	165.7	(- 7.4)	d2.08	0.73	(NMF)
Measurement Specialties, Inc.	10-11	Quarter (Sep. 30)	73.2	65.2	(+ 12.3)	0.42	0.45	(- 6.7)
Methanex Corporation	8-11	Quarter (Sep. 30)	669.7	481.0	(+ 39.2)	0.59	0.31	(+ 90.3)
Mindray Medical Int'l Ltd.	9-11	Quarter (Sep. 30)	218.4	168.3	(+ 29.8)	0.31	0.30	(+ 2.3)
Mistras Group, Inc.	9-11	Quarter (Aug. 31)	91.4	68.4	(+ 33.6)	0.11	0.06	(+ 83.3)
Monro Muffler Brake, Inc.	10-11	Quarter (Sep. 24)	173.3	162.1	(+ 6.9)	0.47	0.42	(+ 11.9)
Multi-Color Corrporation	10-11	Quarter (Sep. 30)	102.6	90.6	(+ 13.2)	0.35	0.43	(- 18.6)
Prosperity Bancshares, Inc.	8-11	Quarter (Sep. 30)	**107.8	**109.9	(- 1.9)	0.77	0.69	(+ 11.6)
Qiagen N.V.	10-11	Quarter (Sep. 30)	288.9	274.3	(+ 5.3)	0.24	0.25	(- 4.0)
Quality Systems, Inc.	8-11	Quarter (Sep. 30)	107.6	81.5	(+ 32.0)	0.35	0.23	(+ 52.2)
Rackspace Hosting, Inc.	9-11	Quarter (Sep. 30)	264.6	199.7	(+ 32.5)	0.14	0.09	(+ 55.6)
Skyworks Solutions, Inc.	8-11	Quarter (Sep. 30)	402.3	313.3	(+ 28.4)	0.34	0.25	(+ 36.0)
Unitil Corp.	2-11	Quarter (Sep. 30)	73.2	76.1	(- 3.8)	d0.15	d0.01	(NMF)

**Cash Flow Available for Distribution and Reinvestment*
***Total Interest Income Plus Non-Interest Income*

NEW RANK CHANGES

Bio-Reference Labs.	BRLI	*Esp. Rec.*	TO	*Switch*
Echo Global Logistics	ECHO	*Buy/Hold*	TO	*Esp Rec.*
Hanger Orthopedic Group	HGR	*Buy/Hold*	TO	*Switch*
LHC Group	LHCG	*Hold*	TO	*Switch*
Mindray Medical	MR	*Buy/Hold*	TO	*Switch*
Maidenform Brands	MFB	*Esp. Rec.*	TO	*Hold*

Recent Dividends (1)

Ticker	Amount Per Share	Payable Date	Record Date
CVGW*	$0.55	Dec. 12	Dec. 2
CODI**	$0.36	Oct. 31	Oct. 25
KRO	$0.15	Dec. 22	Dec. 9
MLAB	$0.13	Dec. 15	Nov. 28
QSII	$0.175	Jan. 5	Dec. 20

(1)–*All dividends are regular quarterly cash payments unless otherwise noted.*
*–*Annual Dividend.*
**–*Quarterly Cash Distribution.*

New Recommendation

For Aggressive Investors

Titan Machinery, Inc.

Recent Price: $23.88 **Traded:** NDQ—TITN

2014-16 PROJECTED VALUATION

Revenues: $2.4 bill.	**Shares Outstanding:** 24,000,000 (16% increase)
Pretax Margin: 5%	**Projected EPS Growth Rate:** 20% (annualized, from 2010 to 14-16)
Earnings Per Share: $3.00	**Price-Earnings Multiple:** 16.0

Three- to Five-Year Price Target: $48

Titan Machinery, this month's new recommendation for aggressive investors, operates about 90 full-service agricultural and construction equipment stores in the Midwest. The company has a long and successful track record of making acquisitions that have helped it enter new markets. So far in 2011, the company has made eight acquisitions, totaling 12 stores. Its agricultural equipment stores are located in highly productive farm regions, including the Red River valley in eastern North Dakota and northwestern Minnesota; the western portions of the Corn Belt in Iowa, eastern South Dakota, and southern Minnesota; and along the Interstate 80 corridor in Nebraska, which sits on top of the Ogallala Aquifer. Its construction equipment stores are located in North Dakota, South Dakota, Iowa, Montana, Wyoming, eastern Nebraska, and western Minnesota, and it recently acquired its first construction equipment store in Wisconsin. Since January of 2003, it has completed 42 acquisitions. They are integrated through the Titan Operating Model, whereby the employees of the acquired store are retained in order to maintain existing customer relationships, and are supported by centralized administrative, finance, and marketing operations, which helps improve the profitability of the acquired store. There are hundreds of small, independently owned agricultural and construction equipment dealerships in this part of the country, many of which have no succession plans. The agricultural industry is supported by the U.S. Department of Agriculture and, as a result, spending for farm equipment is fairly steady from year to year. The construction industry is much larger, and infrastructure spending and drilling for oil in North Dakota and surrounding regions is driving demand. In light of these factors, we believe the shares of Titan Machinery offer good growth potential over the long term.

Titan is the world's largest retail dealer of Case IH Agriculture equipment, and is a major dealer of New Holland Agriculture, Case Construction, and New Holland Construction equipment in the United States. All these brands are manufactured by CNH Global N.V. CNH is based in the Netherlands, has 40 manufacturing facilities worldwide, and is majority-owned by Fiat Industrial S.p.A. Titan's two business segments, Agriculture and Construction, each sell and rent new and used equipment, sell parts, and service the equipment in the areas surrounding its stores. It has a long-standing relationship with CNH, which accounted for about 83% of the new agricultural equipment, and 71% of the new construction equipment, it sold in the fiscal year ended January 31st.

The agricultural equipment Titan sells and services includes machinery and attachments for uses ranging from large-scale farming to home and garden use. It sells heavy construction equipment and light industrial machinery for commercial and residential construction, road and highway construction, and mining. The new equipment and parts it sells are supplied primarily by CNH. Titan acquires used equipment for resale through trade-ins from customers and selective purchases. It sells parts and provides both in-store and on-site repair and maintenance services. It also provides ancillary services such as equipment transportation, global positioning system signal subscriptions to support precision farming, and finance and insurance products.

Under the Titan Operating Model, each store is run by a store manager that is compensated based on the store's revenue, profitability, market share, and certain balance sheet objectives. Each store usually has a parts manager, a service manager, and field marketers, all of whom report to the store manager. Titan believes customers in its industry view store managers and sales and service personnel as important partners in operating their businesses. Under the operating model, customer-related decisions are decentralized, and store managers are responsible for determining the type of equipment to stock, equipment pricing, customer credit approvals, staffing levels, and customer satisfaction. Developing and supporting strong store managers helps grow same-store sales by developing existing relationships and fostering new ones. Decentralizing customer-related decision-making reduces the risk of undermining the partnerships that customers seek with their dealers. Empowering employees to make decisions creates a culture that enables Titan to attract and retain productive employees.

The operating model centralizes general and administrative functions and finance resources. This frees up store employees to focus on customers and eliminates redundant operating expenses. Marketing resources are also centralized, and include targeted direct mailings, advertising with targeted local media outlets, participation in and sponsorship of trade shows and industry events, and a monthly magazine called *Titan Trader*. It also hosts open houses, service clinics, equipment demonstrations, product showcases, and customer appreciation outings.

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TITAN MACHINERY NDQ--TITN

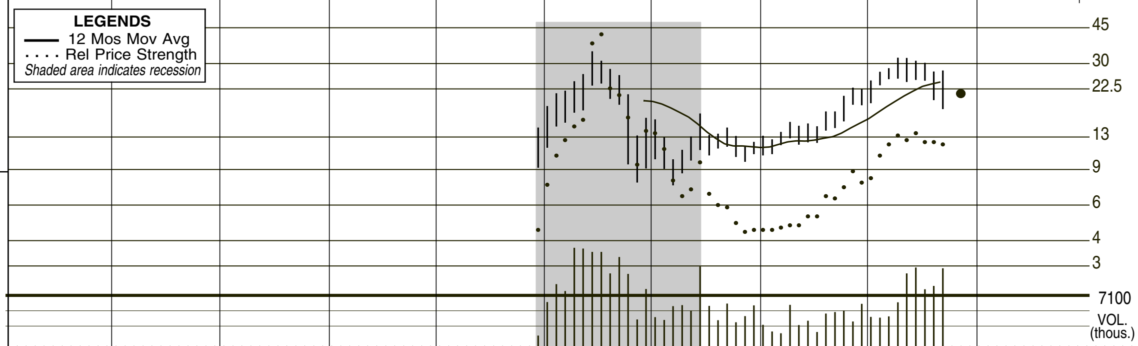
RECENT PRICE	TRAILING P/E RATIO	RELATIVE P/E RATIO	DIV'D YLD	VALUE LINE
21.33	12.6	0.81	Nil	

RANKS

PERFORMANCE	1	Highest
Technical	2	Above Average
SAFETY	4	Below Average
BETA 1.40		(1.00 = Market)

Financial Strength	C++
Price Stability	15
Price Growth Persistence	NMF
Earnings Predictability	NMF

	2007	2008	2009	2010	2011	
High	14.50	34.49	17.00	22.82	32.03	High
Low	9.18	7.75	7.50	10.56	15.58	Low



© VALUE LINE PUBLISHING LLC	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012/2013
SALES PER SH	--	--	--	--	32.21	39.10	47.18	61.09	--	
"CASH FLOW" PER SH	--	--	--	--	.54	1.28	1.33	1.75	--	
EARNINGS PER SH	--	--	--	--	.67	1.08	.88	1.23	***1.66*** A,B	***1.87*** C***/NA***
DIV'DS DECL'D PER SH	--	--	--	--	--	--	--	--	--	
CAP'L SPENDING PER SH	--	--	--	--	.47	.41	.70	.94	--	
BOOK VALUE PER SH	--	--	--	--	5.66	9.84	10.72	11.98	--	
COMMON SHS OUTST'G (MILL)	--	--	--	--	13.44	17.66	17.78	17.92	--	
AVG ANN'L P/E RATIO	--	--	--	--	18.6	18.0	13.1	13.0	***12.8***	***11.4/NA***
RELATIVE P/E RATIO	--	--	--	--	.99	1.08	.87	.83	--	
AVG ANN'L DIV'D YIELD	--	--	--	--	--	--	--	--	--	
SALES ($MILL)	--	--	--	292.6	433.0	690.4	838.8	1094.5	--	***Bold figures are consensus earnings estimates and, using the recent prices, P/E ratios.***
OPERATING MARGIN	--	--	--	4.4%	4.9%	5.4%	4.8%	4.8%	--	
DEPRECIATION ($MILL)	--	--	--	1.8	2.5	4.6	8.0	9.0	--	
NET PROFIT ($MILL)	--	--	--	3.6	5.2	18.1	15.7	22.3	--	
INCOME TAX RATE	--	--	--	40.2%	51.1%	40.7%	41.7%	40.0%	--	
NET PROFIT MARGIN	--	--	--	1.2%	1.2%	2.6%	1.9%	2.0%	--	
WORKING CAP'L ($MILL)	--	--	--	26.4	66.8	134.0	158.6	167.1	--	
LONG-TERM DEBT ($MILL)	--	--	--	23.5	14.4	14.8	21.9	33.4	--	
SHR. EQUITY ($MILL)	--	--	--	15.1	76.1	173.8	190.5	214.6	--	
RETURN ON TOTAL CAP'L	--	--	--	11.1%	6.3%	9.8%	7.8%	9.3%	--	
RETURN ON SHR. EQUITY	--	--	--	24.2%	6.8%	10.4%	8.3%	10.4%	--	
RETAINED TO COM EQ	--	--	--	26.8%	6.3%	10.4%	8.3%	10.4%	--	
ALL DIV'DS TO NET PROF	--	--	--	--	8%	--	--	--	--	

A No. of analysts changing earn. est. in last 15 days: 0 up, 0 down, consensus 5-year earnings growth 20.0% per year. B Based upon 5 analysts' estimates. C Based upon 5 analysts' estimates.

ANNUAL RATES

of change (per share)	5 Yrs.	1 Yr.
Sales	--	29.5%
"Cash Flow"	--	31.0%
Earnings	--	40.0%
Dividends	--	--
Book Value	--	11.5%

Fiscal Year	QUARTERLY SALES ($mill.) 1Q	2Q	3Q	4Q	Full Year
01/31/10	166.3	193.2	227.0	252.3	838.8
01/31/11	205.4	209.7	311.3	368.1	1094.5
01/31/12	318.2	310.8			
01/31/13					

Fiscal Year	EARNINGS PER SHARE 1Q	2Q	3Q	4Q	Full Year
01/31/09	.24	.19	.45	.18	1.08
01/31/10	.10	.27	.32	.19	.88
01/31/11	.09	.15	.42	.57	1.23
01/31/12	.40	.30	***.50***	***.46***	
01/31/13	***.35***				

Cal-endar	QUARTERLY DIVIDENDS PAID 1Q	2Q	3Q	4Q	Full Year
2008	--	--	--	--	--
2009	--	--	--	--	--
2010	--	--	--	--	--
2011	--	--	--		

INSTITUTIONAL DECISIONS

	4Q'10	1Q'11	2Q'11
to Buy	54	62	91
to Sell	49	51	45
Hld's(000)	12751	12380	15750

ASSETS ($mill.)	2009	2010	7/31/11
Cash Assets	76.2	76.1	102.2
Receivables	22.3	44.9	53.5
Inventory (Specific)	347.6	429.8	622.5
Other	4.8	4.4	5.4
Current Assets	450.9	555.2	783.6
Property, Plant & Equip, at cost	65.1	90.6	- -
Accum Depreciation	18.5	25.2	- -
Net Property	46.6	65.4	98.5
Other	17.3	28.2	35.6
Total Assets	514.8	648.8	917.7
LIABILITIES ($mill.)			
Accts Payable	12.3	16.0	24.7
Debt Due	257.1	325.0	498.6
Other	22.9	47.1	45.6
Current Liab	292.3	388.1	568.9

LONG-TERM DEBT AND EQUITY as of 7/31/11

Total Debt $530.6 mill. **Due in 5 Yrs.** NA
LT Debt $31.9 mill.
Including Cap. Leases NA
(10% of Cap'l)

Leases, Uncapitalized Annual rentals NA

Pension Liability None in '10 vs. None in '09

Pfd Stock None **Pfd Div'd Paid** None

Common Stock 20,237,000 shares
(90% of Cap'l)

INDUSTRY: Retail (Hardlines)

BUSINESS: Titan Machinery, Inc. owns and operates full-service agricultural and construction equipment stores in North America. The company operates as the retail dealer of Case IH Agriculture equipment and a retail dealer of New Holland agriculture, case construction, and construction equipment in the United States. It also sells and rents agricultural and construction equipment; sells maintenance and replacement parts; and provides repair and maintenance services. Titan Machinery operates through two segments: construction and agricultural. The construction segment sells heavy-grade construction equipment, such as articulated trucks, compact track loaders, compaction equipment, cranes, crawler dozers, excavators, forklifts, and backhoes. Its agricultural segment rents and sells equipment, such as application equipment and sprayers, combines and attachments, precision farming technology, and tillage equipment. Has 1596 employees. Chairman & C.E.O.: David Meyer . Inc.: DE. Address: 4876 Rocking Horse Circle , Fargo, ND 58104. Tel.: (701) 356-0130. Internet: http://www.titanmachinery.com.

J.V.

October 28, 2011

TOTAL SHAREHOLDER RETURN

Dividends plus appreciation as of 9/30/2011

3 Mos.	6 Mos.	1 Yr.	3 Yrs.	5 Yrs.
-37.80%	-29.11%	9.82%	-13.98%	--

Continued from page 5

Titan is committed to maintaining a customer-focused culture. Employee training on how to effectively service customers is an important initiative that management believes will drive revenues. Its training program includes active participation in all manufacturer-sponsored training programs, the use of industry experts as consultants for customized training programs, and a training team to assist in the integration of newly acquired operations. Titan also partners with several technical colleges to sponsor students that it plans to employ in the future.

It has a large staff of highly trained service technicians across its network of stores, which makes it possible to schedule repair services on short notice while maintaining high technician utilization rates. It also has a large staff of product and application specialists that are available across its network of stores. This makes it possible to offer pre-sale and aftermarket services, including equipment training, best-practices education, and precision-farming technology support. Titan's Rural Tower Network initiative is a joint venture with certain other dealerships to deploy a GPS guidance system to support precision farming.

Titan has a large and diverse customer base that limits its exposure to the risks associated with customer concentration and fluctuations in local market conditions. It has a long and stable relationship with many of its customers, which number more than 64,000. No single customer accounts for more than 1.0% of Titan's total revenue; its top-10 customers represented about 3.9% of revenues in the fiscal year ended January 31st.

Titan's growth strategy includes increasing its share of the equipment sold in its markets, as this bolsters current revenues and compounds its revenues over the life of the equipment sold through the sale of parts and service. The growth strategy also includes the marketing programs mentioned earlier; support and training for new technologies, such as precision farming, that are difficult for single-store operators to support; state-of-the-art service facilities; mobile service trucks; preventive maintenance programs; seasonal 24/7 service support; and a large inventory of parts and equipment that smaller competitors cannot provide.

Its acquisition strategy is based on the fact that the agricultural and construction equipment industries are fragmented and consist of many small, independent businesses. Consolidation in these industries is occurring because of competition, growing dealer capitalization requirements, and a lack of succession alternatives. Titan has used acquisitions to enter new markets. Management believes the economics in the agricultural and construction industries will continue to be conducive to its growth objectives. When making an acquisition, it typically acquires only the fixed assets, working capital, and inventory necessary to run a store, and only assumes liabilities related to financing the inventory and any required working capital. In some instances it will acquire all the stock of a company. Upon acquisition, Titan will usually refinance the inventory acquired according to its own parameters.

Results for the fiscal second quarter ended July 31st were very good. Revenues were up 48% year over year, to $310.8 million, through strong demand for agricultural equipment and improved conditions in the construction industry. Titan had completed seven acquisitions by the end of its fiscal second quarter, which also bolstered the top line. Crop conditions in the regions Titan serves were good, while supply tightened. This has positioned farmers for a solid year financially. The USDA released net farm income estimates in late August that forecast a 31% increase over 2010. Management noted that bonus depreciation tax incentives have left its customers with very little basis left in their equipment, and this should influence buying next year as customers look for ways to offset income.

In construction, the clean-up for regional flood damage spurred demand for equipment. In addition, Titan's agricultural customers purchased construction equipment for use in their farming operations, for feedlots, material handling, and land maintenance. Construction equipment sales also benefited from increased activity in the energy industry. Titan has several construction equipment dealerships located in the Dakotas and Montana, in the vicinity of the Bakken, Three Forks, and Tyler oil formations. It recently opened a new construction location in Dickinson, North Dakota, that management stated is well positioned to benefit from increased oil-drilling activity in the region. Management noted that the oil industry is having a multiplier effect on the regional economy, through the need for additional infrastructure and housing, and the support of other industries. Management also reported that there is a tight supply of both new and used construction equipment, and that its rental revenue more than doubled compared to last year.

In its fiscal second quarter conference call, management discussed several new acquisitions, which provided entry into the Minneapolis, Minnesota region, and the state of Wisconsin, which marks the eighth state in which Titan operates dealerships. Management sees a healthy pipeline of acquisition opportunities throughout the Midwest. It also stated that CNH has been a strong supporter of its acquisition efforts.

While earnings were up 48% in the quarter, gross profits improved through higher utilization of its rental fleet, although operating expenses increased as a percentage of revenues because of overhead related to the rental business, and costs related to the consolidation of an acquired dealership with one of its existing stores. Net income was up 133%, to $6.3 million, for earnings of $0.30 a share, up from $0.15 a share last year.

We have set a three- to five-year price target of $48 a share. The stock trades on the Nasdaq under the symbol TITN. We recommend the use of limit orders, and a stop loss of approximately 35%.

New Recommendation

For Conservative Investors

Houston Wire & Cable Co.

Recent Price: $12.86 **Traded:** NDQ—HWCC

This month's new recommendation for conservative investors, *Houston Wire & Cable Co.*, (HWCC) is a national distributor of specialty wire and cable. Specialty wire and cable is used in several industries, including communications, energy, engineering and construction, manufacturing, and transportation. There are thousands of specialty wire and cable products, and distributing them poses several challenges. They are often highly engineered, and the distributor's employees have to be adequately trained in order to understand what their applications are. Moreover, they can take up a large amount of warehouse space relative to the sales volumes they generate. Since it is more economical to only carry inventory of commonly sold items that do not require high levels of specialized knowledge or services, large distributors of wire and cable often prefer to rely on specialty suppliers to fulfill these orders. The manufacturers of specialty wire and cable could fulfill demand themselves, but they are generally not interested in spending the time and resources necessary to provide services such as complementary custom cutting and same-day shipping, and they do not maintain multiple shipping locations needed to ensure fast delivery. In addition, no single manufacturer can offer the breadth of products and services that a national distributor can offer. When manufacturers do sell products directly to the end user, it is usually for bulk volumes, and they often require a long lead time of eight to 16 weeks for delivery. For customers that need highly specialized wire and cable, custom-cut lengths, technical expertise, short lead times, and additional services, Houston's wide product selection and specialized services position it well between wire and cable manufacturers and end users. It also offers a Cable Management Program that addresses its customers' growing need for the management and delivery of products for large capital projects. It ensures product prices and availability, as well as just-in-time delivery. This helps customers finish projects on time, on budget, and with minimal residual waste. We believe demand for the company's products and services will grow over the next few years through upgrades and expansion in the utilities, industrial, and infrastructure markets. It also stands to benefit from the increasing complexity of specialty wire and cable specifications and the growing need for just-in-time delivery and logistics support.

Houston Wire & Cable is one of the largest distributors of specialty wire and cable and related services in the U.S. In 2010, it served about 4,300 customers, shipping approximately 25,000 different products to 12,000 locations nationwide. Its specialty wire is primarily used in repair and replacement, also known as maintenance, repair, and operations (MRO). It is being used on a growing basis for large-scale projects in the utility, industrial, and infrastructure markets. Its products include continuous and interlocked armor cable, control and power cable, electronic wire and cable, flexible and portable cords, instrumentation and thermocouple cable, lead and high-temperature cable, medium-voltage cable, and wire rope. It also offers private-brand products such as LifeGuard, a low-smoke, zero-halogen cable that has good growth potential because of its flame resistant characteristics.

2014-16 PROJECTED VALUATION

Revenues: $525 mill.	**Shares Outstanding:** 18,000,000 (1.5% increase)
Pretax Margin: 10%	**Projected EPS Growth Rate:** 30% (annualized, from 2010 to 14-16)
Earnings Per Share: $1.80	**Price-Earnings Multiple:** 15.0

Three to Five-Year Price Target: $27

There are three markets that have been targeted by Houston Wire & Cable because of their strength and growth potential–utilities, industrial, and infrastructure. In the utilities market, which includes large investor-owned utilities, rural cooperatives, and municipal power authorities, spending surpasses $60 billion a year. The company does not distribute power lines used for the transmission of electricity, but does sell products used in the construction of power plants, as well as related pollution-control equipment. It stands to benefit over the long term from the need for additional power generation to support population growth and increasing per-capita demand. Power generation facilities are also spending in order to comply with federal mandates to reduce toxic outputs. Houston Wire & Cable can further benefit by customer utilization of its Cable Management Services for the construction of new power plants and upgrades to existing ones. Upgrades often include the addition of highly engineered and capital-intensive environmental devices, such as selective catalytic reduction (SCR) and flue gas desulphurization (FGD) systems, that remove harmful emissions. HWCC distributes specialty instrumentation, and power and control wire and cable for these purposes.

The industrial market is one of the largest segments of the U.S. economy, and HWCC provides a wide variety of products specifically designed for the petroleum refining, chemical processing, metal/mineral, and manufacturing industries. Its products are especially in demand in industries where there may be significant exposure to caustic chemicals or extreme temperatures. This is another arena where HWCC is positioned to benefit from environmental projects, such as benzene reductions at refineries and sulphur dioxide reductions at chemical processing facilities. Total spending in the United States on these projects is expected to be $179 billion this year.

Infrastructure improvements and expansion to support

Continued on page 10

HOUSTON WIRE & CABLE NDQ--HWCC

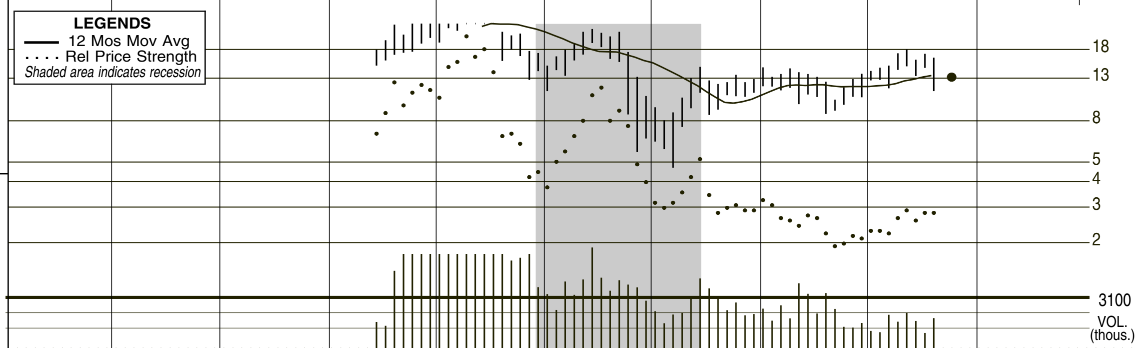
RECENT PRICE	TRAILING P/E RATIO	RELATIVE P/E RATIO	DIV'D YLD	VALUE LINE
13.15	14.0	0.94	2.7%	

RANKS

PERFORMANCE	2	Above Average
Technical	2	Above Average
SAFETY	3	Average
BETA 1.35		(1.00 = Market)

Financial Strength	B
Price Stability	20
Price Growth Persistence	NMF
Earnings Predictability	50

	2006	2007	2008	2009	2010	2011	
	25.50	31.19	22.74	14.76	14.68	18.00	High
	15.00	12.73	5.61	4.70	8.64	11.21	Low



© VALUE LINE PUBLISHING LLC	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012/2013
SALES PER SH	--	--	--	15.50	19.33	20.46	14.37	17.38	--	
"CASH FLOW" PER SH	--	--	--	1.49	1.65	1.38	.48	.58	--	
EARNINGS PER SH	--	--	--	1.62	1.48	1.33	.45	.49	***1.23*** [A,B]	***1.38*** [C]***/NA***
DIV'DS DECL'D PER SH	--	--	--	--	.16	.34	.34	.34	--	
CAP'L SPENDING PER SH	--	--	--	.03	.04	.03	.03	.03	--	
BOOK VALUE PER SH	--	--	--	3.91	3.83	4.34	4.56	4.83	--	
COMMON SHS OUTST'G (MILL)	--	--	--	20.87	18.58	17.64	17.73	17.75	--	
AVG ANN'L P/E RATIO	--	--	--	12.6	15.2	11.8	22.5	23.9	***10.7***	***9.5/NA***
RELATIVE P/E RATIO	--	--	--	.68	.81	.71	1.50	1.52	--	
AVG ANN'L DIV'D YIELD	--	--	--	--	.7%	2.2%	3.4%	2.9%	--	
SALES ($MILL)	--	--	214.0	323.5	359.1	360.9	254.8	308.5	--	***Bold figures are consensus earnings estimates and, using the recent prices, P/E ratios.***
OPERATING MARGIN	--	--	17.1%	21.5%	14.0%	16.9%	12.7%	12.1%	--	
DEPRECIATION ($MILL)	--	--	.4	.4	.5	.5	.6	1.7	--	
NET PROFIT ($MILL)	--	--	12.1	30.7	30.2	23.7	8.0	8.6	--	
INCOME TAX RATE	--	--	36.9%	38.7%	37.7%	38.4%	39.4%	39.1%	--	
NET PROFIT MARGIN	--	--	5.6%	9.5%	8.4%	6.6%	3.2%	2.8%	--	
WORKING CAP'L ($MILL)	--	--	51.4	87.0	98.0	98.1	89.9	94.6	--	
LONG-TERM DEBT ($MILL)	--	--	57.9	12.1	34.5	29.8	17.5	54.8	--	
SHR. EQUITY ($MILL)	--	--	.7	81.7	71.2	76.6	80.8	85.7	--	
RETURN ON TOTAL CAP'L	--	--	23.0%	34.2%	29.2%	23.0%	8.4%	6.4%	--	
RETURN ON SHR. EQUITY	--	--	1627.6%	37.6%	42.5%	31.0%	9.9%	10.1%	--	
RETAINED TO COM EQ	--	--	1627.6%	37.6%	38.3%	23.1%	2.5%	3.1%	--	
ALL DIV'DS TO NET PROF	--	--	--	--	10%	25%	75%	70%	--	

[A] No. of analysts changing earn. est. in last 24 days: 0 up, 0 down, consensus 5-year earnings growth 15.0% per year. [B] Based upon 4 analysts' estimates. [C] Based upon 4 analysts' estimates.

ANNUAL RATES

of change (per share)	5 Yrs.	1 Yr.
Sales	--	21.0%
"Cash Flow"	--	20.5%
Earnings	--	9.0%
Dividends	--	--
Book Value	--	6.0%

Fiscal Year	QUARTERLY SALES ($mill.) 1Q	2Q	3Q	4Q	Full Year
12/31/09	65.8	61.9	63.6	63.5	254.8
12/31/10	61.2	63.3	90.5	93.5	308.5
12/31/11	99.7	103.4			
12/31/12					

Fiscal Year	EARNINGS PER SHARE 1Q	2Q	3Q	4Q	Full Year
12/31/08	.37	.44	.37	.15	1.33
12/31/09	.11	.10	.13	.11	.45
12/31/10	.10	.10	.13	.16	.49
12/31/11	.27	.38	***.31***	***.28***	
12/31/12	***.31***				

Cal-endar	QUARTERLY DIVIDENDS PAID 1Q	2Q	3Q	4Q	Full Year
2008	.085	.085	.085	.085	.34
2009	.085	.085	.085	.085	.34
2010	.085	.085	.085	.085	.34
2011	.085	.09	.09		

INSTITUTIONAL DECISIONS

	4Q'10	1Q'11	2Q'11
to Buy	28	23	40
to Sell	42	39	44
Hld's(000)	14746	14635	15270

ASSETS ($mill.)	2009	2010	6/30/11
Cash Assets	.0	.0	.0
Receivables	46.9	67.8	66.0
Inventory (Avg cost)	61.3	67.5	80.3
Other	5.4	3.2	3.6
Current Assets	113.6	138.5	149.9
Property, Plant & Equip, at cost	8.9	12.7	- -
Accum Depreciation	5.7	6.4	- -
Net Property	3.2	6.3	6.2
Other	5.2	40.7	39.8
Total Assets	122.0	185.5	195.9
LIABILITIES ($mill.)			
Accts Payable	11.6	20.0	14.9
Debt Due	.9	3.1	2.6
Other	11.2	20.8	18.1
Current Liab	23.7	43.9	35.6

LONG-TERM DEBT AND EQUITY as of 6/30/11

Total Debt $68.3 mill. **Due in 5 Yrs.** NA
LT Debt $65.6 mill.
Including Cap. Leases NA
(41% of Cap'l)

Leases, Uncapitalized Annual rentals NA

Pension Liability None in '10 vs. None in '09

Pfd Stock None **Pfd Div'd Paid** None

Common Stock 17,766,973 shares
(59% of Cap'l)

INDUSTRY: Electrical Equipment

BUSINESS: Houston Wire & Cable Company distributes specialty wire and cable products in the United States. During 2010, the company served approximately 4,300 customers, shipping approximately 25,000 SKUs (stock-keeping units) to over 12,000 customer locations nationwide. No customer represented 10% or more of its 2010 sales. Houston Wire & Cable offers products in most categories of specialty wire and cable, including: continuous and interlocked armor cable; control and power cable; electronic wire and cable; flexible and portable cords; instrumentation and thermocouple cable; lead and high-temperature cable; medium-voltage cable; and premise and category wire and cable. The company also offers comprehensive value-added services including same-day shipping, knowledgeable sales staff, inventory management programs, just-in-time delivery, logistics support, customized Internet-based ordering capabilities, and 24/7/365 service. Has 380 employees. C.E.O. & President: Charles A. Sorrentino. Inc.: DE. Address: 10201 North Loop East, Houston, TX 77029. Tel.: (713) 609-2100. Internet: http://www.houwire.com. *E.B.*

October 7, 2011

TOTAL SHAREHOLDER RETURN
Dividends plus appreciation as of 8/31/2011

3 Mos.	6 Mos.	1 Yr.	3 Yrs.	5 Yrs.
-7.62%	10.75%	66.46%	-4.59%	-20.78%

Continued from page 8

population growth present significant growth opportunities, especially for the transportation, waste management, water management, education, and healthcare industries. The American Recovery and Reinvestment Act (ARRA) is providing $787 billion for infrastructure projects. About $130 billion is earmarked for the construction industry, including $20 billion for improvements for wastewater and environmental waste, and another $31 billion for energy projects, including $11 billion for the smart grid. Many of these projects will require products and services that HWCC provides. It is working with its customers' application engineers to develop the wire and cable specifications for a number of large construction projects here.

HWCC is leading the development of the market for low-smoke, zero-halogen cable in the United States. When traditional wire burns, acid gases are produced that are especially destructive to electrical and electronic equipment, which many businesses invest vast sums of money to deploy and operate. Low-smoke, zero-halogen cable has been used extensively in Europe and Asia for a number of years. HWCC's LifeGuard cable provides significant flame resistance, minimal smoke production, and substantially reduced toxicity and corrosiveness when burned. This line of products is available across most of its end-user markets. LifeGuard is marketed to the utility industry for use in power generation and environmental control applications; to industrial plants for petrochemical, pharmaceutical, and wastewater treatment uses; for use in data centers, including computer rooms, switching centers, and central offices; and for use in highly populated facilities, including multistory buildings, schools, hotels, hospitals, sports centers, airports, and mass-transit stations. Other private-branded products include DataGuard, which service the data and communications wire and cable market where exacting electrical characteristics are required; and Houwire, which is custom designed for the sound, security, and fire alarm market.

A wide array of value-added services that reduces costs for its customers include eliminating the long lead times typically required when ordering directly from the manufacturer, lower on-site labor costs, and the ability to fulfill small orders with no purchase minimums or price premiums. HWCC can help reduce waste by cutting-to-length, and offers next-day delivery that moderates inventory carrying costs for products that take up a significant amount of warehouse space. It provides access to restricted and exclusive brands, 24-hour-a-day technical support, and its Cable Management Program helps customers manage large, intermittent product orders. It also offers wire and cable training programs, and full extranet capabilities that enable customers to get password-protected access that enables them to check product availability, obtain pricing, and confirm the status of their orders, including shipment tracking numbers.

HWCC has 19 locations nationwide, including two third-party logistics providers. By having a national distribution presence and providing value-added services, it is an essential partner in the supply chain. The standard practice is to process orders the same day they are received. Strategically located distribution centers generally allow for ground delivery nationwide within 24 hours of shipment. Orders are delivered by truck-load and less-than-truck-load carriers, or air and parcel service providers. They are also available directly from the manufacturer, or through cross-dock shipments. Customers typically pay freight charges, and HWCC has preferred pricing relationships with its contract carriers. In addition to providing cost savings for customers, suppliers also benefit from HWCC's services since they do not have to maintain asset-intensive distribution systems, nor do they have large outlays for marketing and technical support. Since HWCC places large orders, suppliers can have more-efficient and cost-effective product planning, as well.

HWCC reported record revenues in the third quarter of $105.8 million, up 17% from last year. Demand along its long-term growth initiatives of utility power generation, environmental compliance, engineering and construction, industrials, and LifeGuard were up 50%. It made two acquisitions in June of 2010 that also helped the top line, a supplier of custom fabricated lifting equipment and a supplier of industrial wire rope and related hardware. Management reported its MRO business continued to benefit from the recovering economy and some formerly delayed business, but was hurt by the slow development of a new software system that is being implemented for its acquisitions. It appears most of the major challenges implementing this have been met, and HWCC will continue work on getting the system operational into the fourth quarter. Excluding the estimated impact of the upgrades, management estimated that MRO sales would have been up 10% - 15%. The gross margin improved 230 basis points, to 21.7% of revenues, through higher sales, while operating expenses were only up 8.2%, falling as a percentage of revenues 110 basis points, to 13.8%, because of additional hiring, higher healthcare costs, and systems integration expenses. Net income surged 122%, to $5.0 million, for earnings of $0.28 a share, versus $0.13 a share last year. The balance sheet at the end of the quarter listed current assets of $149.2 million and current liabilities of $34.1 million, for working capital of $115.1 million and a current ratio of 4.38 to one. It also listed long-term debt of $61.2 million. Stockholders' equity amounted to $96.8 million, with 17.8 million shares outstanding. A dividend of $0.09 a share will be paid on November 25th to shareholders of record at the close of business on Monday, November 14th.

We believe HWCC has good growth potential over the long term through sales to the infrastructure, utilities, and industrial markets. These markets create MRO and project sales demand, a market that is fairly resilient. Meanwhile, HWCC has little exposure to the residential housing market. It is pursuing acquisition opportunities similar to the ones made in 2010. It has paid a dividend for 18 consecutive quarters, as well. We have set a three- to five-year price target of $27 a share. Houston Wire & Cable trades on the Nasdaq under the symbol HWCC. We recommend the use of limit orders, and a stop-loss of approximately 35%.

Company Updates

For Previously Recommended Stocks

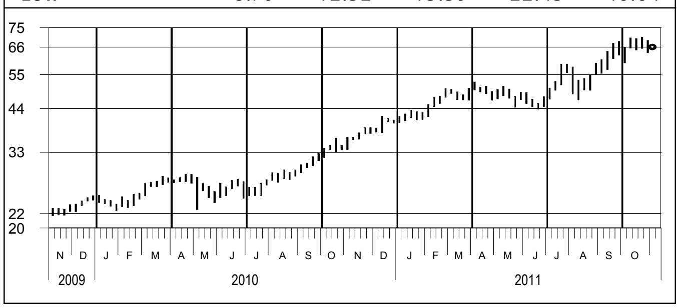
Alexion Pharmaceuticals, Inc.

(NDQ—ALXN)

For Aggressive Investors

Recommendation: Hold
Recent Price: $66.04
Estimated Dividend Yield: Nil
2013-15 Potential Value: $105 (+59%)
Originally Recommended at $5.16 in May 2005
Performance Record: +1180%
Recommended Stop Loss: $45
Company Website: www.alexionpharmaceuticals.com

(1)Annual Stock Price	2007	2008	2009	2010	2011
High	20.03	23.98	24.76	41.81	70.02
Low	8.79	12.32	15.39	22.43	40.04



Cal-endar	QUARTERLY REVENUES ($mill.) Mar. 31	Jun. 30	Sep. 30	Dec. 31	Full Year
2009	81.3	92.3	102.6	110.6	386.8
2010	117.6	125.8	141.6	156.0	541.0
2011	166.1	185.7	204.0	***219.2***	***775***
2012	***235.0***	***250.0***	***265.0***	***280.0***	***1030***

Cal-endar	QUARTERLY EARNINGS (Per Share) Mar. 31	Jun. 30	Sep. 30	Dec. 31	Full Year(1)
2009	0.08	0.10	0.14	0.12	0.44
2010	0.11	0.12	0.15	0.14	0.52
2011	0.14	0.18	0.34	***0.39***	***1.05***
2012	***0.40***	***0.45***	***0.50***	***0.55***	***1.90***

(1)–*Results adjusted for two-for-one stock splits on Aug. 22, 2008 and May 23, 2011.*

In a widely anticipated move, Alexion's drug Soliris was recently approved by the FDA for the treatment of atypical hemolytic uremic syndrome (aHUS), a rare genetic disease that causes clots in small blood vessels throughout the body (thrombotic microangiopathy, or TMA), that can damage organs and lead to heart attack, stroke, kidney failure, and early death. Approval by the European Medicines Agency for the treatment of aHUS is expected within the next few weeks, which would allow Alexion to market the drug for that indication in Europe. Management expects sales for this indication to grow slowly, however, as aHUS is an ultra-rare disease, with a patient population smaller than that of paroxysmal nocturnal hemoglobinuria (PNH), the only other indication for which Soliris is approved.

Results for the third quarter were very good. Revenues were up 44% year over year, to $204.0 million. Earnings totaled $0.34 a share, up from $0.15 last year, and included a tax benefit of $0.09 a share. In addition to the announcement regarding aHUS, Alexion reported positive results from a Phase II study of Soliris in the treatment of the rare neurological disease generalized Myasthenia Gravis (gMG). The 14-patient study showed a clinically meaningful benefit of Soliris in improving the Quantitative Myasthenia Gravis disease severity score compared to a placebo. Treatment with Soliris also showed a positive, prolonged carry-over effect after treatment was stopped. Alexion will move forward with further clinical studies in an attempt to get Soliris approved for this indication. It is also continuing its investigation of the drug as a treatment to reduce the risk of kidney-transplant rejection, and as a treatment for neuromyelitis optica, a rare disease that shares certain traits with multiple sclerosis and causes weakness, paralysis, blindness, loss of sensation, and bowel and bladder dysfunction. It is also being investigated for other rare conditions, including cold agglutinin disease and dense deposit disease, and independent researchers are investigating it as a treatment for macular degeneration. Elsewhere, Alexion is developing three other drug candidates, TT30, cPMP, and Samalizumab, a novel anti-inflammatory antibody. TT30 is similar to Soliris in that it is an inhibitor of the complement cascade, but its mechanism of action is different. This drug was being developed by Taligen Therapeutics, Inc., which Alexion acquired in January, as a treatment for age-related macular degeneration, a leading cause of blindness in the elderly. The acquisition of Orphatec Pharmaceuticals included the drug cPMP, which is being investigated as a treatment of an ultrarare disease called molybdenum cofactor deficiency Type A, which causes death in newborns due to the buildup of toxic sulfites. Samalizumab is being investigated as a treatment for chronic lymphocytic leukemia and multiple myeloma, two cancers of the blood. These three drugs are still in the early stages of development, however, and some or all of them may turn out to be ineffective.

The stock has performed very well lately, and is trading at about 38 times our forecasted earnings for 2012. For now, Soliris remains Alexion's sole source of revenue, and most of its near-term sales potential appears already priced into the shares. Hold.

B&G Foods, Inc.

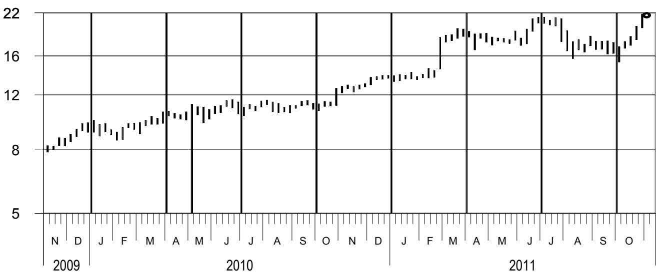
(NYSE—BGS)

For Conservative Investors

B&G Foods announced it will acquire Culver Specialty Brands from Unilever for about $325 million. This will be funded

Recommendation: Buy/Hold
Recent Price: $21.59
Estimated Dividend Yield: 4.3%
2013-15 Potential Value: $35(+62%)
Originally Recommended at $13.48 in January 2011
Performance Record: +60%
Recommended Stop Loss: $14
Company Website: www.bgfoods.com

Annual Stock Price(1)	2007	2008	2009	2010	2011
High	14.06	11.80	10.23	13.87	21.78
Low	9.72	2.54	3.51	5.00	13.23



Cal-endar	QUARTERLY REVENUES ($mill.) Mar. 31	Jun. 30	Sep. 30	Dec. 31	Full Year
2009	118.6	122.9	123.9	135.6	501.0
2010	125.2	121.1	125.1	141.9	513.3
2011	131.4	129.4	133.0	***151.2***	***545***
2012	**160.0**	**162.0**	**163.0**	**170.0**	**655**
Cal-endar	**QUARTERLY EARNINGS (Per Share) Mar. 31**	**Jun. 30**	**Sep. 30**	**Dec. 31**	**Full Year**
2009	0.18	0.15	0.14	0.14	0.61
2010	0.22	0.20	0.20	0.28	0.90
2011	0.27	0.26	0.25	***0.32***	***1.10***
2012	***0.38***	***0.40***	***0.42***	***0.45***	***1.65***

(1)–*IPO May 2008.*

through additional debt financing. The brands include *Mrs. Dash*, a popular salt-free seasoning; *Baker's Joy*, a no-stick baking spray with flour; *Sugar Twin*, a calorie-free sugar substitute that is mainly sold in Canada; and *Molly McButter*, a low-calorie, fat-free butter substitute that can be sprinkled on food. B&G will also acquire two household products brands, *Static Guard*, a spray that eliminates static cling, and *Kleen Guard*, a value-priced furniture polish. These brands had combined net sales of about $90 million for Unilever's fiscal year ended September 30th. Management expects them to be immediately accretive to earnings, and generate between $35 million and $38 million in operating income on a full-year basis. All these brands are manufactured by co-packers, so B&G will not be acquiring any facilities or take on additional employees. The acquisition of Static Guard and Kleen Guard marks B&G's first foray into the household products segment, a business it has been interested in for some time due to margins and distribution systems similar to its food products.

Results for the third quarter were very good, with net sales rising 6.3% year over year, to $133.0 million. Last year's fourth-quarter acquisitions of the *Don Pepino* and *Sclafani* brands contributed about half of the increase, with the remaining gains coming from increased sales of its existing brands. Price increases also made a small contribution to the top line. The gross margin of 31.2% was marginally lower than last year, and fell because of increased commodity and distribution costs, which were partially offset by increased sales of higher-margin products. SG&A expenses were up only 2.3%, however, and net income rose 30%, to $12.1 million, for earnings of $0.25 a share, versus earnings of $0.19 a share last year. A dividend of $0.23 a share will be paid on January 30th to shareholders of record as of December 30th. This is a 9.5% increase, the second one in a year. B&G implemented price increases in September, and another round of increases, albeit on a smaller scale, is planned for February. This should help offset high commodity and distribution costs. (Costs for most of its crop-related purchases are fixed for at least the first nine months of 2012.) The Unilever unit acquisition has pushed B&G's long-term debt above $800 million, so any other acquisitions it makes in the near term are likely to be small. At the same time, competition for shelf space is fierce, and getting new products on store shelves is difficult. B&G has several new products planned for its *Cream of Wheat* line of hot cereals. *Cream of Wheat* is a major contributor to earnings, and getting new flavors on store shelves will help the brand maintain the momentum gained since it was acquired by B&G in 2007. B&G has been successful in getting additional shelf space here, but the pace has been somewhat slow. We are maintaining our Buy/Hold ranking on the stock for investors seeking growth and income.

Balchem Corporation

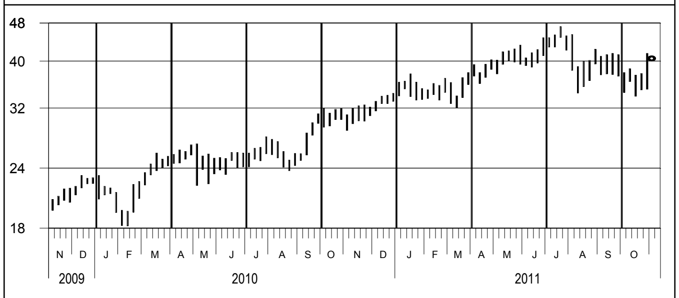
(NDQ—BCPC)

For Conservative Investors

Recommendation: Hold
Recent Price: $40.50
Estimated Dividend Yield: 0.4%
2014-16 Potential Value: $50 (+23%)
Originally Recommended at $19.93 in November 2009
Performance Record: +103%
Recommended Stop Loss: $30
Company Website: www.balchem.com

Balchem reported record earnings in the third quarter of $0.36 a share, on net income of $10.8 million. Total sales for the period reached $74.4 million, an improvement of more than 16% over the comparable quarter in 2010, mainly on demand for animal nutrition products. Its Animal Nutrition & Health segment (ANH) grew 21% year over year, to $51.2 million, through sales of specialty products, which were up 26%. Balchem offers encapsulated nutritional products for cows. Encapsulation protects nutrients from being damaged during feed production and storage, and also times the release of nutrients to specific parts of the cow's digestive tract, which helps them produce more milk. Encapsulation is used for essential nutrients such as choline, lysine, and niacin. Sales of AminoShure-L, which contains the essential amino acid lysine, have been doing well since it

Annual Stock Price(1)	2007	2008	2009	2010	2011
High	16.08	20.21	23.15	34.29	47.23
Low	9.17	12.15	12.48	18.17	32.00



Cal-endar	QUARTERLY REVENUES ($mill.) Mar. 31	Jun. 30	Sep. 30	Dec. 31	Full Year
2009	53.0	53.0	54.3	59.1	219.4
2010	59.9	61.5	63.9	69.8	255.1
2011	73.0	74.9	74.4	***76.7***	***299***
2012	***78.0***	***80.0***	***82.0***	***85.0***	***325***
Cal-endar	**QUARTERLY EARNINGS (Per Share) Mar. 31**	**Jun. 30**	**Sep. 30**	**Dec. 31**	**Full Year(1)**
2009	0.21	0.24	0.24	0.24	0.93
2010	0.24	0.28	0.29	0.31	1.12
2011	0.30	0.32	0.36	***0.38***	***1.36***
2012	***0.38***	***0.39***	***0.40***	***0.43***	***1.60***

(1)–*Results prior to Jan. 21, 2010 adjusted for three-for-two stock split.*

was introduced in 2008. It helps dairy farmers reduce feed costs, since cows need less protein in their diets. Balchem also has proprietary chelation technology that binds proteins with essential minerals to enhance mineral absorption. In addition to encapsulated choline, it produces feed grain choline products for the poultry and swine market. Choline is essential for the metabolism of fat, and a deficiency leads to reduced growth, poor health, and increased incidence of disease. Demand here was up 12% year over year. The ANH segment also includes choline-based products that are used for fracking in the production of natural gas, and other industrial uses. Balchem's ARC Specialty Products segment performed well in the quarter, with sales up 13%, to $12.2 million, through demand for ethylene oxide, used to sterilized medical devices, and through the acquisition last year of Aberco, Inc., a manufacturer of propylene oxide, used to fumigate nuts and spices. Its Food, Pharma & Nutrition segment had sales of $11 million, for growth of about 3%, on improved sales of human-grade choline.

The gross margin fell 130 basis points, to 30.4% of revenues, because of higher costs for petroleum-based raw materials used to manufacture choline. But this was offset by leveraging its manufacturing, supply-chain efficiencies, and a new version of AminoSure-L that uses new encapsulation technology that lowers production costs and makes it more affordable for dairy farmers. Operating income was up nearly 17%, to $15.2 million. The tax rate for the period fell to 29.2%, versus 34.4% a year ago, due to changes in state tax apportionment and increases in tax credits. Net earnings rose 27%, to $10.8 million, for earnings of $0.36 a share, up seven cents from a year ago.

Balchem has good growth potential through the sale of specialty products for animal nutrition, especially through its new, lower-cost version of AminoShure-L, and choline for use in natural gas fracking. However, if feed prices spike, as they did for dairy farmers a few years ago, this could hamper Balchem's sales, as farmers cut production to rein in costs. Poultry integrators are trying to slow the placement of chicks right now in an attempt to bolster meat prices enough to cover increased feed and energy costs. Elsewhere, costs for petroleum-based raw materials have been rising, and Balchem is pushing through price increases, with additional increases planned for the fourth quarter. But management has warned that this area will likely be affected by these higher costs into next year. The shares currently trade at a premium of about 26 times our forecasted earnings for 2012 of $1.55 a share. Hold.

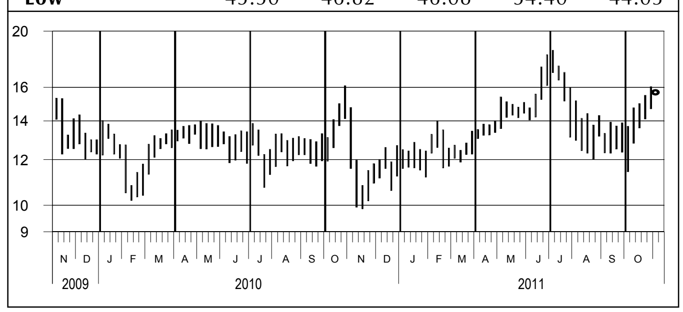
Echo Global Logistics, Inc.

(NDQ—ECHO)

For Aggressive Investors

Especially Recommended
Recent Price: $15.67
Estimated Dividend Yield: Nil
2014-16 Potential Value: $32 (+104%)
Originally Recommended at $11.91 in December 2010
Performance Record: +32%
Recommended Stop Loss: $12
Company Website: www.echo.com

Annual Stock Price	2007	2008	2009	2010	2011
High	54.46	74.51	73.99	71.71	69.48
Low	45.50	46.82	46.08	54.40	44.03



Cal-endar	QUARTERLY REVENUES ($mill.) Mar. 31	Jun. 30	Sep. 30	Dec. 31	Full Year
2009	49.1	60.3	70.2	80.0	259.6
2010	89.1	109.9	113.6	113.8	426.4
2011	129.4	151.5	159.0	***160.1***	***600***
2012	***170.0***	***180.0***	***190.0***	***205.0***	***745***
Cal-endar	**QUARTERLY EARNINGS (Per Share) Mar. 31**	**Jun. 30**	**Sep. 30**	**Dec. 31**	**Full Year(1)**
2009	d0.02	0.03	0.08	0.15	0.29
2010	0.05	0.09	0.12	0.12	0.38
2011	0.10	0.13	0.15	***0.17***	***0.55***
2012	***0.18***	***0.20***	***0.22***	***0.25***	***0.85***

(1)–*IPO October, 2009. Prior results pro forma.*

Echo shares rose after the company reported third-quarter results in late October, reversing the stock's downward spiral over the summer. Revenues for the period were up 40% year over year, to a record $159.0 million. The third-party logistics provider also set records for shipment volume, which was up 30%, and for the total number of clients served, which grew 31%. The average revenue per sales representative rose 17%, to $141,000; more than 200 sales representatives and agents have been added over the past 12 months, bringing the total at the end of the period to 800.

Echo markets its services to small and mid-size companies on the premise that it can get them better shipping prices than they can get on their own. It has about 80,000 trucking companies in its database, and can match shippers with carriers electronically. Echo offers transportation management systems that provide information about how much capacity carriers have available, which gives the shipper negotiating leverage, and also provides services such as tracking, tracing, and customer service. Most small and mid-size businesses can't afford these systems on their own. Echo also maintains a data warehouse so that customers can access, from any Internet-enabled device, every transaction that Echo has ever handled . For carriers, Echo uses an electronic data interchange system. It automates the transaction with the carrier, which lowers the carrier's costs. Echo offers services on a per-transaction basis, or on a contractual (enterprise) basis.

Transactional revenues were up 54.6% in the third quarter, to $108.4 million, while enterprise revenues grew 16.5%, to $50.6 million. It added eight new enterprise clients in the quarter, bringing the total to 169. The revenue per enterprise client currently ranges from about $300,000 to $20 million per year, and averages about $1 million per year. Transportation costs kept pace with the company's top-line growth. Income from operations was up 28.1%, to $5.5 million, and was affected by a reduction for contingent liabilities payable to the sellers of companies that Echo has acquired. Without that contingency, operating income would have been up 76%, attributable to increased leverage over its general and administrative expenses and depreciation and amortization costs. Earnings totaled $0.15 a share, versus $0.12 a share last year.

The days of low fuel prices are long gone, and small and mid-size companies are turning to third-party logistics providers to help them manage shipping costs. Echo's transportation management services and its electronic data interchange system have enabled it to grow from a small operation that did $96 million in revenues in 2007 to one that is on track to do about $600 million in 2011. Management's goal is for the company to reach one billion dollars in revenues in 2013, and two billion in 2017. Part of its growth strategy is to acquire small freight brokers. Management notes there are thousands of these brokers that have very good, established relationships with their clients, and when making an acquisition it has been able to make it grow through technology and services. Some of its earliest acquisitions have either doubled or tripled in size. Still, about 80% to 85% of the company's growth is organic. Although it continues to hire at a high rate, the overall salesforce is becoming more seasoned, and more productive in the process. We are raising our ranking to Especially Recommended, with a three- to five-year price target of $32 a share.

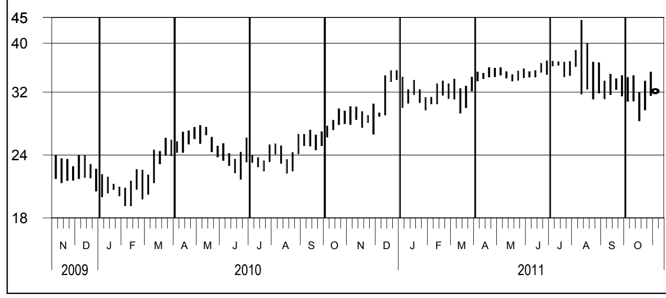
National Research Corporation

(NDQ–NRCI)

For Conservative Investors

Especially Recommended
Recent Price: $32.12
Estimated Dividend Yield: 2.7%
2014-16 Potential Value: $65 (+102%)
Originally Recommended at $34.44 in June 2011
Performance Record: -7%
Recommended Stop Loss: $23
Company Website: www.nationalresearch.com

Annual Stock Price	2007	2008	2009	2010	2011
High	28.00	35.58	29.01	35.33	44.44
Low	20.49	19.00	19.48	19.00	28.00



Cal-endar	QUARTERLY REVENUES ($mill.) Mar. 31	Jun. 30	Sep. 30	Dec. 31	Full Year
2009	16.7	13.6	13.5	13.9	57.7
2010	17.4	14.1	16.0	15.9	63.4
2011	19.8	18.3	18.5	*18.4*	*75.0*
2012	*22.0*	*20.0*	*20.0*	*22.0*	*84.0*

Cal-endar	QUARTERLY EARNINGS (Per Share) Mar. 31	Jun. 30	Sep. 30	Dec. 31	Full Year
2009	0.39	0.24	0.30	0.33	1.26
2010	0.46	0.25	0.32	0.23	1.26
2011	0.51	0.34	0.39	*0.39*	*1.63*
2012	*0.49*	*0.46*	*0.46*	*0.49*	*1.90*

Revenues for National Research Corporation were up 16% year over year in the third quarter, to $18.5 million. The provider of performance measurement and improvement services, healthcare analytics, and governance education that helps doctors and hospitals in the United States and Canada increase patient satisfaction, deliver better treatment outcomes, and improve the cost basis of the care they provide, reported organic growth through the addition of new clients and by bundling product offerings through subscription plans. These plans accounted for a higher percentage of revenues in the quarter, and led to improved operating margins through the cross-selling of its portfolio of products. National Research ended the quarter with $80.8 million in contracts, with subscription agreements representing 70% of its total contract value. Subscription agreements generated 69% of the company's total revenues in the quarter, compared to 32% of revenues for all of 2010. According to management, the company is increasing its market share, with net new contract growth over the last 12 months of 36%. It recently announced a major new contract with a large healthcare system, beating out several competitors and the incumbent, although the name of the healthcare system and the value of the award were not disclosed. The acquisition in August, 2010 of Outcome Concept Systems, Inc., a provider of clinical, financial, and operational benchmarks to home healthcare and hospice providers also boosted top-line results. Operating expenses were up 15%, to $14.4 million, but fell 80 basis points, to 77.4% of revenues, by leveraging selling, general, and administrative costs. Net income rose 24%, to $2.6 million, for earnings of $0.39 a share, up seven cents from the third quarter of 2010.

As healthcare costs rise and reimbursements decline, providers are becoming increasingly aware of the importance of providing quality care, and are taking appropriate steps to monitor patient satisfaction, improve operating efficiencies, and ensure that their practices are in compliance with industry standards in order to reduce the risk of malpractice. Although the shares have fallen a bit since our initial recommendation in June, we believe the company's portfolio of products puts it in a good position to profit from these trends. We are maintaining our Especially Recommended ranking, with a current three- to five-year price target of $65 a share.

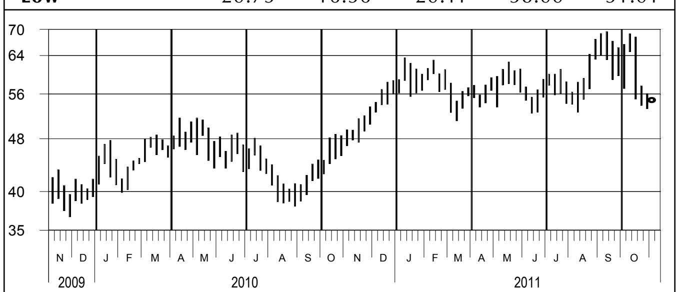
NVE Corporation

(NDQ–NVEC)

For Aggressive Investors

Recommendation: Buy/Hold
Recent Price: $54.85
Estimated Dividend Yield: Nil
2014-16 Potential Value: $95 (+73%)
Originally Recommended at $42.18 in August 2010
Performance Record: +30%
Recommended Stop Loss: $38
Company Website: www.nve.com

Annual Stock Price	2007	2008	2009	2010	2011
High	41.95	39.60	63.64	58.65	69.46
Low	20.75	16.56	20.11	38.00	51.01



Fisc. Yr. Begins (1)	QUARTERLY REVENUES ($mill.) Jun. 30	Sep. 30	Dec. 31	Mar. 31	Full Fisc. Yr.
2008	4.9	5.7	5.9	6.9	23.4
2009	6.8	6.5	6.6	8.2	28.1
2010	7.2	7.8	8.0	8.2	31.2
2011	8.2	6.6	***8.0***	***9.2***	***32***
Fisc. Yr. Begins	**QUARTERLY EARNINGS (Per Share) Jun. 30**	**Sep. 30**	**Dec. 31**	**Mar. 31**	**Full Fisc. Yr.**
2008	0.39	0.48	0.52	0.65	2.04
2009	0.61	0.55	0.57	0.74	2.47
2010	0.64	0.66	0.70	0.75	(2)2.76
2011	0.70	0.52	***0.70***	***0.83***	***2.75***

(1)–*Fiscal years end March 31st of the following year.* (2)–*Quarters do not sum due to rounding.*

NVE Corporation shares fell sharply after the company reported results for its fiscal second quarter ended September 30th. Revenues were down 16% year over year, to $6.6 million, with product sales declining 13%, to $5.6 million, and contract research and development revenues sliding 26%, to $1.0 million. Revenues were also down substantially compared to the fiscal first quarter, when product sales and contract research revenues hit record levels. Management reported that product sales were hurt by inventory adjustments by some customers that manufacture medical devices (NVE makes sensors for hearing aids produced by Phonak AG and for pacemakers made by St. Jude Medical). Sales were also down because of shipping delays related to a shutdown for manufacturing upgrades. Management noted that the company's order backlog for medical devices is still strong (it recently extended the contracts it has with Phonak and St. Jude), with some customer orders shifted to the current quarter, and further reported that the manufacturing changes were successfully completed. The announcement that a customer had shifted the production of a new biosensor, which features an NVE sensor, from the fourth quarter to early next year also hurt the shares. As is often the case, NVE has a confidentiality agreement with this manufacturer that precludes it from providing product details, but management stated the biosensor is part of a disposable test, and one of its uses could be to quickly detect levels of a protein biomarker associated with heart attack or stroke. Since it can take several hours before the protein biomarkers currently used to diagnose these conditions can be detected, this new biosensor could be of great assistance in helping physicians make an accurate diagnosis and make potentially lifesaving treatment decisions faster. NVE will be the sole manufacturer of the sensor, and since it is consumable, delivers results quickly, and could be used to aid in the diagnosis of some of the most common symptoms that bring patients to the emergency room, the sales potential here is high. Although manufacturing is slated to begin early next year, however, there is the potential for additional delays as regulatory approval for the device is still forthcoming.

NVE extended its existing building lease through 2020, and plans to spend about $1 million to expand production capacity. It is also investing heavily in research and development, with fiscal second-quarter costs here nearly double what they were a year ago. It is focusing on MRAM, a kind of memory that has several attributes, including high speed, the ability to store a large amount of data, low power consumption, and non-volatility, meaning it can retain information if power is lost. It is being developed for tamper protection and tamper detection for consumer electronics in order to prevent identity fraud and identity theft. Over the long term, it could be developed for large-scale memories. NVE is also developing sensors for use as a compass in navigation systems that could improve their accuracy, while at the same time reducing their size and power consumption. The stock price has been quite volatile, and investors should be mindful of the risk that some or all of the products NVE is developing may never find their way to commercial use. Also, the shares could get knocked down if there are further delays in the production of the new biosensor, or sales to existing medical device manufacturers do not rebound.

Polypore International, Inc.

(NYSE—PPO)

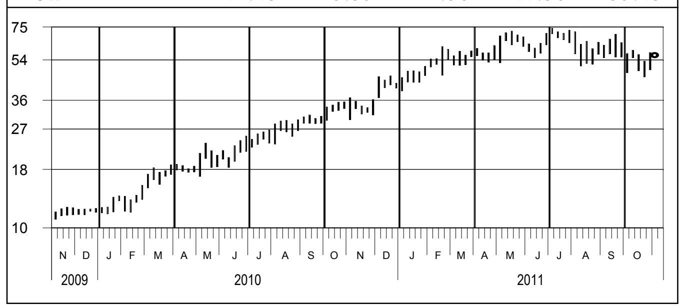
For Aggressive Investors

Polypore shares rallied after the company reported third-quarter results earlier this month, although the stock is still down since our initial recommendation in July. Sales for the quarter totaled $190.1 million, an increase of 25% over the same period in 2010, on demand for separators that are used in lithium-ion batteries that power electric-drive vehicles and consumer electronics. Lithium battery separator sales were up 65% year over year, to $56.1 million, and Polypore is adding new capacity to meet demand. The already-completed first expansion of its facility in Charlotte was at full capacity by the end of the second quarter, and a second expansion will be ready to begin production by the end of the year. The three-phase expansion of its facility in Concord will begin ramping production next year; it is scheduled to be completed by 2014. Both of these facilities are producing separators for batteries used in hybrids and other types of electric-drive vehicles. The expansion of its Korean facility that manufactures separators for consumer electronics was also completed, and production there is ramping up, as well. Sales of lead-acid battery separators only increased 14%, however, to $89.9 million, as greater demand in the Americas and Europe were met with flat demand in Asia. Management reported there were disruptions in lead-acid battery production in China related to new regulations regarding the safe handling of lead that forced some manufacturers to move production outside of metropolitan areas. This resulted in weakened demand for separators, but management viewed this as a temporary setback. It also stated the regulations would likely accelerate consolidation of battery producers, which would benefit Polypore, since it supplies separators for most of the large manufacturers, and that new regulations wouldn't affect demand in the long run. Meanwhile, sales of separations media for hemodialysis and blood oxygenation were up 22%, to $28.0 million, while sales of filtration and specialty products of $16.1 million were flat. The gross margin improved 270 basis points, to 40.5% of sales. Selling, general, and administrative expenses were up 14.5%, $333.1 million, but interest expenses fell 30%, to $8.5 million. As a results of these factors, net income soared 90%, to $23.6 million, for earnings of $0.50 a share, versus $0.27 a share last year.

Although the shares have fallen since our initial recommendation, we believe auto manufacturers in the U.S. market will increase their fleet of hybrid and other types of electric drive vehicles over the long term in order to meet increasingly stringent fuel economy regulations, and the European market will have to comply with regulations limiting carbon dioxide emissions. We also expect international demand for lithium-ion batteries for consumer electronics, and lead-acid batteries for vehicles and industrial applications to continue to grow at a strong pace. We are maintaining our Especially Recommended ranking on the shares, and our three- to five year price target of $125.

Especially Recommended
Recent Price: $56.57
Estimated Dividend Yield: Nil
2014-16 Potential Value: $125 (+121%)
Originally Recommended at $69.35 in July 2011
Performance Record: -18%
Recommended Stop Loss: $45
Company Website: www.polypore.net

Annual Stock Price	2007	2008	2009	2010	2011
High	19.14	29.26	14.10	45.88	74.21
Low	12.15	3.59	2.38	11.50	39.45



Calendar	QUARTERLY REVENUES ($mill.) Mar. 31	Jun. 30	Sep. 30	Dec. 31	Full Year
2009	108.9	118.2	137.8	152.0	516.9
2010	145.3	150.1	151.7	169.5	616.6
2011	185.7	196.4	190.1	***207.8***	***780***
2012	***215.0***	***225.0***	***235.0***	***250.0***	***925***

Calendar	QUARTERLY EARNINGS (Per Share) Mar. 31	Jun. 30	Sep. 30	Dec. 31	Full Year
2009	0.09	0.09	0.14	0.02	0.34
2010	0.38	0.34	0.27	0.38	(1)1.39
2011	0.55	0.63	0.50	***0.67***	***2.35***
2012	***0.65***	***0.70***	***0.75***	***0.80***	***2.90***

(1)–*Quarters do not sum due to rounding.*

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