



Profire Energy, Inc.
(NasdaqCM: PFIE)

November 12, 2014
Target Price: \$6.20
Recent Price: \$4.00

Market Data

Fiscal Year	March 31
Industry	Oil & Gas
Market Cap	\$203.8
Price/Earnings (ttm)	30.5x
Price/Book (mrq)	4.7x
Price/Sales (ttm)	4.0x
EV/EBITDA (ttm)	18.1x
ROE (ttm)	21.8%
Insider Ownership	62.6%
Institutional Ownership	3.0%
Shares Outstanding	52.8M
Float	21.0M
Avg. Daily Vol. (3 mos.)	303,802
<i>As of November 12, 2014</i>	

Income Snapshot

	TTM	YoY Change
Revenue	\$47.7M	88.3%
Gross Profit	\$26.3M	85.5%
Gross Margin	55.0%	-0.81pts
Operating Income	\$9.8M	63.4%
Operating Margin	20.5%	-3.12pts
Net Income	\$6.2M	60.7%
Net Margin	13.1%	-2.25pts

Balance Sheet Snapshot

	MRQ
Cash	\$18.7M
Debt	\$0.0M

Record 2QFY15 revenue; Continued expansion in product lines and sales team

Record 2QFY15 revenue driven by growth in U.S. operations. In 2QFY15, PFIE reported record revenue of \$15.7 million (68% increase YoY), which beat our revenue projection of \$12.5 million. Net income increased 1.4% YoY to \$2.1 million, or \$0.04 per share. Revenue from U.S. operations was \$10.8 million, representing YoY growth of 118.39%, and revenue from Canadian operations was \$4.9 million, representing YoY growth of 12.1%. The Company increased its FY15 guidance, projecting total revenue to range from \$57-\$59 million, and net income to range from \$8.0-\$9.5 million. We believe that this guidance is very achievable, given the excellent 1HFY15 results.

Margins down slightly due to operational investments; these investments should lead to long-term growth. Margins declined slightly QoQ, with gross margins declining from 56.6% to 54.4%, operating margins declining from 25.6% to 20.7%, and net margins declining from 16.9% to 13.2%. These declines resulted primarily from investments in long-term growth, as PFIE completed the expansion of its Utah warehouse, added additional sales and service personnel, and invested greater amounts of capital in R&D. These operational improvements should lead to greater long-term growth and profitability.

Sales personnel expanded to 26 people, service team expanded to 28 people. The Company continues to add additional sales and service personnel, with the team now totaling 54 employees. Sales and service staff was added in Michigan, Ohio, Iowa, North Dakota, West Virginia, and West Texas. We believe that the Company's recently completed capital raise provides ample funds to increase its sales staff and drive revenue. An increasingly robust product line should help sales staff productivity.

Continuing to focus on building sticky long-term relationships. PFIE has continued to test a new service-based, recurring-revenue model. New service centers have been opened in Victoria, Texas, and Pennsylvania in order to support this emerging portion of the business. Service-based revenues should promote greater 'stickiness' in the Company's products. Additionally, PFIE has hired channel managers to serve large corporations, OEMs and government entities. Developing relationships with these entities could provide strong value for PFIE over the long-term, especially considering the extremely low market penetration rate for BMS products, which PFIE estimates at <5%.

Maintaining price target at \$6.20.



Additional Information

Auditor: Sadler, Gibb & Associates LLC
Legal Counsel: Poulton & Yordan
Transfer Agent: OTC Stock Transfer, Inc.

Company Information

About RedChip

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