

Untapped Wealth

April Edition

Emdeon Inc

52wk range: 9.95 - 16.9

Volume – 95,817

Market Cap – 1.43 Billion

P/E – 72.98

EPS – 0.22

Shares Outstanding - 91,064,486 Class A Common shares

Snapshot

Emdeon, Inc (NYSE:EM \$15.68*), one of the largest health information networks in the United States focusing on clinical exchange and a leading provider of revenue and payment cycle management and clinical information exchange solutions, connecting payers, providers and patients in the U.S. healthcare system. Emdeon's product and service offerings integrate and automate key business and administrative functions of its payer and provider customers throughout the patient encounter. Through the use of Emdeon's comprehensive suite of products and services, which are designed to easily integrate with existing technology infrastructures, customers are able to improve efficiency, reduce costs, increase cash flow and more efficiently manage the complex revenue and payment cycle and clinical information exchange processes. The company's information network currently reaches approximately 1,200 payers, 500,000 providers, 5,000 hospitals, 81,000 dentists, 60,000 pharmacies and 150 labs.

Emdeon primarily operates in three business segments –

- a) **Payer services**, which provides services to commercial insurance companies, third party administrators and governmental payers.
- b) **Provider services**, which provides services to hospitals, physicians, dentists and other healthcare providers, such as labs and home healthcare providers;
- c) **Pharmacy services**, which provide services to pharmacies, pharmacy benefit management companies and other payers.

Provider services contribute around 50% of the company's revenue followed by Payer services contributing 43% of the total revenue.

Over a period of 25 years, the company has developed a network of payers and providers and connected to virtually all private and government payers, claim-submitting providers and pharmacies.

Price Chart - EMDEON Inc



Nov 2010 – April 2011

Key Highlights

Acquisition of Chamberlin Edmonds – Emdeon completed the acquisition of Chamberlin Edmonds & Associates, Inc., a leading provider of government program eligibility and enrollment services to over 200 acute care facilities in 31 states. The acquisition of Chamberlin Edmonds provides Emdeon with an enhanced revenue cycle management solution to better address the reimbursement challenges for its hospital customers.

Strategic Relationship with Noridian to expand footprint in the Public Payer Sector – Through the strategic relationship, Emdeon will assume operations for the NMIC printing facility in Fargo, N.D., and secure an experienced and highly reputable Medicare Administrative Contractor (MAC) partner committed to making healthcare more efficient. Emdeon and NAS also entered into a teaming arrangement designed

to enhance Emdeon's business development efforts within the public payer sector.

Selection of IBM as technology provider for patient-centric clinical information exchange –Emdeon has signed a five-year, multi-phased software licensing deal for IBM Initiate Patient which will allow Emdeon the ability to assemble a virtual view of patient data for use by healthcare providers.

Industry Snapshot

Healthcare expenditures are a significant component of the U.S. economy, representing 17.6% of gross domestic product, or GDP, and are expected to grow at 6.1% per year to \$4.4 trillion, or 20% of GDP, in 2018. The cost of healthcare administration in the U.S. was approximately \$360 billion in 2008, or 17% of total healthcare expenditures, and that \$150 billion of these costs were spent by payers and providers on billing and insurance administration-related activities. Rise in healthcare expenditures is likely to slow down, particularly during the recent period of U.S. economic weakness, increased financial pressures on payers and providers and public policy initiatives. Healthcare is generally provided through a fragmented industry of providers that have, in many cases, historically under-invested in administrative and clinical information systems.

Recent federal initiatives to control the rising cost of healthcare through the elimination of administrative and clinical inefficiencies will increase payer and provider adoption of healthcare information systems and electronic transactions. Certain industry reports estimate that the federal government will spend more than \$35 billion on promoting healthcare information technology through ARRA over the next decade. In addition, the integration of electronic health records with computerized physician order entry applications, such as electronic prescribing, may also promote greater utilization of electronic transactions.

Financial Highlights

Revenues of the company increased by 9% to USD 1,002.2 million in the year ended December 2010 as against USD 918.4 million for the year ended December 2009 mainly due to 34% rise in revenues from Pharmacy services. Revenue from Payer services increased 8%, to USD 431.9 million in 2010 from USD 397.49 million in 2009. All provider services segment revenues were adversely affected by the impact of lower healthcare utilization during 2010. Operating cost of the company increased by 9% to USD 612.5 million for the year ended December 2010 as against USD 562.8 million for the year ended December 2009. Income from segment operations witnessed a jump of 13.4% to USD 290.79 over the previous year. Operating income of the company rose by 16% to USD 117.479 million for the financial year ended December 2010 as against USD 100.956 million for the year ended December 2009 primarily due to rise in revenues. The year witnessed a drop in interest expenses to USD 61.031 million for the year ended December 2010 as against USD 70.246 million for the year ended December 2009. Net Income of the company surged by a whopping 136% to USD 33.167 million for the year ended December 2010 against USD 14.003 million for the year ended December 2009.

Risk factors

- The company faces competition from many healthcare information systems companies and other technology companies within segments of the healthcare information technology and

services markets.

- Emdeon's success primarily depends upon the retention of its customers, particularly due to its transaction-based, recurring revenue model
- The company's business and future success may depend on the company's ability to cross-sell products and services to its existing customers and new customers.
- Increasing pressure to reduce prices, which may reduce margins, profitability and competitive position
- Emdeon's business will suffer if it fails to successfully integrate acquired businesses and technologies or to appropriately assess the risks in particular transactions.

Investment rationale

Emdeon's revenue cycle management and payment services solutions continued to lead the company's growth with solid performance. Despite a challenging healthcare utilization environment, the company continued to gain share and signed 12 new sole source payer agreements in the fourth quarter ended March 2011. Acquisition of Chamberlin Edmonds (CEA), will help the company of expanding into technology-based services that leverage its existing healthcare information network, products and data in the area of revenue cycle management. Investments made by the company will position itself solidly for future growth, especially in the areas of revenue cycle management, payment integrity, payment automation and clinical information exchange. Emdeon focus on the strategy of layering value-added products and technology-enabled services on top of its leading health information network to drive efficiency in healthcare.

A123 Systems, Inc

52wk range: 5.21 -13.88

Volume – 5,102,091

Market Cap – 618.22 Million

P/E – N/A

EPS – -1.46

Shares Outstanding - 105,679,002 shares

Snapshot

A123 Systems, Inc (**Nasdaq: AONE: \$5.93***) design, develop, manufacture and sell advanced, rechargeable lithium-ion batteries and energy storage systems. Headquartered in Massachusetts and founded in 2001, A123 Systems' proprietary nanoscale electrode technology is built on initial developments from the Massachusetts Institute of Technology. The company derives revenue from product sales and providing services. Product revenue is derived from sale of batteries and battery systems. Services revenue is primarily derived from contracts awarded by the U.S. federal government, other government agencies and commercial customers. A123 Systems is a TS-16949 and ISO9001 certified supplier of advanced lithium ion cells and systems. A123 Systems majorly focuses on three business segments – Transportation, Electric Grid and Commercial. The company majorly focuses on the transportation industry and works with major global automotive manufacturers and tier 1 suppliers to develop batteries and battery systems for hybrid electric vehicles, or HEVs, plug-in hybrid electric vehicles, or PHEVs, and electric vehicles, or EVs. The company's client list includes BAE Systems, BMW, Daimler, Delphi, Eaton, Fisker Automotive, Inc., or Fisker, GM, Magna, Navistar and Shanghai Automotive Industry Corp., or SAIC. A123 manufacturing facilities are located in Asia, Europe and North America. Majority of the company's revenue comes from the transportation market. The company's research and development team comprises over 324 employees and has significant expertise in battery materials science, process engineering and battery-package engineering, as well as battery system design and integration. A123 own or exclusively license 53 issued patents and more than 325 pending patents in the United States and internationally. The manufacturing at the company's facilities use A123's proprietary, high-volume process technologies. A123's annual manufacturing capacity was approximately 345.3 million watt hours. The company has over 1.2 million square feet of manufacturing facilities in China, Korea, Livonia, Michigan, Romulus, Michigan and Hopkinton, Massachusetts where it produce or intend to produce batteries and battery systems.

Price Chart – A123 Systems Inc



Nov 2010 – April 2011

Key Highlights

Industry-leading partners in focused markets - The company work with leaders in each of its target markets, such as AES, BAE Systems, BMW, Daimler, Fisker, Gillette, Navistar and SAIC. A123 have entered into agreements relating to joint design and development efforts with several major passenger vehicle manufacturers and tier 1 suppliers, including BMW for its HEV program, Fisker for its PHEV program, Navistar for its EV program and SAIC for its HEV and PHEV programs. The company also continues to work with General Electric to draw on their research and technology development expertise in the company's target markets.

Volume manufacturing facilities and proprietary process technologies –. The company's internal manufacturing operations provide it with direct control over the quality of products and improve the protection of materials science, systems and production process intellectual property. In addition, the manufacturing control allows the company to rapidly modify and adapt standard equipment for its particular production requirements, thereby reducing overall development time to market. The company's manufacturing facilities are compliant with ISO 9001:2000 certification and received TS16949 certification for cylindrical cell design and manufacturing operations worldwide.

Materials, science and development expertise. – A123 System Inc's proprietary materials formulations

and coating techniques allow it to adjust the characteristics of the company's battery components to meet different energy and power requirements across many applications.

Industry Snapshot

Global economic growth, geo-political conflict in oil-producing regions and escalating exploration and production costs are increasing market demand for innovative energy alternatives. Meanwhile, heightened concerns about global warming and climate change are giving rise to stricter environmental standards and stronger regulatory support for energy sources that are not harmful to the environment. As a result, clean energy technologies are experiencing increasing popularity and greater adoption which is fueling continued innovation and improving the economic viability of such technologies. Clean energy trends are contributing to a growing demand for advanced battery technologies in end markets such as transportation, electric grid services and commercial.

Transportation

Industry experts project that by 2020; almost half of U.S. vehicles will require some form of battery technology to meet new Corporate Average Fuel Economy, or CAFE, regulatory standards. President Obama has announced national standards to cut emissions and increase gas mileage, mandating that U.S. passenger vehicles and light trucks must average 35.5 miles per gallon by 2016. In addition, governments continue to implement economic incentives related to fuel efficiency. For example, in February 2009, the U.S. government enacted ARRA, which, among other things, provides for a tax credit of between \$2,500 and \$7,500 for the purchase of plug-in electric vehicles depending on the battery capacity. Moreover, governments across the globe are considering or have already implemented policies which similarly support vehicle electrification. While the mix between regulatory constraints and incentives vary by country, overall effect is increasing demand for greener vehicle technologies including advanced batteries. On a cost per mile driven basis, electricity is a more economical source of energy than gasoline. However, the vehicle operating savings of using electricity have been historically more than offset by the cost of the corresponding electrical storage systems. With the advancement of battery technologies, the use of battery systems to deliver energy to hybrid power trains is becoming more economically viable. This trend will lead to increased adoption of HEVs, PHEVs and EVs and, as a result, create significant opportunities for battery suppliers with the necessary technology, experience and manufacturing capabilities to develop high performance batteries. Similar industry dynamics are creating a demand for new battery technology applications in the heavy-duty transportation market, particularly in buses, trucks and other industrial vehicles.

Electric Grid Services

Financial Highlights

A123 Systems reported a 7 percent rise in revenues at USD 97.31 million for the year ended December 2010 as against USD 91.04 million for the year ended December 2009. Product revenue witnessed a drop of 3.5% to USD 73.82 million as against the same period last year. Services revenue surged by a whopping 61% to USD 23.48 million for the year ended December 2010 as compared to USD 14.53 million for the year ended December 2009. Cost of revenue increased significantly to USD 114.75 million for the year

ended December 2010 as against USD 93.74 million for the year ended December 2009. Gross Loss of the company swelled by 14.74 million to USD 17.43 million for as against USD 2.69 million for the year ended December 2009. Operating expenses of the company rose significantly to USD 131.95 million as against USD 82.74 million for the corresponding period last year mainly on account of increase in Production start up expenses which rose to USD 21.06 million for the year ended December 2010 as against USD 0.15 million for the year ended December 2009. Operating loss of the company increased significantly to USD 149.39 million for the year ended December 2010 as against USD 85.43 million for the year ended December 2009 owing to rise in operating expenses. Net Loss of the company almost doubled to USD 152.56 million for the year ended December 2010 as against USD 85.77 million for the year ended December 2009.

Risk factors

- Challenges in achieving and sustaining profitability as the company continue to incur net losses in the near term.
- As the company is in a phase of negative cash flows and yet to generate positive cash flows, it will be extremely difficult for the company to raise additional capital necessary to expand its operations and invest in products and manufacturing facilities
- Adverse business or financial conditions affecting the automobile industry may have a material adverse effect on the development and marketing partners and battery business.
- Majority of the company revenues come from few major customers, the loss of one or more of the company's key customers would significantly hurt the operating results.
- The financial results may vary significantly from period-to-period due to the long and unpredictable sales cycles for some of the company's products, the seasonality of certain end markets into which it sell products, and changes in the mix of products.

Investment rationale

A123 systems Inc is currently trading at only about 1.5 times book value. That implies very little expectations for a stock with this much potential growth. A123 is considered as one of the top five players in the industry for the long term. It has a very strong long-term potential. The company is spending on expansion and is poised to better growth in the coming years, however the increasing losses over the years is still a major concern for the stock. Investors with high risk appetite can consider buying the stock.

In the end, I believe that both Emdeon and A123 Systems will add to the strength of the Untapped Wealth Portfolio. These two positions are long term holds. Please be sure to keep a 20% stop loss on the positions, just in case we see an unexpected drop.

Have a great month

Tim Fields

* Indicates Initial recommended price

Model Portfolio:

Symbol	Last Trade	Change	Volume	Shrs	Holdings Value	Day's Value Change	Price Paid	Gain/Loss			
FN	Apr 29	23.05	↑ 0.15	165,049	1	\$23.05	↑ \$0.15	↑ 0.66%	15.58	↑ \$7.47	↑ 47.95%
CMED	Apr 29	11.81	↓ 0.05	167,242	1	\$11.81	↓ \$0.05	↓ 0.42%	13.14	↓ \$1.33	↓ 10.12%
CBPO	Apr 29	14.00	↓ 0.11	34,152	1	\$14.00	↓ \$0.11	↓ 0.78%	10.56	↑ \$3.44	↑ 32.58%
ACTS	Apr 29	2.38	0.00	28,355	1	\$2.38	\$0.00	0.00%	2.00	↑ \$0.38	↑ 19.00%
LBJ	Apr 29	39.30	↑ 1.46	67,848	1	\$39.30	↑ \$1.46	↑ 3.86%	36.57	↑ \$2.73	↑ 7.47%
GRRF	Apr 29	3.03	↓ 0.04	38,220	1	\$3.03	↓ \$0.04	↓ 1.30%	3.16	↓ \$0.13	↓ 4.11%
AMSWA	Apr 29	7.78	↑ 0.10	36,129	1	\$7.78	↑ \$0.10	↑ 1.30%	6.54	↑ \$1.24	↑ 18.96%
COHU	Apr 29	14.41	↑ 0.42	73,676	1	\$14.41	↑ \$0.42	↑ 3.00%	16.79	↓ \$2.38	↓ 14.18%
NCT	Apr 29	6.31	↑ 0.10	785,483	1	\$6.31	↑ \$0.10	↑ 1.61%	7.73	↓ \$1.42	↓ 18.37%
SPNS	Apr 29	3.93	↑ 0.05	1,532	1	\$3.93	↑ \$0.05	↑ 1.29%	3.84	↑ \$0.09	↑ 2.34%
RGR	Apr 29	23.78	↑ 0.33	120,995	1	\$23.78	↑ \$0.33	↑ 1.41%	22.26	↑ \$1.52	↑ 6.83%
AXTI	Apr 29	6.99	↑ 0.21	337,025	1	\$6.99	↑ \$0.21	↑ 3.10%	7.15	↓ \$0.16	↓ 2.24%
EM	Apr 29	15.66	↓ 0.05	76,515	-	-	-	↓ 0.32%	-		
AONE	Apr 29	6.04	↑ 0.05	3,506,056	-	-	-	↑ 0.83%	-		