



**MIND
MNDO
Investment Notes**

Please read Disclaimer at bottom of these notes!

<http://www.mindcti.com/>



“We develop, manufacture, market and implement real-time and off-line convergent billing and customer care software solutions for various types of communication providers, including traditional wireline and wireless, voice over IP, or VoIP, and broadband IP network operators, LTE operators, cable operators and mobile virtual network operators, or MVNOs.” 2014 Annual Report

Overview

MIND is a leading provider of convergent real-time end-to-end billing and customer care product based solutions as well as call accounting solutions for organizations and large multinational corporates. MIND delivers its applications in any business model (license, managed service or complete outsourced billing service) for Mobile, Wireline, VoIP and Quad-play carriers worldwide.

MIND is a global company, with over ten years of experience in providing solutions to carriers and enterprises.

History of MIND

Founded in 1995, MIND CTI is a public company listed on the Nasdaq National Market (NASDAQ: MNDO) and at the Tel-Aviv Stock Exchange. With over 300 experienced engineers and professionals, we provide sales and professional services to our worldwide customer base from offices in the United States, UK, Romania and the Israeli headquarters.

Billing & Customer Care

MIND delivers a complete solution that suits carrier specific needs, across any line of business: voice, data, content, video; fixed, mobile, cable, satellite; prepaid and postpaid. MIND's solutions for service providers enable telecom operators to rapidly deploy services, support automated business processes and sophisticated business models.

Call Accounting

As well as providing industry leading Billing & Customer Care solutions, MIND offers advanced call management systems used by organizations for call accounting, traffic analysis and fraud detection.

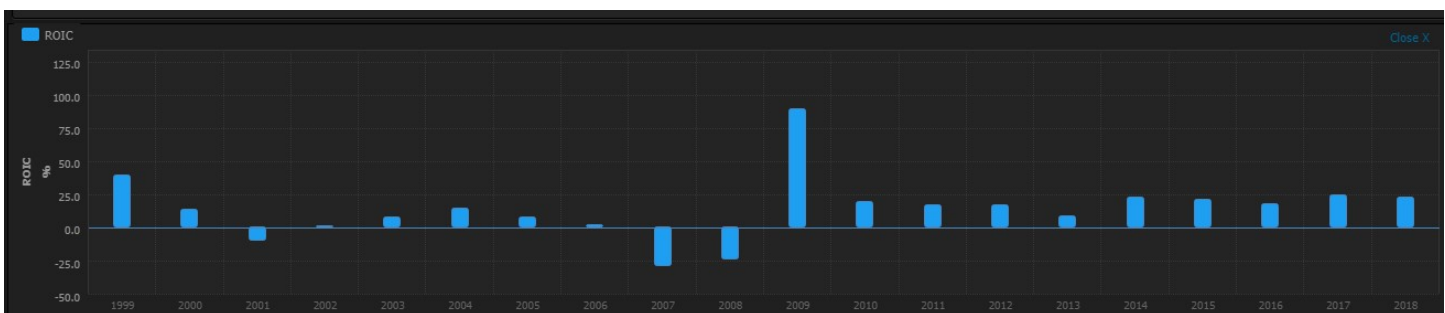
Our enterprise solutions enable organizations of any size to monitor and manage their telecom costs, increase employees' productivity and detect misuse and fraud for both traditional voice and IP telephony.

April 17, 2019 (\$2.18) Thesis:

I originally bought for our clients on ~4/28/15 for ~\$2.79, and then again on ~4/22/16 for ~\$2.06. Our average cost is \$2.36, and it is currently < 1.2% position of our total managed assets.

This is a speculative investment. Balance sheet remains strong, yet a few quarters of continued falling revenues can cure that. Revenues have been flat. MNDO has a trailing price earnings ratio of 8.07X. We do not have any earnings estimates for F2019. ROA (NI/TA) is at 19.8% and ROE of 24.47%. There is Insider ownership of ~17%. Researching is more difficult because it is an Israeli company. Revenues are lumpy, and catalyst would be greater institutional ownership, revenue growth, etc. This is under researched and hence the positioning is correspondingly small. I like the small cap nature, as market cap is \$42M. I could certainly see increasing the allocation but would like to see more clarity. I sense that won't occur, and if anything, revenues and number of employees are shrinking over the years.

ROIC, ROA and ROE have been consistently strong over the years.



Institutional holders according to Nasdaq site are 14.89%. We own 306,266 shares (1.58% of the company), and based on Edgar, that would be the third largest shareholder.

Short interest is higher than typical with 51,364 shares short. It was negligible as of March 29, 2018, with 6,129 shares short. Days to cover is 1.35 according to Nasdaq.com.

April 16, 2019 (\$2.16) – Review of F2018 Financials We have a ~1.19% portfolio allocation, with a cost of ~\$2.36.

As of December 31, 2018, the Registrant had outstanding 19,439,218 Ordinary Shares. This equates to a market cap of \$42.0M.

4Q18 Revenues of \$4.5 million, were similar to revenues in the fourth quarter of 2017.

Full year F2018 revenues of \$18.1 million, same as in 2017.

In 2018, they derived 82% of their revenues from the sale of software and related services to telecommunications service providers.

As of December 31, 2018, they had 221 employees, compared to 240 as of December 31, 2017.

	As of December 31,		
	2016	2017	2018
Approximate numbers of employees by geographic location			
Israel	42	41	34
Romania	217	197	185
United States	3	2	2
Total workforce	262	240	221
Approximate numbers of employees by category of activity			
General and administration	15	19	17
Research and development	161	151	144
Professional services and customer support	79	62	54
Sales and marketing	7	8	6
Total workforce	262	240	221

“Our flat 2018 revenues reflect the expected and previously announced negative impact of a few customers under maintenance or SaaS agreements that decided to exit their business, offset by increased orders from other existing customers. We continue to be challenged by the shrinking relevant telecom markets and strong competition. We expect additional terminations of maintenance agreements in 2019 that will have a negative impact on our revenue and profitability in 2019. We believe that we made the necessary adjustments to our workforce to prepare for this. As previously announced, during our over twenty years of operation, we have experienced similar market trend changes and we executed successfully in shifting our focus towards new opportunities.”

The company continues to invest in Research and Development. R&D was 20.7% of revenues in F2018. The company does not capitalize any R&D costs.

The company has paid out \$1.15 in dividends for the past 4 years (2016-2019). This is interesting to see, when comparing price, we paid to the current price.

Deferred revenues decreased to \$1,788, from \$3,556. I am concerned of the material reduction in this liability. The revenue concerns have been highlighted every year. We still are not seeing light at the end of the tunnel and might not ever with this company.

Quick Free Cash Flow Table for Years Ended:

	2018	2017	2016	2015	2014	2013	2012
Net Income	\$5,134	\$5,612	\$4,203	\$5,018	\$5,483	\$2,185	\$4,278
Add: Depreciation	84	104	161	173	233	250	270
Less: Capex	(46)	(71)	(68)	(146)	(201)	(240)	(169)
Severance pay funds	(105)	93	82	(32)	(109)	(162)	(174)
Gain on Sale of Subsidiary		(893)					
Sub Total	\$5,067	\$4,845	\$4,378	\$5,013	\$5,406	\$2,033	\$4,205
Add: Stock options Exercised	39	53	85	171	424	73	41
Less: Dividends Paid	(5,799)	(6,173)	(5,192)	(5,758)	(4,544)	(4,532)	(4,505)

Net Free Cash Flow	(693)	(1,275)	(\$729)	(\$574)	\$1,286	(\$2,426)	(\$259)

	Years Ended December 31,				
	2014	2015	2016	2017	2018
	(\$ in thousands, except share and per share data)				
Consolidated Statements of Operations Data:					
Total revenues	\$ 25,020	\$ 20,928	\$ 18,052	\$ 18,062	\$ 18,135
Gross profit	15,070	12,298	11,221	11,029	11,989
Operating income	7,457	6,416	5,206	4,686	5,350
Financial income (expenses) – net	(306)	(114)	166	630	222
Net income	\$ 5,483	\$ 5,018	\$ 4,203	\$ 5,612	\$ 5,134
Earnings per ordinary share:					
Basic	\$ 0.29	\$ 0.26	\$ 0.22	\$ 0.29	\$ 0.27
Diluted	\$ 0.29	\$ 0.26	\$ 0.22	\$ 0.29	\$ 0.27
Weighted average number of ordinary shares used in computation of earnings per ordinary share – in thousands:					
Basic	18,949	19,183	19,234	19,292	19,344
Diluted	19,032	19,283	19,307	19,559	19,561

	As of December 31,									
	2014	2015	2016	2017	2018					
	(\$ in thousands)									
Consolidated Balance Sheet Data:										
Cash and cash equivalents	\$	8,100	\$	11,475	\$	9,165	\$	5,014	\$	2,739
Working capital		14,818		14,734		15,217		14,921		15,272
Total assets		30,347		30,225		29,000		27,378		25,978
Share capital and additional paid-in capital		25,778		25,916		26,052		26,234		26,458
Treasury Shares		(1,863)		(1,692)		(1,607)		(1,554)		(1,515)
Total shareholders' equity	\$	22,411	\$	21,848	\$	21,285	\$	21,022	\$	20,982

Proxy Filed, insider ownership

PRINCIPAL SHAREHOLDERS

The following table sets forth certain information regarding the beneficial ownership of our ordinary shares as of April 1, 2019, unless otherwise specified, by each person who is known to own beneficially more than 5% of the outstanding ordinary shares.

Name of Beneficial Owners	Total Shares Beneficially Owned	Percentage of Ordinary Shares (1)
Monica Iancu	3,316,265 ⁽²⁾	16.74%
Invesco Ltd. and affiliates	1,200,000 ⁽³⁾	6.06%

(1) Based on 19,814,126 ordinary shares outstanding on April 1, 2019.

(2) Based on a Schedule 13G/A filed with the SEC on March 5, 2015.

(3) Based on a Schedule 13G filed with the SEC on February 14, 2017. Invesco Advisers, Inc. is a subsidiary of Invesco Ltd. and advises the Invesco European Small Company Fund, which owns the foregoing shares.

The Company's independent auditor is Brightman Almagor Zohar & Co., certified public accountants in Israel and a member of Deloitte Touche Tohmatsu Limited.

May 7, 2018 (\$2.20) 1Q18 earnings recap

Revenues were \$4.5 million, same as in the first quarter of 2017.

The unusually high operating margins are the result of higher than usual revenue from licenses.

One SaaS new customer and multiple follow-on orders.

As of March 31, 2018, they had 228 employees in our offices, compared with 250 as of March 31, 2017.

The new win is a 6-year SaaS contract, based on a revenue sharing model, with a US customer offering Avaya Hosted IP Office for mid-market partners. MIND will deploy the MINDBill Essentials product-based solution.

This quarter MNDO received multiple orders from different customers including one large license increase, an additional upgrade to MINDBill Version 8, specific customizations to be delivered with Agile methodology and additional professional services.

Current deferred revenue \$2.6M, as compared to \$3.6M last quarter. Long-term deferred revenue was \$77K, versus \$138K at December 31, 2017.

April 17, 2018 (\$2.21) Thesis and 10-K released

Thesis:

I originally bought for our clients on ~4/28/15 for ~\$2.79, and then again on ~4/22/16 for ~\$2.06. Our average cost is \$2.41, and it is currently < 1.5% position of our total managed assets.

This is a speculative investment. Current balance sheet is strong, yet a few quarters of continued falling revenues can cure that. Revenues have been flat to down. I haphazardly projected net income of \$0.25 per share for 2017. Earnings were more than that at \$0.29. With that, MNDO has a price earnings ratio of 7.62X. ROA (NI/TA) is at 20.50% and ROE of 26.60%. There is Insider ownership of 17%. Researching is more difficult because it is an Israeli company. Revenues are lumpy, and catalyst would be greater institutional ownership, revenue growth, etc. This is under researched and hence the positioning is correspondingly small. I like the small cap nature, as market cap is <\$53M. I could certainly see increasing the allocation but would like to see a touch more clarity.

My main concern is a statement they made in February with their 4Q17 earnings release. They indicated that the concern of the telecom and various customers leaving the space would have a negative impact on F2018 earnings. I am wary to exit the position at these depressed prices, yet if business gets bad, today's price of \$2.21 could look like a present from heaven.

I will cautiously hold this position, but not so sure I will buy more. Although the CEO owns >17% of the shares outstanding, she has been selling for several years now.

Institutional holders according to Nasdaq site are 18.50%.

Short interest is negligible as of March 29, 2018, with 6,129 shares short.

20-F Notes:

As of December 31, 2017, the Registrant had outstanding 19,307,418 Ordinary Shares. This equates to a market cap of \$42.7M.

market cap of \$42.7M.

	Years ended December 31,				
	2013	2014	2015	2016	2017
	(\$ in thousands, except share and per share data)				
Consolidated Statements of Operations Data:					
Total revenues	\$ 18,480	\$ 25,020	\$ 20,928	\$ 18,052	\$ 18,062
Gross profit	10,609	15,070	12,298	11,221	11,029
Operating income	2,159	7,457	6,416	5,206	4,686
Other Financial income (expenses) – net	163	(306)	(114)	166	630
Net income	2,185	5,483	5,018	4,203	5,612
Earnings per ordinary share:					
Basic	\$ 0.12	\$ 0.29	\$ 0.26	\$ 0.22	\$ 0.29
Diluted	\$ 0.12	\$ 0.29	\$ 0.26	\$ 0.22	\$ 0.29
Weighted average number of ordinary shares used in computation of earnings per ordinary share – in thousands:					
Basic	18,869	18,949	19,183	19,234	19,292
Diluted	18,890	19,032	19,283	19,307	19,559

	As of December 31,									
	2013		2014		2015		2016		2017	
	(\$ in thousands)									
Consolidated Balance Sheet Data:										
Cash and cash equivalents	\$	8,212	\$	8,100	\$	11,475	\$	9,165	\$	5,014
Working capital		14,540		14,818		14,734		15,217		14,921
Total assets		29,624		30,347		30,225		29,000		27,378
Share capital and additional paid-in capital		30,250		25,778		25,916		26,052		26,234
Treasury Shares		(2,287)		(1,863)		(1,692)		(1,607)		(1,554)
Total shareholders' equity		20,989		22,411		21,848		21,285		21,022

D. Employees

The numbers and breakdowns of our employees as of the end of the past three years are set forth in the following table:

	As of December 31,		
	2015	2016	2017
Approximate numbers of employees by geographic location			
Israel	47	42	41
Romania	287	217	197
United States	3	3	2
Total workforce	337	262	240
Approximate numbers of employees by category of activity			
General and administration	16	15	19
Research and development	224	161	151
Professional services and customer support	88	79	62
Sales and marketing	9	7	8
Total workforce	337	262	240

Research and Development are a major cost and indicates that there is an attempted investment in their future.

The following discussion of our results of operations for 2015, 2016 and 2017, including the percentage data in the following table, is based upon our statements of operations contained in our financial statements for those periods, and the related notes thereto, contained in Item 18:

	Years ended December 31,		
	2015	2016	2017
	(% of revenues)		
Revenues	100.0%	100.0%	100.0%
Cost of revenues	41.2	37.8	38.9
Gross profit	58.8	62.2	61.1
Research and development expenses	14.1	19.5	18.9
Selling, general and administrative expenses:			
Selling and marketing expenses	5.6	6.1	6.9
General and administrative expenses	8.4	7.7	9.3
Operating income	30.7	28.9	26.0
Gain on disposal of a subsidiary	-	-	4.9
Financial income (expenses) – net	(0.6)	0.9	3.5
Income before taxes on income	30.1	29.8	34.4
Income tax expense	6.1	6.5	3.3
Net income	24.0	23.3	31.1

Deferred revenues increased to \$3,556, from \$4,079. There is a little less than a quarter's worth of revenues in this balance. I am cautiously optimistic this will stay a material amount in the next period's reporting. A concern would be a material reduction in this liability.

February 22, 2018 (\$2.62) 4Q17 earnings released

Revenues of \$4.5 million, compared to \$4.7 million in the fourth quarter of 2016.

Net income of \$1.6 million (including a one-time decrease of \$ 0.7 million in taxes on income) or \$0.08 per share, compared to \$0.9 million or \$0.05 per share in the fourth quarter of 2016.

Cash position of approximately \$17.6 million as of December 31, 2017.

Number of employees:

	1Q	2Q	3Q	4Q
2017	250	248		240
2016	319	295	267	262
2015			344	337

“We are challenged by the shrinking number of tier 3 telecom providers, mainly rural carriers, new LTE operators and MVNO’s, as they are not able to successfully compete with large carriers in their existing markets, nor to successfully develop presence in new and emerging markets. In 2017, one long-term major SaaS customer and some small customers under maintenance agreements decided to exit their business and we expect that this will bear a negative impact on our 2018 revenues and profitability. During our over twenty years of operation, we have experienced similar market trend changes and we executed successfully in shifting our focus towards new opportunities.”

“We continue to generate significant revenues from our existing customer base and we are active in a number of presale processes. As previously mentioned, we invested significantly in the new version of MINDBill, that was released in 2017 and we successfully completed the first installation of this new version and secured additional sales of upgrades that will be completed in 2018. We believe that our comprehensive product-based billing platform and agile delivery fit perfectly with multi-

play service providers as they target digital transformation. We intend to continue to invest in enhancing our offering to include omni-channel engagement and business analytics.”

Quick Free Cash Flow Table for Years Ended:

	2017	2016	2015	2014	2013	2012
Net Income	\$5,612	\$4,203	\$5,018	\$5,483	\$2,185	\$4,278
Add: Depreciation	104	161	173	233	250	270
Less: Capex	(71)	(68)	(146)	(201)	(240)	(169)
Severance pay funds	93	82	(32)	(109)	(162)	(174)
Gain on Sale of Subsidiary	(893)					
Sub Total	\$4,845	\$4,378	\$5,013	\$5,406	\$2,033	\$4,205
Add: Stock options Exercised	53	85	171	424	73	41
Less: Dividends Paid	(6,173)	(5,192)	(5,758)	(4,544)	(4,532)	(4,505)
Net Free Cash Flow	(1,275)	(\$729)	(\$574)	\$1,286	(\$2,426)	(\$259)

October 31, 2017 (\$2.75) 2Q17 earnings

18% of company is institutionally held.

Company Name	Shares Held	Change in Shares	% Change Shares	\$ Market Value	% of Portfolio	% of TSO	Report Date
INVESCO LTD.	1,200,000	0	0.00	\$3,240,000	0.00	6.22	06/30/17
MORGAN STANLEY	566,794	50,424	9.77	\$1,530,344	0.00	2.94	06/30/17
CENTAUR CAPITAL PARTNERS, L.P.	330,000	0	0.00	\$891,000	2.41	1.71	06/30/17
ALBERT GLOBAL LLC	239,541	11,280	4.94	\$646,761	0.18	1.24	06/30/17
BLACKROCK INC.	155,550	10,373	7.15	\$419,985	0.00	0.81	06/30/17
FMR LLC	150,171	150,171	100.00	\$405,462	0.00	0.78	06/30/17
MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM OF MICHIGAN	139,130	0	0.00	\$375,651	0.02	0.72	06/30/17
RENAISSANCE TECHNOLOGIES LLC	129,183	(30,098)	-18.90	\$348,794	0.00	0.67	06/30/17

Revenues were \$4.6 million, compared to \$4.3 million in the second quarter of 2016, and compared to \$4.5 million in the first quarter of 2017.

Net income was \$1.9 million, or \$0.10 per share, compared to \$1.0 million, or \$0.05 per share in the second quarter of 2016, and compared to \$0.9 million, or \$0.05 per share in the first quarter of 2017. Net income includes a one-time net capital gain of \$0.9 million.

Cash position, including long-term available-for-sale securities, was \$15.3 million as of June 30, 2017, compared to \$15.4 million as of March 31, 2017.

Net income for the 6 months ended June 30, 2017 was \$2.8 million, or \$0.14 per share, compared with \$2.2 million, or \$0.11 per share at June 30, 2016.

Research and development was \$831K or 18.23% of 3-month revenues ended June 30, 2017, down from \$902K, or 20.83% of 3-month revenues ended June 30, 2016.

Research and development was \$1,617K and 17.94% of 6-month revenues ended June 30, 2017, and \$1,893K, and 21.28% of 6-month revenues ended June 30, 2016.

Deferred revenues decreased to \$3,319, from \$4,744 at December 31, 2016. This is a substantial drop, and I wouldn't be surprised to see a poor revenue showing at 3Q17.

Weighted average diluted shares outstanding for the 3 months ended December 31, 2016, were 19,525.

Number of employees:

	1Q	2Q	3Q	4Q
2017	250	248		240
2016	319	295	267	262
2015			344	337

Quick Free Cash Flow Table for Years Ended:

	2Q17	2016	2015	2014	2013	2012
Net Income	\$2,797	\$4,203	\$5,018	\$5,483	\$2,185	\$4,278
Add: Depreciation	52	161	173	233	250	270
Less: Capex	(12)	(68)	(146)	(201)	(240)	(169)
Severance pay funds	91	82	(32)	(109)	(162)	(174)
Sub Total	\$2,928	\$4,378	\$5,013	\$5,406	\$2,033	\$4,205
Add: Stock options Exercised	53	85	171	424	73	41
Less: Dividends Paid	(6,173)	(5,192)	(5,758)	(4,544)	(4,532)	(4,505)
Net Free Cash Flow	(3,192)	(\$729)	(\$574)	\$1,286	(\$2,426)	(\$259)

Thesis:

I originally bought for our clients on ~4/28/15 for ~\$2.79, and then again on ~4/22/16 for ~\$2.06. Our average cost is \$2.41, and it is currently a 1.5% position of our total managed assets.

This is a speculative investment. Current balance sheet is strong, yet a few quarters of continued falling revenues can cure that. Revenues have been flat to down. The 52-week low of \$2.22, and 52-week high of \$2.94. I am haphazardly projecting \$0.25 per share for 2017. If so, MNDO has a price

earnings ratio of 10.92X. ROA (NI/TA) is at 19.96% and ROE of 26.62%. There is Insider ownership of 17%. Researching is more difficult because it is an Israeli company. Revenues are lumpy, and catalyst would be greater institutional ownership, revenue growth, etc. This is under researched and hence the positioning is correspondingly small. I like the small cap nature, as market cap is <\$53M. I could certainly see increasing the allocation but would like to see a touch more clarity.

$$\text{ROE} = \text{Net Profit Margin} \times \text{Asset Turnover} \times \text{Balance Sheet Leverage}$$

$$\text{ROE} = \frac{\text{Net Income}}{\text{Sales}} \times \frac{\text{Sales}}{\text{Assets}} \times \frac{\text{Assets}}{\text{Equity}}$$

$$\text{ROE} = \frac{\text{Net Income}}{\text{Equity}}$$

Review of 20-F

Summary Compensation Table

Name of Officer	Position of Officer	Salary (\$)	Cash Bonus / Commissions (\$) ⁽¹⁾	Equity-Based Compensation (\$) ⁽²⁾	All Other Compensation (\$) ⁽³⁾	Total (\$)
Monica Iancu	CEO	\$ 240,000	\$ 240,000	-	\$ 53,693	\$ 533,693
Aviram Cohen	CFO	\$ 93,594	-	\$ 22,230	\$ 33,100	\$ 148,924
Tal Shain ⁽⁴⁾	VP, Marketing and Business Development	\$ 112,747	-	-	\$ 67,890	\$ 180,637
Danny Engle	VP of Sales, North America	\$ 130,050	\$ 371,617	-	\$ 4,800	\$ 506,467
Gilad Parness	VP, Enterprise Solutions	\$ 88,945	\$ 24,100	-	\$ 32,751	\$ 145,795

March 8, 2017 (\$2.47) – 4Q16 earnings results

Revenues were \$4.7 million, compared to \$4.8 million in the fourth quarter of 2015 and \$4.3 million in the second quarter of 2016.

Net income was \$0.9 million, or \$0.05 per share, compared to \$1.1 million, or \$0.06 per share in the fourth quarter of 2015 and \$1.0 million, or \$0.05 per share in the second quarter of 2016.

Cash position was \$19.8 million as of December 31, 2016, compared with \$17.8 million as of September 30, 2015.

Dividend is payable March 9, 2017, and will be \$0.32 per share, with a 25% tax withholding rate. This equates to a 13% gross dividend. If the investor has MNDO in an IRA, then the Net Dividend, after withholding is \$0.24, or a net yield of 9.72%. Foreign taxes withheld in an IRA are not retrievable.

Net income was \$4.2 million, or \$0.22 per share, compared with \$5.0 million, or \$0.26 per share in 2015.

Research and development were \$3,517K or 16.18% of 3-month revenues ended December 31, 2016, up from \$2,943K, or 14.06% of 12-month revenues ended December 31, 2015.

Research and development were \$757K and 19.48% of 12-month revenues ended December 31, 2016, and \$902K, and 20.83% of 3-month revenues ended June 30, 2016. R&D has been in a 3-year downtrend and has now increased. This should be watched for future wins on the positive, and potential earnings quality issue on the negative.

Deferred revenues increased to \$4,079, from \$3,664, and increase of \$415K. There is a little less than a quarter's worth of revenues in this balance.

Weighted average diluted shares outstanding for the 3 months ended December 31, 2016, were 19,413.

Number of employees:

	1Q	2Q	3Q	4Q
2016	319	295	267	262
2015			344	337

Quick Free Cash Flow Table for Years Ended:

	2016	2015	2014	2013	2012
Net Income	\$4,203	\$5,018	\$5,483	\$2,185	\$4,278
Add: Depreciation	161	173	233	250	270
Less: Capex	(68)	(146)	(201)	(240)	(169)
Severance pay funds	82	(32)	(109)	(162)	(174)
Subtotal	\$4,378	\$5,013	\$5,406	\$2,033	\$4,205
Add: Stock options Exercised	85	171	424	73	41
Less: Dividends Paid	(5,192)	(5,758)	(4,544)	(4,532)	(4,505)
Net Free Cash Flow	(\$729)	(\$574)	\$1,286	(\$2,426)	(\$259)

Thesis:

I originally bought for our clients on ~4/28/15 for ~\$2.79, and then again on ~4/22/16 for ~\$2.06. Our average cost is \$2.41, and it is currently a 1.5% position of our total managed assets.

This is a speculative investment. Current balance sheet is strong, yet a few quarters of continued falling revenues can cure that. Revenues have been flat to down. The 52-week low of \$1.96, and 52 week high of \$2.94. I am haphazardly projecting \$0.25 per share for 2017. If so, MNDO has a price earnings ratio of 9.88X. ROA (NI/TA) is at 14.49% and ROE of 19.75%. There is Insider ownership of 17%. Researching is more difficult because it is an Israeli company. Revenues are lumpy, and catalyst

would be greater institutional ownership, revenue growth, etc. This is under researched and hence the positioning is correspondingly small. I like the small cap nature, as market cap is <\$47M. I could certainly see increasing the allocation but would like to see a touch more clarity.

ROE = Net Profit Margin X Asset Turnover X Balance Sheet Leverage

ROE = $\frac{\text{Net Income}}{\text{Sales}}$ X $\frac{\text{Sales}}{\text{Assets}}$ X $\frac{\text{Assets}}{\text{Equity}}$

ROE = $\frac{\text{Net Income}}{\text{Equity}}$

November 3, 2016 (\$2.23) 3Q16 earnings released

Revenues were \$4.5 million, compared to \$5.2 million in the third quarter of 2015 and \$4.3 million in the second quarter of 2016.

Net income was \$1.1 million, or \$0.06 per share, compared to \$1.4 million, or \$0.08 per share in the third quarter of 2015 and \$1.0 million, or \$0.05 per share in the second quarter of 2016.

Cash position was \$19.0 million as of September 30, 2016, compared with \$17.8 million as of September 30, 2015.

Net income was \$3.3 million, or \$0.17 per share, compared with \$3.9 million, or \$0.21 per share in the first nine months of 2015.

Research and development was \$757K and 16.18% of 3-month revenues ended December 31, 2016, and \$902K, and 20.83% of 3-month revenues ended June 30, 2016. R&D has been in a 3-year downtrend and has now increased. This should be watched for future wins on the positive, and potential earnings quality issue on the negative.

Deferred revenues increased by \$415.

Free cash flow is similar to Net Income, as in the past, yet this does not consider dividends paid, and exercising stock options.

Number of employees:

	1Q	2Q	3Q	4Q
2016	319	295	267	
2015			344	337

“The new deal we closed at the beginning of the quarter and the multiple follow-on orders give us better visibility into 2017.” **Monica Iancu, MIND CTI CEO**

“The new win, which we previously announced together with the Q2 2016 results, is with one of the largest Caribbean providers of telecommunications solutions for residential, business and

government customers. Similar to other carriers, this customer's main goals are to consolidate multiple platforms, achieve full automation of business processes, reach 360-degree customer view and improve time to market for new marketing initiatives. MIND was selected to support these important goals. MIND signed this new contract to support convergent prepaid and postpaid for their wireless, wireline and broadband business. MIND will deploy its unique full suite that includes Point of Sale, provisioning, mediation, interconnect reporting and much more in addition to billing and customer care." **6-K**

Research and development was \$867K and 19.36% of 3-month revenues ended September 30, 2016, and \$902K, and 20.83% of 3-month revenues ended June 30, 2016. R&D has been in a 3-year downtrend and has now increased. This should be watched for future wins on the positive, and potential earnings quality issue on the negative.

Deferred revenues increased slightly by \$788.

Free cash flow is similar to Net Income, as in the past, yet this does not consider dividends paid, and exercising stock options.

Thesis:

This is a speculative investment. Current balance sheet is strong, yet a few quarters of continued falling revenues can cure that. Revenues have been flat to down. The 52-week low of \$1.96, and 52 week high of \$2.79. I am haphazardly projecting \$0.20 per share for 2016. If so, MNDO has a price earnings ratio of 11.2X. ROA is at 13.57% and ROE of 19.02%. There is Insider ownership of 17%. Researching is more difficult because it is an Israeli company. Revenues are lumpy, and catalyst would be greater institutional ownership, revenue growth, etc. This is under researched and hence the positioning is correspondingly small. I like the small cap nature, as market cap is <\$45M. I could certainly see increasing the allocation but would like to see a touch more clarity.

August 2, 2016 (\$2.06) 2Q16 earnings released

More of the same, earnings down a bit, but balance sheet remains strong.

MNDO reported 295 employees as of June 30, 2016, 319 as of March 31, 2016 and 337 as of December 31, 2015.

Claims a significant new win after quarter ended.

Research and development was \$902K, and 20.83% of 3-month revenues. R&D has been in a 3-year downtrend and has now increased. This should be watched for future wins on the positive, and potential earnings quality issue on the negative.

Free cash flow is similar to Net Income, as in the past, yet this does not consider dividends paid, and exercising stock options.

Thesis:

This is a speculative investment. Current balance sheet is strong, yet a few quarters of continued falling revenues can cure that. Revenues have been flat to down, but so is the price. The 52-week low of \$1.96, and 52 week high of \$2.99. I am aggressively projecting \$0.20 per share for 2016. If so,

MNDO has a price earnings ratio of 10.3X. ROA is at 16.67% and ROE of 23.15%. There is Insider ownership of 17%. Researching is more difficult because it is an Israeli company. Revenues are lumpy, and catalyst would be greater institutional ownership, revenue growth, etc. This is under researched and hence the positioning is correspondingly small. I like the small cap nature, as market cap is <\$40M. I could certainly see increasing the allocation but would like to see a touch more clarity.

April 12, 2016 (\$2.06) Review of 20-F

19,202,418 shares outstanding as of December 31, 2015. We were modeling 19.281M. Yet, fully diluted are 19.283.

	Years ended December 31,		
	2013	2014	2015
	(% of revenues)		
Revenues	100.0%	100.0%	100.0%
Cost of revenues	42.6	39.8	41.2
Gross profit	57.4	60.2	58.8
Research and development expenses	27.2	18.1	14.1
Selling, general and administrative expenses:			
Selling and marketing expenses	9.2	4.6	5.6
General and administrative expenses	9.3	7.7	8.4
Operating income	11.7	29.8	30.7
Financial income (expenses) – net	0.9	(1.2)	(0.6)
Income before taxes on income	12.6	28.6	30.1
Income tax expense	0.7	6.7	6.1
Net income	11.9	21.9	24.0

The following table presents the geographic distribution of our revenues:

	Years ended December 31,		
	2013	2014	2015
	(% of revenues)		
The Americas	63.9	57.6	54.0
Asia Pacific and Africa	6.2	4.8	7.3
Europe	20.3	28.6	32.0
Israel	9.6	9.0	6.7
Total	100.0%	100.0%	100.0%

Research and development has reduced substantially over last 3 years.

	Years ended December 31,			% Change	
	2013	2014	2015	2014 vs. 2013	2015 vs. 2014
	(\$ in millions)				
Research and development	5.0	4.5	2.9	(10.0)	(35.6)
Selling and marketing	1.7	1.1	1.2	(35.3)	9.1
General and administrative	1.7	1.9	1.8	11.8	(5.3)
Total operating expenses	8.4	7.5	5.9	(10.7)	(21.3)

Salaries are somewhat high for a small company, but not prohibitively unreasonable.

Name of Officer	Position of Officer	Salary (\$)	Cash Bonus / Commissions (\$) ⁽¹⁾	Equity-Based Compensation (\$) ⁽²⁾	All Other Compensation (\$) ⁽³⁾	Total (\$)
Monica Iancu	CEO	\$ 240,000	\$ 180,000	-	\$ 46,746	\$ 466,746
Doron Segal	VP CTO	\$ 101,427	-	\$ 18,488	\$ 33,737	\$ 153,652
Tal Shain	VP Marketing and Business Development	\$ 111,135	\$ 9,324	\$ 18,488	\$ 34,883	\$ 173,830
Danny Engle	VP of Sales, North America	\$ 130,050	\$ 304,417	-	\$ 4,800	\$ 439,267
Gilad Parness	VP Enterprise Solutions	\$ 86,963	\$ 22,693	\$ 18,488	\$ 31,437	\$ 159,581

Ms. Iancu owns 17.25% of ordinary shares or 3,316,265.

The numbers and breakdowns of our employees as of the end of the past three years are set forth in the following table:

	As of December 31,		
	2013	2014	2015
Approximate numbers of employees by geographic location			
Israel	53	54	47
Romania	296	295	287
United States	3	3	3
Total workforce	352	352	337
Approximate numbers of employees by category of activity			
General and administration	13	17	16
Research and development	243	242	224
Professional services and customer support	86	86	88
Sales and marketing	10	7	9
Total workforce	339	352	337

Stock price over last 5 years:

Last five years:		
2015	3.99	2.36
2014	4.20	1.87
2013	2.26	1.65
2012	2.76	1.64
2011	3.50	1.66

Quick Free Cash Flow Table for Years Ended:

	2015	2014	2013	2012
Net Income	\$5,018	\$5,483	\$2,185	\$4,278
Add: Depreciation	173	233	250	270
Less: Capex	(146)	(201)	(240)	(169)
Severance pay funds	(32)	(109)	(162)	(174)
Subtotal	\$5,013	\$5,406	\$2,033	\$4,205
Add: Stock options Exercised	171	424	73	41
Less: Dividends Paid	(5,758)	(4,544)	(4,532)	(4,505)
Net Free Cash Flow	(\$574)	\$1,286	(\$2,426)	(\$259)

February 24, 2016 (\$2.49) Earnings released

These are notes from Fool.com poster Itconsultant:

“MNDO - Israeli company. Listed in US. Telecom billing software

Revenue \$20M (avg for many years)

Avg FCF \$4.5M (this year \$6M)

Cash \$14M (after paying annual dividend)
Annual dividend avg \$4.2M (this year \$5.2M)

Share price \$2.5
Shares 19.3
Mkt Cap \$50M
EV = \$36M (\$19M end of year cash pre dividend)
EV/FCF = 8x
P/FCF = 11x

24% Israel dividend withholding tax.

Does it deserve a 10x multiple plus Cash?

Worse case you earn the dividends. Downside protection due to cash.

Founder CEO owns 12-15%.

12 years of average dividends of 0.22\$ = \$2.64.

Balance sheet cash has not dipped below \$14M since i have followed it. So likely will stay there unless they can find an acquisition which they are looking for and have done 2 in the past decade.

So, cap allocation is 100% FCF payout as dividends. Given the track record of zillions of companies doing buybacks, i would take this one over those.

There is no excitement in terms of revenue growth or EPS growth, so I understand this won't get a big multiple. Also, Nano cap, Israel, no coverage etc. etc. Fine.

Worse case seems like you earn your 8-10% dividend. If it rallies up 30% odd, you sell and look to buy back lower.

CEO is founder. and has owned 20% for a long time and still high 15-17%. She earns more in dividends than her salary."

November 16, 2015 (\$2.66) Thesis Redux

This is a speculative investment. Current balance sheet is strong, yet a few quarters of falling revenues can cure that. Revenues have been flat to down, but so is the price. The 52-week low of \$2.27, and 52 week high of 4.26. MNDO has a low-price earnings ratio of 9.36X projected for 2015. ROA is also high at 18.97% and ROE of 23.91%. There is Insider ownership of 17%. Researching is more difficult because it is an Israeli company. Revenues are lumpy, and catalyst would be greater institutional ownership, revenue growth, etc. This is under researched and hence the positioning is correspondingly small. I like the small cap nature, as market cap is <\$53M. I could certainly see increasing the allocation but would like to see a touch more clarity. Yet, in the words of Buffett, "if you wait for the robins, spring will be over."

Base Year	31-Dec-15
Price	\$2.67
Shares Outstanding	19,281
Market Capitalization	\$51,480
Cash and CE	\$11,354
Long Term Debt	\$0
Minority Interests	\$0
Goodwill	\$5,430
Intangibles	\$0
Other Intangibles	\$0
Enterprise Value	\$40,126
Short Term Debt	\$0
Stockholders Equity	\$23,000
Depreciation and Amortization	\$200
CapEx	\$150
Revenues	\$21,500
Depreciation and Amort. / Revenues	1%
Total Assets	\$29,000
Net Income	\$5,500

Dividend Per Share		\$0.30
Interest Expense		\$0
Net Income Before Taxes		\$6,875
Enterprise Value Per Share	✓	\$2.08
Price To Enterprise Value	✓	128.30%
Total Debt		\$0
Total Debt / Net Income	✓	0.00%
Total Debt Per Share	✓	\$0.00
Tangible Book Value		\$17,570
Book Value Per Share	✓	\$1.19
Tangible Book Value Per Share	✓	\$0.91
Price / Book Value	✓	223.83%
Price / Tangible Book Value	✓	293.00%
Price / Earnings Ratio	✓	9.36
Enterprise Value / Earnings Ratio	✓	7.30
Earnings Yield	✓	10.68%
Earnings / Enterprise Value	✓	13.71%
Price To Sales Ratio	✓	239.44%
Net Income / Total Assets	✓	18.97%
Total Assets / (Revenues/365)	✓	492.33
Enterprise Value / Revenues	✓	186.63%
Goodwill / Total Assets	✓	18.72%
Goodwill / Stockholders Equity	✓	23.61%

Operating Cash Flow		\$5,700
Operating Cash Flow Per Share	✓	\$0.30
Free Operating Cash Flow		\$5,550
Free Operating Cash Flow Per Share	✓	0.29
Free Operating Cash Flow Yield	✓	10.78%
Price / Free Operating Cash Flow	✓	9.28
Revenues Per Share	✓	\$1.12
Net Income Per Share	✓	\$0.29
Return on Equity	✓	23.91%
Bond Rating (S&P)		N/A
Growth Rate		5.00%
Dividend Yield	✓	11.24%
Dividend / Net Income	✓	105.17%
Dividend / Cash Flow	✓	104.22%
Interest Coverage Ratio	✓	#DIV/0!
Insider Activity		NMF
Insider Ownership %		17.34%
Institutional Ownership %		12.27%
Buy-Backs		Not since before 2014
Dilution		Neglible
Management Compensation		Fair
Price to consider to buy more		< \$3.00
Price to sell or consider reducing		\$0.00
Action (Buy, Hold or Sell)		B
Portfolio Allocation Suggestion		<3%, moreso 1%

Company	MIND CTI LTD
Report Date	16-Nov-15
Price	2.67
Growth Rate	5.00%
Price/Sales	2.38
Price/ Net Cash Flow	9.21
Price/ Net Book Value	2.93
P/E Ratio Current	9.21
P/E Ratio Year 2	8.61
Current Ratio	3.46
Quick Ratio	3.46
LT Debt / Shr. Equity	0.00%
LT Debt / Current Assets	0.00%
Return on Shr. Equity	23.91%
Earnings Per Share	\$0.29
Projected EPS Year 2	\$0.31
Projected EPS Year 3	\$0.33
Projected EPS Year 4	\$0.34
Projected EPS Year 5	\$0.36
PEG Ratio (Current)	1.84
PEG Ratio Year 2	1.72
PEGY Ratio (Current)	0.57
PEGY Ratio Year 2	0.53
Graham Ratio (current)	27.01
Graham Ratio Year 2	25.27
Growth Flow Ratio (<12=nrml)	5.80
Cash King (s/b > 10 %)	25.89%
Flow Ratio (s/b < 1.25)	1.44
Intrinsic Value (current)	4.72
Intrinsic Value Year 2	5.05
Intrinsic Value Year 3	5.30
Intrinsic Value Year 4	5.56
Intrinsic Value Year 5	5.84
Intrinsic Value / Price (current)	76.82%
Intrinsic Value / Price Year 2	89.02%
Intrinsic Value / Price Year 3	98.47%
Intrinsic Value / Price Year 4	108.39%
Intrinsic Value / Price Year 5	118.81%

October 29, 2015 (\$2.67) 3Q15 earnings released

344 employees at September 30, 2015 vs 362 as of September 30, 2014.

“We invest pre-sales efforts in multiple opportunities both in the U.S. and in Europe, but as we succeed in being chosen as the finalist or one of the finalists, we continue to experience the impact of hesitance and delays. Sometimes the delayed deals turn into wins, such as the new deal that we announced last quarter. Sometimes they evaporate, such as a deal that for the last year we expected to materialize but recently that potential customer was acquired by a larger carrier” **Monica Iancu - CEO**

“The consolidation in our markets is challenging for us but we continue to execute our strategy of focusing on profitability and cash flow. We continue to build for the future, targeting new markets with similar needs based on our comprehensive offering. We have successfully overcome past challenging periods and we believe that our experience helps us plan and execute the proper steps promptly and effectively.” **Monica Iancu - CEO**

Revenues from customer care and billing software totaled \$4.1 million, or 79% of total revenues, while revenues from enterprise call accounting software totaled \$1.1 million, or 21% of total revenues.

Revenues from licenses were \$0.9 million, or 17% of total revenues, while revenues from maintenance and additional services were \$4.3 million, or 83% of total revenues.

Follow-on Orders:

“When we sign managed services contracts they initially include a period of three to six years. This quarter, an existing U.S. customer has signed an ongoing extension of the existing managed services agreement, initially signed in 2010. We believe that such extensions demonstrate the high level of trust developed between MIND and its customers. As our customer base continues to gradually encounter business enhancement, they increase their relationship with us with multiple follow-on orders, mainly for customizations and license extensions.” **Monica Iancu - CEO**

October 1, 2015 (\$2.74) Thesis

This is a speculative investment. Current balance sheet is strong, yet a few quarters of falling revenues can cure that. Revenues have been flat to down, but so is the price. 52 weeks low of \$2.27, and 52 week high of 4.26. Low price earnings ratio, with high ROA and ROE. Insider ownership of 17%. Researching more difficult because it is an Israeli company. Revenues are lumpy, and catalyst would be greater institutional ownership, revenue growth, etc. This is under researched and hence the positioning is correspondingly small. I like the small cap nature, as market cap is <\$53M.

September 30, 2015 (\$2.71) 6 Month ended June 30, 2015 results

YTD revenues of \$10.9M, down 9% from first 6 months of 2014 (\$12M).

Net income was \$0.13 per share.

355 employees, same as 2014.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	*2014	2015	*2014
	U.S. dollars in thousands (except per share data)			
Revenues	\$ 5,194	\$ 6,293	\$ 10,898	\$ 11,990
Cost of revenues	2,173	2,546	4,627	4,929
Gross profit	3,021	3,747	6,271	7,061
Research and development expenses	650	1,337	1,412	2,733
Selling and marketing expenses	364	259	605	586
General and administrative expenses	299	545	983	988
Operating income	1,708	1,606	3,271	2,754
Financial income (expenses) - net	155	(98)	(134)	172
Income before taxes on income	1,863	1,704	3,137	2,926
Taxes on income	277	254	646	476
Net income for the period	<u>\$ 1,586</u>	<u>\$ 1,450</u>	<u>\$ 2,491</u>	<u>\$ 2,450</u>
Earnings per share (basic and diluted)	<u>\$ 0.08</u>	<u>\$ 0.08</u>	<u>\$ 0.13</u>	<u>\$ 0.13</u>
Weighted average number of shares used in computation of earnings per share in thousands:				
Basic	<u>19,198</u>	<u>18,935</u>	<u>19,165</u>	<u>18,916</u>
Diluted	<u>19,273</u>	<u>18,959</u>	<u>19,275</u>	<u>18,940</u>

Return on Total Assets is around 17.78% if using \$5M net income and 28,129 total assets.

Healthy balance sheet, assuming net income stays positive.

Quick Cash flow calculation for 6 months ended June 30, 2015

	June 30, 2015	June 30, 2014
Net Income	\$2,491	\$2,450
Add: Depreciation and Amort.	97	117
Less: Purchase of property and equipment	(119)	(83)
Quick Cash Flow	\$2,469	\$2,484
Less: Dividends	(5,758)	(4,544)
Quick Free Cash Flow	(3,289)	(2,060)

July 29, 2015 (\$2.80) 2Q15 Earnings released

Monica Iancu, MIND CTI CEO, commented: *“As previously announced and anticipated, the delays in wins in 2014 impact our 2015 revenues. We experience this impact now and we continue to see hesitance to commit to large projects of business transformation and very long sales cycles. We are pleased with our execution*

of ongoing projects, with our swift response to the drop-in revenues, including the efficiency steps we implemented, the strong recurrent revenue stream and our success in finally closing one of the delayed deals that we mentioned previously. We hope to close additional new deals in the near term.”

April 28, 2015 (\$2.66)

Founder and CEO Monica Iancu owns 17.34% of the ordinary shares.
Renaissance Technologies, LLC owns 1,372,489 shares, or 7.15%.

“Mind CTI (MNDO) is an Israeli company that provides convergent end-to-end billing and customer care product-based solutions for telecom service providers as well as Telecom expense management solutions. We owned shares in the past and sold them profitably but prematurely as the stock went up significantly after our sale. 2014 was a big year for MNDO and revenues and profits grew sharply on the back of some large contracts. We purchased our position after a correction before Q4 results left the shares attractive. MNDO is special in that it pays 100% of its free cash flow to shareholders. MNDO has a solid balance sheet with almost 25% of its market cap in cash. MNDO was purchased for a 10% free cash flow yield ex cash.” **Adib Motiwala Motiwala Capital LLC**
First Quarter 2015 Letter

Fool poster itconsultant posted the following on April 27, 2015:

“Mind CTI, small little company i mentioned a while back is selling off today down 12% after Q1 results. Revenues and Earnings were flat YoY. Revenue down sequentially. Company said it could not close some deals, but they should close soon. has won some more follow on work.

Valuation is even better

Market cap \$52m
Net Cash \$15m
EV \$37m
Avg FCF \$4.5m. (take \$4m to be more conservative)

100% FCF payout as dividends.

Cash will keep building till Q4 (likely \$18m end of year) and then the large dividend is announced with q4 results in Feb end. So, there is nothing to do for investors, so no one cares...

Catalyst: good earnings in next 2-3 quarters or announcement of q4 and dividend.

The stock is quite cheap here in my opinion and i have added today.”

On 2/26/15 itconsultant wrote:

“Mind CTI is a tiny niche company that makes software for communication companies (pre-paid, postpaid billing etc.).

Q4 Results out today.

Revenue \$6.5m v/s \$5.1m (flat sequentially)

Op Income \$2.5m v/s \$1m.

NI \$1.9m v/s \$1m

EPS \$0.1 v/s \$0.05

Full year 2014

Revenue record \$25m v/s \$18.5m

Op Inc \$7.5m v/s \$2.2m

NI \$5.5m v/s \$2.2m

EPS \$0.29 v/s \$0.12

DPS \$0.3 v/s \$0.24

Cash \$19.3m (\$1/share in cash!)

FCF \$3.6m (v/s \$5m): difference due to deferred revenues.

FCF/Share = \$0.19

Stock up 17% to \$3.88

Shares 19m

Market Cap \$74m.

EV = \$55m

EV/EBIT = $55/7.5 = 7.3x$ (Cheap. But maybe this EBIT is above avg)

EV/FCF (avg) = $55/4.5 = 12.2x$ (still good)

EV/FCF (2014) = $55/3.6 = 15x$ (fairly valued)

Target 15x = \$4.5

Dividend yield at current price = $0.3/3.88 = 7.7\%$ (there is 24% withholding tax)

So, 4 quarters of increasing revenues and profits now. the comparisons become tougher now but on an absolute basis, the quarters should be good and above avg of the last 3 years.

I had sold poorly in the past at \$2.3 before 2014 dividend. And i saw it double to \$4.2 and it came off recently to \$3.3. I revisited and decided to buy because the stock was down decent enough and the EPS was going to be good and the dividend catalyst. I expected higher dividend than 2014 as well. So, it worked out so far.

So, sort of the Martian template where EPS+ but stock down enough to make it worth a look. on an absolute basis EV/FCF it was 10x with a 7% dividend expected. And in this market, it was good enough for me. So i convinced myself to forget the previous sale at \$2.3 and bought 50% higher... Glad i did it.

Sizing i kept it small at 2% (should have been 3% maybe). I have seen this trade at 4-5x FCF ex cash in the past and i was also worried these are peak profits and when mean reversion happens, the stock could take a big hit. So i wanted to leave room for averaging down and not make it a big position... Maybe that was a bit too conservative.

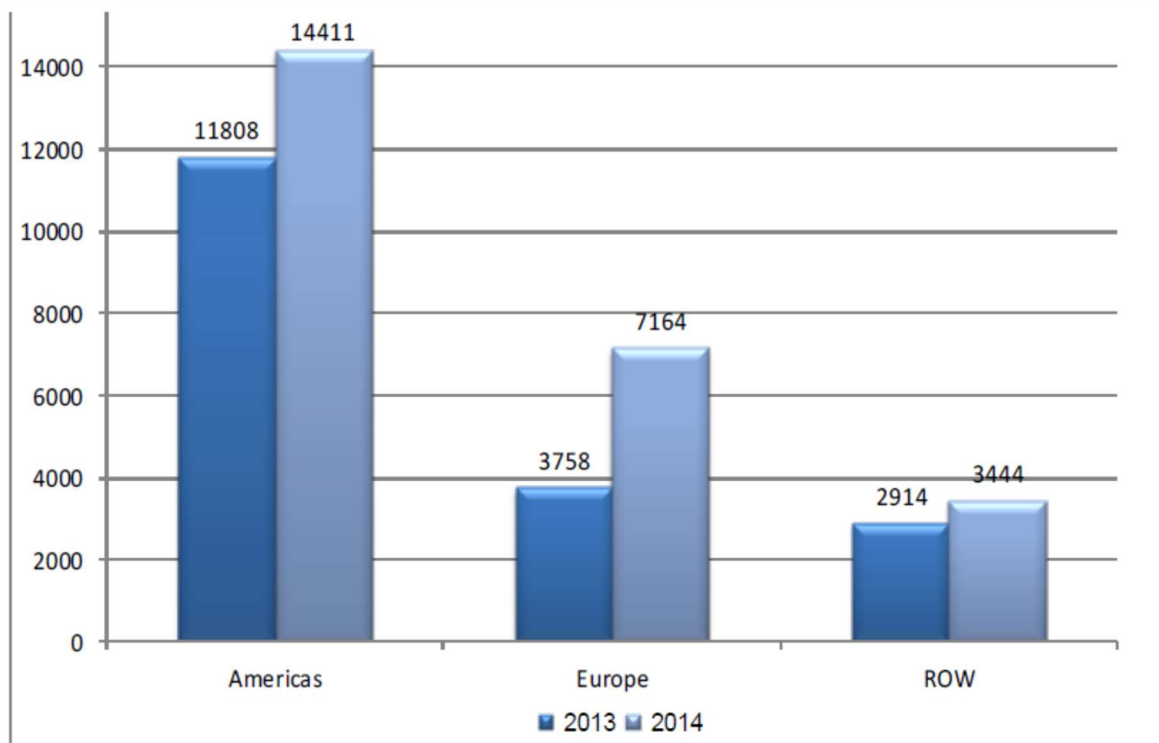
But a good outcome and happy to share with the fantastic group here.”

Review of Mind Financial Presentation Q1 2015

360+ employees worldwide.

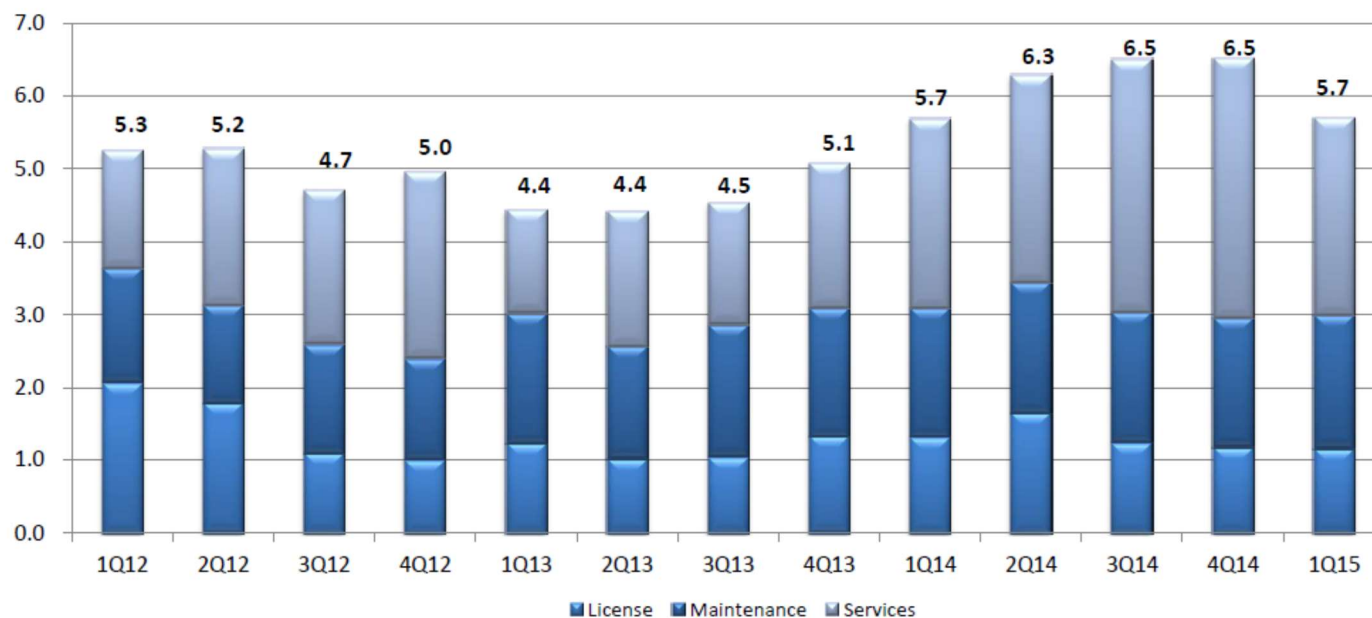
Operating margin target of 20%.

Revenue by Region



Quarterly Revenue Trend

Quarterly Revenue Trend



Quarterly Profit & Loss

(\$ in Thousands)

	Q1 2013	Q2 2013	Q3 2013	Q4 2013	Q1 2014	Q2 2014	Q3 2014	Q4 2014	Q1 2015
Revenues	\$ 4,443	\$ 4,417	\$ 4,534	\$ 5,086	\$ 5,697	\$ 6,293	\$ 6,511	\$ 6,519	\$ 5,704
Cost of Revenues	2,257	1,869	1,822	1,923	2,809	2,895	2,886	2,559	2,417
Gross Profit	2,186	2,548	2,712	3,163	2,888	3,398	3,625	3,960	3,287
Research & Development	1,190	1,293	1,268	1,280	970	988	606	776	799
Selling & Marketing	418	408	421	446	327	259	263	291	241
General & Administrative	438	393	436	459	443	545	567	379	684
Goodwill Impairment									
Intangible Asset Impairment									
Operating income (loss)	140	454	587	978	1,148	1,606	2,189	2,514	1,563
Impairment of ARS									
Other Financial income	133	(7)	35	2	74	98	(348)	(130)	(289)
Income (loss) before taxes	273	447	622	980	1,222	1,704	1,841	2,384	1,274
Taxes	111	45	18	(37)	222	254	706	486	369
Net Income (Loss)	\$ 162	\$ 402	\$ 604	\$ 1,017	\$ 1,000	\$ 1,450	\$ 1,135	\$ 1,898	\$ 905

Review of 2014 Annual Report

MNDO does not include this table in their presentations. Is it because book value has decreased since 2010? Notice that diluted shares outstanding also increased. To be fair, MNDO has paid out dividends totaling \$13,581 from 2012-2014.

	2010	2011	As of December 31, 2012 (\$ in thousands)	2013	2014
Consolidated Balance Sheet Data:					
Cash and cash equivalents	\$ 17,582	\$ 13,866	\$ 13,310	\$ 8,212	\$ 8,100
Working capital	18,119	16,999	17,179	14,796	14,993
Total assets	30,461	30,021	28,731	29,624	30,347
Share capital and additional paid-in capital	35,687	30,112	30,192	30,250	25,778
Treasury Shares	(2,800)	(2,401)	(2,360)	(2,287)	(1,863)
Total shareholders' equity	23,983	23,019	23,106	20,989	22,411

	2010	2011	2012	2013	2014
Consolidated Statements of Operations Data:					
Total revenues	\$ 19,886	\$ 18,913	\$ 20,209	\$ 18,480	\$ 25,020
Gross profit	13,719	12,437	12,357	10,609	15,070
Operating income	4,995	3,935	4,372	2,159	7,457
Other Financial income (expenses) – net	49	171	298	163	(306)
Net income	4,856	4,291	4,278	2,185	5,483
Earnings per ordinary share:					
Basic	\$ 0.26	\$ 0.23	\$ 0.23	\$ 0.12	\$ 0.29
Diluted	\$ 0.26	\$ 0.23	\$ 0.23	\$ 0.12	\$ 0.29
Weighted average number of ordinary shares used in computation of earnings per ordinary share – in thousands:					
Basic	18,467	18,679	18,767	18,869	18,949
Diluted	18,613	18,803	18,846	18,890	19,032

	2012	2013	2014
Revenues as a percentage of total revenues:			
Revenues	100.0%	100.0%	100.0%
Cost of revenues	38.9	42.6	39.8
Gross profit	61.1	57.4	60.2
Research and development expenses	23.0	27.2	18.1
Selling, general and administrative expenses:			
Selling and marketing expenses	7.5	9.2	4.6
General and administrative expenses	9.0	9.3	7.7
Operating income	21.6	11.7	29.8
Financial income (expenses) – net	1.5	0.9	(1.2)
Income before taxes on income	23.1	12.6	28.6
Income tax expense	1.9	0.7	6.7
Net income	21.2	11.9	21.9

Name of Officer	Position of Officer	Salary (\$)	Cash Bonus / Commissions (\$) ⁽¹⁾	Equity-Based Compensation (\$) ⁽²⁾	All Other Compensation (\$) ⁽³⁾	Total (\$)
Monica Iancu	CEO	\$ 180,000	\$ 139,250	-	\$ 46,166	\$ 365,416
Aviram Cohen	CFO	\$ 99,264	\$ 12,000	\$ 12,457	\$ 31,151	\$ 154,872
Doron Segal	VP CTO	\$ 113,795	\$ 8,000	\$ 4,152	\$ 33,554	\$ 159,501
Tal Shain	VP Professional Services	\$ 120,490	\$ 20,000	\$ 10,381	\$ 34,386	\$ 185,257
Danny Engle	VP of Sales, North America	\$ 130,050	\$ 304,417	-	\$ 4,800	\$ 439,267

The numbers and breakdowns of our employees as of the end of the past three years are set forth in the following table:

	As of December 31,		
	2012	2013	2014
Approximate numbers of employees by geographic location			
Israel	54	53	54
Romania	279	296	295
United States	5	3	3
United Kingdom	1	-	-
Total workforce	339	352	352
Approximate numbers of employees by category of activity			
General and administration	15	13	17
Research and development	233	243	242
Professional services and customer support	81	86	86
Sales and marketing	10	10	7
Total workforce	339	352	352

Standard and Poor's

Company Financials Fiscal year ending Dec. 31

Per Share Data & Valuation Ratios (\$)	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Tangible Book Value	0.89	0.82	0.94	0.94	1.00	NA	0.59	0.91	1.86	1.92
Cash Flow	0.30	0.13	0.24	0.24	0.31	1.08	-0.25	-0.51	0.11	0.23
Earnings	0.29	0.12	0.23	0.23	1.04	0.26	-0.30	-0.55	0.04	0.19
Dividends	0.24	0.24	0.24	0.32	0.20	0.80	0.20	0.20	0.14	0.24
Payout Ratio	83%	NM	104%	139%	19%	NM	NM	NM	NM	126%
Prices:High	4.26	2.30	2.83	3.57	2.62	1.77	2.49	3.12	3.50	5.82
Prices:Low	1.85	1.60	1.64	1.65	0.94	0.58	0.60	2.02	2.25	2.50
P/E Ratio:High	15	19	12	16	3	7	NM	NM	88	31
P/E Ratio:Low	6	13	7	7	1	2	NM	NM	56	13
Income Statement Analysis (Million \$)										
Revenue	25.0	18.5	20.2	19.3	19.9	17.6	19.5	18.5	20.1	15.6
Operating Income	7.69	2.41	4.64	4.23	6.98	2.95	2.48	2.21	3.89	3.83
Depreciation	0.23	0.25	0.27	0.29	0.99	0.78	1.09	0.95	1.39	0.99
Interest Expense	NA	NA	NA	NA	NA	NA	Nil	Nil	Nil	Nil
Pretax Income	7.15	2.32	4.67	4.11	5.04	20.0	-5.90	-11.9	2.28	4.11
Effective Tax Rate	23%	5.90%	8.39%	NM	3.73%	0.99%	NM	NM	60%	1.05%
Net Income	5.48	2.18	4.28	4.29	4.86	19.8	-6.42	-12.0	0.91	4.06

Balance Sheet & Other Financial Data (Million \$)

Cash	17.7	19.3	18.9	18.6	20.5	18.2	9.72	12.4	27.6	10.2
Current Assets	NA	NA	NA	NA	NA	NA	14.1	17.9	17.9	14.3
Total Assets	30.4	29.6	28.7	30.0	30.5	29.0	24.4	37.7	53.8	55.9
Current Liabilities	NA	NA	NA	NA	NA	NA	4.39	4.41	4.41	4.86
Long Term Debt	NA	NA	Nil	Nil	Nil	NA	Nil	Nil	Nil	Nil
Common Equity	22.4	21.0	23.1	23.0	24.0	22.7	18.4	31.8	47.9	49.5
Total Capital	22.4	21.0	23.1	23.0	24.0	22.7	18.4	31.8	47.9	49.5
Capital Expenditures	0.20	0.24	0.17	0.40	0.17	0.37	0.44	0.44	0.38	0.59
Cash Flow	5.72	2.43	4.55	4.59	5.84	20.6	-5.33	-11.0	2.30	5.05
Current Ratio	3.5	3.3	5.9	4.5	5.0	4.4	3.2	4.1	4.1	2.9
% Long Term Debt of Capitalization	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
% Net Income of Revenue	21.9	11.8	21.2	22.3	24.4	112.6	NM	NM	4.5	26.0
% Return on Assets	18.3	7.5	14.6	14.2	16.4	74.2	NM	NM	1.7	7.3
% Return on Equity	25.3	9.9	18.6	18.3	20.8	96.2	NM	NM	1.9	8.1

Data as orig. reptd; bef. results of disc opers/spec. items. Per share data adj. for stk. divs. as of ex-div date. NA-Not Available. NM-Not Meaningful. NR-Not Ranked.

Founder and CEO Monica Iancu owns 17.34% of the ordinary shares.

Renaissance Technologies, LLC owns 1,372,489 shares, or 7.15%.

No related party transactions.

	Note	Years ended December 31,		
		2014	2013	2012
		U.S. dollars in thousands, except per share data		
REVENUES:	10a			
Sales of licenses		\$ 5,397	\$ 4,613	\$ 5,960
Services		19,623	13,867	14,249
		25,020	18,480	20,209

Quick Free Cash Flow Table for Years Ended:

	2015	2014	2013	2012
Net Income	\$5,018	\$5,483	\$2,185	\$4,278
Add: Depreciation	173	233	250	270
Less: Capex	(146)	(201)	(240)	(169)
Severance pay funds	(32)	(109)	(162)	(174)
Subtotal	\$5,013	\$5,406	\$2,033	\$4,205
Add: Stock options Exercised	171	424	73	41
Less: Dividends Paid	(5,758)	(4,544)	(4,532)	(4,505)
Net Free Cash Flow	(\$574)	\$1,286	(\$2,426)	(\$259)

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