

## SUBTLE SHADES OF GREEN

It's not too late to find cheap "green" stocks. Look beyond the obvious to companies quietly boosting the sector's growth.

BY ERIKA BROWN

**S**AY WHAT YOU WILL ABOUT global warming, there's no denying that "green" stocks—the ones promising to help the world burn less fossil fuel—are hotter than a July day. SunPower, a maker of solar cells and panels, is trading at \$82, or 326 times trailing earnings. That makes First Solar, at \$275 a share but only 110 times earnings, a relative bargain.

If you'd like some exposure to green stocks but fear getting scorched by such multiples, look around—beyond the billboard players. "When your average investor thinks of renewable energy, he thinks of solar, wind and biofuels," says Shez K. Bandukwala, "but there is so much more opportunity hidden in the green tech sector."

Bandukwala, 42, worked on public offerings at William Blair & Co. before moving in 2005 to what is now the San Francisco investment bank ThinkPanmure. As the Chicago partner in charge of alternative energy, he has done offerings for First Solar, SunPower, Evergreen Solar and Real Goods Solar.

You have to be a true believer to find stocks like these appealing; companies available at low multiples of their sales or earnings are pretty scarce (see table). One Bandukwala favorite is New Age carbon fiber maker Zoltek. Headquartered in Bridgeton, Mo., and a ThinkPanmure client, it originally designed carbon fiber for car brakes. These days it sells the lightweight ma-

terial to wind-power generators like Gamesa to make huge windmill blades. Despite Zoltek's stratospheric price/earnings multiple (135), Bandukwala says it can't make its product fast enough to meet demand.

Xantrex Technology makes components that help convert—or, more specifically, invert—power from direct to alternating current. That process is necessary to turn DC power collected in solar panels into AC power usable inside homes. The Toronto-listed shares trade at \$8.08, giving a \$234 million market value to a firm that had but \$234 million in revenue last year.

Metalico is a Cranford, N.J. company that recycles copper, aluminum and other metals. With commodity prices rising, its sales rose 61% in 2007 to \$334 million. This one is cheap, after a fashion; its shares go for 15 times the earnings that analysts expect this year.

Fuel Tech, a firm in Batavia, Ill., produces a chemical spray that cuts down the acid-rain-producing nitric oxide spewed by power plants. Fuel Tech is one of the few firms addressing this problem, says Bandukwala.

Sanghvi Movers, which trades on the Bombay exchange, rents out heavy equipment, including 300 cranes. Most of its

growth is coming from Indian wind farms and other alternative energy projects. It also leases gear to chemical plants and refineries.

Westport Innovations, listed in Toronto, has partnered with enginemaker Cummins to develop technology to shoot clean natural gas into diesel truck engines. This could be a reasonable business if states and cities mandate or subsidize natural gas engines. Itron, of Liberty Lake, Wash., sells meters to utilities to monitor (and to prevent wasting) water, gas, electricity and heat. "From the substations,

where energy is created, to the premises, where it's used, there are a lot of opportunities to minimize waste," says Bandukwala. "Meter readings are a key component in that process."

American Superconductor sells power converters and superconductor wires to energy companies, including wind energy producer Sinovel Wind. Its

parts help connect wind turbines to power grids. The company, whose sales are expected to rise 52% this fiscal year to \$170 million, also designs wind turbines.

"What I like about these companies is that they can be successful no matter which solar or wind companies win," says Bandukwala. "Out of the PC industry came Microsoft. Out of e-commerce came infrastructure company Cisco." **F**



Shez K. Bandukwala

## The Color of Money

Value investors aren't going to love these stocks. But for those seeking growth, and confident in green technology, here are some little-known plays.

COMPANY	PRICE		PRICE/SALES	3-YR ANNUAL SALES-PER-SHARE GROWTH
	RECENT	52-WEEK HIGH		
AMERICAN SUPERCONDUCTOR	\$25.50	\$32.74	11.0	-5%
FUEL TECH	24.51	38.20	7.0	32
ITRON	102.78	112.92	1.9	34
METALICO	12.91	14.24	0.9	22
SANGHVI MOVERS	6.09	8.55	5.0	60
WESTPORT INNOVATIONS	2.76	3.42	4.5	14
XANTREX TECHNOLOGY	8.08	13.54	1.1	10
ZOLTEK	27.50	51.77	5.6	36

Prices as of Apr. 29, in U.S. dollars. Source: Worldscope via FactSet Research Systems.