

Stock Selection for the coming Era of Peak Oil and Climate Change

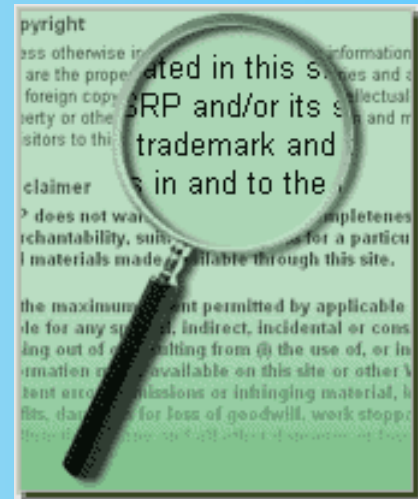
Tom Konrad, Ph.D., CFA[®]
www.AltEnergyStocks.com



October 11, 2009

Disclaimers

- This talk is intended as an overview and should not be interpreted as individual investment advice or financial planning.
- Individual needs vary, so you should carefully consider if and how the information presented here applies to your situation. No advice is appropriate for everyone.



Stock Picking – Should You Try?

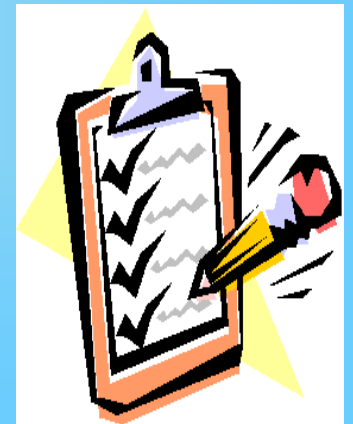
- Do you have significant assets to deploy? (\$100K+)
- Do you have the time it takes? (100 hrs+/year)
- Do you have the emotional makeup for it? (If you like agreeing with the crowd, you'll do better indexing)

An ETF Option

- Powershares Global Progressive Transportation Portfolio (**PTRP**)
 - “global companies [that] stand to benefit substantially from a societal transition toward using cleaner, less costly, and more efficient means of transportation... These companies focus on... greener, more efficient sources of energy for transportation.”

Picking Stocks – How To

1. Figure out how other investors are **WRONG** about the **FUTURE**.
2. What sector(s) will benefit when they realize?
3. Select stocks in the sector(s) which will survive until that time.
4. Buy stock(s)
5. Periodically re-evaluate 1-3.



1. How Investors are Wrong About the Future

- TRUE, BUT NOT USEFUL:
 - Solar has the potential to serve all our energy needs.
 - President Obama is committed to combating Global Warming
- RIGHT:
 - Investors underestimate the future impacts of Peak Oil
 - Investors underestimate the future impacts (and policy response) to Global Warming.

Some Sectors Which Should Benefit?

- Peak Oil
 - Hybrid/efficient cars
 - Biofuels
 - Batteries
 - Rail
 - Mass Transit
- Global Warming
 - Carbon Markets
 - Renewable Energy
 - Energy Efficiency
 - Transmission
 - Smart Grid
- Both
 - Rail
 - Busses
 - Advanced Biofuels (Cellulosic, Algae, etc.)
 - Carbon-Negative or -Neutral biofuels (Biochar)

Are There Profitable Companies in These Sectors?

- Advanced Biofuels –Biomass Suppliers
 - “Cellulosic Ethanol and Advanced Biofuels Investments” AltEnergyStocks.com 6/22/09
 - <http://bit.ly/ABiofuels>
- Carbon Negative Biofuels – Biomass Suppliers
 - “Biochar’s Likely Market Impacts” 8/17/09
 - <http://bit.ly/Biochar>

Biomass Suppliers

- Ag Companies
- Forestry Companies
- Waste Management companies
- Ideas:
 - WM*
 - Forestry Stocks: <http://bit.ly/ForestStocks>

*I own this

Rail Companies

- Long haul freight (many, but have coal exposure)
- Rail/Transit Services
 - Protec Rail Products (PRPX)
<http://bit.ly/Portec>
 - Telvent (TLVT)
<http://bit.ly/Telvent>
 - I own both of these.



Bus Companies

- New Flyer Industries (NFI-UN.TO, NFYIF.PK)
 - Bus manufacturer
 - Hybrid equity/income security
 - I own this
- First Group, PLC (FGP.L)
 - Bus and Rail operator in the UK and the US.
 - London listed



Company Financial Strength

- As a first screen, I use the “Key Statistics” pages on Yahoo! Finance.
- I like:
 - Levered Free Cash Flow (FCF – use annual numbers)
 - $\text{Cash} + 2 \times \text{FCF} > 0$
 - High Current Ratio (for industry)
 - Total Debt/FCF low (<10 years)
 - Low P/E



Sample Key Statistics

Stock	Cash+ 2 x FCF	Current Ratio	Total Debt/ FCF
Portec Rail	\$26M	2.29	1.4
New Flyer	C\$-34M!* <i>Cash flow is negative</i>	1.19*	N/A!* <i>Debt is too high</i>
Waste Mgmt	\$2.7B	1.08	8
Telvent	\$240M*	1.02	18!* <i>Debt is too high</i>

!= raises concerns. *= calculated from financial stmts
I own all of these.

Once You've Narrowed Your List...

- Start Reading.
- There is no substitute for reading annual reports *in their entirety*.
- The reason for screening stocks is so that we don't have to do this very often... it takes several hours per company.

Stocks I'm Currently Considering

- I currently believe that the market as a whole is overdue for a significant correction. But there are stocks I'm watching which I will buy if and when they correct.
- The complete list is here:
 - “Clean Energy Stocks Shopping List Index & Bonus Picks” AltEnergyStocks.com 8/7/09
 - <http://bit.ly/TKStocks>

Questions?



- Tom Konrad, Ph.D, CFA®
- www.AltEnergyStocks.com
- Tom@AltEnergyStocks.com

Stocks: More Info

Forestry Stocks	bit.ly/ForestStocks
Advanced Biofuels	bit.ly/ABiofuels
Biochar	bit.ly/Biochar
Portec Rail Products	bit.ly/Portec
Clean Transport Picks	bit.ly/Transport
39 Stocks I'm watching	bit.ly/TKStocks