

STOCK SPOTLIGHT



Editor's note: YOUNG MONEY does not endorse any of the stocks listed below. For investment decisions, always consult a professional investment advisor.

GREEN STOCKS

By Michael R. Abramowitz

It isn't easy being green, especially in today's non-environmentally friendly world of greenhouse gases and toxic emissions. But with the oil and gas price shocks of the past year or so, alternative energy and fuel stocks are becoming viable alternatives.

Riding the heels of innovation first widely developed during the solar panel and nuclear energy age of the late 1970s, modern green companies are pushing the envelope with savvy new options for clean energy, wind energy and geothermal energy. But should you invest your green in green stocks or are you better off not throwing caution to the wind? Let's take a look...

Zoltek Companies, Inc. (ZOLT)

Snapshot: Zoltek manufactures, markets and develops carbon fibers for commercial products, as well as filament winding and pultrusion equipment for composite parts; and technical fibers for aircraft brakes.

PRICE: **\$25.14**

Pros:

- Zoltek's stock took off like a "zolt" of lightning over the past four years, jumping by an eye-popping 17-fold off its October 2002 low of \$1.41 a share.
- For 2006, Zoltek's shares skyrocketed, climbing about 200 percent for the year and 374 percent at the time when the stock peaked back in May.
- Zoltek has demonstrated it can grow its sales on a regular basis, which is certainly a positive, and it is known for making strong and reliable carbon fiber products.

Cons:

- Zoltek was ordered by a jury this past November to pay \$36

million for not fulfilling contract obligations. While management says it has solid legal ground for an appeal of the verdict, the company will incur additional legal costs no matter the outcome.

- The company's stock took a big "zolt" at the end of 2006, falling 37 percent off its May high of \$39 a share to around \$25 by mid-December. Granted, it still rose about 200 percent on the year.
- Investors may have finally taken notice that Zoltek, which has been around since 1975, is bleeding red ink.

Ormat Technologies, Inc. (ORA)

Snapshot: The company is a top gun in the geothermal and recovered energy power business. It designs, develops, and builds recovered energy-based power plants and geothermal power plants, which it also owns and operates.

PRICE: **\$38.31**

Pros:

- Like many companies in its sector, Ormat Technologies received a major boost in its stock price when the Democrats were elected to take control of the U.S. House and Senate in November 2006. The Democratic Party is traditionally thought of as sympathetic to environmental concerns, which favors green sector stocks.
- The company is ecstatic over a new California emissions law that will require energy producers in the state to provide renewable energy products to reduce greenhouse gases. While the regulatory wind is blowing in the right direction, this is an extremely long-term benefit that can change as the law evolves.

- Ormat's earnings power is certainly not gone, as the company is on track for a whopping 243 percent jump in Q4 2006 revenues and a 125 percent jump in annual earnings for 2006.

Cons:

- O.K., this is nit-picky: Ormat's growth rate is expected to be a far more rational 26 percent in 2007, which will put the brakes a bit on the hyper-growth, but this is still certainly impressive.
- The company has seen its shares jump 43 percent in the last year, outpacing the S&P 500. The share price acceleration may not be as impressive as the past year.
- Any political hiccups in the environmentally friendly bills being bandied about in Congress could cause this green stock to develop a case of the blues.

General Electric (GE)

Snapshot: Yes, the mother ship that brings good things to life is also a major player in the alternative energy biz, especially in the areas of turbine and wind energy.

PRICE: **\$36.64**

Pros:

- GE brings investors good old-fashioned diversification. Mega-conglomerate GE does business in areas both inside and outside of green energy including: aerospace, appliances, electricity, lighting, nuclear power, NBC's array of television networks, turbine engines and medical equipment, to name but a few. Meanwhile, GE is the world's largest producer of wind energy.
- As of mid-December 2006, GE was on-track to qualify as both a "Dog of the Dow" and "Puppies of the Dow" investment for 2007. It may sound a bit negative, but a

Dog of the Dow is one of the 10 highest-yielding Dow Jones Industrial stocks from the previous year; and a Puppy of the Dow is five Dogs of the Dow stocks that also carry the lowest share price on Dec. 31 each year. While certainly not a given every year (especially in bear markets), investors who have plugged money into these two baskets of stocks each January since 1973 have earned average annual returns of 17.7 percent and 20.9 percent respectively.

- While GE's estimated 15 percent annual growth rate in earnings for 2006 is roughly in line with S&P 500 growth estimates, its projected 13 percent jump in 2007 is expected to outpace last year's 9 percent growth rate for the S&P. So, while growth may slowdown in 2007, GE is expected to outperform the market in what is expected to be a soft economy.

Cons:

- While the Dow Jones Industrials have appreciated approximately 13 percent in 2006, Dow component GE's stock has basically flat-lined for the year.
- Worse, the stock trades at \$6 a share—or 15 percent—below its closing price from Dec. 17, 2001.
- While GE pays a \$1 per share dividend, this translates to a yield of 2.8 percent, which is 10th best for the Dow Jones 30 Industrials. That said, with a stock that gained virtually zero percent for 2006 coupled with a dividend of 2.8 percent, you would have been better off putting your money into a different pair of initials last year: CD (certificates of deposit). **YM**

Michael Abramowitz is a freelance writer based in Florida. To avoid a conflict of interest, he does not currently own any of the stocks mentioned above.

* Price quotes are from January 25, 2007.