

FORCEFIELD ENERGY, INC.

Company is Positioning Itself as a Leader in LED Lighting

Rob Goldman
Senior Research Analyst
rob@goldmanresearch.com
410.609.7100

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FORCEFIELD ENERGY, INC. (OTC:QB – FNRG - \$5.35)

Rating: Speculative Buy

Price Target: \$9.00

KEY STATISTICS

Price 4/29/13:	\$5.35
52-Week Range:	\$5.64 – 2.20
Est. Shares Out.:	16.2M
Market Cap (mil):	\$86.7M
Est. 3 Mo Avg Vol:	3,000
Exchange:	OTC:QB
Book Value/Share (mrq):	\$0.54
Cash Per Share:	\$0.06
Lt Debt to Tot Cap:	0%
Ann Div Yield:	N/A
Insider Own:	5.8M
Inst. Own:	N/A
Public Float:	3.0M

Rev(mil)	2011	2012A	2013P
Mar	\$5,500	\$500	
Jun	\$10,100	\$530	
Sept	\$10,300	\$230	
Dec	\$2,400	\$569	
FY	\$28,300	\$1,560E	\$40,000
CY	\$28,300	\$1,560E	\$40,000
FY/REV	2.9x	NMF	3.7x
CY/REV	2.9x	NMF	3.7x
EPS	2011A	2012E	2013P
Mar	\$0.00	(\$0.02)	
Jun	\$0.00	(\$0.02)	
Sept	\$0.00	(\$0.04)	
Dec	(\$0.16)	(\$0.12)	
FY	(\$0.17)	(\$0.21)	\$0.00
CY	(\$0.17)	(\$0.21)	\$0.00
FY P/E	N/A	N/A	N/A
CY P/E	N/A	N/A	N/A

INVESTMENT HIGHLIGHTS

ForceField Energy, Inc. has been on a business development tear of late, especially in the high-growth high-valuation LED lighting market. Given the Company's current positioning we believe that ForceField Energy could emerge as a leader in the space this year.

It is clear that FNRG is an underfollowed and relative unknown in the LED market. But, with the type of contracts on which it is bidding, and its model, we believe that the combined projects' size could approach \$100M. AS FNRG starts to win bids, the stock could quickly reach the \$9.00 level.

Similarly sized companies such as Revolution Lighting Technologies (NASDAQ – RVLN) which seemingly achieves new highs on a daily basis are under serious accumulation. RVLN is up nearly 100% since April 1st to a current market cap of \$300M, versus the sub-\$100M afforded FNRG.

Considering that FNRG could generate sales in the tens of millions in LED this year, the stock should be trading significantly higher just for this segment alone. That essentially means that investors would be "getting the renewable energy/waste heat ORC, and solar TCS businesses for free."

In our view, the ForceField Energy approach to the manufacture, marketing and distribution of high yield and high value energy products and solutions should result in significant revenue growth in 2013 and beyond. Our \$9.00 price target next year represents a reasonable 3.7x our preliminary FY13E sales forecast of \$40M. We rate these shares Speculative Buy.

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COMPANY SNAPSHOT

U.S.-based ForceField Energy, Inc., (formerly known as SunSi Energies Inc.), is a global company whose diverse products and solutions focus on renewable energy with the objective of improving customers' energy efficiency and reducing costs.

The Company operates in 3 distinct segments: *Renewable Energy* through its majority stake in waste heat recovery pioneer TransPacific Energy, *LED Lighting* via its exclusive North American distribution relationship with LED leader Lightsky, and *TCS Production and Sale* through its subsidiaries.

(This report's objective is to highlight recent activity in the Company's LED lighting business. For further background on LED and detail on ForceField Energy's other business lines, refer to our SSIE report dated December 14, 2012 on our website:

[\(www.GoldmanResearch.com.\)](http://www.GoldmanResearch.com.)

ForceField's LED Segment Overview: Clever Model & Tremendous ROI for Customers

ForceField Energy is the exclusive distributor in the U.S., Canada, and Mexico of Light Emitting Diode ("LED") commercial lighting products and fixtures for a premier LED manufacturer, Lightsky.

An LED is a semiconductor device which converts electricity into light. Recent advances in the performance of these LEDs have made LED lighting applications commercially feasible. Lumens per watt from an LED have increased to over 140 lumens today from only 55 lumens per watt just a few years ago making LED lighting a viable and economically attractive alternative to conventional lighting options. Through Lightsky, ForceField offers an array of commercial LED products for street lights, warehouses, parking garages and lots, exterior building facades, and indoor replacements for fluorescent fixtures.

LEDs are better at placing light in a single direction than incandescent or fluorescent bulbs. Moreover, due to their directional output, they have unique features that can be exploited by clever designs. Plus, LED lights are more rugged and damage-resistant than compact fluorescents and incandescent bulbs and don't flicker and emit no audible 'buzz.' In all cases, LEDs demonstrate very attractive potential levels of payback and return on investment.

The LED lighting industry, which is growing by more than 30% annually in the U.S., is also considered "green" due to the absence of dangerous chemicals and an accompanying significant reduction in energy consumption based on the application. LED's can reduce energy consumption by up to 80%. The paybacks on LED replacements of commercial lighting are as short as 18-36 months, but will soon be in the 6-24 month range.

ForceField's innovative LED model makes it hard for customers to say "no". ForceField provides the LED lighting to the customer in a complete turnkey package that includes financing in some cases at no initial cost where Company will only share the value of the annual cost savings over a multi-year timeframe, thereby creating the potential for huge recurring sales and margins.

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The Latest and Greatest

As noted above, ForceField is on a major business development tear. Since the beginning of 2013, management has achieved a number of milestone events. For example, aside from agreements announced in late 2012/3, the Company has signed a handful of new distributors for its LED lighting segment. These include:

- A Service-Disabled, Veteran-Owned, Small Business Enterprise ("SDVOSB") that specializes in the sale and distribution of industrial equipment and outdoor LED lighting products. Its customers include many high profile federal, state and local government agencies, as well as, commercial and industrial entities.
- A 5-year agreement with a firm that specializes in selling technology to the gaming industry. Not only does FNRG have the potential to sell to its 100 casino customers, but it gives the Firm a major presence in Latin America. Separately, the Company has now set up its base of Latin American operations in the country.
- FNRG has signed a cross-distribution agreement with a firm that provides Advanced Metering Infrastructure (AMI) and ASLM solutions to the international energy markets, reducing energy resource consumption and its negative impact on the environment and public health. Thus, the Lightsky offerings through FNRG are a perfect match.
- Following a 3-month trial at its 15,000 square foot R&D facility, not only has the customer has agreed to purchase the LED products, but ForceField signed a distribution deal with this global provider of analytic testing technology and services.
- Late last week, the Company announced the signing of a letter of intent to acquire a 60 percent interest in 1-800 NY Bulbs Ltd, a Mamaroneck, New York based company with over 25 years' experience, over 8,000 commercial customers and a strong reputation for providing premium lighting design, supply and logistics and installation service options to a variety of clients and high profile enterprises. The Firm expects to generate \$5M in sales in 2013. Plus, ForceField can now capture installation revenue in addition to sales by referring installation business in-house, thus increasing the value of each winning bid.

In addition to the \$5M in sales expected from this latest majority-stake acquisition, we estimate that ForceField Energy is bidding on active projects whose combined size could approach \$100M, given the type of projects in question, and its model. For example, many of these projects tend to have multiple locations or sites. We believe that the bid in Costa Rica to provide and retrofit streetlights for LED lighting, a multi-million dollar potential deal, could be one of the most promising and would serve as a great reference project.

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To ensure that the Company's business model that essentially offers financing with "no money down" in exchange for recurring revenue in the form of estimated operating expense savings, ForceField recently secured commercial project financing for its potential customers, from two of the Top 10 banks in the U.S. The appetite for environmental project finance is huge and through these relationships, up to 100% of the cost of the project can be financed, regardless of size.

With all of this in mind, we anticipate that the "hit list" of potential customers and potential dollar value of active project bids will quickly jump to \$100M. Moreover, with this financing availability, and an average 24 month payback period due to the benefit of conversion to LED lighting likely means that ForceField will strike gold on some of these current active bids in the coming months.

VALUATION AND CONCLUSION

Anyone following the LED space knows that in recent weeks Revolution Lighting Technologies (NASDAQ – RVLT) has become a proxy for the industry, despite the fact that it recorded \$4M in sales last year. However, it has signed at least one deal that appears as if it will result in up to \$10M in LED sales---which is great. As a result, the stock is on a tear, nearly doubling in price since April 1st to a \$300M market cap.

While it is too early to say who will enjoy top-dog status, clearly ForceField Energy is poised to make some serious noise. The Company is partnered with Lightsky that has major deployments of its products across the globe, up to 100% project finance opportunities with major banks, and a brilliant model that should result in wins this year.

Therefore, we believe that ForceField Energy, which just changed its name from SunSi Energies, is simply mistakenly off the radar. It happens occasionally, but not for long. Still, this situation presents an unusual and potentially wildly profitable opportunity for savvy investors.

Considering that FNRG could generate sales in the tens of millions in LED alone this year, the stock should be trading significantly higher just for this segment alone. That essentially means that investors that buy FNRG would be "getting the renewable energy/waste heat ORC, and solar TCS businesses for free." A back of the envelope review could assume that the current valuation for the LED business alone should be around half that of RVLT given its manufacturer and distributor relationships, model, and active bids. That would actually put it close to our \$9.00 target!

We rate these shares Speculative Buy and recognize that until a few of these bids are won and recurring revenue occurs, the stock will be event-driven and difficult to forecast financials. As the model begins to be demonstrated to the Street, we believe that FNRG could reach \$9.00 next year. We will have more clarity on our preliminary \$40 million revenue forecast during 2Q13 and will make adjustments as necessary.

**FORCEFIELD ENERGY, INC.****Analyst: Robert Goldman**

Rob Goldman has over 20 years of investment and company research experience as a senior research analyst and as a portfolio and mutual fund manager. During his tenure as a sell side analyst, Rob was a senior member of Piper Jaffray's Technology and Communications teams. Prior to joining Piper, Rob led Josephthal & Co.'s Washington-based Emerging Growth Research Group. In addition to his sell-side experience Rob served as Chief Investment Officer of a boutique investment management firm and Blue and White Investment Management, where he managed Small Cap Growth portfolios and *The Blue and White Fund*.

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