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Beat the Heat…and Beat the Market

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Beat the Heat….

In contemporary times and terms, hot is good. Cold is bad. Think about it. That is "hot", or she is "hot", are both good. "Cold turkey" isn't bad, but difficult. Then there is "threw cold water on the situation." "Runs hot and cold."

The saying "if you can't stand the heat stay out of the kitchen" is a negative connotation. After the past few days of temperatures above 100 degrees and a heat index that hit 120 last week, I would say, "if you can't stand the heat, you're screwed."

The heat wave has affected much of the country. Why else would our elected leaders 35 miles to the south of me still not have an agreement on the debt ceiling? There have been more early exits from these meetings than fans attending a poorly played baseball game (see most Oriole home games.)

Then there is the continuing saga of the NFL's CBA negotiations. Posturing, blustering, games behind closed doors and in the media have gotten participants hot under the collar.

The heat in Chicago prompted 2,000 police officers to turn away from criminal activity to turn off fire hydrants.

The soon-to-be unemployed workers at Borders bookstores, Cisco, and a number of Wall Street firms are likely hot under the collar too. More bad news for unemployment. But we don't want to stoke that fire. Not this week.

As I watched my thermostat hit 80 degrees on Friday due to my (naïve) participation in a utility program that cycles down my A/C at times, it hit me.

While the heat wave has been taxing our power plants, couldn't we harness the power of the sun to use later? Wouldn't that make sense?

How? The heat must have affected me too. I hit myself on the head and called myself a putz. Solar power, baby.

….and Beat the Market

It seems that every week or so there are two competing stories. One touting solar implementation, the other bashing solar stocks, particularly those with major Asian operations or domicile.

The solar train has already left the station. Broad implementation has already begun on an industrial scale. Major investments are now commonplace. U. S. home prices of those with solar panels are about 5% higher than those without. Incentives are still stoking this fire, as are desires to utilize alternative energy sources, even if only as a backup.

So while we are all sweltering, take advantage of the heat. In an industry like solar, that is nearing an important inflection point in implementation, there are a few types of companies that tend to benefit the most, and provide the greatest returns.

One such firm would be the generator of multiple and unique applications of the technology. Another would be a leader on the front-end of the spectrum, perhaps led by an evangelist of the industry. The guys making the "razor blades" are likely commoditized so I would stay away from those.

However, the guy behind the scenes who makes the secret sauce is the sleeper. It almost doesn't matter which razor blades (solar panels) are used because he makes the critical component for those blades (panels.)

He has high margins and likely is positioned to have a dominant position. Who is "he"? **He is SunSi Energies, Inc. (SSIE – OTC:QB.)**

Let me net this out for you. **If you don't own this stock you are going to kick yourself for a long time.** We first introduced you to the company 10 weeks ago. It was trading at $3.10 and frankly, traded by appointment. With a slew of good news, including a pending move from the OTCQB to the AMEX, the stock is up 25% on 8-10x average daily volume.

The stock is very tightly held as investors do NOT want to sell at these prices.

SunSi makes TCS, the key ingredient found in the production of PV panels. The Company is profitable, has fewer than 30M shares outstanding, no long term debt, warrants or options. SunSi is expected to triple sales and profit from 2011 ($45M in estimated revenue and $4M in profit) to ($140M in revenue and $15M in profit) 2012.

The stock is really cheap as it trades only 2.4x our 2011 revenue forecast, despite its expected huge top-line growth due to acquisitions and plant expansion.

We have a year-end target of $6.00 which is a 50%+ increase from current levels. However, we believe that once the stock begins trading on the AMEX, volume and the share price will break through $5.00 very quickly.

Looking out longer term, we expect the stock to approach $12.00 by year-end 2012, based on typical 20x (forward 12-month) multiples for leaders in niche segments of high growth industries. So whether one has a short-term or longer-term strategy, we think SunSi is a layup.

Here is a link to our website so you can download our SSIE research.

Beat the heat and beat the market.

Until next week….

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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*.

Analyst Certification

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