

# Mossberg's Investor Digest

## Best Idea Profile:

## Blue Earth Inc. (OTCQB:BBLU)

### DESCRIPTION:

Blue Earth acquires companies and technologies involved in two sectors: energy efficiency services (EESS) and renewable energy. Energy efficiency is a part of the clean-tech industry and includes building efficiency, industrial manufacturing, alternative energy, and transportation. The goal is to enable customers to reduce energy consumption, lower their generating capacity and maintenance costs, and reduce their environmental impact. Blue Earth's acquisition targets typically have technologies that improve the efficiency of building systems, such as refrigeration, lighting and heating, ventilation and air conditioning. The renewable energy division includes a unit that constructs and owns power plants that convert natural gas to electricity and thermal power on customer sites. Its other unit constructs solar projects for third-party owner/developers.

### KEY INVESTMENT CONSIDERATIONS:

**Growth and Economics of Industry** – The energy efficiency services sector (EESS) is forecast to quadruple over the next few years to about \$45-80 billion per year. The size is attractive and so are the economics; it costs only 14% as much to save a kilowatt hour as it does to produce a kilowatt hour. Additionally, there is virtually no government or agency opposition to energy efficiency programs. The American Recovery and Reinvestment Act has supported state and local government energy efficiency programs, increased spending in ratepayer funded programs and increased customer interest in strategies that mitigate higher utility bills and/or address environmental emissions. In other words, this industry is not going away!

**Environmental and Financial Appeal** – Blue Earth is vitally committed to supporting a sustainable planet. This is beneficial to shareholders as various industries move to jump on the bandwagon. According to an outsider report a few years ago, there are \$130 billion of energy savings opportunities annually in the U.S. that go unrealized. There is significant financial appeal as well. For example, hosting on-site solar generation is attractive for customers striving to achieve environmental goals and control costs without significant upfront capital.

**Focused Acquisition Strategy** – Blue Earth looks to acquire energy management service companies with an established customer base that present opportunities to cross-sell products and services. Other targets are

private companies that have provided utility-funded rebate programs as incentives to their customers to adopt energy efficiency measures. A company in refrigeration, lighting or HVAC that is installing energy efficient retrofits is a good candidate.

A sampling of acquisitions:

Castroville, Inc. serves over 6,000 small businesses and several utilities in Northern California by participating in utility ratepayer-funded energy efficiency rebate programs, and performing energy audits and refrigeration efficiency upgrades for small businesses.

Xnergy, Inc., ranked a #1 Alternative Energy Provider, helps private and public clients throughout California to minimize energy consumption, while also designing, building and implementing alternative technologies such as fuel cells, solar and geothermal.

Intelligent Power, Inc. uses a trademarked system to combine hardware, software and service to monitor and control energy and equipment in supermarkets.

### VALUATION:

Blue Earth stock is well under the radar of many investors. Its liquidity alone is a deterrent for many; however, the opportunity for higher visibility through continued acquisitions, industry growth and communications with potential investors presents a ground-level opportunity for investors.

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Investment Data (as of 10/16/13)

<b>Recent Price</b>	<b>\$3.09</b>
52-Week Range	\$0.82 - \$3.89
Fiscal Year End	Dec
Dividend	NA
Yield	NA
Shares Outstanding	46.9 M
Average Trading Volume (3 mos)	85k
Market Capitalization	\$145.1 M
Cash	\$3.8 M
Long-term Debt	\$25.8 M
Enterprise Value (EV)	\$141.7 M
Book Value	\$0.59
TTM Revenue	\$12.4 M
P/ Revenue	12x
TTM EPS	\$(0.66)
P/ EPS	NA
TTM EBITDA	\$(12.0) M
EV/ EBITDA	-12

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