CANACCORD Genuity

The Green Scene

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Inside

Sustainability

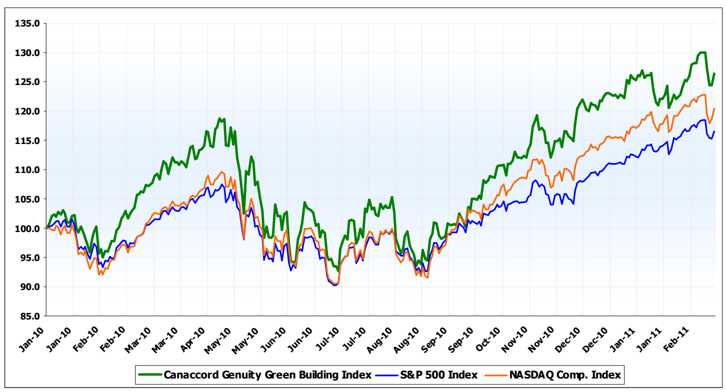
Green Building Semimonthly

Crude concerns

Oil prices rose last week to their highest levels since 2008, fueled by heightened concerns over Libyan oil production and whether the unrest in that country will spread to much bigger producers like Saudi Arabia. Meanwhile, the increase in gasoline prices here has raised the question of whether the economic recovery might be in jeopardy. So far, higher fuel prices haven't been a problem as The Conference Board's index of consumer confidence was up for the fifth straight month in February and reached its highest level since February 2008.

Over the past two weeks, our Green Building Index fell 1.2% vs. a 0.7% decline for the S&P 500 Index. Since the start of the year, our Green Building Index is up 3.4% vs. +4.9% for the S&P 500 Index and +4.8% for the Nasdaq Comp. Index.

Figure 1: Canaccord Genuity Green Building Index



Past 2 weeks Top 5 performers	% change	Past 2 weeks Top 5 laggards	% change
Dialight PLC	10.9%	Thomas Properties Group Inc.	-11.6%
SunPower Corporation	9.5%	Comverge, Inc.	-11.5%
Trex Co. Inc.	5.3%	Headwaters Inc.	-7.1%
WaterFurnace Renewable Energy	4.1%	Echelon Corporation	-7.0%
NCI Building Systems Inc.	4.1%	Quanex Building Products Corporation	-6.2%

Source: Capital IQ, Canaccord Genuity. Past performance does not predict future results.

28 February 2011

GREEN BUILDING BLOCKS

This week we look at two separate topics of interest to those involved in the commercial real estate market. First we provide an overview of a new standard designed to measure building energy performance (BEPA) for properties involved in commercial real estate transactions. Later, we review the January Architecture Billings Index data released last week by the American Institute of Architects.

Important new standard debuts for measuring building energy performance

As the move for greater energy efficiency has gained momentum and green building has continued to move into the mainstream, a persistent – and significant – problem has remained: how to consistently and reliably collect and report the energy consumption data of commercial real estate buildings.

While this may seem like a relatively simple issue to solve, there has been no uniform standard available for measuring building energy performance. The problem has become even more acute as a growing number of states (California, Washington) and local governments (D.C., Austin, Seattle, New York City) have passed mandatory green building/energy efficiency requirements that require commercial properties to disclose their energy performance. More states are considering such rules, including Illinois, Massachusetts, Maryland, Minnesota, Minnesota, Ohio, and Oregon.

Meanwhile, buyers and sellers of commercial real estate increasingly desire accurate and consistent energy performance data, but the available data (if it exists) is often unreliable and inconsistent since numerous factors (e.g., building occupancy levels, weather conditions, operating hours, previous renovations, and time periods) skew results.

Introducing the ASTM BEPA standard

In an effort to solve this problem, on February 10, 2011, ASTM International formally published its Building Energy Performance Assessment (BEPA) Standard – E2797-11. ASTM, which was previously known as the American Society for Testing and Materials, is an organization devoted toward the development and delivery of international voluntary consensus standards. ASTM says that “some 12,000 ASTM standards are used around the world to improve product quality, enhance safety, facilitate market access and trade, and build consumer confidence.”

According to ASTM, the E2797 standard seeks “to define a commercially useful practice in the United States of America for conducting a building energy performance assessment on a building involved in a commercial real estate transaction and subsequent reporting of the building energy performance information.” Simply put, the main goal of the ASTM BEPA standard is to *standardize* the collection and reporting of energy consumption information for a building involved in a real estate transaction. By standardizing the collection and reporting of BEPA data, therefore, it should be easier and more consistent for buyers, sellers and lenders to understand and predict energy consumption costs.

How it works

To get a better sense of what data forms the basis for the ASTM BEPA standard, consider the following guidelines (as outlined in a recent National Law Review article):

- The collection of building characteristic data, including gross floor area, monthly occupancy, and occupancy hours;
- The collection of a building's energy use over the previous three years (with a minimum of one year), including weather data representative of the area where the building is located;
- Analyzing variables to determine what constitutes the average, upper limit, and lower limit of a building's energy use and cost conditions;
- Determining pro forma building energy use and cost;
- Communicating a building's energy use and cost information in a report.

Once all the data has been collected and analyzed, a final BEPA report will be issued. This report will "describe a commercial building's historical energy use and cost; how these factors can be affected by weather, occupancy, and other conditions; the building's carbon footprint and an energy consumption disclosure statement with supporting documentation," according to Standardization News.

We note that the ASTM BEPA standard may eventually be used to complement other benchmark and rating programs, such as EPA's Energy Star, USGBC's LEED, and ASHRAE's Building Energy Quotient program, but this is not the standard's primary intended purpose. In our view, all of these rating systems would benefit from a standardized way to collect and report energy performance data, which is what ASTM's BEPA standard initially seeks to achieve.

Concluding thoughts

The introduction of the ASTM BEPA standard is a significant development in the commercial real estate market, in our view. As more and more buildings undergo energy efficiency retrofits, buyers, sellers and lenders of these properties need a way to consistently measure energy performance data among them. The ASTM BEPA standard seems like the right solution to the problem and is likely to gain traction over time, in our opinion.

The ASTM BEPA standard is also important from a legal liability perspective, since buildings that are evaluated under its guidelines should (theoretically) perform as advertised. If widely adopted, the BEPA standard should help reduce (or prevent) lawsuits in which plaintiffs allege that green/energy-efficient buildings do not deliver the projected cost savings or anticipated energy performance. As a result, the legal industry is keeping a close eye on the ASTM BEPA standard because it is expected to play a significant role in the commercial real estate market.

ARCHITECTURE BILLINGS RISE FOR COMMERCIAL/INDUSTRIAL PROJECTS

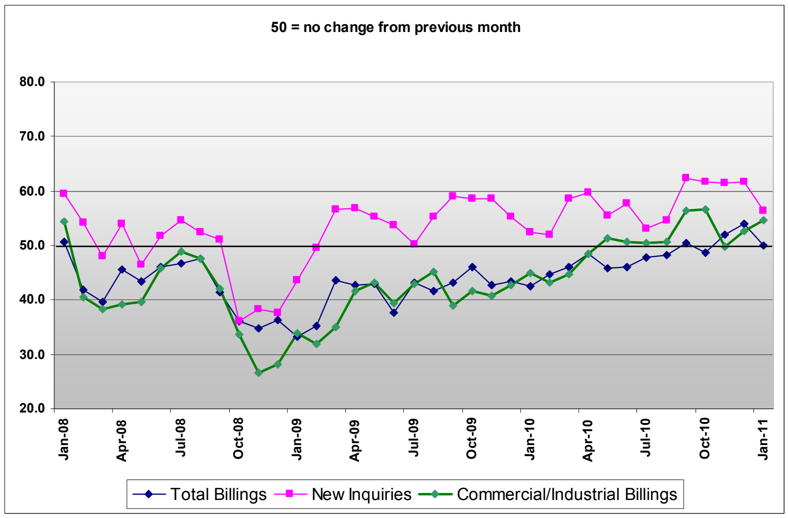
(Originally published Feb. 23, 2011)

- Last week the American Institute of Architects released its architecture billings index for the month of January. The ABI measures billings at architecture firms across the country, with a score above 50 indicating an increase in billings and a score below 50 indicating a decrease. A score of 50 equals no change in month-to-month billings.

Since architecture billings precede actual construction work by 9-12 months, the ABI can be a fairly reliable measure of future new construction activity.

- After climbing well above the threshold 50 level in both November (52.0) and December (53.9), the January ABI score fell back to 50.0. That means that overall architecture billings in January were flat vs. those in December, not that billings declined from those in December. Meanwhile, the new project inquiries score, which measures interest in (but not billings for) new construction projects, was 56.5 in January, down from 61.6 in December.

Figure 2: Architecture billings index



Source: AIA

- Importantly, the sub-index measuring architecture billings for commercial/industrial projects was 54.6 in January, up from 52.7 in December. That means that billings for these specific types of projects increased on a month-to-month basis, which is consistent with our industry research indicating early signs of an upturn in nonresidential construction.
- We are not necessarily surprised to see the overall architectural billings level out this past month after registering a sharp increase in December. The general economy is slowly improving, but the ongoing recovery is not without its own fluctuations from month to month. In addition, we believe that one factor holding back new construction work is a lack of commercial credit, especially at regional banks. Until lending activity improves, we're not likely to see a great deal of new projects breaking ground, in our view.
- We continue to recommend NCI Building Systems (NCS: NYSE: $13.882 | BUY), which we've designated as our Best Idea within our Green Building coverage for 2011. We also recently upgraded Apogee Enterprises (APOG: NASDAQ: $13.92) to BUY from Hold as we see signs of stabilization within the firm's architectural glass business and anticipate that backlogs will begin to show improvement later this year. Finally, LSB Industries (LXU: NYSE: $29.51 | HOLD), which supplies geothermal/water source heat pumps, should benefit from any improvement in nonresidential construction.

Please see the table below for our current recommendations and estimates on all our companies under coverage. (Please note that we will add C2012 estimates as we publish them.)

Figure 3: Coverage overview

February 25, 2011	Share Information					Revenue		EBITDA				EPS				Per Share	
($ in millions, except per share data)	Ticker	Price	Target Price	Market Cap.	Rating	CY 2011E	CY 2012E	CY 2011E	EV/ EBITDA	CY 2012E	EV/ EBITDA	CY 2011E	P/E	CY 2012E	P/E	Net Cash/ (Debt)	Tangible Book
Recycling and Enviro Solutions																	
Astec Industries, Inc.	ASTE	$33.82	$38	$772	HOLD	$800	$850	67	10.1x	81	8.4x	$1.45	23.3x	$1.75	19.3x	$4.14	$21.59
Casella Waste Systems Inc.	CWST	$7.48	$11	$194	BUY	$480	$495	108	6.0x	122	5.3x	($0.43)	N/A	$0.05	N/A	($17.49)	($3.08)
GrafTech International Ltd.	GTI	$20.22	$24	$2,942	BUY	$1,400	$1,560	296	10.8x	378	8.5x	$1.00	20.2x	$1.38	14.7x	($1.81)	$5.02
Harsco Corporation	HSC	$34.45	$35	$2,782	BUY	$3,090	$3,230	507	7.0x	575	6.2x	$1.27	27.1x	$1.92	17.9x	($9.42)	$8.13
Horsehead Holding Corp.	ZINC	$16.26	$20	$711	BUY	$464	$499	92	6.5x	120	5.0x	$1.00	16.3x	$1.40	11.6x	$2.51	$8.53
Kadant Inc.	KAI	$25.20	$30	$311	BUY	$305	$320	39	7.0x	43	6.3x	$1.70	14.8x	$1.95	12.9x	$3.16	$6.69
LKQ Corp.	LKQX	$23.60	$25	$3,469	HOLD	$2,800	$3,000	392	10.1x	472	8.4x	$1.35	17.5x	$1.65	14.3x	($3.44)	$2.12
Metalico Inc.	MEA	$6.23	$8	$290	BUY	$622	$679	66	6.3x	76	5.4x	$0.58	10.7x	$0.70	8.9x	($2.62)	$1.21
Schnitzer Steel Industries Inc.	SCHN	$62.95	$80	$1,756	BUY	$3,198	$3,683	248	7.6x	312	6.0x	$4.26	14.8x	$5.80	10.9x	($4.41)	$21.38
Sims Metal Management *	ASX:SGM	$19.13	A$24	A$3,922	BUY	A$8,649	A$9,715	A416	9.5x	A648	6.1x	A$0.82	23.3x	A$1.51	12.7x	A$(0.18)	A$8.51
US Ecology, Inc.	ECOL	$16.83	$16	$306	HOLD	$150		43	8.1x			$0.85	19.8x			($2.47)	$5.08
Green Building																	
Ameresco, Inc.	AMRC	$14.25	$18	$660	BUY	$700	$795	73	11.2x	87	9.3x	$0.75	19.0x	$0.90	15.8x	($3.31)	$3.81
Apogee Enterprises, Inc.	APOG	$13.92	$17	$384	BUY	$630	$710	28	12.9x	49	7.3x	($0.09)	N/A	$0.40	34.8x	$0.90	$9.07
ICF International Inc.	ICFI	$22.19	$30	$435	BUY	$840	$925	80	6.6x	87	6.0x	$1.73	12.8x	$1.95	11.4x	($4.77)	($0.42)
Interface Inc.	IFSI.A	$16.54	$17	$1,072	HOLD	$1,040	$1,155	147	8.5x	178	7.0x	$0.85	19.5x	$1.15	14.4x	($2.71)	$3.84
Jones Lang Lasalle Inc.	JLL	$97.50	$120	$4,313	BUY	$3,295	$3,527	419	10.9x	486	9.4x	$5.00	19.5x	$6.00	16.3x	($5.52)	$2.99
Lime Energy Co.	LIME	$4.86	$6	$115	SPEC. BUY	$100	$125	(1)	N/A	5	21.9x	($0.15)	N/A	$0.10	48.6x	$0.48	$2.09
LSB Industries Inc.	LXU	$29.51	$22	$655	HOLD	$667		84	8.4x			$1.55	19.0x			($2.25)	$7.16
NCI Building Systems Inc.	NCS	$13.88	$17.50	$254	BUY	$950	$1,145	51	18.1x	117	7.8x	($1.20)	N/A	$0.64	21.7x	($0.95)	$3.65
Orion Energy Systems, Inc	OESX	$3.81	$5	$86	BUY	$82	$102	8	10.2x	11	7.4x	$0.12	31.8x	$0.26	14.7x	$0.22	$3.83
Real Goods Solar, Inc.	RSOL	$2.75	$5	$50	SPEC. BUY	$92	$120	5	6.7x	9	4.0x	$0.15	18.3x	$0.25	11.0x	$0.83	$1.69
Trex Co. Inc.	TREX	$26.67	$22	$405	HOLD	$335	$360	65	6.9x	73	6.1x	$1.00	26.7x	$1.30	20.5x	($2.63)	$7.42
Advanced Enabling Materials																	
KMG Chemicals Inc.	KMGB	$18.95	$22	$217	BUY	$259	$275	39	6.8x	48.9	5.5x	$1.43	13.3x	$1.98	9.6x	($4.33)	$5.31

Source: Capital IQ and Canaccord Genuity / * Note that ASX:SGM information is in Australian dollars

Source: Capital IQ and Canaccord Genuity estimates. Information on the methodologies used to derive our target prices, and the risks that could impede achievement of these targets, is available upon request. Disclosure information for all of Canaccord Genuity research coverage can be found at http://www.canaccordgenuity.com/research/Disclosure.htm.

JOIN US AT THE CANACCORD GENUITY 4TH ANNUAL SUSTAINABILITY FORUM

(Conference attendance is open to institutional investors and participating companies.)

DATE: Tuesday - Thursday, March 1-3, 2011
Location: The St. Regis Deer Crest Resort
2300 Deer Valley Drive East
Park City, Utah
For Reservations: (435) 940-5700

The secular movement toward the deployment of clean and efficient technology continues to accelerate in economies worldwide, making Sustainability one of the most compelling and attractive areas of growth investing today. At the same time, picking winning markets, technologies and companies becomes that much more challenging, as this emerging product cycle just begins to unfold.

Please join us for our 4th Annual Sustainability Forum, where industry leaders, C-level executives and public & private institutional investors converge for two days of in-depth sector analysis and discussion. Hosted by equity research analysts John Quealy, Jed Dorsheimer and Eric Prouty, the format consists of one-on-one investor meetings and group presentations with some of the leading public and private companies across the Lighting, Smart Grid, Solar, Water, Transportation, Green Building and Recycling sectors, among others.

With over 11 years of dedicated specialization in this dynamic market, we help investors identify those investable areas that offer differentiated and compelling growth potential for both the short and long term.

To register and request 1x1 meetings, please contact us or Nadine Miller, Vice President, Marketing & Communications (617) 371-3842 or nmiller@canaccordgenuity.com.

AGENDA:

Tuesday, March 1st
Arrival and Pre-Registration

Wednesday, March 2nd
7:30 - 8:00am - Breakfast
8:00 - 8:45am - LED Market Update, Jed Dorsheimer, Managing Director, Canaccord Genuity
8:45 - 4:30pm - Company One-on-One Meetings
12:00 - 1:00pm - Key Note Presentation: Yuan Fu, China Solid State Lighting Alliance

Thursday, March 3rd
7:30 - 8:00am - Breakfast
8:00 - 8:45am - Sustainability & Smart Grid Sector Update, John Quealy, Managing Director, Canaccord Genuity
8:00 - 4:30pm Company One-on-One Meetings
12:00 - 1:00pm - Key Note Presentation: Choi Yongsuk, Samsung Mobile Display

GREEN BUILDING BUZZ

Below we highlight some recent developments and news stories from the commercial construction, green building, and energy efficiency markets that we found interesting:

- **USGBC's Volume Program off to a strong start**. One of the complaints about the USGBC's LEED program (besides the cost) is the length of the certification process. To address the issue, the USGBC introduced its Volume Program, which streamlines the certification process for high-volume property owners. The program is aimed at like buildings and spaces across a company's portfolio. By using a prototype-based approach, high-volume property owners can get their buildings certified more quickly and less expensively than undergoing a building-by-building certification process. The USGBC recently announced that it has now certified more than 500 buildings under this program.
- **Energy management software spending sharply on the rise**. We've commented a number of times on this trend in previous issues, but it's worth revisiting again in light of a new forecast. Verdantix predicts that spending on carbon energy management software by large firms in the US is expected to grow from $108 million in 2010 to $558 million in 2014. During this time period, the market is forecast to generate a 51% CAGR, driven by improved economic conditions, 19% growth in sustainable business spending, systems integrator partnerships and higher price points. The report states that "…software firms without sufficient venture capital backing and those that failed to secure services partnerships will fall by the wayside. Energy and carbon software is following the same customer adoption trajectory as prior enterprise software markets such as CRM and ERP."
- **Philips to invest (more) heavily in green innovation**. Philips Electronics (PHG: NYSE: $32.12 | Not Rated) recently announced that it will "spend €2 billion for investments in Green Innovation by 2015 to accelerate sustainable business across the company's three sectors," according to a Bloomberg report. The company also stated that 38% of its total 2010 sales were generated by Philips Green Products, up from 31% in 2009. In 2010, Philips' cumulative investments in Green Innovation amounted to €1 billion, surpassing its Green Innovation investment target two years ahead of schedule.
- **Interface continues to make progress toward the use of greater recycled content.** Interface (IFSIA: NASDAQ: $16.54 | HOLD), one of the world's leading suppliers of carpet tile, was one of the very first companies to strive for total sustainability. Dubbed "Mission Zero," Interface's long-term plan is to eliminate any negative impact that the company may have on the environment. So far, Interface appears to be making progress. Management recently stated that about 37% of Interface's raw materials are recycled today, including the backing and fiber in its carpet products. As the firm's suppliers add new capacity for post-consumer recycled content, the amount of recycled materials Interface uses should continue to grow over time. Interestingly, management noted that with oil prices at $90 per barrel, the recycled fiber the company buys is about cost neutral with virgin fiber costs.

RECENT RESEARCH

Over the past two weeks, we published notes on Ameresco (AMRC: NYSE: $14.25 | BUY) and Interface (IFSIA: NASDAQ: $16.54 | HOLD). Today we publish an earnings preview for NCI Building Systems (NCS: NYSE: $13.88 | BUY/Best Idea). These notes are reprinted here.

AMRC: STRONG Q4 RESULTS, 2011 GUIDANCE LOOKS CONSERVATIVE; MAINTAIN BUY, $18 TARGET

Investment recommendation

Ameresco's Q4 results indicate continued strong demand for energy efficiency services and the company's 2011 guidance looks conservative, in our view. While we maintain our recently raised 2011 EPS estimate, we see potential upside to our forecast given the potential for better operating leverage this year. Maintain BUY and $18 target.

Investment highlights

- Q4 revenue was $179.3M, well above our $155M estimate and the consensus of $153.5M. The upside to our estimates came primarily from the energy efficiency services segment, which generated revenue of $131.7M vs. our $110M estimate. Meanwhile, renewable energy revenue of $47.6M exceeded our $45M estimate.
- Q4 EPS were $0.17, above our $0.14 estimate and consensus of $0.15.
- We estimate that the combination of a higher-than-expected share count and tax rate (33.1% vs. our estimate of 28.5%) lowered reported EPS by $0.02.
- Also, blended gross margins were somewhat lower than expected at 17.4% vs. our 18.2% estimate due to timing issues. Most notably, relatively fewer construction projects were completed in the quarter, reducing energy efficiency segment gross margins to 16.1% vs. 16.7% in the year-ago period.
- We anticipate that as these projects are completed in 2011, energy efficiency segment margins will rebound to more normalized levels. As a result, we model EE segment gross margins of 17.9% in 2011, up from 17% in 2010.
- Ameresco's reported backlog was $1.13 billion, up slightly from $1.12 billion at the end of Q3/10. The company also noted its pipeline of new business was $2.4 billion, up slightly on a sequential basis and about even with year-ago levels.
- The company's 2011 financial guidance included revenue in a range of $690M-$705M, EBITDA between $67M-$70M, and EPS of $0.75-$0.79.
- We raise our 2011 revenue estimate to $700M, up from $682M previously. However, we maintain our 2011 EPS estimate of $0.75 to be within management's target range and to account for a higher-than-expected share count (46M-47M average).
- Our 2011 EPS estimate of $0.75 also reflects an estimated EBITDA margin of 10.4%, down from 10.7% previously, on slightly higher opex items (project development costs and G&A). We have also left room for upside in EE segment gross margins, which as

noted earlier we now model at 17.9% (vs. our prior 18% estimate). The potential upside in EE segment gross margins is likely to come from more profitable follow-on operations & maintenance contracts that AMRC undertakes after large installation projects are completed. We also see potential for higher margins in AMRC's installation projects themselves going forward.

- We maintain our 2012 revenue/EPS estimates of $795M/$0.90.

Valuation

AMRC trades at 9.6x EV/2012E EBITDA. Our $18 target price is based on approximately 11x EV/2012E EBITDA.

IFSIA: Q4 IN LINE, RAISING 2011 ESTIMATES ON LOWER INTEREST EXPENSE; MAINTAIN HOLD, $17 TARGET

Investment recommendation

Interface's Q4 results indicate the company continues to make inroads in emerging markets and benefit from the general shift toward carpet tile. A recovery in demand from the corporate office market looks likely to continue, which we conclude should help drive solid EPS growth in 2011. We maintain our 2011 revenue estimate, but increase our EPS estimate by a nickel to $0.85 based on lower interest expense projects. We maintain our HOLD rating as we consider the shares fairly valued at approx. 7x EV/2012E EBITDA.

Investment highlights

- Q4 revenue/EPS (from continuing operations) were $265M/$0.21, right in line with our estimates and consensus. Excluding $43.3M in expenses related to the recent bond refinancing, EPS from continuing operations were $0.22.
- Overall net sales growth of 15% y/y was driven by an acceleration in emerging markets demand, especially in India, China, Latin America and Russia. IFSIA also benefited from a rebound in the corporate office markets in the US, UK, and Australia. Both modular carpet and Bentley Prince Street (BPS) sales in Q4 were up 15% y/y, but modular carpet sales increased 5.6% q/q to $239.1M while BPS sales were flat q/q at $26.2M.
- Modular carpet operating margins were 12.6%, down 40 bps from the preceding quarter. Given our projections for 8% y/y modular carpet sales growth in 2011, we model modular carpet operating margins rising to 13.1% in 2011, up from 11.9% in 2010.
- BPS operating margins were again back in the red, down to -2.7% from 0.2% in Q3/10. Despite prior restructuring actions that have reduced operating expenses, we question whether BPS can consistently achieve operating margins in the mid-single digit range. This business seems to bounce around break-even levels on an operating basis, but often shows an operating loss. We model this business at break-even on an operating margin basis in 2011, which may prove somewhat optimistic even on projected y/y sales growth of 13%.
- Orders from continuing operations declined to $255M, from $266.1M in Q3/10. Also, backlog fell to $124.2M, down from $146M in the preceding quarter. Seasonality is

largely the reason for the declines and we would anticipate both orders and backlog will show sequential improvement in the first quarter. The company noted that while January was slow, business rebounded strongly in February. We maintain our Q1 revenue estimate of $240M.

- We raise our 2011 EPS estimate to $0.85, from $0.80, based on lower projected interest expense of $24.5M due to the company's recent bond refinancing. Our 2011 revenue estimate remains $1.04B (+8% y/y).
- We also raise our 2012 EPS estimate to $1.15, from $1.10, while maintaining our revenue estimate of $1.155B (+11% y/y).

Valuation

IFSIA trades at 6.9x EV/2012E EBITDA. Our $17 price target is based on approximately 7x EV/2012E EBITDA.

NCS: JANUARY QUARTER EARNINGS PREVIEW; REITERATE BUY/BEST IDEA, $17.50 TARGET

Investment recommendation

We remain positive on NCS, as our research and conversations with industry participants suggest improving demand for low-rise commercial/industrial construction projects later this year. We therefore reiterate our BUY/Best Idea rating and $17.50 price target.

Investment highlights

- NCS is scheduled to report January (FQ1) results on Tuesday, March 8, after the market close. A conference call will be held that day at 5:00 pm ET.
- We estimate FQ1 revenue/adj. EBITDA of $195M/$(425k) vs. $183M/($2.6M) in the same quarter a year ago. We note that the Jan. quarter is the seasonally slowest one for NCS, as construction activity is limited due to winter weather/holidays during the months of Nov.-Jan.
- Because of seasonality and the lack of any meaningful improvement in nonresidential construction, Jan. quarter results themselves are not likely to be a primary focus for investors. Instead, we think attention will primarily be on the outlook and backlog levels.
- Importantly, based on our research and conversations with industry participants, we believe NCI's bookings and backlog will show sequential improvement in the Jan. quarter. For reference, we note that NCI's engineered buildings backlog was $193M at the end of the Oct. quarter.
- Also, we note that NCI competitor BlueScope Steel, which claims to hold the #2 market share in pre-engineered metal buildings in North America, recently stated in its FH1 earnings report that the "US nonresidential construction market has been sluggish, but signs of recovery are now appearing." In fact, BlueScope reported a >50% y/y improvement in its Buildings order book through January 2011, which we view as a positive sign for NCI and the general metal buildings sector.

- While the timing of the upturn in nonresidential construction market is difficult to pinpoint, our conversations with industry participants indicate growing optimism that the "turn" will arrive later this year if the economic recovery continues.
- AIA architecture billings data has been generally positive over the past three months, signalling improving demand for construction projects, especially those in commercial/industrial sector. We note that the commercial/industrial billings index has been above the key threshold level of 50 in eight of the past nine months. (Any reading above 50 signals a month/month increase in architecture billings.) Since billings precede actual construction work by 9-12 months, the consistent readings above 50 for the commercial/industrial sector are a good indication that new project activity is likely to improve going forward, in our view.

NCS is our Best Green Building Stock Idea for 2011

- **Steady industry shift toward green building a plus for NCI**. As green building continues to gain momentum within the construction industry, NCI is successfully capitalizing on this growth. Key products include cool metal roofs, insulated metal panels, building integrated photovoltaic systems, and retrofit roofing. In addition, NCI's metal building products can help builders earn points toward LEED certification given a high level of recycled content. The green benefits of NCI's products can be summarized as follows:
    - Metal construction products: highly durable, long life span, high level of recycled contents, fully recyclable at end-of-life.
    - Cool metal roofs: Reduce heat island effect, lower buildings' energy consumption.
    - Insulated metal panels: Lower operating costs by improving buildings' energy efficiency.
    - Building integrated PV systems: Decrease operating costs, reduce dependence on utility-generated electricity.
- **Following its restructuring, NCI is now "right-sized."** NCI has a completed a comprehensive restructuring plan to resize and realign the firm's large manufacturing base to the new realities of the nonresidential construction market. Completed in October 2009, this restructuring had multiple phases, but ultimately resulted in the elimination of nearly 40% of the companywide work force and the closure of 25% of the firm's manufacturing plants. NCI has estimated that this restructuring should result in annualized fixed cost savings of approximately $120M and variable cost savings of $560M, representing an impressive 42% reduction in total costs (from 2008 levels). Importantly, even after these cost reductions, the company has production capacity to support one million tons of production per year – enough to generate annual EBITDA of approximately $220M-$230M.
- **Efficient distribution model a competitive advantage**. One of the competitive strengths of NCI's business is the company's distribution network, which includes 32 manufacturing facilities across the US and Mexico, with additional sales and distribution offices in Canada. By placing its manufacturing and distribution operations close to customers' job sites, NCI's network facilitates fast and low-cost delivery of products to these locations.

Valuation and target price methodology

NCS currently trades at 9x EV/C2012E EBITDA. To arrive at our $17.50 price target, we forecast that improving macroeconomic fundamentals, benefits from recent restructuring actions, and company execution drive EBITDA to a potential level of $200M on a longer-term basis beyond F2012. This is not unreasonable, in our view, as the company previously achieved EBITDA of $200M in F2008 when revenues were $1.76B.

To arrive at our $17.50 price objective, we assume that NCS can eventually achieve an enterprise value of approximately $1.2 billion, representing 6x estimated EBITDA of $200M.

We note that this EV/EBITDA multiple is below NCS's average EV/NTM EBITDA multiple of 7.6x recorded over the past 10 years, according to Capital IQ data. Because this price objective relies on long-term revenue and EBITDA targets, we are reluctant to put a specific time frame on the achievement of our $17.50 price target as it is dependent on a significant improvement in commercial construction.

Figure 4: Ameresco income statement

($ in thousands, except per share)	FY 2009	Fiscal Year 2010 Q1 Mar	Q2 Jun	Q3 Sep	Q4 Dec	FY 2010	Fiscal Year 2011E Q1E Mar	Q2E Jun	Q3E Sep	Q4E Dec	FY 2011	Fiscal Year 2012E Q1E Mar	Q2E Jun	Q3E Sep	Q4E Dec	FY 2012
Energy efficiency revenue	340,635	74,888	100,828	147,863	131,751	455,330	95,000	125,000	175,000	165,000	560,000	110,000	145,000	210,000	165,000	630,000
% change (Q/Q)		-25%	35%	47%	-11%		-28%	32%	40%	-6%		-33%	32%	45%	-21%	
% change (Y/Y)	5%	31%	31%	38%	33%	34%	27%	24%	18%	25%	23%	16%	16%	20%	0%	13%
Renewable energy revenue	87,881	30,741	40,527	44,038	47,591	162,897	35,000	35,000	35,000	35,000	140,000	40,000	42,000	43,000	40,000	165,000
% change (Q/Q)		-10%	32%	9%	8%		-26%	0%	0%	0%		14%	5%	2%	-7%	
% change (Y/Y)	24%	90%	232%	73%	40%	85%	14%	-14%	-21%	-26%	-14%	14%	20%	23%	14%	18%
Revenue	$ 428,517	$ 105,629	$ 141,355	$ 191,901	$ 179,342	$ 618,227	$ 130,000	$ 160,000	$ 210,000	$ 200,000	$ 700,000	$ 150,000	$ 187,000	$ 253,000	$ 205,000	$ 795,000
% change (Q/Q)		-21%	34%	36%	-7%		-28%	23%	31%	-5%		-25%	25%	35%	-19%	
% change (Y/Y)	8%	44%	58%	45%	34%	44%	23%	13%	9%	12%	13%	15%	17%	20%	2%	14%
Energy efficiency expenses	282,345	62,524	83,065	121,906	110,589	378,085	78,138	102,813	143,500	135,300	459,750	90,200	118,900	171,675	134,888	515,663
Energy efficiency gross margin %	17%	17%	18%	18%	16.1%	17.0%	18%	18%	18%	18%	17.9%	18%	18%	18%	18%	18%
Renewable energy expenses	66,472	24,705	32,136	35,114	37,484	129,440	28,000	27,913	27,913	27,913	111,738	31,800	33,285	34,078	31,700	130,863
Renewable energy gross margin %	24%	20%	21%	20%	21%	21%	20%	20%	20%	20%	20%	21%	21%	21%	21%	21%
Direct expenses	348,817	87,230	115,201	157,021	148,073	507,524	106,138	130,725	171,413	163,213	571,488	122,000	152,185	205,753	166,588	646,525
Gross profit	79,700	18,399	26,154	34,881	31,269	110,702	23,863	29,275	38,588	36,788	128,513	28,000	34,815	47,248	38,413	148,475
Gross Margin %	18.6%	17.4%	18.5%	18.2%	17.4%	17.9%	18.4%	18.3%	18.4%	18.4%	18.4%	18.7%	18.6%	18.7%	18.7%	18.7%
Salaries and Benefits	28,274	8,157	5,328	8,409	8,828	30,721	8,125	8,000	8,400	10,000	34,525	9,000	9,350	10,120	10,250	38,720
% of total revenue	6.6%	7.7%	3.8%	4.4%	4.9%	5.0%	6.3%	5.0%	4.0%	5.0%	4.9%	6.0%	5.0%	4.0%	5.0%	4.9%
Project development costs	9,600	3,129	2,048	2,717	5,783	13,677	3,575	3,600	3,675	4,500	15,350	3,750	4,208	4,428	4,613	16,998
% of total revenue	2.2%	3.0%	1.4%	1.4%	3.2%	2.2%	2.8%	2.3%	1.8%	2.3%	2.2%	2.5%	2.3%	1.8%	2.3%	2.1%
General, administrative and other	16,532	4,550	6,765	4,842	4,155	20,312	5,525	5,600	5,250	7,000	23,375	5,700	6,078	6,958	6,355	25,090
% of total revenue	3.9%	4.3%	4.8%	2.5%	2.3%	3.3%	4.3%	3.5%	2.5%	3.5%	3.3%	3.8%	3.3%	2.8%	3.1%	3.2%
Adj EBITDA	35,000	5,144	14,601	24,361	15,804	59,910	10,988	16,425	25,613	19,638	72,663	13,900	19,530	31,093	22,545	87,068
EBITDA Margin %	8.2%	4.9%	10.3%	12.7%	8.8%	9.7%	8.5%	10.3%	12.2%	9.8%	10.4%	9.3%	10.4%	12.3%	11.0%	11.0%
Operating Income	25,294	2,563	12,014	18,914	12,503	45,992	6,638	12,075	21,263	15,288	55,263	9,550	15,180	25,743	17,195	67,668
Operating Margin %	5.9%	2.4%	8.5%	9.9%	7.0%	7.4%	5.1%	7.5%	10.1%	7.6%	7.9%	6.4%	8.1%	10.2%	8.4%	8.5%
Other (expense) income, net	1,563	(856)	(1,217)	(2,010)	(998)	(5,081)	(1,750)	(1,750)	(1,750)	(1,750)	(7,000)	(2,000)	(2,000)	(2,000)	(2,000)	(8,000)
Pretax Income	26,857	1,707	10,797	16,904	11,504	40,912	4,888	10,325	19,513	13,538	48,263	7,550	13,180	23,743	15,195	59,668
Income Taxes (benefit)	6,950	429	3,089	4,863	3,805	12,186	1,393	2,943	5,561	3,858	13,755	2,227	3,888	7,004	4,483	17,602
Net Income	19,907	1,278	7,708	12,041	7,700	28,726	3,495	7,382	13,951	9,679	34,508	5,323	9,292	16,738	10,712	42,066
Currency & int hedge adjustments	3,531	3,777	(2,415)	134	2,327	3,823	0	0	0	0	0	0	0	0	0	0
Net Inc (Loss) avail. to comn	23,438	5,055	5,292	12,175	10,027	32,549	3,495	7,382	13,951	9,679	34,508	5,323	9,292	16,738	10,712	42,066
EPS	$ 0.61	$ 0.03	$ 0.20	$ 0.28	$ 0.17	$ 0.69	$ 0.08	$ 0.16	$ 0.30	$ 0.21	$ 0.75	$ 0.11	$ 0.20	$ 0.36	$ 0.23	$ 0.90
% change (Y/Y)	-23%	102%	307%	20%	-38%	14%	124%	-20%	9%	25%	8%	51%	25%	19%	10%	21%
Average shares	32,706	37,819	38,412	43,445	46,148	41,456	46,250	46,250	46,250	46,250	46,250	46,500	46,500	46,500	46,500	46,500
Gross margin	18.6%	17.4%	18.5%	18.2%	17.4%	17.9%	18.4%	18.3%	18.4%	18.4%	18.4%	18.7%	18.6%	18.7%	18.7%	18.7%
EBITDA margin	8.2%	4.9%	10.3%	12.7%	8.8%	9.7%	8.5%	10.3%	12.2%	9.8%	10.4%	9.3%	10.4%	12.3%	11.0%	11.0%
Operating margin	5.9%	2.4%	8.5%	9.9%	7.0%	7.4%	5.1%	7.5%	10.1%	7.6%	7.9%	6.4%	8.1%	10.2%	8.4%	8.5%
Effective tax rate	25.9%	25.1%	28.6%	28.8%	33.1%	29.8%	28.5%	28.5%	28.5%	28.5%	28.5%	29.5%	29.5%	29.5%	29.5%	29.5%
Net margin	4.6%	1.2%	5.5%	6.3%	4.3%	4.6%	2.7%	4.6%	6.6%	4.8%	4.9%	3.5%	5.0%	6.6%	5.2%	5.3%

Company Stats as of 12/31/10

Cash/investments	$ 53,888	Total debt	$ 207,132
Cash per share	$ 1.24	Total Debt/EBITDA	2.9x
DSOs	35	Debt/Equity	103.8%

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Source: Company reports, Canaccord Genuity estimates
2/23/2011

Calendar year data

Year	Revenue	Adj. EBITDA	EPS	Y/Y Change
2010E	$ 618,227	$ 59,910	$ 0.69	
2011E	$ 700,000	$ 72,663	$ 0.75	8%
2012E	$ 795,000	$ 87,068	$ 0.90	21%

Source: Company reports and Canaccord Genuity estimates

Figure 5: Interface income statement

(excludes special chages) ($ in thousands, except per	FY 2009	Fiscal Year 2010 Q1 Mar	Q2 Jun	Q3 Sep	Q4 Dec	FY 2010	Fiscal Year 2011E Q1E Mar	Q2E Jun	Q3E Sep	Q4E Dec	FY 2011E	Fiscal Year 2012E Q1E Mar	Q2E Jun	Q3E Sep	Q4E Dec	FY 2012E
Net Sales	**$ 859,888**	**$ 217,191**	**$ 226,587**	**$ 252,724**	**$ 265,325**	**$ 961,827**	**$ 240,000**	**$ 250,000**	**$ 270,000**	**$ 280,000**	**$ 1,040,000**	**$ 270,000**	**$ 275,000**	**$ 300,000**	**$ 310,000**	**$ 1,155,000**
% change (Q/Q)		*-6%*	*4%*	*12%*	*5%*		*-10%*	*4%*	*8%*	*4%*		*-4%*	*2%*	*9%*	*3%*	
% change (Y/Y)	*-21%*	*9%*	*7%*	*16%*	*15%*	*12%*	*11%*	*10%*	*7%*	*6%*	*8%*	*13%*	*10%*	*11%*	*11%*	*11%*
Cost of Sales	**576,871**	**143,817**	**146,453**	**163,244**	**171,552**	**625,066**	**157,200**	**161,250**	**173,475**	**180,600**	**672,525**	**175,500**	**176,688**	**192,000**	**198,400**	**742,588**
Total Gross Profit	**283,017**	**73,374**	**80,134**	**89,480**	**93,773**	**336,761**	**82,800**	**88,750**	**96,525**	**99,400**	**367,475**	**94,500**	**98,313**	**108,000**	**111,600**	**412,413**
Gross Margin %	*32.9%*	*33.8%*	*35.4%*	*35.4%*	*35.3%*	*35.0%*	*34.5%*	*35.5%*	*35.8%*	*35.5%*	*35.3%*	*35.0%*	*35.8%*	*36.0%*	*36.0%*	*35.7%*
SG&A	**218,321**	**59,619**	**58,668**	**61,441**	**64,304**	**244,032**	**61,200**	**62,500**	**62,775**	**65,100**	**251,575**	**65,475**	**66,000**	**66,750**	**68,200**	**266,425**
% of total revenue	*25.4%*	*27.5%*	*25.9%*	*24.3%*	*24.2%*	*25.4%*	*25.5%*	*25.0%*	*23.3%*	*23.3%*	*24.2%*	*24.3%*	*24.0%*	*22.3%*	*22.0%*	*23.1%*
EBITDA	**90,282**	**19,879**	**28,245**	**34,389**	**38,116**	**120,629**	**29,100**	**34,000**	**41,750**	**42,550**	**147,400**	**36,525**	**40,063**	**49,250**	**51,650**	**177,488**
EBITDA Margin %	*10.5%*	*9.2%*	*12.5%*	*13.6%*	*14.4%*	*12.5%*	*12.1%*	*13.6%*	*15.5%*	*15.2%*	*14.2%*	*13.5%*	*14.6%*	*16.4%*	*16.7%*	*15.4%*
Operating Income	**64,696**	**13,755**	**21,466**	**28,039**	**29,469**	**92,729**	**21,600**	**26,250**	**33,750**	**34,300**	**115,900**	**29,025**	**32,313**	**41,250**	**43,400**	**145,988**
Operating Margin %	*7.5%*	*6.3%*	*9.5%*	*11.1%*	*11.1%*	*9.6%*	*9.0%*	*10.5%*	*12.5%*	*12.3%*	*11.1%*	*10.8%*	*11.8%*	*13.8%*	*14.0%*	*12.6%*
Interest Expense	34,297	8,822	8,115	8,409	7,783	33,129	6,250	6,250	6,000	6,000	24,500	5,750	5,750	5,500	5,500	22,500
Other Expense (Income)	1,947	1,183	447	463	351	2,444	500	500	500	500	2,000	500	500	500	500	2,000
Pretax Income	**28,452**	**3,750**	**12,904**	**19,167**	**21,335**	**57,156**	**14,850**	**19,500**	**27,250**	**27,800**	**89,400**	**22,775**	**26,063**	**35,250**	**37,400**	**121,488**
Income Taxes	10,633	1,644	4,896	6,825	7,000	20,365	5,643	7,410	10,355	10,564	33,972	8,655	9,904	13,395	14,212	46,165
Income (Loss)	**16,976**	**2,106**	**7,632**	**12,078**	**14,335**	**36,151**	**9,207**	**12,090**	**16,895**	**17,236**	**55,428**	**14,121**	**16,159**	**21,855**	**23,188**	**75,322**
Net Margin %	*2.0%*	*1.0%*	*3.4%*	*4.8%*	*5.4%*	*3.8%*	*3.8%*	*4.8%*	*6.3%*	*6.2%*	*5.3%*	*5.2%*	*5.9%*	*7.3%*	*7.5%*	*6.5%*
Pro Forma EPS	**$ 0.27**	**$ 0.03**	**$ 0.12**	**$ 0.19**	**$ 0.22**	**$ 0.57**	**$ 0.14**	**$ 0.19**	**$ 0.26**	**$ 0.26**	**$ 0.85**	**$ 0.22**	**$ 0.25**	**$ 0.33**	**$ 0.35**	**$ 1.15**
EPS Growth (Y/Y)	*-66%*	*+304%*	*+56%*	*+113%*	*+137%*	*+110%*	*+330%*	*+49%*	*+36%*	*+19%*	*+49%*	*+52%*	*+33%*	*+29%*	*+34%*	*+35%*
Average FD shares	**63,077**	**63,874**	**64,118**	**64,578**	**64,831**	**64,350**	**65,000**	**65,100**	**65,200**	**65,300**	**65,150**	**65,400**	**65,500**	**65,500**	**65,600**	**65,500**
Gross Margin	*32.9%*	*33.8%*	*35.4%*	*35.4%*	*35.3%*	*35.0%*	*34.5%*	*35.5%*	*35.8%*	*35.5%*	*35.3%*	*35.0%*	*35.8%*	*36.0%*	*36.0%*	*35.7%*
EBITDA Margin	*10.5%*	*9.2%*	*12.5%*	*13.6%*	*14.4%*	*12.5%*	*12.1%*	*13.6%*	*15.5%*	*15.2%*	*14.2%*	*13.5%*	*14.6%*	*16.4%*	*16.7%*	*15.4%*
Operating Margin	*7.5%*	*6.3%*	*9.5%*	*11.1%*	*11.1%*	*9.6%*	*9.0%*	*10.5%*	*12.5%*	*12.3%*	*11.1%*	*10.8%*	*11.8%*	*13.8%*	*14.0%*	*12.6%*
Tax rate	*37.4%*	*43.8%*	*37.9%*	*35.6%*	*32.8%*	*35.6%*	*38.0%*	*38.0%*	*38.0%*	*38.0%*	*38.0%*	*38.0%*	*38.0%*	*38.0%*	*38.0%*	*38.0%*
Net Margin	*2.0%*	*1.0%*	*3.4%*	*4.8%*	*5.4%*	*3.8%*	*3.8%*	*4.8%*	*6.3%*	*6.2%*	*5.3%*	*5.2%*	*5.9%*	*7.3%*	*7.5%*	*6.5%*

Company stats as of 12/31/2010

Cash/investments	$ 80,854	Total debt	$ 256,127
Cash per share	$ 1.25	Total Debt/EBITDA	1.9x
Inventories	$ 133,774	Debt/Equity	97%
DSOs	50	Book Value/Share	$ 4.08
Inventory Days	74	Tangible Book/Share	$ 2.89

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Source: Company reports, Canaccord Genuity estimates
2/25/2011

Calendar year data

Year	Revenue	EBITDA	EPS	Y/Y Change
2010	$961,827	$ 120,629	$ 0.57	110%
2011E	$1,040,000	$ 147,400	$ 0.85	49%
2012E	$1,155,000	$ 177,488	$ 1.15	35%

Source: Company reports and Canaccord Genuity estimates

Figure 6: NCI Building Systems income statement

	FY 2010	Fiscal Year 2011E Q1E Jan-11	Q2E Apr-11	Q3E Jul-11	Q4E Oct-11	FY 2011
Net sales	$ 870,526	$ 195,000	$ 210,000	$ 250,000	$ 250,000	$ 905,000
% change (sequential)	na	-19%	8%	19%	0%	na
% change (year over year)	-10%	7%	4%	2%	4%	4%
Cost of sales	699,641	158,925	164,850	193,750	197,500	715,025
% of net sales	80%	82%	79%	78%	79%	79%
Gross profit	169,815	36,075	45,150	56,250	52,500	189,975
Gross margin %	19.5%	18.5%	21.5%	22.5%	21.0%	21.0%
General & administrative	190,870	45,000	46,000	50,000	50,000	191,000
% of total revenue	21.9%	23%	22%	20%	20%	21%
Adj EBITDA	16,107	(425)	7,650	14,750	11,000	32,975
EBITDA margin %	1.9%	-0.2%	3.6%	5.9%	4.4%	3.6%
Operating income	(24,587)	(8,925)	(850)	6,250	2,500	(1,025)
Operating margin %	-2.8%	-4.6%	-0.4%	2.5%	1.0%	-0.1%
Interest/other income, net	(15,620)	(3,500)	(3,500)	(3,500)	(3,500)	(14,000)
Pretax income	(40,207)	(12,425)	(4,350)	2,750	(1,000)	(15,025)
Pretax margin %	-5%	-6%	-2%	1%	0%	-2%
Provision for income taxes	(13,330)	(4,349)	(1,523)	990	(354)	(5,235)
Effective rate	33%	35%	35%	36%	35%	35%
Net income	(26,877)	(8,076)	(2,828)	1,760	(646)	(9,790)
Net margin %	-3.1%	-4.1%	-1.3%	0.7%	-0.3%	-1.1%
Pref stock div/charges	284,350	6,000	6,000	6,000	6,000	24,000
Net income applicable to stock	(311,227)	(14,076)	(8,828)	(4,240)	(6,646)	(33,790)
EPS	$ (17.07)	$ (0.76)	$ (0.47)	$ (0.23)	$ (0.35)	$ (1.81)
Diluted shares	18,229	18,500	18,600	18,700	18,800	18,650
Gross margin	19.5%	18.5%	21.5%	22.5%	21.0%	21.0%
EBITDA margin	1.9%	-0.2%	3.6%	5.9%	4.4%	3.6%
Operating margin	-2.8%	-4.6%	-0.4%	2.5%	1.0%	-0.1%
Net margin	-3.1%	-4.1%	-1.3%	0.7%	-0.3%	-1.1%

	Fiscal Year 2012E Q1E Jan-12	Q2E Apr-12	Q3E Jul-12	Q4E Oct-12	FY 2012	Fiscal Year 2013E Q1E Jan-13	Q2E Apr-13	Q3E Jul-13	Q4E Oct-13	FY 2013
Net sales	$ 240,000	$ 265,000	$ 275,000	$ 305,000	$ 1,085,000	$ 300,000	$ 330,000	$ 350,000	$ 400,000	$ 1,380,000
% change (sequential)	-4%	10%	4%	11%	na	-2%	10%	6%	14%	na
% change (year over year)	23%	26%	10%	22%	20%	25%	25%	27%	31%	27%
Cost of sales	181,200	198,750	204,875	225,700	810,525	221,250	242,550	255,500	291,000	1,010,300
% of net sales	76%	75%	75%	74%	75%	74%	74%	73%	73%	73%
Gross profit	58,800	66,250	70,125	79,300	274,475	78,750	87,450	94,500	109,000	369,700
Gross margin %	24.5%	25.0%	25.5%	26.0%	25.3%	26.3%	26.5%	27.0%	27.3%	26.8%
General & administrative	50,000	51,000	52,000	53,000	206,000	55,000	57,000	58,000	59,000	229,000
% of total revenue	21%	19%	19%	17%	19%	18%	17%	17%	15%	17%
Adj EBITDA	17,300	23,750	26,625	34,800	102,475	32,250	38,950	70,500	50,000	191,700
EBITDA margin %	7.2%	9.0%	9.7%	11.4%	9.4%	10.8%	11.8%	20.1%	12.5%	13.9%
Operating income	8,800	15,250	18,125	26,300	68,475	23,750	30,450	36,500	50,000	140,700
Operating margin %	3.7%	5.8%	6.6%	8.6%	6.3%	7.9%	9.2%	10.4%	12.5%	10.2%
Interest/other income, net	(3,500)	(3,500)	(3,500)	(3,500)	(14,000)	(3,500)	(3,500)	(3,500)	(3,500)	(14,000)
Pretax income	5,300	11,750	14,625	22,800	54,475	20,250	26,950	33,000	46,500	126,700
Pretax margin %	2%	4%	5%	7%	5%	7%	8%	9%	12%	9%
Provision for income taxes	2,041	4,524	5,631	8,778	20,973	7,796	10,376	12,705	17,903	48,780
Effective rate	39%	39%	39%	39%	39%	39%	39%	39%	39%	39%
Net income	3,260	7,226	8,994	14,022	33,502	12,454	16,574	20,295	28,598	77,921
Net margin %	1.4%	2.7%	3.3%	4.6%	3.1%	4.2%	5.0%	5.8%	7.1%	5.6%
Pref stock div/charges	6,000	6,000	-	-	12,000	-	-	-	-	-
Net income applicable to stock	(2,741)	1,226	8,994	14,022	21,502	12,454	16,574	20,295	28,598	77,921
EPS	$ (0.15)	$ 0.06	$ 0.15	$ 0.23	$ 0.35	$ 0.20	$ 0.27	$ 0.33	$ 0.46	$ 1.25
Diluted shares	18,900	19,000	62,000	62,000	62,000	62,250	62,250	62,250	62,250	62,250
Gross margin	24.5%	25.0%	25.5%	26.0%	25.3%	26.3%	26.5%	27.0%	27.3%	26.8%
EBITDA margin	7.2%	9.0%	9.7%	11.4%	9.4%	10.8%	11.8%	20.1%	12.5%	13.9%
Operating margin	3.7%	5.8%	6.6%	8.6%	6.3%	7.9%	9.2%	10.4%	12.5%	10.2%
Net margin	1.4%	2.7%	3.3%	4.6%	3.1%	4.2%	5.0%	5.8%	7.1%	5.6%

Company stats as of 10/31/10

Cash/investments	$ 77,419	Total debt	$ 136,305
Cash per share	$ 4.22	Total Debt/EBITDA	846%
Inventories	$ 81,386	Debt/Equity	N/A
DSOs	31	Book Value/Share	$ 0.05
Inventory Days	38	Tangible Book/Share	$ (1.67)

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Source: Company reports, Canaccord Genuity estimates
2/25/2011

Calendar year data (ending Jan.)

Year	Revenue	Adj EBITDA	EBITDA Margin	Y/Y Change
2010E	$ 884,104	$ 18,310	2.1%	
2011E	$ 950,000	$ 50,700	5.3%	177%
2012E	$ 1,145,000	$ 117,425	10.3%	132%

Source: Company reports and Canaccord Genuity estimates

UNDER CONSTRUCTION…

Back in the good old days when skyscrapers were simple rectangular cuboid-shaped high-rises, it was no big deal to string up a window-washing platform and squeegee the windows from top to bottom. Nowadays, alas, things are a lot more complicated. Architects have not only started to use much more glass in their building designs, but they are designing ever-taller structures and employing lots of funky design elements too.

So while today's fashionable buildings may be more fun to look at, getting a clear view out of them is harder than ever. Why? All that intricately placed glass needs to be cleaned – and that's no easy task. Fortunately, we're pleased to report there is a modern-day solution to this age-old chore: Robot window cleaners. Constructionweekonline.com has the story:

Robot window cleaners to take over Dubai

Robotic cleaning systems for windows and façades on high-rise buildings have been launched in Dubai by Swiss company Serbot AG.

Glass cleaning goes high-tech: The Gekko III Plus is a window-washing robot that can clean approximately 13 times as fast as a manual window washer.

Image source: Serbot

"We are bringing this new technology to the UAE, where we have seen a lot of potential, especially with all the skyscrapers and the various architectural designs, which are very hard to clean using conventional methods," said Serbot business development manager Bas Schmit Phiferons.

Gekko and CleanAnt from Serbot are cleaning robots for high-rise buildings combining robotic engineering, cleaning engineering and a fall arrestor system and media supply in one complete system. The robots can be used on the widest variety of façade types, and do not require any devices such as guide rails.

They are also able to work at wind speeds that would prohibit manual cleaning for safety reasons. Their excellent cleaning performance, constant availability and minimal operating costs make these an ideal facade cleaning system, noted Schmit Phiferons.

Gekko, a disk-shaped robot, has a cleaning capacity of up to 400 square metres an hour, which is 15 times faster than manual cleaning. It uses vacuum power to attach itself to the surface to be cleaned, whether vertical, horizontal or slanted. The robot then uses a windshield-wiper type of brush to blast away any kind of dirt, be it dust, mud or even oils, such as the residue from combustion engines.

"No detergent is needed for cleaning, which is an added environmental advantage. The robots can use dry ice, demineralised water or water with enzymes to eat away the oils. They also can filter and recycle the used material to minimise waste," explained Schmit Phiferons.

CleanAnt is used on buildings with different shapes. "Façade cleaning is difficult, expensive and dangerous. The CleanAnt does this work safe and reliably, whether automatically or radio-guided, while vertical or overhanging areas are not a problem for both robot systems. CleanAnt also overcomes concave and convex areas and obstacles and can work in heavy traffic areas."

Figure 7: Canaccord Genuity Green Building Index member companies

Company	Primary Business
Acuity Brands, Inc. (NYSE:AYI)	Lighting fixtures
Ameresco, Inc. (NYSE:AMRC)	Energy efficiency
American DG Energy, Inc. (AMEX:ADGE)	On-site energy systems
AO Smith Corp. (NYSE:AOS)	Water/HVAC equipment
Apogee Enterprises, Inc. (Nasdaq:APOG)	Energy efficient glass
Brookfield Properties Corporation (NYSE:BPO)	REIT
Comfort Systems USA Inc. (NYSE:FIX)	HVAC services
Comverge, Inc. (Nasdaq:COMV)	Demand response and energy efficiency
Cree Inc. (Nasdaq:CREE)	LED lighting
Dialight PLC (LSE:DIA)	LED lighting
Eaga Plc (LSE:EAGA)	Energy efficient solutions
Echelon Corporation (Nasdaq:ELON)	Building automation controls
Ecology & Environment, Inc. (Nasdaq:EEI)	Environmental consulting
EMCOR Group Inc. (NYSE:EME)	Electrical services
First Capital Realty Inc. (TSX:FCR)	REIT
Headwaters Inc. (NYSE:HW)	Building materials
Herman Miller Inc. (Nasdaq:MLHR)	Office furniture
ICF International Inc. (Nasdaq:ICFI)	Environmental consulting
Interface Inc. (Nasdaq:IFSI.A)	Carpet
Johnson Controls Inc. (NYSE:JCI)	Building automation controls
Jones Lang LaSalle Inc. (NYSE:JLL)	Real estate services
Kingspan Group plc (ISE:KRX)	Energy efficient insulation
Liberty Property Trust (NYSE:LRY)	REIT
Lime Energy Co. (Nasdaq:LIME)	Energy efficiency
LSB Industries Inc. (NYSE:LXU)	Geothermal heat pumps
NCI Building Systems Inc. (NYSE:NCS)	Engineered metal buildings
Orion Energy Systems, Inc (AMEX:OESX)	Energy efficient solutions
ProLogis (NYSE:PLD)	REIT
Quanex Building Products Corporation (NYSE:NX)	Exterior building products
Real Goods Solar, Inc. (Nasdaq:RSOL)	Solar power
Servidyne, Inc. (Nasdaq:SERV)	Energy efficiency consulting services
Southwall Technologies Inc. (OTCBB:SWTX)	Energy efficient films
Stantec Inc. (TSX:STN)	Architectural design and consulting
Steelcase Inc. (NYSE:SCS)	Office furniture
SunPower Corporation (Nasdaq:SPWR.A)	Solar power
Thomas Properties Group Inc. (Nasdaq:TPGI)	REIT
Trex Co. Inc. (NYSE:TREX)	Composite lumber
WaterFurnace Renewable Energy, Inc. (TSX:WFI)	Geothermal heat pumps
Watsco Inc. (NYSE:WSO)	HVAC equipment
Foreign stock exchange key:	
ISE: Irish Stock Exchange LSE: London Stock Exchange TSX: Toronto Stock Exchange	

Source: Canaccord Genuity

INVESTMENT RISKS

Ameresco

Ameresco considers acquisitions as an important vehicle for continued growth. An inability to source, fund or execute new acquisitions could potentially negatively affect the firm's growth and future profitability.

The projects that Ameresco undertakes for customers are heavily reliant upon third-party financing for capital. If credit or financing are not available to Ameresco's customers or to themselves, business will be unfavorably affected.

Federal, state, provincial and local government support for energy efficiency and renewable energy is key to Ameresco's business, and a decline in support from any of these groups could result in harm to Ameresco's business.

Ameresco may have liability to its customers under its ESPC contracts if Ameresco fails to deliver the energy use reductions to which they would be committed under contract.

Additional risks can be found in the company's most recent 10-K filing with the SEC.

Interface

As a supplier of floorcovering products, Interface faces several important risks. First, the company's sales are strongly related to the construction and renovation of commercial and institutional buildings, which is a highly cyclical market. Second, Interface generates significant sales from overseas markets, which subjects the company to the risks of currency translation. Third, the firm relies heavily on a limited number of raw material suppliers, including Aquafill, Invista, and Universal. The loss of one of these suppliers could negatively impact the firm's business. Finally, Interface is expanding into the residential market and therefore becomes incrementally more exposed to economic trends within that segment of the carpet industry.

NCI Building Systems

NCI is heavily dependent upon the price and supply of steel. Higher steel prices could adversely affect demand for new construction, cause supply disruptions, or lower profit margins if steel costs cannot be fully passed through to customers. Lower steel prices could cause write-downs in the value of steel held. Either scenario could negatively affect the profitability and cash flow of the company.

The construction industry is highly cyclical, and a decline in economic conditions could reduce demand for NCI's products and services offered.

In addition to these risk factors, we recommend that investors look at the complete risk factors, which can be found in the most recent SEC filing.

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Distribution of Ratings:
Global Stock Ratings
(as of 2 February 2011)

	Coverage Universe		IB Clients
Rating	#	%	%
Buy	437	57.7%	36.6%
Speculative Buy	65	8.6%	52.3%
Hold	236	31.1%	17.8%
Sell	20	2.6%	5.0%
	758	100.0%	

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