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Sustainability

Green Building Semimonthly

Spending slowdown

The stock market managed to regain some ground last week, despite news that monthly retail sales took a surprising dip in May, falling 1.2% (expectations were for a 0.2% gain). Some of the decline may have been attributable to a drop in purchases of energy-efficiency appliances, which had benefited in previous months from government tax credits, and poor weather, according to Vanguard. The retail sales shortfall is a concern as consumer spending must continue to grow to help keep the economic recovery on track. This week brings new data on inflation, residential construction, and industrial production.

Over the past two weeks, our Green Building Index fell 2.3% compared with a 0.2% increase in the S&P 500 Index. Since the start of the year, our Green Building Index is up 0.1 % vs. -2.1% for the S&P 500 Index and -1.1% for the NASDAQ Comp. Index.

Figure 1: Canaccord Genuity Green Building Index



Top 5 Leaders	Past 2 weeks % change	Top 5 Laggards	Past 2 weeks % change
Baldor Electric Co.	11.8%	NCI Building Systems Inc.	-25.7%
Flanders Corporation	4.3%	Servidyne, Inc.	-23.4%
Ecology & Environment, Inc.	4.0%	Orion Energy Systems, Inc.	-17.3%
First Capital Realty Inc.	4.0%	Eaga Plc	-13.8%
PowerSecure International, Inc.	3.2%	Kingspan Group plc	-12.3%

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

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GREEN BUILDING BLOCKS

HIGHLIGHTS FROM JOHNSON CONTROLS CLEANTECH ANALYST DAY

This past week we visited the headquarters of Johnson Controls (JCI: NYSE: \$27.56 | Not rated) in Glendale, Wisconsin to attend the company's CleanTech analyst day. The meetings featured talks from various heads of Johnson Controls' commercial buildings and hybrid vehicles businesses, and included a tour of the company's 320,000-square-foot headquarters. Johnson Controls is the world's largest provider of energy efficiency solutions for commercial buildings and a leading provider of lithium-ion batteries for hybrid vehicles. Below we provide some of the energy efficiency-related highlights from the company's analyst day presentation.

- **The cleantech “megatrend.”** Clean technology is now a “long-term global growth megatrend,” according to JCI management. Johnson Controls defines clean technology as products or services that improve operational performance, productivity or efficiency while reducing costs, energy consumption waste or pollution. Management specifically noted that buildings in North America and Europe, which together account for 40% of the world's energy consumption and 70% of electricity usage, represent the single biggest opportunity for cleantech. The second biggest opportunity for cleantech is in the transportation sector, according to the company.
- **Energy solutions market a \$24 billion opportunity.** Johnson Controls estimates the energy solutions market is a \$24 billion global opportunity, growing at approximately 9%-14% per year. Key market drivers for the energy solutions market include: 1) climate legislation and energy security; 2) corporate climate commitments; 3) volatile energy costs; 4) innovative funding models (see PACE program discussed on next page); 5) deployment of smart-grid technology; and 6) energy efficiency renewable resource standards. Growing governmental regulations and oversight of cleantech offer Johnson Controls a significant long-term opportunity to expand its relationships with governments around the world. The company is actively working to effect favorable energy legislation and policy mandates that will drive demand for its products and services.
- **China represents an enormous long-term opportunity.** China accounts for 50% of new construction globally, according to Johnson Controls, making the country perhaps the single largest opportunity for energy-efficiency measures in the world. According to estimates from management consulting firm McKinsey & Co., approximately 350 million Chinese will move into China's cities from rural areas over the next decade and a half. With government regulations limiting urban sprawl, the Chinese must build up and not out. As a result, McKinsey estimates that 50,000 skyscrapers will be built in China in the next 15 years, significantly expanding an already sizeable green building market opportunity.
- **Government legislation/regulation are key market drivers.** Legislation and regulation are now both key drivers in the energy efficiency marketplace. In the United States, there have been energy efficiency bills in both the lower and upper house (the

American Energy and Security Act of 2009 in the House and the American Clean Leadership Act of 2009 in the Senate). The Senate bill has been passed out of committee and includes the following features:

- National electricity and renewable electricity standard
- Energy efficiency building retrofit program
- Energy efficiency programs for states
- Building codes incentives
- Building performance information
- New clean energy deployment administration

Meanwhile, recent events in the Gulf of Mexico are spurring interest in energy and climate bills that otherwise would not have been brought up or passed this year, according to Johnson Controls. The company believes that if no energy/climate legislation is passed this session, the EPA will take matters into its own hands. (We note that the Senate recently voted to uphold the EPA's power to regulate greenhouse gas emissions.) This bodes well for increased activity in the energy efficiency and green building market, according to JCI.

- **Non-governmental organizations gaining influence.** JCI noted that NGOs, such as the Clinton Foundation through its Clinton Climate Initiative, are taking a much larger role now in the green market. NGOs now act as “accelerators” for projects and solutions promoting environmental sustainability, and help to sustain and promote these ideas to the public at large. In turn, the public puts pressure on organizations to change and “go green.”
- **PACE program gaining momentum.** Property Assessed Clean Energy, or PACE, is a financing solution that enables property owners to pay for energy efficiency, renewable energy and water efficiency projects via an additional assessment on their property tax bill over a five- to ten-year term. The PACE program benefits building owners by: 1) eliminating the need for large upfront cash payments; 2) offering a competitive cost of capital; 3) solving credit rating collateral issues; 4) potentially moving the projects off-balance sheet; and 5) allowing owners to pass through retrofit costs to tenants. PACE also benefits local governments by supporting local businesses through job creation, while being tax neutral with no risk to the general fund. Finally, for ESCOs and contractors, PACE programs are “game-changers” for private sector investment as they offer longer payback projects, among other reasons. Johnson Controls noted that PACE financing will be one of the keys to unlocking the huge retrofit opportunity in the commercial building sector.
- **IT convergence.** JCI sees the “smart building” as the starting point that is needed before a “smart grid” is even possible. Put simply, the “smart grid” can't analyze much without a “smart building” providing it with real-time information. The company noted that the integration of equipment and controls coming together in one product has been a major advancement for the industry.

Please see the table on the next page for our current recommendations on companies under coverage.

Figure 2: Coverage overview

June 11, 2010	Share Information					Revenue			EBITDA				EPS					Per Share				
(\$ in millions, except per share data)	Ticker	Price	Target Price	Mkt Cap	Rating	CY09	CY10E	CY11E	CY09	EV/EBITDA	CY10E	EV/EBITDA	CY11E	EV/EBITDA	CY09	P/E	CY10E	P/E	CY11E	P/E	Net Cash/(Debt)	T Book
Recycling and Enviro Solutions																						
Astec Industries, Inc.	ASTE	\$29.61	\$30	\$673	HOLD	\$738	\$769	\$850	46	13.7x	72	8.7x	83	7.5x	\$0.73	40.6x	\$1.53	19.4x	\$1.85	16.0x	\$2.16	\$19.72
Casella Waste Systems Inc.	CWST	\$3.96	\$6	\$102	BUY	\$513	\$530		121	5.5x	132	5.0x		#DIV/0!	(\$3.02)	N/A	(\$0.60)	N/A			(\$21.67)	(\$2.84)
GrafTech International Ltd.	GTI	\$16.09	\$20	\$1,949	BUY	\$659	\$891	\$1,060	131	14.2x	218	8.5x	277	6.7x	\$0.10	N/A	\$1.09	14.8x	\$1.46	11.0x	\$0.72	\$4.85
Harsco Corporation	HSC	\$25.99	\$40	\$2,096	BUY	\$2,991	\$3,097	\$3,260	530	5.7x	561	5.4x	654	4.6x	\$1.47	17.7x	\$1.57	16.6x	\$2.41	10.8x	(\$11.28)	\$7.78
Horsehead Holding Corp.	ZINC	\$8.55	\$18	\$373	BUY	\$217	\$405	\$437	(27)	N/A	73	3.8x	89	3.1x	(\$0.73)	N/A	\$0.76	11.3x	\$0.95	9.0x	\$2.13	\$7.68
Kadant Inc.	KAI	\$18.64	\$25	\$233	BUY	\$226	\$259	\$290	8	25.1x	27	7.9x	32	6.5x	(\$0.24)	N/A	\$1.15	16.2x	\$1.50	12.4x	\$1.81	\$7.79
LKQ Corp.	LKQX	\$18.90	\$21	\$2,742	HOLD	\$2,061	\$2,374	\$2,515	267	11.8x	331	9.5x	376	8.4x	\$0.85	22.2x	\$1.12	16.9x	\$1.28	14.8x	(\$2.77)	\$1.61
Metaco Inc.	MEA	\$4.74	\$10	\$220	BUY	\$292	\$518	\$556	26	12.5x	63	5.1x	74	4.4x	(\$0.08)	N/A	\$0.45	10.5x	\$0.65	7.3x	(\$2.25)	\$0.96
Schnitzer Steel Industries Inc.	SCHN	\$43.83	\$67	\$1,234	BUY	\$1,769	\$2,448	\$2,678	67	19.7x	163	8.0x	301	4.4x	\$0.36	N/A	\$3.03	14.5x	\$5.04	8.7x	(\$2.75)	\$18.92
Sims Metal Management *	ASX:SGM	\$18.69	AS26	AS3,645	BUY	AS6,455	AS8,270	AS9,633	A143	23.9x	A458	7.5x	A658	5.2x	AS(0.18)	N/A	AS0.97	19.3x	AS1.56	12.0x	AS1.15	AS9.25
US Ecology, Inc.	ECOL	\$14.00	\$16	\$255	HOLD	\$133	\$88	\$100	32	6.8x	25	8.7x	32	6.9x	\$0.77	18.2x	\$0.57	24.6x	\$0.75	18.7x	\$1.80	\$5.08
Green Building																						
Apogee Enterprises, Inc.	APOG	\$13.07	\$13	\$365	HOLD	\$750	\$604	\$640	93	2.9x	29	9.4x	44	6.2x	\$1.52	8.6x	(\$0.02)	N/A	\$0.28	46.7x	\$3.28	\$9.74
Baldor Electric Co.	BEZ	\$40.11	\$35	\$1,893	HOLD	\$1,524	\$1,702	\$1,850	250	12.1x	307	9.9x	350	8.7x	\$1.35	29.7x	\$1.55	25.9x	\$2.15	18.7x	(\$24.17)	(\$16.21)
ICF International Inc.	ICFI	\$22.93	\$30	\$447	BUY	\$674	\$756	\$840	60	9.7x	75	7.6x	85	6.7x	\$1.40	16.4x	\$1.40	16.4x	\$1.67	13.7x	(\$6.57)	(\$1.75)
Interface Inc.	IFSLA	\$11.62	\$13	\$743	HOLD	\$860	\$912	\$980	91	10.1x	103	9.0x	125	7.4x	\$0.27	43.0x	\$0.40	29.1x	\$0.60	19.4x	(\$2.88)	\$2.46
Lime Energy Co.	LIME	\$3.32	\$6	\$78	SPEC. BUY	\$71	\$81	\$90	(8)	N/A	(7)	N/A	(3)	N/A	(\$0.88)	N/A	(\$0.42)	N/A	(\$0.26)	N/A	\$0.83	\$1.53
LSB Industries Inc.	LXU	\$15.99	\$21	\$342	BUY	\$534	\$572	\$644	57	7.0x	60	6.7x	78	5.2x	\$0.96	16.7x	\$0.92	17.4x	\$1.40	11.4x	(\$2.82)	\$7.05
NCI Building Systems Inc.	NCS	\$8.60	\$20	\$157	BUY	\$891	\$877	\$940	40	15.0x	31	19.5x	59	10.2x	(\$50.34)	N/A	(\$16.00)	N/A	(\$2.02)	N/A	(\$1.40)	\$3.81
Orion Energy Systems, Inc.	OESX	\$3.05	\$5	\$68	BUY	\$62	\$72	\$82	(2)	N/A	1	37.1x	7	6.4x	(\$0.20)	N/A	(\$0.09)	N/A	\$0.13	23.5x	\$0.95	\$3.93
Real Goods Solar, Inc.	RSOL	\$3.43	\$6	\$63	SPEC. BUY	\$64	\$81	\$100	(3)	N/A	2	32.1x	5	11.4x	(\$0.09)	N/A	\$0.05	68.6x	\$0.15	22.9x	\$0.64	\$1.61
Trex Co. Inc.	TREX	\$20.79	\$25	\$322	HOLD	\$272	\$321	\$350	40	10.5x	47	9.0x	61	6.9x	\$0.44	47.3x	\$0.28	74.3x	\$0.88	23.6x	(\$6.54)	\$7.38

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>.

GREEN BUILDING BUZZ

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

- **Direct Energy Services to acquire Clockwork Home Services.** Direct Energy, one of North America's leading integrated energy and services companies, announced last week its intention to acquire Clockwork Home Services for \$183 million. The combined company will become the largest provider of heating & cooling, plumbing and electrical services to more than three million households annually in North America. The new organization will have revenue of almost \$4 billion, according to Direct Energy. Key services offered by the new company will include repair and maintenance for heating and cooling systems, as well as energy efficiency-related services to both homes and businesses. Direct Energy is a subsidiary of Centrica plc, one of the world's leading integrated energy services companies.
- **Southwall Technologies acquires 70% interest in Southwall Insulating Glass.** Southwall Technologies, a developer and manufacturer of high-performance, energy-saving films and glass products, announced the acquisition of a majority stake in Chicago-based Southwall Insulating Glass. The acquisition enables Southwall to accelerate the automated production of Heat Mirror insulating glass, which has been selected by Owens-Corning and used in the energy efficiency retrofit of the Empire State Building. Heat Mirror insulating glass is a "suspended film technology that combines the best of film-based and glass-based technologies to create the industry's first 'super glass' with center-of-glass insulating performance ranging from R-6 to R-20 while minimizing solar heat gain and blocking UV radiation," according to the company.
- **LEED gaining popularity in higher education market.** A new report from Yudelson Associates indicates that "colleges and universities are national leaders in sustainability, especially when it comes to green building standards and policies." The report notes that on average, between 2002 and 2009, buildings on college and university campuses accounted for 13% of all LEED project certifications in all four LEED rating systems. By the end of 2009, 571 LEED projects on campuses had achieved certification and there were more than 3000 LEED-registered projects. "The rapid growth in LEED registrations at leading campuses has come from their adoption of LEED as a way of certifying the sustainability of campus operations," according to the report.

CANACCORD GENUITY 30TH ANNUAL GROWTH CONFERENCE

When: Tuesday - Thursday, August 10-12, 2010

Where: InterContinental Hotel Boston

510 Atlantic Avenue, Boston, MA 02210

Guest Reservations: 617.747.1000

Connecting Global Ideas.

Don't miss our Annual Growth Conference. For the 30th year, we will be bringing together some of the world's most innovative small- to mid-cap companies and institutional investors at our Global Conference. For three highly productive days, some of the best of the growth universe will come together to share knowledge, discuss emerging trends, build relationships, identify opportunities, and ignite global ideas for growth.

For more information:

For questions and more information, contact Nadine Miller at 617.371.3842 or nmiller@canaccordgenuity.com

Attending companies within our green building-related coverage universe include:

- Apogee Enterprises
- Baldor Electric
- ICF International
- Lime Energy
- LSB Industries
- NCI Building Systems
- Orion Energy Systems
- Trex

RECENT RESEARCH

Last week we published an update on NCI Building Systems (NCS: NYSE: \$8.56 | BUY/Best Idea).

NCS: MAKING PROGRESS; RAISING ESTIMATES, MAINTAIN BUY/BEST IDEA AND \$20 TARGET

Event

NCI reported FQ2 (April) sales of \$202.4M (+10.7% q/q, -10% y/y), exceeding our estimate of \$200M. Adjusted EBITDA was \$1.1M, slightly surpassing our \$1M forecast. EPS results are not meaningful, in our view, given non-cash charges related to the company's preferred stock conversion.

Impact

Positive. Despite a continued difficult nonresidential construction environment, NCI is making solid progress, in our view. The company generated gross margins of 19.8%, up 220 bps sequentially, benefiting primarily from higher sales volumes, increased efficiencies on higher intersegment sales, and improved spreads in both the coatings and components segments. Although the Engineered Buildings segment experienced some margin compression in the quarter due to higher steel prices, shipment tons were up 10% and margin pressures started to ease in the month of April as steel prices stabilized, according to the company. Importantly, NCI reported positive adjusted EBITDA, which we view as a key benchmark in the company's ongoing turnaround.

Based on expectations for a better seasonal second half and improved bookings activity, we raise our F2010 revenue/adj. EBITDA estimates to \$855M/\$20M, up from \$818M/\$17.5M previously.

Action

We maintain our BUY/Best Idea rating and \$20 target price.

Additional comments

- Tonnage volumes within the buildings segment were up 50% sequentially – the first y/y increase in shipment volumes in seven quarters. Additionally, we note that Q2 bookings (measured in tons) were up 36% on a y/y basis.
- NCI should benefit from higher steel prices in second half of F2010. Historically, NCI has been able to pass through the cost of higher steel prices to customers in the coatings and components groups. With steel prices having increased significantly in the first half of this fiscal year, the company anticipates that these higher prices should benefit top-line results in the second half. Also, the company indicated that it expects steel prices to flatten and adjust downward going forward, a trend that should positively impact margins within the engineered buildings segment, in our view.
- Market conditions remain tough, but some areas are showing relative strength. Management pointed to the agricultural market as one bright spot in an otherwise

fairly bleak market. In addition, the company noted new building activity in the manufacturing/industrial markets.

- We are raising our estimates. We increase our FQ3 (July) and FQ4 (Oct.) estimates, based primarily on a better second half seasonal outlook and improved bookings activity. More specifically, we raise our FQ3 revenue/adj. EBITDA estimates to \$230M/\$8.8M, up from \$210M/\$8.3M previously. For FQ4, we raise our revenue/adj. EBITDA estimates to \$240MM/\$12.9M, up from \$225M/\$10.9M.
- We maintain our BUY/Best Idea rating and \$20 target price.

NCI Building Systems investment thesis

NCI Building Systems is one of the nation's largest manufacturers of engineered metal building systems, which features some of the best-known brands in the industry. NCI's key advantages also include its unique vertically integrated manufacturing model and nationwide distribution network.

We view NCI as an interesting play on the steady shift toward green building practices in nonresidential construction. Representing approximately 10-12% of all new nonresidential construction projects in the US, green building represents the most significant building movement today. NCI participates in the green building market with a wide variety of "cool" metal roofs and insulated metal panels, both of which are specifically designed to enhance a building's energy efficiency. NCI's building systems are also manufactured to minimize material usage, thereby producing an attractive life-cycle analysis.

We conclude that NCI's aggressive restructuring actions (including closure of 25% of its plants and a nearly 40% reduction in workforce) should significantly enhance the company's margins when industry conditions improve. These cuts should not preclude NCI from eventually attaining previous peak cycle revenue levels of \$1.7B, in our view.

While NCI will likely continue to face economic headwinds in 2010, we conclude the shares represent an attractive value at current levels. We therefore maintain our BUY rating.

Target price methodology

On a longer-term basis beyond F2012, we estimate that NCS could reach \$20 per share, as improving macroeconomic fundamentals, benefits from recent restructuring actions, and company execution drive EBITDA to a potential level of \$200M. This is not unreasonable, in our view, as the company did previously achieve EBITDA of \$200M in F2008 when revenues were \$1.76B.

To arrive at this \$20 price objective, we assume that NCS can eventually achieve an enterprise value of approximately \$1.2 billion (we assume a fully diluted share count of 60M), representing 6x estimated EBITDA of \$200M. We note that this EV/EBITDA multiple is below NCS's average EV/NTM EBITDA multiple of 7.4x recorded over the past 10 years, according to CapitalIQ 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 \$20 price target as it is dependent on a significant improvement in commercial construction.

Figure 3: NCI Building Systems income statement

	Fiscal Year 2010E					FY 2010	Fiscal Year 2011E					FY 2011	Fiscal Year 2012E					FY 2012
	FY 2009	Q1A Jan-10	Q2A Apr-10	Q3E Jul-10	Q4E Oct-10		Q1E Jan-11	Q2E Apr-11	Q3E Jul-11	Q4E Oct-11	Q1E Jan-12		Q2E Apr-12	Q3E Jul-12	Q4E Oct-12			
Net sales	\$ 967,923	\$ 182,887	\$ 202,358	\$ 230,000	\$ 240,000	\$ 855,245	\$ 205,000	\$ 220,000	\$ 230,000	\$ 250,000	\$ 905,000	\$ 240,000	\$ 265,000	\$ 275,000	\$ 305,000	\$ 1,085,000		
% change (sequential)	na	-25%	11%	14%	4%	na	-15%	7%	5%	9%	na	-4%	10%	4%	11%	na		
% change (year over year)	-45%	-30%	-10%	-4%	-2%	-12%	12%	9%	0%	4%	6%	17%	20%	20%	22%	20%		
Cost of sales	752,183	149,669	162,458	181,125	186,000	679,252	159,900	169,400	174,800	188,750	692,850	181,200	198,750	204,875	225,700	810,525		
% of net sales	78%	82%	80%	79%	78%	79%	78%	77%	76%	76%	77%	76%	75%	75%	74%	75%		
Gross profit	169,463	32,189	40,016	48,875	54,000	175,080	45,100	50,600	55,200	61,250	212,150	58,800	66,250	70,125	79,300	274,475		
Gross margin %	17.5%	17.6%	19.8%	21.3%	22.5%	20.5%	22.0%	23.0%	24.0%	24.5%	23.4%	24.5%	25.0%	25.5%	26.0%	25.3%		
General & administrative	210,177	44,408	48,357	49,000	50,000	191,765	45,000	48,000	49,000	52,000	194,000	50,000	51,000	52,000	53,000	206,000		
% of total revenue	21.7%	24%	24%	21%	21%	22.4%	22%	22%	21%	21%	21%	21%	19%	19%	17%	19%		
Adj EBITDA	44,609	(2,627)	1,069	8,775	12,900	20,117	8,100	10,600	14,200	17,250	50,150	16,800	23,250	26,125	34,300	100,475		
EBITDA margin %	4.6%	-1.4%	0.5%	3.8%	5.4%	2.4%	4.0%	4.8%	6.2%	6.9%	5.5%	7.0%	8.8%	9.5%	11.2%	9.3%		
Restructuring/other charge	642,784	524	829			1,353					-					-		
Operating income	(683,498)	(12,743)	(9,170)	(125)	4,000	(18,038)	100	2,600	6,200	9,250	18,150	8,800	15,250	18,125	26,300	68,475		
Operating margin %	-70.6%	-7.0%	-4.5%	-0.1%	1.7%	-2.1%	0.0%	1.2%	2.7%	3.7%	2.0%	3.7%	5.8%	6.6%	8.6%	6.3%		
Interest/other income, net	(117,990)	(3,522)	(4,022)	(4,000)	(4,000)	(15,544)	(3,800)	(3,600)	(3,400)	(3,200)	(14,000)	(3,200)	(3,200)	(3,200)	(3,200)	(12,800)		
Pretax income	(801,488)	(16,265)	(13,192)	(4,125)	-	(33,582)	(3,700)	(1,000)	2,800	6,050	4,150	5,600	12,050	14,925	23,100	55,675		
Pretax margin %	-83%	-9%	-7%	-2%	0%	-4%	-2%	0%	1%	2%	0%	2%	5%	5%	8%	5%		
Provision for income taxes	(53,026)	(5,779)	(5,536)	(1,500)	(1,500)	(14,315)	2,500	2,500	2,500	2,500	10,000	8,000	8,000	8,000	8,000	32,000		
Effective rate	7%	36%	42%	36%	#DIV/0!	43%	-68%	-250%	89%	41%	241%	143%	66%	54%	35%	57%		
Net income	(748,462)	(10,486)	(7,656)	(2,625)	1,500	(19,267)	(6,200)	(3,500)	300	3,550	(5,850)	(2,400)	4,050	6,925	15,100	23,675		
Net margin %	-77.3%	-5.7%	-3.8%	-1.1%	0.6%	-2.3%	-3.0%	-1.6%	0.1%	1.4%	-0.6%	-1.0%	1.5%	2.5%	5.0%	2.2%		
Preferred stock dividends		8,321	249,689	8,500	8,500	275,010	10,000	10,000	10,000	10,000	40,000	6,000	6,000	6,000	6,000	24,000		
Net income applicable to stock	(18,807)	(257,345)	(11,125)	(7,000)	(294,277)	(16,200)	(13,500)	(9,700)	(6,450)	(45,850)	(8,400)	(1,950)	925	9,100	(325)			
EPS	\$(185.27)	\$(1.04)	\$(14.15)	\$(0.60)	\$(0.38)	\$(16.17)	\$(0.87)	\$(0.72)	\$(0.52)	\$(0.34)	\$(2.45)	\$(0.44)	\$(0.10)	\$0.02	\$0.15	\$(0.38)		
% change (year over year)	-1015%	-99%	-54%	-159%	-98%	-91%	-16%	-95%	-15%	-10%	-85%	-49%	-86%	-103%	-144%	-84%		
Diluted shares	4,403	18,093	18,184	18,400	18,500	18,294	18,600	18,700	18,800	18,900	18,750	19,000	19,100	61,000	61,000	40,025		
Gross margin	17.5%	17.6%	19.8%	21.3%	22.5%	20.5%	22.0%	23.0%	24.0%	24.5%	23.4%	24.5%	25.0%	25.5%	26.0%	25.3%		
EBITDA margin	4.6%	-1.4%	0.5%	3.8%	5.4%	2.4%	4.0%	4.8%	6.2%	6.9%	5.5%	7.0%	8.8%	9.5%	11.2%	9.3%		
Operating margin	-70.6%	-7.0%	-4.5%	-0.1%	1.7%	-2.1%	0.0%	1.2%	2.7%	3.7%	2.0%	3.7%	5.8%	6.6%	8.6%	6.3%		
Net margin	-77.3%	-5.7%	-3.8%	-1.1%	0.6%	-2.3%	-3.0%	-1.6%	0.1%	1.4%	-0.6%	-1.0%	1.5%	2.5%	5.0%	2.2%		

Company stats as of 4/30/10

Cash/investments	\$ 51,273	Total debt	\$ 135,153
Cash per share	\$ 2.83	Total Debt/EBITDA	672%
Inventories	\$ 100,568	Debt/Equity	767%
DSOs	33	Book Value/Share	\$ 0.97
Inventory Days	56	Tangible Book/Share	(\$0.82)

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Source: Company reports, Canaccord Genuity estimates
6/10/2010

Calendar year data (ending Jan.)

	Year	Revenue	Adj EBITDA	EBITDA Margin	Y/Y Change
2009	\$ 890,446	\$ 40,397	4.5%		
2010E	\$ 877,358	\$ 30,844	3.5%		-24%
2011E	\$ 940,000	\$ 58,850	6.3%		91%

Source: Company reports and Canaccord Genuity estimates



Pass the rice mortar: The Great Wall of China is held together by sticky rice mortar – and even today it remains the best available material for restoring ancient masonry.

Image source: Wikipedia.com

UNDER CONSTRUCTION...

If you want to talk about structures that have stood the test of time, you'd have to include the Great Wall of China. Even though some sections of the wall have crumbled (or been destroyed), the wall remains one of the greatest construction achievements of all time. So how did they do it? Here's the surprising answer:

Revealing the ancient Chinese secret of sticky rice mortar

Newswise – Scientists have discovered the secret behind an ancient Chinese super-strong mortar made from sticky rice, the delicious “sweet rice” that is a modern mainstay in Asian dishes. They also concluded that the mortar – a paste used to bind and fill gaps between bricks, stone blocks and other construction materials – remains the best available material for restoring ancient buildings. Their article appears in the American Chemical Society (ACS) monthly journal, *Accounts of Chemical Research*.

Bingjian Zhang, Ph.D., and colleagues note that construction workers in ancient China developed sticky rice mortar about 1,500 years ago by mixing sticky rice soup with the standard mortar ingredient. That ingredient is slaked lime, limestone that has been calcined, or heated to a high temperature, and then exposed to water. Sticky rice mortar probably was the world's first composite mortar, made with both organic and inorganic materials.

The mortar was stronger and more resistant to water than pure lime mortar, and what Zhang termed one of the greatest technological innovations of the time. Builders used the material to construct important buildings like tombs, pagodas, and city walls, some of which still exist today. Some of the structures were strong enough to shrug off the effects of modern bulldozers and powerful earthquakes.

Their research identified amylopectin, a type of polysaccharide, or complex carbohydrate, found in rice and other starchy foods, as the “secret ingredient” that appears to be responsible for the mortar's legendary strength.

“Analytical study shows that the ancient masonry mortar is a kind of special organic-inorganic composite material,” the scientists explained. “The inorganic component is calcium carbonate, and the organic component is amylopectin, which comes from the sticky rice soup added to the mortar. Moreover, we found that amylopectin in the mortar acted as an inhibitor: The growth of the calcium carbonate crystal was controlled, and a compact microstructure was produced, which should be the cause of the good performance of this kind of organic-organic mortar.”

To determine whether sticky rice can aid in building repair, the scientists prepared lime mortars with varying amounts of sticky rice and tested their performance compared to traditional lime mortar.

“The test results of the modeling mortars shows that sticky rice-lime mortar has more stable physical properties, has greater mechanical strength, and is more compatible, which make it a suitable restoration mortar for ancient masonry,” the article notes.

Figure 4: Canaccord Genuity Green Building Index member companies

Company	Primary Business
Acuity Brands, Inc. (NYSE:AYI)	Lighting fixtures
Advanced Environmental Recycling Technologies, Inc. (NasdaqCM:AERT)	Composite lumber
Akeena Solar, Inc. (NasdaqCM:AKNS)	Solar power
Apogee Enterprises Inc. (NasdaqGS:APOG)	Energy efficient glass
Baldor Electric Co. (NYSE:BEZ)	Efficient motors
Brookfield Properties (TSX: BPO)	REIT
Capstone Turbine Corp. (NasdaqGM:CPST)	Microturbines
Comfort Systems USA Inc. (NYSE:FIX)	HVAC services
Comverge, Inc. (NasdaqGM:COMV)	Demand response and energy efficiency
Cree Inc. (NasdaqNM:CREE)	LED lighting
Day4 Energy Inc. (TSX:DFE)	Solar power
Dialight PLC (LSE:DIA)	LED lighting
Eaga Plc (LSE:EAGA)	Energy efficient solutions
Echelon Corporation (NasdaqGM:ELON)	Building automation controls
Ecology & Environment Inc. (AMEX:EEL)	Environmental consulting
First Capital Realty (TSX: FCR)	REIT
Flanders Corp. (OTCPK:FLDR)	Indoor environmental quality
Genesis Worldwide Inc. (TSX:GWI)	Green building materials
Green Builders Inc. (OTCPK: GRBU)	Residential green building
Headwaters Inc. (NYSE:HW)	Building materials
Herman Miller Inc. (NasdaqGS:MLHR)	Office furniture
ICF International Inc. (NasdaqGS:ICFI)	Environmental consulting
Interface Inc. (NasdaqGS:IFSI.A)	Carpet
Johnson Controls Inc. (NYSE:JCI)	Building automation controls
Kingspan Group plc (ISE:KRX)	Energy efficient insulation
Liberty Property Trust (NYSE:LRY)	REIT
Lime Energy (NasdaqCM:LIME)	Energy efficiency
LSB Industries Inc. (AMEX:LXU)	Geothermal heat pumps
Mueller Water Products, Inc. (NYSE:MWA)	Water efficiency
NCI Building Systems (NYSE: NCS)	Engineered metal buildings
Orion Energy Systems, Inc (AMEX:OESX)	Energy efficient solutions
PowerSecure International, Inc. (NasdaqGS:POWR)	Energy management/conservation solutions
ProLogis (NYSE:PLD)	REIT
Real Goods Solar (NASDAQM:RSOL)	Solar power
Servidyne, Inc. (NasdaqGM:SERV)	Energy efficient consulting services
SmartCool Systems (TSXV: SSC)	Energy efficiency technology
Stantec Inc. (TSX:STN)	Architectural design and consulting
Steelcase (NYSE: SCS)	Office furniture
SunPower Corporation (NasdaqGS:SPWR)	Solar power
Thomas Properties Group Inc. (NasdaqGM:TPGI)	REIT
Trex Co. Inc. (NYSE:TREX)	Composite lumber
WaterFurnace Renewable Energy (TSX:WFI)	Heat pumps
Stock Exchange Symbol Key:	
AMEX: American Stock Exchange	
ISE: Irish Stock Exchange	
LSE: London Stock Exchange	
NasdaqCM: Nasdaq Capital Market	
NasdaqGM: Nasdaq Global Market	
NasdaqGS: Nasdaq Global Select	
NYSE: New York Stock Exchange	
OTCPK: Over the counter pink sheets	
TSX: Toronto Stock Exchange	
TSXV: Toronto Venture Exchange	

Source: Canaccord Genuity

INVESTMENT RISKS

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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Global Stock Ratings
(as of 1 June 2010)

Rating	Coverage Universe		IB Clients	
	#	%	#	%
Buy	421	60.0%	34	34.2%
Speculative Buy	78	11.1%	62	62.8%
Hold	187	26.6%	21	21.4%
Sell	16	2.3%	0	0.0%
	702	100.0%		

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SELL: The stock is expected to generate negative risk-adjusted returns during the next 12 months.

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