

Calgon Carbon Positions Itself to Always Be Part of the Solution

BY NEIL D. BERLANT

Considering how important water is, investing in the water industry would appear to be an easy way to make money. Alas, it is not that simple. Nonetheless, the visibility of the industry, in terms of growth and opportunity, is exceedingly good.

There are two elements of corporate results that ultimately dictate the success of an investment. These are, of course, sales, e.g., the ability of a company to produce a product and service that people will want or need to purchase. Second are profits, e.g., the ability of the company to sell those products and services and make a profit on those sales. Ultimately, those two ingredients are the essential elements of a successful company and a successful investment.

In between those ultimate results, however, the investor has to consider the prospects of the company, the importance of the products and services that are provided, and the likelihood that they will experience the profits that will power the stock higher.

One company, which has an unusually attractive product and service mix, is Calgon Carbon Corp. (NYSE: CCC). It's the leading producer of activated carbon, an absolutely crucial ingredient in virtually all water treatment systems. The company has been going through a couple

of years of turnaround, including management changes and modest change to the mix of business – largely in the ultraviolet (UV) light disinfection sector. Acquisition of significant patents and a distaste for chemical disinfection due to potentially harmful byproducts has left it in a leading position in this emerging field. This has left the company well-positioned for the growth being enjoyed in the water industry. The key to the attractiveness of CCC, though, is that almost regardless of what approach one takes to water treatment, activated carbon is virtually always the solution – or always included as part of the process.

As the industry continues to consolidate, with mammoth players offering total solutions approaches to customers,

not including the key ingredient of activated carbon would be like a pencil manufacturer not including the lead. As the evolution of the industry continues to progress, CCC's attractiveness continues to grow. The somewhat disappointing results to date are, in my view, solvable and should lead to significant improvement to profitability. **www**

About the Author: Neil Berlant is Water Group managing director and first vice president at The Seidler Companies, a leading middle-market investment and investment banking firm based in Los Angeles. He has been involved in investment banking since 1968 and has developed a reputation for coverage specific to the water and wastewater market segments, consulting with *Fortune* 500 companies and participating in negotiations on related mergers, acquisitions and venture capital investments. Berlant has spoken at numerous industry events and been quoted on the subject by the *Wall Street Journal*, *New York Times*, *Los Angeles Times*, *Investor's Business Daily*, etc. Contact: 800-840-1090 or neilwater@seidlers.com. Circle No. 100 on Reader Service Card

Profiting From Water Group -- Model Portfolio 2005

Company	Symbol	Price 12/31/04	Shares	Cost	Current Price	Change	Current Value	Gain (Loss) Since 12/31/04	% Gain (Loss) since 12/31/04	Dividend	Yield	Annual Income
Ameron International	AMN	\$37.600	133	\$5,000.00	\$44.020	(\$0.760)	\$5,853.72	\$853.72	17.074%	\$0.800	1.817%	\$106.38
American States Water Co.	AWR	\$26.000	192	\$5,000.00	\$30.860	(\$1.250)	\$5,934.62	\$934.62	18.692%	\$0.900	2.916%	\$173.08
Aqua America, Inc.	WTR	\$24.590	203	\$5,000.00	\$33.780	(\$0.010)	\$6,868.65	\$1,868.65	37.373%	\$0.570	1.687%	\$115.90
Badger Meter	BMI	\$29.950	167	\$5,000.00	\$33.600	(\$1.140)	\$5,609.35	\$609.35	12.187%	\$0.600	1.786%	\$100.17
Calgon Carbon Corp.	CCC	\$9.080	551	\$5,000.00	\$5.120	(\$0.070)	\$2,819.38	(\$2,180.62)	-43.612%	\$0.120	2.344%	\$66.08
California Water Service	CWT	\$37.650	133	\$5,000.00	\$35.800	(\$0.920)	\$4,754.32	(\$245.68)	-4.914%	\$1.140	3.184%	\$151.39
Consolidated Water	CWCO	\$15.490	323	\$5,000.00	\$18.370	\$0.710	\$5,929.63	\$929.63	18.593%	\$0.240	1.306%	\$77.47
Crane Co	CR	\$27.250	183	\$5,000.00	\$31.300	(\$0.360)	\$5,743.12	\$743.12	14.862%	\$0.500	1.597%	\$91.74
Glacier Water Trust Pfd. 9.0625%	HOOA	\$25.700	195	\$5,000.00	\$24.950	\$0.000	\$4,854.09	(\$145.91)	-2.918%	\$2.266	9.081%	\$440.78
ITT Industries	ITT	\$84.450	59	\$5,000.00	\$98.620	(\$0.720)	\$5,838.96	\$838.96	16.779%	\$0.720	0.730%	\$42.63
Lindsay Manufacturing Co.	LNN	\$25.880	193	\$5,000.00	\$19.330	(\$0.460)	\$3,734.54	(\$1,265.46)	-25.309%	\$0.240	1.242%	\$46.37
Millipore Corp.	MIL	\$49.810	100	\$5,000.00	\$62.670	\$0.330	\$6,290.91	\$1,290.91	25.818%	\$0.000	0.000%	\$0.00
Nalco Holding	NLC	\$19.520	256	\$5,000.00	\$17.080	(\$0.370)	\$4,375.00	(\$625.00)	-12.500%	\$0.000	0.000%	\$0.00
Pall Corp.	PLL	\$28.950	173	\$5,000.00	\$26.780	\$0.090	\$4,625.22	(\$374.78)	-7.496%	\$0.400	1.494%	\$69.08
Pennichuck Corp.	PNNW	\$19.575	255	\$5,000.00	\$19.880	\$0.030	\$5,077.78	\$77.78	1.556%	\$0.660	3.320%	\$168.58
Pentair Inc.	PNR	\$43.560	115	\$5,000.00	\$34.540	(\$0.010)	\$3,964.65	(\$1,035.35)	-20.707%	\$0.520	1.506%	\$59.69
PerkinElmer Inc.	PKI	\$22.490	222	\$5,000.00	\$21.840	(\$0.330)	\$4,855.49	(\$144.51)	-2.890%	\$0.280	1.282%	\$62.25
Southwest Water Co.	SWWC	\$13.450	372	\$5,000.00	\$13.360	(\$0.340)	\$4,966.54	(\$33.46)	-0.669%	\$0.200	1.497%	\$74.35
Watts Water Technologies	WTS	\$32.240	155	\$5,000.00	\$27.900	(\$0.150)	\$4,326.92	(\$673.08)	-13.462%	\$0.320	1.147%	\$49.63
Zenon Environmental	ZEN	\$19.471	257	\$5,000.00	\$18.681	\$0.295	\$4,797.33	(\$202.67)	-4.053%	\$0.000	0.000%	\$0.00
				\$100,000.00			\$101,220.20	\$1,220.20	1.220%		1.87%	\$1,895.57

* The author holds positions with all securities in the portfolio. Values as of Nov. 8, 2005.