

# Share Review

**Pacific Ethanol Inc [PEIX]** share price 25 Sept \$15.56

**STOP PRESS : RE Pacific Ethanol.** Since undertaking the share review the share price of PEIX has reacted adversely due to recent events in Brazil which seems to have had an affect on the US market price of Ethanol. Pacific Ethanol (PEIX) has continued to slide on fears that the U.S. ethanol industry could soon see an increase in Brazilian imports. Brazil has since approved a tax credit for ethanol exporters in the country which effectively ensures that the tax credit “would help exporters because it cheapens the Brazilian export and pays a devaluation of the exchange rate.” Demand for ethanol in Brazil fell over the past few years due to a decrease in flex-fuel cars in the country, according to Bloomberg. In 2013 25% of flex0fuel vehicles in Brazil used ethanol, down from 82% in 2009. The fall in the share price triggered a STOP LOSS and I decided to cut losses before they became unmanageable.. too live to fight another day

**Out of Andrew’s Portfolio Pacific Ethanol Inc [PEIX]** share price 25 Sept \$15.56 [open] Pacific Ethanol, Inc. (Pacific Ethanol), incorporated in March 2005, is a marketer and producer of low carbon renewable fuels in the Western United States. It produces and sells ethanol and its co-products, including wet distillers grain (WDG) and provides transportation, storage and delivery of ethanol through third-party service providers in the Western United States, primarily in California, Nevada, Arizona, Oregon, Colorado, Idaho and Washington.

Code	Market cap	Sector	Exchange	Currency	Indices
PEIX	\$354.55 Million	Oil & Gas	NASDAQ	US \$	NASDAQ/Russell

## Pacific Ethanol Key Features

- the leading marketer and producer of low-carbon renewable fuels in the Western United States
- Its products and services are concentrated into four main processes, Fuel, Feed, Corn Oil, Sales and Distribution
- Serving integrated oil companies and gasoline marketers who blend ethanol into gasoline, Pacific Ethanol provides transportation, storage and delivery of ethanol through third-party service providers in the Western United States, primarily in California, Arizona, Nevada, Utah, Oregon, Colorado, Idaho and Washington.
- Strong solid long-term demand for ethanol that is supported by federal and US state regulations
- Highest performance fuel on the market
- Pacific Ethanol has an 85% ownership interest in New PE Holdco LLC, the owner of four ethanol production facilities
- Pacific Ethanol is poised to capitalise on growth opportunities through
- Consolidating plant ownership to drive cost efficiencies and diversifying revenue streams
- Leveraging plant flexibility to diversify feedstock & reduce costs
- California’s groundbreaking Low Carbon Fuel Standard (LCFS) will place greater emphasis on clean energy solutions and ethanol could provide the ideal solution to this. LCFS requires and incentivizes refiners to lower the carbon content on their fuels. Pacific Inc will be ideally placed to meet the new standards of compliance.
- Inclusion in the Russell 3000®, Russell 2000® and Russell Global Indexes
- Year on year share performance increase 530% (4 Sept 2013 \$3.7 3 September 2014 \$23.20)

# VIDEO CLIP –ETHANOL

Recent News [low-carbon-fuel-standard](#)

- Recently, the Governors of Oregon, Washington and California – together with British Columbia – signed an agreement to introduce a low-carbon fuels regulation similar to California's LCFS. When that occurs, Pacific Inc expects their fuel will receive a premium in all states and provinces along the western coast of the US and Canada.
- The US will see the emergence of more efficient, higher octane fuel blends designed to comply with the new standards. Pacific Ethanol is well equipped to meet the demand

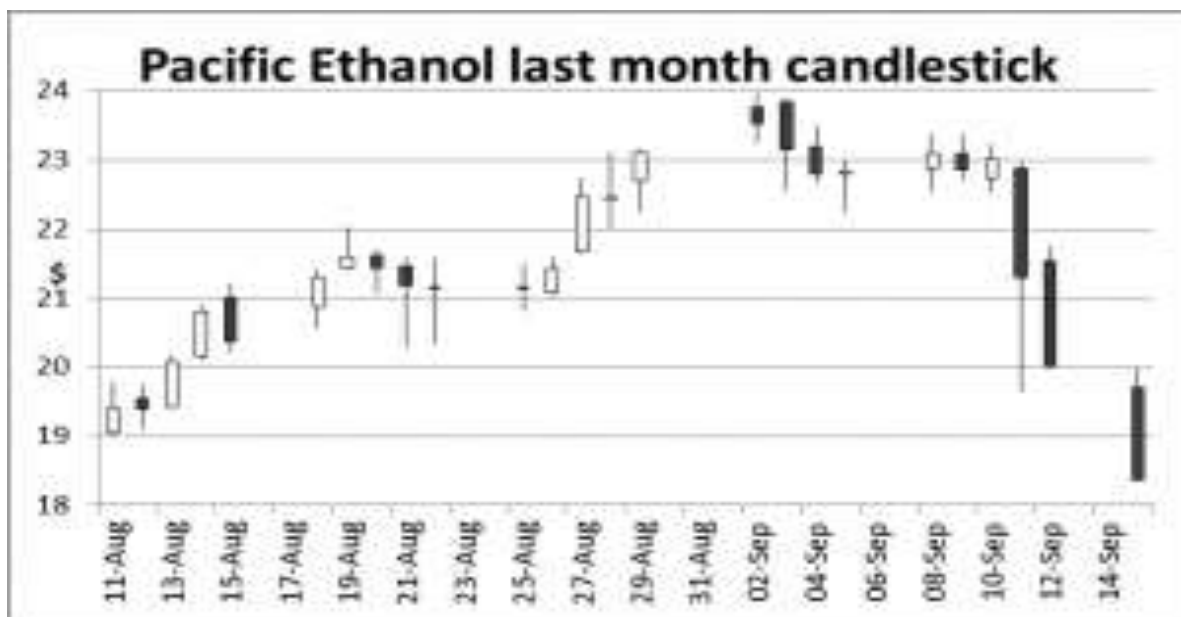
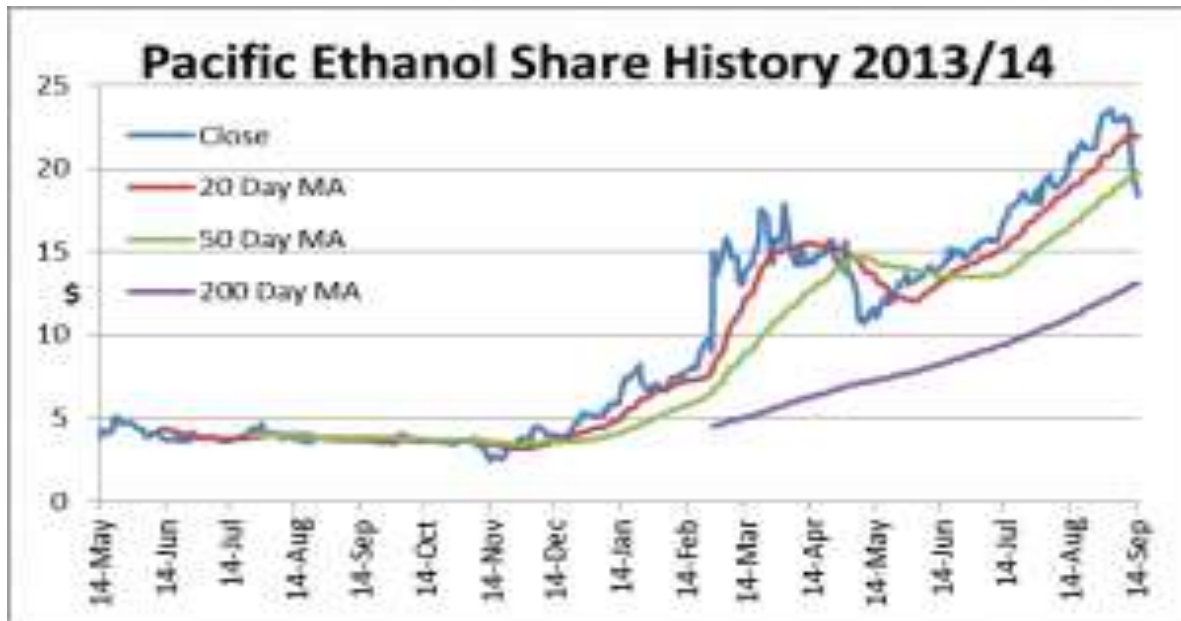
**FUNDAMENTAL ANALYSIS** Company Statements [2014 2<sup>nd</sup> qrt results unaudited](#)  
**FINANCIAL PERFORMANCE**

Pacific Ethanol Reports Strong Second Quarter 2014 Results

- *Net income of \$15.3 million or \$0.68 per diluted share*
- *Adjusted net income of \$17.1 million or \$0.77 per diluted share*
- *Net sales of \$321.1 million, compared to \$233.8 million in Q2'13*
- *Record total gallons sold at 132.2 million gallons, compared to 101.2 million in Q2 '13*
- *Adjusted EBITDA of \$27.8 million, compared to \$6.6 million in Q2'13*
- *Cash of \$25.9 million at June 30, 2014 and \$48.0 million at July 29, 2014*
- *Eliminated all parent company debt and reduced consolidated plant debt by \$30.7 million to \$17.0 million*

**TECHNICAL ANALYSIS** – Technical Diagnosis – Moving averages give a good indication of the vitality of the share in the long run. Pacific Ethanol Inc has seen buoyant share price growth from the 14 May. All moving averages have been on an upward trajectory with a 'perfect 4' (share price above 20 day MA above 50 Day MA above 200 Day MA. With Share price and Moving Averages moving in a consistent upwards fashion momentum has been evident. The sustained share price growth has been exponential with year on year growth of 530% for last year. Whether such exponential growth can be repeated can not be guaranteed. Since November last year the share has shown significant momentum. Last months candlesticks have in the main been bullish with several dojis appearing in favour of positive momentum. The recent bearish candlesticks may be evidence of a recent pull back or a sign that momentum may start to fall. Only time will tell. I bought 217 shares at \$23.30 on 4 Sept, on the proviso that ethanol may prove to be a medium term solution for the new clean energy environment After a significant price fall on Sept 11, I further added 123 shares of ethanol @\$20.07 deeming it to be a value purchase. See [Buffet strategy](#) for technical reasons for this purchase ***Please note this analysis is not advice but interpretation of potential market moves. Past performance is no guide to the future.*** Share Reviewed on 4 Sept 2014 \$23.30 Current Price 25 September \$15.56 (open). I disposed of this share at \$18.40 on 15 Sept having being previously used a stop loss.

Note Stop Loss triggered and I sold all my holdings in this share at \$18.40 on 15 September. Price dropped below its 20 and 50 Day Moving Average. Brazils tax relief policy change has had a significant affect on PEIX share price. The price decline below the 20 and 50 Day Moving Average may well see the long term price trajectory be curbed. Bearish candlesticks has shown significant price decline and the triggering of the stop loss was activated thereby preventing further losses on this share being sustained.



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