

OUTDOOR STOCKS IN REVIEWⁱ

Introduction¹ -

For this article, we took as a starting point, the key industrial sectors which impact our natural world. Most of these sectors are listed on our previous web page. Those sectors include: 1) Agriculture, 2) Electric Utilities, 3) Heavy Construction, 4) Independent Oil & Gas, 5) Integrated Oil & Gas, 6) Oil & Gas Refining & Marketing, 7) Industrial Metals and Minerals, 8) Hotels & Lodging, 9) Wood, Lumber & Paper Products, 10) Ferrous & Non-Ferrous Mineral Mining, 11) Oil & Gas Drilling & Exploration, 12) Oil & Gas Equipment & Services, 13) Oil & Gas Pipelines, 14) Marine Transport, 15) Railroads, 16) Leisure & Recreation, 17) Steel & Iron, 18) Waste Management, and 19) Water Utilities.

Our three main data sources were 1) Morningstar.com, 2) Marketwatch.com, and 3) Yahoo Finance.com. The financial data compared 1 year total returns², collected during the week of February 8th-16th, 2008. Although financial data is usually computed everyday the stock market is open; this article relies solely on 1-year total returns as of the 2nd week of Feb 2008 for comparison purposes. In that sense, we feel the information provided is a fair indicator of the relative strengths & weaknesses of the overall economy, the key sectors, and the individual companies mentioned in this article.

Our intention is to provide the groundwork for future discussion of “outdoor stocks,” because en tote they comprise the dynamic force which propels the entire economy, here and abroad. It is not our purpose to provide a detailed analytical framework; but rather to provide a general springboard for the public as they grapple with such issues as the environment, energy, natural resources, leisure, as well as investing for their retirement. For this reason, we omit most statistical comparisons and primarily rely on rough comparisons. Finally, we hope to point out trends in the marketplace, which may portend future economic behavior.

The main purpose of this article is to inform “outdoors people” of the companies who do business outdoors. The work that these businesses do impacts the outdoor world in many ways. The factual information we provide hopefully will help “outdoorsmen” in making decisions, whether it

¹ We have five excellent & worthy books available through Amazon.Com at the bottom of this article, if you would like to learn more about natural resources, investing, and planning for the future.

² The term “1-Year Total Return” is defined as the return on an investment accounting for capital appreciation, dividends, interest, and individual tax factors and adjusted for present value on a yearly basis.

be buying a canoe, becoming involved in an outdoor group, or in selecting a stock sector to learn more about.

Overall Trends-

On the broadest level last year, the top three major components, according to **Morningstar** were: 1) Industrial Materials, 2) Energy, and 3) Utilities with total returns of 32.3%, 25.8%, and 10.3% respectively. All other major components were substantially lower by comparison.

In looking at the various **Dow Jones Indexes**, **MarketWatch** reported the following 8 outdoor indexes did well last year in percentage change: 1) Coal Index (up 59.3%), 2) Mining Index (up 50.9%), 3) Heavy Construction (up 42 %), 4) Exploration & Production Index (up 23.9%), 5) Oil Equipment & Services Index (up 18.6%), 6) Oil Services & Distribution Index (up 16.6%), Chemicals Index (up 16.2%). 8) Railroad Index (up 15.8%).

Dow Jones Indexes that did poorly last year were: 1) Home Construction (down 53.8%), 2) Home Improvement Retailers (down 32%), 3) Airlines (down 33.9%), and 4) Recreation Products Index (down 33.9%). One might surmise that the subprime loan debacle has an effect on some of these Dow Jones Indexes.

However, not all was bleak last year. Of the 20 or so industrial sectors listed above, **Morningstar.Com** reports 17 outdoor industries posted positive 1-year total returns. Listed in order the industries were: 1) Agrochemical, 2) Coal, 3) Metallic & Non-Metallic Mining, 4) Water Transport, 5) Gold & Silver, 6) Farming & Food Production, 7) Engineering & Construction, 8) Environmental Controls, 9) Aluminum, 10) Steel & Iron, 11) Oil & Gas Services, 12) Oil & Gas Exploration & Production, 13) Construction Machinery, 14) Pipelines, 15) Natural Gas Utilities, 16) Oil & Gas Products, and 17) Electric Utilities.

Outdoor Industries which posted small or negative 1-year total returns according to **Morningstar** were: 1) Waste Management, 2) Building Materials, 3) Forestry & Wood, 4) Water Utilities, 5) Air Transport, and 6) Recreation. Many of the "positive" industries benefited by overseas demand and a weak dollar, while many of the "negative" industries were hampered by economic uncertainty at home.

Since the nations of the world will continue to demand raw materials for the foreseeable future, industries that find, harvest, or refine raw materials will likely continue to be in demand as well. Ours is not a national economy but a global economy. That said, no one can boldly

assert that our economic malady will not affect overseas markets. The jury is still out on the severity of our current economic slow down. As of today (Feb. 26, 2008) it appears the recession may last until the end of the year.

Near-Term Trends-

Depending on the depth of global economic imbalances and shifting demand for goods and raw materials, multi-national companies will be under varying degrees of pressure to combine their forces and harness their joint technologies to meet new demand. An example of this would be two large mining companies, one in the United States, and another in Asia. Recently the economies of Asia have been expanding rapidly. As a result, there is strong demand for metals and minerals in Asia. The most efficient and productive way to meet this new demand is for the two companies to join together as one.

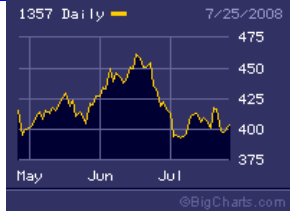
Indeed, as most WWII era industrial countries age, domestic demand decreases, to be replaced by current-era industrializing nations. Thus near term and long term growth is occurring in Asia, South America, and Eastern Europe. Therefore, in the long term, only those companies that are competitive enough, agile enough, and have a well developed international presence will survive. Being technologically advanced, innovative, and diverse in their product strategy will not be enough to prosper. Profitable companies must become increasingly aware of the changing climates in distant parts of the globe and respond to these changes firmly and completely. Champion companies will be those companies that are extremely sensitive to the particular cultures of the countries they do business in. And face it; we don't call the shots anymore. In order to be successful in the long run, we must act like ladies and gentlemen wherever we are.

Specific Sectors/ Companiesⁱⁱ -

There is not enough room here to do a thorough examination of the specific industries & companies here. Instead, we highlight the major industries and companies for a basic understanding of this vibrant part of our economy. We have inserted Feb 2008 Market Capitalization³ near each industrial component for comparison purposes. (You can click on the [underlined blue link](#) to learn more about each company listed).

³ The Term "Market Capitalization" is defined as the total value of a company or sector figured by multiplying the total number of shares outstanding by its current stock price. Therefore, a company with a current stock price of \$20 and 10 million shares outstanding has a market capitalization of \$200 million.

[Agriculture, Agrochemicals, Food Production \(Market Cap: \\$381 Billion\)](#)



As mentioned above, this industry did well last year. Three Agro-chemical companies: [Morningstar](#), [as being among the biggest performers](#), [reported Monsanto](#), [Potash Corporation](#), and [Syngenta AG](#). The [Potash Corporation](#) seems to have done very well last year. Among the big food producers, the **MarketWatch** data did not reveal a “winner,” but global demand for food and beverages is increasing. Other media reports indicate growth in [specialty & niche food producing companies](#); but their viability has not yet been tested in the financial marketplace. And because the food production sector is such a large industry, it is difficult for one company to dominant the entire field. For the near term, divergent demand for corn and grains whether it is for food production or ethanol production has caused an imbalance in the supply-demand equilibrium. This has resulted in big prices increases to consumers to be followed by an increase in overall food prices.

[Building Materials & Home Improvement \(Market Cap: \\$130 Billion\)](#)

This industry did poorly overall due to the mess in the housing markets. According to MarketWatch, [Trane](#) and [Lafarge](#) appear to be two of the biggest companies. Until the fiasco in the housing market is corrected, it is unlikely this industry will have strong positive gains.

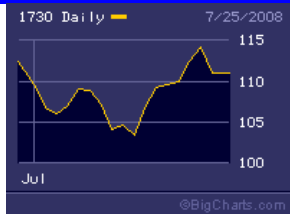
[Electric Utilities \(Market Cap: \\$353 Billion\)](#)



Overall, this sector did moderately well last year. Although demand is strong, one must consider the antiquity of many electric plants as well as public pressure, which stymies the construction of some new electric power plants. Until the various “interest groups” come to terms with acceptable means of electric production, our country will continue to be frustrated by black-outs, brown-outs, and price increases, etc.

That said, **MarketWatch** reports that [Exelon](#), [Dominion Resources](#), and [The FPL Group](#), are among the biggest electric utilities; but no single company stands out at this point. Over the next year, it will be interesting to see how this industry copes with increasing demand and environmental concerns.

Forestry, Wood, Lumber, & Paper Products (Market Cap: \$93 Billion)



As with Building Materials and Home Improvement, this industry posted a net decrease in their 1-year total return. The slump in the housing market was the main culprit and most growth occurred outside of the United States. For the near term this trend will continue as newly industrialized countries will demand more lumber and building materials; while at home environmental and aesthetic concerns may limit the expansion of U.S. Wood & Paper companies. Our sources report that [Weyerhaeuser](#), [International Paper Corporation](#), and [Plum Creek Timber](#) are some of the biggest U.S. forestry, lumber, & wood products companies. Canadian lumber companies appear to be big players in this industry as well.

Gas Utilities & Distribution (Market Cap: \$120 Billion)



Overall, this industry did well last year. The weather is a big factor in this industry for determining the demand for natural gas. Areas that experienced “hard” winters required more natural gas for heating causing prices to rise. China now rivals us for energy consumption, so demand for natural gas is becoming stronger. Aside from 2 Chinese Natural Gas companies, **MarketWatch** reports that [Equitable Resources](#), [Questar](#), [Energen](#), and [Enbridge](#) are among the biggest performers.

Paradoxically, it is possible that with “global warming” people will actually use more natural gas rather than less. For now, the erratic weather patterns that cause sudden (and brief) changes in temperature will be difficult to cope with. Hence, people will constantly be changing their thermostats to compensate for any rapid but fleeting cold spells.

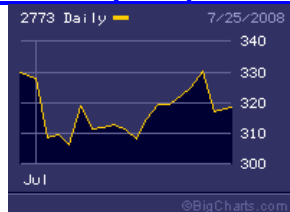
Heavy Construction (Market Cap: \$42 Billion)



This industry did very well last year according to **MarketWatch** and **Morningstar**. Even though residential construction was down, the building of factories, distribution centers, and infrastructure grew. Most of this growth occurred in Asia and the Middle East. Since most construction projects and their financing are often planned years in advance, the recent

economic slow down has not yet hurt the heavy construction industry. [McDermott International](#), [Foster Wheeler Ltd](#), and the [New Fluor Corporation](#) are some of the biggest construction companies according to **MarketWatch**. Recent media reports⁴ indicate that demand is strong for big construction projects worldwide. Only time will tell if a recession will affect this big industry.

Marine Transport (Market Cap: \$53 Billion)



According to **Morningstar**, this industry did very well also in 2007. Overseas shipments continue to increase with strong demand in the Asian markets and elsewhere for raw materials and goods. Currently the Water Transport industry is undergoing many changes. Here are 4 major changes: 1) Ports and Harbors are being enlarged to accommodate bigger and more ships, 2) Ships are becoming larger, faster, & safer, 3) new shipping lanes are opening up, and 4) economic pressures are causing some shipping companies to look at merging. As with the oil industry in 2000, and most recently with the mining industry, there may be a consolidation of shipping companies into a handful of major corporations.

Four problems facing this industry are: 1) long backlogs of unloaded ships at peak periods, 2) pollution concerns resulting in the redesign of ships and ports, 3) fierce competition which erodes profits, and 4) periodic labor action which can bring all port work to a halt. However, for the immediate future the industry looks like it will continue to grow as global trade increases. Lastly, according to **MarketWatch**, [Nippon Yusen Kabushi](#), [Dryships Inc](#), and [Frontline Ltd.](#), are among the biggest marine transport companies. Perhaps over time with mergers and acquisitions we may see synergies in this area resulting in higher profitability by a few shipping companies.

Mining & Resource Refining (Market Cap: \$1.5 Trillion)



At the outset, mining is a controversial and volatile sector for reasons we explain later. The mining industry did very well overall last year; but some kinds of mining did better than others, according to **Morningstar** and **MarketWatch**. Metals and Minerals demand is very strong especially in the “emerging markets” of Asia, South America, and elsewhere.

According to our sources, coal mining companies did extremely well, followed by gold, silver, & platinum mining; followed by iron mining. The

⁴ Reed Construction Data and AEM Construction Reports dated Feb 19, 2008.

resource refiners of aluminum and steel followed the mining companies in total 1-year returns.

Mining is a very capital and labor intensive industry, meaning it is expensive to operate a mining company. As with the oil industry, the mining industry is having increased difficulty in finding and extracting the raw materials to bring to market. Mines have to be deeper and in less firm ground resulting in increased cost and safety problems. Because of this and diminished natural resources, mining companies are under heavy economic pressure to merge or consolidate companies. However, as big multinational corporations merge to maintain their business; smaller and very specialized companies are forming in the equipment, servicing, consulting, recycling, and by-products fields.

For our purposes, the general mining industry is broken down into four areas: 1) multi-resource mining, 2) gold, platinum, and silver mining, 3) coal mining, and 4) iron, steel, and aluminum producers.

MarketWatch reports that [BHP Billiton](#) and [Rio Tinto](#) are two of the biggest all around mining companies. [New Gold Corp](#), [Barrick Gold Corporation](#), [Anglo Platinum](#), [Silver Wheaton](#), & [Anglo Swiss Resources](#) are among the biggest gold, silver, and platinum companies. Some of the biggest coal companies are [Consol Energy](#), [Peabody](#), and [Arch Coal](#). According to **MarketWatch**, [Areclor Mittal](#), [Nippon Steel Corporation](#), & [Alcoa](#) are some of the biggest iron, steel, and aluminum companies. A big Chinese company worth watching is [China Natural Resources](#).

But mining is a controversial business. Aside from the many environmental issues- the consolidation of mining interests, the depletion of our natural resources, energy diversity, and safety issues are four additional areas of concern. Lastly, the boom and bust cycle of precious metals mining, the shift overseas of iron, steel and aluminum businesses, and the pollution arising from the use of coal make this a very complex industry.

[Oil & Gas \(Market Cap: \\$ 3.6 Trillion\)](#)



Overall this sector did well last year, according to **Morningstar**. However, as with mining and particular gold mining, the “petroleum” business is controversial. It has high peaks and low valleys in its exploration and production phases. Demand for oil and gas is much greater than available supply, causing costs and then prices to rise. Indeed, as the price per barrel of crude oil passes the \$100 level, everyone is wondering if it can go much higher.

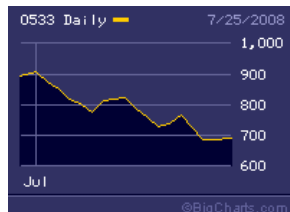
The size and complexity of the general oil and gas sector is both daunting and intriguing. Even when broken down into its individual components, the industry presents a vast array of producers and suppliers. For our purposes, this

generic sector is divided into 5 main parts: 1) mega oil & gas corporations, 2) integrated oil & gas companies, 3) independent oil & gas companies, 4) exploration and production companies, and 5) oil and gas equipment & services companies. Because thousands of companies are involved in this sector and because many companies do more than one thing, some overlap occurs when trying to separate the more diverse companies. In the listings that follow, we have attempted to highlight the most important companies.

The differences between mega corporations, integrated, and independent oil & gas companies may be confusing at first.

The **mega-producers** are also known as “**integrated companies**” because they unify all the industry segments- production, refining, distribution, and retail sales within their organization.

Independent oil & gas companies focus just on one industry segment such as oil and gas exploration, or production, or refining crude oil into gasoline. Hence, we can assume that the **independent oil & gas companies** may not have extensive sales and distribution operations, but could be more concentrated just in the refining of oil & gas products. Some Independents are more able to explore & extract natural resources from the earth than the major “integrated” firms due to less exposure and pressure from environmental groups. Lastly, independents are smaller, more nimble, and for the most part are privately held when compared to the mega oil & gas corporations that are publicly traded.



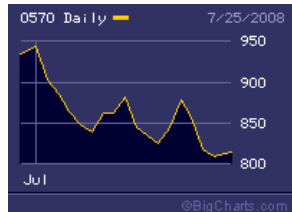
Getting down to business, **MarketWatch** reports that the following six companies are the biggest **mega producers**: 1) [ExxonMobil](#), 2) [Gazprom OAO](#), 3) [BP plc](#), 4) [New Chevron Corp.](#), 5) [Total SA](#), and 6) [ConocoPhillips](#). [Gazprom](#) is located in Russia, [BP plc](#) is headquartered in England, and [Total SA](#) is in France.

Among “**integrated**” oil & gas companies, **MarketWatch** reported the above six companies plus [Royal Dutch Shell](#) which lists its residence in the Netherlands. Five noteworthy but smaller “integrateds” are: 1) [Hess Corporation](#), 2) [Murphy Oil Corp.](#), 3) [Suncor](#), 4) [Marathon Oil](#), and 5) [Contango Oil & Gas Company](#).

MarketWatch reports that for **exploration & production companies**, [Contango Oil & Gas](#), The [Apache Corporation](#), and [Occidental Petroleum](#) are among the largest.

When it comes to ranking the **independent oil & gas companies**, we used the **Yahoo Finance Industry Center/Index** to obtain the names of the important companies. The [Apache Corporation](#), [Contango Oil & Gas](#), and [Occidental Petroleum](#), three companies mentioned above; also show up as being

independents and having a healthy 1-year net profit margin⁵ or NPM. It will be interesting to watch Occidental Petroleum and Contango Oil & Gas⁶ over the next year. Lastly, two other noteworthy “independents” are Noble Energy, and CNOOC Ltd., a Hong Kong company.



Schlumberger Limited, New Transocean, Halliburton Company, Diamond Offshore Drilling, & Atwood Oceanics are some of the biggest **equipment & services companies** according to **MarketWatch**. These are the companies that own the oil rigs, platforms, and drilling equipment that the oil & gas producers use. In most cases, they repair and maintain the oil and gas equipment. Included in this category are companies that provide technical support services, support equipment, disposal, or recycling of petroleum by-products or waste products.

Regrettably, the entire industry is beset by many problems. Although demand is greater than supply, the scarcity of readily available raw materials, political and environmental pressures weigh heavily on oil and gas companies. The cost to find and extract this valuable resource has nearly doubled in the last decade or so; but governmental constraints oftentimes restrict price increases. The average consumer seems to be caught in a vice also. On the one hand, he/she is worried about the environment, but on the other hand must drive to work everyday.

The governments of the world are far from agreeing on the best course of action here. It may well be that until the price at the pump rises to the point where the average worker cannot afford to drive his car to work and employers must provide a form of “organizational transportation,” this problem will stay unresolved. So, in short, our dilemma will be solved purely on economic terms.

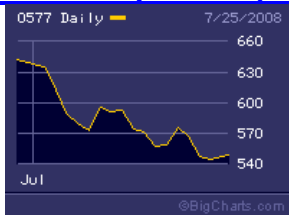
In addition to the above, the global oil supply chain is problematic. Scarcity of raw materials has driven producers to unconventional means of petroleum extraction. Extreme Deep Ocean and Deep Sea exploration, filtering of tar sands, liquification of natural gas, and blasting are four relatively new methods of resource production. While new exploration has resulted in oil finds in the Baltic and Nordic Seas, the Arctic Ocean, and the Gulf of Mexico, the ability of OPEC and other oil cartels to influence overall oil prices reigns. In addition to increased environmental and political pressure by third world countries, is increased safety and cost issues. Lastly, a fire at an oil well or at a

⁵ The term “Net Profit Margin (NPM) is defined as the percentage of each sales dollar remaining after deducting all expenses. Therefore, the percentage (%) shows that NPM is determined by dividing net income by sales.

⁶ Contango Oil & Gas Company is based out of Houston, Texas.

refinery plant can disrupt worldwide distribution until the fire is put out and business returns to normal.

Oil & Gas Pipelines (Market Cap: \$145 Billion)

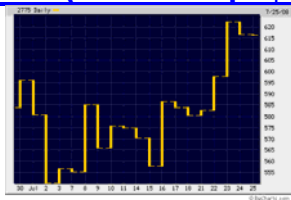


According to **Morningstar**, this industry is separate from other oil & gas industries. Therefore, an entirely different group of companies bears discussing. And unlike the more visible oil & gas producers, this industry receives comparatively little attention from “interest groups.” Aside from the furor over the Alaskan Pipeline, most pipelines are operating quietly through our neighborhoods for the time being.

Overall, this industry did modestly well last year. **MarketWatch** reports that [El Paso Corporation](#), [Plains All American](#), and the [Transcanada Corporation](#), are among the biggest pipeline companies. **MarketWatch** also reported that [Transcanada Corp](#) and the [El Paso Corp](#) had good price increases compared to 2006.

For the future, if the cost to move oil and gas by truck increases, pipelines may play a larger role in the overall industry. For that reason, the importance of “tank farms,” “gathering lines,” and “trunk lines” will increase. And while the dangers from pipeline leaks, toxic particles being released to the atmosphere, or fire is relatively low, environmental and safety worries are present. Lastly, as the need to speed product delivery to distant parts of the globe increases, new pipeline construction may be warranted.

Railroads (Market Cap: \$154 Billion)

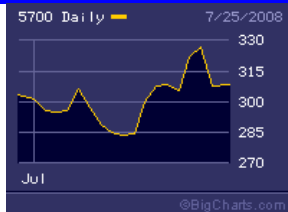


According to our sources, this industry did well last year and some reports indicate this trend will continue for the near term.⁷ As with projects in heavy construction industry, most rail loads are booked well in advance of their actual shipment. Hence, the effects of a recession are often delayed. But running a railroad is very expensive. While rail shipments of food, wood, metals, coal, and autos were down in 2007, grain shipments have increased near term. Increased productivity and improved volume are two positive factors. Further, railcar manufacturing has increased due to rail growth in India and China.

⁷ World Trade Magazine, Feb 2008, pp. 28-40

Overall, it appears that recent mergers, rail system upgrades, and a more business like approach to running the rails are starting to pay off. Also the boom in corn for ethanol, has helped these bulk commodity movers. **MarketWatch** reports that 7 railway transport companies are among the largest and most significant. Those seven companies are, by market cap: 1) [Union Pacific](#), 2) [Burlington Northern Sante Fe](#), 3) [Canadian National Railway Corporation](#), 4) [Norfolk Southern Corporation](#), 5) [CSX Corporation](#), 6) [Canadian Pacific Railway Limited](#), and 7) [Kansas City Southern Railcorp](#). According to **MarketWatch** and **Yahoo Finance**, three of the seven stand-out- [Canadian Pacific Railway Ltd.](#), [CSX Corporation](#), and [Canadian National Railway](#) for % price increase with [CSX Corp](#) taking the lead; but the two Canadian Railway Companies posted *higher net profit margins* in 2007 compared to [CSX Corp](#). Lastly, it will be interesting to watch [American Railcar Industries](#), a big maker of many different kinds of railcars, as demand for tank rail cars expands in Asia.

Leisure & Recreation (Market Cap: \$971 Billion)



This sector did very poorly last year according to both **Morningstar** and **MarketWatch**. At the outset, it is apparent that this is a hodge-podge of businesses and industries. But all of these industries have 4 things in common. First, all of the companies in this sector reflect on how we spend our free time. Second, the money we spend in this sector is usually considered extra or “discretionary” income. Third, most of these products and services are made and consumed close to home. Fourth, the fear or the presence of a recession will be quickly seen in a decrease in sales revenue by this entire industry.

Unlike the other industries where a few large companies stand out and seem to do relatively well year in and year out, this huge business has no champions. Customers’ leisure and recreational interests seem to change from year to year. The largest company in this category, **Walt Disney Company**, is sometimes caught unawares of sudden shifts in recreationalists’ tastes. So there are literally thousands of relatively small businesses and retailers in this sector competing for your “extra dollars.” From a customer’s point of view, having thousands of leisure and recreational choices is good; but from a stock perspective, it is very difficult to pick the “winners.”

Trends—

To our mind, there are several disturbing trends in leisure and recreation. The most prevalent trend has been the growth of adult entertainment and gambling as pastimes. As we discuss later, a single adult entertainment company leads the field in % increase in stock price, followed by a handful of

gambling/gaming establishments. Rather than becoming actively engaged in sports and athletics, it appears our society is pursuing sedentary or “spectator” activities. Overall, the financial consequence of sitting on our butts is that health and fitness clubs suffer. The financial data clearly reflects these trends. The last two disturbing trends is the strong growth of DVD and video games and increased time on the Internet. Granted these two forms of entertainment are not necessarily bad; except from a financial standpoint, businesses and retailers that rely on personal face to face interaction will in the long run be hurt.

Specifically, according to **MarketWatch**, theme parks, high-end resorts & hotels, and movie theaters did poorly last year. Budget lodging and travel⁸ did relatively well. Bowling Lanes, Cruise Ships, and Golf manufacturers did well last year. Tennis equipment was up; auto, and horse racing were up. Motorcycle racing venues are opening up in many US markets. However, most motor cycle tracks are not yet profitable. From looking at the data, it appears people would rather gamble, go to a nightclub, or rent a DVD than take a trip, go the movies, or enjoy fine dining. Finally, Expensive hotels and First Class Air Travel have experienced significant drops in sales.

The overall data shows that **Sporting Events, Sporting Goods, and Recreational Services** were neutral as a group, but according to one report, there is strong demand for **Sporting Events**. Among outdoor gear and apparel retailers, the total 1-year returns are poor, with a few notable exceptions. Depending on the severity of the economic slowdown, overall near term growth is unlikely.

As the United States ages and physically slows down, some larger recreational companies will focus their attention on Asia, the Middle East and elsewhere for leisure and entertainment sales. Lodging, Travel, Tourism, and other businesses may find receptive overseas audiences. But what “plays in Peoria” may not “play in Beijing.” In addition to cultural barriers, both the “local content rule” imposed by governments, and the fact that “discretionary money” is limited in “emerging markets,” hampers rapid growth in distant parts of the world.

With regard to **health clubs, fitness centers, and athletic clubs**, we found the following trends were occurring: 1) facilities overall are losing money, 2) while total membership is dropping, there are a few cities like Las Vegas where expansion is occurring, 4) society is aging and becoming more passive than active participants, 5) there is moderate growth in overseas markets of health clubs, 6) successful health clubs were inclusive to minorities, handicapped, and seniors, 7) there is growth in home gyms and workout rooms, 8) a noticeable drop among youth for participating in sports and athletics, 9) overall illness and youth crime is up, which experts say can be reduced by young people exercising more, 10) an overall drop in Americans working out by 20%

⁸ According to most reports, there will be a significant drop in overseas travel this year, as most US tourists will stay close to home.

from 1991 to 2005⁹, 11) there is increased demand for specialized workout facilities, and 12) fitness centers for children are just starting to take off.

For the future, only those clubs or fitness centers that cater to specific or specialized training and exercise will succeed. This will require additional skills for those that work in these facilities since customers are asking for personalized treatment and care. For more information about health and fitness clubs trends go to: <http://www.diybusinessconsulting.com/fitnesstrends.html>

Now that we have described the factors and trends shaping this competitive sector, please find a listing below of the important companies that comprise the leisure and recreation business. They are listed according to the following 12 categories: 1) Entertainment-Diversified (**Mar. Cap. \$184 Bil.**), 2) General Entertainment (**Mar. Cap \$ 82 Bil.**), 3) Gambling & Gaming (**Mar. Cap. \$5 Billion**), 4) Hotels & Lodging (**Mar. Cap. \$32 Bil.**), 5) Movie Theaters (**Mar. Cap. \$10 Bil.**), 6) Resorts & Casinos (**Mar. Cap \$ 78 Bil.**), 7) Sporting Activities (**Mar. Cap. \$5 Bil.**), 8) Sporting Goods (**Mar. Cap. \$ 2 Bil.**), 9) Sporting Goods Stores (**Mar. Cap. \$5 Bil.**), 10) Other Recreational Goods (**Mar. Cap. \$3 Bil.**), 11) Tourism & Travel (**Mar. Cap. \$552 Bil.**), and 12) Adult Entertainment (**Mar. Cap. \$13 Bil.**)

Yahoo Finance reports that: 1) [Walt Disney](#), 2) [News Corp](#), and 3) [Time Warner](#) are the three biggest **diversified entertainment companies**. Among **general entertainment companies**, **Yahoo Finance** reports that: 1) [Carnival Corp](#), 2) [Royal Caribbean Cruises](#), and 3) [Six Flags Theme Parks](#) are some of the largest companies. [Bally Technologies](#) (a maker of slot machines), [Churchill Downs](#), and 3) [Canterbury Holding Company](#) are some of the largest **gaming & gambling firms**.

According to **MarketWatch**, the largest **hotel & lodging companies** are 1) [Marriot International](#), and 2) [Starwood Hotels & Resorts](#). Two smaller lodging companies of note are: 1) [Red Lion Inns](#), and 2) [Vail Resorts](#). For **movie theaters**, three companies stand out: 1) [Regal Entertainment](#), 2) [Cinemark Holdings](#), and 3) [Imax Corp](#). **Yahoo Finance** reports that 1) [Las Vegas Sands Corp](#), 2) [MGM Mirage](#), and [Wynn Resorts](#) are some of the biggest **resorts & casinos**.

As the world entertainment leader, the [Disney Company](#) continues to do well, especially with growth in India. Although we cannot say that new developments at Disney are a harbinger for this entire sector, it appears that its expansion into travel arrangements, many on-line venues, 3-D animation,

⁹ Recently, the Center for Disease Control and Prevention reported that two-thirds of American adults do not engaged in regular leisure time physical activity citing "lack of time as the main factor."

overseas theme parks, and “virtual worlds” have caught on. It’s DVD and after-market products are doing fairly well. According to **Valueline**, **Disney’s ESPN** network is doing well in addition to its theme parks, resorts, and golf courses. According to **Barron’s**, it is more diversified, better managed, less cyclical, and more disciplined than ever. As of today (Feb 25, 2008) a recent agreement to greatly expand its video-on-demand (**VOD**) for television viewers, will definitely make this a company worth watching closely.

Two other interesting companies in this area are [Imax](#) and the [Brooklyn Sports & Entertainment LLC](#). [Imax](#) is a leader in digital and film based movies, and large 2-D and 3-D format film presentations. [Brooklyn Sports & Entertainment](#) has partnered with **MGM Grand** in the largest mega sports & entertainment complex in the world, known as *Foxwoods Resort & Casino*. It has a 4,000 seat theater, high-end guest rooms, conference center, 12,000 sq ft spa, celebrity chef restaurants, nightclub, lounge, gaming rooms, adjoining golf course, and sports arena.

Both **Yahoo Finance & MarketWatch** report that 1) [Lifetime Fitness](#), 2) [International Speedway Corp](#), and 3) [Bowl America Inc](#). are some of the biggest **Sporting Activities Companies**. Among **Sporting Goods Manufacturers**, several companies are worth mentioning. [Callaway Golf Company](#) is a very large golf equipment maker; it showed a good price increase in its stock last year. [Pool Corp](#), the big maker of swimming pools is doing average, [Polaris and Arctic Cat](#), the makers of snowmobiles, ATVs, and other recreational vehicles, are struggling. [Brunswick](#), the maker of many recreational products but chiefly boats and bowling balls, is hanging on, as is [Nautilus](#), the maker of fitness equipment. An interesting company to watch in this business is the [Sport Supply Group](#), the nation’s largest manufacturer and distributor of branded team uniforms and equipment among other sports products.

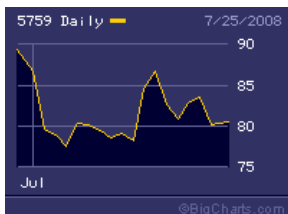
Some of the **biggest fitness club franchises** are: 1) [Gold Gyms](#) of Irving, TX, 2) [Snap Fitness](#) of Chanhassen, Mn, 3) [Anytime Fitness](#) of St. Paul, Mn, 4) [Curves](#) of Waco, TX, 5) [Fitness Together](#) of Highland Ranch, Co, 6) [Contours Express](#), a woman’s only club out of Nicholasville, KY, and 7) [Jazzercise](#) of Carlsbad, CA. [Bally’s Total Fitness](#), once a fast rising franchise, is having some troubles.

For **Sporting Goods Stores**, we offer the following-- The overall trend is a decline in same store sales due to decreased customer traffic and economic slowdown. Here are the “major players” and their recent performance: 1) [Dick’s Sporting Goods](#) is down, 2) [Hibbetts’s](#) is down, 3) [Gander Mountain](#) is down, 4) [Big 5 Sporting Goods](#) is down, and 5) [Sports Chalet](#) is doing fairly well considering. 6) [Cabela’s](#) is up. Finally, 7) [Bass Pro Shops](#), 8) [Orvis](#), and 9) [Sportsman’s Guide](#) are privately owned, so no stock data is possible.

According to the **Business Journal**,¹⁰ “Sporting Goods chains are continuing the search for additional sites despite a slower economy brought on by the housing downturn, credit crunch, and higher gas prices. While some retailers are pulling on the reins, the sporting goods segment’s primary customers are high school athletes who want one-stop shopping for footwear, clothing, and gear as they strive to become elite performers in one sport.” However, another news story reports “Customers are uncertain about spending money for big ticket items. It reported “that customers are cutting spending in this area as credit, housing, and labor markets are weak and food and gas prices remain high. So, merchandisers of ‘big-ticket items’ like golf equipment, rifles, and exercise equipment are cutting prices to boost overall sales volume. Indeed as the numbers of hunters and fishermen dwindle, retailers are trying to customize or personalize the shopping experience, by having employees who are trained in each of the various outdoor sports.”

Among other **Recreational Products Manufacturers**, are the following 3 companies: 1) [Nikon Corp](#), 2) [Fuji Film Holdings](#), and 3) [Steinway Musical Instruments](#).

Three interesting developments in this area can be seen in the products of [Voyager Entertainment International](#), [GameStop](#), and [American Eagle Outfitter](#). [Voyager Entertainment](#) is planning to build the world’s largest observation wheel, standing 600 feet high with restaurants, condominiums, and a swimming pool. [GameStop](#) is a leading retailer of on-line and off-line video games and accessories. [American Eagle Outfitters](#) designs, markets and sells its own brand of laidback stylish “trendwear”, with current clothing targeting 15 to 25 year-olds, providing them with very high quality merchandise. Though its stock price is off slightly now, it is predicted to recover soon.



In the **Tourism & Travel category**, [MarketWatch](#), reports that 1) [Expedia.Com](#), 2) [Priceline.Com](#), 3) [Hertz Global Holdings](#), and 4) [Avis Budget Group](#) are some of the largest companies. Both [Priceline.Com](#) and [Expedia.Com](#) have shown remarkable growth in the past, but recent reports indicate that stiff competition and the current recession may curtail their growth this year.

¹⁰ Sacramento Business Journal, “Dick’s Sporting Goods in Race for Prime Sites,” dated Nov. 30, 2007.

Last but not least, is **Adult Entertainment**. Although we don't necessarily condone this enterprise, it is important to understand it for two reasons. Number 1- it is a growing industry with extraordinary profit margins, and Number 2- as students of stocks and particularly "outdoor stocks," an understanding of the factors which make this industry grow (as opposed to outdoor activities) may help us in deciding how we spent our time and our money. According to our sources the biggest companies in this area are: 1) [Rick's Cabaret](#), 2) [VCG Holdings](#), 3) [Vivid Entertainment](#), 4) [Cybererotica.Com](#), 5) [Playboy](#), and 6) [Penthouse](#). Adult entertainment is a recession proof business according to some experts. Indeed, as our society becomes more impersonalized and "robotic" we may see an increase in this area due to its so-called "personal touch."

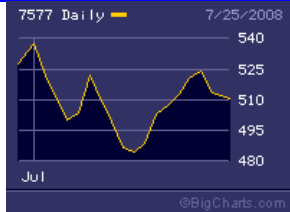
Waste Management (Market Cap: \$41 Billion)



Overall, according to **MarketWatch**, this industry posted a small 1-year positive total return for 2007. As with some of the natural resource companies, there is strong demand for waste disposal but political and environmental pressure sometime limit price increases. The 4 biggest companies are, according to market cap, 1) [Waste Management](#), 2) [Republic Services](#), 3) [Covanta Holdings](#), and 4) [Allied Waste Inc](#). As these traditional "trash companies" branch out, specialize, and diversify their services, they are increasing their capabilities in handling hazardous waste, chemicals, sewage and waste water, and recyclables. Further, specialized companies are being developed to handle specific kinds of waste. [Stericycle Inc](#) is an example of specialized waste treatment for they are the nation's largest medical waste management company. Three smaller specialized waste management companies are: 1) [Appliance Recycling Centers of America](#), a reseller of less than perfect household appliances, 2) [Earthfirst Technologies](#), a producer of alternative energy, bio-diesel, and the destruction and remediation of liquid and solid waste, and 3) [Ecoloclean Industries](#), a manufacturer and service provider of machines for the treatment of contaminated water, oftentimes used by petroleum and chemical companies. While [Appliance Recycling Centers](#) is barely profitable, [Earthfirst](#) and [Ecoloclean](#) are still in the start-up phase. As demand for their services increases, hopefully, they too will become profitable.

As the leaders in waste treatment develop and grow their environmental services, we may see some strong revenue streams from recycling, bio-remediation, and renewable energy plants. Lastly, **Waste Management Inc.** has received allot of media attention from its new "[Think Green](#)" Logo.

Water Utilities (Market Cap: \$ 5 Billion)



Unfortunately, this industry did poorly last year. There are 5 main reasons for this; 1) scarcity of clean potable water, 2) the increased presence of contaminated water, 3) lack of rainwater in some areas, 4) decreased water consumption in other areas, and 5) government regulation on prices. According to **MarketWatch**, here are some of the biggest water companies: 1) [Veolia Environmental](#), 2) [Aqua America Inc.](#), 3) [American States Water](#), and 4) [The California Water Service Group](#). Some smaller companies worth watching are [Ampac](#), [Culligan](#), [Calgon Carbon](#), and [Brita](#) as home owners choose to filter or treat their tap water for drinking.

Two other trends in this area make this industry one of the most exciting to watch for the near term. First, there is very strong demand for useable water among “emerging countries,” such as in Brazil (fast growing [Companhia de Saneamento Basico do Estado de Sao Paulo](#) is located in Brazil) and in China ([China Water Group Industries](#), a newly formed start-up company located in China). Second, experts predict our next “resource war” will be over water rights and access to global water resources.

Summary -

We hope the foregoing has been a basic but thorough discussion of “outdoor stocks, as they make up the foundation of the entire economy. We have highlighted the major sectors, industries, and companies included in this important area. Further, we have identified some of the trends associated with each business.

As we stated in our introduction, the main purpose for presenting this information has been to inform outdoors people of the significant forces and “players” at work in their natural world. While making their “outdoor business” decisions, we hope the outdoorsman will have a better understanding of these industries and companies and is able to make more informed choices.

For outdoors people interested in learning more and perhaps some day purchase stock in one of the companies listed above, we ask them to think about three ideas: ownership, stewardship, and shareholder power. Owning stock in a Natural Resource Company is a blessing for two reasons. First, you are able to reap the financial rewards of owning stock if the company is profitable. Second, you have a say in determining the direction the company takes as it finds, extracts, or refines a valuable natural resource. Possibly you and others can reshape the corporate board so that it can perform the dual functions of caring for

the environment and delivering profits to all of its investors. It is critical that boards perform both functions for the future.

Conclusions-

It would be easy to be pessimistic about our collective future. Some people say that the United States has “turned the corner” so to speak, from being the world leader in industry and commerce to a world follower. **We think not.** Certainly, our economy is in trouble and it will take some time to redirect our energies along more profitable endeavors. Sadly the growth in spectator sports, gambling, and adult entertainment hinders us, for it saps our energy and consumes far too much of our time. Our obsession over gadgets, toys, and games shows extreme short-sightedness, as these things have no lasting value. Only with strong leadership will our narcissistic lifestyle be reversed.

The “giant” created by strong global trade over the past few years has in some sense “bitten us.” In believing that helping third world countries emerge as industrial countries would stimulate our economy and lead to an overall increase in the standard of living, we did not fully anticipate that some countries may surpass us in certain areas and that the environment would be hugely diminished. We also did not fully comprehend that, as these countries modernized, there would be a tremendous demand for food and other scarce natural resources.

Will All of Us be in a Maddening Race for Natural Resources in the Future?

In closing, the environment, global trade, population changes, and the scarcity of resources will remain our four biggest challenges. For the near term, we see continued global uncertainty and insecurity. There is restlessness and anxiety that pervades all reaches of the globe. For potential investors three words apply: be “cautious, careful, and conservative” in your choices.

-ENDE-

Five Important Books For You:

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|  <p>SEARCH INSIDE! RESOURCE WARS THE NEW LANDSCAPE OF GLOBAL CONFLICT MICHAEL T. KLARE</p> |  <p>SEARCH INSIDE! PROFITS FROM NATURAL RESOURCES HOW TO INVEST AND PROFIT FROM THE ENERGY AND MINERAL SECTORS ROLAND A. JANSEN</p> |  <p>SEARCH INSIDE! Crash Proof HOW TO PROFIT FROM THE COMING ECONOMIC COLLAPSE PETER D. SENZ</p> |  <p>SEARCH INSIDE! THE NEW RULES OF RETIREMENT STRATEGIES FOR A SECURE FUTURE ROBERT C. GALOIS</p> |  <p>SEARCH INSIDE! RISING POWERS, SHRINKING PLANET THE NEW SUPERPOWERS OF ASIA MICHAEL T. KLARE</p> |
| <p><u>The New landscape of Global Conflict</u></p> | <p><u>Profits from Natural Resources</u></p> | <p><u>How to Profit from the Coming Economic Collapse</u></p> | <p><u>The New Rules of Retirement</u></p> | <p><u>Rising Powers, Shrinking Planet</u></p> |

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ⁱ This article was written from Feb 08 to March 08, with updates in July 08.

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