



## More Profit With Less Risk!

### Energy Upgrades Are Worth the Effort!

**E**PA's ENERGY STAR® Small Business program helps businesses like yours increase profits with less risk by using energy more efficiently. To many people, utility bills seem like an uncontrollable cost of doing business and changing light bulbs and replacing air conditioners seem like overhead expenses. To the ENERGY STAR Small Business program, these payments represent investment opportunities. By replacing old, inefficient equipment with new products that use less energy, you can improve your cash flow, increase your asset value, decrease your maintenance expenses, and realize an excellent return on your investment.

Of course, energy-efficiency upgrades cost some of your hard-earned dollars.

But the certainty of a larger bottom line for those dollars is probably greater with energy-efficiency upgrades than with any other investment you make in your business.

To decide whether investing in an upgrade makes sense for you, calculate the number of years it will take to get back the money you put into it. This is called *simple payback*. Or, calculate the interest rate that you will get on the money you put into upgrading. This is called *internal rate of return* and can be compared with the average rate of return on a savings account. EPA has tools to help you with these calculations—see the back of this page for information on how to get them. You should perform these tests before investing. If the results satisfy you, it will be time to act. Every minute you delay your upgrades means lost profit—forever!

*Strengthen your relationship with those whom you do business with.*

### SHARE THE NEWS!

*Lower operating costs will help your suppliers remain competitive. The resulting bond can create an atmosphere of mutual profit and growth.*



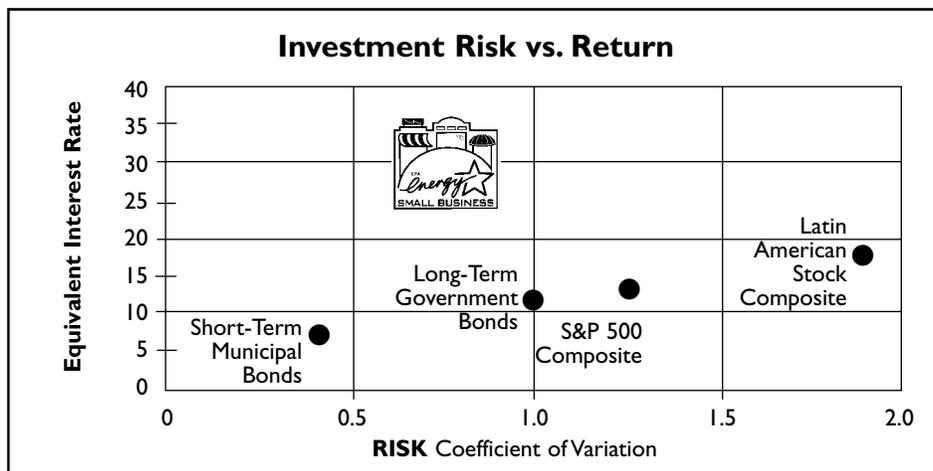
## CASE STUDY

**P**rofits from energy investments can produce the cash flow needed to fund other projects in your organization. GGS Information Services, an ENERGY STAR Small Business Partner, upgraded its lighting, HVAC, and process operations with energy-efficient equipment. At the same time, it established a program to encourage its employees to recycle waste products from its operations. The ENERGY STAR Small Business investments yielded annual savings of \$15,012 and the process and recycling activities saved an additional \$8,428. GGS is using these savings to subsidize an onsite day-care center, an exercise facility, and a park as a way of thanking its employees for their involvement in its profit-improving energy and recycling programs.

# TECH TIP

## Does a High-Return/Low-Risk Investment Opportunity Appeal to You?

Compare the risk and return of traditional investment options to energy-efficiency investments. The high return/low risk provided by energy investments will make you want to reexamine your facility's savings potential. Think of it as your newest profit center!



The above graph displays an investment analysis derived from historical data of actual returns. The research was conducted using the S&P Security Price index record and Morning Star mutual fund reports. The ENERGY STAR Small Business locality is based upon (actual and projected) average program returns.

### Example:

Take the case of small business owners who want to invest \$5,000 to help further the growth of their company. A broker presents several investment options to consider: short- and long-term bonds and various stock composites. An energy auditor recommends spending the money to upgrade the lighting system instead. The auditor estimates the new lights will save \$1,900 per year.

Which option should the owner choose?

Investment Option	Equivalent Interest Rate	Value After 5 Years*
Energy-Efficiency Upgrade	28.0%	\$12,000
Short-Term Municipal Bonds	5.6%	\$6,400
Long-Term Government Bonds	10.8%	\$7,700
S&P 500 Composites	10.9%	\$7,725
Latin American Stock Composite	15.8%	\$8,950

\*Assumes profits are not reinvested.

The return on investment after five years is highest for the energy upgrade option. If the owner had selected a stock option, they would have had to deal with the high risk involved due to fluctuations in the market and realized a lower return.

## More Information on Energy Investments

Introducing Your Company's Newest Profit Center  
EPA-430-R-97-004

Business Analysis for Energy-Efficiency Investments  
EPA-B-97-002

Financing Your Energy-Efficiency Upgrade  
EPA-430-B-97-003

Case Study: Developing Picture Perfect Upgrades!  
(GGI Informational Services, Inc.)  
EPA-430-F-97-098

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