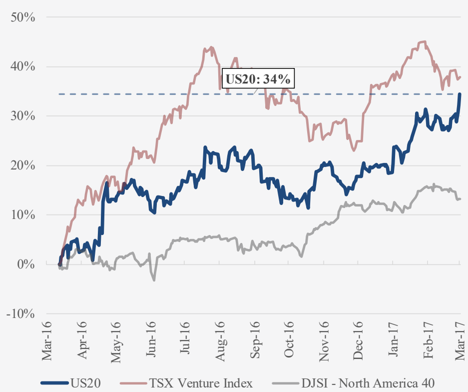
Ubika Sustainability 20

March 27, 2017

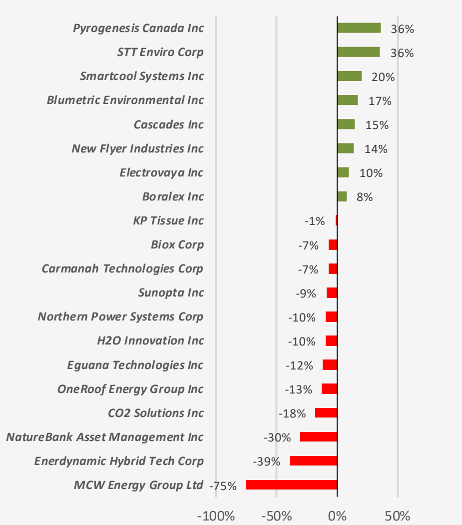
Ubika Sustainability 20
Jan. 23, 2017 - Mar. 27, 2017

US20:	+13.6% (+34% Y/Y)
TSX Venture:	+0.8% (+38% Y/Y)
DJSI - NA40:	+1.8% (+13% Y/Y)

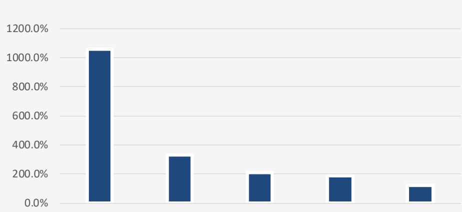
Dollar amounts in CAD unless otherwise stated.



US20: Performance Distribution



Top Volume Gainers (m/m)



Alex Cutulenco | Senior Analyst | Gravitas Financial Inc. | alex@gravitasfinancial.com | 1 (416) 992-6731
Jassie Bhathal | Analyst | Gravitas Financial Inc. | jassie@gravitasfinancial.com | 1 (647) 409-6308

New Flyer and PyroGenesis Send the US20 Index Sharply Higher

The Ubika Sustainability 20 Index (US20) surged 13.6% since January 23, 2017, outperforming both of its benchmark indices; the Dow Jones Sustainability World Index (DJSI) gained 1.8% while the TSXV remained nearly unchanged, gaining 0.8%.

Having said that, it was an exciting time for New Flyer Industries (TSE:NFI), as it rallied over 10% following announcements of new orders for its 'Xcelsior' coach and transit buses, in addition to the opening of its new component factory. Looking to enter the 3D printing additive manufacturing space, PyroGenesis announced the assembly of its anticipated powder production system for titanium. All this, and more in this edition of the US20 report.

Industry Highlights

- The Federal government has awarded Enmax Energy Corp. with a five-year contract worth $131mm to supply the Canadian government's electricity needs in Alberta. Using renewable energy, Enmax will provide electricity to 11 government departments, four military bases, and Corrections Canada facilities. This is a step forward in the federal government's commitment to run all its operations on renewable energy within a decade.
- In the 2017 Federal Budget release, Finance Minister Bill Morneau announced two kinds of investments to support the climate agenda. First, climate-friendly investments will proceed through the government's green infrastructure fund, ensuring infrastructure dollars go to climate priorities for smart grids, energy storage, and electric vehicle charging. Additionally, the government is offering $1.4B in financing to support cleantech firms such as transportation and clean energy to help them grow, in addition to a new tax break for geothermal energy.
- Natural Resources Minister Jim Carr announced future pipeline projects will face new environmental regulations before they can be built. The improved environmental assessment process will analyze greenhouse gas emissions that would result from approving pipeline projects, in addition to greater public and indigenous consultations on projects. Critics have argued, however, this added layer will slow down the permitting process, making it more expensive and uncertain, thus unattractive to natural-resource producers

Upcoming Sustainability Events:

- Water Technologies Symposium 2017: April 3rd-5th, hosted by the Environmental Services Association of Alberta at the Fairmont Banff Springs, Alberta, Canada
- Toronto Sustainability Summit: April 13th, hosted by the University of Toronto at the MaRS Discovery District, Ontario, Canada

Notable US20 Performers

New Flyer Industries Inc. (TSX: NFI)

New Flyer Industries Inc. (“NFI”) is a leading transit bus and motor coach manufacturer, parts distributor, and the creator of the world’s first electric and hydrogen fuel cell bus, with operations focused in North America. Its hallmark “Xcelsior” transit bus is available in clean-diesel, compressed natural gas, diesel-electric hybrid, and battery-electric configurations. Since our last report, NFI has rallied 14% on updated orders and backlogs, increasing production, as well as the opening of its component manufacturing facility in New York.

NFI’s new transit bus and coach orders (firm and options) for the quarter totalled 1,522 EUs (Figure 1), its strongest sales quarter yet! This increases the Company’s order backlog to a whopping 10,187 EUs, valued at over $5.23B! With increasing sales and an average age of 7.5 years for transit-bus coach fleets in the U.S. and Canada, demand for NFI’s products appears strong and sustainable. Furthermore, NFI supports its bus and coach sales with parts, service, and other-value added services, which is a competitive advantage and is sure to result in strong reoccurring sales.

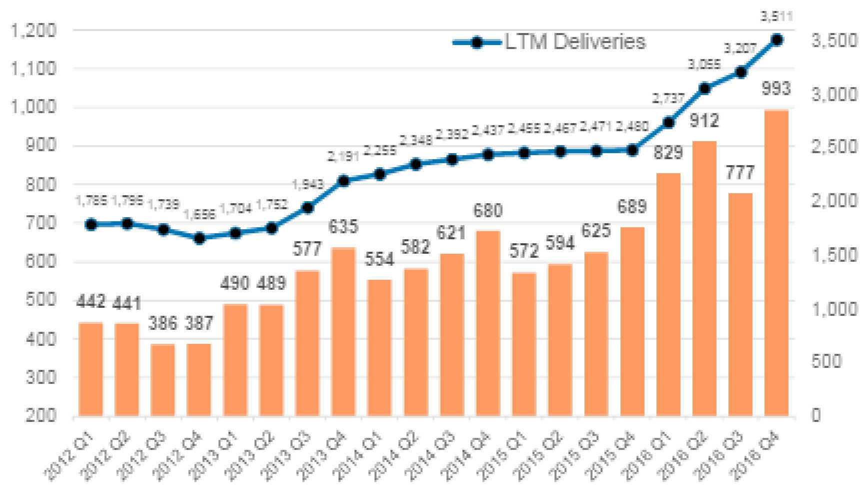
Figure 1: NFI’s Order Activity and Option Conversion

	New Orders in Quarter (Firm and Option EUs)	LTM New Orders (Firm and Option EUs)	Option EUs Converted in Quarter	Option EUs Converted LTM
Q4 2015	1,245	3,929	423	1,339
Q1 2016	1,059	3,968	582	1,764
Q2 2016	1,428	4,865	597	1,815
Q3 2016	585	4,317	288	1,890
Q4 2016	**1,522**	**4,594**	**597**	**2,064**

Source: Company Filings

The Company delivered 993 equivalent units (“EUs”) in Q4/2016, an increase of 44% over Q4/2015 (Figure 2). On January 26, New Flyer announced the opening of a new component manufacturing and assembly facility in Jamestown, NY. The facility will start by manufacturing certain components for up to 10 New Flyer Xcelsior buses per week, which will then be assembled at its production plant in Minnesota. The Jamestown facility is aimed to relieve parts and component bottlenecks, increasing production by up to 20% within 3 years.

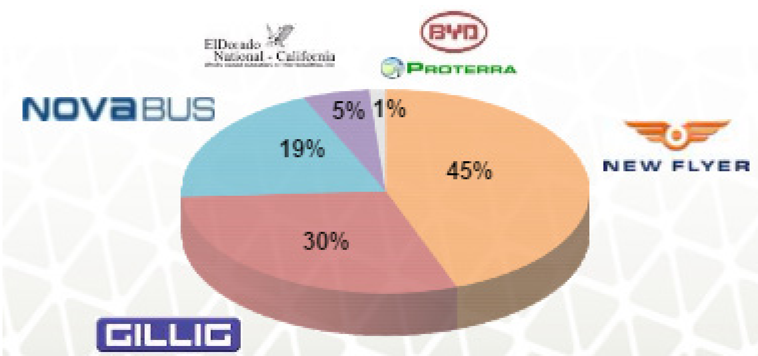
Figure 2: Deliveries of new Bus and Coach Equivalent Units (EUs)



Source: Corporate Presentation

New Flyer Industries is North America's top-selling transit-bus manufacturer and parts supplier, with nearly half of North America's new and aftermarket bus market share (Figure 3). NFI's FY 2016 revenue and adjusted EBITDA were $2.3B and $289.1mm, a Y/Y increase of 53% and 91%, respectively (Figure 4). Its business benefits from operating in the U.S., with 90% of its revenue in USD. Its latest acquisition and integration of Motor Coach Industries (MCI) achieved $12.5mm of annual cost saving synergies, exceeding management's initial estimate of $10mm. In 2016, adjusted EBITDA margins increased by $15k per EU because of higher sales price, cost reductions, MCI's contribution of $8.1k per EU, and aforementioned cost saving synergies.

Figure 3: New Flyer's 2016 Transit Bus Market Share



Source: Corporate Presentation

Figure 4: New Flyer Industries' Operational Performance

Fiscal Period	Quarter		Revenue		Earnings from Operations(1)		Net earnings		EBITDA(1)		Adjusted EBITDA(1)		Earnings per Share
2016	Q4	$	622,530	$	61,244	$	41,558	$	75,789	$	76,824	$	0.68
	Q3		511,483		46,633		26,002		62,396		63,788		0.43
	Q2		586,937		64,789		34,746		77,051		80,331		0.58
	Q1		553,226		43,882		22,588		58,691		68,178		0.40
	Total	$	2,274,176	$	216,548	$	124,894	$	273,927	$	289,121	$	2.10
2015	Q4	$	418,904	$	23,954	$	14,110	$	31,913	$	44,558	$	0.25
	Q3		364,683		24,983		16,559		35,004		36,277		0.30
	Q2		375,012		23,812		12,370		33,657		39,191		0.22
	Q1		380,301		20,153		10,855		29,660		31,414		0.20
	Total	$	1,538,900	$	92,902	$	53,894	$	130,234	$	151,440	$	0.97

Source: Sedar Filing

Operationally, NFI expects to deliver 3,650 EUs of new transit buses and motor coaches during fiscal 2017, an increase of 4% from FY 2016. Its increasing backlog of firm orders and options, in addition to the growing demand for its zero-emission buses, ensures strong demand and no shortage of work for the Company to conduct; securing sales for years to come. NFI has a stellar history of increasing sales and generating free cash flows, decreasing its leverage ratio from 2.91x FY 2015 to 1.94x FY 2016. NFI has also increased shareholder returns by boosting its dividend by 53% in 2016 with two raises. Currently, NFI is trading at an Enterprise Value/ EBITDA multiple of 8.8x, which is below the peer average of 10.4x for the heavy machinery and vehicle manufacturers in North America.

Electrovaya Inc. (TSX: EFL)

Electrovaya Inc. ("Electrovaya") is a green energy solutions company that develops, manufactures, and sells advanced lithium-ion battery products for transportation, utilities, and smart grid power. Since our last report, Electrovaya rallied over 50% to a high of $3.02, before giving up most of its gains following a disappointing Q1/2017 financial report that saw its partnerships failing to materialize. Recharged with a new sales director, and a strategy to convert strategic relationships with OEM forklift manufacturers to contracts, Electrovaya is looking to turn things around.

Lithium-ion battery technology is in high demand and the market is estimated to grow to $32B by 2026. Instead of targeting competitors such as Tesla and the electric vehicle (EV) market, Electrovaya has focused its attention on forklifts. Currently, electric forklifts run on large, and toxic lead-acid batteries that must be recharged at least once every eight-hour shift, resulting in lost productivity. However, Electrovaya's Li-ion batteries are designed with greater power capacity, faster charging times, and a lifecycle of more than 6x longer than lead-acid, and 2x that of traditional Li-ion systems. These batteries are very attractive for large warehouses and manufacturing companies that run 24/7 operations, as they not only decrease the number of standby forklifts required, but also reduce capital investment and maintenance costs.

Besides developing new products, Electrovaya has increased its focus on sales and building new relationships with Original Equipment Manufacturers (OEM). Recently, Murray Pickrem joined the team as Director of Sales, U.S. Murray has extensive experience in sales in the materials-handling sector with over 20 years at Siemens, Exide, and ACT. Additionally, Electrovaya has presented its technology in key trade shows, including the Euro Bus Expo in the UK and Cargo Logistics in Vancouver. Looking forward, there is speculation that Yale Europe Materials Handling, a strategic OEM of forklift vehicles, may be considering Electrovaya as a potential supplier of 24V, 48V, and 80V lithium-ion batteries.

Figure 5: Electrovaya's Income Statement (Q1/2017)

		2016		2015
Revenue (note 5)	$	1,099	$	8,240
Direct manufacturing costs (note 6(b))		513		3,366
		586		4,874
Expenses				
Research and development		1,307		819
Sales and marketing		312		118
General and administrative (note 9)		998		548
Stock based compensation exp (note 8(a))		41		21
Finance cost		302		180
Patents and trademark expenses		20		34
		2,980		1,720
Gain/(Loss) before the undernoted		(2,394)		3,154
Amortization (see note 3 (j))		115		137
Gain/(Loss) from operations		(2,509)		3,017
Foreign exchange gain(loss) and interest income		143		270
Gain(Loss) before provision for tax		(2,366)		3,287
Provision for tax		2		328
Net gain/(loss) for the period		(2,368)		2,959
Basic gain/(loss) per share	$	(0.03)	$	0.04
Diluted gain/(loss) per share	$	(0.03)	$	0.04
Weighted average number of shares outstanding, basic and fully diluted		87,616,435		80,964,133

Source: Sedar Filing

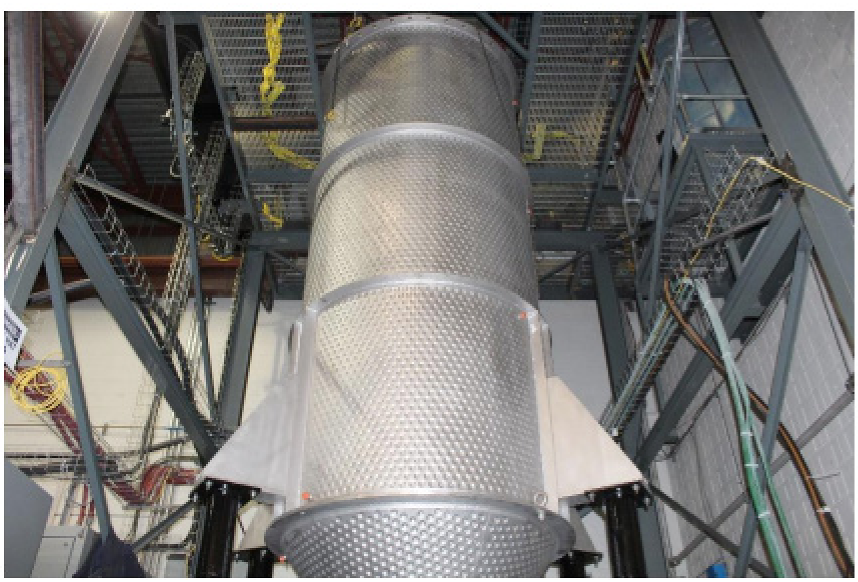
Financially, Electrovaya has been hit hard by the deferral of product deliveries and lack of new contracts. In its Q1/2017 report, Electrovaya recorded revenues of $1.1mm, a decrease of 86.6% from Q1/2016 sales of $8.2mm. The Company reported a net loss for Q1/2017 of $2.4mm compared to a net profit for Q1/2016 of $3.0 million. Moving forward, however, as Electrovaya establishes new relationships and partnerships with OEMs, armed with a new sales team lead, Electrovaya should begin to see revenues grow. Currently trading at an EV/Sales multiple of 3.2x, well above the 1.4x average for green energy and power system companies, implying Electrovaya may be overvalued.

PyroGenesis Canada Inc. (TSXV: PYR)

PyroGenesis Canada Inc. ("PyroGenesis") is a Canadian green tech company engaged in the design, development, manufacturing, and commercialization of advanced plasma processes for waste treatment. The Company provides engineering and manufacturing solutions, contract research, as well as process equipment packages to the defence, metallurgical, mining, materials, oil and gas, and environmental industries. A notable performer in our previous issue, PyroGenesis has surged 36% on an update of its revolutionary powder production system assembly and production timeline.

On March 14th, the Company announced it had received all equipment, parts, and components for its powder production system, and that the system is well into the assembly phase (Figure 6). This system uses PyroGenesis' patented 'Plasma Atomization' technology to make very pure, uniform, spherical metal powders that flow like water, and which are highly sought after in the

Figure 6: Assembled Plasma Atomization System



Source: Company News Release

additive manufacturing for the 3D printing industry, producing biomedical implants such as knee replacements. According to the Wohlers's Report, the demand created by 3D-printing for metal powders will be in excess of $3.4B by 2020.

PyroGenesis first began producing powders using this technology in the early 2000's for the Biomedical industry. Later, in 2015, the Company invested $2mm in improving both the production rate and the particle size distribution with this new powder production system. The first powder run of titanium is on schedule for the end of Q1/2017, and ramping up to full capacity over four months. Production will be available for sale immediately, sold with a certificate of analysis.

The powder industry has seen significant consolidation over the years, with General Electric (NYSE:GE) acquiring Arcam, and its subsidiary AP&C, for approximately $700mm. Under an agreement, these companies produced powders using PyroGenesis' old proprietary technology, which prevented PyroGenesis from competing against them until 2012. Since then, Pyrogenesis has significantly improved its production capabilities and quality standards, which positions PyroGenesis to be a leading supplier of high-purity powders for the additive manufacturing.

Currently, PyroGenesis is seeking contracts and partnerships as well as the option to spin-off its additive manufacturing capabilities, which would all increase shareholder value. Management expects the powder system to generate $12mm in revenues annually, with margins exceeding 40% (Figure 7). In comparison, for the nine months ending September 30, PyroGenesis recorded revenue of $3.7mm and a gross margin of 42.5%. The Company plans to grow powder production capacity organically, doubling annually using internally-generated cash flows. Currently trading at an Enterprise Value/Sales multiple of 6.2x, PyroGenesis is trading slightly above the environmental services and equipment industry average of 5.9x.

Figure 7: PyroGenesis' Gross Margins

	Three months ended Sept 30, 2016	2015	Nine months ended Sept 30, 2016	2015
Revenue	**$ 1,902,748**	$ 1,363,077	**$ 3,738,590**	$ 4,013,221
Cost of Sales and Services before amortization of intangible assets	**682,105**	989,362	**2,150,287**	3,012,263
Gross Margin before amortization of intangible assets	**1,220,643**	373,715	**1,588,303**	1,000,958
Gross Margin % before amortization of intangible assets	**64.2%**	27.4%	**42.5%**	24.9%
Amortization of intangible assets	**349,268**	349,268	**1,047,805**	1,047,805
Gross Margin after amortization of intangible assets	**$ 871,375**	$ 24,447	**$ 540,498**	$ (46,847)
Gross Margin % after amortization of intangible assets	**45.8%**	1.8%	**14.5%**	-1.2%

Source: Sedar Filings

Important Disclosure

Smallcappower.com is owned and operated by Ubika Corporation whose divisions include Ubika Research and Ubika Communications. Ubika Corp. is a wholly owned subsidiary of Gravitas Financial Inc. The following terms and conditions ("Terms of Use") govern the use of this website ("site") www.SmallCapPower.com. By accessing this site, you agree to comply with and be legally bound by the Terms of Use as set out herein. Ubika reserves the right to seek all remedies available at law and in equity for violations of these Terms of Use, including the right to block access from a particular internet address to our site.

Disclaimer

Ubika Corporation and its affiliates or partners will seek to provide services to companies mentioned on the smallcappower.com website. Hence, all information available on smallcappower.com should be considered as commercial advertisement and not an endorsement, offer or recommendation to buy or sell securities. Ubika Corporation and its related companies (including its directors, employees and representatives) or a connected person may have ownership/stock positions in, or options on the securities detailed in this report, and may buy, sell or offer to purchase or sell such securities from time to time.

Ubika and/or its affiliates and/or their respective officers, directors or employees may from time to time acquire, hold or sell securities and/or commodities and/or commodity futures contracts in certain underlying companies mentioned in this site and which may also be clients of Ubika's affiliates. In such instances, Ubika and/or its affiliates and/or their respective officers, directors or employees will use all reasonable efforts to avoid engaging in activities that would lead to conflicts of interest and Ubika and/or its affiliates will use all reasonable efforts to comply with conflicts of interest disclosures and regulations to minimize the conflict.

Specifically all companies mentioned or listed as "Analyst Covered Companies" at smallcappower.com and which are shown under the heading "Analyst Covered Companies" on the page: http://www.smallcappower.com/companies have entered into a commercial relationship with Ubika Corporation or our affiliates for capital market services and have paid fees and/or shares or stock options or warrants for being featured and mentioned in smallcappower.com. Hence these "Analyst Covered Companies" at smallcappower.com are shown at the website as an advertisement only and any mention of these companies does not and will not constitute an offer to buy or sell securities in the featured companies. Ubika Corporation, its affiliates or partners will seek to provide services to companies mentioned in smallcappower.com website. Hence, all information available on smallcappower.com should be considered as commercial advertisement and not an endorsement, offer or recommendation to buy or sell securities.

Ubika Corporation and its divisions Ubika Communication and Ubika Research (collectively, "Ubika") are not registered with any financial or securities regulatory authority in Ontario or Canada, and do not provide nor claims to provide investment advice or recommendations to any visitor of this site or readers of any content on this site.

The information on this site is for informational purposes only. This site, including the data, information, research reports, press releases, findings, comments, views and opinions of Ubika's analysts, columnists, speakers or commentators, and other contents contained in it, is not intended to be: investment, tax, banking, accounting, legal, financial or other professional or expert advice of Ubika or its affiliates, or a recommendation, solicitation or offer by Ubika or its affiliates to buy or sell any securities, futures, options or other financial instruments, and such information should not be relied upon for such advice. Every user of this site is advised to seek professional advice before acting or omitting to act on any information contained in the site.

Research reports and newsletters have been prepared without reference to any particular user's investment requirements or financial situation. Where reference is made to estimate of value or relative value of a specific company, there is no guarantee that these estimates are reliable or will materialize. Readers of these reports and newsletters are advised to conduct their own due diligence before making any investment decisions. Ubika does not make independent investigation or inquiry as to the accuracy and completeness of any information provided by the Analyst Covered companies. Although the content has been obtained from sources believed to be reliable, this website could include technical or other inaccuracies or typographical errors and it is provided to you on an "as is" basis without warranties or representations of any kind. Ubika and its affiliates make no representation and disclaim all express and implied warranties and conditions of any kind, including without limitation, representations, warranties or conditions regarding accuracy, timeliness, completeness, non-infringement, satisfactory quality, merchantability, merchantable quality or fitness for any particular purpose or those arising by law, statute, usage of trade, or course of dealing. Ubika and its affiliates assume no responsibility to you or any third party for the consequences of any errors or omissions.

Information in this site is subject to change without notice. Ubika assumes no liability for any inaccurate, delayed or incomplete information, nor for any actions taken in reliance thereon.

Ubika, its affiliates and their respective directors, officers, employees, or agents expressly disclaim any liability for losses or damages, whether direct, indirect, special, or consequential, or other consequences, howsoever caused, arising out of any use or reproduction of this site or any decision made or action taken in reliance upon the content of this site, whether authorized or not. By accessing this site, each user of this site releases Ubika, its affiliates and their respective officers, directors, agents and employees from all claims and proceedings for such losses, damages or consequences.

Ubika and its affiliates do not endorse or recommend any securities issued by any companies identified on, or linked through, this site. Please seek professional advice to evaluate specific securities or other content on this site. Links, if any, to third party sites are for informational purposes only and not for trading purposes. Ubika and its affiliates have not prepared, reviewed or updated any content on third party sites and assume no responsibility for the information posted on them.

Ubika and/or its affiliates and/or their respective officers, directors or employees may from time to time acquire, hold or sell securities and/or commodities and/or commodity futures contracts mentioned in this site.

This site may include forward-looking statements about objectives, strategies and expected financial results of companies featured in this site or where research reports are available on companies displayed and/or featured on this site. Such forward-looking statements are inherently subject to uncertainties beyond the control of such companies. The users of this site are cautioned that the company's actual performance could differ materially from such forward-looking statements.

World Wide Web sites accessed by hypertext links ("hyperlinks") appearing in this site have been independently developed by parties other than Ubika and Ubika has no control over information in any hyperlinked site. Ubika is providing hyperlinks to users of this site only as a convenience. Ubika makes no representation and is not responsible for the quality, content or reliability of any information in any hyperlinked site. The inclusion of any hyperlink in this site should not be construed as an endorsement by Ubika of the information in such hyperlinked site and does not imply that Ubika has investigated, verified or monitored the information in any such hyperlinked site. Should you wish to inquire about creating a link from your World Wide Web site to this site, contact SCP marketing via e-mail at: info@ smallcappower.com. for written authorization.

See our full disclaimer here.