Ubika Sustainability 20

July 31, 2017

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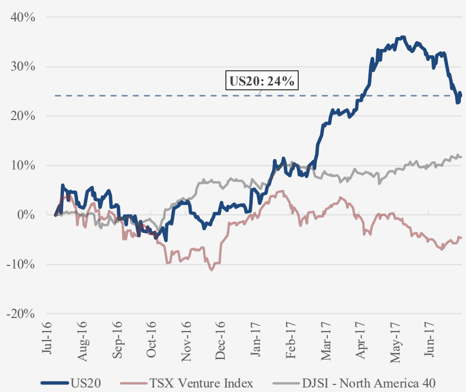
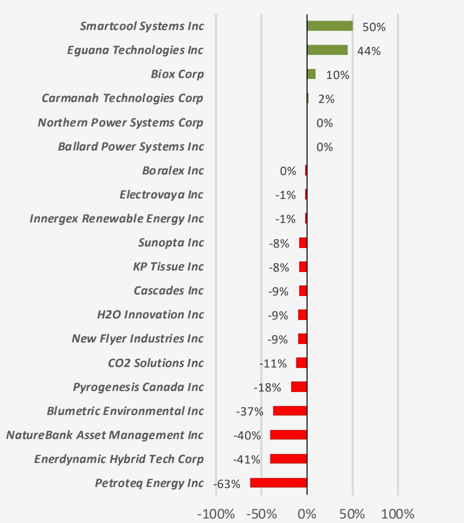
Jun. 5, 2017 - Jul. 31, 2017

US20:	-8.5% (+24% Y/Y)
TSX Venture:	-3.9% (-5% Y/Y)
DJSI - NA40:	2.2% (+12% Y/Y)

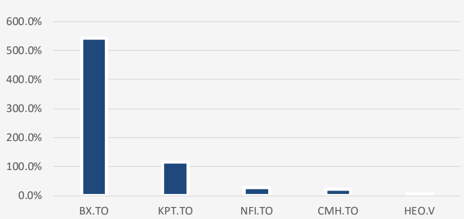
Dollar amounts in CAD unless otherwise stated.



US20: Performance Distribution



Top Volume Gainers (m/m)



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Eguana Technologies Soars to Top the Ubika Sustainability 20 Index

The Ubika Sustainability (US20) Index is down 8.2% since our last report, lagging both the TSX-V and its benchmark DJSI North American index. The TSX-V is down 3.0% whereas the DJSI is up 2.4% over the same time frame. Despite the poor performance of the index, many companies have delivered outstanding returns over the past month and a half, led by Smartcool Systems and Eguana Technologies both of which have returned more than 50%. These companies will be discussed in detail in this report.

Industry Highlights

- **The *Financial* Post reported that two thirds of Canada's electricity now comes from renewable energy.** The report states that Canada has substantially boosted its renewable electricity capacity over the past decade, and is now the second largest producer of hydroelectricity in the world. Canada generated 66 percent of its electricity from renewable sources in 2015, and hydroelectric power accounted for ~60% of electricity supply. The report then talks about how Canada aims to further boost its renewable capacity to meet its climate goals, and that hydroelectricity will likely play a diminishing role.

- **U.S. based Rayonier Advanced Materials is set to acquire Canadian company Tembec.** Rayonier initially offered $4.05 in cash per Tembec share, however they decided to revise the terms of the offer for a better chance of success. Rayonier increased its offer 17%, and gave shareholders a choice of either $4.75 per Tembec share in cash or 67% in cash and 33% in Rayonier stock. This is a friendly takeover and Tembec's Canadian operations will remain running. Shareholders have agreed to the acquisition.

- **Investinontario.com recently reported that Canada's cleantech sector now leads the G20.** Canada's cleantech sector ranks fourth in the world and first in the G20 according to the 2017 Global Cleantech Innovation Index (GCII). Canada climbed from the 7th place ranking it held in 2014, as it has tripled the number and value of cleantech funds and domestic investors targeting the sector. The report also states that the world's leading cleantech innovators of the next decade are likely to emerge from Canada.

Upcoming Sustainability Events:

- ICCE2017: 6th International Conference & Exhibition on Clean Energy, August 21-23, Toronto, ON, Canada, Vancouver BC, Canada

Index Shake Up

On June 14th, 2017, STT Enviro Corp announced that Carmeuse Lime has acquired all the issued and outstanding shares of the Company. Carmeuse bought an initial 94% stake in the Company on May 19th, and will pay shareholders $0.315 per share for the remainder, representing a 2% premium to the May 19th closing price. Furthermore, as we announced in our last report, OneRoof Energy Group (TSXV: ON) has been removed from the index as shareholders voted in favour of the sale of the assets of the company.

We have replaced STT and OneRoof with Ballard Power Systems (TSX: BLDP), and Innergex Renewable Energy (TSX: INE). Ballard designs, develops, manufactures, sells, and services hydrogen fuel cells for a range of applications. The Company's products and services are used in many industries, such as materials handling, residential cognation, backup power, and transportation. Ballard has a market cap of $636mm. The Company has a great balance sheet with a 6% debt to equity ratio and 2.5x current ratio, furthermore, they generated $123mm in revenue and 367k in operating cash flow over the past 12 months.

Innergex is a developer, owner, and operator of renewable power-generating facilities with a focus on hydroelectric, wind power, and solar photovoltaic projects. Innergex has a market cap of $1.5B. The Company generated $305mm in revenue, with a 97% gross margin, $72mm in operating cash flow, and EPS of $0.22, over the past 12 months.

Notable Performers

Smartcool Systems (TSXV: SSC)

Smartcool Systems provides energy efficient and energy cost reduction solutions for businesses around the world. The Company's ECO3 and ESM are unique technologies that reduce energy consumption of compressors in air conditioning, refrigeration, and heat pump systems by 15%-20%, giving customers a return on investment in as little as 12 months. Smartcool distributes its products through a direct sales retail method as well as a network of distributors. The Company's stock is up 33% since our last report due to a financing round that helped easy liquidity concerns.

The Company's revenues have been falling on an annual basis. They have slipped 92% since 2010, and fell 40% from Q1/2016 to Q1/2017. Smartcool has also been bleeding cash on a consistent basis over the same period, which has resulted in liquidity issues. At the end of Q1/2017, the Company had negative working capital of $1.3mm, roughly 1/6th the size of the entire firm. Furthermore, Smartcool was unable to make their debenture and acquisition obligation payments of $260k back in March 2016. The Company then stated that to operate as a going concern over the next 12 months, "a new commission-based sales network in North America has been established to generate recurring revenue."

Figure 1: Smartcool Financial Performance

	2016	2015	2014	2013	2012	2011	2010
Revenue	326.0	785.5	738.1	858.6	4,212.8	3,943.8	4,209.7
Net Sales	326.0	785.5	738.1	858.6	4,212.8	3,943.8	4,209.7
Other Revenue, Total	--	--	--	--	--	--	--
Total Revenue	326.0	785.5	738.1	858.6	4,212.8	3,943.8	4,209.7
Cost of Revenue, Total	86.2	151.3	171.2	215.0	1,793.0	1,607.8	1,264.2
Cost of Revenue	86.2	151.3	171.2	215.0	1,793.0	1,607.8	1,264.2
Gross Profit	239.7	634.2	567.0	643.7	2,419.8	2,336.0	2,945.4

Source: Thomson Reuters

On June 15th, Smartcool announced a non-brokered private placement offering of up to 16.6mm units at a price of $0.03 per unit for maximum gross proceeds of $500,000. This offering is replacing the companies previous $0.025 private placement offering announced in late April. Each unit will consist of one common share and one purchase warrant exercisable at $0.05. The process will be used for:

•150k in inventory purchases

•100k for marketing

•120k for repayment of debentures

•30k for general working capital purposes

This means Smartcool now has negative working capital of ~$1mm, which is still a large concern. It appears that their ability to stay afloat relies on the outcome of their commission-based sales network, or their ability to raise additional financing. However, investors should pay close attention to the outcome of the sales program as opposed to the financing, as a continuous loop of raising capital to fund their operations is not a sustainable business model.

Eguana Technologies (TSXV: EGT)

Eguana Technologies designs and manufactures high-performance power electronics for residential and commercial energy storage systems. They have more than 15 years of experiences in delivering grid edge power electronics for fuel cell, photovoltaic and battery applications. They deliver proven, durable, high-quality solutions from their high capacity manufacturing facilities in Europe and North America. The Company's stock is up 54% since our last report due to a strong Q2/2017 earnings release.

Eguana reported revenues of 330k in Q2/2017, an 87% increase from the same period last year. The increase in revenue was driven primarily by demand for their AC battery for residential storage in Hawaii. During the quarter, the Company became the only grid interactive lithium based system with an expedited permitting approval from the Honolulu Department of Permitting and Planning. This reduced the AC expedited approval process from several months to a five-minute web based automatic approval. The expedited approval process accelerated sales and instillation services in Hawaii, doubling their U.S. order book to ~$5mm. The Company believes that this will continue to be the driver of revenue growth for the remainder of the year, and expects revenue of ~$1.5mm per quarter for the remainder of 2017.

Figure 2: Eguana Financial Performance

	2017		2016				2015	
	Q2	Q1	Q4	Q3	Q2	Q1	Q4	Q3
Sales	328,594	271,260	9,036	284,980	176,272	228,376	1,367,075	1,552,853
Net (loss)	(1,261,267)	(887,503)	(1,119,216)	(1,195,551)	(1,321,482)	(1,198,652)	(4,587,408)	(1,376,971)
Per share (1)(2)	(0.01)	(0.00)	(0.01)	(0.01)	(0.01)	(0.01)	(0.05)	(0.02)

Source: Company Resources

Eguana also stated that standard system sizes are larger than anticipated, with 60% if current orders are at 19.2 kilowatt-hours or higher. This gives them an advantage in the market, as their AC battery is expandable without the need for additional power controls, which increased their per-sales revenue and expands margins. If the Company is able to realize the targets they set out, they should generate a gross profit of 906k, which would leave them with a net loss of ~-$360k in Q3/2017. Although it is a loss, it is a lot better than the $1.2mm loss they took in Q2/2017.

Eguana has a poor balance sheet, with negative working capital of ~900k, and a debt to asset ratio of 1.5x. This provides a significant amount of risk into an investment in the company. If they can continue to grow revenues and margins, however, the liquidity problems would not be a concern anymore. Overall, Eguana provides a high-risk, high-reward investment opportunity.

BIOX Corp (TSX: BX)

BIOX is a renewable energy company that operates a 67mm litre capacity continuous flow biodiesel production facility in Hamilton, ON. The Company produces biodiesel using in house technology and unique, proprietary and patented processes. BIOX's stock is up 15% since our last report due to an agreement to sell the Company.

On May 15, 2017, BIOX announced it had received a non-binding offer from its principal shareholder group, FP resources Ltd, CFI Ventures, and certain other affiliates (collectively the "CFFI Group"), to take the Company private. Later that summer, on July 5th, BIOX announced it has agreed to the terms of the transaction.

The CFFI Group will acquire all the issued and outstanding shares not already owned by them for a cash consideration of $1.23 per share, representing a 105% premium to the trading price of the shares on May 15th. This values the equity of the Company at ~$57mm, and represents an EV/LTM Sales multiple of ~0.82x, which is slightly above its peer median of 0.61x.

Figure 3: BIOX Peers

Identifier	Company Name	Enterprise Value	Sales (LTM)	EV/Sales
BX.TO	Biox Corp	82,720,000	101,335,000	0.82
AMRS.OQ	Amyris Inc	264,267,740	65,089,600	3.70
REGX.PK	Red Trail Energy LLC	35,209,009	11,190,065	0.32
HLBYL.PK	Heron Lake BioEnergy LLC	73,839,057	49,050,107	0.66
VTNR.O	Vertex Energy Inc	65,157,777	118,717,370	0.55
GEVO.OQ	Gevo Inc	7,117,653	26,509,000	0.27
AMTX.O	Aemetis Inc	143,455,630	141,406,000	1.01
Median (Excluding BX)				0.61

Source: Ubika Research

The Board has determined that the arrangement is fair to shareholders and recommends that shareholders vote in favour of the arrangement. BIOX intends to call a special meeting of its shareholders to be held on September 7th, 2017, to seek approval for the arrangement. The Company needs ~67% of shareholder's votes, given that the stock is trading at the purchase price it is likely the deal will pass.

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