

## Ubika Sustainability 20

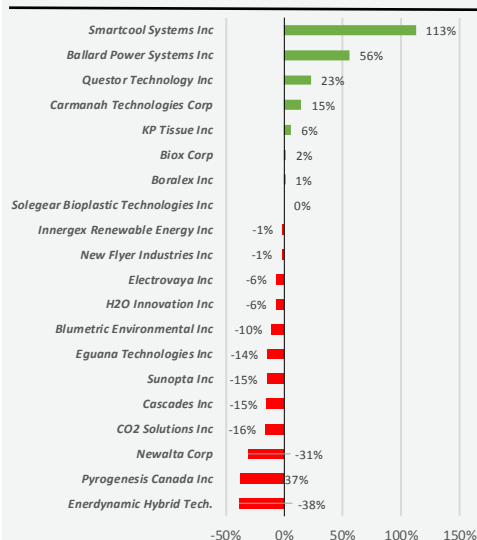
Jul. 31, 2017 - Oct. 2, 2017

US20: 1% (+30% Y/Y)  
 TSX Venture: 1% (-3% Y/Y)  
 DJSI - NA40: 4% (+18% Y/Y)

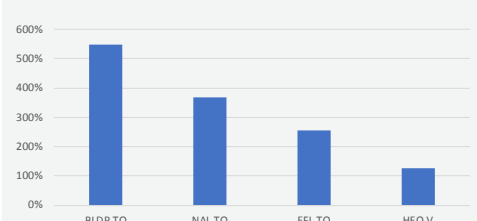
Dollar amounts in CAD unless otherwise stated.



## US20: Performance Distribution



## Top Volume Gainers (m/m)



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## New-Look Sustainability 20 Index Goes for the ‘Green’

Our revised Ubika Sustainability (US20) Index is up 1% since our last report dated July 31, 2017, on par with the TSX-V Index and underperforming the DJSI North America Index, which have returned 1% and 4%, respectively, over the same period. Notable performers for this report include:

- 1) Ballard Power Systems (TSX:BLDP), which saw its stock jump 26% after a \$264mm order backlog announcement.
- 2) Questor Technologies Inc. (TSXV:QST), which posted strong earnings growth for the second consecutive quarter.
- 3) Newalta Corporation (TSX:NAL), which continues to report losses, and was removed from the S&P/TSX SmallCap Index.

### Industry Highlights

- **Ontario announced a [partnership with California and Quebec](#) for a joint carbon cap-and-trade pricing market.** California and Quebec have jointly held cap-and-trade auctions since 2014, and starting on January 1, 2018, Ontario plans to follow suit. The agreement is expected to create the second largest cap-and-trade marketplace after the European Union. In a report, the Auditor General of Ontario stated that an estimated \$466mm will leave the Ontario economy, as companies will find it cheaper to buy allowances in California and Quebec.
- **A [new report](#) finds Ontario’s Green Energy and Economy Act “has yielded moderate environmental gains while drastically increasing energy prices.”** A report by the C.D. Howe Institute stated that electricity prices in Ontario doubled between 2009 and 2016 following Ontario’s establishment of purchase power agreements for solar and wind energy. Furthermore, the report mentioned that the electricity sector’s share of greenhouse gas emissions was only 9%, compared to transportation, which accounted for 34%, suggesting that governments should refocus their efforts. The report recommended a revenue-neutral carbon tax (or cap-and-trade equivalent), claiming it would be a more cost-effective policy.

### Upcoming Sustainability Events:

- CanWEA – Montreal, Canada, October 3-5, 2017. Industry members and stakeholders come together at the Annual Canadian Wind Energy Conference & Exhibition to address key issues facing the industry.
- CIX – Toronto, Canada, October 17-18, 2017. Investors and innovative companies converge at this technology conference to network and meet with industry professionals.
- Solar Canada Conference & Exposition – Toronto, Canada, December 4-5, 2017. Industry participants use this event to network and build relationships with peers and to discover the latest technology.

## Change in Constituents:

As part of our aim to provide readers with relevant and insightful industry reports, we conduct periodic reviews of our index constituents to determine whether they meet the overall criteria for inclusion. As a result, we have removed Petroteq Energy Inc. (TSXV:PQE), Nature Bank Asset Management (TSXV:COO) and Northern Power Systems Corp. (TSX:NPS) from the Ubika Sustainability 20 Index.

Furthermore, as we aim to shift the Ubika Indices to an investable index model, we have decided to switch to an Equal Weight Index. The new Index is similar to a portfolio or an index fund, as it gives each stock an equal weighting to begin with. As prices move, the weightings change, giving better performing stock higher weightings.

The new constituents for the US20 Index are Newalta Corp. (TSX:NAL), Questor Technology Inc. (TSXV:QST) and Solegear Bioplastic Technologies Inc. (TSXV:SGB). Newalta aims to provide customers with sustainable, yet economically viable, waste processing and management solutions. Newalta serves clients mainly within the Oil & Gas, and Mining sectors. The second constituent, Questor Technology, designs and manufactures waste gas combustion systems that are designed to improve air quality, support energy efficiency and reduce greenhouse gas emissions. Lastly, Solegear Bioplastic manufactures and sells bioplastics for packaging and storage purposes. Solegear aims to reduce the current reliance on petrochemical-based plastics, by providing customers with an eco-friendly and renewably-sourced substitute.

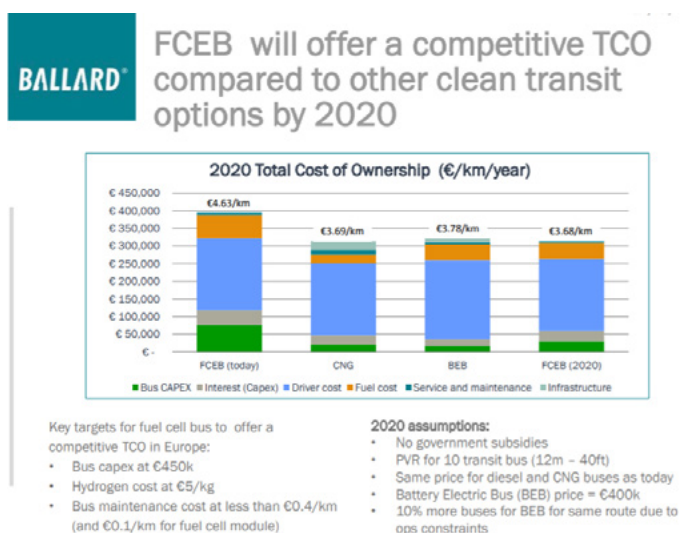
## Notable Performers

### Ballard Power Systems Inc. (TSX:BLDP)

Ballard Power Systems develops, manufactures, sells and provides support services for its proton exchanged membrane (PEM) fuel cell products. Although the Company's main industry focus lies within the transportation industry (heavy duty buses and trams), its products have several applications within the power generation industry.

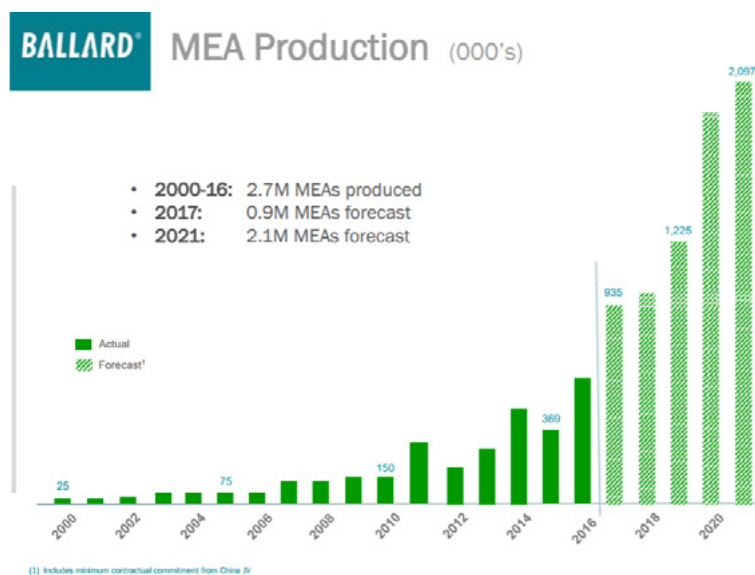
BLDP's stock rose 56% since our last report date following several positive news releases, the highlight of which was the announcement of a US\$264mm order backlog, as the Company saw sustained demand for its product. BLDP delivered orders worth \$49.2mm in the first half of 2017, as it received orders valued at \$55.3mm over the same period. The stock jumped 26% on the day of the announcement.

Over the coming years, BLDP plans to leverage the [global shift towards reducing pollution](#) and emissions in the transportation industry, by offering a more environmentally-friendly solution. Furthermore, BLDP claims its fuel cell system is better suited to industry needs than the traditional battery electric bus due to its shorter refuelling time, greater range and lower weight. Currently, Ballard has set a target to make its fuel cell technology competitive with other clean transit options by 2020.



Source: Company Filings

On September 5, 2017, the Company announced the opening of Ballard China’s Joint Venture production facility (10% interest). The facility currently plans to ramp up annual production capacity to 6,000 fuel cell stacks by the end of 2017, and the design facilitates an increased production capacity of 20,000 fuel cell stacks. The Company plans to increase its Membrane Electrode Assembly (MEA) production capacity threefold by 2020 as shown below:



Source: Company Filings

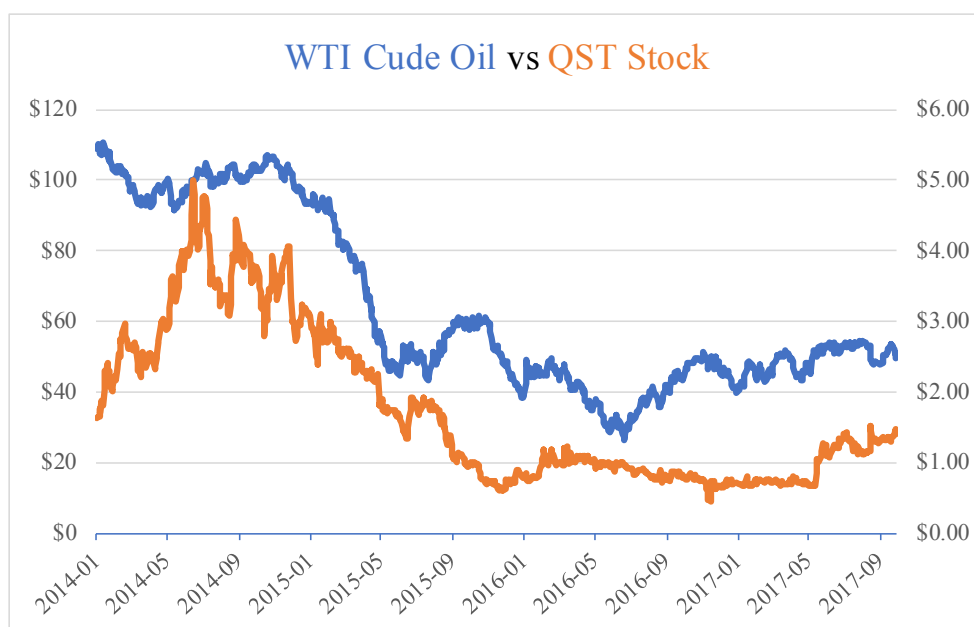
Analysts’ estimate BLDP to record revenues for 2017 of US\$108mm, up 27% Y/Y. Additionally, analysts expect the Company’s gross margins to continue rising during 2017 to 35%, up from 28% in 2016. Furthermore, the Company has strong cash reserves of US\$68.1mm as of Q2/2017, fully funding its business plans. BLDP also outlined its financial objectives for 2020:

- >US\$250mm in Annual Revenues
- 30%+ Revenue CAGR
- 30%+ Gross Margins
- \$30mm+ Adjusted EBITDA

## Questor Technologies (TSXV:QST)

Questor Technologies manufactures clean air technology systems that are designed to support energy efficiency and reduce greenhouse gas emissions mainly within the Oil & Gas industry. The Company's stock price increased 23% since our last report, following the release of improved quarterly earnings in August 2017.

As a service provider for the Oil & Gas industry, Questor's performance declined in the aftermath of the 2015 downturn in oil prices. In response to the new market dynamics, the Company decided to shift its strategic focus towards the United States, where they aim to leverage the [increased emissions regulations](#). In line with their strategy, the Company reallocated capital to Colorado, where they opened an office, hiring local technicians. QST may face yet another challenge as it expands in the U.S., as President Trump's administration plans to repeal President Barack Obama's Climate Action Plan, potentially taking away Questor's leverage. In their Q2/2018 earnings release, the Company addressed the issue, stating a reliance on regulations at the state level to preserve the demand for their products.



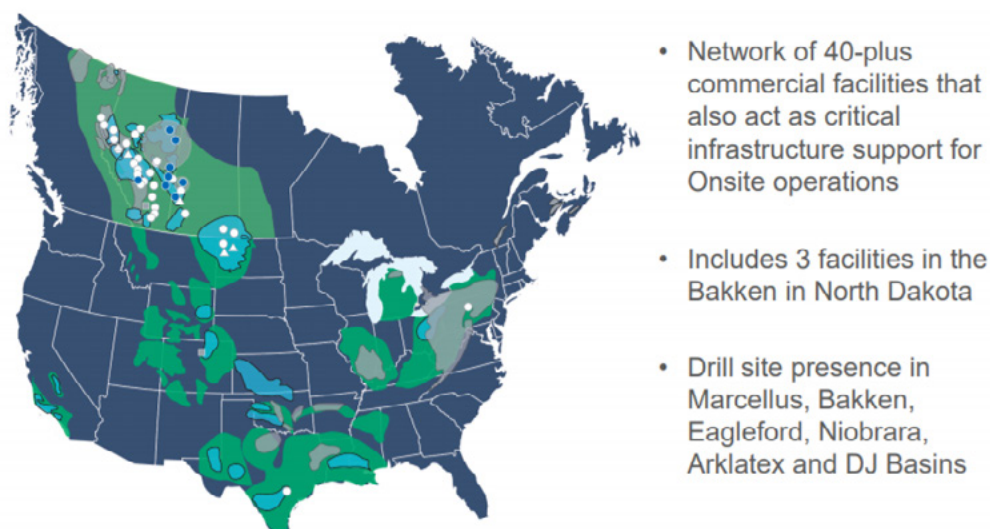
Source: Tomson Reuters

On August 15th, 2017, the Company released Q2/2017 earnings and its stock price increased 31% by the end of the day. QST posted revenues of \$3.9mm, up 465% Y/Y and 30% Q/Q, and quarterly profits of \$960K, also up from a net loss of \$600K, in Q2/2016. Additionally, the Company has committed \$5.4mm in capital expenditures to meet the demand for its products in the U.S., as they have received a \$4mm order, which should be delivered in 2017.

## Newalta Corporation: (TSX:NAL)

Newalta Corporation offers sustainable and economical waste management solutions to clients within the Oil & Gas industry. The stock continued its downward trend, falling 31% since our last report date, as it reported another quarter of losses and was removed from the S&P/TSX SmallCap Index.

The Company operates two business divisions: Heavy Oil and Oilfields. For both divisions, the Company offers services such as waste treatment, water disposal, land filling, and oil recovery from waste. The Company operates a combined 43 facilities receiving 3rd party waste: 8 of those service Heavy Oil clients, and the remaining 35 service Oil Fields clients.



Source: Company Filings

For the quarter ended June 30, 2017, the Company reported a net loss of \$16mm, which increased from a net loss of \$14.5mm in the previous quarter. Although NAL's performance declined Q/Q, the Company showed long term signs of improvement, with a stronger Y/Y performance driven mainly by its Oilfields division. NAL's quarterly revenue was up 39% Y/Y, and the Company reduced its net losses by 26% over the same period.

NAL updated its 2017 Outlook and Guidance:

- Revenue: \$235mm to \$265mm (previously \$200mm to \$275mm)
- EBITDA: \$43mm to \$50mm (previously \$40mm to \$55mm)

Analysts estimate an average price target of \$1.76 for NAL, providing an upside of 71%. The stock has 1 Buy, 4 Hold and no Sell recommendations.

### **Upcoming Catalysts:**

Having failed to replace President Obama's Affordable Care Act, it seems that President Trump's administration has now set its sights on replacing President Obama's Climate Action Plan. Any such removal of environmental regulations, may take away the clutch of support that many of the US20 constituents rely on. The cleantech industry still relies on regulatory support as some of the sustainable technology is not priced competitively for company return on investment (ROI), so it requires subsidies or government regulations for adoption. Investors interested in the sustainability industry should also follow oil prices, which are a key driver of the industry. Current S&P Global Market Intelligence WTI estimate has crude oil hovering between US\$50-US\$55/barrel over the next year. Ironically, the cleantech companies need a thriving Oil & Gas industry to clean up after.

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