

Net profit after tax for emerging environmental stocks

Stock	2009-10 {\$m}	2008-09 {\$m}	% change
CBD Energy	8.49	-3.69	▲ 330
Clean TeQ	1.33	0.51	▲ 160.7
CMA	n/a	-56.8	- n/a
CO2 Group	-3.78	0.68	▼ -655.8
DoloMatrix	3.43	-1.42	▲ 341.5
Energy Developments	16.41	3.67	▲ 347.1
Environmental Group	0.56	0.95	▼ -41
Forest Enterprises	n/a	-14.13	- n/a
Gale Pacific	6.02	-11.96	▲ 150.3
Greencap	4.32	6.83	▼ -36.7
Hydromet	3.03	-3.33	▲ 191
Novarise 1	5.3	6.14	▼ -13.6
Quantum Energy	8.47	30.26	▼ -72
Solco	4.79	1.79	▲ 42.6
SteriHealth	5.35	3.75	▲ 42.6
Viridis Clean Energy	-64.1	-19.34	▼ -231.4
Willmott Forests	n/a	14.73	- n/a

Half-year results to June 30 each year

Source: Eco Investor

*Cast off the gloom,
it's time to look
at the profits*

VICTOR BIVELL



THE dark days of the clean tech sector may be getting brighter.

Emerging environmental companies have turned in a mostly positive reporting season, including some outstanding profits.

But the sector continues to show extraordinary volatility, and there is also bad news. Two companies are in receivership and a third has major debt issues and has been suspended.

Emerging environmental companies are stocks outside the ASX 300 index, but whose sales and, for the most part, profits place them ahead of the many microcaps that sell little and make even less.

It's an attractive part of the market for many investors be-

cause the companies are well past their start-up phase. Some even pay dividends and are in striking distance of the ASX 300. But the sector has risks, and long-term success is still not assured.

The good news is that 12 of the 17 emerging stocks made a profit, and only two made a loss. In 2008-09, 10 out of 17 stocks made a profit and seven made a loss.

Four companies increased their profits, and four were able to turn the previous year's loss into a profit. Four companies had reduced profits, one went from profit to loss, one reported a much greater loss, and three have more serious issues.

The biggest profit increase was by landfill gas developer Energy Developments, which repaid the faith of its private equity buyers and those investors who refused to sell into their takeover. Profit rose 347 per cent, from \$3.6 million to \$16.4m, on a 7 per cent rise in revenue, but the big changes were lower borrowing costs and much lower one-off costs.

Energy Developments was removed from the ASX 300 list after the majority private equity takeover because of its reduced liquidity.

Hazardous waste manager DoloMatrix enjoyed a 341 per cent turnaround, from a loss of \$1.4m in

From horsepower to wind power, what more could one ask for? Wind turbines at the Toora Wind Farm in South Gippsland, Victoria

DAVID GERAGHTY

2008-09 to a profit of \$3.4m. It also announced a maiden dividend of 1 cent per share.

Although revenue fell by nearly \$3.5m, costs fell even more. DoloMatrix says recent acquisitions should contribute strongly in 2010-11.

Solar energy installer and wind farm developer CBD Energy enjoyed a maiden profit with a \$12.1m turnaround, going from a loss of \$3.7m to a profit of \$8.5m. The result was mainly due to its acquisition of eco-Kinetics. CBD is also paying a maiden dividend.

Used car battery and waste recycler Hydromet went from a loss of \$3.3m to a profit of \$3m as revenue jumped from \$27.9m to \$43.1m. But there was also a net gain on the revaluation of land and building of \$2.5m.

Profit at environmental engineering group Clean TeQ jumped 160 per cent to \$1.3m as revenue doubled to \$17.1m.

The company said trading conditions had picked up after a difficult period due to the global crisis, and that continued investment in people and research had helped it to stay at the forefront of its industries. The outlook was good with significant potential business opportunities in all areas, it said.

Architectural sunshade maker Gale Pacific moved from a loss of \$12m to a profit of \$6m. The company reinstated its dividend and will pay 2c per share, 1c of which is a special dividend.

The company had strong sales growth of 10 per cent in Australia and 6 per cent in the US, and its China manufacturing plant improved performance.

This year the company will re-

lease a new waterproof outdoor material, and will focus on "branding and shading products for domestic, commercial and industrial applications".

Among the companies that went backwards, profit at solar hot water and heat pump company Quantum Energy tumbled from \$30.2m to \$8.4m.

Revenue fell 24 per cent, or \$26m, to \$81.2m. But the cost of manufacture fell only \$12.8m, and employee benefits, loss on the fair value of financial assets, and impairment of receivables cost another \$6.9m.

The directors said the decrease in profit was due to changes in government incentives. However, the company was focused on new sales and distribution channels and these should "facilitate a strong performance in the finan-

cial year 2011", it said. Landfill gas and wind farm owner Viridis Clean Energy reported a loss of \$64.1m after a loss in 2008-09 of \$19.3m.

The size of the loss was mainly due to a charge of \$73.6m for impairment of assets. Directors say they classified its main assets as "held for sale", and wrote down their carrying value to reflect the three-month price of Viridis securities.

Viridis said it had a number of proposals for the sale of its assets. Carbon sink developer CO2 Group reported a loss of \$3.7m, a sharp deterioration from a 2008-09 profit of \$600,000.

Although revenue rose from \$14.8m to \$22m, there was a \$5m increase in plantation costs, and the postponement of the government's Carbon Pollution Reduction Scheme led it to write down another \$5.5m on intangible assets of its WA mallee plantings.

Three companies have not released results.

Metals recycler CMA Corporation's shares have been suspended since February while its works through debt issues. Ironically, the year's biggest losers were two long-established companies with histories of rising sales, profits and dividends. These were the two mid-tier plantation forestry companies, Forest Enterprises Australia and Willmott Forests.

Both are in receivership due to the ongoing collapse of the managed investment scheme industry.

Victor Bivell is editor of Eco Investor magazine. www.ecoinvestor.com.au