

FEATHERSTONE

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MAKE A CLEAN BREAK

Share-price weakness makes some speculative clean-tech stocks a good punt, while innovation in renewable energy and environmental solutions could pay off handsomely.



● Few investors want to know about speculative technology stocks in this volatile market, even though Australia has some great clean-tech companies that will one day commercialise their renewable energy innovations and make serious money. For all the gloom, contrarians may see current share-price weakness as a long-term buying opportunity.

They will need a strong stomach. The clean-tech sector fell by 32 per cent in financial year 2010, according to the ACT Australian Cleantech Index, a leading barometer of 78 clean-tech companies with a collective market capitalisation of almost \$10 billion. This compared with an 11.8 per cent gain in the S&P/ASX 200 index and 10.5 per cent gain in the S&P/ASX Small Ordinaries index.

To be fair, this market-weighted index is affected by the performance of \$3.4 billion Sims Metal Management, worth about a third of the sector by value. Sims shares dropped 35 per cent in the year to June 30. Even on a volume basis, only 17 of 78 clean-tech stocks posted share-price gains; 22 clean-tech stocks fell by 50 per cent or more.

The performance of top clean-tech stocks is noteworthy given overall sector results and market aversion to risky companies. With this in mind, I asked ACT Australian Cleantech for individual stock data behind its index to spot the best results. The 78 stocks across 13 sub-sectors, such as waste and wind, were ranked by three, six and 12-month performance. June 30 was the cut-off to keep it simple.

Care is needed with the data because many clean-tech stocks have tiny share prices that make percentage gains and losses seem dramatic. Recent gains for some clean-tech stocks have still only

recouped part of horrendous falls over the past few years. Most clean-tech stocks suit experienced investors comfortable with speculative micro-cap situations.

Warnings aside, the accompanying table of the top 17 clean-tech stocks by FY2010 share price performance has some interesting ideas. A standout is Pro-Pac Packaging, included in *BRW*'s "Next Big Things" cover story (April 15). Shares in the biodegradable packaging provider have almost doubled in the past 12 months after heavy losses in 2008. Pro-Pac has been on the acquisition trail, most recently buying Creative Packaging

Grow with the wind:
Top clean-tech stocks
are performing well

in Queensland. Pro-Pac is also consolidating four Melbourne packaging sites into one operation to improve efficiencies and lift capacity.

Renewable energy group CBD Energy also has more supporters lately. It recently installed two wind turbines on New Zealand's Chatham Islands to reduce reliance on diesel power. CBD says the \$2.9 million project will produce recurring revenue of \$12.3 million over 20 years. The Sydney company has secured some important strategic co-operation agreements with Chinese renewable energy groups this year.

Of other stocks in the table, solar panel manufacturer Dyesol and waste management group Tox Free Solutions are two of the more promising mid-size clean-techs, have been covered in this column before. Another interesting company this column follows, BluGlow, a developer of semiconductor technology for lighting, has performed poorly in the past 12 months despite decent operational progress.

Readers who like a punt might research biofuel minnow Jatofil. After floating at 20¢ a share in 2008, Jatofil sank as low as 2¢. Just as it looked like the market had given up, Jatofil this month announced its first sale of commercial quality crude jatropha oil from its Indonesian operations.

The first 10 tonnes of oil are being used as feedstock for aviation fuel consumed by leading airlines. The plan is to grow that to 700 tonnes in the next 12 to 18 months, and double that within three years. It is risky stuff, but the question is whether the company's long-term growth potential is reflected in the current \$2.8 million market capitalisation. *BRW*

TOP CLEAN-TECH STOCKS BY SHARE-PRICE PERFORMANCE

Company	Share price (\$)	Market cap (\$m)	3 months %	6 months %	12 months %
Gale Pacific	0.160	45	-5.9	14.3	162.3
Pro-Pac Packaging	0.320	40	-9.9	14.3	93.9
Stericorp	1.450	28	3.6	-3.3	72.6
Dolomatrix	0.260	36	-1.9	-24.6	57.6
CBD Energy	0.110	41	-15.4	-26.7	57.1
Advanced Energy Systems	0.05	22	-58.3	-20.6	56.3
Mission NewEnergy	0.270	74	-25.0	-41.9	54.3
Revetec	0.030	7	0.0	0.0	50.0
Solco	0.075	15	-12.8	-34.8	44.2
Tox Free Solutions	2.350	215	-11.3	-7.1	30.2
Dyesol	1.050	150	5.0	9.4	23.5
Energy Developments	2.420	379	-3.2	-11.0	19.8
Traffic Technologies	0.027	4	-18.2	-42.6	17.4
Green Invest	0.065	3	0.0	-4.4	16.1
Australian Ethical Investment	23.20	23	-9.0	-25.2	5.5
Eden Energy	0.056	10	-44.0	-20.0	3.7
Phoslock Water Solutions	0.100	19	-9.1	-16.7	0.0

* Share price and market capitalisation at June 30, 2010. All percentage performance figures relate to June 30, 2010. Source: ACT Australian Cleantech Index