
Analysts' Ideas of the Week – West Mountain Capital: Upcoming Catalysts; Adding to Top Picks

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West Mountain Capital: Upcoming Catalysts; Adding to Top Picks

West Mountain Capital Corp. (TSXV: WMT) recently announced their Q1-2014 results. Q1 revenues of \$0.19 million were below our expectations. In Q1-2014, the company processed 3,930 tonnes of soil, down from 5,207 in Q1-2013, and the 2013 average of 5,500 tonnes per quarter. Soil treatment was negatively affected in Q1 due to heavy precipitation in the region, and approximately two weeks of scheduled and unscheduled downtime for repair and maintenance. Despite the weak Q1, we added WMT to our top picks list last week due to a number of upcoming expected catalysts. Also, keep in mind that WMT's share price is down by 21% in the past two months. Our fair value estimate is \$0.60 per share. We have a BUY rating, with a risk rating of 4 (Speculative), on the stock. Here are the upcoming catalysts we are expecting:

- In May 2014, WMT received a Phase II contract, from Dadi for a minimum of 70,000 tonnes of contaminated soil, the company's largest contract to date. As of April 2014, WMT had treated 29,042 tonnes of soil under Phase I. Phase I is expected to be completed this month, upon which, Phase II operations will commence. For Phase II operations, WMT's new partner, Jereh Energy Services, will finance and manufacture a TPS unit, with an annual treatment capacity of approximately 77,000 tonnes. The impact of this Phase II contract is that we should see a significant increase in revenues in Q3 from current levels.
- Oily Sludge Treatment in Zhoushan with Nahai - This project is expected to commence operations this month. The facility is designed to process 50,000 tonnes per year of oily sludge. WMT has a 30% interest in this joint venture. Management indicated that the joint venture expects to process approximately 9,000 tonnes in 2014.
- Industrial Sludge Treatment, a sub-contract agreement with Huafu Environmental Engineering Company, in Changqing – This project is also expected to commence operations this month. Fabrication of the TPS unit

was completed in October 2013. Our discussions with management indicated that they expect to process 2,500 tonnes of industrial sludge in 2014.

We believe that at least one, if not all, of the above three catalysts, will positively impact WMT's.



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Neulion Offers Excellent Exposure to Online Video Space

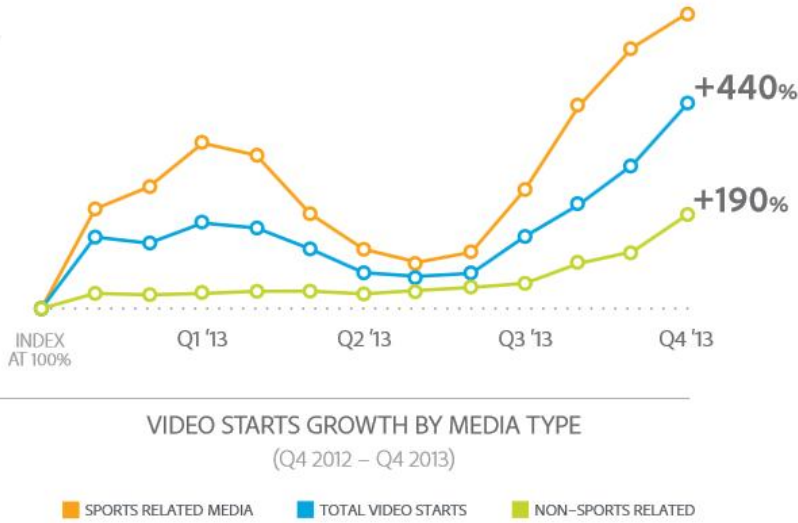
Neulion Inc (TSX: NLN) shares surged Friday June 6, 2014, as the company reported a new partnership with Rogers Media (TSX: RCI-B). Neulion specializes in digital video broadcasting, distribution, and monetization, of video on demand. The company has shown increasing revenue growth over the last two quarters, and profitability has also shown significant improvement in this time. We feel that Neulion is well positioned to capitalize on the growing consumption of video online.

Neulion creates and manages online video platforms to watch content online. They have a very strong presence in professional sports through partnerships with many of the premier leagues to manage their digital video broadcasting. Customer include major professional sports leagues including the NHL, NFL, NBA, and UFC, as well as other professional leagues. The company has also partnered with the National Collegiate Athletic Association (NCAA), and has agreements in place with over 160 colleges and universities. The company generates one-time revenue from set-up fees. Recurring revenues make up the majority of income, and are earned through on-going support, hosting, and fees earned through subscriptions, usage, advertising and e-commerce.

In Q1 FY2014, ended March 31, 2014, the company reported revenue of \$13.5 million, which is a 13% increase over Q1-FY2013. A majority of their revenue are from professional sports, followed by college sports, and then TV everywhere. A benefit of their income is that the majority of the revenue (\$12.6 million) is recurring. The company's net income significantly improved in Q4-FY2013, with net income of \$1.1 million. Before that, the company had consistently reported quarterly losses. The company reported net income of \$1.1 million in Q1-FY2014, which is a significant improvement over Q1-FY2013's \$0.3 million loss.

The company notes that their business relies heavily on the adoption of online video consumption. The chart below shows the huge growth over the last year in online sports streaming. We feel that online video

consumption will continue growing due to mobile devices and the improving video experience online. In 2013, Adobe Digital Research noted that sports streaming was up 640% over the year prior.



Source: ADOBE DIGITAL

Neulion announced on June 6, that they had expanded their partnership with Rogers Media to create and deliver a new TV everywhere experience called Sportsnet NOW. We feel this expansion of a major sports network will allow revenue growth to continue for the company.

Neulion has a market cap of \$178.8 million. We feel that the multiples Neulion currently trades at are a little high. However, the company has strong growth potential, and is well positioned in a rapidly growing industry. We feel that the company has potential and would continue to watch the coming quarters.

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