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Analysts' Ideas of the Week – West Mountain Expands Scope of License

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Sid Rajeev, B.Tech, MBA, CFA
Head of Research

West Mountain Expands Scope of License

On October 14, 2014, West Mountain Environmental Corp. (TSXV: WMT) announced that they have negotiated with M-I L.L.C., and Schlumberger Canada Limited (NYSE: SLB), to expand the scope of their licensing agreement for the application of TPS technology. According to the revised agreement, WMT now has a non-exclusive license to use TPS technology for any application. Previously, they were restricted from using the technology in the treatment of drill cuttings and waste associated with refinery operations and pipeline operations. The territory of use has also been expanded to include China, the Philippines, Indonesia, Malaysia, Singapore, Vietnam, Myanmar, Laos, Cambodia, Thailand, Brunei and East Timor.

WMT has agreed to pay US$1.5 million to SLB for these amendments, and US$120,000 for each new TPS unit that it uses in Canada, the U.S., and Iraq, and US$100,000 for each new unit in China, the Philippines, Indonesia, Malaysia, Singapore, Vietnam, Myanmar, Laos, Cambodia, Thailand, Brunei and East Timor. The agreement also requires WMT to make not less than two new units per year for the next five years.

Upon signing the above, WM went on to sign a non-exclusive sub-licensing agreement with Jereh Energy Services Corporation. Jereh has agreed to pay US$1.5 million to WMT, and a fee of US$105,000 for each new TPS unit. Jereh is also required to pay 30% of its net profit from use of the sub-license.

WMT's shares are up 20% since this new development. **We believe this is a significant milestone for WMT, especially considering Jereh's significant track record in oilfield engineering, technology services and environmental services.** Jereh is wholly owned by Yantai Jereh Oilfield Services Group, a public company listed on the Shenzhen Stock Exchange (Shenzhen: 002353, Market Capitalization: US$5.58 billion). We also believe that this is a positive signal as Jereh would not enter into such a transaction unless there was foreseeable demand on the horizon.

WMT is expected to release their Q3-2014 results next month. The company had reported revenues of $0.42 million in the first six months of 2014. Our revenue forecast for FY2014 is $1.73 million. Our net loss forecast for the year is $3.41 million (EPS: -$0.06). We have a BUY rating, with a fair value estimate of $0.56 per share (Risk 4).

WMT is on the list of FRC top picks.

Daniel Iwata, BA, Dip. Fin. Mgmt.
Equity Research Associate

IWG announces new T-series water heaters

International Water-Guard (TSX-V: IWG) just announced their new T-series tankless water heaters. The system provides continuous hot water for sinks, showers, appliances and galleys. IWG will offer a range of heaters to meet the various needs of customers. We feel the addition of this new product will help in providing continued growth for IWG. The business jet industry also continues to show improvement as noted by some recent highlights in the industry.

Last week, Gulfstream (Subsidiary of General Dynamics NYSE: GD) unveiled their new business jets, the G500 and G600. The new jets are wide cabin business jets with best in class safety and features. The G500 has a 5,000 nautical mile range, while the G600 is capable of 6,200 nautical miles. The maximum operating speeds for both aircraft are Mach 0.925, which is the same as the popular G650. Gulfstream feels these jets will fill the need for super-midsized business jets. IWG has not announced if their water solutions will be standard on these aircraft. However, their systems are standard on the G450, G550 and G650. The G500 is set to start deliveries in 2018, with the G600 starting in 2019. We would continue to watch if IWG is standard on the new jets.

Honeywell (NYSE: HON) also just released their 23rd annual business jets forecast. Honeywell is a leading supplier of various parts to business jets. They increased their expectations for business jets by 2%. Honeywell forecasts deliveries of up to 9,450 new business jets between 2014, and 2024, with a value of $280 billion. The report notes that nearly half of the planes sold in this period will be super-midsize to larger VIP jets, which will benefit IWG as their systems cater to the larger aircraft.

The report notes that demand in China decreased substantially; Honeywell cut their 10 year forecast for business jet deliveries in half. This is mainly attributable to current government cutting down on lavish spending.

We feel that the above are positive factors for IWG. We continue to feel that IWG offers good value trading at P/E of 7.53x.

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