

15:39 30 Jan 2018

Universal mCloud Corp shares higher as Echelon Weath Partners begins coverage

Shares in tech group Universal mCloud Corp (CVE:MCLD) added over 8% in Toronto as Echelon Weath Partners started covering the shares with a 'speculative buy' rating.

The company is focused on the performance of critical assets by providing a subscription-based cloud service which benefits each asset stakeholder.

Specifically, it applies remote asset management, in the so-called Equipment Health Management (EHM) segment to such assets as wind turbines, gas compressors, and HVAC (heating ventilation and air-conditioning) units.

Its work encompasses IoT (internet of things), cloud, big data, analytics, augmented reality, mobile communications, wearable devices and artificial intelligence (AI).

Good news for Universal mCloud Corp is that ARC Advisory Group estimates that the remote asset management marketplace will be worth US\$27bn by 2022.

"Major growth tailwinds are the declining costs of IoT components, increased demand for IoT solutions, cloud computing, advanced analytics, increased cost of assets, and a skilled labour shortage," added Echelon analyst Ralph Garcea.

Energy assets like those above are highly distributed and frequently in difficult-to-reach areas.

"Universal mCloud estimates its targeted total available market to be approximately 130,000 wind turbines in the size class of 50kw to 800kw worldwide; approximately 770,000 reciprocating gas compressors of greater than 50HP in North America; and approximately 800,000 rooftop HVAC units worldwide of 3 to 12-ton capacity in markets where electricity rates exceed US\$0.10 per KWH off-peak."

In terms of the financials, says the investment group, it reported third quarter 2017 revenue of C\$0.3mln.

"Longer term, we expect EBITDA margins to trend toward 30% as services/recurring revenues grow as a percentage of the total."

Garcea reckons breakeven revenue would be around C\$12mln annually. For 2017, he estimates the firm will have around 6,000 connected assets, growing to around 30,000 in 2018 and around 300,000 over the next 3-5 years.

He reckons organic growth will come from the smart building (around 60%) and smart turbine (around 35%) opportunities, and the remainder (about 5%) from smart transformers.

"The acquisitions of nGrain and CSA are likely to begin showing marginal revenue in Q218 scaling into H218 as they are fully integrated into the AssetCare platform."

Echelon targets C\$1.25 for the shares, which is more than three times' the current price of 40 cents.

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