



[rhstruthers@gmail.com](mailto:rhstruthers@gmail.com)

519-374-9332

Yearly subscription US\$249

Know when to hold-em!  
Know when to fold-em!  
Know where to set stops!  
Know when to run!  
Never count your portfolio  
Until the sells are done..

I sent an alert on this one June 16<sup>th</sup> and an update June 21<sup>st</sup> on a meeting with management. I think time is now running out to buy this cheap and the last news release gives a strong clue.

[Smartcool](#)

TSXV:SSC

OTCQB-SSCFF

Recent Price \$0.04

Shares outstanding 178,000,000

Quite a few shares out, but 10 insiders own between 100 and 110M of that, but still liquid

**This is a simple story of a technology advancement coming at the right time.**

The technology is a simple control and a chip with algorithm that goes between the thermostat and air condition unit/compressor. By controlling the compressor they reduce electrical costs by 15% to 30%, this is huge savings on commercial applications.

Originally the unit used a computer and the cost to install was about \$10,000, even still they got a revenue run rate over \$10 million several years ago, mostly from a dealer distributor in Britain.

Management did a poor job, had no internal sales team and relied on a couple distributors, so revenues dropped off as the distributors exhausted their customer base. Late 2016 the President resigned and the original founder, Ted Konyi **came back to manage actively and has put together a highly motivated and experienced sales team.**

Since the cost is now greatly reduced they install one of these for about \$10,000 and have strong margins and now that electricity costs are higher, return on investment is much quicker, in many cases less than 1 year.

It turns out their expected savings is actually at the high end. News out July 18<sup>th</sup> announced savings in excess of 30% of energy at a Mercedes-Benz auto dealer in Ipswich, Britain which is part of the [Jardine Motor group](#).

Jardine Motors is an authorized franchisee for 23 motoring manufacturers; it operates across 70 locations and employs over 3,000 team members, operating under the successful Lancaster trading name. Jardine (\$US128 billion revenue) now plans to roll out across their dealerships, but this is not even the tip of the iceberg.

**The savings here were on heat pumps so means both heating and cooling seasons.**

## Management

**Theodore H. Konyi – President and CEO** has over 30 years experience as a financial entrepreneur. As founder of the Maxwell group of companies, he has been involved in the startup and growth phases of 15 corporations primarily in the energy and technology industries. The primary operating company in the group, Maxwell Mercantile Inc., has completed in excess of \$140 million in private and public financings. From 1988 through 1998, Mr. Konyi was responsible for forming and financing 17 Limited Partnerships that invested successfully in the energy sector. This involved the acquisition of ~\$120 million of producing oil and gas assets in Alberta and managing the cash flow for over 1500 limited partners. From 1994 to the present, Mr. Konyi has been involved as a director or senior officer in 12 publicly listed companies. Mr Konyi was founder of Magnum Energy Inc., a startup publicly listed oil and gas exploration company - founder of SmartCool Systems Inc. and Co-founder of Digital Caddies Inc., a startup tablet based golf course GPS management tool. Ted was also co-founder of First Coal Corporation, a private metallurgical coal exploration company, which raised \$65mm privately and was sold in 2011 to Xstrata Mining for \$149mm.

**Steven Martin – Executive Vice President** is one of the founding directors of Smartcool EMEA and UK. His previous career in Estate and Property Management & Sales provided him with a wide and varied experience across a range of industry sectors.

I believe more important is some of the sales additions to the team. **And more have been added since**

**Nick Weedon, joined in 2016 as Smartcool's National Sales Manager**

Nick has extensive experience in Sales focused in the electrical/energy sector. He was Key Account manager at [Edmundson Electrical](#) prior to this was National Sales Manager with [Rexel Services](#) & Solutions UK and previous to this was Sales Manger at Fairway Electrical.

**May 30<sup>th</sup> SSC announced a partnership with [Wates Group in the U.K.](#)**

Wates were formed in 1897 and are one of the UK's largest family owned construction, property services and development companies. Wates employs over 4,000 people and works with more than 10,000 supply-chain operatives and partners to successfully deliver projects throughout the UK. With a revenue of £1.27b in 2015 it saw them also acquire the Shepherd Group's construction operations for a reported £9.8m with some 1,200 staff transferring to Wates

**April 11, 2017 SSC announced [Frank Lawrence](#) as, Senior Vice President Cold Chain.**

Frank's responsibilities will include the development of new global marketing and sales strategies for the company in the refrigerated transportation and cold storage verticals. Initially focusing primarily on the North American market place. Frank will head up the company's new initiative of direct sales to the refrigerated transportation business . The markets of particular interest are in refrigerated transportation (reefer trailers), refrigerated containers and cold storage facilities.

**March 21, 2017 SSC announced Haiwen (Helen) Qian as Executive VP Business Development** for the development of new marketing and sales strategies for the company in North America and future development of opportunities in China.

Haiwen Qian was educated at Tianjin University of China with an Electronic Engineering degree. During her 20 Years in various business ventures in Canada, she has founded and operated successful business in Manufacturing, Educational training and International Trading. She is an independent investor and a business consultant. She has been involved in numerous business development projects for North American companies. She has extensive experience in assisting North American companies to become established, funded and to set up operations in China.

Today, Smartcool has offices in Canada, the USA and the UK, providing the ECO3 and ESM to a global network of distributors and end customers.

## Products

The ECO3 and ESM are Smartcool's retrofit technologies that reduce the energy consumption of compressors in air conditioning, refrigeration and heat pump systems (HVAC-R). Saving an average of 15% to 20% kWh, the ECO3 and ESM deliver a rapid return on investment in 12 to 36 months. The technology has been validated by rigorous third party testing, government organizations and over 28,000 private business installations.

As noted with their costs greatly reduced, higher energy prices and the focus on green and reducing the carbon foot print, the timing is very good

- Increased energy efficiency for air conditioning, refrigeration, heat pump systems (HVAC-R)
- Shrinking of clients' carbon footprints to help them achieve green sustainability goals
- Cost savings on the operation and maintenance of any building with cooling systems
- Peace of mind with independently tested, risk-free energy efficiency products
- Extra incentives to be more energy efficient with Smartcool, such as rebates from utilities & governments

Smartcool's ECO3 is an energy efficiency retrofit product that can save an average of 15% kWh energy used by the compressor in air conditioning, refrigeration and heat pump systems (HVAC-R). The ECO3 achieves savings using intelligent [cycle optimization technology](#).

**ECO3**



**ESM**



## Panoramic Power Sensors

June 20<sup>th</sup> Smartcool announced they entered into a VAR (value-added re seller) agreement with [Panoramic Power Ltd.](#)

Panoramic Power has developed innovative new power metering sensors that provide device level consumption data. The sensors are self powered, inexpensive, easy to install and report to a powerful Web-based dashboard where users can monitor power consumption.

When I met with Smartcool they had just announced this deal so I seen the product and demo.

Wireless Sensor



Wi-Fi Bridge



### There are several important factors at play here.

- This technology is not new but this solution is probably the cheapest and best out there.
- It has a very powerful web or phone based management system
- Another revenue stream for Smartcool – very good margin levels increase with volume.
- A 3<sup>rd</sup> party product that verifies Smartcool's energy savings.
- It provides Smartcool with a total customer solution, it can monitor any circuit, not just cooling

The device consists of a round over sized ring (sensor) that would fit around your thumb. This is simply placed around the power cable of the circuit. It reports to unit that is a little bigger than a cigarette package (Bridge) and this can produce alerts to a cell phone and a web based graphic interface to view historic power usage in many formats and detail. **It will also detect circuit failures and give real time alerts.**

For an example: a customer could monitor their cooling circuit for one week with Smartcool device turned off and one week with it on to see exactly what the cost savings are.

The potential uses for the Smartcool Systems are as enormous as the electrical energy market world wide, a few examples.

- Grocery store food storage and presentation, store air conditioning.
- Wholesale food storage facilities
- Food transportation refrigeration units
- Hotel and Casino air conditioning
- Any roof top building air conditioning (like Mercedes-Benz mentioned above)
- Mushroom farms
- Marijuana grow operations
- Plastics industry, a chilling system cools the hot plastic that is injected, extruded or stamped.
- Rubber industry to cool the multizone water temperature control units
- Ice rinks
- Computer data centers

I have no doubt their technology works and can give customers substantial savings and is going to become very easy to sell. I cannot divulge their costs and sales prices as they vary by installation, but in general one installation on one chiller or air condition unit runs around \$10,000 – these are on commercial sized units.

As an example for a mushroom farm, a sector they are making good inroads on, a farm could have 30 to 50 grow rooms and each room has 3 or 4 cooling units – you are looking at \$10k X 3 X 40.

That is about \$1.2 million on a large mushroom farm

There are over 100 mushroom farms in Canada so that is over \$100 million market potential.

The U.S. market is about 4 to 5 times larger as they import some but about 50% of production is in Chester County Pennsylvania. The [State ranks as 31](#) for electrical costs so is more expensive than most States.

**This is a very big concentrated market in one location so would be very lucrative and effective for SSC to penetrate.**

## **Financial**

Last qtr., March 31, 2017 shows about \$31,000 in cash, \$181,000 in receivables and \$143,000 inventory.

They have no long term debt but \$297,000 short term loan and current debentures of \$260,000.

Finances are manageable from what I see and a \$500,000 equity financing at 3 cents per share closed July 7<sup>th</sup>, with \$120,000 of that to repay debentures.

This should put the company in good shape for the rest of the year and I expect better cash flows in the 2<sup>nd</sup> half of the year.

Revenue for 2016 was \$325,976 and I expect this was the trough with just \$26,854 in Q2 2016.

**Q1 2017 revenue came in at \$85,957 so it appears to be on an uptrend and most of the Sales people additions and initiatives came after this date.**

I expect revenue will see volatility quarter to quarter as it is a small company and timing of sales can make quite a difference, especially any large sales.

## Summary

[Demand for HVAC equipment](#) in the US is forecast to increase 6.8 percent annually through 2019 to \$20.4 billion, recording gains over twice the rate of the 2009-2014 period.

That is a large market with good growth but SSC's potential is much larger because it is a retrofit product on units already installed. In general air conditioners, heat pumps, HVAC systems have a life expectancy of 15 to 25 years, so in the U.S alone there is probably \$1/2 trillion of A/C equipment running.

They currently have test installations at a number of large chain type stores or customers and a company wide purchase order by any one of these would be have a dramatic positive financial impact on the company.

From my conversations with the company and looking at their costs and potential sales – I am expecting a revenue increase this year of about 3 to 5 times and that would make them slightly profitable, the following year another 10 fold revenue increase. If one or more of these large customers sign up, these numbers would be very conservative.

They announced they would roll out across 70 locations for the Mercedes-Benz dealerships (Jardine Motors). I estimate revenues for that roll out of approx. GPD 500,000 to 700,000. British pound is about 1.6 to C\$ **so we are looking at about \$1 million revenue on this sales order alone.**

The Power Sensor segment has a very nice reoccurring revenue model that historically has not been part of the revenue stream. Users pay a low up front cost and an approximate \$5 monthly fee. Users could have a lot of these at any building and monitor not just cooling , but lighting, heating or any electrical circuit.

The margin on selling these is decent but becomes very good with higher volumes.

Smartcool has manufacturing agreements in place so they can easily ramp up for demand and they are partnered with installation companies that can do installations world wide.

They had very positive test results on a mushroom farm in B.C. When I met with them in Ontario, SSC was visiting current and potential customers (mushroom farms) and they attended the [24<sup>th</sup> annual national mushroom conference](#) in Quebec.

This sector alone represents a multi-million opportunity for the company. For marijuana fans, this is another opportunity as these grow rooms require cooling because of the heat from lighting.

**Data Centers are prime candidates** because they create a lot of heat and need cooling year around. A data center installation would represent on average around \$90,000 revenue to SSC.

There is probably around 8 million data centers around the world.

This is data from 2014 so out dated but, [according to DOE statistics](#), data center electricity use doubled between 2001 to 2006, from 30 to 60 billion kilowatt-hours of electricity, and stood at about 100 billion kilowatt-hours of electricity as of 2013. This amounts to about 2% of all U.S. electricity use and climbing.

**Already, there are about 3 million data centers in the U.S.**, amounting to about one center per 100 people in the U.S., and this is expected to continue to grow as more computing applications for large and small companies are moved to these facilities.

**If SSC just captures 10% of US data center market or 300,000 centers is potential revenue of \$27 billion.**

**Billion, that is not a typo, the potential is simply enormous!! It is only a question of execution?**

I would be very happy if they got up to \$10 million revenue.

At 4 cents and 178 million shares out the market cap is \$7 million.

With \$10 million revenue and trading at 3 times revenue and assume dilution to 200 million shares would be a **15 cent share price. I believe that makes a good target for year end or into Q1 2018.**

Higher revenues or multiples all the better!!

I am expecting numerous press releases over the coming weeks and months as their test installations result in sales.

I will also add that they have strong connections to China which would be the largest market, but they simply have to grow some more before they tackle that avenue.



The chart looks very good with a long Stage 1 base built between 2 and 3.5 cents. We see a recent break above 4 cent resistance and a typical pull back.

There is a new up trend in place with a move above the 200 day MA and that average confirmed up trend with a turn up in June. 5 cents is mild resistance I seen next stop or consolidation in 7 to 8 cent area.

**I bought stock in the 3 cent placement and in the market and currently own just over 1 million shares**



