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Aeris Environmental (AEI) 28c

WHAT'S in a name? Plenty for these refrigeration bacteria busters, who changed their name from Aeris Technologies to Aeris Environmental so as not to be lumped in with the out-of-favour biotech sector. Criterion recently chided companies, Aeris included, who have adopted a green moniker. We suspect many are more interested in cleaning out investors' dough rather than cleaning the planet.

Aeris chief Huw Jones argues his company is genuinely green, in that it cleans up aircon and fridge fixtures without washing harmful acids and alkaline chemicals into the sewerage. There's also energy savings on offer as the compressors don't have to work to push the air through the gunk. Aeris's target is biofilms: slimy, seething masses of bacteria found on heat exchange coils, ducts or aircon water towers. We hope our readers aren't eating, because such health hazards are commonly found in food facilities including chicken processing plants.

Aeris developed a patented enzyme technology that eats the biofilm and prevents the bugs from re-forming. According to Evans, the company competes mainly with operators who clean the mess away with a high-pressure hose, thus making the problem worse over time by introducing moisture. Given our modern obsession with food hygiene, we would have thought companies were on to the issue long ago. We also assumed that clean cooling was covered by myriad regulations.

Wrong on both counts. According to Jones, the regs are confined to cooling towers (Legionella outbreaks make for frightening headlines), surfaces that directly contact food and the visible stuff. In the words of Terry from *Fawlty Towers*: "What the eye don't see, the chef gets away with."

As for corporate attitudes, Aeris has to flog its wares on the basis of the energy savings or a tangible benefit other than killing their customers. "It always comes down to the bottom line," he rues. "We're almost providing a healthy solution as a by-product."

Nonetheless Aeris is slowly building a top-end customer base globally. Jones says the companies tend to use Aeris on only one site initially, but then extend contracts when they see results. Contract sizes currently vary between \$US10,000 and \$US200,000 (\$213,700).

Pharma giant Merck used Aeris for two manufacturing sites in Puerto Rico, at a cost of \$US600,000. Jones says Merck recouped this investment in four months through a 15 per cent reduction in air-con costs.

Another client is the casino chain Harrah's, which needs to maintain perfect temperature control for another reason: gamblers won't keep punting if the room is stuffy.

Aeris lost \$1.9 million on revenue of \$1.07 million in the December 2007 half. Jones says Aeris now is generating "annualised" revenues of \$2.5-3.5 million, based on contracts in place. Cash burn has declined to \$198,000 per month, from \$340,000 per month in the December half.

Aeris has no debt and a cash balance of \$3.6 million. Management was lucky enough to raise \$3.7 million in December at 40c a pop last year, when the market jolted back to life (not for long as it happened) after the US credit woes. Aeris, we add, has an unfortunate legacy of underachievement since its 2002 listing (the stock peaked at \$1.80 during the biotech boom).

Criterion rates Aeris as a speculative buy, and advises readers to avoid chicken until governments take food regs more seriously.

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