

Already The Leader In The Odor-Control Business From A Biological Standpoint - Biorem Inc. Is Now Developing New Initiatives In The VOC (Volatile Organic Compounds) And Biogas Marketplaces



Edward S. Corbett, B. Comm., CMA
Chief Financial Officer

BIO:

Mr. Corbett brings more than 15 years of senior financial and operational experience in Professional Services and technology-related companies to BIOREM. Ed has over 10 years of experience specializing in business consulting and closed over \$350 million of transactions through joint ventures, technology licensing and financings. Ed grounded his career at GE Canada as well as a major insurance company. Most recently, he served as Director of Finance, Customer

Delivery for RightNow Technologies where he was responsible for the budgeting, forecasting and operations of the Professional Services group across North America and internationally. Previously, he was the financial officer and Secretary to the Board of Directors for Serco DE. Ed holds a Bachelor of Commerce from Dalhousie University and a CMA accounting designation.

Company Profile:

Biorem Inc. is a leading clean technology company that designs, supplies and distributes a comprehensive line of high-efficiency biological-based air emissions control systems. These systems are used to eliminate odors, volatile organic compounds (VOCs) and hazardous air pollutants (HAPs), and for the sweetening of biogas renewable energy. With sales and manufacturing offices across the continent, a dedicated research facility, a worldwide sales representative network and more than 600 installed systems worldwide, Biorem not only offers state-of-the-art technology-based products but also peace of mind for municipalities, industrial companies and their surrounding communities.

Interview conducted by:
Lynn Fosse, Senior Editor
CEOCFOinterviews.com

CEOCFO: Mr. Corbett, the mission at Biorem is to become the world's leading clean technology air emissions control company; how do you get to that point, and where are you today?

Mr. Corbett: Today, we are the leader in the municipal odor-control business. We have set up a very good sales network, meaning that we have manufacturer's reps covering all of North America as

well as very important international regions including China. Our sales channels are the backbone for our new initiatives, which include the VOC (volatile organic compounds) and biogas marketplaces. Both of those markets are hundreds of millions of dollars in size, and are markets attainable as extensions of our existing technology applications.

CEOCFO: Would you give us an example of a typical sale, or installation; what do you provide and how do you provide it?

Mr. Corbett: A typical installation is a vessel that could be made of fiberglass, concrete or stainless steel. Contaminated air is forced through one end of the vessel and the air then passes through our filter media. The media vary and range from an aggregate base; it is very lightweight and has a high surface area to a structured media. Media selection is based on the type of contaminant we are removing. The media develops a thin biofilm, which contains naturally occurring bacteria. This bacteria then digests the contaminants present in the air stream being treated. What comes out on the other side is clean air. Our process is all about understanding how to make the media very efficient, and efficiency is measured in the small size of the vessel as well as the lightweight nature of the media.

CEOCFO: Do you need to replace the biomedias?

Mr. Corbett: That is another main advantage. Our media is a permanent media. There are a couple types of media as you can have organic and inorganic. Organic medias are things like woodchips, and what happens with woodchips is they decompose and compress over time.

When you have a media that compresses, it creates resistance to the airflow and therefore you have to change out those media beds every one to three years. With our permanent media, you do not have to change it out; it is always working under optimum conditions as long as you maintain the right internal environment. By environment, I mean Ph levels, humidity, and temperature etcetera.

CEOCFO: So a company buys this, installs it, and they are good to go?

Mr. Corbett: They are good to go, exactly. Our media is warranted for ten years and we have media that has been out there in existence longer than that time. One of the constraints really is the vessel. Vessel life span ranges from five; ten or fifteen years so generally that is what dictates when the project has to be retrofitted.

CEOCFO: What is the competitive landscape?

Mr. Corbett: Our mandate is to become a leading clean technology company in the air emissions control business. We are predominantly in the odor control market but currently expanding into other markets. If you look at the odor control market, there are not many companies out there that do what we do. There are a couple of larger companies like Siemens, and a few others like that, but what they do is a very small portion of the marketplace. If we look in terms of revenue we are like \$15 to \$20 million in revenue, and Siemens who is in odor control is probably only \$5 or \$10 million. There are a few other players as well in odor control business and it is the same idea, meaning that all of the companies are very small in nature, \$5 to \$10 million in revenue. The only companies that have significant revenues are the ones that are in the traditional technologies and these would be like thermal oxidizers as well as chemical scrubbers. Those companies can be in the \$50 to \$100 million of revenue as they also compete for market share in wider markets such as VOC removal, but they have their challenges and biological can go very nicely with those. So overall, just to sum it up, the state of the competitive landscape is

that it is highly fragmented, as there are many little companies out there. The majority of these companies are struggling and they do not have enough cash flow to fund product development to help them get to the next level, so they will be trying to raise funds. Their management teams tend to be thin, with only one or two key people. Thirdly, they suffer from not being able to get to wider markets making them regional competitors. What Biorem has been able to do is to solve all three issues over the last three years.

CEOCFO: Would you tell us about your new offerings?

Mr. Corbett: We are making inroads into two innovative areas, one being biogas and the other one being VOC. In the biogas market, we look at projects that produce biogas. What the market needs are in those cases is that the biogas needs to be purified of contaminants such as

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hydrogen sulfide before use as a fuel source. Unpurified biogas creates Sulfur Dioxide emissions, GHG emissions and drives up generator maintenance costs substantially. What we are doing is that we are working with project integrators. These are the companies that put a turn-key solution together to generate and purify biogas. We provide the H2S removal component. The types of contracts that we do right range from a couple of hundred thousand, to \$750 thousand. However, what we are going to be moving towards is providing total purification capabilities meaning siloxanes, moisture and CO2.

Volatile Organic Compounds are emitted from just about every manufacturing plant. Many regions are increasingly regulating the release of these compounds as they contribute to urban smog and many health related issues. Where enforcement is in place they have typically been treated using thermal oxidation

technologies, which generate a lot of green house gases and have high operating costs. Our biological solution does the same removal but with 5% of the GHG emissions and much lower operating costs.

CEOCFO: Is the industry actively looking for better solutions?

Mr. Corbett: They are always looking for better solutions to get their costs down. It comes back to the point where the biogas and VOC markets are highly fragmented sectors, and even in the biogas side, there are no biogas purification companies that are large; the largest is probably \$25 million range. Because of that, people are always struggling to put the full solution together, and until someone can actually come out with the full solution so that you do not have to go to quite a few different companies to put it together, your costs are going to be higher. Cost effective solutions are the main driver in this industry. Biorem has the ability to do this because of our ongoing commitment to product development and cost reduction. We have had fifteen years plus of that type of experience, so we are by far the industry leader in that area.

CEOCFO: You have worldwide sales; are there particular areas you see as fast growing internationally?

Mr. Corbett: Everybody seems to be focusing on China. The thing to understand about China is you have to establish a presence there, and we started that process back in 2008. We have been up and running for a considerable length of time and the deal sizes that we are looking at are still small in comparison to what is available. That market is one that will open up for us. We are continuing to earn bookings in China, but what we are not hitting on just yet are the large or multimillion dollar deals. I think that those will be coming, but it is a little bit of a crystal ball. We are establishing relationships with the large Chinese conglomerates, and then will start to be able to bid and win some of those contracts. In other marketplaces, the Middle East has been very good to us, with the type of temperatures and issues that they have

there, it bodes very well for our solutions. Another big marketplace that we are moving into is Mexico and South America, in particular down in Brazil. In Brazil, we are working quite closely with some of the largest oil and gas companies like Petrobras. We are working with them to develop better solutions for their issues, and we expect to get more and more orders from those types of channels. We have done an excellent job of covering North America, and we are taking that same structure or understanding of how to take our products to market and duplicating them in the various big markets around the world.

CEOCFO: What challenges do you see or what do you have to be on the lookout for as you move forward?

Mr. Corbett: The challenges are more on the internal side. We have to remain very focused at maintaining our core business, which I referred to earlier as the odor side of it. It is a very good business, where we are the industry leader; and we have to make sure that we do not lose that mantle as we expand into other markets. What we have to do is remain focused and not bite off more than we can chew. It is a very fragmented industry, with a lot of opportunities. With those types of opportunities also comes the challenge of ensuring that you focus correctly.

CEOCFO: Do you see acquisitions as part of your strategy going forward?

Mr. Corbett: Yes absolutely, that is where we need to be challenged, to ensure that any acquisitions we do, fit in nicely with the expertise we developed from our core business in order to get into new marketplaces. One of the challenges that our competitors have is that they tend to be very industry vertical centric, meaning that some of them are tied strictly to, for example, the pulp and paper industry. They can experience some incredible years of high-growth and when the housing market in the states fell off the cliff, so do their markets. We also have to make sure that we develop markets that are somewhat counter cyclical to each other on the economic side, so that we do not have these types of issues and can generate consistent quarterly financial results. The company has actually done a good job of that meaning that our

revenue has been growing at about 25% or so, over the last three years. That is because we have been focusing on different markets and as some go down, we benefit from the ones that are moving upwards. That is kind of the same thinking we have on the acquisition strategy in that we need to bring into our fold, companies with technologies that diversify us across different verticals as well as give us much larger product offerings.

CEOCFO: Has the investment community been paying attention?

Mr. Corbett: The investment community is challenged by us. First, our liquidity is very low, and it is kind of like a catch 22 in that it is challenging for people to buy our stock, as they are not sure they can get out of it that easily at a later date. I do not mean the price is dropping, I just mean that people may want to change their investment habits. Therefore, the point of that is we are getting a lot of interest, and people are asking questions. I met with the majority of all of the analysts in Canada who are all very desirous of understanding our story and wanting continuous updates. We are still in the early stages though of getting our story out there, we are still relatively unknown. We are working to make sure that people understand that we are a growth company in the air and emissions control business not just the odor control business.

CEOCFO: Why should potential investors pay attention to Biorem?

Mr. Corbett: Biological technologies offer the greatest promise in resolving the planet's air quality problems and Biorem is one of the leaders in developing cost effective biological solutions. The future of biological solutions is vast and offers the opportunity to compete in most air emission markets as research and innovation continue to provide new solutions. The total air pollution control market globally is more than \$26 billion so you can see we have an incredible opportunity to expand and grow.

We are a biological technology company with substantial revenue for the air emissions control business, as we are one of the larger players in this emerging technology. It always makes sense that if you are interested in an industry that you

should be investing in the largest player, with the best technology and best sales channels. We have developed manufacturers reps, across North America and all our various international marketplaces. Hundreds of thousands of dollars have been invested into establishing that distribution network. For smaller geographic niche companies to come in and duplicate that, they need the cash, but it takes years to build up the type of pipeline that we have. The other reason that investors should take note of us is the history of the company. We have been in existence now for over fifteen years, with close to 700 installations. We have a long list of satisfied customers that give us repeat business. That is just the best stamp of approval. Financially, we have good working capital of over \$6 million; we have cash on the balance sheet. However, we are looking for more cash to invest in developing our business, and we have a management team now that is quite deep. We have relatively new management committed to taking this company to the next level.

CEOCFO: Final thoughts, what should people remember most and what should they take away from reading about Biorem?

Mr. Corbett: They should look at the fact that the air emissions control industry in itself is in its infancy. Biorem is positioned to be the leading clean technology provider and very likely, to the traditional old technology providers, a very disruptive entrant into many of their markets. There are many global environmental challenges that are becoming much more prominent around the world. We are seeing regulations increasing in every country. The air emissions control business is akin to perhaps some of the other industries in the past that have grown phenomenally. Maybe it is an exaggeration, but if you go back to the mid-1990's when the internet came on and what all that means, there is just a flurry of small companies all taking a little piece of that and it was the beginning of a brand new industry. I think that is exactly where emissions control is now. It has been moving around for the last ten or fifteen years, but it is now approaching a significant growth curve.



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