



Sustainable Value Investing: 1 Renewables Stock to Own Forever

Description

EcoSynthetix ([TSX:ECO](#)) is a renewable chemicals company specializing in [bio-based materials](#) that are used as inputs in a wide range of products. The company offers a range of sustainable biopolymers that allow customers to reduce the use of harmful materials, such as formaldehyde and styrene-based chemicals, and enable carbon-footprint reductions.

The company's flagship products are used to manufacture wood composites, paper and packaging, personal care products, and enable performance improvements, economic benefits and sustainability. The purpose and fundamentals of the business have remained the same since the company's founding, although EcoSynthetix's product applications have expanded.

Sustainable green strategy

EcoSynthetix's strategy is to commercialize a broad range of bio-based polymer and monomer products within specific market segments. The company has developed processes that leverage green technology to produce bio-based materials from natural polysaccharide feedstocks, such as corn, potato, and tapioca, as an alternative to petroleum-derived feedstocks.

To date, EcoSynthetix has developed two bio-based technology platforms — a biopolymer nanosphere technology and a bio-based sugar macromer technology — that support broad application across industries. Currently, the company generates substantially all revenues from the biopolymer nanosphere technology platform.

Low-cost alternatives

The company's products provide an equal or lower-cost, direct alternative to [petroleum-based inputs](#) in a variety of industries, including paper, paperboard, and wood composites. EcoSynthetix's bio-based products compete with both the traditional, largely petroleum-based products that are currently being used in the company's target markets and with the alternatives to existing products that new companies are seeking to produce.

Given the company's unique technology platforms, the company has several key competitive strengths such as a disruptive technology with application to multiple large markets. Further, the company is a low-cost provider with a highly capital efficient business model.

Experienced management team

Feedstock flexibility and a low-volatility cost structure is another competitive advantage for the company. Further, the company provides a sustainable alternative to petroleum-based product and a leading customer support network. EcoSynthetix also has a highly experienced management team focused on enhancing intrinsic value.

The company's relationships with key customers in the paperboard packaging market continues to provide a strong foundation for EcoSynthetix's business. The company continues to pursue growth opportunities in this market — specifically, in the more focused specialty paper and packaging categories. The company is also focused on expanding its presence in the building materials space.

Consumer and regulatory factors are creating demand for no-added formaldehyde products, and EcoSynthetix is well positioned to capitalize on these trends to rapidly grow the company's share of the \$15 billion annual wood composite binder market.

Exclusive partnerships

Recently, the company signed an exclusive development, marketing and distribution agreement for a biopolymer with a leading global chemical company in the personal care space. Consumer demand for green ingredients is driving rapid change in the personal care market today, and the company's biopolymer plays directly into that shift.

Overall, the company plans to make investments in areas of the business that allow it to accelerate growth while retaining a disciplined approach toward EcoSynthetix's cost structure. This approach is expected to serve shareholders well.

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Date

2025/08/14

Date Created

2021/05/22

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