



1 Stock With Huge Upside Potential!

Description

There is a battle between the Canadian government and the Ontario government regarding the federal carbon tax. A recent news story stated that Ontario is appealing the carbon tax decision to the Canadian Supreme Court. This conflict is important for many reasons, all of which should benefit “clean tech” growth.

One of the top five clean tech companies to consider

Questor Technology ([TSXV:QST](#)) fits the growth model. Headquartered in Calgary, Alberta, Questor has a trained workforce who provide specialized waste gas incineration products and services that may be required for the exploration, development, and production of oil and gas reserves.

[Questor has some impressive financials](#). Over the last three years, Questor Technology has grown earnings per share at an impressive rate. Growth over the last year soared, reflected by earnings per share rising from \$0.21 to \$0.29. That’s an impressive gain of 39%.

Careful consideration of revenue growth and earnings before interest and taxation (EBIT) margins can help inform a view on the sustainability of the recent profit growth. On the one hand, Questor Technology’s EBIT margins fell over the last year, but on the other hand, revenue grew. So, if EBIT margins can stabilize, this top-line growth should pay off for shareholders.

Questor has a flawless balance sheet with a solid track record. The stock is a good value based on expected growth next year. QST is currently undervalued with a 50% discount to future cash flow value.

For the first two quarters of 2019, here are some respectable results:

- Revenue increased \$3.4 million (29%) during the six months ending June 30, 2019, versus the same period of 2018. Earnings increased \$0.5 million (13.4%) during the six months ending June 30, 2019 versus the same period of 2018.
- Revenue from incinerators rentals increased \$1.5 million (41%) from \$7.7 million to \$9.2 million. The increased customer base in North Dakota is the primary driver of the rental revenue

increase. Equipment sales increased \$1.7 million (65%) from \$2.7 million to \$4.4 million.

- Gross profit increased by \$1.9 million (26%) as result of higher rental activity and increased equipment sales during the first two quarters, and the company achieved certain contract milestones and recognized \$3.4 million of sales revenue related to the Mexico contract previously announced on January 7, 2019.

The bottom line

There is risk involved in the stock, even with the solid financial picture.

Unfortunately, there has been more insider selling of Questor stock than buying in the last three months. But since QST is profitable and growing, this is not necessarily a cause for alarm. Insider ownership isn't particularly high, which is somewhat disconcerting.

The insider trading situation seems to be the main downside.

Questor's market cap is just over \$117 million. [There is a lot of room to run in this space](#), and QST looks like a company positioned to take advantage. With a return on equity currently at 29.57% compared to the industry at 10.94% and the sector at 11.55%, things look positive.

Government restrictions will be a huge driving force for the clean tech industry. QST does the lion's share of its business in the United States and, depending on which way the wind blows in the next election, a carbon tax for Americans to deal with seems trivial compared to the "Green New Deal."

Canada is facing challenges with its current regulatory efforts. However, one thing is certain: there will continue to be efforts around the globe to curtail humankind's impact on the environment.

Fossil fuel companies will not suddenly disappear, and companies that know how to run a "clean" fiscal ship will take advantage of the obvious need for efficient processing of energy that improves our air quality at the same time.

QST runs a tight ship financially. Insiders own 19% of the company, worth about \$25 million, which indicates moderate alignment between management and smaller shareholders. The insider sales in the last three months hopefully will not continue.

CATEGORY

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