

## COMMENT

Picture courtesy of Oxford Catalysts Group



## TIP OF THE WEEK

### Tech minnow a buy for the brave

Simon Scott-White of Charles Stanley says Oxford Catalysts is worth a punt for those with the nerve

Oxford Catalysts is a leading technology innovator for clean synthetic fuel production from waste gas, stranded gas, renewable sources and coal.

The company, whose shares are listed on AIM, has premises in the UK and the US and is valued at £56m.

Oxford Catalysts, which was spun out of the University of Oxford, was formed in 2004 and listed on AIM in 2006. A significant development for the company came in 2008 when it acquired Velocys in the US. This acquisition resulted in Oxford Catalysts Group becoming a leading catalysts innovator in micro-channel reactor technology.

Oxford Catalysts and Velocys together own or hold exclusive licences to over 750 patents and filed applications. With Brent Oil trading at over \$100 per barrel and concern over deep water or fragile environmental oil extraction, Oxford Catalysts' technology looks well placed in today's economic and environmental climate.

The company's technology has been awarded a number of awards over the past 15 years, recently overtaking Shell, Sasol and Statoil in the field of gas-to-liquid technology.

The gas-to-liquid market would include those oil fields that potentially could be developed in environmentally sensitive areas, where historically gas flaring or reinjection is the only alternative to an environmentally sensitive problem. The World Bank estimates that 134 billion cubic metres of gas was flared worldwide in 2010, equivalent to almost five trillion cubic feet. If converted to liquid, it would equate to about 500 million barrels each year.

The other significant area of the business that has potential is the bio-gas conversion business. This is where methane from bio waste is converted into gas, which in turn can be used to make liquid fuels. This technology clearly needs to be demonstrated through a scale-up in operations, and naturally this will present a number of challenges for the company.

In 2009 Oxford Catalysts Group signed a joint agreement with SGC Energia to demonstrate and to commercialise a Fischer-Tropsch reactor in Austria. In August 2010 it reported this plant was producing high quality liquid fuel, which was extremely encouraging. As a result of this, SGC Energia placed its first commercial order for a reactor in December 2010.

The group's revenues for 2010 were down compared to 2009, clearly reflecting a shift of activity from research and development to commercialisation. However, the next commercial stage offers investors an interesting opportunity. The company has just completed conditional placing in the market, raising £21m from existing and new institutional holders at 80p per share. With the shares trading at 59p, currently at a 52-week low, and well off the high of 98p, I would suggest a buy recommendation on this stock.

However, we have categorised shares in Oxford Catalysts Group as high risk due to the size of its market capitalisation and the fact it is trading on the AIM market.

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BUY

	52-WEEK SHARE PRICE			
	Low	High	Current	Currency
OXFORD CATALYSTS	58P	97.49P	58.88P	GBX

Source: Google Finance



**SIMON SCOTT-WHITE**  
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