Orege plans for IPO to fund expansion

A small treatment technology specialist has surprised observers by filing for an IPO. What does it have to offer?

French water technology start-up Orege is looking to raise up to €22.4 million in new money from a listing on the NYSE Euronext Paris stock exchange. The company made a loss of €2.4 million on a turnover of €1.1 million in 2012, but it has two new wastewater technologies that it believes are on the verge of breakthrough.

Its SOFHYS system treats complex and non-biodegradable effluents and is aimed primarily at the industrial market. The system was adopted by L'Oreal and Total Ineos on a paid trial basis in 2011. The SLG sludge treatment system is said to reduce sludge volumes by 50% or more while producing cleaner discharge water which can be released into the environment. It can be used in isolation, but its most promising application is in being retro-fitted to existing WWTPs. The company recently signed its first SLG contract for municipal sludge treatment in the South of France, and is confident of more to follow. Overall it claims to have identified 60 qualified projects with a "potential maximum turnover that could be generated of more than €70 million".

Speaking to GWI, Orege CFO George Gonsalves, explained: "We feel an IPO is the best route for us to stay independent. We have founders and managers who are very keen to stay within the company and grow it beyond the next 3-5 years. Like all businesses we need to raise capital, and our feeling there is a better chance of keeping our independence with this financing route." Post-IPO on 28th June, the company is expected to be valued in the region of $60 million.

Gonsalves is confident that there is strong demand for the company's offering. "Our technology achieves very good performance in dewatering, produces cleaner water, less sludge and also deodorizes it, while operating at ambient pressure and temperatures. We are not aware of a competing technology that can offer all of those things." Orege's first focus on the SLG side has been on municipal sludge. Its mobile units can be fitted to work with up to 3 rural WWTPs servicing a population of 2,000, while integrating the technology on a permanent basis can serve up to 38,000.

Having proved itself in sewerage treatment, the company is targeting the food and beverage market as well as the oil and gas sector, and has notched up some initial references in each. "For the really complex industrial effluents, that existing technologies can't deal with, the market is perhaps a little niche – but it's a niche worth billions worldwide, and growing all the time as regulation for landfill and incineration becomes more restrictive, and which is the only real alternative in many cases" Gonsalves argues.

However, the energy industries are notoriously conservative, and convincing oil and gas players will be a challenge, as one industry observer commented to GWI: "One of the biggest failings that equipment companies have is in underestimating the importance of safety and working in an industry obsessed with meeting standards, especially where high-pressure systems are concerned. However, if the SLG technology works and can replace an existing system and has lower operating costs and short payback, then it could be sold very easily. If it doesn't require the use of chemicals, even with the trade-off of using more energy I think it will still be desirable and there will be a lot of interest."

According to Gonsalves, the company intends to consolidate its position in France before pushing into other Western European markets plus the US and Canada.

Can the true cost of water open the market?

Veolia Water is encouraging its customers to put a price on the cost of water as they weigh up their water risks. It could be essential for corporate water users looking to justify expenditure on water infrastructure.

With the drought in the US Mid West continuing to push water up the corporate agenda, Veolia has developed a new analytical tool to inform the corporate response to water risk. The True Cost of Water, as the tool is known, aims to put a dollar (or Euro) value on the the impact on future profitability associated with water risk.

According to Johann Clere, Global Environmental Strategy Officer at Veolia Water, getting the water risk message to sustainability or public affairs directors is not enough – decisions on water strategy and related technology investment are made at board level. The True Cost of Water aims to demonstrate the effect of water risk directly to the CEOs and CFOs of large water-using corporations and their investors.

"We really had to monetise water risk and find real examples to show its effect, so that's why we decided to focus on cost. We needed to justify the payback", explains Clere.

The True Cost of Water takes into account direct water costs (both capital and operating expenditures), indirect water costs (such as legal and adminstrative costs) and the financial implications of water risks during the lifetime of a plant (such as the probable cost impact of water shortages, floods and pollution incidents). It provides a model for placing each of these identified risks – reputational, regulatory, financial and operational – on a graph that compares its probability against its potential economic impact and expresses the results of that comparison in dollars.

Veolia arrives at that result on a case-by-case basis. Clere says: "When we work with oil and gas companies or mining, or food and beverage, we will have to fine tune the model all the time. For each company the analysis will be slightly different."

Convincing the financial community that water technology is an investment with bottom line impact remains a challenge. Clere is optimistic, however: "To convince them, you really have to explain what would be the benefit, not just in terms of cost of capital, or shareholder value, but also, if you can show better management of your water risk, that means you can improve your insurance fees. If a mining company can demonstrate to an insurance company that they are putting in place the right water mitigation strategy, then they can improve their insurance fee by 1 per cent – that's millions of dollars."

Such improvements could have significant repercussions further down the line. "People start to react, ratings go up – which means more millions of dollars. This is what really gets investors to understand that there are big opportunities beyond water risks."