



Europlasma

Alternative Energy / France

[You can continue to receive AlphaValue's Research under MiFID II](#) [Learn more](#)

Plasma to help clean up steelmaking

Significant news - 28/02/2018

Europlasma sees a long-term market in applying plasma-based clean-up know-how to steel furnaces. Revenue prospects and timetable are not available.

Fact

Europlasma has announced a technical breakthrough. It plans to deploy its plasma-based gas-cleaning technologies in steel furnaces. Arcelor Mittal is a partner at a pre-industrial stage with the ambition to deploy the technology to reduce its massive CO2 footprint (c.190Mt). Funding of the pre-industrial stage is backed by SGPI, a French government effort to deploy €57bn in structuring projects including those helping to reduce carbon emissions.

Analysis

This effort is at a very early stage. The principle is to convert carbon-rich exhaust gases into syngas (using plasma-cleaning capabilities) for reinjection into the furnace as fossil energy that recombines with air (and sometimes added oxygen) for the steel-making process.

As the process cuts both the CO2 emissions and the energy input, its potential value for the worldwide steel industry is presumably enormous. It is good that Europlasma has been working with ArcelorMittal, the biggest steel player in what remains a very fragmented industry, to bring such a technology to a pre-industrial stage.

The urgency of the CO2 emission dilemma has recently been made clear in China with the forced closure of inefficient steel capacity in winter when the pollution is made worse by cold temperatures and the lack of wind.

We understand that the Europlasma technology is complementary to the use of oxygen in steel manufacturing. Oxygen improves the combustion, i.e. reduces the production of unwanted gases. Europlasma makes good use of exhaust CO2 and methane gases to turn them into a useful syngas.

Impact

Europlasma's management is shy about venturing to put any figure on the project, the initial phase of which has been about two years in the making. Pre-industrial tests, presumably in Europe, may well take another year so that any implementation in scale is a long-term perspective. In an ideal world, that would mean Europlasma delivering ad hoc torches in big numbers and relevant engineering services. Putting any figure on such an opportunity is currently a stretch as it also depends on the cost of CO2. While Europlasma is well on its way to becoming a green energy group as its waste to power proposition is now up and running, it remains an equipment provider with green credentials as it happens. Currently, the provision of plasma torches in our forecasts is limited to those deployed in its green energy projects. No impact on earnings nor valuation beyond a positive sentiment.



utilities@alphavalue.eu
+33 (0) 1 70 61 10 50
corporate.alphavalue.com

AlphaValue is contracted by Europlasma to provide equity research on Europlasma, using AlphaValue's unique and transparent methods and procedures. Target price and opinion are thus exclusively determined by those methods and procedures.

Buy	Upside: 73.8%
Target Price (6 months)	€ 0.35
Share Price	€ 0.20
Market Cap. €M	30.6
Price Momentum	GOOD
Extremes 12Months	0.16 ▶ 0.44
Bloomberg	ALEUP FP Equity
Reuters	ALEUP.PA

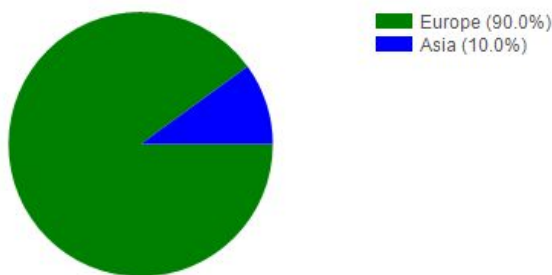

[Download Full Analysis](#)
[Company Page](#)


PERF	1w	1m	3m	12m
Europlasma	3.33%	3.23%	-4.05%	-42.4%
Utilities	2.58%	-3.73%	-5.43%	10.7%
STOXX 600	0.49%	-4.55%	-0.65%	3.47%

Last updated: 01/02/2018	12/15A	12/16A	12/17E	12/18E
Adjusted P/E (x)	-4.28	-2.81	-2.48	26.2
Dividend yield (%)	0.00	0.00	0.00	0.00
EV/EBITDA(R) (x)	-8.26	-5.40	-4.95	7.17
Adjusted EPS (€)	-0.24	-0.18	-0.11	0.01
Growth in EPS (%)	n/a	n/a	n/a	n/a
Dividend (€)	0.00	0.00	0.00	0.00
Sales (€th)	14,082	9,733	8,224	43,295
Operating margin (%)	-104	-173	-191	1.26
Attributable net profit (€th)	-	-	-	1,544
ROE (after tax) (%)	-171	3,126	423	70.1
Gearing (%)	28.3			78.6

[Company Valuation](#) - [Company Financials](#)

Sales by Geography



Consolidated P&L Accounts

	12/16A	12/17E	12/18E
Sales	€th 9,733	8,224	43,295
Change in sales	% -30.9	-15.5	426
Change in staff costs	% 4.76	0.00	4.55
EBITDA	€th -11,708	-9,459	4,944
EBITDA(R) margin	% -120	-115	11.4
Depreciation	€th -4,230	-5,656	-4,400
Underlying operating profit	€th -15,938	-15,715	544
Operating profit (EBIT)	€th -16,712	-15,715	544
Net financial expense	€th -396	-2,000	-2,000
of which related to pensions	€th	0.00	0.00
Exceptional items & other	€th		
Corporate tax	€th -165	3,500	3,000
Equity associates	€th 0.00	0.00	0.00
Minority interests	€th 0.00	0.00	0.00
Adjusted attributable net profit	€th -16,621	-14,215	1,544
NOPAT	€th -11,157	-11,000	381

Cashflow Statement

	12/16A	12/17E	12/18E
EBITDA	€th -11,708	-9,459	4,944
Change in WCR	€th 3,536	-3,175	500
Actual div. received from equity holdi...	€th 0.00	0.00	0.00
Paid taxes	€th -335	3,500	3,000
Exceptional items	€th		
Other operating cash flows	€th 800	1,000	1,000
Total operating cash flows	€th -7,707	-8,134	9,444
Capital expenditure	€th -5,585	-3,500	-3,000
Total investment flows	€th -5,865	-4,500	-9,000
Net interest expense	€th -396	-2,000	-2,000
Dividends (parent company)	€th		
Dividends to minorities interests	€th 0.00	0.00	0.00
New shareholders' equity	€th 10,900	13,000	10,000
Total financial flows	€th 8,713	5,500	7,000
Change in cash position	€th -4,859	-7,134	7,444
Free cash flow (pre div.)	€th -13,688	-13,634	4,444

Per Share Data

	12/16A	12/17E	12/18E
No. of shares net of treas. stock (year...)	Th 111,650	152,405	202,405
Number of diluted shares (average)	Th 90,659	132,028	200,462
Benchmark EPS	€ -0.18	-0.11	0.01
Restated NAV per share	€		
Net dividend per share	€ 0.00	0.00	0.00

Valuation Summary

Benchmarks	Value	Weight	Largest comparables
DCF	€ 0.57	35%	■ Gea Group
NAV/SOTP per share	€ 0.38	20%	■ Suez
EV/Ebitda	€ 0.26	20%	■ Elecnor
P/E	€ 0.20	10%	● ERG
Dividend Yield	€ 0.00	10%	
P/Book	€ 0.10	5%	
TARGET PRICE	€ 0.35	100%	

NAV/SOTP Calculation

Balance Sheet

	12/16A	12/17E	12/18E
Goodwill	€th 664	700	1,000
Total intangible	€th 911	1,014	1,314
Tangible fixed assets	€th 13,186	13,000	14,000
Financial fixed assets	€th 3,538	3,600	8,000
WCR	€th -675	2,500	2,000
Other assets	€th 3,415	4,000	4,000
Total assets (net of short term liab.)	€th 25,776	30,114	35,314
Ordinary shareholders' equity	€th -3,600	-3,120	7,525
Quasi Equity & Preferred	€th		
Minority interests	€th 100	100	100
Provisions for pensions	€th 500	0.00	0.00
Other provisions for risks and liabilities	€th 5,679	10,000	12,000
Total provisions for risks and liabilities	€th 6,179	10,000	12,000
Tax liabilities	€th -252	-2,000	-2,000
Other liabilities	€th 14,830	15,000	16,000
Net debt (cash)	€th 8,500	10,134	1,689
Total liab. and shareholders' equity	€th 25,757	30,114	35,314

Capital Employed

	12/16A	12/17E	12/18E
Capital employed after depreciation	€th 16,960	20,114	25,314

Profits & Risks Ratios

	12/16A	12/17E	12/18E
ROE (after tax)	% 3,126	423	70.1
ROCE	% -65.8	-54.7	1.51
Gearing (at book value)	%		78.6
Adj. Net debt/EBITDA(R)	x -0.73	-1.07	0.34
Interest cover (x)	x -40.2	-7.86	0.27

Valuation Ratios

	12/16A	12/17E	12/18E
Reference P/E (benchmark)	x -2.81	-2.48	26.2
Free cash flow yield	% -23.8	-33.5	10.9
P/Book	x -16.0	-13.0	5.42
Dividend yield	% 0.00	0.00	0.00

EV Calculation

	12/16A	12/17E	12/18E
Market cap	€th 57,596	40,657	40,785
+ Provisions	€th 6,179	10,000	12,000
+ Unrecognised actuarial losses/(gains)	€th 0.00	0.00	0.00
+ Net debt at year end	€th 8,500	10,134	1,689
+ Leases debt equivalent	€th 0.00	0.00	0.00
- Financial fixed assets (fair value)	€th 10,000	15,000	20,000
+ Minority interests (fair value)	€th 1,000	1,000	1,000
= EV	€th 63,275	46,791	35,474
EV/EBITDA(R)	x -5.40	-4.95	7.17
EV/Sales	x 6.50	5.69	0.82