



# Europlasma<sup>CR</sup>

Alternative Power Sources / France



**Pierre-Yves GAUTHIER**  
capitalgoods@alphavalue.eu  
+33 (0) 1 70 61 10 50  
www.alphavalue.com

## Liquidity sorted and good revenues on non-energy businesses

Earnings/sales releases - 04/03/2016

### Fact

Europlasma posted €14.1m in revenues for 2015, up 57% on an admittedly painful previous year when a newly-appointed management had to deal with delayed sales, massive losses and a very weak balance sheet.

The small energy group in the making has also organised for an extra €10m of fresh financing ("equity line") to see it through the protracted completion of its prototype energy unit, CHO Power.

### Analysis

Europlasma has been rather quiet over the bulk of 2015. Its management indeed concentrated on delivery not only on its headline investment, the CHO Power prototype that will lead to a fleet of similar waste to energy projects, but also on its other business lines that were prone to slippage.

2015 sales point towards some success in this respect. The actual sales at €14.1m are somewhat below our blue sky estimates at €17.9m but are nevertheless sending positive vibrations where it matters.

The first such signal is with Inertam/Asbestos treatment that managed to gain 19% to €11.3m. Our own €12m was without a good grasp of the maintenance constraints. The business seems on a sound footing for 2016.

The second positive signal is derived from the parent company that happens to be an engineering unit on top of a manufacturing one for plasma torches. 2015 sales at €2.2m are somewhat above our own €2m, although driven by one Chinese contract (€1.7m). More seems in the 2016 pipeline.

The last leg, the energy promise, is a brain twisting exercise. It had negative sales in 2014 (-€0.6m) and posted a positive €0.6m this year. More detailing is required but, as a reminder, this business is booking both engineering projects' revenues (delayed) and plant operation revenues (delayed and below AlphaValue's expectations). So that the €3.9m that we booked at the beginning of 2015 are far off the mark.

This is frustrating but the key is that management has successfully faced another series of technical hiccups and convincingly so, so that it has managed to secure extra financing (read below). It is also good news that replicates of the prototype are continuing to make good progress (four sites at different stages of planning). They obviously take on board all the learning curves of 2015.

2015 proved to be another year of hard work as management quickly realised that necessary changes made to the initial design had knock-on effects, resulting in protracted delivery calendars. However the "Final Acceptance with Reserves" received by December 2015 is a definitive turning point as the unit can now churn power (i.e. collect revenues). The "reserves" do not appear to be stumbling blocks.

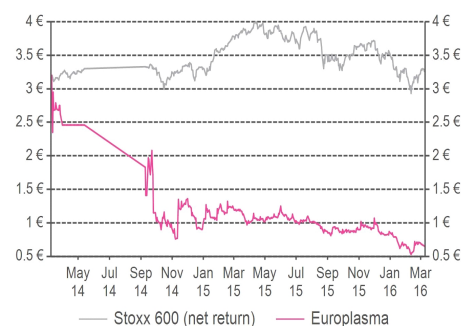
### New funding

Europlasma has secured another €10m in fresh equity, in two equal tranches at an issue cost of 8%. This is a rights-less capital increase on tap, organised by Kepler Cheuvreux which is providing the funding and takes the built-in risk of placing the newly-issued equity on stream. This comes on top of: 1) the near €40m that was raised over two years ago (partly through debt conversion) to pay for the considerable delays having marred the energy project and compounded by underfunding, and 2) a €5m convertible issued as a private placement last December (three years, 6% coupon, forced conversion call at 130%). As a reminder the 2014 capital increase was beefed

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.

<b>Buy</b>	<b>Upside : 111%</b>
Target Price (6 months)	€ 1.37
Share Price	€ 0.65
Market Capitalisation €M	44.9
Price Momentum	<b>UNFAVORABLE</b>
Extremes 12Months	0.53 ▶ 1.25
Newsflow	Neutral
Bloomberg	ALEUP FP Equity
Reuters	ALEUP.PA

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



PERF	1w	1m	3m	12m
Europlasma	-5.80%	1.56%	-30.9%	-44.9%
Capital Goods	1.39%	5.37%	-0.96%	-9.26%
STOXX 600	-0.37%	3.55%	-7.73%	-14.4%

Last updated: 10/06/2015	12/13A	12/14A	12/15E	12/16E
Adjusted P/E (x)	-1.63	-2.92	ns	12.8
Dividend yield (%)	0.00	0.00	0.00	0.00
EV/EBITDA(R) (x)	-7.84	-9.72	11.5	2.05
Adjusted EPS (€)	-0.60	-0.57	0.00	0.05
Growth in EPS (%)	n/a	n/a	n/a	n/a
Dividend (€)	0.00	0.00	0.00	0.00
Sales (€th)	12,572	8,983	17,900	57,173
Operating margin (%)	-72.7	ns	-1.34	7.48
Attributable net profit (€th)	-	-	-140	4,961
ROE (after tax) (%)	-120	-270	-0.57	13.9
Gearing (%)	744	34.1	-43.8	-63.6

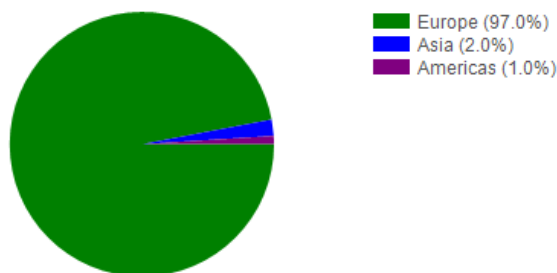
[Company Valuation](#) - [Company Financials](#)

up by the award of two lines of warrants to 2017 (@0.8) and 2019 (@1.3) possibly netting up to €40m extra. Europlasma's shareholders have been asked a lot and need to participate in successive fund raisings to avoid steep dilution.

## ■ Impact

Europlasma's management has managed in two years to set up an equity financing in line with the risky nature of the energy projects. This needs to be commended as it is not easy to keep one's nerves in such complex projects and make sure the teams deliver. The 2015 actual earnings delivery is a big unknown, it is likely to be deeply negative given long cycles of industrial optimization, but evidence of growth and sound liquidity should provide investors with comfort.

## Sales by Geography



## Consolidated P&L Account

	12/14A	12/15E	12/16E
Sales	€th 8,983	17,900	57,173
Change in sales	% -28.5	99.3	219
Change in staff costs	% 18.2	6.74	5.26
EBITDA	€th -11,176	3,860	8,376
<b>EBITDA(R) margin</b>	<b>% -124</b>	<b>21.6</b>	<b>14.7</b>
Depreciation	€th -5,124	-3,500	-3,500
Underlying operating profit	€th -21,541	-240	4,276
<b>Operating profit (EBIT)</b>	<b>€th -22,849</b>	<b>-240</b>	<b>4,276</b>
Net financial expense	€th -2,821	100	100
of which related to pensions	€th	0.00	0.00
Exceptional items & other	€th		
Corporate tax	€th -322	0.00	0.00
Equity associates	€th 90.0	0.00	585
Minority interests	€th 0.00	0.00	0.00
<b>Adjusted attributable net profit</b>	<b>€th -24,594</b>	<b>-140</b>	<b>4,961</b>
NOPAT	€th -14,989	-168	3,578

## Cashflow Statement

	12/14A	12/15E	12/16E
EBITDA	€th -11,176	3,860	8,376
Change in WCR	€th 3,336	-1,202	1,000
Actual div. received from equity holdi...	€th 0.00	0.00	0.00
Paid taxes	€th -326	0.00	0.00
Exceptional items	€th		
Other operating cash flows	€th -5,000	1,000	1,000
Total operating cash flows	€th -13,166	3,658	10,376
Capital expenditure	€th -1,572	-2,000	-2,000
Total investment flows	€th -2,572	-7,500	-7,500
Net interest expense	€th -2,821	100	100
Dividends (parent company)	€th		
Dividends to minorities interests	€th -413	0.00	0.00
New shareholders' equity	€th 25,000	23,137	0.00
Total financial flows	€th 25,154	21,237	-900
Change in cash position	€th 10,416	17,395	1,976
<b>Free cash flow (pre div.)</b>	<b>€th -17,559</b>	<b>1,758</b>	<b>8,476</b>

## Per Share Data

	12/14A	12/15E	12/16E
No. of shares net of treas. stock (year...)	Th 69,045	69,045	69,045
Number of diluted shares (average)	Th 42,773	83,495	97,945
<b>Benchmark EPS</b>	<b>€ -0.57</b>	<b>0.00</b>	<b>0.05</b>
Restated NAV per share	€		
<b>Net dividend per share</b>	<b>€ 0.00</b>	<b>0.00</b>	<b>0.00</b>

## Valuation Summary

Benchmarks	Value	Weight	Largest comparables
DCF	€ 1.90	35%	● Gea Group
NAV/SOTP per share	€ 1.40	20%	● Suez
EV/Ebitda	€ 1.30	20%	● Elecnor
P/E	€ 1.13	10%	● Abengoa
Dividend Yield	€ 0.00	10%	● ERG
P/Book	€ 1.12	5%	
TARGET PRICE	€ 1.37	100%	

### NAV/SOTP Calculation

## Balance Sheet

	12/14A	12/15E	12/16E
Goodwill	€th 1,316	1,316	2,000
Total intangible	€th 2,381	2,381	4,000
Tangible fixed assets	€th 12,287	13,000	14,000
Financial fixed assets	€th 3,685	4,000	8,000
WCR	€th -6,202	-5,000	-6,000
Other assets	€th 15,622	10,000	10,000
Total assets (net of short term liab.)	€th 30,165	26,381	33,000
<b>Ordinary shareholders' equity</b>	<b>€th 16,793</b>	<b>31,975</b>	<b>39,570</b>
Quasi Equity & Preferred	€th		
Minority interests	€th 128	100	100
Provisions for pensions	€th 364	0.00	0.00
Other provisions for risks and liabilities	€th 5,613	6,000	8,000
Total provisions for risks and liabilities	€th 5,977	6,000	8,000
Tax liabilities	€th -1,587	-2,000	-2,000
Other liabilities	€th 13,153	14,000	14,000
<b>Net debt (cash)</b>	<b>€th -4,299</b>	<b>-23,694</b>	<b>-26,670</b>
Total liab. and shareholders' equity	€th 30,165	26,381	33,000

## Capital Employed

	12/14A	12/15E	12/16E
Capital employed after depreciation	€th 12,151	14,381	20,000

## Profits & Risks Ratios

		12/14A	12/15E	12/16E
<b>ROE (after tax)</b>	%	<b>-270</b>	<b>-0.57</b>	<b>13.9</b>
ROCE	%	-123	-1.17	17.9
<b>Gearing (at book value)</b>	%	<b>34.1</b>	<b>-43.8</b>	<b>-63.6</b>
Adj. Net debt/EBITDA(R)	x	0.38	-6.14	-3.18
Interest cover (x)	x	-7.64	2.40	-42.8

## Valuation Ratios

		12/14A	12/15E	12/16E
<b>Reference P/E (benchmark)</b>	<b>x</b>	<b>-2.92</b>	<b>ns</b>	<b>12.8</b>
Free cash flow yield	%	-15.2	2.47	18.9
P/Book	x	6.89	2.23	1.13
<b>Dividend yield</b>	<b>%</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>

## EV Calculation

	12/14A	12/15E	12/16E	
Market cap	€th 115,756	71,244	44,879	
+ Provisions	€th 5,977	6,000	8,000	
+ Unrecognised actuarial losses/(gains)	€th 0.00	0.00	0.00	
+ Net debt at year end	€th -4,299	-23,694	-26,670	
+ Leases debt equivalent	€th 0.00	0.00	0.00	
- Financial fixed assets (fair value)	€th 10,000	10,000	10,000	
+ Minority interests (fair value)	€th 1,250	1,000	1,000	
= EV	€th 108,684	44,550	17,209	
<b>EV/EBITDA(R)</b>	<b>x</b>	<b>-9.72</b>	<b>11.5</b>	<b>2.05</b>
EV/Sales	x	12.1	2.49	0.30

Analyst : Pierre-Yves Gauthier, Changes to Forecasts : 10/06/2015.