



Ecoslops

Other Energies / France

Remarkable operational performance as group EBITDA turns positive

Earnings/sales releases - 27/09/2019

A slew of good news accompanies this release. The operational improvements at the Sines plant, and a surge in volumes vs. an exceptionally low base in H1 18, resulted in a very successful first half in turnover growth terms as well as the group's first positive EBITDA. With current expansion efforts well underway, Ecoslops' outlook for the years to come is looking bright.

Fact

- Turnover stood at €4.6m in H1 19, a near 2x increase from last year (€2.6m). The sales of refined products contributed €3.6m to group turnover.
- Total production was 13,360t, compared to 6,080t in H1 18. Production sold reached 12,000t, roughly in line with our estimates. ASP/t fell 7% on the back of lower Brent prices (-12%) and favourable currency effects (+5%).
- The significant outperformance was due to an exceptionally low comparison basis, as only three months of real activity took place during H1 18, while the Sines facility underwent alterations between January and March.
- Group EBITDA reached €125k compared to a €710k EBITDA loss in the previous year. EBITDA at the Sines plant reached €800k.

Figures in k€	H1 19	H1 18	Var. k€
Turnover	4,553	2,612	1,941
Operating Profit	(526)	(1,350)	824
Financial Result	(113)	(164)	51
Attributable Net Result	(465)	(1,374)	909
Group EBITDA	125	(710)	835

Analysis

Ecoslops has closed a decidedly successful H1 19, now running at full capacity compared to H1 18, which saw the Sines plant halting operations to perform technical improvements over Q1 18. The tough decision to lose a full quarter of production to make modifications permitting it to process lighter slops has certainly paid off. The improved product mix allowed by the access to a wider range of slops has helped stomach the lower € Brent prices and capitalise on the +129% surge in volumes. As a result, sales of refined products reached €3.6m versus €1.7m the year before.

On the profitability front, the results have been equally impressive. Group EBITDA was positive for the first time, reaching €125k. A feat attained thanks to the €0.8m EBITDA generation at the Sines plant, allowing it to cover the costs of the whole structure. This has been a remarkable turnaround from the €710k loss reported the year before and serves as proof of the operational improvements achieved in the Sines unit; a know-how that will certainly be leveraged once the Marseille refining



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

Buy	Upside: 82.0%
Target Price (6 months)	€ 23.5
Share Price	€ 12.9
Market Cap. €M	56.8
Price Momentum	UNFAVORABLE
Extremes 12Months	9.90 ▶ 14.6
Bloomberg	ALESA FP Equity
Reuters	ALESA.PA


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PERF	1w	1m	3m	12m
Ecoslops	5.31%	8.40%	1.18%	-8.51%
Oils	-0.67%	6.72%	-4.03%	-8.35%
STOXX 600	-0.47%	4.37%	2.03%	1.28%

Last updated: 26/09/2019	12/18A	12/19E	12/20E	12/21E
Adjusted P/E (x)	-35.7	ns	-31.8	28.4
Dividend yield (%)	0.00	0.00	0.00	1.55
EV/EBITDA(R) (x)	ns	ns	46.6	14.4
Adjusted EPS (€)	-0.35	-0.21	-0.41	0.45
Growth in EPS (%)	n/a	n/a	n/a	n/a
Dividend (€)	0.00	0.00	0.00	0.20
Sales (€th)	7,449	10,454	15,745	35,308
EBITDA/R margin (%)	-5.10	2.66	11.0	21.0
Attributable net profit (€th)	-1,548	-940	-1,785	2,006
ROE (after tax) (%)	-7.06	-4.28	-7.49	7.41
Gearing (%)	9.81	47.9	79.4	106

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unit at Total's La Mède Complex comes online.

Management's long-term view is maintained, with substantial investments in the Marseille project resulting in an operating loss overall. This, nonetheless, is secondary as the potential growth once this second site with 30,000t annual capacity starts operation more than offsets any short-term losses. As of now, the Marseille unit is expected to start in mid-2020, with assembly of the P2R refining unit taking place in H1 20. The €3.8m invested over the first half of the year is reflected in the group's net debt position, which reached €2.8m, compared to €42k of net cash at the close of FY18. Moreover, the robust financing still available, including the €18m loan by the EIB yet to be drawn, demonstrates the lenders' conviction for Ecoslops' operational success.

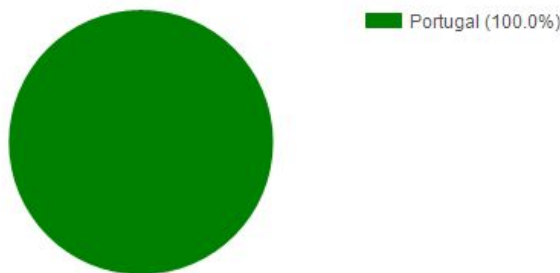
On future expansion endeavours

The Antwerp project is currently in the regulatory studies phase. The Belgian authorities will present their conclusions before the end of the year, and as they seem quite interested by the solution provided by Ecoslops (and its green credentials) we could expect swifter administrative approvals to get the facility up and running by 2021. Regarding the "refinery-in-a-box" concept (dubbed Mini-P2R), the pilot programme at the Sines site has concluded successfully and interested parties are being considered, with the first unit to be contracted in H2. Finally, the Suez Canal project is still in its early stages, as preliminary feasibility studies will be presented to the Egyptian authorities before the end of the year.

■ Impact

Following this very satisfactory release, we will just make minor adjustments to our estimates, mainly due to the later than expected entry of the Marseille refining unit (which we expected for Q1 20). Our turnover and profitability assumptions will be unchanged as the results over H1 fall in line with our already optimistic expectations. Ecoslops' valuation is bound to remain attractive, supported by its demonstrated operational strength and a project pipeline set to benefit from the avoided carbon and circular economy trends.

Sales by Geography



Consolidated P&L Accounts

		12/18A	12/19E	12/20E
Sales	€th	7,449	10,454	15,745
Change in sales	%	22.5	40.3	50.6
Change in staff costs	%	-4.42	4.08	49.0
EBITDA	€th	-380	278	1,736
EBITDA(R) margin	%	-5.10	2.66	11.0
Depreciation	€th	-1,205	-1,249	-2,956
Underlying operating profit	€th	-1,623	-972	-1,220
Operating profit (EBIT)	€th	-1,623	-972	-1,220
Net financial expense	€th	-290	-637	-1,234
of which related to pensions	€th		0.00	0.00
Exceptional items & other	€th	36.0	0.00	0.00
Corporate tax	€th	330	668	668
Equity associates	€th	0.00	0.00	0.00
Minority interests	€th	0.00	0.00	0.00
Adjusted attributable net profit	€th	-1,548	-940	-1,785
NOPAT	€th	-1,136	-680	-854

Cashflow Statement

		12/18A	12/19E	12/20E
EBITDA	€th	-380	278	1,736
Change in WCR	€th	-906	-226	-1,256
Actual div. received from equity holdi...	€th	0.00	0.00	0.00
Paid taxes	€th	0.00	668	668
Exceptional items	€th	0.00	0.00	0.00
Other operating cash flows	€th	8.07	106	0.00
Total operating cash flows	€th	-1,278	827	1,149
Capital expenditure	€th	-2,672	-14,922	-12,372
Total investment flows	€th	-2,672	-14,922	-12,372
Net interest expense	€th	-290	-637	-1,234
Dividends (parent company)	€th	0.00	0.00	0.00
Dividends to minorities interests	€th	0.00	0.00	0.00
New shareholders' equity	€th	176	35.1	6,335
Total financial flows	€th	340	9,113	25,467
Change in cash position	€th	-3,609	-4,982	14,244
Free cash flow (pre div.)	€th	-4,240	-14,732	-12,456

Per Share Data

		12/18A	12/19E	12/20E
No. of shares net of treas. stock (year...	Th	4,400	4,403	4,409
Number of diluted shares (average)	Th	4,426	4,402	4,406
Benchmark EPS	€	-0.35	-0.21	-0.41
Restated NAV per share	€			
Net dividend per share	€	0.00	0.00	0.00

Valuation Summary

Benchmarks	Value	Weight	Largest comparables
DCF	€ 19.7	40%	<ul style="list-style-type: none"> ■ Neste ■ Galp Energia ■ Saras ■ Hellenic Petroleum ■ Acciona
NAV/SOTP per share	€ 36.5	40%	
P/E	€ 6.45	5%	
EV/Ebitda	€ 0.00	5%	
P/Book	€ 13.2	5%	
Dividend Yield	€ 0.00	5%	
TARGET PRICE	€ 23.5	100%	

NAV/SOTP Calculation

Balance Sheet

		12/18A	12/19E	12/20E
Goodwill	€th	0.00	0.00	0.00
Total intangible	€th	372	372	372
Tangible fixed assets	€th	18,479	32,207	41,623
Financial fixed assets	€th	0.00	0.00	0.00
WCR	€th	1,371	1,597	2,853
Other assets	€th	3,701	3,701	3,701
Total assets (net of short term liab.)	€th	26,176	40,129	50,801
Ordinary shareholders' equity	€th	22,418	21,561	26,111
Quasi Equity & Preferred	€th	0.00	0.00	0.00
Minority interests	€th	0.00	0.00	0.00
Provisions for pensions	€th		0.00	0.00
Other provisions for risks and liabilities	€th	135	187	187
Total provisions for risks and liabilities	€th	135	187	187
Tax liabilities	€th	0.00	0.00	0.00
Other liabilities	€th	643	705	705
Net debt (cash)	€th	2,980	17,677	23,798
Total liab. and shareholders' equity	€th	26,176	40,129	50,801

Capital Employed

		12/18A	12/19E	12/20E
Capital employed after depreciation	€th	20,223	34,176	44,847

Profits & Risks Ratios

		12/18A	12/19E	12/20E
ROE (after tax)	%	-7.06	-4.28	-7.49
ROCE	%	-5.62	-1.99	-1.90
Gearing (at book value)	%	9.81	47.9	79.4
Adj. Net debt/EBITDA(R)	x	-7.84	63.6	13.7
Interest cover (x)	x	-5.59	-1.53	-0.99

Valuation Ratios

		12/18A	12/19E	12/20E
Reference P/E (benchmark)	x	-35.7	ns	-31.8
Free cash flow yield	%	-7.72	-25.9	-21.9
P/Book	x	2.45	2.63	2.18
Dividend yield	%	0.00	0.00	0.00

EV Calculation

		12/18A	12/19E	12/20E
Market cap	€th	54,928	56,796	56,874
+ Provisions	€th	135	187	187
+ Unrecognised actuarial losses/(gains)	€th	0.00	0.00	0.00
+ Net debt at year end	€th	2,980	17,677	23,798
+ Leases debt equivalent	€th	0.00	0.00	0.00
- Financial fixed assets (fair value)	€th			
+ Minority interests (fair value)	€th			
= EV	€th	58,042	74,659	80,859
EV/EBITDA(R)	x	ns	ns	46.6
EV/Sales	x	7.79	7.14	5.14

Analyst : Jorge Velandia, Changes to Forecasts : 26/09/2019.