



# Europlasma

Alternative Energy / France

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## Europlasma bridges delays with costly equity

Financing issue - 26/07/2018

**Clients/funding delays lead management to activate expensive equity/convertible funding.**

### Fact

Europlasma launches a €8m capital raising by a way of a convertible issue to bridge delays in its ongoing projects.

### Analysis

Europlasma is experiencing delays to the funding of its Tiper power generation plant and to a technology JV with ArcelorMittal. This is presumably forcing the group to go for another tranche of expensive financing in lieu of a traditional rights issue.

Indeed, convertibles issued in up to four tranches of €2m each over the next four months are immediately converted into equity and subsequently sold by the buyer (European High Growth Opportunities Fund). The mechanism at work means that Europlasma gets the necessary funds at the market expense. On a fully-diluted basis, the cost to existing shareholders is a c. 17% dilution.

The delays in completing the funding of Tiper, Europlasma's second clean power generation unit, are disappointing as Europlasma had secured the backing of the European Investment Bank for €30m in debt financing as well as €12m from Ademe (a French state agency) and €2m from the region where Tiper sits. The delays in the technology JV with ArcelorMittal probably reflect the importance of the breakthrough in terms of process efficiency, somewhat implied in the lack of a public calendar anyway on this sensitive subject.

### Impact

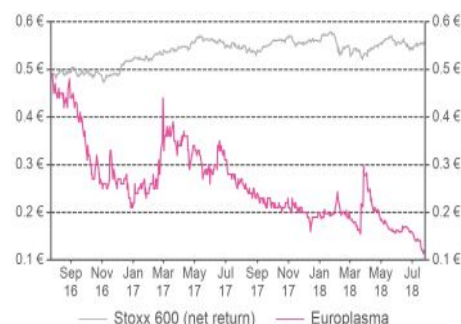
We had assumed a €10m equity raising over 2018 after allowing for a first €8m draw on the resources provided by European High Growth Opportunities which took place over H1. The second possible €8m round could potentially bring the effective total to €16m and presumably at a lower per share valuation. We will thus increase the number of shares by year-end by about 60 million as a first guess. This amounts to a c. 25% mechanical dilution.



**Pierre-Yves GAUTHIER**  
[utilities@alphavalue.eu](mailto:utilities@alphavalue.eu)  
 +33 (0) 1 70 61 10 50  
[cs.alphavalue.com](http://cs.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.

<b>Buy</b>	<b>Upside: 211%</b>
Target Price (6 months)	€ 0.36
Share Price	€ 0.12
Market Cap. €M	21.2
Price Momentum	<b>NEGATIVE</b>
Extremes 12Months	0.11 ▶ 0.30
Bloomberg	ALEUP FP Equity
Reuters	ALEUP.PA

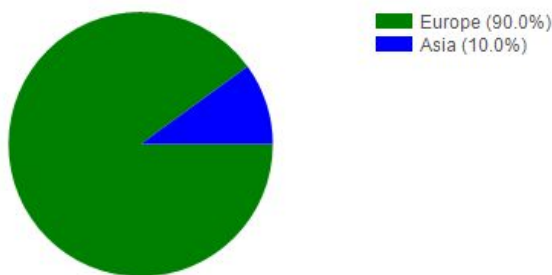

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PERF	1w	1m	3m	12m
Europlasma	-12.1%	-29.4%	-43.1%	-55.8%
Utilities	-1.65%	3.83%	4.31%	10.9%
STOXX 600	0.03%	2.65%	1.84%	1.68%

Last updated: 30/05/2018	12/16A	12/17A	12/18E	12/19E
Adjusted P/E (x)	-2.81	-1.66	-18.3	32.4
Dividend yield (%)	0.00	0.00	0.00	0.00
EV/EBITDA(R) (x)	-5.40	-6.09	14.4	13.5
Adjusted EPS (€)	-0.18	-0.16	-0.01	0.00
Growth in EPS (%)	n/a	n/a	n/a	n/a
Dividend (€)	0.00	0.00	0.00	0.00
Sales (€th)	9,733	13,133	24,000	34,100
Operating margin (%)	-173	-107	4.52	16.2
Attributable net profit (€th)	-	-	-1,369	1,005
ROE (after tax) (%)	3,126	232	9.98	-10.7
Gearing (%)				

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## Sales by Geography



## Consolidated P&L Accounts

	12/17A	12/18E	12/19E
Sales	€th 13,133	24,000	34,100
Change in sales	% 34.9	82.7	42.1
Change in staff costs	% 0.00	4.55	21.7
EBITDA	€th -8,057	6,010	11,579
<b>EBITDA(R) margin</b>	<b>% -61.3</b>	<b>25.0</b>	<b>34.0</b>
Depreciation	€th -2,818	-4,925	-6,050
Underlying operating profit	€th -13,799	1,085	5,529
<b>Operating profit (EBIT)</b>	<b>€th -14,096</b>	<b>1,085</b>	<b>5,529</b>
Net financial expense	€th -854	-2,500	-4,000
of which related to pensions	€th	0.00	0.00
Exceptional items & other	€th		
Corporate tax	€th 30.0	0.00	0.00
Equity associates	€th -6,900	0.00	0.00
Minority interests	€th 0.00	45.6	-524
<b>Adjusted attributable net profit</b>	<b>€th -21,164</b>	<b>-1,369</b>	<b>1,005</b>
NOPAT	€th -16,559	760	3,870

## Cashflow Statement

	12/17A	12/18E	12/19E
EBITDA	€th -8,057	6,010	11,579
Change in WCR	€th 1,667	-848	-1,500
Actual div. received from equity holdi...	€th 0.00	0.00	0.00
Paid taxes	€th 421	0.00	0.00
Exceptional items	€th		
Other operating cash flows	€th -2,200	1,000	1,000
Total operating cash flows	€th -8,169	6,162	11,079
Capital expenditure	€th -3,100	-25,500	-63,000
Total investment flows	€th -3,800	-26,500	-64,000
Net interest expense	€th -854	-2,500	-4,000
Dividends (parent company)	€th		
Dividends to minorities interests	€th 0.00	0.00	0.00
New shareholders' equity	€th 14,200	10,000	0.00
Total financial flows	€th 12,300	17,700	34,000
Change in cash position	€th 331	-2,638	-18,921
<b>Free cash flow (pre div.)</b>	<b>€th -12,123</b>	<b>-21,838</b>	<b>-55,921</b>

## Per Share Data

	12/17A	12/18E	12/19E
No. of shares net of treas. stock (year...)	Th 152,405	242,405	242,405
Number of diluted shares (average)	Th 132,028	217,674	282,943
<b>Benchmark EPS</b>	<b>€ -0.16</b>	<b>-0.01</b>	<b>0.00</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	€ 0.77	35%	● Acciona
NAV/SOTP per share	€ 0.35	20%	■ Drax Group
EV/Ebitda	€ 0.05	20%	● Ebioss Energy
P/E	€ 0.06	10%	● La Française de l'E...
Dividend Yield	€ 0.00	10%	■ Gea Group
P/Book	€ 0.06	5%	■ Elecnor
TARGET PRICE	€ 0.36	100%	■ ERG

### NAV/SOTP Calculation

## Balance Sheet

	12/17A	12/18E	12/19E
Goodwill	€th 8.00	1,000	1,000
Total intangible	€th 201	1,314	1,314
Tangible fixed assets	€th 13,341	39,000	99,000
Financial fixed assets	€th 0.00	8,000	10,000
WCR	€th 1,152	2,000	3,500
Other assets	€th 10,842	4,000	5,000
Total assets (net of short term liab.)	€th 28,299	60,314	124,814
<b>Ordinary shareholders' equity</b>	<b>€th -15,224</b>	<b>-12,199</b>	<b>-6,620</b>
Quasi Equity & Preferred	€th		
Minority interests	€th 31.0	20,000	30,000
Provisions for pensions	€th 573	0.00	0.00
Other provisions for risks and liabilities	€th 8,169	12,000	15,000
Total provisions for risks and liabilities	€th 8,742	12,000	15,000
Tax liabilities	€th 115	-2,000	-2,000
Other liabilities	€th 20,972	16,000	15,000
<b>Net debt (cash)</b>	<b>€th 13,675</b>	<b>26,513</b>	<b>73,434</b>
Total liab. and shareholders' equity	€th 28,311	60,314	124,814

## Capital Employed

	12/17A	12/18E	12/19E
Capital employed after depreciation	€th 14,694	50,314	113,814

## Profits & Risks Ratios

	12/17A	12/18E	12/19E
<b>ROE (after tax)</b>	<b>% 232</b>	<b>9.98</b>	<b>-10.7</b>
ROCE	% -113	1.51	3.40
<b>Gearing (at book value)</b>	<b>%</b>		
Adj. Net debt/EBITDA(R)	x -1.70	4.41	6.34
Interest cover (x)	x -16.2	0.43	1.38

## Valuation Ratios

	12/17A	12/18E	12/19E
<b>Reference P/E (benchmark)</b>	<b>x -1.66</b>	<b>-18.3</b>	<b>32.4</b>
Free cash flow yield	% -29.8	-78.3	-201
P/Book	x -2.67	-2.29	-4.21
<b>Dividend yield</b>	<b>% 0.00</b>	<b>0.00</b>	<b>0.00</b>

## EV Calculation

	12/17A	12/18E	12/19E
Market cap	€th 40,657	27,877	27,877
+ Provisions	€th 8,742	12,000	15,000
+ Unrecognised actuarial losses/(gains)	€th 0.00	0.00	0.00
+ Net debt at year end	€th 13,675	26,513	73,434
+ Leases debt equivalent	€th 0.00	0.00	0.00
- Financial fixed assets (fair value)	€th 15,000	0.00	0.00
+ Minority interests (fair value)	€th 1,000	20,000	40,000
= EV	€th 49,074	86,389	156,310
<b>EV/EBITDA(R)</b>	<b>x -6.09</b>	<b>14.4</b>	<b>13.5</b>
EV/Sales	x 3.74	3.60	4.58

Analyst : Pierre-Yves Gauthier, Changes to Forecasts : 30/05/2018.