## Europlasma

Alternative Energy / France

You can continue to receive AlphaValue's Research under MiFID II Learn more

# 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  $\in$ 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  $\in$ 30m in debt financing as well as  $\in$ 12m from Ademe (a French state agency) and  $\in$ 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  $\in$ 10m equity raising over 2018 after allowing for a first  $\in$ 8m draw on the resources provided by European High Growth Opportunities which took place over H1. The second possible  $\in$ 8m round could potentially bring the effective total to  $\in$ 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 +33 (0) 1 70 61 10 50 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.

Buy	Upside: 211%
Target Price (6 months)	€ 0.36
Share Price	€ 0.12
Market Cap. €M	21.2
Price Momentum	NEGATIVE
Extremes 12Months	0.11 🕨 0.30
Bloomberg	ALEUP FP Equity
Reuters	ALEUP.PA
d user and the second se	







PERF	1w	1m	3	m	12m
Europlasma	-12.1%	-29.4%	-43	.1% -	55.8%
Utilities	-1.65%	3.83%	4.3	1%	10.9%
STOXX 600	0.03%	2.65%	1.8	4%	1.68%
Last updated: 30	0/05/2018	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 (%	5)	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 p	rofit (€th)	- 17,273	- 21,820	-1,369	1,005
ROE (after tax) (%	%)	3,126	232	9.98	-10.7
Gearing (%)					

Company Valuation - Company Financials



#### 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
EBITDA(R) margin	%	-61.3	25.0	34.0
Depreciation	€th	-2,818	-4,925	-6,05
Underlying operating profit	€th	-13,799	1,085	5,529
Operating profit (EBIT)	€th	-14,096	1,085	5,529
Net financial expense	€th	-854	-2,500	-4,000
of which related to pensions	€th		0.00	0.0
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
Adjusted attributable net profit	€th	-21,164	-1,369	1,005
NOPAT	€th	-16,559	760	3,870
Cashflow Statement				
EBITDA	€th	-8,057	6,010	11,579
Change in WCR	€th	1,667	-848	-1,50
Actual div. received from equity holdi	€th	0.00	0.00	0.0
Paid taxes	€th	421	0.00	0.0
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	0.0
New shareholders' equity	€th	14,200	10,000	0.0
Total financial flows	€th	12,300	17,700	34,000
Change in cash position	€th	331	-2,638	-18,92
Free cash flow (pre div.)	€th	-12,123	-21,838	-55,92
Per Share Data				
No. of shares net of treas. stock (year	Th	152,405	242,405	242,40
Number of diluted shares (average)	Th	132,028	217,674	282,943
Benchmark EPS	€	-0.16	-0.01	0.00
Restated NAV per share	€			
Net dividend per share	€	0.00	0.00	0.0

#### **Valuation Summary**

Benchmarks	Value	Weight
DCF	€ 0.77	35%
NAV/SOTP per share	€ 0.35	20%
EV/Ebitda	€ 0.05	20%
P/E	€ 0.06	10%
Dividend Yield	€ 0.00	10%
P/Book	€ 0.06	5%
TARGET PRICE	€ 0.36	100%

Largest comparables

- Acciona
  Drax Group
- Ebioss Energy
- La Française de l'E...
- Gea Group
- Elecnor
- 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
Ordinary shareholders' equity	€th	-15,224	-12,199	-6,620
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
Net debt (cash)	€th	13,675	26,513	73,434
Total liab. and shareholders' equity	€th	28,311	60,314	124,814
Capital Employed				
Capital employed after depreciation	€th	14,694	50,314	113,814
Capital employed alter depreciation	Cui	,	,	
Profits & Risks Ratios	en	1 1,00 1		
	%	232	9.98	-10.7
Profits & Risks Ratios				<b>-10.7</b> 3.40
Profits & Risks Ratios ROE (after tax)	%	232	9.98	
Profits & Risks Ratios ROE (after tax) ROCE	<mark>%</mark> %	232	9.98	
Profits & Risks Ratios ROE (after tax) ROCE Gearing (at book value)	% %	<b>232</b> -113	<b>9.98</b> 1.51	3.40
Profits & Risks Ratios ROE (after tax) ROCE Gearing (at book value) Adj. Net debt/EBITDA(R)	% % % X	<b>232</b> -113 -1.70	<b>9.98</b> 1.51 4.41	3.40 6.34
Profits & Risks Ratios ROE (after tax) ROCE Gearing (at book value) Adj. Net debt/EBITDA(R) Interest cover (x)	% % % X	<b>232</b> -113 -1.70	<b>9.98</b> 1.51 4.41	3.40 6.34
Profits & Risks Ratios ROE (after tax) ROCE Gearing (at book value) Adj. Net debt/EBITDA(R) Interest cover (x) Valuation Ratios	% % X X	<b>232</b> -113 -1.70 -16.2	<b>9.98</b> 1.51 4.41 0.43	3.40 6.34 1.38
Profits & Risks Ratios ROE (after tax) ROCE Gearing (at book value) Adj. Net debt/EBITDA(R) Interest cover (x) Valuation Ratios Reference P/E (benchmark)	% % % X X X	232 -113 -1.70 -16.2 -1.66	9.98 1.51 4.41 0.43 -18.3	3.40 6.34 1.38 <b>32.4</b>
Profits & Risks Ratios ROE (after tax) ROCE Gearing (at book value) Adj. Net debt/EBITDA(R) Interest cover (x) Valuation Ratios Reference P/E (benchmark) Free cash flow yield	% % % X X	232 -113 -1.70 -16.2 -1.66 -29.8	9.98 1.51 4.41 0.43 -18.3 -78.3	3.40 6.34 1.38 <b>32.4</b> -201
Profits & Risks Ratios ROE (after tax) ROCE Gearing (at book value) Adj. Net debt/EBITDA(R) Interest cover (x) Valuation Ratios Reference P/E (benchmark) Free cash flow yield P/Book	%    %    X    X    X    X    X    X    X	232 -113 -1.70 -16.2 -1.66 -29.8 -2.67	9.98 1.51 4.41 0.43 -18.3 -78.3 -2.29	3.40 6.34 1.38 <b>32.4</b> -201 -4.21
Profits & Risks Ratios ROE (after tax) ROCE Gearing (at book value) Adj. Net debt/EBITDA(R) Interest cover (x) Valuation Ratios Reference P/E (benchmark) Free cash flow yield P/Book Dividend yield	%    %    X    X    X    X    X    X    X	232 -113 -1.70 -16.2 -1.66 -29.8 -2.67	9.98 1.51 4.41 0.43 -18.3 -78.3 -2.29	3.40 6.34 1.38 <b>32.4</b> -201 -4.21
Profits & Risks Ratios ROE (after tax) ROCE Gearing (at book value) Adj. Net debt/EBITDA(R) Interest cover (x) Valuation Ratios Reference P/E (benchmark) Free cash flow yield P/Book Dividend yield EV Calculation	% % % X X % X %	232 -113 -1.70 -16.2 -1.66 -29.8 -2.67 0.00	9.98 1.51 4.41 0.43 -18.3 -78.3 -2.29 0.00	3.40 6.34 1.38 <b>32.4</b> -201 -4.21 <b>0.00</b>
Profits & Risks Ratios ROE (after tax) ROCE Gearing (at book value) Adj. Net debt/EBITDA(R) Interest cover (x) Valuation Ratios Reference P/E (benchmark) Free cash flow yield P/Book Dividend yield EV Calculation Market cap	% % % x x % x %	232 -113 -1.70 -16.2 -1.66 -29.8 -2.67 0.00 40,657	9.98 1.51 4.41 0.43 -18.3 -78.3 -2.29 0.00 227,877	3.40 6.34 1.38 <b>32.4</b> -201 -4.21 <b>0.00</b> 27,877
Profits & Risks Ratios ROE (after tax) ROCE Gearing (at book value) Adj. Net debt/EBITDA(R) Interest cover (x) Valuation Ratios Reference P/E (benchmark) Free cash flow yield P/Book Dividend yield EV Calculation Market cap + Provisions	% % X X X % X % X %	232 -113 -1.70 -16.2 -166 -29.8 -267 0.00 40,657 8,742	9.98 1.51 4.41 0.43 - <b>18.3</b> -78.3 -2.29 0.00 27,877 12,000	3.40 6.34 1.38 <b>32.4</b> -201 -4.21 <b>0.00</b> 27,877 15,000
Profits & Risks Ratios ROE (after tax) ROCE Gearing (at book value) Adj. Net debt/EBITDA(R) Interest cover (x) Valuation Ratios Reference P/E (benchmark) Free cash flow yield P/Book Dividend yield EV Calculation Market cap + Provisions + Unrecognised acturial losses/(gains)	% % % x x % x % x % % feth feth	232 -113 -1.70 -16.2 -1.66 -29.8 -2.67 0.00 40,657 8,742 0.00	9.98 1.51 4.41 0.43 -18.3 -78.3 -78.3 -2.29 0.00 27,877 12,000 0.00	3.40 6.34 1.38 <b>32.4</b> -201 -4.21 <b>0.00</b> 27,877 15,000 0.00
Profits & Risks Ratios ROE (after tax) ROCE Gearing (at book value) Adj. Net debt/EBITDA(R) Interest cover (x) Valuation Ratios Reference P/E (benchmark) Free cash flow yield P/Book Dividend yield EV Calculation Market cap + Provisions + Unrecognised acturial losses/(gains) + Net debt at year end	% % % x x % x % x % % €th €th €th	232 -113 -1.70 -16.2 -1.66 -29.8 -2.67 0.00 40,657 8,742 0.00 13,675	9.98 1.51 4.41 0.43 -78.3 -78.3 -78.3 -2.29 0.00 27,877 12,000 0.00 26,513	3.40 6.34 1.38 <b>32.4</b> -201 -4.21 <b>0.00</b> 27,877 15,000 0.00 73,434
Profits & Risks Ratios ROE (after tax) ROCE Gearing (at book value) Adj. Net debt/EBITDA(R) Interest cover (x) Valuation Ratios Reference P/E (benchmark) Free cash flow yield P/Book Dividend yield EV Calculation Market cap + Provisions + Unrecognised acturial losses/(gains) + Net debt at year end + Leases debt equivalent	% % % x x % x % % €th €th €th €th	232 -113 -1.70 -16.2 -1.66 -29.8 -2.67 0.00 40,657 8,742 0.00 13,675 0.00	9.98 1.51 4.41 0.43 -18.3 -78.3 -78.3 -2.29 0.00 27,877 12,000 0.00 26,513 0.00	3.40 6.34 1.38 <b>32.4</b> -201 -4.21 <b>0.00</b> 27,877 15,000 0.00 73,434 0.00
Profits & Risks Ratios ROE (after tax) ROCE Gearing (at book value) Adj. Net debt/EBITDA(R) Interest cover (x) Valuation Ratios Reference P/E (benchmark) Free cash flow yield P/Book Dividend yield EV Calculation Market cap + Provisions + Unrecognised acturial losses/(gains) + Net debt at year end + Leases debt equivalent - Financial fixed assets (fair value)	% % % x x % x % % £th €th €th €th €th €th	232 -113 -1.70 -16.2 -1.66 -29.8 -2.67 0.00 40,657 8,742 0.00 13,675 0.00 13,675	9.98 1.51 4.41 0.43 -18.3 -78.3 -78.3 -2.29 0.00 27,877 12,000 0.00 26,513 0.00 26,513	3.40 6.34 1.38 <b>32.4</b> -201 -4.21 <b>0.00</b> 27,877 15,000 0.00 73,434 0.00 0.00
Profits & Risks Ratios ROE (after tax) ROCE Gearing (at book value) Adj. Net debt/EBITDA(R) Interest cover (x) Valuation Ratios Reference P/E (benchmark) Free cash flow yield P/Book Dividend yield EV Calculation Market cap + Provisions + Unrecognised acturial losses/(gains) + Net debt at year end + Leases debt equivalent - Financial fixed assets (fair value) + Minority interests (fair value)	% % % x x % x % x % f th €th €th €th f th f th i €th	232 -113 -1.70 -16.2 -1.66 -29.8 -2.67 0.00 40,657 8,742 0.00 13,675 0.00 13,675 0.00	9.98 1.51 4.41 0.43 -18.3 -78.3 -78.3 -2.29 0.00 27,877 12,000 0.00 26,513 0.00 26,513 0.00 20,000	3.40 6.34 1.38 <b>32.4</b> -201 -4.21 <b>0.00</b> 27,877 15,000 0.00 73,434 0.00 0.00 40,000

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

© 2018, AlphaValue All rights reserved. Contract research, paid for by the above corporate entity. Equity research methods and procedures are as applied by AlphaValue. Target prices and opinions are thus exclusively determined by those methods and procedures. All opinions and estimates included herein represent the personal, technical judgment of the analyst as of the date of this report and are subject to change without prior notice. The information contained herein hase been compiled from sources believed to be reliable, but while all reasonable care has been taken to ensure that the information contained the inits report. The subject to change without prior notice, and the immed publication, we make no representation that it is accurate or complete and it should not be relied upon as such. AlphaValue does not accept any liability whatsoever for any direct or consequential loss arising from any use of this report or its contents, including the investment view held in this report.