



Europlasma

Alternative Energy / France

Restart

Financing issue - 05/08/2019

On 1 August, the French commercial court formally agreed on the refinancing plans to help Europlasma continue as is, albeit with new governance and massive dilution. We merely allow for that dilution from now on.

Fact

An ad-hoc Luxemburg based SPV named Zigi Capital and 50/50 owned by MM Alexandre-Henri Carré and Jérôme Garnache-Creuillot has committed to injecting the necessary resources into Europlasma to make it a successful venture. Those plans have been accepted by the commercial court. While there is an entirely new governance, the technique used to prop up the funding of Europlasma is massively dilutive as it amounts to de facto equity lines.

Analysis

Note that the previous governance had reached the conclusion that equity lines were no longer suitable as the group needed a substantial pocket of long-term funding for its two businesses and particularly for the capital intensive green power activity (CHO Power). If no long-term financing could be found for both, the idea was then to sell one of the businesses.

Zigi adds new layers of equity lines essentially achieved by the issuance of very short-term convertibles immediately converted into equity and sold in the market. Europlasma provided a detailed review of the potential number of shares once all known future layers of financing and payment of commissions to arrangers have been deployed.

As of end June 2019, the number of shares was 285m. We had anticipated 2019 to close at 345m shares prior to the financial restructuring and change of ownership. We now allow for 640m shares for 2019-2020-2021 as our current best guess of nearly-certain dilution

Note that Europlasma filed for Chapter 11 in January 2019 and has yet to publish its 2018 accounts. This means that the dilution is both phenomenal and based on highly theoretical earnings.

Impact

The impact on earnings last reviewed in November 2018 (...) is quite mechanical even though it is hardly visible with expected eps ranging from -0.01€ to 0.01€. The target price is divided by three as we have also taken a more cautious view on the DCF.



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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.

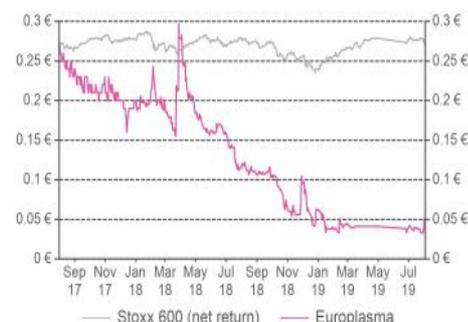
Call Option Upside: 55.5%

Target Price (6 months)	€ 0.08
Share Price	€ 0.05
Market Cap. €M	14.6
Price Momentum	GOOD
Extremes 12Months	0.03 ▶ 0.12
Bloomberg	ALEUP FP Equity
Reuters	ALEUP.PA



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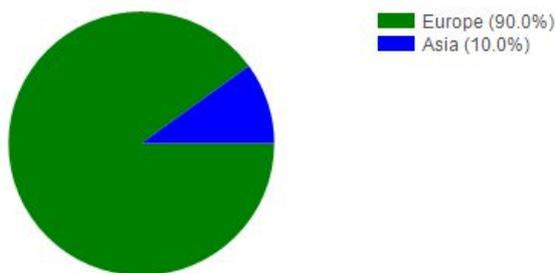


PERF	1w	1m	3m	12m
Europlasma	45.2%	14.9%	17.4%	-59.9%
Utilities	-0.63%	-0.39%	8.37%	19.4%
STOXX 600	-3.22%	-3.68%	-2.75%	-2.20%

Last updated: 05/08/2019	12/17A	12/18E	12/19E	12/20E
Adjusted P/E (x)	-1.66	-2.89	-6.05	9.08
Dividend yield (%)	0.00	0.00	0.00	0.00
EV/EBITDA(R) (x)	-6.09	-29.6	24.4	11.2
Adjusted EPS (€)	-0.16	-0.05	-0.01	0.01
Growth in EPS (%)	n/a	n/a	n/a	n/a
Dividend (€)	0.00	0.00	0.00	0.00
Sales (€th)	13,133	14,000	24,560	45,160
Operating margin (%)	-107	-61.6	3.19	23.8
Attributable net profit (€th)	21,820	11,079	-3,742	3,417
ROE (after tax) (%)	232	91.8	68.1	80.7
Gearing (%)				902

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Sales by Geography



Consolidated P&L Accounts

	12/17A	12/18E	12/19E
Sales	€th 13,133	14,000	24,560
Change in sales	% 34.9	6.60	75.4
Change in staff costs	% 0.00	4.55	21.7
EBITDA	€th -8,057	-3,700	6,832
EBITDA(R) margin	% -61.3	-26.4	27.8
Depreciation	€th -2,818	-4,925	-6,050
Underlying operating profit	€th -13,799	-8,625	782
Operating profit (EBIT)	€th -14,096	-8,625	782
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
Adjusted attributable net profit	€th -21,164	-11,079	-3,742
NOPAT	€th -16,559	-6,038	548

Cashflow Statement

	12/17A	12/18E	12/19E
EBITDA	€th -8,057	-3,700	6,832
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	-3,548	6,332
Capital expenditure	€th -3,100	-7,500	-63,000
Total investment flows	€th -3,800	-8,500	-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	6,000	6,000
Total financial flows	€th 12,300	700	40,000
Change in cash position	€th 331	-11,348	-17,668
Free cash flow (pre div.)	€th -12,123	-13,548	-60,668

Per Share Data

	12/17A	12/18E	12/19E
No. of shares net of treas. stock (year...)	Th 152,405	294,000	640,000
Number of diluted shares (average)	Th 132,028	223,203	467,000
Benchmark EPS	€ -0.16	-0.05	-0.01
Restated NAV per share	€		
Net dividend per share	€ 0.00	0.00	0.00

Valuation Summary

Benchmarks	Value	Weight	Largest comparables
DCF	€ 0.15	35%	● Acciona
NAV/SOTP per share	€ 0.07	20%	● Drax Group
EV/Ebitda	€ 0.02	20%	● Gea Group
P/E	€ 0.03	10%	● Elecnor
Dividend Yield	€ 0.00	10%	● ERG
P/Book	€ 0.02	5%	
TARGET PRICE	€ 0.08	100%	

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	51,000	111,000
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	72,314	136,814
Ordinary shareholders' equity	€th -15,224	-8,909	-2,077
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	35,223	80,891
Total liab. and shareholders' equity	€th 28,311	72,314	136,814

Capital Employed

	12/17A	12/18E	12/19E
Capital employed after depreciation	€th 14,694	62,314	125,814

Profits & Risks Ratios

	12/17A	12/18E	12/19E
ROE (after tax)	% 232	91.8	68.1
ROCE	% -113	-9.69	0.44
Gearing (at book value)	%		
Adj. Net debt/EBITDA(R)	x -1.70	-9.52	11.8
Interest cover (x)	x -16.2	-3.45	0.20

Valuation Ratios

	12/17A	12/18E	12/19E
Reference P/E (benchmark)	x -1.66	-2.89	-6.05
Free cash flow yield	% -29.8	-32.1	-195
P/Book	x -2.67	-4.73	-14.9
Dividend yield	% 0.00	0.00	0.00

EV Calculation

	12/17A	12/18E	12/19E
Market cap	€th 40,657	42,176	31,040
+ 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	35,223	80,891
+ 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	109,399	166,931
EV/EBITDA(R)	x -6.09	-29.6	24.4
EV/Sales	x 3.74	7.81	6.80

Analyst : Pierre-Yves Gauthier, Changes to Forecasts : 05/08/2019.