



Ecoslops

Other Energies / France

La Mède Complex project gains steam with Total now on board

Latest - 02/04/2019

Ecoslops Provence is currently building a slops refining unit to regenerate oil residues at Total's La Mède complex in the port of Marseille. As part of the agreement, Ecoslops SA announced that Total will acquire a 25% interest in Ecoslops Provence, the affiliate in charge of the project.

Fact

- Ecoslops Provence is building a slops refining unit to regenerate oil residues at Total's La Mède complex. The new facility with a nominal processing capacity of 130t/day is scheduled to begin operations in late 2019 and supply Total with naphtha oil.
- As part of the agreement, Ecoslops SA will also give Total a 25% interest in its affiliate Ecoslops Provence. While Ecoslops will operate the unit, Total will supply all necessary services and utilities.
- Financing: the facility is financed by directed loans from the EIB (€18m), a loan from three banks totaling €6.5m as well as a zero interest loan from the PACA region.

Analysis

With Total's acquired stake in Ecoslops Provence, the announcement sends another positive sign regarding the prospects for this second refining unit and serves as an indication that Total has full confidence on its partnership with Ecoslops and its benefits in terms of the carbon externalities reduction that can be achieved through Ecoslops' technology. As Big Oil is desperately looking for offsets to their Scope 3 carbon footprint, La Mède type operations, although tiny on Total's scale, cannot hurt as this is avoided carbon.

The announcement is positive from a financing, as well as a valuation standpoint, and since Total is also providing access to existing infrastructure and services at the La Mède complex, this will certainly lower set-up costs for the refining unit and facilitate its entry into operation.

Impact

No financial impact as we assume that Total participates at cost. The valuation should benefit in terms of risk reduction. This will be allowed for when Ecoslops releases its results (04/04/2019).



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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: 78.5%
Target Price (6 months)	€ 24.3
Share Price	€ 13.6
Market Cap. €M	70.2
Price Momentum	GOOD
Extremes 12Months	9.90 ▶ 16.5
Bloomberg	ALESA FP Equity
Reuters	ALESA.PA

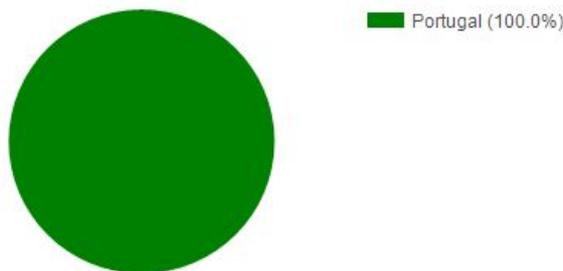

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PERF	1w	1m	3m	12m
Ecoslops	2.26%	0.74%	12.4%	6.25%
Oils	1.70%	3.03%	11.2%	16.2%
STOXX 600	2.50%	2.52%	13.6%	3.45%

Last updated: 05/10/2018	12/17A	12/18E	12/19E	12/20E
Adjusted P/E (x)	-37.2	-33.8	ns	26.4
Dividend yield (%)	0.00	0.00	0.00	1.47
EV/EBITDA(R) (x)	ns	ns	31.2	15.8
Adjusted EPS (€)	-0.34	-0.39	0.04	0.52
Growth in EPS (%)	n/a	n/a	n/a	1,127
Dividend (€)	0.00	0.00	0.00	0.20
Sales (€th)	6,080	7,800	15,921	26,191
EBITDA/R margin (%)	5.43	-6.88	17.9	27.8
Attributable net profit (€th)	-1,350	-1,750	204	2,717
ROE (after tax) (%)	-8.00	-9.72	1.22	15.4
Gearing (%)	29.0	41.3	77.3	147

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Sales by Geography



Consolidated P&L Accounts

		12/17A	12/18E	12/19E
Sales	€th	6,080	7,800	15,921
Change in sales	%	39.3	28.3	104
Change in staff costs	%	-27.9	6.12	53.8
EBITDA	€th	-331	-537	2,845
EBITDA(R) margin	%	-5.44	-6.88	17.9
Depreciation	€th	-1,120	-1,300	-2,000
Underlying operating profit	€th	-1,621	-1,837	845
Operating profit (EBIT)	€th	-1,621	-1,837	845
Net financial expense	€th	-118	-665	-1,422
of which related to pensions	€th		0.00	0.00
Exceptional items & other	€th	-18.5	0.00	0.00
Corporate tax	€th	408	752	781
Equity associates	€th	0.00	0.00	0.00
Minority interests	€th	0.00	0.00	0.00
Adjusted attributable net profit	€th	-1,350	-1,750	204
NOPAT	€th	-1,135	-1,286	592

Cashflow Statement

EBITDA	€th	-331	-537	2,845
Change in WCR	€th	-426	-1,081	-1,208
Actual div. received from equity holdi...	€th	0.00	0.00	0.00
Paid taxes	€th	0.00	752	781
Exceptional items	€th	0.00	0.00	0.00
Other operating cash flows	€th	267	-4,899	-5,676
Total operating cash flows	€th	-490	-5,765	-3,258
Capital expenditure	€th	-471	-2,800	-12,900
Total investment flows	€th	-471	-2,800	-12,900
Net interest expense	€th	-118	-665	-1,422
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	10,471	44.6	9,705
Total financial flows	€th	4,912	15,710	24,306
Change in cash position	€th	3,951	7,145	8,147
Free cash flow (pre div.)	€th	-1,079	-9,230	-17,580

Per Share Data

No. of shares net of treas. stock (year...	Th	4,382	4,382	5,159
Number of diluted shares (average)	Th	3,946	4,452	4,844
Benchmark EPS	€	-0.34	-0.39	0.04
Restated NAV per share	€			
Net dividend per share	€	0.00	0.00	0.00

Valuation Summary

Benchmarks	Value	Weight	Largest comparables
DCF	€ 25.6	40%	<ul style="list-style-type: none"> ● Neste ■ Galp Energia ● Saras ■ Hellenic Petroleum ■ Acciona
NAV/SOTP per share	€ 32.6	40%	
P/E	€ 6.80	5%	
EV/Ebitda	€ 2.01	5%	
P/Book	€ 8.51	5%	
Dividend Yield	€ 2.79	5%	
TARGET PRICE	€ 24.3	100%	

NAV/SOTP Calculation

Balance Sheet

		12/17A	12/18E	12/19E
Goodwill	€th	0.00	0.00	0.00
Total intangible	€th	451	492	492
Tangible fixed assets	€th	17,034	18,160	29,060
Financial fixed assets	€th	19.1	19.1	19.1
WCR	€th	590	1,672	2,880
Other assets	€th	3,504	3,386	3,386
Total assets (net of short term liab.)	€th	23,726	25,880	37,988
Ordinary shareholders' equity	€th	21,422	14,570	18,803
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	187	0.00	0.00
Total provisions for risks and liabilities	€th	187	0.00	0.00
Tax liabilities	€th	0.00	0.00	0.00
Other liabilities	€th	699	705	705
Net debt (cash)	€th	1,419	10,605	18,480
Total liab. and shareholders' equity	€th	23,728	25,880	37,988

Capital Employed

Capital employed after depreciation	€th	18,095	20,343	32,451
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Profits & Risks Ratios

ROE (after tax)	%	-8.00	-9.72	1.22
ROCE	%	-6.27	-6.32	1.82
Gearing (at book value)	%	29.0	41.3	77.3
Adj. Net debt/EBITDA(R)	x	-4.29	-19.8	6.50
Interest cover (x)	x	-13.7	-2.76	0.59

Valuation Ratios

Reference P/E (benchmark)	x	-37.2	-33.8	ns
Free cash flow yield	%	-1.94	-15.9	-25.1
P/Book	x	2.60	4.00	3.73
Dividend yield	%	0.00	0.00	0.00

EV Calculation

Market cap	€th	55,735	58,220	70,157
+ Provisions	€th	187	0.00	0.00
+ Unrecognised actuarial losses/(gains)	€th	0.00	0.00	0.00
+ Net debt at year end	€th	1,419	10,605	18,480
+ Leases debt equivalent	€th	0.00	0.00	0.00
- Financial fixed assets (fair value)	€th			
+ Minority interests (fair value)	€th			
= EV	€th	57,341	68,825	88,637
EV/EBITDA(R)	x	ns	ns	31.2
EV/Sales	x	9.43	8.82	5.57

Analyst : Pierre-Yves Gauthier, Changes to Forecasts : 05/10/2018.