



Europlasma

Alternative Energy / France

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Orano as big bro'

Strategic Plan - 12/09/2018

Europlasma brings in Orano as a mighty partner to grow its hazardous waste management business.

Fact

Europlasma has signed a frame agreement ready to be executed with Orano (ex Areva, state-owned) that will help it expand its dangerous waste processing businesses dramatically. Europlasma and Orano have complementary technologies / know-how while Orano has the worldwide network on which Europlasma hopes to build new joint commercial opportunities.

The frame agreement will come into force once Europlasma has completed its ongoing capital raising plans that should see it benefit from a stronger balance sheet and a new, long-term reference shareholder.

Analysis

Europlasma is right to remind observers that its painful road to become a green energy supplier (CHO Power business) has taken its toll in terms of management time and financial resources at the expense of the dangerous waste treatment units, its current mainstream business.

The intention is clearly to make up for lost time by joining forces with Orano. As a reminder, Europlasma owns a cash-flow generating business, Inertam, which eradicates asbestos waste, a process which is structurally in high demand. This business's profitability has sunk, however, due to operational issues compounded by a lack of available capacity. There would be considerable operational leverage and pricing reduction potential in opening new larger furnaces, which in itself depends on securing more significant clients.

Europlasma's engineering resources have also been deployed in the treatment of lightly radioactive materials at clients' nuke plants. This also relies on the company's plasma torch know-how. Securing an ambitious partnership with Orano would help push this know-how further.

Orano is a giant but looking for new growth areas to strengthen its leadership in the nuclear materials life-cycle. Cooperating with tiny Europlasma looks unbalanced, yet Europlasma has demonstrated in Bulgaria its technical leadership, so the "marriage" of technical and market leadership makes a lot of commercial sense. And beyond radioactive waste, it is not unreasonable for Orano to rely on Europlasma's business opportunities and for Europlasma to have the benefits of a big brother standing in the background.

The Orano frame agreement comes after a similar one still in the pipeline with ArcelorMittal designed to contain high steel furnace pollution. It should not be a surprise to see that such cooperations are still work in progress as it takes considerable time to work out the limits of what can be done. It is, nevertheless, a strong signal of Europlasma's technical expertise.

Impact

The immediate impact of the Orano frame agreement is nil as it is not finalised and

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Buy **Upside: 227%**

Target Price (6 months) € 0.35

Share Price € 0.11

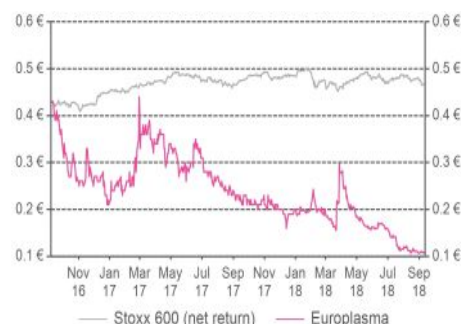
Market Cap. €M 19.7

Price Momentum **NEGATIVE**

Extremes 12Months 0.11 ▶ 0.30

Bloomberg ALEUP FP Equity

Reuters ALEUP.PA

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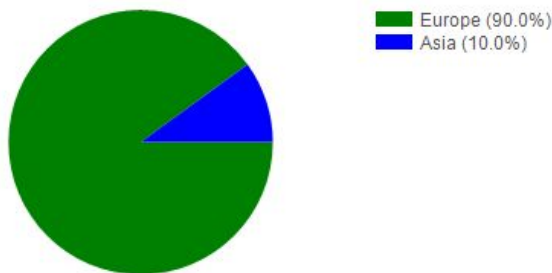
| PERF | 1w | 1m | 3m | 12m |
|------------|--------|--------|--------|--------|
| Europlasma | -2.90% | -4.96% | -33.0% | -53.4% |
| Utilities | 2.52% | 1.62% | 5.13% | 4.29% |
| STOXX 600 | -1.19% | -2.73% | -3.26% | -1.09% |

| Last updated: 30/05/2018 | 12/16A | 12/17A | 12/18E | 12/19E |
|-------------------------------|--------|--------|--------|--------|
| Adjusted P/E (x) | -2.81 | -1.66 | -17.0 | 30.2 |
| Dividend yield (%) | 0.00 | 0.00 | 0.00 | 0.00 |
| EV/EBITDA(R) (x) | -5.40 | -6.09 | 14.1 | 13.3 |
| 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 (%) | | | | |

[Company Valuation](#) - [Company Financials](#)

the finalisation itself depends on management finding the adequate financial backing to its growth plans. As a reminder, the last four years have been about sorting out technical and resulting funding issues to get the green energy business (CHO Power) up and working, and putting into commercial operation other complex projects (Bulgaria, China, etc.). The latter are delivered, CHO Power technology is sorted, the structure of the group now gives it control of its cash flows, and it seems the Orano partnership will enable Europlasma to deploy a second growth trajectory besides CHO Power. But it has yet to raise more cash to fund its share of the next green power generation projects (two are well advanced). More on the funding front should be made public at the next AGM. We will adjust our expectations then.

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 | -6,050 |
| 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 | 0.00 |
| 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 | -1,369 | 1,005 |
| 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 |
| Free cash flow (pre div.) | €th | -12,123 | -21,838 | -55,921 |

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 |
| Benchmark EPS | € | -0.16 | -0.01 | 0.00 |
| Restated NAV per share | € | | | |
| Net dividend per share | € | 0.00 | 0.00 | 0.00 |

Valuation Summary

| Benchmarks | Value | Weight | Largest comparables |
|--------------------|--------|--------|---------------------|
| DCF | € 0.74 | 35% | ● Acciona |
| NAV/SOTP per share | € 0.35 | 20% | ■ Drax Group |
| EV/Ebitda | € 0.06 | 20% | ● Ebioss Energy |
| P/E | € 0.05 | 10% | ■ Gea Group |
| Dividend Yield | € 0.00 | 10% | ■ Elecnor |
| P/Book | € 0.05 | 5% | ■ ERG |
| TARGET PRICE | € 0.35 | 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 | 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

| | | 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 |
|--------------------------------|---|------------|-------------|--------------|
| ROE (after tax) | % | 232 | 9.98 | -10.7 |
| ROCE | % | -113 | 1.51 | 3.40 |
| Gearing (at book value) | % | | | |
| 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 |
|----------------------------------|----------|--------------|--------------|-------------|
| Reference P/E (benchmark) | x | -1.66 | -17.0 | 30.2 |
| Free cash flow yield | % | -29.8 | -84.0 | -215 |
| P/Book | x | -2.67 | -2.13 | -3.93 |
| Dividend yield | % | 0.00 | 0.00 | 0.00 |

EV Calculation

| | | 12/17A | 12/18E | 12/19E |
|---|----------|--------------|-------------|-------------|
| Market cap | €th | 40,657 | 25,986 | 25,986 |
| + 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 | 84,498 | 154,420 |
| EV/EBITDA(R) | x | -6.09 | 14.1 | 13.3 |
| EV/Sales | x | 3.74 | 3.52 | 4.53 |

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