



# Europlasma<sup>CR</sup>

Alternative Power Sources / France

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## Successful capital increase, massive H1 losses

Earnings/sales releases - 05/11/2014

### ■ Fact

On 03/11/2014, Europlasma released the results of its significant capital raising as well as its H1 14 figures.

The capital increase reached €35.9m, a very significant figure which should see the group through its ambitious projects and clean up the debt that it built up after a very difficult 2013 with a spillover into 2014. The H1 earnings were a painful measure of that spillover with revenues limited to €4.76m (16% down), a negative EBITDA at €-5.3m and a net loss at €-8m. These are large figures for a company with a market cap of €50-60m post recapitalisation.

Shareholders' funds in H1 have been decimated in the process to €-1.4m before allowing for the capital increase so that H2 "opens" with c.€34m equity.

### ■ Analysis

The capital raising at €36m is a success. It was larger than our own expectation as authorisation to raise another €8m kicked in. This has helped in effect to convert bridging loans into equity. The net new money is €22.2m out of the €36m raised. As a reminder, there is even more to come in the form of warrants that can be exercised later on, i.e. when the group has confirmed that it is en route to success.

The H1 earnings show a high degree of kitchen sinking which leaves one gasping. All divisions have been underperforming operationally for different reasons: the renewable energy one from delays in bringing the CHO Morcenx prototype unit to nominal plans, the asbestos vitrification unit from oven refurbishing and the plasma torch unit simply had no delivery over this period.

Our full-year forecasts are entirely dependent on the vitrification unit actually delivering on the strong demand that had to wait to be processed. The renewable energy segment will have validated the proper functioning of the technology which helps engage plans for further units and the relevant contracting work for Europlasma.

### ■ Impact

We allow for the greater number of shares stemming from the larger rights issue, i.e. 68m instead of our original expectation at 58m. The 17% increase is partly offset by a lower debt so that EPSs are 11% lower, not that it matters in 2014, a year of further loss.

As a reminder, the earnings expectations do not allow for the future dilution attached to the possible exercise of warrants. These will be allowed for when the business confirms that it is on a sound path, i.e. that the valuation will reflect the potential growth that will be financed by exercising the warrants.

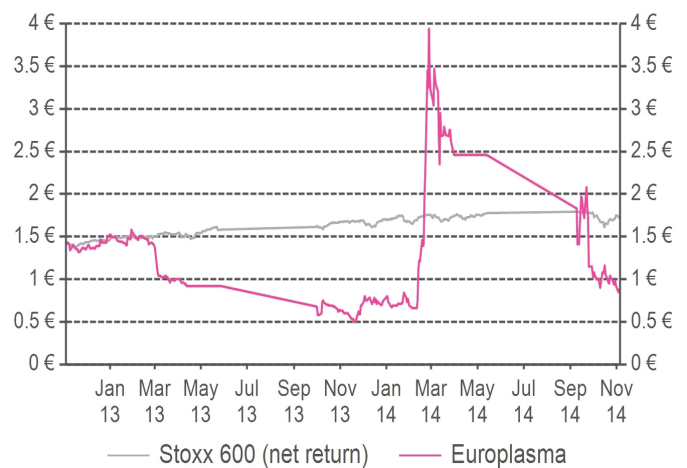
The good news paradoxically is this very extra dilution as it confirms that the small group is now endowed with the ad hoc financing.

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 : 39.1%**

Target Price (6 months)	€ 1.22
Share Price	€ 0.88
Market Capitalisation €M	59.9
Price Momentum	<b>NEGATIVE</b>
Extremes 12Months	0.50 ▶ 3.94
Newsflow	Neutral
Bloomberg	ALEUP FP Equity
Reuters	ALEUP.PA

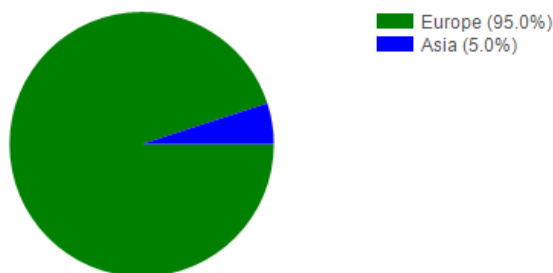
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PERF	1w	1m	3m	12m
Europlasma	-6.38%	-15.4%	N/A	39.7%
Capital Goods	1.58%	-0.73%	-2.49%	-1.81%
STOXX 600	0.80%	-1.29%	-0.08%	2.60%

Last updated: 05/11/2014	12/12A	12/13A	12/14E	12/15E
Adjusted P/E (x)	-1.55	-1.63	ns	22.2
Dividend yield (%)	0.00	0.00	0.00	0.00
EV/EBITDA(R) (x)	-4.36	-7.84	-5.55	12.2
Adjusted EPS (€)	-1.02	-0.60	0.01	0.04
Growth in EPS (%)				365
Dividend (€)	0.00	0.00	0.00	0.00
Sales (€th)	35,338	12,572	14,600	25,700
Operating margin (%)	-51.5	-72.7	-66.4	2.80
Attributable net profit (€th)	-20,670	-12,254	-1,640	694
ROE (after tax) (%)	-85.5	-120	-8.96	1.90
Gearing (%)	83.4	744	6.48	-26.6

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

## Sales by Geography



## Consolidated P&L Account

		12/13A	12/14E	12/15E
Sales	€th	12,572	14,600	25,700
Change in sales	%	-64.4	16.1	76.0
Change in staff costs	%	-61.0	2.27	5.56
EBITDA	€th	-4,147	-7,200	3,420
<b>EBITDA(R) margin</b>	%	<b>-33.0</b>	<b>-49.3</b>	<b>13.3</b>
Depreciation	€th	-3,532	-1,800	-2,000
Underlying operating profit	€th	-8,227	-2,700	720
<b>Operating profit (EBIT)</b>	<b>€th</b>	<b>-8,227</b>	<b>-2,700</b>	<b>720</b>
Net financial expense	€th	-900	-670	100
of which related to pensions	€th		0.00	0.00
Exceptional items & other	€th			
Corporate tax	€th	-152	2,430	-126
Equity associates	€th	-352	-700	0.00
Minority interests	€th	-100	0.00	0.00
<b>Adjusted attributable net profit</b>	<b>€th</b>	<b>-12,254</b>	<b>-1,640</b>	<b>694</b>
NOPAT	€th	-6,111	-2,590	504

## Cashflow Statement

		12/13A	12/14E	12/15E
EBITDA	€th	-4,147	-7,200	3,420
Change in WCR	€th	2,892	134	1,000
Actual div. received from equity holdi...	€th	0.00	0.00	0.00
Paid taxes	€th	-108	2,430	-126
Exceptional items	€th			
Other operating cash flows	€th	-1,500	500	1,000
Total operating cash flows	€th	-2,863	-4,136	5,294
Capital expenditure	€th	-3,390	-3,000	-2,000
Total investment flows	€th	-6,675	-4,000	-7,500
Net interest expense	€th	-900	-670	100
Dividends (parent company)	€th			
Dividends to minorities interests	€th	0.00	0.00	0.00
New shareholders' equity	€th	0.00	35,900	0.00
Total financial flows	€th	1,729	23,230	-1,900
Change in cash position	€th	-5,185	15,094	-4,106
<b>Free cash flow (pre div.)</b>	<b>€th</b>	<b>-7,153</b>	<b>-7,806</b>	<b>3,394</b>

## Per Share Data

		12/13A	12/14E	12/15E
No. of shares net of treas. stock (year...)	Th	16,500	68,024	68,024
Number of diluted shares (average)	Th	16,300	42,262	68,024
<b>Benchmark EPS</b>	<b>€</b>	<b>-0.60</b>	<b>0.01</b>	<b>0.04</b>
Restated NAV per share	€			
<b>Net dividend per share</b>	<b>€</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>

## Valuation Summary

Benchmarks	Value	Weight	Largest comparables
DCF	€ 2.15	35%	Abengoa
NAV/SOTP per share	€ 1.24	20%	Gea Group
EV/Ebitda	€ 0.49	20%	Gamesa
P/E	€ 0.72	10%	Suez Environnement
Dividend Yield	€ 0.00	10%	Elecnor
P/Book	€ 1.10	5%	
TARGET PRICE	€ 1.22	100%	

### NAV/SOTP Calculation

## Balance Sheet

		12/13A	12/14E	12/15E
Goodwill	€th	2,624	2,615	2,615
Total intangible	€th	4,024	4,615	5,615
Tangible fixed assets	€th	15,937	17,000	18,000
Financial fixed assets	€th	3,677	4,000	8,000
WCR	€th	-2,866	-3,000	-4,000
Other assets	€th	9,753	10,000	10,000
Total assets (net of short term liab.)	€th	32,505	35,615	42,615
<b>Ordinary shareholders' equity</b>	<b>€th</b>	<b>2,370</b>	<b>34,242</b>	<b>38,636</b>
Quasi Equity & Preferred	€th			
Minority interests	€th	748	1,000	1,000
Provisions for pensions	€th	250	0.00	0.00
Other provisions for risks and liabilities	€th	1,061	200	200
Total provisions for risks and liabilities	€th	1,311	200	200
Tax liabilities	€th	-1,830	-1,500	-2,000
Other liabilities	€th	14,138	13,000	14,000
<b>Net debt (cash)</b>	<b>€th</b>	<b>15,767</b>	<b>-11,327</b>	<b>-9,221</b>
Total liab. and shareholders' equity	€th	32,504	35,615	42,615

## Capital Employed

		12/13A	12/14E	12/15E
Capital employed after depreciation	€th	20,772	22,615	27,615

## Profits & Risks Ratios

		12/13A	12/14E	12/15E
<b>ROE (after tax)</b>	%	<b>-120</b>	<b>-8.96</b>	<b>1.90</b>
ROCE	%	-29.4	-11.5	1.83
<b>Gearing (at book value)</b>	%	<b>744</b>	<b>6.48</b>	<b>-26.6</b>
Adj. Net debt/EBITDA(R)	x	-3.80	1.57	-2.70
Interest cover (x)	x	-9.14	-4.03	-7.20

## Valuation Ratios

		12/13A	12/14E	12/15E
<b>Reference P/E (benchmark)</b>	<b>x</b>	<b>-1.63</b>	<b>ns</b>	<b>22.2</b>
Free cash flow yield	%	-44.4	-13.0	5.67
P/Book	x	6.79	1.75	1.55
<b>Dividend yield</b>	%	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>

## EV Calculation

		12/13A	12/14E	12/15E
Market cap	€th	16,097	59,861	59,861
+ Provisions	€th	1,311	200	200
+ Unrecognised actuarial losses/(gains)	€th	0.00	0.00	0.00
+ Net debt at year end	€th	15,767	-11,327	-9,221
+ Leases debt equivalent	€th	0.00	0.00	0.00
- Financial fixed assets (fair value)	€th	1,980	10,000	10,000
+ Minority interests (fair value)	€th	1,300	1,250	1,000
= EV	€th	32,495	39,984	41,840
<b>EV/EBITDA(R)</b>	<b>x</b>	<b>-7.84</b>	<b>-5.55</b>	<b>12.2</b>
EV/Sales	x	2.58	2.74	1.63

Analyst : Pierre-Yves Gauthier, Changes to Forecasts : 05/11/2014.