



Ecoslops

Other Energies / France

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The path to green-solving slops

Initiation cov. - 08/11/2016

We initiate coverage of Ecoslops (BUY): the company renews the oil residues from shipping (slops and sludge), turning them into fuels through its unique technology. The current market capitalisation stands at c. €28m with the share price at €9.1; we see a large upside potential (+114%) based on the company's project pipeline.

Refining slops

The world fleet generates more than 100m tons of oil residues. These wastes are rich in residues and heavy metals and therefore represent an environmental challenge.

Ecoslops offers an integrated solution to port authorities, allowing them to comply with the regulations while recycling residues on shore.

The company's innovation lies in combining advanced refining techniques within a small processing plant, compared to typical refineries.

Ecoslops operates its first industrial scale treatment unit (nominal capacity of over 30kt of recycled fuel) in the port of Sinès, Portugal. The group aims at signing contracts for three new projects by the end of 2017. It plans to build one in Marseille (we expect it to be a standard size, i.e. nominal capacity at 100t/day); we expect a larger plant in the ARA region (nominal capacity at 300 t/day) and another standard one in Abidjan (Ivory Coast).

Ecoslops is a play on its ability to grow the volume of value-added products:

- 1) business development (expanding the asset base with new projects);
- 2) availability of slops;
- 3) smooth running of the plant;
- 4) commercial conditions in buying and collecting slops;
- 5) fuel product prices.

The company has climbed a steep learning curve during the ramp-up of its Sines plant. Such an engineering development and industrial optimisation have taken several years. Ecoslops is the only player mastering this know-how and is partnered with Heurtey Petrochem, the downstream engineering specialist. This, coupled with a track record (being able to show a successful project in operation), represents a strong moat and contributes to position Ecoslops as the solution of choice to the slops conundrum across global ports.

The effective roll-out of upcoming units should confirm Ecoslops's proposition and enhance its attractiveness, while benefiting from the acquired experience.

Growth runway

By 2020, Ecoslops should be refining c. 210kt per year. This represents c. 0.2% of the world's slops production and underlies a huge growth runway for the firm, which proposes a proven green solution to this by-product of global maritime trade. Therefore, there is a wide scope to expand the project pipeline beyond the next three units we are accounting for based on current visibility.

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 : 114%
Target Price (6 months)	€ 19.5
Share Price	€ 9.10
Market Capitalisation €M	27.8
Price Momentum	UNFAVORABLE
Extremes 12Months	5.60 ▶ 11.6
Newsflow	Positive
Bloomberg	ALESA FP Equity
Reuters	ALESA.PA

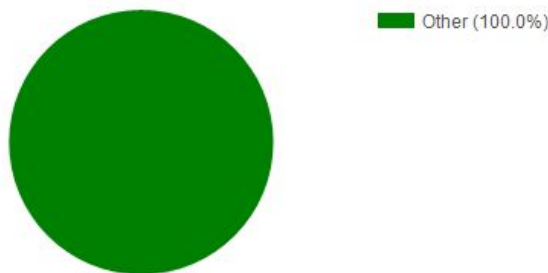
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PERF	1w	1m	3m	12m
Ecoslops	-2.05%	-13.4%	-17.0%	-2.15%
Oils	-1.88%	-1.69%	6.00%	10.4%
STOXX 600	-1.51%	-1.71%	-2.21%	-12.1%

Last updated: 08/11/2016	12/14A	12/15A	12/16E	12/17E
Adjusted P/E (x)	-7.14	-5.92	-6.62	-31.5
Dividend yield (%)	0.00	0.00	0.00	0.00
EV/EBITDA(R) (x)	-14.4	-10.3	-17.2	33.2
Adjusted EPS (€)	-1.27	-2.17	-1.38	-0.29
Growth in EPS (%)	n/a	n/a	n/a	n/a
Dividend (€)	0.00	0.00	0.00	0.00
Sales (€th)	2,241	2,296	4,086	8,242
EBITDA/R margin (%)	-104	ns	-54.9	20.7
Attributable net profit (€th)	-2,816	-5,837	-4,386	-1,070
ROE (after tax) (%)	-81.2	-67.2	-37.1	-7.42
Gearing (%)		83.3	107	84.0

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

Sales by Geography



Consolidated P&L Accounts

		12/15A	12/16E	12/17E
Sales	€th	2,296	4,086	8,242
Change in sales	%	2.47	78.0	102
Change in staff costs	%	101	-11.8	66.7
EBITDA	€th	-4,637	-2,347	1,704
EBITDA(R) margin	%	-202	-57.4	20.7
Depreciation	€th	-1,593	-1,281	-1,454
Underlying operating profit	€th	-6,286	-3,628	250
Operating profit (EBIT)	€th	-6,286	-3,628	250
Net financial expense	€th	-212	-643	-1,120
of which related to pensions	€th		0.00	0.00
Exceptional items & other	€th	-2.09	0.52	0.00
Corporate tax	€th	664	-116	-200
Equity associates	€th	0.00	0.00	0.00
Minority interests	€th	0.00	0.00	0.00
Adjusted attributable net profit	€th	-5,837	-4,386	-1,070
NOPAT	€th	-4,400	-2,540	175

Cashflow Statement

EBITDA	€th	-4,637	-2,347	1,704
Change in WCR	€th	-1,527	-404	-741
Actual div. received from equity holdi...	€th	0.00	0.00	0.00
Paid taxes	€th	0.00	-116	-200
Exceptional items	€th	0.00	0.00	0.00
Other operating cash flows	€th	-2,030	-333	0.00
Total operating cash flows	€th	-8,195	-3,200	763
Capital expenditure	€th	-2,871	-367	-17,200
Total investment flows	€th	-2,871	-367	-17,200
Net interest expense	€th	-212	-643	-1,120
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	16,278	148	10,444
Total financial flows	€th	12,405	3,746	19,683
Change in cash position	€th	1,339	179	3,246
Free cash flow (pre div.)	€th	-11,278	-4,210	-17,557

Per Share Data

No. of shares net of treas. stock (year...	Th	3,054	3,054	4,054
Number of diluted shares (average)	Th	2,696	3,190	3,699
Benchmark EPS	€	-2.17	-1.38	-0.29
Restated NAV per share	€			
Net dividend per share	€	0.00	0.00	0.00

Valuation Summary

Benchmarks	Value	Weight	Largest comparables
DCF	€ 26.4	40%	● Neste
NAV/SOTP per share	€ 20.7	40%	● Galp Energia
P/E	€ 4.55	5%	● Saras
EV/Ebitda	€ 0.00	5%	● Hellenic Petroleum
P/Book	€ 7.74	5%	● Acciona
Dividend Yield	€ 0.00	5%	
TARGET PRICE	€ 19.5	100%	

NAV/SOTP Calculation

Balance Sheet

		12/15A	12/16E	12/17E
Goodwill	€th	0.00	0.00	0.00
Total intangible	€th	645	594	594
Tangible fixed assets	€th	18,335	17,474	33,220
Financial fixed assets	€th	19.1	19.1	19.1
WCR	€th	774	1,178	1,919
Other assets	€th	2,497	2,889	2,889
Total assets (net of short term liab.)	€th	23,015	22,881	39,368
Ordinary shareholders' equity	€th	13,898	9,742	19,117
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	0.00
Other provisions for risks and liabilities	€th	0.00	0.00	0.00
Total provisions for risks and liabilities	€th	0.00	0.00	0.00
Tax liabilities	€th	0.00	0.00	0.00
Other liabilities	€th	677	637	637
Net debt (cash)	€th	8,440	12,502	19,615
Total liab. and shareholders' equity	€th	23,015	22,881	39,368

Capital Employed

Capital employed after depreciation	€th	19,774	19,265	35,752
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Profits & Risks Ratios

ROE (after tax)	%	-67.2	-37.1	-7.42
ROCE	%	-22.3	-13.2	0.49
Gearing (at book value)	%	83.3	107	84.0
Adj. Net debt/EBITDA(R)	x	-1.82	-5.33	11.5
Interest cover (x)	x	-29.6	-5.64	0.22

Valuation Ratios

Reference P/E (benchmark)	x	-5.92	-6.62	-31.5
Free cash flow yield	%	-28.8	-15.2	-47.6
P/Book	x	2.81	2.85	1.93
Dividend yield	%	0.00	0.00	0.00

EV Calculation

Market cap	€th	39,110	27,787	36,887
+ Provisions	€th	0.00	0.00	0.00
+ Unrecognised actuarial losses/(gains)	€th	0.00	0.00	0.00
+ Net debt at year end	€th	8,440	12,502	19,615
+ Leases debt equivalent	€th	0.00	0.00	0.00
- Financial fixed assets (fair value)	€th			
+ Minority interests (fair value)	€th			
= EV	€th	47,550	40,289	56,502
EV/EBITDA(R)	x	-10.3	-17.2	33.2
EV/Sales	x	20.7	9.86	6.86

Analyst : Marzio Foa, Changes to Forecasts : 08/11/2016.