



Europlasma

Alternative Energy / France

A tighter spot

Significant news - 11/12/2018

Europlasma warns of extra delays to its refinancing exercise, at risk of a full financial/perimeter restructuring.

Fact

Europlasma issued an after-hours communiqué on 07/12/2018 about the fact that due diligence delays would not permit it to raise the hitherto expected funding before year end.

Analysis

The delays are not unexpected but were already mentioned in November with the intention to be ready to raise much-needed cash resources before the end of this year.

Europlasma makes it clear that it now has to bite the bullet, including partial disposals and a deep financial restructuring. While the current market cap (c. €16m after a 25% drop on 10/12) stands at a considerable distance from the underlying value, the financial corner is pushing Europlasma's valuation into even deeper call option territories. The current stress is obviously amplified by the global market's one.

The wording suggests that asset disposals is a likely proposition. It is our opinion (not cross checked with management) that the group may either sell 1) Inertam, as it is a cash cow, has scarcity status most notably as an asbestos waste processor, requires limited capex (€3m to add a new furnace), and whose growth is underpinned by the partnership announced with Orano, or 2) sell CHO Power, its promised jewel, which has a protected and proven technology creating considerable growth potential once it is behind its peak cash requirements. Whilst option 1 would be comparatively easier to get going, option 2 looks somewhat extreme but may eventually net more value and capital for the group.

Impact

Earlier EPS computations were dependent on the terms of a dilutive recapitalisation. Selling assets is an alternative course which has its pluses ... depending on the realisation price. We have so far used a €20m enterprise value tag for Inertam and €80m for power generation activities in our sum-of-the-parts computations. The disposal of Inertam would come close to sorting out the funding issues of Europlasma's green energy developments and make it a more focused investment proposition. Alternatively the disposal of power generation would leave plenty of cash indeed



Pierre-Yves GAUTHIER

utilities@alphavalue.eu

+33 (0) 1 70 61 10 50

cs.alphavalue.com

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.

Buy Upside: 246%

| | |
|-------------------------|--------------------|
| Target Price (6 months) | € 0.21 |
| Share Price | € 0.06 |
| Market Cap. €M | 15.6 |
| Price Momentum | UNFAVORABLE |
| Extremes 12Months | 0.05 ▶ 0.30 |
| Bloomberg | ALEUP FP Equity |
| Reuters | ALEUP.PA |

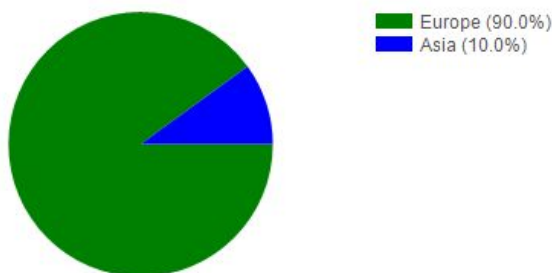

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| PERF | 1w | 1m | 3m | 12m |
|------------|--------|--------|--------|--------|
| Europlasma | -36.0% | 13.7% | -43.5% | -67.7% |
| Utilities | -2.80% | -3.85% | -2.88% | 0.63% |
| STOXX 600 | -6.14% | -7.31% | -9.73% | -12.9% |

| Last updated: 21/11/2018 | 12/16A | 12/17A | 12/18E | 12/19E |
|-------------------------------|--------|--------|--------|--------|
| Adjusted P/E (x) | -2.81 | -1.66 | -1.24 | -5.67 |
| Dividend yield (%) | 0.00 | 0.00 | 0.00 | 0.00 |
| EV/EBITDA(R) (x) | -5.40 | -6.09 | -23.0 | 23.1 |
| Adjusted EPS (€) | -0.18 | -0.16 | -0.05 | -0.01 |
| 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 | 14,000 | 24,560 |
| Operating margin (%) | -173 | -107 | -61.6 | 3.19 |
| Attributable net profit (€th) | - | - | - | -3,742 |
| ROE (after tax) (%) | 3,126 | 232 | 91.8 | 68.1 |
| Gearing (%) | | | | |

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

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 | 354,000 |
| Number of diluted shares (average) | Th 132,028 | 224,472 | 345,538 |
| 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 | € 0.46 | 35% | ● Acciona |
| NAV/SOTP per share | € 0.23 | 20% | ■ Drax Group |
| EV/Ebitda | € 0.00 | 20% | ■ Gea Group |
| P/E | € 0.03 | 10% | ● Elecnor |
| Dividend Yield | € 0.00 | 10% | ■ ERG |
| P/Book | € 0.03 | 5% | |
| TARGET PRICE | € 0.21 | 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 | -1.24 | -5.67 |
| Free cash flow yield | % -29.8 | -75.1 | -279 |
| P/Book | x -2.67 | -2.03 | -10.5 |
| Dividend yield | % 0.00 | 0.00 | 0.00 |

EV Calculation

| | 12/17A | 12/18E | 12/19E |
|---|----------------|--------------|-------------|
| Market cap | €th 40,657 | 18,052 | 21,736 |
| + 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 | 85,275 | 157,626 |
| EV/EBITDA(R) | x -6.09 | -23.0 | 23.1 |
| EV/Sales | x 3.74 | 6.09 | 6.42 |

Analyst : Pierre-Yves Gauthier, Changes to Forecasts : 21/11/2018.