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ROTH2

A new player in the hydrogen markets

Opinion	**Buy**
Upside (%)	125
Price (€)	0.89
Target Price (€)	2.00
Bloomberg Code	MLROT FP
Market Cap (€M)	12.0
Enterprise Value (€th)	10,766

Momentum	
Sustainability	1/10
Credit Risk	BB→

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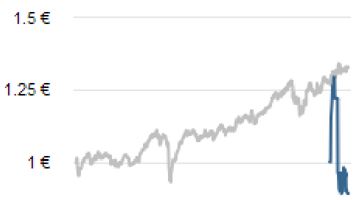


Conflicts of interest

Corporate broking	No
Trading in corporate shares	No
Analyst ownership	No
Advice to corporate	No
Research paid for by corporate	Yes
Corporate access	No
Brokerage activity at AlphaValue	No
Client of AlphaValue Research	No

PROS

- The development prospects for hydrogen markets is very positive, particularly in industrial applications other than mobility.
- The only company in France with expertise in the storage and transport of all types of ultra-high-pressure gases, serving a global clientele.
- The company's long-standing history and 1000 bar certification reinforce significant historical barriers to entry, coupled with very high gross margins.

CONS

- The company is still relatively small.
- The hydrogen-powered transport markets may take longer than expected to develop.

KEY DATA	03/24A	03/25A	03/26E	03/27E	03/28E
Adjusted P/E (x)	**-1.55**	**-2.13**	**-10.3**	**5.47**	**3.32**
Dividend yield (%)	*0.00*	*0.00*	*0.00*	*0.00*	*0.00*
EV/EBITDA(R) (x)	-8.98	-11.3	14.8	3.73	1.34
Adjusted EPS (€)	**-0.64**	**-0.47**	**-0.10**	**0.16**	**0.27**
Growth in EPS (%)	*n/a*	*n/a*	*n/a*	*n/a*	*64.9*
Dividend (€)	0.00	0.00	0.00	0.00	0.00
Sales (€th)	8,800	5,600	6,300	11,900	21,700
EBITDA/R margin (%)	*-13.6*	*-21.2*	*14.3*	*24.3*	*30.2*
Attributable net profit (€th)	-4,032	-2,806	-1,126	1,990	3,411
ROE (after tax) (%)	**-1,144**	**181**	**-77.4**	**29.1**	**35.7**
Gearing (%)			*91.3*	*11.4*	*-5.91*

Detailed financials at the end of this report

Key Ratios

Key Ratios		03/25A	03/26E	03/27E	03/28E
Adjusted P/E	x	-2.13	-10.3	5.47	3.32
EV/EBITDA	x	-11.3	14.8	3.73	1.34
P/Book	x	-1.94	2.30	1.53	1.06
Dividend yield	%	0.00	0.00	0.00	0.00
Free Cash Flow Yield	%	-95.2	-13.6	9.21	16.8
ROE (after tax)	%	181	-77.4	29.1	35.7
ROCE	%	-44.6	-5.22	24.5	61.0
Net debt/EBITDA	x	-8.06	1.97	0.23	-0.20

Consolidated P&L

Consolidated P&L		03/25A	03/26E	03/27E	03/28E
Sales	€th	5,600	6,300	11,900	21,700
EBITDA	€th	-1,188	901	2,890	6,548
Underlying operating profit	€th	-2,132	-299	1,690	5,348
Operating profit (EBIT)	€th	-2,132	-299	1,690	5,348
Net financial expenses	€th	-674	-0.01	-0.01	-0.01
Pre-tax profit before exceptional items	€th	-2,806	-299	1,690	5,348
Corporate tax	€th	0.00	-828	300	-1,937
Attributable net profit	€th	-2,806	-1,126	1,990	3,411
Adjusted attributable net profit	€th	-2,806	-1,126	1,990	3,411

Cashflow Statement

Cashflow Statement		03/25A	03/26E	03/27E	03/28E
Total operating cash flows	€th	-1,188	270	3,329	4,513
Capital expenditure	€th	-3,561	-2,100	-2,225	-2,500
Total investment flows	€th	-3,561	-2,100	-2,225	-2,500
Dividends (parent company)	€th				
New shareholders' equity	€th	0.00	7,424		
Total financial flows	€th	-100	690	10,000	5,000
Change in net debt position	€th	-4,849	7,794	1,104	2,013
Free cash flow (pre div.)	€th	-5,423	-1,830	1,104	2,013

Balance Sheet

Balance Sheet		03/25A	03/26E	03/27E	03/28E
Goodwill	€th	296	296	296	296
Total intangible	€th	2,018	2,018	2,018	2,018
Tangible fixed assets	€th	4,254	5,154	6,179	7,479
Right-of-use	€th	1,892	1,892	1,892	1,892
WCR	€th	-2,808	-3,005	-3,144	-3,046
Total assets (net of short term liabilities)	€th	6,630	7,629	8,515	9,913
Ordinary shareholders' equity (group share)	€th	-2,941	5,853	7,843	11,254
Provisions for pensions	€th		0.00	0.00	0.00
Net debt / (cash)	€th	9,240	1,446	342	-1,671
Total liabilities and shareholders' equity	€th	6,630	7,629	8,515	9,913
Gross Cash	€th	2,494	3,554	14,658	21,671

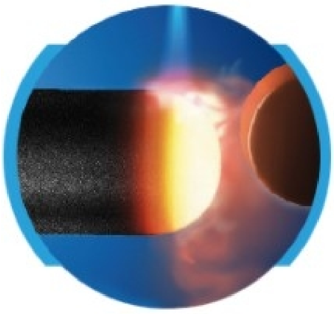
Per Share Data

Per Share Data		03/25A	03/26E	03/27E	03/28E
Adjusted EPS (bfr gwill amort. & dil.)	**€**	**-0.47**	**-0.10**	**0.16**	**0.27**
Net dividend per share	**€**	**0.00**	**0.00**	**0.00**	**0.00**
Free cash flow per share	€	-0.98	-0.19	0.08	0.15
Book value per share	€	-0.52	0.43	0.58	0.84
Number of diluted shares (average)	**Th**	**5,554**	**9,582**	**13,466**	**13,466**

Contents

Businesses & Trends

ROTH2 (formerly Roth SA and later Roth Mions), originally specialising in the manufacture of pressure tanks, was established in its present form in 1975 to incorporate hot spinning technology. This technology is the basis of ROTH2's expertise in the manufacture of equipment such as hydropneumatic accumulator bodies, diving cylinders and other industrial applications. Hot spinning is the plastic deformation of metals, called flowing, between a mandrel and one or more rollers, between which the material flows. The selection of rollers, which are available in different diameters, profiles, thicknesses and materials, depends on the size of the blank, the type of material, the radii of the product and the desired surface finish:



Hot spinning process
for base and neck

The company offers a wide range of products (from 0.2l to 260l) manufactured in small or large series, and strives to offer the best possible service in terms of reactivity, customisation of production, response to customers' needs and search for the most suitable solutions.
The company's activities are certified by ASME (American Society of Mechanical Engineers), National Board, SELO (China) and various classification offices for maritime activities (Bureau Veritas Marine, DNV-GL, ABS, RINA). In our opinion, these certifications constitute barriers to entry into the company's markets, as we shall see below. The business is also supported by an ISO 9001 certified quality management system.
All products are manufactured from seamless stainless steel tubes (typically supplied by Vallourec, Dalmine, Voestalpine, etc.) using the hot spinning and/or hammering technique, for which the company's expertise is recognised.
This expertise is the result of the know-how accumulated by the teams of technicians in forging, heat treatment, hydraulic testing, hot blasting, painting…
In total, the company produces today (2021) about 25,000 units (cylinders and accumulators), with a workforce of 48 employees at year-end 2022 in Mions, France, from where it serves 26 national markets.

Accumulator shells and diving cylinders:

The company's activities to date have been focused on two historical markets: the recreational diving cylinder market and the hydropneumatic accumulator body market.

Accumulator bodies are energy reservoirs and essential components of hydraulic accumulators manufactured by ROTH2's customers. An hydraulic accumulator is a tank in which an incompressible liquid is held under pressure by an external mechanical source. This external source can be a motor, a spring, a weight or a compressed gas. An accumulator allows an hydraulic system to manage peak demand, to respond more quickly to temporary demand and to regulate flows. It is an energy storage application. Compressed gas accumulators, also known as hydropneumatic accumulators, are by far the most common type of accumulator.

At ROTH2, a range of volumes (0.2 to 260l) and diameters (57mm to 229mm) with pressures up to 1000 bar are available for accumulator bodies, all in compliance with European, American, international and marine specific standards. The tubes used and the heat treatment guarantee operating temperatures from -60 to +350° C.

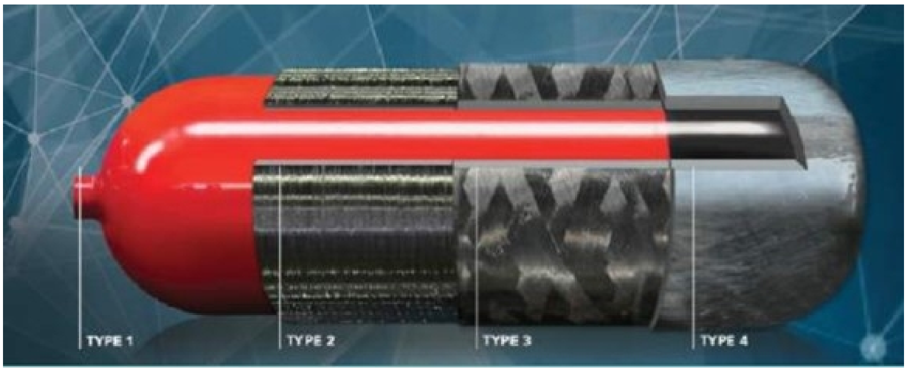
These accumulators are used in a wide variety of industries/applications, including Airbus A340 braking systems, Formula 1 suspension systems, oilfield cooling systems, hydraulic presses, pulsation dampening, etc.

For its second activity, all ROTH2 diving cylinders, from 2.5 to 20l can be customised to the needs of the retailers (accessories, colour, printing etc…). Two product lines are available in 230 and 300 bars: air and nitrox. The ROTH2 cylinders have an excellent image and the ROTH name is a symbol of quality in the diving world.

The industrial process :
The manufacture of accumulator bodies and cylinders includes the following steps:

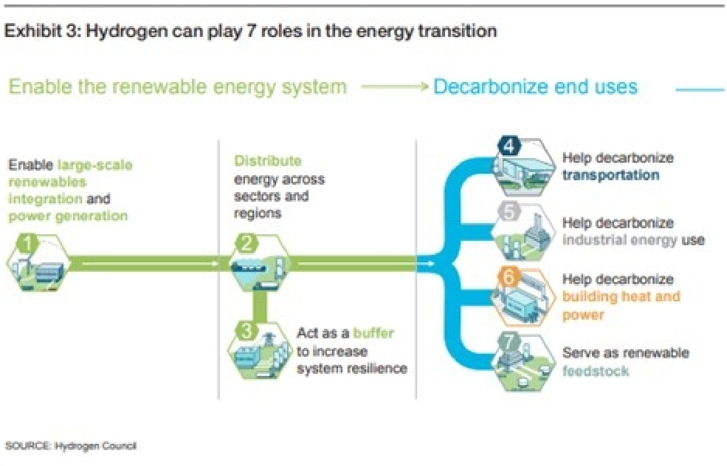
All of these steps are carried out at the Mions, France plant, which has a total capacity of about 60,000 cylinders per year and currently produces about 25,000. The increase in production could be facilitated by an increase to three shifts (from the current two shifts), the automation of some tasks and weekend work, which the company does not currently use. The location of the factory is a competitive advantage at a time when clients are looking for proximity to suppliers to ensure fast delivery times and controlled economic transport conditions. As an industrial company, ROTH2 is also in a good position to benefit from possible public aid in the current political context insofar as it ensures the preservation and development of national and local industrial employment, in addition to those intended for the energy transition.

ROTH2 focuses on type I tanks, the most common type, generally made of steel:



Type I tanks are cylindrical tanks made of metal (aluminium, carbon steel, stainless steel or titanium).
Type II tanks are made of a metal shell reinforced with resin impregnated fibres.
Type III tanks are reinforced with metal liners.
Finally, Type IV tanks are additionally reinforced with a polymer liner.
The main differences between the four types of tanks are cost and weight. Type I tanks are the heaviest, but the cheapest and most commonly used.

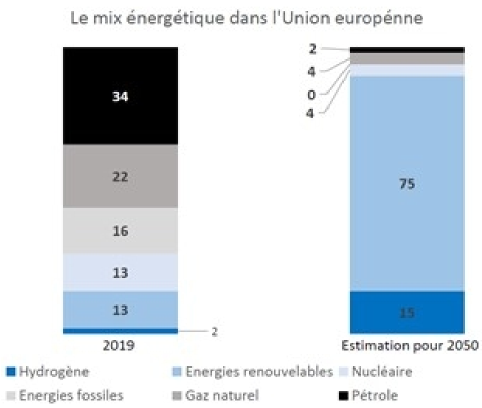
The hydrogen opportunity:
Based on its know-how, the company plans to expand into the promising market of hydrogen storage tanks. The initial idea being that the company benefits from the skills needed to develop and manufacture hydrogen tanks, ROTH2 intends to take advantage of the expected strong growth in the consumption of this gas, which is obviously based on the energy transition and the possibility of producing energy with a low (or even zero) carbon footprint:



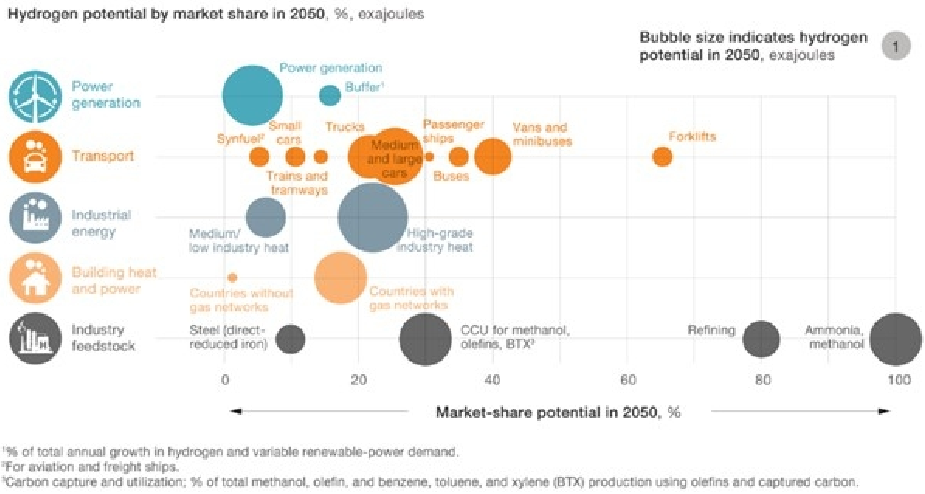
Current applications of hydrogen :
Hydrogen is already used in a number of industries (oil and chemical in particular) due to its properties for oil refining (desulphurisation), ammonia production (nitrogen hydrogenation), methanol or steel production (direct reduction). Other applications include use in other chemical production, plastics synthesis, certain processes in the glass industry and in the manufacture of electronic printed circuits. Worldwide, nearly 60 Mt of hydrogen

are consumed per year, including about 1 Mt in France, according to the following distribution by destination:

Promising developments:
Within the framework of the energy transition, the development of the use of hydrogen will be spectacular, in that it guarantees the production of energy that does not emit CO2, provided that it is produced upstream by green electricity. On the basis of this observation, all intermediaries expect a sharp increase in the production and use of hydrogen for a wide range of applications: road transport, through the use of fuel cells for an industry that is particularly difficult to “decarbonise”, air and sea transport, buildings, energy-intensive industries, power generation, etc.
In the end, the weight of hydrogen in the energy mix is set to grow to reach, according to the European Commission, around 15% of the total by 2050:

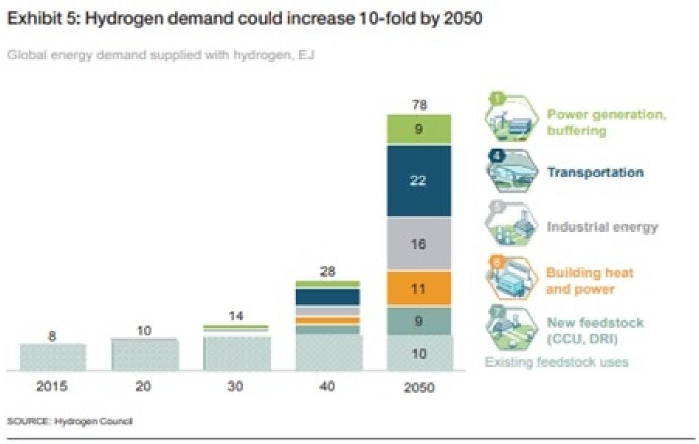


Numerous government plans, in Europe and around the world, have already been announced to support this energy transition. To mention only the most recent, let us refer to a €7bn plan aimed at the hydrogen sector in France by 2030 (support for research and innovation, emergence of a French electrolysis sector, etc.), the German plan (€9bn) to produce 5GW of green hydrogen by 2030 and 10GW by 2040, or the Spanish objective of developing the fleet of fuel cell electric vehicles (estimated cost €9bn, source: France Hydrogène). In total, 18 countries representing 70% of the world’s GDP have announced similar plans according to the Hydrogen Council, while 66 countries have a zero carbon target for 2050, which gives an idea of the strong support for the use of hydrogen and its growing use in many industrial sectors:



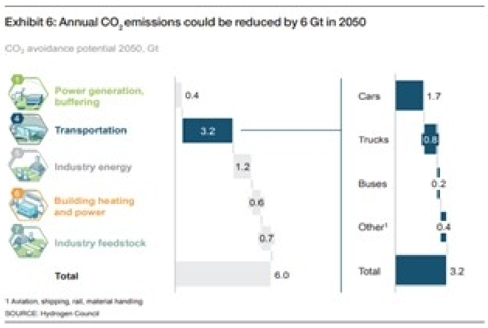
Source: Hydrogen Council, McKinsey

Hydrogen's destination markets and growing adoption would, according to the Hydrogen Council, lead to an explosion in consumption by mid-century, particularly in the transport, power generation and industrial sectors:

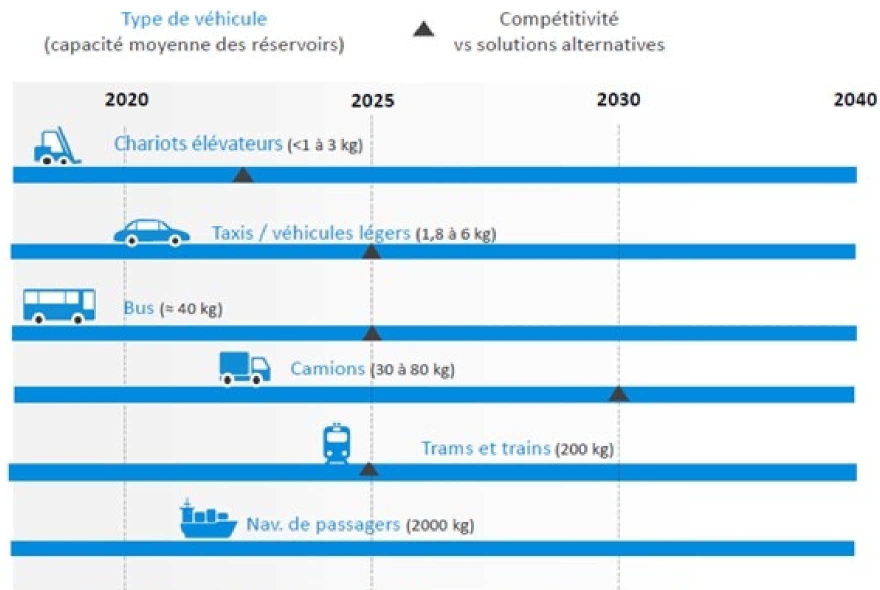


ROTH2's hydrogen offering will be geared towards the transport sector and industrial applications.

Mobility markets :
As we will see below, the markets targeted by ROTH2 are those of mobility (e.g. tanks and reservoirs typically used in hydrogen distribution stations). These markets are set to develop considerably, given that the transport sector is one of the most polluting in terms of greenhouse gas emissions (20% of the world total according to the IEA). It is therefore one of the main sectors where the development of hydrogen use will be favoured, with very substantial potential savings in terms of emissions:

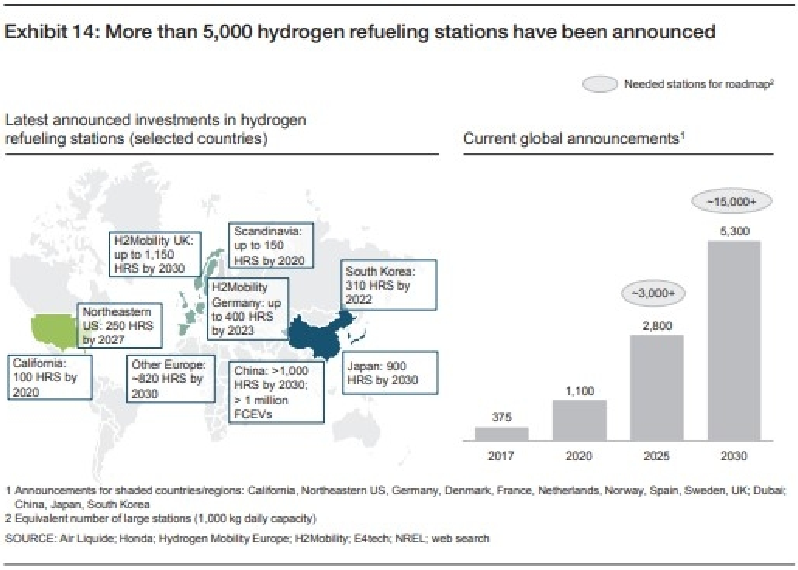


The same sources suggest that 10 to 15 million vehicles will run on hydrogen by 2030, representing 1 in 12 vehicles in countries such as Germany and South Korea, and that this figure will rise to 400 million by 2050 (private vehicles), to which will be added 5 million trucks and 15 million buses. By type of transport, the Hydrogen Council estimates the following dates for the competitiveness of the use of hydrogen as a fuel:

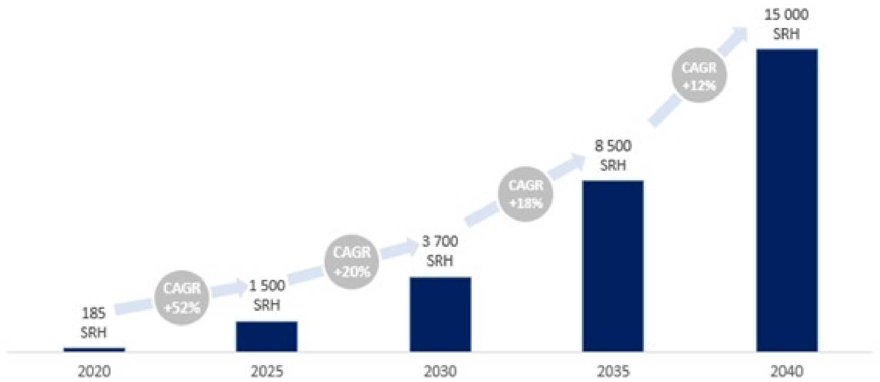


Source : Rapport Hydrogen Council, « Path to hydrogen competitiveness »[28]

Globally, about 15,000 stations would be needed by 2030 or 2040 (compared to about 500 today) to serve the 10 million or so vehicles involved, which gives a fairly good indication of the pace of infrastructure development needed for the hydrogen economy. The infrastructures already announced are about 5,000 in total by 2030, i.e. ten times the existing number and a third of the estimated needs at that time:



It is precisely in this market that ROTH2 intends to develop its offering of hydrogen tanks (ground installations), whose growth should logically follow that of the recharging stations:



Source : Estimations Société pour 2020 et Rapport Fuel cells and hydrogen Joint Undertaking, « Green Hydrogen Investment and Support Report » à partir de 2025
Note de lecture : SRH est l'acronyme de station de ravitaillement à hydrogène

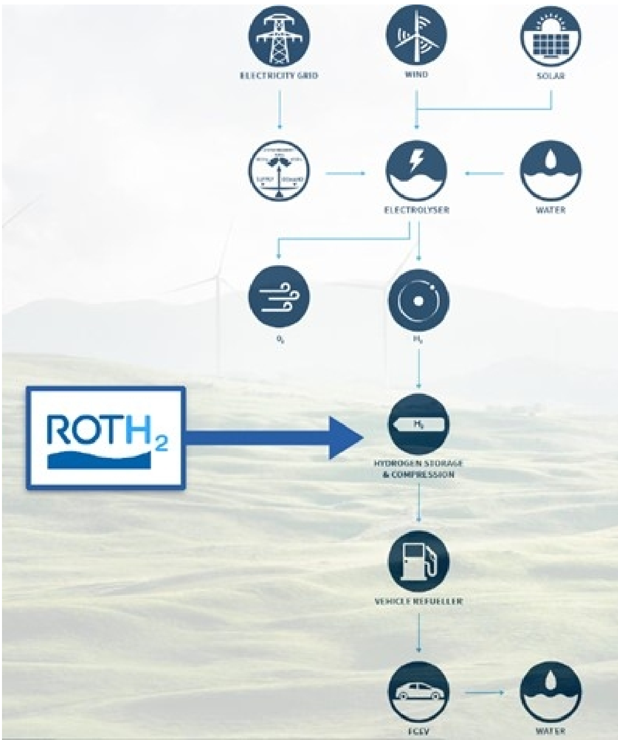
Source : HRS

The ROTH2 offer

Hydrogen is a particularly light gas: one litre weighs only 90 mg at atmospheric pressure, so it is about 11 times lighter than ambient air. It takes a volume of about 11 m3 to store just 1 kg of hydrogen. It is therefore essential to increase its density and several techniques exist for this purpose:

- storage at high pressure in gaseous form
- very low temperature storage in liquid form
- solid hydride-based storage

For reasons of technical “maturity”, industry is focusing on high-pressure gaseous storage, which also has the advantage of rapid charge/discharge. This is where ROTH2 comes in, offering storage solutions (especially for stations or installations of a certain size) where type I tanks are particularly suitable (lower price and less weight).



Based on its technical know-how, ROTH2 intends to address the hydrogen storage market, initially as a complementary activity, but whose expected growth rates should lead it to become the majority share of its business in the short and medium term (see the section "Profit mechanisms"). The bottles will be sold in the form of customised racks, each of which contains several bottles, allowing the desired volumes to be achieved.

The competitive environment

According to its management, ROTH2 has one main competitor in the type 1 tank segment in Europe: the Czech company Vitkovice. In the diving segment, the company also has to contend with the Italian Faber Cylinders, which is less present in certain other type 1 segments, although it is also active in this area. It should be noted that ROTH2 benefits from industrial and commercial agreements for the exclusive distribution of certain Vitkovice products (for example, for pressures up to 1000 bars) in Western Europe, the latter's "natural" orientation being more towards the East. Vitkovice has a turnover of over €200m and claims to be the world's number one. It is present both in the accumulator body segment and in fire extinguishers, equipment for the food and medical industries, and diving cylinders. Other competitors exist in type I tanks (such as the English company Chesterfield SC, the Franco-Chinese company CLD-Faurecia or the American company Steelhead), but ROTH2's management considers them to be less present in the markets it is targeting, namely Europe and type I tanks. It should be noted, as a precaution, that nothing indicates that these groups will not have the same objectives as ROTH2 on the promising markets linked to the development of hydrogen, as many of them mention in their external communication (Faber, Chesterfield, Steelhead). In any case, the opportunities linked to the development of the use of hydrogen as an energy source leaves room for multiple players, so that the potential growth of the total market is the main variable, rather than market shares, which are still difficult to evaluate. Nevertheless, it can be noted that the current players in Type I to IV tanks will benefit from significant barriers to entry in the future, in terms of experience, know-how and the certifications they have obtained over time. This is of course the case for ROTH2, which has a long history in the sector.

Divisional Breakdown Of Revenues

	Sector	03/25A	03/26E	03/27E	03/28E	Change 25E/24		Change 26E/25E	
						€th	of % total	€th	of % total
Total sales		**5,800**	**6,300**	**11,900**	**21,700**	**500**↑	**100%**	**5,600**↑	**100%**
O/w organic growth (%)		*-36.4*	*12.5*	*88.9*	*82.4*	*49*↑	*10%*	*76*↑	*1%*
Accumulator shells	Misc. Capex Manufacturer	2,400	1,900	2,300	2,500	-500↓	-100%	400↑	7%
Diving cylinders	Misc. Capex Manufacturer	400	0.00	800	800	-400↓	-80%	800↑	14%
Hydrogen	Misc. Capex Manufacturer	900	2,500	6,300	15,500	1,600↑	320%	3,800↑	68%
Natural gas	Misc. Capex Manufacturer	200	0.00	300	300	-200↓	-40%	300↑	5%
Trading	Misc. Capex Manufacturer	0.00	0.00	0.00	0.00	0↑	0%	0↑	0%
Other		1,900	1,900	2,200	2,600	0↑	0%	300↑	5%

Key Exposures

	Revenues	Costs	Equity
Dollar	20.0%	0.0%	0.0%
Emerging currencies	0.0%	0.0%	0.0%
Long-term global warming	10.0%	5.0%	0.0%

Sales By Geography

Europe	80.0%
Of which France	60.0%
Other	20.0%

We address exposures (eg. how much of the turnover is exposed to the $) rather than sensitivities (say, how much a 5% move in the $ affects the bottom line). This is to make comparisons easier and provides useful tools when extracting relevant data.
Actually, the subject is rather complex on the ground. The default position is one of an investor managing in €. An investor in £ will obviously not react to a £ based stock trading partly in € as would a € based investor. In addition, certain circumstances can prove difficult to unravel such as for eg. a € based investor confronted to a Swiss company reporting in $ but with a quote in CHF... Sales exposure is probably straightforward but one has to be careful with deep cyclicals. Costs exposure is a bit less easy to determine (we do not allow for hedges as they can only be postponing the day of reckoning). How much of the equity is exposed to a given subject is rarely straightforward but can be quite telling
In addition, subjects are frequently intertwined. A $ exposure may encompass all revenues in $ pegged currencies and an emerging currency exposure is likely to include $ pegged currencies as well.
Exposure to global warming issues is frequently indirect and may require to stretch a bit imagination.

Money Making

Our forecasts are based on discussions with ROTH2's management, particularly with regard to the company's new business areas (hydrogen, natural gas, trading). As regards the historical activities (accumulator shells and diving cylinders), the assumptions are based on a rebound in activity from 2022 onwards after the air gap caused by the COVID-19 pandemic, and lead to more moderate growth in volumes, as these are by definition more mature activities. It should be noted that the Group's main historical customer (Parker Hannifin) will see its contribution to the total business diluted (from c. 37% in 2020 to less than 5% in 2025), thus reducing the risk for ROTH2.

These forecasts run from 2022 to 2025, because of the lower visibility beyond this date, and because the company will have reached "cruising speed" on its new activities. Given the growth of the markets in which the company is and will be present, as well as its relatively modest size, this does not mean that it will not be able to achieve significant growth rates beyond this horizon, which we have nevertheless chosen to limit for reasons of caution. In the end, under these assumptions, the company would market around 74,000 cylinders by 2025, a figure in line with the maximum capacity of 60,000 currently possible and the investments to be made between now and then (see "Activities and trends").

Indeed, the ramp-up of ROTH2's activities will be based on significant investments in the period 2022-25 aimed at renovating, developing and calibrating the industrial tool for new production and continued growth in the historical businesses. Around €5m will be invested in 2022 and 2023 alone (for the renovation of the factory, shot blasting, forging, machining, etc.), then approximately €1.5m annually over the projection period.

As far as margins are concerned, we have chosen to remain cautious, considering that the company will maintain its current levels of gross margin per product, and that the margin rates for the new activities will be close to those achieved in the historical businesses (except for the trading activity, which is "by definition" lower margin). Thus, gross margin rates will be between 20% (trading) and 55% (traditional shell business).

External expenses will increase according to the fixed/variable breakdown observed in 2020/21, the variable part being of course correlated to the level of activity of the company and therefore experiencing a substantial increase over the projection period (representing approximately 6% of turnover). Personnel costs will also increase sharply (by around 50% annually), even though the company is already calibrated to ensure a production level well above the current one, bearing in mind that recruitment (sales, design office, etc.) is planned. The company's objective is to be able to provide short-term solutions for integrators, including customised racks, to create innovative projects (e.g. mobile charging stations for drones), to develop transportable solutions for gas logistics (type II cylinders, containerised racks, etc.), to calculate and optimise the performance of storage solutions, etc.

The financing needs of the current activity, i.e. the need for working capital, is considered to be proportional to the activity, which is certainly a prudent view since it can be considered that ROTH2's bargaining power with its customers and suppliers should increase as the activity develops.

In the end, our forecasts lead to the marketing, by 2025, of c.75,000 cylinders, all categories combined, for which the company should achieve an average gross margin of 43%, leading to a net profit of €16.4m.

Risk Factors

With regard to new markets for ROTH2, a certain number of risks seem to us to need to be highlighted, and this in a non-exhaustive manner:

- The markets in which the company proposes to operate are emerging markets, for which there is no indisputable proof that they will grow as quickly or as strongly as expected. In particular, the "time constraint" could shift the company's objectives.

- The company is relatively new (and not yet significantly active) in the hydrogen markets, only partially benefitting from its reputation in its historical markets.

- The company is currently only present in type I tanks, which are a priori the most suitable for storage in stations (ground storage), but its offer is, in fact, limited for the moment.

- A significant and lasting drop in the price of fossil fuels could reduce the pace of development of the "hydrogen ecosystem".

- Risks related to the evolution of public policies concerning the development of hydrogen use may weigh on the future growth of ROTH2.

- The company's ability to retain the qualified personnel essential to the continuation and development of its activities is difficult to assess.

- The group could encounter difficulties in managing the strong growth expected in its activities, particularly from a financial, industrial, technological or human point of view.

- Competing solutions that are more efficient and/or more profitable than hydrogen storage cylinders could appear.

- Risks concerning the safety of ROTH2 storage solutions and related regulations could affect the business.

- Risks related to the evolution of the competitive environment, for a company that is still small and will remain so in the short term, cannot be disregarded.

- Risks related to the company's supplies. These risks remain limited given the nature of ROTH2's external purchases but cannot be ignored.

- Risks related to the financing of the business. If one or more of the risks described here were to materialise, the company could be forced to call on external financing, the obtaining of which is not guaranteed.

Divisional EBITDA/R

	03/25A	03/26E	03/27E	03/28E	Change 25E/24		Change 26E/25E	
					€th	of % total	€th	of % total
Total	**-1,188**	**901**	**2,890**	**6,548**	**2,089↑**	**100%**	**1,989↑**	**100%**
Accumulator shells	0.00	0.00	0.00	0.00	0↑	0%	0↑	0%
Diving cylinders	0.00	0.00	0.00	0.00	0↑	0%	0↑	0%
Hydrogen	0.00	0.00	0.00	0.00	0↑	0%	0↑	0%
Natural gas	0.00	0.00	0.00	0.00	0↑	0%	0↑	0%
Trading	0.00	0.00	0.00	0.00	0↑	0%	0↑	0%
Defense								
Other/cancellations	-1,188	901	2,890	6,548	2,089↑	100%	1,989↑	100%

Divisional EBITDA/R margin

	03/25A	03/26E	03/27E	03/28E
Total	**-20.5%**	**14.3%**	**24.3%**	**30.2%**
Accumulator shells	0.00%	0.00%	0.00%	0.00%
Diving cylinders	0.00%		0.00%	0.00%
Hydrogen	0.00%	0.00%	0.00%	0.00%
Natural gas	0.00%		0.00%	0.00%
Trading				

Valuation

The valuation of ROTH2 as presented below is on the basis of 100% of the share capital, with the exercise of the outstanding warrants (BSA).

Ultimately, the equity value amounts to €30.7m following the exercise of the warrants, or €2.28 per share.

We have used three valuation approaches: DCF, net asset value and comparables. These three approaches have been weighted at 40%, 40% and 20%, respectively.

Discounted cash flows :
Our DCF valuation is, of course, based on the business plan described in the “Profit mechanisms” section. It assumes long-term growth (beyond the projection period) of 15%, with margins improving slightly (reaching c. 33% EBITDA by 2030), which appears realistic given the economies of scale the company should achieve as its new activities grow. Working capital requirements and capital expenditure increase at an annual rate of 10% beyond the projection period, taking into account the significant prior investment.

Our DCF approach results in an equity value for ROTH2 of €25.6m, or €1.90 per share, after the exercise of the outstanding warrants.

Net asset value :
To value ROTH2’s net assets, we have chosen to use revenue multiples by segment (primarily traditional businesses vs growth businesses) in order to capture their different maturity and growth profiles.

We therefore selected a sample of companies from two sectors: industrial product manufacturing (through the “capital goods” sector within AlphaValue’s coverage universe) and a number of companies whose core business is linked to the emergence and development of hydrogen usage. From these two universes, we extracted the average market capitalisation-to-sales multiples for 2025/27, which we applied to ROTH2’s different business segments. These multiples amount to 1.6x for the industrial sector and 3.8x for the “hydrogen companies”, respectively. It should be noted that, given the strong ramp-up of ROTH2’s activities, we have included 2028 revenue in the calculation of this average (+50% vs 2027), corresponding to an initial phase of greater revenue “maturity” for the group.

ITM Power
ITM Power manufactures and markets integrated hydrogen energy solutions. The company provides solutions for grid balancing, energy storage and renewable hydrogen production for transport, renewable heat and chemicals. It offers a range of products based on proton exchange membrane (PEM) technology.

Nel Hydrogen
Nel ASA is a Norwegian company providing solutions for the production,

storage and distribution of hydrogen from renewable energy sources. Since 2015, the company has integrated the Danish hydrogen refuelling station designer H2 Logic and, since 2017, Proton OnSite, a US specialist in electrolysis.

Our NAV valuation results in an equity value for ROTH2 of €32.7m, or €2.43 per share, after the exercise of the outstanding warrants.

Comparables :
There are no listed peers comparable to ROTH2, either in its historical activities or in the new sectors into which the company intends to expand, that would allow the valuation of the profits the company is expected to generate. Indeed, the hydrogen sector is still at an early stage, and only revenue multiples are currently meaningful (see Net asset value). Nevertheless, we have compared ROTH2's current industrial business with a sample of mid-cap companies in the "capital goods" sector. It should be noted that this valuation, based on "current" ratios (P/E, multiples, etc.), is highly unfavourable to ROTH2, as the company's current earnings remain modest in absolute terms relative to its growth prospects.

Valuation Summary

Benchmarks		Values (€)	Upside	Weight
DCF		1.90	113%	40%
NAV/SOTP per share		2.43	173%	40%
P/E	*Peers*	1.78	100%	5%
EV/Ebitda	*Peers*	1.78	100%	5%
P/Book	*Peers*	1.78	100%	5%
Dividend Yield	*Peers*	0.00	-100%	5%
Target Price		**2.00**	**125%**	

Comparison based valuation

Computed on 18 month forecasts	P/E (x)	Ev/Ebitda (x)	P/Book (x)	Yield(%)
Peers ratios	22.6	12.3	5.43	1.26
ROTH2's ratios	4.37	2.31	1.31	0.00
Premium	-20.0%	-20.0%	-20.0%	-20.0%
Default comparison based valuation (€)	**1.78**	**1.78**	**1.78**	**0.00**
Siemens Energy	24.6	14.8	8.48	1.50
Prysmian	22.3	13.3	4.31	1.01
Vestas Wind Systems	19.2	8.04	4.15	0.77
Nordex SE	20.2	8.17	4.09	0.00
IMI	21.3	12.8	5.82	1.39
Nexans	18.0	8.08	2.25	1.98
Danieli & Co	12.3	6.19	1.20	0.51
Nel	-11.3	-32.6	1.05	0.00

DCF Valuation Per Share

WACC	%	10.2	Avg net debt (cash) at book value	€th	894
PV of cashflow FY1-FY11	€th	21,380	Provisions	€th	331
FY11CF	€th	1,239	Unrecognised actuarial losses (gains)	€th	0.00
Normalised long-term growth"g"	%	2.00	Financial assets at market price	€th	0.00
Sustainability "g"	%	1.50	Minorities interests (fair value)	€th	0.00
Terminal value	€th	14,216	Equity value	€th	25,530
PV terminal value	€th	5,375	Number of shares	Th	13,466
PV terminal value in % of total value	*%*	*20.1*	**Implied equity value per share**	**€**	**1.90**
Total PV	€th	26,755	Sustainability impact on DCF	%	-1.27

Assessing The Cost Of Capital

Synthetic default risk free rate	%	3.50	Company debt spread	bp	400
Target equity risk premium	%	5.00	Marginal Company cost of debt	%	7.50
Tax advantage of debt finance (normalised)	%	25.0	**Company beta (leveraged)**	**x**	**1.40**
Average debt maturity	Year	5	Company gearing at market value	%	12.1
Sector asset beta	x	1.34	Company market gearing	%	10.8
Debt beta	x	0.80	**Required return on geared equity**	**%**	**10.5**
Market capitalisation	€th	11,985	Cost of debt	%	5.63
Net debt (cash) at book value	€th	1,446	**Cost of ungeared equity**	**%**	**10.2**
Net debt (cash) at market value	€th	788	WACC	%	10.2

DCF Calculation

		03/25A	03/26E	03/27E	03/28E	03/29E	Growth	03/30E	03/36E
Sales	€th	5,600	6,300	11,900	21,700	33,000	**6.00%**	34,980	49,620
EBITDA	€th	-1,188	901	2,890	6,548	10,955	**6.50%**	11,667	17,023
EBITDA Margin	*%*	*-21.2*	*14.3*	*24.3*	*30.2*	*33.2*		*33.4*	*34.3*
Change in WCR	€th	0.00	197	139	-97.9	-394	**10.0%**	-434	-768
Total operating cash flows (pre tax)	€th	-1,188	1,098	3,029	6,450	10,560		11,233	16,255
Corporate tax	€th	0.00	-828	300	-1,937	-3,039	**20.0%**	-3,646	-10,888
Net tax shield	**€th**	**-169**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00%**	**0.00**	**0.00**
Capital expenditure	€th	-3,561	-2,100	-2,225	-2,500	-2,000	**11.0%**	-2,220	-4,152
Capex/Sales	*%*	*-63.6*	*-33.3*	*-18.7*	*-11.5*	*-6.06*		*-6.35*	*-8.37*
Pre financing costs FCF (for DCF purposes)	€th	-4,918	-1,830	1,104	2,013	5,522		5,367	1,215
Various add backs (incl. R&D, etc.) for DCF purposes	€th								
Free cash flow adjusted	**€th**	**-4,918**	**-1,830**	**1,104**	**2,013**	**5,522**		**5,367**	**1,215**
Discounted free cash flows	**€th**	**-4,918**	**-1,830**	**1,002**	**1,657**	**4,124**		**3,637**	**459**
Invested capital	€	3.59	4.29	5.18	6.58	7.77		8.63	16.1

NAV/SOTP Calculation

	% owned	Valuation technique	Multiple used	Valuation at 100% (€th)	Stake valuation (€th)	In currency per share (€)	% of gross assets
Hydrogen	100%	EV/Sales	3.5	28,350	28,350	2.11	85.7%
Accumulator Shells	100%	EV/Sales	1.6	3,570	3,570	0.27	10.8%
Diving cylinders	100%	EV/Sales	1.6	850	850	0.06	2.57%
Natural gas	100%	EV/Sales	1.6	320	320	0.02	0.97%
Trading	100%	EV/Sales	1	0.00	0.00	0.00	0.00%
Steelform	0.00%	EV/Sales	1.6	3,160	0.00	0.00	0.00%
Defence	0.00%	EV/Sales	1.6	760	0.00	0.00	0.00%
Other							
Total gross assets					**33,090**	**2.46**	**100%**
Net cash/(debt) by year end					-342	-0.03	-1.03%
Commitments to pay							
Commitments received							
NAV/SOTP					32,748	2.43	99.0%
Number of shares net of treasury shares - year end (Th)					**13,466**		
NAV/SOTP per share (€)					**2.43**		
Current discount to NAV/SOTP (%)					**63.4**		

Debt

The investments to be made to renovate and develop ROTH2's facilities, in particular towards the hydrogen markets, were financed by a €5m capital increase. Our valuation work includes this transaction and indicates the value of 100% of the company's equity after its completion.

Detailed financials at the end of this report

Funding - Liquidity

		03/25A	03/26E	03/27E	03/28E
EBITDA	€th	-1,188	901	2,890	6,548
Funds from operations (FFO)	€th	-1,288	73.7	3,190	4,611
Ordinary shareholders' equity	**€th**	**-2,941**	**5,853**	**7,843**	**11,254**
Gross debt	€th	11,734	5,000	15,000	20,000
+ Gross Cash	€th	2,494	3,554	14,658	21,671
= Net debt / (cash)	**€th**	**9,240**	**1,446**	**342**	**-1,671**
Gearing (at book value)	%		91.3	11.4	-5.91
Equity/Total asset (%)	%	-44.4	76.7	92.1	114
Adj. Net debt/EBITDA(R)	*x*	*-8.06*	*1.97*	*0.23*	*-0.20*
Adjusted Gross Debt/EBITDA(R)	*x*	*-10.2*	*5.91*	*5.30*	*3.10*
Adj. gross debt/(Adj. gross debt+Equity)	*%*	*132*	*47.7*	*66.2*	*64.4*
Ebit cover	*x*	*-3.16*	*-29,851*	*ns*	*ns*
FFO/Gross Debt	*%*	*-10.7*	*1.38*	*20.8*	*22.7*
FFO/Net debt	*%*	*-13.9*	*5.10*	*934*	*-276*
FCF/Adj. gross debt (%)	*%*	*-44.9*	*-34.3*	*7.20*	*9.90*
(Gross cash+ "cash" FCF+undrawn)/ST debt	*x*	*-1.46*			
"Cash" FCF/ST debt	*x*	*-2.42*			

Worth Knowing

With its origins in the middle of the 20th century (1941), ROTH SA originally specialised in the manufacture and marketing of steel bottles for the production of fire extinguishers. In 1972, the company became part of the Olaer group, a pressure shell manufacturer and subsidiary of the American company Parker Hannifin. In 1975, the Mions site (Rhône, France) was created, with the aim of concentrating on the manufacture of high-pressure accumulator bodies. In 2004, the three sites at the time (Paris, Lille, Mions, of which only the latter remains today) were taken over by Secko (USA). Then, in 2014, the site was bought by Pamaso Capital, the personal holding company of Mr. Patrice Blandin, before being taken over in 2020 by its current managers after the difficulties resulting from the Covid-19 crisis and weaker orders from the Parker Hannifin group. The latter nevertheless remains ROTH2's main customer to date, even if its share will be diluted with the rise of the new activities (see the "Profit Mechanisms" section).

As a reminder, ROTH MIONS was placed in receivership on 22 September 2020. Following the observation period, the Commercial Court of Vienne adopted a continuation plan on 2 March 2021 in order to pronounce the end of the receivership and the state of cessation of payments. In its judgment of 21 June 2022, the Vienne Commercial Court noted the end of the receivership plan following the early repayment of all the plan's creditors.

Shareholders

Name	% owned	Of which % voting rights	Of which % free to float
Jérôme Marsac	42.5%	42.5%	0.00%
Other	30.9%	30.9%	0.00%
Trutat & related	19.2%	19.2%	0.00%
Employees & management	7.38%	7.38%	0.00%
Apparent free float			**0.00%**

Sustainability

Sustainability score

Sustainability is made of analytical items contributing to the E, the S and the G, that can be highlighted as sustainability precursors and can be combined in an intellectually acceptable way. This is the only scale made available

	Score	Weight
Governance		
Independent directors rate	**4/10**	25%
Board geographic diversity	**0/10**	20%
Chairman vs. Executive split	✗	5%
Environment		
CO_2 Emission	**1/10**	25%
Water withdrawal	**1/10**	10%
Social		
Wage dispersion trend	**0/10**	5%
Job satisfaction	**0/10**	5%
Internal communication	**0/10**	5%
Sustainability score	**1.4/10**	100%

Governance & Management

The Board of Directors has five members, all of whom are shareholders in the company. As is often the case with medium-sized companies, it cannot therefore be considered independent. It is chaired by Ms Céline Marsac.

Governance score

Company (Sector)	Independent board
4.3 (7.2)	No

Parameters	Company	Sector	Score	Weight
Number of board members	7	8	9/10	5.0%
Board feminization (%)	28	35	5/10	5.0%
Board domestic density (%)	100	59	0/10	5.0%
Average age of board's members	62	59	4/10	5.0%
Type of company : Large cap, not controlled			10/10	25.0%
Independent directors rate	42	50	4/10	20.0%
One share, one vote			✗	5.0%
Chairman vs. Executive split			✗	5.0%
Chairman not ex executive			✗	5.0%
Full disclosure on mgt pay			✗	5.0%
Disclosure of performance anchor for bonus trigger			✗	5.0%
Compensation committee reporting to board of directors			✗	5.0%
Straightforward, clean by-laws			✗	5.0%
Governance score			**4.3/10**	**100.0%**

Management

Name		Function	Birth date	Date in	Date out	Compensation, in k€ (year) Cash	Equity linked
Quentin MARSAC	M	CEO		2021			

Board of Directors

Name		Indep.	Function	Completion of current mandate	Birth date	Date in	Date out	Fees / indemnity, in k€ (year)	Value of holding, in k€ (year)
Céline MARSAC	F	✗	President/Chairman of th...			2022			
Bertrand MARSAC	M	✗	President/Chairman of th...			2024			
Vincent BOUVET	M	✗	Member						
Laurent DE BLÉGIERS	M	✓	Member			2024			
Véronique JOLY	F	✓	Member			2024			
Fabrice LEGRAND	M	✗	Member		1964	2022			
Raphaël SCHENTGEN	M	✓	Member						

Environmental score

Data sets evaluated as trends on rolling calendar, made sector relative

Parameters	Score	Sector	Weight
CO_2 Emission	1/10	4/10	30%
Water withdrawal	1/10	4/10	30%
Energy	1/10	5/10	25%
Waste	1/10	4/10	15%
Environmental score	**1.0**		**100%**

Company (Sector)

1.0 (4.5)

Environmental metrics

	Company			
	2023	2024	2025	2026
	1.0	1.0	1.0	1.0

Sector figures

Company	Country	Environment score	Energy (total, in GJ)	CO_2 Emissions (in tons)	Water Withdrawal (in m3)	Waste (total, (in tons)
Datwyler		2/10	1,134,101	45,093	1,585,858	22,348
Dürr		4/10	479,048	24,792	177,373	13,208
KION Group		8/10	2,259,111	183,813	n/a	84,981
SFS Group		4/10	1,251,593	103,448		7,569
Epiroc		10/10	1,148,000	55,000	147,388	37,413
Siemens Energy		6/10	5,802,259	194,460	5,040,000	123,467
Nel		10/10	71,597	1,600	9,945	800
ROTH2		1/10				
Landis+Gyr Group AG		10/10	125,465	5,824	73,152	3,919
AutoStore		7/10	32,360	2,101	n/a	34
Steyr Motors AG		5/10	11,613		1,495	54
ASTA Energy Solutions AG		1/10				
Siemens		8/10	10,745,057	359,000	12,963,000	188,127
ABB		8/10	5,058,000	134,000	2,252,000	218,000
Schneider Electric		9/10	4,273,632	124,158	1,944,796	138,322
Alstom		7/10	3,400,470	110,864	1,529,000	82,371
Atlas Copco		10/10	2,724,717	227,000	722,000	64,304
Sandvik		9/10	3,969,385	296,080	n/a	352,102
Vestas Wind Systems		3/10	2,437,200	109,000	323,000	54,000
Schindler		6/10	2,372,558	179,364	610,516	46,707
Kone		5/10	1,896,840	140,000	268,200	37,000
GEA Group		7/10	850,540	59,959	362,965	16,921
Metso Corporation		6/10	1,433,000	120,976	320,000	81,000
Alfa Laval		10/10	1,202,476	18,100	770,576	39,556
Wärtsilä		8/10	914,818	46,808	229,464	11,833
Prysmian		4/10	10,539,875	705,475	6,587,710	262,977
IMI		6/10	475,708	32,798	162,201	220,000
FLSmidth & Co		10/10	355,917	27,221	139,007	14,540
Sulzer		4/10	614,714	58,600	n/a	20,291
Legrand		8/10	1,697,962	52,831	710,000	60,000
Quadient		9/10	43,160	6,540	n/a	1,331
Nexans		3/10	4,004,510	227,159	1,227,330	67,709
OC Oerlikon		5/10	1,462,680	114,700	816,700	16,928
Nordex SE		3/10	775,134	68,452	190,666	31,289
Georg Fischer		4/10	3,250,000	92,000	3,420,000	83,300
Elecnor		1/10	1,898,449	119,125	n/a	85,324

Aalberts		4/10	3,624,000	235,033	1,243,000	53,338
Danieli & Co		2/10	7,168,000	571,682	1,142,000	149,954
Bekaert		1/10	13,708,296	1,271,516	6,372,875	198,798
Bucher Industries		3/10	1,228,824	60,927	0	
Vossloh		6/10	756,032	33,995	156,108	
Krones		7/10	748,080	51,061	274,141	930
Jungheinrich Pref.		5/10	1,049,824	79,000	293,000	28,163
Burckhardt Compression		6/10	176,951	7,910	75,414	3,268
HUBER+SUHNER		6/10	190,494	6,632	249,380	3,864
RATIONAL		6/10	51,222	8,550	19,846	2,169
Belimo		9/10	56,981	1,956	20,587	1,529
Kardex		5/10	137,515	8,278	11,355	4,673
Bossard		5/10	113,821	8,072		2,763
Interroll		7/10	113,060	4,947	36,570	4,204
ITM Power		3/10	22,951	1,144	0	129
CNH		3/10	2,878,512	182,720	957,000	93,170
Ocado Group PLC		5/10	1,984,860	127,761	307,000	35,828

Social score

Company (Sector)

1.9 (6.4)

Quantitative metrics (67%)

Set of staff related numerical metrics available in AlphaValue proprietary modelling aimed at ranking on social/HR matters

Parameters	Score	Weight
Staffing Trend	10/10	20%
Average wage trend	1/10	35%
Share of added value taken up by staff cost	1/10	25%
Share of added value taken up by taxes	1/10	20%
Wage dispersion trend	0/10	0%
Pension bonus (0 or 1)	0	
Quantitative score	**2.8/10**	**100%**

Qualitative metrics (33%)

Set of listed qualitative criterias and for the analyst to tick

Parameters	Score	Weight
Accidents at work	0/10	25%
Human resources development	0/10	35%
Pay	0/10	20%
Job satisfaction	0/10	10%
Internal communication	0/10	10%
Qualitative score	**0.0/10**	**100%**

AlphaValue analysts tick boxes on essential components of the social/HR corporate life.
Decision about ticking Yes or No is very much an assessment that combines the corporate's communication on relevant issue and the analyst's better judgment from experience.

Qualitative score

Parameters	Yes ✔ / No ✘	Weight
Accidents at work		**25%**
Set targets for work safety on all group sites?	✘	10.0%
Are accidents at work declining?	✘	15.0%
Human resources development		**35%**
Are competences required to meet medium term targets identified?	✘	3.5%
Is there a medium term (2 to 5 years) recruitment plan?	✘	3.5%
Is there a training strategy tuned to the company objectives?	✘	3.5%
Are employees trained for tomorrow's objectives?	✘	3.5%
Can all employees have access to training?	✘	3.5%
Has the corporate avoided large restructuring lay-offs over the last year to date?	✘	3.5%
Have key competences stayed?	✘	3.5%
Are managers given managerial objectives?	✘	3.5%
If yes, are managerial results a deciding factor when assessing compensation level?	✘	3.5%
Is mobility encouraged between operating units of the group?	✘	3.5%
Pay		**20%**
Is there a compensation committee?	✘	6.0%
Is employees' performance combining group AND individual performance?	✘	14.0%
Job satisfaction		**10%**
Is there a measure of job satisfaction?	✘	3.3%
Can anyone participate ?	✘	3.4%
Are there action plans to prop up employees' morale?	✘	3.3%
Internal communication		**10%**
Are strategy and objectives made available to every employee?	✘	10.0%
Qualitative score	**0.0/10**	**100.0%**

Staff & Pension matters

By year-end 2022, the company employed 48 people. The number of employees will increase steadily with the growth of the historical activities and the development of the new businesses, reaching approximately 140 people in 2025.

Recent updates

28/07/2026

A new player in the hydrogen transport and storage markets
Initiation cov.

We initiate tracking of the value with a buy recommendation ("Buy"), supported by a potential increase of about 120%. The company appears undervalued in light of its development prospects and the growth of its markets. It has demonstrated its ability to pursue its organic growth strategy in order to expand its portfolio of activities, both in terms of offer and geographical coverage.

ROTH2, originally specialized in the manufacture of pressure tanks, was created in its current form in 1975 to incorporate hot spinning technology. This technology is the basis of ROTH2's original expertise in the manufacture of equipment such as hydropneumatic accumulator bodies, diving bottles, and other industrial applications. Spinning involves the deformation of metals, creep, between a mandrel and one or more rollers, between which the material flows.

Today, based on its know-how, the company has developed its range in the promising market of hydrogen accumulators. The initial idea being that the company has the skills necessary for the design and manufacture of hydrogen tanks, ROTH2 plans to take advantage of the strong expected development of the consumption of this gas, which is obviously based on the energy transition and the possibility of producing low (or even zero) carbon footprint energy.

Growing markets
The markets targeted by ROTH2 are the transport of all gases for industrialists such as LINDE, Air Liquide already addressed by type 4 tanks among others, but also those of mobility (for example tanks and reservoirs typically equipping trucks).
These markets are set to develop considerably, considering that the transport sector is one of the most polluting in terms of greenhouse gas emissions (20% of the total worldwide according to the IEA). It is therefore one of the main sectors where the development of the use of hydrogen will be favored, with potentially very substantial savings in terms of emissions.

Since the beginning of the war in Ukraine, the need to produce shells in Europe has become increasingly decisive: on the one hand to support Ukraine and on the other hand to regain a certain strategic autonomy. In this context, ROTH2's technology, which it is the only one to hold in Europe with Faber, allows it to make shell bodies.

A "green player"
ROTH2 has obtained the exclusive European license for type V composite pressure tanks developed by COVESS in collaboration with Air Liquide.
This exclusive license constitutes a considerable development lever for ROTH2. Indeed, the main industrialists in the sector such as Air Liquide or

Linde have extremely important needs that are not currently adequately covered by type IV. As an indication, Air Liquide and its partners need to eventually replace their container fleet which is currently 20 million units. This represents a huge potential market that could quickly represent more than 500,000 units per year just for Air Liquide and its partners.

Significant appreciation potential

Our valuation comes out at €2.28/share. It is based on the group's business plan, which we consider prudent, again because of the development prospects of the group's markets and its entry into new markets (type V, shells…). Our recommendation therefore comes out as a Buy with a potential for revaluation of c.+120%.

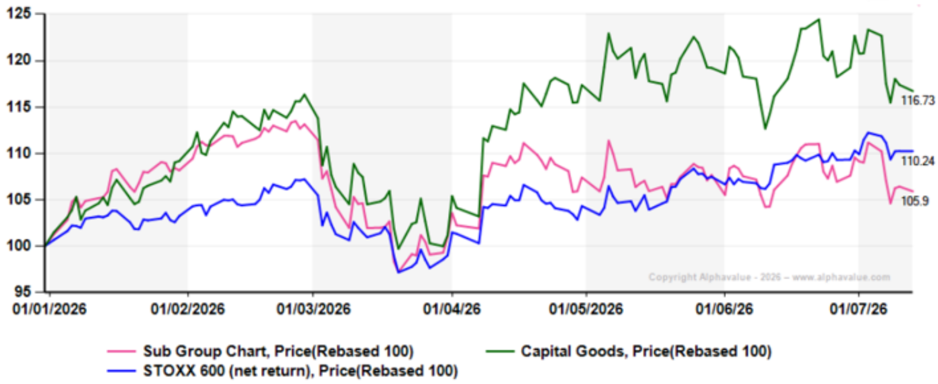
15/07/2026

VALUATION WISE

CONCENTRATED CAPITAL GOOD BETS

Capital Goods is the largest sector within the AlphaValue coverage with 52 issuers. It has nominally performed well, with a YTD 17% gain, even after last week's near -5% correction. The picture is different if one kicks out the mega caps boosted by the AI capex demand. In the following chart this is highlighted by the pink line (Sub group). It underperforms the Stoxx600 and suffered from the last correction too.

Capital Goods (green; 52 stocks) vs. Stoxx600 (blue) vs. Capital Goods ex Power Equipment (pink; 46 stocks)



The 46-stock underperforming cohort weights c. €430bn, while the 6 large caps excluded from that list weight a combined €730bn. In this classical egg & chicken situation, the money has concentrated on the electrical side of the industry and its expected exposure to the AI pull. Moments of doubt have so far been short-lived.

We concentrate on the 46 laggards

Interestingly that group does not come cheap. The sector PE at 24x is backed by a 16% eps growth in 2026. This is ok, but leaves no room to weather a difficult moment. For the 6 sector mega caps, the 2026 PE shoots to 30x with an 18% eps growth.

Capital Goods ex Power Equipment valuation essentials

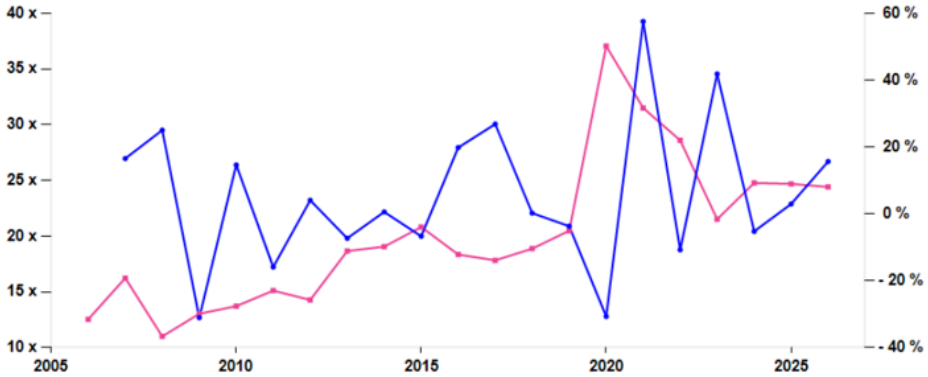
	PE		Eps growth		P/Book		Dividend Yield	
	2026	2027	2026	2027	2026	2027	2026	2027
Weighted average *	24.4 x	21.0 x	15.6%	16.6%	3.72 x	3.40 x	1.94%	2.13%
Median	22.2 x	18.9 x	15.2%	15.4%	3.42 x	3.03 x	2.19%	2.32%
Total			n/a	n/a				
AV Universe weighted avg *	16.5 x	15.1 x	16.1%	9.16%	2.22 x	2.09 x	3.03%	3.28%

Combined valuations of Siemens, Siemens Energy, ABB, Legrand, Schneider and Prysmian

	PE		Eps growth		P/Book		Dividend Yield	
	2026	2027	2026	2027	2026	2027	2026	2027
Weighted average	30.1 x	26.0 x	19.9%	15.6%	5.49 x	4.85 x	1.53%	1.68%
Median	28.0 x	24.6 x	12.7%	13.8%	5.49 x	4.89 x	1.44%	1.66%
Total			n/a	n/a				
AV Universe weighted avg	16.5 x	15.1 x	16.1%	9.16%	2.22 x	2.09 x	3.03%	3.28%

For the 46-strong cohort it is worth pointing out that PEs have increased steadily over the last 20 years (leaving aside the Covid mess), while earnings growth has been volatile, an understatement.

46-strong cohort PE (pink) vs. eps growth (blue)



The above chart is a bit disturbing as it implies that risk is poorly paid for, even for smaller stocks that tend to trade at a discount. We have excluded 2027 and 2028 when earnings growth slows down, to highlight past actual valuations (except for 2026).

Looking at stocks with a half decent upside potential and a solid share price momentum, one is left with SFS and Sandvik, 2 quality names. The rest are either too expensive or value traps. By contrast, the 6 stars of Capital Goods are all on a positive share price momentum, but offer no combined upside. A concentrated bet it is indeed.

Momentum

minimum 20 weeks quotation required

Moving Average MACD & Volume

minimum 20 weeks quotation required

€/$ sensitivity

Sector Capital Goods

Detailed Financials

Valuation Key Data

Valuation Key Data		03/25A	03/26E	03/27E	03/28E
Adjusted P/E	**x**	**-2.13**	**-10.3**	**5.47**	**3.32**
Reported P/E	x	-2.03	-12.0	6.02	3.51
EV/EBITDA(R)	**x**	**-11.3**	**14.8**	**3.73**	**1.34**
EV/EBIT	x	-6.27	-44.7	6.37	1.64
EV/Sales	x	2.39	2.12	0.90	0.40
P/Book	**x**	**-1.94**	**2.30**	**1.53**	**1.06**
Dividend yield	**%**	**0.00**	**0.00**	**0.00**	**0.00**
Free cash flow yield	*%*	*-95.2*	*-13.6*	*9.21*	*16.8*
Average stock price	€	1.00	1.00	0.89	0.89

Consolidated P&L

		03/25A	03/26E	03/27E	03/28E
Sales	€th	5,600	6,300	11,900	21,700
Sales growth	*%*	*-36.4*	*12.5*	*88.9*	*82.4*
Sales per employee	*€th*	*86.2*	*74.1*	*110*	*181*
Organic change in sales	*%*	*-36.4*	*12.5*	*88.9*	*82.4*
Purchases and external costs (incl. IT)	€th	2,888	2,899	3,610	4,352
R&D costs as % of sales	%	0.00	0.00	0.00	0.00
Staff costs	€th	-1,800	-2,000	-2,200	-2,500
Operating lease payments	€th				
Cost of sales/COGS (indicative)	€th				
EBITDA	€th	-1,188	901	2,890	6,548
EBITDA(R)	€th	-1,188	901	2,890	6,548
EBITDA(R) margin	*%*	*-21.2*	*14.3*	*24.3*	*30.2*
EBITDA(R) per employee	*€th*	*-18.3*	*10.6*	*26.8*	*54.6*
Depreciation	€th	-944	-1,200	-1,200	-1,200
Depreciations/Sales	*%*	*16.9*	*19.0*	*10.1*	*5.53*
Amortisation	€th				
Additions to provisions	€th	0.00	0.00	0.00	0.00
Underlying operating profit	€th	-2,132	-299	1,690	5,348
Underlying operating margin	*%*	*-38.1*	*-4.74*	*14.2*	*24.6*
Other income/expense (cash)	€th				
Impairment charges/goodwill amortisation	€th				
Operating profit (EBIT)	€th	-2,132	-299	1,690	5,348
Interest expenses	€th	-674	-0.01	-0.01	-0.01
of which effectively paid cash interest expenses	*€th*	*-100*			
Financial income	€th				
Other financial income (expense)	€th				
Net financial expenses	€th	-674	-0.01	-0.01	-0.01
of which related to pensions	*€th*		*0.00*	*0.00*	*0.00*
Pre-tax profit before exceptional items	€th	-2,806	-299	1,690	5,348
Exceptional items and other (before taxes)	€th	0.00	0.00	0.00	0.00
Current tax	€th	0.00	-828	300	-1,937
Deferred tax	€th				
Corporate tax	€th	0.00	-828	300	-1,937
Tax rate	*%*	*0.00*	*ns*	*-17.8*	*36.2*
Net margin	*%*	*-50.1*	*-17.9*	*16.7*	*15.7*
Equity associates	€th				
Actual dividends received from equity holdings	*€th*				
Minority interests	€th				
Income from discontinued operations	€th				
Attributable net profit	€th	-2,806	-1,126	1,990	3,411
Impairment charges/goodwill amortisation	€th	0.00	0.00	0.00	0.00
Other adjustments	€th				
Adjusted attributable net profit	€th	-2,806	-1,126	1,990	3,411
Interest expense savings	€th	200	200	200	200
Fully diluted adjusted attr. net profit	€th	-2,606	-926	2,190	3,611
NOPAT	€th	-1,599	-224	1,267	4,011

Cashflow Statement

		03/25A	03/26E	03/27E	03/28E
EBITDA	€th	-1,188	901	2,890	6,548
Change in WCR	€th	0.00	197	139	-97.9
of which (increases)/decr. in receivables	*€th*	*0.00*	*-77.7*	*-560*	*-1,002*
of which (increases)/decr. in inventories	*€th*	*0.00*	*-199*	*-1,434*	*-2,565*
of which increases/(decr.) in payables	*€th*	*0.00*	*200*	*1,834*	*3,139*
of which increases/(decr.) in other curr. liab.	*€th*	*0.00*	*273*	*300*	*330*
Actual dividends received from equity holdings	€th	0.00	0.00	0.00	0.00
Paid taxes	€th		-828	300	-1,937
Exceptional items	€th	0.00	0.00	0.00	0.00
Other operating cash flows	€th	0.00	0.00	0.00	0.00
Total operating cash flows	€th	-1,188	270	3,329	4,513
Capital expenditure	€th	-3,561	-2,100	-2,225	-2,500
Capex as a % of depreciation & amort.	*%*	*377*	*175*	*185*	*208*
Net investments in shares	€th	0.00	0.00	0.00	0.00
Other investment flows	€th	0.00	0.00	0.00	0.00
Total investment flows	€th	-3,561	-2,100	-2,225	-2,500
Net interest expense	€th	-674	-0.01	-0.01	-0.01
of which cash interest expense	*€th*	*-100*	*-0.01*	*-0.01*	*-0.01*
Dividends (parent company)	€th				
Dividends to minorities interests	€th	0.00	0.00	0.00	0.00
New shareholders' equity	€th	0.00	7,424		
of which (acquisition) release of treasury shares	*€th*				
Change in gross debt	€th		-6,734	10,000	5,000
Other financial flows	€th				
Total financial flows	€th	-100	690	10,000	5,000
Change in scope of consolidation, exchange rates & other	€th		2,200		
Change in cash position	€th	-4,849	1,060	11,104	7,013
Change in net debt position	€th	-4,849	7,794	1,104	2,013
Free cash flow (pre div.)	€th	-5,423	-1,830	1,104	2,013
Operating cash flow (clean)	€th	-1,188	270	3,329	4,513
Reinvestment rate (capex/tangible fixed assets)	*%*	*83.7*	*40.7*	*36.0*	*33.4*

Balance Sheet

Balance Sheet		03/25A	03/26E	03/27E	03/28E
Capitalised R&D	€th	296	296	296	296
Goodwill	€th	296	296	296	296
Contracts & Rights (incl. concession) intangible assets	€th	0.00	0.00	0.00	0.00
Other intangible assets	€th	1,426	1,426	1,426	1,426
Total intangible	€th	2,018	2,018	2,018	2,018
Tangible fixed assets	€th	4,254	5,154	6,179	7,479
Right-of-use	€th	1,892	1,892	1,892	1,892
Financial fixed assets (part of group strategy)	€th	125	125	125	125
Financial hedges (LT derivatives)	€th	0.00	0.00	0.00	0.00
Other financial assets (investment purpose mainly)	€th	0.00	0.00	0.00	0.00
of which available for sale	*€th*	*0.00*	*0.00*	*0.00*	*0.00*
WCR	€th	-2,808	-3,005	-3,144	-3,046
of which trade & receivables (+)	*€th*	*527*	*605*	*1,165*	*2,167*
of which inventories (+)	*€th*	*1,349*	*1,548*	*2,982*	*5,547*
of which payables (+)	*€th*	*1,954*	*2,154*	*3,988*	*7,126*
of which other current liabilities (+)	*€th*	*2,730*	*3,003*	*3,303*	*3,634*
Other current assets	€th	1,149	1,445	1,445	1,445
of which tax assets (+)	*€th*	*644*	*644*	*644*	*644*
Total assets (net of short term liabilities)	€th	6,630	7,629	8,515	9,913
Ordinary shareholders' equity (group share)	€th	-2,941	5,853	7,843	11,254
Quasi Equity & Preferred	€th	0.00	0.00	0.00	0.00
Minority interests	€th	0.00	0.00	0.00	0.00
Provisions for pensions	€th		0.00	0.00	0.00
Other provisions for risks and liabilities	€th	331	331	331	331
Deferred tax liabilities	€th	0.00	0.00	0.00	0.00
Other liabilities	€th	0.00	0.00	0.00	0.00
Net debt / (cash)	€th	9,240	1,446	342	-1,671
Total liabilities and shareholders' equity	€th	6,630	7,629	8,515	9,913
Gross Cash	€th	2,494	3,554	14,658	21,671
Average net debt / (cash)	€th	7,678	5,343	894	-665
Adjusted net debt	€th	9,571	1,777	673	-1,340

EV Calculations

EV Calculations		03/25A	03/26E	03/27E	03/28E
EV/EBITDA(R)	**x**	**-11.3**	**14.8**	**3.73**	**1.34**
EV/EBIT	**x**	**-6.27**	**-44.7**	**6.37**	**1.64**
EV/Sales	**x**	**2.39**	**2.12**	**0.90**	**0.40**
EV/Invested capital	x	3.73	3.11	2.08	1.33
Market cap	€th	5,697	13,466	11,985	11,985
+ Provisions (including pensions)	€th	331	331	331	331
+ Unrecognised actuarial losses/(gains)	€th	0.00	0.00	0.00	0.00
+ Net debt at year end (ex Right-of-use from 2019)	€th	7,348	-446	-1,550	-3,563
+ Right-of-use (from 2019)/Leases debt equivalent	€th	0.00	0.00	0.00	0.00
- Financial fixed assets (fair value) & Others	€th				
+ Minority interests (fair value)	€th				
= Enterprise Value	**€th**	**13,376**	**13,351**	**10,766**	**8,753**

Per Share Data

		03/25A	03/26E	03/27E	03/28E
Adjusted EPS (bfr gwill amort. & dil.)	**€**	**-0.47**	**-0.10**	**0.16**	**0.27**
Growth in EPS	*%*	*n/a*	*n/a*	*n/a*	*64.9*
Reported EPS	€	-0.49	-0.08	0.15	0.25
Net dividend per share	**€**	**0.00**	**0.00**	**0.00**	**0.00**
Free cash flow per share	€	-0.98	-0.19	0.08	0.15
Operating cash flow per share	€	-0.21	0.03	0.25	0.34
Book value per share	€	-0.52	0.43	0.58	0.84
Number of ordinary shares	**Th**	**5,697**	**13,466**	**13,466**	**13,466**
Number of equivalent ordinary shares (year end)	Th	5,697	13,466	13,466	13,466
Number of shares market cap.	Th	5,697	13,466	13,466	13,466
Treasury stock (year end)	Th				
Number of shares net of treasury stock (year end)	Th	5,697	13,466	13,466	13,466
Number of common shares (average)	**Th**	**5,554**	**9,582**	**13,466**	**13,466**
Conversion of debt instruments into equity	Th				
Settlement of cashable stock options	Th				
Probable settlement of non mature stock options	Th				
Other commitments to issue new shares	Th				
Increase in shares outstanding (average)	Th	0.00	0.00	0.00	0.00
Number of diluted shares (average)	**Th**	**5,554**	**9,582**	**13,466**	**13,466**
Goodwill per share (diluted)	€	0.00	0.00	0.00	0.00
EPS after goodwill amortisation (diluted)	€	-0.47	-0.10	0.16	0.27
EPS before goodwill amortisation (non-diluted)	€	-0.51	-0.12	0.15	0.25
Payout ratio	**%**	**0.00**	**0.00**	**0.00**	**0.00**
Capital payout ratio (div +share buy back/net income)	**%**	**0.00**	**0.00**	**0.00**	**0.00**

Funding - Liquidity

		03/25A	03/26E	03/27E	03/28E
EBITDA	€th	-1,188	901	2,890	6,548
Funds from operations (FFO)	€th	-1,288	73.7	3,190	4,611
Ordinary shareholders' equity	**€th**	**-2,941**	**5,853**	**7,843**	**11,254**
Gross debt	€th	11,734	5,000	15,000	20,000
o/w Less than 1 year - Gross debt	€th	2,000	0.00	0.00	
o/w 1 to 5 year - Gross debt	€th	3,734	5,000	15,000	20,000
o/w Beyond 5 years - Gross debt	€th	6,000			
+ Gross Cash	€th	2,494	3,554	14,658	21,671
= Net debt / (cash)	**€th**	**9,240**	**1,446**	**342**	**-1,671**
Other financing	€th	11,734	5,000	15,000	20,000
Gearing (at book value)	%		91.3	11.4	-5.91
Equity/Total asset (%)	%	-44.4	76.7	92.1	114
Adj. Net debt/EBITDA(R)	*x*	*-8.06*	*1.97*	*0.23*	*-0.20*
Adjusted Gross Debt/EBITDA(R)	*x*	*-10.2*	*5.91*	*5.30*	*3.10*
Adj. gross debt/(Adj. gross debt+Equity)	*%*	*132*	*47.7*	*66.2*	*64.4*
Ebit cover	*x*	*-3.16*	*-29,851*	*ns*	*ns*
FFO/Gross Debt	*%*	*-10.7*	*1.38*	*20.8*	*22.7*
FFO/Net debt	*%*	*-13.9*	*5.10*	*934*	*-276*
FCF/Adj. gross debt (%)	*%*	*-44.9*	*-34.3*	*7.20*	*9.90*
(Gross cash+ "cash" FCF+undrawn)/ST debt	*x*	*-1.46*			
"Cash" FCF/ST debt	*x*	*-2.42*			

ROE Analysis (Dupont's Breakdown)

		03/25A	03/26E	03/27E	03/28E
Tax burden (Net income/pretax pre excp income)	x	1.00	3.77	1.18	0.64
EBIT margin (EBIT/sales)	%	-38.1	-4.74	14.2	24.6
Assets rotation (Sales/Avg assets)	%	86.7	88.4	147	236
Financial leverage (Avg assets /Avg equity)	x	-4.16	4.90	1.18	0.97
ROE	**%**	**181**	**-77.4**	**29.1**	**35.7**
ROA	%	-61.5	-7.16	33.4	82.9

Shareholder's Equity Review (Group Share)

		03/25A	03/26E	03/27E	03/28E
Y-1 shareholders' equity	€th	2,186	-620	5,853	7,843
+ Net profit of year	€th	-2,806	-1,126	1,990	3,411
- Dividends (parent cy)	€th	0.00	0.00	0.00	0.00
+ Additions to equity	€th	0.00	7,424	0.00	0.00
o/w reduction (addition) to treasury shares	*€th*	*0.00*	*0.00*	*0.00*	*0.00*
- Unrecognised actuarial gains/(losses)	€th	0.00	0.00	0.00	0.00
+ Comprehensive income recognition	€th		175	0.00	0.00
= Year end shareholders' equity	**€th**	**-620**	**5,853**	**7,843**	**11,254**

Staffing Analytics

		03/25A	03/26E	03/27E	03/28E
Sales per staff	€th	86.2	74.1	110	181
Staff costs per employee	€th	-27.7	-23.5	-20.4	-20.8
Change in staff costs	*%*	*-37.9*	*11.1*	*10.0*	*13.6*
Change in unit cost of staff	*%*	*-52.3*	*-15.0*	*-13.4*	*2.27*
Staff costs/(EBITDA+Staff costs)	*%*	*294*	*68.9*	*43.2*	*27.6*
Average workforce	**unit**	**65.0**	**85.0**	**108**	**120**
Europe	unit	75.0	106	110	130
North America	unit	0.00	0.00	0.00	0.00
South Americas	unit	0.00	0.00	0.00	0.00
Asia	unit	0.00	0.00	0.00	0.00
Other key countries	unit	0.00	0.00	0.00	0.00
Total staff costs	**€th**	**-1,800**	**-2,000**	**-2,200**	**-2,500**
Wages and salaries	€th	-1,800	-2,000	-2,200	-2,500
Pension related costs	€th		0.00	0.00	0.00

Divisional Breakdown Of Revenues

		03/25A	03/26E	03/27E	03/28E
Total sales	**€th**	**5,800**	**6,300**	**11,900**	**21,700**
O/w organic growth (%)	*%*	*-36.4*	*12.5*	*88.9*	*82.4*
Accumulator shells	€th	2,400	1,900	2,300	2,500
Diving cylinders	€th	400	0.00	800	800
Hydrogen	€th	900	2,500	6,300	15,500
Natural gas	€th	200	0.00	300	300
Trading	€th	0.00	0.00	0.00	0.00
Other	€th	1,900	1,900	2,200	2,600

Divisional Breakdown Of Earnings

		03/25A	03/26E	03/27E	03/28E
EBITDA/R Analysis					
Accumulator shells	€th	0.00	0.00	0.00	0.00
Diving cylinders	€th	0.00	0.00	0.00	0.00
Hydrogen	€th	0.00	0.00	0.00	0.00
Natural gas	€th	0.00	0.00	0.00	0.00
Trading	€th	0.00	0.00	0.00	0.00
Defense	€th				
Other/cancellations	€th	-1,188	901	2,890	6,548
Total	**€th**	**-1,188**	**901**	**2,890**	**6,548**
EBITDA/R margin	%	-21.2	14.3	24.3	30.2

Revenue Breakdown By Country

		03/25A	03/26E	03/27E	03/28E
Europe	%	80.0	80.0		
o/w France	%	60.0	60.0		
Other	%	20.0	20.0		

ROCE

		03/25A	03/26E	03/27E	03/28E
ROCE (NOPAT+lease exp.(1-tax))/(net) cap employed adjusted*	*%*	*-44.6*	*-5.22*	*24.5*	*61.0*
CFROIC	*%*	*-151*	*-42.6*	*21.3*	*30.6*
Goodwill	€th	296	296	296	296
Accumulated goodwill amortisation	*€th*	*0.00*	*0.00*	*0.00*	*0.00*
All intangible assets	€th	1,426	1,426	1,426	1,426
Accumulated intangible amortisation	*€th*	*0.00*	*0.00*	*0.00*	*0.00*
Financial hedges (LT derivatives)	€th	0.00	0.00	0.00	0.00
Capitalised R&D	€th	296	296	296	296
Rights of use/ Capitalised leases	€th	0.00	0.00	0.00	0.00
Other fixed assets	€th	4,254	5,154	6,179	7,479
Accumulated depreciation	*€th*	*0.00*	*0.00*	*0.00*	*0.00*
WCR	€th	-2,808	-3,005	-3,144	-3,046
Other assets	€th	125	125	125	125
Unrecognised actuarial losses/(gains)	€th	0.00	0.00	0.00	0.00
Capital employed after deprec. (Invested capital)	**€th**	**3,589**	**4,292**	**5,178**	**6,576**
Capital employed before depreciation	€th	3,589	4,292	5,178	6,576

Divisional Breakdown Of Capital Employed

		03/25A	03/26E	03/27E	03/28E
Accumulator shells	€th				
Diving cylinders	€th				
Hydrogen	€th				
Natural gas	€th				
Trading	€th				
Defense	€th				
Other	€th	3,589	4,292	5,178	6,576
Total capital employed	**€th**	**3,589**	**4,292**	**5,178**	**6,576**

Fundamental Opinion

It is implicit that recommendations are made in good faith but should not be regarded as the sole source of advice.

Recommendations are geared to a **“value”** approach.

Valuations are computed from the point of view of a **secondary market minority holder** looking at a medium term (say 6 months) performance.

Valuation tools are built around the concepts of **transparency,** all underlying figures are accessible, and **consistency,** same methodology whichever the stock, allowing for differences in nature between financial and non financial stocks. A stock with a target price below its current price should not and will not be regarded as an Add or a Buy.

Recommendations are based on target prices with no allowance for dividend returns. The thresholds for the four recommendation levels may change from time to time depending on market conditions. Thresholds are defined as follows, ASSUMING long risk free rates remain in the 2-5% region.

Recommendation	Low Volatility 10 < VIX index < 30	Normal Volatility 15 < VIX index < 35	High Volatility 35 < VIX index
Buy	More than 15% upside	More than 20% upside	More than 30% upside
Add	From 5% to 15%	From 5% to 20%	From 10% to 30%
Reduce	From -10% to 5%	From -10% to 5%	From -10% to 10%
Sell	Below -10%	Below -10%	Below -10%

There is deliberately no “neutral” recommendation. The principle is that there is no point investing in equities if the return is not at least the risk free rate (and the dividend yield which again is not allowed for).

Although recommendations are automated (a function of the target price whenever a new equity research report is released), the management of AlphaValue intends to maintain global consistency within its universe coverage and may, from time to time, decide to change global parameters which may affect the level of recommendation definitions and /or the distribution of recommendations within the four levels above. For instance, lowering the risk premium in a gloomy context may increase the proportion of positive recommendations.

Valuation

Valuation processes have been organized around transparency and consistency as primary objectives.

Stocks belong to different categories that recognise their main operating features : Banks, Insurers and Non Financials.

Within those three universes, the valuation techniques are the same and in relation to the financial data available.

The weighting given to individual valuation techniques is managed centrally and may be changed from time to time. As a rule, all stocks of a similar profile are valued using equivalent weighting of the various valuation techniques. This is for obvious consistency reasons.

Within the very large universe of Non Financials, there are in effect 4 sub-categories of weightings to cater for subsets: 1) 'Mainstream' stocks; 2) 'Holding companies' where the stress is on NAV measures; 3) 'Growth' companies where the stress is on peer based valuations; 4) 'Loss making sectors' where peers review is essentially pointing nowhere (ex: Bio techs). The bulk of the valuation is then built on DCF and NAV, in effect pushing back the time horizon.

Valuation Issue	Normal industrials	Growth industrials	Holding company	Loss runners	Bank	Insurers
DCF	35%	35%	10%	40%	0%	0%
NAV	20%	20%	55%	40%	50%	15%
PE	10%	10%	10%	5%	10%	20%
EV/EBITDA	20%	20%	0%	5%	0%	0%
Yield	10%	10%	20%	5%	10%	15%
Book	5%	5%	5%	5%	10%	10%
Banks' instrinsic method	0%	0%	0%	0%	10%	0%
Embedded Value	0%	0%	0%	0%	0%	40%
Mkt Cap/Gross Operating Profit	0%	0%	0%	0%	10%	0%