



Europlasma

Alternative Energy / France

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Fresh and less expensive round of financing

Financing issue - 12/02/2018

Europlasma launches a fresh round of financing, already allowed for in our forecasts. The cost looks less steep than could have been feared.

Fact

Europlasma collects another €8m of fresh financing. It broadly relies on the same financing mechanics as deployed in a 2016-17 round: issuance of immediately converted convertibles at a discount to the spot market price. This fresh financing is secured under significantly better conditions than the previous one (no warrants, half the discount), strong evidence that the company is marching towards more traditional funding now that its development risks are behind. The cost of this last round of financing is directly set in the conversion terms at 95.3% of the last 10 trading days, with the new shares essentially sold promptly. This means that the seller is always getting c.5% at the expense of the market, i.e. existing shareholders. Although limited, dilution is the price to pay for bridge financing.

Analysis

Europlasma has reached a milestone in 2017 by getting the final acceptance of its client for the delivery of a much-delayed green power generation unit. The cash drain related to delays and further engineering work to extract more performance from the same unit has led the group to resort to successive layers of expensive dilutive financing. The €8m capital raising announced in early February 2018 is of a similar profile (although far less dilutive) but apparently on a tight calendar (last tranche of the raising completed by mid April 2018) and there is an issuer-held option not to go beyond €4m. This is evidence that the group is closer to raising more traditional funding and may mean it is close to being in a cash generative mode.

Indeed the cash drain of 2017 was a combination of furthering developments on the prototype power generation unit and facing disruptions in the normally cash-generative asbestos treatment unit. Both are sorted subjects by early 2018.

Year after year, the management of Europlasma has managed to find fresh financing in very adverse conditions. The remaining stumbling block to Europlasma becoming a green power generation proposition is less about technology and more about the funding of an ideal business model, whereby Europlasma would not build and manage power units for third parties but for itself. That requires a quantum jump in resources but it is fair to mention that its technology is convincing enough for plant number 2 (dubbed Tiper) to be essentially financed already by debt. The ownership model would impact seriously the definition of Europlasma's business model and presumably its valuation.

Impact

The dilution resulting from the new financing was effectively discounted in a rough way in our last review of Europlasma's earnings outlook. A ball-park order is that the new financing may add 40-50m shares to the existing 153m ones. As it happens, we had allowed for 50m new shares anyway, as well as for the full dilution of C warrants. Such new equity effectively secures the ability of



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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: 64.7%

Target Price (6 months)	€ 0.35
Share Price	€ 0.21
Market Cap. €M	32.1
Price Momentum	GOOD
Extremes 12Months	0.16 ▶ 0.44
Bloomberg	ALEUP FP Equity
Reuters	ALEUP.PA

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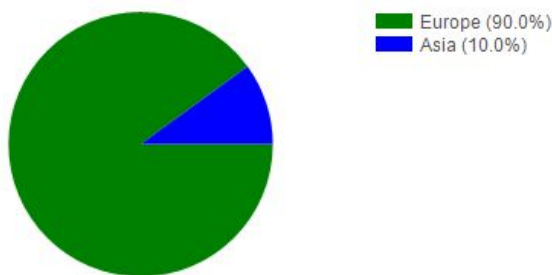
PERF	1w	1m	3m	12m
Europlasma	-1.86%	3.17%	-3.86%	-24.5%
Utilities	-5.53%	-8.33%	-13.5%	6.21%
STOXX 600	-5.01%	-7.52%	-5.50%	0.50%

Last updated: 01/02/2018	12/15A	12/16A	12/17E	12/18E
Adjusted P/E (x)	-4.28	-2.81	-2.48	27.5
Dividend yield (%)	0.00	0.00	0.00	0.00
EV/EBITDA(R) (x)	-8.26	-5.40	-4.95	7.58
Adjusted EPS (€)	-0.24	-0.18	-0.11	0.01
Growth in EPS (%)	n/a	n/a	n/a	n/a
Dividend (€)	0.00	0.00	0.00	0.00
Sales (€th)	14,082	9,733	8,224	43,295
Operating margin (%)	-104	-173	-191	1.26
Attributable net profit (€th)	-	-	-	1,544
ROE (after tax) (%)	-171	3,126	423	70.1
Gearing (%)	28.3			78.6

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

Eurolasma to reach its positive cash flow objective so that it may even be that the market may react positively and absorb this new issuance. As a reminder, our fully-diluted target price stands well above current prices. In all, this is encouraging, and in any case better than no financing.

Sales by Geography



Consolidated P&L Accounts

	12/16A	12/17E	12/18E
Sales	€th 9,733	8,224	43,295
Change in sales	% -30.9	-15.5	426
Change in staff costs	% 4.76	0.00	4.55
EBITDA	€th -11,708	-9,459	4,944
EBITDA(R) margin	% -120	-115	11.4
Depreciation	€th -4,230	-5,656	-4,400
Underlying operating profit	€th -15,938	-15,715	544
Operating profit (EBIT)	€th -16,712	-15,715	544
Net financial expense	€th -396	-2,000	-2,000
of which related to pensions	€th	0.00	0.00
Exceptional items & other	€th		
Corporate tax	€th -165	3,500	3,000
Equity associates	€th 0.00	0.00	0.00
Minority interests	€th 0.00	0.00	0.00
Adjusted attributable net profit	€th -16,621	-14,215	1,544
NOPAT	€th -11,157	-11,000	381

Cashflow Statement

	12/16A	12/17E	12/18E
EBITDA	€th -11,708	-9,459	4,944
Change in WCR	€th 3,536	-3,175	500
Actual div. received from equity holdi...	€th 0.00	0.00	0.00
Paid taxes	€th -335	3,500	3,000
Exceptional items	€th		
Other operating cash flows	€th 800	1,000	1,000
Total operating cash flows	€th -7,707	-8,134	9,444
Capital expenditure	€th -5,585	-3,500	-3,000
Total investment flows	€th -5,865	-4,500	-9,000
Net interest expense	€th -396	-2,000	-2,000
Dividends (parent company)	€th		
Dividends to minorities interests	€th 0.00	0.00	0.00
New shareholders' equity	€th 10,900	13,000	10,000
Total financial flows	€th 8,713	5,500	7,000
Change in cash position	€th -4,859	-7,134	7,444
Free cash flow (pre div.)	€th -13,688	-13,634	4,444

Per Share Data

	12/16A	12/17E	12/18E
No. of shares net of treas. stock (year...)	Th 111,650	152,405	202,405
Number of diluted shares (average)	Th 90,659	132,028	200,462
Benchmark EPS	€ -0.18	-0.11	0.01
Restated NAV per share	€		
Net dividend per share	€ 0.00	0.00	0.00

Valuation Summary

Benchmarks	Value	Weight	Largest comparables
DCF	€ 0.57	35%	■ Gea Group
NAV/SOTP per share	€ 0.38	20%	■ Suez
EV/Ebitda	€ 0.25	20%	■ Elecnor
P/E	€ 0.19	10%	● ERG
Dividend Yield	€ 0.00	10%	
P/Book	€ 0.11	5%	
TARGET PRICE	€ 0.35	100%	

NAV/SOTP Calculation

Balance Sheet

	12/16A	12/17E	12/18E
Goodwill	€th 664	700	1,000
Total intangible	€th 911	1,014	1,314
Tangible fixed assets	€th 13,186	13,000	14,000
Financial fixed assets	€th 3,538	3,600	8,000
WCR	€th -675	2,500	2,000
Other assets	€th 3,415	4,000	4,000
Total assets (net of short term liab.)	€th 25,776	30,114	35,314
Ordinary shareholders' equity	€th -3,600	-3,120	7,525
Quasi Equity & Preferred	€th		
Minority interests	€th 100	100	100
Provisions for pensions	€th 500	0.00	0.00
Other provisions for risks and liabilities	€th 5,679	10,000	12,000
Total provisions for risks and liabilities	€th 6,179	10,000	12,000
Tax liabilities	€th -252	-2,000	-2,000
Other liabilities	€th 14,830	15,000	16,000
Net debt (cash)	€th 8,500	10,134	1,689
Total liab. and shareholders' equity	€th 25,757	30,114	35,314

Capital Employed

	12/16A	12/17E	12/18E
Capital employed after depreciation	€th 16,960	20,114	25,314

Profits & Risks Ratios

		12/16A	12/17E	12/18E
ROE (after tax)	%	3,126	423	70.1
ROCE	%	-65.8	-54.7	1.51
Gearing (at book value)	%			78.6
Adj. Net debt/EBITDA(R)	x	-0.73	-1.07	0.34
Interest cover (x)	x	-40.2	-7.86	0.27

Valuation Ratios

		12/16A	12/17E	12/18E
Reference P/E (benchmark)	x	-2.81	-2.48	27.5
Free cash flow yield	%	-23.8	-33.5	10.4
P/Book	x	-16.0	-13.0	5.69
Dividend yield	%	0.00	0.00	0.00

EV Calculation

	12/16A	12/17E	12/18E	
Market cap	€th 57,596	40,657	42,809	
+ Provisions	€th 6,179	10,000	12,000	
+ Unrecognised actuarial losses/(gains)	€th 0.00	0.00	0.00	
+ Net debt at year end	€th 8,500	10,134	1,689	
+ Leases debt equivalent	€th 0.00	0.00	0.00	
- Financial fixed assets (fair value)	€th 10,000	15,000	20,000	
+ Minority interests (fair value)	€th 1,000	1,000	1,000	
= EV	€th 63,275	46,791	37,498	
EV/EBITDA(R)	x	-5.40	-4.95	7.58
EV/Sales	x	6.50	5.69	0.87