

SFC Energy AG

Germany / Energy
 Primary exchange: Frankfurt
 Bloomberg: F3C GR
 ISIN: DE0007568578

Preliminary Q1 2021
 figures

RATING
BUY

PRICE TARGET
€ 44.00

Return Potential 118.4%
 Risk Rating High

BEST Q1 EVER – BUY RECOMMENDATION CONFIRMED

SFC Energy has reported preliminary Q1 KPIs, which were ahead of the prior year figures and our forecasts. Q1/21 was the best Q1 result in the company's history. Management confirmed 2021 sales guidance (€61-70m) and raised the lower end of adjusted EBITDA guidance from €3.5m to €4.75m, and the lower end of the adjusted EBIT guidance from €-0.9m to €0.35m. The very good Q1 figures support our positive view on SFC. With its clean energy solutions based on direct methanol & hydrogen fuel cells as well as its power management systems, SFC is excellently positioned to benefit from the global trend to distributed clean and reliable energy solutions. We confirm our 2021 sales and EBIT forecasts. An updated DCF model still yields a €44 price target. The rating remains Buy.

Excellent Q1 despite pandemic restrictions in many markets SFC recorded high demand in both its Clean Energy and Clean Power Management segments. According to preliminary figures, Q1 sales rose 5% y/y to ca. €17.0m (Q1/20: €16.1m, FBe: €16.2m). Adjusted EBITDA amounted to €23m (Q1/20: €0.8m, FBe: €1.5m, see figure 1 overleaf).

Lower end of earnings guidance lifted Management confirmed sales guidance (€61-70m) and raised the lower end of adjusted EBITDA and EBIT guidance. Adjusted EBITDA guidance, previously €3.5m to €6m, is now €4.75m to €6m, and the EBIT forecast, previously €-0.9m to €1.6m, is now €0.35m to €1.6m. This shows that visibility has significantly increased in the last six weeks.

Very strong consumer business In Q1, the number of fuel cells delivered for caravanning and marine applications rose 78% y/y from 329 to 586. The development in Germany was particularly dynamic, followed by the Scandinavian and North American markets. The main reason for this is the increasing attractiveness of motorhomes due to pandemic restrictions. According to the German Caravanning Industrie Verband (CIVD), new registrations of recreational vehicles grew 13% y/y in Q1 to 24,224 newly registered units. (p.t.o.)

FINANCIAL HISTORY & PROJECTIONS

	2018	2019	2020	2021E	2022E	2023E
Revenue (€m)	61.70	58.54	53.22	66.80	86.84	121.58
Y-o-y growth	13.7%	-5.1%	-9.1%	25.5%	30.0%	40.0%
EBIT (€m)	1.33	-1.29	-4.50	0.43	3.73	10.94
EBIT margin	2.1%	-2.2%	-8.5%	0.6%	4.3%	9.0%
Net income (€m)	0.00	-1.93	-5.18	-0.01	2.58	7.85
EPS (diluted) (€)	0.00	-0.17	-0.39	0.00	0.18	0.54
DPS (€)	0.00	0.00	0.00	0.00	0.00	0.00
FCF (€m)	-0.37	-4.95	-4.87	-1.22	0.41	-3.25
Net gearing	13.2%	-15.2%	-32.6%	-29.6%	-28.4%	-19.4%
Liquid assets (€m)	7.81	21.19	31.75	29.76	32.91	28.14

RISKS

The main risks are internationalisation, unfavourable exchange rate changes, technological innovations, and increasing competition.

COMPANY PROFILE

SFC Energy AG is a leading provider of integrated power solutions for mobile and stationary off-grid applications. The company is a pioneer in developing and commercialising fuel cells which provide reliable, efficient, and clean power for its energy solutions. Main markets are oil & gas, defence & security, industry, and clean energy & mobility. SFC is headquartered near Munich in Germany.

MARKET DATA

As of 10 May 2021

Closing Price	€ 20.15
Shares outstanding	14.47m
Market Capitalisation	€ 291.57m
52-week Range	€ 9.25 / 31.90
Avg. Volume (12 Months)	81,961

Multiples	2020	2021E	2022E
P/E	n.a.	n.a.	113.2
EV/Sales	5.1	4.1	3.1
EV/EBIT	n.a.	634.4	73.0
Div. Yield	0.0%	0.0%	0.0%

STOCK OVERVIEW



COMPANY DATA

As of 31 Dec 2020

Liquid Assets	€ 31.46m
Current Assets	€ 58.45m
Intangible Assets	€ 16.00m
Total Assets	€ 86.33m
Current Liabilities	€ 18.78m
Shareholders' Equity	€ 54.84m

SHAREHOLDERS

DWS	4.8%
Acatis	3.5%
Conduit Ventures	2.5%
Natixis	2.4%
Free Float	86.8%

**Figure 1: Reported figures versus forecasts**

All figures in €m	Q1-21A	Q1-21E	Delta	Q1-20A	Delta
Sales	17.00	16.20	4.9%	16.12	5.5%
Adjusted EBITDA	2.30	1.50	53.3%	0.82	180.5%
margin	13.5%	9.3%		5.1%	

Source: First Berlin Equity Research, SFC Energy AG

New generation of EFOY Pro fuel cell solutions introduced SFC has presented its new portfolio of EFOY Pro energy solutions following the fifth generation of the EFOY Pro fuel cell. These include the EFOY ProCabinet, the EFOY ProTrailer and other mobile and stationary energy solutions. The systems provide the EFOY Pro fuel cell with more flexibility and significantly increase application possibilities – especially in areas without access to the conventional power grid and even in the most adverse weather conditions. In combination with other enclosure solutions, the EFOY Pro fuel cell works reliably and generates environmentally friendly electricity at outdoor temperatures between -40°C and +50°C. With the EFOY Cloud, SFC Energy makes it easier for users to operate and monitor the individual EFOY Pro sites. The application provides secure and reliable remote access to each individual unit which facilitates monitoring and reduces maintenance. Users have access to the application via laptops, tablets or smartphones and all important parameters are directly in view. Further IoT applications can be easily integrated.

New major customer won for fully integrated Variable Frequency Drive systems (VFDs)

In early May, SFC received an initial order (> CAD 2m) for its fully integrated (VFDs) from an Alberta Oil Producer. VFDs operate electrical submersible pumps to artificially lift oil from well pads, and significantly reduce installation and operating costs.

Medium-term growth plan calls for roughly sevenfold sales increase within five years

SFC's accelerated medium-term plan calls for sales to grow to up to €350m to €400m by 2025 through both organic and inorganic expansion, as well as a widening of the EBITDA margin to above 15%. The growth plan is based on the extremely dynamic development of global demand for hydrogen and methanol fuel cells in stationary applications.

Strong Q1 supports our growth forecast We expect SFC to increase 2021 sales by almost 26% y/y and that both EBITDA and EBIT will be positive at €4.8m and €0.4m respectively. Following preliminary Q1 figures, we stick to our sales and EBIT forecast. The full Q1 report is scheduled for 18 May.

Buy confirmed at unchanged price target An updated DCF model still yields a €44 price target. We note that SFC Energy is the only listed fuel cell producer with positive 2021 & 2022 consensus EBIT forecasts (Source: Bloomberg). For competitors such as Ballard Power, Ceres Power, FuelCell Energy, and Plug Power, 2021 & 2022 consensus EBIT forecasts are negative. Nevertheless, SFC is by far the most attractively valued fuel cell producer in terms of EV/sales multiple. SFC's 2022 EV/sales multiple (based on Bloomberg consensus forecasts), is 3x, the mentioned competitors' EV/sales multiples are at least 13x (Ballard Power: 20x, Ceres Power: 53x, FuelCell Energy: 19x, Plug Power: 13x). Given SFC's anticipated growth path, the significant upside shown in our DCF model, and the very attractive relative valuation, we confirm our Buy rating.



VALUATION MODEL

DCF valuation model									
All figures in EUR '000									
	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	
Net sales	66,800	86,840	121,576	176,285	255,614	313,475	377,595	446,592	
NOPLAT	430	2,925	8,228	12,579	20,263	24,017	28,628	34,066	
+ depreciation & amortisation	4,339	3,992	4,359	5,438	6,485	8,216	10,091	12,078	
Net operating cash flow	4,769	6,917	12,587	18,017	26,748	32,232	38,719	46,145	
- total investments (CAPEX and WC)	-5,987	-6,509	-15,841	-23,861	-33,899	-31,079	-34,940	-38,389	
Capital expenditures	-5,611	-6,426	-7,295	-10,401	-14,361	-16,728	-19,086	-21,315	
Working capital	-376	-83	-8,546	-13,460	-19,538	-14,350	-15,854	-17,074	
Free cash flows (FCF)	-1,218	407	-3,253	-5,844	-7,151	1,154	3,779	7,756	
PV of FCF's	-1,165	363	-2,710	-4,542	-5,186	781	2,387	4,570	

All figures in thousands									
PV of FCFs in explicit period (2021E-2035E)	96,065								
PV of FCFs in terminal period	522,097								
Enterprise value (EV)	618,162								
+ Net cash / - net debt (p.f.)	19,014								
+ Investments / minority interests	0								
Shareholder value	637,176								
Diluted number of shares	14,470								
Fair value per share in EUR	44.04								

Terminal growth rate: 3.0%
Terminal EBIT margin: 11.0%

WACC		Terminal growth rate							
		1.5%	2.0%	2.5%	3.0%	3.5%	4.0%	4.5%	
Cost of equity	9.6%	5.7%	55.48	61.09	68.49	78.67	93.56	117.41	161.84
Pre-tax cost of debt	5.0%	6.2%	47.29	51.35	56.51	63.31	72.67	86.36	108.29
Tax rate	30.0%	6.7%	40.80	43.81	47.54	52.29	58.54	67.15	79.73
After-tax cost of debt	3.5%	7.2%	35.56	37.84	40.60	44.04	48.40	54.15	62.06
Share of equity capital	60.0%	7.7%	31.26	33.01	35.10	37.65	40.80	44.82	50.11
Share of debt capital	40.0%	8.2%	27.67	29.04	30.65	32.58	34.92	37.82	41.51
Price target in EUR	44.00	8.7%	24.65	25.73	27.00	28.48	30.25	32.40	35.07

* for layout purposes the model shows numbers only to 2028, but runs until 2035



INCOME STATEMENT

All figures in EUR '000	2017A	2018A	2019A	2020A	2021E	2022E	2023E
Revenues	54,292	61,704	58,538	53,223	66,800	86,840	121,576
Cost of goods sold	36,566	40,623	38,410	35,307	44,070	57,314	80,240
Gross profit	17,726	21,082	20,128	17,915	22,730	29,526	41,336
S&M	9,786	10,792	12,438	12,122	12,900	14,329	16,413
G&A	5,016	5,230	5,994	7,125	6,100	6,426	7,295
R&D	3,892	3,525	3,104	2,843	3,300	5,037	6,687
Other operating income	277	320	178	157	200	261	365
Other operating expenses	194	529	57	483	200	261	365
Operating income (EBIT)	-885	1,325	-1,288	-4,501	430	3,734	10,942
Net financial result	-1,150	-737	-752	-443	-438	-348	-382
Non-operating expenses	0	0	0	0	0	0	0
Pre-tax income (EBT)	-2,035	588	-2,040	-4,945	-8	3,386	10,560
Income taxes	37	589	-113	239	-2	809	2,714
Minority interests	0	0	0	0	0	0	0
Net income / loss	-2,072	-1	-1,927	-5,184	-7	2,577	7,846
Diluted EPS (in €)	-0.23	0.00	-0.17	-0.39	0.00	0.18	0.54
EBITDA	862	2,478	2,042	-986	4,769	7,726	15,301
One-off costs / earnings	592	1,227	1,589	3,922	0	0	1
Underlying EBITDA	1,454	3,705	3,631	2,936	4,769	7,726	15,301
Underlying EBIT	177	2,553	301	-579	430	3,734	10,942
Ratios							
Gross margin	32.6%	34.2%	34.4%	33.7%	34.0%	34.0%	34.0%
EBITDA margin on revenues	1.6%	4.0%	3.5%	-1.9%	7.1%	8.9%	12.6%
EBIT margin on revenues	-1.6%	2.1%	-2.2%	-8.5%	0.6%	4.3%	9.0%
Net margin on revenues	-3.8%	0.0%	-3.3%	-9.7%	0.0%	3.0%	6.5%
Tax rate	-1.8%	100.1%	5.5%	-4.8%	21.0%	23.9%	25.7%
Expenses as % of revenues							
S&M	18.0%	17.5%	21.2%	22.8%	19.3%	16.5%	13.5%
G&A	9.2%	8.5%	10.2%	13.4%	9.1%	7.4%	6.0%
R&D	7.2%	5.7%	5.3%	5.3%	4.9%	5.8%	5.5%
Other operating expenses	0.4%	0.9%	0.1%	0.9%	0.3%	0.3%	0.3%
Y-Y Growth							
Revenues	23.3%	13.7%	-5.1%	-9.1%	25.5%	30.0%	40.0%
Operating income	n.m.	n.m.	n.m.	n.m.	n.m.	769.1%	193.0%
Net income/ loss	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	204.5%



BALANCE SHEET

All figures in EUR '000	2017A	2018A	2019A	2020A	2021E	2022E	2023E
Assets							
Current assets, total	21,849	28,289	47,818	58,447	58,728	64,751	72,294
Cash and cash equivalents	4,694	7,805	21,192	31,750	29,756	32,915	28,143
Short-term investments	0	0	0	0	0	0	0
Receivables	8,712	10,158	13,773	13,031	14,641	16,654	23,316
Inventories	7,939	9,753	12,032	12,617	13,281	14,132	19,785
Other current assets	504	573	822	1,049	1,049	1,049	1,049
Non-current assets, total	12,684	13,776	25,040	27,882	29,154	31,589	34,524
Property, plant & equipment	1,197	1,596	9,869	9,985	7,403	6,970	7,032
Goodwill & other intangibles	10,950	11,497	13,921	15,999	19,164	22,031	24,905
Other assets	537	684	1,250	1,898	2,587	2,587	2,587
Total assets	34,534	42,065	72,859	86,330	87,882	96,339	106,818
Shareholders' equity & debt							
Current liabilities, total	18,563	18,865	20,514	18,780	21,239	23,257	25,889
Short-term debt	9,410	7,154	5,352	4,340	4,900	4,137	3,000
Accounts payable	5,520	7,093	8,090	4,742	6,641	9,422	13,190
Current provisions	800	972	1,263	1,583	1,583	1,583	1,583
Liabilities under finance leases	0	44	2,278	1,353	1,353	1,353	1,353
Other current liabilities	2,833	3,602	3,531	6,762	6,762	6,762	6,762
Long-term liabilities, total	2,076	4,996	12,085	12,711	11,811	15,674	15,674
Long-term debt	529	3,056	3,953	2,962	2,062	5,925	5,925
Liabilities under finance leases	0	54	5,755	6,548	6,548	6,548	6,548
Other liabilities	1,547	1,886	2,376	3,201	3,201	3,201	3,201
Minority interests	0	0	0	0	0	0	0
Shareholders' equity	13,895	18,204	40,260	54,838	54,832	57,408	65,255
Share capital	9,659	10,250	12,950	14,470	14,470	14,470	14,470
Capital reserve	75,475	79,498	100,417	119,118	119,118	119,118	119,118
Other reserves	0	0	0	0	0	0	0
Treasury stock	0	0	0	0	0	0	0
Loss carryforward / retained earnings	-70,423	-70,520	-72,447	-77,631	-77,638	-75,061	-67,215
Total consolidated equity and debt	34,534	42,065	72,859	86,330	87,882	96,339	106,818
Ratios							
Current ratio (x)	1.18	1.50	2.33	3.11	2.77	2.78	2.79
Quick ratio (x)	0.75	0.98	1.74	2.44	2.14	2.18	2.03
Net cash	-5,245	-2,405	6,132	17,900	16,246	16,305	12,670
Net gearing	37.7%	13.2%	-15.2%	-32.6%	-29.6%	-28.4%	-19.4%
Book value per share (€)	1.51	1.79	3.50	4.14	3.79	3.97	4.51
Equity ratio	40.2%	43.3%	55.3%	63.5%	62.4%	59.6%	61.1%
Return on equity (ROE)	-14.9%	0.0%	-4.8%	-9.5%	0.0%	4.5%	12.0%
Return on investment (ROI)	-6.0%	0.0%	-2.6%	-6.0%	0.0%	2.7%	7.3%
Return on assets (ROA)	-2.6%	1.8%	-1.6%	-5.5%	0.5%	3.0%	7.8%
Return on capital employed (ROCE)	-4.1%	6.1%	-4.2%	-11.2%	1.0%	8.4%	21.3%
Days of sales outstanding (DSO)	58.6	60.1	85.9	89.4	80.0	70.0	70.0
Days of inventory turnover	79.3	87.6	114.3	130.4	110.0	90.0	90.0
Days in payables (DIP)	55.1	63.7	76.9	49.0	55.0	60.0	60.0



CASH FLOW STATEMENT

All figures in EUR '000	2017A	2018A	2019A	2020A	2021E	2022E	2023E
EBIT	-885	1,325	-1,288	-4,501	430	3,734	10,942
Depreciation and amortisation	1,747	1,153	3,330	3,516	4,339	3,992	4,359
EBITDA	862	2,478	2,042	-986	4,769	7,726	15,301
Changes in working capital	1,362	-1,417	-5,026	-4,300	-376	-83	-8,546
Other adjustments	-519	945	1,723	4,691	2	-809	-2,714
Operating cash flow	1,704	2,005	-1,261	-595	4,395	6,833	4,041
Investments in PP&E	-497	-928	-1,110	-943	-1,603	-2,084	-2,432
Investments in intangibles	-844	-1,445	-2,582	-3,336	-4,008	-4,342	-4,863
Free cash flow	363	-368	-4,952	-4,874	-1,216	407	-3,253
Acquisitions & disposals, net	33	0	64	0	0	0	0
Other investments	0	0	0	0	0	0	0
Investing cash flow	-1,308	-2,373	-3,628	-4,279	-5,611	-6,426	-7,295
Debt financing, net	2,252	-1,786	-5,258	-2,953	-340	3,100	-1,137
Equity financing, net	400	4,220	27,000	19,665	0	0	0
Dividend paid	0	0	0	0	0	0	0
Other financing	-394	1,045	-3,467	-1,280	-438	-348	-382
Financing cash flow	2,258	3,479	18,275	15,432	-778	2,752	-1,518
Forex & other effects	-2	0	0	0	0	0	0
Net cash flows	2,653	3,111	13,387	10,558	-1,994	3,159	-4,772
Cash, start of the year	1,756	4,409	7,520	21,192	31,750	29,756	32,915
Cash, end of the year	4,409	7,520	20,907	31,750	29,756	32,915	28,143
EBITDA/share (in €)	0.09	0.24	0.18	-0.07	0.33	0.53	1.06
Y-Y Growth							
Operating cash flow	n.m.	17.7%	n.m.	n.m.	n.m.	55.5%	-40.9%
Free cash flow	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
EBITDA/share	n.m.	160.5%	-27.2%	n.m.	n.m.	62.0%	98.1%

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Anschrift:

First Berlin Equity Research GmbH
Mohrenstr. 34
10117 Berlin
Germany

Vertreten durch den Geschäftsführer: Martin Bailey

Telefon: +49 (0) 30-80 93 9 680

Fax: +49 (0) 30-80 93 9 687

E-Mail: info@firstberlin.com

Amtsgericht Berlin Charlottenburg HR B 103329 B

UST-Id.: 251601797

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First Berlin Equity Research GmbH

Authored by: Dr. Karsten von Blumenthal, Analyst

All publications of the last 12 months were authored by Dr. Karsten von Blumenthal.

Company responsible for preparation: First Berlin Equity Research GmbH, Mohrenstraße 34, 10117 Berlin

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ASSET VALUATION SYSTEM

First Berlin's system for asset valuation is divided into an asset recommendation and a risk assessment.

ASSET RECOMMENDATION

The recommendations determined in accordance with the share price trend anticipated by First Berlin in the respectively indicated investment period are as follows:

Category		1	2
Current market capitalisation (in €)		0 - 2 billion	> 2 billion
Strong Buy ¹	An expected favourable price trend of:	> 50%	> 30%
Buy	An expected favourable price trend of:	> 25%	> 15%
Add	An expected favourable price trend of:	0% to 25%	0% to 15%
Reduce	An expected negative price trend of:	0% to -15%	0% to -10%
Sell	An expected negative price trend of:	< -15%	< -10%

¹ The expected price trend is in combination with sizable confidence in the quality and forecast security of management.

Our recommendation system places each company into one of two market capitalisation categories. Category 1 companies have a market capitalisation of €0 – €2 billion, and Category 2 companies have a market capitalisation of > €2 billion. The expected return thresholds underlying our recommendation system are lower for Category 2 companies than for Category 1 companies. This reflects the generally lower level of risk associated with higher market capitalisation companies.

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The First Berlin categories for risk assessment are low, average, high and speculative. They are determined by ten factors: Corporate governance, quality of earnings, management strength, balance sheet and financial risk, competitive position, standard of financial disclosure, regulatory and political uncertainty, strength of brandname, market capitalisation and free float. These risk factors are incorporated into the First Berlin valuation models and are thus included in the target prices. First Berlin customers may request the models.

RECOMMENDATION & PRICE TARGET HISTORY

Report No.:	Date of publication	Previous day closing price	Recommendation	Price target
Initial Report	23 June 2014	€4.84	Buy	€7.40
2...41	↓	↓	↓	↓
42	23 March 2020	€9.00	Add	€9.40
43	2 April 2020	€9.02	Add	€9.40
44	20 May 2020	€9.79	Reduce	€9.40
45	25 August 2020	€14.86	Reduce	€14.00
46	18 November 2020	€14.92	Add	€15.80
47	2 December 2020	€15.14	Add	€17.00
48	16 February 2021	€31.50	Buy	€44.00
49	1 April 2021	€27.20	Buy	€44.00

50	Today	€20.15	Buy	€44.00
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INVESTMENT HORIZON

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- key sources of information in the preparation of this research report
- valuation methods and principles
- sensitivity of valuation parameters

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