

SFC Energy AG

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

Q1 2023 report

RATING
BUY

PRICE TARGET
€ 36.00

Return Potential 64.4%
 Risk Rating High

RECORD GROWTH IN Q1 – BUY CONFIRMED

In Q1/23, SFC Energy reported record top line growth of 53% y/y and quadrupled adjusted EBITDA to €3.3m. Net income amounted to €2.0m versus €-1.2m in Q1/22. The spectacular growth and high margins (gross margin: 37.2%, adjusted EBITDA margin: 12.2%, adjusted EBIT margin: 7.8%) reflect SFC's excellent competitive position. The company reiterated guidance (2023 sales: €103m - €111m, adjusted EBITDA €8.9m - €14.1m) and is well on track to reach the upper end of these numbers. Based on unchanged forecasts, an updated DCF model still yields a €36 price target. We confirm our Buy recommendation.

Excellent Q1 figures Revenue rose 53% y/y to €27.5m. Both segments contributed to the strong growth. While Clean Energy segment sales were up 45% y/y, the Clean Power Management segment topped even this figure with an eye-catching 72% growth rate. Gross profit rose 82% y/y to €10.2m and thus outpaced sales growth. The resulting gross margin (gross profit as a percentage of sales) amounted to an excellent 37.2% versus 31.3% in the prior year period. Adjusted EBITDA quadrupled to €3.3m, which is mainly attributable to the significantly higher gross profit and the lower increase in functional costs relative to sales. The adjusted EBITDA margin reached double-digit territory (12.2% versus 4.5% in Q1/22). Depreciation and amortisation remained stable at €1.2m leading to adjusted EBIT of €2.2m (Q1/22: €0.4m). The resulting adjusted EBIT margin was 7.8%. The net result amounted to €2.0m (net margin: 7.4%) compared to €-1.2m in Q1/22 (see figure 1 overleaf).

North America is booming Sales in North America rose 86% y/y to €14m and accounted for more than 50% of turnover on a regional basis. European sales excluding Germany rose 39% to €10m (sales share: 36%). In Germany, sales increased 15% to €2.3m and Asian revenue was up just 7% at €1.4m.

(p.t.o.)

FINANCIAL HISTORY & PROJECTIONS

	2020	2021	2022	2023E	2024E	2025E
Revenue (€m)	53.22	64.32	85.23	114.17	165.55	240.04
Y-o-y growth	-9.1%	20.9%	32.5%	34.0%	45.0%	45.0%
EBIT (€m)	-4.50	-5.11	3.60	6.96	16.55	27.85
EBIT margin	-8.5%	-7.9%	4.2%	6.1%	10.0%	11.6%
Net income (€m)	-5.18	-5.83	2.02	4.67	11.71	20.01
EPS (diluted) (€)	-0.39	-0.40	0.13	0.27	0.67	1.15
DPS (€)	0.00	0.00	0.00	0.00	0.00	0.00
FCF (€m)	-4.87	-2.70	-9.96	-5.04	-5.22	-5.97
Net gearing	-37.7%	-34.8%	-50.8%	-43.4%	-34.3%	-24.8%
Liquid assets (€m)	31.75	24.62	64.80	58.04	52.30	45.90

RISKS

The main risks are internationalisation, 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 24 May 2023

Closing Price	€ 21.90
Shares outstanding	17.36m
Market Capitalisation	€ 380.26m
52-week Range	€ 15.76 / 26.80
Avg. Volume (12 Months)	61,049

Multiples	2022	2023E	2024E
P/E	188.2	81.4	32.5
EV/Sales	3.9	2.9	2.0
EV/EBIT	91.7	47.4	19.9
Div. Yield	0.0%	0.0%	0.0%

STOCK OVERVIEW



COMPANY DATA

As of 31 Mar 2023

Liquid Assets	€ 59.80m
Current Assets	€ 115.19m
Intangible Assets	€ 19.84m
Total Assets	€ 150.85m
Current Liabilities	€ 28.85m
Shareholders' Equity	€ 105.35m

SHAREHOLDERS

Acatis	4.7%
Hansainvest	2.5%
DWS	4.9%
Conduit Ventures	2.0%
Free Float	86.0%

**Figure 1: Q1 group figures**

All figures in €m	Q1-23A	Q1-23E	Delta	Q1-22A	Delta
Sales	27.45	25.90	6%	17.91	53%
Gross profit	10.21	9.60	6%	5.61	82%
<i>margin</i>	37.2%	37.1%	-	31.3%	-
EBITDA	3.51	2.90	21%	0.16	2080%
<i>margin</i>	12.8%	11.2%		0.9%	
Adjusted EBITDA	3.35	2.80	20%	0.81	314%
<i>margin</i>	12.2%	10.8%		4.5%	
EBIT	2.31	1.60	44%	-1.07	-
<i>margin</i>	8.4%	6.2%		-5.9%	
Adjusted EBIT	2.15	1.50	43%	-0.42	-
<i>margin</i>	7.8%	5.8%		-2.3%	
Net income	2.04	1.40	45%	-1.18	-
<i>margin</i>	7.4%	5.4%		-6.6%	
EPS (diluted, in €)	0.12	0.08	45%	-0.08	-

Source: First Berlin Equity Research, SFC Energy AG

Clean Energy segment's gross margin at 43% The Clean Energy segment generated €17.8m in sales (+45% y/y), primarily driven by fuel cell solutions for industrial applications (+75% y/y). Segment gross profit rose 82% y/y to €7.6m (see figure 2). The gross margin jumped from 34.3% to 43.1% due to a good product mix and higher selling prices. As a result of the significant increase in gross profit, adjusted EBITDA soared from €0.9m to €2.6m y/y resulting in a doubling of the segment's adjusted EBITDA margin to 14.4% (Q1/22: 7.3%).

Figure 2: Q1 segment figures

All figures in €m	Q1-23A	Q1-23E	Delta	Q1-22A	Delta
Clean Energy					
Sales	17.76	17.10	4%	12.28	45%
Gross profit	7.65	7.20	6%	4.21	82%
<i>margin</i>	43.1%	42.1%		34.3%	-
Adjusted EBITDA	2.57	2.20	17%	0.90	185%
<i>margin</i>	14.4%	12.9%	-	7.3%	-
Clean Power Management					
Sales	9.69	8.80	10%	5.63	72%
Gross profit	2.57	2.40	7%	1.40	83%
<i>margin</i>	26.5%	27.3%		24.9%	-
Adjusted EBITDA	0.78	0.60	30%	-0.09	n.a.
<i>margin</i>	8.1%	6.8%	-	-1.6%	-
Group					
Sales	27.45	25.90	6%	17.91	53%
Gross profit	10.22	9.60	6%	5.61	82%
<i>margin</i>	37.2%	37.1%	-	31.3%	-
Adjusted EBITDA	3.35	2.80	20%	0.81	314%
<i>margin</i>	12.2%	10.8%	-	4.5%	-

Source: First Berlin Equity Research, SFC Energy AG

Clean Power Management segment with spectacular sales growth Segment sales showed stellar growth (+72% y/y) to €9.7m due mainly to a significantly improved procurement environment and a recovery in demand. Segment gross profit was up 83% y/y



to €2.6m. The segment's gross margin widened 1.6 PP to 26.5% mainly owing to a better product mix and good pricing power. Adjusted segment EBITDA of €0.8m turned positive versus €-0.1m in the prior year period. The segment's EBITDA margin widened to 8.1% (previous year: -1.6%).

Strong order intake and higher backlog Q1 order intake amounted to €34.8m resulting in an order backlog increase of 10% q/q to €81.6m. The Q1 book-to-bill ratio was 1.27 despite record revenue. The strong order intake reflects ongoing high demand for SFC's products, and the high backlog indicates that SFC should easily reach guidance.

Figure 3: SFC's 2023 guidance

in €m	Guidance	FBe
Sales	103 - 111	114.2
Adjusted EBITDA	8.9 - 14.1	12.5
Adjusted EBIT	3.4 - 8.6	7.0

Source: First Berlin Equity Research, SFC Energy AG

Buy confirmed at unchanged price target Based on unchanged forecasts, an updated DCF model still yields a €36 price target. We confirm our Buy rating.



VALUATION MODEL

DCF valuation model

All figures in EUR '000	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Net sales	114,171	165,548	240,045	294,295	355,562	423,248	496,278	573,065
NOPLAT	5,348	12,223	20,445	25,611	30,935	36,434	42,265	48,246
+ depreciation & amortisation	5,485	6,791	7,539	7,988	8,450	9,176	10,117	11,219
Net operating cash flow	10,833	19,014	27,984	33,598	39,385	45,610	52,382	59,466
- total investments (CAPEX and WC)	-15,869	-24,236	-33,951	-27,980	-31,818	-35,639	-39,100	-41,968
Capital expenditures	-11,645	-9,602	-9,602	-10,006	-11,637	-13,313	-14,979	-16,567
Working capital	-4,224	-14,634	-24,349	-17,974	-20,182	-22,326	-24,122	-25,401
Free cash flows (FCF)	-5,036	-5,222	-5,967	5,619	7,567	9,972	13,282	17,498
PV of FCF's	-4,806	-4,616	-4,886	4,263	5,318	6,492	8,010	9,777

All figures in thousands

PV of FCFs in explicit period (2023E-2037E)	139,177
PV of FCFs in terminal period	446,375
Enterprise value (EV)	585,552
+ Net cash / - net debt (pro forma)	50,361
+ Investments / minority interests	0
Shareholder value	635,913
Diluted number of shares	17,520
Fair value per share in EUR	36.30

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%
6.4%	Cost of equity	45.72	48.66	52.36	57.12	63.50	72.50	86.14
6.9%	Pre-tax cost of debt	40.13	42.31	44.98	48.33	52.65	58.44	66.60
7.4%	Tax rate	35.56	37.20	39.18	41.60	44.63	48.55	53.80
7.9%	After-tax cost of debt	31.76	33.02	34.51	36.30	38.49	41.24	44.79
8.4%	Share of equity capital	28.57	29.54	30.68	32.03	33.65	35.63	38.13
8.9%	Share of debt capital	25.85	26.61	27.50	28.53	29.75	31.21	33.01
9.4%	Price target in EUR	23.52	24.13	24.82	25.61	26.55	27.65	28.98

* for layout purposes the model shows numbers only to 2030, but runs until 2037



INCOME STATEMENT

All figures in EUR '000	2020A	2021A	2022A	2023E	2024E	2025E
Revenues	53,223	64,320	85,229	114,171	165,548	240,045
Cost of goods sold	35,307	41,682	53,823	75,353	108,434	157,229
Gross profit	17,915	22,638	31,406	38,818	57,114	82,816
S&M	12,122	15,051	14,187	15,641	20,528	30,726
G&A	7,125	10,292	10,293	10,960	12,747	15,123
R&D	2,843	3,257	4,441	5,252	7,284	9,122
Other operating income	157	904	2,521	343	497	720
Other operating expenses	483	48	1,407	343	497	720
Operating income (EBIT)	-4,501	-5,105	3,599	6,964	16,555	27,845
Net financial result	-443	-410	-609	-674	-513	-438
Non-operating expenses	0	0	0	0	0	0
Pre-tax income (EBT)	-4,945	-5,515	2,990	6,291	16,042	27,407
Income taxes	239	315	970	1,617	4,331	7,400
Minority interests	0	0	0	0	0	0
Net income / loss	-5,184	-5,829	2,020	4,674	11,711	20,007
Diluted EPS (in €)	-0.39	-0.40	0.13	0.27	0.67	1.15
Adjusted EBITDA (AEBITDA)	2,936	6,233	8,150	12,450	23,346	35,384
One-off costs / earnings (-/+)	-3,922	-7,030	443	0	0	0
EBITDA	-986	-797	8,593	12,450	23,346	35,384
Adjusted EBIT (AEBIT)	-579	1,925	3,156	6,964	16,555	27,845
Ratios						
Gross margin	33.7%	35.2%	36.8%	34.0%	34.5%	34.5%
EBITDA margin on revenues	-1.9%	-1.2%	10.1%	10.9%	14.1%	14.7%
Adjusted EBITDA margin on revenues	5.5%	9.7%	9.6%	10.9%	14.1%	14.7%
EBIT margin on revenues	-8.5%	-7.9%	4.2%	6.1%	10.0%	11.6%
Adjusted EBIT margin on revenues	-1.1%	3.0%	3.7%	6.1%	10.0%	11.6%
Net margin on revenues	-9.7%	-9.1%	2.4%	4.1%	7.1%	8.3%
Tax rate	-4.8%	-5.7%	32.4%	25.7%	27.0%	27.0%
Expenses as % of revenues						
S&M	22.8%	23.4%	16.6%	13.7%	12.4%	12.8%
G&A	13.4%	16.0%	12.1%	9.6%	7.7%	6.3%
R&D	5.3%	5.1%	5.2%	4.6%	4.4%	3.8%
Other operating expenses	0.9%	0.1%	1.7%	0.3%	0.3%	0.3%
Y-Y Growth						
Revenues	-9.1%	20.9%	32.5%	34.0%	45.0%	45.0%
Operating income	n.m.	n.m.	n.m.	93.5%	137.7%	68.2%
Net income/ loss	n.m.	n.m.	n.m.	131.4%	150.6%	70.8%



BALANCE SHEET

All figures in EUR '000	2020A	2021A	2022A	2023E	2024E	2025E
Assets						
Current assets, total	58,447	58,724	113,146	113,946	128,283	154,249
Cash and cash equivalents	31,750	24,623	64,803	58,038	52,304	45,899
Short-term investments	0	385	385	385	385	385
Receivables	13,031	17,851	19,376	25,024	36,285	52,613
Inventories	12,617	14,185	24,921	26,838	35,650	51,692
Other current assets	1,049	1,680	3,661	3,661	3,661	3,661
Non-current assets, total	27,882	28,641	34,025	40,185	42,996	45,059
Property, plant & equipment	9,985	8,887	13,396	16,897	17,639	18,030
Goodwill & other intangibles	15,999	17,698	18,576	21,235	23,304	24,975
Other assets	1,898	2,056	2,053	2,053	2,053	2,053
Total assets	86,330	87,365	147,171	154,131	171,279	199,308
Shareholders' equity & debt						
Current liabilities, total	18,780	20,998	26,591	28,877	34,315	42,337
Short-term debt	4,340	2,735	4,055	3,000	3,000	3,000
Accounts payable	4,742	7,642	9,046	12,387	17,825	25,846
Current provisions	1,583	2,020	2,064	2,064	2,064	2,064
Liabilities under finance leases	1,353	1,860	2,009	2,009	2,009	2,009
Other current liabilities	6,762	6,741	9,417	9,417	9,417	9,417
Long-term liabilities, total	12,711	16,348	17,143	17,143	17,143	17,143
Long-term debt	209	0	0	0	0	0
Liabilities under finance leases	6,548	4,891	8,552	8,552	8,552	8,552
Other liabilities	5,954	11,458	8,591	8,591	8,591	8,591
Minority interests	0	0	0	0	0	0
Shareholders' equity	54,838	50,018	103,437	108,111	119,822	139,829
Share capital	14,470	14,470	17,364	17,364	17,364	17,364
Capital reserve	119,118	119,637	168,262	168,262	168,262	168,262
Other reserves	0	0	0	0	0	0
Treasury stock	0	0	0	0	0	0
Loss carryforward / retained earnings	-77,631	-83,461	-81,441	-76,767	-65,056	-45,049
Total consolidated equity and debt	86,330	87,365	147,171	154,131	171,279	199,308
Ratios						
Current ratio (x)	3.11	2.80	4.25	3.95	3.74	3.64
Quick ratio (x)	2.44	2.12	3.32	3.02	2.70	2.42
Net cash	20,653	17,382	52,581	46,871	41,137	34,732
Net gearing	-37.7%	-34.8%	-50.8%	-43.4%	-34.3%	-24.8%
Book value per share (€)	4.14	3.46	6.60	6.23	6.90	8.05
Equity ratio	63.5%	57.3%	70.3%	70.1%	70.0%	70.2%
Return on equity (ROE)	-9.5%	-11.7%	2.0%	4.3%	9.8%	14.3%
Return on investment (ROI)	-6.0%	-6.7%	1.4%	3.0%	6.8%	10.0%
Return on assets (ROA)	-5.5%	-6.2%	1.8%	3.5%	7.2%	10.4%
Return on capital employed (ROCE)	-11.2%	-11.6%	6.7%	10.4%	20.5%	27.1%
Days of sales outstanding (DSO)	89	101	83	80	80	80
Days of inventory turnover	130	124	169	130	120	120
Days in payables (DIP)	49	67	61	60	60	60



CASH FLOW STATEMENT

All figures in EUR '000	2020A	2021A	2022A	2023E	2024E	2025E
EBIT	-4,501	-5,105	3,599	6,964	16,555	27,845
Depreciation and amortisation	3,516	4,308	4,993	5,485	6,791	7,539
EBITDA	-986	-797	8,593	12,450	23,346	35,384
Changes in working capital	-4,300	-5,086	-13,135	-4,224	-14,634	-24,349
Other adjustments	4,691	6,961	-219	-1,617	-4,331	-7,400
Operating cash flow	-595	1,078	-4,761	6,609	4,380	3,635
Investments in PP&E	-943	-1,021	-2,146	-6,850	-4,966	-4,801
Investments in intangibles	-3,336	-2,762	-3,056	-4,795	-4,635	-4,801
Free cash flow	-4,874	-2,705	-9,963	-5,036	-5,222	-5,967
Acquisitions & disposals, net	0	9	0	0	0	0
Other investments	0	-99	0	0	0	0
Investing cash flow	-4,279	-3,873	-5,202	-11,645	-9,602	-9,602
Debt financing, net	-2,953	-654	-239	-1,055	0	0
Equity financing, net	19,665	0	56,432	0	0	0
Dividend paid	0	0	0	0	0	0
Other financing	-1,280	-3,392	-6,017	-674	-513	-438
Financing cash flow	15,432	-4,046	50,176	-1,729	-513	-438
Forex & other effects	0	0	-32	0	0	0
Net cash flows	10,558	-6,842	40,181	-6,765	-5,734	-6,405
Cash, start of the year	21,192	31,750	24,623	64,803	58,038	52,304
Cash, end of the year	31,464	24,908	64,803	58,038	52,304	45,899
EBITDA/share (in €)	-0.07	-0.06	0.55	0.72	1.34	2.04
Y-Y Growth						
Operating cash flow	n.m.	n.m.	n.m.	n.m.	-33.7%	-17.0%
Free cash flow	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
EBITDA/share	n.m.	n.m.	n.m.	30.8%	87.5%	51.6%

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PRICE TARGET DATES

Unless otherwise indicated, current prices refer to the closing prices of the previous trading day.

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The present financial analysis is based on the author's own knowledge and research. The author prepared this study without any direct or indirect influence exerted on the part of the analysed company. Parts of the financial analysis were possibly provided to the analysed company prior to publication in order to avoid inaccuracies in the representation of facts. However, no substantial changes were made at the request of the analysed company following any such provision.

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...53	↓	↓	↓	↓
54	15 February 2022	€20.80	Buy	€44.00
55	31 March 2022	€26.80	Buy	€44.00
56	19 May 2022	€25.10	Buy	€41.00
57	2 August 2022	€19.74	Buy	€37.00
58	1 September 2022	€21.75	Buy	€37.00
59	18 November 2022	€20.15	Buy	€35.00
60	17 February 2023	€21.90	Buy	€35.00
61	19 April 2023	€21.25	Buy	€36.00
62	Today	€21.90	Buy	€36.00

INVESTMENT HORIZON

Unless otherwise stated in the financial analysis, the ratings refer to an investment period of twelve months.

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At the time of publication of this financial analysis it is not certain whether, when and on what occasion an update will be provided. In general First Berlin strives to review the financial analysis for its topicality and, if required, to update it in a very timely manner in connection with the reporting obligations of the analysed company or on the occasion of ad hoc notifications.

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Legally required information regarding

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

can be accessed through the following internet link: <https://firstberlin.com/disclaimer-english-link/>

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