

SFC Energy AG

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

New mid-term
 guidance

RATING
PRICE TARGET **BUY**
 € 34.00
 Return Potential 61.1%
 Risk Rating High

2028 TARGET: €400M - €500M IN REVENUE

SFC has published mid-term guidance, which targets 2028 revenue of €400m - €500m. An organic 2022-2026 CAGR of almost 30% should result in revenue of ca. €400m, and the remaining €100m could come from M&A. SFC is aiming for an adjusted EBITDA margin of >15% before 2028 (2022: revenue of €85m, adjusted EBITDA margin of 9.6%). The main organic growth drivers are regional expansion, especially in Asia and North America, and a significant increase in sales of hydrogen fuel cells. SFC's mid-term guidance is roughly in line with our expectations. An updated DCF model yields an unchanged price target of €34. We confirm our Buy rating.

New hydrogen fuel cell products will drive growth In the future, SFC will market more powerful hydrogen fuel cells. The market launch of a modular hydrogen fuel cell solution with an output of up to 200 kW is planned for the end of 2024. Currently, SFC's largest direct methanol fuel cell has a capacity of 0.5 kW, and its largest hydrogen fuel cell of 2.5 kW.

Regional expansion is second growth driver In 2022, SFC's revenue in Asia was €6.7m (share in total revenue: 8%) and in North America €29.0m (share: 45%). The start of production at the Indian site (Indian order backlog: €33m) and the revival of the cooperation with Toyota Tsusho, which was more or less dormant during the pandemic, mark the beginning of a much stronger penetration of the Asian market. In recent years, SFC has built up a strong market position in Canada. In coming years, we expect SFC to gain a much higher share of the US market.

M&A activity is growth driver no. 3 SFC intends to acquire complementary technologies for hydrogen and fuel cells. System integrators in growth markets are also possible acquisition targets. M&A activity could add an aggregated €100m in sales by 2028.

(p.t.o.)

FINANCIAL HISTORY & PROJECTIONS

	2020	2021	2022	2023E	2024E	2025E
Revenue (€m)	53.22	64.32	85.23	116.00	150.76	195.99
Y-o-y growth	-9.1%	20.9%	32.5%	36.1%	30.0%	30.0%
EBIT (€m)	-4.50	-5.11	3.60	8.01	13.02	19.60
EBIT margin	-8.5%	-7.9%	4.2%	6.9%	8.6%	10.0%
Net income (€m)	-5.18	-5.83	2.02	5.97	9.56	14.24
EPS (diluted) (€)	-0.39	-0.40	0.13	0.34	0.55	0.82
DPS (€)	0.00	0.00	0.00	0.00	0.00	0.00
FCF (€m)	-4.87	-2.70	-9.96	-5.64	-3.32	-3.90
Net gearing	-37.7%	-34.8%	-50.8%	-42.9%	-36.8%	-29.8%
Liquid assets (€m)	31.75	24.62	64.80	58.13	54.89	50.90

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 01 Dec 2023

Closing Price	€ 21.10
Shares outstanding	17.36m
Market Capitalisation	€ 366.37m
52-week Range	€ 15.92 / 26.80
Avg. Volume (12 Months)	45,954

Multiples	2022	2023E	2024E
P/E	181.4	61.3	38.3
EV/Sales	3.7	2.7	2.1
EV/EBIT	87.8	39.4	24.3
Div. Yield	0.0%	0.0%	0.0%

STOCK OVERVIEW



COMPANY DATA

As of 30 Sep 2023

Liquid Assets	€ 56.80m
Current Assets	€ 120.72m
Intangible Assets	€ 19.72m
Total Assets	€ 157.69m
Current Liabilities	€ 31.12m
Shareholders' Equity	€ 110.39m

SHAREHOLDERS

DWS	4.9%
Acatis	4.7%
Hansainvest	2.5%
Conduit Ventures	2.1%
Free Float	85.9%



Adjusted EBITDA margin expansion to >15% SFC is targeting an adjusted EBITDA margin of over 15% before 2028. We believe that the main margin drivers will be operating leverage and the integration and further development of proprietary membrane technology. The own membrane production will increase the proportion of value-added and generate cost savings.

SFC is undisputed global market leader in direct methanol fuel cells With a worldwide market share of ca. 80-85% in direct methanol fuel cells, SFC is the undisputed leader in this segment, having sold more than 65.000 units.

SFC is the only profitable listed fuel cell company SFC's fuel cell peers (Ballard Power, Bloom Energy, Ceres Power, FuelCell Energy, Plug Power, Powercell Sweden) are all loss-making and, according to consensus forecasts (Bloomberg), will continue to lose money in coming years.

Very solid balance sheet At the end of September, SFC had an equity ratio of ca. 70% and a cash position of ca. €57m. The net cash position amounted to €42m. This provides SFC with sufficient leeway to finance organic and external growth.

Buy reiterated at unchanged price target An updated DCF model yields an unchanged price target of €34. 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	116,000	150,760	195,988	248,905	310,678	381,005	458,937	542,798
NOPLAT	5,949	9,485	14,331	18,349	23,967	29,677	35,854	42,479
+ depreciation & amortisation	5,523	6,259	6,939	7,406	7,692	8,304	9,193	10,309
Net operating cash flow	11,471	15,744	21,270	25,754	31,659	37,981	45,047	52,789
- total investments (CAPEX and WC)	-17,112	-19,061	-25,168	-27,323	-32,116	-36,964	-41,518	-45,439
Capital expenditures	-9,512	-8,744	-9,015	-8,463	-10,139	-11,915	-13,726	-15,494
Working capital	-7,600	-10,317	-16,152	-18,860	-21,977	-25,049	-27,792	-29,945
Free cash flows (FCF)	-5,640	-3,317	-3,898	-1,568	-457	1,017	3,529	7,349
PV of FCF's	-5,605	-3,050	-3,316	-1,235	-333	686	2,202	4,243

All figures in thousands		
PV of FCFs in explicit period (2023E-2037E)	98,336	
PV of FCFs in terminal period	455,808	
Enterprise value (EV)	554,144	
+ Net cash / - net debt (pro forma)	50,379	Terminal growth rate: 3.0%
+ Investments / minority interests	0	Terminal EBIT margin: 11.0%
Shareholder value	604,523	
Diluted number of shares	17,538	
Fair value per share in EUR	34.47	

WACC		Terminal growth rate							
		1.5%	2.0%	2.5%	3.0%	3.5%	4.0%	4.5%	
Cost of equity	11.1%	6.6%	43.51	46.39	49.97	54.56	60.65	69.13	81.71
Pre-tax cost of debt	5.0%	7.1%	38.10	40.24	42.86	46.12	50.29	55.83	63.53
Tax rate	30.0%	7.6%	33.66	35.29	37.24	39.61	42.57	46.36	51.39
After-tax cost of debt	3.5%	8.1%	29.97	31.22	32.70	34.47	36.63	39.31	42.76
Share of equity capital	60.0%	8.6%	26.87	27.84	28.98	30.32	31.92	33.88	36.32
Share of debt capital	40.0%	9.1%	24.23	25.00	25.88	26.91	28.12	29.58	31.35
Price target in EUR	34.00	9.6%	21.97	22.57	23.27	24.07	25.00	26.10	27.42

* 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	116,000	150,760	195,988
Cost of goods sold	35,307	41,682	53,823	72,258	94,169	123,472
Gross profit	17,915	22,638	31,406	43,742	56,591	72,516
S&M	12,122	15,051	14,187	16,356	20,051	25,086
G&A	7,125	10,292	10,293	14,268	16,885	19,991
R&D	2,843	3,257	4,441	5,916	6,633	7,840
Other operating income	157	904	2,521	2,668	1,508	1,960
Other operating expenses	483	48	1,407	1,856	1,508	1,960
Operating income (EBIT)	-4,501	-5,105	3,599	8,014	13,021	19,599
Net financial result	-443	-410	-609	23	76	-90
Non-operating expenses	0	0	0	0	0	0
Pre-tax income (EBT)	-4,945	-5,515	2,990	8,038	13,097	19,509
Income taxes	239	315	970	2,066	3,536	5,267
Minority interests	0	0	0	0	0	0
Net income / loss	-5,184	-5,829	2,020	5,972	9,561	14,241
Diluted EPS (in €)	-0.39	-0.40	0.13	0.34	0.55	0.82
Adjusted EBITDA (AEBITDA)	2,936	6,233	8,150	13,537	19,281	26,537
One-off costs / earnings (-/+)	-3,922	-7,030	443	0	0	0
EBITDA	-986	-797	8,593	13,537	19,281	26,537
Adjusted EBIT (AEBIT)	-579	1,925	3,156	8,014	13,021	19,599
Ratios						
Gross margin	33.7%	35.2%	36.8%	37.7%	37.5%	37.0%
EBITDA margin on revenues	-1.9%	-1.2%	10.1%	11.7%	12.8%	13.5%
Adjusted EBITDA margin on revenues	5.5%	9.7%	9.6%	11.7%	12.8%	13.5%
EBIT margin on revenues	-8.5%	-7.9%	4.2%	6.9%	8.6%	10.0%
Adjusted EBIT margin on revenues	-1.1%	3.0%	3.7%	6.9%	8.6%	10.0%
Net margin on revenues	-9.7%	-9.1%	2.4%	5.1%	6.3%	7.3%
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%	14.1%	13.3%	12.8%
G&A	13.4%	16.0%	12.1%	12.3%	11.2%	10.2%
R&D	5.3%	5.1%	5.2%	5.1%	4.4%	4.0%
Other operating expenses	0.9%	0.1%	1.7%	1.6%	1.0%	1.0%
Y-Y Growth						
Revenues	-9.1%	20.9%	32.5%	36.1%	30.0%	30.0%
Operating income	n.m.	n.m.	n.m.	122.7%	62.5%	50.5%
Net income/ loss	n.m.	n.m.	n.m.	195.6%	60.1%	49.0%



BALANCE SHEET

All figures in EUR '000	2020A	2021A	2022A	2023E	2024E	2025E
Assets						
Current assets, total	58,447	58,724	113,146	116,905	127,584	144,565
Cash and cash equivalents	31,750	24,623	64,803	58,131	54,890	50,902
Short-term investments	0	385	385	385	385	385
Receivables	13,031	17,851	19,376	27,014	35,108	45,641
Inventories	12,617	14,185	24,921	27,715	33,540	43,976
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	38,014	40,499	42,576
Property, plant & equipment	9,985	8,887	13,396	14,955	15,739	16,508
Goodwill & other intangibles	15,999	17,698	18,576	21,006	22,707	24,015
Other assets	1,898	2,056	2,053	2,053	2,053	2,053
Total assets	86,330	87,365	147,171	154,920	168,082	187,141
Shareholders' equity & debt						
Current liabilities, total	18,780	20,998	26,591	28,369	31,970	36,787
Short-term debt	4,340	2,735	4,055	3,000	3,000	3,000
Accounts payable	4,742	7,642	9,046	11,878	15,480	20,297
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	109,409	118,969	133,211
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	-75,469	-65,908	-51,667
Total consolidated equity and debt	86,330	87,365	147,171	154,920	168,082	187,141
Ratios						
Current ratio (x)	3.11	2.80	4.25	4.12	3.99	3.93
Quick ratio (x)	2.44	2.12	3.32	3.14	2.94	2.73
Net cash	20,653	17,382	52,581	46,964	43,723	39,735
Net gearing	-37.7%	-34.8%	-50.8%	-42.9%	-36.8%	-29.8%
Book value per share (€)	4.14	3.46	6.60	6.30	6.85	7.67
Equity ratio	63.5%	57.3%	70.3%	70.6%	70.8%	71.2%
Return on equity (ROE)	-9.5%	-11.7%	2.0%	5.5%	8.0%	10.7%
Return on investment (ROI)	-6.0%	-6.7%	1.4%	3.9%	5.7%	7.6%
Return on assets (ROA)	-5.5%	-6.2%	1.8%	4.3%	6.1%	8.0%
Return on capital employed (ROCE)	-11.2%	-11.6%	6.7%	11.8%	16.3%	20.6%
Days of sales outstanding (DSO)	89	101	83	85	85	85
Days of inventory turnover	130	124	169	140	130	130
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	8,014	13,021	19,599
Depreciation and amortisation	3,516	4,308	4,993	5,523	6,259	6,939
EBITDA	-986	-797	8,593	13,537	19,281	26,537
Changes in working capital	-4,300	-5,086	-13,135	-7,600	-10,317	-16,152
Other adjustments	4,691	6,961	-219	-2,066	-3,536	-5,267
Operating cash flow	-595	1,078	-4,761	3,872	5,427	5,118
Investments in PP&E	-943	-1,021	-2,146	-4,640	-4,523	-4,704
Investments in intangibles	-3,336	-2,762	-3,056	-4,872	-4,221	-4,312
Free cash flow	-4,874	-2,705	-9,963	-5,640	-3,317	-3,898
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	-9,512	-8,744	-9,015
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	23	76	-90
Financing cash flow	15,432	-4,046	50,176	-1,032	76	-90
Forex & other effects	0	0	-32	0	0	0
Net cash flows	10,558	-6,842	40,181	-6,672	-3,241	-3,988
Cash, start of the year	21,192	31,750	24,623	64,803	58,131	54,890
Cash, end of the year	31,464	24,908	64,803	58,131	54,890	50,902
EBITDA/share (in €)	-0.07	-0.06	0.55	0.78	1.11	1.53
Y-Y Growth						
Operating cash flow	n.m.	n.m.	n.m.	n.m.	40.2%	-5.7%
Free cash flow	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
EBITDA/share	n.m.	n.m.	n.m.	42.2%	42.4%	37.6%

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PRICE TARGET DATES

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

AGREEMENT WITH THE ANALYSED COMPANY AND MAINTENANCE OF OBJECTIVITY

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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.

RISK ASSESSMENT

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...56	↓	↓	↓	↓
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	25 May 2023	€21.90	Buy	€36.00
63	24 August 2023	€23.75	Buy	€36.00
64	16 November 2023	€19.86	Buy	€34.00
65	Today	€21.10	Buy	€34.00

INVESTMENT HORIZON

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

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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/>

SUPERVISORY AUTHORITY: Bundesanstalt für Finanzdienstleistungsaufsicht (German Federal Financial Supervisory Authority) [BaFin], Graurheindorferstraße 108, 53117 Bonn and Marie-Curie-Straße 24-28, 60439 Frankfurt am Main

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