

OTI Greentech AG

Germany / Cleantech
 Exchange: Duesseldorf
 Bloomberg: NSA GR
 ISIN: DE000A0HNE89

2015 figures

RATING	BUY
PRICE TARGET	€1.90
Return Potential	280.0%
Risk Rating	High

REPOSITIONING LARGELY COMPLETED – GROWTH PLANNED FOR 2016

On 12 May, OTI Greentech published 2015 figures which were below budget and our estimates due mainly to project delays and cancellations. Revenues amounted to €6.3m while EBITDA was reported at €-2.2m. In 2015, management repositioned and restructured the company. An international cleantech engineering and chemicals group with a focus on maritime and infrastructure business was formed by M&A transactions and joint ventures. For 2016, OTI is guiding towards at least a doubling of sales and EBITDA of €+1.0m. Based on slightly adjusted forecasts we reiterate our Buy rating at a marginally lower price target of €1.90 (previously: €2.00).

Guidance for 2016 suggests strong growth OTI is guiding towards at least a doubling of revenues and positive EBITDA of ca. €1m. The anticipated growth is based on large framework contracts by RADA and VTT, a strong start of the newly founded subsidiary VTT West Africa, and the expansion of the chemicals business in the US and Europe.

2015 weaker than expected Sales amounted to €6.3m (FBe: €8.7m annualised). As the group was formed in 2015, no meaningful 2014 figures exist for comparison. Revenues were below our forecast because of project delays and cancellations. The Norwegian subsidiary RADA, which focuses on engineering services, contributed €4.6m, the engineering subsidiary VTT Maritime €1.4m, and the subsidiary OTI Greentech International, a supplier of chemicals for cleaning, €0.3m to sales. 2015 figures only contain revenues since 1 April, the date of the takeover of the Swiss OTI Greentech Group AG by the German OTI Greentech AG. Annualised revenues amounted to € 8.7m. The main cost positions were personnel costs (€5.9m) and other operating expenses (€2.1m) which contributed to EBITDA of €-2.2m (FBe: €-2.2m). The main share of the personnel costs (€4.2m) was attributable to RADA, which acts as a personnel staffing firm. RADA's personnel costs are thus...

(p.t.o.)

FINANCIAL HISTORY & PROJECTIONS

	2013	2014	2015	2016E	2017E	2018E
Revenue (€m)	0.00	2.40	6.25	22.20	31.40	37.98
Y-o-y growth	n.a.	n.a.	160.4%	255.3%	41.4%	20.9%
EBIT (€m)	0.00	-1.40	-3.92	-0.87	2.11	5.30
EBIT margin	0.0	-58.3%	-62.8%	-3.9%	6.7%	14.0%
Net income (€m)	0.00	-1.40	-4.12	-1.28	1.25	3.93
EPS (diluted) (€)	0.00	-0.06	-0.18	-0.04	0.04	0.13
DPS (€)	0.00	0.00	0.00	0.00	0.00	0.00
FCF (€m)	0.00	-1.40	-2.12	-0.38	1.15	2.50
Net gearing	0.0	-0.3%	16.2%	15.4%	9.2%	-12.4%
Liquid assets (€m)	0.00	0.05	0.36	0.52	1.47	6.91

RISKS

Managing growth and further internationalisation, financing, market penetration of industrial and energy sector, oil price, competition of major chemical companies.

COMPANY PROFILE

OTI Greentech AG is an international cleantech company providing engineering services and environmentally friendly cleaning products for the maritime, industrial, and energy sectors.

MARKET DATA

As of 25 May 2016

Closing Price	€ 0.50
Shares outstanding	26.35m
Market Capitalisation	€ 13.18m
52-week Range	€ 0.45 / 2.00
Avg. Volume (12 Months)	4,955

Multiples	2015	2016E	2017E
P/E	n.a.	n.a.	10.9
EV/Sales	2.6	0.7	0.5
EV/EBIT	n.a.	n.a.	7.7
Div. Yield	0.0%	0.0%	0.0%

STOCK OVERVIEW



COMPANY DATA

As of 31 Dec 2016

Liquid Assets	€ 0.36m
Current Assets	€ 3.35m
Intangible Assets	€ 24.86m
Total Assets	€ 28.30m
Current Liabilities	€ 1.62m
Shareholders' Equity	€ 21.46m

SHAREHOLDERS

Visionaire Invest	16.1%
Green Gateway Fund	14.0%
Helvetica Eco Tech	12.0%
Other	31.0%
Free Float	26.9%



...effectively COGS, leaving €1.7m as group personnel costs. Due to the application of German GAAP (HGB), goodwill and patents were regularly amortised at €1.1m and €0.5m, respectively. Total D&A was €1.7m and resulted in EBIT of €-3.9m (FBE: €-2.2m). Interest expenses of €0.4m led to EBT and a net result of €-4.3m.

Balance sheet reflects M&A activity The asset side was dominated by intangibles (€24.9m), of which €20.7m is goodwill and €4.2m concessions and licences (patents, see our report from 18 September 2015). The goodwill is a result of the takeover of the Swiss OTI Greentech Group AG by the German OTI Greentech AG via a contribution in kind. The Swiss company contains the chemicals business & know-how and the majority of the Norwegian Visionaire Energy Group representing the major part of the group's value. The value of the Swiss company is based on an independent valuation report. Liquidity was at a low level (€0.4m).

The largest position of the equity & liabilities side was equity (€16.9m). Share capital amounted to €22.1m. The net loss of €4.3m and the offsetting of goodwill of €7.3m from the acquisition of the remaining 49% of Visionaire Energy AS affected equity. The equity share was 60%. Financial debt amounted to €3.2m, of which €2.9m are convertible bonds (coupon: 8.5%), which were placed in two tranches in May (€1.9m, due 31/12/2018, conversion price €1.65 per share) and November/December (€1.0m, due 23/05/2019, conversion price €1.20). The net debt position was €2.8m. Other liabilities (€5.8m) mainly contain a shareholder loan of the Swiss subsidiary (€2.3m), and a purchase price liability for the shares of Visionaire Energy (€1.1m). The sellers of the Visionaire Energy shares agreed to extend the payment period. The balance sheet total amounted to €28.3m.

Negative free cash flow Due mainly to the net loss of €-4.3m, the operating cash flow was negative at €-2.0m. The investing cash flow was positive at €0.4m due to cash inflows from the acquisition of consolidated companies. The free cash flow amounted to €-2.1m including CAPEX of €0.1m. The cash outflow was financed by convertible bonds (€2.9m). Cash outflows from the repayment of debt (€-0.5m) and interest payments of €0.4m resulted in a financial cash flow of €2.0m. The net cash flow was €0.3m.

Repositioning and restructuring of OTI largely completed in 2015 Based on the takeover of the Norwegian companies RADA and VTT and the Italian Uniservice UniSafe (to be completed in 2016) management formed an international cleantech engineering and chemicals group with the headquarters in Berlin, Germany, and branches in Norway, Switzerland, USA, Nigeria, and Italy. At the end of 2015, OTI had more than 90 employees. The OTI Group offers engineering services for infrastructure projects, marine engineering, operations, inspections and verifications. In addition, the group is a supplier of chemicals for the cleaning of chemical & oil tanks, oil sands, and for oil extraction. OTI aims at becoming a leading supplier of maritime engineering services and cleaning chemicals. The company will continue to invest in R&D to maintain its competitive edge in the chemicals business. In 2015, three employees and external service providers in the US and the UK were working on patent development. OTI's R&D expenses amounted to €0.4m and its patents had a book value of €4.1m at the end of 2015.

Using the share as acquisition currency In April, the German OTI Greentech AG acquired the Swiss OTI Greentech Group AG via a capital increase of €21.6m against a contribution in kind. In November 2015, OTI acquired 49% of Visionaire Energy, the owner of VTT and RADA, for 4.25m shares, and the remaining 44.9% of VTT for 704,000 shares, both at a share price of €1.50. In February 2016, OTI signed a contract to acquire the Italian Uniservice Unisafe Srl for €3.75m via a capital increase against contribution in kind (see our comment of 18 February 2016). The acquisition price per share was €1.50 resulting in 2.5m new OTI shares. In February, the number of shares amounted to 26,354,162. The capital increase for the remaining share of VTT will raise this number to 27,058,162. Once the capital increase for the acquisition of Uniservice Unisafe is registered, the number of shares

will climb to 29,558,162. We assume conversion of convertibles in 2018 and 2019 which would increase the number of shares by 1,984,848 to 31,543,010 by 2019.

Strong growth anticipated in 2016 OTI is expanding sales and marketing at VTT to improve the subsidiary's competitive position in tenders for large projects. It is also increasing the number of framework contracts at RADA (infrastructure) and VTT (inspections) to generate more recurring revenues. Furthermore, VTT focuses on the West African market, where demand for reliable engineering and maritime services is high and business generates high margins. We therefore forecast VTT and RADA to generate revenues of €9.7m and €8.3m, respectively. OTI Chemicals is expanding its ECOSOLUT sales in the maritime sector via the acquisition of UniService UniSafe and by establishing co-operations in the land-based sector both in the US and Europe. We thus assume a jump in revenues to €4.2m. Cross-selling of products and services between the different subsidiaries opens up further significant revenue potential. We stick to our 2016E revenue forecast of €22.2m.

The M&A and restructuring activities burdened the 2015 result with one-off costs. However, they should generate significant cost savings in 2016E. We thus continue to forecast positive EBITDA of €0.8m (2015: €-2.2m).

Listing on German Entry Standard will increase transparency Currently, the OTI stock is listed on the Düsseldorf Stock Exchange. Management plans to uplist onto the Entry Standard of the Frankfurt Stock Exchange in H2. This will increase the transparency level and open the door for institutional investors who see the Entry Standard as the minimum requirement for investments.

Estimates adjusted We stick to our NOK/EUR exchange rate assumption of 0.108 (subsidiaries VTT and RADA report in NOK). We have, however, adjusted our estimates to German GAAP (HGB) accounting, and the higher number of shares. Due to the application of German GAAP OTI has to amortise intangible assets regularly instead of executing an annual impairment test according to IFRS. We have thus considered D&A of €1.7m in our 2016E forecast lowering our EBIT estimate to €-0.9m (previously: €+0.8m). As we expect OTI to switch to IFRS in 2017E, we have not changed our forecasts for 2017E and the following years materially (see figure 2). This switch may reverse D&A of 2015 and 2016E under German GAAP, if business develops as planned. In this case, a positive – albeit non-cash – profit might occur.

Buy reiterated at slightly lower price target An updated DCF model yields a new price target of €1.90 (previously: €2.00). We reiterate our Buy rating.

Figure 1: Reported figures versus forecasts

All figures in €m	2015A	2015E	Delta
Sales	6.25	8.70 (pf)	-
EBITDA	-2.25	-2.24	-
margin	-	-	-
Net income	-4.31	-2.45	-

Source: First Berlin Equity Research, OTI Greentech AG

**Figure 2: Revisions to forecasts**

All figures in €m	2016E			2017E			2018E		
	Old	New	Delta	Old	New	Delta	Old	New	Delta
Sales	22.20	22.20	0.0%	31.40	31.40	0.0%	37.98	37.98	0.0%
EBIT	0.79	-0.87	-	2.20	2.11	-4.2%	5.40	5.30	-1.8%
<i>margin</i>	3.6%	-3.9%		7.0%	6.7%		14.2%	14.0%	
Net income	0.40	-1.25	-	1.42	1.25	-12.2%	3.77	3.68	-2.3%
<i>margin</i>	1.8%	-5.6%		4.5%	4.0%		9.9%	9.7%	
EPS (diluted)	0.01	-0.04	-	0.05	0.04	-19.5%	0.14	0.12	-15.1%

Source: First Berlin Equity Research



VALUATION MODEL

DCF valuation model								
All figures in EUR '000								
	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E
Net sales	22,200	31,400	37,975	46,057	57,286	68,743	79,055	86,960
NOPLAT	-869	1,853	4,563	6,200	8,863	10,548	12,113	13,288
+ depreciation & amortisation	1,658	89	97	108	123	144	170	200
Net operating cash flow	789	1,943	4,660	6,307	8,986	10,692	12,283	13,488
- total investments (CAPEX and WC)	-955	-583	-2,025	-1,132	-1,458	-1,297	-1,271	-1,130
Capital expenditures	-178	-126	-152	-184	-229	-275	-316	-348
Working capital	-677	-258	-1,623	-697	-979	-772	-704	-532
Other (minorities)	-100	-200	-250	-250	-250	-250	-250	-250
Free cash flows (FCF)	-165	1,359	2,635	5,176	7,528	9,395	11,012	12,357
PV of FCF's	-152	1,098	1,862	3,201	4,071	4,446	4,560	4,477

All figures in thousands	
PV of FCFs in explicit period (2016E-2030E)	45,209
PV of FCFs in terminal period	17,975
Enterprise value (EV)	63,184
+ Net cash / - net debt	-2,804
+ Investments / minority interests	-412
Shareholder value	59,968

Fair value per share in EUR	1.90
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WACC		Terminal growth rate						
		0.5%	1.0%	1.5%	2.0%	2.5%	3.0%	3.5%
10.3%	Cost of equity	3.08	3.15	3.22	3.31	3.40	3.51	3.64
11.3%	Pre-tax cost of debt	2.68	2.73	2.79	2.85	2.91	2.99	3.07
12.3%	Tax rate	2.36	2.40	2.44	2.48	2.53	2.58	2.64
13.3%	After-tax cost of debt	2.09	2.12	2.15	2.18	2.22	2.26	2.30
14.3%	Share of equity capital	1.87	1.89	1.91	1.94	1.96	1.99	2.02
15.3%	Share of debt capital	1.68	1.69	1.71	1.73	1.75	1.77	1.79
16.3%		1.51	1.53	1.54	1.55	1.57	1.58	1.60
17.3%		1.37	1.38	1.39	1.40	1.41	1.43	1.44

* for layout purposes the model shows numbers only to 2023, but runs until 2030



INCOME STATEMENT

All figures in EUR '000	2015A	2016E	2017E	2018E
Revenues	6,249	22,200	31,400	37,975
Cost of goods sold	604	6,660	24,806	27,603
Gross profit	5,645	15,540	6,594	10,372
Personnel costs*	5,889	13,409	2,638	2,848
Other operating income	79	44	63	76
Other operating expenses	2,081	1,386	1,821	2,203
EBITDA	-2,246	789	2,198	5,397
Depreciation and amortisation	1,676	1,658	89	97
Operating income (EBIT)	-3,922	-869	2,108	5,300
Net financial result	-400	-442	-407	-385
Pre-tax income (EBT)	-4,322	-1,311	1,701	4,915
Income taxes	-14	-131	255	737
Minority interests	189	-100	-200	-250
Net income / loss	-4,119	-1,280	1,246	3,928
Diluted EPS (in €)	-0.18	-0.04	0.04	0.13

Ratios

Gross margin	90.3%	70.0%	21.0%	27.3%
EBIT margin on revenues	-62.8%	-3.9%	6.7%	14.0%
EBITDA margin on revenues	-35.9%	3.6%	7.0%	14.2%
Net margin on revenues	-65.9%	-5.8%	4.0%	10.3%
Tax rate	0.3%	10.0%	15.0%	15.0%

Expenses as % of revenues

Personnel costs	94.2%	60.4%	8.4%	7.5%
Depreciation and amortisation	26.8%	7.5%	0.3%	0.3%
Other operating expenses	33.3%	6.2%	5.8%	5.8%

Y-Y Growth

Revenues	160.4%	255.3%	41.4%	20.9%
Operating income	n.m.	n.m.	n.m.	151.4%
Net income/ loss	n.m.	n.m.	n.m.	215.2%

*According to German GAAP applied in 2015 and 2016E, RADA's staffing activity is accounted for in personnel costs.

For 2017E we assume the application of IFRS which will account for it in costs of good sold.



BALANCE SHEET

All figures in EUR '000	2015A	2016E	2017E	2018E
Assets				
Current assets, total	3,349	5,568	9,138	16,771
Cash and cash equivalents	356	520	1,472	6,907
Short-term investments	0	0	0	0
Receivables	1,168	3,041	5,162	7,283
Inventories	0	182	680	756
Other current assets	1,825	1,825	1,825	1,825
Non-current assets, total	24,949	28,150	28,186	28,241
Property, plant & equipment	87	447	483	539
Goodwill & other intangibles	24,862	27,702	27,702	27,702
Other assets	0	0	0	0
Total assets	28,299	33,718	37,324	45,012
Shareholders' equity & debt				
Current liabilities, total	1,618	3,537	5,697	8,972
Short-term debt	260	800	600	3,300
Accounts payable	1,358	2,737	5,097	5,672
Current provisions	0	0	0	0
Other current liabilities	0	0	0	0
Long-term liabilities, total	9,782	9,782	9,782	6,882
Long-term debt	2,900	2,900	2,900	0
Deferred revenue	0	0	0	0
Other liabilities	6,882	6,882	6,882	6,882
Minority interests	-412	-312	-112	138
Shareholders' equity	17,310	20,711	21,957	29,020
Share capital	22,104	29,558	29,558	31,458
Capital reserve	0	3,727	3,727	4,962
Other reserves	6,800	300	300	300
Treasury stock	0	0	0	0
Loss carryforward / retained earnings	-11,594	-12,874	-11,628	-7,700
Total consolidated equity and debt	28,299	33,718	37,324	45,012
Ratios				
Current ratio (x)	2.07	1.57	1.60	1.87
Quick ratio (x)	2.07	1.52	1.48	1.78
Net debt	2,804	3,180	2,028	-3,607
Net gearing	16.2%	15.4%	9.2%	-12.4%
Book value per share (in €)	0.74	0.70	0.71	0.94
Return on equity (ROE)	-23.8%	-6.2%	5.7%	13.5%
Days of sales outstanding (DSO)	68.2	50.0	60.0	70.0
Days inventory outstanding	0.0	10.0	10.0	10.0
Days in payables (DIP)	820.3	150.0	75.0	75.0



CASH FLOW STATEMENT

All figures in EUR '000	2015A	2016E	2017E	2018E
EBIT	-3,943	-869	2,108	5,300
Depreciation and amortisation	1,676	1,658	89	97
EBITDA	-2,266	789	2,198	5,397
Changes in working capital	-60	-677	-258	-1,623
Other adjustments	277	-311	-662	-1,122
Operating cash flow	-2,049	-199	1,278	2,652
CAPEX	-68	-178	-126	-152
Investments in intangibles	0	0	0	0
Free cash flow	-2,117	-376	1,152	2,500
Acquisitions & Disposals, net	417	-11,181	0	0
Other Investments	15	0	0	0
Cash flow from investing	364	-11,359	-126	-152
Debt financing, net	2,398	540	-200	-200
Equity financing, net	0	11,181	0	3,135
Cash flow from financing	2,019	11,721	-200	2,935
Net cash flows	333	164	952	5,435
Cash, start of the year	23	356	520	1,472
Cash, end of the year	356	520	1,472	6,907
EBITDA/share (in €)	-0.10	0.03	0.07	0.17
Y-Y Growth				
Operating cash flow	n.m.	n.m.	n.m.	107.5%
Free cash flow	n.m.	n.m.	n.m.	116.9%
EBITDA/share	n.m.	n.m.	166.6%	145.6%

FIRST BERLIN RECOMMENDATION & PRICE TARGET HISTORY

Report No.:	Date of publication	Previous day closing price	Recommendation	Price target
Initial Report	18 September 2015	€0.90	Buy	€2.00
2...1	↓	↓	↓	↓
2	13 November 2015	€0.64	Buy	€2.00
3	1 December 2015	€0.55	Buy	€2.00
4	23 March 2016	€0.76	Buy	€2.00
5	Today	€0.50	Buy	€1.90

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

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

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BUY: An expected favourable price trend of more than 25% percent.

ADD: An expected favourable price trend of between 0% and 25%.

REDUCE: An expected negative price trend of between 0% and -15%.

SELL: An expected negative price trend of more than -15%.

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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: <http://firstberlin.com/disclaimer-english-link/>

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