

SFC Energy AG

BUY (BUY) | Target EUR 6.60 (EUR 6.25)

 Price (last closing price) : **EUR 5.18** | Upside : 27%

Est. change	2015e	2016e
EPS	+13%	+24%

Follow up order from VW strengthens SFC's positioning in fleet segment – agreement with Schneider Electric offers additional revenue growth

Monday, 13 April 2015



Follow up order from Volkswagen for toll inspection vehicle fleet

SFC Energy received a follow up order from Volkswagen Commercial Vehicles to equip the toll inspection vehicle fleet of the German Federal Office for Goods Transport (BAG) with a total of 306 EFOY Pro fuel cells. **We assume an ASP of EUR 3,900, corresponding to a total order volume of about EUR 1.2m.** Since 266 units were already shipped in 4Q14, we estimate that a maximum of EUR 0.2m in sales was booked in 1Q15. According to SFC Energy, Volkswagen Commercial Vehicles has been using its fuel cells in such toll inspection vehicles for five years now and is currently offering similar solutions based on SFC's fuel cells to other fleet operators. While the order volume from VW has not been very high, we assume that **SFC is well positioned to acquire further orders and to increase its sales exposure to the vehicle fleet market segment.**

Increased estimates due to sales and service agreement with Schneider Electric for western Canada

SFC Energy's Canadian subsidiary, Simark, will exclusively sell and service Schneider Electric's Telemetry & Remote SCADA Solutions (TRSS) products in western Canada, covering the provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Yukon and the Northwest Territories. **In 2015e, SFC expects incremental sales from its expanded partnership with Schneider in the mid-single-digit CADm range.** We also believe the additional business from this agreement will offset Simark's expected revenue decline resulting from the weak oil and gas sector in 2015e. We therefore lift our sales and earnings estimates for this year, assuming a gross margin of about 25% on the additional sales. **Regarding 2016e and following, SFC's management is confident that it can achieve incremental sales of CAD 10m,** based on the previous sales performance with these products. We prefer to stay on the cautious side for now, however, and increase our estimates for these years less substantially. Regardless of our incremental sales assumptions, **we expect significant EPS increases going forward as the one-off expenses from the acquisitions of PBF and Simark will fade in 2016e and 2017e:** Starting in 2016e, all else equal, personnel expense will decrease by a ~EUR 1.1m p.a. (a one-off effect resulting from the Simark acquisition's cash component) and annual order book amortisation expense will fall by ~EUR 0.1m p.a. In 2017e, we assume an additional ~EUR 0.7m decrease in amortisation expense from the Simark acquisition, which will decline further in 2018e.

Increased PT – BUY confirmed

Having updated our valuation (DCF) model, we arrive at a fair value per share of EUR 6.60 (previously: EUR 6.25), which we take as our new price target (EUR 6.25). At our PT, the stock would trade at an EV/EBITDA 2016E multiple of 18.8x. We confirm our **BUY** rating.

Martin Decot (Analyst)
 +49 (0)69 920 54-813
 Martin.Decot@oddoseydlers.com

Capital

F3C GY F3CG.DE	
Market Cap (EURm)	45
Enterprise value (EURm)	43
Extrema 12 months	6.65 - 4.20
Free Float (%)	56.9%

Performance (%)	1m	3m	12m
Absolute	9.7	10.7	12.8
Perf. rel. "sector"	3.3	-10.1	7.1
Perf. rel. CDAX	5.5	-10.6	-14.8

P & L	12/15e	12/16e	12/17e
Sales (EURm)	60.3	70.0	77.9
EBITDA (EURm)	0.9	2.8	3.8
EBIT (EURm)	-1.9	-0.1	1.9
Attr. net profit (EURm)	-2.5	-0.7	1.1
EPS (EUR)	-0.29	-0.09	0.13
Dividend (EUR)	0.00	0.00	0.00
P/E (x)	n.m.	n.m.	38.9
P/B (x)	1.8	1.8	1.7
Dividend Yield (%)	0.0	0.0	0.0
FCF yield (%)	-0.6	0.0	1.9
EV/Sales (x)	0.7	0.6	0.6
EV/EBITDA (x)	48.6	15.5	11.4
EV/EBIT (x)	n.m.	n.m.	22.5
Gearing (%)	n.m.	n.m.	n.m.
Net Debt/EBITDA(x)	n.m.	n.m.	n.m.

Next Events

1Q results	5 May 2015
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Profit and loss account

	IFRS	EURm	2011	2012	2013	2014	2015E	2016E	2017E
Sales			15.43	31.26	32.41	53.63	60.30	70.00	77.85
YoY growth			15.7%	102.6%	3.7%	65.5%	12.4%	16.1%	11.2%
Cost of sales			-10.06	-18.50	-21.77	-37.97	-41.33	-47.74	-53.02
as % of sales			-65.2%	-59.2%	-67.2%	-70.8%	-68.5%	-68.2%	-68.1%
Gross profit			5.37	12.76	10.64	15.66	18.97	22.26	24.84
as % of sales			34.8%	40.8%	32.8%	29.2%	31.5%	31.8%	31.9%
Research and development expenses			-2.54	-4.26	-6.15	-4.53	-4.56	-4.82	-5.02
as % of sales			-16.4%	-13.6%	-19.0%	-8.4%	-7.6%	-6.9%	-6.5%
Selling expenses			-4.90	-5.86	-8.23	-10.54	-11.39	-12.17	-12.30
as % of sales			-31.7%	-18.8%	-25.4%	-19.7%	-18.9%	-17.4%	-15.8%
General and administrative expenses			-2.68	-3.55	-3.86	-4.87	-4.98	-5.31	-5.61
as % of sales			-17.4%	-11.4%	-11.9%	-9.1%	-8.3%	-7.6%	-7.2%
Other operating income			0.20	0.75	1.04	0.17	0.22	0.22	0.28
as % of sales			1.3%	2.4%	3.2%	0.3%	0.4%	0.3%	0.4%
Other operating expenses			-2.07	-0.36	-1.71	-0.16	-0.17	-0.25	-0.26
as % of sales			-13.4%	-1.2%	-5.3%	-0.3%	-0.3%	-0.4%	-0.3%
Restructuring expenses			0.00	0.00	-0.57	0.00	0.00	0.00	0.00
as % of sales			0.0%	0.0%	-1.7%	0.0%	0.0%	0.0%	0.0%
EBIT			-6.61	-0.52	-8.84	-4.27	-1.90	-0.06	1.93
as % of sales			-42.9%	-1.7%	-27.3%	-8.0%	-3.2%	-0.1%	2.5%
Underlying EBIT			-4.08	-0.96	-4.22	-1.22	0.37	1.03	2.32
as % of sales			-26.5%	-3.1%	-13.0%	-2.3%	0.6%	1.5%	3.0%
Net financial result			0.39	0.08	-0.13	-0.30	-0.30	-0.30	-0.30
EBT (Earnings before income taxes)			-6.22	-0.44	-8.96	-4.57	-2.20	-0.36	1.63
as % of sales			-40.4%	-1.4%	-27.7%	-8.5%	-3.7%	-0.5%	2.1%
Income taxes			0.01	0.02	0.05	-0.26	-0.26	-0.38	-0.48
as % of EBT			-0.1%	-4.3%	-0.6%	5.7%	11.6%	107.4%	-29.7%
Group net income including minorities			-6.22	-0.43	-8.91	-4.83	-2.46	-0.74	1.15
as % of sales			-40.3%	-1.4%	-27.5%	-9.0%	-4.1%	-1.1%	1.5%
Minority interests			0.00	0.00	0.00	0.00	0.00	0.00	0.00
Net income attributable to shareholders			-6.22	-0.43	-8.91	-4.83	-2.46	-0.74	1.15
Shares outstanding (m)			7.16	7.50	7.68	8.07	8.61	8.61	8.61
Basic earnings per share (EUR)			-0.87	-0.06	-1.16	-0.60	-0.29	-0.09	0.13
Underlying EBITDA			-2.69	0.83	-2.20	0.38	2.08	2.80	3.79
as % of sales			-17.4%	2.7%	-6.8%	0.7%	3.4%	4.0%	4.9%
EBITDA			-4.64	0.73	-4.47	-1.18	0.89	2.80	3.79
as % of sales			-30.1%	2.3%	-13.8%	-2.2%	1.5%	4.0%	4.9%

Source: Company Data, Oddo Seydler Bank AG

Balance sheet

	IFRS	EURm	2011	2012	2013	2014	2015E	2016E	2017E
Assets									
Current assets			33.93	33.60	25.93	27.54	28.68	31.42	34.71
as % of total assets			68.5%	70.6%	54.4%	58.3%	61.7%	65.6%	68.8%
Inventories and prepayments			4.91	5.81	7.71	7.65	7.78	8.68	9.65
Trade accounts receivable			4.47	3.70	9.26	11.55	12.77	14.79	16.42
Other assets incl. tax and PoC receivables			1.82	1.18	1.54	1.93	2.19	2.33	2.50
Cash and cash equivalents			22.44	22.63	7.14	6.12	5.66	5.34	5.85
Cash and cash equival. with limitation on disposal			0.29	0.29	0.29	0.29	0.29	0.29	0.29
Noncurrent assets			15.61	14.02	21.72	19.71	17.77	16.45	15.76
as % of total assets			31.5%	29.4%	45.6%	41.7%	38.3%	34.4%	31.2%
Intangible assets excl. goodwill			4.89	4.86	7.26	5.73	4.06	2.41	1.82
Goodwill			6.14	6.14	11.80	12.08	12.08	12.08	12.08
Property, plant and equipment			2.75	2.40	2.30	1.60	1.32	1.18	1.04
Other non-current assets			0.05	0.00	0.00	0.00	0.00	0.00	0.00
Deferred taxes			1.77	0.62	0.37	0.30	0.30	0.78	0.82
Total assets			49.54	47.62	47.65	47.26	46.45	47.87	50.47
Shareholders' equity and liabilities									
Current liabilities			7.49	7.66	12.67	13.37	14.45	16.24	17.39
as % of total equity and liabilities			15.1%	16.1%	26.6%	28.3%	31.1%	33.9%	34.5%
Provisions			1.58	1.00	0.80	0.69	0.96	1.12	1.25
Advance payments received			0.20	0.01	0.01	0.00	0.01	0.05	0.05
Trade accounts payable			3.17	3.03	5.09	6.87	7.48	8.55	9.44
Financial debt			0.56	0.37	2.19	2.06	2.20	2.20	2.20
Other liabilities			1.98	3.24	4.58	3.75	3.80	4.33	4.46
Noncurrent liabilities			5.26	3.56	5.92	6.30	6.87	7.24	7.54
as % of total equity and liabilities			10.6%	7.5%	12.4%	13.3%	14.8%	15.1%	14.9%
Other noncurrent provisions			1.41	1.39	1.80	1.74	2.29	2.66	2.96
Financial debt			0.20	0.00	2.31	3.13	3.13	3.13	3.13
Other noncurrent liabilities			1.46	1.04	0.07	0.12	0.14	0.14	0.14
Deferred tax liabilities			2.19	1.13	1.73	1.31	1.31	1.31	1.31
Shareholders' equity			36.79	36.39	29.06	27.59	25.13	24.39	25.54
as % of total equity and liabilities			74.3%	76.4%	61.0%	58.4%	54.1%	51.0%	50.6%
Subscribed capital			7.50	7.50	8.02	8.61	8.61	8.61	8.61
Capital reserve			67.88	67.88	69.57	71.95	71.95	71.95	71.95
Other changes in equity not effecting profit or loss			-0.07	-0.04	-0.66	-0.29	-0.29	-0.29	-0.29
Accumulated loss brought forward			-32.31	-38.53	-38.95	-47.86	-52.69	-55.15	-55.88
Net result of the year			-6.22	-0.43	-8.91	-4.83	-2.46	-0.74	1.15
Total equity and liabilities			49.54	47.62	47.65	47.26	46.45	47.87	50.47

Source: Company Data, Oddo Seydler Bank AG

Cash flow statement

	IFRS	EURm	2011	2012	2013	2014	2015E	2016E	2017E
Income/loss before interest and taxes			-6.61	-0.52	-8.84	-4.27	-1.90	-0.06	1.93
Amortisation and impairments of intangible assets			1.46	0.59	3.60	2.10	2.07	2.13	1.09
Depreciation and impairments of PP&E			0.51	0.66	0.76	1.00	0.73	0.72	0.77
Other expenses / income with no effect on liquidity			0.25	0.45	-0.62	0.06	0.00	0.00	0.00
Increase/decrease in inventories, trade receivables, and other assets			-0.99	0.45	-1.05	-2.41	-1.60	-3.06	-2.78
Increase/decrease in trade accounts payable and other liabilities			1.10	-0.37	-1.14	0.40	1.52	2.16	1.45
Cash taxes paid			-0.03	-0.01	-0.03	-0.42	-0.25	-0.86	-0.52
Cash flow from operating activities			-4.32	1.26	-7.31	-3.55	0.55	1.04	1.94
Net cash outflows from the purchase and retirement of noncurrent assets			-1.13	-0.88	-0.67	-0.63	-0.85	-1.06	-1.13
Bank balances released/pledged			0.29	0.00	0.00	0.00	0.00	0.00	0.00
Interests received			0.43	0.22	0.08	0.01	0.03	0.03	0.03
Purchase of consolidated companies			-6.00	0.00	-6.00	0.00	0.00	0.00	0.00
Cash flow from investing activities			-6.42	-0.66	-6.59	-0.62	-0.82	-1.03	-1.10
Net cash inflow from capital stock increases deducting expenses			-0.05	0.00	0.00	2.98	0.00	0.00	0.00
Net cash flow from financial debt incl. leasing			-0.35	-0.39	-1.47	0.39	0.14	0.00	0.00
Interests paid			0.00	-0.03	-0.10	-0.23	-0.33	-0.33	-0.33
Cash flow from financing activities			-0.40	-0.42	-1.57	3.14	-0.19	-0.33	-0.33
Total change in cash and cash equivalents			-11.14	0.18	-15.47	-1.03	-0.46	-0.32	0.51
Currency effects on cash and cash equivalents			0.01	0.00	-0.01	0.01	0.00	0.00	0.00
Cash and cash equiv. at the start of the period			33.56	22.44	22.63	7.14	6.12	5.66	5.34
Cash and cash equiv. at the end of the period			22.44	22.63	7.14	6.12	5.66	5.34	5.85

Source: Company Data, Oddo Seydler Bank AG

Discounted Cash Flow Model

EURm	PHASE 1			PHASE 2							PHASE 3
	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E	2024E	∞
Sales	60.3	70.0	77.9	86.4	95.1	103.6	111.9	117.5	123.4	126.6	
Sales growth	12.4%	16.1%	11.2%	11.0%	10.0%	9.0%	7.5%	6.0%	5.0%	2.5%	
EBIT	-1.9	-0.1	1.9	3.5	4.1	5.9	7.3	8.8	9.3	9.5	
EBIT margin	-3.2%	-0.1%	2.5%	4.1%	4.3%	5.7%	6.5%	7.5%	7.5%	7.5%	
Cash taxes on EBIT	-0.3	-0.4	-0.3	-0.6	-0.7	-1.0	-1.9	-2.2	-2.3	-2.4	
Depreciation and amortisation	2.8	2.9	1.9	1.4	1.4	1.3	1.3	1.3	1.3	1.4	
- of which PPA amortisations	1.5	1.5	0.8	0.2	0.2	0.0	0.0	0.0	0.0	0.0	
Change in long-term provisions	0.6	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Other non-cash items	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Change in net working capital	-0.1	-0.9	-1.3	-0.9	-0.9	-0.9	-0.9	-0.6	-0.6	-0.3	
Net capital expenditure	-0.9	-1.1	-1.1	-1.3	-1.3	-1.2	-1.6	-1.6	-1.6	-1.4	
Purchase of consolidated companies	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Free cash flow	0.3	0.8	1.0	2.1	2.6	4.1	4.2	5.7	6.1	6.8	
Present values	0.2	0.7	0.8	1.5	1.6	2.4	2.2	2.7	2.6	2.7	38.2
Present value Phase 1	1.7										
Present value Phase 2	15.6										
Present value Phase 3	38.2										
Total present value	55.6										
+ Liquid funds	6.4										
- Financial debt	-5.2										
- Minority interest	0.0										
Fair value of equity	56.8										
Number of shares (m)	8.6										
Fair value per share (EUR)	6.60										

Risk free rate:	2.5%	Target equity ratio:	80.0%
Equity risk premium:	6.0%	Fundamental beta:	1.5
Debt risk premium:	2.0%	WACC:	9.7%
Tax shield:	25.0%	Terminal growth:	2.5%

Sensitivity analysis						
Terminal growth (Phase 3)						
		1.5%	2.0%	2.5%	3.0%	3.5%
	8.66%	7.14	7.53	7.99	8.53	9.17
	9.16%	6.54	6.86	7.24	7.67	8.19
WACC	9.66%	6.01	6.29	6.60	6.96	7.37
	10.16%	5.55	5.78	6.04	6.34	6.69
	10.66%	5.14	5.34	5.56	5.81	6.10

Source: Oddo Seydler Bank AG

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BUY: The expected performance of the share price is above +10%.

HOLD: The expected performance of the share price is between 0% and +10%.

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This rating system is only a guideline. Therefore, deviations from this system may apply.

Recommendation history over the last 12 months for the company analysed in this report:

Date	Recommendation	Price at change date	Price target
13 April 2015	BUY	EUR 5.18	EUR 6.60
27 March 2015	BUY	EUR 4.90	EUR 6.25
6 February 2015	BUY	EUR 5.14	EUR 6.50
22 December 2014	BUY	EUR 5.40	EUR 7.00
7 November 2014	BUY	EUR 5.149	EUR 7.50

5 August 2014	BUY	EUR 4.579	EUR 6.30
13 May 2014	BUY	EUR 5.101	EUR 5.70

The following valuation methods are used when valuing companies: Multiplier models (price/earnings, price/cash flow, price/book value, EV/Sales, EV/EBIT, EV/EBITA, EV/EBITDA), peer group comparisons, historical valuation approaches, discounting models (DCF, DDM), break-up value approaches or asset valuation approaches. The valuation models are dependent upon macroeconomic measures such as interest, currencies, raw materials and assumptions concerning the economy. In addition, market moods influence the valuation of companies.

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Graurheindorferstraße 108
53117 Bonn

and

Marie-Curie-Str. 24-28
60439 Frankfurt

Oddo Seydler Bank AG
Schillerstrasse 27 - 29
60313 Frankfurt am Main
www.oddoseydler.com
Tel.: 0049 - (0)69 - 920 54 800