

# SFC Energy AG

**BUY (BUY) | Target EUR 6.60 (EUR 6.60)**

 Price (last closing price) : **EUR 5.27** | Upside : 25%

Est. change	<b>2015e</b>	<b>2016e</b>
EPS	-	-

## 1Q: Positive FX impact offset by weak Security & Industry business

Tuesday, 05 May 2015



### Decline in revenue and earnings in 1Q15...

SFC Energy has reported a 1Q revenues decrease of 2.5% yoy and an adjusted EBITDA decline to EUR -580k as (1Q14: EUR -235k, see table on page 2 for detailed figures).

**Segments:** Despite the oil slump, the Company's **Oil & Gas** segment showed a revenue increase in euros which, however, was only attributable to the exchange rate shifts (CAD/EUR).

This positive impact was more than offset by a yoy revenue decline of 16.4% in **Security & Industry**. According to SFC Energy, Security & Industry suffered from order postponements related to customers' working capital management measures. Within this segment, SFC's Dutch subsidiary, PBF Group B.V., suffered a revenue decline of -15.4% yoy and the Defence business was down by 56%; only the Industry business at the level of SFC Energy AG showed moderate growth of 2.2%.

The **Consumer** segment showed a sales decline of 5.9% and a drop in the gross profit margin by 200bp. Increased sales in Scandinavia could not fully offset the downward trend in France and Southern Europe.

### ...does not affect the outlook for the full year

The company confirmed its guidance for 2015 (revenues of EUR 55m - 65m, yoy improvement of operating results). On a sector view, management expects a **better performance from Security & Industry for the rest of the year** since **1)** there have been increasing signs of a sustainable recovery in the defence sector (e.g. German decision to increase the Bundeswehr's budget for the first time in years; agreement of NATO members on a plan to increase their defence budgets significantly) and **2)** the repeat order from Volkswagen/BAG in 1Q15 has triggered additional inquiries from large fleet operators and might generate new business opportunities. In the **Oil & Gas** segment, as a result of its expanded cooperation with Schneider Electric (see our update report from 13 April 2015), SFC plans a significant expansion of its customer base in North America and further organic growth despite the challenging market environment. In the **Consumer** segment, the marketing of SFC's new mobile power outlet EFOY GO! is expected to create additional momentum in 3Q15.

### PT and BUY confirmed

In view of the excellent business prospects outlined above, we currently see no reason to change our sales and earnings estimates for 2015. We also leave our price target (EUR 6.60) unchanged. At our PT, the stock would trade at an EV/EBITDA 2016e multiple of 20.6x. We confirm our **BUY** rating.

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#### Capital

F3C GY   F3CG.DE	
Market Cap (EURm)	45
Enterprise value (EURm)	46
Extrema 12 months	6.65 - 4.20
Free Float (%)	56.9%

#### Performance (%)

	1m	3m	12m
Absolute	3.9	0.7	-0.9
Perf. rel. "sector"	3.0	-6.8	-1.8
Perf. rel. CDAX	6.7	-5.3	-18.9

#### 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	39.6
P/B (x)	1.8	1.9	1.8
Dividend Yield (%)	0.0	0.0	0.0
FCF yield (%)	-0.6	0.0	1.8
EV/Sales (x)	0.8	0.7	0.6
EV/EBITDA (x)	51.9	16.6	12.2
EV/EBIT (x)	n.m.	n.m.	24.0
Gearing (%)	n.m	n.m	n.m
Net Debt/EBITDA(x)	n.m	n.m	n.m

#### Next Events

AGM: 7 May 2015

### Quarterly key figures with YOY comparison

	IFRS	EURm	1Q 2015	1Q 2014	Change
<b>Total sales</b>			12.61	12.94	-2.5%
Oil & Gas			7.19	6.61	8.8%
as % of total sales			57.0%	51.1%	
Security & Industry			4.24	5.07	-16.4%
as % of total sales			33.6%	39.2%	
Consumer			1.18	1.25	-5.9%
as % of total sales			9.4%	9.7%	
<b>Sales by company</b>					
SFC Energy			2.71	3.14	-13.4%
PBF			2.70	3.19	-15.4%
Simark			7.19	6.61	8.9%
<b>Gross profit</b>			3.64	3.85	-5.3%
as % of sales			28.9%	29.7%	
Gross profit - Oil & Gas			1.79	1.62	10.3%
as % of segment sales			24.9%	24.5%	
Gross profit - Security & Industry			1.55	1.88	-17.5%
as % of segment sales			36.7%	37.1%	
Gross profit - Consumer			0.30	0.34	-12.8%
as % of segment sales			25.2%	27.2%	
<b>EBITDA</b>			-0.90	-0.51	n/m
as % of sales			-7.1%	-4.0%	
<b>Adjusted EBITDA</b>			-0.58	-0.24	n/m
as % of sales			-4.6%	-1.8%	
<b>EBIT</b>			-1.51	-1.20	n/m
as % of sales			-12.0%	-9.3%	
<b>Adjusted EBIT</b>			-0.91	-0.65	n/m
as % of sales			-7.2%	-5.0%	
<b>Net income after minorities</b>			-1.57	-1.32	n/m
as % of sales			-12.5%	-10.2%	
<b>EPS (EUR)</b>			-0.18	-0.17	n/m
<b>Cash flow from operating activities</b>			-1.81	-0.80	n/m
<b>Free cash flow</b> (incl. interest received)			-1.96	-1.87	n/m
<b>Order intake</b>			11.92	11.93	-0.1%
<b>Order backlog</b>			9.93	16.28	-39.0%

Source: Company Data, Oddo Seydler Bank AG

## Profit and loss account

	IFRS	EURm	2011	2012	2013	2014	2015E	2016E	2017E
<b>Sales</b>			<b>15.43</b>	<b>31.26</b>	<b>32.41</b>	<b>53.63</b>	<b>60.30</b>	<b>70.00</b>	<b>77.85</b>
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%
<b>Gross profit</b>			<b>5.37</b>	<b>12.76</b>	<b>10.64</b>	<b>15.66</b>	<b>18.97</b>	<b>22.26</b>	<b>24.84</b>
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%
<b>EBIT</b>			<b>-6.61</b>	<b>-0.52</b>	<b>-8.84</b>	<b>-4.27</b>	<b>-1.90</b>	<b>-0.06</b>	<b>1.93</b>
as % of sales			-42.9%	-1.7%	-27.3%	-8.0%	-3.2%	-0.1%	2.5%
<b>Underlying EBIT</b>			<b>-4.08</b>	<b>-0.96</b>	<b>-4.22</b>	<b>-1.22</b>	<b>0.37</b>	<b>1.03</b>	<b>2.32</b>
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
<b>EBT (Earnings before income taxes)</b>			<b>-6.22</b>	<b>-0.44</b>	<b>-8.96</b>	<b>-4.57</b>	<b>-2.20</b>	<b>-0.36</b>	<b>1.63</b>
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%
<b>Group net income including minorities</b>			<b>-6.22</b>	<b>-0.43</b>	<b>-8.91</b>	<b>-4.83</b>	<b>-2.46</b>	<b>-0.74</b>	<b>1.15</b>
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
<b>Net income attributable to shareholders</b>			<b>-6.22</b>	<b>-0.43</b>	<b>-8.91</b>	<b>-4.83</b>	<b>-2.46</b>	<b>-0.74</b>	<b>1.15</b>
Shares outstanding (m)			7.16	7.50	7.68	8.07	8.61	8.61	8.61
<b>Basic earnings per share (EUR)</b>			<b>-0.87</b>	<b>-0.06</b>	<b>-1.16</b>	<b>-0.60</b>	<b>-0.29</b>	<b>-0.09</b>	<b>0.13</b>
<b>Underlying EBITDA</b>			<b>-2.69</b>	<b>0.83</b>	<b>-2.20</b>	<b>0.38</b>	<b>2.08</b>	<b>2.80</b>	<b>3.79</b>
as % of sales			-17.4%	2.7%	-6.8%	0.7%	3.4%	4.0%	4.9%
<b>EBITDA</b>			<b>-4.64</b>	<b>0.73</b>	<b>-4.47</b>	<b>-1.18</b>	<b>0.89</b>	<b>2.80</b>	<b>3.79</b>
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
<b>Assets</b>									
<b>Current assets</b>			<b>33.93</b>	<b>33.60</b>	<b>25.93</b>	<b>27.54</b>	<b>28.68</b>	<b>31.42</b>	<b>34.71</b>
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
<b>Noncurrent assets</b>			<b>15.61</b>	<b>14.02</b>	<b>21.72</b>	<b>19.71</b>	<b>17.77</b>	<b>16.45</b>	<b>15.76</b>
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
<b>Total assets</b>			<b>49.54</b>	<b>47.62</b>	<b>47.65</b>	<b>47.26</b>	<b>46.45</b>	<b>47.87</b>	<b>50.47</b>
<b>Shareholders' equity and liabilities</b>									
<b>Current liabilities</b>			<b>7.49</b>	<b>7.66</b>	<b>12.67</b>	<b>13.37</b>	<b>14.45</b>	<b>16.24</b>	<b>17.39</b>
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
<b>Noncurrent liabilities</b>			<b>5.26</b>	<b>3.56</b>	<b>5.92</b>	<b>6.30</b>	<b>6.87</b>	<b>7.24</b>	<b>7.54</b>
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
<b>Shareholders' equity</b>			<b>36.79</b>	<b>36.39</b>	<b>29.06</b>	<b>27.59</b>	<b>25.13</b>	<b>24.39</b>	<b>25.54</b>
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
<b>Total equity and liabilities</b>			<b>49.54</b>	<b>47.62</b>	<b>47.65</b>	<b>47.26</b>	<b>46.45</b>	<b>47.87</b>	<b>50.47</b>

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
<b>Cash flow from operating activities</b>			<b>-4.32</b>	<b>1.26</b>	<b>-7.31</b>	<b>-3.55</b>	<b>0.55</b>	<b>1.04</b>	<b>1.94</b>
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
<b>Cash flow from investing activities</b>			<b>-6.42</b>	<b>-0.66</b>	<b>-6.59</b>	<b>-0.62</b>	<b>-0.82</b>	<b>-1.03</b>	<b>-1.10</b>
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
<b>Cash flow from financing activities</b>			<b>-0.40</b>	<b>-0.42</b>	<b>-1.57</b>	<b>3.14</b>	<b>-0.19</b>	<b>-0.33</b>	<b>-0.33</b>
<b>Total change in cash and cash equivalents</b>			<b>-11.14</b>	<b>0.18</b>	<b>-15.47</b>	<b>-1.03</b>	<b>-0.46</b>	<b>-0.32</b>	<b>0.51</b>
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
<b>Cash and cash equiv. at the end of the period</b>			<b>22.44</b>	<b>22.63</b>	<b>7.14</b>	<b>6.12</b>	<b>5.66</b>	<b>5.34</b>	<b>5.85</b>

Source: Company Data, Oddo Seydler Bank AG

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Oddo Seydler uses a 3-level absolute share rating system. The ratings pertain to a time horizon of up to 12 months:

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

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

SELL: The expected performance of the share price is below 0%.

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
5 May 2015	BUY	EUR 5.27	EUR 6.60
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.

The figures taken from the income statement, the cash flow statement and the balance sheet upon which the evaluation of companies is based are estimates referring to given dates and therefore subject to risks. These may change at any time without prior notice.

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