

SFC Energy AG

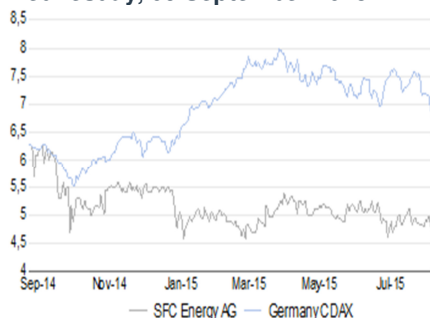
BUY (BUY) | Target EUR 7.00 (EUR 6.60)

 Price (last closing price) : **EUR 4.90** | Upside : 43%

Est. change	2015e	2016e
EPS	-	n.m.

Cooperation with Toyota Tsusho opens doors for SFC in Japan

Wednesday, 09 September 2015



Toyota Tsusho to become SFC's official representative in Japan

SFC Energy announced that it signed an agreement with Toyota Tsusho who will become SFC's official representative in Japan. Toyota Tsusho (21.7% owned by Toyota Motor Corporation and 11.2% by Toyota Industries) is the sole trading arm in the group's new business development. We regard Japan as an attractive market for environmentally friendly off-grid power solutions, as more and more seismic equipment, sensors, measuring and surveillance devices, and other technical instruments are used far away from the grid. The agreement with Toyota Tsusho is an important step for SFC's further growth in Japan. Furthermore, apart from the concrete additional business potential resulting from this collaboration, SFC's reputation will also substantially benefit from its new Japanese partner, and thus attract further customers. Toyota's decision to team up with SFC was taken following extensive inquiries for a reliable partner coming from within the fuel cell market.

Increased earnings estimates drive our PT

Although Toyota Tsusho has already shipped the first order of EFOY Pro fuel cells for sale in Japan, we do not expect the new agreement to have a material impact on 2015 revenue. Hence, we leave our 2015 estimates unchanged. For 2016e-17e, however, we expect an incremental sales potential of € 5-10m per year, but conservatively raise our estimates by just €5m p.a. equating to increases of 7.1% in 2016e and 6.4% in 2017e. We accordingly raise our EBIT estimates by € 0.35 for 2016e and € 0.44m for 2017e. Our DCF based PT consequently increases to € 7.00, suggesting a current upside of 43%.

Latest cooperation improves SFC's strategic position

Two agreements with strategic partners prior to this cooperation with Toyota Tsusho, have already improved SFC's strategic position. i) The cooperation between SFC's Canadian subsidiary Simark Controls and Schneider Electric will provide substantial cross-selling opportunities for the EFOY series and should broaden SFC's customer base in North America. ii) Based on Simark Controls' sales agreement with Gentherm Global Power Technologies (GPT), GPT will sell the EFOY Pro series into the US market. In a second step, GPT will expand sales of EFOY Pro to its international customers, especially in Asia and South America.

Buy recommendation confirmed

Against the backdrop of the positive newsflow and our increased PT, we confirm our Buy recommendation for SFC. The company should benefit from a notable improvement of its earnings dynamics in H2 (especially Q4), which should come as a trigger for SFC's share price.

Stephan Wulf (Analyst)
 +49 (0)69 920 54-830
 Stephan.Wulf@oddoseydl.com

Capital

3CG.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	75.0	82.9
EBITDA (EURm)	0.9	3.1	4.2
EBIT (EURm)	-1.9	0.3	2.4
Attr. net profit (EURm)	-2.5	-0.4	1.6
EPS (EUR)	-0.29	-0.05	0.18
Dividend (EUR)	0.00	0.00	0.00
P/E (x)	n.m.	n.m.	28.6
P/B (x)	1.8	1.8	1.7
Dividend Yield (%)	0.0	0.0	0.0
FCF yield (%)	-0.6	-0.2	3.0
EV/Sales (x)	0.8	0.6	0.6
EV/EBITDA (x)	51.9	14.8	10.9
EV/EBIT (x)	n.m.	162.5	19.6
Gearing (%)	n.m.	0	n.m.
Net Debt/EBITDA (x)	n.m.	0.0	n.m.

Next Events

Q3 reporting:	10. Nov 15
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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	75.00	82.85
YoY growth			15.7%	102.6%	3.7%	65.5%	12.4%	24.4%	10.5%
Cost of sales			-10.06	-18.50	-22.49	-37.97	-41.33	-51.15	-56.42
as % of sales			-65.2%	-59.2%	-69.4%	-70.8%	-68.5%	-68.2%	-68.1%
Gross profit			5.37	12.76	9.92	15.66	18.97	23.85	26.43
as % of sales			34.8%	40.8%	30.6%	29.2%	31.5%	31.8%	31.9%
Research and development expenses			-2.54	-4.26	-5.43	-4.53	-4.56	-4.88	-5.03
as % of sales			-16.4%	-13.6%	-16.8%	-8.4%	-7.6%	-6.5%	-6.1%
Selling expenses			-4.90	-5.86	-8.23	-10.54	-11.39	-13.04	-13.09
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	-5.63	-5.97
as % of sales			-17.4%	-11.4%	-11.9%	-9.1%	-8.3%	-7.5%	-7.2%
Other operating income			0.20	0.75	1.04	0.17	0.22	0.24	0.30
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	-0.26	-0.27
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	0.29	2.37
as % of sales			-42.9%	-1.7%	-27.3%	-8.0%	-3.2%	0.4%	2.9%
Underlying EBIT			-4.08	-0.96	-4.22	-1.22	0.37	1.37	2.76
as % of sales			-26.5%	-3.1%	-13.0%	-2.3%	0.6%	1.8%	3.3%
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	-0.01	2.07
as % of sales			-40.4%	-1.4%	-27.7%	-8.5%	-3.7%	0.0%	2.5%
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%	2550.0%	-23.4%
Group net income including minorities			-6.22	-0.43	-8.91	-4.83	-2.46	-0.40	1.59
as % of sales			-40.3%	-1.4%	-27.5%	-9.0%	-4.1%	-0.5%	1.9%
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	-0.40	1.59
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	-0.05	0.18
Underlying EBITDA			-2.69	0.83	-2.20	0.38	2.08	3.14	4.23
as % of sales			-17.4%	2.7%	-6.8%	0.7%	3.4%	4.2%	5.1%
EBITDA			-4.64	0.73	-4.47	-1.18	0.89	3.14	4.23
as % of sales			-30.1%	2.3%	-13.8%	-2.2%	1.5%	4.2%	5.1%

Source: Company Data, Oddo Seydler Bank AG

Balance Sheets

	IFRS	EURm	2011	2012	2013	2014	2015E	2016E	2017E
Assets									
Current assets			33.93	33.60	25.93	27.54	28.68	33.04	36.86
as % of total assets			68.5%	70.6%	54.4%	58.3%	61.7%	66.9%	70.3%
Inventories and prepayments			4.91	5.81	7.71	7.65	7.78	9.30	10.27
Trade accounts receivable			4.47	3.70	9.26	11.55	12.77	15.84	17.48
Other assets incl. tax and PoC receivables			1.82	1.18	1.54	1.93	2.19	2.39	2.56
Cash and cash equivalents			22.44	22.63	7.14	6.12	5.66	5.22	6.27
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	16.36	15.55
as % of total assets			31.5%	29.4%	45.6%	41.7%	38.3%	33.1%	29.7%
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	0.69	0.61
Total assets			49.54	47.62	47.65	47.26	46.45	49.40	52.41
Shareholders' equity and liabilities									
Current liabilities			7.49	7.66	12.67	13.37	14.45	17.23	18.36
as % of total equity and liabilities			15.1%	16.1%	26.6%	28.3%	31.1%	34.9%	35.0%
Provisions			1.58	1.00	0.80	0.69	0.96	1.20	1.33
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	9.16	10.04
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	4.63	4.74
Noncurrent liabilities			5.26	3.56	5.92	6.30	6.87	7.43	7.73
as % of total equity and liabilities			10.6%	7.5%	12.4%	13.3%	14.8%	15.0%	14.7%
Other noncurrent provisions			1.41	1.39	1.80	1.74	2.29	2.85	3.15
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	24.73	26.32
as % of total equity and liabilities			74.3%	76.4%	61.0%	58.4%	54.1%	50.1%	50.2%
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	-55.54
Net result of the year			-6.22	-0.43	-8.91	-4.83	-2.46	-0.40	1.59
Total equity and liabilities			49.54	47.62	47.65	47.26	46.45	49.40	52.41

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	0.29	2.37
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	-4.79	-2.78
Increase/decrease in trade accounts payable and other liabilities			1.10	-0.37	-1.14	0.40	1.52	3.34	1.43
Cash taxes paid			-0.03	-0.01	-0.03	-0.42	-0.25	-0.77	-0.40
Cash flow from operating activities			-4.32	1.26	-7.31	-3.55	0.55	0.92	2.47
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	-0.44	1.04
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	5.22
Cash and cash equiv. at the end of the period			22.44	22.63	7.14	6.12	5.66	5.22	6.27

Source: Company Data, Oddo Seydler Bank AG

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

Date	Recommendation	Price at change date	Price target
09 September 2015	BUY	EUR 4.90	EUR 7.00
26 August 2015	BUY	EUR 4.42	EUR 6.60
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

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Responsible Supervisory Authority:

Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin, Federal Financial Supervisory Authority)
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