

Recommendation:

BUY (BUY)

Risk:

HIGH (HIGH)

Price Target:

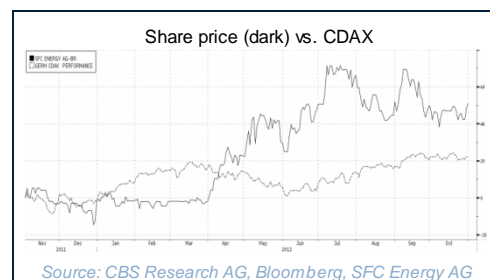
EUR 7.50 (7.50)

31 October 2012

Management now expects positive EBITDA in FY 2012, not only in 2H 2012

FY 2012 sales guidance increased by EUR 1m – we expect breakeven on EBIT level in 4Q due to Bundeswehr order

- 3Q 2012** was overall in line with our expectations. **Consumer segment** sales showed the usual seasonality but still increased 2.0% YOY, after 1H sales had declined by almost 20%. We expect still weakening demand from France and Italy next year while it is too early to assess the development in Germany.
- In the **Industry segment**, SFC's fuel cell business (excluding PBF) grew by 40.9% to EUR 1.4m (PY: 1.0m). Together with PBF's Industry business (consolidated as of 1 December 2011), sales in this segment grew by the factor 4.6 and reached EUR 4.5m in 3Q, and this despite the usual vacation shutdowns of PBF's customers in 3Q. We expect further strong growth in this segment in 2013E which should compensate for presumably lower sales in the Defense segment, after an extraordinarily strong year 2012 in the Defense segment.
- In the **Defense segment**, sales and earnings **will be boosted in 4Q 2012 by the execution of major order placed by Deutsche Bundeswehr** for so-called ELENA energy networks (sales volume: approx. EUR 5m). This order had entailed significant front-loaded costs in 9M 2012. Even though the **Group's gross margin** was somewhat diluted by the PBF acquisition, we expect it to grow from 34.8% in FY 2011 to slightly **more than 41%** in FY 2012.
- SFC's management **increased the sales guidance for FY 2012 from EUR 30m to EUR 31m** and now expects a **positive EBITDA figure** not only in 2H 2012 (previous guidance) but also **in the full year 2012**. We had anticipated positive EBITDA already in our previous estimates. Apart from an increase in our FY 2012 sales estimate by EUR 1m, we leave all our estimates unchanged for the time being.
- We leave our price target for SFC Energy unchanged at EUR 7.50. **BUY**.



Change	2012E		2013E		2014E	
	new	old	new	old	new	old
Sales	31.0	30.0	-	33.8	-	38.5
EBITDA	-	0.4	-	2.0	-	3.4
EPS	-	-0.11	-	-0.01	-	0.17

Internet: www.sfc.com Sector: Alternative energy
WKN: 756857 ISIN: DE0007568578
Reuters: F3CG.DE Bloomberg: F3C GY

Short company profile:

SFC Energy AG is a market leader for off grid and stationary power generation and distribution. The Company has established fully commercialized fuel cells in the Consumer, Industry, and Defense & Security sectors and furthermore develops, produces and globally distributes higher level power management components. The products increasingly are delivered as customised power supply system solutions.

Share data:

Share price (EUR, latest closing price):	6.163
Shares outstanding (m):	7.5
Market capitalisation (EUR m):	46.2
Enterprise value (EUR m):	26.9
Ø daily trading volume (6 m., no. of shares):	5,846

Performance data:

High 52 weeks (EUR):	7.20
Low 52 weeks (EUR):	3.49
Absolute performance (12 months):	49.6%
Relative performance vs. CDAX:	
1 month	-0.6%
3 months	-15.5%
6 months	14.8%
12 months	25.7%

Shareholders:

HPE	25.70%
Conduit Ventures	10.15%
Havensight	10.22%
Previous owners of PBF (lock-up agreement)	4.66%
Management and Supervisory Board	2.14%
DWS	4.92%
Other free float	42.21%

Financial calendar:

DVFA Analysts' Conference: 13 November 2012

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Y/E 31 Dec, EUR m	2009	2010	2011	2012E	2013E	2014E
Sales revenues	11.7	13.3	15.4	31.0	33.8	38.5
Gross profit	3.2	4.0	5.4	12.7	14.1	16.4
EBITDA	-3.6	-3.5	-4.6	0.4	2.0	3.4
EBITA	-4.0	-3.9	-5.2	0.1	1.7	3.0
EBIT	-4.5	-4.5	-6.6	-0.9	0.0	1.5
Net income/loss	-3.8	-4.1	-6.2	-0.8	-0.1	1.2
EPS	-0.53	-0.58	-0.87	-0.11	-0.01	0.17
CPS	-0.51	-0.65	-0.60	-0.21	0.14	0.24
EBITDA margin	-30.6%	-26.2%	-30.1%	1.2%	5.8%	8.7%
EBIT margin	-38.6%	-33.8%	-42.9%	-2.8%	0.1%	3.8%
EV/Sales	2.3	2.0	1.7	0.9	0.8	0.7
EV/EBITDA	neg.	neg.	neg.	72.0	13.7	8.0

Source: SFC Energy AG; CBS Research AG

Quarterly figures with YOY comparison

	IFRS	EURm	3Q 2012	3Q 2011	9M 2012	9M 2011
Total sales			6.21	2.73	21.17	10.50
YOY growth			127.5%	19.3%	101.6%	18.5%
Industry			4.52	0.99	14.18	2.87
as % of total sales			72.9%	36.2%	67.0%	27.3%
Defense & Security			1.01	1.08	3.35	3.28
as % of total sales			16.2%	39.5%	15.8%	31.2%
Consumer			0.68	0.66	3.64	4.36
as % of total sales			10.9%	24.3%	17.2%	41.5%
Gross profit			2.41	1.08	8.56	3.52
as % of sales			38.9%	39.7%	40.4%	33.5%
Gross profit - Industry			1.70	0.41	5.44	1.19
as % of segment sales			37.5%	41.2%	38.3%	41.5%
Gross profit - Defense & Security			0.49	0.47	1.77	1.28
as % of segment sales			48.2%	43.3%	52.9%	39.2%
Gross profit - Consumer			0.23	0.21	1.35	1.05
as % of segment sales			34.4%	31.7%	37.1%	24.1%
EBITDA			-0.64	-1.45	-0.16	-3.03
as % of sales			-10.3%	-53.2%	-0.8%	-28.8%
EBITDA - Industry			0.01	-0.71	0.50	-1.32
as % of segment sales			0.3%	-72.2%	3.5%	-46.0%
EBITDA - Defense & Security			-0.36	-0.19	-0.49	-0.69
as % of segment sales			-35.3%	-17.2%	-14.6%	-21.0%
EBITDA - Consumer			-0.30	-0.55	-0.17	-1.02
as % of segment sales			-44.1%	-83.4%	-4.6%	-23.4%
Adjusted EBITDA			-0.61	-1.45	-0.10	-2.50
as % of sales			-9.8%	-53.2%	-0.5%	-23.8%
EBIT			-1.11	-1.81	-0.95	-4.01
as % of sales			-17.9%	-66.4%	-4.5%	-38.2%
Adjusted EBIT			-1.08	-1.28	-1.42	-3.48
as % of sales			-17.4%	-46.9%	-6.7%	-33.2%
Net income after minorities			-1.11	-1.71	-0.92	-3.72
as % of sales			-17.9%	-62.7%	-4.3%	-35.5%
Basic earnings per share (EUR)			-0.15	-0.24	-0.12	-0.52
Cash flow from operating activities			-0.04	-0.14	-2.22	-4.75
Free cash flow (incl. interest received)			-0.21	-0.22	-2.64	-5.39

Source: SFC Energy AG, CBS Research AG

Profit and loss account

	IFRS	EURm	2009	2010	2011	2012E	2013E	2014E
Sales			11.69	13.33	15.43	31.00	33.78	38.54
YoY growth			-19.7%	14.1%	15.7%	101.0%	9.0%	14.1%
Cost of sales			-8.49	-9.29	-10.06	-18.28	-19.65	-22.10
as % of sales			-72.7%	-69.7%	-65.2%	-59.0%	-58.2%	-57.4%
Gross profit			3.19	4.04	5.37	12.72	14.13	16.43
as % of sales			27.3%	30.3%	34.8%	41.0%	41.8%	42.6%
Research and development expenses			-1.51	-1.89	-2.54	-4.25	-4.15	-4.24
as % of sales			-12.9%	-14.2%	-16.4%	-13.7%	-12.3%	-11.0%
Selling expenses			-4.45	-4.75	-4.90	-5.86	-5.84	-6.36
as % of sales			-38.0%	-35.6%	-31.7%	-18.9%	-17.3%	-16.5%
General and administrative expenses			-2.13	-2.05	-2.68	-3.89	-3.90	-4.16
as % of sales			-18.2%	-15.4%	-17.4%	-12.6%	-11.6%	-10.8%
Other operating income			0.42	0.23	0.20	1.05	0.52	0.59
as % of sales			3.6%	1.7%	1.3%	3.4%	1.5%	1.5%
Other operating expenses			-0.04	-0.09	-1.60	-0.64	-0.71	-0.81
as % of sales			-0.3%	-0.6%	-10.4%	-2.1%	-2.1%	-2.1%
EBIT before restructuring expenses			-4.51	-4.51	-6.14	-0.86	0.04	1.46
as % of sales			-38.6%	-33.8%	-39.8%	-2.8%	0.1%	3.8%
Restructuring expenses			0.0	0.0	-0.47	0.0	0.0	0.0
as % of sales			0.0%	0.0%	-3.1%	0.0%	0.0%	0.0%
EBIT			-4.51	-4.51	-6.61	-0.86	0.04	1.46
as % of sales			-38.6%	-33.8%	-42.9%	-2.8%	0.1%	3.8%
Net financial result			0.72	0.39	0.39	0.13	0.20	0.20
EBT (Earnings before income taxes)			-3.78	-4.12	-6.22	-0.73	0.24	1.66
as % of sales			-32.4%	-30.9%	-40.4%	-2.4%	0.7%	4.3%
Income taxes			0.00	0.00	0.01	-0.10	-0.30	-0.41
as % of EBT			0.0%	0.0%	-0.1%	14.1%	-123.3%	-24.8%
Income from continuing operations			-3.78	-4.12	-6.22	-0.83	-0.06	1.25
Income from discontinued operations, net of taxes			0.00	0.00	0.00	0.00	0.00	0.00
Group net income including minorities			-3.78	-4.12	-6.22	-0.83	-0.06	1.25
as % of sales			-32.4%	-30.9%	-40.3%	-2.7%	-0.2%	3.2%
Minority interests			0.00	0.00	0.00	0.00	0.00	0.00
Net income attributable to shareholders			-3.78	-4.12	-6.22	-0.83	-0.06	1.25
Shares outstanding (m)			7.15	7.15	7.16	7.50	7.50	7.50
Basic earnings per share (EUR)			-0.53	-0.58	-0.87	-0.11	-0.01	0.17
EBITDA			-3.58	-3.49	-4.64	0.37	1.97	3.37
EBITA			-4.02	-3.89	-5.15	0.15	1.67	2.97

Source: CBS Research AG, SFC Energy AG

Balance sheet

	IFRS	EURm	2009	2010	2011	2012E	2013E	2014E
Assets								
Current assets			45.60	40.17	33.47	35.45	36.95	40.10
as % of total assets			90.4%	86.7%	68.6%	70.1%	72.2%	74.9%
Inventories and prepayments			1.33	1.94	4.91	5.55	5.88	6.63
Trade accounts receivable			2.20	2.71	4.47	7.64	8.33	10.03
Other assets incl. tax and PoC receivables			1.48	1.39	1.36	1.80	2.69	3.14
Cash and cash equivalents			40.54	33.56	22.44	20.35	19.96	20.20
Cash and cash equival. with limitation on disposal			0.05	0.57	0.29	0.10	0.10	0.10
Noncurrent assets			4.85	6.15	15.31	15.13	14.21	13.42
as % of total assets			9.6%	13.3%	31.4%	29.9%	27.8%	25.1%
Intangible assets excl. goodwill			2.41	2.95	4.89	4.42	3.33	2.37
Goodwill			0.00	0.00	6.02	6.02	6.02	6.02
Property, plant and equipment			1.68	2.34	2.75	2.97	3.12	3.28
Other non-current assets			0.06	0.07	0.05	0.13	0.14	0.16
Deferred taxes			0.69	0.80	1.59	1.59	1.59	1.59
Total assets			50.44	46.31	48.78	50.58	51.17	53.52
Shareholders' equity and liabilities								
Current liabilities			3.44	3.18	6.78	9.32	9.75	10.66
as % of total equity and liabilities			6.8%	6.9%	13.9%	18.4%	19.1%	19.9%
Provisions			0.57	0.55	0.87	1.77	1.89	2.08
Advance payments received			0.02	0.00	0.20	0.25	0.25	0.25
Trade accounts payable			1.96	1.38	3.17	3.51	3.64	4.04
Liabilities from finance leases			0.00	0.00	0.56	0.70	0.73	0.76
Other liabilities			0.90	1.24	1.98	3.09	3.24	3.52
Noncurrent liabilities			1.14	1.41	5.22	5.31	5.52	5.72
as % of total equity and liabilities			2.3%	3.1%	10.7%	10.5%	10.8%	10.7%
Other noncurrent provisions			0.26	0.50	1.41	1.47	1.53	1.59
Other noncurrent liabilities			0.18	0.12	1.46	1.50	1.64	1.78
Deferred tax liabilities			0.69	0.80	2.15	2.15	2.15	2.15
Shareholders' equity			45.86	41.72	36.79	35.95	35.90	37.14
as % of total equity and liabilities			90.9%	90.1%	75.4%	71.1%	70.2%	69.4%
Subscribed capital			7.15	7.15	7.50	7.50	7.50	7.50
Capital reserve			66.88	66.88	67.88	67.88	67.88	67.88
Other changes in equity not effecting profit or loss			0.01	0.00	-0.07	-0.07	-0.07	-0.07
Accumulated loss brought forward			-24.40	-28.18	-32.31	-38.53	-39.36	-39.42
Net result of the year			-3.78	-4.12	-6.22	-0.83	-0.06	1.25
Total equity and liabilities			50.44	46.31	48.78	50.58	51.17	53.52

Source: CBS Research AG, SFC Energy AG

Cash flow statement

	IFRS	EURm	2009	2010	2011	2012E	2013E	2014E
Income/loss before interest and taxes			-4.51	-4.51	-6.61	-0.86	0.04	1.46
Depreciation of PP&E			0.49	0.62	1.46	1.01	1.63	1.51
Amortisation of intangible assets incl. assets from PPA			0.44	0.40	0.51	0.23	0.30	0.40
Other expenses / income with no effect on liquidity			-0.12	-0.11	0.25	-0.53	-0.26	-0.30
Increase/decrease in inventories, trade receivables, and other assets			-0.07	-1.01	-0.99	-3.80	-1.65	-2.63
Increase/decrease in trade accounts payable and other liabilities			-0.41	-0.13	1.10	2.49	1.29	1.76
Cash taxes paid			0.51	0.11	-0.03	-0.10	-0.30	-0.41
Cash flow from operating activities			-3.68	-4.64	-4.32	-1.57	1.05	1.79
Net cash outflows from the purchase and retirement of noncurrent assets			-2.05	-2.22	-1.13	-0.98	-1.00	-1.10
Bank balances released/pledged			0.00	-0.52	0.29	0.19	0.00	0.00
Interests received			0.82	0.39	0.43	0.30	0.30	0.30
Purchase of consolidated companies			0.00	0.00	-6.00	0.00	-0.68	-0.68
Cash flow from investing activities			-1.23	-2.35	-6.42	-0.50	-1.38	-1.48
Net cash inflow from capital stock increases deducting expenses			0.00	0.00	-0.05	0.00	0.00	0.00
Net cash flow from financial debt incl. leasing			-0.12	0.00	-0.35	0.14	0.03	0.03
Interests paid			0.00	0.00	0.00	-0.17	-0.10	-0.10
Cash flow from financing activities			-0.12	0.00	-0.40	-0.03	-0.07	-0.07
Total change in cash and cash equivalents			-5.02	-6.98	-11.14	-2.09	-0.39	0.24
Currency effects on cash and cash equivalents			0.00	0.00	0.01	0.00	0.00	0.00
Cash and cash equiv. at the start of the period			45.57	40.54	33.56	22.44	20.35	19.96
Cash and cash equiv. at the end of the period			40.54	33.56	22.44	20.35	19.96	20.20

Source: CBS Research AG, SFC Energy AG

Research



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Recommendation System:

Close Brothers Seydler Research AG 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%.

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

Date	Recommendation	Price at change date	Price Target
02 November 2011	BUY	EUR 4.10	EUR 5.50
26 January 2012	BUY	EUR 4.00	EUR 5.50
30 March 2012	BUY	EUR 3.95	EUR 5.50
11 April 2012	BUY	EUR 4.74	EUR 5.50
4 May 2012	HOLD	EUR 5.55	EUR 6.00
1 August 2012	BUY	EUR 6.78	EUR 7.50
31 October 2012	BUY	EUR 6.163	EUR 7.50

Risk-scaling System:

Close Brothers Seydler Research AG uses a 3-level risk-scaling system. The ratings pertain to a time horizon of up to 12 months:

LOW: The volatility is expected to be lower than the volatility of the benchmark

MEDIUM: The volatility is expected to be equal to the volatility of the benchmark

HIGH: The volatility is expected to be higher than the volatility of the benchmark

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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.

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