SFC Energy

(CDAX, Industrial Goods & Services)

WARBURG RESEARCH

Buy	
EUR 6.20	(EUR 5.80)
Price	EUR 5.17
Upside	**19.9 %**

Value Indicators:	EUR
DCF:	6.20
FCF-Value Potential 16e:	3.50

Share data:	
Bloomberg:	F3C GR
Reuters:	F3CG
ISIN:	DE0007568578

Description:

Solutions for off-grid and stationary power generation + distribution

Market Snapshot:	EUR m
Market cap:	41.5
No. of shares (m):	8.0
EV:	41.9
Freefloat MC:	21.9
Ø Trad. Vol. (30d; EUR):	43.16 th

Shareholders:	
Freefloat	52.9 %
HPE	24.1 %
Havensight	9.6 %
Conduit Ventures	9.5 %
DWS (in freefloat)	*6.8 %*

Risk Profile (WRe):	2014e
Beta:	1.5
Price / Book:	1.7 x
Equity Ratio:	57 %

Q3 weaker but strong Q4 ahead

Stated Figures Q3/2014:

FY End: 31.12. in EUR m	**Q3 14**	Q3 14e	Q3 13	yoy	**9M 14**	9M 14e	9M 13	yoy
Sales	**11.2**	12.2	7.0	59 %	**37.3**	38.4	20.6	81 %
EBITDA adj.	**-0.7**	-0.3	-1.2	n.a.	**-1.2**	-0.8	-1.9	n.a.
EBIT adj.	**-1.1**	-0.3	-1.7	n.a.	**-2.5**	-1.6	-3.3	n.a.
EBIT	**-1.7**	-1.3	-1.9	n.a.	**-4.2**	-3.7	-3.6	n.a.

Comment on Figures:

- Q3 sales lower than expected due to weakness in leisure markets and almost no systems deliveries in defence applications
- Weaker earnings figures a result of lower top line
- Q3 yoy growth driven by consolidation of Simark
- Q3 typically weakest quarter in a fiscal year due to seasonal effects

SFC has released **Q3 results which were somewhat below the estimates**. One reason for this was a **weak development in the leisure business**: a weak demand was, in particular, registered in France. SFC's management pointed out that unit sales should bottom out in 2014 and that the introduction of new products should support a somewhat better development in 2015 and beyond. Other reasons were **weaker sales contributions by PBF and no systems sales in the defence segment**. In contrast, **sales of Simark to the Canadian oil + gas industry continued their strong development in 2014**. The guidance was reiterated, but SFC is now expected to reach the lower end.

Strong Q4 ahead: in contrast to the slower development in Q3, a clear uptake can be expected in the current Q4. This will be driven by a recovery in sales contributions by PBF (new customer gains) and stronger deliveries of fuel cells for industrial applications. Additionally, management reassured that defence projects (both JDAs and system deliveries) will lead to significant Q4 revenues (WRe EUR 1.9m in Q4 after c. EUR 1.1m in nine months). In total, Q4 revenues should be on a level of just above EUR 17m, which would be a 55% sequential or 47% yoy growth rate. This should enable SFC to reach a positive quarterly EBIT figure (even unadjusted) and to achieve the full-year guidance of a slightly positive underlying EBITDA (excl. acquisition-related items such as PPA amortisations and P&L effective transaction price effects).

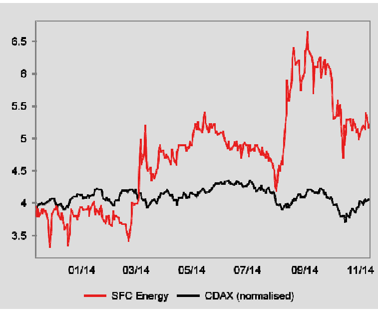
The **expectation of strong growth in 2015 (WRe +20%) remains unchanged**. This should be once again driven by Simark coupled with higher sales of PBF (after sales suffered from a customer loss early this year) and stronger fuel cell unit sales for industrial/security applications. This should enable SFC to reach the break even at adj. EBIT level for the first time in its history. The **PT is being raised to EUR 6.20** despite lowered 2015 earnings estimates owing to a model update with the introduction of 2016 estimates. A peer group (including Heliocentris, Intelligent Energy amongst others) is being valued closer to 1x sales based on 2016, which would yield additional upside. Rating remains **Buy**.

Changes in Estimates:

FY End: 31.12. in EUR m	2014e (old)	+ / -	2015e (old)	+ / -	2016e (old)	+ / -
Sales	57.0	-4.1 %	66.0	-0.1 %	n.a.	n.m.
EBIT adj.	-0.8	n.m.	1.9	n.m.	n.a.	n.m.
EBIT	-3.1	n.m.	-0.6	n.m.	n.a.	n.m.

Comment on Changes:

- SFC is now expected to reach the low end of 2014's guidance
- Lower 2015 earnings estimates reflect a changed product mix (higher share of lower margin contributions by Simark) and higher costs related to the strong growth (R&D, selling)
- Revenue growth should result in rising earnings margins



Rel. Performance vs CDAX:	
1 month:	-13.2 %
6 months:	2.9 %
Year to date:	33.3 %
Trailing 12 months:	27.7 %

Company events:	
13.11.14	Q3

FY End: 31.12. in EUR m	CAGR (13-16e)	**2010**	**2011**	**2012**	**2013**	**2014e**	**2015e**	**2016e**
Sales	31.3 %	13.3	15.4	31.3	32.4	54.7	66.0	73.3
Change Sales yoy		14.1 %	15.7 %	102.6 %	3.7 %	68.6 %	20.8 %	11.0 %
Gross profit margin		*30.3 %*	*34.8 %*	*40.8 %*	*32.8 %*	*30.9 %*	*31.0 %*	*32.0 %*
EBITDA	-	-3.5	-4.6	0.7	-4.5	-1.1	0.4	2.1
Margin		*-26.2 %*	*-30.1 %*	*2.3 %*	*-13.8 %*	*-2.0 %*	*0.6 %*	*2.9 %*
EBIT	-	-4.5	-6.6	-0.5	-8.8	-3.9	-2.4	-0.6
EBIT adj.		-4.5	-4.1	-1.0	-4.2	-1.6	0.0	1.9
Margin	-	*-33.8 %*	*-26.8 %*	*-3.2 %*	*-12.9 %*	*-3.0 %*	*-0.1 %*	*2.5 %*
Net income	-	-4.1	-6.2	-0.4	-8.9	-4.4	-2.9	-1.2
EPS	-	-0.58	-0.87	-0.06	-1.16	-0.54	-0.37	-0.16
EPS adj.	-	-0.58	-0.52	-0.12	-0.56	-0.26	-0.07	0.16
FCFPS		-0.91	-0.82	0.08	-1.07	-0.17	-0.29	-0.07
EV / Sales		0.4 x	0.7 x	0.6 x	1.1 x	0.8 x	0.7 x	0.6 x
EV / EBITDA		n.a.	n.a.	25.1 x	n.a.	n.a.	110.6 x	21.8 x
EV / EBIT adj.		n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	24.8 x
P / E		n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
P / E adj.		n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	32.3 x
FCF Yield Potential		-74.5 %	-52.9 %	0.3 %	-1.4 %	0.4 %	3.6 %	7.2 %
Net Debt		-34.1	-22.0	-22.5	-2.9	0.5	3.9	4.5
ROE		-9.4 %	-15.9 %	-1.2 %	-27.2 %	-16.2 %	-12.6 %	-5.8 %
ROCE (NOPAT)		-70.2 %	-59.1 %	-3.5 %	-43.9 %	-15.9 %	-10.3 %	-3.3 %
Guidance:	2014: Revenues EUR 55 - 60m, positive underlying EBITDA							

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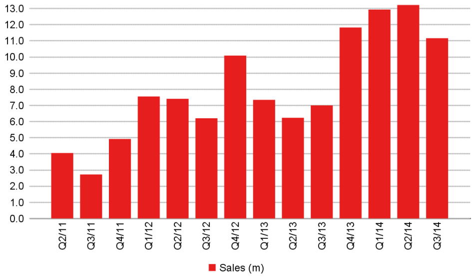
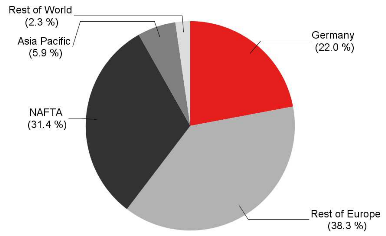
Sales development
in EUR m



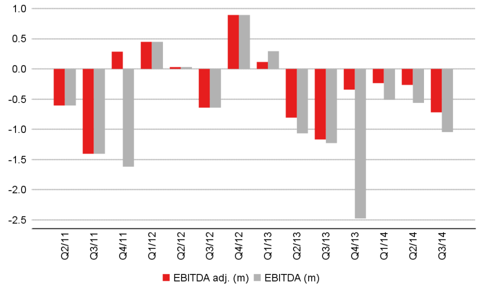
Source: Warburg Research

Sales by regions
2013; in %



Source: Warburg Research

EBITDA development
in EUR m



Source: Warburg Research

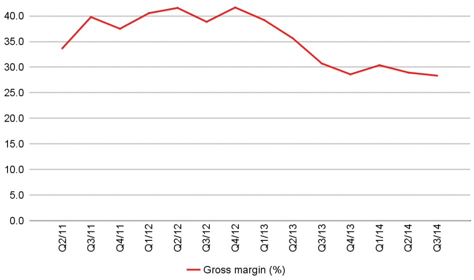
Company Background

- SFC was the first company to develop fuel cells to market maturity. It has sold more than 22,000 fuel cells so far.
- The company's products (direct methanol fuel cells) address the leisure, industry and defence markets.
- While the leisure and industry segments focus on the sale of commercial products, the defence segment mainly generates sales from development collaborations, prototypes and the first small series.
- The acquisition of PBF added customised high-tech power solutions for industrial applications to the product portfolio
- The acquisition of Simark (Canada) allows for a forward integration towards a system supplier and strengthens the activities in the attractive oil + gas industry

Competitive Quality

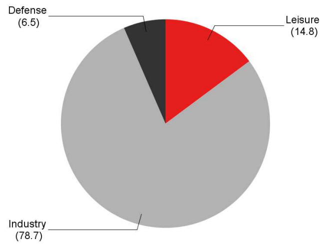
- SFC focuses on the DMFC fuel cell technology, which is superior to the other fuel cell technologies (esp. to hydrogen) in mobile applications with low to medium performance standards.
- SFC’s products thus mainly compete with established technologies. The products are not sold on price but rather on the specific advantages offered by the fuel cell technology in the relevant fields of application.
- The leisure and industry markets focus on an energy supply independent of the grid and the weather conditions. The fuel cells in the defence segment allow for weight reduction of ca. 80%
- The major barriers to market entry are the technological lead, secured by a large patent portfolio, and the established sales structures (leisure market).
- A solid balance sheet with a large cash position enables SFC to scale the fuel cell technology and to address new applications

Gross margin development
in % of sales



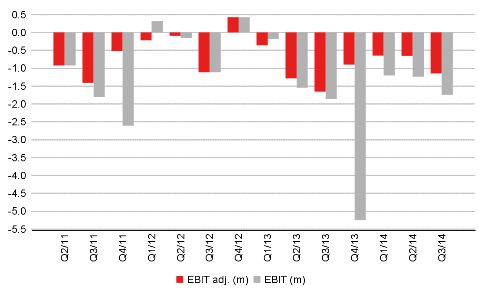
Source: Warburg Research

Sales by segments
2013; in %



Source: Warburg Research

EBIT development
in EUR m



Source: Warburg Research

DCF model

Figures in EUR m	Detailed forecast period 2014e	2015e	2016e	Transitional period 2017e	2018e	2019e	2020e	2021e	2022e	2023e	2024e	2025e	2026e	Term. Value
Sales	54.7	66.0	73.3	78.8	84.7	91.1	97.0	102.8	107.9	112.2	115.6	119.1	121.5	
Sales change	*68.6 %*	*20.8 %*	*11.0 %*	*7.5 %*	*7.5 %*	*7.5 %*	*6.5 %*	*6.0 %*	*5.0 %*	*4.0 %*	*3.0 %*	*3.0 %*	*2.0 %*	*2.0 %*
EBIT	-3.9	-2.4	-0.6	1.6	3.4	5.5	7.8	9.3	9.7	10.1	10.4	10.7	10.9	
EBIT-margin	*-7.2 %*	*-3.7 %*	*-0.9 %*	*2.0 %*	*4.0 %*	*6.0 %*	*8.0 %*	*9.0 %*	*9.0 %*	*9.0 %*	*9.0 %*	*9.0 %*	*9.0 %*	
Tax rate (EBT)	*-13.1 %*	*-24.2 %*	*-103.5 %*	*27.8 %*	*20.5 %*	*17.9 %*	*16.6 %*	*16.2 %*	*16.3 %*	*16.3 %*	*16.3 %*	*16.4 %*	*16.4 %*	
NOPAT	-4.5	-3.0	-1.3	1.1	2.7	4.5	6.5	7.7	8.1	8.5	8.7	9.0	9.1	
Depreciation	2.9	2.9	2.8	3.2	3.4	3.6	3.9	4.1	4.3	4.5	4.6	4.8	4.9	
in % of Sales	*5.2 %*	*4.3 %*	*3.8 %*	*4.0 %*	*4.0 %*	*4.0 %*	*4.0 %*	*4.0 %*	*4.0 %*	*4.0 %*	*4.0 %*	*4.0 %*	*4.0 %*	
Changes in provisions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Change in Liquidity from														
- Working Capital	0.0	2.2	1.5	1.2	1.2	1.3	1.2	1.2	1.0	0.9	0.7	0.7	0.5	
- Capex	1.0	1.1	1.1	3.2	3.4	3.6	3.9	4.1	4.3	4.5	4.6	4.8	4.9	
Capex in % of Sales	*1.8 %*	*1.7 %*	*1.5 %*	*4.0 %*	*4.0 %*	*4.0 %*	*4.0 %*	*4.0 %*	*4.0 %*	*4.0 %*	*4.0 %*	*4.0 %*	*4.0 %*	
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Free Cash Flow (WACC Model)	-2.6	-3.5	-1.2	0.0	1.5	3.2	5.3	6.6	7.1	7.6	8.0	8.3	8.7	7
PV of FCF	-2.7	-3.3	-1.0	0.0	1.1	2.0	3.0	3.4	3.4	3.3	3.1	2.9	2.8	28
share of PVs	-14.94 %			53.84 %										61.10 %

Model parameter

Derivation of WACC:		Derivation of Beta:	
Debt ratio	10.00 %	Financial Strength	1.30
Cost of debt (after tax)	4.4 %	Liquidity (share)	1.75
Market return	8.00 %	Cyclicality	1.40
Risk free rate	2.50 %	Transparency	1.50
		Others	1.70
WACC	**10.26 %**	**Beta**	**1.53**

Valuation (m)

Present values 2026e	18		
Terminal Value	28		
Financial liabilities	5		
Pension liabilities	0		
Hybrid capital	0		
Minority interest	0		
Market val. of investments	1		
Liquidity	6	No. of shares (m)	8.0
Equity Value	**50**	**Value per share (EUR)**	**6.22**

Sensitivity Value per Share (EUR)

Beta	WACC	Terminal Growth 1.25 %	1.50 %	1.75 %	**2.00 %**	2.25 %	2.50 %	2.75 %
1.73	11.3 %	5.09	5.16	5.23	5.31	5.39	5.47	5.56
1.63	10.8 %	5.49	5.57	5.65	5.74	5.83	5.93	6.03
1.58	10.5 %	5.70	5.79	5.88	5.97	6.07	6.18	6.30
1.53	10.3 %	5.93	6.02	6.12	**6.22**	6.33	6.45	6.58
1.48	10.0 %	6.16	6.27	6.37	6.49	6.61	6.74	6.87
1.43	9.8 %	6.42	6.53	6.64	6.77	6.90	7.04	7.20
1.33	9.3 %	6.98	7.11	7.25	7.40	7.56	7.73	7.91

Beta	WACC	Delta EBIT-margin -1.5 pp	-1.0 pp	-0.5 pp	**+0.0 pp**	+0.5 pp	+1.0 pp	+1.5 pp
1.73	11.3 %	3.56	4.15	4.73	5.31	5.89	6.47	7.05
1.63	10.8 %	3.91	4.52	5.13	5.74	6.35	6.95	7.56
1.58	10.5 %	4.10	4.72	5.35	5.97	6.60	7.22	7.84
1.53	10.3 %	4.30	4.94	5.58	**6.22**	6.86	7.50	8.14
1.48	10.0 %	4.52	5.17	5.83	6.49	7.14	7.80	8.45
1.43	9.8 %	4.75	5.42	6.10	6.77	7.44	8.12	8.79
1.33	9.3 %	5.26	5.97	6.68	7.40	8.11	8.82	9.53

- Disproportionate growth in industrial applications should result in c. 10% growth rates in the next three years
- The additional revenues and better cost coverage should result in an improving earnings quality
- High tax loss carry-forwards reduce the cash-effective tax rate significantly in the coming years
- EBIT margin displays reported margin until 2015 including transaction-related costs

Free Cash Flow Value Potential

Warburg Research's valuation tool "FCF Value Potential" reflects the ability of the company to generate sustainable free cash flows. It is based on the "FCF potential" - a FCF "ex growth" figure - which assumes unchanged working capital and pure maintenance capex. A value indication is derived by discounting the “FCF potential” of a given year with the weighted costs of capital. The fluctuating value indications over time add a timing element to the DCF model (our preferred valuation tool).

in EUR m	2010	2011	2012	2013	2014e	2015e	2016e
Net Income before minorities	-4.1	-6.2	-0.4	-8.9	-4.4	-2.9	-1.2
+ Depreciation + Amortisation	1.0	2.0	1.3	4.4	2.9	2.9	2.8
- Net Interest Income	0.4	0.4	0.1	-0.1	-0.3	-0.3	-0.3
- Maintenance Capex	0.7	0.7	0.7	0.7	0.9	1.0	1.0
+ Other	0.0	0.0	0.0	4.6	2.3	2.4	2.5
= Free Cash Flow Potential	**-4.2**	**-5.4**	**0.0**	**-0.5**	**0.2**	**1.6**	**3.3**
Free Cash Flow Yield Potential	-74.5 %	-52.9 %	0.3 %	-1.4 %	0.4 %	3.6 %	7.2 %
WACC	10.26 %	10.26 %	10.26 %	10.26 %	10.26 %	10.26 %	10.26 %
= Enterprise Value (EV)	**5.6**	**10.1**	**18.3**	**34.5**	**41.9**	**45.3**	**45.9**
= Fair Enterprise Value	**n.a.**	**n.a.**	**0.5**	**n.a.**	**1.5**	**15.7**	**32.2**
- Net Debt (Cash)	-2.9	-2.9	-2.9	-2.9	0.5	3.9	4.5
- Pension Liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0
- Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0
- Market value of minorities	0.0	0.0	0.0	0.0	0.0	0.0	0.0
+ Market value of investments	0.0	0.0	0.0	0.0	0.0	0.0	0.0
= Fair Market Capitalisation	**n.a.**	**n.a.**	**3.4**	**n.a.**	**1.0**	**11.8**	**27.7**
No. of shares (total) (m)	8.0	8.0	8.0	8.0	8.0	8.0	8.0
= Fair value per share (EUR)	**n.a.**	**n.a.**	**0.42**	**n.a.**	**0.13**	**1.47**	**3.46**
premium (-) / discount (+) in %					-97.5 %	-71.5 %	-33.1 %

Sensitivity Fair value per Share (EUR)

	13.26 %	n.a.	n.a.	0.41	n.a.	0.09	1.03	2.55
	12.26 %	n.a.	n.a.	0.41	n.a.	0.10	1.16	2.80
	11.26 %	n.a.	n.a.	0.42	n.a.	0.11	1.30	3.10
WACC	**10.26 %**	**n.a.**	**n.a.**	**0.42**	**n.a.**	**0.13**	**1.47**	**3.46**
	9.26 %	n.a.	n.a.	0.43	n.a.	0.15	1.69	3.89
	8.26 %	n.a.	n.a.	0.44	n.a.	0.17	1.95	4.43
	7.26 %	n.a.	n.a.	0.45	n.a.	0.21	2.28	5.12

- A rising earnings generation is reflected in an increasing value indication
- D&A above maintenace capex owing to R&D- and PPA-amortisation

Valuation

	2010	2011	2012	2013	2014e	2015e	2016e
Price / Book	1.0 x	0.9 x	1.1 x	1.3 x	1.7 x	1.9 x	2.0 x
Book value per share ex intangibles	5.42	3.62	3.38	1.30	0.91	0.74	0.84
EV / Sales	0.4 x	0.7 x	0.6 x	1.1 x	0.8 x	0.7 x	0.6 x
EV / EBITDA	n.a.	n.a.	25.1 x	n.a.	n.a.	110.6 x	21.8 x
EV / EBIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
EV / EBIT adj.*	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	24.8 x
P / FCF	n.a.	n.a.	70.5 x	n.a.	n.a.	n.a.	n.a.
P / E	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
P / E adj.*	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	32.3 x
Dividend Yield	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Free Cash Flow Yield Potential	-74.5 %	-52.9 %	0.3 %	-1.4 %	0.4 %	3.6 %	7.2 %

*Adjustments made for: Adjusted for acquisitions + transaction related costs, PPA amortizations

Consolidated profit and loss

In EUR m	2010	2011	2012	2013	2014e	2015e	2016e
Sales	**13.3**	**15.4**	**31.3**	**32.4**	**54.7**	**66.0**	**73.3**
Change Sales yoy	14.1 %	15.7 %	102.6 %	3.7 %	68.6 %	20.8 %	11.0 %
COGS	9.3	10.1	18.5	21.8	37.8	45.5	49.8
Gross profit	**4.0**	**5.4**	**12.8**	**10.6**	**16.9**	**20.5**	**23.5**
Gross margin	*30.3 %*	*34.8 %*	*40.8 %*	*32.8 %*	*30.9 %*	*31.0 %*	*32.0 %*
Research and development	1.9	2.5	4.3	6.1	5.3	5.8	6.0
Sales and marketing	4.8	4.9	5.9	8.2	8.3	9.0	9.5
Administration expenses	2.1	2.7	3.6	3.9	5.1	5.5	5.8
Other operating expenses	0.0	2.1	0.4	2.3	2.3	2.6	2.8
Other operating income	0.1	0.2	0.7	1.0	0.2	0.0	0.0
Unfrequent items	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBITDA	**-3.5**	**-4.6**	**0.7**	**-4.5**	**-1.1**	**0.4**	**2.1**
Margin	*-26.2 %*	*-30.1 %*	*2.3 %*	*-13.8 %*	*-2.0 %*	*0.6 %*	*2.9 %*
Depreciation of fixed assets	0.4	0.5	0.7	0.8	0.8	0.8	0.7
EBITA	**-3.9**	**-5.2**	**0.1**	**-5.2**	**-1.9**	**-0.4**	**1.4**
Amortisation of intangible fixed assets	0.6	1.5	0.6	2.1	2.1	2.1	2.1
Goodwill amortization	0.0	0.0	0.0	1.5	0.0	0.0	0.0
EBIT	**-4.5**	**-6.6**	**-0.5**	**-8.8**	**-3.9**	**-2.4**	**-0.6**
Margin	*-33.8 %*	*-42.9 %*	*-1.7 %*	*-27.3 %*	*-7.2 %*	*-3.7 %*	*-0.9 %*
EBIT adj.	**-4.5**	**-4.1**	**-1.0**	**-4.2**	**-1.6**	**0.0**	**1.9**
Interest income	0.4	0.4	0.2	0.1	0.0	0.0	0.0
Interest expenses	0.0	0.0	0.1	0.2	0.3	0.3	0.3
Other financial income (loss)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBT	**-4.1**	**-6.2**	**-0.4**	**-9.0**	**-4.2**	**-2.7**	**-0.9**
Margin	*-30.9 %*	*-40.4 %*	*-1.4 %*	*-27.7 %*	*-7.7 %*	*-4.2 %*	*-1.3 %*
Total taxes	0.0	0.0	0.0	-0.1	0.2	0.2	0.3
Net income from continuing operations	**-4.1**	**-6.2**	**-0.4**	**-8.9**	**-4.4**	**-2.9**	**-1.2**
Income from discontinued operations (net of tax)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net income before minorities	**-4.1**	**-6.2**	**-0.4**	**-8.9**	**-4.4**	**-2.9**	**-1.2**
Minority interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net income	**-4.1**	**-6.2**	**-0.4**	**-8.9**	**-4.4**	**-2.9**	**-1.2**
Margin	*-30.9 %*	*-40.4 %*	*-1.4 %*	*-27.5 %*	*-8.0 %*	*-4.5 %*	*-1.7 %*
Number of shares, average	7.2	7.2	7.5	7.7	8.0	8.0	8.0
EPS	**-0.58**	**-0.87**	**-0.06**	**-1.16**	**-0.54**	**-0.37**	**-0.16**
EPS adj.	-0.58	-0.52	-0.12	-0.56	-0.26	-0.07	0.16

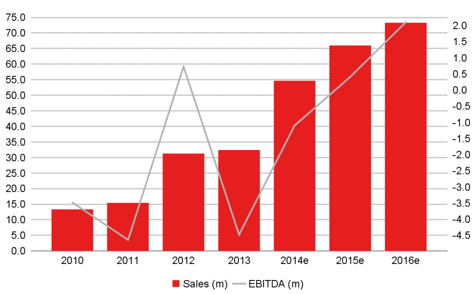
*Adjustments made for: Adjusted for acquisitions + transaction related costs, PPA amortizations

Guidance: 2014: Revenues EUR 55 - 60m, positive underlying EBITDA

Financial Ratios

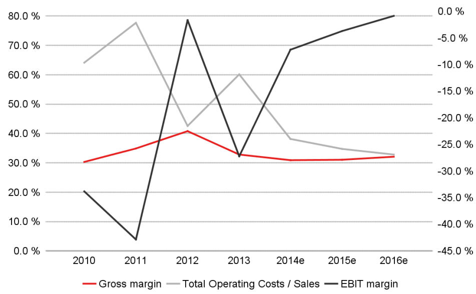
	2010	2011	2012	2013	2014e	2015e	2016e
Total Operating Costs / Sales	64.2 %	77.7 %	42.5 %	60.1 %	38.1 %	34.7 %	32.9 %
Operating Leverage	0.0 x	3.0 x	-0.9 x	429.4 x	-0.8 x	-1.8 x	-6.7 x
EBITDA / Interest expenses	n.m.	n.m.	5.5 x	n.m.	n.m.	1.4 x	7.0 x
Tax rate (EBT)	0.0 %	-0.1 %	4.3 %	0.6 %	-3.7 %	-7.3 %	-31.7 %
Dividend Payout Ratio	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %
Sales per Employee	133,291	145,525	168,062	146,665	210,216	244,443	271,454

Sales, EBITDA
in EUR m



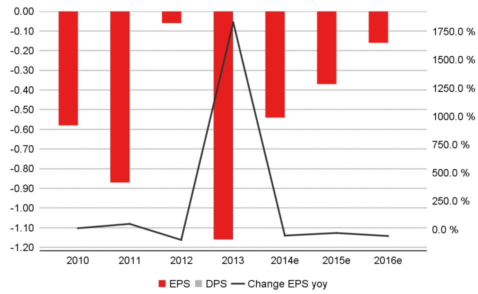
Source: Warburg Research

Operating Performance
in %



Source: Warburg Research

Performance per Share



Source: Warburg Research

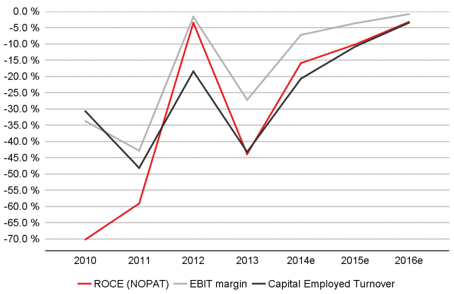
Consolidated balance sheet

In EUR m	2010	2011	2012	2013	2014e	2015e	2016e
Assets							
Goodwill and other intangible assets	3.0	10.9	11.0	19.1	17.5	16.0	14.4
thereof other intangible assets	3.0	3.1	2.8	6.0	4.4	2.9	1.3
thereof Goodwill	0.0	6.1	6.1	11.8	11.8	11.8	11.8
Property, plant and equipment	2.3	2.7	2.4	2.3	2.0	1.8	1.7
Financial assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other long-term assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Fixed assets	**5.3**	**13.7**	**13.4**	**21.3**	**19.5**	**17.7**	**16.1**
Inventories	1.9	4.9	5.8	7.7	8.8	10.6	11.8
Accounts receivable	2.7	5.0	3.7	9.5	9.4	11.2	12.4
Liquid assets	34.1	22.7	22.9	7.4	4.2	1.7	2.1
Other short-term assets	2.3	2.5	1.7	1.7	1.8	1.8	1.8
Current assets	**41.1**	**35.2**	**34.2**	**26.3**	**24.3**	**25.3**	**28.1**
Total Assets	**46.4**	**48.8**	**47.6**	**47.7**	**43.8**	**43.1**	**44.2**
Liabilities and shareholders' equity							
Subscribed capital	7.2	7.5	7.5	8.0	8.0	8.0	8.0
Capital reserve	66.9	67.9	67.9	69.6	69.6	69.6	69.6
Retained earnings	0.0	0.0	0.0	0.0	-4.4	-7.3	-8.5
Other equity components	-32.3	-38.6	-39.0	-48.5	-48.4	-48.4	-47.9
Shareholder's equity	41.7	36.8	36.4	29.1	24.8	21.9	21.1
Minority interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total equity	**41.7**	**36.8**	**36.4**	**29.1**	**24.8**	**21.9**	**21.1**
Provisions	1.0	2.3	2.4	2.6	2.6	2.6	2.6
thereof provisions for pensions and similar obligations	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial liabilites (total)	0.0	0.8	0.4	4.5	4.7	5.6	6.6
thereof short-term financial liabilities	0.0	0.6	0.4	2.1	2.1	3.0	4.0
Accounts payable	1.4	3.2	3.0	6.3	6.7	8.1	9.0
Other liabilities	2.2	5.8	5.4	5.3	4.9	4.9	4.9
Liabilities	**4.6**	**12.0**	**11.2**	**18.6**	**19.0**	**21.2**	**23.1**
Total liabilities and shareholders' equity	**46.4**	**48.8**	**47.6**	**47.7**	**43.8**	**43.1**	**44.2**

Financial Ratios

	2010	2011	2012	2013	2014e	2015e	2016e
Efficiency of Capital Employment							
Operating Assets Turnover	2.4 x	1.7 x	3.5 x	2.5 x	4.2 x	4.4 x	4.5 x
Capital Employed Turnover	1.8 x	1.0 x	2.3 x	1.2 x	2.2 x	2.6 x	2.9 x
ROA	-78.0 %	-45.6 %	-3.2 %	-41.8 %	-22.3 %	-16.6 %	-7.7 %
Return on Capital							
ROCE (NOPAT)	-70.2 %	-59.1 %	-3.5 %	-43.9 %	-15.9 %	-10.3 %	-3.3 %
ROE	-9.4 %	-15.9 %	-1.2 %	-27.2 %	-16.2 %	-12.6 %	-5.8 %
Adj. ROE	-9.4 %	-9.4 %	-2.5 %	-13.1 %	-7.6 %	-2.3 %	5.8 %
Balance sheet quality							
Net Debt	-34.1	-22.0	-22.5	-2.9	0.5	3.9	4.5
Net Financial Debt	-34.1	-22.0	-22.5	-2.9	0.5	3.9	4.5
Net Gearing	-81.8 %	-59.7 %	-61.9 %	-10.1 %	1.9 %	17.7 %	21.1 %
Net Fin. Debt / EBITDA	n.a.	n.a.	n.a.	n.a.	n.a.	942.7 %	212.0 %
Book Value / Share	5.8	5.1	4.9	3.8	3.1	2.7	2.6
Book value per share ex intangibles	5.4	3.6	3.4	1.3	0.9	0.7	0.8

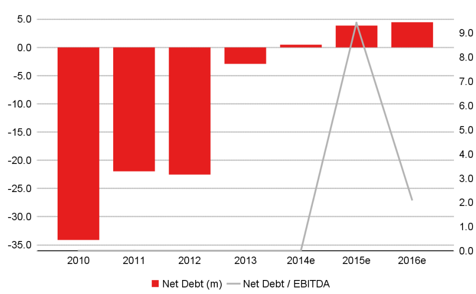
ROCE Development



Source: Warburg Research

Net debt

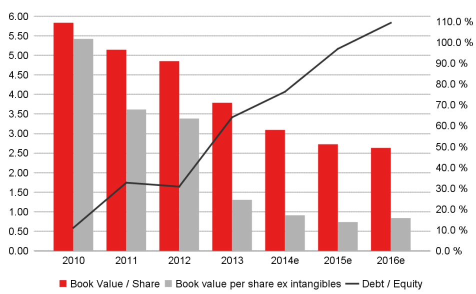
in EUR m



Source: Warburg Research

Book Value per Share

in EUR



Source: Warburg Research

Consolidated cash flow statement

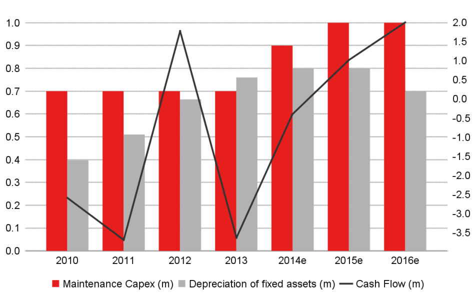
In EUR m	2010	2011	2012	2013	2014e	2015e	2016e
Net income	-4.1	-6.2	-0.4	-9.0	-4.4	-2.9	-1.2
Depreciation of fixed assets	0.4	0.5	0.7	0.8	0.8	0.8	0.7
Amortisation of goodwill	0.0	0.0	0.0	1.5	0.0	0.0	0.0
Amortisation of intangible assets	0.6	1.5	0.6	2.1	2.1	2.1	2.1
Increase/decrease in long-term provisions	0.2	0.0	-0.6	0.0	0.0	0.0	0.0
Other non-cash income and expenses	0.3	0.6	1.6	1.0	1.1	1.1	0.5
Cash Flow	**-2.6**	**-3.7**	**1.8**	**-3.6**	**-0.4**	**1.0**	**2.0**
Increase / decrease in inventory	-0.6	-1.0	-1.0	0.3	-1.1	-1.8	-1.2
Increase / decrease in accounts receivable	-0.5	-0.3	0.8	-2.1	0.1	-1.8	-1.2
Increase / decrease in accounts payable	-0.6	0.3	-0.1	-2.0	1.0	1.4	0.9
Increase / decrease in other working capital positions	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Increase / decrease in working capital (total)	-1.7	-1.0	-0.3	-3.8	0.0	-2.2	-1.5
Net cash provided by operating activities	**-4.3**	**-4.7**	**1.5**	**-7.4**	**-0.4**	**-1.2**	**0.5**
Investments in intangible assets	-1.2	-0.7	-0.6	-0.3	-0.5	-0.5	-0.5
Investments in property, plant and equipment	-1.1	-0.4	-0.3	-0.4	-0.5	-0.6	-0.6
Payments for acquisitions	0.0	-6.0	0.0	-6.0	-2.0	-1.1	0.0
Financial investments	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Income from asset disposals	0.0	0.3	0.0	0.1	0.0	0.0	0.0
Net cash provided by investing activities	**-2.2**	**-6.8**	**-0.9**	**-6.7**	**-3.0**	**-2.2**	**-1.1**
Change in financial liabilities	0.0	-0.4	-0.4	-1.5	0.2	0.9	1.0
Dividends paid	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Purchase of own shares	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital measures	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	0.0	-0.1	0.0	-0.1	0.0	0.0	0.0
Net cash provided by financing activities	**0.0**	**-0.4**	**-0.4**	**-1.6**	**0.2**	**0.9**	**1.0**
Change in liquid funds	-6.5	-12.0	0.2	-15.7	-3.2	-2.5	0.4
Effects of exchange-rate changes on cash	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Cash and cash equivalent at end of period	**34.1**	**22.2**	**22.9**	**7.2**	**4.2**	**1.7**	**2.1**

Financial Ratios

	2010	2011	2012	2013	2014e	2015e	2016e
Cash Flow							
FCF	-6.5	-5.9	0.6	-8.2	-1.4	-2.3	-0.6
Free Cash Flow / Sales	-48.8 %	-38.0 %	1.9 %	-25.2 %	-2.5 %	-3.5 %	-0.8 %
Free Cash Flow Potential	-4.2	-5.4	0.0	-0.5	0.2	1.6	3.3
Free Cash Flow / Sales	-48.8 %	-38.0 %	1.9 %	-25.2 %	-2.5 %	-3.5 %	-0.8 %
Free Cash Flow / Net Profit	157.8 %	94.0 %	-136.3 %	91.7 %	31.9 %	77.9 %	47.8 %
Interest Received / Avg. Cash	1.1 %	1.5 %	0.9 %	0.4 %	0.7 %	0.0 %	0.0 %
Interest Paid / Avg. Debt	n.a.	9.7 %	23.7 %	8.0 %	6.5 %	5.8 %	4.9 %
Management of Funds							
Investment ratio	16.7 %	7.3 %	2.8 %	2.3 %	1.8 %	1.7 %	1.5 %
Maint. Capex / Sales	5.3 %	4.5 %	2.2 %	2.2 %	1.6 %	1.5 %	1.4 %
Capex / Dep	217.8 %	57.3 %	70.0 %	17.4 %	35.1 %	38.6 %	40.0 %
Avg. Working Capital / Sales	18.1 %	31.7 %	20.7 %	26.8 %	20.0 %	18.2 %	18.9 %
Trade Debtors / Trade Creditors	196.0 %	156.0 %	121.9 %	151.4 %	140.3 %	138.3 %	137.8 %
Inventory Turnover	4.8 x	2.0 x	3.2 x	2.8 x	4.3 x	4.3 x	4.2 x
Receivables collection period (days)	74	119	43	107	63	62	62
Payables payment period (days)	54	117	60	105	65	65	66
Cash conversion cycle (Days)	37	112	68	62	29	30	31

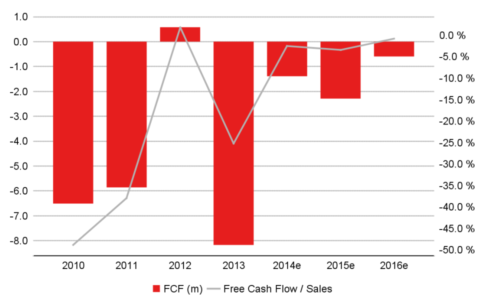
CAPEX and Cash Flow

in EUR m



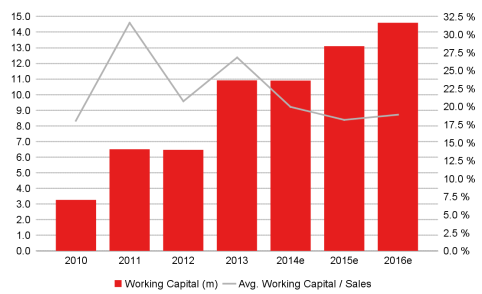
Source: Warburg Research

Free Cash Flow Generation



Source: Warburg Research

Working Capital



Source: Warburg Research

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Independent of the applied valuation methods, there is the risk that the price target will not be met, for instance because of unforeseen changes in demand for the company's products, changes in management, technology, economic development, interest rate development, operating and/or material costs, competitive pressure, supervisory law, exchange rate, tax rate etc. For investments in foreign markets and instruments there are further risks, generally based on exchange rate changes or changes in political and social conditions.

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Company	Disclosure	Link to the historical price targets and rating changes (last 12 months)
SFC Energy	1, 3, 5	http://www.mmwarburg.com/disclaimer/disclaimer_en/DE0007568578.htm

INVESTMENT RECOMMENDATION

Investment recommendation: expected direction of the share price development of the financial instrument up to the given price target in the opinion of the analyst who covers this financial instrument.

-B-	**Buy:**	The price of the analysed financial instrument is expected to rise over the next 12 months.
-H-	**Hold:**	The price of the analysed financial instrument is expected to remain mostly flat over the next 12 months.
-S-	**Sell:**	The price of the analysed financial instrument is expected to fall over the next 12 months.
"-"	**Rating suspended:**	The available information currently does not permit an evaluation of the company.

WARBURG RESEARCH GMBH – RESEARCH UNIVERSE BY RATING

Rating	Number of stocks	% of Universe
Buy	113	60
Hold	63	34
Sell	7	4
Rating suspended	4	2
Total	**187**	**100**

WARBURG RESEARCH GMBH – ANALYSED RESEARCH UNIVERSE BY RATING …

… Looking only at companies for which a disclosure according to § 34b of the Germany Securities Trading Act and the FinAnV has to be made.

Rating	Number of stocks	% of Universe
Buy	95	63
Hold	47	31
Sell	4	3
Rating suspended	4	3
Total	**150**	**100**

PRICE AND RATING HISTORY SFC ENERGY AS OF 11.11.2014

The chart has markings if Warburg Research GmbH changed its rating in the last 12 months. Every marking represents the date and closing price on the day of the rating change.

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