

# SFC Energy AG

Germany / Energy  
 Primary exchange: Frankfurt  
 Bloomberg: F3C GR  
 ISIN: DE0007568578

Capital increase

**RATING**  
**BUY**

**PRICE TARGET**  
**€4.70**

Return Potential 28.9%  
 Risk Rating High

## CAPITAL INCREASE SUCCESSFULLY PLACED

On 12 August SFC Energy successfully placed 436,045 shares at €3.44 with HPE Growth Capital and a German family office. The gross proceeds of the private placement amount to €1.5m and are available to finance the operating business. We have incorporated the transaction in our DCF model which yields a new price target of €4.70 (previously: €4.80). We reiterate our Buy rating.

**€1.5m proceeds from placement** SFC received gross proceeds of €1.5m due to the placement of 436,045 shares at a price of €3.44. The shares were placed with HPE Growth Capital, SFC's largest shareholder, and an unnamed German family office. SFC's share capital will therefore increase from €8,611,204 to €9,047,249. The proceeds increase the cash position at the end of H1 from €1.4m to ca. €2.9m

**Sufficient financial means to counterbalance seasonality** Due to the holiday season in the oil & gas business Q3 is traditionally weak. The last quarter, however, looks set to be particularly strong as we expect a large order in the defence business (volume FBe: €4-5m). The defence business offers high gross margins and should be the main driver for a significantly positive EBIT in Q4 (FBe: €3m). Furthermore, the oil & gas business should start to recover in Q4 as many players have to invest soon to maintain their production level. The recent oil price recovery (WTI has increased by ca. 17% to \$46/barrel since 3 August) is certainly helpful.

**Earnings forecast adjusted** Based on the capital increase we have adjusted our financing forecasts. The higher number of shares changes our EPS estimates for 2016E and the coming years (see figure 1 overleaf).

**Buy reiterated at slightly lower price target** An updated DCF model, which accounts for the increased number of shares and the additional cash, yields a new price target of €4.70 (previously: €4.80). We reiterate our Buy rating.

### FINANCIAL HISTORY & PROJECTIONS

	2013	2014	2015	2016E	2017E	2018E
Revenue (€m)	32.41	53.63	47.31	48.25	57.90	66.46
Y-o-y growth	3.7%	65.5%	-11.8%	2.0%	20.0%	14.8%
EBIT (€m)	-8.84	-4.27	-10.64	-1.83	0.12	2.06
EBIT margin	-27.3%	-8.0%	-22.5%	-3.8%	0.2%	3.1%
Net income (€m)	-8.91	-4.83	-10.67	-2.36	-0.33	1.52
EPS (diluted) (€)	-1.16	-0.60	-1.24	-0.22	-0.04	0.16
DPS (€)	0.00	0.00	0.00	0.00	0.00	0.00
FCF (€m)	-7.98	-4.19	-3.21	-2.17	-3.16	-1.52
Net gearing	-10.3%	-4.9%	3.0%	7.5%	28.2%	22.7%
Liquid assets (€m)	7.43	6.41	3.71	4.52	3.16	2.92

### RISKS

The main risks are financing, internationalisation, unfavourable EUR/CAD exchange rate changes, technological innovations, and increasing competition.

### COMPANY PROFILE

SFC Energy AG is a leading provider of integrated power solutions for mobile and stationary off-grid applications. The company is a pioneer in developing and commercialising fuel cells which provide reliable, efficient, and clean power for its energy solutions. Main markets are oil & gas, security & industry, and leisure. SFC is headquartered near Munich in Germany.

### MARKET DATA

As of 16 Aug 2016

Closing Price	€ 3.65
Shares outstanding	9.05m
Market Capitalisation	€ 33.00m
52-week Range	€ 3.47 / 5.16
Avg. Volume (12 Months)	3,378

Multiples	2015	2016E	2017E
P/E	n.a.	n.a.	n.a.
EV/Sales	0.7	0.7	0.6
EV/EBIT	n.a.	n.a.	282.0
Div. Yield	0.0%	0.0%	0.0%

### STOCK OVERVIEW



### COMPANY DATA

As of 30 Jun 2016

Liquid Assets	€ 1.74m
Current Assets	€ 19.27m
Intangible Assets	€ 12.56m
Total Assets	€ 33.88m
Current Liabilities	€ 12.13m
Shareholders' Equity	€ 13.89m

### SHAREHOLDERS

HPE	24.5%
DWS	9.2%
Havensight	8.9%
Other	17.6%
Free Float	39.8%



Figure 1: Revisions to forecasts

All figures in €m	2016E			2017E			2018E		
	Old	New	Delta	Old	New	Delta	Old	New	Delta
Sales	48.25	48.25	0.0%	57.90	57.90	0.0%	66.46	66.46	0.0%
EBIT	-1.83	-1.83	-	0.12	0.12	0.0%	2.06	2.06	0.0%
<i>margin</i>	-3.8%	-3.8%	-	0.2%	0.2%	-	3.1%	3.1%	-
Net income	-2.36	-2.36	-	-0.45	-0.33	-	1.58	1.52	-3.6%
<i>margin</i>	-4.9%	-4.9%	-	-0.8%	-0.6%	-	2.4%	2.3%	-3.6%
EPS (diluted)	-0.23	-0.22	-	-0.05	-0.04	-	0.18	0.16	-9.2%

Source: First Berlin Equity Research, SFC Energy AG



## VALUATION MODEL

DCF valuation model								
All figures in EUR '000								
	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E
Net sales	48,246	57,895	66,464	75,569	85,187	95,200	105,465	115,810
<b>NOPLAT</b>	<b>-1,834</b>	<b>124</b>	<b>1,997</b>	<b>3,696</b>	<b>4,975</b>	<b>5,846</b>	<b>6,667</b>	<b>7,447</b>
+ depreciation & amortisation	1,825	724	458	502	554	611	673	739
Net operating cash flow	-8	847	2,455	4,198	5,529	6,457	7,340	8,186
- total investments (CAPEX and WC)	-1,644	-3,558	-3,502	-4,082	-3,397	-3,606	-3,780	-3,911
Capital expenditures	-627	-753	-798	-907	-1,015	-1,125	-1,237	-1,348
Working capital	-1,017	-2,805	-2,705	-3,175	-2,383	-2,481	-2,544	-2,564
Free cash flows (FCF)	-1,653	-2,711	-1,047	116	2,131	2,851	3,560	4,275
<b>PV of FCF's</b>	<b>-1,589</b>	<b>-2,345</b>	<b>-815</b>	<b>81</b>	<b>1,343</b>	<b>1,617</b>	<b>1,817</b>	<b>1,964</b>

All figures in thousands	
PV of FCFs in explicit period (2016E-2030E)	17,648
PV of FCFs in terminal period	28,020
Enterprise value (EV)	45,667
+ Net cash / - net debt	-1,899
+ Investments / minority interests	0
Shareholder value	43,768

Fair value per share in EUR 4.70

WACC		Terminal growth rate						
		1.5%	2.0%	2.5%	3.0%	3.5%	4.0%	4.5%
7.1%	Cost of equity	10.72	11.29	11.98	12.84	13.94	15.39	17.38
8.1%	Pre-tax cost of debt	8.37	8.70	9.08	9.55	10.11	10.82	11.71
9.1%	Tax rate	6.68	6.88	7.11	7.38	7.69	8.07	8.53
10.1%	After-tax cost of debt	5.42	5.55	5.69	5.85	6.04	6.26	6.51
11.1%	Share of equity capital	4.45	4.54	4.63	4.73	4.84	4.97	5.12
12.1%	Share of debt capital	3.70	3.75	3.81	3.87	3.95	4.03	4.12
13.1%		3.09	3.13	3.17	3.21	3.25	3.31	3.36
14.1%		2.60	2.62	2.65	2.68	2.71	2.74	2.78

\* for layout purposes the model shows numbers only to 2023, but runs until 2030



## INCOME STATEMENT

All figures in EUR '000	2012A	2013A	2014A	2015A	2016E	2017E	2018E
<b>Revenues</b>	<b>31,260</b>	<b>32,413</b>	<b>53,631</b>	<b>47,310</b>	<b>48,246</b>	<b>57,895</b>	<b>66,464</b>
Cost of goods sold	18,497	21,773	37,970	34,083	31,360	37,921	44,198
<b>Gross profit</b>	<b>12,763</b>	<b>10,640</b>	<b>15,661</b>	<b>13,227</b>	<b>16,886</b>	<b>19,974</b>	<b>22,265</b>
S&M	5,862	8,233	10,540	12,499	9,820	10,500	10,634
G&A	3,555	3,860	4,872	5,806	5,000	5,220	5,317
R&D	4,257	6,149	4,530	5,546	3,900	4,130	4,254
Other operating income	749	1,041	170	142	145	174	199
Other operating expenses	362	2,275	159	161	145	174	199
<b>Operating income (EBIT)</b>	<b>-524</b>	<b>-8,836</b>	<b>-4,269</b>	<b>-10,645</b>	<b>-1,834</b>	<b>124</b>	<b>2,060</b>
Net financial result	80	-128	-298	-315	-545	-456	-474
Non-operating expenses	0	0	0	0	0	0	0
<b>Pre-tax income (EBT)</b>	<b>-445</b>	<b>-8,964</b>	<b>-4,567</b>	<b>-10,959</b>	<b>-2,379</b>	<b>-332</b>	<b>1,586</b>
Income taxes	-19	-52	259	-290	-24	-3	63
Minority interests	0	0	0	0	0	0	0
<b>Net income / loss</b>	<b>-426</b>	<b>-8,912</b>	<b>-4,826</b>	<b>-10,669</b>	<b>-2,355</b>	<b>-329</b>	<b>1,523</b>
<b>Diluted EPS (in €)</b>	<b>-0.06</b>	<b>-1.16</b>	<b>-0.60</b>	<b>-1.24</b>	<b>-0.22</b>	<b>-0.04</b>	<b>0.16</b>
<b>EBITDA</b>	<b>730</b>	<b>-4,474</b>	<b>-1,177</b>	<b>-4,651</b>	<b>-8</b>	<b>847</b>	<b>2,518</b>
<b>Ratios</b>							
Gross margin	40.8%	32.8%	29.2%	28.0%	35.0%	34.5%	33.5%
EBIT margin on revenues	-1.7%	-27.3%	-8.0%	-22.5%	-3.8%	0.2%	3.1%
EBITDA margin on revenues	2.3%	-13.8%	-2.2%	-9.8%	0.0%	1.5%	3.8%
Net margin on revenues	-1.4%	-27.5%	-9.0%	-22.6%	-4.9%	-0.6%	2.3%
Tax rate	4.3%	0.6%	-5.7%	2.6%	1.0%	1.0%	4.0%
<b>Expenses as % of revenues</b>							
S&M	18.8%	25.4%	19.7%	26.4%	20.4%	18.1%	16.0%
G&A	11.4%	11.9%	9.1%	12.3%	10.4%	9.0%	8.0%
R&D	13.6%	19.0%	8.4%	11.7%	8.1%	7.1%	6.4%
Other operating expenses	1.2%	7.0%	0.3%	0.3%	0.3%	0.3%	0.3%
<b>Y-Y Growth</b>							
Revenues	n.a.	3.7%	65.5%	-11.8%	2.0%	20.0%	14.8%
Operating income	n.a.	n.m.	n.m.	n.m.	n.m.	n.m.	1563.7%
Net income/ loss	n.a.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.



## BALANCE SHEET

All figures in EUR '000	2012A	2013A	2014A	2015A	2016E	2017E	2018E
<b>Assets</b>							
<b>Current assets, total</b>	<b>33,598</b>	<b>25,934</b>	<b>27,542</b>	<b>21,154</b>	<b>21,391</b>	<b>24,019</b>	<b>27,616</b>
Cash and cash equivalents	22,911	7,428	6,407	3,712	4,524	3,160	2,918
Short-term investments	0	0	0	0	0	0	0
Receivables	3,696	9,258	12,766	7,490	9,253	11,896	14,567
Inventories	5,815	7,713	7,653	8,782	6,444	7,792	8,961
Other current assets	1,118	1,426	711	742	742	742	742
<b>Non-current assets, total</b>	<b>14,020</b>	<b>21,715</b>	<b>19,714</b>	<b>14,736</b>	<b>13,537</b>	<b>13,566</b>	<b>13,906</b>
Property, plant & equipment	2,400	2,296	1,601	1,390	1,262	1,415	1,597
Goodwill & other intangibles	11,000	19,054	17,813	12,768	11,697	11,573	11,731
Other assets	619	365	300	578	578	578	578
<b>Total assets</b>	<b>47,617</b>	<b>47,650</b>	<b>47,256</b>	<b>35,889</b>	<b>34,928</b>	<b>37,585</b>	<b>41,522</b>
<b>Shareholders' equity &amp; debt</b>							
<b>Current liabilities, total</b>	<b>7,662</b>	<b>12,669</b>	<b>13,371</b>	<b>13,041</b>	<b>12,934</b>	<b>15,292</b>	<b>14,056</b>
Short-term debt	372	2,139	2,013	2,014	3,500	4,671	2,300
Accounts payable	3,033	5,087	6,872	7,263	5,671	6,857	7,992
Current provisions	999	802	686	667	667	667	667
Other current liabilities	3,258	4,641	3,800	3,097	3,097	3,097	3,097
<b>Long-term liabilities, total</b>	<b>3,562</b>	<b>5,918</b>	<b>6,296</b>	<b>6,291</b>	<b>6,291</b>	<b>6,920</b>	<b>8,920</b>
Long-term debt	0	2,282	3,045	2,203	2,203	2,832	4,832
Deferred revenue	0	0	0	0	0	0	0
Other liabilities	3,562	3,636	3,251	4,088	4,088	4,088	4,088
<b>Minority interests</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Shareholders' equity</b>	<b>36,394</b>	<b>29,063</b>	<b>27,589</b>	<b>16,558</b>	<b>15,702</b>	<b>15,373</b>	<b>18,546</b>
Share capital	7,503	8,020	8,611	8,611	9,047	9,047	9,318
Capital reserve	67,879	69,570	71,955	72,017	73,081	73,081	74,460
Other reserves	0	0	0	0	0	0	0
Treasury stock	0	0	0	0	0	0	0
Loss carryforward / retained earnings	-38,951	-47,863	-52,689	-63,358	-65,713	-66,042	-64,520
<b>Total consolidated equity and debt</b>	<b>47,617</b>	<b>47,650</b>	<b>47,256</b>	<b>35,889</b>	<b>34,928</b>	<b>37,585</b>	<b>41,522</b>
<b>Ratios</b>							
Current ratio (x)	4.39	2.05	2.06	1.62	1.65	1.57	1.96
Quick ratio (x)	3.63	1.44	1.49	0.95	1.16	1.06	1.33
Net cash	22,539	3,007	1,349	-505	-1,179	-4,342	-4,214
Net gearing	-61.9%	-10.3%	-4.9%	3.0%	7.5%	28.2%	0.0%
Book value per share (€)	4.85	3.79	3.44	1.92	1.79	1.70	1.99
Return on equity (ROE)	-1.2%	-30.7%	-17.5%	-64.4%	-15.0%	-2.1%	8.2%
Days of sales outstanding (DSO)	43.2	104.3	86.9	57.8	70.0	75.0	80.0
Days of inventory turnover	114.7	129.3	73.6	94.0	75.0	75.0	74.0
Days in payables (DIP)	59.9	85.3	66.1	77.8	66.0	66.0	66.0



## CASH FLOW STATEMENT

All figures in EUR '000	2012A	2013A	2014A	2015A	2016E	2017E	2018E
<b>EBIT</b>	<b>-524</b>	<b>-8,836</b>	<b>-4,269</b>	<b>-10,645</b>	<b>-1,834</b>	<b>124</b>	<b>2,060</b>
Depreciation and amortisation	1,255	4,362	3,093	5,994	1,825	724	458
<b>EBITDA</b>	<b>730</b>	<b>-4,474</b>	<b>-1,177</b>	<b>-4,651</b>	<b>-8</b>	<b>847</b>	<b>2,518</b>
Changes in working capital	85	-2,188	-2,015	3,216	-1,017	-2,805	-2,705
Other adjustments	443	-649	-361	-429	-521	-453	-538
<b>Operating cash flow</b>	<b>1,258</b>	<b>-7,311</b>	<b>-3,553</b>	<b>-1,864</b>	<b>-1,547</b>	<b>-2,411</b>	<b>-724</b>
CAPEX	-561	-345	-181	-294	-289	-405	-465
Investments in intangibles	-318	-327	-452	-1,055	-338	-347	-332
<b>Free cash flow</b>	<b>380</b>	<b>-7,984</b>	<b>-4,186</b>	<b>-3,213</b>	<b>-2,174</b>	<b>-3,164</b>	<b>-1,522</b>
<b>Debt financing, net</b>	<b>-388</b>	<b>-1,469</b>	<b>826</b>	<b>699</b>	<b>1,486</b>	<b>1,800</b>	<b>-371</b>
<b>Equity financing, net</b>	<b>0</b>	<b>0</b>	<b>3,263</b>	<b>0</b>	<b>1,500</b>	<b>0</b>	<b>1,650</b>
Other changes in cash	191	-6,029	-923	-332	0	0	0
<b>Net cash flows</b>	<b>183</b>	<b>-15,482</b>	<b>-1,020</b>	<b>-2,845</b>	<b>812</b>	<b>-1,364</b>	<b>-243</b>
Cash, start of the year	0	22,911	7,143	6,407	3,712	4,524	3,160
<b>Cash, end of the year</b>	<b>183</b>	<b>7,428</b>	<b>6,123</b>	<b>3,562</b>	<b>4,524</b>	<b>3,160</b>	<b>2,918</b>
<b>EBITDA/share (in €)</b>	<b>0.10</b>	<b>-0.58</b>	<b>-0.15</b>	<b>-0.54</b>	<b>0.00</b>	<b>0.09</b>	<b>0.27</b>
<b>Y-Y Growth</b>							
Operating cash flow	n.a.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
Free cash flow	n.a.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
EBITDA/share	n.a.	n.m.	n.m.	n.m.	n.m.	n.m.	188.6%

**FIRST BERLIN RECOMMENDATION & PRICE TARGET HISTORY**

Report No.:	Date of publication	Previous day closing price	Recommendation	Price target
Initial Report	23 June 2014	€4.84	Buy	€7.40
2...13	↓	↓	↓	↓
14	3 May 2016	€3.93	Buy	€5.30
15	17 May 2016	€3.80	Buy	€5.10
16	5 August 2016	€3.70	Buy	€4.80
17	Today	€3.65	Buy	€4.70

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**INFORMATION PURSUANT TO SECTION 34B OF THE GERMAN SECURITIES TRADING ACT [WPHG], TO REGULATION (EU) NO 596/2014 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL OF APRIL 16, 2014, ON MARKET ABUSE (MARKET ABUSE REGULATION) AND TO THE GERMAN ORDINANCE ON THE ANALYSIS OF FINANCIAL INSTRUMENTS [FINANV]**

First Berlin Equity Research GmbH (hereinafter referred to as: "First Berlin") prepares financial analyses while taking the relevant regulatory provisions, in particular the German Securities Trading Act [WpHG], Regulation (EU) No 596/2014 of the European Parliament and of the Council of April 16, 2014, on market abuse (market abuse regulation) and the German Ordinance on the Analysis of Financial Instruments [FinAnV] into consideration. In the following First Berlin provides investors with information about the statutory provisions that are to be observed in the preparation of financial analyses.

**CONFLICTS OF INTEREST**

In accordance with Section 34b Paragraph 1 of the German Securities Trading Act [WpHG] and Regulation (EU) No 596/2014 of the European Parliament and of the Council of April 16, 2014, on market abuse (market abuse regulation) financial analyses may only be passed on or publicly distributed if circumstances or relations which may cause conflicts of interest among the authors, the legal entities responsible for such preparation or companies associated with them are disclosed along with the financial analysis.

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If despite these measures one or more of the aforementioned conflicts of interest cannot be avoided on the part of the author or First Berlin, then reference shall be made to such conflict of interest.

**PRICE TARGET DATES**

Unless otherwise indicated, current prices refer to the closing prices of the previous trading day.

**AGREEMENT WITH THE ANALYSED COMPANY AND MAINTENANCE OF OBJECTIVITY**

The present financial analysis is based on the author's own knowledge and research. The author prepared this study without any direct or indirect influence exerted on the part of the analysed company. Parts of the financial analysis were possibly provided to the analysed company prior to publication in order to avoid inaccuracies in the representation of facts. However, no substantial changes were made at the request of the analysed company following any such provision.

### ASSET VALUATION SYSTEM

First Berlin's system for asset valuation is divided into an asset recommendation and a risk assessment.

#### ASSET RECOMMENDATION

The recommendations determined in accordance with the share price trend anticipated by First Berlin in the respectively indicated investment period are as follows:

**STRONG BUY:** An expected favourable price trend of more than 50% combined with sizeable confidence in the quality and forecast security of management.

**BUY:** An expected favourable price trend of more than 25% percent.

**ADD:** An expected favourable price trend of between 0% and 25%.

**REDUCE:** An expected negative price trend of between 0% and -15%.

**SELL:** An expected negative price trend of more than -15%.

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