

SFC Energy AG

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

Preliminary
 2020 figures

RATING
PRICE TARGET **BUY**
 Return Potential **€ 44.00**
 Risk Rating 39.7%
 High

2025 GUIDANCE: €350-400M REVENUE AT >15% EBITDA MARGIN

SFC Energy has published preliminary 2020 figures, 2021 guidance and a new accelerated growth plan which foresees organic and inorganic expansion to sales of up to €350m to €400m by 2025, as well as a widening of the EBITDA margin to above 15%. The growth plan is based on the extremely dynamic development of global demand for hydrogen and methanol fuel cells in stationary applications. 2020 sales were in line with our forecast at €53m (9% y/y), and adjusted EBIT was better than expected at €-0.6m (FBe: €-1.6m). In the previous year, adjusted EBIT amounted to €0.3m. For 2021 SFC is guiding towards sales between €61m and €70m (FBe: €66.8m), underlying EBITDA between €3.5m and €6.0m (FBe: €4.8m) and underlying EBIT between €-0.9 and €1.6m (FBe: €0.4m). 2021 guidance is thus in line with our 2021 forecast which is largely unchanged. The accelerated growth plan entails very strong regional expansion, especially in Asia. There, a JV-based approach could generate a sales contribution of up to €100m in 2025E. Furthermore, the Indian market, where SFC already has a foothold, has strong potential (FBe revenue contribution in 2025: €26m). Hydrogen fuel cells (HFC) will be a strong revenue growth driver simply because unit prices look set to be ca. 10-20 times the unit prices of direct methanol fuel cells (DMFC) as HFCs have a much higher capacity than DMFC. The revenue contribution from acquisitions could be up to €65m. We raise our forecasts from 2022 on and expect sales of €256m in 2025. Our model does not contain any growth from acquisitions. We remain more conservative regarding the EBITDA margin than SFC and forecast a figure of 13% by 2025. An updated DCF model yields a new price target of €44 (previously: €17). We upgrade the stock from Add to Buy.

2021 guidance in line with our forecasts SFC is guiding towards 2021 sales between €61m and €70m (FBe: €66.8m), underlying EBITDA between €3.5m and €6.0m (FBe: €4.8m) and underlying EBIT between €-0.9 and €1.6m (FBe: €0.4m). Our slightly adjusted 2021 forecast is thus close to the middle of guidance. (p.t.o.)

FINANCIAL HISTORY & PROJECTIONS

	2017	2018	2019	2020E	2021E	2022E
Revenue (€m)	54.29	61.70	58.54	53.22	66.80	86.84
Y-o-y growth	23.3%	13.7%	-5.1%	-9.1%	25.5%	30.0%
EBIT (€m)	-0.88	1.33	-1.29	-2.68	0.43	3.73
EBIT margin	-1.6%	2.1%	-2.2%	-5.0%	0.6%	4.3%
Net income (€m)	-2.07	0.00	-1.93	-2.83	0.06	2.46
EPS (diluted) (€)	-0.23	0.00	-0.17	-0.21	0.00	0.17
DPS (€)	0.00	0.00	0.00	0.00	0.00	0.00
FCF (€m)	0.36	-0.37	-4.95	3.24	-2.87	-1.99
Net gearing	37.7%	13.2%	-15.2%	-50.5%	-44.8%	-38.9%
Liquid assets (€m)	4.69	7.81	21.19	40.79	41.56	40.17

RISKS

The main risks are internationalisation, unfavourable 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, defence & security, industry, and clean energy & mobility. SFC is headquartered near Munich in Germany.

MARKET DATA

As of 15 Feb 2021

Closing Price	€ 31.50
Shares outstanding	14.47m
Market Capitalisation	€ 455.81m
52-week Range	€ 7.64 / 31.50
Avg. Volume (12 Months)	74,859

Multiples	2019	2020E	2021E
P/E	n.a.	n.a.	7983.6
EV/Sales	7.7	8.4	6.7
EV/EBIT	n.a.	n.a.	1046.1
Div. Yield	0.0%	0.0%	0.0%

STOCK OVERVIEW



COMPANY DATA

As of 30 Sep 2020

Liquid Assets	€ 12.52m
Current Assets	€ 39.08m
Intangible Assets	€ 15.57m
Total Assets	€ 65.09m
Current Liabilities	€ 15.59m
Shareholders' Equity	€ 36.62m

SHAREHOLDERS

HPE	2.5%
Dt. Asset & Wealth Mgmt	7.4%
DWS Investment GmbH	5.4%
Morgan Stanley	4.5%
Free Float	72.1%



2020 figures roughly as expected Annual revenue amounted to €53.2m (FBe: €53.5m). This is 9% below the prior year figure as declines in the Defence & Security segment (-61% y/y), the Oil & Gas segment (-20% y/y) and the Industry segment (-21% y/y) could only partly be compensated by a buoyant Clean Energy & Mobility segment (+62% y/y). Underlying EBITDA (adjusted for one-offs such as the SARs program) fell 20% y/y to €2.9m, and underlying EBIT was slightly negative at €-0.6m (versus €0.3m in 2019, see figure 1). All in all, SFC managed the pandemic quite well. Management implemented the “Fit for future” program in April 2020 resulting in cost reductions and supply chain stabilisation. SFC did not face a single day of supply chain interruption, as it ordered much more than usual and could thus always compensate for shortfalls.

Figure 1: Reported figures versus forecasts

All figures in €m	Q4-20A	Q4-20E	Delta	Q4-19A	Delta	2020A	2019A	Delta
Sales	14.01	14.29	-1.9%	14.75	-5.0%	53.22	58.54	-9.1%
Adjusted EBITDA	3.20	2.08	53.8%	1.69	89.3%	2.90	3.61	-19.8%
margin	22.8%	14.6%		11.5%		5.4%	6.2%	
Adjusted EBIT	2.15	1.12	92.0%	1.37	56.9%	-0.58	0.28	-
margin	15.3%	7.8%		9.3%		-1.1%	0.5%	

Source: First Berlin Equity Research, SFC Energy AG

Very ambitious growth plan SFC plans nothing less than increasing sales no less than sevenfold in five years. 2020 sales amounted to €53m; 2025 revenue is projected in the range €350-400m. Is this plausible?

- Assuming a 20% CAGR for the existing business (2020: €53m) would result in ca. €130m in 2025. Given the strong demand especially for hydrogen fuel cells in coming years as a result of implementing a global CO₂-poor hydrogen economy, we believe that a 20% CAGR of the existing business for 2020-2025 is achievable.
- Very strong expansion in Asia (ex India) could add up to €100m in sales. In January, Toyota Tsusho ordered 135 of SFC's EFOY Pro fuel cells to equip semi-stationary LED traffic guidance systems for a Japanese customer. This was SFC's largest single order in Japan. Should SFC succeed in partnering with Toyota, we believe that a joint rollout of SFC's fuel cells in Asia could result in a 2025 sales contribution of €100m.
- SFC already has a foothold in the Indian market. If SFC succeeds in forming a JV with a local partner, this could result in a much broader penetration of this huge market. India has almost 1.4bn inhabitants, and power production to a large extent depends on CO₂-producing diesel generators. According to the market intelligence and consulting firm P&S Intelligence, the Indian diesel genset market was worth \$1.1bn in 2019. P&S expects a 2020-2030 CAGR of 12.5%, which would result in a market size of ca. \$2.2bn in 2025. Assuming a 3% market share for SFC's fuel cells in 2025 could result in a \$66m (€55m at EUR/USD of 1.20) revenue contribution.
- Forecasting external growth from acquisitions is difficult. Given SFC's ungeared balance sheet we believe that a revenue contribution of €65m is possible.

Adding up the numbers (€130m + €100m + €55m + €65m), we arrive at €350m in sales.

Is SFC ready for the big leap? SFC Energy has been a commercial fuel cell producer for ca. 15 years and has supplied over 49,000 fuel cells – more than any other producer. This gives SFC unmatched industrial experience. The company certainly has a first mover advantage, and is one of the first fuel cell players capable of delivering industrially approved products. SFC is an international player with offices in four countries (Germany, the Netherlands, Romania, Canada) and employs ca. 280 people worldwide. The fuel cell



production site in Germany can manufacture ca. 3,500 fuel cells p.a. in a one-shift schedule. According to management, the site can easily expand output to ca. 20,000 units based on a two-shift schedule. We thus believe that SFC has the potential to transform the company into a global fuel cell producer in coming years.

Forecasts increased In our model, we are more conservative than SFC and pencil in 2025 revenue of €256m, which corresponds to a 2020-2025 CAGR of 37%. We do not model any external growth and are more cautious regarding the revenue contribution of the Indian market (FBe: €26m). SFC expects a >15% EBITDA margin by 2025. We assume a 13% EBITDA margin for 2025.

Figure 2: Revisions to forecasts

All figures in €m	2020E			2021E			2022E		
	Old	New	Delta	Old	New	Delta	Old	New	Delta
Sales	53.50	53.22	-0.5%	66.80	66.80	0.0%	81.27	86.84	6.9%
EBIT	-3.71	-2.68	-	0.43	0.43	0.0%	3.41	3.73	9.4%
margin	-6.9%	-5.0%		0.6%	0.6%		4.2%	4.3%	
Net income	-3.76	-2.83	-	0.06	0.06	0.0%	2.28	2.46	8.0%
margin	-7.0%	-5.3%		0.1%	0.1%		2.8%	2.8%	
EPS (diluted) in €	-0.28	-0.21	-	0.00	0.00	0.0%	0.16	0.17	8.0%

Source: First Berlin Equity Research

Upgrade to Buy at significantly higher price target An updated DCF model, which incorporates our new forecasts, yields a new price target of €44 (previously: €17). We upgrade our rating from Add to Buy.



VALUATION MODEL

DCF valuation model								
All figures in EUR '000	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E
Net sales	53,220	66,800	86,840	121,576	176,285	255,614	313,475	376,740
NOPLAT	-2,680	414	2,961	8,256	13,107	20,304	24,027	28,567
+ depreciation & amortisation	3,480	4,383	4,393	4,432	4,632	5,377	6,713	8,134
Net operating cash flow	800	4,797	7,354	12,688	17,739	25,681	30,740	36,701
- total investments (CAPEX and WC)	2,121	-7,666	-9,347	-13,541	-20,323	-29,024	-25,959	-28,996
Capital expenditures	-3,193	-4,142	-4,689	-5,471	-7,612	-10,573	-12,397	-14,213
Working capital	5,314	-3,525	-4,657	-8,070	-12,711	-18,451	-13,562	-14,783
Free cash flows (FCF)	2,921	-2,869	-1,993	-853	-2,584	-3,344	4,781	7,704
PV of FCF's	2,921	-2,706	-1,758	-704	-1,994	-2,414	3,228	4,865

All figures in thousands

PV of FCFs in explicit period (2020E-2034E)	97,938
PV of FCFs in terminal period	519,746
Enterprise value (EV)	617,684
+ Net cash / - net debt (p.f.)	25,789
+ Investments / minority interests	0
Shareholder value	643,474
Diluted number of shares	14,470
Fair value per share in EUR	44.47

Terminal growth rate:	3.0%
Terminal EBIT margin:	11.0%

WACC		Terminal growth rate							
		1.5%	2.0%	2.5%	3.0%	3.5%	4.0%	4.5%	
Cost of equity	9.2%	5.4%	56.00	61.80	69.59	80.61	97.38	126.01	185.94
Pre-tax cost of debt	5.0%	5.9%	47.73	51.84	57.16	64.30	74.39	89.76	116.00
Tax rate	30.0%	6.4%	41.24	44.24	48.01	52.88	59.42	68.67	82.75
After-tax cost of debt	3.5%	6.9%	36.03	38.27	41.02	44.47	48.93	54.92	63.40
Share of equity capital	60.0%	7.4%	31.77	33.48	35.53	38.05	41.21	45.29	50.78
Share of debt capital	40.0%	7.9%	28.24	29.56	31.12	33.00	35.31	38.20	41.94
Price target in EUR	44.00	8.4%	25.28	26.31	27.52	28.94	30.66	32.77	35.42

* for layout purposes the model shows numbers only to 2027, but runs until 2034



INCOME STATEMENT

All figures in EUR '000	2017A	2018A	2019A	2020E	2021E	2022E
Revenues	54,292	61,704	58,538	53,220	66,800	86,840
Cost of goods sold	36,566	40,623	38,410	35,564	44,070	57,314
Gross profit	17,726	21,082	20,128	17,656	22,730	29,526
S&M	9,786	10,792	12,438	10,880	11,900	14,329
G&A	5,016	5,230	5,994	6,650	6,100	6,426
R&D	3,892	3,525	3,104	2,700	4,300	5,037
Other operating income	277	320	178	160	200	261
Other operating expenses	194	529	57	266	200	261
Operating income (EBIT)	-885	1,325	-1,288	-2,680	430	3,734
Net financial result	-1,150	-737	-752	-465	-357	-498
Non-operating expenses	0	0	0	0	0	0
Pre-tax income (EBT)	-2,035	588	-2,040	-3,145	72	3,236
Income taxes	37	589	-113	-315	15	774
Minority interests	0	0	0	0	0	0
Net income / loss	-2,072	-1	-1,927	-2,831	57	2,463
Diluted EPS (in €)	-0.23	0.00	-0.17	-0.21	0.00	0.17
EBITDA	862	2,478	2,042	800	4,813	8,127
One-off costs / earnings	592	1,227	1,589	2,100	0	0
Underlying EBITDA	1,454	3,705	3,631	2,900	4,813	8,127
Underlying EBIT	177	2,553	301	-579	430	3,734
Ratios						
Gross margin	32.6%	34.2%	34.4%	33.2%	34.0%	34.0%
EBITDA margin on revenues	1.6%	4.0%	3.5%	1.5%	7.2%	9.4%
EBIT margin on revenues	-1.6%	2.1%	-2.2%	-5.0%	0.6%	4.3%
Net margin on revenues	-3.8%	0.0%	-3.3%	-5.3%	0.1%	2.8%
Tax rate	-1.8%	100.1%	5.5%	10.0%	21.2%	23.9%
Expenses as % of revenues						
S&M	18.0%	17.5%	21.2%	20.4%	17.8%	16.5%
G&A	9.2%	8.5%	10.2%	12.5%	9.1%	7.4%
R&D	7.2%	5.7%	5.3%	5.1%	6.4%	5.8%
Other operating expenses	0.4%	0.9%	0.1%	0.5%	0.3%	0.3%
Y-Y Growth						
Revenues	23.3%	13.7%	-5.1%	-9.1%	25.5%	30.0%
Operating income	n.m.	n.m.	n.m.	n.m.	n.m.	769.1%
Net income/ loss	n.m.	n.m.	n.m.	n.m.	n.m.	4214.0%



BALANCE SHEET

All figures in EUR '000	2017A	2018A	2019A	2020E	2021E	2022E
Assets						
Current assets, total	21,849	28,289	47,818	59,857	65,554	70,998
Cash and cash equivalents	4,694	7,805	21,192	40,789	41,563	40,173
Short-term investments	0	0	0	0	0	0
Receivables	8,712	10,158	13,773	9,478	11,896	15,465
Inventories	7,939	9,753	12,032	8,769	10,867	14,132
Other current assets	504	573	822	822	1,229	1,229
Non-current assets, total	12,684	13,776	25,040	24,753	24,512	24,808
Property, plant & equipment	1,197	1,596	9,869	8,362	7,289	6,895
Goodwill & other intangibles	10,950	11,497	13,921	15,141	15,973	16,663
Other assets	537	684	1,250	1,250	1,250	1,250
Total assets	34,534	42,065	72,859	84,611	90,066	95,806
Shareholders' equity & debt						
Current liabilities, total	18,563	18,865	20,514	14,918	21,216	20,630
Short-term debt	9,410	7,154	5,352	2,000	6,900	4,137
Accounts payable	5,520	7,093	8,090	5,846	7,244	9,422
Current provisions	800	972	1,263	1,263	1,263	1,263
Liabilities under finance leases	0	44	2,278	2,278	2,278	2,278
Other current liabilities	2,833	3,602	3,531	3,531	3,531	3,531
Long-term liabilities, total	2,076	4,996	12,085	12,085	11,184	15,048
Long-term debt	529	3,056	3,953	3,953	3,053	6,916
Liabilities under finance leases	0	54	5,755	5,755	5,755	5,755
Other liabilities	1,547	1,886	2,376	2,376	2,376	2,376
Minority interests	0	0	0	0	0	0
Shareholders' equity	13,895	18,204	40,260	57,608	57,665	60,128
Share capital	9,659	10,250	12,950	14,470	14,470	14,470
Capital reserve	75,475	79,498	100,417	119,076	119,076	119,076
Other reserves	0	0	0	0	0	0
Treasury stock	0	0	0	0	0	0
Loss carryforward / retained earnings	-70,423	-70,520	-72,447	-75,278	-75,221	-72,758
Total consolidated equity and debt	34,534	42,065	72,859	84,611	90,066	95,806
Ratios						
Current ratio (x)	1.18	1.50	2.33	4.01	3.09	3.44
Quick ratio (x)	0.75	0.98	1.74	3.42	2.58	2.76
Net cash	-5,245	-2,405	6,132	29,081	25,855	23,365
Net gearing	37.7%	13.2%	-15.2%	-50.5%	-44.8%	-38.9%
Book value per share (€)	1.51	1.79	3.50	4.35	3.99	4.16
Equity ratio	40.2%	43.3%	55.3%	68.1%	64.0%	62.8%
Return on equity (ROE)	-14.9%	0.0%	-4.8%	-4.9%	0.1%	4.1%
Return on investment (ROI)	-6.0%	0.0%	-2.6%	-3.3%	0.1%	2.6%
Return on assets (ROA)	-2.6%	1.8%	-1.6%	-2.8%	0.5%	3.1%
Return on capital employed (ROCE)	-4.1%	6.1%	-4.2%	-7.4%	1.2%	9.6%
Days of sales outstanding (DSO)	58.6	60.1	85.9	65.0	65.0	65.0
Days of inventory turnover	79.3	87.6	114.3	90.0	90.0	90.0
Days in payables (DIP)	55.1	63.7	76.9	60.0	60.0	60.0



CASH FLOW STATEMENT

All figures in EUR '000	2017A	2018A	2019A	2020E	2021E	2022E
EBIT	-885	1,325	-1,288	-2,680	430	3,734
Depreciation and amortisation	1,747	1,153	3,330	3,480	4,383	4,393
EBITDA	862	2,478	2,042	800	4,813	8,127
Changes in working capital	1,362	-1,417	-5,026	5,314	-3,525	-4,657
Other adjustments	-519	945	1,723	315	-15	-774
Operating cash flow	1,704	2,005	-1,261	6,429	1,273	2,697
Investments in PP&E	-497	-928	-1,110	-852	-1,603	-2,084
Investments in intangibles	-844	-1,445	-2,582	-2,342	-2,538	-2,605
Free cash flow	363	-368	-4,952	3,235	-2,869	-1,993
Acquisitions & disposals, net	33	0	64	0	0	0
Other investments	0	0	0	0	0	0
Investing cash flow	-1,308	-2,373	-3,628	-3,193	-4,142	-4,689
Debt financing, net	2,252	-1,786	-5,258	-3,352	4,000	1,100
Equity financing, net	400	4,220	27,000	20,179	0	0
Dividend paid	0	0	0	0	0	0
Other financing	-394	1,045	-3,467	-465	-357	-498
Financing cash flow	2,258	3,479	18,275	16,362	3,643	602
Forex & other effects	-2	0	0	0	0	0
Net cash flows	2,653	3,111	13,387	19,597	774	-1,391
Cash, start of the year	1,756	4,409	7,520	21,192	40,789	41,563
Cash, end of the year	4,409	7,520	20,907	40,789	41,563	40,173
EBITDA/share (in €)	0.09	0.24	0.18	0.06	0.33	0.56

Y-Y Growth

Operating cash flow	n.m.	17.7%	n.m.	n.m.	-80.2%	111.9%
Free cash flow	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
EBITDA/share	n.m.	160.5%	-27.2%	-66.0%	450.5%	68.9%

Imprint / Disclaimer

First Berlin Equity Research

First Berlin Equity Research GmbH ist ein von der BaFin betreffend die Einhaltung der Pflichten des §85 Abs. 1 S. 1 WpHG, des Art. 20 Abs. 1 Marktmissbrauchsverordnung (MAR) und der Markets Financial Instruments Directive (MiFID) II, Markets in Financial Instruments Directive (MiFID) II Durchführungsverordnung und der Markets in Financial Instruments Regulations (MiFIR) beaufsichtigtes Unternehmen.

First Berlin Equity Research GmbH is one of the companies monitored by BaFin with regard to its compliance with the requirements of Section 85 (1) sentence 1 of the German Securities Trading Act [WpHG], art. 20 (1) Market Abuse Regulation (MAR) and Markets in Financial Instruments Directive (MiFID) II, Markets in Financial Instruments Directive (MiFID) II Commission Delegated Regulation and Markets in Financial Instruments Regulations (MiFIR).

Anschrift:

First Berlin Equity Research GmbH
Mohrenstr. 34
10117 Berlin
Germany

Vertreten durch den Geschäftsführer: Martin Bailey

Telefon: +49 (0) 30-80 93 9 680

Fax: +49 (0) 30-80 93 9 687

E-Mail: info@firstberlin.com

Amtsgericht Berlin Charlottenburg HR B 103329 B

UST-Id.: 251601797

Ggf. Inhaltlich Verantwortlicher gem. § 6 MDStV

First Berlin Equity Research GmbH

Authored by: Dr. Karsten von Blumenthal, Analyst

All publications of the last 12 months were authored by Dr. Karsten von Blumenthal.

Company responsible for preparation: First Berlin Equity Research GmbH, Mohrenstraße 34, 10117 Berlin

The production of this recommendation was completed on 16 February 2021 at 10:21

Person responsible for forwarding or distributing this financial analysis: Martin Bailey

Copyright© 2021 First Berlin Equity Research GmbH No part of this financial analysis may be copied, photocopied, duplicated or distributed in any form or media whatsoever without prior written permission from First Berlin Equity Research GmbH. First Berlin Equity Research GmbH shall be identified as the source in the case of quotations. Further information is available on request.

INFORMATION PURSUANT TO SECTION 85 (1) SENTENCE 1 OF THE GERMAN SECURITIES TRADING ACT [WPHG], TO ART. 20 (1) OF 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 ART. 37 OF COMMISSION DELEGATED REGULATION (EU) NO 2017/565 (MIFID) II.

First Berlin Equity Research GmbH (hereinafter referred to as: "First Berlin") prepares financial analyses while taking the relevant regulatory provisions, in particular section 85 (1) sentence 1 of the German Securities Trading Act [WpHG], art. 20 (1) of Regulation (EU) No 596/2014 of the European Parliament and of the Council of April 16, 2014, on market abuse (market abuse regulation) and art. 37 of Commission Delegated Regulation (EU) no. 2017/565 (MiFID II) 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 art. 37 (1) of Commission Delegated Regulation (EU) no. 2017/565 (MiFID) II and art. 20 (1) of Regulation (EU) No 596/2014 of the European Parliament and of the Council of April 16, 2014, on market abuse (market abuse regulation) investment firms which produce, or arrange for the production of, investment research that is intended or likely to be subsequently disseminated to clients of the firm or to the public, under their own responsibility or that of a member of their group, shall ensure the implementation of all the measures set forth in accordance with Article 34 (2) lit. (b) of Regulation (EU) 2017/565 in relation to the financial analysts involved in the production of the investment research and other relevant persons whose responsibilities or business interests may conflict with the interests of the persons to whom the investment research is disseminated. In accordance with art. 34 (3) of Regulation (EU) 2017/565 the procedures and measures referred to in paragraph 2 lit. (b) of such article shall be designed to ensure that relevant persons engaged in different business activities involving a conflict of interests carry on those activities at a level of independence appropriate to the size and activities of the investment firm and of the group to which it belongs, and to the risk of damage to the interests of clients.

In addition, First Berlin shall pursuant to Article 5 of the Commission Delegated Regulation (EU) 2016/958 disclose in their recommendations all relationships and circumstances that may reasonably be expected to impair the objectivity of the financial analyses, including interests or conflicts of interest, on their part or on the part of any natural or legal person working for them under a contract, including a contract of employment, or otherwise, who was involved in producing financial analyses, concerning any financial instrument or the issuer to which the recommendation directly or indirectly relates.

With regard to the financial analyses of SFC Energy AG the following relationships and circumstances are exist which may reasonably be expected to impair the objectivity of the financial analyses: The author, First Berlin, or a company associated with First Berlin reached an agreement with the SFC Energy AG for preparation of a financial analysis for which remuneration is owed.

Furthermore, First Berlin offers a range of services that go beyond the preparation of financial analyses. Although First Berlin strives to avoid conflicts of interest wherever possible, First Berlin may maintain the following relations with the analysed company, which in particular may constitute a potential conflict of:

- The author, First Berlin, or a company associated with First Berlin owns a net long or short position exceeding the threshold of 0,5 % of the total issued share capital of the analysed company;
- The author, First Berlin, or a company associated with First Berlin holds an interest of more than five percent in the share capital of the analysed company;

- The author, First Berlin, or a company associated with First Berlin provided investment banking or consulting services for the analysed company within the past twelve months for which remuneration was or was to be paid;
- The author, First Berlin, or a company associated with First Berlin reached an agreement with the analysed company for preparation of a financial analysis for which remuneration is owed;
- The author, First Berlin, or a company associated with First Berlin has other significant financial interests in the analysed company;

With regard to the financial analyses of SFC Energy AG the following of the aforementioned potential conflicts of interests or the potential conflicts of interest mentioned in Article 6 paragraph 1 of the Commission Delegated Regulation (EU) 2016/958 exist: The author, First Berlin, or a company associated with First Berlin reached an agreement with the SFC Energy AG for preparation of a financial analysis for which remuneration is owed.

First Berlin F.S.B. Investment-Beratungsgesellschaft mbH (hereafter FBIB), a company of the First Berlin Group, holds a stake of under 0.5% of the shares in the company which has been covered in this analysis. The analyst is not subject to any restrictions with regard to his recommendation and is therefore independent, so that we believe there is no conflict of interest.

In order to avoid and, if necessary, manage possible conflicts of interest both the author of the financial analysis and First Berlin shall be obliged to neither hold nor in any way trade the securities of the company analyzed. The remuneration of the author of the financial analysis stands in no direct or indirect connection with the recommendations or opinions represented in the financial analysis. Furthermore, the remuneration of the author of the financial analysis is neither coupled directly to financial transactions nor to stock exchange trading volume or asset management fees.

INFORMATION PURSUANT TO SECTION 64 OF THE GERMAN SECURITIES TRADING ACT [WPHG], DIRECTIVE 2014/65/EU OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL OF 15 MAY 2014 ON MARKETS IN FINANCIAL INSTRUMENTS AND AMENDING DIRECTIVE 2002/92/EC AND DIRECTIVE 2011/61/EU, ACCOMPANIED BY THE MARKETS IN FINANCIAL INSTRUMENTS REGULATION (MIFIR, REG. EU NO. 600/2014).

First Berlin notes that it has concluded a contract with the issuer to prepare financial analyses and is paid for that by the issuer. First Berlin makes the financial analysis simultaneously available for all interested security financial services companies. First Berlin thus believes that it fulfils the requirements of section 64 WpHG for minor non-monetary benefits.

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:

Category		1	2
Current market capitalisation (in €)		0 - 2 billion	> 2 billion
Strong Buy ¹	An expected favourable price trend of:	> 50%	> 30%
Buy	An expected favourable price trend of:	> 25%	> 15%
Add	An expected favourable price trend of:	0% to 25%	0% to 15%
Reduce	An expected negative price trend of:	0% to -15%	0% to -10%
Sell	An expected negative price trend of:	< -15%	< -10%

¹ The expected price trend is in combination with sizable confidence in the quality and forecast security of management.

Our recommendation system places each company into one of two market capitalisation categories. Category 1 companies have a market capitalisation of €0 – €2 billion, and Category 2 companies have a market capitalisation of > €2 billion. The expected return thresholds underlying our recommendation system are lower for Category 2 companies than for Category 1 companies. This reflects the generally lower level of risk associated with higher market capitalisation companies.

RISK ASSESSMENT

The First Berlin categories for risk assessment are low, average, high and speculative. They are determined by ten factors: Corporate governance, quality of earnings, management strength, balance sheet and financial risk, competitive position, standard of financial disclosure, regulatory and political uncertainty, strength of brandname, market capitalisation and free float. These risk factors are incorporated into the First Berlin valuation models and are thus included in the target prices. First Berlin customers may request the models.

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...39	↓	↓	↓	↓
40	18 November 2019	€9.22	Add	€10.00
41	13 February 2020	€12.20	Reduce	€11.40
42	23 March 2020	€9.00	Add	€9.40
43	2 April 2020	€9.02	Add	€9.40
44	20 May 2020	€9.79	Reduce	€9.40
45	25 August 2020	€14.86	Reduce	€14.00
46	18 November 2020	€14.92	Add	€15.80
47	2 December 2020	€15.14	Add	€17.00
48	Today	€31.50	Buy	€44.00

INVESTMENT HORIZON

Unless otherwise stated in the financial analysis, the ratings refer to an investment period of twelve months.

UPDATES

At the time of publication of this financial analysis it is not certain whether, when and on what occasion an update will be provided. In general First Berlin strives to review the financial analysis for its topicality and, if required, to update it in a very timely manner in connection with the reporting obligations of the analysed company or on the occasion of ad hoc notifications.

SUBJECT TO CHANGE

The opinions contained in the financial analysis reflect the assessment of the author on the day of publication of the financial analysis. The author of the financial analysis reserves the right to change such opinion without prior notification.

Legally required information regarding

- key sources of information in the preparation of this research report
- valuation methods and principles
- sensitivity of valuation parameters

can be accessed through the following internet link: <https://firstberlin.com/disclaimer-english-link/>

SUPERVISORY AUTHORITY: Bundesanstalt für Finanzdienstleistungsaufsicht (German Federal Financial Supervisory Authority) [BaFin], Graurheindorferstraße 108, 53117 Bonn and Marie-Curie-Straße 24-28, 60439 Frankfurt am Main

EXCLUSION OF LIABILITY (DISCLAIMER)

RELIABILITY OF INFORMATION AND SOURCES OF INFORMATION

The information contained in this study is based on sources considered by the author to be reliable. Comprehensive verification of the accuracy and completeness of information and the reliability of sources of information has neither been carried out by the author nor by First Berlin. As a result no warranty of any kind whatsoever shall be assumed for the accuracy and completeness of information and the reliability of sources of information, and neither the author nor First Berlin, nor the person responsible for passing on or distributing the financial analysis shall be liable for any direct or indirect damage incurred through reliance on the accuracy and completeness of information and the reliability of sources of information.

RELIABILITY OF ESTIMATES AND FORECASTS

The author of the financial analysis made estimates and forecasts to the best of the author's knowledge. These estimates and forecasts reflect the author's personal opinion and judgement. The premises for estimates and forecasts as well as the author's perspective on such premises are subject to constant change. Expectations with regard to the future performance of a financial instrument are the result of a measurement at a single point in time and may change at any time. The result of a financial analysis always describes only one possible future development – the one that is most probable from the perspective of the author – of a number of possible future developments.

Any and all market values or target prices indicated for the company analysed in this financial analysis may not be achieved due to various risk factors, including but not limited to market volatility, sector volatility, the actions of the analysed company, economic climate, failure to achieve earnings and/or sales forecasts, unavailability of complete and precise information and/or a subsequently occurring event which affects the underlying assumptions of the author and/or other sources on which the author relies in this document. Past performance is not an indicator of future results; past values cannot be carried over into the future.

Consequently, no warranty of any kind whatsoever shall be assumed for the accuracy of estimates and forecasts, and neither the author nor First Berlin, nor the person responsible for passing on or distributing the financial analysis shall be liable for any direct or indirect damage incurred through reliance on the correctness of estimates and forecasts.

INFORMATION PURPOSES, NO RECOMMENDATION, SOLICITATION, NO OFFER FOR THE PURCHASE OF SECURITIES

The present financial analysis serves information purposes. It is intended to support institutional investors in making their own investment decisions; however in no way provide the investor with investment advice. Neither the author, nor First Berlin, nor the person responsible for passing on or distributing the financial analysis shall be considered to be acting as an investment advisor or portfolio manager vis-à-vis an investor. Each investor must form his own independent opinion with regard to the suitability of an investment in view of his own investment objectives, experience, tax situation, financial position and other circumstances.

The financial analysis does not represent a recommendation or solicitation and is not an offer for the purchase of the security specified in this financial analysis. Consequently, neither the author nor First Berlin, nor the person responsible for passing on or distributing the financial analysis shall as a result be liable for losses incurred through direct or indirect employment or use of any kind whatsoever of information or statements arising out of this financial analysis.

A decision concerning an investment in securities should take place on the basis of independent investment analyses and procedures as well as other studies including, but not limited to, information memoranda, sales or issuing prospectuses and not on the basis of this document.

NO ESTABLISHMENT OF CONTRACTUAL OBLIGATIONS

By taking note of this financial analysis the recipient neither becomes a customer of First Berlin, nor does First Berlin incur any contractual, quasi-contractual or pre-contractual obligations and/or responsibilities toward the recipient. In particular no information contract shall be established between First Berlin and the recipient of this information.

NO OBLIGATION TO UPDATE

First Berlin, the author and/or the person responsible for passing on or distributing the financial analysis shall not be obliged to update the financial analysis. Investors must keep themselves informed about the current course of business and any changes in the current course of business of the analysed company.

DUPLICATION

Dispatch or duplication of this document is not permitted without the prior written consent of First Berlin.

SEVERABILITY

Should any provision of this disclaimer prove to be illegal, invalid or unenforceable under the respectively applicable law, then such provision shall be treated as if it were not an integral component of this disclaimer; in no way shall it affect the legality, validity or enforceability of the remaining provisions.

APPLICABLE LAW, PLACE OF JURISDICTION

The preparation of this financial analysis shall be subject to the law obtaining in the Federal Republic of Germany. The place of jurisdiction for any disputes shall be Berlin (Germany).

NOTICE OF DISCLAIMER

By taking note of this financial analysis the recipient confirms the binding nature of the above explanations.

By using this document or relying on it in any manner whatsoever the recipient accepts the above restrictions as binding for the recipient.

QUALIFIED INSTITUTIONAL INVESTORS

First Berlin financial analyses are intended exclusively for qualified institutional investors.

This report is not intended for distribution in the USA and/or Canada.