

SFC Energy AG

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

Update

RATING
BUY

PRICE TARGET
€ 37.00

Return Potential 87.4%
 Risk Rating High

LARGE CAPITAL INCREASE SUCCESSFULLY COMPLETED

SFC placed ca. 2.9m shares at €19.50 generating proceeds of €56m. Given the challenging capital markets environment, we view the successful completion as a clear sign that investors believe in SFC's growth story despite the difficult macro-economic environment (high inflation, looming recession, low consumer confidence, supply chain disruptions). SFC will use the proceeds, approx. one third each, (1) to foster regional and technological expansion, (2) accelerate the development of products and solutions, and (3) for external growth opportunities. The company now has a very strong cash position (Q1/22: €20m + €56m = €76m) and equity of ca €105m (Q1/22: €49m + €56m). We stick to our growthforecast (2021-24 CAGR: 37%), which does not entail external growth. The dilutive effect of the capital increase results in a lower price target of €37 (previously: €41) We confirm our Buy recommendation.

Large capital increase successfully completed Despite volatile capital markets and the difficult macro-economic environment, SFC placed 2.9m shares and received gross proceeds of €56m. The company now has very strong financial KPIs (ca. €76m in cash, ca. €105m equity) and is poised for both organic and inorganic growth.

How SFC will invest the money (1) SFC will invest in regional and technological expansion: joint ventures in Asia, technological partnerships, and expansion into new regions. (2) SFC will accelerate R&D: the further development of the EFOY Pro direct methanol fuel cell, and improved hydrogen fuel cells for use in higher power ranges. The company also plans to develop complementary electrolysis functionality for the hydrogen fuel cell product range. (3) SFC is looking for acquisition targets with a focus on the European and the US market.

(p.t.o.)

FINANCIAL HISTORY & PROJECTIONS

	2019	2020	2021	2022E	2023E	2024E
Revenue (€m)	58.54	53.22	64.32	79.84	114.17	165.55
Y-o-y growth	-5.1%	-9.1%	20.9%	24.1%	43.0%	45.0%
EBIT (€m)	-1.29	-4.50	-5.11	1.55	9.59	16.55
EBIT margin	-2.2%	-8.5%	-7.9%	1.9%	8.4%	10.0%
Net income (€m)	-1.93	-5.18	-5.83	0.95	6.99	12.06
EPS (diluted) (€)	-0.17	-0.39	-0.40	0.06	0.40	0.69
DPS (€)	0.00	0.00	0.00	0.00	0.00	0.00
FCF (€m)	-4.95	-4.87	-2.70	-4.68	-4.42	-8.32
Net gearing	-15.2%	-37.7%	-34.8%	-64.1%	-56.1%	-44.2%
Liquid assets (€m)	21.19	31.75	25.01	78.73	72.98	64.63

RISKS

The main risks are internationalisation, 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.

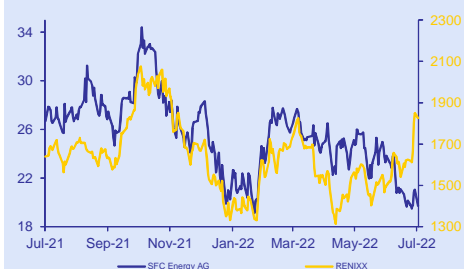
MARKET DATA

As of 01 Aug 2022

Closing Price	€ 19.74
Shares outstanding	14.47m
Market Capitalisation	€ 285.64m
52-week Range	€ 19.13 / 34.39
Avg. Volume (12 Months)	62,648

Multiples	2021	2022E	2023E
P/E	n.a.	360.5	49.1
EV/Sales	5.1	4.1	2.9
EV/EBIT	n.a.	211.4	34.2
Div. Yield	0.0%	0.0%	0.0%

STOCK OVERVIEW



COMPANY DATA

As of 31 Mar 2022

Liquid Assets	€ 19.93m
Current Assets	€ 56.74m
Intangible Assets	€ 18.15m
Total Assets	€ 86.35m
Current Liabilities	€ 22.79m
Shareholders' Equity	€ 49.27m

SHAREHOLDERS

Acatis	5.7%
Hansainvest	3.0%
DWS	2.9%
Conduit Ventures	2.5%
Free Float	85.9%



2025 growth plan: >€350m sales SFC's medium-term plan calls for sales to expand to €350m to €400m by 2025 through both organic and inorganic expansion, as well as a widening of the adjusted EBITDA margin to above 15%.

Strong rise in order backlog and order intake in Q1 The order backlog increased significantly q/q to €57.1m (YE21: €30.5m). Compared to the €15.6m order backlog in Q1/21, it more than tripled. Q1 order intake amounted to €44.3m. This very high figure reflects the strong demand momentum for SFC's products.

Expansion of production capacity in 2022 SFC has started to double production capacity in Germany and set up a new fuel cell production line in the existing facility in Romania. We expect SFC to reach a capacity of 12k - 13k units in Germany and 6k - 7k units in Romania (one shift) by the end of 2022. This would result in a total capacity of ca. 18k - 20k units (2021: 6.5k). The natural next step would be a two shift system in Romania thereby doubling the facility's capacity. By 2023/24 we expect the company to begin the transition from manual assembly to automated production processes.

Forecasts unchanged Our forecasts already contain strong growth (CAGR 2021-2024: 37%). Based on the capital increase, financing of organic growth is more than secured and liquid funds (end Q1/22: €20m + €56m from the capital increase = €76m) are sufficient to pay for a potential acquisition, which we have not modelled. Our estimates thus remain unchanged resulting in lower EPS due to the higher number of shares.

Figure 1: Revisions to forecasts

All figures in €m	2022E			2023E			2024E		
	Old	New	Delta	Old	New	Delta	Old	New	Delta
Sales	79.8	79.8	0%	114.2	114.2	0%	165.5	165.5	0%
EBIT	1.6	1.6	0%	9.6	9.6	0%	16.6	16.6	0%
margin	1.9%	1.9%		8.4%	8.4%		10.0%	10.0%	
Net income	1.0	1.0	0%	7.0	7.0	0%	12.1	12.1	0%
margin	1.2%	1.2%		6.1%	6.1%		7.3%	7.3%	
EPS (diluted) in €	0.07	0.06	-13%	0.48	0.40	-16%	0.83	0.69	-16%

Source: First Berlin Equity Research

Dilutive effect of capital increase yields lower price target We have incorporated the higher number of shares and the additional cash in our model. The dilutive effect of the capital increase yields a lower price target of €37 (previously: €41). We confirm our Buy rating.



VALUATION MODEL

DCF valuation model								
All figures in EUR '000	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E
Net sales	79,840	114,171	165,548	240,045	294,382	355,239	421,701	492,317
NOPLAT	1,252	7,173	12,092	19,821	24,688	29,666	34,942	40,397
+ depreciation & amortisation	4,943	5,430	6,084	7,024	8,327	9,890	11,655	13,561
Net operating cash flow	6,195	12,604	18,177	26,845	33,015	39,556	46,597	53,958
- total investments (CAPEX and WC)	-10,872	-17,026	-26,501	-35,919	-30,688	-35,136	-38,648	-41,527
Capital expenditures	-8,383	-8,563	-10,595	-13,443	-15,736	-18,085	-20,395	-22,557
Working capital	-2,489	-8,463	-15,906	-22,476	-14,952	-17,051	-18,253	-18,970
Free cash flows (FCF)	-4,678	-4,422	-8,324	-9,074	2,327	4,421	7,949	12,431
PV of FCF's	-4,534	-3,975	-6,939	-7,015	1,669	2,940	4,902	7,110

All figures in thousands		
PV of FCFs in explicit period (2022E-2036E)	108,176	
PV of FCFs in terminal period	463,113	
Enterprise value (EV)	571,290	
+ Net cash / - net debt (pro forma)	71,946	
+ Investments / minority interests	0	
Shareholder value	643,235	
Diluted number of shares	17,485	
Fair value per share in EUR	36.79	
		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%
6.3%	Cost of equity	44.54	48.14	52.69	58.61	66.62	78.09	95.86
6.8%	Pre-tax cost of debt	39.04	41.76	45.11	49.33	54.83	62.27	72.92
7.3%	Tax rate	34.57	36.66	39.18	42.29	46.21	51.32	58.24
7.8%	After-tax cost of debt	30.86	32.50	34.44	36.79	39.68	43.32	48.07
8.3%	Share of equity capital	27.76	29.06	30.58	32.38	34.57	37.25	40.64
8.8%	Share of debt capital	25.13	26.17	27.38	28.79	30.47	32.50	35.00
9.3%	Price target in EUR	22.88	23.73	24.70	25.82	27.13	28.70	30.58

* for layout purposes the model shows numbers only to 2029, but runs until 2036



INCOME STATEMENT

All figures in EUR '000	2018A	2019A	2020A	2021A	2022E	2023E	2024E
Revenues	61,704	58,538	53,223	64,320	79,840	114,171	165,548
Cost of goods sold	40,623	38,410	35,307	41,682	52,694	75,353	109,262
Gross profit	21,082	20,128	17,915	22,638	27,146	38,818	56,286
S&M	10,792	12,438	12,122	15,051	13,573	16,441	21,687
G&A	5,230	5,994	7,125	10,292	8,623	7,992	10,761
R&D	3,525	3,104	2,843	3,257	3,400	4,795	7,284
Other operating income	320	178	157	904	240	343	497
Other operating expenses	529	57	483	48	240	343	497
Operating income (EBIT)	1,325	-1,288	-4,501	-5,105	1,550	9,590	16,555
Net financial result	-737	-752	-443	-410	-301	-186	-28
Non-operating expenses	0	0	0	0	0	0	0
Pre-tax income (EBT)	588	-2,040	-4,945	-5,515	1,249	9,405	16,527
Income taxes	589	-113	239	315	299	2,417	4,462
Minority interests	0	0	0	0	0	0	0
Net income / loss	-1	-1,927	-5,184	-5,829	951	6,988	12,065
Diluted EPS (in €)	0.00	-0.17	-0.39	-0.40	0.06	0.40	0.69
Adjusted EBITDA (AEBITDA)	3,705	3,631	2,936	6,233	7,141	15,020	22,639
One-off costs / earnings (-/+)	-1,227	-1,589	-3,922	-7,030	-648	0	0
EBITDA	2,478	2,042	-986	-797	6,493	15,020	22,639
Adjusted EBIT (AEBIT)	2,553	-2,877	-579	1,925	2,198	9,590	16,555
Ratios							
Gross margin	34.2%	34.4%	33.7%	35.2%	34.0%	34.0%	34.0%
EBITDA margin on revenues	4.0%	3.5%	-1.9%	-1.2%	8.1%	13.2%	13.7%
Adjusted EBITDA margin on revenues	6.0%	6.2%	5.5%	9.7%	8.9%	13.2%	13.7%
EBIT margin on revenues	2.1%	-2.2%	-8.5%	-7.9%	1.9%	8.4%	10.0%
Adjusted EBIT margin on revenues	4.1%	-4.9%	-1.1%	3.0%	2.8%	8.4%	10.0%
Net margin on revenues	0.0%	-3.3%	-9.7%	-9.1%	1.2%	6.1%	7.3%
Tax rate	100.1%	5.5%	-4.8%	-5.7%	23.9%	25.7%	27.0%
Expenses as % of revenues							
S&M	17.5%	21.2%	22.8%	23.4%	17.0%	14.4%	13.1%
G&A	8.5%	10.2%	13.4%	16.0%	10.8%	7.0%	6.5%
R&D	5.7%	5.3%	5.3%	5.1%	4.3%	4.2%	4.4%
Other operating expenses	0.9%	0.1%	0.9%	0.1%	0.3%	0.3%	0.3%
Y-Y Growth							
Revenues	13.7%	-5.1%	-9.1%	20.9%	24.1%	43.0%	45.0%
Operating income	n.m.	n.m.	n.m.	n.m.	n.m.	518.7%	72.6%
Net income/ loss	n.m.	n.m.	n.m.	n.m.	n.m.	635.0%	72.7%



BALANCE SHEET

All figures in EUR '000	2018A	2019A	2020A	2021A	2022E	2023E	2024E
Assets							
Current assets, total	28,289	47,818	58,447	58,724	115,230	122,395	135,523
Cash and cash equivalents	7,805	21,192	31,750	25,008	78,726	72,981	64,630
Short-term investments	0	0	0	0	0	0	0
Receivables	10,158	13,773	13,031	17,851	17,499	25,024	36,285
Inventories	9,753	12,032	12,617	14,185	17,324	22,709	32,928
Other current assets	573	822	1,049	1,680	1,680	1,680	1,680
Non-current assets, total	13,776	25,040	27,882	28,641	32,081	35,214	39,725
Property, plant & equipment	1,596	9,869	9,985	8,887	8,422	9,158	10,017
Goodwill & other intangibles	11,497	13,921	15,999	17,698	21,160	23,557	27,208
Other assets	684	1,250	1,898	2,056	2,499	2,499	2,499
Total assets	42,065	72,859	86,330	87,365	147,311	157,609	175,247
Shareholders' equity & debt							
Current liabilities, total	18,865	20,514	18,780	20,998	22,698	26,008	31,582
Short-term debt	7,154	5,352	4,340	2,735	4,137	3,000	3,000
Accounts payable	7,093	8,090	4,742	7,642	7,940	12,387	17,961
Current provisions	972	1,263	1,583	2,020	2,020	2,020	2,020
Liabilities under finance leases	44	2,278	1,353	1,860	1,860	1,860	1,860
Other current liabilities	3,602	3,531	6,762	6,741	6,741	6,741	6,741
Long-term liabilities, total	4,996	12,085	12,711	16,348	17,212	17,212	17,212
Long-term debt	3,056	3,953	209	0	863	863	863
Liabilities under finance leases	54	5,755	6,548	4,891	4,891	4,891	4,891
Other liabilities	1,886	2,376	5,954	11,458	11,458	11,458	11,458
Minority interests	0	0	0	0	0	0	0
Shareholders' equity	18,204	40,260	54,838	50,018	107,401	114,389	126,454
Share capital	10,250	12,950	14,470	14,470	17,364	17,364	17,364
Capital reserve	79,498	100,417	119,118	119,637	173,175	173,175	173,175
Other reserves	0	0	0	0	0	0	0
Treasury stock	0	0	0	0	0	0	0
Loss carryforward / retained earnings	-70,520	-72,447	-77,631	-83,461	-82,510	-75,523	-63,458
Total consolidated equity and debt	42,065	72,859	86,330	87,365	147,311	157,609	175,247
Ratios							
Current ratio (x)	1.50	2.33	3.11	2.80	5.08	4.71	4.29
Quick ratio (x)	0.98	1.74	2.44	2.12	4.31	3.83	3.25
Net cash	-2,405	6,132	20,653	17,382	68,835	64,227	55,875
Net gearing	13.2%	-15.2%	-37.7%	-34.8%	-64.1%	-56.1%	-44.2%
Book value per share (€)	1.79	3.50	4.14	3.46	6.85	6.59	7.28
Equity ratio	43.3%	55.3%	63.5%	57.3%	72.9%	72.6%	72.2%
Return on equity (ROE)	0.0%	-4.8%	-9.5%	-11.7%	0.9%	6.1%	9.5%
Return on investment (ROI)	0.0%	-2.6%	-6.0%	-6.7%	0.6%	4.4%	6.9%
Return on assets (ROA)	1.8%	-1.6%	-5.5%	-6.2%	0.8%	4.6%	7.0%
Return on capital employed (ROCE)	6.1%	-4.2%	-11.2%	-11.7%	3.2%	16.6%	22.5%
Days of sales outstanding (DSO)	60.1	85.9	89.4	101.3	80.0	80.0	80.0
Days of inventory turnover	87.6	114.3	130.4	124.2	120.0	110.0	110.0
Days in payables (DIP)	63.7	76.9	49.0	66.9	55.0	60.0	60.0



CASH FLOW STATEMENT

All figures in EUR '000	2018A	2019A	2020A	2021A	2022E	2023E	2024E
EBIT	1,325	-1,288	-4,501	-5,105	1,550	9,590	16,555
Depreciation and amortisation	1,153	3,330	3,516	4,308	4,943	5,430	6,084
EBITDA	2,478	2,042	-986	-797	6,493	15,020	22,639
Changes in working capital	-1,417	-5,026	-4,300	-5,086	-2,489	-8,463	-15,906
Other adjustments	945	1,723	4,691	6,961	-299	-2,417	-4,462
Operating cash flow	2,005	-1,261	-595	1,078	3,706	4,140	2,271
Investments in PP&E	-928	-1,110	-943	-1,021	-3,992	-3,768	-3,973
Investments in intangibles	-1,445	-2,582	-3,336	-2,762	-4,391	-4,795	-6,622
Free cash flow	-368	-4,952	-4,874	-2,705	-4,678	-4,422	-8,324
Acquisitions & disposals, net	0	64	0	9	0	0	0
Other investments	0	0	0	-99	0	0	0
Investing cash flow	-2,373	-3,628	-4,279	-3,873	-8,383	-8,563	-10,595
Debt financing, net	-1,786	-5,258	-2,953	-654	2,265	-1,137	0
Equity financing, net	4,220	27,000	19,665	0	56,432	0	0
Dividend paid	0	0	0	0	0	0	0
Other financing	1,045	-3,467	-1,280	-3,392	-301	-186	-28
Financing cash flow	3,479	18,275	15,432	-4,046	58,396	-1,323	-28
Forex & other effects	0	0	0	0	0	0	0
Net cash flows	3,111	13,387	10,558	-6,842	53,719	-5,745	-8,352
Cash, start of the year	4,409	7,520	21,192	31,464	25,008	78,726	72,981
Cash, end of the year	7,520	20,907	31,464	24,622	78,726	72,981	64,630
EBITDA/share (in €)	0.24	0.18	-0.07	-0.06	0.41	0.87	1.30
Y-Y Growth							
Operating cash flow	17.7%	n.m.	n.m.	n.m.	243.7%	11.7%	-45.1%
Free cash flow	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
EBITDA/share	160.5%	-27.2%	n.m.	n.m.	n.m.	108.8%	50.7%

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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.

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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...48	↓	↓	↓	↓
49	1 April 2021	€27.20	Buy	€44.00
50	11 May 2021	€20.15	Buy	€44.00
51	25 May 2021	€23.85	Buy	€44.00
52	23 August 2021	€27.45	Buy	€44.00
53	16 November 2021	€33.00	Buy	€44.00
54	15 February 2022	€20.80	Buy	€44.00
55	31 March 2022	€26.80	Buy	€44.00
56	19 May 2022	€25.10	Buy	€41.00
57	Today	€19.74	Buy	€37.00

INVESTMENT HORIZON

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Legally required information regarding

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

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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

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