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Research

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Price (p)	0.50
Shares in issue (m)	9,382
Mkt Cap (£m)	47
Net debt (£m)	-6
EV (£m)	41
BVPS (p)	0.5

Share price performance

1m	8.3%
3m	-33.6%
12m	-65.1%
12 m high/low	133/34
Ave daily vol (30D)	39,200k

Shareholders

Altair Group	17.4%
Hargreaves Lansd'n	14.2%
Interactive Investor	6.5%
Amati	4.6%
Halifax	4.3%
Capita Plc	2.9%
Chelverton	2.5%
A J Bell Securities	2.4%
HSBC	2.4%
Allen S Bowerba	2.3%
Total for top 10	59.5%
Free float	97.1%
Source: Bloomberg	01 Sep 22

Next news Ints Q3

Business description

Technology innovation company producing clean syngas for baseload power and biofuels applications



— Price — Relative

DEESIDE SALE PROGRESS

EQTEC is making progress at its Deeside project with a buyer for the project having now entered discussions. If a deal can be concluded this will allow the company to recycle capital while continuing to benefit from the economics of licencing and supporting its Advanced Gasification Technology.

Advanced discussions on project sale

EQTEC has announced that it and its project partner in the Deeside waste to energy project are in advanced discussions for the sale of the project. The project comprises a 182,000t waste reception plant, 2MW anaerobic digestion facility and a 9.9MWE EQTEC Advanced Gasification Technology facility. The project SPV and partner Logik Developments will also extend the long stop date on their share purchase agreement to facilitate the transaction and it is expected that the relevant parties to the sale will enter heads of terms by the end of September.

Progress on commercial arrangements

The company has also announced progress on the project commercial arrangements with offtake agreements for both gas and power in advanced discussions with Toyota Motor Manufacturing for their nearby engine plant and the receipt of updated heads of terms from TotalEnergies also for gas and power offtake on improved terms. EQTEC is also progressing discussions with shortlisted technology partners on the provision of downstream technology including the conversion of syngas to hydrogen at the site.

Developing the licencing model

As with most other projects, EQTEC's key economic interest is in licencing and supporting its proprietary gasification technology. Its involvement in project development has been to develop the market and create reference sites proving the technology. A sell down of this investment makes clear sense and allows the company to recycle the capital into further development of both other projects and its core technology business. EQTEC has also used the announcement to update on the issue of shares to certain suppliers for services provided. At just 0.2% of the shares in issue this does not affect our valuation.

£,000 Dec	2020a	2021a	2022e	2023e	2024e	2025e
Sales	2,235	9,172	27,906	45,669	66,989	112,368
EBITDA	-4,566	-4,161	1,277	6,475	10,222	22,747
PBT	-5,839	-4,700	414	5,677	9,518	22,106
EPS	-0.1	-0.1	0.0	0.1	0.1	0.2
CFPS	-0.1	-0.2	0.0	0.0	0.0	0.1
DPS	0.0	0.0	0.0	0.0	0.0	0.0
Net Debt (Cash)	-5,182	-6,189	-5,031	-7,432	-7,768	-21,886
Debt/EBITDA	1.1	1.5	-3.9	-1.1	-0.8	-1.0
P/E	-4.7	-8.5	129.4	9.4	5.6	2.4
EV/EBITDA	-9.1	-9.8	32.8	6.1	3.8	1.1
EV/sales	18.7	4.5	1.5	0.9	0.6	0.4
FCF yield	-18.6%	-41.3%	-9.2%	5.8%	0.7%	29.8%
Div yield	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

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FINANCIAL MODEL

Profit and Loss Account

£,000, Dec	2020a	2021a	2022e	2023e	2024e	2025e
Turnover						
Gasifier technology	2,235	9,172	27,906	45,669	66,989	112,368
Gasifier projects	0	0	0	0	0	0
Other	0	0	0	0	0	0
Other	0	0	0	0	0	0
Total	2,235	9,172	27,906	45,669	66,989	112,368
Operating profit						
Gasifier technology	-4,650	-3,841	1,463	6,238	10,223	22,408
Gasifier projects	0	0	0	0	0	0
Other	0	0	0	0	0	0
Other	0	0	0	0	0	0
Operating profit	-4,650	-3,841	1,463	6,238	10,223	22,408
P&L Account						
Turnover	2,235	9,172	27,906	45,669	66,989	112,368
Operating Profit	-4,650	-3,841	1,463	6,238	10,223	22,408
Investment income	0	-476	-343	80	-158	183
Net Interest	-1,189	-383	-706	-641	-547	-485
Pre Tax Profit (UKSIP)	-5,839	-4,700	414	5,677	9,518	22,106
Goodwill amortisation	0	0	0	0	0	0
Exceptional Items	0	0	0	0	0	0
Pre Tax Profit (IFRS)	-5,839	-4,700	414	5,677	9,518	22,106
Tax	0	0	-52	-710	-1,190	-2,763
Post tax exceptionals	71	0	0	0	0	0
Minorities	5	0	0	0	0	0
Net Profit	-5,763	-4,700	362	4,968	8,328	19,343
Dividend	0	0	0	0	0	0
Retained	-5,763	-4,700	362	4,968	8,328	19,343
EBITDA	-4,566	-4,161	1,277	6,475	10,222	22,747
EPS (p) (UKSIP)	-0.11	-0.06	0.00	0.05	0.09	0.21
EPS (p) (IFRS)	-0.11	-0.06	0.00	0.05	0.09	0.21
FCFPS (p)	-0.09	-0.21	-0.05	0.03	0.00	0.15
Dividend (p)	0.00	0.00	0.00	0.00	0.00	0.00

Source: Company data, Longspur Research estimates

KEY POINTS

- FY 22 sees growth in sales from order book start to ramp up
- Company profitable from FY22
- Owned project investment income development costs replaced by profit from FY25
- Revenue grows strongly across period as project pipeline develops

Balance Sheet

£,000, Dec	2020a	2021a	2022e	2023e	2024e	2025e
Fixed Asset Cost	418	834	845	855	865	876
Fixed Asset Depreciation	-230	-389	-545	-702	-858	-1,015
Net Fixed Assets	188	446	300	153	7	-139
Goodwill	0	0	0	0	0	0
Other intangibles	15,283	17,703	17,703	17,703	17,703	17,703
Investments	5,951	12,631	18,003	20,716	28,855	34,226
Stock	0	0	0	0	0	0
Trade Debtors	895	6,877	9,174	15,015	22,024	36,943
Other Debtors	986	6,456	6,456	6,456	6,456	6,456
Trade Creditors	-3,184	-6,922	-9,174	-15,015	-22,024	-36,943
Other Creditors <1yr	0	0	0	0	0	0
Creditors >1yr	0	0	0	0	0	0
Provisions	0	0	0	0	0	0
Pension	0	0	0	0	0	0
Capital Employed	20,119	37,191	42,461	45,028	53,021	58,246
Cash etc	6,395	6,446	15,088	17,484	16,814	30,027
Borrowing <1yr	1,106	201	6	1,005	905	814
Borrowing >1yr	106	57	10,051	9,046	8,141	7,327
Net Borrowing	-5,182	-6,189	-5,031	-7,432	-7,768	-21,886
Share Capital	24,356	25,977	25,981	25,981	25,981	25,981
Share Premium	62,897	83,611	87,356	87,356	87,356	87,356
Retained Earnings	-61,876	-66,177	-65,815	-60,847	-52,519	-33,176
Other	2,148	2,354	2,354	2,354	2,354	2,354
Minority interest	-2,224	-2,384	-2,384	-2,384	-2,384	-2,384
Capital Employed	20,119	37,191	42,461	45,028	53,021	58,246
Net Assets	25,301	43,380	47,493	52,460	60,789	80,132
Total Equity	25,301	43,380	47,493	52,460	60,789	80,132

Source: Company data, Longspur Research estimates

KEY POINTS

- Stable cash position following fund raisings in FY 20, FY 21 and FY 22
- Initial project revenue improves cash in FY 22
- Investment in owned projects grows from FY 23
- Working capital grows with sales
- £10m borrowing assumed drawn down in FY22

Cashflow

£,000, Dec	2020a	2021a	2022e	2023e	2024e	2025e
Operating profit	-4,650	-3,841	1,463	6,238	10,223	22,408
Depreciation	83	157	157	157	157	157
Provisions	0	0	0	0	0	0
Other	1,255	1,800	0	0	0	0
Working capital	-233	-5,658	-550	-893	-1,173	-2,033
Operating cash flow	-3,544	-7,543	1,069	5,501	9,207	20,532
Tax paid	0	0	0	-52	-710	-1,190
Capex (less disposals)	300	0	-10	-10	-10	-10
Investments	-1,821	-8,881	-5,372	-2,713	-8,139	-5,372
Net interest	-22	0	-706	-641	-547	-485
Net dividends	0	0	111	315	535	642
Residual cash flow	-5,086	-16,424	-4,908	2,401	336	14,118
Equity issued	12,099	18,240	3,750	0	0	0
Change in net borrowing	-7,720	-1,006	1,157	-2,401	-336	-14,118
Adjustments	707	-810	0	0	0	0
Total financing	5,086	16,424	4,907	-2,401	-336	-14,118

Source: Company data, Longspur Research estimates

KEY POINTS

- Working capital outflow grows in FY 23 as sales start to grow
- Investment in owned projects strong to FY 25

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