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Research

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Price (p)

0.43

Shares in issue (m) 9,402

Mkt Cap (£m) 40

Net debt (£m) -6

EV (£m) 34

BVPS (p) 0.5

Share price performance

1m -11.8%

3m -32.0%

12m -62.1%

12 m high/low 1.6/0.4

Ave daily vol (30D) 19,622k

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%

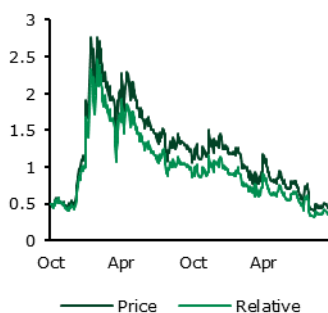
Source: Bloomberg 21 Sep 22

Next news

Ints Q3

Business description

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



RATIONALISATION AT SOUTHPORT

Rationalisation of project ownership at the Southport Hybrid Energy Park allows EQTEC to avoid major capital commitment while still benefiting from development services income, and helps to accelerate development of the project which, in Phase 2, will include EQTEC gasification technology.

Project will use EQTEC technology in Phase 2

EQTEC has completed a rationalisation exercise to accelerate the development of the Southport Hybrid Energy Park. Phase 2 of the project will include EQTEC's proprietary gasification technology. The rationalisation means that EQTEC no longer has to acquire the project SPV company for Phase 1 of the project and secures EQTEC's right to develop Phase 2. Phase 1 is the waste processing, anaerobic digestion and battery project. Phase 2 will use EQTEC gasification technology fed with refuse derived fuel from Phase 1 either for electricity or potentially for hydrogen.

Rationalisation releases company from capital commitments

The rationalisation cancels the existing share purchase agreement of the SPV and secures £2.5m of outstanding development service fees to EQTEC in the form of a secured convertible loan note. This pays no interest and will be paid to the company following the sale of or investment into the SPV by any third party as may happen on financial close. This effectively releases the company from the need to make capital commitments on Phase 1 of the project while securing development and licencing income in line with the company's stated strategy.

Progress on track

Progress on the project remains on track with front-end engineering design about to commence and the preliminary concept design for Phase 2 now complete. Phase 1 has already secured planning permission and the company is now working with consultants on an application for Phase 2.

£,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	-4.0	-7.2	110.0	8.0	4.8	2.1
EV/EBITDA	-7.6	-8.1	27.4	5.0	3.1	0.8
EV/sales	15.6	3.8	1.2	0.8	0.5	0.3
FCF yield	-21.9%	-48.6%	-10.8%	6.8%	0.9%	35.0%
Div yield	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

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	2020a	2021a	2022e	2023e	2024e	2025e
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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