

26 Sept 2022

Research

Adam Forsyth

adam.forsyth@longspur.com

+44 (0) 131 357 6770

Distribution

Adam Robertson

adam.robertson@longspur.com

+44 (0) 203 940 6602

Price (p)	0.41
Shares in issue (m)	9,402
Mkt Cap (£m)	38
Net debt (£m)	-6
EV (£m)	33
BVPS (p)	0.5

Share price performance

1m	-17.3%
3m	-29.6%
12m	-65.7%
12 m high/low	1.6/0.4
Ave daily vol (30D)	21,643k

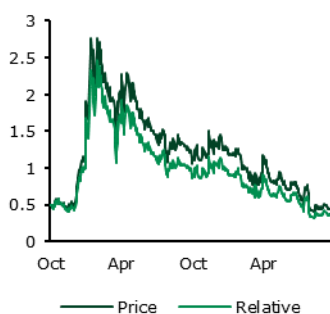
Shareholders

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



DEESIDE SALE TERMS AGREED

EQTEC continues to deliver on its strategy of realising value from its development projects and focusing on the delivery of its proprietary gasification technology. The agreement to sell Deeside for £15m represents value in our view and adjusting our forecasts for the transaction raises our central case valuation to 3.4p from 3.2p.

Non-binding HoT to sell Deeside

EQTEC has continued to move to realising value in its development projects with the signing of a non-binding heads of terms for the sale of the Deeside waste to energy project for £15m with EQTEC receiving £6m of this. This is in line with the company strategy of developing projects initially but moving focus to the high margin licencing and support of its proprietary gasification technology.

EQTEC to see £6m in consideration

The incoming project investor will pay the consideration in two tranches with £6m on agreement of the definitive documents and £9m on contractual completion. As part of the deal the related share purchase agreement has extended its longstop date to 28 February 2023. In line with the focus on an earnings stream based on technology provision, EQTEC will charge the project SPV up to £5.5m in development service fees with the £3m of this included in the consideration. Other elements of the consideration will pay for outstanding budgeted development costs, funding of the share purchase agreement option, and acquisition of the site land. The resulting full consideration to EQTEC will be £6m after these items.

Project continues to make progress

The project continues to make good progress with discussions on offtake with Toyota's Deeside Engine Plant in final stages. Additionally updated and improved heads of terms have been received for offtake from TotalEnergies.

£,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	23,201
PBT	-5,839	-4,700	414	5,681	9,563	22,605
EPS	-0.1	-0.1	0.0	0.1	0.1	0.2
CFPS	-0.1	-0.2	0.0	0.1	0.0	0.2
DPS	0.0	0.0	0.0	0.0	0.0	0.0
Net Debt (Cash)	-5,182	-6,189	-5,531	-13,436	-13,811	-33,736
Debt/EBITDA	1.1	1.5	-4.3	-2.1	-1.4	-1.5
P/E	-3.8	-6.9	104.8	7.6	4.5	1.9
EV/EBITDA	-7.2	-7.7	25.5	3.8	2.4	0.2
EV/sales	14.7	3.6	1.2	0.7	0.5	0.3
FCF yield	-23.0%	-51.0%	-10.0%	21.6%	0.9%	51.9%
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	636
Net Interest	-1,189	-383	-706	-637	-502	-439
Pre Tax Profit (UKSIP)	-5,839	-4,700	414	5,681	9,563	22,605
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	5,681	9,563	22,605
Tax	0	0	-52	-710	-1,195	-2,826
Post tax exceptionals	71	0	0	0	0	0
Minorities	5	0	0	0	0	0
Net Profit	-5,763	-4,700	362	4,971	8,368	19,779
Dividend	0	0	0	0	0	0
Retained	-5,763	-4,700	362	4,971	8,368	19,779
EBITDA	-4,566	-4,161	1,277	6,475	10,222	23,201
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	-0.04	0.09	0.00	0.21
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	17,503	14,716	22,855	22,855
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	41,961	39,028	47,021	46,874
Cash etc	6,395	6,446	15,588	23,487	22,857	41,878
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	-5,531	-13,436	-13,811	-33,736
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	-60,844	-52,476	-32,697
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	41,961	39,028	47,021	46,874
Net Assets	25,301	43,380	47,493	52,464	60,831	80,611
Total Equity	25,301	43,380	47,493	52,464	60,831	80,611

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	-1,178	-1,636
Operating cash flow	-3,544	-7,543	1,069	5,501	9,202	20,928
Tax paid	0	0	0	-52	-710	-1,195
Capex (less disposals)	300	0	-10	-10	-10	-10
Investments	-1,821	-8,881	-4,872	2,787	-8,139	0
Net interest	-22	0	-706	-637	-502	-439
Net dividends	0	0	111	315	535	642
Residual cash flow	-5,086	-16,424	-4,408	7,904	375	19,925
Equity issued	12,099	18,240	3,750	0	0	0
Change in net borrowing	-7,720	-1,006	657	-7,904	-375	-19,925
Adjustments	707	-810	0	0	0	0
Total financing	5,086	16,424	4,407	-7,904	-375	-19,925

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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Longspur Research
10 Castle Street,
Edinburgh. EH2 3AT
UK

Longspur Capital
20 North Audley Street,
London. W1K 6WE
UK