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Research

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Price (€)	0.36
Shares in issue (m)	9,402
Mkt Cap (€m)	34
Net debt (€m)	-5
EV (€m)	29
BVPS (€)	0.5

Share price performance

1m	-26.5%
3m	-37.4%
12m	-71.4%
12 m high/low	1.6/0.4
Ave daily vol (30D)	22,176k

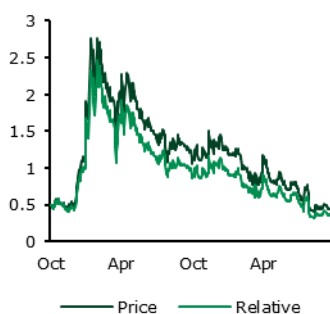
Shareholders

Hargreaves Lansd'n	20.29%
Altair Group	18.35%
Interactive Investor	9.70%
Halifax Share Dealin	5.26%
A J Bell Securities	4.91%
Jarvis IM	3.69%
Barclays	2.85%
Amati	2.66%
Chelverton	2.54%
IG Markets	2.37%
Total for top 10	72.6%
Free float	97.1%

Next news Finals Q1

Business description

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



EVOLVING THE MODEL

EQTEC is making progress in its evolution towards a lighter capital model focused on technology delivery and servicing. The market opportunity is growing with wider opportunities added in contaminated plastics and liquid fuels. Getting projects to financial close is still challenging and a more cautious near-term outlook means a lower full year revenue expectation, but this is largely about timing and the impact on our valuation is minimal.

Interims represent strong growth on last year

EQTEC's interim results show strong growth with revenue at €2.98m against just €0.48m in the same period last year. EBITDA loss dropped to €1.97m from €3.49m. The period has been one of considerable progress and evolution for the company despite challenging market conditions. The market development centres (MDCs) in Italy and Croatia are moving through their relevant milestones with Italy looking at cold commissioning by the year end. The post period end acquisition of a French MDC comes with offtake and feedstock contracts and targets a market with growing policy support.

Progress towards evolving the model

However, it is the more rapid move towards a technology provider from a project developer that has really defined recent progress notably at the UK refused derived fuel (RDF) projects. The realisation of early value at the Deeside project and renegotiation at Southport to better focus funding liabilities allows EQTEC to reduce its project capital needs and focus on revenue opportunities in technology delivery.

Near term outlook represents timing issues

The market background has been challenging and moving key projects to final investment decision is slowing the pace of project realisation an implication for the timing of project and technology revenues to the company. The company has issued full year guidance to reflect this expecting FY 22 revenue in the €10m to €12m range and the EBITDA loss to lie between €2m and €3m. We have adjusted our project COD dates across the board our forecasts drop into this range with revenue at €11m and EBITDA loss at €2m. We have reflected this as a broad shift in timelines further out but the overall impact on our DCF based central valuation is minimal dropping to €3.2 from €3.4.

€,'000 Dec	2021a	2022e	2023e	2024e	2025e	2026e
Sales	9,172	11,076	39,324	72,164	113,178	114,294
EBITDA	-4,161	-2,138	4,104	9,204	22,144	25,984
PBT	-4,700	-3,001	3,303	8,482	21,458	25,494
EPS	-0.1	0.0	0.0	0.1	0.2	0.2
CFPS	-0.2	-0.1	0.0	0.0	0.2	0.2
DPS	0.0	0.0	0.0	0.0	0.0	0.0
Net Debt (Cash)	-6,189	-4,556	-5,007	-1,724	-20,646	-43,099
Debt/EBITDA	1.5	2.1	-1.2	-0.2	-0.9	-1.7
P/E	-6.1	-11.3	11.7	4.6	1.8	1.5
EV/EBITDA	-6.6	-13.7	7.0	3.5	0.6	-0.4
EV/sales	3.0	2.5	0.7	0.4	0.2	0.2
FCF yield	-57.3%	-14.2%	2.9%	-8.9%	56.0%	64.4%
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	9,172	11,076	39,324	72,164	113,178	114,294
Gasifier projects	0	0	0	0	0	0
Other	0	0	0	0	0	0
Other	0	0	0	0	0	0
Total	9,172	11,076	39,324	72,164	113,178	114,294
Operating profit						
Gasifier technology	-3,841	-2,268	4,281	9,681	21,459	24,806
Gasifier projects	0	0	0	0	0	0
Other	0	0	0	0	0	0
Other	0	0	0	0	0	0
Operating profit	-3,841	-2,268	4,281	9,681	21,459	24,806
P&L Account	2021a	2022e	2023e	2024e	2025e	2026e
Turnover	9,172	11,076	39,324	72,164	113,178	114,294
Operating Profit	-3,841	-2,268	4,281	9,681	21,459	24,806
Investment income	-476	-27	-333	-634	529	1,021
Net Interest	-383	-706	-644	-566	-530	-334
Pre Tax Profit (UKSIP)	-4,700	-3,001	3,303	8,482	21,458	25,494
Goodwill amortisation	0	0	0	0	0	0
Exceptional Items	0	0	0	0	0	0
Pre Tax Profit (IFRS)	-4,700	-3,001	3,303	8,482	21,458	25,494
Tax	0	0	-413	-1,060	-2,682	-3,187
Post tax exceptionals	0	0	0	0	0	0
Minorities	0	0	0	0	0	0
Net Profit	-4,700	-3,001	2,890	7,422	18,776	22,307
Dividend	0	0	0	0	0	0
Retained	-4,700	-3,001	2,890	7,422	18,776	22,307
EBITDA	-4,161	-2,138	4,104	9,204	22,144	25,984
EPS (p) (UKSIP)	-0.06	-0.03	0.03	0.08	0.20	0.24
EPS (p) (IFRS)	-0.06	-0.03	0.03	0.08	0.20	0.24
FCFPS (p)	-0.21	-0.05	0.01	-0.03	0.20	0.23
Dividend (p)	0.00	0.00	0.00	0.00	0.00	0.00

Source: Company data, Longspur Research estimates

KEY POINTS

- FY 23 sees growth in sales from order book start to ramp up
- Company profitable from FY23
- Owned project investment income development costs replaced by profit from FY24
- Revenue grows strongly across period as project pipeline develops

Balance Sheet

€,'000, Dec	2020a	2021a	2022e	2023e	2024e	2025e
Fixed Asset Cost	834	845	855	865	876	886
Fixed Asset Depreciation	-389	-545	-702	-858	-1,015	-1,171
Net Fixed Assets	446	300	153	7	-139	-285
Goodwill	0	0	0	0	0	0
Other intangibles	17,703	17,703	17,703	17,703	17,703	17,703
Investments	12,631	15,115	17,700	28,552	28,552	28,552
Stock	0	0	0	0	0	0
Trade Debtors	6,877	3,641	12,928	23,725	37,209	37,576
Other Debtors	6,456	6,456	6,456	6,456	6,456	6,456
Trade Creditors	-6,922	-3,641	-12,928	-23,725	-37,209	-37,576
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	37,191	39,574	42,012	52,718	52,572	52,425
Cash etc	6,446	14,612	15,059	10,770	28,787	50,426
Borrowing <1yr	201	6	1,005	905	814	733
Borrowing >1yr	57	10,051	9,046	8,141	7,327	6,595
Net Borrowing	-6,189	-4,556	-5,007	-1,724	-20,646	-43,099
Share Capital	25,977	25,981	25,981	25,981	25,981	25,981
Share Premium	83,611	87,356	87,356	87,356	87,356	87,356
Retained Earnings	-66,177	-69,178	-66,288	-58,866	-40,090	-17,783
Other	2,354	2,354	2,354	2,354	2,354	2,354
Minority interest	-2,384	-2,384	-2,384	-2,384	-2,384	-2,384
Capital Employed	37,191	39,574	42,012	52,718	52,572	52,425
Net Assets	43,380	44,129	47,020	54,442	73,217	95,524
Total Equity	43,380	44,129	47,020	54,442	73,217	95,524

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 24
- 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	-3,841	-2,268	4,281	9,681	21,459	24,806
Depreciation	157	157	157	157	157	157
Provisions	0	0	0	0	0	0
Other	1,800	0	0	0	0	0
Working capital	-5,658	-182	-866	-1,563	-1,628	-511
Operating cash flow	-7,543	-2,294	3,571	8,275	19,987	24,452
Tax paid	0	0	0	-413	-1,060	-2,682
Capex (less disposals)	0	-10	-10	-10	-10	-10
Investments	-8,881	-2,484	-2,585	-10,852	0	0
Net interest	0	-706	-644	-566	-530	-334
Net dividends	0	111	120	282	535	1,027
Residual cash flow	-16,424	-5,384	452	-3,284	18,922	22,453
Equity issued	18,240	3,750	0	0	0	0
Change in net borrowing	-1,006	1,633	-452	3,284	-18,922	-22,453
Adjustments	-810	0	0	0	0	0
Total financing	16,424	5,383	-452	3,284	-18,922	-22,453

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 23

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