



## **HECHO RELEVANTE EBIOSS ENERGY, AD**

**2 de Junio de 2015**

De conformidad con lo dispuesto en la Circular 9/2010 del Mercado Alternativo Bursátil por medio de la presente se pone a disposición del Mercado la siguiente información relativa a EBIOSS Energy, AD:

### **INICIO DE COBERTURA DE EBIOSS ENERGY POR LOND CAPITAL**

Atendiendo a las recomendaciones de la “Guía de Buenas Prácticas de las Entidades Emisoras en el MAB” y en concreto en lo que hace referencia a mejorar la liquidez y profundidad de los títulos en el Mercado, EBIOSS ha encargado a la empresa de análisis independiente Lond Capital, especializada en servicios de Relación con Inversores para compañías cotizadas en la Bolsa de Londres, un análisis de la Compañía que permita contribuir a fomentar el seguimiento del valor.

Para conocimiento del mercado, se adjunta al presente Hecho Relevante el análisis producido por Lond Capital.

Quedamos a su disposición para cuantas aclaraciones consideren oportunas.

Atentamente,

En Sofía (Bulgaria), 2 de Junio de 2015

EBIOSS ENERGY, A.D.

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D. Jose Óscar Leiva Méndez

Presidente de EBIOSS ENERGY, AD

# EBIOSS

|           |         |                 |        |
|-----------|---------|-----------------|--------|
| Bloomberg | Reuters | Exchange        | Ticker |
| EBI SM    | EBI.MC  | Soc.Bol<br>SIBE | EBI    |

## EBIOSS: The Power of Waste

### Research Team

Dan Lovrekovic  
Harshjit Oza

+44(0)20 3586 1650  
research@londcapital.com

**Making clean energy from waste; a win-win for EBIOSS & its customers:** EBIOSS offers a unique technology to transform waste / biofeeds into energy. Owing to its vast technical expertise, it enjoys the top spot with its know-how in the ‘waste to gas’ technology. EBIOSS’ subsidiary company EQTEC has so far designed and/or built more than 70 power plants with capacities ranging from 60kWe to 40,000kWe.

**International expansion to aid more growth:** EBIOSS aims to leverage on its two existing plants (existing in Italy, and upcoming in Bulgaria) as a launchpad to export its technological offerings outside Europe, while simultaneously entering new business such as waste recovery, and generation and sale of energy.

**Well established presence in Europe:** EBIOSS already holds execution experience in key European markets, including Germany, Spain, Italy, France and Bulgaria. The company currently aims to expand its operations in Asia and Middle East where it foresees rapid growth and increasing demand for such technologies.

**Growing demand for clean energy to drive business:** Going forward, we expect strong demand for clean energy and related business given increasing availability of clean & green energy technologies, pressure to reduce CO<sub>2</sub> emissions and efficient waste management drives. Also, factors such as growing concern about environment protection, global warming, and desire to have more clean and efficient energy works in favour of EBIOSS business model.

**A promising growth story in clean energy:** Whilst engineering will continue to remain core business with high double digit top-line growth especially after the international expansion, we also expect other segments (which are recurring in nature) to contribute to top-line and cash flows starting from 2015. This should help EBIOSS emerge as an all-round player in the waste gasification marketplace. The recent preliminary agreement to acquire Conecta2 should help EBIOSS make its footprint even stronger in this growing clean energy marketplace.

### Shareholding pattern

|                       |       |
|-----------------------|-------|
| Elektra Holding AD    | 37.3% |
| Sofia Biomass         | 7.5%  |
| Sungroup Bulgaria     | 5.9%  |
| Minority / Free Float | 49.3% |

### Key share data

|                      |        |
|----------------------|--------|
| Outstanding Shares   | 40.9 m |
| Current market Price | €0.96  |

### Company description

EBIOSS Energy operates in the Engineering and EPC Services; Energy Production; Electricity Supply; Waste Management Solutions and Waste Recovery.

### Selected Financial Indicators

| In EUR m         |       |        |       |       |       |       |  |
|------------------|-------|--------|-------|-------|-------|-------|--|
| Year ending Dec  | FY12  | FY13   | FY14  | FY15e | FY16e | FY17e |  |
| Total Income     | 0.78  | 5.22   | 18.17 | 26.87 | 52.78 | 81.55 |  |
| EBIT             | 0.36  | (0.29) | 2.43  | 2.02  | 7.25  | 12.50 |  |
| EBIT Margin      | 45.9% | -5.5%  | 13.4% | 7.5%  | 13.7% | 15.3% |  |
| EBITDA           | 0.38  | (0.25) | 2.66  | 2.65  | 8.55  | 14.09 |  |
| EBITDA Margin    | 48.0% | -4.7%  | 14.7% | 9.9%  | 16.2% | 17.3% |  |
| Net Income       | 0.32  | (0.30) | 2.58  | 0.76  | 4.59  | 8.76  |  |
| EPS              | 0.01  | (0.01) | 0.06  | 0.02  | 0.11  | 0.21  |  |
| P/E              | NM    | NM     | 15.24 | 51.48 | 8.56  | 4.48  |  |
| Debt to Equity   | 0.12  | 0.06   | 0.29  | 0.48  | 0.43  | 0.35  |  |
| EV/EBITDA        | NM    | NM     | 16.70 | 19.07 | 6.39  | 3.82  |  |
| Return on Equity | 2.5%  | -1.3%  | 6.7%  | 2.0%  | 10.5% | 16.8% |  |

Source: Lond Capital, NM=Not Meaningful

## EBIOSS: Initiation of Research

### What we like about EBIOSS

- Leadership in 'waste to gas' gasification technology, the waste gasification sector
- An already established presence in Europe's key markets
- The new acquisitions help EBIOSS to close the full Municipal Solid Waste cycle, to aid cash flows
- A growing international footprint with a focus on high growth regions such as Asia and the Middle East
- A standard product to address the waste gasification issue 3<sup>rd</sup> Generation Gasification
- Providing solutions to Municipal Solid Waste the World's #1 problem
- Partnership with General Electric to supply Syngas engines based on EQTEC specifications
- A qualified management team with proven track record and experience in the energy field
- Strong growth potential in Europe, given the increasing need for clean energy and high dependency on Russian Gas
- Growing garbage-disposal issue, and waste elimination drive in Gulf Countries provides a perfect platform for EBIOSS to launch its technology in the region
- EBIOSS technology produces stable electricity and thermal energy with minimum side effects
- Strong line of project with visibility over total income, and cash flows

### Our Concerns on EBIOSS

- Competition from emerging markets, new competition could lead to pressure on pricing and margins
- Delay in the execution and/or implementation of new projects
- On-going financial crisis in some of the Eurozone countries, could result in delays in project award and execution
- Inability to effectively promote the technology, products in target markets
- Emergence of new technology by competition at a competitive rate could impact the company's operations
- Managing the growth rate could be a concern, especially in terms of retaining talent while opening up new platforms

## Investment Case: What makes EBIOSS a unique investment proposition?

### Leadership in *waste to gas* 'gasification technology' in Waste to Energy sector

EBIOSS operates in the 'waste to energy' sector. Essentially, it sells technology to corporates, governments or any entity to make clean energy from waste. It uses various by-products or waste (municipal waste, industrial waste or biomass) as a 'fuel' and by leveraging on its proprietary technology, converts the waste into gas to be used in engine to create energy. In particular, we see a strong potential for energy generated from 'municipal solid waste' as the business. Apart from offering shorter payback periods, it provides additional cash flows from 'tipping fees' from the respective government/ municipality.

Due to expertise in the 'waste to gas' technology, EBIOSS enjoys top position in the segment with well established presence in key European markets. The company targets to replicate the successful business model it has developed in Europe in order to become a preferred technological partner in the waste gasification sector across the globe.

### The business model explained simply.... Converting Waste/ Biomass to Energy through the proprietary technology



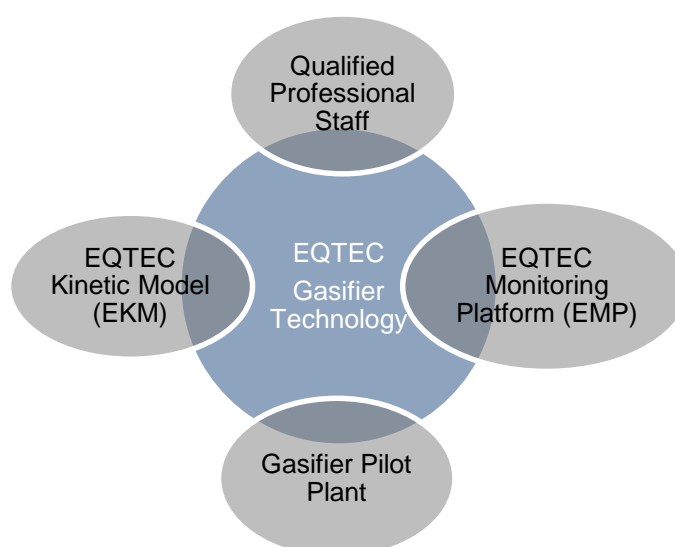
Source: EBIOSS, Lond Capital

During 2H2014, EQTEC Iberia obtained the grant of two patents that were recently published in the Official Bulletin of the Industrial Property of the Spanish Patent and Trademark Office.

### EQTEC's Gasification Technology: An Overview

EBIOSS business framework works on a unique EQTEC technology, which is developed by its in-house team, with the ability to design, build, operate and maintain gasification technology products. EBIOSS' EQTEC Kinetic model is a powerful simulation tool which has been developed in house by the EBIOSS team based on software.

### EQTEC Gasification technology



Source: EBIOSS, Lond Capital

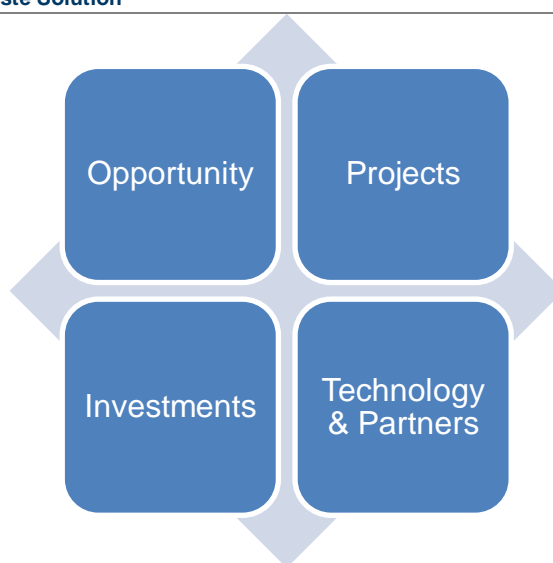
### A standard product to address the waste gasification issue

Through its R&D expertise and continuous investment in the sector, EBIOSS has managed to develop the 3rd Generation Gasifier in Bulgaria which can be promoted as a standardised product to the large potential customer pool worldwide. One typical standardised model can deliver up to 3MWe with agriculture waste, up to 4MWe with forest and construction waste (wood waste) and up to 6MWe with RDF derived from municipal solid waste.

### Providing solutions to Municipal Solid Waste

With Municipal Solid Waste management becoming an increasing concern for many municipalities worldwide, we believe that this market offers opportunities of a rapid growth for a company like EBIOSS. EBIOSS already owns much needed technological expertise with a proven track record. Further, it has made the right investments to expand in this sector such as 1) TNL which operates in intelligent waste collection with strong global footprint, and 2) Conecta2 which its management team holds 20 years of experience in Spanish energy industry, and operates in electricity trading in Europe. We believe that the company is building a strong groundwork in this place so as to establish itself as a serious player in the waste gasification sector.

#### Municipal Solid Waste Solution



Source: EBIOSS, Lond Capital

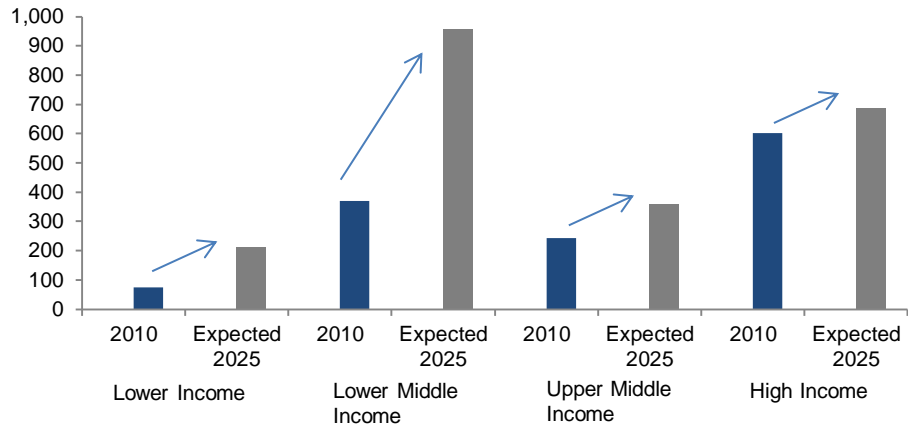
### Organic Waste: A highly unutilised resource to make energy

We believe that increasing volumes of organic waste, in both developed and developing countries has started to become a growing concern amongst governments. EBIOSS uses 'organic waste' as a raw material (available at almost giveaway prices) and by using its own proprietary technology, generates utilities out of it. To further leverage on this opportunity, EBIOSS has acquired a 51% stake in a Portuguese company TNL, a leader in manufacturing municipal solid waste containers and its smart collection system. Through this operation, it will lead the international management of municipal solid waste.

### Intelligent waste collection

TNL is a Portuguese based firm with a strong presence in the market for over a decade. The company operates in developing solutions for intelligent waste collection. TNL currently has presence in Portugal, Spain and Brazil. Its Portuguese branch has to date installed more than 5,000 waste collection units in 150 cities around the world. With growing demand for intelligent waste collection globally, we foresee a strong growth ahead for TNL in this sector due to its technological expertise and well established presence.

**Waste Generated (millions tonne / day)**



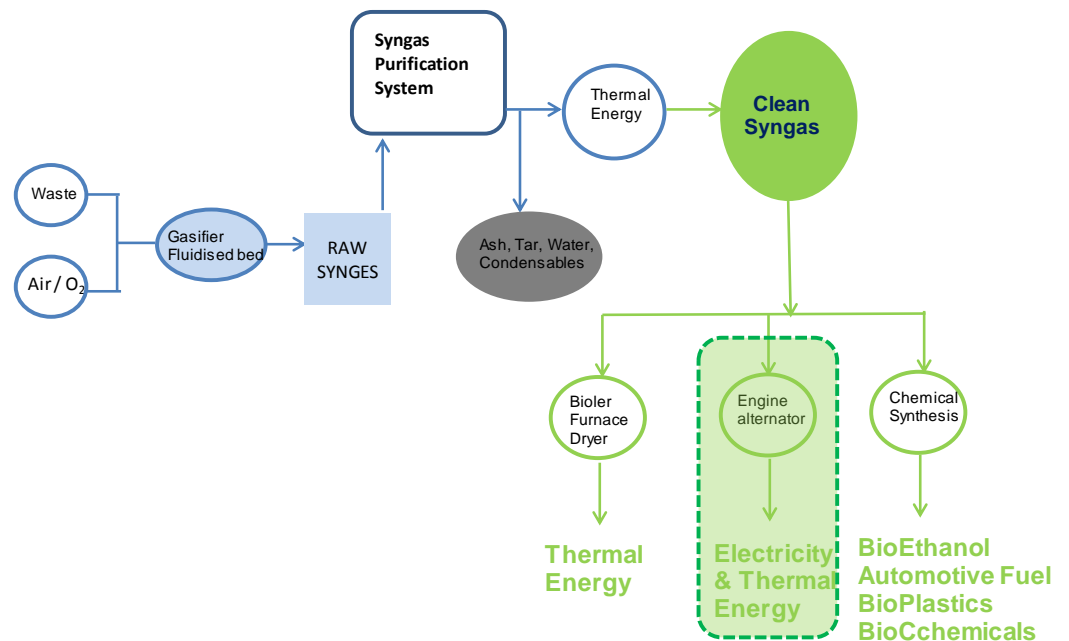
Source: The World Bank, 2025 Forecast, Lond Capital

**Synthesis Gas & Gasification Advantages - How Does a Biomass Gasification Plant Work?**

A biomass to Energy plant will use organic waste / biomass as a feedstock and will produce syngas through gasification. During the gasification process, the produced syngas reaches a certain heating value and once conditioned, it can be used as a fuel for internal combustion engines, which move an alternator, producing electricity. At the same time, engines generate heat in the form of exhaust gases and hot water from the cooling circuit. This heat could be used to produce hot water, steam or even chilled water for air conditioning purposes. Electrical efficiency of the system reaches values between 28% to 35% and total efficiency of 70%.

Increasing Importance of 'Syngas from Waste/Biomass' technology: Biofuels are expected to become increasingly important in the future to reduce CO<sub>2</sub>-emissions, improve local emissions, and obtain security of supply. The model provides maximum energy efficiency, respect for the environment according to the existing regulations, provides the best possible way to recycle waste/ biomass and generates economic profit for the firm and its stakeholders.

**Synthetic Gas: Application of Syngas**



Source: EBIOS, Lond Capital

### Growing International Footprint for the new 3<sup>rd</sup> generation gasifier

EBOSS is aiming to establish its presence in the international markets (outside Europe), particularly in Asia and the Middle East, where it foresees rapid growth and increasing demand for its technology. We believe that EBOSS' technological expertise in 'waste to gas' and well established presence in Europe should provide the company with a strong groundwork for the anticipated expansion in the Asia and the Middle East. The company would also target South America and some African countries, as a potential markets at a later stage. The additional investment, from the clients (including government entities, private parties whom EBOSS will sell its technologies) for the new projects is expected to be around EUR214m, while annual revenues run rate is likely to be EUR52m with average pay-back period of 4-5 years. Also, we believe that growing population, urbanisation, and increasing municipal solid waste act as a strong driver for the business.

Going forward, we expect to see strong demand for such business given the efficient business model, pressure to reduce CO<sub>2</sub> emissions by corporates as well as governments, as well as growing concern about environment protection, elimination of waste, global warming, and a desire to have more clean and efficient energy.

#### EBOSS projects in Europe

|                 |   |
|-----------------|---|
| <b>Germany</b>  | <ul style="list-style-type: none"> <li>Integrated RDF gasification power plant 0.3MWe (HELECTOR - HERHOF)</li> </ul>  |
| <b>Italy</b>    | <ul style="list-style-type: none"> <li>Own Projects: Integrated Biomass gasification power plant project 1MWe (Syngas Italy)</li> </ul>                                 |
| <b>Spain</b>    | <ul style="list-style-type: none"> <li>Integrated Biomass Gasification Power Plant 5.9MWe )</li> <li>Gasification Power Plant for R&amp;D (Univ. De Badajoz)</li> </ul> |
| <b>France</b>   | <ul style="list-style-type: none"> <li>Gasification Power Plant for R&amp;D (University of De Lorraine - EDF)</li> </ul>  |
| <b>Bulgaria</b> | <ul style="list-style-type: none"> <li>Own Projects: Integrated Biomass Gasification Power Plants of 1.5MWe (KARLOVO BIOMASS)</li> <li>Heat Biomass (1.5Mwe)</li> </ul> |

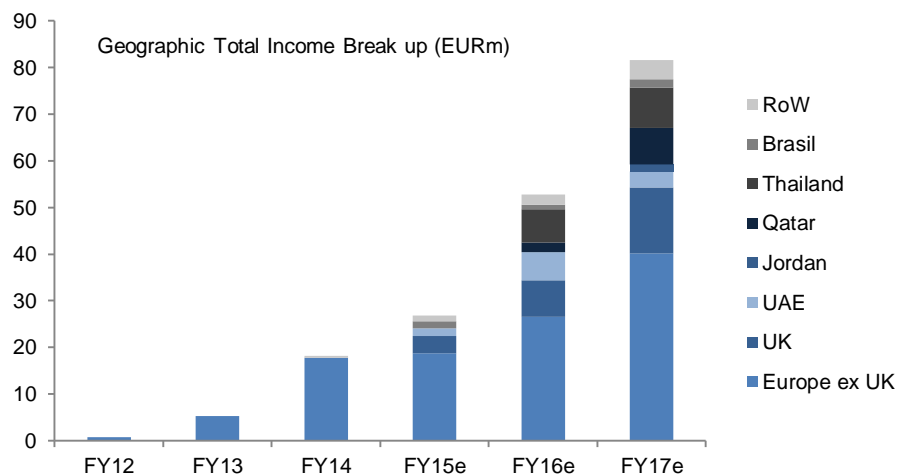
Source: EBOSS, Lond Capital

#### EBOSS upcoming project pipeline

|               |  |
|---------------|--|
| <b>Europe</b> | <ul style="list-style-type: none"> <li>Both projects expected to commence from 2015, targatted IRR of &gt;15%</li> <li>Feedstock: Biomass</li> </ul> |
| <b>Asia</b>   | <ul style="list-style-type: none"> <li>Expected to start from 2016, with estimated IRR of 27%</li> <li>Feedstock: Biomass</li> </ul>                 |
| <b>Gulf</b>   | <ul style="list-style-type: none"> <li>Currently under negotiation, expected to start between 2016</li> <li>Feedstock: Biomass</li> </ul>            |

Source: EBOSS, Lond Capital

#### EBOSS is expected to grow its Total Income through geographic diversification



Source: EBOSS, Lond Capital

## Financial performance expected to improve

The launch of the Karlovo platform, which is relatively smaller project, should help EBIOSS to market its technology more effectively with Karlovo being used as a showroom platform to attract other projects. We expect EBIOSS to establish its presence in the Middle East region, which will lead to improvement in total income, EBITDA, net profit and cash flow generation during 2015 and 2016. Furthermore, management is expecting to start operations in the UK and Gulf region from 2015, and Thailand from 2016. This should be able to help EBIOSS report strong operating performance.

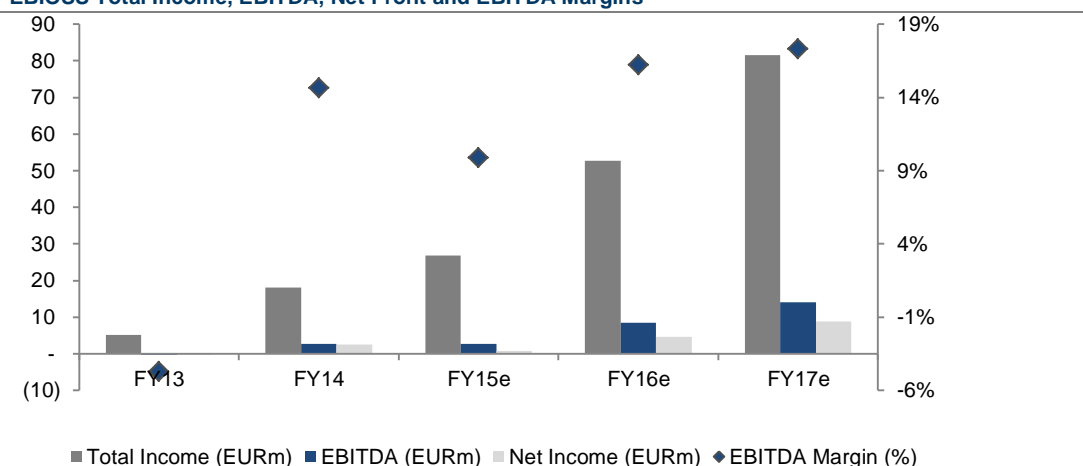
EBIOSS is expected to issue borrowings worth EUR16m, which is likely to help fund its project pipeline and international expansion. Whilst the company is working in a high growth environment, we expect EBIOSS to reach net cash position (cash balance higher than debt balance) starting from 2018. As EBIOSS already invested in the technology and the new projects will require funding at the project level only and we do not expect EBIOSS to raise additional money to execute these projects.

In terms of total income growth, we are expecting superior total income growth c.95% and 84% YoY during FY15 and FY16, based on guidance provided by the company on the upcoming project pipelines. However, we have been prudent in our assumptions and have provided execution risk (in terms of discount) in total income growth.

EBIOSS is likely to generate total income in different streams, and different geographies and hence the margins are likely to be volatile given the change in revenue mix (type of project, location of project) and cost structure. We expect EBITDA margins to peak during FY17 (at 17.3%) after which margins are expected to decline based on the current project pipeline.

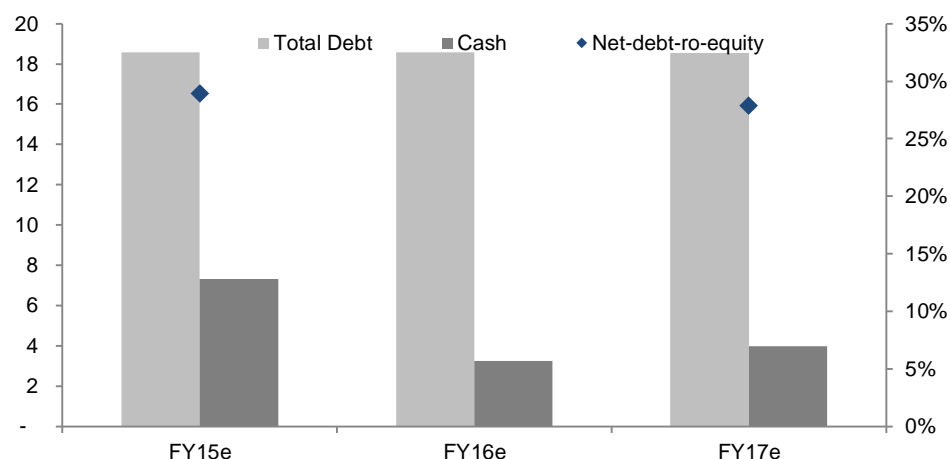
We also believe that the current project pipeline should be viewed with respect to the medium term perspective; and for the long term, as the company makes further progress and wins more business; more projects are expected to be included in the pipeline.

### EBIOSS Total Income, EBITDA, Net Profit and EBITDA Margins



Source: EBIOSS, Lond Capital



**EBIOSS Total Debt, Cash and Net-debt-to-equity**

Source: EBIOSS, Lond Capital

### The new planned acquisition to help EBIOSS close the full cycle, to aid cash flows

EBIOSS recently concluded a preliminary agreement to add an energy trading company in Spain called Conecta2 to its portfolio. The company is purely focused on the purchase and sale of electricity in the wholesale market at competitive rates. EBIOSS has agreed to purchase Conecta2 through capital increase which will be up to EUR1.5m with 50.01% stake in May 2016. EBIOSS aims to sale the electricity, produced on customers' plants in Europe, which we believe could help generate a source of recurring cash flow.

## Valuation: Our base-case scenario

Our base-case scenario uses a DCF model with a 5 year period, based on the company provided guidance (2015-2017) and Lond Capital's estimates (2018-2019), comprising growth rates depending on the projects in the pipeline and expected completion dates from the management. We have also used execution risk which has lowered our assumptions between 20% - 35% during our forecast period.

Our aim is to present a base-case scenario using conservative estimates for growth and margins that leaves plenty of upside potential in our view.

From 2015 onwards, we assume the company to commence its operations in the Gulf, which is likely to drive international expansion. During 2016, we expect increasing contribution from countries outside Europe, especially in the Gulf and Asia, where we see strong growth opportunities.

We believe there is more value to be unlocked if EBIOS manages to initiate Emirates project in a timely manner. Going forward the successful execution of Emirates project in 2015 would definitely demand a higher fair value from us as well as from the market, offering a further upside of at least 20% (from the current base-case scenario).

The total income and EBITDA margins in our assumptions mainly reflect EBIOS current and potential project pipeline.

The forecast values shown in these tables are representative of the conservative side of the market data we have collected, and are used to illustrate our view of the potential upside from the current share price.

### An example of key valuation metrics and forecasts, DCF Value EUR1.92/ share

| In EUR m                   | FY 14       | FY 15e | FY 16e | FY 17e | FY 18e* | FY 19e* |        |
|----------------------------|-------------|--------|--------|--------|---------|---------|--------|
| Total Income               | 18.17       | 26.87  | 52.78  | 81.55  | 120.30  | 140.97  |        |
| EBIT                       | 2.43        | 2.02   | 7.25   | 12.50  | 17.29   | 20.12   |        |
| EBIT Margin                | 13.4%       | 7.5%   | 13.7%  | 15.3%  | 14.4%   | 14.3%   |        |
| Tax                        | 0.35        | (0.62) | (1.31) | (2.06) | (2.92)  | (2.86)  |        |
| Depreciation               | 0.23        | 0.63   | 1.30   | 1.59   | 2.00    | 2.50    |        |
| Capex                      | (1.18)      | (1.75) | (3.69) | (5.71) | (8.42)  | (9.16)  |        |
| % of Total Income          | 7%          | 7%     | 7%     | 7%     | 7%      | 7%      |        |
| NWC                        | (0.54)      | (0.81) | (1.58) | (2.45) | (3.61)  | (4.23)  |        |
| % of Total Income          | 3%          | 3%     | 3%     | 3%     | 3%      | 3%      | TV     |
| FCF                        | 1.29        | (0.52) | 1.96   | 3.88   | 4.34    | 6.37    | 117.35 |
| PV                         | 80.59       |        |        |        |         |         |        |
| Net Debt, Other            | 2.07        |        |        |        |         |         |        |
| Implied Mcap               | 78.51       |        |        |        |         |         |        |
| <b>DCF Value per share</b> | <b>1.92</b> |        |        |        |         |         |        |

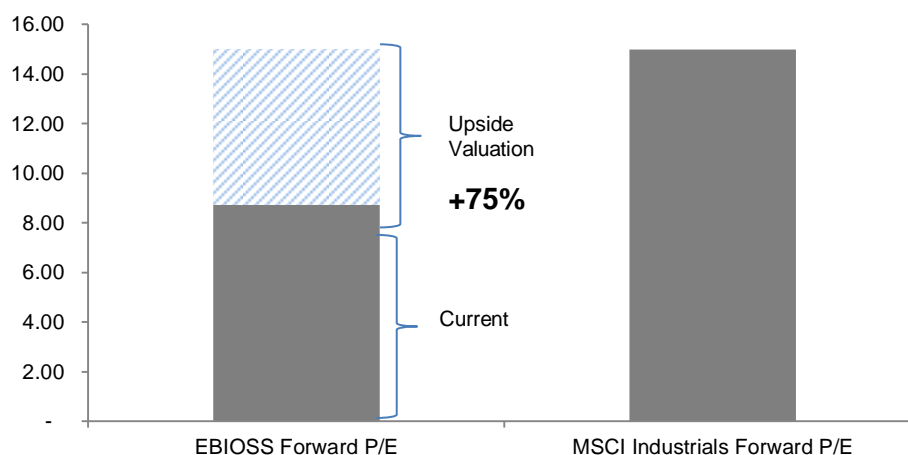
| Discount and Growth Rates |       | Implied Multiples | FY 15e | FY 16e | FY 17e |
|---------------------------|-------|-------------------|--------|--------|--------|
| Cost of Equity            | 11.0% | P/E               | 51.5   | 8.6    | 4.5    |
| Cost of Debt              | 7.0%  | EV/EBITDA         | 19.1   | 6.4    | 3.8    |
| Target Debt to Equity     | 51.0% |                   |        |        |        |
| WACC                      | 9.2%  |                   |        |        |        |
| Long Term Growth Rate     | 5.0%  |                   |        |        |        |

Source: EBIOS, Lond Capital \*2018, 2019 are Lond Capital's estimates

At current price of €0.96, the stock trades at 6.4x FY16e EV/EBITDA and 8.6x FY16e P/E.

## Relative Valuation

Due to absence of direct peer group, we are comparing EBIOSS forward P/E with MSCI Europe Industrials Forward P/E



Source: EBIOSS, Lond Capital

At the current market price, the stock trades at 8.6x FY16 earnings, implying 75% upside when compared to MSCI Europe industrial Index forward P/E.

## Sensitivity Analysis

The valuation of EBIOSS using DCF remains heavily dependent on Terminal Value. In our DCF valuation, the terminal value represents 86% of our valuation. Typically, for companies in clean energy, waste management; the terminal value remains highest in the valuation due to importance of in-house technology and the potential it holds to generate cash flows in the future.

In order to assess our base case scenario, and compare it with change in discount rates and terminal growth rates, we have done a sensitivity analysis of WACC and Terminal Growth rate and its impact on the terminal value and the DCF value of the stock.

### Sensitivity Analysis: An example of DCF Value (EUR per share)

|                      |      | WACC |      |      |      |       |
|----------------------|------|------|------|------|------|-------|
|                      |      | 8.2% | 8.7% | 9.2% | 9.7% | 10.2% |
| Terminal Growth Rate | 3.0% | 1.83 | 1.64 | 1.49 | 1.35 | 1.24  |
|                      | 4.0% | 2.23 | 1.96 | 1.75 | 1.57 | 1.42  |
|                      | 4.5% | 2.51 | 2.18 | 1.92 | 1.70 | 1.53  |
|                      | 6.0% | 4.13 | 3.32 | 2.75 | 2.33 | 2.03  |
|                      | 7.0% | 7.51 | 5.20 | 3.95 | 3.14 | 2.61  |

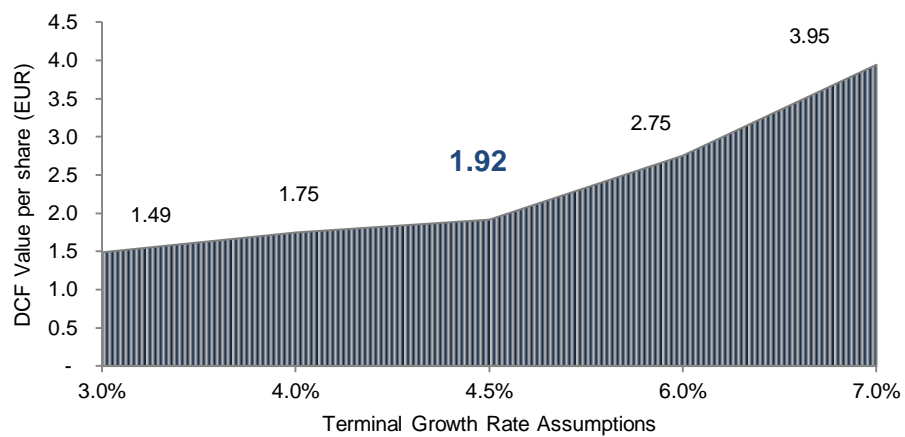
Source: EBIOSS, Lond Capital

### Sensitivity Analysis: An example of Terminal Value (EURm)

|                      |      | WACC |      |      |      |      |
|----------------------|------|------|------|------|------|------|
|                      |      | 8.2% | 8.7% | 9.2% | 9.7% | 9.7% |
| Terminal Growth Rate | 3.0% | 105  | 95   | 88   | 81   | 81   |
|                      | 4.0% | 131  | 117  | 106  | 96   | 96   |
|                      | 4.5% | 149  | 131  | 117  | 106  | 106  |
|                      | 6.0% | 256  | 208  | 175  | 151  | 151  |
|                      | 7.0% | 477  | 335  | 258  | 208  | 208  |

Source: EBIOSS, Lond Capital

**Change in DCF Value at various terminal growth rate**



Source: EBIOSS, Lond Capital

## **Our Concerns: What can provide downside risk to our valuation**

### **Competition from emerging markets: New competition could lead to pressure on pricing and margins**

Increasing competition and access to technological know-how by our competition could be a major headwind. Although currently EBIOSS has emerged as a leader in the 'waste to gas' technology, while converting biomass/ waste to energy, competition in the future cannot be ruled out given the fact that this is the technology business. However, given the fact that building an experimental gasifier is very expensive and difficult to finance, we believe that near term risk from any competitors should be minimal.

Having said that, we believe that the overall waste to energy market provides enormous opportunities for a company like EBIOSS to grow, given that they have the capabilities – key people, technology, and vision on their side.

### **Instability in Eurozone could have an impact on the company's operations**

In the majority of the EBIOSS projects, the end clients will be government entities providing 'tipping fees' and 'feed-in-tariffs' along with some sort of equity and/or debt stake in the project. Keeping in mind the on-going uncertainty over Greece servicing its debt, and potential fallout of Greece from Eurozone, we believe that any unfavourable outcome could lead to government tightening its budget spending, which could impact some of the clean energy project (in terms of funding, grant or feed-in tariffs).

### **Middle East and Africa would continue to pose a challenge given uncertain outlook**

EBIOSS has ambitious plans for Middle East and South Asia market, which will help the company establish its international footprint. However, given the current geopolitical situation, falling crude prices – leading to governments tightening their budgets and public spending, could lead to delay in some of the project launch. Although, we also note that given the company's technical expertise and know-how, EBIOSS will have a first mover advantage if it manages to penetrate in the market successfully.

### **Higher than expected financing requirement could slow down expansion plans**

A typical EBIOSS gasification project requires initial investment of roughly EUR20m which can be financed through debt and/or equity. The typical payback period would be between four to five years. However, the returns are subject to the risk of unavailability of finance or higher than expected financing cost.

### **Inability to promote the technology, products in target markets**

Given the fact that waste-to-energy is a relatively new concept in some of the international markets where EBIOSS intends to operate, especially Gulf and Asia, the key challenge for EBIOSS would be promoting the new technology in its target market.

### **Emergence of new technology by competition at a competitive rate could impact the company's operations**

New technology being introduced by competition could be a risk for EBIOSS as it can have a direct impact on its total income, margins and cash flow generations.

### **Managing the growth rate could be a concern, especially retaining talent while opening new platform**

Going forward, EBIOSS is expected to operate in multiple projects with multiple geography. Operating in high growth-competitive environment and working on multiple projects could be a challenging task.

## EBIOSS: Overview

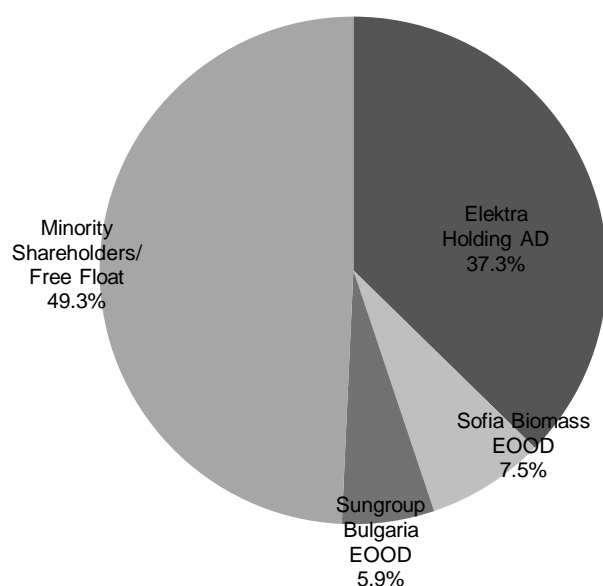
### About the company

EBIOSS Energy was established as a holding structure for the acquisition of shares and managerial control of companies developing projects in the waste to energy sector. These projects include the establishment and operation of power plants using waste. The strategic plan of EBIOSS Energy aims at closing the cycle of waste valorisation, including three business areas, which assembled together; provide a key advantage to the company.

EBIOSS aims to establish itself globally in the waste gasification sector. EBIOSS has a strategic plan in which it aims to close the cycle of waste recovery within 4 business areas namely 1) Engineering (EPC and O&M): Design, construction and maintenance of thermoelectric plants based on the waste gasification technology, 2) Generation and sale of Energy, 3) Waste Recovery, 4) Advance Waste management solutions.

EBIOSS has been listed on the Spanish Stock Exchange since July 5, 2013; and is a part of the MAB (Alternative Investment Market).

### Shareholding Pattern (as of 2014)



Source: EBIOSS, Lond Capital

### Management team

EBIOSS is managed by innovative and entrepreneurial professionals who have built a strong team and retained key employees since its inception. Almost all of the key employees are shareholders in the company and are involved in the growth story. The company is led by Jose Oscar Leiva Mendez Chairman/ co-CEO and Luis Sanchez Angrill co-CEOs who holds extensive experience in the sectors.

**Key Financial Indicators**

| In EUR m                 |            |            |            |            |            |            |
|--------------------------|------------|------------|------------|------------|------------|------------|
| Year ending Dec          | FY12       | FY13       | FY14       | FY15e      | FY16e      | FY17e      |
| Total Income             | 0.78       | 5.22       | 18.17      | 26.87      | 52.78      | 81.55      |
| EBIT                     | 0.36       | (0.29)     | 2.43       | 2.02       | 7.25       | 12.50      |
| EBIT (post tax)          | 0.29       | (0.23)     | 1.95       | 1.62       | 5.80       | 10.00      |
| EBITDA                   | 0.38       | (0.25)     | 2.66       | 2.65       | 8.55       | 14.09      |
| Net Income               | 0.32       | (0.30)     | 2.58       | 0.76       | 4.59       | 8.76       |
| EPS                      | 0.01       | (0.01)     | 0.06       | 0.02       | 0.11       | 0.21       |
| Profitability            |            |            |            |            |            |            |
| <i>EBIT Margin (%)</i>   | <i>46%</i> | <i>-6%</i> | <i>13%</i> | <i>8%</i>  | <i>14%</i> | <i>15%</i> |
| <i>EBITDA Margin (%)</i> | <i>48%</i> | <i>-5%</i> | <i>15%</i> | <i>10%</i> | <i>16%</i> | <i>17%</i> |
| <i>Net Profit margin</i> | <i>41%</i> | <i>-6%</i> | <i>14%</i> | <i>3%</i>  | <i>9%</i>  | <i>11%</i> |
| Enterprise Value         |            |            |            |            |            |            |
| Share Price              | 0.96       | 0.96       | 0.96       | 0.96       | 0.96       | 0.96       |
| Market Cap               | 39.26      | 39.26      | 39.26      | 39.26      | 39.26      | 39.26      |
| Net Debt                 | 1.48       | (4.06)     | 5.19       | 11.26      | 15.33      | 14.57      |
| Other                    | -          | -          | -          | -          | -          | -          |
| Enterprise Value         | 40.75      | 35.20      | 44.45      | 50.52      | 54.59      | 53.84      |
| Invested Capital         |            |            |            |            |            |            |
| Net Debt                 | 1.48       | (4.06)     | 5.19       | 11.26      | 15.33      | 14.57      |
| Equity                   | 13.13      | 22.94      | 38.19      | 38.95      | 43.54      | 52.30      |
| Capital Employed         | 14.61      | 18.88      | 43.38      | 50.21      | 58.87      | 66.87      |
| Economic Profit          |            |            |            |            |            |            |
| ROE                      | 2.5%       | -1.3%      | 6.7%       | 2.0%       | 10.5%      | 16.8%      |
| ROIC                     | 2.0%       | -1.2%      | 4.5%       | 3.2%       | 9.9%       | 15.0%      |
| WACC                     | 11.0%      | 11.0%      | 11.0%      | 11.0%      | 11.0%      | 11.0%      |
| Spread                   | -9.0%      | -12.2%     | -6.5%      | -7.8%      | -1.1%      | 4.0%       |
| EVA                      | (1.32)     | (2.31)     | (2.82)     | (3.90)     | (0.68)     | 2.65       |
| Leverage                 |            |            |            |            |            |            |
| Total Debt/ Equity       | 0.12       | 0.06       | 0.29       | 0.48       | 0.43       | 0.35       |
| Net Debt/ Equity         | 0.11       | (0.18)     | 0.14       | 0.29       | 0.35       | 0.28       |
| Net Debt/ EBITDA         | 3.95       | 16.45      | 1.95       | 4.25       | 1.79       | 1.03       |
| EBIT/ Net Interest Cost  | NM         | (10.29)    | 11.54      | 3.15       | 5.36       | 7.44       |
| EBITDA/ Interest         | NM         | (8.82)     | 12.62      | 4.12       | 6.32       | 8.38       |
| Valuation                |            |            |            |            |            |            |
| EV/EBITDA                | NM         | NM         | 16.70      | 19.07      | 6.39       | 3.82       |
| EV/EBIT                  | NM         | NM         | 18.26      | 24.97      | 7.53       | 4.31       |
| EV/Sales                 | NM         | 6.75       | 2.45       | 1.88       | 1.03       | 0.66       |
| P/E                      | NM         | NM         | 15.24      | 51.48      | 8.56       | 4.48       |
| P/B                      | 2.99       | 1.71       | 1.03       | 1.01       | 0.90       | 0.75       |
| EV/IC                    | 2.79       | 1.86       | 1.02       | 1.01       | 0.93       | 0.81       |

Source: EBIOS, Lond Capital NM= Not Meaningful

**Consolidated Income Statement**

| In EUR m                        |      |        |        |       |       |       |
|---------------------------------|------|--------|--------|-------|-------|-------|
| Year ending Dec                 | FY12 | FY13   | FY14   | FY15e | FY16e | FY17e |
| Total Income                    | 0.78 | 5.22   | 18.17  | 26.87 | 52.78 | 81.55 |
| Power and heat generation       | -    | -      | -      | 1.57  | 3.65  | 5.88  |
| Electricity sales               | -    | -      | -      | 5.06  | 7.92  | 16.79 |
| Equ. Sales, Eng & Maint Serv    | 0.16 | 0.75   | 2.39   | 15.77 | 37.07 | 54.75 |
| Biomass sales                   | -    | -      | -      | 0.70  | 1.15  | 1.36  |
| Work performed within the group | 0.01 | 4.53   | 13.03  | 3.77  | 2.99  | 2.77  |
| Share in equity investment      | -    | -      | -      | -     | -     | -     |
| Gain on sale of assets, net     | -    | -      | -      | -     | -     | -     |
| Gain on bargain purchases       | 0.61 | (0.07) | 2.74   | -     | -     | -     |
| <br>                            |      |        |        |       |       |       |
| Total operating costs           | 0.41 | 5.46   | 15.50  | 24.22 | 44.24 | 67.46 |
| Material costs                  | 0.09 | 3.85   | 3.93   | 18.12 | 34.64 | 51.73 |
| Fees and taxes of elec. sales   | -    | -      | -      | 1.81  | 2.90  | 6.09  |
| Labor costs                     | 0.06 | 0.85   | 1.81   | 1.72  | 3.68  | 5.19  |
| Power plant maintenance costs   | -    | -      | -      | 0.14  | 0.29  | 0.68  |
| General and administrative      | 0.11 | 0.34   | 9.20   | 1.27  | 1.21  | 1.62  |
| R&D                             | -    | -      | -      | 0.25  | 0.33  | 0.49  |
| Other costs                     | 0.15 | 0.43   | 0.58   | 0.85  | 1.14  | 1.62  |
| Impairments                     | -    | -      | -      | 0.04  | 0.04  | 0.05  |
| <br>                            |      |        |        |       |       |       |
| EBITDA                          | 0.38 | (0.25) | 2.66   | 2.65  | 8.55  | 14.09 |
| Depreciation                    | 0.02 | 0.04   | 0.23   | 0.63  | 1.30  | 1.59  |
| EBIT                            | 0.36 | (0.29) | 2.43   | 2.02  | 7.25  | 12.50 |
| Financial expenses              | 0.00 | 0.03   | 0.21   | 0.64  | 1.35  | 1.68  |
| <br>                            |      |        |        |       |       |       |
| Earnings before taxes           | 0.36 | (0.32) | 2.22   | 1.38  | 5.90  | 10.82 |
| Corporate tax                   | 0.03 | (0.01) | (0.35) | 0.62  | 1.31  | 2.06  |
| Net income                      | 0.32 | (0.30) | 2.58   | 0.76  | 4.59  | 8.76  |
| outstanding shares              | 40.9 | 40.9   | 40.9   | 40.9  | 40.9  | 40.9  |
| EPS                             | 0.01 | (0.01) | 0.06   | 0.02  | 0.11  | 0.21  |

Source: EBIOSS, Lond Capital



**Consolidated Balance Sheet**

| In EUR m                       |       |       |       |       |       |       |
|--------------------------------|-------|-------|-------|-------|-------|-------|
| Year ending Dec                | FY12  | FY13  | FY14  | FY15e | FY16e | FY17e |
| Cash                           | 0.06  | 5.41  | 5.71  | 7.31  | 3.24  | 3.98  |
| Inventory                      | 0.18  | 0.11  | 1.59  | 2.42  | 4.42  | 6.75  |
| Receivables                    | 0.41  | 0.26  | 4.48  | 5.11  | 10.03 | 15.49 |
| Total current assets           | 0.65  | 5.48  | 11.78 | 14.83 | 17.69 | 26.22 |
|                                | -     | -     | -     | -     | -     | -     |
| Property, plant and equipment  | 1.50  | 6.12  | 24.05 | 31.65 | 38.48 | 44.63 |
| Equity investments             | -     | -     | -     | -     | -     | -     |
| Intangible assets              | 10.36 | 10.54 | 11.04 | 11.04 | 11.04 | 11.04 |
| Good will at TNL               | -     | -     | 4.74  | 4.74  | 4.74  | 4.74  |
| Good will at parent company    | 2.82  | 2.82  | -     | -     | -     | -     |
| Other long term assets         | 0.07  | 0.37  | 1.44  | 1.44  | 1.44  | 1.44  |
| Total long-term assets         | 14.75 | 19.84 | 41.26 | 48.86 | 55.69 | 61.85 |
| Total assets                   | 15.40 | 25.33 | 53.05 | 63.70 | 73.39 | 88.07 |
|                                | -     | -     | -     | -     | -     | -     |
| Accounts payable               | 0.73  | 1.04  | 3.95  | 6.18  | 11.28 | 17.20 |
| Debt financing of subsidiaries | 1.54  | 1.34  | 2.56  | 2.56  | 2.56  | 2.55  |
| Parent company debt            | -     | -     | 8.34  | 16.00 | 16.00 | 16.00 |
| Equity                         | 13.13 | 22.94 | 38.19 | 38.95 | 43.54 | 52.30 |
| Total liabilities and equity   | 15.40 | 25.33 | 53.05 | 63.70 | 73.39 | 88.07 |

Source: EBIOSS, Lond Capital

**Consolidated Cash Flow Statement**

| In EUR m              |        |        |         |         |         |         |
|-----------------------|--------|--------|---------|---------|---------|---------|
| Year ending Dec       | FY12   | FY13   | FY14    | FY15e   | FY16e   | FY17e   |
| Net Income            | 0.36   | (0.32) | 2.22    | 0.76    | 4.59    | 8.76    |
| Non Cash Items        | -      | -      | -       | -       | -       | -       |
| Depreciation          | 0.02   | 0.04   | 0.23    | 2.41    | 3.16    | 3.85    |
| Amortisation          | -      | -      | (2.38)  | -       | -       | -       |
| Change in WC          | -      | -      | -       | -       | -       | -       |
| Receivables           | (0.10) | (0.11) | (2.29)  | (0.63)  | (4.92)  | (5.47)  |
| Inventories           | 0.11   | 0.07   | (0.70)  | (0.83)  | (2.00)  | (2.32)  |
| Payables              | 0.16   | (0.23) | 0.33    | 2.22    | 5.10    | 5.92    |
| Others                | (0.59) | (0.11) | -       | -       | -       | -       |
| Cash From Operations  | (0.05) | (0.66) | (2.59)  | 3.93    | 5.93    | 10.74   |
|                       | -      | -      | -       | -       | -       | -       |
| Capex, Investments    | (0.04) | (4.84) | (14.00) | (10.00) | (10.00) | (10.00) |
| Cash from Investments | (0.04) | (4.84) | (14.00) | (10.00) | (10.00) | (10.00) |
|                       | -      | -      | -       | -       | -       | -       |
| Equity Issuance       | -      | 10.34  | 14.84   | -       | -       | -       |
| Debt Issuance         | 0.16   | 0.24   | 3.97    | 7.66    | -       | -       |
| Others                | -      | (0.05) | (1.91)  | -       | -       | -       |
| Cash From Financing   | 0.16   | 10.53  | 16.90   | 7.66    | -       | -       |
|                       | -      | -      | -       | -       | -       | -       |
| Change in CF          | 0.08   | 5.03   | 0.31    | 1.59    | (4.07)  | 0.74    |
| Cash at beginning     | -      | 0.08   | 5.41    | 5.71    | 7.31    | 3.24    |
| Cash at end           | 0.08   | 5.11   | 5.71    | 7.31    | 3.24    | 3.98    |

Source: EBIOSS, Lond Capital

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**Lond Capital Ltd**  
UK: +44 (0)20 3586 1650