

27th July 2016

Utilities

## McPhy Energy

Price EUR4.65

H1 2016 sales up 25% with cost structure under control

Fair Value EUR100m

CORPORATE

Bloomberg	MCPHY FP
Reuters	MCPHY.PA
12-month High / Low (EUR)	6.5 / 4.1
Market Cap (EURk)	43,910
Avg. 6m daily volume (000)	9.40

	1 M	3 M	6 M	31/12/15
Absolute perf.	0.0%	-10.6%	-10.2%	-15.5%
Utilities	11.3%	3.4%	4.5%	-0.5%
DJ Stoxx 600	5.9%	-1.7%	1.4%	-6.8%

### ANALYSIS

- **Mixed commercial performances:** Revenues rose by **25%** to **EUR2.2m**, mainly driven by hydrogen charging station deliveries in Lyon and Valence-Romans. This increase was wiped out by a **69%** drop in other activities revenues (EUR0.5m), generated by great demonstration projects financed by the EU, and planned by the authorities. This decline was anticipated given that the group has withdrawn from demonstration projects.
- **Unsurprising metrics:** Cost control set up this year in personnel and other operational costs was not entirely responsible for the revenue decrease, and EBITDA came out at **-EUR4.1m**, flat compared with last year. Following this trend, net income was **-EUR5.2m** (vs -EUR5.3m in H1 2015). We appreciate the control of the cost structure, despite the decline in total revenues.
- **What we retain for the future:** However, sales generated within the hydrogen business still need monitoring as management expects strong growth for H2 2016 on a market that is being restructured. Management indicated the group had won several contracts in China (**EUR6.4m** contract with a public player for a 4MW hydrogen production machine and a storage unit, which should contribute to H2 2016 revenue) and in France (1MW hydrogen production equipments related to Jupiter 1000 project whose commissioning is planned for 2018, and a **EUR1m** contract in a power-to-gas solution for an industrial client). An additional **EUR1m** should also be granted for Mcphy's participation in the US competition "H-Prize" in October 2016 where the group is the only participant still in the game.
- **Conclusion:** Despite the revenue growth generated by the group, margin operating margin remained negative. The good news concerned the commercial pipeline which looks well filled at least for the short-term. **Positive.**

### VALUATION

- FV @EUR100m

### NEXT CATALYSTS

- FY-2016 revenue – January 17<sup>th</sup> 2017 post-market

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### Distribution of stock ratings

BUY ratings 72%

NEUTRAL ratings 0%

SELL ratings 28%

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