

H2 Core AG

Germany / Cleantech
 Börse Hamburg
 Bloomberg: M5S GR
 ISIN: DE000A0H1GY2

Update

RATING

PRICE TARGET

Return Potential
 Risk Rating

BUY

€ 4.10

156.3%
 High

CAPITAL INCREASE AND 2024 GUIDANCE

Having raised gross funds of €0.7m in its recent capital increase, H2 Core has published 2024 guidance (sales: €12.8m - €13.8m EBIT: €-0.6m to €0.0m). Our forecast is within the guided range. The proceeds from the capital increase fell short of our expectation (FBe: €4.0m), but were the final part of a multi-stage financing which raised a total of €5.2m. We therefore assume that sufficient funds are available to finance the strong growth in the current year. The production of the 50 AEM Flex 120 electrolyzers, equipped with Enapter stacks and additional components, alone offers a sales potential of ca. €30m, which will be realised by YE25. An updated DCF model yields an unchanged €4.10 price target. We reiterate our Buy recommendation.

Guidance for 2024: very strong sales growth H2 Core expects sales of between €12.8m and €13.8m and EBIT of €-0.6m to €0m. This implies sales growth y/y of ca. 160% to 180%. Despite the one-off costs for the stock market listing and capital increase, EBIT could be in the black in a best-case scenario.

Cash capital increase raises €0.7m H2 Core placed 324,826 shares at €2.20 per share, raising €715k. The share count rose to 11.83 million. With the capital increase, H2 Core completed a multi-stage financing totalling €5.2m, which provides sufficient financial leeway for the planned growth in the current year.

Production and delivery of the AEM Flex 120 has begun Enapter had commissioned H2 Core with the assembly of 50 AEM Flex 120 electrolyzers. This electrolyser, designed by Enapter and equipped with Enapter stacks, can produce 54 kg of hydrogen per day, which is equivalent to a nominal output of 120 kW. The primary areas of application are industrial projects, hydrogen refuelling systems and decentralised energy solutions.

(p.t.o.)

FINANCIAL HISTORY & PROJECTIONS

	2021	2022	2023A	2024E	2025E	2026E
Revenue (€m)	0.7	2.1	4.9	13.8	27.1	45.6
Y-o-y growth	n.a.	209.0%	131.2%	181.0%	96.2%	68.1%
EBIT (€m)	0.0	0.1	0.3	-0.5	0.7	2.1
EBIT margin	3.7%	6.1%	6.7%	-4.0%	2.6%	4.6%
Net income (€m)	0.0	0.1	0.1	-0.5	0.2	1.0
EPS (diluted) (€)	0.00	0.00	0.00	-0.04	0.02	0.09
DPS (€)	0.00	0.00	0.00	0.00	0.00	0.00
FCF (€m)	0.0	-0.1	-5.8	-3.3	-4.0	-4.4
Net gearing	1740.0%	104.3%	30.7%	11.6%	22.1%	33.0%
Liquid assets (€m)	0.0	0.0	0.0	0.1	0.2	0.2

RISKS

The main risks are: Financing, internationalisation, supply chain, and regulation.

COMPANY PROFILE

H2 Core Systems manufactures hydrogen-based energy systems and markets them worldwide. The company has almost 40 employees and is situated in Heide in northern Germany.

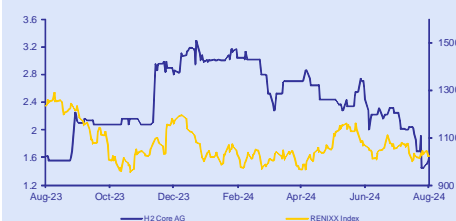
MARKET DATA

As of 21 Aug 2024

Closing Price	€ 1.60
Shares outstanding	11.83m
Market Capitalisation	€ 18.92m
52-week Range	€ 1.45 / 3.28
Avg. Volume (12 Months)	1,510

Multiples	2023A	2024E	2025E
P/E	150.0	n.a.	84.0
EV/Sales	3.7	1.3	0.7
EV/EBIT	54.8	n.a.	26.1
Div. Yield	0.0%	0.0%	0.0%

STOCK OVERVIEW



COMPANY DATA

As of 31 Dec 2023

Liquid Assets	€ 0.03m
Current Assets	€ 19.28m
Intangible Assets	€ 0.03m
Total Assets	€ 19.90m
Current Liabilities	€ 14.01m
Shareholders' Equity	€ 5.89m

SHAREHOLDERS

Technology Center Holding GmbH	38.6%
Enapter AG	24.8%
World Wide Green Holding GmbH	14.8%
Blugreen Company Ltd	10.5%
Sonstige & Free Float	11.3%



H2 Core produces the AEM Flex 120 at its own plant in Heide and incorporates them into complete systems by adding containers, dryers, storage units, compressors or even fuel cells at the customer's request. H2 Core recently delivered the first two AEM Flex 120s, and the next two units will be shipped at the beginning of September. We expect further shipments in 2024, but anticipate that most units will be delivered in 2025.

Forecasts confirmed We confirm our 2024 forecasts, which are in line with recently published guidance. In view of the order backlog for AEM Flex 120 electrolyzers, we also stick to our 2025 sales forecast. The planned delivery of most of the 50 units next year alone represents a sales contribution of around €20m (FBe). Our sales target of €27.1m should therefore be easily achievable.

Valuation model updated In our DCF model, we have taken into account that the volume of the capital increase was lower than expected (€0.7m versus FBe: €4.0m) and took place at a lower price per share than originally assumed (€2.20 versus FBe: €3.00). We have also accounted for the fall in risk-free bond yields (ten-year German government bond: 2.2%).

Buy recommendation confirmed at unchanged price target Overall, our DCF model yields an unchanged €4.10 price target. We consider our sales forecasts for the current and next year to be very well supported by the order backlog and reiterate our Buy recommendation.



VALUATION MODEL

DCF valuation model								
All figures in EUR '000	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E
Net sales	13,810	27,100	45,560	73,040	91,310	109,882	128,628	147,214
NOPLAT	-548	596	1,645	2,891	3,908	5,062	6,335	7,708
+ depreciation & amortisation	78	123	420	671	890	1,010	1,128	1,245
Net operating cash flow	-469	719	2,066	3,562	4,798	6,072	7,463	8,953
- total investments (CAPEX and WC)	-2,883	-4,344	-5,897	-10,917	-7,285	-7,314	-7,317	-7,211
Capital expenditures	-428	-3,008	-2,779	-2,776	-2,116	-2,238	-2,378	-2,508
Working capital	-2,455	-1,336	-3,118	-8,141	-5,169	-5,076	-4,939	-4,703
Free cash flows (FCF)	-3,352	-3,626	-3,832	-7,354	-2,488	-1,242	145	1,742
PV of FCF's	-3,235	-3,171	-3,037	-5,281	-1,618	-732	78	843

All figures in thousands	
PV of FCFs in explicit period (2024E-2037E)	-4,706
PV of FCFs in terminal period	53,584
Enterprise value (EV)	48,878
+ Net cash / - net debt (pro forma)	-160
+ Investments / minority interests	0
Shareholder value	48,718
Diluted number of shares	11,825
Fair value per share in EUR	4.12

Terminal growth:	3.0%
Terminal EBIT margin:	9.7%

WACC	10.4%
Cost of equity	14.5%
Pre-tax cost of debt	6.0%
Tax rate	30.0%
After-tax cost of debt	4.2%
Share of equity capital	60.0%
Share of debt capital	40.0%
Price target	4.10

		Terminal growth rate						
		1.5%	2.0%	2.5%	3.0%	3.5%	4.0%	4.5%
WACC	7.4%	8.56	9.24	10.07	11.08	12.36	14.02	16.26
	8.4%	6.30	6.72	7.22	7.80	8.51	9.38	10.48
	9.4%	4.69	4.96	5.27	5.64	6.06	6.56	7.17
	10.4%	3.49	3.68	3.88	4.12	4.39	4.70	5.06
	11.4%	2.59	2.72	2.86	3.02	3.19	3.39	3.63
	12.4%	1.89	1.98	2.08	2.19	2.31	2.44	2.59
	13.4%	1.34	1.40	1.47	1.55	1.63	1.73	1.83

* for layout purposes the model shows numbers only to 2031, but runs until 2037



INCOME STATEMENT

All figures in EUR '000	2021A	2022A	2023A	2024E	2025E	2026E
Revenues	688	2,125	4,914	13,810	27,100	45,560
Changes in inventory	0	1,093	886	0	0	0
Own work	0	123	185	0	0	0
Total output	688	3,341	5,985	13,810	27,100	45,560
Cost of goods sold	498	1,794	2,803	8,286	17,615	30,981
Gross profit	190	1,547	3,183	5,524	9,485	14,579
Personnel costs	124	859	1,564	4,008	6,233	8,429
Other operating income	166	100	0	276	542	911
Other operating expenses	204	612	1,247	2,263	2,981	4,556
EBITDA	28	176	371	-471	813	2,506
Depreciation and amortisation	3	46	42	77	121	417
Operating income (EBIT)	25	129	329	-548	692	2,089
Net financial result	-5	-34	-152	-140	-371	-610
Pre-tax income (EBT)	20	96	177	-688	322	1,479
Income taxes	9	28	51	-206	96	444
Minority interests	0	0	0	0	0	0
Net income / loss	11	68	126	-482	225	1,035
Diluted EPS (in €)	0.00	0.00	0.00	-0.04	0.02	0.09

Ratios

Gross margin on total output	27.6%	46.3%	53.2%	40.0%	35.0%	32.0%
EBITDA margin on revenues	4.1%	8.3%	7.6%	-3.4%	3.0%	5.5%
EBIT margin on revenues	3.7%	6.1%	6.7%	-4.0%	2.6%	4.6%
Net margin on revenues	1.6%	3.2%	2.6%	-3.5%	0.8%	2.3%
Tax rate	43.3%	29.2%	28.8%	30.0%	30.0%	30.0%

Expenses as % of revenues

Personnel costs	18.0%	40.4%	31.8%	29.0%	23.0%	18.5%
Depreciation and amortisation	0.4%	2.2%	0.9%	0.6%	0.4%	0.9%
Other operating expenses	29.7%	28.8%	25.4%	16.4%	11.0%	10.0%

Y-Y Growth

Revenues	n.a.	209.0%	131.2%	181.0%	96.2%	68.1%
Operating income	n.a.	412.4%	154.2%	n.m.	n.m.	201.7%
Net income/ loss	n.a.	502.1%	85.9%	n.m.	n.m.	359.8%



BALANCE SHEET

All figures in EUR '000	2021A	2022A	2023A	2024E	2025E	2026E
Assets						
Current assets, total	3,294	8,843	18,925	12,101	14,370	17,969
Cash and cash equivalents	0	3	26	146	226	208
Short-term investments	0	0	0	0	0	0
Receivables	19	372	754	2,838	4,455	4,993
Inventories	3,011	8,207	18,108	9,081	9,652	12,732
Other current assets	263	260	37	37	37	37
Non-current assets, total	180	330	621	32,416	35,302	37,661
Property, plant & equipment	180	299	590	928	3,788	6,105
Goodwill & other intangibles	0	32	31	30,060	30,084	30,127
Rights-of-use assets	0	0	0	0	0	0
Other assets	0	0	0	1,429	1,429	1,429
Total assets	3,474	9,173	19,546	44,517	49,671	55,630
Shareholders' equity & debt						
Current liabilities, total	3,443	7,595	13,734	6,452	6,956	6,880
Short-term debt	543	832	1,808	3,924	3,576	3,000
Accounts payable	1,701	6,537	11,442	2,043	2,896	3,395
Current provisions	0	26	149	149	149	149
Other current liabilities	1,199	200	335	335	335	335
Long-term liabilities, total	0	400	0	576	5,000	10,000
Long-term debt	0	400	0	576	5,000	10,000
Leasing liabilities	0	0	0	0	0	0
Deferred revenue	0	0	0	0	0	0
Other liabilities	0	0	0	0	0	0
Minority interests	0	0	0	0	0	0
Shareholders' equity	31	1,178	5,812	37,490	37,715	38,750
Share capital	32	36	41	11,825	11,825	11,825
Capital reserve	0	1,142	5,710	27,140	27,140	27,140
Other reserves	0	0	0	0	0	0
Treasury stock	0	0	0	0	0	0
Loss carryforward / retained earnings	0	0	61	-1,476	-1,251	-216
Total consolidated equity and debt	3,474	9,173	19,546	44,517	49,671	55,630
Ratios						
Current ratio (x)	0.96	1.16	1.38	1.88	2.07	2.61
Quick ratio (x)	0.08	0.08	0.06	0.47	0.68	0.76
Net debt	543	1,229	1,782	4,354	8,350	12,792
Net gearing	1740.0%	104.3%	30.7%	11.6%	22.1%	33.0%
Equity ratio	0.9%	12.8%	29.7%	84.2%	75.9%	69.7%
Book value per share (in €)	n.m.	n.m.	n.m.	3.47	3.19	3.28
Return on equity (ROE)	36.1%	5.8%	2.2%	-1.3%	0.6%	2.7%
Days of sales outstanding (DSO)	10	64	56	75	60	40
Days inventory outstanding	2,209	1,670	2,358	400	200	150
Days in payables (DIP)	1,248	1,330	1,490	90	60	40



CASH FLOW STATEMENT

All figures in EUR '000	2021A	2022A	2023A	2024E	2025E	2026E
EBIT	25	129	329	-548	692	2,089
Depreciation and amortisation	3	46	42	78	123	420
EBITDA	28	176	371	-469	815	2,509
Changes in working capital	0	0	-5,003	-2,455	-1,336	-3,118
Other adjustments	-28	-62	-838	66	-467	-1,054
Operating cash flow	0	114	-5,470	-2,858	-988	-1,663
Investments in PP&E	0	-165	-328	-414	-2,981	-2,734
Investments in intangibles	0	0	-6	-14	-27	-46
Free cash flow	0	-51	-5,803	-3,286	-3,996	-4,442
Acquisitions & disposals, net	0	0	0	0	0	0
Other investments	0	0	0	0	0	0
Investment cash flow	0	-165	-333	-428	-3,008	-2,779
Debt financing, net	0	54	600	2,692	4,076	4,424
Equity financing, net	0	0	4,552	715	0	0
Dividends paid	0	0	0	0	0	0
Other financing	0	0	48	0	0	0
Financing cash flow	0	54	5,200	3,407	4,076	4,424
FOREX & other effects	0	0	0	0	0	0
Net cash flows	0	3	-603	121	80	-18
Cash, start of the year	0	0	3	26	146	226
Cash, end of the year	0	3	-600	146	226	208
EBITDA/share (in €)	n.m.	n.m.	n.m.	-0.04	0.07	0.21
Y-Y Growth						
Operating cash flow	n.a.	n.a.	n.m.	n.m.	n.m.	n.m.
Free cash flow	n.a.	n.m.	n.m.	n.m.	n.m.	n.m.
EBITDA/share	n.a.	n.m.	n.m.	n.m.	n.m.	208.2%

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PRICE TARGET DATES

Unless otherwise indicated, current prices refer to the closing prices of the previous trading day.

AGREEMENT WITH THE ANALYSED COMPANY AND MAINTENANCE OF OBJECTIVITY

The present financial analysis is based on the author's own knowledge and research. The author prepared this study without any direct or indirect influence exerted on the part of the analysed company. Parts of the financial analysis were possibly provided to the analysed company prior to publication in order to avoid inaccuracies in the representation of facts. However, no substantial changes were made at the request of the analysed company following any such provision.

ASSET VALUATION SYSTEM

First Berlin's system for asset valuation is divided into an asset recommendation and a risk assessment.

ASSET RECOMMENDATION

The recommendations determined in accordance with the share price trend anticipated by First Berlin in the respectively indicated investment period are as follows:

Category		1	2
Current market capitalisation (in €)		0 - 2 billion	> 2 billion
Strong Buy ¹	An expected favourable price trend of:	> 50%	> 30%
Buy	An expected favourable price trend of:	> 25%	> 15%
Add	An expected favourable price trend of:	0% to 25%	0% to 15%
Reduce	An expected negative price trend of:	0% to -15%	0% to -10%
Sell	An expected negative price trend of:	< -15%	< -10%

¹ The expected price trend is in combination with sizable confidence in the quality and forecast security of management.

Our recommendation system places each company into one of two market capitalisation categories. Category 1 companies have a market capitalisation of €0 – €2 billion, and Category 2 companies have a market capitalisation of > €2 billion. The expected return thresholds underlying our recommendation system are lower for Category 2 companies than for Category 1 companies. This reflects the generally lower level of risk associated with higher market capitalisation companies.

RISK ASSESSMENT

The First Berlin categories for risk assessment are low, average, high and speculative. They are determined by ten factors: Corporate governance, quality of earnings, management strength, balance sheet and financial risk, competitive position, standard of financial disclosure, regulatory and political uncertainty, strength of brandname, market capitalisation and free float. These risk factors are incorporated into the First Berlin valuation models and are thus included in the target prices. First Berlin customers may request the models.

RECOMMENDATION & PRICE TARGET HISTORY

Report No.:	Date of publication	Previous day closing price	Recommendation	Price target
Initial Report	22 February 2024	€3.04	Buy	€4.10
2...1	↓	↓	↓	↓
2	22 February 2024	€3.04	Buy	€4.10
3	20 June 2024	€2.70	Buy	€4.10
4	Today	€1.60	Buy	€4.10

INVESTMENT HORIZON

Unless otherwise stated in the financial analysis, the ratings refer to an investment period of twelve months.

UPDATES

At the time of publication of this financial analysis it is not certain whether, when and on what occasion an update will be provided. In general First Berlin strives to review the financial analysis for its topicality and, if required, to update it in a very timely manner in connection with the reporting obligations of the analysed company or on the occasion of ad hoc notifications.

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Legally required information regarding

- key sources of information in the preparation of this research report
- valuation methods and principles
- sensitivity of valuation parameters

can be accessed through the following internet link: <https://firstberlin.com/disclaimer-english-link/>

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