

Betolar

Company report

01/15/2023



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✓ Inderes corporate customer

This report is a summary translation of the report “Kansainväliseen kirjanpitoon” published on 01/15/2023 at 8:29 am.

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Moving to international accounting standard

We reiterate our EUR 3.00 target price and Reduce recommendation for Betolar. We updated our estimates to reflect the IFRS transition that will be carried out at the end of the fiscal year, but the changes don't affect the company's key drivers of net sales growth and cash flows. Thus, the very minor and technical changes had no impact on our view of the company. We also attended an investor event organized by Betolar on Friday.

The change in accounting standard does not affect our view of the company

Betolar announced before Christmas that it will switch from FAS to IFRS accounting with its Q4 report. We believe the change is necessary as the company is likely to seek growth funding from an increasingly broader and also more international investor base, which will be supported by the move to a more international and comparable accounting standard. The accounting standard has no impact on our view of Betolar's share, as the company's key value drivers, namely net sales growth and cash flows, are not affected by the differences in accounting standards. At the current stage of Betolar's development, the IFRS transition resulted in only minor changes on the income statement side for the coming years regarding the treatment of rents and stock option plans. Similarly, the changes on the balance sheet side were also minor. Due to the early stage of the business, Betolar's predictability is currently very low, and so far the revision needs due to the change in accounting standard were mostly buried under the noise already in our estimates.

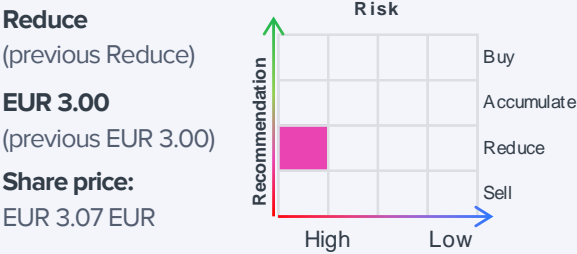
Commercialization will move to structural concrete this year

Betolar started to commercialize its Geoprime concept of pre-cast concrete products last year. This is a logical choice, as the product characteristics aren't usually as demanding and standardized as structural concrete or concrete used in the mining industry. The challenge for scaling in this segment is that there are many smaller players in the sector, with whom progress to higher volumes is typically slow and resource-intensive. This is why we believe it is important for the company to break into the markets of structural concrete and mining concrete, where the players are larger and allow for faster scaling. We estimate that Betolar's customer base and especially average customer size will grow significantly in the coming years. Betolar plans to move into the commercialization of structural concrete this year, and the partnerships with Consolis Parma and Lujabetoni are likely to play a key role in this. The mining segment will start in 2024 and in this segment Betolar has partnered with Keliber.

The AI project is critical in achieving long-term scalability

Betolar has very ambitious financial targets for both the medium and long term. In the long term, the company aims to scale its business as a technology company. To make this possible, Betolar is already investing in business digitalization and AI-assisted automation, with the aim that AI could at least suggest a suitable Geoprime recipe and thereby bypass certain tests that are currently being carried out. We believe that the success of the AI project is critical to Betolar's long-term scalability. In the short term, constraints are more traditional and to properly get on the growth track, we believe that Betolar should succeed especially in finding customers, product groups and regions with the most tangible benefits from emission reductions, who are also willing to pay for it and have to courage make rapid progress.

Recommendation



Key figures

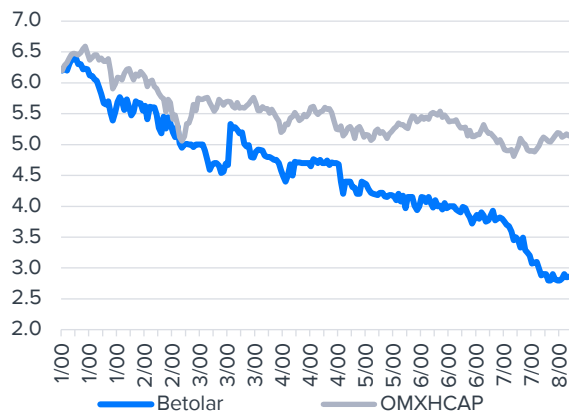
	2021	2022e	2023e	2024e
Revenue	0.0	0.3	5.3	27.0
growth-%	67%	2900%	1650%	414%
EBIT adj.	-5.5	-11.6	-14.2	-12.3
EBIT-% adj.			-270%	-45.4 %
Net Income	-4.1	-12.2	-14.4	-12.7
EPS (adj.)	-0.21	-0.63	-0.74	-0.65
P/E (adj.)	neg.	neg.	neg.	neg.
P/B	3.2	2.3	5.1	neg.
Dividend yield-%	0.0 %	0.0 %	0.0 %	0.0 %
EV/EBIT (adj.)	neg.	neg.	neg.	neg.
EV/EBITDA	neg.	neg.	neg.	neg.
EV/S	>100	>100	10.5	2.7

Source: Inderes

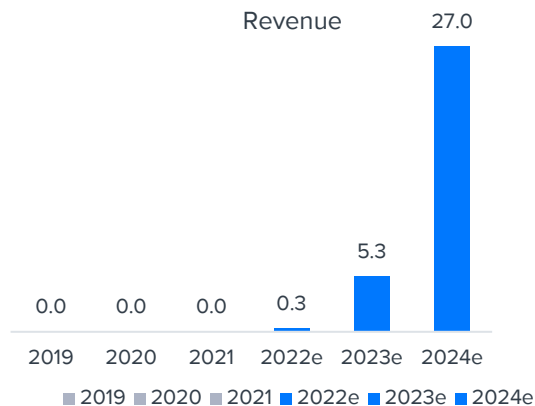
Guidance (Unchanged)

No guidance

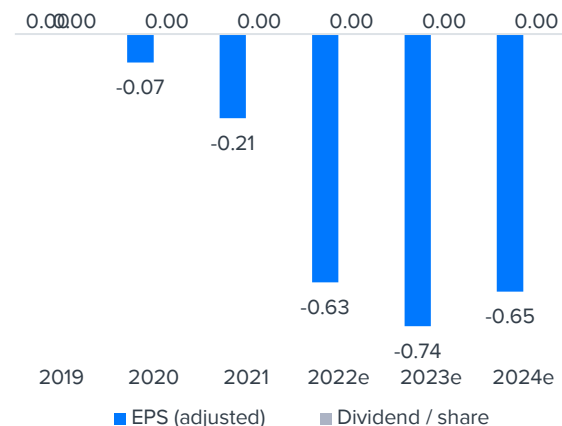
Share price



Revenue



EPS and dividend



Value drivers

- Very high market potential
- Green transition is shaking up the otherwise conservative industry
- Betolar offers a competitive solution for the transition
- Inherently scalable business model



Risk factors

- Commercialization of the business is still at an early stage
- The company will be cash flow negative for several more years and the business will only scale up years from now
- Betolar is likely to need additional funding
- More competitive technologies may seek to enter the market
- We estimate that business scalability requires the success of the AI project

Valuation	2022e	2023e	2024e
Share price	3.07	3.07	3.07
Number of shares, millions	19.5	19.5	19.5
Market cap	60	60	60
EV	38	55	74
P/E (adj.)	neg.	neg.	neg.
P/E	neg.	neg.	neg.
P/FCF	neg.	neg.	neg.
P/B	2.3	5.1	neg.
P/S	>100	11.4	2.2
EV/Sales	>100	10.5	2.7
EV/EBITDA	neg.	neg.	neg.
EV/EBIT (adj.)	neg.	neg.	neg.
Payout ratio (%)	0.0 %	0.0 %	0.0 %
Dividend yield-%	0.0 %	0.0 %	0.0 %

Source: Inderes

The change in accounting standard had no practical impact on the estimates

Estimate revisions	2022e	2022e	Change	2023e	2023e	Change	2024e	2024e	Change
MEUR / EUR	Old	New	%	Old	New	%	Old	New	%
Revenue	0,3	0,3	0 %	5,3	5,3	0 %	27,0	27,0	0 %
EBITDA	-10,5	-10,7		-12,7	-12,9		-11,1	-10,9	
EBIT (exc. NRIs)	-11,4	-11,6		-13,9	-14,2		-12,4	-12,3	
EBIT	-11,4	-11,6		-13,9	-14,2		-12,4	-12,3	
PTP	-12,0	-12,2		-14,1	-14,4		-12,8	-12,7	
EPS (excl. NRIs)	-0,62	-0,63		-0,72	-0,74		-0,66	-0,65	
DPS	0,00	0,00		0,00	0,00		0,00	0,00	

Source: Inderes

Valuation table

Valuation	2020	2021	2022e	2023e	2024e	2025e
Share price	5,74	6,30	3,07	3,07	3,07	3,07
Number of shares, millions	19,4	19,4	19,5	19,5	19,5	19,5
Market cap	112	122	60	60	60	60
EV	111	86	38	55	74	89
P/E (adj.)	neg.	neg.	neg.	neg.	neg.	neg.
P/E	neg.	neg.	neg.	neg.	neg.	neg.
P/FCF	neg.	neg.	neg.	neg.	neg.	neg.
P/B	79,0	3,2	2,3	5,1	neg.	neg.
P/S	>100	>100	>100	11,4	2,2	1,1
EV/Sales	>100	>100	>100	10,5	2,7	1,7
EV/EBITDA	neg.	neg.	neg.	neg.	neg.	neg.
EV/EBIT (adj.)	neg.	neg.	neg.	neg.	neg.	neg.
Payout ratio (%)	0,0 %	0,0 %	0,0 %	0,0 %	0,0 %	0,0 %
Dividend yield-%	0,0 %	0,0 %	0,0 %	0,0 %	0,0 %	0,0 %

Source: Inderes

Peer group valuation

Peer group valuation	Market cap	EV	LV:n kasvu		EV/S		P/B
Company	MEUR	MEUR	2022e	2023e	2022e	2023e	2022e
Bioretec	29	26		17%	7.4	24.2	2.2
Spinnova	340	245	191%	113%	3.6	3.1	21.0
Aiforia	87	58	25%	80%	12.9	2.8	3.1
Renewcell	267	307	132%	2198%	9.2	3.3	4.1
Hoffman Green cement	161	144		422%	11.5	2.2	1.7
Betolar (Inderes)	60	38	2900%	1650%	127	10.5	2.3
Average			1.2	5.7	8.9	7.1	6.4
Median			1.3	1.1	9.2	3.1	3.1
Diff-% to median			2097%	1360%	1282%	235%	-27%

Source: Refinitiv / Inderes

Income statement

Income statement	2020	2021	2022e	2023e	2024e	2025e
Revenue	0,0	0,0	0,3	5,3	27,0	52,5
Konserni	0,0	0,0	0,3	5,3	27,0	52,5
EBITDA	-1,1	-4,8	-10,7	-12,9	-10,9	-4,8
Depreciation	-0,3	-0,7	-0,9	-1,3	-1,4	-2,2
EBIT (excl. NRI)	-1,4	-5,5	-11,6	-14,2	-12,3	-7,0
EBIT	-1,4	-5,5	-11,6	-14,2	-12,3	-7,0
Konserni	-1,4	-5,5	-11,6	-14,2	-12,3	-7,0
Share of profits in assoc. compan.	0,0	0,0	0,0	0,0	0,0	0,0
Net financial items	0,0	-0,1	-0,6	-0,2	-0,4	-1,0
PTP	-1,4	-5,6	-12,2	-14,4	-12,7	-8,0
Taxes	0,0	1,5	0,0	0,0	0,0	0,0
Minority interest	0,0	0,0	0,0	0,0	0,0	0,0
Net earnings	-1,4	-4,1	-12,2	-14,4	-12,7	-8,0
EPS (adj.)	-0,07	-0,21	-0,63	-0,74	-0,65	-0,41
EPS (rep.)	-0,07	-0,21	-0,63	-0,74	-0,65	-0,41

Lähde: Inderes, number of shares in IPO is set to number of shares in 2020, 2020 FAS, 2021-2025e IFRS

Balance sheet

Assets	2020	2021	2022e	2023e	2024e
Non-current assets	1.0	4.1	4.3	6.7	10.8
Goodwill	0.0	0.0	0.0	0.0	0.0
Intangible assets	0.9	1.8	3.9	6.0	8.8
Tangible assets	0.1	0.3	0.4	0.7	2.0
Associated companies	0.0	0.0	0.0	0.0	0.0
Other investments	0.0	0.0	0.0	0.0	0.0
Other non-current assets	0.0	0.0	0.0	0.0	0.0
Deferred tax assets	0.0	1.9	0.0	0.0	0.0
Current assets	0.8	38.0	25.2	13.5	9.4
Inventories	0.0	0.0	0.0	0.3	1.5
Other current assets	0.0	0.6	0.6	0.6	0.6
Receivables	0.2	0.0	0.2	0.3	1.9
Cash and equivalents	0.6	37.4	24.4	12.3	5.4
Balance sheet total	1.8	42.0	29.5	20.2	20.2

Source: Inderes

Liabilities & equity	2020	2021	2022e	2023e	2024e
Equity	1.4	38.4	26.2	11.8	-0.8
Share capital	0.0	0.1	0.1	0.1	0.1
Retained earnings	-2.3	-9.6	-21.8	-36.2	-48.9
Hybrid bonds	0.0	0.0	0.0	0.0	0.0
Revaluation reserve	0.0	0.0	0.0	0.0	0.0
Other equity	3.7	48.0	48.0	48.0	48.0
Minorities	0.0	0.0	0.0	0.0	0.0
Non-current liabilities	0.0	0.4	2.5	4.0	12.1
Deferred tax liabilities	0.0	0.0	0.0	0.0	0.0
Provisions	0.0	0.0	0.0	0.0	0.0
Long term debt	0.0	0.4	2.5	4.0	12.1
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	0.0	0.0	0.0	0.0	0.0
Current liabilities	0.4	1.4	0.8	4.4	8.9
Short term debt	0.0	0.0	0.0	3.5	7.0
Payables	0.4	0.8	0.2	0.3	1.4
Other current liabilities	0.0	0.6	0.6	0.6	0.6
Balance sheet total	1.8	40.2	29.5	20.2	20.2

DCF calculation

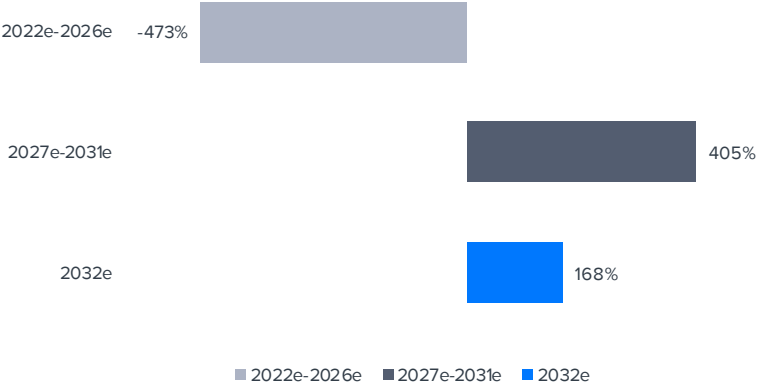
DCF model	2021	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e
Revenue growth-%	67 %	2900 %	1650 %	414 %	94 %	72 %	58 %	36 %	38 %	26 %	29 %	14 %	3 %
EBIT-%	-55130 %	-3872 %	-270 %	-45 %	-13 %	1 %	2 %	10 %	17 %	23 %	26 %	26 %	6 %
EBIT (operating profit)	-5,5	-11,6	-14,2	-12,3	-7,0	0,6	3,0	19,3	46,5	77,0	113,1	132,2	30,9
+ Depreciation	0,7	0,9	1,3	1,4	2,2	3,3	4,5	5,7	6,9	8,1	9,4	10,8	12,4
- Paid taxes	-0,5	1,9	0,0	0,0	0,0	0,0	0,0	0,0	0,0	-7,6	-22,6	-26,4	-6,1
- Tax, financial expenses	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	-0,1	0,0	0,0	0,0
+ Tax, financial income	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
- Change in working capital	0,6	-0,8	-0,3	-1,7	-2,2	-3,5	-5,2	-4,1	-6,0	-5,3	-7,2	-4,6	-1,2
Operating cash flow	-4,7	-9,5	-13,2	-12,6	-7,0	0,5	2,3	20,9	47,4	72,2	92,6	112	35,9
+ Change in other long-term liabilities	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
- Gross CAPEX	-1,9	-3,1	-3,8	-5,4	-7,6	-8,8	-10,3	-11,6	-12,9	-14,1	-16,4	-18,5	-16,5
Free operating cash flow	-6,6	-12,6	-17,0	-18,0	-14,6	-8,4	-8,0	9,3	34,5	58,0	76,2	93,4	19,3
+/- Other	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
FCFF	-6,6	-12,6	-17,0	-18,0	-14,6	-8,4	-8,0	9,3	34,5	58,0	76,2	0,0	0,0
Discounted FCFF		-12,7	-14,6	-13,2	-9,1	-4,5	-3,6	3,6	11,4	16,4	18,4	19,2	3,4
Sum of FCFF present value		43,6	56,3	70,9	84,1	93,2	97,7	101	97,7	86,2	69,8	51,4	32,2
Enterprise value DCF		43,6											
- Interesting bearing debt		-0,4											
+ Cash and cash equivalents		37,4											
-Minorities		0,0											
-Dividend/capital return		0,0											
Equity value DCF		80,6											
Equity value DCF per share		4,1											

Wacc

Tax-% (WACC)	20,0 %
Target debt ratio (D/(D+E))	10,0 %
Cost of debt	4,0 %
Equity Beta	3,00
Market risk premium	4,75 %
Liquidity premium	2,00 %
Risk free interest rate	2,5 %
Cost of equity	18,8 %
Weighted average cost of capital (WACC)	17,2 %

Source: Inderes

Cash flow distribution



Summary

Income statement	2019	2020	2021	2022e	2023e	Per share data	2019	2020	2021	2022e	2023e
Revenue	0.0	0.0	0.0	0.3	5.3	EPS (reported)		-0.07	-0.21	-0.63	-0.74
EBITDA	-0.5	-1.1	-4.8	-10.7	-12.9	EPS (adj.)		-0.07	-0.21	-0.63	-0.74
EBIT	-0.6	-1.4	-5.5	-11.6	-14.2	OCF / share		-0.05	-0.24	-0.49	-0.68
PTP	-0.6	-1.4	-5.6	-12.2	-14.4	FCF / share		-0.09	-0.34	-0.65	-0.87
Net Income	-0.6	-1.4	-4.1	-12.2	-14.4	Book value / share		0.07	1.98	1.34	0.61
Extraordinary items	0.0	0.0	0.0	0.0	0.0	Dividend / share		0.00	0.00	0.00	0.00
Balance sheet	2019	2020	2021	2022e	2023e	Growth and profitability	2019	2020	2021	2022e	2023e
Balance sheet total	0.7	1.8	42.0	29.5	20.2	Revenue growth-%	75%	-14%	67%	2900%	1650%
Equity capital	0.5	1.4	38.4	26.2	11.8	EBITDA growth-%		127%	354%	124%	21%
Goodwill	0.0	0.0	0.0	0.0	0.0	EBIT (adj.) growth-%		130%	302%	111%	22%
Net debt	0.0	-0.6	-37.0	-21.9	-4.8	EPS (adj.) growth-%			198%	195%	18%
Cash flow	2019	2020	2021	2022e	2023e	EBITDA-%				-3566.0 %	-245.8 %
EBITDA	-0.5	-1.1	-4.8	-10.7	-12.9	EBIT (adj.)-%				-3872.3 %	-270.2 %
Change in working capital	0.1	0.1	0.6	-0.8	-0.3	EBIT-%				-3872.3 %	-270.2 %
Operating cash flow	-0.3	-1.0	-4.7	-9.5	-13.2	ROE-%	-267.8 %	-148.6 %	-20.7 %	-37.8 %	-75.5 %
CAPEX	-0.7	-0.7	-1.9	-3.1	-3.8	ROI-%	-263.4 %	-147.2 %	-27.4 %	-34.4 %	-59.0 %
Free cash flow	-1.0	-1.7	-6.6	-12.6	-17.0	Equity ratio	69.1 %	77.8 %	91.4 %	89.0 %	58.6 %
Valuation multiples	2019	2020	2021	2022e	2023e	Gearing	-3.3 %	-45.6 %	-96.3 %	-83.7 %	-40.2 %
EV/S		>100	>100	>100	10.5						
EV/EBITDA (adj.)		neg.	neg.	neg.	neg.						
EV/EBIT (adj.)		neg.	neg.	neg.	neg.						
P/E (adj.)		neg.	neg.	neg.	neg.						
P/B		79.0	3.2	2.3	5.1						
Dividend-%		0.0 %	0.0 %	0.0 %	0.0 %						

Source: Inderes

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Accumulate	The 12-month risk-adjusted expected shareholder return of the share is attractive
Reduce	The 12-month risk-adjusted expected shareholder return of the share is weak
Sell	The 12-month risk-adjusted expected shareholder return of the share is very weak

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Recommendation history (>12 mo)

Date	Recommendation	Target price	Share price
1/3/2022	Reduce	3.00 €	2.86 €
1/16/2023	Reduce	3.00 €	3.07 €



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