

# Betolar

## Company report

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This report is a summary translation of the report "Pakka näyttää olevan sekaisin" published on 4/23/2024 at 1:39 am EEST

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# Looks like the house is in a disarray

Betolar publishes its Q1 report next Tuesday at around 8:30 am EEST. Based on the CEO change announced yesterday and the change negotiations, we made significant cuts in our cost and revenue forecasts for the next few years. However, as a whole, we consider the releases (and the CFO leaving announced last week) to be a negative signal, as the outlook for the stock's key value driver, i.e. revenue growth, is very unclear and weakened in the concrete product segment. In Q1, we expect the company's revenue to have increased slightly and losses to shrink due to the savings measures and corporate subsidies received in the financial year 2023. With the forecast cuts, we lower our target price for Betolar to EUR 1.0 and our recommendation to Sell (was Reduce).

## The company announced a CEO change, change negotiations and resource allocation

Yesterday, Betolar announced a CEO change, change negotiations, and a specified strategic direction for the company. Riku Kytömäki who is stepping down as CEO is immediately replaced by the Company's Chief Operating Officer Tuija Kalpala who started working for Betolar in November 2023. Kalpala has experience in supply, logistics and strategic development tasks at Neste, and we believe that Kalpala's background in commercializing new business is suitable for Betolar. In addition, the significant change negotiations announced yesterday (up to 40% of the personnel) and the stronger focus on the mining industry and side-stream research aim to achieve substantial savings in the cost structure.

## We made significant revenue forecast cuts for the entire forecast period driven by savings measures

We believe the change of the CEO and significant savings measures reflect the fact that commercialization of the products has been too slow considering the company's financial situation. Especially in the concrete product segment, which is on the outer ring of the strategy, growth is probably still tough. Savings measures are essential to save cash, but they can also affect the company's ability to develop a scalable and widely automated business model. Thanks to significant savings measures and business alignment, we made noticeable revenue forecast cuts for the coming years, as we decreased the share of the stagnant concrete product segment to a low level in our revenue forecasts. In addition, we remind you that in the mining segment, the company is likely to have a pilot phase of approximately 2 years, so our revenue forecasts for 2024-2025 now consist mainly of project-based service sales. In absolute terms, the impact on our profitability forecasts for the coming years was smaller due to the planned savings measures. Since the main driver of the stock should be revenue growth, we think it is a poor consolation. The need for financing also still looms ahead.

## Uncertainties related to commercialization turn the risk/reward ratio unfavorable

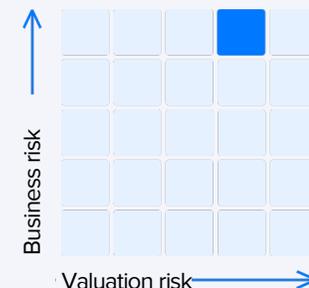
The 2024 and 2025 EV/S ratios based on our forecasts for Betolar are 9x and 5x, which we consider high, considering the still high risk related to commercializing Betolar's innovations and the increased uncertainty, especially in the concrete product segment. The value of the DCF model based on our long-term forecasts is EUR 1 per share after the forecast cuts. Considering our valuation method and the company's development phase, we feel the risk/reward ratio clearly turns unfavorable. Therefore, we recommend investors to wait on the sidelines to see if the company can get its deck sorted with the help of the new management.

## Recommendation

**Sell**  
(previous Reduce)

**EUR 1.00**  
(previous EUR 1.10)

**Share price:**  
EUR 1.16



## Key figures

	2023	2024e	2025e	2026e
<b>Revenue</b>	0.5	2.1	5.5	12.8
<b>growth-%</b>	79%	308%	162%	133%
<b>EBIT adj.</b>	-13.3	-6.1	-4.6	-4.1
<b>EBIT-% adj.</b>			-84%	-32.0 %
<b>Net Income</b>	-13.2	-6.1	-5.5	-4.4
<b>EPS (adj.)</b>	-0.67	-0.31	-0.28	-0.23

<b>P/E (adj.)</b>	neg.	neg.	neg.	neg.
<b>P/B</b>	1.7	3.0	10.3	neg.
<b>Dividend yield-%</b>	0.0 %	0.0 %	0.0 %	0.0 %
<b>EV/EBIT (adj.)</b>	neg.	neg.	neg.	neg.
<b>EV/EBITDA</b>	neg.	neg.	neg.	neg.
<b>EV/S</b>	28.6	9.3	4.6	2.5

Source: Inderes

## Guidance

(Unchanged)

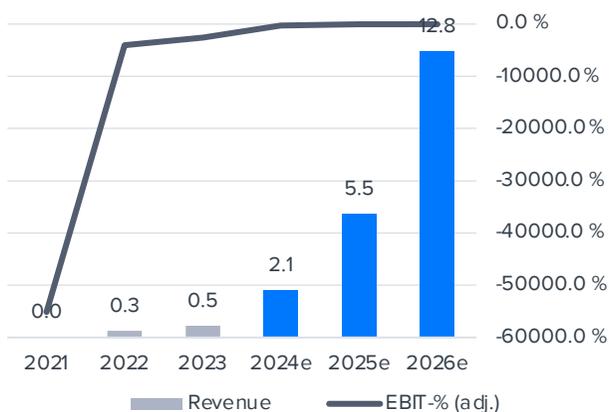
No guidance

### Share price



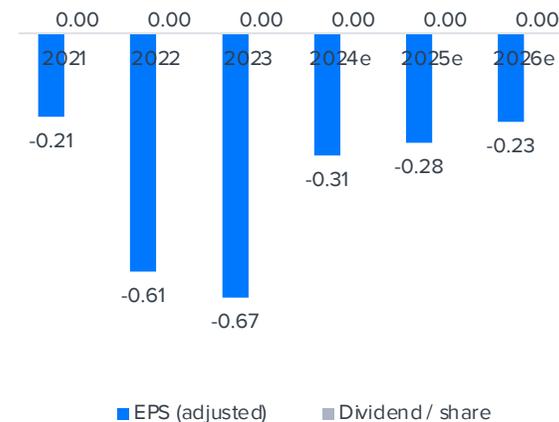
Source: Millistream Market Data AB

### Revenue and EBIT-%



Source: Inderes

### EPS and dividend



Source: Inderes



### Value drivers

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



### Risk factors

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

Valuation	2024e	2025e	2026e
Share price	1.16	1.16	1.16
Number of shares, millions	19.6	19.6	19.6
Market cap	23	23	23
EV	19	25	32
P/E (adj.)	neg.	neg.	neg.
P/E	neg.	neg.	neg.
P/B	3.0	10.3	neg.
P/S	10.8	4.1	1.8
EV/Sales	9.3	4.6	2.5
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

# Estimates

## Estimates vs. actualized

Ennustetaulukko MEUR / EUR	Q1'23	Q1'24	Q1'24e	Q1'24e	Consensus		2024e
	Comparison	Actualized	Inderes	Consensus	Low	High	Inderes
Revenue	0.0		0.2				2.1
EBITDA	-3.1		-1.5				-4.1

Source: Inderes

Estimate revisions MEUR / EUR	2024e			2025e			2026e		
	Old	New	Change %	Old	New	Change %	Old	New	Change %
Revenue	3.0	2.1	-30%	15.0	5.5	-63%	22.4	12.8	-43%
EBITDA	-4.6	-4.1	-12%	-5.3	-3.2	-39%	-4.0	-2.7	-33%
EBIT (exc. NRIs)	-6.6	-6.1	-8%	-7.1	-4.6	-35%	-6.2	-4.1	-33%
EBIT	-6.6	-6.1	-8%	-7.1	-4.6	-35%	-6.2	-4.1	-33%
PTP	-6.6	-6.1	-8%	-8.0	-5.5	-32%	-6.8	-4.4	-35%
EPS (excl. NRIs)	-0.34	-0.31	-8%	-0.41	-0.28	-32%	-0.35	-0.23	-35%
DPS	0.00	0.00		0.00	0.00		0.00	0.00	

Source: Inderes

# Valuation table

Valuation	2021	2022	2023	2024e	2025e	2026e	2027e
Share price	6.30	3.05	1.20	<b>1.16</b>	<b>1.16</b>	<b>1.16</b>	<b>1.16</b>
Number of shares, millions	19.4	19.5	19.6	<b>19.6</b>	<b>19.6</b>	<b>19.6</b>	<b>20.1</b>
Market cap	122	60	23	<b>23</b>	<b>23</b>	<b>23</b>	<b>23</b>
EV	86	36	15	<b>19</b>	<b>25</b>	<b>32</b>	<b>32</b>
P/E (adj.)	neg.	neg.	neg.	<b>neg.</b>	<b>neg.</b>	<b>neg.</b>	<b>neg.</b>
P/E	neg.	neg.	neg.	<b>neg.</b>	<b>neg.</b>	<b>neg.</b>	<b>neg.</b>
P/B	3.2	2.2	1.7	<b>3.0</b>	<b>10.3</b>	neg.	neg.
P/S	>100	>100	45.5	<b>10.8</b>	<b>4.1</b>	<b>1.8</b>	<b>1.3</b>
EV/Sales	>100	>100	28.6	<b>9.3</b>	<b>4.6</b>	<b>2.5</b>	<b>1.8</b>
EV/EBITDA	neg.	neg.	neg.	<b>neg.</b>	<b>neg.</b>	<b>neg.</b>	<b>34.7</b>
EV/EBIT (adj.)	neg.	neg.	neg.	<b>neg.</b>	<b>neg.</b>	<b>neg.</b>	<b>neg.</b>
Payout ratio (%)	0.0 %	0.0 %	0.0 %	<b>0.0 %</b>	<b>0.0 %</b>	<b>0.0 %</b>	<b>0.0 %</b>
Dividend yield-%	0.0 %	0.0 %	0.0 %	<b>0.0 %</b>	<b>0.0 %</b>	<b>0.0 %</b>	<b>0.0 %</b>

Source: Inderes

# Peer group valuation

Peer group valuation Company	Market cap MEUR	EV MEUR	Revenue growth		EV/S		P/B
			2024e	2025e	2024e	2025e	2024e
Bioretect	56	49		33%	8.5	6.4	2.2
Spinnova	82	28	191%		2.5	0.8	21.0
Aiforia	95	87	25%	20%	23.3	14.0	3.1
Hoffman Green cement	143	150		150%	25.0	2.0	1.7
<b>Betolar (Inderes)</b>	<b>23</b>	<b>19</b>	<b>308%</b>	<b>162%</b>	<b>9.3</b>	<b>4.6</b>	<b>3.0</b>
<b>Average</b>			<b>108%</b>	<b>68%</b>	<b>14.8</b>	<b>5.8</b>	<b>7.0</b>
<b>Median</b>			<b>108%</b>	<b>33%</b>	<b>15.9</b>	<b>4.2</b>	<b>2.7</b>
<b>Diff-% to median</b>			<b>185%</b>	<b>391%</b>	<b>-42%</b>	<b>10%</b>	<b>11%</b>

Source: Refinitiv / Inderes

# Income statement

Income statement	2021	2022	H1'23	H2'23	2023	H1'24e	H2'24e	2024e	2025e	2026e	2027e
Revenue	0.0	0.3	0.1	0.4	0.5	0.5	1.6	2.1	5.5	12.8	18.0
EBITDA	-4.8	-10.0	-6.2	-5.0	-11.2	-2.9	-1.2	-4.1	-3.2	-2.7	0.9
Depreciation	-0.7	-1.5	-0.9	-1.2	-2.1	-1.0	-1.0	-2.0	-1.4	-1.4	-1.8
EBIT	-5.5	-11.5	-7.1	-6.2	-13.3	-3.9	-2.2	-6.1	-4.6	-4.1	-0.9
Net financial items	-0.1	-0.4	0.0	0.1	0.1	0.0	0.0	0.0	-0.9	-0.3	-0.4
PTP	-5.6	-11.9	-7.1	-6.1	-13.2	-3.9	-2.2	-6.1	-5.5	-4.4	-1.3
Taxes	1.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net earnings	-4.1	-11.8	-7.0	-6.2	-13.2	-3.9	-2.2	-6.1	-5.5	-4.4	-1.3
EPS (adj.)	-0.21	-0.61	-0.36	-0.31	-0.67	-0.20	-0.11	-0.31	-0.28	-0.23	-0.07
EPS (rep.)	-0.21	-0.61	-0.36	-0.31	-0.67	-0.20	-0.11	-0.31	-0.28	-0.23	-0.07

Key figures	2021	2022	H1'23	H2'23	2023	H1'24e	H2'24e	2024e	2025e	2026e	2027e
Revenue growth-%						281.7 %	316.7 %	307.8 %	161.9 %	132.7 %	40.6 %
Adjusted EBIT growth-%						-44.4 %	-65.1 %	-54.1 %	-24.5 %	-10.9 %	-77.6 %
EBITDA-%								-194.6 %	-58.8 %	-21.1 %	5.1 %
Adjusted EBIT-%									-83.5 %	-32.0 %	-5.1 %
Net earnings-%									-99.6 %	-34.5 %	-7.5 %

Source: Inderes

# Balance sheet

Assets	2022	2023	2024e	2025e	2026e
<b>Non-current assets</b>	<b>4.7</b>	<b>6.0</b>	<b>5.0</b>	<b>5.1</b>	<b>6.7</b>
Goodwill	0.0	0.0	0.0	0.0	0.0
Intangible assets	3.7	4.3	3.3	3.5	4.5
Tangible assets	0.8	1.5	1.5	1.3	2.0
Associated companies	0.2	0.2	0.2	0.2	0.2
Other investments	0.0	0.0	0.0	0.0	0.0
Other non-current assets	0.0	0.1	0.1	0.1	0.1
Deferred tax assets	0.0	0.0	0.0	0.0	0.0
<b>Current assets</b>	<b>27.3</b>	<b>15.2</b>	<b>11.7</b>	<b>6.3</b>	<b>4.3</b>
Inventories	0.0	0.0	0.1	0.3	0.6
Other current assets	0.5	0.7	0.7	0.7	0.7
Receivables	0.1	0.2	0.1	0.4	1.2
Cash and equivalents	26.6	14.3	10.8	4.9	1.9
<b>Balance sheet total</b>	<b>31.9</b>	<b>21.2</b>	<b>16.7</b>	<b>11.4</b>	<b>11.0</b>

Source: Inderes

Liabilities & equity	2022	2023	2024e	2025e	2026e
<b>Equity</b>	<b>26.6</b>	<b>13.8</b>	<b>7.7</b>	<b>2.2</b>	<b>-2.2</b>
Share capital	0.1	0.1	0.1	0.1	0.1
Retained earnings	-18.6	-31.5	-37.6	-43.0	-47.5
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	45.1	45.2	45.2	45.2	45.2
Minorities	0.0	0.0	0.0	0.0	0.0
<b>Non-current liabilities</b>	<b>2.8</b>	<b>5.4</b>	<b>4.0</b>	<b>4.0</b>	<b>6.6</b>
Deferred tax liabilities	0.0	0.0	0.0	0.0	0.0
Provisions	0.0	0.0	0.0	0.0	0.0
Interest bearing debt	2.8	5.4	4.0	4.0	6.6
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
<b>Current liabilities</b>	<b>2.6</b>	<b>2.0</b>	<b>5.0</b>	<b>5.2</b>	<b>6.7</b>
Interest bearing debt	0.2	0.2	3.5	3.5	4.6
Payables	0.9	0.4	0.1	0.3	0.6
Other current liabilities	1.5	1.4	1.4	1.4	1.4
<b>Balance sheet total</b>	<b>31.9</b>	<b>21.2</b>	<b>16.7</b>	<b>11.4</b>	<b>11.0</b>

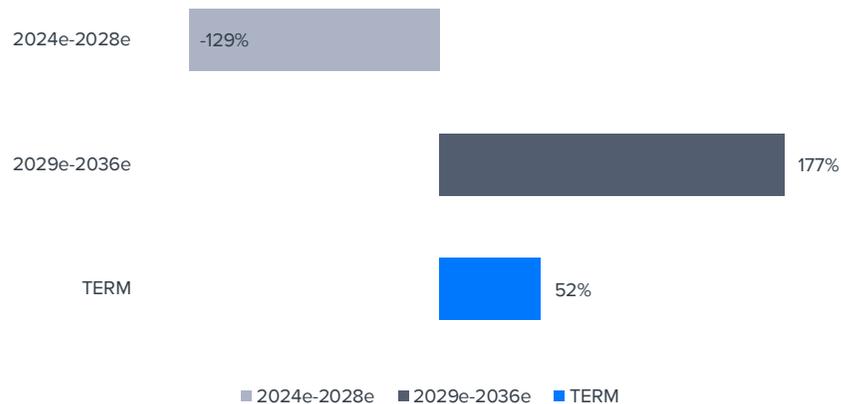
# DCF calculation

DCF model	2023	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	TERM
Revenue growth-%	79%	308%	162%	133%	41%	41%	124%	56%	14%	17%	3%	
EBIT-%	-2575%	-290%	-84%	-32%	-5%	9%	21%	20%	20%	21%	25%	
<b>EBIT (operating profit)</b>	<b>-13.3</b>	<b>-6.1</b>	<b>-4.6</b>	<b>-4.1</b>	<b>-0.9</b>	<b>2.3</b>	<b>12.1</b>	<b>17.9</b>	<b>20.2</b>	<b>24.4</b>	<b>30.7</b>	
+ Depreciation	2.1	2.0	1.4	1.4	1.8	2.2	2.9	4.2	5.3	6.1	6.7	
- Paid taxes	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-1.8	-4.0	-4.9	-6.2	
- Tax, financial expenses	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	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	0.1	0.1	
- Change in working capital	-0.8	-0.3	-0.3	-0.6	-0.5	-0.5	-2.7	-2.5	-0.8	-1.3	-0.3	
<b>Operating cash flow</b>	<b>-11.9</b>	<b>-4.4</b>	<b>-3.6</b>	<b>-3.3</b>	<b>0.4</b>	<b>4.0</b>	<b>12.4</b>	<b>17.8</b>	<b>20.7</b>	<b>24.3</b>	<b>30.9</b>	
+ 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	
- Gross CAPEX	-3.4	-1.0	-1.5	-3.0	-3.0	-5.0	-7.5	-8.0	-8.0	-8.0	-8.0	
<b>Free operating cash flow</b>	<b>-15.4</b>	<b>-5.4</b>	<b>-5.0</b>	<b>-6.3</b>	<b>-2.6</b>	<b>-1.0</b>	<b>4.9</b>	<b>9.8</b>	<b>12.7</b>	<b>16.3</b>	<b>22.9</b>	
+/- Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	-15.4	-5.4	-5.0	-6.3	-2.6	-1.0	4.9	9.8	12.7	16.3	22.9	
<b>Discounted FCFF</b>		<b>-4.8</b>	<b>-3.8</b>	<b>-4.0</b>	<b>-1.4</b>	<b>-0.5</b>	<b>1.9</b>	<b>3.2</b>	<b>3.5</b>	<b>3.8</b>	<b>4.6</b>	<b>5.8</b>
Sum of FCFF present value		11.3	16.1	19.9	23.9	25.3	25.8	23.9	20.7	17.2	13.3	5.8
<b>Enterprise value DCF</b>		<b>11.3</b>										
- Interest bearing debt		-5.6										
+ Cash and cash equivalents		14.3										
-Minorities		0.0										
-Dividend/capital return		0.0										
<b>Equity value DCF</b>		<b>20.0</b>										
<b>Equity value DCF per share</b>		<b>1.0</b>										

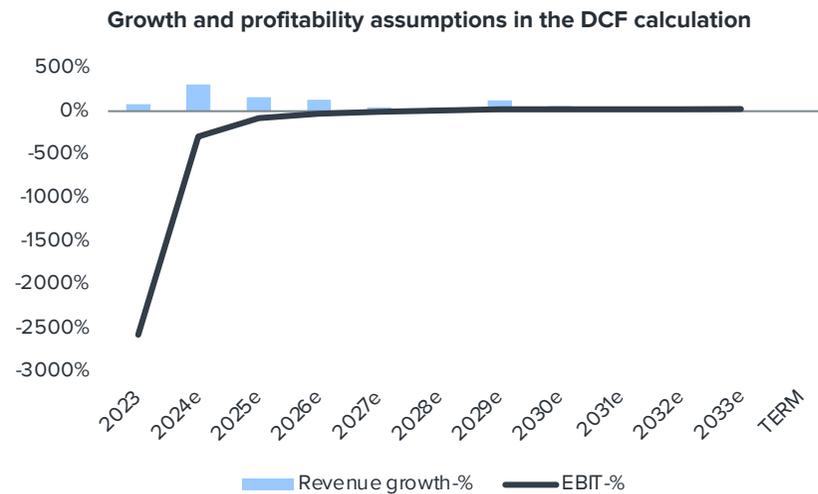
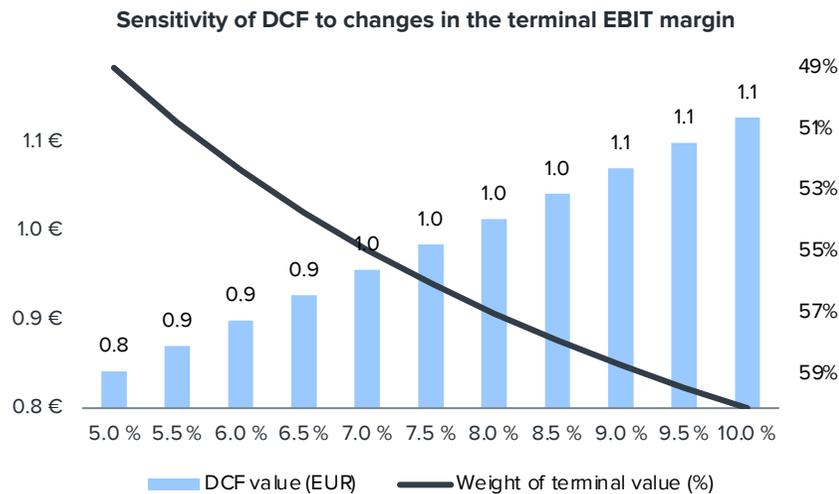
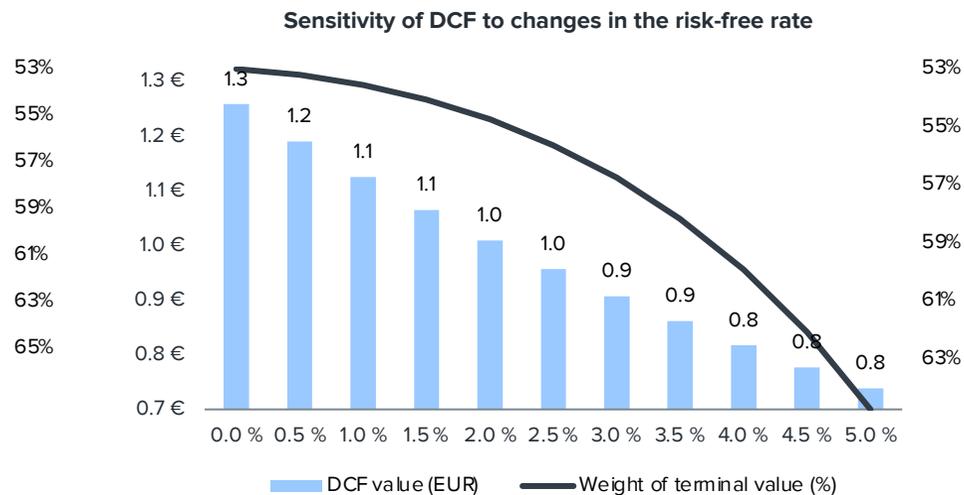
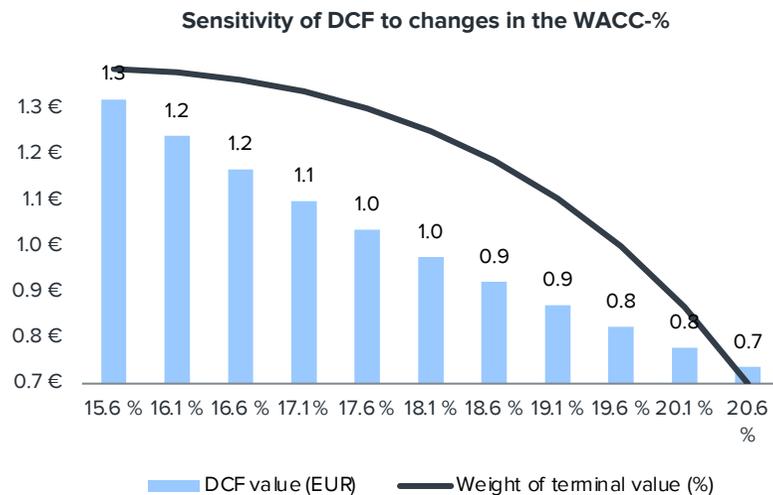
WACC	
Tax-% (WACC)	20.0 %
Target debt ratio (D/(D+E))	10.0 %
Cost of debt	5.0 %
Equity Beta	3.20
Market risk premium	4.75%
Liquidity premium	2.00%
Risk free interest rate	2.5 %
<b>Cost of equity</b>	<b>19.7 %</b>
<b>Weighted average cost of capital (WACC)</b>	<b>18.1 %</b>

Source: Inderes

## Cash flow distribution



# DCF sensitivity calculations and key assumptions in graphs



Source: Inderes. Note that the weight of the terminal value (%) is shown on an inverse scale for clarity.

# Summary

Income statement	2021	2022	2023	2024e	2025e	Per share data	2021	2022	2023	2024e	2025e
Revenue	0.0	0.3	0.5	2.1	5.5	EPS (reported)	-0.21	-0.61	-0.67	-0.31	-0.28
EBITDA	-4.8	-10.0	-11.2	-4.1	-3.2	EPS (adj.)	-0.21	-0.61	-0.67	-0.31	-0.28
EBIT	-5.5	-11.5	-13.3	-6.1	-4.6	OCF / share	-0.24	-0.36	-0.61	-0.22	-0.18
PTP	-5.6	-11.9	-13.2	-6.1	-5.5	FCF / share	-0.34	-0.56	-0.78	-0.28	-0.26
Net Income	-4.1	-11.8	-13.2	-6.1	-5.5	Book value / share	1.98	1.36	0.70	0.39	0.11
Extraordinary items	0.0	0.0	0.0	0.0	0.0	Dividend / share	0.00	0.00	0.00	0.00	0.00
Balance sheet	2021	2022	2023	2024e	2025e	Growth and profitability	2021	2022	2023	2024e	2025e
Balance sheet total	42.0	31.9	21.2	16.7	11.4	Revenue growth-%	67%	2770%	79%	308%	162%
Equity capital	38.4	26.6	13.8	7.7	2.2	EBITDA growth-%	354%	109%	12%	-63%	-21%
Goodwill	0.0	0.0	0.0	0.0	0.0	EBIT (adj.) growth-%	302%	109%	15%	-54%	-25%
Net debt	-37.0	-23.6	-8.7	-3.3	2.6	EPS (adj.) growth-%	198%	186%	11%	-54%	-10%
Cash flow	2021	2022	2023	2024e	2025e	EBITDA-%					-58.8 %
EBITDA	-4.8	-10.0	-11.2	-4.1	-3.2	EBIT (adj.)-%					-83.5 %
Change in working capital	0.6	1.0	-0.8	-0.3	-0.3	EBIT-%					-83.5 %
Operating cash flow	-4.7	-7.1	-11.9	-4.4	-3.6	ROE-%	-20.7 %	-36.4 %	-65.4 %	-56.7 %	-110.9 %
CAPEX	-1.9	-3.9	-3.4	-1.0	-1.5	ROI-%	-27.4 %	-33.7 %	-53.7 %	-34.1 %	-36.0 %
Free cash flow	-6.6	-11.0	-15.4	-5.4	-5.0	Equity ratio	91.4 %	83.2 %	64.9 %	45.9 %	19.3 %
						Gearing	-96.3 %	-88.8 %	-63.2 %	-42.7 %	118.8 %
Valuation multiples	2021	2022	2023	2024e	2025e						
EV/S	>100	>100	28.6	9.3	4.6						
EV/EBITDA (adj.)	neg.	neg.	neg.	neg.	neg.						
EV/EBIT (adj.)	neg.	neg.	neg.	neg.	neg.						
P/E (adj.)	neg.	neg.	neg.	neg.	neg.						
P/B	3.2	2.2	1.7	3.0	10.3						
Dividend-%	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %						

Source: Inderes

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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	Share price
11/3/2022	Reduce	3.00 €	2.86 €
1/16/2023	Reduce	3.00 €	3.07 €
2/15/2023	Reduce	3.00 €	2.98 €
8/25/2023	Reduce	2.20 €	2.31 €
9/27/2023	Reduce	1.20 €	1.28 €
11/6/2023	Reduce	1.10 €	0.97 €
2/16/2024	Reduce	1.10 €	1.20 €
4/22/2024	Sell	1.00 €	1.16 €



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