

## FDE

## FY 2024: Navigating Growth Amidst Market Shifts

**Strong core operations and growing renewable energy segments**

FDE today reported its full FY'24 results, following the initial reporting of FY'24 revenues in July. Net income was €9.7mm, in line with our estimate, down 19% y/y. Higher electricity sales volumes and contributions from Greenstat were offset by much weaker gas and electricity prices, which normalised after the spike in prices after the Russian invasion of Ukraine. EBITDA fell 26% y/y to €19.7mm, yet FDE maintained a robust sales margin of 63% (down from 68% last year). FDE was also cushioned by its robust hedging programme that helped it navigate a period of volatile electricity and gas prices over the last year. FDE's 49.5%-owned 45 MW solar farm in Bosnia was deconsolidated from revenues, as it did not meet IFRS requirements, which would have otherwise added an extra €2.7mm, reducing the revenue drop to only 9% y/y. For FY'25 FDE has hedged 35-40% of its volumes for at €150/MWh for electricity and €54/MWh for gas.

**Immediate pipeline projects are progressing positively**

FDE remains committed to its low-carbon energy mandate, aiming to reach over €175mm in revenue by 2030 (>5x the 2024 levels) and generating over €85mm of EBITDA from its current slate of projects. The company is poised to commission a 5.8MW ground-mounted power plant in Norway by the end of 2024. Additionally, the construction of a new 100GWh/year RNG facility in Stavanger is on track to start production by the end of 2025 and is expected to generate an annual EBITDA of €9mm. Concurrently, Greenstat is advancing its 20MW electrolyser project in Agder, with completion targeted by the end of 2026. This project, supported by significant subsidies, aims to deliver the first green hydrogen to the local marine industry by late 2026, projecting an expected annual EBITDA of €10mm. FDE's robust project pipeline includes over 40 projects with a total NPV of more than €375mm and high IRRs of 15-20%+, excluding solar. With the ability to fund up to 90% of capex through debt and subsidies, we believe FDE is well-positioned to achieve favourable equity returns.

**Advancements in CHP projects and update on natural hydrogen**

In France, FDE's four Combined Heat and Power ("CHP") projects have been delayed due to state approvals; however, recent political shifts, including the appointment of a new energy minister, may accelerate these approvals. Additionally, a 6MW CHP project in Norway is on schedule for 2025, with further plans for another project in France. These initiatives are part of a broader investment strategy, with FDE having already invested ~€10mm in CHP development and planning to spend ~€330mm by 2026 without requiring fresh equity. Separately, FDE is adjusting its strategy for the natural hydrogen project by seeking additional capital investments from partners, rather than solely relying on technical resources and limited financial contributions. The company has already secured a €5mm subsidy for the first phase and is currently negotiating a €7mm grant for the second phase. Currently, we are not assigning any value to the company's natural hydrogen business.

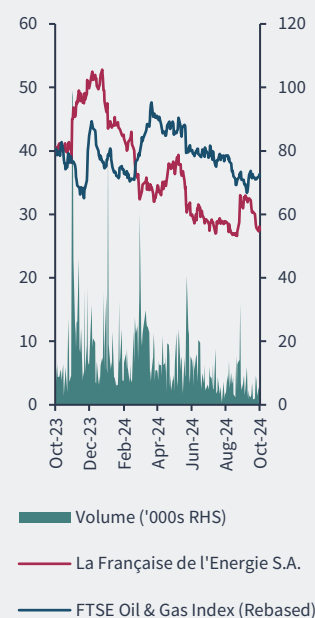
**Valuation: risked NAV of €94/sh (+230% from current share price)**

Our risked NAV of € 94/sh remains unchanged after the FY'24 results. We had already incorporated the lower energy prices and accounted for FDE's hedging position ([see our update on 19<sup>th</sup> June 2024](#)). Furthermore, we see the current share price discounting only the value of the current production from the Abandoned Mine Methane ("AMM") business; therefore, the strong growth from AMM and potential of CryoPur, Greenstat and Lorraine gas are all sources of upside yet to be fully recognised by the market, in our view. FDE has a strong financial position, with €48mm in cash and net debt at €34mm as of June 2024 and has maintained a solid net debt-to-EBITDA ratio of 1.7x.

GICS Sector	Energy
Ticker	FP:FDE
Market cap 24-Oct-24 (US\$m)	161
Share price 24-Oct-24 (€)	28.40

**NAV summary (€/sh)**

Asset	Unrisked	Risked
Cash and other	-9.7	-9.7
AMM	75.1	59.5
Solar	4.1	3.7
Lorraine - Pyrolysis	29.2	14.6
Cryo Pur	39.7	19.8
Green Hydrogen	13.2	6.6
<b>Total NAV</b>	<b>152</b>	<b>94</b>



Source: S&amp;P CapIQ

Anish Kapadia

Research Analyst

T +44 (0) 207 907 8500

E [anish@hannam.partners](mailto:anish@hannam.partners)

Roger Bell

Managing Director, Research

T +44 (0) 207 907 8534

E [rb@hannam.partners](mailto:rb@hannam.partners)H&P Advisory Ltd  
7-10 Chandos Street  
London W1G 9DQ

## Disclaimer

This Document has been prepared by H&P Advisory Limited ("H&P"), which is authorised and regulated by the Financial Conduct Authority (Firm Reference Number 805667) and is incorporated in England & Wales with no. 11120795. The Document is protected by international copyright laws and may not be (i) copied, photocopied or duplicated in any form by any means or (ii) redistributed (in whole or in part) without H&P's prior written permission.

The information contained herein does not constitute an offer or solicitation to sell or acquire any security or fund the acquisition of any security by anyone in any jurisdiction where such an offer or solicitation would be illegal, nor should it be regarded as a contractual document. Under no circumstances should the information provided in this Document, or any other written or oral information made available in connection with it, be considered as investment advice or as a sufficient basis on which to make investment decisions. This Document does not constitute a personal recommendation and, if appropriate, you should seek professional advice, including tax advice, before making investments decisions.

The information in this Document does not purport to be comprehensive and has been provided by H&P (and, in certain cases, third party sources such as credit rating agencies) and has not been independently verified. The information set out herein and in any related materials reflects prevailing conditions and our views as at this date and is subject to updating, completion, revision, verification and amendment, and such information may change materially. H&P is under no obligation to provide the recipient with access to any additional information or to update this Document or any related materials or to correct any inaccuracies in it which may become apparent.

## Marketing Communication

This Document does not represent investment research for the purposes of the rules of the Financial Conduct Authority ("FCA Rules"). To the extent it constitutes a research recommendation, it takes the form of NON-INDEPENDENT research for the purposes of the FCA Rules. As such it constitutes a MARKETING COMMUNICATION, has not been prepared in accordance with legal requirements designed to promote the independence of investment research and is not subject to any prohibition on dealing ahead of dissemination of investment research.

## Statements Relating to Performance

All statements of opinion and/or belief contained in this Document and all views expressed and all projections, forecasts or statements regarding future events or possible future performance represent H&P's own assessment and interpretation of information available to it as at the date of this Document. This Document and any related materials may include certain forward-looking statements, beliefs, or opinions. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There can be no assurance that any of the results and events contemplated by the forward-looking statements contained in the information can be achieved or will, in fact, occur. Past performance cannot be relied on as a guide to future performance.

## Distribution Restrictions

This document is directed only at persons who: (i) are Qualified Investors within the meaning of Article 2(e) of Regulation (EU) 2017/1129, as it forms part of UK law by virtue of the European Union (Withdrawal) Act 2018, (as amended); and (ii) have professional experience in matters relating to investments who fall within the definition of "Investment Professionals" contained in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended) (the "Order") or are persons falling within Article 49(2)(a) to (d) (High Net Worth Companies, Unincorporated Associations, etc.) of the Order, or fall within another exemption to the Order (all such persons referred to in (i) and (ii) above together being referred to as "Relevant Persons"). This Document is not intended for distribution to or use by any person or entity in any jurisdiction or country where such distribution or use would be contrary to local law or regulation and persons into whose possession this Document comes are required to inform themselves about, and observe, any such restrictions.

## Valuation Assumptions/Risks

Please note our valuation estimates provide an assessment of the value of the issuer at a specific point in time, based on public information as well as assumptions and forecasts made by H&P, which are subject to change at any time. It should be noted that the prices of listed equities often deviate significantly from assessments of their fundamental value. Our valuation estimates should not be interpreted as a prediction of the price at which the issuer's shares will trade in future.

## Company/Issuer Disclosures

H&P may from time to time have a broking, corporate finance advisory, or other relationship with a company which is the subject of or referred to in the Document.