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EQTEC – Full year results update

26th April 2022

Landmark year in 2021 places the company at a growth inflection point and ready to enable the Net Zero Future

EQTEC's leading-edge, clean syngas technology is at the centre of sustainable waste-to-value plants, with the company providing project development, engineering and design services to plant operators and investors. The aim is for its technology to enable the Net Zero Future through advanced solutions for production of hydrogen, biofuels, SNG and other energy from a broad variety of waste streams.

■ Full year results confirm progress in 2021 with expectations for an even better 2022

During 2021 EQTEC made significant progress across its opportunity pipeline and active development projects. At year end, there were 17 projects under construction or development, with the company active in seven international markets. Two Market Development Centers in Italy and Croatia are expected to be operational in H2 2022, showcasing EQTEC's technology in more, live commercial settings. Three other plants are under construction in the U.S., Greece and Croatia, with a growing set of projects under development. As a result, strong revenue growth is expected in both 2021 and 2022 versus previous years.

■ 2022 strategy – focus on revenue growth, new syngas applications, ESG, promoting gasification technology and becoming a technology licensor

With EQTEC now firmly in the "deal growth" stage of its lifecycle, a key objective for 2022 will be further revenue growth, with the number of projects under construction and development increasing. The company will also test and develop more high-margin feedstock types and extend its technology into new syngas applications such as waste-to-hydrogen, waste-to-SNG and waste-to-biofuels. A range of ESG goals has been added to the three-year business strategy and annual business plans, with EQTEC looking to give clean, waste-to-syngas a greater profile, showcasing its technology as the market leader. **Longer-term and taking lessons from digital technology companies, EQTEC is positioning itself to be a technology licensor, a trajectory it believes gives it potential to become a multi-billion revenue business.**

■ Significant, long-term growth potential suggests a much higher justifiable valuation

Following the 2021 results, we have updated our forecasts and valuation for EQTEC. On our new 2024 forecasts and on an EV/EBITDA multiple basis we derive a value of 3.03p per share, which discounted back to end 2022 at a rate of 12% gives a price of 2.41p per share, a figure which we adopt as our updated target price. **Conviction Buy.**

This investment may not be suitable for your personal circumstances. If you are in any doubt as to its suitability you should seek professional advice. This note does not constitute advice and your capital is at risk. This is a marketing communication and cannot be considered independent research.

CONVICTION BUY

Price target – 2.41p

EQTEC™

Key data

EPIC	EQT
Share price	0.84p
52 week high/low	2.4p/0.75p
Listing	AIM
Shares in issue	8,599,024,926
Market Cap	£72.23m
Sector	Alternative Energy

12 month share price chart



Analyst details

Richard Gill, CFA

richard.gill@alignresearch.co.uk

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Landmark Year in 2021

EQTEC made significant progress in 2021 both operationally and financially, preparing itself for substantial growth in coming years. While certain, large projects saw delays during the year, the future looks bright, with the period seeing multiple new deals being agreed, along with a growing conversion of pipeline opportunities into active development projects. Combined with investment into engineering capability and capacity, further partnership deals and £16 million of equity funds being raised last May, these set the stage for significant growth in 2022 and the years ahead. EQTEC stands at the forefront of the global drive towards net zero, with its proven technology enabling some of the world’s most pressing environmental and economic issues to be solved.

During 2021 EQTEC made significant progress across its development pipeline and active development projects. As at year end, the company had 17 projects under construction or development, up from 10 at the end of March and 13 at the end of June. There were 3 projects under construction and 14 under development. EQTEC is now active in seven international markets and has opened the door for more as it builds scale.

	2020	2021	2022
PROJECTS	9	17	26
Under construction	1	3	10
Under development	8	14	16
REVENUE	€2.2 million	c. €8 – 10 million (est.)	2x – 4x growth vs. 2021
MARKETS	3	7	8
LOCAL ENTITIES	--	2	5
MDCs	--	2	4
Operational	--	--	2
Under construction	--	2	2
PROFESSIONALS	17	30	40+ (+50+)
Technical centre	12	15	20 (+50+)
Corporate centre	5	15	20+

EQTEC 2021 growth metrics and expectations for 2022. Source: Company presentation

Setting the Foundation for Scale

Progressing from project developer to technology licensor

As a reminder, EQTEC has developed its clean, waste-to-syngas technology for over two decades. Unlike many operators in the gasification market, the company has already proven the economic viability of its technology, successfully delivering its technology to clients and clocking years of high operational availability in commercial settings. **Not only can the technology produce a replacement for fossil fuels it can also effectively eliminate the need for the environmentally damaging incineration of waste.**

The company's first project was the Movialsa plant in Spain, delivered for the Spanish agriculture company of the same name, in 2011. The biomass-to-energy plant processes olive pomace and wine must residues and over more than a decade has delivered over 120,000 audited operating hours through its three GE Jenbacher engines, and four gasification lines, producing 5.9 MWe of electricity and 6.6 MWt of steam.

In the few years since its launch on AIM at the end of 2017, EQTEC has effectively positioned itself as a project developer, shifting its focus from execution of a few, anchor projects and financial stability, toward growing its commercial pipeline of waste-to-energy projects. To support its role as technology provider, the business has over this period sourced and supported clients with development of waste elimination projects. Alongside its own technical and engineering capabilities, EQTEC has worked with multiple project partners including developers, waste suppliers, EPC contractors, owner-operators and other financiers. The company's strategy has been to act as a co-ordinator of all the main parties involved with a view to ultimately provide its clean syngas technology and associated engineering and design services.

These actions were executed toward building the EQTEC brand and getting projects to financial close and onto commissioning. They were further grown in 2021 as the company moved from the "pipeline stage" to the "deal growth" stage of its development (see image below). In 2021 EQTEC focused on targeted deal growth via a range of measures including execution of go-to-market joint ventures in target markets, the construction of its Market Development Centres and extension of its ecosystem of partners, with a view that these partners would take over more of the project lifecycle. That last point is crucial, as **in the longer-term EQTEC is looking to scale up as a technology licensor and innovator in a variety of waste-to-value solutions.**



Source: Company presentation

A recent company presentation set out EQTEC's roadmap and strategy on how it intends to move toward the licensing/innovating business model. This will see the company transition from its current position as a project company, an interim state essential during the early years of its development to build credibility in the market. Instead of making most revenues from development or equipment sales, in the long-term the main source of income is expected to come from licensing of leading-edge syngas technology with maintenance and other value-added services at live plant operations.

At present, EQTEC is focused on successful launch of a modest number of target plants in its key markets, but it intends to leverage its partner network to supply its technology hundreds of plants around the world. In the near term, it is building this network through wholly-owned subsidiaries or majority-owned joint-ventures in its target markets, run by carefully selected management teams. Augmenting these legal entities are a wide range of partners across development, construction, operation and complementary technologies, with an increasing focus on best quality, Tier 1 partners. This is evidenced by its 2021 agreement with FTSE 250 constituent Wood Group for joint development of synthetic natural gas (SNG) and hydrogen solutions and in 2022, appointment of global EPC leader Black & Veatch to work on its Deeside, UK project. It is EQTEC's intention that development and construction work be undertaken exclusively by partners, with the company earning revenues predominantly from licensing and value-added services at live plants running EQTEC technology but owned and operated by others.

This will enable EQTEC to focus on technology innovation, supported by a global network to enable its commercialisation. The plan is to prove new feedstocks and then demonstrate them in a commercial context, with a Market Development Centre planned for each feedstock solution. **Once the target state is achieved, and due to the size of the potential market, EQTEC sees the potential to become a multi-billion-pound revenue company providing net zero solutions that reduce global dependency on fossil fuels.**

Projects Under Construction

Market Development Centres

EQTEC is currently constructing one plant each in Italy and Croatia, both of which will be the company's first Market Development Centres (MDCs). The MDCs will showcase the company's technology in live commercial settings, for potential customers, partners and investors. Additional MDCs are planned for other key markets including the U.S., UK and France.

Italia MDC (Gallina, Tuscany, Italy)

Demonstrating it can work with other parties to achieve financial close on a project is key to EQTEC's success, with investors enjoying news on this front last year. In May 2021, the company formed a consortium to acquire and recommission a plant in Italy, the 1MWe, EQTEC Italia MDC biomass-to-energy project in Tuscany, with EQTEC's gasification technology at its centre. Financial close of the project was achieved shortly after in June.

EQTEC currently owns 20% of Italia MDC, with an option to acquire further equity. Partner MetalNRG, which has a 26.6% stake, has participated in the recommissioning and repowering of the project as a consortium investor. In March the two firms signed a Framework Partnership Agreement to develop shovel-ready, biomass-to-energy, RDF-to-energy and sustainable, clean energy projects in the UK and Europe.



Financials & Recommissioning Progress

Italia MDC will convert multiple types of biomass feedstock into heat, power and/or fuel for local businesses and residents. Once operational, it is expected to generate annual plant revenues of c. €2 million, with plant EBITDA of c. €750,000. As well as being co-owner and technology supplier, EQTEC has been contracted as the operations & maintenance (O&M) partner for the fully commissioned plant, with the contract worth c.€215,000 per annum.

In October 2021, recommissioning of EQTEC Italia progressed with the site fully cleaned and relevant components disassembled and cleared. In December, core technology components were ordered, and all deliveries were made on schedule. In January 2022, EQTEC directors made a site visit with fellow shareholders and reviewed progress with local construction partner COS.M.I. Here, the potential for further commercial opportunities was addressed, including production of high-quality biochar and construction of additional infrastructure to accommodate higher-margin feedstock and further offtake alternatives.

In terms of the recommissioning timeline, the plant is now expected to be updated, recommissioned and repowered for operations in H2 2022. Making progress towards this, in March 2022 the thermal cracking reactor and heat exchanger were assembled, and the piping installed. The drying and feeding system were ordered and are expected to be on site to meet the planned commissioning date.

Croatia MDC (Belišće, Croatia)

In Croatia, joint-venture Synergy Projects d.o.o. was launched with Croatian project development partner Sense ESCO. EQTEC is a minority shareholder in the project, providing development services to support qualifying and pursuing deals, with Sense ESCO providing the Managing Director, development team and local relationships to generate pipeline and drive projects to financial close and beyond.

In August 2021, the JV completed acquisition of a 1.2 MWe waste-to-energy gasification plant in Belišće, Croatia. Originally commissioned in 2016, the plant was built around EQTEC's Advanced Gasification Technology. The intention is to recommission and repower the plant to convert forestry wood waste from local farms and forests into green electricity and heat for use in the local community. Once operational, it is expected that EQTEC will become the plant's O&M contractor and that the plant will become a Market Development Centre.

Financials & Recommissioning Progress

Annually, the expectation is for production of c.1.5 MW green electricity (up from 1.2 MW initially following an upgrade) from c.8,000 tonnes per year of locally-sourced wood chips and forestry waste biomass from regional forests. EQTEC estimates that the plant will generate an unlevered IRR of 12% and annual EBITDA in excess of €850,000. Additionally, the contract value of technology sales and engineering upgrades for EQTEC over the life of the project are expected to be €2.0 million, of which c. 60% was invoiced in Q4 2021, with additional fees from acting as O&M contractor after commissioning.

The JV acquisition of the project SPV was initially funded by EQTEC via a €550,000 loan and a €1.65 million 10-year loan provided by a third party. Both are intended to be converted into privately placed bonds to meet local corporate requirements.

In November, financial close for Belišće project was achieved. Under the deal, Sense ESCO subscribed for additional shares in the project SPV, giving it a 51% stake, leaving Synergy Projects with 49%. The project is being funded through a mix of equity, debt and privately placed tradeable bonds, with the funding requirement for recommissioning being c.€ 4.2 million. Sense ESCO will be providing €1.7 million while EQTEC will provide the balance, in addition to the previous €550,000 loan.

At the time, it was reiterated that funding was secured for the upgrade of the technology, increasing plant capacity to 1.5MWe from the original 1.2MWe. EQTEC also announced that it had completed full detailed engineering for the plant, all main components have been ordered. In March 2022 a full engineering and specification process was completed, with negotiations advanced with a local industrial customer for power and heat offtake. The company shortly expects to agree heads of terms with the industrial customer for the offtake. Also, a preferred customer for the biochar to be produced at the site has been identified and commercial discussions commenced. **The plant is expected to be updated, recommissioned and repowered for operations in H2 2022.**

In addition to the two MDCs, EQTEC has three other plants under construction in the U.S., Greece and Croatia.

North Fork Community Power (North Fork, California, USA)

In the U.S., construction continues at the company's longstanding North Fork Community Power forestry 2MWe waste project in California. Located on the site of an abandoned sawmill from the 1990s, this is part of a pipeline of projects being developed with U.S. partner, Phoenix Biomass Energy. We understand that in due course North Fork may become a MDC.

With forestry wood waste being increasing problem in the California (enabling fires), the plant is expected to improve both environmental and economic outcomes in the local area, by mitigating forest fires, reducing agricultural waste, producing carbon negative, decentralised electricity security for the local community. The plant will convert 17,550 metric tonnes of biomass annually into clean electric and thermal energy and into 1,600 metric tonnes of biochar per year, for use as a way to naturally capture carbon through use a soil substrate in forests and the agriculture industry.

Financials & Commissioning progress

The North Fork project reached financial close at the end of 2019 and to date EQTEC has earned revenues from the sale of equipment, supply of engineering and design services and the like. Despite some severe delays associated with issues arising during the COVID-19 pandemic and others caused by local forest fires, construction has progressed with installation of the gasification reactor and equipment inside the primary steel structures. The site was attended for three weeks in May 2021 by CTO Yoel Alemán and another EQTEC engineer, following the relaxation of travel restrictions.

The most recent update came in October 2021 when EQTEC invested an additional c.\$2.8 million (c. £2.1 million) in the project, taking its equity stake to 49%. EQTEC also provided a \$4.5 million convertible loan facility to fund the project. This has enabled construction to continue and reach an advanced stage. Foundations are laid, the gasification reactor and associated equipment have been installed inside the primary steel structures most civil works completed and mechanical and electrical installation are set as next phases of work. A commissioning date is yet to be confirmed.

Agrigas (Larissa, Thessaly, Greece)

Greece is a country identified by EQTEC as having a strong pipeline potential to bring advanced gasification capabilities to more local farming communities, with one project currently being constructed and several others in development.

Working with partners ewerGy GmbH and ECO Hellas, construction work has progressed on the 0.5 MWe Agrigas 1 biomass-to-energy plant in Larissa. With a 3,800 metric tonnes capacity per year, this gasification plant will take a mix of waste by-products from regional farmers during three harvest seasons of corn, wheat and cotton. Currently, these materials are either incinerated or taken to landfill but once the project is commissioned, the waste will be formed into pellets, processed through EQTEC's gasifier and converted into electricity which will be sold to the country's grid system by the owner-operator, Agrigas Energy. At Larissa, EQTEC is the technology provider for gasification technology and engineering and design services.

During 2021, the first shipment of technology components was received on site including the Siemens Jenbacher engine. The final shipment of equipment, including heat exchangers, gasifier, cyclone, filters and refractory was made in Q4 2021 and this will result in commissioning of what will be the country's first advanced gasification waste-to-energy plant.

Karlovaç (Karlovaç, Croatia)

September 2021 saw the second acquisition in Croatia, that of a 1.2 MWe waste-to-energy gasification plant at the Industrial Zone Korana in Karlovaç. The site contains a decommissioned plant which originally employed an early gasification technology from a third party but was not able to achieve the designed operational availability and had to be closed. The intention is to redesign and reconfigure the plant to incorporate EQTEC's Advanced Gasification Technology.

The plan is to develop the plant up to 3 MWe capacity by retrofitting with EQTEC technology and new equipment. When commissioned it will transform c. 24,000 metric tonnes of locally sourced wood chips and forestry waste biomass per year from regional forests into green electricity for use by the local community as well as produce high-quality biochar to supply the growing demand of this commodity in Europe. It has all licences, permits and a grid connection and a power purchase agreement already in place, with a further 2MW of grid availability subject to an additional PPA.

Financing & Recommissioning Progress

The initial acquisition was funded by EQTEC via a €1.2 million loan that is intended to be converted into privately placed bonds to meet local corporate requirements. In addition to being the core technology supplier to the plant, EQTEC is to be the O&M contractor after commissioning and estimates that the plant will generate an unlevered IRR of 12% and annual EBITDA in excess of €700,000. Technology sales for EQTEC over the life of the project are expected to be €15 million, of which c.10% was invoiced in Q4 2021.

At the same time as the Belišće announcement in November it was confirmed that partial first-phase funding had been agreed for the Karlovaç plant toward completion of detailed engineering design and ordering of main equipment. As with Belišće, Sense ESCO subscribed for additional shares in the project SPV to give it 51% of the equity.

The total funding requirement for Karlovaç is forecast to be in the region of €10 million. EQTEC and Sense ESCO will initially be providing 25% of the funding through subscriptions to privately placed tradeable bonds and equity, while third-party investors and bank debt will be sought to fund the balance. **The plant is expected to be updated, recommissioned and repowered for operations in H2 2022.**

Key Projects Under Development

Deeside (Deeside, Flintshire, UK)

EQTEC signed a Collaboration Framework Agreement (CFA) with Logik Developments Limited in February 2021 to develop an RDF-to-energy project at the North Wales site, which was formerly a Gaz de France power station. The site comprises 6.27 hectares of land located off Weighbridge Road in the Deeside Industrial Estate and is owned by project SPV Logik WTE Limited. Subsequently, an additional CFA was agreed with Toyota Motor Manufacturing UK to explore a sustainable waste-to-energy solution for Toyota's nearby engine manufacturing plant. This is said to be progressing and initial commercial pricing talks for biomethane and electricity supplies have commenced.

In June 2021, the company submitted a planning application for a Phase 2 gasification facility deploying EQTEC technology at the Deeside site where Phase 1 recycling and anaerobic digestion facilities were already approved for development. In October, EQTEC announced that planning consent had been granted for a proposed 9.9MWe plant to enable a complete and local waste-to-energy solution that would combine a 182,000-tonne waste reception plant with 2MW anaerobic digestion facility and EQTEC Advanced Gasification Technology. The additional Phase 2 permission creates an enhanced integrated waste-to-energy solution, one that is more environmentally friendly and economically efficient than legacy alternatives. EQTEC estimates that the plant will create enough green electricity to power 37,500 homes.

At the same time an agreement was reached with clean energy producer Anaergia Inc. to develop a proposal for delivery of the multi-technology project. Encouragingly, Anaergia has deferred the majority of its fees for the front-end engineering and design until financial close, to further demonstrate commitment in the project and partnership. In December 2021, a Supplementary Agreement was entered into with Logik looking to develop additional waste-to-value infrastructure on the Deeside site including for hydrogen and other biofuels. A design feasibility study for hydrogen production has been completed on site, which indicated viability from planning and environmental points of view.

A further Supplementary Agreement was announced with Logik in April regarding a share purchase agreement first signed last December with EQTEC's wholly owned subsidiary, Deeside WTV. Under the new agreement Deeside WTV will acquire 32% of the share capital of project SPV Logik WTE, the entity which holds the land and necessary planning permissions. Consideration will be the settlement of advances from EQTEC to Logik and the Project SPV in an amount of c. £2.3 million. This deal is subject to third party consent and is expected to complete on or before 30th June 2022. In addition, the parties are in discussions to procure a buyer for the Project SPV at a minimum valuation of £15 million. Subject to the sale, EQTEC will invoice up to £2 million for its project development services subject to certain conditions to be finalised with potential buyers.

In terms of recent progress, EQTEC has appointed Black and Veatch, a global engineering, procurement, consulting and construction company, to conduct a peer review of the overall project, including the technology interfaces. The company is also in advanced commercial and contractual discussions to appoint Black and Veatch for the full detailed design for phase 2 of the project. Discussions with technology partners have progressed, with EQTEC having provided all the concept design and syngas specifications to the shortlisted candidates to provide their technical and commercial proposal for the downstream technology to convert syngas into hydrogen.

Ongoing discussions with development and infrastructure investors, as well as owner-operators for a minimum £15 million sale of the Project SPV are progressing, with a number of parties engaged at due diligence stage.

Southport Hybrid Energy Park (Southport, Merseyside, UK)

Similar to Deeside in its multi-technology approach, albeit smaller in scale is the 9MW RDF-to-energy plant at Watts Industrial Estate, Southport, being developed with Rotunda Group. The site currently has planning permission for a waste recycling facility, an anaerobic digestion facility, and 9 MW of electrical generation with 2 MW of battery storage, exporting 11 MWe to the grid annually.

In September 2021 EQTEC showed that it was taking the project to the next stage by announcing that wholly owned subsidiary, Southport WTV Limited, the project SPV, had signed a Share Purchase Agreement with Rotunda to acquire full ownership of the project. Initial consideration of £382,000 (less a £100,000 exclusivity payment) is payable on certain development milestones, including that EQTEC is granted an acceptable lease sufficient for the development and operation of the project. There will also be the issue of a fixed dividend share in the project SPV to Rotunda, which gives the right to 20% of distributable profits.

EQTEC expects to act as the project developer at Southport, providing the design and core Advanced Gasification Technology and to retain a portion of the O&M contract after commissioning. As the project moves toward financial close EQTEC intends to sell a majority equity position in the project SPV and invoice it for development services fees provided.

The latest news is that in November EQTEC submitted a revised planning application for the Phase 1 waste reception centre and anaerobic digestion facility as a precursor to the intended Phase 2 planning application for a facility built around EQTEC Advanced Gasification Technology. The planned Phase 1 facility is designed to convert 80,000 tonnes of waste through anaerobic digestion into six million cubic metres of biomethane. Once approved, the intended Phase 2 facility could convert up to 25,000 tonnes of RDF into hydrogen to be injected in the gas network for blending. A pre-planning consultation has been carried out with the local authority whereby Phase 1 and Phase 2 master plans were welcomed by the local authority and given its support.

An additional gasification facility has also been identified near to the current Southport site. This would potentially allow for installation of a larger Phase 3 facility that could transform waste into synthetic natural gas and/or hydrogen. EQTEC and its partners are incorporating investigation of this opportunity into its project development activities.

Billingham (Billingham, Teesside, UK)

Work continues toward development of the proposed 25 MWe waste gasification and power plant in Haverton Hill, Billingham, County Durham. This is the company's largest-scale and most complex project and would apply EQTEC's Advanced Gasification Technology, to convert 200,000 tonnes or more per year of refused-derived fuel (RDF) from municipal solid waste into clean energy for the local community. **Billingham is anticipated to have for EQTEC a contract value in excess of €30 million over the life of the contract.**

In January 2021, EQTEC received notification of planning approval from Stockton-on-Tees Borough Council for an improved waste-to-energy scheme. Then in February, the project SPV, Haverton WTV Limited, signed a conditional Land Purchase Agreement for the land on which the proposed plant would be constructed and commissioned. In June, concept design work for the core gasification process was completed and progress made with design on the full plant. The designs for the project were reviewed with potential partners, with talks beginning with prospective delivery partners including Tier 1 EPC companies.

A significant decision was made regarding the project in December when EQTEC revealed that the environment of rising gas and power prices had created new offtake opportunities from the plant.

As a result, EQTEC entered discussions with local industrial offtake customers for potential provision of a range of syngas-to-power, syngas-to-heat and syngas-to-chemical applications. Along with front-end engineering design (FEED) work continuing, with EQTEC engaged with Tier 1 EPC companies planning and costing, the decision was made to defer financial close for both Billingham and Deeside, from 2021 to 2022. The thinking behind this was that the offtake opportunities deserved further exploration, with work done on reviewing, modelling and assessing them with the potential for a greater positive impact. The short-term impact of this was the deferral of €6 million in expected fees for development services.

The most recent update on Billingham was 15th February 2022, when the company announced that the previous year's Land Purchase Agreement had been varied with landowners Scott Bros. Enterprises. While the consideration price for the site remains at £8.6 million, EQTEC will now make advance payments of £0.25 million before 24th February 2022 and £0.5 million by 30th September 2022, with both to be deducted from the purchase price along with a previous £0.26 million deposit. The balance of £7.59 million will be payable by the new longstop date of 23rd December 2022. A further fee of £250,000 as consideration for the variation is also payable but all other conditions remain the same.

EQTEC also announced that it had received updated indicative terms for power offtake from three investment grade, bankable power operators, with improved pricing in line with current wholesale electricity market prices. These are now being evaluated along with other opportunities to find the optimal revenue mix for the project.

Other UK Opportunities

The UK is one of EQTEC's key target markets (the others being the U.S., France and Italy). With a view to expansion, a recent trading update confirmed that the company has qualified a further two potential projects in the country, being directly engaged with project developers and funders.

Greece - EQTEC Synergy Projects Limited

In September 2021, EQTEC announced the establishment of another joint-venture company to advance its strategy of acquiring waste-to-energy projects in Greece. The latest company, EQTEC Synergy Projects Limited, is a joint venture between EQTEC and strategic partner ewerGy GmbH of Germany (via its local partner, ECO Hellas M IKE of Greece). Also known as Synergy Greece, it has been set up to source, qualify and develop projects by providing advisory and development services to projects in the region. EQTEC is the majority shareholder in the joint venture, which will be capitalised by both partners.

Livadia

The venture quickly signed an agreement for the proposed acquisition of a 1MWe biomass-to-energy project in Livadia, Greece, known as Star I. The plant has all licences, building permits, grid connection and a power purchase agreement already in place. Once operational, the project is expected to produce approximately 1 MW of green electricity from c.7,500 tonnes of mixed agricultural waste from local farmers.

Completion of the deal is subject to entering into of a Project Purchase Agreement, customary for this type of transaction. The acquisition also includes exclusivity rights for a second project, Star II, which is also located in Livadia and upon which due diligence will subsequently be carried out.

The acquisition of Star I involves all the associated assets including all rights and permits required for project development, build and operation as well as biomass feedstock agreements. The plant is expected to achieve the company's baseline target unlevered IRR of 12% and the JV team have identified commercial opportunities that if implemented, will further increase project returns. To date, term sheets have been received from several local banks to provide project debt at loan-to-value ratios of between 70% to 80%. Discussions with investors over the equity funding of the project's SPV are underway, with a view towards financial close in the coming months.

Drama

In a further deal, October 2021 saw the Synergy Greece joint venture sign an agreement for the proposed acquisition of a 5MWe project in Drama, North Eastern Greece. The acquisition involves all the associated assets of the Drama project including all rights and permits required for project development, build and operation as well as biomass feedstock agreements. The plant has all licenses, building permits, grid connection and a power purchase agreement already in place. Completion of the acquisition is subject to entering into a customary Project Purchase Agreement. Due diligence, including financial and technical feasibility, has already been completed.

Once acquired, the JV will lead the development of a new biomass-to-energy plant which, once operational, is expected to produce c.5MW of green electricity and up to 8MW of thermal output from c. 35,000 tonnes of locally sourced forestry waste. The thermal output will be important for the region as the project is located in one of the coldest regions in Greece: Nevrokopi, where temperatures have reached -30C and there is no established infrastructure of heating networks.

In terms of financing, the JV is in discussions with a number of local banks to provide debt for the project funding at an LTV ranging between 70 and 80%. Active discussions with investors for the equity portion are underway, with financial close targeted for Q3 2022. Once operational, the plant is expected to achieve EQTEC's baseline target unlevered IRR of 12%, with other commercial opportunities that could be implemented to increase returns.

Additional US opportunities

EQTEC's partner, Phoenix Energy, is a US based private label power company that builds, owns and operates on-site biomass gasification plants in partnership with businesses in the agricultural and forestry industries. It helps partners become their own energy provider, selling energy at retail rates, combining proven technologies to provide themselves, their partners and their customers with profitable on-site power.

In May 2019 the two firms signed a Framework Agreement under which they are looking to jointly develop biomass gasification power projects in the US. Once the parties have agreed to proceed with a project, EQTEC will provide its technology, together with technical design and engineering for the power plants and both will work together to secure the necessary funding to develop such projects.

Alongside progress on North Fork, in Q4 2021 the two companies appointed an owners' representative for the Blue Mountain Electric Company project opportunity in Wilseyville, California and engaged three candidate companies for selection as Lead Contractor, toward start of front-end engineering design work in early 2022. The BMEC plant will, when operational, convert c. 24,000 tonnes of forestry waste per year into c. 2,400 tonnes of high-quality biochar and 3MWe of power for the local community, whilst contributing to prevention of forest fires. In addition, the two parties have identified a significant pipeline of forestry waste opportunities across California and in early 2022 will pursue a third opportunity for a forestry biomass-to-energy plant in the state.

France

On the back of rising interest in France for cleantech, EQTEC is pursuing a number of opportunities including potential projects for biomass-to-energy and for gasification of industrial and contaminated waste.

In December 2021 a Letter of Intent was signed with SEPS SAS, a company specialising in the management and recycling of industrial waste. This will support EQTEC's pursuit of safe and clean treatment of contaminated plastic, particularly polyethylene and high-density polyethylene and its conversion into energy, hydrogen and biofuels. EQTEC and SEPS are discussing a project for deployment of EQTEC technology at an on-premise, industrial facility in Haute-Garonne.

On 14th March 2022 it was announced that a Strategic Collaboration Agreement had been signed with SEPS for handling of contaminated plastic waste. The deal sees the two parties pursuing development of contaminated waste treatment plants that apply the combined capabilities of SEPS and EQTEC technologies. The initial focus will be on specific, offtake applications including electricity, heat, combined cooling, heat & power (CCHP) and biofuels.

At the same time, EQTEC formalised its entry into the French market by forming wholly owned subsidiary EQTEC France, its third go-to-market entity adding to those in Croatia and Greece. Additional entities in other target markets are expected to be announced later this year.

Ireland

In June 2020 EQTEC signed a Collaboration Framework Agreement with Carbon Sole Group, an Ireland-based group focused on the provision of green energy solutions to the Irish market. Under the agreement, the parties will jointly participate in projects in Ireland involving biogas and district heating, waste-to-energy and other energy infrastructure projects using EQTEC's Gasifier Technology. Development of two or more projects for biomass-to-bioenergy plants and in particular sustainable forestry waste for production of synthetic natural gas are being pursued. Planning applications for potential projects in Shannon and Sligo are progressing, with a planning application for a third project expected to be made in 2022.

Partnerships

EQTEC's focus on developing partnerships with key industry partners is central to its business model. The company works together with multiple partners involved in projects, including developers, waste owners, EPC contractors and financiers. To this end, a number of further agreements were signed in Q4 2021.

Wood Group

In November EQTEC added to its list of leading industry partners by signing a Strategic Collaboration Agreement with FTSE 250 listed Wood Group, the consulting and engineering company across energy and the built environment. Under the deal the two parties will jointly target and pursue market opportunities for collaborative development and deployment of clean, waste-to-synthetic natural gas (SNG) and waste-to-hydrogen solutions and delivery of related projects.

The agreement comes following the award of an independent technology and market review to Wood in October 2020, both of which were completed in Q1 2021. The market review assessed the potential for market expansion of EQTEC's technology for a variety of waste types with a remit to report technology availability, regional policies, regulations and capital cost comparisons.

On the back of that, the new deal is aimed at expanding the availability and application of EQTEC's Advanced Gasification Technology and synthesis gas production into new markets, combining it with Wood's established VESTA methanation technology, engineering capabilities and capacity for scale. The VESTA methanation technology enables producers of clean syngas, such as EQTEC, to connect to existing natural gas networks, offering an alternative route to distribute the low carbon energy produced by EQTEC's Advanced Gasification Technology.

EQTEC and Wood will now assess and target specific market opportunities for the deployment of new commercial solutions for SNG and hydrogen production from syngas, based on EQTEC's gasification technology, Wood's proprietary VESTA methanation and other ancillary technologies. They will establish a Collaboration Management Team to advise and propose opportunities for joint pursuit and clarify the commercial business case in order to safeguard the competitiveness of the offering.

Wood is a significant partner to have on board, making \$7.56 billion revenues in the last financial year and operating in over 60 countries worldwide. That Wood has signed this agreement with EQTEC, following its due diligence process, is further validation of the quality and potential of EQTEC's technology. By combining the company's two technologies and know how the two firms will have additional weight as they begin to pursue entry into the growth markets of waste-to-synthetic natural gas and waste-to-hydrogen.

Since the initial announcement, the two partners have held two planning meetings and identified a significant pipeline of opportunities for joint pursuit. Also, In November, EQTEC joined Wood at the COP26 conference in Glasgow and presented to Wood and several of its technology partners about the positioning of EQTEC technology and its focus on growth and scale through deployment of digital technologies and approaches to procurement, construction and operations.

H2 Energy Solutions

In December, EQTEC announced the signing of a Collaboration Framework Agreement with H2 Energy Solutions, a hydrogen technology investment and project development business headquartered in Germany. Under the deal the two firms will collaborate to develop opportunities for deployment of waste-to-hydrogen capabilities and other opportunities, particularly in Germany and Turkey.

The focus will be on a select project portfolio toward integration of EQTEC's Advanced Gasification Technology for Combined Cooling Heat and Power and syngas-to-chemical applications H2 will be a go-to-market partner, with a particular focus on on-premise, industrial solution opportunities, with EQTEC providing project development, technology solutions, engineering and technical design services as well as commercial modelling for solution types. Two immediate opportunities have been identified in Germany and these are now being qualified.

MetalNRG

AIM listed natural resources and energy investment company MetalNRG (MNRG) is EQTEC's consortium partner at the Italia MDC plant. This came following the signing of a Framework Partnership Agreement in March 2021 to develop biomass-to-energy, RDF-to-energy and sustainable, clean energy projects in the UK and Europe. In December, the agreement was enhanced to strengthen the tie between the partners, with a £295,000 share-for-share exchange and 50 million warrant issue to EQTEC. With a 14.1% stake in MetalNRG, EQTEC has a right to appoint a director and expects to do this in the first half of 2022.

Strategy for 2022

Continuing to build a platform for growth

In the second half of 2021 further investment in engineering capability was made as the number of pipeline opportunities converting to being in active development rose. There was investment in mechanical, electrical and civil engineering, with expansion of engineering and project management capabilities to undertake more projects in parallel, in more places, at the same time.

This will continue to support EQTEC's business objectives for 2022, with the company now firmly in the "deal growth" stage of its lifecycle. A key objective for 2022 will be further revenue growth, with the number of projects under construction and development increasing and contributing related income. This will be supported by an increasing number of larger partners with delivery track records and multinational market access as the company continues to seek international growth.

As alluded to above, EQTEC will further test and develop more, high-margin feedstock types and extend its technology into new syngas applications such as waste-to-hydrogen, waste-to-SNG and waste-to-biofuels. These additional capabilities will support definition and market testing of new EQTEC solutions targeted at growing demand in specific markets.

Research & Development

R&D will also continue, with several trials planned with longstanding partner the Université de Lorraine in France and other parties toward testing of RDF, plastic residues and waste wood biomass feedstocks. In December, the last in a series of 2021 R&D projects was completed at the Université de Lorraine which was focused on contaminated plastics. A three-year view for advanced R&D and solutions innovation has been created across a range of potential revenue streams, with a view to accelerating development with current and new partners in 2022. An important milestone in 2022 is the upgrade of the facility at Lorraine for steam-oxygen gasification. This upgrade will give the company and its technology partners the ability to test syngas downstream technologies for the production of methane, hydrogen and other synfuels.

Environmental, Social and Governance agenda

As we have pointed out in our previous research on EQTEC, the company's proven gasification technology, which has been commercially demonstrated in a number of settings, helps to solve some of the world's most pressing environmental and economic issues. This is reflected in the award of the Green Economy Mark by the London Stock Exchange, an accolade which recognises listed companies which make 50% or more of their revenues from environmental/green solutions.

With climate change and energy demand growth at the top of the social and political agendas, EQTEC looks to be in a sweet spot to both reduce the world's waste in a clean and efficient manner and convert it into valuable "green" energy and biofuels. Not only is it generating a sustainable source of power from a variety of waste feedstocks, in many cases it negates the need to send waste to be incinerated or buried at landfill sites.

In early 2022 the company set out a statement of intent regarding Environmental, Social and Governance (ESG) issues, including a range of such goals to be included into its three-year business strategy and annual business plans. These came a few weeks after the high-profile United Nations Climate Change Conference (COP26) in November, which saw a range of countries and organisations set ambitious 2030 emissions reductions targets that align with reaching net zero carbon emissions by the middle of the century. Amidst this background, EQTEC is also keen to raise awareness of the immediate contribution its technology can make to this ambition.

Four ESG framework goals

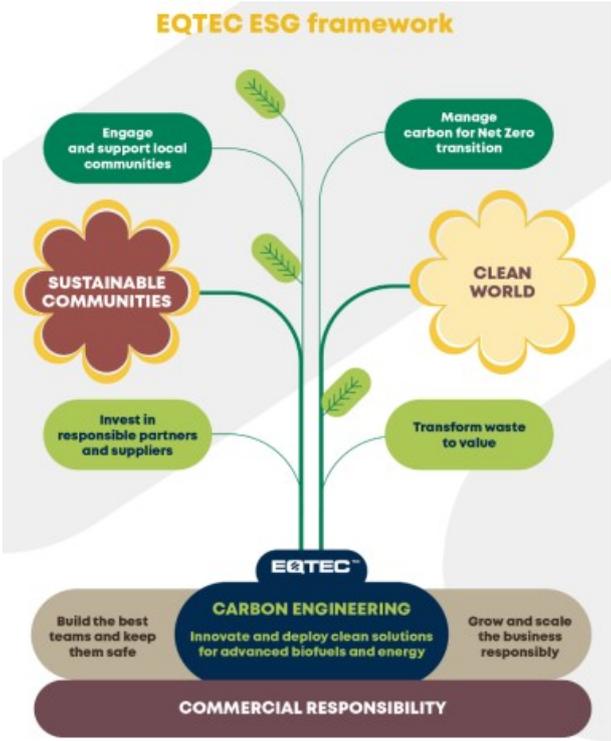
EQTEC itself has set out four main strategic priorities which focus on accelerating progress toward the global net zero targets and has set out a goal for each factor in its 2022 business plan. In summary:

Carbon Engineering: the company will innovate and deploy clean solutions for advanced biofuels and energy. This year EQTEC is looking to develop and take to market a new syngas-to-chemicals solution.

Clean World: the company will convert the world's waste into valuable energy and biofuels without creating dangerous pollutants or emissions. During 2022 EQTEC will set out how and when it will achieve its own net zero target that meets or exceeds the national targets in all jurisdictions in which it operates.

Sustainable Communities: the company engages locally, employs locally, implements locally and maintains technology locally. It will invest in responsible partners and suppliers and engage and support local communities. This approach will be integrated into the company's partnership qualification process in 2022.

Commercial Responsibility: the company practices high standards of governance and management across its operations & value chain and communicates & engages openly with stakeholders. It will build the best teams and keep them safe and grow and scale the business responsibly. Giving them a share in the business, EQTEC will offer long-term incentives to permanent staff and share-based payments to contractors.



One notable recent event in line with these goals came in December 2021 when EQTEC announced a partnership with Phoenix Energy, the North Fork Community Development Council and carbon removal credits provider Carbonfuture. The arrangement will help Sierra Nevada forests and communities remove carbon from the atmosphere and reduce wildfire risk, generate renewable energy, create jobs and support the local community. North Fork Community Power will commission Advanced Gasification Technology from EQTEC to convert forest stewardship residues into renewable electricity, heat and biochar - a solid carbon byproduct with applications in agriculture and water filtration that sequesters carbon for centuries. These actions will also be rewarded with carbon removal credits by [Carbonfuture](#) through its platform and marketplace.

Promoting gasification technology

EQTEC is also keen on giving gasification a greater profile and positioning its technology as the market leader. During the first half of 2021 the company contributed directly to and co-authored the European Biogas Association's upcoming whitepaper, *Gasification: a sustainable technology for circular economies - scaling up to reach Net Zero by 2050*. It also made written submissions to consultations opened by UK Environment Agency and UK Department for Business, Energy and Industrial Strategy (BEIS), joined the Association for Renewable Energy and Clean Technology (REA) in the UK and Bioenergy Europe and the European Biogas Association (EBA) in the EU and joined a number of advanced thermal conversion technology (ATCT) working groups. In Q4 2021, the company engaged more closely with the BEIS to follow up on its 2021 publication of a paper on advanced gasification technologies and toward review of the company's position with regard to the UK government's growing interest in gasification as a core technology for hydrogen and biofuels.

Also helping to increase the company's profile will be investment in the Market Development Centres, with the Italian and Croatian plants due to be recommissioned in the coming months. EQTEC has also expressed its intention to invest in MDCs in other markets. All of these will showcase EQTEC technology in live, commercial environments and drive greater awareness and understanding of its contribution to cleaner, more efficient energy and biofuel production.

Financials

Full year results

Revenues for the 2021 financial year amounted to €9.2 million. While these were lower than previously expected, mainly due to the decision to defer financial close at Billingham and Deeside, they were up by 410% on the €2.2 million made in 2020. We also note the significant ramp up in the second half of the year, with revenues of just €481,720 reported at the interim stage in June. It's also worth noting that the performance was delivered against some challenging market conditions, including raw materials shortages, higher prices and increased shipping costs and times. The net loss for the year was €4.7 million, down from €5.8 million in 2020.

Balance sheet and cash flow

The major financial event of the year was May's oversubscribed equity placing which raised £16 million at 1.5p per share. The funds were raised to accelerate and to take full advantage of the company's near-term opportunities, to be deployed as development capital and to prepare for long-term growth. At the end of December cash stood at €6.4 million, with EQTEC being debt free at the time following the repayment of all borrowings via a debt for equity swap.

£10 million loan facility

Following the period end, on 29th March 2022 EQTEC announced that it had arranged an unsecured bridging loan facility for up to £10 million with lenders Riverfort Global Opportunities and YA II PN. An initial advance of £5 million was received on that date (£4.75 million net a commitment fee) and the rest of the facility can be drawn down in multiple instalments, subject to mutual agreement and the satisfaction of certain conditions. The loan is effectively acting as short-term bridge finance which EQTEC will be using to fund further growth and development activities, along with general working capital.

Other key terms of the loan include the initial advance due for repayment on a monthly basis commencing 5 months after receipt, with a final maturity date of 12 months. EQTEC will pay a fixed yearly interest coupon of 7.5% on a quarterly basis. To the Company's discretion, both capital and interest payments could be paid in cash or shares. **It should be noted that there are no conversion rights under the loan from the lenders' side, with EQTEC having the right to decide whether it makes payment in shares.**

There is also an agreement under which EQTEC may pay a performance fee to the lenders based on share price increases while the facility is in place. This will only come into effect 90 days following the entering into of the facility, should the loan not be repaid by then. A performance fee will only be payable when a share price benchmark is achieved. The triggers for the performance fees are 1.88p, 2.25p, 2.63p and 3p, with the performance fee rising as each benchmark is passed. We note that all prices are significantly higher than the current share price of 0.84p and even if the company elects to pay in shares, this would represent negligible dilution if the targets are reached. For example, if the 3p target is achieved a 12.5% performance fee will be payable. At 3p EQTEC's market cap will be c.£256 million, with the performance fee due on a maximum £10 million loan being just £1.25 million. Also, we note that the performance fee is only effective after 30th June 2022, so if EQTEC repays the loan before then, which may be possible given that a number of SPV transactions are under discussion, there will be no performance fee.

Forecasts Update

Following recent developments we are revisiting our forecasts for EQTEC. Our changes mainly reflect the increased investment in engineering capacity and revisions to the expected financial close dates of certain projects, particularly the UK development projects at Billingham and Deeside

New Forecasts

	2021A	2022E	2023E	2024E
Revenues (€m)	9,171,764	30,200,000	61,500,000	121,600,000
Adjusted EBITDA (€m)	(3,841,303)	1,900,000	5,600,000	22,100,000
Net income (€m)	(4,700,000)	1,100,000	4,000,000	16,400,000
EPS (c)	(0.067)	0.012	0.042	0.171
EPS (p)	(0.058)	0.0083	0.033	0.142

Source: Align Research. Exchange rate of £1: €1.198 used

For 2021 we are going towards the top end of the company's guidance and expect €9.7 million in revenues. The majority of these come from technology sales at the company's main projects in Italy, Croatia and Greece. We are also expecting adjusted EBITDA losses to be at the top end of guidance at €3.3 million, in line with the previous year but following increased administration expenses and investment in growth.

In 2022 we expect around three times revenue growth, in the middle of the company's 2 to 4 times goal given in its recent investor presentation. We are looking for a rapid increase in technology sales, O&M and project development and ownership revenues, with the top line growing to €30.2 million. In particular, there should be a notable increase in development service fee revenues, mainly from the UK projects as they reach expected financial close during the year.

Similar trends are expected in 2023 as more projects are progressed and the substantial non-contracted pipeline is translated into commercial success. We are looking for revenues to more than double to €61.5 million and EBITDA to almost treble to €5.6 million as the company's operational gearing really starts to kick in. We also introduce 2024 forecasts for the first time, expecting trends to continue with revenues of €121.6 million and EBITDA of €22.1 million.

Valuation

Shares in EQTEC remain above the sub 0.5p lows seen for much of 2019 and 2020. But since peaking at 2.75p in January 2021 they have slipped back to current levels of 0.84p, below last May's placing price of 1.5p. In our view the fall is largely due to the delays seen in the company's main construction and development projects, along with investors having de-rated the wider alternative energy sector somewhat since it peaked at the start of last year. EQTEC is now capitalised at £72.23 million.

Given the changes to our forecasts we have updated our EV/EBITDA based valuation. With EQTEC expected to make a maiden profit at the operating level this year and then to see strong growth over the following years we continue to consider that a multiple of 12 times EBITDA is a justifiable figure to use for our valuation.

On our new 2024 forecasts and on an EV/EBITDA multiple basis we derive a value of 3.03p per share. Discounted back to end 2022 at a rate of 12% gives a price of 2.41p per share, a figure which we adopt as our updated target price.

Peer comparison

As noted above, the wider London listed alternative energy sector has been de-rated by investors over the past year. Nevertheless, it's still worth noting the valuation discrepancies which continue to exist between EQTEC and two of its peers, the energy storage and clean fuel company **ITM Power (ITM)** and gasification business **Powerhouse Energy (PHE)**.

ITM recently announced results for the half year to 31st October 2021 which showed revenues of just £4.2 million and an adjusted EBITDA loss of £12.9 million Cash at the time of the results announcement at the end of January stood at £390 million following a £242 million fund raise last November. At the period end there was a contracts backlog of £198 million.

ITM's current market cap is just under £2 billion, with an enterprise value of c.£1.6 billion. Meanwhile, EQTEC is capitalised at £72.23 million with an EV of £66.84 million using the last reported cash figure. While ITM is certainly better capitalised than EQTEC, contract and pipeline figures given recently by the two companies do seem broadly equivalent and EQTEC seems to be closer to turning a profit in our view. All things considered we do not believe that ITM deserves to command valuations some 24 to 28 times higher than EQTEC.

Powerhouse meanwhile, arguably EQTEC's closest peer in terms of technology, continues to make slower commercial progress compared to EQTEC in our view, with no significant pipeline figures announced to the market. In January, development partner HU2021 International signed a letter of intent with Mitsubishi Heavy Industries (MHI) to explore commercial opportunities for developing waste plastic to hydrogen facilities incorporating Powerhouse's technology in Japan. However, a few weeks later it was revealed that following discussions between the two parties, it was mutually acknowledged that no agreement exists on exploring any potential commercial opportunities for developing waste plastic to hydrogen facilities in Japan with MHI.

Nevertheless, the markets are awarding Powerhouse a current enterprise value of £90.9 million (market cap of £100.7 million less net cash as at 30th June 2021 of £9.8 million) compared to EQTEC's current EV of £66.84 million. We continue to believe that this valuation difference is completely unjustified given EQTEC's larger and more advanced pipeline and commercial progress.

A recent transaction in the space seems a more pertinent proxy for EQTEC's potential valuation. In early March 2021, LanzaTech announced its plans to go public in a merger with the NASDAQ-traded SPAC firm AMCI Acquisition Corp II. The deal is reported to value the company at \$2.2 billion. The deal is expected to raise gross proceeds of nearly \$275 million, comprising the \$150 million AMCI raised in its IPO last year and a private investment in public equity of nearly \$125 million from investors including ArcelorMittal and BASF. The company offers solutions to markets and segments much more akin to EQTEC than other proxies in our view. In terms of technology and commercial development, both companies are not too far apart in our view, particularly at the end of 2022 if EQTEC is able to deliver more commercial plants in operation.

	LanzaTech	EQTEC
Commercial Plants in Operation	2	1
Commercial Plants in Construction	7	4
Commercial Plants in Development	7	20+
Capital Light Licensing Model	√	√
Blue-chip Commercial Partners	Many	Few
Industry Blue-chip Investors	Many	None
Attractive Valuation vs. Peers	~	√
Proven, Saclable, Profitable	√	√
World class proven technology	√	√
Patents	Many	Many

Source: Company

Conclusion

EQTEC made excellent operational progress across its construction and development projects in 2021 and, following investment across the business, has set itself up nicely for strong growth over the coming years. All this comes under the backdrop of a global effort to reduce waste, increase the use of alternative sources of energy and achieve net zero carbon emission targets – three things which the company's market leading Advanced Gasification Technology has been designed for.

Alongside increasing the commercial plants in operation and the robust demand for its technology being translated into successful execution, what would rapidly accelerate EQTEC to become a multi-billion company is a partnership with one or more global blue-chip strategic investor or partner. We have seen the impact that Linde had on ITM and Bosch on Ceres and believe that EQTC management will be focusing on securing such relationships in the not too distant future.

The elephant in the room here is that delays to certain projects have set the company back in terms of its financials. That said, most of the issues have been outside of EQTEC's control and some may in fact prove to deliver better outcomes in the long-term. Over 2020 and 2021 for example project delays were caused following Covid-19 related restrictions limiting site visits, along with forest fires in California. Meanwhile, the decision to delay financial close at Billingham and Deeside has come amidst the opportunity to explore new offtake opportunities at a time of rising gas and power prices.

With a vast portfolio of projects, investors should be rewarded with plenty of newsflow by EQTEC over the coming months. Key events to look out for, which could act as a share price catalyst, include the expected commissioning of the initial Market Development Centres in Italy and Croatia, progress on the offtake agreements at Billingham and news on the expected financial close. What's more, with operations across a number of international markets, combined with agreements with several go to market partners, we would not be surprised to see announcements on additional plant acquisitions and new development projects.

We update coverage of EQTEC with a target price of 2.41p and retain our stance of **Conviction Buy**.

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Align Research Limited
Cornwell Main Street
Amotherby
Malton
YO17 6UN

Tel: 0203 609 0910
E: info@alignresearch.co.uk