

Falck Renewables

Italy | Utilities | MCAP EUR 343.9m

12 May 2017

Buy

Target Price	EUR 1.30
Current Price	EUR 1.18
Up/downside	10.2%
Change in TP	none
Change in EPS	none 17E / none 18E

Positive results despite weak wind

Q1 results came out above our estimates, despite poor wind conditions. The company is successfully working on deploying its business plan. A conference call is set for today at 11:00 CET - Buy confirmed.

Quarterly results (EURm)

	Q1 16	Q2 16	Q3 16	Q4 16	Q1 17	YOY	QOQ	Q1 17E	Act/Est
Revenues	73	55	51	70	78	5.9%	11.2%	75	3.3%
EBITDA	43	29	25	40	45	6.3%	12.1%	42	8.7%
Margin	58.2%	51.8%	48.0%	58.0%	58.5%			55.6%	
EBIT	26	10	9	31	28	9.6%	-9.1%	25	14.2%
Margin	35.1%	18.1%	16.9%	44.5%	36.3%			32.9%	
Pre-tax profit	16				20			17	16.9%
Net debt	589	589	592	562	565	-4.1%	0.5%	565	0.0%

Source: Company data, Kepler Cheuvreux

Good prices and perimeter more than offset weak wind

Q1 EBITDA came out at EUR45m (KECH: EUR42m), up 5.9% YOY, representing already 34% of our 2017 estimate. The enlarged perimeter (785MW vs. 726MW in Q1 2016) and the higher prices in Italy and the UK more than offset the weak wind (497GWh, -3% YOY), especially in Italy, and the devaluation of the British pound against the euro in the UK. The pre-tax profit grew by 17% YOY to EUR20m (KECH: EUR17m), thanks to lower financial charges. The net debt at end-March stood at EUR565m (KECH: EUR565m), almost in line QOQ and in line with our estimates.

Guidance already out

The guidance for 2017 in terms of EBITDA is a EUR132-136m range versus our EUR134m estimate. Net debt guidance is EUR626m, while we are already more positive with our EUR592m estimate. DPS guidance is EURO.053, and we are in line.

Claudia Introvigne

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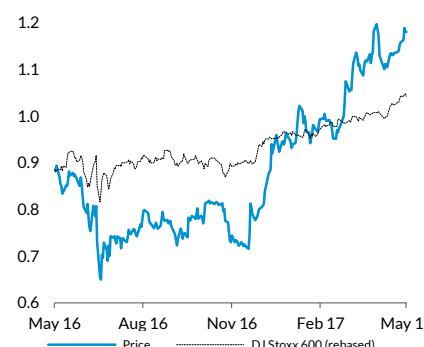
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Market data

Bloomberg: FKR IM	Reuters: AA4.MI
Market cap (EURm)	344
Free float	37%
No. of shares outstanding (m)	291
Avg. daily volume (EURm)	1.0
YTD abs performance	27.8%
52-week high/low (EUR)	1.20/0.65

FY to 31/12 (EUR)	12/17E	12/18E	12/19E
Sales (m)	266.9	274.9	302.1
EBITDA adj (m)	134.4	139.5	159.5
EBIT adj (m)	59.9	63.2	83.5
Net profit adj (m)	9.2	10.0	22.5
Net fin. debt (m)	591.8	625.5	580.2
FCF (m)	-11.2	-15.3	69.2
EPS adj. and fully dil.	0.03	0.03	0.08
Consensus EPS	0.03	0.04	0.08
Net dividend	0.05	0.06	0.06

FY to 31/12 (EUR)	12/17E	12/18E	12/19E
P/E adj and ful. dil.	37.3	34.4	15.3
EV/EBITDA	7.2	7.2	6.0
EV/EBIT	16.0	15.8	11.5
FCF yield	-2.8%	-3.8%	17.4%
Dividend yield	4.5%	4.9%	5.3%
Net fin. debt/EBITDA	4.4	4.5	3.6
Gearing	120.1%	126.7%	114.8%
ROIC	3.5%	3.5%	4.7%
EV/IC	0.9	1.0	0.9



Key financials

FY to 31/12 (EUR)	2012	2013	2014	2015	2016	2017E	2018E	2019E
Income Statement (EURm)								
Sales	274.6	275.9	257.7	270.7	249.6	266.9	274.9	302.1
% Change	10.4%	0.5%	-6.6%	5.1%	-7.8%	6.9%	3.0%	9.9%
EBITDA adjusted	158.0	157.0	135.0	152.4	136.2	134.4	139.5	159.5
EBITDA margin (%)	57.5%	56.9%	52.4%	56.3%	54.6%	50.4%	50.7%	52.8%
EBIT adjusted	-21.4	79.3	70.8	66.3	59.6	59.9	63.2	83.5
EBIT margin (%)	-7.8%	28.7%	27.5%	24.5%	23.9%	22.4%	23.0%	27.7%
Net financial items & associates	-46.4	-48.5	-49.2	-42.5	-40.2	-32.8	-34.7	-33.4
Others	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.0
Tax	-17.6	-15.9	-12.6	-5.1	-17.5	-11.4	-11.9	-20.7
Net profit from continuing operations	-85.4	15.0	9.0	18.7	1.9	15.7	16.5	30.5
Net profit from discontinuing activities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net profit before minorities	-85.4	15.0	9.0	18.7	1.9	15.7	16.5	30.5
Net profit reported	-85.4	15.0	3.4	4.7	-3.9	9.2	10.0	21.5
Net profit adjusted	-85.4	15.0	3.4	4.7	11.1	9.2	10.0	22.5
Cash Flow Statement (EURm)								
Cash flow from operating activities	77.3	89.8	65.4	106.4	122.0	99.0	91.7	103.5
Capex	-58.3	-17.5	-55.9	-60.0	-92.5	-110.2	-107.0	-34.3
Free cash flow	19.0	72.4	9.5	46.4	29.5	-11.2	-15.3	69.2
Acquisitions & Divestments	0.0	0.0	110.0	0.0	0.0	0.0	0.0	1.0
Dividend paid	-8.2	0.0	-9.3	-18.1	-13.1	-14.3	-15.4	-16.9
Others	-88.9	15.1	7.4	-21.1	51.1	-3.0	0.0	2.0
Change in net financial debt	-78.1	87.5	117.6	7.3	67.4	-28.5	-30.7	55.3
Balance Sheet (EURm)								
Intangible assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Tangible assets	1,035.0	1,012.8	965.7	973.2	957.6	993.3	1,024.0	982.4
Financial & other non-current assets	133.0	124.5	162.7	176.9	145.9	148.9	151.9	154.9
Total shareholders' equity	343.7	378.8	499.8	519.0	491.3	492.7	493.8	505.4
Pension provisions	4.4	4.4	4.5	5.1	5.4	4.9	5.0	5.1
Liabilities and provisions	1,132.9	1,054.1	993.8	908.5	1,033.5	1,078.1	1,113.5	1,072.9
Net financial debt	843.1	755.6	638.0	630.8	563.3	591.8	625.5	580.2
Working capital requirement	77.6	56.0	68.4	67.9	32.6	23.9	25.0	29.9
Invested Capital	1,112.6	1,068.8	1,034.2	1,041.1	990.3	1,017.2	1,049.0	1,012.3
Per share data								
EPS adjusted	-0.29	0.05	0.01	0.02	0.04	0.03	0.03	0.08
EPS adj and fully diluted	-0.29	0.05	0.01	0.02	0.04	0.03	0.03	0.08
% Change	-chg	+chg	-77.5%	39.7%	135.4%	-16.6%	8.4%	125.2%
EPS reported	-0.29	0.05	0.01	0.02	-0.01	0.03	0.03	0.07
Cash flow per share	0.27	0.31	0.22	0.37	0.42	0.34	0.31	0.36
Book value per share	1.18	1.28	1.61	1.62	1.56	1.55	1.53	1.54
Dividend per share	0.00	0.03	0.06	0.05	0.05	0.05	0.06	0.06
Number of shares, YE (m)	291.41	291.41	291.41	291.41	291.41	291.41	291.41	291.41
Ratios								
ROE (%)	-21.7%	4.2%	0.8%	1.0%	2.4%	2.0%	2.2%	5.0%
ROIC (%)	-1.0%	3.5%	2.8%	5.0%	3.2%	3.5%	3.5%	4.7%
Net fin. debt / EBITDA (x)	5.3	4.8	4.7	4.1	4.1	4.4	4.5	3.6
Gearing (%)	245.3%	199.5%	127.7%	121.5%	114.7%	120.1%	126.7%	114.8%
Valuation								
P/E adjusted	na	19.6	106.2	70.1	22.1	37.3	34.4	15.3
P/E adjusted and fully diluted	na	19.6	106.2	70.1	22.1	37.3	34.4	15.3
P/BV	0.8	0.8	0.8	0.7	0.5	0.8	0.8	0.8
P/CF	3.4	3.3	5.5	3.1	2.0	3.5	3.7	3.3
Dividend yield (%)	0.0%	3.2%	5.1%	4.0%	5.8%	4.5%	4.9%	5.3%
FCF yield (%)	6.2%	21.0%	2.3%	12.0%	10.2%	-2.8%	-3.8%	17.4%
EV/Sales	4.0	3.8	3.9	3.7	3.3	3.6	3.6	3.2
EV/EBITDA	7.0	6.7	7.5	6.5	6.1	7.2	7.2	6.0
EV/EBIT	na	13.4	14.3	14.9	13.9	16.0	15.8	11.5

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Prices in this report are taken as of the previous day's close (to the date of this report) on the home market unless otherwise stated.

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Stock	ISIN	Disclosure (See Below)	Currency	Price
Falck Renewables	IT0003198790	nothing to disclose	EUR	1.18

Source: Factset closing prices of 11/05/2017

Companies mentioned

Stock	Disclosure (See Below)
	nothing to disclose

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Rating ratio Kepler Cheuvreux Q1 2017

Rating Breakdown	A	B
Buy	47%	53%
Hold	34%	28%
Reduce	16%	5%
Not Rated/Under Review/Accept Offer	3%	14%
Total	100%	100%

Source: KEPLER CHEUVREUX

A: % of all research recommendations

B: % of issuers to which material services of investment firms are supplied

12 months rating history

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Company Name	Date	Business Line	Rating	Target Price	Closing Price
Falck Renewables (EUR)	13/05/2016 08:05	Equity Research	Buy	1.20	0.88
	29/06/2016 08:42	Equity Research	Buy	0.90	0.65
	30/11/2016 08:45	Equity Research	Buy	1.10	0.74
	10/03/2017 09:10	Equity Research	Buy	1.30	1.07

Credit research does not issue target prices. Left intentionally blank.

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Reduce: There is an expected downside.

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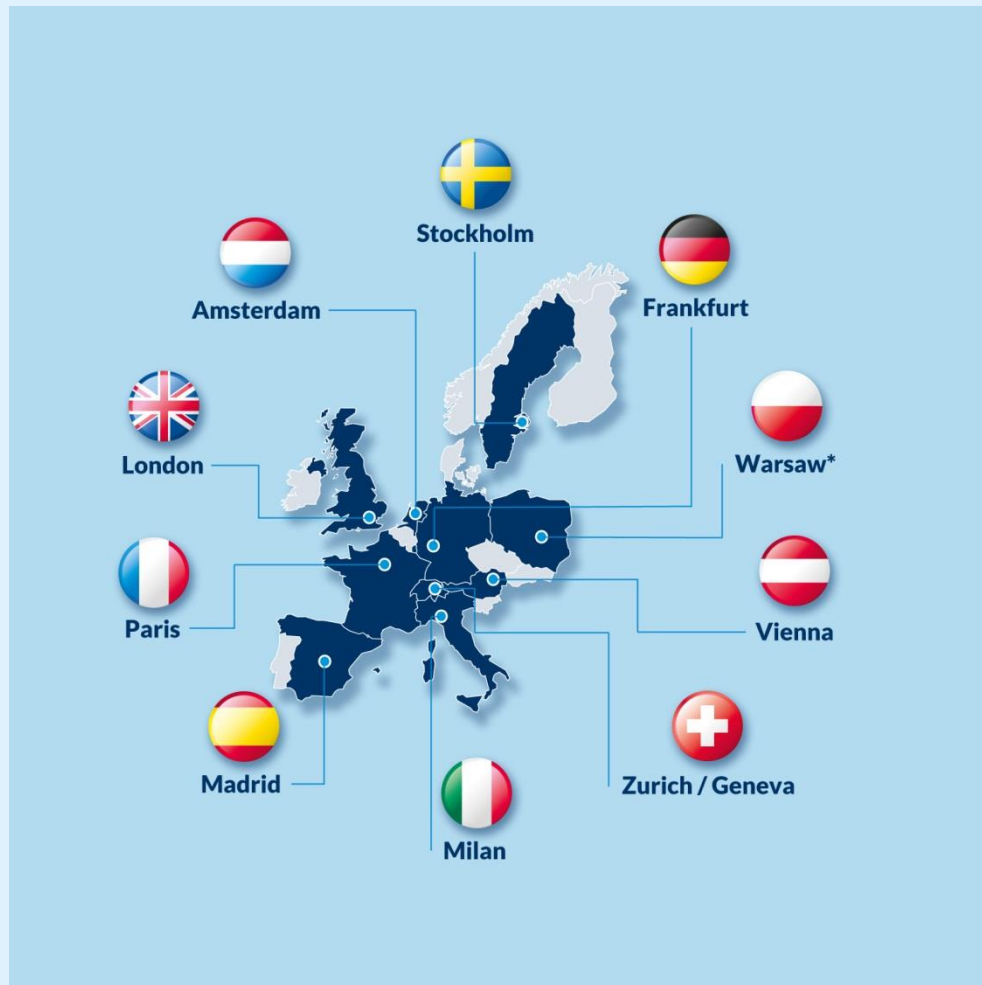
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