

## Company Flash Note

## Reason: Estimates revision

12 April 2021

### Accumulate

Recommendation unchanged

Share price: EUR **6.05**

closing price as of 09/04/2021

Target price: EUR **6.50**

Target Price unchanged

Upside/Downside Potential **7.5%**

Reuters/Bloomberg

AA4.MI/FR IM

Market capitalisation (EURm) **1,762**

Current N° of shares (m) 291

Free float **40%**

Daily avg. no. trad. sh. 12 mth (k) 988

Daily avg. trad. vol. 12 mth (k) 4,769.05

Price high/low 12 months 7.06 / 4.16

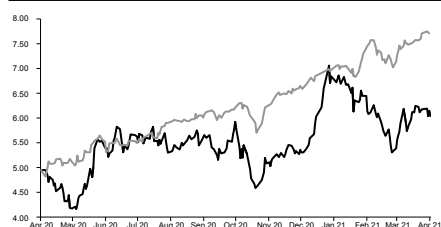
Abs Perfs 1/3/12 mths (%) 8.63/-11.04/22.12

### Key financials (EUR)

	12/20	12/21e	12/22e
Sales (m)	360	384	427
EBITDA (m)	197	208	237
EBITDA margin	54.9%	54.1%	55.6%
EBIT (m)	111	115	138
EBIT margin	31.0%	29.9%	32.2%
Net Profit (adj.)(m)	37	39	55
ROCE	5.9%	5.4%	6.1%
Net debt/(cash) (m)	706	791	828
Net Debt Equity	1.0	1.1	1.1
Net Debt/EBITDA	3.6	3.8	3.5
Int. cover(EBITDA/Fin.int)	5.9	6.0	6.4
EV/Sales	8.3	7.7	7.0
EV/EBITDA	15.2	14.2	12.6
EV/EBITDA (adj.)	15.2	14.2	12.6
EV/EBIT	26.9	25.7	21.8
P/E (adj.)	42.1	44.8	32.2
P/BV	3.4	3.0	2.8
Op/FCF yield	-1.5%	-1.9%	0.1%
Dividend yield	1.1%	1.1%	1.1%
EPS (adj.)	0.16	0.13	0.19
BVPS	1.95	2.02	2.14
DPS	0.07	0.07	0.07

### Shareholders

Falck SpA 60%;



Source: FactSet

— FALCK RENEWABLES — FTSE Italy STAR (Rebased)

### Analyst(s)

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## The company's organic pipeline growth is set to accelerate

We have fine-tuned our estimates based on the management's new guidance and the recent acquisition in Spain. We continue to stay above the analysts' consensus and we deem the 2021 company targets too conservative. We welcome the acceleration in development expenses in order to speed up the organic growth and increase the projects in the pipeline in Europe and in the USA. The management are working on the release of the business plan update. We confirm our positive stance on the stock.

- ✓ **Estimates change.** We have fine-tuned our estimates based on the management's new guidance (higher development costs) and the recent acquisition (a 50 MW operating solar plant in Spain). We have cut our forecast on 21/22E EBITDA by some 1% on average. We continue to stay above the analysts' consensus and we deem the 2021 company targets too conservative (2021 EBITDA target in the range EUR 192-202m).
- ✓ **Acceleration in the development pipeline.** Falck's CEO Mr. Volpe said the group was increasingly focusing on organic development to underpin growth in the pipeline and to **change its mission from a pure IPP to a "developer-owner"**. The new 2025 target is to reach at least 15 GW capacity of projects in the pipeline (up to 4 GW in 2021E) through continuous growth in current markets and diversification into new geographies. The management is strongly committed to expanding the group's foothold in new markets, such as Finland and Australia, where Vector Quatro has already been active for years; eastern Europe is not currently included in the plan.
- ✓ **Increasing focus on PPA.** Falck signed some 175 MW of PPAs and government tariffs in 2020; additional 530 MW of PPAs is in the exclusivity or pre-exclusivity stage. The revenues strategy is to cover 70-80% of the generation volumes with 7-10-year PPAs and the remaining 20-30% with hedging on a yearly basis.
- ✓ The management increased the company's **energy management** activities, by expanding energy dispatching in the UK and by winning 7.5 MW storage capacity in the auction for the procurement of the ultra-fast frequency regulation service in Italy ("Fast Reserve" scheme, which allows the use of batteries in the dispatching services market).
- ✓ The current **hedging** covers 89% of the expected production (52% from feed-in-tariffs/grid "benefits" and 37% from forward contracts and PPAs); this means that only 11% of the total revenues is exposed to the wholesale price variability (vs. 24% in 2020). The company provided a sensitivity for 2021: the market exposure to a shift of the reference market power price is lower than EUR 0.2/MWh on average, or less than half than 2020 sensitivity.
- ✓ **Battery storage.** Hybridization of RES with batteries is crucial for **capacity revenues, ancillary services** and peak generation management, especially for solar plants. According to the management, the current cost of EUR 200k-300k/MW is too high to shift the peak-hours production from the peak-hours consumption. Falck's CEO Mr. Volpe said the price spreads needed to increase by 10x or the battery costs needed to be cut by 10x (this could be expected in 5 years).



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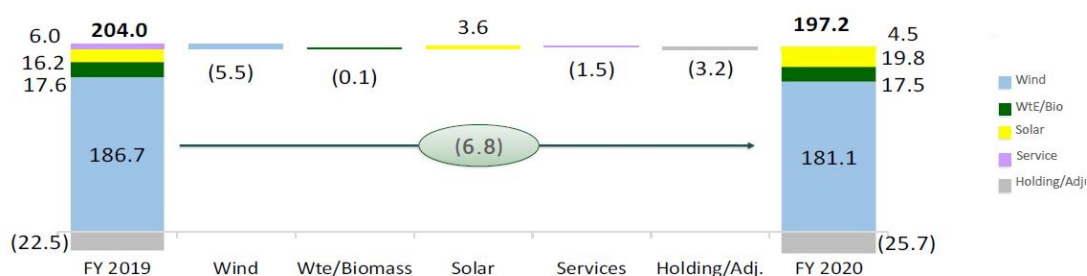
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## FY 2020 results analysis and 2021 targets

The FY20 results were in line with our forecast and the analysts' consensus estimates:

- ✓ **adjusted EBITDA:** EUR 196m (-4% YoY on adjusted basis) vs our forecast of EUR 194m (+1%), vs the analysts' consensus of EUR 193m (+2%); the nonrecurring items include undue payables for the green bond issued in September 2020, Covid-19 donations and reversal of impairment losses; it's worth mentioning that 2020 EBITDA would have been EUR 202.5m without asset development expenses.

### Falck Renewables: 2020 EBITDA by technology



Source: Falck's FY2020 presentation

- ✓ **wind production.** Wind conditions were favourable in the UK (+9% YoY) and weak in Italy (-11%), as expected. YoY load factors rose to 28.5% from 27.2%, thanks to France (24% from 23%), the UK (32% from <30%) and the new plants in the Scandinavian region (some 37%), which were above the group's average;
- ✓ **wind prices.** In 2020, the captured price was EUR 43/MWh (or -20% YoY) in Italy; this is higher than Falck's average reference zonal price, which was EUR39 in Sardinia and in southern Italy. The captured price was down by 17% in the UK (to GBP 42/MWh from GBP 51/MWh). The full price, which includes incentives, was EUR 142/MWh (or -3% YoY) in Italy and GBP 88 /MWh (or -7% YoY) in the UK.
- ✓ **adjusted net profit:** EUR 37m (-14% YoY on adjusted basis) vs our forecast of EUR 36m and vs the analysts' consensus of EUR 32m (+15%);
- ✓ **net debt:** EUR 706m (vs. EUR 721m in 2019); the adjusted figure (EUR 729m), which excludes non-recurring and special items, was in line with our forecast of EUR 717m. 85% of the gross debt is fixed rate or hedged. The average interest rate, which includes rate swaps and excludes the non-cash cost for the green convertible bond, is 2.6%.
- ✓ **Total investments** were almost stable YoY (EUR 188m vs EUR 197m in 2019).

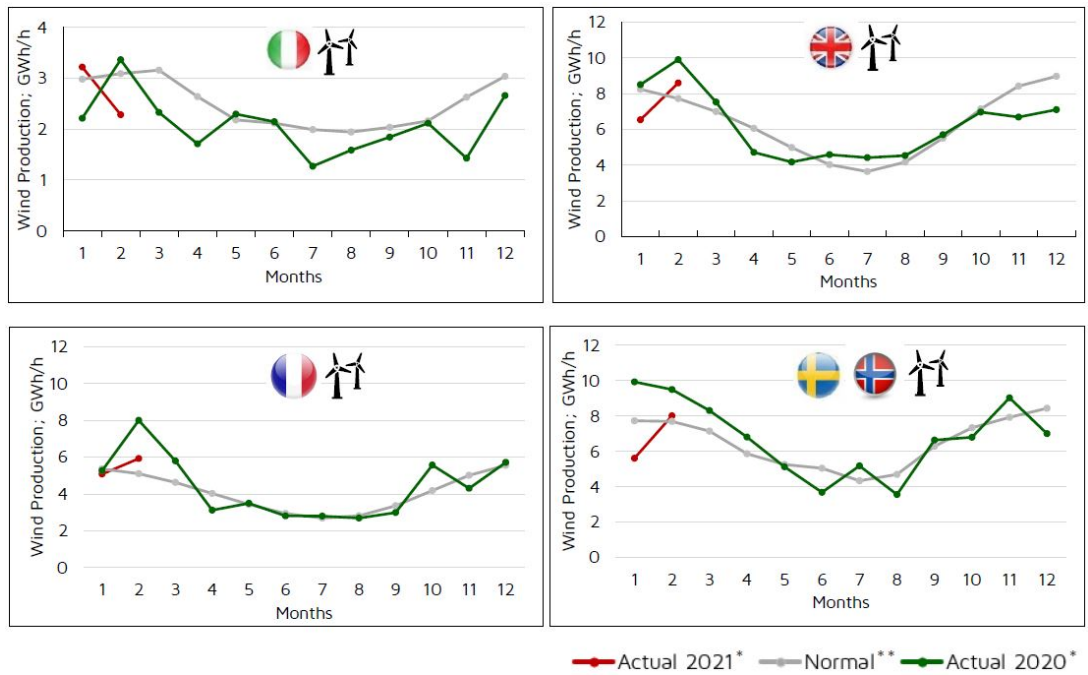
The company has increased its focus on energy management, which is relevant for PPA origination and the dispatching, which has improved the realised prices to EUR 2/MWh in Italy.

The management guided for prudent **targets for the current year**, as usual:

- ✓ **EUR 192-202m EBITDA** (EUR 202-210m from the core business, less EUR 8-13m additional costs for asset development, compared to EUR 5m cost in 2020);
- ✓ **group net earnings** in the range of 16%-17% of EBITDA (= **EUR 32m** in the mid-range);
- ✓ **EUR 800m net financial position**, with a tolerance of +/- 5%;

**Q1 2021 trend.** During the conference call, the management said that 50 GWh was lost in January (or -5% compared to the internal index) due to lower-than-expected windy conditions. February was weak too, based on our data.

**Wind Production Europe: End of February 2021 Update**



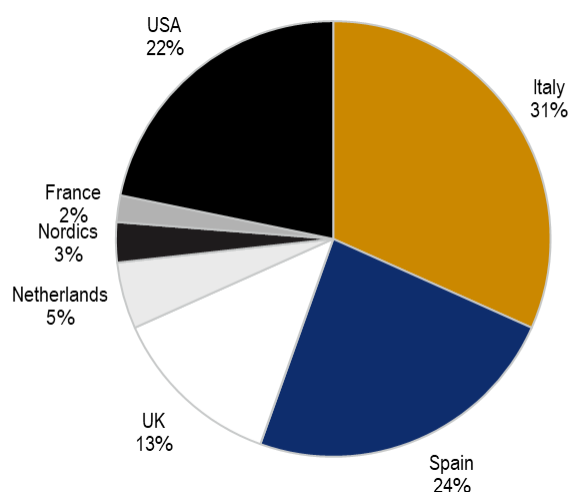
Source: Falck's FY2020 presentation

**Inflation risk.** During the conference call on the 2020 results, the management said that in some countries like the US, the PPAs contracts included an adjustment for inflation. On the cost side, the inflation exposure might be compensated by economies of scale.

## Focus on asset development in the pipeline

The management are strongly committed to accelerating the company's organic pipeline growth. Falck's CEO Mr. Volpe said the group was increasingly focusing on organic development to underpin growth in the pipeline and to **change its mission from a pure IPP to a "developer-owner"**. The new 2025 target is to reach at least 15 GW capacity projects in the pipeline (up to 4 GW in 2021E) through continuous growth in current markets and diversification into new geographies (i.e. Finland and Australia, where Vector Quatro has already been active for years; eastern Europe is not currently included in the plan) and new technologies (ongoing initiatives on green hydrogen and offshore floating, i.e. in Scotland). Back in 2020, the management boosted the development of new projects. Falck currently has 2.8 GW of gross pipeline, of which 1 GW in advanced development (authorisation and subsequent stages) and 1.6 GW in the mid-early stage. We are still not including the value of this pipeline in our SOTP model, nor we are including some 2.8 GW additional projects in the "scouting phase".

### 2020 gross pipeline by country



Source: Falck's FY2020 presentation

We analysed the progress in asset development and the increased **devex** (development costs), which lead to a reduction in our previous forecast and in the consensus' estimates. **There is a clear downward trend for the EURm/MW ratio.**

	2016	2017	2018	2019	2020	2021E
Capital Allocation (EUR m)	1.8	6.8	7.4	13.6	18.8	25
Personnel	0.5	1.8	3.2	4.1	3.8	n.a.
Development expenses	1.3	5	4.3	9.5	15	n.a.
Gross Pipeline (MW)	100	500	700	2,000	2,800	4,000
Of which Phase II+III+IV	50	195	205	500	1,119	n.a.
EUR m / MW	0.018	0.014	0.011	0.007	0.007	0.006

Source: Banca Akros computation on Falck's data

As regards **capex**, the deflation trend is also still in place for the sector: based on the latest company presentation on FY 2020 results, the solar capex and the wind capex dropped

respectively to EUR 0.62m/MW (from EUR 0.81m/MW) and EUR 0.62/MW (from EUR 0.99m/MW) compared with the 2020 CMD.

Interestingly, the management improved their disclosure on how they define the different phases of the projects during their life:

**Phase 0, Prospect:** first desktop analysis of the project on constraints, resource and site visits;

**Phase 1/A, Active development:** we start contacting landowners, municipalities and grid operators;

**Phase 1/B, Grid or Land secured:** grid connection offer accepted or lease options on plant signed;

**Phase 2, Application Submitted:** start of the official authorization process;

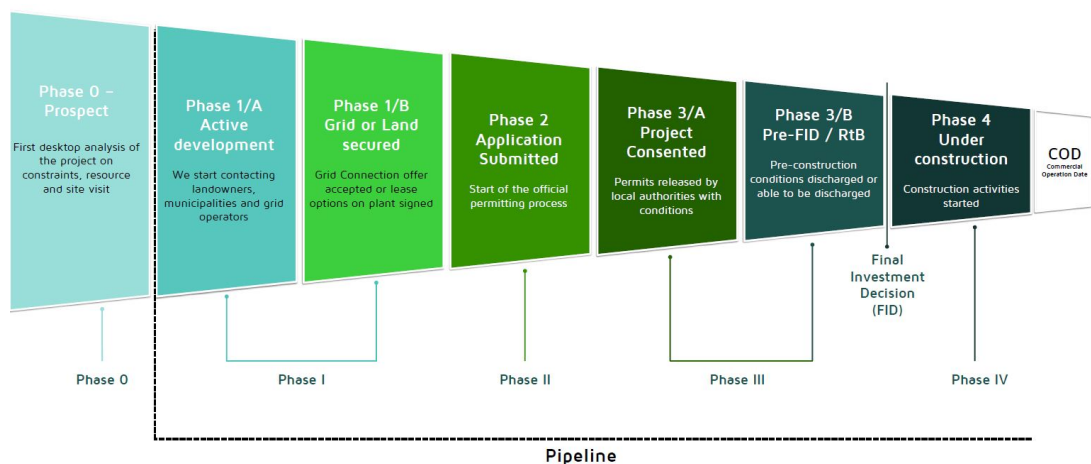
**Phase 3/A, Project Consented:** permits released by local authorities, with conditions;

**Phase 3/B, Pre-FID / RtB:** pre-construction conditions discharged or able to be discharged.

Then, the management take the final investment decision (FID).

**Phase 4, Under construction:** construction activities started; the company discloses the **COD (commercial operation date)** to the market.

#### Falck Renewables: pipeline definition throughout the different phases



Source: Falck's FY2020 presentation

In our understanding, the projects that are included in phase 1 have a 10-20% expected success rate, while projects in phase 2 have a some 50% success rate (but it depends on the single country and projects). Projects in phase 3A have a some 70% probability of success.

**Internal pipeline development cost** are some EUR 30k per MW in the early stage (before ready-to-build), while the projects acquired from third parties have higher costs (up to EUR 150-200k).

The **internally developed project's ROCE** could reach some 250bps, or 100bps higher compared with a project acquired from third parties. In other words, this is on top of 150bps above the WACC, which is required by the management's policy.

The **new cost of debt** could be some 60 bps all in all; this is definitely supportive for the projects' IRR.

## ESG: sustainability targets and new hybrid metrics

The management have increased their focus on the sustainability targets strongly. The main KPIs for 2020 were as follows:

- ✓ **Distributed added value:** EUR 170m (or 86% of the total, from 85% in 2019); we remind investors that the distributed value refers to stakeholders such as staff, shareholders, creditors, central and local administrations and local communities.
- ✓ The **projects** with a significant **community engagement programme** increased to 45% of the total in 2020, compared with 41% in 2019, thanks to a higher number of local communities involved in public utility projects, which enabled sustainable consumption services. This refers to SDG11 (sustainable cities and communities).
- ✓ **Avoided GHG emissions:** 0.57 MtCO<sub>2</sub>eq in 2020 from 0.62 MtCO<sub>2</sub>eq. The GHG atmospheric emission factors are equal to avg. 226kg/MWh. This is for SDG7 (Clean and accessible energy).
- ✓ **Hours of reskilling and upskilling per employee:** 30 hours of courses provided in 2020 (vs. 21 hours in 2019); the management promoted an inclusive work environment.

Falck Renewables' **corporate governance** is based on the provisions of the law and the Articles of Association. In fact, the Board of Directors is currently made up of 12 members (58% men and 42% women). It was renewed in May 2020 after approval by the shareholders and includes members with diversified expertise in management and other professional skills, as well as by diversity in terms of gender, age and seniority. These peculiar characteristics are generally also found in other committees, which perform an advisory, preparatory and support function. The Control and Risk Committee, however, consists of 33% men and 67% women. On the other hand, the Sustainable Strategy Committee, which operates with the support of the Board of Directors, has gender parity.

### The group aims to contribute, in particular, to 9 SDGs:

SDG3 - Health and well-being: through the adoption of the necessary measures to protect the health of employees and the people they work with;

SDG4 - Quality education: spreading the culture of energy sustainability not only within the company, but also among external stakeholders and especially local communities;

SDG5 - Gender equality: promoting an inclusive work environment, which guarantees everyone the same opportunities for growth;

SDG7 - Clean and accessible energy: through its core business, namely the production of renewable energy and the supply of connected services, which makes the group an enabler of energy transition;

SDG8 - Decent work and economic growth: adhering to a business model that is developed around the concept of sharing value with stakeholders;

SDG11 - Sustainable cities and communities: offering services and creating opportunities for the sustainable development of the territories in which it operates;

SDG12 - Sustainable consumption and production: developing innovative solutions for responsible use of energy along the entire value chain;

SDG13 - Fight against climate change: promoting the energy decarbonisation process through its activities and services, but also with the promotion of projects addressed to local communities;

SDG15 - Life on land: minimizing the environmental footprint of all our activities.

**At this point there is a problem with the current way ESG data is reported. Investors must deal with two separate and entirely disconnected reporting systems: one for financial results and the other for ESG performance.** Therefore, they cannot accurately assess whether a company's sustainability strategy and targets are creating value for the shareholders, and thus investors miss an important parameter of corporate performance that may affect future earnings. Currently, hybrid metrics do not exist.

**We proposed our new proprietary hybrid metrics for the utility businesses for the first time in 2020. As regards the generation business, we computed the power generation EBITDA-to-CO2 intensity ratio (EURm on g CO2/KWh eq) and the group's overall EBITDA-to-CO2 intensity.**

Greenhouse gas (GHG) emission	2018	2019	2020
Scope 1 (k t eq)	112	111	156
Scope 2 (k t eq)	0.6	1.2	1.8
Scope 3 (k t eq)	n.a.	n.a.	n.a.
<b>TOTAL</b>	<b>113</b>	<b>112</b>	<b>158</b>
Carbon intensity (g CO2/KWh eq)	48	46	58
Group EBITDA to CO2 intensity	4.1	4.4	3.5
Power gen. EBITDA to CO2 intensity	4.1	4.3	3.4

Source: Banca Akros processing of company data



**Falck Renewables: Summary tables**

<b>PROFIT &amp; LOSS (EURm)</b>	<b>12/2018</b>	<b>12/2019</b>	<b>12/2020</b>	<b>12/2021e</b>	<b>12/2022e</b>	<b>12/2023e</b>
<b>Sales</b>	<b>376</b>	<b>373</b>	<b>360</b>	<b>384</b>	<b>427</b>	<b>444</b>
Cost of Sales & Operating Costs	-184.1	-169.1	-162.3	-176.2	-189.7	-193.9
Non Recurrent Expenses/Income	7.2	0.0	0.0	0.0	0.0	1.0
<b>EBITDA</b>	<b>191</b>	<b>204</b>	<b>197</b>	<b>208</b>	<b>237</b>	<b>250</b>
<b>EBITDA (adj.)*</b>	<b>184</b>	<b>204</b>	<b>197</b>	<b>208</b>	<b>237</b>	<b>249</b>
Depreciation	-64.8	-76.8	-83.9	-89.8	-95.6	-101.6
<b>EBITA</b>	<b>127</b>	<b>127</b>	<b>113</b>	<b>118</b>	<b>142</b>	<b>148</b>
<b>EBITA (adj.)*</b>	<b>119</b>	<b>127</b>	<b>113</b>	<b>118</b>	<b>142</b>	<b>147</b>
Amortisations and Write Downs	-11.2	-12.8	-2.0	-3.1	-4.2	-3.7
<b>EBIT</b>	<b>115</b>	<b>114</b>	<b>111</b>	<b>115</b>	<b>138</b>	<b>144</b>
<b>EBIT (adj.)*</b>	<b>108</b>	<b>114</b>	<b>111</b>	<b>115</b>	<b>138</b>	<b>143</b>
Net Financial Interest	-40.9	-39.1	-33.2	-34.4	-36.8	-38.4
Other Financials	0.0	0.0	0.0	0.0	0.0	1.0
Associates	2.7	2.7	-2.5	-5.5	-2.5	0.2
Other Non Recurrent Items	0.0	0.0	0.0	0.0	0.0	0.0
<b>Earnings Before Tax (EBT)</b>	<b>77.3</b>	<b>78.0</b>	<b>75.6</b>	<b>75.1</b>	<b>98.3</b>	<b>107</b>
Tax	-16.9	-14.8	-15.8	-18.8	-24.6	-26.5
<i>Tax rate</i>	<i>21.8%</i>	<i>19.0%</i>	<i>20.9%</i>	<i>25.0%</i>	<i>25.0%</i>	<i>24.8%</i>
Discontinued Operations	0.0	0.0	0.0	0.0	0.0	0.0
Minorities	-16.4	-14.8	-14.2	-17.0	-19.1	-22.3
<b>Net Profit (reported)</b>	<b>44.1</b>	<b>48.4</b>	<b>45.6</b>	<b>39.3</b>	<b>54.7</b>	<b>58.3</b>
<b>Net Profit (adj.)</b>	<b>39.2</b>	<b>42.8</b>	<b>36.6</b>	<b>39.3</b>	<b>54.7</b>	<b>57.3</b>
<b>CASH FLOW (EURm)</b>	<b>12/2018</b>	<b>12/2019</b>	<b>12/2020</b>	<b>12/2021e</b>	<b>12/2022e</b>	<b>12/2023e</b>
Cash Flow from Operations before change in NWC	136	153	146	149	173	185
Change in Net Working Capital	12.6	-27.0	-1.8	-5.0	-10.0	-10.0
<b>Cash Flow from Operations</b>	<b>149</b>	<b>126</b>	<b>144</b>	<b>144</b>	<b>163</b>	<b>175</b>
Capex	-51.3	-131.0	-173.7	-178.4	-161.5	-169.7
Net Financial Investments	0.5	0.5	0.5	0.5	0.5	0.5
<b>Free Cash Flow</b>	<b>98.2</b>	<b>-4.7</b>	<b>-29.3</b>	<b>-33.7</b>	<b>2.5</b>	<b>5.8</b>
Dividends	-15.4	-18.4	-19.5	-19.5	-20.1	-20.1
Other (incl. Capital Increase & share buy backs)	-34.4	-137.3	10.5	-28.5	-15.1	-24.7
<b>Change in Net Debt</b>	<b>48</b>	<b>-160</b>	<b>-38</b>	<b>-82</b>	<b>-33</b>	<b>-39</b>
NOPLAT	84.7	92.7	88.1	86.3	103	108
<b>BALANCE SHEET &amp; OTHER ITEMS (EURm)</b>	<b>12/2018</b>	<b>12/2019</b>	<b>12/2020</b>	<b>12/2021e</b>	<b>12/2022e</b>	<b>12/2023e</b>
Net Tangible Assets	926	1,110	1,168	1,261	1,347	1,434
Net Intangible Assets (incl. Goodwill)	141	180	189	189	189	189
Net Financial Assets & Other	22.8	25.2	29.8	29.8	29.8	29.8
<b>Total Fixed Assets</b>	<b>1,089</b>	<b>1,315</b>	<b>1,386</b>	<b>1,480</b>	<b>1,565</b>	<b>1,652</b>
Inventories	5.8	30.1	28.3	28.6	29.3	30.0
Trade receivables	98.7	93.5	84.0	85.0	87.0	89.2
Other current assets	154.5	202.6	228.7	231.4	237.0	242.8
Cash (-)	-220.0	-132.1	-240.1	-222.8	-216.1	-208.5
<b>Total Current Assets</b>	<b>479</b>	<b>458</b>	<b>581</b>	<b>568</b>	<b>569</b>	<b>570</b>
<b>Total Assets</b>	<b>1,568</b>	<b>1,773</b>	<b>1,967</b>	<b>2,048</b>	<b>2,135</b>	<b>2,223</b>
Shareholders Equity	501	550	569	588	623	658
Minority	54.7	58.1	139	148	160	174
<b>Total Equity</b>	<b>556</b>	<b>608</b>	<b>708</b>	<b>736</b>	<b>782</b>	<b>832</b>
Long term interest bearing debt	691	774	844	904	932	964
Provisions	4.3	4.8	5.7	6.1	6.2	6.4
Other long term liabilities	79.9	96.1	106	106	118	123
<b>Total Long Term Liabilities</b>	<b>776</b>	<b>875</b>	<b>956</b>	<b>1,017</b>	<b>1,056</b>	<b>1,093</b>
Short term interest bearing debt	75.7	79.2	102	109	113	117
Trade payables	51.2	70.6	60.3	61.0	62.5	64.0
Other current liabilities	110	141	141	125	121	117
<b>Total Current Liabilities</b>	<b>237</b>	<b>291</b>	<b>303</b>	<b>295</b>	<b>297</b>	<b>298</b>
<b>Total Liabilities and Shareholders' Equity</b>	<b>1,568.1</b>	<b>1,773.3</b>	<b>1,967.0</b>	<b>2,047.7</b>	<b>2,134.9</b>	<b>2,222.8</b>
<b>Net Capital Employed</b>	<b>1,187.3</b>	<b>1,429.3</b>	<b>1,525.7</b>	<b>1,638.9</b>	<b>1,734.9</b>	<b>1,833.1</b>
<b>Net Working Capital</b>	<b>98.2</b>	<b>114.2</b>	<b>139.7</b>	<b>158.9</b>	<b>169.5</b>	<b>180.7</b>
<b>GROWTH &amp; MARGINS</b>	<b>12/2018</b>	<b>12/2019</b>	<b>12/2020</b>	<b>12/2021e</b>	<b>12/2022e</b>	<b>12/2023e</b>
<i>Sales growth</i>	<i>28.1%</i>	<i>-0.7%</i>	<i>-3.6%</i>	<i>6.8%</i>	<i>11.2%</i>	<i>3.8%</i>
<b>EBITDA (adj.)* growth</b>	<b>23.3%</b>	<b>10.7%</b>	<b>-3.3%</b>	<b>5.4%</b>	<b>14.2%</b>	<b>4.8%</b>
<i>EBITA (adj.)* growth</i>	<i>32.7%</i>	<i>6.5%</i>	<i>-10.9%</i>	<i>4.1%</i>	<i>20.1%</i>	<i>3.7%</i>
<i>EBIT (adj.)* growth</i>	<i>43.8%</i>	<i>5.6%</i>	<i>-2.7%</i>	<i>3.3%</i>	<i>19.7%</i>	<i>4.1%</i>

## Falck Renewables: Summary tables

<b>GROWTH &amp; MARGINS</b>	<b>12/2018</b>	<b>12/2019</b>	<b>12/2020</b>	<b>12/2021e</b>	<b>12/2022e</b>	<b>12/2023e</b>
Net Profit growth	92.8%	9.3%	-14.5%	7.2%	39.1%	4.7%
EPS adj. growth	116.8%	9.8%	-5.7%	-13.9%	39.1%	4.7%
DPS adj. growth	18.9%	6.3%	0.0%	3.0%	0.0%	8.7%
EBITDA (adj)* margin	49.1%	54.7%	54.9%	54.1%	55.6%	56.1%
EBITA (adj)* margin	31.8%	34.1%	31.5%	30.7%	33.2%	33.1%
EBIT (adj)* margin	28.8%	30.7%	31.0%	29.9%	32.2%	32.3%
<b>RATIOS</b>	<b>12/2018</b>	<b>12/2019</b>	<b>12/2020</b>	<b>12/2021e</b>	<b>12/2022e</b>	<b>12/2023e</b>
Net Debt/Equity	1.0	1.2	1.0	1.1	1.1	1.0
Net Debt/EBITDA	2.9	3.5	3.6	3.8	3.5	3.5
Interest cover (EBITDA/Fin.interest)	4.7	5.2	5.9	6.0	6.4	6.5
Capex/D&A	67.6%	146.2%	202.2%	192.1%	161.9%	161.1%
Capex/Sales	13.7%	35.1%	48.3%	46.5%	37.8%	38.3%
NWC/Sales	26.2%	30.6%	38.9%	41.4%	39.7%	40.7%
ROE (average)	8.3%	8.2%	6.6%	6.8%	9.0%	8.9%
ROCE (adj.)	7.3%	6.6%	5.9%	5.4%	6.1%	6.0%
WACC	5.3%	4.9%	5.0%	4.9%	4.9%	4.9%
ROCE (adj.)/WACC	1.4	1.3	1.2	1.1	1.2	1.2
<b>PER SHARE DATA (EUR)***</b>	<b>12/2018</b>	<b>12/2019</b>	<b>12/2020</b>	<b>12/2021e</b>	<b>12/2022e</b>	<b>12/2023e</b>
Average diluted number of shares	291.4	291.4	291.4	291.4	291.4	291.4
EPS (reported)	0.15	0.17	0.16	0.13	0.19	0.20
EPS (adj.)	0.15	0.17	0.16	0.13	0.19	0.20
BVPS	1.72	1.89	1.95	2.02	2.14	2.26
DPS	0.06	0.07	0.07	0.07	0.07	0.08
<b>VALUATION</b>	<b>12/2018</b>	<b>12/2019</b>	<b>12/2020</b>	<b>12/2021e</b>	<b>12/2022e</b>	<b>12/2023e</b>
EV/Sales	3.5	6.0	8.3	7.7	7.0	6.9
EV/EBITDA	6.8	10.9	15.2	14.2	12.6	12.2
<b>EV/EBITDA (adj.)*</b>	<b>7.0</b>	<b>10.9</b>	<b>15.2</b>	<b>14.2</b>	<b>12.6</b>	<b>12.3</b>
EV/EBITA	10.2	17.5	26.4	25.0	21.2	20.7
<b>EV/EBITA (adj.)*</b>	<b>10.9</b>	<b>17.5</b>	<b>26.4</b>	<b>25.0</b>	<b>21.2</b>	<b>20.8</b>
EV/EBIT	11.2	19.5	26.9	25.7	21.8	21.2
<b>EV/EBIT (adj.)*</b>	<b>12.0</b>	<b>19.5</b>	<b>26.9</b>	<b>25.7</b>	<b>21.8</b>	<b>21.3</b>
<b>P/E (adj.)</b>	<b>15.5</b>	<b>28.7</b>	<b>42.1</b>	<b>44.8</b>	<b>32.2</b>	<b>30.8</b>
P/BV	1.4	2.5	3.4	3.0	2.8	2.7
Total Yield Ratio	2.7%	1.4%	1.1%	1.1%	1.1%	
EV/CE	1.1	1.6	2.0	1.8	1.8	1.7
OpFCF yield	14.3%	-0.4%	-1.5%	-1.9%	0.1%	0.3%
OpFCF/EV	7.5%	-0.2%	-1.0%	-1.2%	0.1%	0.2%
Payout ratio	41.7%	40.3%	42.8%	51.2%	36.8%	38.2%
Dividend yield (gross)	2.7%	1.4%	1.1%	1.1%	1.1%	1.2%
<b>EV AND MKT CAP (EURm)</b>	<b>12/2018</b>	<b>12/2019</b>	<b>12/2020</b>	<b>12/2021e</b>	<b>12/2022e</b>	<b>12/2023e</b>
Price** (EUR)	2.35	4.76	6.59	6.05	6.05	6.05
Outstanding number of shares for main stock	291.4	291.4	291.4	291.4	291.4	291.4
<b>Total Market Cap</b>	<b>683.4</b>	<b>1,387.1</b>	<b>1,920.4</b>	<b>1,761.6</b>	<b>1,761.6</b>	<b>1,761.6</b>
Gross Financial Debt (+)	767.1	852.8	945.6	1,013.6	1,044.3	1,081.0
Cash & Marketable Securities (-)	-220.0	-132.1	-240.1	-222.8	-216.1	-208.5
<b>Net Financial Debt</b>	<b>547.1</b>	<b>720.8</b>	<b>705.5</b>	<b>790.8</b>	<b>828.2</b>	<b>872.5</b>
Lease Liabilities (+)						
<b>Net Debt</b>	<b>547.1</b>	<b>720.8</b>	<b>705.5</b>	<b>790.8</b>	<b>828.2</b>	<b>872.5</b>
<b>Other EV components</b>	<b>67.4</b>	<b>119.5</b>	<b>371.4</b>	<b>402.7</b>	<b>411.4</b>	<b>422.9</b>
<b>Enterprise Value (EV adj.)</b>	<b>1,297.9</b>	<b>2,227.4</b>	<b>2,997.3</b>	<b>2,955.1</b>	<b>3,001.2</b>	<b>3,057.0</b>

Source: Company, Banca Akros estimates.

### Notes

\* Where EBITDA (adj.) or EBITA (adj.) = EBITDA (or EBITA) -/+ Non Recurrent Expenses/Income and where EBIT (adj.) = EBIT -/+ Non Recurrent Expenses/Income - PPA amortisation

\*\*Price (in local currency): Fiscal year end price for Historical Years and Current Price for current and forecasted years

\*\*\*EPS (adj.) diluted = Net Profit (adj.) / Avg DIL. Ord. (+ Ord. equivalent) Shs. EPS (reported) = Net Profit reported / Avg DIL. Ord. (+ Ord. equivalent) Shs.

Sector: Utilities/Alternative Electricity

Company Description: Falck Renewables produces wind and solar energy, biomass energy, waste-to-energy; it is among the biggest "pure players" in the European renewables energy sector. Falck Renewables is currently present in Europe (Italy, UK, France, Spain, Norway and Sweden) and the USA with an installed capacity of 1.1 GW (of which some 83% wind).

Il presente documento è stato redatto da Emanuele Oggioni (socio AIAF) che svolge funzioni di analista presso Banca Akros SpA ("Banca Akros"), soggetto responsabile della produzione del documento stesso. **Esso è prodotto e distribuito dal giorno 12 Aprile 2021, ore 09:13 italiane.**

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Banca Akros, nell'ultimo anno, ha pubblicato sulla società oggetto di analisi tre studi in data 9, 12 e 30 marzo 2021.

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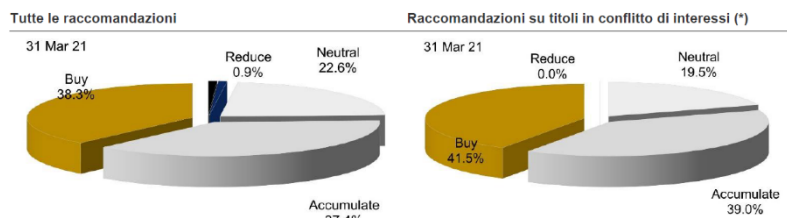
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#### Percentuale delle raccomandazioni al 31 marzo 2021



(\*) Si informa che la percentuale degli emittenti in potenziale conflitto di interessi con Banca Akros è pari al 35.65% del totale degli emittenti oggetto di copertura

#### Recommendation history for FALCK RENEWABLES

Date	Recommendation	Target price	Price at change date
09-Mar-21	Accumulate	6.50	5.57
04-Jan-21	Accumulate	7.00	7.06
17-Sep-20	Accumulate	6.00	5.43
29-Jul-20	Neutral	5.10	5.56
14-May-20	Neutral	4.50	4.38
24-Mar-20	Accumulate	4.60	3.84
10-Mar-20	Neutral	4.60	4.68
05-Dec-19	Neutral	4.10	4.77
31-Oct-19	Neutral	3.80	3.99
29-Jul-19	Neutral	3.70	4.16
03-May-19	Neutral	3.10	3.16
11-Mar-19	Neutral	3.00	2.84
07-Jan-19	Accumulate	2.90	2.50
28-Nov-18	Accumulate	2.60	2.26
11-Jun-18	Buy	2.25	2.06

Source: Factset & ESN, price data adjusted for stock splits.

This chart shows Banca Akros continuing coverage of this stock; the current analyst may or may not have covered it over the entire period. Current analyst: Emanuele Oggioni (since 27/11/2018)



## ESN Recommendation System

The ESN Recommendation System is **Absolute**. It means that each stock is rated based on **total return**, measured by the upside/downside potential (including dividends and capital reimbursement) over a **12-month time horizon**. The final responsible of the recommendation of a listed company is the analyst who covers that company. The recommendation and the target price set by an analyst on one stock are correlated but not totally, because an analyst may include in its recommendation also qualitative elements as market volatility, earning momentum, short term news flow, possible M&A scenarios and other subjective elements.



The ESN spectrum of recommendations (or ratings) for each stock comprises 5 categories: **Buy (B)**, **Accumulate (A)**, **Neutral (N)**, **Reduce (R)** and **Sell (S)**.

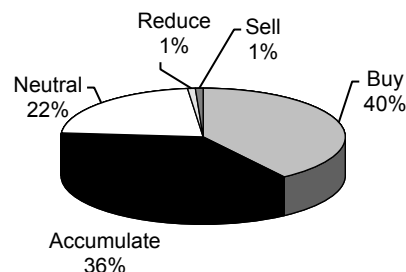
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### Meaning of each recommendation or rating:

- **Buy:** the stock is expected to generate total return of **over 15%** during the next 12-month
- **Accumulate:** the stock is expected to generate total return of **5% to 15%** during the next 12-month
- **Neutral:** the stock is expected to generate total return of **-5% to +5%** during the next 12-month
- **Reduce:** the stock is expected to generate total return of **-5% to -15%** during the next 12-month
- **Sell:** the stock is expected to generate total return **under -15%** during the next 12-month
- **Rating Suspended:** the rating is suspended due to: a) a capital operation (take-over bid, SPO, etc.) where a Member of ESN is or could be involved with the issuer or a related party of the issuer; b) a change of analyst covering the stock; c) the rating of a stock is under review by the Analyst.
- **Not Rated:** there is no rating for a stock when there is a termination of coverage of the stocks or a company being floated (IPO) by a Member of ESN or a related party of the Member.

Note: a certain flexibility on the limits of total return bands is permitted especially during higher phases of volatility on the markets

### Banca Akros Ratings Breakdown



For full ESN Recommendation and Target price history (in the last 12 months) please see ESN Website [Link](#)

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