

Falck Renewables

Italy/Utilities

Buy

Recommendation unchanged

Share price: EUR **0.95**

closing price as of 10/03/2016

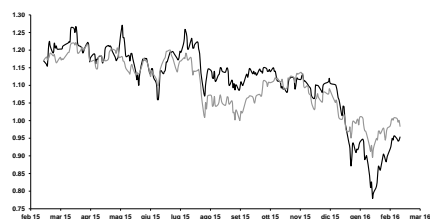
Target price: EUR **1.40**from Target Price: EUR **2.00**

Reuters/Bloomberg

AA4.MI/IFKR IM

Market capitalisation (EURm)	278
Current N° of shares (m)	291
Free float	40%
Daily avg. no. trad. sh. 12 mth	565,692
Daily avg. trad. vol. 12 mth (m)	541
Price high 12 mth (EUR)	1.27
Price low 12 mth (EUR)	0.78
Abs. perf. 1 mth	15.44%
Abs. perf. 3 mth	-12.52%
Abs. perf. 12 mth	-14.10%

Key financials (EUR)	12/14	12/15e	12/16e
Sales (m)	248	258	275
EBITDA (m)	135	131	136
EBITDA margin	54.5%	50.9%	49.6%
EBIT (m)	71	63	65
EBIT margin	28.5%	24.6%	23.6%
Net Profit (adj.)(m)	3	2	2
ROCE	2.4%	2.6%	2.6%
Net debt/(cash) (m)	638	639	679
Net Debt/Equity	1.3	1.3	1.4
Debt/EBITDA	4.7	4.9	5.0
Int. cover(EBITDA/Fin. int)	2.7	2.9	3.0
EV/Sales	3.8	3.9	3.6
EV/EBITDA	7.1	7.7	7.3
EV/EBITDA (adj.)	7.1	7.7	7.3
EV/EBIT	13.5	15.9	15.4
P/E (adj.)	nm	nm	nm
P/BV	0.6	0.7	0.6
OpFCF yield	-27.2%	5.1%	-11.2%
Dividend yield	6.5%	3.4%	3.4%
EPS (adj.)	0.01	0.01	0.01
BVPS	1.61	1.55	1.53
DPS	0.06	0.03	0.03



Source: Factset

Shareholders: Falck SpA 60%;

Analyst(s):

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As expected, a solid set of results in 2015

The facts: Falck Renewables unveiled its 2015 results yesterday.

Our analysis: the company posted increasing results YoY:

EURm	FY 2014A	FY 2015E	FY 2015A	YoY Chg.
Revenues	248	269	271	9.3%
EBITDA	135	139	152	12.6%
EBITDA margin	54.4%	51.7%	56.1%	
EBIT	71	71	66	-7.0%
PBT	21	26	24	14.3%
Net income	3	6	5	66.7%

The company's production was around 1,852GWh in 2015 vs. 1,694GWh in 2014 or +9.3%. The installed capacity was flat YoY at around 726MW.

Falck Renewables' results benefited from the entrance in operation of the West Browncastle wind farm in UK (Q2 2014 – 30MW), from the favorable wind conditions, from the consolidation of Vector Cuatro (consolidated since October 2014), from the favorable GBP exchange rate dynamic (roughly +11% vs. 2014) and from the increasing trend in both electricity prices and demand in Italy (respectively ca. +1% and +2% YoY).

The **EBITDA** posted, EUR 152m, was higher than the guidance of EUR 137/142m.

It is worth noting that the company posted: around EUR 10m of write-offs in 2015 (mainly related to the Rende plant – i.e. EUR 9m) vs. EUR 1.9m recorded in 2014; nearly EUR 10m of provisions (mainly related to the stop for some UK projects and to the transportation charges) in 2015 vs. EUR 1m in 2014.

Net debt was roughly EUR 630m vs. EUR 618m posted as at the end of Q3 2015.

DPS. Falck Renewables is distributing EUR 0.045 per share as a dividend. This would translate in a dividend yield of about 4.7% at the current market prices. We remind readers that the company paid a DPS of EUR 0.062 on 2014 results, which included the capital gain on the sale of the UK assets.

2016 outlook. Falck Renewables is due to benefit from the entrance in operation of the Spaldington (11.75 MW) and Kingsburn (22.5 MW) wind farms in the UK (H2 16). However, the results will be affected by a reduction in the energy prices mainly due to the slowdown in the macroeconomic environments of some important extra UE economies, the weak electricity demand, the drop in Brent and gas prices.

Conclusion & Action: we don't believe 2015 results may be considered a catalyst for the stock, even though they confirmed the company's growth path and solidity. The main positive issue of this release is the DPS, which is well above our expectations (yield at nearly 4.7%). In our view, the trigger remains an update on the business plan (expected late in 2016), with a focus on the new operational initiatives, and on the potential deal with CIL. In light of the less favourable scenario than expected in 2016 and in the following years (mainly as regards power prices), we have fine-tuned our estimates and we have derived a new target price of EUR 1.4 per share. Given the nearly 45% upside potential vs. the current market price, we reiterate our positive stance on the stock: **BUY**.