

Falck Renewables

Italy | Utilities

Analysar

7 August 2017

Buy

Recommendation unchanged

Share price: EUR 1.37

closing price as of 04/08/2017

Target price: EUR 1.60

from Target Price: EUR 1.40

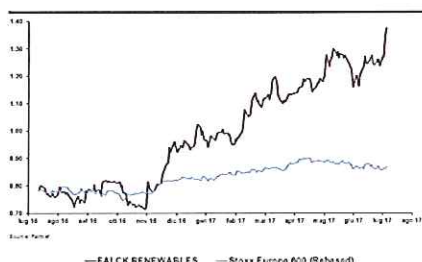
Upside/Downside Potential 16.4%

Reuters/Bloomberg AA4.MI/FKR.IM

Market capitalisation (EURm)	400
Current N° of shares (m)	291
Free float	40%
Daily avg. no. trad. sh. 12 mth	609
Daily avg. trad. vol. 12 mth (m)	1,069.26
Price high/low 12 months	0.72 / 1.37
Abs Perfs 1/3/12 mths (%)	14.50/19.27/85.18

Key financials (EUR)	12/16	12/17e	12/18e
Sales (m)	257	272	276
EBITDA (m)	136	133	138
EBITDA margin	53.1%	48.7%	50.0%
EBIT (m)	60	52	58
EBIT margin	23.2%	19.2%	21.0%
Net Profit (adj.)(m)	(4)	(4)	1
ROCE	0.4%	0.8%	2.0%
Net debt/(cash) (m)	562	540	477
Net Debt/Equity	1.2	1.2	1.0
Debt/EBITDA	4.1	4.1	3.4
Int. cover(EBITDA/Fin. int)	3.3	3.2	3.5
EV/Sales	3.4	3.5	3.2
EV/EBITDA	6.4	7.2	6.4
EV/EBITDA (adj.)	6.4	7.2	6.4
EV/EBIT	14.6	18.3	15.4
P/E (adj.)	nm	47.6	31.1
P/BV	0.6	0.9	0.9
OpFCF yield	19.7%	10.5%	21.1%
Dividend yield	3.6%	3.9%	4.2%
EPS (adj.)	(0.01)	0.03	0.04
BVPS	1.51	1.49	1.48
DPS	0.05	0.05	0.06

Shareholders



Analyst(s)

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Step by step

The facts: Falck Renewables has acquired two ready-to-build projects in Sweden for an overall capacity of about 115 MW.

Our analysis: the company has entered into an agreement with E.ON for the acquisition of 100% of two limited liability companies (Åliden Vind AB and Brattmyrliden Vind AB), owning two ready-to-build projects in Sweden in the municipality of Örnsköldsvik for an overall capacity of approximately 115 MW (43.2 MW for Åliden and 72 MW for Brattmyrliden).

The two wind farms are located on the Eastern Swedish coast, 500 km North of Stockholm. The projects have been developed by E.ON Sweden AB that will continue to support Falck Renewables on development activities and will act as O&M service provider once the wind farms will be in operation.

The closing of the transaction is expected for the end of September 2017 and is subject to a number of conditions precedents, also regarding the grid connection.

The price of the acquisition will be EUR 7m, to be paid through existing financial resources and adjusted for the net financial position at closing, plus a potential earn-out in favour of the seller to be added in case of additional benefit for Falck Renewables.

Conclusion & Action: this is positive news in our view, since it confirms the company commitment in pursuing the targets included in its 2017-2021 business plan. The Sweden one, as well as the Norwegian market in which Falck has recently signed an agreement, is an important European market and represents an interesting long-term investment opportunity for the development of the renewable sources. We remind you the main targets set in the 2017-2021 business plan:

EURm	2016	2017	2019	2021
Installed capacity (MW)	822	858	1,002	1,303
Asset managed globally (MW)	2,100			4,500
Asset less than 5-year old	18%			44%
CO2 avoided (mtons)	0.9			1.3
EBITDA	130	132	166	201
Net income	13			45
Net debt	618		767	941

sources. The company has a total pipeline under management that covers more than 2x the targets. Falck Renewables has identified specific mature markets with strong fundamentals to invest in: Norway, Finland, Sweden, Denmark, Netherland and Ireland. The company will monitor emerging markets for future entry. **EBITDA growth** over the business plan period (about EUR 70m over 2017-2021) ought to come from North Europe (France, the UK, Netherlands and Ireland) for EUR 33m, South Europe (Italy and Spain) EUR 17m, Nordics (Norway, Finland, Sweden and Denmark) EUR 12m, USA EUR 7m. In term of sources: wind EUR 51m, solar EUR 10m, service&others EUR 8m. **Capex.** Falck Renewables expects to invest about EUR 702m over 2017-2021: Nordics EUR 295m or 42%, North Europe EUR 260m or 37% South Europe (EUR 55m or 8%, USA EUR 85m or 12%). **We fine-tuned our estimates and we derived a new target price for Falck of EUR 1.6 per share. In light of the nearly 17% upside potential vs. the current market price, we confirm our positive stance on the stock: BUY.**