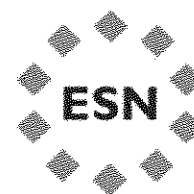


Falck Renewables



Italy | Utilities

Analysers

10 March 2017

Buy

Recommendation unchanged

Share price: EUR 1.08

closing price as of 09/03/2017

Target price: EUR 1.40

Target Price unchanged

Upside/Downside Potential 30.2%

Reuters/Bloomberg AA4.MI/FR IM

Market capitalisation (EURm) 313

Current N° of shares (m) 291

Free float 40%

Daily avg. no. trad. sh. 12 mth 444

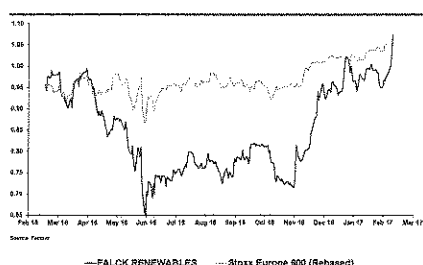
Daily avg. trad. vol. 12 mth (m) 2,489.90

Price high/low 12 months 0.65 / 1.08

Abs Perfs: 1/3/12 mths (%) 9.47/34.21/13.88

Key financials (EUR)	12/15	12/16e	12/17e
Sales (m)	277	255	271
EBITDA (m)	152	129	133
EBITDA margin	55.0%	50.4%	48.9%
EBIT (m)	66	59	59
EBIT margin	23.9%	23.2%	21.9%
Net Profit (adj.) (m)	5	3	4
ROCE	4.4%	3.1%	3.2%
Net debt/(cash) (m)	630	588	579
Net Debt/Equity	1.2	1.1	1.2
Debt/EBITDA	4.1	4.6	4.4
Int. cover(EBITDA/Fin. int)	3.4	3.0	3.2
EV/Sales	3.6	3.5	3.4
EV/EBITDA	6.6	7.0	6.9
EV/EBITDA (adj.)	6.6	7.0	6.9
EV/EBIT	15.2	15.3	15.3
P/E (adj.)	nm	nm	nm
P/BV	0.7	0.6	0.7
Op/FCF yield	13.7%	20.4%	14.1%
Dividend yield	4.2%	4.6%	4.9%
EPS (adj.)	0.02	0.01	0.02
BVPS	1.62	1.59	1.56
DPS	0.05	0.05	0.05

Shareholders



Analyst(s)

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As expected decreasing results but higher than guidance

The facts: Falck Renewables has just unveiled its 2016 results.

Our analysis: the company posted decreasing results YoY:

EURm	FY 2015A	FY 2016E	FY 16A	YoY Chg.
Revenues	271	249	250	-7.7%
EBITDA	152	131	136	-10.5%
EBITDA margin	56.1%	52.6%	54.4%	
EBIT	66	60	60	-9.1%
PBT	24	19	19	-20.8%
Net income	5	4	-4	n.m.

It is worth noting that the company guidance for the FY (provided during Q3 2016 results conference call) was pointing to an EBITDA of around EUR 128m (factoring in the GBP impact). Falck overcame this figure and our estimate. The difference in terms of net profit between our estimate and the reported figure is due to a negative one-off of about EUR 13m at a tax level.

Falck Renewables' results were hit by the drop in prices (in Italy the PUN was down by around 18% YoY in 2016), in the electricity demand (in Italy roughly 2% YoY) and by the different value set for the green certificates. The negative trend in prices also affected the UK assets: prices around -2% YoY and the LEC incentive cancellation (since August 2015). It is worth mentioning that the prices in Q4 for both Italy and the UK posted a sizeable increase (around +30%).

In terms of wind production Falck Renewables recorded almost flat trend YoY (around 1,866GWh vs. circa 1,850GWh in 2015), considering a very limited contribution of the newly entered in operation plants of Kingsburn, Spaldington and Assel Valley. The positive trend in Italy (we expect wind production +8% YoY vs. around +13% YoY at a national level in 2016) was offset by the UK one (around -10% YoY).

Furthermore, still on the negative side, it is worth mentioning the GBP devaluation vs. the EURO. Based on our estimates, this affected EBITDA for around EUR 6.5m in 2016, i.e. revenues (EUR -9m) and costs (EUR +2.5m).

Net debt was roughly EUR 562m, sizeably down vs. the level posted as at the end of 2015. Here the GBP devaluation is acting positively (we estimate an impact of around EUR 50m vs. the level posted as at the end of 2015, i.e. EUR 630m).

DPS. Falck Renewables has confirmed its guidance of EUR 0.049 per share as a dividend. This translates in a dividend yield of about 4.6% at the current market prices.

2017 outlook. Falck Renewables provided an EBITDA guidance of EUR 132-136m in 2017. This is figure is bang in line with our estimate.

Conclusion & Action: we don't believe 2016 results may be considered a catalyst for the stock, even though they confirmed the weak environment already detailed this year (2016 figures are due to be hit by the change in the green certificates value calculation and by the lack of LECs). We also believe that the company was able to overcome its guidance and to beat our above-guidance estimates. In our view, the trigger remains the delivery on the targets announced in the recently unveiled business plan. We reiterate our positive stance on the stock: BUY.