

# Falck Renewables

Italy | Utilities

Analysers

12 May 2017

## Buy

Recommendation unchanged

**Share price: EUR 1.18**

closing price as of 11/05/2017

**Target price: EUR 1.40**

Target Price unchanged

**Upside/Downside Potential 18.6%**

Reuters/Bloomberg AA4.MI/FKR IM

**Market capitalisation (EURm) 344**

Current N° of shares (m) 291

**Free float 40%**

Daily avg. no. trad. sh. 12 mth 530

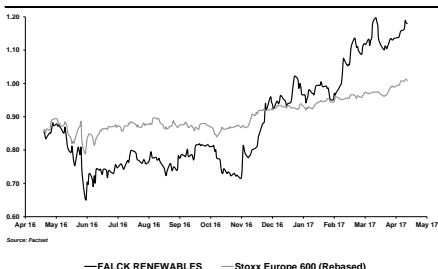
Daily avg. trad. vol. 12 mth (m) 1,191.53

Price high/low 12 months 0.65 / 1.20

Abs Perfs 1/3/12 mths (%) -0.42/18.83/33.33

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	3.3	3.0
EV/EBITDA	6.4	6.8	6.0
EV/EBITDA (adj.)	6.4	6.8	6.0
EV/EBIT	14.6	17.2	14.4
P/E (adj.)	nm	40.9	26.7
P/BV	0.6	0.8	0.8
OpFCF yield	19.7%	12.2%	24.6%
Dividend yield	4.2%	4.5%	4.9%
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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## Prices drove the performance

**The facts:** Falck Renewables unveiled its Q1 2017 results yesterday.

**Our analysis:** the company posted better results YoY:

EURm	Q1 2016A	Q1 2017E	Q1 2017A	YoY Chg.
Revenues	73	75	78	6.8%
EBITDA	43	44	45	4.7%
EBIT	26	27	28	7.7%
Pre-tax Profit	16	18	20	25.0%

Falck Renewables' results benefited from higher prices (in Italy the PUN was up by around 45% in Q1 2017 vs. Q1 2016), in the electricity demand (in Italy roughly 1.0% YoY) and by the different scope of consolidation (i.e. Spaldington, Kingsburg and Assel Valley wind farms). The positive trend in prices also impacted on the UK production.

In terms of wind production Falck posted a slight reduction YoY (roughly 497GWh vs. around 512Gwh in Q1 16). In fact, the negative trend in Italy (nearly -16% YoY at a national level in Q1 17) was offset by the UK one and by the production coming from the new installed capacity entered into operation. Total production was nearly 557GWh in Q1 17 vs. 570 GWh in Q1 16.

Furthermore, still on the negative side, it is worth mentioning the GBP devaluation vs. the EURO. This is affecting revenues and costs.

**Net debt** was roughly EUR 565m, almost stable vs. the level posted as at the end of 2016. Here the GBP devaluation is acting positively (we estimate around EUR 20m). On the negative side it is worth noting the NWC dynamic (absorption of the positive effect registered in Q4 16).

**Conclusion & Action:** we don't believe Q1 2017 results may be considered a catalyst for the stock, even though they are expected to confirm the company solidity. In our view, the trigger remains the achievement of the targets announced in the company's business plan: the development of a sound pipeline of projects, with the goal to achieve around 1,300MW of installed capacity in 2021 (vs. 758MW in 2017). It is worth noting that the company is currently assessing some investment opportunities in new markets (i.e. Nordic countries, Northern Europe, United States of America). We reiterate our positive stance on the stock: **BUY**.