

FY15 Results

BUY (Unchanged)

Target: € 1.6 (Prev. 1.8)

Risk: High

STOCK DATA

	Ord
Price €	1.0
Bloomberg code	FKR IM
Market Cap. (€ mn)	284
Free Float	29%
Shares Out. (mn)	291.4
52-week range	0.76 - 1.29
Daily Volumes (mn)	0.45

PERFORMANCE

	1M	3M	12M
Absolute	13.4%	-10.1%	-19.4%
Rel. to FTSE all shares	3.8%	1.3%	-1.5%

MAIN METRICS

	2014	2015E	2016E
REVENUES	248	271	267
EBITDA	135	152	132
NET INCOME	3.4	5.3	7.4
Adj. EPS - € cents	1.7	6.0	2.9
DPS ord - € cents	6.2	4.5	4.0

FKR

	2015	2016E	2017E
P/E adj	nm	33.1 x	23.4 x
EV/EBITDA rep	6.3 x	7.3 x	6.7 x

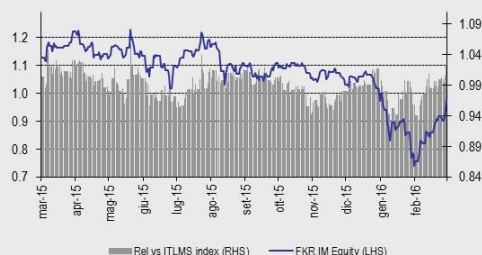
REMUNERATION

	2015	2016E	2017E
Div. Yield ord	4.6%	4.1%	4.1%
FCF yield	9.0%	8.0%	13.8%

INDEBTEDNESS

	2014	2015E	2016E
Net fin position	-638	-631	-621
Debt/EBITDA	4.7 x	4.1 x	4.7 x
Interests cov	2.7 x	3.4 x	3.3 x

PRICE ORD LAST 365 DAYS



ANALYSTS

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AHEAD OF EXPECTATIONS

Results came out ahead of expectations (Ebitda at +12.5% vs +6% exp) thanks to the better WIND performance in UK and the lower interest and taxes. Cash generation continues to improve, and FKR decided to pay a higher DPS (€c4.5 vs €c3.2 exp) with an implied yield of 4.6%. We raise our NI forecasts in the period 2016-17 by around +25% also improving DPS to €c4.0 (from €c3.2, with an implied yield of 4.1%). Tgt is reduced to 1.6€/sh (-11%) to account for the lower power prices in EU and the elimination of the WTE contribution in the UK (which we put on HOLD waiting for the new strategy presentation in Autumn). BUY is confirmed.

■ Ahead of expectations on better wind & lower interests and taxes

Our overall judgement on Falck Renewables FY15 results is positive. Numbers came out well ahead of expectations (mainly thanks to the strong wind production in UK and the lower interest rates and taxes). Debt is continuing to reduce (thanks to the good cash generation) and DPS has been set at €c4.5 (yield of 4.6%) vs €c3.2 expected:

- **Production at +9.3% YoY** to 1.852 GWh (vs +6% expected)
- **Ebitda at €152 mn (+12.65 YoY)** vs €143mn expected
- **Net income adjusted at €12mn (+264% YoY)** vs €5.6mn expected
- **NFP (inc. derivative) at €-630 mn** (vs € -677mn expected)

■ Deleverage continues. Cash flow sustains a higher dividend.

Operating cash generation reached €88mn during 2015 (against a capex of €60mn), thus allowing for the payment of the “extraordinary” dividend set up in 2014 (€c6.2) as well as for additional deleverage (D/Ebitda collapsed to 4.1x against 4.7x in 2014). As we believe cash generation will stay in place also in the coming years (fcf yield >10%), we have raised our Dps forecast to €c4 (+25%). The implicit yield (4%) is among the highest in the reference sector.

■ NI +25% in 2016-17 but Tgt reduced to 1.6€/sh (-11%)

We have updated our model including the positives of lower Interest charges and taxes as well as the higher production profile for the UK wind. We consequently raise our Net Income forecast by around +25% in the period 2016-17. Tgt Price is instead reduced to 1.6€/sh (-11%) to account for the lower power prices in EU (impacting the Terminal value of the assets) and the cancellation of the contribution of the UK WTE plants development (which seems to be put on HOLD waiting for the new strategy development in Autumn this year)

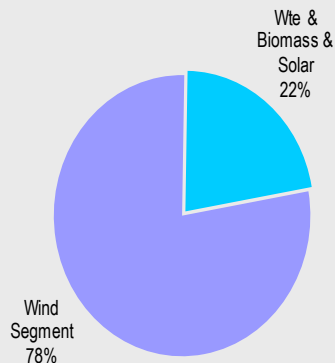
■ BUY confirmed

- 1. Fkr remains well-positioned in the industry with high quality assets and good diversification in the Services and Waste business.** We expect a +40% cagr of Net Income through 2018, driven by the new asset development (wind in UK) and the lower interests and taxes;
- 2. Fkr is progressively deleveraging to the benefit of cash generation and dividend payment.** Current yield at (4.1%) is the highest in the renewables space as well as one of the highest in the utilities sector.
- 3. Fkr may get benefit from the arrival of the new CEO and the new strategy presentation (Autumn 2016).** The contribution of the new plants in UK during 2H16 may also act as a positive catalyst.

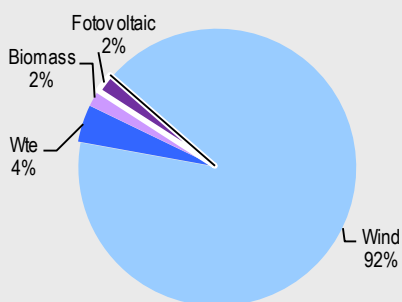
MAIN FIGURES € mn	2013	2014	2015	2016E	2017E	2018E
REVENUES	276	248	271	267	279	298
Growth	0%	-10%	9%	-1%	4%	7%
EBITDA	157	135	152	132	141	155
Growth	-1%	-14%	13%	-13%	7%	10%
Adj EBITDA (Incl JV)	157	135	152	132	141	155
Growth	-1%	-14%	13%	-13%	7%	10%
EBIT	79	71	66	63	69	78
Growth	-471%	-11%	-6%	-4%	10%	12%
PBT	31	22	24	26	35	44
Growth	-145%	-30%	10%	9%	34%	28%
NET INCOME	15.1	3.4	5.3	7.4	11.0	14.9
Growth	-119%	-78%	57%	40%	48%	36%
Adj. NET INCOME	22.9	3.4	12.1	7.4	11.0	14.9
Growth	-388%	-85%	262%	-39%	48%	36%
MARGIN	2013	2014	2015	2016E	2017E	2018E
Ebitda Margin	56.8%	54.5%	56.3%	49.6%	50.7%	52.0%
Ebitda adj Margin	56.8%	54.5%	56.3%	49.6%	50.7%	52.0%
Ebit margin	28.7%	28.5%	24.5%	23.8%	24.9%	26.0%
Pbt margin	11.2%	8.7%	8.8%	9.7%	12.5%	14.9%
Ni rep margin	5.5%	1.3%	1.9%	2.8%	3.9%	5.0%
Ni adj margin	8.3%	1.3%	4.5%	2.8%	3.9%	5.0%
SHARE DATA	2013	2014	2015	2016E	2017E	2018E
EPS - € cents	5.2	1.2	1.8	2.5	3.8	5.1
Growth	-119%	nm	nm	40%	48%	36%
Adj. EPS - € cents	7.9	1.2	4.2	2.5	3.8	5.1
Growth	-388%	nm	nm	-39%	48%	36%
DPS ord - € cents	3.2	6.2	4.5	4.0	4.0	4.0
BVPS - €	1.3	1.6	1.6	1.6	1.6	1.6
VARIOUS - € mn	2013	2014	2015	2016E	2017E	2018E
Oper capital employed	1,181	1,159	1,176	1,170	1,151	1,092
FCF	92	128	26	23	39	85
Capital expenditures	-58	-97	-61	-62	-48	-12
Working capital	57	69	68	67	70	75
INDEBTNESS - €mn	2013	2014	2015	2016E	2017E	2018E
Net fin position	-757	-638	-631	-621	-593	-520
D/E	2.03 x	1.36 x	1.33 x	1.33 x	1.27 x	1.11 x
Debt/EBITDA	4.8 x	4.7 x	4.1 x	4.7 x	4.2 x	3.4 x
Interests cov	3.2 x	2.7 x	3.4 x	3.3 x	3.8 x	4.3 x
MARKET RATIOS	2013	2014	2015	2016E	2017E	2018E
P/E ord	nm	84.6 x	53.8 x	38.4 x	25.9 x	19.0 x
P/E ord Adj	nm	84.6 x	23.4 x	38.4 x	25.9 x	19.0 x
PBV	0.8 x	0.6 x	0.6 x	0.6 x	0.6 x	0.6 x
P/CF	4.6 x	6.8 x	5.0 x	5.8 x	5.3 x	4.6 x
EV FIGURES	2013	2014	2015	2016E	2017E	2018E
EV/Sales rep	3.9 x	3.8 x	3.6 x	3.6 x	3.4 x	3.0 x
EV/EBITDA rep	6.8 x	7.1 x	6.3 x	7.3 x	6.7 x	5.7 x
EV/EBIT	13.5 x	13.5 x	14.5 x	15.2 x	13.6 x	11.3 x
EV/CE	0.9 x	0.8 x	0.8 x	0.8 x	0.8 x	0.8 x
REMUNERATION	2013	2014	2015	2016E	2017E	2018E
Div. Yield ord	3.3%	6.4%	4.6%	4.1%	4.1%	3.5%
FCF yield	32.3%	45.1%	9.0%	8.0%	13.8%	29.8%
ROE	4.1%	0.7%	1.1%	1.6%	2.4%	3.2%
ROCE	4.0%	3.7%	3.4%	3.3%	3.6%	4.3%

Source: EQUITA SIM estimates and company data

EBITDA COMPOSITION - 2014



INSTALLED CAPACITY



WIND: Cabezo San Roque plant



WASTE TO ENERGY: Trezzo Plant



FALCK RENEWABLES: BUSINESS DESCRIPTION

Falck Renewables SpA develops, designs, constructs and manages energy production from renewables sources. The expertise of Falck Renewables SpA covers the entire life cycle of a project, from preliminary activities (pre-feasibility and feasibility studies, technical/economic evaluation, optimum design of the plant, and financial plan) and executions (preparation of the contract technical specifications and contractual documents, negotiation and assignment of contracts, construction supervision), through to operation and maintenance and energy portfolio management activities.

The group is active in wind, photovoltaic, vegetable biomass, urban and special waste treatment and is present in Italy, Uk, Spain & France with a total installed capacity of around 726 MW (mainly Italy and Uk). Fkr has also recently diversified in the SERVICES activities around the globe (through the acquisition of Vector Cuatro) and is actively expanding in the Biomass segment in Uk.

■ **Business model & market drivers**

Revenues mainly derive from the sale of electricity as well as from the incentives paid for the development of the industry. Main drivers affecting group performance are:

- Electricity prices, as the main reference for the sales to final customer
- Commodities prices (Oil, Coal and Gas), as main input cost in the process of electricity generation for the main traditional “thermo” power assets (the price setters in the country)
- Regulation as the main reference framework for the incentives attribution to the renewables sources.
- Volatility in natural resources availability, as renewables player Fkr’s performance also mainly derives from the wind, solar , biomass and Wte

■ **Main Challenges**

The main difficulties of the group will be:

- to replicate the successful business model at international level
- to follow in advance the different country development, adapting the structure to each regional difference

Strength/Opportunities

- Diversification among countries and technologies to the benefit of lower risk exposure to incentives and production constraints
- Critical mass and relevant dimension to get better access to the upstream technology market (turbines and panels)
- International footprint allowing the exploitation of the new regional frontier entering the renewables world

Weaknesses/Threat

- Possible changes in reference regulatory systems are possible due to international financial crisis
- Overrun costs in the installation processes not mitigated by incentives evolution
- Significant delays in project installation
- Deterioration of the financing conditions considering the industry remains capital intensive

SOLID FIGURES. STRATEGY UNDER REVISION.

Our overall judgement on Falck Renewables FY15 results is positive. Numbers came out well ahead of expectations (mainly thanks to the strong wind production in UK and the lower interest rates and taxes) debt is continuing to reduce (thanks to the good cash generation) and dividend has been increased to to 4.5 €c (with an implicit yield of 4.6%). More in details:

- **Production registered a +9.3% YoY** to 1.852 GWh (vs +6% expected)
- **Revenues at € 271 mn (+9% YoY)** vs €267mn expected
- **Ebitda at €152 mn (+12.65 YoY)** vs €143mn expected
- Net income reported at € 5.3mn (+60.6% YoY)
- **Net income adjusted at €12mn (+264% YoY)** vs €5.6mn expected
- **NFP (inc. derivative) at €-630 mn** (vs € -677mn expected)

In the following table a summary of the reported results:

FALCK RENEWABLES RESULTS					
	EXPECTED			REPORTED	
	2014	2015	YoY%	2015	YoY%
Installed capacity - MW	726	726	0%	726	0.0%
Total production - GWh	1,694	1,800	6%	1,852	9.3%
Revenues - € mn	248	267	8%	271	9.0%
Ebitda - € mn	135	143	6%	152	12.6%
Net income reported - € mn	3.3	5.6	70%	5.3	60.6%
Net income adjusted - € mn	3.3	5.6	70%	12.0	263.6%
Nfp (inc. derivatives) - € mn	-638	-677	-39 €mn	-630	8 €mn
Nfp (ex. derivatives) - € mn	-560	-614	-54 €mn	-567	-7 €mn

Source: EQUITA SIM estimates and company data

As anticipated above:

- Operating profitability (Ebitda +12.6% YoY) is improving mainly thanks to the good performance of the UK wind activities which benefited from better resources availability and the contribution of the new plants.
- The net income adjusted is almost double vs our expectations thanks to the lower interest charges and taxes. The adjustment relates to some negative -20 € mn one-off provisions/write offs in the D&A line and to some +3.5 €mn positive tax recovery.
- Debt is additionally reducing vs 2014 with D/Ebitda now approaching 4x in front of a >10% fcf yield expected
- Dividend has been set at 0.045€ vs our 0.032€ expected with an implicit yield of 4.7% . We believe the group is now able to sustain a dps in the region of 0.04€ per year.

On top of the positive elements cited above we would signal:

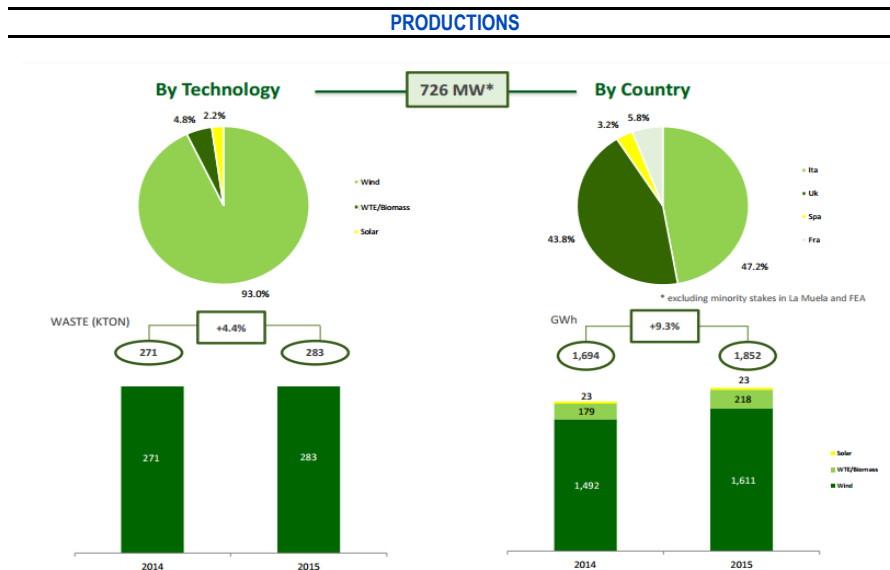
On the positive side:

- **The currency effect in Uk**, which contributed some 6.7 € mn to the growth
- **The consolidation of the Services business** (Vector Cuatro) which contributes some 1.5 € mn to Ebitda in our estimates
- **The better performance of the “financials”** with lower interest charges and a normalized contribution of both the Spanish wind assets and the Frullo wte plant (consolidated at equity)

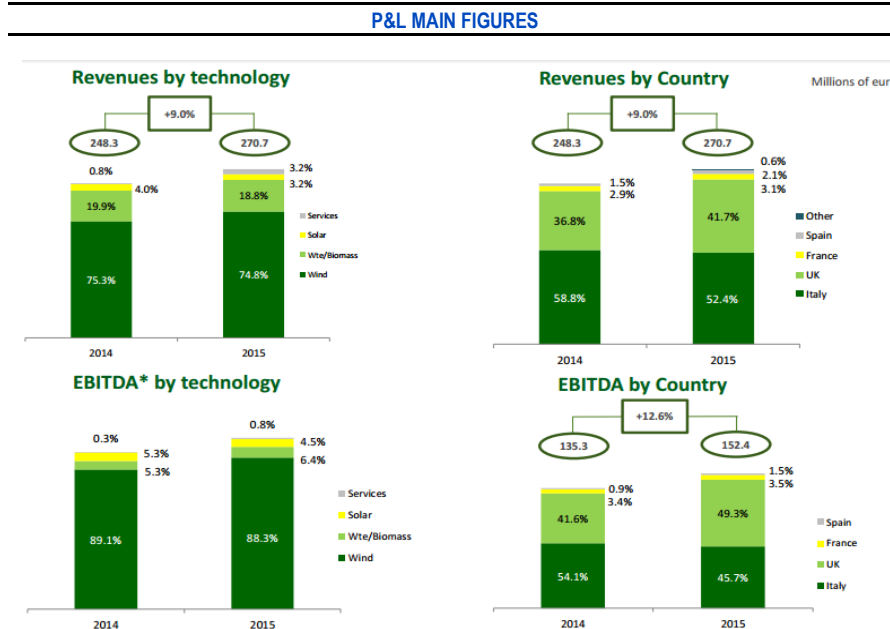
On the negative side:

- **The reduction of the incentive price** in UK the cancelation of the LECS component
- **The lower power prices in general across Europe** (mainly Italy and Uk)
- **The reintroduction of the unbalancing costs which may weight for some 2€/MWh in Italy.**

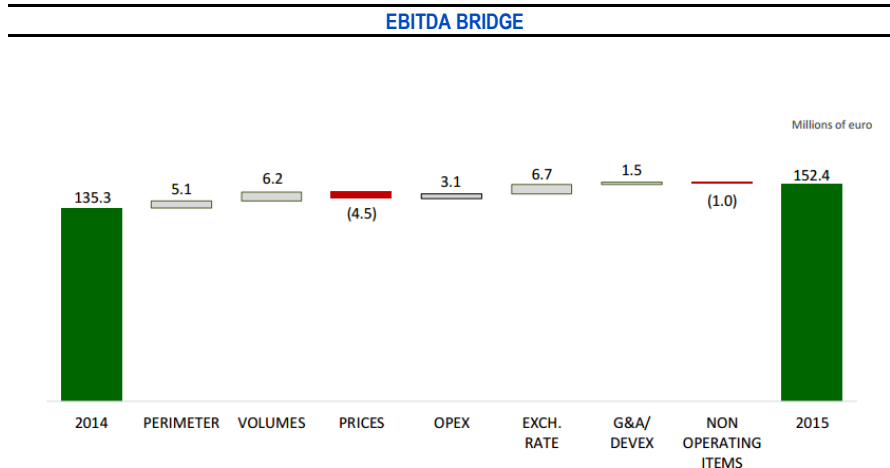
In the following table the main factors affecting results during 2015



Source: Company presentation



Source: Company presentation



Source: Company presentation

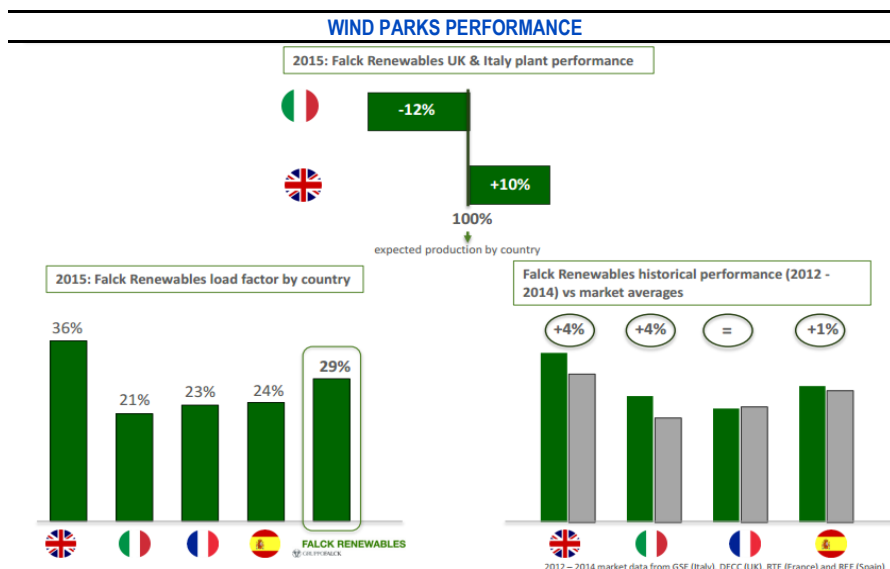
UK ASSETS PROVING TO BE CONSISTENT ON HIGH LOAD FACTORS

As anticipated above, the very good performance of the UK assets contributed to the results. **The UK wind parks are proving to be consistent on very high load factors as showed in the following table. The average load factor of the UK parks is above 30% and above our expectations for the coming years.**

LOAD FACTORS							
UK WIND	2011	2012	2013	2014	2015	Historical	Assumed
Cefn Cores production - GWh	32%	29%	28%	28%	na	29%	27%
Boyndie production - GWh	30%	27%	29%	28%	na	28%	28%
Earlsburn production - GWh	34%	32%	34%	33%	na	33%	32%
Ben Aketil production - GWh	41%	32%	33%	28%	na	33%	32%
Millennium production - GWh	39%	30%	30%	26%	na	31%	30%
Kilbraur production - GWh	38%	29%	31%	30%	na	32%	30%
Nutberry production - GWh	-	-	33%	35%	na	34%	33%
Westbrown Castle - GWh	-	-	34%	28%	na	31%	27%
UK WIND	36%	30%	31%	29%	36%	32%	29%
ITALY WIND	2011	2012	2013	2014	2015	Historical	Assumed
SAN SOSTENE production - GWh	20%	24%	24%	23%	na	23%	22%
MINERVINO MURGE production - GWh	18%	21%	20%	20%	na	20%	19%
GEOPOWER production - GWh	nm	25%	28%	25%	na	26%	25%
PETRALIA production - GWh	-	nm	22%	20%	na	21%	20%
ITALY WIND	20%	24%	25%	23%	22%	23%	23%
FRANCE WIND	2011	2012	2013	2014	2015	Historical	Assumed
Esquennois production - GWh	23%	23%	23%	23%	na	23%	23%
Le Cretes production - GWh	20%	23%	21%	21%	na	21%	21%
Le Fouy production - MW	21%	23%	21%	21%	na	21%	21%
TY-RU production - GWh	-	nm	24%	24%	na	24%	24%
FRANCE WIND	21%	23%	22%	22%	23%	22%	22%
SPAIN WIND	2011	2012	2013	2014	2015	Historical	Assumed
Cabezo San Roque production - GWh	26%	26%	28%	24%	na	26%	26%
SPAIN WIND	26%	26%	28%	24%	24%	26%	26%

Source: EQUITA SIM estimates

The above considerations leaves some space for additional outperformance on our numbers in the coming years. Generally, the overall LOAD FACTOR of Falck Renewables is very high at 29% average for the entire fleet which is certainly above market average in both UK, Spain & Italy



Source: Company presentation

DEBT POSITION SIGNIFICANTLY IMPROVED. WE INCREASE DPS FORECASTS

With the strategy development now focused only on the residual wind parks construction, Falck is showing the potential of the group cash generation. Debt has in fact additionally reduced, with the overall indebtedness profile improving significantly and the overall Financial charges stabilizing at a lower level:

1. **Debt is reduced to 630 € mn (including derivative) with overall D/Ebitda down to 4.1x vs 4.7x registered in 2014. The group still have a 130 € mn cash position** (out of which 92mn trapped in the project finance vehicles) which we believe can be subject to additional debt restructuring measures
2. **Operating cash generation reaches a 88 € mn in front of a 60 € mn capex commitment** (which we believe will be also the capex profile for the coming years)
3. **DPS has been set to 4.5 €c in front of our 3.2 €c assumed.** The implied yield (4.5% is the highest in the renewables space and among the highest in the utilities space.

Considering the profile of the group, we are increasing our DPS expectations for the coming years from 3.2 €c to 4 € c.

CHANGE DPS					
	2014	2015	2016E	2017E	2018E
Dps old - €cents	6.20	3.20	3.20	3.20	3.20
change	-	41%	25%	25%	25%
DPS - €cents	6.20	4.50	4.00	4.00	4.00

Source: Company data and EQUITA SIM estimates

The implied yield is in the region of 4%, backed by an expected >10% fcf yield generation as showed in the following table

CASH EVOLUTION					
	2016E	2017E	2018E	2019E	2020E
Cash from operations	84.5	87.4	96.4	102.2	101.9
Capex	-61.8	-48.2	-11.7	0.0	0.0
financial investments	0.0	0.0	0.0	0.0	0.0
Cash from investments	-61.8	-48.2	-11.7	0.0	0.0
Dividends	-13.1	-11.7	-11.7	-11.7	-11.7
Other changes	0.0	0.0	0.0	0.0	0.0
Cash from equity financing	-13.1	-11.7	-11.7	-11.7	-11.7
Net financial position	-621.0	-593.4	-520.4	-429.9	-339.7
D/E	1.3	1.3	1.1	0.9	0.7
Debt/EBITDA	4.7 x	4.2 x	3.4 x	2.8 x	2.2 x
Interests cov	3.3	3.8	4.3	4.6	4.8
Div. Yield ord	4.1%	4.1%	4.1%	4.1%	4.1%
FCF yield	8.0%	13.8%	29.8%	36.0%	35.8%

Source: Company data and EQUITA SIM estimates

NEW STRATEGY COMING IN AUTUMN

The new CEO (Toni Volpe) attended the conference call (despite the very recent appointment). Although he obviously didn't provide for details of the new strategy, some indications have been provided:

1. **The new strategy plan will come in autumn 2016**
2. **Construction of the ongoing wind parks will go ahead**, with the 95 MW under construction in UK confirmed on their schedule
3. **Services will probably be expanded**. We believe the CEO is pleased by the expansion of FKR into the new SERVICES business through the acquisition of Vector Cuatro, and that, consequently, the related activities could be expanded at international level
4. **The WTE/BIOMASS business could be at risk**. After the write off registered in the past months we believe the strategy for the expansion in the sector in UK is currently on HOLD. No official indications by the new CEO but we had the impression the strategic line will be carefully analyzed

All the above will be of course analyzed by Fkr keeping into consideration the new market scenario, in particular for what regards the much lower electricity prices across Europe and the worse currency level in UK

ADDITIONAL ELEMENTS FROM THE CONFERENCE CALL

1. **The contribution of the assets at Equity** (Wind park in Spain and the Frullo wte plant in jv with Hera) **significantly improved**. The result moved from 0.6 €mn to 2.6 €mn. The CFO indicated that, in particular, the contribution of the FRULLO Wte plan is now "normalized", which we believe may lead to similar results of the P&I line also in the future
2. **A residual of 5 € mn tax benefit is still to be recovered in the coming years** (we believe in the next 2 years)
3. **The tax rate should effectively decrease by 3% in 2017** thanks to the change in the IRES for which the group already adjusted the deferred taxes during 2015

All the above favourably compares to our estimates

ADJUSTING ESTIMATES: EBITDA (-7%/-11%) NET INCOME (+20%)

In light of all the above considerations, we are applying relevant changes to our P&L/BS assumptions. More in details we are:

1. **reducing Ebitda by around -7%/-11% mainly because of**
 - a. the lower electricity prices in Europe (only partially compensated by higher expected productions)
 - b. The cancellation of the WTE/BIOMASS development in UK waiting for the new strategy plan presentation and the new guidelines
2. **Improving NET INCOME by around +20%/+27%** mainly because of:
 - a. The lower expected interest charges and the normalized equity contribution as explained above
 - b. The lower expected tax rate in UK and ITALY as well as the introduction of the residual 5€ mn tax benefit to be recognized going forward
3. **Increasing the DPS by 25% to 4 €c** in line with the new expected cash generation and debt reduction profile

In the following table a summary of the applied changes

		CHANGE IN ESTIMATES		
		2015	2016E	2017E
Sales - € mn		248	271	267
	Old Ebitda	142	143	158
	change	8%	-7%	-11%
Ebitda - € mn		152	132	141
	Reduction - %	8%	-7%	-11%
	Old Net income	5.0	5.8	9.2
	change	6%	27%	19%
Net Income - € mn		5.3	7.4	11.0
	Reduction - € mn	6%	27%	19%
	Old Nfp	-678	-728	-757
Nfp - € mn		-631	-621	-593
	D/ebitda	-4.1 x	-4.7 x	-4.2 x
	Dps old - €cents	3.20	3.20	3.20
	change	41%	25%	25%
DPS - €cents		4.50	4.00	4.00

BUY CONFIRMED WITH TARGET REDUCED TO 1.6€ (-11%)

We are confirming our positive recommendation (BUY) with a new target price of 1.6€/SH (-11%). The reduction of the target price mainly derives from the lower electricity prices scenario (we are now envisaging some 40€/MWh in Italy vs the old 45€/MWh) which affects the long term valuation of the Wind parks and from the elimination of the WTE business developmet in UK which we believe will be revisited by the new management in the next strategy revision expected Autumn 2016

Our target price offers an upside of +60% on current prices at 8.6x EV/EBITDA as measured on 2017

In the following table a summary of the reference valuation for Falck Renewables.

		SOTP				
	Capacity	OLD	NEW	chg	Reference	
Wind assets	776 MW	1,204	1,175	-2%	1.5 €mn/MW	
Waste / Biomass / Treatment Italy	34 MW	97	86	-11%	2.5 €mn/MW	
Waste Buz UK	0	97	0	-100%	nm	
Solar assets	16 MW	23	23	-2%	1.4 €mn/MW	
Services	-	12	19	61%	7x ev ebitda	
Holding costs	-	-107	-92	-14%	9x ev ebitda	
CORE BUSINESS VALUATION - € mn		1,326	1,211	-8.7%	8.6 x Ev/Ebitda	
Financial assets		14	23			
Net financial position end of 2015		-670	-631			
Minorities & Provisions		-140	-129			
EQUITY VALUE		530	474	-10.5%		
tgt Price		1.8	1.6	-10.5%		

Source: Company data and EQUITA SIM estimates

In the following table a summary of the main multiples references

MARKET RATIOS						
	2013	2014	2015E	2016E	2017E	2018E
P/E	18.8 x	84.8 x	53.9 x	38.5 x	25.9 x	19.1 x
P/E adj	12.4 x	56.5 x	16.4 x	33.1 x	23.4 x	17.6 x
PBV	0.8 x	0.6 x	0.6 x	0.6 x	0.6 x	0.6 x
P/CF	4.6 x	6.8 x	5.0 x	5.8 x	5.3 x	4.6 x

Source: Company data and EQUITA SIM estimates

EV FIGURES						
	2013	2014	2015E	2016E	2017E	2018E
EV/Sales rep	3.9 x	3.8 x	3.6 x	3.6 x	3.4 x	3.0 x
EV/EBITDA rep	6.8 x	7.1 x	6.3 x	7.3 x	6.7 x	5.7 x
EV/EBITDA adj (Incl JV)	6.8 x	7.1 x	6.3 x	7.3 x	6.7 x	5.7 x
EV/CE	0.9 x	0.8 x	0.8 x	0.8 x	0.8 x	0.8 x

Source: Company data and EQUITA SIM estimates

REMUNERATION						
	2013	2014	2015E	2016E	2017E	2018E
Div. Yield ord	3.3%	6.4%	4.6%	4.1%	4.1%	3.5%
FCF yield	32.3%	45.1%	9.0%	8.0%	13.8%	29.8%
ROE	4.1%	0.7%	1.1%	1.6%	2.4%	3.2%
ROCE	4.0%	3.7%	3.4%	3.3%	3.6%	4.3%

Source: Company data and EQUITA SIM estimates

INDEBTNESS						
	2013	2014	2015E	2016E	2017E	2018E
NFP	-757	-638	-631	-621	-593	-520
D/E	2.03	1.36	1.33	1.33	1.27	1.11
Debt/EBITDA	4.8 x	4.7 x	4.1 x	4.7 x	4.2 x	3.4 x
Interests cov	3.2 x	2.7 x	3.4 x	3.3 x	3.8 x	4.3 x

Source: Company data and EQUITA SIM estimates

We believe Falck renewables

- Fkr remains well-positioned in the industry with high quality assets and good diversification in the Services and Waste business.** We expect a +40% cagr of Net Income through 2018, driven by the new asset development (wind in UK) and the lower interests and taxes;
- Fkr is progressively deleveraging to the benefit of cash generation and dividend payment.** Current yield at (4.1%) is the highest in the renewables space as well as one of the highest in the utilities sector.
- May get benefit from the arrival of the new CEO and the expected new strategy presentation (Autumn this year).** The contribution of the new plants in UK during 2H16 may also act as a positive catalyst.

Delivery on the new strategy plan will be crucial during 2015-2016

SENSITIVITY

SENSITIVITY						
		risk free				
		1.6%	1.8%	2.0%	2.5%	3.0%
EV/EBITDA services	5 x	1.66	1.62	1.60	1.54	1.49
	6 x	1.67	1.63	1.61	1.55	1.50
	7 x	1.67	1.64	1.62	1.56	1.51
	8 x	1.68	1.65	1.63	1.57	1.52
	9 x	1.69	1.66	1.64	1.58	1.53

Source: EQUITA SIM estimates

STATEMENT OF RISK

The primary elements that could positively/negatively impact FALCK RENEWABLES stock include:

- Changes in the sector's regulatory framework;
- Changes in the main economic drivers for utility services and power generation (such as oil price, coal price, power generation price, etc)
- Significant increase in interest rates
- Volatility in natural resources (wind)

P&L	2013	2014	2015	2016E	2017E	2018E
REVENUES	276	248	271	267	279	298
Growth	0%	-10%	9%	-1%	4%	7%
Total opex	-119	-113	-118	-134	-137	-143
Growth	2%	-5%	5%	14%	2%	4%
Margin	-43%	-46%	-44%	-50%	-49%	-48%
EBITDA	157	135	152	132	141	155
Growth	-1%	-14%	13%	-13%	7%	10%
Margin	57%	54%	56%	50%	51%	52%
Depreciation& amortization	-64	-62	-66	-67	-70	-76
Provisions	-13	-3	-20	-2	-2	-2
Depreciation&provision	-77	-65	-86	-69	-72	-78
EBIT	79	71	66	63	69	78
Growth	-471%	-11%	-6%	-4%	10%	12%
Margin	29%	29%	24%	24%	25%	26%
Net financial profit/Expenses	-48	-50	-45	-40	-37	-36
Profits/exp from equity inv	na	na	na	na	na	na
Other financial profit/Exp	0	1	3	2	2	3
Total financial expenses	-48	-49	-43	-38	-35	-33
Non recurring pre tax	0	0	0	0	0	0
PBT	31	22	24	26	35	44
Growth	-145%	-30%	10%	9%	34%	28%
Taxes	-16	-13	-5	-11	-16	-21
Tax rate	-52%	-58%	-21%	-44%	-47%	-47%
Minority interests	0	-6	-13	-7	-7	-9
Non recurring post tax	0	0	0	0	0	0
NET INCOME	15.1	3.4	5.3	7.4	11.0	14.9
Growth	-119%	-78%	57%	40%	48%	36%
Margin	5%	1%	2%	3%	4%	5%
Adj. NET INCOME	22.9	3.4	12.1	7.4	11.0	14.9
Growth	-388%	-85%	262%	-39%	48%	36%
Margin	8%	1%	4%	3%	4%	5%

CF Statement	2013	2014	2015	2016E	2017E	2018E
Cash Flow from Operations	na	59	86	84	90	101
(Increase) decrease in OWC	na	-11	1	1	-3	-5
(Purchase of fixed assets)	na	-47	-80	-62	-48	-12
(Other net investments)	na	0	0	0	0	0
(Distribution of dividends)	-6	-9	-18	-13	-12	-12
Rights issue	na	0	0	0	0	0
Other	na	127	19	0	0	0
(Increase) Decrease in Net Debt	86	119	8	10	28	73

Source: EQUITA SIM estimates and company data

INFORMATION PURSUANT TO ARTICLE 69 ET SEQ. OF CONSOB (Italian securities & exchange commission) REGULATION no. 11971/1999

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In the past EQUITA SIM has published studies on Falck Renewables

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BUY	ETR >= 10%	ETR >= 15%	ETR >= 20%
HOLD	-5% <ETR< 10%	-5% <ETR< 15%	0% <ETR< 20%
REDUCE	ETR <= -5%	ETR <= -5%	ETR <= 0%

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Date	Rec.	Target Price (€)	Risk	Comment
5 August 2015	BUY (BUY)	1.8 (1.5)	High	Change in estimates

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	COMPANIES COVERED	COMPANIES COVERED WITH BANKING RELATIONSHIP
BUY	33.5%	56.6%
HOLD	63.8%	41.5%
REDUCE	2.7%	1.9%
NOT RATED	0.0%	0.0%

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