

FALCK RENEWABLES OUTPERFORM

Price (Eu): **0.81**
Target Price (Eu): **1.50**

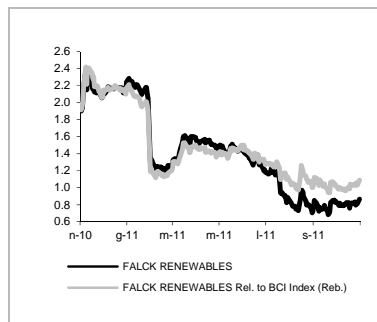
SECTOR: Utilities

Fabrizio Barini +39-02-77115.319
e-mail: fbarini@intermonte.it

Business Plan Targets Confirmed

- Robust growth.** Falck Renewables reported turnover of Eu168.6mn for the first nine months of 2011, up 27% YoY. This reflects 66MW of newly installed power capacity (+14% YoY), as well as an increase in power production to 217GWh (+28% YoY). EBITDA came in at Eu93.5mn (+32% YoY), while pre-tax profit was Eu33.5mn, +192% YoY. Performances were also positive on a quarterly basis: +18% for turnover, +33% for EBITDA, +137% for pre-tax profit. The net financial position at the end of September was Eu743mn, or Eu687mmn net of fair value adjustments on derivatives, rising from the Eu656mn as at the end of June, due to investments made in the period.
- Estimates fine-tuned.** Falck's 3Q numbers were above our estimates, with a higher top line driven by favourable wind production conditions. The benefits of this production carried through to pre-tax profit. The net debt position was also in line with our estimate excluding the fair value adjustments on derivatives. During the conference call, management confirmed 2011 business plan targets for 684MW of installed power capacity and EBITDA of Eu130mn. However, no quantitative P&L guidance has been provided yet for 2012, as the company is waiting to see how the incentive situation develops in Italy and in the UK. Management nonetheless confirmed that it expects it will have 750MW of installed capacity by the end of next year. As a reminder, Falck recently announced that it began works on another 18MW plant and has been authorized to install a further 15MW in England. Based on these indications, we are updating our estimates for FY11 and subsequent years. The net effect of our changes is a 6% reduction in 2011 EPS and a 5% EPS reduction for 2013.
- Speculative appeal intact.** During the conference call, management asserted that it is still examining the possibility of selling minority stakes in its UK wind farm project companies and/or in its Italian solar parks. This option is linked to a potential need to raise funds in order to support investments at better conditions than those currently offered in lending markets. According to press speculation, declarations of interest have already been made by northern European investment funds. The potential value (neither confirmed nor denied by the confirmed) of such a deal is thought to be between Eu230mn and Eu600mn for a stake of between 20% and 49%, calculated by estimating a price of Eu2.3-2.4mn per megawatt of power capacity.
- OUTPERFORM and target price move to Eu1.50.** Quarterly results have reinforced our positive view on the stock. Our fine-tuned estimates do not influence our SOP-based fair value, which assesses the value of Falck's various renewable assets (WTE, wind and solar) separately, but due to financial market conditions we update the free risk rate from 5% to 5.50% and the risk premium from 5% to 5.5% that lead the target to Eu1.50. We remain positive believe that good newsflow in the form of results and delivery on business plan goals, along with speculative appeal on the potential partial sale of UK wind assets, should provide support to the stock despite some investors' current aversion to the renewable energy sector in connection with fears incentive cuts.

FALCK RENEWABLES - 12m Performance



RATING: Unchanged

TARGET PRICE (Eu): from 1.90 to 1.50

Change in EPS est:	2011E	2012E
	-5.8%	-4.9%

STOCK DATA

Reuters code: AA4.MI
Bloomberg code: FKR IM

Performance	1m	3m	12m
Absolute	-3.0%	-1.6%	-62.4%
Relative	-1.8%	-6.7%	-41.3%
12 months H/L:	2.39/0.69		

SHAREHOLDER DATA

No. of Ord. shares (mn):	291
Total No. of shares (mn):	291
Mkt Cap Ord (Eu mn):	237
Total Mkt Cap (Eu mn):	237
Mkt Float - ord (Eu mn):	57
Mkt Float (in %):	24.0%
Main shareholder:	
Falck Spa	60.0%

BALANCE SHEET DATA

	2011
Book value (Eu mn):	485
BVPS (Eu):	1.63
P/BV:	0.5
Net Financial Position (Eu mn):	-776
Enterprise value (Eu mn):	1,013

Key Figures	2009A	2010E	2011E	2012E	2013E
Sales (Eu mn)	185	184	249	278	314
Ebitda (Eu mn)	96	95	130	151	168
Net profit (Eu mn)	17	0	18	22	22
EPS - New (Eu)	0.248	0.003	0.063	0.092	0.093
EPS - Old (Eu)	0.248	0.003	0.067	0.097	0.094
DPS (Eu)	0.090	0.000	0.000	0.000	0.000

Ratios & Multiples	2009A	2010E	2011E	2012E	2013E
P/E	3.3	nm	12.8	8.8	8.7
Div. Yield	11.1%	0.0%	0.0%	0.0%	0.0%
EV/Ebitda	8.3	10.1	7.8	7.0	7.4
ROCE	9.7%	5.0%	6.7%	6.8%	6.6%

The reproduction of the information, recommendations and research produced by Intermonte SIM contained herein, and of any of its parts, is strictly prohibited. None of the contents of this document may be shared with third parties without Company authorization.

Falck Renewables - 3Q11 Results

(Eu mn)	3Q10	2Q11	3Q11	3Q11E	Chg YoY	Chg QoQ	9M11	9M11E	4Q11E	2010	2011E	Chg YoY
Macro Scenario												
Oil Price - Brent (US\$/bl)	77.3	116.7	110.0	110.0	42%	-6%	110.6	110.0	107.0	79.5	109.7	38%
Forex (Eu/GB£)	0.83	0.88	0.88	0.88	5%	-1%	0.87	0.88	0.87	0.86	0.87	1%
Operating Data												
Installed Capacity	0	526	526	546	4%	0%	666	526	679	498	679	36%
Ele. Prod. (GWh)	0.0	0.0	488.0	495.7	nm		1,172.0	495.7	488.0	1,106.7	1,660.1	50%
Financial Results (Eu mn)												
Revenues	46.0	55.9	54.5	51.0	18%	-2%	168.6	51.0	80.9	184.1	249.5	36%
Operating Costs	-41.0	-26.1	-26.2	-24.5	-36%	0%	-75.1	-24.5	-44.0	-18.4	-31.4	71%
EBITDA	21.3	29.7	28.3	26.5	33%	-5%	93.5	26.5	36.9	95.5	130.4	37%
Margin (%)	46.3%	53.2%	52.0%	52.0%			55.5%	52.0%	45.6%	51.9%	52.3%	
Depr., prov., write-downs	-9.8	-11.7	-12.3	-11.1	25%	5%	-35.2	-11.1	17.7	-45.9	-52.9	15%
EBIT	11.5	18.0	16.0	15.4	40%	-11%	58.3	15.4	19.2	49.6	77.4	56%
Margin (%)	24.9%	32.3%	29.4%	30.2%			34.6%	30.2%	23.7%	26.9%	31.0%	
Net Financial Charges	-7.8	-8.9	-8.0	-8.0	3%	-10%	-25.9	-8.0	-14.0	-35.6	-39.9	12%
Other Charges/Income	-0.2	0.2	0.2	0.2	-207%	5%	0.8	0.2	0.0	0.6	0.0	
Net Operating Margin	3.5	9.8	8.2	7.6	137%	-16%	33.5	7.6	4.1	14.6	37.5	157%
Taxes	2.3	0.0	na	mn	nm		14.1	3.2	0.0	-12.1	-16.5	37%
Tax Rate (%)	-66.2%	0.0%	na	-42.3%			-42.0%	-42.3%	0.0%	82.7%	44.0%	
Net Income	5.8	0.0	na	4.4	nm		19.4	4.4	1.6	2.5	21.0	729%
Results from discontinued op.	0.0	0.0	na	0.0				0.0				
Minorities	0.0	0.0	na	0.7			1.9	0.7	0.0	2.1	2.5	22%
Group Net Income	5.9	0.0	na	3.7	nm		17.5	3.7	1.0	0.5	18.5	
Adj. Net Income	5.9	0.0	na	3.7	nm		17.5	3.7	1.0	0.5	18.5	
Capex	0.0	58.2	98.7	105.3	nm	70%	184.7	105.3	98.7	266.0	283.3	7%
Equity	0.0	471.0	471.0	471.0	nm	0%	471.0	471.0	471.0	335.0	471.0	41%
Net Debt	0.0	656.0	743.0	696.0	nm	13%	742.9	696.0	776.0	728.0	776.0	7%
CE	0.0	1,127.0	1,167.0	1,167.0	nm	4%	1,213.9	1,167.0	1,247.0	1,063.0	1,247.0	17%
ROCE		4.0%	3.4%	3.3%			12.1%	3.3%	3.9%	11.7%	4.2%	
D/E Ratio		1.39	1.48	1.48			1.58	1.48	1.65	2.17	1.65	

Valuation Summary

	total value	per share
WTE&Biomass EV	185	0.63
Wind&Solar EV	1179	4.04
Waste Management EV	38	0.13
EV	1401	4.81
NFP - end 2011 (exp.)	-776	-2.66
Holding Costs	-67	-0.23
Provisions	-3	-0.01
Minorities	-9	-0.03
Equity Fair Value	545	1.9
Discount	20%	-0.4
Intermonte Equity Value	436	1.50
Total Shares (mn)	291	

FALCK RENEWABLES - KEY FIGURES

		2009A	2010E	2011E	2012E	2013E
	Fiscal year end	31/12/2009	31/12/2010	31/12/2011	31/12/2012	31/12/2013
PROFIT & LOSS (Eu mn)	Sales	185	184	249	278	314
	EBITDA	96	95	130	151	168
	EBIT	56	50	77	87	95
	Financial income (charges)	(25)	(36)	(40)	(48)	(54)
	Associates & Others					
	Pre-tax profit (Loss)	29	15	38	40	40
	Taxes	(8)	(12)	(17)	(15)	(15)
	Tax rate (%)	26.0%	82.7%	44.0%	37.0%	37.0%
	Minorities & discontinue activities	(5)	(2)	(3)	(3)	(3)
	Net profit	17	0	18	22	22
	Total extraordinary items	(2)	1	0	0	0
	Ebitda excl. extraordinary items	96	95	130	151	168
	Ebit excl. extraordinary items	56	50	77	87	95
Net profit restated	17	0	18	27	27	
PER SHARE DATA (Eu)	Total shares out (mn) - average fd	68	162	291	291	291
	EPS stated fd	0.150	0.003	0.063	0.076	0.076
	EPS restated fd	0.248	0.003	0.063	0.092	0.093
	BVPS fd	4.885	2.025	1.634	1.710	1.786
	Dividend per share (ord)	0.090	0.000	0.000	0.000	0.000
	Dividend per share (sav)	0.000	0.000	0.000	0.000	0.000
	Dividend pay out ratio (%)	69.0%	0.0%	0.0%	0.0%	0.0%
CASH FLOW (Eu mn)	Gross cash flow	61	47	74	88	99
	Change in NWC	(7)	18	2	(2)	3
	Capital expenditure	(168)	(177)	(283)	(122)	(294)
	Other cash items	0	1	0	0	0
	Free cash flow (FCF)	(114)	(112)	(208)	(36)	(193)
	Acquisitions, divestments & others	(3)	(24)	32	0	0
	Dividend	(7)	(12)	0	0	0
	Equity financing/Buy-back	0	94	130	0	0
Change in Net Financial Position	(154)	(167)	(46)	(36)	(193)	
BALANCE SHEET (Eu mn)	Total fixed assets	946	1,124	1,323	1,382	1,602
	Net working capital	(51)	(30)	(32)	(30)	(33)
	Long term liabilities	10	(29)	(29)	(29)	(29)
	Net capital employed	906	1,065	1,261	1,322	1,540
	Net financial position	(563)	(730)	(776)	(812)	(1,005)
	Group equity	331	328	476	498	521
	Minorities	11	7	9	12	15
Net equity	342	334	485	510	536	
ENTERPRISE VALUE (Eu mn)	Average mkt cap - current	237	237	237	237	237
	Adjustments (associate & minorities)	0	0	0	0	0
	Net financial position	(563)	(730)	(776)	(812)	(1,005)
	Enterprise value	800	967	1,013	1,049	1,241
RATIOS(%)	EBITDA margin*	51.8%	51.9%	52.3%	54.3%	53.5%
	EBIT margin*	30.4%	26.9%	31.0%	31.5%	30.1%
	Gearing - Debt/equity	170.4%	nm	162.9%	162.9%	193.0%
	Interest cover on EBIT	2.2	1.4	1.9	1.8	1.7
	Debt/Ebitda	5.88	7.65	5.95	5.38	5.98
	ROCE*	9.7%	5.0%	6.7%	6.8%	6.6%
	ROE*	4.8%	0.1%	4.5%	4.4%	4.3%
	EV/CE	1.4	1.0	0.9	0.8	0.9
	EV/Sales	4.3	5.3	4.1	3.8	4.0
	EV/Ebit	14.2	19.5	13.1	12.0	13.1
Free Cash Flow Yield	-48.1%	-47.2%	-87.7%	-15.2%	-81.4%	
GROWTH RATES (%)	Sales	89.7%	-0.6%	35.5%	11.3%	13.2%
	EBITDA*	102.4%	-0.4%	36.6%	15.7%	11.4%
	EBIT*	70.0%	-11.9%	56.3%	12.8%	8.4%
	Net profit	-8.0%	-97.3%	3903.9%	19.2%	1.1%
	EPS restated	-8.0%	-98.9%	2124.2%	45.1%	0.9%

* Excluding extraordinary items

Source: Intermonte SIM estimates

DISCLAIMER (for more details go to <http://intermonte.it/disclosures.asp>)

IMPORTANT DISCLOSURES

IMPORTANT DISCLOSURES

The reproduction of the information, recommendations and research produced by Intermonte SIM contained herein and of any its parts is strictly prohibited. None of the contents of this document may be shared with third parties without authorisation from Intermonte.
 This report is directed exclusively at market professional and other institutional investors (Institutions) and is not for distribution to person other than "Institution" ("Non-Institution"), who should not rely on this material. Moreover, any investment or service to which this report may relate will not be made available to Non-Institution.
 The information and data in this report have been obtained from sources which we believe to be reliable, although the accuracy of these cannot be guaranteed by the Intermonte. In the event that there be any doubt as to their reliability, this will be clearly indicated. The main purpose of the report is to offer up-to-date and accurate information in accordance with regulations in force covering "recommendations" and is not intended nor should it be construed as a solicitation to buy or sell securities.
 This disclaimer is constantly updated on Intermonte's website www.intermonte.it under DISCLOSURES. Valuations and recommendations can be found in the text of the most recent research and/or reports on the companies in question.

ANALYST CERTIFICATION

For each company mentioned in this report the respective research analyst hereby certifies that all of the views expressed in this research report accurately reflect the analyst's personal views about any or all of the subject issuer (s) or securities. The analyst (s) also certify that no part of their compensation was, is or will be directly or indirectly related to the specific recommendation or view in this report.
 The analyst (s) responsible for preparing this research report receive(s) compensation that is based upon various factors, including Intermonte's total profits, a portion of which is generated by Intermonte's corporate finance activities, although this is minimal in comparison to that generated by brokerage activities.
 Intermonte's internal procedures and codes of conduct are aimed to ensure the impartiality of its financial analysts. The exchange of information between the Corporate Finance sector and the Research Department is prohibited, as is the exchange of information between the latter and the proprietary equity desk in order to prevent conflicts of interest when recommendations are made.

GUIDE TO FUNDAMENTAL RESEARCH

Reports on all companies listed on the S&P/MIIB40 Index, most of those on the MIDEX Index and the main small caps (regular coverage) are published at least once per quarter to comment on results and important newsflow.
 A draft copy of each report may be sent to the subject company for its information (without target price and/or recommendations), but unless expressly stated in the text of the report, no changes are made before it is published.
 Explanation of our ratings system:
 BUY: stock expected to outperform the market by over 25% over a 12 month period;
 OUTPERFORM: stock expected to outperform the market by between 10% and 25% over a 12 month period;
 NEUTRAL: stock performance expected at between +10% and -10% compared to the market over a 12 month period ;
 UNDERPERFORM: stock expected to underperform the market by between -10% and -25% over a 12 month period;
 SELL: stock expected to underperform the market by over 25% over a 12 month period.
 The stock price indicated is the reference price on the day prior to the publication of the report.

CURRENT INVESTMENT RESEARCH RATING DISTRIBUTIONS

Intermonte SIM is authorised by CONSOB to provide investment services and is listed at n° 246 in the register of brokerage firms. As at September 30th 2011 Intermonte's Research Department covered 128 companies.

Intermonte's distribution of stock ratings is as follows:

BUY: 21.09%
 OUTPERFORM: 31.25%
 NEUTRAL: 35.94%
 UNDERPERFORM: 11.72%
 SELL: 0.00%

The distribution of stock ratings for companies which have received corporate finance services from Intermonte in the last 12 months (32 in total) is as follows:

BUY: 21.88%
 OUTPERFORM: 46.88%
 NEUTRAL: 31.24%
 UNDERPERFORM: 0.00%
 SELL: 0.00%

CONFLICT OF INTEREST

In order to disclose its possible conflicts of interest Intermonte SIM states that:

- o within the last year, Intermonte SIM managed or co-managed/its managing or is co-managing (see companies indicated in bold type) an Institutional Offering and/or , managed or co-managed/its managing or is co-managing (see companies indicated in bold type) an offering with firm commitment underwriting of the securities of the following Companies: **Intesa Sanpaolo**, Enel Green Power, **TermGreen**, TBS Group, **UBI**.
- o Intermonte SIM is Specialist and/or Corporate Broker and/or Broker in charge of the share buy back activity of the following Companies: **Biancamano**, B&C Speakers, Buongiorno, Carraro, Cattolica Assicurazioni, Cementir, Cogeme, Datalogic, DeA Capital, Digital Bros, Dmail, EL En, EEMS, Eurotech, Fiera Milano, Fintel Energia Group, First Capital, Gefran, IGD, IW Bank, Kinexia, Meridie, M&C Management e Capitali, Pierrel, QF Alpha Immobiliare, QF Beta Immobiliare, Reno de Medici, Reply, Saes Getters, Servizi Italia, TESMEC, TBS Group, TerniGreen, Ternienergia, Vittoria Assicurazioni, VR Way.
- o Intermonte SIM SpA and its subsidiaries do not hold a stake of equal to or over 1% in any class of common equity securities of the subject company.
- o Intermonte SIM SpA acts as Financial Advisor to the following companies: Cattolica Assicurazioni.

DETAILS ON STOCKS RECOMMENDATION

Stock NAME	FALCK RENEWABLES		
Current Recomm:	OUTPERFORM	Previous Recomm:	OUTPERFORM
Current Target (Eu):	1.50	Previous Target (Eu):	1.90
Current Price (Eu):	0.81	Previous Price (Eu):	0.81
Date of report:	15/11/2011	Date of last report:	20/10/11

© Copyright 2010 by Intermonte SIM - All rights reserved

It is a violation of national and international copyright laws to reproduce all or part of this publication by email, xerography, facsimile or any other means. The Copyright laws impose heavy liability for such infringement. The Reports of Intermonte SIM are provided to its clients only. If you are not a client of Intermonte SIM and receive emailed, faxed or copied versions of the reports from a source other than Intermonte SIM you are violating the Copyright Laws. This document is not for attribution in any publication, and you should not disseminate, distribute or copy this e-mail without the explicit written consent of Intermonte SIM.

INTERMONTE will take legal action against anybody transmitting/publishing its Research products without its express authorization.
 INTERMONTE Sim strongly believes its research product on Italian equities is a value added product and deserves to be adequately paid .
 Intermonte Sim sales representatives can be contacted to discuss terms and conditions to be supplied the INTERMONTE research product.

INTERMONTE SIM is MIFID compliant - for our Best Execution Policy please check our Website www.intermonte.it/mifid
 Further information is available