

# Falck Renewables

Italy | Utilities

**Buy** (Buy)

Target price  
EUR 1.10

Current price  
EUR 0.89



## Cautious but credible business plan

We keep our positive stance on Falck Renewables (FKR) after the release of its 2013-17 (cautious) business plan and Q1 (in line) and FY 2012 results (hit by huge impairments on the Sicilian projects). We appreciate the cautiousness shown in this difficult macro environment and we cut our TP from EUR1.2 to EUR1.1, already implying 24% upside including a cautious 9.5% WACC.

### A cautious plan

The new business plan is much more cautious than the previous one and more in line with our long-term estimates. The target is to reach 865MW of installed capacity in 2017 (vs. the previous target of 950MW in 2014), EBITDA of EUR225m (vs. the previous target of EUR190m for 2014 and our former estimate of EUR200m in 2017) and net debt of EUR640-660m including EUR420m of cumulated capex and the sale of a minority stake of the UK wind business to a financial partner (KECH: EUR584m not including any sale).

### Q1 results in line but guidance lowered

Q1 EBITDA came in at EUR52m, in line YOY despite more installed capacity (716MW at end-March 2013 vs. 684MW at end-March 2012), due to lower incentives for waste-to-energy plants. Net debt as of end-March stood at EUR742m, excluding the fair value of derivatives, versus our EUR765m estimate, thanks to better working capital management. The EBITDA target for 2013 is EUR145m, at the same current scope, versus our previous EUR162m estimate.

### Estimates cut

We cut our 2013-17 EBITDA estimate by 10% on average: we now see EUR147m in 2013 and EUR176m in 2017, including the unbalancing costs, higher biomass costs and lower electricity prices. In 2017, the difference versus the business plan stem from the new business unit to be created in services (EUR25m), growth in waste (EUR20m) and the higher prices foreseen by the company (EUR5m).

### TP down from EUR1.2 to EUR1.1

Following our estimate cut, we also trim our TP from EUR1.2 to EUR1.1. Our target implies a fair EV/EBITDA 2013E of 7.4x and a fair EV/MW of 1.4x. We still include a cautious 9.5% WACC in our assumptions, given the volatility of the company.

### Claudia Introvigne

cintrovigne@keplercheuvreux.com  
+39 02 8550 7220

Reuters AA4.MI  
Bloomberg FKR IM  
Index DJ Stoxx 600

#### Market data

Market cap (EURm)	258
Free float	29%
No. of shares outstanding (m)	291
Avg. daily trading volume('000)	890
YTD abs performance	-8.9%
52-week high (EUR)	1.14
52-week low (EUR)	0.79



FY to 31/12 (EUR)	2013E	2014E	2015E
Sales (m)	277.4	279.3	285.4
EBITDA adj (m)	146.5	149.4	167.0
EBIT adj (m)	77.0	78.3	95.7
Net profit adj (m)	15.1	16.2	27.4
Net fin. debt (m)	844.8	817.7	749.6
FCF (m)	-0.7	32.7	73.9
EPS adj. and fully dil.	0.05	0.06	0.09
Consensus EPS	0.09	0.10	na
Net dividend	0.02	0.02	0.03

FY to 31/12 (EUR)	2013E	2014E	2015E
P/E (x) adj and ful. dil.	17.2	16.0	9.4
EV/EBITDA (x)	7.6	7.2	6.0
EV/EBIT (x)	14.4	13.8	10.5
FCF yield (%)	-0.3%	12.6%	28.6%
Dividend yield (%)	1.7%	1.9%	3.2%
Net debt/EBITDA (x)	5.8	5.5	4.5
Gearing (%)	235.5%	220.7%	190.8%
ROIC (%)	3.8%	3.8%	4.8%
EV/IC (x)	1.0	1.0	0.9

# Summary

## Company profile

Falck renewables, created in November 2010, is a utilities company focused on the wind business in the UK, Italy, Spain and France, and in waste-to-energy in Italy.

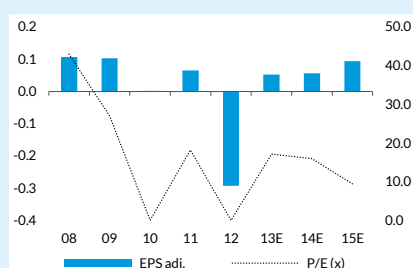
### Management structure

Federico Falck	Chairman
Piero Manzoni	CEO
Paolo Rundeddu	CFO

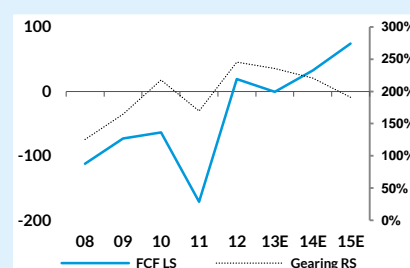
### Key shareholders

Falck SpA	60.0%
William Heller	8.0%
Achille Colombo	2.9%

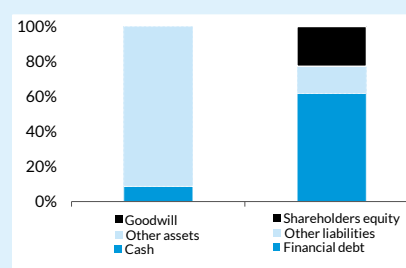
### EPS and PE



### FCF and gearing



### Balance sheet structure, 2013E



## Valuation

### Base case

WACC=9.5%

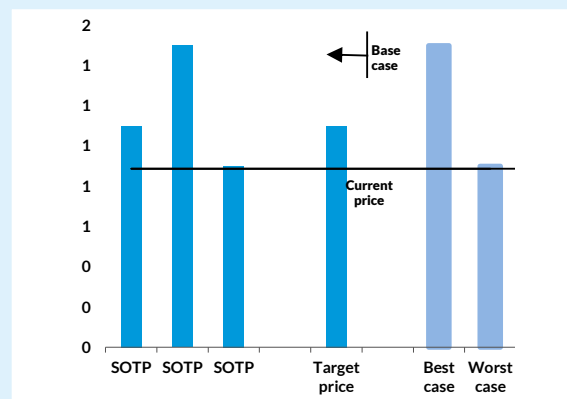
### Best case

WACC=8.5%

### Worst case

WACC=10.5%

### Target price



## Risk to our rating

Poor wind conditions, difficultly financing new projects.

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## Cautious but credible business plan

We keep our positive stance on Falck Renewables (FKR) after the release of its 2013-17 (cautious) business plan and Q1 (in line) and FY 2012 results (hit by huge impairments on the Sicilian projects). We appreciate the cautiousness shown in this difficult macro environment and we cut our TP from EUR1.2 to EUR1.1, already implying 24% upside including a cautious 9.5% WACC.

### Business plan 2013-17

Whereas the business plan presented last year focused more on growth, the company is now adopting a more cautious approach.

The main drivers behind this have been: 1) falling demand; 2) grid management issues; 3) less willingness from banks to finance industrial investments.

The new strategy aims to: 1) decrease the focus on wind and solar technologies; 2) focus on technologies where profitability is less dependent on incentives (more waste and less wind); 3) gain greater control over plant performances (by creating a new business unit focused on services); 4) gradually decrease debt leverage (the sale of around a 49% stake in the UK wind business to a partner could be closed by year-end).

The financial targets are as follows:

- Wind: 770MW of total installed capacity in 2017, versus the 800MW targeted in the previous plan: we are already in line with this assumption, since we had only included the projects already authorised in our estimates and valuation. The total installed capacity at end-March was 656MW and the remaining 114MW is all authorised. The EBITDA target at end-2017 is EUR170m. An additional target here is to sell a 49% stake in the UK wind plants (273MW) to a partner by year-end (Rothschild is the advisor), in order to reduce debt and achieve further growth: we have not included this potential opportunity in our estimates or valuation.
- Waste/biomass: 81MW of total installed capacity in 2017, versus the current 45MW, with EBITDA of EUR40m, versus the current EUR18m. We have not included any growth in waste/biomass, and keep our cautious approach, since no specific projects have been presented. The focus of growth in this case could be the UK.
- Service sector: EUR25m of EBITDA in 2017. The creation of this new business unit was approved at yesterday's board meeting. It is a new area which we have not included in our estimates or valuation. We will wait for the implementation of this new strategy before factoring it into our numbers. New services could include: sale of exceeding projects to third parties (1,500MW in pipeline), services in dispatching and unbalancing and O&M internalisation.
- Consolidated EBITDA could therefore reach EUR225m in 2017, from EUR158m in 2012, versus our previous estimate of EUR200m and our current EUR176m.
- After a 30% average payout ratio, EUR420m of capex and the sale of a minority stake in the UK wind business, net debt could reach EUR640-660m: working capital management is in line with our estimate, even if our capex assumptions are only related to the new UK wind plants already authorised.

**From growth to consolidation and some technological diversification**

**Table 1: FKR: business plan and our estimates**

	<b>Business plan</b>	<b>KECH estimate</b>
EBITDA 2017	225	176
<i>wind</i>	170	161
<i>waste/biomass</i>	40	19
<i>services</i>	25	0
<i>other</i>	-10	-4
Cumulated capex	420	140
Net debt 2017	640-660	582
Payout ratio	30%	30%

Source: Company data, Kepler Cheuvreux

## Guidance for 2013 below our estimates

In terms of 2013 EBITDA, guidance is as follows:

- **EBITDA could decline to EUR145m, from EUR158m in 2012, due to lower prices (CIP6 prices are going down due to the avoided cost of fuel component), higher biomass costs, unbalancing costs in the wind sector in Italy.**
- **Given the cost of setting up the new business unit, the transaction costs from the sale of a minority stake in the UK wind business and the Sicilian legal costs (nearly EUR1m per year in our view), EBITDA could even drop to EUR136m.**

In our previous estimates we had EBITDA of EUR162m, not including the unbalancing costs (which could amount to EUR4m a year), the higher biomass costs (which could amount to EUR3m a year) and lower prices.

## Estimate cut

Following the business plan presentation we cut our estimates.

For 2013, we have included a more cautious scenario in our estimates, resulting in a cut to EBITDA from EUR162m to EUR147m, not including any extraordinary costs.

We have also included the unbalancing costs, the higher biomass costs and lower prices from 2014E onwards.

We project EBITDA of EUR176m in 2017: the difference versus the business plan stems from: the new business unit (EUR25m), the growth in waste (EUR20m) and the higher prices foreseen by the company (EUR5m).

In terms of cumulated capex: we have included EUR140m, which is the cumulated capex needed to build the remaining wind farms.

In terms of working capital management, we were already in line with the company's indications.

**Table 2: FKR: estimate revision**

EURm	2013E old	2013E new	2014E old	2014E new	2015E old	2015E new
Sales	280	277	288	279	300	285
EBITDA	162	147	173	149	194	167
EBIT	99	77	107	78	116	96
Net profit	27	15	31	16	41	27
EPS (EUR)	0.09	0.05	0.11	0.06	0.14	0.09
DPS (EUR)	0.020	0.016	0.023	0.017	0.031	0.028
Net debt	883	845	877	818	802	750

Source: Kepler Cheuvreux

**Table 3: FKR: main data**

EURm	2011E	2012E	2013E	2014E	2015E	2016E	2017E	CAGR 2012-17E
Sales	249	275	277	279	285	285	285	0.8%
EBITDA	142	158	147	149	167	173	176	2.2%
Margin	57.0%	57.5%	52.8%	53.5%	58.5%	60.7%	61.7%	
EBIT	79	(21)	77	78	96	102	104	nm
Margin	31.9%	-7.8%	27.8%	28.0%	33.5%	35.7%	36.6%	
Net profit	19	(85)	15	16	27	33	37	nm
Net debt	826	843	845	818	750	669	582	-7.1%

Source: Kepler Cheuvreux

## TP trimmed from EUR1.2 to EUR1.1

Following our estimate cut, we also lower our TP from EUR1.2 to EUR1.1.

Our TP implies a fair EV/EBITDA 2013E of 7.4x and a fair EV/MW of 1.4x.

We still include a cautious 9.5% WACC in our assumptions, given the volatility of the company.

**Table 4: FKR: SOP**

EURm	Method	Value
Wind		937
	Italy	DCF (WACC 9.5%)
	Scotland	DCF (WACC 9.5%)
	England	6x EV/EBITDA13E
	France and Spain	6x EV/EBITDA13E
Waste	DCF (WACC 10%)	124
Solar	4x EV/MW	64
Biomass	2.5x EV/MW	35
Holding costs	6x EV/EBITDA normalised	-75
<b>Enterprise Value</b>		<b>1,085</b>
Net Debt (2012 excluding derivatives)		757
Minorities	book value	-
Investments	book value	1
<b>Equity Value</b>		<b>330</b>
Number of shares		291
<b>Target price</b>		<b>1.1</b>

Source: Kepler Cheuvreux

## Q1 2013 results in line with our estimates

Q1 EBITDA came in at EUR52m, in line YOY despite more installed capacity (716MW at end-March 2013 vs. 684MW at end-March 2012), due to lower incentives for waste-to-energy plants.

Net debt as of end-March stood at EUR742m, excluding the fair value of derivatives, versus our EUR765m estimate, thanks to better working capital management.

**Table 5: FKR: quarterly results**

EURm	Q1 12	Q2 12	Q3 12	Q4 12	Q1 13	YOY	QOQ	Q1 13E	Act/Est
Revenues	78	64	57	75	83	5.9%	10.2%	81	2.3%
EBITDA	51	34	30	43	52	1.2%	21.8%	52	0.2%
Margin	65.6%	54.0%	51.6%	56.7%	62.7%			64.0%	
EBIT	37	4	12	-74	36	-2.1%	-148.4%	37	-2.4%
Margin	46.9%	6.0%	21.6%	39.8%	43.4%			45.5%	
Net debt	797	722	777	757	742	-6.9%	-2.0%	765	-3.0%

Source: Company data, Kepler Cheuvreux

## Q4 2012 hit by impairments

The bottom line for Q4 results was posted along with Q1 results.

Q4 2012 results were affected by EUR112m in impairments:

- **EUR106m related to Sicilian projects:** all the impact inside the financial statements is taken into account and management does not expect any further impact related to the Sicilian projects. The increasing complexity and uncertainty related to the litigations against the Sicilian region led to impairments of EUR106m in Q4 2012, as management considers it is impossible to assess the outcome or duration of litigation at this stage.
- **EUR7.5m related to impairment on existing assets.**

The net debt/equity at end-2012, even after the impairments, fully met all the covenants.

# Valuation

FY to 31/12 (EUR)	2008	2009	2010	2011	2012	2013E	2014E	2015E
<b>Per share data</b>								
EPS adjusted	0.11	0.10	0.00	0.06	-0.29	0.05	0.06	0.09
% Change	101.4%	-3.4%	-98.2%	3442.3%	na	na	7.3%	69.1%
EPS adjusted and fully diluted	0.11	0.10	0.00	0.06	-0.29	0.05	0.06	0.09
% Change	101.4%	-3.4%	-98.2%	3442.3%	na	na	7.3%	69.1%
EPS reported	0.11	0.10	0.00	0.06	-0.29	0.05	0.06	0.09
% Change	101.4%	-3.4%	-98.2%	3442.3%	na	na	7.3%	69.1%
EPS Consensus						0.09	0.10	
Cash flow per share	0.27	0.42	0.16	0.02	0.27	0.24	0.29	0.26
Book value per share	1.98	2.05	2.03	1.53	1.18	1.23	1.27	1.35
DPS	0.00	0.00	0.01	0.03	0.00	0.02	0.02	0.03
Number of shares, YE (m)	161.9	161.9	161.9	291.4	291.4	291.4	291.4	291.4
Number of shares, fully diluted, YE (m)	161.9	161.9	161.9	291.4	291.4	291.4	291.4	291.4
<b>Share price</b>								
Latest price / year end	2.3	2.8	1.7	0.8	1.0	0.9	0.9	0.9
52 week high (Year high)	6.0	3.3	3.0	1.8	1.0	1.1		
52 week low (Year low)	2.2	2.0	1.5	0.7	0.7	0.8		
Average price (Year)	4.6	2.8	2.3	1.2	0.9	0.9		
<b>Enterprise value (EURm)</b>								
Market capitalisation	740.4	449.7	369.3	343.5	261.8	258.5	258.5	258.5
Net financial debt	411.3	563.6	729.1	765.1	843.1	844.8	817.7	749.6
Pension provisions	4.4	3.4	3.7	4.2	4.4	4.5	4.6	4.7
Market value of minorities	6.5	11.1	7.3	6.9	0.0	0.0	0.0	0.0
Market value of equity affiliates (net of tax)	-1.2	-1.2	-1.2	-1.1	0.0	-1.0	-2.0	-3.0
Others	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Enterprise value	1,161.4	1,026.6	1,108.3	1,118.7	1,109.3	1,106.8	1,078.7	1,009.8
<b>Valuation</b>								
P/E adjusted	43.0	27.0	na	18.2	na	17.2	16.0	9.4
P/E adjusted and fully diluted	43.0	27.0	na	18.2	na	17.2	16.0	9.4
P/E consensus						9.9	8.9	
P/BV	2.3	1.4	1.1	0.8	0.8	0.7	0.7	0.7
P/CF	17.1	6.6	14.7	48.2	3.4	3.7	3.1	3.4
Dividend yield (%)	0.0%	0.0%	0.5%	2.4%	0.0%	1.7%	1.9%	3.2%
FCF yield (%)	-15.2%	-16.3%	-17.3%	-49.7%	7.3%	-0.3%	12.6%	28.6%
ROE (%)	5.2%	5.0%	0.1%	4.8%	-21.5%	4.3%	4.4%	7.2%
ROIC (%)	5.0%	6.3%	1.0%	4.0%	-1.0%	3.8%	3.8%	4.8%
EV/Sales	7.6	5.5	6.0	4.5	4.0	4.0	3.9	3.5
EV/EBITDA	16.1	10.8	11.7	7.9	7.0	7.6	7.2	6.0
EV/EBIT	24.3	18.2	22.8	14.1	na	14.4	13.8	10.5



# Income statement

FY to 31/12 (EURm)	2008	2009	2010	2011	2012	2013E	2014E	2015E
<b>Sales</b>	<b>153.0</b>	<b>185.0</b>	<b>184.6</b>	<b>248.7</b>	<b>274.6</b>	<b>277.4</b>	<b>279.3</b>	<b>285.4</b>
% Change	25.4%	20.9%	-0.2%	34.7%	10.4%	1.0%	0.7%	2.2%
<b>EBITDA reported</b>	<b>72.0</b>	<b>95.0</b>	<b>94.6</b>	<b>141.7</b>	<b>158.0</b>	<b>146.5</b>	<b>149.4</b>	<b>167.0</b>
% Change	68.0%	32.0%	-0.5%	49.9%	11.5%	-7.3%	2.0%	11.8%
Depreciation and amortisation	-24.3	-38.7	-46.0	-62.5	-179.4	-69.5	-71.2	-71.3
Goodwill impairment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other financial result and associates	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>EBIT reported</b>	<b>47.7</b>	<b>56.3</b>	<b>48.5</b>	<b>79.2</b>	<b>-21.4</b>	<b>77.0</b>	<b>78.3</b>	<b>95.7</b>
% Change	112.7%	17.9%	-13.8%	63.3%	na	na	1.6%	22.3%
Net financial items	-13.4	-27.2	-35.8	-42.7	-46.8	-50.6	-49.9	-47.0
Associates	1.5	-0.1	1.1	0.7	0.4	1.0	1.0	1.0
Others	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Earnings before tax</b>	<b>35.8</b>	<b>29.0</b>	<b>13.9</b>	<b>37.3</b>	<b>-67.8</b>	<b>27.4</b>	<b>29.4</b>	<b>49.7</b>
% Change	123.9%	-19.2%	-52.1%	168.6%	na	na	7.3%	69.1%
Tax	-16.7	-7.5	-11.5	-17.4	-17.6	-12.3	-13.2	-22.4
<b>Net profit from continuing operations</b>	<b>19.2</b>	<b>21.4</b>	<b>2.4</b>	<b>19.9</b>	<b>-85.4</b>	<b>15.1</b>	<b>16.2</b>	<b>27.4</b>
% Change	165.4%	11.8%	-88.9%	738.3%	na	na	7.3%	69.1%
Net profit from discontinuing activities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Net profit before minorities</b>	<b>19.2</b>	<b>21.4</b>	<b>2.4</b>	<b>19.9</b>	<b>-85.4</b>	<b>15.1</b>	<b>16.2</b>	<b>27.4</b>
Minorities	-1.9	-4.8	-2.1	-1.0	0.0	0.0	0.0	0.0
<b>Net profit reported</b>	<b>17.2</b>	<b>16.6</b>	<b>0.3</b>	<b>18.9</b>	<b>-85.4</b>	<b>15.1</b>	<b>16.2</b>	<b>27.4</b>
% Change	101.4%	-3.4%	-98.2%	6275.0%	na	na	7.3%	69.1%
Adjustments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Net profit adjusted</b>	<b>17.2</b>	<b>16.6</b>	<b>0.3</b>	<b>18.9</b>	<b>-85.4</b>	<b>15.1</b>	<b>16.2</b>	<b>27.4</b>
% Change	101.4%	-3.4%	-98.2%	6275.0%	na	na	7.3%	69.1%
Gross profit	93.9	112.0	113.2	162.8	180.1	169.0	172.4	190.4
EBITDA adjusted	72.0	95.0	94.6	141.7	158.0	146.5	149.4	167.0
EBIT adjusted	47.7	56.3	48.5	79.2	-21.4	77.0	78.3	95.7
Gross profit margin (%)	61.4%	60.5%	61.3%	65.5%	65.6%	60.9%	61.7%	66.7%
EBITDA margin (%)	47.1%	51.4%	51.2%	57.0%	57.5%	52.8%	53.5%	58.5%
EBIT margin (%)	31.2%	30.4%	26.3%	31.9%	-7.8%	27.8%	28.0%	33.5%
Net profit margin (%)	11.3%	9.0%	0.2%	7.6%	-31.1%	5.4%	5.8%	9.6%
Tax rate (%)	46.5%	26.0%	82.9%	46.7%	45.0%	45.0%	45.0%	45.0%
Payout ratio (%)	0.0%	0.0%	0.0%	656.3%	43.2%	0.0%	30.0%	30.0%
EPS reported (EUR)	0.11	0.10	0.00	0.06	-0.29	0.05	0.06	0.09
% change	101.4%	-3.4%	-98.2%	3442.3%	na	na	7.3%	69.1%
EPS adjusted (EUR)	0.11	0.10	0.00	0.06	-0.29	0.05	0.06	0.09
% change	101.4%	-3.4%	-98.2%	3442.3%	na	na	7.3%	69.1%
EPS adj and fully diluted(EUR)	0.11	0.10	0.00	0.06	-0.29	0.05	0.06	0.09
% change	101.4%	-3.4%	-98.2%	3442.3%	na	na	7.3%	69.1%
DPS (EUR)	0.00	0.00	0.01	0.03	0.00	0.02	0.02	0.03
% change	na	na	na	136.7%	na	na	7.3%	69.1%
Consensus Sales (EURm)						282.0	292.0	na
Consensus EBITDA (EURm)						165.0	171.0	na
Consensus EBIT (EURm)						na	na	na
Consensus EPS (EUR)						0.09	0.10	na
Consensus DPS (EUR)						0.02	0.02	na

# Cash flow statement

FY to 31/12 (EURm)	2008	2009	2010	2011	2012	2013E	2014E	2015E
Net profit before minorities	19.2	21.4	2.4	19.9	-85.4	15.1	16.2	27.4
Depreciation and amortisation	24.3	38.7	46.0	62.5	179.4	69.5	71.2	71.3
Goodwill impairment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Change in working capital	0.0	8.0	-23.3	-75.2	-16.7	-14.3	-3.7	-21.7
Others	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Cash Flow from operating activities</b>	<b>43.4</b>	<b>68.2</b>	<b>25.1</b>	<b>7.1</b>	<b>77.3</b>	<b>70.3</b>	<b>83.7</b>	<b>76.9</b>
% Change	57.1%	57.0%	-63.1%	-71.6%	984.3%	-9.1%	19.1%	-8.1%
Capex	-155.8	-141.3	-89.0	-178.0	-58.3	-71.0	-51.0	-3.0
<b>Free cash flow</b>	<b>-112.3</b>	<b>-73.1</b>	<b>-63.9</b>	<b>-170.9</b>	<b>19.0</b>	<b>-0.7</b>	<b>32.7</b>	<b>73.9</b>
% Change	na	na	na	na	na	na	na	126.1%
Acquisitions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Divestments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Dividend paid	0.0	0.0	0.0	-1.9	-8.2	0.0	-4.5	-4.9
Share buy back	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital increases	0.0	0.0	0.0	129.9	0.0	0.0	0.0	0.0
Others	-19.4	-79.2	-101.6	6.9	-88.9	-1.0	-1.0	-1.0
<b>Change in net financial debt</b>	<b>-131.7</b>	<b>-152.3</b>	<b>-165.5</b>	<b>-36.0</b>	<b>-78.1</b>	<b>-1.7</b>	<b>27.2</b>	<b>68.1</b>
Change in cash and cash equivalents	9.6	-34.5	-128.9	4.1	42.3	0.0	0.0	0.0
Attributable FCF	-95.5	-62.2	-54.3	-145.2	16.2	-0.6	27.8	62.8
Cash flow per share (EUR)	0.27	0.42	0.16	0.02	0.27	0.24	0.29	0.26
% Change	57.1%	57.0%	-63.1%	-84.2%	984.3%	-9.1%	19.1%	-8.1%
FCF per share (EUR)	na	na	na	na	0.06	na	0.10	0.22
% Change	na	na	na	na	na	na	na	126.1%
Capex / Sales (%)	101.8%	76.4%	48.2%	71.6%	21.2%	25.6%	18.3%	1.1%
Capex / D&A (%)	642.3%	365.0%	193.4%	284.8%	32.5%	102.2%	71.7%	4.2%
Cash flow / Sales (%)	28.4%	36.8%	13.6%	2.9%	28.2%	25.3%	30.0%	26.9%
FCF / Sales (%)	-73.4%	-39.5%	-34.6%	-68.7%	6.9%	-0.3%	11.7%	25.9%
FCF Yield (%)	-15.2%	-16.3%	-17.3%	-49.7%	7.3%	-0.3%	12.6%	28.6%
Unlevered FCF Yield (%)	-4.6%	-3.3%	-0.4%	-6.1%	3.3%	2.5%	4.2%	6.6%

# Balance sheet

FY to 31/12 (EURm)	2008	2009	2010	2011	2012	2013E	2014E	2015E
Cash and cash equivalents	256.2	221.7	92.8	96.9	139.2	139.2	139.2	139.2
Inventories	3.2	1.9	3.7	4.3	3.3	5.6	5.6	5.8
Accounts receivable	44.4	51.7	72.6	102.6	114.9	221.9	223.5	228.3
Other current assets	49.1	65.8	49.2	60.5	55.7	55.7	55.7	55.7
<b>Current assets</b>	<b>352.9</b>	<b>341.1</b>	<b>218.3</b>	<b>264.2</b>	<b>313.0</b>	<b>422.4</b>	<b>423.9</b>	<b>428.9</b>
Tangible assets	636.3	769.7	947.1	1,098.6	1,035.0	1,036.6	1,016.4	948.1
Goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Intangible assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial assets	1.2	1.2	1.2	1.1	0.0	1.0	2.0	3.0
Other non-current assets	176.2	176.2	176.2	169.9	133.0	133.0	133.0	133.0
<b>Non-current assets</b>	<b>813.7</b>	<b>947.1</b>	<b>1,124.5</b>	<b>1,269.6</b>	<b>1,168.0</b>	<b>1,170.5</b>	<b>1,151.4</b>	<b>1,084.1</b>
Short term debt	298.5	374.4	213.2	44.0	74.4	75.2	61.6	27.6
Accounts payable	93.2	107.3	106.7	62.0	56.7	151.8	149.7	133.0
Other short term liabilities	71.0	37.4	40.5	43.5	39.6	39.6	39.6	39.6
<b>Current liabilities</b>	<b>462.7</b>	<b>519.0</b>	<b>360.4</b>	<b>149.5</b>	<b>170.6</b>	<b>266.6</b>	<b>250.9</b>	<b>200.1</b>
Long term debt	369.0	411.0	608.7	818.0	907.9	908.8	895.2	861.2
Pension provisions	4.4	3.4	3.7	4.2	4.4	4.5	4.6	4.7
Other long term provisions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	3.4	13.6	34.5	110.3	54.4	54.3	54.2	54.1
<b>Non-current liabilities</b>	<b>376.7</b>	<b>428.0</b>	<b>647.0</b>	<b>932.5</b>	<b>966.7</b>	<b>967.6</b>	<b>954.0</b>	<b>920.0</b>
Shareholders' equity	321.2	331.4	328.0	444.9	343.7	358.8	370.4	392.9
Minority interests	6.5	11.1	7.3	6.9	0.0	0.0	0.0	0.0
<b>Total equity</b>	<b>327.6</b>	<b>342.4</b>	<b>335.3</b>	<b>451.8</b>	<b>343.7</b>	<b>358.8</b>	<b>370.4</b>	<b>392.9</b>
<b>Balance sheet total</b>	<b>1,167.1</b>	<b>1,289.5</b>	<b>1,342.7</b>	<b>1,533.8</b>	<b>1,481.1</b>	<b>1,592.9</b>	<b>1,575.3</b>	<b>1,513.1</b>
% Change	16.4%	10.5%	4.1%	14.2%	-3.4%	7.6%	-1.1%	-4.0%
Book value per share (EUR)	1.98	2.05	2.03	1.53	1.18	1.23	1.27	1.35
% Change	-0.4%	3.2%	-1.0%	-24.6%	-22.7%	4.4%	3.2%	6.1%
Net debt	415.7	567.0	732.9	769.3	847.5	849.3	822.3	754.3
Net financial debt	411.3	563.6	729.1	765.1	843.1	844.8	817.7	749.6
Trade working capital	-45.6	-53.7	-30.4	44.8	61.5	75.8	79.4	101.1
Working capital	-67.5	-25.3	-21.8	61.8	77.6	91.9	95.5	117.2
Inventories/sales	2.1%	1.0%	2.0%	1.7%	1.2%	2.0%	2.0%	2.0%
Invested capital	568.8	744.4	925.3	1,160.4	1,112.6	1,128.4	1,111.9	1,065.4
Net debt / EBITDA (x)	5.8	6.0	7.8	5.4	5.4	5.8	5.5	4.5
Net debt / FCF (x)	-3.7	-7.8	na	-4.5	44.6	na	25.2	10.2
Gearing (%)	125.5%	164.6%	217.4%	169.3%	245.3%	235.5%	220.7%	190.8%
Goodwill / Equity (%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

# Divisions and regions

FY to 31/12 (EUR)	2008	2009	2010	2011	2012	2013E	2014E	2015E
<b>Key assumptions</b>								
<b>Sales by division</b>								
Italy				159.9	190.2	181.4	179.4	178.8
Scotland				67.5	67.0	68.0	71.9	75.8
England				11.0	11.0	11.0	11.0	13.9
Others				10.2	6.4	16.9	16.9	16.9
<b>EBIT by division</b>								
Italy				33.5	58.5	52.2	52.2	52.1
Scotland				40.6	39.1	29.9	31.7	34.4
England				4.2	4.1	1.8	1.8	3.8
Others				0.9	-123.1	-6.9	-7.4	5.4
<b>EBIT margin (%)</b>								
Italy (%)				21.0%	30.7%	28.8%	29.1%	29.2%
Scotland (%)				60.1%	58.4%	44.0%	44.1%	45.3%
England (%)				37.8%	37.3%	16.3%	16.3%	27.4%
Others (%)				9.2%	-1,934.0%	-40.7%	-43.6%	32.1%
<b>Geographic breakdown of sales, adjusted (%)</b>								
Eurozone				95.9%	97.7%	93.9%	93.9%	94.1%
of which Austria				0.0%	0.0%	0.0%	0.0%	0.0%
of which Benelux				0.0%	0.0%	0.0%	0.0%	0.0%
of which Benelux				0.0%	0.0%	0.0%	0.0%	0.0%
of which Finland				0.0%	0.0%	0.0%	0.0%	0.0%
of which France				0.0%	0.0%	0.0%	0.0%	0.0%
of which Germany				0.0%	0.0%	0.0%	0.0%	0.0%
of which Italy				64.3%	69.3%	65.4%	64.2%	62.6%
of which Spain				0.0%	0.0%	0.0%	0.0%	0.0%
of which Portugal				0.0%	0.0%	0.0%	0.0%	0.0%
of which Others				31.6%	28.4%	28.5%	29.7%	31.4%
Europe ex Eurozone				0.0%	0.0%	0.0%	0.0%	0.0%
of which Russia				0.0%	0.0%	0.0%	0.0%	0.0%
North America				0.0%	0.0%	0.0%	0.0%	0.0%
Latam				0.0%	0.0%	0.0%	0.0%	0.0%
of which Brazil				0.0%	0.0%	0.0%	0.0%	0.0%
Asia				0.0%	0.0%	0.0%	0.0%	0.0%
of which China				0.0%	0.0%	0.0%	0.0%	0.0%
of which India				0.0%	0.0%	0.0%	0.0%	0.0%
of which Japan				0.0%	0.0%	0.0%	0.0%	0.0%
Middle East				0.0%	0.0%	0.0%	0.0%	0.0%
<b>Currency exposure of sales (%)</b>								
EUR				64.3%	69.3%	65.4%	64.2%	62.6%
CHF				0.0%	0.0%	0.0%	0.0%	0.0%
DKK				0.0%	0.0%	0.0%	0.0%	0.0%
NOK				0.0%	0.0%	0.0%	0.0%	0.0%
SEK				0.0%	0.0%	0.0%	0.0%	0.0%
USD				0.0%	0.0%	0.0%	0.0%	0.0%
GBP				31.6%	28.4%	28.5%	29.7%	31.4%
JPY				0.0%	0.0%	0.0%	0.0%	0.0%
Hedging policy				derivatives				

## Research ratings and important disclosures

### Disclosure checklist - Potential conflict of interests

Stock	ISIN	Disclosure (See Below)	Currency	Price
Falck Renewables	IT0003198790	nothing to disclose	EUR	0.89

Source: Factset closing prices of 22/05/2013

Stock prices: Prices are taken as of the previous day's close (to the date of this report) on the home market unless otherwise stated.

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**Amsterdam**

Kepler Cheuvreux Benelux  
Johannes Vermeerstraat 9  
1071 DK Amsterdam  
+31 20 573 06 66

**Frankfurt**

Kepler Cheuvreux Germany  
Taunusanlage 18  
60325 Frankfurt  
+49 69 756960

**Geneva**

Kepler Cheuvreux SA  
Route de Crassier 11  
1262 - Eysins  
Switzerland  
+41 22361 5151

**London**

Kepler Cheuvreux UK  
12th Floor, Moorhouse  
120 London Wall  
London EC2Y 5ET  
+44 20 7621 5100

**Madrid**

Kepler Cheuvreux Espana  
Alcala 95  
28009 Madrid  
+3491 4365100

**Milan**

Kepler Cheuvreux Italia  
Corso Europa 2  
20122 Milano  
+39 02 855 07 1

**Paris**

Kepler Cheuvreux France  
112 Avenue Kleber  
75016 Paris  
+33 1 53653500

**Stockholm**

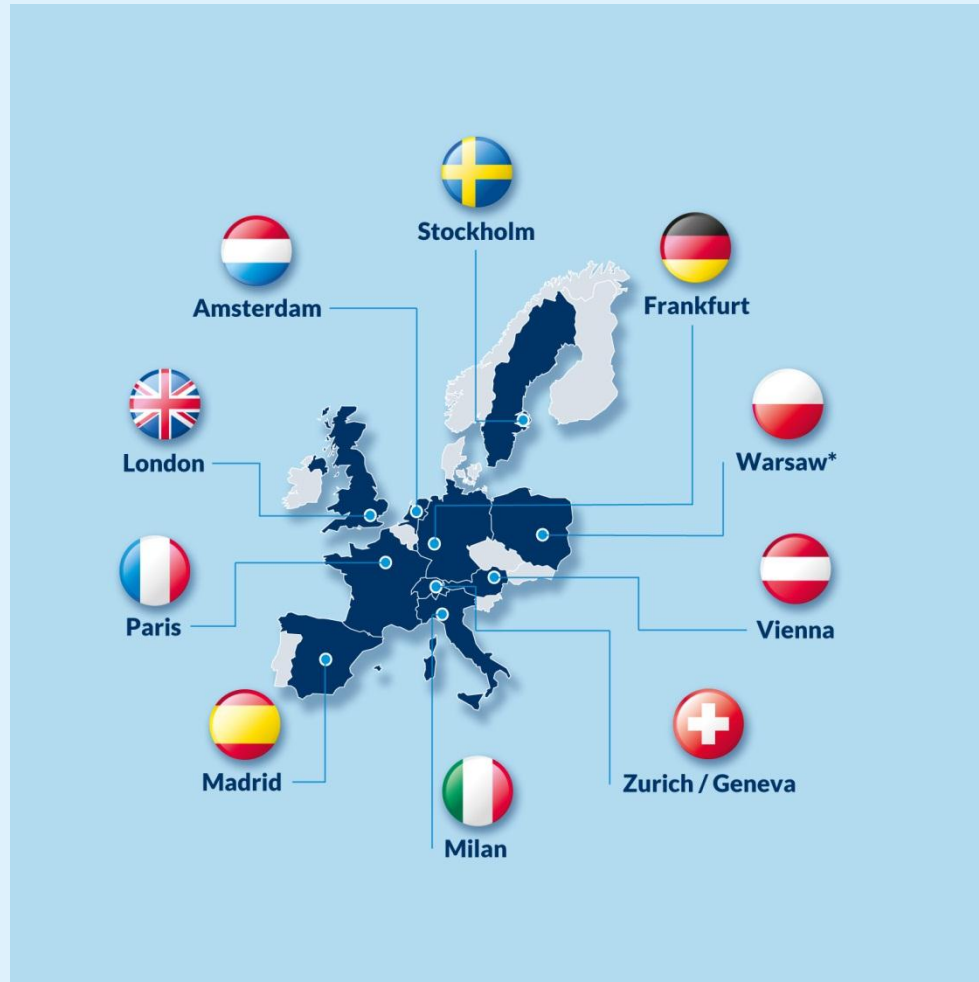
Kepler Cheuvreux Nordic  
Regeringsgatan 38  
10393 Stockholm  
+468 723 5100

**Vienna**

Kepler Cheuvreux Vienna  
Schottenring 16/2  
Vienna 1010  
+43 1 537 124 147

**Zurich**

Kepler Cheuvreux Switzerland  
Stadelhoferstrasse 22  
Postfach  
8024 Zurich  
+41 433336666



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## North America

**Boston**

CA Cheuvreux North America  
99 Summer Street Suite 220  
Boston MA 02110  
+1 617 476 9201

**New York**

CA Cheuvreux North America  
1301 Avenue of the Americas, Floor 15  
New York, NY 10019  
+1 212-492-8800

**San Francisco**

CA Cheuvreux North America  
50 California Street Suite 860  
San Francisco, CA 94111  
+1 415 255 9802

**New York**

Kepler Capital Markets, Inc.  
600 Lexington Avenue, Floor 28  
10022 New York, NY USA  
+1 212-710-7600