



Buy

Recommendation unchanged

Share price: EUR 0.86

closing price as of 02/08/2013

Target price: EUR 1.50

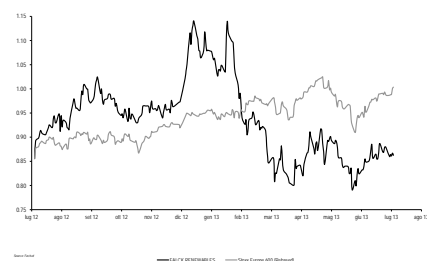
Target Price unchanged

Reuters/Bloomberg AA4.MIFKR IM

Market capitalisation (EURm) 251
 Current N° of shares (m) 291
 Free float 0%

Daily avg. no. trad. sh. 12 mth 2,401,910
 Daily avg. trad. vol. 12 mth (m) 207
 Price high 12 mth (EUR) 1.14
 Price low 12 mth (EUR) 0.79
 Abs. perf. 1 mth 3.60%
 Abs. perf. 3 mth 5.18%
 Abs. perf. 12 mth 0.82%

Key financials (EUR)	12/12	12/13e	12/14e
Sales (m)	277	284	294
EBITDA (m)	158	137	144
EBITDA margin	57.0%	48.1%	49.1%
EBIT (m)	(21)	61	71
EBIT margin	nm	21.5%	24.2%
Net Profit (adj.)(m)	(92)	3	2
ROCE	-1.7%	4.9%	6.0%
Net debt/(cash) (m)	843	800	739
Net Debt/Equity	2.5	2.3	2.1
Debt/EBITDA	5.3	5.9	5.1
Int. cover(EBITDA/Fin. int)	3.4	2.6	2.9
EV/Sales	4.1	3.7	3.4
EV/EBITDA	7.1	7.7	6.9
EV/EBITDA (adj.)	7.1	7.7	6.9
EV/EBIT	nm	17.2	14.0
P/E (adj.)	nm	nm	nm
P/BV	0.8	0.7	0.7
OpFCF yield	11.4%	-15.8%	3.5%
Dividend yield	0.0%	0.3%	0.3%
EPS (adj.)	(0.27)	0.01	0.01
BVPS	1.18	1.19	1.20
DPS	0.00	0.00	0.00



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The positive set of results paves the way for a rerating

The facts: Falck Renewables unveiled its H1 2013 results yesterday.

Our analysis: the company posted an increasing set of results YoY, a tad better than expected:

EURm	H1 2012A	H1 2013E	H1 2013A	YoY Chg.
Sales	142.8	148.5	153.8	3.6%
EBITDA	85.7	89.1	95.1	6.7%
EBIT	40.6	56.1	59.3	5.7%
Net profit	4.8	14.5	19.3	33.1%

Falck Renewables' results benefited from the entrance in operation of the Petralia and Ty-Ru wind farms (Q4 2012). Furthermore, in H1, results took advantage from the line-by-line consolidation of La Muela wind farm since April 2012 (the farm was previously accounted accordingly with the equity method). On the positive it is also worth noting the better wind conditions recorded in H1 2013 YoY

On the negative side, it is worth noting the drop in prices (in Italy the PUN was down by around 22% in H1 2013 vs. H1 2012), the demand decline (in Italy roughly -4% YoY), by the reduction in the combustible avoided cost component of the CIP6/92 incentive tariff and the unbalancing cost.

Installed capacity reached 716 MW in H1 2013 (684 MW in H1 2012) while **production** was 1,050 GWh (916 GWh in H1 2012).

Net debt was roughly EUR 754m vs. circa EUR 826m posted as at the end of Q1 2013. This positive dynamic is mainly due to the cash-in of green certificates in Italy for around EUR 73m in April 2013.

It is also worth noting that Nutberry wind farm (installed capacity 15 MW), in UK, previously expected to come in operation in H1 2013, has suffered short delays that don't have allowed the start-up of the production. The latter is now expected in Q4 2013.

We also remind readers that, in order to compare 2013 and 2012 results, it is worth noting that Falck Renewables' EBIT was impacted by a EUR 14.7m write off following the impairment test on goodwill relating to the Sicilian projects in Q2 2012. Net of this impact, the EBIT would have been EUR 55.2m in H1 2012. In H1 2013, the company booked EUR 4.1m of write-off related to the Trezzo WTE plant.

EBITDA guidance: Falck Renewables confirmed its guidance in terms of EBITDA for 2013, i.e. EUR 136-145m, bang in line with our current estimates, even though, the positive set of results posted in H1 2013 makes us confident that this guidance is quite conservative.

Conclusion & Action: we don't believe H1 2013 results may be considered a catalyst for the stock, even though they confirmed company's solidity. We continue to believe that in order to have a sizeable re-rating of the stock we have to wait the closing of the sale of the minority interest in the UK assets (49%). On this issue we expect some update by the end of the year. We reiterate our positive stance on the stock: **BUY**.