

FALCK RENEWABLES OUTPERFORM

Price (Eu): **1.46**
 Target Price (Eu): **2.00**

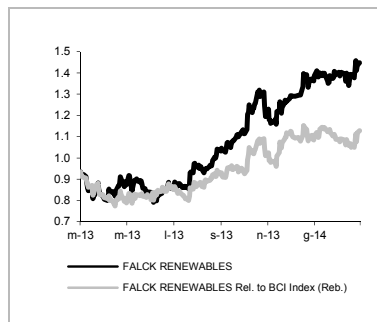
SECTOR: Utilities

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

4Q13 Comfortably Beats Forecasts; Operating Cashflow At 25% of Market Cap

- Falck Renewables reported solid 2013 operating results** that beat consensus estimates. In detail, turnover came in at Eu275.9mn, up from Eu274.6mn in 2012 but below our forecast of Eu280.4mn; EBITDA closed at Eu156.8mn, down from Eu158mn in 2012 but well above our Eu145mn estimate (the consensus range was Eu135-145mn); EBIT surged to Eu79.3mn from Eu-1.4mn last year (Eu90.2mn adj.) broadly in line with our Eu80.4mn estimate. The company posted net profit of Eu15.1mn from a loss of Eu85.5mn in 2012 (Eu25.2mn adj.) again in line with our forecast of Eu15.2mn. The BoD proposed a Eu0.032 per share dividend, double our Eu0.016 estimate. Net debt stood at Eu756.8mn (including derivatives) from Eu842.8mn as at YE12, lower than our Eu817mn estimate. 4Q turnover came to Eu73.2mn, below our Eu77.7mn, but EBITDA came in much better than forecast, closing at Eu43.5mn compared to our estimate of Eu26.8mn, reflecting higher volumes and a more favourable mix. 4Q pre-tax profit came to Eu7.1mn (Eu17.1mn adjusted for Eu9.0mn of impairments and provisions) vs. our Eu2.7mn forecast due to financial charges that were roughly Eu7mn lower than expected.
- Very strong cash generation.** The most significant figure of the year that has just closed was cash generation of Eu103mn, almost double the volume of investment, driving the end result well above our expectations. This is a sustainable level that will allow the company to finance the Eu95mn of investments planned in 2014 for wind farms and WTE plants in the UK. This year's figures will be boosted by the Eu185mn cash-in coming from the disposal of a minority stake in company's UK business to the Pension Denmark fund. Overall, we do not believe there are any financing risks relating to the Eu450mn of investments outlined in the 2013-17 business plan, which should bring total installed capacity to 865MW (from 731MW at the end of 2013).
- New estimates.** As of 2014 the company will apply the IFRS 11 accounting principle that does not allow operational consolidation of assets that are not under the company's control, including: Frullo (Italian WTE plant), La Muela (Spanish wind farm) and P.E.A (Sicilian assets). Overall these assets relate to 36.5MW of installed capacity that generate Eu22mn of turnover and Eu12mn of EBITDA. There will be no impact on the bottom line. The company provided new guidance for the current year, indicating EBITDA of Eu130-135mn following the adoption of IFRS 11 (Eu140-145mn under the old accounting method). We believe this to be reasonably cautious, and so we are setting our new 2014 EBITDA target at Eu139mn, above company guidance. Below the operating line we are revising our forecast financial charges in order to incorporate lower expectations for the debt thanks to the strong cash generation achieved in 4Q. The net impact is a 17% increase in 2014-15 EPS.
- OUTPERFORM confirmed, target price Eu2.0.** The new target reflects new higher estimates and a lower debt with investment levels unchanged (Eu60mn, or Eu0.20 per share). This has a positive impact on our SOP for assets that are already operating, those in the process of being constructed and the authorised pipeline.

FALCK RENEWABLES - 12m Performance



Eu/USD: xx 2010; xx 2011/12
 Avg. 3M Euribor: xx 2011; xx 2012
 Oil: xx USD 2010; xx USD 2011/2012

RATING: Unchanged

TARGET PRICE (Eu): Unchanged

Change in EPS est:	2014E	2015E
	-8.6%	-6.1%

STOCK DATA

Reuters code: AA4.MI
 Bloomberg code: FKR IM

Performance	1m	3m	12m
Absolute	3.6%	14.8%	53.0%
Relative	0.1%	-0.6%	23.5%
12 months H/L:	1.46/0.79		

SHAREHOLDER DATA

No. of Ord. shares (mn):	291
Total No. of shares (mn):	291
Mkt Cap Ord (Eu mn):	425
Total Mkt Cap (Eu mn):	425
Mkt Float - ord (Eu mn):	102
Mkt Float (in %):	24.0%
Main shareholder:	
Falck Spa	60.0%

BALANCE SHEET DATA

	2014
Book value (Eu mn):	373
BVPS (Eu):	1.28
P/BV:	1.1
Net Financial Position (Eu mn):	-650
Enterprise value (Eu mn):	1,074

Key Figures	2012A	2013A	2014E	2015E	2016E
Sales (Eu mn)	275	276	257	284	291
Ebitda (Eu mn)	158	157	139	153	156
Net profit (Eu mn)	-79	15	15	23	27
EPS - New (Eu)	0.112	0.065	0.051	0.078	0.091
EPS - Old (Eu)	0.112	0.066	0.056	0.083	
DPS (Eu)	0.000	0.032	0.032	0.032	0.032
Ratios & Multiples	2012A	2013A	2014E	2015E	2016E
P/E	13.0	22.3	28.3	18.6	15.9
Div. Yield	0.0%	2.2%	2.2%	2.2%	2.2%
EV/Ebitda	8.0	7.5	7.7	6.9	6.8
ROCE	-1.7%	6.5%	6.3%	6.9%	7.1%

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FALCK RENEWABLES - KEY FIGURES

	2012A	2013A	2014E	2015E	2016E	
	31/12/2012	31/12/2013	31/12/2014	31/12/2015	31/12/2016	
Fiscal year end						
PROFIT & LOSS (Eu mn)	Sales	275	276	257	284	291
	EBITDA	158	157	139	153	156
	EBIT	(21)	79	82	95	100
	Financial income (charges)	(47)	(48)	(38)	(35)	(35)
	Associates & Others			4	4	5
	Pre-tax profit (Loss)	(68)	31	44	60	66
	Taxes	(18)	(16)	(19)	(27)	(28)
	Tax rate (%)	-25.8%	51.5%	43.6%	44.0%	43.0%
	Minorities & discontinue activities	6	0	(10)	(11)	(11)
	Net profit	-79	15	15	23	27
	Total extraordinary items	0	0	0	0	0
	Ebitda excl. extraordinary items	158	157	139	153	156
	Ebit excl. extraordinary items	202	79	82	95	100
	Net profit restated	32	29	19	29	36
PER SHARE DATA (Eu)	Total shares out (mn) - average fd	291	291	291	291	291
	EPS stated fd	-0.272	0.052	0.051	0.078	0.091
	EPS restated fd	0.112	0.065	0.051	0.078	0.091
	BVPS fd	1.180	1.232	1.281	1.361	1.440
	Dividend per share (ord)	0.000	0.032	0.032	0.032	0.032
	Dividend per share (sav)	0.000	0.000	0.000	0.000	0.000
	Dividend pay out ratio (%)	0.0%	30.1%	38.0%	37.9%	0.0%
CASH FLOW (Eu mn)	Gross cash flow	94	93	92	103	91
	Change in NWC	6	51	(1)	(5)	(1)
	Capital expenditure	(65)	(58)	(94)	(67)	(68)
	Other cash items	0	0	0	0	0
	Free cash flow (FCF)	35	86	(3)	32	21
	Acquisitions, divestments & others	0	0	125	0	0
	Dividend	0	0	(5)	(6)	(9)
	Equity financing/Buy-back	0	0	0	0	0
	Change in Net Financial Position	34	86	107	15	2
BALANCE SHEET (Eu mn)	Total fixed assets	1,168	1,137	1,360	1,377	1,398
	Net working capital	77	57	61	66	67
	Long term liabilities	(59)	(59)	(52)	(52)	(52)
	Net capital employed	1,187	1,253	1,369	1,391	1,413
	Net financial position	(843)	(757)	(650)	(635)	(633)
	Group equity	344	372	373	397	420
	Minorities	(0)	7	(0)	(0)	(0)
	Net equity	344	379	373	396	419
ENTERPRISE VALUE (Eu mn)	Average mkt cap - current	425	425	425	425	425
	Adjustments (associate & minorities)	0	0	0	0	1
	Net financial position	(843)	(757)	(650)	(635)	(633)
	Enterprise value	1,267	1,182	1,074	1,059	1,057
RATIOS(%)	EBITDA margin*	57.5%	56.9%	54.1%	53.8%	53.6%
	EBIT margin*	73.5%	28.7%	32.0%	33.6%	34.4%
	Gearing - Debt/equity	nm	nm	174.0%	160.1%	151.0%
	Interest cover on EBIT	nm	1.6	2.2	2.7	2.9
	Debt/Ebitda	5.33	4.83	4.67	4.16	4.06
	ROCE*	-1.7%	6.5%	6.3%	6.9%	7.1%
	ROE*	-20.0%	4.1%	4.0%	5.9%	6.5%
	EV/CE	1.0	1.0	0.8	0.8	0.8
	EV/Sales	4.6	4.3	4.2	3.7	3.6
	EV/Ebit	nm	14.9	13.1	11.1	10.6
	Free Cash Flow Yield	8.1%	20.2%	-0.8%	7.4%	5.0%
GROWTH RATES (%)	Sales	10.4%	0.5%	-6.7%	10.3%	2.6%
	EBITDA*	11.5%	-0.7%	-11.3%	9.8%	2.3%
	EBIT*	154.7%	-60.7%	3.8%	15.8%	5.0%
	Net profit	nm	nm	0.2%	52.0%	17.0%
	EPS restated	5.2%	-41.8%	-21.2%	52.0%	17.0%

* Excluding extraordinary items

Source: Intermonte SIM estimates

2013 above company guidance and our estimates

Falck Renewables reported solid 2013 operating results that beat consensus estimates. In detail:

- 1) turnover came in at Eu275.9mn, up from Eu274.6mn in 2012 but below our forecast of Eu280.4mn;
- 2) EBITDA closed at Eu156.8mn, down from Eu158mn in 2012 but well above our Eu145mn estimate (the consensus range was Eu135-145mn);
- 3) EBIT surged to Eu79.3mn from Eu-1.4mn last year (Eu90.2mn adj.) broadly in line with our Eu80.4mn estimate;
- 4) net profit at Eu15.1mn from a loss of Eu85.5mn in 2012 (Eu25.2mn adj.) again in line with our forecast of Eu15.2mn.

The BoD proposed a Eu0.032 per share dividend, double our Eu0.016 estimate. Net debt stood at Eu756.8mn (including derivatives) from Eu842.8mn as at YE12, lower than our Eu817mn estimate.

Quarterly figures

4Q turnover came to Eu73.2mn, below our Eu77.7mn, but EBITDA came in much better than forecast, closing at Eu43.5mn compared to our estimate of Eu26.8mn, reflecting higher volumes and a more favourable mix.

4Q pre-tax profit came to Eu7.1mn (Eu17.1mn adjusted for Eu9.0mn of impairments and provisions) vs. our Eu2.7mn forecast due to financial charges that were roughly Eu7mn lower than expected

See the table below for more details.

Falck Renewables 4Q/FY2013									
euro mil	4Q12	2012A	9M13	4Q13E	4Q13A	% A/E	2013E	2013A	% A/E
Total Revenues	75.3	274.6	202.7	77.7	73.2	-5.8%	280.4	275.9	-1.6%
% growth YoY	-5.9%	10.4%	1.7%	3.1%	-2.8%		2.1%	0.5%	
EBITDA	42.7	158.0	113.3	26.8	43.5	62.4%	140.1	156.8	11.9%
% growth YoY	-11.3%	11.5%	-1.7%	-37.3%	1.8%		-11.3%	-0.8%	
% EBITDA Margin	56.7%	57.5%	55.9%	34.5%	59.4%		50.0%	56.8%	
Depr	-117.1	-179.4	-52.7	-7.0	-11.7	67.9%	-59.7	-64.4	7.9%
one off	-96.9	-111.6	-4.1	0.0	-9.0	nm	-4.1	-13.1	219.5%
EBIT	-74.4	-21.4	60.6	19.8	18.7	-5.6%	80.4	79.3	-1.4%
% growth YoY	-455.1%	-127.0%	14.3%	nm	nm		nm	nm	
% EBIT Margin	-98.7%	-7.8%	29.9%	25.5%	25.6%		28.7%	28.7%	
Ebit Adj.	22.5	90.2	64.7	19.8	27.7	39.8%	84.5	92.4	9.3%
% growth YoY	7.4%	13.8%	-4.5%	-11.9%	23.2%		-6.3%	2.4%	
Net Financial Charges	-11.8	-47.1	-37.9	-17.1	-10.6	-38.2%	-55.0	-48.5	-11.9%
Associates (equity investment)	0.0	0.7	0.0	0.0	0.0		0.0	0.0	nm
Net Operating Margin	-86.3	-67.9	22.7	2.7	8.1	202.6%	25.4	30.8	21.4%
% growth YoY	-2374.8%	-282.3%	23.8%	nm	nm		nm	nm	
Net Operating Margin Adj.	10.3	43.4	26.8	2.7	17.1	nm	29.5	43.9	48.9%
% growth YoY	172.3%	16.5%	-18.9%	-74.0%	65.8%		-32.0%	1.3%	
Taxes		-17.6					-10.2	-15.9	56.4%
Tax Rate %		41%					-38%	-36%	
Net Income		-85.5					15.2	15.0	-1.9%
Results from discontinued op.		0.0					0.0	0.0	nm
Minorities		0.0					0.0	-0.1	nm
Group Net Income		-85.5					15.2	15.1	-1.0%
Adj. Net Income		25.2					19.3	28.1	45.0%
Net Debt		-842.9	-842.9				-817.2	-756.8	-7.4%

FALCK RENEWABLES Peer Group - Absolute Performances

Stock	Price	Ccy	Mkt cap	1M	3M	6M	YTD	1Y	2Y
FALCK RENEWABLES	1.5	EUR	424.6	3.6%	14.8%	40.0%	11.7%	53.0%	50.3%
ALERION CLEAN	3.9	EUR	166.7	13.3%	17.7%	18.7%	18.3%	-1.7%	-10.5%
EDP RENEW	4.7	EUR	4,074.6	6.0%	22.8%	15.9%	20.3%	19.2%	19.8%
ENEL GREEN POWER	2.1	EUR	10,250.0	3.7%	17.5%	24.8%	10.5%	42.6%	43.4%
KINEXIA	2.0	EUR	59.3	-0.9%	-0.7%	59.9%	1.1%	55.9%	91.7%
Mean performance				5.1%	14.4%	31.8%	12.4%	33.8%	38.9%
Italy Fixed	20,781.5	EUR	256,647	3.2%	16.7%	18.6%	10.0%	29.7%	26.3%

Source: FactSet

FALCK RENEWABLES Peer Group - Multiple Comparison

Stock	Price	Ccy	Mkt cap	EV/Sales	EV/Sales	EV/Ebitda	EV/Ebitda	EV/Ebit	EV/Ebit	P/E	P/E	Div Yield	Div Yield
				2014	2015	2014	2015	2014	2015	2014	2015	2014	2015
FALCK RENEWABLES	1.5	EUR	424.6	4.2	3.7	7.7	6.9	13.1	11.1	28.3	18.6	2.2%	2.2%
ALERION CLEAN	3.9	EUR	166.7	6.2	6.4	8.8	9.1	20.6	18.4	20.3	32.2	3.1%	3.1%
EDP RENEW	4.7	EUR	4,074.6	5.6	4.9	8.0	6.9	16.0	13.1	30.6	22.5	1.0%	1.2%
ENEL GREEN POWER	2.1	EUR	10,250.0	5.8	5.3	8.8	7.9	14.3	12.2	19.2	15.8	1.6%	1.9%
KINEXIA	2.0	EUR	59.3	1.5	1.4	6.8	4.5	12.4	7.7	10.3	6.8	2.4%	3.7%
Median				5.6	4.9	8.0	6.9	14.3	12.2	20.3	18.6	2.2%	2.2%

Source: Intermonte SIM estimates for covered companies, FactSet consensus estimates for peer group

FALCK RENEWABLES - Estimates Comparison with Consensus

(Eu mn)	2014			2015		
	Intermonte	Consensus	%diff	Intermonte	Consensus	%diff
Revenues	257.3	286.4	-10.2%	283.8	306.6	-7.4%
Ebitda	139.1	149.2	-6.8%	152.7	163.3	-6.5%
Net Profit	15.0	11.9	26.2%	22.8	20.9	8.8%
EPS	0.1	0.0	21.1%	0.1	0.1	7.1%
Net Debt	(649.8)	(683.8)	-5.0%	(634.9)	(633.4)	0.2%

Source: Intermonte SIM estimates and Factset consensus estimates

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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.

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BUY: 15.44%

OUTPERFORM: 38.93%

NEUTRAL: 42.27%

UNDERPERFORM: 3.36%

SELL: 0.00%

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BUY: 25.81%

OUTPERFORM: 45.16%

NEUTRAL: 29.03%

UNDERPERFORM: 0.00%

SELL: 0.00%

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- o Intermonte SIM SpA acts as Financial Advisor to the following companies: Carraro.

DETAILS ON STOCKS RECOMMENDATION

Stock NAME	FALCK RENEWABLES		
Current Recomm:	OUTPERFORM	Previous Recomm:	OUTPERFORM
Current Target (Eu):	2.00	Previous Target (Eu):	2.00
Current Price (Eu):	1.46	Previous Price (Eu):	1.45
Date of report:	18/03/2014	Date of last report:	18/03/2014

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