

FALCK RENEWABLES OUTPERFORM

Price (Eu): **0.94**
 Target Price (Eu): **1.60**

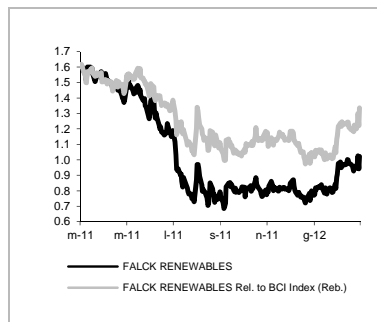
SECTOR: Utilities

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Pleasant Surprise from 4Q 2011. New Business Plan Focuses on UK Wind

- Very good results in 4Q 2011.** Falck reported decisive growth YoY and beat our expectations in 4Q11. Turnover came in at Eu80.1mn, +54.3% YoY and in line with our Eu80.9mn estimate. EBITDA was Eu48.2mn, +76.7% YoY and higher than our estimate of Eu36.9mn. For the full year, EBITDA was Eu141.7mn, above the company guidance of Eu130mn. The EBITDA figure was so strong partly thanks to a good contribution from Geopower (Sardinia) which began operating late in the quarter. EBIT came in at Eu20.8mn, +97.6% YoY and above our Eu19.2mn estimate even after Eu6.2mn in provisions for subsidiary Palermo Energia Ambiente, which has a pending court case that could threaten the viability of the company. As such, appropriate adjustments have been made to the related balance sheet items. Falck then reported a net profit of Eu1.3mn, after a Eu13.2mn loss in 2010, broadly in line with our Eu1mn estimate. Full year net profit was Eu18.8mn, up from Eu2.4mn in 2010 and in line with our Eu18.5mn estimate. The YE11 net financial position was Eu765mn, excluding the impact of market-to-market adjustments on derivatives, up from Eu705.1mn in 2010 following Eu178mn worth of investments. Management has proposed a dividend of Eu0.0284/share.
- New business plan.** In addition to 2011 results, management also announced a revision to the business plan delivered in 2010. The plan was revised due to changes in the international regulatory framework and in financial market conditions. New guidelines have been established in terms of geographical diversification (focus is on the UK, which will soon become Falck's prevalent country of business) and technological balance (between wind power and other sources), as well as regarding operating efficiency. A new installed capacity target of 950MW has been set (down from 1.1GW in the previous plan). The company is now aiming for at least Eu155mn in 2012 EBITDA (with 70MW of additional power capacity), then in 2014, Falck is targeting Eu340mn in turnover (11% 3-year CAGR), Eu190mn in EBITDA (10% CAGR) and a net financial position of Eu990mn.
- OUTPERFORM confirmed, target price moved to Eu1.60.** 2011 results were surprising even if there were both positive and negative non-recurring items (Eu5mn in tax benefits on the positive side). Our estimates for 2012-2014 are little bit more cautious than the company's, not for any lack of trust in the management (which has certainly strengthened its credibility thanks to the 2011 results achieved), but rather because we believe that the risks of changes in laws in various European countries (11MW worth of solar power investments in Italy are already at risk) could lead to changes in investment programmes and could dent the current pipeline under development that have not yet been authorised (roughly 1000MWp). Our sum-of-the-parts valuation model nevertheless leads to a fair value that suggests there is plenty of upside to justify a positive view on the stock.

FALCK RENEWABLES - 12m Performance



RATING: Unchanged

TARGET PRICE (Eu): from 1.50 to 1.60

Change in EPS est:	2012E	2013E
	-6.8%	6.4%

STOCK DATA

Reuters code: AA4.MI
 Bloomberg code: FKR IM

Performance	1m	3m	12m
Absolute	6.1%	16.2%	-41.1%
Relative	7.6%	7.5%	-19.1%
12 months H/L:	1.61/0.69		

SHAREHOLDER DATA

No. of Ord. shares (mn):	291
Total No. of shares (mn):	291
Mkt Cap Ord (Eu mn):	275
Total Mkt Cap (Eu mn):	275
Mkt Float - ord (Eu mn):	66
Mkt Float (in %):	24.0%
Main shareholder:	
Falck Spa	60.0%

BALANCE SHEET DATA

Book value (Eu mn):	509
BVPS (Eu):	1.72
P/BV:	0.5
Net Financial Position (Eu mn):	-834
Enterprise value (Eu mn):	1,109

Key Figures	2010A	2011A	2012E	2013E	2014E
Sales (Eu mn)	184	249	282	308	354
Ebitda (Eu mn)	96	142	154	166	188
Net profit (Eu mn)	0	19	25	29	33
EPS - New (Eu)	0.003	0.107	0.086	0.099	0.112
EPS - Old (Eu)	0.003	0.063	0.092	0.093	0.127
DPS (Eu)	0.000	0.028	0.000	0.000	0.000

Ratios & Multiples	2010A	2011A	2012E	2013E	2014E
P/E	nm	8.8	11.0	9.5	8.4
Div. Yield	0.0%	3.0%	0.0%	0.0%	0.0%
EV/Ebitda	10.5	7.3	7.2	7.6	6.8
ROCE	5.0%	6.7%	6.9%	7.7%	8.2%

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FALCK RENEWABLES - KEY FIGURES

		2010A	2011A	2012E	2013E	2014E
	Fiscal year end	31/12/2010	31/12/2011	31/12/2012	31/12/2013	31/12/2014
PROFIT & LOSS (Eu mn)	Sales	184	249	282	308	354
	EBITDA	96	142	154	166	188
	EBIT	50	79	91	110	126
	Financial income (charges)	(36)	(36)	(48)	(60)	(70)
	Associates & Others					
	Pre-tax profit (Loss)	15	37	43	50	56
	Taxes	(12)	(17)	(16)	(18)	(21)
	Tax rate (%)	82.6%	46.7%	37.0%	37.0%	37.0%
	Minorities & discontinue activities	(2)	(1)	(2)	(3)	(3)
	Net profit	0	19	25	29	33
	Total extraordinary items	1	(6)	0	0	0
	Ebitda excl. extraordinary items	96	142	154	166	188
	Ebit excl. extraordinary items	50	79	91	110	126
Net profit restated	0	31	25	29	33	
PER SHARE DATA (Eu)	Total shares out (mn) - average fd	162	291	291	291	291
	EPS stated fd	0.003	0.065	0.086	0.099	0.112
	EPS restated fd	0.003	0.107	0.086	0.099	0.112
	BVPS fd	2.025	1.527	1.721	1.820	1.932
	Dividend per share (ord)	0.000	0.028	0.000	0.000	0.000
	Dividend per share (sav)	0.000	0.000	0.000	0.000	0.000
	Dividend pay out ratio (%)	0.0%	0.0%	0.0%	0.0%	0.0%
CASH FLOW (Eu mn)	Gross cash flow	47	87	91	87	97
	Change in NWC	18	(85)	56	2	17
	Capital expenditure	(177)	(276)	(130)	(239)	(117)
	Other cash items	1	1	(1)	0	0
	Free cash flow (FCF)	(112)	(273)	16	(150)	(3)
	Acquisitions, divestments & others	(24)	32	0	0	0
	Dividend	(12)	0	0	0	0
	Equity financing/Buy-back	94	130	0	0	0
Change in Net Financial Position	(167)	(111)	13	(153)	(6)	
BALANCE SHEET (Eu mn)	Total fixed assets	1,124	1,270	1,374	1,557	1,612
	Net working capital	(30)	45	(29)	(31)	(48)
	Long term liabilities	(29)	(20)	(2)	(2)	(2)
	Net capital employed	1,065	1,294	1,343	1,524	1,563
	Net financial position	(730)	(765)	(834)	(987)	(992)
	Group equity	328	445	502	531	563
	Minorities	7	7	7	7	7
Net equity	334	452	509	537	570	
ENTERPRISE VALUE (Eu mn)	Average mkt cap - current	275	275	275	275	275
	Adjustments (associate & minorities)	0	0	0	0	0
	Net financial position	(730)	(765)	(834)	(987)	(992)
	Enterprise value	1,005	1,040	1,109	1,261	1,267
RATIOS(%)	EBITDA margin*	51.9%	57.0%	54.8%	53.7%	53.0%
	EBIT margin*	26.9%	31.9%	32.3%	35.6%	35.7%
	Gearing - Debt/equity	nm	172.0%	166.2%	186.0%	176.2%
	Interest cover on EBIT	1.4	2.2	1.9	1.8	1.8
	Debt/Ebitda	7.65	5.40	5.40	5.96	5.29
	ROCE*	5.0%	6.7%	6.9%	7.7%	8.2%
	ROE*	0.1%	4.8%	5.2%	5.5%	5.9%
	EV/CE	1.0	0.9	0.8	0.9	0.8
	EV/Sales	5.5	4.2	3.9	4.1	3.6
	EV/Ebit	20.3	12.2	12.2	11.5	10.0
Free Cash Flow Yield	-40.7%	-99.3%	5.7%	-54.6%	-1.1%	
GROWTH RATES (%)	Sales	-0.6%	35.1%	13.4%	9.4%	14.8%
	EBITDA*	-0.3%	48.4%	9.0%	7.2%	13.3%
	EBIT*	-11.8%	59.7%	15.0%	20.4%	15.1%
	Net profit	-97.2%	3857.5%	32.6%	15.2%	13.3%
	EPS restated	-98.8%	3517.9%	-19.4%	15.2%	13.3%

* Excluding extraordinary items

Source: Intermonte SIM estimates

Strong 4Q 2011: Italy wind lead the growth

Falck reported decisive growth YoY and beat our expectations in 4Q11. Turnover came in at Eu80.1mn, +54.3% YoY and in line with our Eu80.9mn estimate. EBITDA was Eu48.2mn, +76.7% YoY and higher than our estimate of Eu36.9mn. For the full year, EBITDA was Eu141.7mn, above the company guidance of Eu130mn. The EBITDA figure was so strong partly thanks to a good contribution from Geopower (Sardinia) which began operating late in the quarter.

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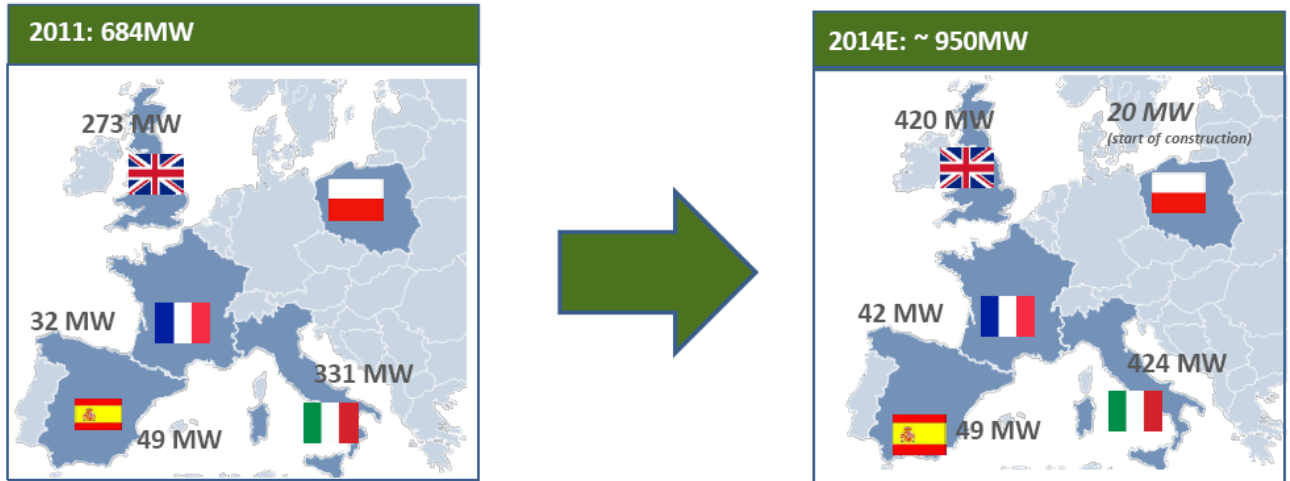
See table below with the comparison between our estimates and actual numbers.

Falck Renewables P&L	2,010.0	1Q11	2Q11	1H11	3Q11	9M11	4Q11	4Q11A	% A/E	2,011.0	2011A	% A/E
Total Revenues	184.1	58.2	55.9	114.0	54.5	168.6	80.9	80.1	-1.0%	249.5	248.7	-0.3%
Total Operating Costs	-18.4	-22.9	-26.1	-49.0	-26.2	-75.1	-44.0	-55.5	26.1%	-31.4	-130.6	316.2%
Value Added	165.7	35.3	29.7	65.0	28.3	93.5	36.9	24.6	nm	218.1	118.1	nm
Labor Cost	-70.2	na	na	na	na	na	na	na		-87.7	-38.8	
EBITDA	95.5	35.3	29.7	65.0	28.3	93.5	36.9	48.2	30.7%	130.4	141.7	8.7%
% EBITDA Margin	51.9%	60.6%	53.2%	55.0%	52.0%	55.5%	45.6%	60.2%		52.3%	57.0%	
Wind	48.7	21.4	na	na	na	na	na	na		89.6	na	
WTE-Biomass-Solar	46.8	15.7	na	na	na	na	na	na		40.8	na	
Depr	-45.9	-11.2	-11.7	-22.9	-12.3	-35.2	17.7	-27.3	-253.8%	-52.9	-62.5	18.0%
EBIT	49.6	24.1	18.0	42.1	16.0	58.3	19.2	20.9	9.4%	77.4	79.2	2.3%
% EBIT Margin	0.3	0.4	0.3	0.4	0.3	0.3	0.2	0.3		0.3	0.3	
Net Financial Charges	-35.6	-9.0	-8.9	-17.9	-8.0	-25.9	-14.0	-16.8	19.7%	-39.9	-42.7	6.9%
Other Charges/Income	0.6	0.4	0.2	0.6	0.2	0.8	0.0	-0.1	nm	0.0	0.7	nm
Net Operating Margin	14.7	15.0	9.8	24.8	8.2	33.5	4.1	3.8	-6.5%	37.5	37.3	-0.7%
Taxes	-12.1	na	na	10.5	3.5	14.1	-2.5	-3.4	36.7%	-16.5	-17.4	5.5%
Tax Rate %	0.8	na	na	0.4	0.4	0.4	0.6	0.9		0.4	0.5	
Net Income	2.5	na	na	14.3	4.7	19.4	1.6	0.4	-72.7%	21.0	19.8	-5.5%
Results from discontinued op.	0.0	na	na	0.0	0.0	0.0	0.0	0.0	nm	0.0	0.0	nm
Minorities	2.1	na	na	1.3	0.6	1.9	0.0	-0.9	nm	2.5	1.0	-61.1%
Group Net Income	0.5	na	na	13.0	4.1	17.5	1.0	1.3	38.8%	18.5	18.9	2.0%
Adj. Net Income	0.5	na	na	13.0	4.1	17.5	1.0	13.3	nm	18.5	31.0	67.7%
Capex	266.0	27.8	58.2	86.0	98.7	184.7	98.7	nm		283.3	178.0	
Equity	335.0	471.0	471.0	471.0	471.0	471.0	471.0	444.9		471.0	444.9	
Net Debt	728.0	622.9	656.0	656.0	696.0	742.9	776.0	765.0		776.0	765.0	
CE	1,063.0	1,093.9	1,127.0	1,127.0	1,167.0	1,213.9	1,247.0	1,209.9		1,247.0	1,209.9	
ROCE	0.1	0.1	0.0	0.1	0.0	0.1	0.0	0.0		0.0	0.0	
D/E Ratio	2.2	1.3	1.4	1.4	1.5	1.6	1.6	1.7		1.6	1.7	

Source: Intermonte SIM.

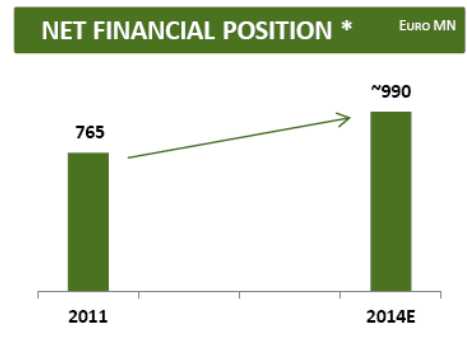
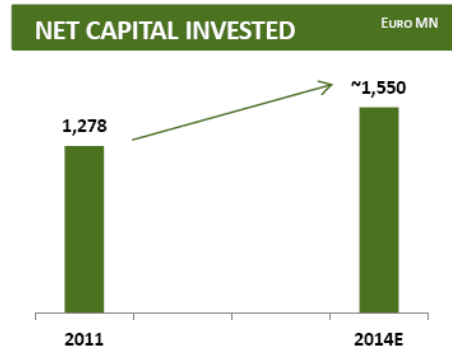
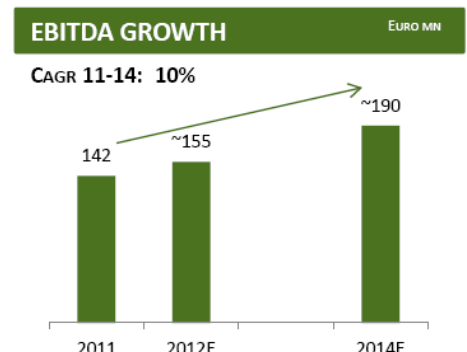
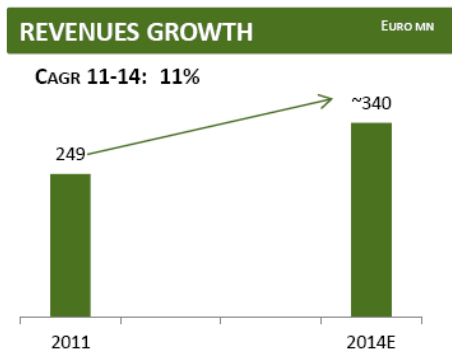
New Business plan: focus on overseas growth

In addition to 2011 results, management also announced a revision to the business plan delivered in 2010. The plan was revised due to changes in the international regulatory framework and in financial market conditions. New guidelines have been established in terms of geographical diversification (focus is on the UK, which will soon become Falck's prevalent country of business) and technological balance (between wind power and other sources), as well as regarding operating efficiency.



Source: company presentation

A new installed capacity target of 950MW has been set (down from 1.1GW in the previous plan). The company is now aiming for at least Eu155mn in 2012 EBITDA (with 70MW of additional power capacity), then in 2014, Falck is targeting Eu340mn in turnover (11% 3-year CAGR), Eu190mn in EBITDA (10% CAGR) and a net financial position of Eu990mn.



Source: company presentation. *) NFP without derivatives impact

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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.

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BUY: 20.16%

OUTPERFORM: 33.33%

NEUTRAL: 36.43%

UNDERPERFORM: 10.08%

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%

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DETAILS ON STOCKS RECOMMENDATION

Stock NAME	FALCK RENEWABLES		
Current Recomm:	OUTPERFORM	Previous Recomm:	OUTPERFORM
Current Target (Eu):	1.60	Previous Target (Eu):	1.50
Current Price (Eu):	0.94	Previous Price (Eu):	0.80
Date of report:	02/04/2012	Date of last report:	22/02/2012

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