

Falck Renewables

Italy | Utilities | MCAP EUR 343.3m

15 May 2015

Buy (Buy)

Target Price EUR 1.70
Current Price EUR 1.2
Up/downside 44.3%
Change in TP none
Change in EPS none 2015E

Strong Q1 numbers

Falck Renewables released strong results in Q1, mainly thanks to good wind conditions. EBITDA grew by 18% YOY and pre-tax profit by 37% YOY, well above our estimates. Guidance is becoming cautious, in our view. The company is ready to exploit consolidation opportunities both in Italy and abroad. Buy confirmed.

Operating results well above estimates

Thanks to good wind conditions and a new wind park entering into operation (West Browncastle in the UK, 30MW, taking the total installed capacity in wind to 674.6MW and the total installed capacity of the group to 725.7MW, also including waste, biomass and solar), wind revenues grew by 18% YOY. Waste-to-energy, biomass and solar, in contrast, saw declining revenues due to lower CIP6 prices and the stoppage for maintenance of the waste-to-energy operations of Trezzo sull'Adda. Q1 revenues included for the first time the revenues of the service provider (Vector Cuatro) bought in 2014. All in, revenues came out at EUR86.6m, up 13.7% YOY, leading to EBITDA of EUR54.6m, up 18.2% YOY and well above our EUR47m estimates, thanks to better production. As a result, pre-tax profit came out at EUR25.2m, up 37% YOY.

Net debt in line with expectations

Net debt came out at EUR613.5m, down 3.9% QOQ, and at EUR527.6m when excluding the derivatives' fair value. It was in line with our expectations.

Cautious guidance

The CEO confirmed guidance of EBITDA of EUR132-137m in 2015. We estimate EBITDA of EUR137.2m in 2015, but Q1 EBITDA already represents 40% of our yearly estimate. We consider the guidance cautious, assuming normal wind conditions, but will wait another quarter before reviewing our estimates.

Buy confirmed

Under our cautious estimates, we have an SOP-based TP of EUR1.7, with huge 44.3% upside and an appealing 4% dividend yield. Moreover, the further growth of Falck Renewables through 100MW in the UK and through a potential consolidation process could help create additional value for shareholders.

Claudia Introvigne

cintrovigne@keplercheuvreux.com
 +39 02 8550 7220

Market data

Market cap (EURm)	343
Free float	37%
No. of shares outstanding (m)	291
Avg. daily trading volume('000)	0
YTD abs performance	26.7%
52-week high (EUR)	1.39
52-week low (EUR)	0.87

FY to 31/12 (EUR)	2015E	2016E	2017E
Sales (m)	246.8	255.6	271.8
EBITDA adj (m)	137.2	146.9	159.9
EBIT adj (m)	73.8	83.3	96.2
Net profit adj (m)	7.0	14.6	24.3
Net fin. debt (m)	590.0	533.1	469.1
FCF (m)	66.6	71.1	78.3
EPS adj. and fully dil.	0.02	0.05	0.08
Consensus EPS	0.02	0.05	0.06
Net dividend	0.05	0.05	0.05

FY to 31/12 (EUR)	2015E	2016E	2017E
P/E (x) adj and ful. dil.	49.0	23.6	14.1
EV/EBITDA (x)	7.0	6.2	5.3
EV/EBIT (x)	13.0	10.9	8.8
FCF yield	16.5%	17.6%	19.4%
Dividend yield	4.0%	4.0%	4.0%
Net fin.debt/EBITDA	4.3	3.6	2.9
Gearing	119.0%	105.9%	90.0%
ROIC	4.0%	4.8%	5.8%
EV/IC (x)	1.0	1.0	1.0

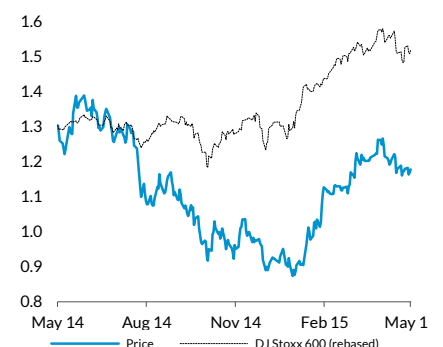


Table 1: Quarterly results (EURm)

	Q1 2014	Q2 2014	Q3 2014	Q4 2014	Q1 2015	YOY	QOQ	Q1 2015E	Act/Est
Revenues	76	51	47	84	87	13.8%	3.6%	77	13.2%
EBITDA	46	26	18	46	55	18.4%	19.5%	47	17.4%
Margin	60.6%	50.9%	37.3%	54.7%	63.0%			60.8%	
EBIT	33	7	1	31	37	12.4%	18.1%	32	16.1%
Margin	42.8%	14.0%	2.3%	37.1%	42.3%			41.2%	
Net debt	573	598	629	638	614	7.1%	-3.9%	618	-0.7%

Source: Company data, Kepler Cheuvreux

Table 2: Trends in 2015E (EURm)

	Q1 2014	Q1 2015	YOY	Apr-Dec 14	Apr-Dec 15E	YOY
Revenues	76	87	13.8%	182	160	-11.8%
EBITDA	46	55	18.4%	89	83	-7.3%
Margin	60.6%	63.0%		49.1%	51.6%	
EBIT	33	37	12.4%	39	37	-5.2%
Margin	42.8%	42.3%		21.6%	23.2%	
Net debt	573	614	7.1%	638	590	-7.5%

Source: Company data, Kepler Cheuvreux

Key financials

FY to 31/12 (EUR)	2010	2011	2012	2013	2014	2015E	2016E	2017E
Per share data								
EPS adjusted	0.00	0.06	-0.29	0.05	0.01	0.02	0.05	0.08
EPS adj and fully diluted	0.00	0.06	-0.29	0.05	0.01	0.02	0.05	0.08
EPS reported	0.00	0.06	-0.29	0.05	0.01	0.02	0.05	0.08
Cash flow per share	0.16	0.02	0.27	0.31	0.22	0.24	0.27	0.30
Book value per share	2.03	1.53	1.18	1.28	1.61	1.57	1.57	1.61
Dividend per share	0.01	0.03	0.00	0.03	0.06	0.05	0.05	0.05
Number of shares, YE (m)	161.9	291.4	291.4	291.4	291.4	291.4	291.4	291.4
Valuation								
P/E adjusted	na	18.2	na	19.6	106.2	49.0	23.6	14.1
P/E adjusted and fully diluted	na	18.2	na	19.6	106.2	49.0	23.6	14.1
P/BV	1.1	0.8	0.8	0.8	0.8	0.8	0.7	0.7
P/CF	14.7	48.2	3.4	3.3	5.5	4.9	4.3	3.9
Dividend yield (%)	0.5%	2.4%	0.0%	3.2%	5.1%	4.0%	4.0%	4.0%
FCF yield (%)	-14.7%	-42.3%	6.2%	21.0%	2.3%	16.5%	17.6%	19.4%
EV/Sales	6.0	4.5	4.0	3.8	3.9	3.9	3.5	3.1
EV/EBITDA	11.7	7.9	7.0	6.7	7.5	7.0	6.2	5.3
EV/EBIT	22.8	14.1	na	13.4	14.3	13.0	10.9	8.8
Income Statement (EURm)								
Sales	184.6	248.7	274.6	275.9	257.7	246.8	255.6	271.8
EBITDA adjusted	94.6	141.7	158.0	157.0	135.0	137.2	146.9	159.9
EBIT adjusted	48.5	79.2	-21.4	79.3	70.8	73.8	83.3	96.2
Net financial items & associates	-34.7	-42.0	-46.4	-48.5	-49.2	-48.3	-44.1	-39.3
Others	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Tax	-11.5	-17.4	-17.6	-15.9	-12.6	-11.5	-17.6	-25.6
Net profit from continuing operations	2.4	19.9	-85.4	15.0	9.0	14.0	21.6	31.3
Net profit from discontinuing activities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net profit before minorities	2.4	19.9	-85.4	15.0	9.0	14.0	21.6	31.3
Net profit reported	0.3	18.9	-85.4	15.0	3.4	7.0	14.6	24.3
Net profit adjusted	0.3	18.9	-85.4	15.0	3.4	7.0	14.6	24.3
Cash Flow Statement (EURm)								
Cash flow from operating activities	25.1	7.1	77.3	89.8	65.4	69.6	80.1	88.3
Capex	-89.0	-178.0	-58.3	-17.5	-55.9	-3.0	-9.0	-10.0
Free cash flow	-63.9	-170.9	19.0	72.4	9.5	66.6	71.1	78.3
Acquisitions & Divestments	0.0	0.0	0.0	0.0	110.0	0.0	0.0	0.0
Dividend paid	0.0	-1.9	-8.2	0.0	-9.3	-18.1	-13.7	-13.7
Others	-101.6	136.8	-88.9	15.1	7.4	-0.5	-0.5	-0.5
Change in net financial debt	-165.5	-36.0	-78.1	87.5	117.6	48.0	56.9	64.1
Balance Sheet (EURm)								
Intangible assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Tangible assets	947.1	1,098.6	1,035.0	1,012.8	965.7	905.3	850.7	797.0
Financial & other non-current assets	177.4	171.0	133.0	124.5	162.7	163.2	163.7	164.2
Total shareholders' equity	335.3	451.8	343.7	378.8	499.8	495.7	503.6	521.1
Pension provisions	3.7	4.2	4.4	4.4	4.5	4.7	4.8	4.9
Liabilities and provisions	1,003.7	1,077.8	1,132.9	1,054.1	993.8	938.4	880.7	818.0
Net debt	732.9	769.3	847.5	760.0	642.5	594.7	537.9	473.9
Working capital requirement	-21.8	61.8	77.6	56.0	68.4	76.3	81.4	88.1
Invested Capital	925.3	1,160.4	1,112.6	1,068.8	1,034.2	981.6	932.1	885.1
Ratios								
ROE (%)	0.1%	4.8%	-21.5%	4.1%	0.8%	1.4%	2.9%	4.7%
ROIC (%)	1.0%	4.0%	-1.0%	3.5%	2.8%	4.0%	4.8%	5.8%
Net fin. debt / EBITDA (x)	7.7	5.4	5.3	4.8	4.7	4.3	3.6	2.9
Gearing (%)	217.4%	169.3%	245.3%	199.5%	127.7%	119.0%	105.9%	90.0%

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
Via C. Cornaggia 10
20123 Milano
+39 02 855 07 1

Paris

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

Stockholm

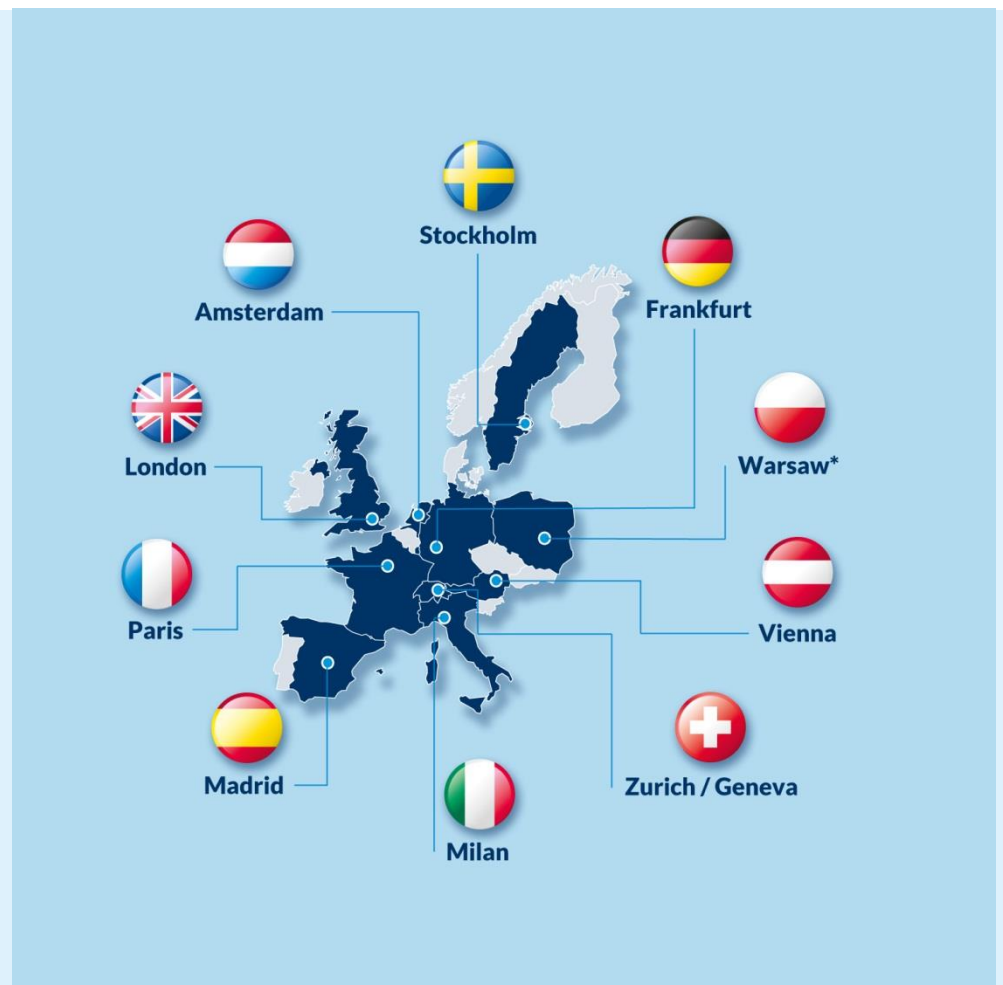
Kepler Cheuvreux Nordic
Regeringsgatan 38
10393 Stockholm
+468 723 5100

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

Kepler Capital Markets, Inc
225 Franklin Street, Floor 26
Boston, MA 02110
+1 617-217-2615

San Francisco

Kepler Capital Markets, Inc
50 California Street, Suite 1500
San Francisco, CA 94111
+1 415- 439-5253

New York

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