

Falck Renewables

Italy | Utilities | MCAP EUR 317.3m

13 November 2015

Buy (Buy)

Target Price EUR 1.50
Current Price EUR 1.1
Up/downside 37.7%
Change in TP none
Change in EPS none 2015E

Strong Q3 results and guidance upgrade

Falck renewables released strong Q3 results, with EBITDA growing 42% YOY and reaching a 9M EBITDA of EUR110m, up 23% YOY. Guidance was upgraded from EBITDA of EUR132-137m to EUR137-142m, while we keep our (maybe cautious now) estimate of EUR138m. Buy confirmed.

Interim results (EURm)

	9M 2014	9M 2015	YOY	9M 2015E	Act/Est	Q3 2015	YOY	QOQ	Q3 2015E
Revenues	174	200	14.8%	196	2.2%	53	12.2%	-13.2%	48
EBITDA	90	110	22.8%	106	3.3%	25	42.1%	-18.5%	21
Margin	51.5%	55.1%		54.4%		47.3%			44.2%
EBIT	41	51	24.6%	50	0.8%	5	nm	nm	4
Margin	23.4%	25.4%		25.8%		9.1%			9.0%
Net Debt	629	618	-1.7%	623	-0.8%	618	-1.7%	-0.8%	623

Source: Company data, Kepler Cheuvreux

Strong operating results, above estimates

In Q3, EBITDA grew to EUR25m (KECH: EUR21m), up 42% YOY, thanks to the better performance of the wind business mainly in UK. 9M EBITDA was EUR110m, up 23% YOY and representing 79% of our yearly estimate, which we cautiously confirm. Q3 EBIT was almost in line with our estimates, due to the inclusion of a EUR3m non-cash provision for potential transmission costs to be repaid related to past years. The net debt at end-September, derivatives' fair value included, stood at EUR618m (KECH: EUR624m), almost in line QOQ.

Guidance upgrade

Previous guidance of EUR132-137m of EBITDA was upgraded to EUR137-142m EBITDA; we cautiously confirm our EUR138m estimate.

Focus on business plan implementation

On 5 November, we updated our numbers on Falck Renewables (see our report *Falck Renewables, Numbers revision waiting for Q3*), after the new UK (negative) regulation and the lower contribution of the service division. We keep our Buy rating on the stock. We continue to believe the stock is undervalued; it is trading at 7.5x EV/EBITDA and EUR1.1m per MW.

Claudia Introvigne

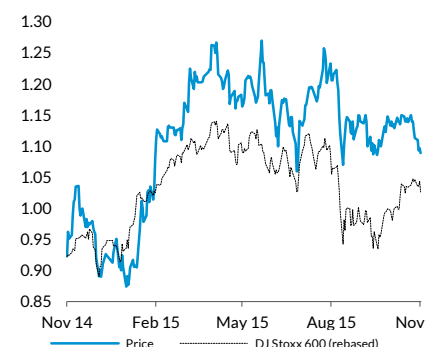
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Market data

Bloomberg: FKR IM	Reuters: AA4.MI
Market cap (EURm)	317
Free float	37%
No. of shares outstanding (m)	291
Avg. daily volume('000)	958
YTD abs performance	17.2%
52-week high/low (EUR)	1.27/0.87

FY to 31/12 (EUR)	12/15E	12/16E	12/17E
Sales (m)	254.5	254.1	273.2
EBITDA adj (m)	137.6	142.4	156.1
EBIT adj (m)	65.7	71.3	84.2
Net profit adj (m)	2.9	4.6	12.5
Net fin. debt (m)	679.3	715.9	674.3
FCF (m)	-19.2	-18.9	59.3
EPS adj. and fully dil.	0.01	0.02	0.04
Consensus EPS	0.01	0.02	0.03
Net dividend	0.05	0.05	0.05

FY to 31/12 (EUR)	12/15E	12/16E	12/17E
P/E adj and ful. dil.	110.4	69.0	25.4
EV/EBITDA	7.4	7.5	6.6
EV/EBIT	15.5	14.9	12.2
FCF yield	-5.1%	-5.1%	15.9%
Dividend yield	4.3%	4.3%	4.3%
Net fin.debt/EBITDA	4.9	5.0	4.3
Gearing	137.6%	144.8%	134.0%
ROIC	3.4%	4.0%	4.7%
EV/IC	1.0	1.0	1.0



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	0.01	0.02	0.04
EPS adj and fully diluted	0.00	0.06	-0.29	0.05	0.01	0.01	0.02	0.04
EPS reported	0.00	0.06	-0.29	0.05	0.01	0.01	0.02	0.04
Cash flow per share	0.16	0.02	0.27	0.31	0.22	0.26	0.29	0.30
Book value per share	2.03	1.53	1.18	1.28	1.61	1.56	1.52	1.52
Dividend per share	0.01	0.03	0.00	0.03	0.06	0.05	0.05	0.05
Number of shares, YE (m)	161.90	291.41	291.41	291.41	291.41	291.41	291.41	291.41
Valuation								
P/E adjusted	na	18.2	na	19.6	106.2	110.4	69.0	25.4
P/E adjusted and fully diluted	na	18.2	na	19.6	106.2	110.4	69.0	25.4
P/BV	1.1	0.8	0.8	0.8	0.8	0.7	0.7	0.7
P/CF	14.7	48.2	3.4	3.3	5.5	4.2	3.8	3.6
Dividend yield (%)	0.5%	2.4%	0.0%	3.2%	5.1%	4.3%	4.3%	4.3%
FCF yield (%)	-14.7%	-42.3%	6.2%	21.0%	2.3%	-5.1%	-5.1%	15.9%
EV/Sales	6.0	4.5	4.0	3.8	3.9	4.0	4.2	3.8
EV/EBITDA	11.7	7.9	7.0	6.7	7.5	7.4	7.5	6.6
EV/EBIT	22.8	14.1	na	13.4	14.3	15.5	14.9	12.2
Income Statement (EURm)								
Sales	184.6	248.7	274.6	275.9	257.7	254.5	254.1	273.2
EBITDA adjusted	94.6	141.7	158.0	157.0	135.0	137.6	142.4	156.1
EBIT adjusted	48.5	79.2	-21.4	79.3	70.8	65.7	71.3	84.2
Net financial items & associates	-34.7	-42.0	-46.4	-48.5	-49.2	-44.1	-46.9	-46.7
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	-9.7	-9.7	-15.0
Net profit from continuing operations	2.4	19.9	-85.4	15.0	9.0	11.9	14.6	22.5
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	11.9	14.6	22.5
Net profit reported	0.3	18.9	-85.4	15.0	3.4	2.9	4.6	12.5
Net profit adjusted	0.3	18.9	-85.4	15.0	3.4	2.9	4.6	12.5
Cash Flow Statement (EURm)								
Cash flow from operating activities	25.1	7.1	77.3	89.8	65.4	75.8	83.1	87.3
Capex	-89.0	-178.0	-58.3	-17.5	-55.9	-95.0	-102.0	-28.0
Free cash flow	-63.9	-170.9	19.0	72.4	9.5	-19.2	-18.9	59.3
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	-4.0	-4.0	-4.0
Change in net financial debt	-165.5	-36.0	-78.1	87.5	117.6	-41.3	-36.6	41.6
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	988.8	1,019.6	975.7
Financial & other non-current assets	177.4	171.0	133.0	124.5	162.7	166.7	170.7	174.7
Total shareholders' equity	335.3	451.8	343.7	378.8	499.8	493.6	494.5	503.3
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	1,031.4	1,065.0	1,025.8
Net debt	732.9	769.3	847.5	760.0	642.5	684.0	720.6	679.1
Working capital requirement	-21.8	61.8	77.6	56.0	68.4	76.5	79.1	86.2
Invested Capital	925.3	1,160.4	1,112.6	1,068.8	1,034.2	1,065.2	1,098.7	1,061.9
Ratios								
ROE (%)	0.1%	4.9%	-21.7%	4.2%	0.8%	0.6%	1.0%	2.8%
ROIC (%)	1.0%	4.0%	-1.0%	3.5%	2.8%	3.4%	4.0%	4.7%
Net fin. debt / EBITDA (x)	7.7	5.4	5.3	4.8	4.7	4.9	5.0	4.3
Gearing (%)	217.4%	169.3%	245.3%	199.5%	127.7%	137.6%	144.8%	134.0%

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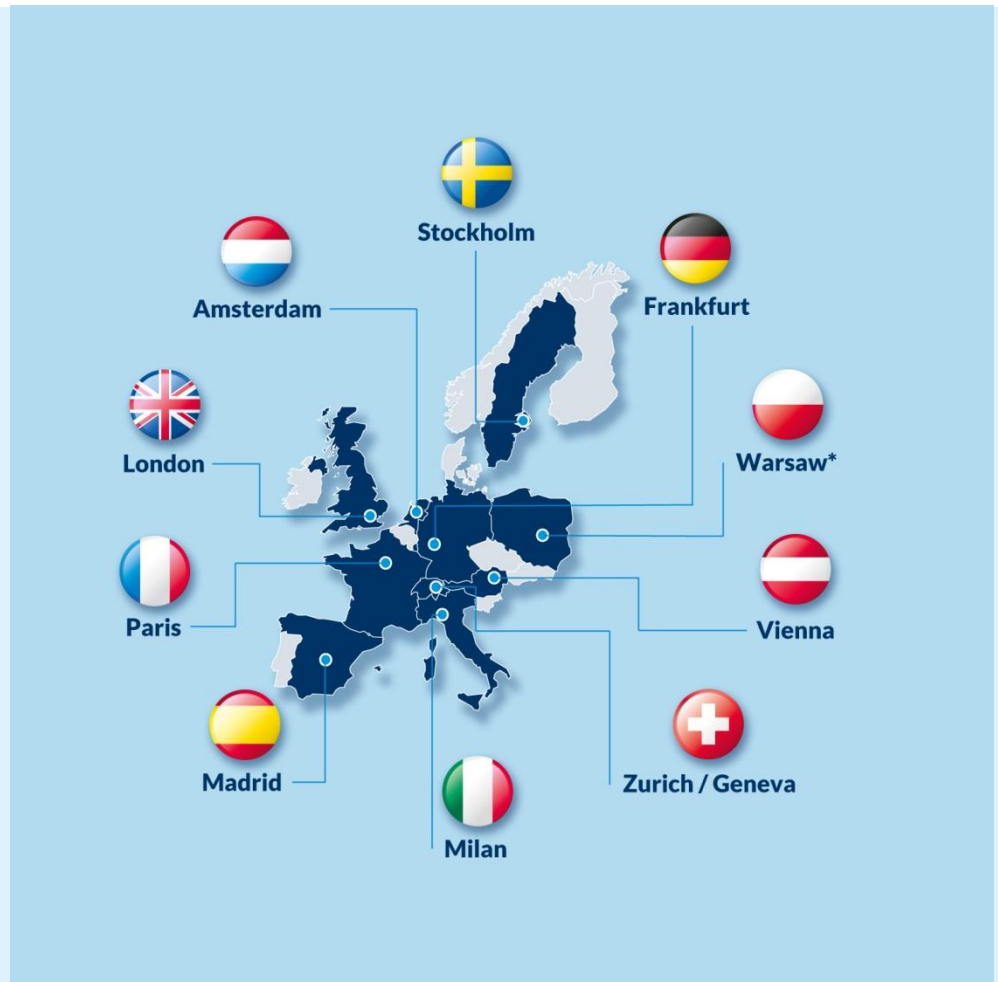
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