

# Falck Renewables

Italy | Utilities

**Buy** (Buy)

Target price  
EUR 1.80

Current price  
EUR 1.40



## More opportunities ahead

As a result of the partnership with CII (Pension Danmark), we are updating our estimates to include the value added from the recent deal. We lift our 2013-17 EPS estimates by 10%, on average in addition to raising our TP from EUR1.5 to EUR1.8. We confirm our Buy rating.

### Recent deal and potential further growth

Falck Renewables is a small renewables company that is diversified both geographically (mainly Italy and the UK) and technologically (mainly wind and waste), with 731MW of current installed capacity (o/w 353MW is in Italy and 288MW in the UK). We like its geographical and technological footprint. Its main (positive) catalyst at the moment is the closing of the (already announced) deal with CII (Pension Danmark), in Q1, and the presentation of a new business plan, which could set even more aggressive growth targets than previously.

### EPS raised by 10% on average over 2013-17

The main changes we are making to our previous estimates are related to the CII (Pension Danmark) partnership, the new business unit dedicated to these services and a fine-tuning in the D&A line. **CII (Pension Danmark) partnership:** in 2014 we include EUR140m as the cash-in that Falck Renewables will receive at the time of the closing (the 49% equity value of the assets would be EUR185m, which is split into EUR140m in cash and EUR45m as the repayment of a subordinated loan). We did not include the EUR12m in additional earn-out that Falck might receive and which is based on future wind production. From this, we subtract EUR9m in minorities. **Services:** from 2016, we include EUR10m (2016E) and EUR20m (2017E) in EBITDA from the new business unit (we allot EUR10m in cumulative capex to this unit as well). **D&A:** we improve the D&A line from minus EUR70m to minus EUR65m a year over 2014-17.

### TP raised from EUR1.5 to EUR1.8

Thanks to the deal and the newly included "service" business line, we raise our target price from EUR1.5 to EUR1.8. Our target price implies a fair 8.3x EV/EBITDA 2014E and 1.6x EV/MW, well below the 2x EV/MW used in the deal with CII (pension Danmark), mainly because we cautiously use a 9.5% WACC.

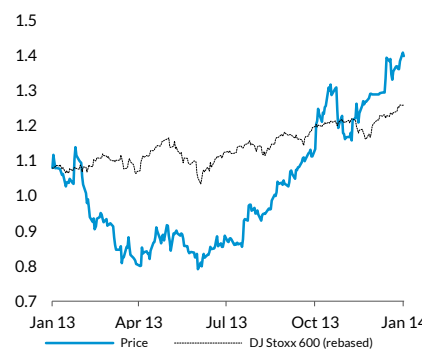
### Claudia Introvigne

cintrovigne@keplercheuvreux.com  
+39 02 8550 7220

Reuters AA4.MI  
Bloomberg FKR IM  
Index DJ Stoxx 600

#### Market data

Market cap (EURm)	408
Free float	37%
No. of shares outstanding (m)	291
Avg. daily trading volume('000)	1,533
YTD abs performance	8.0%
52-week high (EUR)	1.41
52-week low (EUR)	0.79



FY to 31/12 (EUR)	2013E	2014E	2015E
Sales (m)	282.4	284.3	285.4
EBITDA adj (m)	146.5	149.4	162.0
EBIT adj (m)	79.5	84.8	97.2
Net profit adj (m)	16.7	17.5	26.5
Net fin. debt (m)	827.8	672.2	598.9
FCF (m)	16.3	21.6	79.6
EPS adj. and fully dil.	0.06	0.06	0.09
Consensus EPS	0.04	0.05	0.08
Net dividend	0.02	0.02	0.03

FY to 31/12 (EUR)	2013E	2014E	2015E
P/E (x) adj and ful. dil.	24.4	23.3	15.4
EV/EBITDA (x)	8.5	7.3	6.3
EV/EBIT (x)	15.6	12.9	10.6
FCF yield	3.4%	4.5%	16.6%
Dividend yield	1.2%	1.3%	1.9%
Net debt/EBITDA (x)	5.7	4.5	3.7
Gearing	229.7%	176.0%	145.3%
ROIC	3.9%	4.8%	6.0%
EV/IC (x)	1.1	1.1	1.1

# Summary

## Company profile

Falck renewables, created in November 2010, is a company focused on the wind business in Scotland, the UK, Italy, Spain and France, and in waste to energy in Italy.

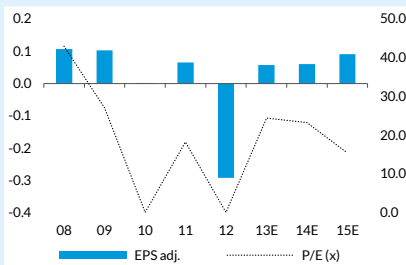
### Management structure

Federico Falck	Chairman
Piero Manzoni	CEO
Paolo Rundeddu	CFO

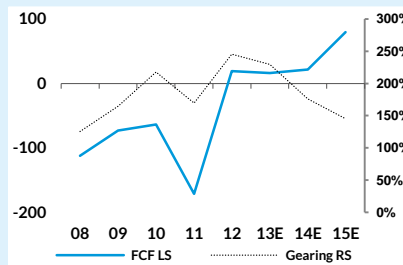
### Key shareholders

Falck SpA	60.0%
Achille Colombo	2.9%

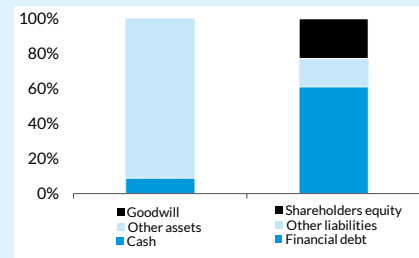
### EPS and PE



### FCF and Gearing



### Balance Sheet Structure, 2013E



## Valuation

### Base case

WACC=9.5%

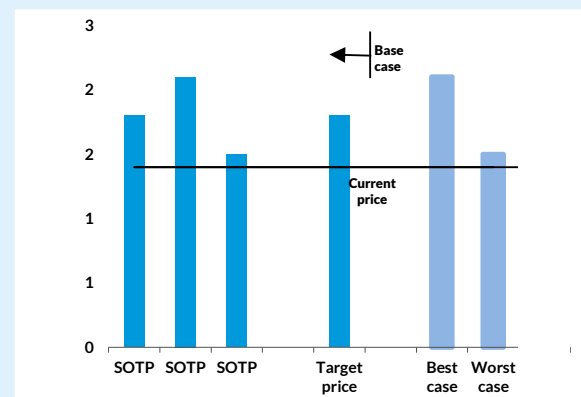
### Best case

WACC=8.5%

### Worst case

WACC=10.5%

### Target price



## Risk to our rating

Lack of wind, difficult financing to implement new projects.

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## More opportunities ahead

Within the context of this report, we are including the recently agreed to partnership with CII (Pension Danmark) in our estimates as well as the associated value added. As a result, we lift our 2013-17 EPS estimates by 10% on average as well as our TP from EUR1.5 to EUR1.8. We confirm our Buy rating.

### New value-creating partner

Falck Renewables is a small renewables company that is diversified both geographically (mainly Italy and the UK) and technologically (mainly wind and waste), with 731MW of current installed capacity (o/w 353MW is in Italy and 288MW in the UK).

We like its geographical and technological footprint.

Its main (positive) catalyst at the moment is the closing of the (already announced) deal with CII (Pension Danmark), in Q1, as well as the presentation of a new business plan, which could target even more growth than previously.

Within the context of this report, we are including the recently agreed to partnership with CII (Pension Danmark) in our estimates as well as the associated value added. We increase our 2013-2017 EPS by 10% on average and our TP from EUR1.5 to EUR1.8.

Our estimates come in below the business plan's targets (796MW of installed capacity in 2017 versus the company's target of 865MW). The difference mainly stems from waste technology.

We also note that the UK plants were valued at EUR2m per MW versus our implicit EUR1.6m valuation.

We reiterate our Buy rating.

### Estimate changes

#### Business plan and our estimates

The 2013-17 business plan was presented in May 2013 with a clear strategy – move away from a capital intensive business model and towards a self-sustainable business.

The strategy's main pillars are: 1) decrease the focus on non-programmable sources (wind and solar); 2) focus on technologies where profitability is less dependent on incentives (more waste and less wind); 3) gain greater control over plant performance (by creating a new business unit focused on services); 4) gradually decrease debt leverage, even if 85% of the debt is represented by non-recourse project financing (through the sale of around a 49% stake in the UK wind business: this point is close to being closed).

The financial targets presented in May were as follows:

**Wind:** 770MW of total installed capacity in 2017, versus 670MW in 2013 and versus our 735MW estimate for 2017. We have only included already authorised projects in our estimates and valuation. The EBITDA target at end-2017 is EUR170m, versus our EUR161m estimate. An additional target here was to sell a 49% stake in the UK wind plants (273MW) to a partner by 2013. CII (Pension Danmark) bought these assets for EUR2m per

***New partnership with Pension Danmark leads us to raise our TP from EUR1.5 to EUR1.8***

***Shift from a capital intensive to a self-sustainable business model***

MW versus our implicit valuation of EUR1.6m per MW, thus creating value for Falck Renewables.

**Waste/biomass:** 81MW of total installed capacity in 2017, versus the current 45MW, with an EBITDA of EUR40m, versus the current EUR18m. We have not included any growth in waste/biomass, and keep our cautious approach, since no specific projects have been presented. The growth focus in this case could be the UK.

**Service sector:** EUR25m of EBITDA in 2017. It is a new area that we are including in our estimates and valuation for the first time. New services could include: sale of exceeding projects to third parties (1,500MW in pipeline), services in dispatching and unbalancing and O&M internalisation.

**Consolidated EBITDA** could therefore reach EUR225m in 2017, up from EUR147m in 2013E, versus our estimate of EUR192m.

After a **30% average payout ratio, EUR420m in 2013-17 cumulative capex** (versus our EUR150m estimate, where again the difference could mainly come from the waste business) and the sale of a minority stake in the UK wind business, net debt could reach EUR640-660m; the working capital management included in the business plan is in line with our estimate, even if our capex assumptions are only related to the already authorised new UK wind plants.

**Table 1: Business plan targets versus our estimates**

EURm	Business plan	KECH estimate
Installed capacity 2017	865	796
EBITDA 2017	225	192
<i>Wind</i>	170	161
<i>Waste/biomass</i>	40	19
<i>Services</i>	25	20
<i>Other</i>	-10	-8
Cumulated capex 2013-2017	420	150
Net debt 2017	640-660	435
Payout ratio	30%	30%

Source: Company data, Kepler Cheuvreux

### Focus: the new partnership with Pension Danmark

Pension Danmark is the largest labour market pension fund in Denmark, managing assets worth EUR19bn and already has experience in the wind energy sector (in northern Europe, the US and Canada). We point out that the deal was closed with Copenhagen Infrastructure Partners (CII), funded by Pension Danmark, and that it is related to the sale of a 49% stake in 272.8MW of wind capacity in UK.

Not only was the deal made at a price substantially above our valuation (EUR2m per MW versus our EUR1.6m per MW, or EUR546m of EV/EUR378m of equity for 100% of the UK assets), but it also includes a strong financial commitment from CII, which intends to invest: EUR100m in onshore wind projects in the Falck Renewables' portfolio, of which EUR65m will be in the UK (in already authorised or under construction projects), and EUR35m in Italy (in an already operating wind farm, though this part of the deal will be an important indicator for the valuation of the Italian projects and on other Italian deals in the market,

**Further opportunities ahead**

which is in a consolidation phase in our view); EUR125m in other plants to be developed, in WTE as well as biomass and wind in northern Europe.

The additional investments were not included in the business plan presented in May, nor in our estimates.

### Estimate changes

The main changes that we are making to our previous estimates are related to CII (Pension Danmark) partnership, the new business unit dedicated to these services and a fine-tuning in the D&A line.

**CII (Pension Danmark) partnership:** in 2014 we include EUR140m as the cash-in that Falck Renewables will receive at the time of the closing (the 49% equity value of the assets would be EUR185m, which is split into EUR140m in cash and EUR45m as the repayment of a subordinated loan). We did not include the EUR12m in additional earn-out that Falck might receive and which is based on future wind production. From this, we subtract EUR9m in minorities.

**Services:** from 2016, we include EUR10m (2016E) and EUR20m (2017E) in EBITDA coming from the new business unit (we allot EUR10m in cumulative capex to this unit as well).

**D&A:** we improve the D&A line from minus EUR70m to minus EUR65m a year over 2014-17.

**Table 2: Falck Renewables: estimate revision (EURm)**

	2013E	2013E	2014E	2014E	2015E	2015E	2016E	2016E	2017E	2017E
	old	new	old	new	old	new	old	new	old	new
Sales	277	282	279	284	285	285	285	294	285	310
EBITDA	147	147	149	149	167	162	173	176	176	192
EBIT	77	80	78	85	96	97	102	111	104	126
Net profit	15	17	16	18	27	26	33	36	37	48
EPS (EUR)	0.05	0.06	0.06	0.06	0.09	0.09	0.11	0.12	0.13	0.17
DPS (EUR)	0.016	0.017	0.017	0.018	0.028	0.027	0.034	0.037	0.038	0.050
Net Debt	845	828	818	672	750	599	669	521	582	435

Source: Kepler Cheuvreux

As a result, we now estimate 2013-17 CAGRs of 7% for EBITDA and 12% for EBIT.

The average 30% payout ratio leads us to an average dividend yield below 3%. This is unsurprising, as renewable utilities are generally more focused on growth rather than on dividend payments.

**Table 3: Falck Renewables: main data (EURm)**

	2011	2012	2013E	2014E	2015E	2016E	2017E	CAGR 2013-17E
Sales	249	275	282	284	285	294	310	2.4%
EBITDA	142	158	147	149	162	176	192	6.9%
Margin	57.0%	57.5%	51.9%	52.6%	56.8%	59.7%	61.7%	
EBIT	79	(21)	80	85	97	111	126	12.3%
Margin	31.9%	-7.8%	28.1%	29.8%	34.1%	37.7%	40.7%	
Net profit	19	(85)	17	18	26	36	48	30.3%
Net debt	826	843	828	672	599	521	435	-14.8%

Source: Company data, Kepler Cheuvreux

## Q4 preview

In terms of Q4 2013, we point out that Q4 2012 was affected by quite a few write-downs, mainly at the Sicilian projects (c. EUR112m).

Not including any writedown in Q4 2013, we could expect EUR80m in revenues, EUR33m in of EBITDA and EUR19m in EBIT.

In 2013, we expect EUR147m in EBITDA, down 7.3% YOY, mainly due to expected lower wind conditions in Italy, higher unbalancing costs and lower waste tariffs. Net debt, excluding the fair value on derivatives, could amount to EUR753m, before the deal with CII (Pension Danmark) (to be effective from 1 January).

**Table 4: Falck Renewables: result preview (EURm)**

	FY 12	FY 13E	YOY	Q4 12	Q3 13	Q4 13E	YOY	QOQ
Revenues	275	282	2.8%	75	49	80	5.9%	63.0%
EBITDA	158	147	-7.3%	43	18	33	-22.2%	82.4%
Margin	57.5%	51.9%		56.7%	37.2%	41.6%		
EBIT	-21	80	nm	-74	1	19	nm	nm
Margin	nm	28.1%		nm	2.6%	23.7%		
Net profit	-85	17	nm	na	na	na	nm	nm
Dividend (EUR)	0.00	0.02	nm					
Net debt	757	753	-0.5%	757	753	753	-0.5%	0.0%

Source: Company data, Kepler Cheuvreux

## TP raised from EUR1.5 to EUR1.8

Thanks to the deal and to the newly included “service” business line, we lift our target price from EUR1.5 to EUR1.8.

Our target price implies a fair 8.3x EV/EBITDA 2014E and 1.6x EV/MW, well below the 2x EV/MW used in the deal with CII (pension Danmark), mainly because we use a cautious 9.5% WACC.

**Table 5: Falck Renewables: SOP valuation (EURm)**

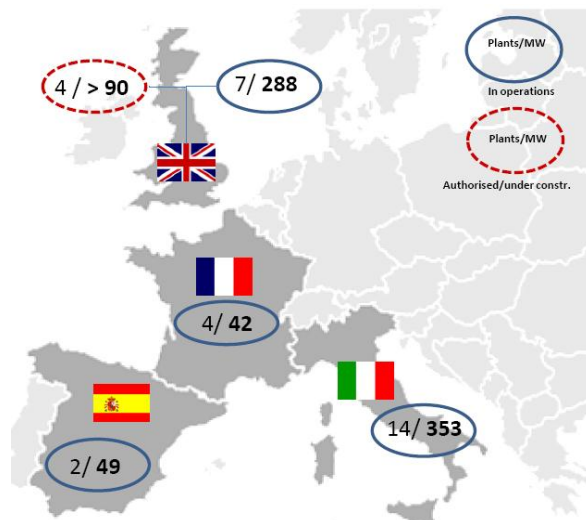
	Method	Value
Wind		1,065
Italy	DCF (WACC 9.5%)	454
Scotland	DCF (WACC 9.5%)	391
England	1.6x EV/MW 2014E	94
France and Spain	1.4x EV/MW 2014E	127
Waste	DCF (WACC 9.5%)	128
Solar	4x EV/MW	64
Biomass	2.5x EV/MW	35
Holding costs	6x EV/EBITDA normalised	-105
Services	5x EV/EBITDA 2016E	50
<b>Enterprise value</b>		<b>1,237</b>
Net Debt (2013 excluding derivatives and including the new partnership)		-617
Minorities	our valuation after the partnership	-105
Investments	book value	1
<b>Equity value</b>		<b>516</b>
Number of shares		291
<b>Target price</b>		<b>1.8</b>

Source: Kepler Cheuvreux

## Company description

### 731MW of installed capacity

Chart 1: Falck Renewables: 731MW of installed capacity in Europe



Source: Company

Chart 2: Falck Renewables: plants subject to the deal with CII (Pension Danmark)



Source: Company

## Shareholding base

The main shareholder of Falck Renewables is the Falck family, holding a 60% stake in the company. The fact that a private family is the main shareholder of the company means low governance risk (many Italian utilities are held by the Italian government or by local municipalities).



On 14 January, William Heller decreased his stake from 6% to 0.275%, removing overhang risk. Heller was the “creator” of the UK wind business, but due to his age and, in our view, to the fact that the UK assets have been partly sold, he decided to step down and sell his stake in the company.

# Valuation

FY to 31/12 (EUR)	2008	2009	2010	2011	2012	2013E	2014E	2015E
<b>Per share data</b>								
EPS adjusted	0.11	0.10	0.00	0.06	-0.29	0.06	0.06	0.09
% Change	101.4%	-3.4%	-98.2%	3442.3%	na	na	5.0%	50.9%
EPS adjusted and fully diluted	0.11	0.10	0.00	0.06	-0.29	0.06	0.06	0.09
% Change	101.4%	-3.4%	-98.2%	3442.3%	na	na	5.0%	50.9%
EPS reported	0.11	0.10	0.00	0.06	-0.29	0.06	0.06	0.09
% Change	101.4%	-3.4%	-98.2%	3442.3%	na	na	5.0%	50.9%
EPS Consensus						0.04	0.05	0.08
Cash flow per share	0.27	0.42	0.16	0.02	0.27	0.25	0.30	0.28
Book value per share	1.98	2.05	2.03	1.53	1.18	1.24	1.28	1.35
DPS	0.00	0.00	0.01	0.03	0.00	0.02	0.02	0.03
Number of shares, YE (m)	161.9	161.9	161.9	291.4	291.4	291.4	291.4	291.4
Number of shares, fully diluted, YE (m)	161.9	161.9	161.9	291.4	291.4	291.4	291.4	291.4
<b>Share price</b>								
Latest price / year end	2.3	2.8	1.7	0.8	1.0	1.3	1.4	1.4
52 week high (Year high)	6.0	3.3	3.0	1.8	1.0	1.3		
52 week low (Year low)	2.2	2.0	1.5	0.7	0.7	0.8		
Average price (Year)	4.6	2.8	2.3	1.2	0.9	1.0		
<b>Enterprise value (EURm)</b>								
Market capitalisation	740.4	449.7	369.3	343.5	261.8	293.1	408.0	408.0
Net financial debt	411.3	563.6	729.1	765.1	843.1	827.8	672.2	598.9
Pension provisions	4.4	3.4	3.7	4.2	4.4	4.5	4.6	4.7
Market value of minorities	6.5	11.1	7.3	6.9	0.0	0.0	9.0	18.0
Market value of equity affiliates (net of tax)	-1.2	-1.2	-1.2	-1.1	0.0	-1.0	-2.0	-3.0
Others	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Enterprise value	1,161.4	1,026.6	1,108.3	1,118.7	1,109.3	1,239.2	1,091.8	1,026.5
<b>Valuation</b>								
P/E adjusted	43.0	27.0	na	18.2	na	24.4	23.3	15.4
P/E adjusted and fully diluted	43.0	27.0	na	18.2	na	24.4	23.3	15.4
P/E consensus						35.0	28.0	17.5
P/BV	2.3	1.4	1.1	0.8	0.8	1.1	1.1	1.0
P/CF	17.1	6.6	14.7	48.2	3.4	5.6	4.7	4.9
Dividend yield (%)	0.0%	0.0%	0.5%	2.4%	0.0%	1.2%	1.3%	1.9%
FCF yield (%)	-12.9%	-13.8%	-14.7%	-42.3%	6.2%	3.4%	4.5%	16.6%
ROE (%)	5.2%	5.0%	0.1%	4.8%	-21.5%	4.7%	4.7%	6.7%
ROIC (%)	5.0%	6.3%	1.0%	4.0%	-1.0%	3.9%	4.8%	6.0%
EV/Sales	7.6	5.5	6.0	4.5	4.0	4.4	3.8	3.6
EV/EBITDA	16.1	10.8	11.7	7.9	7.0	8.5	7.3	6.3
EV/EBIT	24.3	18.2	22.8	14.1	na	15.6	12.9	10.6

# Income statement

FY to 31/12 (EURm)	2008	2009	2010	2011	2012	2013E	2014E	2015E
<b>Sales</b>	<b>153.0</b>	<b>185.0</b>	<b>184.6</b>	<b>248.7</b>	<b>274.6</b>	<b>282.4</b>	<b>284.3</b>	<b>285.4</b>
% Change	25.4%	20.9%	-0.2%	34.7%	10.4%	2.8%	0.7%	0.4%
<b>EBITDA reported</b>	<b>72.0</b>	<b>95.0</b>	<b>94.6</b>	<b>141.7</b>	<b>158.0</b>	<b>146.5</b>	<b>149.4</b>	<b>162.0</b>
% Change	68.0%	32.0%	-0.5%	49.9%	11.5%	-7.3%	2.0%	8.4%
Depreciation and amortisation	-24.3	-38.7	-46.0	-62.5	-179.4	-67.0	-64.7	-64.8
Goodwill impairment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other financial result and associates	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>EBIT reported</b>	<b>47.7</b>	<b>56.3</b>	<b>48.5</b>	<b>79.2</b>	<b>-21.4</b>	<b>79.5</b>	<b>84.8</b>	<b>97.2</b>
% Change	112.7%	17.9%	-13.8%	63.3%	na	na	6.6%	14.7%
Net financial items	-13.4	-27.2	-35.8	-42.7	-46.8	-50.1	-40.8	-38.1
Associates	1.5	-0.1	1.1	0.7	0.4	1.0	1.0	1.0
Others	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Earnings before tax</b>	<b>35.8</b>	<b>29.0</b>	<b>13.9</b>	<b>37.3</b>	<b>-67.8</b>	<b>30.4</b>	<b>45.0</b>	<b>60.1</b>
% Change	123.9%	-19.2%	-52.1%	168.6%	na	na	48.1%	33.6%
Tax	-16.7	-7.5	-11.5	-17.4	-17.6	-13.7	-18.4	-24.6
<b>Net profit from continuing operations</b>	<b>19.2</b>	<b>21.4</b>	<b>2.4</b>	<b>19.9</b>	<b>-85.4</b>	<b>16.7</b>	<b>26.5</b>	<b>35.5</b>
% Change	165.4%	11.8%	-88.9%	738.3%	na	na	58.9%	33.6%
Net profit from discontinuing activities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Net profit before minorities</b>	<b>19.2</b>	<b>21.4</b>	<b>2.4</b>	<b>19.9</b>	<b>-85.4</b>	<b>16.7</b>	<b>26.5</b>	<b>35.5</b>
Minorities	-1.9	-4.8	-2.1	-1.0	0.0	0.0	-9.0	-9.0
<b>Net profit reported</b>	<b>17.2</b>	<b>16.6</b>	<b>0.3</b>	<b>18.9</b>	<b>-85.4</b>	<b>16.7</b>	<b>17.5</b>	<b>26.5</b>
% Change	101.4%	-3.4%	-98.2%	6275.0%	na	na	5.0%	50.9%
Adjustments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Net profit adjusted</b>	<b>17.2</b>	<b>16.6</b>	<b>0.3</b>	<b>18.9</b>	<b>-85.4</b>	<b>16.7</b>	<b>17.5</b>	<b>26.5</b>
% Change	101.4%	-3.4%	-98.2%	6275.0%	na	na	5.0%	50.9%
Gross profit	93.9	112.0	113.2	162.8	180.1	169.0	172.4	185.4
EBITDA adjusted	72.0	95.0	94.6	141.7	158.0	146.5	149.4	162.0
EBIT adjusted	47.7	56.3	48.5	79.2	-21.4	79.5	84.8	97.2
Gross profit margin (%)	61.4%	60.5%	61.3%	65.5%	65.6%	59.8%	60.6%	65.0%
EBITDA margin (%)	47.1%	51.4%	51.2%	57.0%	57.5%	51.9%	52.6%	56.8%
EBIT margin (%)	31.2%	30.4%	26.3%	31.9%	-7.8%	28.1%	29.8%	34.1%
Net profit margin (%)	11.3%	9.0%	0.2%	7.6%	-31.1%	5.9%	6.2%	9.3%
Tax rate (%)	46.5%	26.0%	82.9%	46.7%	45.0%	45.0%	41.0%	41.0%
Payout ratio (%)	0.0%	0.0%	0.0%	656.3%	43.2%	0.0%	30.0%	30.0%
EPS reported (EUR)	0.11	0.10	0.00	0.06	-0.29	0.06	0.06	0.09
% change	101.4%	-3.4%	-98.2%	3442.3%	na	na	5.0%	50.9%
EPS adjusted (EUR)	0.11	0.10	0.00	0.06	-0.29	0.06	0.06	0.09
% change	101.4%	-3.4%	-98.2%	3442.3%	na	na	5.0%	50.9%
EPS adj and fully diluted(EUR)	0.11	0.10	0.00	0.06	-0.29	0.06	0.06	0.09
% change	101.4%	-3.4%	-98.2%	3442.3%	na	na	5.0%	50.9%
DPS (EUR)	0.00	0.00	0.01	0.03	0.00	0.02	0.02	0.03
% change	na	na	na	136.7%	na	na	5.0%	50.9%
Consensus Sales (EURm)						278.7	286.5	306.4
Consensus EBITDA (EURm)						141.0	147.7	166.0
Consensus EBIT (EURm)						76.0	79.7	95.7
Consensus EPS (EUR)						0.04	0.05	0.08
Consensus DPS (EUR)						0.01	0.02	0.03

# Cash flow statement

FY to 31/12 (EURm)	2008	2009	2010	2011	2012	2013E	2014E	2015E
Net profit before minorities	19.2	21.4	2.4	19.9	-85.4	16.7	26.5	35.5
Depreciation and amortisation	24.3	38.7	46.0	62.5	179.4	67.0	64.7	64.8
Goodwill impairment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Change in working capital	0.0	8.0	-23.3	-75.2	-16.7	-11.4	-3.7	-17.6
Others	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Cash Flow from operating activities</b>	<b>43.4</b>	<b>68.2</b>	<b>25.1</b>	<b>7.1</b>	<b>77.3</b>	<b>72.3</b>	<b>87.6</b>	<b>82.6</b>
% Change	57.1%	57.0%	-63.1%	-71.6%	984.3%	-6.4%	21.0%	-5.6%
Capex	-155.8	-141.3	-89.0	-178.0	-58.3	-56.0	-66.0	-3.0
<b>Free cash flow</b>	<b>-112.3</b>	<b>-73.1</b>	<b>-63.9</b>	<b>-170.9</b>	<b>19.0</b>	<b>16.3</b>	<b>21.6</b>	<b>79.6</b>
% Change	na	na	na	na	na	-14.0%	31.8%	269.5%
Acquisitions	0.0	0.0	0.0	0.0	0.0	0.0	140.0	0.0
Divestments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Dividend paid	0.0	0.0	0.0	-1.9	-8.2	0.0	-5.0	-5.3
Share buy back	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Capital increases	0.0	0.0	0.0	129.9	0.0	0.0	0.0	0.0
Others	-19.4	-79.2	-101.6	6.9	-88.9	-1.0	-1.0	-1.0
<b>Change in net financial debt</b>	<b>-131.7</b>	<b>-152.3</b>	<b>-165.5</b>	<b>-36.0</b>	<b>-78.1</b>	<b>15.3</b>	<b>155.5</b>	<b>73.4</b>
Change in cash and cash equivalents	9.6	-34.5	-128.9	4.1	42.3	0.0	0.0	0.0
Attributable FCF	-95.5	-62.2	-54.3	-145.2	16.2	13.9	18.3	67.7
Cash flow per share (EUR)	0.27	0.42	0.16	0.02	0.27	0.25	0.30	0.28
% Change	57.1%	57.0%	-63.1%	-84.2%	984.3%	-6.4%	21.0%	-5.6%
FCF per share (EUR)	-0.59	-0.38	-0.34	-0.50	0.06	0.05	0.06	0.23
% Change	na	na	na	na	na	-14.0%	31.8%	269.5%
Capex / Sales (%)	101.8%	76.4%	48.2%	71.6%	21.2%	19.8%	23.2%	1.1%
Capex / D&A (%)	642.3%	365.0%	193.4%	284.8%	32.5%	83.6%	102.1%	4.6%
Cash flow / Sales (%)	28.4%	36.8%	13.6%	2.9%	28.2%	25.6%	30.8%	29.0%
FCF / Sales (%)	-73.4%	-39.5%	-34.6%	-68.7%	6.9%	5.8%	7.6%	27.9%
FCF Yield (%)	-12.9%	-13.8%	-14.7%	-42.3%	6.2%	3.4%	4.5%	16.6%
Unlevered FCF Yield (%)	-7.6%	-4.1%	-4.3%	-11.0%	3.8%	3.3%	3.9%	8.8%

# Balance sheet

FY to 31/12 (EURm)	2008	2009	2010	2011	2012	2013E	2014E	2015E
Cash and cash equivalents	256.2	221.7	92.8	96.9	139.2	139.2	139.2	139.2
Inventories	3.2	1.9	3.7	4.3	3.3	5.7	5.7	5.8
Accounts receivable	44.4	51.7	72.6	102.6	114.9	225.9	227.5	228.3
Other current assets	49.1	65.8	49.2	60.5	55.7	55.7	55.7	55.7
<b>Current assets</b>	<b>352.9</b>	<b>341.1</b>	<b>218.3</b>	<b>264.2</b>	<b>313.0</b>	<b>426.5</b>	<b>428.0</b>	<b>428.9</b>
Tangible assets	636.3	769.7	947.1	1,098.6	1,035.0	1,024.0	885.4	823.6
Goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Intangible assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial assets	1.2	1.2	1.2	1.1	0.0	1.0	2.0	3.0
Other non-current assets	176.2	176.2	176.2	169.9	133.0	133.0	133.0	133.0
<b>Non-current assets</b>	<b>813.7</b>	<b>947.1</b>	<b>1,124.5</b>	<b>1,269.6</b>	<b>1,168.0</b>	<b>1,158.0</b>	<b>1,020.3</b>	<b>959.6</b>
Short term debt	298.5	374.4	213.2	44.0	74.4	66.7	-11.1	-47.8
Accounts payable	93.2	107.3	106.7	62.0	56.7	158.8	156.7	140.0
Other short term liabilities	71.0	37.4	40.5	43.5	39.6	39.6	39.6	39.6
<b>Current liabilities</b>	<b>462.7</b>	<b>519.0</b>	<b>360.4</b>	<b>149.5</b>	<b>170.6</b>	<b>265.0</b>	<b>185.1</b>	<b>131.8</b>
Long term debt	369.0	411.0	608.7	818.0	907.9	900.3	822.5	785.8
Pension provisions	4.4	3.4	3.7	4.2	4.4	4.5	4.6	4.7
Other long term provisions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	3.4	13.6	34.5	110.3	54.4	54.3	54.2	54.1
<b>Non-current liabilities</b>	<b>376.7</b>	<b>428.0</b>	<b>647.0</b>	<b>932.5</b>	<b>966.7</b>	<b>959.1</b>	<b>881.3</b>	<b>844.6</b>
Shareholders' equity	321.2	331.4	328.0	444.9	343.7	360.4	373.0	394.2
Minority interests	6.5	11.1	7.3	6.9	0.0	0.0	9.0	18.0
<b>Total equity</b>	<b>327.6</b>	<b>342.4</b>	<b>335.3</b>	<b>451.8</b>	<b>343.7</b>	<b>360.4</b>	<b>382.0</b>	<b>412.2</b>
<b>Balance sheet total</b>	<b>1,167.1</b>	<b>1,289.5</b>	<b>1,342.7</b>	<b>1,533.8</b>	<b>1,481.1</b>	<b>1,584.5</b>	<b>1,448.4</b>	<b>1,388.5</b>
% Change	16.4%	10.5%	4.1%	14.2%	-3.4%	7.0%	-8.6%	-4.1%
Book value per share (EUR)	1.98	2.05	2.03	1.53	1.18	1.24	1.28	1.35
% Change	-0.4%	3.2%	-1.0%	-24.6%	-22.7%	4.9%	3.5%	5.7%
Net debt	415.7	567.0	732.9	769.3	847.5	832.3	676.8	603.5
Net financial debt	411.3	563.6	729.1	765.1	843.1	827.8	672.2	598.9
Trade working capital	-45.6	-53.7	-30.4	44.8	61.5	72.9	76.5	94.1
Working capital	-67.5	-25.3	-21.8	61.8	77.6	89.0	92.6	110.2
Inventories/sales	2.1%	1.0%	2.0%	1.7%	1.2%	2.0%	2.0%	2.0%
Invested capital	568.8	744.4	925.3	1,160.4	1,112.6	1,113.0	978.0	933.8
Net debt / EBITDA (x)	5.8	6.0	7.8	5.4	5.4	5.7	4.5	3.7
Net debt / FCF (x)	-3.7	-7.8	na	-4.5	44.6	50.9	31.4	7.6
Gearing (%)	125.5%	164.6%	217.4%	169.3%	245.3%	229.7%	176.0%	145.3%
Goodwill / Equity (%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

# Divisions and regions

FY to 31/12 (EUR)	2008	2009	2010	2011	2012	2013E	2014E	2015E
<b>Key assumptions</b>								
<b>Sales by division</b>								
Italy				159.9	190.2	181.4	179.4	178.8
Scotland				67.5	67.0	68.0	71.9	75.8
England				11.0	11.0	11.0	11.0	13.9
Others				10.2	6.4	21.9	21.9	16.9
<b>EBIT by division</b>								
Italy				33.5	58.5	54.2	54.2	54.1
Scotland				40.6	39.1	34.9	36.2	38.9
England				4.2	4.1	1.8	1.8	3.8
Others				0.9	-123.1	-11.4	-7.4	0.4
<b>EBIT margin (%)</b>								
Italy (%)				21.0%	30.7%	29.9%	30.2%	30.3%
Scotland (%)				60.1%	58.4%	51.3%	50.3%	51.3%
England (%)				37.8%	37.3%	16.3%	16.3%	27.4%
Others (%)				9.2%	-1,934.0%	-52.1%	-33.7%	2.6%
<b>Geographic breakdown of sales, adjusted (%)</b>								
Eurozone				95.9%	97.7%	92.2%	92.3%	94.1%
of which Austria				0.0%	0.0%	0.0%	0.0%	0.0%
of which Benelux				0.0%	0.0%	0.0%	0.0%	0.0%
of which Benelux				0.0%	0.0%	0.0%	0.0%	0.0%
of which Finland				0.0%	0.0%	0.0%	0.0%	0.0%
of which France				0.0%	0.0%	0.0%	0.0%	0.0%
of which Germany				0.0%	0.0%	0.0%	0.0%	0.0%
of which Italy				64.3%	69.3%	64.2%	63.1%	62.6%
of which Spain				0.0%	0.0%	0.0%	0.0%	0.0%
of which Portugal				0.0%	0.0%	0.0%	0.0%	0.0%
of which Others				31.6%	28.4%	28.0%	29.2%	31.4%
Europe ex Eurozone				0.0%	0.0%	0.0%	0.0%	0.0%
of which Russia				0.0%	0.0%	0.0%	0.0%	0.0%
North America				0.0%	0.0%	0.0%	0.0%	0.0%
Latam				0.0%	0.0%	0.0%	0.0%	0.0%
of which Brazil				0.0%	0.0%	0.0%	0.0%	0.0%
Asia				0.0%	0.0%	0.0%	0.0%	0.0%
of which China				0.0%	0.0%	0.0%	0.0%	0.0%
of which India				0.0%	0.0%	0.0%	0.0%	0.0%
of which Japan				0.0%	0.0%	0.0%	0.0%	0.0%
Middle East				0.0%	0.0%	0.0%	0.0%	0.0%
<b>Currency exposure of sales (%)</b>								
EUR				64.3%	69.3%	64.2%	63.1%	62.6%
CHF				0.0%	0.0%	0.0%	0.0%	0.0%
DKK				0.0%	0.0%	0.0%	0.0%	0.0%
NOK				0.0%	0.0%	0.0%	0.0%	0.0%
SEK				0.0%	0.0%	0.0%	0.0%	0.0%
USD				0.0%	0.0%	0.0%	0.0%	0.0%
GBP				31.6%	28.4%	28.0%	29.2%	31.4%
JPY				0.0%	0.0%	0.0%	0.0%	0.0%
Hedging policy				derivatives				

## Research ratings and important disclosures

### Disclosure checklist - Potential conflict of interests

Stock	ISIN	Disclosure (See Below)	Currency	Price
Falck Renewables	IT0003198790	nothing to disclose	EUR	1.40

Source: Factset closing prices of 21/01/2014

Stock prices: Prices are taken as of the previous day's close (to the date of this report) on the home market unless otherwise stated.

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Rating breakdown	A	B
Buy	45.5%	0.0%
Hold	29.0%	0.0%
Reduce	21.0%	0.0%
Not Rated/Under Review/Accept Offer	4.5%	0.0%
Total	100.0%	0.0%

Source: Kepler Cheuvreux

A: % of all research recommendations

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Location	Regulator	Abbreviation
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Kepler Capital Markets, Milan branch	Commissione Nazionale per le Società e la Borsa	CONSOB
Kepler Capital Markets, Amsterdam branch	Autoriteit Financiële Markten	AFM
Kepler Capital Markets, Zurich branch	Swiss Financial Market Supervisory Authority	FINMA
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**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  
Corso Europa 2  
20122 Milano  
+39 02 855 07 1

**Paris**

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

**Stockholm**

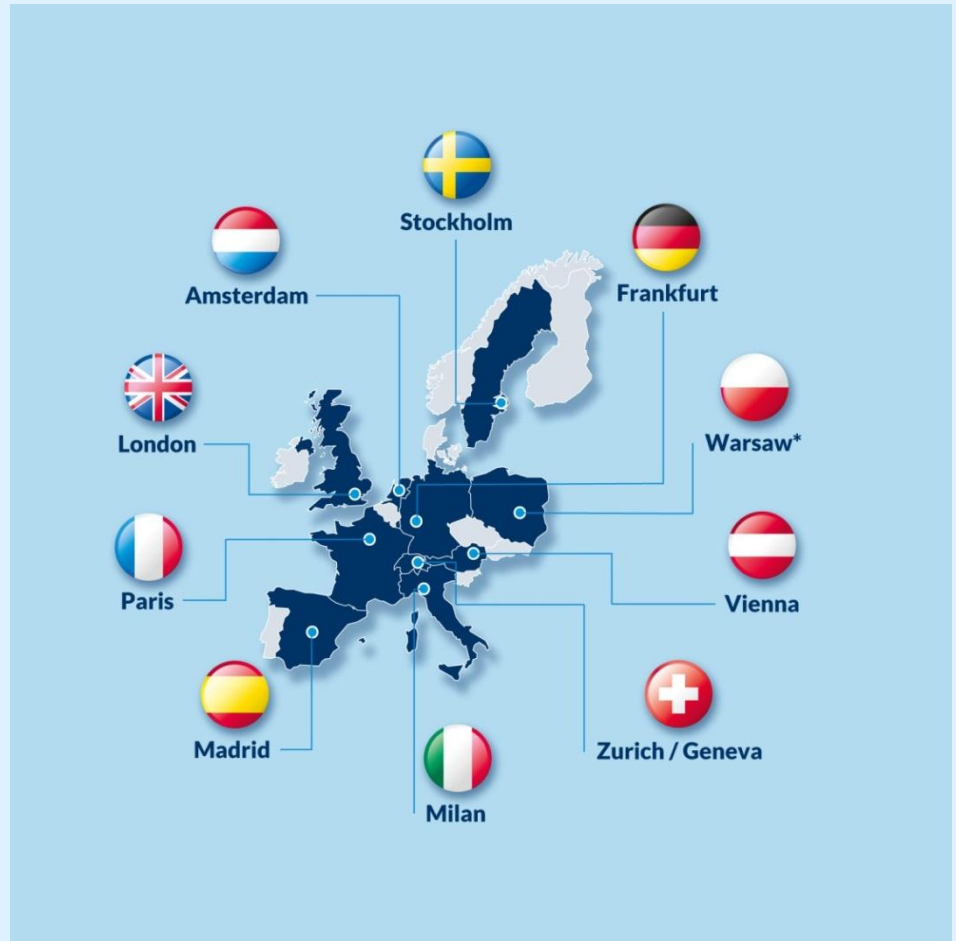
Kepler Cheuvreux Nordic  
Regeringsgatan 38  
10393 Stockholm  
+468 723 5100

**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