

Falck Renewables

Italy/Utilities

Buy

Recommendation unchanged

Share price: EUR 0.88

closing price as of 12/05/2016

Target price: EUR 1.40

Target Price unchanged

Reuters/Bloomberg

AA4.MI/FKRIM

Market capitalisation (EURm)	257		
Current N° of shares (m)	291		
Free float	40%		
Daily avg. no. trad. sh. 12 mth	137,312		
Daily avg. trad. vol. 12 mth (m)	122		
Price high 12 mth (EUR)	1.27		
Price low 12 mth (EUR)	0.78		
Abs. perf. 1 mth	-2.00%		
Abs. perf. 3 mth	11.07%		
Abs. perf. 12 mth	-24.14%		
Key financials (EUR)	12/15	12/16e	12/17e
Sales (m)	277	258	282
EBITDA (m)	152	125	145
EBITDA margin	55.0%	48.5%	51.5%
EBIT (m)	66	56	73
EBIT margin	23.9%	21.8%	25.8%
Net Profit (adj.)(m)	5	1	10

ROCE	4.4%	2.6%	3.4%
Net debt/(cash)(m)	630	651	625
Net Debt/Equity	1.2	1.3	1.2
Debt/EBITDA	4.1	5.2	4.3
Int. cover(EBITDA/Fin. int)	3.4	2.8	3.3
EV/Sales	3.6	3.7	3.3
EV/EBITDA	6.6	7.7	6.3
EV/EBITDA (adj.)	6.6	7.7	6.3
EV/EBIT	15.2	17.1	12.6
P/E (adj.)	nm	nm	26.2
PIBV	0.7	0.6	0.6
OpFCF yield	13.7%	-3.4%	15.1%
Dividend yield	5.1%	4.0%	4.0%
EPS (adj.)	0.02	0.00	0.03
BVPS	1.62	1.58	1.58
DPS	0.05	0.04	0.04



Source: Factset FALCK RENEWABLES Stoxx Europe 600 (Rebased)

Shareholders: Falck SpA 60%;

Analyst(s):

Dario Michi, Banca Akros

dario.michi@bancaakros.it

+39 02 4344 4

As expected, Falck posted decreasing results in Q1 16

The facts: Falck Renewables unveiled its Q1 2016 results yesterday.

Our analysis: the company posted decreasing results YoY:

EURm	Q1 2015A	Q1 2016E	Q1 2016A	YoY Chg.
Revenues	87	70	73	-16.1%
EBITDA	55	41	43	-21.8%
EBIT	37	23	26	-29.7%
Pre-tax Profit	25	12	16	-36.0%

Falck Renewables' results were mainly hit by the drop in prices (in Italy the PUN was down by around 24% in Q1 2016 vs. Q1 2015), in the electricity demand (in Italy roughly 1.5% YoY) and by the different value set for the green certificates (impact roughly EUR 11/MWh of lower realisation price for each green certificate). The negative trend in prices also affected the UK assets: prices around -16% YoY and the LEC incentive cancellation (since August 2015).

In terms of production, Falck Renewables recorded a reduction of about 5% YoY (570GWh vs. 602 in Q1 15); wind production was down by about 7% (512GWh vs. 553). In fact, the positive trend in terms of wind hours in Italy was more than offset

by the UK one.

Furthermore, still on the negative side, it is worth mentioning the GBP devaluation vs. the EURO. This is affecting revenues and costs. The impact was EUR -0.4m in terms of EBITDA in Q1 16 YoY.

Net debt was roughly EUR 589m vs. circa EUR 630m posted as at the end of 2015. Here the GBP devaluation is acting positively (the impact was around EUR 17m).

2016 guidance. Falck Renewables has provided an EBITDA guidance of about EUR 130m for 2016 (it was roughly EUR 152m in 2015). This is substantially in line with our estimate.

Conclusion & Action: we don't believe Q1 2016 results may be considered a catalyst for the stock, even though they are expected to confirm the weak environment in the short-term (2016 figures are due to be hit by the change in the green certificates value calculation and by the lack of LECs). In our view the trigger remains an update on the business plan, with a focus on the new operational initiatives, and on the potential deal with CII. The new business plan is due to be unveiled in November 2016. We reiterate our positive stance on the stock: **BUY**.