

Energiekontor AG

Germany / Cleantech
 Frankfurt Stock Exchange
 Bloomberg: EKT GR
 ISIN: DE0005313506

H1 figures

RATING
BUY

PRICE TARGET
€19.60

Return Potential 30.1%
 Risk Rating High

ANOTHER STRONG YEAR IN THE MAKING

Energiekontor's H1 EBIT was above our expectation and the previous year's figure. As most of the profit is usually realised in the second half of the year, we expect much stronger H2 figures. Energiekontor has reiterated its 2016 guidance (same or slightly higher result compared to previous year's figure). We have slightly increased our forecasts to reflect the net effect of stronger project and weaker power production business. An updated sum-of-the-parts valuation model yields a new price target of €19.60 (previously: €18.00). We reiterate our Buy rating.

H1 results above expectation Energiekontor reported total output of €55.6m (FBe: €68.2m, H1/15: €67.6m). EBITDA amounted to €3.6m – almost 17% above the prior year figure of €20.3m. EBIT increased 16% to €14.2m from €12.3m (FBe: €12.5m) due mainly to significantly lower material costs (€21.1m vs. €33.5m in H1/15) and lower other operating expenses (€8.3m vs. €10.6m in H1/15). The net result almost doubled to €3.4m from €1.8m in H1/15 (FBe €1.8m). Correspondingly, EPS rose to €0.23 from €0.12 (see figure 3 on page 4). On the segment level, EBIT was driven by a strong Project segment EBIT which by contrast with the previous year was already positive in H1 at €1.5m (€2.7m in H1/15). Power Production segment EBIT was however weaker due to less favourable wind conditions (€11.3m vs. €13.2m in H1/15).

Guidance reiterated Energiekontor has reiterated its 2016 guidance (same or slightly higher result compared to previous year's figure). The company has become more optimistic on the Project segment and now expects an increase in segment EBT compared to 2015. The prerequisite for this is that all wind farms already sold and still under construction are commissioned by the end of the year as planned, and that the sale of another large wind farm is successfully concluded in 2016. Previously, Energiekontor expected a segment result on the same level as last year. The company is now however more cautious on the Power Production segment and sees segment EBT at or below the 2015 level. Previously, the company expected an increase. (p.t.o.)

FINANCIAL HISTORY & PROJECTIONS

	2013	2014	2015	2016E	2017E	2018E
Total output (€m)	162.77	160.45	210.14	219.63	228.72	238.94
Y-o-y growth	168.8%	-1.4%	31.0%	4.5%	4.1%	4.5%
EBIT (€m)	34.14	40.72	49.67	51.49	51.54	51.81
EBIT margin	21.0%	25.4%	23.6%	23.4%	22.5%	21.7%
Net income (€m)	13.55	14.13	20.91	21.93	22.14	22.02
EPS (diluted) (€)	0.92	0.96	1.43	1.50	1.52	1.51
DPS (€)	0.50	0.60	0.80	0.70	0.70	0.70
FCF (€m)	-29.17	35.62	51.22	-9.01	-4.01	-6.60
Net gearing	498.7%	464.9%	330.0%	301.2%	271.9%	254.1%
Liquid assets (€m)	71.41	81.59	103.96	84.93	83.79	88.69

RISKS

Main risks include changes in the regulatory support for wind energy, project development risks, wind farm operation risks, and low stock liquidity.

COMPANY PROFILE

Energiekontor is a wind and solar project developer and an operator of a large own wind farm portfolio (~269 MW). The company is active in onshore wind and solar project development mainly in Germany and the UK. Energiekontor is headquartered in Bremen, Germany.

MARKET DATA

As of 06 Oct 2016

Closing Price	€ 15.07
Shares outstanding	14.60m
Market Capitalisation	€ 220.01m
52-week Range	€ 10.80 / 15.85
Avg. Volume (12 Months)	9,280

Multiples	2015	2016E	2017E
P/E	10.5	10.1	10.0
EV/Sales	1.8	1.7	1.6
EV/EBIT	7.5	7.3	7.3
Div. Yield	5.3%	4.6%	4.6%

STOCK OVERVIEW



COMPANY DATA

As of 30 Jun 2016

Liquid Assets	€ 84.47m
Current Assets	€ 155.79m
Intangible Assets	€ 0.02m
Total Assets	€ 383.32m
Current Liabilities	€ 69.73m
Shareholders' Equity	€ 45.10m

SHAREHOLDERS

Dr Bodo Wilkens	28.6%
Günter Lammers	28.6%
Free Float	42.9%



Balance sheet reflects typical wind sector seasonality Despite the positive H1 result, equity fell by €5.4m to €45.1m due mainly to the dividend payment of €11.7m. The equity ratio declined to 11.8% from 12.6%. Long-term financial debt was slightly lower at €244.4m (31/12/15: €248.9m). Short-term debt rose from €31.9m to €48.9m mainly reflecting the financing of construction activity and project development. The cash position fell from €104.0m to €84.5m and securities remained at the same level (€10.3m). We see the securities as cash equivalents and, as before, do not include the negative market value of interest and currency swaps (€8.2m) in our net debt calculation. On this basis, net debt increased from €153.1m to €190.3m.

Improved, but still negative free cash flow Operating cash flow followed the typical seasonal pattern and amounted to €-14.7m (H1/15: €20.4m) due mainly to higher inventory and prepayments (€-12.3m). CAPEX was €7.2m resulting in a free cash flow of €-21.9m (H1/15: €-35.9m). Financing cash flow came in at €0.7m and the net cash flow was €-21.3m.

Project segment already EBIT-positive at the H1 stage Segment revenues jumped from €1.0m to €13.7m due to the sale of the previously commissioned Hürth wind farm (8.55 MW) in April. Total output amounted to €26.0m (H1/15: €3.4m). Segment EBIT was already positive in H1 and topped €1.5m (H1/15: €-2.3m), as profits from the sale of Hürth to Chorus Clean Energy were booked.

Construction and sales activity remained on a high level. In May, Energiekontor signed a contract to sell the Debstedt wind farm to Capital Stage. Construction of the repowering project in Lower Saxony (4 x 4.5 MW = 18 MW) started in February. The first three turbines are scheduled to be commissioned this year; the fourth one in spring 2017.

The Project business has continued to run smoothly since the close of the H1 reporting period. In July, Energiekontor signed a contract to sell the Breitendeich wind farm (6.4 MW) to Capital Stage. Commissioning is scheduled later this year. In August, Energiekontor sold the Grevenbroich wind farm (7.5 MW) – also to Capital Stage. At the beginning of September, Energiekontor reported the sale of the now commissioned solar plant Nadrensee (9 MW) to the local utility, Stadtwerke Tübingen. In total, Energiekontor has already sold 51.9 MW, of which 9 MW were solar.

Figure 1: Energiekontor's wind and solar projects

Wind farm / solar park	MW	In approval process	Approval	Under construction	Com-missioning	Sale
Debstedt (Lower Saxony)	18.0	./.	12/2015, 4.5 MW: Q2/2016	yes (13.5 MW)	this year, 4.5 MW in spring 2017	5/2016, Capital Stage
Breitendeich (Lower Saxony)	6.4	./.	3/2016	yes	this year	7/2016, Capital Stage
Unnamed projects (Lower Saxony)	25.0	yes	2016	2016/17	2017	./.
Hürth (North Rhine-Westphalia)	8.6	./.	12/2015	completed	4/2016	4/2016, Chorus Clean Energy
Grevenbroich (North Rhine-Westphalia)	7.5	./.	Q1/16	yes	this year	8/2016, Capital Stage
Unnamed projects (North Rhine-Westphalia)	50.0	yes	2017	2018	./.	./.
Klein Woltersdorf (Brandenburg)	2.4	./.	12/2015	yes	this year	Q2, unnamed investor
Luckow-Petershagen (Brandenburg)	2.8	yes	autumn 2016	2016/17	2016/17	./.
Unnamed projects (Brandenburg)	15.0	yes	./.	./.	./.	./.
Nadrensee (PV, Mecklenburg-W. Pomerania)	9.0	./.	4/2015	completed	8/2016	8/2016, Stadtwerke Tübingen
Garzau-Garzin (PV, Brandenburg)	10.0	./.	4/2016	2016/17	2017	./.
Pencarreg (Wales)	5.0	./.	Q1/2016, new approval planned to improve project economics			
Hyndburn II (England)	8.0	./.	6/2015	delayed due to air traffic control issues		

Source: First Berlin Equity Research, Energiekontor AG



In 2016, Energiekontor acquired land for ca. 240 MW in Germany. The German project pipeline amounts to 740 MW. In the UK, the company has secured sites for ca. 200 MW since the beginning of 2016. In total, Energiekontor now has exclusivity for sites for ca. 600 MW, mostly in Scotland.

Power Production weak In H1, total wind farm capacity was 269 MW following the acquisition of the Portuguese Mafomedes wind farm, which became effective on 1st January 2016. Due to lower wind supply, revenues and earnings were below estimates. Revenues were only slightly above the H1/15 figure (€28.1m vs. €27.9m) despite the capacity increases from 221 MW to 269 MW in 2015/16. EBITDA fell 2% to €20.7m from €21.2m in H1/15. Higher depreciation lowered EBIT almost 15% to €11.3m from €13.2m. EBT came in at €4.2m (H1/15: €6.6m). Energiekontor has decided not to increase its own plant portfolio further in 2016. We have adjusted our expansion path forecast accordingly.

Operation & Innovation on track Energiekontor's innovative rotor blade enlargement technology has been gaining in importance for the segment. Five turbines had already been retrofitted by the end of H1. The company received approval to retrofit 26 turbines in Portugal in 2013, and the remaining 21 turbines are to be retrofitted later this year. In addition to the certification of the AN Bonus 1 MW turbine, Energiekontor has now also received certification for the 1.3 MW turbine. In H1, segment revenues increased by almost 7% to €2.6m, and EBIT was 1% higher at €1.39m (see figure 2). The main revenue driver is still operation and maintenance of own and third-party wind farms.

Figure 2: Reported segment figures versus forecasts

All figures in €m	H1-16A	H1-16E	Delta	H1-15A	Delta
Projects Onshore					
Total output	25.96	35.32	-26.5%	38.37	-32.3%
EBIT	1.53	-2.70	-	-2.31	-
margin	5.9%	-7.6%		-6.0%	
Power Production					
Total output	28.12	30.03	-6.4%	27.87	0.9%
EBIT	11.27	13.81	-18.4%	13.21	-14.7%
margin	40.1%	46.0%		47.4%	
Operation & Innovation					
Total output	2.62	2.80	-6.5%	2.46	6.5%
EBIT	1.39	1.40	-0.6%	1.38	0.8%
margin	53.1%	50.0%		56.1%	

Source: First Berlin Equity Research, Energiekontor AG

Co-operation with Thüga In March, Energiekontor entered into a co-operation with Thüga Erneuerbare Energien to jointly develop and build wind farms with a total capacity of ca. 50 MW in North Rhine-Westphalia. Thüga Group is an association of ca. 100 municipal utilities with ca. 17.000 employees and revenues of almost €20bn in 2015. Energiekontor expects the first wind farm approvals in 2017.

Expansion into new markets Energiekontor has entered the Dutch market and is preparing market entry in France (solar) and the USA (wind & solar). In the Netherlands, the company has opened an office in Nijmegen and identified first sites. To secure these and new sites, Energiekontor plans to expand the team in the Netherlands. In France, Energiekontor is in discussions with industry experts and wants to open a local office there and acquire sites. In the US, the company has selected suitable states and possible sites, and also plans to open an office.



Share buyback programme resumed At the end of May, Energiekontor decided to buy back up to 100,000 shares by 31 May 2017. From 30 May to 12 August 2016, the company bought back 5,170 shares.

Free float substantially increased The founding shareholders Günter Lammers and Dr Bodo Wilkens each sold 7% stakes in Energiekontor AG to several institutional investors in a private placement. This transaction increases the free float of Energiekontor AG to 42.9% (previously: 28.8%). We believe that the higher free float will increase the liquidity in the stock and thus the attractiveness of the share.

Forecasts slightly increased We have slightly increased our 2016E estimates as we expect lower power production figures to be more than compensated for better Project segment results. We have also slightly increased our 2017E & 2018E estimates as we forecast stronger project business (see figure 4).

Buy reiterated at increased price target An updated sum-of-the-parts valuation yields a new price target of €19.60 (previously: €18.00). We reiterate our Buy rating.

Figure 3: Reported figures versus forecasts

All figures in €m	H1-16A	H1-16E	Delta	H1-15A	Delta
Total output	55.65	68.15	-18.3%	67.62	-17.7%
EBIT	14.19	12.51	13.4%	12.28	15.6%
margin	25.5%	18.4%		18.2%	
Net income	3.42	1.76	94.1%	1.81	88.7%
margin	6.1%	2.6%		2.7%	
EPS in € (diluted)	0.23	0.12	91.7%	0.12	91.7%

Source: First Berlin Equity Research, Energiekontor AG

Figure 4: Revisions to forecasts

All figures in €m	2016E			2017E			2018E		
	Old	New	Delta	Old	New	Delta	Old	New	Delta
Total output	204.66	219.63	7.3%	203.74	228.72	12.3%	208.45	238.94	14.6%
EBIT	50.99	51.49	1.0%	50.45	51.54	2.2%	51.67	51.81	0.3%
margin	24.9%	23.4%		24.8%	22.5%		24.8%	21.7%	
Net income	21.63	21.93	1.4%	20.82	22.14	6.4%	21.77	22.02	1.1%
margin	10.6%	10.0%		10.2%	9.7%		10.4%	9.2%	
EPS (diluted)	1.48	1.50	1.5%	1.42	1.52	6.8%	1.49	1.51	1.2%

Source: First Berlin Equity Research



VALUATION MODEL

SotP valuation	Fair value in €m	Fair value per share in €
Project development (including O&I)	142.59	9.80
Power production	143.25	9.80
Sum of the parts	285.83	19.60



INCOME STATEMENT

All figures in EUR '000	2013A	2014A	2015A	2016E	2017E	2018E
Revenues	117,803	153,280	191,329	219,631	162,221	165,521
Change in inventory & own work	44,970	7,172	18,808	0	66,495	73,420
Total output	162,773	160,452	210,137	219,631	228,716	238,941
Cost of goods sold	96,158	82,431	116,590	119,613	123,673	128,300
Gross profit	66,615	78,021	93,547	100,018	105,044	110,641
Personnel costs	9,754	10,043	10,476	10,895	11,549	12,473
Depreciation	12,081	14,183	16,424	18,518	20,165	22,745
Other operating income	3,762	3,569	1,574	3,294	1,144	1,195
Other operating expenses	14,401	16,646	18,553	22,406	22,934	24,803
Operating income (EBIT)	34,140	40,718	49,668	51,493	51,540	51,814
Net financial result	-12,987	-18,962	-20,006	-20,166	-19,905	-20,357
Non-operating expenses	0	0	0	0	0	0
Pre-tax income (EBT)	21,153	21,756	29,662	31,327	31,635	31,457
Income taxes	7,603	7,623	8,751	9,398	9,490	9,437
Minority interests	0	0	0	0	0	0
Net income / loss	13,550	14,133	20,911	21,929	22,144	22,020
Diluted EPS (in €)	0.92	0.96	1.43	1.50	1.52	1.51
EBITDA	46,221	54,901	66,092	70,012	71,705	74,560
Ratios						
Gross margin on total output	40.9%	48.6%	44.5%	45.5%	45.9%	46.3%
EBIT margin on total output	21.0%	25.4%	23.6%	23.4%	22.5%	21.7%
EBITDA margin on total output	28.4%	34.2%	31.5%	31.9%	31.4%	31.2%
Net margin on total output	8.3%	8.8%	10.0%	10.0%	9.7%	9.2%
Tax rate	35.9%	35.0%	29.5%	30.0%	30.0%	30.0%
Expenses as % of total output						
Personnel costs	6.0%	6.3%	5.0%	5.0%	5.0%	5.2%
Depreciation	7.4%	8.8%	7.8%	8.4%	8.8%	9.5%
Other operating expenses	8.8%	10.4%	8.8%	10.2%	10.0%	10.4%
Y-Y Growth						
Total output	68.8%	-1.4%	31.0%	4.5%	4.1%	4.5%
EBIT	289.6%	19.3%	22.0%	3.7%	0.1%	0.5%
Net income/ loss	32008.5%	4.3%	48.0%	4.9%	1.0%	-0.6%



BALANCE SHEET

All figures in EUR '000	2013A	2014A	2015A	2016E	2017E	2018E
Assets						
Current assets, total	164,392	159,888	166,855	193,966	199,548	207,393
Cash and cash equivalents	71,413	81,594	103,957	84,933	83,787	88,688
Short-term investments	1,371	39	10,278	10,278	10,278	10,278
Receivables	28,567	23,781	16,932	27,539	29,939	31,853
Inventories	62,033	50,858	32,871	68,400	72,727	73,757
Other current assets	829	3,412	1,192	1,192	1,192	1,192
Non-current assets, total	186,587	195,310	232,263	221,305	241,340	267,281
Property, plant & equipment	178,804	187,241	223,789	212,831	232,866	258,807
Goodwill & other intangibles	57	37	23	23	23	23
Other assets	7,726	8,032	8,451	8,451	8,451	8,451
Total assets	350,980	355,198	399,118	415,271	440,888	474,674
Shareholders' equity & debt						
Current liabilities, total	79,462	45,266	76,163	92,047	87,658	87,926
Short-term financial debt	54,076	19,166	31,871	45,000	40,000	40,000
Accounts payable	8,109	5,947	4,480	8,722	9,333	9,601
Current provisions	6,653	11,342	16,282	16,282	16,282	16,282
Other current liabilities	10,624	8,811	23,530	22,043	22,043	22,043
Long-term liabilities, total	231,920	269,777	272,495	261,055	279,135	300,853
Long-term financial debt	216,173	249,136	248,899	237,459	255,539	277,257
Deferred revenue	0	0	0	0	0	0
Other liabilities	15,747	20,641	23,596	23,596	23,596	23,596
Minority interests	0	0	0	0	0	0
Shareholders' equity	39,598	40,155	50,460	62,169	74,094	85,895
Share capital	14,778	14,653	14,653	14,653	14,653	14,653
Capital reserve	40,278	40,293	40,308	40,308	40,308	40,308
Other reserves	-1,319	-7,388	-8,751	-8,751	-8,751	-8,751
Treasury stock	-102	-4	-41	-41	-41	-41
Loss carryforward / retained earnings	6,122	10,112	16,421	28,130	40,055	51,856
Total consolidated equity and debt	350,980	355,198	399,118	415,271	440,888	474,674
Ratios						
Current ratio (x)	2.07	3.53	2.19	2.11	2.28	2.36
Quick ratio (x)	1.29	2.41	1.76	1.36	1.45	1.52
Net debt	197,465	186,669	166,535	187,248	201,474	218,291
Net gearing	499%	465%	330%	301%	272%	254%
Book value per share (in €)	2.69	2.74	3.45	4.26	5.08	5.88
Financial debt/EBITDA (x)	6	5	4	4	4	4
Return on equity (ROE)	34.2%	35.2%	41.4%	35.3%	29.9%	25.6%
Days sales outstanding (DSO)	88.5	56.6	32.3	45.8	67.4	70.2
Days inventory outstanding (DIO)	235.5	225.2	102.9	208.7	214.6	209.8
Days payables outstanding (DPO)	30.8	26.3	14.0	26.6	27.5	27.3



CASH FLOW STATEMENT

All figures in EUR '000	2013A	2014A	2015A	2016E	2017E	2018E
EBIT	34,140	40,718	49,668	51,493	51,540	51,814
Depreciation and amortisation	12,081	12,463	16,424	18,518	20,165	22,745
EBITDA	46,221	53,181	66,092	70,012	71,705	74,560
Changes in working capital	-24,798	6,445	28,824	-41,894	-6,116	-2,676
Other adjustments	-3,128	-3,848	-3,490	-29,565	-29,396	-29,794
Operating cash flow	18,295	55,778	91,426	-1,447	36,193	42,090
CAPEX	-47,420	-20,149	-40,205	-7,560	-40,200	-48,686
Investments in intangibles	-41	-12	0	0	0	0
Free cash flow	-29,166	35,617	51,221	-9,007	-4,007	-6,597
Acquisitions and disposals, net	10,131	5,062	300	0	0	0
Other investments	-2,816	307	-11,143	0	0	0
Cash flow from investing	-40,146	-14,792	-51,048	-7,560	-40,200	-48,686
Debt financing, net	52,410	-3,708	11,574	1,689	13,080	21,718
Equity financing, net	0	0	0	0	0	0
Dividends paid	-2,206	-7,331	-8,781	-11,706	-10,219	-10,219
Other financing	-10,394	-18,129	-18,759	0	0	0
Cash flow from financing	39,810	-29,168	-15,967	-10,017	2,861	11,498
Forex & other effects	0	-1,636	-2,048	0	0	0
Net cash flows	17,959	10,181	22,363	-19,024	-1,146	4,901
Cash, start of the year	53,453	71,413	81,594	103,957	84,933	83,787
Cash, end of the year	71,412	81,594	103,957	84,933	83,787	88,688
EBITDA/share (in €)	3.14	3.74	4.52	4.80	4.91	5.11
Operating cash flow/share (in €)	1.24	3.80	6.25	-0.10	2.48	2.88
Y-Y Growth						
Operating cash flow	168.7%	204.9%	63.9%	n.m.	n.m.	16.3%
Free cash flow	n.m.	n.m.	43.8%	n.m.	n.m.	n.m.
EBITDA/share	175.2%	19.1%	20.6%	6.2%	2.4%	4.0%
Operating cash flow/share	169.2%	205.7%	64.2%	n.m.	n.m.	16.3%

FIRST BERLIN RECOMMENDATION & PRICE TARGET HISTORY

Report No.:	Date of publication	Previous day closing price	Recommendation	Price target
Initial Report	5 June 2014	€7.70	Buy	€12.20
2...13	↓	↓	↓	↓
14	20 January 2016	€11.96	Buy	€15.90
15	26 April 2016	€15.50	Add	€17.90
16	24 May 2016	€13.81	Buy	€18.00
17	Today	€15.07	Buy	€19.60

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