

# Energiekontor AG

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

9M report

**RATING**  
**BUY**

**PRICE TARGET**  
**€19.70**

Return Potential 31.3%  
 Risk Rating High

## BUSINESS DEVELOPING AS PLANNED

On 15 November, Energiekontor published its 9M report which gives a qualitative update on the business development, but no financial figures. Overall business development is in line with the company's plan, and Energiekontor has reiterated its guidance for 2016. We confirm our Buy rating at a slightly increased price target of €19.70 (previously: €19.60).

**Guidance reiterated** Energiekontor is still guiding towards net income at the same level as in the previous year or slightly higher. Reaching the net income target depends on commissioning all projects that have been sold and are under construction, and also on the sale of a major wind farm which is currently in the sales process.

**Project development on track** Construction activity in the Project Development segment progressed as scheduled during Q3. In Germany, the Debstedt repowering project (18 MW), the Breitenreich wind farm (6.4 MW), the Grevenbroich repowering project (7.5 MW), and the Klein Woltersdorf wind farm (2.4 MW) were under construction. In October, Energiekontor received planning permission for the Hammelwarder Moor project (10.2 MW). The company hopes to receive approval for two further projects (8 MW) in 2016 in Lower Saxony. Based on the cooperation agreement concluded with Thüga in February, Energiekontor is developing projects with a total capacity of 50 MW in North Rhine-Westphalia. We expect first approvals in 2017 and construction activity to start in 2018. Furthermore, Energiekontor expects approvals for 37 MW of own projects by 2016 in that state. Energiekontor is considering expanding into Thuringia as the German state offers good conditions for onshore wind projects. The state's energy and greentech agency awarded Energiekontor the seal "Fair Wind Energy Thuringia" for adhering to its guidelines on transparency and cooperation with citizens and municipalities. So far, Energiekontor has contractually secured sites for a total capacity of ca. 240 MW in 2016 in Germany. The company's total German pipeline covers... (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 17 Nov 2016

Closing Price	€ 15.00
Shares outstanding	14.60m
Market Capitalisation	€ 218.99m
52-week Range	€ 10.92 / 15.85
Avg. Volume (12 Months)	9,566

Multiples	2015	2016E	2017E
P/E	10.5	10.0	9.9
EV/Sales	1.8	1.7	1.6
EV/EBIT	7.5	7.2	7.2
Div. Yield	5.3%	4.7%	4.7%

## 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%



...projects with a capacity of almost 740 MW. In 2017, Energiekontor plans to participate in onshore wind tenders with projects totalling ca. 70 MW.

In the UK, Energiekontor has secured sites for ca. 220 MW from the beginning of 2016 until publication of the 9M report. The total capacity of projects for which the company secured exclusivity has thus climbed to more than 600 MW.

In the Solar business, the Garzau-Garzin project (10 MW), which was awarded to Energiekontor in the April 2016 tender round, is still in the planning phase. Commissioning is scheduled for 2017.

**Power production below expectations** Weak wind conditions, which already burdened the H1 segment result, persisted in Q3. Energiekontor operates 33 wind farms with a total capacity of ca. 269 MW in Germany, the UK, and Portugal. The company refinanced its English Withernwick wind farm to exploit the current low interest rate level.

**Operation & Innovation segment benefits from rotor blade extensions** The segment generates revenues from the operational management of wind farms, as Energiekontor usually continues to manage the wind farms sold to third parties. The segment also covers innovations. Energiekontor has a patented rotor blade extension technology. In Portugal, ten 1.3 MW wind turbines have been equipped with this technology, which looks set to increase output by ca. 7%.

**New markets Netherlands, France, USA** Energiekontor has strengthened its personnel resources to penetrate the new markets. The company opened an office in Nijmegen in the Netherlands to coordinate wind project development activities there. In France, Energiekontor is initially focusing on solar and is starting the identification of suitable areas and projects. In the US, the company is looking into both wind and solar. Energiekontor has selected suitable states and possible sites there. It has plans to establish an office in the US.

**Buy reiterated at slightly increased price target** Based on unchanged forecasts, an updated sum of the parts valuation yields a new price target of €19.70 (previously: €19.60). We confirm our Buy rating.



## VALUATION MODEL

SotP valuation	Fair value in €m	Fair value per share in €
Project development (including O&I)	143.48	9.80
Power production	144.97	9.90
<b>Sum of the parts</b>	<b>288.45</b>	<b>19.70</b>



## INCOME STATEMENT

All figures in EUR '000	2013A	2014A	2015A	2016E	2017E	2018E
<b>Revenues</b>	<b>117,803</b>	<b>153,280</b>	<b>191,329</b>	<b>219,631</b>	<b>162,221</b>	<b>165,521</b>
Change in inventory & own work	44,970	7,172	18,808	0	66,495	73,420
<b>Total output</b>	<b>162,773</b>	<b>160,452</b>	<b>210,137</b>	<b>219,631</b>	<b>228,716</b>	<b>238,941</b>
Cost of goods sold	96,158	82,431	116,590	119,613	123,673	128,300
<b>Gross profit</b>	<b>66,615</b>	<b>78,021</b>	<b>93,547</b>	<b>100,018</b>	<b>105,044</b>	<b>110,641</b>
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
<b>Operating income (EBIT)</b>	<b>34,140</b>	<b>40,718</b>	<b>49,668</b>	<b>51,493</b>	<b>51,540</b>	<b>51,814</b>
Net financial result	-12,987	-18,962	-20,006	-20,166	-19,905	-20,357
Non-operating expenses	0	0	0	0	0	0
<b>Pre-tax income (EBT)</b>	<b>21,153</b>	<b>21,756</b>	<b>29,662</b>	<b>31,327</b>	<b>31,635</b>	<b>31,457</b>
Income taxes	7,603	7,623	8,751	9,398	9,490	9,437
Minority interests	0	0	0	0	0	0
<b>Net income / loss</b>	<b>13,550</b>	<b>14,133</b>	<b>20,911</b>	<b>21,929</b>	<b>22,144</b>	<b>22,020</b>
<b>Diluted EPS (in €)</b>	<b>0.92</b>	<b>0.96</b>	<b>1.43</b>	<b>1.50</b>	<b>1.52</b>	<b>1.51</b>
<b>EBITDA</b>	<b>46,221</b>	<b>54,901</b>	<b>66,092</b>	<b>70,012</b>	<b>71,705</b>	<b>74,560</b>
<b>Ratios</b>						
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%
<b>Expenses as % of total output</b>						
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%
<b>Y-Y Growth</b>						
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
<b>Assets</b>						
<b>Current assets, total</b>	<b>164,392</b>	<b>159,888</b>	<b>166,855</b>	<b>193,966</b>	<b>199,548</b>	<b>207,393</b>
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
<b>Non-current assets, total</b>	<b>186,587</b>	<b>195,310</b>	<b>232,263</b>	<b>221,305</b>	<b>241,340</b>	<b>267,281</b>
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
<b>Total assets</b>	<b>350,980</b>	<b>355,198</b>	<b>399,118</b>	<b>415,271</b>	<b>440,888</b>	<b>474,674</b>
<b>Shareholders' equity &amp; debt</b>						
<b>Current liabilities, total</b>	<b>79,462</b>	<b>45,266</b>	<b>76,163</b>	<b>92,047</b>	<b>87,658</b>	<b>87,926</b>
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
<b>Long-term liabilities, total</b>	<b>231,920</b>	<b>269,777</b>	<b>272,495</b>	<b>261,055</b>	<b>279,135</b>	<b>300,853</b>
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
<b>Minority interests</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Shareholders' equity</b>	<b>39,598</b>	<b>40,155</b>	<b>50,460</b>	<b>62,169</b>	<b>74,094</b>	<b>85,895</b>
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
<b>Total consolidated equity and debt</b>	<b>350,980</b>	<b>355,198</b>	<b>399,118</b>	<b>415,271</b>	<b>440,888</b>	<b>474,674</b>
<b>Ratios</b>						
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
<b>EBIT</b>	<b>34,140</b>	<b>40,718</b>	<b>49,668</b>	<b>51,493</b>	<b>51,540</b>	<b>51,814</b>
Depreciation and amortisation	12,081	12,463	16,424	18,518	20,165	22,745
<b>EBITDA</b>	<b>46,221</b>	<b>53,181</b>	<b>66,092</b>	<b>70,012</b>	<b>71,705</b>	<b>74,560</b>
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
<b>Operating cash flow</b>	<b>18,295</b>	<b>55,778</b>	<b>91,426</b>	<b>-1,447</b>	<b>36,193</b>	<b>42,090</b>
CAPEX	-47,420	-20,149	-40,205	-7,560	-40,200	-48,686
Investments in intangibles	-41	-12	0	0	0	0
<b>Free cash flow</b>	<b>-29,166</b>	<b>35,617</b>	<b>51,221</b>	<b>-9,007</b>	<b>-4,007</b>	<b>-6,597</b>
Acquisitions and disposals, net	10,131	5,062	300	0	0	0
Other investments	-2,816	307	-11,143	0	0	0
<b>Cash flow from investing</b>	<b>-40,146</b>	<b>-14,792</b>	<b>-51,048</b>	<b>-7,560</b>	<b>-40,200</b>	<b>-48,686</b>
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
<b>Cash flow from financing</b>	<b>39,810</b>	<b>-29,168</b>	<b>-15,967</b>	<b>-10,017</b>	<b>2,861</b>	<b>11,498</b>
Forex & other effects	0	-1,636	-2,048	0	0	0
<b>Net cash flows</b>	<b>17,959</b>	<b>10,181</b>	<b>22,363</b>	<b>-19,024</b>	<b>-1,146</b>	<b>4,901</b>
Cash, start of the year	53,453	71,413	81,594	103,957	84,933	83,787
<b>Cash, end of the year</b>	<b>71,412</b>	<b>81,594</b>	<b>103,957</b>	<b>84,933</b>	<b>83,787</b>	<b>88,688</b>
<b>EBITDA/share (in €)</b>	<b>3.14</b>	<b>3.74</b>	<b>4.52</b>	<b>4.80</b>	<b>4.91</b>	<b>5.11</b>
<b>Operating cash flow/share (in €)</b>	<b>1.24</b>	<b>3.80</b>	<b>6.25</b>	<b>-0.10</b>	<b>2.48</b>	<b>2.88</b>
<b>Y-Y Growth</b>						
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...14	↓	↓	↓	↓
15	26 April 2016	€15.50	Add	€17.90
16	24 May 2016	€13.81	Buy	€18.00
17	7 October 2016	€15.07	Buy	€19.60
18	Today	€15.00	Buy	€19.70

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**PRICE TARGET DATES**

Unless otherwise indicated, current prices refer to the closing prices of the previous trading day.

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### ASSET VALUATION SYSTEM

First Berlin's system for asset valuation is divided into an asset recommendation and a risk assessment.

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The recommendations determined in accordance with the share price trend anticipated by First Berlin in the respectively indicated investment period are as follows:

**STRONG BUY:** An expected favourable price trend of more than 50% combined with sizeable confidence in the quality and forecast security of management.

**BUY:** An expected favourable price trend of more than 25% percent.

**ADD:** An expected favourable price trend of between 0% and 25%.

**REDUCE:** An expected negative price trend of between 0% and -15%.

**SELL:** An expected negative price trend of more than -15%.

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The First Berlin categories for risk assessment are low, average, high and speculative. They are determined by ten factors: Corporate governance, quality of earnings, management strength, balance sheet and financial risk, competitive position, standard of financial disclosure, regulatory and political uncertainty, strength of brandname, market capitalisation and free float. These risk factors are incorporated into the First Berlin valuation models and are thus included in the target prices. First Berlin customers may request the models.

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#### Legally required information regarding

- key sources of information in the preparation of this research report
- valuation methods and principles
- sensitivity of valuation parameters

can be accessed through the following internet link: <http://firstberlin.com/disclaimer-english-link/>

**SUPERVISORY AUTHORITY:** Bundesanstalt für Finanzdienstleistungsaufsicht (German Federal Financial Supervisory Authority) [BaFin], Graurheindorferstraße 108, 53117 Bonn and Lurgiallee 12, 60439 Frankfurt

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