

Energiekontor AG

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

2016 another
 profitable year

RATING
PRICE TARGET **BUY**
 Return Potential 28.3%
 Risk Rating High

ALL PROJECTS SOLD AS PLANNED – BUY REITERATED

In December, Energiekontor commissioned three wind farm projects as planned and sold the British Gayton le Marsh wind farm. We are therefore convinced that the company will reach its guidance (same income level as in 2015 or slightly higher) and stick to our 2016E forecast. For 2017E, we now forecast net income slightly above the level of 2016E. Building permits for wind farm projects in Germany of 80 MW on hand are a very solid basis for our forecast. An updated sum of the parts valuation still yields a €19.70 price target. We reiterate our Buy rating.

Large wind farm sold In December, Energiekontor sold the Gayton le Marsh wind farm (16.4 MW) to a British investor. The proceeds will be used to prematurely repay existing loans for group-owned wind farms to accelerate the deleveraging of the company's own wind farms and thus improve Energiekontor's equity ratio. The sale of the wind farm reduces the capacity of the own wind farm portfolio to ca. 252 MW. Management has however reiterated its objective to incorporate a significant part of newly developed projects into the group's own portfolio, and hence to expand the capacity of the own plant portfolio to double the segment's EBT in the medium term compared to the 2015 figure of €10.9m.

Almost all projects completed as scheduled With the wind farms Debstedt (13.5 MW), Breitendeich (6.4 MW) and Grevenbroich (7.5 MW) Energiekontor has commissioned all the repowering projects as planned for 2016. In the first half of 2016, the Hürth wind farm (8.6 MW), and the Nadrensee solar park (ca. 9 MWp) were commissioned. The last project built and sold in 2016, the Klein Woltersdorf wind farm (2.4 MW), is to be connected to the grid in spring 2017. Including the last Debstedt turbine (4.5 MW, commissioning in spring 2017) and the Gayton le Marsh wind farm (16.4 MW), Energiekontor sold 68.3 MW in 2016.

Guidance reiterated Energiekontor reiterated its 2016 guidance following the sale of the British wind farm and the commissioning of three German wind farms in December. The company expects the same income level... (p.t.o.)

FINANCIAL HISTORY & PROJECTIONS

	2013	2014	2015	2016E	2017E	2018E
Revenue (€m)	162.77	160.45	210.14	219.63	230.86	239.65
Y-o-y growth	168.8%	-1.4%	31.0%	4.5%	5.1%	3.8%
EBIT (€m)	34.14	40.72	49.67	51.49	51.79	51.41
EBIT margin	21.0%	25.4%	23.6%	23.4%	22.4%	21.5%
Net income (€m)	13.55	14.13	20.91	21.93	22.81	22.72
EPS (diluted) (€)	0.92	0.96	1.43	1.50	1.56	1.56
DPS (€)	0.50	0.60	0.80	0.70	0.70	0.70
FCF (€m)	-29.17	35.62	51.22	11.16	35.79	11.22
Net gearing	498.7%	464.9%	330.0%	301.2%	241.9%	227.9%
Liquid assets (€m)	71.41	81.59	103.96	84.93	84.36	89.04

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 (~252 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 04 Jan 2017

Closing Price	€ 15.35
Shares outstanding	14.60m
Market Capitalisation	€ 224.09m
52-week Range	€ 11.52 / 15.85
Avg. Volume (12 Months)	9,224

Multiples	2015	2016E	2017E
P/E	10.8	10.3	9.9
EV/Sales	1.8	1.7	1.6
EV/EBIT	7.6	7.4	7.3
Div. Yield	5.2%	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%



...as in 2015 or a slightly higher figure. In 2015, net income amounted to €20.9m.

Well-filled project pipeline for 2017 At the end of 2016, Energiekontor had building permits for wind farm projects in Germany with a total capacity of ca. 80 MW on hand. These projects do not have to participate in the tender and can be constructed in 2017. Furthermore, the company has secured permits for some 20 MW in the UK. In addition, Energiekontor looks set to commission the 10 MW Garzau-Garzin solar plant in 2017, which was awarded to the company in the April 2016 solar tender round.

Well prepared for tenders in Germany In 2017, Energiekontor plans to participate in German onshore wind tenders for projects totalling ca. 70 MW. If awarded, these projects look set to be constructed in 2018.

Deleveraging of the balance sheet Based on the proceeds from the sale of the Gayton le Marsh wind farm, Energiekontor will prematurely repay existing debt for group-owned wind farms. On 31 March 2017, the step-up bonds II and III will be completely repaid and the step-up bonds I and IV partly repaid. The total amount of the step-up bond repayment is €18.5m. We expect the equity ratio to increase to 17.7% at the end of 2017E from 12.6% at the end of 2015.

Estimates adjusted for strong project pipeline and diminished wind farm portfolio

Based on the strong project pipeline, we have slightly increased our Project Development segment forecasts. Due to the sale of the Gayton le Marsh wind farm, which was part of the own plant portfolio, we have lowered our Power Production segment estimates for 2017E and the following years. Our forecasts for the group have only slightly changed (see figure 1).

Figure 1: Revisions to forecasts

All figures in €m	2016E			2017E			2018E		
	Old	New	Delta	Old	New	Delta	Old	New	Delta
Total output	219.63	219.63	0.0%	230.72	230.86	0.1%	238.94	239.65	0.3%
EBIT	51.49	51.49	0.0%	51.54	51.79	0.5%	51.81	51.41	-0.8%
margin	23.4%	23.4%		22.3%	22.4%		21.7%	21.5%	
Net income	21.93	21.93	0.0%	22.14	22.81	3.0%	22.02	22.72	3.2%
margin	10.0%	10.0%		9.6%	9.9%		9.2%	9.5%	
EPS (diluted)	1.50	1.50	0.0%	1.52	1.56	2.8%	1.51	1.56	3.1%

Source: First Berlin Equity Research

Buy reiterated at unchanged price target An updated sum of the parts valuation still yields a price target of €19.70. We reiterate our Buy rating.



VALUATION MODEL

SotP valuation	Fair value in €m	Fair value per share in €
Project development (including O&I)	149.92	10.30
Power production	136.62	9.40
Sum of the parts	286.54	19.70



INCOME STATEMENT

All figures in EUR '000	2013A	2014A	2015A	2016E	2017E	2018E
Revenues	117,803	153,280	191,329	219,631	162,660	164,345
Change in inventory & own work	44,970	7,172	18,808	0	68,200	75,302
Total output	162,773	160,452	210,137	219,631	230,860	239,648
Cost of goods sold	96,158	82,431	116,590	119,613	126,492	131,227
Gross profit	66,615	78,021	93,547	100,018	104,368	108,421
Personnel costs	9,754	10,043	10,476	10,895	11,549	12,473
Other operating expenses	14,401	16,646	18,553	22,406	22,571	24,076
Other operating income	3,762	3,569	1,574	3,294	1,154	1,198
EBITDA	46,221	54,901	66,092	70,012	71,403	73,070
Depreciation	12,081	14,183	16,424	18,518	19,609	21,659
Operating income (EBIT)	34,140	40,718	49,668	51,493	51,794	51,411
Net financial result	-12,987	-18,962	-20,006	-20,166	-19,204	-18,958
Non-operating expenses	0	0	0	0	0	0
Pre-tax income (EBT)	21,153	21,756	29,662	31,327	32,589	32,453
Income taxes	7,603	7,623	8,751	9,398	9,777	9,736
Minority interests	0	0	0	0	0	0
Net income / loss	13,550	14,133	20,911	21,929	22,813	22,717
Diluted EPS (in €)	0.92	0.96	1.43	1.50	1.56	1.56
Ratios						
Gross margin on total output	40.9%	48.6%	44.5%	45.5%	45.2%	45.2%
EBITDA margin on total output	28.4%	34.2%	31.5%	31.9%	30.9%	30.5%
EBIT margin on total output	21.0%	25.4%	23.6%	23.4%	22.4%	21.5%
Net margin on total output	8.3%	8.8%	10.0%	10.0%	9.9%	9.5%
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%	8.5%	9.0%
Other operating expenses	8.8%	10.4%	8.8%	10.2%	9.8%	10.0%
Y-Y Growth						
Total output	68.8%	-1.4%	31.0%	4.5%	5.1%	3.8%
EBIT	289.6%	19.3%	22.0%	3.7%	0.6%	-0.7%
Net income/ loss	32008.5%	4.3%	48.0%	4.9%	4.0%	-0.4%



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	202,060	209,387
Cash and cash equivalents	71,413	81,594	103,957	84,933	84,362	89,041
Short-term investments	1,371	39	10,278	10,278	10,278	10,278
Receivables	28,567	23,781	16,932	27,539	30,011	31,603
Inventories	62,033	50,858	32,871	68,400	74,592	75,648
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	219,656	247,701
Property, plant & equipment	178,804	187,241	223,789	212,831	211,182	239,227
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	421,716	457,088
Shareholders' equity & debt						
Current liabilities, total	79,462	45,266	76,163	92,047	87,835	88,075
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	9,509	9,750
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	259,119	281,753
Long-term financial debt	216,173	249,136	248,899	237,459	235,523	258,157
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	74,763	87,261
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	40,724	53,222
Total consolidated equity and debt	350,980	355,198	399,118	415,271	421,716	457,088
Ratios						
Current ratio (x)	2.07	3.53	2.19	2.11	2.30	2.38
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	180,883	198,837
Net gearing	499%	465%	330%	301%	242%	228%
Book value per share (in €)	2.69	2.74	3.45	4.26	5.12	5.98
Financial debt/EBITDA (x)	5.8	4.9	4.2	4.0	3.9	4.1
Equity ratio	11.3%	11.3%	12.6%	15.0%	17.7%	19.1%
Return on equity (ROE)	34.2%	35.2%	41.4%	35.3%	30.5%	26.0%
Days sales outstanding (DSO)	88.5	56.6	32.3	45.8	67.3	70.2
Days inventory outstanding (DIO)	235.5	225.2	102.9	208.7	215.2	210.4
Days payables outstanding (DPO)	30.8	26.3	14.0	26.6	27.4	27.1



CASH FLOW STATEMENT

All figures in EUR '000	2013A	2014A	2015A	2016E	2017E	2018E
EBIT	34,140	40,718	49,668	51,493	51,794	51,411
Depreciation and amortisation	12,081	12,463	16,424	18,518	19,609	21,659
EBITDA	46,221	53,181	66,092	70,012	71,403	73,070
Changes in working capital	-24,798	6,445	28,824	-41,894	-7,877	-2,408
Other adjustments	-3,128	-3,848	-3,490	-9,398	-9,777	-9,736
Operating cash flow	18,295	55,778	91,426	18,720	53,749	60,927
CAPEX	-47,420	-20,149	-40,205	-7,560	-17,960	-49,704
Investments in intangibles	-41	-12	0	0	0	0
Free cash flow	-29,166	35,617	51,221	11,160	35,789	11,223
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	-17,960	-49,704
Debt financing, net	52,410	-3,708	11,574	1,689	-6,936	22,634
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	-20,166	-19,204	-18,958
Cash flow from financing	39,810	-29,168	-15,967	-30,184	-36,360	-6,544
Forex & other effects	0	-1,636	-2,048	0	0	0
Net cash flows	17,959	10,181	22,363	-19,024	-571	4,679
Cash, start of the year	53,453	71,413	81,594	103,957	84,933	84,362
Cash, end of the year	71,412	81,594	103,957	84,933	84,362	89,041
EBITDA/share (in €)	3.14	3.74	4.52	4.80	4.89	5.01
Operating cash flow/share (in €)	1.24	3.80	6.25	1.28	3.68	4.17
Y-Y Growth						
Operating cash flow	168.7%	204.9%	63.9%	-79.5%	187.1%	13.4%
Free cash flow	n.m.	n.m.	43.8%	-78.2%	220.7%	-68.6%
EBITDA/share	175.2%	19.1%	20.6%	6.2%	2.0%	2.3%
Operating cash flow/share	169.2%	205.7%	64.2%	-79.5%	187.1%	13.4%

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Report No.:	Date of publication	Previous day closing price	Recommendation	Price target
Initial Report	5 June 2014	€7.70	Buy	€12.20
2...15	↓	↓	↓	↓
16	24 May 2016	€13.81	Buy	€18.00
17	7 October 2016	€15.07	Buy	€19.60
18	18 November 2016	€15.00	Buy	€19.70
19	Today	€15.35	Buy	€19.70

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- key sources of information in the preparation of this research report
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