Energiekontor AG

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

Q1 report

RATING	**BUY**
PRICE TARGET	**€ 27.00**
Return Potential	42.1%
Risk Rating	High

ON TRACK TO REACH GUIDANCE

On 15 May, Energiekontor published its interim status report for Q1/17, which gives a qualitative update on business development. Construction activity is already strong with ca. 47 MW under construction. Power production was slightly behind expectations. The company reiterated its 2017 guidance (net income on par with 2016, if all projects are commissioned as planned and sold to investors). Our updated sum of the parts valuation yields a new price target of €27.00 (previously: €26.90). We reiterate our Buy rating.

Operating business on schedule The Project Development segment had a strong start to 2017. Energiekontor has wind farms with a total capacity of 47 MW under construction (see also figure 1 overleaf). Construction of further wind farms with a capacity of ca. 50 MW is scheduled to start before the middle of the year. As all these wind farms look set to be commissioned before the end of the year, Energiekontor could reach a wind power installation volume of ca. 100 MW. The company has already concluded purchase agreements for two wind farms. In the solar business, the company will also build the 10 MW Garzau-Garzin project this year. Furthermore, Energiekontor was awarded a 5.5 MW solar project in the German solar tender round in February 2017.
The Power Production segment is slightly behind expectations as wind conditions in Q1 were slightly below average. The Operation & Innovation segment is in line with expectations.

Guidance reiterated Energiekontor is still guiding towards net income on par with 2016, if the projects are commissioned as expected and sold to investors.

Lower interest payments The early redemption of loans and step-up bonds at the end of March will significantly reduce the interest burden in the Power Generation segment and thus for the Group. The early redemption… (p.t.o.)

FINANCIAL HISTORY & PROJECTIONS

	2014	2015	2016	2017E	2018E	2019E
Total output (€ m)	160.45	210.14	166.75	175.98	188.40	249.01
Y-o-y growth	-0.1%	31.0%	-20.6%	5.5%	7.1%	32.2%
EBIT (€ m)	40.72	49.67	53.75	37.91	40.07	48.60
EBIT margin	25.4%	23.6%	32.2%	21.5%	21.3%	19.5%
Net income (€ m)	14.13	20.91	25.34	14.77	14.77	18.26
EPS (diluted) (€)	0.96	1.43	1.74	1.01	1.01	1.25
DPS (€)	0.60	0.80	0.80	0.70	0.70	0.70
FCF (€m)	35.62	51.22	85.99	-4.65	-25.01	-75.87
Net gearing	464.9%	330.0%	146.9%	182.6%	241.0%	344.0%
Liquid assets (€ m)	81.59	103.96	118.53	99.95	95.99	89.58

RISKS

Main risks include changes in the regulatory support for wind energy, tender results, 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 (238 MW). The company is active in onshore wind and solar project development mainly in Germany and the UK. Energiekontor is headquartered in Bremen, Germany.

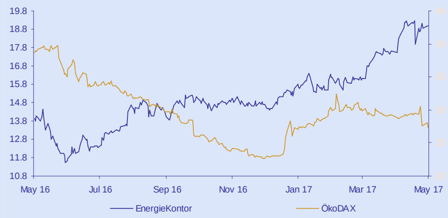
MARKET DATA

As of 17 May 2017

Closing Price	€ 19.00
Shares outstanding	14.60m
Market Capitalisation	€ 277.31m
52-week Range	€ 11.55 / 19.25
Avg. Volume (12 Months)	9,335

Multiples	**2016**	**2017E**	**2018E**
P/E	11.0	18.8	18.8
EV/Sales	2.2	2.1	2.0
EV/EBIT	7.0	9.9	9.3
Div. Yield	4.2%	3.7%	3.7%

STOCK OVERVIEW



COMPANY DATA

As of 31 Dec 2016

Liquid Assets	€ 118.53m
Current Assets	€ 181.53m
Intangible Assets	€ 0.01m
Total Assets	€ 361.35m
Current Liabilities	€ 83.55m
Shareholders' Equity	€ 69.48m

SHAREHOLDERS

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

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…was possible due to the sale of the British Gayton le Marsh wind farm in 2016. We expect Energiekontor's interest expenses to fall by ca. €1.6m y/y in 2017.

Figure 1: Project overview

Wind farm / solar park	MW	Approval	Under construction	Com-missioning	Sale
Hammelwarder Moor (Lower Saxony)	10.2	2016	yes	2017	n.a.
Wachtendonk-Wankum (North Rhine-W.)	2.5	2016	yes	2017	n.a.
Kreuzau-Steinkaul (North Rhine-Westphalia)	5.5	2016	yes	2017	n.a.
Heinsberg-Waldenrath (North Rhine-W.)	7.2	2016	yes	2017	n.a.
Niederzier (North Rhine-Westphalia)	8.25	2016	yes	2017	n.a.
Hürth-Barbarahof (North Rhine-Westphalia)	5.0	2016	in late summer	2017	n.a.
Hohengüstow II (Brandenburg)	9.7	2016	yes	2017	n.a.
Briest III (Brandenburg)	3.2	2016	yes	2017	n.a.
Luckow-Petershagen (Brandenburg)	2.75	2016	yes	2017	n.a.
Klein Woltersdorf (Brandenburg)	2.4	12/2015	completed	3/2017	sold in 2016
Sum wind	**56.7**				
Garzau-Garzin (PV, Brandenburg)	10.0	4/2016	soon	2017	n.a.
Unnamed PV project (Brandenburg)	5.5	2/2017	no	n.a.	n.a.
Sum PV	**15.5**				

Source: First Berlin Equity Research, Energiekontor AG

Forecasts unchanged Energiekontor has made clear that if individual projects are not sold, but included in its own portfolio, this would reduce reported net income for 2017 accordingly. The company has not yet made concrete decisions in this respect. We still assume that 25 MW will be transferred to the Power Production segment in 2017E and thus continue to forecast a net result of €14.8m (2016: €25.3m).

Buy reiterated at slightly increased price target An updated sum of the parts valuation yields a new price target of €27.00 (previously: €26.90). We reiterate our Buy rating.

VALUATION MODEL

Sum of the parts valuation of Energiekontor

SotP valuation	Fair value in €m	Fair value per share in €	old
Project Development	168.09	11.51	11.46
Power Production	181.25	12.41	12.35
Operations & Innovation	45.15	3.09	3.07
Sum of the parts	**394.49**	**27.02**	**26.88**

DCF model for Project Development segment

DCF valuation model All figures in EUR '000	2017E	2018E	2019E	2020E	2021E	2022E	2023E	2024E
Net sales	**107,300**	**111,348**	**157,680**	**167,650**	**173,746**	**179,749**	**185,631**	**191,369**
NOPLAT	**13,307**	**11,729**	**14,713**	**13,079**	**13,160**	**13,277**	**13,727**	**13,911**
+ depreciation & amortisation	82	100	108	143	160	170	177	183
Net operating cash flow	13,390	11,829	14,821	13,221	13,320	13,446	13,903	14,094
- total investments (CAPEX and WC)	82	-1,947	-16,790	-3,864	-2,399	-2,359	-2,324	-2,280
Capital expenditures	-107	-111	-158	-168	-174	-180	-186	-191
Working capital	189	-1,836	-16,632	-3,696	-2,225	-2,180	-2,138	-2,088
Free cash flows (FCF)	13,471	9,882	-1,968	9,358	10,921	11,087	11,579	11,815
PV of FCF's	**12,679**	**8,441**	**-1,526**	**6,583**	**6,973**	**6,425**	**6,090**	**5,638**

All figures in thousands	
PV of FCFs in explicit period (2017E-2030E)	76,466
PV of FCFs in terminal period	35,918
Enterprise value (EV)	112,385
+ Net cash / - net debt	55,704
+ Investments / minority interests	0
Shareholder value	168,089
Fair value per share in EUR	11.51

WACC	10.2%
Cost of equity	13.0%
Pre-tax cost of debt	8.5%
Tax rate	30.0%
After-tax cost of debt	6.0%
Share of equity capital	60.0%
Share of debt capital	40.0%
Fair value per share in EUR	11.51

WACC \ Terminal growth rate	0.5%	1.0%	1.5%	2.0%	2.5%	3.0%	3.5%
6.2%	16.88	17.29	17.80	18.43	19.23	20.27	21.72
7.2%	14.86	15.10	15.38	15.72	16.12	16.63	17.27
8.2%	13.37	13.51	13.68	13.87	14.10	14.36	14.69
9.2%	12.23	12.32	12.42	12.53	12.66	12.81	12.99
10.2%	11.33	11.38	11.44	**11.51**	11.59	11.68	11.78
11.2%	10.60	10.63	10.67	10.71	10.76	10.81	10.87
12.2%	9.99	10.02	10.04	10.07	10.10	10.13	10.16
13.2%	9.49	9.50	9.52	9.53	9.55	9.57	9.59

* for layout purposes the model shows numbers only to 2024, but runs until 2030

DCF model for Power Production segment

DCF valuation model All figures in EUR '000	2017E	2018E	2019E	2020E	2021E	2022E	2023E	2024E
Net sales	**52,570**	**59,990**	**71,714**	**87,590**	**97,310**	**97,310**	**97,310**	**97,310**
NOPLAT	**17,904**	**21,566**	**25,564**	**29,555**	**30,634**	**30,230**	**29,794**	**29,386**
+ depreciation & amortisation	17,464	19,999	24,564	32,609	38,867	38,867	38,867	38,867
Net operating cash flow	35,368	41,565	50,128	62,164	69,501	69,097	68,660	68,253
- total investments (CAPEX and WC)	-53,468	-76,748	-124,262	-111,741	-41,157	-38,867	-38,867	-38,867
Capital expenditures	-48,000	-75,000	-121,500	-108,000	-38,867	-38,867	-38,867	-38,867
Working capital	-5,468	-1,748	-2,762	-3,741	-2,290	0	0	0
Free cash flows (FCF)	-18,100	-35,184	-74,135	-49,576	28,344	30,230	29,794	29,386
PV of FCF's	**-17,640**	**-32,908**	**-66,544**	**-42,702**	**23,430**	**23,981**	**22,683**	**21,468**

All figures in thousands	
PV of FCFs in explicit period (2017E-2030E)	37,784
PV of FCFs in terminal period	296,723
Enterprise value (EV)	334,507
+ Net cash / - net debt	-153,261
+ Investments / minority interests	0
Shareholder value	181,246
Fair value per share in EUR	12.41

WACC	4.2%
Cost of equity	7.0%
Pre-tax cost of debt	5.0%
Tax rate	30.0%
After-tax cost of debt	3.5%
Share of equity capital	20.0%
Share of debt capital	80.0%
Fair value per share in EUR	12.41

Terminal growth rate

WACC	-0.6%	-0.4%	-0.2%	0.0%	0.2%	0.4%	0.6%
3.5%	15.89	17.14	18.53	20.08	21.82	23.78	26.02
3.7%	13.61	14.68	15.86	17.17	18.63	20.27	22.12
4.0%	11.58	12.51	13.52	14.64	15.88	17.26	18.80
4.2%	9.77	10.57	11.45	**12.41**	13.47	14.64	15.94
4.5%	8.14	8.84	9.61	10.44	11.35	12.36	13.46
4.7%	6.67	7.28	7.95	8.68	9.47	10.34	11.29
5.0%	5.33	5.88	6.47	7.10	7.79	8.55	9.37

* for layout purposes the model shows numbers only to 2024, but runs until 2030

DCF model for Operations & Innovation segment

DCF valuation model All figures in EUR '000	2017E	2018E	2019E	2020E	2021E	2022E	2023E	2024E
Net sales	**6,019**	**6,922**	**7,960**	**9,060**	**10,205**	**11,374**	**12,542**	**13,683**
NOPLAT	**2,049**	**2,379**	**2,731**	**3,066**	**3,408**	**3,747**	**4,074**	**4,385**
+ depreciation & amortisation	0	8	18	29	40	53	67	81
Net operating cash flow	2,049	2,387	2,749	3,095	3,448	3,800	4,141	4,466
- total investments (CAPEX and WC)	-386	-148	-286	-306	-326	-343	-355	-361
Capital expenditures	-120	-138	-159	-173	-186	-196	-205	-211
Working capital	-266	-9	-126	-133	-141	-147	-150	-150
Free cash flows (FCF)	1,663	2,239	2,463	2,789	3,122	3,457	3,786	4,104
PV of FCF's	**1,567**	**1,918**	**1,918**	**1,974**	**2,008**	**2,022**	**2,013**	**1,983**

All figures in thousands	
PV of FCFs in explicit period (2017E-2030E)	25,680
PV of FCFs in terminal period	18,445
Enterprise value (EV)	44,125
+ Net cash / - net debt	1,029
+ Investments / minority interests	0
Shareholder value	45,154
Fair value per share in EUR	3.09

WACC	10.0%
Cost of equity	10.0%
Pre-tax cost of debt	6.0%
Tax rate	30.0%
After-tax cost of debt	4.2%
Share of equity capital	100.0%
Share of debt capital	0.0%
Fair value per share in EUR	3.09

Terminal growth rate

WACC	0.5%	1.0%	1.5%	2.0%	2.5%	3.0%	3.5%
6.0%	5.41	5.72	6.09	6.56	7.15	7.95	9.07
7.0%	4.48	4.67	4.89	5.16	5.49	5.90	6.43
8.0%	3.80	3.93	4.07	4.24	4.43	4.67	4.96
9.0%	3.29	3.38	3.47	3.58	3.71	3.85	4.03
10.0%	2.89	2.95	3.02	**3.09**	3.18	3.27	3.39
11.0%	2.57	2.62	2.66	2.72	2.77	2.84	2.92
12.0%	2.31	2.34	2.38	2.42	2.46	2.51	2.56
13.0%	2.10	2.12	2.15	2.17	2.21	2.24	2.28

* for layout purposes the model shows numbers only to 2024, but runs until 2030

INCOME STATEMENT

All figures in EUR '000	2014A	2015A	2016A	2017E	2018E	2019E
Revenues	**153,280**	**191,329**	**201,764**	**163,481**	**175,491**	**234,170**
Change in inventory & own work	7,172	18,808	-35,015	12,494	12,908	14,844
Total output	**160,452**	**210,137**	**166,749**	**175,976**	**188,399**	**249,014**
Cost of goods sold	82,431	116,590	70,523	89,255	94,005	133,225
Gross profit	**78,021**	**93,547**	**96,226**	**86,721**	**94,394**	**115,789**
Personnel costs	10,043	10,476	10,922	11,498	13,435	15,668
Other operating expenses	16,646	18,553	17,719	21,258	22,437	28,902
Other operating income	3,569	1,574	4,481	1,487	1,652	2,073
EBITDA	**54,901**	**66,092**	**72,066**	**55,451**	**60,174**	**73,292**
Depreciation	14,183	16,424	18,316	17,546	20,107	24,689
Operating income (EBIT)	**40,718**	**49,668**	**53,750**	**37,905**	**40,068**	**48,603**
Net financial result	-18,962	-20,006	-18,253	-16,808	-18,961	-22,524
Non-operating expenses	0	0	0	0	0	0
Pre-tax income (EBT)	**21,756**	**29,662**	**35,497**	**21,097**	**21,106**	**26,079**
Income taxes	7,623	8,751	10,162	6,329	6,332	7,824
Minority interests	0	0	0	0	0	0
Net income / loss	**14,133**	**20,911**	**25,335**	**14,768**	**14,774**	**18,255**
Diluted EPS (in €)	**0.96**	**1.43**	**1.74**	**1.01**	**1.01**	**1.25**
Ratios						
Gross margin on total output	48.6%	44.5%	57.7%	49.3%	50.1%	46.5%
EBITDA margin on total output	34.2%	31.5%	43.2%	31.5%	31.9%	29.4%
EBIT margin on total output	25.4%	23.6%	32.2%	21.5%	21.3%	19.5%
Net margin on total output	8.8%	10.0%	15.2%	8.4%	7.8%	7.3%
Tax rate	35.0%	29.5%	28.6%	30.0%	30.0%	30.0%
Expenses as % of total output						
Personnel costs	6.3%	5.0%	6.5%	6.5%	7.1%	6.3%
Depreciation	8.8%	7.8%	11.0%	10.0%	10.7%	9.9%
Other operating expenses	10.4%	8.8%	10.6%	12.1%	11.9%	11.6%
Y-Y Growth						
Total output	-1.4%	31.0%	-20.6%	5.5%	7.1%	32.2%
EBIT	19.3%	22.0%	8.2%	-29.5%	5.7%	21.3%
Net income/ loss	4.3%	48.0%	21.2%	-41.7%	0.0%	23.6%

BALANCE SHEET

All figures in EUR '000	2014A	2015A	2016A	2017E	2018E	2019E
Assets						
Current assets, total	**159,888**	**166,855**	**181,759**	**167,400**	**167,290**	**182,558**
Cash and cash equivalents	81,594	103,957	118,528	99,955	95,987	89,579
Short-term investments	39	10,278	10,305	10,305	10,305	10,305
Receivables	23,781	16,932	17,469	21,700	23,855	30,511
Inventories	50,858	32,871	34,272	34,255	35,958	50,978
Other current assets	3,412	1,192	755	755	755	755
Non-current assets, total	**195,310**	**232,263**	**179,592**	**210,273**	**265,428**	**362,556**
Property, plant & equipment	187,241	223,789	171,747	202,429	257,583	354,711
Goodwill & other intangibles	37	23	10	10	10	10
Other assets	8,032	8,451	7,834	7,834	7,834	7,834
Total assets	**355,198**	**399,118**	**361,351**	**377,673**	**432,718**	**545,114**
Shareholders' equity & debt						
Current liabilities, total	**45,266**	**76,163**	**83,551**	**65,059**	**70,345**	**82,500**
Short-term financial debt	19,166	31,871	45,735	30,040	35,060	45,060
Accounts payable	5,947	4,480	6,241	4,910	5,176	7,331
Current provisions	11,342	16,282	12,656	12,656	12,656	12,656
Other current liabilities	8,811	23,530	18,919	17,453	17,453	17,453
Long-term liabilities, total	**269,777**	**272,495**	**208,323**	**238,583**	**283,783**	**375,983**
Long-term financial debt	249,136	248,899	185,175	215,435	260,635	352,835
Deferred revenue	0	0	0	0	0	0
Other liabilities	20,641	23,596	23,148	23,148	23,148	23,148
Minority interests	**0**	**0**	**0**	**0**	**0**	**0**
Shareholders' equity	**40,155**	**50,460**	**69,477**	**74,031**	**78,591**	**86,632**
Share capital	14,653	14,653	14,653	14,653	14,653	14,653
Capital reserve	40,293	40,308	40,323	40,323	40,323	40,323
Other reserves	-7,388	-8,751	-3,125	-3,125	-3,125	-3,125
Treasury stock	-4	-41	-61	-61	-61	-61
Loss carryforward / retained earnings	10,112	16,421	30,164	34,718	39,278	47,319
Total consolidated equity and debt	**355,198**	**399,118**	**361,351**	**377,673**	**432,718**	**545,114**
Ratios						
Current ratio (x)	3.53	2.19	2.18	2.57	2.38	2.21
Quick ratio (x)	2.41	1.76	1.77	2.05	1.87	1.59
Net debt	186,669	166,535	102,077	135,215	189,403	298,011
Net gearing	465%	330%	147%	183%	241%	344%
Book value per share (in €)	2.74	3.45	4.76	5.07	5.39	5.94
Financial debt/EBITDA (x)	4.9	4.2	3.2	4.4	4.9	5.4
Equity ratio	11.3%	12.6%	19.2%	19.6%	18.2%	15.9%
Return on equity (ROE)	35.2%	41.4%	36.5%	19.9%	18.8%	21.1%
Days sales outstanding (DSO)	56.6	32.3	31.6	48.4	49.6	47.6
Days inventory outstanding (DIO)	225.2	102.9	177.4	140.1	139.6	139.7
Days payables outstanding (DPO)	26.3	14.0	32.3	20.1	20.1	20.1

CASH FLOW STATEMENT

All figures in EUR '000	2014A	2015A	2016A	2017E	2018E	2019E
EBIT	**40,718**	**49,668**	**53,750**	**37,905**	**40,068**	**48,603**
Depreciation and amortisation	12,463	16,424	18,316	17,546	20,107	24,689
EBITDA	**53,181**	**66,092**	**72,066**	**55,451**	**60,174**	**73,292**
Changes in working capital	6,445	28,824	24,732	-5,544	-3,594	-19,521
Other adjustments	-3,848	-3,490	-3,927	-6,329	-6,332	-7,824
Operating cash flow	**55,778**	**91,426**	**92,871**	**43,578**	**50,249**	**45,948**
CAPEX	-20,149	-40,205	-6,885	-48,228	-75,261	-121,817
Investments in intangibles	-12	0	0	0	0	0
Free cash flow	**35,617**	**51,221**	**85,986**	**-4,650**	**-25,012**	**-75,869**
Acquisitions and disposals, net	5,062	300	0	0	0	0
Other investments	307	-11,143	-1,327	0	0	0
Cash flow from investing	**-14,792**	**-51,048**	**-8,212**	**-48,228**	**-75,261**	**-121,817**
Debt financing, net	-3,708	11,574	-36,444	14,565	50,220	102,200
Equity financing, net	0	0	-278	0	0	0
Dividends paid	-7,331	-8,781	-11,682	-11,680	-10,214	-10,214
Other financing	-18,129	-18,759	-23,041	-16,808	-18,961	-22,524
Cash flow from financing	**-29,168**	**-15,967**	**-71,444**	**-13,923**	**21,044**	**69,461**
Forex & other effects	-1,636	-2,048	1,357	0	0	0
Net cash flows	**10,181**	**22,363**	**14,571**	**-18,573**	**-3,968**	**-6,408**
Cash, start of the year	71,413	81,594	103,957	118,528	99,955	95,987
Cash, end of the year	**81,594**	**103,957**	**118,528**	**99,955**	**95,987**	**89,579**
EBITDA/share (in €)	**3.74**	**4.52**	**4.94**	**3.80**	**4.12**	**5.02**
Operating cash flow/share (in €)	**3.80**	**6.25**	**6.36**	**2.99**	**3.44**	**3.15**
Y-Y Growth						
Operating cash flow	204.9%	63.9%	1.6%	-53.1%	15.3%	-8.6%
Free cash flow	n.m.	43.8%	67.9%	n.m.	n.m.	n.m.
EBITDA/share	19.1%	20.6%	9.3%	-23.0%	8.5%	21.8%
Operating cash flow/share	205.7%	64.2%	1.8%	-53.0%	15.3%	-8.6%

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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...17	↓	↓	↓	↓
18	18 November 2016	€15.00	Buy	€19.70
19	5 January 2017	€15.35	Buy	€19.70
20	20 April 2017	€18.02	Buy	€26.90
21	Today	€19.00	Buy	€27.00

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- **valuation methods and principles**
- **sensitivity of valuation parameters**

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