

Energiekontor AG

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

Profit warning

RATING	ADD
PRICE TARGET	€ 22.30
Return Potential	8.8%
Risk Rating	High

WIND FARM CONSTRUCTION DELAY DUE TO BAD WEATHER

Energiekontor sees a high likelihood that its 2019 EBT guidance of ca. €10m will not be reached due to a delay in the construction of a wind farm. In a worst case scenario, EBT could amount to a low single-digit million euro amount (FBe: ca. €2m). Although the optics looks bad, it is only a postponement of profits into 2020. We thus lower our 2019 EBT forecast from €10m to €2m, but increase the 2020 EBT estimate from €20m to €28m. We note that our 2020 forecast depends on wind farm project awards in the December 2019 and/or February 2020 German onshore wind tenders. An updated sum of the parts valuation yields a slightly lower price target of €22.30 (previously: €22.50). We reiterate our Add rating.

Stormy weather makes Waldfeucht wind farm completion unlikely The forecasted stormy weather makes it unlikely that the three turbines of the 13.5 MW Waldfeucht wind farm can be erected as previously scheduled. Although their installation can not be completely ruled out, it is far more likely that only one or none will be completed.

Lower 2019 EBT and correspondingly higher 2020 EBT We incorporate a worst case scenario (none of the three turbine erected in 2019) and thus lower our 2019 EBT forecast by €8m to €2m. This leads to a net result of €1.4m and EPS of €0.09. For 2020E we now forecast EBT of €28m (previously: €20m) with a net result of €19.8m and EPS of €1.36 (see figure 1 overleaf).

Much stronger 2020 ahead The 2019 disappointment does not blur our positive view on 2020E. Energiekontor looks set to be awarded projects with a total capacity of up to ca. 50 MW in the December / February tenders. As we expect high prices per kWh, the projects should be very profitable.

Only minor impact on valuation Our sum of the parts valuation (see page 3) is only slightly affected by the profit postponement. Our new price target is €22.30 (previously: €22.50). We reiterate our Add recommendation.

FINANCIAL HISTORY & PROJECTIONS

	2016	2017	2018	2019E	2020E	2021E
Total output (€m)	166.75	202.08	128.70	106.95	264.36	331.03
Y-o-y growth	-20.6%	21.2%	-36.3%	-16.9%	147.2%	25.2%
EBIT (€m)	53.75	32.89	22.08	14.81	42.41	46.62
EBIT margin	32.2%	16.3%	17.2%	13.9%	16.0%	14.1%
Net income (€m)	25.34	11.89	6.68	1.35	19.82	20.42
EPS (diluted) (€)	1.74	0.82	0.46	0.09	1.36	1.40
DPS (€)	0.80	0.60	0.40	0.40	0.60	0.70
FCF (€m)	85.99	-29.27	23.17	0.20	-43.87	-57.33
Net gearing	146.9%	220.0%	218.6%	262.9%	309.1%	370.1%
Liquid assets (€m)	118.53	69.00	73.29	54.15	81.75	73.22

RISKS

Main risks include changes in the regulatory support for wind and solar energy, project development risks, approval procedures, tender results, wind farm operation risks, and Brexit.

COMPANY PROFILE

Energiekontor is a wind and solar project developer and an operator of a large portfolio of own wind farms and solar parks (287 MW). The company is active in onshore wind and solar project development in Germany, the UK, the US, and France. Energiekontor is headquartered in Bremen, Germany.

MARKET DATA

As of 18 Dec 2019

Closing Price	€ 20.50
Shares outstanding	14.44m
Market Capitalisation	€ 295.96m
52-week Range	€ 12.95 / 21.50
Avg. Volume (12 Months)	6,777

Multiples	2018	2019E	2020E
P/E	44.9	221.8	15.1
EV/Sales	3.5	4.2	1.7
EV/EBIT	20.2	30.1	10.5
Div. Yield	2.0%	2.0%	2.9%

STOCK OVERVIEW



COMPANY DATA

As of 30 Jun 2019

Liquid Assets	€ 70.06m
Current Assets	€ 136.03m
Intangible Assets	€ 0.05m
Total Assets	€ 344.63m
Current Liabilities	€ 47.73m
Shareholders' Equity	€ 62.35m

SHAREHOLDERS

Dr Bodo Wilkens	25.6%
Günter Lammers	25.6%
Universal Investment Gesellschaft	11.1%
Free Float	37.7%



Figure 1: Revisions to forecasts

All figures in €m	2019E			2020E			2021E		
	Old	New	Delta	Old	New	Delta	Old	New	Delta
Total output	132.10	106.95	-19.0%	246.95	264.36	7.0%	331.08	331.03	0.0%
EBIT	23.10	14.81	-35.9%	34.47	42.41	23.0%	46.65	46.62	-0.1%
<i>margin</i>	17.5%	13.9%		14.0%	16.0%		14.1%	14.1%	
Net income	7.16	1.35	-81.1%	14.24	19.82	39.2%	20.42	20.42	0.0%
<i>margin</i>	5.4%	1.3%		5.8%	7.5%		6.2%	6.2%	
EPS (diluted)	0.49	0.09	-81.1%	0.98	1.36	38.8%	1.40	1.40	0.0%

Source: First Berlin Equity Research



VALUATION MODEL

We value Energiekontor based on a sum-of-the-parts analysis. Each of Energiekontor's segments, Project Development, Power Production, and Operation & Maintenance is valued separately using a DCF model.

Sum of the parts valuation

SotP valuation	Fair value in €m	Fair value per share in €	old
Project Development	136.53	9.46	9.71
Power Production	141.48	9.80	9.73
Operation & Innovation	44.26	3.07	3.04
Sum of the parts	322.27	22.32	22.48

DCF model for Project Development segment

DCF valuation model	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E
All figures in EUR '000								
Net sales	27,240	125,270	167,250	168,050	183,633	199,325	214,909	230,148
NOPLAT	-10,330	12,759	14,523	15,518	16,290	17,043	17,436	17,797
+ depreciation & amortisation	51	37	50	64	75	86	96	105
Net operating cash flow	-10,279	12,796	14,573	15,582	16,365	17,128	17,531	17,902
- total investments (CAPEX and WC)	-4,339	-4,513	-21,489	4,062	-6,788	-6,906	-6,935	-6,865
Capital expenditures	-14	-63	-84	-84	-92	-100	-107	-115
Working capital	-4,326	-4,450	-21,406	4,146	-6,696	-6,806	-6,827	-6,750
Free cash flows (FCF)	-14,618	8,283	-6,916	19,644	9,577	10,222	10,597	11,037
PV of FCF's	-14,570	7,491	-5,677	14,635	6,475	6,272	5,901	5,578

All figures in thousands	
PV of FCFs in explicit period (2019E-2033E)	58,575
PV of FCFs in terminal period	45,147
Enterprise value (EV)	103,722
+ Net cash / - net debt	32,809
+ Investments / minority interests	0
Shareholder value	136,531
Number of shares (diluted)	14,437
Fair value per share in EUR	9.46

WACC		Terminal growth rate						
		0.5%	1.0%	1.5%	2.0%	2.5%	3.0%	3.5%
6.2%	16.51	16.97	17.53	18.23	19.11	20.26	21.85	
7.2%	13.87	14.12	14.41	14.75	15.17	15.69	16.36	
8.2%	11.94	12.07	12.23	12.41	12.62	12.88	13.19	
9.2%	10.47	10.55	10.63	10.73	10.84	10.96	11.11	
10.2%	9.32	9.36	9.41	9.46	9.51	9.58	9.65	
11.2%	8.40	8.42	8.44	8.47	8.49	8.52	8.56	
12.2%	7.65	7.66	7.67	7.68	7.69	7.70	7.71	
13.2%	7.03	7.03	7.03	7.03	7.03	7.03	7.03	
Fair value per share in EUR	9.46							

* for layout purposes the model shows numbers only to 2026, but runs until 2033



DCF model for Power Production segment

DCF valuation model								
All figures in EUR '000	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E
Net sales	56,305	59,050	68,288	81,714	92,688	94,958	95,936	91,688
NOPLAT	18,565	19,004	20,978	25,027	26,727	27,935	28,450	26,149
+ depreciation & amortisation	20,064	21,841	27,699	33,981	40,957	40,604	40,252	39,900
Net operating cash flow	38,629	40,845	48,677	59,007	67,683	68,540	68,702	66,050
- total investments (CAPEX and WC)	-28,681	-95,156	-101,296	-113,624	-43,663	-41,164	-40,493	-38,853
Capital expenditures	-25,337	-94,480	-99,018	-110,313	-40,957	-40,604	-40,252	-39,900
Working capital	-3,344	-677	-2,278	-3,310	-2,706	-560	-241	1,047
Free cash flows (FCF)	9,948	-54,312	-52,619	-54,616	24,021	27,375	28,209	27,197
PV of FCF's	9,934	-51,987	-48,284	-48,045	20,257	22,129	21,861	20,205

All figures in thousands	
PV of FCFs in explicit period (2019E-2033E)	61,895
PV of FCFs in terminal period	260,181
Enterprise value (EV)	322,076
+ Net cash / - net debt	-180,592
+ Investments / minority interests	0
Shareholder value	141,484
Number of shares (diluted)	14,437
Fair value per share in EUR	9.80

WACC	4.3%
Cost of equity	7.0%
Pre-tax cost of debt	5.2%
Tax rate	30.0%
After-tax cost of debt	3.6%
Share of equity capital	20.0%
Share of debt capital	80.0%
Fair value per share in EUR	9.80

WACC	Terminal growth rate							
	-0.6%	-0.4%	-0.2%	0.0%	0.2%	0.4%	0.6%	
3.6%	13.20	14.24	15.38	16.66	18.09	19.70	21.53	
3.8%	11.12	12.01	12.99	14.07	15.28	16.62	18.13	
4.1%	9.27	10.04	10.88	11.80	12.82	13.96	15.22	
4.3%	7.61	8.28	9.01	9.80	10.67	11.63	12.70	
4.6%	6.11	6.70	7.33	8.02	8.77	9.59	10.50	
4.8%	4.75	5.27	5.82	6.42	7.07	7.78	8.56	
5.1%	3.52	3.97	4.46	4.98	5.55	6.17	6.84	

* for layout purposes the model shows numbers only to 2026, but runs until 2033

DCF model for Operation & Innovation segment

DCF valuation model								
All figures in EUR '000	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E
Net sales	6,019	6,320	6,889	7,764	8,675	9,607	10,547	11,476
NOPLAT	2,012	2,156	2,374	2,673	2,967	3,265	3,562	3,852
+ depreciation & amortisation	0	0	0	3	6	9	12	16
Net operating cash flow	2,012	2,156	2,374	2,676	2,973	3,274	3,575	3,868
- total investments (CAPEX and WC)	55	2	-169	-182	-179	-192	-203	-212
Capital expenditures	0	0	-34	-39	-43	-48	-53	-57
Working capital	55	2	-135	-143	-136	-144	-150	-155
Free cash flows (FCF)	2,067	2,158	2,205	2,493	2,794	3,082	3,371	3,656
PV of FCF's	2,060	1,955	1,816	1,867	1,902	1,907	1,896	1,869

All figures in thousands	
PV of FCFs in explicit period (2019E-2033E)	26,441
PV of FCFs in terminal period	16,766
Enterprise value (EV)	43,207
+ Net cash / - net debt	1,050
+ Investments / minority interests	0
Shareholder value	44,257
Number of shares (diluted)	14,437
Fair value per share in EUR	3.07

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	3.07

WACC	Terminal growth rate						
	0.5%	1.0%	1.5%	2.0%	2.5%	3.0%	3.5%
6.0%	5.29	5.57	5.92	6.35	6.90	7.64	8.67
7.0%	4.40	4.58	4.78	5.03	5.33	5.70	6.18
8.0%	3.76	3.87	4.00	4.15	4.33	4.54	4.81
9.0%	3.27	3.34	3.43	3.53	3.64	3.77	3.93
10.0%	2.89	2.94	3.00	3.07	3.14	3.23	3.33
11.0%	2.58	2.62	2.66	2.71	2.76	2.82	2.89
12.0%	2.33	2.36	2.39	2.43	2.46	2.50	2.55
13.0%	2.13	2.15	2.17	2.20	2.22	2.25	2.28

* for layout purposes the model shows numbers only to 2026, but runs until 2033



INCOME STATEMENT

All figures in EUR '000	2015A	2016A	2017A	2018A	2019E	2020E	2021E
Revenues	191,329	201,764	149,865	110,186	87,156	188,112	239,672
Change in inventory & own work	18,808	-35,015	52,211	18,516	19,793	76,246	91,356
Total output	210,137	166,749	202,076	128,702	106,949	264,358	331,028
Cost of goods sold	116,590	70,523	127,923	60,631	41,366	165,060	219,203
Gross profit	93,547	96,226	74,153	68,071	65,584	99,298	111,825
Personnel costs	10,476	10,922	11,830	13,667	14,289	15,239	15,971
Other operating expenses	18,553	17,719	18,475	17,144	17,771	22,208	24,525
Other operating income	1,574	4,481	5,746	3,363	1,405	2,440	3,045
EBITDA	66,092	72,066	49,593	40,622	34,928	64,291	74,374
Depreciation	16,424	18,316	16,704	18,546	20,115	21,878	27,750
Operating income (EBIT)	49,668	53,750	32,889	22,076	14,813	42,413	46,624
Net financial result	-20,006	-18,253	-16,224	-12,465	-12,881	-14,100	-17,459
Non-operating expenses	0	0	0	0	0	0	0
Pre-tax income (EBT)	29,662	35,497	16,666	9,612	1,932	28,313	29,165
Income taxes	8,751	10,162	4,778	2,932	580	8,494	8,750
Minority interests	0	0	0	0	0	0	0
Net income / loss	20,911	25,335	11,888	6,680	1,353	19,819	20,416
Diluted EPS (in €)	1.43	1.74	0.82	0.46	0.09	1.36	1.40
Ratios							
Gross margin on total output	44.5%	57.7%	36.7%	52.9%	61.3%	37.6%	33.8%
EBITDA margin on total output	31.5%	43.2%	24.5%	31.6%	32.7%	24.3%	22.5%
EBIT margin on total output	23.6%	32.2%	16.3%	17.2%	13.9%	16.0%	14.1%
Net margin on total output	10.0%	15.2%	5.9%	5.2%	1.3%	7.5%	6.2%
Tax rate	29.5%	28.6%	28.7%	30.5%	30.0%	30.0%	30.0%
Expenses as % of total output							
Personnel costs	5.0%	6.5%	5.9%	10.6%	13.4%	5.8%	4.8%
Depreciation	7.8%	11.0%	8.3%	14.4%	18.8%	8.3%	8.4%
Other operating expenses	8.8%	10.6%	9.1%	13.3%	16.6%	8.4%	7.4%
Y-Y Growth							
Total output	31.0%	-20.6%	21.2%	-36.3%	-16.9%	147.2%	25.2%
EBIT	22.0%	8.2%	-38.8%	-32.9%	-32.9%	186.3%	9.9%
Net income/ loss	48.0%	21.2%	-53.1%	-43.8%	-79.8%	1365.4%	3.0%



BALANCE SHEET

All figures in EUR '000	2015A	2016A	2017A	2018A	2019E	2020E	2021E
Assets							
Current assets, total	166,855	181,759	160,607	137,613	123,093	159,755	177,475
Cash and cash equivalents	103,957	118,528	69,002	73,291	54,147	81,749	73,216
Short-term investments	10,278	10,305	10,159	5,061	5,061	5,061	5,061
Receivables	16,932	17,469	26,216	19,123	17,945	32,067	40,127
Inventories	32,871	34,272	47,006	38,481	44,283	39,222	57,414
Other current assets	2,817	1,185	8,225	1,657	1,657	1,657	1,657
Non-current assets, total	232,263	179,592	200,606	210,824	216,060	288,724	360,111
Property, plant & equipment	223,789	171,747	194,558	204,916	210,152	282,816	354,203
Goodwill & other intangibles	23	10	1	23	23	23	23
Other assets	8,451	7,834	6,047	5,885	5,885	5,885	5,885
Total assets	399,118	361,351	361,213	348,437	339,153	448,479	537,586
Shareholders' equity & debt							
Current liabilities, total	76,163	83,551	57,200	44,177	29,369	51,219	70,110
Short-term financial debt	31,871	45,735	24,728	20,639	10,000	25,000	40,000
Accounts payable	4,480	6,241	8,383	5,489	1,320	5,256	7,690
Current provisions	16,282	12,656	14,660	13,504	13,504	13,504	13,504
Other current liabilities	23,530	18,919	9,429	4,545	4,545	7,459	8,916
Long-term liabilities, total	272,495	208,323	233,781	235,861	245,861	322,261	382,261
Long-term financial debt	248,899	185,175	208,961	207,233	217,233	293,633	353,633
Deferred revenue	0	0	0	0	0	0	0
Other liabilities	23,596	23,148	24,820	28,628	28,628	28,628	28,628
Minority interests	0	0	0	0	0	0	0
Shareholders' equity	50,460	69,477	70,232	68,400	63,923	75,000	85,215
Share capital	14,653	14,653	14,578	14,578	14,578	14,578	14,578
Capital reserve	40,308	40,323	40,428	40,458	40,458	40,458	40,458
Other reserves	-8,751	-3,125	-2,441	-1,835	-1,835	-1,835	-1,835
Treasury stock	-41	-61	-1	-30	-30	-30	-30
Loss carryforward / retained earnings	16,421	30,164	39,717	39,344	34,868	45,944	56,160
Total consolidated equity and debt	399,118	361,351	361,213	348,437	339,153	448,479	537,586
Ratios							
Current ratio (x)	2.19	2.18	2.81	3.12	4.19	3.12	2.53
Quick ratio (x)	1.76	1.77	1.99	2.24	2.68	2.35	1.71
Net debt	166,535	102,077	154,528	149,520	168,025	231,823	315,356
Net gearing	330%	147%	220%	219%	263%	309%	370%
Book value per share (in €)	3.45	4.76	4.82	4.69	4.39	5.15	5.85
Financial debt/EBITDA (x)	4.2	3.2	4.7	5.6	6.5	5.0	5.3
Equity ratio	12.6%	19.2%	19.4%	19.6%	18.8%	16.7%	15.9%
Return on equity (ROE)	41.4%	36.5%	16.9%	9.8%	2.1%	26.4%	24.0%
Return on investment (ROI)	5.2%	7.0%	3.3%	1.9%	0.4%	4.4%	3.8%
Return on assets (ROA)	10.4%	12.1%	7.8%	5.7%	4.2%	7.6%	7.1%
Return on capital employed (ROCE)	20.4%	24.7%	14.8%	8.9%	5.8%	14.2%	12.2%
Days sales outstanding (DSO)	32.3	31.6	63.8	63.3	75.2	62.2	61.1
Days inventory outstanding (DIO)	102.9	177.4	134.1	231.7	390.7	86.7	95.6
Days payables outstanding (DPO)	14.0	32.3	23.9	33.0	11.6	11.6	12.8



CASH FLOW STATEMENT

All figures in EUR '000	2015A	2016A	2017A	2018A	2019E	2020E	2021E
EBIT	49,668	53,750	32,889	22,076	14,813	42,413	46,624
Depreciation and amortisation	16,424	18,316	16,704	18,546	20,115	21,878	27,750
EBITDA	66,092	72,066	49,593	40,622	34,928	64,291	74,374
Changes in working capital	28,824	24,732	-28,182	6,310	-8,793	-5,125	-23,818
Other adjustments	-3,490	-3,927	-16,973	-1,499	-580	-8,494	-8,750
Operating cash flow	91,426	92,871	4,438	45,433	25,555	50,672	41,806
CAPEX	-40,205	-6,885	-33,707	-22,240	-25,351	-94,542	-99,136
Investments in intangibles	0	0	-1	-26	0	0	0
Free cash flow	51,221	85,986	-29,269	23,167	204	-43,871	-57,330
Acquisitions and disposals, net	300	0	0	0	0	0	0
Other investments	-11,143	-1,327	-2,277	4,642	0	0	0
Cash flow from investing	-51,048	-8,212	-35,984	-17,624	-25,351	-94,542	-99,136
Debt financing, net	11,574	-36,444	5,266	-2,891	-639	91,400	75,000
Equity financing, net	0	-278	-251	-403	0	0	0
Dividends paid	-8,781	-11,682	-11,670	-8,745	-5,829	-5,829	-8,743
Other financing	-18,759	-23,041	-13,992	-11,577	-12,881	-14,100	-17,459
Cash flow from financing	-15,967	-71,444	-20,646	-23,616	-19,348	71,472	48,798
Forex & other effects	-2,048	1,357	2,666	96	0	0	0
Net cash flows	22,363	14,571	-49,526	4,289	-19,144	27,601	-8,532
Cash, start of the year	81,594	103,957	118,528	69,002	73,291	54,147	81,749
Cash, end of the year	103,957	118,528	69,002	73,291	54,147	81,749	73,216
EBITDA/share (in €)	4.52	4.94	3.40	2.79	2.40	4.41	5.10
Operating cash flow/share (in €)	6.25	6.36	0.30	3.12	1.75	3.48	2.87
Y-Y Growth							
Operating cash flow	63.9%	1.6%	-95.2%	923.6%	-43.8%	98.3%	-17.5%
Free cash flow	43.8%	67.9%	n.m.	n.m.	-99.1%	n.m.	n.m.
EBITDA/share	20.6%	9.3%	-31.1%	-18.0%	-14.0%	84.1%	15.7%
Operating cash flow/share	64.2%	1.8%	-95.2%	924.6%	-43.8%	98.3%	-17.5%

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...30	↓	↓	↓	↓
31	20 May 2019	€15.70	Buy	€22.90
32	3 September 2019	€17.30	Buy	€22.60
33	19 November 2019	€20.40	Add	€22.50
34	Today	€20.50	Add	€22.30

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ASSET RECOMMENDATION

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

Category		1	2
Current market capitalisation (in €)		0 - 2 billion	> 2 billion
Strong Buy ¹	An expected favourable price trend of:	> 50%	> 30%
Buy	An expected favourable price trend of:	> 25%	> 15%
Add	An expected favourable price trend of:	0% to 25%	0% to 15%
Reduce	An expected negative price trend of:	0% to -15%	0% to -10%
Sell	An expected negative price trend of:	< -15%	< -10%

¹ The expected price trend is in combination with sizable confidence in the quality and forecast security of management.

Our recommendation system places each company into one of two market capitalisation categories. Category 1 companies have a market capitalisation of €0 – €2 billion, and Category 2 companies have a market capitalisation of > €2 billion. The expected return thresholds underlying our recommendation system are lower for Category 2 companies than for Category 1 companies. This reflects the generally lower level of risk associated with higher market capitalisation companies.

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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

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