

Energiekontor AG

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

42 MW PV project

RATING
BUY

PRICE TARGET
€ 26.30

Return Potential 43.3%
 Risk Rating High

ANOTHER LARGE PPA-BASED SOLAR PROJECT IN GERMANY

Energiekontor and Engie have concluded a power purchase agreement (PPA) for a solar park in Mecklenburg-West Pomerania. The plant will have an installed capacity of 41.5 MW and is expected to go into operation in 2021. This is Energiekontor's second large PV project in Germany following the conclusion of a PPA with EnBW for an 85 MW solar park in 2019 and is a further demonstration of Energiekontor's competitive edge. We stick to our forecasts which have already anticipated strong PV project activity in 2021. An updated sum-of-the-parts valuation yields a slightly higher price target of €26.30 (previously: €26.00). We reiterate our Buy recommendation.

The second large PV project in Germany Following the PPA-based 85 MW PV project announced in 2019, Energiekontor again reported the conclusion of a PPA for a large PV park. This one will have a capacity of 41.5 MW and will produce ca. 45,600 MWh per year. Both projects are to be commissioned in 2021. This means that Energiekontor will probably complete four PV projects with a total capacity of ca. 137 MW next year compared to 15 MW this year.

The PPA with Engie has a term of 15 years, and assumes a total produced electricity volume of ca. 684 GWh, which will be fed into the grid outside the EEG support regime.

Following EnBW and Innogy, Engie is the third large utility to have concluded a PPA with Energiekontor. Engie is a listed French utility with global reach. It has 170,000 employees and generated €60bn in sales in 2019. The fact that large global utilities conclude PPAs with an SME such as Energiekontor is a clear indication of Energiekontor's leading position in PPA-based PV project development in Germany. These projects are competitive and do not receive any feed-in tariffs.

Buy confirmed at slightly higher price target An updated sum-of-the-parts valuation yields a slightly higher price target of €26.30 (previously: €26.00). We confirm our Buy recommendation.

FINANCIAL HISTORY & PROJECTIONS

	2017	2018	2019	2020E	2021E	2022E
Total output (€m)	202.08	128.70	96.41	171.28	361.89	388.03
Y-o-y growth	21.2%	-36.3%	-25.1%	77.7%	111.3%	7.2%
EBIT (€m)	32.89	22.08	16.30	36.14	51.49	59.00
EBIT margin	16.3%	17.2%	16.9%	21.1%	14.2%	15.2%
Net income (€m)	11.89	6.68	0.24	14.17	23.14	25.88
EPS (diluted) (€)	0.82	0.46	0.02	0.99	1.61	1.80
DPS (€)	0.60	0.40	0.40	0.50	0.70	0.70
FCF (€m)	-29.27	23.17	5.86	51.30	-92.15	-64.16
Net gearing	220.0%	218.6%	378.3%	289.7%	394.4%	431.1%
Liquid assets (€m)	69.00	73.29	66.99	73.94	66.94	76.16

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 06 May 2020

Closing Price	€ 18.35
Shares outstanding	14.37m
Market Capitalisation	€ 263.61m
52-week Range	€ 15.25 / 22.80
Avg. Volume (12 Months)	8,673

Multiples	2019	2020E	2021E
P/E	1102.2	19.0	11.6
EV/Sales	4.8	2.7	1.3
EV/EBIT	28.6	12.9	9.1
Div. Yield	2.2%	2.7%	3.8%

STOCK OVERVIEW



COMPANY DATA

As of 31 Dec 2019

Liquid Assets	€ 66.99m
Current Assets	€ 154.28m
Intangible Assets	€ 0.77m
Total Assets	€ 389.90m
Current Liabilities	€ 63.62m
Shareholders' Equity	€ 56.20m

SHAREHOLDERS

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



VALUATION MODEL

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

Sum of the parts valuation

SotP valuation	Fair value in €m	Fair value per share in €	old	delta
Project Development	149.84	10.43	10.32	1.1%
Power Production	177.50	12.36	12.19	1.4%
Operation & Innovation	49.89	3.47	3.47	0.1%
Sum of the parts	377.24	26.26	25.98	1.1%

DCF model for Project Development segment

DCF valuation model								
All figures in EUR '000	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E
Net sales	83,230	203,375	211,890	206,000	221,356	236,650	251,710	266,355
NOPLAT	9,628	17,370	19,733	18,863	19,454	19,830	20,167	20,458
+ depreciation & amortisation	273	257	249	244	238	235	236	238
Net operating cash flow	9,901	17,627	19,982	19,106	19,692	20,066	20,402	20,696
- total investments (CAPEX and WC)	11,788	-25,401	-2,017	1,915	-7,222	-7,368	-7,445	-7,445
Capital expenditures	-166	-203	-212	-206	-221	-237	-252	-266
Working capital	11,955	-25,198	-1,805	2,121	-7,001	-7,131	-7,193	-7,179
Free cash flows (FCF)	21,689	-7,774	17,966	21,022	12,470	12,698	12,958	13,251
PV of FCF's	20,377	-6,638	13,942	14,826	7,991	7,395	6,859	6,374

All figures in thousands	
PV of FCFs in explicit period (2020E-2034E)	106,008
PV of FCFs in terminal period	44,631
Enterprise value (EV)	150,639
+ Net cash / - net debt	-796
+ Investments / minority interests	0
Shareholder value	149,843
Number of shares (diluted)	14,366
Fair value per share in EUR	10.43

WACC		Terminal growth rate						
		0.5%	1.0%	1.5%	2.0%	2.5%	3.0%	3.5%
6.0%	12.8%	18.90	19.20	19.57	20.03	20.61	21.39	22.48
7.0%	8.5%	15.82	15.93	16.06	16.22	16.42	16.66	16.97
8.0%	30.0%	13.57	13.60	13.63	13.66	13.71	13.76	13.82
9.0%	6.0%	11.87	11.86	11.84	11.82	11.80	11.78	11.75
10.0%	60.0%	10.54	10.51	10.47	10.43	10.39	10.33	10.27
11.0%	40.0%	9.47	9.43	9.39	9.34	9.29	9.23	9.16
12.0%		8.59	8.55	8.51	8.46	8.41	8.35	8.29
13.0%		7.86	7.83	7.79	7.74	7.69	7.64	7.58
Fair value per share in EUR	10.43							

* for layout purposes the model shows numbers only to 2027, but runs until 2034



DCF model for Power Production segment

DCF valuation model								
All figures in EUR '000	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E
Net sales	57,348	62,698	78,088	96,692	116,675	128,238	127,690	127,290
NOPLAT	18,307	21,873	25,502	30,873	36,750	38,434	38,022	37,762
+ depreciation & amortisation	23,596	23,411	31,396	40,629	49,451	56,534	56,094	55,655
Net operating cash flow	41,902	45,284	56,897	71,502	86,201	94,968	94,116	93,416
- total investments (CAPEX and WC)	-13,028	-131,976	-141,662	-141,068	-133,082	-58,752	-55,989	-55,578
Capital expenditures	-11,700	-130,950	-138,710	-137,500	-129,250	-56,534	-56,094	-55,655
Working capital	-1,328	-1,026	-2,952	-3,568	-3,832	-2,218	105	77
Free cash flows (FCF)	28,874	-86,692	-84,764	-69,566	-46,881	36,216	38,127	37,838
PV of FCF's	28,114	-81,033	-76,060	-59,924	-38,763	28,747	29,052	27,678

All figures in thousands	
PV of FCFs in explicit period (2020E-2034E)	19,832
PV of FCFs in terminal period	362,015
Enterprise value (EV)	381,847
+ Net cash / - net debt	-204,343
+ Investments / minority interests	0
Shareholder value	177,504
Number of shares (diluted)	14,366
Fair value per share in EUR	12.36

WACC	4.2%
Cost of equity	6.8%
Pre-tax cost of debt	5.2%
Tax rate	30.0%
After-tax cost of debt	3.6%
Share of equity capital	17.0%
Share of debt capital	83.0%
Fair value per share in EUR	12.36

WACC		Terminal growth rate						
		-0.6%	-0.4%	-0.2%	0.0%	0.2%	0.4%	0.6%
3.4%	17.10	18.63	20.32	22.22	24.35	26.77	29.53	
3.7%	14.13	15.44	16.88	18.47	20.25	22.25	24.51	
3.9%	11.51	12.63	13.86	15.22	16.72	18.39	20.26	
4.2%	9.17	10.14	11.20	12.36	13.63	15.05	16.62	
4.4%	7.07	7.91	8.83	9.83	10.92	12.13	13.46	
4.7%	5.18	5.92	6.71	7.58	8.52	9.56	10.69	
4.9%	3.47	4.11	4.81	5.57	6.39	7.28	8.26	

* for layout purposes the model shows numbers only to 2027, but runs until 2034

DCF model for Operation & Innovation segment

DCF valuation model								
All figures in EUR '000	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E
Net sales	6,293	6,859	7,730	8,634	9,569	10,519	11,472	12,409
NOPLAT	2,139	2,329	2,675	2,984	3,296	3,613	3,930	4,239
+ depreciation & amortisation	0	0	3	6	9	12	16	20
Net operating cash flow	2,139	2,329	2,678	2,989	3,305	3,626	3,946	4,259
- total investments (CAPEX and WC)	210	-11	-44	-153	-167	-179	-190	-199
Capital expenditures	0	-34	-39	-43	-48	-53	-57	-62
Working capital	210	23	-5	-110	-120	-127	-133	-137
Free cash flows (FCF)	2,348	2,318	2,634	2,836	3,138	3,446	3,756	4,060
PV of FCF's	2,217	2,003	2,083	2,053	2,078	2,090	2,084	2,063

All figures in thousands	
PV of FCFs in explicit period (2020E-2034E)	29,295
PV of FCFs in terminal period	21,423
Enterprise value (EV)	50,718
+ Net cash / - net debt	-828
+ Investments / minority interests	0
Shareholder value	49,890
Number of shares (diluted)	14,366
Fair value per share in EUR	3.47

WACC	9.3%
Cost of equity	9.3%
Pre-tax cost of debt	5.0%
Tax rate	30.0%
After-tax cost of debt	3.5%
Share of equity capital	100.0%
Share of debt capital	0.0%
Fair value per share in EUR	3.47

WACC		Terminal growth rate					
		0.5%	1.0%	1.5%	2.0%	2.5%	3.0%
5.3%	6.60	7.06	7.64	8.40	9.44	10.94	13.30
6.3%	5.29	5.56	5.88	6.28	6.79	7.45	8.36
7.3%	4.39	4.55	4.75	4.98	5.27	5.61	6.05
8.3%	3.72	3.83	3.96	4.10	4.27	4.48	4.72
9.3%	3.22	3.29	3.38	3.47	3.58	3.71	3.86
10.3%	2.82	2.88	2.93	3.00	3.07	3.15	3.25
11.3%	2.51	2.54	2.58	2.63	2.68	2.74	2.80
12.3%	2.25	2.27	2.30	2.34	2.37	2.41	2.46

* for layout purposes the model shows numbers only to 2027, but runs until 2034



INCOME STATEMENT

All figures in EUR '000	2017A	2018A	2019A	2020E	2021E	2022E
Revenues	149,865	110,186	63,700	144,668	270,531	295,002
Change in inventory & own work	52,211	18,516	32,708	26,607	91,356	93,026
Total output	202,076	128,702	96,409	171,275	361,887	388,028
Cost of goods sold	127,923	60,631	30,501	81,244	251,506	253,694
Gross profit	74,153	68,071	65,908	90,031	110,381	134,334
Personnel costs	11,830	13,667	14,679	15,454	16,618	17,937
Other operating expenses	18,475	17,144	16,362	18,215	22,306	29,437
Other operating income	5,746	3,363	3,986	3,650	3,701	3,688
EBITDA	49,593	40,622	38,853	60,013	75,158	90,649
Depreciation	16,704	18,546	22,551	23,869	23,668	31,647
Operating income (EBIT)	32,889	22,076	16,302	36,144	51,490	59,002
Net financial result	-16,224	-12,465	-15,532	-15,908	-18,429	-22,030
Non-operating expenses	0	0	0	0	0	0
Pre-tax income (EBT)	16,666	9,612	770	20,236	33,062	36,972
Income taxes	4,778	2,932	526	6,071	9,919	11,092
Minority interests	0	0	0	0	0	0
Net income / loss	11,888	6,680	244	14,165	23,143	25,880
Diluted EPS (in €)	0.82	0.46	0.02	0.99	1.61	1.80
Ratios						
Gross margin on total output	36.7%	52.9%	68.4%	52.6%	30.5%	34.6%
EBITDA margin on total output	24.5%	31.6%	40.3%	35.0%	20.8%	23.4%
EBIT margin on total output	16.3%	17.2%	16.9%	21.1%	14.2%	15.2%
Net margin on total output	5.9%	5.2%	0.3%	8.3%	6.4%	6.7%
Tax rate	28.7%	30.5%	68.3%	30.0%	30.0%	30.0%
Expenses as % of total output						
Personnel costs	5.9%	10.6%	15.2%	9.0%	4.6%	4.6%
Depreciation	8.3%	14.4%	23.4%	13.9%	6.5%	8.2%
Other operating expenses	9.1%	13.3%	17.0%	10.6%	6.2%	7.6%
Y-Y Growth						
Total output	21.2%	-36.3%	-25.1%	77.7%	111.3%	7.2%
EBIT	-38.8%	-32.9%	-26.2%	121.7%	42.5%	14.6%
Net income/ loss	-53.1%	-43.8%	-96.4%	5715.0%	63.4%	11.8%



BALANCE SHEET

All figures in EUR '000	2017A	2018A	2019A	2020E	2021E	2022E
Assets						
Current assets, total	160,607	137,613	154,284	154,993	180,268	194,476
Cash and cash equivalents	69,002	73,291	66,989	73,941	66,941	76,159
Short-term investments	10,159	5,061	36	36	36	36
Receivables	26,216	19,123	13,765	22,917	40,354	44,425
Inventories	47,006	38,481	71,189	55,794	70,632	71,551
Other current assets	8,225	1,657	2,305	2,305	2,305	2,305
Non-current assets, total	200,606	210,824	235,615	223,612	331,132	438,445
Property, plant & equipment	194,558	204,916	226,541	214,539	322,059	429,372
Goodwill & other intangibles	1	23	766	766	766	766
Other assets	6,047	5,885	8,308	8,308	8,308	8,308
Total assets	361,213	348,437	389,899	378,605	511,400	632,921
Shareholders' equity & debt						
Current liabilities, total	57,200	44,177	63,616	53,765	72,713	72,942
Short-term financial debt	24,728	20,639	39,237	25,000	35,000	35,000
Accounts payable	8,383	5,489	9,785	12,766	18,840	19,069
Current provisions	14,660	13,504	9,175	9,175	9,175	9,175
Other current liabilities	9,429	4,545	5,419	6,825	9,698	9,698
Long-term liabilities, total	233,781	235,861	270,083	261,658	362,418	467,886
Long-term financial debt	208,961	207,233	240,417	231,992	332,752	438,220
Deferred revenue	0	0	0	0	0	0
Other liabilities	24,820	28,628	29,666	29,666	29,666	29,666
Minority interests	0	0	0	0	0	0
Shareholders' equity	70,232	68,400	56,200	63,182	76,269	92,094
Share capital	14,578	14,578	14,678	14,678	14,678	14,678
Capital reserve	40,428	40,458	41,460	41,460	41,460	41,460
Other reserves	-2,441	-1,835	-4,632	-4,632	-4,632	-4,632
Treasury stock	-1	-30	-312	-312	-312	-312
Loss carryforward / retained earnings	39,717	39,344	35,457	42,440	55,527	71,351
Total consolidated equity and debt	361,213	348,437	389,899	378,605	511,400	632,921
Ratios						
Current ratio (x)	2.81	3.12	2.43	2.88	2.48	2.67
Quick ratio (x)	1.99	2.24	1.31	1.85	1.51	1.69
Net debt	154,528	149,520	212,629	183,015	300,775	397,025
Net gearing	220%	219%	378%	290%	394%	431%
Book value per share (in €)	4.82	4.69	3.89	4.40	5.31	6.41
Financial debt/EBITDA (x)	4.7	5.6	7.2	4.3	4.9	5.2
Equity ratio	19.4%	19.6%	14.4%	16.7%	14.9%	14.6%
Return on equity (ROE)	16.9%	9.8%	0.4%	22.4%	30.3%	28.1%
Return on investment (ROI)	3.3%	1.9%	0.1%	3.7%	4.5%	4.1%
Return on assets (ROA)	7.8%	5.7%	4.1%	8.0%	8.1%	7.6%
Return on capital employed (ROCE)	14.8%	8.9%	6.0%	12.6%	15.1%	12.8%
Days sales outstanding (DSO)	63.8	63.3	78.9	57.8	54.4	55.0
Days inventory outstanding (DIO)	134.1	231.7	851.9	250.7	102.5	102.9
Days payables outstanding (DPO)	23.9	33.0	117.1	57.4	27.3	27.4



CASH FLOW STATEMENT

All figures in EUR '000	2017A	2018A	2019A	2020E	2021E	2022E
EBIT	32,889	22,076	16,302	36,144	51,490	59,002
Depreciation and amortisation	16,704	18,546	22,551	23,869	23,668	31,647
EBITDA	49,593	40,622	38,853	60,013	75,158	90,649
Changes in working capital	-28,182	6,310	-24,549	9,224	-26,200	-4,762
Other adjustments	-16,973	-1,499	-961	-6,071	-9,919	-11,092
Operating cash flow	4,438	45,433	13,343	63,166	39,039	74,796
CAPEX	-33,707	-22,240	-7,463	-11,866	-131,188	-138,961
Investments in intangibles	-1	-26	-19	0	0	0
Free cash flow	-29,269	23,167	5,861	51,299	-92,148	-64,165
Acquisitions and disposals, net	0	0	0	0	0	0
Other investments	-2,277	4,642	3,412	0	0	0
Cash flow from investing	-35,984	-17,624	-4,070	-11,866	-131,188	-138,961
Debt financing, net	5,266	-2,891	9,610	-22,662	110,760	105,468
Equity financing, net	-251	-403	-4,865	0	0	0
Dividends paid	-11,670	-8,745	-5,784	-5,778	-7,183	-10,056
Other financing	-13,992	-11,577	-13,483	-15,908	-18,429	-22,030
Cash flow from financing	-20,646	-23,616	-14,523	-44,347	85,148	73,382
Forex & other effects	2,666	96	-1,052	0	0	0
Net cash flows	-49,526	4,289	-6,302	6,952	-7,000	9,218
Cash, start of the year	118,528	69,002	73,291	66,989	73,941	66,941
Cash, end of the year	69,002	73,291	66,989	73,941	66,941	76,159
EBITDA/share (in €)	3.40	2.79	2.69	4.18	5.23	6.31
Operating cash flow/share (in €)	0.30	3.12	0.92	4.40	2.72	5.21
Y-Y Growth						
Operating cash flow	-95.2%	923.6%	-70.6%	373.4%	-38.2%	91.6%
Free cash flow	n.m.	n.m.	-74.7%	775.3%	n.m.	n.m.
EBITDA/share	-31.1%	-18.0%	-3.5%	55.3%	25.2%	20.6%
Operating cash flow/share	-95.2%	924.6%	-70.4%	376.0%	-38.2%	91.6%

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ASSET VALUATION SYSTEM

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

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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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	19 December 2019	€20.50	Add	€22.30
35	13 March 2020	€18.85	Buy	€26.00
36	20 April 2020	€19.40	Buy	€26.00
37	Today	€18.35	Buy	€26.30

INVESTMENT HORIZON

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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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