

Energiekontor AG

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

Update

RATING **BUY**
PRICE TARGET **€ 115.00**
 Return Potential 28.1%
 Risk Rating High

POSITIVE NEWSFLOW CONTINUES – UPGRADE TO BUY

Energiekontor (EKT) has received approval for three German solar parks with a total capacity of almost 130 MW. Recently, EKT sold a German 8 MW wind farm from its own plant portfolio to Stadtwerke Heidenheim. As Energiekontor usually does not sell own plant portfolio assets, we believe that the selling price was very attractive. Two further German wind farms (4 MW & 11 MW) have been sold in recent months, and in September, the company was uplisted to the SDAX. We believe that renewable energy companies such as Energiekontor will not be hit by the recession as renewable power assets are benefitting from very high power prices and remain in high demand. Higher power prices should more than compensate for higher material costs and interest rates. Even the European power price cap of ca. 180 €/MWh (effective from 1 December) will be ca. three times as high as recent German feed-in tariffs for wind and solar. Energiekontor has a very robust business model with secure and high cash flows from own wind & PV plant operation and a 9 GW international wind and solar project pipeline. We stick to our short-term forecasts, but have increased our long-term forecasts for the power production segment. An updated sum-of-the-parts valuation yields a new price target of €115 (previously: €109). We upgrade our rating from Add to Buy as the upside potential is now >25%.

EKT: A good stock to weather the recession The recession is mainly caused by a very strong increase in the natural gas price which, due to the merit order effect, has resulted in much higher power prices. Wind & solar assets with market-based pricing however benefit from this development as operating costs are unchanged, which resulted in much higher margins in H1/22. Energiekontor's H1 Power Production segment EBITDA more than doubled y/y to €29m, resulting in an EBITDA margin increase from 59% to 79%. In Q3, German power prices were much higher than in H1 and look set to remain high in Q4. We expect EKT to generate an H2 segment EBITDA of €33m, which is above the H1 level of €29m. As the European economy enters recession, EKT benefits from high power prices and strong demand for its wind and solar projects. (p.t.o.)

FINANCIAL HISTORY & PROJECTIONS

	2019	2020	2021	2022E	2023E	2024E
Revenue (€m)	63.70	146.61	156.52	183.08	292.35	423.90
Y-o-y growth	n.a.	130.2%	6.8%	17.0%	59.7%	45.0%
EBIT (€m)	16.30	46.00	61.68	70.41	82.92	103.31
EBIT margin	25.6%	31.4%	39.4%	38.5%	28.4%	24.4%
Net income (€m)	0.24	20.43	36.21	36.22	43.62	56.58
EPS (diluted) (€)	0.02	1.43	2.52	2.59	3.12	4.05
DPS (€)	0.40	0.80	0.90	0.90	0.90	1.00
FCF (€m)	5.86	17.09	-19.47	1.30	-46.37	-67.74
Net gearing	378.3%	359.7%	357.6%	306.8%	295.4%	282.6%
Liquid assets (€m)	66.99	79.46	99.95	79.30	112.73	102.93

RISKS

Main risks include changes in the regulatory support for wind and solar power, rising interest rates, project development risks, higher component costs, and wind farm operation risks.

COMPANY PROFILE

Energiekontor is a wind and solar project developer and an operator of a large portfolio of own wind farms and solar parks (ca.353 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.

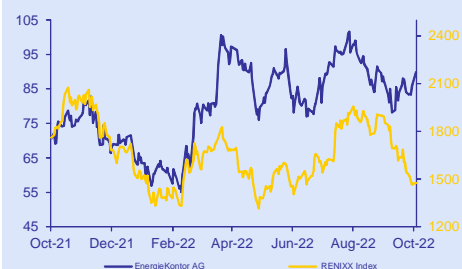
MARKET DATA

As of 17 Oct 2022

Closing Price	€ 89.80
Shares outstanding	13.99m
Market Capitalisation	€ 1256.03m
52-week Range	€ 55.10 / 101.60
Avg. Volume (12 Months)	22,648

Multiples	2021	2022E	2023E
P/E	36.3	36.3	30.1
EV/Sales	10.0	8.6	5.4
EV/EBIT	25.5	22.3	18.9
Div. Yield	1.0%	1.0%	1.0%

STOCK OVERVIEW



COMPANY DATA

As of 30 Jun 2022

Liquid Assets	€ 86.44m
Current Assets	€ 307.00m
Intangible Assets	€ 0.41m
Total Assets	€ 565.20m
Current Liabilities	€ 210.91m
Shareholders' Equity	€ 84.94m

SHAREHOLDERS

Dr Bodo Wilkens	25.5%
Günter Lammers	25.4%
Union Investment Privatfonds	5.2%
Universal Investment Gesellschaft	2.8%
Free Float	41.2%



EKT is now an SDAX company EKT was admitted to the SDAX in September. The SDAX (derived from Small Cap DAX) contains the 70 largest German small caps in terms of market capitalisation and trading volume below the MDAX companies.

Approval of three solar parks (almost 130 MW) We view the approval of the three solar parks in the German state of Mecklenburg-Western Pomerania as a particular success for EKT because (1) of the large total capacity of almost 130 MW and output of 140 GWh and (2) it is the first company to pass the state's new special approval procedure. Commissioning is planned for 2024. The solar parks do not receive feed-in tariffs. Pricing is based solely on power purchase agreements (PPAs) with a term of 15 years.

Own green power plant portfolio expanded in Q3 despite wind farm sale At the end of H1/22, EKT's own green power plant portfolio had a capacity of 329 MW. Since then, the Alfstedt wind farm (27 MW) has been added and the Garzau-Garzin II solar plant (5 MW) will be added soon. Following the sale of the 8 MW wind farm, EKT's own green power plant portfolio comprises ca. 353 MW.

Price cap for green power EU energy ministers have agreed to cap revenues earned by renewable power generators at €180/MWh. Revenues above this level will be collected and redistributed to final customers. The mandatory limit on revenue will be introduced on 1 December 2022 and apply through to 30 June 2023. Nation states are granted some flexibility to reflect their national circumstances and the measures in place at national level (e.g. to set a higher revenue cap, implement measures that further limit market revenues, differentiate between technologies, and to apply limits to market revenues of other actors including traders). As we have not used pricing above 180 €/MW in our EKT forecasts, this measure does not affect our model.

Forecasts for coming years unchanged The sale of the 8 MW wind farm from the own wind farm portfolio reduces own power production. We expect higher power prices to compensate for this reduction and leave our forecasts for 2022E - 2024E unchanged. We have however increased our long-term Power Production segment forecasts due to higher power price assumptions.

Higher price target and upgrade to Buy An updated sum-of-the-parts valuation yields a new price target of €115 (previously: €109). This is due largely to a higher valuation of the Power Production segment, which reflects the higher long-term power price assumptions. We upgrade our rating from Add to Buy as the upside potential is now >25%.



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 (FVPS) in €	Old FVPS in €	Delta
Project Development	992.51	70.97	69.21	3%
Power Production	467.89	33.46	29.42	14%
Operation & Innovation	147.96	10.58	10.51	1%
Sum of the parts	1,608.36	115.01	109.14	5%
Price target		115.00	109.00	6%

DCF model for Project Development segment

DCF valuation model								
All figures in EUR '000								
	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E
Net sales	99,780	200,000	321,000	369,150	420,831	475,539	532,604	591,190
NOPLAT	20,634	28,208	41,878	49,432	55,212	61,317	67,680	74,214
+ depreciation & amortisation	843	657	803	963	1,007	1,073	1,145	1,215
Net operating cash flow	21,477	28,865	42,681	50,395	56,220	62,389	68,825	75,429
- total investments (CAPEX and WC)	18,524	-12,630	-3,236	-14,714	-23,946	-24,656	-24,957	-24,790
Capital expenditures	-399	-700	-1,124	-1,107	-1,205	-1,297	-1,380	-1,451
Working capital	18,923	-11,930	-2,113	-13,606	-22,741	-23,359	-23,577	-23,339
Free cash flows (FCF)	40,001	16,234	39,445	35,682	32,274	37,733	43,868	50,640
PV of FCF's	39,299	14,624	32,570	27,013	22,402	24,014	25,591	27,086

All figures in thousands

PV of FCFs in explicit period (2022E-2036E)	426,091	
PV of FCFs in terminal period	630,407	
Enterprise value (EV)	1,056,498	Terminal growth 4.0%
+ Net cash / - net debt	-63,988	Terminal EBIT margin 17.0%
+ Investments / minority interests	0	
Shareholder value	992,510	
Number of shares (diluted)	13,984	
Fair value per share in EUR	70.97	

WACC		Terminal growth rate						
		2.5%	3.0%	3.5%	4.0%	4.5%	5.0%	5.5%
6.1%	129.46	144.74	165.96	197.46	249.04	348.97	625.04	
7.1%	96.30	104.12	114.12	127.39	145.82	173.17	217.97	
8.1%	75.38	79.85	85.31	92.10	100.80	112.33	128.36	
9.1%	61.07	63.83	67.08	70.97	75.72	81.63	89.21	
10.1%	50.74	52.53	54.59	56.99	59.82	63.22	67.35	
11.1%	42.96	44.17	45.54	47.10	48.90	51.00	53.47	
12.1%	36.94	37.78	38.71	39.77	40.96	42.33	43.90	

* for layout purposes the model shows numbers only to 2029, but runs until 2036



DCF model for Power Production segment

DCF valuation model								
All figures in EUR '000	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E
Net sales	78,800	86,852	96,309	125,975	142,591	143,887	145,130	146,318
NOPLAT	32,078	33,303	33,745	43,146	44,026	45,120	46,233	47,363
+ depreciation & amortisation	21,793	27,453	35,050	47,158	60,009	59,295	58,580	57,866
Net operating cash flow	53,871	60,756	68,795	90,304	104,035	104,415	104,813	105,229
- total investments (CAPEX and WC)	-93,112	-125,794	-179,314	-212,439	-63,196	-59,543	-58,819	-58,094
Capital expenditures	-89,700	-124,250	-177,500	-206,750	-60,009	-59,295	-58,580	-57,866
Working capital	-3,412	-1,544	-1,814	-5,689	-3,187	-249	-238	-228
Free cash flows (FCF)	-39,241	-65,038	-110,519	-122,135	40,839	44,872	45,995	47,135
PV of FCF's	-38,899	-61,756	-100,512	-106,401	34,080	35,869	35,214	34,568

All figures in thousands	
PV of FCFs in explicit period (2022E-2036E)	51,077
PV of FCFs in terminal period	642,799
Enterprise value (EV)	693,876
+ Net cash / - net debt	-225,985
+ Investments / minority interests	0
Shareholder value	467,891
Number of shares (diluted)	13,984
Fair value per share in EUR	33.46

Terminal growth	0.5%
Terminal EBIT margin	43.0%

WACC	4.4%
Cost of equity	7.3%
Pre-tax cost of debt	4.5%
Tax rate	30.0%
After-tax cost of debt	3.2%
Share of equity capital	30.0%
Share of debt capital	70.0%
Fair value per share in EUR	33.46

WACC		Terminal growth rate						
		-0.1%	0.1%	0.3%	0.5%	0.7%	0.9%	1.1%
3.6%	41.73	44.76	48.14	51.95	56.29	61.25	66.99	
3.9%	36.28	38.84	41.69	44.87	48.44	52.50	57.14	
4.1%	31.49	33.67	36.09	38.76	41.75	45.11	48.91	
4.4%	27.24	29.12	31.18	33.46	35.98	38.79	41.95	
4.6%	23.45	25.08	26.86	28.81	30.96	33.33	35.98	
4.9%	20.05	21.47	23.01	24.70	26.54	28.57	30.81	
5.1%	16.99	18.23	19.58	21.04	22.63	24.38	26.29	

* for layout purposes the model shows numbers only to 2029, but runs until 2036

DCF model for Operation & Innovation segment

DCF valuation model								
All figures in EUR '000	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E
Net sales	6,928	8,452	10,143	12,171	14,536	17,220	20,194	23,399
NOPLAT	2,169	2,711	3,430	4,201	5,037	5,975	7,007	8,109
+ depreciation & amortisation	4	6	8	11	13	16	19	22
Net operating cash flow	2,173	2,717	3,439	4,212	5,050	5,991	7,026	8,132
- total investments (CAPEX and WC)	15	-301	-120	-155	-325	-384	-440	-491
Capital expenditures	-14	-17	-20	-24	-28	-31	-35	-38
Working capital	28	-284	-99	-130	-297	-353	-405	-453
Free cash flows (FCF)	2,188	2,416	3,319	4,057	4,725	5,607	6,586	7,641
PV of FCF's	2,154	2,204	2,803	3,174	3,425	3,765	4,095	4,401

All figures in thousands	
PV of FCFs in explicit period (2022E-2036E)	60,142
PV of FCFs in terminal period	87,134
Enterprise value (EV)	147,276
+ Net cash / - net debt	688
+ Investments / minority interests	0
Shareholder value	147,964
Number of shares (diluted)	13,984
Fair value per share in EUR	10.58

Terminal growth	2.5%
Terminal EBIT margin	48.0%

WACC	8.0%
Cost of equity	8.0%
Pre-tax cost of debt	4.0%
Tax rate	30.0%
After-tax cost of debt	2.8%
Share of equity capital	100.0%
Share of debt capital	0.0%
Fair value per share in EUR	10.58

WACC		Terminal growth rate						
		1.0%	1.5%	2.0%	2.5%	3.0%	3.5%	4.0%
5.0%	18.29	20.16	22.66	26.18	31.51	40.50	58.94	
6.0%	14.00	15.01	16.28	17.91	20.11	23.19	27.85	
7.0%	11.19	11.79	12.52	13.40	14.52	15.95	17.87	
8.0%	9.22	9.60	10.05	10.58	11.22	12.00	12.97	
9.0%	7.77	8.03	8.32	8.66	9.05	9.52	10.08	
10.0%	6.67	6.85	7.05	7.27	7.53	7.82	8.17	
11.0%	5.81	5.93	6.07	6.23	6.40	6.60	6.83	

* for layout purposes the model shows numbers only to 2029, but runs until 2036



INCOME STATEMENT

All figures in EUR '000	2019A	2020A	2021A	2022E	2023E	2024E
Revenues	63,700	146,614	156,516	183,083	292,346	423,902
Change in inventory & own work	32,708	18,451	109,740	90,179	100,179	110,179
Total output	96,409	165,065	266,256	273,262	392,525	534,080
Cost of goods sold	30,501	67,504	144,020	136,125	237,350	338,471
Gross profit	65,908	97,561	122,236	137,137	155,175	195,610
Personnel costs	14,679	17,494	19,504	21,047	20,535	26,301
Other operating expenses	16,362	17,968	23,214	26,128	27,755	35,615
Other operating income	3,986	3,283	2,191	3,080	4,145	5,467
EBITDA	38,853	65,382	81,709	93,042	111,030	139,161
Depreciation	22,551	19,384	20,034	22,636	28,110	35,853
Operating income (EBIT)	16,302	45,998	61,675	70,405	82,920	103,308
Net financial result	-15,532	-14,765	-16,753	-18,667	-20,605	-22,478
Non-operating expenses	0	0	0	0	0	0
Pre-tax income (EBT)	770	31,233	44,922	51,739	62,315	80,829
Income taxes	526	10,808	8,717	15,522	18,694	24,249
Minority interests	0	0	0	0	0	0
Net income / loss	244	20,425	36,205	36,217	43,620	56,581
Diluted EPS (in €)	0.02	1.43	2.52	2.59	3.12	4.05
Ratios						
Gross margin on total output	68.4%	59.1%	45.9%	50.2%	39.5%	36.6%
EBITDA margin on total output	40.3%	39.6%	30.7%	34.0%	28.3%	26.1%
EBIT margin on total output	16.9%	27.9%	23.2%	25.8%	21.1%	19.3%
Net margin on total output	0.3%	12.4%	13.6%	13.3%	11.1%	10.6%
Tax rate	68.3%	34.6%	19.4%	30.0%	30.0%	30.0%
Expenses as % of total output						
Personnel costs	15.2%	10.6%	7.3%	7.7%	5.2%	4.9%
Depreciation	23.4%	11.7%	7.5%	8.3%	7.2%	6.7%
Other operating expenses	17.0%	10.9%	8.7%	9.6%	7.1%	6.7%
Y-Y Growth						
Total output	-25.1%	71.2%	61.3%	2.6%	43.6%	36.1%
EBIT	-26.2%	182.2%	34.1%	14.2%	17.8%	24.6%
Net income/ loss	-96.4%	8284.6%	77.3%	0.0%	20.4%	29.7%



BALANCE SHEET

All figures in EUR '000	2019A	2020A	2021A	2022E	2023E	2024E
Assets						
Current assets, total	154,284	247,651	299,831	264,814	322,019	326,241
Cash and cash equivalents	66,989	79,457	99,950	79,298	112,735	102,934
Short-term investments	36	36	36	36	36	36
Receivables	13,765	20,035	35,874	29,160	44,517	62,999
Inventories	71,189	144,642	160,856	153,204	161,617	157,158
Other current assets	2,305	3,481	3,115	3,115	3,115	3,115
Non-current assets, total	235,615	201,337	262,163	329,626	426,466	569,236
Property, plant & equipment	226,541	188,806	249,704	317,167	414,007	556,777
Goodwill & other intangibles	766	887	551	551	551	551
Other assets	8,308	11,644	11,908	11,908	11,908	11,908
Total assets	389,899	448,988	561,994	594,439	748,485	895,477
Shareholders' equity & debt						
Current liabilities, total	63,616	138,502	180,886	84,370	99,381	110,776
Short-term financial debt	39,237	102,856	130,759	35,000	40,000	40,000
Accounts payable	9,785	5,323	6,655	6,169	16,180	26,177
Current provisions	9,175	13,478	25,182	25,182	25,182	25,182
Other current liabilities	5,419	16,845	18,291	18,019	18,019	19,417
Long-term liabilities, total	270,083	244,935	298,886	404,354	512,354	605,354
Long-term financial debt	240,417	212,420	263,251	368,719	476,719	569,719
Deferred revenue	0	0	0	0	0	0
Other liabilities	29,666	32,515	35,635	35,635	35,635	35,635
Minority interests	0	0	0	0	0	0
Shareholders' equity	56,200	65,551	82,222	105,716	136,750	179,347
Share capital	14,678	14,328	14,125	13,987	13,987	13,987
Capital reserve	41,460	41,664	41,867	41,867	41,867	41,867
Other reserves	-4,632	-5,455	-3,369	-3,369	-3,369	-3,369
Treasury stock	-312	-131	-107	-107	-107	-107
Loss carryforward / retained earnings	35,457	31,770	31,679	55,311	86,345	128,942
Total consolidated equity and debt	389,899	448,988	561,994	594,439	748,485	895,477
Ratios						
Current ratio (x)	2.43	1.79	1.66	3.14	3.24	2.95
Quick ratio (x)	1.31	0.74	0.77	1.32	1.61	1.53
Net debt	212,629	235,783	294,024	324,385	403,948	506,749
Net gearing	378%	360%	358%	307%	295%	283%
Book value per share (in €)	3.89	4.57	5.72	7.56	9.78	12.83
Financial debt/EBITDA (x)	7.2	4.8	4.8	4.3	4.7	4.4
Equity ratio	14.4%	14.6%	14.6%	17.8%	18.3%	20.0%
Return on equity (ROE)	0.4%	31.2%	44.0%	34.3%	31.9%	31.5%
Return on investment (ROI)	0.1%	4.5%	6.4%	6.1%	5.8%	6.3%
Return on assets (ROA)	4.1%	7.8%	9.4%	9.2%	8.6%	8.8%
Return on capital employed (ROCE)	6.0%	14.5%	16.5%	16.0%	15.9%	15.9%
Days sales outstanding (DSO)	78.9	49.9	83.7	58.1	55.6	54.2
Days inventory outstanding (DIO)	851.9	782.1	407.7	410.8	248.5	169.5
Days payables outstanding (DPO)	117.1	28.8	16.9	16.5	24.9	28.2



CASH FLOW STATEMENT

All figures in EUR '000	2019A	2020A	2021A	2022E	2023E	2024E
EBIT	16,302	45,998	61,675	70,405	82,920	103,308
Depreciation and amortisation	22,551	19,384	20,034	22,636	28,110	35,853
EBITDA	38,853	65,382	81,709	93,042	111,030	139,161
Changes in working capital	-24,549	-43,368	10,205	13,880	-13,758	-4,026
Other adjustments	-961	-4,134	-29,922	-15,522	-18,694	-24,249
Operating cash flow	13,343	17,880	61,992	91,400	78,578	110,886
CAPEX	-7,463	-347	-81,443	-90,099	-124,950	-178,624
Investments in intangibles	-19	-443	-19	0	0	0
Free cash flow	5,861	17,090	-19,471	1,301	-46,372	-67,737
Acquisitions and disposals, net	0	15,087	0	0	0	0
Other investments	3,412	-2,542	-3,548	0	0	0
Cash flow from investing	-4,070	11,755	-85,011	-90,099	-124,950	-178,624
Debt financing, net	9,610	4,254	79,814	9,709	113,000	93,000
Equity financing, net	-4,865	-4,734	-10,524	-138	0	0
Dividends paid	-5,784	-5,720	-11,300	-12,857	-12,586	-12,586
Other financing	-13,483	-11,774	-12,733	-18,667	-20,605	-22,478
Cash flow from financing	-14,523	-17,974	45,256	-21,953	79,809	57,936
Forex & other effects	-1,052	807	-1,744	0	0	0
Net cash flows	-6,302	12,468	20,493	-20,652	33,437	-9,801
Cash, start of the year	73,291	66,989	79,457	99,950	79,298	112,735
Cash, end of the year	66,989	79,457	99,950	79,298	112,735	102,934
EBITDA/share (in €)	2.69	4.56	5.69	6.65	7.94	9.95
Operating cash flow/share (in €)	0.92	1.25	4.31	6.54	5.62	7.93
Y-Y Growth						
Operating cash flow	-70.6%	34.0%	246.7%	47.4%	-14.0%	41.1%
Free cash flow	-74.7%	191.6%	n.m.	n.m.	n.m.	n.m.
EBITDA/share	-3.5%	69.3%	24.8%	17.0%	19.3%	25.3%
Operating cash flow /share	-70.4%	34.9%	246.4%	51.5%	-14.0%	41.1%

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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...41	↓	↓	↓	↓
42	25 March 2021	€56.20	Add	€66.00
43	21 April 2021	€56.40	Add	€70.00
44	14 May 2021	€56.00	Buy	€71.00
45	16 August 2021	€55.40	Buy	€72.00
46	17 November 2021	€78.00	Add	€89.00
47	5 April 2022	€93.20	Add	€105.00
48	16 May 2022	€79.60	Buy	€103.00
49	15 August 2022	€95.60	Add	€109.00
50	Today	€89.80	Buy	€115.00

INVESTMENT HORIZON

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

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