

# Energiekontor AG

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

Q1 update

**RATING**  
**BUY**

**PRICE TARGET**  
**€18.00**

Return Potential 30.3%  
 Risk Rating High

## STRONG CONSTRUCTION ACTIVITY ALREADY IN Q1

On 13 May Energiekontor published its Q1 report which gives a qualitative update of the business development. Construction activity was already strong in Q1 with ca. 31 MW under construction. Management reiterated its 2016 target to slightly increase the 2015 profit level. We upgrade the stock from Add to Buy and increase our price target slightly to €18.00 (previously: €17.90).

**Project business with a strong start** Although the winter months are traditionally slow, Q1 provided a strong start to 2016. Energiekontor had ca. 31 MW under construction: the wind farms Debstedt (18 MW, of which 13.5 MW were under construction), Hürth (8.6 MW, commissioned in April and sold to Chorus Clean Energy in May), and the solar park Nadrensee (9.0 MW). The Breitendeich wind farm (6.4 MW) received approval in March 2016 and the financial close followed in April. Construction was started in May. Energiekontor received the permit for the Grevenbroich wind farm (7.5 MW) in Q1/16 and achieved the financial close for the Klein Woltersdorf wind farm (2.5 MW) in February. In Wales, the Pencarreg wind farm (2.5 MW) was also approved in Q1 (see also figure 1 overleaf).

For the second time in the solar segment, Energiekontor won a tender in Germany. Its Garzau-Garzin PV project (10 MW) in Brandenburg was among the winners of the April tender round and is scheduled to be commissioned this year. In our view this demonstrates Energiekontor's increasing ability to win tenders despite strong competition. And we believe, this is a very good prerequisite to win future German wind farm tenders, which start in 2017.

**Guidance confirmed** Energiekontor confirmed its 2016 guidance and plans to achieve or even slightly increase the 2015 profit level (2015 EBIT: €49.7m). In the Project Development segment, the company targets a total output and EBIT on previous year's level, driven mainly by German wind farm projects. In the Power Production segment and the Operation & Innovation segment, Energiekontor expects a slight increase in sales and EBIT.

### FINANCIAL HISTORY & PROJECTIONS

	2013	2014	2015	2016E	2017E	2018E
Total output (€m)	162.77	160.45	210.14	204.66	203.74	208.45
Y-o-y growth	168.8%	-1.4%	31.0%	-2.6%	-0.5%	2.3%
EBIT (€m)	34.14	40.72	49.67	50.99	50.45	51.67
EBIT margin	21.0%	25.4%	23.6%	24.9%	24.8%	24.8%
Net income (€m)	13.55	14.13	20.91	21.63	20.82	21.77
EPS (diluted) (€)	0.92	0.96	1.43	1.48	1.42	1.49
DPS (€)	0.50	0.60	0.80	0.70	0.70	0.70
FCF (€m)	-29.17	35.62	51.22	-23.15	6.78	-4.12
Net gearing	498.7%	464.9%	330.0%	325.6%	282.8%	261.1%
Liquid assets (€m)	71.41	81.59	103.96	90.76	82.85	86.83

### 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 (~269 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 23 May 2016

Closing Price	€ 13.81
Shares outstanding	14.61m
Market Capitalisation	€ 201.80m
52-week Range	€ 10.80 / 15.85
Avg. Volume (12 Months)	7,445

Multiples	2015	2016E	2017E
P/E	9.7	9.3	9.7
EV/Sales	1.7	1.7	1.7
EV/EBIT	7.2	7.0	7.0
Div. Yield	5.8%	5.1%	5.1%

### STOCK OVERVIEW



### COMPANY DATA

As of 31 Dec 2015

Liquid Assets	€ 103.96m
Current Assets	€ 166.86m
Intangible Assets	€ 0.02m
Total Assets	€ 399.12m
Current Liabilities	€ 76.16m
Shareholders' Equity	€ 50.46m

### SHAREHOLDERS

Dr Bodo Wilkens	35.6%
Günter Lammers	35.6%
Free Float	28.8%



**Project development activity remains on high level** In Lower Saxony, Energiekontor plans to submit four projects with a total capacity of 46 MW for approval. One of the projects may be commissioned before the end of the year. In North Rhine-Westphalia, the company hopes to receive approval for 40 MW in 2016, which are planned to be commissioned in 2017. In Brandenburg, Energiekontor hopes to receive the permit for a 2.75 MW plant in the autumn. Two further projects totalling 16 MW are in the approval process. The complete German project pipeline amounts to almost 1,000 MW. In the UK, Energiekontor has secured sites for ca. 1,000 MW by exclusivity and option agreements with land owners.

**Very satisfying wind conditions in Q1** In all countries, where Energiekontor operates own wind farms (Germany, the UK, Portugal), wind conditions in Q1 were very satisfying. Following the takeover of the Portuguese wind farm, Mafomedes (4.2 MW) on 1 January, Energiekontor's own wind farm portfolio increased to 33 wind farms with a total capacity of 269 MW. The Mafomedes purchase was financed by the step-up bond IX which Energiekontor successfully placed in Q1 (volume: almost €12m). The bond was also used to refinance the Breitenreich wind farm. The Power Production segment generates high and secure cash flows (2015 EBITDA: €42m) which are largely sufficient to cover the company's costs even in the extreme case of no project development activity, thus ensuring Energiekontor's financial stability.

**Operation & Innovation segment benefitting from rotor blade enlargement** Energiekontor's innovative and patented rotor blade enlargement technology, which increases output by ca. 7%, received approval for 26 wind plants in Portugal in 2013. Following a successful test phase, the company has supplied two plants with the technology, and now plans to equip the remaining 24 during 2016.

**Meeting with management confirms our positive view** A meeting with management in Bremen confirmed our positive view on the stock. Management has set ambitious targets in a challenging environment. But the excellent competitive position of the company, the strong financial track record of the last two years, management's clear focus on the operating business, and a sustainable long-term growth strategy have further increased our confidence that Energiekontor will thrive despite regulatory headwinds in its main German and UK markets.

**Upgrade to Buy at slightly increased price target** An updated sum of the parts-valuation yields a slightly higher fair value of €18.00. We increase the price target from €17.90 to €18.00 and upgrade the stock to Buy (previously: Add).

**Figure 1: Current wind farm / solar park projects in late stages**

Wind farm / solar park	MW	Com- missioning	Under construction	Approval	In approval process
Debstedt (Lower Saxony)	18.0	this year	yes	12/2015	./.
Breitenreich (Lower Saxony)	6.4	this year	yes	3/2016	./.
Unnamed projects (Lower Saxony)	25.0	./.	./.	./.	yes
Hürth (North Rhine-Westphalia)	8.6	4/2016	completed	12/2015	./.
Grevenbroich (North Rhine-Westphalia)	7.5	this year	yes	Q1/16	./.
Unnamed projects (North Rhine-Westphalia)	50.0	./.	./.	2017	yes
Klein Woltersdorf (Brandenburg)	2.4	this year	summer	12/2015	./.
Luckow-Petershagen (Brandenburg)	2.8	2016/17	./.	autumn 2016	yes
Unnamed projects (Brandenburg)	16.0	./.	./.	./.	yes
Nadrensee (PV, Mecklenburg-W. Pomerania)	9.0	summer 2016	yes	4/2015	./.
Garzau-Garzin (PV, Brandenburg)	10.0	this year	soon	4/2016	./.
Pencarreg (Wales)	5.0	this year	soon	Q1/2016	./.

Source: First Berlin Equity Research, Energiekontor AG



## VALUATION MODEL

SotP valuation	Fair value in €m	Fair value per share in €
Project development (including O&I)	127.38	8.70
Power production	136.15	9.30
<b>Sum of the parts</b>	<b>263.53</b>	<b>18.00</b>



## INCOME STATEMENT

All figures in EUR '000	2013A	2014A	2015A	2016E	2017E	2018E
<b>Revenues</b>	<b>117,803</b>	<b>153,280</b>	<b>191,329</b>	<b>161,820</b>	<b>150,491</b>	<b>141,953</b>
Change in inventory & own work	44,970	7,172	18,808	42,840	53,244	66,493
<b>Total output</b>	<b>162,773</b>	<b>160,452</b>	<b>210,137</b>	<b>204,660</b>	<b>203,735</b>	<b>208,446</b>
Cost of goods sold	96,158	82,431	116,590	111,200	107,712	107,355
<b>Gross profit</b>	<b>66,615</b>	<b>78,021</b>	<b>93,547</b>	<b>93,459</b>	<b>96,023</b>	<b>101,091</b>
Personnel costs	9,754	10,043	10,476	11,105	11,771	12,713
Depreciation	12,081	14,183	16,424	16,727	18,235	19,165
Other operating income	3,762	3,569	1,574	5,116	5,093	5,211
Other operating expenses	14,401	16,646	18,553	19,750	20,659	22,757
<b>Operating income (EBIT)</b>	<b>34,140</b>	<b>40,718</b>	<b>49,668</b>	<b>50,995</b>	<b>50,452</b>	<b>51,668</b>
Net financial result	-12,987	-18,962	-20,006	-20,088	-20,713	-20,574
Non-operating expenses	0	0	0	0	0	0
<b>Pre-tax income (EBT)</b>	<b>21,153</b>	<b>21,756</b>	<b>29,662</b>	<b>30,906</b>	<b>29,739</b>	<b>31,093</b>
Income taxes	7,603	7,623	8,751	9,272	8,922	9,328
Minority interests	0	0	0	0	0	0
<b>Net income / loss</b>	<b>13,550</b>	<b>14,133</b>	<b>20,911</b>	<b>21,635</b>	<b>20,817</b>	<b>21,765</b>
<b>Diluted EPS (in €)</b>	<b>0.92</b>	<b>0.96</b>	<b>1.43</b>	<b>1.48</b>	<b>1.42</b>	<b>1.49</b>
<b>EBITDA</b>	<b>46,221</b>	<b>54,901</b>	<b>66,092</b>	<b>67,722</b>	<b>68,687</b>	<b>70,833</b>
<b>Ratios</b>						
Gross margin on total output	40.9%	48.6%	44.5%	45.7%	47.1%	48.5%
EBIT margin on total output	21.0%	25.4%	23.6%	24.9%	24.8%	24.8%
EBITDA margin on total output	28.4%	34.2%	31.5%	33.1%	33.7%	34.0%
Net margin on total output	8.3%	8.8%	10.0%	10.6%	10.2%	10.4%
Tax rate	35.9%	35.0%	29.5%	30.0%	30.0%	30.0%
<b>Expenses as % of total output</b>						
Personnel costs	6.0%	6.3%	5.0%	5.4%	5.8%	6.1%
Depreciation	7.4%	8.8%	7.8%	8.2%	9.0%	9.2%
Other operating expenses	8.8%	10.4%	8.8%	9.6%	10.1%	10.9%
<b>Y-Y Growth</b>						
Total output	68.8%	-1.4%	31.0%	-2.6%	-0.5%	2.3%
EBIT	289.6%	19.3%	22.0%	2.7%	-1.1%	2.4%
Net income/ loss	32008.5%	4.3%	48.0%	3.5%	-3.8%	4.6%



## BALANCE SHEET

All figures in EUR '000	2013A	2014A	2015A	2016E	2017E	2018E
<b>Assets</b>						
<b>Current assets, total</b>	<b>164,392</b>	<b>159,888</b>	<b>166,855</b>	<b>194,570</b>	<b>193,250</b>	<b>197,354</b>
Cash and cash equivalents	71,413	81,594	103,957	90,758	82,851	86,834
Short-term investments	1,371	39	10,278	10,278	10,278	10,278
Receivables	28,567	23,781	16,932	27,376	29,447	30,627
Inventories	62,033	50,858	32,871	63,342	67,859	66,799
Other current assets	829	3,412	1,192	1,192	1,192	1,192
<b>Non-current assets, total</b>	<b>186,587</b>	<b>195,310</b>	<b>232,263</b>	<b>239,896</b>	<b>247,941</b>	<b>273,719</b>
Property, plant & equipment	178,804	187,241	223,789	231,422	239,467	265,244
Goodwill & other intangibles	57	37	23	23	23	23
Other assets	7,726	8,032	8,451	8,451	8,451	8,451
<b>Total assets</b>	<b>350,980</b>	<b>355,198</b>	<b>399,118</b>	<b>434,466</b>	<b>441,191</b>	<b>471,073</b>
<b>Shareholders' equity &amp; debt</b>						
<b>Current liabilities, total</b>	<b>79,462</b>	<b>45,266</b>	<b>76,163</b>	<b>96,596</b>	<b>87,195</b>	<b>87,206</b>
Short-term financial debt	54,076	19,166	31,871	50,000	40,000	40,000
Accounts payable	8,109	5,947	4,480	8,247	8,846	8,857
Current provisions	6,653	11,342	16,282	16,282	16,282	16,282
Other current liabilities	10,624	8,811	23,530	22,067	22,067	22,067
<b>Long-term liabilities, total</b>	<b>231,920</b>	<b>269,777</b>	<b>272,495</b>	<b>276,019</b>	<b>281,571</b>	<b>299,919</b>
Long-term financial debt	216,173	249,136	248,899	252,423	257,975	276,323
Deferred revenue	0	0	0	0	0	0
Other liabilities	15,747	20,641	23,596	23,596	23,596	23,596
<b>Minority interests</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Shareholders' equity</b>	<b>39,598</b>	<b>40,155</b>	<b>50,460</b>	<b>61,852</b>	<b>72,426</b>	<b>83,948</b>
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	27,813	38,387	49,909
<b>Total consolidated equity and debt</b>	<b>350,980</b>	<b>355,198</b>	<b>399,118</b>	<b>434,466</b>	<b>441,191</b>	<b>471,073</b>
<b>Ratios</b>						
Current ratio (x)	2.07	3.53	2.19	2.01	2.22	2.26
Quick ratio (x)	1.29	2.41	1.76	1.36	1.44	1.50
Net debt	197,465	186,669	166,535	201,387	204,846	219,211
Net gearing	499%	465%	330%	326%	283%	261%
Book value per share (in €)	2.69	2.74	3.45	4.23	4.95	5.74
Financial debt/EBITDA (x)	6	5	4	4	4	4
Return on equity (ROE)	34.2%	35.2%	41.4%	35.0%	28.7%	25.9%
Days sales outstanding (DSO)	88.5	56.6	32.3	61.7	71.4	78.7
Days inventory outstanding (DIO)	235.5	225.2	102.9	207.9	230.0	227.1
Days payables outstanding (DPO)	30.8	26.3	14.0	27.1	30.0	30.1



## CASH FLOW STATEMENT

All figures in EUR '000	2013A	2014A	2015A	2016E	2017E	2018E
<b>EBIT</b>	<b>34,140</b>	<b>40,718</b>	<b>49,668</b>	<b>50,995</b>	<b>50,452</b>	<b>51,668</b>
Depreciation and amortisation	12,081	12,463	16,424	16,727	18,235	19,165
<b>EBITDA</b>	<b>46,221</b>	<b>53,181</b>	<b>66,092</b>	<b>67,722</b>	<b>68,687</b>	<b>70,833</b>
Changes in working capital	-24,798	6,445	28,824	-37,148	-5,988	-110
Other adjustments	-3,128	-3,848	-3,490	-29,360	-29,635	-29,902
<b>Operating cash flow</b>	<b>18,295</b>	<b>55,778</b>	<b>91,426</b>	<b>1,214</b>	<b>33,064</b>	<b>40,821</b>
CAPEX	-47,420	-20,149	-40,205	-24,360	-26,280	-44,942
Investments in intangibles	-41	-12	0	0	0	0
<b>Free cash flow</b>	<b>-29,166</b>	<b>35,617</b>	<b>51,221</b>	<b>-23,146</b>	<b>6,784</b>	<b>-4,122</b>
Acquisitions and disposals, net	10,131	5,062	300	0	0	0
Other investments	-2,816	307	-11,143	0	0	0
<b>Cash flow from investing</b>	<b>-40,146</b>	<b>-14,792</b>	<b>-51,048</b>	<b>-24,360</b>	<b>-26,280</b>	<b>-44,942</b>
Debt financing, net	52,410	-3,708	11,574	21,653	-4,448	18,348
Equity financing, net	0	0	0	0	0	0
Dividends paid	-2,206	-7,331	-8,781	-11,706	-10,243	-10,243
Other financing	-10,394	-18,129	-18,759	0	0	0
<b>Cash flow from financing</b>	<b>39,810</b>	<b>-29,168</b>	<b>-15,967</b>	<b>9,947</b>	<b>-14,691</b>	<b>8,105</b>
Forex & other effects	0	-1,636	-2,048	0	0	0
<b>Net cash flows</b>	<b>17,959</b>	<b>10,181</b>	<b>22,363</b>	<b>-13,199</b>	<b>-7,907</b>	<b>3,983</b>
Cash, start of the year	53,453	71,413	81,594	103,957	90,758	82,851
<b>Cash, end of the year</b>	<b>71,412</b>	<b>81,594</b>	<b>103,957</b>	<b>90,758</b>	<b>82,851</b>	<b>86,834</b>
<b>EBITDA/share (in €)</b>	<b>3.14</b>	<b>3.74</b>	<b>4.52</b>	<b>4.63</b>	<b>4.69</b>	<b>4.84</b>
<b>Operating cash flow/share (in €)</b>	<b>1.24</b>	<b>3.80</b>	<b>6.25</b>	<b>0.08</b>	<b>2.26</b>	<b>2.79</b>
<b>Y-Y Growth</b>						
Operating cash flow	168.7%	204.9%	63.9%	-98.7%	2623.4%	23.5%
Free cash flow	n.m.	n.m.	43.8%	n.m.	n.m.	n.m.
EBITDA/share	175.2%	19.1%	20.6%	2.5%	1.4%	3.1%
Operating cash flow/share	169.2%	205.7%	64.2%	-98.7%	2623.4%	23.5%

**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...12	↓	↓	↓	↓
13	19 November 2015	€11.28	Buy	€15.90
14	20 January 2016	€11.96	Buy	€15.90
15	26 April 2016	€15.50	Add	€17.90
16	Today	€13.81	Buy	€18.00

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**PRICE TARGET DATES**

Unless otherwise indicated, current prices refer to the closing prices of the previous trading day.

**AGREEMENT WITH THE ANALYSED COMPANY AND MAINTENANCE OF OBJECTIVITY**

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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:

**STRONG BUY:** An expected favourable price trend of more than 50% combined with sizeable confidence in the quality and forecast security of management.

**BUY:** An expected favourable price trend of more than 25% percent.

**ADD:** An expected favourable price trend of between 0% and 25%.

**REDUCE:** An expected negative price trend of between 0% and -15%.

**SELL:** An expected negative price trend of more than -15%.

#### RISK ASSESSMENT

The First Berlin categories for risk assessment are low, average, high and speculative. They are determined by ten factors: Corporate governance, quality of earnings, management strength, balance sheet and financial risk, competitive position, standard of financial disclosure, regulatory and political uncertainty, strength of brandname, market capitalisation and free float. These risk factors are incorporated into the First Berlin valuation models and are thus included in the target prices. First Berlin customers may request the models.

#### INVESTMENT HORIZON

Unless otherwise stated in the financial analysis, the ratings refer to an investment period of twelve months.

#### UPDATES

At the time of publication of this financial analysis it is not certain whether, when and on what occasion an update will be provided. In general First Berlin strives to review the financial analysis for its topicality and, if required, to update it in a very timely manner in connection with the reporting obligations of the analysed company or on the occasion of ad hoc notifications.

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

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