

Energiekontor AG

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

Q1 report

RATING

PRICE TARGET

Return Potential
 Risk Rating

ADD

€15.70

23.2%
 High

ON TRACK TO REACH 2015 FORECAST

On 15 May Energiekontor (EKT) published its Q1 report which provides a qualitative update on the company's activities in the first three months of 2015. Strong wind farm development and construction activity shows that EKT is on track to reach our 2015E forecasts. We expect the new share buyback programme to support the stock. We confirm our Add recommendation and increase the price target to €15.70 (previously: €15.50).

Wind farm development on track In Germany, EKT is active in four regions: Lower Saxony, North Rhine Westphalia, Brandenburg, and Mecklenburg West-Pomerania.

Lower Saxony: After the financial close for the Appeln wind farm (11.4 MW) construction will start soon. The construction of the Lunestedt wind farm (38.5 MW) is progressing as scheduled. The company plans to commission both wind farms by the end of 2015. In addition, EKT expects permits for two further projects with a total capacity of 20 MW. EKT plans to construct these wind farms in 2016.

North Rhine Westphalia: In March EKT obtained the financial close for the Linnich wind farm (3.2 MW). The Rurich repowering project (4.1 MW) is under construction and completion is scheduled for autumn 2015. We expect the financial close for the Hürth wind farm (8.6 MW) in Q2. Further projects with a planned total capacity of 25 MW are in the approval process.

Brandenburg: The Luckow-Petershagen project received approval in 2014; the financial close is scheduled for Q2.

Mecklenburg West-Pomerania: EKT has just started activities in this region and opened an office in Neubrandenburg in January. EKT will develop wind projects in cooperation with the large German utility EnBW.

United Kingdom: The Gayton le Marsh wind farm (16 MW) is currently under construction and is scheduled to be completed at the end of 2015. Extensions to the Hyndburn and Witherwick wind farms (8 MW each) are in the approval process. At least the Hyndburn extension looks set to come under... (p.t.o.)

FINANCIAL HISTORY & PROJECTIONS

	2012A	2013A	2014A	2015E	2016E	2017E
Total output (€m)	96.43	162.77	160.45	217.73	277.30	293.69
Y-o-y growth	n.a.	68.8%	-1.4%	35.7%	27.4%	5.9%
EBIT (€m)	8.76	34.14	40.72	43.53	56.51	63.86
EBIT margin	9.1%	21.0%	25.4%	20.0%	20.4%	21.7%
Net income (€m)	0.04	13.55	14.13	17.40	25.71	28.15
EPS (diluted) (€)	0.00	0.92	0.96	1.19	1.75	1.92
DPS (€)	0.15	0.50	0.60	0.60	0.60	0.60
FCF (€m)	-53.00	-29.17	34.46	-81.28	-83.85	-54.89
Net gearing	607.9%	498.7%	464.9%	567.5%	562.3%	509.2%
Liquid assets (€m)	53.45	71.41	81.59	85.15	71.65	85.11

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 (>230 MW). The company is active in onshore wind and solar project development mainly in Germany and the UK. Energiekontor is headquartered in Bremen, Germany.

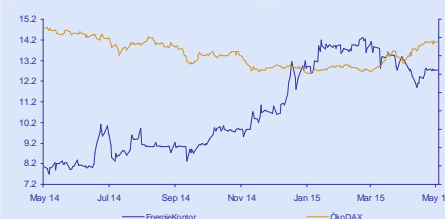
MARKET DATA

As of 01 Jun 2015

Closing Price	€ 12.74
Shares outstanding	14.65m
Market Capitalisation	€ 186.68m
52-week Range	€ 7.70 / 14.30
Avg. Volume (12 Months)	8,870

Multiples	2014A	2015E	2016E
P/E	13.2	10.7	7.3
EV/Sales	2.4	1.8	1.4
EV/EBIT	9.4	8.8	6.8
Div. Yield	4.7%	4.7%	4.7%

STOCK OVERVIEW



COMPANY DATA

As of 31 Dec 2014

Liquid Assets	€ 81.59m
Current Assets	€ 159.89m
Intangible Assets	€ 0.04m
Total Assets	€ 355.20m
Current Liabilities	€ 45.27m
Shareholders' Equity	€ 40.15m

SHAREHOLDERS

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

...the more attractive Renewable Obligation Certificate (ROC) regulation. Two further projects (25 MW in total) are currently being developed. EKT plans to submit applications for up to four projects with a total capacity of 90 MW.

Major success in solar project development In April, EKT's PV project Nadrensee (9 MW) was among the winners of the first ever German tender round for ground-mounted PV systems. Capital expenditure for the park will amount to €9m and construction is planned to be completed at the end of 2015.

We see this as a major success for EKT as the 150 MW tender round was four times oversubscribed and thus highly competitive. The number of offers amounted to 170 with a total volume of 715 MW. Only 25 offers with a total capacity of 157 MW were successful. The pricing range of the successful offers was 8.48 €/kWh – 11.29 €/kWh. The average price was above the current renewable energy (EEG) tariff of 9.02 €/kWh.

EKT also plans to take part in the next tender rounds (1 August: 150 MW, and 1 December: 200 MW).

We see EKT's successful participation in the tender as proof of the organisational strength of the company and its strong competitive position. EKT has rapidly adapted to the new regulatory environment (i.e. the tender process) and demonstrated that medium-sized companies are capable of clearing the administrative hurdles and offering competitive pricing. Although PV plant development is a relatively small and relatively new business segment for EKT the Nadrensee project was among the winning projects. We believe that this is a very encouraging sign both for future PV tenders and for wind farm tenders which start in 2017.

In the UK, which in 2014 was the largest European PV market, EKT has begun to build up a PV project pipeline. Given the successful establishment of the German PV business we see this regional expansion as a natural step to achieve further growth.

Power Production segment continues to grow At the beginning of 2015 the Altlüdersdorf wind farm (13.5 MW) was added to the own wind farm portfolio and increased the portfolio capacity to 234 MW. In summer EKT will take over the Thüle wind farm (14 MW), which will increase the portfolio to 248 MW. The wind farm was commissioned in 2002. Its average annual revenues amount to €1.5m and its average annual gross profit to €1m (gross margin: 67%). The farm will receive feed-in tariffs until end 2022. The takeover will be financed by another step-up bond.

New step-up bond To finance the Thüle wind farm purchase and to refinance the Kajedeich wind farm (4.1 MW), which is already part of the own wind farm portfolio, EKT has begun to market a new step-up bond with a volume of €11.8m. The volume had already been completely reserved before the company issued the prospectus on 11 May. The coupon is 5% until 30/06/2020 and 5.5% until 30/06/2023. The bond has a maturity of 8 years. After 5 years, 25% of the nominal value will be redeemed.

High dividend for 2014 Energiekontor will pay a dividend of €0.60 per share for 2014 (2013: €0.50 per share). The dividend yield is 4.7%.

Share buyback programme will support share price EKT intends to purchase up to 100,000 of its own shares. The buyback programme is capped at €3m. This cap is currently only a theoretical cap as it allows the purchase of 100,000 shares at an average price of 30€ which is far above the current share price. We do not expect the programme to have much influence on the share price as 100,000 shares represent only 0.7% of the total (14,653,160).

Add rating confirmed at slightly increased price target Our sum-of-the-parts valuation (see figure 1 overleaf) yields a new price target of €15.70 (previously: €15.50). We reiterate our Add rating.

**Figure 1: Sum-of-the-parts valuation**

SotP valuation	Fair value in €m	Fair value per share in €
Project development (including O&I)	92.46	6.30
Power production	138.04	9.40
Sum of the parts	230.50	15.70

Source: First Berlin Equity Research



INCOME STATEMENT

All figures in EUR '000	2012A	2013A	2014A	2015E	2016E	2017E
Revenues	40,321	117,803	153,280	118,831	150,804	167,192
Change in inventory & own work	56,112	44,970	7,172	98,900	126,500	126,500
Total output	96,433	162,773	160,452	217,731	277,304	293,692
Cost of goods sold	61,677	96,158	82,431	128,871	166,870	170,940
Gross profit	34,756	66,615	78,021	88,860	110,434	122,752
Personnel costs	7,390	9,754	10,043	11,047	12,152	13,367
Depreciation and amortisation	8,064	12,081	14,183	14,987	20,776	22,674
Other operating income	1,964	3,762	3,569	5,443	6,933	7,342
Other operating expenses	12,502	14,401	16,646	24,737	27,934	30,194
Operating income (EBIT)	8,763	34,140	40,718	43,533	56,505	63,859
Net financial result	-8,576	-12,987	-18,962	-18,669	-19,773	-23,648
Non-operating expenses	0	0	0	0	0	0
Pre-tax income (EBT)	187	21,153	21,756	24,864	36,732	40,211
Income taxes	145	7,603	7,623	7,459	11,020	12,063
Minority interests	0	0	0	0	0	0
Net income / loss	42	13,550	14,133	17,405	25,712	28,148
Diluted EPS (in €)	0.00	0.92	0.96	1.19	1.75	1.92
EBITDA	16,827	46,221	54,901	58,520	77,281	86,533
Ratios						
Gross margin on total output	36.0%	40.9%	48.6%	40.8%	39.8%	41.8%
EBIT margin on total output	9.1%	21.0%	25.4%	20.0%	20.4%	21.7%
EBITDA margin on total output	17.4%	28.4%	34.2%	26.9%	27.9%	29.5%
Net margin on total output	0.0%	8.3%	8.8%	8.0%	9.3%	9.6%
Tax rate	77.5%	35.9%	35.0%	30.0%	30.0%	30.0%
Expenses as % of total output						
Personnel costs	7.7%	6.0%	6.3%	5.1%	4.4%	4.6%
Depreciation and amortisation	8.4%	7.4%	8.8%	6.9%	7.5%	7.7%
Other operating expenses	13.0%	8.8%	10.4%	11.4%	10.1%	10.3%
Y-Y Growth						
Total output	n.a.	68.8%	-1.4%	35.7%	27.4%	5.9%
Operating income	n.a.	289.6%	19.3%	6.9%	29.8%	13.0%
Net income/ loss	n.a.	32008.5%	4.3%	23.1%	47.7%	9.5%

BALANCE SHEET

All figures in EUR '000	2012A	2013A	2014A	2015E	2016E	2017E
Assets						
Current assets, total	120,752	164,392	159,888	199,086	216,216	233,218
Cash and cash equivalents	53,453	71,413	81,594	85,145	71,649	85,113
Short-term investments	11,502	1,371	39	39	39	39
Receivables	6,656	28,567	23,781	30,100	38,349	41,886
Inventories	48,238	62,033	50,858	80,186	102,564	102,564
Other current assets	613	829	3,412	3,412	3,412	3,412
Non-current assets, total	149,334	186,587	195,310	262,424	344,148	423,974
Property, plant & equipment	138,605	178,804	187,241	254,355	336,079	415,905
Goodwill & other intangibles	49	57	37	37	37	37
Other assets	10,680	7,726	8,032	8,032	8,032	8,032
Total assets	270,086	350,980	355,198	461,510	560,364	657,192
Shareholders' equity & debt						
Current liabilities, total	60,116	79,462	45,266	85,175	92,959	98,281
Short-term debt	43,478	54,076	19,166	55,000	60,000	65,000
Accounts payable	4,133	8,109	5,947	10,026	12,810	13,132
Current provisions	7,407	6,653	11,342	11,342	11,342	11,342
Other current liabilities	5,098	10,624	8,811	8,807	8,807	8,807
Long-term liabilities, total	184,875	231,920	269,777	327,567	401,717	473,867
Long-term debt	174,034	216,173	249,136	306,926	381,076	453,226
Deferred revenue	0	0	0	0	0	0
Other liabilities	10,841	15,747	20,641	20,641	20,641	20,641
Minority interests	0	0	0	0	0	0
Shareholders' equity	25,095	39,598	40,155	48,768	65,688	85,044
Share Capital	14,778	14,778	14,653	14,653	14,653	14,653
Capital Reserve	40,278	40,278	40,293	40,293	40,293	40,293
Other Reserves	-4,630	-1,319	-7,388	-7,388	-7,388	-7,388
Treasury Stock	-67	-102	-4	-4	-4	-4
Loss carryforward / retained earnings	3,507	6,122	10,112	18,725	35,645	55,001
Total consolidated equity and debt	270,086	350,980	355,198	461,510	560,364	657,192
Ratios						
Current ratio (x)	2.01	2.07	3.53	2.34	2.33	2.37
Quick ratio (x)	1.21	1.29	2.41	1.40	1.22	1.33
Net gearing	608%	499%	465%	567%	562%	509%
Book value per share (in €)	1.70	2.69	2.74	3.33	4.48	5.80
Net cash	-152,557	-197,465	-186,669	-276,742	-369,388	-433,074
Return on equity (ROE)	0.2%	34.2%	35.2%	35.7%	39.1%	33.1%
Days of sales outstanding (DSO)	60.3	88.5	56.6	92.5	92.8	91.4
Days of inventory turnover	285.5	235.5	225.2	227.1	224.3	219.0
Days in payables (DIP)	24.5	30.8	26.3	28.4	28.0	28.0



CASH FLOW STATEMENT

All figures in EUR '000	2012A	2013A	2014A	2015E	2016E	2017E
EBIT	8,763	34,140	40,718	43,533	56,505	63,859
Depreciation and amortisation	8,064	12,081	12,463	14,987	20,776	22,674
EBITDA	16,827	46,221	53,181	58,520	77,281	86,533
Changes in working capital	-10,732	-24,798	5,416	-31,568	-27,842	-3,216
Other adjustments	714	-3,128	-3,977	-26,128	-30,793	-35,711
Operating cash flow	6,809	18,295	54,620	823	18,645	47,606
CAPEX	-59,808	-47,420	-20,149	-82,100	-102,500	-102,500
Investments in intangibles	-1	-41	-12	0	0	0
Free cash flow	-53,000	-29,166	34,459	-81,277	-83,855	-54,894
Debt financing, net	52,215	52,410	-4,188	93,624	79,150	77,150
Equity financing, net	0	0	0	0	0	0
Other changes in cash	1,915	-5,285	-20,090	-8,796	-8,792	-8,792
Net cash flows	1,130	17,959	10,181	3,551	-13,497	13,464
Cash, start of the year	52,323	53,453	71,413	81,594	85,145	71,649
Cash, end of the year	53,453	71,412	81,594	85,145	71,649	85,113
EBITDA/share (in €)	1.14	3.14	3.74	3.99	5.27	5.91
Y-Y Growth						
Operating cash flow	n.a.	168.7%	198.6%	-98.5%	2165.5%	155.3%
Free cash flow	n.a.	n.m.	n.m.	n.m.	n.m.	n.m.
EBITDA/share	n.a.	175.2%	19.1%	6.6%	32.1%	12.0%

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...6	↓	↓	↓	↓
7	19 November 2014	€9.80	Buy	€12.90
8	11 December 2014	€10.35	Buy	€13.00
9	21 April 2015	€13.60	Add	€15.50
10	Today	€12.74	Add	€15.70

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STRONG BUY: Expected return greater than 50% and a high level of confidence in management's financial guidance

BUY: Expected return greater than 25%

ADD: Expected return between 0% and 25%

REDUCE: Expected negative return between 0% and -15%

SELL: Expected negative return greater than -15%

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