

TERNIENERGIA

OUTPERFORM

Price (Eu): 1.92
Target Price (Eu): 2.30

SECTOR: Industrials

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Surge in Revenues and Net Profit Endorses Business Plan Guidelines

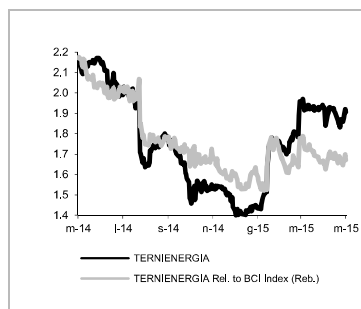
- 1Q15 results positive, as predicted.** TerniEnergia's 1Q15 results provide further proof of the soundness of management's operational and strategic choices. Indeed, the company closed with 1Q15 revenues of Eu68.6mn, a very sharp increase from the Eu10.4mn posted in 1Q14, in line with our expectations. This surge is mainly attributable to the acquisition of Free Energia (the energy management business) which attained Eu60.7mn in revenue, while performances were also very good in technical services (for solar power systems, with Eu4.6mn), in the "cleantech" segment (Eu1.8mn) and in energy savings (Eu1.4mn). EBITDA came to Eu5.2mn, up 13.7% on the previous quarter, with an EBITDA margin of 8%, in line with our estimate. 1Q15 EBIT came to Eu3.8mn, 36% higher than the Eu2.8mn recorded in 1Q14 and 3% better than our estimate of Eu3.7mn. The EBIT margin came to 6%, in line with our forecast. Net profit came to Eu1.2mn including JV activities, up 76% YoY from Eu0.7mn in 1Q14. The NFP improved YoY, as forecast in the 2015-2017 business plan, closing at Eu-105.6mn in 1Q15 from Eu-108mn as at YE14. Our estimates were not quite as positive, and these results engender optimism, once again confirming the soundness of the business and the company's ability to grasp attractive growth opportunities arising on the market.
- The business in a snapshot.** The company can now count on a total of 273 PV plants with cumulative capacity of as much as 284.1MW; TerniEnergia is also connected to a network of biomass plants for a total of between 1.5MW and 2MW. Its entire production comes to 10mn KW. Free Energia, now within the group's consolidation base, manages 355GWh of energy, while Lucos Alternative Energies has carried out energy efficiency interventions involving the replacement of more than 5,200 existing light sources with LED technology, generating energy savings forecast at 68%, or about 1.1mn KWh.
- OUTPERFORM recommendation and Eu2.30 target price confirmed.** The positive 1Q15 results represent a step in the achievement of management's 2015-2017 guidelines, with the energy management business becoming an increasingly important part of TerniEnergia's overall activity. We already indicated that we expect good results from the company's "Fast on the smart energy road" business plan, and our rosy expectations were corroborated by 1Q figures. We maintain our estimates for the time being, as we await 2Q15 and 3Q15 numbers to assess the impact of enhanced photovoltaic assets and new partnerships. We therefore confirm both our target price and recommendation on the stock; we expect the company to exploit new cross-selling opportunities in the energy efficiency and energy sale businesses, while foreign PV assets should also make a strong contribution in the coming months.

Key Figures	2013A	2014A	2015E	2016E	2017E
Sales (Eu mn)	67	95	350	431	475
Ebitda (Eu mn)	12	18	23	28	32
Net profit (Eu mn)	4	6	8	9	12
EPS - New (Eu)	0.108	0.141	0.191	0.205	0.261
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DPS (Eu)	0.055	0.064	0.045	0.061	0.102

Ratios & Multiples	2013A	2014A	2015E	2016E	2017E
P/E	17.7	13.6	10.1	9.4	7.3
Div. Yield	2.9%	3.3%	2.4%	3.2%	5.3%
EV/Ebitda	17.7	10.7	7.9	6.7	5.9
ROCE	3.5%	4.6%	9.1%	12.0%	13.2%

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TERNIENERGIA - 12m Performance



RATING: Unchanged
TARGET PRICE (Eu): Unchanged
Change in EPS est: 2015E 2016E
 0.0% 0.0%

STOCK DATA

Reuters code: TRNI.MI
 Bloomberg code: TER IM

Performance	1m	3m	12m
Absolute	-0.5%	9.1%	-12.9%
Relative	1.8%	-1.2%	-23.8%
12 months H/L:	2.17/1.40		

SHAREHOLDER DATA

No. of Ord. shares (mn):	44
Total No. of shares (mn):	44
Mkt Cap Ord (Eu mn):	85
Total Mkt Cap (Eu mn):	85
Mkt Float - ord (Eu mn):	36
Mkt Float (in %):	42.6%
Main shareholder:	
Stefano Neri	57.4%

BALANCE SHEET DATA

	2015
Book value (Eu mn):	82
BVPS (Eu):	1.86
P/BV:	1.0
Net Financial Position (Eu mn):	-98
Enterprise value (Eu mn):	182

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 on the last page of this report

TERNIENERGIA - KEY FIGURES

		2013A	2014A	2015E	2016E	2017E
	Fiscal year end	31/12/2013	31/12/2014	31/12/2015	31/12/2016	31/12/2017
PROFIT & LOSS (Eu mn)	Sales	67	95	350	431	475
	EBITDA	12	18	23	28	32
	EBIT	5	8	16	22	25
	Financial income (charges)	(2)	(10)	(4)	(7)	(7)
	Associates & Others	0	1	0	0	0
	Pre-tax profit (Loss)	3	(1)	12	15	18
	Taxes	1	7	(4)	(6)	(7)
	Tax rate (%)	-36.5%	972.9%	30.0%	40.0%	36.1%
	Minorities & discontinue activities	0	0	0	0	0
	Net profit	4	6	8	9	12
	Total extraordinary items	0	0	0	0	0
	Ebitda excl. extraordinary items	12	18	23	28	32
	Ebit excl. extraordinary items	5	8	16	22	25
Net profit restated	4	6	8	9	12	
PER SHARE DATA (Eu)	Total shares out (mn) - average fd	38	44	44	44	44
	EPS stated fd	0.317	0.136	0.191	0.251	0.261
	EPS restated fd	0.108	0.141	0.191	0.205	0.261
	BVPS fd	1.433	1.625	1.865	2.010	2.178
	Dividend per share (ord)	0.055	0.064	0.045	0.061	0.102
	Dividend per share (sav)	0.000	0.000	0.000	0.000	0.000
	Dividend pay out ratio (%)	50.2%	45.1%	23.8%	30.0%	39.1%
CASH FLOW (Eu mn)	Gross cash flow	(4)	(3)	1	3	5
	Change in NWC	20	(21)	10	(12)	(5)
	Capital expenditure	(12)	(12)	(15)	(28)	(20)
	Other cash items	3	3	0	0	0
	Free cash flow (FCF)	8	(34)	(3)	(38)	(20)
	Acquisitions, divestments & others	(80)	26	13	13	0
	Dividend	(2)	(3)	(2)	(3)	(5)
	Equity financing/Buy-back	0	0	0	0	0
Change in Net Financial Position	(74)	(9)	(4)	(17)	(26)	
BALANCE SHEET (Eu mn)	Total fixed assets	182	150	151	151	155
	Net working capital	14	35	25	37	42
	Long term liabilities	7	6	4	3	3
	Net capital employed	189	180	172	186	194
	Net financial position	(135)	(108)	(98)	(102)	(103)
	Group equity	54	72	82	89	96
	Minorities	0	0	0	0	0
	Net equity	54	72	82	89	96
ENTERPRISE VALUE (Eu mn)	Average mkt cap - current	85	85	85	85	85
	Adjustments (associate & minorities)	0	0	0	0	0
	Net financial position	(135)	(108)	(98)	(102)	(103)
	Enterprise value	220	193	182	186	188
RATIOS(%)	EBITDA margin*	18.5%	18.9%	6.6%	6.5%	6.7%
	EBIT margin*	7.5%	8.9%	4.6%	5.0%	5.3%
	Gearing - Debt/equity	nm	151.0%	119.0%	115.0%	107.6%
	Interest cover on EBIT	2.5	0.8	4.0	3.3	3.6
	Debt/Ebitda	10.91	6.00	4.25	3.64	3.23
	ROCE*	3.5%	4.6%	9.1%	12.0%	13.2%
	ROE*	8.0%	9.9%	10.9%	10.5%	12.4%
	EV/CE	1.5	1.0	1.0	1.0	1.0
	EV/Sales	3.3	2.0	0.5	0.4	0.4
	EV/Ebit	nm	22.8	11.4	8.7	7.5
Free Cash Flow Yield	9.0%	-39.8%	-3.9%	-44.5%	-23.5%	
GROWTH RATES (%)	Sales	0.1%	42.3%	267.7%	23.1%	10.2%
	EBITDA*	16.1%	45.4%	27.7%	21.7%	14.3%
	EBIT*	-14.0%	67.6%	89.5%	34.4%	16.3%
	Net profit	13.4%	50.5%	35.4%	7.1%	27.8%
	EPS restated	13.4%	29.9%	35.4%	7.1%	27.8%

* Excluding extraordinary items

Source: Intermonte SIM estimates

