

# TERNIENERGIA

# OUTPERFORM

**Price (Eu):** **1.76**

**Target Price (Eu):** **2.30**

SECTOR: *Industrials*

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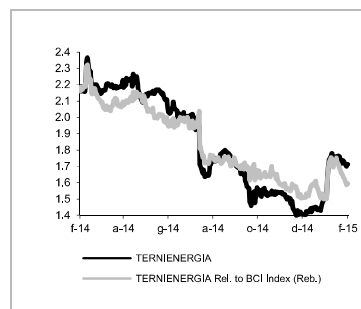
## Track-record of diverse Business, Going Global

- A company that has prudently evolved to grow.** TerniEnergia was established in 2005 as an engineering, procurement and construction (EPC) contractor in renewable energy. Little by little, the company has evolved to become a system integrator, 'green' asset owner, industrial asset manager and, most recently, a smart energy player. Terni has installed 273 photovoltaic (PV) plants, for a total energy capacity of 284 MW, of which the company owns 40.6 MW. Furthermore, Terni manages also 5 materials recovery facilities. TerniEnergia's operations extend beyond Italy to the UK, Greece, Romania, Poland and South Africa. In South Africa, the company has installed one solar park in Upington (10 MW, 150 employees) and is building two others, the Tom Burke Solar Park (67 MW, 450 employees) and Paleisheuvel (82.5 MW, 550 employees), putting it on course to become a leader in the photovoltaic sector in South Africa.
- Business segmentation covering the whole energy value chain.** TerniEnergia is striving to cover all facets of energy management. The company has been a power generation company for several years, but has recently made acquisitions in energy efficiency (Lucos Alternative Energies) and in energy trading and services (Free Energia, in a Eu15mn deal). The latter acquisition will bring the company into energy trading, marketing services and reseller networks and will add approximately Eu200mn in annual revenues, a figure destined to increase continuously in the years to come.
- Business Plan 2015-2017 a double-digit growth.** Revenues are expected to grow from Eu102mn in 2014 to Eu355mn in 2015 up to Eu475mn in 2017. In 2017 around 68% of revenues are expected to come from Energy Management; 13% from Technical Services (EPC and power generation); 12% from Cleantech and a residual 7% from Energy Saving. EBITDA Margin will be on average around 6% in the timeframe 2015-2017, EBIT will pass from Eu16mn in 2015 to Eu25mn in 2017. Bottom line is positive for Eu6mn in 2014 and it is expected to maintain a positive outlook in future as well. We are only slightly more cautious than company's assumption (some 8% below 2017 target).
- OUTPERFORM, target price Eu2.3.** We have changed our estimates based on new trading activities, the assets disposal in Power Generation and the weight of Energy efficiency business (EPS -22% 2015 and -6% 2016). Our reduced estimates take into account company indications on the business plan which in our is adding visibility on company's repositioning in the downstream energy market. Our fair value is based on a SOP that values the 4 different business based on peers multiples and disposal asset value. For the consolidated activities we assume an equity value of Eu89mn and including the JV participations for Eu13mn we get a total fair value of Eu102mn.

Key Figures	2012A	2013A	2014E	2015E	2016E
Sales (Eu mn)	67	67	102	350	431
Ebitda (Eu mn)	11	12	19	23	28
Net profit (Eu mn)	4	4	6	8	11
EPS - New (Eu)	0.280	0.317	0.136	0.191	0.251
EPS - Old (Eu)		0.193	0.178	0.244	0.269
DPS (Eu)	0.170	0.000	0.045	0.045	0.075
Ratios & Multiples	2012A	2013A	2014E	2015E	2016E
P/E	6.3	5.5	12.9	9.2	7.0
Div. Yield	9.7%	0.0%	2.6%	2.6%	4.3%
EV/Ebitda	13.1	17.2	9.8	7.6	6.5
ROCE	7.2%	3.5%	6.4%	9.7%	12.3%

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### TERNIENERGIA - 12m Performance



**RATING: Unchanged**

**TARGET PRICE (Eu): from 2.40 to 2.30**

**Change in EPS est:** **2014E 2015E**  
**-23.3% -21.7%**

#### STOCK DATA

Reuters code: TRNI.MI  
Bloomberg code: TER IM

Performance	1m	3m	12m
Absolute	22.2%	15.0%	-15.8%
Relative	10.2%	5.5%	-21.0%
12 months H/L:	2.36/1.40		

#### SHAREHOLDER DATA

No. of Ord. shares (mn):	44
Total No. of shares (mn):	44
Mkt Cap Ord (Eu mn):	77
Total Mkt Cap (Eu mn):	77
Mkt Float - ord (Eu mn):	33
Mkt Float (in %):	42.6%
Main shareholder:	
Stefano Neri	57.4%

#### BALANCE SHEET DATA

	2015
Book value (Eu mn):	66
BVPS (Eu):	1.50
P/BV:	1.2
Net Financial Position (Eu mn):	-98
Enterprise value (Eu mn):	175

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on the last page of this report

**TERNIENERGIA - KEY FIGURES**

	<b>2012A</b>	<b>2013A</b>	<b>2014E</b>	<b>2015E</b>	<b>2016E</b>	
	31/12/2012	31/12/2013	31/12/2014	31/12/2015	31/12/2016	
Fiscal year end						
<b>PROFIT &amp; LOSS (Eu mn)</b>	Sales	67	67	102	350	431
	EBITDA	11	12	19	23	28
	EBIT	6	5	11	16	22
	Financial income (charges)	(2)	(2)	(4)	(4)	(5)
	Associates & Others	0	0	0	0	0
	Pre-tax profit (Loss)	4	3	7	12	17
	Taxes	(0)	1	(1)	(4)	(6)
	Tax rate (%)	3.5%	-36.5%	18.9%	30.0%	35.0%
	Minorities & discontinue activities	0	0	0	0	0
	Net profit	4	4	6	8	11
	Total extraordinary items	0	0	0	0	0
	Ebitda excl. extraordinary items	11	12	19	23	28
	Ebit excl. extraordinary items	6	5	11	16	22
	Net profit restated	4	4	6	8	11
<b>PER SHARE DATA (Eu)</b>	Total shares out (mn) - average fd	31	38	44	44	44
	EPS stated fd	0.280	0.317	0.136	0.191	0.251
	EPS restated fd	0.280	0.317	0.136	0.191	0.251
	BVPS fd	1.569	1.433	1.249	1.505	1.803
	Dividend per share (ord)	0.170	0.000	0.045	0.045	0.075
	Dividend per share (sav)	0.000	0.000	0.000	0.000	0.000
	Dividend pay out ratio (%)	145.3%	50.2%	33.3%	23.8%	30.0%
<b>CASH FLOW (Eu mn)</b>	Gross cash flow	(1)	(1)	(2)	1	5
	Change in NWC	(12)	0	37	10	(2)
	Capital expenditure	(10)	0	(12)	(11)	(22)
	Other cash items	0	0	3	0	0
	Free cash flow (FCF)	(3)	(1)	27	1	(19)
	Acquisitions, divestments & others	1	0	0	13	13
	Dividend	(5)	0	(2)	(2)	(3)
	Equity financing/Buy-back	0	0	0	0	0
	Change in Net Financial Position	(8)	(1)	26	11	(8)
<b>BALANCE SHEET (Eu mn)</b>	Total fixed assets	90	169	125	136	155
	Net working capital	33	11	38	28	30
	Long term liabilities	(28)	13	1	0	0
	Net capital employed	95	193	164	164	185
	Net financial position	(62)	(135)	(109)	(98)	(106)
	Group equity	49	54	55	66	79
	Minorities	0	0	0	0	0
	Net equity	49	54	55	66	80
<b>ENTERPRISE VALUE (Eu mn)</b>	Average mkt cap - current	77	77	77	77	77
	Adjustments (associate & minorities)	0	0	0	0	0
	Net financial position	(62)	(135)	(109)	(98)	(106)
	Enterprise value	140	213	187	175	183
<b>RATIOS(%)</b>	EBITDA margin*	16.0%	18.5%	18.6%	6.6%	6.5%
	EBIT margin*	8.8%	7.5%	11.2%	4.6%	5.0%
	Gearing - Debt/equity	127.8%	nm	198.6%	147.6%	133.3%
	Interest cover on EBIT	2.8	2.5	2.9	4.0	4.8
	Debt/Ebitda	5.84	10.91	5.75	4.25	3.78
	ROCE*	7.2%	3.5%	6.4%	9.7%	12.3%
	ROE*	8.9%	8.0%	11.0%	13.8%	15.1%
	EV/CE	1.7	1.5	1.0	1.1	1.0
	EV/Sales	2.1	3.2	1.8	0.5	0.4
	EV/Ebit	23.9	nm	16.4	11.0	8.5
	Free Cash Flow Yield	-4.4%	-1.3%	34.6%	0.7%	-24.9%
<b>GROWTH RATES (%)</b>	Sales	-60.6%	0.1%	52.5%	243.1%	23.1%
	EBITDA*	-29.9%	16.1%	53.3%	21.1%	21.7%
	EBIT*	-55.5%	-14.0%	126.3%	40.4%	34.4%
	Net profit	-59.8%	13.4%	45.5%	40.0%	31.5%
	EPS restated	-14.0%	13.4%	-57.0%	40.0%	31.5%

\* Excluding extraordinary items

Source: Intermonte SIM estimates

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