

# TERNIENERGIA

# NEUTRAL

SECTOR: Industrials

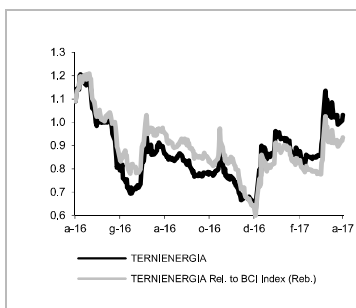
**Price (Eu):** 1.03  
**Target Price (Eu):** 1.05

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## 2016 results broadly in line with forecast. Awaiting new leadership

- Full year results broadly in line with forecast.** 2016 was a landmark year for TerniEnergia with a decisive reduction in the energy management business stemming from the removal of Free Energia from the consolidation scope. Due to the radical transformation of the business model, turnover fell 76.6% to Eu86.1mn, just above our estimate of Eu85mn. Revenues from Softeco Sismat and Selesoft were only consolidated from 1 November 2016. EBITDA was Eu17.3mn, down from Eu25.2mn in 2015, but above the expected Eu16mn. However, the EBITDA margin almost tripled, from 6.8% of revenues to 20.1%, above the expected 18%. Net profit was Eu1.1mn, down -58.8% on 2015 and below the expected Eu2mn, due to non-recurring charges. The NFP deteriorated slightly, from Eu87.4mn to Eu93.8mn due to the consolidation of Softeco and Selesoft, but it was below the expected Eu95mn.
- Positive newsflow on the management structure.** On approval of 2016 results the BoD coopted Piero Manzoni, a leading manager with proven experience in the renewable energies sector who until a few months ago was CEO of Falck Renewables. Manzoni should become CEO with a broad mandate to implement the transformation of the group business model. The appointment and the subsequent executive mandate should be confirmed by the shareholder meeting set for early May. As regards the core business, on 24 March the company signed an accord with S.T.E.G. (Société Tunisienne de l'Electricité et du Gaz) to build a large-scale PV plant in Tunisia with total output potential of 10 MW. The order is worth ca. USD12.5mn. The operation is significant insofar as it forms part of a USD1bn government portfolio of projects with a total capacity of 1 GW (Tunisia Solar Plan). STEG has a 320 MW stake in the portfolio while the remaining 680 MW will be developed by private operators.
- Target and recommendation unchanged.** In light of the 2016 results and the newsflow related to performance by the core business we see no margin for a revision to our view on the stock. This is due to the continuing low visibility on achievement of the business plan figures. However, we think that under the new leadership the company is taking the right direction in the changing environment of the energy industry, i.e. towards technological innovation in the field of energy generation and distribution (Smart Grids). We have left the estimates for 2017 unchanged pending an assessment of developments in the group's new set-up and focus. We have kept our target price unchanged at Eu1.05 per share.

### TERNIENERGIA - 12m Performance



**RATING: Unchanged**  
**TARGET PRICE (Eu): Unchanged**  
**Change in EPS est:** 2017E  
 0.0%

#### STOCK DATA

Reuters code: TRNI.MI  
 Bloomberg code: TER IM

Performance	1m	3m	12m
Absolute	20.3%	9.2%	-5.5%
Relative	20.1%	5.7%	-15.8%
12 months H/L:	1.21/0.63		

#### SHAREHOLDER DATA

No. of Ord. shares (mn):	47
Total No. of shares (mn):	47
Mkt Cap Ord (Eu mn):	49
Total Mkt Cap (Eu mn):	49
Mkt Float - ord (Eu mn):	21
Mkt Float (in %):	42.6%
Main shareholder:	
Stefano Neri	57.4%

#### BALANCE SHEET DATA

	2017
Book value (Eu mn):	62
BVPS (Eu):	1.32
P/BV:	0.8
Net Financial Position (Eu mn):	-83
Enterprise value (Eu mn):	131

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Key Figures	2014A	2015A	2016A	2017E
Sales (Eu mn)	95	370	86	258
Ebitda (Eu mn)	23	25	17	22
Net profit (Eu mn)	11	3	1	5
EPS - New (Eu)	0.247	0.058	0.024	0.106
EPS - Old (Eu)	0.247	0.058	0.067	0.114
DPS (Eu)	0.064	0.025	0.000	0.000

Ratios & Multiples	2014A	2015A	2016A	2017E
P/E	4.2	17.8	43.3	9.7
Div. Yield	6.2%	2.4%	0.0%	0.0%
EV/Ebitda	6.9	5.4	8.2	6.1
ROCE	7.1%	10.6%	5.4%	8.3%

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**TERNIENERGIA - KEY FIGURES**

		<b>2014A</b>	<b>2015A</b>	<b>2016A</b>	<b>2017E</b>
	Fiscal year end	31/12/2014	31/12/2015	31/12/2016	31/12/2017
<b>PROFIT &amp; LOSS (Eu mn)</b>	Sales	95	370	86	258
	EBITDA	23	25	17	22
	EBIT	13	17	8	15
	Financial income (charges)	(10)	(11)	(7)	(6)
	Associates & Others	1	0	0	0
	Pre-tax profit (Loss)	4	6	2	9
	Taxes	7	(4)	(1)	(4)
	Tax rate (%)		58.3%	57.1%	44.4%
	Minorities & discontinue activities	0	0	0	0
	Net profit	11	3	1	5
	Total extraordinary items	0	0	0	0
	Ebitda excl. extraordinary items	23	25	17	22
Ebit excl. extraordinary items	13	17	8	15	
Net profit restated	11	3	1	5	
<b>PER SHARE DATA (Eu)</b>	Total shares out (mn) - average fd	44	44	44	47
	EPS stated fd	0.136	0.191	0.024	0.106
	EPS restated fd	0.247	0.058	0.024	0.106
	BVPS fd	1.622	1.265	1.295	1.320
	Dividend per share (ord)	0.064	0.025	0.000	0.000
	Dividend per share (sav)	0.000	0.000	0.000	0.000
	Dividend pay out ratio (%)	25.8%	0.0%	0.0%	0.0%
<b>CASH FLOW (Eu mn)</b>	Gross cash flow	20	11	10	12
	Change in NWC	(21)	12	6	(0)
	Capital expenditure	(12)	(17)	(15)	(3)
	Other cash items	3	0	0	0
	Free cash flow (FCF)	(10)	6	1	9
	Acquisitions, divestments & others	26	18	(7)	0
	Dividend	(3)	(1)	0	0
Equity financing/Buy-back	0	0	0	2	
Change in Net Financial Position	(27)	(21)	(6)	11	
<b>BALANCE SHEET (Eu mn)</b>	Total fixed assets	150	126	153	198
	Net working capital	35	23	18	18
	Long term liabilities	(6)	(6)	(20)	(16)
	Net capital employed	180	143	151	200
	Net financial position	(108)	(87)	(94)	(83)
	Group equity	72	56	57	62
	Minorities	0	0	0	0
Net equity	72	56	57	62	
<b>ENTERPRISE VALUE (Eu mn)</b>	Average mkt cap - current	49	49	49	49
	Adjustments (associate & minorities)	0	0	0	0
	Net financial position	(108)	(87)	(94)	(83)
	Enterprise value	157	136	142	131
<b>RATIOS(%)</b>	EBITDA margin*	23.8%	6.8%	20.1%	8.3%
	EBIT margin*	13.8%	4.6%	9.1%	5.6%
	Gearing - Debt/equity	151.0%	156.6%	164.2%	133.2%
	Interest cover on EBIT	1.3	1.6	1.2	2.4
	Debt/Ebitda	4.76	3.46	5.42	3.85
	ROCE*	7.1%	10.6%	5.4%	8.3%
	ROE*	17.3%	4.0%	1.9%	8.4%
	EV/CE	0.8	0.8	1.0	0.7
	EV/Sales	1.6	0.4	1.7	0.5
	EV/Ebit	11.9	7.9	18.1	9.1
Free Cash Flow Yield	-20.3%	12.5%	2.1%	17.9%	
<b>GROWTH RATES (%)</b>	Sales	42.3%	288.6%	-76.7%	199.0%
	EBITDA*	60.2%	11.3%	-31.4%	24.2%
	EBIT*	92.7%	30.7%	-54.1%	84.2%
	Net profit	84.6%	-76.5%	-58.6%	371.7%
	EPS restated	59.4%	-76.5%	-58.9%	345.9%

\* Excluding extraordinary items

Source: Intermonte SIM estimates

**TerniEnergia - Results**

<b>(EU mn)</b>	<b>FY15A</b>	<b>FY16A</b>	<b>YoY</b>	<b>FY16E</b>
<b>Net revenues</b>	<b>368.7</b>	<b>86.1</b>	<b>-76.6%</b>	<b>85.0</b>
Production costs	-336.0	-58.3	-82.6%	
Personnel costs	-7.5	-10.5	39.5%	
<b>EBITDA</b>	<b>25.2</b>	<b>17.3</b>	<b>-31.4%</b>	<b>16.0</b>
% of net revenues	6.8%	20.1%		18.0%
D&A	-8.1	-9.4	16.4%	
<b>EBIT</b>	<b>17.1</b>	<b>7.9</b>	<b>-54.1%</b>	
% of net revenues	4.6%	9.1%		
Net financial results + JV	-11.0	-5.4	-50.9%	
<b>Pre-tax result</b>	<b>6.1</b>	<b>2.5</b>	<b>-59.6%</b>	
<b>Net profit</b>	<b>2.6</b>	<b>1.1</b>	<b>-58.8%</b>	<b>2.0</b>
<b>Net debt</b>	<b>87.4</b>	<b>93.8</b>	<b>7.3%</b>	<b>95.0</b>

Source: Company data

**TERNIENERGIA Peer Group - Absolute Performances**

Stock	Price	Ccy	Mkt cap	1M	3M	6M	YTD	1Y	2Y
<b>TERNIENERGIA</b>	<b>1.03</b>	<b>EUR</b>	<b>49</b>	<b>20.3%</b>	<b>9.2%</b>	<b>31.3%</b>	<b>14.6%</b>	<b>-5.5%</b>	<b>-45.5%</b>
ALERION CLEAN	2.89	EUR	124	-0.5%	2.1%	16.3%	-3.0%	39.6%	-2.0%
ENEL GREEN POWER	1.89	EUR	9,450	0.0%	0.0%	0.0%	0.0%	0.0%	5.3%
FALCK RENEWABLES	1.11	EUR	323	-2.3%	8.6%	36.0%	20.2%	13.7%	-8.3%
<b>Mean performance</b>				<b>4.4%</b>	<b>5.0%</b>	<b>20.9%</b>	<b>7.9%</b>	<b>12.0%</b>	<b>-12.6%</b>
<b>Italy FTSE Mib</b>	19,849.4	EUR	302,465	-0.6%	1.9%	15.8%	3.2%	6.4%	-14.9%

Source: FactSet

**TERNIENERGIA Peer Group - Multiple Comparison**

Stock	Price	Ccy	Mkt cap	EV/Sales	EV/Sales	EV/Ebitda	EV/Ebitda	EV/Ebit	EV/Ebit	P/E	P/E	Div Yield	Div Yield
				2017	2018	2017	2018	2017	2018	2017	2018	2017	2018
<b>TERNIENERGIA</b>	<b>1.03</b>	<b>EUR</b>	<b>49</b>	<b>0.5</b>		<b>6.1</b>		<b>9.1</b>		<b>9.7</b>		<b>0.0%</b>	
ALERION CLEAN	2.89	EUR	124							36.6	38.0		
ENEL GREEN POWER	1.89	EUR	9,450	5.7	5.2	9.5	8.7	18.5	16.6	24.7	20.8	1.6%	1.6%
FALCK RENEWABLES	1.11	EUR	323	3.4	3.2	6.8	6.4	15.2	13.6	44.2	30.1	4.6%	5.3%
<b>Median</b>				<b>4.5</b>	<b>4.2</b>	<b>8.2</b>	<b>7.6</b>	<b>16.8</b>	<b>15.1</b>	<b>36.6</b>	<b>30.1</b>	<b>3.1%</b>	<b>3.4%</b>

Source: Intermonte SIM estimates for covered companies, FactSet consensus estimates for peer group

**DETAILS ON STOCKS RECOMMENDATION**

Stock NAME	TERNIENERGIA		
Current Recomm:	NEUTRAL	Previous Recomm:	NEUTRAL
Current Target (Eu):	1.05	Previous Target (Eu):	1.05
Current Price (Eu):	1.03	Previous Price (Eu):	0.76
Date of report:	21/04/2017	Date of last report:	28/12/2016

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- Discounted cash flow (DCF) model or similar methods such as a dividend discount model (DDM)
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NEUTRAL: stock performance expected at between +10% and -10% compared to the market over a 12 month period ;

UNDERPERFORM: stock expected to underperform the market by between -10% and -25% over a 12 month period;

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OUTPERFORM:	48,70 %
NEUTRAL:	33,77 %
UNDERPERFORM	0,65 %
SELL:	0,00 %

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OUTPERFORM:	45,65 %
NEUTRAL:	28,26 %
UNDERPERFORM	0,00 %
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IKF	0,57	SHORT
OLIDATA	0,88	SHORT
PIERREL SPA	0,62	SHORT
PREMUDA	0,53	SHORT
STEFANEL	0,65	SHORT
WASTE ITALIA	1,06	SHORT
ZEPHYRO SPA	1,4	LONG

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