

Energiekontor (EKT GY) | Utilities/Renewables

August 13, 2021

Targets confirmed; pipeline continues to grow

In Project Development, the H1 result is roughly at the particularly good level of the previous year. In 2020, a lucrative project (Waldfeucht) was invoiced right at the beginning of the year. In Power Generation, the particularly weak wind harvest in Europe in the current year has foreseeably led to a decline in earnings after an exceptionally windy 2020. Nevertheless, the confirmed 2021 outlook is absolutely plausible. All relevant projects planned for the 2021 result, 12 wind power projects (144 MW) and two solar projects (17 MW), are already under construction and are scheduled to go into operation in H2. Thus, earnings growth in Project Development can be expected. In Power Generation, the addition of a new 32 MW wind farm will have a positive impact in H2. Three further projects are also to be added. By the end of the year, the company still expects financial close for c. 180 MW solar projects and c. 100 MW wind projects, which would lay the foundation for further growth in 2022. With regard to the long-term prospects, the update on the project pipeline is very positive: it has now grown to around 6.8 GW (YE 2020: 6 GW).

- H1 2021 EBITDA of EUR 26.2m down 21% y-o-y.
- All targets confirmed: Increase in earnings of 10 to 20% in 2021 with an EBT above the previous year's level in Project Development, and roughly stable results in the Power Generation and the Service businesses. The company expects similar growth rates for 2022 as well.

Fundamentals (in EUR m)	2018	2019	2020	2021e	2022e	2023e
Sales	110	64	147	160	180	196
EBITDA	41	39	65	78	105	112
EBIT	22	16	46	59	84	91
EPS adj. (EUR)	0.46	0.02	1.43	2.05	3.15	3.66
DPS (EUR)	0.40	0.40	0.80	0.90	1.00	1.00
BVPS (EUR)	4.69	3.92	4.59	5.35	7.50	7.50
Net Debt incl. Provisions	150	213	236	258	286	313
Ratios	2018	2019	2020	2021e	2022e	2023e
EV/EBITDA	8.5	13.3	16.3	13.5	10.3	9.8
EV/EBIT	15.6	31.7	23.1	17.9	12.8	12.1
P/E adj.	29.1	1245.5	40.6	27.5	17.9	15.4
Dividend yield (%)	3.0	1.9	1.4	1.6	1.8	1.8
EBITDA margin (%)	36.9	61.0	44.6	48.6	58.2	57.2
EBIT margin (%)	20.1	25.6	31.4	36.7	46.6	46.5
Net debt/EBITDA	3.7	5.5	3.6	3.3	2.7	2.8
ROE (%)	9.6	0.4	33.5	40.9	49.0	48.8
PBV	2.8	5.4	12.6	10.6	7.5	7.5

Sources: Refinitiv, Metzler Research

Buy

 **unchanged**

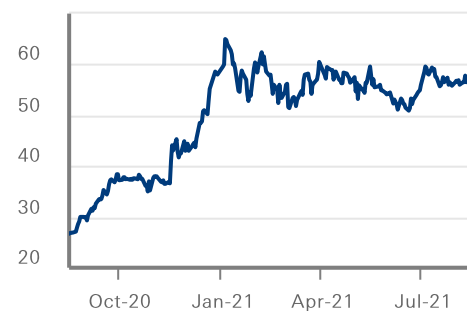
Price* **EUR 56.50**

Price target **EUR 81.70 (unchanged)**

* XETRA trading price at the close of the previous day unless stated otherwise in the Disclosures

Market Cap (EUR m)	790
Enterprise Value (EUR m)	1,048
Free Float (%)	48.5

Price (in EUR)



Performance (in %)	1m	3m	12m
Share	-3.9	0.2	113.2
Rel. to SDAX	-7.2	-8.3	58.9

Sources: Refinitiv, Metzler Research

Changes in estimates (in %)	2021e	2022e	2023e
Sales	0.0	0.0	0.0
EBIT	0.0	0.0	0.0
EPS	0.0	0.0	0.0

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company note

H1 result & outlook

In H1, the results of the segments **Power Generation** and **Service** were below the level of the previous year. The reasons for this are the unusually weak wind supply in Europe. In addition, the 20-year compensation under the EEG expired at the end of 2020 for generation capacities of 55 MW wind onshore, which are now compensated via PPAs. At the time these PPAs were concluded, prices were significantly lower than today. Short-term 12-month PPAs were concluded at that time in order to retain the possibility of concluding PPAs for 2022 at significantly better conditions, which has also been successfully implemented in the meantime.

In addition, above-average repair costs impacted segment earnings in the 1st half.

Energiekontor expects a significantly better earnings performance in H2, when the company's own park portfolio is to be increased by further parks as planned. With the strategic decision to take over the 32MW Hanstedt-Wriedel wind farm, which was commissioned at the end of June 2021, into its own portfolio, Energiekontor has considerably expanded its own portfolio and further increased its hidden reserves. The scheduled commissioning of further wind and solar farms and their inclusion in the company's own portfolio in the second half of the year will further significantly expand power generation capacities by the end of the year.

Project Development: With the sales of two Scottish wind farm projects, the first fruits of many years of investment in this location have been reaped. In recent years, major efforts have been made in Scotland to build up an extensive project pipeline. The transaction structure (sale of project rights) makes it possible to collect substantial earnings contributions even before the parks sold are commissioned.

Energiekontor's project pipeline has grown in H1 from 6 GW by YE 2020 to around 6.8 GW.

Outlook: All projects relevant to the 2021 annual results (12 wind power projects with a capacity of 144 MW and two solar projects with a capacity of 17 MW) are already under construction and are scheduled to come on stream in the second half of the year. Overall, the company continues to expect earnings growth of 10-20% year-on-year in 2021. It also expects similar growth rates for the subsequent years.

By the end of the year, financial close is still expected for approx. 180 MW of solar projects and approx. 100 MW of wind projects, which should lay the foundation for further growth and a strong fiscal year 2022.

Valuation

In our view, Energiekontor's Power Generation and Service business alone should be worth an EV of around EUR 700m, based on average peer multiples of 14x.

In addition, there is the development pipeline of 6.8 GW. As a fair (transaction) multiplier, around EUR 150m/GW pipeline is solidified. Most recently, for example, the renewables subsidiary of Portuguese utility EDP paid EUR 150m/GW for a UK pipeline, making it the third major transaction at this price in the last 12 months. For the 6.8 GW pipeline of Energiekontor, this results in a value of c. EUR 1bn. In our opinion, this valuation approach makes sense because a pipeline can, theoretically, also be sold in parts at any time in a relatively uncomplicated manner in the form of project rights.

company note

Key Data

Company profile

CEO: Peter Szabo

Energiekontor develops, operates and owns wind and solar parks. The company has its roots in Germany, but is also expanding its activities in Great Britain, France and the USA.

CFO:

Bremen

Major shareholders

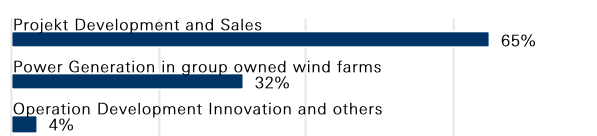
Dr. Bodo Wilkens (25.8%), Günter Lammers (25.7%)

Key figures

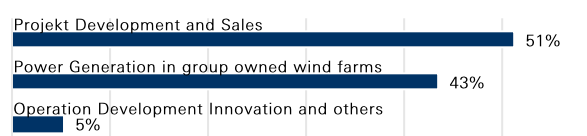
P&L (in EUR m)	2018	%	2019	%	2020	%	2021e	%	2022e	%	2023e	%
Sales	110	-26.5	64	-42.2	147	130.2	160	9.1	180	12.5	196	8.9
EBITDA	41	-18.0	39	-4.4	65	68.3	78	18.8	105	34.9	112	7.0
EBITDA margin (%)	36.9	11.5	61.0	65.3	44.6	-26.9	48.6	8.9	58.2	19.9	57.2	-1.8
EBIT	22	-32.8	16	-26.2	46	182.2	59	27.6	84	42.9	91	8.6
EBIT margin (%)	20.1	-8.6	25.6	27.6	31.4	22.6	36.7	16.9	46.6	27.0	46.5	-0.3
Financial result	-12	23.0	-16	-24.5	-15	4.9	-18	-21.9	-21	-16.7	-18	14.3
EBT	10	-42.3	1	-92.0	31	n.m.	41	30.3	63	54.5	73	16.2
Taxes	3	-39.0	1	-82.0	11	n.m.	12	11.1	19	57.2	22	16.2
Tax rate (%)	30.4	n.a.	68.3	n.a.	34.6	n.a.	29.5	n.a.	30.0	n.a.	30.0	n.a.
Net income	7	-43.8	0	-96.3	20	n.m.	29	40.5	44	53.4	51	16.2
Minority interests	0	n.a.	0	n.a.	0	n.a.	0	n.a.	0	n.a.	0	n.a.
Net Income after minorities	7	-43.8	0	-96.3	20	n.m.	29	40.5	44	53.4	51	16.2
Number of shares outstanding (m)	15	0.0	14	-1.7	14	-0.3	14	0.0	14	0.0	14	0.0
EPS adj. (EUR)	0.46	-43.8	0.02	-96.3	1.43	n.m.	2.05	43.5	3.15	53.4	3.66	16.2
DPS (EUR)	0.40	-33.3	0.40	0.0	0.80	100.0	0.90	12.5	1.00	11.1	1.00	0.0
Dividend yield (%)	3.0	n.a.	1.9	n.a.	1.4	n.a.	1.6	n.a.	1.8	n.a.	1.8	n.a.
Cash Flow (in EUR m)	2018	%	2019	%	2020	%	2021e	%	2022e	%	2023e	%
Gross Cash Flow	45	922.5	42	-7.3	62	47.4	48	-23.1	65	36.1	72	11.2
Increase in working capital	0	n.a.	0	n.a.	0	n.a.	0	n.a.	0	n.a.	0	n.a.
Capital expenditures	18	-51.1	-4	-122.7	12	393.8	14	19.1	15	7.1	15	0.0
D+A/Capex (%)	105.4	n.a.	-563.8	n.a.	165.0	n.a.	135.7	n.a.	139.3	n.a.	140.0	n.a.
Free cash flow (Metzler definition)	28	188.1	19	-30.6	32	68.1	34	3.9	50	48.2	57	14.5
Free cash flow yield (%)	14.3	n.a.	6.3	n.a.	3.9	n.a.	4.3	n.a.	6.3	n.a.	7.2	n.a.
Dividend paid	6	-33.3	6	-1.7	6	-0.3	11	95.8	13	12.5	14	11.1
Free cash flow (post dividend)	22	154.5	14	-38.3	27	97.0	-22	-184.2	-28	-22.9	-27	3.0
Balance sheet (in EUR m)	2018	%	2019	%	2020	%	2021e	%	2022e	%	2023e	%
Assets	348	-3.7	390	11.9	449	15.1	451	0.5	531	17.6	608	14.6
Goodwill	0	n.a.	0	n.a.	0	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Shareholders' equity	68	-2.6	56	-17.8	66	16.6	75	14.1	105	40.2	105	0.0
Equity/total assets (%)	19.6	n.a.	14.4	n.a.	14.6	n.a.	16.6	n.a.	19.8	n.a.	17.2	n.a.
Net Debt incl. Provisions	150	-3.2	213	41.8	236	10.9	258	9.5	286	10.7	313	9.4
thereof pension provisions	0	n.a.	0	n.a.	0	n.a.	0	n.a.	0	n.a.	0	n.a.
Gearing (%)	219.3	n.a.	378.3	n.a.	359.7	n.a.	345.3	n.a.	272.7	n.a.	298.3	n.a.
Net debt/EBITDA	3.7	n.a.	5.5	n.a.	3.6	n.a.	3.3	n.a.	2.7	n.a.	2.8	n.a.

Structure

Sales by segment 2020



EBIT by segment 2020



Sources: Refinitiv, Metzler Research

company note

Disclosures

Recommendation history

Recommendations for each financial instrument or issuer - mentioned in this document - published by Metzler in the past twelve months

Date of dissemination	Metzler recommendation *		Current price **	Price target *	Author ***
	Previous	Current			
Issuer/Financial Instrument (ISIN): Energiekontor (DE0005313506)					
08.07.2021	Buy	Buy	59.30 EUR	81.70 EUR	Hoymann, Guido
30.06.2021	Buy	Buy	54.40 EUR	81.70 EUR	Hoymann, Guido
17.05.2021	Buy	Buy	56.40 EUR	81.70 EUR	Hoymann, Guido
31.03.2021	Buy	Buy	57.00 EUR	81.70 EUR	Hoymann, Guido
18.03.2021	Buy	Buy	54.00 EUR	76.80 EUR	Hoymann, Guido
05.01.2021	Buy	Buy	59.60 EUR	67.30 EUR	Hoymann, Guido
19.11.2020	Buy	Buy	41.00 EUR	48.00 EUR	Hoymann, Guido
13.11.2020	Buy	Buy	36.50 EUR	41.80 EUR	Hoymann, Guido
07.09.2020	Buy	Buy	30.30 EUR	41.80 EUR	Hoymann, Guido
31.08.2020	Buy	Buy	30.00 EUR	41.80 EUR	Hoymann, Guido

* Effective until the price target and/or investment recommendation is updated (FI/FX recommendations are valid solely at the time of publication)

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*** All authors are financial analysts

Energiekontor

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