

Energiekontor AG

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

9M/21 report

RATING
PRICE TARGET **ADD**
€ 89.00
 Return Potential 14.1%
 Risk Rating High

REGULATORY TAILWINDS IN GERMANY LIKELY

Energiekontor has published its interim status report for 9M/21, which gives a qualitative update on business development. While all projects are largely on schedule, weak wind conditions resulted in lower power generation from the company's own green power plant portfolio. The likely future German government has published a paper detailing the status of the exploratory negotiations which suggests a much more rapid expansion of wind and solar power in Germany than previously planned. Energiekontor has a strong German onshore wind and solar pipeline (H1/21: 3,830 MW). We thus see the company as one of the prime beneficiaries of this plan and have raised our medium-term forecasts. The weak wind conditions in the first three quarters of the year cause us to reduce our 2021 forecasts for the Power Generation and Operation & Innovation segments. An updated sum-of-the-parts valuation yields a new price target of €89 (previously: €72). Following the strong share price appreciation since the publication of our last report, we downgrade our rating from Buy to Add as the upside potential to our price target is now below 25%.

Guidance reiterated Management confirmed 2021 EBT growth guidance of 10-20%. As group EBT was €31.2m in 2020, this implies 2021 EBT of between €34.3m and €37.4m. Given that all projects are largely on schedule, we believe that guidance is readily achievable despite weaker wind conditions.

Project development well on track With 162 MW (150 MW wind, 12 MW PV) under construction, and sales agreements for eight wind and solar projects totalling more than 100 MW in the first nine months of the year, we see the segment as well on track to reach our segment EBT forecast of €28m. Planning permission for another Scottish wind farm (50 MW) and approval of an English solar park (10 MW) bode well for the realisation of further projects in the UK. Furthermore, we expect positive newsflow on Energiekontor's French solar projects soon. (p.t.o.)

FINANCIAL HISTORY & PROJECTIONS

	2018	2019	2020	2021E	2022E	2023E
Revenue (€m)	110.19	63.70	146.61	182.27	288.69	361.22
Y-o-y growth	n.a.	-42.2%	130.2%	24.3%	58.4%	25.1%
EBIT (€m)	22.08	16.30	46.00	52.22	78.98	93.04
EBIT margin	20.0%	25.6%	31.4%	28.7%	27.4%	25.8%
Net income (€m)	6.68	0.24	20.43	25.20	40.99	46.46
EPS (diluted) (€)	0.46	0.02	1.43	1.76	2.88	3.27
DPS (€)	0.40	0.40	0.80	0.80	0.80	0.80
FCF (€m)	23.17	5.86	17.09	-17.19	-51.49	-72.39
Net gearing	218.6%	378.3%	359.7%	353.4%	333.5%	328.7%
Liquid assets (€m)	73.29	66.99	79.46	57.52	79.73	82.37

RISKS

Main risks include changes in the regulatory support for wind and solar energy, project development risks, approval procedures, tender results, and wind farm operation risks.

COMPANY PROFILE

Energiekontor is a wind and solar project developer and an operator of a large portfolio of own wind farms and solar parks (310 MW). The company is active in onshore wind and solar project development in Germany, the UK, the US, and France. Energiekontor is headquartered in Bremen, Germany.

MARKET DATA

As of 16 Nov 2021

Closing Price	€ 78.00
Shares outstanding	14.12m
Market Capitalisation	€ 1101.72m
52-week Range	€ 36.60 / 78.70
Avg. Volume (12 Months)	18,155

Multiples	2020	2021E	2022E
P/E	55.9	45.3	27.8
EV/Sales	9.1	7.4	4.6
EV/EBIT	29.2	25.7	17.0
Div. Yield	1.0%	1.0%	1.0%

STOCK OVERVIEW



COMPANY DATA

As of 30 Jun 2021

Liquid Assets	€ 91.09m
Current Assets	€ 269.07m
Intangible Assets	€ 0.74m
Total Assets	€ 509.33m
Current Liabilities	€ 167.09m
Shareholders' Equity	€ 56.16m

SHAREHOLDERS

Dr Bodo Wilkens	25.2%
Günter Lammers	25.2%
Universal Investment Gesellschaft	10.2%
Union Investment Privatfonds	5.1%
Free Float	34.3%



Power Generation segment burdened by weak wind conditions Wind conditions were significantly below average during the first nine months of the year. This resulted in lower power production which could not be compensated by the increase in portfolio generation capacity from 279 MW at the end of 2020 to 311 MW. Although the construction of the Jacobsdorf wind farm (18 MW) has been completed, the transfer of the wind farm to EKT's own plant portfolio is still pending as expert inspections have to be carried out to exclude any deficiencies following the discovery of defects in turbines of identical type at another wind farm from another company. Energiekontor has confirmed its medium-term target of a 500 MW portfolio capacity. At the end of September, 55 MW of wind and solar projects at various stages of construction were earmarked for transfer to the portfolio after completion.

Operation & Innovation segment also suffered from low wind speeds Operation management fees for wind and solar plants represent a large chunk of segment revenue. These fees are largely dependent on the quantity of power generated. The weak wind conditions thus resulted in a segment revenue decline in the first nine months compared to the prior year figure.

Likely new German government pushing for a more rapid expansion of wind and solar power According to the aforementioned paper, the likely SPD/Green/FDP coalition aims to "drastically accelerate the expansion of renewable energy" and plans to remove all obstacles to this undertaking. They intend to significantly accelerate planning and approval procedures and dedicate two percent of the country's area to wind power. We believe that this will result in a more rapid development and construction of Energiekontor's German wind and solar projects and a quicker expansion of the German wind and solar project pipeline in the medium term.

Forecasts for 2021 lowered, medium-term forecasts raised Given the weak wind conditions in Europe, we have lowered our 2021 forecast (see figure 1). Our new group EBT forecast is €36.0m (previously: €38.2m, see figure 2). We have raised our medium-term forecasts to reflect the likely regulatory tailwinds in Germany.

Figure 1: Revisions to forecasts

All figures in €m	2021E			2022E			2023E		
	Old	New	Delta	Old	New	Delta	Old	New	Delta
Total output	264.06	261.88	-0.8%	382.88	382.88	0.0%	465.42	465.42	0.0%
EBIT	54.42	51.23	-5.9%	78.98	78.98	0.0%	91.23	93.04	2.0%
margin	20.6%	19.6%		20.6%	20.6%		19.6%	20.0%	
Net income	26.73	24.50	-8.3%	40.99	40.99	0.0%	45.19	46.46	2.8%
margin	10.1%	9.4%		1.6%	10.7%		9.7%	10.0%	
EPS (diluted)	1.87	1.72	-8.3%	2.88	2.88	0.0%	3.18	3.27	2.7%

Source: First Berlin Equity Research

Figure 2: EBT forecasts

EBT (figures in €m)	2017A	2018A	2019A	2020A	2021E	2022E	2023E
Project Development	5.1	-4.6	-9.9	18.4	28.0	45.8	51.3
Power Production	8.5	11.7	7.8	10.4	5.8	9.4	10.9
Operation & Innovation	3.0	2.6	2.9	2.4	2.2	3.3	4.1
Group	16.7	9.6	0.8	31.2	36.0	58.5	66.4
Delta in %	n.a.	-42%	-92%	3962%	15%	63%	13%

Source: First Berlin Equity Research, Energiekontor AG



Rating downgraded from Buy to Add, price target raised An updated sum-of-the-parts valuation yields a new price target of €89 (previously: €72). Following the appreciation of the share price since our last publication, we downgrade our rating from Buy to Add, as the upside potential to our price target is now below 25%.



VALUATION MODEL

We value Energiekontor based on a sum-of-the-parts analysis. Each of Energiekontor's segments, Project Development, Power Production, and Operation & Innovation is valued separately using a DCF model.

Sum-of-the-parts valuation

SotP valuation	Fair value in €m	Fair value per share (FVPS) in €	Old FVPS in €	Delta
Project Development	793.66	55.79	43.79	27.4%
Power Production	356.92	25.09	21.53	16.5%
Operation & Innovation	119.66	8.41	7.04	19.5%
Sum of the parts	1,270.23	89.30	72.36	23.4%
Price target		89.00	72.00	23.6%

DCF model for Project Development segment

DCF valuation model								
All figures in EUR '000	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E
Net sales	129,050	219,950	273,400	357,000	400,327	445,455	491,822	538,769
NOPLAT	25,651	38,404	42,488	48,597	52,208	56,187	60,209	64,188
+ depreciation & amortisation	1,147	1,230	1,229	1,399	1,737	1,957	2,128	2,274
Net operating cash flow	26,798	39,634	43,716	49,996	53,946	58,144	62,337	66,462
- total investments (CAPEX and WC)	7,392	2,901	-7,371	-34,043	-21,661	-22,190	-22,399	-22,250
Capital expenditures	-903	-1,100	-1,640	-2,077	-2,256	-2,430	-2,593	-2,743
Working capital	8,296	4,001	-5,731	-31,966	-19,404	-19,760	-19,806	-19,508
Free cash flows (FCF)	34,190	42,535	36,345	15,953	32,285	35,954	39,938	44,212
PV of FCF's	33,846	38,766	30,496	12,320	22,955	23,535	24,068	24,524

All figures in thousands	
PV of FCFs in explicit period (2021E-2035E)	383,447
PV of FCFs in terminal period	473,091
Enterprise value (EV)	856,537
+ Net cash / - net debt	-62,878
+ Investments / minority interests	0
Shareholder value	793,659
Number of shares (diluted)	14,225
Fair value per share in EUR	55.79

Terminal growth	3.5%
Terminal EBIT margin	14.5%

WACC		Terminal growth rate						
		2.0%	2.5%	3.0%	3.5%	4.0%	4.5%	5.0%
4.6%	144.22	169.75	211.05	289.21	493.45	2399.69	-710.49	
5.6%	100.17	110.95	125.85	147.77	183.22	250.33	425.68	
6.6%	75.46	80.96	87.98	97.24	110.04	128.88	159.35	
7.6%	59.75	62.88	66.68	71.41	77.45	85.41	96.42	
8.6%	48.94	50.85	53.10	55.79	59.07	63.14	68.33	
9.6%	41.08	42.31	43.72	45.37	47.31	49.63	52.45	
10.6%	35.14	35.96	36.89	37.95	39.17	40.59	42.27	
11.6%	30.51	31.07	31.70	32.41	33.22	34.13	35.18	
Fair value per share in EUR	55.79							

* for layout purposes the model shows numbers only to 2028, but runs until 2035



INCOME STATEMENT

All figures in EUR '000	2017A	2018A	2019A	2020A	2021E	2022E	2023E
Revenues	149,865	110,186	63,700	146,614	182,274	288,690	361,220
Change in inventory & own work	52,211	18,516	32,708	18,451	79,603	94,195	104,195
Total output	202,076	128,702	96,409	165,065	261,876	382,885	465,415
Cost of goods sold	127,923	60,631	30,501	67,504	153,762	236,907	291,073
Gross profit	74,153	68,071	65,908	97,561	108,114	145,977	174,342
Personnel costs	11,830	13,667	14,679	17,494	19,169	20,761	22,414
Other operating expenses	18,475	17,144	16,362	17,968	21,582	25,204	29,923
Other operating income	5,746	3,363	3,986	3,283	5,220	4,592	4,937
EBITDA	49,593	40,622	38,853	65,382	72,582	104,604	126,942
Depreciation	16,704	18,546	22,551	19,384	20,357	25,622	33,899
Operating income (EBIT)	32,889	22,076	16,302	45,998	52,225	78,982	93,043
Net financial result	-16,224	-12,465	-15,532	-14,765	-16,226	-20,426	-26,666
Non-operating expenses	0	0	0	0	0	0	0
Pre-tax income (EBT)	16,666	9,612	770	31,233	35,999	58,556	66,378
Income taxes	4,778	2,932	526	10,808	10,800	17,567	19,913
Minority interests	0	0	0	0	0	0	0
Net income / loss	11,888	6,680	244	20,425	25,199	40,989	46,465
Diluted EPS (in €)	0.82	0.46	0.02	1.43	1.76	2.88	3.27
Ratios							
Gross margin on total output	36.7%	52.9%	68.4%	59.1%	41.3%	38.1%	37.5%
EBITDA margin on total output	24.5%	31.6%	40.3%	39.6%	27.7%	27.3%	27.3%
EBIT margin on total output	16.3%	17.2%	16.9%	27.9%	19.9%	20.6%	20.0%
Net margin on total output	5.9%	5.2%	0.3%	12.4%	9.6%	10.7%	10.0%
Tax rate	28.7%	30.5%	68.3%	34.6%	30.0%	30.0%	30.0%
Expenses as % of total output							
Personnel costs	5.9%	10.6%	15.2%	10.6%	7.3%	5.4%	4.8%
Depreciation	8.3%	14.4%	23.4%	11.7%	7.8%	6.7%	7.3%
Other operating expenses	9.1%	13.3%	17.0%	10.9%	8.2%	6.6%	6.4%
Y-Y Growth							
Total output	21.2%	-36.3%	-25.1%	71.2%	58.7%	46.2%	21.6%
EBIT	-38.8%	-32.9%	-26.2%	182.2%	13.5%	51.2%	17.8%
Net income/ loss	-53.1%	-43.8%	-96.4%	8284.6%	23.4%	62.7%	13.4%



BALANCE SHEET

All figures in EUR '000	2017A	2018A	2019A	2020A	2021E	2022E	2023E
Assets							
Current assets, total	160,607	137,613	154,284	247,651	226,069	255,225	271,996
Cash and cash equivalents	69,002	73,291	66,989	79,457	57,521	79,727	82,367
Short-term investments	10,159	5,061	36	36	36	36	36
Receivables	26,216	19,123	13,765	20,035	27,582	42,892	53,712
Inventories	47,006	38,481	71,189	144,642	137,449	129,088	132,399
Other current assets	8,225	1,657	2,305	3,481	3,481	3,481	3,481
Non-current assets, total	200,606	210,824	235,615	201,337	263,483	377,450	513,692
Property, plant & equipment	194,558	204,916	226,541	188,806	250,952	364,919	501,161
Goodwill & other intangibles	1	23	766	887	887	887	887
Other assets	6,047	5,885	8,308	11,644	11,644	11,644	11,644
Total assets	361,213	348,437	389,899	448,988	489,552	632,675	785,688
Shareholders' equity & debt							
Current liabilities, total	57,200	44,177	63,616	138,502	74,450	82,416	92,264
Short-term financial debt	24,728	20,639	39,237	102,856	35,000	35,000	40,000
Accounts payable	8,383	5,489	9,785	5,323	9,212	17,222	22,070
Current provisions	14,660	13,504	9,175	13,478	13,478	13,478	13,478
Other current liabilities	9,429	4,545	5,419	16,845	16,759	16,717	16,717
Long-term liabilities, total	233,781	235,861	270,083	244,935	335,695	441,163	549,163
Long-term financial debt	208,961	207,233	240,417	212,420	303,180	408,648	516,648
Deferred revenue	0	0	0	0	0	0	0
Other liabilities	24,820	28,628	29,666	32,515	32,515	32,515	32,515
Minority interests	0	0	0	0	0	0	0
Shareholders' equity	70,232	68,400	56,200	65,551	79,407	109,096	144,261
Share capital	14,578	14,578	14,678	14,328	14,328	14,328	14,328
Capital reserve	40,428	40,458	41,460	41,664	41,664	41,664	41,664
Other reserves	-2,441	-1,835	-4,632	-5,455	-5,455	-5,455	-5,455
Treasury stock	-1	-30	-312	-131	-131	-131	-131
Loss carryforward / retained earnings	39,717	39,344	35,457	31,770	45,626	75,315	110,479
Total consolidated equity and debt	361,213	348,437	389,899	448,988	489,552	632,675	785,688
Ratios							
Current ratio (x)	2.81	3.12	2.43	1.79	3.04	3.10	2.95
Quick ratio (x)	1.99	2.24	1.31	0.74	1.19	1.53	1.51
Net debt	154,528	149,520	212,629	235,783	280,623	363,885	474,245
Net gearing	220%	219%	378%	360%	353%	334%	329%
Book value per share (in €)	4.82	4.69	3.89	4.57	5.56	7.67	10.14
Financial debt/EBITDA (x)	4.7	5.6	7.2	4.8	4.7	4.2	4.4
Equity ratio	19.4%	19.6%	14.4%	14.6%	16.2%	17.2%	18.4%
Return on equity (ROE)	16.9%	9.8%	0.4%	31.2%	31.7%	37.6%	32.2%
Return on investment (ROI)	3.3%	1.9%	0.1%	4.5%	5.1%	6.5%	5.9%
Return on assets (ROA)	7.8%	5.7%	4.1%	7.8%	8.5%	9.7%	9.3%
Return on capital employed (ROCE)	14.8%	8.9%	6.0%	14.5%	14.4%	17.6%	16.1%
Days sales outstanding (DSO)	63.8	63.3	78.9	49.9	55.2	54.2	54.3
Days inventory outstanding (DIO)	134.1	231.7	851.9	782.1	326.3	198.9	166.0
Days payables outstanding (DPO)	23.9	33.0	117.1	28.8	21.9	26.5	27.7



CASH FLOW STATEMENT

All figures in EUR '000	2017A	2018A	2019A	2020A	2021E	2022E	2023E
EBIT	32,889	22,076	16,302	45,998	52,225	78,982	93,043
Depreciation and amortisation	16,704	18,546	22,551	19,384	20,357	25,622	33,899
EBITDA	49,593	40,622	38,853	65,382	72,582	104,604	126,942
Changes in working capital	-28,182	6,310	-24,549	-43,368	3,535	1,060	-9,283
Other adjustments	-16,973	-1,499	-961	-4,134	-10,800	-17,567	-19,913
Operating cash flow	4,438	45,433	13,343	17,880	65,318	88,098	97,746
CAPEX	-33,707	-22,240	-7,463	-347	-82,503	-139,590	-170,140
Investments in intangibles	-1	-26	-19	-443	0	0	0
Free cash flow	-29,269	23,167	5,861	17,090	-17,186	-51,492	-72,395
Acquisitions and disposals, net	0	0	0	15,087	0	0	0
Other investments	-2,277	4,642	3,412	-2,542	0	0	0
Cash flow from investing	-35,984	-17,624	-4,070	11,755	-82,503	-139,590	-170,140
Debt financing, net	5,266	-2,891	9,610	4,254	22,904	105,468	113,000
Equity financing, net	-251	-403	-4,865	-4,734	0	0	0
Dividends paid	-11,670	-8,745	-5,784	-5,720	-11,429	-11,343	-11,300
Other financing	-13,992	-11,577	-13,483	-11,774	-16,226	-20,426	-26,666
Cash flow from financing	-20,646	-23,616	-14,523	-17,974	-4,751	73,699	75,034
Forex & other effects	2,666	96	-1,052	807	0	0	0
Net cash flows	-49,526	4,289	-6,302	12,468	-21,936	22,207	2,640
Cash, start of the year	118,528	69,002	73,291	66,989	79,457	57,521	79,727
Cash, end of the year	69,002	73,291	66,989	79,457	57,521	79,727	82,367
EBITDA/share (in €)	3.40	2.79	2.69	4.56	5.08	7.35	8.92
Operating cash flow/share (in €)	0.30	3.12	0.92	1.25	4.57	6.19	6.87
Y-Y Growth							
Operating cash flow	-95.2%	923.6%	-70.6%	34.0%	265.3%	34.9%	11.0%
Free cash flow	n.m.	n.m.	-74.7%	191.6%	n.m.	n.m.	n.m.
EBITDA/share	-31.1%	-18.0%	-3.5%	69.3%	11.6%	44.7%	21.4%
Operating cash flow/share	-95.2%	924.6%	-70.4%	34.9%	267.2%	35.4%	11.0%

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PRICE TARGET DATES

Unless otherwise indicated, current prices refer to the closing prices of the previous trading day.

AGREEMENT WITH THE ANALYSED COMPANY AND MAINTENANCE OF OBJECTIVITY

The present financial analysis is based on the author's own knowledge and research. The author prepared this study without any direct or indirect influence exerted on the part of the analysed company. Parts of the financial analysis were possibly provided to the analysed company prior to publication in order to avoid inaccuracies in the representation of facts. However, no substantial changes were made at the request of the analysed company following any such provision.

ASSET VALUATION SYSTEM

First Berlin's system for asset valuation is divided into an asset recommendation and a risk assessment.

ASSET RECOMMENDATION

The recommendations determined in accordance with the share price trend anticipated by First Berlin in the respectively indicated investment period are as follows:

Category		1	2
Current market capitalisation (in €)		0 - 2 billion	> 2 billion
Strong Buy ¹	An expected favourable price trend of:	> 50%	> 30%
Buy	An expected favourable price trend of:	> 25%	> 15%
Add	An expected favourable price trend of:	0% to 25%	0% to 15%
Reduce	An expected negative price trend of:	0% to -15%	0% to -10%
Sell	An expected negative price trend of:	< -15%	< -10%

¹ The expected price trend is in combination with sizable confidence in the quality and forecast security of management.

Our recommendation system places each company into one of two market capitalisation categories. Category 1 companies have a market capitalisation of €0 – €2 billion, and Category 2 companies have a market capitalisation of > €2 billion. The expected return thresholds underlying our recommendation system are lower for Category 2 companies than for Category 1 companies. This reflects the generally lower level of risk associated with higher market capitalisation companies.

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The First Berlin categories for risk assessment are low, average, high and speculative. They are determined by ten factors: Corporate governance, quality of earnings, management strength, balance sheet and financial risk, competitive position, standard of financial disclosure, regulatory and political uncertainty, strength of brandname, market capitalisation and free float. These risk factors are incorporated into the First Berlin valuation models and are thus included in the target prices. First Berlin customers may request the models.

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...37	↓	↓	↓	↓
38	19 May 2020	€18.75	Buy	€26.30
39	31 August 2020	€29.60	Add	€36.40
40	17 November 2020	€36.80	Add	€43.80
41	3 March 2021	€56.20	Add	€60.00
42	25 March 2021	€56.20	Add	€66.00
43	21 April 2021	€56.40	Add	€70.00
44	14 May 2021	€56.00	Buy	€71.00
45	16 August 2021	€55.40	Buy	€72.00
46	Today	€78.00	Add	€89.00

INVESTMENT HORIZON

Unless otherwise stated in the financial analysis, the ratings refer to an investment period of twelve months.

UPDATES

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Legally required information regarding

- key sources of information in the preparation of this research report
- valuation methods and principles
- sensitivity of valuation parameters

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