

TERNIENERGIA

OUTPERFORM

Price (Eu): 1.73
Target Price (Eu): 2.30

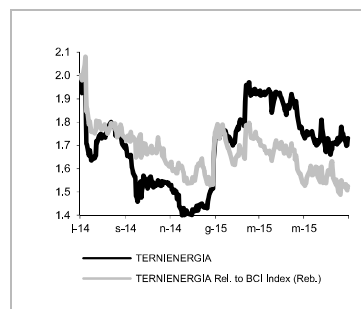
SECTOR: Industrials

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Overall Business Improvement and Debt Reduction in 2Q15

- Good 2Q15 results.** Terni Energia showed very satisfying trends in all major indicators in 2Q15. Revenue reached Eu82.7mn, 2% above our estimate of Eu81.4mn. Growth was mainly unleashed by the new company business model, focusing on energy management and internationalization. In particular, the "giant" solar parks in South Africa progressed well. EBITDA came in at Eu5.5mn in 2Q15, up 6% from the Eu5.2mn in the 2Q14 and 4% above our estimate of Eu5.3mn. The EBITDA margin was therefore 7%, broadly in line with our expectation. EBIT reached Eu4.1mn, from Eu3.2mn in 2Q14, better than our expectation for Eu3.4mn. The bottom line was solid once at Eu0.3mn, leading to a 24% increase in net profit from 1H14 to 1H15. The net debt position was encouragingly reduced from Eu108mn in December 2014 to Eu101.5mn at the end of June 2015.
- International business and energy management are driving growth.** Two key positive business developments can be highlighted when analyzing Terni's second quarter results. First, "giant" solar parks in South Africa progressed well, in step with the business plan timetable. Second, the energy management segment is growing consistently, especially in terms of the out-of-use tyre treatment and recovery project, the water purification plant in Nera Montoro, and energy efficiency activities providing savings in the industrial lighting business to the tune of 68%, for total energy savings of approximately 16.43 million kWh. Both of these industrial business developments are in line with the "fast on the smart energy road" motto expressed in the business plan unveiled this past March 2015.
- OUTPERFORM recommendation and Eu2.30 target price confirmed.** Positive results obtained so far and continued debt reduction enable us to confirm our positive view on the stock. We also expect commercial activity in the natural gas segment as well as increasing demand for renewable energy resources internationally to help 2H trends substantially, allowing the company to attain its 2015 business plan targets. The increasing improvement in the net financial position is an additional element that justifies our confidence that further progress can be made by year's end and that the company is very well-managed. We confirm our estimates, target price and recommendation on the stock.

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	3.5%	-9.2%	-13.5%
Relative	-0.9%	-11.3%	-27.0%
12 months H/L:	1.97/1.40		

SHAREHOLDER DATA

No. of Ord. shares (mn):	44
Total No. of shares (mn):	44
Mkt Cap Ord (Eu mn):	76
Total Mkt Cap (Eu mn):	76
Mkt Float - ord (Eu mn):	32
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:	0.9
Net Financial Position (Eu mn):	-98
Enterprise value (Eu mn):	174

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 on the last page of this report

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
EPS - Old (Eu)	0.108	0.141	0.191	0.205	0.261
DPS (Eu)	0.055	0.064	0.045	0.061	0.102

Ratios & Multiples	2013A	2014A	2015E	2016E	2017E
P/E	15.9	12.3	9.1	8.5	6.6
Div. Yield	3.2%	3.7%	2.6%	3.5%	5.9%
EV/Ebitda	17.1	10.2	7.6	6.4	5.6
ROCE	3.5%	4.6%	9.1%	12.0%	13.2%

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