

# TERNIENERGIA

# OUTPERFORM

**Price (Eu):** **2.28**  
**Target Price (Eu):** **2.80**

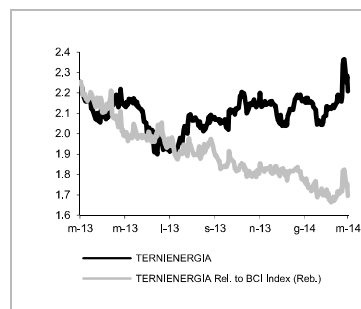
SECTOR: Industrials

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## Solid 2013 Results, With Over 30% of Turnover from Abroad

- FY2013 results show growth, with 30% of turnover from abroad.** Renewable energy production company TerniEnergia reported turnover of Eu67mn (+2.4% YoY) thanks to incremental business in power generation, energy efficiency and other environmental activities. Around 30% of revenue came from outside of Italy. EBITDA came in at Eu12.4mn, +16% YoY (18.5% of revenue, up from 16.3% in 2012). EBIT was Eu5.0mn, down from Eu5.8mn a year ago. Net profit came in at Eu6.85mn, stable from the Eu6.9mn registered last year including the income achieved by joint ventures (Eu2.7mn). The year-end net debt position was Eu135.2mn, up from Eu62.3mn at the end of 2012; this rise in debt is correlated to pre-existing debts of assets that entered the consolidation base in 2013. The Board of Directors proposed a Eu0.06 per share dividend, for a payout rate of 33%.
- Results beat our estimates, which we are just fine-tuning.** Our estimates for income statement items are based on the proportional consolidation method for power generation assets, which reflects the company's criteria used on its balance sheet. The company has reported a specific pro-forma table that we can refer to, but for FY13 it has not been made available yet. To analyse results, therefore, we need to reconstruct the data based on figures stated in the press release. These are: pro-forma turnover of Eu75.7mn (vs. Eu69.8mn expected), EBITDA of Eu19.6mn (vs. Eu19.3mn expected), EBIT of Eu9.9mn (just below our Eu10mn estimate) and net profit of Eu6.9mn (vs. Eu7.2mn expected). So on the whole, actual figures were in line with our expectations. As such, we have just fine-tuned our 2014 and '15 estimates, raising the tax rate projection from 33% to a more likely longer-term rate of 37%.
- Awaiting the conclusion of financial integration (real estate fund for renewable energy assets).** TerniEnergia is implementing a financial integration plan where the company is establishing a real estate fund, to which its power generation assets are being transferred. This operation is reflected in 3-year business plan targets for a 35% annual increase in the value of production, with intermediate targets of Eu136mn in '14, Eu201mn in '15 and Eu248mn in '16. Cumulative net profit is forecast to reach roughly Eu43mn, with intermediate targets of Eu8mn, Eu15mn and Eu20mn, respectively. These goals will be incorporated into our estimates as soon as the financial integration is completed, as is expected to be done by the end of the first quarter of this year.
- OUTPERFORM recommendation confirmed, target price Eu2.8.** 2013 figures support our investment case based on Terni's ability to grow despite a tough renewable energy sector environment, thanks to its diversification both technologically and geographically. Multiples are still lower than those of its peer group, which should help support the share price trend as well. We believe that news concerning the completion of the financial integration project will encourage investors to rediscover the stock and would compel us to raise our estimates closer to business plan targets.

### TERNIENERGIA - 12m Performance



**RATING: Unchanged**

**TARGET PRICE (Eu): Unchanged**

**Change in EPS est:** **2014E** **2015E**  
**-5.9%** **-5.9%**

#### STOCK DATA

Reuters code: TRNI.MI  
 Bloomberg code: TER IM

Performance	1m	3m	12m
Absolute	6.9%	10.6%	1.6%
Relative	1.6%	-4.0%	-28.8%
12 months H/L:	2.36/1.90		

#### SHAREHOLDER DATA

No. of Ord. shares (mn):	31
Total No. of shares (mn):	38
Mkt Cap Ord (Eu mn):	71
Total Mkt Cap (Eu mn):	71
Mkt Float - ord (Eu mn):	30
Mkt Float (in %):	42.6%
Main shareholder:	
Stefano Neri	57.4%

#### BALANCE SHEET DATA

	2014
Book value (Eu mn):	58
BVPS (Eu):	1.55
P/BV:	1.5
Net Financial Position (Eu mn):	-121
Enterprise value (Eu mn):	191

Key Figures	2012A	2013A	2014E	2015E	2016E
Sales (Eu mn)	65	67	115	168	137
Ebitda (Eu mn)	11	12	34	39	41
Net profit (Eu mn)	7	7	8	10	12
EPS - New (Eu)	0.151	0.193	0.217	0.271	0.306
EPS - Old (Eu)		0.194	0.231	0.288	
DPS (Eu)	0.055	0.060	0.072	0.089	0.101

Ratios & Multiples	2012A	2013A	2014E	2015E	2016E
P/E	15.1	11.8	10.5	8.4	7.4
Div. Yield	2.4%	2.6%	3.1%	3.9%	4.4%
EV/Ebitda	18.0	16.6	5.7	4.8	4.2
ROCE	6.5%	3.4%	11.4%	13.7%	15.1%

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**TERNIENERGIA - KEY FIGURES**

		<b>2012A</b>	<b>2013A</b>	<b>2014E</b>	<b>2015E</b>	<b>2016E</b>
	Fiscal year end	31/12/2012	31/12/2013	31/12/2014	31/12/2015	31/12/2016
<b>PROFIT &amp; LOSS (Eu mn)</b>	Sales	65	67	115	168	137
	EBITDA	11	12	34	39	41
	EBIT	6	5	21	25	27
	Financial income (charges)	(2)	(2)	(9)	(10)	(9)
	Associates & Others	3	3	1	1	1
	Pre-tax profit (Loss)	7	6	13	16	19
	Taxes	(0)	1	(5)	(6)	(8)
	Tax rate (%)	1.9%	-19.2%	37.0%	37.0%	40.0%
	Minorities & discontinue activities	0	0	0	0	0
	Net profit	7	7	8	10	12
	Total extraordinary items	0	0	0	0	0
	Ebitda excl. extraordinary items	8	12	34	39	41
	Ebit excl. extraordinary items	6	5	21	25	27
Net profit restated	5	7	8	10	12	
<b>PER SHARE DATA (Eu)</b>	Total shares out (mn) - average fd	31	38	38	38	38
	EPS stated fd	0.221	0.193	0.217	0.271	0.306
	EPS restated fd	0.151	0.193	0.217	0.271	0.306
	BVPS fd	1.569	1.392	1.546	1.745	1.962
	Dividend per share (ord)	0.055	0.060	0.072	0.089	0.101
	Dividend per share (sav)	0.000	0.000	0.000	0.000	0.000
	Dividend pay out ratio (%)	50.0%	35.0%	33.0%	33.0%	33.0%
<b>CASH FLOW (Eu mn)</b>	Gross cash flow	12	14	20	24	26
	Change in NWC	(10)	6	22	4	(3)
	Capital expenditure	(36)	(92)	(25)	(22)	0
	Other cash items	0	0	0	0	0
	Free cash flow (FCF)	(34)	(72)	17	6	23
	Acquisitions, divestments & others	(1)	3	0	0	(1)
	Dividend	(5)	(3)	(2)	(3)	(3)
	Equity financing/Buy-back	13	0	0	0	0
Change in Net Financial Position	(27)	(73)	15	4	19	
<b>BALANCE SHEET (Eu mn)</b>	Total fixed assets	90	183	179	187	174
	Net working capital	34	14	12	9	11
	Long term liabilities	(13)	(7)	(12)	(13)	(13)
	Net capital employed	111	189	179	183	172
	Net financial position	(62)	(135)	(121)	(117)	(98)
	Group equity	49	54	58	66	74
	Minorities	0	0	0	0	0
Net equity	49	54	58	66	74	
<b>ENTERPRISE VALUE (Eu mn)</b>	Average mkt cap - current	71	71	71	71	71
	Adjustments (associate & minorities)	0	0	0	0	0
	Net financial position	(62)	(135)	(121)	(117)	(98)
	Enterprise value	138	206	191	188	169
<b>RATIOS(%)</b>	EBITDA margin*	11.7%	18.5%	29.3%	23.5%	29.6%
	EBIT margin*	9.0%	7.5%	18.2%	14.7%	19.5%
	Gearing - Debt/equity	127.8%	nm	nm	178.3%	133.2%
	Interest cover on EBIT	2.8	2.5	2.3	2.6	3.1
	Debt/Ebitda	5.84	10.90	3.58	2.97	2.43
	ROCE*	6.5%	3.4%	11.4%	13.7%	15.1%
	ROE*	17.0%	13.3%	14.6%	16.5%	16.5%
	EV/CE	1.5	1.4	1.0	1.0	1.0
	EV/Sales	2.1	3.1	1.7	1.1	1.2
	EV/Ebit	nm	nm	9.1	7.6	6.3
Free Cash Flow Yield	-47.8%	-101.9%	24.1%	8.8%	32.5%	
<b>GROWTH RATES (%)</b>	Sales	-61.4%	2.4%	72.0%	45.6%	-18.4%
	EBITDA*	-49.6%	61.4%	172.1%	17.0%	2.7%
	EBIT*	-55.5%	-13.9%	316.3%	17.6%	8.3%
	Net profit	-24.0%	-0.5%	19.5%	24.6%	13.2%
	EPS restated	-53.6%	27.7%	12.8%	24.6%	13.2%

\* Excluding extraordinary items

Source: Intermonte SIM estimates

## Solid results in 2013

Renewable energy production company TerniEnergia reported:

- 1) turnover of Eu67mn (+2.4% YoY) thanks to incremental business in power generation, energy efficiency and other environmental activities. Around 30% of revenue came from outside of Italy.;
- 2) EBITDA came in at Eu12.4mn, +16% YoY (18.5% of revenue, up from 16.3% in 2012);
- 3) EBIT was Eu5.0mn, down from Eu5.8mn a year ago.
- 4) Net profit came in at Eu6.85mn, stable from the EU6.9mn registered last year including the income achieved by joint ventures (Eu2.7mn).

The year-end net debt position was Eu135.2mn, up from Eu62.3mn at the end of 2012; this rise in debt is correlated to pre-existing debts of assets that entered the consolidation base in 2013.

**The Board of Directors proposed a Eu0.06 per share dividend, for a payout rate of 33%.**

Our estimates for income statement items are based on the proportional consolidation method for power generation assets, which reflects the company's criteria used on its balance sheet. The company has reported a specific pro-forma table that we can refer to, but for FY13 it has not been made available yet. To analyse results, therefore, we need to reconstruct the data based on figures stated in the press release.

See table below for more details

TerniEnergia 4Q2013								
euro mil	4Q12	2012	4Q13E	4Q13A	% A/E	2013E	2013A*	% A/E
<b>Total Revenues</b>	<b>24.4</b>	<b>65.4</b>	<b>16.5</b>	<b>22.4</b>	<b>36.0%</b>	<b>69.8</b>	<b>75.7</b>	<b>8.5%</b>
% change	nm	-61.5%	nm	-8.0%		6.7%	15.7%	
<b>EBITDA</b>	<b>6.9</b>	<b>10.7</b>	<b>4.1</b>	<b>4.5</b>	<b>8.1%</b>	<b>19.3</b>	<b>19.6</b>	<b>1.7%</b>
<b>Adj. EBITDA</b>	<b>3.9</b>	<b>7.7</b>	<b>4.1</b>	<b>4.5</b>	<b>8.1%</b>	<b>19.3</b>	<b>19.6</b>	<b>1.7%</b>
% change	nm	-29.9%	nm	nm		80.5%	155.3%	
% EBITDA Margin	28.2%	11.7%	24.9%	nm		27.6%	25.9%	
Depr	-3.4	-4.8	-2.5	-3.0	nm	-9.2	-9.7	5.2%
<b>EBIT</b>	<b>3.5</b>	<b>5.9</b>	<b>1.6</b>	<b>1.5</b>	<b>-9.0%</b>	<b>10.0</b>	<b>9.9</b>	<b>-1.5%</b>
% EBIT Margin	14.4%	13.4%	9.9%	nm		14.4%	13.1%	
% change	nm	-55.5%	nm	nm		71.6%	69.1%	
Net Financial Charges	0.7	-2.1	-1.6	0.6	nm	-4.3	-3.0	-30.2%
Results from JV participation	0.0	3.2	1.2	-0.2	-116.7%	1.5	1.0	-33.3%
<b>Net Operating Margin</b>	<b>4.3</b>	<b>7.0</b>	<b>1.2</b>	<b>1.9</b>	<b>53.1%</b>	<b>7.2</b>	<b>7.9</b>	<b>9.0%</b>
Taxes	-0.1	-0.1	-0.6	0.5	nm	0.0	1.1	nm
Tax Rate %	2%	2%	-48%	nm		0%	nm	
<b>Net Income</b>	<b>4.1</b>	<b>6.9</b>	<b>0.6</b>	<b>0.9</b>	<b>32.9%</b>	<b>7.2</b>	<b>6.9</b>	<b>-4.8%</b>
% change	nm	-24.0%	nm	-79.0%		5.4%	0.3%	
Results from discontinued op	0.0	0.0	0.0	0.0	nm	0.0	0.0	nm
Minorities	0.0	0.0	0.0	0.0	nm	0.0	0.0	nm
<b>Group Net Income</b>	<b>4.1</b>	<b>6.9</b>	<b>0.6</b>	<b>0.9</b>	<b>32.9%</b>	<b>7.2</b>	<b>6.9</b>	<b>-4.8%</b>
	nm	-24.0%	nm	-79.0%		5.4%	0.3%	
<b>Adj. Net Income</b>	<b>1.9</b>	<b>4.7</b>	<b>0.6</b>	<b>0.9</b>	<b>32.9%</b>	<b>7.2</b>	<b>6.9</b>	<b>-5.5%</b>
<b>Capex</b>		<b>-36.2</b>					<b>na</b>	
<b>Equity</b>		<b>53.7</b>					<b>54.2</b>	
<b>Net Debt</b>		<b>62.3</b>					<b>-135.2</b>	
<b>CE</b>		<b>116.0</b>					<b>189.4</b>	
<b>D/E Ratio</b>		<b>1.16</b>					<b>0.30</b>	

Source: Intermonte SIM. (\*) Pro forma estimates on proportional consolidation base for JV activities