

# 7C Solarparken AG

Germany / Cleantech  
 Primary Exchange: Frankfurt  
 Bloomberg: HRPK GF  
 ISIN: DE000A11QW68

Preliminary 2014  
 figures

**RATING**  
**PRICE TARGET** **ADD**  
 Return Potential 13.9%  
 Risk Rating medium

**€2.10**

13.9%

medium

## GUIDANCE FOR 2016 INCREASED

In April 7C Solarparken published preliminary figures which showed strong revenue and EBITDA growth. For 2015, the company is guiding towards EBITDA of at least €18m. Furthermore, 7C increased its 2016 cash flow per share (CFPS) guidance from €0.40 to €0.42. In April the company sold its stake in an Italian solar plant portfolio for €1.5m in cash and signed a Memorandum of Understanding for the purchase of six German solar plants with an expected annual EBITDA of €4.6m. We have adjusted our forecasts for the new 2016 guidance and 7C's sale of its stake in the Italian PV plants. We reiterate our Add rating at a slightly reduced price target of €2.10 (previously: €2.20)

**Preliminary figures show strong growth** Sales increased to €14.6m (2013: €10.2m) and EBITDA to €16.7m from €9.6m in the previous year. Adjusted EBITDA amounted to €11.2m (+31% y/y). Part of the growth is non-organic as Colexon, which was taken over in 2014, has been consolidated since September 2014. We have based our numbers on 2014 pro forma figures which assume consolidation of Colexon for the whole of 2014.

**Guidance for 2015 hints at further EBITDA growth** 7C is guiding towards 2015 sales of €22.6-23.2m and EBITDA of €18.0-18.6m. The net cash flow (EBITDA less cash interest and taxes paid) is expected to be €12.0-12.6m resulting in CFPS of €0.37-0.39. The estimate is based on the current consolidation basis, and average irradiation.

**Guidance for 2016 increased** 7C has increased its 2016 CFPS guidance to €0.42 from €0.40 (+5%),

**Sale of Italian PV company for €1.5m in cash** In April, 7C sold its 50% stake in the Italian JV Future Energy Solar Production SRL (FESP) for €1.5m in cash. FESP operates 4 PV plants with a total capacity of 4 MW. We applaud this sale as 7C did not have the entrepreneurial room for manoeuvre we... (p.t.o.)

## FINANCIAL HISTORY & PROJECTIONS

	2012A	2013A	2014E*	2015E	2016E	2017E
Revenue (€m)	8.55	10.24	22.21	23.38	23.37	23.20
Y-o-y growth	n.a.	19.8%	117.0%	5.3%	-0.1%	-0.7%
EBITDA (€m)	6.79	8.75	15.83	18.08	19.18	18.97
EBITDA margin	79.5%	85.5%	71.3%	77.3%	82.1%	81.8%
Net income (€m)	0.28	-0.06	1.92	2.97	4.62	4.54
EPS (diluted) (€)	0.00	0.00	0.06	0.09	0.13	0.13
DPS (€)	0.00	0.00	0.00	0.00	0.00	0.00
FCF (€m)	4.25	4.05	11.76	6.81	14.01	14.09
Net gearing	374.9%	314.4%	331.1%	285.2%	185.1%	145.9%
Net debt (€m)	45.73	70.33	127.00	118.48	97.80	83.72

\*pro forma figures

## RISKS

Risks include but are not limited to unfavourable changes in the regulatory environment, operational risks, interest increases, and financing risks.

## COMPANY PROFILE

7C Solarparken AG is an owner and operator of photovoltaic plants (71 MW) in Germany, Italy, France, and Belgium. The company is based in Bayreuth, Germany.

## MARKET DATA

As of 11 May 2015

Closing Price	€ 1.84
Shares outstanding	31.86m
Market Capitalisation	€ 58.71m
52-week Range	€ 1.29 / 1.87
Avg. Volume (12 Months)	5,835

Multiples	2013A	2014E	2015E
P/E	n.a.	30.8	20.0
EV/Sales	18.0	8.3	7.9
EV/EBIT	21.1	11.6	10.2
Div. Yield	0.0%	0.0%	0.0%

## STOCK OVERVIEW



## COMPANY DATA

As of 30 Sep 2014

Liquid Assets	€ 22.48m
Current Assets	€ 33.49m
Intangible Assets	€ 0.84m
Total Assets	€ 229.09m
Current Liabilities	€ 20.98m
Shareholders' Equity	€ 41.11m

## SHAREHOLDERS

Rodolphe de Spoelberch	11.8%
Power X Holding NV	8.8%
Distri Beheer 21 CVBA	8.7%
Other	30.9%
Free Float	39.8%



...believe is necessary to improve the efficiency of the assets. Furthermore, retrospective reductions in feed-in tariffs (FIT) in Italy, which amount to at least 8% for existing PV installations with more than 200 kWp capacity, and the introduction of a 5% fee for grid connection made the investment economically unattractive for 7C. According to preliminary figures for 2014, the stake generated a loss of €-0.2m for 7C.

**Net debt roughly corresponds to our forecast** At the end of 2014, 7C had net debt of €132.1m (FBe: €127.0m). The economic net debt was €26.4m. We will adjust our balance sheet figures following the publication of the annual report.

**First step taken to acquire German PV assets** In April 7C signed a Memorandum of Understanding which serves as a basis for the potential purchase of six German PV plants with an expected total annual EBITDA contribution of €4.6m. The seller is a wealthy British family which is interested in becoming a shareholder of 7C. The company plans to close the deal by the end of this year.

We believe that the deal is beneficial for 7C as

- 1) EBITDA would rise by at least 20%
- 2) 7C could exploit synergies as the new PV assets are in the vicinity of PV parks 7C already owns
- 3) the higher market capitalisation would enhance 7C's attractiveness for institutional investors

**Capital increase against contribution in kind to finance asset purchase** To finance the transaction 7C plans to issue about 5.2m ordinary shares in the forth quarter 2015, which will be transferred to the seller of the assets. This would increase 7C's market capitalisation and create a new large shareholder with a 14% stake in 7C. In addition to the capital increase, 7C will use debt financing of €32.5m.

**Estimates adjusted for Italian deal and new guidance** We have adjusted our revenue and earnings estimates for the disposal of the Italian PV assets and the increased 2016 guidance. In our initiating coverage we assumed that 7C would take over two Italian plants (2 MW) completely (see our report from 6 February 2015). We will incorporate the additional German PV assets and their revenue and earnings contribution when the deal is closed.

**Add reiterated at slightly lower price target** An updated DCF model yields a new price target of €2.10 (previously: €2.20). We reiterate our Add rating.

**Figure 1: Revision to forecasts**

All figures in €m	2014E			2015E			2016E		
	Old	New	Delta	Old	New	Delta	Old	New	Delta
Sales	22.21	22.21	0.0%	23.38	23.38	0.0%	24.70	23.37	-5.4%
EBITDA	15.83	15.83	0.0%	17.99	18.08	0.5%	20.03	19.18	-4.2%
margin	71.3%	71.3%		76.9%	77.3%		81.1%	82.1%	
Net income	1.92	1.92	0.0%	2.87	2.97	3.3%	4.77	4.62	-3.2%
margin	8.7%	8.7%		12.3%	12.7%		19.3%	19.8%	
EPS (diluted)	0.06	0.06	0.0%	0.09	0.09	3.3%	0.13	0.13	-3.2%

Source: First Berlin Equity Research



## DCF MODEL

DCF valuation model											
All figures in EUR '000	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E
Net sales	23,381	23,368	23,205	23,138	23,072	23,006	22,940	22,874	22,808	22,743	22,678
NOPLAT	8,543	9,226	9,077	8,511	8,304	8,035	7,785	7,516	7,210	6,942	6,661
+ depreciation & amortisation	9,449	9,813	9,755	9,796	9,758	9,780	9,767	9,765	9,797	9,769	9,744
Net operating cash flow	17,991	19,039	18,832	18,307	18,062	17,814	17,552	17,281	17,007	16,711	16,405
- total investments (CAPEX and WC)	-5,610	-426	-214	-224	-223	-223	-222	-221	-221	-220	-219
Capital expenditures	-5,000	-234	-232	-231	-231	-230	-229	-229	-228	-227	-227
Working capital	-610	-193	18	7	7	7	7	7	7	7	7
Free cash flows (FCF)	12,381	18,613	18,618	18,083	17,839	17,592	17,330	17,060	16,787	16,491	16,186
PV of FCF's	12,071	17,437	16,762	15,645	14,831	14,054	13,304	12,586	11,901	11,234	10,596

DCF valuation model											
All figures in EUR '000	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	2035E	2036E
Net sales	22,613	22,548	17,380	13,724	12,719	11,065	9,726	7,828	6,220	4,714	3,741
NOPLAT	6,316	5,993	3,575	1,476	1,112	398	48	-857	-1,637	959	421
+ depreciation & amortisation	9,743	9,744	8,075	7,503	6,864	6,183	5,481	4,844	4,280	0	0
Net operating cash flow	16,059	15,737	11,650	8,979	7,976	6,581	5,530	3,987	2,643	959	421
- total investments (CAPEX and WC)	-219	-218	407	274	-14	75	53	135	119	123	74
Capital expenditures	-226	-225	-174	-137	-127	-111	-97	-78	-62	-47	-37
Working capital	7	7	581	411	113	186	151	214	181	169	110
Free cash flows (FCF)	15,840	15,518	12,058	9,253	7,962	6,657	5,583	4,123	2,762	1,082	495
PV of FCF's	9,965	9,382	7,005	5,166	4,271	3,432	2,766	1,963	1,263	476	209

All figures in thousands	
PV of FCFs in explicit period (2015E-2036E)	196,319
PV of FCFs in terminal period	0
Enterprise value (EV)	196,319
+ Net cash / - net debt	-124,900
+ Investments / minority interests	3,615

Fair value €k	75,034
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WACC	4.1%
Cost of equity	7.0%
Pre-tax cost of debt	4.0%
Tax rate	30.0%
After-tax cost of debt	2.8%
Share of equity capital	30.0%
Share of debt capital	70.0%
Fair value per share in €	2.10



## INCOME STATEMENT

All figures in EUR '000	2012A	2013A	2014E	2015E	2016E	2017E
<b>Revenues</b>	<b>8,545</b>	<b>10,236</b>	<b>22,210</b>	<b>23,381</b>	<b>23,368</b>	<b>23,205</b>
Cost of goods sold	1,539	1,760	2,776	2,642	2,220	2,204
<b>Gross profit</b>	<b>7,006</b>	<b>8,476</b>	<b>19,434</b>	<b>20,739</b>	<b>21,148</b>	<b>21,000</b>
Personnel costs	136	145	1,835	1,290	800	832
Depreciation and amortisation	3,856	5,151	8,848	9,449	9,813	9,755
Other operating income	0	0	4,664	234	234	232
Other operating expenses	250	62	6,429	1,600	1,400	1,428
<b>Operating income (EBIT)</b>	<b>2,934</b>	<b>3,598</b>	<b>6,986</b>	<b>8,634</b>	<b>9,369</b>	<b>9,217</b>
Net financial result	-2,536	-3,401	-4,748	-5,574	-4,606	-4,533
Non-operating expenses	-85	-261	-261	0	0	0
<b>Pre-tax income (EBT)</b>	<b>313</b>	<b>-64</b>	<b>1,977</b>	<b>3,060</b>	<b>4,762</b>	<b>4,685</b>
Income taxes	0	0	59	92	143	141
Minority interests	-29	7	7	0	0	0
<b>Net income / loss</b>	<b>284</b>	<b>-57</b>	<b>1,924</b>	<b>2,968</b>	<b>4,620</b>	<b>4,544</b>
<b>Diluted EPS (in €)</b>	<b>0.00</b>	<b>0.00</b>	<b>0.06</b>	<b>0.09</b>	<b>0.13</b>	<b>0.13</b>
<b>EBITDA</b>	<b>6,790</b>	<b>8,749</b>	<b>15,834</b>	<b>18,083</b>	<b>19,182</b>	<b>18,972</b>
<b>Ratios</b>						
Gross margin	82.0%	82.8%	87.5%	88.7%	90.5%	90.5%
EBIT margin on revenues	34.3%	35.2%	31.5%	36.9%	40.1%	39.7%
EBITDA margin on revenues	79.5%	85.5%	71.3%	77.3%	82.1%	81.8%
Net margin on revenues	3.3%	-0.6%	8.7%	12.7%	19.8%	19.6%
Tax rate	0.0%	0.0%	3.0%	3.0%	3.0%	3.0%
<b>Expenses as % of revenues</b>						
Personnel costs	1.6%	1.4%	8.3%	5.5%	3.4%	3.6%
Depreciation and amortisation	45.1%	50.3%	39.8%	40.4%	42.0%	42.0%
Other operating expenses	2.9%	0.6%	28.9%	6.8%	6.0%	6.2%
<b>Y-Y Growth</b>						
Revenues	n.a.	19.8%	117.0%	5.3%	-0.1%	-0.7%
Operating income	n.a.	22.6%	94.2%	23.6%	8.5%	-1.6%
Net income/ loss	n.a.	n.m.	n.m.	54.2%	55.6%	-1.6%



## BALANCE SHEET

All figures in EUR '000	2012A	2013A	2014E	2015E	2016E	2017E
<b>Assets</b>						
<b>Current assets, total</b>	<b>7,613</b>	<b>11,112</b>	<b>33,809</b>	<b>34,389</b>	<b>44,378</b>	<b>43,426</b>
Cash and cash equivalents	7,004	9,413	22,958	23,873	34,552	33,637
Short-term investments	0	0	0	0	0	0
Receivables	571	688	6,085	5,765	5,122	5,086
Inventories	38	209	304	290	243	242
Other current assets	0	802	4,461	4,461	4,461	4,461
<b>Non-current assets, total</b>	<b>65,023</b>	<b>100,921</b>	<b>190,942</b>	<b>184,993</b>	<b>175,414</b>	<b>165,891</b>
Property, plant & equipment	62,548	93,135	176,610	172,161	162,582	153,059
Goodwill & other intangibles	0	508	841	841	841	841
Other assets	2,475	7,278	13,491	11,991	11,991	11,991
<b>Total assets</b>	<b>72,636</b>	<b>112,033</b>	<b>224,751</b>	<b>219,382</b>	<b>219,792</b>	<b>209,317</b>
<b>Shareholders' equity &amp; debt</b>						
<b>Current liabilities, total</b>	<b>7,245</b>	<b>8,403</b>	<b>18,752</b>	<b>15,807</b>	<b>13,925</b>	<b>7,906</b>
Short-term debt	593	7,089	9,000	7,000	6,000	0
Accounts payable	911	723	4,564	3,619	2,737	2,718
Current provisions	0	0	1,157	1,157	1,157	1,157
Other current liabilities	5,741	591	4,031	4,031	4,031	4,031
<b>Long-term liabilities, total</b>	<b>53,195</b>	<b>81,258</b>	<b>167,524</b>	<b>161,924</b>	<b>152,924</b>	<b>143,924</b>
Long-term debt	52,138	72,653	140,956	135,356	126,356	117,356
Deferred revenue	0	0	0	0	0	0
Other liabilities	1,057	8,605	26,568	26,568	26,568	26,568
<b>Shareholders' equity</b>	<b>12,196</b>	<b>22,372</b>	<b>38,362</b>	<b>41,538</b>	<b>52,830</b>	<b>57,374</b>
Share Capital	6,099	8,675	33,589	33,707	37,077	37,077
Capital Reserve	3,451	10,616	3,970	4,060	7,362	7,362
Other Reserves	0	-17	253	253	253	253
Loss carryforward / retained earnings	1,264	2,595	4,519	7,488	12,107	16,651
Minority interests	0	42	113	113	113	113
<b>Total consolidated equity and debt</b>	<b>72,636</b>	<b>112,075</b>	<b>224,751</b>	<b>219,382</b>	<b>219,792</b>	<b>209,317</b>
<b>Ratios</b>						
Current ratio	1.05	1.32	1.80	2.18	3.19	5.49
Quick ratio	1.05	1.30	1.79	2.16	3.17	5.46
Financial leverage	5.96	5.01	5.86	5.28	4.16	3.65
Book value per share	n.m.	n.m.	1.14	1.30	1.48	1.61
Net debt	45,727	70,329	126,998	118,483	97,804	83,719
Net debt/EBITDA	6.7	8.0	8.0	6.6	5.1	4.4
Return on equity (ROE)	2.3%	-0.3%	5.0%	7.1%	8.7%	7.9%
Days of sales outstanding (DSO)	24.4	24.5	100.0	90.0	80.0	80.0
Days of inventory turnover	9.0	43.3	40.0	40.0	40.0	40.0
Days in payables (DIP)	216.1	149.9	600.0	500.0	450.0	450.0



## CASH FLOW STATEMENT

All figures in EUR '000	2012A	2013A	2014E	2015E	2016E	2017E
<b>EBIT</b>	<b>2,934</b>	<b>3,598</b>	<b>6,986</b>	<b>8,634</b>	<b>9,369</b>	<b>9,217</b>
Depreciation and amortisation	3,856	3,856	8,848	9,449	9,813	9,755
<b>EBITDA</b>	<b>6,790</b>	<b>7,454</b>	<b>15,834</b>	<b>18,083</b>	<b>19,182</b>	<b>18,972</b>
Changes in working capital	0	0	-1,870	-610	-193	18
Other adjustments	-2,536	-3,401	-4,807	-5,666	-4,749	-4,673
<b>Operating cash flow</b>	<b>4,254</b>	<b>4,053</b>	<b>9,156</b>	<b>11,807</b>	<b>14,240</b>	<b>14,317</b>
CAPEX	0	0	2,600	-5,000	-234	-232
Investments in intangibles	0	0	0	0	0	0
<b>Free cash flow</b>	<b>4,254</b>	<b>4,053</b>	<b>11,756</b>	<b>6,807</b>	<b>14,006</b>	<b>14,085</b>
<b>Debt financing, net</b>	<b>0</b>	<b>0</b>	<b>1,011</b>	<b>-7,600</b>	<b>-10,000</b>	<b>-15,000</b>
<b>Equity financing, net</b>	<b>0</b>	<b>0</b>	<b>779</b>	<b>208</b>	<b>6,673</b>	<b>0</b>
Other changes in cash	0	0	0	1,500	0	0
<b>Net cash flows</b>	<b>4,254</b>	<b>4,053</b>	<b>13,545</b>	<b>914</b>	<b>10,679</b>	<b>-915</b>
Cash, start of the year	0	7,004	9,413	22,958	23,873	34,552
<b>Cash, end of the year</b>	<b>4,254</b>	<b>11,057</b>	<b>22,958</b>	<b>23,873</b>	<b>34,552</b>	<b>33,637</b>
<b>EBITDA/share (in €)</b>	<b>0.00</b>	<b>0.00</b>	<b>0.47</b>	<b>0.57</b>	<b>0.54</b>	<b>0.53</b>
<b>Operating cash flow/share (in €)</b>	<b>./.</b>	<b>./.</b>	<b>0.27</b>	<b>0.37</b>	<b>0.42</b>	<b>0.40</b>
<b>Y-Y Growth</b>						
Operating cash flow	n.a.	-4.7%	125.9%	29.0%	20.6%	0.5%
Free cash flow	n.a.	-4.7%	190.1%	-42.1%	105.8%	0.6%
EBITDA/share	n.a.	n.m.	n.m.	20.5%	-5.4%	-1.1%

### FIRST BERLIN RECOMMENDATION & PRICE TARGET HISTORY

Report No.:	Date of publication	Previous day closing price	Recommendation	Price target
Initial Report	6 February 2015	€1.60	Buy	€2.20
2...3	↓	↓	↓	↓
2	30 March 2015	€1.79	Add	€2.20
3	Today	€1.84	Add	€2.10

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STRONG BUY: Expected return greater than 50% and a high level of confidence in management's financial guidance

BUY: Expected return greater than 25%

ADD: Expected return between 0% and 25%

REDUCE: Expected negative return between 0% and -15%

SELL: Expected negative return greater than -15%

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