

7C Solarparken AG

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

Final 2014 figures

RATING	ADD
PRICE TARGET	€2.10
Return Potential	21.7%
Risk Rating	medium

STRONG 2014 FIGURES AND UPBEAT GUIDANCE

7C Solarparken's final 2014 figures were in line with the preliminary figures. Last year was dominated by the takeover of Colexon which was fully consolidated in September 2014 and explains a large part of the growth in sales and earnings. Q1 2015 revenues and EBITDA also showed strong growth. 7C continues its strategy of reducing costs, optimising asset efficiency and selective growth. The company is on track to reach its 2015 & 2016 guidance which forecasts strong net cash flow per share growth. We reiterate our Add rating and the €2.10 price target.

Strong growth due mainly to Colexon takeover Sales increased to €14.6m (2013: €10.2m) and EBITDA to €16.7m from €9.6m in the previous year. Part of the growth is non-organic as Colexon, which was taken over in 2014, has been consolidated since September 2014. EBITDA contains other operating profits of €6.5m, most of which is goodwill from acquisitions (€5.6m). Adjusted EBITDA amounted to €11.2m (+31% y/y). This corresponds to a margin of 76.7% (2013: 84.3%). EBIT was €10.1m (2013: €4.5m). The net result amounted to €74m (2013: €0.4m) due to a negative financial result of €-2.6m. Interest expenses increased to €4.1m from €3.5m in 2013. Based on an average number of shares of 26.6m, EPS were €0.28 (2013: €0.02).

The net cash flow (adjusted EBITDA less net interest payment and tax payment) amounted to €7.0m. The net cash flow per share (CFPS) is €0.26 (2013: €0.24).

Balance sheet reflects Colexon takeover Following the consolidation of Colexon the balance sheet total almost doubled from the previous year's figure of €107.2m to €207.8m at the end of 2014. Solar parks accounted for €171.4m of this figure, up from €92.0m at the end of 2013. Equity increased to €38.0m y/y from €22.5m. The equity ratio was 18.4% (2013: 21.0%). Long-term financial debt almost doubled to €138.3m from €72.4m. The overwhelming amount of this (€135.1m) is non-recourse debt. Short term financial debt also roughly doubled to €14.3m from €7.3m. Long-term provisions jumped to €10.1m from €2.3m for several reasons. Around €1.5m are for warranty risks... (p.t.o.)

FINANCIAL HISTORY & PROJECTIONS

	2012A	2013A	2014A	2015E	2016E	2017E
Revenue (€m)	8.55	10.24	14.55	23.38	23.37	23.20
Y-o-y growth	n.a.	19.8%	42.2%	60.7%	-0.1%	-0.7%
EBITDA (€m)	6.79	9.59	16.74	18.23	19.23	19.20
EBITDA margin	79.5%	93.7%	115.0%	78.0%	82.3%	82.7%
Net income (€m)	0.28	0.40	7.38	3.06	4.89	4.99
EPS (diluted) (€)	0.00	0.02	0.28	0.10	0.14	0.14
DPS (€)	0.00	0.00	0.00	0.00	0.00	0.00
FCF (€m)	4.25	1.62	5.04	7.09	13.94	14.19
Net gearing	374.9%	314.4%	345.3%	296.9%	193.5%	152.4%
Net debt (€m)	45.73	70.33	132.14	123.34	102.73	88.54

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 28 May 2015

Closing Price	€ 1.73
Shares outstanding	31.86m
Market Capitalisation	€ 54.95m
52-week Range	€ 1.29 / 1.87
Avg. Volume (12 Months)	5,814

Multiples	2014A	2015E	2016E
P/E	7.5	18.1	11.4
EV/Sales	12.7	7.9	7.9
EV/EBIT	11.0	10.1	9.6
Div. Yield	0.0%	0.0%	0.0%

STOCK OVERVIEW



COMPANY DATA

As of 31 Dec 2014

Liquid Assets	€ 20.44m
Current Assets	€ 23.83m
Intangible Assets	€ 0.55m
Total Assets	€ 207.79m
Current Liabilities	€ 17.12m
Shareholders' Equity	€ 38.37m

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%



... from Colexon's former EPC contracts. Furthermore, €3.7m are for contingent liabilities from projects built by Colexon. Almost €3.7m are provisions for the dismantling PV plants after the end of their lifetime, and ca. €1m are provisions for contingent losses from Colexon's O&M contracts.

Strong operating cash flow Based on adjusted EBITDA of €11.2m, operating cash flow amounted to €6.8m. Cash flow from investment activity came in at €8.4m due mainly to cash inflows (€11.0m) from the Colexon takeover. Cash flow from financing was €-4.1m due mainly to a net redemption of debt (€-4.4m). This resulted in a net cash inflow of €11.0m, which increased the cash position to €20.4m.

Guidance for 2015 & 2016 suggests further EBITDA growth 7C is guiding towards 2015 sales of €22.6-23.2m and EBITDA of €18.0-18.6m. Net cash flow (adjusted EBITDA less net interest payment and tax payment) is expected to be €12.0-12.6m. Based on an average 32.2m shares forecasted CFPS is €0.37-0.39. This estimate is based on the current consolidation basis, and average irradiation. 7C's 2016 CFPS guidance is €0.42 (see also our CFPS forecast in figure 1).

Figure 1: Cash flow per share (CFPS) 2014A – 2016E

in €m	2014A	2015E	2016E
EBITDA (adjusted for one-offs)	11.20	18.43	19.23
- Cash interest	-4.20	-6.10	-4.75
- Taxes paid	0.00	0.00	0.00
= Net cash flow	7.00	12.33	14.48
Number of shares in m (average)	27.50	32.20	34.20
Cash flow per share in € (CFPS)	0.26	0.38	0.42

Source: First Berlin Equity Research, 7C Solarparken AG

Q1 figures show further growth Q1 revenues amounted to €3.7m (Q1/14: €2.0m, + 85% y/y). The reason for the increase was the larger PV plant portfolio following the Colexon takeover. EBITDA increased by the same percentage figure to €2.6m. The adjusted EBITDA margin was slightly lower at 69% (Q1/14: 71%). The main reason for the decline was extraordinarily high irradiation in Q1/14. This explains the fall in the specific power production to 155 kWh/kWp from 172 kWh/kWp in Q1/14 (-9.9% y/y). Total power production nevertheless increased to 10.8 GWh from 7.1 GWh (+52% y/y) due to the higher capacity of more than 70 MW compared to 41 MW in Q1/14.

Estimates slightly raised Based on the 2014 and Q1/15 figures we have slightly raised our estimates to reflect the rapid and successful execution of the business strategy (see figure 2 overleaf).

Add rating reiterated at unchanged price target An updated DCF model still yields a price target of €2.10. We reiterate our Add rating.

**Figure 2: Changes to forecasts**

All figures in €m	2015E			2016E			2017E		
	Old	New	Delta	Old	New	Delta	Old	New	Delta
Sales	23.38	23.38	0.0%	23.37	23.37	0.0%	23.20	23.20	0.0%
EBITDA	18.08	18.23	0.8%	19.18	19.23	0.3%	18.97	19.20	1.2%
<i>margin</i>	77.3%	78.0%		82.1%	82.3%		81.8%	82.7%	
Net income	2.97	3.06	3.0%	4.62	4.89	5.8%	4.54	4.99	9.9%
<i>margin</i>	12.7%	13.1%		19.8%	20.9%		19.6%	21.5%	
EPS (diluted)	0.09	0.10	3.0%	0.13	0.14	5.8%	0.13	0.14	9.9%

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	8,740	9,404	9,426	8,814	8,591	8,306	8,040	7,753	7,429	7,141	6,838
+ depreciation & amortisation	9,399	9,677	9,620	9,660	9,623	9,645	9,633	9,631	9,663	9,636	9,612
Net operating cash flow	18,138	19,081	19,046	18,474	18,214	17,951	17,672	17,384	17,092	16,776	16,450
- total investments (CAPEX and WC)	-5,368	-626	-422	-231	-230	-229	-229	-228	-227	-227	-226
Capital expenditures	-5,000	-234	-232	-231	-231	-230	-229	-229	-228	-227	-227
Working capital	-368	-393	-190	1	1	1	1	1	1	1	1
Free cash flows (FCF)	12,770	18,455	18,624	18,244	17,984	17,722	17,444	17,156	16,865	16,550	16,224
PV of FCF's	12,487	17,375	16,884	15,927	15,118	14,344	13,595	12,875	12,187	11,515	10,870

DCF valuation model												
All figures in EUR '000	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	2035E	2036E	2037E
Net sales	22,613	22,548	17,380	13,724	12,719	11,065	9,726	7,828	6,220	4,714	3,741	1,230
NOPLAT	6,469	6,123	3,364	1,561	1,418	925	711	243	-705	-933	-821	-1,812
+ depreciation & amortisation	9,611	9,612	8,639	7,949	7,184	6,378	5,558	4,587	4,333	3,266	2,461	1,855
Net operating cash flow	16,080	15,735	12,002	9,510	8,602	7,303	6,268	4,829	3,628	2,333	1,640	43
- total investments (CAPEX and WC)	-225	-225	-109	-91	-115	-90	-80	-54	-42	-28	-25	19
Capital expenditures	-226	-225	-174	-137	-127	-111	-97	-78	-62	-47	-37	-12
Working capital	1	1	65	46	13	21	17	24	20	19	12	31
Free cash flows (FCF)	15,854	15,511	11,893	9,418	8,488	7,213	6,188	4,775	3,586	2,305	1,615	62
PV of FCF's	10,229	9,636	7,114	5,425	4,707	3,852	3,182	2,364	1,710	1,058	714	27

All figures in thousands		WACC		3.9%
PV of FCFs in explicit period (2015E-2037E)	203,196	Cost of equity	7.0%	
PV of FCFs in terminal period	0	Pre-tax cost of debt	4.0%	
Enterprise value (EV)	203,196	Tax rate	30.0%	
+ Net cash / - net debt	-128,949	After-tax cost of debt	2.8%	
+ Investments / minority interests	94	Share of equity capital	25.0%	
		Share of debt capital	75.0%	
Fair value €k	74,341	Fair value per share in €	2.10	



INCOME STATEMENT

All figures in EUR '000	2012A	2013A	2014A	2015E	2016E	2017E
Revenues	8,545	10,236	14,552	23,381	23,368	23,205
Cost of goods sold	1,539	2,355	3,736	2,642	2,220	2,204
Gross profit	7,006	7,881	10,816	20,739	21,148	21,000
Personnel costs	136	145	542	1,290	800	832
Depreciation and amortisation	3,856	5,045	6,595	9,399	9,677	9,620
Other operating income	0	1,857	6,464	234	234	232
Other operating expenses	250	0	0	1,450	1,350	1,200
Operating income (EBIT)	2,934	4,548	10,143	8,835	9,555	9,580
Net financial result	-2,536	-4,123	-2,635	-5,679	-4,515	-4,436
Non-operating expenses	-85	0	0	0	0	0
Pre-tax income (EBT)	313	425	7,508	3,155	5,040	5,144
Income taxes	0	34	72	95	151	154
Minority interests	-29	7	-52	0	0	0
Net income / loss	284	398	7,385	3,061	4,889	4,990
Diluted EPS (in €)	0.00	0.02	0.28	0.10	0.14	0.14
EBITDA	6,790	9,593	16,738	18,233	19,232	19,200
Ratios						
Gross margin	82.0%	77.0%	74.3%	88.7%	90.5%	90.5%
EBIT margin on revenues	34.3%	44.4%	69.7%	37.8%	40.9%	41.3%
EBITDA margin on revenues	79.5%	93.7%	115.0%	78.0%	82.3%	82.7%
Net margin on revenues	3.3%	3.9%	50.7%	13.1%	20.9%	21.5%
Tax rate	0.0%	8.1%	1.0%	3.0%	3.0%	3.0%
Expenses as % of revenues						
Personnel costs	1.6%	1.4%	3.7%	5.5%	3.4%	3.6%
Depreciation and amortisation	45.1%	49.3%	45.3%	40.2%	41.4%	41.5%
Other operating expenses	2.9%	0.0%	0.0%	6.2%	5.8%	5.2%
Y-Y Growth						
Revenues	n.a.	19.8%	42.2%	60.7%	-0.1%	-0.7%
Operating income	n.a.	55.0%	123.0%	-12.9%	8.2%	0.3%
Net income/ loss	n.a.	40.1%	1756.3%	-58.6%	59.7%	2.1%



BALANCE SHEET

All figures in EUR '000	2012A	2013A	2014A	2015E	2016E	2017E
Assets						
Current assets, total	7,613	11,011	23,830	19,803	30,385	29,753
Cash and cash equivalents	7,004	9,413	20,438	16,322	26,935	26,123
Short-term investments	0	0	0	0	0	0
Receivables	571	688	1,265	1,409	1,409	1,589
Inventories	38	209	237	181	152	151
Other current assets	0	701	1,588	1,588	1,588	1,588
Non-current assets, total	65,023	96,206	183,963	178,065	168,621	159,233
Property, plant & equipment	62,548	92,859	175,673	169,774	160,331	150,943
Goodwill & other intangibles	0	575	546	546	546	546
Other assets	2,475	2,772	7,744	7,744	7,744	7,744
Total assets	72,636	107,217	207,793	197,867	199,006	188,986
Shareholders' equity & debt						
Current liabilities, total	7,245	8,604	17,124	9,530	8,108	2,097
Short-term debt	593	7,259	14,314	7,000	6,000	0
Accounts payable	911	695	2,162	1,882	1,460	1,449
Current provisions	0	21	0	0	0	0
Other current liabilities	5,741	630	648	648	648	648
Long-term liabilities, total	53,195	76,126	152,304	146,704	137,704	128,704
Long-term debt	52,138	72,421	138,266	132,666	123,666	114,666
Deferred revenue	0	0	0	0	0	0
Other liabilities	1,057	3,705	14,038	14,038	14,038	14,038
Shareholders' equity	12,196	22,487	38,271	41,539	53,101	58,091
Share Capital	6,099	8,675	34,038	34,156	37,526	37,526
Capital Reserve	3,451	10,616	252	342	3,644	3,644
Other Reserves	0	-17	-53	-53	-53	-53
Loss carryforward / retained earnings	1,264	2,711	4,034	7,095	11,983	16,973
Minority interests	0	41	94	94	94	94
Total consolidated equity and debt	72,636	107,217	207,793	197,867	199,006	188,986
Ratios						
Current ratio	1.05	1.28	1.39	2.08	3.75	14.18
Quick ratio	1.05	1.26	1.38	2.06	3.73	14.11
Financial leverage	5.96	4.77	5.43	4.76	3.75	3.25
Book value per share	n.m.	n.m.	1.44	1.29	1.49	1.63
Net debt	45,727	70,267	132,142	123,344	102,731	88,543
Net debt/EBITDA	6.7	7.3	7.9	6.8	5.3	4.6
Return on equity (ROE)	2.3%	1.8%	19.3%	7.4%	9.2%	8.6%
Days of sales outstanding (DSO)	24.4	24.5	31.7	22.0	22.0	25.0
Days of inventory turnover	9.0	32.4	23.2	25.0	25.0	25.0
Days in payables (DIP)	216.1	107.7	211.2	260.0	240.0	240.0



CASH FLOW STATEMENT

All figures in EUR '000	2012A	2013A	2014A	2015E	2016E	2017E
EBIT	2,934	3,837	12,168	8,835	9,555	9,580
Depreciation and amortisation	3,856	5,038	6,595	9,399	9,677	9,620
EBITDA	6,790	8,875	18,763	18,233	19,232	19,200
Changes in working capital	0	-1,271	470	-368	-393	-190
Other adjustments	-2,536	-3,826	-12,483	-5,774	-4,666	-4,590
Operating cash flow	4,254	3,778	6,751	12,091	14,173	14,420
CAPEX	0	-1,816	-1,708	-5,000	-234	-232
Investments in intangibles	0	-340	0	0	0	0
Free cash flow	4,254	1,622	5,042	7,091	13,940	14,188
Debt financing, net	0	-7,768	-4,459	-12,914	-10,000	-15,000
Equity financing, net	0	9,742	701	208	6,673	0
Other changes in cash	0	-1,186	9,739	1,500	0	0
Net cash flows	4,254	2,410	11,025	-4,116	10,612	-812
Cash, start of the year	0	7,004	9,413	20,438	16,322	26,935
Cash, end of the year	4,254	9,414	20,438	16,322	26,935	26,123
EBITDA/share (in €)	0.00	0.00	0.63	0.57	0.54	0.54
Operating cash flow/share (in €)	./.	./.	0.25	0.38	0.41	0.40
Y-Y Growth						
Operating cash flow	n.a.	-11.2%	78.7%	79.1%	17.2%	1.7%
Free cash flow	n.a.	-61.9%	210.8%	40.6%	96.6%	1.8%
EBITDA/share	n.a.	n.m.	n.m.	-9.9%	-4.9%	-0.2%

FIRST BERLIN RECOMMENDATION & PRICE TARGET HISTORY

Report No.:	Date of publication	Previous day closing price	Recommendation	Price target
Initial Report	4 November 2010	€2.23	Buy	€5.40
2...5	↓	↓	↓	↓
6	6 February 2015	€1.60	Buy	€2.20
7	30 March 2015	€1.79	Add	€2.20
8	12 May 2015	€1.84	Add	€2.10
9	Today	€1.73	Add	€2.10

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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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