

# 7C Solarparken AG

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

H1 figures

**RATING**  
**BUY**

**PRICE TARGET**  
**€2.60**

Return Potential 29.0%  
 Risk Rating medium

## STRONG H1 EBITDA AND LARGE ACQUISITION

On 28 August, 7C Solarparken reported H1 figures. EBITDA of €10.2m beat our estimate and the EBITDA margin of 80% indicates strong operating profitability. The company has already largely reached the targets of its 2014-16 strategic plan regarding cost savings, increasing asset performance, and growth. On 31 August, 7C purchased a German 13.7 MW solar plant portfolio which should increase annual EBITDA by €4.7m from 2016 on. We have adjusted our forecasts accordingly. We increase our price target to €2.60 (previously: €2.20). Due to the increased upside potential (+29%) we upgrade the stock to Buy (previously: Add).

**Strong H1 results** Revenues increased to €12.8m (H1/14: €6.7m, FBe: €11.0m). The main reason for the 90% y/y increase is the consolidation of the old Colexon solar plants (+€5.5m) and of the Pflugdorf PV plant (+€0.3m) for the first time. A better than expected portfolio performance explains the delta to our estimate (see figure 1 overleaf).

EBITDA increased to €10.2m (H1/14: €5.6m, FBe: €8.9m). Higher revenues were the main contributor to strong EBITDA. EBIT came in at €4.8m (H1/14: €2.9m, FBe: €4.2m). Due to a lower financial result and higher taxes the net result met our estimate of €1.6m.

**Balance sheet strengthened** At the end of H1, net debt declined slightly to €128.9m from €132.1m at the beginning of the year. Equity increased to €41.4m vs. €38.4m at 31/12/2014. The equity ratio increased to 19.6% from 18.5%.

**High operating cash flow** Operating cash flow amounted to €6.4m (H1/14: €2.3m). The cash outflow from investing was €0.8m. As cash flow from financing was also negative at €-3.2m, the net cash flow came in at €2.5m increasing liquid funds to €22.9m.

(p.t.o.)

### FINANCIAL HISTORY & PROJECTIONS

	2012A	2013A	2014A	2015E	2016E	2017E
Revenue (€m)	8.55	10.24	14.55	24.36	29.18	28.92
Y-o-y growth	n.a.	19.8%	42.2%	67.4%	19.8%	-0.9%
EBITDA (€m)	6.79	9.59	16.74	19.03	23.86	23.88
EBITDA margin	79.5%	93.7%	115.0%	78.1%	81.7%	82.6%
Net income (€m)	0.28	0.40	7.38	1.93	4.73	6.19
EPS (diluted) (€)	0.00	0.02	0.28	0.06	0.12	0.15
DPS (€)	0.00	0.00	0.00	0.00	0.00	0.00
FCF (€m)	4.25	1.62	5.04	1.52	16.27	16.86
Net gearing	374.9%	312.5%	345.3%	270.8%	198.8%	156.5%
Net debt (€m)	45.73	70.27	132.14	145.35	124.73	107.87

### 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.

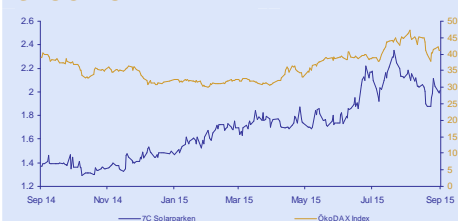
### MARKET DATA

As of 02 Sep 2015

Closing Price	€ 2.02
Shares outstanding	33.48m
Market Capitalisation	€ 67.49m
52-week Range	€ 1.29 / 2.35
Avg. Volume (12 Months)	5,420

Multiples	2014A	2015E	2016E
P/E	9.1	35.0	14.3
EV/Sales	13.5	8.0	6.7
EV/EBIT	11.7	10.3	8.2
Div. Yield	0.0%	0.0%	0.0%

### STOCK OVERVIEW



### COMPANY DATA

As of 30 Jun 2015

Liquid Assets	€ 22.94m
Current Assets	€ 28.65m
Intangible Assets	€ 0.57m
Total Assets	€ 211.32m
Current Liabilities	€ 28.46m
Shareholders' Equity	€ 41.39m

### 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%



**Guidance range increased** 7C sticks to its 2015E revenue guidance of €22.6-23.2m, but has increased its EBITDA guidance range to €18.0-19.0m (previously: €18.0-18.6m). Given H1 EBITDA of €10.2m and assuming normal irradiation levels in H2 we believe that 7C's 2015E EBITDA will likely come in at the upper end of the guidance.

**Strategic targets largely reached, update imminent** 7C has already largely fulfilled the objectives of its strategic plan 2014-16 at the end of Q2/15.

- All measures to generate cost savings of €1.9m until 2016 have been initiated.
- The increase of the performance ratio by 0.75% has been achieved due to the optimisation of the solar plants Thierhaupten and Zernsdorf.
- Selective growth (annual increase of EBITDA by €0.6m) looks set to be achieved by the acquisition of three German solar plants (2.1 MW) in H1 and a portfolio of 6 German plants (13.7 MW) at the end of August.

The company will give a strategic update during its Analyst Day on 8 September.

**Solar Portfolio optimised; enlargement taking shape** In H1, 7C sold its 50% profit share in its Italian Joint Venture (4 MW) and reinvested the proceeds in three German solar plants (total capacity: 2.1 MW). At the end of August, 7C signed a contract to purchase a German solar plant portfolio with a total capacity of 13.7 MW. The transaction is scheduled for Q4 and should increase capacity by almost 20% and EBITDA by ca. €4.7m. 7C will issue 5.2m new shares to finance the purchase.

At the end of H1, 7C's solar portfolio amounted to 71 MW. In the first half of the year, the company produced 38,673 MWh which corresponds to a specific yield of 549 kWh/kW. When the transaction is completed the portfolio will amount to 84.7 MW.

**Additional shares and increased equity** Conversion of options in April and July resulted in new equity of €0.8m and €2.2m respectively. The number of shares outstanding increased to 33.479m.

**Estimates adjusted to large acquisition** Given the strong H1 results and the increased EBITDA guidance range for the full year, we increase our 2015E revenue and EBITDA estimates. Furthermore, we have incorporated the purchase of the 13.7 MW portfolio into our model and increased our revenue and EBITDA forecasts 2016E and the following years. Higher depreciation due to the increased asset base and higher interest expenses due to increased debt are the main reasons for lower net result estimates (see figure 2 overleaf).

**Upgrade to Buy and higher price target** An updated DCF model yields a new price target of €2.60 (previously: €2.20). We upgrade the stock to Buy (previously: Add). Upside 29%.

**Figure 1: Reported figures versus forecasts**

All figures in €m	H1-15A	H1-15E	Delta	H1-14	Delta
Sales	12.82	11.00	16.5%	6.75	90.0%
EBITDA	10.20	8.95	14.0%	5.63	81.0%
margin	79.6%	81.4%		83.5%	
Net income	1.57	1.62	-3.1%	0.77	103.9%
margin	12.2%	14.7%		11.4%	
EPS (diluted)	0.05	0.05	0.0%	0.03	66.7%

Source: First Berlin Equity Research, 7C Solarparken AG

**Figure 2: Revisions to forecasts**

All figures in €m	2015E			2016E			2017E		
	Old	New	Delta	Old	New	Delta	Old	New	Delta
Sales	23.38	24.36	4.2%	23.37	29.18	24.9%	23.20	28.92	24.7%
EBITDA	18.23	19.03	4.4%	19.23	23.86	24.1%	19.20	23.88	24.4%
<i>margin</i>	78.0%	78.1%		82.3%	81.7%		82.8%	82.6%	
Net income	3.06	1.93	-36.9%	4.89	4.73	-3.3%	4.99	6.19	24.0%
<i>margin</i>	13.1%	7.9%		20.9%	16.2%		21.5%	21.4%	
EPS (diluted)	0.10	0.06	-39.3%	0.14	0.12	-12.9%	0.14	0.15	8.0%

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	24,360	29,184	28,922	28,577	28,151	27,767	27,687	27,607	27,527	27,448	27,369
NOPLAT	7,480	10,951	11,496	11,231	10,671	10,099	9,789	9,458	9,086	8,759	8,419
+ depreciation & amortisation	11,067	12,261	11,543	11,592	11,548	11,575	11,560	11,558	11,597	11,564	11,536
Net operating cash flow	18,548	23,213	23,039	22,824	22,219	21,673	21,349	21,017	20,683	20,324	19,954
- total investments (CAPEX and WC)	-11,482	-715	-870	-367	-276	-273	-276	-275	-274	-273	-273
Capital expenditures	-11,549	-292	-289	-286	-282	-278	-277	-276	-275	-274	-274
Working capital	67	-424	-581	-81	5	5	1	1	1	1	1
Free cash flows (FCF)	7,066	22,497	22,169	22,457	21,943	21,400	21,073	20,741	20,409	20,050	19,681
PV of FCF's	6,980	21,397	20,303	19,804	18,633	17,497	16,591	15,724	14,898	14,093	13,321

DCF valuation model												
All figures in EUR '000	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	2035E	2036E	2037E
Net sales	27,290	27,211	18,620	15,003	13,902	12,398	10,415	6,961	5,371	3,957	3,104	1,229
NOPLAT	8,047	7,663	2,909	1,175	1,122	429	-68	-1,688	-2,730	-2,642	-2,221	-2,372
+ depreciation & amortisation	11,534	11,536	10,368	9,537	8,617	7,647	6,662	5,496	5,186	3,903	2,937	2,211
Net operating cash flow	19,581	19,200	13,277	10,712	9,739	8,076	6,594	3,808	2,456	1,261	716	-162
- total investments (CAPEX and WC)	-272	-271	-79	-105	-125	-105	-79	-26	-34	-22	-20	11
Capital expenditures	-273	-272	-186	-150	-139	-124	-104	-70	-54	-40	-31	-12
Working capital	1	1	108	45	14	19	25	43	20	18	11	23
Free cash flows (FCF)	19,309	18,929	13,199	10,607	9,614	7,971	6,515	3,782	2,422	1,239	696	-151
PV of FCF's	12,584	11,879	7,975	6,172	5,386	4,300	3,384	1,892	1,167	575	311	-65

All figures in thousands	
PV of FCFs in explicit period (2015E-2037E)	234,801
PV of FCFs in terminal period	0
Enterprise value (EV)	234,801
+ Net cash / - net debt	-128,493
+ Investments / minority interests	109

Fair value €k	106,417
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WACC	3.9%
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	25.0%
Share of debt capital	75.0%
Fair value per share in €	2.60



## INCOME STATEMENT

All figures in EUR '000	2012A	2013A	2014A	2015E	2016E	2017E
<b>Revenues</b>	<b>8,545</b>	<b>10,236</b>	<b>14,552</b>	<b>24,360</b>	<b>29,184</b>	<b>28,922</b>
Cost of goods sold	1,539	2,355	3,736	3,410	3,502	2,892
<b>Gross profit</b>	<b>7,006</b>	<b>7,881</b>	<b>10,816</b>	<b>20,950</b>	<b>25,682</b>	<b>26,030</b>
Personnel costs	136	145	542	1,150	900	936
Depreciation and amortisation	3,856	5,045	6,595	11,067	12,261	11,543
Other operating income	0	1,857	6,464	731	525	289
Other operating expenses	250	0	0	1,500	1,450	1,500
<b>Operating income (EBIT)</b>	<b>2,934</b>	<b>4,548</b>	<b>10,143</b>	<b>7,963</b>	<b>11,596</b>	<b>12,340</b>
Net financial result	-2,536	-4,123	-2,635	-5,550	-6,224	-5,308
Non-operating expenses	-85	0	0	0	0	0
<b>Pre-tax income (EBT)</b>	<b>313</b>	<b>425</b>	<b>7,508</b>	<b>2,413</b>	<b>5,372</b>	<b>7,033</b>
Income taxes	0	34	72	483	645	844
Minority interests	-29	7	-52	0	0	0
<b>Net income / loss</b>	<b>284</b>	<b>398</b>	<b>7,385</b>	<b>1,931</b>	<b>4,728</b>	<b>6,189</b>
<b>Diluted EPS (in €)</b>	<b>0.00</b>	<b>0.02</b>	<b>0.28</b>	<b>0.06</b>	<b>0.12</b>	<b>0.15</b>
<b>EBITDA</b>	<b>6,790</b>	<b>9,593</b>	<b>16,738</b>	<b>19,030</b>	<b>23,857</b>	<b>23,883</b>
<b>Ratios</b>						
Gross margin	82.0%	77.0%	74.3%	86.0%	88.0%	90.0%
EBIT margin on revenues	34.3%	44.4%	69.7%	32.7%	39.7%	42.7%
EBITDA margin on revenues	79.5%	93.7%	115.0%	78.1%	81.7%	82.6%
Net margin on revenues	3.3%	3.9%	50.7%	7.9%	16.2%	21.4%
Tax rate	0.0%	8.1%	1.0%	20.0%	12.0%	12.0%
<b>Expenses as % of revenues</b>						
Personnel costs	1.6%	1.4%	3.7%	4.7%	3.1%	3.2%
Depreciation and amortisation	45.1%	49.3%	45.3%	45.4%	42.0%	39.9%
Other operating expenses	2.9%	0.0%	0.0%	6.2%	5.0%	5.2%
<b>Y-Y Growth</b>						
Revenues	n.a.	19.8%	42.2%	67.4%	19.8%	-0.9%
Operating income	n.a.	55.0%	123.0%	-21.5%	45.6%	6.4%
Net income/ loss	n.a.	40.1%	1756.3%	-73.9%	144.9%	30.9%



## BALANCE SHEET

All figures in EUR '000	2012A	2013A	2014A	2015E	2016E	2017E
<b>Assets</b>						
<b>Current assets, total</b>	<b>7,613</b>	<b>11,011</b>	<b>23,830</b>	<b>29,707</b>	<b>34,625</b>	<b>33,667</b>
Cash and cash equivalents	7,004	9,413	20,438	26,115	30,736	29,598
Short-term investments	0	0	0	0	0	0
Receivables	571	688	1,265	1,468	1,759	1,981
Inventories	38	209	237	234	240	198
Other current assets	0	701	1,588	1,588	1,588	1,588
<b>Non-current assets, total</b>	<b>65,023</b>	<b>96,206</b>	<b>183,963</b>	<b>212,645</b>	<b>200,675</b>	<b>189,421</b>
Property, plant & equipment	62,548	92,859	175,673	204,355	192,385	181,131
Goodwill & other intangibles	0	575	546	546	546	546
Other assets	2,475	2,772	7,744	7,744	7,744	7,744
<b>Total assets</b>	<b>72,636</b>	<b>107,217</b>	<b>207,793</b>	<b>242,352</b>	<b>235,301</b>	<b>223,088</b>
<b>Shareholders' equity &amp; debt</b>						
<b>Current liabilities, total</b>	<b>7,245</b>	<b>8,604</b>	<b>17,124</b>	<b>10,077</b>	<b>8,951</b>	<b>2,550</b>
Short-term debt	593	7,259	14,314	7,000	6,000	0
Accounts payable	911	695	2,162	2,429	2,303	1,902
Current provisions	0	21	0	0	0	0
Other current liabilities	5,741	630	648	648	648	648
<b>Long-term liabilities, total</b>	<b>53,195</b>	<b>76,126</b>	<b>152,304</b>	<b>178,504</b>	<b>163,504</b>	<b>151,504</b>
Long-term debt	52,138	72,421	138,266	164,466	149,466	137,466
Deferred revenue	0	0	0	0	0	0
Other liabilities	1,057	3,705	14,038	14,038	14,038	14,038
<b>Shareholders' equity</b>	<b>12,196</b>	<b>22,487</b>	<b>38,271</b>	<b>53,676</b>	<b>62,752</b>	<b>68,941</b>
Share capital	6,099	8,675	34,038	40,985	43,181	43,181
Capital reserve	3,451	10,616	252	6,780	8,932	8,932
Other reserves	0	-17	-53	-53	-53	-53
Loss carryforward / retained earnings	1,264	2,711	4,034	5,965	10,692	16,881
Minority interests	0	41	94	94	94	94
<b>Total consolidated equity and debt</b>	<b>72,636</b>	<b>107,217</b>	<b>207,793</b>	<b>242,352</b>	<b>235,301</b>	<b>223,088</b>
<b>Ratios</b>						
Current ratio (x)	1.05	1.28	1.39	2.95	3.87	13.20
Quick ratio (x)	1.05	1.26	1.38	2.92	3.84	13.13
Book value per share (€)	n.m.	n.m.	1.44	1.60	1.58	1.68
Net debt	45,727	70,267	132,142	145,351	124,730	107,868
Net gearing	375%	312%	345%	271%	199%	156%
Net debt/EBITDA	6.7	7.3	7.9	7.6	5.2	4.5
Return on equity (ROE)	2.3%	1.8%	19.3%	3.6%	7.5%	9.0%
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
<b>EBIT</b>	<b>2,934</b>	<b>3,837</b>	<b>12,168</b>	<b>7,963</b>	<b>11,596</b>	<b>12,340</b>
Depreciation and amortisation	3,856	5,038	6,595	11,067	12,261	11,543
<b>EBITDA</b>	<b>6,790</b>	<b>8,875</b>	<b>18,763</b>	<b>19,030</b>	<b>23,857</b>	<b>23,883</b>
Changes in working capital	0	-1,271	470	67	-424	-581
Other adjustments	-2,536	-3,826	-12,483	-6,032	-6,869	-6,151
<b>Operating cash flow</b>	<b>4,254</b>	<b>3,778</b>	<b>6,751</b>	<b>13,066</b>	<b>16,565</b>	<b>17,151</b>
CAPEX	0	-1,816	-1,708	-11,549	-292	-289
Investments in intangibles	0	-340	0	0	0	0
<b>Free cash flow</b>	<b>4,254</b>	<b>1,622</b>	<b>5,042</b>	<b>1,517</b>	<b>16,273</b>	<b>16,861</b>
<b>Debt financing, net</b>	<b>0</b>	<b>-7,768</b>	<b>-4,459</b>	<b>-10,814</b>	<b>-16,000</b>	<b>-18,000</b>
<b>Equity financing, net</b>	<b>0</b>	<b>9,742</b>	<b>701</b>	<b>13,474</b>	<b>4,348</b>	<b>0</b>
Other changes in cash	0	-1,186	9,739	1,500	0	0
<b>Net cash flows</b>	<b>4,254</b>	<b>2,410</b>	<b>11,025</b>	<b>5,677</b>	<b>4,621</b>	<b>-1,139</b>
Cash, start of the year	0	7,004	9,413	20,438	26,115	30,736
<b>Cash, end of the year</b>	<b>4,254</b>	<b>9,414</b>	<b>20,438</b>	<b>26,115</b>	<b>30,736</b>	<b>29,598</b>
<b>EBITDA/share (in €)</b>	<b>0.00</b>	<b>0.00</b>	<b>0.63</b>	<b>0.57</b>	<b>0.60</b>	<b>0.58</b>
<b>Operating cash flow/share (in €)</b>	<b>./.</b>	<b>./.</b>	<b>0.25</b>	<b>0.40</b>	<b>0.42</b>	<b>0.42</b>
<b>Y-Y Growth</b>						
Operating cash flow	n.a.	-11.2%	78.7%	93.5%	26.8%	3.5%
Free cash flow	n.a.	-61.9%	210.8%	-69.9%	973.0%	3.6%
EBITDA/share	n.a.	n.m.	n.m.	-9.5%	5.8%	-2.9%

**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...6	↓	↓	↓	↓
7	30 March 2015	€1.79	Add	€2.20
8	12 May 2015	€1.84	Add	€2.10
9	29 May 2015	€1.73	Add	€2.20
10	Today	€2.02	Buy	€2.60

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First Berlin's investment rating system is five tiered and includes an investment recommendation and a risk rating. Our recommendations, which are a function of our expectation of total return (forecast price appreciation and dividend yield) in the year specified, are as follows:

**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%

Our risk ratings are Low, Medium, High and Speculative and are determined by ten factors: corporate governance, quality of earnings, management strength, balance sheet and financing risk, competitive position, standard of financial disclosure, regulatory and political uncertainty, company size, free float and other company specific risks. These risk factors are incorporated into our valuation models and are therefore reflected in our price targets. Our models are available upon request to First Berlin clients.

Up until 16 May 2008, First Berlin's investment rating system was three tiered and was a function of our expectation of return (forecast price appreciation and dividend yield) over the specified year. Our investment ratings were as follows: **BUY:** expected return greater than 15%; **HOLD:** expected return between 0% and 15%; and **SELL:** expected negative return.

**ADDITIONAL DISCLOSURES**

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