

7C Solarparken AG

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

9M report

RATING
BUY

PRICE TARGET
€3.20

Return Potential 44.8%
 Risk Rating medium

EBITDA GUIDANCE ALMOST REACHED AFTER 9 MONTHS

On 19 November 7C Solarparken reported key financial 9M figures which were in line with our forecasts. 9M EBITDA amounted to €17.7m and net debt fell by €9.4m to €119.1m. In Q3, 7C Solarparken presented its 2015-17 business plan which targets an increase in installed capacity from 71 MWp to 105 MWp and cash flow per share of €0.50 by 2017. We confirm our Buy rating at a slightly increased price target of €3.20 (previously: €3.00).

High irradiation basis for strong EBITDA A high level of irradiation in Q3 resulted in 9M revenues of €22.0m (FBe: €21.6m, 9M/14: €12.0m, +83.3%). The main reasons for strong sales growth were increased weighted capacity (70.7 MWp vs. 43.8 MWp, +61.4%) and higher specific yield (924 kWh/kWp vs. 895 kWh/kWp, +3.2%). This resulted in significantly higher power production of 65,333 MWh vs. 39,254 MWh, +66.4%).

EBITDA rose to €17.7m (FBe and consensus: €17.4m, 9M/14: €16.9m, +4.7%), adjusted for one-offs (mainly transaction and restructuring costs €+0.5m, bad will €-0.3m, provisions €+0.3m) EBITDA amounted to €18.1m (9m/14: €15.0m, +20.7%). After depreciation of €8.5m (FBe: €8.4m) EBIT was €9.2m.

Strong asset base and high liquidity At the end of September, the book value of the solar portfolio amounted to €168.9m (31/12/2014: €171.4m). Consolidation of additional solar plants (€5.9m) largely compensated for depreciation of €8.5m. Liquid funds increased to €30.0m, up from €20.4m at end December 2014. Long-term financial debt was €136.7m and short-term financial debt €12.4m. Net debt thus amounted to €119.1m - a €9.4m q/q reduction on the H1 net debt figure of €128.5m).

On track to reach 2015 guidance 7C is guiding towards a 2015 EBITDA of €18.0-19.0m. As EBITDA amounted to €17.7m at the nine months stage, full-year guidance has almost been achieved. Q4 is a winter quarter with low irradiation levels (ca. 10% of annual irradiation in Germany depending on local weather conditions).
 (p.t.o.)

FINANCIAL HISTORY & PROJECTIONS

	2012	2013	2014	2015E	2016E	2017E
Revenue (€m)	8.55	10.24	14.55	24.36	29.90	31.46
Y-o-y growth	n.a.	19.8%	42.2%	67.4%	22.7%	5.2%
EBITDA (€m)	6.79	9.59	16.74	19.03	24.35	26.95
EBITDA margin	79.5%	93.7%	115.0%	78.1%	81.4%	85.7%
Net income (€m)	0.28	0.40	7.38	2.05	4.36	6.99
EPS (diluted) (€)	0.00	0.02	0.28	0.06	0.11	0.16
DPS (€)	0.00	0.00	0.00	0.00	0.00	0.00
FCF (€m)	4.25	1.62	5.04	0.60	11.32	12.68
Net gearing	374.9%	312.5%	345.3%	282.2%	239.0%	206.2%
Net debt (€m)	45.73	70.27	132.14	151.78	146.58	143.73

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 (85 MW) in Germany, Italy, France, and Belgium. The company is based in Bayreuth, Germany.

MARKET DATA

As of 19 Nov 2015

Closing Price	€ 2.21
Shares outstanding	40.48m
Market Capitalisation	€ 89.46m
52-week Range	€ 1.40 / 2.51
Avg. Volume (12 Months)	7,110

Multiples	2014	2015E	2016E
P/E	12.1	43.6	20.5
EV/Sales	14.3	8.6	7.0
EV/EBIT	12.5	11.0	8.6
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

Librae Holding Limited	12.2%
Rodolphe de Spoelberch	10.4%
Distri Beheer 21 CVBA	7.6%
Other	27.9%
Free Float	41.9%



We therefore assume low Q4 revenues of ca. €2.4m, low EBITDA of €1.3m and stick to our annual EBITDA forecast of €19.0m.

Key milestones reached in Q3 In August, 7C purchased the 13.7 MW Miskina solar portfolio for 5.2m new shares and a cash component of €2.7m. The deal increased the portfolio to 85 MW. Miskina was consolidated on 2 November, but due to seasonally low irradiation levels we do not expect significant sales and earnings contributions this year. From 2016 on, the portfolio looks set to contribute €4.7m to EBITDA.

In September, 7C presented its new 2015-17 business plan “Capital Appreciation through Consolidation” which targets a 105 MW solar portfolio. Apart from the already concluded Miskina deal, the company plans to purchase further solar plants with a capacity between 1-5 MW each.

The business plan assumes a capital increase of €3.6m via contribution in kind or private placement. 7C had already placed almost 700,000 shares at €2.15 resulting in additional liquid funds of €1.5m by the end of October.

For 2017, 7C targets a clean EBITDA of €27.0m, a net debt/EBITDA ratio below 6.0x and a dividend or dividend equivalent of 20% of the cash flow per share (€0.10, see also our comment of 5 November 2015).

Given management’s excellent track record (business plan 2014-16 already largely fulfilled), we are very confident that the new business plan will be successfully executed.

Buy reiterated at slightly higher price target An updated DCF model, which is based on unchanged estimates and the lower net debt figure, yields a new price target of €3.20 (previously: €3.00). We reiterate our Buy rating.

Figure 1: Reported figures versus forecasts

All figures in €m	9M-15A	9M-15E	Delta	9M-14	Delta
Sales	22.00	21.60	1.9%	12.00	83.3%
EBITDA	17.70	17.42	1.6%	16.90	4.7%
margin	80.5%	80.6%		140.8%	

Source: First Berlin Equity Research, 7C Solarparken AG



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	29,896	31,463	31,372	31,281	31,190	31,099	31,009	30,919	30,830	30,740
NOPLAT	7,601	10,577	12,548	11,736	11,150	10,762	10,431	10,055	9,656	9,289	8,930
+ depreciation & amortisation	11,067	13,286	13,626	13,919	13,906	13,982	14,011	14,060	14,162	14,183	14,214
Net operating cash flow	18,668	23,863	26,174	25,655	25,056	24,744	24,443	24,115	23,818	23,471	23,144
- total investments (CAPEX and WC)	-12,522	-6,328	-7,941	-973	-953	-950	-947	-945	-942	-939	-936
Capital expenditures	-12,589	-6,000	-7,000	-941	-938	-936	-933	-930	-928	-925	-922
Working capital	67	-328	-941	-32	-15	-15	-14	-14	-14	-14	-14
Free cash flows (FCF)	6,147	17,535	18,233	24,682	24,103	23,794	23,495	23,171	22,876	22,532	22,208
PV of FCF's	6,121	16,812	16,834	21,943	20,634	19,612	18,648	17,709	16,835	15,966	15,153

DCF valuation model												
All figures in EUR '000												
	2026E	2027E	2028E	2029E	2030E	2031E	2032E	2033E	2034E	2035E	2036E	2037E
Net sales	30,651	30,012	21,711	18,084	16,975	15,461	13,469	9,342	7,745	6,324	5,464	3,582
NOPLAT	8,509	7,734	3,320	1,503	1,706	1,181	715	-1,138	-2,143	-1,710	-1,025	-998
+ depreciation & amortisation	14,287	14,374	13,004	12,029	10,931	9,765	8,569	7,125	6,771	5,136	3,900	2,966
Net operating cash flow	22,796	22,107	16,324	13,532	12,637	10,945	9,284	5,987	4,628	3,426	2,875	1,967
- total investments (CAPEX and WC)	-934	-902	-472	-467	-491	-435	-361	-180	-195	-155	-143	-57
Capital expenditures	-920	-900	-651	-543	-509	-464	-404	-280	-232	-190	-164	-107
Working capital	-14	-1	179	76	18	29	43	101	38	34	20	50
Free cash flows (FCF)	21,863	21,206	15,851	13,065	12,146	10,510	8,923	5,807	4,434	3,271	2,732	1,910
PV of FCF's	14,364	13,416	9,656	7,663	6,860	5,716	4,672	2,928	2,153	1,529	1,230	828

All figures in thousands		WACC	
			3.9%
PV of FCFs in explicit period (2015E-2037E)	257,283	Cost of equity	7.0%
PV of FCFs in terminal period	0	Pre-tax cost of debt	4.0%
Enterprise value (EV)	257,283	Tax rate	30.0%
+ Net cash / - net debt	-119,100	After-tax cost of debt	2.8%
+ Investments / minority interests	109	Share of equity capital	25.0%
		Share of debt capital	75.0%
Fair value €k	138,292	Fair value per share in €	3.20



INCOME STATEMENT

All figures in EUR '000	2012A	2013A	2014A	2015E	2016E	2017E
Revenues	8,545	10,236	14,552	24,360	29,896	31,463
Cost of goods sold	1,539	2,355	3,736	3,410	3,737	3,020
Gross profit	7,006	7,881	10,816	20,950	26,159	28,443
Personnel costs	136	145	542	1,150	900	936
Other operating income	0	1,857	6,464	731	538	944
Other operating expenses	250	0	0	1,500	1,450	1,500
EBITDA	6,790	9,593	16,738	19,030	24,347	26,950
Depreciation and amortisation	3,856	5,045	6,595	11,067	13,286	13,626
Operating income (EBIT)	2,934	4,548	10,143	7,963	11,061	13,324
Net financial result	-2,536	-4,123	-2,635	-5,550	-6,217	-5,557
Non-operating expenses	-85	0	0	0	0	0
Pre-tax income (EBT)	313	425	7,508	2,413	4,844	7,767
Income taxes	0	34	72	362	484	777
Minority interests (+/-)	-29	7	-52	0	0	0
Net income / loss	284	398	7,385	2,051	4,360	6,990
Diluted EPS (in €)	0.00	0.02	0.28	0.06	0.11	0.16

Ratios

Gross margin	82.0%	77.0%	74.3%	86.0%	87.5%	90.4%
EBITDA margin on revenues	79.5%	93.7%	115.0%	78.1%	81.4%	85.7%
EBIT margin on revenues	34.3%	44.4%	69.7%	32.7%	37.0%	42.3%
Net margin on revenues	3.3%	3.9%	50.7%	8.4%	14.6%	22.2%
Tax rate	0.0%	8.1%	1.0%	15.0%	10.0%	10.0%

Expenses as % of revenues

Personnel costs	1.6%	1.4%	3.7%	4.7%	3.0%	3.0%
Depreciation and amortisation	45.1%	49.3%	45.3%	45.4%	44.4%	43.3%
Other operating expenses	2.9%	0.0%	0.0%	6.2%	4.9%	4.8%

Y-Y Growth

Revenues	n.a.	19.8%	42.2%	67.4%	22.7%	5.2%
Operating income	n.a.	55.0%	123.0%	-21.5%	38.9%	20.5%
Net income/ loss	n.a.	40.1%	1756.3%	-72.2%	112.5%	60.3%



BALANCE SHEET

All figures in EUR '000	2012A	2013A	2014A	2015E	2016E	2017E
Assets						
Current assets, total	7,613	11,011	23,830	23,275	25,137	24,492
Cash and cash equivalents	7,004	9,413	20,438	19,683	21,189	20,240
Short-term investments	0	0	0	0	0	0
Receivables	571	688	1,265	1,468	1,802	2,155
Inventories	38	209	237	234	256	207
Other current assets	0	701	1,588	1,588	1,588	1,588
Non-current assets, total	65,023	96,206	183,963	219,185	221,198	225,772
Property, plant & equipment	62,548	92,859	175,673	210,895	212,908	217,482
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	242,459	246,335	250,264
Shareholders' equity & debt						
Current liabilities, total	7,245	8,604	17,124	10,077	9,105	5,469
Short-term debt	593	7,259	14,314	7,000	6,000	3,000
Accounts payable	911	695	2,162	2,429	2,457	1,821
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	178,504	175,804	175,004
Long-term debt	52,138	72,421	138,266	164,466	161,766	160,966
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	53,784	61,332	69,697
Share capital	6,099	8,675	34,038	40,483	42,173	42,723
Capital reserve	3,451	10,616	252	7,268	8,766	9,591
Other reserves	0	-17	-53	-53	-53	-53
Loss carryforward / retained earnings	1,264	2,711	4,034	6,085	10,445	17,436
Minority interests	0	41	94	94	94	94
Total consolidated equity and debt	72,636	107,217	207,793	242,459	246,335	250,264
Ratios						
Current ratio (x)	1.05	1.28	1.39	2.31	2.76	4.48
Quick ratio (x)	1.05	1.26	1.38	2.29	2.73	4.44
Book value per share (€)	n.m.	n.m.	1.44	1.52	1.51	1.63
Net debt	45,727	70,267	132,142	151,783	146,577	143,726
Net gearing	375%	312%	345%	282%	239%	206%
Net debt/EBITDA	6.7	7.3	7.9	8.0	6.0	5.3
Return on equity (ROE)	2.3%	1.8%	19.3%	3.8%	7.1%	10.0%
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	220.0



CASH FLOW STATEMENT

All figures in EUR '000	2012A	2013A	2014A	2015E	2016E	2017E
EBIT	2,934	3,837	12,168	7,963	11,061	13,324
Depreciation and amortisation	3,856	5,038	6,595	11,067	13,286	13,626
EBITDA	6,790	8,875	18,763	19,030	24,347	26,950
Changes in working capital	0	-1,271	470	67	-328	-941
Other adjustments	-2,536	-3,826	-12,483	-5,912	-6,701	-6,334
Operating cash flow	4,254	3,778	6,751	13,186	17,318	19,676
CAPEX	0	-1,816	-1,708	-12,589	-6,000	-7,000
Investments in intangibles	0	-340	0	0	0	0
Free cash flow	4,254	1,622	5,042	597	11,318	12,676
Acquisitions & disposals, net	0	-1,209	10,091	1,500	0	0
Other investments	0	37	40	0	0	0
Cash flow from investing	0	-3,328	8,422	-11,089	-6,000	-7,000
Debt financing, net	0	-7,768	-4,459	-16,314	-13,000	-15,000
Equity financing, net	0	9,742	701	13,461	3,188	1,375
Other financing	0	0	-391	0	0	0
Cash flow from financing	0	1,960	-4,149	-2,853	-9,812	-13,625
Forex & other effect	0	0	0	0	0	0
Net cash flows	4,254	2,410	11,025	-755	1,506	-949
Cash, start of the year	0	7,004	9,413	20,438	19,683	21,189
Cash, end of the year	4,254	9,414	20,438	19,683	21,189	20,240
EBITDA/share (in €)	0.00	0.00	0.63	0.54	0.60	0.63
Operating cash flow/share (in €)	./.	./.	0.25	0.39	0.43	0.46

Y-Y Growth

Operating cash flow	n.a.	-11.2%	78.7%	95.3%	31.3%	13.6%
Free cash flow	n.a.	-61.9%	210.8%	-88.2%	1795.0%	12.0%
EBITDA/share	n.a.	n.m.	n.m.	-14.3%	11.6%	5.0%

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...8	↓	↓	↓	↓
9	29 May 2015	€1.73	Add	€2.20
10	3 September 2015	€2.02	Buy	€2.60
11	5 November 2015	€2.30	Buy	€3.00
12	Today	€2.21	Buy	€3.20

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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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