COMPANY NOTE

QUIRIN PRIVATBANK EQUITY RESEARCH

18 September 2017

**7C Solarparken AG**

| | |
|---|---|
| Rating | Buy |
| Share price (EUR) | 2.37 |
| Target price (EUR) | 3.20 |
| Bloomberg | HRPK GY |
| Sector | Renewables |

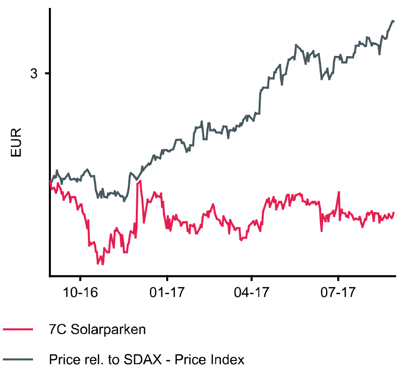
**Share data**

| | |
|---|---|
| Shares out (m) | 44.8 |
| Daily volume shs (m) | 0.0 |
| Free float (%) | 47.08 |
| Market cap (EUR m) | 106 |
| EV (EUR m) | n.a. |
| DPS (EUR) | 0.00 |
| Dividend yield (%) | 0.0 |
| Payout ratio (%) | 92.0 |

**Performance**

| | |
|---|---|
| ytd (%) | -3.3 |
| Index | SDAX |

**Share price performance**




Source: Bloomberg

**Next triggers**

27 September 2017: H1 report

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# The niche player among PV operators

**7C Solarparken AG is a listed owner/operator of PV plants in Germany with a portfolio of ca. 107 MWp. Among the stock-listed renewables, the company runs a unique business model that allows for strong margins and a high IRR. We therefore initiate coverage with BUY and a EUR 3.20 TP.**

## Acquistion style ...

7C Solarparken is focusing on PV parks with a capacity of 1-5 MWp as there is less competition from large financial investors. Often the PV parks are sub-optimally run and therefore are undervalued: Following the acquisition, 7C Solarparken is optimizing the park to increase the output. The IRR on optimization capex is traditionally > 20%. In our view, this acquisition approach allows for above-average margins.
Furthermore, 7C Solarparken only invests in Germany which is the largest PV market in Europe and characterized by a high transparency and secured Feed-In-Tariffs with a life-span of 20 years.

## ... leads to superior financial ratios

We had a closer look to some of its competitors such as Capital Stage regarding multiples and balance sheet ratios. For example the FY 2007e EV/EBITDA lies at 9.3x for 7C, while CAP's stands at 13.1. Even the EBITDA margin for 7C is more attractive: 86.9% compared to 75.6% for CAP. Furthermore, the FY 2017e net debt/clean EBITDA ratio is 5.6x for 7C while CAP reaches 7.7x. This makes the company highly attractive.

## Initial with BUY and a EUR 3.20 TP

7C Solarparken expects sales > EUR 32m, EBITDA > EUR 27m and Cashflow per share EUR 0.48-0.50 in the current business year. We expect the company to meet these targets easily, which should be underlined with the release of H1-17 results on 27 September.

We like 7C's attractive, visible and focused business model. Our DCF-model which reflects the current portfolio (~113 MWp) results in a fair value of EUR 3.23 per share. **Therefore we initiate coverage with BUY and a EUR 3.20 TP. It is worth mentioning that an EV/EBITDA multiple (FY 2017e) from Capital Stage and a peer group from the renewables sector would lead to relative values of EUR 4.72 and EUR 3.83, respectively.**

| Key figures | | 2015 | 2016 | 2017e | 2018e | 2019e |
|---|---|---|---|---|---|---|
| Sales | EUR m | 25 | 30 | 33 | 33 | 33 |
| EBITDA | EUR m | 25 | 28 | 28 | 29 | 29 |
| EBIT | EUR m | 12 | 12 | 12 | 13 | 13 |
| EPS | EUR | 0.16 | 0.11 | 0.11 | 0.13 | 0.14 |
| Sales growth | % | 74.3 | 19.4 | 7.3 | 1.5 | 0.0 |
| EBIT growth | % | 45.8 | 3.4 | 0.3 | 8.4 | 0.0 |
| EPS growth | % | -11.0 | -33.5 | 3.9 | 22.2 | 5.1 |
| EBITDA margin | % | 98.2 | 92.3 | 86.9 | 86.4 | 86.4 |
| EBIT margin | % | 45.7 | 39.6 | 37.0 | 39.5 | 39.5 |
| Net margin | % | 21.7 | 15.5 | 15.1 | 18.1 | 19.0 |
| EV/Sales | ratio | 10.43 | 8.81 | 7.76 | 7.25 | 6.86 |
| EV/EBITDA | ratio | 10.6 | 9.5 | 8.9 | 8.4 | 7.9 |
| EV/EBIT | ratio | 22.8 | 22.3 | 21.0 | 18.3 | 17.4 |
| P/E | ratio | 15.0 | 22.8 | 22.1 | 18.1 | 17.2 |
| P/BV | ratio | 1.3 | 1.5 | 1.3 | 1.2 | 1.2 |
| Dividend yield | % | 0.0 | 0.0 | 4.2 | 4.8 | 4.6 |

Source: Bloomberg, Company data, quirin bank estimates

# Executive Summery and Investment Case

### Renewable energy player with focus on the solar market

With an installed capacity of 113 MWp (35% rooftop plants, 65% ground-mounted plants) the company is able to generate stable cash flows. About 96% of the portfolio is located in Germany which means a stable political environment and therefore no risk that Feed-in-Tariffs are changed during the life span of a contract.

### Clear strategy

In contrast to its main competitors from the renewable sector, 7C Solarparken does not invest into wind parks as the generation of energy from wind is more volatile compared to solar. Furthermore, wind parks have less potential for a favorable optimisation.

Optimisation is another differentiator of 7C Solarparken: The company takes measures to improve the output of newly acquired solar parks. The IRR of this additional capex is >20%.

### Corporate development in FY 2017

In Q1-17, 7C Solarparken was able to increase sales by 30% to EUR 5.2m, driven by higher irradiation and new parks. The EBITDA rose by 37% to EUR 4.7m (Q1-16: EUR 3.4m). We expect this positive development to continue and the company should meet its guidance for FY 2017 (Sales > EUR 32m, EBITDA > EUR 27m and Cashflow per share EUR 0.48-0.50).

Regarding bottom line, the re-financing of a major park in June 2017 will reduce the annual, average interest rate from 3.3% to 3.0% and results in higher net profits.

### Increase of IPP portfolio to nearly 113 MWp in September

7C Solarparken expanded its IPP portfolio by 5.6 MWp through adding three new PV installations. In Goldberg (Mecklenburg West Pomerania), 7C Solarparken already operated a 1.7 MWp installation, which recently was extended by another 0.3 MWp. Furthermore, the Group also started the construction of a 4.6 MWp freefield project in Bitterfeld (Saxony Anhalt) that received a Feed-in Tariff from the tendering system. In Teutschenthal (Saxony Anhalt), a new rooftop project of almost 750 kWp will contribute to 7C's portfolio, too. We expect additional sales of EUR 0.45m from its first year of full operation. Upon grid connection of these three new-build installations, the IPP portfolio of 7C Solarparken will grow to nearly 113 MWp. Considering these acquisitions, 7C is well on track to reach its 115 MWp target at year-end.

### Convincing H1-17 figures ahead

On 27 September 7C Solarparken will publish its H1 report. We expect strong figures driven by PV park acquisitions and above-average irradiation, in particular in May and June. Our conservative estimates are as follows:

| Preview | H1-17e | H1-16 | Δ |
|---|---|---|---|
| Sales | 17.0 | 15.2 | 11.8% |
| EBITDA | 15.0 | 13.4 | 11.9% |
| clean EBITDA | 14.2 | 12.7 | 11.8% |
| Net debt | 155.0 | 153.8 | 0.8% |

Source: 7C Solarparken, quirin Privatbank

### Effective tax rate at ~25%

7C Solarparken's parks are traditionally managed in the form of Special Purpose Vehicles (SPVs) in the legal German form "GmbH & Co KG". In this connection the first 25k EUR profit is tax-free. As the company runs ~40 SPVs, a EUR 1m tax-free profit arises.

For the current business year we expect an EBT of EUR 6.5m. If we deduct the EUR 1m tax-free profit, the basis for a 30% tax rate is EUR 5.5m. 30% tax on EUR 5.5m are EUR 1.7m which is a ratio of 25% related to the EBT.

## Equity position strengthened

7C Solarparken executed capital increases in Q1-17 and Q2-17 with gross proceeds of EUR 1.8m and EUR 3.5m, respectively. This money allows the company to acquire further parks and to increase its equity by >EUR 5m yoy. As we assume that 7C will generate ~EUR 5m net profit in the current business year, the equity position will rise by more than EUR 10m yoy.

## Asset Management an option for the future

Asset Management means that park operators offer institutional investors the opportunity to invest in assets in the renewable energy sector.
Asset Management includes all services in this business segment – that is, the initiation of funds and/or the individual design and structuring of other investments for professional investors within the renewable energies sector as well as the operation of the facilities owned by these investors. Asset managers traditionally receive an upfront payment and a recurring fee that depends on the investment volume
So far 7C Solarparken does not provide this profitable service, that allows the generation of high, double-digit EBITDA margins. Maybe in the future the company has sufficient personnel to offer this service

## Valuation based on DCF model

When we calculated 7C Solarparken's fair equity value, we only used a DCF model that is based on the current PV portfolio (113 MWp). We assumed that parks are on average paid and written-off within 16.5 years, while the average FIT runs 20 years. As the licenses for the parks can be extended twice for 5 years, the last year of cash-flow generation is FY 2040. Therefore we did not assume a contribution from terminal value. Our assumptions lead to a TP of EUR 3.20 per share.

## 7C Solarparken vs. Capital Stage: Focus on German solar parks pays off

Capital Stage (CAP) is a German stock-listed competitor of 7C Solarparken. The company invests in and operates solar power plants and wind farms in Germany, Denmark, Finland, France, Great Britain, Italy, Austria and Sweden. Including the solar power plants and wind parks acquired and operated within the asset management for third parties. In September 2017, Capital Stage operates 161 solar parks and 51 wind farms with a total output of 1.28 GW. Thereof 290 MW are asset management projects.

In the following table we show some differences in the two companies. In our view, 7C Solarparken runs a more risk-averse business model due to its focus on solar parks in Germany. Nevertheless, its profitability is higher than CAP's – its EBITDA per MW amounts to EUR 0.26m, while CAP's stands at 0.16m. For comparison purposes we considered only CAP's own portfolio – not asset management and arrive at 996 MW. We took CAP's full year's EBITDA guidance into consideration (>EUR 160m, quirin estimate EUR 163m) and deducted the expected contribution from asset management (~EUR 3m).
We further found out the net debt/clean EBITDA ratio – based on the companies' net debt as of 31 December and our EBITDA expectations for FY 2017 – is better with 7C (5.6x vs. 7.7).
Obviously the concentration on German solar parks combined with optimisation measurements pays off.

## Comparison 7C Solarparken / Capital Stage

| | 7C | CAP (adjusted by AM) | Comment |
|---|---|---|---|
| Renewables | 100% Solar | 70% Solar, 30% Wind | Solar less volatile, but strong contribution from wind in Q1 and Q4 |
| Current capacity | 113 MWp | 996 MWp | neutral |
| Park size | small parks (1-5 MW) average: 1.6 MW | middle size average: 4.5 MW | less competition with smaller parks |
| Region | 95% Germany | 45% Germany, rest in Europe | higher risks and returns in Europe |
| Optimisation of parks | optimisation | maintenance | optimisation leads to higher IRR |
| Asset management | no | yes | AM with attractive margins, but conflict of interest when park acquired |
| Liquidity ratio FY 2017e | net debt/clean EBITDA 5.6x | net debt/clean EBITDA 7.7x | favourable ratio with 7C |
| Balance sheet * | intangible assets: EUR 0.7m | intangible assets: EUR 618m | smaller amortisation risk with 7C |
| Balance sheet * | liquidity: EUR 29.9m 10.5% | free liquidity: EUR 125.8m 5.3% | absolute more firepower with CAP but not in relation to total assets |
| Balance sheet * | equity ratio 25% | equity ratio 25% | both sufficient, CAP's ratio does not include the EUR 100m hybrid bond |
| PV estate | yes | no | cost savings for 7C as it owns real estate |
| Dividend | planned for the next year quirin estimate: EUR 0.10 | EUR 0.20 in FY 2017 paid out and offered as a script dividend | 7C with higher dividend yield in FY 2018 4.2% vs. 3.6% |
| Guidance FY 2017 | Sales >EUR 32m EBITDA >EUR 27m | Sales >EUR 215m EBITDA >EUR 160m | neutral neutral |
| Sales per MW (EURm) | 0.30 | 0.21 | 7C is benefitting from the focusing on ... |
| based on FY 2017 estimates | | | |
| EBITDA per MW (EURm) | 0.26 | 0.16 | ... solar and optimisation measures ... |
| EBITDA margin | 86.8% | 75.6% | ... but also from the higher age of ist portfolio |

Source: quirin Privatbank *as of 31 December 2016

# Valuation

## Summary

In our valuation of 7C Solarparken's equity we have focused on a discounted cash flow methodology based on free cash flow to the firm. We value 7C Solarparken based on its existing portfolio (113 MWp) of parks and do not consider any further expenditures in terms of increased capacity.

Based on this method we derive a fair value of EUR 3.23 per share.

## DCF valuation

In our DCF approach we assumed that the average year of commissioning was FY 2010 and that the average FIT is 20 years. Furthermore we assumed a double, 5-year extension of the operator license. In sum, we discounted the cash flows from FY 2017e to FY 2040e.

In our model, the adjusted EBIT only mirrors the company's operating profitability and does not reflect any IFRS-related valuation effects such as badwill. Our assumptions are as follows:

Phase 1 (2017-19e):
We estimated the free cash flows (FCF) of phase 1 according to our detailed financial forecasts for this period stated in the financials section.

Phase 2 (2020-40e):
For Phase 2, we do not assume any sales growth as our estimates only reflect 7C Solarparken's current solar portfolio. Estimates are based on current Feed-in Tariffs. We assumed constant EBIT margins and no further capex.

As the average year of commissioning was FY 2010 and the average FIT has a run-time of 20 years, the cash flows that are based on the old contracts will run out in FY 2030. In this time span the parks are paid and written off.
Then the company can negotiate new tariffs for the next 10 years. Here we conservatively assumed that FIT drops to EUR 50/MWh (current average FIT: EUR 304/MWh) which leads to an EBIT of EUR 4m.

Phase 3:
After 20 years of feed-in-tariffs and 2x5 years of prolongation there is no further awarding of licenses. Therefore our assumption for the term value is zero.

Based on these assumptions, we calculated a fair value of the operating business of EUR 303.7m. We deducted 7C Solarparken's net debt (financial debt minus cash). The resulting fair value of equity is EUR 144.8m. The fair value per share amounts to EUR 3.23 according to our DCF model.

## 7C Solarparken: Discounted Cash Flow Model

| | PHASE 1 | | | PHASE 2 | | | | | | | | | | | | | | | | | | | | | PHASE 3 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| EURm | 2017e | 2018e | 2019e | 2020e | 2021e | 2022e | 2023e | 2024e | 2025e | 2026e | 2027e | 2028e | 2029e | 2030e | 2031e | 2032e | 2033e | 2034e | 2035e | 2036e | 2037e | 2038e | 2039e | 2040e | ∞ |
| Sales | 32.5 | 33.0 | 33.0 | 33.0 | 33.0 | 33.0 | 33.0 | 33.0 | 33.0 | 33.0 | 33.0 | 33.0 | 33.0 | 33.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | |
| YoY growth | 7.3% | 1.5% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | |
| EBIT (adjusted) | 12.0 | 13.0 | 13.0 | 12.8 | 13.0 | 13.0 | 13.0 | 13.0 | 13.0 | 13.0 | 13.0 | 13.0 | 13.0 | 13.0 | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 | |
| EBIT margin | 36.9% | 39.4% | 39.4% | 38.7% | 38.7% | 38.7% | 38.7% | 38.7% | 38.7% | 38.7% | 38.7% | 38.7% | 38.7% | 38.7% | 80.0% | 80.0% | 80.0% | 80.0% | 80.0% | 80.0% | 80.0% | 80.0% | 80.0% | 80.0% | |
| Income tax on EBIT (cash tax rate) | -2.9 | -3.2 | -3.2 | -3.1 | -3.2 | -3.2 | -3.2 | -3.2 | -3.2 | -3.2 | -3.2 | -3.2 | -3.2 | -3.2 | -1.0 | -1.0 | -1.0 | -1.0 | -1.0 | -1.0 | -1.0 | -1.0 | -1.0 | -1.0 | |
| Depreciation and amortisation | 16.2 | 15.5 | 15.5 | 17.5 | 17.5 | 17.5 | 17.5 | 17.5 | 17.5 | 17.5 | 17.5 | 17.5 | 17.5 | 17.5 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | |
| Change in net working capital | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | |
| Net capital expenditure | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | |
| Free cash flow | 25.3 | 25.3 | 25.3 | 27.1 | 27.3 | 27.3 | 27.3 | 27.3 | 27.3 | 27.3 | 27.3 | 27.3 | 27.3 | 27.3 | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 | |
| Present values | 25.0 | 24.0 | 23.1 | 23.8 | 23.0 | 22.1 | 21.2 | 20.4 | 19.6 | 18.8 | 18.1 | 17.4 | 16.7 | 16.1 | 1.7 | 1.6 | 1.6 | 1.5 | 1.5 | 1.4 | 1.3 | 1.3 | 1.2 | 1.2 | 13.3 |

| | |
|---|---|
| Present value Phase 1 | 72.1 |
| Present value Phase 2 | 231.7 |
| Present value Phase 3 | 0.0 |
| Total present value | 303.8 |
| + Excess cash/Non-operating assets | 29.9 |
| - Financial debt | -186.5 |
| - Provisions | -2.3 |
| Fair value of equity | 144.9 |
| Number of shares (m) | 44.8 |
| Fair value per share (EUR) | 3.23 |

| | | | |
|---|---|---|---|
| Risk free rate | 2.00% | Target equity ratio | 25.0% |
| Equity risk premium | 5.00% | Beta (fundamental) | 0.8 |
| Debt risk premium | 2.75% | WACC | 3.99% |
| Tax shield | 30.0% | Terminal growth | 1.0% |

*Source: quirin Privatbank*

## Cross check with Capital Stage's multiples

We have checked the multiples and balance sheet figures of 7C Solarparken and its German stock-listed competitor Capital Stage AG.
Based on our FY 2017 estimates we derive an EV/Sales multiple of 9.7 and an EV/EBITDA multiple of 13.1 for Capital Stage. If we refer these multiples on 7C, a fair value of EUR 3.52 (based on sales) and EUR 4.72 (based on EBITDA) can be derived.

However, a major reason for CAP's higher multiples result from its wind/solar portfolio: it is younger than 7C's portfolio and therefore the life span of its FITs and cash-flows is longer.

### Valuation

| | 7C Solarparken | Capital Stage |
|---|---|---|
| quirin Estimates FY 2017 | Sales EUR 32.5m<br>EBITDA EUR 28.6m | Sales EUR 218m<br>EBITDA EUR 163m |
| Market cap. in EURm | 107 | 836 |
| Net debt as of Dec. 2016 | 157 | 1,228 |
| EV | 264 | 2,064 |
| EV/Sales | 8.1 | 9.7 |
| EV/EBITDA | 9.3 | 13.1 |
| Relative value per 7C share based on CAP multiples | 3.52 | 4.72 |

Source: quirin Privatbank

## Cross check with peers from the renewable industry

Additionally we had a look on some other stock listed companies from the renewable sector. Here we only took the FY 2017 figures into consideration as we did not model any sales and earnings increases for 7C while data from its peers showed growth in FY 2018 going forward. Obviously analysts assumed the companies to acquire new parks.

Our peer group consists of:

8point3 Energy Partners LP (USA) is a growth-oriented limited partnership formed by First Solar, Inc. and SunPower Corporation to own, operate and acquire solar energy generation projects. 8point3 Energy Partners' primary objective is to generate predictable cash distributions that grow at a sustainable rate. The partnership owns interests in projects in the United States that generate long-term contracted cash flows and serve utility, commercial and residential customers.

ABO Invest AG (Germany) has a focus on wind parks in Europe. The company currently owns 62 plants in France (24), Germany (22), Ireland (14) and Finland (2).

Aventron (Switzerland) is an independent green power producer. The company focuses on the acquisition and the operation of wind, solar and hydro power generation assets in Switzerland and selected countries of Europe. Aventron owns 380 MWp in installed capacity.

Saeta Yield (Spain) is a company that operates renewable energy infrastructure assets. Its business model is based on investment in assets that generate long-term stable and predictable cash flows, with an average life of 21 years. The company has a portfolio of generation assets with an installed capacity of 884 MWp, all in Spain, distributed across 16 wind farms with a total of 539 MW and five solar thermal plants, accounting for 250 MWp.

Scatec Solar (Norway) is an integrated independent solar power producer, delivering a sustainable source of clean energy worldwide. As a long-term player, Scatec Solar develops, builds, owns, operates and maintains solar power plants, the installed capacity amounts to 322 MWp.
The plants are located in the Czech Republic, South Africa, Rwanda, Honduras and Jordan.

TerraForm Power (USA) owns and operates over 500 hundred wind and solar clean energy power installations. The installed capacity amounts 2,607 MWp, thereof 48% solar. 79% of capacity is installed in the USA.

| Peer Group Overview | EV/Sales 2017e | EV/EBITDA 2017e |
|---|---|---|
| 8POINT3 ENERGY PARTNERS LP | 25.8 | 15.5 |
| ABO INVEST AG | 6.9 | 9.1 |
| AVENTRON AG | 8.7 | 13.3 |
| SAETA YIELD SA | 6.1 | 8.5 |
| SCATEC SOLAR ASA | 7.9 | 10.1 |
| TERRAFORM POWER INC - A | 10.2 | 13.9 |
| Median | 8.3 | 11.7 |

Source: Bloomberg, quirin bank

The median of EV/Sales and EV/EBITDA amounts to 8.3x and 11.7x, respectively. The derived fair value for 7C is EUR 2.46 (sales) and EUR 3.83 (EBITDA) per share. However, we clearly prefer earnings-related multiples. The EUR 3.58 price shows the undervaluation of 7C Solarparken.

| Peer Group Results in EUR m | Sales 2017e | clean EBITDA 2017e |
|---|---|---|
| Estimates 7C | 32.5 | 28.2 |
| Multiple | 8.3x | 11.7x |
| Enterprise value | 269.0 | 330.5 |
| Provisions | -2.3 | -2.3 |
| Net debt | -156.7 | -156.7 |
| Fair value of equity | 110.0 | 171.6 |
| | | |
| Number of shares (m) | 44.8 | 44.8 |
| Fair value per share (in EUR) | 2.46 | 3.83 |

Source: Bloomberg, quirin bank

# SWOT Analysis

## Strengths

7C Solarparken is focusing on smaller PV parks where competition is lower compared to larger plants

The energy generation from solar is less volatile than wind. Additionally, the potential of optimisation of solar parks is much higher compared to wind

The Opex/Capex of optimisation measures has an IRR of >20%

The visibility of its forecasts is relatively high, as Feed-In-Tariffs are stable and secure in Germany

Following the re-financing of its largest PV installation in June 2017, the weighted average cost of debt falls from 3.3% to 3.0% for the group. This means annual savings of EUR 0.4m

## Weaknesses

Feed-in-Tariffs on new project > 750 kWp now depend on tenders which will basically lead to lower tariffs. However, 7C Solarparken operates parks with a capacity below 750 kWp that run under the previous system of funding rates prescribed by law

7C Solarparken is a small company with 15 employees and therefore the board members Steven De Proost (CEO) and Koen Boriau (CFO) play a key role in the development of the company. If one or both were not available, the company could get into difficulties

## Opportunities

7C Solarparken can easily grow by the acquisition of new solar parks

A potential entry into the asset management business for institutional investors could stimulate revenues further and improve margins. The asset management business is characterised by high margins; 7C employees could do the job if they are not completely busy

So far the company did not pay a dividend; this could possibly change in the future with a first payment in FY 2018

## Threats

Unfavorable weather conditions (low irradiation) may lead to a lower feed-in into the grid and therefore lower revenues

Competition for attractive sites could rise as renewable energy is an attractive alternative investment in times of low interest rates

Rising interest rates could effectuate that financing costs for future acquisitions will be less attractive

High financial leverage and limited access to equity might stop growth

# Company overview

*Focus on small PV parks in Germany*

## Portfolio as of 31 December 2016

7C Solarparks strategic focus lies on PV parks with a capacity in the range of 1 and 5 MWp. The average size is 1.6 MW. However, the company is open to invest in smaller assets too, if it is economically attractive. In particular parks with a capacity of <750 kWp run under the old FIT system, which means that tariffs are not granted under the auction system.

At the end of FY 2016, its portfolio had a capacity of 100.5 MWp which produces ~102 GWh energy per year. This amount is sufficient to power 25,000 3-person-households. This means savings of 67,000 tons CO2 per year.

| Asset | Country | Type | kWp |
|---|---|---|---|
| Moorenweis | Germany | Ground | 5,938 |
| Sandersdorf | Germany | Ground | 5,122 |
| Thierhaupten | Germany | Ground | 4,996 |
| Immler Portfolio | Germany | Rooftop | 4,543 |
| Pflugdorf | Germany | Ground | 4,400 |
| Grube Warndt | Germany | Ground | 3,811 |
| Schönebeck | Germany | Ground | 3,496 |
| Longuich | Germany | Ground | 3,162 |
| Hohenberg | Germany | Ground | 2,798 |
| Opel | Germany | Rooftop | 2,558 |
| Ramstein | Germany | Rooftop | 2,543 |
| Kettershausen | Germany | Ground | 2,382 |
| Kissing | Germany | Ground | 2,376 |
| Nobitz | Germany | Ground | 2,091 |
| Hausen | Germany | Ground | 2,085 |
| Fahrenholz | Germany | Ground | 2,005 |
| Heretsried | Germany | Ground | 1,967 |
| Landau | Germany | Rooftop | 1,899 |
| Oberhörbach | Germany | Ground | 1,888 |
| Toyota | Belgium | Rooftop | 1,843 |
| Wiesenbach | Germany | Ground | 1,759 |
| Goldberg | Germany | Ground | 1,750 |
| Wolnzach | Germany | Rooftop | 1,696 |
| Zernsdorf | Germany | Ground | 1,537 |
| Zerre VII | Germany | Ground | 1,518 |
| Leipzig | Germany | Rooftop | 1,490 |
| Groß-Stieten | Germany | Rooftop | 1,434 |
| Wandersleben | Germany | Rooftop | 1,423 |
| Neudorf | Germany | Ground | 1,418 |
| Ludwigsfelde | Germany | Rooftop | 1,306 |
| Grafentraubach 1 | Germany | Ground | 1,199 |
| Dahlen | Germany | Rooftop | 1,152 |
| Lipprandis | Germany | Ground | 1,106 |
| Hiendorf | Germany | Ground | 1,059 |
| Glauchau 1 | Germany | Rooftop | 1,056 |
| Zerre IV | Germany | Ground | 1,009 |
| Steinburg | Germany | Rooftop | 1,000 |
| Maisach | Germany | Ground | 999 |
| Leo | Germany | Ground | 998 |
| Aichen | Germany | Rooftop | 979 |
| Mühlgrün | Germany | Ground | 971 |
| Gessertshausen | Germany | Rooftop | 905 |
| Claussnitz | Germany | Ground | 902 |
| Schinne | Germany | Rooftop | 894 |
| Neubukow | Germany | Rooftop | 857 |
| Wulfen | Germany | Rooftop | 802 |
| Jezet | Belgium | Rooftop | 778 |
| Lauter | Germany | Ground | 751 |
| Etzbach | Germany | Rooftop | 736 |
| Stolberg CA2 | Germany | Ground | 648 |
| Tulkas | Germany | Rooftop | 644 |
| Grafentraubach 2 | Germany | Rooftop | 618 |
| Mockrehna | Germany | Rooftop | 463 |
| Kempten Ludwigstraße | Germany | Rooftop | 446 |
| Jet Logistics | Germany | Rooftop | 381 |
| Glauchau 3 | Germany | Rooftop | 372 |
| Welden | Germany | Rooftop | 371 |
| Kempten A.-Einstein-Straße | Germany | Rooftop | 306 |
| Xanten | Germany | Rooftop | 249 |
| Halberstadt | Germany | Rooftop | 240 |
| other assets | Germany | Rooftop | 188 |
| Augsburg | Germany | Rooftop | 79 |
| other assets | Germany | Rooftop | 72 |

Source: 7C Solarparken, Qurin Privatbank

## PV Estate portfolio

Besides the acquisition of PV parks, 7C Solarparks invests in real estate that is related to the park (i.e. "PV Estate"). The book value under IFRS is approximately EUR 8m. This provides aggregated cost saving potential of > EUR 200k p.a. as land lease usually makes up ~5% of sales of an individual park.

| Asset | Real estate | Region | Land size (ha) | Capacity |
|---|---|---|---|---|
| Sandersdorf | Land | Saxony-Anhalt | 9.3 | 5.1 MWp |
| Zerre | Land | Saxony | 28.5 | 8.0 MWp |
| Hausen | Building | Bavaria | n.r. | 0.1 MWp |
| Bayreuth | Building | Bavaria | n.r. | 0.1 MWp |
| Pflugdorf | Land | Bavaria | 16.5 | 4.4 MWp |
| Kettershausen | Land | Bavaria | 5.1 | 2.4 MWp |
| Camp Astrid 2 | Land | North Rhine-Westphalia | 1 | 0.6 MWp |
| Grafentraubach | Land | Bavaria | 4.9 | 1.2 MWp |
| Grafentraubach | Building | Bavaria | 5.9 | 0.6 MWp |
| Grube Warndt | Land | Saarland | 5.7 | 3.8 MWp |
| Großfurra | Land | Thuringia | 6.9 | 4.1 MWp |
| Mühlgrün | Land | Saxony | 1.5 | 1.0 MWp |
| PV Estate portfolio | | | 85.3 | |

Source: 7C Solarparken, quirin Privatbank

*Capacity as of June 2017: 107 MWp*

## Existing IPP portfolio

7C Solarparks current capacity amounts to 107 MWp which translates into revenues of > EUR 32m and EBITDA of > EUR 28m in the current business year. The latest park acquisitions from September 2017 will have no major effects for its FY 2017 p&l.

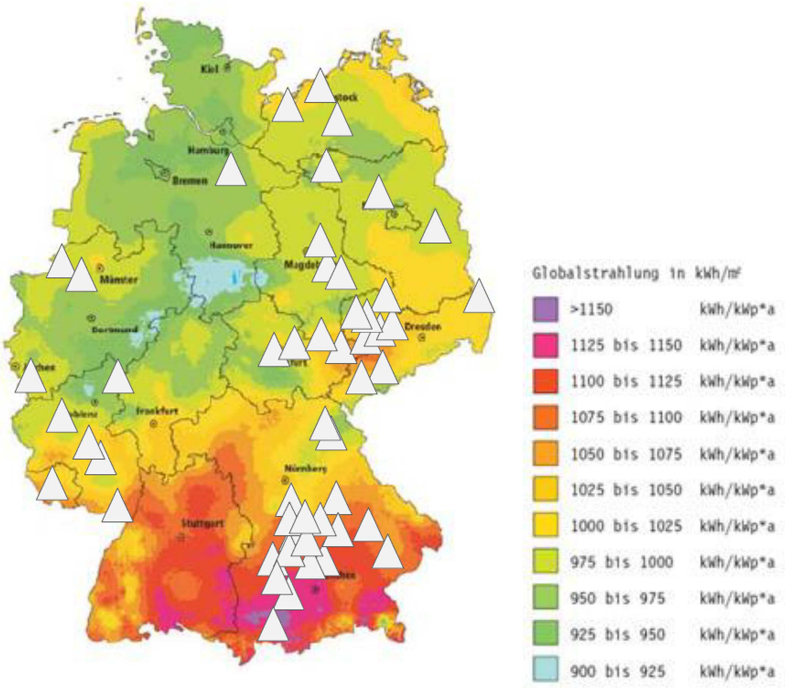
Overview existing IPP portfolio

| | Rooftop MWp | Ground MWp | Total MWp | Revenues (*) EURm | EBITDA (*) EURm |
|---|---|---|---|---|---|
| Germany | 34 | 68 | 102 | 30 | 26 |
| outside Germany | 4 | 1 | 5 | 2 | 2 |
| IPP Portfolio | 38 | 69 | 107 | > 32 | > 27 |

Source: 7C Solarparken, quirin Privatbank (*) IPP only, ex-corporate costs

## Portfolio characteristics

- The picture shows that >95% of the assets are located in Germany with focus on Bavaria where the highest levels of solar irradiation are reached.




Source: 7C Solarparken, quirin Privatbank

- The average year of commissioning was 2010, the average FIT lies at EUR 304/MWh for the next 20 years plus the year of commissioning.
- The extension possibilities are up to 2x5 years in most cases.
- Its 3 largest panels suppliers are First Solar, Canadian Solar and Neo Solar Power, its 3 largest inverter suppliers are SMA, Siemens and Solamax.

## Strategy: optimisation of existing solar plants

**Kissing**

| Date | Year | Oct 2015 | March 2016 | Apr 16 | May 2016 | June 2016 | |
|---|---|---|---|---|---|---|---|
| Remedies | | acquisition | internal O&M | through cleaning | new stringboxes | new inverters | |
| Sensor PR (median) | 73.1% | 72.3% | 74.8% | 76.9% | 76.7% | 79.7% | |
| Sensor failure/deviation | -2.7% | -2.7% | -2.7% | -2.7% | -2.7% | -2.7% | |
| Performance Ratio | 71.1% | 70.3% | 72.7% | 74.8% | 74.6% | 77.5% | |
| Module temperature °C | 18.2 | 13.1 | 9.3 | 14.9 | 20.4 | 25.1 | |
| PR @ 18,2 °C (annual temp) | 71.1% | 69.1% | 70.5% | 73.9% | 75.2% | 79.4% | |
| Improvement | | -2.9% | 2.0% | 4.9% | 1.7% | 5.6% | 11.3% |

Source: 7C Solarparken, quirin Privatbank

The table above shows how the "Kissing" park was optimised. The plant historically had a performance ratio of 71.1% under an average temperature of 18.2 centigrade. When it was acquired in October 2015, 7C Solarparken realized that the performance was 69.1%. Internal operation & maintenance services in March 2016 led to a performance ratio of 70.5%, which corresponds to an improvement of 2.0%. In May 2016 the solar modules were cleaned which led to an improvement of 4.9%. In May and June 2016 new stringboxes and inverters were installed, resulting in a further improvement of 1.7% and 5.6%, respectively.
Hence, all measures increased the output of the solar park by 11.3% which means EUR 90k more cash flow per year.

Similar remedies at the park in Wiesenbach led to an output increase of 9.6% or additional EUR 70k cash flow per year.

**Wiesenbach**

| Date | Year | Oct 2015 | March 2016 | Apr 16 | May 2016 | |
|---|---|---|---|---|---|---|
| Remedies | | acquisition | internal O&M | new stringboxes | new inverters | |
| Sensor PR (median) | 74.2% | 72.8% | 76.2% | 75.9% | 80.6% | |
| Sensor failure/deviation | -2.7% | -2.7% | -2.7% | -2.7% | -2.7% | |
| Performance Ratio | 72.2% | 70.9% | 74.2% | 73.9% | 78.4% | |
| Module temperature °C | 18.2 | 14.4 | 9.4 | 14.8 | 20.9 | |
| PR @ 18,2 °C (annual temp) | 72.2% | 69.9% | 71.9% | 73.0% | 79.1% | |
| Improvement | | -3.1% | 2.8% | 1.5% | 8.5% | 9.6% |

Source: 7C Solarparken, quirin Privatbank

*IRR of optimisation capex >25%*

Annual savings in the amount auf EUR 22k came on top, so the additional EBITDA amounts to EUR 180k per year, if one considers one-time costs of EUR 0.7m, the pay-back period amounts to 3.8 years and the IRR lies at >26%!

**EBITDA impact**

| # EBITDA driver | EUR (ths.) |
|---|---|
| 1. More output | 160 |
| 2. Savings in O&M (repairs, inverter warranty) | 22 |
| 3. Saving on power usage | 2 |

**Investment costs**

| # EBITDA driver | EUR (ths.) |
|---|---|
| 1. Stringboxes, inverters, transformers and EPC + project mgmt | 600 |
| 2. Cleaning of Kissing + loss of revenue during repowering | 100 |

Source: 7C Solarparken, quirin Privatbank

*FITs under pressure for new plants*

## Renewable Energy Sources Act

Under the 2017 Renewable Energy Sources Act, the level of subsidies for electricity from renewable energy has since 1 January 2017 been determined via auctions rather than the previous system of funding rates prescribed by law. This is because renewables have matured and are now fit enough to compete on the market. The auctions ensure that renewable energy is expanded on a continuous, controlled and cost-efficient basis. The legislation aims to maintain the high level of market-player diversity that has characterised the energy transition. Another aspect is, that the law gives the first-ever definition of a "citizens' energy company" and provides simplified terms for them to participate in the auctions.

The price level has dropped from round to round: In the first auction a FIT of 9.17ct/kwh was reached, during the last round (June 2017) it dropped to 5.66 ct/kWh. The next bid date is 1 October 2017.

It is worth mentioning that solar installations with an output lower than 750 kWp will remain entitled to funding at rates set by the state.

## Sales caps under the Renewable Energy Sources Act

The following table shows FITs of solar parks with a capacity below 750 kWp. that are not determined within an auction process. The tariffs of smaller plants are slightly higher compared to bigger ones. The lowest FITs are realised with rooftops on non-residential buildings and ground plants. The highest rates stem from plants on residential/non-residential buildings and noise protection walls with a capacity of ≤10 kWp.

The monthly degression rate refers to newly built plants: For example a park, that was built up in January has a 0.25% higher FIT over the next 20 years compared to a plant constructed in February.

| | Plants on residential/non-residential buildings and noise protection walls | | | | | | | | | Rooftops on non-residential buildings and ground plants | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Implementing | up to 10 kwp (ct/kWh) | | | above 10 kwp up to 40 kWp (ct/kWh) | | | above 40 kwp up to under 750 kWp (ct/kWh) | | | up to 750 kWp (ct/kwh) | | |
| with an annualised | 2,300 | 2,100 | 1,700 | 2,300 | 2,100 | 1,700 | 2,300 | 2,100 | 1,700 | 2,300 | 2,100 | 1,700 |
| expansion up to ... | MWp | MWp | MWp | MWp | MWp | MWp | MWp | MWp | MWp | MWp | MWp | MWp |
| (Degression) | -0.25% | 0.00% | 1.50% | -0.25% | 0.00% | 1.50% | -0.25% | 0.00% | 1.50% | -0.25% | 0.00% | 1.50% |
| 01. Jan 17 | | 12.70 | | | 12.36 | | | 11.09 | | | 8.91 | |
| 01. Feb 17 | | 12.70 | | | 12.36 | | | 11.09 | | | 8.91 | |
| 01. Mrz 17 | | 12.70 | | | 12.36 | | | 11.09 | | | 8.91 | |
| 01. Apr 17 | | 12.70 | | | 12.36 | | | 11.09 | | | 8.91 | |
| 01. Mai 17 | | 12.67 | | | 12.33 | | | 11.06 | | | 8.89 | |
| 01. Jun 17 | | 12.64 | | | 12.30 | | | 11.03 | | | 8.87 | |
| 01. Jul 17 | | 12.60 | | | 12.27 | | | 11.01 | | | 8.84 | |
| 01. Aug 17 | | 12.60 | | | 12.27 | | | 11.01 | | | 8.84 | |
| 01. Sep 17 | | 12.60 | | | 12.27 | | | 11.01 | | | 8.84 | |
| 01. Okt 17 | | 12.60 | | | 12.27 | | | 11.01 | | | 8.84 | |
| 01. Nov 17 | 12.57 | 12.60 | 12.79 | 12.24 | 12.27 | 12.45 | 10.98 | 11.01 | 11.17 | 8.82 | 8.84 | 8.98 |
| 01. Dez 17 | 12.54 | 12.60 | 12.79 | 12.21 | 12.27 | 12.45 | 10.95 | 11.01 | 11.17 | 8.80 | 8.84 | 8.98 |
| 01. Jan 18 | 12.51 | 12.60 | 12.79 | 12.18 | 12.27 | 12.45 | 10.92 | 11.01 | 11.17 | 8.78 | 8.84 | 8.98 |

Source: BSW Solar, quirin Privatbank

## Data on the German solar power industry

In FY 2016 the new photovoltaic capacity base grew by 4.8% yoy to 1.53 GWp. The new PV systems slightly climbed from 51,000 (FY 2015) to 52,000 in FY 2016. The number of installed PV systems climbed to 1.58m in FY 2016 compared to 1.53m one year ago.

The last line shows an interesting figure, too: one expects that the export ratio of the German PV industry rises from 14% (FY 2004) to ~80% in FY 2020.

| Photovoltaic (solar power) industry in Geermany | FY 2016 | FY 2015 | Δ |
|---|---|---|---|
| New photovoltaic (PV) capacity installed in Germany | 1.53 GWp | 1.46 GWp | 4.8% |
| New PV systems installed in Germany 2016 | 52,000 | 51,000 | 2.0% |
| Total PV capacity | 41.2 GWp | 39.7 GWp | 3.8% |
| Total number of installed PV systems at the end of 2016 | 1.58m | 1.53m | 3.3% |
| PV share in German gross power consumption 2016 / 2020 | c. 6.5% / 8-10% | >6% / 8-10% | n.m. |
| CO2 savings | ~24 mln. T | ~26 mln. T | -8.3% |
| # of fulltime jobs by photovoltaic technology 2015 | 31,600 | 38,300 | -17.5% |
| Export ratio PV industry 2004/2015/2020 | 14%/70%/80% | 14%/70%/80% | n.m. |

Source: BSW Solar, quirin Privatbank

# Financials

Below we give an insight in 7C Solarparken's p&l and balance sheet characteristics.

## Balance sheet

- Solar parks: This is the most important position in 7C Solarparken's balance sheet. In FY 2016 it amounted to EUR 229.3m or 80% of total assets. The parks are paid within a period of 16.5 years although the average FIT lies at 20 years.

- PV estate: Besides the production and sale of electricity, the company also occasionally acquires 'PV estate', i.e. land where PV facilities are installed. This position amounts to EUR 7.9m as of 31 December 2016.

- The liquidity amounted to EUR 29.9m; thereof EUR 13.4m are restricted cash, which serves as a security for the bank in case that the company cannot pay back a loan.

- The equity amounted to EUR 71.0m which means a comfortable 25% equity ratio.

- Financial liabilities stood at EUR 168.6m (long-term) and EUR 17.9m (short term). Following the re-financing of a major park in June 2017, the average interest rate falls from 3.3% to 3.0% in the future.

- Provisions amount to EUR 7.7m, thereof EUR 5.4m are booked for site deconstruction. The remaining cover risks (warranties, contingent liabilities) related to the reverse merger with Colexon.

- In October 2016, the company issued a convertible bond with a total nominal amount of EUR 2.5m. The bond, with a nominal price per share of EUR 2.50, pays a 2.5% interest p.a. with a convertible ratio of one share for every convertible bond and has a maturity of 12 months. If the share price is lower than EUR 2.50 on the due date, 7C can either repay the convertible in cash or refinance the convertible.

## P&L

- Other operating income: This position amounted to EUR 4.6m in FY 2016 and basically comprises badwill from purchase price allocation (EUR 1.9m) and termination of provisions (EUR 1.4m).

- EBITDA vs. clean EBITDA: In FY 2016 these positions amounted to EUR 27.9m and EUR 25.3m, respectively. The adjustments contain the gain on bargain purchase (PPA) in the volume of EUR 1.9m as the most important factor. Others are gains from asset sales (EUR 0.4m) and reversal of provisions (EUR 0.6m).

- Interest payment stood at EUR 6.6m in the past business year. Due to the re-financing of an important park, payments will drop by EUR 0.4m p.a. on an annualised basis.

## Cash flow

- CF from operating activities stood at EUR 19.7m and was driven by a high net profit EUR (4.7m) and depreciations (EUR 16.0m) for the most part.

- CF from investing activities amounted to EUR 17.7m and reflect the acquisition of parks (EUR 11.1m) and prepayments for plant under construction (EUR 4.6m).

- CF from financing activities include the repayment of debt (EUR 42.7m) on the one hand and cash inflows from capital increase (EUR 2.0m), convertible (EUR 2.5m) and new debt (EUR 37.6m) on the other hand.

## Long-term developments of new built assets

In the following table we have modelled how the financials of one single park change if it was built up in FY 2007, 2008, 2009, 2010, etc. It is not the development of cash flows of a park that was built up in FY 2007 as the FITs are always stable for 20 years.

We calculated revenues by multiplying MWp * kWh/kWp * EUR/MWh. We have assumed that the installment of new and more efficient inverters will lead to an increase of 5kWh/kWp per year. In contrast we have modelled that the FITs sharply drop from 400 EUR/MWh in 2007 to 66 EUR/MWh in 2019. As a result, revenues fall from EUR 1.95m to ~EUR 340k at the end of the period.

In most cases (70%), 7C does not own the land which therefore must be leased. This position is negotiable and linked to the sales development. In our model we assumed a 5% ratio to sales.

The position "maintenance of inverters" drops over the period, too. The remaining expenditures (operations & maintenance, insurance, landscape maintenance, energy and administration) remain stable.

As a result, the EBITDA margin of a single park should drop from 89% when FITs were very high to 73% in FY 2019 were we assume a FIT of 6.6 c/kWh. The flexibility of some major cost positions will allow 7C to generate a still attractive EBITDA margin of >70% with a park acquired in this year.

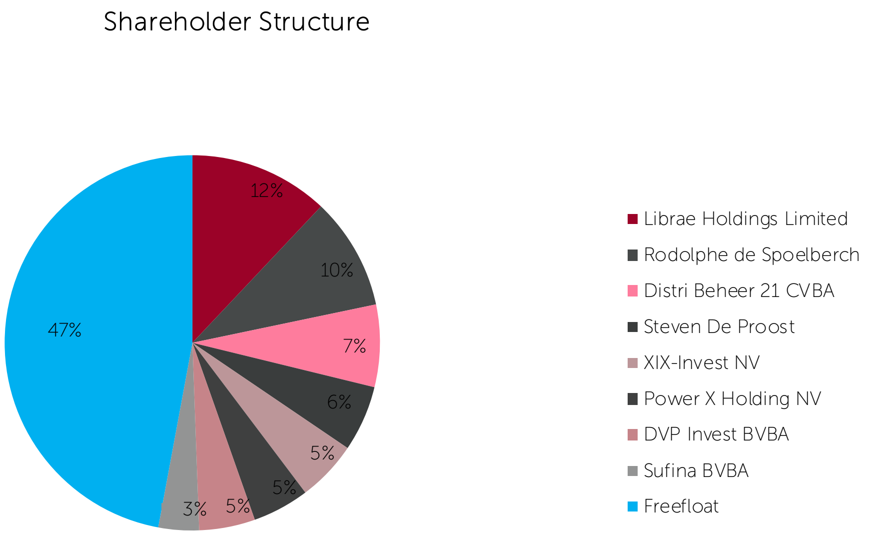
This decline of margin will have an impact of the financing structure. If margins are high, a park can be financed with a 25% equity / 75 debt structure. If the margins come down, the financing requires a higher portion of equity.

For sure, the "real" EBITDA margin for the company in FY 2019 will be higher as older parks still contribute to sales and earnings.

| Year | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| MWp | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 |
| kwh/kWp | 975 | 980 | 985 | 990 | 995 | 1,000 | 1,005 | 1,010 | 1,015 | 1,020 | 1,025 | 1,030 | 1,035 |
| EUR/MWh | 400 | 360 | 324 | 292 | 250 | 175 | 125 | 112 | 101 | 91 | 82 | 74 | 66 |
| Revenues | 1,950,000 | 1,764,000 | 1,595,700 | 1,443,420 | 1,243,750 | 875,000 | 625,613 | 565,853 | 511,788 | 462,879 | 418,633 | 378,607 | 342,401 |
| Land lease | -97,500 | -88,200 | -79,785 | -72,171 | -62,188 | -43,750 | -31,281 | -28,293 | -25,589 | -23,144 | -20,932 | -18,930 | -17,120 |
| O&M | -40,000 | -40,000 | -40,000 | -40,000 | -40,000 | -40,000 | -40,000 | -40,000 | -40,000 | -40,000 | -40,000 | -40,000 | -40,000 |
| Insurance costs | -7,500 | -7,500 | -7,500 | -7,500 | -7,500 | -7,500 | -7,500 | -7,500 | -7,500 | -7,500 | -7,500 | -7,500 | -7,500 |
| Maintenance of landscape | -7,500 | -7,500 | -7,500 | -7,500 | -7,500 | -7,500 | -7,500 | -7,500 | -7,500 | -7,500 | -7,500 | -7,500 | -7,500 |
| Energy | -7,500 | -7,500 | -7,500 | -7,500 | -7,500 | -7,500 | -7,500 | -7,500 | -7,500 | -7,500 | -7,500 | -7,500 | -7,500 |
| Administration | -6,500 | -6,500 | -6,500 | -6,500 | -6,500 | -6,500 | -6,500 | -6,500 | -6,500 | -6,500 | -6,500 | -6,500 | -6,500 |
| Maintenance of inverters | -39,000 | -35,280 | -31,914 | -28,868 | -24,875 | -17,500 | -12,512 | -11,317 | -10,236 | -9,258 | -8,373 | -7,572 | -6,848 |
| Total Opex | -205,500 | -192,480 | -180,699 | -170,039 | -156,063 | -130,250 | -112,793 | -108,610 | -104,825 | -101,401 | -98,304 | -95,503 | -92,968 |
| EBITDA | 1,744,500 | 1,571,520 | 1,415,001 | 1,273,381 | 1,087,688 | 744,750 | 512,820 | 457,243 | 406,963 | 361,477 | 320,329 | 283,105 | 249,433 |
| EBITDA margin | 89% | 89% | 89% | 88% | 87% | 85% | 82% | 81% | 80% | 78% | 77% | 75% | 73% |

Source: quirin Privatbank

## Shareholder Structure




Source: 7C Solarparken, quirin Privatbank

## Profit & loss statement

| Profit & loss statement (EUR m) | 2015 | YOY | 2016 | YOY | 2017e | YOY | 2018e | YOY | 2019e | YOY |
|---|---|---|---|---|---|---|---|---|---|---|
| Sales | 25.4 | n.a. | 30.3 | 19.4 % | 32.5 | 7.3 % | 33.0 | 1.5 % | 33.0 | 0.0 % |
| Unfinished Goods | 0.0 | | 0.0 | | 0.0 | | 0.0 | | 0.0 | |
| Other own work capitalized | 0.0 | | 0.0 | | 0.0 | | 0.0 | | 0.0 | |
| Other operating earnings | 5.7 | | 4.6 | | 2.8 | | 0.0 | | 0.0 | |
| Cost of goods | 0.0 | | 0.0 | | 0.0 | | 0.0 | | 0.0 | |
| Gross profit | 31.0 | | 34.9 | | 35.3 | | 33.0 | | 33.0 | |
| Personnel expenses | 1.3 | | 1.2 | | 1.3 | | 1.3 | | 1.3 | |
| Depreciation | 13.3 | | 16.0 | | 16.2 | | 15.5 | | 15.5 | |
| Other operating expenses | 4.9 | | 5.8 | | 5.8 | | 3.2 | | 3.2 | |
| EBITDA | 24.9 | n.a. | 27.9 | 12.2 % | 28.2 | 1.0 % | 28.5 | 1.0 % | 28.5 | 0.0 % |
| EBITDA margin (%) | 98.20 | | 92.26 | | 86.90 | | 86.40 | | 86.44 | |
| EBIT | 11.6 | n.a | 12.0 | 3.4 % | 12.0 | 0.3 % | 13.0 | 8.4 % | 13.0 | 0.0 % |
| EBIT margin (%) | 45.75 | | 39.59 | | 37.00 | | 39.50 | | 39.50 | |
| Net interest | -5.3 | | -5.8 | | -5.5 | | -5.1 | | -4.7 | |
| Income from Participations | 0.1 | | 0.0 | | 0.0 | | 0.0 | | 0.0 | |
| Net financial result | -5.2 | | -5.8 | | -5.5 | | -5.1 | | -4.7 | |
| Exceptional items | 0.0 | | 0.0 | | 0.0 | | 0.0 | | 0.0 | |
| Pretax profit | 6.4 | n.a | 6.2 | -2.5 % | 6.5 | 4.7 % | 8.0 | 22.2 % | 8.4 | 5.1 % |
| Pretax margin (%) | 25.18 | | 20.56 | | 20.06 | | 24.14 | | 25.37 | |
| Taxes | 0.8 | | 1.5 | | 1.6 | | 2.0 | | 2.1 | |
| Tax rate (%) | 13.20 | | 24.44 | | 25.00 | | 25.00 | | 25.00 | |
| Earnings after taxes | 5.5 | | 4.7 | | 4.9 | | 6.0 | | 6.3 | |
| Minorities | 0.0 | | 0.0 | | 0.0 | | 0.0 | | 0.0 | |
| Group attributable income | 5.5 | n.a | 4.7 | -14.4 % | 4.9 | 3.9 % | 6.0 | 22.2 % | 6.3 | 5.1 % |
| | | | | | | | | | | |
| No. of shares (m) | 44.8 | | 34.8 | | 44.8 | | 44.8 | | n.a. | |
| Earnings per share (EUR) | 0.16 | n.a | 0.11 | -33.5 % | 0.11 | 3.9 % | 0.13 | 22.2 % | 0.14 | 5.1 % |

## Balance sheet

| Balance sheet (EUR m) | 2015 | YOY | 2016 | YOY | 2017e | YOY | 2018e | YOY | 2019e | YOY |
|---|---|---|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | | | | |
| Cash and cash equivalents | 27.3 | | 29.9 | | 30.2 | | 30.7 | | 30.7 | |
| Accounts receivables | 1.4 | | 1.3 | | 1.4 | | 1.5 | | 1.5 | |
| Inventories | 0.2 | | 0.4 | | 0.4 | | 0.4 | | 0.4 | |
| Other current assets | 2.1 | | 4.3 | | 4.3 | | 4.3 | | 4.3 | |
| Tax claims | 0.4 | | 0.2 | | 0.2 | | 0.2 | | 0.2 | |
| **Total current assets** | **31.4** | **n.a** | **36.1** | **15.2 %** | **36.6** | **1.3 %** | **37.1** | **1.3 %** | **37.1** | **0.0 %** |
| Fixed assets | 227.0 | | 241.8 | | 238.9 | | 232.2 | | 221.2 | |
| Goodwill | 0.0 | | 0.0 | | 0.0 | | 0.0 | | 0.0 | |
| Other intangible assets | 0.5 | | 0.7 | | 0.7 | | 0.7 | | 0.7 | |
| Financial assets | 0.0 | | 0.0 | | 0.0 | | 0.0 | | 0.0 | |
| Deferred taxes | 5.0 | | 5.3 | | 5.3 | | 5.3 | | 5.3 | |
| Other fixed assets | 0.8 | | 1.1 | | 1.1 | | 1.1 | | 1.1 | |
| **Total fixed assets** | **233.4** | **n.a.** | **248.9** | **6.7 %** | **246.0** | **-1.2 %** | **239.3** | **-2.7 %** | **228.3** | **-4.6 %** |
| | | | | | | | | | | |
| **Total assets** | **264.7** | **n.a** | **285.1** | **7.7 %** | **282.6** | **-0.9 %** | **276.4** | **-2.2 %** | **265.4** | **-4.0 %** |
| | | | | | | | | | | |
| **Equity & Liabilities** | | | | | | | | | | |
| Subscribed capital | 40.5 | | 42.5 | | 47.5 | | 47.5 | | 47.5 | |
| Reserves & other | 10.1 | | 11.9 | | 11.9 | | 11.9 | | 11.9 | |
| Revenue reserves | 11.6 | | 16.2 | | 21.1 | | 22.6 | | 23.9 | |
| Accumulated other comprehensive | 0.0 | | 0.0 | | 0.0 | | 4.5 | | 5.0 | |
| **Shareholder's equity** | **62.3** | **n.a.** | **71.0** | **14.0 %** | **80.9** | **13.9 %** | **86.9** | **7.4 %** | **88.7** | **2.0 %** |
| Minorities | 0.1 | | 0.4 | | 0.4 | | 0.4 | | 0.4 | |
| **Shareholder's equity incl. minorities** | **62.3** | **n.a.** | **71.0** | **14.0 %** | **80.9** | **13.9 %** | **86.9** | **7.4 %** | **88.7** | **2.0 %** |
| | | | | | | | | | | |
| **Long-term liabilities** | | | | | | | | | | |
| Pension provisions | 0.0 | | 0.0 | | 0.0 | | -3.0 | | -3.0 | |
| Financial liabilities | 165.0 | | 168.6 | | 168.6 | | 162.6 | | 149.7 | |
| Tax liabilities | 9.0 | | 11.0 | | 11.8 | | 11.9 | | 11.9 | |
| Other liabilities | 0.3 | | 0.1 | | 0.1 | | 0.1 | | 0.1 | |
| **Total long-term debt** | **181.8** | **n.a.** | **187.5** | **3.1 %** | **188.8** | **0.7 %** | **180.1** | **-4.6 %** | **167.2** | **-7.1 %** |
| | | | | | | | | | | |
| **Short-term debt** | | | | | | | | | | |
| Other provisions | 0.0 | | 0.0 | | 0.0 | | 0.0 | | 0.0 | |
| Trade payables | 1.7 | | 7.6 | | 8.2 | | 8.3 | | 8.3 | |
| Financial debt | 16.5 | | 17.9 | | 3.5 | | 0.0 | | 0.0 | |
| Other liabilities | 2.4 | | 0.7 | | 0.8 | | 0.8 | | 0.8 | |
| **Total short-term debt** | **20.6** | **n.a.** | **26.6** | **29.1 %** | **12.8** | **-51.8 %** | **9.4** | **-26.4 %** | **9.4** | **0.0 %** |
| | | | | | | | | | | |
| **Total equity & liabilities** | **264.7** | **n.a.** | **285.1** | **7.7 %** | **282.6** | **-0.9 %** | **276.4** | **-2.2 %** | **265.4** | **-4.0 %** |

## Financial key ratios

| Key ratios | 2015 | 2016 | 2017e | 2018e | 2019e |
|---|---|---|---|---|---|
| **Per share data (EUR)** | | | | | |
| EPS | 0.16 | 0.11 | 0.11 | 0.13 | 0.14 |
| Book value per share | 1.8 | 1.6 | 1.8 | 1.9 | 2.0 |
| Free cash flow per share | 0.4 | 0.4 | 0.6 | 0.5 | 0.6 |
| Dividend per share | 0.00 | 0.00 | 0.10 | 0.11 | 0.11 |
| | | | | | |
| **Valuation ratios** | | | | | |
| EV/Sales | 10.43 | 8.81 | 7.76 | 7.25 | 6.86 |
| EV/EBITDA | 10.6 | 9.5 | 8.9 | 8.4 | 7.9 |
| EV/EBIT | 22.8 | 22.3 | 21.0 | 18.3 | 17.4 |
| P/E | 15.0 | 22.8 | 22.1 | 18.1 | 17.2 |
| P/B | 1.3 | 1.5 | 1.3 | 1.2 | 1.2 |
| Dividend yield (%) | 0.0 | 0.0 | 4.2 | 4.8 | 4.6 |
| | | | | | |
| **Growth** | | | | | |
| Sales growth (%) | 74.3 | 19.4 | 7.3 | 1.5 | 0.0 |
| EBITDA growth (%) | 71.2 | 12.2 | 1.0 | 1.0 | 0.0 |
| EBIT growth (%) | 45.8 | 3.4 | 0.3 | 8.4 | 0.0 |
| EPS growth (%) | -11.0 | -33.5 | 3.9 | 22.2 | 5.1 |
| | | | | | |
| **Profitability ratios** | | | | | |
| EBITDA margin (%) | 98.2 | 92.3 | 86.9 | 86.4 | 86.4 |
| EBIT margin (%) | 45.7 | 39.6 | 37.0 | 39.5 | 39.5 |
| Net margin (%) | 21.7 | 15.5 | 15.1 | 18.1 | 19.0 |
| ROCE (%) | 4.8 | 4.6 | 4.5 | 4.9 | n.a. |
| | | | | | |
| **Financial ratios** | | | | | |
| Total equity (EUR m) | 62.3 | 71.0 | 80.9 | 86.9 | 88.7 |
| Equity ratio (%) | 23.5 | 24.9 | 28.6 | 31.4 | 33.4 |
| Net financial debt (EUR m) | 154.2 | 156.7 | 141.9 | 128.9 | 116.0 |
| Net debt/Equity | 0.2 | 0.2 | 0.3 | 0.3 | 0.3 |
| Interest cover | 1.9 | 1.8 | 1.9 | 2.2 | 2.4 |
| Net debt/EBITDA | 6.2 | 5.6 | 5.0 | 4.5 | 4.1 |
| Payout ratio (%) | 0.0 | 0.0 | 92.0 | 86.0 | 80.0 |
| Working Capital (EUR m) | 10.8 | 9.5 | 23.8 | 27.6 | 27.6 |
| Working capital/Sales | 0.42 | 0.31 | 0.73 | 0.84 | 0.84 |

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| Date | Price target-EUR | Rating | Initiation |
|---|---|---|---|
| 18.09.2017 | 3.20 | Buy | |

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