



EQUITY RESEARCH/UPDATE/RENEWABLES/TERNA ENERGY S.A

15/06/15

We upgrade Terna's Fair Estimated Value to 5.00 Euros/Share from 4.20 Euros/Share previously due to enhanced Operating conditions projected for 2015 while pinpointing the High Risk factor of our recommendation attributed to low visibility (downside risks) and very demanding current Valuation (P/E 25x FY15 EPS) .

Following the Q1'15 results, Terna added 8 MW to the existing Wind Farm portfolio thus reaching the 648 MW level. The Company is expecting to utilize up to 950MW until the end of 2015.

Weather conditions during the first quarter of 2015 improved the company's load factor (32.8% from 27.7% for the Q114) and enhanced the Company's operating and profit margins respectively, leading us to incorporate to our valuation slightly improved overall weather conditions for the current year, lower operating costs and economies of scale which could stabilize the Cash Flow generation to a high level capable to preserve profitability.

Despite the improved results, Terna's operations and profitability are still highly exposed to various downside risks such as the framework pertaining the payout per MW/h that could reduce Income from Operations thus hurting Net Earnings and weather conditions that cause volatility to load factor and Sales.

Symbol: *TENERG*

Market: *ATHENS STOCK EXCHANGE*

THESIS: *UV*

FAIR EST. VALUE: *5.00/Share*

Closing Price (12/06/15): *3.14*

Market Cap.: *343.25(mn.)*

P/E: *25*

Ρήτρα Περιορισμού Ευθύνης:

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