



## Company Update: Terna Energy S.A. Reason: Upgrade

### Investment Thesis

Following the summer sale of the US wind plant, the successful issuance of the €500mn bond and the publishing of the 1H2019 financial results we are raising the company's fair price estimate by 5%. Mainly this is a the result of cash flows materializing earlier than previously expected.

Revenues and EBITDA results of the first half of 2020 are within our previous estimates. The risk of delayed ADMIE payments that would disrupt the funding of projects is not materializing and this can be projected from the falling receivables. As far as the cost of debt is concerned, that was expected to rise, it has only increased by 40bps and stands at 7.60%

Terna Energy's lion share of revenues comes from the electricity production of PV & Wind plants. These are economic activities that are set to grow further given the EU green deal, and are unaffected by the coronavirus pandemic.

### Valuation

We are valuing Terna Energy at €12.00 per share (upward revision) through a FCF exercise with an applied rate of 8.1% (same as our June's report).

Given that we cannot find adequate analysis of the new long term target of 2800MW installed capacity within 2025, our analysis conservatively assumes 1938MW of installed capacity within 2021. The new projects are assumed to be financed from new debt by 75%.

<b>Date</b>	<b>09/11/2020</b>
<b>Fair Estimated Price (€)</b>	<b>12,00 €</b>
<b>Investment Thesis</b>	<b>FV</b>
<b>Bloomberg Ticker</b>	<b>TENERGY:GA</b>
<b>Reuters Ticker</b>	<b>TENr.AT</b>
<b>Closing Price (06/11/20)</b>	<b>11,38</b>
<b>Low/High price 52w</b>	<b>5.78/12.00</b>
<b>Market Cap (€mn)</b>	<b>1.296</b>
<b>EPS (2020E)</b>	<b>0,73</b>
<b>DPS (2020 E)</b>	<b>0,35</b>
<b>Dividend Yield %</b>	<b>4,62%</b>



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*For important disclosure information, please refer to the disclaimer page of this report.*

*All N. Chrysochoidis Stock Brokerage I.S.S.A. research is available on the company website and FactSet.*



Summary Financials				
(€mn)	FY2019a	FY2020f	FY2021f	FY2022f
<b>Profit &amp; Loss Items</b>				
Total Net Revenues	299,2	332,3	402,7	445,2
EBITDA	181,9	248,5	263,2	302,4
EBIT	122,9	174,9	184,3	195,2
Net Income	53,2	82,7	56,8	64,6
<b>Balance Sheet Items</b>				
Total Assets	2.118,4	2.136,6	2.848,0	2.768,3
Current Liabilities	717,7	651,6	807,6	866,4
Total Debt	1.021,9	1.097,9	1.608,7	1.631,6
Total Equity	378,8	421,3	435,8	458,1
Debt/Equity	2,3	2,6	3,7	3,6
<b>Cash Flow Items</b>				
Operating Cash Flow	228,5	200,7	232,4	289,8
Free Cash Flow (FCFF)	5,7	-23,8	-471,0	235,0
Net Cash Inflow	151,0	-275,6	-110,3	118,8
Cash at Hand	257,5	266,0	261,7	263,9
CAPEX	205,0	192,0	681,0	30,6
<b>Key Financial Ratios</b>				
Revenue Growth	2,5%	11,1%	21,2%	10,6%
EBITDA Margin	60,8%	74,8%	65,4%	67,9%
EPS	0,47	0,73	0,50	0,57
DPS	0,27	0,31	0,35	0,37
ROE	14,1%	19,6%	13,0%	14,1%
Total Debt / EBITDA (x)	5,6	4,4	6,1	5,4

#### Ρήτρα Περιορισμού Ευθύνης:

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#### Σημειώσεις/Notes

P:	Τρέχουσα Τιμή	Market Price
MCAP:	Κεφαλαίωση	Capitalization
EPS:	Καθαρά Κέρδη Ανά Μετοχή	Earnings per Share
P/E:	Λόγος Τιμής προς Κέρδη	Price/Earnings Ratio
P/S:	Λόγος Τιμής προς Πωλήσεις	Price/Sales Ratio
D/A:	Συνολικός Δανεισμός προς Παθητικό	Total Debt/Assets Ratio
DY:	Απόδοση Μερίσματος	Dividend Yield
ROE:	Απόδοση Ιδίων Κεφαλαίων	Return on Equity
FV:	Τιμή Σωστής Αποτίμησης	Fair Value Price

#### Οδηγός Συστάσεων/Ratings

UV	Χαμηλή Αποτίμηση/ Χαμηλός Κίνδυνος	Underpriced/ Small Risk Stock Price < 20% of Fair
UV1	Χαμηλή Αποτίμηση/ Κίνδυνος	Underpriced/ Risk Stock Price < 10% of Fair
FV	Σωστή Αποτίμηση/ Χαμηλός Κίνδυνος	Fairly Priced/ Small Risk 10% < Stock Price < 10%
OV1	Σωστή Αποτίμηση/ Κίνδυνος	Fairly Priced/ Risk Stock Price > 10% of Fair
OV	Υπερτιμημένη Μετοχή	Overvalued Stock Price > 20% of Fair
N/R	Μη Αποτιμημένη Μετοχή	Not Rated