

# Ellomay Capital

Q1 results

2017 off to a strong start

Ellomay's Q117 results reflected an improvement in solar radiation levels and higher spot power prices in Italy. Gross profit improved by 37% (Q117 vs Q116) and sequentially by 44% (Q117 vs Q416), although G&A costs increased by 26% as new project costs increased, so operating profit was down 12%. Ellomay continued to invest in the development of new projects in Israel, the Netherlands and Spain, with further newsflow expected on their development over the course of the year. Also of note was the strong cash generation over the quarter. We maintain our earnings forecasts and fair value per share at \$10.93, which offers 25% upside to current levels.

Year end	Revenue (\$m)	PBT* (\$m)	EPS* (\$)	DPS (\$)	P/E (x)	Yield (%)
12/15	13.82	1.86	0.35	0.00	25.0	N/A
12/16	12.87	(1.25)	(0.18)	0.23	N/A	2.6
12/17e	13.50	3.75	0.26	0.23	33.7	2.6
12/18e	15.09	5.79	0.41	0.23	21.4	2.6

Note: \*PBT and EPS are normalised, excluding amortisation of acquired intangibles, exceptional items and share-based payments.

## Encouraging core solar performance...

Solar conditions and Italian spot prices drove Ellomay's revenues up by 5.6% in the first quarter. Combined with lower operating costs due to municipal tax decreases in Italy, this helped push gross profits up by 37% q-o-q. While we leave our earnings forecasts for Ellomay's solar operations unchanged, should strong solar and price conditions remain in place and drive a further strong performance in Q2 (results to be reported in September), we would review our earnings at that point.

## ...while new projects near construction phase

Long-term value for Ellomay shareholders depends on management identifying and executing new projects. Ellomay recently invested in a 9MW solar PV plant in Israel and has an investment in a further potential 300MW solar development in Spain. Several waste-to-energy plants in the Netherlands have progressed furthest, with the Dutch Oude Tonge Project having achieved financial close. For now, Ellomay shareholders suffer from high upfront costs such as the \$0.6m associated with Manara Cliff, which helped drive down Q1 operating profits by 12% q-o-q.

## Valuation: \$10.93 per share and 25% upside

Given the potentially one-off nature of solar conditions and spot Italian power prices, we see no need to alter our earnings forecasts, especially given the relatively small contribution the first quarter makes to group performance for the year. Likewise, we view expenditures relating to new projects, which increased Q1 G&A and decreased operating profits, as exceptional and any such future expenses could be capitalised. The result is that we maintain our fair value of \$10.93 per share, which offers equity holders 25% upside to the current price of \$8.76.

Alternative energy

3 July 2017

**Price** **US\$8.76**  
**NIS30.60**

**Market cap** **US\$94m**  
**NIS327m**

\*Priced as at 30 June 2017

Net debt (\$m) at 31 March 2017 34.8

Shares in issue 10.7m

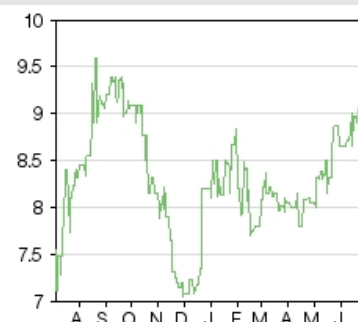
Free float 31%

Code ELLO

Primary exchange NYSE

Secondary exchange TASE

### Share price performance



%	1m	3m	12m
Abs	1.3	8.8	16.0
Rel (local)	0.8	6.1	0.5
52-week high/low	US\$9.6	US\$7.0	

### Business description

Ellomay Capital owns an international portfolio of power generation assets comprised of solar plants in Italy and Spain and a gas-fired power plant in Israel. It is also developing anaerobic digestion plants in the Netherlands. It operates principally in regulated markets.

### Next events

Q217 results September 2017

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## Q117 shows year off to a solid start

Ellomay's results for the three months to 31 March 2017 showed a revenue increase in its volatile solar generation business driven by higher radiance levels and spot power prices in Italy. General and administrative costs increased over the period as a function of continued investment in new power and infrastructure assets in Israel, the Netherlands and Spain.

**Exhibit 1: Ellomay Q117 vs Q116**

US\$000s (as reported)	3M16	3M17	% y-o-y
Revenues	2,546	2,688	5.6
Operating expenses	(608)	(537)	(11.7)
General and administrative costs	(1,084)	(1,361)	25.6
Share of profits (losses) of equity accounted investees	845	835	(1.2)
Reported EBITDA	1,743	1,630	(6.5)
Depreciation	1,221	1,169	(4.3)
Other	44	5	(88.6)
Operating Profit	522	461	(11.7)
Financing income (expenses), net	(2,682)	(2,128)	
Profit before taxes	(2,160)	(1,667)	(22.8)
Tax	53	125	
Net loss for the period	(2,107)	(1,792)	(15.0)
Attributable to owners of the company	(1,988)	(1,608)	(19.1)
Basic profit per share from continuing operations	(0.19)	(0.15)	(21.1)
Dividend per share	0.00	0.00	

Source: Ellomay Capital

## Financials: No changes to earnings, operating cash flow strong

We do not view the higher solar output and higher Italian spot electricity prices witnessed in Q117 as a basis to upgrade our full year forecasts as they could be one-off in nature. However, we will keep a watching brief on solar radiance levels and power prices in the Q2 results, which we expect in September. Further solar generation outperformance could merit an upgrade to our forecasts for the full year. We will also keep an eye on Ellomay's G&A costs which, at \$1.4m for the quarter, came in above the figure of \$1.1m reported in Q116. Management attributed the bulk of the increase to \$0.6m invested in the planned Manara Cliff pumped storage power generation project in Israel. This compared to a figure of \$0.4m in Q116. The rest of the increase was incurred by the use of consultants in relation to the waste-to-energy plants in the Netherlands. Despite slightly lower operating expenses due to tax changes in Italy, the net effect of all these factors was a 6.5% decline in q-o-q EBITDA and an 11.7% drop in q-o-q operating profits. Lower net financing costs helped reduce the net loss for the period to \$1.8m versus \$2.1m in Q116.

Operating cash flow for the quarter was stronger to the tune of \$1.6m due to higher revenue collection in Italy. Also, encouragingly, Ellomay issued \$33.7m of debentures at a low interest rate of 3.44% per year. At end March the group had net debt of \$34.8m including cash of \$58.9m. On 1 June 2017 it reported a cash level of \$42m.

**Exhibit 2: Financial summary**

	US\$000s	2015	2016	2017e	2018e
31-December		IFRS	IFRS	IFRS	IFRS
<b>PROFIT &amp; LOSS</b>					
Revenue		13,817	12,872	13,497	15,092
EBITDA (company definition)		9,685	7,492	11,249	13,042
EBITDA (Edison definition, excluding associates)		7,218	5,888	8,378	9,737
Operating Profit (before amort. and except.)		2,306	1,004	3,340	4,692
Intangible Amortisation		0	0	0	0
Exceptionals		21	99	0	0
Other		3,485	704	0	0
Operating Profit		5,812	1,807	3,340	4,692
Net Interest		(2,893)	(3,760)	(2,465)	(2,206)
Share of assocs/jvs gains/(losses)		2,446	1,505	2,871	3,305
Forex gains/(losses)		0	0	0	0
Other		0	0	0	0
Profit Before Tax (norm)		1,859	(1,251)	3,746	5,791
Profit Before Tax (FRS 3)		5,365	(448)	3,746	5,791
Tax		1,933	(625)	(937)	(1,448)
Profit After Tax (norm)		3,792	(1,876)	2,810	4,343
Profit After Tax (FRS 3)		7,553	(603)	2,810	4,343
Average Number of Shares Outstanding (m)		10.7	10.7	10.7	10.7
EPS - normalised (\$)		0.354	(0.176)	0.263	0.407
EPS - normalised and fully diluted (\$)		0.352	(0.176)	0.263	0.407
EPS - (IFRS) (\$)		0.705	(0.056)	0.263	0.407
Dividend per share (\$)		0.000	0.225	0.225	0.225
EBITDA Margin (%)		52.2	45.7	62.1	64.5
Operating Margin (before GW and except.) (%)		16.7	7.8	24.7	31.1
<b>BALANCE SHEET</b>					
Fixed Assets		126,814	120,628	118,711	117,222
Intangible Assets		0	0	0	0
Tangible Assets		78,975	77,066	72,278	67,483
Investments		33,970	30,788	33,659	36,965
Other		13,869	12,774	12,774	12,774
Current Assets		33,513	34,641	33,152	35,015
Stocks		0	0	0	0
Debtors		8,218	9,952	8,024	8,972
Cash		18,717	23,650	24,088	25,004
Other		6,578	1,039	1,039	1,039
Current Liabilities		(10,103)	(11,102)	(9,968)	(10,095)
Creditors		(4,092)	(4,963)	(3,829)	(3,956)
Short term borrowings		(6,011)	(6,139)	(6,139)	(6,139)
Other		0	0	0	0
Long Term Liabilities		(56,159)	(56,302)	(51,302)	(46,302)
Long term borrowings		(48,117)	(48,385)	(43,385)	(38,385)
Other long term liabilities		(8,042)	(7,917)	(7,917)	(7,917)
Net Assets		94,065	87,865	90,593	95,840
<b>CASH FLOW</b>					
Operating Cash Flow		9,989	10,684	9,171	8,916
Net Interest		(2,904)	(3,049)	(2,465)	(2,206)
Tax		(2,174)	571	(937)	(1,448)
Capex		0	(5,388)	(250)	(250)
Acquisitions/disposals		0	0	0	0
Equity financing		0	0	0	0
Financing		0	0	0	0
Dividends		0	(2,404)	(2,402)	(2,402)
Other		(4,485)	(1,856)	2,871	3,305
Net Cash Flow		426	(1,442)	5,988	5,915
Opening net debt/(cash)		32,932	33,636	34,079	28,641
HP finance leases initiated		0	0	0	0
Other		-461	-999	550	0
Closing net debt/(cash)		33,636	34,079	28,641	22,725

Source: Company accounts, Edison Investment Research

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