

Kleinkraftwerk Birseck AG

Switzerland / Renewable Energy

Berner Börse

Bloomberg: KKBN SW

ISIN: CH0023777235

H1 figures

RATING**PRICE TARGET**

Return Potential

Risk Rating

BUY**CHF10.70**

33.8%

medium

STRONG GROWTH CONTINUING

On 30 September Kleinkraftwerk Birseck (KKB) reported H1 figures. KKB continued its strong growth and increased EBITDA by 42% y/y to CHF 5.8m. In H1, KKB expanded its portfolio of green power assets by ca. 36 MW to 140 MW, which generated 129 GWh of power. A drought in Switzerland and France resulted in lower revenues from hydropower. Revenues and operating results were thus below our estimates. Based on the H1 figures we reduce our forecasts for 2015E. An updated DCF model still yields a CHF 10.70 price target. We reiterate our Buy rating.

Strong revenue and earnings growth In H1/15 KKB increased its asset base by ca. 36 MW to ca. 140 MW. Due to the additional capacity revenues from power production increased to CHF 10.6m (FBe: CHF 11.3m, H1/14: CHF 7.6m). While KKB increased wind and solar revenues significantly (wind: CHF 3.3m vs. CHF 0.7m in H1/14; solar: CHF 3.1m vs. CHF 2.3m in H1/14), hydropower underperformed due to the drought in Switzerland and France (hydro: CHF 4.2m vs. CHF 4.5m in H1/14).

EBITDA was evenly distributed among the different segments (hydro: CHF 2.2m, wind: CHF 2.4m, solar: CHF 2.3m). Compared to H1/14 segment EBITDA (hydro: CHF 2.5m, wind: CHF 0.4m, solar: CHF 1.7m), the current distribution shows how technologically well-diversified the portfolio already is.

Due to the expansion of activity holding costs amounted to CHF 1.1m (net) vs. CHF 0.5m in H1/14. Total operating costs increased to CHF 4.7m from CHF 3.5m in H1/14. Group EBITDA was CHF 5.8m (FBe: CHF 6.4m, H1/14: CHF 4.1m). EBIT amounted to CHF 2.8m (FBe: CHF 3.3m, H1/14: CHF 2.2m).

The net result came in at CHF 0.7m (FBe: CHF 0.8m, H1/14: CHF 0.5m). EPS were lower than in the previous year's period as the number of shares was much higher (17.1m vs. 7.9m) following the large capital increase in 2014. H1 EPS amounted to CHF 0.04 vs. CHF 0.06 in H1/14).

(p.t.o.)

FINANCIAL HISTORY & PROJECTIONS

	2013	2014	2015E	2016E	2017E	2018E
Revenue (CHFm)	11.10	14.75	24.12	41.91	50.68	56.61
Y-o-y growth	n.a.	32.9%	63.6%	73.7%	20.9%	11.7%
EBIT (CHFm)	3.89	3.86	6.81	14.12	16.42	17.92
EBIT margin	35.1%	26.2%	28.2%	33.7%	32.4%	31.6%
Net income (CHFm)	0.93	0.73	1.64	4.76	5.73	6.24
EPS (diluted) (CHF)	0.16	0.06	0.09	0.21	0.20	0.22
DPS (CHF)	0.20	0.20	0.20	0.20	0.20	0.20
FCF (CHFm)	-16.51	-25.69	-89.83	-97.99	-35.00	-30.98
Net gearing	148.1%	107.9%	160.2%	98.9%	121.2%	141.3%
Liquid assets (CHFm)	6.67	16.41	5.20	33.70	14.66	5.62

RISKS

The main risks are technological risks, regulatory risks, financing risks, acquisition risks, and currency risks.

COMPANY PROFILE

Kleinkraftwerk Birseck AG is owner and operator of small hydro power, wind power, and solar power plants. The portfolio comprises 104 MW (end 2014) and is geographically diversified over Switzerland, France, Italy, Germany, and Norway. The company is located in Switzerland near Basel and is listed on the BX Berne eXchange.

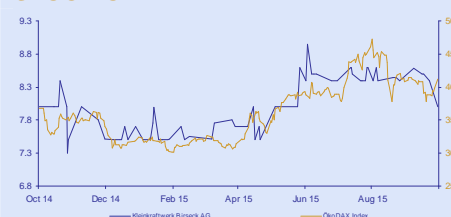
MARKET DATA

As of 01 Oct 2015

Closing Price	CHF 8.00
Shares outstanding	19.45m
Market Capitalisation	CHF 155.61m
52-week Range	CHF 7.30 / 8.95
Avg. Volume (12 Months)	1,006

Multiples	2014	2015E	2016E
P/E	128.1	88.3	38.9
EV/Sales	17.8	10.9	6.3
EV/EBIT	67.8	38.5	18.6
Div. Yield	2.5%	2.5%	2.5%

STOCK OVERVIEW



COMPANY DATA

As of 30 Jun 2015

Liquid Assets	CHF 22.95m
Current Assets	CHF 37.13m
Intangible Assets	CHF 4.09m
Total Assets	CHF 210.19m
Current Liabilities	CHF 29.31m
Shareholders' Equity	CHF 63.25m

SHAREHOLDERS

EBM Trirhena AG	49.8%
Energie Wasser Bern	20.2%
Stadtwerk Winterthur	11.7%
Gebäudeversicherung Kanton Bern	3.6%
Free Float	14.7%



Balance sheet reflects growing asset base Property, plant & equipment increased by almost CHF 10m to CHF 144.4m from CHF 134.8m at the end of the previous year. The cash position was CHF 23.0m vs. CHF 16.4m. The balance sheet total increased to CHF 210.2m from CHF 196.2m.

Equity declined to CHF 63.2m from CHF 75.1m at 31/12/2014. The equity ratio declined to 30.1% from 38.3%. The main reasons for the reduction in equity are foreign exchange effects (CHF -8.3m) and a dividend payout of CHF 3.6m.

Financial debt amounted to CHF 129.5m (of which long-term: CHF 114.4m). Net debt rose to CHF 106.5m from CHF 81.1m.

Positive operating cash flow A higher net profit and significantly increased depreciation (CHF 3.0m vs. CHF 1.9m in H1/14) were the main drivers of high net operating cash flow of CHF 4.4m (H1/14: CHF 1.9m). Operating cash flow after changes in net current assets was positive and amounted to CHF 0.2m (H1/14: CHF -0.3m).

Due to the expansion of the asset base, cash outflow from investment activities amounted to CHF -20.9m. This was financed by additional financial debt (CHF 32.1m). Net cash flow was CHF +7.7m.

Next step on growth path initiated Following the asset purchases in H1 (see our comment of 6 July 2015) KKB had completely invested available funds by the end of H1. In August, the company increased its equity by CHF 21.3m and concluded a CHF 30m framework credit line (see our comment of 24 August 2015). KKB is thus now well-funded for the purchase of further green power assets. We still see the company on track to reach a capacity of 158 MW at the end of 2015 (see our initiating coverage report of 20 May 2015).

Estimates for 2015E lowered Following the weak H1 operating result in the hydropower segment we reduce our 2015E EBIT estimate. Our new 2015E EBIT forecast is CHF 6.8m (previously: CHF 7.6m, see figure 3 overleaf).

Buy rating and price target reiterated An updated DCF model which takes the new forecasts into consideration, still yields a price target of CHF 10.70. Given the upside potential of >25% we reiterate our Buy recommendation.

Figure 1: Reported figures versus estimates

All figures in CHFm	H1-15A	H1-15E	Delta	H1-14	Delta
Sales	10.55	11.30	-6.6%	7.59	39.0%
EBIT	2.78	3.30	-15.8%	2.19	26.9%
margin	26.4%	29.2%		28.9%	
Net income	0.68	0.82	-17.3%	0.47	44.3%
margin	6.4%	7.3%		6.2%	
EPS (diluted)	0.04	0.05	-17.3%	0.06	-33.8%

Source: First Berlin Equity Research, Kleinkraftwerk Birseck AG



Figure 2: Reported segment figures versus estimates

All figures in CHFm	H1-15A	H1-15E	Delta	H1-14	Delta
Hydropower					
Sales	4.19	4.70	-10.9%	4.53	-7.5%
EBITDA	2.20	2.60	-15.4%	2.50	-12.1%
<i>margin</i>	52.6%	55.3%		55.3%	
Wind					
Sales	3.30	3.40	-3.0%	0.72	355.4%
EBITDA	2.35	2.40	-2.1%	0.44	440.2%
<i>margin</i>	71.3%	70.6%		60.1%	
Solar					
Sales	3.07	3.20	-4.1%	2.30	33.3%
EBITDA	2.34	2.40	-2.7%	1.70	37.4%
<i>margin</i>	76.1%	75.0%		73.9%	
Holding					
Sales	0.00	0.00	n.m.	0.00	n.m.
EBITDA	-1.06	-1.00	n.m.	-0.53	n.m.
<i>margin</i>	n.m.	n.m.		n.m.	
Group					
Sales	10.55	11.30	-6.6%	7.55	39.7%
EBITDA	5.83	6.40	-9.0%	4.11	41.8%
<i>margin</i>	55.2%	56.6%		54.4%	

Source: First Berlin Equity Research, Kleinkraftwerk Birseck AG

Figure 3: Changes to forecasts

All figures in CHFm	2015E			2016E			2017E		
	Old	New	Delta	Old	New	Delta	Old	New	Delta
Sales	24.12	24.12	0.0%	41.91	41.91	0.0%	50.68	50.68	0.0%
EBIT	7.58	6.81	-10.2%	14.12	14.12	0.0%	16.42	16.42	0.0%
<i>margin</i>	31.4%	28.2%		33.7%	33.7%		32.4%	32.4%	
Net income	1.97	1.64	-17.0%	4.76	4.76	0.0%	5.73	5.73	0.0%
<i>margin</i>	8.2%	6.8%		11.4%	11.3%		11.3%	11.3%	
EPS (diluted)	0.11	0.09	-16.9%	0.21	0.21	0.0%	0.20	0.20	0.0%

Source: First Berlin Equity Research



DCF MODEL

DCF valuation model								
All figures in CHF '000	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E
Net sales	24,120	41,907	50,682	56,614	61,519	65,086	65,737	66,394
NOPLAT	5,935	11,911	13,791	15,070	16,077	17,076	17,242	17,315
+ depreciation & amortisation	6,337	11,274	14,702	16,901	18,630	19,419	20,079	20,193
Net operating cash flow	12,272	23,186	28,494	31,971	34,708	36,496	37,321	37,508
- total investments (CAPEX and WC)	-98,200	-114,423	-55,828	-54,522	-26,721	-26,050	-19,990	-20,103
Capital expenditures	-97,000	-112,500	-55,400	-54,500	-26,800	-26,139	-20,079	-20,193
Working capital	-1,200	-1,923	-428	-22	79	89	88	90
Free cash flows (FCF)	-85,928	-91,237	-27,335	-22,550	7,986	10,446	17,330	17,405
PV of FCF's	-85,236	-87,457	-25,322	-20,189	6,910	8,734	14,003	13,592

All figures in thousands	
PV of FCFs in explicit period (2015E-2029E)	-90,261
PV of FCFs in terminal period	387,874
Enterprise value (EV)	297,613
+ Net cash / - net debt (pro forma)	-5,885
+ Investments / minority interests	6,458
Shareholder value	298,187

Fair value per share in EUR	10.70
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WACC		Terminal growth rate						
		0.4%	0.6%	0.8%	1.0%	1.2%	1.4%	1.6%
2.7%	13.75	15.42	17.45	19.96	23.15	27.35	33.11	
2.9%	11.91	13.28	14.91	16.66	19.34	22.45	26.55	
3.1%	10.35	11.49	12.82	14.41	16.34	18.73	21.77	
3.3%	9.01	9.96	11.07	12.37	13.92	15.80	18.14	
3.5%	7.84	8.65	9.58	10.66	11.93	13.44	15.28	
3.7%	6.82	7.51	8.30	9.21	10.26	11.50	12.98	
3.9%	5.92	6.52	7.19	7.96	8.85	9.88	11.09	
4.1%	5.12	5.64	6.22	6.88	7.63	8.50	9.50	

* for layout purposes the model shows numbers only to 2022, but runs until 2029



INCOME STATEMENT

All figures in CHF '000	2013A	2014A	2015E	2016E	2017E
Revenues	11,098	14,746	24,120	41,907	50,682
Cost of goods sold	3,149	3,243	4,703	6,035	7,400
Gross profit	7,949	11,503	19,417	35,872	43,282
Personnel costs	90	681	2,171	3,772	4,055
Depreciation and amortisation	2,189	4,272	6,337	11,274	14,702
Other operating income	199	543	241	419	507
Other operating expenses	1,979	3,229	4,342	7,124	8,616
Operating income (EBIT)	3,890	3,864	6,809	14,121	16,417
Net financial result	-1,803	-2,026	-3,898	-6,755	-7,666
Non-operating expenses	-94	129	0	0	0
Pre-tax income (EBT)	1,993	1,967	2,910	7,366	8,751
Income taxes	-56	817	873	2,210	2,625
Minority interests	-1,116	-418	-400	-400	-400
Net income / loss	933	732	1,637	4,756	5,725
Diluted EPS (in €)	0.16	0.06	0.09	0.21	0.20
EBITDA	6,079	8,136	13,145	25,396	31,119
Ratios					
Gross margin	71.6%	78.0%	80.5%	85.6%	85.4%
EBIT margin on revenues	35.1%	26.2%	28.2%	33.7%	32.4%
EBITDA margin on revenues	54.8%	55.2%	54.5%	60.6%	61.4%
Net margin on revenues	8.4%	5.0%	6.8%	11.3%	11.3%
Tax rate	-2.8%	41.5%	30.0%	30.0%	30.0%
Expenses as % of revenues					
Personnel costs	0.8%	4.6%	9.0%	9.0%	8.0%
Depreciation and amortisation	19.7%	29.0%	26.3%	26.9%	29.0%
Other operating expenses	17.8%	21.9%	18.0%	17.0%	17.0%
Y-Y Growth					
Revenues	n.a.	32.9%	63.6%	73.7%	20.9%
Operating income	n.a.	-0.7%	76.2%	107.4%	16.3%
Net income/ loss	n.a.	-21.5%	123.7%	190.5%	20.4%



BALANCE SHEET

All figures in CHF '000	2013A	2014A	2015E	2016E	2017E
Assets					
Current assets, total	14,112	30,056	20,868	50,993	32,046
Cash and cash equivalents	6,673	16,413	5,201	33,695	14,664
Short-term investments	949	1,177	1,177	1,177	1,177
Receivables	1,506	3,294	5,287	6,889	6,943
Inventories	73	72	103	132	162
Other current assets	4,911	9,100	9,100	9,100	9,100
Non-current assets, total	93,885	166,122	256,785	358,011	398,709
Property, plant & equipment	65,646	134,825	225,488	326,714	367,412
Goodwill & other intangibles	1,001	3,117	3,117	3,117	3,117
Other assets	27,238	28,180	28,180	28,180	28,180
Total assets	107,997	196,178	277,653	409,004	430,754
Shareholders' equity & debt					
Current liabilities, total	11,002	21,907	34,839	27,564	30,257
Short-term debt	66	2,162	13,000	5,000	7,000
Accounts payable	6,215	6,908	7,732	7,440	7,095
Current provisions	0	0	0	0	0
Other current liabilities	4,721	12,837	14,107	15,124	16,161
Long-term liabilities, total	61,363	99,186	147,986	206,086	224,686
Long-term debt	59,392	95,292	144,092	202,192	220,792
Deferred revenue	0	0	0	0	0
Other liabilities	1,971	3,894	3,894	3,894	3,894
Minority interests	11,529	6,466	6,866	7,266	7,666
Shareholders' equity	24,103	68,619	87,963	168,088	168,146
Share capital	7,889	17,082	19,451	28,340	28,340
Capital reserve	55,661	106,174	125,125	196,236	196,236
Other reserves	0	0	0	0	0
Treasury stock	0	-56	-56	-56	-56
Loss carryforward / retained earnings	-39,447	-54,581	-56,557	-56,432	-56,375
Total consolidated equity and debt	107,997	196,178	277,653	409,004	430,754
Ratios					
Current ratio (x)	1.28	1.37	0.60	1.85	1.06
Quick ratio (x)	1.28	1.37	0.60	1.85	1.05
Net debt	52,785	81,041	151,891	173,497	213,128
Net gearing	148.1%	107.9%	160.2%	98.9%	121.2%
Book value per share (in CHF)	4.18	5.86	4.87	7.26	5.93
Return on equity (ROE)	3.9%	1.1%	1.9%	2.8%	3.4%
Days sales outstanding (DSO)	49.5	81.5	80.0	60.0	50.0
Days inventory outstanding (DIO)	8.5	8.1	8.0	8.0	8.0
Days payables outstanding (DPO)	720.4	777.5	600.0	450.0	350.0



CASH FLOW STATEMENT

All figures in CHF '000	2013A	2014A	2015E	2016E	2017E
EBIT	3,890	3,864	6,809	14,121	16,417
Depreciation and amortisation	2,189	4,272	6,337	11,274	14,702
EBITDA	6,079	8,136	13,145	25,396	31,119
Changes in working capital	3,610	-4,170	-1,200	-1,923	-428
Other adjustments	-2,049	-2,828	-4,771	-8,965	-10,291
Operating cash flow	7,640	1,138	7,174	14,508	20,399
CAPEX	-23,152	-25,965	-97,000	-112,500	-55,400
Investments in intangibles	-1,000	-861	0	0	0
Free cash flow	-16,512	-25,688	-89,826	-97,992	-35,001
Acquisitions & Disposals, net	864	464	0	0	0
Other Investments	-5,054	-7,579	0	0	0
Cash flow from investing	-28,342	-33,941	-97,000	-112,500	-55,400
Debt financing, net	8,173	27,937	59,638	50,100	20,600
Equity financing, net	15,048	16,371	21,320	80,000	0
Other financing	-797	-1,624	-2,344	-3,614	-4,631
Cash flow from financing	22,424	42,684	78,614	126,486	15,969
Forex & other effects	78	-141	0	0	0
Net cash flows	1,800	9,740	-11,212	28,494	-19,032
Cash, start of the year	4,873	6,673	16,413	5,201	33,695
Cash, end of the year	6,673	16,413	5,201	33,695	14,664
EBITDA/share (in CHF)	1.06	0.69	0.73	1.10	1.10

Y-Y Growth

Operating cash flow	n.a.	-85.1%	530.4%	102.2%	40.6%
Free cash flow	n.a.	n.m.	n.m.	n.m.	n.m.
EBITDA/share	n.a.	-34.2%	4.8%	50.8%	0.1%

FIRST BERLIN RECOMMENDATION & PRICE TARGET HISTORY

Report No.:	Date of publication	Previous day closing price	Recommendation	Price target
Initial Report	20 May 2015	CHF8.00	Buy	CHF10.50
2...1	↓	↓	↓	↓
2	6 July 2015	CHF8.40	Buy	CHF10.50
3	24 August 2015	CHF8.45	Buy	CHF10.70
4	Today	CHF8.00	Buy	CHF10.70

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STRONG BUY: Expected return greater than 50% and a high level of confidence in management's financial guidance

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%

Our risk ratings are Low, Medium, High and Speculative and are determined by ten factors: corporate governance, quality of earnings, management strength, balance sheet and financing risk, competitive position, standard of financial disclosure, regulatory and political uncertainty, company size, free float and other company specific risks. These risk factors are incorporated into our valuation models and are therefore reflected in our price targets. Our models are available upon request to First Berlin clients.

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