



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

07/09/16

**Symbol: TENERG**

**Market: ATHENS STOCK EXCHANGE**

**THESIS: FV**

**FAIR EST. VALUE: 3.00/Share**

**Closing Price (06/09/16): 2.61**

**Market Cap.: 285.31(mn.)**

**P/E: 20**

We retain Terna's Fair Estimated Value to 4.10 Euros/Share due to the evidenced increase of MW capacity, stability in revenues generated from Electricity trading and Construction sectors while we note the sharp reduction in the Group's gross profit margin attributed to unexpectedly favorable weather conditions for the second quarter of 2016.

According to the HY'16 results announcement, Terna managed to utilize 738 MW in the Renewables portfolio and is expecting to reach the level of 790MW until the end of 2016. Weather conditions during the second quarter of 2016 led to a reduced load factor (27.4% from 28.1% for the HY16) and decreased the Company's Gross, operating and profit margins respectively hurting bottom line profitability alongside with the c.1.7mn FX losses, making us cautious for the company's full year performance.

Despite the Q2'16 results, Terna's operations and profitability are highly dependent to H2'16 as these Quarters are the most critical for the Company's overall performance in terms of Revenues and profitability. We still keep our projections for the company's valuation and we will closely monitoring the company's performance in the last quarters of 2016 in order to better calibrate our valuation model and thesis.

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