



Company Update: Terna Energy S.A. Reason: Estimates Revision & Upgrade

Investment Thesis

Our conviction regarding expected revenues and the leveraged balance sheet are the keys for the Terna Energy SA valuation.

The 'lion share' (79% in 2019) of the group's revenues come from the electricity production of PV & Wind plants. The rest is coming from energy trade, construction and contracts with the government. The above create a satisfactory visibility for revenues and operating profit that differentiate Terna: While other industries are trying to answer existential questions that the COVID-19 reality raises, Terna's first line of income statement is highly predictable.

The other side of the coin is that TERNA's investing plans are subject to external funding, rather than the profitability of the group. The management is communicating that the worst case scenario for the funding of its projects is subject to a potentially- extended (more than 6 months) delay of ADMIE payments. For a company that is currently demonstrating a 2,33x Debt to Equity ratio, additional funding could become costly. We are pricing-in our concern for the leveraged balance sheet by expecting an elevated cost of debt that currently stands at 5, 41%.

Still the main case holds: Terna is -currently- the largest producer of electricity from wind farms in Greece with approximately 20% market share. Greece has established a very supportive regulatory framework for wind farm operators and also is a market with strong growth potential for the next years.

Valuation

We are valuing Terna Energy at €11.36 per share (upward revision) through a FCF exercise with an applied rate of 8.1%. Our model assumes that the management will succeed in reaching the goal of 1938MW of installed capacity within 2021, which is far sooner than the company was communicating in the past.

Date	25/06/2020
Fair Estimated Price (€)	11,36 €
Investment Thesis	UV
Bloomberg Ticker	TENERGY:GA
Reuters Ticker	TENr.AT
Closing Price (24/6/20)	9,4
Low/High price 52w	5.78/10.04
Market Cap (€mn)	1.071
EPS (2019A)	0,47
DPS (2019 A)	0,31
Dividend Yield %	4,11%

N. CHRYSOCHOIDIS STOCK BROKERAGE INVESTMENT SERVICES S.A.

Equity Research Department
+30 210 3213913

www.chrysochoidis.gr

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)	FY2018a	FY2019a	FY2020f	FY2021f
Profit & Loss Items				
Total Net Revenues	292,0	299,2	376,3	433,6
EBITDA	167,9	181,9	228,2	271,1
EBIT	118,4	122,9	153,9	192,2
Net Income	47,1	53,2	59,6	62,8
Balance Sheet Items				
Total Assets	1.646,3	2.118,4	2.231,0	2.862,8
Current Liabilities	442,6	658,0	653,0	640,9
Total Debt	812,4	1.021,9	1.161,2	1.651,2
Total Equity	391,2	438,5	457,9	478,4
Debt/Equity	2,1	2,3	2,5	3,5
Cash Flow Items				
Operating Cash Flow	140,0	168,8	190,1	235,2
Free Cash Flow (FCFF)	15,7	-54,0	-28,2	-440,4
Net Cash Inflow	-35,0	91,2	-0,1	-100,6
Cash at Hand	166,4	257,5	211,9	234,7
CAPEX	107,5	205,0	185,7	653,3
Key Financial Ratios				
Revenue Growth	5,6%	2,5%	25,8%	15,2%
EBITDA Margin	57,5%	60,8%	60,7%	62,5%
EPS	0,42	0,47	0,52	0,55
DPS	0,27	0,27	0,31	0,35
ROE	12,0%	12,1%	13,0%	13,1%
Total Debt / EBITDA (x)	4,8	5,6	5,1	6,1

Ρήτρα Περιορισμού Ευθύνης:

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Σημειώσεις/Notes

P:	Τρέχουσα Τιμή	Market Price
MCAP:	Κεφαλαιοποίηση	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
UV1	Χαμηλή Αποτίμηση/ Κίνδυνος	Underpriced/ Risk
FV	Σωστή Αποτίμηση/ Χαμηλός Κίνδυνος	Fairly Priced/ Small Risk
OV1	Σωστή Αποτίμηση/ Κίνδυνος	Fairly Priced/ Risk
OV	Υπερτιμημένη Μετοχή	Overvalued
N/R	Μη Αποτιμημένη Μετοχή	Not Rated