



BUY

Unchanged



Etrion

Sweden, Electric Utilities

ETX.ST (REUTERS) - - ETX SS (BLOOMBERG)

Share price: USD 0.6
Target price: USD 0.8 (1.0)Market cap (m): USD 109
Daily traded shares, -3m (k): 177

Forecast changes (USD)

	Old 2011	New 2011		Old 2012	New 2012	
Sales	60	51	-15%	100	86	-14%
EBIT	23	18	-23%	49	44	-9.2%
PTP	-6	-7	na	0	-1	na
EPS	0	0	na	0	0	na

Source: ABG Sundal Collier

Other key data (USD)

Mkt cap. (m)	109
Mkt cap. (m, USD)	109
Shares out. (m)	187.5
Dil. shares (m)	187.5
Free Float Shares, %	0.0
EV (m)	472
Net IB debt (m)	364

Source: ABG Sundal Collier

Trading data (USD)

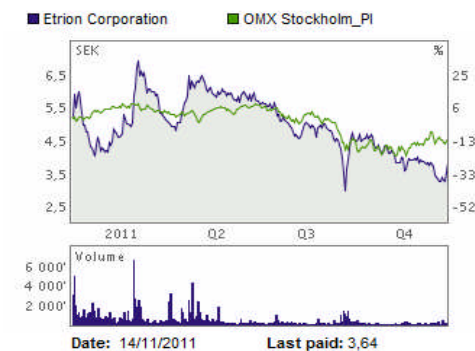
Share price	0.6
Tr. Price	0.8
+/- to target	37.9%
Daily traded shares (3 m, k)	177
Daily traded value (3 m, k)	103

Source: ABG Sundal Collier, company data

Performance	1m	3m	12m	YTD
Absolute	-3.3%	-20.5%	-32.6%	-18.3%

Source: Datastream

Share price



Source: SIX

Key highlights (USDm)

Year	Sales	EBITDA	EBITA	EBITDA marg.	Net profit	EPS	EPS growth	EPS Core	EV/ EBITA	P/E	P/E Core	FCF yield	Div. yield
2007	0.0	0.0	0.0	na	0.0	na	na	na	na	na	na	na	na
2008	0.0	0.0	0.0	na	0.0	na	na	na	na	na	na	na	na
2009	0.0	0.0	0.0	na	0.0	na	na	na	na	na	na	na	na
2010	12	-8.1	-14	-69.7%	-18	-0.11	na	-0.11	neg	neg	neg	0.7%	0.0%
2011e	51	37	18	72.2%	-9.5	-0.05	51%	-0.05	26.7	neg	neg	40.1%	0.0%
2012e	86	69	44	80.5%	-0.6	0.00	94%	0.00	14.0	neg	neg	177.5%	0.0%
2013e	96	80	51	82.7%	-1.5	-0.01	-128%	-0.01	11.7	neg	neg	25.4%	0.0%

Target price: USD 0.8

Risk: FiT levels, expansion slowdown

Methodology: Comparable multiples

Delayed growth, lower margins

In Q3, a seasonally strong quarter for solar electricity production, Etrion Corporation generated a total of ~31 GWh. With an average Feed-in Tariff (FiT) of USD 0.48/kWh and electricity market price of USD 0.11/kWh, the corresponding Q3 revenue came in at USD 18.2m. We lower our 2012 growth path, and now forecast a total of 100MWp installed capacity at the end of 2012, resulting in a 9% EBIT reduction. Nevertheless, we find good value support in the installed and fully financed operating solar assets and upside in aggressive M&A activity in an Italian solar utility market ripe for consolidation. We reiterate BUY, and lower our target price to SEK 5.5/USD 0.8 (SEK 6.5/USD 1.0).

59.6MWp of operational solar assets

- At the end of Q3 Etrion had 59.8MWp of solar electricity generating assets installed, producing 30.9GW of electricity.
- Revenue came in at USD 18.2m and EBITDA at USD 14.9m. EBITDA excluding overhead cost was USD 17.6m, i.e. a 97% EBITDA margin, indicating the strong cash flow generation effect of the solar power plants.

We forecast 100MWp installed by YE 2012

- Key to the Etrion investment case is reaching a critical mass of installed solar assets to justify the overhead organisation.
- Management has indicated this level is at 100MWp. We believe the company will reach this level by Q4 2012 (as opposed to Q2 2012), and consequentially we lower our 2012e EBIT by 9%.

Value support in existing assets – upside through M&A

- We value the 59.8MW of installed solar assets at SEK 5.6 per share, and hence find substantial value support in the existing assets. Furthermore, we see upside potential in Etrion as it takes a leading role in the consolidation of Italian solar energy assets.
- At an EV/EBITDA 2012e of 8.9x, Etrion is trading at a 15% discount to renewable energy utilities at EV/EBITDA 10.2x.
- The risk to our TP mainly concerns a retroactive cut in Italian Feed-in Tariff levels.

Valuation

Existing assets

Plant	Status	MW
Cassiopea	Grid-connected	23.9
Centauro	Grid-connected	8.7
Helios ITA	Grid-connected	6.4
Etrion Lazio	Grid-connected	5.2
SVE	Grid-connected	3
Helios ITA3	Grid-connected	10
Nettuno	Grid-connected	2.6
TOTAL		59.8

Inputs

Production capacity	59.8	MW
Plane of Array Irradiation	2275	MWh/m2
Irradiation Yield	80.5%	
Degradation	98.5%	per year
Availability	98.0%	
Transformer losses	0.4%	
Electricity generated	105,275	MWh
Average FIT	0.340	EUR/kWh
Average market price	0.078	EUR/kWh
Total compensation	0.418	EUR/kWh
FIT revenues	35.8	EURm
Market revenues	8.2	EURm
EUR/USD	1.41	
Revenue	62.0	USDm
OPEX%	20%	
EBITDA	49.6	USDm

Valuation

EBITDA multiple	10	
EV	496	USDm
Net debt Q3	339	USDm
Mkt cap	158	USDm
USD/SEK	6.63	
Mkt cap	1,045	SEKm
Shares outstanding	187.5	m
Fair value per share	5.6	SEK

Source: Etrion Corporation, ABGSC

Renewable energy utility peer group

Peer name	EV/EBITDA			EV/EBIT			P/E		
	11e	12e	13e	11e	12e	13e	11e	12e	13e
Arise Windpower*	16.9	15.5	12.4	33.2	29.4	21.5	50.2	36.4	15.4
Iberdrola Renovables	8.0	7.0	6.6	15.8	14.4	10.7	29.3	29.3	20.9
EDF Energies Nouvelles	13.4	11.7	11.4	20.8	18.0	18.4	23.7	18.7	18.4
EDP Renovaveis	9.9	8.8	7.8	20.7	17.4	14.2	28.7	22.2	16.2
PNE Wind	8.6	8.0	10.8	9.7	7.7	7.7	16.2	9.6	7.9
Greentech En. Sys	143.2	68.8	75.8	394.9	102.4	124.5	597.2	162.9	307.1
Acciona	8.9	8.2	7.4	16.5	17.1	15.3	17.8	21.9	16.4
Theolia S.A.	24.3	12.9	8.7	340.7	32.9	17.1			96.0
ERG Renew									
Average	29.2	17.6	17.6	106.5	29.9	28.7	109.0	43.0	62.3
Median	11.6	10.2	9.7	20.7	17.7	16.2	28.7	22.2	17.4

Peer name	EV/EBITDA			EV/EBIT			P/E		
	11e	12e	13e	11e	12e	13e	11e	12e	13e
Etrion corporation*	12.0	9.6	8.4	28.6	17.2	16.1			

Source: All multiples are FactSet consensus, companies marked * are under ABGSC coverage

Utility peer group

Peer name	EV/EBITDA			EV/EBIT			P/E		
	11e	12e	13e	11e	12e	13e	11e	12e	13e
E.ON AG	5.2	5.9	5.3	7.2	10.2	8.4	14.8	10.5	9.8
RWE AG	4.1	3.8	3.5	5.6	5.7	5.2	7.0	7.0	8.1
Endesa S.A.	4.8	4.1	3.7	7.0	6.0	5.4	8.3	8.0	7.8
Fortum*	11.5	8.3	8.6	15.2	10.8	11.3	11.4	11.0	10.6
Hafslund*	10.1	10.1	8.2	18.4	16.6	12.1	16.7	14.9	14.3
National Grid	8.0	8.8	8.5	10.8	11.9	11.5	12.6	11.8	11.6
GDF Suez	6.3	5.2	4.8	10.7	9.0	8.3	11.9	10.9	9.7
Enel	4.7	4.4	4.3	7.2	6.7	6.5	7.3	7.0	7.0
Centrica	6.3	5.6	5.1	8.7	7.6	7.0	11.7	10.7	9.7
Scottish & Southern Energy	8.1	9.0	8.4	12.0	12.0	11.2	11.8	10.7	10.5
Average	6.9	6.5	6.0	10.3	9.7	8.7	11.3	10.3	9.9
Median	6.3	5.8	5.2	9.7	9.6	8.3	11.7	10.7	9.8

Source: All multiples are FactSet consensus, companies marked * are under ABGSC coverage

Quarterly forecasts

ETRIION CORPORATION P&L	2011e				2012e				2013e			
	Q1a	Q2a	Q3a	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Capacity (MWp)	47.2	47.2	59.8		69.8	84.8	89.8	99.8	99.8	99.8	99.8	99.8
Production (GWh)	11.9	29.0	30.8	13.6	19.8	52.1	55.5	22.7	28.3	61.3	61.7	22.7
Average FiT (USD/kWh)	0.47	0.50	0.48	0.46	0.46	0.46	0.45	0.45	0.45	0.44	0.44	0.43
Market price (USD/kWh)	0.11	0.11	0.11	0.11	0.11	0.11	0.11	0.11	0.11	0.11	0.11	0.11
Revenues	7.3	17.8	18.2	7.9	11.4	29.9	31.6	12.8	15.8	34.1	34.0	12.4
OPEX (incl. asset dep.)	-4.8	-4.9	-5.5	-5.9	-5.8	-6.3	-7.1	-7.3	-7.8	-7.7	-7.6	-7.5
Gross profit	2.4	12.9	12.8	2.0	5.6	23.5	24.5	5.5	8.0	26.3	26.4	4.9
General and adm. expenses	-3.6	-4.0	-3.3	-3.3	-3.8	-3.8	-3.8	-3.8	-3.8	-3.8	-3.8	-3.8
Other income/cost	1.9	-0.5	0.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	0.7	8.4	10.0	-1.4	1.9	19.8	20.7	1.7	4.2	22.6	22.6	1.1
<i>EBIT-Margin</i>	10%	47%	55%	-17%	16%	66%	66%	13%	27%	66%	67%	9%
Financial Income	2.4	0.3	3.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial expenses	-0.2	-8.5	-12.2	-9.9	-9.9	-10.8	-12.0	-12.4	-13.2	-13.2	-13.2	-13.2
PTP	2.9	0.2	1.6	-11.3	-8.1	9.0	8.7	-10.7	-8.9	9.4	9.4	-12.1
Tax	0.3	-2.3	-4.5	3.6	2.5	-2.8	-2.7	3.3	2.8	-2.9	-3.0	3.8
Profit after tax	3.2	-2.1	-2.8	-7.8	-5.5	6.2	6.0	-7.3	-6.1	6.4	6.5	-8.3
EPS (USD)	0.02	-0.01	-0.02	-0.04	-0.03	0.03	0.03	-0.04	-0.03	0.03	0.03	-0.04

Source: Etrion, ABGSC

Income statement (USDm)	2004	2005	2006	2007	2008	2009	2010	2011e	2012e	2013e
Sales							12	51	86	96
COGS							-0.8	-2.2	-2.0	-2.0
Gross profit							11	49	84	94
Other operating items							-19	-12	-15	-15
EBITDA							-8.1	37	69	80
Depreciation on tangibles							-6.0	-19	-25	-29
Depreciation on intangibles							0.0	0.0	0.0	0.0
EBITA							-14	18	44	51
Goodwill impairment charges							0.0	0.0	0.0	0.0
Other impairment and amortisation							0.0	0.0	0.0	0.0
EBIT							-14	18	44	51
Interest net							-5.1	-27	-45	-53
Dividends received							0.0	0.0	0.0	0.0
Exchange differences							0.0	0.0	0.0	0.0
Other financial items							0.4	2.3	0.0	0.0
Net financial items							-4.7	-24	-45	-53
Associated income							0.0	0.0	0.0	0.0
Other EO items							0.0	0.0	0.0	0.0
Pretax profit							-19	-6.6	-0.9	-2.2
Tax							0.6	-3.0	0.3	0.7
Net profit							-18	-9.5	-0.6	-1.5
Minority interest							0.0	0.0	0.0	0.0
Net profit discontinued							0.0	0.0	0.0	0.0
Net profit to shareholders							-18	-9.5	-0.6	-1.5
EPS							-0.11	-0.05	0.00	-0.01
EPS Core							-0.11	-0.05	0.00	-0.01
Total extraordinary items before tax							0.0	0.0	0.0	0.0
Total extraordinary items after tax							0.0	0.0	0.0	0.0
Tax rate							-3.1%	44.8%	-31.4%	-31.4%
Gross margin							93.5%	95.7%	97.6%	97.9%
EBITDA margin							-69.7%	72.2%	80.5%	82.7%
EBITA margin							-121.5%	34.6%	51.4%	52.5%
EBIT margin							-121.5%	34.6%	51.4%	52.5%
Pretax margin							-162.2%	-12.9%	-1.1%	-2.2%
Net margin							-157.2%	-18.7%	-0.76%	-1.5%
Growth rates Y/Y	2004	2005	2006	2007	2008	2009	2010	2011e	2012e	2013e
Sales growth							na	343%	67%	12.3%
EBITDA growth							na	558%	87%	15.3%
EBIT growth							na	226%	149%	14.6%
Net profit growth							na	47%	93%	-128%
EPS growth							na	51%	94%	-128%
Profitability	2004	2005	2006	2007	2008	2009	2010	2011e	2012e	2013e
ROE							-104.5%	-34.9%	-3.3%	-8.0%
ROE Core							-104.5%	-34.9%	-3.3%	-8.0%
ROCE							-4.9%	7.4%	9.7%	9.8%
ROCE Core							-4.9%	7.4%	9.7%	9.8%
ROIC							-8.2%	7.1%	6.5%	6.6%
ROIC Core							-8.2%	7.1%	6.5%	6.6%
Core earnings numbers	2004	2005	2006	2007	2008	2009	2010	2011e	2012e	2013e
EBITDA Core							-8.1	37	69	80
EBITDA Core margin							-69.7%	72.2%	80.5%	82.7%
EBITA Core							-14	18	44	51
EBITA Core margin							-121.5%	34.6%	51.4%	52.5%
EBIT Core							-14	18	44	51
EBIT Core margin							-121.5%	34.6%	51.4%	52.5%
Pretax profit Core							-19	-6.6	-0.9	-2.2
Net profit Core							-18	-9.5	-0.6	-1.5
Net profit to shareholders Core							-18	-9.5	-0.6	-1.5
Net Core margin							-157.2%	-18.7%	-0.76%	-1.5%

Source: ABG Sundal Collier, company data

Cash flow statement (USDm)	2004	2005	2006	2007	2008	2009	2010	2011e	2012e	2013e
EBITDA							-8.1	37	69	80
Net financial items							-4.7	-24	-45	-53
Paid tax							0.6	-3.0	0.3	0.7
Non-cash items							0.0	0.0	0.0	0.0
Cash flow before change in WC							-12	9.7	24	28
Change in WC							23	-22	0.0	0.0
Operating cash flow							0.9	-12	24	28
CAPEX tangible fixed assets							0.0	53	169	0.0
CAPEX intangible fixed assets							0.0	0.0	0.0	0.0
Acquisitions and disposals							0.0	0.0	0.0	0.0
Free cash flow							0.9	41	193	28
Dividend paid							0.0	0.0	0.0	0.0
Share issues and buybacks							0.0	0.0	0.0	0.0
Other non cash items							18	-104	-338	-0.4
Decrease in net IB debt							19	-63	-145	27
Balance sheet (USDm)	2004	2005	2006	2007	2008	2009	2010	2011e	2012e	2013e
Goodwill							1.9	1.8	1.8	1.8
Indefinite intangible assets							0.0	0.0	0.0	0.0
Definite intangible assets							13	14	14	14
Tangible fixed assets							341	379	524	495
Other fixed assets							32	35	35	35
Fixed assets							388	430	574	545
Inventories							0.0	0.0	0.0	0.0
Receivables							13	31	31	31
Other current assets							0.0	0.0	0.0	0.0
Cash and liquid assets							45	44	43	70
Total assets							446	505	647	646
Shareholders equity							35	20	19	18
Minority							0.0	0.0	0.0	0.0
Total equity							35	20	19	18
Long-term debt							261	357	500	500
Pension debt							0.0	0.0	0.0	0.0
Convertible debt							0.0	0.0	0.0	0.0
Deferred tax							8.8	4.7	4.7	4.7
Other long-term liabilities							10	26	26	26
Short-term debt							88	51	51	51
Accounts payable							36	31	31	31
Other current liabilities							7.7	15	15	15
Total liabilities and equity							446	505	647	646
Net IB debt							304	364	508	481
Net IB debt excl. pension debt							304	364	508	481
Capital invested							333	394	538	510
Working capital							-23	-0.9	-0.9	-0.9
EV breakdown										
Market cap. diluted (m)							115	109	109	109
Net IB debt adj.							304	364	508	481
Market value of minority							0.0	0.0	0.0	0.0
Reversal of shares and participations							0.0	0.0	0.0	0.0
Reversal of conv. debt assumed equity							0.0	0.0	0.0	0.0
EV							419	472	617	590
Capital efficiency	2004	2005	2006	2007	2008	2009	2010	2011e	2012e	2013e
Total assets turnover							0.05	0.11	0.15	0.15
Capital invested turnover							0.07	0.14	0.18	0.18
Capital employed turnover							0.07	0.14	0.19	0.19
Inventories / sales							0.00%	0.00%	0.00%	0.00%
Customer advances / sales							0.00%	3.1%	1.6%	1.2%
Payables / sales							155.3%	6.5%	3.3%	2.4%
Working capital / sales							-98%	-23%	-1.1%	-0.9%
Financial risk and debt service	2004	2005	2006	2007	2008	2009	2010	2011e	2012e	2013e
Net debt / equity							874%	1,826%	2,639%	2,706%
Net debt / market cap							265%	334%	467%	442%
Equity ratio							7.8%	3.9%	3.0%	2.8%
Net IB debt adj. / equity							874%	1,826%	2,639%	2,706%
Current ratio							0.44	0.77	0.75	1.0
EBITDA / net interest							neg	1.4	1.5	1.5
Net IB debt / EBITDA							neg	9.8	7.4	6.0
Interest cover							nm	0.7	1.0	1.0

Source: ABG Sundal Collier, company data

Valuation and ratios (USDm)	2004	2005	2006	2007	2008	2009	2010	2011e	2012e	2013e
Share data										
Shares outstanding adj.							166.14	187.54	187.54	187.54
Diluted shares (adj, avg)							166.14	176.84	187.54	187.54
Diluted shares adj.							166.14	187.54	187.54	187.54
Shares outstanding (adj, avg)							166.14	176.84	187.54	187.54
Sales per share							0.07	0.29	0.46	0.51
EBITDA per share							-0.05	0.21	0.37	0.42
EBITA per share							-0.08	0.10	0.24	0.27
EBIT per share							-0.08	0.10	0.24	0.27
EPS							-0.11	-0.05	0.00	-0.01
Dividend per share							0.00	0.00	0.00	0.00
Operating cash flow per share, OCFPS							0.01	-0.07	0.13	0.15
Free cash flow per share, FCFPS							0.01	0.23	1.03	0.15
EBITDA Core per share							-0.05	0.21	0.37	0.42
EBITA Core per share							-0.08	0.10	0.24	0.27
EBIT Core per share							-0.08	0.10	0.24	0.27
EPS Core							-0.11	-0.05	0.00	-0.01
BVPS							0.21	0.11	0.10	0.09
BVPS adj.							0.12	0.02	0.02	0.01
Net IB debt / share							1.83	1.94	2.71	2.57
Share price							0.69	0.58	0.58	0.58
Share price (high)							0.87	1.0	1.0	1.0
Share price (low)							0.59	0.46	0.46	0.46
Market cap. (m)							115	109	109	109
Valuation										
P/E							neg	neg	neg	neg
P/OCFPS							>50	neg	4.5	3.9
P/FCFPS							>50	2.5	0.6	3.9
EV/Sales							36	9.2	7.2	6.1
EV/EBITDA							neg	12.8	8.9	7.4
EV/EBITA							neg	26.7	14.0	11.7
EV/EBIT							neg	26.7	14.0	11.7
Dividend yield							0.0%	0.0%	0.0%	0.0%
FCF yield							0.7%	40.1%	177.5%	25.4%
P/BVPS							3.3	5.5	5.6	6.1
P/BVPS adj							5.7	25	29	49
P/E Core							neg	neg	neg	neg
EV/EBITDA Core							neg	12.8	8.9	7.4
EV/EBITA Core							neg	26.7	14.0	11.7
EV/EBIT Core							neg	26.7	14.0	11.7
EV/cap. employed							1.2	1.2	1.2	1.2
Investment ratios										
CAPEX / sales							0.0%	-104%	-197%	0.0%
CAPEX / depreciation							0.0%	-277%	-676%	0.0%
CAPEX tangibles / tangible fixed assets							0.0%	-14.0%	-32%	0.0%
CAPEX intangibles / definite intangibles							0.0%	0.0%	0.0%	0.0%
Depreciation on intangibles / definite intangibles							0.0%	0.0%	0.0%	0.0%
Depreciation on tangibles / tangibles							1.8%	5.1%	4.8%	5.9%

Source: ABG Sundal Collier, company data

Important Company Specific Disclosure

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