

Ellomay Capital

2018 a key year for growth delivery

Q3/9M17 results

Alternative energy

Ellomay Capital is a renewable power and energy infrastructure company currently undertaking significant new development projects. 9M17 results showed significant EBITDA growth (+23% y-o-y), mostly reflecting an increase in solar production thanks to the normalisation in weather conditions. We expect 2018 to be a key year for project delivery as our revised forecasts point to very strong profit growth (EBITDA up 80% y-o-y), mainly driven by the commissioning of two new biogas projects in the Netherlands and full contribution from the solar PV acquisition in Israel. We see project delivery as the main catalyst for the stock.

Year end	Revenue (\$m)	PBT* (\$m)	EPS* (c)	DPS (c)	P/E (x)	Yield (%)
12/15	13.8	1.9	35.4	0.00	29.9	N/A
12/16	12.9	(1.3)	(13.2)	22.5	N/A	2.1
12/17e	15.1	0.9	(1.2)	0.00	N/A	N/A
12/18e	27.4	6.3	32.8	9.8	32.3	0.9

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

2017 to show strong operating profit pick-up...

Ellomay's latest results (9M17) showed significant growth in EBITDA (+23% y-o-y), mainly reflecting the normalisation in solar PV production in Italy and Spain following unfavourable weather conditions in 2016. At the bottom line, the net loss of \$3.6m was mainly the result of a one-off negative impact from revaluation of derivatives and exchange rate differences. Overall, after updating our FX assumptions (reflecting a recent move in the US\$ vs €), 9M17 results and updated expectations re timing of growth projects, we forecast \$10m FY17 EBITDA (company definition; +33% y-o-y) and a net loss of \$3.3m. At the same time, we raise our 2017-20 EBITDA estimates by c 4-16%.

...but 2018 is the year to watch for project delivery

Our revised 2018 forecasts imply strong y-o-y profit growth due to the contribution from recent acquisitions (Israeli solar PV, consolidated from October 2017) and the commissioning of new projects (two biogas projects in the Netherlands). We forecast +80% y-o-y EBITDA growth in 2018. Beyond 2018, Ellomay has a pipeline of two large projects (a 300MW solar PV plant in Spain and a 156MW Israeli pumped-storage plant – recently reduced from 340MW by the regulator), which would represent significant profit growth opportunities in the medium term and an upside to our forecasts. Ellomay announced that it signed a PPA for the sale of electricity from the plant in Spain, which we view positively; financial closure is expected in Q2-Q318.

Valuation: Upside potential with catalysts

We have revisited our SOTP valuation to incorporate our changes in forecasts and updated FX assumptions. Our SOTP valuation of \$11.4/share (NIS38.8/share) is broadly unchanged and implies > 20% upside potential to the current share price. We note the stock is trading very close to book value so discounting little ability to create value from existing and future development projects. We believe delivery on 2018 projects would provide an opportunity to crystallise the upside potential.

30 January 2018

Price* **US\$10.59/**
NIS36.01
Market cap **US\$113m/**
NIS384.2m
US\$/NIS:3.40

* Priced as at 26 January 2018

Estimated net debt (\$m) at end 2017 78

Shares in issue 10.7m

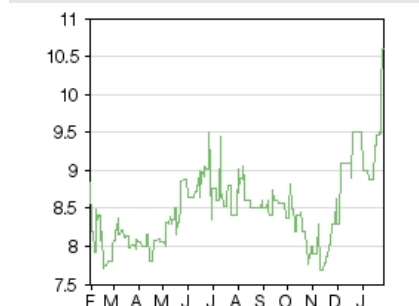
Free float 31.7%

Code ELLO

Primary exchange NYSE American

Secondary exchange TASE

Share price performance



% 1m 3m 12m

Abs 15.9 36.4 22.3

Rel (local) 8.1 21.5 (2.2)

52-week high/low US\$10.6 US\$7.7

Business description

Ellomay Capital is a renewable power and energy infrastructure owner, operator and developer. Its core asset portfolio includes solar PV plants in Italy (22.6MW), Spain (7.9MW) and Israel (9MW). Ellomay owns a stake in a gas-fired plant in Israel and is building biogas plants in the Netherlands.

Next events

FY17 results March 2018

Analysts

Dario Carradori +44 (0)20 3077 5700

Graeme Moyse +44 (0)20 3077 5700

industrials@edisongroup.com

[Edison profile page](#)

Exhibit 1: Financial summary

	US\$000s	2015	2016	2017e	2018e	2019e	2020e
31-December		IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
PROFIT & LOSS							
Revenue		13,817	12,872	15,063	27,374	28,511	28,511
EBITDA (company definition)		9,685	7,492	9,978	17,974	18,911	18,911
EBITDA (Edison definition, excluding associates)		7,218	5,888	7,463	15,974	16,911	16,911
Operating Profit (before amort. and except.)		2,306	1,004	2,563	8,774	9,611	9,611
Intangible Amortisation		0	0	0	0	0	0
Exceptionals		21	99	15	0	0	0
Other		0	0	0	0	0	0
Operating Profit		5,812	1,807	(592)	8,774	9,611	9,611
Net Interest		(2,893)	(3,760)	(4,166)	(4,506)	(4,640)	(4,503)
Share of assocos/JVs gains/(losses)		2,446	1,505	2,500	2,000	2,000	2,000
Forex gains/(losses)		0	0	0	0	0	0
Other		3,485	704	(3,170)	0	0	0
Profit Before Tax (norm)		1,859	(1,251)	897	6,269	6,971	7,108
Profit Before Tax (FRS 3)		5,365	(448)	(2,258)	6,269	6,971	7,108
Tax		1,933	(625)	(1,171)	(1,567)	(1,743)	(1,777)
Profit After Tax (norm)		3,792	(1,408)	(124)	3,501	3,894	3,970
Profit After Tax (FRS 3)		7,298	(605)	(3,279)	3,501	3,894	3,970
Average Number of Shares Outstanding (m)		10.7	10.7	10.7	10.7	10.7	10.7
EPS - normalised (\$)		0.354	(0.132)	(0.012)	0.328	0.365	0.372
EPS - normalised and fully diluted (\$)		0.354	(0.132)	(0.012)	0.328	0.365	0.372
EPS - (IFRS) (\$)		0.681	(0.057)	(0.307)	0.328	0.365	0.372
Dividend per share (\$)		0.000	0.225	0.000	0.098	0.109	0.112
EBITDA Margin (%)		52.2	45.7	49.5	58.4	59.3	59.3
Operating Margin (before GW and except.) (%)		16.7	7.8	17.0	32.1	33.7	33.7
BALANCE SHEET							
Fixed Assets		126,814	120,628	152,965	160,765	160,465	160,165
Intangible Assets		0	0	0	0	0	0
Tangible Assets		78,975	77,066	110,290	116,090	113,790	111,490
Investments		33,970	30,788	33,288	35,288	37,288	39,288
Other		13,869	12,774	9,387	9,387	9,387	9,387
Current Assets		33,513	34,641	28,918	23,458	25,976	27,416
Stocks		0	0	0	0	0	0
Debtors		8,218	9,952	12,502	16,275	16,950	16,950
Cash		18,717	23,650	9,828	596	2,438	3,877
Other		6,578	1,039	6,588	6,588	6,588	6,588
Current Liabilities		(10,103)	(11,102)	(12,499)	(15,188)	(17,346)	(18,346)
Creditors		(4,092)	(4,963)	(6,360)	(6,049)	(6,207)	(6,207)
Short term borrowings		(6,011)	(6,139)	(6,139)	(9,139)	(11,139)	(12,139)
Other		0	0	0	0	0	0
Long Term Liabilities		(56,159)	(56,302)	(94,763)	(90,763)	(86,763)	(82,763)
Long term borrowings		(48,117)	(48,385)	(83,676)	(79,676)	(75,676)	(71,676)
Other long term liabilities		(8,042)	(7,917)	(11,087)	(11,087)	(11,087)	(11,087)
Net Assets		94,065	87,865	74,621	78,272	82,332	86,472
CASH FLOW							
Operating Cash Flow		8,056	11,309	6,326	11,891	16,393	16,911
Net Interest		(2,904)	(3,049)	(4,166)	(4,506)	(4,640)	(4,503)
Tax		(241)	(54)	(1,171)	(1,567)	(1,743)	(1,777)
Capex		0	(5,388)	(7,124)	(13,000)	(5,000)	(5,000)
Acquisitions/disposals		0	0	(40,815)	0	0	0
Equity financing		0	0	0	0	0	0
Financing		0	0	0	0	0	0
Dividends		0	(2,404)	0	(1,050)	(1,168)	(1,191)
Other		(4,485)	4,655	3,387	0	0	0
Net Cash Flow		426	5,069	(43,564)	(8,233)	3,842	4,440
Opening net debt/(cash)		50,264	33,636	34,079	77,643	85,875	82,033
HP finance leases initiated		0	0	0	0	0	0
Other		-461	5512	0	0	0	0
Closing net debt/(cash)		33,636	34,079	77,643	85,875	82,033	77,594

Source: Ellomay Capital, Edison Investment Research. Note: We now normalise 2017e EPS to remove the one-off \$3.17m negative impact from derivative fair value adjustments.

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Frankfurt +49 (0)69 78 8076 960
Schumannstrasse 34b
60325 Frankfurt
Germany

London +44 (0)20 3077 5700
280 High Holborn
London, WC1V 7EE
United Kingdom

New York +1 646 653 7026
295 Madison Avenue, 18th Floor
10017, New York
US

Sydney +61 (0)2 8249 8342
Level 12, Office 1205
95 Pitt Street, Sydney
NSW 2000, Australia

Tel Aviv +44 (0)20 3734 1007
Medinat Hayehudim 60
Herzliya Pituach, 46766
Israel