

Company Flash Note

Reason: Estimates revision

20 November 2020

Buy

Recommendation unchanged

Share price: EUR 14.10

closing price as of 19/11/2020

Target price: EUR 19.30

from Target Price: EUR 16.61

Upside/Downside Potential 36.9%

Reuters/Bloomberg

GRN.MC/GRN.SM

Market capitalisation (EURm) 299

Current N° of shares (m) 21

Free float 11%

Daily avg. no. trad. sh. 12 mth (k) 16

Daily avg. trad. vol. 12 mth (k) 16.00

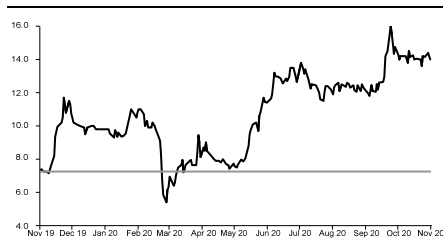
Price high/low 12 months 16.00 / 5.40

Abs Perfs 1/3/12 mths (%) -1.40/18.49/94.48

Key financials (EUR)	12/19	12/20e	12/21e
Sales (m)	40	68	97
EBITDA (m)	3	14	28
EBITDA margin	8.3%	20.0%	28.5%
EBIT (m)	1	9	19
EBIT margin	3.3%	12.6%	19.7%
Net Profit (adj.)(m)	0	5	12
ROCE	0.5%	2.6%	3.5%
Net debt/(cash) (m)	184	241	399
Net Debt Equity	nm	nm	nm
Net Debt/EBITDA	55.4	17.7	14.4
Int. cover(EBITDA/Fin.int)	2.8	3.5	4.0
EV/Sales	9.6	7.9	7.2
EV/EBITDA	nm	39.6	25.3
EV/EBITDA (adj.)	nm	39.6	25.3
EV/EBIT	nm	63.2	36.6
P/E (adj.)	nm	nm	25.0
P/BV	nm	96.1	24.8
OpFCF yield	-40.5%	-15.4%	-48.4%
Dividend yield	0.0%	0.0%	0.0%
EPS (adj.)	0.00	0.21	0.56
BVPS	(0.01)	0.15	0.57
DPS	0.00	0.00	0.00

Shareholders

Founder family 84%; JM Castellano 5%;



Source: FactSet

GREENALIA MAB (Rebased)

Analyst(s)

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El entorno sectorial aflora más valor de los activos

Las transacciones y las refinanciaciones de activos renovables que se han conocido recientemente, ponen de manifiesto tanto el interés de inversores estratégicos por esa actividad, como una mayor valoración respecto a los parámetros que se estaban utilizando hasta ahora. Adicionalmente, la entrada en funcionamiento de la planta de biomasa y la modificación de la regulación, que le ha aumentado el número de horas regulatorias, incrementa el valor de Curtis y hace desaparecer su riesgo de ejecución. Es cierto que los cuellos de botella ya existentes y en algunos casos alargados por la pandemia, han retrasado algunos proyectos, pero dado que la vida útil de los mismos es de unos 30 años y sigue siendo la misma, el impacto en el valor es reducido. Integrando estos inputs en nuestro modelo hemos revisado nuestra valoración desde 16,61 a 19,30 EUR/acc.

- ✓ Hace unos días conocimos una operación de referencia en el sector de la biomasa cuando Ence vendió el 49% de su negocio en esa actividad. Estimamos que la operación se valoró en 15,5x EV/Ebitda, aunque se incluían 266 MW operativos y 405MW de pipeline en diferentes fases de desarrollo. Nuestra valoración de la planta de biomasa de Greenalia (Curtis) suponía antes de la presente revisión un EV/Ebitda de 12,5x.
- ✓ Hemos revisado el modelo de valoración de la planta de Curtis para elevar las horas de funcionamiento con RO (retribución a la operación) desde 6.500 a 7.500 horas. Esto eleva el Ebitda anual desde la estimación anterior de 15 mEUR a 17 mEUR. Además, dado que la planta está vertiendo a la red desde verano, el riesgo de ejecución desaparece y ya solo hay un riesgo de operación normalizado como en cualquier activo. Nuestra nueva valoración supone 16x EV/Ebitda para este activo.
- ✓ Con la publicación de resultados del 1S20 realizada en septiembre, la empresa actualizó el pipeline de proyectos, incorporando los 60MW solares que ha adquirido recientemente y los 250 MW de off-shore que desarrollará en Canarias y que ha empezado a tramitar. Esta es la situación actual de dicho portfolio:

Greenalia: Pipeline Sep 2020

MW	Under Construction	Backlog	Grid Access	Early Stage	Total
Onshore Wind	50	135	1,094	1,147	2,426
Solar			660	25	685
Offshore				250	250
Biomasa	0		0	100	100
Total	50	135	1,754	1,522	3,461
Greenalia					

- ✓ Ajustamos la contribución temporal de los proyectos al Ebitda en función de la situación actual de los proyectos, que han sufrido cierto retraso e incorporando el incremento mencionado del Ebitda de la planta de Curtis. El impacto en resultados es moderado a medio plazo, ya que el Ebitda que estimamos para 2023 pasa de 87 mEUR a 80 mEUR. En términos acumulados de caja generada en la vida de los proyectos, los retrasos no tienen impacto en la valoración.
- ✓ Con todo ello, subimos la valoración de la empresa desde 16,61 a 19,30 EUR/ACC, utilizando un descuento de CF generados por los proyectos en su vida útil y cruzando el resultado con una valoración por partes, que detallamos a continuación.

Subimos la valoración desde 16,61 a 19,30 EUR/ACC

Nuestra valoración de Greenalia está realizada mediante una valoración de flujos de caja de proyectos por unos 1.300MW. Ese plan de negocios está fuertemente respaldado por el pipeline que incluye, como hemos visto, 2013 MW de proyectos con punto de conexión concedido (incluyendo el pipeline, los que están en construcción y los operativos) y más de 1.500 MW en una fase más temprana. Para esta valoración utilizamos una wacc del 5,5%. En esa valoración no se estaría incluyendo el valor del pipeline adicional

Por ello realizamos otra aproximación de valoración más estática, aplicando referencias de operaciones de mercado y propias a los activos en construcción y a la cartera de proyectos, que es la siguiente, y por la que llegamos a una valoración similar.

Greenalia: acid test valuation

EURm	MW	Ebitda	EV	EV/MW	Debt/ Capex	Equity	Implicit EV/Ebitda	EUR/Sh
MW Biomass	50	17.0	274	5.47	107	167	16.1x	7.88
MW Wind	24	2.4	36	1.50	23	13	14.9x	0.60
Traditional business		6.0	48		29	19	8.0x	0.89
Operating Assets (EURm)	74	25.4	357.7		158.7	199.0	14.1x	9.37
Under Construction and RtB (Wind)	185.22	20.2	259	1.40	203.7	56	12.8x	2.62
VA pipeline with Grid Access	1,754	189	1,709		1,599	110	9.1x	5.16
Wind	1,094	144.8	1,280	1.17	1203.4	77	8.8x	3.61
PV	660	43.7	429	0.65	396.0	33	9.8x	1.55
Biomass								
Early Stage Pipeline	1,522.0	201.5	1,674	1.10	1628.5	46	8.3x	2.15
Total Valuation	3,535	436	4,000		3,590	410	9.2x	19.30

GVC Gaesco Valores

Esta cartera de proyectos pone de manifiesto una de las características más diferenciadoras de Greenalia con otros valores del sector y es su **aproximación multi-tecnología**, con proyectos en eólico on-shore y off-shore, biomasa y solar.

Con los activos que están actualmente en operación y los que están en construcción, estimamos que el nivel de Ebitda sería de unos 45 mEUR anuales. La deuda asociada a esos proyectos (una vez finalizados) estimamos que sería de unos 300 mEUR.

Esperamos un flujo de noticias positivo

En los próximos meses se producirán hitos importantes en la empresa como son el cierre financiero de la tercera fase de EOLO I (135MW eólicos), la puesta en marcha de la segunda fase de EOLO I (50 MW que están en construcción) y la presentación de una actualización del plan de inversiones, donde pensamos que se ampliarán los objetivos de capacidad instalada. También pensamos que se pueden empezar a ver ciertas refinanciaciones parciales de activos que ya estén en funcionamiento.

Seguimos positivos en el valor

A pesar de la subida del 90% de la cotización en los últimos doce meses, pensamos que la creación de valor puede continuar, ya que a medida que Greenalia vaya avanzando el plan de desarrollo de nueva capacidad, el riesgo de ejecución se irá diluyendo. También pensamos que la situación de los tipos de interés y el crecimiento esperado en el sector seguirá impulsando la valoración de las renovables.

Greenalia: Summary tables

PROFIT & LOSS (EURm)	12/2017	12/2018	12/2019	12/2020e	12/2021e	12/2022e
Sales	35.0	35.4	40.3	68.1	97.0	115
Cost of Sales & Operating Costs	-33.1	-33.1	-37.0	-54.5	-69.4	-77.8
Non Recurrent Expenses/Income	0.0	0.0	0.0	0.0	0.0	0.0
EBITDA	1.9	2.3	3.3	13.6	27.6	37.7
EBITDA (adj.)*	1.9	2.3	3.3	13.6	27.6	37.7
Depreciation	-0.6	-1.1	-2.0	-5.1	-8.6	-11.7
EBITA	1.3	1.3	1.3	8.6	19.1	26.0
EBITA (adj)*	1.3	1.3	1.3	8.6	19.1	26.0
Amortisations and Write Downs	-0.0	0.1	-0.0	0.0	0.0	0.0
EBIT	1.3	1.3	1.3	8.6	19.1	26.0
EBIT (adj.)*	1.3	1.3	1.3	8.6	19.1	26.0
Net Financial Interest	-0.5	-1.0	-1.2	-3.9	-7.0	-13.7
Other Financials	0.0	0.0	0.0	0.0	0.0	0.0
Associates	0.0	0.0	0.0	0.0	0.0	0.0
Other Non Recurrent Items	0.0	0.0	0.0	0.0	0.0	0.0
Earnings Before Tax (EBT)	0.8	0.3	0.2	4.7	12.1	12.3
Tax	-0.0	0.2	-0.1	-1.2	-3.0	-3.1
<i>Tax rate</i>	<i>6.4%</i>	<i>n.m.</i>	<i>58.8%</i>	<i>25.0%</i>	<i>25.0%</i>	<i>25.0%</i>
Discontinued Operations	0.0	0.0	0.0	0.0	0.0	0.0
Minorities	-0.1	-0.1	-0.1	-0.1	-0.1	-0.1
Net Profit (reported)	0.6	0.4	-0.1	3.4	9.0	9.1
Net Profit (adj.)	0.7	0.2	0.0	4.5	12.0	12.2
CASH FLOW (EURm)	12/2017	12/2018	12/2019	12/2020e	12/2021e	12/2022e
Cash Flow from Operations before change in NWC	1.3	1.5	2.1	8.6	17.6	20.9
Change in Net Working Capital	-2.3	2.0	4.5	-1.9	-2.4	-1.7
Cash Flow from Operations	-1.0	3.5	6.5	6.7	15.3	19.2
Capex	-2.3	-77.8	-88.2	-52.7	-160.3	-344.4
Net Financial Investments	0.0	0.0	0.0	0.0	0.0	0.0
Free Cash Flow	-3.3	-74.3	-81.7	-46.0	-145.0	-325.2
Dividends	0.0	0.0	0.0	0.0	0.0	0.0
Other (incl. Capital Increase & share buy backs)	3.0	0.0	-9.2	-10.9	-12.7	-22.7
Change in Net Debt	0	-74	-91	-57	-158	-348
NOPLAT	1.0	1.0	1.0	6.4	14.3	19.5
BALANCE SHEET & OTHER ITEMS (EURm)	12/2017	12/2018	12/2019	12/2020e	12/2021e	12/2022e
Net Tangible Assets	7.4	87.9	182	229	381	714
Net Intangible Assets (incl. Goodwill)	3.0	4.5	4.7	15.6	28.3	51.0
Net Financial Assets & Other	1.1	2.1	4.5	4.5	4.5	4.5
Total Fixed Assets	11.5	94.5	191	249	414	769
Inventories	2.4	3.9	3.2	5.4	7.7	9.1
Trade receivables	5.3	7.6	3.4	5.8	8.3	9.9
Other current assets	3.4	0.2	0.4	0.4	0.4	0.4
Cash (-)	-8.6	-10.6	-19.8	-19.8	-19.8	-19.8
Total Current Assets	19.6	22.4	26.8	31.4	36.2	39.2
Total Assets	31.1	117	218	281	450	808
Shareholders Equity	4.0	2.6	-0.3	3.1	12.1	21.2
Minority	0.6	0.5	0.6	0.7	0.8	0.9
Total Equity	4.6	3.1	0.3	3.8	12.9	22.1
Long term interest bearing debt	10.3	81.9	183	222	356	652
Provisions	0.0	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	0.1	9.1	7.2	7.2	7.2	7.2
Total Long Term Liabilities	10.3	91.0	190	229	363	659
Short term interest bearing debt	12.5	16.4	21.4	39.1	62.8	115
Trade payables	3.5	5.9	6.0	8.7	11.1	12.5
Other current liabilities	0.1	0.6	0.2	0.2	0.2	0.2
Total Current Liabilities	16.2	22.9	27.6	48.0	74.1	128
Total Liabilities and Shareholders' Equity	31.1	116.9	217.8	280.9	450.0	808.5
Net Capital Employed	18.9	99.9	191.8	252.2	419.0	776.1
Net Working Capital	7.4	5.3	0.9	2.8	5.1	6.8
GROWTH & MARGINS	12/2017	12/2018	12/2019	12/2020e	12/2021e	12/2022e
<i>Sales growth</i>	<i>18.0%</i>	<i>1.2%</i>	<i>13.7%</i>	<i>69.1%</i>	<i>42.4%</i>	<i>19.0%</i>
EBITDA (adj.)* growth	82.6%	22.0%	43.9%	310.1%	102.6%	36.3%
<i>EBITA (adj.)* growth</i>	<i>119.9%</i>	<i>-4.2%</i>	<i>2.0%</i>	<i>565.8%</i>	<i>123.1%</i>	<i>36.2%</i>
<i>EBIT (adj.)* growth</i>	<i>90.6%</i>	<i>1.1%</i>	<i>2.1%</i>	<i>537.8%</i>	<i>123.1%</i>	<i>36.2%</i>

Greenalia: Summary tables

GROWTH & MARGINS	12/2017	12/2018	12/2019	12/2020e	12/2021e	12/2022e
Net Profit growth	806.4%	-77.3%	-73.4%	10393.4%	164.5%	1.4%
EPS adj. growth	-86.9%	-77.3%	-73.4%	10393.4%	164.5%	1.4%
DPS adj. growth						
EBITDA (adj)* margin	5.4%	6.5%	8.3%	20.0%	28.5%	32.6%
EBITA (adj)* margin	3.8%	3.6%	3.2%	12.6%	19.7%	22.5%
EBIT (adj)* margin	3.7%	3.7%	3.3%	12.6%	19.7%	22.5%
RATIOS	12/2017	12/2018	12/2019	12/2020e	12/2021e	12/2022e
Net Debt/Equity	3.1	n.m.	n.m.	n.m.	n.m.	n.m.
Net Debt/EBITDA	7.5	37.9	55.4	17.7	14.4	19.8
Interest cover (EBITDA/Fin.interest)	3.6	2.3	2.8	3.5	4.0	2.7
Capex/D&A	374.5%	7792.8%	4305.6%	1034.8%	1873.6%	2951.2%
Capex/Sales	6.6%	219.6%	218.8%	77.3%	165.2%	298.3%
NWC/Sales	21.1%	15.1%	2.2%	4.0%	5.3%	5.9%
ROE (average)	26.1%	4.9%	3.7%	317.1%	157.9%	73.2%
ROCE (adj.)	5.5%	1.0%	0.5%	2.6%	3.5%	2.5%
WACC	7.0%	7.0%	7.0%	6.0%	6.0%	6.0%
ROCE (adj.)/WACC	0.8	0.1	0.1	0.4	0.6	0.4
PER SHARE DATA (EUR)***	12/2017	12/2018	12/2019	12/2020e	12/2021e	12/2022e
Average diluted number of shares	21.2	21.2	21.2	21.2	21.2	21.2
EPS (reported)	0.03	0.02	0.00	0.16	0.42	0.43
EPS (adj.)	0.03	0.01	0.00	0.21	0.56	0.57
BVPS	0.19	0.12	-0.01	0.15	0.57	1.00
DPS	0.00	0.00	0.00	0.00	0.00	0.00
VALUATION	12/2017	12/2018	12/2019	12/2020e	12/2021e	12/2022e
EV/Sales	1.9	6.8	9.6	7.9	7.2	9.1
EV/EBITDA	35.0	n.m.	n.m.	39.6	25.3	27.8
EV/EBITDA (adj.)*	35.0	n.m.	n.m.	39.6	25.3	27.8
EV/EBITA	50.5	192.7	300.4	63.2	36.6	40.2
EV/EBITA (adj.)*	50.5	192.7	300.4	63.2	36.6	40.2
EV/EBIT	51.1	n.m.	n.m.	63.2	36.6	40.2
EV/EBIT (adj.)*	51.1	n.m.	n.m.	63.2	36.6	40.2
P/E (adj.)	n.m.	n.m.	n.m.	n.m.	25.0	24.6
P/BV	13.1	60.0	n.m.	96.1	24.8	14.1
Total Yield Ratio	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
EV/CE	3.7	2.5	2.1	2.2	1.7	1.4
OpFCF yield	-6.3%	-47.9%	-40.5%	-15.4%	-48.4%	-108.6%
OpFCF/EV	-5.0%	-30.6%	-21.2%	-8.5%	-20.8%	-31.1%
Payout ratio	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Dividend yield (gross)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
EV AND MKT CAP (EURm)	12/2017	12/2018	12/2019	12/2020e	12/2021e	12/2022e
Price** (EUR)	2.46	7.30	9.50	14.10	14.10	14.10
Outstanding number of shares for main stock	21.2	21.2	21.2	21.2	21.2	21.2
Total Market Cap	52.2	155.0	201.7	299.4	299.4	299.4
Gross Financial Debt (+)	22.8	98.3	204.1	261.0	418.7	766.6
Cash & Marketable Securities (-)	-8.6	-10.6	-19.8	-19.8	-19.8	-19.8
Net Financial Debt	14.2	87.7	184.3	241.2	398.9	746.8
Lease Liabilities (+)						
Net Debt	14.2	87.7	184.3	241.2	398.9	746.8
Other EV components	0.0	0.0	0.0	0.0	0.0	0.0
Enterprise Value (EV adj.)	66.4	242.7	386.0	540.6	698.3	1,046.2

Source: Company, GVC Gaesco Valores estimates.

Notes

* Where EBITDA (adj.) or EBITA (adj.) = EBITDA (or EBITA) +/- Non Recurrent Expenses/Income and where EBIT (adj.) = EBIT +/- Non Recurrent Expenses/Income - PPA amortisation

**Price (in local currency): Fiscal year end price for Historical Years and Current Price for current and forecasted years

***EPS (adj.) diluted = Net Profit (adj.)/Avg DIL. Ord. (+ Ord. equivalent) Shs. EPS (reported) = Net Profit reported/Avg DIL. Ord. (+ Ord. equivalent) Shs.

Sector: Utilities/Alternative Electricity

Company Description: Renewable developer with projects in biomass, SPV and on-shore wind. Also have industrial, logistic activity related with wood, with clients in the pulp industry.

Information regarding Market Abuse and Conflicts of Interests and recommendation history available in our web page www.valores.gvcgaesco.es and our offices

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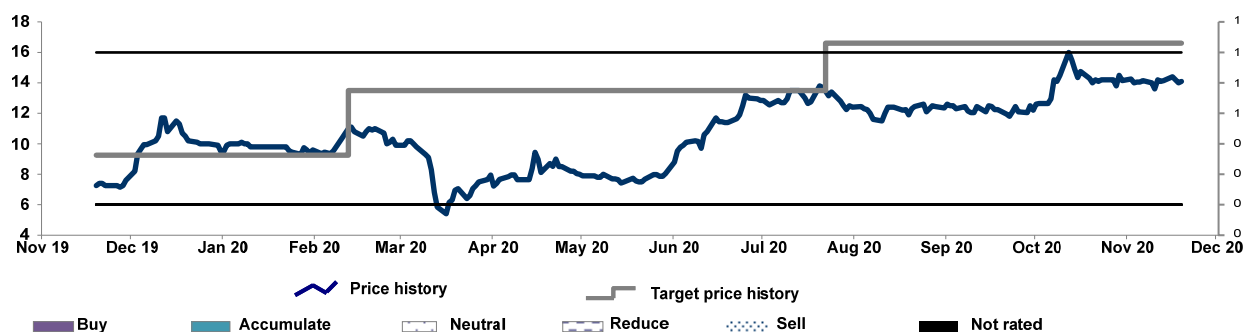
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Recommendation history for GREENALIA

Date	Recommendation	Target price	Price at change date
22-Jul-20	Buy	16.61	13.45
12-Feb-20	Buy	13.50	11.00
11-Jun-19	Buy	9.25	6.75

Source: Factset & ESN, price data adjusted for stock splits.

This chart shows GVC Gaesco Valores continuing coverage of this stock; the current analyst may or may not have covered it over the entire period. Current analyst: Victor Peiro Pérez (since 30/05/2019)



ESN Recommendation System

The ESN Recommendation System is **Absolute**. It means that each stock is rated based on **total return**, measured by the upside/downside potential (including dividends and capital reimbursement) over a **12-month time horizon**. The final responsible of the recommendation of a listed company is the analyst who covers that company. The recommendation and the target price set by an analyst on one stock are correlated but not totally, because an analyst may include in its recommendation also qualitative elements as market volatility, earning momentum, short term news flow, possible M&A scenarios and other subjective elements.



The ESN spectrum of recommendations (or ratings) for each stock comprises 5 categories: **Buy (B)**, **Accumulate (A)**, **Neutral (N)**, **Reduce (R)** and **Sell (S)**.

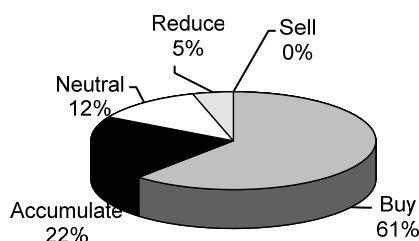
Furthermore, in specific cases and for a limited period of time, the analysts are allowed to rate the stocks as **Rating Suspended (RS)** or **Not Rated (NR)**, as explained below.

Meaning of each recommendation or rating:

- **Buy:** the stock is expected to generate total return of **over 15%** during the next 12-month
- **Accumulate:** the stock is expected to generate total return of **5% to 15%** during the next 12-month
- **Neutral:** the stock is expected to generate total return of **-5% to +5%** during the next 12-month
- **Reduce:** the stock is expected to generate total return of **-5% to -15%** during the next 12-month
- **Sell:** the stock is expected to generate total return **under -15%** during the next 12-month
- **Rating Suspended:** the rating is suspended due to: a) a capital operation (take-over bid, SPO, etc.) where a Member of ESN is or could be involved with the issuer or a related party of the issuer; b) a change of analyst covering the stock; c) the rating of a stock is under review by the Analyst.
- **Not Rated:** there is no rating for a stock when there is a termination of coverage of the stocks or a company being floated (IPO) by a Member of ESN or a related party of the Member.

Note: a certain flexibility on the limits of total return bands is permitted especially during higher phases of volatility on the markets

GVC Gaesco Valores, S.V., S.A. Ratings Breakdown



For full ESN Recommendation and Target price history (in the last 12 months) please see ESN Website [Link](#)

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