

## COLEXON ENERGY AG

GERMANY / RENEWABLES

Primary Exchange: Frankfurt  
 Bloomberg symbol: HRP  
 ISIN: DE0005250708

### UPDATE

RATING:	<b>Buy</b>
PRICE TARGET:	<b>€3.40</b>
RETURN POTENTIAL:	<b>98.3%</b>
RISK RATING:	<b>High</b>

### PROFIT WARNING DUE TO PROJECT DELAYS

**COLEXON Energy AG has issued a profit warning for 2010. Instead of an adjusted EBIT of €13-15m the company now expects only €9-11m. We reduce our estimates for 2010 and the following years. The price target is lowered to €3.40 (previously: €5.10). As the stock remains undervalued we keep our Buy rating.**

**Profit warning for 2010** COLEXON reduced its adjusted EBIT guidance to €9-11m (before: €13-15m). The main reason is the delay of 3 projects in Italy and the write-off of project rights due to uncertain legislation regarding state funding for PV.

**Feed-in tariff (FIT) reductions in various countries hit project sales and margins** COLEXON looks set to suffer from FIT reductions in France, Germany, Italy and Spain as project selling prices and margins will be reduced. Currently, it remains uncertain whether some projects in France which COLEXON developed can be built. We have reduced our 2011 EBIT margin projection for the project business to 4% from 5%.

**Trading sales and margins turn south** In the past COLEXON generated high trading margins by selling premium thin film modules (segment EBIT margin 9m 2010: 13.1%). The massive increase in (Chinese) crystalline module capacity and lower demand due to the various FIT cuts will lead to module oversupply, which will reduce COLEXON's trading margins more than previously anticipated. We have reduced our segment EBIT margin estimate to 5% down from 9.5%.

### FINANCIAL HISTORY & PROJECTIONS

	2007	2008	2009	2010e	2011e	2012e
Revenue (€m)	85.37	142.75	117.18	198.00	201.00	205.00
Y-o-y growth	37.2%	67.2%	-17.9%	69.0%	1.5%	2.0%
EBIT (€m)	0.22	12.17	17.82	-53.44	10.14	10.81
EBIT margin	0.3%	8.5%	15.2%	-27.0%	5.0%	5.3%
Net income (€m)	-0.28	7.24	5.63	-65.24	1.55	1.99
EPS (diluted) (€)	-0.06	1.42	0.59	-3.87	0.09	0.12
EV / Sales (x)	1.9	1.1	1.4	0.6	0.6	0.6
EV / EBIT (x)	740.7	13.1	9.0	n.a.	11.5	10.9
P/E (x)	n.a.	1.2	2.9	n.a.	19.1	14.3
DPS (€)	0.00	0.00	0.00	0.00	0.00	0.00
Yield	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
FCF (€m)	-12.86	1.01	20.61	-11.44	0.69	-1.98
Net gearing	22.0%	20.0%	109.9%	163.9%	158.0%	156.0%
Liquid assets (€m)	4.74	2.60	32.26	22.95	24.63	24.65

### RISKS

Risks include but are not limited to unfavourable changes in the regulatory environment, project risks, and financing risks.

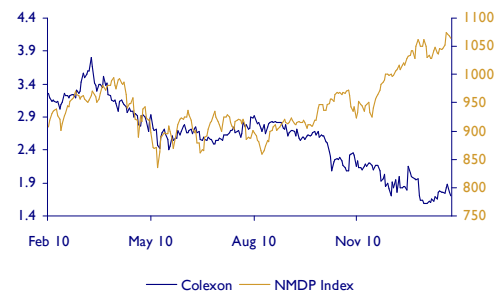
### COMPANY PROFILE

COLEXON Energy AG is a solar company with a broad range of downstream activities such as project development, module and components trading, own plant operation and solar services. The company is based in Hamburg, Germany, and as of 30 September 2010 had 127 employees.

### TRADING DATA

Closing price (11.02.11)	€1.72
Shares outstanding	17.74m
Market capitalisation	€30.42m
52-week range	€1.58 / 3.81
Average volume (12 months)	34,493

### STOCK OVERVIEW



### COMPANY DATA (as of 30 September 2010)

Liquid assets (incl. securities)	€12.99m
Current assets	€68.17m
Intangible assets	€8.73m
Total assets	€255.56m
Current liabilities	€51.62m
Shareholders' equity (incl. minorities)	€55.79m

### SHAREHOLDERS

DKA Consult	5.0%
Synerco	12.0%
Others	12.0%
Own shares	5.0%
Freefloat	66.0%



**Only insignificant increase in own plant operation capacity in 2011e** A lower operating cash flow resulting from the lower EBIT means less cash is available to increase the own plant operation business. The 9m 2010 operating cash flow was €-12m. Despite the cash inflow of €9m from the sale of 13 MW of COLEXON's own plant portfolio in Germany we forecast a negative operating cash flow of €-5.3m for 2010. As cash is needed to pre-finance projects we now assume that only a few MW will be added to the own plant operation business. We forecast an own plant portfolio capacity of 42.4 MW in 2013. Our original projection of an additional 15 MW in 2011 will only be reached if the company raises further capital. We therefore reduce our segment sales estimate to €14.9m and the segment EBIT estimate to €6.9m.

**Reduction of estimates** We reduce our 2010 adjusted EBIT estimate to €10m (previously: €14.2m). However, we only slightly reduce our sales estimate as our prior estimate was too conservative. We also reduce our estimates for 2011 and the following years (see table).

**Valuation remains attractive although short-term trigger is missing** Our sum-of-the-parts valuation yields €2.00 per share for the project/trading/service business and €1.40 per share for the own plant operation segment. The new price target is €3.40 (old: €5.10). We reiterate our Buy rating.

#### CHANGE OF ESTIMATES

All figures in €m	2010E			2011E			2012E		
	old	new	change	old	new	change	old	new	change
Sales	200.30	198.00	-1.1%	218.10	201.00	-7.8%	237.50	205.00	-13.7%
EBIT	-49.15	-53.44	-	14.11	10.14	-28.1%	16.67	10.81	-35.1%
Margin (%)	-24.5%	-27.0%	-	6.5%	5.0%	-	7.0%	5.3%	-
Net income	-60.95	-65.24	-	4.14	1.55	-62.5%	5.15	1.99	-61.4%
Margin (%)	-30.4%	-33.0%	-	1.9%	0.8%	-	2.2%	1.0%	-
EPS diluted (€)	-3.62	-3.87	-	0.25	0.09	-64.0%	0.31	0.12	-61.3%

Table 1

Source: First Berlin

**FIRST BERLIN RECOMMENDATION & PRICE TARGET HISTORY**

Report No.:	Date of publication	Previous day closing price	Recommendation	Price target
Initial Report	4 November 2010	€2.23	Buy	€5.40
	↓	↓	↓	↓
2	11 November 2010	€2.32	Buy	€5.40
3	6 January 2011	€2.05	buy	€5.10
4	Today	€1.72	Buy	€3.40

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**STRONG BUY:** Expected return greater than 50% and a high level of confidence in management's financial guidance

**BUY:** Expected return greater than 25%

**ADD:** Expected return between 0% and 25%

**REDUCE:** Expected negative return between 0% and -15%

**SELL:** Expected negative return greater than -15%

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