

KINEXIA

BUY

SECTOR: Utilities

Price (Eu):

2.65

Fabrizio Barini

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Target Price (Eu):

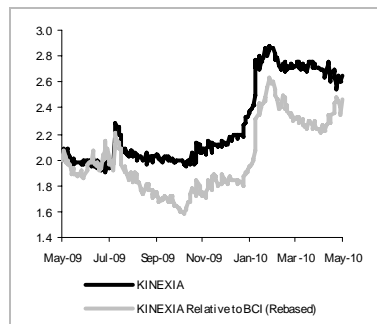
3.00

e-mail: fbarini@intermonte.it

Still a BUY

- Growth all across the board.** Kinexia closed 2010 posting significant YoY growth that beat our expectations. A comparison with 2009 results is not particularly significant, however, given changes in the group's consolidation base, which as of 1Q10 includes the companies acquired in the photovoltaic segment, and no longer incorporates the cosmetics business. It is also worth considering the impact of SEI, a company for which the acquisition process is ongoing, but on which there is a great deal of visibility, and which will have a major impact on the company's consolidation base. Aggregate sales came to Eu15.2mn, from Eu2.6mn in 1Q09, beating our forecast of Eu14.5mn. In detail, SEI, for which 1Q is generally the strongest of the year, generated Eu9.7mn in sales, better than our estimate of Eu9.0mn, while the core business (renewable energy, photovoltaics and dietary products) generated Eu5.5mn, in line with expectations. Aggregate EBITDA came in at Eu3.3mn (Eu-0.2mn in March 2009), beating our forecast of Eu2.8mn. SEI accounted for Eu3.8mn (our estimate Eu3.3mn), while the other businesses posted an EBITDA loss of Eu0.5mn, as forecast, due to restructuring costs in wind power and the start-up in the mini-photovoltaics sector. Finally, the aggregate net profit came to Eu1.5mn from a loss of Eu0.6mn in 1Q09, due to the impact of the benefits of higher EBITDA and reduced amortisation. The net financial position, including the contribution of SEI, came to Eu56.1mn at the end of March, in line with our forecast of Eu56mn
- Company indicates FY10 in line with our estimates.** 1Q results (net profit of Eu1.5mn) seem to point to better FY10 performance than is included in our estimate (Eu0.4mn). The positive contribution of SEI should be taken into account, however, as this is likely to be re-absorbed over the next 2 quarters for seasonal reasons, while in 4Q the division will start to generate profit again, most of which will be offset by the losses incurred in the meantime by the ongoing restructuring of other group divisions and start-up costs in the mini-photovoltaic segment. Based on the backlog accumulated in this latter business (Eu14mn), it will make a modest contribution to FY group earnings, but should start to come into its own as of 2011. Below the operating line, 1Q results were in line with expectations. We have therefore left our estimates unchanged for both the year in progress and future years.
- Recommendation and target price confirmed.** The investment case on Kinexia, which is based on the conviction that Kinexia will successfully complete the renewable energy projects that have already been authorised or are at an advanced stage in the authorisation process (60MW in 3Y), has not been changed by quarterly results, although the figures did highlight that management is competently managing the significant extension to the consolidation base and the company's gradual transfer towards the renewable energy business.

KINEXIA - 12m Performance



RATING: Unchanged

TARGET PRICE (Eu): Unchanged

Change in EPS est:	2010E	2011E
	0.0%	-0.0%

STOCK DATA

Reuters code: KINX.MI
Bloomberg code: KNX IM

Performance	1m	3m	12m
Absolute	-2.3%	-7.8%	33.0%
Relative	9.6%	-5.0%	26.0%
12 months H/L:	2.88/1.90		

SHAREHOLDER DATA

No. of Ord. shares (mn):	25
Total No. of shares (mn):	27
Mkt Cap Ord (Eu mn):	67
Total Mkt Cap (Eu mn):	67
Mkt Float - ord (Eu mn):	22
Mkt Float (in %):	32.6%
Main shareholder:	
Allea	44.3%

BALANCE SHEET DATA

	2010
Book value (Eu mn):	64
BVPS (Eu):	2.35
P/BV:	1.1
Net Financial Position (Eu mn):	-103
Enterprise value (Eu mn):	170

Key Figures	2008A	2009A	2010E	2011E	2012E
Sales (Eu mn)	11	16	58	66	86
Ebitda (Eu mn)	0	1	11	14	22
Net profit (Eu mn)	-2	-2	0	1	4
EPS - New (Eu)	-0.03	-0.07	0.02	0.04	0.14
EPS - Old (Eu)	-0.03	-0.07	0.02	0.04	0.14
DPS (Eu)	0.00	0.00	0.00	0.00	0.00

Ratios & Multiples	2008A	2009A	2010E	2011E	2012E
P/E	nm	nm	nm	62.3	18.8
Div. Yield	0.0%	0.0%	0.0%	0.0%	0.0%
EV/Ebitda	nm	nm	15.5	14.5	9.0
ROCE	-16.1%	-2.0%	4.8%	4.4%	7.7%

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KINEXIA - KEY FIGURES

		2008A	2009A	2010E	2011E	2012E
Fiscal year end		31/12/2008	31/12/2009	31/12/2010	31/12/2011	31/12/2012
PROFIT & LOSS (Eu mn)	Sales	11	16	58	66	86
	EBITDA	(0)	1	11	14	22
	EBIT	(2)	(1)	6	8	15
	Financial income (charges)	2	(0)	(6)	(7)	(7)
	Associates & Others	(2)	(0)	0	0	0
	Pre-tax profit (Loss)	(2)	(1)	0	1	8
	Taxes	(0)	(0)	0	0	(3)
	Tax rate (%)	-2.0%	-12.3%	0.0%	0.0%	38.0%
	Minorities & discontinue activities	0	0	0	0	1
	Net profit	-2	-2	0	1	4
	Total extraordinary items	0	0	0	0	0
	Ebitda excl. extraordinary items	(0)	1	11	14	22
	Ebit excl. extraordinary items	(1)	(1)	6	8	15
Net profit restated	(1)	(2)	0	1	4	
PER SHARE DATA (Eu)	Total shares out (mn) - average fd	27	27	27	27	27
	EPS stated fd	-0.08	-0.07	0.02	0.04	0.14
	EPS restated fd	-0.03	-0.07	0.02	0.04	0.14
	BVPS fd	0.27	1.39	2.35	2.39	0.00
	Dividend per share (ord)	0.00	0.00	0.00	0.00	0.00
	Dividend per share (sav)	0.00	0.00	0.00	0.00	0.00
Dividend pay out ratio (%)						
CASH FLOW (Eu mn)	Gross cash flow	(1)	1	5	7	11
	Change in NWC	(0)	(0)	(13)	(2)	(0)
	Capital expenditure	(0)	(6)	(40)	(25)	(6)
	Other cash items	0	0	(11)	(6)	(2)
	Free cash flow (FCF)	(2)	(6)	(58)	(27)	3
	Acquisitions, divestments & others	(8)	(32)	(44)	0	0
	Dividend	0	0	0	0	0
Equity financing/Buy-back	0	30	12	0	0	
Change in Net Financial Position	(10)	(7)	(91)	(27)	3	
BALANCE SHEET (Eu mn)	Total fixed assets	12	84	170	199	201
	Net working capital	5	5	17	20	20
	Long term liabilities	1	6	(28)	(27)	(26)
	Net capital employed	18	95	159	192	195
	Net financial position	(6)	(13)	(103)	(130)	(127)
	Group equity	7	38	68	70	73
	Minorities	0	0	5	5	0
Net equity	7	38	64	65	73	
ENTERPRISE VALUE (Eu mn)	Average mkt cap - current	67	67	67	67	67
	Adjustments (associate & minorities)	0	0	0	0	0
	Net financial position	(6)	(13)	(103)	(130)	(127)
	Enterprise value	73	80	170	197	194
RATIOS(%)	EBITDA margin*	nm	7.6%	19.0%	20.7%	25.3%
	EBIT margin*	nm	nm	10.5%	11.9%	17.4%
	Gearing - Debt/equity	82.8%	33.5%	151.2%	187.0%	173.6%
	Interest cover on EBIT	1.1	nm	1.1	1.2	2.0
	Debt/Ebitda	nm	10.59	9.39	9.58	5.87
	ROCE*	-16.1%	-2.0%	4.8%	4.4%	7.7%
	ROE*	-26.2%	-8.2%	0.9%	1.8%	5.6%
	EV/CE	5.6	1.4	1.3	1.1	1.0
	EV/Sales	6.5	5.0	2.9	3.0	2.3
	EV/Ebit	nm	nm	28.0	25.3	13.0
Free Cash Flow Yield	-2.5%	-8.2%	-87.1%	-39.7%	3.9%	
GROWTH RATES (%)	Sales	-11.6%	41.8%	266.0%	13.2%	30.8%
	EBITDA*	nm	nm	816.7%	23.3%	60.0%
	EBIT*	nm	nm	nm	27.9%	92.3%
	Net profit	nm	nm	nm	146.9%	230.9%
	EPS restated	nm	nm	nm	146.9%	230.9%

* Excluding extraordinary items

Source: Intermonte SIM estimates

1Q 2010 results: growth at any level

Growth all across the board. Kinexia closed 2010 posting significant YoY growth that beat our expectations. A comparison with 2009 results is not particularly significant, however, given changes in the group's consolidation base, which as of 1Q10 includes the companies acquired in the photovoltaic segment, and no longer incorporates the cosmetics business. It is also worth considering the impact of SEI, a company for which the acquisition process is ongoing, but on which there is a great deal of visibility, and which will have a major impact on the company's consolidation base.

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PROFIT&LOSS (Eu mn)	1Q09	2Q09	2009	1Q10E*	1Q10A*	% A/E
SALES	2.6	5.4	15.8	14.5	15.2	5%
YoY change (%)	5%	79%	42%	452%	480%	
EBITDA	-0.2	1.1	1.2	2.8	3.3	18%
YoY change (%)	20%	-213%	-368%	-1441%	-1689%	
EBIT	-0.5	0.8	-1.1	1.5	2.2	47%
YoY change (%)	125%	-174%	-47%	-405%	-549%	
Pretax Profit	-0.6	0.7	-1.4	0.7	2.2	198%
YoY change (%)	133%	-170%	66%	-121%	-496%	
Net profit	-0.6	0.4	-1.8	0.6	1.5	155%
YoY change (%)	107%	-143%	85%	n.m	n.m	

Source: Intermonte SIM. (*) Aggregates with SEI

SHORT SALES: PROHIBITION REVOKED, WITH EXCEPTIONS

SHORT SALES: PROHIBITION REVOKED, WITH EXCEPTIONS

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NEUTRAL: stock performance expected at between +10% and - 10% compared to the market over a 12 month period ;
UNDERPERFORM: stock expected to underperform the market by between -10% and -25% over a 12 month period;
SELL: stock expected to underperform the market by over 25% over a 12 month period.

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OUTPERFORM: 32.28%
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UNDERPERFORM: 11.02%
SELL: 2.36%

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OUTPERFORM: 13.33%
NEUTRAL: 56.67%
UNDERPERFORM: 0.00%
SELL: 0.00%

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DETAILS ON STOCKS RECOMMENDATION

Stock NAME	KINEXIA		
Current Recomm:	BUY	Previous Recomm:	BUY
Current Target (Eu):	3.00	Previous Target (Eu):	3.00
Current Price (Eu):	2.65	Previous Price (Eu):	2.62
Date of report:	18/05/2010	Date of last report:	30/04/2010

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