

AGO AG Energie + Anlagen

Full service provider for industrial energy generating facilities with growth potential

Share price on 15/04/2008 (Xetra: 13:17) in €	4.23
Number of ordinary shares issued in millions	4.00
Free float as per Deutsche Börse AG	35.70
Market capitalisation in € million	16.92
ISIN	DE000A0LR415
6-month performance	-24.73%
1-month performance	1.88%
Performance Entry Standard, 12 months	-42.98%

Key data and guidance

Data in €million	2006	2007	2008e	2009e	2010e
Revenues	41.02	41.30	44.89	47.02	50.93
Gross profit	3.08	1.85	3.37	4.23	5.09
EBIT	1.20	-0.26	1.52	2.08	2.60
Net income for the year	0.86	-0.86	0.91	1.23	1.53
Data in €	2006	2007	2008e	2009e	2010e
EPS	0.22	-0.21	0.23	0.31	0.38
Dividend per share	0.00	0.00	0.00	0.00	0.10
Dividend yield (%)	0.00%	0.00%	0.00%	0.00%	2.50%
Valuation	2006	2007	2008e	2009e	2010e
Market cap./revenue	0.39	0.39	0.36	0.34	0.31
EV/revenue	0.74	0.74	0.68	0.65	0.60
EV/gross profit	9.86	16.42	9.02	7.18	5.96
EV/EBITDA	1.84	50.69	11.30	8.98	7.54
EV/EBIT	25.32	-116.98	19.95	14.58	11.67
PER	18.60	n.a.	17.61	13.06	10.47

2006: accounting according to HGB standards; from 2007 on: accounting according to IFRS standards

- Revenues of € 41.7 million; gross margin of € 1.85 million in 2008
- Strategic expansion of the plant operation business; entry into the Italian market
- EBIT 2007 of € -0.26 million due to non-recurrent effects incurred by capital increases
- In 1Q2008, record order intake of € 20.7 million

Investment strategy

AGO AG's flexible business model, with in-built independence from manufacturers, has set it apart as an expert for biomass heat (power) plant and combined heat and power-heat/refrigeration cogeneration. In the financial year 2007, AGO AG generated revenues of € 41.3 million. Non-recurrent effects in connection with the capital increase prior to the IPO in 2007 resulted in an EBIT of €-0.26 million. Net income for the year came in at €-0.86 million. Against the backdrop of discussions about the German Renewable Energies Act (EEG) and the German Renewable Energies Heat Act (EEWärmeG), rising demand for AGO technologies will ensure that business prospects remain bright in the long term. AGO AG, with its key areas of innovation, conservation of resources and energy efficiency, is riding the wave of a megatrend. The strategic expansion of the plant operation business is of great significance for the long-term development and valuation of the company. From a medium-term standpoint, we have calculated a fair value of € 5.10 per AGO share. The upside potential is just under 20% on the basis of the current share price level.

Positioning and structure

AGO AG, with its workforce of 127 employees, emerged from the spin-off from ASK GmbH in 1980 (technical equipment for industrial enterprises). AGO AG has positioned itself as an engineer-oriented company with a full service range in the area of industrial energy generation facilities. The value chain includes advisory services, planning, execution and the operation of full facilities and power plants. The company's products range from energy generating facilities based on combined heat and power units, the construction of heat/refrigeration facilities through to building complex biomass heat power plants with power-heat cogeneration. Examples of biomass fuel materials used, which are therefore renewable primary products, are forest wood chippings and waste wood from forestry and from wood processing and finishing. The products and services are divided into three segments: I. **"Project Development and Implementation"**: pan-European development, planning and construction of customised energy generation facilities. II. **"Plant Operation"**: providing of all services necessary to supply industrial customers with heat, refrigeration, steam, electricity and process heat, particularly through facilities contracting and the securing of operations of existing facilities, including raw materials management. III. **"Service & Consultancy"**: carrying out of services to secure plant operation, such as upkeep and maintenance, repair and emergency services, as well as providing consultancy services in respect of energy efficiency, location assessment and development, and emissions trading. AGO's customers include major industrial companies and municipal companies which need energy in the form of electricity, heat, refrigeration or process heat. We regard AGO energia SpA, Turin, which was founded in 2007 and in which AGO AG holds a 55-percent stake, as strategically significant for the company's expansion.

Strategy

AGO AG pursues a three-pronged strategy designed to raise revenues and profit: **growth from the operation** of energy supply facilities and plants, with the focus on biomass. Through the development, realisation and operation of the biomass heat power plant in Alperstedt, AGO AG has laid the cornerstone for more large-scale projects based on biomass as a source of energy. The Alperstedt biomass cogeneration plant, with an output of thermal energy and electricity of 19 MW and 1.7 MW respectively, is used to supply energy to a greenhouse complex and is one of the largest biomass-based ORC plants in Europe. **Building up the company's customer base** and enhancing long-term customer loyalty: On the basis of experience already gained, AGO AG is forging ahead with the development and realisation of energy supply facilities using both renewable raw materials and conventional sources of energy. A systematic sales approach, geared to the customer's need for energy and the availability of biogenic fuel is aimed at winning new groups of customers. **Internationalisation of operations**: The company has committed itself to expanding its operations to include other countries in Europe. The first steps are to be taken in Italy and in Greece.

Competition

AGO AG differentiates itself from its competitors through its product and services range, its customer orientation and its focus on specific dimensions of output and size of energy supply facilities. The most important competitors are as follows: GETEC Group, Kraftanlagen Hamburg GmbH, Dalkia GmbH (Veolia Environnement Group), ENRO AG, Imtech Deutschland GmbH & Co. KG, MVV Energie AG, Techem AG, Vattenfall Group.

Potential

Key growth drivers are in particular the internationalisation of the company and expanding the plant operation business, with calculable contractual terms of 15 to 20 years. A profitable doubling of sales to € 70-80 million by the year 2012 is feasible. The DCF valuation indicates a medium-term fair valuation of € 5.10 per share. **Overweight.**

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Mandatory information pursuant to Section 34 of the German Securities Trading Act (WpHG), potential conflicts of interest and disclaimer

Kayenburg AG Corporate Finance has prepared the financial analysis of AGO AG in accordance with the statutory regulations as stipulated under the German Securities Trading Act and the German Ordinance on the Analysis of Financial Instruments.

Responsibility

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Recommendation on the date of publication: Overweight

Conflicts of interest

Commissioned research: The company report was prepared and disseminated on behalf of AGO AG.
Equity participation: At the time when the company report was published Kayenburg AG Corporate Finance did not hold a stake in AGO AG nor AGO AG in Kayenburg AG Corporate Finance.
Contractual relationships: At the time when this company report was published there were no further contractual relationships between the two aforementioned companies.

Notes on the recommendation

Kayenburg AG Corporate Finance makes three recommendations as part of its financial analysis:

Overweight: The share price potential in the next twelve months ascertained by the analyst on the basis of this company report is greater than ten percent.
Underweight: The share price potential in the next twelve months ascertained by the analyst on the basis of this company report is zero percent or negative.
Market weighting: The price fluctuation ascertained by the analyst on the basis of this company report ranges within a band of between zero and ten percent.

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