



Independent Research

Unabhängige Finanzmarktanalyse GmbH

Research Note

AGO AG Energie + Anlagen



Market entry in Italy

07/29/2008

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Implementation of strategy on schedule

Market entry in Italy

- ⇒ On July 24, AGO AG Energie + Anlagen announced that its Italian subsidiary AGO energia srl. (AGO stake: 55%) had acquired 90% in Reindeer srl. The shelf company Reindeer is planning to operate a biomass cogeneration plant with a combustion capacity of 6MW and an electric power capacity of 1MW in South Italy. This is the first energy centre operated by AGO in Italy.
- ⇒ According to group information, AGO expects sales revenues from electricity and heat supply of approximately EUR2.6m per year as of 2010 after completing the biomass cogeneration plant. Within the 15-year contract period the group is thus expecting total sales revenues of about EUR39m. The plant will be fired with an annual amount of about 12,600 tons of wood chips coming from the nearby region. The raw material requirements for the plant are secured. Moreover, AGO will probably generate sales revenues of EUR6.5m in 2009 out of planning and constructing the plant.
- ⇒ With the announcement made on July 24, we think that AGO will be able to achieve its strategic objectives. Ten biomass heating (cogeneration) plants are to be sold/operated in Italy by 2014. Furthermore, we believe it's positive that AGO has options for raw materials which are needed for further plants.
- ⇒ In our opinion, AGO's growth and earnings potential is not yet sufficiently reflected in the current share price. In our view, the expected further price increases in fossil fuels as well as the governments' stronger worldwide efforts for environmental and climate protection will continue to stimulate the demand for products/services offered by AGO in the next few years.
- ⇒ We reaffirm our sales and earnings estimates. With an unchanged price target of EUR6.30 (DCF model) the AGO share has got an upward potential of about 37%. We remain committed to our Buy recommendation.

AGO AG Energie + Anlagen 4)

Recommendation: Buy

before:

as of

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Price target (in EUR) (6 months)	6.30
Share price (Xetra) (in EUR)	4.60
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Share price potential	36.96%

Company data

Country	GE
Sector	Renewable Energies
Market segment	Entry Standard
ISIN	DE000A0LR415
Reuters	AGYG.DE
Bloomberg	AGY
Internet	www.ago.ag

Share data

Shares (m)	4.000
Freefloat	35.70%
Market cap. (EURm)	18.4
∅ Trading volume	1,685
52W High 07/13/07	EUR7.80
52W Low 07/04/08	EUR3.16
Beta	1.25
Volatility (60 days)	63.21

Multiples

	EV/Sales	EV/EBIT	P/E ratio	Dividend yield
2006	-	-	-	-
2007	0.6	neg.	neg.	0.0%
2008E	0.5	8.5	13.0	0.0%
2009E	0.5	6.2	8.9	0.0%
2010E	0.4	5.2	7.3	0.0%

Performance (in %)

	1 month	3 months	6 months	12 months
absolut	10.8	13.9	15.6	-
relative to:				
DAX	13.6	16.6	18.3	-
Entry Standard	19.9	22.9	24.6	-

Index Weighting

Entry Standard	3.956%
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Author: S. Diermeier (analyst)

AP	FY	Sales	EBIT	EBT	EAT	EPS
IFRS	2006	33.9	1.4	1.3	0.4	0.47
IFRS	2007	41.3	-0.3	-0.6	-0.9	-0.33
IFRS	2008E	45.8	2.8	2.2	1.4	0.35
IFRS	2009E	50.9	3.9	3.2	2.1	0.52
IFRS	2010E	57.2	4.6	4.0	2.5	0.63
CAGR 2006 - 2010E		13.9%	34.7%	33.1%	62.1%	

Figures in EURm except EpS, hist. PERs based on average share prices

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Recommendation shares - Single Issuer -:

Buy:	According to our assessment, the stock should register an absolute profit of at least 15% within a 6-month period.
Accumulate:	According to our assessment, the stock should register an absolute profit between 0% and 15% within a 6-month period.
Reduce:	According to our assessment, the stock should register an absolute loss between 0% and 15% within a 6-month period.
Sell:	According to our assessment, the stock should register an absolute loss of at least 15% within a 6-month period.

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¹⁾²⁾³⁾⁴⁾ **Please notice the advice regarding possible conflicts of interests as well as the disclaimer at the end of this document**

Summary of the evaluation principles used:

Analyses of shares:

In valuing companies standard and accepted valuation methods (amongst others the Discounted Cash Flow Method (DCF Method), Peer Group Analysis) are applied. Under the DCF Method the capitalised value of the issuers is calculated which shows the sum of the discounted company results, i.e. the current value of the issuer's future net distributions. The capitalised value is therefore determined with reference to the anticipated future company results and the capitalisation yield applied. Under the Peer Group Analysis Method issuers quoted on the Stock Exchange are valued with reference to the comparison of ratio indices (e.g. price earnings ratio, price to book ratio, enterprise value / sales, enterprise value / EBITDA, enterprise value / EBIT). The comparability of the ratio indices is determined above all by business activity and commercial prospects.

Technical analyses:

Technical analyses are based on historic share price and sales developments which are analysed by mathematical-statistical tools (chart techniques, indicator technology, the Elliott wave theory, sentiment observations as well as relative strength approaches) and on forecasts of future developments.

Sensitivity of the evaluation parameters:

The figures taken from the statement of income, the cash flow statement and the balance sheet upon which the evaluation of companies is based are estimates referring to given dates and therefore subject to risks. These may change at any time without prior notice.

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As of: - 07/29/2008 -

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