

Recommendation:
BUY (BUY)

Risk:
HIGH (HIGH)

Price target:
EUR 3.20 (3.20)

05 September 2011

Solid 2Q highlighted by strong growth

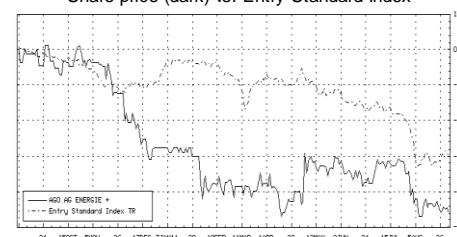
Sale of Italian subsidiary affected AGO's net result

- In 2Q 2011, sales revenues jumped 92% to reach EUR 15.7m (PY: EUR 8.2m). Both amounts are net of discontinued operations since AGO energia s.r.l. was sold on 7 June 2011. Sales in 1H 2011 already account for 48.4% of our sales estimate for FY 2011. In 1H 2010, sales had reached only 42.1% of the amount which eventually was reached in FY 2010. In view of the typical quarterly seasonality of AGO's business, this is a very reassuring indication that AGO should be able to achieve our FY sales estimate. Gross profit improved from EUR 0.4m in 1H 2010 to EUR 1.5m, although AGO states that gross margins of projects under construction still clearly lag behind the newly acquired projects. In terms of EBIT, AGO managed to break even in 1H 2011 but could not reach previous year's slightly higher EBIT level.
- At mid-year 2011, the operative business was working to full capacity. The order situation, however, does not look very impressive in a YOY comparison. Incoming orders added up to EUR 26.4m in 1H 2011 (1H 2010: EUR 27.6m). Order backlog amounted to EUR 36.7 on 30 June 2011. This is 14% lower than on 30 June 2010. The management's outlook for FY 2011 was rather vague. In 2H 2011, AGO intends to pay attention to operate at balanced capacity in order to result the excellent incoming orders of 2011 in a favorable project close-out. Apparently, there might arise some risk from a partial construction halt at the project Kiel due to problems with approval procedures. Nevertheless, we still feel comfortable with our latest estimates for FY 2011.
- As we had already noted in our previous update on AGO, Perseus has two companies in its portfolio which are active in the field of CHP plants: SEVA Energie AG and Pro2. This might open up new business opportunities for AGO. AGO's product range (large-scale CHP plants, process cooling, etc.) as well as AGO's customer structure (e.g. public utilities) seem rather complementary with those of SEVA and Pro2.
- We leave all our financial estimates as well as our price target for the share (EUR 3.20) unchanged and maintain our BUY recommendation.

Y/E 31 Dec, EUR m	2009	2010	2011E	2012E	2013E
Sales revenues	50.3	52.8	68.3	73.1	77.5
Gross profit	5.2	2.3	4.9	6.7	7.4
EBITDA	2.6	-1.4	2.4	4.1	4.6
EBIT	1.7	-8.0	1.2	2.9	3.4
Net income/loss	0.2	-8.3	-0.1	1.4	1.7
EPS	0.06	-2.07	-0.02	0.35	0.42
CPS	1.90	0.08	-0.64	0.59	0.71
Gross margin	10.3%	4.4%	7.2%	9.2%	9.5%
EBITDA margin	5.2%	-2.6%	3.5%	5.6%	6.0%
Adj. EBIT margin	3.3%	-15.1%	1.8%	4.0%	4.3%
EV/EBITDA	6.3	neg.	6.9	4.0	3.5
EV/EBIT	9.9	neg.	13.1	5.6	4.9
P/E	38.0	neg.	neg.	6.5	5.4

Source: CBS Research AG, AGO AG Energie + Anlagen

Share price (dark) vs. Entry Standard Index



Source: CBS Research AG, Bloomberg, AGO AG

Change	2011E		2012E		2013E	
	new	old	new	old	new	old
Sales	-	68.3	-	73.1	-	77.5
EBITDA	-	2.4	-	4.1	-	4.6
EPS	-	-0.02	-	0.35	-	0.42

Internet: www.ago.ag

Sector: Industrial

WKN: A0LR41

ISIN: DE000A0LR415

Reuters: AGYG.DE

Bloomberg: AGY GY

Short company profile:

AGO AG Energie + Anlagen, headquartered in Kulmbach/Germany, is a specialist in the area of innovative and efficient energy supply and facilities. AGO AG concentrates on the three business segments project development and implementation, operation of facilities as well as service & consulting. The company's core competences are mainly biomass cogeneration plants, cogeneration plants, heat and refrigeration plants, trigeneration as well as contracting. Location studies / location development, energy efficiency consulting, raw material and fuel management as well as emissions trading round off the business

Share data:

Share price (EUR, latest closing price):	2.25
Shares outstanding (m):	4.0
Market capitalisation (EUR m):	9.0
Enterprise value (EUR m):	16.4
Ø daily trading volume (6 m., no. of shares):	3,458

Performance data:

High 52 weeks (EUR):	4.20
Low 52 weeks (EUR):	1.85
Absolute performance (12 months):	-45.8%
Relative performance vs. Entry Standard Index:	
1 month	-6.0%
3 months	-0.7%
6 months	23.1%
12 months	-22.2%

Shareholders:

Perseus SEVA, L.L.C.:	59.25%
Management:	5.26%
Supervisory board:	3.05%
Free float:	32.44%

Financial calendar:

3Q 2011 report:	November 2011
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Appendix

Quarterly key data and YoY comparison

	IFRS	EUR 1,000	2Q 2011	2Q 2010	1H 2011	1H 2010
Sales			15,682	8,172	33,057	20,718
YoY growth			91.9%	-26.0%	59.6%	13.3%
Gross profit			734	701	1,513	364
as % of sales			4.7%	8.6%	4.6%	1.8%
EBIT			11	233	11	-734
as % of sales			0.1%	2.9%	0.0%	-3.5%
Net income attributable to shareholders			-565	13	-565	-837
EPS incl. discontinued operations (EUR)			-0.14	0.00	-0.14	-0.21
Cash flow from operating activities			-210	1,567	-4,885	-3,753
Net financial debt					6,383	1,223
Equity ratio					13.5%	13.1%

Source: AGO AG Energie + Anlagen, CBS Research AG

Profit and loss account

	IFRS	EUR 1,000	2008*	2009*	2010	2011E	2012E	2013E
Sales			36,697	50,287	52,831	68,300	73,081	77,466
YoY growth			-11.2%	37.0%	5.1%	29.3%	7.0%	6.0%
Cost of sales			-32,543	-45,118	-50,525	-63,382	-66,358	-70,107
as % of sales			-88.7%	-89.7%	-95.6%	-92.8%	-90.8%	-90.5%
Gross profit			4,154	5,169	2,306	4,918	6,723	7,359
as % of sales			11.3%	10.3%	4.4%	7.2%	9.2%	9.5%
Research and development expenses			-174	-205	-142	-102	-110	-116
as % of sales			-0.5%	-0.4%	-0.3%	-0.2%	-0.2%	-0.2%
Selling expenses			-2,118	-2,580	-2,826	-2,472	-2,631	-2,789
as % of sales			-5.8%	-5.1%	-5.3%	-3.6%	-3.6%	-3.6%
General and administrative expenses			-692	-1,005	-880	-1,025	-1,096	-1,146
as % of sales			-1.9%	-2.0%	-1.7%	-1.5%	-1.5%	-1.5%
Other operating income			551	939	727	410	438	465
as % of sales			1.5%	1.9%	1.4%	0.6%	0.6%	0.6%
Other operating expenses*			-147	-645	-1,847	-423	-453	-488
as % of sales			-0.4%	-1.3%	-3.5%	-0.6%	-0.6%	-0.6%
Extraordinary impairment loss from PP&E			0.0	0.0	-5,292.0	0.0	0.0	0.0
as % of sales			0.0%	0.0%	-10.0%	0.0%	0.0%	0.0%
EBIT as reported			1,574	1,673	-7,954	1,305	2,872	3,285
as % of sales			4.3%	3.3%	-15.1%	1.9%	3.9%	4.2%
Income from equity consolidated affiliates			-1	-11	-42	-57	50	80
EBIT incl. income from equity consolidated affiliates			1,573	1,662	-7,996	1,248	2,922	3,365
as % of sales			4.3%	3.3%	-15.1%	1.8%	4.0%	4.3%
Net interest income/expense			-529	-675	-808	-754	-787	-818
EBT (Earnings before income taxes)			1,044	987	-8,804	494	2,135	2,547
as % of sales			2.8%	2.0%	-16.7%	0.7%	2.9%	3.3%
Income taxes			-458	-716	495	-144	-622	-742
as % of EBT			-43.9%	-72.5%	-5.6%	-29.1%	-29.1%	-29.1%
Income from continuing operations			586	271	-8,309	350	1,513	1,805
Income from discontinued operations, net of taxes			31	0	0	-700	0	0
Group net income including minorities			617	271	-8,309	-350	1,513	1,805
as % of sales			1.7%	0.5%	-15.7%	-0.5%	2.1%	2.3%
Minority interests			21	-34	36	290	-130	-135
Net income attributable to shareholders			638	237	-8,273	-60	1,383	1,670
Shares outstanding (in thousands)			4,000	4,000	4,000	4,000	4,000	4,000
Basic earnings per share (EUR)			0.16	0.06	-2.07	-0.02	0.35	0.42

* AGO energia S.r.l. will be treated as a discontinued operation in FY 2011, and the figures for FY 2010 will be adjusted retroactively in the annual report 2011. As long as the adjusted figures have not been published, we show the previous years' figures without any adjustments.

Source: CBS Research AG, AGO AG Energie + Anlagen

Balance sheet

	IFRS	EUR 1,000	2008	2009	2010	2011E	2012E	2013E
Assets								
Noncurrent assets			16,928	18,052	11,844	12,069	11,711	11,420
as % of total assets			44.5%	41.6%	32.1%	38.9%	35.2%	33.9%
Intangible assets			275	639	534	631	687	725
Property, plant and equipment			14,442	14,361	8,451	8,286	7,950	7,580
Financial assets			2,043	2,922	2,436	2,873	2,923	3,003
Other non-current assets			0	0	0	0	0	0
Deferred taxes			168	130	423	279	152	112
Current assets			21,110	25,330	25,064	18,995	21,538	22,314
as % of total assets			55.5%	58.4%	67.9%	61.1%	64.8%	66.1%
Inventories and prepayments			482	1,610	4,475	1,981	2,339	2,479
Receivables from contract manufacturing (PoC)			4,805	5,423	5,115	5,656	6,103	6,734
Trade accounts receivable			7,052	5,543	3,321	4,678	5,206	5,730
Receivables from affiliated companies			0	1,600	1,600	0	0	0
Other assets			1,092	886	676	820	877	930
Cash and cash equivalents			7,679	10,268	9,877	5,860	7,014	6,442
Total assets			38,038	43,382	36,908	31,064	33,250	33,734
Shareholders' equity and liabilities								
Shareholders' equity			13,043	13,116	4,851	4,501	6,014	7,819
as % of total equity and liabilities			34.3%	30.2%	13.1%	14.5%	18.1%	23.2%
Capital stock			4,000	4,000	4,000	4,000	4,000	4,000
Capital reserve			8,146	8,146	8,146	8,146	8,146	8,146
Retained earnings			656	855	-7,389	-7,449	-6,066	-4,396
Currency translation reserve			0	5	19	19	19	19
Equity attributable to minority interest			241	110	75	-215	-85	50
Noncurrent liabilities			11,473	11,140	9,924	9,006	8,757	6,304
as % of total equity and liabilities			30.2%	25.7%	26.9%	29.0%	26.3%	18.7%
Provisions for pensions			215	222	229	238	247	256
Other noncurrent provisions			471	500	494	510	540	550
Noncurrent financial liabilities			10,068	9,152	8,310	7,292	6,992	4,500
- of which bearer bonds payables			2,462	2,474	2,492	2,492	2,492	0
Other noncurrent liabilities			14	4	0	0	0	0
Deferred tax liabilities			705	1,262	891	966	978	998
Current liabilities			13,522	19,126	22,133	17,557	18,479	19,611
as % of total equity and liabilities			35.5%	44.1%	60.0%	56.5%	55.6%	58.1%
Tax provisions and other provisions			123	150	127	127	259	483
Trade accounts payable and rec. advance payments			6,603	7,142	9,088	10,141	10,617	11,217
Liabilities from build-to-order contracts			1,395	6,299	4,568	2,120	2,233	2,358
Financial liabilities (to banks)			2,069	1,980	2,790	2,300	2,300	2,300
Liabilities to affiliated companies			0	0	2,545	0	0	0
Other liabilities incl. liabilities from taxes			3,332	3,555	3,015	2,869	3,069	3,254
Total equity and liabilities			38,038	43,382	36,908	31,064	33,250	33,734

Source: CBS Research AG, AGO AG Energie + Anlagen

Cash flow statement

	IFRS	EUR 1,000	2008	2009	2010	2011E	2012E	2013E
Income/loss before interest and taxes*			1,617	1,673	-7,996	260	2,922	3,365
Cash taxes paid			-212	-102	85	363	-483	-682
Interests paid and received			-529	-654	-759	-754	-787	-818
Depreciation and amortization			820	940	6,606	1,116	1,190	1,267
Income from equity consolidated affiliates			1	11	37	57	-50	-80
Change in accruals incl. pension provisions			-50	75	-22	25	171	242
Other expenses / income with no effect on liquidity			0	-163	506	0	0	0
Income/losses on retirements of noncurrent assets			-18	-2	-6	0	0	0
Increase/decrease in inventories, trade receivables, and other assets			51	616	2,420	453	-1,389	-1,349
Increase/decrease in trade accounts payable and other liabilities			378	5,207	-541	-4,086	790	909
Cash flow from operating activities			2,058	7,601	330	-2,567	2,364	2,854
Net cash outflows from the purchase and retirement of noncurrent assets			-1,409	-932	-1,111	-1,047	-910	-935
Investments within short-term cash management (loan receivables due from associated company)			0	-1,600	0	1,600	0	0
Purchase/sale of noncurrent financial assets			-90	-920	533	-557	0	0
Investments in non-current assets			0	-286	-90	63	0	0
Purchase of consolidated companies			0	-60	0	0	0	0
Cash flow from investing activities			-1,499	-3,798	-668	59	-910	-935
Net cash inflow from capital stock increases			0	0	0	0	0	0
Cash inflow from minority interests in shareholders' equity of consolidated subsidiaries			46	0	0	0	0	0
Purchase/sale of shares in fully consolidated subsidiaries			0	-167	0	0	0	0
Net borrowings/retirements of debt			1,518	-1,047	-53	-1,508	-300	-2,492
Cash flow from financing activities			1,564	-1,214	-53	-1,508	-300	-2,492
Total change in cash and cash equivalents			2,123	2,589	-391	-4,017	1,154	-573
Cash and cash equiv. at the start of the period			5,556	7,679	10,268	9,877	5,860	7,014
Cash and cash equiv. at the end of the period			7,679	10,268	9,877	5,860	7,014	6,442

*2011: Incl. EBIT from discontinued operations

Source: CBS Research AG, AGO AG Energie + Anlagen

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BUY: The expected performance of the share price is above +10%.

HOLD: The expected performance of the share price is between 0% and +10%.

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Recommendation history over the last 12 months for the company analysed in this report:

Date	Recommendation	Price at change date	Price target
22 December 2010	BUY	3.099	EUR 3.50
2 Mai 2011	BUY	2.50	EUR 3.40
17 June 2011	BUY	2.739	EUR 3.20
5 September 2011	BUY	2.25	EUR 3.20

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