

Recommendation:  
**BUY** (BUY)

Risk:  
**HIGH** (HIGH)

Price target:  
**EUR 4.00** (4.00)

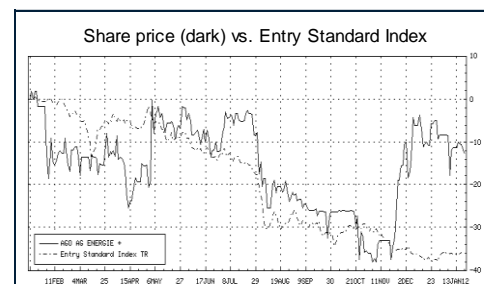
23 January 2012

## AGO is coming on strong in CHP and trigeneration plants

- AGO has shifted its focus to the areas of combined heat and power plants based on natural gas as well as absorption chillers and aims at an upgrade of its ranking within the top 10 CHP suppliers of Germany. The Company's announcements in 4Q 2011 already sounded promising. AGO won a major CHP order with a volume of about EUR 9m as well as an order for a trigeneration energy centre with a volume of EUR 2.2m. As from 2012, basic compensation and bonuses according to § 27 EEG will only be granted to biogas plants which use CHP technology for at least 25% of the electricity generation in the first year after the year of commissioning and 60% in the following years (or alternatively use at least 60% of liquid manure by mass of total feedstock). This regulation should give rise to demand for AGO's 'congelato', an ammonia/water absorption chiller. We also expect that cooperation with Perseus' other holdings, SEVA Energie and Pro2, might open up new business opportunities for AGO in the future.
- In 3Q 2011, sales revenues showed a strong increase of 65.1% and reached EUR 19.8m (PY: EUR 12.0m). AGO's quarterly gross margin, however, dropped from 7.4% to 2.6%. This decrease is among others the result of low-margin project realisations whose contracts were accepted during the previous crisis year 2010. Even though all of the other operating expenditure items could be reduced q-o-q, AGO's EBIT was down from EUR -121k in 3Q 2010 to EUR -256k in 3Q 2011.
- AGO selected orders much more carefully in 2011. This appears to be the major reason for the drop in incoming orders from EUR 44.4m in 9M 2010 to EUR 34.8m and the decrease in order backlog from EUR 46.8m as of 30 September 2010 to EUR 25.2m as of 30 September 2011. Against this backdrop, we expect a return to higher margins again in the coming quarters. An economically more healthy degree of workload in comparison to the partly overheated situation in 2011 should also enhance the company's profitability.
- Helmut Peetz resigned from the Management Board for health reasons. Günther Hein, a manager with international experience in the energy sector, joined the Board instead.
- We leave our price target (EUR 4.00) unchanged and maintain BUY.

Y/E 31 Dec, EUR m	2009	2010	2011E	2012E	2013E
Sales revenues	50.3	52.8	69.9	55.0	59.0
Gross profit	5.2	2.3	2.9	4.6	6.0
EBITDA	2.6	-1.4	0.8	2.1	3.6
EBIT	1.7	-8.0	0.0	1.5	2.9
Net income of continuing op.	0.3	-8.3	-0.7	0.6	1.7
Net income/loss	0.2	-8.3	-1.4	-0.9	1.7
EPS	0.06	-2.07	-0.36	-0.21	0.44
CPS	1.90	0.08	-1.85	0.15	0.54
Gross margin	10.3%	4.4%	4.1%	8.3%	10.1%
EBITDA margin	5.2%	-2.6%	1.1%	3.7%	6.0%
EV/EBITDA	7.8	neg.	26.9	9.9	5.7
P/E	43.4	neg.	neg.	neg.	5.9

Source: CBS Research AG, AGO AG Energie + Anlagen



Source: CBS Research AG, Bloomberg, AGO AG

Change	2011E		2012E		2013E	
	new	old	new	old	new	old
Sales	-	69.9	-	55.0	-	59.0
EBITDA	-	0.8	-	2.1	-	3.6
EPS	-	-0.36	-	-0.21	-	0.44

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 model.

### Share data:

Share price (EUR, latest closing price):	<b>2.57</b>
Shares outstanding (m):	4.0
Market capitalisation (EUR m):	10.3
Enterprise value (EUR m):	20.4
Ø daily trading volume (6 m., no. of shares):	2,419

### Performance data:

High 52 weeks (EUR):	3.00
Low 52 weeks (EUR):	1.80
Absolute performance (12 months):	-11.9%
Relative performance vs. Entry Standard Index:	
1 month	-9.6%
3 months	35.5%
6 months	19.3%
12 months	37.4%

### Shareholders:

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

### Financial calendar:

Annual report 2011:	April 2012
Q1 Report 2012:	June 2012

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## Appendix

### Profit and loss account

	IFRS	EUR 1,000	2008	2009	2010	2011E	2012E	2013E
<b>Sales</b>			<b>36,697</b>	<b>50,287</b>	<b>52,831</b>	<b>69,920</b>	<b>55,000</b>	<b>59,000</b>
YoY growth			-11.2%	37.0%	5.1%	32.3%	-21.3%	7.3%
Cost of sales			-32,543	-45,118	-50,525	-67,053	-50,435	-53,041
as % of sales			-88.7%	-89.7%	-95.6%	-95.9%	-91.7%	-89.9%
<b>Gross profit</b>			<b>4,154</b>	<b>5,169</b>	<b>2,306</b>	<b>2,867</b>	<b>4,565</b>	<b>5,959</b>
as % of sales			11.3%	10.3%	4.4%	4.1%	8.3%	10.1%
Research and development expenses			-174	-205	-142	-98	-127	-132
as % of sales			-0.5%	-0.4%	-0.3%	-0.1%	-0.2%	-0.2%
Selling expenses			-2,118	-2,580	-2,826	-1,986	-2,035	-2,065
as % of sales			-5.8%	-5.1%	-5.3%	-2.8%	-3.7%	-3.5%
General and administrative expenses			-692	-1,005	-880	-699	-792	-808
as % of sales			-1.9%	-2.0%	-1.7%	-1.0%	-1.4%	-1.4%
Other operating income			551	939	727	308	418	431
as % of sales			1.5%	1.9%	1.4%	0.4%	0.8%	0.7%
Other operating expenses			-147	-645	-1,847	-427	-550	-454
as % of sales			-0.4%	-1.3%	-3.5%	-0.6%	-1.0%	-0.8%
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%
<b>EBIT</b>			<b>1,574</b>	<b>1,673</b>	<b>-7,954</b>	<b>-35</b>	<b>1,480</b>	<b>2,931</b>
as % of sales			4.3%	3.3%	-15.1%	0.0%	2.7%	5.0%
Net financial result			-530	-686	-850	-1,020	-682	-470
<b>EBT (Earnings before income taxes)</b>			<b>1,044</b>	<b>987</b>	<b>-8,804</b>	<b>-1,055</b>	<b>798</b>	<b>2,461</b>
as % of sales			2.8%	2.0%	-16.7%	-1.5%	1.5%	4.2%
Income taxes			-458	-716	495	307	-232	-717
as % of EBT			-43.9%	-72.5%	-5.6%	-29.1%	-29.1%	-29.1%
<b>Income from continuing operations</b>			<b>586</b>	<b>271</b>	<b>-8,309</b>	<b>-748</b>	<b>565</b>	<b>1,744</b>
Income from discontinued operations, net of taxes			31	0	0	-700	-1,417	0
<b>Group net income including minorities</b>			<b>617</b>	<b>271</b>	<b>-8,309</b>	<b>-1,448</b>	<b>-852</b>	<b>1,744</b>
as % of sales			1.7%	0.5%	-15.7%	-2.1%	-1.5%	3.0%
Minority interests			21	-34	36	0	0	0
<b>Net income attributable to shareholders</b>			<b>638</b>	<b>237</b>	<b>-8,273</b>	<b>-1,448</b>	<b>-852</b>	<b>1,744</b>
Shares outstanding (in thousands)			4,000	4,000	4,000	4,000	4,000	4,000
<b>Basic earnings per share (EUR)</b>			<b>0.16</b>	<b>0.06</b>	<b>-2.07</b>	<b>-0.36</b>	<b>-0.21</b>	<b>0.44</b>

Source: CBS Research AG, AGO AG Energie + Anlagen

**Balance sheet**

	IFRS	EUR 1,000	2008	2009	2010	2011E	2012E	2013E
<b>Assets</b>								
<b>Noncurrent assets</b>			<b>16,928</b>	<b>18,052</b>	<b>11,844</b>	<b>12,649</b>	<b>6,325</b>	<b>5,959</b>
as % of total assets			44.5%	41.6%	32.1%	38.1%	27.6%	25.2%
Intangible assets			275	639	534	497	484	465
Property, plant and equipment			14,442	14,361	8,451	8,765	2,855	2,943
Financial assets			2,043	2,922	2,436	2,364	1,600	1,600
Other non-current assets			0	0	0	0	0	0
Deferred taxes			168	130	423	1,023	1,385	951
<b>Current assets</b>			<b>21,110</b>	<b>25,330</b>	<b>25,064</b>	<b>20,524</b>	<b>16,608</b>	<b>17,646</b>
as % of total assets			55.5%	58.4%	67.9%	61.9%	72.4%	74.8%
Inventories and prepayments			482	1,610	4,475	2,028	1,650	1,770
Receivables from contract manufacturing (PoC)			4,805	5,423	5,115	8,481	7,122	8,024
Trade accounts receivable			7,052	5,543	3,321	4,789	3,918	4,364
Receivables from affiliated companies			0	1,600	1,600	1,600	0	0
Other assets			1,092	886	676	559	550	590
Cash and cash equivalents			7,679	10,268	9,877	3,066	3,368	2,898
<b>Total assets</b>			<b>38,038</b>	<b>43,382</b>	<b>36,908</b>	<b>33,172</b>	<b>22,933</b>	<b>23,605</b>
<b>Shareholders' equity and liabilities</b>								
<b>Shareholders' equity</b>			<b>13,043</b>	<b>13,116</b>	<b>4,851</b>	<b>3,403</b>	<b>2,551</b>	<b>4,295</b>
as % of total equity and liabilities			34.3%	30.2%	13.1%	10.3%	11.1%	18.2%
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	-8,837	-9,689	-7,945
Currency translation reserve			0	5	19	19	19	19
Equity attributable to minority interest			241	110	75	75	75	75
<b>Noncurrent liabilities</b>			<b>11,473</b>	<b>11,140</b>	<b>9,924</b>	<b>11,435</b>	<b>6,507</b>	<b>4,626</b>
as % of total equity and liabilities			30.2%	25.7%	26.9%	34.5%	28.4%	19.6%
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	9,791	4,812	2,892
- of which bearer bonds payables			2,462	2,474	2,492	4,191	4,312	1,892
Other noncurrent liabilities			14	4	0	0	0	0
Deferred tax liabilities			705	1,262	891	896	908	928
<b>Current liabilities</b>			<b>13,522</b>	<b>19,126</b>	<b>22,133</b>	<b>18,334</b>	<b>13,875</b>	<b>14,684</b>
as % of total equity and liabilities			35.5%	44.1%	60.0%	55.3%	60.5%	62.2%
Tax provisions and other provisions			123	150	127	127	127	297
Trade accounts payable and rec. advance payments			6,603	7,142	9,088	10,729	8,070	8,487
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	2,911	1,300	1,300
Liabilities to affiliated companies			0	0	2,545	0	0	0
Other liabilities incl. liabilities from taxes			3,332	3,555	3,015	2,447	2,145	2,242
<b>Total equity and liabilities</b>			<b>38,038</b>	<b>43,382</b>	<b>36,908</b>	<b>33,172</b>	<b>22,933</b>	<b>23,605</b>

Source: CBS Research AG, AGO AG Energie + Anlagen

**Cash flow statement**

	IFRS	EUR 1,000	2008	2009	2010	2011E	2012E	2013E
<b>Income/loss before interest and taxes*</b>			1,617	1,673	-7,996	-1,023	-521	2,931
Cash taxes paid			-212	-102	85	0	0	-262
Interests paid and received			-529	-654	-759	-1,020	-682	-470
Depreciation and amortization			820	940	6,606	793	577	632
Income from equity consolidated affiliates			1	11	37	0	0	0
Change in accruals incl. pension provisions			-50	75	-22	25	39	189
Other expenses / income with no effect on liquidity			-18	-165	500	0	2,000	0
Increase/decrease in inventories, trade receivables, and other assets			51	616	2,420	-2,270	2,017	-1,508
Increase/decrease in trade accounts payable and other liabilities			378	5,207	-541	-3,920	-2,848	639
<b>Cash flow from operating activities</b>			<b>2,058</b>	<b>7,601</b>	<b>330</b>	<b>-7,415</b>	<b>583</b>	<b>2,150</b>
Net cash outflows from the purchase and retirement of noncurrent assets			-1,409	-932	-1,111	-1,070	-660	-700
Investments within short-term cash management (loan receivables due from associated company)			0	-1,600	0	0	0	0
Purchase / sale of noncurrent financial assets			-90	-920	533	109	2,364	0
Investments in non-current assets			0	-286	-90	-37	0	0
Purchase/disposal of consolidated companies			0	-60	0	0	3,505	0
<b>Cash flow from investing activities</b>			<b>-1,499</b>	<b>-3,798</b>	<b>-668</b>	<b>-998</b>	<b>5,209</b>	<b>-700</b>
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 financial debt incl. (convertible) bonds			1,518	-1,047	-53	1,602	-5,490	-1,920
<b>Cash flow from financing activities</b>			<b>1,564</b>	<b>-1,214</b>	<b>-53</b>	<b>1,602</b>	<b>-5,490</b>	<b>-1,920</b>
<b>Total change in cash and cash equivalents</b>			<b>2,123</b>	<b>2,589</b>	<b>-391</b>	<b>-6,811</b>	<b>302</b>	<b>-470</b>
Cash and cash equiv. at the start of the period			5,556	7,679	10,268	9,877	3,066	3,368
<b>Cash and cash equiv. at the end of the period</b>			<b>7,679</b>	<b>10,268</b>	<b>9,877</b>	<b>3,066</b>	<b>3,368</b>	<b>2,898</b>

\*2011 and 2012: Incl. EBIT from discontinued operations

Source: CBS Research AG, AGO AG Energie + Anlagen

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Recommendation System:

Close Brothers Seydler Research AG uses a 3-level absolute share rating system. The ratings pertain to a time horizon of up to 6 months:

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

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

SELL: The expected performance of the share price is below 0%.

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

Date	Recommendation	Price at change date	Price target
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
2 November 2011	BUY	1.89	EUR 4.00
23 January 2012	BUY	2.57	EUR 4.00

Risk-scaling System:

Close Brothers Seydler Research AG uses a 3-level risk-scaling system. The ratings pertain to a time horizon of up to 6 months:

LOW: The volatility is expected to be lower than the volatility of the benchmark

MEDIUM: The volatility is expected to be equal to the volatility of the benchmark

HIGH: The volatility is expected to be higher than the volatility of the benchmark

The following valuation methods are used when valuing companies: Multiplier models (price/earnings, price/cash flow, price/book value, EV/Sales, EV/EBIT, EV/EBITA, EV/EBITDA), peer group comparisons, historical valuation approaches, discounting models (DCF, DDM), break-up value approaches or asset valuation approaches. The valuation models are dependent upon macroeconomic measures such as interest, currencies, raw materials and assumptions concerning the economy. In addition, market moods influence the valuation of companies.

The figures taken from the income statement, 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.

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