



**Independent Research**

Unabhängige Finanzmarktanalyse GmbH

## **Research Note**

# **AGO AG Energie + Anlagen**



**Expansion of operation of facilities**

**03/04/2008**

**Please notice the information on the preparation of this document, the disclaimer, the advice regarding possible conflicts of interests, and the mandatory information required by § 34b WpHG (Securities Trading Law) at the end of this document. This financial analysis in accordance with § 34b WpHG is exclusively intended for distribution to individuals that buy or sell financial instruments at their own account or at the account of others in connection with their trading activities, occupation, or employment.**

**Expansion of operation of facilities****New order for biomass heating station**

- ⇒ AGO has been awarded an order for the building and subsequent operation of a biomass heating station with an installed performance of 6 MWth in Upper Franconia. The investment volume is EUR3m. The plant is to be finished in early 2009 and is expected to generate revenue of at least EUR1.4m per year from heat supply. As usual, the contract has a duration of 15 years.
- ⇒ Up to now, AGO has been able to realise the strategy of expanding its operation of facilities as planned. Due to the duration of the contracts, the company's business model becomes more stable as well as more scalable and calculable, but also more capital-intensive. We expect that the sales and profit development will be stimulated in the coming years by the new German Renewable Energies Heat Act and the company's newly launched foreign expansion (entry into Italian market).
- ⇒ We leave our sales and profit forecasts unchanged. In our opinion, the company is making good headway towards attaining its goals. Although there was a positive newsflow, the AGO share could not escape the general downward trend on the stock markets in the past few months. With regard to the current situation of the market as a whole, we impose a risk discount of 10% (before: 0%) on the calculated value per AGO share in our DCF model. With the help of our DCF model we have determined a new fair value of EUR6.70 (before: 7.44) per share. From this we have derived a lowered price target of EUR6.70 (before: 7.40). We reaffirm our Buy recommendation.

**AGO AG Energie + Anlagen 4)****Recommendation: Buy****before:**

as of

-

-

|   |             |
|---|-------------|
| <b>Price target</b> (in EUR) (6 months) | <b>6.70</b> |
| Share price(Xetra) (in EUR)             | 4.50        |
| 02/29/08 5:36 PM                        |             |
| Share price potential                   | 48.89%      |

**Company date**

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

**Data shares**

|                      |         |
|----------------------|---------|
| Shares (m)           | 4.000   |
| Freefloat            | 35.70%  |
| Market cap. (EURm)   | 18.0    |
| ∅ Trading Volume     | 3,575   |
| 52W High 06/19/07    | EUR9.34 |
| 52W Low 01/29/08     | EUR2.35 |
| Beta                 | 1.25    |
| Volatility (60 days) | 73.03   |

**Multiples**

|       | EV/Sales | EV/EBIT | P/E ratio | Dividend yield |
|-------|----------|---------|-----------|----------------|
| 2005  | -        | -       | -         | -              |
| 2006  | -        | -       | -         | -              |
| 2007e | 0.6      | 22.2    | 13.7      | -              |
| 2008e | 0.5      | 7.3     | 2.6       | 0.0%           |
| 2009e | 0.4      | 4.7     | 1.7       | 0.0%           |

**Performance (in %)**

|                | 1 month | 3 months | 6 months | 12 months |
|----------------|---------|----------|----------|-----------|
| absolut        | -7.8    | -25.4    | -33.2    | -         |
| related to:    |         |          |          |           |
| DAX            | -3.5    | -12.1    | -23.3    | -         |
| Entry Standard | -3.3    | -12.0    | -23.1    | -         |

**Index Weighting**

|                |        |
|----------------|--------|
| Entry Standard | 2.901% |
|----------------|--------|

**Author: S. Diermeier (analyst)**

| AP                | FY    | Sales  | EBIT  | EBT   | EAT   | EPS  |
|-------------------|-------|--------|-------|-------|-------|------|
| HGB               | 2005  | 48.025 | 1.679 | 1.589 | 0.707 | 0.71 |
| HGB               | 2006  | 41.016 | 1.197 | 1.031 | 0.859 | 0.86 |
| IFRS              | 2007e | 42.600 | 1.088 | 0.784 | 0.499 | 0.48 |
| IFRS              | 2008e | 45.700 | 3.322 | 2.804 | 1.822 | 1.75 |
| IFRS              | 2009e | 54.590 | 5.096 | 4.308 | 2.803 | 2.69 |
| CAGR 2005 - 2009e |       | 3.3%   | 32.0% | 28.3% | 41.1% |      |

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

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

## Disclaimer

### 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.      |

### Liability declaration

This document has been prepared by Independent Research GmbH independently of the issuers named. The opinions and forecasts contained in this document are those of Independent Research GmbH alone. The information and opinions refer to given dates and are subject to change without prior notice.

Independent Research GmbH has prepared the contents of this document on the basis of sources of information which are generally accessible and considered to be reliable but which the company has not independently verified. The balanced nature, accuracy, completeness or correctness of the information or opinions contained in this document are therefore neither expressly guaranteed nor is such a guarantee thereby implied. The recipient of this document should therefore not rely on this information or these opinions. Independent Research GmbH assumes no responsibility or liability for damage arising from the use of this document or the information contained therein or which otherwise may thereby arise. An investment decision ought to be based on a properly approved prospectus or information memorandum and under no circumstances on this document.

This document constitutes neither an offer nor an invitation to subscribe to or to purchase a security, nor does this document nor the information contained therein constitute the basis for any kind of contractual or other commitment whatsoever.

The distribution of this document is only intended to persons who purchase or sell transferable securities for their own account or for the account of others as part of their trading activity, profession or occupation. It is made available exclusively for the purpose of supplying them with information. This document is subject to the copyright of Independent Research GmbH; it may not be reproduced either in whole or in part nor may it be distributed to other persons. Quotations from this document must be accompanied by mention of the source from which the information derived. Any use going beyond this limit requires the prior written approval of Independent Research GmbH.

This document is only intended to be distributed in Great Britain to persons described in article 11(3) of the Financial Services Act 1986 (Investments Advertisements) (Exemptions) Order 1996 (in the most up-to-date version) and may not be passed on either directly or indirectly to any other group of persons. Neither this document nor a copy thereof may be sent to, brought into or distributed in the United States of America, in Canada or in Japan or in the overseas territories or possessions of these countries nor may it be distributed to a US person as defined in the provisions of the US Securities Act of 1933 or to persons having their place of residence in Canada or in Japan. The distribution of this document in other jurisdictional areas may be restricted by law and persons obtaining possession of this document should inform themselves of possible restrictions and adhere to the same. Each omission in the observance of these restrictions may constitute an infringement of prevailing securities laws.

Independent Research GmbH and its affiliated companies and / or members of its management board, its senior managers and/or its employees may hold positions in any of the financial instruments or related investments mentioned in this document and may increase or sell these financial instruments and the related investments. Independent Research GmbH and its affiliated companies may act as consultants for the financial instruments or related investments, perform services for or in relation to these issuers or offer such services and may also be represented in the management board or in other bodies or committees of these issuers.

Compulsory information required under § 34b of the German Securities Trading Law (WpHG) and the Financial Analysis Regulation

### Key sources of information

Key sources of information used in the preparation of this document are publications in foreign and domestic media such as information services (e.g. Reuters, VWD, Bloomberg, DPA-AFX etc.), the financial press (e.g. Börsen-Zeitung, Handelsblatt, FAZ, FTD, Wall Street Journal, Financial Times etc.), specialised journals, published statistics, rating agencies and publications of the issuers analysed.

<sup>1)2)3)4)</sup> **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.

Regardless of the evaluation method applied, there exists a very real risk that the price target may not be reached in the anticipated period of time. These risks include unforeseen changes in competitive pressure or in the demand for the issuer's products. Such fluctuations in demand may arise as a result of changes of a technological nature, the overall level of economic activity or in some cases as a result of changes in moral standards. Changes in tax law, in currency exchange rates and, in certain industries, in regulations are further factors which can influence evaluations. This discussion of evaluation methods and risk factors makes no claim to be exhaustive.

### Timing conditions of planned updates:

#### Analyses of shares:

**Independent Research GmbH maintains a list of issuers for whom company-based financial analyses ("Cover list of share analyses") are published. The criterion for an issuer's inclusion in or removal from this list is governed by the company's inclusion in an index (DAX® and EuroStoxx 50SM). In addition, selected issuers from the mid and small cap segment and from the US markets are included. In such cases these issuers' inclusion in or removal from the cover list is at the sole discretion of Independent Research GmbH. Generally, reports on current events specific to the companies are prepared every week for the issuers included on the cover list share analyses. Moreover, company-specific events such as ad hoc statements or important news relating to individual companies on the cover list are evaluated every day. The decision as to which issuers are covered by such publications is at the sole discretion of Independent Research GmbH. Moreover, fundamental analyses are prepared for the issuers included on the cover list. The decision as to which issuers are covered by such publications is at the sole discretion of Independent Research GmbH.**

**It may occur at any time that, in fulfilment of the provisions of the Securities Trading Law, the publication of financial analyses of individual issuers included in the cover list are blocked without any prior warning.**

Internal organisational measures to deal with the prevention or handling of conflicts of interest:

Employees of Independent Research GmbH who are involved with the preparation and / or the offering of financial analyses are subject to the company's internal compliancy regulations which classifies them as employees of an area requiring confidentiality. The company's internal compliancy regulations are in line with the provisions of the Guideline for the Concretisation of Organisational Obligations of Companies Trading in Securities in accordance with § 34b para. 5, para. 8 clause 1 of the Securities Trading Law (WpHG) (<http://www.bafin.de>).

**Possible conflicts of interest - As of: 03/04/2008 -**

**Neither Independent Research GmbH nor any affiliated company**

- 1) hold an interest of 1% or more of the capital stock of the company being covered in this report.
- 2) was involved in the issuing of the securities analysed in this report.
- 3) hold a net short position of 1% or more of the analysed company's equity capital.
- 4) support the company on the stock exchange and in the market on the basis of an agreed contract. **Exception: AGO AG Energie + Anlagen and Independent Research GmbH have a business relationship concerning the preparation of research reports.**

**ON ACCEPTANCE OF THIS DOCUMENT THE RECIPIENT ACCEPTS THAT THE ABOVE RESTRICTIONS ARE BINDING.**

**As of: - 03/04/2008 -**

**Independent Research GmbH  
Senckenberganlage 10-12  
D-60325 Frankfurt  
Germany**

**Responsible Supervisory Authority**  
Bundesanstalt für Finanzdienstleistungsaufsicht  
Graurheindorfer Straße 108  
D-53117 Bonn  
and  
Lurgiallee 12  
D-60439 Frankfurt  
Germany



Independent Research

Senckenberganlage 10-12  
60325 Frankfurt am Main  
Germany

Phone: +49 (69) 971490-0

Fax: +49 (69) 971490-90

E-Mail: [info@irffm.de](mailto:info@irffm.de)