

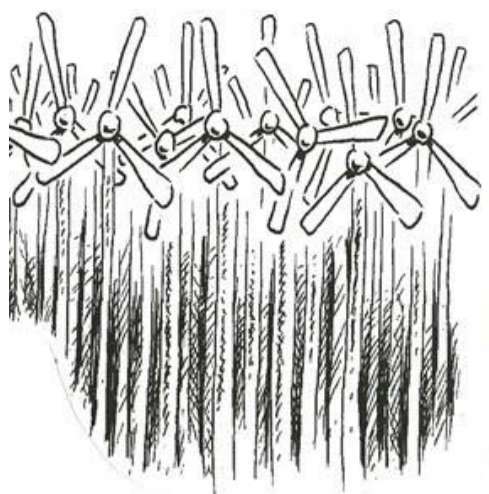
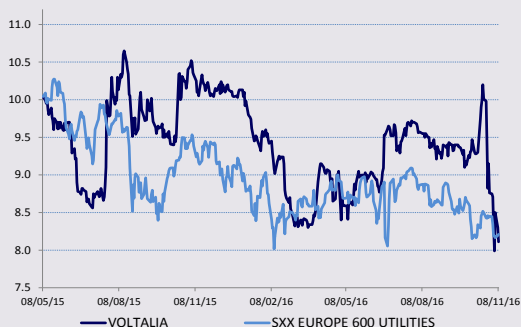
INDEPENDENT RESEARCH

9th November 2016

Utilities

Bloomberg	MLVLT FP
Reuters	MLVLT.PA
12-month High / Low (EUR)	10.3 / 8.0
Market capitalisation (EURk)	396,928
Enterprise Value (BG estimates EURk)	902,299
Avg. 6m daily volume ('000 shares)	5.20
Free Float	%
3y EPS CAGR	50.7%
Gearing (12/15)	NM
Dividend yields (12/16e)	NM

YE December	12/15	12/16e	12/17e	12/18e
Revenue (EURk)	58,482	158,938	298,500	354,762
EBIT(EURk)	22,629	36,608	43,138	69,879
Basic EPS (EUR)	0.15	0.10	0.12	0.51
Diluted EPS (EUR)	0.15	0.10	0.12	0.51
EV/Sales	15.55x	5.68x	3.50x	3.18x
EV/EBITDA	30.3x	14.5x	12.3x	9.4x
EV/EBIT	40.2x	24.6x	24.2x	16.1x
P/E	54.6x	78.0x	66.7x	16.0x
ROCE	NM	NM	NM	NM



Voltalia

Starting to play with the big boys

Fair Value EUR15,5 vs. EUR13 (price EUR8.11)

BUY

Following both impressive H1-16 results and the unveiling of ambitious objectives for 2019, we have reviewed our model in order to integrate the new capacity to be installed in 2017 and beyond as well as the full integration of Martifer Solar, recently acquired by Voltalia. We are now broadly in line with the company's new guidance (EUR178m vs. EUR180m for 2019e EBITDA) and are confident on Voltalia's ability to continue its solid pace of commissioning. We have increased our FV by c. 19% to EUR15.5. Buy rating confirmed.

■ Following solid H1-16 results posted by Voltalia (revenues up 82% yoy and EBITDA margin up 850bps yoy to 53.7%), the announcement of new ambitious objectives for 2019 – inherent to the recent acquisition of solar PV company Martifer Solar – and the completion of an EUR170m capital increase aiming at funding these objectives, we have reviewed our model and notably integrated the new capacity to be installed by the company in 2017 and beyond.

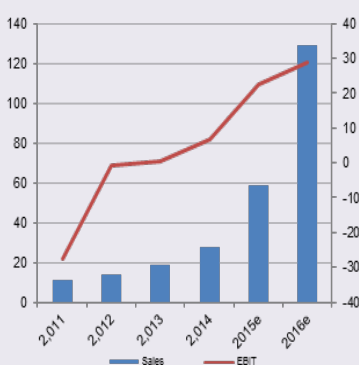
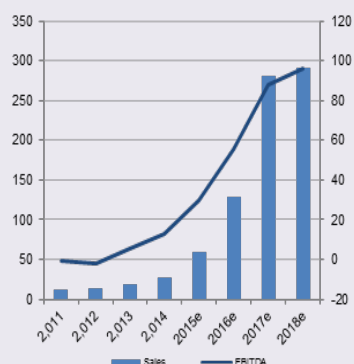
■ We are now slightly below Voltalia's target for 2019e EBITDA (EUR178m vs. EUR180m) but due only to a small discrepancy in the "others/corporate" contribution. As for the energy sales business, our estimates came above Voltalia's EBITDA guidance at EUR168m (vs. EUR165m). All in all, we remain confident on the company's ability to continue its solid pace of commissioning and appreciate the enhanced visibility provided by the company on 2016 and beyond.

■ We now value Voltalia using an equally-weighted combination of two methods (DCF and EV/EBITDA multiple). We set out three scenarios depending on the minority stake in the company's new projects. Our base case implies a EUR15.5 FV – vs. EUR13 – i.e. c. 90% upside vs. the current share price. Our alternative scenarios imply EUR16.0 of equity value per share ("high-minorities" scenario) and EUR15.2 of equity value per share ("no minorities" scenario) both representing significant upside vs. the current share price. Buy rating confirmed.



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Company description

Voltaia is an independent producer of renewable electricity positioned in all segments in the industry (wind, solar, hydro, biomass) and active in four major geographical regions (Brazil, metropolitan France, French Guiana and Greece). At end 2015 Voltaia had 376MW of installed capacities, o/w c.90% on wind and 84% in Brazil. Its electricity sales business is secured by sales agreements over a period of usually 15 to 25 years.

Simplified Profit & Loss Account (EURm)	2013	2014	2015	2016e	2017e	2018e
Revenues	18,587	27,592	58,482	158,938	298,500	354,762
Change (%)	37.9%	48.4%	112%	172%	87.8%	18.8%
Adjusted EBITDA	5,322	12,537	30,042	62,038	84,928	119,545
EBIT	214	6,737	22,629	36,608	43,138	69,879
Change (%)	-%	3 045%	236%	61.8%	17.8%	62.0%
Exceptionals	(2,691)	(774)	(330)	0.0	0.0	0.0
Pre-Tax profits	(4,784)	5,386	7,456	10,530	13,104	43,793
Profits from associates	89.0	66.0	91.0	100	110	121
Minority interests	(198)	(401)	(662)	(1,856)	(2,677)	(3,726)
Net profit (share of group)	(5,466)	4,496	3,889	5,088	5,950	24,861

Cash Flow Statement (EURm)	2013	2014	2015	2016e	2017e	2018e
Operating cash flows	(6,200)	2,472	45,377	74,166	98,936	111,714
Investment cash flows	(62,226)	(261,842)	(194,430)	(203,282)	(210,054)	(165,473)
Financing cash flows	62,533	287,160	143,371	265,434	(33,553)	(30,723)
Cash flow	(5,893)	27,790	(5,682)	136,318	(144,670)	(84,482)
Debt	102,484	244,973	308,038	438,470	438,470	438,470
Cash	30,721	58,779	43,591	179,909	35,239	(49,243)
Net debt	71,763	186,194	264,447	258,561	403,231	487,713

Balance Sheet (EURm)	2013	2014	2015	2016e	2017e	2018e
Tangible & intangible fixed assets	151,866	407,951	480,665	658,517	826,780	942,587
Cash & equivalents	30,721	58,779	43,591	179,909	35,239	(49,243)
current assets	13,084	19,520	63,406	233,751	136,359	70,937
Other assets	5,931	7,631	6,029	(171,573)	(25,508)	59,537
Total assets	201,602	493,881	551,156	900,603	972,871	1,023,817
L & ST Debt	102,484	244,973	308,038	438,470	438,470	438,470
Others liabilities	23,620	38,167	31,953	247,543	314,812	341,930
Shareholders' funds	75,498	210,741	211,165	214,590	219,589	243,417
Total Liabilities	201,602	493,881	551,156	900,603	972,871	1,023,817

Ratios	2013	2014	2015	2016e	2017e	2018e
EBITDA margin	28.63	45.44	51.37	39.03	28.45	33.70
Pay out ratio	0.0	0.0	0.0	0.0	15.00	15.00
Number of shares, diluted	16,663	26,212	26,212	48,940	48,940	48,940

Data per Share (EUR)	2013	2014	2015	2016e	2017e	2018e
EPS	(0.33)	0.25	0.15	0.10	0.12	0.51
Restated EPS	(0.33)	0.25	0.15	0.10	0.12	0.51
% change	-59.6%	-%	-39.7%	-29.9%	16.9%	318%
EPS bef. GDW	(0.33)	0.25	0.15	0.10	0.12	0.51
BVPS	NM	NM	NM	NM	NM	NM
Operating cash flows	(0.37)	0.09	1.73	1.52	2.02	2.28
FCF	(4.11)	(9.90)	(5.69)	(2.64)	(2.27)	(1.10)
Net dividend	NM	0.0	0.0	0.0	0.02	0.08

Source: Company Data; Bryan, Garnier & Co ests.

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1. Investment Case

Why the interest now?



The reason for writing now

Following the **strong H1-16 results** posted by Voltaia and a few months after the **acquisition of Portuguese solar company Martifer Solar**, we have reviewed our model. In addition, the company gave **more colour to its new strategy** (towards a more diversified business mix in terms of geographies, energies and businesses), **unveiled ambitious targets to be reached by 2019 and completed an EUR170m capital increase**. We have therefore integrated in our model the new capacity needed to reach the 1GW level by 2019 (vs. 2022 initially) and are now broadly **in line with Voltaia's 2019e EBITDA guidance**.

Cheap or Expensive?



Valuation

We value Voltaia using an **equally-weighted combination of two methods** (DCF and EV/EBITDA multiple). We believe the expected 2020e EBITDA level could be considered as **normative** and have used a **7.5x EV/EBITDA multiple**. We used a **8.0% WACC** (including a 0.9 beta) in both our DCF and EV/EBITDA multiple approaches. **Our valuation implies a EUR15.5 FV** i.e. c. **90% upside** vs. the current share price at EUR8.1. We have set out three different scenarios based on different minority stakes. Our **“high-minorities” scenario** (Voltaia owns 51% of its new projects) would lead to an **EUR16.0 equity value per share** while our **“no-minorities” scenario** (Voltaia owns 100% of its new projects) would lead to an **EUR15.2 equity value per share**. Our **base case (EUR15.5 per share)** is an **in-between scenario** (Voltaia owns 75% of its new projects in Brazil and Morocco but 100% of its new projects in France/Guiana). **These three cases all imply significant upside** vs. the current share price.

When will I start making money?



Catalysts

1/As the company is commissioning its plants earlier than initially expected, any additional positive news on this should still be well-appreciated; **and 2/As the company has not yet communicated on any financial impact on synergies potentially reached between Voltaia and Martifer Solar**, any positive figures and announcements could also have a positive impact.

Could I lose money?



Risks to our investment case

We see the following **risks related to our investment case**: **1/a** further deterioration in the Brazilian macro environment; **2/integration issues** related to the acquisition of Martifer Solar; **3/any delays** in new plant commissioning (despite the company's solid track record); **and 4/still-limited liquidity** in the stock with a small free-float despite the EUR170m capital increase.

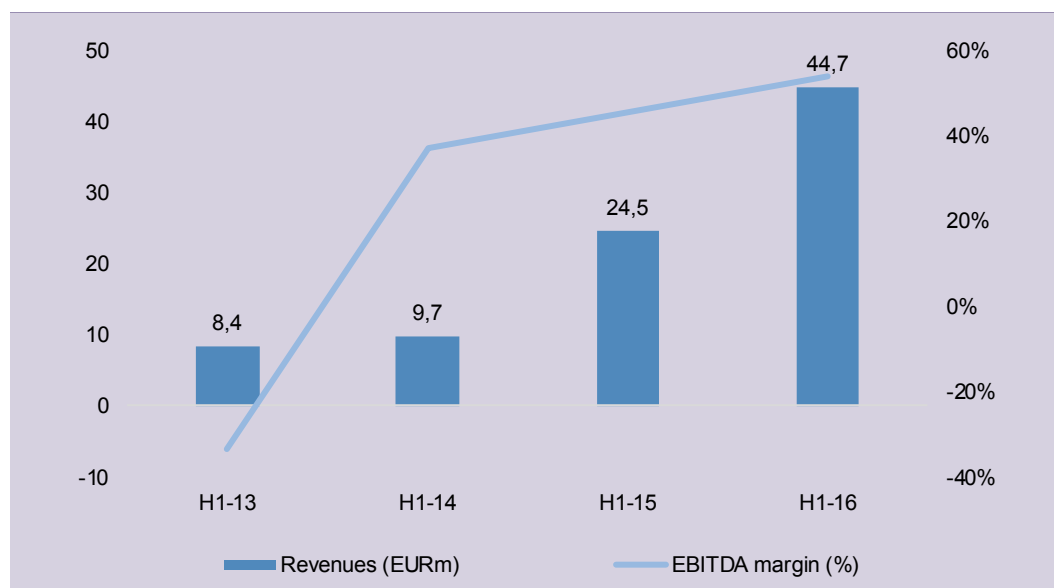
2. A quick look in the mirror

2.1. Solid H1-16 results

As expected, Voltaia reported **strong growth** in H1-16 with revenues up 82% yoy to **EUR44.7m** and production up **70%** yoy principally **thanks to the Brazilian power plants** (Sao Miguel do Gostoso and Vamcruz wind farms and Oiapoque hybrid – thermal/hydro mix - plant) **commissioned since June 2015**. This commissioning represents **213MW** of capacity i.e. more than **45%** of the company’s current overall installed capacity. Out of the EUR44.7m of revenues, **about EUR41.5m came from energy sales (up 74% yoy)**, EUR0.5m from services and development (down c. 20% yoy) and EUR2.7m from other forms of compensation.

The Group’s EBITDA followed a similar path with a strong operational leverage, enabling the Group to increase the **EBITDA margin** by **850bps** to **53.7%** in H1-16. The **EBITDA marginal rate was near to 64%** vs. 51% in H1-15.

Fig. 1: Half-year revenues and EBITDA margin trend (H1-2013/H1-2016)



Source: Company Data

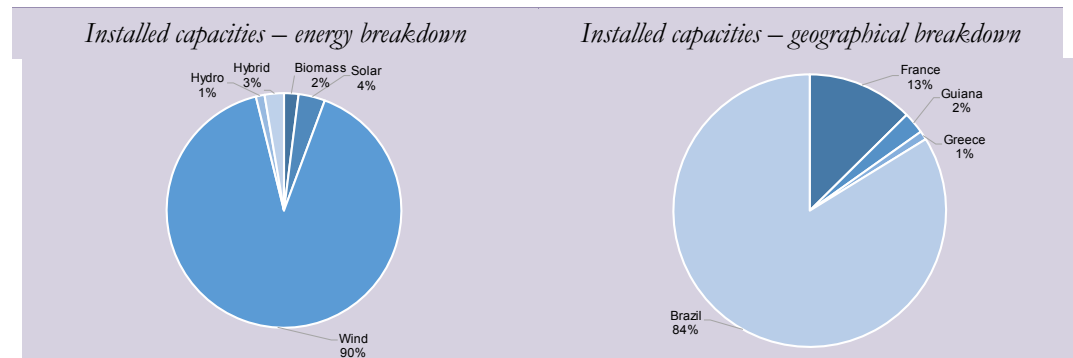
The **company’s net income reached EUR3.7m** up “only” 15% as the increase in financial expenses (EUR11.4m vs. EUR3m a year ago) partly offset the strong EBITDA generation. Note that **this increase in financial expenses is inherent to the previously-mentioned commissioning in Brazil. Long-term Brazilian interest rates have been revised up since 2015** due to the increase in the country’s **inflation rate** (c. +9% between August 2015 and August 2016) on which long-term contracts’ prices are also indexed. Interest expenses are expected to be, logically, at their highest level at the time of commissioning while **progressively decreasing** throughout the operation of the plant.

2.2. Strong operational track record

As of today, **Voltaia’s installed capacity is 472MW** following the earlier-than-expected commissioning of part of the Vila Para Brazilian wind plant (96MW out of the overall 99MW have already been commissioned). Note that we do not included in these capacities the 7MW solar

capacities in the UK acquired through Martifer Solar which are supposed to be sold by the Group. About 90% of the current capacity is wind capacity while c. 85% of this capacity is located in Brazil. **Over the past 22 months, about 378MW have been commissioned by the Group in Brazil** where Voltaia benefits from **1/secured long-term PPA contracts** (usually with a 20-year duration) which are notably indexed to the country’s inflation and **2/a higher-than-average load factor** in the country due to very favourable wind conditions (around **50-55%** load factor on average vs. **25-26%** on average in continental Europe, notably in France).

Fig. 2: Current installed capacity - Voltaia



Source: Company data

In addition, we appreciate the **enhanced visibility provided by Voltaia on its existing and future projects** as the Group finally unveiled various KPIs including **1/the load factors** reached in 2015 (46%) with useful breakdowns per country and per energy; **2/the average maturity** of long-term electricity sales contracts (18 years); **3/the 2015 availability rate** (97%) and **4/the commissioning dates vs. the initial schedule**.

Fig. 3: Voltaia’s track record in delivering projects on time

Year	Country	Site	Capacity	Energy	Advance/(Delay) on schedule in months
2015	Brazil	Areia Branca (last tranche)	30	Wind	-1,5
2015	Brazil	SMG	108	Wind	1
2015	Brazil	Oiapoque (phase 1)	12	Hybrid plant	5
2015	Brazil	Vamcruz	93	Wind	6
2016e	Brazil	Vila Para	96	Wind	4

Source: Company Data.

3. New strategy unveiled

3.1. Speeding-up the diversification strategy

As expected, during the H1-16 results, **Voltalia gave some more colour on its new strategy**, dubbed the **“M³ strategy”** which aims to be **1/Multi-energy; 2/Multi-businesses and 3/Multi-geographies**. This follows **the acquisition earlier this year of Martifer Solar**.

In June 2016, Voltalia announced the **acquisition** of the Portuguese solar PV company **Martifer Solar** for an estimated EV of **EUR49-50m**. Martifer Solar’s business is specialized in **solar projects** while being based on three activities: **1/solar farm building** (599MW of assets built as of the end of 2015; 85MW currently under construction); **2/solar project development** (with 757MW developed and sold as of end 2015 and 1.34GW currently in development) **and 3/solar farm operation and maintenance (O&M)** with 585MW contracted. **Martifer Solar only owns about 600kW** as power plants are currently held and financed by third-party clients. Unlike Voltalia, Martifer Solar is therefore geared toward **third-party services** which appears to be complementary in our view to Voltalia given, notably, **the low capital intensity** of such a business.

Through this acquisition, Voltalia will be able to speed up its diversification strategy by **1/strengthening its presence in the solar market** which is expected to be the fastest-growing renewables source in the years to come (*expected CAGR of 15-25% in installed capacity between 2015 and 2020 – source: Global Market Outlook for Solar Power 2016-2020*) notably due to an expected sharp decrease in the energy LCOE (*-59% between 2015 and 2025 for solar PV according to the International Renewable Energy Agency*); **2/broadening its geographical footprint** as Martifer Solar is present across four geographies with Europe (479MW developed and sold and 455MW currently in development), the Middle East/Africa (65MW developed and sold and 202MW currently in development), Latin America (187MW developed and solar and 552MW currently in development) and Asia (26MW developed and sold and 134MW in development) and **3/developing the third-party services business**.

In 2015, Martifer Solar reported revenues of c. **EUR142m** with EBITDA at **EUR2.1m** i.e. a mere **1.5%** EBITDA margin. The acquisition is therefore highly **dilutive** at the **EBITDA margin** level given that the consolidated structure would have generated a **16%** EBITDA margin in 2015 vs. a **51%** margin for Voltalia alone. **However, we estimate Martifer Solar’s normative EBITDA margin to be closer to 10-15% in line with industry standards and with levels reached by the company early in the 2010s** (notably before the difficulties faced in the US activities which have since been carved-out). This potential, and progressive, recovery in Martifer Solar’s EBITDA margin, combined with implied **synergies** of the operation (economies of scale, notably on procurements), whose extent is however hard to assess at the moment, should **limit the dilutive impact**. **We expect the EBITDA margin to progressively pick up towards 43% by 2019**.

Despite the previously mentioned dilutive impact on the company’s EBITDA, we **believe this acquisition makes sense for Voltalia** as the **high growth expected in solar capacity worldwide should drive strong growth in the Operation and Maintenance (O&M) business** in which Martifer Solar is specialized. **The enhanced pipeline** (3GW vs. 1.8GW for Voltalia alone) could also strengthen Voltalia’s **strong selectivity on its projects**, in our view.

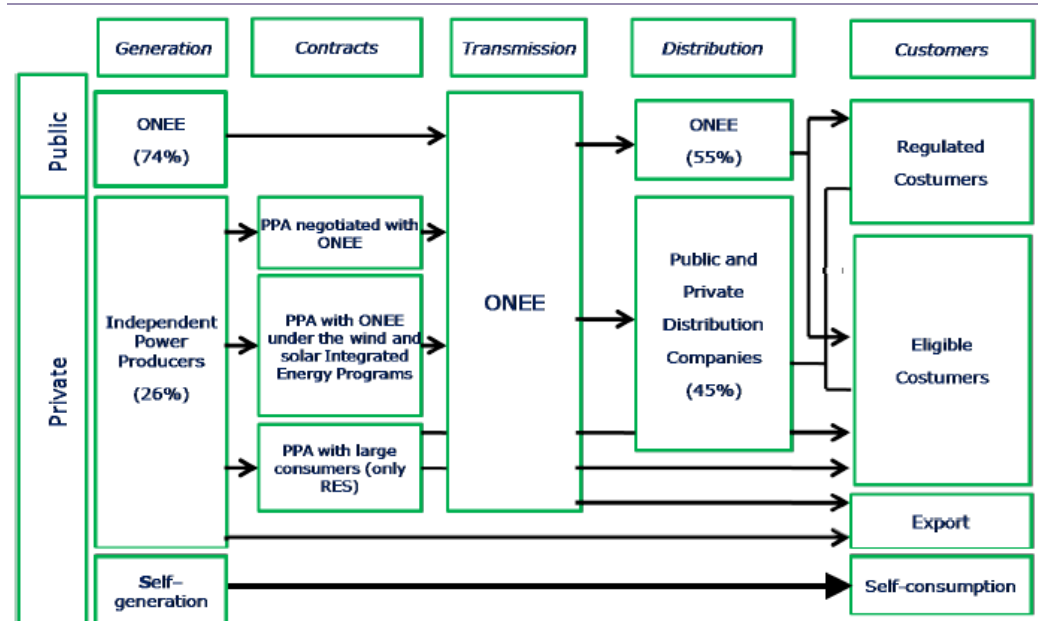
3.2. Entering the Moroccan market

Earlier this year, **Voltaia** also **bought Alterrya Maroc** which has a portfolio of 100MW of solar power projects and 185MW of wind power projects currently under development. The first commissioning in the country is expected for the second-half of 2018 with a 10.4MW solar power plant whose output should also be **PPA-contracted** (ongoing negotiations).

We believe **Voltaia’s implantation strategy in Morocco** is a well-thought-through move as Morocco could bring to Voltaia the same opportunities that it has found in Brazil with: **1/rising electricity demand** from both retail and business; **2/a supportive climate** for both wind and solar energies and **3/ambitious government policies** with **existing stable regulatory framework**

The electricity sector in Morocco is dominated by the state-owned company **ONEE** (*Office National de l’Electricité et de l’Eau*) which acts as a single buyer in the sector and **owns about 75% of the generation capacity** in the countries. In the case of **IPPs** (the remaining 25%), **a PPA has to be negotiated with ONEE** except for production from renewables outside the framework of the national wind and solar programmes. In these particular cases, a PPA is agreed directly with the consumer. **Note that ONEE also owns the whole transmission network and a large part of the country’s distribution network.** The other part of the network is split between public (several local municipal utilities) and private distribution companies (four private distribution utilities).

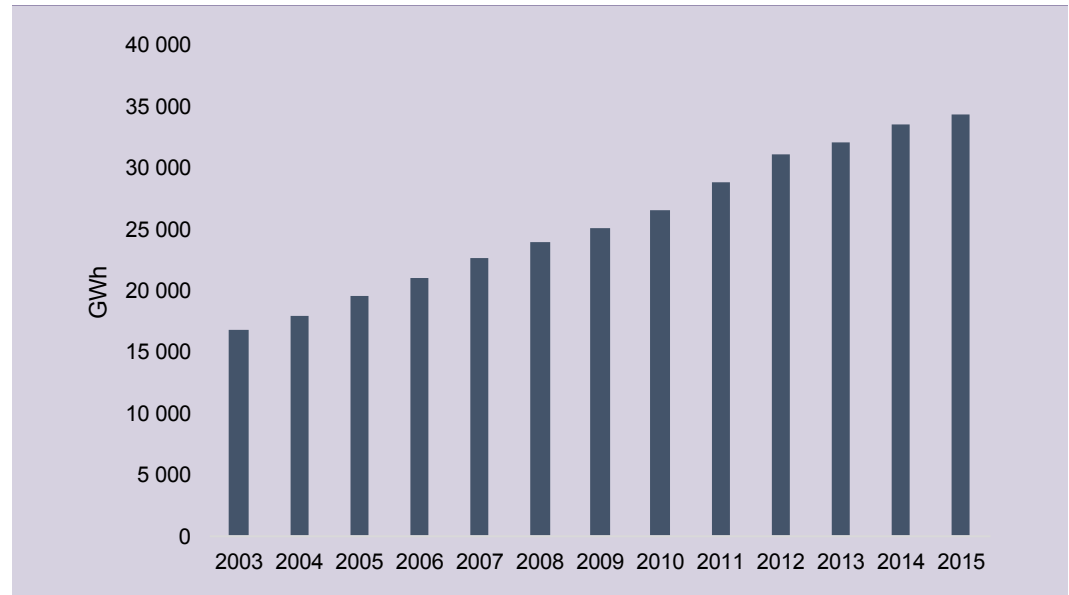
Fig. 4: Moroccan power market



Source: Enel Green Power

Last year, the country’s power demand increased by c. **2.6% to c. 34TWh**. Since 2003, power demand has increased by more than **6%** on average per year. Based on various scenarios elaborated by MEMEE (*Ministry of Energy, Mines, Water and Environment*), **electricity demand will reach 52TWh by 2020 and 95TWh by 2030** i.e. a **9% CAGR between 2015 and 2020** and a **11% CAGR between 2015 and 2030**.

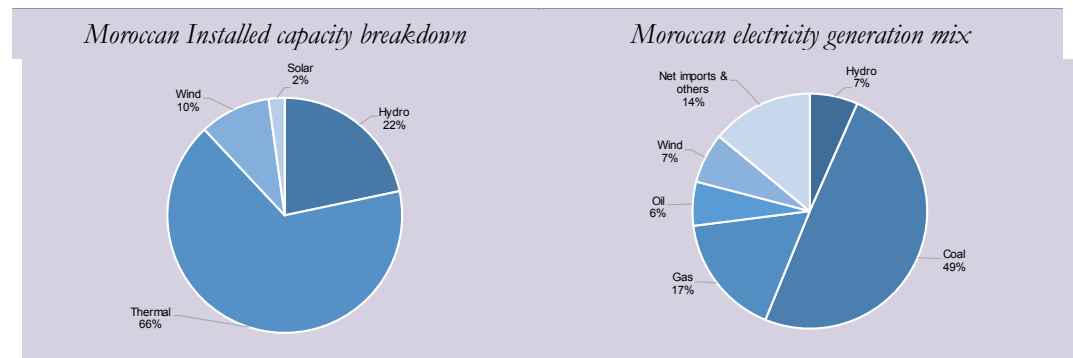
Fig. 5: 6% CAGR in power demand (2003-2015)



Source: ONEE, MEMEE

A large part of this demand is matched by **power imports** (14% in 2015 and 18% in 2014 with usual discrepancies due to fluctuations in the hydro output) through existing **interconnectors between Morocco, Spain and Algeria**. Another interconnector is expected in the years to come between Morocco and Mauritania. The country’s electricity mix principally relies on **fossil fuels** with Moroccan electricity demand being satisfied by coal at 49%, gas at 17% and oil at 6%. **Renewables** (exc. hydro) only represent 7% of the overall demand: this comes principally from wind power plants as the first **solar output was generated “only” in 2015**.

Fig. 6: Moroccan power mix - 2015

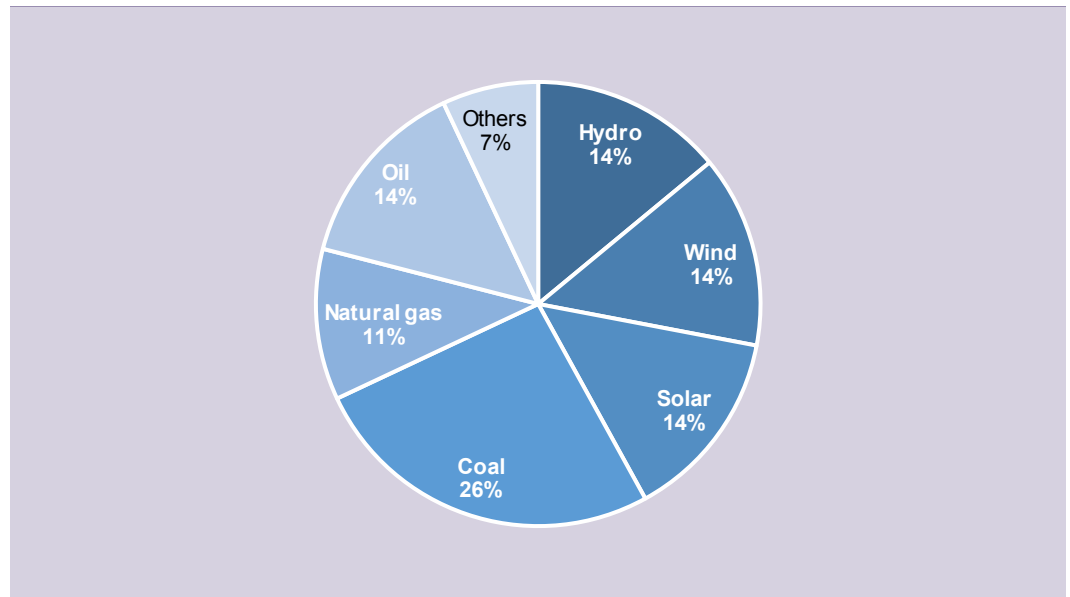


Source: ONEE

Including hydro capacity, **renewables represent about 34% of the country’s installed capacity**. Morocco has set ambitious targets for the years to come with the objective of increasing renewables capacity to **42%** (14% solar, 14% wind and 14% hydro) of overall capacity by **2020** and **52%** (20% solar, 20% wind, 12% hydro) by **2030**. The Moroccan government has therefore launched several ambitious investment plans aiming at **increasing wind and solar capacity to 2000MW apiece by 2020 and 5000MW apiece by 2030**. Hydro capacity is expected to reach 2000MW by 2020 and 3000MW by 2030.

There are not that many international companies strongly implanted in the countries excepted, notably, the Italian company **Enel Green Power**. Last June, the French integrated utility company **Engie** announced a partnership agreement with Moroccan **Nareva** Holding to extend their existing partnership in order to develop new power generation and energy services projects in Morocco and in other northern and western African countries.

Fig. 7: Expected capacity breakdown in 2020 - Morocco



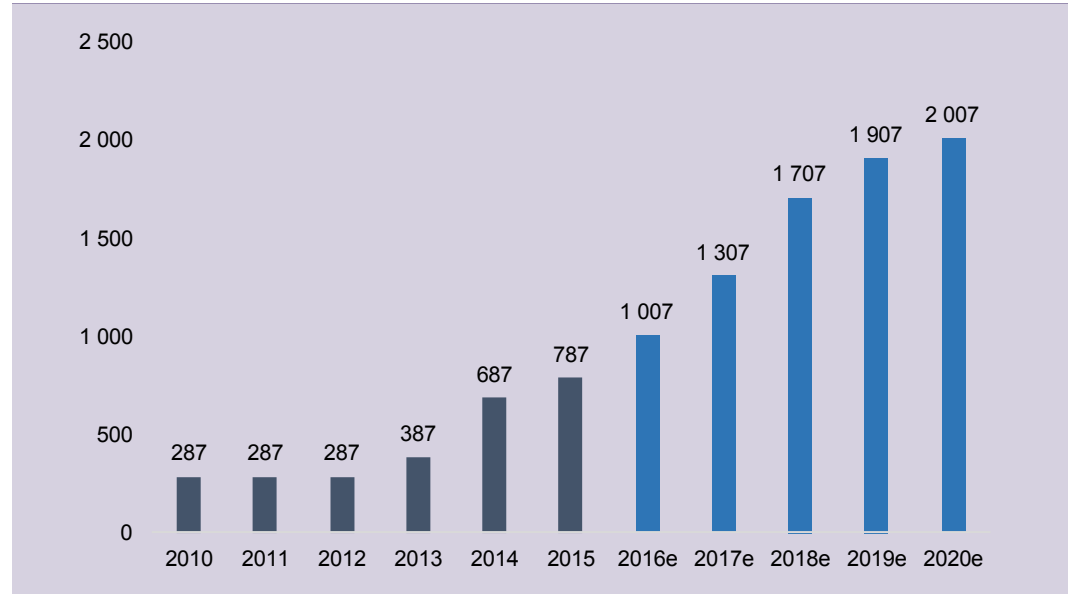
Source: ONEE

Moroccan **solar power** is still **embryonic** at present. No capacity was commissioned between 2010 and 2015. Yet, the area's substantial **solar resources** (average solar irradiation value exceeding 2,000 KWh/m²/year vs. c. 1,150 KWh/m²/year in Germany in average for instance) as well as the **supportive government solar programme** should sharply accelerate the development of the energy in Morocco. The country benefits from one of the highest solar irradiance rates of any country with **up to 3,600 hours** of sunshine per year in desert areas in southern and western regions of the country (vs. 1,200-1,500 in Northern Europe to 2,500-3,000 in Southern Europe). The national solar programme aims to develop about **2GW** of new solar capacity (**both CSP and PV**) by 2020 which should generate about **4.5TWh per year**. This implies a c. 26% load factor, about 700-800bps higher than average European load factors. The **NOOR solar project** should imply about **580MW** new solar capacity and thereby represent one of the biggest CSP plant in the world. 160MW of the project had already been installed at the beginning of the year. About 1.4GW of solar capacity is currently under development with the **peak in terms of yearly capacity increases** likely to be **reached in 2017** with the **795MW** to be commissioned within the country.

Wind capacity already represents about 7% of the country's current capacity. Just like solar, Morocco benefits from **strong wind resources** (average wind speed between 8 and 10m/s vs. between 4.5 and 6.5m/s in Europe). The National Wind Energy Programme was launched one year after the solar one (2010 vs. 2009) and aims to increase wind capacity **from c. 280MW in 2010 to 2GW by 2020** thereby generating an annual output of c. **6.6TWh**. About 1.2GW of wind power plants are currently under development. The **market opening** in 2010 and 2011 led to a strong development of the wind business within the private sector.

Please see the section headed "Important information" on the back page of this report.

Fig. 8: Expected increase in Moroccan wind capacity (2010-2020e)



Source: Renewable Energy Solutions for the Mediterranean

We appreciate Voltalia’s positioning and strategy aimed at entering strategic markets such as **Brazil and Morocco**. Note that Latin America and Asia/Africa represent c. 75-80% of Voltalia’s current pipeline. Energy and electricity **demand is likely to pick up** in the years to come while **average load factors are significantly** higher than those achieved in European countries. 50% to 55% wind load factors can be reached in both Brazil and Morocco (vs. 25-26% in France, for instance) while 25% solar load factors can be reached in Morocco (vs. c. 17% in France). Additionally, **funding initiatives have been developed in the country** through, notably, **various international financial institutions** such as the African Development Bank and the European Investment Bank. The 120MW Khalladi private wind farm developed by the private Saudi company ACWA Power was funded by the European Bank for Reconstruction and Development (EBRD), the Clean Technology Fund (CTF) and Moroccan Foreign Trade Bank. These various factors should, on top of **supportive government policies**, ensure a **solid medium-to-long-term growth path**.

3.3. Solar is the new black

On top of diversifying its strategy towards third-party services, the acquisition of Martifer Solar is also the opportunity for Voltalia to **develop its solar business**. Solar capacity currently represents **4%** of the company's installed capacity with 16.5MW. The recent sale of the French solar power plant at Montmayon decreases solar installed capacity to **13.7MW** (*inc. 0.2MW in Kourou*).

Fig. 9: Current solar power plants owned by Voltalia

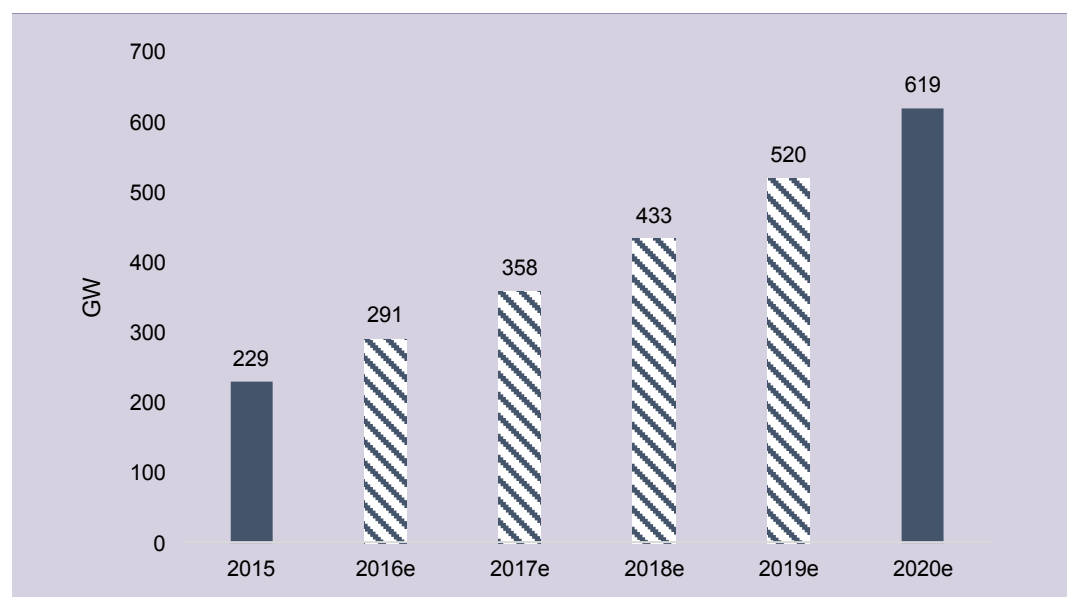
Sites	Country	MW installed	COD	Voltalia's stake
Castellet	France	4.5	July 2013	100%
Coco-Banane	French Guiana	4.3	December 2010	100%
Several power plants	Greece	4.7	Between June 2010 and Q1-2013	100%

Source: Company Data

Following the acquisition of Martifer Solar, Voltalia now has about **870MW** of solar capacity in its current 2.8GW pipeline on top of the **55MW** in the company's backlog i.e. very likely to be built and commissioned before 2019. In 2015, the Solar business represented about **EUR7.4m** of revenues and **EUR4.9m** of EBITDA i.e. about **13%** and **16%** of the Group's overall revenues and EBITDA.

Solar power is expected to be the **fastest-growing renewables energy in the years to come**. According to *Solar Power*, the **global solar PV market could grow between 15% and 25% per year between 2015 and 2020**. In its low scenario, *Solar Power* estimates global solar PV capacity could be increased to 489.8GW from 229.3GW. In its high scenario, global capacities could be increased to 716.1GW. The main part of this capacity growth would **principally be driven by emerging markets** with **China** (+25% per year), **India** (+63%), Mexico (+113%), **Brazil** (+1448%), Egypt (+214%) and Chile (+40%). Solar PV in **mature markets** is also likely to benefit from the strong growth in capacity notably in the **USA** (+27% CAGR), Australia (+19%), Canada (+20%) and **France** (+14%).

Fig. 10: Global solar capacity - expected growth (2015-2020e) - Medium scenario

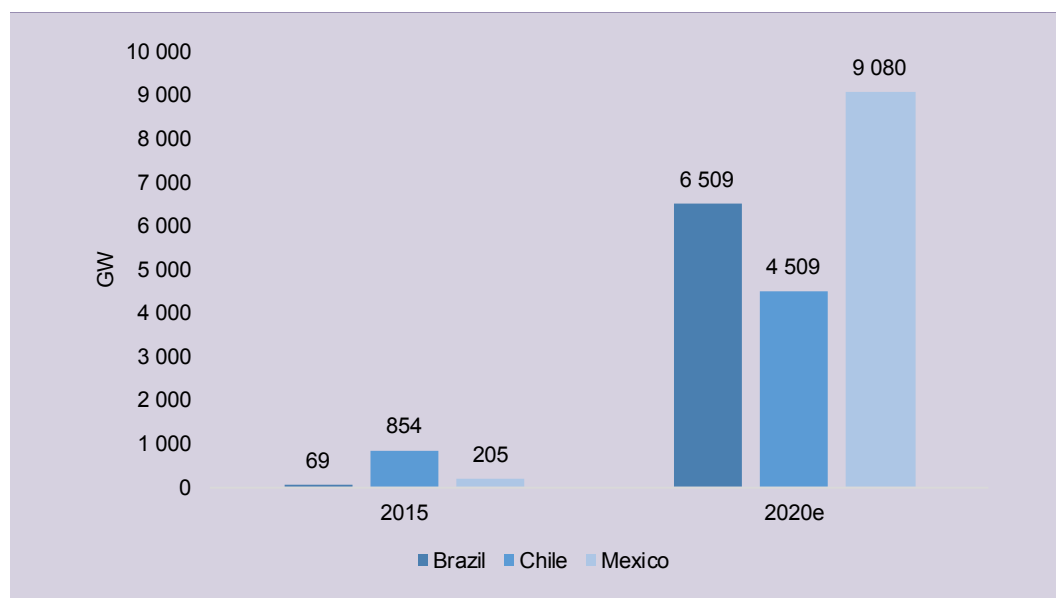


Please see the section headed "Important information" on the back page of this report.

Source: Global Market Outlook 2016-2020, Solar Power Europe

Among the solid positions Martifer Solar has across the globe, **Latin America appears to be the most promising market**. Martifer Solar has developed and sold about 190MW in the area and has 552MW currently in development. Solar Power expects the share of America, as a whole, in the global solar PV market to increase from 18.2% in 2015 to 22-27% in 2020 (depending on the scenario).

Fig. 11: 78% CAGR in solar PV capacity in selected key Latam countries



Source: Global Market Outlook 2016-2020, Solar Power Europe

We expect the **strong decrease in solar LCOE (Levelized Cost of Energy)** to be one of the main drivers of this expected growth. The LCOE can be defined as the ratio of the lifetime costs (hence both capex and opex need to be taken into account) of a given energy to its lifetime generation, both being then discounted back to a common year using a discount rate reflecting the average cost of capital. The LCOE is therefore often defined as one of the best ways to determine a **comparable cost basis** between the different sources of power. As their **technologies are not yet considered mature** all the renewables energies are likely to see their respective LCOEs fall sharply in the years to come. The *International Renewable Energy Agency (IRENA)* expects **solar PV’s LCOE to decrease the most (-59% between 2015 and 2025) of all the renewable energies**.

Fig. 12: 59% expected decrease in solar LCOE over the next ten years

	Investment costs (2015 USD/kW)			Load factor (%)			LCOE (2015 USD/kWh)		
	2015	2025	% change	2015	2025	% change	2015	2025	% change
Solar PV	1,810	790	-57%	18.0%	19.0%	8.0%	0.13	0.06	-59.0%
Onshore wind	1,560	1,370	-12%	27.0%	30.0%	11.0%	0.07	0.05	-26.0%
Offshore wind	4,650	3,950	-15%	43.0%	45.0%	4.0%	0.18	0.12	-35.0%

Source: *The Power to change: solar and wind cost reduction potential to 2025, International Renewable Energy Agency (IRENA), 2016*

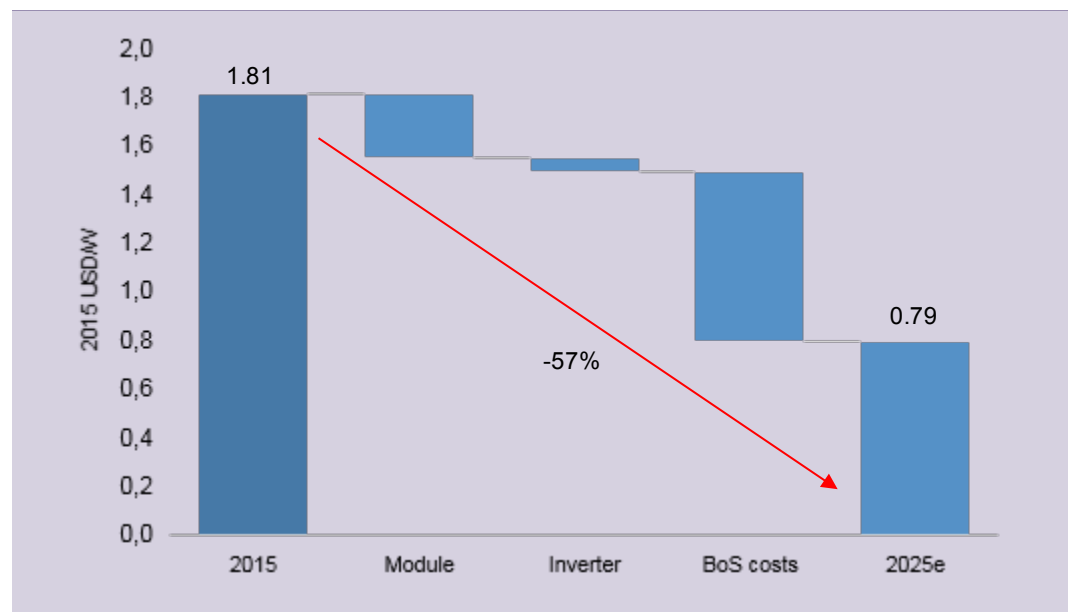
Usually, **solar investment costs** are divided into **three** main elements: **1/solar modules**; **2/solar inverters** (which enable the conversion from direct current output to alternating current which can then be fed into a standard grid); and **3/”BoS” costs (Balance of System costs)**. BoS costs usually group

together all the other costs related to a solar installation (cabling, racking, mounting, other electrical and mechanical installation).

Since the strong rise in solar capacity at the end of the 2000s, **most of the decrease in investment costs has come from the sharp decrease in PV module prices (-80% between the end of 2009 and the end of 2015)** fostered by both **innovation** and oversupply. While new improvements in module technologies are still likely to push their prices down, **it appears that the solar module share in the future reduction in solar PV costs may decrease in the years to come.**

As underlined by the *International Renewable Energy Agency (IRENA)*, **most of the upcoming solar cost reduction is likely to come either from solar inverter or from BoS costs.** Following savings achieved on solar modules, the share of BoS costs in overall solar costs increased from **37%** in 2009 to **60%** in 2015. The expected reduction in cabling, racking and mounting costs as well as the implementation of the sector's **best practices** could lead to a **55% to 74% decrease** in these BoS costs over the next decade (*source: IRENA*) which would represent about **70%** of overall solar cost reduction between 2015 and 2025. All in all, these improvements should lead to a c. **55%** decrease in solar investment costs between **2015** and **2025** (from **USD1,810/KW** to **USD790/KW**) and a c. **60%** decrease in solar LCOE over the same period (from **USD0.13/KW** to **USD0.06/KW**).

Fig. 13: 57% expected decrease in solar costs (2015-2025e)



Source: *The Power to change: solar and wind cost reduction potential to 2025, International Renewable Energy Agency (IRENA), 2016*

The trends outlined above strengthen our **positive view on the acquisition of Martifer Solar and on the diversification strategy implemented by Voltalia.** Martifer Solar's portfolio appears likely to enhance Voltalia's strong **selectivity** on its projects which should be **located in expected boom areas** (the Middle East – *where Voltalia was not present* – Africa and Latin America).

Target of **installed capacity of 1GW** by 2019 and to **operate 3GW** by 2019 with 2GW operated for third-party clients

3.4. Strengthening the visibility

During the H1-16 results, **Voltaia announced new operational and financial ambitions for 2019** including: **1/installed capacity of 1GW in 2019** (vs. initial objective for 2022); **2/the operation of 3GW by 2019** (vs. 1GW as of today) inc. **2GW for third-party clients**; **3/ 2019 EBITDA at EUR180m** spurred by both new commissioning and development of third-party services and **4/ a payout ratio target of 30%** with the first dividends to be paid in 2018 (for FY-17). The company currently pays no dividend.

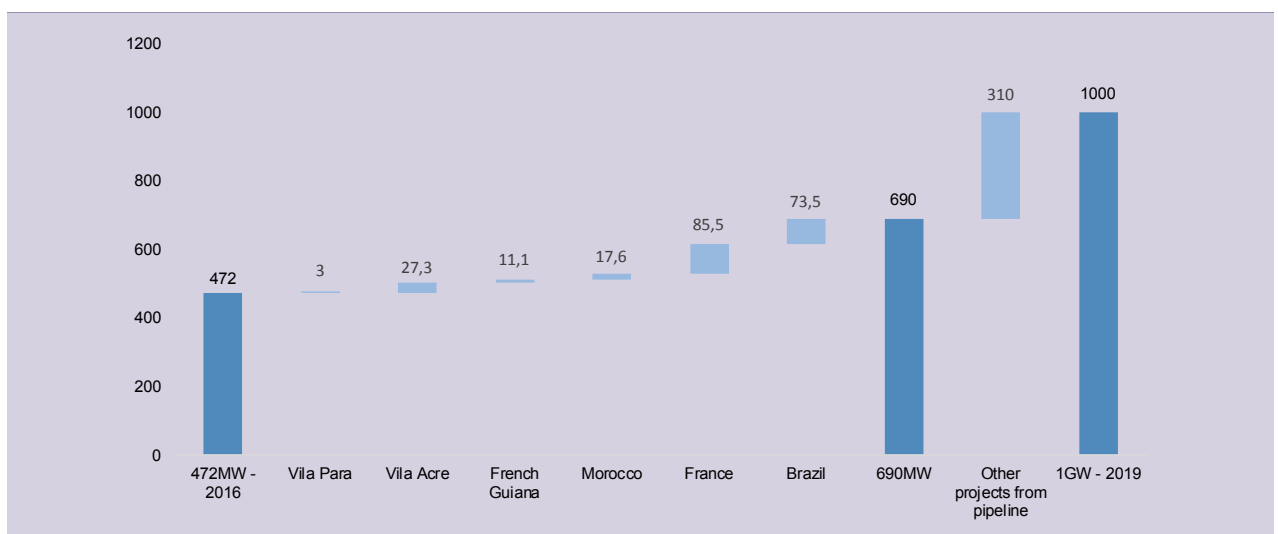
3.4.1. 1GW of installed capacity now expected by 2019

Voltaia announced its intention to reach **1GW of installed capacity by 2019**. This is **three years earlier than the initial company target** as the 1GW level had originally been expected to be crossed by 2022 (announced during the company’s H1-15 results).

Starting from the current **472MW of installed capacity** (excluding, as a reminder, the UK solar plants expected to be sold by the Group), Voltaia expects to add the remaining **3MW of Vila Para**, still under construction but expected to be commissioned by the end of the year, and about **215MW** of backlog projects expected to be commissioned by 2019. The **215MW backlog** includes **1/85.5MW in France** (22MW solar/69MW wind/4.5MW hydro); **2/11.1MW in French Guiana** (5MW in biomass, 6MW in solar); **3/ 100.8MW in Brazil** (16MW in solar, 77MW in wind and 7.5MW in hydro), *excluding* the remaining 3MW of the Vila Para wind farm but *including* the 27MW Vila Acre wind power plant whose construction’s launch has been announced few weeks ago; **and 4/17.6MW in Morocco** (10MW in solar and 7MW in hydro) where the company does not report any revenues for now.

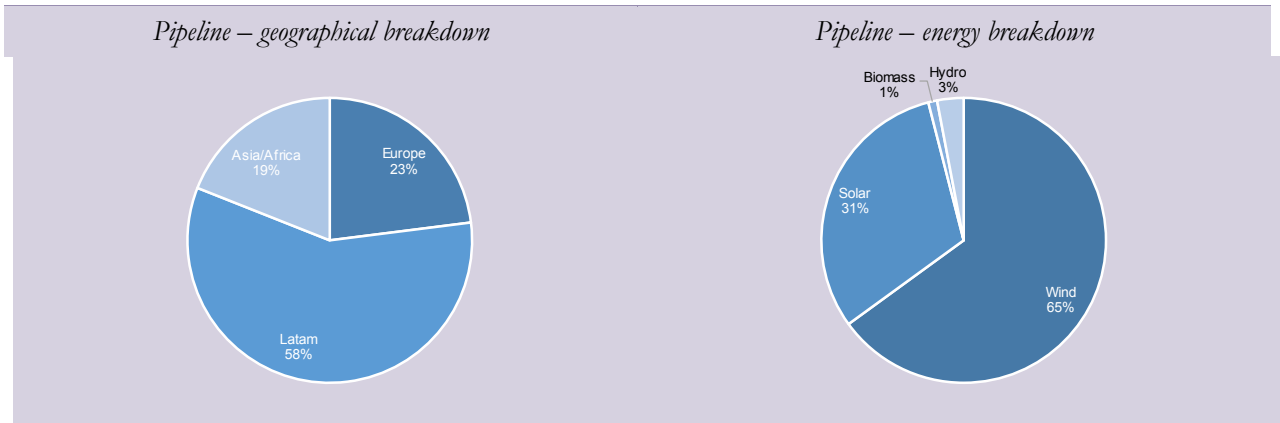
Voltaia then expects the remaining **300-310MW** to come from its **2.8GW** current cumulative pipeline i.e. projects which are not yet under construction.

Fig. 14: Installed capacity - from 472MW to 1GW by 2019



Source: Company Data

Fig. 15: 3GW pipeline breakdown

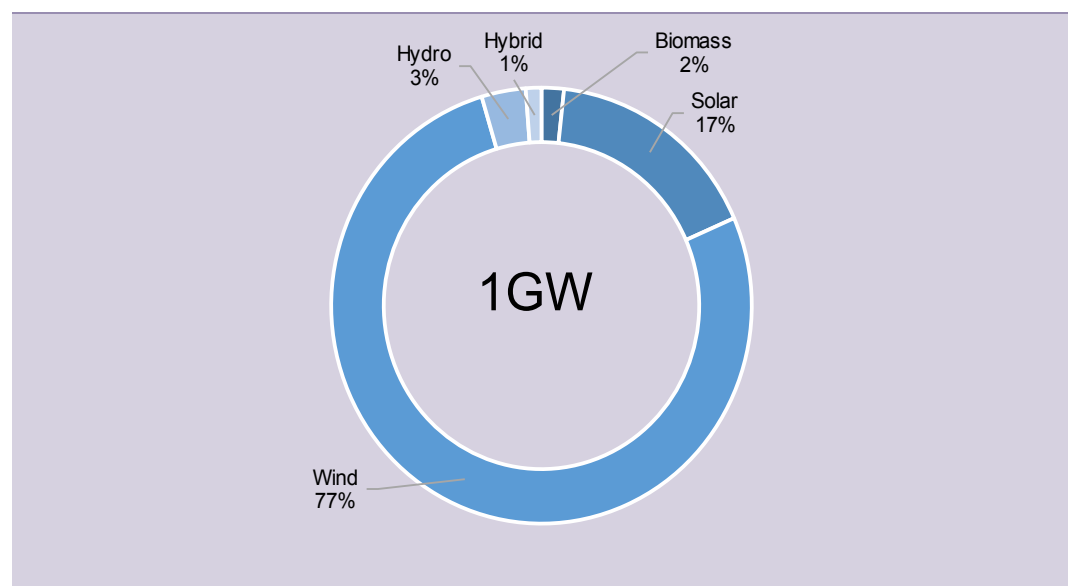


Source: Company data

In our model, we integrated the 215MW backlog projects at the official expected COD provided by Voltaia (hence an additional 22MW in 2017, 174MW in 2018 and 19MW in 2019). Additionally, we had assumed that the remaining 310MW needed to reach the 1GW level would be split based on the same energy and geographical breakdown as the overall 3GW company pipeline (*cf. charts above*). Given we have no information on the expected commissioning dates of this capacity we have assumed that these 310MW will be commissioned on a linear basis over the next three years i.e. in 2017, 2018 and 2019.

As expected given the Martifer Solar breakdown, the solar capacity share of the overall 1GW of capacity should increase to 17% (vs. only 4% as of today) while the wind capacity share should follow the opposite trend (77% vs. 90% as of today). Other energies (biomass and hydro) should remain marginal in Voltaia’s portfolio. We expect Latin America to represent c. 68% of overall capacity in 2019 while Europe’s share could reach c. 22%, Guiana c. 3% and Africa (inc. Morocco) a bit less than 8% (vs. 0% as of today).

Fig. 16: Expected installed capacity breakdown at end-2019e (BGe)



Source: Company Data; Bryan, Garnier & Co ests.

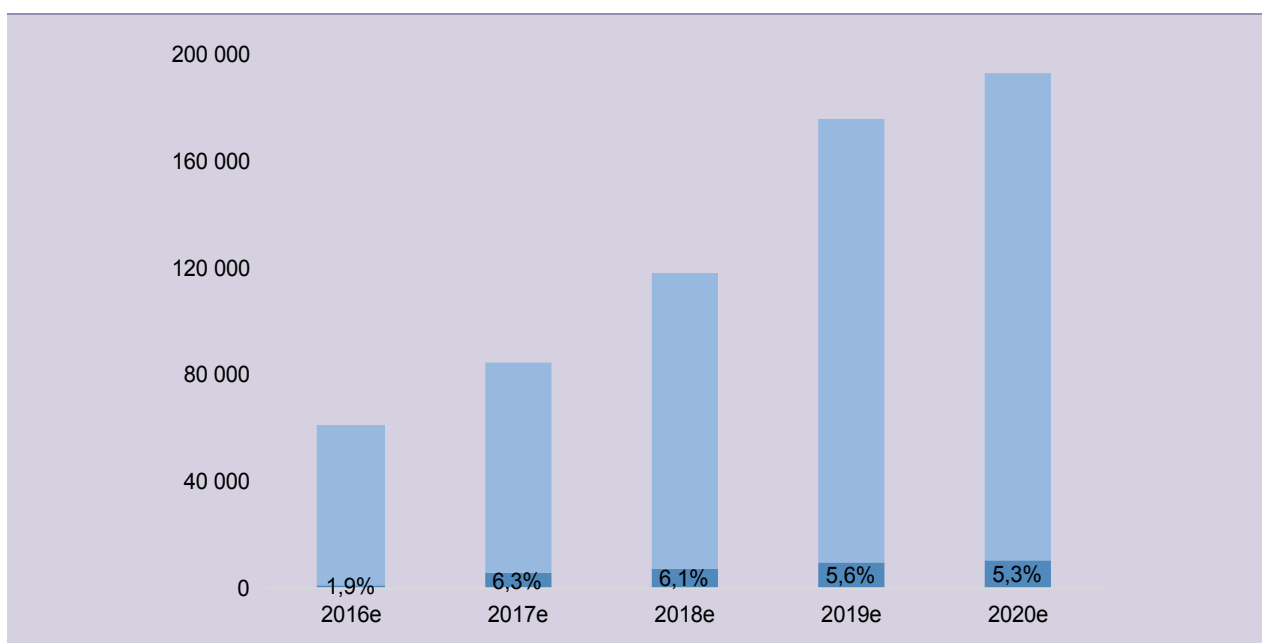
Please see the section headed “Important information” on the back page of this report.

3.4.2. Enhanced focus on third-party services

Voltaia expects to **operate** about **3GW** of capacity **by 2019** which would include **2GW** operated for **third-party clients**. As of today, the company operates 1,078MW. In 2015, third-party services' revenues represented only **2%** of consolidated the Group's revenues and **1%** of EBITDA (vs. **98%** and **99%**, respectively, for energy sales).

Considering the new consolidated structure, about **71%** of 2015 aggregated revenues come from **third-party services** (and 8% of the consolidated EBITDA), clearly highlighting the change in Voltaia's profile towards a business with a **low capital requirement** and **consistent synergies** with Voltaia's initial power producer business. **Due to the rapid pace of commissioning, we however expect this share to progressively decrease**. In 2019, we estimate third-party services to represent about 40-45% of the **Group's revenues** and c. 5.5-6% of the **Group's EBITDA** (O&M only).

Fig. 17: Share of third-party services in Voltaia's EBITDA (2016e-2020e)



Source: Company Data; Bryan, Garnier & Co ests.

Additionally, Voltaia recently announced that it had sold its **100% stake in the 3MW French Montmayon solar power plant** to an international financial investor (an existing client of the newly acquired company Martifer Solar). The plant had been developed, built and commissioned by Voltaia in April 2013. **According to the company, this asset disposal should have a positive EUR5m impact** on H2-16 pre-tax income. We estimate that the Montmayon plant contributed c. **EUR1.5m** and c. **EUR1.1m** to the company's revenues and EBITDA (c. **75%** normative EBITDA margin), respectively, on an **annual** basis. Note that **Voltaia will remain in charge of the operation and maintenance of the plant, for which it has secured a 16-year O&M contract** (the plant had been commissioned in April 2013 for a 20-year duration).

We see this move as a perfect illustration of Voltaia's **new strategy partly based on services activity for third-parties customers**. Note that in its H1-16 report, Voltaia also mentioned the

potential upcoming sale of a biomass power plant whose disposal could become effective by the end of the year. We believe this could be the Bar-sur-Aube power plant where Voltalia has faced some difficulties over the past few months.

3.4.3. Strong commissioning path to ensure 2019e EBITDA guidance

For the first time since its IPO in 2014, Voltalia guided on its EBITDA with an announced EBITDA target of EUR180m for 2019 (vs. EUR30m reached in 2015). Of this EUR180m, about EUR165m is expected to come from electricity sales while the remaining EUR15m should be split between O&M and the Development & Construction businesses.

Fig. 18: Voltalia's EBITDA guidance for 2019

	Electricity sales	Operation & Maintenance	Development & Construction	Corporate & Eliminations	Total
2019e EBITDA - Voltalia guidance	EUR165m	EUR10m	EUR30m	EUR(25m)	EUR180m
2015 pro-forma consolidated EBITDA	EUR30.3m	EUR3.3m	EUR(3.1m)	EUR1.4m	EUR31.9m

Note: Multiplication factors are indicated by arrows: Electricity sales (x5), Operation & Maintenance (x3), and Corporate & Eliminations (x6).

Source: Company Data; Bryan, Garnier & Co ests.

After having integrated the new capacity expected to be commissioned by the Group by 2019 in our model (to reach the 1GW level), we are slightly below the company's guidance at EUR178.5m. This is principally due a small discrepancy regarding the "corporate & eliminations" contribution, which is always hard to assess (we are not that far away at EUR(29.3m) vs. EUR(25m) in Voltalia's guidance). As for the contribution from electricity sales - expected to represent about 92% of the Group's EBITDA in 2019 - our estimates came slightly above the Group's guidance at EUR168m (vs. EUR165m). We notably expect the contribution from the company's wind business to be multiplied more than 4x between 2015 and 2019 in view of the expected rapid pace of commissioning (an additional 362MW of wind capacity to be installed over the next four years, according to our estimates).

Fig. 19: 2019e EBITDA breakdown – BG estimates

	Electricity sales	Operation & Maintenance	Development & Construction	Corporate & Eliminations	Total
2019e EBITDA BG estimates	EUR168.1m	EUR9.8m	EUR30.0m	EUR(29.3m)	EUR178.5m

Source: Bryan, Garnier & Co ests.

All in all, we expect the company's EBITDA margin to see sharp yoy declines in both 2016 and 2017 due to the scope effect (we assume that Martifer Solar's full-year dilutive impact occurs in 2017 while only one-third of Martifer Solar's results will be consolidated in 2016), followed by a strong pick-up after 2017 following the full impact of the new plants commissioned. Therefore, from a low point in 2017e (at 28.5%), we expect the EBITDA margin to reach 42.6% in 2019 and to be capped at 45-47% after 2020 as we model no additional capacity commissioned after 2020.

In our model, we notably assume wind projects to have a normative 75% EBITDA margin in Brazil and a 70% EBITDA margin in France. We also assume a normative 75% EBITDA margin for new solar projects. As for wind load factors, we assume a 50% load factor in Brazil vs. a 26% load factor

in France, in line with current trends in the sector. For solar, we assume a **17%** load factor in France, a slightly higher **20%** load factor in Brazil and a **25%** load factor in future Moroccan solar projects. We have also factored in a **5%** inflation assumption for Brazil, **2%** inflation in French Guiana, Morocco and Greece and **1.5%** inflation in France. We used a standardized inflation for all the countries (except France) for 2021 and beyond at **3%**.

Fig. 20: 2016e-2019e EBITDA breakdown per division – BG estimates

EBITDA breakdown - BG estimates	2015	2016e	2017e	2018e	2019e
o/w Wind	31,209	62,864	80,142	105,249	132,085
o/w Solar	4,914	5,252	7,735	13,688	19,070
o/w Hydro	357	2,448	3,126	4,275	6,673
o/w Hybrid	412	3,928	4,124	4,331	4,547
o/w Biomass	288	443	1,529	3,556	5,676
o/w Martifer Solar (O&M & Dev./Construction)	0	1,209	5,992	11,691	39,767
o/w Others/Corporate	(7,138)	(14,105)	(17,720)	(23,246)	(29,321)
EBITDA	30,042	62,038	84,928	119,545	178,498
EBITDA margin	51.4%	39.0%	28.5%	33.7%	42.6%

Source: Bryan, Garnier & Co ests.

3.4.4. A 30%+ payout ratio objective, in line with the sector standards

Voltalia also confirmed its intention to target a **30% payout ratio with the first dividends to be paid in 2018** (for FY-17). We expect the 30% level to be achieved by **2019** once the investment phase is over and the 1GW target of installed capacity reached. **From 2019, we expect the company's free-cash flows to fully cover dividend payments** as capital expenditure will decrease while EBITDA generation from new projects commissioned will substantially increase. Therefore, in our model, we assume a **15%** payout ratio in **2017** and **2018** and a **30%** payout ratio for **2019 and beyond**.

Note that the **30% payout** appears to be right in the **middle of the customary range for renewable company payouts, i.e. between 0% and 50%**. Looking at various European companies within the renewables universe, a rather **high standard ratio** between the companies' different payout ratios can be observed. Voltalia, just like other French renewables company Futuren, currently does not pay a dividend. **More mature companies in the sector such as Acciona, Albioma and TerniEnergia have payout ratios of closer to 55%**.

Fig. 21: Dividend payout ratio in 2015 for European renewables companies

Acciona	55.1%
Albioma	55.9%
EDPR	26.2%
TerniEnergia	55.6%
Falck Renewables	277.8%
Futuren	0.0%
Voltalia	0.0%
Median	55.1%

Source: Company Data; Bryan, Garnier & Co ests.

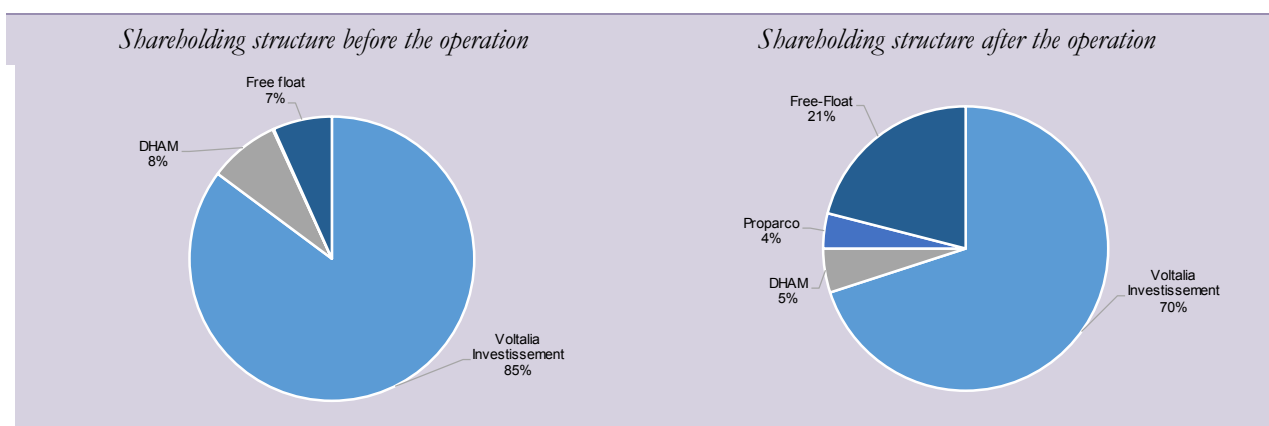
3.4.5. An EUR170m capital increase

On October 17th, Voltaia announced the launch of a c.EUR170m capital increase through a free allotments of warrants to its shareholders. Exercise price of the warrants was **EUR7.46 per share** (vs. initial range of EUR7.46-8.60 per share) which implied a c. **20% discount** vs. last closing before the launch of the operation (EUR9.29 per share). The company finally announced the successful completion of the capital increase on November, 4th.

More than 80% of the proceeds will be used to fund projects currently under construction or in development while the remaining proceeds could be used for bolt-on acquisitions to either strengthen projects under development or company’s footprint in its key area. Assuming the current 472MW installed capacities, the EUR170m capital increase is expected to help fund about 530MW in new capacities which are needed by the company in order to reach the 1GW level by 2019. **Considering a 75/25 debt/equity funding scheme, the capital increase implies therefore around EUR1.3m per new MW installed, in line with sector standards.**

Other key objective of the capital increase was to **enlarge the company’s free-float** which was rather limited (c. 7%). **Following the operation, Voltaia Investissement (owned by the Mulliez family) now has a 70% stake in Voltaia down from 85%. Company’s free-float therefore amounts to 21%.** Development financial institution PROPARGO (subsidiary of the French Development Agency) took a c. 4% stake in Voltaia via the capital increase. We believe this could particularly help Voltaia to speed-up its development in emerging markets, notably in Africa, where the company has strong ambitions such as in Morocco. In addition, **DHAM**, which had a 8% stake in Voltaia pre-operation, subscribed for 375,000 new shares (for EUR3m) and is therefore diluted with a 5% stake post-operation. As a reminder, DHAM is controlled by Korys which is the investment structure of the Colruyt family.

Fig. 22: Shareholding structure before and after the operation



Source: Company data

Following the operation, we also expect the enlargement of the company’s free-float to have a **positive impact on the company’s liquidity.**

Since its transfer to Euronext in 2014, **Voltaia has suffered from a clear lack of liquidity** with about **4m shares exchanged on a daily basis** which represents about **0.06%** of the total number of shares in the company’s free-float. This needs to be compared with an average of **0.21%** for a panel composed of 93 French listed companies we picked with market capitalisations between **EUR200m and EU600m.**

Please see the section headed “Important information” on the back page of this report.

The capital increase, and the inherent creation of 22.7m new shares, should trigger a decrease yoy in the company's EPS for 2016. We additionally "only" expect a slight increase for 2017e EPS as we notably assumed an increase in minorities with the 26% held Vamcruz wind power plant (the project is however fully consolidated by the Group as Voltaia actually holds 50.2% of a holding which itself has 51% of the Vamcruz project) and the 51% held SMG wind power plant, on top of the additional minorities we assumed for the new company's projects in our model. Our "base case" scenario is based on a 75% Voltaia's stake in new projects in both Brazil/Latam and Morocco/Africa and a 100% stake for new projects in France and in French Guiana. Note that we have integrated the EUR5m positive impact – on Voltaia's pre-tax profit - from the sale of the 100% stake in the French Montmayon solar power plant.

Fig. 23: Voltaia's EPS and DPS trend – BG estimates (2016e-2020e)

	2015	2016e	2017e	2018e	2019e	2020e
EPS	0.15	0.10	0.12	0.51	1.15	1.24
DPS	0.00	0.00	0.02	0.08	0.34	0.37
Payout ratio	0.0%	0.0%	15.0%	15.0%	30.0%	30.0%

Capital increase with 22.7m new shares created

30% payout ratio target achieved in 2019 once the investment phase is over

Source: Company Data; Bryan, Garnier & Co ests.

4. New estimates

We assume the **full consolidation of Martifer Solar in 2017** (only a 3-month consolidation for FY-16e) for both revenues and EBITDA. This should sharply – and logically - **decrease the company's margins** (51% EBITDA margin in 2015 to 28.5% in 2017e). **For 2016 and 2017, at the bottom line level, we expect much of the absolute growth in EBITDA to be partly offset by 1/ the c. doubling in financial expenses** (due to the rapid current and future commissioning pace in Brazil and higher inflation within the country); **2/ higher minorities** from the current plants (SMG and Vamcruz) and the new plants we have modelled; **and 3/ the EUR170m capital increase** with about **23m new shares** to be created. Note that our model includes the **EUR49m cash-out inherent to the acquisition of Martifer Solar** (in 2016) and the new financial debt already raised since the beginning of the year (c. +EUR130m). Our **payout ratio** stands at 15% for 2017 and 2018 and at **30% in 2019 and beyond** once the current investment phase is expected to be over. Note that our model **does not assume any potential full sale of stakes** in any of Voltalia's power plants already commissioned or expected to be commissioned. **We have only integrated the Montmayon transaction** which should have an **EUR5m positive impact** on the company's H2-16 pre-tax income.

Fig. 24: BG estimates (2016e-2020e)

Voltalia - BG estimates (EURm)	2015	2016e	2017e	2018e	2019e	2020e
Revenues	58.5	158.9	298.5	354.8	418.6	433.0
EBITDA	30.0	62.0	84.9	119.5	178.5	196.2
EBITDA margin (%)	51.4%	39.0%	28.5%	33.7%	42.6%	45.3%
EBIT	22.3	36.6	43.1	69.8	119.9	133.6
EBIT margin (%)	38.1%	23.0%	14.5%	19.7%	28.6%	31.3%
Financial result	(14.8)	(26.1)	(30.0)	(26.1)	(26.2)	(26.1)
Profit before taxes	7.5	10.5	13.1	43.8	93.7	109.4
Taxes	(3.0)	(3.7)	(4.6)	(15.3)	(32.8)	(43.8)
Associates	0.1	0.1	0.1	0.1	0.1	0.1
Net income	4.6	6.9	8.6	28.6	61.1	65.8
Minorities	(0.7)	(1.9)	(2.7)	(3.7)	(4.9)	(5.2)
Net income, group share	3.9	5.0	6.0	24.9	56.1	60.6
Net margin (%)	6.6%	3.2%	2.0%	7.0%	13.4%	14.0%
# shares	26.1	48.9	48.9	48.9	48.9	48.9
EPS	0.15	0.10	0.12	0.51	1.15	1.24
DPS	0.00	0.00	0.02	0.08	0.34	0.37
Implied payout ratio	0.0%	0.0%	15.0%	15.0%	30.0%	30.0%
Capex	(193.2)	(154.3)	(210.1)	(165.5)	(87.9)	(64.0)
Net debt	264.4	258.6	403.2	487.7	455.1	412.6
Capital increase	40.8	169.5	0	0.0	0.0	0.0

Please see the section headed "Important information" on the back page of this report.

Source: Company Data; Bryan, Garnier & Co ests.

Fig. 25: Expected revenue breakdown (BG estimates 2016e-2020e)

	2016e	2017e	2018e	2019e	2020e
Voltaia - Group	159	299	355	419	433
o/w Wind	84	108	142	178	186
o/w Solar	8	12	20	27	28
o/w Hydro	3	4	5	9	12
o/w Hybrid	16	16	17	18	18
o/w Biomass	3	4	6	7	7
o/w others/corporate	1	1	1	1	1
o/w Martifer Solar	43	153	164	178	181

Source: Company Data; Bryan, Garnier & Co ests.

Fig. 26: Expected EBITDA breakdown (BG estimates 2016e-2020e)

	2016e	2017e	2018e	2019e	2020e
Voltaia - Group	62	85	120	178	196
o/w Wind	63	80	105	132	138
o/w Solar	5	8	14	19	20
o/w Hydro	2	3	4	7	9
o/w Hybrid	4	4	4	4	5
o/w Biomass	0	2	4	6	6
o/w others/corporate	(14)	(17)	(23)	(29)	(30)
o/w Martifer Solar	1	6	12	40	51

Source: Company Data; Bryan, Garnier & Co ests.

5. Valuation

We have identified **three main scenarios** in which we assume different minority shares within the company's new projects. Our **"high-minorities" scenario assumes that all the new projects are held at 51% by Voltalia**. Our **"no minorities" scenario implies no minorities** in these projects (i.e. the projects are **100%** funded and held by Voltalia). **Finally, our base case implies an in-between scenario** in which new international projects (in Brazil/Latam and in Morocco/Africa) are funded at **75%** by Voltalia while French/European projects are **100%** funded and held by Voltalia.

In the three scenarios, we assume that the capital expenditure implied by the different projects will be funded **at 75% by debt and at 25% by equity**, in line with the funding standards for such projects. Therefore, **the share of minorities within the different projects will directly impact the share in capex for Voltalia**. We assume that capital expenditure **will be required to fund a new project over a 3-year period** i.e. for a project expected to be commissioned in 2018, we assume that the inherent capex will be **spent between 2016, 2017 and 2018**. Note that we assumed the 2016 capex notably includes the financing of the 99MW wind power plant Vila Para (96MW have already been commissioned as of today) We notably assume capex of **EUR1.3m/MW** for a wind plant and **EUR1.4m/MW** for a solar plant, irrespective of where the plants are expected to be built. We estimate that the overall amount of capital expenditure needed by Voltalia (at 100%) at c. **EUR740m**, i.e. c. **EUR1.35m per new MW installed** (528MW, from 472MW to 1GW).

Fig. 27: Three different scenarios

	Brazil projects Voltalia stake	France/Guiana projects Voltalia stake	Morocco projects Voltalia stake	Implied capex (EURm)
Scenario 1 High-minorities	51%	51%	51%	375
Scenario 2 Base case	75%	100%	75%	618
Scenario 3 No minorities	100%	100%	100%	740

Source: Company Data; Bryan, Garnier & Co ests.

In our valuation, we have used an equally-weighted combination of **1/a DCF-valuation** and a **2/EV/EBITDA multiple** approach.

5.1. DCF-valuation

In our DCF-valuation, we have **separate valuations for the company's new projects** to be commissioned after 2016 **and the ongoing power plants already in service**. Note that we have included in the new projects (i.e. projects which have theoretically not yet been commissioned) the Vila Para power plant for which 96MW of the overall 99MW were commissioned a few months ago. We use a **8.0% WACC** which is notably based on a 0.9 beta, a 35% normative tax rate and a 75% target debt ratio (in line with the 75/25 funding scheme for new projects, as previously outlined).

We value the **new projects** until **2040** as we expect these projects to **last 20 years** (which is a standard duration). Our **terminal value** is assimilated to a **residual value** which is equal to **20% of the overall capital expenditure** aimed at funding the projects we value.

We value the “old” projects using a standard **DCF model** (with a similar 8.0% WACC) over a **10-year period**. We assume a **1.3%** long-term growth rate and an **18%** long-term operating margin.

In our FCF computation, we **integrate 100% of the expected capital expenditure, irrespective of whether or not minorities are involved in the project**. We then deducted the average minority stake of all these projects from our EV. The implied average share of minorities will obviously depend on the chosen scenario. This share represents **49%** in our **scenario 1**, **16.5%** in our **scenario 2** (“base case”) and **0%** in our **scenario 3**.

5.1.1. Base-case scenario

Fig. 28: New Voltalia projects – FCF (2016e-2040e)

New projects	2016e	2017e	2018e	2019e	2020e	2021e	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	2034e	2035e	2036e	2037e	2038e	2039e	2040e
NOPAT	6	15	29	45	48	49	51	52	53	55	56	58	59	61	62	64	66	68	69	71	70	46	23	2	0
D&A	3	8	17	27	28	29	30	31	32	32	33	34	35	36	37	38	39	40	41	42	41	27	14	1	0
Capex	(186)	(250)	(198)	(106)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Change in WC	1	3	2	3	1	0	0	0	0	0	0	0	1	0	0	0	0	0	0	(2)	(5)	(5)	(2)	0	0
FCF	(177)	(224)	(149)	(31)	77	79	81	83	85	88	90	92	95	97	100	102	105	108	111	111	107	67	35	2	0
Discounted FCF	(172)	(203)	(125)	(24)	55	52	50	47	45	43	40	38	37	35	33	31	30	28	27	25	22	13	6	0	0

Source: Company Data; Bryan, Garnier & Co ests.

Fig. 29: Current Voltalia power plants – FCF (2016e-2030e)

Current plants (EURm)	2016e	2017e	2018e	2019e	2020e	2021e	2022e	2023e	2024e	2025e	2026e	Perp.
NOPAT	18	13	16	33	40	41	42	43	43	44	45	38
D&A	22	33	32	32	32	33	33	34	34	34	35	0
Capex	0	0	0	0	0	0	0	0	0	0	0	0
Change in WC	11	17	6	6	1	1	1	1	1	1	1	2
FCF	51	64	55	71	74	75	76	77	78	79	80	40
Discounted FCF	50	58	46	55	53	49	47	44	41	38	36	

Source: Company Data; Bryan, Garnier & Co ests.

Fig. 30: DCF-valuation – “Base case” Scenario

Valuation - new projects (EURm)	
Present Value of FCF	135
Terminal Value (20% of capex of projects valued)	148
Enterprise Value	283
Implied minority stake	16.5%
Deducted minority interests	47
Implied Equity Value	236
Valuation - old projects	
Present Value of FCF	516
Terminal Value (20% of capex of projects valued)	246
Enterprise Value	762
Net debt - 2015 book value	(264)
Pensions - 2015 book value	(1)
Minorities - 2015 book value	(58)
Equity Value	438
Combined valuation	
Combined Equity Value	674
EUR170m capital increase	170
# of shares	26,2
(+) # shares newly created	22,7
Implied Equity Value per share (EUR)	17,2

Source: Company Data; Bryan, Garnier & Co ests.

5.1.2. Base case vs. other scenarios

Fig. 31: Equity value per share between EUR15.4 and EUR18.2

EURm	“High-minorities” scenario	“Base case” scenario	“No minorities” scenario
Enterprise value - New projects	283	283	283
Implied minority stake – New projects	49%	16,5%	0%
Deducted minority interests – New projects	139	47	0
Equity Value - New projects	144	236	283
Equity Value - Old projects	438	438	438
Combined Equity Value	582	674	721
Capital increase	170	170	170
# of shares newly created	22.7	22.7	22.7
Implied Equity Value per share	15.4	17.2	18.2

Source: Company Data; Bryan, Garnier & Co ests.

Based on our **DCF-valuation**, the implied **equity value per share**, is between **EUR15.4 and EUR18.2**. Our base case scenario is right in the middle of this range at **EUR17.2**. Note that our **base case** implies that Voltalia will fund its Brazilian and Moroccan new projects with an average 75% stake while French new projects are funded with a 100% stake.

5.2. Multiple valuation

We have considered Voltalia's **2020e EBITDA to be normative** as we do not integrate any further plant commissioning after that date (in our model, the 1GW level is reached at end-2019 but some plants are commissioned in H2-19 implying a further positive yoy impact in 2020). We value this 2020e EBITDA with a **7.5x multiple**, in line with the sector's trading multiples. We then discount back our equity value to 2016 with a similar **8.0% WACC**. We value minorities using a **15x P/E ratio**.

This valuation metric derives a **wider range** than our DCF-valuation with an equity value per share of between **EUR12.2 and EUR16.6**. The equity value per share stands at a **EUR13.8** in our base case scenario.

EURm	High-minorities scenario	Base case	No-minorities scenario
EV/EBITDA	7.5x	7.5x	7.5x
EBITDA 2020e – BG estimates	196	196	196
Enterprise Value	1471	1471	1471
Net debt 2019e	(185)	(455)	(591)
Minorities 2019e	(150)	(74)	(47)
Pensions 2019e	(1)	(1)	(1)
Equity Value 2019e	1136	941	832
Discounted Equity Value @ WACC at 8.0%	813	673	595
# shares	48.9	48.9	48.9
Implied Eq. Value per share	16.6	13.8	12.2

Source: Company Data; Bryan, Garnier & Co ests.

5.3. Summary

We value Voltalia with an **equally-weighted combination** (50/50) of our **DCF-valuation** and our **EV/EBITDA** multiple approach.

This derives a **EUR15.5 FV**, significantly higher than the current share price (c. **90%** upside) and c. 20% higher than our previous FV (**EUR13** per share). The other scenarios also imply significant upside vs. the current share price (c.**87%** upside for our **EUR15.2** per share “no minorities” scenario and a c. 97% upside for our **EUR16.0** per share “high minorities” scenario).

	Weight	High-minorities scenario	Base case	No minorities scenario
DCF-valuation	50%	15.4	17.2	18.2
EV/EBITDA	50%	16.6	13.8	12.2
Implied FV	100%	16.0	15.5	15.2

Source: Company Data; Bryan, Garnier & Co ests.

Price Chart and Rating History

Voltaia



Ratings

Date	Ratings	Price
27/01/15	BUY	EUR8.21
15/01/15	Under review	EUR8.15
16/10/14	BUY	EUR8.33

Target Price

Date	Target price
20/09/16	Under review
16/09/15	EUR13
27/01/15	EUR12
15/01/15	Under review
16/10/14	EUR11.5

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Stock rating

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Distribution of stock ratings

BUY ratings 56,7%

NEUTRAL ratings 31,8%

SELL ratings 11,5%

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