



## GEK Terna – Terna Energy

### RES offer profitability and COVID 'immunity'

We revisit our GEK Terna and Terna Energy models, following our pre-COVID 19 report in February 2020. Note that Terna Energy has surpassed our previous target price of €10.20, gaining 32% since then, mainly due to its business model, which proved resilient in the pandemic. On the other hand, GEK Terna's stock price corrected vs. February's historical highs, retreating by 25%.

Despite Terna Energy's stock rally this year (up 51% ytd), we reiterate our 'Buy' rating and we raise our target price to €14.70 (+33% upside) after accounting for higher profitability going forward, on the back of increased capacity. Regarding GEK Terna, we introduce a 10% discount, which we deem appropriate for a holding group. As a result, our target price now eases to €8.60. However, the latter implies 39% upside, thus we upgrade our rating to 'Buy' from 'Hold'.

#### Terna Energy: RES investment plan well on track

Following the sale of the 138MW wind farm in Idaho, USA on one hand (sold for €190mn, capital gain expected at c€26mn) and the addition of 120MW capacity in Greece (Evoia island), Terna Energy's RES portfolio currently accounts for 1,373MW. On top, the pipeline includes another 429MW in Greece (330MW of them also located in Evoia island), while the company has set a long-term target of 2.8GW installed capacity over the next 5 years. Terna Energy offers strong earnings growth potential (secured high feed-in tariffs for the pending capacity), while RES outlook in Greece is favourable, with significant room for additional investments. On top, the company is a reliable dividend play (4-5% yield over 2021-22).

#### GEK Terna: Anticipating Hellinikon casino & Kasteli airport

Although RES division accounts for the bulk of the group's profitability and valuation, the group also benefits from its existing concessions portfolio that could offer to the group c€40mn of cash distributions annually. In addition, the Kasteli airport project is estimated to generate annual FCF of c€15mn for GEK Terna (operations expected to start in 2024). Apart from that, the potential award of the casino license at Hellinikon site to the JV of Mohegan-GEK Terna (sole bidder) is expected to offer another c€15mn FCF annually (not included in our model, until the tender is finalized).

#### Forecasts Highlights

We have finetuned our estimates for both companies, as we incorporate the under-construction RES capacity in Evoia island. We assume full operation of the latter by 2023 and we forecast Terna Energy's EBITDA to exceed €320mn in that year, from €229mn in 2020e, while we expect net income to grow by 23% CAGR over the same period. Regarding GEK Terna, following H1 20 results release, we forecast group sales to rise by just 3% CAGR in 2019-23e, affected by revenues' declines in the construction segment. That said, we project group adj. EBITDA to rise by 11% CAGR, mainly driven by the high-margin RES division.

## Equity Research | Greece

### Construction - Renewables | Update

	GEK Terna	Terna Energy
	Buy	Buy
Share Price	€ 6.20	€ 11.30
<b>Target Price</b>	<b>€ 8.60</b>	<b>€ 14.70</b>
Previous	€ 8.80	€ 10.20
Total Return	39%	33%
Market cap. (€mn)	641	1,358
Shares outst. (mn)	103.4	115.8*

Material Change	From To	Hold Buy

Valuation	2020e	2021e	2022e	2020e	2021e	2022e
P/E	37.5x	91.2x	42.0x	16.2x	20.7x	17.8x
P/BV	1.1x	1.0x	1.0x	2.4x	2.3x	2.2x
EV/EBITDA	8.1x	8.5x	8.1x	10.0x	10.5x	10.2x
EV/Revenues	2.5x	2.4x	2.5x	6.5x	6.8x	6.7x
Dividend yield	0.0%	0.0%	0.0%	3.1%	4.0%	4.9%
FCF yield	19.7%	-20.2%	-14.3%	17.3%	-9.2%	-3.6%

Per share	2020e	2021e	2022e	2020e	2021e	2022e
EPS Adj. new	-0.03	0.07	0.15	0.55	0.57	0.66
EPS Adj. old	0.33	0.44	0.53	0.47	0.63	0.67
DPS	0.00	0.00	0.00	0.35	0.45	0.55

BS data (€mn)	2020e	2021e	2022e	2020e	2021e	2022e
Sh. Equity	564	611	673	552	579	605
Net debt (incl. TEI)	1,801	2,050	2,256	921	1,164	1,350
Corpor. Net debt	611	866	1,004			

P&L data (€mn)	2020e	2021e	2022e	2020e	2021e	2022e
Revenues	1,044	1,172	1,253	352	372	406
EBITDA	323	337	378	229	242	267
EBIT	199	206	233	166	176	195
Net income	17	7	15	84	66	76
Net income Adj.	-4	7	15	64	66	76

Performance	1m	6m	YTD	1m	6m	YTD
Absolute	2%	26%	-18%	-5%	55%	51%
Relative	3%	9%	13%	-4%	39%	82%

Source: AF Research, Bloomberg LP, Reuters  
 Note: Total Return includes price appreciation and expected dividend yield  
 Note: Relative Performance is measured against ASE General Index

(\*) Terna Energy's target price and projected per share metrics incorporate the cancellation of 4.3mn treasury shares (to be approved by EGM on October 20)

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**GEK Terna**

Year End	2019	2020	2021	2022	2023
	act	est	est	est	est
<b>Income Statement (€mn)</b>					
Revenues	1,156	1,044	1,172	1,253	1,298
EBITDA	272	323	337	378	436
EBITDA Adjusted	285	305	337	378	436
Depreciation	115	123	131	145	152
EBIT	157	199	206	233	284
Net Financials	72	102	139	144	145
EBT	78	96	66	87	138
Taxes	22	27	19	24	39
Net Income	23	17	7	15	26
Net Income Adjusted	-1	-4	7	15	26

**Balance Sheet (€mn)**

Cash	595	1,101	752	476	508
Current Assets	1,296	1,758	1,424	1,160	1,181
Tangible Assets	1,705	1,633	1,894	2,110	2,088
Intangible Assets	755	771	826	877	903
Non Current Assets	3,014	2,970	3,286	3,556	3,562
Total Assets	4,309	4,727	4,710	4,716	4,744
Current Liabilities	899	886	855	849	828
Non Current Liabilities	2,644	3,047	3,014	2,964	2,914
Debt	2,038	2,552	2,472	2,432	2,392
Net Debt (incl. TEI)	1,793	1,801	2,050	2,256	2,154
Corporate Net Debt	555	611	866	1,004	997
Shareholders Equity	496	564	611	673	772

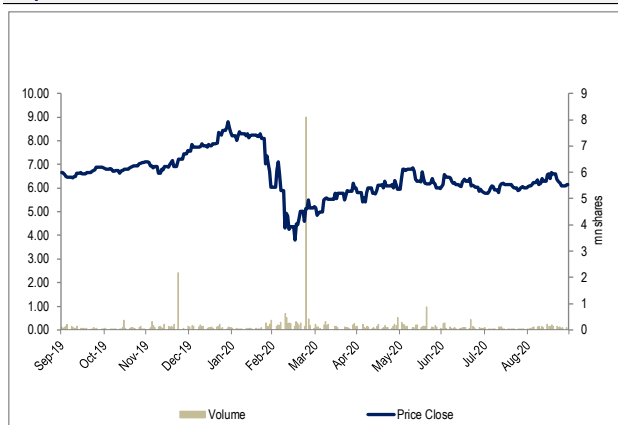
**Cash Flow (€mn)**

CFO	238	194	316	322	373
Capex	-243	-68	-445	-413	-156
WC Change	44	19	4	-8	-1
FCF	-4	126	-129	-92	217

**Per Share**

EPS	0.23	0.17	0.07	0.15	0.25
EPS Adjusted	-0.01	-0.03	0.07	0.15	0.25
DPS	0.00	0.00	0.00	0.00	0.00
BV	4.80	5.46	5.91	6.51	7.46
FCF	-0.04	1.22	-1.25	-0.89	2.10

**Graph**



Source: AF Research, Bloomberg LP, Reuters

**ESG Metrics**

<b>Overall ESG Score</b>	<b>34</b>
Environmental	24
Social	49
Governance	45

Source: Reuters

Note: Please refer for detailed Score in Appendix

Year End	2019	2020	2021	2022	2023
	act	est	est	est	est
<b>Income Statement yoy (%)</b>					
Revenues	-18%	-10%	12%	7%	4%
EBITDA	1%	19%	5%	12%	15%
EBITDA Adjusted	2%	7%	10%	12%	15%
Depreciation	11%	8%	6%	11%	4%
EBIT	-6%	27%	4%	13%	22%
Net Financials	-33%	41%	36%	4%	1%
EBT	28%	23%	-31%	31%	58%
Taxes	-12%	22%	-31%	31%	58%
Net Income	425%	-27%	-59%	117%	67%
Net Income Adjusted	na	na	-298%	117%	67%

**Margins (%)**

EBITDA Margin	24%	31%	29%	30%	34%
EBITDA Margin Adjusted	25%	29%	29%	30%	34%
EBIT Margin	14%	19%	18%	19%	22%
Net Income Margin	2%	2%	1%	1%	2%

**Margins (yoy change, bps)**

EBITDA Margin	427	740	-214	140	342
EBITDA Margin Adjusted	465	459	-48	140	342
EBIT Margin	174	548	-148	97	333
Net Income Margin	171	-39	-104	62	75

**Leverage**

Net Debt / Equity	3.6x	3.2x	3.4x	3.4x	2.8x
Net Debt / Capital	0.7x	0.6x	0.7x	0.7x	0.7x
Net Debt / EBITDA	6.6x	5.6x	6.1x	6.0x	4.9x
Interest Covered	1.2x	1.3x	1.3x	1.5x	1.9x

**Performance (%)**

RoE	5%	3%	1%	2%	4%
RoIC	5%	5%	5%	6%	7%
RoA	1%	0%	0%	0%	1%

**Valuation Metrics**

PE	27.3x	37.5x	91.2x	42.0x	25.1x
PBV	1.3x	1.1x	1.0x	1.0x	0.8x
EV / EBITDA	9.8x	8.1x	8.5x	8.1x	6.8x
EV/ Revenues	2.3x	2.5x	2.4x	2.5x	2.3x
FCF Yield (%)	-1%	20%	-20%	-14%	34%
Dividend Yield (%)	0%	0%	0%	0%	0%
Payout Ratio (%)	0%	0%	0%	0%	0%

**What's Changed**

Rating	Buy	From	Hold
Risk	Medium Risk	From	Medium Risk
Target Price	€ 8.60	From	€ 8.80
Forward EPS	€ 0.17	From	€ 0.33

**Company Info**

Share Price	€ 6.20
Market Cap (mn)	€ 641
Ticker (Bloomberg)	GEKTERNA GA
Ticker (Reuters)	HRMr.AT
Free Float	46%
Sector	Construction & Engineering
Auditor	Grant Thornton

**Company Description**

GEK Terna is one of the leading business groups in Greece in the fields of infrastructure, energy (its RES arm is the largest RES electricity producer in Greece) and concessions. Additionally, it has a strong presence in mining operations (magnesite) and real estate development & management, while it is also active in waste management

**Terna Energy**

Year End	2019	2020	2021	2022	2023
	act	est	est	est	est

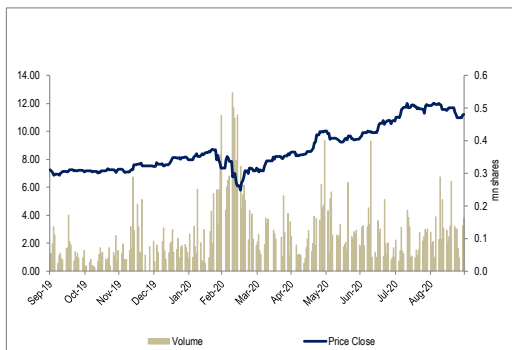
Income Statement (€mn)					
Revenues	299	352	372	406	481
EBITDA	182	229	242	267	324
Depreciation	56	63	66	73	76
EBIT	123	166	176	195	248
Net Financials	61	54	87	92	89
EBT	70	112	88	103	159
Taxes	16	27	21	25	38
Net Income (after minorities)	52	84	66	76	119
Net Income adj. (after min.)	52	64	66	76	119

Balance Sheet (€mn)					
Cash	257	545	588	302	262
Current Assets	436	700	748	472	451
Fixed Assets	1,543	1,459	1,722	1,924	1,903
Non Current Assets	1,682	1,613	1,872	2,069	2,043
Total Assets	2,118	2,313	2,620	2,540	2,493
Current Liabilities	247	326	326	327	328
Non Current Liabilities	1,433	1,434	1,714	1,609	1,503
Debt	1,013	1,115	1,435	1,365	1,295
Net Debt (incl. TEI)	1,098	921	1,164	1,350	1,290
Net Debt (excl. TEI)	756	569	847	1,063	1,033
Shareholders Equity	438	552	579	605	662

Cash Flow (€mn)					
CFO	169	212	215	233	268
Capex	-223	15	-335	-280	-60
WC Change	-5	1	-6	-10	-18
FCF	-54	227	-120	-47	208

Per Share					
EPS	0.45	0.72	0.57	0.66	1.03
DPS / Cap. Return	0.35	0.35	0.45	0.55	0.55
BV	3.85	4.77	5.00	5.22	5.71
FCF	-0.48	1.96	-1.04	-0.40	1.80

**Graph**



Source: AF Research, Bloomberg LP, Reuters

**ESG Metrics**

<b>Overall ESG Score</b>	<b>50</b>
Environmental	58
Social	53
Governance	36

Source: Reuters

Note: Please refer for detailed Score in Appendix

Year End	2019	2020	2021	2022	2023
	act	est	est	est	est

Income Statement yoy (%)					
Revenues	2%	18%	6%	9%	19%
EBITDA	8%	26%	6%	11%	21%
Depreciation	18%	11%	6%	9%	4%
EBIT	4%	35%	6%	11%	27%
Net Financials	6%	-11%	62%	6%	-3%
EBT	12%	61%	-21%	16%	54%
Taxes	7%	64%	-21%	16%	54%
Net Income (after minorities)	15%	62%	-22%	17%	55%
Net Income adj. (after min.)	15%	24%	3%	17%	55%

Margins (%)					
EBITDA Margin	61%	65%	65%	66%	67%
EBIT Margin	41%	47%	47%	48%	52%
Net Income Margin	17%	24%	18%	19%	25%

Margins (yoy change, bps)					
EBITDA Margin	333	411	9	83	141
EBIT Margin	67	606	5	81	353
Net Income Margin	187	650	-612	120	587

Leverage					
Net Debt (incl. TEI) / Equity	2.5x	1.7x	2.0x	2.2x	1.9x
Net Debt (incl. TEI) / Capital	0.7x	0.8x	0.6x	0.6x	0.7x
Net Debt (incl. TEI) / EBITDA	4.7x	6.0x	4.0x	4.8x	5.0x
Interest Covered	1.9x	1.9x	1.8x	1.8x	2.0x

Performance (%)					
RoE	12%	17%	12%	13%	19%
RoIC	6%	8%	7%	8%	10%
RoA	3%	2%	4%	3%	3%

Valuation Metrics					
PE	26.3x	16.2x	20.7x	17.8x	11.4x
PBV	2.9x	2.4x	2.3x	2.2x	2.0x
EV / EBITDA	13.5x	10.0x	10.5x	10.2x	8.2x
EV / Revenues	8.2x	6.5x	6.8x	6.7x	5.5x
FCF Yield (%)	-4%	17%	-9%	-4%	16%
Dividend Yield (%)	3%	3%	4%	5%	5%
Payout Ratio (%)	77%	48%	80%	83%	54%

**What's Changed**

Rating	Buy	From	Buy
Risk	Medium Risk	From	Medium Risk
Target Price	€ 14.70	From	€ 10.20
Forward EPS	€ 0.72	From	€ 0.47

**Company Info**

Share Price	€ 11.30
Market Cap (mn)	€ 1,358
Ticker (Bloomberg)	TENERGY.GA
Ticker (Reuters)	TENr.AT
Free Float	31%
Sector	Energy   Renewables
Auditor	Grant Thornton

**Company Description**

Terna Energy is the largest RES electricity producer in Greece, engaging mainly in wind business, while it has also presence in Poland, Bulgaria and the USA. Terna Energy has currently 1,373MW (or 1,390MW in nominal terms) of installed capacity. The majority of its portfolio relates to wind parks, while it also operates 18MW hydro plants, 9MW photovoltaic plants, 1MW biomass unit and 1.5MW waste management unit.

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## A. Terna Energy Valuation

We value Terna Energy through a combination of a 2-stage DCF model and relative valuation, assigning 50% weight to each method.

### DCF model

We form an explicit set of forecasts for the period up to 2025e. Our WACC assumption stands at 5.9%, based on ERP and risk-free rate of 7.5% and 1% (country weighted based on revenues) respectively, while we set zero terminal growth rate, as we do not incorporate any capacity additions on top of the already scheduled. Our DCF model returns a fair value of €14.72 per share.

DCF method (€mn)	2020e	2021e	2022e	2023e	2024e	2025e
EBIT	166.0	175.5	195.0	248.1	248.5	249.1
Tax on adj. EBIT	39.8	42.1	46.8	59.5	59.6	59.8
Adj. EBIT * (1 - tax rate)	126.2	133.4	148.2	188.5	188.8	189.3
Depreciation and Amortization	62.6	66.3	72.5	75.8	75.3	74.8
- Change in Working Capital	-1.5	5.6	9.7	17.8	5.8	5.8
- Capex	-15.3	335.0	280.0	60.0	60.0	60.0
<b>FCF</b>	<b>205.5</b>	<b>-140.9</b>	<b>-69.0</b>	<b>186.5</b>	<b>198.4</b>	<b>198.2</b>
Discount factor		94%	89%	84%	80%	75%
<b>Discounted FCF</b>		<b>-133.0</b>	<b>-61.5</b>	<b>157.1</b>	<b>157.8</b>	<b>148.9</b>
PV of future CFs	120.3					
Terminal Value	2,523.9					
<b>EV</b>	<b>2,644.2</b>					
EV per share (€)	22.8					
- Net debt 2020e	921.2					
- Minorities	13.6					
- Associates	4.4					
<b>Equity Value</b>	<b>1,704.9</b>					
Shares outstanding (mn)	115.9					
<b>Target Price (€)</b>	<b>14.72</b>					

Source: Terna Energy, AF Research

### Relative valuation

In the table below we present a peer group including international listed RES operators. We incorporate 2022 multiples in order to account for Terna Energy's additional capacity that is currently under construction. The company now trades at 2022 EV/EBITDA of 10.2x (12% premium vs. peers) and 2022 EV/MW of 1.5x (14% discount vs. peers). Note that the under-construction MW are expected to be installed by 2022, however they should fully contribute in 2023, thus we assign more weight on 2022 EV/MW multiple. We discount peer multiples at present, ending up at a fair value of €14.68 per share.

Terna Energy Peer Group	Market cap (€mn)	EV/EBITDA 2022e	EV/MW 2022e
<b>Global Peers</b>			
Acciona SA	5,383	7.9	1.2
EDP Renovaveis SA	12,519	10.1	1.3
Falck Renewables S.p.A.	1,566	9.9	2.1
Albioma	1,441	10.4	2.4
ERG	3,154	7.2	1.9
Global Peers average		9.1	1.8
Terna Energy	1,358	10.2	1.5
Premium/Discount to Global Peers		11.7%	-13.8%
Implied Equity Value for Terna Energy (€mn)		1,251	1,893
Weight		30%	70%
<b>Terna Energy Equity Value (€mn)</b>		<b>1,701</b>	
Shares outstanding (mn)		115.9	
<b>Target Price (€)</b>		<b>14.68</b>	

Source: Bloomberg, AF Research

## Overall

The combination of the two methods returns a fair value of €14.70 per share. Note that we incorporate the cancellation of 4.3mn treasury shares (to be approved by EGM on October 20), hence we account for 115mn outstanding shares on our target price calculation. Taking into consideration our expectation of €0.35/share dividend for 2020e (3.1% yield), our appraised value implies total upside potential of 33% from current price levels. As a result, we reiterate our Buy rating.

<b>Terna Energy Valuation</b>	<b>Implied Equity Value (€mn)</b>	<b>Target Price (€)</b>	<b>Weight</b>
DCF	1,705	14.72	50%
Multiples valuation	1,701	14.68	50%
<i>EV/EBITDA 2022e</i>	1,251	10.80	15%
<i>EV/MW 2022e</i>	1,893	16.34	35%
<b>Equity Value (€mn)</b>	<b>1,703</b>	<b>14.70</b>	<b>100%</b>

Source: Terna Energy, AF Research, Reuters

## B. Group Valuation

We use a sum-of-the-parts (SOTP) valuation method as we believe it is the most suitable for a holding company with distinct business segments that are materially different. We choose to sum up the equity values of the different segments (not their EVs) and deduct the parent net debt, instead of the total group's. We find this method more appropriate since the group fully consolidates Terna Energy (hence its debt), whereas at the same time it holds just 38% of the company. In addition, we introduce a 10% holding discount, which we deem appropriate for a group that operates different divisions.

Our SOTP model returns a fair value of €8.60 per share, implying a total upside potential of 39% from current price levels. As a result, we upgrade our rating to Buy from Hold.

Group valuation - Sum of the parts				GEK Terna's		
Division	Valuation method	Equity Value (€mn)	Stake	share (€mn)	€/share	% of total
Terna (Construction & Mining)	DCF	47	100%	47	0.45	5%
Concessions		1,067		556	5.37	56%
<i>Motorways (Nea Odos &amp; Kentriki Odos)</i>	<i>DDM</i>	<i>369</i>	<i>100%</i>	<i>369</i>	<i>3.56</i>	<i>37%</i>
<i>Kasteli Airport</i>	<i>DDM</i>	<i>389</i>	<i>33%</i>	<i>126</i>	<i>1.22</i>	<i>13%</i>
<i>Olympia Odos</i>	<i>3x Book Value</i>	<i>300</i>	<i>17%</i>	<i>51</i>	<i>0.49</i>	<i>5%</i>
<i>Parking stations</i>	<i>1x Book Value</i>	<i>10</i>	<i>100%</i>	<i>10</i>	<i>0.10</i>	<i>1%</i>
Terna Energy (RES)	DCF	1,703	38%	645	6.24	65%
Real Estate	NAV FY 19a	42	100%	42	0.41	4%
Thermal Energy		125		44	0.43	4%
<i>Heron 1</i>	<i>€0.4mn EV/MW</i>	<i>51</i>	<i>50%</i>	<i>26</i>	<i>0.25</i>	<i>3%</i>
<i>Heron 2</i>	<i>€0.4mn EV/MW - net debt</i>	<i>74</i>	<i>25%</i>	<i>18</i>	<i>0.18</i>	<i>2%</i>
(-) Parent net debt (2020e)				-347	-3.35	-35%
<b>Equity value before discount</b>				<b>987</b>	<b>9.55</b>	
(-) Holding discount				10%		
<b>Equity value</b>				<b>890</b>	<b>8.60</b>	

Source: GEK Terna, AF Research

### Construction

We value GEK Terna's construction arm, Terna, through a 2-stage DCF model and we form an explicit set of forecasts for the period up to 2024. Our WACC assumption stands at 6.2%, based on ERP and risk-free rate of 7.5% and 1.1% respectively, while we set a terminal value based on a targeted EBITDA margin of 5% and a sustainable sales level of €600mn p.a. Overall, and taking on account our 2020e projection for Terna's net debt (seen at €58mn), we calculate an equity value of €47mn for the group construction division (5% of total).

### RES

As already mentioned above, we value the group's renewable energy division, Terna Energy, through a combination of a 2-stage DCF model and multiples' valuation. We calculate an equity value of €645mn for GEK Terna's 38% stake. This stands at €6.2 per share, which accounts for 65% of our group's target price.

### Concessions

We use a DDM methodology in order to value GEK Terna's major concessions, namely Nea Odos and Kentriki Odos motorways, as well as Kastelli airport. Our cost of equity assumption stands at 7.9%, which we believe fully incorporates country risk. Regarding minor concessions, such as the 17% participation in Olympia Odos (IRR at c8-9%) and parking stations business, we incorporate them in our SOTP model at 3x and 1x of their book values respectively. Summing up, our model returns an equity value of €556mn for the total concessions' division. Note that our appraised value for the already operating Nea Odos and Kentriki Odos motorways accounts for 37% of our group's target price.

### Non-core activities

We value GEK Terna's real-estate division at its 2019 NAV. Regarding the group's engagement in thermal energy production through its participation in Heron I (147MW OCGT power plant) and Heron II (432MW CCGT power plant), we apply a target EV/MW multiple of €0.4m.

## C. Forecasts

Forecast Changes	2019a		2020e		2021e		2022e		2023e	
P&L GEK Terna (€mn)		old	new	old	new	old	new	old	new	
Construction	680	775	529	708	642	672	684	643	649	
RES	237	309	296	337	301	341	335	341	410	
Concessions	187	196	170	215	178	219	182	222	185	
Real Estate	37	38	35	39	37	40	37	41	38	
Mining	10	10	9	10	10	10	10	10	10	
Thermal	5	5	5	5	5	5	5	5	5	
Other	0	0	0	0	0	0	0	0	0	
<b>Total Revenues</b>	<b>1,156</b>	<b>1,334</b>	<b>1,044</b>	<b>1,314</b>	<b>1,172</b>	<b>1,287</b>	<b>1,253</b>	<b>1,262</b>	<b>1,298</b>	
% change	-17.6%	15.7%	-9.7%	-1.5%	12.3%	-2.0%	6.9%	-1.9%	3.6%	
COGS	-805	-915	-660	-864	-751	-834	-785	-807	-769	
% change	-24%	14%	-18.0%	-6%	13.8%	-4%	4.5%	-3%	-2.0%	
<b>Gross Profit</b>	<b>351</b>	<b>419</b>	<b>384</b>	<b>450</b>	<b>421</b>	<b>453</b>	<b>468</b>	<b>455</b>	<b>529</b>	
Gross margin	30.4%	31.4%	36.8%	34.2%	35.9%	35.2%	37.3%	36.0%	40.8%	
Other operating income	-3.2	4.0	10.4	3.9	-3.2	3.9	-3.4	3.8	-3.6	
% revenues	0%	0%	1%	0%	0%	0%	0%	0%	0%	
% change	n/a	16%	n/a	-2%	-130.7%	-2%	6.9%	-2%	3.6%	
Selling, General & admin expenses	-79.6	-80.0	-71.9	-76.2	-80.7	-70.8	-86.3	-69.4	-89.4	
% revenues	-7%	-6%	-7%	-6%	-7%	-6%	-7%	-6%	-7%	
% change	19%	16%	-9.7%	-5%	12.3%	-7%	6.9%	-2%	3.6%	
<b>EBITDA</b>	<b>268</b>	<b>343</b>	<b>323</b>	<b>377</b>	<b>337</b>	<b>386</b>	<b>378</b>	<b>389</b>	<b>436</b>	
% change	-0.6%	21.3%	20.3%	10.1%	4.5%	2.3%	12.0%	0.8%	15.4%	
% margin	23%	25.7%	30.9%	28.7%	28.8%	30.0%	30.2%	30.8%	33.6%	
<b>EBITDA adjusted</b>	<b>285</b>	<b>343</b>	<b>305</b>	<b>377</b>	<b>337</b>	<b>386</b>	<b>378</b>	<b>389</b>	<b>436</b>	
% change	1.5%	21.3%	7.1%	10.1%	10.4%	2.3%	12.0%	0.8%	15.4%	
% margin	25%	25.7%	29.3%	28.7%	28.8%	30.0%	30.2%	30.8%	33.6%	
Construction EBITDA adj.	11	22	12	29	22	32	33	32	32	
RES EBITDA adj.	179	229	222	246	225	249	251	249	307	
Concession EBITDA	104	94	85	103	94	105	96	107	98	
Real Estate EBITDA adj.	2	3	1	3	2	3	2	3	2	
Mining EBITDA adj.	-4	-3	-7	-2	-2	-1	-1	-1	0	
Thermal EBITDA adj.	0	1	0	1	0	1	0	1	0	
Other EBITDA	-6	-3	-7	-2	-4	-2	-3	-2	-2	
Depreciation & Amortization	-114.6	-116.7	-123.5	-119.5	-130.9	-120.3	-145.2	-123.6	-151.7	
% sales	-9.9%	-8.8%	-11.8%	-9.1%	-11.2%	-9.3%	-11.6%	-9.8%	-11.7%	
<b>EBIT</b>	<b>154</b>	<b>226</b>	<b>199</b>	<b>258</b>	<b>206</b>	<b>266</b>	<b>233</b>	<b>266</b>	<b>284</b>	
% change	-7.7%	28.2%	29.6%	14.2%	3.6%	3.1%	12.7%	0.0%	22.2%	
margin	13%	16.9%	19.1%	19.6%	17.6%	20.7%	18.6%	21.1%	21.9%	
<b>EBIT adjusted</b>	<b>171</b>	<b>226</b>	<b>182</b>	<b>258</b>	<b>206</b>	<b>266</b>	<b>233</b>	<b>266</b>	<b>284</b>	
% change	-3.8%	28.2%	6.7%	14.2%	13.5%	3.1%	12.7%	0.0%	22.2%	
margin	15%	16.9%	17.4%	19.6%	17.6%	20.7%	18.6%	21.1%	21.9%	
Share of profit/(loss) from participations	-3.6	3.8	2.0	3.8	2.0	3.8	2.0	3.8	2.0	
Financial expense	-132.6	-142.3	-150.0	-146.3	-158.6	-142.3	-155.9	-138.3	-153.2	
Financial income	60.4	14.4	48.1	13.8	20.0	15.7	11.8	17.8	8.3	
<b>Financials net</b>	<b>-72.3</b>	<b>-127.9</b>	<b>-101.9</b>	<b>-132.5</b>	<b>-138.6</b>	<b>-126.7</b>	<b>-144.1</b>	<b>-120.5</b>	<b>-144.9</b>	
Pre tax income	74.3	100.5	95.8	127.9	66.3	141.8	87.1	147.9	137.9	
% change	22.1%	30%	29.0%	27%	-30.8%	11%	31.4%	4%	58.4%	
Pre tax margin	6.4%	7.5%	9.2%	9.7%	5.7%	11.0%	7.0%	11.7%	10.6%	
Taxes	-22.1	-33.2	-26.8	-38.4	-18.6	-39.7	-24.4	-41.4	-38.6	
Tax rate %	-29.7%	-33.0%	-28.0%	-30.0%	-28.0%	-28.0%	-28.0%	-28.0%	-28.0%	
<b>Net income after minorities</b>	<b>20</b>	<b>34</b>	<b>17</b>	<b>45</b>	<b>7</b>	<b>55</b>	<b>15</b>	<b>58</b>	<b>26</b>	
% change	6%	18%	-14.1%	31%	-58.9%	21%	116.9%	6%	67.3%	
Net income margin	1.7%	2.6%	1.6%	3.4%	0.6%	4.2%	1.2%	4.6%	2.0%	
<b>Net income after minorities adjusted</b>	<b>-1</b>	<b>34</b>	<b>-4</b>	<b>45</b>	<b>7</b>	<b>55</b>	<b>15</b>	<b>58</b>	<b>26</b>	
% change	na	242%	na	31%	na	21%	116.9%	6%	67.3%	
Net income adjusted margin	-0.1%	2.6%	-0.3%	3.4%	0.6%	4.2%	1.2%	4.6%	2.0%	

Source: GEK Terna, AF Research

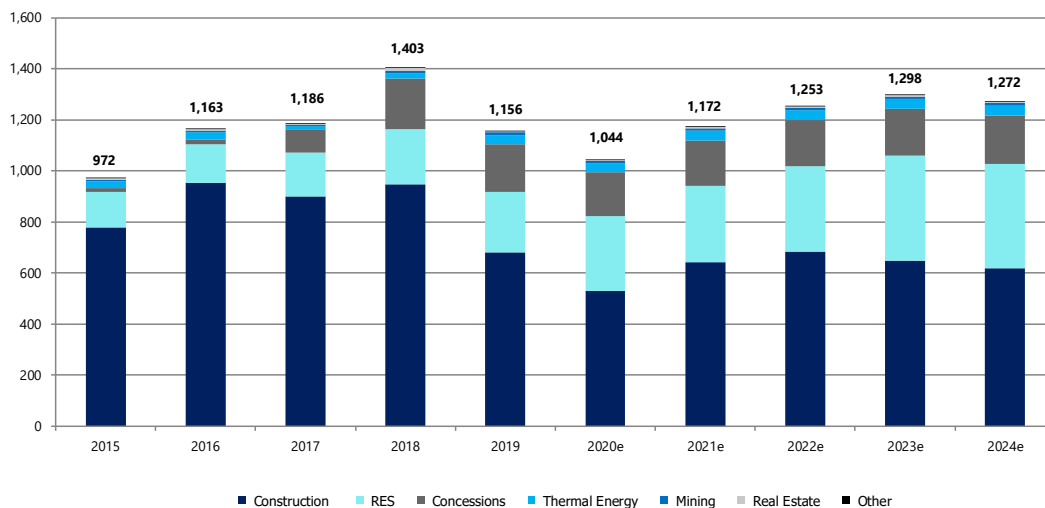
Note: Adjusted figures exclude one off items, provisions and other non cash results. Specifically in 2020, adjustments exclude €17.3mn provision for compensation claims from the State in concessions' division, as well as €26mn capital gain from the sale of Mountainair wind park in Idaho, USA

Forecast Changes	2019a		2020e		2021e		2022e		2023e		2024e	
P&L Terna Energy (€mn)		old	new	old	new	old	new	old	new	old	new	
Electricity from RES	237	309	296	337	301	341	335	341	410	341	410	
Construction	3	3	3	3	3	3	3	3	3	3	3	
Trading of Electricity	37	35	37	35	37	35	37	35	37	35	37	
Concessions	21	16	16	31	31	31	31	31	31	31	31	
<b>Total Revenues</b>	<b>299</b>	<b>363</b>	<b>352</b>	<b>406</b>	<b>372</b>	<b>410</b>	<b>406</b>	<b>410</b>	<b>481</b>	<b>410</b>	<b>481</b>	
% change	2.4%	24.0%	17.7%	17.7%	5.6%	1.1%	9.2%	0.0%	18.5%	0.0%	0.0%	
COGS	-170	-177	-174	-195	-184	-195	-197	-193	-217	-191	-216	
% change	1%	13%	2%	10%	6%	0%	7%	-1%	10%	-1%	0%	
<b>Gross Profit</b>	<b>129</b>	<b>186</b>	<b>178</b>	<b>211</b>	<b>188</b>	<b>215</b>	<b>209</b>	<b>217</b>	<b>265</b>	<b>219</b>	<b>265</b>	
Gross margin	43.1%	51.2%	50.6%	51.9%	50.7%	52.5%	51.5%	52.9%	55.0%	53.3%	55.1%	
Other operating income	18.5	9.1	8.8	10.1	9.3	10.3	10.2	10.3	12.0	10.3	12.0	
% revenues	6%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	
% change	55%	-38%	-52%	12%	6%	1%	9%	0%	19%	0%	0%	
R&D, admin. and distribution expenses	-24.5	-21.6	-20.9	-24.1	-22.1	-24.4	-24.2	-24.4	-28.6	-24.4	-28.6	
% revenues	-8%	-6%	-6%	-6%	-6%	-6%	-6%	-6%	-6%	-6%	-6%	
% change	40%	25%	-14%	12%	6%	1%	9%	0%	19%	0%	0%	
<b>EBITDA</b>	<b>182</b>	<b>235</b>	<b>229</b>	<b>260</b>	<b>242</b>	<b>263</b>	<b>267</b>	<b>263</b>	<b>324</b>	<b>263</b>	<b>324</b>	
% change	8%	25.2%	25.6%	10.6%	5.8%	1.3%	10.6%	0.0%	21.1%	0.0%	0.0%	
% margin	61%	64.7%	64.9%	64.1%	65.0%	64.2%	65.9%	64.2%	67.3%	64.2%	67.3%	
Electricity from RES EBITDA	178	229	222	246	225	249	251	249	307	249	307	
Construction EBITDA	1	1	1	1	1	1	1	1	1	1	1	
Trading of Electricity EBITDA	2	2	2	2	2	2	2	2	2	2	2	
Concessions EBITDA	1	3	4	11	13	11	13	11	13	11	13	
Depreciation & Amortization	56.5	61.8	62.6	63.3	66.3	61.9	72.5	60.4	75.8	58.6	75.3	
% sales	19%	17%	18%	16%	18%	15%	18%	15%	16%	14%	16%	
<b>EBIT</b>	<b>123</b>	<b>173</b>	<b>166</b>	<b>197</b>	<b>176</b>	<b>201</b>	<b>195</b>	<b>203</b>	<b>248</b>	<b>205</b>	<b>248</b>	
% change	4.1%	29.5%	35.0%	13.5%	5.7%	2.3%	11.1%	0.8%	27.2%	0.9%	0.2%	
margin	41.1%	47.7%	47.2%	48.5%	47.2%	49.1%	48.0%	49.5%	51.5%	49.9%	51.6%	
Interest expense	-66.2	-104.1	-90.7	-102.3	-98.9	-100.5	-98.2	-99.3	-94.7	-98.1	-91.2	
Interest income	5.5	3.6	36.9	2.8	11.8	2.8	6.0	3.0	5.2	3.2	4.7	
Income from securities	7.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
<b>Financials net</b>	<b>-53.3</b>	<b>-100.5</b>	<b>-53.8</b>	<b>-99.4</b>	<b>-87.1</b>	<b>-97.7</b>	<b>-92.2</b>	<b>-96.3</b>	<b>-89.5</b>	<b>-94.9</b>	<b>-86.5</b>	
Pre tax income	70	73	112	97	88	104	103	107	159	110	162	
% change	12%	1%	61%	34%	-21%	7%	16%	3%	54%	3%	2%	
Pre tax margin	23.3%	20.0%	31.9%	24.0%	23.8%	25.3%	25.3%	26.0%	32.9%	26.7%	33.6%	
Minority interests	-1.7	-2.2	-1.7	-2.2	-1.7	-2.2	-1.7	-2.2	-1.7	-2.2	-1.7	
Taxes	-16.4	-17.5	-26.9	-23.3	-21.2	-24.9	-24.7	-25.6	-38.1	-26.3	-38.9	
Tax rate %	-23.5%	-24.0%	-24.0%	-24.0%	-24.0%	-24.0%	-24.0%	-24.0%	-24.0%	-24.0%	-24.0%	
<b>Net income after minorities</b>	<b>52</b>	<b>53</b>	<b>84</b>	<b>72</b>	<b>66</b>	<b>77</b>	<b>76</b>	<b>79</b>	<b>119</b>	<b>81</b>	<b>121</b>	
% change	15%	1%	62%	35%	-22%	7%	17%	3%	55%	3%	2%	
Net income margin	17.2%	14.6%	23.7%	17.7%	17.6%	18.7%	18.8%	19.2%	24.7%	19.8%	25.2%	
<b>Net income after minorities adjusted</b>	<b>52</b>	<b>53</b>	<b>64</b>	<b>72</b>	<b>66</b>	<b>77</b>	<b>76</b>	<b>79</b>	<b>119</b>	<b>81</b>	<b>121</b>	
<b>EPS</b>	<b>0.45</b>	<b>0.47</b>	<b>0.72</b>	<b>0.63</b>	<b>0.57</b>	<b>0.67</b>	<b>0.66</b>	<b>0.69</b>	<b>1.03</b>	<b>0.71</b>	<b>1.05</b>	
% change	14.9%	1.1%	59.4%	35.0%	-21.6%	6.7%	16.6%	2.9%	55.5%	3.0%	2.2%	
<b>DPS/Capital return per share</b>	<b>0.35</b>	<b>0.35</b>	<b>0.35</b>	<b>0.45</b>	<b>0.45</b>	<b>0.45</b>	<b>0.55</b>	<b>0.45</b>	<b>0.55</b>	<b>0.45</b>	<b>0.55</b>	
% change	16.7%	0.0%	0.0%	28.6%	28.6%	0.0%	22.2%	0.0%	0.0%	0.0%	0.0%	
% payout	77.3%	75.0%	48.5%	71.5%	79.6%	67.0%	83.4%	65.1%	53.6%	63.1%	52.5%	

Source: Terna Energy, AF Research

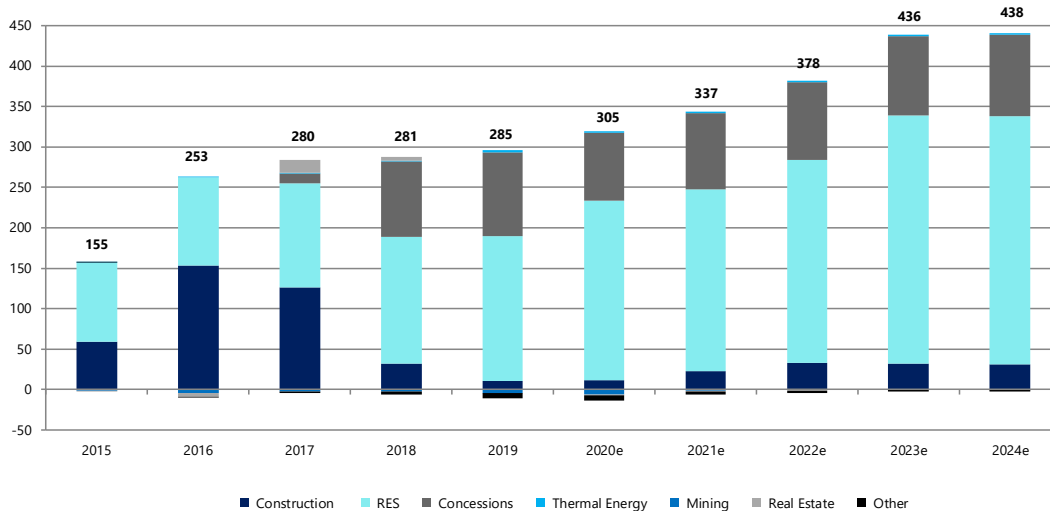
Note: Adjusted figure in 2020 excludes €26mn capital gain from the sale of Mountainair wind park in Idaho, USA

**Exhibit C.1. GEK Terna Sales Breakdown (€mn)**



Source: GEK Terna, AF Research

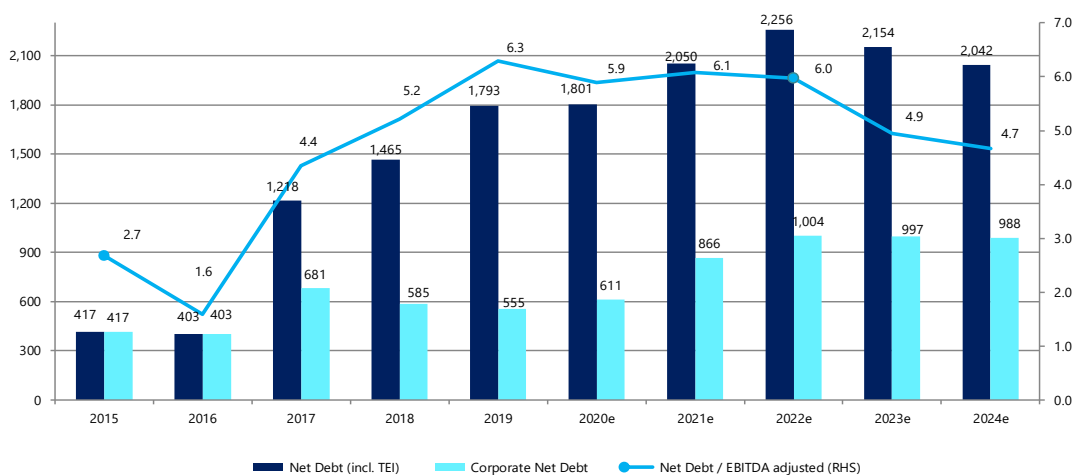
**Exhibit C.2. GEK Terna Adjusted EBITDA Breakdown (€mn)**



Source: GEK Terna, AF Research

Note: Adjusted figures exclude one off items, provisions and other non-cash results

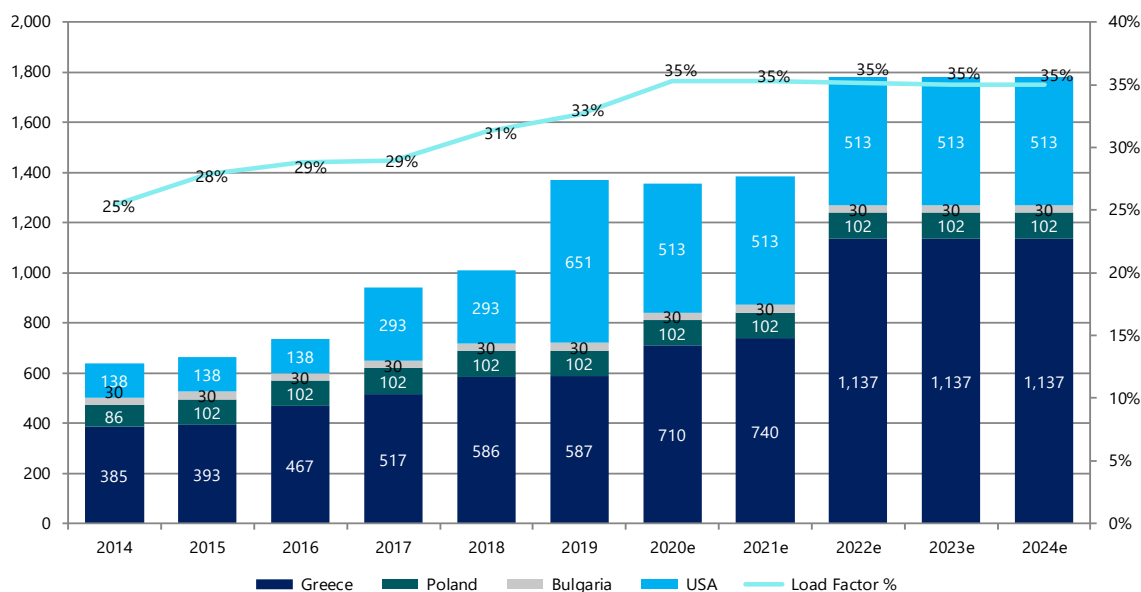
**Exhibit C.3. GEK Terna Net Debt Estimates (€mn)**



Source: GEK Terna, AF Research

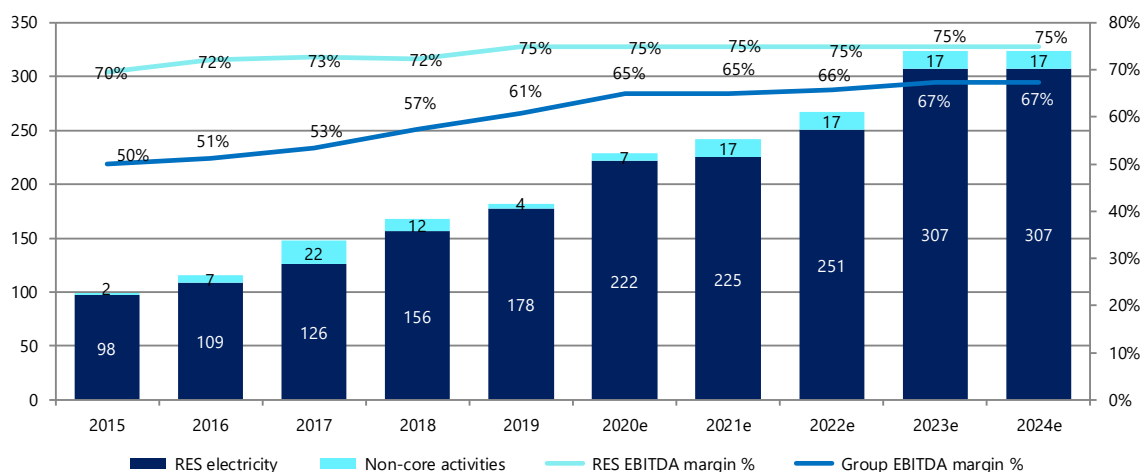
Note: Adjusted figures exclude one off items, provisions and other non-cash results

**Exhibit C.4. Terna Energy Capacity Geographical Breakdown (MW)**



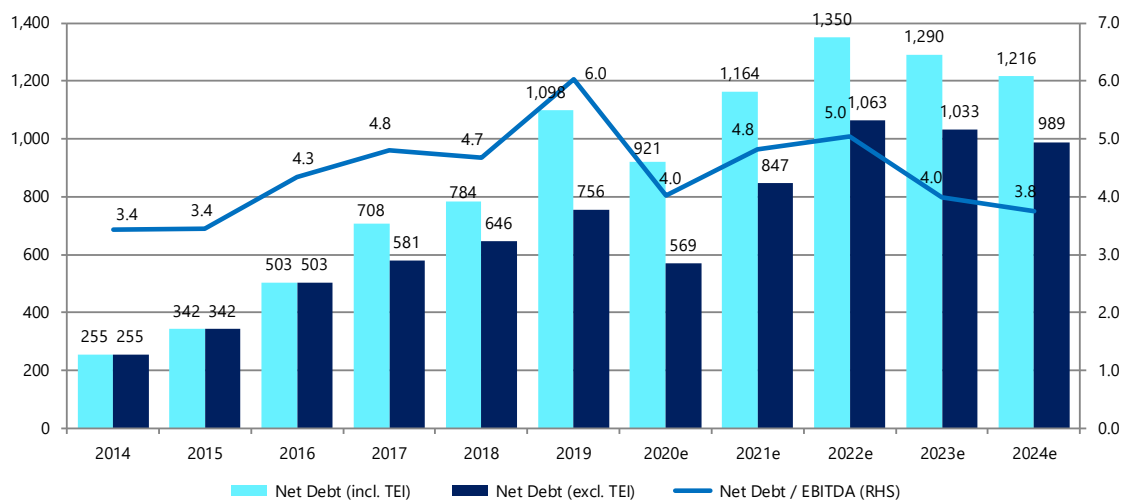
Source: Terna Energy, AF Research

**Exhibit C.5. Terna Energy EBITDA Breakdown (€mn)**



Source: Terna Energy, AF Research

**Exhibit C.6. Terna Energy Net Debt Estimates (€mn)**



Source: Terna Energy, AF Research

## D. GEK Terna H1 20 results

GEK Terna H1 20 results came in line with our estimates (adjusted for provisions). In more detail:

**Top line:** Revenues stood at €470mn, down 17% yoy (in line with AFe), mainly driven by the top-line decline in the construction segment (-31% yoy). while concessions' revenues also fell (-22% yoy) due to the lockdown imposed in March-May. Note that RES division (Terna Energy) had already reported a 24% yoy sales growth in H1 20. As for the rest non-core activities, they all presented declines, except for real estate division.

**Profitability:** EBITDA rose by 6% yoy, at €156mn, supported by growth in the high-margin RES division, as well as by increase in concessions' division. The latter's EBITDA however was inflated by a €17.3mn provision for compensation claims from the State, related to loss of revenue due to the pandemic. Excluding this, adjusted EBITDA reached €138mn, down 6% yoy (in line with our estimates) At the bottom line, net income after minorities stood at €1.4mn, vs. our call for losses of €1.2mn.

Finally, net debt rose to €1,520mn vs. €1,437mn in FY 19 (excluding Terna Energy's tax equity investor liability), mainly due to increased capex.

P&L (€mn)	H1 19	H1 20	H1 20e	Δ. vs. AFe	% yoy
Construction	343.6	238.1	238.0	0.0%	-30.7%
Concessions	85.9	67.3	65.0	3.5%	-21.6%
RES	111.9	142.1	142.1	0.0%	27.0%
Real Estate	1.6	1.7	1.0	70.0%	9.4%
Mining	4.8	4.2	2.0	110.0%	-11.6%
Thermal	18.6	16.3	16.0	1.9%	-12.4%
Other	0.1	0.0	0.1	-44.4%	-44.4%
<b>Revenues</b>	<b>566.4</b>	<b>469.7</b>	<b>464.2</b>	<b>1.2%</b>	<b>-17.1%</b>
Construction EBITDA adjusted	18.0	4.9	5.0	-1.3%	-72.6%
margin (%)	5.2%	2.1%	2.1%		
Concessions EBITDA adjusted	44.2	32.4	30.0	7.9%	-26.8%
margin (%)	51.5%	48.1%	46.2%		
RES EBITDA adjusted	86.9	107.5	107.4	0.0%	23.7%
margin (%)	77.7%	75.6%	75.6%		
Real Estate EBITDA adjusted	0.3	0.4	0.2	122.0%	48.0%
margin (%)	19.3%	26.1%	20.0%		
Mining EBITDA adjusted	-1.2	-3.8	-1.2	n/a	n/a
margin (%)	-25.3%	-90.9%	-60.0%		
Thermal EBITDA adjusted	1.8	0.5	1.0	-55.0%	-75.0%
margin (%)	9.7%	2.8%	6.3%		
Other EBITDA adjusted	-2.7	-3.7	-3.0	n/a	n/a
margin (%)	n/a	n/a	n/a		
<b>EBITDA Adjusted</b>	<b>147.3</b>	<b>138.2</b>	<b>139.4</b>	<b>-0.9%</b>	<b>-6.2%</b>
margin (%)	26.0%	29.4%	30.0%		
<b>Net income after min.</b>	<b>27.3</b>	<b>1.4</b>	<b>-1.2</b>	<b>n/a</b>	<b>n/a</b>

Source: GEK Terna, AF Research

Note: Adjusted figures exclude one off items (€17.3mn provision for compensation claims from the State in concessions' division in H1 20), provisions and other non-cash items

## Appendix 1. Financials

### GEK Terna

P&L GEK Terna Group (€mn)	2015a	2016a	2017a	2018a	2019a	2020e	2021e	2022e	2023e	2024e
Construction	779	955	900	949	680	529	642	684	649	619
RES	140	151	173	216	237	296	301	335	410	410
Concessions	15	16	89	197	187	170	178	182	185	189
Thermal Energy	27	32	14	20	37	35	37	37	38	39
Mining	4	4	8	11	10	9	10	10	10	10
Real Estate	6	6	3	9	5	5	5	5	5	5
Other	1	0	0	0	0	0	0	0	0	0
<b>Total Revenues</b>	<b>972</b>	<b>1,163</b>	<b>1,186</b>	<b>1,403</b>	<b>1,156</b>	<b>1,044</b>	<b>1,172</b>	<b>1,253</b>	<b>1,298</b>	<b>1,272</b>
% change	5.2%	19.7%	1.9%	18.3%	-17.6%	-9.7%	12.3%	6.9%	3.6%	-2.0%
COGS	-796	-884	-885	-1,062	-805	-660	-751	-785	-769	-743
% change	0%	11%	0%	20%	-24%	-18%	14%	5%	-2%	-3%
<b>Gross Profit</b>	<b>176</b>	<b>279</b>	<b>301</b>	<b>341</b>	<b>351</b>	<b>384</b>	<b>421</b>	<b>468</b>	<b>529</b>	<b>529</b>
Gross margin	18.1%	24.0%	25.4%	24.3%	30.4%	36.8%	35.9%	37.3%	40.8%	41.6%
Other operating income	5.3	5.4	21.0	-4.1	-3.2	10.4	-3.2	-3.4	-3.6	-3.5
% revenues	1%	0%	2%	0%	0%	1%	0%	0%	0%	0%
% change	n/a	2%	286%	n/a	n/a	-430%	-131%	7%	4%	-2%
Selling, General & admin expenses	-35.8	-38.6	-47.7	-66.9	-79.6	-71.9	-80.7	-86.3	-89.4	-87.6
% revenues	-4%	-3%	-4%	-5%	-7%	-7%	-7%	-7%	-7%	-7%
% change	-5%	8%	24%	40%	19%	-10%	12%	7%	4%	-2%
<b>EBITDA</b>	<b>145</b>	<b>246</b>	<b>274</b>	<b>270</b>	<b>268</b>	<b>323</b>	<b>337</b>	<b>378</b>	<b>436</b>	<b>438</b>
% change	64.8%	69.5%	11.3%	-1.4%	-0.6%	20.3%	4.5%	12.0%	15.4%	0.4%
% margin	14.9%	21.2%	23.1%	19.3%	23.2%	30.9%	28.8%	30.2%	33.6%	34.4%
<b>EBITDA adjusted</b>	<b>155</b>	<b>253</b>	<b>280</b>	<b>281</b>	<b>285</b>	<b>305</b>	<b>337</b>	<b>378</b>	<b>436</b>	<b>438</b>
% change	49.3%	62.9%	10.7%	0.3%	1.5%	7.1%	10.4%	12.0%	15.4%	0.4%
% margin	16.0%	21.7%	23.6%	20.0%	24.7%	29.3%	28.8%	30.2%	33.6%	34.4%
Construction EBITDA adj.	59	153	126	32	11	12	22	33	32	31
RES EBITDA adj.	98	109	129	157	179	222	225	251	307	307
Concessions EBITDA adj.	0	0	12	93	104	85	94	96	98	100
Thermal Energy EBITDA adj.	0	0	1	2	2	1	2	2	2	2
Mining EBITDA adj.	-2	-4	-2	-2	-4	-7	-2	-1	0	0
Real Estate EBITDA adj.	-1	-5	16	4	0	0	0	0	0	0
Other EBITDA adj.	0	-1	-2	-4	-6	-7	-4	-3	-2	-2
Depreciation & Amortization	-66.3	-66.4	-65.5	-103.6	-114.6	-123.5	-130.9	-145.2	-151.7	-151.6
% sales	-7%	-6%	-6%	-7%	-10%	-12%	-11%	-12%	-12%	-12%
<b>EBIT</b>	<b>79</b>	<b>180</b>	<b>208</b>	<b>166</b>	<b>154</b>	<b>199</b>	<b>206</b>	<b>233</b>	<b>284</b>	<b>286</b>
% change	232.6%	128.0%	15.9%	-20.1%	-7.7%	29.6%	3.6%	12.7%	22.2%	0.6%
margin	8.1%	15.5%	17.6%	11.9%	13.3%	19.1%	17.6%	18.6%	21.9%	22.5%
<b>EBIT adjusted</b>	<b>89</b>	<b>186</b>	<b>214</b>	<b>177</b>	<b>171</b>	<b>182</b>	<b>206</b>	<b>233</b>	<b>284</b>	<b>286</b>
% change	124.6%	109.7%	15.0%	-17.3%	-3.8%	6.7%	13.5%	12.7%	22.2%	0.6%
margin	9.1%	16.0%	18.1%	12.6%	14.8%	17.4%	17.6%	18.6%	21.9%	22.5%
Share of profit/(loss) from participations	-18.7	-14.0	18.2	3.8	-3.6	2.0	2.0	2.0	2.0	2.0
Financial expense	-52.9	-59.8	-79.1	-126.6	-132.6	-150.0	-158.6	-155.9	-153.2	-150.5
Financial income	7.8	9.2	32.7	18.3	60.4	48.1	20.0	11.8	8.3	8.8
<b>Financials net</b>	<b>-45.1</b>	<b>-50.6</b>	<b>-46.4</b>	<b>-108.3</b>	<b>-72.3</b>	<b>-101.9</b>	<b>-138.6</b>	<b>-144.1</b>	<b>-144.9</b>	<b>-141.6</b>
Pre tax income	19	94	153	61	74	96	66	87	138	143
% change	n/a	398%	64%	-60%	22%	29%	-31%	31%	58%	4%
Pre tax margin	1.9%	8.0%	12.9%	4.3%	6.4%	9.2%	5.7%	7.0%	10.6%	11.2%
Taxes	-23.1	-47.8	-58.7	-25.0	-22.1	-26.8	-18.6	-24.4	-38.6	-40.0
Tax rate %	-122.6%	-51.1%	-38.2%	-41.1%	-29.7%	-28.0%	-28.0%	-28.0%	-28.0%	-28.0%
<b>Net income</b>	<b>-14</b>	<b>34</b>	<b>70</b>	<b>4</b>	<b>20</b>	<b>17</b>	<b>7</b>	<b>15</b>	<b>26</b>	<b>27</b>
% change	n/a	n/a	104%	-94%	346%	-14%	-59%	117%	67%	7%
Net income margin	-1.5%	2.9%	5.9%	0.3%	1.7%	1.6%	0.6%	1.2%	2.0%	2.2%
<b>Net income adjusted</b>	<b>-7</b>	<b>39</b>	<b>74</b>	<b>6</b>	<b>-1</b>	<b>-4</b>	<b>7</b>	<b>15</b>	<b>26</b>	<b>27</b>
% change	n/a	n/a	90%	-92%	-123%	147%	-298%	117%	67%	7%
Net income adjusted margin	-0.8%	3.4%	6.2%	0.4%	-0.1%	-0.3%	0.6%	1.2%	2.0%	2.2%

Source: GEK Terna, AF Research

Note: Adjusted figures exclude one off items, provisions and other non cash results. Specifically in 2020, adjustments exclude €17.3mn provision for compensation claims from the State in concessions' division, as well as €26mn capital gain from the sale of Mountainair wind park in Idaho, USA

Balance Sheet GEK Terna Group (€mn)	2015a	2016a	2017a	2018a	2019a	2020e	2021e	2022e	2023e	2024e
Cash and cash equivalents	366	621	642	523	595	1,101	752	476	508	551
Accounts receivable	318	280	193	294	298	229	241	251	242	237
Inventories	79	57	54	53	58	51	53	56	55	53
Available for sale financial assets	19	2	2	0	0	0	0	0	0	0
Financial assets held to maturity	24	5	3	1	3	5	5	5	5	5
Other Current Assets (other receivables, tax receivables)	403	473	519	494	342	372	372	372	372	372
<b>Current Assets</b>	<b>1,209</b>	<b>1,437</b>	<b>1,414</b>	<b>1,366</b>	<b>1,296</b>	<b>1,758</b>	<b>1,424</b>	<b>1,160</b>	<b>1,181</b>	<b>1,218</b>
PP&E, net	976	1,087	1,246	1,333	1,705	1,633	1,894	2,110	2,088	2,064
Intangible assets, net	98	81	839	803	755	771	826	877	903	929
Concession rights	2	10	26	37	44	35	35	35	35	34
Investments	154	232	168	97	91	93	95	97	99	101
Available for sale financial assets	24	27	47	48	65	65	65	65	65	65
Deferred tax assets	60	78	86	80	71	71	71	71	71	71
Other	86	133	267	246	281	300	300	300	300	300
<b>Non Current Assets</b>	<b>1,400</b>	<b>1,648</b>	<b>2,680</b>	<b>2,644</b>	<b>3,014</b>	<b>2,970</b>	<b>3,286</b>	<b>3,556</b>	<b>3,562</b>	<b>3,565</b>
<b>Total Assets</b>	<b>2,609</b>	<b>3,084</b>	<b>4,094</b>	<b>4,010</b>	<b>4,309</b>	<b>4,727</b>	<b>4,710</b>	<b>4,716</b>	<b>4,744</b>	<b>4,782</b>
Accounts payable	228	238	243	286	264	208	226	230	219	206
Short term debt	120	55	112	125	131	250	250	250	250	250
Current portion of long term debt	151	125	370	151	105	80	40	40	40	40
Other short term liabilities	403	596	454	475	398	348	338	328	318	318
<b>Current liabilities</b>	<b>902</b>	<b>1,015</b>	<b>1,180</b>	<b>1,037</b>	<b>899</b>	<b>886</b>	<b>855</b>	<b>849</b>	<b>828</b>	<b>814</b>
Long term debt	511	844	1,244	1,574	1,802	2,222	2,182	2,142	2,102	2,062
Deferred taxes	22	18	40	46	42	42	42	42	42	42
Provisions	30	51	41	52	43	25	43	43	43	43
Grants	258	180	164	162	155	145	145	145	145	145
Other Long Term Liabilities	324	377	656	409	602	612	602	592	582	572
<b>Total long term liabilities</b>	<b>1,145</b>	<b>1,471</b>	<b>2,146</b>	<b>2,244</b>	<b>2,644</b>	<b>3,047</b>	<b>3,014</b>	<b>2,964</b>	<b>2,914</b>	<b>2,864</b>
Share capital & premium	440	440	440	440	440	440	440	440	440	440
Reserves & retained earnings	-89	-56	49	46	56	124	171	233	332	434
<b>Total equity</b>	<b>351</b>	<b>384</b>	<b>489</b>	<b>486</b>	<b>496</b>	<b>564</b>	<b>611</b>	<b>673</b>	<b>772</b>	<b>874</b>
Minority interests	212	215	279	243	271	230	230	230	230	230
<b>Total equity including minorities</b>	<b>562</b>	<b>599</b>	<b>768</b>	<b>729</b>	<b>767</b>	<b>794</b>	<b>841</b>	<b>903</b>	<b>1,002</b>	<b>1,104</b>
<b>Total Equity &amp; Liabilities</b>	<b>2,609</b>	<b>3,084</b>	<b>4,094</b>	<b>4,010</b>	<b>4,309</b>	<b>4,727</b>	<b>4,710</b>	<b>4,716</b>	<b>4,744</b>	<b>4,782</b>

Source: GEK Terna, AF Research

Cash Flow GEK Terna Group (€mn)	2015a	2016a	2017a	2018a	2019a	2020e	2021e	2022e	2023e	2024e
<b>Pre tax income</b>	<b>19</b>	<b>94</b>	<b>153</b>	<b>61</b>	<b>78</b>	<b>96</b>	<b>66</b>	<b>87</b>	<b>138</b>	<b>143</b>
Depreciation & Amortization	66	66	66	104	115	123	131	145	152	152
Finance costs	45	52	59	117	118	102	139	144	145	142
Income tax paid	(43)	(57)	(75)	(6)	(17)	(27)	(19)	(24)	(39)	(40)
Other (impairments, provisions, FX, investing activities)	23	47	1	16	(37)	(90)	5	(12)	(12)	(2)
<b>Gross Cash Flow</b>	<b>110</b>	<b>202</b>	<b>204</b>	<b>291</b>	<b>257</b>	<b>205</b>	<b>323</b>	<b>340</b>	<b>384</b>	<b>394</b>
Chng in Acc Payable	(4)	9	25	(64)	(44)	(57)	18	4	(11)	(13)
Chng in Acc. Receivable	(21)	35	(14)	(34)	90	69	(12)	(10)	9	5
Chng in Inventories	(4)	2	0	(4)	(2)	7	(3)	(2)	1	2
Working Capital Chng	(29)	46	11	(101)	44	19	4	(8)	(1)	(7)
Accruals and Other receivables and liabilities	95	63	(208)	(93)	(63)	(30)	(10)	(10)	(10)	(10)
<b>Operating Cash Flow</b>	<b>175</b>	<b>311</b>	<b>8</b>	<b>96</b>	<b>238</b>	<b>194</b>	<b>316</b>	<b>322</b>	<b>373</b>	<b>377</b>
Capex	(95)	(161)	(260)	(262)	(243)	(68)	(445)	(413)	(156)	(153)
<b>Free Cash Flow</b>	<b>80</b>	<b>150</b>	<b>(252)</b>	<b>(166)</b>	<b>(4)</b>	<b>126</b>	<b>(129)</b>	<b>(92)</b>	<b>217</b>	<b>225</b>
Interest received	3	2	3	4	3	0	0	0	0	0
Other	(9)	(63)	89	2	1	10	(0)	0	0	0
<b>Investing Cash Flow</b>	<b>(101)</b>	<b>(223)</b>	<b>(168)</b>	<b>(256)</b>	<b>(238)</b>	<b>(58)</b>	<b>(446)</b>	<b>(413)</b>	<b>(155)</b>	<b>(152)</b>
Net change of loans and leases	42	232	165	150	123	514	(80)	(40)	(40)	(40)
Dividends paid	(0)	(6)	(7)	(4)	(1)	(1)	(1)	(1)	(1)	(1)
Interest paid	(65)	(56)	(75)	(100)	(89)	(102)	(139)	(144)	(145)	(142)
Other (incl. equity)	(44)	(6)	104	(6)	38	(41)	0	0	0	0
<b>Financing Cash Flow</b>	<b>(67)</b>	<b>164</b>	<b>188</b>	<b>39</b>	<b>71</b>	<b>371</b>	<b>(219)</b>	<b>(185)</b>	<b>(186)</b>	<b>(182)</b>
FX differences	6	3	(6)	2	0	0	0	0	0	0
Chng in Cash Position	13	255	21	(119)	71	507	(349)	(276)	32	43
<b>Cash Position</b>	<b>366</b>	<b>621</b>	<b>642</b>	<b>523</b>	<b>595</b>	<b>1101</b>	<b>752</b>	<b>476</b>	<b>508</b>	<b>551</b>

Source: GEK Terna, AF Research

## Terna Energy

P&L Terna Energy (€mn)	2015a	2016a	2017a	2018a	2019a	2020e	2021e	2022e	2023e	2024e	2025e
Electricity from RES	140.3	151.1	173.0	216.3	237.3	295.8	300.6	334.9	410.1	410.1	410.1
Construction	20.2	30.3	38.7	14.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4
Trading of Electricity	26.8	31.5	13.6	19.7	37.0	37.0	37.0	37.0	37.0	37.0	37.0
Concessions	11.4	12.7	51.1	41.6	21.5	15.9	30.9	30.9	30.9	30.9	30.9
<b>Total Revenues</b>	<b>198.6</b>	<b>225.6</b>	<b>276.5</b>	<b>292.1</b>	<b>299.1</b>	<b>352.1</b>	<b>371.9</b>	<b>406.1</b>	<b>481.4</b>	<b>481.4</b>	<b>481.4</b>
% change	25.5%	13.6%	22.6%	5.6%	2.4%	17.7%	5.6%	9.2%	18.5%	0.0%	0.0%
COGS	-131.3	-151.4	-162.4	-168.4	-170.3	-173.9	-183.5	-197.1	-216.7	-216.3	-215.7
% change	20.9%	15.3%	7.3%	3.7%	1.1%	2.1%	5.5%	7.4%	9.9%	-0.2%	-0.3%
<b>Gross Profit</b>	<b>67.3</b>	<b>74.2</b>	<b>114.1</b>	<b>123.6</b>	<b>128.9</b>	<b>178.1</b>	<b>188.4</b>	<b>209.0</b>	<b>264.7</b>	<b>265.1</b>	<b>265.7</b>
Gross margin	33.9%	32.9%	41.3%	42.3%	43.1%	50.6%	50.7%	51.5%	55.0%	55.1%	55.2%
Other operating income	9.1	14.0	6.6	11.9	18.5	8.8	9.3	10.2	12.0	12.0	12.0
% revenues	4.6%	6.2%	2.4%	4.1%	6.2%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
% change	-1.4%	52.7%	-52.7%	80.4%	55.5%	-52.5%	5.6%	9.2%	18.5%	0.0%	0.0%
R&D, admin. and distribution expenses	-13.8	-13.4	-15.4	-17.4	-24.5	-20.9	-22.1	-24.2	-28.6	-28.6	-28.6
% revenues	-6.9%	-6.0%	-5.6%	-6.0%	-8.2%	-6.0%	-6.0%	-6.0%	-6.0%	-6.0%	-6.0%
% change	-10.8%	-2.7%	14.6%	13.4%	40.2%	-14.3%	5.6%	9.2%	18.5%	0.0%	0.0%
<b>EBITDA</b>	<b>99.3</b>	<b>115.8</b>	<b>147.5</b>	<b>167.9</b>	<b>182.0</b>	<b>228.6</b>	<b>241.8</b>	<b>267.5</b>	<b>323.8</b>	<b>323.8</b>	<b>323.8</b>
% change	34.1%	16.6%	27.4%	13.8%	8.4%	25.6%	5.8%	10.6%	21.1%	0.0%	0.0%
% margin	50.0%	51.3%	53.4%	57.5%	60.8%	64.9%	65.0%	65.9%	67.3%	67.3%	67.3%
Electricity from RES EBITDA	97.6	108.9	126.0	156.3	177.7	221.6	225.2	250.8	307.2	307.2	307.2
Construction EBITDA	1.3	6.4	18.5	5.2	0.9	1.4	1.4	1.4	1.4	1.4	1.4
Trading of Electricity EBITDA	0.4	0.4	1.0	1.6	2.2	2.0	2.0	2.0	2.0	2.0	2.0
Concessions EBITDA	0.1	0.0	2.1	4.9	1.1	3.7	13.3	13.3	13.3	13.3	13.3
Depreciation & Amortization	37.9	42.4	38.2	47.8	56.5	62.6	66.3	72.5	75.8	75.3	74.8
% sales	19.1%	18.8%	13.8%	16.4%	18.9%	17.8%	17.8%	17.9%	15.7%	15.7%	15.5%
<b>EBIT</b>	<b>62.7</b>	<b>74.8</b>	<b>105.3</b>	<b>118.1</b>	<b>122.9</b>	<b>166.0</b>	<b>175.5</b>	<b>195.0</b>	<b>248.1</b>	<b>248.5</b>	<b>249.1</b>
% change	44.1%	19.2%	40.9%	12.1%	4.1%	35.0%	5.7%	11.1%	27.2%	0.2%	0.2%
margin	31.6%	33.1%	38.1%	40.4%	41.1%	47.2%	47.2%	48.0%	51.5%	51.6%	51.7%
Financial expense	-34.1	-40.9	-49.8	-62.4	-66.2	-90.7	-98.9	-98.2	-94.7	-91.2	-87.7
Financial income	1.9	1.5	2.6	5.2	5.5	36.9	11.8	6.0	5.2	4.7	4.2
Income from associates & securities	-0.1	1.0	-1.1	1.6	7.4	0.0	0.0	0.0	0.0	0.0	0.0
<b>Financials net</b>	<b>-32.3</b>	<b>-38.5</b>	<b>-48.3</b>	<b>-55.7</b>	<b>-53.3</b>	<b>-53.8</b>	<b>-87.1</b>	<b>-92.2</b>	<b>-89.5</b>	<b>-86.5</b>	<b>-83.5</b>
Pre tax income	30.4	36.3	57.0	62.4	69.6	112.2	88.4	102.8	158.6	162.0	165.6
% change	150%	19%	57%	9%	12%	61%	-21%	16%	54%	2%	2%
Pre tax margin	15.3%	16.1%	20.6%	21.4%	23.3%	31.9%	23.8%	25.3%	32.9%	33.6%	34.4%
Minority interests	-0.5	-0.7	0.0	-2.2	-1.7	-1.7	-1.7	-1.7	-1.7	-1.7	-1.7
Taxes	-12.9	-14.9	-19.9	-15.4	-16.4	-26.9	-21.2	-24.7	-38.1	-38.9	-39.7
Tax rate %	-42.6%	-41.1%	-34.9%	-24.6%	-23.5%	-24.0%	-24.0%	-24.0%	-24.0%	-24.0%	-24.0%
<b>Net income</b>	<b>16.9</b>	<b>20.6</b>	<b>37.1</b>	<b>44.9</b>	<b>51.6</b>	<b>83.6</b>	<b>65.5</b>	<b>76.4</b>	<b>118.8</b>	<b>121.4</b>	<b>124.1</b>
% change	204.7%	22.1%	79.6%	21.0%	14.9%	62.1%	-21.6%	16.6%	55.5%	2.2%	2.3%
Net income margin	8.5%	9.2%	13.4%	15.4%	17.2%	23.7%	17.6%	18.8%	24.7%	25.2%	25.8%
<b>EPS</b>	<b>0.16</b>	<b>0.20</b>	<b>0.33</b>	<b>0.39</b>	<b>0.45</b>	<b>0.72</b>	<b>0.57</b>	<b>0.66</b>	<b>1.03</b>	<b>1.05</b>	<b>1.07</b>
% change	209.7%	23.7%	66.1%	21.0%	14.9%	59.4%	-21.6%	16.6%	55.5%	2.2%	2.3%
<b>DPS/Capital return per share</b>	<b>0.09</b>	<b>0.14</b>	<b>0.26</b>	<b>0.30</b>	<b>0.35</b>	<b>0.35</b>	<b>0.45</b>	<b>0.55</b>	<b>0.55</b>	<b>0.55</b>	<b>0.55</b>
% change	-0.3%	55.6%	85.7%	15.4%	16.7%	0.0%	28.6%	22.2%	0.0%	0.0%	0.0%
% payout	56.8%	71.4%	79.9%	76.2%	77.3%	48.5%	79.6%	83.4%	53.6%	52.5%	51.3%

Source: Terna Energy, AF Research

Balance Sheet Terna Energy (€mn)	2015a	2016a	2017a	2018a	2019a	2020e	2021e	2022e	2023e	2024e	2025e
Cash and cash equivalents	144	164	201	166	257	545	588	302	262	235	212
Accounts receivable	60	84	80	77	78	63	68	78	96	99	102
Inventories	3	4	4	5	5	5	5	5	6	6	6
Prepaid expenses	84	140	105	91	91	80	80	80	80	80	80
Other Current Assets	12	0	1	6	5	7	7	7	7	7	7
<b>Current Assets</b>	<b>303</b>	<b>392</b>	<b>392</b>	<b>346</b>	<b>436</b>	<b>700</b>	<b>748</b>	<b>472</b>	<b>451</b>	<b>427</b>	<b>406</b>
Fixed assets, net	859	971	1,123	1,190	1,543	1,459	1,722	1,924	1,903	1,883	1,864
Investments in associates	5	5	4	4	4	4	4	4	4	4	4
Other non-current	56	69	84	107	135	150	145	140	135	130	125
<b>Non Current Assets</b>	<b>920</b>	<b>1,045</b>	<b>1,211</b>	<b>1,301</b>	<b>1,682</b>	<b>1,613</b>	<b>1,872</b>	<b>2,069</b>	<b>2,043</b>	<b>2,018</b>	<b>1,994</b>
<b>Total Assets</b>	<b>1,222</b>	<b>1,438</b>	<b>1,603</b>	<b>1,646</b>	<b>2,118</b>	<b>2,313</b>	<b>2,620</b>	<b>2,540</b>	<b>2,493</b>	<b>2,445</b>	<b>2,400</b>
Accounts payable	26	49	39	32	57	43	43	43	45	41	38
Short term debt	51	5	14	44	36	130	130	130	130	130	130
Current portion of long-term debt	41	95	98	100	70	70	70	70	70	70	70
Accrued expenses	45	108	40	50	20	20	20	20	20	20	20
Other current liabilities	11	21	43	32	64	64	64	64	64	64	64
<b>Current liabilities</b>	<b>175</b>	<b>279</b>	<b>234</b>	<b>257</b>	<b>247</b>	<b>326</b>	<b>326</b>	<b>327</b>	<b>328</b>	<b>325</b>	<b>322</b>
Long term debt	394	567	670	668	907	915	1,235	1,165	1,095	1,025	955
Grants	236	159	143	141	134	128	123	117	112	107	103
Other Long Term Liabilities	70	77	178	188	392	392	357	327	297	267	237
<b>Total long term liabilities</b>	<b>700</b>	<b>803</b>	<b>991</b>	<b>998</b>	<b>1,433</b>	<b>1,434</b>	<b>1,714</b>	<b>1,609</b>	<b>1,503</b>	<b>1,399</b>	<b>1,294</b>
Share capital & premium	252	252	247	226	226	294	294	294	294	294	294
Reserves & retained earnings	90	97	123	154	201	244	269	294	349	407	467
<b>Total equity</b>	<b>342</b>	<b>349</b>	<b>369</b>	<b>380</b>	<b>427</b>	<b>539</b>	<b>564</b>	<b>588</b>	<b>643</b>	<b>701</b>	<b>761</b>
Minority interests	5	6	9	11	12	14	15	17	19	20	22
<b>Total equity including minorities</b>	<b>347</b>	<b>355</b>	<b>379</b>	<b>391</b>	<b>438</b>	<b>552</b>	<b>579</b>	<b>605</b>	<b>662</b>	<b>721</b>	<b>784</b>
<b>Total Equity &amp; Liabilities</b>	<b>1,222</b>	<b>1,438</b>	<b>1,603</b>	<b>1,646</b>	<b>2,118</b>	<b>2,313</b>	<b>2,620</b>	<b>2,540</b>	<b>2,493</b>	<b>2,445</b>	<b>2,400</b>

Source: Terna Energy, AF Research

Cash Flow Terna Energy (€mn)	2015a	2016a	2017a	2018a	2019a	2020e	2021e	2022e	2023e	2024e	2025e
<b>Pre tax income</b>	<b>30</b>	<b>36</b>	<b>57</b>	<b>62</b>	<b>70</b>	<b>112</b>	<b>88</b>	<b>103</b>	<b>159</b>	<b>162</b>	<b>166</b>
Depreciation & Amortization	38	42	38	48	56	63	66	73	76	75	75
Finance costs	32	39	47	57	61	54	87	92	89	86	83
Income tax paid	(8)	(9)	(16)	(17)	(15)	(27)	(21)	(25)	(38)	(39)	(40)
Other	(28)	(70)	43	13	3	9	0	0	0	0	0
<b>Gross Cash Flow</b>	<b>64</b>	<b>39</b>	<b>169</b>	<b>164</b>	<b>174</b>	<b>210</b>	<b>221</b>	<b>243</b>	<b>286</b>	<b>285</b>	<b>284</b>
Chng in Acc Payable	5	15	(22)	(15)	(5)	(14)	(0)	0	1	(3)	(3)
Chng in Acc. Receivable	(6)	(24)	4	(11)	0	15	(6)	(10)	(18)	(3)	(3)
Chng in Inventories	(0)	(1)	0	(1)	(1)	1	0	(1)	(1)	(0)	(0)
Working Capital Chng	(1)	(10)	(18)	(26)	(5)	1	(6)	(10)	(18)	(6)	(6)
<b>Operating Cash Flow</b>	<b>63</b>	<b>28</b>	<b>151</b>	<b>137</b>	<b>169</b>	<b>212</b>	<b>215</b>	<b>233</b>	<b>268</b>	<b>279</b>	<b>278</b>
Capex	(86)	(145)	(229)	(109)	(223)	15	(335)	(280)	(60)	(60)	(60)
<b>Free Cash Flow</b>	<b>(23)</b>	<b>(117)</b>	<b>(78)</b>	<b>28</b>	<b>(54)</b>	<b>227</b>	<b>(120)</b>	<b>(47)</b>	<b>208</b>	<b>219</b>	<b>218</b>
Net receipt of grants	0	0	(64)	(19)	0	0	0	0	0	0	0
Other	(9)	11	2	2	0	(15)	5	5	5	5	5
<b>Investing Cash Flow</b>	<b>(95)</b>	<b>(135)</b>	<b>(291)</b>	<b>(126)</b>	<b>(223)</b>	<b>(0)</b>	<b>(330)</b>	<b>(275)</b>	<b>(55)</b>	<b>(55)</b>	<b>(55)</b>
Net loans change	56	174	245	13	111	101	320	(70)	(70)	(70)	(70)
Dividends paid	(0)	(9)	(16)	(31)	(35)	(40)	(41)	(52)	(64)	(64)	(64)
Interest paid	(37)	(34)	(47)	(61)	(49)	(54)	(87)	(92)	(89)	(86)	(83)
Other (incl. equity)	(11)	(5)	(2)	32	119	69	(35)	(30)	(30)	(30)	(30)
<b>Financing Cash Flow</b>	<b>7</b>	<b>126</b>	<b>180</b>	<b>(47)</b>	<b>145</b>	<b>76</b>	<b>157</b>	<b>(244)</b>	<b>(253)</b>	<b>(250)</b>	<b>(247)</b>
FX changes	(1)	2	(3)	1	(0)	0	0	0	0	0	0
Chng in Cash Position	(25)	21	37	(35)	91	288	42	(286)	(40)	(26)	(24)
<b>Cash Position</b>	<b>144</b>	<b>164</b>	<b>201</b>	<b>166</b>	<b>257</b>	<b>545</b>	<b>588</b>	<b>302</b>	<b>262</b>	<b>235</b>	<b>212</b>

Source: Terna Energy, AF Research

## Appendix 2. ESG Scores

### GEK Terna

Overall	
	FY2017
ESG Score	34.04
Environmental	
	FY2017
Resource Use Score	50.95
Emissions Score	22.43
Environmental Innovation Score	0.00
Social	
	FY2017
Workforce Score	55.95
Human Rights Score	63.33
Community Score	38.49
Product Responsibility Score	38.68
Governance	
	FY2017
Management Score	6.82
Shareholders Score	93.18
CSR Strategy Score	36.11
Controversies	
	FY2017
ESG Combined Score	34.04
ESG Controversies Score	100.00

### Terna Energy

Overall	
	FY2017
ESG Score	50.08
Environmental	
	FY2017
Resource Use Score	78.04
Emissions Score	9.48
Environmental Innovation Score	86.69
Social	
	FY2017
Workforce Score	71.21
Human Rights Score	25.00
Community Score	62.73
Product Responsibility Score	54.41
Governance	
	FY2017
Management Score	29.55
Shareholders Score	40.91
CSR Strategy Score	36.11
Controversies	
	FY2017
ESG Combined Score	50.08
ESG Controversies Score	100.00

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Source: Athens Exchange, as of Jan 29, 2020

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Source: Athens Exchange, as of Jan 29, 2020

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AF Equity Research Ratings Distribution				
as of: 02 Oct 20				
New Rating	AF Universe	IB Clients	AF Universe %	IB Clients %
Buy	14	3	58	43%
Sell	0	0	0	0%
Hold	2	1	8	14%
Under Review	6	2	25	29%
Not Rated	1	1	4	14%
Restricted	1	0	4	0%
Sponsored Research	0	0	0	0%
<b>Total</b>	<b>24</b>	<b>7</b>	<b>100%</b>	<b>100%</b>

\* Investment Banking (IB) services provided over the past 12 month period

AF Equity Research Ratings Distribution				
as of: 02 Oct 20				
Old Rating	AF Universe	IB Clients	AF Universe %	IB Clients %
Outperform	14	3	58	43%
Underperform	0	0	0	0%
Neutral	2	1	8	14%
Under Review	6	2	25	29%
Not Rated	1	1	4	14%
Restricted	1	0	4	0%
Sponsored Research	0	0	0	0%
<b>Total</b>	<b>24</b>	<b>7</b>	<b>100%</b>	<b>100%</b>

\* Investment Banking (IB) services provided over the past 12 month period

**Important Note:** As of Feb. 01 2020, AF incorporates a new Proprietary rating system. A comparison ratings distribution is seen above

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Sell	The total return (TR) is expected to be < -15% over the next 12-month period
Hold	The total return is expected to be [-15%, +15%] over the next 12-month period
Under Review	The stock is under review
Not Rated	The stock is not rated
Restricted	The stock is restricted from rating
Sponsored Research	The stock is covered under sponsored research agreement

#### Proprietary Risk Rating

The proprietary risk rating system incorporates liquidity-volatility-qualitative criteria, which categorizes a risk rating into three categories:

*High Risk, Medium Risk, Low Risk*

Liquidity criteria are based on tradability-Free Float data

Volatility criteria are based on 1yr volatility metrics updated twice a year

Qualitative criteria are based on analyst judgement which takes into account macro/micro prospects

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