

### PPC (OI): Buys Enel Assets in Romania

Mar 9

Target price: E12.8; Share price: E7.9; Market Cap: E3.0bn, Rating: OI

Valuation multiples (2023E) excl. Enel Rom: 15.1x EPS; 6.0x EBITDA; 0.0% dividend yield

Attached: Forecasts 2022-2026

**What's new?** Following three months of exclusive negotiations, and in line with its 2021 strategy, PPC announced the acquisition of Enel Romania assets, namely **499MW installed wind + 36MW solar** (plus 5GW pipeline o/w 314MW short term additions), **three DSOs**, and **two electricity supply companies, for a total enterprise value of E1.9bn (incl. minorities) or an equity value of E1.26bn**. PPC buys these assets at an implied **6x run-rate EBITDA**, which we consider to be quite favorable. The transaction is expected to close by Q3.

**Conclusion.** We like the transaction because a) it was completed at a 50% discount to recent RES deals in Greece, namely MOH's E2.0m/MW or 12x EBITDA acquisition of Ellaktor wind assets; and b) it is evidence PPC is delivering on its business plan targets as laid out in 2021.

We expect the same to follow with Greek RES targets (+5GW by 2026), which we consider capable to push the share price towards our price target or E12.8 and validate our OWN It (OI) rating. We are keeping our PT unchanged until the release of FY 2022 results (Mar 23). Worth noting, however, we value PPC on 5x supply EBITDA and 10x RES EBITDA (excl. Enel).

#### Most notable points from the ENEL Romania transaction

- **PPC pro-forma estimates 2022:** EBITDA at E1.2bn (= E0.9bn PPC + E0.3bn Enel); net debt at E3.0bn (= E1.4bn PPC + E0.8bn to finance the transaction + E0.6bn Enel). Net debt/EBITDA at 2.4x from 2.9x as of Q3 which did not include Enel !

- **It is worth highlighting, that PPC's stand alone net debt goes down from E2.6bn in Q3 to E1.4bn in Q4.** This is E600m better (lower) than PPC's own guidance back in Q3 for E2.0bn net debt by year-end (on lower receivables + collection of subsidies).
- We remind that inflated working capital and negative cash flow was the main reason for PPC's disappointing performance in Q1, with our update at the time titled: 'Quite a Mess'.
- **The E1.26bn equity part of the transaction** will be financed with E800m of debt and E460m of own cash.
- **Enel Romania run rate EBITDA stands at c. E300m.** Which points to an acquisition multiple of 6x EV/EBITDA. As per slide 10 of the presentation, we infer **RES only assets account for 1/3 of this EBITDA (E107m), bought at 5.5x EBITDA, or E1.1m/MW** (see next bullet).
- **PPC says the RES assets of Enel were acquired at E1.1m/MW (operating),** which implies E590m of enterprise value. While the implied 5.5x EV/EBITDA multiple paid for these RES assets, points to E107m of EBITDA.
- **As a result, distribution & supply enterprise value is c. E1.3bn** o/w c. E1.0bn for the distribution business (reconciles with EV/RAB 0.88x on RAB of E1.15bn) and c. E0.3bn for the supply business (reconciles with E65/customer on 3.2m customers).
- **Through Enel Romania, PPC buys the no.1 RES** in Romania with 16% market share. Also, the no. 1 player in supply with 18% market share (9TWh) and the no. 2 player in distribution (16TWh).
- **PPC's RES installed capacity rises to 800MW** (from 280MW as of Q3) or 4GW (from 3.5GW as of Q3) including 3.2GW large hydro. Based on Enel's Q3 results, we calculate target assets load factor stood at 27% for wind and 15% for solar.
- PPC's business plan includes 800MW/E900m of international RES by 2024 (1.1GW by 2026).

**Valuation (excl. Enel Romania).** We use 5x EBITDA on generation and supply EBITDA and 10x on all RES capacity. In 2024 terms this yields an enterprise value of E6.5bn (o/w E5bn

RES including large hydro). Equity value at E4.6bn plus HEDNO's 51% stake at E1.3bn. **We end up with E4.9bn of NPV for 2022 (@ 10% rate) or E12.8 per share.**

<b>Valuation (EURm)</b>	<b>2024</b>	<b>2026</b>
EBITDA generation	122	156
EBITDA supply	132	114
EBITDA RES (incl. hydro)	526	583
multiple generation	5.0x	5.0x
multiple supply	5.0x	5.0x
multiple RES (incl. hydro)	10.0x	10.0x
EV generation	612	782
EV supply	658	572
EV RES	5263	5833
<b>Ent Value</b>	<b>6533</b>	<b>7187</b>
net debt core (x-distr)	1,906	3,204
Equity value	4627	3983
plus DEDDIE 51%	1300	1300
<b>Total Equity Value</b>	<b>5927</b>	<b>5283</b>
NPV 2022	4898	5283
NoS	382	382
<b>Fair value per share (EUR)</b>	<b>12.82</b>	<b>13.83</b>

source: RG

**Best regards,**  
**ResearchGreece**  
Independent Research & Consulting Services  
(+30) 697 63 40 617  
128 Thessalias Street, 13231, Athens-Greece  
[contact@researchgreece.com](mailto:contact@researchgreece.com)  
[www.researchgreece.com](http://www.researchgreece.com)

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