

Recommendation:
BUY (BUY)

Risk:
HIGH (HIGH)

Price Target:
EUR 14.00 (14.00)

30 July 2010

Ralos benefits from strong demand in 1H

- According to yesterday's announcement, 1H 2010 sales reached EUR 61m. This corresponds to a 154% increase in comparison to the weak 1H 2009 (EUR 24m). In the German Small Systems division (GSS), sales grew by 100% to EUR 39m. As already anticipated in our previous reports on Ralos New Energies, demand in Germany was very strong in 1H 2010 due to pull-ahead effects before the mid-year cut in feed-in tariffs of 13%. The cut by 3% as from 1 October 2010 might also have some impact on demand in 3Q, while we expect a renewed boost in demand for rooftop PV systems in 4Q due to the 11-13% cut in tariffs effective as from 1 January 2011. Orders on hand in the GSS segment amounted to EUR 3m at the end of June.
- In the Global Large Projects (GLP) segment, sales reached EUR 21m, an increase of 754% compared with the virtually collapsed GLP business in 1H 2009. Order backlog was EUR 19m at the end of June. As already reported in our update from 3 May 2010, Ralos had made very good progress in obtaining project approvals in Sicily in 2009. One of the three approved projects now has been sold in mid-July 2010. The order is worth EUR 20.07m, and the project is expected to be completed before the end of 2010. The current GLP order backlog therefore adds up to EUR 39m. Ralos expects the sale of the two other approved Sicilian projects, with a total capacity of 4.6 MWp, in the near future. In our estimate, sales from these projects could amount to about EUR 17m.
- Management confirms the guidance for FY 2010, still expecting sales of around EUR 180m and an EBIT of more than EUR 10m. Assuming the implementation of further GLP projects besides the three Sicilian projects, in particular in Germany and the Czech Republic, we also regard our FY 2010 estimates as achievable, even though Ralos has not yet reported any earnings figures. Due to the fact that Ralos has announced another debt-to-equity swap which is almost 100 thousand shares larger than we had anticipated in our latest estimates, we probably will revise our EPS estimates in our next update. Until the full 1H report will be issued, we leave our previous estimates unchanged and reiterate BUY (PT: EUR 14.00)

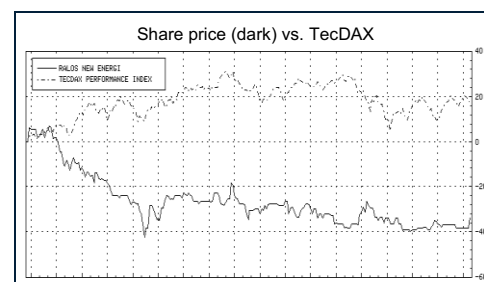
Key data (IFRS)

Y/E Dec 31, EUR m	2008*	2009*	2010E**	2011E**
Sales revenues	129.5	82.2	184.5	223.3
EBITDA	9.1	-8.5	14.4	16.8
EBIT	8.8	-8.9	13.9	16.3
Adjusted EBIT	7.3	-1.3	13.9	16.3
Net result	2.1	n/a	7.7	9.0
EPS	0.50	n/a	1.45	1.62
Gross margin	14.0%	12.9%	16.1%	15.9%
EBITDA margin	7.1%	-9.7%	7.8%	7.5%
EBIT margin	6.9%	-10.2%	7.5%	7.3%
EV/EBITDA	6.5	neg.	4.2	3.5
EV/EBIT	6.8	neg.	4.3	3.7
P/E	14.7	n/a	5.0	4.5

*2008: Pro forma consolidated IFRS figures (unaudited); 2009: unaudited IFRS figures.

**Estimates for 2010E-2011E: Approximated IFRS figures (without goodwill amortisations)

Source: CBS Research AG, Ralos New Energies AG



Source: CBS Research AG, Bloomberg, Ralos New Energies AG

Change	2010E		2011E		2012E	
	new	old	new	old	new	old
Sales	-	184.5	-	223.3	-	-
EBITDA	-	14.4	-	16.8	-	-
EPS	-	1.45	-	1.62	-	-

Internet: <http://bgi.ralos.de> Sector: Renewable Energy
WKN: 520300 ISIN: DE0005203004
Reuters: BGHG.DE Bloomberg: BGH GY

Short company profile:

Ralos New Energies AG, formerly BGI EcoTech AG, is a holding company with investment focus in the field of renewable energy, in particular photovoltaics. In 2008, the company took over 100% of the non-listed ralos Group, one of Europe's leading providers of photovoltaic systems. The company develops, plans, builds and operates photovoltaic power plants – from small rooftop systems for private customers (German Small Systems segment) to large-scale solar power plants in the megawatt range (Global Large Projects segment). As a downstream player with established sales structures and customer access, Ralos is a well positioned player in the existing buyer's market.

Share data:

Share price (EUR, latest closing price)	7.31
Shares outstanding (m):*	5.4
Market capitalisation (EUR m):	39.4
Enterprise value (EUR m):**	59.7
Ø daily trading volume (6 m., no. of shares):	1,220

*excl. 0.27m shares from latest debt-to-equity swap (still without entry in the commercial register)

**EV incl. estimated market value of minority interest

Performance data:

High 52 weeks (EUR):	11.80
Low 52 weeks (EUR):	6.20
Absolute performance (12 months):	-33.5%
Relative performance vs. TecDAX:	
1 month	0.1%
3 months	2.5%
6 months	0.0%
12 months	-43.3%

Shareholders:

Major institutional shareholders	44%
Management/supervisory board	20%
Free float excl. management/superv. board	36%

Financial calendar:

1H 2010 report (IFRS): August 2010

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Profit and loss account

Accounting standard:	EUR 1,000						
	2008	2008	2009	2008	2009	2010E	2011E
	HGB	HGB	HGB	IFRS	IFRS	IFRS	IFRS
	actual ¹⁾	pro forma ²⁾	actual	pro forma ³⁾	unaudited	approx. ⁴⁾	approx. ⁴⁾
Sales	56,593	129,745	82,237	129,474	82,237	184,521	223,270
YoY growth	n/a	n/a	-36.5%	n/a	-36.5%	124.4%	21.0%
Inventory changes	-5,722	-1,859	4,920	-1,732	5,297	0	0
Other own work capitalised	10	10	15	10	15	0	0
Total output	50,881	127,897	87,171	127,753	87,548	184,521	223,270
Cost of materials	-42,798	-109,984	-75,921	-109,912	-75,921	-154,805	-187,865
as % of total output	-84.1%	-86.0%	-87.1%	-86.0%	-86.7%	-83.9%	-84.1%
Gross profit	8,084	17,913	11,250	17,841	11,627	29,716	35,405
as % of total output	15.9%	14.0%	12.9%	14.0%	13.3%	16.1%	15.9%
Personnel expenses	-2,447	-5,337	-6,506	-4,462	-6,576	-7,870	-10,231
as % of total output	-4.8%	-4.2%	-7.5%	-3.5%	-7.5%	-4.3%	-4.6%
- of which one-off items (adjusted below)	-	-	-43	-	-43	-	-
Other operating income	1,991	2,254	1,409	2,152	1,409	375	468
as % of total output	3.9%	1.8%	1.6%	1.7%	1.6%	0.2%	0.2%
- of which one-off items (adjusted below)	1,550	1,550	100	1,550	100	-	-
Other operating expenses incl. other taxes	-4,128	-7,280	-15,022	-6,405	-14,983	-7,845	-8,832
as % of total output	-8.1%	-5.7%	-17.2%	-5.0%	-17.1%	-4.3%	-4.0%
- of which one-off items (adjusted below)	-196	-196	-7,704	-	-7,704	-	-
EBITDA	3,500	7,549	-8,869	9,126	-8,523	14,376	16,809
as % of total output	6.9%	5.9%	-10.2%	7.1%	-9.7%	7.8%	7.5%
Adjusted EBITDA	2,146	6,195	-1,222	7,576	-875	14,376	16,809
as % of total output	4.2%	4.8%	-1.4%	5.9%	-1.0%	7.8%	7.5%
Depreciation and amortisation, excl. goodwill amortisation	-155	-343	-397	-300	-397	-461	-536
as % of total output	-0.3%	-0.3%	-0.5%	-0.2%	-0.5%	-0.2%	-0.2%
Regular goodwill amortisation (HGB)	0	0	-5,065	0	0	0	0
as % of total output	0.0%	0.0%	-5.8%	0.0%	0.0%	0.0%	0.0%
EBIT	3,345	7,206	-14,331	8,826	-8,920	13,915	16,273
as % of total output	6.6%	5.6%	-16.4%	6.9%	-10.2%	7.5%	7.3%
Adjusted EBIT	1,991	5,852	-1,619	7,276	-1,272	13,915	16,273
as % of total output	3.9%	4.6%	-1.9%	5.7%	-1.5%	7.5%	7.3%
Net financial result	-526	-2,548	-2,344	-3,065	-2,344	-2,561	-2,780
Extraordinary items (net amount)	-779	-779	0	0	0	0	0
EBT (Earnings before income taxes)	2,041	3,880	-16,674	5,760	-11,263	11,353	13,494
as % of total output	4.0%	3.0%	-19.1%	4.5%	-12.9%	6.2%	6.0%
Income taxes	-1,135	-1,723	246	-1,673	-3,291	-4,116	
as % of EBT	-55.6%	-44.4%	-1.5%	-29.0%	-29.0%	-30.5%	
Income from continuing operations	905	2,157	-16,429	4,088		8,062	9,378
Income from discontinued operations	-	-	-	-992.9		-	-
Total net income of the group	905	2,157	-16,429	3,095		8,062	9,378
Minority interest	75	-770	139	-959		-360	-400
Net income attributable to shareholders	980	1,387	-16,289	2,136		7,702	8,978
Shares outstanding (in 1,000) ⁵⁾	4,292	4,292	n/a	4,292	n/a	5,322	5,554
Basic earnings per share (EUR)	0.23	0.32	n/a	0.50	n/a	1.45	1.62

1) Ralos Vertriebs GmbH is consolidated only from 1 October 2008 to 31 December 2008

2) Ralos Vertriebs GmbH is pro forma consolidated from 1 January 2008 to 31 December 2008

3) Ralos Vertriebs GmbH is pro forma consolidated from 1 January 2008 to 31 December 2008. Discontinued operations are excluded and shown separately. Figures are only reviewed by the auditors and subject to a qualification of the auditors regarding the booking of one item.

4) IFRS approximation is based on HGB figures (German GAAP) omitting goodwill amortisations

5) BGI EcoTech published its EPS 2008 based on the number of shares outstanding after the commercial register entry on 29 January 2009, as the corresponding capital increases effectively took place in 2008 already. The weighted average number of shares outstanding in 2009 is not available.

Source: CBS Research AG, Ralos New Energies AG

Balance sheet

EUR 1,000	2008	2009	2010E	2011E
Accounting standard:	HGB	HGB	HGB*	HGB*
	*excl. goodwill amort.			
Assets				
Noncurrent assets	21,046	20,677	18,556	18,255
as % of total assets	32.3%	39.6%	30.4%	29.0%
Intangible assets (excl. goodwill)	231	222	216	218
Goodwill	15,523	15,726	15,726	15,726
Property, plant and equipment	2,209	2,252	2,108	2,011
Financial assets	3,082	2,476	506	300
Current assets	43,810	30,850	41,859	44,123
as % of total assets	67.3%	59.1%	68.7%	70.1%
Inventories	16,639	11,823	14,762	16,969
Trade accounts receivable	18,428	12,495	17,337	21,325
Other current assets	2,373	1,691	3,383	3,986
Own shares	230	0	0	0
Cash and cash equivalents	6,139	4,841	6,376	1,843
Deferred expenses	280	655	554	558
as % of total assets	0.4%	1.3%	0.9%	0.9%
Total assets	65,136	52,182	60,968	62,936
Shareholders' equity and liabilities				
Shareholders' equity	9,094	3,849	14,884	24,262
as % of total equity and liabilities	14.0%	7.4%	24.4%	38.6%
Capital stock	8,171	8,585	11,109	11,109
Initial capital payments made for completion of agreed capital increase	0	9,649	0	0
Capital reserve	6,257	7,378	17,475	17,475
Reserve for own shares	230	0	0	0
Unappropriated surplus/deficit	-6,016	-22,075	-14,373	-5,395
Equity attributable to minority interest	451	313	673	1,073
Initial capital payments made for completion of agreed capital increase	1,534	0	0	0
as % of total equity and liabilities	2.4%	0.0%	0.0%	0.0%
Provisions	2,386	4,738	4,444	2,233
as % of total equity and liabilities	3.7%	9.1%	7.3%	3.5%
Tax provisions and other accruals	2,386	4,738	4,444	2,233
Liabilities	52,116	43,396	41,456	36,218
as % of total equity and liabilities	80.0%	83.2%	68.0%	57.5%
Convertible bond	3,954	0	0	0
Bank debt	8,390	11,130	7,000	5,000
Trade accounts payable	22,984	14,470	18,237	21,617
Prepayments received	0	1,114	1,845	2,233
Liabilities to companies with participating interest	0	47	0	0
Other liabilities	16,789	16,634	14,373	7,368
- of which liabilities to associated persons/companies	10,406	10,459	7,731	0
Deferred income	6	199	185	223
as % of total equity and liabilities	0.0%	0.4%	0.3%	0.4%
Total equity and liabilities	65,136	52,182	60,968	62,936

*Forecasts: HGB figures (German GAAP) omitting goodwill amortisations in order to approximate IFRS accounting in this regard
Source: CBS Research AG, Ralos New Energies AG

Cash flow statement

EUR 1,000	2008	2009	2010E	2011E
Accounting standard:	HGB	HGB	HGB*	HGB*
			*excl. goodwill amort.	
Net income of the group before minority interest and extraordinary items	1,684	-16,429	8,062	9,378
Depreciation and amortisation	155	5,462	461	536
Gains/losses on retirements of noncurrent assets	139	55	0	0
Change in accruals	-520	2,352	-294	-2,211
Income from the reversal of provisions	-1,550	643	0	0
Increase/decrease in inventories, trade receivables, and other assets	1,448	11,287	-9,372	-6,802
Increase/decrease in trade accounts payable and other liabilities	-2,693	-6,996	4,904	4,532
Cash inflow/outflow from extraordinary items	-228	0	0	0
Cash flow from operating activities	-1,564	-3,625	3,761	5,433
Cash inflow from the disposal of fixed assets	304	83	0	0
Cash outflow from the purchase of PP&E and intangible assets	-426	-1,102	-310	-442
Net cash outflows from the purchase and sale of consolidated companies	-17,147	879	0	0
Net cash outflows from earn-out agreement with previous owners of Ralos Vertriebs GmbH	0	0	0	-5,000
Net cash flow from the purchase/divestiture of financial assets	0	-273	1,970	206
Cash flow from investing activities	-17,269	-413	1,660	-5,235
Cash inflow from capital stock increases	6,914	0	0	0
Cash inflow from the issuance of convertible bonds	3,954	0	0	0
Net borrowings/retirements of financial debt	8,453	101	483	-4,731
Cash flow from financing activities	19,321	101	483	-4,731
Total change in cash and cash equivalents	488	-3,937	5,905	-4,533
Change in cash and cash equivalents from the purchase of Ralos Group	-1,540	-	-	-
Cash and cash equivalents at the start of the period	461	-591	-4,528	1,376
Cash and cash equivalents at the end of the period	-591	-4,528	1,376	-3,157
- of which cash and cash equivalents	6,139	4,841	6,376	1,843
- of which bank overdraft	-6,730	-9,369	-5,000	-5,000

*Forecasts: HGB figures (German GAAP) omitting goodwill amortisations in order to approximate IFRS accounting in this regard
Source: CBS Research AG, Ralos New Energies AG

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

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

Date	Recommendation	Price at change date	Price Target
11 November 2009	Buy (Initiating Coverage)	EUR 7.80	EUR 14.60
13 January 2010	Buy	EUR 8.19	EUR 14.60
3 May 2010	Buy	EUR 7.58	EUR 14.00
30 July 2010	Buy	EUR 7.31	EUR 14.00

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