

9 November 2020

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## Tilt Renewables Limited (TLT)

### Utilities

#### UNDERPERFORM

**TLT A\$3.61**
**TARGET PRICE A\$3.17**

Tilt Renewables Limited is an Australian electricity generation company, dual listed on the New Zealand stock exchange and Australian stock exchange. It is the owner, operator, and developer of a number of established wind farms and an extensive wind and solar development pipeline.

#### Company Data

Number of shares	376.8M
Market Capitalisation	\$ 1469.7M
Free float (%)	14%
12-month high/low	\$3.38/\$4.41
Average Daily Turnover (\$m)	0.2103
% S&P/ASX200	N/A
DDM Ranking	N/A
% All Ordinaries	N/A
GICS Industry Group	Utilities

Source: FactSet, Barclay Pearce Capital

#### Earnings Summary (AUD)

Year end March	2020A	2021F	2022F	2023F
Revenue (\$M)	183.7	132.9	192.0	191.4
EBITDA (\$M)	126.8	72.3	112.7	110.2
Reported NPAT (\$M)	516.5	(2.9)	8.0	9.4
Adjusted NPAT (\$M)	51.2	16.2	37.1	37.9
Adjusted EPS (¢ - FD)	10.9	4.3	9.8	10.0
Adjusted EPS growth (%)	227.5	(60.3)	126.7	1.9
Adjusted P/E (x)	35.8	90.1	39.7	39.0
Dividend (¢/sh)	-	-	0.5	0.7
Gross yield (%)	-	-	0.1	0.2
Net yield (%)	-	-	0.1	0.2
ROIC (%)	6.2	1.3	3.1	3.4

Source: Barclay Pearce Capital

Barclay Pearce Capital contributes all company estimates to Thomson Reuters, FactSet and Capital IQ.

#### Share price performance



Source: FactSet, Barclay Pearce Capital

## 1H FY21 Earnings Release

On 9 November 2020 Tilt Renewables Limited (TLT) announced its results for the half year ended 30 September 2020 with the following highlights:

- Total Group Production of 813GWh (-23% on PCP);
- Group revenue was A\$56.0M, (-45.9% on PCP);
- Earnings before interest, taxation, depreciation, amortisation and fair value adjustments (EBITDAF) was down by 55% to A\$31.8M and NPAT increased 125% to A\$26.8M;
- Net cash outflow from operating activities was A\$1.9M for HY21 with conversion of EBITDAF to cash skewed to the 2HFFY21 in line with the timing of Dundonnell commissioning, income tax instalments and settlement of LGC forward sales in February;
- In July 2020 TLT returned A\$258M to shareholders via share buyback scheme, using some of the proceeds from the sale of SWF2 last year;
- The TLT balance sheet remains very strong with A\$296m in cash and short-term investments, and relatively low gearing of 35%; and
- A review of the funding requirements for potential near term development options, combined with the residual (but reducing) uncertainty associated with construction projects has resulted in the Board determining to not pay an interim dividend.

#### COVID-19 Response

- All Australian based staff were able to continue core functions whilst working from home for the reporting period;
- Construction and operational sites in both New Zealand and Australia have been operating under appropriate COVID safe working practices, as required, to allow work to continue as efficiently as possible;

#### Construction project updates

- **336MW Dundonnell Wind Farm:** TLT continues to work closely with AEMO, with both parties targeting the project reaching 300MW by end of CY2020 (allowing ~85% of expected P50 annual energy production);
- **133MW Waipipi Wind Farm:** Waipipi currently remains on track for completion as planned in Q1 CY2021 despite a 5-week site shut-down imposed by the New Zealand Government in March/ April 2020 in response to global pandemic;

#### Guidance

- Full year FY21 EBITDAF guidance range remains unchanged at A\$65M to A\$80M; and
- Guidance assumes current construction and commissioning schedules, electricity prices forecasted and P50 production

## Earnings changes

TLT reported 1HFY21 revenue of A\$56m, down 23% on pcp. The 1HFY21 EBITDAF of A\$31.8m compares to market expectations of \$34.3m. However, FY21 EBITDAF guidance of \$65m to \$80m compares to market expectations of \$73.0m. Hence, we do not expect any significant earnings revisions.

We are initiating on TLT with a 12-month price target of \$3.61 and a UNDERPERFORM recommendation. The price target is underpinned by our valuation.

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Barclay Pearce Capital provides research services to its clients. Mr Wright is General Manager of Research and has over thirty (30) years' experience in the financial services industry, particularly in financial analysis and research report writing. Mr Wright joined the Barclay Pearce team in 2020 where he has been involved in the research and publication of reports. Prior to this Mr Wright worked at a number of entities where he held Director/Head of Research and General Manager of Research positions. Mr Wright holds a Bachelor of Mathematics (Honours) from Edinburgh University and has completed the SDIA Accreditation Program (RG146) through DeakinPrime.

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**Hold** – Describes stocks that are neither a buy nor underperform.

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**NR** – The investment rating and price target have been temporarily suspended. Such suspensions are in compliance with applicable regulations and/or Barclay Pearce Capital policies.

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Speculative Buy	0.2%	( 100.0% of stocks with recommendations are Barclay Pearce clients)
Hold	16.6%	( 0.0% of stocks with recommendations are Barclay Pearce clients)
Underperform	41.5%	( 0.0% of stocks with recommendations are Barclay Pearce clients)