

Country	CH	Market capitalization (bn)	CHF	6.1	Perf. since reco. (%)	
Sector	Utilities	Free float		37.2%	BKW AG	20.8
Factset	BKW-CH	Closing price	CHF	115.80	Market	8.8
ISIN	CH0130293662	ESG Risk score*	#N/A	#N/A		

Profile
BKW AG specialises in the production and sale of electricity, transmission of electricity and related engineering services. It operates through the following three divisions: Energy, Grid and Services. The Energy division focuses on generation and sale of electricity to its end consumers and distribution partners, and on the wholesale market; it also supplies energy for production of heat. The Grid division encompasses all grid-related activities and generates income through grid usage fees. The Services division provides: engineering planning and consulting services for energy, infrastructure and environmental projects; integrated services in the area of building technology; and construction, servicing and maintenance of energy, telecommunications, transport and water networks. BKW was founded in 1898 and is headquartered in Berne (Switzerland).

Strengths/opportunities

- With its strong market share (over 30%), BKW plays a dominant role in the Swiss electricity market (bundled end customers).
- With its three divisions (Energy; Grid; Services for buildings and infrastructure), BKW is excellently diversified.

Weaknesses/threats

- Pricing pressure in the building services business on the increase.
- Dependence on energy policy decisions.
- Majority of shares in public ownership.
- Acquisition policy mops up too much management capacity.

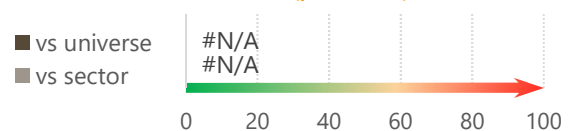
Investment case

- BKW generates operating cash flow with high visibility, with this strong cash generation outweighing investments and dividend payments.
- Acquisitions made since 2019 are quickening the pace of growth, as evidenced in last year's figures.
- BKW's management consequently upgrades its outlook for the coming years: recovery in BKW's Infra Services solutions with major projects in the pipeline (Tesla Gigafactory in Berlin, commercial and office building in Düsseldorf, and new labs at Lonza's Bio Park in Visp).
- BKW stands to benefit from increased hedging prices for electricity since 2016. Thanks to its acquisition of numerous service companies and regulated businesses, it is also well positioned to cope in an environment of lower electricity sales. This mix makes the shares worth buying.

Valuation

We believe BKW can reach the upper end of its EBIT guidance of CHF 460-500m; this would be consistent with a target price of CHF 135.

ESG risk vs. universe & sector (percentile)*



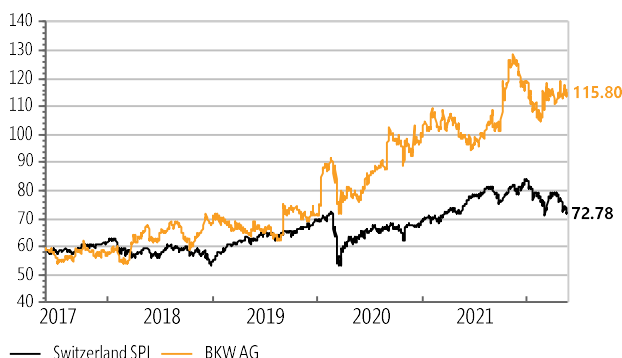
CHF	12/2021	2022e	2023e
Sales revenue (bn)	3'380	3'602	3'927
Sales growth	15.1%	6.6%	9.0%
EBIT adjusted (bn)	240	491	539
% of sales	7.1%	13.6%	13.7%
Net income (bn)	305	324	382
Net income growth	-15.8%	6.5%	17.7%
FCF/Sales	-6.7%	3.2%	5.6%
Net debt/Ebitda	1.8x	1.1x	1.0x
Dividend yield	2.2%	2.4%	2.5%
PE	20.5x	18.1x	16.1x
P/BV	1.6x	1.4x	1.4x

Factset estimates

ESG - risks and key points

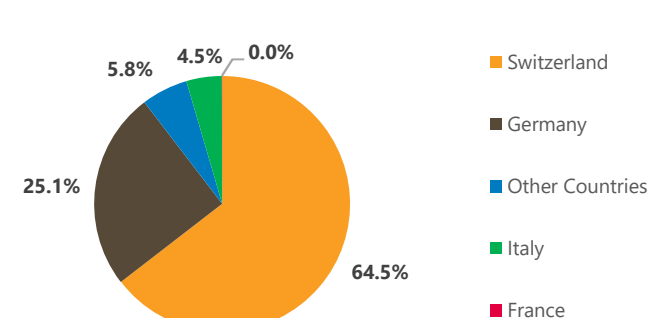
- We view the company as being at severe risk of major financial impact driven by ESG factors.
- BKW's disclosure is very poor, signalling inadequate accountability to investors and the public.
- However, the company has not been implicated in any significant ESG-related controversies.

5-year performance vs SPI



Source: FactSet

Sales breakdown - 12/2021



Glossary

Satellite

From 2015, B&Cie separates its investment recommendations into Core Holdings (higher organic growth potential, high free cash flow, ROCE in excess of the cost of capital and balance sheet efficiency throughout the cycle) and Satellite Recommendations, which do not meet the above criteria but are likely to outperform in the short-to-medium term.

ESG Risk Score

At B&Cie, we take particular care to ensure that the companies in which we recommend investing are sustainable. Accordingly, our selection process takes account of risks relating to environmental, social and governance (ESG) issues. This approach is underpinned by research from Sustainalytics, the global leader in ESG and corporate governance analysis, whose methodology aims to identify major controversies and risks and assess a company's ESG risks relative to both its sector and the investment universe as a whole. The corresponding score is expressed as a percentile: the lower the overall risk score, the lower the risk within the investment universe.

b-Digital, b-Transition & b-Well

Over and above the conventional geographical and sectoral approaches to asset management, at B&Cie we believe the world of tomorrow is being shaped by structural trends. We have identified three main megatrends: ongoing digital globalisation of the economy; economic transition, particularly in the energy sector; and the quest for wellness. We believe selecting and investing in companies that play an active role in these transformations should lead to more resilient portfolios that generate higher long-term returns. Our investment recommendations in the digital globalisation space are labelled "b-Digital", those in the economic transition space "b-Transition" and those in the wellness space "b-Well". A given recommendation may fall under more than one theme, in which case it will carry the relevant matching labels.

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