

EnerNOC, Inc. (ENOC)

Entering Japan: JV with Marubeni Corporation and TEPCO Pilot Announced

- Joint venture is a positive for ENOC - Asia expansion could provide significant upside.** ENOC recently laid out its plan to enter two new international markets each year and indicated its goal of entering Asia and Europe during 2014. Today's announcement shows ENOC remains on track to meet its international expansion targets and the pilot program with TEPCO could potentially lead to a much larger deployment of DR services throughout Japan. Additionally, the pilot program will increase ENOC's presence in Asia and could help the company to win additional projects in the region.
- In the news – joint venture with Marubeni Corporation announced.** ENOC and Marubeni Corporation announced the creation of EnerNOC Japan, KK, a joint venture which will focus on providing demand response in Japan. The companies previously worked together on a DR pilot for Kansai Electric Power Company (KEPCO), and the JV will have exclusive rights to market EnerNOC's DemandSMART application in Japan. Marubeni is an active participant in Japan's power markets and will provide expertise of the regulatory environment and electricity markets. Marubeni had ~\$57.1B in revenue during fiscal year 2013, owns ~10 GW of net power generation assets, and operates in 65 countries.
- TEPCO pilot provides opportunity for increased DR deployment in Japan.** ENOC and Marubeni were awarded a pilot project sponsored by Japan's Ministry of Economy, Trade, and Industry (METI) to deploy aggregator-based quick-response demand response for the commercial and industrial sector. The companies will collaborate in the creation of a diversified DR portfolio to provide load balancing and peak capacity services for Tokyo Electric Power Company (TEPCO). The project will allow ENOC to utilize OpenADR dispatch in its first international project and to release the Japanese version of DemandSMART. ENOC estimates TEPCO is equivalent to ERCOT in peak demand size (>57 GW).

Valuation Synopsis

Our \$24 price target is based on an EV/EBITDA multiple of 7x our 2014 Adj. EBITDA estimate. Although a slight discount to ENOC's comps (~10x), we believe the discount is warranted given the regulatory complexities ENOC faces.

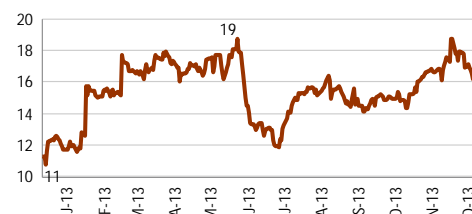
Risk Synopsis

Risks include changes to rules/regulations, price risk in out-years, customer churn, and operational risk in international markets.

EnerNOC is a leading demand response and energy services provider based in Boston, MA. As of Q3:13, ENOC had ~9,000 MW under management.

FLASH REPORT

1-Year Price Chart



Stock Data

Rating:	Outperform
Suitability:	Speculative Risk
Price Target:	\$24
Price (12/9/2013):	\$15.42
Market Cap (mil):	\$444
Shares Out (mil):	28.8
Average Daily Vol (mil):	257,746
Dividend Yield:	0%

Estimates

FY Dec	2012A	2013E	2014E
Q1	(1.06) A	(1.12) A	
Q2	(1.10) A	(1.23) A	
Q3	2.21 A	3.70 A	
Q4	(0.96) A	(0.73) E	
Fiscal EPS	(0.84) A	0.74 E	0.76 E
Fiscal P/E	NM	20.8x	20.3x

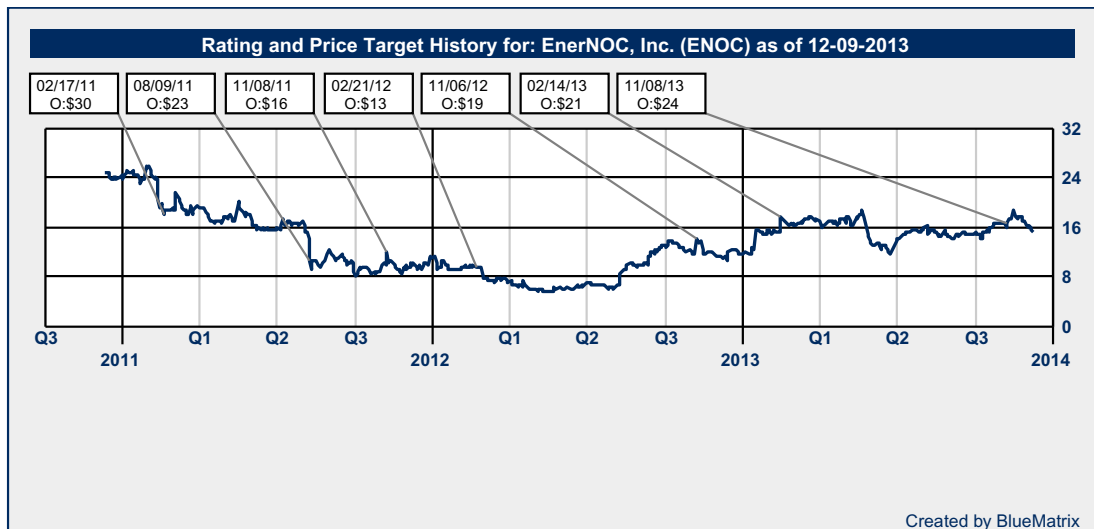
Chart/Table Sources: Baird and Bloomberg

[PDF version of our most recent model](#)

See recent research notes for more information.

Please refer to Appendix - Important Disclosures and Analyst Certification

Appendix - Important Disclosures and Analyst Certification



1 Robert W. Baird & Co. Incorporated makes a market in the securities of ENOC.

10 Robert W. Baird & Co. Incorporated and/or its affiliates have been compensated by EnerNOC, Inc. for non-investment banking-securities related services in the past 12 months.

Robert W. Baird & Co. Incorporated and/or its affiliates expect to receive or intend to seek investment banking related compensation from the company or companies mentioned in this report within the next three months.

Robert W. Baird & Co. Incorporated may not be licensed to execute transactions in all foreign listed securities directly. Transactions in foreign listed securities may be prohibited for residents of the United States. Please contact a Baird representative for more information.

Investment Ratings: Outperform (O) - Expected to outperform on a total return, risk-adjusted basis the broader U.S. equity market over the next 12 months. **Neutral (N)** - Expected to perform in line with the broader U.S. equity market over the next 12 months. **Underperform (U)** - Expected to underperform on a total return, risk-adjusted basis the broader U.S. equity market over the next 12 months.

Risk Ratings: L - Lower Risk - Higher-quality companies for investors seeking capital appreciation or income with an emphasis on safety. Company characteristics may include: stable earnings, conservative balance sheets, and an established history of revenue and earnings. **A - Average Risk** - Growth situations for investors seeking capital appreciation with an emphasis on safety. Company characteristics may include: moderate volatility, modest balance-sheet leverage, and stable patterns of revenue and earnings. **H - Higher Risk** - Higher-growth situations appropriate for investors seeking capital appreciation with the acceptance of risk. Company characteristics may include: higher balance-sheet leverage, dynamic business environments, and higher levels of earnings and price volatility. **S - Speculative Risk** - High-growth situations appropriate only for investors willing to accept a high degree of volatility and risk. Company characteristics may include: unpredictable earnings, small capitalization, aggressive growth strategies, rapidly changing market dynamics, high leverage, extreme price volatility and unknown competitive challenges.

Valuation, Ratings and Risks. The recommendation and price target contained within this report are based on a time horizon of 12 months but there is no guarantee the objective will be achieved within the specified time horizon. Price targets are determined by a subjective review of fundamental and/or quantitative factors of the issuer, its industry, and the security type. A variety of methods may be used to determine the value of a security including, but not limited to, discounted cash flow, earnings multiples, peer group comparisons, and sum of the parts. Overall market risk, interest rate risk, and general economic risks impact all securities. Specific information regarding the price target and recommendation is provided in the text of our most recent research report.

Distribution of Investment Ratings. As of November 29, 2013, Baird U.S. Equity Research covered 717 companies, with 51% rated Outperform/Buy, 48% rated Neutral/Hold and 1% rated Underperform/Sell. Within these rating categories, 18% of Outperform/Buy-rated and 10% of Neutral/Hold-rated companies have compensated Baird for investment banking services in the past 12 months and/or Baird managed or co-managed a public offering of securities for these companies in the past 12 months.

Analyst Compensation. Analyst compensation is based on: 1) The correlation between the analyst's recommendations and stock price performance; 2) Ratings and direct feedback from our investing clients, our institutional and retail sales force (as applicable) and from independent rating services; 3) The analyst's productivity, including the quality of the analyst's research and the analyst's contribution to the growth and development of our overall research effort and 4) Compliance with all of Robert W. Baird's internal policies and procedures. This compensation criteria and actual compensation is reviewed and approved on an annual basis by Baird's Research Oversight Committee.

Analyst compensation is derived from all revenue sources of the firm, including revenues from investment banking. Baird does not compensate research analysts based on specific investment banking transactions.

A complete listing of all companies covered by Baird U.S. Equity Research and applicable research disclosures can be accessed at <http://www.rwbaird.com/research-insights/research/coverage/research-disclosure.aspx>.

You can also call 1-800-792-2473 or write: Robert W. Baird & Co., Equity Research, 24th Floor, 777 E. Wisconsin Avenue, Milwaukee, WI 53202.

Analyst Certification. The senior research analyst(s) certifies that the views expressed in this research report and/or financial model accurately reflect such senior analyst's personal views about the subject securities or issuers and that no part of his or her compensation was, is, or will be directly or indirectly related to the specific recommendations or views contained in the research report.

Disclaimers

Baird prohibits analysts from owning stock in companies they cover.

This is not a complete analysis of every material fact regarding any company, industry or security. The opinions expressed here reflect our judgment at this date and are subject to change. The information has been obtained from sources we consider to be reliable, but we cannot guarantee the accuracy.

ADDITIONAL INFORMATION ON COMPANIES MENTIONED HEREIN IS AVAILABLE UPON REQUEST

The Dow Jones Industrial Average, S&P 500, S&P 400 and Russell 2000 are unmanaged common stock indices used to measure and report performance of various sectors of the stock market; direct investment in indices is not available.

Baird is exempt from the requirement to hold an Australian financial services license. Baird is regulated by the United States Securities and Exchange Commission, FINRA, and various other self-regulatory organizations and those laws and regulations may differ from Australian laws. This report has been prepared in accordance with the laws and regulations governing United States broker-dealers and not Australian laws.

Copyright 2013 Robert W. Baird & Co. Incorporated

Other Disclosures

The information and rating included in this report represent the Analyst's long-term (12 month) view as described above. The research analyst(s) named in this report may at times, discuss, at the request of our clients, including Robert W. Baird & Co. salespersons and traders, or may have discussed in this report, certain trading strategies based on catalysts or events that may have a near-term impact on the market price of the equity securities discussed in this report. These trading strategies may differ from the analysts' published price target or rating for such securities. Any such trading strategies are distinct from and do not affect the analysts' fundamental long-term (12 month) rating for such securities, as described above. In addition, Robert W. Baird & Co. Incorporated and/or its affiliates (Baird) may provide to certain clients additional or research supplemental products or services, such as outlooks, commentaries and other detailed analyses, which focus on covered stocks, companies, industries or sectors. Not all clients who receive our standard company-specific research reports are eligible to receive these additional or supplemental products or services. Baird determines in its sole discretion the clients who will receive additional or supplemental products or services, in light of various factors including the size and scope of the client relationships. These additional or supplemental products or services may feature different analytical or research techniques and information than are contained in Baird's standard research reports. Any ratings and recommendations contained in such additional or research supplemental products are consistent with the Analyst's long-term ratings and recommendations contained in more broadly disseminated standard research reports.

UK disclosure requirements for the purpose of distributing this research into the UK and other countries for which Robert W. Baird Limited holds an ISD passport.

This report is for distribution into the United Kingdom only to persons who fall within Article 19 or Article 49(2) of the Financial Services and Markets Act 2000 (financial promotion) order 2001 being persons who are investment professionals and may not be distributed to private clients. Issued in the United Kingdom by Robert W. Baird Limited, which has offices at Mint House 77 Mansell Street, London, E1 8AF, and is a company authorized and regulated by the Financial Conduct Authority. For the purposes of the Financial Conduct Authority requirements, this investment research report is classified as objective.

Robert W. Baird Limited ("RWBL") is exempt from the requirement to hold an Australian financial services license. RWBL is regulated by the Financial Conduct Authority ("FCA") under UK laws and those laws may differ from Australian laws. This document has been prepared in accordance with FCA requirements and not Australian laws.

[Ask the analyst a question](#)

[Click here to unsubscribe](#)