

ABO Wind (AB9 GH) | Utilities

February 21, 2020

Positive momentum also in Germany; despite continued difficult market conditions

ABO Wind announced yesterday that it has been awarded 41.1 MW in the first tender in Germany this year. ABO has also received approval for a further 9 MW in Germany. The company expects approvals for further German wind farms in the coming months. The awards are remarkable because a) ABO has achieved a market share of 8% of the total awards in Germany, which shows the strong position of the company in its home market and b) the volume of awards received here already accounts for about 1/3 of our full year estimate; the year is still long and ABO is also active in more than 10 other countries and c) the award was made at a very attractive price of about 6.1 cent/kWh. We are raising our price target for ABO Wind on the back of increased developer-peer multiples.

- In the first tender round 2020 in Germany, ABO secures contracts for wind farms in Rhineland-Palatinate (15.9 MW) and Brandenburg (25.2 MW).
- The tender was again clearly undersigned. The 900 MW tendered was faced with bids in the volume of 527 MW; obvious consequence of the ongoing backlog of permits in Germany.
- ABO Wind is trading at 3.9x EV/EBITDA 2021e; its developer-peers are trading at 5.5x on average.

Fundamentals (in EUR m)	2016	2017	2018	2019e	2020e	2021e
Sales	122	147	150	129	161	192
EBITDA	34	38	32	28	32	45
EBIT	24	25	22	16	20	33
EPS adj. (EUR)	2.15	2.22	1.67	1.20	1.53	2.52
DPS (EUR)	0.50	0.40	0.42	0.40	0.40	0.50
BVPS (EUR)	8.77	10.40	11.63	11.37	12.50	14.62
Net Debt incl. Provisions	25	1	48	35	31	20
Ratios	2016	2017	2018	2019e	2020e	2021e
EV/EBITDA	2.4	2.5	4.8	6.4	6.3	3.9
EV/EBIT	3.4	3.7	7.0	11.0	10.0	5.3
P/E	3.4	5.4	8.3	14.5	13.4	7.1
Dividend yield (%)	6.8	3.3	3.0	2.3	2.0	2.8
EBITDA margin (%)	28.1	25.7	21.4	22.0	20.1	23.2
EBIT margin (%)	19.5	17.0	14.6	12.8	12.7	16.9
Net debt/EBITDA	0.7	0.0	1.5	1.2	1.0	0.5
ROE (%)	49.1	23.2	15.1	10.9	12.8	18.6
PBV	0.8	1.1	1.2	1.5	1.6	1.2

Sources: Refinitiv, Metzler Research

Buy

 **unchanged**

Price* **EUR 20.40**

Price target **EUR 29.00 (23.7)**

* XETRA trading price at the close of the previous day unless stated otherwise in the Disclosures

Market Cap (EUR m)	173
Enterprise Value (EUR m)	204
Free Float (%)	25.0

Price (in EUR)



Performance (in %)	1m	3m	12m
Share	16.6	25.2	38.8
Rel. to SDAX	12.7	14.7	16.3

Sources: Refinitiv, Metzler Research Changes in estimates (in %)	2019e	2020e	2021e
Sales	0.0	0.0	0.0
EBIT	0.0	0.0	0.0
EPS	0.0	0.0	0.0

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company note

A good start to the year in the home market - Although Germany is no longer playing the biggest role for ABO Wind, the latest auction shows that ABO continues to hold a strong position in its home market.

We are still very confident that ABO will also be able to achieve very good growth in the other countries in which it is active. This is indicated by the full pipeline.

ABO Wind - a well filled pipeline

in MW (ca.)	H1 2019 (e)
Spain	1250
Argentina	2500
Germany	1000
South Africa	2500
Finland	1000
France	1000
Canada	300
Greece	200
Northern Ireland	200
Ireland	100
Other	100
TOTAL *	10150

* thereof ~2,500 MW Solar

Source: ABO Wind, Metzler Research

It remains to be seen when the lack of approvals in Germany will be resolved. The fact is and remains that the need for renewables in Germany will increase massively in the coming years with the decisions to phase out nuclear and coal-fired power. Additional demand is likely to result from the government's hydrogen plans as a further important pillar of the 'clean' energy supply of the future; this can only be sensibly produced by using renewable energies. The electrolysis process is extremely energy-intensive and the loss of efficiency is extremely high.

Valuation

Our peer group valuation takes into account the project business character of the ABO Wind business model. The peers have in some cases risen sharply since the completion of our last analysis. Applying the current average multiple results in our new price target of EUR 29.

ABO Wind - peer group valuation

in local currencies	Bloomberg Ric	Share price in local currency (20. February 2020)	Metzler Recommendation	EV/EBITDA 2021e
PNE *	PNE3 GY	3.1	.	5.2
Instone	INS GY	27.2	.	6.2
Nordex	NDX GY	11.9	BUY	5.2
Average				5.5
ABO Wind	AB9 GR	20.0	BUY	3.9

* Average price in the week before PNE confirmed conversations with MSIP regarding business combination (26.8.2019)
Source: Bloomberg, Metzler Research

company note

Key Data

Company profile

CEO: Andreas Höllinger, Dr. Jochen Ahn, Matthias Bockholt, Dr. Karsten Schlageter (all equal rights) CFO: Wiesbaden
 The renewables project developer ABO Wind, founded in 1996 and now active in 16 countries, has its roots in wind power, but in recent years has also expanded its wind farm management activities through services such as maintenance and expert reports (since 2014) and the construction of solar parks (since 2016).

Major shareholders

Family Ahn (30%), Family Bockholt (30%), Mainova AG (10%), Baden-Württembergische Versorgungskasse der Ärzte (5%)

Key figures

P&L (in EUR m)	2016	%	2017	%	2018	%	2019e	%	2020e	%	2021e	%
Sales	122	n.a.	147	20.0	150	2.4	129	-14.0	161	24.9	192	18.9
EBITDA	34	n.a.	38	9.6	32	-14.8	28	-11.5	32	14.0	45	37.1
EBITDA margin (%)	28.1	n.a.	25.7	-8.7	21.4	-16.7	22.0	3.0	20.1	-8.7	23.2	15.3
EBIT	24	n.a.	25	4.5	22	-12.0	16	-25.0	20	24.2	33	58.9
EBIT margin (%)	19.5	n.a.	17.0	-12.9	14.6	-14.0	12.8	-12.8	12.7	-0.6	16.9	33.7
Financial result	-2	n.a.	-1	1.6	-1	38.7	-2	-118.1	-2	0.0	-2	0.0
EBT	22	n.a.	23	4.9	21	-10.3	14	-31.2	18	27.5	31	65.3
Taxes	6	n.a.	6	9.4	9	32.3	4	-49.1	6	27.5	9	65.3
Tax rate (%)	26.4	n.a.	27.5	n.a.	40.6	n.a.	30.0	n.a.	30.0	n.a.	30.0	n.a.
Net income	16	n.a.	17	3.3	13	-24.9	10	-20.7	13	27.5	21	65.3
Minority interests	0	n.a.	0	-55.0	0	88.9	0	-100.0	0	n.a.	0	n.a.
Net Income after minorities	16	n.a.	17	3.4	13	-25.0	10	-20.5	13	27.5	21	65.3
Number of shares outstanding (m)	8	0.0	8	0.0	8	0.0	8	10.8	8	0.0	8	0.0
EPS adj. (EUR)	2.15	n.a.	2.22	3.4	1.67	-25.0	1.20	-28.3	1.53	27.5	2.52	65.3
DPS (EUR)	0.50	100.0	0.40	-20.0	0.42	5.0	0.40	-4.8	0.40	0.0	0.50	25.0
Dividend yield (%)	6.8	n.a.	3.3	n.a.	3.0	n.a.	2.3	n.a.	2.0	n.a.	2.8	n.a.
Cash Flow (in EUR m)	2016	%	2017	%	2018	%	2019e	%	2020e	%	2021e	%
Gross Cash Flow	27	n.a.	30	10.9	22	-25.4	22	0.2	25	12.6	33	33.9
Increase in working capital	-27	n.a.	3	n.a.	-39	n.a.	-15	n.a.	-15	n.a.	-15	n.a.
Capital expenditures	2	n.a.	1	-47.2	3	149.2	3	-7.4	3	0.0	4	33.3
D+A/Capex (%)	428.1	n.a.	982.8	n.a.	314.8	n.a.	400.0	n.a.	400.0	n.a.	300.0	n.a.
Free cash flow (Metzler definition)	-3	n.a.	25	889.5	-20	-179.2	4	120.5	7	67.4	14	107.5
Free cash flow yield (%)	-5.7	n.a.	27.9	n.a.	-19.1	n.a.	2.8	n.a.	4.0	n.a.	9.4	n.a.
Dividend paid	2	n.a.	4	100.0	3	-20.0	4	16.3	3	-4.8	3	0.0
Free cash flow (post dividend)	-5	n.a.	22	521.4	-23	-207.4	1	102.5	4	513.6	11	210.6
Balance sheet (in EUR m)	2016	%	2017	%	2018	%	2019e	%	2020e	%	2021e	%
Assets	147	n.a.	174	18.7	194	11.6	199	2.5	204	2.5	227	11.4
Goodwill	0	n.a.	0	n.a.	0	n.a.	0	n.a.	0	n.a.	0	n.a.
Shareholders' equity	67	n.a.	80	18.7	89	11.8	96	8.3	106	9.9	124	17.0
Equity/total assets (%)	45.7	n.a.	45.7	n.a.	45.9	n.a.	50.9	n.a.	51.9	n.a.	54.6	n.a.
Net Debt incl. Provisions	25	n.a.	1	-95.3	48	n.m.	35	-28.4	31	-10.2	20	-35.2
thereof pension provisions	0	n.a.	0	n.a.	0	n.a.	0	n.a.	0	n.a.	0	n.a.
Gearing (%)	36.6	n.a.	1.5	n.a.	54.4	n.a.	36.0	n.a.	29.4	n.a.	16.3	n.a.
Net debt/EBITDA	0.7	n.a.	0.0	n.a.	1.5	n.a.	1.2	n.a.	1.0	n.a.	0.5	n.a.

Structure

Sales by area of activity 2018



Sources: Refinitiv, Metzler Research

company note

Disclosures

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Recommendations for each financial instrument or issuer - mentioned in this document - published by Metzler in the past twelve months

Date of dissemination	Metzler recommendation *		Current price **	Price target *	Author ***
	Previous	Current			
Issuer/Financial Instrument (ISIN): ABO Wind (DE0005760029)					
01.10.2019	Buy	Buy	15.20 EUR	23.70 EUR	Hoymann, Guido
09.09.2019	n.a.	Buy	15.50 EUR	23.70 EUR	Hoymann, Guido
Issuer/Financial Instrument (ISIN): Nordex (DE000A0D6554)					
09.01.2020	Buy	Buy	11.60 EUR	16.30 EUR	Hoymann, Guido
13.11.2019	Buy	Buy	12.53 EUR	15.90 EUR	Hoymann, Guido
15.10.2019	Buy	Buy	11.09 EUR	15.90 EUR	Hoymann, Guido
23.08.2019	Buy	Buy	9.41 EUR	15.50 EUR	Hoymann, Guido
14.05.2019	Buy	Buy	12.80 EUR	15.50 EUR	Hoymann, Guido
26.03.2019	Buy	Buy	12.59 EUR	15.50 EUR	Hoymann, Guido

* Effective until the price target and/or investment recommendation is updated (FI/FX recommendations are valid solely at the time of publication)

** XETRA trading price at the close of the previous day unless stated otherwise here-in: ABO Wind AG: Hamburg Stock Exchange

*** All authors are financial analysts

ABO Wind

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	Stephan Bonhage	Small/Mid Caps, Construction	5 25
	Tom Diedrich	Media, Retail	2 39
	Alexander Neuberger	Industrial Technology, Small/Mid Caps	43 66
	Holger Schmidt	Software, Technology, Telecommunications	43 60
	Jochen Schmitt	Financials, Real Estate	43 59
	David Varga	Basic Resources	43 62
	Jürgen Pieper	Automobiles, Senior Advisor	5 29
	Hendrik König	Strategy / Quantitative Research	43 71
	Sergii Piskun	Quantitative Research	2 37
	Eugen Keller	Head of FI/FX Research	3 29
	Juliane Rack	FI/FX Strategy	17 48
	Sebastian Sachs	FI/FX Strategy	5 26
	Thomas Weber	FI/FX Strategy	5 27
	Daniel Winkler	FI/FX Strategy	5 28
Equities	Werner Litzinger	Head of Equities	41 78
Sales	Mustafa Ansary	Head of Equity Sales	3 51
	Eugenia Buchmüller		2 38
	Nidia Gründel		41 89
	Uwe Hohmann		3 66
	Hugues Jaouen		41 73
	Alexander Kravkov		41 72
	Jasmina Schul		17 66
Trading	Sven Knauer	Head of Equity Trading	2 45
	Kirsten Fleer		2 46
	Hans-Peter Müller		43 56
	Stephan Schmelzle		2 47
	Thomas Seibert		2 28
FI/FX	Mario Mattera	Head of FI/FX	6 87
FI Sales	Minush Nori	Head of Fixed Income Sales	6 89

company note

	Sebastian Luther		6 88
	Claudia Ruiu		6 83
	Gloria Traidl		2 80
FI Trading/ALM	Sven Klein	Head of ALM	6 86
	Bettina Koch		2 91
	Susanne Kraus		6 58
	Andreas Tanneberger	Head of Fixed Income Trading	6 85
	Silke Amelung		2 89
	Christian Bernhard		2 66
FX Sales	Thomas Rost	Head of FX	2 92
	Tobias Martin		6 14
	Gideon Tjoe		2 82
	Steffen Völker		2 93
FX Trading	Rainer Jäger		2 76
	Andreas Zellmann		6 10
Currency Management	Özgür Atasever	Head of Currency Management	2 81
CM Advisory	Georgios Tsiourvas		6 82
	Achim Walde		2 75
	Harwig Wild		2 79
CM Operations	Dominik Müller	Head of Operations	2 74
	Christopher Haase		16 17
	Florian Hartel		17 73
	Simon Wesch		3 50