

ABO Wind AG

Deutschland / Cleantech

Börse Hamburg

Bloomberg: AB9 GR

ISIN: DE0005760029

H1 figures

RATING

PRICE TARGET

Return Potential

Risk Rating

BUY

€ 22.50

47.1%

High

ABO WIND WITH VERY STRONG FOREIGN BUSINESS

ABO Wind presented stable half-year figures on an annual basis. The company exceeded our estimates, as it, against our expectation, compensated for the weak German market with higher sales contributions from abroad. An H1 net profit of €5.2m means that ABO Wind has already reached 52% of full-year guidance, a net profit of approximately €10m. We are therefore confident that the company will achieve its guidance despite the persistently weak German market. More important than short-term financials are the long-term perspectives of the wind and solar power plants' developer. These continued to improve in the first half of the year as ABO Wind expanded its development pipeline by 3.5 GW to approx. 10 GW. The company continues to grow into the role of a global project developer and is currently active in 16 markets on four continents. We confirm our 2019E forecast and our growth assumptions for subsequent years. ABO Wind remains attractively valued with a 2020E P/E ratio of 8. An updated DCF model results in a slightly higher price target of €22.50 (previously: €22.00). We confirm our Buy recommendation.

H1 surprisingly good Even the glaring weakness of the German market could not burden ABO Wind in the first half of the year. At €56.6m, sales were at the previous year's level (€56.4m, FBe: €51.1m). Total output amounted to €59.3m, down 4% on the previous year. The reason for this was a smaller increase in inventories (€2.6m versus €5.3m in H1/18). EBIT went up slightly to €8.7m (FBe: €6.6m) from €8.3m in the same period of the previous year (see figure 2 overleaf). The main reason for the slightly improved EBIT was lower material cost (€22.3m versus €28.8m in H1/18). The reduction is explained by the comparatively high proportion of planning activities and rights sales which are less material intensive compared to the construction of green electricity power plants.

(p.t.o.)

FINANCIAL HISTORY & PROJECTIONS

	2016	2017	2018	2019E	2020E	2021E
Revenue (€m)	122.29	146.79	150.26	148.10	173.25	184.69
Y-o-y growth	52.4%	20.0%	2.4%	-1.4%	17.0%	6.6%
EBIT (€m)	23.89	24.96	22.22	16.86	21.94	23.22
EBIT margin	19.5%	17.0%	14.8%	11.4%	12.7%	12.6%
Net income (€m)	16.52	17.01	12.74	10.07	14.02	14.60
EPS (diluted) (€)	2.16	2.22	1.67	1.30	1.67	1.74
DPS (€)	0.50	0.40	0.42	0.42	0.42	0.42
FCF (€m)	-5.81	29.98	-30.29	19.30	2.38	10.71
Net gearing	44.2%	7.8%	48.5%	16.0%	17.0%	11.8%
Liquid assets (€m)	3.80	32.34	4.52	28.17	37.87	44.24

RISKS

Main risks are project development, currency, interest rate, and regulatory risks.

COMPANY PROFILE

ABO Wind is a project developer for renewable energies and has developed green power projects with a total capacity of more than 2,300 MW since its establishment in 1996. The company also offers the management of wind farms and biogas plants. ABO Wind has ca. 600 employees. Its headquarters are in Wiesbaden, Germany.

MARKET DATA

As of 08 Oct 2019

Closing Price	€ 15.30
Shares outstanding	7.65m
Market Capitalisation	€ 116.98m
52-week Range	€ 12.70 / 15.80
Avg. Volume (12 Months)	1,231

Multiples	2018	2019E	2020E
P/E	9.2	11.7	8.4
EV/Sales	1.1	1.1	0.9
EV/EBIT	7.2	9.5	7.3
Div. Yield	2.7%	2.7%	2.7%

STOCK OVERVIEW



COMPANY DATA

As of 30 Jun 2019

Liquid Assets	€ 1.52m
Current Assets	€ 190.63m
Intangible Assets	€ 1.09m
Total Assets	€ 202.87m
Current Liabilities	€ 76.35m
Shareholders' Equity	€ 94.25m

SHAREHOLDERS

Familie Ahn	30.9%
Familie Bockholt	31.1%
Mainova	10.4%
Baden-Württembergische VK	6.0%
Free Float	21.6%



An improved financial result of €-0.8m compared to the previous year led to a profit on ordinary activities of €7.9m. This represents a plus of 9% over the previous year's figure of €7.3m. Higher taxes (€2.7m versus €1.9m in H1/18) reduced net income, which was 4% below the previous year's level at €5.2m (FBe: €4.3m). Overall, ABO Wind can look back on a successful first half of the year, given the problems on the German market. The broad international position has provided stability.

Figure 1: Reported figures versus forecasts

All figures in €m	H1-19A	H1-19E	Delta	H1-18A	Delta
Sales	56.61	51.10	10.8%	56.42	0.3%
EBIT	8.71	6.60	31.9%	8.30	4.9%
margin	15.4%	12.9%		14.7%	
Net income	5.23	4.30	21.8%	5.46	-4.2%
margin	9.2%	8.4%		9.7%	
EPS (diluted)	0.67	0.55	21.9%	0.71	-4.5%

Source: First Berlin Equity Research, ABO Wind AG

Strong balance sheet absorbs higher debt load Investments in projects and the expansion of the project pipeline were largely financed by additional financial liabilities. With a high equity ratio of almost 47% and a still low net gearing of 69%, this seems to be justifiable, especially since most of the financial debt (€55.6m out of a total of €64.9m, i.e. 84%) is long-term. Financial liabilities consist of bonds and loans, which have risen from €8.8m to €11.5m since H1/18 as a result of the subscription for additional convertible bonds. Liabilities to banks increased from €38.9m in H1/18 to €54.9m. Liquid assets and cash equivalents decreased from €4.5m to €1.5m (see figure 2) resulting in a rise in net debt from €43.2m by the end of 2018 to €64.9m.

Figure 2: Selected balance sheet items

in €m	H1/19A	2018A	Delta
Non-current assets	10.1	10.0	1%
Inventories	73.3	71.5	3%
Trade receivables	13.7	20.2	-32%
Receivables from affiliated companies	69.9	58.4	20%
Securities	18.9	18.7	1%
Liquid funds	1.5	4.5	-66%
Current assets	190.6	182.5	4%
Equity	94.3	89.0	6%
Equity ratio	46.5%	45.9%	+0.6 PP
Mezzanine capital	14.5	14.4	1%
Provisions	17.8	21.0	-15%
Financial debt, long-term	55.6	46.8	19%
Financial debt, short-term	10.8	0.8	1182%
Total financial debt	66.4	47.7	39%
Net debt	64.9	43.2	50%
Net gearing (Net debt/equity in %)	68.9%	48.5%	+20.4 PP
Trade payables	4.4	11.0	-60%
Balance sheet total	202.9	194.0	5%

Source: First Berlin Equity Research, ABO Wind AG

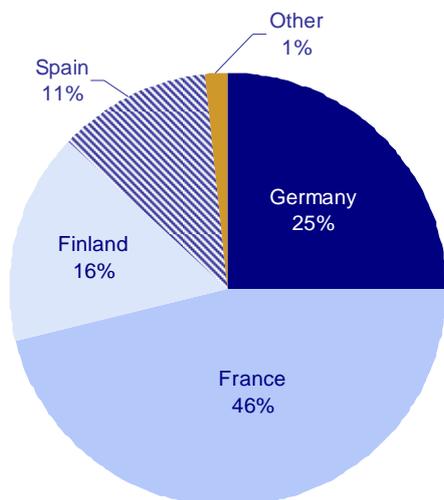


With regard to the rise in receivables from affiliated companies (€69.9m versus €58.4m), it should be noted that these are mainly (€40.8m) attributable to a German project not yet sold as of 30 June. In the meantime, the project financing has been completed and a substantial part of the outstanding claims has been settled. The sale of the project is expected by the end of the year.

Net cash flow negative Even without a cash flow statement, conclusions can be drawn from the balance sheet and the profit and loss account on capital flows. EBITDA amounted to €14.3m. The decline in provisions (-€3.2m), higher inventories (+€1.9m), higher receivables and other assets (+€9m) are likely to have led to cash outflows, as did lower trade payables (-€6.6m) and lower other liabilities (-€5.6m) as well as tax payments. Overall, this should have led to negative operating cash flow (FBe: approx. €-20m). Due to a largely stable value of property, plant & equipment and intangible assets, and depreciation & amortization of €1.1m, cash flows from investing activities amount to roughly the same sum as D & A. Cash flow from financing was largely influenced by a cash inflow from increased financial liabilities (FBe: approx. €19m). Net cash flow was €3.0m.

Large shifts in regional revenue distribution In the first half of the year, the French market was by far the most important region, accounting for 46% of total sales (see figure 3), followed by Germany with 25%, Finland (16%) and Spain (11%). The fact that the home market contributed only 25% of total sales shows that ABO Wind is also suffering from the crisis on the German onshore wind market. On the other hand, the foreign share of 75% with the same absolute turnover level shows that ABO Wind is positioned well enough internationally to compensate for the turnover loss (almost half) in its home market. The comparison with the same period of the previous year shows the significant shifts in regional revenue distribution. In H1/18, the French sales share was almost negligible at 2%, while Finland contributed 50% and Germany 47%.

Figure 3: Regional sales split in H1/19



Source: First Berlin Equity Research, ABO Wind AG



Project right sales offset lower construction While revenue from Planning & Rights Sale rose by 235% to €38.5m, revenue from the construction of wind and solar power plants fell by 65% to €13.7m. In the Services segment, sales decreased by 17% (see figure 4).

Figure 4: Segment sales development

Segment sales in €m	H1/19A	H1/18A	Delta
Construction	13.7	39.6	-65%
Planning & Rights' Sales	38.5	11.5	235%
Services	4.5	5.4	-17%
Total sales	56.6	56.4	0%

Source: First Berlin Equity Research, ABO Wind AG

The segment Planning & Rights Sale benefited from the sale of project rights for solar power plants in Spain (revenue contribution: €6.3m) as well as rights sales in Finland and France. In total, project rights for 317 MW were sold. In addition, the development of three wind farm projects (23 MW) and one solar project (7 MW) was completed.

In the Construction segment, only one German and one French project with a total capacity of 23 MW were completed. Two turnkey projects with a total of 18 MW were sold.

The Services segment covers the operational management and service of green power plants as well as portfolio & project rights management. In the latter area, ABO Wind worked for projects already sold (698 MW in total) on behalf of the acquirers as service provider in obtaining outstanding rights and contracts or in connection with the construction of the projects. In the area of operational management, ABO Wind manages wind turbines with a total output of 1,230 MW and eight solar plants. The service covers around 160 wind turbines with different performance levels.

Significant expansion of the project pipeline In the first half of the year, ABO Wind secured large land areas and started to develop new projects. The project pipeline increased by 3.5 GW to around 10 GW. Most of the new projects (over 2.5 GW) come from non-European markets such as South Africa, Colombia and Tunisia. The combined 5 GW in Argentina and South Africa equal approximately 50% of the project pipeline and should thus contribute significantly to future growth. Due to the higher risks and the lower likelihood of realisation, ABO Wind applies deductions in the management report for projects outside Europe. Therefore, the risk-adjusted project pipeline has a volume of 7.5 GW (5.5 GW wind power and 2.0 GW solar). We consider these discounts to be justified, since economic stability in non-European countries is often lower and the legal framework less reliable. The recent severe economic crisis in Argentina is proof of this.

Germany, France, Finland and Spain are the most important countries in terms of the mid-term earnings outlook. ABO Wind is currently working on roughly 1,000 MW of projects in each country, aside from Spain with 500 MW.

Estimates confirmed Following the better than expected half-year figures, we believe that our full-year estimates are easily achievable, especially as sales planned for the remainder of the year are currently on schedule. In view of the significantly expanded project pipeline in the first half of the year, we see our growth forecasts as well-substantiated for the next few years. In the medium term (in about five years), ABO Wind expects to increase its net profit to approximately €20m. We therefore confirm our forecasts for 2019E and the years to come.

Buy reiterated at slightly higher price target With a 2020E P/E ratio of 8, the ABO Wind share remains attractively valued. An updated DCF model results in a slightly raised price target to €22.50 (previously: €22.00). The share price still has a significant upward potential (47%) compared to our price target. We confirm our Buy recommendation.



VALUATION MODEL

DCF valuation model									
All figures in EUR '000									
	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	
Net sales	148,100	173,252	184,687	196,138	207,549	218,832	229,893	240,636	
NOPLAT	11,667	15,934	16,959	18,167	19,037	19,919	20,825	21,637	
+ depreciation & amortisation	1,811	1,991	2,269	2,566	2,765	3,008	3,249	3,474	
Net operating cash flow	13,478	17,926	19,229	20,733	21,801	22,926	24,074	25,111	
- total investments (CAPEX and WC)	5,819	-15,542	-8,522	-9,539	-9,353	-9,466	-9,524	-9,524	
Capital expenditures	-2,222	-2,945	-3,324	-3,334	-3,491	-3,641	-3,783	-3,916	
Working capital	8,041	-12,597	-5,198	-6,205	-5,863	-5,825	-5,741	-5,608	
Free cash flows (FCF)	19,298	2,383	10,707	11,194	12,448	13,460	14,550	15,587	
PV of FCF's	18,919	2,155	8,927	8,608	8,828	8,803	8,776	8,671	

All figures in thousands	
PV of FCFs in explicit period (2019E-2033E)	127,864
PV of FCFs in terminal period	104,040
Enterprise value (EV)	231,904
+ Net cash / - net debt	-43,164
+ Investments / minority interests	39
Shareholder value	188,779

Fair value per share in EUR	22.50
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WACC		Terminal growth rate						
		0.5%	1.0%	1.5%	2.0%	2.5%	3.0%	3.5%
4.4%	Cost of equity	52.92	57.15	62.82	70.83	83.00	103.71	146.81
5.4%	Pre-tax cost of debt	39.96	42.05	44.67	48.06	52.61	59.03	68.79
6.4%	Tax rate	31.48	32.61	33.97	35.63	37.72	40.42	44.05
7.4%	After-tax cost of debt	25.54	26.18	26.94	27.83	28.90	30.22	31.87
8.4%	Share of equity capital	21.16	21.54	21.98	22.48	23.07	23.77	24.61
9.4%	Share of debt capital	17.82	18.05	18.30	18.60	18.94	19.32	19.78
10.4%		15.19	15.33	15.48	15.66	15.85	16.08	16.33
11.4%	Fair value per share in EUR	13.07	13.16	13.25	13.36	13.47	13.60	13.75

* for layout purposes the model shows numbers only to 2026, but runs until 2033



INCOME STATEMENT

All figures in EUR '000	2016A	2017A	2018A	2019E	2020E	2021E
Revenues	122,292	146,786	150,264	148,100	173,252	184,687
Changes in inventory	22,320	29,468	-619	26,214	30,319	31,951
Own work	0	0	256	0	0	0
Total output	144,612	176,254	149,901	174,314	203,571	216,638
Cost of goods sold	76,198	99,298	70,684	96,709	118,418	126,788
Gross profit	46,094	47,488	79,580	51,391	54,834	57,899
Personnel costs	27,095	32,039	36,305	38,050	40,000	42,028
Other operating income	2,495	3,750	2,973	2,518	2,945	2,955
Other operating expenses	9,392	10,926	13,465	14,200	14,500	15,144
EBITDA	34,421	37,741	32,420	27,872	33,599	35,633
Depreciation and amortisation	1,575	1,449	1,438	1,811	1,991	2,269
Depreciation of current assets	8,957	11,328	8,766	9,204	9,665	10,148
Operating income (EBIT)	23,889	24,964	22,216	16,857	21,943	23,216
Net financial result	-1,535	-1,489	-918	-1,594	-1,915	-2,361
Pre-tax income (EBT)	22,354	23,475	21,298	15,263	20,027	20,855
Income taxes	5,810	6,455	8,537	5,189	6,008	6,257
Minority interests	-24	-9	-17	0	0	0
Net income / loss	16,519	17,011	12,745	10,073	14,019	14,599
Diluted EPS (in €)	2.16	2.22	1.67	1.30	1.67	1.74
Ratios						
Gross margin on total output	31.9%	26.9%	53.1%	29.5%	26.9%	26.7%
Gross margin on revenues	37.7%	32.4%	53.0%	34.7%	31.7%	31.4%
EBITDA margin on revenues	28.1%	25.7%	21.6%	18.8%	19.4%	19.3%
EBIT margin on revenues	19.5%	17.0%	14.8%	11.4%	12.7%	12.6%
EBT margin on revenues	18.3%	16.0%	14.2%	10.3%	11.6%	11.3%
Net margin on revenues	13.5%	11.6%	8.5%	6.8%	8.1%	7.9%
Tax rate	26.0%	27.5%	40.1%	34.0%	30.0%	30.0%
Expenses as % of revenues						
Personnel costs	22.2%	21.8%	24.2%	25.7%	23.1%	22.8%
Depreciation and amortisation	1.3%	1.0%	1.0%	1.2%	1.1%	1.2%
Depreciation of current assets	7.3%	7.7%	5.8%	6.2%	5.6%	5.5%
Other operating expenses	7.7%	7.4%	9.0%	9.6%	8.4%	8.2%
Y-Y Growth						
Revenues	52.4%	20.0%	2.4%	-1.4%	17.0%	6.6%
Operating income	68.8%	4.5%	-11.0%	-24.1%	30.2%	5.8%
Net income/ loss	112.5%	3.0%	-25.1%	-21.0%	39.2%	4.1%



BALANCE SHEET

All figures in EUR '000	2016A	2017A	2018A	2019E	2020E	2021E
Assets						
Current assets, total	136,074	163,462	184,057	201,930	225,582	235,399
Cash and cash equivalents	3,797	32,335	4,517	28,166	37,869	44,235
Short-term investments	7,270	12,500	18,747	18,747	18,747	18,747
Receivables	17,278	24,387	20,231	22,316	28,480	30,360
Inventories	45,883	48,822	71,451	63,590	71,375	72,946
Other current assets	60,181	43,700	67,694	67,694	67,694	67,694
Non-current assets, total	10,478	10,487	9,985	10,395	11,349	12,404
Property, plant & equipment	4,782	4,627	4,553	4,759	5,679	6,859
Goodwill & other intangibles	273	293	894	1,098	1,132	1,007
Financial assets	5,424	5,567	4,538	4,538	4,538	4,538
Other assets	0	0	33	33	33	33
Total assets	146,552	173,949	194,042	212,325	236,931	247,803
Shareholders' equity & debt						
Current liabilities, total	36,271	42,615	43,848	49,322	58,389	66,831
Short-term debt	4,346	1,125	844	4,000	11,447	21,636
Accounts payable	6,864	9,914	10,983	13,248	14,599	12,852
Current provisions	16,151	23,881	21,014	21,014	21,014	21,014
Other current liabilities	8,909	7,695	11,007	11,060	11,329	11,329
Long-term liabilities, total	43,544	51,780	61,219	55,719	60,772	52,136
Long-term debt	28,937	37,410	46,837	41,337	46,390	37,754
Deferred revenue	0	0	0	0	0	0
Other liabilities	14,606	14,370	14,382	14,382	14,382	14,382
Minority interests	32	42	39	39	39	39
Shareholders' equity	66,706	79,512	88,937	107,245	117,731	128,797
Share capital	7,646	7,646	7,646	8,413	8,413	8,413
Capital reserve	13,542	13,542	13,542	24,275	24,275	24,275
Other reserves	0	0	0	0	0	0
Loss carryforward / retained earnings	45,529	58,553	68,016	74,824	85,310	96,376
Total consolidated equity and debt	146,552	173,949	194,042	212,325	236,931	247,803
Ratios						
Current ratio (x)	3.75	3.84	4.20	4.09	3.86	3.52
Quick ratio (x)	2.49	2.69	2.57	2.80	2.64	2.43
Net debt	29,486	6,200	43,164	17,171	19,968	15,155
Net gearing	44.2%	7.8%	48.5%	16.0%	17.0%	11.8%
Book value per share (in €)	8.72	10.40	11.63	13.80	13.99	15.31
Return on equity (ROE)	24.8%	21.4%	14.3%	9.4%	11.9%	11.3%
Return on Assets (ROA)	12.5%	10.8%	7.5%	5.6%	6.8%	7.0%
Return on Investment (ROI)	11.3%	9.8%	6.6%	4.7%	5.9%	5.9%
Return on average capital employed (ROCE)	27.1%	26.1%	20.6%	13.6%	17.3%	17.0%
Days of sales outstanding (DSO)	51.6	60.6	49.1	55.0	60.0	60.0
Days inventory outstanding	219.8	179.5	369.0	240.0	220.0	210.0
Days in payables (DIP)	32.9	36.4	56.7	50.0	45.0	37.0



CASH FLOW STATEMENT

All figures in EUR '000	2016A	2017A	2018A	2019E	2020E	2021E
EBIT	23,889	24,964	22,216	16,857	21,943	23,216
Depreciation and amortisation	1,575	1,449	1,438	1,811	1,991	2,269
EBITDA	25,464	26,413	23,654	18,668	23,934	25,485
Changes in working capital	-27,327	2,817	-39,067	8,041	-12,597	-5,198
Other adjustments	-1,527	2,216	-12,697	-5,189	-6,008	-6,257
Operating cash flow	-3,390	31,446	-28,110	21,519	5,329	14,031
Investments in PP&E	-2,279	-1,257	-1,393	-1,481	-2,252	-2,770
Investments in intangibles	-145	-213	-782	-741	-693	-554
Free cash flow	-5,814	29,976	-30,285	19,298	2,383	10,707
Acquisitions & disposals, net	340	169	179	0	0	0
Other investments	-377	4	-1,246	0	0	0
Investment cash flow	-2,461	-1,297	-3,242	-2,222	-2,945	-3,324
Debt financing, net	2,069	4,130	9,120	-2,344	12,500	1,553
Equity financing, net	0	0	0	11,500	0	0
Dividends paid	-1,911	-3,823	-3,058	-3,211	-3,265	-3,533
Other financing	-1,766	-1,816	-2,389	-1,594	-1,915	-2,361
Financing cash flow	-1,609	-1,508	3,672	4,351	7,320	-4,340
FOREX & other effects	-16	-103	-138	0	0	0
Net cash flows	-7,475	28,538	-27,818	23,649	9,703	6,366
Cash, start of the year	9,505	3,797	32,335	4,517	28,166	37,869
Cash, end of the year	2,030	32,335	4,517	28,166	37,869	44,235
EBITDA/share (in €)	4.50	4.94	4.24	3.59	3.99	4.24
Y-Y Growth						
Operating cash flow	n.m.	n.m.	n.m.	n.m.	-75.2%	163.3%
Free cash flow	n.m.	n.m.	n.m.	n.m.	-87.6%	349.2%
Financial Cashflow	n.m.	n.m.	n.m.	18.5%	68.2%	n.m.
EBITDA/share	71.2%	9.6%	-14.1%	-15.4%	11.4%	6.1%

FIRST BERLIN RECOMMENDATION & PRICE TARGET HISTORY

Report No.:	Date of publication	Previous closing price	day	Recommendation	Price target
Initial Report	12 April 2017	€7.80		BUY	€14.00
2...11	↓	↓		↓	↓
12	20 February 2019	€14.80		BUY	€21.50
13	13 June 2019	€14.10		BUY	€22.00
14	5 August 2019	€14.40		BUY	€22.00
15	Today	€15.30		BUY	€22.50

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Category		1	2
Current market capitalisation (in €)		0 - 2 billion	> 2 billion
Strong Buy ¹	An expected favourable price trend of:	> 50%	> 30%
Buy	An expected favourable price trend of:	> 25%	> 15%
Add	An expected favourable price trend of:	0% to 25%	0% to 15%
Reduce	An expected negative price trend of:	0% to -15%	0% to -10%
Sell	An expected negative price trend of:	< -15%	< -10%

¹ The expected price trend is in combination with sizable confidence in the quality and forecast security of management.

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- key sources of information in the preparation of this research report
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