

ABO Wind AG

Deutschland / Cleantech

Börse Hamburg

Bloomberg: AB9 GR

ISIN: DE0005760029

Small capital increase

RATING

PRICE TARGET

Return Potential

Risk Rating

BUY

€ 27.00

48.4%

High

PROFITABLE GROWTH AHEAD

ABO Wind has carried out a small capital increase and plans to include the share in Xetra trading. This should raise the liquidity of the share and thus the attractiveness of the stock. The company has issued 400.000 shares at €17.10 resulting in a cash inflow of €6.8m. The funds will be used to finance its international expansion, which should contribute to growth this year. An international project pipeline of over 10 GW suggests continued growth in the medium term too. Even the battered German market is beginning to show signs of life. The German onshore wind tender in December 2019 was the first tender to be oversubscribed since August 2018. We interpret this as a first indication that permit congestion is slowly abating. After the catastrophically low new installations of ca. 1.1 GW in 2019, the German wind market should revive again in 2020. However, in view of the long turbine delivery times (>12 months) and projects of almost 1.4 GW awarded in the period May-December 2019, we expect that the recovery will only really pick up steam in 2021. For 2020E, we forecast an almost 40% increase in net profit at ABO Wind to €14m. We have updated our DCF model and raise our price target from €22.50 to €27.00. Despite the 25% price increase in 2019, the share remains attractively valued (2020E P/E ratio: 11x). We confirm our Buy recommendation.

Small capital increase The capital raise, which was significantly oversubscribed, increased the number of shares by 400.000 to 8.470.893 shares. A major part of the new shares was subscribed by the Quest Cleantech Fund, which is controlled by the Belgian investment manager Capricorn Partners. ABO Wind receives €6.84m through the placement of the shares. The placement should increase the free float to ca. 33%.

(p.t.o.)

FINANCIAL HISTORY & PROJECTIONS

	2016	2017	2018	2019E	2020E	2021E
Revenue (€m)	122.29	146.79	150.26	148.10	173.25	190.33
Y-o-y growth	52.4%	20.0%	2.4%	-1.4%	17.0%	9.9%
EBIT (€m)	23.89	24.96	22.22	16.86	21.94	25.05
EBIT margin	19.5%	17.0%	14.8%	11.4%	12.7%	13.2%
Net income (€m)	16.52	17.01	12.74	10.07	14.02	15.89
EPS (diluted) (€)	2.16	2.22	1.67	1.31	1.66	1.88
DPS (€)	0.50	0.40	0.42	0.42	0.42	0.45
FCF (€m)	-5.81	29.98	-30.29	19.30	2.39	9.12
Net gearing	44.2%	7.8%	48.5%	21.8%	15.3%	11.4%
Liquid assets (€m)	3.80	32.34	4.52	28.16	39.60	44.39

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.

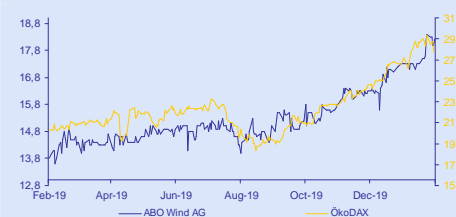
MARKET DATA

As of 31 Jan 2020

Closing Price	€ 18.20
Shares outstanding	8.47m
Market Capitalisation	€ 154.17m
52-week Range	€ 13.60 / 18.40
Avg. Volume (12 Months)	1,927

Multiples	2018	2019E	2020E
P/E	12.1	15.3	11.0
EV/Sales	1.3	1.3	1.1
EV/EBIT	8.6	11.3	8.7
Div. Yield	2.3%	2.3%	2.3%

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	28.5%
Familie Bockholt	28.5%
Mainova	10.0%
Free Float	33.0%

Further successes in Spain In December 2019, ABO Wind sold the project rights to a Spanish wind farm with a planned capacity of 50 MW. It will develop the project, which is expected to be connected to the grid in 2022, until it is ready-to-build at the beginning of 2021 and support the buyer with the funding. As a service provider, ABO Wind is also responsible for the park layout, turbine purchase, and construction supervision. At the beginning of 2020, ABO Wind sold the project rights to another Spanish wind farm with a capacity of 100 MW. ABO Wind is currently working on the development of wind and solar parks in Spain with a total output of more than 1,000 MW.

Internationalisation as a winning formula Since 2015, the number of country markets in which ABO Wind is active has doubled. The company is currently active in 16 national markets (see figure 1). In addition to established wind markets, this also includes emerging markets such as Tunisia and Colombia. Thanks to the internationalisation of business activities, ABO Wind was able to compensate for the weakness of the German home market in H1/19. In the medium term, the company plans to generate 75% of its sales abroad (2018: 53%).

Figure 1: ABO Wind sales by country



Source: First Berlin Equity Research, ABO Wind AG

Very large project pipeline offers growth potential In November 2019, ABO Wind's project pipeline (wind and solar) had a volume of 10,292 MW (see figure 2 overleaf) of which 1,921 MW in phase II (approval achieved, ready-to-build in progress) and 108 MW in phase III (under construction). This pipeline is a very solid basis for the growth we forecast for the coming years.

**Figure 2: Wind and solar project pipeline in MW, November 2019**

Country	Phase I	Phase II	Phase III	Sum
Germany	950	45	23	1,018
France	950	45	29	1,024
Finland	1,400	165		1,565
Ireland	173	45	11	229
Spain	1,000			1,000
Greece	600		38	638
Poland		21		21
Hungary			5	5
Great Britain	200	40		240
Argentina	900	900		1,800
Colombia	500			500
Canada	300	10		310
South Africa	1,000	600		1,600
Tanzania	250			250
Tunisia	40	50	2	92
Sum	8,263	1,921	108	10,292

* Phase I: Sites secured, working on approval, Phase II: approval received, working on ready-to-build, Phase III: under construction

Source: First Berlin Equity Research, ABO Wind AG

At last, successful again in onshore wind tender in Germany After a long barren period, ABO Wind was again awarded a contract for a German project. The company's last award was the Erlenbach project (8 MW) in February 2019. In the subsequent tender rounds, the project developer was unsuccessful due to the lack of approved projects. The Wadem Wenzelstein project (10 MW) was awarded in December 2019. The average price of the tender round was 6.11 €/kWh and thus only slightly below the statutory maximum price of 6.20 €/kWh. Assuming that the price offered by ABO Wind was close to the average price the profitability of the project should be high.

Furthermore, the Görzig project (13.5 MW) in Brandenburg has been awarded to Trianel. This project was developed by ABO Wind and then sold to Trianel. ABO Wind is still working on the project, is paid according to project milestones, and thus benefits from the award. We expect further awards to ABO Wind from the first tender in February 2020, because, according to the market data master register, the company has two approved wind farm projects with a total capacity of 41 MW.

Equity strengthened again ABO Wind placed a convertible bond with a volume of €11.5m in 2018/19. Around €6.4m of this was converted into shares in October 2019. The number of shares rose by 425.193 to 8.070.893 shares. We estimate end 2019 equity at around €102m corresponding to a very solid equity ratio of 48%. With the small capital increase in January 2020, equity climbs by a further €6.8m.

2020E estimates confirmed, 2021E forecast increased For 2020E, we still expect net profit to rise by almost 40% to €14m. Given the positive pipeline development, we increase our 2021E forecast. The medium-term prospects are also very good. ABO Wind expects to generate a net profit of approximately €20m in ca. five years. We have adjusted earnings per share to the higher number of shares (see figure 3 overleaf).

**Figure 3: Revisions to forecasts**

All figures in €m	2019E			2020E			2021E		
	Old	New	Delta	Old	New	Delta	Old	New	Delta
Sales	148.10	148.10	0.0%	173.25	173.25	0.0%	184.69	190.33	3.1%
EBIT	16.86	16.86	0.0%	21.94	21.94	0.0%	23.22	25.05	7.9%
margin	11.4%	11.4%		12.7%	12.7%		12.6%	13.2%	
Net income	10.07	10.07	0.0%	14.02	14.02	0.0%	14.60	15.89	8.8%
margin	6.8%	6.8%		8.1%	8.1%		7.9%	8.3%	
EPS (diluted)	1.30	1.31	0.7%	1.67	1.66	-0.3%	1.74	1.88	8.1%

Source: First Berlin Equity Research

Buy recommendation confirmed, price target increased Despite a share price increase of 25% in 2019, ABO Wind remains attractively valued with a 2020E P/E ratio of 11x. An updated DCF model results in a new price target of €27.00 (previously: €22.50). The model takes into account the higher number of shares due to the conversion and the capital increase. Since we originally assumed a complete conversion, dilution is lower. In addition, given the continued expansionary monetary policy of the European Central Bank and moderate forecasts for global growth, the model also assumes low long term credit and bond interest rates. In view of the increasing visibility of the consequences of climate change and, on the whole, intensifying efforts to limit it in the political, civil society, and economic spheres, we see high growth potential for ABO Wind worldwide, especially since wind and solar power are the cheapest power generation alternatives in most regions. 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	190,325	202,125	213,885	225,513	236,911	247,982
NOPLAT	11,669	15,936	18,240	19,695	20,554	21,418	22,297	23,073
+ depreciation & amortisation	1,811	1,991	2,269	2,600	2,820	3,079	3,334	3,571
Net operating cash flow	13,480	17,928	20,509	22,295	23,373	24,497	25,631	26,644
- total investments (CAPEX and WC)	5,819	-15,542	-11,385	-9,346	-9,574	-9,687	-9,743	-9,740
Capital expenditures	-2,222	-2,945	-3,426	-3,436	-3,597	-3,752	-3,898	-4,035
Working capital	8,041	-12,597	-7,959	-5,910	-5,977	-5,935	-5,845	-5,705
Free cash flows (FCF)	19,299	2,385	9,124	12,949	13,799	14,810	15,888	16,904
PV of FCF's	19,299	2,222	7,866	10,332	10,190	10,120	10,048	9,893

All figures in thousands	
PV of FCFs in explicit period (2019E-2033E)	141,163
PV of FCFs in terminal period	124,187
Enterprise value (EV)	265,349
+ Net cash / - net debt (pro forma)	-36,324
+ Investments / minority interests	39
Shareholder value	229,064

Fair value per share in EUR	27.00
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WACC		Terminal growth rate							
		0.5%	1.0%	1.5%	2.0%	2.5%	3.0%	3.5%	
Cost of equity	12.3%	4.1%	63.71	69.71	78.06	90.49	110.93	150.84	263.32
Pre-tax cost of debt	5.5%	5.1%	47.58	50.43	54.09	58.94	65.70	75.76	92.30
Tax rate	30.0%	6.1%	37.37	38.88	40.72	43.02	45.96	49.87	55.31
After-tax cost of debt	3.9%	7.1%	30.36	31.22	32.22	33.43	34.90	36.74	39.09
Share of equity capital	50.0%	8.1%	25.28	25.78	26.36	27.04	27.84	28.80	29.97
Share of debt capital	50.0%	9.1%	21.44	21.74	22.09	22.49	22.94	23.47	24.10
		10.1%	18.44	18.63	18.84	19.08	19.35	19.65	20.01
Fair value per share in EUR	27.00	11.1%	16.05	16.17	16.30	16.44	16.60	16.78	16.98

* 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	190,325
Changes in inventory	22,320	29,468	-619	26,214	30,319	32,926
Own work	0	0	256	0	0	0
Total output	144,612	176,254	149,901	174,314	203,571	223,251
Cost of goods sold	76,198	99,298	70,684	96,709	118,418	130,658
Gross profit	46,094	47,488	79,580	51,391	54,834	59,667
Personnel costs	27,095	32,039	36,305	38,050	40,000	43,028
Other operating income	2,495	3,750	2,973	2,518	2,945	3,045
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	37,466
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	25,049
Net financial result	-1,535	-1,489	-918	-1,598	-1,921	-2,352
Pre-tax income (EBT)	22,354	23,475	21,298	15,258	20,021	22,697
Income taxes	5,810	6,455	8,537	5,188	6,006	6,809
Minority interests	-24	-9	-17	0	0	0
Net income / loss	16,519	17,011	12,745	10,071	14,015	15,888
Diluted EPS (in €)	2.16	2.22	1.67	1.31	1.66	1.88
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%	19.7%
EBIT margin on revenues	19.5%	17.0%	14.8%	11.4%	12.7%	13.2%
EBT margin on revenues	18.3%	16.0%	14.2%	10.3%	11.6%	11.9%
Net margin on revenues	13.5%	11.6%	8.5%	6.8%	8.1%	8.3%
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%	22.6%
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%	5.3%
Other operating expenses	7.7%	7.4%	9.0%	9.6%	8.4%	8.0%
Y-Y Growth						
Revenues	52.4%	20.0%	2.4%	-1.4%	17.0%	9.9%
Operating income	68.8%	4.5%	-11.0%	-24.1%	30.2%	14.2%
Net income/ loss	112.5%	3.0%	-25.1%	-21.0%	39.2%	13.4%



BALANCE SHEET

All figures in EUR '000	2016A	2017A	2018A	2019E	2020E	2021E
Assets						
Current assets, total	136,074	163,462	184,057	201,927	227,317	238,703
Cash and cash equivalents	3,797	32,335	4,517	28,163	39,604	44,386
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	31,286
Inventories	45,883	48,822	71,451	63,590	71,375	75,173
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	12,506
Property, plant & equipment	4,782	4,627	4,553	4,759	5,679	6,944
Goodwill & other intangibles	273	293	894	1,098	1,132	1,024
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	212,322	238,666	251,209
Shareholders' equity & debt						
Current liabilities, total	36,271	42,615	43,848	49,298	58,399	67,503
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	13,245
Current provisions	16,151	23,881	21,014	21,014	21,014	21,014
Other current liabilities	8,909	7,695	11,007	11,036	11,339	11,607
Long-term liabilities, total	43,544	51,780	61,219	60,841	60,772	52,136
Long-term debt	28,937	37,410	46,837	46,459	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	102,144	119,456	131,532
Share capital	7,646	7,646	7,646	8,071	8,471	8,471
Capital reserve	13,542	13,542	13,542	19,495	25,935	25,935
Other reserves	0	0	0	0	0	0
Loss carryforward / retained earnings	45,529	58,553	68,016	74,845	85,317	97,393
Total consolidated equity and debt	146,552	173,949	194,042	212,322	238,666	251,209
Ratios						
Current ratio (x)	3.75	3.84	4.20	4.10	3.89	3.54
Quick ratio (x)	2.49	2.69	2.57	2.81	2.67	2.42
Net debt	29,486	6,200	43,164	22,296	18,233	15,005
Net gearing	44.2%	7.8%	48.5%	21.8%	15.3%	11.4%
Book value per share (in €)	8.72	10.40	11.63	13.24	14.16	15.53
Return on equity (ROE)	24.8%	21.4%	14.3%	9.9%	11.7%	12.1%
Return on Assets (ROA)	12.5%	10.8%	7.5%	5.6%	6.8%	7.4%
Return on Investment (ROI)	11.3%	9.8%	6.6%	4.7%	5.9%	6.3%
Return on average capital employed (ROCE)	27.1%	26.1%	20.6%	13.6%	17.3%	18.2%
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	25,049
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	27,319
Changes in working capital	-27,327	2,817	-39,067	8,041	-12,597	-7,959
Other adjustments	-1,527	2,216	-12,697	-5,188	-6,006	-6,809
Operating cash flow	-3,390	31,446	-28,110	21,521	5,331	12,550
Investments in PP&E	-2,279	-1,257	-1,393	-1,481	-2,252	-2,855
Investments in intangibles	-145	-213	-782	-741	-693	-571
Free cash flow	-5,814	29,976	-30,285	19,299	2,385	9,124
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	-3,426
Debt financing, net	2,069	4,130	9,120	2,778	7,378	1,553
Equity financing, net	0	0	0	6,378	6,840	0
Dividends paid	-1,911	-3,823	-3,058	-3,211	-3,241	-3,544
Other financing	-1,766	-1,816	-2,389	-1,598	-1,921	-2,352
Financing cash flow	-1,609	-1,508	3,672	4,347	9,056	-4,343
FOREX & other effects	-16	-103	-138	0	0	0
Net cash flows	-7,475	28,538	-27,818	23,646	11,441	4,782
Cash, start of the year	9,505	3,797	32,335	4,517	28,163	39,604
Cash, end of the year	2,030	32,335	4,517	28,163	39,604	44,386
EBITDA/share (in €)	4.50	4.94	4.24	3.61	3.98	4.42
Y-Y Growth						
Operating cash flow	n.m.	n.m.	n.m.	n.m.	-75.2%	135.4%
Free cash flow	n.m.	n.m.	n.m.	n.m.	-87.6%	282.5%
Financial Cashflow	n.m.	n.m.	n.m.	18.4%	108.3%	n.m.
EBITDA/share	71.2%	9.6%	-14.1%	-14.8%	10.2%	11.1%

FIRST BERLIN RECOMMENDATION & PRICE TARGET HISTORY

Report No.:	Date of publication	Previous day closing price	Recommendation	Price target
Initial Report	12 April 2017	€7.80	BUY	€14.00
2...12	↓	↓	↓	↓
13	13 June 2019	€14.10	BUY	€22.00
14	5 August 2019	€14.40	BUY	€22.00
15	9 October 2019	€15.30	BUY	€22.50
16	Today	€18.20	BUY	€27.00

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ASSET VALUATION SYSTEM

First Berlin's system for asset valuation is divided into an asset recommendation and a risk assessment.

ASSET RECOMMENDATION

The recommendations determined in accordance with the share price trend anticipated by First Berlin in the respectively indicated investment period are as follows:

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.

Our recommendation system places each company into one of two market capitalisation categories. Category 1 companies have a market capitalisation of €0 – €2 billion, and Category 2 companies have a market capitalisation of > €2 billion. The expected return thresholds underlying our recommendation system are lower for Category 2 companies than for Category 1 companies. This reflects the generally lower level of risk associated with higher market capitalisation companies.

RISK ASSESSMENT

The First Berlin categories for risk assessment are low, average, high and speculative. They are determined by ten factors: Corporate governance, quality of earnings, management strength, balance sheet and financial risk, competitive position, standard of financial disclosure, regulatory and political uncertainty, strength of brandname, market capitalisation and free float. These risk factors are incorporated into the First Berlin valuation models and are thus included in the target prices. First Berlin customers may request the models.

INVESTMENT HORIZON

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Legally required information regarding

- key sources of information in the preparation of this research report
- valuation methods and principles
- sensitivity of valuation parameters

can be accessed through the following internet link: <http://firstberlin.com/disclaimer-english-link/>

SUPERVISORY AUTHORITY: Bundesanstalt für Finanzdienstleistungsaufsicht (German Federal Financial Supervisory Authority) [BaFin], Graurheindorferstraße 108, 53117 Bonn and Lurgiallee 12, 60439 Frankfurt

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