

ABO Wind AG

Deutschland / Cleantech
 Börse Hamburg
 Bloomberg: AB9 GR
 ISIN: DE0005760029

Preliminary
 net profit 2019

RATING
PRICE TARGET
 Return Potential
 Risk Rating

BUY
€ 27.00
 55.2%
 High

PRELIMINARY NET PROFIT ABOVE EXPECTATIONS

ABO Wind reported that 2019 preliminary net income was around €11.4m, exceeding guidance and our estimate of €10m. This is the fourth year in a row that the company has presented a double-digit net result and again proved that it is operating successfully despite the very weak German market. International activities made an important contribution with their share growing to 58% of total sales. After the better than expected 2019 net profit, we are maintaining our 2020 net earnings estimate of €14m for the time being. Although there may be pandemic and recession-related project delays, we currently see our estimate as a feasible target given the well-filled project pipeline and overall good project progress to date. After the publication of the 2019 Annual Report on 9 June, we will reassess the situation. We confirm our Buy recommendation and the €27 price target.

Decline in 2019 net profit more moderate than expected After €12.7m in 2018, the preliminary 2019 net profit was €11.4m and thus around 10% below the previous year's figure. The net result is above guidance ("around €10m") and beat our estimate of €10.1m. We assume that international business, whose share in total sales grew from 53% to 58%, has also contributed a significant share to the net income. As a result, ABO Wind achieved the fourth-best result in the company's history despite the weakness of the German onshore wind market, where new installations reached a 20-year low of 1,078 MW.

Successes in the tenders in December 2019 and February 2020 ABO Wind was awarded the Wenzelstein project (10 MW) and the Görzig project (13.5 MW) in the December 2019 onshore wind tender. The latter project had already been sold to Trianel, though ABO Wind continues to work on its development.

(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 24 Apr 2020

Closing Price € 17.40
 Shares outstanding 8.47m
 Market Capitalisation € 147.39m
 52-week Range € 13.80 / 21.60
 Avg. Volume (12 Months) 2,858

Multiples	2018	2019E	2020E
P/E	11.4	14.5	10.4
EV/Sales	1.2	1.2	1.1
EV/EBIT	8.2	10.8	8.3
Div. Yield	2.4%	2.4%	2.4%

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%



In the February tender, ABO Wind was awarded the Spreeau (25 MW) and Einöllen (16 MW) projects. This means that ABO Wind can work on the construction of four projects with a total output of approx. 65 MW. In view of the high average awarded prices close to the maximum price of 6.20 €/kWh, we assume that ABO Wind also received awards at high prices, and that the projects will thus generate very attractive margins.

Project successes in Hungary, Tunisia, France and Spain In April ABO Wind commissioned its second solar project in Hungary. The solar park with an installed capacity of 6.5 MW is entitled to a fixed, inflation-indexed tariff of currently 33 HUF/kWh over a period of 20 years from commissioning. At the current HUF/EUR exchange rate of 0.0028, this corresponds to over 9 €/kWh. The park was sold to the Danish investor Obton A/S. ABO Wind is working on other Hungarian solar parks with a capacity of more than 100 MW.

At the beginning of April, the company announced the commissioning of the first solar project in Africa. This is comprised of 12 roof systems with a total capacity of 1.5 MW in Tunisia. ABO Wind opened an office in Tunis in 2018 and received tariffs for a 30 MW wind farm and a 10 MW solar park in 2019. Africa is a huge and still largely undeveloped market for wind and solar power. ABO Wind is currently working on the development of wind and solar parks with a capacity around 2,000 MW in South Africa, Tunisia and Tanzania.

In March, ABO Wind reported that it reached construction readiness for five French wind farms with a total output of 41 MW. Commissioning for nine of the 16 turbines is planned for this year, the rest for 2021. The company is currently developing wind and solar parks with a capacity of more than 1,000 MW in France.

At the beginning of 2020, ABO Wind sold the project rights to a Spanish wind farm with a volume of 100 MW. ABO Wind is currently working on the development of wind farms and solar parks with a total capacity of more than 1,000 MW in Spain.

Share more attractive through inclusion in trading on the Munich Stock Exchange and XETRA The ABO Wind share has been trading in the m:access segment of the Munich Stock Exchange since 26 March, and since April also on XETRA. This significantly facilitates the tradability of the share, which has only been listed on the open market of the Hamburg Stock Exchange in recent years. As a result, ABO Wind is now subject to higher transparency requirements such as the ad hoc reporting requirement. The higher transparency increases the attractiveness of the share for institutional investors.

Estimates remain unchanged Despite pandemic and recession, we maintain our 2020E forecast. In the course of the year, pandemic- and recession-related project and thus sales and earnings shifts can occur. Following the better-than-expected net result in the previous year and because of the well-filled project pipeline and the overall good project progress to date, we still see our forecast as achievable, even though visibility has decreased. After the publication of the annual report on 9 June, we will review our forecasts in the light of the lessons learned from the report and the then topical pandemic and economic situation.

Buy confirmed at unchanged price target An updated DCF model still yields a €27 price target. We see the decline in the share price since February as a buying opportunity. With a 2020E P/E ratio of 10 and a 2020E EV/EBIT of 8, the share remains attractively valued. Even in the financial crisis ABO Wind was profitable and the urgency to build-up a clean and inexpensive power supply globally has not changed because of the pandemic.



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	-9,832	-9,972	-10,056	-10,079
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	-6,235	-6,221	-6,158	-6,044
Free cash flows (FCF)	19,299	2,385	9,124	12,949	13,541	14,525	15,576	16,565
PV of FCF's	19,299	2,263	8,013	10,524	10,186	10,110	10,033	9,876

All figures in thousands	
PV of FCFs in explicit period (2019E-2033E)	141,369
PV of FCFs in terminal period	123,896
Enterprise value (EV)	265,266
+ Net cash / - net debt (pro forma)	-36,324
+ Investments / minority interests	39
Shareholder value	228,981

Fair value per share in EUR 27.03

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%	63.78	69.54	77.57	89.51	109.15	147.51	255.59
Pre-tax cost of debt	5.5%	5.1%	47.70	50.40	53.86	58.45	64.85	74.37	90.02
Tax rate	30.0%	6.1%	37.53	38.93	40.64	42.77	45.50	49.13	54.18
After-tax cost of debt	3.9%	7.1%	30.55	31.32	32.24	33.33	34.66	36.33	38.46
Share of equity capital	50.0%	8.1%	25.48	25.93	26.44	27.03	27.73	28.58	29.60
Share of debt capital	50.0%	9.1%	21.65	21.91	22.20	22.54	22.92	23.37	23.90
		10.1%	18.67	18.82	18.99	19.18	19.39	19.64	19.92
Fair value per share in EUR	27.00	11.1%	16.28	16.37	16.46	16.57	16.69	16.82	16.97

* 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...13	↓	↓	↓	↓
14	5 August 2019	€14.40	BUY	€22.00
15	9 October 2019	€15.30	BUY	€22.50
16	3 February 2020	€18.20	BUY	€27.00
17	Today	€17.40	BUY	€27.00

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First Berlin Equity Research GmbH (hereinafter referred to as: "First Berlin") prepares financial analyses while taking the relevant regulatory provisions, in particular the German Securities Trading Act [WpHG], Regulation (EU) No 596/2014 of the European Parliament and of the Council of April 16, 2014, on market abuse (market abuse regulation) and the German Ordinance on the Analysis of Financial Instruments [FinAnV] into consideration. In the following First Berlin provides investors with information about the statutory provisions that are to be observed in the preparation of financial analyses.

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In accordance with Section 34b Paragraph 1 of the German Securities Trading Act [WpHG] and Regulation (EU) No 596/2014 of the European Parliament and of the Council of April 16, 2014, on market abuse (market abuse regulation) financial analyses may only be passed on or publicly distributed if circumstances or relations which may cause conflicts of interest among the authors, the legal entities responsible for such preparation or companies associated with them are disclosed along with the financial analysis.

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PRICE TARGET DATES

Unless otherwise indicated, current prices refer to the closing prices of the previous trading day.

AGREEMENT WITH THE ANALYSED COMPANY AND MAINTENANCE OF OBJECTIVITY

The present financial analysis is based on the author's own knowledge and research. The author prepared this study without any direct or indirect influence exerted on the part of the analysed company. Parts of the financial analysis were possibly provided to the analysed company prior to publication in order to avoid inaccuracies in the representation of facts. However, no substantial changes were made at the request of the analysed company following any such provision.

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

Unless otherwise stated in the financial analysis, the ratings refer to an investment period of twelve months.

UPDATES

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