

# ABO Wind AG

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

Preliminary  
 2020 net result

**RATING**  
**PRICE TARGET**

Return Potential  
 Risk Rating

**BUY**  
**€ 55.00**  
 29.7%  
 High

## HIGH NET PROFIT IN PANDEMIC YEAR 2020

According to preliminary figures, ABO Wind increased its 2020 net profit by 12% y/y to €13.1m and thus achieved an excellent result in line with our forecast, despite the various challenges for the international project business due to the pandemic. With increasing global efforts to address climate change, we see the 2020s as a golden decade for renewable energies. We assume that the electrification of mobility and the hydrogen strategies of many countries will significantly increase the demand for green power in the coming years. With a project pipeline of over 12 GW and an equity ratio of 56%, we see ABO Wind as very well equipped to continue growing strongly over the next few years. We raise our price target slightly to €55 (previously: €54) and confirm our Buy recommendation.

**Net profit increased by 12% y/y** ABO Wind met our expectations (FBe: €13.2m) with a net profit of €13.1m in 2020. The high equity ratio of 56% at the end of 2020 is an excellent basis for bringing much larger wind and solar parks to the grid in the future and thus for double-digit growth in this and coming years.

**The operating business is running!** ABO Wind has achieved many operational successes in the last few months. In Greece, two solar parks with a total capacity of 45 MW were completed and sold to Blue Elephant Energy. The construction of five more solar parks with a total capacity of 50 MW should be completed in H1/2022. ABO Wind is developing PV projects with a total capacity of 5,000 MW worldwide. The construction of ABO Wind's first combined power plant has started in Germany. Two wind turbines with a total of 11.4 MW and a PV system with almost 750 kW are to be connected to the grid this year. By the end of 2020, ABO Wind had sold the wind farm in Einöllen (15.9 MW) to the German utility DEW21. The wind farm is scheduled to be connected to the grid in Q1/2021. In Argentina, ABO Wind sold two ready-to-build solar parks with a total capacity of 20 MW in December.

(p.t.o.)

### FINANCIAL HISTORY & PROJECTIONS

	2017	2018	2019	2020E	2021E	2022E
Revenue (€m)	146.79	150.26	126.27	163.25	190.33	228.39
Y-o-y growth	20.0%	2.4%	-16.0%	29.3%	16.6%	20.0%
EBIT (€m)	24.96	22.22	19.64	21.20	26.60	30.93
EBIT margin	17.0%	14.8%	15.6%	13.0%	14.0%	13.5%
Net income (€m)	17.01	12.74	11.40	13.10	16.48	19.42
EPS (diluted) (€)	2.22	1.67	1.48	1.54	1.79	2.11
DPS (€)	0.40	0.42	0.42	0.42	0.45	0.46
FCF (€m)	29.98	-30.29	-24.42	0.88	6.77	0.34
Net gearing	7.8%	48.5%	63.0%	30.6%	28.0%	29.7%
Liquid assets (€m)	32.34	4.52	9.65	38.97	42.65	41.02

### 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 3,500 MW since its establishment in 1996. The company also offers the management of wind farms, solar and biogas plants. ABO Wind has ca. 700 employees. Its headquarters are in Wiesbaden, Germany.

### MARKET DATA

As of 23 Feb 2021

Closing Price	€ 42.40
Shares outstanding	9.22m
Market Capitalisation	€ 390.97m
52-week Range	€ 13.80 / 52.00
Avg. Volume (12 Months)	3,604

Multiples	2019	2020E	2021E
P/E	34.3	29.8	23.7
EV/Sales	3.4	2.6	2.2
EV/EBIT	21.6	20.0	16.0
Div. Yield	1.0%	1.0%	1.1%

### STOCK OVERVIEW



### COMPANY DATA

As of 30 Jun 2020

Liquid Assets	€ 16.40m
Current Assets	€ 246.36m
Intangible Assets	€ 1.18m
Total Assets	€ 256.43m
Current Liabilities	€ 65.69m
Shareholders' Equity	€ 116.62m

### SHAREHOLDERS

Familie Ahn	26.0%
Familie Bockholt	26.0%
Mainova	10.0%
Free Float	38.0%



**Since February, GLS-Bank has been the exclusive seller of ABO Wind's corporate bond** The bond has a term of nine years, a 3.5% coupon, and a volume of €30m, which can be increased to €50m. The funds from the bond are used to finance wind and solar parks. The construction phase of large wind farms, in particular, requires high working capital.

**A golden decade for wind and solar power** The EU Commission tightened its climate targets in 2020 and is now proposing a CO<sub>2</sub> reduction of 55% by 2030 compared to 1990 (previously: more than 40%). Climate neutrality is to be achieved by 2050. Both the targets for 2030 and 2050 can only be achieved with considerable additional wind and solar capacity. Under the new administration of President Biden, the USA has rejoined the Paris Agreement on Climate Change. The new government is making the expansion of renewable energies one of its priorities.

Germany will phase out nuclear power (8 GW) by 2022 and coal power (43 GW) by 2038 at the latest. Intermediate targets for coal are a reduction to 30 GW by 2022 and 17 GW by 2030. The loss of fossil base-load power capacity will increase the pressure to install more green power plants, increase storage and likely drive up electricity prices, which should boost the value of green power systems.

In a study commissioned by the Hydrogen Council and published in January 2021, McKinsey assumes that 90 GW of electrolysis capacity will be installed by 2030. According to the study, there are 228 hydrogen projects along the value chain worldwide, 17 of which are already announced production projects on a GW scale (i.e. with a green power requirement of more than 1 GW). The International Energy Agency (IEA) considers annual green electricity production of around 3,600 TWh to be necessary to replace the current fossil hydrogen production with greenhouse gas-free water electrolysis. This is more than the EU's total annual electricity production. In July 2020, the EU Commission presented its plan, "A hydrogen strategy for a climate-neutral Europe", which envisions the installation of 6 GW of green hydrogen electrolyzers by 2024 and 40 GW by 2030. In June, the German federal government passed its national hydrogen strategy, which forecasts domestic hydrogen demand of 90-110 TWh by 2030 (currently: approx. 55 TWh). If this future demand were only covered by domestic wind power onshore, assuming 3,000 full load hours, this would correspond to additional wind power capacity of approx. 30-37 GW. It is already foreseeable that the establishment of a global hydrogen economy will result in an immense need for green power.

**Annual report on March 15th** The publication of the complete and audited consolidated financial statements is planned for Monday, 15 March. We expect that ABO Wind will then also announce guidance for 2021.

**Excellent growth prospects for ABO Wind** ABO Wind has set the foundations for accelerated growth, both operationally and financially. The project pipeline has a volume of more than 12 GW, and the financial leeway has been and is being expanded through equity and debt capital measures. We therefore expect the company to grow net earnings in 2021 & 2022 at a CAGR of almost 22%.

**Buy recommendation confirmed at slightly higher price target** Based on unchanged estimates, an updated DCF model results in a new price target of €55 (previously: €54). We confirm our Buy recommendation.



## VALUATION MODEL

DCF valuation model								
All figures in EUR '000								
	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E
Net sales	163,252	190,325	228,390	262,649	298,942	336,717	375,287	413,839
NOPLAT	15,585	19,538	22,604	26,809	30,397	33,993	37,637	41,152
+ depreciation & amortisation	1,679	1,841	2,015	2,332	2,728	3,162	3,630	4,125
Net operating cash flow	17,264	21,379	24,619	29,141	33,125	37,156	41,267	45,277
- total investments (CAPEX and WC)	-16,385	-14,612	-24,283	-19,364	-25,780	-27,256	-28,342	-28,950
Capital expenditures	-2,775	-3,140	-3,426	-3,940	-4,457	-4,990	-5,527	-6,057
Working capital	-13,610	-11,472	-20,858	-15,424	-21,323	-22,266	-22,815	-22,893
Free cash flows (FCF)	879	6,767	336	9,777	7,345	9,900	12,925	16,327
<b>PV of FCF's</b>	<b>879</b>	<b>6,418</b>	<b>299</b>	<b>8,183</b>	<b>5,774</b>	<b>7,310</b>	<b>8,966</b>	<b>10,640</b>

### All figures in thousands

PV of FCFs in explicit period (2020E-2034E)	154,831
PV of FCFs in terminal period	389,339
Enterprise value (EV)	544,170
+ Net cash / - net debt (pro forma)	-38,081
+ Investments / minority interests	37
Shareholder value	506,126
Number of shares (diluted)	9,221
<b>Fair value per share in EUR</b>	<b>54.89</b>

Terminal growth:	2.0%
Terminal EBIT margin:	11.6%

WACC		Terminal growth rate							
		0.5%	1.0%	1.5%	2.0%	2.5%	3.0%	3.5%	
Cost of equity	10.1%	4.5%	86.44	93.33	102.57	115.57	135.25	168.49	236.72
Pre-tax cost of debt	4.0%	5.0%	73.63	78.33	84.39	92.51	103.93	121.22	150.43
Tax rate	30.0%	5.5%	63.53	66.82	70.93	76.23	83.33	93.34	108.47
After-tax cost of debt	2.8%	6.0%	55.39	57.73	60.59	64.17	68.79	74.98	83.69
Share of equity capital	50.0%	6.5%	48.71	50.39	52.41	<b>54.89</b>	57.99	62.00	67.36
Share of debt capital	50.0%	7.0%	43.13	44.36	45.81	47.55	49.68	52.36	55.80
		7.5%	38.43	39.32	40.37	41.61	43.10	44.92	47.21
<b>Fair value per share in EUR</b>	<b>55.00</b>	8.0%	34.41	35.07	35.83	36.72	37.77	39.03	40.57

\* for layout purposes the model shows numbers only to 2027, but runs until 2034



## INCOME STATEMENT

All figures in EUR '000	2017A	2018A	2019A	2020E	2021E	2022E
<b>Revenues</b>	<b>146,786</b>	<b>150,264</b>	<b>126,273</b>	<b>163,252</b>	<b>190,325</b>	<b>228,390</b>
Changes in inventory	29,468	-619	22,752	28,569	32,926	39,511
Own work	0	256	233	0	0	0
<b>Total output</b>	<b>176,254</b>	<b>149,901</b>	<b>149,258</b>	<b>191,821</b>	<b>223,251</b>	<b>267,901</b>
Cost of goods sold	99,298	70,684	66,582	102,849	125,615	159,873
<b>Gross profit</b>	<b>47,488</b>	<b>79,580</b>	<b>59,691</b>	<b>60,403</b>	<b>64,711</b>	<b>68,517</b>
Personnel costs	32,039	36,305	41,361	43,400	45,310	48,045
Other operating income	3,750	2,973	3,451	2,775	3,045	3,654
Other operating expenses	10,926	13,465	17,143	17,100	18,144	21,469
<b>EBITDA</b>	<b>37,741</b>	<b>32,420</b>	<b>27,623</b>	<b>31,248</b>	<b>37,228</b>	<b>42,169</b>
Depreciation and amortisation	1,449	1,438	1,542	1,679	1,841	2,015
Depreciation of current assets	11,328	8,766	6,437	8,368	8,787	9,226
<b>Operating income (EBIT)</b>	<b>24,964</b>	<b>22,216</b>	<b>19,644</b>	<b>21,201</b>	<b>26,601</b>	<b>30,928</b>
Net financial result	-1,489	-918	-1,570	-2,481	-3,060	-3,181
<b>Pre-tax income (EBT)</b>	<b>23,475</b>	<b>21,298</b>	<b>18,074</b>	<b>18,720</b>	<b>23,540</b>	<b>27,747</b>
Income taxes	6,455	8,537	6,668	5,616	7,062	8,324
Minority interests	-9	-17	-4	0	0	0
<b>Net income / loss</b>	<b>17,011</b>	<b>12,745</b>	<b>11,402</b>	<b>13,104</b>	<b>16,478</b>	<b>19,423</b>
<b>Diluted EPS (in €)</b>	<b>2.22</b>	<b>1.67</b>	<b>1.48</b>	<b>1.54</b>	<b>1.79</b>	<b>2.11</b>
<b>Ratios</b>						
Gross margin on total output	26.9%	53.1%	40.0%	31.5%	29.0%	25.6%
Gross margin on revenues	32.4%	53.0%	47.3%	37.0%	34.0%	30.0%
EBITDA margin on revenues	25.7%	21.6%	21.9%	19.1%	19.6%	18.5%
EBIT margin on revenues	17.0%	14.8%	15.6%	13.0%	14.0%	13.5%
EBT margin on revenues	16.0%	14.2%	14.3%	11.5%	12.4%	12.1%
Net margin on revenues	11.6%	8.5%	9.0%	8.0%	8.7%	8.5%
Tax rate	27.5%	40.1%	36.9%	30.0%	30.0%	30.0%
<b>Expenses as % of revenues</b>						
Personnel costs	21.8%	24.2%	32.8%	26.6%	23.8%	21.0%
Depreciation and amortisation	1.0%	1.0%	1.2%	1.0%	1.0%	0.9%
Depreciation of current assets	7.7%	5.8%	5.1%	5.1%	4.6%	4.0%
Other operating expenses	7.4%	9.0%	13.6%	10.5%	9.5%	9.4%
<b>Y-Y Growth</b>						
Revenues	20.0%	2.4%	-16.0%	29.3%	16.6%	20.0%
Operating income	4.5%	-11.0%	-11.6%	7.9%	25.5%	16.3%
Net income/ loss	3.0%	-25.1%	-10.5%	14.9%	25.8%	17.9%



## BALANCE SHEET

All figures in EUR '000	2017A	2018A	2019A	2020E	2021E	2022E
<b>Assets</b>						
<b>Current assets, total</b>	<b>163,462</b>	<b>184,057</b>	<b>232,427</b>	<b>276,245</b>	<b>293,900</b>	<b>316,881</b>
Cash and cash equivalents	32,335	4,517	9,648	38,965	42,654	41,022
Short-term investments	12,500	18,747	17,665	17,665	17,665	17,665
Receivables	24,387	20,231	20,678	22,363	26,072	31,286
Inventories	48,822	71,451	80,171	92,987	103,245	122,642
Other current assets	43,700	67,694	102,749	102,749	102,749	102,749
<b>Non-current assets, total</b>	<b>10,487</b>	<b>9,985</b>	<b>10,132</b>	<b>11,229</b>	<b>12,528</b>	<b>13,939</b>
Property, plant & equipment	4,627	4,553	5,208	5,976	7,016	8,213
Goodwill & other intangibles	293	894	1,298	1,627	1,886	2,100
Financial assets	5,567	4,538	3,626	3,626	3,626	3,626
Other assets	0	33	0	0	0	0
<b>Total assets</b>	<b>173,949</b>	<b>194,042</b>	<b>242,559</b>	<b>287,474</b>	<b>306,429</b>	<b>330,820</b>
<b>Shareholders' equity &amp; debt</b>						
<b>Current liabilities, total</b>	<b>42,615</b>	<b>43,848</b>	<b>69,146</b>	<b>62,453</b>	<b>72,715</b>	<b>82,842</b>
Short-term debt	1,125	844	19,362	11,447	18,636	24,917
Accounts payable	9,914	10,983	10,380	11,271	13,766	17,520
Current provisions	23,881	21,014	24,572	24,572	24,572	24,572
Other current liabilities	7,695	11,007	14,832	15,163	15,740	15,833
<b>Long-term liabilities, total</b>	<b>51,780</b>	<b>61,219</b>	<b>69,837</b>	<b>84,768</b>	<b>81,132</b>	<b>80,215</b>
Long-term debt	37,410	46,837	55,487	70,418	66,782	65,865
Deferred revenue	0	0	0	0	0	0
Other liabilities	14,370	14,382	14,350	14,350	14,350	14,350
<b>Minority interests</b>	<b>42</b>	<b>39</b>	<b>37</b>	<b>37</b>	<b>37</b>	<b>37</b>
<b>Shareholders' equity</b>	<b>79,512</b>	<b>88,937</b>	<b>103,539</b>	<b>140,216</b>	<b>152,544</b>	<b>167,726</b>
Share capital	7,646	7,646	8,071	9,221	9,221	9,221
Capital reserve	13,542	13,542	19,495	45,490	45,490	45,490
Other reserves	0	0	0	0	0	0
Loss carryforward / retained earnings	58,553	68,016	76,213	85,745	98,074	113,255
<b>Total consolidated equity and debt</b>	<b>173,949</b>	<b>194,042</b>	<b>242,559</b>	<b>287,474</b>	<b>306,429</b>	<b>330,820</b>
<b>Ratios</b>						
Current ratio (x)	3.84	4.20	3.36	4.42	4.04	3.83
Quick ratio (x)	2.69	2.57	2.20	2.93	2.62	2.34
Net debt	6,200	43,164	65,201	42,900	42,765	49,760
Net gearing	7.8%	48.5%	63.0%	30.6%	28.0%	29.7%
Book value per share (in €)	10.40	11.63	13.42	16.49	16.54	18.19
Equity ratio	45.7%	45.9%	42.7%	48.8%	49.8%	50.7%
Return on equity (ROE)	21.4%	14.3%	11.0%	9.3%	10.8%	11.6%
Return on Assets (ROA)	10.8%	7.5%	5.5%	5.5%	6.5%	6.9%
Return on Investment (ROI)	9.8%	6.6%	4.7%	4.6%	5.4%	5.9%
Return on average capital employed (ROCE)	26.1%	20.6%	13.4%	12.3%	14.3%	15.2%
Days of sales outstanding (DSO)	60.6	49.1	59.8	50.0	50.0	50.0
Days inventory outstanding	179.5	369.0	439.5	330.0	300.0	280.0
Days in payables (DIP)	36.4	56.7	56.9	40.0	40.0	40.0



## CASH FLOW STATEMENT

All figures in EUR '000	2017A	2018A	2019A	2020E	2021E	2022E
<b>EBIT</b>	<b>24,964</b>	<b>22,216</b>	<b>19,644</b>	<b>21,201</b>	<b>26,601</b>	<b>30,928</b>
Depreciation and amortisation	1,449	1,438	1,542	1,679	1,841	2,015
<b>EBITDA</b>	<b>26,413</b>	<b>23,654</b>	<b>21,186</b>	<b>22,880</b>	<b>28,441</b>	<b>32,943</b>
Changes in working capital	2,817	-39,067	-37,895	-13,610	-11,472	-20,858
Other adjustments	2,216	-12,697	-5,086	-5,616	-7,062	-8,324
<b>Operating cash flow</b>	<b>31,446</b>	<b>-28,110</b>	<b>-21,795</b>	<b>3,654</b>	<b>9,907</b>	<b>3,762</b>
Investments in PP&E	-1,257	-1,393	-1,965	-2,122	-2,474	-2,741
Investments in intangibles	-213	-782	-661	-653	-666	-685
<b>Free cash flow</b>	<b>29,976</b>	<b>-30,285</b>	<b>-24,421</b>	<b>879</b>	<b>6,767</b>	<b>336</b>
Acquisitions & disposals, net	169	179	91	0	0	0
Other investments	4	-1,246	282	0	0	0
<b>Investment cash flow</b>	<b>-1,297</b>	<b>-3,242</b>	<b>-2,253</b>	<b>-2,775</b>	<b>-3,140</b>	<b>-3,426</b>
Debt financing, net	4,130	9,120	34,323	7,016	3,553	5,364
Equity financing, net	0	0	0	27,145	0	0
Dividends paid	-3,823	-3,058	-3,211	-3,241	-3,572	-4,149
Other financing	-1,816	-2,389	-1,948	-2,481	-3,060	-3,181
<b>Financing cash flow</b>	<b>-1,508</b>	<b>3,672</b>	<b>29,164</b>	<b>28,439</b>	<b>-3,079</b>	<b>-1,967</b>
FOREX & other effects	-103	-138	15	0	0	0
<b>Net cash flows</b>	<b>28,538</b>	<b>-27,818</b>	<b>5,131</b>	<b>29,317</b>	<b>3,688</b>	<b>-1,631</b>
Cash, start of the year	3,797	32,335	4,517	9,648	38,965	42,654
<b>Cash, end of the year</b>	<b>32,335</b>	<b>4,517</b>	<b>9,648</b>	<b>38,965</b>	<b>42,654</b>	<b>41,022</b>
<b>EBITDA/share (in €)</b>	<b>4.94</b>	<b>4.24</b>	<b>3.58</b>	<b>3.67</b>	<b>4.04</b>	<b>4.57</b>
<b>Y-Y Growth</b>						
Operating cash flow	n.m.	n.m.	n.m.	n.m.	171.1%	-62.0%
Free cash flow	n.m.	n.m.	n.m.	n.m.	670.2%	-95.0%
Financial Cashflow	n.m.	n.m.	694.2%	-2.5%	n.m.	n.m.
EBITDA/share	9.6%	-14.1%	-15.6%	2.6%	9.9%	13.3%

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**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 <sup>1</sup>	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%

<sup>1</sup> 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.

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**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	3 February 2020	€18.20	BUY	€27.00
17	27 April 2020	€17.40	BUY	€27.00
18	22 June 2020	€20.80	BUY	€30.00
19	19 August 2020	€23.40	BUY	€30.50
20	26 November 2020	€34.00	BUY	€54.00
21	Today	€42.40	BUY	€55.00



**INVESTMENT HORIZON**

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

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