

ABO Wind AG

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

H1 report

RATING
PRICE TARGET **BUY**
€ 73.00
 Return Potential 51.8%
 Risk Rating High

PROJECT PIPELINE EXPANDED TO 17 GW

ABO Wind has presented H1 figures. The net result of €6.5m was slightly above the previous year's figure and our forecast (€6.3m). Management confirmed guidance and still expects to exceed the previous year's net result of €13.1m. In the first half of the year, ABO Wind expanded its project pipeline by approximately 2 GW to 17 GW and has thus further strengthened its medium and long-term growth potential. Based on the half-year figures and the construction activity planned for the second half of the year, we see ABO Wind on track to reach our forecasts. We have taken the expanded project pipeline into account in our DCF model and increase our price target to €73 (previously: €66). We confirm our Buy recommendation.

H1 on target ABO Wind increased H1 revenues by 4% to €61.7m (FBe: €64.6m). The revenue driver was the Planning and Rights Sales segment (+24% y/y). Total output increased significantly more (+18% y/y) than group revenues to €83.9m. EBIT amounted to €10.2m (+13% y/y, FBe: €91m). We trace the significantly stronger EBIT growth compared to sales growth back to the higher share of sales in the higher-margin Planning and Rights Sales segment. The EBIT margin increased from 14.0% to 16.5%. A significantly higher tax expense (€3.0m vs. €1.8m in the previous year) meant that net income increased by only 3% y/y to €6.5m. Due to last year's capital increases, the number of shares increased to 9.2m, which led to a decline in diluted earnings per share from €0.74 to €0.70 (see figure 1 overleaf).

Corporate guidance confirmed ABO Wind continues to expect consolidated net income for 2021 to reach at least the level of the previous year (€13.1m).

(p.t.o.)

FINANCIAL HISTORY & PROJECTIONS

	2018	2019	2020	2021E	2022E	2023E
Revenue (€m)	150.26	126.27	149.16	170.80	232.39	267.25
Y-o-y growth	2.4%	-16.0%	18.1%	14.5%	36.1%	15.0%
EBIT (€m)	22.22	19.64	22.46	24.36	30.93	36.60
EBIT margin	14.8%	15.6%	15.1%	14.3%	13.3%	13.7%
Net income (€m)	12.74	11.40	13.12	14.93	19.36	23.53
EPS (diluted) (€)	1.67	1.48	1.54	1.62	2.10	2.55
DPS (€)	0.42	0.42	0.45	0.45	0.46	0.46
FCF (€m)	-30.29	-24.42	40.53	17.59	-27.29	5.56
Net gearing	48.5%	63.0%	5.3%	-2.6%	18.3%	17.3%
Liquid assets (€m)	4.52	9.65	52.80	85.57	61.62	59.03

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 3,600 MW since its establishment in 1996. The company also offers the management of wind farms, solar and biogas plants. ABO Wind has more than 800 employees. Its headquarters are in Wiesbaden, Germany.

MARKET DATA

As of 03 Sep 2021

Closing Price	€ 48.10
Shares outstanding	9.22m
Market Capitalisation	€ 443.53m
52-week Range	€ 23.00 / 52.00
Avg. Volume (12 Months)	2,853

Multiples	2020	2021E	2022E
P/E	33.8	29.7	22.9
EV/Sales	3.0	2.6	1.9
EV/EBIT	20.1	18.5	14.6
Div. Yield	0.9%	0.9%	1.0%

STOCK OVERVIEW



COMPANY DATA

As of 30 Jun 2021

Liquid Assets	€ 42.52m
Current Assets	€ 247.75m
Intangible Assets	€ 1.20m
Total Assets	€ 260.64m
Current Liabilities	€ 15.15m
Shareholders' Equity	€ 142.47m

SHAREHOLDERS

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

**Figure 1: Reported group figures versus forecasts**

All figures in €m	H1-21A	H1-21E	Delta	H1-20A	Delta
Sales	61.73	64.64	-4.5%	59.30	4.1%
EBIT	10.17	9.06	12.3%	8.98	13.2%
margin	16.5%	14.0%		15.1%	
Net income	6.46	6.25	3.3%	6.26	3.1%
margin	10.5%	9.7%		10.6%	
EPS (diluted)	0.70	0.68	3.0%	0.74	-5.3%

Source: First Berlin Equity Research, ABO Wind AG

Balance sheet remains as strong as ever In the first half of the year, equity rose by €2.3m to €142.5m. The increase in the balance sheet total from €249m to €261m meant that the equity ratio fell slightly from 56% to 55% and thus remains at a very high level. Including the mezzanine capital of €13.3m, the equity ratio was 60%. The issuance of the corporate bond by GLS Bank increased the item "bonds" from €0 to €24.7m. At the same time, ABO Wind reduced the liabilities to banks by almost €16m to €44.4m. Overall, financial debt thus rose from €60.3m to €69.1m. The cash position declined by €10.3m to €42.5m leading to net debt of €26.6m. The increased debt is necessary to finance the expanding business activities, especially as ABO Wind intends to construct very large wind farms (>100 MW) on its own account in the future. The first half of the year saw increases particularly in inventories (from €64m to €91m) and receivables from affiliated companies (from €62m to €73m). We see both balance sheet items as business activity indicators for the second half of the year. Their rise should lead to higher sales and earnings in H2. The report does not contain a cash flow statement.

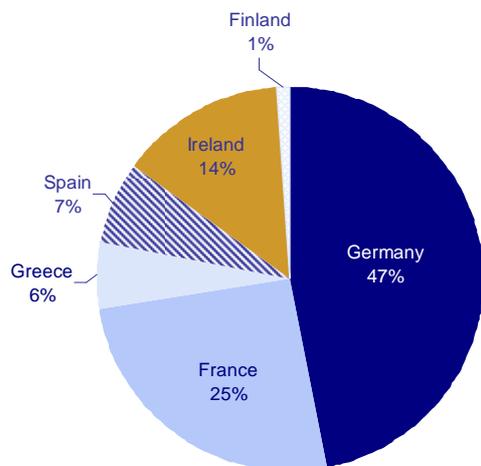
Increase in revenues in the Planning & Rights Sales segment more than compensates for decline in the construction segment ABO Wind increased revenues in the Planning & Rights Sales segment by 24% y/y to €29.1m, while revenues in the Construction segment declined by 12% y/y to €27.1m. In the first half of 2021, project development was successfully completed for four wind power projects (39 MW), two solar projects (51 MW) and one storage project (50 MW). In the Construction segment, two wind farms with 35 MW were billed. The Services segment increased by 9% to €5.5m (see figure 2). In the Services segment, 521 wind turbines (total capacity: 1,287 MW) are under operational management and 131 are being serviced. In the solar segment, 14 turbines are being serviced.

Figure 2: Segment sales in H1

Segment sales in €m	H1/21A	H1/20A	Delta
Construction	27.1	30.8	-12%
Planning & Rights' Sales	29.1	23.5	24%
Services	5.5	5.1	9%
Total sales	61.7	59.3	4%

Source: First Berlin Equity Research, ABO Wind AG

Germany by far the most important market in H1 The German market increased its sales share from 43% to 47%. France also made a significant sales contribution with a 25% share (H1/20: 17%). Ireland (14%), Spain (7%) and Greece (6%) were the other main sales contributors (see figure 3). In total, six countries contributed to sales. ABO Wind's broad international positioning meant that fluctuations in sales in individual countries largely balanced each other out.

Figure 3: Geographical sales split

Source: First Berlin Equity Research, ABO Wind AG

Extensive construction activity Two wind farms in Finland and Spain, each with a capacity of more than 100 MW, which ABO Wind is constructing on behalf of the buyers, are about to be commissioned. In Germany, ABO Wind is constructing the Dreieck Spreeau wind farm (34 MW). In Greece, the company is building solar farms with a total capacity of 50 MW.

Successes in tenders in Germany In the August innovation tender, ABO Wind was awarded contracts for two hybrid projects that combine photovoltaics and battery storage. Together, the two projects have an output of 9.7 MWp and are scheduled to be connected to the grid in summer 2023 at the latest. The company was already successful in the April innovation tender, securing a contract for an 8.9 MWp hybrid project. In the onshore wind tender in May, ABO Wind was awarded two wind power projects (17.3 MW).

Project pipeline expansion continues to progress For the years 2021-23, ABO Wind targets average new annual business of 2 GW. In the first half of the year, ABO Wind already succeeded in acquiring >2 GW of new projects, of which 1.3 GW are in Europe. The new business led to an expansion of the project pipeline by 1,955 MW to 16,770 MW. The rapid pipeline expansion is all the more remarkable as pandemic-related restrictions in many countries continue to make it difficult to initiate new projects. In particular, the pipeline was expanded in Finland, France and Germany. Phase III projects (under construction) increased from 605 MW to 635 MW (see figure 4 overleaf).

**Figure 4: Project pipeline at the end of H1 in percent**

Country	Phase I	Phase II	Phase III	Sum
Germany	1,535	100	65	1,700
France	1,260	70	70	1,400
Finland	3,685	115	200	4,000
Ireland	320	50	30	400
Spain	950	400	150	1,500
Greece	710	40	50	800
Poland	150	30	20	200
Hungary	50	0	0	50
Great Britain	200	0	50	250
The Netherlands	50	0	0	50
Argentina	700	950	0	1,650
Colombia	500	0	0	500
Canada	600	0	0	600
South Africa	2,600	1,000	0	3,600
Tansania	50	0	0	50
Tunesia	0	20	0	20
Sum	13,360	2,775	635	16,770

Phase I: site secured, approval in the works; phase II: approval received, ready for construction; phase III: under construction.

Source: First Berlin Equity Research, ABO Wind AG

ABO Wind share has high upside potential The natural disasters of recent months, which have been intensified by climate change (floods in Germany, the USA and Japan; forest fires in southern Europe and Russia), are likely to increase social and political pressure worldwide for a faster expansion of renewable energy. In addition, there is the economic argument: In sun- and wind-rich countries, the costs of the expansion of renewable energy are significantly lower than the costs for new fossil power plants. ABO Wind as a globally positioned project developer (in 16 countries on 4 continents) with its large project pipeline (17 GW!) and its long-term track record (profitable growth) thus has excellent growth prospects, which are currently not adequately reflected in the share price.

Buy confirmed at higher price target Our 2021-23 estimates are unchanged. We have taken the expansion of the project pipeline by 2 GW to 17 GW into account in the DCF model by raising the medium and long-term sales forecasts. This leads to an increase in our price target from €66 to €73. We reiterate our Buy recommendation.



VALUATION MODEL

DCF valuation model								
All figures in EUR '000								
	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E
Net sales	170,800	232,390	267,249	304,129	343,113	383,725	425,376	467,372
NOPLAT	17,332	22,229	26,516	28,881	32,586	36,534	40,451	44,100
+ depreciation & amortisation	1,636	2,131	2,439	2,836	3,263	3,728	4,227	4,755
Net operating cash flow	18,967	24,360	28,955	31,717	35,849	40,262	44,678	48,855
- total investments (CAPEX and WC)	-1,380	-51,654	-23,397	-33,139	-27,635	-28,930	-29,864	-30,373
Capital expenditures	-4,355	-3,486	-4,009	-4,532	-5,084	-5,655	-6,234	-6,811
Working capital	2,975	-48,169	-19,389	-28,608	-22,551	-23,275	-23,630	-23,562
Free cash flows (FCF)	17,587	-27,295	5,557	-1,422	8,214	11,333	14,814	18,482
PV of FCF's	17,242	-25,138	4,808	-1,156	6,271	8,127	9,980	11,695

All figures in thousands

PV of FCFs in explicit period (2021E-2035E)	144,314
PV of FCFs in terminal period	539,568
Enterprise value (EV)	683,883
+ Net cash / - net debt	-7,458
+ Investments / minority interests	30
Shareholder value	676,455
Number of shares (diluted)	9,221
Fair value per share in EUR	73.36

Terminal growth	3.0%
Terminal EBIT margin	11.2%

WACC		Terminal growth rate							
		1.5%	2.0%	2.5%	3.0%	3.5%	4.0%	4.5%	
Cost of equity	10.1%	4.5%	117.25	133.76	158.75	200.96	287.62	566.83	-4738.25
Pre-tax cost of debt	4.0%	5.0%	96.38	106.91	121.75	144.20	182.14	260.00	510.90
Tax rate	30.0%	5.5%	80.95	88.01	97.47	110.79	130.94	164.98	234.86
After-tax cost of debt	2.8%	6.0%	69.12	74.03	80.36	88.84	100.77	118.83	149.35
Share of equity capital	50.0%	6.5%	59.80	63.30	67.70	73.36	80.95	91.63	107.79
Share of debt capital	50.0%	7.0%	52.28	54.84	57.97	61.90	66.96	73.74	83.28
		7.5%	46.12	48.01	50.29	53.09	56.58	61.10	67.14
Fair value per share in EUR	73.00	8.0%	40.98	42.40	44.09	46.12	48.61	51.72	55.74

* for layout purposes the model shows numbers only to 2028, but runs until 2035



INCOME STATEMENT

All figures in EUR '000	2018A	2019A	2020A	2021E	2022E	2023E
Revenues	150,264	126,273	149,155	170,800	232,390	267,249
Changes in inventory	-619	22,752	20,206	22,033	39,739	45,165
Own work	256	233	0	0	0	0
Total output	149,901	149,258	169,361	192,833	272,129	312,413
Cost of goods sold	70,684	66,582	72,592	84,631	149,543	177,720
Gross profit	79,217	82,676	96,769	108,202	122,586	134,693
Personnel costs	36,305	41,361	50,776	55,010	59,422	63,546
Other operating income	2,973	3,451	6,362	2,733	3,718	4,276
Other operating expenses	13,465	17,143	17,593	18,744	22,077	24,052
EBITDA	32,420	27,623	34,762	37,181	44,805	51,371
Depreciation and amortisation	1,438	1,542	1,649	1,636	2,131	2,439
Depreciation of current assets	8,766	6,437	10,653	11,186	11,745	12,332
Operating income (EBIT)	22,216	19,644	22,460	24,359	30,929	36,600
Net financial result	-918	-1,570	-1,755	-2,398	-2,865	-2,987
Pre-tax income (EBT)	21,298	18,074	20,705	21,962	28,065	33,613
Income taxes	8,537	6,668	7,589	7,028	8,700	10,084
Minority interests	-17	-4	4	0	0	0
Net income / loss	12,745	11,402	13,120	14,934	19,365	23,529
Diluted EPS (in €)	1.67	1.48	1.54	1.62	2.10	2.55
Ratios						
Gross margin on total output	52.8%	55.4%	57.1%	56.1%	45.0%	43.1%
EBITDA margin on revenues	21.6%	21.9%	23.3%	21.8%	19.3%	19.2%
EBIT margin on revenues	14.8%	15.6%	15.1%	14.3%	13.3%	13.7%
EBT margin on revenues	14.2%	14.3%	13.9%	12.9%	12.1%	12.6%
Net margin on revenues	8.5%	9.0%	8.8%	8.7%	8.3%	8.8%
Tax rate	40.1%	36.9%	36.7%	32.0%	31.0%	30.0%
Expenses as % of revenues						
Personnel costs	24.2%	32.8%	34.0%	32.2%	25.6%	23.8%
Depreciation and amortisation	1.0%	1.2%	1.1%	1.0%	0.9%	0.9%
Depreciation of current assets	5.8%	5.1%	7.1%	6.5%	5.1%	4.6%
Other operating expenses	9.0%	13.6%	11.8%	11.0%	9.5%	9.0%
Y-Y Growth						
Revenues	2.4%	-16.0%	18.1%	14.5%	36.1%	15.0%
Operating income	-11.0%	-11.6%	14.3%	8.5%	27.0%	18.3%
Net income/ loss	-25.1%	-10.5%	15.1%	13.8%	29.7%	21.5%



BALANCE SHEET

All figures in EUR '000	2018A	2019A	2020A	2021E	2022E	2023E
Assets						
Current assets, total	184,057	232,427	236,761	268,748	300,085	319,974
Cash and cash equivalents	4,517	9,648	52,798	85,566	61,621	59,033
Short-term investments	18,747	17,665	9,331	9,331	9,331	9,331
Receivables	20,231	20,678	34,020	28,077	38,201	43,931
Inventories	71,451	80,171	64,398	69,560	114,718	131,464
Other current assets	67,694	102,749	74,825	74,825	74,825	74,825
Non-current assets, total	9,985	10,132	12,501	15,221	16,576	18,146
Property, plant & equipment	4,553	5,208	5,653	8,054	9,071	10,282
Goodwill & other intangibles	894	1,298	1,116	1,435	1,773	2,132
Financial assets	4,538	3,626	5,732	5,732	5,732	5,732
Other assets	33	0	0	0	0	0
Total assets	194,042	242,559	249,262	283,969	316,661	338,119
Shareholders' equity & debt						
Current liabilities, total	43,848	69,146	44,700	57,259	70,745	100,384
Short-term debt	844	19,362	8,594	18,636	24,917	51,468
Accounts payable	10,983	10,380	7,081	9,275	16,388	19,476
Current provisions	21,014	24,572	19,634	19,634	19,634	19,634
Other current liabilities	11,007	14,832	9,391	9,714	9,806	9,806
Long-term liabilities, total	61,219	69,837	64,446	75,810	79,893	52,425
Long-term debt	46,837	55,487	51,662	63,026	67,109	39,641
Deferred revenue	0	0	0	0	0	0
Other liabilities	14,382	14,350	12,784	12,784	12,784	12,784
Minority interests	39	37	30	30	30	30
Shareholders' equity	88,937	103,539	140,086	150,870	165,993	185,280
Share capital	7,646	8,071	9,221	9,221	9,221	9,221
Capital reserve	13,542	19,495	45,490	45,490	45,490	45,490
Other reserves	0	0	0	0	0	0
Loss carryforward / retained earnings	68,016	76,213	85,671	96,455	111,579	130,866
Total consolidated equity and debt	194,042	242,559	249,262	283,969	316,661	338,119
Ratios						
Current ratio (x)	4.20	3.36	5.30	4.69	4.24	3.19
Quick ratio (x)	2.57	2.20	3.86	3.48	2.62	1.88
Net debt	43,164	65,201	7,458	-3,904	30,404	32,076
Net gearing	48.5%	63.0%	5.3%	-2.6%	18.3%	17.3%
Book value per share (in €)	11.63	13.42	16.47	16.36	18.00	20.09
Equity ratio	45.9%	42.7%	56.2%	53.1%	52.4%	54.8%
Return on equity (ROE)	14.3%	11.0%	9.4%	9.9%	11.7%	12.7%
Return on assets (ROA)	7.5%	5.5%	6.2%	6.2%	7.1%	8.0%
Return on investment (ROI)	6.6%	4.7%	5.3%	5.3%	6.1%	7.0%
Return on average capital employed (ROCE)	20.6%	13.4%	14.2%	16.2%	17.7%	17.4%
Days of sales outstanding (DSO)	49.1	59.8	83.3	60.0	60.0	60.0
Days inventory outstanding (DIO)	369.0	439.5	323.8	300.0	280.0	270.0
Days in payables (DIP)	56.7	56.9	35.6	40.0	40.0	40.0



CASH FLOW STATEMENT

All figures in EUR '000	2018A	2019A	2020A	2021E	2022E	2023E
EBIT	22,216	19,644	22,460	24,359	30,929	36,600
Depreciation and amortisation	1,438	1,542	1,649	1,636	2,131	2,439
EBITDA	23,654	21,186	24,109	25,995	33,060	39,039
Changes in working capital	-39,067	-37,895	28,412	2,975	-48,169	-19,389
Other adjustments	-12,697	-5,086	-10,048	-7,028	-8,700	-10,084
Operating cash flow	-28,110	-21,795	42,473	21,942	-23,809	9,566
Investments in PP&E	-1,393	-1,965	-1,774	-3,758	-2,789	-3,207
Investments in intangibles	-782	-661	-173	-598	-697	-802
Free cash flow	-30,285	-24,421	40,526	17,587	-27,295	5,557
Acquisitions & disposals, net	179	91	7	0	0	0
Other investments	-1,246	282	-1,651	0	0	0
Investment cash flow	-3,242	-2,253	-3,591	-4,355	-3,486	-4,009
Debt financing, net	9,120	34,323	-16,575	21,406	10,364	-917
Equity financing, net	0	0	27,145	0	0	0
Dividends paid	-3,058	-3,211	-3,558	-3,827	-4,149	-4,242
Other financing	-2,389	-1,948	-2,573	-2,398	-2,865	-2,987
Financing cash flow	3,672	29,164	4,438	15,181	3,350	-8,146
FOREX & other effects	-138	15	-170	0	0	0
Net cash flows	-27,818	5,131	43,150	32,768	-23,945	-2,588
Cash, start of the year	32,335	4,517	9,648	52,798	85,566	61,621
Cash, end of the year	4,517	9,648	52,798	85,566	61,621	59,033
EBITDA/share (in €)	4.24	3.58	4.09	4.03	4.86	5.57
Y-Y Growth						
Operating cash flow	n.m.	n.m.	n.m.	-48.3%	n.m.	n.m.
Free cash flow	n.m.	n.m.	n.m.	-56.6%	n.m.	n.m.
Financial cash flow	n.m.	694.2%	-84.8%	242.1%	-77.9%	n.m.
EBITDA/share	-14.1%	-15.6%	14.2%	-1.4%	20.5%	14.7%

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Ggf. Inhaltlich Verantwortlicher gem. § 6 MDStV

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The production of this recommendation was completed on 6 September 2021 at 15:46

Person responsible for forwarding or distributing this financial analysis: Martin Bailey

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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.

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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...15	↓	↓	↓	↓
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	24 February 2021	€42.40	BUY	€55.00
22	18 March 2021	€45.40	BUY	€63.00
23	4 August 2021	€48.00	BUY	€66.00
24	Today	€48.10	BUY	€73.00

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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

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