

ABO Wind (AB9 GY) | Utilities/Renewables

March 16, 2021

The pipeline has grown further

The pipeline has continued to grow - now to 14.8 GW. And most of the increase came from Europe. This has further increased the substance value of the company. As usual, the outlook for net income is initially conservative at 'at least at the previous year's level'. Investment case unchanged: The demand for electricity generated with renewables is huge. The bottleneck is the time and competence it takes to develop renewable projects. The development of larger-scale projects can last 7 years or more. Against this background, we continue to see value in ABO Wind. ABO Wind is a developer pure play, has been in business for 25 years and is active in 16 countries. The company recognized early on that it can only compensate for the volatility of the project business through project diversification. ABO Wind has succeeded in this very well; the company has been able to report consistent profits since its inception. And has been able to build up a lush pipeline of almost 15 GW. There is a very high inherent value in the company's project pipeline that could theoretically be realized at any time in the form of project rights sales.

- The project pipeline grew from 12.1 GW to 14.8 GW since October 2020, and the European share from 7.2 GW to 8.8 GW.
- The further growth in the pipeline leads to a noticeable increase in our price target. We continue to rate only the European part of the pipeline.

Fundamentals (in EUR m)	2018	2019	2020	2021e	2022e	2023e
Sales	150	126	149	192	202	206
EBITDA	32	27	35	40	43	44
EBIT	22	19	22	28	30	31
EPS adj. (EUR)	1.67	1.41	1.42	1.91	2.13	2.20
DPS (EUR)	0.42	0.42	0.45	0.50	0.55	0.55
BVPS (EUR)	11.63	12.83	15.19	16.65	18.03	19.44
Net Debt incl. Provisions	48	69	7	1	-1	-5
Ratios	2018	2019	2020	2021e	2022e	2023e
EV/EBITDA	4.8	7.6	12.5	10.6	9.7	9.4
EV/EBIT	7.0	10.7	19.4	15.1	13.8	13.3
P/E adj.	8.3	12.2	32.6	23.9	21.5	20.7
Dividend yield (%)	3.0	2.4	1.0	1.1	1.2	1.2
EBITDA margin (%)	21.4	21.7	23.3	20.8	21.4	21.5
EBIT margin (%)	14.6	15.4	15.1	14.5	15.0	15.2
Net debt/EBITDA	1.5	2.5	0.2	0.0	-0.0	-0.1
ROE (%)	15.1	11.9	10.8	12.0	12.3	11.8
PBV	1.2	1.3	3.1	2.7	2.5	2.3

Sources: Refinitiv, Metzler Research

Buy

 **unchanged**

Price*

EUR 45.60

Price target

EUR 75.00 (54)

* XETRA trading price at the close of the previous day unless stated otherwise in the Disclosures

Market Cap (EUR m)	420
Enterprise Value (EUR m)	421
Free Float (%)	38.0

Price (in EUR)



Performance (in %)	1m	3m	12m
Share	-1.3	15.2	230.4
Rel. to SDAX	1.9	7.8	81.7

Sources: Refinitiv, Metzler Research

Changes in estimates (in %)	2021e	2022e	2023e
Sales	0.0	0.0	0.0
EBIT	1.4	1.1	-1.3
EPS	1.5	1.2	-1.3

Sponsored Research



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company note

FY 2020 results and outlook

As previously reported, ABO Wind's net profit in 2020 amounted to EUR 13.1m. 2020 was more international for ABO Wind than any previous fiscal year: Eleven countries contributed to the group's revenue of EUR 149.2 m (previous year: 126.3). In 2018, there were already seven countries, and eight countries in 2019. In addition to the home market of Germany, whose share fell to 35 percent in 2020 (previous year: 42 percent), France (24 percent), Greece (15 percent), Spain (nine percent), Ireland (eight percent), Finland (four percent), Hungary (three percent), as well as Poland, Argentina, the United Kingdom and Tunisia (each one percent or less) contributed to total sales.

It is worth noting that projects with a capacity of 600 MW are currently in the construction phase (2020 construction: 117 MW). Commissioning is expected this year and next.

Battery storage is on its way to becoming - next to wind and solar - the third technological pillar in the core business of project development and construction. After ABO Wind has already implemented a small battery project (0.2 MW) in 2020, a significantly larger battery project with a capacity of 50 MW is currently in the implementation phase in Kells, Northern Ireland, and is expected to be connected to the grid in 2022. Also in the implementation phase are three hybrid projects with a combined capacity of 10 MW in Germany, which use both solar and battery technology and were awarded tariff surcharges in last year's innovation tender by the German Federal Network Agency.

The Management Board and Supervisory Board will propose to the Annual General Meeting that the dividend will be increased from EUR 0.42 euros in the previous year to EUR 0.45.

For the fiscal year 2021 ABO Wind expects sales and gross profit to grow at a low double-digit rate. Net income is expected to be at least at the level of the previous year.

Pipeline update

ABO Wind has also published an updated pipeline overview. Compared to October 2020, the total pipeline volume has increased from 12.1 GW to 14.8 GW. The European pipeline has increased from 7.2 GW to 8.8 GW.

Country	ABO Wind pipeline October 2020		
	Phase I (Areas secured, approval in progress)	Phase II (Approval achieved, building maturity in progress)	Phase III (In implementation)
Germany	1020	30	100
France	1200	50	50
Finland	1900	117	43
Ireland	180	17	27
Spain	800	600	0
Greece	700	0	20
Poland	0	20	0
Hungary	0	0	0
UK	200	20	0
Netherlands	65	0	0
Total Europe	6065	854	240
Argentina	800	800	0
Columbia	400	0	0
Canada	500	0	0
Southafrica	1400	600	0
Tansania	300	0	0
Tunesia	80	50	0
Total by phase	9545	2304	240
Total Europe	7159	12089	
TOTAL			

Sources: ABO Wind, Metzler Research

Country	Pipeline update from March 2021		
	Phase I (Areas secured, approval in progress)	Phase II (Approval achieved, building maturity in progress)	Phase III (In implementation)
Germany	1365	50	85
France	1200	50	40
Finland	2700	100	200
Ireland	290	50	10
Spain	950	400	150
Greece	700	0	50
Poland	30	0	20
Hungary	35	0	0
UK	200	0	50
Netherlands	30	0	0
Total Europe	7500	670	605
Argentina	700	900	0
Columbia	400	0	0
Canada	500	0	0
Southafrica	2500	1000	0
Tansania	50	0	0
Tunesia	0	20	0
Total by phase	11650	2590	605
Total Europe	8775	14845	
TOTAL			

Sources: ABO Wind, Metzler Research

company note

Valuation

To account for the acceleration on the demand side for renewable capacities but also to reflect the enormous value already created by the development of the project pipeline, we calculate a (weighted) mean value of profit valuation and substance (pipeline) valuation.

Since the comparability of pipelines is naturally very limited, we weight the pipeline approach only with two tenths. And the profit-multiplier valuation with eight tenths. It goes without saying that the values of individual projects differ to a great extent, be it due to different site-related wind or solar yields, the cost of development or the development stage of the respective project.

We can adjust the weighting factor in the course of time and with further concretization of the projects. We also include a sensitivity analysis in this note.

For the pipeline evaluation we refer to the pipeline sale from Nordex (Metzler recommendation: BUY/p.t. EUR 30) to RWE (Metzler recommendation: BUY/p.t. EUR 47) in August 2020. RWE paid EUR 402 m for Nordex's 2.7 GW development pipeline or c. EUR 149m per (pipeline) GW. Of the 2.7 GW, 1.9 GW is attributable to France (1.8 GW onshore wind, 0.1 GW solar), 0.4 GW to Spain and 0.4 GW to Sweden. About 0.5 GW of the pipeline should be ready for commissioning by 2025, the rest later. Tariffs had been secured for around 0.23 GW.

We apply the transaction multiple only to the European part of the ABO Wind pipeline (8.8 GW) and derive a theoretical value of around EUR 1.3 bn.

The value of the non-European projects (per MW) is presumably lower due to higher execution risks and the larger project sizes (the developer value added does not correlate with the project size). We do not take into account the value of the non-European pipeline at this point.

Based on conventional earnings multiples we derive a fair value of EUR 58 per ABO Wind share. ABO Wind is trading at 8.1x EV/EBITDA 2022e, i.e. at a discount vs. its peers.

ABO Wind - peer group valuation

	Bloomberg Ric	Share price in local currency (15. March 2021)	Metzler Recommendation	EV/EBITDA 2022e
SMA	S92 GY	56	BUY/pt. EUR 79.1	17.3
Nordex	NDX GY	22	BUY/pt. EUR 30	7.1
Average (weighted 30:70)				10.1
ABO Wind	AB9 GY	46	BUY/pt. EUR 54	8.1

Sources: Bloomberg, Metzler Research

If we also take the value of the pipeline into account in our valuation, we calculate a fair value of EUR 75 for the ABO Wind share.

We also consider the value of the pipeline in our valuation

	Fair value per share (EUR)	Weighting (%)
Peer group valuation (EV/EBITDA 2022e)	58	80
Transaction Multiple (RWE/Nordex)	142	20
Fair value (weighted average)	75	

Sources: Bloomberg, Metzler Research

In the following table we show the sensitivity of the fair value of the share depending on the weighting of the pipeline approach.

Sensitivity Analysis

The fair value depending on the weight given to the pipeline approach

Weighting factor (%)	Fair value (EUR per share)
10	66
20	75
30	83
40	91
50	100
60	108
70	117
80	125
90	133
100	142

Source: Metzler Research

company note

Key Data

Company profile

CEO: Andreas Höllinger, Dr. Jochen Ahn, Matthias Bockholt, Dr. Karsten Schlageter (all equal rights)

CFO: Wiesbaden

The renewables project developer ABO Wind, founded in 1996 and now active in 16 countries, has its roots in wind power, but in recent years has also expanded its wind farm management activities through services such as maintenance and expert reports (since 2014) and the construction of solar parks (since 2016).

Major shareholders

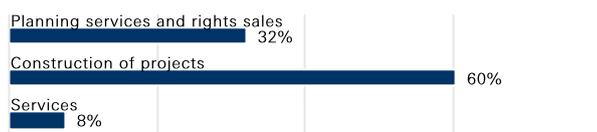
Family Ahn (26%), Family Bockholt (26%), Mainova AG (10%), Baden-Württembergische Versorgungskasse der Ärzte (5%)

Key figures

P&L (in EUR m)	2018	%	2019	%	2020	%	2021e	%	2022e	%	2023e	%
Sales	150	2.4	126	-16.0	149	18.1	192	28.6	202	5.4	206	1.9
EBITDA	32	-14.8	27	-14.9	35	26.9	40	14.8	43	8.6	44	2.2
EBITDA margin (%)	21.4	-16.7	21.7	1.3	23.3	7.4	20.8	-10.8	21.4	3.0	21.5	0.2
EBIT	22	-12.0	19	-11.6	22	15.7	28	24.2	30	8.7	31	3.1
EBIT margin (%)	14.6	-14.0	15.4	5.1	15.1	-2.1	14.5	-3.5	15.0	3.1	15.2	1.1
Financial result	-1	38.7	-2	-71.3	-2	-11.7	-2	-14.0	-2	25.0	-1	6.7
EBT	21	-10.3	18	-15.3	21	16.0	26	25.0	29	11.3	30	3.6
Taxes	9	32.3	7	-21.9	8	13.8	8	9.1	9	11.3	10	3.6
Tax rate (%)	40.6	n.a.	37.4	n.a.	36.7	n.a.	32.0	n.a.	32.0	n.a.	32.0	n.a.
Net income	13	-24.9	11	-10.7	13	15.0	18	34.2	20	11.3	20	3.6
Minority interests	0	88.9	0	-97.6	-0	-200.0	0	100.0	0	n.a.	0	n.a.
Net Income after minorities	13	-25.0	11	-10.6	13	15.0	18	34.2	20	11.3	20	3.6
Number of shares outstanding (m)	8	0.0	8	5.6	9	14.2	9	0.0	9	0.0	9	0.0
EPS adj. (EUR)	1.67	-25.0	1.41	-15.3	1.42	0.6	1.91	34.2	2.13	11.3	2.20	3.6
DPS (EUR)	0.42	5.0	0.42	0.0	0.45	7.1	0.50	11.1	0.55	10.0	0.55	0.0
Dividend yield (%)	3.0	n.a.	2.4	n.a.	1.0	n.a.	1.1	n.a.	1.2	n.a.	1.2	n.a.
Cash Flow (in EUR m)	2018	%	2019	%	2020	%	2021e	%	2022e	%	2023e	%
Gross Cash Flow	22	-25.4	19	-13.5	42	122.4	30	-30.3	33	10.1	33	2.2
Increase in working capital	-39	n.a.	-15	n.a.	27	n.a.	-15	n.a.	-20	n.a.	-20	n.a.
Capital expenditures	3	149.2	3	-7.4	4	20.0	4	11.1	4	0.0	4	0.0
D+A/Capex (%)	314.8	n.a.	266.0	n.a.	341.7	n.a.	300.0	n.a.	325.0	n.a.	325.0	n.a.
Free cash flow (Metzler definition)	-20	-179.2	1	105.4	66	n.m.	11	-83.9	9	-18.9	9	8.2
Free cash flow yield (%)	-19.1	n.a.	0.8	n.a.	15.4	n.a.	2.5	n.a.	2.0	n.a.	2.2	n.a.
Dividend paid	3	-20.0	3	10.8	4	14.2	4	7.1	7	66.7	5	-26.7
Free cash flow (post dividend)	-23	-207.4	-2	90.1	62	n.m.	6	-89.6	2	-74.0	4	151.6
Balance sheet (in EUR m)	2018	%	2019	%	2020	%	2021e	%	2022e	%	2023e	%
Assets	194	11.6	251	29.5	261	3.7	261	0.2	279	6.9	288	3.2
Goodwill	0	n.a.	0	n.a.	0	n.a.	0	n.a.	0	n.a.	0	n.a.
Shareholders' equity	89	11.8	104	16.4	140	35.3	154	9.6	166	8.3	179	7.8
Equity/total assets (%)	45.9	n.a.	42.7	n.a.	56.2	n.a.	61.1	n.a.	61.8	n.a.	64.4	n.a.
Net Debt incl. Provisions	48	n.m.	69	42.5	7	-89.2	1	-86.5	-1	-166.8	-5	-628.1
thereof pension provisions	0	n.a.	0	n.a.	0	n.a.	0	n.a.	0	n.a.	0	n.a.
Gearing (%)	54.4	n.a.	66.6	n.a.	5.3	n.a.	0.7	n.a.	-0.4	n.a.	-2.7	n.a.
Net debt/EBITDA	1.5	n.a.	2.5	n.a.	0.2	n.a.	0.0	n.a.	-0.0	n.a.	-0.1	n.a.

Structure

Sales by area of activity 2020



Sources: Refinitiv, Metzler Research

company note

Disclosures

Recommendation history

Recommendations for each financial instrument or issuer - mentioned in this document - published by Metzler in the past twelve months

Date of dissemination	Metzler recommendation * Previous	Current	Current price **	Price target *	Author ***
Issuer/Financial Instrument (ISIN): ABO Wind (DE0005760029)					
23.02.2021	Buy	Buy	45.00 EUR	54.00 EUR	Hoymann, Guido
10.12.2020	Buy	Buy	39.80 EUR	54.00 EUR	Hoymann, Guido
21.09.2020	Buy	Buy	24.60 EUR	40.00 EUR	Hoymann, Guido
07.09.2020	Buy	Buy	26.80 EUR	29.00 EUR	Hoymann, Guido
19.08.2020	Buy	Buy	21.20 EUR	29.00 EUR	Hoymann, Guido
10.06.2020	Buy	Buy	21.40 EUR	29.00 EUR	Hoymann, Guido
24.04.2020	Buy	Buy	16.90 EUR	29.00 EUR	Hoymann, Guido
17.03.2020	Buy	Buy	13.80 EUR	29.00 EUR	Hoymann, Guido
Issuer/Financial Instrument (ISIN): Nordex (DE000A0D6554)					
05.03.2021	Buy	Buy	20.08 EUR	30.00 EUR	Hoymann, Guido
15.01.2021	Buy	Buy	25.22 EUR	30.00 EUR	Hoymann, Guido
02.12.2020	Buy	Buy	19.91 EUR	25.00 EUR	Hoymann, Guido
16.11.2020	Buy	Buy	16.59 EUR	22.00 EUR	Hoymann, Guido
10.11.2020	Buy	Buy	13.43 EUR	16.00 EUR	Hoymann, Guido
19.10.2020	Buy	Buy	13.57 EUR	15.60 EUR	Hoymann, Guido
07.09.2020	Buy	Buy	10.99 EUR	15.60 EUR	Hoymann, Guido
14.08.2020	Buy	Buy	10.53 EUR	15.60 EUR	Hoymann, Guido
03.08.2020	Buy	Buy	8.78 EUR	15.60 EUR	Hoymann, Guido
06.05.2020	Buy	Buy	7.69 EUR	15.10 EUR	Hoymann, Guido
24.03.2020	Buy	Buy	5.66 EUR	16.30 EUR	Hoymann, Guido
Issuer/Financial Instrument (ISIN): RWE (DE0007037129)					
03.03.2021	Buy	Buy	30.66 EUR	47.00 EUR	Hoymann, Guido
05.02.2021	Buy	Buy	36.25 EUR	47.00 EUR	Hoymann, Guido
12.11.2020	Buy	Buy	34.17 EUR	45.00 EUR	Hoymann, Guido
19.10.2020	Buy	Buy	34.01 EUR	45.00 EUR	Hoymann, Guido
22.09.2020	Buy	Buy	30.21 EUR	45.00 EUR	Hoymann, Guido
07.09.2020	Buy	Buy	31.29 EUR	45.00 EUR	Hoymann, Guido
26.08.2020	Buy	Buy	33.18 EUR	45.00 EUR	Hoymann, Guido
19.08.2020	Buy	Buy	34.24 EUR	42.30 EUR	Hoymann, Guido
13.08.2020	Buy	Buy	33.65 EUR	42.30 EUR	Hoymann, Guido
27.07.2020	Buy	Buy	32.79 EUR	42.30 EUR	Hoymann, Guido
14.05.2020	Buy	Buy	27.10 EUR	42.30 EUR	Hoymann, Guido
23.04.2020	Buy	Buy	24.39 EUR	42.30 EUR	Hoymann, Guido
31.03.2020	Buy	Buy	23.09 EUR	42.00 EUR	Hoymann, Guido

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Date of dissemination	Metzler recommendation *		Current price **	Price target *	Author ***
	Previous	Current			
Issuer/Financial Instrument (ISIN): SMA Solar Technology (DE000A0DJ6J9)					
08.02.2021	Buy	Buy	61.90 EUR	79.10 EUR	Hoymann, Guido
06.01.2021	Buy	Buy	57.25 EUR	75.00 EUR	Hoymann, Guido
12.11.2020	Buy	Buy	43.24 EUR	55.00 EUR	Hoymann, Guido
19.10.2020	Buy	Buy	42.12 EUR	45.00 EUR	Hoymann, Guido
07.09.2020	Buy	Buy	36.22 EUR	45.00 EUR	Hoymann, Guido
14.08.2020	Buy	Buy	34.58 EUR	45.00 EUR	Hoymann, Guido
15.05.2020	Buy	Buy	26.08 EUR	45.00 EUR	Hoymann, Guido
26.03.2020	Buy	Buy	23.94 EUR	45.00 EUR	Hoymann, Guido

* Effective until the price target and/or investment recommendation is updated (FI/FX recommendations are valid solely at the time of publication)

** XETRA trading price at the close of the previous day unless stated otherwise herein

*** All authors are financial analysts

ABO Wind

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company note

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