

# ABO Wind AG

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

Foreign business  
 remains strong

## RATING

### PRICE TARGET

Return Potential  
 Risk Rating

## BUY

€ 22.00

52.8%  
 High

## PROJECT RIGHTS FOR 450 MW SOLD IN SPAIN

The sale of rights to wind and solar projects with a total volume of 450 MW is another spectacular success for ABO Wind's international business. In addition, the company has commissioned its largest solar park to date, a plant in Hungary with a capacity of 5 MW (AC). The international successes are a welcome compensation for a probably weaker business in Germany. The German market is currently suffering from project approval delays. We confirm our Buy recommendation and the €22.00 price target.

**Sale of project rights for 450 MW in Spain** The rights to wind and solar projects were sold to two unnamed investors. Since ABO Wind has already secured grid connection rights for the projects, the biggest hurdle for successful project development has already been cleared. ABO Wind will take over the further development (planning, assessments, site acquisition, permits) and hand over the ready-to-construct projects to the investors. Commissioning of the projects is scheduled by 2022. The Spanish market should continue to be an important source of revenue and earnings for ABO Wind in the future, as the pipeline of further wind and solar projects has a total capacity of more than 1,000 MW.

ABO Wind has not provided information on the revenue contribution of the rights' sale. Assuming that the project rights are split equally between wind and solar projects, and assuming an average selling price of €50,000/MW for wind projects and €25,000/MW for solar projects, this would mean a sales volume of around €17m. We expect that the purchase price will be paid in instalments starting with a down payment and followed by milestone payments according to the projects' progress. The sale of project rights generates significantly lower revenues compared to the sale of completed wind farms, but margins are very high.

(p.t.o.)

## FINANCIAL HISTORY & PROJECTIONS

	2016	2017	2018	2019E	2020E	2021E
Revenue (€m)	122.29	146.79	150.26	148.10	173.25	184.69
Y-o-y growth	52.4%	20.0%	2.4%	-1.4%	17.0%	6.6%
EBIT (€m)	23.89	24.96	22.22	16.86	21.94	23.22
EBIT margin	19.5%	17.0%	14.8%	11.4%	12.7%	12.6%
Net income (€m)	16.52	17.01	12.74	10.07	14.02	14.60
EPS (diluted) (€)	2.16	2.22	1.67	1.30	1.67	1.74
DPS (€)	0.50	0.40	0.42	0.42	0.42	0.42
FCF (€m)	-5.81	29.98	-30.29	19.30	2.38	10.71
Net gearing	44.2%	7.8%	48.5%	16.0%	17.0%	11.8%
Liquid assets (€m)	3.80	32.34	4.52	28.17	37.87	44.24

## 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. 550 employees. Its headquarters are in Wiesbaden, Germany.

## MARKET DATA

As of 02 Aug 2019

Closing Price	€ 14.40
Shares outstanding	7.65m
Market Capitalisation	€ 110.10m
52-week Range	€ 12.70 / 15.30
Avg. Volume (12 Months)	1,018

Multiples	2018	2019E	2020E
P/E	8.6	10.9	7.9
EV/Sales	1.0	1.0	0.9
EV/EBIT	6.9	9.1	7.0
Div. Yield	2.9%	2.9%	2.9%

## STOCK OVERVIEW



## COMPANY DATA

As of 31 Dec 2018

Liquid Assets	€ 4.52m
Current Assets	€ 184.09m
Intangible Assets	€ 0.89m
Total Assets	€ 194.04m
Current Liabilities	€ 22.83m
Shareholders' Equity	€ 88.98m

## SHAREHOLDERS

Familie Ahn	30.9%
Familie Bockholt	31.1%
Mainova	10.4%
Baden-Württembergische VK	6.0%
Free Float	21.6%



**Largest solar plant in the company's history connected to the grid** The solar plant in Hungary with a connected load of 5 MW has been constructed this year and receives an attractive feed-in tariff of 32 forints/kWh (equivalent to approx. 10 €/kWh). The commissioning shows that ABO Wind has successfully extended its business model to the solar sector. Hungary should remain an attractive market for the company. Hungary more than doubled its solar capacity from 344 MW to 754 MW in 2018, and ABO Wind is developing a solar project pipeline including both early stage projects and projects with a total capacity of 40 MW, which, like the just commissioned project, have also secured feed-in tariffs according to the KÁT system. The company has opened an office in Budapest due to the good market prospects in Hungary.

**German wind market is suffering from approval delays** In the first half of the year, only 287 MW were built onshore in Germany (H1/18: 1,626 MW, -82% y/y). This is the lowest installation in a half-year since the introduction of the Renewable Energy Act (EEG) in 2000. The very weak first half installation figure prompted the VDMA and BWE industry associations to lower their installation forecasts for 2019 to 1,500 MW (previously: almost 2,000 MW). This means that installations will be significantly below the already weak previous year (2,402 MW). The reasons for this are the unsatisfactory tender design in 2017, very lengthy approval procedures, and the growing number of objections from wind power opponents to planned wind projects. In its survey published in July, the "Fachagentur Windenergie an Land" shows that objections have been received against more than 1,000 MW. Meanwhile, the German Minister of Economics, Altmaier, has recognised the seriousness of the situation and will invite stakeholders to a crisis meeting in Berlin after the summer break.

**ABO Wind can largely compensate for the weak German market through stronger international business** ABO Wind is also likely to suffer from the weakness of the German market. The company anticipates a lower net income of ca. €10m this year following €12.7m in 2018. Following the February announcement of the sale of a 117 MW portfolio in France, ABO Wind's recent success in Spain shows once more that it is so well-positioned internationally that the weak German market should only lead to a temporary and relatively moderate drop in earnings. The international project pipeline has recently been expanded significantly and amounts to more than 4.5 GW in the wind sector and more than 1.2 GW in the solar sector. In the medium term, ABO Wind expects annual net results of more than €20m.

**Buy recommendation confirmed at unchanged price target** An updated DCF model still yields a €22.00 price target. We confirm our Buy recommendation. The stock remains attractively valued at a 2020E P/E of 8x and a 2020E EV/EBIT of 7x, and offers a 3% dividend yield.



## VALUATION MODEL

DCF valuation model									
All figures in EUR '000									
	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E	
Net sales	148,100	173,252	184,687	196,138	207,549	218,832	229,893	240,636	
<b>NOPLAT</b>	<b>11,667</b>	<b>15,934</b>	<b>16,959</b>	<b>17,961</b>	<b>18,838</b>	<b>19,731</b>	<b>20,649</b>	<b>21,476</b>	
+ depreciation & amortisation	1,811	1,991	2,269	2,566	2,765	3,008	3,249	3,474	
Net operating cash flow	13,478	17,926	19,229	20,527	21,603	22,738	23,898	24,950	
- total investments (CAPEX and WC)	5,819	-15,542	-8,522	-9,680	-9,348	-9,459	-9,516	-9,514	
Capital expenditures	-2,222	-2,945	-3,324	-3,334	-3,491	-3,641	-3,783	-3,916	
Working capital	8,041	-12,597	-5,198	-6,346	-5,857	-5,819	-5,733	-5,598	
Free cash flows (FCF)	19,298	2,383	10,707	10,847	12,255	13,279	14,383	15,437	
<b>PV of FCF's</b>	<b>18,664</b>	<b>2,126</b>	<b>8,806</b>	<b>8,229</b>	<b>8,574</b>	<b>8,567</b>	<b>8,558</b>	<b>8,471</b>	

All figures in thousands	
PV of FCFs in explicit period (2019E-2033E)	125,249
PV of FCFs in terminal period	102,731
Enterprise value (EV)	227,980
+ Net cash / - net debt	-43,164
+ Investments / minority interests	39
Shareholder value	184,855

Fair value per share in EUR	22.00
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WACC		Terminal growth rate						
		0.5%	1.0%	1.5%	2.0%	2.5%	3.0%	3.5%
4.4%	Cost of equity	52.44	56.65	62.30	70.28	82.41	103.04	145.99
5.4%	Pre-tax cost of debt	39.49	41.57	44.18	47.55	52.08	58.48	68.19
6.4%	Tax rate	31.02	32.15	33.50	35.16	37.23	39.92	43.53
7.4%	After-tax cost of debt	25.09	25.73	26.48	27.37	28.44	29.75	31.39
8.4%	Share of equity capital	20.73	21.11	21.54	<b>22.04</b>	22.63	23.32	24.15
9.4%	Share of debt capital	17.39	17.62	17.88	18.17	18.51	18.89	19.35
10.4%		14.78	14.92	15.07	15.24	15.44	15.66	15.92
11.4%	Fair value per share in EUR	12.67	12.76	12.85	12.95	13.07	13.20	13.34

\* 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
<b>Revenues</b>	<b>122,292</b>	<b>146,786</b>	<b>150,264</b>	<b>148,100</b>	<b>173,252</b>	<b>184,687</b>
Changes in inventory	22,320	29,468	-619	26,214	30,319	31,951
Own work	0	0	256	0	0	0
<b>Total output</b>	<b>144,612</b>	<b>176,254</b>	<b>149,901</b>	<b>174,314</b>	<b>203,571</b>	<b>216,638</b>
Cost of goods sold	76,198	99,298	70,684	96,709	118,418	126,788
<b>Gross profit</b>	<b>46,094</b>	<b>47,488</b>	<b>79,580</b>	<b>51,391</b>	<b>54,834</b>	<b>57,899</b>
Personnel costs	27,095	32,039	36,305	38,050	40,000	42,028
Other operating income	2,495	3,750	2,973	2,518	2,945	2,955
Other operating expenses	9,392	10,926	13,465	14,200	14,500	15,144
<b>EBITDA</b>	<b>34,421</b>	<b>37,741</b>	<b>32,420</b>	<b>27,872</b>	<b>33,599</b>	<b>35,633</b>
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
<b>Operating income (EBIT)</b>	<b>23,889</b>	<b>24,964</b>	<b>22,216</b>	<b>16,857</b>	<b>21,943</b>	<b>23,216</b>
Net financial result	-1,535	-1,489	-918	-1,594	-1,915	-2,361
<b>Pre-tax income (EBT)</b>	<b>22,354</b>	<b>23,475</b>	<b>21,298</b>	<b>15,263</b>	<b>20,027</b>	<b>20,855</b>
Income taxes	5,810	6,455	8,537	5,189	6,008	6,257
Minority interests	-24	-9	-17	0	0	0
<b>Net income / loss</b>	<b>16,519</b>	<b>17,011</b>	<b>12,745</b>	<b>10,073</b>	<b>14,019</b>	<b>14,599</b>
<b>Diluted EPS (in €)</b>	<b>2.16</b>	<b>2.22</b>	<b>1.67</b>	<b>1.30</b>	<b>1.67</b>	<b>1.74</b>
<b>Ratios</b>						
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%	19.3%
EBIT margin on revenues	19.5%	17.0%	14.8%	11.4%	12.7%	12.6%
EBT margin on revenues	18.3%	16.0%	14.2%	10.3%	11.6%	11.3%
Net margin on revenues	13.5%	11.6%	8.5%	6.8%	8.1%	7.9%
Tax rate	26.0%	27.5%	40.1%	34.0%	30.0%	30.0%
<b>Expenses as % of revenues</b>						
Personnel costs	22.2%	21.8%	24.2%	25.7%	23.1%	22.8%
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%	5.5%
Other operating expenses	7.7%	7.4%	9.0%	9.6%	8.4%	8.2%
<b>Y-Y Growth</b>						
Revenues	52.4%	20.0%	2.4%	-1.4%	17.0%	6.6%
Operating income	68.8%	4.5%	-11.0%	-24.1%	30.2%	5.8%
Net income/ loss	112.5%	3.0%	-25.1%	-21.0%	39.2%	4.1%



## BALANCE SHEET

All figures in EUR '000	2016A	2017A	2018A	2019E	2020E	2021E
<b>Assets</b>						
<b>Current assets, total</b>	<b>136,074</b>	<b>163,462</b>	<b>184,057</b>	<b>201,930</b>	<b>225,582</b>	<b>235,399</b>
Cash and cash equivalents	3,797	32,335	4,517	28,166	37,869	44,235
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	30,360
Inventories	45,883	48,822	71,451	63,590	71,375	72,946
Other current assets	60,181	43,700	67,694	67,694	67,694	67,694
<b>Non-current assets, total</b>	<b>10,478</b>	<b>10,487</b>	<b>9,985</b>	<b>10,395</b>	<b>11,349</b>	<b>12,404</b>
Property, plant & equipment	4,782	4,627	4,553	4,759	5,679	6,859
Goodwill & other intangibles	273	293	894	1,098	1,132	1,007
Financial assets	5,424	5,567	4,538	4,538	4,538	4,538
Other assets	0	0	33	33	33	33
<b>Total assets</b>	<b>146,552</b>	<b>173,949</b>	<b>194,042</b>	<b>212,325</b>	<b>236,931</b>	<b>247,803</b>
<b>Shareholders' equity &amp; debt</b>						
<b>Current liabilities, total</b>	<b>36,271</b>	<b>42,615</b>	<b>43,848</b>	<b>49,322</b>	<b>58,389</b>	<b>66,831</b>
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	12,852
Current provisions	16,151	23,881	21,014	21,014	21,014	21,014
Other current liabilities	8,909	7,695	11,007	11,060	11,329	11,329
<b>Long-term liabilities, total</b>	<b>43,544</b>	<b>51,780</b>	<b>61,219</b>	<b>55,719</b>	<b>60,772</b>	<b>52,136</b>
Long-term debt	28,937	37,410	46,837	41,337	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
<b>Minority interests</b>	<b>32</b>	<b>42</b>	<b>39</b>	<b>39</b>	<b>39</b>	<b>39</b>
<b>Shareholders' equity</b>	<b>66,706</b>	<b>79,512</b>	<b>88,937</b>	<b>107,245</b>	<b>117,731</b>	<b>128,797</b>
Share capital	7,646	7,646	7,646	8,413	8,413	8,413
Capital reserve	13,542	13,542	13,542	24,275	24,275	24,275
Other reserves	0	0	0	0	0	0
Loss carryforward / retained earnings	45,529	58,553	68,016	74,824	85,310	96,376
<b>Total consolidated equity and debt</b>	<b>146,552</b>	<b>173,949</b>	<b>194,042</b>	<b>212,325</b>	<b>236,931</b>	<b>247,803</b>
<b>Ratios</b>						
Current ratio (x)	3.75	3.84	4.20	4.09	3.86	3.52
Quick ratio (x)	2.49	2.69	2.57	2.80	2.64	2.43
Net debt	29,486	6,200	43,164	17,171	19,968	15,155
Net gearing	44.2%	7.8%	48.5%	16.0%	17.0%	11.8%
Book value per share (in €)	8.72	10.40	11.63	13.80	13.99	15.31
Return on equity (ROE)	24.8%	21.4%	14.3%	9.4%	11.9%	11.3%
Return on Assets (ROA)	12.5%	10.8%	7.5%	5.6%	6.8%	7.0%
Return on Investment (ROI)	11.3%	9.8%	6.6%	4.7%	5.9%	5.9%
Return on average capital employed (ROCE)	27.1%	26.1%	20.6%	13.6%	17.3%	17.0%
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
<b>EBIT</b>	<b>23,889</b>	<b>24,964</b>	<b>22,216</b>	<b>16,857</b>	<b>21,943</b>	<b>23,216</b>
Depreciation and amortisation	1,575	1,449	1,438	1,811	1,991	2,269
<b>EBITDA</b>	<b>25,464</b>	<b>26,413</b>	<b>23,654</b>	<b>18,668</b>	<b>23,934</b>	<b>25,485</b>
Changes in working capital	-27,327	2,817	-39,067	8,041	-12,597	-5,198
Other adjustments	-1,527	2,216	-12,697	-5,189	-6,008	-6,257
<b>Operating cash flow</b>	<b>-3,390</b>	<b>31,446</b>	<b>-28,110</b>	<b>21,519</b>	<b>5,329</b>	<b>14,031</b>
Investments in PP&E	-2,279	-1,257	-1,393	-1,481	-2,252	-2,770
Investments in intangibles	-145	-213	-782	-741	-693	-554
<b>Free cash flow</b>	<b>-5,814</b>	<b>29,976</b>	<b>-30,285</b>	<b>19,298</b>	<b>2,383</b>	<b>10,707</b>
Acquisitions & disposals, net	340	169	179	0	0	0
Other investments	-377	4	-1,246	0	0	0
<b>Investment cash flow</b>	<b>-2,461</b>	<b>-1,297</b>	<b>-3,242</b>	<b>-2,222</b>	<b>-2,945</b>	<b>-3,324</b>
Debt financing, net	2,069	4,130	9,120	-2,344	12,500	1,553
Equity financing, net	0	0	0	11,500	0	0
Dividends paid	-1,911	-3,823	-3,058	-3,211	-3,265	-3,533
Other financing	-1,766	-1,816	-2,389	-1,594	-1,915	-2,361
<b>Financing cash flow</b>	<b>-1,609</b>	<b>-1,508</b>	<b>3,672</b>	<b>4,351</b>	<b>7,320</b>	<b>-4,340</b>
FOREX & other effects	-16	-103	-138	0	0	0
<b>Net cash flows</b>	<b>-7,475</b>	<b>28,538</b>	<b>-27,818</b>	<b>23,649</b>	<b>9,703</b>	<b>6,366</b>
Cash, start of the year	9,505	3,797	32,335	4,517	28,166	37,869
<b>Cash, end of the year</b>	<b>2,030</b>	<b>32,335</b>	<b>4,517</b>	<b>28,166</b>	<b>37,869</b>	<b>44,235</b>
<b>EBITDA/share (in €)</b>	<b>4.50</b>	<b>4.94</b>	<b>4.24</b>	<b>3.59</b>	<b>3.99</b>	<b>4.24</b>
<b>Y-Y Growth</b>						
Operating cash flow	n.m.	n.m.	n.m.	n.m.	-75.2%	163.3%
Free cash flow	n.m.	n.m.	n.m.	n.m.	-87.6%	349.2%
Financial Cashflow	n.m.	n.m.	n.m.	18.5%	68.2%	n.m.
EBITDA/share	71.2%	9.6%	-14.1%	-15.4%	11.4%	6.1%

**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...10	↓	↓	↓	↓
11	3 December 2018	€13.90	BUY	€20.50
12	20 February 2019	€14.80	BUY	€21.50
13	13 June 2019	€14.10	BUY	€22.00
14	Today	€14.40	BUY	€22.00

**Authored by: Dr. Karsten von Blumenthal, Analyst**

**Company responsible for preparation:**

**First Berlin Equity Research GmbH**

Mohrenstraße 34  
10117 Berlin

Tel. +49 (0)30 - 80 93 96 85 Fax +49 (0)30 - 80 93 96 87

info@firstberlin.com

www.firstberlin.com

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

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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 <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.

#### 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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