

# ABO Wind AG

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

Update

**RATING**  
**PRICE TARGET** **BUY**  
**€ 79.00**  
 Return Potential 38.6%  
 Risk Rating High

## GUIDANCE FOR 2021 SHOULD BE REACHED

ABO Wind expects to slightly exceed the 2020 annual result (€13.1m) as planned. For 2022, the company is again guiding towards a slight increase in net income. This suggests ABO Wind will again be successful in 2022 despite project postponements, price increases for turbines and solar modules, supply chain problems and a sharp rise in logistics costs. We take the more difficult environment into account in our forecasts, but consider the price increases and supply chain problems to be a temporary problem that should be resolved by 2024 at the latest. However, we believe the higher electricity prices, which make wind and PV more competitive with fossil fuels despite the aforementioned cost increases, are likely to persist much longer. The reason for this is simple: the enormous cost increases for fossil fuels. The price of natural gas, for example, has increased six-fold, but wind and solar continue to send no bill. The strong increase in the EU CO2 certificate price, which recently reached almost 80 €/t, also favours wind and PV. The future German government's ambitious wind and solar expansion programme (target for 2030: 200 GW PV, implicitly approx. 100 GW wind power) suggests much faster growth in the coming years. This plays into the hands of ABO Wind as a developer of wind farms and solar plants and will provide the entire industry with a golden decade. We have therefore raised our medium-term forecasts. An updated DCF model yields a new price target of €79 (previously: €73). We confirm our Buy recommendation.

Earnings have continued to rise in the second year of the pandemic. Despite an adverse business environment (project postponements, price increases for turbines and solar modules, supply chain problems and a sharp rise in logistics costs), ABO Wind is expected to exceed its 2020 net result as planned, albeit only slightly. A respectable performance! Despite the aforementioned challenges, the company is guiding towards a slight improvement in net income also for 2022. (p.t.o.)

### FINANCIAL HISTORY & PROJECTIONS

	2018	2019	2020	2021E	2022E	2023E
Revenue (€m)	150.26	126.27	149.16	167.60	212.39	267.25
Y-o-y growth	2.4%	-16.0%	18.1%	12.4%	26.7%	25.8%
EBIT (€m)	22.22	19.64	22.46	22.28	23.78	36.68
EBIT margin	14.8%	15.6%	15.1%	13.3%	11.2%	13.7%
Net income (€m)	12.74	11.40	13.12	13.52	14.41	23.59
EPS (diluted) (€)	1.67	1.48	1.54	1.47	1.56	2.56
DPS (€)	0.42	0.42	0.45	0.45	0.46	0.46
FCF (€m)	-30.29	-24.42	40.53	17.91	-20.65	-7.40
Net gearing	48.5%	63.0%	5.3%	-2.8%	14.7%	21.3%
Liquid assets (€m)	4.52	9.65	52.80	85.89	68.55	53.00

### 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 3,700 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.

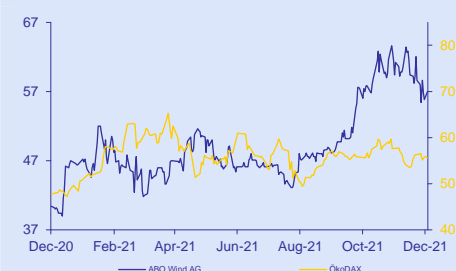
### MARKET DATA

As of 06 Dec 2021

Closing Price	€ 57.00
Shares outstanding	9.22m
Market Capitalisation	€ 525.60m
52-week Range	€ 39.00 / 63.60
Avg. Volume (12 Months)	3,416

Multiples	2020	2021E	2022E
P/E	40.1	38.9	36.5
EV/Sales	3.6	3.2	2.5
EV/EBIT	23.7	23.9	22.4
Div. Yield	0.8%	0.8%	0.8%

### 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%



The price increases for solar modules and wind turbines (IEA: Renewables 2021: approx. +10-25%) are likely to put a temporary strain on margins, as the electricity tariffs in the tenders were already fixed before the price increases became apparent. However, if the very high electricity prices at the power exchange persist, green power plants will generate revenues via direct marketing that are significantly higher than the tariffs fixed in the tenders (average feed-in tariffs in the tenders: about 60 €/MWh for wind and about 50 €/MWh for solar, monthly market value on the electricity exchange, October, PV: 130 €/MWh, onshore wind: about 110 €/MWh (see figure 1)). These potential extra revenues should be a good basis to enforce price increases in project sales.

**Figure 1: Electricity price development at the German power exchange and monthly averages for onshore wind and solar, Jan – Oct 2021**

All figures in €/ct/kWh	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct
Monthly average hour contract EPEX Spot (MW-EPEX)	5.282	4.87	4.716	5.361	5.335	7.408	8.137	8.27	12.837	13.949
Monthly average MW onshore wind	4.645	4.361	3.395	4.353	4.134	6.33	6.808	7.253	11.754	10.982
Monthly average MW Solar	5.543	4.499	4.105	4.551	4.187	6.864	7.409	7.681	11.715	12.804

Source: First Berlin Equity Research, [www.netztransparenz.de](http://www.netztransparenz.de)

There is considerable demand for power purchase agreements as well due to the very high electricity exchange prices, as large electricity consumers are desperately trying to hedge against the sharp price increases through longer-term PPAs. The prices for PPAs are currently significantly above the award values in the German tenders and thus contribute to the increase in value of the green power plants developed by ABO Wind.

**Ambitious expansion plans of the prospective German government** According to the coalition agreement, the future SPD/Greens/FDP government wants to increase the share of renewable energy (RE) in electricity consumption to 80% by 2030 (previously: 65%). The basis for calculating the RE share is a significantly higher electricity consumption forecast (680-750 TWh, previously: 658 TWh). This results in a twofold effect: the higher percentage meets a higher reference value, which necessitates a strong acceleration in the construction of further wind and PV plants.

In the solar sector, the coalition agreement targets an installed capacity of 200 GW by 2030, compared to the previous target of 100 GW. With 54 GW of installed capacity at the end of 2020, this amounts to an addition of 146 GW by the end of 2030. Spread over 9 years (2022-2030), this translates into an average annual addition of 16 GW, more than double the amount added during the best addition periods of 2010-12.

In the onshore wind sector, 2% of the state's land area is to be designated for the construction of wind turbines (previously: 0.9%). Planning and approval procedures are to be significantly accelerated, and the regulatory authorities are to be effectively relieved by external project teams. The conflict between wind power and species protection is to be defused by innovative technical avoidance measures, distances to rotating radio beacons and weather radars are to be reduced in the short term, and wind power capacity expansion is to be given greater consideration in the designation of low-altitude flight corridors. Regulatory approval is likely to be a lower barrier to repowering than in the past.

Overall, these measures should lead to a very significant acceleration in the expansion of wind and solar power by 2030. This creates additional growth potential for ABO Wind in its home market. At the end of the first half of the year, the company had a pipeline of 1,700 MW of wind, solar and storage projects in Germany, of which 65 MW were being implemented and 100 MW were approved projects.

**Estimates adjusted** The extended turbine delivery times are likely to lead to delays in some projects. We are therefore lowering our sales forecasts for 2021 and 2022, and the increased turbine and module costs are likely to reduce margins in 2021 and 2022. However,



we maintain our forecast for 2023. In the medium term, we believe ABO Wind is excellently positioned to benefit from the strong growth in green power plant construction. The acceleration of the pace of expansion in Germany and other countries prompts us to increase our medium-term estimates. ABO Wind has reconfirmed its target to increase annual net earnings to a level of at least €20m on average by 2024.

**Figure 2: Revisions to forecasts**

All figures in €m	2021E			2022E			2023E		
	Old	New	Delta	Old	New	Delta	Old	New	Delta
Sales	170.80	167.60	-1.9%	232.39	212.39	-8.6%	267.25	267.25	0.0%
EBIT	24.36	22.28	-8.5%	30.93	23.78	-23.1%	36.60	36.68	0.2%
<i>margin</i>	14.3%	13.3%		13.3%	11.2%		13.7%	13.7%	
Net income	14.94	13.52	-9.5%	19.36	14.41	-25.6%	23.53	23.59	0.2%
<i>margin</i>	8.7%	8.1%		8.3%	6.8%		8.8%	8.8%	
EPS (diluted)	1.62	1.47	-9.5%	2.10	1.56	-25.6%	2.55	2.56	0.2%

Source: First Berlin Equity Research

**Buy confirmed at increased price target** An updated DCF model based on the revised estimates yields a new price target of €79 (previously: €73). We confirm our Buy recommendation.



## VALUATION MODEL

DCF valuation model								
All figures in EUR '000	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E
Net sales	167,600	212,390	267,249	304,129	343,113	383,725	425,377	467,373
NOPLAT	15,920	17,308	26,574	33,610	37,534	41,641	45,643	49,292
+ depreciation & amortisation	1,636	2,112	2,357	2,772	3,213	3,689	4,196	4,732
Net operating cash flow	17,555	19,420	28,930	36,382	40,747	45,330	49,839	54,023
- total investments (CAPEX and WC)	357	-40,073	-36,335	-26,048	-27,482	-28,911	-29,999	-30,676
Capital expenditures	-4,274	-3,186	-4,009	-4,532	-5,084	-5,655	-6,234	-6,811
Working capital	4,630	-36,887	-32,326	-21,517	-22,398	-23,257	-23,765	-23,865
Free cash flows (FCF)	17,912	-20,653	-7,404	10,333	13,265	16,418	19,840	23,347
<b>PV of FCF's</b>	<b>17,843</b>	<b>-19,327</b>	<b>-6,509</b>	<b>8,532</b>	<b>10,289</b>	<b>11,963</b>	<b>13,581</b>	<b>15,010</b>

### All figures in thousands

PV of FCFs in explicit period (2021E-2035E)	176,881		
PV of FCFs in terminal period	561,421		
Enterprise value (EV)	738,303		
+ Net cash / - net debt	-7,458		
+ Investments / minority interests	30		
Shareholder value	730,875		
Number of shares (diluted)	9,221		
<b>Fair value per share in EUR</b>	<b>79.26</b>		

Terminal growth	3.0%
Terminal EBIT margin	11.7%

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%	125.83	142.71	168.25	211.39	299.96	585.33	-4836.69
Pre-tax cost of debt	4.0%	5.0%	104.02	114.74	129.85	152.70	191.32	270.58	525.97
Tax rate	30.0%	5.5%	87.87	95.02	104.61	118.10	138.52	173.02	243.84
After-tax cost of debt	2.8%	6.0%	75.46	80.41	86.79	95.34	107.38	125.59	156.35
Share of equity capital	50.0%	6.5%	65.66	69.18	73.58	<b>79.26</b>	86.87	97.58	113.78
Share of debt capital	50.0%	7.0%	57.75	60.30	63.42	67.33	72.37	79.12	88.63
		7.5%	51.24	53.12	55.37	58.14	61.60	66.06	72.04
<b>Fair value per share in EUR</b>	<b>79.00</b>	8.0%	45.81	47.20	48.86	50.85	53.29	56.35	60.29

\* 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
<b>Revenues</b>	<b>150,264</b>	<b>126,273</b>	<b>149,155</b>	<b>167,600</b>	<b>212,390</b>	<b>267,249</b>
Changes in inventory	-619	22,752	20,206	21,620	36,319	45,165
Own work	256	233	0	0	0	0
<b>Total output</b>	<b>149,901</b>	<b>149,258</b>	<b>169,361</b>	<b>189,220</b>	<b>248,709</b>	<b>312,414</b>
Cost of goods sold	70,684	66,582	72,592	83,046	134,868	177,721
<b>Gross profit</b>	<b>79,217</b>	<b>82,676</b>	<b>96,769</b>	<b>106,175</b>	<b>113,841</b>	<b>134,693</b>
Personnel costs	36,305	41,361	50,776	55,010	59,422	63,546
Other operating income	2,973	3,451	6,362	2,682	3,398	4,276
Other operating expenses	13,465	17,143	17,593	18,744	20,177	24,052
<b>EBITDA</b>	<b>32,420</b>	<b>27,623</b>	<b>34,762</b>	<b>35,102</b>	<b>37,640</b>	<b>51,371</b>
Depreciation and amortisation	1,438	1,542	1,649	1,636	2,112	2,357
Depreciation of current assets	8,766	6,437	10,653	11,186	11,745	12,332
<b>Operating income (EBIT)</b>	<b>22,216</b>	<b>19,644</b>	<b>22,460</b>	<b>22,281</b>	<b>23,783</b>	<b>36,682</b>
Net financial result	-918	-1,570	-1,755	-2,402	-2,895	-2,987
<b>Pre-tax income (EBT)</b>	<b>21,298</b>	<b>18,074</b>	<b>20,705</b>	<b>19,878</b>	<b>20,888</b>	<b>33,695</b>
Income taxes	8,537	6,668	7,589	6,361	6,475	10,108
Minority interests	-17	-4	4	0	0	0
<b>Net income / loss</b>	<b>12,745</b>	<b>11,402</b>	<b>13,120</b>	<b>13,517</b>	<b>14,413</b>	<b>23,586</b>
<b>Diluted EPS (in €)</b>	<b>1.67</b>	<b>1.48</b>	<b>1.54</b>	<b>1.47</b>	<b>1.56</b>	<b>2.56</b>
<b>Ratios</b>						
Gross margin on total output	52.8%	55.4%	57.1%	56.1%	45.8%	43.1%
EBITDA margin on revenues	21.6%	21.9%	23.3%	20.9%	17.7%	19.2%
EBIT margin on revenues	14.8%	15.6%	15.1%	13.3%	11.2%	13.7%
EBT margin on revenues	14.2%	14.3%	13.9%	11.9%	9.8%	12.6%
Net margin on revenues	8.5%	9.0%	8.8%	8.1%	6.8%	8.8%
Tax rate	40.1%	36.9%	36.7%	32.0%	31.0%	30.0%
<b>Expenses as % of revenues</b>						
Personnel costs	24.2%	32.8%	34.0%	32.8%	28.0%	23.8%
Depreciation and amortisation	1.0%	1.2%	1.1%	1.0%	1.0%	0.9%
Depreciation of current assets	5.8%	5.1%	7.1%	6.7%	5.5%	4.6%
Other operating expenses	9.0%	13.6%	11.8%	11.2%	9.5%	9.0%
<b>Y-Y Growth</b>						
Revenues	2.4%	-16.0%	18.1%	12.4%	26.7%	25.8%
Operating income	-11.0%	-11.6%	14.3%	-0.8%	6.7%	54.2%
Net income/ loss	-25.1%	-10.5%	15.1%	3.0%	6.6%	63.6%



## BALANCE SHEET

All figures in EUR '000	2018A	2019A	2020A	2021E	2022E	2023E
<b>Assets</b>						
<b>Current assets, total</b>	<b>184,057</b>	<b>232,427</b>	<b>236,761</b>	<b>267,239</b>	<b>292,472</b>	<b>313,944</b>
Cash and cash equivalents	4,517	9,648	52,798	85,887	68,553	53,003
Short-term investments	18,747	17,665	9,331	9,331	9,331	9,331
Receivables	20,231	20,678	34,020	27,551	34,913	43,931
Inventories	71,451	80,171	64,398	68,257	103,460	131,465
Other current assets	67,694	102,749	74,825	74,825	74,825	74,825
<b>Non-current assets, total</b>	<b>9,985</b>	<b>10,132</b>	<b>12,501</b>	<b>15,139</b>	<b>16,213</b>	<b>17,865</b>
Property, plant & equipment	4,553	5,208	5,653	7,983	8,776	10,052
Goodwill & other intangibles	894	1,298	1,116	1,424	1,705	2,080
Financial assets	4,538	3,626	5,732	5,732	5,732	5,732
Other assets	33	0	0	0	0	0
<b>Total assets</b>	<b>194,042</b>	<b>242,559</b>	<b>249,262</b>	<b>282,378</b>	<b>308,685</b>	<b>331,809</b>
<b>Shareholders' equity &amp; debt</b>						
<b>Current liabilities, total</b>	<b>43,848</b>	<b>69,146</b>	<b>44,700</b>	<b>57,085</b>	<b>69,137</b>	<b>100,384</b>
Short-term debt	844	19,362	8,594	18,636	24,917	51,468
Accounts payable	10,983	10,380	7,081	9,101	14,780	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
<b>Long-term liabilities, total</b>	<b>61,219</b>	<b>69,837</b>	<b>64,446</b>	<b>75,810</b>	<b>79,893</b>	<b>52,425</b>
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
<b>Minority interests</b>	<b>39</b>	<b>37</b>	<b>30</b>	<b>30</b>	<b>30</b>	<b>30</b>
<b>Shareholders' equity</b>	<b>88,937</b>	<b>103,539</b>	<b>140,086</b>	<b>149,453</b>	<b>159,625</b>	<b>178,970</b>
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	95,039	105,210	124,555
<b>Total consolidated equity and debt</b>	<b>194,042</b>	<b>242,559</b>	<b>249,262</b>	<b>282,378</b>	<b>308,685</b>	<b>331,809</b>
<b>Ratios</b>						
Current ratio (x)	4.20	3.36	5.30	4.68	4.23	3.13
Quick ratio (x)	2.57	2.20	3.86	3.49	2.73	1.82
Net debt	43,164	65,201	7,458	-4,225	23,472	38,105
Net gearing	48.5%	63.0%	5.3%	-2.8%	14.7%	21.3%
Book value per share (in €)	11.63	13.42	16.47	16.21	17.31	19.41
Equity ratio	45.9%	42.7%	56.2%	52.9%	51.7%	53.9%
Return on equity (ROE)	14.3%	11.0%	9.4%	9.0%	9.0%	13.2%
Return on assets (ROA)	7.5%	5.5%	6.2%	5.7%	5.7%	8.1%
Return on investment (ROI)	6.6%	4.7%	5.3%	4.8%	4.7%	7.1%
Return on average capital employed (ROCE)	20.6%	13.4%	14.2%	14.9%	14.2%	18.0%
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
<b>EBIT</b>	<b>22,216</b>	<b>19,644</b>	<b>22,460</b>	<b>22,281</b>	<b>23,783</b>	<b>36,682</b>
Depreciation and amortisation	1,438	1,542	1,649	1,636	2,112	2,357
<b>EBITDA</b>	<b>23,654</b>	<b>21,186</b>	<b>24,109</b>	<b>23,917</b>	<b>25,895</b>	<b>39,039</b>
Changes in working capital	-39,067	-37,895	28,412	4,630	-36,887	-32,326
Other adjustments	-12,697	-5,086	-10,048	-6,361	-6,475	-10,108
<b>Operating cash flow</b>	<b>-28,110</b>	<b>-21,795</b>	<b>42,473</b>	<b>22,186</b>	<b>-17,467</b>	<b>-3,396</b>
Investments in PP&E	-1,393	-1,965	-1,774	-3,687	-2,549	-3,207
Investments in intangibles	-782	-661	-173	-587	-637	-802
<b>Free cash flow</b>	<b>-30,285</b>	<b>-24,421</b>	<b>40,526</b>	<b>17,912</b>	<b>-20,653</b>	<b>-7,404</b>
Acquisitions & disposals, net	179	91	7	0	0	0
Other investments	-1,246	282	-1,651	0	0	0
<b>Investment cash flow</b>	<b>-3,242</b>	<b>-2,253</b>	<b>-3,591</b>	<b>-4,274</b>	<b>-3,186</b>	<b>-4,009</b>
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	-2,402	-2,895	-2,987
<b>Financing cash flow</b>	<b>3,672</b>	<b>29,164</b>	<b>4,438</b>	<b>15,177</b>	<b>3,320</b>	<b>-8,146</b>
FOREX & other effects	-138	15	-170	0	0	0
<b>Net cash flows</b>	<b>-27,818</b>	<b>5,131</b>	<b>43,150</b>	<b>33,089</b>	<b>-17,333</b>	<b>-15,550</b>
Cash, start of the year	32,335	4,517	9,648	52,798	85,887	68,553
<b>Cash, end of the year</b>	<b>4,517</b>	<b>9,648</b>	<b>52,798</b>	<b>85,887</b>	<b>68,553</b>	<b>53,003</b>
<b>EBITDA/share (in €)</b>	<b>4.24</b>	<b>3.58</b>	<b>4.09</b>	<b>3.81</b>	<b>4.08</b>	<b>5.57</b>
<b>Y-Y Growth</b>						
Operating cash flow	n.m.	n.m.	n.m.	-47.8%	n.m.	n.m.
Free cash flow	n.m.	n.m.	n.m.	-55.8%	n.m.	n.m.
Financial cash flow	n.m.	694.2%	-84.8%	241.9%	-78.1%	n.m.
EBITDA/share	-14.1%	-15.6%	14.2%	-6.9%	7.2%	36.5%

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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...16	↓	↓	↓	↓
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	6 September 2021	€48.10	BUY	€73.00
25	Today	€57.00	BUY	€79.00

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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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