

ABO Wind AG

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

H1/22 report

RATING

PRICE TARGET

Return Potential
 Risk Rating

BUY

€ 109.00

94.0%
 High

15 GW HYDROGEN PIPELINE OFFERS ADDITIONAL POTENTIAL

ABO Wind has published very good half-year figures that exceeded our forecasts. Revenues increased 59% y/y to €98.0m and net income 48% y/y to €9.6m. Management confirmed guidance for 2022 (net income at least at the previous year's level of €13.8m) and pointed out that full-year earnings growth is likely to be lower than in the first half. The green power project pipeline has grown again and now amounts to more than 20 GW. In addition to this, ABO Wind is developing a hydrogen project pipeline, which will provide electricity for the production of green hydrogen, particularly via very large wind farms in the gigawatt range. This pipeline already has a volume of 15 GW, 11 GW of which is in Canada, where the German and Canadian governments recently concluded an agreement to supply green hydrogen from 2025. We leave our forecasts unchanged for now, but in the light of the good H1 figures do not rule out a guidance increase towards the end of the year. We have included the larger project pipeline and the additional hydrogen project pipeline in our DCF model. This leads to a new fair value of €109 (previously: €92). We confirm our Buy recommendation.

Strong H1 growth in sales and earnings Sales increased by 59% y/y to €98.0m (FBe: €89.5m), driven both by higher sales in the Planning & Rights Sales segment (+63% y/y) and in the Construction segment (+62% y/y). EBIT increased by 40% to €14.2m. In particular, the significantly higher cost of materials (€61.5m vs. €34.7m in the prior year period) resulted in more restrained earnings growth compared to sales growth. H1 net income amounted to €9.6m (FBe: €8.4m, H1/21: €6.5m, see figure 1 overleaf). In light of this half year result, reaching guidance (net profit of at least €13.8m) should not be a problem, even in the event of a weaker second half of the year.

(p.t.o.)

FINANCIAL HISTORY & PROJECTIONS

	2019	2020	2021	2022E	2023E	2024E
Revenue (€m)	126.27	149.16	127.11	212.39	267.25	304.13
Y-o-y growth	-16.0%	18.1%	-14.8%	67.1%	25.8%	13.8%
EBIT (€m)	19.64	22.46	22.45	23.85	38.15	48.03
EBIT margin	15.6%	15.1%	17.7%	11.2%	14.3%	15.8%
Net income (€m)	11.40	13.12	13.80	14.25	23.97	30.60
EPS (diluted) (€)	1.48	1.54	1.50	1.55	2.60	3.32
DPS (€)	0.42	0.45	0.49	0.49	0.57	0.65
FCF (€m)	-24.42	40.53	-54.05	-3.56	19.09	21.32
Net gearing	63.0%	5.3%	45.0%	49.4%	38.2%	27.8%
Liquid assets (€m)	9.65	52.80	18.47	36.20	49.94	64.67

RISKS

Main risks are project development, supply chain, financing, interest rate, and regulatory risks.

COMPANY PROFILE

ABO Wind is a project developer for renewable energies and has developed green power and storage projects with a total capacity of ca. 5 GW since its establishment in 1996. The company also offers the management of wind farms, solar plants and storages. ABO Wind has ca. 1.000 employees. Its headquarters are in Wiesbaden, Germany.

MARKET DATA

As of 01 Sep 2022

Closing Price	€ 56.20
Shares outstanding	9.22m
Market Capitalisation	€ 518.22m
52-week Range	€ 46.30 / 64.80
Avg. Volume (12 Months)	3,166

Multiples	2021	2022E	2023E
P/E	37.5	36.4	21.6
EV/Sales	4.6	2.8	2.2
EV/EBIT	26.1	24.6	15.4
Div. Yield	0.9%	0.9%	1.0%

STOCK OVERVIEW



COMPANY DATA

As of 30 Jun 2022

Liquid Assets	€ 10.72m
Current Assets	€ 316.70m
Intangible Assets	€ 1.43m
Total Assets	€ 334.71m
Current Liabilities	€ 72.90m
Shareholders' Equity	€ 155.17m

SHAREHOLDERS

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

**Figure 1: Reported figures versus forecasts**

All figures in €m	H1-22A	H1-22E	Delta	H1-21A	Delta
Sales	98.0	89.5	9%	61.7	59%
EBIT	14.2	12.8	11%	10.2	40%
margin	14.5%	14.3%		16.5%	
Net income	9.6	8.4	14%	6.5	48%
margin	9.8%	9.4%		10.5%	
EPS (diluted)	1.04	0.91	14%	0.70	49%

Source: First Berlin Equity Research, ABO Wind AG

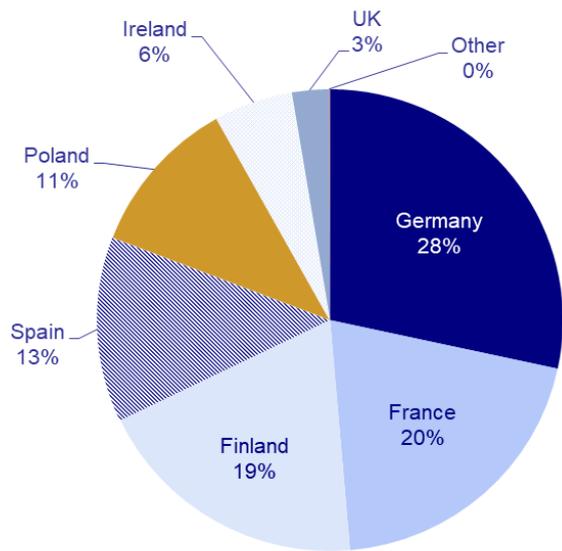
Strong growth in all segments The construction segment recorded a 62% increase in sales to €44.0m (see figure 2). Sales of turnkey plants amounted to 32 MW. The Planning & Rights' Sales segment recorded a revenue increase of 63% to €47.4m. ABO Wind sold the rights to two Spanish solar projects (100 MW) and one Scottish wind farm (25 MW). The services segment grew by 18% to €6.6m.

Figure 2: Segment sales

Segment sales in €m	H1/22A	H1/21A	Delta
Construction	44.0	27.1	62%
Planning & Rights' Sales	47.4	29.1	63%
Services	6.6	5.5	18%
Total sales	98.0	61.7	59%

Source: First Berlin Equity Research, ABO Wind AG

Geographical sales development shows broad positioning ABO Wind generated significant sales in seven countries (see figure 3 overleaf). The strongest market was Germany with a sales share of 28%, followed by France (20%) and Finland (19%). We highlight the Polish market with a sales share of 11%, which was still 0% in the same period of the previous year. Once again, ABO Wind is benefitting from its broad geographical positioning. The Finnish, Spanish, and previously mentioned Polish markets were the main growth drivers.

Figure 3: Geographical sales split

Source: First Berlin Equity Research, ABO Wind AG

Balance sheets remains solid The equity ratio remained high at 46% (see figure 4 overleaf). Financial liabilities increased from €86m to €114m. Unused credit and guarantee lines of €98.4m give ABO Wind sufficient scope to finance further growth. Receivables from affiliated companies (€144m) include €137m in projects not yet sold as of 30 June and are an indicator of the sales potential in the second half of the year. The half-year report does not include a cash flow statement.



Figure 4: Selected balance sheet items

in €m	H1/22A	2021A	Delta
Non-current assets	14.7	14.5	2%
Inventories	116.8	133.0	-12%
Trade receivables	12.2	10.9	12%
Receivables from affiliated companies	143.7	90.0	60%
Securities	18.9	18.7	1%
Liquid funds	10.7	18.5	-42%
Current assets	316.7	279.0	14%
Equity	155.2	149.9	4%
<i>Equity ratio</i>	<i>46.4%</i>	<i>50.5%</i>	<i>-4.1 PP</i>
Mezzanine capital	13.2	13.7	-4%
Provisions	32.2	21.4	50%
Financial debt, long-term	60.1	76.9	-22%
Financial debt, short-term	54.2	9.0	502%
Total financial debt	114.3	85.9	33%
Net debt	103.6	67.4	54%
<i>Net gearing (Net debt/equity in %)</i>	<i>66.8%</i>	<i>45.0%</i>	<i>+21.8 PP</i>
Trade payables	4.3	2.9	50%
Balance sheet total	334.7	297.1	13%

Source: First Berlin Equity Research, ABO Wind AG

Green power pipeline project continues to grow Compared with March 2022, the project pipeline has grown by a full gigawatt and now comprises more than 20 GW. In total, projects with a capacity of more than 2 GW were newly acquired in the first half of the year. ABO Wind is active in 16 national markets on four continents with a regionally well diversified project pipeline (see figure 5).

Figure 5: Green power project pipeline, August 2022

Country	Phase I	Phase II	Phase III	Sum
Germany	1,850	120	130	2,100
France	1,380	60	60	1,500
Finland	5,340	30	130	5,500
Ireland	283	150	17	450
Spain	1,000	450	50	1,500
Greece	500	300	50	850
Poland	480	0	20	500
Hungary	90	30	0	120
Great Britain	350	50	0	400
The Netherlands	90	0	0	90
Argentina	1,050	700	0	1,750
Colombia	500	100	0	600
Canada	700	0	0	700
South Africa	3,300	700	0	4,000
Tanzania	50	0	0	50
Tunesia	65	10	0	75
Sum	17,028	2,700	457	20,185

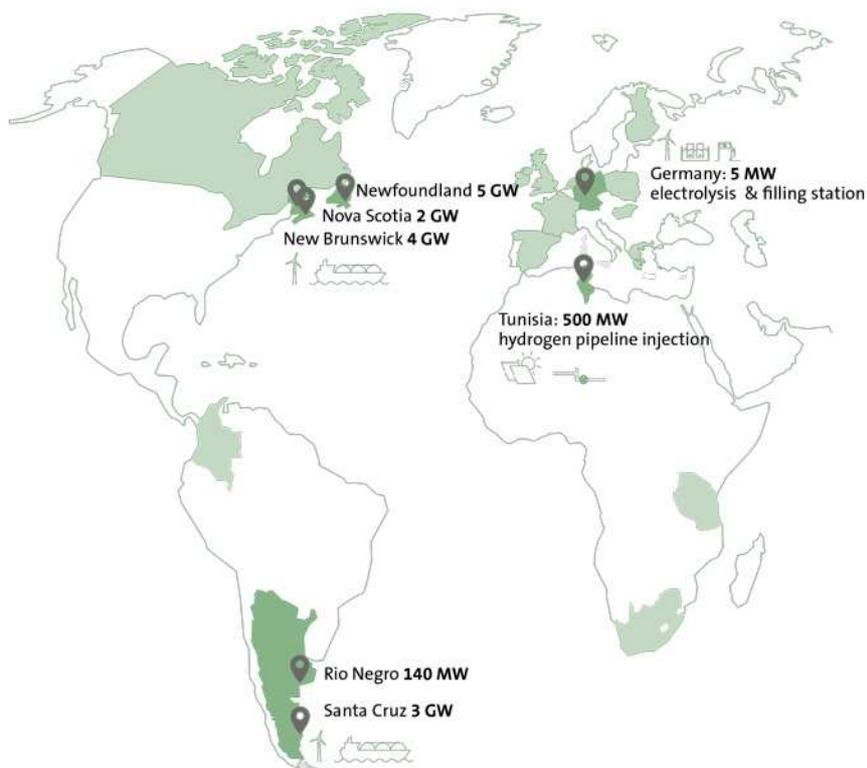
Phase I: site secured, approval pending, phase II: approval received, ready for construction

Phase III: under construction

15 GW Hydrogen Project Pipeline ABO Wind has been developing several green hydrogen projects with a total capacity of approximately 15 GW in Canada, Argentina, Tunisia and Germany, in addition to pursuing similar concepts in other markets such as Spain, South Africa and Finland (see figure 6). Most of these projects are very large wind farms with several GW capacity, which would provide electricity for the planned production of green hydrogen. Three of these large projects are located in Canada with a total capacity of 11 GW, and could produce up to 900,000 tonnes of hydrogen per year. The Canadian New Brunswick project (4 GW) has made an important step forward with the signing of a cooperation agreement between the Pabineau First Nation and ABO Wind. The Canadian projects received an additional boost with the signing of the Canadian-German Hydrogen Agreement in August 2022. The agreement aims to boost the hydrogen economy and create a transatlantic supply chain for hydrogen well before 2030, with first deliveries planned for 2025.

ABO Wind's hydrogen business model includes both serving as a renewable power provider and the construction of hydrogen infrastructure in conjunction with partners. The company treats the hydrogen development pipeline separately from the traditional green power pipeline, as the construction of a hydrogen economy is complex, time-consuming, and dependent on the establishment of an international hydrogen economy. We estimate that the first major projects could be realised in 2027.

Figure 6: ABO Wind's hydrogen project pipeline (overview)



Source: First Berlin Equity Research, ABO Wind AG

2022 forecast unchanged, medium-term forecasts raised Despite the better-than-expected half-year results, we stick to our estimates for the current year as the Corona pandemic, global supply chain issues, and the threat of a recession may have a negative impact on performance in H2. If the second half of the year goes well, we believe that, after the strong H1 performance, a guidance increase towards the end of the year is possible. We



have increased our medium-term forecasts to take into account potential earnings contributions from the established hydrogen project pipeline.

Buy confirmed with higher price target An updated DCF model, which takes into account the additional potential from the hydrogen pipeline, yields a new price target of €109 (previously: €92). We confirm our Buy recommendation.



VALUATION MODEL

DCF valuation model								
All figures in EUR '000	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E
Net sales	212,390	267,249	304,129	343,058	384,069	460,883	508,186	556,048
NOPLAT	17,448	27,880	34,920	39,246	43,843	52,951	57,818	62,681
+ depreciation & amortisation	2,105	2,233	2,527	2,952	3,415	3,893	4,495	5,090
Net operating cash flow	19,553	30,114	37,447	42,199	47,258	56,844	62,313	67,771
- total investments (CAPEX and WC)	-23,117	-11,028	-16,130	-29,555	-28,986	-50,370	-34,288	-35,227
Capital expenditures	-2,973	-3,741	-4,258	-4,803	-5,290	-6,243	-6,768	-7,279
Working capital	-20,143	-7,286	-11,872	-24,752	-23,696	-44,127	-27,520	-27,948
Free cash flows (FCF)	-3,564	19,086	21,318	12,644	18,272	6,474	28,024	32,544
PV of FCF's	-3,488	17,510	18,327	10,188	13,799	4,582	18,588	20,231

All figures in thousands			
PV of FCFs in explicit period (2022E-2036E)	264,725		
PV of FCFs in terminal period	807,896		
Enterprise value (EV)	1,072,621	Terminal growth	3.5%
+ Net cash / - net debt	-67,475	Terminal EBIT margin	13.9%
+ Investments / minority interests	41		
Shareholder value	1,005,187		
Number of shares (diluted)	9,221		
Fair value per share in EUR	109.01		

WACC		Terminal growth rate						
		2.0%	2.5%	3.0%	3.5%	4.0%	4.5%	5.0%
4.7%	Cost of equity	177.26	205.70	250.90	333.92	536.31	1774.20	-1052.61
5.2%	Pre-tax cost of debt	143.88	161.43	186.97	227.58	302.15	483.96	1595.94
5.7%	Tax rate	119.72	131.21	146.95	169.87	206.30	273.21	436.32
6.2%	After-tax cost of debt	101.49	109.33	119.62	133.72	154.25	186.89	246.84
6.7%	Share of equity capital	87.28	92.80	99.81	109.01	121.63	140.00	169.19
7.2%	Share of debt capital	75.92	79.90	84.83	91.09	99.31	110.57	126.98
7.7%		66.66	69.58	73.13	77.52	83.10	90.42	100.47
8.2%		58.98	61.16	63.76	66.91	70.82	75.78	82.30
	Fair value per share in EUR							

* for layout purposes the model shows numbers only to 2029, but runs until 2036



INCOME STATEMENT

All figures in EUR '000	2019A	2020A	2021A	2022E	2023E	2024E
Revenues	126,273	149,155	127,109	212,390	267,249	304,129
Changes in inventory	22,752	20,206	60,346	38,230	46,769	51,702
Own work	233	0	0	0	0	0
Total output	149,258	169,361	187,455	250,620	314,018	355,831
Cost of goods sold	66,582	72,592	78,280	131,257	172,376	197,684
Gross profit	82,676	96,769	109,175	119,363	141,642	158,147
Personnel costs	41,361	50,776	63,397	67,422	71,546	76,032
Other operating income	3,451	6,362	5,141	4,248	5,345	6,083
Other operating expenses	17,143	17,593	20,440	22,301	26,725	28,892
EBITDA	27,623	34,762	30,479	33,888	48,716	59,305
Depreciation and amortisation	1,542	1,649	1,929	2,105	2,233	2,527
Depreciation of current assets	6,437	10,653	6,102	7,933	8,329	8,746
Operating income (EBIT)	19,644	22,460	22,448	23,851	38,154	48,033
Net financial result	-1,570	-1,755	-1,485	-3,197	-3,909	-4,325
Pre-tax income (EBT)	18,074	20,705	20,963	20,654	34,244	43,708
Income taxes	6,668	7,589	7,152	6,403	10,273	13,112
Minority interests	-4	4	-6	0	0	0
Net income / loss	11,402	13,120	13,804	14,251	23,971	30,595
Diluted EPS (in €)	1.48	1.54	1.50	1.55	2.60	3.32
Ratios						
Gross margin on total output	55.4%	57.1%	58.2%	47.6%	45.1%	44.4%
EBITDA margin on revenues	21.9%	23.3%	24.0%	16.0%	18.2%	19.5%
EBIT margin on revenues	15.6%	15.1%	17.7%	11.2%	14.3%	15.8%
EBT margin on revenues	14.3%	13.9%	16.5%	9.7%	12.8%	14.4%
Net margin on revenues	9.0%	8.8%	10.9%	6.7%	9.0%	10.1%
Tax rate	36.9%	36.7%	34.1%	31.0%	30.0%	30.0%
Expenses as % of revenues						
Personnel costs	32.8%	34.0%	49.9%	31.7%	26.8%	25.0%
Depreciation and amortisation	1.2%	1.1%	1.5%	1.0%	0.8%	0.8%
Depreciation of current assets	5.1%	7.1%	4.8%	3.7%	3.1%	2.9%
Other operating expenses	13.6%	11.8%	16.1%	10.5%	10.0%	9.5%
Y-Y Growth						
Revenues	-16.0%	18.1%	-14.8%	67.1%	25.8%	13.8%
Operating income	-11.6%	14.3%	-0.1%	6.2%	60.0%	25.9%
Net income/ loss	-10.5%	15.1%	5.2%	3.2%	68.2%	27.6%



BALANCE SHEET

All figures in EUR '000	2019A	2020A	2021A	2022E	2023E	2024E
Assets						
Current assets, total	232,427	236,761	282,609	324,422	351,083	381,158
Cash and cash equivalents	9,648	52,798	18,472	36,196	49,937	64,674
Short-term investments	17,665	9,331	11,684	11,684	11,684	11,684
Receivables	20,678	34,020	10,860	34,913	43,931	49,994
Inventories	80,171	64,398	133,019	133,055	136,956	146,232
Other current assets	102,749	74,825	105,708	105,708	105,708	105,708
Non-current assets, total	10,132	12,501	14,451	15,320	16,828	18,559
Property, plant & equipment	5,208	5,653	7,234	8,047	9,403	10,946
Goodwill & other intangibles	1,298	1,116	1,474	1,530	1,682	1,870
Financial assets	3,626	5,732	5,743	5,743	5,743	5,743
Other assets	0	0	0	0	0	0
Total assets	242,559	249,262	297,060	339,742	367,911	399,717
Shareholders' equity & debt						
Current liabilities, total	69,146	44,700	56,483	80,349	79,803	84,007
Short-term debt	19,362	8,594	8,997	28,917	22,000	22,000
Accounts payable	10,380	7,081	14,034	17,980	23,613	27,080
Current provisions	24,572	19,634	21,355	21,355	21,355	21,355
Other current liabilities	14,832	9,391	12,097	12,097	12,835	13,572
Long-term liabilities, total	69,837	64,446	90,713	99,796	109,796	112,796
Long-term debt	55,487	51,662	76,950	86,033	96,033	99,033
Deferred revenue	0	0	0	0	0	0
Other liabilities	14,350	12,784	13,763	13,763	13,763	13,763
Minority interests	37	30	41	41	41	41
Shareholders' equity	103,539	140,086	149,823	159,556	178,271	202,873
Share capital	8,071	9,221	9,221	9,221	9,221	9,221
Capital reserve	19,495	45,490	45,490	45,490	45,490	45,490
Other reserves	0	0	0	0	0	0
Loss carryforward / retained earnings	76,213	85,671	95,329	105,062	123,777	148,379
Total consolidated equity and debt	242,559	249,262	297,060	339,742	367,911	399,717
Ratios						
Current ratio (x)	3.36	5.30	5.00	4.04	4.40	4.54
Quick ratio (x)	2.20	3.86	2.65	2.38	2.68	2.80
Net debt	65,201	7,458	67,475	78,754	68,096	56,359
Net gearing	63.0%	5.3%	45.0%	49.4%	38.2%	27.8%
Book value per share (in €)	13.42	16.47	16.25	17.30	19.33	22.00
Equity ratio	42.7%	56.2%	50.4%	47.0%	48.5%	50.8%
Return on equity (ROE)	11.0%	9.4%	9.2%	8.9%	13.4%	15.1%
Return on assets (ROA)	5.5%	6.2%	5.4%	5.2%	7.7%	8.9%
Return on investment (ROI)	4.7%	5.3%	4.6%	4.2%	6.5%	7.7%
Return on average capital employed (ROCE)	13.4%	14.2%	12.1%	10.4%	15.6%	18.8%
Days of sales outstanding (DSO)	59.8	83.3	31.2	60.0	60.0	60.0
Days inventory outstanding (DIO)	439.5	323.8	620.2	370.0	290.0	270.0
Days in payables (DIP)	56.9	35.6	65.4	50.0	50.0	50.0



CASH FLOW STATEMENT

All figures in EUR '000	2019A	2020A	2021A	2022E	2023E	2024E
EBIT	19,644	22,460	22,448	23,851	38,154	48,033
Depreciation and amortisation *	1,542	1,649	1,929	2,105	2,233	2,527
EBITDA	21,186	24,109	24,377	25,955	40,387	50,560
Changes in working capital	-37,895	28,412	-68,555	-20,143	-7,286	-11,872
Other adjustments	-5,086	-10,048	-6,558	-6,403	-10,273	-13,112
Operating cash flow	-21,795	42,473	-50,736	-590	22,827	25,576
Investments in PP&E	-1,965	-1,774	-2,941	-2,549	-3,207	-3,650
Investments in intangibles	-661	-173	-375	-425	-534	-608
Free cash flow	-24,421	40,526	-54,052	-3,564	19,086	21,318
Acquisitions & disposals, net	91	7	462	0	0	0
Other investments	282	-1,651	-1,004	0	0	0
Investment cash flow	-2,253	-3,591	-3,858	-2,973	-3,741	-4,258
Debt financing, net	34,323	-16,575	26,764	29,003	3,083	3,000
Equity financing, net	0	27,145	0	0	0	0
Dividends paid	-3,211	-3,558	-4,149	-4,518	-4,518	-5,256
Other financing	-1,948	-2,573	-2,328	-3,197	-3,909	-4,325
Financing cash flow	29,164	4,438	20,287	21,288	-5,345	-6,581
FOREX & other effects	15	-170	19	0	0	0
Net cash flows	5,131	43,150	-34,288	17,724	13,741	14,737
Cash, start of the year	4,517	9,648	52,798	18,472	36,196	49,937
Cash, end of the year	9,648	52,798	18,510	36,196	49,937	64,674
EBITDA/share (in €)	3.58	4.09	3.31	3.68	5.28	6.43
Y-Y Growth						
Operating cash flow	n.m.	n.m.	n.m.	n.m.	n.m.	12.0%
Free cash flow	n.m.	n.m.	n.m.	n.m.	n.m.	11.7%
Financial cash flow	694.2%	-84.8%	357.1%	4.9%	n.m.	n.m.
EBITDA/share	-15.6%	14.2%	-19.1%	11.2%	43.8%	21.7%

* Depreciation of current assets are booked in "Changes in working capital".

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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...19	↓	↓	↓	↓
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	7 December 2021	€57.00	BUY	€79.00
26	29 March 2022	€58.40	BUY	€95.00
27	11 July 2022	€56.20	BUY	€92.00
28	Today	€56.20	BUY	€109.00

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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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