

ABO Wind AG

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

Update

RATING

PRICE TARGET

Return Potential
 Risk Rating

BUY

€ 112.00

77.8%
 High

GUIDANCE RAISED FOR 2022 AND 2023

After a better than expected performance in the second half of the year with the sale of some large wind farm and solar projects (515 MW wind farm project in Canada, two 100 MW solar projects in South Africa), ABO Wind has raised its net profit guidance from €13.8m to almost €17m. The company is now also more optimistic for 2023 and expects a net profit between €22m - €26m. Previously, ABO Wind had expected to exceed the €20m threshold in 2024. We increase our net profit estimate for 2022 to €16.8m and see the net profit guidance for 2023 as a confirmation of our forecast of €24m. In addition to the large international green power project pipeline of over 20 GW (as of August 2022), ABO Wind has built up an international hydrogen project pipeline of approximately 15 GW. We believe that the company is in an excellent position to generate profitable growth in the coming years. An updated DCF model yields a new price target of €112 (previously: €109). We believe that the share is attractively valued (appreciation potential: ~80%) and reiterate our Buy recommendation.

First Polish wind farm brought online With the connection of the Donaborów wind farm (20 MW) to the power grid, ABO Wind has completed its first Polish wind farm. This is an important milestone for the company, which has been operating in Poland since 2017 and currently has 14 employees working on wind, solar and battery projects with a capacity of more than 400 MW.

First large stand-alone battery storage started operation in October With the commissioning of its first large stand-alone battery storage in Northern Ireland, ABO Wind has reached an important milestone in the field of battery storage. The Kells facility has a capacity of 50 MW, or 25 MWh. A response time of less than 150 milliseconds makes it one of the fastest storage systems in the world. The high-performance battery provides services to stabilise...

(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	28.44	39.62	44.52
EBIT margin	15.6%	15.1%	17.7%	13.4%	14.8%	14.6%
Net income (€m)	11.40	13.12	13.80	16.82	23.96	27.16
EPS (diluted) (€)	1.48	1.54	1.50	1.82	2.60	2.95
DPS (€)	0.42	0.45	0.49	0.49	0.57	0.65
FCF (€m)	-24.42	40.53	-54.05	-16.84	10.69	18.33
Net gearing	63.0%	5.3%	45.0%	57.3%	50.9%	42.0%
Liquid assets (€m)	9.65	52.80	18.47	72.05	55.92	76.27

RISKS

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

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.

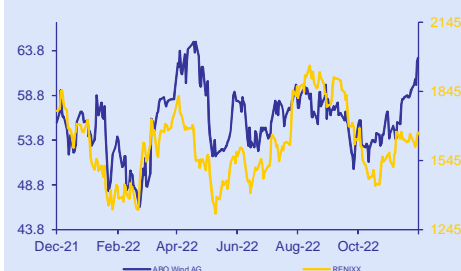
MARKET DATA

As of 02 Dec 2022

Closing Price	€ 63.00
Shares outstanding	9.22m
Market Capitalisation	€ 580.92m
52-week Range	€ 46.30 / 64.80
Avg. Volume (12 Months)	2,842

Multiples	2021	2022E	2023E
P/E	42.1	34.5	24.2
EV/Sales	5.1	3.1	2.4
EV/EBIT	28.9	22.8	16.4
Div. Yield	0.8%	0.8%	0.9%

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%



...the Irish electricity grid to accommodate for the volatile wind power production. ABO Wind is currently planning many similar projects in several countries. In Germany, the company has received three construction permits this year for battery-only projects, which will be completed before the end of the year.

Two 100 MW solar projects sold in South Africa After reaching certain milestones, the purchase agreements concluded in 2021 became binding this September. The two projects are expected to be Africa's largest renewable energy projects to date, which are financed through a power purchase agreement (PPA). ABO Wind has been active in South Africa since 2018. The Cape Town-based team of 16 is currently working on wind and solar projects with a total capacity of 4,000 MW.

Project rights to 515 MW wind farm in Canada sold The large-scale project in the province of Alberta is ready for construction after the Alberta Utility Commission issued permits for the construction of 83 Siemens Gamesa turbines, each with a capacity of 6.2 MW, as well as for the grid connection. The planned annual electricity production of 1,500 GWh shows the excellent wind conditions with full load hours of almost 3,000 MWh/MW.

€70m promissory note loan placed In order to finance the targeted growth, ABO Wind placed a promissory note loan with 17 banks in September. Due to the strong interest, the originally planned sum of €50m was increased by 40%. The tranches of the promissory note loan have both fixed and variable interest rates and maturities of three, five and seven years.

Forecasts raised for 2022 We assume a better product mix for 2022 and 2023 (more sales of project rights relative to sales of turnkey green power plants). This leads to higher earnings contributions at unchanged sales forecasts. Our estimate for the 2022 net income increases by 18%. The higher debt leads to higher interest expenses, resulting in a similar net income forecast in 2023 despite the higher operating result forecast. However, we have lowered our 2024 net result forecast by 11%, as we assume that higher material costs will be reflected in the P&L with a delay (turbine delivery time: 18-24 months). We also increased our 2024 personnel expenses forecast.

Figure 1: Revisions to forecasts

All figures in €m	2022E			2023E			2024E		
	Old	New	Delta	Old	New	Delta	Old	New	Delta
Sales	212.4	212.4	0%	267.2	267.2	0%	304.1	304.1	0%
EBIT	23.9	28.4	19%	38.2	39.6	4%	48.0	44.5	-7%
margin	11.2%	13.4%		14.3%	14.8%		15.8%	14.6%	
Net income	14.3	16.8	18%	24.0	24.0	0%	30.6	27.2	-11%
margin	6.7%	7.9%		9.0%	9.0%		10.1%	8.9%	
EPS (diluted) in €	1.55	1.82	18%	2.60	2.60	0%	3.32	2.95	-11%

Source: First Berlin Equity Research

Buy recommendation reiterated at slightly higher price target An updated DCF model yields a new price target of €112 (previously: €109). We still see strong appreciation potential (~80%) and 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	20,888	29,352	32,885	37,325	41,399	50,011	55,171	60,204
+ depreciation & amortisation	2,105	2,233	2,527	2,952	3,415	3,893	4,495	5,090
Net operating cash flow	22,993	31,585	35,412	40,277	44,814	53,905	59,665	65,294
- total investments (CAPEX and WC)	-39,828	-20,894	-17,081	-20,776	-30,103	-52,972	-35,057	-35,705
Capital expenditures	-2,973	-3,741	-4,258	-4,803	-5,290	-6,243	-6,768	-7,279
Working capital	-36,855	-17,153	-12,823	-15,973	-24,814	-46,729	-28,289	-28,426
Free cash flows (FCF)	-16,835	10,691	18,331	19,501	14,711	933	24,609	29,589
PV of FCF's	-16,760	9,977	16,033	15,990	11,307	672	16,619	18,732

All figures in thousands	
PV of FCFs in explicit period (2022E-2036E)	239,111
PV of FCFs in terminal period	858,170
Enterprise value (EV)	1,097,281
+ Net cash / - net debt	-67,475
+ Investments / minority interests	41
Shareholder value	1,029,847
Number of shares (diluted)	9,221
Fair value per share in EUR	111.69

Terminal growth	3.5%
Terminal EBIT margin	13.9%

WACC		Terminal growth rate						
		2.0%	2.5%	3.0%	3.5%	4.0%	4.5%	5.0%
5.2%	145.83	165.00	192.99	237.69	320.43	525.75	1904.31	
5.7%	120.82	133.46	150.82	176.16	216.63	291.54	477.43	
6.2%	101.98	110.68	122.11	137.81	160.74	197.35	265.12	
6.7%	87.32	93.50	101.35	111.69	125.88	146.60	179.70	
7.2%	75.61	80.11	85.69	92.79	102.12	114.94	133.65	
7.7%	66.08	69.42	73.48	78.51	84.91	93.33	104.89	
8.2%	58.18	60.70	63.72	67.38	71.91	77.68	85.26	

* 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	126,584	170,238	198,292
Gross profit	82,676	96,769	109,175	124,036	143,780	157,539
Personnel costs	41,361	50,776	63,397	67,502	72,216	78,932
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	38,481	50,184	55,797
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	28,443	39,622	44,525
Net financial result	-1,570	-1,755	-1,485	-4,072	-5,389	-5,725
Pre-tax income (EBT)	18,074	20,705	20,963	24,371	34,232	38,800
Income taxes	6,668	7,589	7,152	7,555	10,270	11,640
Minority interests	-4	4	-6	0	0	0
Net income / loss	11,402	13,120	13,804	16,816	23,963	27,160
Diluted EPS (in €)	1.48	1.54	1.50	1.82	2.60	2.95
Ratios						
Gross margin on total output	55.4%	57.1%	58.2%	49.5%	45.8%	44.3%
EBITDA margin on revenues	21.9%	23.3%	24.0%	18.1%	18.8%	18.3%
EBIT margin on revenues	15.6%	15.1%	17.7%	13.4%	14.8%	14.6%
EBT margin on revenues	14.3%	13.9%	16.5%	11.5%	12.8%	12.8%
Net margin on revenues	9.0%	8.8%	10.9%	7.9%	9.0%	8.9%
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%	31.8%	27.0%	26.0%
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%	26.7%	39.3%	12.4%
Net income/ loss	-10.5%	15.1%	5.2%	21.8%	42.5%	13.3%



BALANCE SHEET

All figures in EUR '000	2019A	2020A	2021A	2022E	2023E	2024E
Assets						
Current assets, total	232,427	236,761	282,609	376,347	383,346	420,362
Cash and cash equivalents	9,648	52,798	18,472	72,049	55,916	76,265
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	149,127	163,242	173,845
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	391,667	400,174	438,921
Shareholders' equity & debt						
Current liabilities, total	69,146	44,700	56,483	79,709	69,510	84,091
Short-term debt	19,362	8,594	8,997	28,917	12,000	22,000
Accounts payable	10,380	7,081	14,034	17,340	23,320	27,163
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	149,796	149,796	152,796
Long-term debt	55,487	51,662	76,950	136,033	136,033	139,033
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	162,121	180,828	201,994
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	107,627	126,334	147,500
Total consolidated equity and debt	242,559	249,262	297,060	391,667	400,174	438,921
Ratios						
Current ratio (x)	3.36	5.30	5.00	4.72	5.51	5.00
Quick ratio (x)	2.20	3.86	2.65	2.85	3.17	2.93
Net debt	65,201	7,458	67,475	92,901	92,117	84,768
Net gearing	63.0%	5.3%	45.0%	57.3%	50.9%	42.0%
Book value per share (in €)	13.42	16.47	16.25	17.58	19.61	21.91
Equity ratio	42.7%	56.2%	50.4%	41.4%	45.2%	46.0%
Return on equity (ROE)	11.0%	9.4%	9.2%	10.4%	13.3%	13.4%
Return on assets (ROA)	5.5%	6.2%	5.4%	5.4%	7.4%	7.6%
Return on investment (ROI)	4.7%	5.3%	4.6%	4.3%	6.0%	6.2%
Return on average capital employed (ROCE)	13.4%	14.2%	12.1%	11.9%	14.9%	15.8%
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	430.0	350.0	320.0
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	28,443	39,622	44,525
Depreciation and amortisation *	1,542	1,649	1,929	2,105	2,233	2,527
EBITDA	21,186	24,109	24,377	30,548	41,855	47,052
Changes in working capital	-37,895	28,412	-68,555	-36,855	-17,153	-12,823
Other adjustments	-5,086	-10,048	-6,558	-7,555	-10,270	-11,640
Operating cash flow	-21,795	42,473	-50,736	-13,862	14,432	22,588
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	-16,835	10,691	18,331
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	79,003	-16,917	13,000
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	-4,072	-5,389	-5,725
Financing cash flow	29,164	4,438	20,287	70,413	-26,825	2,019
FOREX & other effects	15	-170	19	0	0	0
Net cash flows	5,131	43,150	-34,288	53,577	-16,134	20,350
Cash, start of the year	4,517	9,648	52,798	18,472	72,049	55,916
Cash, end of the year	9,648	52,798	18,510	72,049	55,916	76,265
EBITDA/share (in €)	3.58	4.09	3.31	4.17	5.44	6.05
Y-Y Growth						
Operating cash flow	n.m.	n.m.	n.m.	n.m.	n.m.	56.5%
Free cash flow	n.m.	n.m.	n.m.	n.m.	n.m.	71.5%
Financial cash flow	694.2%	-84.8%	357.1%	247.1%	n.m.	n.m.
EBITDA/share	-15.6%	14.2%	-19.1%	26.3%	30.4%	11.2%

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

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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 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.

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.

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...20	↓	↓	↓	↓
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	2 September 2022	€56.20	BUY	€109.00
29	Today	€63.00	BUY	€112.00

INVESTMENT HORIZON

Unless otherwise stated in the financial analysis, the ratings refer to an investment period of twelve months.

UPDATES

At the time of publication of this financial analysis it is not certain whether, when and on what occasion an update will be provided. In general First Berlin strives to review the financial analysis for its topicality and, if required, to update it in a very timely manner in connection with the reporting obligations of the analysed company or on the occasion of ad hoc notifications.

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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: <https://firstberlin.com/disclaimer-english-link/>

SUPERVISORY AUTHORITY: Bundesanstalt für Finanzdienstleistungsaufsicht (German Federal Financial Supervisory Authority) [BaFin], Graurheindorferstraße 108, 53117 Bonn and Marie-Curie-Straße 24-28, 60439 Frankfurt am Main

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