

ABO Wind AG

Deutschland / Cleantech

Börse München

Bloomberg: AB9 GR

ISIN: DE0005760029

Small acquisition

RATING**PRICE TARGET**

Return Potential

Risk Rating

BUY**€ 66.00**

37.5%

High

EXTERNAL GROWTH IN THE SERVICE BUSINESS

ABO Wind has acquired the wind turbine maintenance division of VSB Group. This makes ABO Wind the third largest independent wind turbine service provider in Germany. The acquisition doubles the number of employees in the service segment to 100, and the company now has a significantly larger and denser service network with 21 locations in Germany. The expanded service business (now servicing wind turbines with a total of 720 MW) offers economies of scale, which should increase the segment margin. We expect higher revenues due to the acquisition and from 2023 onwards also higher earnings contributions. A revised DCF model yields a new price target of €66 (previously: €63). We confirm our Buy recommendation.

Acquisition offers ABO Wind opportunities A denser and larger service network means shorter journeys for the service technicians and thus faster service. In addition to cost reductions, this also generates efficiency gains, which should increase margins once the integration has been completed. The acquisition adds to ABO Wind's know-how, as VSB also has Enercon systems in service. In the medium term, the acquired customers and wind farm locations offer additional business potential, particularly in repowering.

Larger financial scope through bond increase Since February, GLS Bank has been exclusively selling a subordinated bond issued by ABO Wind, the target volume of which was originally €30m. After this volume was largely subscribed, ABO Wind exercised its top-up option to €50m in July. We assume that GLS Bank will also successfully place the additional €20m tranche. ABO Wind will use the additional funds to finance large international projects.

(p.t.o.)

FINANCIAL HISTORY & PROJECTIONS

	2018	2019	2020	2021E	2022E	2023E
Revenue (€m)	150.26	126.27	149.16	170.80	232.39	267.25
Y-o-y growth	2.4%	-16.0%	18.1%	14.5%	36.1%	15.0%
EBIT (€m)	22.22	19.64	22.46	24.36	30.93	36.60
EBIT margin	14.8%	15.6%	15.1%	14.3%	13.3%	13.7%
Net income (€m)	12.74	11.40	13.12	14.93	19.36	23.53
EPS (diluted) (€)	1.67	1.48	1.54	1.62	2.10	2.55
DPS (€)	0.42	0.42	0.45	0.45	0.46	0.46
FCF (€m)	-30.29	-24.42	40.53	17.59	-27.29	5.56
Net gearing	48.5%	63.0%	5.3%	-2.6%	18.3%	18.2%
Liquid assets (€m)	4.52	9.65	52.80	85.57	61.62	59.03

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 3,600 MW since its establishment in 1996. The company also offers the management of wind farms, solar and biogas plants. ABO Wind has ca.800 employees. Its headquarters are in Wiesbaden, Germany.

MARKET DATA

As of 03 Aug 2021

Closing Price	€ 48.00
Shares outstanding	9.22m
Market Capitalisation	€ 442.61m
52-week Range	€ 21.00 / 52.00
Avg. Volume (12 Months)	3,031

Multiples	2020	2021E	2022E
P/E	33.7	29.6	22.9
EV/Sales	3.0	2.6	1.9
EV/EBIT	20.0	18.5	14.6
Div. Yield	0.9%	0.9%	1.0%

STOCK OVERVIEW



COMPANY DATA

As of 31 Dec 2020

Liquid Assets	€ 52.80m
Current Assets	€ 234.90m
Intangible Assets	€ 1.12m
Total Assets	€ 249.26m
Current Liabilities	€ 44.70m
Shareholders' Equity	€ 140.12m

SHAREHOLDERS

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



Progress in project development in Colombia and Spain In May, ABO Wind signed a 15-year electricity supply agreement (PPA) with the Colombian energy supplier Grupo Renovatio. Starting in spring 2023, Renovatio will receive 43 GWh of clean electricity annually from a 20 MW solar park. The project is to be fully approved and completed this year. The electricity supply contract is proof that ABO Wind can gain a solid foothold even in young markets with comparatively challenging legal and political environments. In total, ABO Wind is working on a project pipeline of more than 500 MW in Colombia.

In Spain, the construction of the 104.5 MW wind farm in Castile-La Mancha is proceeding according to plan. ABO Wind sold the project in 2020 during development and took over construction management on behalf of the future operator. The commissioning of the wind farm is planned for the beginning of 2022. The construction of such large wind farms for third parties is an important intermediate step for ABO Wind on the path to building wind farms of a similar size on its own account.

Large substation built for Finnish wind farm In May, ABO Wind built a substation with an output of 126 megavolt amperes (MVA) in Välikangas, Finland, on behalf of Luxcara, a leading European asset manager for investments in renewable energies. ABO Wind's most powerful transformers to date (4 x 25/31.5 MVA) from Hitachi ABB Powergrid enable the electricity from the 103 MW wind farm to be fed into the grid. The voltage is converted from 33 kilovolts to 110 kilovolts. The project proves ABO Wind's competence in the construction of substations for large wind farms.

German wind market is slowly recovering For the year 2021 as a whole, the associations BWE and VDMA Power Systems have narrowed their previous forecast range and are now assuming 2.2 - 2.4 GW after 2.0 - 2.5 GW at the beginning of the year (2020: 1.4 GW). In the first half of 2021, 240 onshore wind turbines with a capacity of 971 MW were installed in Germany. The strong growth of +62% y/y cannot hide the fact that new installation activity is far below that of the years 2014-17 (average additions of approx. 4.6 GW p.a.) and is clearly too low to meet the more stringent targets of the German Climate Protection Act (65% greenhouse gas reduction by 2030 compared to 1990). The admission of the federal government that the electricity consumption forecast from 2020 for 2030 is far too low (old: 580 TWh, new: approx. 655 TWh, + 13%) means that renewable power has to be expanded even faster in order to reach the climate protection target goals. We expect that this will require an additional construction of more than 5 GW of onshore wind power p.a. After increasing EEG tender volumes in 2022 to 4 GW for onshore wind and 6 GW for photovoltaics, we assume that the German onshore wind market will again see new installations of >4 GW from 2023, and the PV sector of more than 6 GW. This is good news for ABO Wind and supports our growth forecast.

High prices for electricity and CO₂ certificates increase the attractiveness of wind and solar power in Germany The electricity price has risen to over 70 €/MWh and has almost doubled since 2020. For comparison: In the last tender in May 2021, onshore wind projects received an average award value of just under 60 €/MWh. If the electricity market price establishes itself permanently above 70 €/MWh, the operation of onshore wind turbines will be very attractive beyond the tenders and should also encourage market participants in the onshore wind sector to conclude private electricity supply contracts (PPAs). For large solar plants in Germany, this trend has already been under way for several years. The EU CO₂ certificate price has been around 50 €/t since May 2021, making renewable energies more attractive compared to fossil fuels.



Acquisition incorporated into our estimates ABO Wind did not comment on the additional sales potential from the acquisition or the purchase price in its corporate news. We expect an additional turnover of approx. €4m p.a. and a purchase price in the low single-digit million euro range. While we have increased our sales estimate for the current year correspondingly, but assume that integration costs will not allow an increase in EBIT either this year or in 2022. From 2023, we expect a higher earnings contribution in addition to increasing sales.

Figure 1: Revisions to forecasts

All figures in €m	2021E			2022E			2023E		
	Old	New	Delta	Old	New	Delta	Old	New	Delta
Sales	169.10	170.80	1.0%	228.39	232.39	1.8%	262.65	267.25	1.8%
EBIT	24.36	24.36	0.0%	30.93	30.93	0.0%	36.35	36.60	0.7%
<i>margin</i>	14.4%	14.3%		13.5%	13.3%		13.8%	13.7%	
Net income	14.94	14.93	0.0%	19.36	19.36	0.0%	23.35	23.53	0.8%
<i>margin</i>	8.8%	8.7%		8.5%	8.3%		8.9%	8.8%	
EPS (diluted)	1.62	1.62	0.0%	2.10	2.10	0.0%	2.53	2.55	0.9%

Source: First Berlin Equity Research

Buy confirmed with higher price target An updated DCF model yields a new price target of €66 (previously: €63). We confirm our Buy recommendation. ABO Wind will publish its half-year report on 31 August.



VALUATION MODEL

DCF valuation model									
All figures in EUR '000									
	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	
Net sales	170,800	232,390	267,249	304,129	342,974	383,258	424,337	465,459	
NOPLAT	17,332	22,229	26,516	28,881	32,569	36,477	40,325	43,873	
+ depreciation & amortisation	1,636	2,131	2,439	2,836	3,263	3,727	4,225	4,750	
Net operating cash flow	18,967	24,360	28,955	31,717	35,832	40,204	44,550	48,623	
- total investments (CAPEX and WC)	-1,380	-51,654	-23,397	-33,139	-27,550	-28,726	-29,508	-29,830	
Capital expenditures	-4,355	-3,486	-4,009	-4,532	-5,082	-5,648	-6,218	-6,783	
Working capital	2,975	-48,169	-19,389	-28,608	-22,467	-23,078	-23,290	-23,047	
Free cash flows (FCF)	17,587	-27,295	5,557	-1,422	8,282	11,478	15,042	18,793	
PV of FCF's	17,143	-24,993	4,781	-1,149	6,286	8,184	10,075	11,823	

All figures in thousands

PV of FCFs in explicit period (2021E-2035E)	145,424
PV of FCFs in terminal period	468,535
Enterprise value (EV)	613,959
+ Net cash / - net debt	-7,458
+ Investments / minority interests	30
Shareholder value	606,531
Number of shares (diluted)	9,221
Fair value per share in EUR	65.78

Terminal growth	2.5%
Terminal EBIT margin	11.1%

WACC		Terminal growth rate							
		1.0%	1.5%	2.0%	2.5%	3.0%	3.5%	4.0%	
Cost of equity	10.1%	4.5%	102.25	113.60	129.57	153.75	194.59	278.42	548.55
Pre-tax cost of debt	4.0%	5.0%	85.82	93.45	103.65	118.02	139.76	176.49	251.89
Tax rate	30.0%	5.5%	73.24	78.54	85.39	94.56	107.47	127.00	160.00
After-tax cost of debt	2.8%	6.0%	63.32	67.12	71.88	78.02	86.25	97.84	115.36
Share of equity capital	50.0%	6.5%	55.32	58.10	61.51	65.78	71.28	78.66	89.04
Share of debt capital	50.0%	7.0%	48.76	50.83	53.32	56.37	60.19	65.12	71.71
		7.5%	43.30	44.87	46.72	48.94	51.66	55.07	59.47
Fair value per share in EUR	66.00	8.0%	38.70	39.89	41.28	42.93	44.91	47.34	50.38

* 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
Revenues	150,264	126,273	149,155	170,800	232,390	267,249
Changes in inventory	-619	22,752	20,206	22,033	39,739	45,165
Own work	256	233	0	0	0	0
Total output	149,901	149,258	169,361	192,833	272,129	312,413
Cost of goods sold	70,684	66,582	72,592	84,631	149,543	177,720
Gross profit	79,217	82,676	96,769	108,202	122,586	134,693
Personnel costs	36,305	41,361	50,776	55,010	59,422	63,546
Other operating income	2,973	3,451	6,362	2,733	3,718	4,276
Other operating expenses	13,465	17,143	17,593	18,744	22,077	24,052
EBITDA	32,420	27,623	34,762	37,181	44,805	51,371
Depreciation and amortisation	1,438	1,542	1,649	1,636	2,131	2,439
Depreciation of current assets	8,766	6,437	10,653	11,186	11,745	12,332
Operating income (EBIT)	22,216	19,644	22,460	24,359	30,929	36,600
Net financial result	-918	-1,570	-1,755	-2,398	-2,865	-2,987
Pre-tax income (EBT)	21,298	18,074	20,705	21,962	28,065	33,613
Income taxes	8,537	6,668	7,589	7,028	8,700	10,084
Minority interests	-17	-4	4	0	0	0
Net income / loss	12,745	11,402	13,120	14,934	19,365	23,529
Diluted EPS (in €)	1.67	1.48	1.54	1.62	2.10	2.55
Ratios						
Gross margin on total output	52.8%	55.4%	57.1%	56.1%	45.0%	43.1%
EBITDA margin on revenues	21.6%	21.9%	23.3%	21.8%	19.3%	19.2%
EBIT margin on revenues	14.8%	15.6%	15.1%	14.3%	13.3%	13.7%
EBT margin on revenues	14.2%	14.3%	13.9%	12.9%	12.1%	12.6%
Net margin on revenues	8.5%	9.0%	8.8%	8.7%	8.3%	8.8%
Tax rate	40.1%	36.9%	36.7%	32.0%	31.0%	30.0%
Expenses as % of revenues						
Personnel costs	24.2%	32.8%	34.0%	32.2%	25.6%	23.8%
Depreciation and amortisation	1.0%	1.2%	1.1%	1.0%	0.9%	0.9%
Depreciation of current assets	5.8%	5.1%	7.1%	6.5%	5.1%	4.6%
Other operating expenses	9.0%	13.6%	11.8%	11.0%	9.5%	9.0%
Y-Y Growth						
Revenues	2.4%	-16.0%	18.1%	14.5%	36.1%	15.0%
Operating income	-11.0%	-11.6%	14.3%	8.5%	27.0%	18.3%
Net income/ loss	-25.1%	-10.5%	15.1%	13.8%	29.7%	21.5%



BALANCE SHEET

All figures in EUR '000	2018A	2019A	2020A	2021E	2022E	2023E
Assets						
Current assets, total	184,057	232,427	236,761	268,748	300,085	319,974
Cash and cash equivalents	4,517	9,648	52,798	85,566	61,621	59,033
Short-term investments	18,747	17,665	9,331	9,331	9,331	9,331
Receivables	20,231	20,678	34,020	28,077	38,201	43,931
Inventories	71,451	80,171	64,398	69,560	114,718	131,464
Other current assets	67,694	102,749	74,825	74,825	74,825	74,825
Non-current assets, total	9,985	10,132	12,501	15,221	16,576	18,146
Property, plant & equipment	4,553	5,208	5,653	8,054	9,071	10,282
Goodwill & other intangibles	894	1,298	1,116	1,435	1,773	2,132
Financial assets	4,538	3,626	5,732	5,732	5,732	5,732
Other assets	33	0	0	0	0	0
Total assets	194,042	242,559	249,262	283,969	316,661	338,119
Shareholders' equity & debt						
Current liabilities, total	43,848	69,146	44,700	57,259	70,745	109,605
Short-term debt	844	19,362	8,594	18,636	24,917	51,468
Accounts payable	10,983	10,380	7,081	9,275	16,388	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	19,027
Long-term liabilities, total	61,219	69,837	64,446	75,810	79,893	52,425
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
Minority interests	39	37	30	30	30	30
Shareholders' equity	88,937	103,539	140,086	150,870	165,993	176,060
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	96,455	111,579	121,645
Total consolidated equity and debt	194,042	242,559	249,262	283,969	316,661	338,119
Ratios						
Current ratio (x)	4.20	3.36	5.30	4.69	4.24	2.92
Quick ratio (x)	2.57	2.20	3.86	3.48	2.62	1.72
Net debt	43,164	65,201	7,458	-3,904	30,404	32,076
Net gearing	48.5%	63.0%	5.3%	-2.6%	18.3%	18.2%
Book value per share (in €)	11.63	13.42	16.47	16.36	18.00	19.09
Equity ratio	45.9%	42.7%	56.2%	53.1%	52.4%	52.1%
Return on equity (ROE)	14.3%	11.0%	9.4%	9.9%	11.7%	13.4%
Return on Assets (ROA)	7.5%	5.5%	6.2%	6.2%	7.1%	8.0%
Return on Investment (ROI)	6.6%	4.7%	5.3%	5.3%	6.1%	7.0%
Return on average capital employed (ROCE)	20.6%	13.4%	14.2%	16.2%	17.7%	17.8%
Days of sales outstanding (DSO)	49.1	59.8	83.3	60.0	60.0	60.0
Days inventory outstanding	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
EBIT	22,216	19,644	22,460	24,359	30,929	36,600
Depreciation and amortisation	1,438	1,542	1,649	1,636	2,131	2,439
EBITDA	23,654	21,186	24,109	25,995	33,060	39,039
Changes in working capital	-39,067	-37,895	28,412	2,975	-48,169	-19,389
Other adjustments	-12,697	-5,086	-10,048	-7,028	-8,700	-10,084
Operating cash flow	-28,110	-21,795	42,473	21,942	-23,809	9,566
Investments in PP&E	-1,393	-1,965	-1,774	-3,758	-2,789	-3,207
Investments in intangibles	-782	-661	-173	-598	-697	-802
Free cash flow	-30,285	-24,421	40,526	17,587	-27,295	5,557
Acquisitions & disposals, net	179	91	7	0	0	0
Other investments	-1,246	282	-1,651	0	0	0
Investment cash flow	-3,242	-2,253	-3,591	-4,355	-3,486	-4,009
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	-2,398	-2,865	-2,987
Financing cash flow	3,672	29,164	4,438	15,181	3,350	-8,146
FOREX & other effects	-138	15	-170	0	0	0
Net cash flows	-27,818	5,131	43,150	32,768	-23,945	-2,588
Cash, start of the year	32,335	4,517	9,648	52,798	85,566	61,621
Cash, end of the year	4,517	9,648	52,798	85,566	61,621	59,033
EBITDA/share (in €)	4.24	3.58	4.09	4.03	4.86	5.57
Y-Y Growth						
Operating cash flow	n.m.	n.m.	n.m.	-48.3%	n.m.	n.m.
Free cash flow	n.m.	n.m.	n.m.	-56.6%	n.m.	n.m.
Financial Cashflow	n.m.	694.2%	-84.8%	242.1%	-77.9%	n.m.
EBITDA/share	-14.1%	-15.6%	14.2%	-1.4%	20.5%	14.7%

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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.

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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...14	↓	↓	↓	↓
15	9 October 2019	€15.30	BUY	€22.50
16	3 February 2020	€18.20	BUY	€27.00
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	Today	€48.00	BUY	€66.00

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

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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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