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11/12/2018 – Research Comment – Aves One AG

Company: Aves One AG[5a,5b,11]
ISIN: DE000A168114
Reason for the research report: Q3-Report 2018
Analyst: Matthias Greiffenberger
Current Share Price: 7.40 € (XETRA; 10/12/18; 04:30 pm)
Target price: 12.10 € / valid until 31.12.2019
Rating: Buy
Date of completion: 07.12.2018 (11:25 am)
Date of first distribution: 11.12.2018 (10:30 am)
**catalogue of potential conflicts of interests on page 4*

Aves One continues its very good performance in the third quarter of 2018. We confirm our forecast and stock price target of 12.10€; Rating: Buy.

Aves One AG has maintained its high growth rate in the first nine months of 2018, increasing its revenue by 27.2% to EUR 50.41 million (previous year: EUR 39.64 million). This trend results from the investments made, higher capacity utilisation and the improved rental rates in the Container division. Revenue was therefore distributed evenly between the rail segment, at EUR 23.07 million (previous year: EUR 19.54 million) and the container segment, at EUR 23.52 million (previous year: EUR 17.75 million).

With regard to profits, there were improved margins and the EBITDA increased disproportionately by 65.8% to EUR 35.22 million (previous year: EUR 21.25 million), representing an EBITDA margin of 70.0% (previous year: 53.6%). This positive development also resulted in a positive adjusted EBT of EUR 2.60 million, compared with EUR -10.25 million in the previous year. The positive pre-tax profit demonstrates that the company was already able to use the high economies of scale to its advantage and to generate profits for shareholders before the contributions from the Nacco transaction in the initial consolidation in the current fourth quarter of 2018 materialise. We believe this trend will continue.

The future development is also supported by the NACCO/CIT transaction, an important deal for Aves One, especially in this industry environment. In addition to the consolidation in Q4 2018 and the corresponding pro rata revenue and profit participation, this transaction is expected to generate annual revenue of approximately EUR 37 million and achieve an EBITDA of EUR 28 million for 2019. Furthermore, this transaction is a special milestone for Aves One, as the industry now views Aves One AG as a strong player and a potential customer for deals. According to management, this has already led to an increase in the number of offers.

In light of the Q3 figures and the guidance specification, we hereby confirm our forecast. The company expects to generate revenues of EUR 75-78 million and an EBITDA of EUR 53-55 million for 2018 as a whole. Our current forecast for 2018 is EUR 77.02 million in revenue, with an EBITDA of EUR 54.31 million. As a result, our forecast remains within the limits of the Guidance. We confirm our price target of EUR 12.10 per share and reiterate our BUY rating.

ANNEX

I.
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