



Research report (Anno)

Aves One AG



The strong growth should continue.

-

Further margin improvements should be achieved as a result of the scalable business model.

**Target price: 12.80 €
(previously: 12.10 €)**

Rating: BUY

IMPORTANT NOTE:

Please take note of the disclaimer/risk warning, as well as the disclosure of potential conflicts of interest as required by section § 85 WpHG und Art. 20 MAR on page 18

Note on research as a “minor non-monetary benefit” according to the MiFID II regulation: This research meets the requirements for being classified as a “minor non-monetary benefit”. For more information, see the disclosure under “I. Research under MiFID II”

Aves One AG^{*5a,11}

Rating: Buy

**Target price: 12.80 €
(Previously: 12.10 €)**

Current price: 10.90 €
27.05.2019 / ETR 16:50

Currency: EUR

Key information:

ISIN: DE000A168114
WKN: A16811
Ticker symbol: AVES

Number of shares³: 13.02
Marketcap³: 141.86
Enterprise Value³: 587.61
³ in m / in m EUR

Free float: 21.88%

Transparency level:
Prime Standard

Market segment:
Regulated Market

Accounting standard:
IFRS

Fiscal year: 31.12.

Designated Sponsor:
Hauck & Aufhäuser

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* List of possible conflicts of interest on page 18

Company profile

Sector: Asset-Management

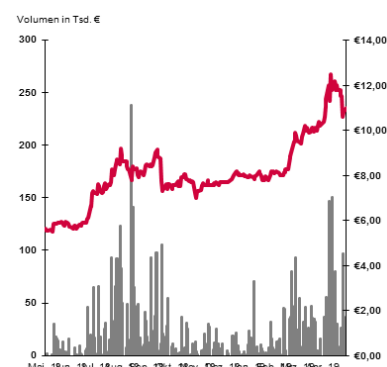
Focus: Rail, Container

Employees: 42 as of 31.12.2018

Established: 2013

Headquarter office: Hamburg

Executive Board: Tobias Aulich, Jürgen Bauer,
Sven Meißner



Aves One AG is a fast-growing portfolio manager in the durable logistics asset segment with a focus on rail freight cars. Containers and swap bodies also form part of the portfolio. With a young, high-yield freight car portfolio, Aves One is one of the leading portfolio managers of logistics assets for rail in Europe. The strategy aims to continuously optimise the company's own portfolio and further expand the logistics portfolio.

P&L in mEUR, financial year-end	31.12.2018	31.12.2019e	31.12.2020e	31.12.2021e
Sales	77.68	118.10	130.75	145.25
EBITDA	52.19	86.13	97.07	107.61
EBIT	31.17	52.64	59.07	66.06
Net profit	12.03	10.96	13.56	17.15

Key figures in EUR

Earnings per share	0.92	0.84	1.04	1.32
Dividend per share	0.00	0.00	0.00	0.00

Key figures

EV/Sales	7.56	4.98	4.49	4.05
EV/EBITDA	11.26	6.82	6.05	5.46
EV/EBIT	18.85	11.16	9.95	8.90
PE	11.79	12.94	10.46	8.27
PB	4.31			

Financial calendar

May 2019: Q1 Report 2019
August 2019: General assembly 2019
September 2019: HY 2019
02.-03.09.2019: DVFA Conference
11.09.2019: ZKK Zurich Conference
November 2019: Q3 Report 2019
25.-27. 11.2019: German EKF
10.-11. 11.2019: MKK - Munich Capital Markets Conference

**latest research by GBC:

Date: publication/target price in EUR/rating
14.08.2018: RS / 12,10€ / BUY
05.12.2017: RS / 9,10 € / BUY
14.11.2017: RS / 9,10 € / BUY
24.07.2017: RS / 9,10 € / BUY

** The research studies indicated above may be viewed at www.gbc-ag.de, or requested from GBC AG, Halderstr. 27, D86150 Augsburg

EXECUTIVE SUMMARY

- In financial year 2018, Aves One AG increased its revenue significantly and also achieved a disproportionate improvement in earnings. We assume that this trend will continue in the future. In financial year 2018, revenue increased by 45.4% to EUR 77.68 million (previous year: EUR 53.43 million). The key factors for this revenue growth were further assets under management (AUM) acquired in 2017 and in 2018. In particular, the NACCO transaction in the third quarter of 2018 led to a significant increase in AUM. Overall, AUM increased by 83.1% in financial year 2018 to EUR 820.93 million (previous year: EUR 448.46 million). Due to the large NACCO transaction, the company also brought the original plan for EUR 1 billion AuM forward from 2020 to 2019.
- A disproportionate improvement in earnings was achieved as a result of strict cost discipline and a lean management approach. EBITDA increased by 79.3% to EUR 52.19 million (previous year: EUR 29.11 million) leading to an improvement in the margin from 54.5% (2017) to 67.2% (2018). In particular, the cost of materials ratio increased again, because of the further increase in capacity utilisation. As a whole, a net profit adjusted for non-cash FX effects of EUR 3.66 million was achieved (previous year: EUR -13.35 million).
- Guidance for the 2019 financial year is based on revenue of at least EUR 110 million, EBITDA of at least EUR 80 million and assets under management of at least EUR 1 billion. We consider this guidance to be conservative and assume AuM of EUR 1.03 billion and forecast additional revenue amounting to EUR 118.10 million in 2019. We assume that the focus will continue to be on the Rail segment and that the Container segment will be expanded opportunistically. In particular, the NACCO transaction is expected to contribute to revenue for the entire financial year 2019. In the Container segment, we expect a slight decline in capacity utilisation, but this should be more than compensated by rising lease prices. For the Rail segment, we are assuming that the balanced portfolio will be expanded further. In this way, in the 2018 financial year an extremely cyclically independent segment was built up by the approx. 20% holding in rail tank cars, whereas the company can participate in the higher growth performance in, for example, the Intermodal segment.
- Strict cost discipline and a lean management approach should result in disproportionately improved earnings with increasing revenue. We expect EBITDA to increase by 65.0% to EUR 86.13 million (previous year: EUR 52.19 million), a margin improvement from 67.2% (2017) to 72.9% (2018). In our opinion, average financing costs should continue to decline as the Rail segment will generally see more favourable conditions. We are therefore forecasting a net profit of EUR 10.96 million in 2019, which represents a very high net margin of 9.3%.
- **Through the scalable business model, further margin improvements should be achieved in the medium term. We are currently anticipating a continuation of the high growth momentum and, against the backdrop of the higher forecast level, we have issued a stock price target of EUR 12.80 (so far: EUR 12.10) so we therefore give this a BUY rating.**

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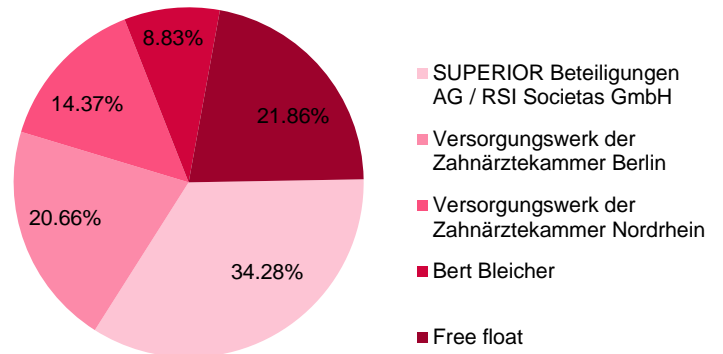
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COMPANY PROFILE

Shareholder structure

Shareholders	%
SUPERIOR Beteiligungen AG / RSI Societas GmbH	34.28%
Versorgungswerk der Zahnärztekammer Berlin	20.66%
Versorgungswerk der Zahnärztekammer Nordrhein	14.37%
Herr Bert Bleicher	8.83%
Free float	21.88%

Source: Aves One



Relevant partners and customers

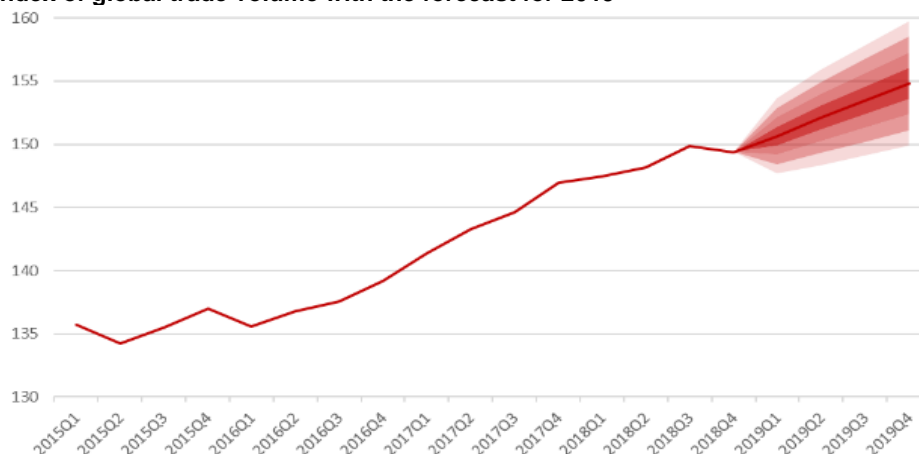


Source: Aves One

MARKET AND MARKET ENVIRONMENT

The WTO (World Trade Organization) assumes that world trade in 2019 and 2020 will continue to run into headwinds since world trade saw slower than expected growth in 2018 due to escalating trade tensions and increased economic uncertainty. WTO economists expect that growth in the volume of trade in goods will fall to 2.6% in 2019 compared to 3.0% in 2018. Trade growth could then recover to 3.0% by 2020, but this depends on an easing of trade relations.

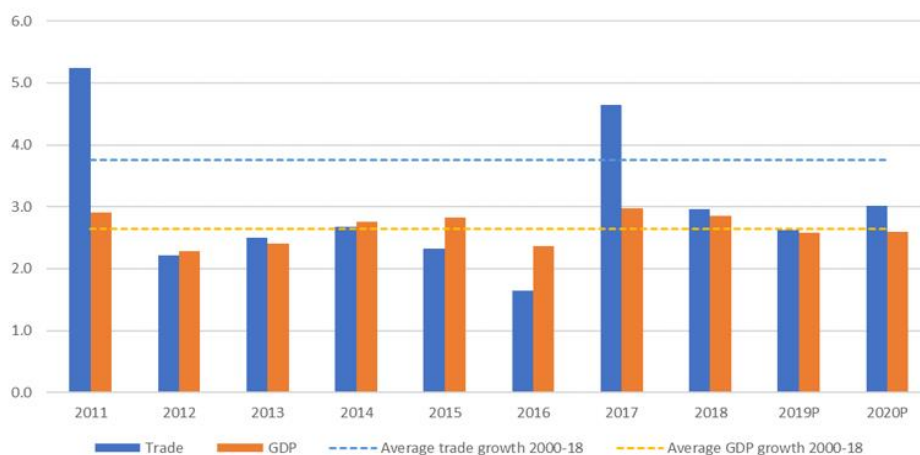
Index of global trade volume with the forecast for 2019



Source: WTO, UNCTAD, WTO Secretariat, seasonally adjusted 2005 volume of trade index = 100

Growth was impacted by several factors in 2018, including new tariffs, weaker global economic growth, volatility in financial markets and tighter monetary conditions including in the industrialised countries.

World trade volume (trade) and real GDP growth (GDP), 2011-2020



Source: WTO, UNCTAD, WTO Secretariat

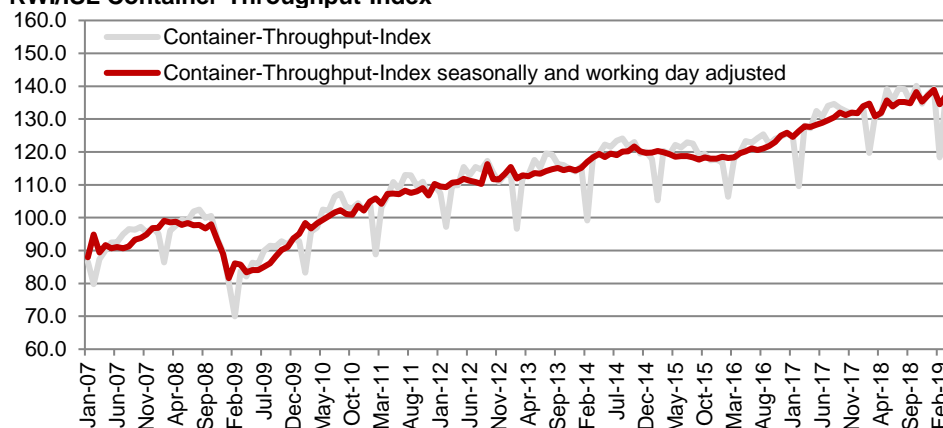
According to consensus forecasts, world GDP growth will slow from 2.9% in 2018 to 2.6% in 2019 and 2020. Above-average trade growth of 4.6% in 2017 suggested that trade could regain some of its previous momentum, but this did not occur. In 2018, trade grew only slightly faster than production and this relative weakness is due to continue until at least 2019. This is partly attributable to slower growth in the European Union which has a disproportionately larger share of world trade compared to world GDP. The preliminary estimate of 3.0% for world trade growth in 2018 is below the WTO's latest

forecast of 3.9% from September of last year. The decline was mainly attributable to a worse than expected result in the fourth quarter, when world trade decreased by 0.3% in terms of average exports and imports. Until then, trade had risen by 3.8% in the third quarter, which was in line with the WTO's forecasts.

In view of the high level of uncertainty associated with trade forecasts under the current conditions, trade expansion in the current year is highly likely to fall somewhere between 1.3% and 4.0%. Even if the short-term growth rate for world trade is expected to weaken, we nevertheless assume that growth rates will return to normal in the medium term. Aves One continues to benefit from the increasing demand for logistics assets and is expected to participate in particular in the more dynamic performances on the Rail and Container sub-markets.

In terms of the Rail segment, we are anticipating further growth due to market liberalisation and increasingly stringent emissions requirements. With increasing distances and transport volumes, rail offers significant advantages over road transport. Rail, as part of the international freight transport market, is playing an active role in the increasing internationalisation of trade flows and progressive globalisation. Given the significant environmental advantages over other modes of transport, European politicians are calling for and encouraging the expansion of rail transport. The progressive liberalisation of markets formerly dominated by state-owned railways is another growth driver for private providers of leasing and logistics services. With the emergence of a single, open European rail system, former monopolies are being broken up and rail freight transport will generally be more attractive. Of the 700,000 freight cars in Europe, more than 400,000 are still owned by state-owned railways. Considering the advanced age of many fleets, there is a great need for renewal. Aves One should be able to benefit from the rejuvenation process required as the average age of an Aves One freight car fleet is approximately 16 years, compared to 24 years for the overall freight market in Europe. However, due to the shortage of capital and the priority placed on passenger transport, many state-owned railways are showing little willingness to invest. In the future, this should provide further impetus for rail car leasing companies such as Aves One.

RWI/ISL Container-Throughput-Index



Source: Leibniz-Institut für Wirtschaftsforschung (Institute for Economic Research) and Institut für Seeverkehrswirtschaft und Logistik (Institute of Shipping Economics and Logistics – ISL)

According to the current flash estimate from March published by the RWI Leibniz Institute for Economic Research, the container throughput index has increased to 136.9. This went some way towards compensating for February's sharp decline to 134.5 (revised). The index has been very volatile overall for several months. In the first quarter of 2019, the less volatile quarterly average of 136.6 was slightly below that of the previous quarter. We are currently assuming a short-term, sideways movement as a result of the trade conflicts.

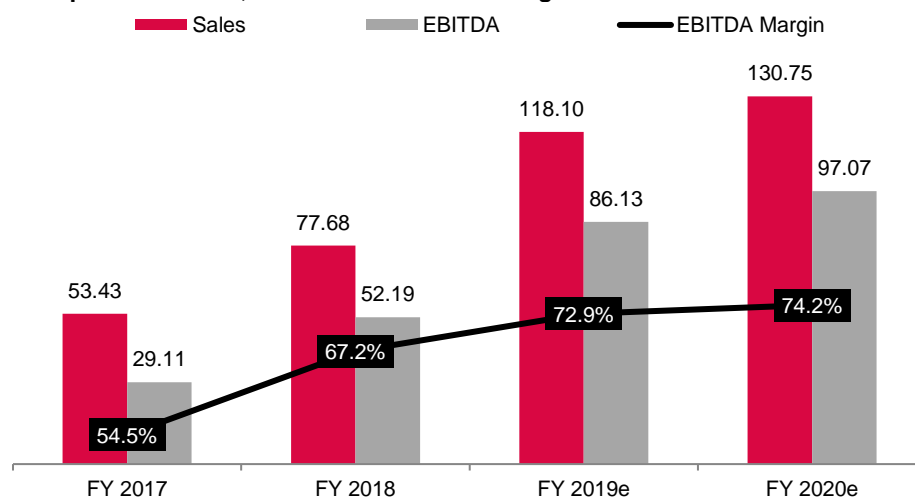
COMPANY PERFORMANCE & FORECAST

Overview of key figures

	FY 2017	FY 2018	FY 2019e	FY 2020e
Sales	53.43	77.68	118.10	130.75
other income	1.18	2.84	2.50	2.50
COGS	-12.87	-13.27	-21.26	-23.27
personnel expenditure	-4.81	-4.51	-4.71	-4.91
other operating costs	-8.26	-10.88	-8.50	-8.00
EBITDA	29.11	52.19	86.13	97.07
Depreciations	-15.93	-21.01	-33.49	-38.00
EBIT	9.39	31.17	52.64	59.07
interest earned	1.22	0.58	0.00	0.00
interest paid	-21.76	-28.13	-41.10	-44.00
Currency effects on financial receivables and financial liabilities	-21.63	8.38	0.00	0.00
Financing secondary costs	-1.17	-0.81	0.00	0.00
Other financing-related costs	-3.40	-0.03	0.00	0.00
EBT	-37.34	11.15	11.54	15.07
Taxes on income and profit	2.36	0.93	-0.58	-1.51
non-controlling interests	0.00	-0.05	0.00	0.00
Net income	-34.98	12.03	10.96	13.56
Net income adjusted by (Currency effects on financial receivables and financial liabilities)	-13.35	3.66	10.96	13.56
EBITDA	29.11	52.19	86.13	97.07
<i>EBITDA Margin</i>	<i>54.5%</i>	<i>67.2%</i>	<i>72.9%</i>	<i>74.2%</i>
EBIT	9.39	31.17	52.64	59.07
<i>EBIT Margin</i>	<i>17.6%</i>	<i>40.1%</i>	<i>44.6%</i>	<i>45.2%</i>
Net profit	-13.35	3.66	10.96	13.56
<i>Net Margin</i>	<i>-25.0%</i>	<i>4.7%</i>	<i>9.3%</i>	<i>10.4%</i>

Source: Aves One, GBC

Development of Sales, EBITDA and EBITDA Margin



Source: Aves One, GBC

Business development 2018

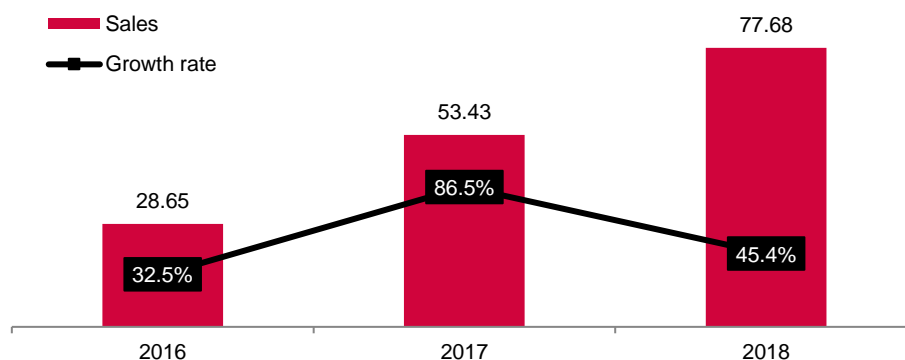
P&L (in m €)	FY 2016	FY 2017	FY 2018
Sales	28.65	53.43	77.68
EBITDA	10.29	25.32	52.19
EBITDA Margin	35.9%	47.4%	67.2%
EBIT	1.78	9.39	31.17
EBIT Margin	6.2%	17.6%	40.1%
Net profit	-7.67	-34.98	12.03
EPS in €	-1.23	-2.71	0.92

Source: Aves One AG; GBC AG

Revenue performance

Aves One AG continued its dynamic business performance and increased revenue and earnings significantly. The background to this strong growth momentum is the acquisition of further assets contributing a large cash flow which generated revenue in the form of leasing income. In financial year 2018, revenue increased by 45.4% to EUR 77.68 million (previous year: EUR 53.43 million).

Sales performance (in EUR million) and sales growth (in %)



Source: Aves One AG; GBC AG

The company is focussing on the Rail and Container segments which were significant revenue drivers. The Rail segment increased revenue by 54.3% to EUR 40.65 million (previous year: EUR 26.34 million). With a revenue share of EUR 9.00 million, the NACCO transaction also made a significant contribution to the high levels of growth. Due to the time of acquisition, revenue from the NACCO transaction only flowed into the company in the fourth quarter. As a result, the full-year revenue contribution from the NACCO transaction is expected to be reflected in the current financial year 2019. Utilisation rates were increased via the Container and Rail segments and improved leasing rates were achieved. In addition to further asset expansion, revenue in the Container segment jumped by 33.7% to EUR 32.22 million (previous year: EUR 24.10 million).

Gross returns and assets under management in the major segments

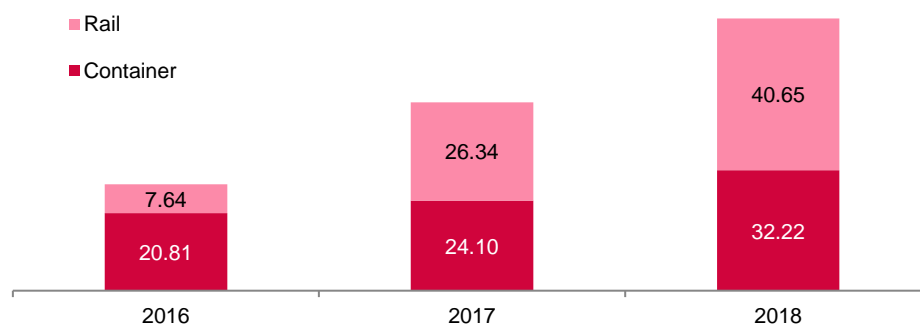
	2016	2017	2018
Container (AuM)	9.5% (219.59 m €)	11.0% (218.40 m €)	11.8% (272.04 m €)
Rail (AuM)	3.4% (225.76 m €)	11.5% (229.76 m €)	7.6% (538.00 m €)
Group (AuM)	6.4% (445.40 m €)	11.9% (448.46 m €)	9.5% (820.93 m €)

Source: Aves One AG; GBC AG

The decline in gross returns (revenue/assets) in the Rail segment from 11.5% (2017) to 7.6% (2018) can be mainly explained by the reporting date effects of the new asset acquisition dates. Rail assets increased particularly in the third quarter due to the NACCO transaction although full year revenue was only shown for the first time in the current 2019 financial year. In the Container segment, an increase in gross returns from 11.0%

(2017) to 11.8% (2018) was achieved through streamlining the portfolio and other leasing successes despite additional asset acquisitions. In the overall Group, the over-weighting of rail assets led to a decrease in the gross return from 11.9% (2017) to 9.5% (2018).

Key sales development items by segment (in EUR million)



Source: Aves One AG; GBC AG

The company originally had to reach a target of EUR 1 billion of assets under management (AUM) by 2020. The management was able to bring this target forward to 2019 as a result of successful transactions. Consequently, as a result of the largest transaction in the company's history so far, the number of freight cars more than doubled to 9,004. In addition to additional capital expenditure, property, plant and equipment in the Rail segment increased as a result by 134.2% to EUR 538.00 million (previous year: EUR 229.76 million). The company continues to assess the current market conditions as excellent due to the liberalisation of the rail market and plans to expand its investments even further. According to the annual report, the company currently has one of the youngest and most modern fleets on the market, which results in the high demand and explains the very high utilisation rates of Aves One.

In addition to the very dynamic performance of rail assets, container assets performed very well. In the 2018 financial year, container assets increased by 24.5% to EUR 272.04 million (previous year: EUR 218.40 million). In particular, the segment was further expanded by investing in additional swap bodies. In this context, the company is relying on the major trend in e-commerce trading. Swap bodies are used in particular for parcel shipping, resulting in high demand in this segment. In financial year 2018, additional swap bodies were therefore acquired for around EUR 34.9 million.

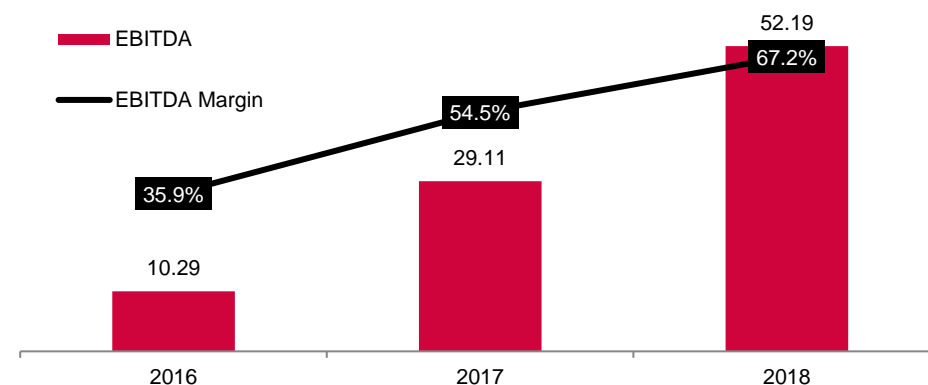
Earnings performance

In addition to the very dynamic revenue performance, earnings again increased disproportionately. EBITDA rose by 79.3% to EUR 52.19 million (previous year: EUR 29.11 million) leading to an improvement in the margin from 54.5% (2017) to 67.2% (2018). The background to these earnings improvements is the disproportionately low cost developments in all important items. The cost of materials increased by 3.1% to EUR 13.27 million (previous year: EUR 12.87 million) and mainly concerns services and related services for the leasing of assets. Lower storage costs were incurred for unleased containers due to the significantly higher capacity utilisation of containers and these resulted in a cost reduction of EUR 4.59 million (previous year: EUR 6.61 million).

In addition, personnel expenses decreased by 6.2% to EUR 4.51 million (previous year: EUR 4.81 million), which shows how consistently the company is applying its lean management approach.

The increase in other operating expenses (SBA) by 31.8% to EUR 10.88 million (previous year: EUR 8.26 million) is primarily attributable to the risk of legal disputes which have given rise to an expense of EUR 2.54 million. Adjusted for the legal dispute risk, SBAs were close to the previous year's level.

EBITDA performance (in EUR millions) and EBITDA margin (in %)

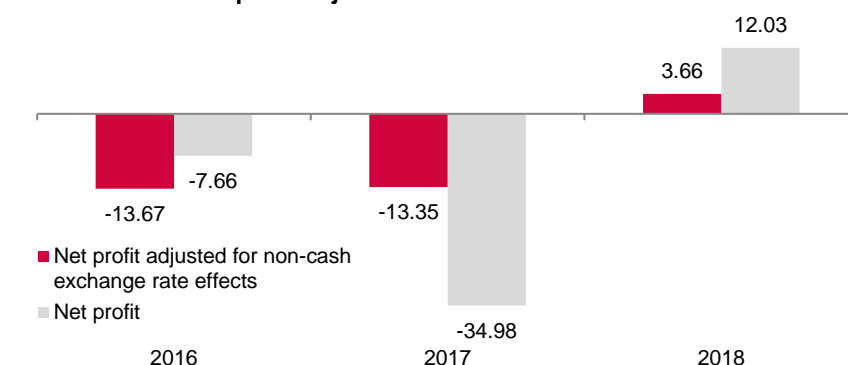


Source: Aves One; GBC AG

Overall, the company continues to stand out due to its extremely stable cost structure which is not rising despite increasing assets and growing revenue. This results in significant scaling effects which should also lead to disproportionately good improvements in earnings in the future.

The acquisition of the extensive assets is largely reflected by debt. Interest expenses increased by 29.3% to EUR 28.13 million (previous year: EUR 21.76 million). However, the company has already been able to improve the interest rate terms each year and has reduced the average nominal interest rate from 4.4% (2017) to 3.6% (2018). In some cases, these improved interest rates terms were also achieved by the increasing over-weighting of the Rail segment. Freight cars are generally cheaper to finance than containers.

Performance of net profit adjusted for FX effects



Source: Aves One; GBC

Operating container transactions are settled in USD, but financing is partly agreed in EUR. This results in non-cash currency effects in the income statement which we adjust to determine net profit. In 2018, a positive consolidated surplus could be achieved, amounting to EUR 3.66 million (previous year: EUR -13.35 million).

Balance sheet and financial situation

in m €	31.12.2016	31.12.2017	31.12.2018
Equity	28.49	22.23	32.90
Equity ratio (in %)	5.5%	4.3%	3.6%
Operating assets	450.81	457.85	829.13
Working capital	27.59	25.87	40.31
Net debt	445.75	464.36	838.28
Property, plant and equipment	445.40	448.46	810.03
Financial debts	445.40	448.46	862.04
Liquid funds	23.08	14.91	17.148
Total assets	517.88	520.13	923.68

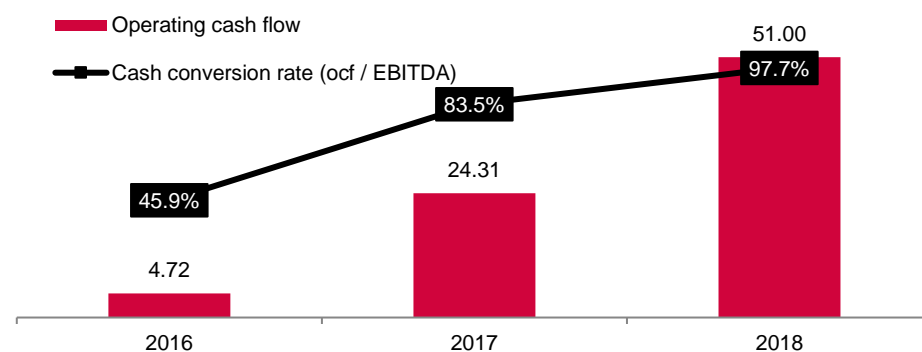
Source: Aves One; GBC

Due to its business model, Aves One AG has a comparatively low equity capital ratio. As at 31/12/2018, the company reported equity of EUR 32.90 million, equating to an equity ratio of 3.6% (31/12/2017: 4.3%). A higher ratio is to be sought in the future, but we assume that the company will initially continue to rely heavily on externally financed asset growth in the currently attractive market conditions.

In our view, the company should also have significant hidden reserves. In this way, parallels could be drawn with real estate portfolio holders which have a higher equity ratio through asset valuations. Similarly at Aves One, assets contributing a large cash flow generate reliable lease payments for the company. However, in the case of Aves One, rail and container assets are not recorded in the balance sheet. If hidden reserves were to be uncovered, the equity ratio would be significantly higher.

Assets contributing a large cash flow led to an increase in the operating cash flow (OCF) by 109.8% to EUR 51.00 million (previous year: EUR 24.31 million). EBITDA is also steadily approaching operating cash flow, resulting in an almost 100% cash conversion rate in terms of EBITDA (OCF/EBITDA). The cash conversion rate for the past financial year 2018 was 97.7% (previous year: 83.5%), meaning that the company can convert the profits generated directly into liquid assets.

Operating cash flow (in EUR million) and cash conversion rate



Source: Aves One AG; GBC AG

The balance sheet will continue to be determined by the assets and accordingly property, plant and equipment made up 87.7% (31/12/2018: EUR 810.03 million) of total assets (31/12/2018: EUR 923.68 million).

SWOT analysis

Strengths	Weaknesses
<ul style="list-style-type: none"> • Good access to asset portfolios as key prerequisites for further growth • Broadly diversified asset portfolio across Rail and Containers ensures risk diversification • Strong partner network in the area of asset managers, purchasing and financing • Established and young fleet in a strong growth market • Lean management approach with stable fixed costs • Diversified financing network ensures high degree of independence from individual financing sources 	<ul style="list-style-type: none"> • With its business model, Aves One has a low equity ratio due to its high debt ratio when purchasing assets • Currently still comparatively high financing costs due to high proportion of direct investments and investments by institutional investors
Opportunities	Risks
<ul style="list-style-type: none"> • A change in the financing structure towards increased bank financing could lower the average interest rate and boost net profit • Liberalisation of the rail market increases customer demand for modern rail cars and flexible leasing options • The robustly growing online trade could provide further growth impetus for swap bodies 	<ul style="list-style-type: none"> • The high correlation of the business model with economic development could have a negative impact on business performance if the economy weakens • Access to new asset portfolios could deteriorate and thus limit expansion • Financial market crises could weaken financing opportunities • Prices for new assets could rise and thus increase or curb further expansion • The conversion of EUR transactions into the functional currency USD results in non-cash earnings fluctuations

Forecasts and model assumptions

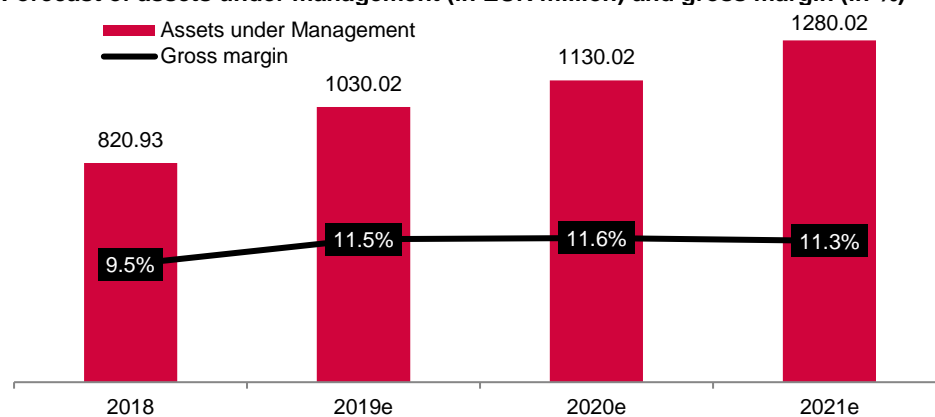
P&L (in m €)	FY 2018	FY 2019e	FY 2020e	FY 2021e
Sales	77.68	118.10	130.75	145.25
EBITDA	52.19	86.13	97.07	107.61
EBITDA Margin	67.2%	72.9%	74.2%	74.1%
EBIT	31.17	52.64	59.07	66.06
EBIT Margin	40.1%	44.6%	45.2%	45.5%
Net profit	12.03	10.96	13.56	17.15
EPS in €	0.92	0.84	1.04	1.32

Source: GBC

Sales forecast

We assume that Aves One AG will also continue to expand the asset portfolio in the coming financial years and achieve a correspondingly higher revenue. Due to the scalability of the business model, we expect a gradual improvement in margins. The company currently expects to reach EUR 1.0 billion in AUM in financial year 2019 and the guidance is revenue of EUR 110 million for 2019 and EUR 80 million EBITDA.

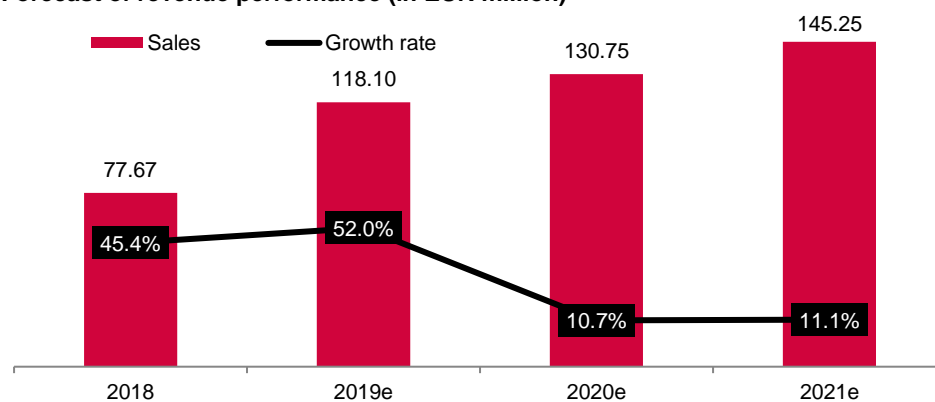
Forecast of assets under management (in EUR million) and gross margin (in %)



Source: GBC

We assess the current guidance to be conservative and expect AUM to amount to EUR 1.03 billion in 2019, EUR 1.13 billion in 2020 and EUR 1.28 billion in 2021.

Forecast of revenue performance (in EUR million)



Source: GBC

The current performance is expected to continue and the Rail segment will, in our opinion, remain the most important growth area. The Container segment could also continue to grow by the company focusing significantly more on favourable opportunities in this segment.

With the gradual expansion of AUM, revenue also ought to increase further. We assume that revenue will increase by 52.0% to EUR 118.10 million in 2019, followed by EUR 130.75 million in 2020 and EUR 145.25 million in 2021. The significant revenue increase in 2019 can be explained by the full-year revenue contribution from the NACCO transaction. Due to the acquisition date, the NACCO transaction only contributed to revenue in the fourth quarter of the 2018 financial year.

In our opinion, the Rail segment will remain the growth segment of Aves One. Our view is that the balanced mix of the Rail portfolio should be continued. In our assessment, the company is based on high-growth areas such as intermodal cars, on the one hand, and on very stable segments such as rail tank cars, on the other. In the course of the 2018 financial year, the company had already built up a comprehensive, but relatively non-cyclical, tank car portfolio of around 20%. In addition to the very stable tank car business, high-growth segments are also expected to be addressed strongly. The Intermodal segment could be expanded, for example. Although this segment is more cyclical as it is also heavily dependent on trade and maritime transport, there is a high level of growth momentum at the same time. The company is taking rising lease prices as a starting point across all segments in the Rail business and we are looking at the Rail market as a long-term growth market. Besides liberalising the market, the current CO₂ targets in Europe are also expected to be achievable only by a more dramatic shift to rail transport. For this reason, the European Commission is striving to shift around 30% of road freight transport over 300 km to other modes of transport, such as rail transport, by 2030 and 50% by 2050.

The Container segment should achieve further revenue increases through opportunistic acquisitions. In the 2018 financial year, the company achieved almost maximum container utilisation and thus achieved a very high gross return. We assume that this rate of utilisation will decline slightly, but it should be overcompensated by rising lease prices in the coming years. At the same time, capacity utilisation should also move towards a very high level in the future. In the long term, we assume that shipping companies will increasingly fall back on leasing offers as there is only a limited budget available for new acquisitions. Companies such as Aves One should profit from this in the long term.

Overall, we assume that Aves One can maintain its high level of growth momentum in the medium term through continuous portfolio optimisation and further high-yield acquisitions.

Earnings forecast

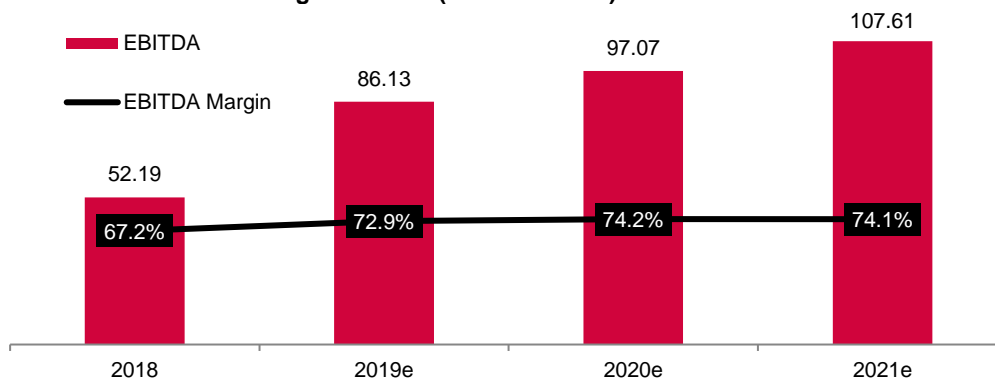
The increase in revenue should allow for disproportionately large earnings improvements. Its scalability is based, on the one hand, on its lean management approach and, on the other, on the continuous improvement in financing conditions. In our opinion, EBITDA should increase by 65.0% to EUR 86.13 million (previous year: EUR 52.19 million), representing an EBITDA margin of 72.9% (previous year: 67.2%). In the following years, EBITDA should continue to increase and we forecast EUR 97.07 million in 2020 and EUR 107.61 million in 2021.

We assume that other operating expenses will decline as we are not expecting any further legal risks.

Due to its lean management, we are not anticipating any significant changes in personnel expenses although there may be marginal increases due to performance-related fees. The cost of materials and/or the cost of materials ratio are expected to increase a little again in our opinion. In the past 2018 financial year, the cost of materials ratio de-

creased to 17.1%, in particular, because almost full utilisation was achieved in the Container segment and so almost no storage rent had to be paid for unleased containers. In our opinion, the utilisation rate is expected to decline slightly again and we are expecting a cost of materials ratio of around 18.0%. Overall however, the cost block is expected to increase at a disproportionately low level due to the cost discipline of the company.

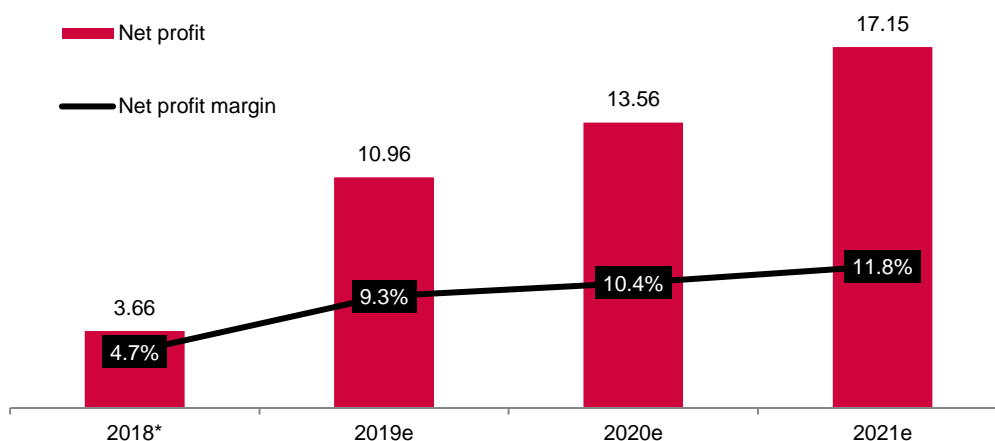
EBITDA and EBITDA margin forecast (in EUR million)



Source: GBC

Due to the high proportion of debt financing, interest expenses are a significant cost item. With the expansion of assets under management, interest expenses are expected to increase further in the future. However, we are expecting average interest rates to decline further. The company should also partly be able to negotiate better terms in the future due to low interest rates and likewise partly bring average interest rates down even further as it will be possible to finance rail more cheaply due to the focus on rail. Overall, we are expecting a net profit of EUR 10.96 million in 2019, that is, a very high net margin of 9.3%. This margin expansion should continue and we are expecting to see EUR 13.56 million in 2020 (10.4% net margin) and EUR 17.15 million in 2021 (11.8% net margin).

Forecast for net profit (in EUR million) and net margin (in %)



Source: GBC; *annual net profit adjusted for non-cash exchange rate effects

VALUATION

Model assumptions

We rated Aves One AG using a three-stage DCF model. Starting with the specific consolidated estimates for the years 2019-2021 in phase 1, the outlook for 2022 to 2026 was developed in phase 2 using value drivers. We expect increases in revenue of 10.0 %. We have set 70.0% as the target EBITDA margin. We have included the tax rate in phase 2 at 30.0%. Additionally, after the end of the forecast horizon, a residual value is determined in the third phase by means of a perpetual annuity. As the final value, we assume a growth rate of 2.0 %.

Determining the capital costs

The weighted average cost of capital (WACC) of Aves One AG is calculated from the equity cost and the cost of debt. The market premium, the company-specific beta, as well as the risk-free interest rate have to be determined in order to determine the equity cost.

The risk-free interest rate is derived from the current structured interest rate curves for risk-free bonds in accordance with the recommendations from the "Fachausschuss für Unternehmensbewertung und Betriebswirtschaft" (FAUB, Special Committee for Business Valuation and Business Management) of the "Institut der Wirtschaftsprüfer in Deutschland e.V." (Institute of Public Auditors in Germany). This is based on the zero bond interest rate calculated using the Svensson Method published by the German Bundesbank. In order to compensate for short-term market fluctuations, the average returns for the previous three months are used and the result is rounded up to the nearest 0.25 basis points.

The value currently used for the risk-free interest rate is 1.00 % (previously: 1.25%).

We set the historical market premium of 5.50 % as a reasonable expectation of the market premium. This is supported by historical analyses of equity market returns. The market premium reflects in a percentage the improved return expected from equity markets relative to low-risk government bonds.

According to GBC estimates, a beta of 1.76 is currently determined. Using the premises provided, the equity cost is calculated at 9.86 % (beta multiplied by risk premium plus risk-free interest rate). As we assume a sustainable weighting of the equity cost of 10,7%, the result is a weighted average cost of capital (WACC) of 3.24 %.

Valuation result

Discounting of future cash flows is based on the entity approach. We have calculated the corresponding weighted average cost of capital (WACC) to be 3.24%. The resulting fair value per share at the end of the 2019 financial year corresponds to the stock price target of EUR 12.80. We have therefore upwardly adjusted the previous target price of EUR 12.10.

DCF-Modell

Aves One AG - Discounted Cashflow (DCF) model scenario

Value driver of the DCF - model according to estimate phase:

consistency - Phase		final - Phase	
Sales growth	10.0%	Eternal growth rate	2.0%
EBITDA-Margin	70.0%	Eternal EBITA - margin	47.8%
Depreciation to fixed assets	2.5%	effektive Steuerquote im Endwert	30.0%
Working Capital to sales	40.0%		

Three phases - Model:

phase in €m	estimate			consistency					final Terminal value
	FY 19e	FY 20e	FY 21e	FY 22e	FY 23e	FY 24e	FY 25e	FY 26e	
Sales	118.10	130.75	145.25	159.78	175.75	193.33	212.66	233.93	
Sales change	52.0%	10.7%	11.1%	10.0%	10.0%	10.0%	10.0%	10.0%	2.0%
Sales to fixed assets	0.12	0.12	0.12	0.11	0.11	0.11	0.10	0.10	
EBITDA	86.13	97.07	107.61	111.84	123.03	135.33	148.86	163.75	
EBITDA-margin	72.9%	74.2%	74.1%	70.0%	70.0%	70.0%	70.0%	70.0%	
EBITA	52.64	59.07	66.06	81.29	88.03	95.41	103.34	111.84	
EBITA-Margin	44.6%	45.2%	45.5%	50.9%	50.1%	49.4%	48.6%	47.8%	47.8%
Taxes on EBITA	-2.63	-5.91	-6.61	-12.19	-17.61	-23.85	-31.00	-33.55	
Taxes to EBITA	5.0%	10.0%	10.0%	15.0%	20.0%	25.0%	30.0%	30.0%	30.0%
EBI (NOPLAT)	50.01	53.16	59.45	69.10	70.42	71.56	72.34	78.29	
Return on capital	5.8%	4.9%	5.0%	5.3%	4.8%	4.3%	3.8%	3.6%	3.2%
Working Capital (WC)	61.29	67.85	75.37	63.91	70.30	77.33	85.06	93.57	
WC to sales	51.9%	51.9%	51.9%	40.0%	40.0%	40.0%	40.0%	40.0%	
Investment in WC	-20.98	-6.56	-7.52	11.46	-6.39	-7.03	-7.73	-8.51	
Operating fixed assets (OAV)	1025.00	1110.00	1222.00	1400.00	1596.60	1820.80	2076.48	2368.07	
Depreciation on OAV	-33.49	-38.00	-41.55	-30.55	-35.00	-39.91	-45.52	-51.91	
Depreciation to OAV	3.3%	3.4%	3.4%	2.5%	2.5%	2.5%	2.5%	2.5%	
Investment in OAV	-229.36	-123.00	-153.55	-208.55	-231.60	-264.12	-301.21	-343.50	
Capital employed	1086.29	1177.85	1297.37	1463.91	1666.90	1898.13	2161.55	2461.64	
EBITDA	86.13	97.07	107.61	111.84	123.03	135.33	148.86	163.75	
Taxes on EBITA	-2.63	-5.91	-6.61	-12.19	-17.61	-23.85	-31.00	-33.55	
Total investment	-250.34	-129.56	-161.07	-197.09	-237.99	-271.15	-308.94	-352.01	
Investment in OAV	-229.36	-123.00	-153.55	-208.55	-231.60	-264.12	-301.21	-343.50	
Investment in WC	-20.98	-6.56	-7.52	11.46	-6.39	-7.03	-7.73	-8.51	
Investment in Goodwill	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Free cash flows	-166.84	-38.40	-60.07	-97.44	-132.56	-159.67	-191.08	-221.81	2478.38

Value operating business (due date)	1212.85	1290.50
Net present value explicit free cash flows	-770.35	-756.87
Net present value of terminal value	1983.20	2047.37
Net debt	1046.22	1119.62
Value of equity	166.64	170.88
Minority interests	-0.10	-0.10
Value of share capital	166.54	170.78
Outstanding shares in m	13.02	13.02
Fair value per share in €	12.80	13.12

Cost of Capital:

Riskfree rate	1.0%
Market risk premium	5.5%
Beta	1.76
Cost of Equity	10.7%
Target weight	10.0%
Cost of Debt	3.2%
Target weight	90.0%
Taxshield	25.2%
WACC	3.2%

Return on Capital	WACC				
	3.22%	3.23%	3.24%	3.25%	3.26%
3.22%	13.02	11.67	10.35	9.04	7.76
3.23%	14.27	12.91	11.57	10.26	8.96
3.24%	15.51	14.14	12.80	11.47	10.17
3.25%	16.76	15.38	14.02	12.68	11.37
3.26%	18.01	16.62	15.25	13.90	12.57

ANNEX

I.

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2. The research report is simultaneously made available to all interested investment services companies.

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The recommendations/ classifications/ ratings are linked to the following expectations:

BUY	The expected return, based on the derived target price, incl. dividend payments within the rel 10%.
HOLD	The expected return, based on the derived target price, incl. dividend payments within the rel 10% and < + 10%.
SELL	The expected return, based on the calculated target price, incl. dividend payments within the <= - 10%.

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