Research Report (Anno)

Aves One AG

Very well positioned in the current corona crisis
-
2020 results at least at previous year's level

Target price: 13,60 €
(previously: 13,60 €)

Rating: Buy

IMPORTANT NOTE:
Please note the disclaimer/risk warning
as well as the disclosure of possible conflicts of interest in accordance with § 85 WpHG and Art. 20 MAR from page 20

Note in accordance with MiFID II regulation for research "Minor non-monetary benefits": The research in question meets the requirements for classification as "Minor non-monetary benefits". For further information, please refer to the disclosure under "I. Research under MiFID II".

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Validity of the price target: until max. 31.12.2021

GBC AG Investment Research

Aves One AG*5a,11

Rating: Buy
Target price: € 13.60
(previously: € 13.60)

Current rate: € 9.50
08.05.2020 / ETR 11:41

Currency: EUR

ISIN: EN000A168114
WKN: A16811
Ticker symbol: AVES

Number of shares³: 13.02
Marketcap³: 123.64
Enterprise Value³: 1062.11
³ in million / in million EUR

Free float: 33.39%

Level of transparency:
prime standard

market segment:
Regulated market

Accounting:
IFRS

Financial year: 31.12.

Designated Sponsor:
Hauck & Aufhäuser

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* Catalogue of possible conflicts of interest on page **Fehler! Textmarke nicht**

Company profile
Industry: Asset Management

Focus: Rail, Container

Employees: 44 Status: 31.12.2019

Foundation: 2013

Head office: Hamburg

Executive Board: Tobias Aulich, Jürgen Bauer, Sven Meißner

The Aves Group holds a rapidly growing portfolio of long-life logistics assets with stable cash flows focused on rail. Containers and swap bodies are also part of the portfolio. The company plans to further increase their asset volume significantly by the end of 2020.The strategy is geared towards continuous optimisation of the company's own portfolio and the further expansion of the logistics portfolio.

P&L in EUR million \ FY end	31.12.2019	31.12.2020e	31.12.2021e	31.12.2022e
Sales	116.78	119.15	127.87	142.80
EBITDA	84.60	86.44	93.49	105.29
EBIT	51.70	51.59	57.19	65.29
Net profit	11.95	7.24	10.45	11.87
Key figures in EUR				
Earnings per share	0.92	0.56	0.80	0.91
Dividend per share	0.00	0.00	0.00	0.00
Key figures				
EV/Sales	9.10	8.91	8.31	7.44
EV/EBITDA	12.55	12.29	11.36	10.09
EV/EBIT	20.55	20.59	18.57	16.27
P/E RATIO	10.34	17.07	11.84	10.42
KBV	2.97			

Financial calendar
May 2020: Q1 report
23 July 2020: Annual General Meeting
September 2020: H1 report
16 September 2020: ZKK Zurich Capital Market Conference
November 2020: Q3 report
08 December 2020: MKK Munich Capital Market Conference

**last research by GBC:
Date: Publication / Target price in EUR / Rating
05.12.2019: RS / 13.60€ / BUY
04.10.2019: RS / 13.87€ / BUY
06.06.2019: RS / 12.80€ / BUY
27.05.2019: RS / 12.80€ / BUY

** the above-mentioned research studies can be viewed at www.gbc-ag.de or requested from GBC AG, Halderstr. 27, D86150 Augsburg

EXECUTIVE SUMMARY

- Aves One AG has completed a very successful financial year 2019 and is well positioned to successfully navigate through the Corona crisis. In the 2019 financial year, revenues increased by 50.3% to €116.78 million (previous year: €77.68 million) and EBITDA improved disproportionately by 62.1% to €84.60 million (previous year: €52.19 million). This dynamic sales growth was achieved by the expansion of assets under management in the previous year and in the year before that. Their asset portfolio increased by 12.6% to € 924.33 million (previous year: € 820.93 million) and the corresponding gross yield rose to 12.6% (previous year: 9.5%). A very high occupancy rate and a good rental yield also contributed to the increase in revenues.

- The disproportionately high improvement in earnings was achieved thanks to their very stable cost structure. The company has always relied on the lean-management approach and high cost discipline. A significant improvement was also achieved on the net level (adjusted for non-cash currency effects), which rose by 130.7% to € 8.55 million (previous year: € 3.71 million).

- The corona crisis will have a significant impact on world trade and the global economy. This will also affect Aves One, but we believe that the company is very well positioned for the crisis. This is particularly due to the fact that Aves One AG, as a portfolio holder of long-lived logistics assets, has mostly concluded long-term rental contracts and should therefore be able to generate high occupancy rates with reliable cash flows in the short term. Nevertheless, there should be a partial decline in demand, which should have an impact on rental rates. As guidance, the company has announced sales and EBITDA at least at the previous year's level. In our opinion, this should be feasible even without asset purchases, as the assets acquired in the fiscal year 2019 should already lead to a higher revenue base. In addition, the rail sector in particular should be used for essential supplies and is better suited in the crisis period to transport goods across borders than, for example, numerous trucks are.

- Specifically, we assume that revenues in the current financial year 2020 will increase slightly by 2.0% to € 119.15 million (previous year: € 116.78 million); followed by a gradual increase in the rate of growth to 7.3% (€ 127.87 million) in 2021, and to 11.7% (€ 142.8 million) in 2022. The forecast depends largely on the corona crisis and therefore involves a certain degree of uncertainty. Should the situation change significantly again, we would adjust our estimates accordingly. In our opinion, there should also be disproportionately large improvements in earnings in line with the revenue increases. Consequently, we expect EBITDA of € 86.44 million (previous year: € 84.60 million) for the current financial year 2020 and € 93.49 million in 2021 and € 105.29 million in 2022.

- **Based on our DCF model, we have determined a target price of € 13.60 and assign a BUY rating. This means we are maintaining our previous price target. Our slightly lower forecast is compensated for by the roll-over effect.**

GBC AG Investment Research

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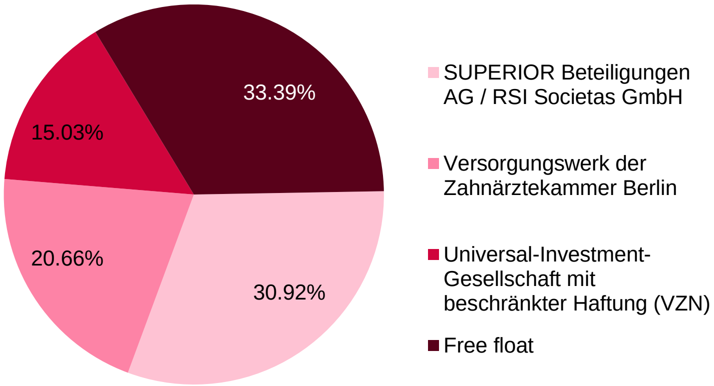
COMPANY

Shareholder structure

Shareholders	%
SUPERIOR Investments AG / RSI Societas GmbH	30.92%
Pension scheme of the Berlin Chamber of Dentists	20.66%
Universal Investment Company with Limited Liability (VZN)	15.03%
Free float	33.39%

Source: Aves One



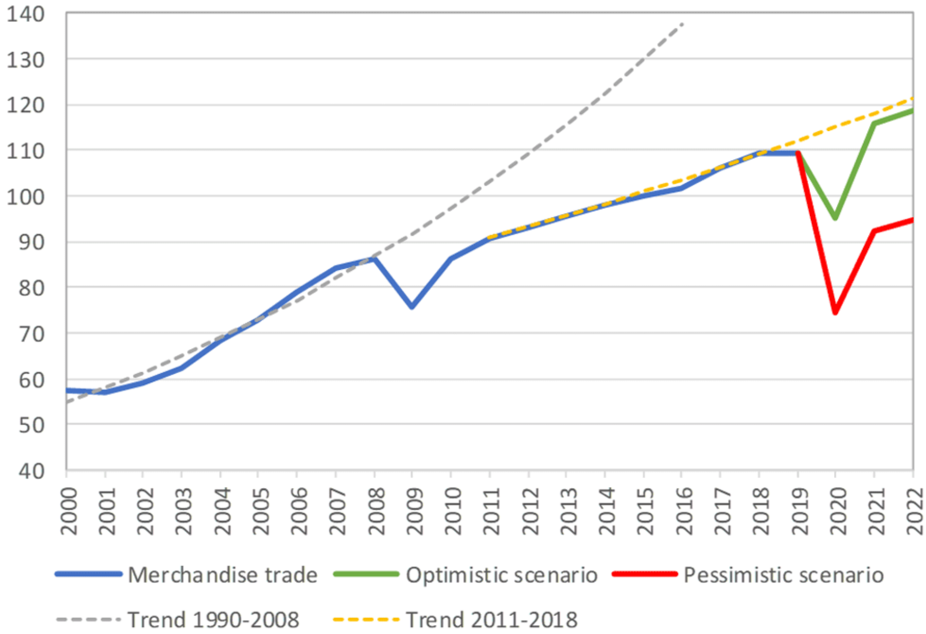
Important partners and customers

Source: Aves One

MARKET AND MARKET ENVIRONMENT

The World Trade Organization (WTO) expects trade to collapse as the COVID-19 pandemic significantly constrains the global economy. World trade is expected to decline by 13% to 32% by 2020 as the COVID-19 pandemic disrupts normal economic activity and life around the world. The wide range of possibilities for the projected decline is explained by the unprecedented nature of this health crisis and uncertainty about its precise economic impact. In fact, WTO economists believe that the decline is likely to exceed the trade contraction caused by the global financial crisis in 2008-09.

Forecast world trade volume, 2000-2022



Source: WTO Secretariat

Estimates of the expected recovery in 2021 are equally uncertain, with results largely dependent on the duration of the outbreak and the effectiveness of policy measures. Trade had already been slowing in 2019, before the virus spread, and was affected by trade tensions and slower economic growth. World trade in goods recorded a slight decline in volume of -0.1% in 2019, following an increase of 2.9% in the previous year. Meanwhile, the dollar value of global merchandise exports in 2019 fell by 3% to $18.89 trillion.

In contrast, world trade in commercial services increased in 2019, with exports rising by 2% in dollar terms to USD 6.03 trillion. The pace of expansion was slower than in 2018, when trade in services grew by 9%.

According to the WTO, the economic shock of the COVID 19 pandemic inevitably invites comparisons with the global financial crisis of 2008-09. As in 2008-09, governments again intervened with monetary and fiscal policy measures to counter the downturn and provide temporary income support to companies and households. However, restrictions on freedom of movement and social distancing to slow the spread of the disease mean that labour supply, transport and travel are now directly affected in ways that were not the case during the financial crisis. Whole sectors of the economies have been shut down, including hotels and restaurants, “non-essential” retail trade, tourism and a significant proportion of the manufacturing industry. In these circumstances, forecasting requires strong assumptions about the course of the disease and greater reliability of estimated rather than reported data.

The WTO has developed two scenarios: (1) a relatively optimistic scenario with a sharp decline in trade followed by a recovery from the second half of 2020 onwards, and (2) a more pessimistic scenario with a steeper initial decline and a longer-lasting, incomplete recovery.

In the optimistic scenario, the recovery will be strong enough to bring trade close to the pre-pandemic trend (dotted yellow line), while the pessimistic scenario only partially provides for a recovery. Given the level of uncertainty, it should be stressed that the initial course does not necessarily determine the subsequent recovery. For example, one could see a sharp decline in trade volumes in 2020 along the lines of the pessimistic scenario, but an equally dramatic recovery, bringing trade much closer to the optimistic scenario by 2021 or 2022.

In the wake of the financial crisis of 2008-09, trading never returned to its previous trend, which is shown by the dotted grey line in the same chart. A strong recovery is more likely if businesses and consumers view the pandemic as a temporary, one-time shock. In this case, spending on capital goods and consumer durables could almost return to its previous levels once the crisis has subsided. If, on the other hand, the outbreak lasts longer and/or the return of uncertainty becomes pervasive, households and businesses are likely to spend more cautiously.

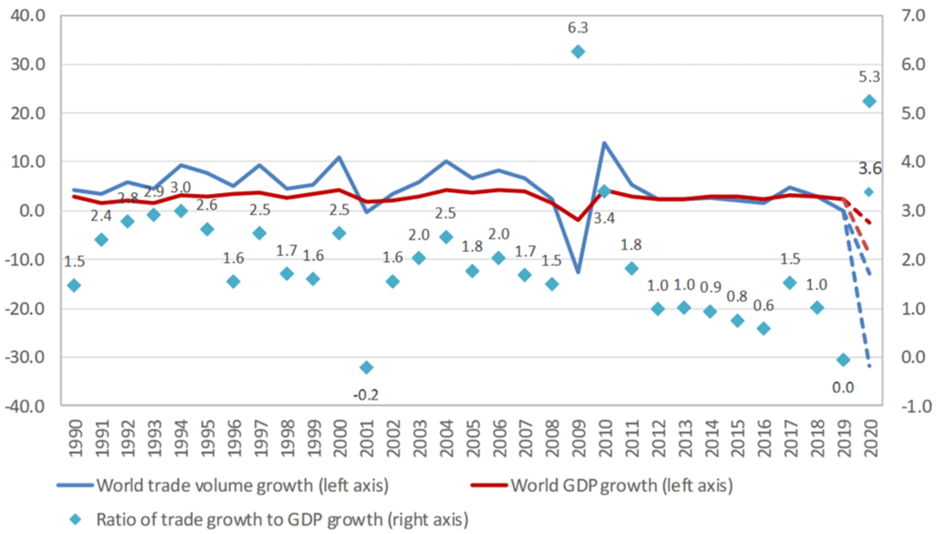
In both scenarios, all regions will suffer double-digit falls in exports and imports in 2020, with the exception of the "other regions" (which include Africa, the Middle East and the Commonwealth of Independent States (CIS) including associated and former member states). This relatively small estimated fall in exports is due to the fact that countries in these regions are heavily dependent on exports of energy products, whose demand is relatively unaffected by price fluctuations. If the pandemic is brought under control and trade starts to expand again, most regions could see double-digit increases in 2021 of around 24% in the optimistic scenario and 21% in the pessimistic scenario - albeit from a much lower base. The level of uncertainty is very high and it is quite possible that the results for both 2020 and 2021 could be above or below these results.

Two other aspects that distinguish the current downturn from the financial crisis are the roles of value chains and trade in services. The disruption of value chains had already been an issue when COVID-19 was largely limited to China. It remains a salient factor now that the virus has spread further. In sectors characterised by complex value-chain linkages, particularly in electronics and automotive products, trade is likely to decline more sharply. According to the OECD Trade In Value Added database, the share of foreign value added in electronics exports was about 10% for the United States, 25% for China, more than 30% for Korea, more than 40% for Singapore and more than 50% for Mexico, Malaysia and Vietnam. Imports of key production inputs are likely to be interrupted by social distancing, which has led to temporary factory closures in China, and is now happening in Europe and North America. However, it is also useful to remember that complex supply chain disruptions can occur as a result of localised disasters such as hurricanes, tsunamis and other economic disruptions. Managing supply chain disruptions is a challenge for both global and local companies and requires each company to perform a risk-versus-economic-efficiency calculation.

The impact of the COVID-19 outbreak on international trade is not yet visible in most trade data, but some timely and leading indicators could already provide indications as to the extent of the slowdown in comparison with previous crises. Indices of new export orders derived from Purchasing Managers' Indices (PMIs) are particularly useful in this respect. JP Morgan's global PMI for March showed a decline in manufacturing export orders to

43.3 from a base of 50 and a decline in exports of new services to 35.5, suggesting a severe downturn.

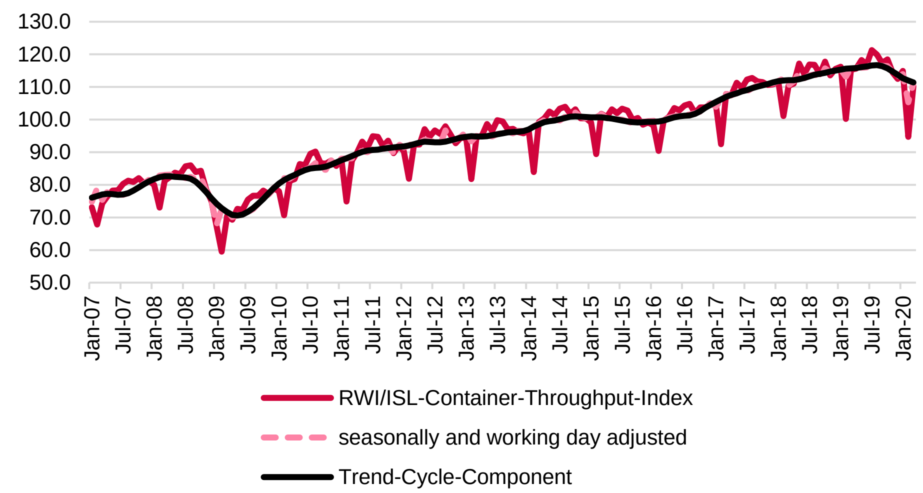
Ratio of growth in world trade in goods to world GDP growth, 1990-2020



Source: WTO Secretariat for Trade and Consensus estimates of historical GDP. Projections for GDP based on scenarios simulated with the WTO world trade model.

The container turnover index of the RWI - Leibniz Institute for Economic Research and the Institute of Shipping Economics and Logistics (ISL) rose in March, seasonally adjusted by 5.9 points to 111.2 points. However, this is 4 percent below the previous year's figure. Chinese ports returned to normal operations as measures to contain the corona crisis were scaled back. Their sales were slightly more than 1% lower than in the previous year. In the ports of other countries, lower container shipments from China and measures to contain the corona crisis had a negative impact. For this reason, a special evaluation was carried out this month, excluding the Chinese ports. The index calculated in this way fell in March, seasonally adjusted, by three points compared with February and was 6.2 points below the previous year's value. From this publication onwards the container handling index also includes data for the ports of Antwerp and Rotterdam. This increases the weight of Europe in the index. The current flash estimate for the container-handling index is based on data from 62 ports, which account for around 83 per cent of the handling reported in the index.

RWI/ISL Container Index



Source: Institute of Shipping Economics and Logistics

The economic consequences of the corona crisis will also affect Aves One, but we expect this to be significantly less than the development of world trade. Aves One is an inventory holder of long-lived logistics assets and leases these assets. In the rail business these are very long-term leases and we expect that the rail business, as it relates to Europe, should be less affected by the crisis. Especially since cross-border goods transactions are currently much less complicated by rail than with numerous trucks. Aves One's container business could be affected more severely, although the current situation is likely to result in a very high occupancy rate. Currently, many containers and container ships are used as temporary storage facilities.

According to Drewry, the outbreak of coronavirus has disrupted container supply chains around the world and dampened demand for ships and containers. It will lead to a shrinking of the shipping container fleet and keep prices and lease rates under pressure in 2020, albeit better than in 2019.

The total production of containers (dry freight and reefer) in the 1st quarter of 2020 was one of the lowest in any quarterly period, 33% below the 4th quarter of 2019 and 35% below the corresponding period in 2019. The dry container sector was the most affected, with a 40% year-on-year fall in production. This was offset by a 4% increase in the production of reefer containers as the shift of cargo from specialised reefer and air freight services to liner services and containers continued.

Drewry anticipates that the rest of the year will be challenging as orders are dominated by the needs of ocean carriers and lessors to replace obsolete inventory. As few companies are expected to expand their fleets this year, Drewry expects the ocean container fleet to decline slightly, but it could get worse depending on the recovery in trade volumes. This would be the first decline since the financial crisis of 2009, when the stock of equipment fell by 4%.

In terms of prices, Drewry expects dry freight new buildings to maintain their quarter-end value until the rest of the year. Due to the poor financial situation of most Chinese producers, they will reduce some capacity rather than lowering prices.

We assume that the COVID-19 pandemic in 2020 will lead to a decline in the size of the container equipment fleet and that new construction prices and leasing rates will stabilise. A strong recovery in trade volumes in 2021 would further exacerbate this situation. Consequently, we believe that Aves One should be disproportionately less affected by the COVID-19 pandemic.

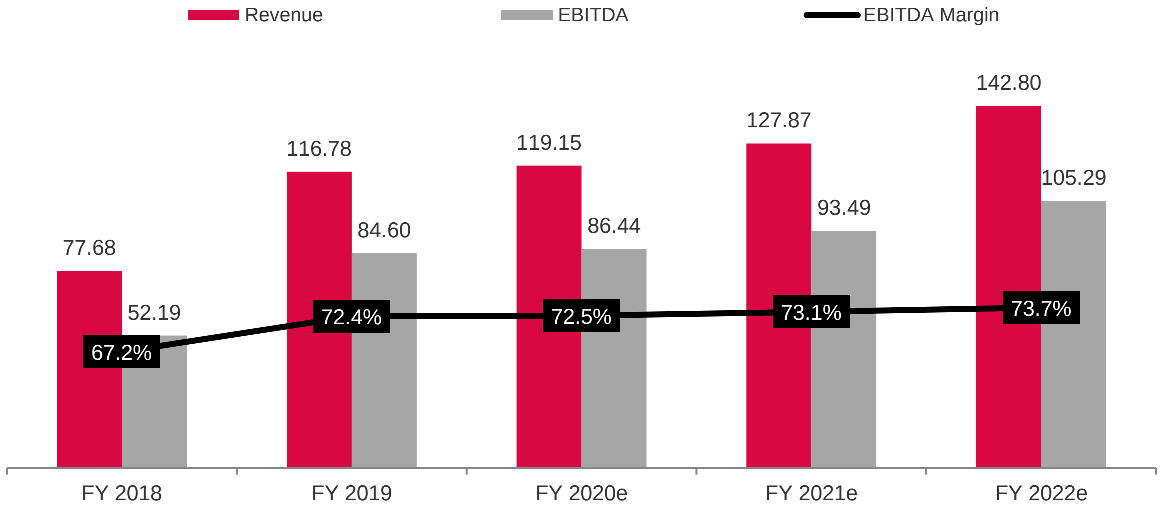
Company development & forecast

Key figures at a glance

	FY 2018	FY 2019	GJ 2020e	GJ 2021e	GJ 2022e
Revenue	**77.68**	**116.78**	**119.15**	**127.87**	**142.80**
other operating income	2.84	2.57	2.50	2.50	2.50
Cost of materials	-13.27	-20.19	-20.61	-21.74	-24.28
Personnel expenses	-4.51	-4.55	-4.60	-4.65	-4.74
Other operating expenses	-10.88	-10.00	-10.00	-10.50	-11.00
Result from companies valued at equity	0.33	0.00	0.00	0.00	0.00
EBITDA	**52.19**	**84.60**	**86.44**	**93.49**	**105.29**
Depreciation	-21.01	-32.90	-34.85	-36.30	-40.00
EBIT	**31.17**	**51.70**	**51.59**	**57.19**	**65.29**
Interest income	0.58	0.16	0.00	0.00	0.00
Interest expenses	-28.13	-39.41	-41.80	-43.51	-49.45
Currency result from financing	8.38	3.40	0.00	0.00	0.00
Expense from share issue (discount)	-0.81	0.00	0.00	0.00	0.00
Ancillary financing costs	-0.03	-1.27	-1.00	-1.00	-1.00
Other financial result	0.00	-0.07	0.00	0.00	0.00
EBT	**11.15**	**14.50**	**8.79**	**12.68**	**14.84**
Income taxes	0.93	-2.55	-1.55	-2.23	-2.97
Net profit for the year	**12.08**	**11.95**	**7.24**	**10.45**	**11.87**
JÜ before exchange rate effects	**3.71**	**8.55**	**7.24**	**10.45**	**11.87**
EBITDA	52.19	84.60	86.44	93.49	105.29
EBITDA margin	*67.2%*	*72.4%*	*72.5%*	*73.1%*	*73.7%*
EBIT	31.17	51.70	51.59	57.19	65.29
EBIT Margin	*40.1%*	*44.3%*	*43.3%*	*44.7%*	*45.7%*
Net result	3.71	8.55	7.24	10.45	11.87
Net Margin	*4.8%*	*7.3%*	*6.1%*	*8.2%*	*8.3%*

Sources: Aves One, GBC

Development of revenues, EBITDA and EBITDA margin



Sources: Aves One, GBC

Business development 2019

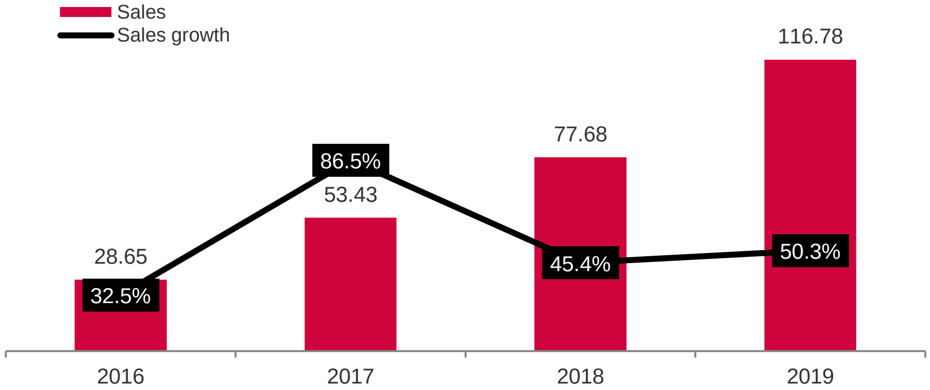
Profit and loss account (in m €)	FY 2017	FY 2018	FY 2019
Revenue	53.43	77.68	116.78
EBITDA	25.32	52.19	84.60
EBITDA margin	*47.4%*	*67.2%*	*72.4%*
EBIT	9.39	31.17	51.70
EBIT Margin	*17.6%*	*40.1%*	*44.3%*
Net profit for the year	-34.98	12.08	11.95
EPS in €	-2.71	0.93	0.92

Sources: Aves One AG; GBC AG

Development of turnover

In the past financial year 2019, sales revenues increased by 50.3% to € 116.78 million (previous year: € 77.68 million). This highly favourable sales development was in line with our expectations and was achieved thanks to the expansion of assets as well as high occupancy rates and improved rental rates. The larger rail segment contributed €76.12m (previous year: €40.65m) and the container segment generated revenues of €39.44m (previous year: €32.22m).

Sales development (in € million) and sales growth (in %)



Sources: Aves One AG; GBC AG

Extensive investments in the rail segment increased assets to €922.6 million (previous year: €820.93 million). The rail division's tangible assets rose to €652.04 million (up from €538 million) due to capital expenditures of €131.5 million. In addition to new wagons, recently-used wagons (<10 years) were also purchased, which fit into the comparatively low average age of the entire wagon stock.

Gross returns* and asset under management of the major segments

	2017	2018	2019
Container (AuM)	11.0% (€ 218.40 m)	11.8% (€ 272.04 m)	14.6% (€ 270.99 m)
Rail (AuM)	11.5% (€ 229.76 m)	7.6% (€ 538.00 m)	11.7% (€ 652.04 m)
Group (AuM)	**11.9% (€ 448.46 m)**	**9.5% (€ 820.93 m)**	**12.6% (€ 924.33 m)**

Sources: Aves One AG; GBC AG, gross returns = sales / assets

In contrast, container assets decreased slightly to € 270.99 million (previous year: € 272.04 million). In addition to partial sales, swap bodies worth €18.8m were acquired in the container segment. The approximately 1700 additional swap bodies have already been leased and will be used in the growth market of parcel shipping (b2c e-commerce).

At the same time, the logistics property, which was acquired in April 2018 for € 10 million, was sold for € 11.1 million in the 2019 financial year. The small real estate segment was thus discontinued.

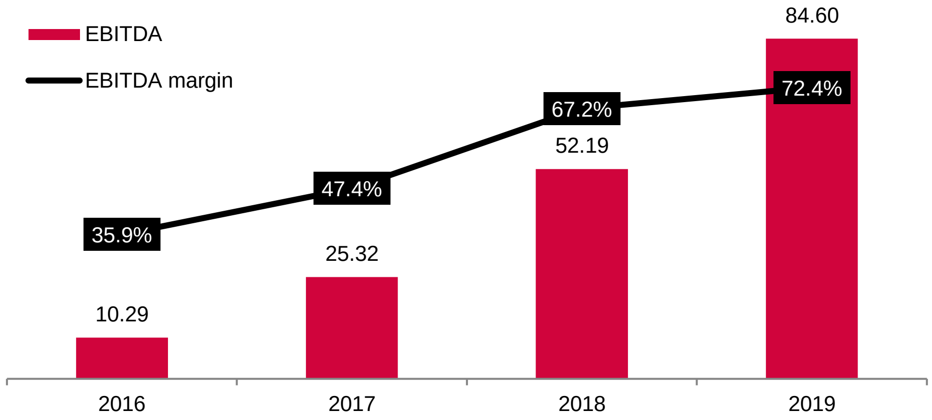
It is evident that the company is now increasingly focusing on the rail sector. This development has been evident since the IPO. From the original four segments, two have now remained, with a clear focus on rail. In our opinion, the efficacy of this focusing strategy has been extremely well borne out, as there have been few synergies to date and a concentrated niche can usually be better occupied.

The original plan was to achieve assets under management (AuM) of around € 1 billion by 2020. This target was narrowly missed due to delays in the delivery of new wagons.

Development of earnings

The EBITDA again increased disproportionately to revenues and reached a new record value of € 84.60 million (previous year: € 52.19 million). The rail segment contributed €54.82 million (previous year: €28.14 million) and the container segment €28.07 million (previous year: €23.63 million). Since its IPO in 2016, Aves One AG has been able to achieve significant margin improvements in every financial year. In 2019, the EBITDA margin was again significantly increased from 67.2% (2018) to 72.4% (2019).

Development of EBITDA (in € million) and EBITDA margin (in %)

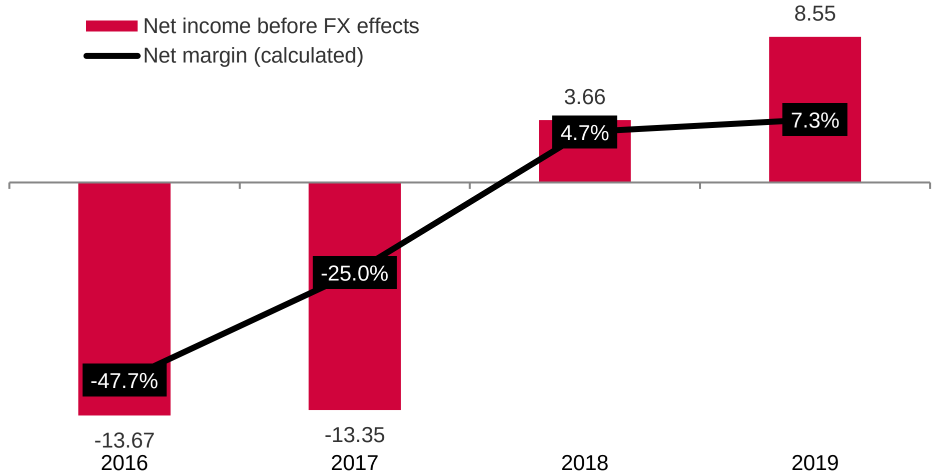


Sources: Aves One; GBC AG

The reason for these significant margin leaps is a lean management approach with comparatively stable fixed costs. At € 4.55 million (previous year: € 4.51 million), personnel expenses remained at the previous year's level and other operating expenses fell slightly to € 10.00 million (previous year: € 10.88 million). The cost of materials rose by 52.2% to € 20.19 million (previous year: € 13.27 million) due to the level of assets under management and, with a cost of materials ratio of 17.3%, was almost maintained at the previous year's level (17.1%).

The financial result amounted to € -37.19 million (previous year: € -20.02 million), of which € -39.41 million (previous year: € -28.13 million) were attributable to interest expenses. The higher interest expenses are related to the financing of an increased asset portfolio and are made up of a financing mix. In addition, there were non-cash currency effects of € 3.4 million (previous year: € 8.38 million), which arose in particular from currency adjustment items due to the translation of the functional currency USD into the reporting currency EUR.

Development of adjusted net income adjusted for FX effects



Sources: Aves One; GBC

The net result amounted to € 11.95 million (previous year: € 12.08 million). Adjusted for non-cash currency effects, the net result increased significantly by 133.6% to € 8.55 million (previous year: € 3.66 million). This represents a net margin increase from 4.7% (2018) to 7.3% (2019).

Thus, after the company was profitable on a net basis for the first time in 2018, the positive trend continued and an improvement in earnings was also achieved on a net basis. We see our estimates confirmed and had already forecast a similar development in the initial research report of 2017. Overall, Aves One has managed to keep costs stable and can thus subsequently achieve higher margins as sales increase.

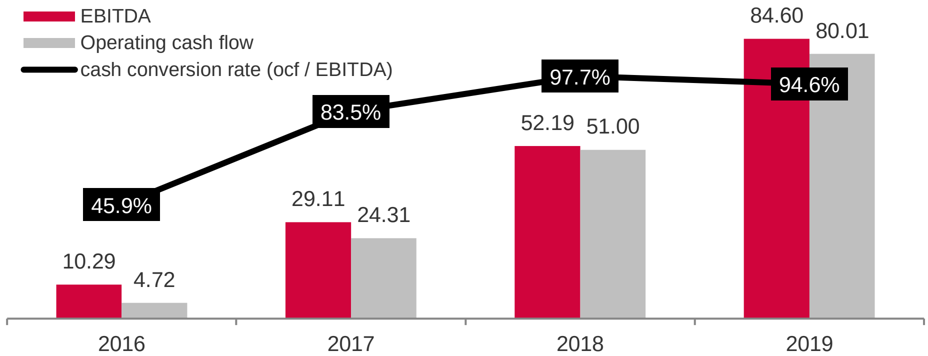
Balance sheet and financial situation

in million €	31.12.2017	31.12.2018	31.12.2019
Equity	22.23	32.90	41.64
Equity ratio (in %)	4.3%	3.6%	4.0%
Operating fixed assets	457.85	829.13	930.97
working capital	25.87	40.31	45.53
net debt	464.36	838.28	938.47
Property, plant and equipment	448.46	810.03	924.33
Financial liabilities	448.46	862.04	972.40
Liquidity	14.91	17.148	30.89
Balance sheet total	520.13	923.68	1036.21

Sources: Aves One; GBC

As of 31.12.2019, equity increased to € 41.64 million (previous year: € 32.90 million) as a result of the positive after-tax result. We assume that equity will improve steadily, as we continue to expect positive business development at net level. Thus, the accumulated loss incurred in the past should turn into a balance sheet profit in the medium term. Due to its business model, Aves One AG has a comparatively low equity ratio of 4.0% (31.12.2018: 3.6%). As the acquired assets are generally financed by debt, financial liabilities increased to € 972.40 million (31.12.2018: € 862.04 million) as a result of the investments made in 2019. In our opinion, the company will continue to take advantage of good asset opportunities on the market and finance them with borrowed funds. This also makes economic sense, as the returns on long-lived logistics assets, such as wagons (approx. 40 to 50 years), are significantly higher than the financing costs. This strategy is comparable to that of real estate portfolio holders. However, real estate portfolio holders have the balance sheet advantage of constantly revaluing real estate and recording significantly higher real estate values on the balance sheet in line with falling average interest rates. Since rail and container assets are not valued according to the fair value method but rather according to acquisition or production costs, there should be extensive hidden reserves in the balance sheet of Aves One AG.

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



Sources: Aves One AG; GBC AG

The cash conversion rate remains very good. An operating cash flow of € 80.01 million (previous year: € 51.00 million) was achieved with an EBITDA of € 84.60 million (previous year: € 52.19 million). This reflects the demonstrable inflow of funds, which continues to be geared to operating profit. Thanks to easily planned and sustainable cash flows from the rental business, the corresponding interest coverage (€ 39.41 million) can be easily depicted. In our view, the company is thus well positioned to steer safely through the corona crisis and to continue to grow thereafter.

SWOT analysis

Strengths	Weaknesses
• Good access to asset portfolios as essential prerequisites for further growth • Strong partner network in the areas of asset management, purchasing and financing • Established and young vehicle fleet in a strong growth market • Lean management approach with stable fixed costs • Diversified financing network enables high independence from individual financing sources • Long leases should put the company in a good position for the corona crisis	• Aves One has a low equity ratio due to its business model and the high proportion of external financing for the purchase of assets • Currently still comparatively high financing costs due to high shares of direct investments and investments by institutional investors
Opportunities	**Risks**
• A change in the financing structure towards increased bank financing could lower the average interest rate and strengthen net income • The liberalisation of the rail market increases customer demand for modern wagons and flexible leasing options • Strong growth in online trade could provide further growth impetus for swap bodies	• Access to new asset portfolios could deteriorate and thus hinder expansion • Financial market crises could weaken financing opportunities • The prices for new assets could rise, making further expansion more expensive or slowing it down • The translation of EUR transactions into the functional currency USD can lead to non-cash fluctuations in earnings • The corona crisis could affect the tenants of the assets more severely than expected and there could be rent losses • The conversion of transactions in the container segment from the functional currency USD to EUR can lead to non-cash fluctuations in earnings.

Prognosis and model assumptions

P&L (in million €)	FY 2019	GJ 2020e	GJ 2021e	GJ 2022e
Revenue	116.78	119.15	127.87	142.80
EBITDA	84.60	86.44	93.49	105.29
EBITDA margin	*72.4%*	*72.5%*	*73.1%*	*73.7%*
EBIT	51.70	51.59	57.19	65.29
EBIT Margin	*44.3%*	*43.3%*	*44.7%*	*45.7%*
Net profit for the year	11.95	7.24	10.45	11.87
EPS in €	0.92	0.56	0.80	0.91

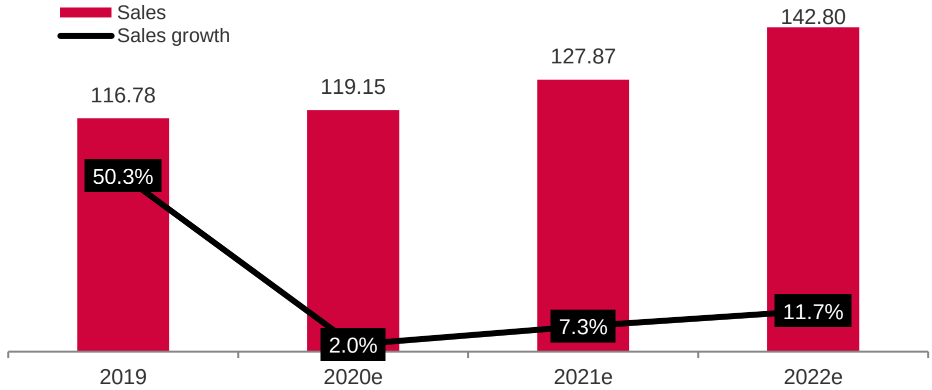
Source: GBC

Sales forecast

The global economy and global trade are currently being strongly influenced by the COVID-19 crisis. It is difficult to predict how long the crisis will last for the real economy, as there are no adequate comparisons. Nevertheless, Aves One has long-lived logistics assets with long-term leases. The company should therefore be well positioned for this crisis period. This is also confirmed by the current guidance for 2020, in which the management expects to at least match the previous year's consolidated revenues and EBITDA. Specifically, a sales volume of € 117 million and EBITDA of € 84 million should be achieved.

We assume that sales revenues will increase slightly to € 119.15 million in the current 2020 financial year and that growth rates will then increase again through higher capacity utilisation and additional assets under management. As a result, we expect revenues of € 127.87 million in fiscal year 2021 and € 142.80 million in fiscal year 2022.

Forecast of sales revenues (in € million) and sales growth (in %)



Source: GBC

The rail sector in particular should remain extremely stable, as it is also of essential importance for the economies of Europe. Moreover, in times of pandemic control, goods can be transported across borders more easily than, for example, by truck. Furthermore, long-term rental contracts should ensure a good sales basis and rental ratios should also remain at a very good level. In some cases, this has even led to more enquiries in certain areas such as intermodal and tank wagons. This could also be due to the fact that Aves One AG has a comparatively newer wagon portfolio, and in times of crisis there is a demand for newer, more efficient wagons. In the medium term, we assume that the rail portfolio is well equipped to benefit from the growth market. Thus, in the wake of the possible economic crisis, investments in infrastructure projects will most likely be made to boost the economy. In addition, the company is benefiting from the liberalisation of rail freight transport and the EU's emission targets. In order to achieve climate-protection targets, alternative means of transport to road, e.g. rail, would have to be used more frequently.

Consequently, the rail division should probably continue to enjoy very good capacity utilisation, even if there may be slight reductions in capacity utilisation. With regard to further asset acquisitions we see a broad spectrum and have identified three scenarios. (1) No further acquisitions as there are no attractive opportunities. (2) other asset holders could get into payment difficulties and offer attractive portfolios. Good and young portfolio expansions could thus be carried out. (3) The rather unlikely case that a very large portfolio comes onto the market, which could be interesting for Aves One. We expect that only comparatively small transactions between €0 and €50 million will be concluded.

In the current situation, the sea container sector could be affected more severely than the rail sector in the medium term, but there is currently a shortage of sea containers. Many containers and container ships are used as temporary storage facilities and the production of new containers has been reduced. This could also lead to a very positive scenario in which, similar to the financial crisis in 2009, shipping companies cut back on their own investments and increasingly rely on rentals. We are currently assuming a medium scenario, in which there is strong demand for containers in certain geographical regions, but world trade is nevertheless declining, which will lead to a drop in demand. This should result in a decline in rental rates with a parallel high level of occupancy. In our opinion, Aves One is comparatively well positioned for all scenarios as a lessor of containers. The management of Aves One has decided not to further expand the container segment and therefore a gradual reduction of the segment should take place. As a result, this segment will lose importance, especially in the medium term. A positive side effect would also be that the currency effects that do not affect cash and always require explanation would be reduced or eliminated. This could make the share even more accessible to investors.

We believe that the swap bodies segment (see picture), which accounted for around 9% of sales in the past financial year, should continue to develop very well. Swap bodies are frequently used for transporting parcels and in times of rapidly increasing online trade, the demand for swap bodies is very high. We assume that the corona crisis will further boost online trading (b2c), as many people in quarantine are increasingly using online shopping.

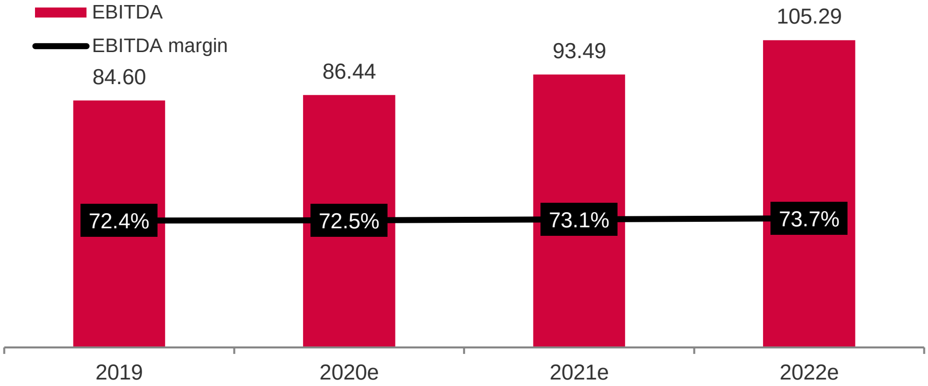
Overall, we expect good medium-term growth and regard 2020 as a year of transition.

Results forecast

The company expects EBITDA to be at least at the previous year's level. We assume that a slight increase to € 86.44 million (previous year: € 84.60 million) will be achieved in the current financial year 2020, as the asset portfolio has increased during the course of the year in the financial year 2019, thus creating a higher sales and earnings base. This is offset by slightly lower capacity utilisation, which will have the effect of reducing revenues and earnings.

We assume that revenue growth will continue to have a disproportionately high impact on EBITDA and expect the EBITDA margin to increase from 72.4% (2019) to 72.5% (2020), or 73.1% (2021) and 73.7% (2022), respectively. Accordingly, we forecast EBITDA of €86.44 million for the current fiscal year 2020, followed by €93.49 million in 2021 and €105.29 million in 2022.

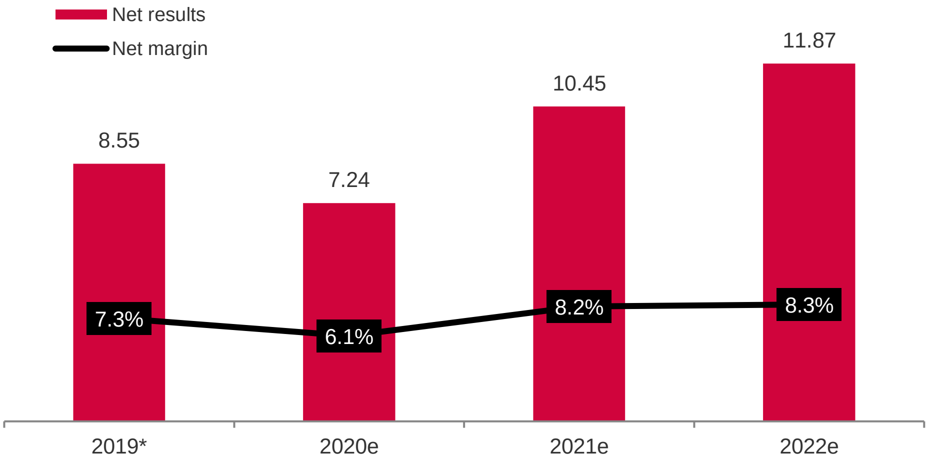
Forecast of EBITDA and EBITDA margin (in million €)



Source: GBC

At net level, interest expense should be the main influencing factor. We assume that interest expense will continue to rise as assets under management increase, as future portfolio acquisitions will most likely be financed by debt. Nevertheless, we expect a slightly improved relative financing situation as a result of an improvement in the financing mix. This should also benefit from the continuing low interest rate level. We assume that net income will continue to rise in the medium term. For the current fiscal year 2020, we expect a slight decline to € 7.24 million and then solid growth to 10.45 in 2021 and 11.87 in 2022.

Forecast of net income (in € million) and net margin (in %)



*Source: GBC; *Net income adjusted for non-cash foreign exchange*

We are confident that Aves One's business model is well equipped to get through the corona-induced trade and economic crisis. Nevertheless, future developments are difficult to predict, as the duration and extent of the crisis is difficult to estimate.

EVALUATION

Model assumptions

Aves One AG was valued by us using a three-step DCF model. Starting with the concrete estimates for the years 2020, 2021 and 2022 in phase 1, the second phase covers the period from 2023 to 2027 and includes a forecast of the value drivers. We expect revenue growth of 10.0 %. We have assumed an EBITDA margin target of 70.0 %. We have included a tax rate of 30.0 % in phase 2. In the third phase, a residual value will be determined by means of the perpetual annuity after the end of the forecast horizon. We have assumed a growth rate of 2.0% in the terminal value.

Determination of the cost of capital

The weighted average cost of capital (WACC) of Aves One AG is calculated from the cost of equity and the cost of debt. To determine the cost of equity capital, the fair market premium, the company-specific beta and the risk-free interest rate must be determined.

The risk-free interest rate will henceforth be derived from current yield curves for risk-free bonds in accordance with the recommendations of the IDW's Fachausschuss für Unternehmensbewertungen und Betriebswirtschaft (FAUB) (Technical Committee for Company Valuations and Business Administration). The basis for this will be the zero bond interest rates published by the Deutsche Bundesbank using the Svensson method. To smooth short-term market fluctuations, the average yields of the previous three months are used and the result rounded to 0.25 basis points.

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

As a reasonable expectation of a market premium, we apply the historical market premium of 5.50 %. This is supported by historical analyses of stock market returns. The market premium reflects by what percentage the equity market is expected to outperform low-risk government bonds.

According to the GBC estimation method, a beta of 1.76 is currently determined.

Using the assumptions made, the cost of equity is calculated at 10.7 % (previously: 9.86 %) (beta multiplied by risk premium plus risk-free interest rate). Since we assume a sustainable weighting of the cost of equity of 10.0%, the weighted average cost of capital (WACC) is 3.27%.

Evaluation result

Future cash flows are discounted on the basis of the entity approach. We have calculated the corresponding cost of capital (WACC) at 3.27%. The resulting fair value per share at the end of fiscal 2021 corresponds to a target price of €13.60. We are thus maintaining our previous price target. Our slightly lower forecast is compensated by the roll-over effect.

DCF model

Aves One AG - Discounted Cash Flow (DCF) consideration

Value drivers of the DCF model after the estimate phase:

consistency - phase	
Sales growth	10.0%
EBITDA margin	70.0%
AFA to operating fixed assets	2.5%
Working capital to sales	40.0%

final - Phase	
perpetual growth in sales	2.0%
perpetual EBITA - margin	48.0%
effective tax rate at final value	30.0%

three-stage DCF model:

Phase	estimate			consistency					final
in EUR million	GJ 20e	GJ 21e	GJ 22e	GJ 23e	GJ 24e	GJ 25e	GJ 26e	GJ 27e	Final value
Sales (US)	119.15	127.87	142.80	157.08	172.79	190.07	209.07	229.98	
US Change	2.0%	7.3%	11.7%	10.0%	10.0%	10.0%	10.0%	10.0%	2.0%
US to operating fixed assets	0.12	0.12	0.11	0.11	0.11	0.11	0.10	0.10	
EBITDA	86.44	93.49	105.29	109.96	120.95	133.05	146.35	160.99	
EBITDA margin	72.5%	73.1%	73.7%	70.0%	70.0%	70.0%	70.0%	70.0%	
EBITA	51.59	57.19	65.29	78.71	85.95	93.47	101.59	110.37	
EBITA Margin	43.3%	44.7%	45.7%	50.1%	49.7%	49.2%	48.6%	48.0%	48.0%
Taxes on EBITA	-9.07	-10.06	-13.06	-23.61	-25.79	-23.37	-30.48	-33.11	
to EBITA	17.6%	17.6%	20.0%	30.0%	30.0%	25.0%	30.0%	30.0%	30.0%
ECI (NOPLAT)	42.52	47.13	52.23	55.09	60.17	70.10	71.11	77.26	
Return on investment	4.4%	4.6%	4.5%	4.2%	4.1%	4.2%	3.8%	3.7%	3.3%
Working Capital (WC)	46.46	49.86	55.68	62.83	69.12	76.03	83.63	91.99	
WC to turnover	39.0%	39.0%	39.0%	40.0%	40.0%	40.0%	40.0%	40.0%	
Investments in WC	-0.92	-3.40	-5.82	-7.15	-6.28	-6.91	-7.60	-8.36	
Operating fixed assets (OAV)	968.02	1100.02	1250.02	1400.00	1583.19	1790.34	2024.61	2289.52	
AFA on OAV	-34.85	-36.30	-40.00	-31.25	-35.00	-39.58	-44.76	-50.62	
AFA to OAV	3.6%	3.3%	3.2%	2.5%	2.5%	2.5%	2.5%	2.5%	
Investments in OAV	-71.90	-168.30	-190.00	-181.23	-218.19	-246.74	-279.02	-315.53	
Invested capital	1014.48	1149.88	1305.70	1462.83	1652.30	1866.37	2108.24	2381.52	
EBITDA	86.44	93.49	105.29	109.96	120.95	133.05	146.35	160.99	
Taxes on EBITA	-9.07	-10.06	-13.06	-23.61	-25.79	-23.37	-30.48	-33.11	
Total investments	-72.83	-171.70	-195.82	-188.38	-224.47	-253.65	-286.62	-323.89	
Investments in OAV	-71.90	-168.30	-190.00	-181.23	-218.19	-246.74	-279.02	-315.53	
Investments in WC	-0.92	-3.40	-5.82	-7.15	-6.28	-6.91	-7.60	-8.36	
Investments in goodwill	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Free cash flows	4.54	-88.27	-103.59	-102.04	-129.30	-143.97	-170.75	-196.02	2454.54

Value of operating business (reporting date)	1150.73	1276.63
Present value of explicit FCFs	-808.78	-746.96
Present value of the continuing value	1959.51	2023.59
Net debt	976.73	1099.51
Value of equity capital	174.00	177.12
Minority interests	-0.11	-0.12
Value of the share capital	173.89	177.01
Shares outstanding in million	13.02	13.02
Fair value of the share in EUR	13.36	**13.60**

Calculation of the cost of capital:

risk-free return	1.0%
Market risk premium	5.5%
Beta	1.76
Cost of equity	10.7%
Target weighting	10.0%
Cost of debt	3.2%
Target weighting	90.0%
Tax shield	23.6%
WACC	**3.3%**

		WACC				
		3.25%	**3.26%**	**3.27%**	**3.28%**	**3.29%**
ROI	**3.29%**	13.85	12.53	11.22	9.94	8.68
	3.30%	15.06	13.73	12.41	11.12	9.84
	3.31%	16.27	14.93	**13.60**	12.30	11.01
	3.32%	17.48	16.12	14.79	13.47	12.18
	3.33%	18.69	17.32	15.98	14.65	13.35

ANNEX

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