Energiekontor AG

Germany / Cleantech
Frankfurt Stock Exchange
Bloomberg: EKT GR
ISIN: DE0005313506

2018 figures

RATING	**BUY**
PRICE TARGET	**€ 22.70**
Return Potential	49.3%
Risk Rating	High

STRONG COMPETITIVE POSITION WILL BE REWARDED

Energiekontor's 2018 figures largely corresponded to our forecasts. EBT amounted to €9.6m and was higher than expected due to lower interest expenses. 2018 numbers were significantly below the previous year's figures due to a weaker project development business, which suffered from the shrinking German market. The positive net income of €6.7m nevertheless shows how well the business model works. The weak result of the volatile project development business was more than compensated for by stable earnings from the power production business. For 2019, Energiekontor is guiding towards a moderately higher EBT than in 2018. For 2020, management expects significantly better results. An updated sum of the parts valuation yields a €22.70 price target (previously: €23.00). We reiterate our Buy rating.

Weak German market left its mark on 2018 figures Sales fell y/y from €150m to €110m as fewer wind farms were sold. Total output declined 36% y/y to €129m (FBe: €131m). EBITDA was 18% lower at €40.6m (FBe: €41.4m). Depreciation increased from €16.7m to €18.5m due to the higher capacity of the own wind farm and solar plant portfolio. This resulted in EBIT of €22.1m (FBe: €22.1m) versus €32.9m in 2017. EBT amounted to €9.6m (2017: €16.7m) and was above our estimate of €5.6m due mainly to lower interest expenses which amounted to €13.3m versus our forecast of €16.9m. Energiekontor managed to reduce interest expenses y/y by €3.1m. The net result declined 43% y/y to €6.7m and EPS were at €0.46 versus €0.82 in the previous year (see figure 1 overleaf).

Management expects moderate increase in EBT in 2019 Energiekontor is guiding towards a group EBT moderately above the 2018 EBT of €9.6m. The Project Development segment EBT is projected to roughly match the previous year's level of €-4.6m. Given normal wind conditions, the Power Generation segment should generate an EBT which is slightly higher than the 2017 segment EBT of €11.7m. The Operation and Innovation segment EBT looks set to rise slightly y/y. In 2018, it amounted to €2.6m.

FINANCIAL HISTORY & PROJECTIONS

	2016	2017	2018	2019E	2020E	2021E
Total output (€ m)	166.75	202.08	128.70	134.35	316.79	334.38
Y-o-y growth	-20.6%	21.2%	-36.3%	4.4%	135.8%	5.6%
EBIT (€ m)	53.75	32.89	22.08	24.66	43.29	47.83
EBIT margin	32.2%	16.3%	17.2%	18.4%	13.7%	14.3%
Net income (€ m)	25.34	11.89	6.68	7.87	19.48	20.02
EPS (diluted) (€)	1.74	0.82	0.46	0.54	1.34	1.37
DPS (€)	0.80	0.60	0.40	0.40	0.60	0.70
FCF (€m)	85.99	-29.27	23.17	19.13	-85.51	-34.18
Net gearing	146.9%	220.0%	218.6%	212.4%	315.9%	350.1%
Liquid assets (€ m)	118.53	69.00	73.29	77.54	57.13	69.98

RISKS

Main risks include changes in the regulatory support for wind energy, project development risks, approval procedures, tender results, wind farm operation risks, and Brexit.

COMPANY PROFILE

Energiekontor is a wind and solar project developer and an operator of a large portfolio of own wind farms and solar parks (278 MW). The company is active in onshore wind and solar project development in Germany, the UK, the US, and France. Energiekontor is headquartered in Bremen, Germany.

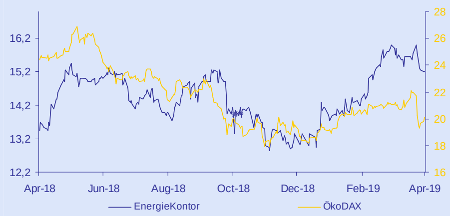
MARKET DATA

As of 16 Apr 2019

Closing Price	€ 15.20
Shares outstanding	14.58m
Market Capitalisation	€ 221.55m
52-week Range	€ 12.85 / 16.00
Avg. Volume (12 Months)	6,269

Multiples	2018	2019E	2020E
P/E	33.3	28.3	11.4
EV/Sales	2.9	2.7	1.2
EV/EBIT	16.7	14.9	8.5
Div. Yield	2.6%	2.6%	3.9%

STOCK OVERVIEW



COMPANY DATA

As of 31 Dec 2018

Liquid Assets	€ 73.29m
Current Assets	€ 137.61m
Intangible Assets	€ 0.02m
Total Assets	€ 348.44m
Current Liabilities	€ 44.18m
Shareholders' Equity	€ 68.40m

SHAREHOLDERS

Dr Bodo Wilkens	25.8%
Günter Lammers	25.7%
Internat. Kapitalanlageges.	5.1%
Free Float	43.4%

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Figure 1: Reported figures versus forecasts

	2018A	2018E	Delta	2017	Delta
Total output	128.70	131.42	-2.1%	202.08	-36.3%
EBITDA	40.62	41.42	-1.9%	49.59	-18.1%
margin	*31.6%*	*31.5%*	-	*24.5%*	-
EBIT	22.08	22.12	-0.2%	32.89	-32.9%
margin	*17.2%*	*16.8%*	-	*16.3%*	-
EBT	9.61	5.56	72.9%	16.67	-42.3%
margin	*7.5%*	*4.2%*	-	*8.2%*	-
Net income	6.68	3.89	71.6%	11.89	-43.8%
margin	*5.2%*	*3.0%*	-	*5.9%*	-
EPS in € (diluted)	0.46	0.27	70.4%	0.82	-43.9%

Source: First Berlin Equity Research, Energiekontor AG

Remarkably stable balance sheet Balance sheet metrics did not change much during 2018. The value of wind & solar farms increased from €194m to €204m due mainly to the addition of a wind farm (9 MW) and a solar farm (10 MW) to the group's power production portfolio. The cash position including short-term securities remained largely stable and amounted to €78.4m at the end of 2018. Equity was down slightly at €68.4m, but the equity ratio increased marginally to 19.6% due to a lower balance sheet total (see figure 2). The equity ratio does not show the hidden reserves of the group-owned wind & solar portfolio (278 MW) which contains self-constructed wind and solar plants which are recognised at external construction cost only and not their fair value. Financial debt fell slightly from €231m to €225m and net debt was 3% lower y/y at €147m.

Figure 2: Selected balance sheet items

in €m	2017A	2018A	delta
Wind & solar farms	193.7	204.0	5%
Cash and cash equivalents incl. securities	79.2	78.4	-1%
Equity	70.2	68.4	-3%
Equity ratio	*19.4%*	*19.6%*	-
Financial debt (long-term)	206.0	204.7	-1%
Financial debt (short-term)	24.7	20.6	-17%
Net debt (incl. securities)	151.6	147.0	-3%
Net gearing	*216%*	*214.9%*	-
Balance sheet total	361.2	348.4	-4%

Source: First Berlin Equity Research, Energiekontor AG

Strong operating cash flow Operating cash flow amounted to €45.4m (2017: €4.4m) as the Power Production segment generated high cash flows and working capital was lower due to the low construction activity. Free cash flow amounted to €23.2m (2017: €-29.3m) due to CAPEX of €22.2m, which mainly reflects the capital expenditure for the New Rides wind farm (9 MW) and Garzau-Garzin solar farm (10 MW). These were commissioned in 2018 and transferred to the group's wind farm & solar plant portfolio. Investment cash flow amounted to €-17.6m. Financing cash flow was €-23.6m and was mainly driven by interest (€11.6m) and dividend (€8.7m) payments. Net cash flow was €4.3m (see figure 3 overleaf).

Figure 3: Selected cash flow figures

in €m	2017A	2018A
Operating cash flow	4.4	45.4
CAPEX	-33.7	-22.3
Free cash flow	-29.3	23.2
Cash flow from investment	-36.0	-17.6
Cash flow from financing	-20.6	-23.6
Net cash flow	-49.5	4.3

Source: First Berlin Equity Research, Energiekontor AG

Project development: Low business activity resulted in negative EBIT In 2018, only two projects with a total capacity of 23 MW were sold to investors. Segment sales thus fell from €97m to €53m. A total of five projects with a total capacity of 47 MW were commissioned. Segment total output more than halved to €72m (see figure 4). The main reasons for the lower installation volumes y/y (2017: 67 MW) were low onshore wind tender prices and fewer approvals in Germany. Germany's poorly designed auction process resulted in a sharp fall in prices in the 2017 auctions. In 2017, Energiekontor was awarded no projects and in 2018 only one project (3.4 MW). Segment gross profit (total output ./. material costs) fell from €21.6m to €11.5m. As operating costs increased, segment EBIT fell from €10.0m to €-1.7m (see figure 4). A financial result of €-2.9m led to EBT of €-4.6m (2017: €5.1m).

The segment's financial liabilities declined y/y from €45.7m to €33.4m. Cash and short-term securities amounted to €66.3m (2017: €69.8m). The segment's net cash position thus improved to €32.8m from €24.1m in 2017.

Figure 4: Reported segment figures versus estimates

	2018A	2018E	Delta	2017	Delta
Projects					
Total output	71.82	70.98	1.2%	149.04	-51.8%
EBIT	-1.73	-2.65	-	10.04	-
margin	*-2.4%*	*-3.7%*		*6.7%*	
Power Production					
Total output	53.60	57.14	-6.2%	49.16	9.0%
EBIT	21.24	21.95	-3.2%	19.81	7.2%
margin	*39.6%*	*38.4%*		*40.3%*	
Operation & Innovation					
Total output	5.46	6.08	-10.2%	5.90	-7.5%
EBIT	2.57	3.08	-16.5%	3.05	-15.8%
margin	*47.0%*	*50.6%*		*51.7%*	
Consolidation					
Total output	-2.18	-2.79	-	-2.02	-
EBIT	0.00	0.00	-	0.00	-
margin	-	-		-	
Group					
Total output	128.70	131.42	-2.1%	202.08	-36.3%
EBIT	22.08	22.37	-1.3%	32.89	-32.9%
margin	*17.2%*	*17.0%*		*16.3%*	

Source: First Berlin Equity Research, Energiekontor AG

Power Production segment with sales and EBT growth The Power Production segment increased total output by 9% y/y to €53.6m (FBe: €57.1m). Total output was lower than expected due to wind yields which remained below their long-term averages (Germany: only 84%) as the exceptionally windless summer was followed by a calm autumn. Main sales drivers were the capacity additions of 2017 with their first 12 month contribution, and the Garzau-Garzin solar farm which was commissioned in March 2018. Segment EBITDA increased from €36.5m to €39.7m. Segment EBIT was up 7% at €21.2m. The EBIT margin declined from 40.3% to 39.6%. Segment EBT climbed from €8.5m to €11.7m due to lower interest expenses (€9.9m versus €11.3m in 2017).
The segment's financial liabilities rose y/y from €184.7m to €191.3m. This is not much, given that Energiekontor increased its power production portfolio by adding the British wind farm New Rides (9 MW) and the German solar park Garzau-Garzin (10 MW) and invested ca. €22m. As the cash position was €3m higher at €10.3m, the net debt position increased slightly y/y from €177.0m to €180.6m.
Due to the mentioned capacity additions, Energiekontor's power production portfolio now comprises of 278.2 MW, of which 10 MW solar. The portfolio is diversified over the three countries Germany (178.1 MW wind and 10 MW solar), Portugal (38 MW), and the UK (52.1 MW).

Operation & Innovation below forecasts Segment sales increased 3% y/y to €5.8m. Total output, however, declined from €5.9m to €5.5m due to negative "Changes in inventories/own work capitalised" (€-0.4m). Segment EBIT and EBT declined from €3.0m to €2.6m. The net cash position declined from €1.7m to €1.1m.

Weak 2019 outlook for German onshore wind market Low German tender prices in 2017 and slow permission procedures will likely result in a weak German market in 2019E. The German wind association (BWE) and the association of the German engineering industry (VDMA Power Systems) expect new installations of below 2 GW. This is even lower than the meagre 2.4 GW in 2018. According to an analysis by the "Fachagentur Windenergie an Land", monthly approval volumes have on average remained significantly below pre-2017 levels (ca. 120 MW versus 350 MW in 2014-2016).

Extra tenders in Germany In 2018, the German government has agreed on extra tenders as stipulated in the coalition treaty. The extra 4 GW are distributed over three years: 1.0 GW in 2019, 1.4 GW in 2020, and 1.6 GW in 2021. These extra tenders come on top of the normal tenders (2.8 GW in 2019 and 2.9 GW both in 2020 & 2021). Total tender volume will thus amount to 3.8 GW in 2019, 4.3 GW in 2020, and 4.5 GW in 2021. This should give the German market a push from 2020E on, provided that approval procedures are accelerated again, and enough projects receive approval.

It is not just about 2019E, rather Energiekontor's strong competitive position and the excellent market outlook from 2020E onwards In Q2 2019, Energiekontor commissioned the British wind farm Withernwick II. This is Energiekontor's first wind farm which was built without subsidies on a power purchase agreement (PPA) only. According to our knowledge, it is the first-of-its-kind wind farm in the UK. Energiekontor is thus a pioneer in developing competitive wind farms. In Q1/19, Energiekontor and the large German utility EnBW signed a power purchase agreement (PPA) for an 85 MW solar park, which Energiekontor will construct in 2020 in eastern Germany. The first pure PPA-based solar park in Germany is the largest project in the history of the company and will be one of the largest solar parks in Germany. This deal opens a new chapter in Energiekontor's history. The pure PPA-based projects clearly demonstrate Energiekontor's competitive edge. We are thus very optimistic regarding the medium-term development of the company. Furthermore, we are convinced that PPA-based wind farms and solar parks will be the main element in Germany's drive towards a 65% renewable power share in 2030 and an 80% share in 2050 (2018: 38%). Wind and solar will receive a further push in Germany as the

German coal commission has decided to phase out coal by 2038. We assume that the federal government will codify the coal compromise in a similar form. This means that more than 40 GW of power capacity will gradually be withdrawn from the market and have to be replaced.

Foreign activities are progressing The Scottish project pipeline has increased to ca. 1,000 MW. The volume of approved projects has risen to four with a total capacity of above 100 MW. However, due to the sluggish grid expansion, commissioning of the first wind farm is expected in 2020 at the earliest. The postponement of Brexit to probably the end of October 2019 has made the no-deal scenario less likely. We do not anticipate difficulties for Energiekontor as long as an orderly Brexit takes place.
Energiekontor has strengthened its personnel resources in France and the USA, but has exited the Dutch market. In the US, suitable land areas have been identified in South Dakota (wind) and West Texas (solar). Following the opening of an office in Austin (Texas) in 2017, another office was established in Rapid City (South Dakota) in 2018. We do not expect any US revenue contributions from wind before 2020 due to the long development periods, but solar could deliver first revenues this year if project rights are sold.

Management proposes €0.40 dividend Given the lower EPS (€0.46 versus €0.82 in 2017), management proposes a €0.40 dividend per share (2018: €0.60), corresponding to a yield of 2.6%.

Forecasts adjusted Based on the 2018 figures, company guidance, and market projections, we have slightly lowered our forecasts for 2019E-2021E. We forecast EBT to rise slightly y/y to €11.2m in 2019E. For 2020E, we anticipate a much stronger project business resulting in a significantly increased group EBT of €27.8m (see figure 5).

Figure 5: EBT forecasts for segments and group

EBT (figures in €m)	2018A	2019E	2020E	2021E
Project Development	-4.64	-3.91	13.00	13.92
Power Production	11.70	12.43	11.68	11.06
Operation & Innovation	2.55	2.72	3.14	3.62
Group	**9.61**	**11.24**	**27.83**	**28.60**

Source: First Berlin Equity Research, Energiekontor AG

Figure 6: Revisions to forecasts

		2019E			2020E			2021E	
All figures in €m	**Old**	**New**	**Delta**	**Old**	**New**	**Delta**	**Old**	**New**	**Delta**
Total output	138.48	134.35	-3.0%	321.85	316.79	-1.6%	336.02	334.38	-0.5%
EBIT	28.07	24.66	-12.1%	46.30	43.29	-6.5%	49.49	47.83	-3.3%
margin	*20.3%*	*18.4%*		*14.4%*	*13.7%*		*14.7%*	*14.3%*	
Net income	8.18	7.87	-3.8%	19.89	19.48	-2.1%	20.35	20.02	-1.6%
margin	*5.9%*	*5.9%*		*6.2%*	*6.1%*		*6.1%*	*6.0%*	
EPS (diluted)	0.56	0.54	-3.7%	1.36	1.34	-2.0%	1.40	1.37	-1.6%

Source: First Berlin Equity Research

Buy reiterated at slightly lower price target An updated sum of the parts valuation yields a new price target of €22.70 (previously: €23.00). We confirm our Buy recommendation.

VALUATION MODEL

We value Energiekontor based on a sum-of-the-parts analysis. Each of Energiekontor's segments, Project Development, Power Production, and Operation & Maintenance is valued separately based on a DCF model.

Sum-of-the-parts valuation

SotP valuation	Fair value in €m	Fair value per share in €	old
Project Development	141.72	9.72	9.78
Power Production	144.57	9.92	10.01
Operation & Innovation	44.73	3.07	3.17
Sum of the parts	**331.01**	**22.71**	**22.96**

DCF model for Project Development segment

DCF valuation model All figures in EUR '000	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E
Net sales	**48,720**	**163,150**	**167,250**	**168,050**	**183,633**	**199,325**	**214,909**	**230,148**
NOPLAT	**-605**	**13,234**	**14,515**	**15,514**	**16,287**	**17,041**	**17,435**	**17,797**
+ depreciation & amortisation	51	41	61	70	79	88	97	106
Net operating cash flow	-554	13,275	14,576	15,584	16,366	17,129	17,532	17,903
- total investments (CAPEX and WC)	7,841	-36,205	-2,007	4,062	-6,514	-6,585	-6,567	-6,453
Capital expenditures	-24	-82	-84	-84	-92	-100	-107	-115
Working capital	7,865	-36,123	-1,923	4,146	-6,422	-6,485	-6,460	-6,338
Free cash flows (FCF)	7,286	-22,930	12,569	19,646	9,852	10,544	10,965	11,450
PV of FCF's	**6,805**	**-19,430**	**9,667**	**13,713**	**6,242**	**6,061**	**5,721**	**5,422**

All figures in thousands	
PV of FCFs in explicit period (2019E-2033E)	65,805
PV of FCFs in terminal period	43,158
Enterprise value (EV)	108,962
+ Net cash / - net debt	32,809
+ Investments / minority interests	0
Shareholder value	141,771
Number of shares (diluted)	14,575
Fair value per share in EUR	9.72

WACC	10.2%
Cost of equity	13.0%
Pre-tax cost of debt	8.5%
Tax rate	30.0%
After-tax cost of debt	6.0%
Share of equity capital	60.0%
Share of debt capital	40.0%
Fair value per share in EUR	9.72

Terminal growth rate

WACC	0.5%	1.0%	1.5%	2.0%	2.5%	3.0%	3.5%
6.2%	16.67	17.15	17.73	18.46	19.38	20.59	22.25
7.2%	14.05	14.31	14.62	15.00	15.45	16.01	16.72
8.2%	12.14	12.29	12.46	12.66	12.90	13.18	13.53
9.2%	10.69	10.78	10.87	10.99	11.12	11.27	11.44
10.2%	9.55	9.61	9.66	**9.72**	9.80	9.88	9.97
11.2%	8.65	8.68	8.71	8.74	8.78	8.83	8.88
12.2%	7.91	7.92	7.94	7.96	7.98	8.00	8.03
13.2%	7.29	7.30	7.31	7.32	7.33	7.34	7.35

* for layout purposes the model shows numbers only to 2026, but runs until 2033

DCF model for Power Production segment

DCF valuation model All figures in EUR '000	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E
Net sales	**56,630**	**60,717**	**71,323**	**84,889**	**96,178**	**97,764**	**99,112**	**95,178**
NOPLAT	**18,793**	**19,491**	**22,186**	**26,401**	**28,133**	**28,964**	**29,660**	**27,521**
+ depreciation & amortisation	20,064	22,907	29,057	35,492	42,144	41,710	41,275	40,841
Net operating cash flow	38,857	42,397	51,243	61,892	70,278	70,674	70,935	68,362
- total investments (CAPEX and WC)	-28,907	-107,263	-100,328	-111,154	-44,928	-42,101	-41,608	-39,871
Capital expenditures	-25,483	-106,255	-97,713	-107,809	-42,144	-41,710	-41,275	-40,841
Working capital	-3,424	-1,008	-2,615	-3,345	-2,783	-391	-332	970
Free cash flows (FCF)	9,950	-64,865	-49,085	-49,262	25,350	28,573	29,328	28,491
PV of FCF's	**9,658**	**-60,352**	**-43,782**	**-42,123**	**20,780**	**22,452**	**22,092**	**20,574**

All figures in thousands	
PV of FCFs in explicit period (2019E-2033E)	66,023
PV of FCFs in terminal period	259,200
Enterprise value (EV)	325,223
+ Net cash / - net debt	-180,592
+ Investments / minority interests	0
Shareholder value	144,631
Number of shares (diluted)	14,575
Fair value per share in EUR	9.92

WACC	4.3%
Cost of equity	7.0%
Pre-tax cost of debt	5.2%
Tax rate	30.0%
After-tax cost of debt	3.6%
Share of equity capital	20.0%
Share of debt capital	80.0%
Fair value per share in EUR	9.92

Terminal growth rate

WACC	-0.6%	-0.4%	-0.2%	0.0%	0.2%	0.4%	0.6%
3.6%	13.42	14.45	15.59	16.85	18.27	19.87	21.68
3.8%	11.32	12.20	13.17	14.24	15.43	16.76	18.25
4.1%	9.44	10.20	11.03	11.94	12.95	14.07	15.32
4.3%	7.76	8.42	9.14	**9.92**	10.78	11.73	12.78
4.6%	6.25	6.82	7.44	8.12	8.86	9.67	10.57
4.8%	4.88	5.38	5.92	6.51	7.15	7.85	8.61
5.1%	3.63	4.07	4.55	5.06	5.62	6.23	6.89

* for layout purposes the model shows numbers only to 2026, but runs until 2033

DCF model for Operation & Innovation segment

DCF valuation model All figures in EUR '000	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E
Net sales	**6,019**	**6,501**	**7,411**	**8,374**	**9,379**	**10,411**	**11,452**	**12,483**
NOPLAT	**1,928**	**2,218**	**2,553**	**2,882**	**3,208**	**3,538**	**3,867**	**4,189**
+ depreciation & amortisation	0	0	0	3	6	10	13	17
Net operating cash flow	1,928	2,218	2,553	2,885	3,214	3,548	3,881	4,206
- total investments (CAPEX and WC)	-28	65	-213	-199	-196	-211	-223	-233
Capital expenditures	0	0	-37	-42	-47	-52	-57	-62
Working capital	-28	65	-176	-157	-149	-159	-166	-171
Free cash flows (FCF)	1,900	2,283	2,340	2,687	3,018	3,337	3,658	3,973
PV of FCF's	**1,776**	**1,940**	**1,808**	**1,887**	**1,927**	**1,936**	**1,929**	**1,905**

All figures in thousands	
PV of FCFs in explicit period (2019E-2033E)	26,544
PV of FCFs in terminal period	17,198
Enterprise value (EV)	43,742
+ Net cash / - net debt	1,050
+ Investments / minority interests	0
Shareholder value	44,792
Number of shares (diluted)	14,575
Fair value per share in EUR	3.07

WACC	10.0%
Cost of equity	10.0%
Pre-tax cost of debt	6.0%
Tax rate	30.0%
After-tax cost of debt	4.2%
Share of equity capital	100.0%
Share of debt capital	0.0%
Fair value per share in EUR	3.07

Terminal growth rate

WACC	0.5%	1.0%	1.5%	2.0%	2.5%	3.0%	3.5%
6.0%	5.47	5.76	6.12	6.56	7.14	7.90	8.98
7.0%	4.51	4.69	4.90	5.16	5.47	5.85	6.35
8.0%	3.82	3.93	4.07	4.22	4.41	4.63	4.90
9.0%	3.30	3.37	3.46	3.56	3.68	3.82	3.98
10.0%	2.89	2.94	3.00	**3.07**	3.15	3.24	3.34
11.0%	2.57	2.60	2.65	2.69	2.75	2.81	2.87
12.0%	2.30	2.33	2.36	2.39	2.43	2.47	2.52
13.0%	2.08	2.11	2.13	2.15	2.18	2.21	2.24

* for layout purposes the model shows numbers only to 2026, but runs until 2033

INCOME STATEMENT

All figures in EUR '000	2015A	2016A	2017A	2018A	2019E	2020E	2021E
Revenues	**191,329**	**201,764**	**149,865**	**110,186**	**108,961**	**227,768**	**243,020**
Change in inventory & own work	18,808	-35,015	52,211	18,516	25,386	89,018	91,356
Total output	**210,137**	**166,749**	**202,076**	**128,702**	**134,348**	**316,786**	**334,376**
Cost of goods sold	116,590	70,523	127,923	60,631	58,450	215,208	219,260
Gross profit	**93,547**	**96,226**	**74,153**	**68,071**	**75,898**	**101,578**	**115,116**
Personnel costs	10,476	10,922	11,830	13,667	14,294	15,306	16,126
Other operating expenses	18,553	17,719	18,475	17,144	18,454	22,886	25,144
Other operating income	1,574	4,481	5,746	3,363	1,626	2,852	3,106
EBITDA	**66,092**	**72,066**	**49,593**	**40,622**	**44,776**	**66,238**	**76,952**
Depreciation	16,424	18,316	16,704	18,546	20,115	22,948	29,117
Operating income (EBIT)	**49,668**	**53,750**	**32,889**	**22,076**	**24,661**	**43,290**	**47,834**
Net financial result	-20,006	-18,253	-16,224	-12,465	-13,418	-15,464	-19,236
Non-operating expenses	0	0	0	0	0	0	0
Pre-tax income (EBT)	**29,662**	**35,497**	**16,666**	**9,612**	**11,243**	**27,826**	**28,598**
Income taxes	8,751	10,162	4,778	2,932	3,373	8,348	8,580
Minority interests	0	0	0	0	0	0	0
Net income / loss	**20,911**	**25,335**	**11,888**	**6,680**	**7,870**	**19,478**	**20,019**
Diluted EPS (in €)	**1.43**	**1.74**	**0.82**	**0.46**	**0.54**	**1.34**	**1.37**
Ratios							
Gross margin on total output	44.5%	57.7%	36.7%	52.9%	56.5%	32.1%	34.4%
EBITDA margin on total output	31.5%	43.2%	24.5%	31.6%	33.3%	20.9%	23.0%
EBIT margin on total output	23.6%	32.2%	16.3%	17.2%	18.4%	13.7%	14.3%
Net margin on total output	10.0%	15.2%	5.9%	5.2%	5.9%	6.1%	6.0%
Tax rate	29.5%	28.6%	28.7%	30.5%	30.0%	30.0%	30.0%
Expenses as % of total output							
Personnel costs	5.0%	6.5%	5.9%	10.6%	10.6%	4.8%	4.8%
Depreciation	7.8%	11.0%	8.3%	14.4%	15.0%	7.2%	8.7%
Other operating expenses	8.8%	10.6%	9.1%	13.3%	13.7%	7.2%	7.5%
Y-Y Growth							
Total output	31.0%	-20.6%	21.2%	-36.3%	4.4%	135.8%	5.6%
EBIT	22.0%	8.2%	-38.8%	-32.9%	11.7%	75.5%	10.5%
Net income/ loss	48.0%	21.2%	-53.1%	-43.8%	17.8%	147.5%	2.8%

BALANCE SHEET

All figures in EUR '000	2015A	2016A	2017A	2018A	2019E	2020E	2021E
Assets							
Current assets, total	**166,855**	**181,759**	**160,607**	**137,613**	**135,180**	**157,251**	**175,052**
Cash and cash equivalents	103,957	118,528	69,002	73,291	77,536	57,131	69,976
Short-term investments	10,278	10,305	10,159	5,061	5,061	5,061	5,061
Receivables	16,932	17,469	26,216	19,123	20,967	37,677	40,904
Inventories	32,871	34,272	47,006	38,481	29,959	55,725	57,454
Other current assets	2,817	1,185	8,225	1,657	1,657	1,657	1,657
Non-current assets, total	**232,263**	**179,592**	**200,606**	**210,824**	**216,217**	**299,606**	**368,322**
Property, plant & equipment	223,789	171,747	194,558	204,916	210,309	293,698	362,414
Goodwill & other intangibles	23	10	1	23	23	23	23
Other assets	8,451	7,834	6,047	5,885	5,885	5,885	5,885
Total assets	**399,118**	**361,351**	**361,213**	**348,437**	**351,398**	**456,857**	**543,374**
Shareholders' equity & debt							
Current liabilities, total	**76,163**	**83,551**	**57,200**	**44,177**	**35,096**	**53,420**	**70,118**
Short-term financial debt	31,871	45,735	24,728	20,639	15,000	25,000	40,000
Accounts payable	4,480	6,241	8,383	5,489	2,047	7,457	7,698
Current provisions	16,282	12,656	14,660	13,504	13,504	13,504	13,504
Other current liabilities	23,530	18,919	9,429	4,545	4,545	7,459	8,916
Long-term liabilities, total	**272,495**	**208,323**	**233,781**	**235,861**	**245,861**	**322,261**	**382,261**
Long-term financial debt	248,899	185,175	208,961	207,233	217,233	293,633	353,633
Deferred revenue	0	0	0	0	0	0	0
Other liabilities	23,596	23,148	24,820	28,628	28,628	28,628	28,628
Minority interests	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Shareholders' equity	**50,460**	**69,477**	**70,232**	**68,400**	**70,441**	**81,176**	**90,995**
Share capital	14,653	14,653	14,578	14,578	14,578	14,578	14,578
Capital reserve	40,308	40,323	40,428	40,458	40,458	40,458	40,458
Other reserves	-8,751	-3,125	-2,441	-1,835	-1,835	-1,835	-1,835
Treasury stock	-41	-61	-1	-30	-30	-30	-30
Loss carryforward / retained earnings	16,421	30,164	39,717	39,344	41,385	52,121	61,939
Total consolidated equity and debt	**399,118**	**361,351**	**361,213**	**348,437**	**351,398**	**456,857**	**543,374**

Ratios							
Current ratio (x)	2.19	2.18	2.81	3.12	3.85	2.94	2.50
Quick ratio (x)	1.76	1.77	1.99	2.24	3.00	1.90	1.68
Net debt	166,535	102,077	154,528	149,520	149,636	256,441	318,596
Net gearing	330%	147%	220%	219%	212%	316%	350%
Book value per share (in €)	3.45	4.76	4.82	4.69	4.83	5.57	6.24
Financial debt/EBITDA (x)	4.2	3.2	4.7	5.6	5.2	4.8	5.1
Equity ratio	12.6%	19.2%	19.4%	19.6%	20.0%	17.8%	16.7%
Return on equity (ROE)	41.4%	36.5%	16.9%	9.8%	11.2%	24.0%	22.0%
Return on investment (ROI)	5.2%	7.0%	3.3%	1.9%	2.2%	4.3%	3.7%
Return on assets (ROA)	10.4%	12.1%	7.8%	5.7%	6.1%	7.7%	7.2%
Return on capital employed (ROCE)	20.4%	24.7%	14.8%	8.9%	10.0%	14.1%	11.9%
Days sales outstanding (DSO)	32.3	31.6	63.8	63.3	70.2	60.4	61.4
Days inventory outstanding (DIO)	102.9	177.4	134.1	231.7	187.1	94.5	95.6
Days payables outstanding (DPO)	14.0	32.3	23.9	33.0	12.8	12.6	12.8

CASH FLOW STATEMENT

All figures in EUR '000	2015A	2016A	2017A	2018A	2019E	2020E	2021E
EBIT	**49,668**	**53,750**	**32,889**	**22,076**	**24,661**	**43,290**	**47,834**
Depreciation and amortisation	16,424	18,316	16,704	18,546	20,115	22,948	29,117
EBITDA	**66,092**	**72,066**	**49,593**	**40,622**	**44,776**	**66,238**	**76,952**
Changes in working capital	28,824	24,732	-28,182	6,310	3,236	-37,066	-4,714
Other adjustments	-3,490	-3,927	-16,973	-1,499	-3,373	-8,348	-8,580
Operating cash flow	**91,426**	**92,871**	**4,438**	**45,433**	**44,639**	**20,824**	**63,658**
CAPEX	-40,205	-6,885	-33,707	-22,240	-25,508	-106,337	-97,834
Investments in intangibles	0	0	-1	-26	0	0	0
Free cash flow	**51,221**	**85,986**	**-29,269**	**23,167**	**19,131**	**-85,512**	**-34,176**
Acquisitions and disposals, net	300	0	0	0	0	0	0
Other investments	-11,143	-1,327	-2,277	4,642	0	0	0
Cash flow from investing	**-51,048**	**-8,212**	**-35,984**	**-17,624**	**-25,508**	**-106,337**	**-97,834**
Debt financing, net	11,574	-36,444	5,266	-2,891	4,361	86,400	75,000
Equity financing, net	0	-278	-251	-403	0	0	0
Dividends paid	-8,781	-11,682	-11,670	-8,745	-5,829	-5,829	-8,743
Other financing	-18,759	-23,041	-13,992	-11,577	-13,418	-15,464	-19,236
Cash flow from financing	**-15,967**	**-71,444**	**-20,646**	**-23,616**	**-14,886**	**65,107**	**47,021**
Forex & other effects	-2,048	1,357	2,666	96	0	0	0
Net cash flows	**22,363**	**14,571**	**-49,526**	**4,289**	**4,245**	**-20,405**	**12,845**
Cash, start of the year	81,594	103,957	118,528	69,002	73,291	77,536	57,131
Cash, end of the year	**103,957**	**118,528**	**69,002**	**73,291**	**77,536**	**57,131**	**69,976**
EBITDA/share (in €)	**4.52**	**4.94**	**3.40**	**2.79**	**3.07**	**4.55**	**5.28**
Operating cash flow/share (in €)	**6.25**	**6.36**	**0.30**	**3.12**	**3.06**	**1.43**	**4.37**
Y-Y Growth							
Operating cash flow	63.9%	1.6%	-95.2%	923.6%	-1.7%	-53.3%	205.7%
Free cash flow	43.8%	67.9%	n.m.	n.m.	-17.4%	n.m.	n.m.
EBITDA/share	20.6%	9.3%	-31.1%	-18.0%	10.2%	47.9%	16.2%
Operating cash flow/share	64.2%	1.8%	-95.2%	924.6%	-1.7%	-53.3%	205.7%

FIRST BERLIN RECOMMENDATION & PRICE TARGET HISTORY

Report No.:	Date of publication	Previous day closing price	Recommendation	Price target
Initial Report	5 June 2014	€7.70	Buy	€12.20
2...26	↓	↓	↓	↓
27	5 September 2018	€14.84	Buy	€23.70
28	22 November 2018	€13.10	Buy	€23.30
29	4 March 2019	€15.30	Buy	€23.00
30	Today	€15.20	Buy	€22.70

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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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- **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 Lurgiallee 12, 60439 Frankfurt

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