

PNE WIND AG

Germany / Cleantech
 Primary exchange: Frankfurt
 Bloomberg: PNE3 GR
 ISIN: DE000A0JBPG2

Q1/16 figures

RATING
PRICE TARGET **BUY**
 Return Potential 50.1%
 Risk Rating High

STRONG START INTO THE YEAR

On 11 May, PNE Wind reported Q1 figures and held a conference call. Although sales were below our estimates, EBIT topped our forecast and was positive at €0.2m. The main reasons were a strong performance of the internally held wind farm portfolio and high other operating profits. The wind farm portfolio now comprises of 136.5 MW, of which 92.4 MW are already commissioned. Construction activity was strong (55.2 MW) and permits on hand of 32.9 MW suggest strong continual operating business. PNE reiterated its 2016 EBIT guidance of up to €100m. We reiterate our Buy rating and the €3.30 price target.

Low sales – positive EBIT Q1 is usually a seasonally weak quarter as construction is often hampered by the winter. Furthermore, the development of projects causes initial cost burdening EBIT. Despite low sales (€11.9m, FB: €15.0m, Q1/15: €15.2m) EBIT was positive and amounted to €0.2m. The positive EBIT can be attributed to a high other operating profit of €3.4m and a very strong EBIT of the Power Production segment (€3.3m vs. €1.4m in Q1/15). The high other operating profit is mainly due to a €2m payment resulting from the settlement of the arbitration proceedings against Mr. Friedrichsen, PNE's main shareholder. Stable personnel costs (€7.1m) and other operating expenses (€5.3m) hint at strict cost control. The net result was €-3.7m (FB: €-6.0m, Q1/15: €-9.2m). EPS amounted to €-0.05 (FB: €-0.08 Q1/15: €-0.12).

Guidance reiterated PNE reiterated its guidance (2016 EBIT of up to €100m). Given the progress of the own wind farm portfolio we believe PNE will reach its guidance.

Wind farm portfolio increased to 136.5 MW PNE's internally held wind farm portfolio now has a volume of 136.5 MW, only 13.5 MW short of the target of 150 MW. 92.4 MW have already been commissioned and we expect PNE to commission 44.1 MW in H2. The permit for the last 13.5 MW... (p.t.o.)

FINANCIAL HISTORY & PROJECTIONS

	2013	2014	2015	2016E	2017E	2018E
Revenue (€m)	144.04	211.27	109.52	170.60	221.78	260.30
Y-o-y growth	70.7%	46.7%	-48.2%	55.8%	30.0%	17.4%
EBIT (€m)	43.57	2.68	9.77	92.95	27.90	29.21
EBIT margin	30.2%	1.3%	8.9%	54.5%	12.6%	11.2%
Net income (€m)	37.58	-12.99	3.47	65.53	13.98	14.50
EPS (diluted) (€)	0.75	-0.21	0.05	0.84	0.18	0.19
DPS (€)	0.15	0.04	0.04	0.10	0.06	0.06
FCF (€m)	-4.32	-34.33	-105.38	195.23	-4.08	-0.13
Net gearing	96.8%	64.9%	98.1%	-11.7%	-6.2%	-4.1%
Liquid assets (€m)	77.40	72.18	86.08	172.45	175.71	75.98

RISKS

Risks to our price target include, but are not limited to: changes in legislation, project financing risks, project delays, and project approval risks.

COMPANY PROFILE

PNE WIND AG is an international wind energy project developer for on- and offshore wind farms. The company is based in Cuxhaven, Germany.

MARKET DATA

As of 12 May 2016

Closing Price	€ 2.20
Shares outstanding	76.56m
Market Capitalisation	€ 168.34m
52-week Range	€ 1.55 / 2.42
Avg. Volume (12 Months)	149,446

Multiples	2015	2016E	2017E
P/E	46.4	2.6	12.2
EV/Sales	3.2	2.1	1.6
EV/EBIT	36.0	3.8	12.6
Div. Yield	1.8%	4.5%	2.7%

STOCK OVERVIEW



COMPANY DATA

As of 31 Mar 2016

Liquid Assets	€ 76.94m
Current Assets	€ 238.71m
Intangible Assets	€ 63.00m
Total Assets	€ 488.36m
Current Liabilities	€ 91.25m
Shareholders' Equity	€ 161.24m

SHAREHOLDERS

V. Friedrichsen Bet. GmbH	15.0%
Axxion S.A.	3.2%
Free Float	81.9%



...should be on hand either in Q2 or Q3. We thus expect construction to start in Q4 at the latest. Since 2014, earnings of €31.5m have been eliminated due to the build-up of the portfolio. PNE Wind plans to retain a part of the portfolio to generate stable and secure cash flows. In Q1, power production revenues, which largely reflect the portfolio's revenues, amounted to €8.1m (Q1/15: €4.4m). Segment EBIT was €33m (Q1/15: €1.4m).

Figure 1: Internally held wind farm portfolio

Wind farm portfolio	MW	Location	Status	Scheduled completion
Chransdorf	57.6	Brandenburg	commissioned	Q3 2015
Waldfeucht	9.0	North Rhine-Westphalia	commissioned	Q4 2015
Altenbruch II	25.8	Lower Saxony	commissioned	2009
Apensen II	6.0	Lower Saxony	under construction	H1 2016
Köhlen	21.3	Lower Saxony	under construction	H2 2016
Holzthaleben	4.8	Thuringia	under construction	H2 2016
Altenbruch West	12.0	Lower Saxony	permitted	H2 2016
Sum	136.5			

Source: First Berlin Equity Research, PNE WIND AG

High business activity already in Q1 PNE had 55.2 MW under construction, of which 32.1 MW belonged to the wind farm portfolio. With 32.9 MW permits on hand, further construction of wind farms looks set to continue.

In the international business PNE is preparing projects for tenders. We expect PNE to participate in tenders in South Africa, Turkey, Poland, and Italy. The company expects further milestones from its UK pipeline sale in 2018.

In the offshore business, we expect PNE to receive a milestone payment of €3.2m from DONG this year after DONG's final investment decision (FID) on Borkum Riffgrund II.

Balance sheet reflects wind farm portfolio build-up Balance sheet total remained stable at €488m. The main asset positions are PP&E of €165m and inventories of €134m. The main part of PP&E is wind farms with a book value of €129m. The cash position amounted to €77m vs. €86m at the end of 2015 and is a solid foundation to finance further project developments.

Due mainly to the net loss equity declined from €166m to €161m. The equity share was slightly lower at 33% (31/12/2015: 34%). Long-term financial debt decreased slightly from €224m to €222m. Short-term debt, on the other hand, slightly increased from €36.6m to €38.5m. Net debt rose to €183m from €174m at 31/12/2015.

Improved free cash flow Operating cash flow was €-8.4m. This is a significant improvement compared to the previous year's figure of €-41.9m. Apart from the net loss, the negative operating cash flow was due to increase in inventories (€-14.7m). CAPEX of only €0.2m resulted in a free cash flow of €-8.6m. The financing cash flow was slightly negative (€-0.6m) as more loans were redeemed than taken. The net cash outflow amounted to €-9.1m.

Markus Lesser permanent CEO from 26 May on The position of the CEO, which was held by Per Hornung Pedersen on an interim basis, will be assumed by the current COO and former interim CEO Markus Lesser. As long-time COO of PNE, Markus Lesser was responsible for the development of the project pipeline and has in-depth knowledge of the wind market and the company.

Buy reiterated at unchanged price target Based on unchanged estimates, an updated DCF model still yields a price target of €3.30. Given the prospect of extraordinary profits from the planned wind farm portfolio sale we reiterate our Buy rating.



Figure 2: Reported figures vs. estimates

All figures in €m	Q1-16A	Q1-16E	Delta	Q1-15	Delta
Sales	11.94	15.00	-20.4%	15.20	-21.4%
EBIT	0.22	-2.90	-	-6.00	-
<i>margin</i>	1.8%	-19.3%	-	-39.5%	-
Net income	-3.67	-5.96	-	-9.18	-
<i>margin</i>	-30.7%	-39.7%	-	-60.4%	-
EPS (diluted) in €	-0.05	-0.08	-	-0.12	-

Source: First Berlin Equity Research, PNE WIND AG



VALUATION MODEL

DCF valuation model								
All figures in EUR '000								
	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E
Net sales	170,600	221,780	260,298	265,504	270,814	276,230	281,755	287,390
NOPLAT	85,473	23,978	25,152	25,749	26,016	24,219	23,272	20,957
+ depreciation & amortisation	15,040	3,920	5,197	6,543	7,648	8,579	9,355	9,993
Net operating cash flow	100,513	27,899	30,349	32,292	33,665	32,798	32,627	30,950
- total investments (CAPEX, WC, other)	110,024	-24,610	-22,361	-13,775	-19,338	-18,872	-18,378	-17,856
Capital expenditures	90,418	-15,525	-17,440	-16,992	-16,618	-16,222	-15,804	-15,362
Working capital	22,516	-8,175	-4,111	3,922	-2,125	-2,171	-2,217	-2,264
Free cash flows (FCF)	210,538	3,289	7,987	18,517	14,326	13,926	14,248	13,094
PV of FCF's	201,395	2,934	6,646	14,368	10,365	9,397	8,966	7,685

All figures in thousands	
PV of FCFs in explicit period (2016E-2030E)	310,262
PV of FCFs in terminal period	133,027
Enterprise value (EV)	443,289
+ Net cash / - net debt	-183,453
+ Investments / minority interests	-3,859
Shareholder value	255,977

Fair value per share in EUR	3.30
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WACC		Terminal growth rate							
		0.5%	1.0%	1.5%	2.0%	2.5%	3.0%	3.5%	
Cost of equity	11.8%	3.2%	8.21	9.41	11.30	14.74	22.93	67.49	-49.99
Pre-tax cost of debt	7.0%	4.2%	5.84	6.33	7.01	8.00	9.56	12.39	19.13
Tax rate	25.0%	5.2%	4.48	4.72	5.03	5.44	6.00	6.81	8.09
After-tax cost of debt	5.3%	6.2%	3.60	3.73	3.89	4.09	4.35	4.68	5.14
Share of equity capital	30.0%	7.2%	2.98	3.06	3.15	3.26	3.40	3.56	3.77
Share of debt capital	70.0%	8.2%	2.53	2.63	2.64	2.70	2.77	2.86	2.97
		9.2%	2.19	2.22	2.25	2.29	2.33	2.38	2.44
Fair value per share in EUR	3.30	10.2%	1.91	1.93	1.95	1.98	2.00	2.04	2.07

* for layout purposes the model shows numbers only to 2023, but runs until 2030



INCOME STATEMENT

All figures in EUR '000	2013A	2014A	2015A	2016E	2017E	2018E
Revenues	144,040	211,268	109,524	170,600	221,780	260,298
Change in inventories	13,376	19,078	116,096	0	0	0
Other operating income	3,223	3,603	7,707	3,902	2,883	3,384
Total aggregate output	160,639	233,949	233,327	174,502	224,663	263,682
Cost of goods sold	71,895	170,496	154,934	14,296	138,391	176,438
Gross profit	85,521	59,850	70,686	156,304	83,389	83,860
Personnel costs	21,615	27,041	29,254	27,720	28,950	29,414
Depreciation and amortisation	6,196	8,526	9,870	15,040	3,920	5,197
Other operating expenses (-)	-17,364	-25,206	-29,504	-24,500	-25,500	-23,427
Operating income (EBIT)	43,569	2,680	9,765	92,945	27,902	29,207
Interest Expense	-10,617	-14,934	-16,381	-18,887	-10,948	-12,073
Interest Income	1,283	2,422	1,743	665	665	1,041
Income from participations & ass. companies	159	-5,334	-86	0	2,000	2,100
Pre-tax income (EBT)	34,394	-15,166	-4,959	74,723	19,619	20,275
Income taxes	2,600	-3,131	3,570	-7,472	-3,924	-4,055
Minority interests	585	5,305	4,863	-1,719	-1,719	-1,719
Net income / loss	37,579	-12,992	3,474	65,532	13,977	14,501
Diluted EPS (in €)	0.75	-0.21	0.05	0.84	0.18	0.19
EBITDA	49,765	11,206	19,635	107,986	31,822	34,404
Ratios						
Gross margin	59.4%	28.3%	64.5%	91.6%	37.6%	32.2%
EBITDA margin on revenues	34.5%	5.3%	17.9%	63.3%	14.3%	13.2%
EBIT margin on revenues	30.2%	1.3%	8.9%	54.5%	12.6%	11.2%
Net margin on revenues	26.1%	-6.1%	3.2%	38.4%	6.3%	5.6%
Tax rate	-7.6%	-20.6%	72.0%	10.0%	20.0%	20.0%
Expenses as % of revenues						
Personnel costs	15.0%	12.8%	26.7%	16.2%	13.1%	11.3%
Depreciation and amortisation	4.3%	4.0%	9.0%	8.8%	1.8%	2.0%
Other operating expenses	12.1%	11.9%	26.9%	14.4%	11.5%	9.0%
Y-Y Growth						
Revenues	70.7%	46.7%	-48.2%	55.8%	30.0%	17.4%
Operating income	113.1%	-93.8%	264.4%	851.8%	-70.0%	4.7%
Net income/ loss	121.4%	n.m.	n.m.	1786.4%	-78.7%	3.8%



BALANCE SHEET

All figures in EUR '000	2013A	2014A	2015A	2016E	2017E	2018E
Assets						
Current assets, total	284,000	265,935	236,033	302,622	315,327	223,026
Cash and cash equivalents	77,402	72,175	86,075	172,448	175,709	75,981
Short-term investments	0	0	0	0	0	0
Receivables	34,371	20,098	7,969	27,109	34,634	39,223
Inventories	145,860	152,389	121,177	82,253	84,172	87,010
Other current assets	25,165	20,075	19,332	19,332	19,332	19,332
Non-current assets, total	150,940	150,900	252,231	146,773	158,377	170,620
Property, plant & equipment	76,089	73,655	167,347	35,639	47,243	59,486
Goodwill & other intangibles	56,343	63,926	63,105	63,105	63,105	63,105
Long-term investments / ass. companies	0	0	0	26,250	26,250	26,250
Other assets	18,508	13,319	21,779	21,779	21,779	21,779
Total assets	434,940	416,835	488,264	449,394	473,704	393,647
Shareholders' equity & debt						
Current liabilities, total	112,729	95,034	84,858	86,393	174,600	82,916
Short-term debt	38,978	34,940	35,857	30,000	120,000	25,000
Accounts payable	12,093	21,476	16,852	19,584	20,853	24,170
Current provisions	9,457	3,908	6,291	6,291	6,291	6,291
Other current liabilities	52,201	34,710	25,858	30,518	27,455	27,455
Long-term liabilities, total	178,085	161,606	237,478	137,478	62,478	62,478
Long-term debt	172,475	141,207	215,975	115,975	40,975	40,975
Deferred revenue	0	0	0	0	0	0
Other liabilities	5,610	20,399	21,503	21,503	21,503	21,503
Minority interests	5,693	33	-3,102	-1,383	336	2,055
Shareholders' equity	138,433	160,162	169,030	226,907	236,290	246,198
Share capital	54,858	71,975	76,555	76,555	76,555	76,555
Capital reserve	55,546	77,803	82,287	82,287	82,287	82,287
Other reserves	-661	-296	-724	-724	-724	-724
Treasury stock	-6,483	0	0	0	0	0
Loss carryforward / retained earnings	35,173	10,680	10,912	68,789	78,172	88,080
Total consolidated equity and debt	434,940	416,835	488,264	449,394	473,704	393,647
Ratios						
Current ratio (x)	2.52	2.80	2.78	3.50	1.81	2.69
Quick ratio (x)	1.23	1.19	1.35	2.55	1.32	1.64
Net cash	-134,051	-103,972	-165,757	26,473	14,734	10,006
Net gearing	96.8%	64.9%	98.1%	-11.7%	-6.2%	-4.1%
Book value per share (€)	2.69	2.60	2.20	2.89	3.01	3.13
Return on equity (ROE)	27.1%	-8.1%	2.1%	28.9%	5.9%	5.9%
Days of sales outstanding (DSO)	87.1	34.7	26.6	58.0	57.0	55.0
Days of inventory turnover	740.5	326.2	285.5	2,100.0	222.0	180.0
Days in payables	61.4	46.0	39.7	500.0	55.0	50.0



CASH FLOW STATEMENT

All figures in EUR '000	2013A	2014A	2015A	2016E	2017E	2018E
EBIT	45,050	2,681	9,765	92,945	27,902	29,207
Depreciation and amortisation	6,224	8,554	9,898	15,040	3,920	5,197
EBITDA	51,274	11,235	19,663	107,986	31,822	34,404
Changes in working capital	-50,713	-28,886	-74,556	22,516	-8,175	-4,111
Other adjustments	-1,548	-11,845	-47,582	-25,694	-12,207	-12,987
Operating cash flow	-987	-29,496	-102,475	104,808	11,441	17,305
CAPEX	-3,334	-4,829	-2,903	90,418	-15,525	-17,440
Investments in intangibles	0	0	0	0	0	0
Free cash flow	-4,321	-34,325	-105,378	195,226	-4,084	-135
Debt financing, net	111,202	11,137	97,715	-105,857	15,000	-95,000
Equity financing, net	-6,483	33,435	9,454	0	0	0
Other changes in cash	-59,581	-15,474	12,109	-2,996	-7,655	-4,593
Net cash flows	40,817	-5,227	13,900	86,373	3,261	-99,728
Cash, start of the year	36,586	77,402	72,175	86,075	172,448	175,709
Cash, end of the year	77,403	72,175	86,075	172,448	175,709	75,981
EBITDA/share (in €)	0.97	0.18	0.26	1.37	0.41	0.44
Y-Y Growth						
Operating cash flow	n.m.	n.m.	n.m.	n.m.	-89.1%	51.3%
Free cash flow	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
EBITDA/share	121.6%	-81.2%	40.4%	438.3%	-70.5%	8.1%

FIRST BERLIN RECOMMENDATION & PRICE TARGET HISTORY

Report No.:	Date of publication	Previous day closing price	Recommendation	Price target
Initial Report	31 March 2008	€2.38	Buy	€4.50
2...76	↓	↓	↓	↓
77	16 November 2015	€2.23	Buy	€4.00
78	19 November 2015	€2.05	Buy	€3.60
79	1 April 2016	€1.81	Buy	€3.30
80	Today	€2.20	Buy	€3.30

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First Berlin's system for asset valuation is divided into an asset recommendation and a risk assessment.

ASSET RECOMMENDATION

The recommendations determined in accordance with the share price trend anticipated by First Berlin in the respectively indicated investment period are as follows:

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BUY: An expected favourable price trend of more than 25% percent.

ADD: An expected favourable price trend of between 0% and 25%.

REDUCE: An expected negative price trend of between 0% and -15%.

SELL: An expected negative price trend of more than -15%.

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Legally required information regarding

- key sources of information in the preparation of this research report
- valuation methods and principles
- sensitivity of valuation parameters

can be accessed through the following internet link: <http://firstberlin.com/disclaimer-english-link/>

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