

PNE WIND AG

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

9M figures

RATING
BUY

PRICE TARGET
€3.00

Return Potential 50.4%
 Risk Rating High

WIND FARM PORTFOLIO SALE WILL DRIVE EARNINGS

On 9 November, PNE Wind reported 9M figures which were ahead of our forecasts. Despite the build-up of the 150 MW portfolio, which shifts earnings into Q4, PNE generated 9M EBIT of €7.2m. The portfolio itself is largely completed and the sale, which is scheduled for this year, will be the main earnings driver in 2016E. PNE reiterated its 2016 EBIT guidance of up to €100m. We maintain our Buy rating and €3.00 price target.

Strong 9M figures 9M sales amounted to €77.1m (9M/15: €80.5m, FBe €69.0m). In Q3, the sale of a 21.6 MW wind farm in France and Altenbruch Repowering Ost was a major revenue driver. PNE generated 9M EBIT of €7.2m (9M/15: €16.7m, FBe: €3.7m) despite the build-up of the 150 MW portfolio, which shifts earnings into Q4/16. Due mainly to high interest expenses of €12.5m, the net result amounted to €-2.8m (9M/15: €9.8m, FBe: €7.4m). Diluted EPS was €-0.04 (9M/15: €0.13, FBe: €-0.09). 9M/15 figures benefited from the sale of the UK project pipeline.

Balance sheet reflects wind farm portfolio build-up The balance sheet total increased to €519m, up from €488m at FY15. The main driver of this increase was higher inventories, which climbed to €178m from €121m at FY15 and reflect the portfolio build-up and additional development & construction activity. The cash position declined to €66m from €86m at FY15. Financial debt rose to €297m (FY15: €260m), of which €84m was short-term. Short- and long-term project financing amounted to €51m and €105m respectively, resulting in total project financing of €156m. The net debt position was €231m, up from €174m in FY15. Equity declined to €158m from €166m in FY15, due mainly to the net loss (€2.8m) and the dividend payment (€3.1m). The equity ratio fell to 30% from 34% in FY15.

High negative operating cash flow due to higher inventories Operating cash flow was €-50m due mainly to increased inventories (+€57m). CAPEX of €2m resulted in free cash flow of €-52m. The cash outflow was partly... (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 10 Nov 2016

Closing Price	€ 2.00
Shares outstanding	76.56m
Market Capitalisation	€ 152.73m
52-week Range	€ 1.55 / 2.35
Avg. Volume (12 Months)	105,135

Multiples	2015	2016E	2017E
P/E	42.1	2.4	11.1
EV/Sales	3.5	2.2	1.7
EV/EBIT	39.3	4.1	13.8
Div. Yield	2.0%	5.0%	3.0%

STOCK OVERVIEW



COMPANY DATA

As of 30 Sep 2016

Liquid Assets	€ 66.36m
Current Assets	€ 271.86m
Intangible Assets	€ 62.95m
Total Assets	€ 519.09m
Current Liabilities	€ 133.36m
Shareholders' Equity	€ 158.13m

SHAREHOLDERS

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



...financed by additional loans of €35m (net). The net cash flow was €-20m.

Strong onshore activity In the first nine months, projects with a total capacity of 125.4 MW (Germany: 103.8 MW) were completed, sold, or under construction. In Germany, four wind farms with a combined total output of 55.2 MW were commissioned. Further, a 33 MW wind farm is under construction and project rights for 15.6 MW were sold. In France, PNE sold a 21.6 MW wind farm to John Laing in September and a 10.3 MW wind farm is construction-ready.

In Poland, PNE plans to take part in the next tender round with a 40 MW project and has received the environmental permit for a 132 MW project. The Polish government has however not yet announced the date for the tender and we fear that—given its sceptical stance regarding wind power—it will be postponed. In the US, where PNE began initial construction activities on the 180 MW “Chilocco” wind farm, the election of Donald Trump as next president has increased uncertainty regarding the future regulatory environment.

Offshore business potentially burdened by new regulation The Offshore Wind Act (WindSeeG), which will become effective from 2017 on, will introduce an auction process for new offshore wind farms. PNE Wind has received two expert opinions from renowned constitutional lawyers, which conclude that the Act is partly unconstitutional. If the Act is implemented PNE plans to file a lawsuit to claim damages for affected projects in zone 3 and 4. Nevertheless, the company is preparing the offshore project Atlantis I for the first tender round in 2017. The project is located in zone 2 and thereby not directly affected by the legislative changes for projects in zones 3-5. Due to its location and strong wind resource, the project should be competitive in the upcoming tender round. The project size has been increased to 584 MW, as PNE plans to use larger turbines.

Electricity Generation segment generated significant EBITDA contribution 9M electricity sales amounted to €16.1m and contributed EBITDA of €9.8m to group EBITDA of €16.2m. This corresponds to an EBITDA margin of 61%.

Sale of 150 MW portfolio is the next share price driver The sale of the portfolio, which is scheduled for this year, is the basis for the EBIT guidance of up to €100m (9M EBIT: €7.2m). In the conference call, management was very confident that the deal will be concluded this year, as demand for such a large portfolio, which enjoys attractive feed-in tariffs, is certainly high.

Figure 1: PNE's own 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	commissioned	Q2 2016
Köhlen	21.3	Lower Saxony	commissioned	Q3 2016
Holzthaleben	4.8	Thuringia	commissioned	Q3 2016
Altenbruch Repowering	18.0	Lower Saxony	under construction	2016/17
Unnamed project	9.9	n.a.	not yet permitted	H1 2017 (FBe)
Sum	152.4			

Source: First Berlin Equity Research, PNE WIND AG

Buy reiterated at €3.00 price target Based on unchanged estimates, an updated DCF model still yields a €3.00 price target. We reiterate our Buy rating.

**Figure 2: Reported figures vs. forecasts**

All figures in €m	Q3-16A	Q3-16E	Delta	Q3-15	Delta	9M 2016	9M 2015	Delta
Sales	32.29	24.20	33.4%	8.52	279.0%	77.09	80.46	-4.2%
EBIT	8.62	5.14	67.8%	-7.31	-	7.18	16.70	-57.0%
<i>margin</i>	26.7%	21.2%		-85.8%		9.3%	20.8%	
Net income	5.01	0.33	1438.0%	-8.68	-	-2.76	9.77	-
<i>margin</i>	15.5%	1.3%		-101.9%		-3.6%	12.1%	
EPS (diluted) in €	0.08	0.00	-	-0.11	-	-0.04	0.13	-

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	-19,226	-18,755	-18,256	-17,729
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	-2,013	-2,053	-2,094	-2,136
Free cash flows (FCF)	210,538	3,289	7,987	18,517	14,439	14,044	14,371	13,222
PV of FCF's	208,587	3,043	6,900	14,936	10,873	9,875	9,436	8,106

All figures in thousands	
PV of FCFs in explicit period (2016E-2030E)	323,165
PV of FCFs in terminal period	145,083
Enterprise value (EV)	468,248
+ Net cash / - net debt	-231,094
+ Investments / minority interests	-4,459
Shareholder value	232,695

Fair value per share in EUR	3.00
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WACC	7.1%
Cost of equity	11.8%
Pre-tax cost of debt	7.0%
Tax rate	25.0%
After-tax cost of debt	5.3%
Share of equity capital	28.0%
Share of debt capital	72.0%
Fair value per share in EUR	3.00

		Terminal growth rate						
		0.5%	1.0%	1.5%	2.0%	2.5%	3.0%	3.5%
WACC	3.1%	8.24	9.66	11.96	16.37	28.22	166.95	-35.46
	4.1%	5.65	6.23	7.02	8.20	10.12	13.79	23.64
	5.1%	4.20	4.48	4.84	5.32	5.98	6.96	8.55
	6.1%	3.28	3.43	3.62	3.85	4.15	4.55	5.10
	7.1%	2.64	2.73	2.84	2.97	3.12	3.32	3.56
	8.1%	2.18	2.29	2.30	2.37	2.46	2.57	2.69
	9.1%	1.83	1.87	1.90	1.95	2.00	2.06	2.14
10.1%	1.56	1.58	1.60	1.63	1.67	1.70	1.74	

* 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	6,202	2,883	3,384
Total aggregate output	160,639	233,949	233,327	222,502	224,663	263,682
Cost of goods sold	71,895	170,496	154,934	64,296	138,391	176,438
Gross profit	85,521	59,850	70,686	106,304	83,389	83,860
Personnel costs	21,615	27,041	29,254	25,720	27,950	28,112
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	-26,500	-24,728
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%	62.3%	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%	15.1%	12.6%	10.8%
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%	11.9%	9.5%
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	302,621	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	226,906	236,290	246,197
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	68,788	78,172	88,079
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	466.9	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	104,807	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	195,225	-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...78	↓	↓	↓	↓
79	1 April 2016	€1.81	Buy	€3.30
80	13 May 2016	€2.20	Buy	€3.30
81	16 August 2016	€2.14	Buy	€3.00
82	Today	€2.00	Buy	€3.00

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ASSET VALUATION SYSTEM

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:

STRONG BUY: An expected favourable price trend of more than 50% combined with sizeable confidence in the quality and forecast security of management.

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%.

RISK ASSESSMENT

The First Berlin categories for risk assessment are low, average, high and speculative. They are determined by ten factors: Corporate governance, quality of earnings, management strength, balance sheet and financial risk, competitive position, standard of financial disclosure, regulatory and political uncertainty, strength of brandname, market capitalisation and free float. These risk factors are incorporated into the First Berlin valuation models and are thus included in the target prices. First Berlin customers may request the models.

INVESTMENT HORIZON

Unless otherwise stated in the financial analysis, the ratings refer to an investment period of twelve months.

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At the time of publication of this financial analysis it is not certain whether, when and on what occasion an update will be provided. In general First Berlin strives to review the financial analysis for its topicality and, if required, to update it in a very timely manner in connection with the reporting obligations of the analysed company or on the occasion of ad hoc notifications.

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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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