

# PNE WIND AG

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

Large portfolio sold

**RATING**  
**BUY**

**PRICE TARGET**  
**€3.00**

Return Potential 42.5%  
 Risk Rating High

## ALLIANZ PURCHASES 80% OF WIND FARM PORTFOLIO FOR €103M

**PNE Wind is to sell an 80% stake in its German 142.5 MW wind farm portfolio for ca. €103m to a subsidiary of Allianz Global Investors. The largest wind farm sale in the history of the company should ensure that 2016 EBIT guidance of up to €100m is reached. We reiterate our Buy rating and the €3.00 price target.**

**€103m for sale of 80% yieldco stake** The yieldco contains wind farm projects with a total of 142.5 MW, including wind farm projects under construction with a total of 6.6 MW. Furthermore, the yieldco has an option to purchase a further 9.9 MW from PNE Wind. PNE has found a reputable buyer for the yieldco stake, a subsidiary of Allianz Global Investors. The yieldco's enterprise value exceeds €330m. This suggests an EV/MW of more than €2.3m. Given that single new wind farms in Germany are usually sold at ca. €1.6-1.9m/MW PNE received the expected premium for selling a large and diversified portfolio.

**Remaining 20% of wind farm portfolio and wind farm management will generate steady cash flows** PNE Wind will retain a 20% stake in the yieldco and will be responsible for the operational management of all the yieldco wind farms. The 20% stake is equivalent to 28.5 MW of wind farm capacity. It is currently valued at cost, but will be revalued at the sales price of the portfolio resulting in a cash-neutral revaluation gain. Lifetime earnings from operation and management will amount to a double-digit Euro million figure.

**Guidance likely to be reached** Based on the €103m selling price, which looks set to be paid by the end of this year, we expect PNE to reach its 2016 EBIT guidance of up to €100m. 9M/16 EBIT amounted to €72m.

**Balance sheet benefits from asset sale and cash inflow** At the end of Q3, the yieldco portfolio accounted for €125.1m of total PP&E and... (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 Dec 2016

Closing Price	€ 2.11
Shares outstanding	76.56m
Market Capitalisation	€ 161.15m
52-week Range	€ 1.55 / 2.35
Avg. Volume (12 Months)	107,780

Multiples	2015	2016E	2017E
P/E	44.4	2.5	11.7
EV/Sales	3.6	2.3	1.8
EV/EBIT	40.2	4.2	14.1
Div. Yield	1.9%	4.8%	2.9%

### 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%



...€45.8m of total inventories. Project financing for the yieldco wind farms totalled €154.3m. With the sale of 80% of the assets, the balance sheet will look much leaner. Furthermore, we expect the inflow of €103m from the asset sale to raise the cash position significantly to €172m at the end of the year (Q3/16: €66m).

**Buy rating and price target reiterated** Based on an updated DCF model, we confirm our Buy rating and the €3.00 price target.



## 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	-24,609	-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)	210,537	3,289	7,987	18,517	14,439	14,044	14,371	13,222
PV of FCF's	209,806	3,061	6,940	15,023	10,937	9,933	9,491	8,154

All figures in thousands	
PV of FCFs in explicit period (2016E-2030E)	325,054
PV of FCFs in terminal period	145,931
Enterprise value (EV)	470,985
+ Net cash / - net debt	-231,094
+ Investments / minority interests	-4,459
Shareholder value	235,432

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%	8.27	9.69	12.00	16.42	28.30	167.39	-35.55
	4.1%	5.68	6.26	7.06	8.24	10.16	13.85	23.74
	5.1%	4.23	4.51	4.88	5.36	6.02	7.00	8.60
	6.1%	3.31	3.46	3.65	3.89	4.19	4.59	5.14
	7.1%	2.68	2.77	2.87	3.00	3.16	3.35	3.60
	8.1%	2.21	2.33	2.33	2.41	2.50	2.60	2.73
	9.1%	1.87	1.90	1.94	1.99	2.04	2.10	2.17
10.1%	1.59	1.62	1.64	1.67	1.70	1.74	1.78	

\* 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
<b>Revenues</b>	<b>144,040</b>	<b>211,268</b>	<b>109,524</b>	<b>170,600</b>	<b>221,780</b>	<b>260,298</b>
Change in inventories	13,376	19,078	116,096	45,700	0	0
Other operating income	3,223	3,603	7,707	6,202	2,883	3,384
<b>Total aggregate output</b>	<b>160,639</b>	<b>233,949</b>	<b>233,327</b>	<b>222,502</b>	<b>224,663</b>	<b>263,682</b>
Cost of goods sold	71,895	170,496	154,934	64,296	138,391	176,438
<b>Gross profit</b>	<b>85,521</b>	<b>59,850</b>	<b>70,686</b>	<b>152,004</b>	<b>83,389</b>	<b>83,860</b>
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
<b>Operating income (EBIT)</b>	<b>43,569</b>	<b>2,680</b>	<b>9,765</b>	<b>92,945</b>	<b>27,902</b>	<b>29,207</b>
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
<b>Pre-tax income (EBT)</b>	<b>34,394</b>	<b>-15,166</b>	<b>-4,959</b>	<b>74,723</b>	<b>19,619</b>	<b>20,275</b>
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
<b>Net income / loss</b>	<b>37,579</b>	<b>-12,992</b>	<b>3,474</b>	<b>65,532</b>	<b>13,977</b>	<b>14,501</b>
<b>Diluted EPS (in €)</b>	<b>0.75</b>	<b>-0.21</b>	<b>0.05</b>	<b>0.84</b>	<b>0.18</b>	<b>0.19</b>
<b>EBITDA</b>	<b>49,765</b>	<b>11,206</b>	<b>19,635</b>	<b>107,986</b>	<b>31,822</b>	<b>34,404</b>
<b>Ratios</b>						
Gross margin	59.4%	28.3%	64.5%	89.1%	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%
<b>Expenses as % of revenues</b>						
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%
<b>Y-Y Growth</b>						
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
<b>Assets</b>						
<b>Current assets, total</b>	<b>284,000</b>	<b>265,935</b>	<b>236,033</b>	<b>302,621</b>	<b>315,327</b>	<b>223,026</b>
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
<b>Non-current assets, total</b>	<b>150,940</b>	<b>150,900</b>	<b>252,231</b>	<b>146,773</b>	<b>158,377</b>	<b>170,620</b>
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
<b>Total assets</b>	<b>434,940</b>	<b>416,835</b>	<b>488,264</b>	<b>449,394</b>	<b>473,704</b>	<b>393,647</b>
<b>Shareholders' equity &amp; debt</b>						
<b>Current liabilities, total</b>	<b>112,729</b>	<b>95,034</b>	<b>84,858</b>	<b>86,392</b>	<b>174,600</b>	<b>82,916</b>
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
<b>Long-term liabilities, total</b>	<b>178,085</b>	<b>161,606</b>	<b>237,478</b>	<b>137,478</b>	<b>62,478</b>	<b>62,478</b>
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
<b>Minority interests</b>	<b>5,693</b>	<b>33</b>	<b>-3,102</b>	<b>-1,383</b>	<b>336</b>	<b>2,055</b>
<b>Shareholders' equity</b>	<b>138,433</b>	<b>160,162</b>	<b>169,030</b>	<b>226,906</b>	<b>236,290</b>	<b>246,197</b>
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
Retained earnings	35,173	10,680	10,912	68,788	78,172	88,079
<b>Total consolidated equity and debt</b>	<b>434,940</b>	<b>416,835</b>	<b>488,264</b>	<b>449,394</b>	<b>473,704</b>	<b>393,647</b>
<b>Ratios</b>						
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	384.4	55.0	50.0



## CASH FLOW STATEMENT

All figures in EUR '000	2013A	2014A	2015A	2016E	2017E	2018E
<b>EBIT</b>	<b>45,050</b>	<b>2,681</b>	<b>9,765</b>	<b>92,945</b>	<b>27,902</b>	<b>29,207</b>
Depreciation and amortisation	6,224	8,554	9,898	15,040	3,920	5,197
<b>EBITDA</b>	<b>51,274</b>	<b>11,235</b>	<b>19,663</b>	<b>107,986</b>	<b>31,822</b>	<b>34,404</b>
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
<b>Operating cash flow</b>	<b>-987</b>	<b>-29,496</b>	<b>-102,475</b>	<b>104,807</b>	<b>11,441</b>	<b>17,305</b>
CAPEX	-3,334	-4,829	-2,903	90,418	-15,525	-17,440
Investments in intangibles	0	0	0	0	0	0
<b>Free cash flow</b>	<b>-4,321</b>	<b>-34,325</b>	<b>-105,378</b>	<b>195,225</b>	<b>-4,084</b>	<b>-135</b>
<b>Debt financing, net</b>	<b>111,202</b>	<b>11,137</b>	<b>97,715</b>	<b>-105,857</b>	<b>15,000</b>	<b>-95,000</b>
<b>Equity financing, net</b>	<b>-6,483</b>	<b>33,435</b>	<b>9,454</b>	<b>0</b>	<b>0</b>	<b>0</b>
Other changes in cash	-59,581	-15,474	12,109	-2,996	-7,655	-4,593
<b>Net cash flows</b>	<b>40,817</b>	<b>-5,227</b>	<b>13,900</b>	<b>86,373</b>	<b>3,261</b>	<b>-99,728</b>
Cash, start of the year	36,586	77,402	72,175	86,075	172,448	175,709
<b>Cash, end of the year</b>	<b>77,403</b>	<b>72,175</b>	<b>86,075</b>	<b>172,448</b>	<b>175,709</b>	<b>75,981</b>
<b>EBITDA/share (in €)</b>	<b>0.97</b>	<b>0.18</b>	<b>0.26</b>	<b>1.37</b>	<b>0.41</b>	<b>0.44</b>
<b>Y-Y Growth</b>						
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...79	↓	↓	↓	↓
80	13 May 2016	€2.20	Buy	€3.30
81	16 August 2016	€2.14	Buy	€3.00
82	11 November 2016	€2.00	Buy	€3.00
83	Today	€2.11	Buy	€3.00

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**PRICE TARGET DATES**

Unless otherwise indicated, current prices refer to the closing prices of the previous trading day.

**AGREEMENT WITH THE ANALYSED COMPANY AND MAINTENANCE OF OBJECTIVITY**

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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%.

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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/>

**SUPERVISORY AUTHORITY:** Bundesanstalt für Finanzdienstleistungsaufsicht (German Federal Financial Supervisory Authority) [BaFin], Graurheindorferstraße 108, 53117 Bonn and Lurgiallee 12, 60439 Frankfurt

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