

PNE WIND AG

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

Good start to
 the new year

RATING
PRICE TARGET **BUY**
 Return Potential **€3.00**
 Risk Rating 43.8%
 High

OFFSHORE PROJECT ATLANTIS I SOLD

PNE Wind has sold its offshore wind project Atlantis I to Vattenfall for a lower double digit million Euro amount. PNE will participate in further value-add of the project through milestone payments. In addition, the company will act as service provider for the offshore wind farm and receive service fees. Given the more challenging regulatory environment (tender), we believe that the timing of the sale is excellent. Partnering with a large utility will increase the likelihood of a successful tender process. The exact price (purchase price + milestone payments + service fees) is critically dependent on the tender result. Apart from the Atlantis deal, PNE was successful in another offshore project. It received planning permission for Gode Wind 3. We reiterate our Buy rating and the €300 price target.

Atlantis I is an attractive offshore wind project Atlantis I comprises 73 sites on each of which 8 MW turbines can be installed. The total nominal capacity thus amounts to 584 MW. The project is situated in zone 2 and thus belongs to the inner zone projects which receive full regulatory support from the German Federal Maritime Agency (Bundesamt für Seeschifffahrt und Hydrographie BSH) as the German government sees these projects as vital to reach the total offshore capacity targeted for 2020 (6.5 GW) and 2030 (15 GW).

Strong partner for the tender Vattenfall, a large Swedish utility, is already an experienced offshore wind player. Following the purchase of Atlantis I, Vattenfall now has three projects (Atlantis I, Global Tech II, Sandbank Plus) that fulfil the criteria of the German wind sea law (WindSeeG) to participate in the tender, which starts in April 2017. Vattenfall's strong balance sheet, its extensive tendering experience, and its portfolio of three projects mean that the company is very well positioned ahead of the tender. In Denmark, the company was awarded ca. 1,350 MW offshore wind farm projects in the last three tenders including the 600 MW Kriegers Flak project for a record-low price of 4.99 €/kWh in November 2016.

(p.t.o.)

FINANCIAL HISTORY & PROJECTIONS

	2013	2014	2015	2016E	2017E	2018E
Revenue (€m)	144.04	211.27	109.52	175.60	216.78	260.30
Y-o-y growth	70.7%	46.7%	-48.2%	60.3%	23.5%	20.1%
EBIT (€m)	43.57	2.68	9.77	97.95	22.90	29.21
EBIT margin	30.2%	1.3%	8.9%	55.8%	10.6%	11.2%
Net income (€m)	37.58	-12.99	3.47	70.05	9.96	14.50
EPS (diluted) (€)	0.75	-0.21	0.05	0.89	0.13	0.19
DPS (€)	0.15	0.04	0.04	0.10	0.06	0.06
FCF (€m)	-4.32	-34.33	-105.38	197.93	-6.50	-0.97
Net gearing	96.8%	64.9%	98.1%	-12.6%	-6.3%	-3.8%
Liquid assets (€m)	77.40	72.18	86.08	175.15	175.99	75.43

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 18 Jan 2017

Closing Price	€ 2.09
Shares outstanding	76.56m
Market Capitalisation	€ 159.70m
52-week Range	€ 1.55 / 2.35
Avg. Volume (12 Months)	115,027

Multiples	2015	2016E	2017E
P/E	44.0	2.3	16.2
EV/Sales	3.6	2.2	1.8
EV/EBIT	40.0	4.0	17.1
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%



Selling price with upside The purchase price for Atlantis I is a lower double digit million Euro amount. Given the book value (€22.8m according to the 9M report) this sounds relatively low. However, in contrast to former projects, Atlantis I has to clear a new and important hurdle, the tender process. With the sale, PNE has significantly derisked its balance sheet. If the project is successful in the tendering process, we believe that PNE will benefit from milestone payments, which, in total, could be higher than the selling price.

Offshore project Gode Wind 3 received planning permission from BSH – next milestone payment due In December 2016, the German Federal Maritime and Hydrographic Agency (BSH) has granted planning permission for the Gode Wind 3 project, which is located in the North Sea within the Exclusive Economic Zone (EEZ). PNE planned and developed this project and sold it together with the other wind farms of the Gode Wind family to DONG Energy in 2012. After receiving planning permission PNE was able to finalise the sale of the project and achieve a further significant milestone in its offshore activities. As planning permission was granted in December 2016, the milestone payment (FBe: ca. €5m) will be booked in FY 2016.

Estimates adjusted for Gode Wind milestone While we expected the sale of Atlantis I in 2017, planning permission for Gode Wind 3 in December 2016 came earlier than we anticipated. We have therefore increased our 2016E forecast and lowered our 2017E estimates.

Apart from Atlantis I, PNE looks set to receive further milestone payments for Borkum Riffgrund II and the Gode Wind projects. The Borkum Riffgrund II milestone (€4.1m) will become due when the wind farm is put into operation (FBe: 2019). After the milestone for the Gode Wind 3 permission, further milestone payments for the Gode Wind projects total ca. €20m. A further milestone will be DONG's final investment decision on Gode Wind 4.

Germany will remain an important earnings driver of the onshore business. At the end of 2016, PNE had 66.5 MW project permits on hand. These projects can be built in 2017 without any tender participation. In France, PNE had permits for 10 MW on hand and looks set to construct and commission the Sommette-Eaucourt wind farm (21.6 MW) in Northern France. In Poland, we expect a 150 MW tender for wind in 2017. PNE's subsidiary WKN has developed 42 MW which are scheduled to be included in this tender. Given the political and economic instability in Turkey we remain cautious regarding the business development there despite growing power demand, very good wind resources and the government's aim to increase total wind capacity to 10 GW by 2019 from ca. 4.7 GW today.

Apart from the project business, PNE will generate earnings from servicing onshore and offshore wind farms with a total capacity of more than 1,400 MW and from the 20% stake in the 142.5 MW portfolio sold to Allianz.

Buy rating reiterated at unchanged price target An updated DCF model still yields a €3.00 price target. We confirm our Buy rating.

Figure 1: Revision to forecasts

All figures in €m	2016E			2017E			2018E		
	Old	New	Delta	Old	New	Delta	Old	New	Delta
Sales	170.60	175.60	2.9%	221.78	216.78	-2.3%	260.30	260.30	0.0%
EBIT	92.95	97.95	5.4%	27.90	22.90	-17.9%	29.21	29.21	0.0%
margin	54.5%	55.8%		12.6%	10.6%		11.2%	11.2%	
Net income	65.54	70.05	6.9%	13.98	9.96	-28.7%	14.50	14.50	0.0%
margin	38.4%	39.9%		6.3%	4.6%		5.6%	5.6%	
EPS (diluted) in €	0.84	0.89	6.9%	0.18	0.13	-28.3%	0.19	0.19	0.0%

Source: First Berlin Equity Research



VALUATION MODEL

DCF valuation model								
All figures in EUR '000								
	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E
Net sales	175,600	216,780	260,298	265,504	270,814	276,230	281,755	287,390
NOPLAT	89,971	19,980	25,152	25,656	25,935	24,148	23,209	20,902
+ depreciation & amortisation	15,040	4,032	5,197	6,659	7,751	8,670	9,435	10,064
Net operating cash flow	105,011	24,013	30,349	32,316	33,686	32,818	32,644	30,966
- total investments (CAPEX, WC, other)	108,211	-23,130	-23,193	-13,775	-19,226	-18,755	-18,256	-17,729
Capital expenditures	89,400	-15,671	-17,440	-16,992	-16,618	-16,222	-15,804	-15,362
Working capital	21,722	-6,549	-4,943	3,922	-2,013	-2,053	-2,094	-2,136
Free cash flows (FCF)	213,223	883	7,156	18,540	14,460	14,063	14,388	13,237
PV of FCF's	213,223	828	6,262	15,150	11,031	10,018	9,571	8,222

All figures in thousands	
PV of FCFs in explicit period (2016E-2030E)	326,419
PV of FCFs in terminal period	147,035
Enterprise value (EV)	473,454
+ Net cash / - net debt	-231,094
+ Investments / minority interests	-4,459
Shareholder value	237,901

Fair value per share in EUR	3.00
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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%	3.1%	8.30	9.72	12.04	16.48	28.41	168.13	-35.73
Pre-tax cost of debt	7.0%	4.1%	5.70	6.28	7.09	8.28	10.22	13.92	23.88
Tax rate	25.0%	5.1%	4.26	4.54	4.91	5.39	6.06	7.05	8.66
After-tax cost of debt	5.3%	6.1%	3.34	3.49	3.68	3.92	4.22	4.63	5.18
Share of equity capital	28.0%	7.1%	2.70	2.79	2.90	3.03	3.19	3.39	3.64
Share of debt capital	72.0%	8.1%	2.24	2.36	2.37	2.44	2.53	2.64	2.77
		9.1%	1.90	1.93	1.97	2.02	2.07	2.13	2.21
Fair value per share in EUR	3.00	10.1%	1.62	1.65	1.67	1.70	1.74	1.77	1.82

* 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	175,600	216,780	260,298
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
Total aggregate output	160,639	233,949	233,327	227,502	219,663	263,682
Cost of goods sold	71,895	170,496	154,934	64,296	138,280	176,438
Gross profit	85,521	59,850	70,686	157,004	78,500	83,860
Personnel costs	21,615	27,041	29,254	25,720	27,950	28,112
Other operating expenses (-)	-17,364	-25,206	-29,504	-24,500	-26,500	-24,728
EBITDA	49,765	11,206	19,635	112,986	26,933	34,404
Depreciation and amortisation	6,196	8,526	9,870	15,040	4,032	5,197
Operating income (EBIT)	43,569	2,680	9,765	97,945	22,901	29,207
Interest Expense	-10,617	-14,934	-16,381	-18,887	-10,948	-12,073
Interest Income	1,283	2,422	1,743	685	650	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	79,743	14,603	20,275
Income taxes	2,600	-3,131	3,570	-7,974	-2,921	-4,055
Minority interests	585	5,305	4,863	-1,719	-1,719	-1,719
Net income / loss	37,579	-12,992	3,474	70,049	9,964	14,501
Diluted EPS (in €)	0.75	-0.21	0.05	0.89	0.13	0.19
Ratios						
Gross margin	59.4%	28.3%	64.5%	89.4%	36.2%	32.2%
EBITDA margin on revenues	34.5%	5.3%	17.9%	64.3%	12.4%	13.2%
EBIT margin on revenues	30.2%	1.3%	8.9%	55.8%	10.6%	11.2%
Net margin on revenues	26.1%	-6.1%	3.2%	39.9%	4.6%	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%	14.6%	12.9%	10.8%
Depreciation and amortisation	4.3%	4.0%	9.0%	8.6%	1.9%	2.0%
Other operating expenses	12.1%	11.9%	26.9%	14.0%	12.2%	9.5%
Y-Y Growth						
Revenues	70.7%	46.7%	-48.2%	60.3%	23.5%	20.1%
Operating income	113.1%	-93.8%	264.4%	903.0%	-76.6%	27.5%
Net income/ loss	121.4%	n.m.	n.m.	1916.4%	-85.8%	45.5%



BALANCE SHEET

All figures in EUR '000	2013A	2014A	2015A	2016E	2017E	2018E
Assets						
Current assets, total	284,000	265,935	236,033	306,121	314,762	222,478
Cash and cash equivalents	77,402	72,175	86,075	175,152	175,992	75,433
Short-term investments	0	0	0	0	0	0
Receivables	34,371	20,098	7,969	27,904	33,853	39,223
Inventories	145,860	152,389	121,177	82,253	84,104	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	147,791	159,430	171,673
Property, plant & equipment	76,089	73,655	167,347	36,657	48,296	60,539
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	453,911	474,192	394,151
Shareholders' equity & debt						
Current liabilities, total	112,729	95,034	84,858	86,392	174,583	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	20,837	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	231,424	236,794	246,702
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	73,306	78,676	88,584
Total consolidated equity and debt	434,940	416,835	488,264	453,911	474,192	394,151
Ratios						
Current ratio (x)	2.52	2.80	2.78	3.54	1.80	2.68
Quick ratio (x)	1.23	1.19	1.35	2.59	1.32	1.63
Net cash	-134,051	-103,972	-165,757	29,177	15,017	9,458
Net gearing	96.8%	64.9%	98.1%	-12.6%	-6.3%	-3.8%
Book value per share (€)	2.69	2.60	2.20	2.95	3.01	3.14
Return on equity (ROE)	27.1%	-8.1%	2.1%	30.3%	4.2%	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
EBIT	45,050	2,681	9,765	97,945	22,901	29,207
Depreciation and amortisation	6,224	8,554	9,898	15,040	4,032	5,197
EBITDA	51,274	11,235	19,663	112,986	26,933	34,404
Changes in working capital	-50,713	-28,886	-74,556	21,722	-6,549	-4,943
Other adjustments	-1,548	-11,845	-47,582	-26,177	-11,218	-12,987
Operating cash flow	-987	-29,496	-102,475	108,530	9,166	16,474
Investments in PP&E	-3,334	-4,829	-2,903	89,400	-15,671	-17,440
Investments in intangibles	0	0	0	0	0	0
Free cash flow	-4,321	-34,325	-105,378	197,930	-6,505	-966
Acquisitions & disposals, net	-57,990	-81	23,258	0	0	0
Other investments	0	0	-255	0	0	0
Cash flow from investing	-61,324	-4,910	20,100	89,400	-15,671	-17,440
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
Dividends paid	-4,166	-8,229	-3,062	-2,996	-7,655	-4,593
Other financing	-5,000	-2,302	-2,221	0	0	0
Cash flow from financing	95,553	34,041	101,886	-108,853	7,345	-99,593
Forex and other changes in cash	7,574	-4,862	-5,611	0	0	0
Net cash flows	40,817	-5,227	13,900	89,077	840	-100,559
Cash, start of the year	36,586	77,402	72,175	86,075	175,152	175,992
Cash, end of the year	77,403	72,175	86,075	175,152	175,992	75,433
EBITDA/share (in €)	0.97	0.18	0.26	1.44	0.34	0.44
Operating cashflow/share (in €)	-0.02	-0.48	-1.33	1.38	0.12	0.21

Y-Y Growth

Operating cash flow	n.m.	n.m.	n.m.	n.m.	-91.6%	79.7%
Free cash flow	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
EBITDA/share	121.6%	-81.2%	40.4%	463.3%	-76.2%	27.7%

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...80	↓	↓	↓	↓
81	16 August 2016	€2.14	Buy	€3.00
82	11 November 2016	€2.00	Buy	€3.00
83	13 December 2016	€2.11	Buy	€3.00
84	Today	€2.09	Buy	€3.00

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The present financial analysis is based on the author's own knowledge and research. The author prepared this study without any direct or indirect influence exerted on the part of the analysed company. Parts of the financial analysis were possibly provided to the analysed company prior to publication in order to avoid inaccuracies in the representation of facts. However, no substantial changes were made at the request of the analysed company following any such provision.

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.

UPDATES

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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