

# PNE WIND AG

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

Q1 figures

**RATING**  
**PRICE TARGET**  
 Return Potential  
 Risk Rating

**BUY**  
**€ 3.40**  
 27.7%  
 High

## SUCCESSSES IN THE OFFSHORE BUSINESS

On 10 May, PNE Wind reported Q1 figures and held a conference call. A slightly positive EBIT (€0.3m) topped our forecast, and EPS of €0.02 met our estimate. Onshore, 91 MW were under construction in Germany and France. In January, PNE sold the Atlantis I offshore project to Vattenfall. Gode Wind 3, the offshore project PNE sold to DONG Energy in 2016, was awarded in the first German offshore tender in April. PNE reiterated its 2017 EBIT guidance of €0-15m. We confirm our Buy rating and €3.40 price target.

**Positive EBIT in Q1** Revenues increased 71% to €20.4m and were driven by profit from the sale of the shares in PNE WIND Atlantis I GmbH to Vattenfall totalling €3.3m and profit of €1.3m from the associated deconsolidation. EBIT was slightly positive at €0.3m (FBe: €-0.3m, Q1/16: €0.2m). Personnel and other operating costs were both significantly lower y/y, and in line with the company's cost reduction plan. Personnel expenses fell to €6.3m from €7.1m (-11%), and other operating expenses to €4.3m from €5.3m (-19%). The net result amounted to €-2.0m (FBe: €-1.4m, Q1/16: €3.7m). We trace the significant improvement compared to the previous year's figure to lower interest payments (€2.6m vs. €4.0m). Diluted EPS of €-0.02 met our forecast (see figure 1 overleaf).

**Guidance reiterated** PNE maintained its 2017 guidance (EBIT €0-15m). Given the positive Q1 EBIT, the company is well on track to reach this guidance.

**Balance sheet metrics remain very strong** Equity fell slightly to €227m from €229m at the end of 2016. But due to a lower balance sheet total (€412m vs. €432m), the equity ratio increased to 55% from 53%. Lower short-term debt (€3m vs. €11m) resulted in financial debt declining from €128m at the end of 2016 to €120m. As the cash position remained stable at €148m, the net cash position increased to €27m (end 2016: €20m).

(p.t.o.)

## FINANCIAL HISTORY & PROJECTIONS

	2014	2015	2016	2017E	2018E	2019E
Revenue (€m)	211.27	109.52	248.58	170.40	180.62	198.69
Y-o-y growth	46.7%	-48.2%	127.0%	-31.4%	6.0%	10.0%
EBIT (€m)	2.68	9.77	97.04	7.48	16.64	18.78
EBIT margin	1.3%	8.9%	39.0%	4.4%	9.2%	9.5%
Net income (€m)	-12.99	3.47	68.97	3.05	9.43	9.03
EPS (diluted) (€)	-0.21	0.05	0.88	0.04	0.12	0.11
DPS (€)	0.04	0.04	0.12	0.04	0.04	0.04
FCF (€m)	-34.33	-105.38	-44.27	-58.25	-55.43	-99.23
Net gearing	64.9%	98.1%	-12.6%	16.1%	39.9%	80.4%
Liquid assets (€m)	72.18	86.08	147.69	88.09	64.59	67.30

## 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 09 May 2017

Closing Price	€ 2.66
Shares outstanding	76.56m
Market Capitalisation	€ 203.79m
52-week Range	€ 1.97 / 2.82
Avg. Volume (12 Months)	176,543

Multiples	2016	2017E	2018E
P/E	3.0	64.9	21.8
EV/Sales	0.7	1.1	1.0
EV/EBIT	1.9	24.6	11.0
Div. Yield	4.5%	1.5%	1.5%

## STOCK OVERVIEW



## COMPANY DATA

As of 30 Mar 2017

Liquid Assets	€ 146.79m
Current Assets	€ 269.20m
Intangible Assets	€ 67.28m
Total Assets	€ 411.94m
Current Liabilities	€ 63.22m
Shareholders' Equity	€ 226.78m

## SHAREHOLDERS

Internat. Kapitalanlageges. mbH	9.9%
Active Ownership Fund SCS	5.1%
LRI Invest S.A.	3.6%
Axxion S.A.	3.2%
Free Float	78.3%



Inventory fell from €113m to €93m due mainly to the deconsolidation of Atlantis I (book value at the end of 2016: €21.9m). Whereas receivables and other assets remained largely stable (€30m vs. €29m at 31/12/2016), payables fell to €11m from €16m. Working capital thus declined by €14m from €126m to €112m.

**Figure 1: Reported figures versus forecasts**

All figures in €m	Q1-17A	Q1-17E	Delta	Q1-16	Delta
Sales	20.42	28.00	-27.1%	11.94	71.1%
EBIT	0.33	-0.25	-	0.22	51.4%
margin	1.6%	-0.9%	-	1.8%	-
Net income	-1.99	-1.36	-	-3.67	-
margin	-9.7%	-4.9%	-	-30.7%	-
EPS (diluted) in €	-0.02	-0.02	-	-0.05	-

Source: First Berlin Equity Research, PNE WIND AG

**Positive operating cash flow** Despite the negative net result of €2.0m, operating cash flow was positive at €4.5m. We trace this to the lower working capital requirement. Cash flow from investing activities amounted to €-5.0m due mainly to investments in consolidated units (€-7.5m). Cash flow from financing activities was minor (€-0.4m) resulting in net cash flow of €-0.9m.

**Strong operating activity in the onshore business** Onshore, 91 MW are under construction in Germany (59 MW) and France (32 MW). The wind farms are scheduled to be completed and put into operation in the current fiscal year. A large wind farm (13 turbines with a total capacity of 43.2 MW) in Lower Saxony is included among the German projects. In May, the PNE subsidiary WKN sold a wind farm project (9.9 MW) in Thuringia, which is currently under construction, to an investor. Furthermore, PNE sold project rights for 14.1 MW, and took over project rights for 8 MW by project partners.

**Successes in the offshore business** In January, PNE sold the Atlantis I offshore project (584 MW) for a lower double digit million Euro amount to Vattenfall. Furthermore, DONG Energy was successful with three projects in the first German offshore tender in April 2017. This included the Gode Wind 3 project (110 MW), which was awarded based on a bid price of €60 per MWh. This project was developed by PNE, which received the planning permission in December 2016 finalising the already negotiated sale of the project to DONG Energy. The Atlantis I project, however, was not successful in the tender. As the next tender round will be in April 2018, we do not expect the next milestone payment for the project before that date. With five offshore planning permissions to date, PNE is one of the most successful offshore developers in Germany. Three projects (Borkum Riffgrund I, and Gode Wind 1 & 2) with a total capacity of almost 900 MW are already in operation. PNE looks set to receive up to €24m in further milestone payments for the offshore projects Borkum Riffgrund II and Gode Wind 3 & 4. In addition, we expect milestone payments for Atlantis I if the project is successful in a future tender.

**Rating agency upgraded PNE's rating** In April, Creditreform upgraded the corporate rating of PNE from BB- to BB, reflecting the company's successful operational and financial development.

**Buy rating reiterated at unchanged price target** Based on unchanged forecasts we reiterate our Buy rating and the €3.40 price target.



## VALUATION MODEL

DCF valuation model								
All figures in EUR '000								
	2017E	2018E	2019E	2020E	2021E	2022E	2023E	2024E
Net sales	170,400	180,624	198,686	288,095	201,667	205,700	209,814	214,010
NOPLAT	7,185	14,754	16,940	94,036	14,748	13,928	13,134	13,100
+ depreciation & amortisation	3,727	8,566	13,371	19,282	5,845	6,384	6,851	7,252
Net operating cash flow	10,912	23,319	30,311	113,317	20,594	20,312	19,985	20,352
- total investments (CAPEX, WC, other)	-64,044	-72,351	-120,446	187,831	13,691	-11,468	-11,004	-10,513
Capital expenditures	-71,568	-68,637	-103,317	172,857	-11,825	-11,575	-11,311	-11,031
Working capital	8,434	-2,904	-16,424	15,568	23,995	-1,635	-1,668	-1,702
Free cash flows (FCF)	-53,132	-49,032	-90,135	301,148	34,284	8,844	8,981	9,839
PV of FCF's	-50,843	-43,812	-75,205	234,579	24,937	6,006	5,696	5,825

All figures in thousands	
PV of FCFs in explicit period (2017E-2031E)	149,215
PV of FCFs in terminal period	104,609
Enterprise value (EV)	253,823
+ Net cash / - net debt	20,063
+ Investments / minority interests	-5,393
Shareholder value	268,493

Fair value per share in EUR	3.40
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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	3.40

	Terminal growth rate						
	0.5%	1.0%	1.5%	2.0%	2.5%	3.0%	3.5%
4.1%	5.84	6.12	6.68	7.51	8.86	11.44	18.38
5.1%	4.66	4.73	4.97	5.30	5.76	6.43	7.52
6.1%	3.88	3.86	3.99	4.14	4.34	4.61	4.97
7.1%	3.32	3.26	3.33	3.42	3.52	3.64	3.80
8.1%	2.89	2.89	2.86	2.91	2.97	3.03	3.11
9.1%	2.55	2.48	2.51	2.53	2.57	2.60	2.65
10.1%	2.28	2.21	2.22	2.24	2.26	2.28	2.30

\* for layout purposes the model shows numbers only to 2024, but runs until 2031



## INCOME STATEMENT

All figures in EUR '000	2014A	2015A	2016A	2017E	2018E	2019E
<b>Revenues</b>	<b>211,268</b>	<b>109,524</b>	<b>248,577</b>	<b>170,400</b>	<b>180,624</b>	<b>198,686</b>
Change in inventories	19,078	116,096	1,591	0	0	0
Other operating income	3,603	7,707	9,075	5,112	5,419	5,961
<b>Total aggregate output</b>	<b>233,949</b>	<b>233,327</b>	<b>259,244</b>	<b>175,512</b>	<b>186,043</b>	<b>204,647</b>
Cost of goods sold	170,496	154,934	96,951	110,760	106,568	117,225
<b>Gross profit</b>	<b>59,850</b>	<b>70,686</b>	<b>153,218</b>	<b>59,640</b>	<b>74,056</b>	<b>81,461</b>
Personnel costs	27,041	29,254	25,423	26,550	26,870	27,270
Other operating expenses (-)	-25,206	-29,504	-26,946	-27,000	-27,400	-28,000
<b>EBITDA</b>	<b>11,206</b>	<b>19,635</b>	<b>109,924</b>	<b>11,202</b>	<b>25,205</b>	<b>32,152</b>
Depreciation and amortisation	8,526	9,870	12,884	3,727	8,566	13,371
<b>Operating income (EBIT)</b>	<b>2,680</b>	<b>9,765</b>	<b>97,040</b>	<b>7,475</b>	<b>16,639</b>	<b>18,781</b>
Interest Expense	-14,934	-16,381	-17,331	-8,536	-10,035	-12,802
Interest Income	2,422	1,743	1,111	511	722	795
Income from participations & ass. companies	-5,334	-86	736	2,000	2,100	2,205
<b>Pre-tax income (EBT)</b>	<b>-15,166</b>	<b>-4,959</b>	<b>81,556</b>	<b>1,450</b>	<b>9,426</b>	<b>8,979</b>
Income taxes	-3,131	3,570	-14,476	-290	-1,885	-1,841
Minority interests	5,305	4,863	1,893	1,893	1,893	1,893
<b>Net income / loss</b>	<b>-12,992</b>	<b>3,474</b>	<b>68,973</b>	<b>3,053</b>	<b>9,434</b>	<b>9,031</b>
<b>Diluted EPS (in €)</b>	<b>-0.21</b>	<b>0.05</b>	<b>0.88</b>	<b>0.04</b>	<b>0.12</b>	<b>0.11</b>
<b>Ratios</b>						
Gross margin	28.3%	64.5%	61.6%	35.0%	41.0%	41.0%
EBITDA margin on revenues	5.3%	17.9%	44.2%	6.6%	14.0%	16.2%
EBIT margin on revenues	1.3%	8.9%	39.0%	4.4%	9.2%	9.5%
Net margin on revenues	-6.1%	3.2%	27.7%	1.8%	5.2%	4.5%
Tax rate	-20.6%	72.0%	17.7%	20.0%	20.0%	20.5%
<b>Expenses as % of revenues</b>						
Personnel costs	12.8%	26.7%	10.2%	15.6%	14.9%	13.7%
Depreciation and amortisation	4.0%	9.0%	5.2%	2.2%	4.7%	6.7%
Other operating expenses	11.9%	26.9%	10.8%	15.8%	15.2%	14.1%
<b>Y-Y Growth</b>						
Revenues	46.7%	-48.2%	127.0%	-31.4%	6.0%	10.0%
Operating income	-93.8%	264.4%	893.7%	-92.3%	122.6%	12.9%
Net income/ loss	n.m.	n.m.	1885.4%	-95.6%	209.0%	-4.3%



## BALANCE SHEET

All figures in EUR '000	2014A	2015A	2016A	2017E	2018E	2019E
<b>Assets</b>						
<b>Current assets, total</b>	<b>265,935</b>	<b>236,033</b>	<b>289,776</b>	<b>224,261</b>	<b>202,979</b>	<b>223,861</b>
Cash and cash equivalents	72,175	86,075	147,686	88,090	64,593	67,299
Short-term investments	0	0	0	0	0	0
Receivables	20,098	7,969	13,187	14,005	17,320	21,774
Inventories	152,389	121,177	112,946	106,208	105,108	118,831
Other current assets	20,075	19,332	15,203	15,203	15,203	15,203
<b>Non-current assets, total</b>	<b>150,900</b>	<b>252,231</b>	<b>142,218</b>	<b>210,059</b>	<b>270,131</b>	<b>360,076</b>
Property, plant & equipment	73,655	167,347	39,230	107,071	167,143	257,088
Goodwill & other intangibles	63,926	63,105	67,400	67,400	67,400	67,400
Long-term investments / ass. companies	0	0	0	0	0	0
Other assets	13,319	21,779	35,588	35,588	35,588	35,588
<b>Total assets</b>	<b>416,835</b>	<b>488,264</b>	<b>431,994</b>	<b>434,320</b>	<b>473,109</b>	<b>583,937</b>
<b>Shareholders' equity &amp; debt</b>						
<b>Current liabilities, total</b>	<b>95,034</b>	<b>84,858</b>	<b>73,922</b>	<b>78,149</b>	<b>82,460</b>	<b>205,370</b>
Short-term debt	34,940	35,857	2,163	10,000	15,000	136,158
Accounts payable	21,476	16,852	15,692	18,207	17,518	19,270
Current provisions	3,908	6,291	3,968	3,968	3,968	3,968
Other current liabilities	34,710	25,858	52,099	45,974	45,974	45,974
<b>Long-term liabilities, total</b>	<b>161,606</b>	<b>237,478</b>	<b>128,685</b>	<b>128,685</b>	<b>158,685</b>	<b>142,527</b>
Long-term debt	141,207	215,975	115,860	115,860	145,860	129,702
Deferred revenue	0	0	0	0	0	0
Other liabilities	20,399	21,503	12,825	12,825	12,825	12,825
<b>Minority interests</b>	<b>33</b>	<b>-3,102</b>	<b>-5,393</b>	<b>-7,286</b>	<b>-9,179</b>	<b>-11,072</b>
<b>Shareholders' equity</b>	<b>160,162</b>	<b>169,030</b>	<b>234,781</b>	<b>234,772</b>	<b>241,144</b>	<b>247,112</b>
Share capital	71,975	76,555	76,556	76,556	76,556	76,556
Capital reserve	77,803	82,287	82,288	82,288	82,288	82,288
Other reserves	-296	-724	-997	-997	-997	-997
Treasury stock	0	0	0	0	0	0
Retained earnings	10,680	10,912	76,934	76,925	83,297	89,266
<b>Total consolidated equity and debt</b>	<b>416,835</b>	<b>488,264</b>	<b>431,994</b>	<b>434,320</b>	<b>473,109</b>	<b>583,937</b>
<b>Ratios</b>						
Current ratio (x)	2.80	2.78	3.92	2.87	2.46	1.09
Quick ratio (x)	1.19	1.35	2.39	1.51	1.19	0.51
Net cash	-103,972	-165,757	29,663	-37,770	-96,267	-198,561
Net gearing	64.9%	98.1%	-12.6%	16.1%	39.9%	80.4%
Book value per share (€)	2.60	2.20	2.99	2.99	3.07	3.14
Tangible book value per share (€)	1.62	1.41	2.18	2.18	2.26	2.34
Equity ratio (incl. minorities)	38.4%	34.0%	53.1%	52.4%	49.0%	40.4%
Return on equity (ROE)	-8.1%	2.1%	29.4%	1.3%	3.9%	3.7%
Days of sales outstanding (DSO)	34.7	26.6	19.4	30.0	35.0	40.0
Days of inventory turnover	326.2	285.5	425.2	350.0	360.0	370.0
Days in payables	46.0	39.7	59.1	60.0	60.0	60.0



## CASH FLOW STATEMENT

All figures in EUR '000	2014A	2015A	2016A	2017E	2018E	2019E
<b>EBIT</b>	<b>2,681</b>	<b>9,765</b>	<b>97,040</b>	<b>7,475</b>	<b>16,639</b>	<b>18,781</b>
Depreciation and amortisation	8,554	9,898	12,884	3,727	8,566	13,371
<b>EBITDA</b>	<b>11,235</b>	<b>19,663</b>	<b>109,924</b>	<b>11,202</b>	<b>25,205</b>	<b>32,152</b>
Changes in working capital	-28,886	-74,556	58,583	8,434	-2,904	-16,424
Other adjustments	-11,845	-47,582	-104,081	-6,315	-9,098	-11,642
<b>Operating cash flow</b>	<b>-29,496</b>	<b>-102,475</b>	<b>64,426</b>	<b>13,322</b>	<b>13,203</b>	<b>4,085</b>
Investments in PP&E	-4,829	-2,903	-108,699	-71,568	-68,637	-103,317
Investments in intangibles	0	0	0	0	0	0
<b>Free cash flow</b>	<b>-34,325</b>	<b>-105,378</b>	<b>-44,273</b>	<b>-58,246</b>	<b>-55,434</b>	<b>-99,232</b>
Acquisitions & disposals, net	-81	23,258	106,876	0	0	0
Other investments	0	-255	-418	0	0	0
<b>Cash flow from investing</b>	<b>-4,910</b>	<b>20,100</b>	<b>-2,241</b>	<b>-71,568</b>	<b>-68,637</b>	<b>-103,317</b>
Debt financing, net	11,137	97,715	23,171	7,837	35,000	105,000
Equity financing, net	33,435	9,454	0	0	0	0
Dividends paid	-8,229	-3,062	-3,062	-9,187	-3,062	-3,062
Other financing	-2,302	-2,221	0	0	0	0
<b>Cash flow from financing</b>	<b>34,041</b>	<b>101,886</b>	<b>20,109</b>	<b>-1,350</b>	<b>31,938</b>	<b>101,938</b>
Forex and other changes in cash	-4,862	-5,611	-20,684	0	0	0
<b>Net cash flows</b>	<b>-5,227</b>	<b>13,900</b>	<b>61,609</b>	<b>-59,596</b>	<b>-23,497</b>	<b>2,706</b>
Cash, start of the year	77,402	72,175	86,076	147,686	88,090	64,593
<b>Cash, end of the year</b>	<b>72,175</b>	<b>86,075</b>	<b>147,686</b>	<b>88,090</b>	<b>64,593</b>	<b>67,299</b>
<b>EBITDA/share (in €)</b>	<b>0.18</b>	<b>0.26</b>	<b>1.40</b>	<b>0.14</b>	<b>0.32</b>	<b>0.41</b>
<b>Operating cashflow/share (in €)</b>	<b>-0.48</b>	<b>-1.33</b>	<b>0.82</b>	<b>0.17</b>	<b>0.17</b>	<b>0.05</b>

### Y-Y Growth

Operating cash flow	n.m.	n.m.	n.m.	-79.3%	-0.9%	-69.1%
Free cash flow	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
EBITDA/share	-81.2%	40.4%	447.5%	-89.8%	125.0%	27.6%

**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...83	↓	↓	↓	↓
84	19 January 2017	€2.09	Buy	€3.00
85	27 March 2017	€2.79	Add	€3.10
86	11 April 2017	€2.57	Buy	€3.40
87	Today	€2.66	Buy	€3.40

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**INFORMATION PURSUANT TO SECTION 34B OF THE GERMAN SECURITIES TRADING ACT [WPHG], TO REGULATION (EU) NO 596/2014 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL OF APRIL 16, 2014, ON MARKET ABUSE (MARKET ABUSE REGULATION) AND TO THE GERMAN ORDINANCE ON THE ANALYSIS OF FINANCIAL INSTRUMENTS [FINANV]**

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**CONFLICTS OF INTEREST**

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