

PNE WIND AG

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

80 MW project sold

RATING

PRICE TARGET

Return Potential
 Risk Rating

BUY

€ 3.50

34.8%
 High

FIRST LARGE SUCCESS IN THE US

PNE Wind's subsidiary WKN has sold an 80 MW US project to Pattern Development, a leading project developer in the US. The sale of the project is the first major success for PNE in the United States and an important step towards reaching the 2017 guidance. We slightly increase our price target to €3.50 (previously: €3.40) and reiterate our Buy rating.

First large project sale in the US The project rights of the 80 MW Vivaldi Springtime wind project located in Montana have been sold to Pattern Development and are ready to build including the power purchase agreement and grid connection. Pattern Development is a developer of renewable energy and transmission assets and has developed, financed, and commissioned more than 4,000 MW of wind power projects.

PNE's subsidiary WKN has been developing the project for several years. We note that PNE specifically mentioned a 165 MW project in Montana in its 2014 annual report. PNE and Pattern Development have agreed on an option to expand the project. We believe that further project sales will follow as PNE expects the completion of several other wind projects in the US in the very near future. At the end of Q1, PNE's US project pipeline amounted to 597 MW, of which 280 MW were already in the planning phase.

Q3 figures will benefit from the sale PNE Wind did not disclose the selling price. If we assume a project rights price of ca. \$100k per MW, the project value could amount to ca. \$8m (ca. €7m). The sale of project rights generates very high margins. We therefore expect an EBIT contribution of ca. €5-6m.

Forecasts unchanged, price target increased, Buy reiterated The US wind farm project sale supports our 2017E EBIT forecast of €7.5m. PNE is guiding towards EBIT in a range of €0-15m. For 2017E-19E, we expect low earnings as PNE is developing a 200+ MW wind farm portfolio which we believe will be sold in 2020E. An updated DCF model yields a new price target of €3.50 (previously: €3.40). We reiterate our Buy recommendation.

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 12 Jul 2017

Closing Price	€ 2.60
Shares outstanding	76.56m
Market Capitalisation	€ 198.82m
52-week Range	€ 1.97 / 2.84
Avg. Volume (12 Months)	216,156

Multiples	2016	2017E	2018E
P/E	3.0	63.3	21.3
EV/Sales	0.7	1.0	1.0
EV/EBIT	1.8	23.9	10.7
Div. Yield	4.6%	1.5%	1.5%

STOCK OVERVIEW



COMPANY DATA

As of 31 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	10.0%
Active Ownership Fund SCS	5.1%
Axxion S.A.	3.2%
Free Float	81.8%



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	-51,459	-44,343	-76,116	237,421	25,239	6,079	5,765	5,896

All figures in thousands	
PV of FCFs in explicit period (2017E-2031E)	151,023
PV of FCFs in terminal period	105,876
Enterprise value (EV)	256,899
+ Net cash / - net debt	20,063
+ Investments / minority interests	-5,393
Shareholder value	271,569

Fair value per share in EUR	3.50
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WACC	7.1%
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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	3.50
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		Terminal growth rate						
		0.5%	1.0%	1.5%	2.0%	2.5%	3.0%	3.5%
WACC	4.1%	5.88	6.16	6.73	7.56	8.92	11.52	18.51
	5.1%	4.70	4.76	5.02	5.35	5.80	6.48	7.59
	6.1%	3.92	3.90	4.03	4.18	4.39	4.65	5.02
	7.1%	3.36	3.30	3.37	3.45	3.56	3.68	3.85
	8.1%	2.93	2.93	2.90	2.95	3.00	3.07	3.15
	9.1%	2.59	2.52	2.54	2.57	2.60	2.64	2.68
Fair value per share in EUR	10.1%	2.31	2.24	2.26	2.27	2.29	2.32	2.34

* 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
Revenues	211,268	109,524	248,577	170,400	180,624	198,686
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
Total aggregate output	233,949	233,327	259,244	175,512	186,043	204,647
Cost of goods sold	-170,496	-154,934	-96,951	-110,760	-106,568	-117,225
Gross profit	59,850	70,686	153,218	59,640	74,056	81,461
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
EBITDA	11,206	19,635	109,924	11,202	25,205	32,152
Depreciation and amortisation	-8,526	-9,870	-12,884	-3,727	-8,566	-13,371
Operating income (EBIT)	2,680	9,765	97,040	7,475	16,639	18,781
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
Pre-tax income (EBT)	-15,166	-4,959	81,556	1,450	9,426	8,979
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
Net income / loss	-12,992	3,474	68,973	3,053	9,434	9,031
Diluted EPS (in €)	-0.21	0.05	0.88	0.04	0.12	0.11
Ratios						
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%
Expenses as % of revenues						
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%
Y-Y Growth						
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
Assets						
Current assets, total	265,935	236,033	289,776	224,261	202,979	223,861
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
Non-current assets, total	150,900	252,231	142,218	210,059	270,131	360,076
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
Total assets	416,835	488,264	431,994	434,320	473,109	583,937
Shareholders' equity & debt						
Current liabilities, total	95,034	84,858	73,922	78,149	82,460	205,370
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
Long-term liabilities, total	161,606	237,478	128,685	128,685	158,685	142,527
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
Minority interests	33	-3,102	-5,393	-7,286	-9,179	-11,072
Shareholders' equity	160,162	169,030	234,781	234,772	241,144	247,112
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
Total consolidated equity and debt	416,835	488,264	431,994	434,320	473,109	583,937
Ratios						
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 sales outstanding (DSO)	34.7	26.6	19.4	30.0	35.0	40.0
Days inventory outstanding (DIO)	326.2	285.5	425.2	350.0	360.0	370.0
Days payables outstanding (DPO)	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
EBIT	2,681	9,765	97,040	7,475	16,639	18,781
Depreciation and amortisation	8,554	9,898	12,884	3,727	8,566	13,371
EBITDA	11,235	19,663	109,924	11,202	25,205	32,152
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
Operating cash flow	-29,496	-102,475	64,426	13,322	13,203	4,085
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
Free cash flow	-34,325	-105,378	-44,273	-58,246	-55,434	-99,232
Acquisitions & disposals, net	-81	23,258	106,876	0	0	0
Other investments	0	-255	-418	0	0	0
Cash flow from investing	-4,910	20,100	-2,241	-71,568	-68,637	-103,317
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
Cash flow from financing	34,041	101,886	20,109	-1,350	31,938	101,938
Forex and other changes in cash	-4,862	-5,611	-20,684	0	0	0
Net cash flows	-5,227	13,900	61,609	-59,596	-23,497	2,706
Cash, start of the year	77,402	72,175	86,076	147,686	88,090	64,593
Cash, end of the year	72,175	86,075	147,686	88,090	64,593	67,299
EBITDA/share (in €)	0.18	0.26	1.40	0.14	0.32	0.41
Operating cashflow/share (in €)	-0.48	-1.33	0.82	0.17	0.17	0.05

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...84	↓	↓	↓	↓
85	27 March 2017	€2.79	Add	€3.10
86	11 April 2017	€2.57	Buy	€3.40
87	10 May 2017	€2.66	Buy	€3.40
88	Today	€2.60	Buy	€3.50

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

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- 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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