

PNE AG

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

Update

RATING
PRICE TARGET **ADD**
€ 3.80
 Return Potential 8.7%
 Risk Rating High

TAKEOVER TALKS DRIVE SHARE PRICE – DOWNGRADE TO ADD

Takeover talks between PNE and Morgan Stanley Infrastructure Partners ("MSIP") have resulted in a strong increase in the PNE share price. MSIP's indicative non-binding offer values PNE at €3.50-3.80 per share. The offer shows that large infrastructure funds are trying to get access to project pipelines of renewable energy developers to accelerate their asset base growth. Record low interest rates and ample liquidity have driven up the price of green energy infrastructure. As competition for commissioned projects increases, the purchase of a project pipeline under development is a chance to capture margin. We believe that project development is currently the sweet spot on the value chain. PNE is obviously an attractive target as it is developing a large international onshore wind pipeline with a total capacity of almost 5,000 MW. Furthermore, PNE is Germany's leading offshore wind farm developer. Valuation was very attractive as the stock was trading around book value (June 2018: €217m or €2.87 per share). MSIP's indicative non-binding offer is in line with our company valuation, but we would have expected a takeover offer at a premium to our fair value. Following the share price increase, we downgrade the stock from Buy to Add and confirm our €3.80 price target.

Takeover talks with MSIP MSIP acts as advisor of the North Haven Infrastructure Partners III infrastructure fund. Whether the takeover talks actually result in PNE being bought out is uncertain as any possible transaction depends on the due diligence and the signing of a transaction agreement.

Downgrade to Add at unchanged price target An updated DCF model still yields a €3.80 price target. Following the strong increase in the share price, we downgrade the stock from Buy to Add as the upside potential is now below 25%.

FINANCIAL HISTORY & PROJECTIONS

	2016	2017	2018	2019E	2020E	2021E
Revenue (€m)	248.58	114.08	91.38	118.69	218.10	151.67
Y-o-y growth	127.0%	-54.1%	-19.9%	29.9%	83.8%	-30.5%
EBIT (€m)	97.04	23.13	7.79	18.01	100.88	19.13
EBIT margin	39.0%	20.3%	8.5%	15.2%	46.3%	12.6%
Net income (€m)	68.97	17.08	-1.04	6.79	76.51	13.93
EPS (diluted) (€)	0.88	0.22	-0.01	0.09	1.00	0.18
DPS (€)	0.12	0.04	0.04	0.04	0.13	0.04
FCF (€m)	-44.27	-47.39	-32.80	-59.55	165.07	28.02
Net gearing	-12.6%	-5.8%	14.6%	41.2%	-21.9%	-26.9%
Liquid assets (€m)	147.69	193.98	129.07	110.33	122.34	140.41

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 AG is an international wind energy project developer for on- and offshore wind farms. It has begun to develop into a clean energy solution provider active in wind, PV, storage, power-to-heat, energy supply management, and energy services. The company is based in Cuxhaven, Germany.

MARKET DATA

As of 28 Aug 2019

Closing Price	€ 3.50
Shares outstanding	76.56m
Market Capitalisation	€ 267.56m
52-week Range	€ 2.27 / 3.50
Avg. Volume (12 Months)	154,630

Multiples	2018	2019E	2020E
P/E	n.a.	39.4	3.5
EV/Sales	3.3	2.5	1.4
EV/EBIT	38.7	16.7	3.0
Div. Yield	1.1%	1.1%	3.7%

STOCK OVERVIEW



COMPANY DATA

As of 30 Jun 2019

Liquid Assets	€ 140.03m
Current Assets	€ 276.14m
Intangible Assets	€ 64.85m
Total Assets	€ 521.85m
Current Liabilities	€ 115.89m
Shareholders' Equity	€ 217.35m

SHAREHOLDERS

Universal Investment GmbH	12.2%
Active Ownership Fund SCS	5.1%
Axxion S.A.	3.2%
Other investors	6.0%
Free Float	75.6%



VALUATION MODEL

DCF valuation model								
All figures in EUR '000								
	2019E	2020E	2021E	2022E	2023E	2024E	2025E	2026E
Net sales	118,686	218,095	151,667	157,127	162,555	167,934	173,247	178,476
NOPLAT	16,511	81,951	15,850	17,945	18,645	19,023	19,012	19,965
+ depreciation & amortisation	11,055	13,256	6,151	6,168	6,433	6,692	6,944	7,190
Net operating cash flow	27,566	95,207	22,000	24,113	25,078	25,715	25,956	27,155
- total investments (CAPEX, WC, other)	-76,592	76,097	8,736	-4,622	-12,856	-13,027	-13,176	-13,300
Capital expenditures	-59,343	65,429	-8,948	-9,113	-9,310	-9,496	-9,670	-9,832
Working capital	-17,249	10,669	17,685	4,492	-3,546	-3,532	-3,505	-3,467
Free cash flows (FCF)	-49,026	171,304	30,737	19,491	12,222	12,687	12,781	13,855
PV of FCF's	-47,874	155,979	26,101	15,436	9,027	8,738	8,209	8,299

All figures in thousands	
PV of FCFs in explicit period (2019E-2033E)	234,341
PV of FCFs in terminal period	104,487
Enterprise value (EV)	338,828
+ Net cash / - net debt	-33,716
+ Investments / minority interests	-13,938
Shareholder value	291,174
Number of diluted shares	76,558
Fair value per share in EUR	3.80

WACC		Terminal growth rate								
	7.2%		0.5%	1.0%	1.5%	2.0%	2.5%	3.0%	3.5%	
Cost of equity	11.8%	WACC	4.2%	6.41	6.70	7.11	7.70	8.63	10.32	14.33
Pre-tax cost of debt	7.0%		5.2%	5.14	5.27	5.42	5.62	5.89	6.29	6.92
Tax rate	25.0%		6.2%	4.32	4.37	4.43	4.50	4.60	4.72	4.89
After-tax cost of debt	5.3%		7.2%	3.74	3.76	3.78	3.80	3.83	3.87	3.92
Share of equity capital	30.0%		8.2%	3.30	3.49	3.31	3.32	3.32	3.33	3.34
Share of debt capital	70.0%		9.2%	2.97	2.96	2.96	2.96	2.95	2.94	2.94
Price target in EUR	3.80		10.2%	2.70	2.69	2.68	2.67	2.67	2.66	2.64

* for layout purposes the model shows numbers only to 2026, but runs until 2033



INCOME STATEMENT

All figures in EUR '000	2015A	2016A	2017A	2018A	2019E	2020E	2021E
Revenues	109,524	248,577	114,076	91,379	118,686	218,095	151,667
Change in inventories	116,096	1,591	63,331	15,056	20,500	0	0
Other operating income	7,707	9,075	9,483	5,348	5,461	7,210	4,550
Total aggregate output	233,327	259,244	186,890	111,782	144,647	225,305	156,217
Cost of goods sold	-154,934	-96,951	-108,381	-36,696	-65,277	-53,869	-75,834
Gross profit	70,686	153,218	5,695	54,683	53,409	164,226	75,834
Personnel costs	-29,254	-25,423	-25,789	-27,780	-29,504	-31,100	-32,600
Other operating expenses	-29,504	-26,946	-24,125	-30,837	-20,802	-26,200	-22,500
EBITDA	19,635	109,924	28,595	16,469	29,064	114,136	25,284
Depreciation and amortisation	-9,870	-12,884	-5,466	-8,680	-11,055	-13,256	-6,151
Operating income (EBIT)	9,765	97,040	23,129	7,789	18,009	100,879	19,133
Interest Expense	-16,381	-17,331	-10,709	-10,593	-10,972	-7,109	-3,399
Interest Income	1,743	1,111	619	787	451	872	683
Income from participations & ass. companies	-86	736	1,022	15	0	0	0
Pre-tax income (EBT)	-4,959	81,556	14,061	-2,002	7,487	94,642	16,416
Income taxes	3,570	-14,476	174	-403	-1,497	-18,928	-3,283
Minority interests	4,863	1,893	2,840	1,361	800	800	800
Net income / loss	3,474	68,973	17,075	-1,044	6,790	76,514	13,933
Diluted EPS (in €)	0.05	0.88	0.22	-0.01	0.09	1.00	0.18
Ratios							
Gross margin	64.5%	61.6%	5.0%	59.8%	45.0%	75.3%	50.0%
EBITDA margin on revenues	17.9%	44.2%	25.1%	18.0%	24.5%	52.3%	16.7%
EBIT margin on revenues	8.9%	39.0%	20.3%	8.5%	15.2%	46.3%	12.6%
Net margin on revenues	3.2%	27.7%	15.0%	-1.1%	5.7%	35.1%	9.2%
Tax rate	72.0%	17.7%	-1.2%	-20.1%	20.0%	20.0%	20.0%
Expenses as % of revenues							
Personnel costs	26.7%	10.2%	22.6%	30.4%	24.9%	14.3%	21.5%
Depreciation and amortisation	9.0%	5.2%	4.8%	9.5%	9.3%	6.1%	4.1%
Other operating expenses	26.9%	10.8%	21.1%	33.7%	17.5%	12.0%	14.8%
Y-Y Growth							
Revenues	-48.2%	127.0%	-54.1%	-19.9%	29.9%	83.8%	-30.5%
Operating income	264.4%	893.7%	-76.2%	-66.3%	131.2%	460.2%	-81.0%
Net income/ loss	n.m.	1885.4%	-75.2%	n.m.	n.m.	1026.9%	-81.8%



BALANCE SHEET

All figures in EUR '000	2015A	2016A	2017A	2018A	2019E	2020E	2021E
Assets							
Current assets, total	236,033	289,776	308,379	272,882	274,334	271,069	270,634
Cash and cash equivalents	86,075	147,686	193,984	129,071	110,334	122,339	140,407
Short-term investments	0	0	0	0	0	0	0
Receivables	7,969	13,187	5,119	6,355	9,755	17,926	16,621
Inventories	121,177	112,946	86,361	117,343	134,131	110,691	93,493
Other current assets	20,812	15,957	22,915	20,113	20,113	20,113	20,113
Non-current assets, total	252,231	142,218	184,905	179,724	228,012	149,327	152,125
Property, plant & equipment	167,347	39,230	103,872	96,130	144,418	65,733	68,531
Goodwill & other intangibles	63,105	67,400	66,825	65,053	65,053	65,053	65,053
Long-term investments / ass. companies	0	0	0	0	0	0	0
Other assets	21,779	35,588	14,208	18,541	18,541	18,541	18,541
Total assets	488,264	431,994	493,285	452,606	502,345	420,396	422,759
Shareholders' equity & debt							
Current liabilities, total	84,858	73,922	179,150	94,344	101,156	93,445	85,738
Short-term debt	35,857	2,163	107,109	26,131	30,000	20,000	20,000
Accounts payable	16,852	15,692	25,295	14,945	17,884	13,283	12,466
Current provisions	6,291	3,968	4,858	8,134	8,134	8,134	8,134
Other current liabilities	25,858	52,099	41,888	45,134	45,138	52,028	45,138
Long-term liabilities, total	237,478	128,685	78,915	141,988	181,988	41,988	41,988
Long-term debt	215,975	115,860	72,751	136,656	176,656	36,656	36,656
Deferred revenue	0	0	0	0	0	0	0
Other liabilities	21,503	12,825	6,163	5,332	5,332	5,332	5,332
Minority interests	-3,102	-5,393	-7,679	-13,938	-14,738	-15,538	-16,338
Shareholders' equity	169,030	234,781	242,899	230,212	233,939	300,501	311,371
Share capital	76,555	76,556	76,556	76,558	76,558	76,558	76,558
Capital reserve	82,287	82,288	82,288	82,292	82,292	82,292	82,292
Other reserves	-724	-997	-908	-385	-385	-385	-385
Treasury stock	0	0	0	-5,803	-5,803	-5,803	-5,803
Retained earnings	10,912	76,934	84,962	77,550	81,278	147,839	158,709
Total consolidated equity and debt	488,264	431,994	493,285	452,606	502,345	420,396	422,759
Ratios							
Current ratio (x)	2.78	3.92	1.72	2.89	2.71	2.90	3.16
Quick ratio (x)	1.35	2.39	1.24	1.65	1.39	1.72	2.07
Net cash	-165,757	29,663	14,124	-33,716	-96,321	65,684	83,751
Net gearing	98.1%	-12.6%	-5.8%	14.6%	41.2%	-21.9%	-26.9%
Book value per share (€)	2.16	2.92	2.99	2.83	2.86	3.72	3.85
Tangible book value per share (€)	1.37	2.11	2.18	2.00	2.04	2.89	3.03
Equity ratio (incl. minorities)	34.0%	53.1%	47.7%	47.8%	43.6%	67.8%	69.8%
Return on equity (ROE)	2.1%	29.4%	7.0%	-0.5%	2.9%	25.5%	4.5%
Return on assets (ROA)	4.1%	20.0%	5.6%	2.1%	3.5%	19.9%	4.1%
Return on investment (ROI)	0.7%	16.0%	3.5%	-0.2%	1.4%	18.2%	3.3%
Return on capital employed (ROCE)	3.1%	34.3%	10.5%	3.2%	6.3%	37.0%	8.7%
Days sales outstanding (DSO)	26.6	19.4	16.4	25.4	30.0	30.0	40.0
Days inventory outstanding (DIO)	285.5	425.2	290.8	1,167.2	750.0	750.0	450.0
Days payables outstanding (DPO)	39.7	59.1	85.2	148.7	100.0	90.0	60.0



CASH FLOW STATEMENT

All figures in EUR '000	2015A	2016A	2017A	2018A	2019E	2020E	2021E
EBIT	9,765	97,040	23,129	7,789	18,009	100,879	19,133
Depreciation and amortisation	9,898	12,884	5,466	8,680	11,055	13,256	6,151
EBITDA	19,663	109,924	28,595	16,469	29,064	114,136	25,284
Changes in working capital	-74,556	58,583	12,292	-49,523	-17,249	10,669	17,685
Other adjustments	-47,582	-104,081	-18,257	4,817	-12,019	-25,166	-6,000
Operating cash flow	-102,475	64,426	22,630	-28,237	-204	99,639	36,968
Investments in PP&E	-2,903	-108,699	-70,015	-4,564	-59,343	65,429	-8,948
Investments in intangibles	0	0	0	0	0	0	0
Free cash flow	-105,378	-44,273	-47,385	-32,801	-59,547	165,067	28,020
Acquisitions & disposals, net	23,258	106,876	51,300	756	0	0	0
Other investments	-255	-418	-7,535	0	0	0	0
Cash flow from investing	20,100	-2,241	-26,250	-3,808	-59,343	65,429	-8,948
Debt financing, net	97,715	23,171	59,106	-13,859	43,869	-150,000	0
Equity financing, net	9,454	0	0	-5,803	0	0	0
Dividends paid	-3,062	-3,062	-9,187	-3,062	-3,058	-3,062	-9,953
Other financing	-2,221	0	0	-9,871	0	0	0
Cash flow from financing	101,886	20,109	49,919	-32,595	40,811	-153,062	-9,953
Forex and other changes in cash	-5,611	-20,684	-1	-274	0	0	0
Net cash flows	13,900	61,609	46,298	-64,913	-18,737	12,005	18,067
Cash, start of the year	72,175	86,076	147,686	193,984	129,071	110,334	122,339
Cash, end of the year	86,075	147,686	193,984	129,071	110,334	122,339	140,407
EBITDA/share (in €)	0.26	1.40	0.36	0.21	0.38	1.49	0.33
Operating cashflow/share (in €)	-1.33	0.82	0.29	-0.36	0.00	1.30	0.48
Y-Y Growth							
Operating cash flow	n.m.	n.m.	-64.9%	n.m.	n.m.	n.m.	-62.9%
Free cash flow	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	-83.0%
EBITDA/share	40.4%	447.5%	-74.0%	-42.4%	81.3%	292.7%	-77.8%

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...97	↓	↓	↓	↓
98	1 April 2019	€2.29	Buy	€3.60
99	15 May 2019	€2.44	Buy	€3.60
100	9 August 2019	€3.02	Buy	€3.80
101	Today	€3.50	Add	€3.80

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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

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:

Category		1	2
Current market capitalisation (in €)		0 - 2 billion	> 2 billion
Strong Buy ¹	An expected favourable price trend of:	> 50%	> 30%
Buy	An expected favourable price trend of:	> 25%	> 15%
Add	An expected favourable price trend of:	0% to 25%	0% to 15%
Reduce	An expected negative price trend of:	0% to -15%	0% to -10%
Sell	An expected negative price trend of:	< -15%	< -10%

¹ The expected price trend is in combination with sizable confidence in the quality and forecast security of management.

Our recommendation system places each company into one of two market capitalisation categories. Category 1 companies have a market capitalisation of €0 – €2 billion, and Category 2 companies have a market capitalisation of > €2 billion. The expected return thresholds underlying our recommendation system are lower for Category 2 companies than for Category 1 companies. This reflects the generally lower level of risk associated with higher market capitalisation companies.

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.

SUBJECT TO CHANGE

The opinions contained in the financial analysis reflect the assessment of the author on the day of publication of the financial analysis. The author of the financial analysis reserves the right to change such opinion without prior notification.

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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