

PNE AG

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

Q3 2020 results

RATING	ADD
PRICE TARGET	€ 7.20
Return Potential	1.6%
Risk Rating	High

PROJECT PIPELINE FURTHER EXPANDED – UPGRADE TO ADD

PNE reported Q3 figures and held a conference call. Third quarter sales (€11.5m) and EBIT (€4.1m) were roughly in line with our forecasts. PNE further expanded its onshore wind project pipeline to 5,241 MW (Q2/20: 5,176 MW). Phase III projects in core markets Germany and France reached a new high at 681 MW. In the solar business, the project pipeline more than doubled q/q from 232 MWp to 476 MWp. So far in 2020, PNE has been awarded 61 MW in the German onshore wind tenders. As average tender awards have always topped 6€ct/kWh, we believe that the projects awarded to PNE will be very profitable. Based on the 9M report we have adjusted our forecasts for 2020E and the following years. We have significantly increased our Project segment valuation following the closure of the RWE/Nordex pipeline deal. An updated sum of the parts valuation yields a new price target of €7.20 (previously: €5.10). We upgrade our rating from Reduce to Add.

Low project sales in Q3 no reason to worry Project business is a volatile business, and in Q3 external Project segments sales were just €2.1m. Despite the good performance of the other segments, group sales were only €11.5m (still a 66% increase y/y), ultimately resulting in EBIT of €-4.1m. A €1.0m tax credit and non-controlling interests of €0.2m more than counterbalanced interest and similar expenses of €1.1m resulting in a net loss of €4.0m and EPS of €0.05 (see figure 1 overleaf).

2020 guidance confirmed PNE reiterated guidance, which takes possible project delays due to the pandemic into account, for EBITDA of €15-20m and EBIT of €5-10m. Given 9M EBITDA of €9.2m and 9M EBIT of €-3.5m, we expect a strong Q4 based on the planned sale of projects in Germany, Romania, Sweden and/or the US. We thus believe that PNE is on track to reach guidance.

(p.t.o.)

FINANCIAL HISTORY & PROJECTIONS

	2017	2018	2019	2020E	2021E	2022E
Revenue (€m)	114.08	91.38	132.80	100.07	103.83	166.20
Y-o-y growth	-54.1%	-19.9%	45.3%	-24.6%	3.8%	60.1%
EBIT (€m)	23.13	7.79	18.96	6.10	15.00	28.06
EBIT margin	20.3%	8.5%	14.3%	6.1%	14.4%	16.9%
Net income (€m)	17.08	-1.04	0.69	-3.99	0.82	8.87
EPS (diluted) (€)	0.22	-0.01	0.01	-0.05	0.01	0.12
DPS (€)	0.04	0.04	0.04	0.04	0.04	0.04
FCF (€m)	-47.39	-32.80	-42.56	-16.10	-81.14	-72.92
Net gearing	-5.8%	14.6%	55.3%	65.5%	103.6%	134.0%
Liquid assets (€m)	193.98	129.07	111.94	81.59	77.52	85.81

RISKS

Risks to our price target include, but are not limited to: changes in legislation, project financing risks, project delays, project approval risks, tender awards, award prices, and interest rate changes.

COMPANY PROFILE

PNE AG is a clean energy solution provider active in wind & PV project development, green power production, and energy services. At the end of 2019, the company had a ca. 5 GW international project pipeline, and a green power plant portfolio of ca. 130 MW. PNE is based in Cuxhaven, Germany.

MARKET DATA

As of 12 Nov 2020

Closing Price	€ 7.09
Shares outstanding	76.60m
Market Capitalisation	€ 543.12m
52-week Range	€ 3.71 / 7.34
Avg. Volume (12 Months)	151,902

Multiples	2019	2020E	2021E
P/E	767.1	n.a.	660.2
EV/Sales	5.1	6.7	6.5
EV/EBIT	35.4	110.0	44.7
Div. Yield	0.6%	0.6%	0.6%

STOCK OVERVIEW



COMPANY DATA

As of 30 Sep 2020

Liquid Assets	€ 89.96m
Current Assets	€ 217.68m
Intangible Assets	€ 64.45m
Total Assets	€ 547.42m
Current Liabilities	€ 107.90m
Shareholders' Equity	€ 189.86m

SHAREHOLDERS

Morgan Stanley Infrastructure Partners	39.8%
Active Ownership Fund SCS	9.0%
Samson	4.8%
Other investors	7.7%
Free Float	38.7%

Figure 1: Reported figures versus forecasts

All figures in €m	Q3-20A	Q3-20E	Delta	Q3-19A	Delta	9M 2020	9M 2019	Delta
Sales	11.50	11.15	3.2%	6.94	65.7%	73.86	72.58	1.8%
EBITDA	0.20	0.70	-71.7%	6.60	-97.0%	9.25	19.10	-51.6%
margin	1.7%	6.3%		95.1%		12.5%	26.3%	
EBIT	-4.14	-3.63	-	-2.99	-	-3.51	9.89	-
margin	-36.0%	-32.6%		-43.1%		-4.8%	13.6%	
Net income	-4.03	-6.52	-	-8.85	-	-9.36	-5.50	-
margin	-35.0%	-58.5%		-127.5%		-12.7%	-7.6%	
EPS (diluted) in €	-0.05	-0.09	-	-0.12	-	-0.12	-0.07	-

Source: First Berlin Equity Research, PNE AG

Balance sheet remains strong Equity amounted to €190m, and the equity share was 35%. Financial debt including leasing liabilities (ST and LT) was €300m. The cash position amounted to €90m resulting in net debt of €210m. Property, plant and equipment was €179m and largely reflects the own power generation assets.

Negative operating cash flow The net loss (€9.4m), higher inventories and other assets (€-17.2m) and lower trade and other liabilities (€45.3m) resulted in cash outflow from operating activities of €37.5m. Free cash flow amounted to €-52.0m due to CapEx of €14.5m. Cash flow from financing activities was €30.1m mainly due to an inflow of funds from financial loans (€41.7m). Net cash outflow amounted to €22.0m.

Project segment with low Q3 external sales Despite low external segment revenue of €2.1m, construction activity has high (74 MW on PNE's own account), but was largely dedicated to wind farms for the own plant portfolio. This is reflected in Q3 intersegment sales of €19.1m. Q3 segment EBIT was €6.5m. However, EBIT from consolidation, which is largely attributable to the Project segment, was €-12.1m (see figure 2).

Figure 2: Reported segment figures versus forecasts

External sales	Q3-20A	Q3-20E	Delta	Q3-19A	Delta	9M-20A	9M-19A	Delta
Project development								
External sales	2.12	4.05	-47.7%	1.97	7.6%	46.14	53.55	-13.8%
EBIT	6.53	1.50	335.6%	-0.94	-	11.82	11.21	5.5%
margin	308.6%	37.0%	-	-47.8%	-	25.6%	20.9%	-
Services								
External sales	4.93	3.20	54.0%	1.85	166.2%	11.56	9.24	25.0%
EBIT	0.95	0.19	335.6%	0.42	128.4%	1.06	1.07	-1.3%
margin	19.3%	6.0%	-	22.5%	-	9.2%	11.6%	-
Electricity generation								
External sales	4.46	3.90	14.4%	3.12	42.9%	16.16	10.79	49.8%
EBIT	0.43	-0.19	-	-0.48	-	4.53	2.46	83.8%
margin	9.7%	-4.9%		-15.4%		28.0%	22.8%	
Consolidation								
External sales	0.00	0.00	-	0.00	-	0.00	0.00	-
EBIT	-12.05	-5.13	-	-1.99	-	-20.92	-4.86	-
margin	n.m.	n.m.	-	n.m.	-	n.m.	n.m.	-
Group								
Sales	11.50	11.15	3.2%	6.94	65.8%	73.86	73.58	0.4%
EBIT	-4.14	-3.63	-	-2.99	-	-3.51	9.89	-
margin	-36.0%	-32.6%	-	-43.1%	-	-4.8%	13.4%	-

Source: First Berlin Equity Research, PNE AG



Electricity generation with positive Q3 EBIT Q3 belongs to the seasonally weak summer half year as wind yields are much higher in the winter time. Q3 segment sales (€4.5m) and EBIT (€0.4m) were above our forecasts due to better than expected wind yields, and much higher than the previous year's figures due to the portfolio expansion in Q4/19 by 24.4 MW to 130.1 MW.

Services segment had a very strong quarter Q3 Service segment external sales rose 166% to €4.9m and EBIT more than doubled to almost €1.0m. In the conference call, finalisation of wind farm construction for third parties was given as the main reason for the strong result.

Successful in German tenders In the first nine months of the fiscal year, PNE was awarded contracts in tenders in Germany for three wind farms (in total 39.0 MW). In October, a further 21.6 MW wind farm contract was awarded. This increases the volume to 60.6 MW this year. Given that approval procedures are still slow resulting in undersubscribed tenders, we believe that PNE has all in all been quite successful so far in 2020. We note that average tender awards have been above 6€ct/kWh in all 2020 wind tender rounds. This indicates a high profitability for awarded projects. In the PV segment, PNE was awarded two solar park projects in Germany (19 MW). However, there are plans to declare the area as natural heritage zone, which might stop the project.

Project pipeline expanded The pipeline of onshore wind energy projects was expanded to approx. 5,241 MW (Q2/20: 5,176 MW). It is noteworthy that PNE has maintained a very high level of projects in the approval phase in Germany and France (ca. 681 MW, Q2/20: 632 MW).

The photovoltaic project pipeline was significantly expanded from 232 MWp in Q2/20 to 476 MWp. In this field, PNE is active in Germany, Romania and the USA. The German pipeline increased from 19 MWp to 154 MWp and the US pipeline more than doubled q/q to 210 MWp.

Own wind farm portfolio is being expanded PNE's own wind farm portfolio, which had a capacity of 130 MW at the end of 2019, will be expanded by two wind farms (Boitzenhagen: 25 MW, Zahrenholz: 21.6 MW). This will increase portfolio capacity by 46.6 MW to 176.6 MW. Both wind farms are scheduled to go into operation next year. This means that our assumption that 13.4 MW will be added to the portfolio this year is now very unlikely. We now assume, that no operating wind farm will be added this year. According to our calculation, PNE has 105 MW of awarded German projects. We have thus increased our forecast for additional own portfolio capacity in 2021 from 70 MW to 83.4 MW.

New business PPA brokerage Since 2019, PNE has been active in the PPA brokerage market. The company has recently concluded contracts with wind farm operators for electricity from wind turbines amounting to ca. 400 GWh. Additional capacity of 1.2 TWh is in the final negotiation stage. Customers are wind farm operators, which face the challenge of marketing their clean wind power after the end of the fixed EEG remuneration. PNE bundles the electricity volumes of various wind farm sites and takes over the structuring and negotiation of the power purchase agreement.

Negative effects of COVID-19 The pandemic has resulted in delays in approval procedures and project postponements. At the same time, manufacturers of wind power turbines report longer delivery times. Due to the pandemic, the development of international electricity prices is difficult to assess for wind farm investors at present. This may have a negative effect on sales transactions. PNE projects in Sweden, Panama, Romania and the USA are particularly affected. If project sales are not completed as planned, this will have an impact on the operating result.



Forecasts slightly adjusted Based on the 9M report we have revised our forecasts (see figure 3). We have slightly lowered our 2020 EBIT forecast, but increased our net result estimate due to anticipated lower interest expenses and a higher contribution from non-controlling interests. Updated segment forecasts for the following years result in slightly higher group EBIT and higher group net result figures.

Figure 3: Revisions to forecasts

All figures in €m	2020E			2021E			2022E		
	Old	New	Delta	Old	New	Delta	Old	New	Delta
Sales	75.47	100.07	32.6%	99.60	103.83	4.3%	164.70	166.20	0.9%
EBIT	6.33	6.10	-3.7%	14.72	15.00	1.9%	28.03	28.06	0.1%
margin	8.4%	6.1%		14.8%	14.4%		17.0%	16.9%	
Net income	-7.31	-3.99	-	-1.65	0.82	-	7.15	8.87	24.1%
margin	-9.7%	-4.0%		-1.7%	0.8%		4.3%	5.3%	
EPS (diluted) in €	-0.10	-0.05	-	-0.02	0.01	-	0.09	0.12	24.1%

Source: First Berlin Equity Research

RWE/Nordex pipeline deal indicates valuation upside to PNE's project pipeline In November, RWE and Nordex SE successfully completed the acquisition process of Nordex' European onshore wind and solar development platform by RWE. This comprises a development pipeline of 2.7 GW in France (1.9 GW), Spain, Sweden and Poland. 15% of the pipeline projects (ca. 400 MW) are close to final investment decisions (FID) or in late development stages; approx. 230 MW have secured Contracts for Difference (CfDs) or other feed-in tariffs. The two companies agreed on the sale at the end of July. The purchase price was around €400m. Although we do not believe that the deal parameters are directly applicable for PNE's project pipeline valuation, we note that project pipelines are currently in high demand, which drives prices up. Given PNE's continuously increasing project pipeline, we have adjusted our DCF model for the Project segment to reflect the higher value.

Upgrade to Add at higher price target Our sum of the parts valuation, which accounts for slightly adjusted forecasts and the revised Project segment valuation, yields a new price target of €7.20 (previously: €5.10). We upgrade the stock from Reduce to Add.



VALUATION MODEL

SUM-OF-THE-PARTS VALUATION

Following PNE's announcement in March 2020 that it plans to build a wind farm portfolio of up to 500 MW by 2023, we have decided to model PNE's fair value using a sum-of-the-parts (SotP) analysis. Each of the three segments Project Development, Electricity Generation, and Services is valued individually by a discounted cash flow (DCF) model. We believe that a SotP valuation is superior to our previous approach – a DCF model based on group cash flows.

In the past, a simple DCF model for PNE was adequate as the Electricity Generation segment was small, and Services segment numbers were not reported separately. The decision not to sell the "2020 wind farm portfolio", but to add it to the own plant portfolio and to expand this portfolio to up to 500 MW makes the Electricity Generation segment an important cash flow contributor in the present and increasingly in the future. This justifies a separate segment valuation. Since Q1/19, PNE has reported separate Services segment figures, and the company plans to further expand this segment. This allows us to value this segment separately from the other segments.

In the segment report, PNE offers a rough segment profit & loss account containing sales, total aggregate output, EBITDA, and EBIT. Furthermore, a few key segment balance sheet data such as segment assets, liabilities and equity are given. In addition, segment investments are displayed. Since Q2/20, PNE has provided segment cash positions, financial debt, and lease liabilities.

Sum-of-the-parts Valuation

SotP valuation	Fair value in €m	Fair value per share in €	old
Project Development	288.78	3.77	2.05
Electricity Generation	176.62	2.31	2.15
Services	83.63	1.09	0.93
Sum of the parts	549.03	7.17	5.13



PROJECT DEVELOPMENT

The Project Development segment includes onshore and offshore wind farm and solar plant development on an international scale. Projects that are not sold but added to the own plant portfolio incur development and construction costs but no external segment sales. PNE accounts for this in its Consolidation segment. For simplicity, we integrate Consolidation into the Project Development segment. Our DCF model thus only shows external sales.

DCF model for Project Development segment

All figures in EUR '000	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E
Net sales	60,000	55,180	103,200	125,000	183,600	214,645	247,622	281,839
NOPLAT	-3,835	2,467	8,967	8,667	14,786	17,248	19,901	22,704
+ depreciation & amortisation	2,035	2,007	1,898	1,795	1,729	1,742	1,791	1,873
Net operating cash flow	-1,800	4,474	10,866	10,461	16,516	18,990	21,692	24,577
- total investments (CAPEX and WC)	-18,662	2,180	-3,817	615	-51,311	-26,248	-27,314	-27,727
Capital expenditures	-1,800	-1,104	-1,032	-1,250	-1,836	-2,146	-2,476	-2,818
Working capital	-16,862	3,284	-2,785	1,865	-49,475	-24,102	-24,838	-24,909
Free cash flows (FCF)	-20,462	6,654	7,048	11,076	-34,796	-7,258	-5,623	-3,151
PV of FCF's	-20,255	6,101	5,987	8,714	-25,354	-4,899	-3,515	-1,825

All figures in thousands	
PV of FCFs in explicit period (2020E-2034E)	9,044
PV of FCFs in terminal period	241,403
Enterprise value (EV)	250,447
+ Net cash / - net debt	37,678
+ Investments / minority interests	655
Shareholder value	288,780
Number of shares (diluted)	76,603
Fair value per share in EUR	3.77

		Terminal growth rate							
WACC	8.0%		1.5%	2.0%	2.5%	3.0%	3.5%	4.0%	4.5%
Cost of equity	11.6%	4.0%	12.33	15.01	19.53	28.79	58.38	-569.60	-45.33
Pre-tax cost of debt	5.0%	5.0%	7.91	8.97	10.46	12.71	16.51	24.29	49.17
Tax rate	30.0%	6.0%	5.54	6.06	6.72	7.61	8.87	10.76	13.95
After-tax cost of debt	3.5%	7.0%	4.12	4.40	4.74	5.18	5.74	6.48	7.54
Share of equity capital	55.0%	8.0%	3.17	3.34	3.53	3.77	4.06	4.42	4.89
Share of debt capital	45.0%	9.0%	2.51	2.61	2.73	2.87	3.04	3.24	3.48
		10.0%	2.03	2.10	2.17	2.26	2.36	2.48	2.62
		11.0%	1.67	1.67	1.67	1.67	1.67	1.67	1.67
Fair value per share in EUR	3.77								

* for layout purposes the model shows numbers only to 2027, but runs until 2034



ELECTRICITY GENERATION

The Electricity Generation segment includes power production from green power plants. The portfolio combines nine own wind farms with a total capacity of 130.1 MW, and the Silbitz biomass power plant with capacity of 5.6 MW. Furthermore, the segment includes interests in limited partnerships, in which wind farm projects will be realised in the future. At the end of 2019, the book value of the green power plant portfolio amounted to €146.3m.

PNE plans to build up a wind power production portfolio of up to 500 MW by 2023. The following table shows our portfolio expansion assumptions.

Forecasted portfolio expansion

Wind farm portfolio	2019	2020E	2021E	2022E	2023E	2024E
Wind power capacity (MW), year start	55.3	130.1	130.1	213.5	303.5	413.5
Additional capacity (MW)	74.8	0.0	83.4	90.0	110.0	86.5
Wind power capacity (MW), year end	130.1	130.1	213.5	303.5	413.5	500.0

DCF model for Electricity Generation segment

All figures in EUR '000	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E
Net sales	23,478	29,577	40,103	61,088	75,934	93,748	93,748	93,748
NOPLAT	7,869	9,324	11,982	20,842	23,810	32,792	32,229	31,725
+ depreciation & amortisation	13,167	13,628	19,940	26,660	34,028	33,845	33,662	33,479
Net operating cash flow	21,036	22,952	31,922	47,502	57,838	66,637	65,892	65,205
- total investments (CAPEX and WC)	-16,253	-101,250	-101,019	-119,525	-36,876	-37,262	-33,662	-33,479
Capital expenditures	-15,000	-100,080	-99,000	-115,500	-34,028	-33,845	-33,662	-33,479
Working capital	-1,253	-1,170	-2,019	-4,025	-2,847	-3,416	0	0
Free cash flows (FCF)	4,784	-78,298	-69,096	-72,023	20,962	29,376	32,229	31,725
PV of FCF's	4,758	-74,797	-63,395	-63,465	17,739	23,875	25,158	23,784

All figures in thousands	
PV of FCFs in explicit period (2020E-2034E)	22,153
PV of FCFs in terminal period	309,162
Enterprise value (EV)	331,315
+ Net cash / - net debt	-154,698
+ Investments / minority interests	0
Shareholder value	176,617
Number of shares (diluted)	76,603
Fair value per share in EUR	2.31

WACC				Terminal growth rate						
				-0.6%	-0.4%	-0.2%	0.0%	0.2%	0.4%	0.6%
Cost of equity	6.6%	WACC	3.4%	3.03	3.28	3.57	3.88	4.24	4.64	5.11
Pre-tax cost of debt	5.0%		3.6%	2.56	2.78	3.02	3.28	3.58	3.92	4.30
Tax rate	30.0%		3.9%	2.14	2.33	2.54	2.76	3.01	3.29	3.61
After-tax cost of debt	3.5%		4.1%	1.77	1.93	2.11	2.31	2.52	2.76	3.02
Share of equity capital	20.0%		4.4%	1.44	1.58	1.73	1.90	2.09	2.29	2.51
Share of debt capital	80.0%		4.6%	1.14	1.26	1.40	1.54	1.70	1.88	2.07
			4.9%	0.87	0.97	1.09	1.22	1.36	1.51	1.68
Fair value per share in EUR	2.31									

* for layout purposes the model shows numbers only to 2027, but runs until 2034



SERVICES

The Services segment includes technical and commercial operations management of green power plants, construction management, transformer station services, wind measurements, financing, and electricity marketing services.

DCF model for Services segment

DCF valuation model								
All figures in EUR '000	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E
Net sales	16,589	19,077	22,893	25,022	27,183	29,350	31,495	33,588
NOPLAT	1,962	3,015	4,037	4,466	4,884	5,292	5,685	6,059
+ depreciation & amortisation	2,164	2,229	2,318	2,449	2,590	2,739	2,893	3,046
Net operating cash flow	4,127	5,245	6,354	6,915	7,474	8,031	8,577	9,105
- total investments (CAPEX and WC)	-2,514	-2,753	-3,101	-3,217	-3,402	-3,571	-3,723	-3,854
Capital expenditures	-2,488	-2,671	-2,976	-3,153	-3,336	-3,506	-3,659	-3,792
Working capital	-26	-82	-125	-65	-66	-65	-64	-61
Free cash flows (FCF)	1,613	2,492	3,253	3,698	4,072	4,460	4,854	5,251
PV of FCF's	1,597	2,290	2,775	2,928	2,992	3,042	3,073	3,086

All figures in thousands	
PV of FCFs in explicit period (2020E-2034E)	42,133
PV of FCFs in terminal period	47,132
Enterprise value (EV)	89,265
+ Net cash / - net debt	-5,630
+ Investments / minority interests	0
Shareholder value	83,634
Number of shares (diluted)	76,603
Fair value per share in EUR	1.09

		Terminal growth rate						
		0.5%	1.0%	1.5%	2.0%	2.5%	3.0%	3.5%
WACC	7.7%							
Cost of equity	9.1%	3.7%	2.53	2.87	3.36	4.14	5.54	8.85
Pre-tax cost of debt	5.0%	4.7%	1.85	2.02	2.24	2.53	2.96	3.64
Tax rate	9.0%	5.7%	1.44	1.53	1.65	1.79	1.98	2.24
After-tax cost of debt	4.6%	6.7%	1.16	1.22	1.29	1.37	1.47	1.59
Share of equity capital	70.0%	7.7%	0.97	1.00	1.04	1.09	1.15	1.22
Share of debt capital	30.0%	8.7%	0.82	0.84	0.87	0.90	0.94	0.98
		9.7%	0.70	0.72	0.74	0.76	0.78	0.81
		10.7%	0.61	0.62	0.64	0.65	0.67	0.69
Fair value per share in EUR	1.09							

* for layout purposes the model shows numbers only to 2027, but runs until 2034



INCOME STATEMENT

All figures in EUR '000	2017A	2018A	2019A	2020E	2021E	2022E
Revenues	114,076	91,379	132,796	100,067	103,835	166,196
Change in inventories	63,331	15,056	36,577	14,000	12,000	3,000
Own work	0	0	0	0	125,350	113,560
Other operating income	9,483	5,348	4,659	5,868	5,534	6,108
Total aggregate output	186,890	111,782	174,032	119,934	246,719	288,864
Cost of goods sold	-108,381	-36,696	-92,961	-45,412	-161,690	-178,155
Gross profit (revenues ./ COGS)	5,695	54,683	39,835	54,655	-57,855	-11,959
Personnel costs	-25,789	-27,780	-30,600	-33,310	-33,696	-36,399
Other operating expenses	-24,125	-30,837	-18,911	-17,747	-18,469	-22,091
EBITDA	28,595	16,469	31,561	23,466	32,863	52,220
Depreciation and amortisation	-5,466	-8,680	-12,597	-17,366	-17,864	-24,156
Operating income (EBIT)	23,129	7,789	18,964	6,100	14,999	28,064
Interest Expense	-10,709	-10,593	-12,267	-10,989	-14,984	-18,151
Interest Income	619	787	582	0	0	0
Other financial income / expenses	1,022	15	32	0	0	0
Pre-tax income (EBT)	14,061	-2,002	7,312	-4,889	15	9,913
Income taxes	174	-403	-5,965	-103	-192	-2,042
Minority interests	2,840	1,361	-655	1,000	1,000	1,000
Net income / loss	17,075	-1,044	692	-3,992	823	8,871
Diluted EPS (in €)	0.22	-0.01	0.01	-0.05	0.01	0.12
Ratios						
Gross margin (COGS/revenues)	5.0%	59.8%	30.0%	54.6%	-55.7%	-7.2%
EBITDA margin on revenues	25.1%	18.0%	23.8%	23.5%	31.6%	31.4%
EBIT margin on revenues	20.3%	8.5%	14.3%	6.1%	14.4%	16.9%
Net margin on revenues	15.0%	-1.1%	0.5%	-4.0%	0.8%	5.3%
Tax rate	-1.2%	-20.1%	81.6%	-2.1%	1271.5%	20.6%
Expenses as % of revenues						
Personnel costs	22.6%	30.4%	23.0%	33.3%	32.5%	21.9%
Depreciation and amortisation	4.8%	9.5%	9.5%	17.4%	17.2%	14.5%
Other operating expenses	21.1%	33.7%	14.2%	17.7%	17.8%	13.3%
Y-Y Growth						
Revenues	-54.1%	-19.9%	45.3%	-24.6%	3.8%	60.1%
Operating income	-76.2%	-66.3%	143.5%	-67.8%	145.9%	87.1%
Net income/ loss	-75.2%	n.m.	n.m.	n.m.	n.m.	978.3%



BALANCE SHEET

All figures in EUR '000	2017A	2018A	2019A	2020E	2021E	2022E
Assets						
Current assets, total	308,379	272,882	266,995	242,893	240,465	259,930
Cash and cash equivalents	193,984	129,071	111,935	81,591	77,520	85,808
Short-term investments	0	0	0	0	0	0
Receivables	5,119	6,355	34,251	38,288	36,953	51,356
Inventories	86,361	117,343	101,357	103,562	106,540	103,313
Other current assets	22,915	20,113	19,452	19,452	19,452	19,452
Non-current assets, total	184,905	179,724	300,603	302,525	388,515	467,367
Property, plant & equipment	103,872	96,130	174,081	176,003	261,993	340,845
Goodwill & other intangibles	66,825	65,053	64,719	64,719	64,719	64,719
Rights of use	0	0	39,376	39,376	39,376	39,376
Other assets	14,208	18,541	61,803	61,803	61,803	61,803
Total assets	493,285	452,606	567,598	545,418	628,980	727,297
Shareholders' equity & debt						
Current liabilities, total	179,150	94,344	113,636	104,057	110,727	124,967
Short-term financial debt	107,109	26,131	11,705	5,000	5,000	10,000
Liabilities from leases (ST)	0	0	3,057	3,057	3,057	3,057
Accounts payable	25,295	14,945	35,276	23,377	27,053	33,300
Current provisions	4,858	8,134	8,381	8,381	8,381	8,381
Other current liabilities	41,888	45,134	58,274	67,299	70,292	73,286
Long-term liabilities, total	78,915	141,988	233,948	229,403	309,467	388,667
Long-term financial debt	72,751	136,656	188,953	184,408	264,472	343,672
Liabilities from leases (LT)	0	0	37,207	37,207	37,207	37,207
Other liabilities	6,163	5,332	7,787	7,787	7,787	7,787
Minority interests	-7,679	-13,938	-13,283	-14,283	-15,283	-16,283
Shareholders' equity	242,899	230,212	233,297	226,240	224,070	229,947
Share capital	76,556	76,558	76,603	76,603	76,603	76,603
Capital reserve	82,288	82,292	82,953	82,953	82,953	82,953
Other reserves	-908	-385	-819	-819	-819	-819
Treasury stock	0	-5,803	-707	-707	-707	-707
Retained earnings	84,962	77,550	75,267	68,211	65,969	71,776
Total consolidated equity and debt	493,285	452,606	567,598	545,418	628,980	727,297
Ratios						
Current ratio (x)	1.72	2.89	2.35	2.33	2.17	2.08
Quick ratio (x)	1.24	1.65	1.46	1.34	1.21	1.25
Net cash	14,124	-33,716	-128,987	-148,082	-232,217	-308,128
Net gearing	-5.8%	14.6%	55.3%	65.5%	103.6%	134.0%
Book value per share (€)	2.99	2.83	2.94	2.77	2.73	2.79
Tangible book value per share (€)	2.18	2.00	2.09	1.94	1.90	1.96
Equity ratio (incl. minorities)	47.7%	47.8%	38.8%	38.9%	33.2%	29.4%
Return on equity (ROE)	7.0%	-0.5%	0.3%	-1.8%	0.4%	3.9%
Return on assets (ROA)	5.6%	2.1%	2.3%	1.3%	2.5%	3.7%
Return on investment (ROI)	3.5%	-0.2%	0.1%	-0.7%	0.1%	1.2%
Return on capital employed (ROCE)	10.5%	3.2%	6.2%	1.7%	3.7%	5.8%



CASH FLOW STATEMENT

All figures in EUR '000	2017A	2018A	2019A	2020E	2021E	2022E
EBIT	23,129	7,789	18,964	6,100	14,999	28,064
Depreciation and amortisation	5,466	8,680	12,597	17,366	17,864	24,156
EBITDA	28,595	16,469	31,561	23,466	32,863	52,220
Changes in working capital	12,292	-49,523	17,440	-9,186	5,025	-1,936
Other adjustments	-18,257	4,817	-13,594	-11,092	-15,176	-20,193
Operating cash flow	22,630	-28,237	35,407	3,188	22,712	30,091
Investments in PP&E	-70,015	-4,564	-77,966	-19,288	-103,854	-103,008
Investments in intangibles	0	0	0	0	0	0
Free cash flow	-47,385	-32,801	-42,560	-16,100	-81,142	-72,917
Acquisitions & disposals, net	51,300	756	85	0	0	0
Other investments	-7,535	0	0	0	0	0
Cash flow from investing	-26,250	-3,808	-77,882	-19,288	-103,854	-103,008
Debt financing, net	59,106	-13,859	37,555	-6,705	80,064	84,200
Equity financing, net	0	-5,803	5,669	0	0	0
Dividends paid	-9,187	-3,062	-2,975	-2,994	-3,064	-3,064
Other financing	0	-9,871	0	0	0	0
Cash flow from financing	49,919	-32,595	40,249	-9,699	77,000	81,136
Forex and other changes in cash	-1	-274	-14,911	-4,546	1	0
Net cash flows	46,298	-64,913	-17,136	-30,344	-4,141	8,219
Cash, start of the year	147,686	193,984	129,071	111,935	81,591	77,520
Cash, end of the year	193,984	129,071	111,935	81,591	77,450	85,738
EBITDA/share (in €)	0.36	0.21	0.42	0.31	0.43	0.68
Operating cashflow/share (in €)	0.29	-0.36	0.47	0.04	0.30	0.39
Y-Y Growth						
Operating cash flow	-64.9%	n.m.	n.m.	-91.0%	612.3%	32.5%
Free cash flow	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
EBITDA/share	-74.0%	-42.4%	101.4%	-27.4%	40.0%	58.9%

Imprint / Disclaimer

First Berlin Equity Research

First Berlin Equity Research GmbH ist ein von der BaFin betreffend die Einhaltung der Pflichten des §85 Abs. 1 S. 1 WpHG, des Art. 20 Abs. 1 Marktmissbrauchsverordnung (MAR) und der Markets Financial Instruments Directive (MiFID) II, Markets in Financial Instruments Directive (MiFID) II Durchführungsverordnung und der Markets in Financial Instruments Regulations (MiFIR) beaufsichtigtes Unternehmen.

First Berlin Equity Research GmbH is one of the companies monitored by BaFin with regard to its compliance with the requirements of Section 85 (1) sentence 1 of the German Securities Trading Act [WpHG], art. 20 (1) Market Abuse Regulation (MAR) and Markets in Financial Instruments Directive (MiFID) II, Markets in Financial Instruments Directive (MiFID) II Commission Delegated Regulation and Markets in Financial Instruments Regulations (MiFIR).

Anschrift:

First Berlin Equity Research GmbH
Mohrenstr. 34
10117 Berlin
Germany

Vertreten durch den Geschäftsführer: Martin Bailey

Telefon: +49 (0) 30-80 93 9 680

Fax: +49 (0) 30-80 93 9 687

E-Mail: info@firstberlin.com

Amtsgericht Berlin Charlottenburg HR B 103329 B

UST-Id.: 251601797

Ggf. Inhaltlich Verantwortlicher gem. § 6 MDStV

First Berlin Equity Research GmbH

Authored by: Dr. Karsten von Blumenthal, Analyst

All publications of the last 12 months were authored by Dr. Karsten von Blumenthal.

Company responsible for preparation: First Berlin Equity Research GmbH, Mohrenstraße 34, 10117 Berlin

The production of this recommendation was completed on 13 November 2020 at 09:16

Person responsible for forwarding or distributing this financial analysis: Martin Bailey

Copyright© 2020 First Berlin Equity Research GmbH No part of this financial analysis may be copied, photocopied, duplicated or distributed in any form or media whatsoever without prior written permission from First Berlin Equity Research GmbH. First Berlin Equity Research GmbH shall be identified as the source in the case of quotations. Further information is available on request.

INFORMATION PURSUANT TO SECTION 85 (1) SENTENCE 1 OF THE GERMAN SECURITIES TRADING ACT [WPHG], TO ART. 20 (1) OF 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 ART. 37 OF COMMISSION DELEGATED REGULATION (EU) NO 2017/565 (MiFID) II.

First Berlin Equity Research GmbH (hereinafter referred to as: "First Berlin") prepares financial analyses while taking the relevant regulatory provisions, in particular section 85 (1) sentence 1 of the German Securities Trading Act [WpHG], art. 20 (1) of Regulation (EU) No 596/2014 of the European Parliament and of the Council of April 16, 2014, on market abuse (market abuse regulation) and art. 37 of Commission Delegated Regulation (EU) no. 2017/565 (MiFID II) into consideration. In the following First Berlin provides investors with information about the statutory provisions that are to be observed in the preparation of financial analyses.

CONFLICTS OF INTEREST

In accordance with art. 37 (1) of Commission Delegated Regulation (EU) no. 2017/565 (MiFID) II and art. 20 (1) of Regulation (EU) No 596/2014 of the European Parliament and of the Council of April 16, 2014, on market abuse (market abuse regulation) investment firms which produce, or arrange for the production of, investment research that is intended or likely to be subsequently disseminated to clients of the firm or to the public, under their own responsibility or that of a member of their group, shall ensure the implementation of all the measures set out in Article 34 (3) of Regulation (EU) 2017/565 in relation to the financial analysts involved in the production of the investment research and other relevant persons whose responsibilities or business interests may conflict with the interests of the persons to whom the investment research is disseminated. In accordance with art. 34 (3) of Regulation (EU) 2017/565 the procedures and measures referred to in paragraph 2 (b) shall be designed to ensure that relevant persons engaged in different business activities involving a conflict of interests carry on those activities at a level of independence appropriate to the size and activities of the investment firm and of the group to which it belongs, and to the risk of damage to the interests of clients.

First Berlin offers a range of services that go beyond the preparation of financial analyses. Although First Berlin strives to avoid conflicts of interest wherever possible, First Berlin may maintain the following relations with the analysed company, which in particular may constitute a potential conflict of interest (further information and data may be provided on request):

- The author, First Berlin, or a company associated with First Berlin holds an interest of more than five percent in the share capital of the analysed company;
- The author, First Berlin, or a company associated with First Berlin provided investment banking or consulting services for the analysed company within the past twelve months for which remuneration was or was to be paid;
- The author, First Berlin, or a company associated with First Berlin reached an agreement with the analysed company for preparation of a financial analysis for which remuneration is owed;
- The author, First Berlin, or a company associated with First Berlin has other significant financial interests in the analysed company;

In order to avoid and, if necessary, manage possible conflicts of interest both the author of the financial analysis and First Berlin shall be obliged to neither hold nor in any way trade the securities of the company analyzed. The remuneration of the author of the financial analysis stands in no direct or indirect connection with the recommendations or opinions represented in the financial analysis. Furthermore, the remuneration of the author of the financial analysis is neither coupled directly to financial transactions nor to stock exchange trading volume or asset management fees.

If despite these measures one or more of the aforementioned conflicts of interest cannot be avoided on the part of the author or First Berlin, then reference shall be made to such conflict of interest.

INFORMATION PURSUANT TO SECTION 64 OF THE GERMAN SECURITIES TRADING ACT [WPHG], DIRECTIVE 2014/65/EU OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL OF 15 MAY 2014 ON MARKETS IN FINANCIAL INSTRUMENTS AND AMENDING DIRECTIVE 2002/92/EC AND DIRECTIVE 2011/61/EU, ACCOMPANIED BY THE MARKETS IN FINANCIAL INSTRUMENTS REGULATION (MIFIR, REG. EU NO. 600/2014).

First Berlin notes that it has concluded a contract with the issuer to prepare financial analyses and is paid for that by the issuer. First Berlin makes the financial analysis simultaneously available for all interested security financial services companies. First Berlin thus believes that it fulfils the requirements of section 64 WpHG for minor non-monetary benefits.

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.

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...99	↓	↓	↓	↓
100	9 August 2019	€3.02	Buy	€3.80
101	29 August 2019	€3.50	Add	€3.80
102	14 October 2019	€3.98	Add	€4.00
103	8 November 2019	€3.95	Add	€4.00
104	13 December 2019	€4.01	Add	€4.00
105	15 April 2020	€4.47	Add	€5.00
106	14 May 2020	€4.45	Add	€5.00
107	13 August 2020	€5.27	Reduce	€5.10
108	Today	€7.09	Add	€7.20

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: <https://firstberlin.com/disclaimer-english-link/>

SUPERVISORY AUTHORITY: Bundesanstalt für Finanzdienstleistungsaufsicht (German Federal Financial Supervisory Authority) [BaFin], Graurheindorferstraße 108, 53117 Bonn and Marie-Curie-Straße 24-28, 60439 Frankfurt am Main

EXCLUSION OF LIABILITY (DISCLAIMER)**RELIABILITY OF INFORMATION AND SOURCES OF INFORMATION**

The information contained in this study is based on sources considered by the author to be reliable. Comprehensive verification of the accuracy and completeness of information and the reliability of sources of information has neither been carried out by the author nor by First Berlin. As a result no warranty of any kind whatsoever shall be assumed for the accuracy and completeness of information and the reliability of sources of information, and neither the author nor First Berlin, nor the person responsible for passing on or distributing the financial analysis shall be liable for any direct or indirect damage incurred through reliance on the accuracy and completeness of information and the reliability of sources of information.

RELIABILITY OF ESTIMATES AND FORECASTS

The author of the financial analysis made estimates and forecasts to the best of the author's knowledge. These estimates and forecasts reflect the author's personal opinion and judgement. The premises for estimates and forecasts as well as the author's perspective on such premises are subject to constant change. Expectations with regard to the future performance of a financial instrument are the result of a measurement at a single point in time and may change at any time. The result of a financial analysis always describes only one possible future development – the one that is most probable from the perspective of the author – of a number of possible future developments.

Any and all market values or target prices indicated for the company analysed in this financial analysis may not be achieved due to various risk factors, including but not limited to market volatility, sector volatility, the actions of the analysed company, economic climate, failure to achieve earnings and/or sales forecasts, unavailability of complete and precise information and/or a subsequently occurring event which affects the underlying assumptions of the author and/or other sources on which the author relies in this document. Past performance is not an indicator of future results; past values cannot be carried over into the future.

Consequently, no warranty of any kind whatsoever shall be assumed for the accuracy of estimates and forecasts, and neither the author nor First Berlin, nor the person responsible for passing on or distributing the financial analysis shall be liable for any direct or indirect damage incurred through reliance on the correctness of estimates and forecasts.

INFORMATION PURPOSES, NO RECOMMENDATION, SOLICITATION, NO OFFER FOR THE PURCHASE OF SECURITIES

The present financial analysis serves information purposes. It is intended to support institutional investors in making their own investment decisions; however in no way provide the investor with investment advice. Neither the author, nor First Berlin, nor the person responsible for passing on or distributing the financial analysis shall be considered to be acting as an investment advisor or portfolio manager vis-à-vis an investor. Each investor must form his own independent opinion with regard to the suitability of an investment in view of his own investment objectives, experience, tax situation, financial position and other circumstances.

The financial analysis does not represent a recommendation or solicitation and is not an offer for the purchase of the security specified in this financial analysis. Consequently, neither the author nor First Berlin, nor the person responsible for passing on or distributing the financial analysis shall as a result be liable for losses incurred through direct or indirect employment or use of any kind whatsoever of information or statements arising out of this financial analysis.

A decision concerning an investment in securities should take place on the basis of independent investment analyses and procedures as well as other studies including, but not limited to, information memoranda, sales or issuing prospectuses and not on the basis of this document.

NO ESTABLISHMENT OF CONTRACTUAL OBLIGATIONS

By taking note of this financial analysis the recipient neither becomes a customer of First Berlin, nor does First Berlin incur any contractual, quasi-contractual or pre-contractual obligations and/or responsibilities toward the recipient. In particular no information contract shall be established between First Berlin and the recipient of this information.

NO OBLIGATION TO UPDATE

First Berlin, the author and/or the person responsible for passing on or distributing the financial analysis shall not be obliged to update the financial analysis. Investors must keep themselves informed about the current course of business and any changes in the current course of business of the analysed company.

DUPLICATION

Dispatch or duplication of this document is not permitted without the prior written consent of First Berlin.

SEVERABILITY

Should any provision of this disclaimer prove to be illegal, invalid or unenforceable under the respectively applicable law, then such provision shall be treated as if it were not an integral component of this disclaimer; in no way shall it affect the legality, validity or enforceability of the remaining provisions.

APPLICABLE LAW, PLACE OF JURISDICTION

The preparation of this financial analysis shall be subject to the law obtaining in the Federal Republic of Germany. The place of jurisdiction for any disputes shall be Berlin (Germany).

NOTICE OF DISCLAIMER

By taking note of this financial analysis the recipient confirms the binding nature of the above explanations.

By using this document or relying on it in any manner whatsoever the recipient accepts the above restrictions as binding for the recipient.

QUALIFIED INSTITUTIONAL INVESTORS

First Berlin financial analyses are intended exclusively for qualified institutional investors.

This report is not intended for distribution in the USA and/or Canada.