

PNE WIND AG

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

2016 KPI &
 special dividend

RATING
PRICE TARGET **ADD**
 Return Potential 11.3%
 Risk Rating High

RECORD EBIT OF €97M AND HIGH DIVIDEND

PNE reported KPIs for 2016 on 22 March. EBIT reached a record €97m and basic EPS amounted to €0.90. Both numbers were in line with our forecasts. Based on this excellent result, management proposed a dividend of €0.04 and a special dividend of €0.08 per share. The total dividend thus amounts to €0.12 per share (dividend yield: ca. 4%). We have increased our price target slightly to €3.10 (previously: €3.00). Following the strong increase in the share price in the last two months, we downgrade the stock from Buy to Add.

Record result due to portfolio sale Total performance was €259.2m (2015: €233.3m, FBe: €227.5m). EBIT amounted to €97.0m (2015: €9.8m, FBe: €97.9m). The record EBIT level was achieved due mainly to the sale of 80% of a 142.5 MW wind farm portfolio to a subsidiary of Allianz Global Investors. Basic EPS increased 18-fold y/y from €0.05 to €0.90 (FBe:€0.92).

High dividend proposal Based on the excellent result, management will propose a dividend of €0.04 and a special dividend of €0.08 per share to the AGM on 31 May 2017. The total dividend thus amounts to €0.12 per share. This corresponds to an attractive dividend yield of ca. 4%.

Annual report on 30 March On 30 March, PNE will publish its 2016 Annual Report which will provide further information regarding balance sheet and cash flow metrics following the sale of the large onshore wind farm portfolio.

Downgrade to Add at slightly increased price target Based on unchanged forecasts, we have updated our DCF model which now yields a slightly increased price target of €3.10 (previously: €3.00). Following the strong increase in the share price in the last two months, we downgrade the stock from Buy to Add as the share price potential is now below 25%.

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 | 97.00 | 22.90 | 29.21 |
| EBIT margin | 30.2% | 1.3% | 8.9% | 55.2% | 10.6% | 11.2% |
| Net income (€m) | 37.58 | -12.99 | 3.47 | 69.20 | 9.96 | 14.50 |
| EPS (diluted) (€) | 0.75 | -0.21 | 0.05 | 0.88 | 0.13 | 0.19 |
| DPS (€) | 0.15 | 0.04 | 0.04 | 0.12 | 0.06 | 0.06 |
| FCF (€m) | -4.32 | -34.33 | -105.38 | 193.89 | -3.32 | -0.97 |
| Net gearing | 96.8% | 64.9% | 98.1% | -11.0% | -5.4% | -2.9% |
| Liquid assets (€m) | 77.40 | 72.18 | 86.08 | 171.12 | 173.61 | 73.05 |

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 24 Mar 2017

| | |
|-------------------------|---------------|
| Closing Price | € 2.79 |
| Shares outstanding | 76.56m |
| Market Capitalisation | € 213.21m |
| 52-week Range | € 1.74 / 2.82 |
| Avg. Volume (12 Months) | 146,927 |

| Multiples | 2015 | 2016E | 2017E |
|------------|------|-------|-------|
| P/E | 58.7 | 3.2 | 21.6 |
| EV/Sales | 4.1 | 2.5 | 2.0 |
| EV/EBIT | 45.5 | 4.6 | 19.4 |
| Div. Yield | 1.4% | 4.3% | 2.2% |

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

| | |
|---------------------------------|-------|
| Internat. Kapitalanlageges. mbH | 9.9% |
| Active Ownership Fund SCS | 5.1% |
| Axxion S. A. | 3.2% |
| Free Float | 81.9% |

**Figure 1: Reported figures vs. forecasts**

| All figures in €m | Q4-16A | Q4-16E | Delta | Q4-15 | Delta | 2016 | 2015 | Delta |
|-------------------|--------|--------|-------|--------|--------|--------|--------|-------|
| Total performance | 157.30 | 125.63 | 25.2% | 43.78 | 259.3% | 259.20 | 233.30 | 11% |
| EBIT | 89.82 | 90.76 | -1.0% | -6.94 | - | 97.00 | 9.80 | 890% |
| margin | 57.1% | 72.2% | | -15.8% | | 37.4% | 4.2% | |
| EPS (basic) in € | 0.94 | 0.95 | -1.1% | -0.08 | - | 0.90 | 0.05 | 1700% |

Source: First Berlin Equity Research, PNE WIND AG



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 | 89,120 | 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 | 104,161 | 24,013 | 30,349 | 32,316 | 33,686 | 32,818 | 32,644 | 30,966 |
| - total investments (CAPEX, WC, other) | 105,027 | -19,945 | -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 | 18,537 | -3,364 | -4,943 | 3,922 | -2,013 | -2,053 | -2,094 | -2,136 |
| Free cash flows (FCF) | 209,188 | 4,068 | 7,156 | 18,540 | 14,460 | 14,063 | 14,388 | 13,237 |
| PV of FCF's | 209,187 | 3,857 | 6,336 | 15,328 | 11,161 | 10,136 | 9,683 | 8,319 |

| All figures in thousands | |
|---|----------|
| PV of FCFs in explicit period (2016E-2030E) | 326,736 |
| PV of FCFs in terminal period | 148,765 |
| Enterprise value (EV) | 475,500 |
| + Net cash / - net debt | -231,094 |
| + Investments / minority interests | -4,459 |
| Shareholder value | 239,947 |

Fair value per share in EUR 3.10

| WACC | 7.1% | Terminal growth rate | | | | | | | |
|-----------------------------|-------|----------------------|------|------|-------|-------|-------|--------|--------|
| | | 0.5% | 1.0% | 1.5% | 2.0% | 2.5% | 3.0% | 3.5% | |
| Cost of equity | 11.8% | 3.1% | 8.33 | 9.76 | 12.09 | 16.56 | 28.55 | 169.00 | -35.92 |
| Pre-tax cost of debt | 7.0% | 4.1% | 5.73 | 6.32 | 7.13 | 8.33 | 10.28 | 14.01 | 24.03 |
| Tax rate | 25.0% | 5.1% | 4.28 | 4.57 | 4.94 | 5.43 | 6.10 | 7.10 | 8.73 |
| After-tax cost of debt | 5.3% | 6.1% | 3.36 | 3.52 | 3.71 | 3.95 | 4.26 | 4.66 | 5.23 |
| Share of equity capital | 28.0% | 7.1% | 2.73 | 2.82 | 2.93 | 3.06 | 3.22 | 3.42 | 3.67 |
| Share of debt capital | 72.0% | 8.1% | 2.26 | 2.38 | 2.39 | 2.46 | 2.56 | 2.66 | 2.80 |
| | | 9.1% | 1.91 | 1.95 | 1.99 | 2.04 | 2.09 | 2.16 | 2.23 |
| Fair value per share in EUR | 3.10 | 10.1% | 1.64 | 1.67 | 1.69 | 1.72 | 1.76 | 1.79 | 1.84 |

* 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 | 77,400 | 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 | 259,202 | 219,663 | 263,682 |
| Cost of goods sold | 71,895 | 170,496 | 154,934 | 96,941 | 138,280 | 176,438 |
| Gross profit | 85,521 | 59,850 | 70,686 | 156,059 | 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 | 112,041 | 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 | 97,000 | 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 | 78,798 | 14,603 | 20,275 |
| Income taxes | 2,600 | -3,131 | 3,570 | -7,880 | -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 | 69,199 | 9,964 | 14,501 |
| Diluted EPS (in €) | 0.75 | -0.21 | 0.05 | 0.88 | 0.13 | 0.19 |
| Ratios | | | | | | |
| Gross margin | 59.4% | 28.3% | 64.5% | 88.9% | 36.2% | 32.2% |
| EBITDA margin on revenues | 34.5% | 5.3% | 17.9% | 63.8% | 12.4% | 13.2% |
| EBIT margin on revenues | 30.2% | 1.3% | 8.9% | 55.2% | 10.6% | 11.2% |
| Net margin on revenues | 26.1% | -6.1% | 3.2% | 39.4% | 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% | 893.3% | -76.4% | 27.5% |
| Net income/ loss | 121.4% | n.m. | n.m. | 1891.9% | -85.6% | 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 | 306,265 | 312,380 | 220,097 |
| Cash and cash equivalents | 77,402 | 72,175 | 86,075 | 171,117 | 173,611 | 73,051 |
| 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 | 86,432 | 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 | 454,056 | 471,810 | 391,770 |
| Shareholders' equity & debt | | | | | | |
| Current liabilities, total | 112,729 | 95,034 | 84,858 | 88,919 | 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 | 20,579 | 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 | 32,049 | 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 | 229,042 | 234,413 | 244,321 |
| 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 | 70,924 | 76,295 | 86,203 |
| Total consolidated equity and debt | 434,940 | 416,835 | 488,264 | 454,056 | 471,810 | 391,770 |
| Ratios | | | | | | |
| Current ratio (x) | 2.52 | 2.80 | 2.78 | 3.44 | 1.79 | 2.65 |
| Quick ratio (x) | 1.23 | 1.19 | 1.35 | 2.47 | 1.31 | 1.61 |
| Net cash | -134,051 | -103,972 | -165,757 | 25,142 | 12,636 | 7,076 |
| Net gearing | 96.8% | 64.9% | 98.1% | -11.0% | -5.4% | -2.9% |
| Book value per share (€) | 2.69 | 2.60 | 2.20 | 2.92 | 2.98 | 3.11 |
| Return on equity (ROE) | 27.1% | -8.1% | 2.1% | 30.2% | 4.3% | 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 | 325.4 | 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 | 97,000 | 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 | 112,041 | 26,933 | 34,404 |
| Changes in working capital | -50,713 | -28,886 | -74,556 | 18,537 | -3,364 | -4,943 |
| Other adjustments | -1,548 | -11,845 | -47,582 | -26,082 | -11,218 | -12,987 |
| Operating cash flow | -987 | -29,496 | -102,475 | 104,495 | 12,351 | 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 | 193,895 | -3,320 | -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 | -9,186 | -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 | 5,814 | -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 | 85,042 | 2,493 | -100,559 |
| Cash, start of the year | 36,586 | 77,402 | 72,175 | 86,075 | 171,117 | 173,611 |
| Cash, end of the year | 77,403 | 72,175 | 86,075 | 171,117 | 173,611 | 73,051 |
| EBITDA/share (in €) | 0.97 | 0.18 | 0.26 | 1.43 | 0.34 | 0.44 |
| Operating cashflow/share (in €) | -0.02 | -0.48 | -1.33 | 1.33 | 0.16 | 0.21 |

Y-Y Growth

| | | | | | | |
|---------------------|--------|--------|-------|--------|--------|-------|
| Operating cash flow | n.m. | n.m. | n.m. | n.m. | -88.2% | 33.4% |
| Free cash flow | n.m. | n.m. | n.m. | n.m. | n.m. | n.m. |
| EBITDA/share | 121.6% | -81.2% | 40.4% | 458.6% | -76.0% | 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...81 | ↓ | ↓ | ↓ | ↓ |
| 82 | 11 November 2016 | €2.00 | Buy | €3.00 |
| 83 | 13 December 2016 | €2.11 | Buy | €3.00 |
| 84 | 19 January 2017 | €2.09 | Buy | €3.00 |
| 85 | Today | €2.79 | Add | €3.10 |

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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.

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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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