

# PNE WIND AG

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

Q2 figures

**RATING**  
**BUY**

**PRICE TARGET**  
**€ 3.50**

Return Potential 33.5%  
 Risk Rating High

## STRONG Q3 EXPECTED

On 10 August, PNE Wind reported Q2 figures and held a conference call. Figures were below the previous year's numbers and our estimates, due mainly to high costs associated with the build-up of the new European 200+ MW wind farm portfolio. In Q3, however, PNE Wind will receive a low double-digit Euro million earn-out payment for the portfolio sold to Allianz in 2016. Furthermore, Q3 will benefit from PNE Wind's first major success in the US, the sale of the rights to an 80 MW project in Montana. We have therefore increased our 2017E EBIT forecast and believe that PNE Wind is well on track to reach its 2017 EBIT guidance of €0-15m. An updated DCF model still yields a €3.50 price target. We reiterate our Buy rating.

**Q2 figures burdened by expenditures for new European 200+ MW wind farm portfolio** Sales fell 42% to €19.0m (Q2/16: €32.9m, FBe: €29.6m) and EBIT amounted to €-5.3m (Q2/16: €-1.7m, FBe: €0.0m). The main reason for the weaker figures is high expenditures traced to the build-up of the new 200+ wind farm portfolio and the portfolio-related postponement of revenues and earnings. In H1, EBT generated by the new portfolio and eliminated in the consolidated group figures amounted to €4.5m. The net result was €-4.5m vs. €4.1m in Q2/16 (FBe: €-1.6m). The company benefited from significantly lower interest expenses (€2.6m vs. €4.4m) and a higher tax refund (€2.2m vs. €0.8m in Q2/16). Diluted EPS were €-0.06 vs. €-0.05 in Q2/16, see figure 1 overleaf.

**Balance sheet remains very solid** Short-term debt rose significantly from €11m at 31/12/2016 to €108m as the €100m corporate bond will be due in May 2018. Accordingly, long-term debt fell from €116m to €25m. In total, financial debt edged slightly higher to €133m from €127m at the end of last year. As the cash position declined from €148m at the beginning of this year to €122m, PNE Wind now has a small net debt position of €10m (end 2016: net cash position of €20m). Equity fell from €229m at 31/12/2016 to €212m, due mainly to the dividend payment of €9.2m and the H1 net loss of €45m. (p.t.o.)

### FINANCIAL HISTORY & PROJECTIONS

	2014	2015	2016	2017E	2018E	2019E
Revenue (€m)	211.27	109.52	248.58	142.30	180.62	198.69
Y-o-y growth	46.7%	-48.2%	127.0%	-42.8%	26.9%	10.0%
EBIT (€m)	2.68	9.77	97.04	12.32	16.64	18.78
EBIT margin	1.3%	8.9%	39.0%	8.7%	9.2%	9.5%
Net income (€m)	-12.99	3.47	68.97	4.22	9.43	9.03
EPS (diluted) (€)	-0.21	0.05	0.88	0.06	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	-46.84	-69.13	-98.72
Net gearing	64.9%	98.1%	-12.6%	11.2%	40.7%	80.7%
Liquid assets (€m)	72.18	86.08	147.69	99.50	62.31	65.53

### 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.

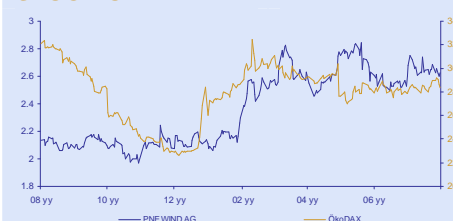
### MARKET DATA

As of 11 Aug 2017

Closing Price	€ 2.62
Shares outstanding	76.56m
Market Capitalisation	€ 200.73m
52-week Range	€ 1.97 / 2.84
Avg. Volume (12 Months)	230,273

Multiples	2016	2017E	2018E
P/E	3.0	46.9	21.5
EV/Sales	0.7	1.3	1.0
EV/EBIT	1.9	14.7	10.9
Div. Yield	4.6%	1.5%	1.5%

### STOCK OVERVIEW



### COMPANY DATA

As of 30 Jun 2017

Liquid Assets	€ 122.12m
Current Assets	€ 259.03m
Intangible Assets	€ 67.13m
Total Assets	€ 403.22m
Current Liabilities	€ 161.28m
Shareholders' Equity	€ 212.05m

### SHAREHOLDERS

Internat. Kapitalanlageges. mbH	10.0%
Active Ownership Fund SCS	5.1%
Axxion S.A.	3.2%
Free Float	81.8%



As the balance sheet total shrank from €432m to €403m the equity share remained stable at a comfortable 53%.

**Operating cash flow reflects portfolio build-up** Operating cash outflow amounted to €37m due mainly to an increase in inventories and other assets by €24m. Investing cash flow was positive at €8m due to the disposal of consolidated entities (Atlantis I), which resulted in a cash inflow of €18m. Financing cash inflow amounted to almost €4m. As a result, net cash outflow was almost €26m.

**Figure 1: Reported figures versus forecasts**

All figures in €m	Q2-17A	Q2-17E	Delta	Q2-16	Delta	H1 2017	H1 2016	Delta
Sales	19.03	29.58	-35.7%	32.86	-42.1%	39.45	44.80	-11.9%
EBIT	-5.29	0.02	-	-1.62	-	-4.95	-1.44	-
margin	-27.8%	0.1%	-	-4.9%	-	-12.6%	-3.2%	-
Net income	-4.49	-1.62	-	-4.10	-	-6.48	-7.77	-
margin	-23.6%	-5.5%	-	-12.5%	-	-16.4%	-17.3%	-
EPS (diluted) in €	-0.06	-0.02	-	-0.05	-	-0.08	-0.10	-

Source: First Berlin Equity Research, PNE WIND AG

**Earn-out payment of ≥10m in Q3** In Q3, PNE Wind will receive an earn-out payment amounting to a low double-digit million Euro figure for its wind farm portfolio it sold to Allianz in 2016, since PNE participates in the positive effects of a successful refinancing.

**First large US project sale in July** PNE Wind's subsidiary WKN sold an 80 MW project to a leading US project developer. The project value could amount to €7m and contribute €5-6m to Q3 EBIT (see our comment of 13 July 2017).

**High onshore construction activity in Germany and France** In H1, 94 MW were under construction, 53 MW in Germany and 41 MW in France. In Germany, the 43 MW Kührstedt-Alfstedt project and the 9.9 MW Kirchengel project look set to be commissioned this year. Furthermore, PNE Wind commissioned the last two turbines (6 MW) of the Altenbruch repowering project, which is part of the portfolio sold to Allianz in 2016. In May, subsidiary WKN sold the last of the three turbines of the Kirchengel wind farm in Thuringia. The Kührstedt-Alfstedt wind farm will be part of the new 200+ MW portfolio. In France, PNE Wind started construction of a 9 MW wind farm in Q2. In addition, two projects totalling 32 MW are being built for John Laing.

**Good offshore results in H1** In January, PNE sold the Atlantis I offshore project (584 MW) to Vattenfall. The project was, however, not successful in the first German offshore tender in April 2017. PNE Wind indicated that further milestone payments are possible even if the project is again unsuccessful in the next tender round in April 2018. Another offshore project developed by PNE Wind and now owned by DONG Energy, Gode Wind 3 (110 MW), however, was successful in the tender. PNE Wind looks set to receive up to €24m in further milestone payments for the offshore projects Borkum Riffgrund II and Gode Wind 3 & 4. In 2015, the German Federal Maritime and Hydrographic Agency (BSH) suspended plan approval procedures for offshore projects in zones 3-5 in the North Sea as the German government slowed down the offshore expansion path. The Offshore Wind Energy Act (WindSeeG) and the new EEG, which have been valid since 1 January 2017, have significantly increased the risks for projects in zones 3-5. PNE Wind has a pipeline of 5 proprietary projects in these zones, which had a total book value of €24m at the end of H1/17. At the end of July, the company filed a constitutional complaint and hopes to be at least compensated for the costs already incurred. Furthermore, PNE Wind has been developing alternative options (power to gas) for the offshore projects.



**Chilocco wind farm project (200 MW) in the US makes progress** PNE Wind indicated that the Chilocco project is at an advanced stage and may be sold as soon as this year. We continue to model a sale in 2018E. If PNE Wind succeeds in selling the project in 2017, we believe that the company will raise its 2017 guidance.

**EBIT guidance confirmed** PNE Wind still expects 2017 EBIT in the range of €0-15m. Given the ≥€10m earn-out payment and the €5-6m EBIT contribution from the US project, we believe that PNE Wind will easily reach the guidance range despite the H1 EBIT of €-5.0m.

**Estimates adjusted** We lower our 2017E revenue forecast as revenue generation depends more on project right sales than expected. In comparison to a turn-key wind farm project, the sale of project rights has a low top line, but a high EBIT impact. Although H1 EBIT was below our estimate, we increase our 2017E EBIT forecast due to the unexpected earn-out payment (see figure 2). Forecasts for the coming years remain unchanged. We note, however, that visibility for 2018E is relatively low. In Germany, PNE Wind has to be successful in the tender process to build projects. The company did not take part in the first two tender rounds in May and August and has not yet decided whether to take part in the third round in November or in the first round in 2018 (February). Currently, PNE Wind's German phase III projects amount to 60 MW.

**Figure 2: Revisions to forecasts**

All figures in €m	2017E			2018E			2019E		
	Old	New	Delta	Old	New	Delta	Old	New	Delta
Sales	170.40	142.30	-16.5%	180.62	180.62	0.0%	198.69	198.69	0.0%
EBIT	7.48	12.32	64.7%	16.64	16.64	0.0%	18.78	18.78	0.0%
<i>margin</i>	4.4%	8.7%		9.2%	9.2%		9.5%	9.5%	
Net income	3.05	4.22	38.5%	9.43	9.43	0.0%	9.03	9.03	0.0%
<i>margin</i>	1.8%	3.0%		5.2%	5.2%		4.5%	4.5%	
EPS (diluted) in €	0.04	0.06	39.8%	0.12	0.12	0.0%	0.11	0.11	0.0%

Source: First Berlin Equity Research

**Buy reiterated at unchanged price target** An updated DCF model yields an unchanged price target of €3.50. We reiterate our Buy rating.



## VALUATION MODEL

DCF valuation model								
All figures in EUR '000								
	2017E	2018E	2019E	2020E	2021E	2022E	2023E	2024E
Net sales	142,300	180,624	198,686	288,095	201,667	205,700	209,814	214,010
NOPLAT	11,734	14,754	16,940	93,847	14,540	13,740	12,963	12,945
+ depreciation & amortisation	6,669	8,866	13,648	19,520	6,110	6,624	7,070	7,452
Net operating cash flow	18,403	23,620	30,588	113,367	20,650	20,364	20,033	20,396
- total investments (CAPEX, WC, other)	-57,846	-86,346	-120,210	187,594	13,691	-11,468	-11,004	-10,513
Capital expenditures	-78,265	-68,637	-103,317	172,857	-11,825	-11,575	-11,311	-11,031
Working capital	22,429	-16,899	-16,188	15,332	23,995	-1,635	-1,668	-1,702
Free cash flows (FCF)	-39,442	-62,726	-89,622	300,962	34,341	8,896	9,029	9,883
PV of FCF's	-38,408	-57,035	-76,093	238,560	25,417	6,148	5,827	5,955

All figures in thousands	
PV of FCFs in explicit period (2017E-2031E)	153,252
PV of FCFs in terminal period	106,642
Enterprise value (EV)	259,894
+ Net cash / - net debt	20,063
+ Investments / minority interests	-5,393
Shareholder value	274,564

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%	5.90	6.19	6.76	7.61	8.98	11.62	18.70
	5.1%	4.73	4.79	5.05	5.39	5.85	6.55	7.67
	6.1%	3.95	3.93	4.06	4.22	4.43	4.70	5.09
	7.1%	3.39	3.33	3.41	3.49	3.60	3.73	3.90
	8.1%	2.96	2.96	2.94	2.99	3.04	3.11	3.20
	9.1%	2.62	2.55	2.58	2.61	2.64	2.68	2.73
	10.1%	2.35	2.28	2.29	2.31	2.33	2.36	2.38

\* 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>142,300</b>	<b>180,624</b>	<b>198,686</b>
Change in inventories	19,078	116,096	1,591	20,000	0	0
Other operating income	3,603	7,707	9,075	4,838	5,419	5,961
<b>Total aggregate output</b>	<b>233,949</b>	<b>233,327</b>	<b>259,244</b>	<b>167,138</b>	<b>186,043</b>	<b>204,647</b>
Cost of goods sold	-170,496	-154,934	-96,951	-96,053	-106,568	-116,947
<b>Gross profit</b>	<b>59,850</b>	<b>70,686</b>	<b>153,218</b>	<b>46,248</b>	<b>74,056</b>	<b>81,740</b>
Personnel costs	-27,041	-29,254	-25,423	-25,100	-26,569	-27,271
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>18,986</b>	<b>25,505</b>	<b>32,429</b>
Depreciation and amortisation	-8,526	-9,870	-12,884	-6,669	-8,866	-13,648
<b>Operating income (EBIT)</b>	<b>2,680</b>	<b>9,765</b>	<b>97,040</b>	<b>12,317</b>	<b>16,639</b>	<b>18,781</b>
Interest Expense	-14,934	-16,381	-17,331	-10,731	-10,035	-12,802
Interest Income	2,422	1,743	1,111	427	722	795
Income from participations & ass. companies	-5,334	-86	736	900	2,100	2,205
<b>Pre-tax income (EBT)</b>	<b>-15,166</b>	<b>-4,959</b>	<b>81,556</b>	<b>2,913</b>	<b>9,426</b>	<b>8,979</b>
Income taxes	-3,131	3,570	-14,476	-583	-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>4,223</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>0.06</b>	<b>0.12</b>	<b>0.11</b>
<b>Ratios</b>						
Gross margin	28.3%	64.5%	61.6%	32.5%	41.0%	41.1%
EBITDA margin on revenues	5.3%	17.9%	44.2%	13.3%	14.1%	16.3%
EBIT margin on revenues	1.3%	8.9%	39.0%	8.7%	9.2%	9.5%
Net margin on revenues	-6.1%	3.2%	27.7%	3.0%	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%	17.6%	14.7%	13.7%
Depreciation and amortisation	4.0%	9.0%	5.2%	4.7%	4.9%	6.9%
Other operating expenses	11.9%	26.9%	10.8%	19.0%	15.2%	14.1%
<b>Y-Y Growth</b>						
Revenues	46.7%	-48.2%	127.0%	-42.8%	26.9%	10.0%
Operating income	-93.8%	264.4%	893.7%	-87.3%	35.1%	12.9%
Net income/ loss	n.m.	n.m.	1885.4%	-93.9%	123.4%	-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>219,258</b>	<b>200,694</b>	<b>221,807</b>
Cash and cash equivalents	72,175	86,075	147,686	99,500	62,309	65,528
Short-term investments	0	0	0	0	0	0
Receivables	20,098	7,969	13,187	11,696	17,320	21,774
Inventories	152,389	121,177	112,946	92,105	105,108	118,549
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>213,814</b>	<b>273,585</b>	<b>363,254</b>
Property, plant & equipment	73,655	167,347	39,230	110,826	170,597	260,266
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>433,072</b>	<b>474,279</b>	<b>585,062</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>75,732</b>	<b>82,460</b>	<b>205,324</b>
Short-term debt	34,940	35,857	2,163	10,000	15,000	136,158
Accounts payable	21,476	16,852	15,692	15,789	17,518	19,224
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>235,942</b>	<b>242,314</b>	<b>248,283</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	78,095	84,467	90,436
<b>Total consolidated equity and debt</b>	<b>416,835</b>	<b>488,264</b>	<b>431,994</b>	<b>433,072</b>	<b>474,279</b>	<b>585,062</b>
<b>Ratios</b>						
Current ratio (x)	2.80	2.78	3.92	2.90	2.43	1.08
Quick ratio (x)	1.19	1.35	2.39	1.68	1.16	0.50
Net cash	-103,972	-165,757	29,663	-26,360	-98,551	-200,332
Net gearing	64.9%	98.1%	-12.6%	11.2%	40.7%	80.7%
Book value per share (€)	2.60	2.20	2.99	3.00	3.08	3.16
Tangible book value per share (€)	1.62	1.41	2.18	2.19	2.28	2.35
Equity ratio (incl. minorities)	38.4%	34.0%	53.1%	52.8%	49.2%	40.5%
Return on equity (ROE)	-8.1%	2.1%	29.4%	1.8%	3.9%	3.6%
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
<b>EBIT</b>	<b>2,681</b>	<b>9,765</b>	<b>97,040</b>	<b>12,317</b>	<b>16,639</b>	<b>18,781</b>
Depreciation and amortisation	8,554	9,898	12,884	6,669	8,866	13,648
<b>EBITDA</b>	<b>11,235</b>	<b>19,663</b>	<b>109,924</b>	<b>18,986</b>	<b>25,505</b>	<b>32,429</b>
Changes in working capital	-28,886	-74,556	58,583	22,429	-16,899	-16,188
Other adjustments	-11,845	-47,582	-104,081	-9,986	-9,098	-11,643
<b>Operating cash flow</b>	<b>-29,496</b>	<b>-102,475</b>	<b>64,426</b>	<b>31,429</b>	<b>-492</b>	<b>4,598</b>
Investments in PP&E	-4,829	-2,903	-108,699	-78,265	-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>-46,836</b>	<b>-69,129</b>	<b>-98,719</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>-78,265</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>-48,186</b>	<b>-37,191</b>	<b>3,219</b>
Cash, start of the year	77,402	72,175	86,076	147,686	99,500	62,309
<b>Cash, end of the year</b>	<b>72,175</b>	<b>86,075</b>	<b>147,686</b>	<b>99,500</b>	<b>62,309</b>	<b>65,528</b>
<b>EBITDA/share (in €)</b>	<b>0.18</b>	<b>0.26</b>	<b>1.40</b>	<b>0.24</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>0.40</b>	<b>-0.01</b>	<b>0.06</b>

### Y-Y Growth

Operating cash flow	n.m.	n.m.	n.m.	-51.2%	n.m.	n.m.
Free cash flow	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
EBITDA/share	-81.2%	40.4%	447.5%	-82.7%	34.3%	27.1%

**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...85	↓	↓	↓	↓
86	11 April 2017	€2.57	Buy	€3.40
87	10 May 2017	€2.66	Buy	€3.40
88	13 July 2017	€2.60	Buy	€3.50
89	Today	€2.62	Buy	€3.50

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- valuation methods and principles
- sensitivity of valuation parameters

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