

PNE WIND AG

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

Final 2017 figures

RATING
BUY

PRICE TARGET
€ 3.80

Return Potential 53.5%
 Risk Rating High

2017 FIGURES STRONGER THAN EXPECTED

PNE Wind reported final 2017 figures which exceeded our forecasts. Total aggregate output amounted to €187m and EBIT of €23.1m (FBe: €22.4m) reached the upper end of the guidance (€17-23m). The net result was €17.1m and topped our estimate by almost €5m due to lower tax expenses. 2017 highlights were the financial optimisation of the 142 MW portfolio, the sale of the remaining 20% to Allianz, the sale of the offshore wind farm project Atlantis I to Vattenfall, and the successful start of the build-up of the new 200 MW wind farm portfolio which includes the completion of a 43 MW German wind farm. For 2018, PNE is guiding towards EBITDA of €20-26m and EBIT of €10-16m. We have slightly adjusted our forecasts. The balance sheet remains strong (net cash position: €14m), and operating cash flow was solid at €23m. An updated DCF model still yields a €3.8 price target. We reiterate our Buy rating.

2017 better than expected As expected, 2017 figures were significantly below 2016 figures which were driven by the sale of 80% of the 142 MW portfolio to Allianz. However, EBIT beat our initial forecast thanks to international project sales, the Atlantis I offshore project deal with Vattenfall, and the financial optimisation and sale of the remaining 20% of the 142 MW portfolio. EBIT thus amounted to €23.1m (2016: €97.0m, FBe: €22.4m). The net result was €17.1m (2016: €69.0m). The main reason for the higher than expected net result (FBe: €12.3m) was a significantly lower tax burden. EPS were €0.22 (2016: €0.88 FBe: €0.16, see figure 1 overleaf).

2018 guidance For 2018, PNE is guiding towards EBITDA of €20-26m and EBIT of €10-16m. EBIT is subdued by the build-up of the up to 200 MW European wind farm portfolio. This portfolio is to be sold in 2020 which postpones earnings into that year.

(p.t.o.)

FINANCIAL HISTORY & PROJECTIONS

	2015	2016	2017	2018E	2019E	2020E
Revenue (€m)	109.52	248.58	114.08	125.70	198.69	268.10
Y-o-y growth	-48.2%	127.0%	-54.1%	10.2%	58.1%	34.9%
EBIT (€m)	9.77	97.04	23.13	15.53	19.39	104.54
EBIT margin	8.9%	39.0%	20.3%	12.4%	9.8%	39.0%
Net income (€m)	3.47	68.97	17.08	9.37	10.94	79.12
EPS (diluted) (€)	0.05	0.88	0.22	0.12	0.14	1.01
DPS (€)	0.04	0.12	0.04	0.04	0.04	0.13
FCF (€m)	-105.38	-44.27	-47.39	-82.06	-96.17	272.11
Net gearing	98.1%	-12.6%	-5.8%	28.5%	66.2%	-30.3%
Liquid assets (€m)	86.08	147.69	193.98	71.75	89.52	248.57

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. 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.

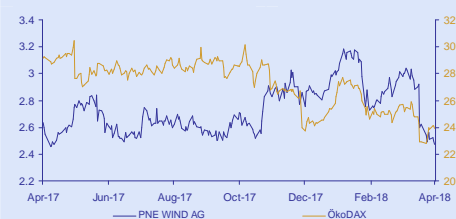
MARKET DATA

As of 11 Apr 2018

Closing Price	€ 2.48
Shares outstanding	76.56m
Market Capitalisation	€ 189.48m
52-week Range	€ 2.46 / 3.18
Avg. Volume (12 Months)	307,876

Multiples	2017	2018E	2019E
P/E	11.3	20.8	17.8
EV/Sales	1.4	1.3	0.8
EV/EBIT	7.0	10.5	8.4
Div. Yield	1.6%	1.6%	1.6%

STOCK OVERVIEW



COMPANY DATA

As of 31 Dec 2017

Liquid Assets	€ 193.98m
Current Assets	€ 308.38m
Intangible Assets	€ 66.83m
Total Assets	€ 493.29m
Current Liabilities	€ 179.15m
Shareholders' Equity	€ 235.22m

SHAREHOLDERS

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



Very solid balance sheet At the end of 2017, PNE had a cash position of €194m, short-term financial debt of €107m and long-term financial debt of €72m. This results in a net cash position of €14m. PNE can thus easily repay its €100m bond due in June 2018. The equity position remains strong and amounted to €235m (2016: 229m, +3%). As the balance sheet total increased by 14% to €493m, the equity ratio declined from 53% to 48%. Property, plant & equipment increased from €22m to €87m due mainly to the completion of the first wind farm (Kührstedt/Alfstedt, 43.2 MW) of the 200 MW European wind farm portfolio. Shares in associates fell from €27m to €0.5m due mainly to the sale of the remaining 20% of the 142 MW portfolio to Allianz. The strong balance sheet was acknowledged by an improved credit rating by Creditreform, which moved the rating from “BB with stable outlook” to “BB with positive outlook”.

Figure 1: Reported figures versus estimates

All figures in €m	Q4-17A	Q4-17E	Delta	Q4-16	Delta	2017	2016	Delta
Total output	85.09	50.89	67.2%	157.30	-45.9%	186.89	259.24	-27.9%
EBIT	-0.53	-1.24	-	89.86	-	23.13	97.04	-76.2%
margin	-0.6%	-2.4%	-	57.1%	-	12.4%	37.4%	-
Net income	0.75	-4.07	-	71.73	-99.0%	17.08	68.97	-75.2%
margin	0.9%	-8.0%	-	45.6%	-	9.1%	26.6%	-
EPS (diluted) in €	0.01	-0.05	-	0.91	-98.9%	0.22	0.88	-75.0%

Source: First Berlin Equity Research, PNE WIND AG

Solid operating cash flow In 2017, PNE generated operating cash flow of €22.6m. Free cash flow was negative (€-47.4m) due to CAPEX of €70m which comprises investment in the 43 MW wind farm Kührstedt/Alfstedt. Financing cash flow amounted to €49.9m mainly from the inflow of funds from financial loans. Net cash flow was €46.3m.

Strong operating performance In 2017, PNE completed, started construction or sold project rights of wind farms with a total capacity of 234 MW. We note that international business was on a much broader basis with sales contributions from France, Sweden, and the US. Main earnings driver was the financial optimisation of the 142 MW portfolio (€21.4m earn-out payment) and the sale of the remaining 20% of the portfolio to Allianz (selling price: €23.1m).

Electricity generation segment with 69 MW capacity The 43 MW wind farm Kührstedt/Alfstedt was added to the segment, which now contains four wind farms and has a total capacity of 69 MW. In 2017, segment EBIT was €1.1m.

Well-filled onshore project pipeline At the end of 2017, PNE's onshore pipeline amounted to 4,741 MW, of which 20 MW were in the construction phase (at the beginning of 2018: 52 MW!) and 858 MW in an advanced stage (phase III = planning). We believe that many phase III projects in France (102 MW), Germany (97 MW), Sweden (158 MW), and the US (200 MW) are well-advanced and thus expect sales contributions from these countries in 2018E.

€0.04 dividend per share proposed Management proposed a dividend of €0.04 per share for 2017. This corresponds to a dividend yield of 1.6%.

€50m bond placement planned PNE plans to issue a bond with a volume of €50m in May to secure the medium-term financing of the 200 MW portfolio development and the expansion of the business model to a clean energy solution provider. The bond will have a coupon between 4.00% and 4.75%, depending on demand, and a term of five years. Holders of the €100m 2013/2018 bond will receive an exchange offer.



Positive newsflow in H1/2018 PNE was awarded a contract for a 71 MW wind farm project in a tender in Turkey. At the end of 2017, subsidiary WKN sold two French wind farm projects (9 and 12 = 21 MW) to Quaero European Infrastructure Fund. The 9 MW project was already accounted for in 2017, whereas the 12 MW project will be recognised this year. PNE has already been awarded a contract for a wind farm project (FBe: 15 MW) in the second German tender in May.

Promising French market and German market suffering from ill-designed tender The French government has ambitious expansion targets. In 2017, 1,692 MW were installed increasing total capacity to 13.8 GW. By 2023, France wants to have a capacity of 21.8-26.0 GW. We expect further growth in France and PNE is well-positioned with its 102 MW phase III projects. 2018 will be a difficult year for the German wind industry due to the ill-designed tenders in 2017. Along with many other players, PNE was not awarded a contract in these tenders. Citizens' energy societies, which in contrast to other players did not need a project approval, won almost all projects. The German government has adjusted the regulation, so that all players require a project approval to take part in the 2018 tenders. PNE has already been awarded a project this year and we expect the company to be awarded more projects in the next tender rounds in May, August, and November. The coalition treaty of the new CDU/CSU/SPD government promises 4 GW in extra onshore wind tenders in 2019 and 2020 on top of the 2.8/2.9 GW tenders. This should bring back annual onshore installations close to the high installation level of 2017 of 5.3 GW.

Forecasts adjusted We have updated our forecasts (see figure 2). 2018E EPS remain at €0.12, 2019E EPS increase to €0.14 (previously: €0.12) and 2020E EPS to €1.01 (previously: €0.98).

Figure 2: Revisions to forecasts

All figures in €m	2018E			2019E			2020E		
	Old	New	Delta	Old	New	Delta	Old	New	Delta
Sales	125.70	125.70	0.0%	198.69	198.69	0.0%	268.10	268.10	0.0%
EBIT	16.64	15.53	-6.7%	19.01	19.39	2.0%	104.25	104.54	0.3%
margin	13.2%	12.4%		9.6%	9.8%		38.9%	39.0%	
Net income	9.26	9.37	1.2%	9.22	10.94	18.6%	76.73	79.12	3.1%
margin	7.4%	7.5%		4.6%	5.5%		28.6%	29.5%	
EPS (diluted) in €	0.12	0.12	-0.7%	0.12	0.14	18.6%	0.98	1.01	3.1%

Source: First Berlin Equity Research

Buy reiterated at unchanged price target An updated DCF model still yields a €3.80 price target. We reiterate our Buy rating.



VALUATION MODEL

DCF valuation model								
All figures in EUR '000								
	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E
Net sales	125,700	198,686	268,095	201,667	205,700	209,814	214,011	218,291
NOPLAT	13,896	17,369	85,469	12,982	13,521	14,152	14,096	14,040
+ depreciation & amortisation	10,068	14,034	20,002	7,726	8,101	8,424	8,697	8,925
Net operating cash flow	23,963	31,403	105,472	20,707	21,622	22,575	22,793	22,965
- total investments (CAPEX, WC, other)	-98,654	-118,301	176,825	-4,463	-12,336	-12,148	-11,947	-11,733
Capital expenditures	-81,705	-105,304	160,857	-11,898	-11,688	-11,463	-11,226	-10,974
Working capital	-16,949	-12,997	14,968	6,436	-1,648	-1,684	-1,721	-1,759
Free cash flows (FCF)	-74,690	-86,897	282,297	16,245	9,286	10,428	10,846	11,233
PV of FCF's	-71,097	-77,238	234,253	12,587	6,719	7,045	6,841	6,616

All figures in thousands	
PV of FCFs in explicit period (2018E-2032E)	173,806
PV of FCFs in terminal period	116,651
Enterprise value (EV)	290,458
+ Net cash / - net debt	14,125
+ Investments / minority interests	-7,679
Shareholder value	296,904

Fair value per share in EUR	3.80
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WACC	7.1%
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	3.80
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WACC	Terminal growth rate						
	0.5%	1.0%	1.5%	2.0%	2.5%	3.0%	3.5%
4.1%	6.14	6.62	7.28	8.27	9.87	12.94	21.18
5.1%	4.88	5.12	5.43	5.83	6.39	7.21	8.56
6.1%	4.07	4.20	4.36	4.56	4.82	5.15	5.62
7.1%	3.49	3.57	3.66	3.77	3.91	4.07	4.29
8.1%	3.06	3.21	3.16	3.23	3.31	3.40	3.51
9.1%	2.72	2.75	2.79	2.83	2.88	2.93	3.00
10.1%	2.45	2.47	2.49	2.52	2.55	2.58	2.62

* for layout purposes the model shows numbers only to 2025, but runs until 2032



INCOME STATEMENT

All figures in EUR '000	2014A	2015A	2016A	2017A	2018E	2019E	2020E
Revenues	211,268	109,524	248,577	114,076	125,700	198,686	268,095
Change in inventories	19,078	116,096	1,591	63,331	0	0	0
Other operating income	3,603	7,707	9,075	9,483	6,419	6,961	7,210
Total aggregate output	233,949	233,327	259,244	186,890	132,119	205,647	275,305
Cost of goods sold	-170,496	-154,934	-96,951	-108,381	-54,051	-117,225	-93,833
Gross profit	59,850	70,686	153,218	5,695	71,649	81,461	174,262
Personnel costs	-27,041	-29,254	-25,423	-25,789	-26,821	-27,893	-28,730
Other operating expenses	-25,206	-29,504	-26,946	-24,125	-25,652	-27,102	-28,200
EBITDA	11,206	19,635	109,924	28,595	25,595	33,427	124,542
Depreciation and amortisation	-8,526	-9,870	-12,884	-5,466	-10,068	-14,034	-20,002
Operating income (EBIT)	2,680	9,765	97,040	23,129	15,527	19,393	104,539
Interest Expense	-14,934	-16,381	-17,331	-10,709	-8,872	-11,069	-11,261
Interest Income	2,422	1,743	1,111	619	503	795	1,072
Income from participations & ass. companies	-5,334	-86	736	1,022	1,000	1,000	1,000
Pre-tax income (EBT)	-15,166	-4,959	81,556	14,061	8,158	10,119	95,350
Income taxes	-3,131	3,570	-14,476	174	-1,632	-2,024	-19,070
Minority interests	5,305	4,863	1,893	2,840	2,840	2,840	2,840
Net income / loss	-12,992	3,474	68,973	17,075	9,367	10,935	79,120
Diluted EPS (in €)	-0.21	0.05	0.88	0.22	0.12	0.14	1.01

Ratios

Gross margin	28.3%	64.5%	61.6%	5.0%	57.0%	41.0%	65.0%
EBITDA margin on revenues	5.3%	17.9%	44.2%	25.1%	20.4%	16.8%	46.5%
EBIT margin on revenues	1.3%	8.9%	39.0%	20.3%	12.4%	9.8%	39.0%
Net margin on revenues	-6.1%	3.2%	27.7%	15.0%	7.5%	5.5%	29.5%
Tax rate	-20.6%	72.0%	17.7%	-1.2%	20.0%	20.0%	20.0%

Expenses as % of revenues

Personnel costs	12.8%	26.7%	10.2%	22.6%	21.3%	14.0%	10.7%
Depreciation and amortisation	4.0%	9.0%	5.2%	4.8%	8.0%	7.1%	7.5%
Other operating expenses	11.9%	26.9%	10.8%	21.1%	20.4%	13.6%	10.5%

Y-Y Growth

Revenues	46.7%	-48.2%	127.0%	-54.1%	10.2%	58.1%	34.9%
Operating income	-93.8%	264.4%	893.7%	-76.2%	-32.9%	24.9%	439.1%
Net income/ loss	n.m.	n.m.	1885.4%	-75.2%	-45.1%	16.7%	623.5%



BALANCE SHEET

All figures in EUR '000	2014A	2015A	2016A	2017A	2018E	2019E	2020E
Assets							
Current assets, total	265,935	236,033	289,776	308,379	195,572	227,836	370,639
Cash and cash equivalents	72,175	86,075	147,686	193,984	71,753	89,520	248,566
Short-term investments	0	0	0	0	0	0	0
Receivables	20,098	7,969	13,187	5,119	12,053	19,052	22,035
Inventories	152,389	121,177	112,946	86,361	88,851	96,349	77,123
Other current assets	21,273	20,812	15,957	22,915	22,915	22,915	22,915
Non-current assets, total	150,900	252,231	142,218	184,905	257,038	348,307	167,447
Property, plant & equipment	73,655	167,347	39,230	103,872	175,429	266,698	85,839
Goodwill & other intangibles	63,926	63,105	67,400	66,825	67,400	67,400	67,400
Long-term investments / ass. companies	0	0	0	0	0	0	0
Other assets	13,319	21,779	35,588	14,208	14,208	14,208	14,208
Total assets	416,835	488,264	431,994	493,285	452,610	576,142	538,086
Shareholders' equity & debt							
Current liabilities, total	95,034	84,858	73,922	179,150	84,516	126,016	91,631
Short-term debt	34,940	35,857	2,163	107,109	20,000	60,000	20,000
Accounts payable	21,476	16,852	15,692	25,295	17,770	19,270	17,995
Current provisions	3,908	6,291	3,968	4,858	4,858	4,858	4,858
Other current liabilities	34,710	25,858	52,099	41,888	41,888	41,888	48,778
Long-term liabilities, total	161,606	237,478	128,685	78,915	129,410	206,410	136,410
Long-term debt	141,207	215,975	115,860	72,751	122,751	199,751	129,751
Deferred revenue	0	0	0	0	0	0	0
Other liabilities	20,399	21,503	12,825	6,163	6,658	6,658	6,658
Minority interests	33	-3,102	-5,393	-7,679	-10,519	-13,359	-16,199
Shareholders' equity	160,162	169,030	234,781	242,899	249,203	257,076	326,244
Share capital	71,975	76,555	76,556	76,556	76,556	76,556	76,556
Capital reserve	77,803	82,287	82,288	82,288	82,288	82,288	82,288
Other reserves	-296	-724	-997	-908	-908	-908	-908
Treasury stock	0	0	0	0	0	0	0
Retained earnings	10,680	10,912	76,934	84,962	91,266	99,139	168,307
Total consolidated equity and debt	416,835	488,264	431,994	493,285	452,610	576,142	538,086
Ratios							
Current ratio (x)	2.80	2.78	3.92	1.72	2.31	1.81	4.04
Quick ratio (x)	1.19	1.35	2.39	1.24	1.26	1.04	3.20
Net cash	-103,972	-165,757	29,663	14,124	-70,998	-170,232	98,814
Net gearing	64.9%	98.1%	-12.6%	-5.8%	28.5%	66.2%	-30.3%
Book value per share (€)	2.60	2.20	2.99	3.09	3.17	3.27	4.14
Tangible book value per share (€)	1.62	1.41	2.18	2.28	2.36	2.46	3.34
Equity ratio (incl. minorities)	38.4%	34.0%	53.1%	47.7%	52.7%	42.3%	57.6%
Return on equity (ROE)	-8.1%	2.1%	29.4%	7.0%	3.8%	4.3%	24.3%
Return on assets (ROA)	0.5%	4.1%	20.0%	5.6%	4.0%	3.8%	16.8%
Return on investment (ROI)	-3.1%	0.7%	16.0%	3.5%	2.1%	1.9%	14.7%
Return on capital employed (ROCE)	0.9%	3.1%	34.3%	10.5%	5.7%	5.3%	32.7%
Days sales outstanding (DSO)	34.7	26.6	19.4	16.4	35.0	35.0	30.0
Days inventory outstanding (DIO)	326.2	285.5	425.2	290.8	600.0	300.0	300.0
Days payables outstanding (DPO)	46.0	39.7	59.1	85.2	120.0	60.0	70.0



CASH FLOW STATEMENT

All figures in EUR '000	2014A	2015A	2016A	2017A	2018E	2019E	2020E
EBIT	2,681	9,765	97,040	23,129	15,527	19,393	104,539
Depreciation and amortisation	8,554	9,898	12,884	5,466	10,068	14,034	20,002
EBITDA	11,235	19,663	109,924	28,595	25,595	33,427	124,542
Changes in working capital	-28,886	-74,556	58,583	12,292	-16,949	-12,997	14,968
Other adjustments	-11,845	-47,582	-104,081	-18,257	-9,001	-11,298	-28,259
Operating cash flow	-29,496	-102,475	64,426	22,630	-354	9,132	111,251
Investments in PP&E	-4,829	-2,903	-108,699	-70,015	-81,705	-105,304	160,857
Investments in intangibles	0	0	0	0	0	0	0
Free cash flow	-34,325	-105,378	-44,273	-47,385	-82,059	-96,171	272,108
Acquisitions & disposals, net	-81	23,258	106,876	51,300	0	0	0
Other investments	0	-255	-418	-7,535	0	0	0
Cash flow from investing	-4,910	20,100	-2,241	-26,250	-81,705	-105,304	160,857
Debt financing, net	11,137	97,715	23,171	59,106	-37,109	117,000	-110,000
Equity financing, net	33,435	9,454	0	0	0	0	0
Dividends paid	-8,229	-3,062	-3,062	-9,187	-3,062	-3,062	-3,062
Other financing	-2,302	-2,221	0	0	0	0	0
Cash flow from financing	34,041	101,886	20,109	49,919	-40,171	113,938	-113,062
Forex and other changes in cash	-4,862	-5,611	-20,684	-1	0	0	0
Net cash flows	-5,227	13,900	61,609	46,298	-122,231	17,766	159,046
Cash, start of the year	77,402	72,175	86,076	147,686	193,984	71,753	89,520
Cash, end of the year	72,175	86,075	147,686	193,984	71,753	89,520	248,566
EBITDA/share (in €)	0.18	0.26	1.40	0.36	0.33	0.42	1.58
Operating cashflow/share (in €)	-0.48	-1.33	0.82	0.29	0.00	0.12	1.41
Y-Y Growth							
Operating cash flow	n.m.	n.m.	n.m.	-64.9%	n.m.	n.m.	1118.2%
Free cash flow	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
EBITDA/share	-81.2%	40.4%	447.5%	-74.0%	-10.5%	30.6%	272.6%

FIRST BERLIN RECOMMENDATION & PRICE TARGET HISTORY

Report No.:	Date of publication	Previous day closing price	Recommendation	Price target
Initial Report	31 March 2008	€2.38	Buy	€4.50
2...88	↓	↓	↓	↓
89	14 August 2017	€2.62	Buy	€3.50
90	9 November 2017	€2.89	Buy	€3.70
91	23 November 2017	€2.82	Buy	€3.80
92	Today	€2.48	Buy	€3.80

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