

PNE AG

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

Update

RATING

PRICE TARGET

Return Potential
 Risk Rating

BUY

€ 3.60

43.4%
 High

SPECTACULAR SUCCESS IN POLAND – 174 MW AWARDED

PNE was awarded two projects in the recent tender in Poland. The total capacity of the projects is no less than 174 MW. This is a spectacular success for the company and significantly increases visibility for 2019E. We expect earnings amounting to a high single digit million Euro figure if PNE sells the project rights. This would make a substantial contribution to our 2019E EBIT forecast of ca. €16m. We reiterate our Buy rating and the €3.60 price target.

Successful in Poland Following the awards for the wind farm projects "Barwice" (42 MW) and "Jasna" (132 MW), we expect construction to start in H1 2019E and completion in 2019E/20E. If PNE sells the project rights we expect earnings amounting to a high single digit million Euro figure. The award of the two projects means that all phase III projects have cleared the last hurdle. At the end of September, PNE was developing further projects with a total capacity of 92 MW in Poland, which are in an early development stage (phase I-II).

International diversification again helpful Given that approval processes in Germany have been very slow this year, PNE's international activities are gaining in importance. The awards in Poland will make a significant contribution to the international project business which has already successfully completed wind farm developments in France, Sweden, and the US.

Stock attractively valued At the end of September, equity book value per share amounted to €2.90 and tangible book value (equity minus goodwill) per share to ca. €2.07. The share is currently trading in the middle of that range. A profitable company that plans to sell a 200 MW portfolio in 2020E, which would result in very high earnings, is an attractive value proposition at this share price level. We confirm our Buy rating and the €3.60 price target.

FINANCIAL HISTORY & PROJECTIONS

	2015	2016	2017	2018E	2019E	2020E
Revenue (€m)	109.52	248.58	114.08	109.70	178.69	268.10
Y-o-y growth	-48.2%	127.0%	-54.1%	-3.8%	62.9%	50.0%
EBIT (€m)	9.77	97.04	23.13	12.63	15.76	104.32
EBIT margin	8.9%	39.0%	20.3%	11.5%	8.8%	38.9%
Net income (€m)	3.47	68.97	17.08	4.57	5.94	76.94
EPS (diluted) (€)	0.05	0.88	0.22	0.06	0.08	0.98
DPS (€)	0.04	0.12	0.04	0.04	0.04	0.13
FCF (€m)	-105.38	-44.27	-47.39	-55.05	-140.61	261.33
Net gearing	98.1%	-12.6%	-5.8%	18.0%	75.9%	-22.5%
Liquid assets (€m)	86.08	147.69	193.98	108.76	75.09	223.37

RISKS

Risks to our price target include, but are not limited to: changes in legislation, project financing risks, project delays, and project approval risks.

COMPANY PROFILE

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

MARKET DATA

As of 30 Nov 2018

Closing Price	€ 2.51
Shares outstanding	76.56m
Market Capitalisation	€ 192.16m
52-week Range	€ 2.25 / 3.18
Avg. Volume (12 Months)	258,991

Multiples	2017	2018E	2019E
P/E	11.5	43.3	33.2
EV/Sales	1.6	1.6	1.0
EV/EBIT	7.7	14.1	11.3
Div. Yield	1.6%	1.6%	1.6%

STOCK OVERVIEW



COMPANY DATA

As of 30 Sep 2018

Liquid Assets	€ 117.30m
Current Assets	€ 268.12m
Intangible Assets	€ 65.20m
Total Assets	€ 442.86m
Current Liabilities	€ 92.66m
Shareholders' Equity	€ 221.73m

SHAREHOLDERS

Internat. Kapitalanlageges. mbH	10.1%
Active Ownership Fund SCS	5.1%
Axxion S.A.	3.2%
Other investors	6.1%
Free Float	75.6%



VALUATION MODEL

DCF valuation model								
All figures in EUR '000								
	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E
Net sales	109,700	178,686	268,095	201,667	205,700	209,814	214,011	218,291
NOPLAT	11,794	14,474	85,286	10,631	11,384	12,217	12,333	12,438
+ depreciation & amortisation	9,445	14,255	20,220	9,701	9,898	10,059	10,186	10,279
Net operating cash flow	21,239	28,729	105,507	20,332	21,282	22,276	22,518	22,718
- total investments (CAPEX, WC, other)	-67,859	-160,004	165,974	-4,463	-12,387	-12,201	-12,002	-11,790
Capital expenditures	-65,820	-142,949	160,857	-11,898	-11,688	-11,463	-11,226	-10,974
Working capital	-2,039	-17,055	4,117	6,436	-1,699	-1,738	-1,776	-1,816
Free cash flows (FCF)	-46,620	-131,276	271,480	15,869	8,895	10,075	10,516	10,927
PV of FCF's	-46,353	-121,879	235,309	12,844	6,723	7,110	6,928	6,722

All figures in thousands	
PV of FCFs in explicit period (2018E-2032E)	157,285
PV of FCFs in terminal period	122,610
Enterprise value (EV)	279,895
+ Net cash / - net debt	14,125
+ Investments / minority interests	-7,679
Shareholder value	286,341

Fair value per share in EUR	3.64
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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%
Price target in EUR	3.60

		Terminal growth rate						
		0.5%	1.0%	1.5%	2.0%	2.5%	3.0%	3.5%
WACC	4.1%	5.89	6.40	7.12	8.18	9.91	13.21	22.08
	5.1%	4.66	4.93	5.26	5.71	6.33	7.24	8.73
	6.1%	3.87	4.02	4.20	4.43	4.72	5.10	5.64
	7.1%	3.31	3.40	3.51	3.64	3.80	3.99	4.24
	8.1%	2.89	3.05	3.02	3.10	3.19	3.30	3.44
	9.1%	2.56	2.60	2.65	2.70	2.76	2.83	2.91
	10.1%	2.30	2.33	2.36	2.39	2.43	2.48	2.53

* 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	109,700	178,686	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	5,419	6,961	7,210
Total aggregate output	233,949	233,327	259,244	186,890	115,119	185,647	275,305
Cost of goods sold	-170,496	-154,934	-96,951	-108,381	-43,880	-103,638	-93,833
Gross profit	59,850	70,686	153,218	5,695	65,820	75,048	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	-22,338	-24,102	-28,200
EBITDA	11,206	19,635	109,924	28,595	22,080	30,014	124,542
Depreciation and amortisation	-8,526	-9,870	-12,884	-5,466	-9,445	-14,255	-20,220
Operating income (EBIT)	2,680	9,765	97,040	23,129	12,635	15,759	104,321
Interest Expense	-14,934	-16,381	-17,331	-10,709	-9,812	-11,011	-11,219
Interest Income	2,422	1,743	1,111	619	384	679	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	4,207	6,427	95,175
Income taxes	-3,131	3,570	-14,476	174	-841	-1,285	-19,035
Minority interests	5,305	4,863	1,893	2,840	1,200	800	800
Net income / loss	-12,992	3,474	68,973	17,075	4,565	5,942	76,940
Diluted EPS (in €)	-0.21	0.05	0.88	0.22	0.06	0.08	0.98

Ratios

Gross margin	28.3%	64.5%	61.6%	5.0%	60.0%	42.0%	65.0%
EBITDA margin on revenues	5.3%	17.9%	44.2%	25.1%	20.1%	16.8%	46.5%
EBIT margin on revenues	1.3%	8.9%	39.0%	20.3%	11.5%	8.8%	38.9%
Net margin on revenues	-6.1%	3.2%	27.7%	15.0%	4.2%	3.3%	28.7%
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%	24.4%	15.6%	10.7%
Depreciation and amortisation	4.0%	9.0%	5.2%	4.8%	8.6%	8.0%	7.5%
Other operating expenses	11.9%	26.9%	10.8%	21.1%	20.4%	13.5%	10.5%

Y-Y Growth

Revenues	46.7%	-48.2%	127.0%	-54.1%	-3.8%	62.9%	50.0%
Operating income	-93.8%	264.4%	893.7%	-76.2%	-45.4%	24.7%	562.0%
Net income/ loss	n.m.	n.m.	1885.4%	-75.2%	-73.3%	30.2%	1194.9%



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	214,330	200,326	345,440
Cash and cash equivalents	72,175	86,075	147,686	193,984	108,764	75,095	223,367
Short-term investments	0	0	0	0	0	0	0
Receivables	20,098	7,969	13,187	5,119	10,519	17,134	22,035
Inventories	152,389	121,177	112,946	86,361	72,132	85,182	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	241,775	370,469	189,392
Property, plant & equipment	73,655	167,347	39,230	103,872	160,167	288,861	107,784
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	456,105	570,795	534,832
Shareholders' equity & debt							
Current liabilities, total	95,034	84,858	73,922	179,150	91,172	123,782	91,631
Short-term debt	34,940	35,857	2,163	107,109	30,000	60,000	20,000
Accounts payable	21,476	16,852	15,692	25,295	14,426	17,036	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	209,410	139,410
Long-term debt	141,207	215,975	115,860	72,751	122,751	202,751	132,751
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	-8,879	-9,679	-10,479
Shareholders' equity	160,162	169,030	234,781	242,899	244,402	247,281	314,269
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	86,465	89,345	156,333
Total consolidated equity and debt	416,835	488,264	431,994	493,285	456,105	570,795	534,832
Ratios							
Current ratio (x)	2.80	2.78	3.92	1.72	2.35	1.62	3.77
Quick ratio (x)	1.19	1.35	2.39	1.24	1.56	0.93	2.93
Net cash	-103,972	-165,757	29,663	14,124	-43,987	-187,657	70,615
Net gearing	64.9%	98.1%	-12.6%	-5.8%	18.0%	75.9%	-22.5%
Book value per share (€)	2.60	2.16	2.92	2.99	2.99	3.02	3.86
Tangible book value per share (€)	1.62	1.37	2.11	2.18	2.19	2.21	3.05
Equity ratio (incl. minorities)	38.4%	34.0%	53.1%	47.7%	51.6%	41.6%	56.8%
Return on equity (ROE)	-8.1%	2.1%	29.4%	7.0%	1.9%	2.4%	24.5%
Return on assets (ROA)	0.5%	4.1%	20.0%	5.6%	3.2%	3.0%	16.5%
Return on investment (ROI)	-3.1%	0.7%	16.0%	3.5%	1.0%	1.0%	14.4%
Return on capital employed (ROCE)	0.9%	3.1%	34.3%	10.5%	4.9%	4.4%	31.1%
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	12,635	15,759	104,321
Depreciation and amortisation	8,554	9,898	12,884	5,466	9,445	14,255	20,220
EBITDA	11,235	19,663	109,924	28,595	22,080	30,014	124,542
Changes in working capital	-28,886	-74,556	58,583	12,292	-2,039	-17,055	4,117
Other adjustments	-11,845	-47,582	-104,081	-18,257	-9,269	-10,617	-28,181
Operating cash flow	-29,496	-102,475	64,426	22,630	10,772	2,341	100,477
Investments in PP&E	-4,829	-2,903	-108,699	-70,015	-65,820	-142,949	160,857
Investments in intangibles	0	0	0	0	0	0	0
Free cash flow	-34,325	-105,378	-44,273	-47,385	-55,048	-140,607	261,334
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	-65,820	-142,949	160,857
Debt financing, net	11,137	97,715	23,171	59,106	-27,109	110,000	-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	-30,171	106,938	-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	-85,220	-33,670	148,272
Cash, start of the year	77,402	72,175	86,076	147,686	193,984	108,764	75,095
Cash, end of the year	72,175	86,075	147,686	193,984	108,764	75,095	223,367
EBITDA/share (in €)	0.18	0.26	1.40	0.36	0.28	0.38	1.58
Operating cashflow/share (in €)	-0.48	-1.33	0.82	0.29	0.14	0.03	1.28
Y-Y Growth							
Operating cash flow	n.m.	n.m.	n.m.	-64.9%	-52.4%	-78.3%	4191.2%
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%	-22.8%	35.9%	314.9%

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...92	↓	↓	↓	↓
93	14 May 2018	€2.49	Buy	€3.80
94	10 August 2018	€2.50	Buy	€3.80
95	9 November 2018	€2.50	Buy	€3.60
96	Today	€2.51	Buy	€3.60

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PRICE TARGET DATES

Unless otherwise indicated, current prices refer to the closing prices of the previous trading day.

AGREEMENT WITH THE ANALYSED COMPANY AND MAINTENANCE OF OBJECTIVITY

The present financial analysis is based on the author's own knowledge and research. The author prepared this study without any direct or indirect influence exerted on the part of the analysed company. Parts of the financial analysis were possibly provided to the analysed company prior to publication in order to avoid inaccuracies in the representation of facts. However, no substantial changes were made at the request of the analysed company following any such provision.

ASSET VALUATION SYSTEM

First Berlin's system for asset valuation is divided into an asset recommendation and a risk assessment.

ASSET RECOMMENDATION

The recommendations determined in accordance with the share price trend anticipated by First Berlin in the respectively indicated investment period are as follows:

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

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

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

RISK ASSESSMENT

The First Berlin categories for risk assessment are low, average, high and speculative. They are determined by ten factors: Corporate governance, quality of earnings, management strength, balance sheet and financial risk, competitive position, standard of financial disclosure, regulatory and political uncertainty, strength of brandname, market capitalisation and free float. These risk factors are incorporated into the First Berlin valuation models and are thus included in the target prices. First Berlin customers may request the models.

INVESTMENT HORIZON

Unless otherwise stated in the financial analysis, the ratings refer to an investment period of twelve months.

UPDATES

At the time of publication of this financial analysis it is not certain whether, when and on what occasion an update will be provided. In general First Berlin strives to review the financial analysis for its topicality and, if required, to update it in a very timely manner in connection with the reporting obligations of the analysed company or on the occasion of ad hoc notifications.

SUBJECT TO CHANGE

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

Legally required information regarding

- key sources of information in the preparation of this research report
- valuation methods and principles
- sensitivity of valuation parameters

can be accessed through the following internet link: <http://firstberlin.com/disclaimer-english-link/>

SUPERVISORY AUTHORITY: Bundesanstalt für Finanzdienstleistungsaufsicht (German Federal Financial Supervisory Authority) [BaFin], Graurheindorferstraße 108, 53117 Bonn and Lurgiallee 12, 60439 Frankfurt

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