

# PNE AG

Germany / Cleantech  
 Primary exchange: Frankfurt  
 Bloomberg: PNE3 GR  
 ISIN: DE000A0JBP2

2022 annual report

## RATING

### PRICE TARGET

Return Potential  
 Risk Rating

## BUY

€ 25.00

92.9%  
 High

## 2023 GUIDANCE BELOW CONSENSUS

PNE, since June 2022 an SDAX member, has reported final 2022 figures which were in line with preliminaries. EBITDA rose 8% y/y to €35.4m (preliminary figure: €34m - €36m), which exceeded initial guidance of €20m - €30m. The own wind farm portfolio was expanded from 233 MW to 319 MW (+37% y/y). This and better wind conditions resulted in power production rising from 295 GWh to 509 GWh (+73% y/y). PNE expanded its project pipeline from 6.9 GW to 11.9 GW (+72% y/y). In the Service segment, the capacity which is operationally managed rose from ca. 2.0 GW to ca. 2.5 GW. All KPIs show that 2022 was a successful year for PNE. The company has confirmed its medium-term growth plan ("Scale up 2.0") and expects 2023 EBITDA between €30m and €40m. 2023 guidance is below the consensus EBITDA forecast (€55m) at the publication date and our previous EBITDA estimate (€44m). Our new cost projections result in lower EBITDA forecasts for 2023E - 2025E. PNE's stock took a first hit when Morgan Stanley announced in January that it no longer plans to sell its 44% stake. The stock has fallen further since PNE published 2023 guidance below consensus. However, we believe 2022 has shown that PNE is well on track to reach its medium-term growth targets. We view the current share price level as an attractive buying opportunity for long-term investors. An updated sum-of-the-parts valuation yields a new price target of €25 (previously: €26). We confirm our Buy recommendation.

**Market disappointed by 2023 guidance** PNE's 2023 guidance of €30m - €40m EBITDA was below the consensus forecast of €55m. We note that PNE has a conservative guidance policy and topped its EBITDA guidance in the last three years.

**Medium-term targets signal upward potential** We believe that PNE will successfully execute its accelerated growth strategy "Scale up 2.0", which it first presented in November 2022. By 2027, the strategy's main targets are to...  
 (p.t.o.)

## FINANCIAL HISTORY & PROJECTIONS

	2020	2021	2022	2023E	2024E	2025E
Revenue (€m)	109.69	117.73	126.17	118.19	151.37	180.99
Y-o-y growth	-17.4%	7.3%	7.2%	-6.3%	28.1%	19.6%
EBITDA (€m)	26.35	32.65	35.39	41.31	56.98	73.03
EBITDA margin	24.0%	27.7%	28.1%	35.0%	37.6%	40.4%
Net income (€m)	1.62	25.13	14.90	-8.98	-7.26	-6.65
EPS (diluted) (€)	0.02	0.33	0.20	-0.12	-0.10	-0.09
DPS (€)	0.04	0.08	0.08	0.08	0.08	0.08
FCF (€m)	-83.03	-89.05	-104.65	-179.64	-170.61	-267.19
Net gearing	129.9%	166.3%	194.4%	309.3%	422.8%	605.7%
Liquid assets (€m)	111.62	149.63	121.58	90.41	50.69	29.40

## RISKS

Risks to our price target include, but are not limited to: changes in legislation, project delays, project approval risks, project financing 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. Currently, the company had an international wind and PV project pipeline of ca. 11.9 GW and an own wind power plant portfolio with a capacity of ca. 319 MW. PNE is based in Cuxhaven, Germany.

## MARKET DATA

As of 14 Apr 2023

Closing Price	€ 12.96
Shares outstanding	76.34m
Market Capitalisation	€ 989.31m
52-week Range	€ 11.76 / 24.05
Avg. Volume (12 Months)	165,723

Multiples	2022	2023E	2024E
P/E	64.3	n.a.	n.a.
EV/Sales	11.2	11.9	9.3
EV/EBITDA	39.9	34.1	24.8
Div. Yield	0.6%	0.6%	0.6%

## STOCK OVERVIEW



## COMPANY DATA

As of 31 Dec 2022

Liquid Assets	€ 121.58m
Current Assets	€ 335.10m
Intangible Assets	€ 64.40m
Total Assets	€ 920.34m
Current Liabilities	€ 139.85m
Shareholders' Equity	€ 232.16m

## SHAREHOLDERS

Morgan Stanley Infrastructure Partners	44.2%
Active Ownership Fund SCS	12.0%
Enkraft	5.0%
Goldman Sachs	5.1%
Free Float	33.7%



- (1) increase EBITDA to >€150m (2022: €35m);
- (2) expand the own green power plant portfolio from 319 MW (end 2022) to up to 1,500 MW/MWp (planned CapEx: €1.6bn);
- (3) expand the project pipeline to >20 GW/GWp (end 2022: 11.9 GW/GWp) and sell an average of ~600 MW of projects p.a., and
- (4) expand the Service segment's wind and PV project management capacity from 2,200 MW to more than 3,500 MW.

**Single-digit rises in sales and EBITDA** Group sales and EBITDA were driven by a much stronger Electricity Generation segment and were up 7% y/y to €126m, while EBITDA of €35.4m exceeded the prior year figure by 8% (see figure 1). EBT jumped from €3.0m to €23.9m due mainly to interest swap valuation resulting in interest rate income of €17.7m versus €3.5m in 2021. The net result was however lower than last year (€14.1m versus €24.7m) owing to tax expenses of €9.6m versus tax income of €21.8m in 2021.

**Figure 1: Reported group figures versus forecasts**

All figures in €m	2022A	2022E	Delta	2021A	Delta
Sales	126.2	113.6	11%	117.7	7%
EBITDA	35.4	35.0	1%	32.7	8%
margin	28.1%	30.8%		27.7%	
Net income	14.1	11.9	19%	25.1	-44%
margin	11.2%	10.4%		21.3%	
EPS (diluted) in €	0.20	0.16	19%	0.33	-41%

Source: First Berlin Equity Research, PNE AG

**Electricity Generation with record result** Based on higher power production (+73% y/y) and a higher average selling price (ASP), the Electricity Generation segment increased sales by 131% y/y to €73.1m and EBITDA by 150% to €57.7m. Given power production of 509 GWh, the ASP was €144 €/MWh versus €107 €/MWh in 2021 (+24% y/y).

**Figure 2: Reported segment figures versus forecasts**

Figures in €m	2022A	2022E	Delta	2021A	Delta
<b>Project development</b>					
External sales	34.7	25.8	34%	68.9	-50%
EBITDA	26.8	21.5	25%	62.7	-57%
margin	77.3%	83.3%	-	90.9%	-
<b>Services</b>					
External sales	18.4	18.2	1%	17.1	7%
EBITDA	6.1	5.8	5%	5.1	20%
margin	33.1%	32.0%	-	29.6%	-
<b>Electricity generation</b>					
External sales	73.1	69.6	5%	31.7	131%
EBITDA	57.7	57.7	0%	23.1	150%
margin	79.0%	82.8%		73.1%	-
<b>Consolidation</b>					
External sales	0.0	0.0	-	0.0	-
EBITDA	-55.2	-50.0	-	-58.2	-
margin	n.m.	n.m.	-	n.m.	-
<b>Group</b>					
Sales	126.2	113.6	11%	117.7	7%
EBITDA	35.4	35.0	1%	32.7	8%
margin	28.1%	30.8%	-	27.8%	-

Source: First Berlin Equity Research, PNE AG



**Project development was weaker y/y** Project development segment sales halved to €34.7m owing to lower construction and project sales activity (482 MW completed, under construction or sold versus 1,076 MW in 2021). Segment EBITDA dipped 57% to €26.8m. PNE started construction of many projects for its own plant portfolio, which results in the elimination of profits on the group level. If we add consolidation EBITDA of €-55.2m, segment EBITDA would be €-28.4m. We note that the expansion of the own plant portfolio burdens the segment figures as projects are not sold to the market (no margin!). The Project Development segment bears the cost of construction, but in the future the profits will be shown in the Electricity Generation segment.

**Service segment remains on profitable growth path** External sales rose 7% y/y to €18.4m. PNE increased segment EBITDA by 20% y/y to €6.1m. The EBITDA margin widened from 29.6% to 33.1%. PNE expanded the capacity under operational management from ca. 2.000 to ca. 2.500 MW (+ca. 25% y/y).

**Balance sheet reflects expansion of own plant portfolio** PP&E, which contains the book value of the own plant portfolio, rose 29% y/y to €354m (see figure 3). Financial debt including lease liabilities increased to €573m from €519m at YE21. Net debt was up 22% to €451m. Although equity rose 5% to €232m, the equity ratio edged lower from 26.8% to 25.2% due to the widening of the balance sheet by 11%.

**Figure 3: Selected balance sheet items**

All figures in EURm	2022A	2021A	Delta
<b>Assets</b>			
<b>Current assets, total</b>	<b>335</b>	<b>363</b>	<b>-8%</b>
Cash and cash equivalents	122	150	-19%
Receivables	38	29	29%
Inventories	147	164	-10%
<b>Non-current assets, total</b>	<b>586</b>	<b>464</b>	<b>26%</b>
Property, plant & equipment	354	274	29%
Goodwill & other intangibles	64	63	2%
Right-of-use-assets	87	65	35%
<b>Total assets</b>	<b>920</b>	<b>827</b>	<b>11%</b>
<b>Shareholders' equity &amp; debt</b>			
<b>Current liabilities, total</b>	<b>140</b>	<b>109</b>	<b>28%</b>
Short-term financial debt	36	23	60%
Liabilities from leases (ST)	6	7	-15%
Accounts payable	45	34	30%
<b>Long-term liabilities, total</b>	<b>548</b>	<b>496</b>	<b>11%</b>
Long-term financial debt	419	385	9%
Liabilities from leases (LT)	111	104	7%
<b>Shareholders' equity</b>	<b>232</b>	<b>222</b>	<b>5%</b>
Equity ratio	25.2%	26.8%	-1.6 PP
Net debt	451	369	22%
Net gearing	194%	166%	+28 PP

Source: First Berlin Equity Research, PNE AG



**High CapEx led to high negative free cash flow** Operating cash flow of €-9m and capital expenditure of €96m mainly in new green power capacity resulted in free cash flow of €-105m (see figure 4 overleaf). Financing cash flow amounted to €79m and was largely driven by a net assumption of loans of €89m. Net cash flow was €-28m.

**Figure 4: Selected cash flow figures**

All figures in €m	2022A	2021A
<b>Operating cash flow</b>	<b>-9</b>	<b>24</b>
CAPEX	-96	-113
<b>Free cash flow</b>	<b>-105</b>	<b>-89</b>
Cash flow from investing	-98	-82
Cash flow from financing	79	112
<b>Net cash flows</b>	<b>-28</b>	<b>38</b>

Source: First Berlin Equity Research, PNE AG

**319 MW for own power production at YE/22** The own wind farm portfolio was expanded by 86 MW to 319 MW by the end of 2022 (see figure 5). In Q4/22, PNE commissioned two wind farms in Lower Saxony (Groß Oesingen: 32.4 MW, Adensen 6.9 MW, of which one turbine (3.4 MW) will be owned by PNE). Currently, 101 MW of projects are under construction, including the first French wind farm project (12 MW), which will all be transferred to the portfolio. A further 106 MW received awards in German tenders. Three German wind farm projects with a total capacity of 67 MW received approval and will participate in the May tender.

At the end of 2023, PNE expects to have ca. 420 MW in operation, which matches our forecast. PNE plans to expand its own generation portfolio of wind farms and solar plants to 1,500 MW/MWp by 2027. The expansion will take place in Germany, France, Poland, Italy and Spain.

**Figure 5: Own wind farms in operation, under construction or awarded**

Wind farm	MW	Location	In operation since
Adensen	3.4	Lower Saxony	Q4/2022
Groß Oesingen	32.4	Lower Saxony	Q4/2022
Kuhstedt II	22.0	Schleswig-Holstein	Q3/2022
Gnutz I	8.4	Schleswig-Holstein	Q2/2022
Wahlsdorf	19.4	Brandenburg	Q2/2022
Zahrenholz	21.6	Lower Saxony	Q4/2021
Holstentor	13.5	Schleswig-Holstein	Q4/2021
Boitzenhagen	25.1	Lower Saxony	Q4/2021
Langstedt	8.4	Schleswig-Holstein	Q1/2021
Lentförden	8.4	Schleswig-Holstein	Q1/2021
Kleinbüllesheim	4.7	NRW	Q4/2020
Neuenwalde	7.2	Lower Saxony	Q4/2019
Kittlitz III	17.3	Brandenburg	Q4/2019
Schlenzer	6.5	Brandenburg	Q2/2019
Gerdau-Repowering	21.6	Lower Saxony	Q1/2019
Kührstedt-Alfstedt	43.2	Lower Saxony	Q4/2017
Erfeld	2.6	Baden-Württemberg	2002
Laubuseschbach	3.0	Hesse	2002
Papenrode	22.3	Lower Saxony	2002
Pülfringen	6.5	Baden-Württemberg	2002
Helenberg	21.5	Rhineland-Palatinate	2001
<b>Sum</b>	<b>318.9</b>		
Under construction	101.0		
Tender awards	106.0		
<b>Sum</b>	<b>525.9</b>		

Source: First Berlin Equity Research, PNE AG



**Project pipeline reached a new high** The project pipeline was expanded to 11,883 MW/MWp (2021: 6,916 MW/MWp, +72% y/y). Of this, onshore wind amounted to 7,587 MW (2021: 5,706, +33%), and PV to 4,296 MWp (1,210 MWp, +255%). We note that the acquisition of 51% of the Spanish Kolya PV project developer added 1,808 MWp to the PV pipeline. Although the annual report states that the project pipeline is expected to remain constant in 2023, CEO Markus Lesser was optimistic that it will increase further.

**Sale of US business likely** PNE's US project pipeline comprises 1.1 GW/GWp. However, participation in tenders for grid connection is coupled with very high financing requirements, since buyers of electricity often insist on comprehensive contractual safeguards. For a smallish company such as PNE the construction risk is thus very high. A good part of the margin is however earned with construction. PNE may thus decide to exit the US market to free resources for Germany and other markets.

**Total dividend proposal of €0.08** Management proposes a €0.04 dividend per share and a special dividend of €0.04 resulting in a total dividend of €0.08. The dividend yield is below 1%.

**EU institutions agree on RE share of 42.5% by 2030** The agreement between the EU institutions regarding the new Renewable Energy Directive (RED III) is an important element of the European legislative packages Fit-for-55 und REPowerEU. The agreement stipulates a legally binding share of renewable energy of 42.5% (previous target: 32%, current EU average share: 22.1%) of final energy consumption by 2030 for the EU and each EU member state. The revised directive also seeks faster permitting processes for wind and solar projects with the introduction of dedicated "acceleration areas" for renewables.

**Risks: Interest rate development, supply chain issues and inflation** We see a significant risk that borrowing rates for short- and long-term project financing will increase. Higher long-term borrowing costs of newly completed projects reduce the internal rate of return. This is counteracted in Germany by the increase in the maximum value for onshore wind power tenders by 25% to 73.50 €/MWh and 25% for ground-mounted PV plants to 73.70 €/MWh. Although German electricity prices retreated y/y in Q1/23 (see figure 6), they remain on a high level compared to before 2021 (annual market value of onshore wind in 2020: 24 €/MWh). As figure 6 shows, market values in Q1 have been also higher than the new maximum tender prices for onshore wind and PV.

**Figure 6: Power price and market values for onshore wind and solar**

All figures in €/MWh	Jan 23	Jan 22	Delta	Feb 23	Feb 22	Delta	Mar 22	Mar 22	Delta
Spot market price	118	168	-30%	128	129	-1%	103	252	-59%
Onshore wind	87	129	-33%	106	108	-2%	85	198	-57%
Solar	123	178	-31%	123	119	3%	89	207	-57%

Source: First Berlin Equity Research, [www.netztransparenz.de](http://www.netztransparenz.de)

Even the electricity price brake, which virtually caps prices at around €100/MWh by taxation, should only have a temporary effect, as we expect it to be withdrawn in June following statements to this effect by the Minister of Economic Affairs, Robert Habeck. In 2022, PNE paid "windfall profit" taxes of €1.5m.

The pandemic, extreme weather, as well as more protectionist policies in large parts of the world have made international supply chains significantly more fragile in recent years. We expect to see a significant increase in supply chain stability now that the pandemic has subsided and China has opened up its economy.

The explosion in commodity prices has resulted in wind turbine prices increasing by ca. 20% and a 30% rise in solar panel prices. While we expect prices to stabilise for turbines, module



prices have been falling across the board since October 2022. According to pvexchange's module price index, wholesale module prices have declined by about 9-17% since then.

**Strong growth expected for wind and PV** In its latest annual report "Renewables 2022", the International Energy Agency (IEA) expects global renewable energy capacity to increase by 2,400 GW (!) between 2022 and 2027. This means that as many renewable energy-based power plants will be built in the next five years as in the previous 20 years. Wind and PV have become the cheapest option for new power plant capacity in most countries. Global PV capacity will nearly triple and global wind capacity will nearly double between 2022 and 2027, according to the IEA.

In PNE's most important market, Germany, the signs are also pointing to high growth. The German government has already initiated many measures to accelerate expansion and is planning further legislative amendments. According to the Bundesverband Windenergie (BWE), the measures initiated in 2022 have shown positive results. The number and volume of approvals in Q1/23 increased y/y from 213 turbines (~1.110 MW) to 295 turbines (~1.645 MW). This is an increase in volume of 48%.

We expect a significantly higher number of new installations from 2024, especially in onshore wind power. In 2022, 2.4 GW of onshore wind power were installed. For 2023, the German Wind Energy Association and VDMA expect new installations of 2.7 to 3.2 GW, which would represent growth of between 13% and 33%. The German government's target is an annual addition of 10 GW. A cumulative total of around 66 GW of wind power was connected to the grid at the end of 2022. According to the federal government's plans, nationwide installed onshore wind power capacity should increase to 115 GW by 2030. In the PV sector, ca. 7.5 GW was added in 2022. The German transmission system operators expect an additional 8.5 GW in 2023 (+13% y/y). The German government is targeting an expansion of 20 GW p.a. At the end of 2022, the cumulative total installed PV capacity was 68.5 GW. By 2030, the federal government aims to reach a capacity of 215 GW. The SolarPower Europe association expects an average annual increase of 18% in the rate of new installations in Germany by 2026.

**Forecasts adjusted** Based on the information from the 2022 annual report, we have adjusted our segment forecasts. On the group level, this results in lower EBITDA forecasts for 2023E - 2025E. Our EBITDA forecast for the current year of €41.3m is still above the upper end of company guidance (€30m - €40m).

**Figure 7: Revisions to forecasts**

All figures in €m	2023E			2024E			2025E		
	Old	New	Delta	Old	New	Delta	Old	New	Delta
Sales	117.4	118.2	0.7%	150.5	151.4	0.6%	180.1	181.0	0.5%
EBITDA	44.5	41.3	-7.2%	59.5	57.0	-4.2%	75.9	73.0	-3.8%
margin	37.9%	35.0%		39.5%	37.6%		42.1%	40.4%	
Net income	-8.0	-9.0	-	-5.5	-7.3	-	-3.3	-7.5	-
margin	-6.8%	-7.6%		-3.7%	-4.8%		-1.8%	-4.2%	
EPS (diluted) in €	-0.10	-0.12	-	-0.07	-0.10	-	-0.04	-0.10	-

Source: First Berlin Equity Research

**Valuation revised** The revision of our segment valuation models results in a lower valuation of the Project development segment, which is mainly caused by a higher net debt position. Our valuation of the other segments remains roughly unchanged.

**Buy rating confirmed at lower price target** An updated sum-of-the-parts valuation yields a new price target of €25 (previously: €26). We confirm our Buy recommendation.



## VALUATION MODEL

### SUM-OF-THE-PARTS VALUATION

We use a sum-of-the-parts (SotP) analysis to model PNE's fair value. Each of the three segments

- Project Development,
- Electricity Generation, and
- Services

is valued individually using a discounted cash flow (DCF) model.

#### Sum-of-the-parts valuation

SotP valuation	Fair value in €m	Fair value per share in €	FVPS in € old	Delta
Project Development	618.70	8.10	9.07	-11%
Electricity Generation	1,164.68	15.26	15.28	0%
Services	137.45	1.80	1.78	1%
<b>Sum of the parts</b>	<b>1,920.83</b>	<b>25.16</b>	<b>26.13</b>	<b>-4%</b>
<b>Price target</b>		<b>25.00</b>	<b>26.00</b>	<b>-4%</b>

The segment DCF models are shown and explained on the following pages.



## 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 shows only external sales.

Our DCF model assumptions are:

- Weighted average cost of capital (WACC) of 7.8%; (cost of equity: 11.3%, pre-tax cost of debt: 5.0%, tax rate: 30%, debt share: 45%, equity share: 55%);
- Terminal growth rate of 3.0%;
- Terminal EBITDA margin (including consolidation) of 13.5%.
- That a major share of the commissioned turnkey projects is transferred to the Electricity Generation segment by the end of 2028E. These projects do not generate a segment profit, as they are not sold. From 2029E on, we model that PNE sells all turnkey projects. This explains the jump in sales and earnings in 2029E.

### DCF model for Project Development segment

All figures in €'000 *	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Net sales	33,900	48,600	61,000	85,000	175,800	177,100	653,600	673,208
NOPLAT	-17,978	-15,332	-12,066	-6,787	12,722	11,276	83,036	82,144
+ depreciation & amortisation	3,115	2,886	2,700	2,524	2,417	2,560	2,687	2,593
Net operating cash flow	-14,863	-12,446	-9,366	-4,264	15,139	13,836	85,723	84,737
- total investments (CAPEX and WC)	-27,506	-22,678	-41,553	-35,928	-6,782	-5,060	-11,525	-4,564
Capital expenditures	-1,356	-4,738	-2,932	-1,700	-3,516	-3,542	-1,961	-2,020
Working capital	-26,150	-17,940	-38,621	-34,228	-3,266	-1,518	-9,564	-2,544
Free cash flows (FCF)	-42,369	-35,124	-50,919	-40,192	8,357	8,776	74,198	80,173
PV of FCF's	-40,152	-30,874	-41,523	-30,407	5,865	5,713	44,813	44,922

All figures in thousands	
PV of FCFs in explicit period (2023E-2037E)	165,719
PV of FCFs in terminal period	454,238
Enterprise value (EV)	619,957
+ Net cash / - net debt	-454
+ Investments / minority interests	-809
Shareholder value	618,694
Number of shares (diluted)	76,337
Fair value per share in EUR	8.10

WACC		Terminal growth rate							
		1.5%	2.0%	2.5%	3.0%	3.5%	4.0%	4.5%	
Cost of equity	11.3%	4.8%	17.17	19.37	22.55	27.49	36.26	56.14	144.56
Pre-tax cost of debt	5.0%	5.8%	12.13	13.17	14.53	16.38	19.03	23.17	30.52
Tax rate	30.0%	6.8%	9.01	9.57	10.26	11.14	12.27	13.82	16.04
After-tax cost of debt	3.5%	7.8%	6.92	7.25	7.64	8.10	8.68	9.41	10.37
Share of equity capital	55.0%	8.8%	5.43	5.63	5.86	6.14	6.46	6.85	7.34
Share of debt capital	45.0%	9.8%	4.32	4.44	4.59	4.76	4.95	5.18	5.45
Fair value per share in EUR	8.10	10.8%	3.47	3.47	3.47	3.47	3.47	3.47	3.47

\* for layout purposes the model shows numbers only to 2029, but runs until 2036





## ELECTRICITY GENERATION

The Electricity Generation segment includes power production from green power plants. At the end of 2022, the portfolio combined its own 21 wind farms with a total capacity of 319 MW, and the Silbitz biomass power plant with a capacity of 5.6 MW. PNE plans to build up a wind & solar power production portfolio of up to 1,500 MW (1,000 MW wind, 500 MWp solar) by year-end 2027 (including secured projects that will be built in 2028). The following table shows our assumptions for the expansion of this portfolio.

### Expansion of the green power portfolio by 2027

Wind & solar power portfolio	2021A	2022E	2023E	2024E	2025E	2026E	2027E	2028E
Wind power capacity (MW), year start	134.8	233.2	319.2	419.2	519.2	619.2	719.2	839.2
Additional capacity (MW)	98.4	86.0	100.0	100.0	100.0	100.0	120.0	161.0
Wind power capacity (MW), year end	233.2	319.2	419.2	519.2	619.2	719.2	839.2	1,000.2
Solar power capacity (MW), year start	0.0	0.0	0.0	0.0	0.0	120.0	240.0	360.0
Additional capacity (MW)	0.0	0.0	0.0	0.0	120.0	120.0	120.0	140.0
Solar power capacity (MW), year end	0.0	0.0	0.0	0.0	120.0	240.0	360.0	500.0
<b>Portfolio capacity (wind &amp; PV), year start</b>	<b>134.8</b>	<b>233.2</b>	<b>319.2</b>	<b>419.2</b>	<b>519.2</b>	<b>739.2</b>	<b>959.2</b>	<b>1,199.2</b>
<b>Additional capacity (MW)</b>	<b>98.4</b>	<b>86.0</b>	<b>100.0</b>	<b>100.0</b>	<b>220.0</b>	<b>220.0</b>	<b>240.0</b>	<b>301.0</b>
<b>Portfolio capacity (wind &amp; PV), year end</b>	<b>233.2</b>	<b>319.2</b>	<b>419.2</b>	<b>519.2</b>	<b>739.2</b>	<b>959.2</b>	<b>1,199.2</b>	<b>1,500.2</b>

Our segment DCF model assumes:

- CapEx of almost €1.6bn from 2023E - 2028E;
- Maintenance CapEx (including repowering) of ca. €41m p.a. starting in 2029E in order to keep the portfolio at the 1,500 MW/MWp level;
- Weighted average cost of capital (WACC) of 4.4%; (cost of equity: 7.3%, pre-tax cost of debt: 4.5%, tax rate: 30%, debt share: 70%, equity share: 30%);
- Terminal growth rate of 1.0%;
- Terminal EBITDA margin of 78.0%.

### DCF model for Electricity Generation segment

All figures in EUR'000 *	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Net sales	64,249	80,529	95,299	125,456	156,413	184,653	226,037	228,297
NOPLAT	18,652	23,967	29,496	41,871	56,216	65,103	78,769	81,718
+ depreciation & amortisation	29,280	36,058	43,045	52,755	61,432	75,746	91,259	88,248
Net operating cash flow	47,932	60,024	72,542	94,627	117,648	140,848	170,028	169,966
- total investments (CAPEX and WC)	-173,300	-178,122	-267,833	-270,783	-305,937	-392,166	-47,273	-39,769
Capital expenditures	-175,000	-175,000	-265,000	-265,000	-300,000	-386,750	-39,336	-39,336
Working capital	1,700	-3,122	-2,833	-5,783	-5,937	-5,416	-7,937	-433
Free cash flows (FCF)	-125,368	-118,098	-195,291	-176,157	-188,289	-251,318	122,756	130,196
<b>PV of FCF's</b>	<b>-121,565</b>	<b>-109,681</b>	<b>-173,737</b>	<b>-150,117</b>	<b>-153,700</b>	<b>-196,491</b>	<b>91,935</b>	<b>93,403</b>

All figures in thousands	
PV of FCFs in explicit period (2023E-2037E)	-174,677
PV of FCFs in terminal period	1,782,254
Enterprise value (EV)	1,607,576
+ Net cash / - net debt	-442,900
+ Investments / minority interests	0
Shareholder value	1,164,676
Number of shares (diluted)	76,337
<b>Fair value per share in EUR</b>	<b>15.26</b>

WACC		Terminal growth rate							
		0.4%	0.6%	0.8%	1.0%	1.2%	1.4%	1.6%	
Cost of equity	7.3%	3.6%	15.98	18.79	21.99	25.68	29.97	35.03	41.08
Pre-tax cost of debt	4.5%	3.9%	13.37	15.78	18.49	21.59	25.14	29.26	34.10
Tax rate	30.0%	4.1%	11.12	13.20	15.53	18.16	21.15	24.57	28.52
After-tax cost of debt	3.2%	4.4%	9.16	10.98	13.00	15.26	17.80	20.68	23.97
Share of equity capital	30.0%	4.6%	7.45	9.05	10.81	12.77	14.95	17.40	20.18
Share of debt capital	70.0%	4.9%	5.93	7.35	8.90	10.61	12.50	14.62	16.98
<b>Fair value per share in EUR</b>	<b>15.26</b>	<b>5.1%</b>	4.59	5.84	7.22	8.72	10.38	12.22	14.26

\* for layout purposes the model shows numbers only to 2030, but runs until 2037



## SERVICES

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

Our DCF model assumptions are:

- Weighted average cost of capital (WACC) of 7.4% (cost of equity: 8.8%, pre-tax cost of debt: 4.5%, tax rate: 30%, debt share: 30%, equity share: 70%);
- Terminal growth rate of 2.5%;
- Terminal EBITDA margin of 28.2%.

### DCF model for Services segment

All figures in €'000 *	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Sales (external and inter-segment)	26,716	29,654	32,916	36,274	39,720	43,215	46,716	50,173
NOPLAT	2,218	2,800	3,819	4,637	5,543	6,413	7,248	8,048
+ depreciation & amortisation	3,974	4,455	4,823	4,843	4,820	4,856	4,937	5,050
Net operating cash flow	6,192	7,255	8,641	9,480	10,364	11,270	12,185	13,097
- total investments (CAPEX and WC)	-5,407	-5,138	-5,045	-4,826	-5,132	-5,419	-5,678	-5,906
Capital expenditures	-5,343	-5,041	-4,937	-4,716	-5,019	-5,304	-5,563	-5,793
Working capital	-64	-97	-107	-110	-113	-115	-115	-114
Free cash flows (FCF)	785	2,117	3,597	4,654	5,231	5,851	6,507	7,191
PV of FCF's	746	1,873	2,963	3,571	3,737	3,891	4,030	4,147

All figures in thousands	
PV of FCFs in explicit period (2023E-2037E)	54,941
PV of FCFs in terminal period	87,503
Enterprise value (EV)	142,444
+ Net cash / - net debt	-5,000
+ Investments / minority interests	0
Shareholder value	137,444
Number of shares (diluted)	76,337
Fair value per share in EUR	1.80

WACC		Terminal growth rate						
		1.0%	1.5%	2.0%	2.5%	3.0%	3.5%	4.0%
4.4%	Cost of equity	3.37	3.81	4.42	5.36	6.98	10.43	22.73
5.4%	Pre-tax cost of debt	2.47	2.69	2.97	3.34	3.88	4.69	6.10
6.4%	Tax rate	1.91	2.03	2.18	2.37	2.61	2.94	3.41
7.4%	After-tax cost of debt	1.53	1.61	1.69	1.80	1.93	2.09	2.31
8.4%	Share of equity capital	1.26	1.31	1.36	1.43	1.51	1.60	1.71
9.4%	Share of debt capital	1.06	1.09	1.13	1.17	1.22	1.27	1.34
10.4%	Fair value per share in EUR	0.90	0.93	0.95	0.98	1.01	1.05	1.09

\* for layout purposes the model shows numbers only to 2029, but runs until 2036



## INCOME STATEMENT

All figures in EUR '000	2020A	2021A	2022A	2023E	2024E	2025E
<b>Revenues</b>	<b>109,689</b>	<b>117,728</b>	<b>126,171</b>	<b>118,186</b>	<b>151,370</b>	<b>180,987</b>
Change in inventories	38,204	129,819	111,671	0	0	0
Own work	0	0	0	184,000	184,000	274,000
Other operating income	3,819	4,480	5,504	4,118	4,596	4,854
<b>Total aggregate output</b>	<b>151,711</b>	<b>252,027</b>	<b>243,346</b>	<b>306,304</b>	<b>339,965</b>	<b>459,841</b>
Cost of goods sold	-72,729	-161,554	-137,315	-186,466	-193,667	-287,833
<b>Gross profit (total aggr. output / COGS)</b>	<b>78,982</b>	<b>90,473</b>	<b>106,031</b>	<b>119,838</b>	<b>146,298</b>	<b>172,007</b>
Personnel costs	-35,054	-38,499	-42,561	-47,722	-51,848	-54,581
Other operating expenses	-17,580	-19,320	-28,077	-30,804	-37,465	-44,393
<b>EBITDA</b>	<b>26,348</b>	<b>32,654</b>	<b>35,394</b>	<b>41,312</b>	<b>56,985</b>	<b>73,033</b>
Depreciation and amortisation	-18,177	-23,389	-29,221	-36,369	-43,399	-50,569
<b>Operating income (EBIT)</b>	<b>8,170</b>	<b>9,265</b>	<b>6,173</b>	<b>4,943</b>	<b>13,586</b>	<b>22,465</b>
Interest Expense	-11,182	-10,790	-16,169	-18,929	-25,112	-34,382
Interest Income	251	4,414	33,797	0	0	0
Other financial income / expenses	52	138	61	0	0	0
<b>Pre-tax income (EBT)</b>	<b>-2,708</b>	<b>3,028</b>	<b>23,862</b>	<b>-13,986</b>	<b>-11,526</b>	<b>-11,917</b>
Income taxes	3,611	21,636	-9,768	4,196	3,458	3,575
Minority interests	717	463	809	809	809	809
<b>Net income / loss</b>	<b>1,621</b>	<b>25,127</b>	<b>14,903</b>	<b>-8,981</b>	<b>-7,259</b>	<b>-7,533</b>
<b>Diluted EPS (in €)</b>	<b>0.02</b>	<b>0.33</b>	<b>0.20</b>	<b>-0.12</b>	<b>-0.10</b>	<b>-0.10</b>

### Ratios

Gross margin (gross profit/total aggr. output)	52.1%	35.9%	43.6%	39.1%	43.0%	37.4%
EBITDA margin on revenues	24.0%	27.7%	28.1%	35.0%	37.6%	40.4%
EBIT margin on revenues	7.4%	7.9%	4.9%	4.2%	9.0%	12.4%
Net margin on revenues	1.5%	21.3%	11.8%	-7.6%	-4.8%	-4.2%
Tax rate	133.4%	-714.6%	40.9%	-30.0%	-30.0%	-30.0%

### Expenses as % of revenues

Personnel costs	32.0%	32.7%	33.7%	40.4%	34.3%	30.2%
Depreciation and amortisation	16.6%	19.9%	23.2%	30.8%	28.7%	27.9%
Other operating expenses	16.0%	16.4%	22.3%	26.1%	24.8%	24.5%

### Y-Y Growth

Revenues	-17.4%	7.3%	7.2%	-6.3%	28.1%	19.6%
Operating income	-49.3%	13.4%	-33.4%	-19.9%	174.8%	65.4%
Net income/ loss	n.m.	1450.5%	-40.7%	n.m.	n.m.	n.m.



## BALANCE SHEET

All figures in EUR '000	2020A	2021A	2022A	2023E	2024E	2025E
<b>Assets</b>						
<b>Current assets, total</b>	<b>346,594</b>	<b>363,469</b>	<b>334,833</b>	<b>323,035</b>	<b>305,743</b>	<b>327,398</b>
Cash and cash equivalents	111,617	149,625	121,582	90,406	50,691	29,399
Short-term investments	0	0	0	0	0	0
Receivables	40,171	29,492	38,152	39,791	46,362	55,176
Inventories	174,003	163,711	147,371	165,110	180,961	215,095
Other current assets	20,803	20,641	27,728	27,728	27,728	27,728
<b>Non-current assets, total</b>	<b>317,215</b>	<b>463,531</b>	<b>585,502</b>	<b>730,832</b>	<b>872,213</b>	<b>1,094,514</b>
Property, plant & equipment	176,341	273,523	353,798	499,128	640,509	862,809
Goodwill & other intangibles	64,330	63,964	64,858	64,858	64,858	64,858
Rights-of-use assets	39,125	64,732	87,333	87,333	87,333	87,333
Other assets	76,544	126,044	166,846	166,846	166,846	166,846
<b>Total assets</b>	<b>663,809</b>	<b>827,000</b>	<b>920,336</b>	<b>1,053,867</b>	<b>1,177,956</b>	<b>1,421,912</b>
<b>Shareholders' equity &amp; debt</b>						
<b>Current liabilities, total</b>	<b>108,209</b>	<b>109,302</b>	<b>139,850</b>	<b>149,279</b>	<b>147,543</b>	<b>193,066</b>
Short-term financial debt	24,223	22,758	36,434	51,000	48,000	88,000
Liabilities from leases (ST)	4,626	6,862	5,803	5,803	5,803	5,803
Accounts payable	31,364	34,398	44,572	39,435	40,699	46,222
Current provisions	4,617	6,747	9,829	9,829	9,829	9,829
Other current liabilities	48,005	45,399	49,015	49,015	49,015	49,015
<b>Long-term liabilities, total</b>	<b>355,038</b>	<b>495,905</b>	<b>548,326</b>	<b>696,116</b>	<b>836,116</b>	<b>1,048,116</b>
Long-term financial debt	272,887	385,066	419,363	567,154	707,154	919,154
Liabilities from leases (LT)	70,388	103,719	111,207	111,207	111,207	111,207
Other liabilities	11,763	7,120	17,755	17,755	17,755	17,755
<b>Minority interests</b>	<b>-7,070</b>	<b>-7,382</b>	<b>-5,590</b>	<b>-6,399</b>	<b>-7,208</b>	<b>-8,017</b>
<b>Shareholders' equity</b>	<b>207,633</b>	<b>229,175</b>	<b>237,750</b>	<b>214,871</b>	<b>201,505</b>	<b>188,746</b>
Share capital	76,603	76,603	76,603	76,603	76,603	76,603
Capital reserve	82,953	82,953	82,953	82,953	82,953	82,953
Other reserves	-2,692	-3,109	-2,985	-2,985	-2,985	-2,985
Treasury stock	-707	-707	-707	-707	-707	-707
Retained earnings	51,476	73,435	81,886	66,798	53,431	40,673
<b>Total consolidated equity and debt</b>	<b>663,809</b>	<b>827,000</b>	<b>920,336</b>	<b>1,053,867</b>	<b>1,177,956</b>	<b>1,421,912</b>
<b>Ratios</b>						
Current ratio (x)	3.20	3.33	2.39	2.16	2.07	1.70
Quick ratio (x)	1.59	1.83	1.34	1.06	0.85	0.58
Net cash	-260,507	-368,779	-451,226	-644,759	-821,473	-1,094,766
Net gearing	125.5%	160.9%	189.8%	300.1%	407.7%	580.0%
Book value per share (€)	2.63	2.91	3.04	2.73	2.55	2.37
Tangible book value per share (€)	1.80	2.08	2.20	1.89	1.70	1.52
Equity ratio (incl. minorities)	30.2%	26.8%	25.2%	19.8%	16.5%	12.7%
Return on equity (ROE)	0.8%	11.0%	6.3%	-4.2%	-3.6%	-3.5%
Return on assets (ROA)	1.9%	4.3%	3.4%	0.9%	1.5%	2.0%
Return on investment (ROI)	0.2%	3.0%	1.6%	-0.9%	-0.6%	-0.5%
Return on capital employed (ROCE)	2.0%	1.7%	1.0%	0.6%	1.4%	1.9%
Days sales outstanding (DSO)	134	91	110	123	112	111
Days inventory outstanding (DIO)	873	370	392	323	341	273
Days payables outstanding (DPO)	157	78	118	77	77	59



## CASH FLOW STATEMENT

All figures in EUR '000	2020A	2021A	2022A	2023E	2024E	2025E
<b>EBIT</b>	<b>8,170</b>	<b>9,265</b>	<b>6,173</b>	<b>4,943</b>	<b>13,586</b>	<b>22,465</b>
Depreciation and amortisation	18,177	23,389	29,221	36,369	43,399	50,569
<b>EBITDA</b>	<b>26,348</b>	<b>32,654</b>	<b>35,394</b>	<b>41,312</b>	<b>56,985</b>	<b>73,033</b>
Changes in working capital	-75,310	217	-33,890	-24,515	-21,159	-37,424
Other adjustments	-19,538	-9,093	-10,515	-14,734	-21,654	-30,807
<b>Operating cash flow</b>	<b>-68,500</b>	<b>23,778</b>	<b>-9,011</b>	<b>2,064</b>	<b>14,172</b>	<b>4,802</b>
Investments in PP&E	-14,450	-112,828	-95,637	-181,699	-184,779	-272,869
Investments in intangibles	-81	0	0	0	0	0
<b>Free cash flow</b>	<b>-83,031</b>	<b>-89,050</b>	<b>-104,648</b>	<b>-179,635</b>	<b>-170,607</b>	<b>-268,067</b>
Acquisitions & disposals, net	104	30,976	-440	0	0	0
Other investments	0	-139	-2,003	0	0	0
<b>Cash flow from investing</b>	<b>-14,427</b>	<b>-81,991</b>	<b>-98,080</b>	<b>-181,699</b>	<b>-184,779</b>	<b>-272,869</b>
Debt financing, net	86,483	122,179	94,450	154,566	137,000	252,000
Equity financing, net	0	0	0	0	0	0
Dividends paid	-3,053	-3,053	-6,107	-6,107	-6,107	-6,107
Other financing	-573	-7,152	-9,142	0	0	0
<b>Cash flow from financing</b>	<b>82,857</b>	<b>111,974</b>	<b>79,201</b>	<b>148,459</b>	<b>130,893</b>	<b>245,893</b>
Forex and other changes in cash	-248	-15,754	-153	0	0	0
<b>Net cash flows</b>	<b>-318</b>	<b>38,008</b>	<b>-28,043</b>	<b>-31,176</b>	<b>-39,714</b>	<b>-22,174</b>
Cash, start of the year	111,935	111,617	149,625	121,582	90,406	50,691
<b>Cash, end of the year</b>	<b>111,617</b>	<b>149,625</b>	<b>121,582</b>	<b>90,406</b>	<b>50,691</b>	<b>28,517</b>
<b>EBITDA/share (in €)</b>	<b>0.35</b>	<b>0.43</b>	<b>0.46</b>	<b>0.54</b>	<b>0.75</b>	<b>0.96</b>
<b>Operating cashflow/share (in €)</b>	<b>-0.90</b>	<b>0.31</b>	<b>-0.12</b>	<b>0.03</b>	<b>0.19</b>	<b>0.06</b>
<b>Y-Y Growth</b>						
Operating cash flow	n.m.	n.m.	n.m.	n.m.	586.7%	-66.1%
Free cash flow	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
EBITDA/share	-10.0%	23.9%	8.4%	16.7%	37.9%	28.2%

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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](mailto:info@firstberlin.com)

Amtsgericht Berlin Charlottenburg HR B 103329 B

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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**

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### **CONFLICTS OF INTEREST**

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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**

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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:

Category		1	2
Current market capitalisation (in €)		0 - 2 billion	> 2 billion
Strong Buy <sup>1</sup>	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%

<sup>1</sup> 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...113	↓	↓	↓	↓
114	18 March 2022	€9.49	Add	€10.00
115	19 April 2022	€12.12	Reduce	€11.50
116	12 May 2022	€12.42	Reduce	€12.00
117	11 August 2022	€15.90	Reduce	€15.20
118	10 November 2022	€21.30	Reduce	€18.10
119	15 December 2022	€22.30	Add	€26.00
120	2 February 2023	€15.74	Buy	€26.00
121	15 February 2023	€17.34	Buy	€26.00
122	Today	€12.96	Buy	€25.00

### INVESTMENT HORIZON

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

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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: <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

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