

ABO Wind (AB9 GY) | Utilities

September 21, 2020

We apply our new valuation approach for developers

The large utilities, but also oil companies like BP, are pushing into the business with renewables. The willingness to invest is enormous. The demand for electricity generated with renewables is also huge. So capital seems to be less of a bottleneck. Rather, it is time. And competence. The time and competence it takes to develop renewable projects. The development of large-scale projects can last 7 years or more. Against this background, we continue to see value in ABO Wind, and all the more so. ABO Wind is a developer pure play, has been in business for 24 years and is active in 16 countries. ABO Wind does not operate own Renewables Parks, the advantage is a low capital commitment. The company recognized early on that it can only compensate for the volatility of the project business through project diversification. ABO Wind has succeeded in this very well; the company has been able to report consistent profits since its inception. And has been able to build up a lush pipeline of now over 12 GW. To account for the acceleration on the demand side but also to reflect the enormous value already created by the development of the project pipeline, we adapt our valuation method. We now calculate a mean value from a profit (multiple) valuation and a pipeline approach.

Taking the pipeline value into account can have a significant impact on the company value. We use a transaction multiplier. However, pipelines are only comparable to a limited extent. Therefore we deliberately weight the pipeline approach low. Nevertheless, our price target increases noticeably.

| Fundamentals (in EUR m) | 2017 | 2018 | 2019 | 2020e | 2021e | 2022e |
|---------------------------|-------|-------|-------|-------|-------|-------|
| Sales | 147 | 150 | 126 | 161 | 192 | 202 |
| EBITDA | 38 | 32 | 27 | 32 | 45 | 45 |
| EBIT | 25 | 22 | 19 | 20 | 33 | 32 |
| EPS adj. (EUR) | 2.22 | 1.67 | 1.41 | 1.60 | 2.65 | 2.64 |
| DPS (EUR) | 0.40 | 0.42 | 0.40 | 0.40 | 0.50 | 0.55 |
| BVPS (EUR) | 10.40 | 11.63 | 12.83 | 14.03 | 16.28 | 18.17 |
| Net Debt incl. Provisions | 1 | 48 | 69 | 65 | 54 | 50 |
| Ratios | 2017 | 2018 | 2019 | 2020e | 2021e | 2022e |
| EV/EBITDA | 2.5 | 4.8 | 7.6 | 8.1 | 5.7 | 5.5 |
| EV/EBIT | 3.7 | 7.0 | 10.7 | 12.9 | 7.8 | 7.8 |
| P/E adj. | 5.4 | 8.3 | 12.2 | 15.4 | 9.3 | 9.3 |
| Dividend yield (%) | 3.3 | 3.0 | 2.3 | 1.6 | 2.0 | 2.2 |
| EBITDA margin (%) | 25.7 | 21.4 | 21.7 | 20.1 | 23.2 | 22.2 |
| EBIT margin (%) | 17.0 | 14.6 | 15.4 | 12.7 | 16.9 | 15.8 |
| Net debt/EBITDA | 0.0 | 1.5 | 2.5 | 2.0 | 1.2 | 1.1 |
| ROE (%) | 23.2 | 15.1 | 11.9 | 11.9 | 17.5 | 15.3 |
| PBV | 1.1 | 1.2 | 1.3 | 1.8 | 1.5 | 1.4 |

Sources: Refinitiv, Metzler Research

Buy

 **unchanged**

Price*

EUR 24.60

Price target

EUR 40.00 (29)

* XETRA trading price at the close of the previous day unless stated otherwise in the Disclosures

| | |
|--------------------------|------|
| Market Cap (EUR m) | 199 |
| Enterprise Value (EUR m) | 264 |
| Free Float (%) | 25.0 |

Price (in EUR)



| Performance (in %) | 1m | 3m | 12m |
|--------------------|-----|------|------|
| Share | 0.8 | 19.4 | 65.1 |
| Rel. to SDAX | 1.1 | 9.8 | 49.9 |

Sources: Refinitiv, Metzler Research

| Changes in estimates (in %) | 2020e | 2021e | 2022e |
|-----------------------------|-------|-------|-------|
| Sales | 0.0 | 0.0 | 0.0 |
| EBIT | 0.0 | 0.0 | 0.0 |
| EPS | 0.0 | 0.0 | 0.0 |

Sponsored Research



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Investment case

Project developers play a key role in implementing the energy transition from conventional power generation to renewables. The planning and construction of projects require a very high degree of expertise, the lead time of the projects from around three to around seven years a high degree of entrepreneurial competence and foresight. The project developer ABO Wind, founded in 1996 and now active in 16 countries, has its roots in wind power, but in recent years has also expanded its wind farm management activities through services such as maintenance and expert reports (since 2014) and the construction of solar parks (since 2016). With a project pipeline of over 12 GW, ABO Wind is one of the largest developers in Europe.

Unlike practically all its large competitors, ABO Wind does not operate own wind or solar farms. The disadvantage of this strategy is a lower calculability of earnings and a higher (theoretical) earnings volatility. The advantage is the focus as well as a relatively low capital commitment.

Since its foundation ABO Wind has reported profits. The stabilization of the annual results, a big challenge in the project or developer industry with projects whose execution extends over many years, is achieved by ABO Wind through a good regional diversification and also through diversification into services and solar technology.

Robust profit development with positive trend in EURm

| | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020e | 2021e | 2022e |
|--------|------|------|------|------|------|------|------|------|------|------|------|-------|-------|-------|
| EBITDA | 4 | 5 | 14 | 22 | 12 | 20 | 20 | 34 | 38 | 32 | 28 | 32 | 45 | 45 |

Sources: ABO Wind, Metzler Research

As one of the most experienced and largest developers in Europe, we consider ABO Wind to be very well positioned to participate in the expected growth opportunities offered by the renewable energy business.

We see the following structural growth drivers for renewables for the coming years:

- **Grid parity:** In regions with above-average wind or sunshine, such as Finland, Spain, Argentina, Ireland or the UK, ABO Wind can already conclude electricity supply contracts without subsidies. For the important (continental) European market, we expect grid parity around 2020/21. Rising CO2 prices as part of Phase 4 of the European Emissions Trading Scheme (ETS) play a relevant role here.
- **Phase-out of conventional generation:** Countries such as Germany are pushing ahead with the phase-out of conventional power generation, particularly against the background of increasingly strict CO2 regulations. At the same time, the trend towards electrification (e.g. e-mobility) is likely to lead to rising demand for electricity. The loss of conventional generation capacity must be offset by the addition of renewables to a significant extent. In Germany, for ex-

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ample, around 100 GW of renewable capacity will be needed by 2038 to replace coal and nuclear power, i.e. an average of around 5 GW per year. Here we do not take into account the need for replacement of old plants.

Against the background of a foreseeable shortage of conventional electricity and competitive prices for 'green' electricity, we see very good growth opportunities for ABO Wind in the coming years. A wealth of experience and a good geographic positioning should enable the company to turn these opportunities into attractive sales and profit growth.

Valuation

To account for the acceleration on the demand side but also to reflect the enormous value already created by the development of the project pipeline, we adapt our valuation method. We calculate a (weighted) mean value of profit valuation and substance (pipeline) valuation.

Since the comparability of pipelines is naturally very limited, we weight the pipeline approach only with one tenth. And the profit-multiplier valuation with nine tenths. It goes without saying that the values of individual projects differ to a great extent, be it due to different site-related wind or solar yields, the cost of development or the development stage of the respective project.

We can adjust the weighting factor in the course of time and with further concretization of the projects. We also include a sensitivity analysis in this note.

For the pipeline evaluation we refer to the pipeline sale from Nordex (Metzler recommendation: BUY/ pt. EUR 15.60) to RWE (Metzler recommendation: BUY/ pt. EUR 45) in early August. RWE pays EUR 402 million for Nordex's 2.7 GW development pipeline or c. EUR 150m per (pipeline) GW. Of the 2.7 GW, 1.9 GW is attributable to France (1.8 GW onshore wind, 0.1 GW solar), 0.4 GW to Spain and 0.4 GW to Sweden. About 0.5 GW of the pipeline should be ready for commissioning by 2025, the rest later. Tariffs have been secured for around 0.23 GW.

We apply the transaction multiple only to the European part of the ABO Wind pipeline (around 7 GW) and derive a theoretical value of around EUR 1 billion.

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ABO Wind - a well filled pipeline (June 2020)

| Country | Phase I | Phase II | Phase III |
|--------------|---------------------------------------|--|---------------------|
| | (Areas secured, approval in progress) | (Approval achieved, building maturity in progress) | (In implementation) |
| Germany | 1060 | 30 | 50 |
| France | 1200 | 50 | 50 |
| Finland | 1900 | 160 | |
| Ireland | 180 | 45 | |
| Spain | 800 | 600 | |
| Greece | 700 | | 38 |
| Poland | | 40 | |
| Hungary | | | |
| UK | 200 | 20 | |
| Argentina | 800 | 800 | |
| Columbia | 400 | | |
| Canada | 500 | | |
| Southafrica | 1400 | 600 | |
| Tansania | 300 | | |
| Tunesia | 80 | 50 | |
| Total | 9520 | 2395 | 138 |
| TOTAL | | 12053 | |

Source: ABO Wind, Metzler Research

The value of the non-European projects (per MW) is presumably lower due to higher execution risks and the larger project sizes (the developer value added does not correlate with the project size). We do not take into account the value of the non-European pipeline at this point.

Based on conventional earnings multiples we derive a fair value of EUR 32 per ABO Wind share. ABO Wind is trading at 5.4x EV/EBITDA 2021e; its developer-peers at 7x on average.

ABO Wind - peer group valuation

| | Bloomberg Ric | Share price in local currency (18. September 2020) | Metzler Recommendation | EV/EBITDA 2021e |
|-----------------|---------------|--|------------------------|-----------------|
| Instone | INS GY | 22 | . | 7.0 |
| Nordex | NDX GY | 12 | BUY/pt. EUR 15.6 | 6.9 |
| Average | | | | 7.0 |
| ABO Wind | AB9 GY | 24.6 | BUY/pt. EUR 40 | 5.4 |

Sources: Bloomberg, Metzler Research

If we also take the value of the pipeline into account in our valuation, we calculate a fair value of EUR 40 for the ABO Wind share.

We now also consider the value of the pipeline in our valuation

| | Fair value per share | |
|--|----------------------|---------------|
| | (EUR) | Weighting (%) |
| Peer group valuation (EV/EBITDA 2021e) | 32 | 90 |
| Transaction Multiple (RWE/Nordex) | 116 | 10 |
| Fair value (weighted average) | 40 | |

Sources: Bloomberg, Metzler Research

In the following table we show the sensitivity of the fair value of the share depending on the weighting of the pipeline approach.

Sensitivity Analysis

The fair value depending on the weight given to the pipeline approach

| Weighting factor (%) | Fair value (EUR per share) |
|----------------------|----------------------------|
| 10 | 40 |
| 20 | 48 |
| 30 | 57 |
| 40 | 65 |
| 50 | 74 |
| 60 | 82 |
| 70 | 91 |
| 80 | 99 |
| 90 | 108 |
| 100 | 116 |

Source: Metzler Research

company note

Key Data

Company profile

CEO: Andreas Höllinger, Dr. Jochen Ahn, Matthias Bockholt, Dr. Karsten Schlageter (all equal rights) CFO: Wiesbaden
 The renewables project developer ABO Wind, founded in 1996 and now active in 16 countries, has its roots in wind power, but in recent years has also expanded its wind farm management activities through services such as maintenance and expert reports (since 2014) and the construction of solar parks (since 2016).

Major shareholders

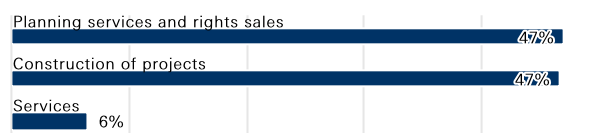
Family Ahn (30%), Family Bockholt (30%), Mainova AG (10%), Baden-Württembergische Versorgungskasse der Ärzte (5%)

Key figures

| P&L (in EUR m) | 2017 | % | 2018 | % | 2019 | % | 2020e | % | 2021e | % | 2022e | % |
|--|-------------|--------------|-------------|---------------|-------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Sales | 147 | 20.0 | 150 | 2.4 | 126 | -16.0 | 161 | 27.8 | 192 | 18.9 | 202 | 5.4 |
| EBITDA | 38 | 9.6 | 32 | -14.8 | 27 | -14.9 | 32 | 18.5 | 45 | 37.1 | 45 | 1.0 |
| EBITDA margin (%) | 25.7 | -8.7 | 21.4 | -16.7 | 21.7 | 1.3 | 20.1 | -7.3 | 23.2 | 15.3 | 22.2 | -4.2 |
| EBIT | 25 | 4.5 | 22 | -12.0 | 19 | -11.6 | 20 | 5.4 | 33 | 58.9 | 32 | -1.7 |
| EBIT margin (%) | 17.0 | -12.9 | 14.6 | -14.0 | 15.4 | 5.1 | 12.7 | -17.5 | 16.9 | 33.7 | 15.8 | -6.7 |
| Financial result | -1 | 1.6 | -1 | 38.7 | -2 | -71.3 | -2 | -27.3 | -2 | 0.0 | -2 | 25.0 |
| EBT | 23 | 4.9 | 21 | -10.3 | 18 | -15.3 | 18 | 3.5 | 31 | 65.3 | 30 | -0.1 |
| Taxes | 6 | 9.4 | 9 | 32.3 | 7 | -21.9 | 6 | -17.0 | 9 | 65.3 | 9 | -0.1 |
| Tax rate (%) | 27.5 | n.a. | 40.6 | n.a. | 37.4 | n.a. | 30.0 | n.a. | 30.0 | n.a. | 30.0 | n.a. |
| Net income | 17 | 3.3 | 13 | -24.9 | 11 | -10.7 | 13 | 13.3 | 21 | 65.3 | 21 | -0.1 |
| Minority interests | 0 | -55.0 | 0 | 88.9 | 0 | -97.6 | 0 | -100.0 | 0 | n.a. | 0 | n.a. |
| Net Income after minorities | 17 | 3.4 | 13 | -25.0 | 11 | -10.6 | 13 | 13.3 | 21 | 65.3 | 21 | -0.1 |
| Number of shares outstanding (m) | 8 | 0.0 | 8 | 0.0 | 8 | 5.6 | 8 | 0.0 | 8 | 0.0 | 8 | 0.0 |
| EPS adj. (EUR) | 2.22 | 3.4 | 1.67 | -25.0 | 1.41 | -15.3 | 1.60 | 13.3 | 2.65 | 65.3 | 2.64 | -0.1 |
| DPS (EUR) | 0.40 | -20.0 | 0.42 | 5.0 | 0.40 | -4.8 | 0.40 | 0.0 | 0.50 | 25.0 | 0.55 | 10.0 |
| Dividend yield (%) | 3.3 | n.a. | 3.0 | n.a. | 2.3 | n.a. | 1.6 | n.a. | 2.0 | n.a. | 2.2 | n.a. |
| Cash Flow (in EUR m) | 2017 | % | 2018 | % | 2019 | % | 2020e | % | 2021e | % | 2022e | % |
| Gross Cash Flow | 30 | 10.9 | 22 | -25.4 | 19 | -13.5 | 25 | 30.5 | 33 | 33.9 | 34 | 2.9 |
| Increase in working capital | 3 | n.a. | -39 | n.a. | -15 | n.a. | -15 | n.a. | -15 | n.a. | -20 | n.a. |
| Capital expenditures | 1 | -47.2 | 3 | 149.2 | 3 | -7.4 | 3 | 0.0 | 4 | 33.3 | 4 | 0.0 |
| D+A/Capex (%) | 982.8 | n.a. | 314.8 | n.a. | 266.0 | n.a. | 400.0 | n.a. | 300.0 | n.a. | 325.0 | n.a. |
| Free cash flow (Metzler definition) | 25 | 889.5 | -20 | -179.2 | 1 | 105.4 | 7 | 530.7 | 14 | 107.5 | 10 | -28.0 |
| Free cash flow yield (%) | 27.9 | n.a. | -19.1 | n.a. | 0.8 | n.a. | 3.5 | n.a. | 7.2 | n.a. | 5.2 | n.a. |
| Dividend paid | 4 | 100.0 | 3 | -20.0 | 3 | 10.8 | 3 | -4.8 | 3 | 0.0 | 6 | 87.5 |
| Free cash flow (post dividend) | 22 | 521.4 | -23 | -207.4 | -2 | 90.1 | 4 | 261.0 | 11 | 201.5 | 4 | -61.6 |
| Balance sheet (in EUR m) | 2017 | % | 2018 | % | 2019 | % | 2020e | % | 2021e | % | 2022e | % |
| Assets | 174 | 18.7 | 194 | 11.6 | 243 | 25.0 | 205 | -15.4 | 229 | 11.4 | 245 | 7.1 |
| Goodwill | 0 | n.a. | 0 | n.a. | 0 | n.a. | 0 | n.a. | 0 | n.a. | 0 | n.a. |
| Shareholders' equity | 80 | 18.7 | 89 | 11.8 | 104 | 16.4 | 113 | 9.4 | 131 | 16.0 | 147 | 11.6 |
| Equity/total assets (%) | 45.7 | n.a. | 45.9 | n.a. | 43.2 | n.a. | 53.6 | n.a. | 56.0 | n.a. | 58.2 | n.a. |
| Net Debt incl. Provisions | 1 | -95.3 | 48 | n.m. | 69 | 42.5 | 65 | -5.3 | 54 | -17.0 | 50 | -7.9 |
| thereof pension provisions | 0 | n.a. | 0 | n.a. | 0 | n.a. | 0 | n.a. | 0 | n.a. | 0 | n.a. |
| Gearing (%) | 1.5 | n.a. | 54.4 | n.a. | 66.6 | n.a. | 57.7 | n.a. | 41.2 | n.a. | 34.0 | n.a. |
| Net debt/EBITDA | 0.0 | n.a. | 1.5 | n.a. | 2.5 | n.a. | 2.0 | n.a. | 1.2 | n.a. | 1.1 | n.a. |

Structure

Sales by area of activity 2019



Sources: Refinitiv, Metzler Research

company note

Disclosures

Recommendation history

Recommendations for each financial instrument or issuer - mentioned in this document - published by Metzler in the past twelve months

| Date of dissemination | Metzler recommendation * | | Current price ** | Price target * | Author *** |
|--|--------------------------|---------|------------------|----------------|----------------|
| | Previous | Current | | | |
| Issuer/Financial Instrument (ISIN): ABO Wind (DE0005760029) | | | | | |
| 07.09.2020 | Buy | Buy | 26.80 EUR | 29.00 EUR | Hoymann, Guido |
| 19.08.2020 | Buy | Buy | 21.20 EUR | 29.00 EUR | Hoymann, Guido |
| 10.06.2020 | Buy | Buy | 21.40 EUR | 29.00 EUR | Hoymann, Guido |
| 24.04.2020 | Buy | Buy | 16.90 EUR | 29.00 EUR | Hoymann, Guido |
| 17.03.2020 | Buy | Buy | 13.80 EUR | 29.00 EUR | Hoymann, Guido |
| 21.02.2020 | Buy | Buy | 20.40 EUR | 29.00 EUR | Hoymann, Guido |
| 01.10.2019 | Buy | Buy | 15.20 EUR | 23.70 EUR | Hoymann, Guido |
| Issuer/Financial Instrument (ISIN): Nordex (DE000A0D6554) | | | | | |
| 07.09.2020 | Buy | Buy | 10.99 EUR | 15.60 EUR | Hoymann, Guido |
| 14.08.2020 | Buy | Buy | 10.53 EUR | 15.60 EUR | Hoymann, Guido |
| 03.08.2020 | Buy | Buy | 8.78 EUR | 15.60 EUR | Hoymann, Guido |
| 06.05.2020 | Buy | Buy | 7.69 EUR | 15.10 EUR | Hoymann, Guido |
| 24.03.2020 | Buy | Buy | 5.66 EUR | 16.30 EUR | Hoymann, Guido |
| 26.02.2020 | Buy | Buy | 11.23 EUR | 16.30 EUR | Hoymann, Guido |
| 09.01.2020 | Buy | Buy | 11.60 EUR | 16.30 EUR | Hoymann, Guido |
| 13.11.2019 | Buy | Buy | 12.53 EUR | 15.90 EUR | Hoymann, Guido |
| 15.10.2019 | Buy | Buy | 11.09 EUR | 15.90 EUR | Hoymann, Guido |
| Issuer/Financial Instrument (ISIN): RWE (DE0007037129) | | | | | |
| 07.09.2020 | Buy | Buy | 31.29 EUR | 45.00 EUR | Hoymann, Guido |
| 26.08.2020 | Buy | Buy | 33.18 EUR | 45.00 EUR | Hoymann, Guido |
| 19.08.2020 | Buy | Buy | 34.24 EUR | 42.30 EUR | Hoymann, Guido |
| 13.08.2020 | Buy | Buy | 33.65 EUR | 42.30 EUR | Hoymann, Guido |
| 27.07.2020 | Buy | Buy | 32.79 EUR | 42.30 EUR | Hoymann, Guido |
| 14.05.2020 | Buy | Buy | 27.10 EUR | 42.30 EUR | Hoymann, Guido |
| 23.04.2020 | Buy | Buy | 24.39 EUR | 42.30 EUR | Hoymann, Guido |
| 31.03.2020 | Buy | Buy | 23.09 EUR | 42.00 EUR | Hoymann, Guido |
| 13.03.2020 | Buy | Buy | 22.95 EUR | 42.00 EUR | Hoymann, Guido |
| 28.02.2020 | Buy | Buy | 32.55 EUR | 42.00 EUR | Hoymann, Guido |
| 17.01.2020 | Buy | Buy | 30.04 EUR | 42.00 EUR | Hoymann, Guido |
| 10.01.2020 | Buy | Buy | 27.50 EUR | 34.70 EUR | Hoymann, Guido |
| 14.11.2019 | Buy | Buy | 26.44 EUR | 34.70 EUR | Hoymann, Guido |

- * Effective until the price target and/or investment recommendation is updated (FI/FX recommendations are valid solely at the time of publication)
- ** XETRA trading price at the close of the previous day unless stated otherwise herein
- *** All authors are financial analysts

ABO Wind

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company note

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| | |
|------|--|
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| HOLD | The price of the analysed financial instrument is expected to largely remain stable in the next 12 months. |
| SELL | The price of the analysed financial instrument is expected to fall in the next 12 months. |

Bonds:

| | |
|------|--|
| BUY | The analysed financial instrument is expected to perform better than similar financial instruments. |
| HOLD | The analysed financial instrument is not expected to perform significantly better or worse than similar financial instruments. |
| SELL | The analysed financial instrument is expected to perform worse than similar financial instruments. |

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