

## ABO Wind (AB9 GY) | Utilities

December 10, 2020

### The BayWa r.e. transaction is a further pointer that the ABO share is attractively valued

In our view, the BayWa transaction announced yesterday provides an insightful cross-read on the value of the ABO Wind developer activities. Funds advised by Energy Infrastructure Partners AG (EIP) will subscribe a 49% stake in BayWa's renewables developer activities BayWa r.e. in a capital increase against cash contribution and make an equity contribution into BayWa r.e. in the amount of EUR 530 m. Interestingly, the ratio of BayWa r.e.'s EV implied by this transaction to the company's pipeline is approximately equal to the value per GW pipeline paid in the RWE/Nordex transaction (Metzler recommendations for NDX BUY/ p.t. EUR 25; for RWE BUY/ p.t. EUR 45). Namely around EUR 160 million per GW (RWE/Nordex EUR 149m/GW).

- We are taking this transaction and the confirmation of the value that the market attributes to pipelines as an encouragement to increase the weighting of the pipeline valuation at ABO Wind. Not taking the pipeline value into account understates the value of the company as the business is characterised by high up-front investments to build the pipeline; revenues are very strongly back-end-loaded.
- We are still aware that the comparability of pipelines is limited. For this reason, the weighting of this valuation approach remains relatively low at 20% (previously 10%). We continue to evaluate only the European part of the ABO Wind pipeline.

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	1.40	2.32	2.31
DPS (EUR)	0.40	0.42	0.40	0.40	0.50	0.55
BVPS (EUR)	10.40	11.63	12.83	12.23	14.15	15.71
Net Debt incl. Provisions	1	48	69	66	55	52
Ratios	2017	2018	2019	2020e	2021e	2022e
EV/EBITDA	2.5	4.8	7.6	13.3	9.5	9.3
EV/EBIT	3.7	7.0	10.7	21.2	13.0	13.1
P/E adj.	5.4	8.3	12.2	28.4	17.2	17.2
Dividend yield (%)	3.3	3.0	2.3	1.0	1.3	1.4
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	17.6	15.5
PBV	1.1	1.2	1.3	3.3	2.8	2.5

Sources: Refinitiv, Metzler Research

**Buy**

 **unchanged**

**Price\*** **EUR 39.80**

**Price target** **EUR 54.00 (40)**

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

Market Cap (EUR m)	367
Enterprise Value (EUR m)	433
Free Float (%)	25.0

Price (in EUR)



Performance (in %)	1m	3m	12m
Share	24.4	49.6	155.1
Rel. to SDAX	12.7	31.8	120.5

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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# company note

## The BayWa r.e. transaction

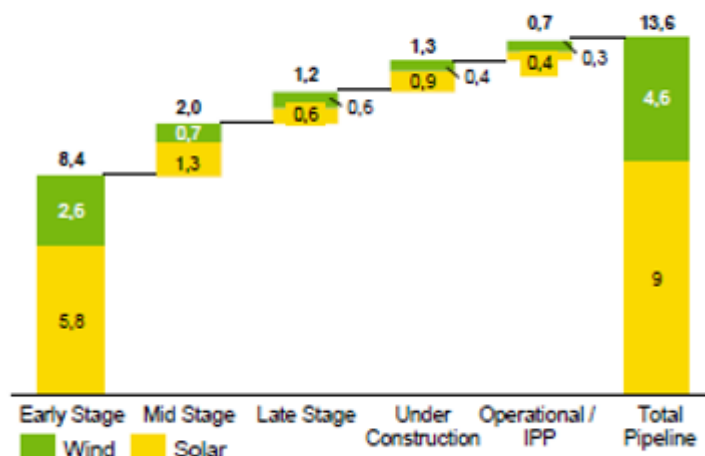
Yesterday, BayWa AG (no Metzler recommendation) announced that funds advised by Energy Infrastructure Partners AG (EIP) will subscribe a 49% stake in BayWa's renewables developer activities BayWa r.e. in a capital increase against cash contribution and make an equity contribution into BayWa r.e. in the amount of EUR 530 m.

This payment implies an equity value for 100% of BayWa r.e. of around EUR 1.08 bn. BayWa indicates that the net debt of this unit is approximately EUR 1.1 bn. An EV of around EUR 2.2 billion can thus be calculated.

More than 3 GW of the BayWa r.e. pipeline are in the advanced phase, 2 GW in the middle and 8 GW in the early phase. The company gives as a rough indication that the geographical split is approximately 1/3 each between Europe, America and Asia.

### BayWa r.e.'s pipeline: Over 3 GW in the advanced phase, 2 GW in the medium and 8 GW in the early phase

Controlled projects in GW, indicative numbers



Source: BayWa AG

## The x-read on ABO Wind

Interestingly, the ratio of BayWa r.e.'s EV implied by this transaction to the company's pipeline is approximately equal to the value per GW pipeline paid in the RWE/Nordex transaction. Namely around EUR 160 million per GW (RWE/Nordex EUR 149m/GW).

ABO Wind provides the following information on its pipeline. ABO Wind's European share is higher and the share of projects already under construction or completed is lower.

# company note

<b>ABO Wind - a well filled pipeline (October 2020)</b>			
	<b>Phase I</b>	<b>Phase II</b>	<b>Phase III</b>
	(Areas secured, approval in progress)	(Approval achieved, building maturity in progress)	(In implementation)
Germany	1020	30	100
France	1200	50	50
Finland	1900	117	43
Ireland	180	17	27
Spain	800	600	
Greece	700		20
Poland		20	
Netherlands	65		
UK	200	20	
Argentina	800	800	
Columbia	400		
Canada	500		
Southafrica	1400	600	
Tansania	300		
Tunesia	80	50	
<b>Total by phase</b>	<b>9545</b>	<b>2304</b>	<b>240</b>
<b>TOTAL</b>		<b>12089</b>	

Source: ABO Wind, Metzler Research

## Valuation

To account for the acceleration on the demand side for renewable capacities but also to reflect the enormous value already created by the development of the project pipeline, 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 still only with two tenths. And the profit-multiplier valuation with eight 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 to RWE in early August. RWE paid EUR 402 million for Nordex's 2.7 GW development pipeline or c. EUR 149m 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.

The value of the non-European projects (per MW) is presumably lower due to high-

er 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 41 per ABO Wind share. ABO Wind is trading at 8.2x EV/EBITDA 2021e, i.e. on par with its peers.

## ABO Wind - peer group valuation

	Bloomberg Ric	Share price in local currency (9. December 2020)	Metzler Recommendation	EV/EBITDA 2021e
Instone	INS GY	21	.	7.5
Nordex	NDX GY	20	BUY/pt. EUR 25	8.9
<b>Average</b>				<b>8.2</b>
<b>ABO Wind</b>	AB9 GY	41	BUY/pt. EUR 54	8.2

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 54 for the ABO Wind share.

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

	Fair value per share (EUR)	Weighting (%)
Peer group valuation (EV/EBITDA 2021e)	41	80
Transaction Multiple (RWE/Nordex)	108	20
<b>Fair value (weighted average)</b>	<b>54</b>	

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.

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## Sensitivity Analysis

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

Weighting factor (%)	Fair value (EUR per share)
10	47
<b>20</b>	<b>54</b>
30	61
40	67
50	74
60	81
70	87
80	94
90	101
100	108

Source: Metzler Research

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# company note

## Key Data

### Company profile

CEO: Andreas Höllinger, Dr. Jochen Ahn, Matthias Bockholt, Dr. Karsten Schlageter (all equal rights) CFO: Wiesbaden, Germany  
 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

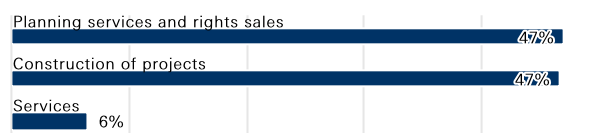
Family Ahn (30%), Family Bockholt (30%), Mainova AG (10%), Baden-Württembergische Versorgungskasse der Ärzte (5%)

### Key figures

P&L (in EUR m)	2017	%	2018	%	2019	%	2020e	%	2021e	%	2022e	%
<b>Sales</b>	<b>147</b>	<b>20.0</b>	<b>150</b>	<b>2.4</b>	<b>126</b>	<b>-16.0</b>	<b>161</b>	<b>27.8</b>	<b>192</b>	<b>18.9</b>	<b>202</b>	<b>5.4</b>
<b>EBITDA</b>	<b>38</b>	<b>9.6</b>	<b>32</b>	<b>-14.8</b>	<b>27</b>	<b>-14.9</b>	<b>32</b>	<b>18.5</b>	<b>45</b>	<b>37.1</b>	<b>45</b>	<b>1.0</b>
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
<b>EBIT</b>	<b>25</b>	<b>4.5</b>	<b>22</b>	<b>-12.0</b>	<b>19</b>	<b>-11.6</b>	<b>20</b>	<b>5.4</b>	<b>33</b>	<b>58.9</b>	<b>32</b>	<b>-1.7</b>
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
<b>Financial result</b>	<b>-1</b>	<b>1.6</b>	<b>-1</b>	<b>38.7</b>	<b>-2</b>	<b>-71.3</b>	<b>-2</b>	<b>-27.3</b>	<b>-2</b>	<b>0.0</b>	<b>-2</b>	<b>25.0</b>
<b>EBT</b>	<b>23</b>	<b>4.9</b>	<b>21</b>	<b>-10.3</b>	<b>18</b>	<b>-15.3</b>	<b>18</b>	<b>3.5</b>	<b>31</b>	<b>65.3</b>	<b>30</b>	<b>-0.1</b>
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.
<b>Net Income after minorities</b>	<b>17</b>	<b>3.4</b>	<b>13</b>	<b>-25.0</b>	<b>11</b>	<b>-10.6</b>	<b>13</b>	<b>13.3</b>	<b>21</b>	<b>65.3</b>	<b>21</b>	<b>-0.1</b>
Number of shares outstanding (m)	8	0.0	8	0.0	8	5.6	9	14.2	9	0.0	9	0.0
<b>EPS adj. (EUR)</b>	<b>2.22</b>	<b>3.4</b>	<b>1.67</b>	<b>-25.0</b>	<b>1.41</b>	<b>-15.3</b>	<b>1.40</b>	<b>-0.8</b>	<b>2.32</b>	<b>65.3</b>	<b>2.31</b>	<b>-0.1</b>
<b>DPS (EUR)</b>	<b>0.40</b>	<b>-20.0</b>	<b>0.42</b>	<b>5.0</b>	<b>0.40</b>	<b>-4.8</b>	<b>0.40</b>	<b>0.0</b>	<b>0.50</b>	<b>25.0</b>	<b>0.55</b>	<b>10.0</b>
Dividend yield (%)	3.3	n.a.	3.0	n.a.	2.3	n.a.	1.0	n.a.	1.3	n.a.	1.4	n.a.
<b>Cash Flow (in EUR m)</b>	<b>2017</b>	<b>%</b>	<b>2018</b>	<b>%</b>	<b>2019</b>	<b>%</b>	<b>2020e</b>	<b>%</b>	<b>2021e</b>	<b>%</b>	<b>2022e</b>	<b>%</b>
<b>Gross Cash Flow</b>	<b>30</b>	<b>10.9</b>	<b>22</b>	<b>-25.4</b>	<b>19</b>	<b>-13.5</b>	<b>25</b>	<b>30.5</b>	<b>33</b>	<b>33.9</b>	<b>34</b>	<b>2.9</b>
<b>Increase in working capital</b>	<b>3</b>	<b>n.a.</b>	<b>-39</b>	<b>n.a.</b>	<b>-15</b>	<b>n.a.</b>	<b>-15</b>	<b>n.a.</b>	<b>-15</b>	<b>n.a.</b>	<b>-20</b>	<b>n.a.</b>
<b>Capital expenditures</b>	<b>1</b>	<b>-47.2</b>	<b>3</b>	<b>149.2</b>	<b>3</b>	<b>-7.4</b>	<b>3</b>	<b>0.0</b>	<b>4</b>	<b>33.3</b>	<b>4</b>	<b>0.0</b>
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.
<b>Free cash flow (Metzler definition)</b>	<b>25</b>	<b>889.5</b>	<b>-20</b>	<b>-179.2</b>	<b>1</b>	<b>105.4</b>	<b>7</b>	<b>530.7</b>	<b>14</b>	<b>107.5</b>	<b>10</b>	<b>-28.0</b>
Free cash flow yield (%)	27.9	n.a.	-19.1	n.a.	0.8	n.a.	1.9	n.a.	3.9	n.a.	2.8	n.a.
Dividend paid	4	100.0	3	-20.0	3	10.8	4	8.8	4	0.0	7	87.5
<b>Free cash flow (post dividend)</b>	<b>22</b>	<b>521.4</b>	<b>-23</b>	<b>-207.4</b>	<b>-2</b>	<b>90.1</b>	<b>3</b>	<b>240.9</b>	<b>11</b>	<b>230.2</b>	<b>3</b>	<b>-68.0</b>
<b>Balance sheet (in EUR m)</b>	<b>2017</b>	<b>%</b>	<b>2018</b>	<b>%</b>	<b>2019</b>	<b>%</b>	<b>2020e</b>	<b>%</b>	<b>2021e</b>	<b>%</b>	<b>2022e</b>	<b>%</b>
<b>Assets</b>	<b>174</b>	<b>18.7</b>	<b>194</b>	<b>11.6</b>	<b>243</b>	<b>25.0</b>	<b>205</b>	<b>-15.4</b>	<b>229</b>	<b>11.4</b>	<b>245</b>	<b>7.1</b>
<b>Goodwill</b>	<b>0</b>	<b>n.a.</b>	<b>0</b>	<b>n.a.</b>	<b>0</b>	<b>n.a.</b>	<b>0</b>	<b>n.a.</b>	<b>0</b>	<b>n.a.</b>	<b>0</b>	<b>n.a.</b>
<b>Shareholders' equity</b>	<b>80</b>	<b>18.7</b>	<b>89</b>	<b>11.8</b>	<b>104</b>	<b>16.4</b>	<b>113</b>	<b>8.9</b>	<b>130</b>	<b>15.7</b>	<b>145</b>	<b>11.0</b>
Equity/total assets (%)	45.7	n.a.	45.9	n.a.	42.7	n.a.	55.0	n.a.	57.2	n.a.	59.4	n.a.
<b>Net Debt incl. Provisions</b>	<b>1</b>	<b>-95.3</b>	<b>48</b>	<b>n.m.</b>	<b>69</b>	<b>42.5</b>	<b>66</b>	<b>-4.7</b>	<b>55</b>	<b>-16.2</b>	<b>52</b>	<b>-6.2</b>
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.	58.3	n.a.	42.2	n.a.	35.7	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 * Previous	Current	Current price **	Price target *	Author ***
<b>Issuer/Financial Instrument (ISIN): ABO Wind (DE0005760029)</b>					
21.09.2020	Buy	Buy	24.60 EUR	40.00 EUR	Hoymann, Guido
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
<b>Issuer/Financial Instrument (ISIN): Nordex (DE000A0D6554)</b>					
02.12.2020	Buy	Buy	19.91 EUR	25.00 EUR	Hoymann, Guido
16.11.2020	Buy	Buy	16.59 EUR	22.00 EUR	Hoymann, Guido
10.11.2020	Buy	Buy	13.43 EUR	16.00 EUR	Hoymann, Guido
19.10.2020	Buy	Buy	13.57 EUR	15.60 EUR	Hoymann, Guido
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
<b>Issuer/Financial Instrument (ISIN): RWE (DE0007037129)</b>					
12.11.2020	Buy	Buy	34.17 EUR	45.00 EUR	Hoymann, Guido
19.10.2020	Buy	Buy	34.01 EUR	45.00 EUR	Hoymann, Guido
22.09.2020	Buy	Buy	30.21 EUR	45.00 EUR	Hoymann, Guido
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

# company note

Date of dissemination	Metzler recommendation *		Current price **	Price target *	Author ***
	Previous	Current			
10.01.2020	Buy	Buy	27.50 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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17. Metzler and/or a company affiliated with Metzler had reached an agreement on the compilation of the investment analysis with the analysed company. Prior to publication of the financial analysis, the provider gives the issuer a one-off opportunity to comment (comparison of facts in accordance with the DVFA Code) within the regulatory framework to avoid quality defects.

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# company note

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