

aventron AG

Switzerland / Renewable Energy
 Berner Börse
 Bloomberg: AVEN SW
 ISIN: CH0023777235

Capital increase

RATING
BUY

PRICE TARGET
CHF13.00

Return Potential 52.8%
 Risk Rating medium

RECORD CAPITAL INCREASE BOOSTS GROWTH

On 18 August aventron concluded a record capital increase of CHF 132m. The company issued 14.7m shares at CHF 9.00 and received CHF 58m in cash and CHF 74m in contributions in kind (wind farms and solar plants). The portfolio of green power assets thus increased by ca. 116 MW to ca. 300 MW. We see the capital increase as a significant milestone in the development of the company towards its target of creating a diversified European green power asset portfolio with a capacity of 500 MW by 2020. An updated DCF model yields a slightly lower price target of CHF 13.00 (previously: CHF 13.30). We reiterate our Buy rating.

Successful capital increase aventron, which had a market capitalisation of ca. CHF 165m on 18 August, has increased its capital by CHF 131.9m. The successful conclusion of such a large capital increase is a clear sign of trust of shareholders and new investors. The capital measure increases the market capitalisation to ca. CHF 290m (ca. €265m). aventron is now close behind Chorus Clean Energy, the second largest listed German independent green power producer with a market cap of ca. €286m.

aventron issued 14,654,463 shares at CHF 9.00. For 6,400,000 shares it received liquid funds of CHF 57.6m. For the remaining 8,254,463 shares, aventron received CHF 74.3m in contributions in kind – wind farms and solar plants with a capacity of ca. 116 MW.

Significant increase in portfolio size In total, the contributions in kind expand aventron's portfolio by six wind farms (two in France, two in Germany, and two in Spain) and five solar plants (two in Italy and three in Spain). The additional wind farms have a total capacity of 106.5 MW; however, aventron's share in four wind farms (88.2 MW) is only 65%. The solar parks have a total capacity of ca. 9 MW. aventron's green power asset portfolio increases by ca. 116 MW to ca. 300 MW. This is by far the largest growth step in the history of the company and a significant milestone towards the targeted 500 MW portfolio by 2020 (see figure 1 overleaf). (p.t.o.)

FINANCIAL HISTORY & PROJECTIONS

	2013	2014	2015	2016E	2017E	2018E
Revenue (CHFm)	11.10	14.75	23.85	44.55	63.12	73.64
Y-o-y growth	n.a.	32.9%	61.7%	86.8%	41.7%	16.7%
EBIT (CHFm)	3.89	3.86	7.01	14.33	19.67	23.14
EBIT margin	35.1%	26.2%	29.4%	32.2%	31.2%	31.4%
Net income (CHFm)	0.93	0.73	1.94	4.25	6.64	8.18
EPS (diluted) (CHF)	0.16	0.06	0.11	0.17	0.19	0.24
DPS (CHF)	0.20	0.20	0.21	0.21	0.21	0.22
FCF (CHFm)	-16.51	-25.69	-27.56	-164.19	-56.64	-49.85
Net gearing	148.1%	107.9%	251.5%	108.9%	138.2%	164.0%
Liquid assets (CHFm)	6.67	16.41	19.29	73.22	53.36	23.95

RISKS

The main risks are technological risks, regulatory risks, financing risks, acquisition risks, and currency risks.

COMPANY PROFILE

aventron AG is an owner and operator of small hydro power, wind power, and solar power plants. The portfolio comprises ca. 300 MW and is geographically diversified over Switzerland, France, Italy, Germany, Norway, and Spain. The company is located in Switzerland near Basel and is listed on the BX Berne eXchange.

MARKET DATA

As of 26 Aug 2016

Closing Price	CHF 8.51
Shares outstanding	34.10m
Market Capitalisation	CHF 290.23m
52-week Range	CHF 7.80 / 9.90
Avg. Volume (12 Months)	933

Multiples	2015	2016E	2017E
P/E	79.0	49.7	43.7
EV/Sales	14.9	8.0	5.6
EV/EBIT	50.8	24.8	18.1
Div. Yield	2.5%	2.5%	2.5%

STOCK OVERVIEW



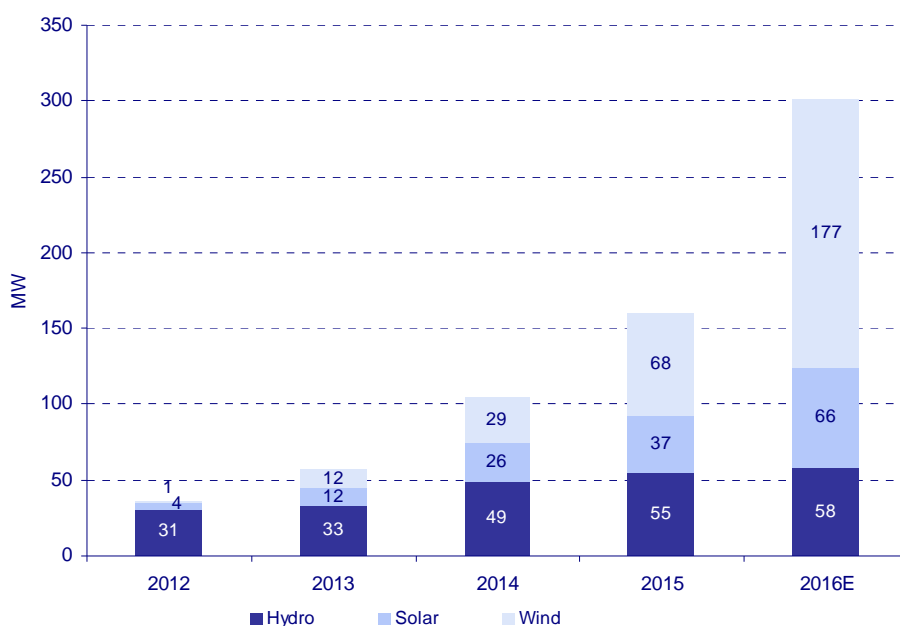
COMPANY DATA

As of 31 Dec 2015

Liquid Assets	CHF 19.29m
Current Assets	CHF 39.07m
Intangible Assets	CHF 3.60m
Total Assets	CHF 307.62m
Current Liabilities	CHF 32.07m
Shareholders' Equity	CHF 75.55m

SHAREHOLDERS

EBM Trirhena AG	47.4%
Energie Wasser Bern	17.8%
Stadtwerk Winterthur	11.7%
Other investors	8.6%
Free Float	14.5%


Figure 1: Portfolio expansion 2012-2016E


Source: First Berlin Equity Research, aventron AG

Market entry in Spain As announced earlier this year, aventron entered the Spanish market through the contributions in kind and now owns two large wind farms (36 and 34 MW) close to Salamanca and three solar plants in Andalusia and Alicante (2.4, 4.3, and 0.5 MW). aventron is now active in six European markets (France, Germany, Italy, Norway, Spain, and Switzerland) and has increased its regional diversification.

Adjustment of expansion path assumptions As aventron's capital increase was higher than expected (FBe: CHF 80m) we have adjusted our expansion path assumptions. We now assume that aventron's green power asset portfolio will amount to 301 MW at the end of 2016 (previous FBe: 271 MW). For the following years we assume increases of 50 MW p.a. (see figure 2).

Figure 2: Scenario for portfolio expansion by 2020E

Scenario: 500 MW by 2020E	2015A	2016E	2017E	2018E	2019E	2020E
Installed capacity start of year (MW)	104	160	301	351	401	451
Added capacity (MW)	56	141	50	50	50	49
Installed capacity end of year (MW)	160	301	351	401	451	500
Power production (GWh)	250.6	475.8	694.3	806.3	915.9	1014.1
Average selling price (CHF/MWh)	95.17	93.64	90.91	91.33	91.73	92.94
Revenues (CHFm)	23.85	44.55	63.12	73.64	84.02	94.25

Source: First Berlin Equity Research, aventron AG



Estimates increased We have increased our estimates to reflect the more rapid portfolio expansion. Due to the higher number of shares, however, we forecast only slightly changed EPS (see figure 3).

Figure 3: Revisions to forecasts

All figures in CHFm	2016E			2017E			2018E		
	Old	New	Delta	Old	New	Delta	Old	New	Delta
Sales	41.91	44.55	6.3%	57.94	63.12	8.9%	70.46	73.64	4.5%
EBIT	12.85	14.33	11.5%	17.90	19.67	9.9%	21.98	23.14	5.3%
margin	30.7%	32.2%		30.9%	31.2%		31.2%	31.4%	
Net income	4.20	4.25	1.3%	5.95	6.64	11.6%	7.77	8.18	5.3%
margin	10.0%	9.6%		10.3%	10.5%		11.0%	11.1%	
EPS (diluted, in CHF)	0.18	0.17	-5.0%	0.20	0.19	-3.6%	0.24	0.24	0.6%

Source: First Berlin Equity Research

Sufficient financial funds for further expansion The additional liquid funds of CHF 57.6m are now available to purchase further green power assets. Assuming conservative leverage (30% equity, 70% debt), aventron would have additional financial means of CHF 192m (CHF 57.6m = 30% equity, CHF 134.4m = 70% debt). In Euro terms, funds amount to ca. €177m. Assuming average selling prices for new wind farms of ca. €1.8m/MW aventron could purchase new wind power assets with a capacity of ca. 98 MW. Alternatively, assuming average selling prices for new PV plants of ca. €0.9m/MW, aventron could purchase 197 MW in PV assets.

Strategic shareholders and new investors participated in the capital increase

Contributions in kind came from aventron's strategic shareholders EBM and ewb. EBM contributed the six wind farms, and ewb the five PV plants. Among the other investors, some gave firm commitments totalling CHF 35m in cash. Stadtwerk Winterthur, which had already been a shareholder, committed CHF 10m (1.11m shares). New investors are Luzerner Pensionskasse (CHF 15m – 1.67m shares), Deutsche Rückversicherung Schweiz (CHF 5m – 0.56m shares), and Pensionskasse Manor (CHF 5m – 0.56m shares). aventron thus succeeded in broadening its investor base.

Buy reiterated at slightly lower price target An updated DCF model, which accounts for the slightly dilutive effect of the capital increase, yields a new price target of CHF 13.00 (previously: CHF 13.30). We reiterate our Buy rating.



VALUATION MODEL

DCF valuation model								
All figures in CHF '000								
	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E
Net sales	44,554	63,119	73,636	84,018	94,251	98,964	99,953	100,953
NOPLAT	12,018	16,271	19,072	22,253	25,224	25,729	26,180	26,597
+ depreciation & amortisation	12,782	20,091	23,328	26,293	29,025	31,569	31,569	31,569
Net operating cash flow	24,799	36,361	42,400	48,547	54,250	57,298	57,750	58,166
- total investments (CAPEX and WC)	-182,377	-84,669	-82,660	-81,121	-79,674	-31,460	-31,540	-31,539
Capital expenditures	-182,200	-84,840	-82,630	-80,940	-79,900	-31,569	-31,569	-31,569
Working capital	-177	171	-30	-181	226	109	29	30
Free cash flows (FCF)	-157,578	-48,308	-40,260	-32,574	-25,425	25,838	26,210	26,626
PV of FCF's	-155,797	-46,159	-37,177	-29,070	-21,926	21,534	21,111	20,726

All figures in thousands	
PV of FCFs in explicit period (2016E-2030E)	-91,325
PV of FCFs in terminal period	664,902
Enterprise value (EV)	573,577
+ Net cash / - net debt (pro forma)	-112,803
+ Investments / minority interests	6,983
Shareholder value	467,757

Fair value per share in EUR	13.00
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WACC	3.5%
Cost of equity	5.7%
Pre-tax cost of debt	3.5%
Tax rate	30.0%
After-tax cost of debt	2.5%
Share of equity capital	31.5%
Share of debt capital	68.5%

Fair value per share in EUR	13.00
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		Terminal growth rate						
		0.4%	0.6%	0.8%	1.0%	1.2%	1.4%	1.6%
WACC	2.7%	17.23	19.45	22.13	25.46	29.69	35.25	42.88
	2.9%	14.77	16.58	18.73	21.16	24.59	28.72	34.13
	3.1%	12.68	14.17	15.94	18.04	20.59	23.75	27.77
	3.3%	10.88	12.13	13.60	15.31	17.36	19.85	22.93
	3.5%	9.32	10.38	11.61	13.03	14.71	16.70	19.13
	3.7%	7.95	8.86	9.90	11.10	12.49	14.12	16.06
	3.9%	6.75	7.53	8.42	9.43	10.60	11.95	13.54
4.1%	5.67	6.36	7.12	7.99	8.98	10.12	11.43	

* for layout purposes the model shows numbers only to 2023, but runs until 2030



INCOME STATEMENT

All figures in CHF '000	2013A	2014A	2015A	2016E	2017E	2018E
Revenues	11,098	14,746	23,849	44,554	63,119	73,636
Cost of goods sold	3,149	3,243	4,603	8,465	11,361	13,254
Gross profit	7,949	11,503	19,246	36,089	51,758	60,382
Personnel costs	90	681	1,145	2,379	3,156	3,682
Depreciation and amortisation	2,189	4,272	7,946	12,782	20,091	23,328
Other operating income	199	543	897	891	1,262	1,473
Other operating expenses	1,979	3,229	4,047	7,485	10,099	11,708
Operating income (EBIT)	3,890	3,864	7,005	14,334	19,674	23,136
Net financial result	-1,803	-2,026	-3,381	-6,613	-8,329	-9,589
Non-operating expenses	-94	129	321	0	0	0
Pre-tax income (EBT)	1,993	1,967	3,945	7,721	11,346	13,548
Income taxes	-56	817	1,052	2,316	3,404	4,064
Minority interests	-1,116	-418	-957	-1,150	-1,300	-1,300
Net income / loss	933	732	1,936	4,255	6,642	8,183
EPS (diluted, in CHF)	0.16	0.06	0.11	0.17	0.19	0.24
EBITDA	6,079	8,136	14,951	27,116	39,765	46,464
Ratios						
Gross margin	71.6%	78.0%	80.7%	81.0%	82.0%	82.0%
EBITDA margin on revenues	54.8%	55.2%	62.7%	60.9%	63.0%	63.1%
EBIT margin on revenues	35.1%	26.2%	29.4%	32.2%	31.2%	31.4%
Net margin on revenues	8.4%	5.0%	8.1%	9.6%	10.5%	11.1%
Tax rate	-2.8%	41.5%	26.7%	30.0%	30.0%	30.0%
Expenses as % of revenues						
Personnel costs	0.8%	4.6%	4.8%	5.3%	5.0%	5.0%
Depreciation and amortisation	19.7%	29.0%	33.3%	28.7%	31.8%	31.7%
Other operating expenses	17.8%	21.9%	17.0%	16.8%	16.0%	15.9%
Y-Y Growth						
Revenues	n.a.	32.9%	61.7%	86.8%	41.7%	16.7%
Operating income	n.a.	-0.7%	81.3%	104.6%	37.3%	17.6%
Net income/ loss	n.a.	-21.5%	164.5%	119.8%	56.1%	23.2%



BALANCE SHEET

All figures in CHF '000	2013A	2014A	2015A	2016E	2017E	2018E
Assets						
Current assets, total	14,112	30,056	39,070	96,801	79,548	51,619
Cash and cash equivalents	6,673	16,413	19,293	73,222	53,362	23,952
Short-term investments	949	1,177	845	845	845	845
Receivables	1,506	3,294	2,400	6,103	8,646	10,087
Inventories	73	72	87	186	249	291
Other current assets	4,911	9,100	16,445	16,445	16,445	16,445
Non-current assets, total	93,885	166,122	268,546	437,964	502,714	562,016
Property, plant & equipment	65,646	134,825	232,392	401,810	466,560	525,862
Goodwill & other intangibles	1,001	3,117	3,602	3,602	3,602	3,602
Other assets	27,238	28,180	32,552	32,552	32,552	32,552
Total assets	107,997	196,178	307,616	534,765	582,262	613,635
Shareholders' equity & debt						
Current liabilities, total	11,002	21,907	32,068	27,145	33,862	37,655
Short-term debt	66	2,162	14,996	5,000	7,000	9,000
Accounts payable	6,215	6,908	4,493	8,117	10,895	12,347
Current provisions	0	0	0	0	0	0
Other current liabilities	4,721	12,837	12,579	14,028	15,967	16,308
Long-term liabilities, total	61,363	99,186	199,994	299,994	339,994	365,594
Long-term debt	59,392	95,292	194,333	294,333	334,333	359,933
Deferred revenue	0	0	0	0	0	0
Other liabilities	1,971	3,894	5,661	5,661	5,661	5,661
Minority interests	11,529	6,466	6,983	8,133	9,433	10,733
Shareholders' equity	24,103	68,619	68,571	199,493	198,973	199,653
Share capital	7,889	17,082	19,451	34,105	34,105	34,105
Capital reserve	55,661	106,174	120,015	237,251	237,251	237,251
Other reserves	0	0	0	0	0	0
Treasury stock	0	-56	-100	-100	-100	-100
Loss carryforward / retained earnings	-39,447	-54,581	-70,795	-71,763	-72,283	-71,603
Total consolidated equity and debt	107,997	196,178	307,616	534,765	582,262	613,635
Ratios						
Current ratio (x)	1.28	1.37	1.22	3.57	2.35	1.37
Quick ratio (x)	1.28	1.37	1.22	3.56	2.34	1.36
Net debt	52,785	81,041	190,036	226,111	287,971	344,981
Net gearing	148.1%	107.9%	251.5%	108.9%	138.2%	164.0%
Net debt/EBITDA	8.7	10.0	12.7	8.3	7.2	7.4
Book value per share (in CHF)	4.18	5.86	3.82	8.02	5.83	5.85
Return on equity (ROE)	3.9%	1.1%	2.8%	2.1%	3.3%	4.1%
Days sales outstanding (DSO)	49.5	81.5	36.7	50.0	50.0	50.0
Days inventory outstanding (DIO)	8.5	8.1	6.9	8.0	8.0	8.0
Days payables outstanding (DPO)	720.4	777.5	356.3	350.0	350.0	340.0



CASH FLOW STATEMENT

All figures in CHF '000	2013A	2014A	2015A	2016E	2017E	2018E
EBIT	3,890	3,864	7,326	14,334	19,674	23,136
Depreciation and amortisation	2,189	4,272	7,946	12,782	20,091	23,328
EBITDA	6,079	8,136	15,272	27,116	39,765	46,464
Changes in working capital	3,610	-4,170	-1,392	-177	171	-30
Other adjustments	-2,049	-2,828	-3,982	-8,929	-11,732	-13,653
Operating cash flow	7,640	1,138	9,898	18,009	28,203	32,781
CAPEX	-23,152	-25,965	-36,838	-182,200	-84,840	-82,630
Investments in intangibles	-1,000	-861	-619	0	0	0
Free cash flow	-16,512	-25,688	-27,558	-164,191	-56,637	-49,849
Acquisitions & Disposals, net	864	464	-13,539	0	0	0
Other Investments	-5,054	-7,579	-5,203	0	0	0
Cash flow from investing	-28,342	-33,941	-56,198	-182,200	-84,840	-82,630
Debt financing, net	8,173	27,937	46,118	90,004	42,000	27,600
Equity financing, net	15,048	16,371	5,837	131,890	0	0
Other financing	-797	-1,624	-2,089	-3,774	-5,223	-7,162
Cash flow from financing	22,424	42,684	49,866	218,120	36,777	20,438
Forex & other effects	78	-141	-686	0	0	0
Net cash flows	1,800	9,740	2,880	53,929	-19,860	-29,411
Cash, start of the year	4,873	6,673	16,413	19,293	73,222	53,362
Cash, end of the year	6,673	16,413	19,293	73,222	53,362	23,952
EBITDA/share (in CHF)	1.06	0.69	0.83	1.09	1.17	1.36

Y-Y Growth

Operating cash flow	n.a.	-85.1%	769.8%	81.9%	56.6%	16.2%
Free cash flow	n.a.	n.m.	n.m.	n.m.	n.m.	n.m.
EBITDA/share	n.a.	-34.2%	19.8%	31.1%	6.9%	16.8%

FIRST BERLIN RECOMMENDATION & PRICE TARGET HISTORY

Report No.:	Date of publication	Previous day closing price	Recommendation	Price target
Initial Report	20 May 2015	CHF8.00	Buy	CHF10.50
2...3	↓	↓	↓	↓
4	6 October 2015	CHF8.00	Buy	CHF10.70
5	18 December 2015	CHF8.70	Buy	CHF13.30
6	23 May 2016	CHF8.90	Buy	CHF13.30
7	Today	CHF8.51	Buy	CHF13.00

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

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

STRONG BUY: An expected favourable price trend of more than 50% combined with sizeable confidence in the quality and forecast security of management.

BUY: An expected favourable price trend of more than 25% percent.

ADD: An expected favourable price trend of between 0% and 25%.

REDUCE: An expected negative price trend of between 0% and -15%.

SELL: An expected negative price trend of more than -15%.

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.

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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.

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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

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