

aventron AG

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

H1 figures

RATING
BUY

PRICE TARGET
CHF13.00

Return Potential 47.7%
 Risk Rating medium

STRONG H1 – BUY RATING REITERATED

aventron's H1 figures were above our forecasts due mainly to strong hydro and wind segment performances. For 2016, the company expects sales of ca. CHF 50m and EBIT of ca. CHF 15m. Its medium-term target of 500 MW by 2020 remains unchanged. Given the capacity of ca. 350 MW at the end of September and the pro forma cash position of ca. CHF 81m we see aventron well on track to reach its medium-term target. Based on the higher H1 figures we increase our 2016 estimates. An updated DCF model still yields a €13.00 price target. We reiterate our Buy rating.

Strong revenue increase and higher margin H1 revenues increased 87% to CHF 19.8m (H1/15: CHF 10.6m, FBe: CHF 18.2m). The strong rise reflects the increased green power asset base. At the end of September, the installed capacity was ca. 350 MW (end 2015: 160 MW). In H1, aventron increased power production by almost 64% y/y from 129 GWh to 211 GWh. EBITDA more than doubled to CHF 12.6m from CHF 5.8m in H1/15. EBIT rose 128% y/y to CHF 6.3m. The EBIT margin jumped from 26.3% in H1/15 to 32.0%. The net result amounted to CHF 1.5m (H1/15: CHF 0.7m, see figure 5 on page 4).

Concrete guidance for 2016 Following the successful capital increase in August, aventron issued a concrete guidance for 2016, based on the portfolio at the end of September. The company expects revenues of ca. CHF 50m and EBIT of ca. CHF 15m, which corresponds to an EBIT margin of 30% (2015: 29.4%).

Balance sheet reflects growing asset basis The balance sheet total increased 16% to CHF 356m. Property, Plant & Equipment is by far the most important balance sheet item. This rose 18% to CHF 273m from CHF 232m at the end of 2015. Financial assets increased slightly to CHF 33.2m (FY15: CHF 32.6m). Current assets were dominated by the cash position which increased to CHF 23.8m from CHF 19.3m at the end of 2015. (p.t.o.)

FINANCIAL HISTORY & PROJECTIONS

	2013	2014	2015	2016E	2017E	2018E
Revenue (CHFm)	11.10	14.75	23.85	49.74	63.12	73.64
Y-o-y growth	n.a.	32.9%	61.7%	108.6%	26.9%	16.7%
EBIT (CHFm)	3.89	3.86	7.01	14.85	19.67	23.14
EBIT margin	35.1%	26.2%	29.4%	29.9%	31.2%	31.4%
Net income (CHFm)	0.93	0.73	1.94	4.26	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	-161.18	-56.99	-49.98
Net gearing	148.1%	107.9%	251.5%	107.5%	136.9%	162.8%
Liquid assets (CHFm)	6.67	16.41	19.29	76.23	56.02	26.47

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. 350 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 13 Oct 2016

Closing Price	CHF 8.80
Shares outstanding	34.10m
Market Capitalisation	CHF 300.12m
52-week Range	CHF 7.80 / 9.90
Avg. Volume (12 Months)	1,096

Multiples	2015	2016E	2017E
P/E	81.7	51.4	45.2
EV/Sales	15.1	7.3	5.7
EV/EBIT	51.6	24.3	18.4
Div. Yield	2.4%	2.4%	2.4%

STOCK OVERVIEW



COMPANY DATA

As of 30 Jun 2016

Liquid Assets	CHF 23.77m
Current Assets	CHF 46.29m
Intangible Assets	CHF 3.88m
Total Assets	CHF 356.46m
Current Liabilities	CHF 47.65m
Shareholders' Equity	CHF 62.48m

SHAREHOLDERS

EBM-Gruppe	46.0%
ewb-Gruppe	15.0%
Stadtwerk Winterthur	10.0%
Other investors	10.0%
Free Float	19.0%



Equity amounted to CHF 62m (equity ratio: 17.5%). The CHF 132m capital increase in August roughly tripled the equity position. Long-term financial debt rose to CHF 241m from CHF 194m at FY15. Short-term financial debt amounted to CHF 28m (FY15: CHF 15m).

Positive operating cash flow The operating cash flow amounted to CHF 4.4m and was mainly driven by the net result (CHF 1.9m) and depreciation (CHF 6.3m). Cash flow from investment activity was CHF -24.5m. This mainly resulted from CAPEX (ca. CHF 9m) and the acquisition of consolidated stakes (ca. CHF 17m). Cash flow from financing amounted to CHF 24.6m and was dominated by additional cash from loans (CHF 27m).

Major acquisitions in Italy and Norway In H1, aventron acquired an 18 MW wind farm in Italy and two hydro power plants (2.6 and 3.4 MW) in Norway. After the end of the reporting period, the company took over wind farms in France, Germany and Spain, and solar plants in Italy and Spain. The acquisitions were part of the large capital increase. aventron received CHF 74m in contributions in kind and CHF 58m cash (see our comment of 6 September).

Strong hydro performance H1 was characterised by a lot of rain in France and Switzerland which resulted in high revenues and increased margins of the hydro segment. Sales increased 32% to CHF 5.5m and EBITDA 45% to CHF 3.2m. This corresponds to an EBITDA margin increase by 5PP to 57.6% (see figure 1).

Figure 1: Reported segment figures vs. forecasts

All figures in CHFm	H1-16A	H1-16E	Delta	H1-15	Delta
Hydropower					
Sales	5.53	5.10	8.4%	4.19	32.1%
EBITDA	3.18	2.80	13.6%	2.20	44.6%
margin	57.6%	54.9%		52.6%	
Wind					
Sales	7.37	6.80	8.3%	3.30	123.4%
EBITDA	5.29	4.85	9.1%	2.35	125.2%
margin	71.9%	71.3%		71.3%	
Solar					
Sales	6.53	6.30	3.7%	3.07	112.9%
EBITDA	4.98	4.80	3.6%	2.34	113.1%
margin	76.2%	76.2%		76.1%	
Holding					
Sales	1.02	0.00	n.m.	0.39	158.5%
EBITDA	-0.85	-1.40	n.m.	-1.06	n.m.
margin	n.m.	n.m.		n.m.	
Consolidation					
Sales	-0.69	0.00	n.m.	-0.39	n.m.
EBITDA	0.00	0.00	n.m.	0.00	n.m.
margin	0.0%	n.m.		0.0%	
Group					
Sales	19.76	18.20	8.6%	10.55	87.3%
EBITDA	12.60	11.05	14.0%	5.83	116.3%
margin	63.8%	60.7%		55.2%	

Source: First Berlin Equity Research, aventron AG

Wind power benefited from increased capacity Wind segment revenues more than doubled to CHF 7.4m. EBITDA rose 125% to CHF 5.3m. The EBITDA margin increased slightly to 71.9% from 71.3%.

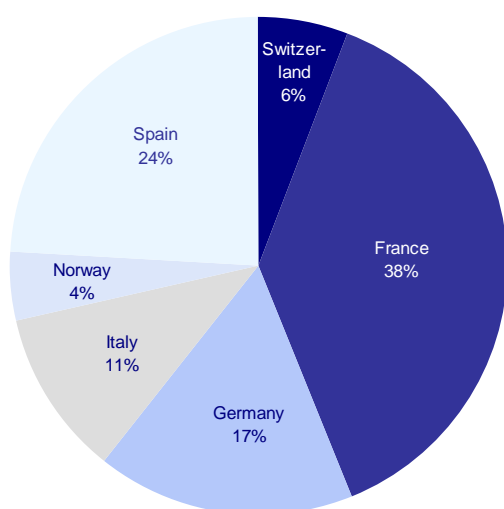


Solar power with strong growth Solar segment revenues amounted to CHF 6.5m (H1/15: CHF 3.1m, +113%). EBITDA jumped to CHF 5.0m (H1/15: CHF 2.3m, +113%). The EBITDA margin was almost constant at 76.2% (H1/15: 76.1%).

Only moderate increase in holding costs Despite the substantial growth of the company, holding costs increased only moderately to CHF 1.9m from CHF 1.5m (+30% y/y).

Regional diversification improved At the end of August, aventron's portfolio comprised green power assets with a capacity of 319 MW in six countries. Spain has been the latest country the company has entered and has a capacity share of 24%. France still dominates with 38%.

Figure 2: Regional MW capacity split as of 31 August 2016 in percent

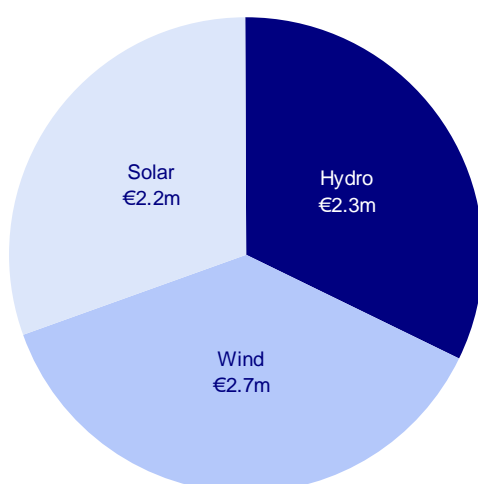


Source: First Berlin Equity Research, aventron AG

Technology diversification already well developed EBIT contributions of the three technologies hydro, wind, and solar were well distributed (see figure 3 overleaf). Wind segment EBIT dominated with 37%, followed by Hydro (32%), and Solar (31%).



Figure 3: EBIT contributions of the three technologies in H1/16



Source: First Berlin Equity Research, aventron AG

Forecast for 2016 slightly increased We have increased our revenue and EBIT forecast for 2016E. As we have pencilled in higher interest expenses the net result remains almost unchanged. We stick to our 2017E & 2018E forecasts (see figure 4).

Buy reiterated at unchanged price target An updated DCF model yields an unchanged price target of €13.00. We reiterate our Buy rating.

Figure 4: Revisions to forecasts

All figures in CHFm	2016E			2017E			2018E		
	Old	New	Delta	Old	New	Delta	Old	New	Delta
Sales	44.55	49.74	11.6%	63.12	63.12	0.0%	73.64	73.64	0.0%
EBIT	14.33	14.85	3.6%	19.67	19.67	0.0%	23.14	23.14	0.0%
margin	32.2%	29.9%		31.2%	31.2%		31.4%	31.4%	
Net income	4.25	4.26	0.2%	6.64	6.64	0.0%	8.18	8.18	0.0%
margin	9.5%	8.6%		10.5%	10.5%		11.1%	11.1%	
EPS (diluted, in CHF)	0.17	0.17	0.1%	0.19	0.19	0.0%	0.24	0.24	0.0%

Source: First Berlin Equity Research, aventron AG

Figure 5: Reported figures vs. estimates

All figures in CHFm	H1-16A	H1-16E	Delta	H1-15	Delta
Sales	19.76	18.20	8.6%	10.55	87.3%
EBIT	6.33	5.31	19.2%	2.78	127.9%
margin	32.0%	29.2%		26.3%	
Net income	1.48	1.18	25.6%	0.68	118.6%
margin	7.5%	6.5%		6.4%	
EPS (diluted, in CHF)	0.08	0.06	33.3%	0.04	100.0%

Source: First Berlin Equity Research, aventron AG



VALUATION MODEL

DCF valuation model								
All figures in CHF '000								
	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E
Net sales	49,740	63,119	73,636	84,018	94,251	98,964	99,953	100,953
NOPLAT	12,531	16,270	19,072	22,342	25,308	25,808	26,260	26,676
+ depreciation & amortisation	15,570	19,951	23,196	26,167	28,906	31,456	31,456	31,456
Net operating cash flow	28,102	36,221	42,267	48,509	54,214	57,264	57,716	58,132
- total investments (CAPEX and WC)	-182,165	-84,882	-82,660	-81,121	-79,878	-31,570	-31,646	-31,650
Capital expenditures	-182,200	-84,840	-82,630	-80,940	-79,900	-31,456	-31,456	-31,456
Working capital	35	-42	-30	-181	22	-115	-190	-195
Free cash flows (FCF)	-154,063	-48,661	-40,393	-32,612	-25,664	25,693	26,070	26,482
PV of FCF's	-152,937	-46,684	-37,451	-29,222	-22,221	21,500	21,083	20,697

All figures in thousands	
PV of FCFs in explicit period (2016E-2030E)	-90,033
PV of FCFs in terminal period	663,117
Enterprise value (EV)	573,083
+ Net cash / - net debt (pro forma)	-112,723
+ Investments / minority interests	6,983
Shareholder value	467,343

Fair value per share in EUR 13.00

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

		Terminal growth rate						
		0.4%	0.6%	0.8%	1.0%	1.2%	1.4%	1.6%
WACC	2.7%	17.32	19.49	22.12	25.38	29.53	34.98	42.46
	2.9%	14.85	16.62	18.73	21.10	24.47	28.51	33.81
	3.1%	12.76	14.22	15.95	18.00	20.49	23.58	27.51
	3.3%	10.96	12.19	13.61	15.29	17.29	19.71	22.72
	3.5%	9.40	10.44	11.63	13.02	14.65	16.59	18.96
	3.7%	8.03	8.92	9.93	11.09	12.44	14.03	15.92
	3.9%	6.83	7.59	8.45	9.44	10.57	11.88	13.43
4.1%	5.75	6.42	7.16	8.00	8.96	10.06	11.34	

* 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	49,740	63,119	73,636
Cost of goods sold	3,149	3,243	4,603	9,451	11,361	13,254
Gross profit	7,949	11,503	19,246	40,289	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	15,570	19,951	23,196
Other operating income	199	543	897	995	1,262	1,473
Other operating expenses	1,979	3,229	4,047	8,485	10,239	11,841
Operating income (EBIT)	3,890	3,864	7,005	14,850	19,674	23,136
Net financial result	-1,803	-2,026	-3,381	-7,121	-8,329	-9,589
Non-operating expenses	-94	129	321	0	0	0
Pre-tax income (EBT)	1,993	1,967	3,945	7,729	11,345	13,547
Income taxes	-56	817	1,052	2,319	3,404	4,064
Minority interests	-1,116	-418	-957	-1,150	-1,300	-1,300
Net income / loss	933	732	1,936	4,260	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	30,420	39,625	46,331
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%	61.2%	62.8%	62.9%
EBIT margin on revenues	35.1%	26.2%	29.4%	29.9%	31.2%	31.4%
Net margin on revenues	8.4%	5.0%	8.1%	8.6%	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%	4.8%	5.0%	5.0%
Depreciation and amortisation	19.7%	29.0%	33.3%	31.3%	31.6%	31.5%
Other operating expenses	17.8%	21.9%	17.0%	17.1%	16.2%	16.1%
Y-Y Growth						
Revenues	n.a.	32.9%	61.7%	108.6%	26.9%	16.7%
Operating income	n.a.	-0.7%	81.3%	112.0%	32.5%	17.6%
Net income/ loss	n.a.	-21.5%	164.5%	120.0%	55.9%	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	100,540	82,202	54,140
Cash and cash equivalents	6,673	16,413	19,293	76,229	56,016	26,473
Short-term investments	949	1,177	845	845	845	845
Receivables	1,506	3,294	2,400	6,814	8,646	10,087
Inventories	73	72	87	207	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	435,176	500,065	559,499
Property, plant & equipment	65,646	134,825	232,392	399,022	463,911	523,345
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	535,715	582,266	613,640
Shareholders' equity & debt						
Current liabilities, total	11,002	21,907	32,068	28,090	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	9,062	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	199,498	198,978	199,658
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	-71,758	-72,278	-71,598
Total consolidated equity and debt	107,997	196,178	307,616	535,715	582,266	613,640
Ratios						
Current ratio (x)	1.28	1.37	1.22	3.58	2.43	1.44
Quick ratio (x)	1.28	1.37	1.22	3.57	2.42	1.43
Net debt	52,785	81,041	190,036	223,104	285,317	342,460
Net gearing	148.1%	107.9%	251.5%	107.5%	136.9%	162.8%
Net debt/EBITDA	8.7	10.0	12.7	7.3	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	14,850	19,674	23,136
Depreciation and amortisation	2,189	4,272	7,946	15,570	19,951	23,196
EBITDA	6,079	8,136	15,272	30,420	39,625	46,331
Changes in working capital	3,610	-4,170	-1,392	35	-42	-30
Other adjustments	-2,049	-2,828	-3,982	-9,440	-11,732	-13,653
Operating cash flow	7,640	1,138	9,898	21,016	27,850	32,649
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	-161,184	-56,990	-49,981
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	56,936	-20,213	-29,544
Cash, start of the year	4,873	6,673	16,413	19,293	76,229	56,016
Cash, end of the year	6,673	16,413	19,293	76,229	56,016	26,473
EBITDA/share (in CHF)	1.06	0.69	0.83	1.22	1.16	1.36

Y-Y Growth

Operating cash flow	n.a.	-85.1%	769.8%	112.3%	32.5%	17.2%
Free cash flow	n.a.	n.m.	n.m.	n.m.	n.m.	n.m.
EBITDA/share	n.a.	-34.2%	19.8%	47.0%	-5.0%	16.9%

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...4	↓	↓	↓	↓
5	18 December 2015	CHF8.70	Buy	CHF13.30
6	23 May 2016	CHF8.90	Buy	CHF13.30
7	6 September 2016	CHF8.51	Buy	CHF13.00
8	Today	CHF8.80	Buy	CHF13.00

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