

aventron AG

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

Update

RATING
BUY

PRICE TARGET
CHF13.00

Return Potential 48.6%
 Risk Rating medium

STRONG GROWTH IN 2016 & 2017

In 2016, aventron more than doubled its capacity from 160 MW to 350 MW. The enlarged portfolio of green power assets looks set to generate revenues of almost CHF 49m in 2016. Based on the current portfolio, the company expects revenue growth of ca. 50% in 2017. aventron has reiterated its medium-term target of 500 MW capacity and 1,050 GWh of power production by 2020. Following the stronger than anticipated growth of the asset base in 2016, we have increased our revenue forecasts for 2017E and the following years. An updated DCF model still yields a CHF 13.00 price target. We confirm our Buy rating.

Accelerated growth in 2016 In 2015, aventron increased its capacity by 54% to 160 MW. In 2016, acquisitions of wind, solar and hydropower plants resulted in a portfolio size of 350 MW, an increase of almost 120%. In October, aventron purchased 9.6 MW of PV plants in Italy and in December, the company acquired a 10 MW wind farm project in France. We see the company well on track to reach its 2020 guidance of 500 MW capacity and 1,050 GWh power production.

Capacity currently dominated by wind power The 350 MW portfolio consists of 200 MW wind power, 80 MW solar power, and 70 MW hydro power. For 2020E, we model a 502 MW portfolio with a wind/solar/hydro capacity split of 200/168/134 MW. We thus expect the expansion path to focus on hydro and solar power. We assume annual capacity expansions of 22 MW solar and 16 MW hydro power.

aventron offers almost unique exposure aventron offers a favourable mix both in terms of technological and geographical exposure. With three technologies the company offers a higher diversification than many other players which often concentrate on just one or two technologies. aventron is one of the few listed players with sizeable hydro power capacity. In addition, solar is a natural hedge for hydro power. Geographically, aventron is diversified among six countries. This is again a higher degree of diversification... (p.t.o.)

FINANCIAL HISTORY & PROJECTIONS

	2013	2014	2015	2016E	2017E	2018E
Revenue (CHFm)	11.10	14.75	23.85	48.71	73.47	80.39
Y-o-y growth	n.a.	32.9%	61.7%	104.2%	50.9%	9.4%
EBIT (CHFm)	3.89	3.86	7.01	13.99	20.37	22.94
EBIT margin	35.1%	26.2%	29.4%	28.7%	27.7%	28.5%
Net income (CHFm)	0.93	0.73	1.94	3.09	5.57	6.62
EPS (diluted) (CHF)	0.16	0.06	0.11	0.12	0.16	0.19
DPS (CHF)	0.20	0.20	0.21	0.21	0.21	0.22
FCF (CHFm)	-16.51	-25.69	-27.56	-211.29	-34.33	-32.13
Net gearing	148.1%	107.9%	251.5%	132.3%	151.7%	170.4%
Liquid assets (CHFm)	6.67	16.41	19.29	46.12	48.57	36.88

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 10 Jan 2017

Closing Price	CHF 8.75
Shares outstanding	34.10m
Market Capitalisation	CHF 298.42m
52-week Range	CHF 7.80 / 9.90
Avg. Volume (12 Months)	1,504

Multiples	2015	2016E	2017E
P/E	81.2	70.4	53.5
EV/Sales	15.1	7.4	4.9
EV/EBIT	51.4	25.7	17.7
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%



...than most competitors offer.

Stability AND growth Operating a portfolio of green power assets is a very stable business model with visible cash flows, as revenues are backed by regulatory support schemes (feed-in tariffs, purchasing power agreements, green certificates). More than 80% of aventron's revenues benefit from such schemes. aventron's management team has an excellent track record in growth management and in M&A transactions involving green power assets. Furthermore, backing from regional Swiss utilities, who are strategic investors in aventron, facilitates access to capital.

Revenue and EBITDA estimates raised for 2017E and the following years As the growth of the asset base was more rapid in 2016 than we initially anticipated (FBe: 300 MW), we have raised our revenue and EBITDA forecasts for 2017E and the following years. Given the current 350 MW portfolio of green power assets, we are confident that the company will reach its 2020 target of 500 MW.

Higher depreciation, however, looks set to burden EBIT. As we assume that the assets purchased in 2016 have debt financing with interest rates that are, on average, higher than aventron's average interest rate on debt, we have increased our interest expenses forecast, which results in lower net results (see figure 1).

In view of the weak wind conditions in Europe in H2, we have reduced our 2016E forecast. We assume that the full-year result will come in slightly below company guidance of CHF 50m and CHF 15m for revenues and EBIT respectively.

Buy rating and price target reiterated An updated DCF model still yields a CHF 13.00 price target. We confirm our Buy rating.

Figure 1: Revisions to forecasts

All figures in CHFm	2016E			2017E			2018E		
	Old	New	Delta	Old	New	Delta	Old	New	Delta
Sales	49.74	48.71	-2.1%	63.12	73.47	16.4%	73.64	80.39	9.2%
EBIT	14.85	13.99	-5.8%	19.67	20.37	3.6%	23.14	22.94	-0.9%
margin	29.9%	28.7%		31.2%	27.7%		31.4%	28.5%	
Net income	4.26	3.09	-27.4%	6.64	5.57	-16.0%	8.18	6.62	-19.1%
margin	8.6%	6.3%		10.5%	7.6%		11.1%	8.2%	
EPS (diluted, in CHF)	0.17	0.12	-27.3%	0.19	0.16	-16.1%	0.24	0.19	-19.1%

Source: First Berlin Equity Research



VALUATION MODEL

DCF valuation model								
All figures in CHF '000	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E
Net sales	48,705	73,473	80,392	88,350	95,658	99,348	100,341	101,344
NOPLAT	12,173	17,425	19,547	22,370	24,564	25,092	25,612	26,089
+ depreciation & amortisation	15,570	25,083	27,428	29,113	30,937	32,627	32,353	32,079
Net operating cash flow	27,743	42,509	46,975	51,483	55,500	57,719	57,965	58,168
- total investments (CAPEX and WC)	-231,103	-66,287	-67,481	-66,746	-67,009	-32,795	-32,594	-32,327
Capital expenditures	-231,096	-66,959	-66,959	-66,959	-66,959	-32,627	-32,353	-32,079
Working capital	-7	672	-522	213	-50	-168	-241	-248
Free cash flows (FCF)	-203,360	-23,778	-20,505	-15,263	-11,509	24,924	25,372	25,841
PV of FCF's	-203,360	-23,015	-19,181	-13,798	-10,054	21,042	20,701	20,376

All figures in thousands	
PV of FCFs in explicit period (2016E-2030E)	-72,955
PV of FCFs in terminal period	644,693
Enterprise value (EV)	571,739
+ Net cash / - net debt (pro forma)	-112,548
+ Investments / minority interests	6,983
Shareholder value	466,174

Fair value per share in CHF	13.00
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WACC		Terminal growth rate							
		0.4%	0.6%	0.8%	1.0%	1.2%	1.4%	1.6%	
Cost of equity	5.7%	2.7%	17.20	19.29	21.83	24.98	28.98	34.24	41.45
Pre-tax cost of debt	3.5%	2.9%	14.80	16.51	18.55	20.82	24.08	27.97	33.08
Tax rate	30.0%	3.1%	12.77	14.18	15.84	17.82	20.22	23.20	26.99
After-tax cost of debt	2.5%	3.3%	11.02	12.20	13.57	15.19	17.11	19.45	22.35
Share of equity capital	31.5%	3.5%	9.49	10.49	11.64	12.98	14.55	16.43	18.70
Share of debt capital	68.5%	3.7%	8.16	9.01	9.99	11.11	12.41	13.94	15.76
		3.9%	6.98	7.71	8.55	9.49	10.58	11.85	13.34
Fair value per share in CHF	13.00	4.1%	5.93	6.57	7.28	8.09	9.01	10.07	11.30

* 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	48,705	73,473	80,392
Cost of goods sold	3,149	3,243	4,603	9,254	13,593	14,471
Gross profit	7,949	11,503	19,246	39,451	59,880	65,921
Personnel costs	90	681	1,145	2,379	3,656	4,020
Other operating income	199	543	897	974	1,469	1,608
Other operating expenses	1,979	3,229	4,047	8,485	12,239	13,141
EBITDA	6,079	8,136	14,951	29,561	45,455	50,369
Depreciation and amortisation	2,189	4,272	7,946	15,570	25,083	27,428
Operating income (EBIT)	3,890	3,864	7,005	13,991	20,372	22,940
Net financial result	-1,803	-2,026	-3,381	-7,930	-10,550	-11,629
Non-operating expenses	-94	129	321	0	0	0
Pre-tax income (EBT)	1,993	1,967	3,945	6,061	9,821	11,311
Income taxes	-56	817	1,052	1,818	2,946	3,393
Minority interests	-1,116	-418	-957	-1,150	-1,300	-1,300
Net income / loss	933	732	1,936	3,093	5,575	6,618
EPS (diluted, in CHF)	0.16	0.06	0.11	0.12	0.16	0.19
Ratios						
Gross margin	71.6%	78.0%	80.7%	81.0%	81.5%	82.0%
EBITDA margin on revenues	54.8%	55.2%	62.7%	60.7%	61.9%	62.7%
EBIT margin on revenues	35.1%	26.2%	29.4%	28.7%	27.7%	28.5%
Net margin on revenues	8.4%	5.0%	8.1%	6.3%	7.6%	8.2%
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%	4.9%	5.0%	5.0%
Depreciation and amortisation	19.7%	29.0%	33.3%	32.0%	34.1%	34.1%
Other operating expenses	17.8%	21.9%	17.0%	17.4%	16.7%	16.3%
Y-Y Growth						
Revenues	n.a.	32.9%	61.7%	104.2%	50.9%	9.4%
Operating income	n.a.	-0.7%	81.3%	99.7%	45.6%	12.6%
Net income/ loss	n.a.	-21.5%	164.5%	59.7%	80.3%	18.7%



BALANCE SHEET

All figures in CHF '000	2013A	2014A	2015A	2016E	2017E	2018E
Assets						
Current assets, total	14,112	30,056	39,070	70,288	76,224	65,495
Cash and cash equivalents	6,673	16,413	19,293	46,123	48,572	36,875
Short-term investments	949	1,177	845	845	845	845
Receivables	1,506	3,294	2,400	6,672	10,065	11,013
Inventories	73	72	87	203	298	317
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	484,072	525,947	565,478
Property, plant & equipment	65,646	134,825	232,392	447,918	489,793	529,324
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	554,359	602,172	630,973
Shareholders' equity & debt						
Current liabilities, total	11,002	21,907	32,068	27,902	36,001	38,788
Short-term debt	66	2,162	14,996	5,000	7,000	9,000
Accounts payable	6,215	6,908	4,493	8,874	13,034	13,479
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	319,994	359,994	385,594
Long-term debt	59,392	95,292	194,333	314,333	354,333	379,933
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	198,331	196,744	195,858
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	-72,925	-74,513	-75,398
Total consolidated equity and debt	107,997	196,178	307,616	554,359	602,172	630,973
Ratios						
Current ratio (x)	1.28	1.37	1.22	2.52	2.12	1.69
Quick ratio (x)	1.28	1.37	1.22	2.51	2.11	1.68
Net debt	52,785	81,041	190,036	273,210	312,761	352,058
Net gearing	148.1%	107.9%	251.5%	132.3%	151.7%	170.4%
Net debt/EBITDA	8.7	10.0	12.7	9.2	6.9	7.0
Book value per share (in CHF)	3.06	4.02	3.53	5.82	5.77	5.74
Return on equity (ROE)	3.9%	1.1%	2.8%	1.6%	2.8%	3.4%
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	13,991	20,372	22,940
Depreciation and amortisation	2,189	4,272	7,946	15,570	25,083	27,428
EBITDA	6,079	8,136	15,272	29,561	45,455	50,369
Changes in working capital	3,610	-4,170	-1,392	-7	672	-522
Other adjustments	-2,049	-2,828	-3,982	-9,748	-13,497	-15,022
Operating cash flow	7,640	1,138	9,898	19,806	32,631	34,825
CAPEX	-23,152	-25,965	-36,838	-231,096	-66,959	-66,959
Investments in intangibles	-1,000	-861	-619	0	0	0
Free cash flow	-16,512	-25,688	-27,558	-211,290	-34,328	-32,134
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	-231,096	-66,959	-66,959
Debt financing, net	8,173	27,937	46,118	110,004	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	238,120	36,777	20,438
Forex & other effects	78	-141	-686	0	0	0
Net cash flows	1,800	9,740	2,880	26,830	2,449	-11,696
Cash, start of the year	4,873	6,673	16,413	19,293	46,123	48,572
Cash, end of the year	6,673	16,413	19,293	46,123	48,572	36,875
EBITDA/share (in CHF)	1.06	0.69	0.83	1.19	1.33	1.48

Y-Y Growth

Operating cash flow	n.a.	-85.1%	769.8%	100.1%	64.8%	6.7%
Free cash flow	n.a.	n.m.	n.m.	n.m.	n.m.	n.m.
EBITDA/share	n.a.	-34.2%	19.8%	42.9%	12.1%	10.8%

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...5	↓	↓	↓	↓
6	23 May 2016	CHF8.90	Buy	CHF13.30
7	6 September 2016	CHF8.51	Buy	CHF13.00
8	18 October 2016	CHF8.80	Buy	CHF13.00
9	Today	CHF8.75	Buy	CHF13.00

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

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

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- 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: <http://firstberlin.com/disclaimer-english-link/>

SUPERVISORY AUTHORITY: Bundesanstalt für Finanzdienstleistungsaufsicht (German Federal Financial Supervisory Authority) [BaFin], Graurheindorferstraße 108, 53117 Bonn and Lurgiallee 12, 60439 Frankfurt

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