

aventron AG

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

Preliminary
 2018 figures

RATING
BUY

PRICE TARGET
CHF 13.50

Return Potential 55.0%
 Risk Rating low

SALES AND EBIT SLIGHTLY ABOVE GUIDANCE

aventron has reported preliminary figures for 2018. Sales increased by 19% y/y to CHF 91.8m, and EBIT rose 18% to CHF 28.2m. The EBIT margin was 30.7%. The company thus slightly exceeded our estimates and guidance (sales: CHF 90m at a 30% EBIT margin). aventron's high quality is particularly evident over the longer term: For years, the company has been growing strongly and very profitably. We are convinced that the coming years will be marked by profitable growth. After the green power plant portfolio grew by 90 MW to 476 MW in 2018, the 600 MW targeted for 2020 should be readily achievable given the well-filled acquisition pipeline. We confirm our Buy recommendation and CHF 13.50 price target.

Strong sales and EBIT increase in 2018 The FY sales increase of 19% to CHF 91.8m slightly exceeded our estimate (CHF 90.3m). EBIT was also slightly higher than we expected and reached CHF 28.2m (2017: CHF 23.9m, FBe: CHF 27.3m). The EBIT margin was 30.7% and thus almost at the previous year's level of 31.0%. The main growth drivers were capacity growth and the significant increase in power prices. aventron benefits from fixed feed-in tariffs at around 80% of its plant capacity. Sales and margin for the other 20% are likely to have been driven by significantly higher wholesale prices. A more accurate margin analysis will be provided by the annual report due on 21 March. It will show the sales and earnings performance of the three segments water, wind and solar.

High operating cash flow Operating cash flow outpaced sales – rising 34% from CHF 50.6m to CHF 67.9m. Once again aventron has proven that its business is strongly cash generative.

Our estimates unchanged pending annual report publication We will review the annual report before revising our estimates for 2019E and subsequent years (see figure 1 overleaf).

(p.t.o.)

FINANCIAL HISTORY & PROJECTIONS

	2015	2016	2017	2018E	2019E	2020E
Revenue (CHF m)	23.85	48.46	77.14	91.80	100.52	108.14
Y-o-y growth	61.7%	103.2%	59.2%	19.0%	9.5%	7.6%
EBIT (CHF m)	7.01	13.77	23.92	28.20	30.35	32.77
EBIT margin	29.4%	28.4%	31.0%	30.7%	30.2%	30.3%
Net income (CHF m)	1.94	2.97	8.34	11.05	11.49	12.28
EPS (diluted) (CHF)	0.11	0.12	0.25	0.29	0.26	0.28
DPS (CHF)	0.21	0.21	0.23	0.23	0.24	0.25
FCF (CHFm)	-27.56	7.38	25.35	-68.71	-70.43	-61.00
Net gearing	251.5%	170.8%	227.5%	143.2%	170.5%	194.5%
Liquid assets (CHF m)	19.29	33.54	39.43	95.23	75.96	59.47

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. 476 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.

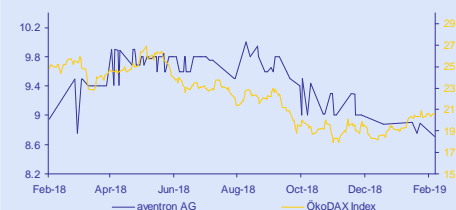
MARKET DATA

As of 07 Feb 2019

Closing Price	CHF 8.71
Shares outstanding	43.73m
Market Capitalisation	CHF 380.88m
52-week Range	CHF 8.71 / 10.00
Avg. Volume (12 Months)	2,029

Multiples	2017	2018E	2019E
P/E	35.5	30.3	33.2
EV/Sales	9.7	8.2	7.5
EV/EBIT	31.4	26.6	24.7
Div. Yield	2.6%	2.6%	2.8%

STOCK OVERVIEW



COMPANY DATA

As of 30 Jun 2018

Liquid Assets	CHF 50.77m
Current Assets	CHF 85.38m
Intangible Assets	CHF 9.70m
Total Assets	CHF 719.22m
Current Liabilities	CHF 86.24m
Shareholders' Equity	CHF 179.61m

SHAREHOLDERS

aventron Holding AG	61.9%
Stadtwerk Winterthur	7.7%
UBS Clean Energy Infrastructure	6.3%
Other investors	9.6%
Free Float	14.4%

**Figure 1: Adjustment of estimates for 2018E**

All figures in CHFm	2018E			2019E			2020E		
	Old	New	Delta	Old	New	Delta	Old	New	Delta
Sales	90.34	91.80	1.6%	100.52	100.52	0.0%	108.14	108.14	0.0%
EBIT	27.30	28.20	3.3%	30.35	30.35	0.0%	32.77	32.77	0.0%
<i>margin</i>	30.2%	30.7%		30.2%	30.2%		30.3%	30.3%	
Net income	10.31	11.05	7.1%	11.49	11.49	0.0%	12.28	12.28	0.0%
<i>margin</i>	11.4%	12.0%		11.4%	11.4%		11.4%	11.4%	
EPS (diluted, in CHF)	0.27	0.29	7.1%	0.26	0.26	0.0%	0.28	0.28	0.0%

Source: First Berlin Equity Research

Buy reiterated at unchanged price target An updated DCF model still yields a price target of CHF 13.50. The upside to our price target is 55%. Given the profitable growth and the stability of the business model, we believe that the stock is attractively valued. We confirm our Buy recommendation.



VALUATION MODEL

DCF valuation model								
All figures in CHF '000	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E
Net sales	91,800	100,523	108,140	113,714	117,024	124,368	127,578	130,795
NOPLAT	25,313	27,413	29,633	30,623	31,013	33,631	34,008	34,414
+ depreciation & amortisation	35,996	39,603	42,247	45,009	46,215	47,318	48,312	49,192
Net operating cash flow	61,310	67,016	71,880	75,632	77,228	80,949	82,320	83,605
- total investments (CAPEX and WC)	-116,256	-121,770	-115,776	-72,044	-70,982	-70,616	-69,659	-68,770
Capital expenditures	-115,484	-121,432	-115,439	-71,298	-71,012	-70,472	-69,716	-68,834
Working capital	-772	-338	-337	-745	30	-145	57	63
Free cash flows (FCF)	-54,946	-54,754	-43,897	3,588	6,247	10,333	12,661	14,835
PV of FCF's	-54,946	-53,089	-41,055	3,237	5,437	8,676	10,255	11,591

All figures in thousands	
PV of FCFs in explicit period (2018E-2032E)	35,842
PV of FCFs in terminal period	939,170
Enterprise value (EV)	975,012
+ Net cash / - net debt (pro forma)	-412,963
+ Investments / minority interests	30,134
Shareholder value	592,183
Diluted number of shares	43,729
Fair value per share in CHF	13.54

WACC	3.7%
Cost of equity	6.4%
Pre-tax cost of debt	3.0%
Tax rate	20.0%
After-tax cost of debt	2.4%
Share of equity capital	31.5%
Share of debt capital	68.5%
Price target in CHF	13.50

WACC		Terminal growth rate						
		0.4%	0.6%	0.8%	1.0%	1.2%	1.4%	1.6%
2.9%	18.06	20.40	23.19	26.59	30.80	36.16	43.23	
3.1%	15.42	17.36	19.64	21.67	25.67	29.78	35.01	
3.3%	13.15	14.78	16.67	18.89	21.55	24.78	28.79	
3.5%	11.18	12.56	14.15	16.00	18.17	20.76	23.91	
3.7%	9.47	10.65	11.99	13.54	15.34	17.46	19.99	
3.9%	7.95	8.97	10.12	11.44	12.95	14.71	16.77	
4.1%	6.61	7.49	8.49	9.61	10.90	12.37	14.09	
4.3%	5.41	6.18	7.05	8.02	9.12	10.37	11.81	

* for layout purposes the model shows numbers only to 2025, but runs until 2032



INCOME STATEMENT

All figures in CHF '000	2014A	2015A	2016A	2017A	2018E	2019E	2020E
Revenues	14,746	23,849	48,457	77,144	91,800	100,523	108,140
Cost of goods sold	3,243	4,603	9,184	11,759	14,624	16,084	17,302
Gross profit	11,503	19,246	39,273	65,385	77,176	84,440	90,837
Personnel costs	681	1,145	1,750	2,161	2,825	3,030	3,388
Other operating income	543	897	1,000	1,653	1,836	2,010	2,163
Other operating expenses	3,229	4,047	6,469	10,317	11,991	13,470	14,599
EBITDA	8,136	14,951	32,054	54,787	64,196	69,950	75,013
Depreciation and amortisation	4,272	7,946	18,289	30,869	35,996	39,603	42,247
Operating income (EBIT)	3,864	7,005	13,765	23,918	28,200	30,347	32,766
Net financial result	-2,026	-3,381	-9,036	-12,937	-13,767	-15,677	-17,099
Non-operating expenses	129	321	-25	-361	0	0	0
Pre-tax income (EBT)	1,967	3,945	4,704	10,620	14,433	14,670	15,667
Income taxes	817	1,052	759	1,937	2,887	2,934	3,133
Minority interests	-418	-957	-976	-342	-500	-250	-250
Net income / loss	732	1,936	2,969	8,341	11,047	11,486	12,284
EPS (diluted, in CHF)	0.06	0.11	0.12	0.25	0.29	0.26	0.28
Ratios							
Gross margin on revenues	78.0%	80.7%	81.0%	84.8%	84.1%	84.0%	84.0%
EBITDA margin on revenues	55.2%	62.7%	66.1%	71.0%	69.9%	69.6%	69.4%
EBIT margin on revenues	26.2%	29.4%	28.4%	31.0%	30.7%	30.2%	30.3%
Net margin on revenues	5.0%	8.1%	6.1%	10.8%	12.0%	11.4%	11.4%
Tax rate	41.5%	26.7%	16.1%	18.2%	20.0%	20.0%	20.0%
Expenses as % of revenues							
Personnel costs	4.6%	4.8%	3.6%	2.8%	3.1%	3.0%	3.1%
Depreciation and amortisation	29.0%	33.3%	37.7%	40.0%	39.2%	39.4%	39.1%
Other operating expenses	21.9%	17.0%	13.3%	13.4%	13.1%	13.4%	13.5%
Y-Y Growth							
Revenues	32.9%	61.7%	103.2%	59.2%	19.0%	9.5%	7.6%
Operating income	-0.7%	81.3%	96.5%	73.8%	17.9%	7.6%	8.0%
Net income/ loss	-21.5%	164.5%	53.4%	180.9%	32.4%	4.0%	6.9%



BALANCE SHEET

All figures in CHF '000	2014A	2015A	2016A	2017A	2018E	2019E	2020E
Assets							
Current assets, total	30,056	39,070	62,993	79,354	139,373	121,559	106,341
Cash and cash equivalents	16,413	19,293	33,538	39,433	95,229	75,956	59,466
Short-term investments	1,177	845	663	463	463	463	463
Receivables	3,294	2,400	9,096	10,998	15,090	16,524	17,776
Inventories	72	87	83	109	240	264	284
Other current assets	9,100	16,445	19,613	28,351	28,351	28,351	28,351
Non-current assets, total	166,122	268,546	514,393	607,562	687,050	768,879	842,071
Property, plant & equipment	134,825	232,392	461,399	544,538	623,893	705,528	778,530
Goodwill & other intangibles	3,117	3,602	6,052	10,024	10,157	10,352	10,542
Other assets	28,180	32,552	46,942	53,000	53,000	53,000	53,000
Total assets	196,178	307,616	577,386	686,916	826,423	890,438	948,412
Shareholders' equity & debt							
Current liabilities, total	21,907	32,068	40,676	67,040	59,535	72,308	73,681
Short-term debt	2,162	14,996	20,211	41,972	30,000	40,000	40,000
Accounts payable	6,908	4,493	6,603	7,766	11,218	12,338	13,273
Current provisions	0	0	0	0	0	0	0
Other current liabilities	12,837	12,579	13,862	17,302	18,316	19,970	20,407
Long-term liabilities, total	99,186	199,994	347,595	433,908	483,908	533,908	588,908
Long-term debt	95,292	194,333	336,408	420,479	470,479	520,479	575,479
Deferred revenue	0	0	0	0	0	0	0
Other liabilities	3,894	5,661	11,187	13,429	13,429	13,429	13,429
Minority interests	6,466	6,983	26,008	29,671	30,171	30,421	30,671
Shareholders' equity	68,619	68,571	163,107	156,297	252,810	253,801	255,153
Share capital	17,082	19,451	34,105	34,105	43,728	43,728	43,728
Capital reserve	106,174	120,015	229,732	216,912	301,596	301,596	301,596
Other reserves	0	0	0	0	0	0	0
Treasury stock	-56	-100	-204	-622	-622	-622	-622
Loss carryforward / retained earnings	-54,581	-70,795	-100,526	-94,098	-91,893	-90,901	-89,550
Total consolidated equity and debt	196,178	307,616	577,386	686,916	826,423	890,438	948,412
Ratios							
Current ratio (x)	1.37	1.22	1.55	1.18	2.34	1.68	1.44
Quick ratio (x)	1.37	1.22	1.55	1.18	2.34	1.68	1.44
Net debt	81,041	190,036	323,081	423,018	405,250	484,523	556,013
Net gearing	107.9%	251.5%	170.8%	227.5%	143.2%	170.5%	194.5%
Net debt/EBITDA	10.0	12.7	10.1	7.7	6.3	6.9	7.4
Book value per share (in CHF)	4.02	3.53	4.78	4.58	5.78	5.80	5.83
Return on equity (ROE)	1.1%	2.8%	1.8%	5.3%	4.4%	4.5%	4.8%
Return on investment (ROI)	0.4%	0.6%	0.5%	1.2%	1.3%	1.3%	1.3%
Return on assets (ROA)	1.5%	2.1%	2.2%	3.3%	3.1%	3.1%	3.2%
Return on capital employed (ROCE)	3.1%	3.3%	3.5%	4.2%	4.3%	4.1%	4.0%
Days sales outstanding (DSO)	81.5	36.7	68.5	52.0	60.0	60.0	60.0
Days inventory outstanding (DIO)	8.1	6.9	3.3	3.4	6.0	6.0	6.0
Days payables outstanding (DPO)	777.5	356.3	262.4	241.1	280.0	280.0	280.0



CASH FLOW STATEMENT

All figures in CHF '000	2014A	2015A	2016A	2017A	2018E	2019E	2020E
EBIT	3,864	7,326	13,765	23,918	28,200	30,347	32,766
Depreciation and amortisation	4,272	7,946	18,289	30,869	35,996	39,603	42,247
EBITDA	8,136	15,272	32,054	54,787	64,196	69,950	75,013
Changes in working capital	-4,170	-1,392	-1,928	-3,461	-772	-338	-337
Other adjustments	-2,828	-3,982	-350	-742	-16,653	-18,611	-20,232
Operating cash flow	1,138	9,898	29,776	50,584	46,771	51,001	54,444
CAPEX	-25,965	-36,838	-20,854	-25,216	-114,750	-120,628	-114,628
Investments in intangibles	-861	-619	-1,542	-19	-734	-804	-811
Free cash flow	-25,688	-27,558	7,380	25,349	-68,713	-70,431	-60,995
Acquisitions & Disposals, net	464	-13,539	-31,348	-40,511	0	0	0
Other Investments	-7,579	-5,203	110	-1,999	0	0	0
Cash flow from investing	-33,941	-56,198	-53,634	-67,745	-115,484	-121,432	-115,439
Debt financing, net	27,937	46,118	-2,742	37,428	38,028	60,000	55,000
Equity financing, net	16,371	5,837	55,004	2,463	94,307	0	0
Other financing	-1,624	-2,089	-4,790	-7,185	-7,827	-8,841	-10,495
Cash flow from financing	42,684	49,866	38,420	20,696	124,509	51,159	44,505
Forex & other effects	-141	-686	-317	2,360	0	0	0
Net cash flows	9,740	2,880	14,245	5,895	55,796	-19,272	-16,490
Cash, start of the year	6,673	16,413	19,293	33,538	39,433	95,229	75,956
Cash, end of the year	16,413	19,293	33,538	39,433	95,229	75,956	59,466
EBITDA/share (in CHF)	0.69	0.83	1.29	1.61	1.67	1.60	1.72
Y-Y Growth							
Operating cash flow	-85.1%	769.8%	200.8%	69.9%	-7.5%	9.0%	6.8%
Free cash flow	n.m.	n.m.	n.m.	243.5%	n.m.	n.m.	n.m.
EBITDA/share	-34.2%	19.8%	54.8%	25.0%	3.7%	-4.2%	7.2%

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...14	↓	↓	↓	↓
15	22 August 2018	CHF9.95	Buy	CHF13.00
16	18 September 2018	CHF9.80	Buy	CHF13.50
17	16 January 2019	CHF8.88	Buy	CHF13.50
18	Today	CHF8.71	Buy	CHF13.50

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First Berlin Equity Research GmbH (hereinafter referred to as: "First Berlin") prepares financial analyses while taking the relevant regulatory provisions, in particular the German Securities Trading Act [WpHG], Regulation (EU) No 596/2014 of the European Parliament and of the Council of April 16, 2014, on market abuse (market abuse regulation) and the German Ordinance on the Analysis of Financial Instruments [FinAnV] into consideration. In the following First Berlin provides investors with information about the statutory provisions that are to be observed in the preparation of financial analyses.

CONFLICTS OF INTEREST

In accordance with Section 34b Paragraph 1 of the German Securities Trading Act [WpHG] and Regulation (EU) No 596/2014 of the European Parliament and of the Council of April 16, 2014, on market abuse (market abuse regulation) financial analyses may only be passed on or publicly distributed if circumstances or relations which may cause conflicts of interest among the authors, the legal entities responsible for such preparation or companies associated with them are disclosed along with the financial analysis.

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PRICE TARGET DATES

Unless otherwise indicated, current prices refer to the closing prices of the previous trading day.

AGREEMENT WITH THE ANALYSED COMPANY AND MAINTENANCE OF OBJECTIVITY

The present financial analysis is based on the author's own knowledge and research. The author prepared this study without any direct or indirect influence exerted on the part of the analysed company. Parts of the financial analysis were possibly provided to the analysed company prior to publication in order to avoid inaccuracies in the representation of facts. However, no substantial changes were made at the request of the analysed company following any such provision.

ASSET VALUATION SYSTEM

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

ASSET RECOMMENDATION

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

Category		1	2
Current market capitalisation (in €)		0 - 2 billion	> 2 billion
Strong Buy ¹	An expected favourable price trend of:	> 50%	> 30%
Buy	An expected favourable price trend of:	> 25%	> 15%
Add	An expected favourable price trend of:	0% to 25%	0% to 15%
Reduce	An expected negative price trend of:	0% to -15%	0% to -10%
Sell	An expected negative price trend of:	< -15%	< -10%

¹ The expected price trend is in combination with sizable confidence in the quality and forecast security of management.

Our recommendation system places each company into one of two market capitalisation categories. Category 1 companies have a market capitalisation of €0 – €2 billion, and Category 2 companies have a market capitalisation of > €2 billion. The expected return thresholds underlying our recommendation system are lower for Category 2 companies than for Category 1 companies. This reflects the generally lower level of risk associated with higher market capitalisation companies.

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.

INVESTMENT HORIZON

Unless otherwise stated in the financial analysis, the ratings refer to an investment period of twelve months.

UPDATES

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.

SUBJECT TO CHANGE

The opinions contained in the financial analysis reflect the assessment of the author on the day of publication of the financial analysis. The author of the financial analysis reserves the right to change such opinion without prior notification.

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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