

company note

PNE (PNE3 GY) | Utilities/Renewables

March 28, 2024

Good earnings momentum

Q4 was strong. And as a result, the company's EBITDA of EUR 39.9m came out at the upper end of its target range for FY 2023 of EUR 30m to 40m and above consensus (EUR 36.4m). Various projects could be sold before the end of the year. Power generation also delivered good results. The company's own portfolio reached a capacity of just under 370 MW at YE 2023. This is set to grow to around 500 MW in 2024. The company plans to expand its own portfolio to up to 1,500 MW by 2027. The expansion of the developer pipeline has also continued. The wind pipeline rose from 8.8 GW in Q3 to 9.2 GW, while the PV pipeline increased from 6.2 GWp to 7.4 GWp. For FY 2024 PNE expects EBITDA of EUR 40m to 50m (cons. EUR 59m). We need to adjust our estimates. This is primarily necessary because we are lowering our assumptions for the electricity price (see also our study 'We expect lower and less volatile electricity prices' dated February 12, 2024). We also take into account higher costs for complying with the KRITIS requirements to protect critical infrastructure and a somewhat slower expansion of the company's own portfolio. Unchanged investment case: PNE's earnings focus will shift to electricity generation. Here, the company's own capacity is to be more than quadrupled by 2027. The stability of earnings should continue to increase. The development activities with the larger but also more volatile value creation are thus sensibly flanked.

Valuation: We calculate a fair value of EUR 11.1 per share for PNE's development business. This results from our pipeline valuation approach. For the generation and services businesses, we calculate a fair value of EUR 5 per share based on peer multiples.

Fundamentals (in EUR m) ¹	2021	2022	2023	2024e	2025e	2026e
Sales	118	126	122	340	387	391
EBITDA	33	35	40	50	72	84
EBIT	9	6	6	13	27	31
EPS adj. (EUR)	0.33	0.20	-0.13	-0.03	0.11	0.16
DPS (EUR)	0.08	0.08	0.08	0.04	0.04	0.04
BVPS (EUR)	3.00	3.11	2.77	3.52	3.65	3.79
Net Debt incl. Provisions	369	451	685	623	543	572
Ratios ¹	2021	2022	2023	2024e	2025e	2026e
EV/EBITDA	31.0	58.8	43.6	33.3	21.8	19.1
EV/EBIT	109.4	335.8	303.0	130.7	58.4	51.5
P/E adj.	25.7	109.4	-110.4	-439.4	123.2	86.0
Dividend yield (%)	0.9	0.4	0.6	0.3	0.3	0.3
EBITDA margin (%)	27.7	28.1	32.8	14.6	18.6	21.4
EBIT margin (%)	7.9	4.9	4.7	3.7	7.0	8.0
Net debt/EBITDA	11.3	12.7	17.2	12.6	7.5	6.8
PBV	2.8	6.9	5.0	3.8	3.7	3.6

¹Sources: Bloomberg, Metzler Research, ²Sources: ISS ESG, Metzler Research

Buy



unchanged

Price*

EUR 13.50

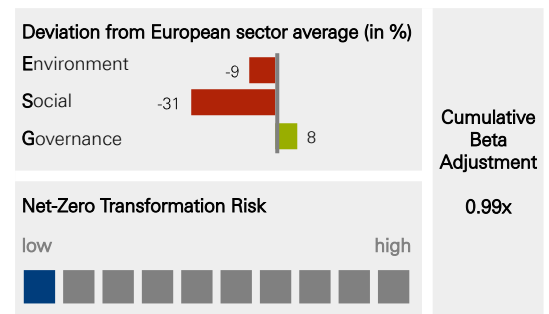
Price target

EUR 16.10 (18.00)

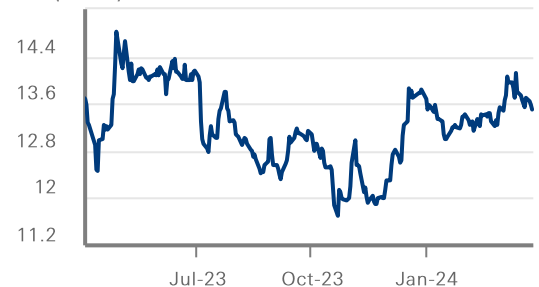
* XETRA trading price at the close of the previous day unless stated otherwise in the Disclosures

Market Cap (EUR m) ¹	1,031
Enterprise Value (EUR m) ¹	1,653
Free Float (%) ¹	35.7

Metzler ESG analysis based on ISS ESG data²



Price (in EUR)¹



Performance (in %) ¹	1m	3m	12m
Share	2.0	-2.0	-5.7
Rel. to TecDax	-0.0	-5.5	-12.1

Changes in estimates (in %) ¹	2024e	2025e	2026e
Sales	-8.3	-1.3	-10.8
EBIT	-48.2	-35.6	-26.7
EPS	-145.1	-55.5	-39.8

Sponsored Research



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FY 2023 result

FY 2023 EBITDA increased by 13% y-o-y. The more stable Service and Electricity Generation business areas drove the increase. This was despite higher costs for KRITIS requirements (IT, personnel) and lower electricity prices on the market.

The expansion of own generation capacity with more efficient plants and good wind speeds, particularly in Q4, led to a 37% y-o-y increase in electricity generation.

The proposed dividend for 2023 is EUR 0.04 plus a special dividend of EUR 0.04.

A strong Q4

EURm	FY 2023	FY 2022	FY 2023 / FY 2022 (%)				Q4 2023	Q4 2022	Q4 2023 / Q4 2022 (%)
			2022 (%)	Q1 2023	Q2 2023	Q3 2023			
Sales	121.5	126	-3.7	32.2	24.9	18.0	46.4	49.5	-6.3
EBITDA	39.9	35.4	12.7	8.6	9.5	-1.6	23.4	14.3	63.6
EBITDA Margin (%)	32.8	28.1		26.7	38.2	-8.9	50.4	28.9	
EBIT	5.7	6.2	-8.1	0.8	1.2	-10.9	14.6	6.6	121.2
EBIT Margin (%)	4.7	4.9		2.5	4.8	-60.6	31.5	13.3	
EBITDA by segment									
Project development	17.9	26.8	-33.0	-6.1	15.7	-13.0	21.3	33.1	
Services	6.5	6.1	7.1	2.0	2.6	1.7	0.2	1.5	
Electricity generation	60.3	57.7	4.5	15.0	13.3	12.2	19.8	14.8	
Consolidation	-44.9	-55.2		-2.4	-22.0	-2.6	-17.9	-35.2	
Pipeline Wind (MW)	9177	7587	21.0	8414	8622	8820	9177	7587	21.0
Pipeline PV (MW)	7424	4296	72.8	5400	5468	6207	7424	4296	72.8
Own generation capacity (MW)	370	319	16.0	350	346	348	370	319	16.0
Electricity generation (GWh)	695	509	36.5	204	121	96	274	183	68.1

Sources: PNE, Metzler Research

Outlook

Of the 370 MW IPP portfolio, around 60 MW are no longer in subsidization. PPA contracts exist for around 58% of the portfolio in 2024; this ratio will fall to around 35% in 2025 as things stand. For new parks, PNE will in any case secure state subsidies.

In any case, the company will endeavor to enter into (higher) PPAs. The company perceives the need for PPAs on the corporate side to be still high.

In 2024, the IPP portfolio should increase by around 100-120 MW to around 500 MW by the end of the year.

By the beginning of 2026, the capacities currently under construction for the IPP portfolio totaling around 281 MW should be connected to the grid; the IPP portfolio should then reach a size of around 650 MW.

The Service segment should again be impacted by KRITIS-related costs in 2024 and therefore not be able to show significant profit growth. Delayed project sales from the previous year should be made up for in 2024.

Overall, the company expects an EBITDA of EUR 40-50m for 2024.

Pipeline update

The onshore wind pipeline grew by 4% q-o-q or 21% y-o-y; the PV pipeline by 20% q-o-q or 73% y-o-y.

In total, PNE's onshore wind and PV pipeline amounted to 16.6 GW at the end of 2023. On top of this comes the 2.5 GW offshore pipeline.

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PNE's development pipeline (in MW, 31.12.2023)

Technology / Country	Development phase			Total
	I - II (Exploration and development)	III (Planning)	IV (Construction until handover)	
Wind onshore				
Germany	1812	499	271	2582
France	330	198	11	539
UK	0	43	0	43
Italy	0	0	0	0
Poland	1221	0	0	1221
Romania	0	0	0	0
Sweden	300	0	0	300
Spain	198	0	0	198
Turkey	629	71	0	700
Canada	505	0	0	505
USA	577	169	0	746
Panama	224	68	0	292
South Africa	2021	30	0	2051
Total Wind onshore	7817	1078	282	9177
PV	I - II	III	IV	Total
Germany	712	119	0	831
France	156	10	0	166
Italy	340	48	0	388
Poland	394	125	0	519
Romania	756	49	0	805
Spain	1041	3	0	1044
Canada	405	0	0	405
USA	1371	0	0	1371
South Africa	1895	0	0	1895
Total PV	7070	354	0	7424
TOTAL	14887	1432	282	16601

Source: PNE

PNE's development pipeline (in MW, 30.09.2023)

Technology / Country	Development phase			Total
	I - II (Exploration and development)	III (Planning)	IV (Construction until handover)	
Wind onshore				
Germany	1808	522	198	2528
France	330	198	11	539
UK	0	43	0	43
Italy	0	0	0	0
Poland	1221	0	0	1221
Romania	0	0	0	0
Sweden	300	0	0	300
Spain	193	0	0	193
Turkey	629	71	0	700
Canada	505	0	0	505
USA	577	169	0	746
Panama	224	68	0	292
South Africa	1722	30	0	1752
Total Wind onshore	7509	1101	209	8819
PV	I - II	III	IV	Total
Germany	708	0	0	708
France	156	10	0	166
Italy	315	76	0	391
Poland	351	99	0	450
Romania	499	62	0	561
Spain	863	3	0	866
Canada	405	0	0	405
USA	1372	0	0	1372
South Africa	1288	0	0	1288
Total PV	5957	250	0	6207
TOTAL	13466	1351	209	15026

Source: PNE

Valuation

We value the project development business and the generation and services business separately.

We estimate an EBITDA 2025 of EUR 75m for the generation business and EUR 8m for the service business. Applying an average producer peer multiple of 8.8 x EV / EBITDA 2025e, we derive a fair value of EUR 5 per share for these two activities.

For the valuation of the developer business, we apply the pipeline approach. We believe that this approach is now well established in the market. It is also, in our opinion, entirely plausible, as pipelines have a high degree of fungibility, as project rights can be sold relatively easily and are also increasingly traded.

For the valuation of wind pipelines, we refer to four large pipeline sales in the last 3 years by Nordex (Metzler recommendation: Hold/ pt. EUR 9.9), BayWa (Metzler recommendation: BUY/ pt. EUR 52), Vento Ludens/Wind2 and Siemens Gamesa/ SSE. In all four cases, the buyers paid around EUR 150m per (pipeline) GW.

We apply the transaction multiple to PNE's European onshore wind pipeline (5.6 GW). For the PV pipeline we apply half the value per pipeline GW. We reduce the pipelines by the capacities needed for the expansion of the IPP portfolio. We calculate a value of EUR 11.1 per share for the developer business.

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Sum-of-the-parts valuation reveals upside

	Bloomberg Ric	Share price in local currency (27. March 2024)	EV/EBITDA 2025e
PNE Generation & Services - Peer group valuation			
Boralex Inc.	BLX CN	28	9.1
EDP Renováveis	EDPR PL	13	9.6
Oersted	ORSTED DC	385	7.8
Average			8.8
PNE Generation & Services			
EBITDA 2025e (EURm)	83		
Peer-Group Multiple	8.8		
Fair EV (EURm)	736		
Net debt 2025e (EURm); assumption: Net debt allocation 2/3 to Generation / Services; 1/3 to Project Development	353		
Fair value Generation & Services (EURm)	383	per share (EUR):	5.0
PNE Project Development - Pipeline valuation			
Wind-Pipeline (31.12.2023 in GW; Europe only)	5.6		
- wind-projects for own portfolio (IPP; in MW)	0.4		
Wind-Pipeline (net)	5.2		
Multiple (EURm/pipeline GW)	150		
Fair EV Wind (EURm)	777		
Estimate for US Business (up for sale)	11		
Fair EV PV net pipeline Europe (in EURm); GW-Multiple EUR 75m	251		
Net debt 2025e	190		
Fair value Project Development incl. (EURm)	850	per share (EUR):	11.1
TOTAL fair value	1233	per share (EUR)	16.1

Sources: Bloomberg, Metzler Research

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Key Data

Company profile

CEO: Markus Lesser

CFO: Jörg Klawat

Cuxhaven

PNE offers the entire value chain of development, project planning, realization, financing, operation, sales and repowering of onshore wind farms in Germany and abroad. Offshore, PNE develops wind farms until they are ready for construction.

Major shareholders

Morgan Stanley (44.2%), Active Ownership Fund (11.99%), Enkraft (4.96%), Samson Rock Capital (3.13%)

Key figures

P&L (in EUR m)	2021	%	2022	%	2023	%	2024e	%	2025e	%	2026e	%
Sales	118	7.3	126	7.2	122	-3.7	340	179.5	387	14.0	391	1.0
EBITDA	33	23.9	35	8.5	40	12.7	50	24.2	72	45.7	84	16.2
EBITDA margin (%)	27.7	15.5	28.1	1.2	32.8	17.0	14.6	-55.6	18.6	27.8	21.4	15.0
EBIT	9	13.4	6	-33.1	6	-7.3	13	120.1	27	113.1	31	15.4
EBIT margin (%)	7.9	5.6	4.9	-37.6	4.7	-3.7	3.7	-21.2	7.0	86.8	8.0	14.3
Financial result	-10	10.2	18	280.7	-14	-181.1	-16	-10.8	-15	6.3	-14	6.7
EBT	3	211.7	24	688.9	-9	-135.9	-3	62.5	12	476.7	17	42.7
Taxes	-22	-499.2	10	145.1	-0	-104.3	-1	-137.1	4	456.8	5	43.2
Tax rate (%)	-715.5	n.a.	40.9	n.a.	4.9	n.a.	31.3	n.a.	29.7	n.a.	29.8	n.a.
Net income	25	n.m.	14	-42.9	-8	-158.2	-2	71.4	8	456.8	12	43.2
Minority interests	-0	35.4	-1	-74.7	1	270.3	0	-100.0	0	n.a.	0	n.a.
Net Income after minorities	25	n.m.	15	-40.7	-10	-164.3	-2	75.5	8	456.8	12	43.2
Number of shares outstanding (m)	76	0.0	76	0.0	76	0.0	76	0.0	76	0.0	76	0.0
EPS adj. (EUR)	0.33	n.m.	0.20	-40.7	-0.13	-164.3	-0.03	75.5	0.11	456.8	0.16	43.2
DPS (EUR)	0.08	100.0	0.08	0.0	0.08	0.0	0.04	-50.0	0.04	0.0	0.04	0.0
Dividend yield (%)	0.9	n.a.	0.4	n.a.	0.6	n.a.	0.3	n.a.	0.3	n.a.	0.3	n.a.
Cash Flow (in EUR m)	2021	%	2022	%	2023	%	2024e	%	2025e	%	2026e	%
Gross Cash Flow	24	247.1	25	4.2	78	216.7	35	-55.6	54	55.1	65	20.8
Increase in working capital	0	n.a.	34	n.a.	-241	n.a.	65	n.a.	80	n.a.	50	n.a.
Capital expenditures	2	0.0	2	0.0	3	30.0	1	-61.5	1	0.0	1	0.0
D+A/Capex (%)	1169.4	n.a.	1461.0	n.a.	1314.3	n.a.	3693.3	n.a.	4529.0	n.a.	5282.0	n.a.
Free cash flow (Metzler definition)	24	134.7	-11	-146.2	-166	n.m.	99	159.4	133	34.6	14	-89.6
Free cash flow yield (%)	3.7	n.a.	-0.7	n.a.	-15.7	n.a.	9.6	n.a.	12.9	n.a.	1.3	n.a.
Dividend paid	3	0.0	6	100.0	6	0.0	6	0.0	3	-50.0	3	0.0
Free cash flow (post dividend)	-61	28.8	-115	-88.1	-192	-67.0	62	132.5	80	27.4	-29	-136.7
Balance sheet (in EUR m)	2021	%	2022	%	2023	%	2024e	%	2025e	%	2026e	%
Assets	827	24.6	920	11.3	1,102	19.7	1,028	-6.7	1,020	-0.8	994	-2.5
Goodwill	63	0.0	64	1.8	64	0.0	63	-1.7	63	0.0	63	0.0
Shareholders' equity	222	10.6	232	4.7	208	-10.3	261	25.4	271	3.8	282	4.1
Equity/total assets (%)	26.8	n.a.	25.2	n.a.	18.9	n.a.	25.4	n.a.	26.6	n.a.	28.4	n.a.
Net Debt incl. Provisions	369	39.4	451	22.3	685	51.8	623	-9.1	543	-12.8	572	5.4
thereof pension provisions	0	n.a.	0	n.a.	0	n.a.	0	n.a.	0	n.a.	0	n.a.
Gearing (%)	166.3	n.a.	194.3	n.a.	329.1	n.a.	238.4	n.a.	200.3	n.a.	202.8	n.a.
Net debt/EBITDA	11.3	n.a.	12.7	n.a.	17.2	n.a.	12.6	n.a.	7.5	n.a.	6.8	n.a.

Structure

EBITDA by division 2023



ESG discussion

PNE's project portfolio offers clear benefits for the environment through its contribution to combating climate change and transitioning to a sustainable energy system. ISS attributes the somewhat below-average performance in the 'Social' score primarily to the lack of data on the company's health and safety management structures in its overseas projects. PNE intends to prepare additional data in this regard and make it available in the foreseeable future.

Sources: Bloomberg, Metzler Research

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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 ***
Issuer/Financial Instrument (ISIN): BayWa (DE0005194062)					
10.11.2023	Buy	Buy	32.35 EUR	52.00 EUR	Hoymann, Guido
08.08.2023	Buy	Buy	35.55 EUR	60.00 EUR	Hoymann, Guido
11.07.2023	Buy	Buy	37.90 EUR	62.00 EUR	Hoymann, Guido
15.05.2023	Buy	Buy	37.15 EUR	62.00 EUR	Hoymann, Guido
31.03.2023	Buy	Buy	40.45 EUR	69.00 EUR	Hoymann, Guido
Issuer/Financial Instrument (ISIN): Nordex (DE000A0D6554)					
01.03.2024	Hold	Hold	10.53 EUR	9.90 EUR	Hoymann, Guido
12.02.2024	Hold	Hold	9.50 EUR	9.10 EUR	Hoymann, Guido
22.01.2024	Buy	Hold	9.08 EUR	9.10 EUR	Hoymann, Guido
15.11.2023	Buy	Buy	10.90 EUR	14.50 EUR	Hoymann, Guido
12.10.2023	Buy	Buy	10.83 EUR	14.80 EUR	Hoymann, Guido
13.07.2023	Buy	Buy	12.10 EUR	14.80 EUR	Hoymann, Guido
31.03.2023	Buy	Buy	13.54 EUR	14.80 EUR	Hoymann, Guido
Issuer/Financial Instrument (ISIN): PNE (DE000A0JBPG2)					
14.11.2023	Buy	Buy	12.10 EUR	18.00 EUR	Hoymann, Guido
11.08.2023	Buy	Buy	13.00 EUR	18.30 EUR	Hoymann, Guido
10.05.2023	Buy	Buy	14.00 EUR	19.30 EUR	Hoymann, Guido
30.03.2023	Buy	Buy	14.40 EUR	19.30 EUR	Hoymann, Guido
Issuer/Financial Instrument (ISIN): Siemens Energy (DE000ENER6Y0)					
07.03.2024	n.a.	Buy	13.94 EUR	23.70 EUR	Demeter, Nikolas

* 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

BayWa

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Irrespective of the valuation principles and methods used and the assumptions on which they are based, there is always a risk that a particular price target is not achieved or that the assumptions and forecasts prove inaccurate. This can, for instance, be the result of unexpected changes in demand, management, technology, economic or political developments, interest rates, costs, the competitive situation, the legal situation and other factors. Investments in foreign markets and instruments are subject to additional risks, as a result of changes in exchange rates or in the economic, political or social situation, for instance. This outline of risks makes no claim to be exhaustive.

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The categories for investment recommendations in research publications by Metzler have the following meanings:

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HOLD	The price of the analysed financial instrument is expected to largely remain stable in the next 12 months.
SELL	The price of the analysed financial instrument is expected to fall in the next 12 months.

Bonds:

BUY	The analysed financial instrument is expected to perform better than similar financial instruments.
HOLD	The analysed financial instrument is not expected to perform significantly better or worse than similar financial instruments.
SELL	The analysed financial instrument is expected to perform worse than similar financial instruments.

Summary of investment recommendations

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The quarterly quotation of the number of all investment recommendations given as “buy”, “hold”, “sell” or similar for the past 12 months as a proportion of the total number of investment recommendations made by Metzler and the quotation of the proportion of these categories relating to issuers to whom Metzler has provided services within the meaning of Annex I sections A and B of Regulation 2014/65/EU within the past 12 months can be accessed and downloaded at www.metzler.com/disclaimer-capital-markets-en.

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