COMPANY NOTE

QUIRIN PRIVATBANK EQUITY RESEARCH

27 November 2018

Aves One AG

Rating	Buy
Share price (EUR)	7.35
Target price (EUR)	12.00
Bloomberg	AVES GH
Sector	Transport & Logistics

Share data

Shares out (m)	13.0
Daily volume shs (m)	0.0
Free float (%)	22.84
Market cap (EUR m)	94
EV (EUR m)	917
DPS (EUR)	0.00
Dividend yield (%)	0.0
Payout ratio (%)	0.0

Performance

ytd (%)	8.6
12 months (%)	6.7
12 months rel. (%)	17.7
Index	SDAX

Share price performance

Source: Bloomberg

Next triggers

December 2018 – Final Q3 2018 figures
April 2019 – FY 2018 figures

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Gaining speed on the rail track

Aves is an asset owner of logistics equipment increasingly focused on rail equipment. It's basically two divisions (Rail and Container) focus on buying, leasing and financing mobile equipment. Now that the Rail Equipment division has acquired the Nacco Rail Assets after the VTG acquisition, assets will grow to roughly EUR 800m. We forecast dynamic sales growth for the coming years (CAGR FY16-FY20e: 47%). With the importance of the Rail business increasing, and more efficient refinancing structures in place, net profits should turn around in FY18e and going to be triplet till FY20e. We start the ongoing coverage of Aves with a multiple and DCF based TP of EUR 12.00 and a clear Buy Recommendation.

Strongly growing asset owner of logistics equipment

Aves is an asset owner of logistics equipment with basically two divisions: Rail Equipment and Container Equipment. Aves has experienced dynamic asset growth. By the end of FY18e and including the most recent acquisition Nacco in the rail equipment segment total assets are worth roughly EUR 800m.

Scalable business model - driven by increase in global trade and outsourcing

The company pursues a scalable business model and focuses on stable markets in order to increase its profitability. The equipment is leased to leading shipping and industrial companies as well as to private and state owned railway operators. We assume that Aves is benefiting from two major trends: the increase in global trade and the tendency to rent equipment from external asset owners. Aves might focus its growth strategy on the more sustainable rail segment which offers the higher returns especially on a net basis.

ROCE vs. WACC–operational returns and cheaper refinancing widen the spread

The Aves business model is characterized by high capital intensity and based on favorable debt financing, during the start-up phase, the operative returns did not cover the cost of capital. However, from FY19e onwards, the value added is positive and even higher than the peer group, at around 190 BP.

Turn around to positive net returns in FY18e – Strong profit growth ahead

We expect net profits to sharply turn around in FY18e. FY18e might show net profits of around EUR 4m (FY17 EUR -14m) on sales of EUR 77.1m (+44.3% yoy.) Given the extended portfolio, high utilization rates and an improved debt financing, we expect net profits nearly to triple till FY20e.

Key figures		2016	2017	2018e	2019e	2020e
Sales	EUR m	29	53	77	116	132
EBITDA	EUR m	10	29	53	85	99
EBIT	EUR m	2	9	33	54	62
EPS	EUR	-1.05	-1.03	0.29	0.74	0.89
Sales growth	%	32.5	86.5	44.3	50.9	13.9
EBIT growth	%	21.6	392.4	264.2	64.7	15.5
EPS growth	%	51.7	-2.1	-128.4	154.6	19.7
EBITDA margin	%	36.1	53.7	68.5	72.7	74.4
EBIT margin	%	6.3	16.8	42.3	46.2	46.8
Net margin	%	-47.6	-25.0	4.9	8.3	8.7
EV/Sales	ratio	18.53	10.44	11.90	8.92	8.53
EV/EBITDA	ratio	51.4	19.5	17.4	12.3	11.5
EV/EBIT	ratio	291.7	62.3	28.1	19.3	18.2
P/E	ratio	-6.8	-7.0	24.7	9.7	8.1
P/BV	ratio	3.3	4.2	3.6	2.6	2.0
Dividend yield	%	0.0	0.0	0.0	0.0	0.0

Source: Bloomberg, Company data, quirin bank estimates

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Executive Summary and Investment Case

Strongly growing asset owner of logistics equipment

Aves is an asset owner of logistics equipment with two divisions: Rail Equipment and Container Equipment. The company has experienced dynamic asset growth by continuous acquisition of portfolios in recent years. By the end of FY18e and including the most recent acquisition Nacco in the rail segment total group assets are worth roughly EUR 800m.

Growth driven by increase in global trade and trend towards outsourcing

We assume that Aves is benefiting from two major trends: the increase in global trade and the tendency to rent equipment from external asset owners such as Aves. This applies to both shipping companies (to whom the Container division caters) and to railway freight operators. Both sectors tend to focus more strongly on their core business.

Strategic focus on Rail and Container lease

Following a volatile ramp up phase Aves has found a clear and focused strategy with its two segments. It combines strong Asset growth with long term secured lease rates and will be met by an improved financing structure. Due to the focus on asset ownership without managing the assets and outsourcing any other side operations Aves enjoys a streamlined cost structure and high EBITDA margins.

Investment policy focused on Rail Real Estate and Storage parks might be divested

We assume the strategy of Aves to be focused on Rail Equipment. Therefore, minor Asset portfolios related to real estate (logistic center and storage park) which make currently up less of 2% of the total asset portfolio might be divested in due course. We assume that the gained liquid resources of up to EUR 10 m might be reinvested into the growth of the rail portfolio. Investments into the container segment –which makes currently around a third of total assets might only be grown on an opportunistic basis once those arise.

Nacco deal major source of profit growth in FY19e

Due to antitrust obligations of one of the major competitors VTG, Aves was able to acquire about 30% of the Nacco rail wagon portfolio in H2/18. It includes around 4,400 Rail wagons of different types. The wagons operate in fixed leasing contracts to corporates and state owned rail operators. The assets are fully utilized with around 98%. Aves invested around EUR 300m into the deal. Financing has been largely provided with around 70% by state owned banks on favorable terms with long +5Y majority. Around 30% has been financed by institutional investors. Including the Nacco assets, the rail segment with assets worth more than EUR 500m owns two thirds of the Aves group assets.

Strong operational growth trend accelerated by Nacco acquisition

Based on the new and considerably expanded corporate structure after the Nacco acquisition, we expect Aves to establish a profitable growth trend. We forecast sales, which include above all the leasing rates for Rail and Container, to grow with a CAGR of 47% (2016-2020e). This includes the organic improvements and the acquisition of Nacco in the Rail segment.

Sustainable improvement of net profits and margins after improved financing

Rail will become the dominant source of profits after the Nacco transaction

Parallel to strong sales growth, Aves will also experience a sustainable improvement of its operational profits thanks to a more profitable and less cyclical portfolio composition after the Nacco acquisition. While in the initial years the predominance of the Sea Container Equipment division had a major impact on the profitability, the higher proportion of Rail Equipment will lead to a growing EBITDA margin and above all to an even faster growth of net margins (after financing costs).

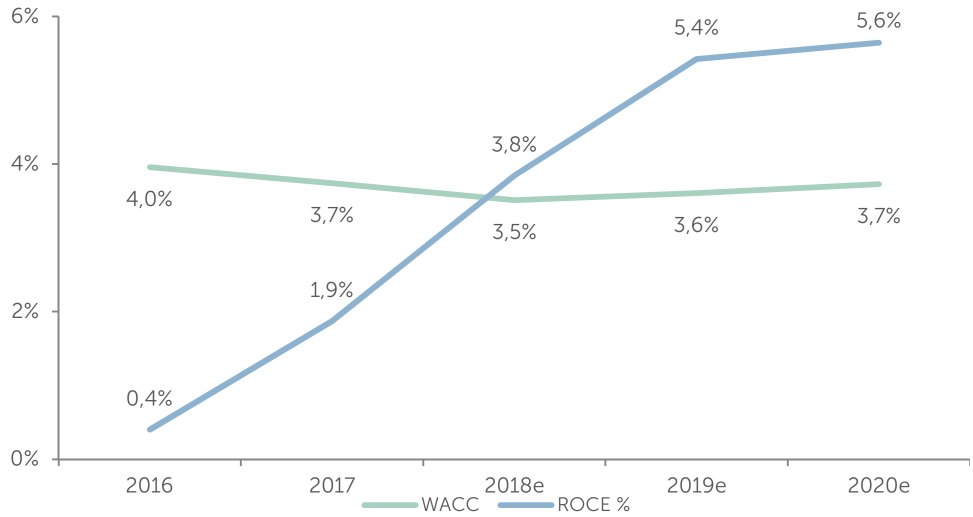
Strong improvement of operational profits - Net profits turn around in FY18e

We expect net profits to sharply turn around in FY18e after the volatile start-up phase of Aves. Already FY18e might show net profits of around EUR 4m (FY17 EUR -14m) on sales of EUR 77.1m (+44.3% yoy.) nearly three times of 2016. We expect net profits nearly to triple until FY20. Despite the operational improvement this will mainly be driven by the improved refinancing.

Aves: ROCE vs. WACC – higher operational returns and cheaper refinancing widen the spread from FY19e onwards

Since the Aves business model is characterized by high capital intensity and based on favorable debt financing, we have calculated ROCE vs WACC. The result is very promising, as it confirms that Aves has created a value-enhancing business concept with its current financing structure. During the start-up phase, the operative returns did not cover the cost of capital. However, from FY19e onwards, the value added is positive and even higher than the peer group, at around 190 BP.

Aves: ROCE vs. WACC



Source: Quirin Privatbank estimates

High financial Leverage - Equity position needs to be enlarged

The current financing of Aves is characterised by a low equity base. As of 30 June FY18e the equity ratio accounted for just 4.5%. Given the already stretched FY18e gearing (Net financial debt/equity) at YE18e of 31.7x, the company seeks to expand the equity base. Therefore, Aves might make use of equity related measures in order to refinance the recent Nacco acquisition in the rail segment and provide resources for the aimed portfolio growth.

Valuation: Hidden Champion Aves will unfold its value on capital markets based on both, classical multiple valuation and the anticipation of DCF values

Due to the short track record for the Aves business model and the fact that the company has achieved volatile and negative operational results in the first few years of its history, the market valuation will be based on both, the short term driven Multiple based valuation and the longer term oriented DCF approach.

Multiple based valuation shows a sharp P/E discount of up to 36% to the relevant peers. We see P/E as a major criterion as it includes not only the operational performance but includes the effects of the more favorable financing of Aves.
We also worked a DCF Model which values the long term perspective after the initial investment phase to a better extend. It leads to a fair equity value of EUR 157m or EUR 12.06 per share.

We start our ongoing research coverage with a DCF based price target of EUR 12 per share and a clear BUY Recommendation. The so far not well known Aves stock offers a sharp performance upside of more than 50%. Beside turned around net results in the current FY18e next triggers to close the valuation gap might be clear guidance of the strong upcoming FY19e operational performance which will show up with sequential improving quarterly results starting already in Q1/19.

Valuation

Valuation approach for Aves

All valuation calculations for Aves refer to the Aves group, including the Nacco acquisition, which has been acquired in H2/FY 18 and will be consolidated in Q4/18. Our estimates are largely based on the outlook for the company until FY20e. This is based on the described expansion with a strategic focus on the rail equipment activities. It includes the anticipation of a moderate growth of European GDP combined with high utilization rates for the Aves rolling Assets.
The DCF model, however, also includes long-term forecasts for the company. As a result of all valuation calculation we assume an equity value of around EUR 157m or EUR 12.06 per share as "fair".

Peer group

International peer group consists of companies of the Rail equipment sector

A peer group comparison provides a suitable basis for the valuation and capital market assessment of Aves. The international peer group consists of companies of the Rail equipment sector and the container leasing fleets. We focused mainly on "Asset owners" rather than "Asset Managers". From our vantage point, VTG is a suitable company for comparison purposes as it runs a similar business concept to Aves in the rail segment.

Major deviation aspect to VTG is the much larger business operation, margin dilutive side activities around the "asset ownership" and the more balanced financing structure. We also added companies to the international peer group which are characterized by high asset values, high financial debt and business concepts with a high and sustainable cash flow.

Peer group: P/E – Sharp discount despite of high growth of upcoming net profits

P/E is a suitable ratio for Aves as it compares the bottom line profits after financing costs

Aves trades with a P/E discount of up to 40% to the major peers

Even if in many cases a classical valuation based on P/E is not liked much, we keep a high weighting on that ratio. This is due to the fact that the operational success of the Aves business concept is mainly seen on the bottom line of the P&L after financing costs. Growth on the net profit level is significantly higher than on the operational EBIT or EBITDA level. This is mainly due to the improving refinancing conditions of Aves and will have a major impact on the FY19e and FY20e net results. Based on current market prices, Aves trades with a P/E of just 7.3 based on FY20e Net profits. This is a major discount to the average of its peers of more than 34%. On the median level the discount is even higher with more than 40%. P/E's of the major peer VTG are even twice as high as the Aves level.

We believe the low P/E is also influenced by the relatively higher leverage and the implied, financing risk. Still, the figure does by far not reflect the expected financing structure improvements. It also needs to be considered that the growth plans of Aves might require further equity injections. In any case this might dilute the current favorable ratios to some extent.

Peer group: Aves with significant premium to peers on EV multiples – Aves business concept but also with the highest margins within the international peer group

High EV multiples due to high financial leverage and ...

Based on market prices Aves trades currently with a significant premium to its major peers on all EV related multiples. This applies in particular to EV/EBIT and EV/EBITDA and compared to the major peer which we think is VTG. The EV (Market capitalization + net financial debt) valuation takes into account the capital intensity which is necessary to achieve the intended operative results.

... above average EBITDA margins

We see the significantly higher operational profitability of the Aves portfolio and business concept as the major reason for the premium. This can be seen in the EBTIDA margins which in case of Aves are nearly twice as high as those of VTG. This is according to our understanding related to a higher value add at VTG and margin diluting side activities which Aves avoided in a streamlined and tight business concept.

Price / Book ratios show a wide range of multiples

Based on Price/Book value the peer group shows a broad range from 40% of Equity to two times equity based on FY20e results. We assume that this is clearly related to the operational performance as especially high margin corporations show up with the higher multiples.

Based on the equity value, the capital market puts the median of the peer group at 0.6 (FY20e). Obviously the market assumes that many sector companies will not be able to either achieve positive results or do not achieve a positive ROCE above WACC. As Aves is expected to turn around to a sustainable positive profit stream from FY18e onwards and will show an ROCE of close to 190 BP above WACC (see pg. 16 for more details), we believe that the P/B of 2.0x for FY20e is not only fair but will be on such a level even in the upcoming years. It might improve also by an improved equity position, either due to an equity injection or profit retainment.

Aves: international peer group valuation

Company	P/E 19e	P/E 20e	EV/S 19e	EV/S 20e	P/B 19e	P/B 20e	EV/ EBITDA 19e	EV/ EBITDA 20e	EBITDA margin 19e	EBITDA margin 20e	SALES CAGR16-20e
Aves One	9,7x	8,1x	8,9x	8,5x	2,6x	2,0x	12,3x	11,5x	72,7%	74,4%	46,7%
VTG AG	18,8x	16,1x	3,0x	3,0x	1,9x	1,9x	8,5x	8,1x	38,3%	39,0%	4,0%
GATX CORP	16,3x	15,6x	5,2x	5,1x	1,7x	n/a	10,6x	9,9x	49,6%	51,2%	0,3%
CAI INTERNATIONAL INC	6,0x	5,1x	4,8x	4,3x	0,7x	0,6x	7,1x	6,4x	67,6%	67,6%	18,6%
TEXTAINER GROUP HOLDINGS LTD	7,7x	6,9x	5,9x	n/a	0,5x	0,4x	7,3x	7,1x	80,7%	n/a	n/a
TOUAX	16,3x	10,4x	1,5x	1,4x	0,4x	0,5x	4,3x	2,9x	32,3%	46,4%	-16,9%
AMERICAN RAILCAR INDUSTRIES	25,6x	n/a	3,1x	n/a	2,0x	n/a	11,9x	n/a	26,3%	n/a	n/a
ENCAVIS AG	15,3x	15,3x	8,6x	7,9x	1,1x	1,1x	10,8x	9,8x	75,8%	75,9%	17,6%
Peer average	15,1x	11,6x	4,6x	4,3x	1,2x	0,9x	8,7x	7,4x	52,9%	56,0%	4,7%
AVES GY (QP est.) premium (discount) to average	-36%	-30%	93%	97%	121%	121%	42%	56%	37%	33%	885%
Peer median	16,3x	12,84x	4,8x	4,3x	1,1x	0,6x	8,5x	7,6x	49,6%	51,2%	4,0%
AVES GY (QP est.) premium (discount) to median	-40%	-37%	83%	99%	137%	233%	44%	51%	47%	45%	1055%
Std. dev.	6,6x	4,46x	1,5x	1,4x	0,7x	0,6x	2,4x	2,3x	19,4%	10,5%	12,6%
25th Percentile	9,8x	6,85x	3,1x	2,6x	0,5x	0,5x	7,2x	6,4x	33,8%	44,6%	-4,0%
75th Percentile	18,2x	15,57x	5,1x	4,5x	1,9x	0,9x	10,1x	8,1x	63,1%	55,3%	7,7%
Min	6,0x	5,13x	1,5x	1,4x	0,4x	0,4x	4,3x	2,9x	26,3%	39,0%	-16,9%
Max	25,6x	16,14x	5,9x	5,1x	2,0x	1,9x	11,9x	9,9x	80,7%	67,6%	18,6%

Source: Bloomberg, Quirin Privatbank estimates

DCF model anticipates long term prospects of the Aves business concept

Given the business concept of Aves and especially the long term lease contracts for assets with a lifetime of up to 45 years (rail wagons) we assume, that it makes sense to value Aves with a DCF approach. The second reason to give DCF a strong weighting in the company valuation is based on the strong initial investment phase with initially negative Free cash flows. Significantly high positive FCF are upcoming in the years beyond FY21e and that can be better anticipated in a DCF model rather than in multiple valuation.

The DCF analysis pays more attention to the long-term growth outlook for Aves. We have included the most important factors which will have an impact on the corporate and market outlook. The DCF model is based on a discounted free cash flow basis and derives a value of around EUR 157m for the current equity of Aves.

Regarding capital costs, we considered positive effects of the refinancing measures. We anticipate costs of capital (WACC) of around 3.7% (after tax). Given the high financial leverage we have anticipated the higher risk in an estimated and initial Beta of 2.5 in the first stage of estimated fiscal years. Given the growing equity base in the long run and the declining financial leverage the estimated beta has been reduced down to 1.1 for the terminal value. Free cash flows have been anticipated sharply negative in the initial phase until FY20e due to the build-up of the portfolio by internal and external growth. As a result, the terminal value gains importance in the DCF model. Our assumptions do not include further capital increases or dilutions from further equity measures in the future. This results in a small contradiction, as the expected asset investments (both in the rail and in the container segment) will only be possible if the company will raise further equity related funds.

Hidden Champion Aves will unfold its value on capital markets based on both, classical multiple valuation and the anticipation of DCF values

Due to the short track record for the Aves business model and the fact that the company has achieved volatile and negative operational results in the first few years of its history, the market valuation will be based on both, the short term driven Multiple based valuation and the longer term oriented DCF approach. This may also vary according to the investment style of investors looking at it.

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DCF valuation

DCF model (EUR m)	2017	2018e	2019e	2020e	2021e	2022e	2023e	2024e	TV
Sales	53	77	116	132	140	150	160	170	175
YOY change (%)	86.5	44.3	50.9	13.9	5.7	7.1	6.7	6.3	2.9
EBIT	9	33	54	62	66	71	75	80	81
EBIT margin (%)	16.8	42.3	46.2	46.8	47.0	47.0	47.0	47.0	46.0
Depreciation	20	20	31	36	37	38	39	40	40
Net working capital	11	12	13	15	16	17	18	19	20
Taxes	-2	1	3	4	5	6	7	8	8
Tax rate (%)		25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0
Free cash flow	-34	-364	-102	-62	46	55	59	64	1,714
WACC		3.5 %	3.6 %	3.7 %	3.8 %	3.8 %	3.8 %	3.7%	3.7%
Discounted FCF		-334	-95	-56	39	46	48	50	1,283
Contribution to EV		-34.1 %	-9.7 %	-5.7 %	4.0 %	4.7%	4.9%	5.1%	130.9 %
Discounted EV	**980.7**								
Net Financial debt	823.8								
Minorities	0.0								
Shareholder value	**156.9**								
Fair value per share	**12.1**								

Source: Quirin Privatbank estimates

WACC calculation	
TV growth rate	0.6%
Risk free interest rate	1.0%
Risk premium	7.5%
Beta	2.5
Company interest rate	4.0%
Company tax rate	25.0%
Cost of equity	19.8 %
Cost of debt	4.0 %
WACC	**3.7%**

Business model and strategy

Owner of sustainable Logistic assets

Aves is an owner of mobile logistics equipment. The company has two business divisions: Container Equipment and Rail Equipment. Historic businesses like storage parks and logistic real estate play a minor role with an asset volume of just EUR 10m. We expect those operations to be divested in due course. Funds will be used to strengthen the core segments.

Aves invests in durable assets with expected stable cash flows in liquid markets. Excellent access to the equipment market and the necessary assets and a flexible use of different types of financing form the basis for a steady expansion.

The Aves strategy relies mainly on the fact that logistics services providers tend to focus increasingly on their core competences. They reduce their own logistics equipment assets to a bare minimum and tend to lease equipment in order to meet demand peaks. For Aves, this trend offers business opportunities, which the business model exploits.

General strategy of the Aves group

Aves seeks to expand its business operations further by acquiring profitable assets, in particular in the Rail Equipment segment and – on an opportunistic basis - in the container segment. The corporate strategy aims at achieving a critical company size in order to unite three substantial interacting factors in a more profitable way, namely two monetary aspects – generation of capital and access to favorable financing conditions – and a factual aspect, i.e. entry opportunities for lucrative investment objects and hence access to more profitable assets. In addition, the company seeks to grow via acquisitions and organic growth.

Focused new corporate structure with just two segments

Following several reorganizations, the corporate structure is now completely aligned with the new business model. As of 30 June 2018, the Aves group holds assets worth c. EUR 523m. The acquisition of the Nacco Portfolio by the Rail Equipment division will increase the group asset value to close to 800m by YE 18.

Aves aims to continue its progressive investment and acquisition program. Capex plans include further asset investments in different categories of c. more than EUR 200m in 2019e and 2020e.

	RAIL EQUIPMENT	CONTAINER EQUIPMENT	
	Cargo Cars	Sea Containers	Special Equipment
USEFUL LIFE	Rail cars with a useful life of up to 45 years	Various types of sea containers with a useful life of up to 15 years	Swap trailers and tank containers with useful life of 12 – 20 years
CUSTOMERS	Central European and large industrial companies Transactions in EUR	The world's largest shipping companies (Maersk, Hapag Lloyd, Evergreen, etc.) Transactions in USD	Large Logistics companies (Hoyer, Enercon, DHL, Hellmann) Transactions in EUR
QUANTITY/ VOLUME*	8,900 cargo cars/ approx. EUR 512 million	200,000 containers/ approx. EUR 237 million	6,000 containers/ approx. EUR 30 million
QUALITATIVE INVESTMENT GOALS	The freight car portfolio is further expanded Consolidation trends are leveraged	Opportunistic acquisitions The portfolio is further expanded	Opportunistic acquisitions The portfolio is further expanded

Rail Equipment

Nacco acquisition nearly doubled AuM in the rail segment

In this segment, the Aves Group specializes in managing a portfolio of freight wagons with a service life of up to 45 years. Two transactions in 2015 and the acquisition of Austrian ERR laid the foundation for this segment and Aves continued to build up the high profitable rail wagon portfolio. The portfolio ahead of the most recent Nacco acquisition included around 4,400 freight wagons. The Asset volume ahead of the Nacco transaction amounted to c. EUR 244 m. The portfolio is mainly leased to industrial companies and state-owned rail companies.
Long operating lives, long lease periods and high investment volumes per unit of freight wagons enable the Aves Group to plan the utilization for a long period in advance. In general, the units are leased on a long-term basis, particularly if they have been newly built and adapted to the rail operators' specific needs. When the lease period runs out, a follow-up lease agreement with the lessee is usually concluded. Aves Group aims at a portfolio which consists of relatively young and modern equipment. The average age of the freight wagons in the current portfolio is less than 16 years, while the average age of wagons of Deutsche Bahn AG is 28 and in the European rail market around 24 years. The freight wagons of the portfolio are leased on a fixed basis for 2-5 years.
Managing the rail freight wagons is the responsibility of external managers outside the Aves group. Aves basically makes use different leading international managers like the Swiss Wascosa AG and ERR European Rail Rent. This strategy keeps operational expenses tights and holds the Aves management focus an asset ownership and a favorable financing.

Nacco acquisition strengthen Rail Equipment segment and be a major profit source of profits

Aves did a major acquisition in the rail segment in August of FY18. The company acquired 30% of the Nacco groups freight car fleet. This includes in total about 4,400 freight cars and rail tankers. We estimate that the transaction volume amounted to slightly more than EUR 300 Mio and does include already a certain maintenance reserve. We assume that the transaction price is largely below a competitive market pricing for the portfolio. The market pricing for the portfolio should be up to 25% above the transaction price.

Nacco as one of the international competitors of Aves in the rail segment was forced to sell large parts of their operations due to the Nacco takeover by the German VTG group. European antitrust authorities required a large divestment of around 30% of the existing capacity. Obviously due to further regulations operations could only be sold into the industry and not to any financial investor. Aves took advantage of the favorable conditions.

Nacco acquisition should be well financed…

… with high LTV

We assume the acquisition will purely be paid by financial debt. Financing should have been provided either by commercial banks and institutional investors. Given that Rail equipment portfolios are seen as “low risk” and “sustainable cash flow” generative we estimate that Aves was able to achieve a high LTV of around 70 and that yield terms a favorable for Aves. The acquired Nacco operations will be consolidated into the Aves group accounts from Q4/18 onwards. The acquired portfolio is characterized by lease contracts with remaining lifetime of around 18 months. Prolongation of lease contracts is highly likely and part of the business concept. The portfolio is highly profitable. We assume additional annualized sales of EUR 37 m and an FY19e EBITDA contribution of around EUR 28m. FY19e EBT contribution after depreciation/amortization and financing costs will be more than EUR 9m. A related EBITDA margin of around 75% compares favorably with the current profitability in the rail segment. The acquisition does nearly double the Aves Rail portfolio to a total of around 8,900 rail cars of different types. The total investment volume of the rail segment (end of FY18e) will increase to around EUR 512m or 62% of total Assets.

Financing and returns of the rail segment

The rail equipment market and wagon lease market is considered as a very stable, low volatile business concept. Therefore, financial lenders are willing to accept high LTV when financing the acquired portfolios. The Aves group has so far mainly concentrated on traditional bank financing in the Rail Equipment segment. It believes that the current, low interest-rate level offers a solid financing basis, particularly for investments in

durable assets which offer potential good opportunities for the future growth of Aves group, such as freight wagons.
We view the availability of further funding sources via classical bank loans with relatively low interest rates (2-3%) and high LTV (up to 70%) as highly likely. This is also supported by the high capacity utilization in the rail segment which we estimate should have increased to more than 90% in FY18e. High-quality lessees and considerable leasing profits might lead to CoC rates of more than 10%.

Rail Equipment to become the most important division in terms of revenues and profit contribution

We believe that the Rail Equipment division is the most promising and profitable business area, as we assume that the market for rail wagons is very stable. New market entrants are unlikely, as market entry requires significant capital and the barriers are considerable. World-wide, a very large share of rail wagons (c. 70%) are held by the state or state-owned entities. New wagons are let mainly by private-sector companies. This is where Aves can benefit, provided that the company can use its existing resources to gain access to additional rail portfolios.

Key figures Rail Segment 2016-2020e

EUR m	2016	2017	2018e	2019e	2020e
Sales	7.6	26.3	40.7	74.2	84.9
EBITDA	5.5	19.4	30.4	57.0	65.9
EBITDA margin %	71.8	73.7	74.6	76.8	77.6
EBIT	3.5	11.8	19.9	38.3	43.3
EBIT margin %	45.8	45.0	49.0	51.6	51.0
EBT	0.9	3.1	9.0	19.1	21.0
EBT margin %	11.6	12.0	22.1	25.8	24.7

Source: Aves; Quirin Privatbank estimates

Container (Seacontainer and Special Equipment)

Initial Aves business segment with volatile profitability

The Container Equipment business division focuses mainly on the three main standard shipping containers (i.e. 20-foot and 40-foot standard and 40-foot high cube containers), which have a useful life of up to 15 years. The segment benefits above all from the steady increase in world trade and container shipping. Its main customers are large global shipping companies. The Container segment holds currently a fleet of 200,000 TEU and 6,000 Swap bodies. At YE 18 the segment might hold assets worth c. EUR 270m or around a third of the Aves group's total assets. While additional opportunistic portfolio acquisitions in the amount of EUR 62 m have been realized in H1/18 we believe that its share in Aves' total assets will decline as the group's business mix becomes more directed towards the more profitable Rail segment.
The utilization ratio including the swap bodies portfolio has improved after the recent ad on acquisitions of the container portfolio to a level of currently 98%.

Shipping companies key customers – global container manager handle the portfolio

Key customers in the container equipment division include the large and major shipping companies like Maersk, Hapag Lloyd and others. While the container portfolio is owned by Aves the management of the container portfolio is worked out mostly by the global top 5 container managers like CAI International or Florens.

Strict adherence to investment criteria forms the basis for success

Aves has strict investment criteria, which should, in principle, make sure that the profitability (IRR) is above the financing costs (WACC). However, the financing costs of the Container Equipment division are above the group average because the performance of the container leasing business is quite cyclical (volatile capacity utilisation) and because, so far, the company has been able to use collateralized bank loans for refinancing purposes only to a limited extend. Rather, the division relies heavily on "direct investments" which are taken in EUR currency for refinancing purposes. Refinancing needs are therefore relatively high due to the division's sales, leasing and financing costs.

Operational performance of Container equipment to be improved

Due to the significant improvement of container prices and leasing rates the segment performed significantly better than in the initial start phase of Aves. We expect a normalization and more stable operational profit performance in the upcoming years. Given ongoing high global trade volumes and limited new building of containers we assume a tight supply of containers and ongoing high lease rates. Capacity utilization of the container portfolio, which is calculated with around 98% for FY19e and FY20e should enable the business segment to perform EBITDA margins in the range of 83-87%. Financing and refinancing costs remain on a high level, as classical bank financing is only available to a limited extend. Despite the high and above group average EBITDA margins PBT margins after financing costs remain with 1.6% (FY19e) and around 3% (FY20e) on a comparatively low level.

Key figures Container 2016-2020e

EUR m	2016	2017	2018e	2019e	2020e
Sales	20.8	24.1	31.2	37.0	42.4
EBITDA	1.1	-6.6	26.0	32.0	37.0
EBITDA margin %	5.5	-27.2	83.3	86.4	87.3
EBIT	-5.4	-18.6	16.3	19.9	23.3
EBIT margin %	-25.8	-77.3	52.2	53.8	54.9
EBT	-4.4	-36.4	0.2	0.6	1.3
EBT margin %	-21.4	-151.0	0.6	1.6	3.0

Source: Aves; Quirin Privatbank estimates

Balance sheet and financial position

Strong balance sheet growth characterized by acquired assets

The Aves balance sheet has grown strongly in the last few years, as the different container and rail portfolio acquisitions were included. The asset side consists mainly of the containers and wagons owned by Aves. In FY18e, the balance sheet will expand considerably due to the acquisition and inclusion of Nacco in the Rail segment. The balance-sheet total will jump by 68%, to c. EUR 875m. C. EUR 818m or around 93% of the balance-sheet total consist of fixed assets and the different portfolios of the corporate divisions. The Container segment with around 1/3 and the Rail segment with around 2/3 make up the lion's share of the total.

Financial Leverage the most important item on the liability side

As is typical for the sector, the liability side of the balance sheet shows high amounts of net financial debt (FY18e: EUR 823m) and therefore leverage used to acquire the operating assets.

Low Equity ratio to be improved by planed capital increase

The equity position is quite small in comparison to the balance-sheet total (EUR 26m as of 30 June 2018). Ahead of the acquisition of Nacco by the Rail Equipment division, the equity ratio amounted only to c. 4.5% (as of 30 June 2018). Taking into account the acquisition of Nacco, which is currently being implemented, and the upcoming higher cash flow stream in FY19e we forecast an increase in the equity position to c. EUR 36m by the end of the FY19e. This might raise the equity ratio to around 4%

Different sources of borrowing for financial leverage

The Aves group currently uses bank financing, financing via institutional investors and direct investments for the acquisition of its portfolios. It intends to optimize its financing structure in order to improve its margins. One potential strategy is to increase the proportion of bank financing and hence relatively reduce direct investments by cheaper and more favorable bank loans. Thanks to such measures, the relative financing costs will be reduced.

One good example is the renegotiation of a senior bank loan in the rail segment. Aves had succeeded in refinancing loan contracts for EUR 155 m in H2/18 with much improved conditions ahead of the end of their terms. The loan has a maturity of 5Y and is used for partially financing the existing rail portfolio. The significantly reduced interest rates result in a reduction of the annual interest payments of more than EUR 1.0 m with immediate effect (not taking into account the initial one-off payment) and hence improve future group results.

A second major financing transaction took place in H2/18 in relation to the acquisition of the Nacco Deal. Aves secured a senior secured financing of more than EUR 200m at an estimated EURIBOR prem. of less than 200 BP. With a majority of 10Y and a LTV of 70 this is an excellent result given the already high leverage of the group.

Aves has used three main sources for refinancing and for the acquisition of its container/rail wagon portfolios during its history:

1. Direct investments

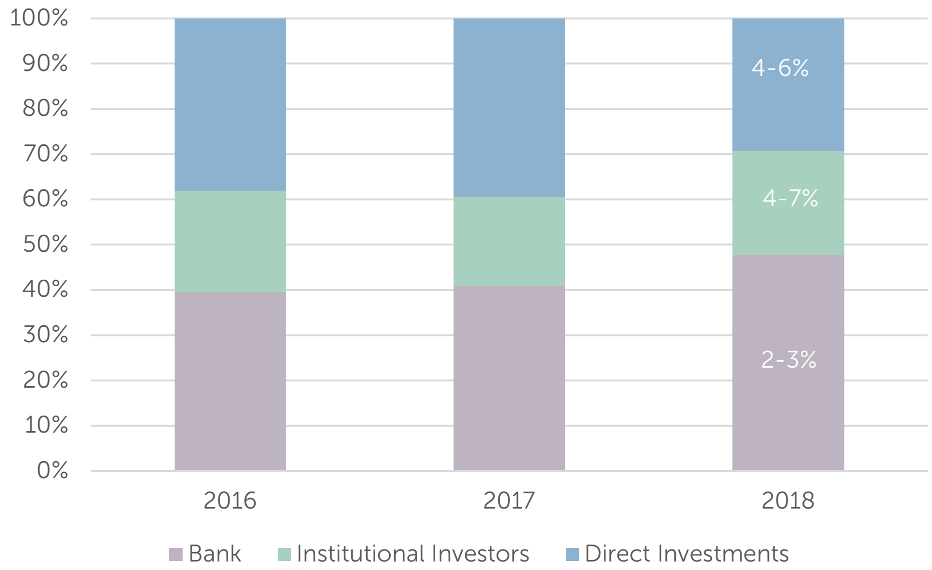
Direct investments from the private sector have been a traditional pillar of financing. The strategic investment CH2 has relied on financial intermediaries to build a base of private-sector investors which have made small investments. Thanks to the granular investment structure and different maturities, there is a steady stream of capital inflows and outflows. Maturities are usually aligned with the guaranteed rental/leasing periods of the assets and range from 2 to 5 years.

We estimate that Direct investments cover about 19% of the aggregate interest-bearing leverage after the Nacco deal at the end of FY18. The cost of capital is comparatively high. Direct interest payments to investors range between 4% and 6%. Including the usual distribution costs, we estimate that the refinancing costs for this type of borrowing probably amount to even higher terms for Aves. Direct investments as the dominant refinancing source for Aves in the early stage with a proportion of up to 38% has consequently been reduced.

2. Institutional investors
In addition to direct investments, Aves uses financing from institutional investors (insurance companies, pension funds etc.). These players invest large amounts directly into the assets acquired by Aves. All investments are collateralized by the acquired assets. The cost for this type of financing amounts to 4 – 7%. As the financing tranches are larger and distribution costs lower, this type of financing will gain importance in the future. By the end of 2018, the share of institutional investors is likely to amount to 24% of the total financial debt.

3. Bank financing
Traditional bank financing has been used mainly for the refinancing of portfolio acquisitions in the Rail Equipment division so far. However, this source of financing is likely to gain importance in the future. Following the Nacco acquisition, bank financing now (FY18e) accounts 57% of the total Aves financing volume and will become the most important source of financing. In particular, collateralized bank loans are an attractive source of financing for the rail portfolio, as the leasing rate is high and the business is less cyclical. Thanks to high-ranking collateralizations, financial covenants and a LTV of 60–80% the conditions for bank loans are quite favorable. At currently 2–3% p.a., bank financing is clearly the cheapest option at the moment.

Aves: Group Financing structure (interest rate range %)



Source: Aves, Quirin Privatbank estimates

Operational performance – Financial implications

Strong operational growth trend ahead supported by Nacco acquisition

Based on the new and considerably expanded corporate structure after the Nacco acquisition, we expect Aves to establish a profitable growth trend. We forecast sales, which include above all the leasing rates for Rail and Container, to grow with a CAGR of 47% (2016-2020e). This includes the organic improvements and the acquisition of Nacco in the Rail segment.

Operational profits largely impacted by the strategic focus of the asset portfolio

Parallel to strong sales growth, Aves will also experience a sustainable improvement of its operational profits thanks to a more profitable and less cyclical portfolio composition after the Nacco acquisition. While in the initial years the predominance of the Sea Container Equipment division had a major impact on the profitability, the higher proportion of Rail Equipment will lead to a growing EBITDA margin and above all to an even faster growth of net margins (after financing costs).

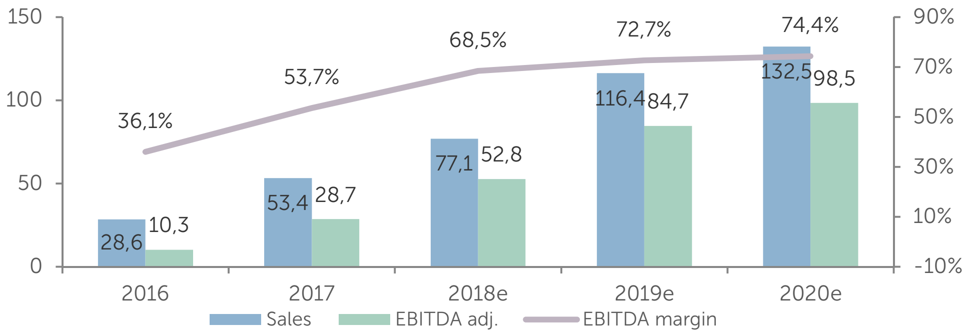
Aves group: Key P&L figures 2016-2020e

EUR m	2016	2017	2018e	2019e	2020e
Assets	450.9	457.9	850.0	1000.0	1100.0
Sales	28.6	53.4	77.1	116.4	132.5
EBITDA	10.3	28.7	52.8	84.7	98.5
EBITDA margin %	36.1	53.7	68.5	72.7	74.4
EBIT	1.8	9.0	32.6	53.7	62.1
EBIT margin %	6.3	16.8	42.3	46.2	46.8
EBT	-12.5	-15.7	5.1	12.9	15.4
EBT margin %	-43.5	-29.4	6.6	11.1	11.6
Net Profit	-13.7	-13.4	3.8	9.7	11.6
Net Margin %	-47.7	-25.0	4.9	8.3	8.7
ROCE %	0.4	1.9	3.8	5.4	5.6

Source: Quirin Privatbank estimates

When considering the operational performance, we focus on adjusted EBITDA. This is defined as EBITDA before the exchange-rate impact of the functional currency. This takes out the impact on P&L due to currency movements (USD/EUR) which are related to unrealized asset adjustments.

Aves group: Sales (EUR m), EBITDA, margin (%)

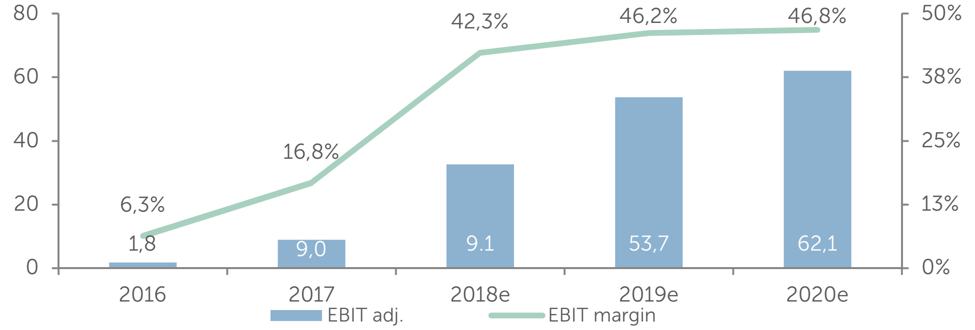


Source: Quirin Privatbank estimates

EBIT margins confirm the positive operational trend

The expected EBIT performance basically confirms the influences described above. This holds true even if we take into account the high depreciation of both Container and Rail assets.

Aves group: EBIT (EUR m), EBIT margin in %

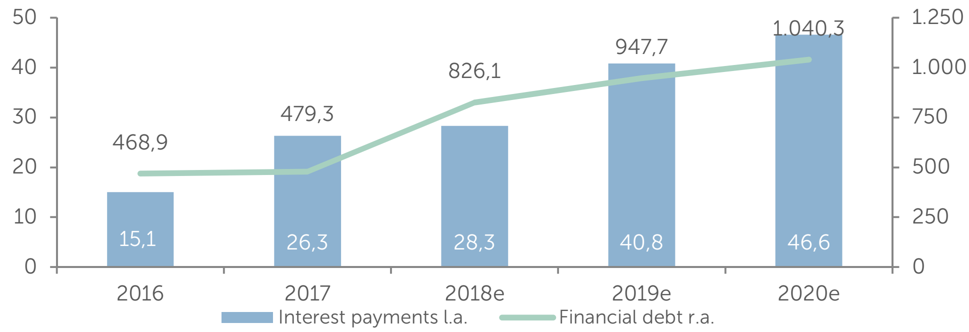


Source: Quirin Privatbank estimates

Financial results to improve

The refinancing strategy described above will result in significantly improved relative financing results. The average underlying interest payment burden should decrease due to an improved refinancing mix. Nevertheless, owing to the set-up of the business model, interest payments and related costs will absorb around 84% of the adj. EBIT (2018e). This ratio might decrease to 73% in 2020e.

Aves: Financial expenses and financial debt (EUR m)



Source: Aves, Quirin Privatbank estimates

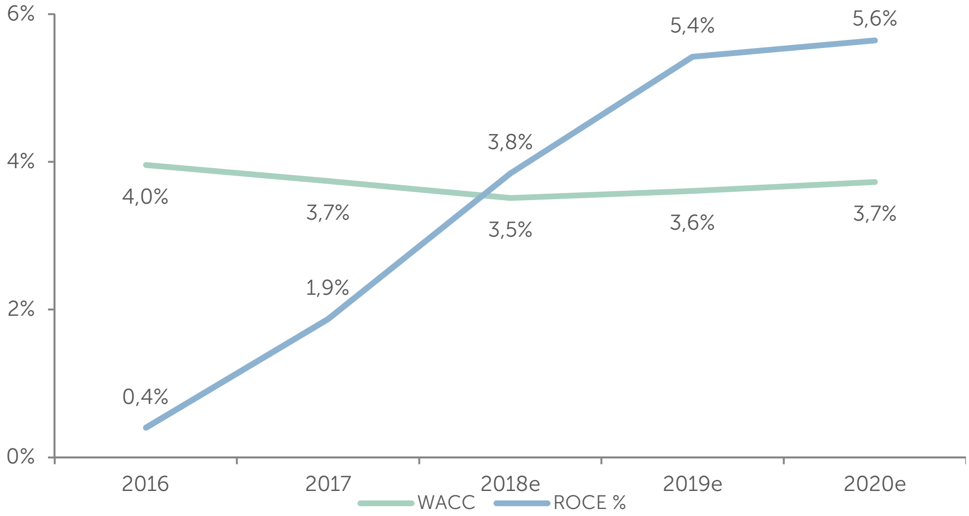
Growing operational profits combined with relatively lower financial expenses operate as a booster to the development of PBT and EAT

The major pillar of the Aves business concept is consequently to be seen in the relatively higher growth of profits after the financial costs. The higher operating profits combined with the underlying relatively lower financial expenses operate as a booster to PBT and EAT in the upcoming years. The negative FY17 adj. PBT of EUR -15.7m should turn around to EUR 5.1 m in FY18e and increase to EUR 17m in FY20e.

ROCE vs. WACC – higher operational returns and cheaper refinancing resulting in positive value added

Since the business model is characterized by high capital intensity and based on favorable debt financing, we have calculated ROCE vs WACC. The result is very promising, as it confirms that Aves has created a value-enhancing business concept with its current financing structure. During the start-up phase, the operative returns did not cover the cost of capital. However, from FY19e onwards, the value added is positive and even higher than the peer group, at around 190 BP.

Aves: ROCE vs. WACC



Source: Quirin Privatbank estimates

Aves group: Financial key ratios analysis

Financial key ratios	2016	2017	2018e	2019e	2020e
Equity	28,5	22,2	26,0	36,9	49,6
Equity ratio %	5,4	5,4	3,0	3,6	4,3
Net financial debt	437	464	812	954	1068
Net financial debt / Equity	15,3	20,9	31,2	25,8	21,5
EBIT / interest expense	0,1	0,3	1,2	1,4	1,4
Net financial debt / EBITDA	42,2	16,2	15,4	11,1	10,7
Net financial debt / EBIT	237,0	51,8	24,9	17,2	16,8

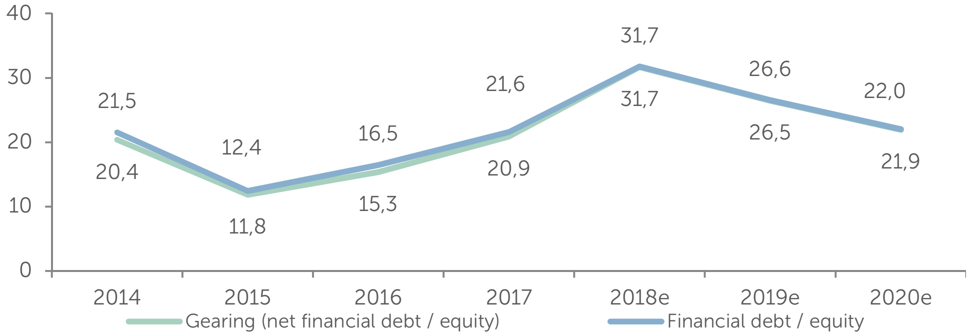
Source: Quirin Privatbank estimates

Gearing: Gradual improvement as a result of retained earnings – new equity required in order to finance growth

As mentioned above, Aves balance sheet is still characterized by a low equity ratio. The equity ratio will grow from 2019 onwards thanks to the rising operational performance. Given capex of more than EUR 100m in both FY19e and FY20e the gearing will remain on a high level. We regard the gearing as a crucial ratio, as it limits further growth and underlines the need for equity-related measures in order to improve the financing situation and achieve the necessary, improved refinancing conditions.

When comparing the Aves gearing to peer group ratios, we assume that the current gearing of the Container and Rail Equipment industry varies between 2 and, in some cases 5 times. Aves' refinancing situation thus remains somewhat stretched.

Aves: Gearing

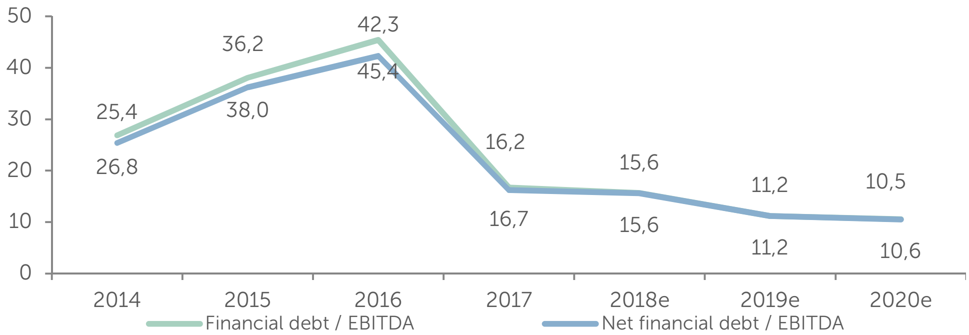


Source: Quirin Privatbank estimates

Debt / EBITDA

The debt ratio shows the relationship between the operating result (EBITDA) and financial debt. It describes how many years of EBITDA are required for the complete repayment of the financial liabilities. Using a normalized operating profit (EBTIDA) level of 2019e and setting it in relation to the underlying financial debt confirms that Aves runs its business at a very high leverage.

Aves Financial Debt / EBITDA

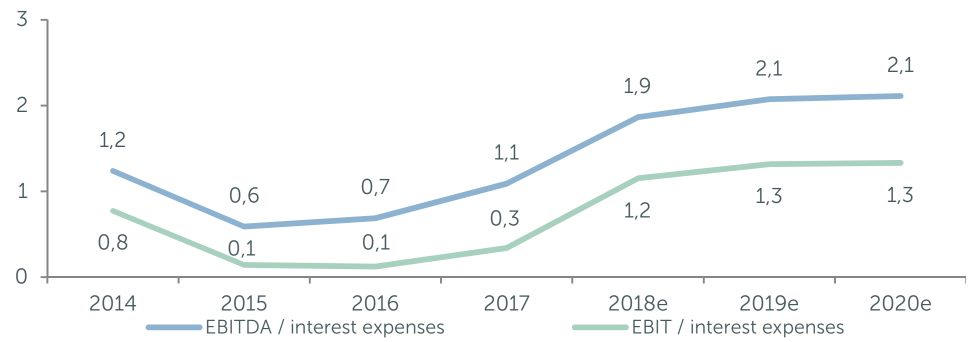


Source: Quirin Privatbank estimates

Interest Coverage

In order to assess to what extent the company will be able to service its interest payments, we focus on the interest coverage ratio, both based on the EBITDA and on the EBIT. Starting from an unsatisfactory interest coverage ratio (EBITDA / interest expense) of 0.1 in 2016, the figure is set to improve thanks to the improved results in FY18e and especially from FY19e onwards, as the rail segment is contributing largely to the overall operational performance. We acknowledge that the interest coverage of around 2.1 related to EBITDA and 1.3to EBIT (FY20e) compares favorably with the peer group.

Aves: Interest coverage



Source: Quirin Privatbank estimates

Ongoing high oportunistic capex financed by rising cash flow, equity capital proceeds? and cheaper financial debt.

In addition to operational cash flows of c. EUR 49m in FY18e, which are expected to rise to EUR 98m by FY20e, we expect the company to obtain funds from additional financial leverage, so that a total of more than EUR 200m (FY19e and FY20e) should be available for new investments. It might focus on the following opportunistic opportunities in order to create a basis to scale up the business model with the help of new portfolio acquisitions. We expect the money to be used for the following purposes:

1. **Rail: Acquisition of further portfolios**
   The Rail Equipment segment will be one key beneficiary, as the market is steadily growing, not very cyclical and relatively profitable. We could imagine that Aves continues to focus on expanding the rail portfolio even after the acquisition of Nacco.

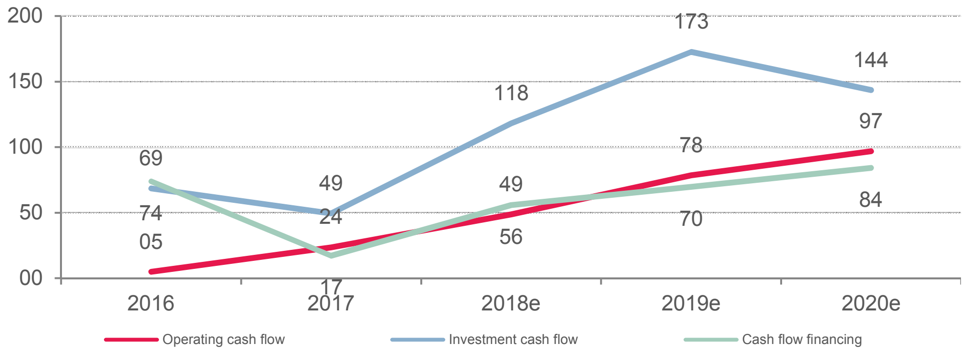
2. **Container: Opportunistic increase of assets, longer-term contracts**
   Aves plans to exploit the current favorable conditions on the container market only on an opportunistic basis. It will make countercyclical investments and focus on containers with longer-term rental/leasing contracts. We believe that the company will make only very selective investments in the container business.

3. **Optimisation of the financing structure – improvement of the balance-sheet structure – higher profitability**
   The proceeds from a potential equity inflow have not yet been integrated into our modelling. Raising the equity ratio to 4.3% in FY20e is only driven by the improving operational performance. Overall, we expect profitability to improve considerably as the cost of capital looks set to be reduced significantly.

Ambitious expansion plans might require further equity injections

In total we view the ambitious capex plans of Aves as challenging. Especially the equity proportion might not be sufficient to support above mentioned capex plans. Despite a potential equity injection, we have calculated our models on a financial debt basis only. But further equity related measures at a later stage in FY19e and/or FY20e to improve the capital structure might prove as necessary.

Aves: Cash flow (EUR m)



Source: Aves, Quirin Privatbank estimates

Aves: Cash flow (EUR m)

EUR m	2016	2017	2018e	2019e	2020e
Operating cash flow	4.9	23.6	48.7	78.4	96.8
Investment cash flow	68.5	49.4	118.1	172.8	143.6
Cash flow financing	74.0	17.3	55.8	69.8	84.2

Source: Aves, Quirin Privatbank estimates

Management

Senior management largely experienced in relevant markets

Aves owns a very senior management largely experienced and connected in its relevant markets Rail and Container Equipment. The executive board has been reduced to two members and is focused on the operational task Rail, Container and financing. The Asset management is outsourced to third parties.

Juergen Bauer, board member

After studying business administration and art history, Mr. Bauer worked for Raiffeisen Leasing in Vienna for seven years as a manager in the area of structured finance, sales and mobile leasing. From 1996 he was managing director of the Kulturmanagementgesellschaft (holding) of Lower Austria for four years. In the year 2000 Mr. Bauer began working as a business developer in the area of rail equipment for the globally operating GATX Corporation in Chicago and KVG Kesselwagen Vermietgesellschaft mbH in Hamburg where he held various management positions in Poland and Germany until 2006. Since 2006 Mr. Bauer is one of the managing directors of the companies ERR Rail Rent Vermietungs GmbH (now part of the Aves group) and has been member of the Executive Board of the International Union of Wagon Keepers (UIP) for many years. Juergen Bauer is member of the board of Aves AG since Sept. 2016 and was appointed to that position for 3 years.

Sven Meissner, board member

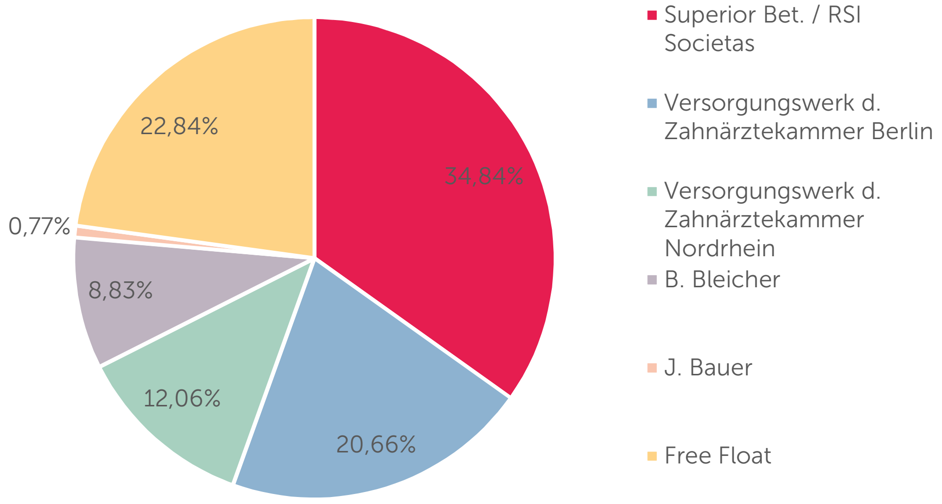
Since 1 February 2018, Mr. Sven Meissner is a member of the Management Board of Aves AG and was initially appointed to that position for three years. As member of the board, Sven Meissner, brings in capital markets expertise and is well experienced in financing of complex corporate structures in the different industries. Mr Meißner has many years of experience in the investment and financing business in the segments which are relevant to the company. As the Managing Director of several Group companies, Mr Meißner has been supporting the operational business of Aves since 2013 and the acquisition of the first container portfolio.

Ownership structure

34.8% of the total outstanding share (13.0m) are linked to a dominant shareholder, Superior Group. In addition, the dentist's pension funds for Berlin and Nordrhein own 20.7% and 12.1% of shares. Moreover, Bert Bleicher holds 8.8% of shares. Jürgen Bauer, member of the managing board, holds 0.8% percent of shares. The remaining 22.8% percent make up the free float.

Given the already high financial leverage of the group we can imagine that further equity funding measures will take place in FY 19. Those transactions might be used to increase the free float at capital markets. We also assume that the major shareholder Superior group might not exercise their subscription rights but keep their holdings. Their shares might be diluted. This could result in an increased free float of more than 23%.

Aves: Shareholder Structure



Source: Aves, Quirin Privatbank

Appendix

SWOT

Strengths

- Strong growth thanks to scalable business model
- Diversified asset structure helps to offset volatility
- High asset utilization, low cyclicality of the overall portfolio
- Consistently high profitability as interest rates remain low
- Different refinancing sources to finance portfolio
- Experienced management with strong bios in relevant industries
- Critical Asset volume reached after Nacco transaction

Weaknesses

- High financial leverage above sector average limits growth
- Relatively small player in the market for mobile equipment leasing
- Low market entry barriers
- Container segment with historic high volatility – negative operational track record due to weak lease rates
- Business model not fully integrated, asset management outsourced, which leads to loss of the related margin

Opportunities

- Scalable business model – purchase of further portfolios mainly in rail
- Purchase of container and rail wagon portfolios will improve operative leverage
- Divestment of minor asset classes (storage parks) will free up financial resources
- Capital market access will lead to improved refinancing opportunities
- Improved refinancing to result in higher profitability
- Acquisition in Rail Equipment division will deepen value added
-

Threats

- Cyclicality of global trade volume
- Volatile utilization rates, (particularly for sea containers), and fixed cost of capital may lead to volatile results
- Long term use of assets – financed by short credit
- Margin squeeze if interest rates rise
- High financial leverage – Low equity capital
- USD as functional currency
- Transaction and translation risks in the Container Equipment division (financing misalignment in the container business: assets and cash flow in USD, but financing in EUR)

Profit & loss statement

Profit & loss statement (EUR m)	2016	YOY	2017	YOY	2018e	YOY	2019e	YOY	2020e	YOY
Sales	28.6	32.5 %	53.4	86.5 %	77.1	44.3 %	116.4	50.9 %	132.5	13.9 %
Unfinished Goods	0.0		0.0		0.0		0.0		0.0	
Other own work capitalized	0.0		0.0		0.0		0.0		0.0	
Other operating earnings	3.1		1.2		-0.2		-1.1		-1.6	
Cost of goods	9.1		12.9		18.6		28.0		31.9	
Gross profit	22.6		41.7		58.3		87.2		98.9	
Personnel expenses	2.3		4.8		6.9		10.5		11.9	
Depreciation	8.5		19.7		20.2		30.9		36.5	
Other operating expenses	9.9		8.3		-1.5		-7.9		-11.6	
EBITDA	10.3	65.0 %	28.7	177.6 %	52.8	84.3 %	84.7	60.3 %	98.5	16.4 %
EBITDA margin (%)	36.05		53.65		68.52		72.75		74.39	
EBIT	1.8	21.6 %	9.0	392.4 %	32.6	264.2 %	53.7	64.7 %	62.1	15.5 %
EBIT margin (%)	6.35		16.76		42.31		46.17		46.84	
Net interest	-14.2		-25.1		-28.3		-40.8		-46.6	
Income from Participations	0.0		0.4		0.7		0.0		0.0	
Net financial result	-14.2		-24.7		-27.6		-40.8		-46.6	
Exceptional items	0.0		0.0		0.0		0.0		0.0	
Pretax profit	-12.4	52.2 %	-15.7	26.6 %	5.1	-132.2 %	12.9	154.6 %	15.4	19.7 %
Pretax margin (%)	-43.34		-29.41		6.57		11.07		11.64	
Taxes	1.2		-2.4		1.3		3.2		3.9	
Tax rate (%)	-9.82		15.03		25.00		25.00		25.00	
Earnings after taxes	-13.6		-13.4		3.8		9.7		11.6	
Minorities	0.0		0.0		0.0		0.0		0.0	
Group attributable income	-13.6	51.7 %	-13.4	-2.1 %	3.8	-128.4 %	9.7	154.6 %	11.6	19.7 %
No. of shares (m)	13.0		13.0		13.0		13.0		13.0	
Earnings per share (EUR)	-1.05	51.7 %	-1.03	-2.1 %	0.29	-128.4 %	0.74	154.6 %	0.89	19.7 %

Balance sheet

Balance sheet (EUR m)	2016	YOY	2017	YOY	2018e	YOY	2019e	YOY	2020e	YOY
Assets										
Cash and cash equivalents	32.0		14.9		2.3		3.5		4.0	
Accounts receivables	7.5		10.4		12.0		13.0		15.0	
Inventories	2.4		3.3		0.0		0.0		0.0	
Other current assets	29.9		24.7		24.7		24.7		24.7	
Tax claims	1.0		0.1		0.1		0.1		0.1	
Total current assets	**72.8**	**170.2 %**	**53.5**	**-26.5 %**	**39.2**	**-26.8 %**	**41.3**	**5.6 %**	**43.8**	**6.0 %**
Fixed assets	445.4		448.5		818.3		959.3		1,065.8	
Goodwill	0.0		0.0		0.0		0.0		0.0	
Other intangible assets	2.6		8.2		8.2		8.2		8.2	
Financial assets	3.0		1.2		1.2		1.2		1.2	
Deferred taxes	1.8		8.8		8.8		8.8		8.8	
Other fixed assets	0.0		0.0		0.0		0.0		0.0	
Total fixed assets	**452.8**	**88.5 %**	**466.6**	**3.1 %**	**836.4**	**79.2 %**	**977.5**	**16.9 %**	**1,084.0**	**10.9 %**
Total assets	**525.5**	**96.7 %**	**520.1**	**-1.0 %**	**875.6**	**68.3 %**	**1,018.8**	**16.4 %**	**1,127.8**	**10.7 %**
Equity & Liabilities										
Subscribed capital	8.9		12.9		12.9		12.9		12.9	
Reserves & other	16.0		39.4		39.4		39.4		39.4	
Revenue reserves	1.4		-30.1		-26.3		-16.6		-5.0	
Accumulated other comprehensive	2.2		0.0		0.0		0.0		0.0	
Shareholder's equity	**28.5**	**48.8 %**	**22.2**	**-22.0 %**	**26.0**	**17.1 %**	**35.7**	**37.1 %**	**47.3**	**32.4 %**
Minorities	0.0		0.0		0.0		0.0		0.0	
Shareholder's equity incl. minorities	**28.5**	**48.8 %**	**22.2**	**-22.0 %**	**26.0**	**17.1 %**	**35.7**	**37.1 %**	**47.3**	**32.4 %**
Long-term liabilities										
Pension provisions	0.0		0.0		0.0		0.0		0.0	
Financial liabilities	312.4		383.1		383.1		383.1		383.1	
Tax liabilities	6.0		9.3		13.4		20.2		23.0	
Other liabilities	0.0		0.0		0.0		0.0		0.0	
Total long-term debt	**318.4**	**83.2 %**	**392.4**	**23.2 %**	**396.5**	**1.0 %**	**403.3**	**1.7 %**	**406.1**	**0.7 %**
Short-term debt										
Other provisions	0.1		0.0		0.0		0.0		0.0	
Trade payables	8.7		2.3		0.0		0.0		0.0	
Financial debt	156.5		96.2		443.0		564.7		657.2	
Other liabilities	13.3		6.5		9.3		14.1		16.0	
Total short-term debt	**178.6**	**140.7 %**	**105.5**	**-41.0 %**	**453.0**	**329.5 %**	**579.8**	**28.0 %**	**674.4**	**16.3 %**
Total equity & liabilities	**525.5**	**96.7 %**	**520.1**	**-1.0 %**	**875.6**	**68.4 %**	**1,018.8**	**16.4 %**	**1,127.8**	**10.7 %**

DCF valuation

DCF model (EUR m)	2017	2018e	2019e	2020e	2021e	2022e	2023e	2024e	TV
Sales	53	77	116	132	140	150	160	170	175
YOY change (%)	86.5	44.3	50.9	13.9	5.7	7.1	6.7	6.3	2.9
EBIT	9	33	54	62	66	71	75	80	81
EBIT margin (%)	16.8	42.3	46.2	46.8	47.0	47.0	47.0	47.0	46.0
Depreciation	20	20	31	36	37	38	39	40	40
Net working capital	11	12	13	15	16	17	18	19	20
Taxes	-2	1	3	4	5	6	7	8	8
Tax rate (%)		25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0
Free cash flow	-34	-364	-102	-62	46	55	59	64	1,714
WACC		3.5 %	3.6 %	3.7 %	3.8 %	3.8 %	3.8 %	3.7%	3.7%
Discounted FCF		-334	-95	-56	39	46	48	50	1,283
Contribution to EV		-34.1 %	-9.7 %	-5.7 %	4.0 %	4.7%	4.9%	5.1%	130.9 %
Discounted EV	**980.7**								
Net Financial debt	823.8								
Minorities	0.0								
Shareholder value	**156.9**								
Fair value per share	**12.1**								

Source: Quirin Privatbank estimates

WACC calculation	
TV growth rate	0.6%
Risk free interest rate	1.0%
Risk premium	7.5%
Beta	2.5
Company interest rate	4.0%
Company tax rate	25.0%
Cost of equity	19.8 %
Cost of debt	4.0 %
WACC	3.7%

Financial key ratios

Key ratios	2016	2017	2018e	2019e	2020e
Per share data (EUR)					
EPS	-1.05	-1.03	0.29	0.74	0.89
Book value per share	2.2	1.7	2.0	2.7	3.6
Free cash flow per share	-4.6	-2.6	-26.6	-7.8	-4.8
Dividend per share	0.00	0.00	0.00	0.00	0.00
Valuation ratios					
EV/Sales	18.53	10.44	11.90	8.92	8.53
EV/EBITDA	51.4	19.5	17.4	12.3	11.5
EV/EBIT	291.7	62.3	28.1	19.3	18.2
P/E	-6.8	-7.0	24.7	9.7	8.1
P/B	3.3	4.2	3.6	2.6	2.0
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
Growth					
Sales growth (%)	32.5	86.5	44.3	50.9	13.9
EBITDA growth (%)	65.0	177.6	84.3	60.3	16.4
EBIT growth (%)	21.6	392.4	264.2	64.7	15.5
EPS growth (%)	51.7	-2.1	-128.4	154.6	19.7
Profitability ratios					
EBITDA margin (%)	36.1	53.7	68.5	72.7	74.4
EBIT margin (%)	6.3	16.8	42.3	46.2	46.8
Net margin (%)	-47.6	-25.0	4.9	8.3	8.7
ROCE (%)	0.4	1.9	3.8	5.4	5.6
Financial ratios					
Total equity (EUR m)	28.5	22.2	26.0	35.7	47.3
Equity ratio (%)	5.4	4.3	3.0	3.5	4.2
Net financial debt (EUR m)	437.0	464.4	823.8	944.2	1,036.3
Net debt/Equity	15.3	20.9	31.7	26.5	21.9
Interest cover	0.1	0.3	1.2	1.3	1.3
Net debt/EBITDA	42.3	16.2	15.6	11.2	10.5
Payout ratio (%)	0.0	0.0	0.0	0.0	0.0
Working Capital (EUR m)	453.9	478.0	848.4	990.5	1,099.0
Working capital/Sales	15.85	8.95	11.01	8.51	8.30

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Date	Price target-EUR	Rating	Initiation
27.11.2018	12.00	Buy	27.11.2018

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