

TubeSolar AG

Germany / Renewable Energy
 Düsseldorf, XETRA, m:access
 Bloomberg: 9TS
 ISIN: DE000A2PXQD4

Capital raise

RATING
BUY

PRICE TARGET
€ 9.40

Return Potential 41.4%
 Risk Rating High

€6.5M EQUITY INCREASE SUCCESSFULLY PLACED

TubeSolar has placed one million shares at €6.50 per share, generating gross proceeds of €6.5m. The funds will be used to further finance the development of the highly automated production of TubeSolar PV modules and additional company growth. In our model, we have assumed capital increases totalling 1.5m shares for 2021. After the placement in December 2020 (1m shares at €6.00), TubeSolar has once again proven its attractiveness to the capital markets. An updated DCF model still yields a €9.40 price target. We confirm our Buy recommendation.

Second capital increase to finance highly automated production Having already raised €6m in December, TubeSolar has tapped the market for another €6.5m. So far TubeSolar has set up a small, semi-automatic pilot production. The construction of a highly automated 20 MW mass production system (CAPEX: €20m) is planned for 2021, which is to be expanded in several steps to 250 MW by the end of 2024. The Free State of Bavaria is supporting the development with a 40% investment grant of up to €10.8m.

Agro-photovoltaic pioneer TubeSolar has developed an innovative latticed tube photovoltaic module, which, due to its special properties, is very well suited for the still young and rapidly growing agro-photovoltaic market. Agro-PV enables simultaneous agricultural and electricity production from the same piece of land. This increases land use efficiency by up to 70% and allows farms to generate income from both agricultural and electricity yields. Agro-PV offers an almost inexhaustible area and expansion potential for the generation of solar power due to the elimination of competition for space. Compared to classic flat modules, the advantages of the patented TubeSolar modules are their rain and light permeability, the resulting partial shading, and protection against heavy rain and hail. Partial shading protects the plants from excessive sunlight and dehydration, especially in sunny, dry regions. The relatively low module weight and the low wind load enable construction with cost-effective steel cable over areas of up to 50 ha. (p.t.o.)

FINANCIAL HISTORY & PROJECTIONS

	2018	2019	2020E	2021E	2022E	2023E
Revenue (€m)	0.00	0.00	0.00	0.00	25.60	84.24
Y-o-y growth	n.a.	n.a.	n.a.	n.a.	n.a.	229.1%
EBIT (€m)	0.00	-0.25	-2.66	-1.17	0.46	13.46
EBIT margin	n.a.	n.a.	n.a.	n.a.	1.8%	16.0%
Net income (€m)	0.00	-0.25	-2.94	-1.10	-0.97	9.40
EPS (diluted) (€)	0.00	-0.03	-0.29	-0.09	-0.07	0.61
DPS (€)	0.00	0.00	0.00	0.00	0.00	0.00
FCF (€m)	0.00	-0.25	-8.93	-21.24	-39.39	-25.12
Net gearing	0.0	-37.5%	-7.5%	51.3%	49.3%	84.4%
Liquid assets (€m)	0.00	3.95	2.02	4.20	21.31	1.20

RISKS

The main risks are: technological risk, financing risk, product and production risks, and increasing competition.

COMPANY PROFILE

TubeSolar AG is a manufacturer of solar modules. The patented technology, which integrates solar cells into a glass tube, aims particularly at power generation on sites which are used for agriculture at the same time. TubeSolar is located in Augsburg, Germany.

MARKET DATA

As of 31 Mar 2021

Closing Price	€ 6.65
Shares outstanding	12.00m
Market Capitalisation	€ 79.80m
52-week Range	€ 3.63 / 9.07
Avg. Volume (12 Months)	5,557

Multiples	2020E	2021E	2022E
P/E	n.a.	n.a.	n.a.
EV/Sales	0.0	0.0	1.6
EV/EBIT	n.a.	n.a.	88.5
Div. Yield	0.0%	0.0%	0.0%

STOCK OVERVIEW



COMPANY DATA

As of 30 Jun 2020

Liquid Assets	€ 2.06m
Current Assets	€ 2.25m
Intangible Assets	€ 9.56m
Total Assets	€ 12.61m
Current Liabilities	€ 3.03m
Shareholders' Equity	€ 9.41m

SHAREHOLDERS

TSG 1. Vermögensverw. GmbH	55.2%
BD Vermögensverw. GmbH	11.1%
Solar Invest International SE	9.7%
BF Holding GmbH	5.1%
Free Float	18.9%



Certification of the TubeSolar modules at TÜV Rheinland has been underway since the end of October. This process should be completed in Q2/21.

Strategic stake in Ascent Solar integrated into the model TubeSolar acquired a \$2.5m stake (at a EUR/USD exchange rate of 1.20, this corresponds to just under €2.1m) in Ascent Solar (ASTI) in January (see our comment from 8/1/2021) and now owns 25bn shares in ASTI at a cost of \$0.0001 per share. Most recently, the ASTI share price stood at \$0.0361. We assume that TubeSolar will hold almost 13% of the company after the restructuring of Ascent Solar is finished. A valuation of Ascent Solar appears difficult before the restructuring is completed. We have therefore provisionally included the investment in our model at book value.

From a strategic point of view, the participation is an important step in securing the most important input for TubeSolar's module production (see our Initiating Coverage of 29/10/2020). ASTI produces thin-film cells and modules based on CIGS technology on a flexible plastic substrate. Thus, Ascent Solar offers an attractive alternative to the current European thin-film supplier. With its stake in Ascent Solar, TubeSolar gains access to a second source of supply for thin-film and thus reduces its dependence on a single supplier. The cooperation with the US company is also advantageous in providing TubeSolar with an entrée to the US market for agrophotovoltaics (APV).

Buy reiterated at unchanged price target Our estimates remain unchanged. An updated DCF model still yields a €9.40 price target. We confirm our Buy recommendation.



VALUATION MODEL

DCF valuation model								
All figures in EUR '000	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E
Net sales	0	0	25,600	84,240	140,000	167,500	192,777	218,715
NOPLAT	-2,925	-1,166	458	11,805	24,233	28,089	30,930	34,515
+ depreciation & amortisation	1,192	2,910	6,492	10,495	13,420	15,304	16,125	14,742
Net operating cash flow	-1,733	1,744	6,950	22,300	37,653	43,393	47,055	49,257
- total investments (CAPEX and WC)	-7,180	-23,055	-44,909	-45,015	-30,018	-12,094	-13,174	-14,437
Capital expenditures	-6,880	-22,190	-44,256	-40,421	-24,662	-8,360	-9,131	-9,802
Working capital	-300	-865	-653	-4,593	-5,357	-3,734	-4,043	-4,634
Free cash flows (FCF)	-8,913	-21,311	-37,960	-22,715	7,635	31,299	33,881	34,821
PV of FCF's	-8,913	-19,442	-30,664	-16,248	4,834	17,547	16,819	15,306

All figures in thousands

PV of FCFs in explicit period (2020E-2034E)	46,002
PV of FCFs in terminal period	52,174
Enterprise value (EV)	98,176
+ Net cash / - net debt (pro forma)	39,257
+ Investments / minority interests	2,083
Shareholder value	139,516
Diluted number of shares (discounted)	14,792
Fair value per share in EUR	9.43

Terminal growth	2.0%
Terminal EBIT margin	14.2%

WACC		Terminal growth rate							
		8.9%	0.5%	1.0%	1.5%	2.0%	2.5%	3.0%	3.5%
Cost of equity	14.6%	9.9%	14.23	14.39	14.56	14.76	14.98	15.24	15.54
Pre-tax cost of debt	5.0%	10.9%	12.11	12.35	12.46	12.57	12.71	12.86	13.03
Tax rate	30.0%	11.9%	10.50	10.70	10.77	10.84	10.92	11.01	11.10
After-tax cost of debt	3.5%	12.9%	9.17	9.35	9.39	9.43	9.48	9.53	9.59
Share of equity capital	85.0%	13.9%	8.06	8.23	8.25	8.27	8.30	8.33	8.36
Share of debt capital	15.0%	14.9%	7.27	7.28	7.15	7.30	4.52	7.33	7.34
Price target	9.40	15.9%	6.47	6.47	6.33	6.48	6.48	6.49	6.50

* for layout purposes the model shows numbers only to 2027, but runs until 2034



INCOME STATEMENT

All figures in EUR '000	2019A	2020E	2021E	2022E	2023E	2024E	2025E
Revenues	0	0	0	25,600	84,240	140,000	167,500
Cost of goods sold	0	1,956	2,500	12,800	42,120	72,545	89,841
Gross profit	0	-1,956	-2,500	12,800	42,120	67,455	77,659
Personnel costs	297	2,142	2,904	4,084	9,821	10,698	13,082
Other operating income	177	512	6,000	2,995	1,348	1,400	1,675
Other operating expenses	134	1,625	3,347	4,762	9,688	11,200	11,893
EBITDA	-254	-1,466	1,744	6,950	23,959	46,957	54,360
Depreciation and amortisation	0	1,192	2,910	6,492	10,495	13,420	15,304
Operating income (EBIT)	-254	-2,658	-1,166	458	13,464	33,537	39,055
Net financial result	0	-12	-400	-1,845	-2,400	-2,525	-2,500
Non-operating expenses	0	0	0	0	0	0	0
Pre-tax income (EBT)	-254	-2,670	-1,566	-1,387	11,064	31,012	36,555
Income taxes	0	267	-470	-416	1,660	9,303	10,967
Minority interests	0	0	0	0	0	0	0
Net income / loss	-254	-2,937	-1,096	-971	9,405	21,708	25,589
Diluted EPS (in €)	-0.03	-0.29	-0.09	-0.07	0.61	1.40	1.65
Ratios							
Gross margin	n.m.	n.m.	n.m.	50.0%	50.0%	48.2%	46.4%
EBITDA margin on revenues	n.m.	n.m.	n.m.	27.1%	28.4%	33.5%	32.5%
EBIT margin on revenues	n.m.	n.m.	n.m.	1.8%	16.0%	24.0%	23.3%
Net margin on revenues	n.m.	n.m.	n.m.	-3.8%	11.2%	15.5%	15.3%
Tax rate	0.0%	-10.0%	30.0%	30.0%	15.0%	30.0%	30.0%
Expenses as % of revenues							
Personnel costs	n.m.	n.m.	n.m.	16.0%	11.7%	7.6%	7.8%
Depreciation and amortisation	n.m.	n.m.	n.m.	25.4%	12.5%	9.6%	9.1%
Other operating expenses	n.m.	n.m.	n.m.	18.6%	11.5%	8.0%	7.1%
Y-Y Growth							
Revenues	n.m.	n.m.	n.m.	n.m.	229.1%	66.2%	19.6%
Operating income	n.m.	n.m.	n.m.	n.m.	2839.8%	149.1%	16.5%
Net income/ loss	n.m.	n.m.	n.m.	n.m.	n.m.	130.8%	17.9%



BALANCE SHEET

All figures in EUR '000	2019A	2020E	2021E	2022E	2023E	2024E	2025E
Assets							
Current assets, total	3,950	2,325	5,400	24,468	11,582	24,876	57,934
Cash and cash equivalents	3,950	2,025	4,200	21,312	1,197	6,306	34,105
Short-term investments	0	0	0	0	0	0	0
Receivables	0	200	200	2,104	6,924	12,065	15,102
Inventories	0	100	1,000	1,052	3,462	6,505	8,727
Other current assets	0	0	0	0	0	0	0
Non-current assets, total	7,070	14,364	37,141	74,905	104,832	116,074	109,129
Property, plant & equipment	0	6,742	28,494	67,080	97,689	109,478	102,859
Goodwill & other intangibles	0	7,397	6,339	5,518	4,835	4,288	3,962
Other assets	7,070	225	2,308	2,308	2,308	2,308	2,308
Total assets	11,020	16,689	42,541	99,373	116,414	140,950	167,063
Shareholders' equity & debt							
Current liabilities, total	418	417	452	1,755	4,391	8,219	23,744
Short-term debt	0	0	0	0	0	1,000	15,000
Accounts payable	65	65	100	1,403	4,039	6,866	8,391
Current provisions	0	0	0	0	0	0	0
Other current liabilities	352	352	352	352	352	352	352
Long-term liabilities, total	61	2,667	19,082	48,582	53,582	52,582	37,582
Long-term debt	0	1,000	16,000	45,500	50,500	49,500	34,500
Deferred revenue	0	0	0	0	0	0	0
Other liabilities	61	1,667	3,082	3,082	3,082	3,082	3,082
Minority interests	0	0	0	0	0	0	0
Shareholders' equity	10,541	13,604	23,007	49,036	58,441	80,149	105,738
Share capital	10,000	11,000	12,500	15,500	15,500	15,500	15,500
Capital reserve	795	5,795	14,795	38,795	38,795	38,795	38,795
Other reserves	0	0	0	0	0	0	0
Treasury stock	0	0	0	0	0	0	0
Loss carryforward / retained earnings	-254	-3,191	-4,288	-5,258	4,146	25,854	51,443
Total consolidated equity and debt	11,020	16,689	42,541	99,373	116,414	140,950	167,063
Ratios							
Current ratio (x)	9.45	5.57	11.94	13.94	2.64	3.03	2.44
Quick ratio (x)	9.45	5.33	9.73	13.34	1.85	2.24	2.07
Net debt	-3,950	-1,025	11,800	24,188	49,303	44,194	15,395
Net gearing	-37.5%	-7.5%	51.3%	49.3%	84.4%	55.1%	14.6%
Equity ratio	95.7%	81.5%	54.1%	49.3%	50.2%	56.9%	63.3%
Book value per share (in €)	1.05	1.36	1.92	3.50	3.77	5.17	6.82
Return on equity (ROE)	-2.4%	-21.6%	-4.8%	-2.0%	16.1%	27.1%	24.2%
Days of sales outstanding (DSO)	0.0	0.0	0.0	30.0	30.0	31.5	32.9
Days inventory outstanding	0.0	18.7	146.0	30.0	30.0	32.7	35.5
Days in payables (DIP)	0.0	12.1	14.6	40.0	35.0	34.5	34.1



CASH FLOW STATEMENT

All figures in EUR '000	2019A	2020E	2021E	2022E	2023E	2024E	2025E
EBIT	-254	-2,658	-1,166	458	13,464	33,537	39,055
Depreciation and amortisation	0	1,192	2,910	6,492	10,495	13,420	15,304
EBITDA	-254	-1,466	1,744	6,950	23,959	46,957	54,360
Changes in working capital	0	-300	-865	-653	-4,593	-5,357	-3,734
Other adjustments	0	-279	70	-1,429	-4,060	-11,828	-13,467
Operating cash flow	-254	-2,045	949	4,867	15,306	29,772	37,159
Investments in PP&E	0	-6,880	-22,190	-44,000	-40,000	-24,000	-7,614
Investments in intangibles	0	0	0	-256	-421	-662	-746
Free cash flow	-254	-8,925	-21,241	-39,389	-25,115	5,110	28,799
Acquisitions & disposals, net	0	0	-2,083	0	0	0	0
Other investments	0	0	0	0	0	0	0
Investment cash flow	0	-6,880	-24,273	-44,256	-40,421	-24,662	-8,360
Debt financing, net	0	1,000	15,000	29,500	5,000	0	-1,000
Equity financing, net	0	6,000	10,500	27,000	0	0	0
Dividends paid	0	0	0	0	0	0	0
Other financing	0	0	0	0	0	0	0
Financing cash flow	0	7,000	25,500	56,500	5,000	0	-1,000
FOREX & other effects	0	0	0	0	0	0	0
Net cash flows	-254	-1,925	2,176	17,111	-20,115	5,110	27,799
Cash, start of the year	0	3,950	2,025	4,200	21,312	1,197	6,306
Cash, end of the year	-254	2,025	4,200	21,312	1,197	6,306	34,105
EBITDA/share (in €)	-0.03	-0.15	0.15	0.50	1.55	3.03	3.51
Y-Y Growth							
Operating cash flow	n.m.	n.m.	n.m.	413.0%	214.5%	94.5%	24.8%
Free cash flow	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	463.6%
EBITDA/share	n.m.	n.m.	n.m.	241.6%	211.4%	96.0%	15.8%

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Anschrift:

First Berlin Equity Research GmbH
Mohrenstr. 34
10117 Berlin
Germany

Vertreten durch den Geschäftsführer: Martin Bailey

Telefon: +49 (0) 30-80 93 9 680

Fax: +49 (0) 30-80 93 9 687

E-Mail: info@firstberlin.com

Amtsgericht Berlin Charlottenburg HR B 103329 B

UST-Id.: 251601797

Ggf. Inhaltlich Verantwortlicher gem. § 6 MDStV

First Berlin Equity Research GmbH

Authored by: Dr. Karsten von Blumenthal, Analyst

All publications of the last 12 months were authored by Dr. Karsten von Blumenthal.

Company responsible for preparation: First Berlin Equity Research GmbH, Mohrenstraße 34, 10117 Berlin

The production of this recommendation was completed on 1 April 2021 at 15:32

Person responsible for forwarding or distributing this financial analysis: Martin Bailey

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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.

RECOMMENDATION & PRICE TARGET HISTORY

Report No.:	Date of publication	Previous day closing price	Recommendation	Price target
Initial Report	29 October 2020	€6.60	Buy	€9.40
2...1	↓	↓	↓	↓
2	4 December 2020	€7.15	Buy	€9.40
3	8 January 2021	€6.95	Buy	€9.40
4	Today	€6.65	Buy	€9.40

INVESTMENT HORIZON

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

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Legally required information regarding

- key sources of information in the preparation of this research report
- valuation methods and principles
- sensitivity of valuation parameters

can be accessed through the following internet link: <https://firstberlin.com/disclaimer-english-link/>

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