GBC AG Investment Research

Aves One AG*5a,11

Rating: BUY
Target Price: € 12.10

Current Price: 7.00
20/11/2018 / XETRA-closing

Currency: EUR

Key Data:

ISIN: DE000A168114
WKN: A16811
Ticker Symbol: AVES

Number of shares³: 13.02
Marketcap³: 91.11
Enterprise Value³: 536.85
³in millions / mEUR

Free Float: 21.94%

Transparency Level:
Prime Standard

Market Segment:
Regulierter Markt

Accounting Standard:
IFRS

Financial-Year End: 31/12

Designated Sponsor:
Hauck & Aufhäuser

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* catalogue of possible conflicts of interest on page 23

Company Profile
Sector: Asset-Management

Focus: Container, Rail, Logistic Assets

Employees: 41 (31/12/2017)

Founded in: 2013

Headquarter: Hamburg

Executive Board: Jürgen Bauer, Sven Meißner

Aves One AG is a fast-growing investor in the area of long-lived logistics assets with a focus on rail freight cars. Aves One AG's portfolio also includes standard containers for shipping, swap bodies for road transport and logistics properties. The very good access to the equipment market as well as management's extensive knowledge of financing and an excellent network of partners from both areas are the foundation for the continuous development and expansion of business activities. The aim is to further expand business activities in all business divisions, with a special focus on the Rail segment. With the acquisition of the Nacco Rail portfolios, the company now plans to reach at least €1 billion in assets under management by 2019 (original target was 2020).

P&L in EUR millions*	**31/12/2017**	**31/12/2018e**	**31/12/2019e**	**31/12/2020e**
Sales	53.43	77.02	117.48	130.04
EBITDA	25.32	54.31	85.62	97.65
EBIT	9.39	32.18	53.54	62.80
Net profit	-34.98	3.76	7.69	9.18
Key Figures in EUR*				
Earnings per share	-2.71	0.29	0.59	0.71
Dividend per share	0.00	0.00	0.00	0.00
Key figures				
EV/Sales	10.05	6.97	4.57	4.13
EV/EBITDA	21.20	9.88	6.27	5.50
EV/EBIT	57.15	16.68	10.03	8.55
P/E-Ratio	-2.60	24.22	11.85	9.92
P/B-Ratio	4.22			

Finanztermine
Nov 2018: Q3 2018 Report
26.-28.11.2018: Deutsches Eigenkapitalforum
11./12.12.2018: MKK Münchner Kapitalmarkt Konferenz

**** Last research by GBC:**
Date: publication/target price in EUR/rating
13/08/2018: RS / 12,10 € / BUY
05/12/2017: RS / 9,10 € / BUY
14/11/2017: RS / 9,10 € / BUY
24/07/2017: RS / 9,10 € / BUY

** The research studies indicated above may be viewed at www.gbc-ag.de, or requested at GBC AG, Halderstr. 27, D86150 Augsburg

Business performance in H1 2018

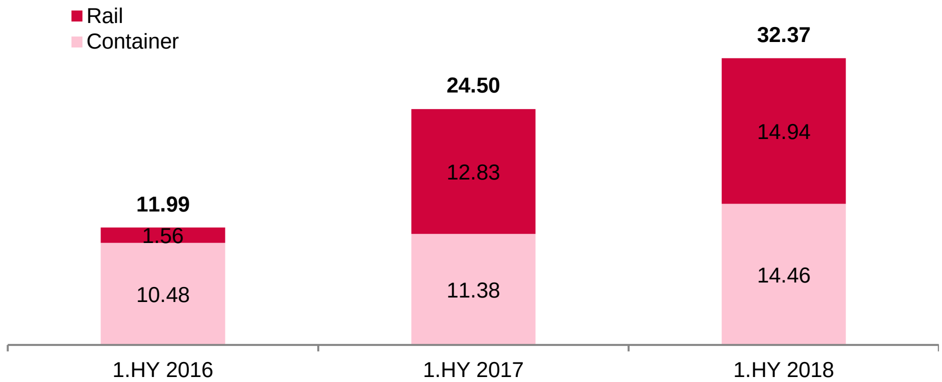
in EUR million	HY 2016	HY 2017	HY 2018
Sales	11.22	24.46	32.37
EBITDA	3.65	12.74	21.97
EBITDA-Margin	*32.6%*	*52.1%*	*67.9%*
EBIT	0.25	4.89	13.25
EBIT-Margin	*2.2%*	*20.0%*	*40.9%*
Net profit	-8.70	-15.62	4.63
EPS in €	-1.46	-1.70	0.36

Source: Aves One, GBC

Revenue performance

In the first half of 2018, Aves One AG improved its operating performance at every level, increased its revenues and margins, and generated a net profit. An increase in revenues of 32.3% was recorded, bringing the total to EUR 32.37 million (previous year: EUR 24.50 million). The portfolios acquired in 2017 and the significant increase in capacity utilisation in the Container and Rail segments were crucial factors in these developments. Rental rates increased in the Container segment, which also resulted in increased revenues. The ongoing portfolio expansion trend continued, with investments of EUR 37.1 million and USD 59.0 million in fixed assets in the first half of 2018. On the basis of these investments, revenues are expected to continue rising in the future.

Revenue development in the key Rail and Container segments over the half-year (in EUR million)



*Source: Aves One, GBC; *holding activities and consolidation not shown*

The growth in revenue was primarily generated in Rail and Container, the two most important segments. The Real Estate segment also contributed EUR 0.21 million in revenue. This was a result of the acquisition in March 2018 of a logistics property worth EUR 10.40 million.

The Container segment generated a 27.1% increase in revenues, bringing the total to EUR 14.46 million (previous year: EUR 11.38 million), and benefited from both the increased capacity utilisation and the rise in rental rates. As a result, fixed assets in the Container segment increased by 26.3% to EUR 269.05 million (previous year: EUR 213.00 million). In the first half-year, additions to the portfolio included mint-condition containers in the amount of USD 59.0 million (EUR 53.07 million). This investment was undertaken in several instalments up to mid-2018 and is expected to contribute further to revenue growth in the future.

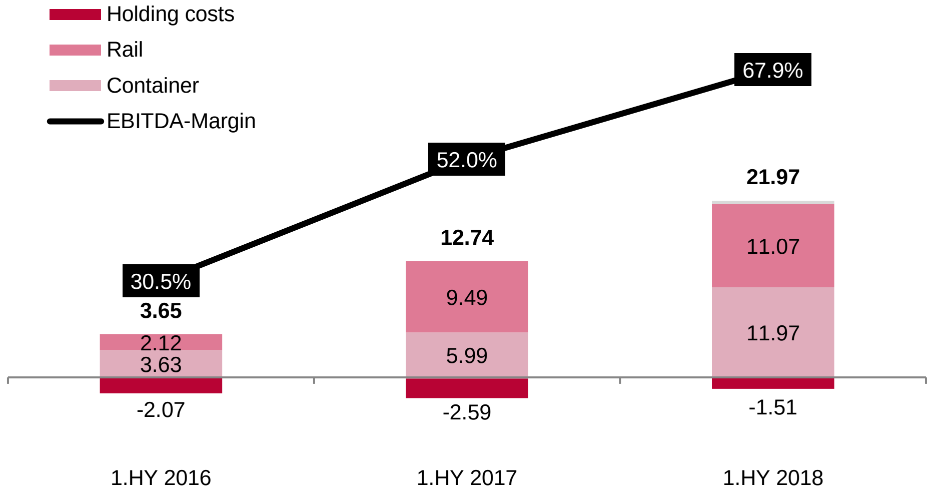
In the Rail segment, revenues increased by 16.5% to EUR 14.94 million (previous year: EUR 12.83 million). The Rail portfolio was continuously expanded through portfolio purchases. Further growth was also generated by the acquisition of newly built rail cars, for which additional orders are also expected to materialise in the coming quarters. In total, fixed assets in the Rail segment increased by 7.2% to EUR 244.10 million (previous year: EUR 227.63 million).

Across all segments, fixed assets increased by 18.9% to EUR 513.37 million (previous year: EUR 440.50 million), plus property in the amount of EUR 10.40 million. The assets from the NACCO/CIT transaction are not yet included in this figure; we estimate that these will total approximately EUR 300 million. This means that the originally planned asset volume of EUR 750 million for 2018 should be exceeded by a significant margin.

Earnings performance

The revenue increases are reflected in a disproportionately high rise in earnings, resulting from rising capacity utilisation rates and the lean management approach. Accordingly, the EBITDA margin increased from an already high level of 52.0% to 67.9%. In the same period, EBITDA rose by 72.4% to EUR 21.97 million (previous year: EUR 12.74 million). The company's high level of cost discipline can also be seen in the holding costs, which fell from EUR -2.59 million (H1 2017) to EUR -1.51 million (H1 2018).

Development of EBITDA and the EBITDA margin



Source: Aves One, GBC

The improvement in earnings was achieved across both segments. The Container segment benefited in particular from both the increased capacity utilisation and higher rental rates, leading to a 99.9% increase in Container segment EBITDA to EUR 11.97 million (previous year: EUR 5.99 million). In comparison, EBITDA in the Rail segment increased by 16.7% to EUR 11.07 million (previous year: EUR 9.49 million). The EBITDA margin in the Rail segment, on the other hand, had already been at a very high level in the previous year and remained stable at 74.1% (previous year: 74.0%). By contrast, the EBITDA margin in the Container segment increased from 52.6% (H1 2017) to 82.8% (H1 2018). The reasons for this included the increase in rental rates, higher capacity utilisation and the selling off of vacant containers, which had placed a double burden on the margin, due previously to the permit fee on the one hand and the lack of rental income on the other.

Adjusted for non-cash exchange rate effects, this led to a net profit of EUR 1.14 million (previous year: EUR -6.77 million). Having had a profitable first quarter this financial year, we therefore also ended the second quarter in profit. We expect that this trend will continue and that we will be able to keep generating a net profit.

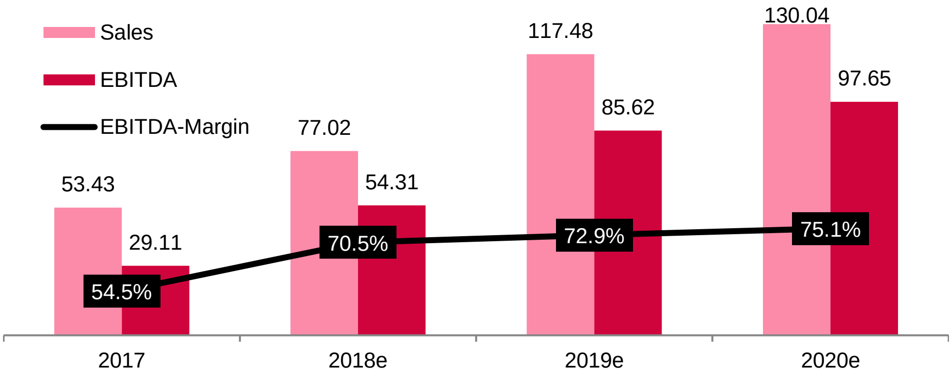
Forecasts and model assumptions

P&L (in EUR million)	FY 2017	FY 2018e	FY 2019e	FY 2020e
Sales	53.43	77.02	117.48	130.04
EBITDA	25.32	54.31	85.62	97.65
EBITDA-Margin	*47.4%*	*70.5%*	*72.9%*	*75.1%*
EBIT	9.39	32.18	53.54	62.80
EBIT-Margin	*17.6%*	*41.8%*	*45.6%*	*48.3%*
Net profit	-34.98	3.76	7.69	9.18
EPS in €	-2.71	0.29	0.60	0.71

Source: GBC

Against the backdrop of a strong first half-year, we confirm our forecast. Alongside the continued improvement in the margin, the Nacco transaction is also expected to further contribute to revenues and profit. The company estimates that, on an annualised basis, the Nacco deal will generate revenues of EUR 37 million and an EBITDA contribution of approximately EUR 28 million. We expect the Nacco deal to generate an almost fully proportionate contribution as early as Q4 2018. The Nacco transaction should also help to ensure that Aves One is recognised on a more far-reaching scale, potentially leading to further offers of attractive deals. The collaboration with Wascosa AG could also entail additional portfolio acquisitions in the context of future collaboration. We expect revenues of EUR 77.02 million for 2018, EUR 117.48 million for 2019 and EUR 130.04 million for 2020.

Forecast for revenue performance (in EUR million), EBITDA (in EUR million) and EBITDA margin (in %)



Source: GBC

The lean management approach and the successive improvements in financing structures have already allowed for significant improvements in profit, and we expect to be able to achieve further improvements in the EBITDA margin in the coming years. In our view, it should be possible to achieve an EBITDA of EUR 54.31 million in 2018, equating to an EBITDA margin of 70.5%. The scalability of the business model should lead to an increase in the EBITDA margin to 75.1% by 2020, equating to an EBITDA of EUR 97.65 million. This positive EBITDA development should be reflected in net profits. A net profit has already been generated in the first and second quarters, and we expect to be able to achieve a profit of EUR 3.76 million for the year as a whole. However, in view of the attractive Nacco deal in particular, our net profit estimate should be seen as highly conservative. We expect that this trend will continue and that net profits will also improve at a disproportionally high rate. We therefore expect to record profits of EUR 7.69 million for 2019 and EUR 9.18 million for 2020.

ANHANG

I.
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