

Wolftank-Adisa Holding AG

Austria | Industrial Goods & Services | MCap EUR 25m

24 November 2020

UPDATE



Guidance cut but strong momentum into '21; BUY

What's it all about?

Last week, Wolftank-Adisa announced a profit warning for 2020 now expecting sales to drop 32% yoy to EUR 35m (old: EUR 51-61m); EBIT is seen in the range of EUR -2m (old EUR 0.9-3.9m). However, management sees bright light at the end of the tunnel with a strong order momentum as the order book has been growing strongly over the last couple of months. Whilst this reflects the beauty of Wolftank's business model (orders hardly ever get cancelled but merely postponed), the management sees strongly rebounding sales of 45% yoy in 2021E, banking on massive structural growth and pent-up demand. In addition, we believe that COVID-19 could act as a catalyst for further consolidation in an otherwise still highly fragmented market place. Wolftank with its access to capital market funding could thus be a major beneficiary of this trend. With adjusted estimates, we therefore reiterate our BUY recommendation as the expected growth rates as well as attractive valuation (10x P/E 2022E) is hard to ignore. Our PT is trimmed to EUR 31.00 (old EUR 37.60).

BUY (BUY)

Target price	EUR 31.00 (37.60)
Current price	EUR 23.80
Up/downside	30%

MAIN AUTHOR

Thomas Wissler

Equity Research Analyst
t.wissler@alsterresearch.com
+49 40 309 293-58

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Buy (NOT RATED)

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t.wissler@alsterresearch.com
+49 40 309 293-58

Guidance cut but strong order momentum into 2021E; BUY

Last week, Wolftank published an update with regard to its current order situation as well as FY guidance. Please note that Wolftank-Adisa generally does not provide 9M-results but sticks to half-year reporting. The main points discussed were:

Guidance: Due to the second wave lockdowns across Europe and associated travel restrictions, Wolftank announced that it will not be able to meet its FY guidance given with its half year results earlier this year. In fact, sales are seen to significantly drop to EUR 35m (old: EUR 51-61m) corresponding to a decline of some 35% yoy. EBIT is forecasted to be in the range of EUR -2m (old: EUR 0.9-3.9m) with EBITDA still expected to be positive (old: EUR 2.6-5.6m). What looks like the perfect storm for Wolftank is mainly the result of three main reasons:

- Travel restrictions lead to postponement of orders** - Given that especially the EPC business, i.e. commissioning and decommissioning of fuel and hydro-fuel stations is a labour intensive business, travel restrictions have been a real burden for the day-to-day business for Wolftank. Nevertheless, the good news is that orders are merely being postponed and not cancelled providing at least some optimism in this currently bleak situation.
- Missing building permission** - In addition, EPC is a regulated market requiring official building permissions for the commissioning / decommissioning processes. According to the management, in 2020 official building permissions have dropped by nearly 50% yoy reflecting disrupted workflows at the building authorities – a side effect of the “working from home” and “social distancing measures” in offices.
- China** - Finally, it looks like Wolftank’s Chinese business for tank refurbishing is missing follow-up orders after a strong base in 2019. In fact, tank refurbishing sales skyrocketed to EUR 16-17m in 2019. *-continued-*



Close price as of 11.09.2020

High/low 52 weeks 32.00 / 12.20
Price/Book Ratio 14.03x

Ticker / Symbols

ISIN AT0000A25NJ6
WKN A2PBHR
Bloomberg WAH:GR

Changes in estimates

		Sales	EBIT	EPS
2020	old	54.4	3.1	0.94
	Δ	-35.2%	-159%	-285%
2021	old	62.6	5.5	2.28
	Δ	-18.3%	-40.8%	-55.8%
2022	old	72.0	7.1	3.18
	Δ	-18.3%	-18.3%	-24.8%

Key share data

Number of shares: (in m pcs) 1.20
Book value per share: (in €) 1.74
Ø trading volume: (12 months) 500

Major shareholders

Management 22.2 %
MuM Beteiligung / GCI 14.0 %
Dr. A. Aufschneider 8.2 %
Mäder AG 6.5 %
Free Float 48.9 %

Company description

Wolftank is a Austria based company that operates as an environmental technology company for tank systems and soil remediation. The company focuses on the remediation and monitoring of tank farms and environmental protection services for contaminated soils and facilities, as well as groundwater purification. In addition, Wolftank is active in the commissioning of LNG and hydrogen petrol stations.

Wolftank-Adisa Holding AG	2018	2019	2020E	2021E	2022E
Net Sales	44,5	51,8	35,2	51,1	58,8
Growth yoy	na	16,3%	-32,0%	45,0%	15,0%
EBITDA	3,4	4,6	0,1	5,3	7,6
EBIT	1,7	1,3	-1,8	3,3	5,8
Net profit	0,7	0,0	-2,1	1,2	2,9
Y/E net debt (net cash)	12	11	19	23	22
Net debt/EBITDA	3,6	2,5	272	4,3	2,9
EPS recurring	0,42	-0,04	-1,74	1,01	2,39
DPS	0,00	0,00	0,00	0,00	0,00
Dividend yield	0,0%	0,0%	0,0%	0,0%	0,0%
Gross profit margin	19,6%	29,3%	27,0%	29,3%	31,5%
EBITDA margin	7,6%	8,9%	0,2%	10,3%	12,9%
EBIT margin	3,7%	2,5%	-5,2%	6,4%	9,9%
ROCE	8,0%	5,8%	-8,1%	14,8%	23,1%
EV/EBITDA	10,9	8,5	678,2	9,7	6,6
EV/EBIT	22,3	29,9	-26,1	15,7	8,6
PER	57,0	-656,8	-13,7	23,6	10,0
FCF yield	3,7%	2,9%	-1,4%	5,5%	8,9%

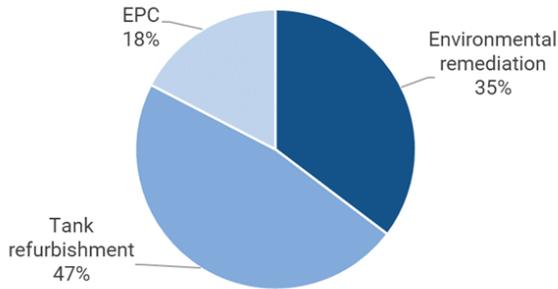
Consequently, Wolf tank is fighting a relatively high base effect, which made it next to impossible to show positive growth rates in 2020. In addition, we believe that part of the economic stimulus packages in China has led to some cannibalisation effects on client's maintenance budgets in favour of newly build tanks.

However, despite the relatively hefty profit warning, we believe that there are plenty of reasons to BUY into any share price weakness of Wolf tank.

1. **Promising order backlog** – Wolf tank mentioned that its order backlog has been growing strongly in recent months. That said, we assume that a large share of the missing 2020 revenues are simply postponed into next year. In our view, this shows the real beauty of Wolf tank's business model as - for clients - opting out of maintaining its asset base is simply not an option.
2. Consequently, Wolf tank has been **extremely bullish on its 2021 outlook**. Backed by its order situation, Wolf tank expects sales to rebound back to 2019 levels, implying a massive 45% yoy growth in 2021E.
3. In addition, we believe that the current pandemic could serve as a **catalyst for further consolidation** in an otherwise still highly fragmented industry. Wolf tank with its relatively healthy balance sheet and access to capital market funding, could be a major beneficiary of this development, with plenty of value accretive acquisitions at the horizon. In this respect, the initial 10% share in major competitor Petroltecnica and option to fully integrate the company into the Wolf tank Group has – in our view – neither been understood by capital markets nor reflected in the current share price.
4. **Valuation** - Finally, we believe that a P/E of 10x 2022E and the prospect for further upgrade potential makes Wolf tank an attractive **BUY case, which is why we leave our recommendation unchanged with trimmed PT of EUR 31.00 (old EUR 37.60), yielding an upside of 30%**.

Investment case in six charts

Sales by segment



Wolf tank's track record



Blue chip clients

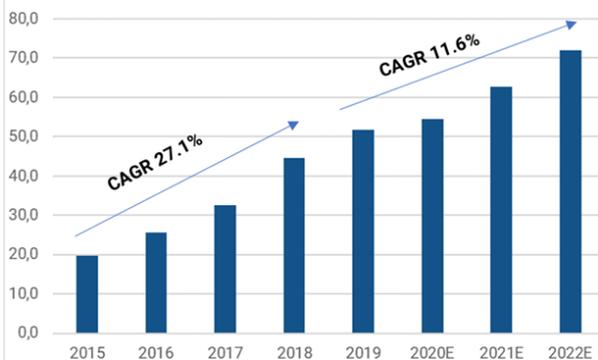


LNG Map Europe

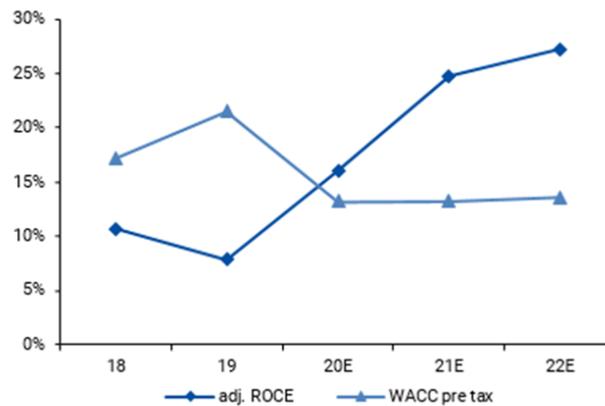
CAGR of 50% p.a. (19-25E)*



Sales development



ROCE vs. WACC



Source: Company data, AlsterResearch AG

SWOT Analysis

 Strengths
Technological leadership and patents
Strong product know-how and expertise
Long track record
Long-lasting customer loyalty
Cost-efficiency of refurbishment (50% less than new tanks)
Blue chip client base
 Opportunities
Growing market renovation/remodelling LNG stations
Expansion towards China and USA
Acquisition of smaller competitors
Structural growth due to rising environmental awareness
High barriers to entry
 Weaknesses
Illiquid stock
Pricing pressure and potentially low bargaining power
regional cluster risk (Italy)
 Threats
Niche market
Increasing customer concentration

Source: AlsterResearch

Financials

Profit and loss (EUR m)	2018	2019	2020E	2021E	2022E
Net sales	44,5	51,8	35,2	51,1	58,8
Sales growth	na	0,2	-0,3	0,5	0,2
Increase/decrease in finished goods and work in process	-0,2	-1,9	0,0	0,0	0,0
Total sales	44,4	49,9	35,2	51,1	58,8
Other operating income	1,4	0,7	0,2	0,3	0,3
Material expenses	35,7	35,3	25,7	36,1	40,3
Personnel expenses	4,7	6,5	6,0	6,4	7,2
Other operating expenses	2,0	4,2	3,6	3,6	4,1
Total operating expenses	41,0	45,3	35,2	45,8	51,2
EBITDA	3,4	4,6	0,1	5,3	7,6
Depreciation	1,7	3,3	1,9	2,0	1,8
EBITA	1,7	1,3	-1,8	3,3	5,8
Amortisation of goodwill and intangible assets	0,0	0,0	0,0	0,0	0,0
Impairment charges	0,0	0,0	0,0	0,0	0,0
EBIT	1,7	1,3	-1,8	3,3	5,8
Financial result	-0,8	-0,8	-1,2	-1,2	-1,2
Recurring pretax income from continuing operations	0,9	0,5	-3,0	2,1	4,6
Extraordinary income/loss	0,0	0,0	0,0	0,0	0,0
Earnings before taxes	0,9	0,5	-3,0	2,1	4,6
Taxes	0,4	0,4	-1,1	0,7	1,6
Net income from continuing operations	0,4	0,1	-2,0	1,3	3,0
Result from discontinued operations (net of tax)	-0,2	0,0	0,0	0,0	0,0
Net income	0,7	0,1	-2,0	1,3	3,0
Minority interest	0,0	0,1	0,1	0,1	0,1
Net profit (reported)	0,7	0,0	-2,1	1,2	2,9
Average number of shares	1,0	1,2	1,2	1,2	1,2
EPS reported	0,63	-0,04	-1,74	1,01	2,39

Profit and loss (common size)	2018	2019	2020E	2021E	2022E
Net sales	100%	100%	100%	100%	100%
Increase/decrease in finished goods and work in process	0%	-4%	0%	0%	0%
Total sales	100%	96%	100%	100%	100%
Other operating income	3%	1%	1%	1%	1%
Material expenses	80%	68%	73%	71%	69%
Personnel expenses	11%	13%	17%	13%	12%
Other operating expenses	4%	8%	10%	7%	7%
Total operating expenses	92%	87%	100%	90%	87%
EBITDA	8%	9%	0%	10%	13%
Depreciation	4%	6%	5%	4%	3%
EBITA	4%	3%	-5%	6%	10%
Amortisation of goodwill and intangible assets	0%	0%	0%	0%	0%
Impairment charges	0%	0%	0%	0%	0%
EBIT	4%	3%	-5%	6%	10%
Financial result	-2%	-2%	-3%	-2%	-2%
Recurring pretax income from continuing operations	2%	1%	-9%	4%	8%
Extraordinary income/loss	0%	0%	0%	0%	0%
Earnings before taxes	2%	1%	-9%	4%	8%
Taxes	1%	1%	-3%	1%	3%
Net income from continuing operations	1%	0%	-6%	3%	5%
Result from discontinued operations (net of tax)	0%	0%	0%	0%	0%
Net income	1%	0%	-6%	3%	5%
Minority interest	0%	0%	0%	0%	0%
Net profit (reported)	1%	0%	-6%	2%	5%

Source: Company data; AlsterResearch

Balance sheet (EUR m)	2018	2019	2020E	2021E	2022E
Intangible assets	4,8	4,6	4,6	4,6	4,6
Property, plant and equipment	6,3	6,3	9,1	8,8	8,9
Financial assets	0,3	0,7	1,2	1,2	1,2
FIXED ASSETS	11,5	11,6	14,9	14,6	14,7
Inventories	5,5	6,1	4,2	6,0	6,9
Accounts receivable	20,1	22,0	12,6	18,2	20,9
Other current assets	0,0	0,0	0,0	0,0	0,0
Liquid assets	3,4	4,2	2,1	0,7	1,6
Deferred taxes	0,3	0,4	0,0	0,0	0,0
Deferred charges and prepaid expenses	0,3	0,1	0,0	0,0	0,0
CURRENT ASSETS	29,6	32,7	18,8	24,9	29,5
TOTAL ASSETS	41,1	44,3	33,7	39,5	44,2
SHAREHOLDERS EQUITY	3,2	8,0	-1,1	0,2	3,2
MINORITY INTEREST	0,1	0,2	0,2	0,2	0,2
Long-term debt	15,5	15,6	21,3	23,3	23,3
Provisions for pensions and similar obligations	0,2	0,0	0,0	0,0	0,0
Other provisions	1,6	0,0	0,0	0,0	0,0
Non-current liabilities	17,2	15,6	21,3	23,3	23,3
short-term liabilities to banks	0,0	0,0	0,0	0,0	0,0
Accounts payable	15,5	14,3	8,7	11,2	12,9
Advance payments received on orders	1,2	0,7	0,0	0,0	0,0
Other liabilities (incl. from lease and rental contracts)	3,8	4,6	4,6	4,6	4,6
Deferred taxes	0,0	0,0	0,0	0,0	0,0
Deferred income	0,0	-0,2	0,0	0,0	0,0
Current liabilities	20,5	19,6	13,3	15,8	17,5
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	41,1	44,3	33,7	39,5	44,2

Balance sheet (common size)	2018	2019	2020E	2021E	2022E
Intangible assets	12%	10%	14%	12%	10%
Property, plant and equipment	15%	14%	27%	22%	20%
Financial assets	1%	2%	4%	3%	3%
FIXED ASSETS	28%	26%	44%	37%	33%
Inventories	13%	14%	12%	15%	16%
Accounts receivable	49%	50%	37%	46%	47%
Other current assets	0%	0%	0%	0%	0%
Liquid assets	8%	9%	6%	2%	4%
Deferred taxes	1%	1%	0%	0%	0%
Deferred charges and prepaid expenses	1%	0%	0%	0%	0%
CURRENT ASSETS	72%	74%	56%	63%	67%
TOTAL ASSETS	100%	100%	100%	100%	100%
SHAREHOLDERS EQUITY	8%	18%	-3%	1%	7%
MINORITY INTEREST	0%	0%	1%	0%	0%
Long-term debt	38%	35%	63%	59%	53%
Provisions for pensions and similar obligations	0%	0%	0%	0%	0%
Other provisions	4%	0%	0%	0%	0%
Non-current liabilities	42%	35%	63%	59%	53%
short-term liabilities to banks	0%	0%	0%	0%	0%
Accounts payable	38%	32%	26%	28%	29%
Advance payments received on orders	3%	2%	0%	0%	0%
Other liabilities (incl. from lease and rental contracts)	9%	10%	14%	12%	10%
Deferred taxes	0%	0%	0%	0%	0%
Deferred income	0%	0%	0%	0%	0%
Current liabilities	50%	44%	40%	40%	40%
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	100%	100%	100%	100%	100%

Source: Company data; AlsterResearch

Cash flow statement (EUR m)	2018	2019	2020E	2021E	2022E
Net profit/loss	0,7	0,1	-2,0	1,3	3,0
Depreciation of fixed assets (incl. leases)	1,7	3,3	1,9	2,0	1,8
Amortisation of goodwill	0,0	0,0	0,0	0,0	0,0
Amortisation of intangible assets	0,0	0,0	0,0	0,0	0,0
Others	0,7	-0,9	0,0	0,0	0,0
Cash flow from operations before changes in w/c	3,1	2,5	-0,1	3,3	4,8
Increase/decrease in inventory	0,0	-0,6	2,0	-1,9	-0,9
Increase/decrease in accounts receivable	-2,4	-1,9	9,4	-5,6	-2,7
Increase/decrease in accounts payable	1,0	-1,2	-5,6	2,5	1,7
Increase/decrease in other w/c positions	0,3	0,0	0,0	0,0	0,0
Increase/decrease in working capital	-1,1	-3,6	5,7	-5,0	-2,0
Cash flow from operating activities	2,0	-1,1	5,7	-1,7	2,8
CAPEX	1,3	1,7	1,7	1,8	1,8
Payments for acquisitions	0,0	0,0	3,0	0,0	0,0
Financial investments	0,0	0,0	0,5	0,0	0,0
Income from asset disposals	0,4	-0,3	0,0	0,0	0,0
Cash flow from investing activities	-0,9	-2,0	-5,2	-1,8	-1,8
Cash flow before financing	1,1	-3,1	0,5	-3,4	1,0
Increase/decrease in debt position	-1,8	-1,8	5,6	2,0	0,0
Purchase of own shares	0,0	0,0	0,0	0,0	0,0
Capital measures	0,0	4,8	0,0	0,0	0,0
Dividends paid	0,0	0,0	0,0	0,0	0,0
Others	0,1	-1,0	0,0	0,0	0,0
Effects of exchange rate changes on cash	0,0	0,0	0,0	0,0	0,0
Cash flow from financing activities	-1,7	1,9	5,6	2,0	0,0
Increase/decrease in liquid assets	-0,7	-1,2	6,2	-1,4	1,0
Liquid assets at end of period	-2,9	-4,1	2,1	0,7	1,6

Source: Company data; AlsterResearch

Ratios	2018	2019	2020E	2021E	2022E
Per share data					
Earnings per share reported	0,63	-0,04	-1,74	1,01	2,39
Cash flow per share	0,44	-3,44	3,33	-2,78	1,12
Book value per share	3,11	6,80	-0,92	0,20	2,69
Dividend per share	0,00	0,00	0,00	0,00	0,00
Valuation					
P/E	57x	-657x	-14x	24x	10x
P/CF	54x	-7x	7x	-9x	21x
P/BV	8x	3x	-26x	122x	9x
Dividend yield (%)	0,0%	0,0%	0,0%	0,0%	0,0%
FCF yield (%)	3,7%	2,9%	-1,4%	5,5%	8,9%
EV/Sales	0,8x	0,8x	1,4x	1,0x	0,9x
EV/EBITDA	10,9x	8,5x	678,2x	9,7x	6,6x
EV/EBIT	22,3x	29,9x	-26,1x	15,7x	8,6x
Income statement (EURm)					
Sales	44,5	51,8	35,2	51,1	58,8
yoy chg in %	na	16%	-32%	45%	15%
Gross profit	8,9	16,5	9,5	15,0	18,5
Gross margin in %	19,9%	31,9%	27,0%	29,3%	31,5%
EBITDA	3,4	4,6	0,1	5,3	7,6
EBITDA margin in %	7,6%	8,9%	0,2%	10,3%	12,9%
EBIT	1,7	1,3	-1,8	3,3	5,8
EBIT margin in %	3,7%	2,5%	-5,2%	6,4%	9,9%
Net profit	0,7	0,0	-2,1	1,2	2,9
Cash flow statement (EURm)					
CF from operations	2,0	-1,1	5,7	-1,7	2,8
Capex	1,3	1,7	1,7	1,8	1,8
Maintenance Capex	1,5	2,9	1,7	1,8	1,6
Free cash flow	0,7	-2,8	4,0	-3,4	1,0
Balance sheet (EURm)					
Intangible assets	4,8	4,6	4,6	4,6	4,6
Tangible assets	6,3	6,3	9,1	8,8	8,9
Shareholders' equity	3,2	8,0	-1,1	0,2	3,2
Pension provisions	0,2	0,0	0,0	0,0	0,0
Liabilities and provisions	17,2	16,7	21,3	23,3	23,3
Net financial debt	12,1	11,4	19,2	22,6	21,6
w/c requirements	na	11,0	10,5	10,5	14,0
Ratios					
ROE	20%	-1%	189%	517%	89%
ROCE	8%	6%	-8%	15%	23%
Net gearing	376%	144%	-1734%	9618%	668%
Net debt / EBITDA	3,59	2,49	272,18	4,29	2,85

Source: Company data; AlsterResearch

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Company	Disclosure
Wolftank-Adisa Holding AG	2, 8

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Contacts

SRH AlsterResearch AG
Himmelstr. 9
22299 Hamburg

Tel: +49 40 309 293-52
Fax: +49 40 556 330-54
E-Mail: info@alsterresearch.com

Schlöter, Reidock & Hertrich GmbH
Leinpfad 100
22299 Hamburg

Tel: +49 40 3785 52- 0
Fax: +49 40 3785 52- 19
E-Mail: info@srh-research.de

mwb fairtrade Wertpapierhandelsbank AG
Rottenbucher Straße 28
82166 Gräfelfing

Tel: +49 89 85852-0
Fax: +49 89 85852-505
E-Mail: info@mwbfairtrade.com

Research

OLIVER DREBING
Senior Analyst
Tel: +49 40 309 293-57
E-Mail: o.drebing@alsterresearch.com

LOUISA HESSELBEIN
Analyst
Tel: +49 40 309 293-52
E-Mail: l.hesselbein@alsterresearch.com

KARSTEN RAHLF, CFA
Senior Analyst
Tel: +49 40 309 293-54
E-Mail: k.rahlf@alsterresearch.com

ANDREAS SCHÜLER
Analyst
Tel: +49 40 309 293-55
E-Mail: a.schueler@alsterresearch.com

KATHARINA SCHLÖTER
Analyst
Tel: +49 40 309 293-52
E-Mail: k.schloeter@alsterresearch.com

THOMAS WISSLER
Senior Analyst
Tel: +49 40 309 293-58
E-Mail: t.wissler@alsterresearch.com

ALEXANDER ZIENKOWICZ
Analyst
Tel: +49 40 309 293-56
E-Mail: a.zienkowitz@alsterresearch.com

Sales

MARKUS KÖNIG-WEISS
Head of Sales
Tel: +49 40 309 293-52
E-Mail: mkw@alsterresearch.com

Sales

CLEMENS SCHLÖTER
Senior Sales
Tel: +49 40 378 55 211
E-Mail: c.schloeter@srh-research.de

HANS SÜLWALD
Sales
Tel: +49 40 378 55 235
E-Mail: h.suelwald@srh-research.de

Equity Capital Markets / Trading

KAI JORDAN
Member of the Board
Tel: +49 40 36 0995-22
E-Mail: kjordan@mwbfairtrade.com

ALEXANDER DEUSS
Head of Institutional Sales
Tel: +49 40 36 0995- 22
E-Mail: adeuss@mwbfairtrade.com

SASCHA GUENON
Head of Designated Sponsoring
Tel: +49 40 360 995 - 23
E-Mail: sguenon@mwbfairtrade.com