

Questions and answers of the conference call on May 27, 2020 regarding the interim statement Q1/2020

Moderator:

Mr Igor Kim from Bankhaus Lampe. May we have your question please?

Mr Kim:

Yes, hi, good morning! You have very strong results, congratulations! I've got three questions. First one – on weather conditions: Should we expect that this trend with more wind and less sun to continue in the second quarter? I mean in April and May what we have seen quarter to date? The second question is on your asset management. I think you said there was an effect from the new fund that you have established last year and the fees start to come in in the first quarter, so should we expect here that the 3 million that we've seen on the top line to be a run rate for the rest of the year, for the rest of the three quarters in this year? And the third question is on cashflow outlook for 2020. One of the effects, the combined effects of 18 million, was it also part of your outlook for the operating cashflow for this year? Thanks.

Dr Husmann:

Yeah, thank you very much Mr Kim for the questions.

Regarding the weather conditions, well at least in Germany, as we have seen, over the last, since the beginning of April, the solar radiation is very good. It is usually the case that in the second quarter the radiation improves and the wind is not as strong as in the first quarter. So therefore we do not have currently the figures of May so it's just the April, and that looks quite favourable, but as usual as we had it in the past.

In the asset management, yes we totally stick to the guidance which we published at the beginning of this year. I think it is not fair to expect that the run rate is the same every quarter, the latest press releases we had here covered the first quarter, now the second quarter is half done, so I think that in the second quarter the revenues figure will be slightly below 3 million and then in the second half we will do the rest.

Thirdly, regarding the cashflow. Yes, the one-off effect of 9 million cash-in was part of our guidance. Please have in mind that we showed to you that we slightly technically missed our operating cashflow last year. 198 million was our guidance for last year, 189 was it. And the difference was these 9 million from German tax authorities which came in late with the publication, with the publishing of our annual report. We knew that effect so therefore it was always fully incorporated in our guidance 2020.

Mr Kim:

Thank you, thanks.

Dr Husmann:

You're welcome.

Moderator:

Mr Martin Comtesse from Jefferies. May we have your question, please?

Mr Comtesse:

Good morning Dr Husmann, Martin Comtesse here. A few questions from my side. The first one would be: Can you specify the minority buy-out profit impacts for this year and for an annualised base as of next year? So, how much revenue basically did you add here? And then secondly, we heard on the COVID-19 impact, and I barely dare to be frank, but can you maybe elaborate on the asset management side of things, because we've seen quite a reshuffling of portfolios of different institutions and investors? Do you maybe even see a positive impact here that, that you basically see a boost in demands for your asset management services? And thirdly, if there is a postponement in the Spanish project into 2021, would you also expect a lower capex number for 2020? Thank you.

Dr Husmann:

Yeah, Mr Comtesse, thank you very much for your questions.

So, the minority buy-out from these parks which we acquired, please have in mind that the one is a six megawatt park and the other one an 18 megawatt park, these figures are quite small, so the profit contribution under our operating figures is pretty low. And that is, as you might know, after, earnings after taxes, these are several hundred thousand euros. I think we have to provide you with these figures, sorry, I don't know them by heart, but we can certainly get that.

Addition to this answer: The earnings contribution of Bitterfeld (6 MW) is around 200 thousand euros and of Brandenburg/Havel is around 1.0 million euros, therefor in total around 1.2 million euros p.a.

Regarding question two, the COVID impact. Yes, you are absolutely right. It is that we do see some impact. Firstly we see that a lot of investors are currently searching or pursuing projects where they can invest their money independently from any commercial or pandemic influence. So we see that the committed equity offered from investors to the asset management is increasing, is improving, so therefore we see more potential equity for investment. And secondly, we see that, you know, we are quite conservative investors on the own asset as well as in the asset management, and very often we gave in some offers, non-binding offers, if there was a park for sale, and very often we fell out in the first round because our offer wasn't sufficient. And so therefore we see currently in this market that we are accepted even for the second round although our offers are still very conservative. And the reason for that is that obviously there are investors in the market who normally would have bought or tried to acquire these parks but currently in that environment either are short of cash or are reshuffling their portfolio. Yes, we see a more slightly positive impact here but nothing which would change our opinion regarding our guidance.

Regarding the postponement of our parks – well, we still believe that the parks will be connected to the grid in this year. We are very positive on that. We had some delays and our first calculations were that we have a delay by two months. And that was the reason why we said that there might be a loss of one use and EPS if the worst case might happen. But currently we have one or the other positive sign and it looks currently that – knocking on wood – that there won't be a second shut-down in Spain. So, if all of that works out well, then we believe that the parks will be connected to the grid this year. So there might be a delay of the investment but only for the third to the fourth quarter maybe. But not into the next year.

Mr Comtesse:

Thanks. For me, can I just follow up this? You mentioned on the asset management side, there's some movement going on right now. We can hear from other companies that the M&A market is actually pretty much dried up right now because there's no physical meetings possible, no real due diligence. Is that something that you incur in your day-to-day business? And then, secondly, maybe briefly, we currently see, I think we've all heard that increasing electricity prices in Germany. Is that something that you already see drizzling through in the PPA negotiation process? Or is that something that's not really an issue here? Thank you.

Dr Husmann:

So, let's start first with that the M&A market dried up due to no physical meetings and no due diligence. Well, as a matter of fact, as I pointed out, we are, thankfully, we are very thankful that, quite digitalised. And, honestly said, that due diligences today are all computer, due diligences are all done digitally, so the data room, the physical data room is virtually not existing anymore. So there's no reason to go there. The only part in the due diligence where physical business is necessary – if you do the technical due diligence on site. So if you have a look on the parks, on the wind or solar farms, but that is, even in corona times, not an issue, because the aerosols are not an issue if you are outside. And you can keep distances in these parks. So we don't see any issue here, and we honestly see an awful lot of parks currently being offered. Sorry, I missed that point – as you might have seen yesterday, we published a memo, a press note, that we agreed on a new strategic partnership with a new developer GreenGo in Denmark, covering a pipeline of 500 megawatts. So, as you see, there is substantial pipelines in the market and we tied now nine strategic development partners to our group, offering us a pipeline of 2.5 megawatts for the next years. So we see we leave a substantial pipeline ahead of us and so therefore we don't see any shortage here. In fact in the end and at the latest point of time, when you sign the contract, you have to look the people into the eyes, but that is possible even by keeping distances. Fortunately our biggest conference room is so big that you can sit far away from each other.

And, increasing electricity prices in Germany, honestly said, that's currently not an issue for us because we are currently not in a negotiating phase for a new PPA. But I totally agree with you, there were a lot of forecasts regarding potential power crises in the market for the future, and there I believe you can see, could have seen, a huge spectrum of different crises which could happen, but, honestly said, we currently do not see a sharp deviation from what we expected conservatively at the beginning of the year for the respective market which we are in.

Mr Comtesse:

Thank you.

Dr Husmann:

You're welcome.

Moderator:

There are no further questions.

Dr Husmann:

Okay, then, thank you very much from my side, first of all for the good questions, and thank you very much for your interest in our company. As you have seen, as we pointed out at our capital markets day. Our business model is not so much infected from COVID 19. Yes there were some challenges and specifically work, change in our daily work, but I think we can cope with that.

Thank you very much for accompanying us on that interesting and challenging way to develop this market and this company. Hope to see you soon physically. Thank you very much, and in the meantime, please stay safe and healthy. Thank you very much.