

TAKING PROFIT: EOLUS VIND – WAITING FOR GODOT

On the surface, with Eolus` Q4 inline with my modelled avg EBIT of approx SEK 70m/qtr here <https://www.harpooncapital.no/eolus-vind.php>, and net cash coming in somewhat higher at SEK 800m, the company is largely performing as anticipated.

Not 8 Påverkan av IFRS 15

KSEK	2019-03-01 - 2019-05-31			2018-09-01 - 2019-05-31		
	Rapporterat	Justering Totalt	Utan påverkan av IFRS 15	Rapporterat	Justering Totalt	Utan påverkan av IFRS 15
Nettoomsättning	520 295	-478 614	41 681	998 222	-729 351	268 871
Övriga rörelseintäkter	360		360	15 522		15 522
	520 655	-478 614	42 041	1 013 744	-729 351	284 393
Rörelsens kostnader						
Förändring av lager av vindkraftverk, vindkraftverk under uppförande och projekt under utveckling	-317 599		-317 599	-314 047		-314 047
Kostnad för varor och projektering	-145 139	430 471	285 332	-532 249	649 171	116 922
Övriga externa kostnader	-10 621		-10 621	-37 366		-37 366
Personalkostnader	-8 668		-8 668	-27 444		-27 444
Avskrivningar och nedskrivningar av materiella anläggningstillgångar	-1 305		-1 305	-3 893		-3 893
Övriga rörelsekostnader	-26 464		-26 464	-52 375		-52 375
Rörelseresultat	10 859	-48 143	-37 284	46 370	-80 180	-33 810
Resultat från finansiella poster	-861		-861	-3 026		-3 026
Resultat före skatt	9 999	-48 143	-38 144	43 345	-80 180	-36 835
Skatt på periodens resultat	2 160	3 742	5 902	8 494	6 317	14 811
Periodens resultat	12 159	-44 401	-32 242	51 839	-73 863	-22 024

Påverkan koncernens rörelsekapital

2019-05-31

Source: Eolus

Importantly, though, the board announced that it chooses to sit on the cash pile for now (ex ca SEK 37m ordinary divi). Having talked to mgmt about the balance sheet in the past, that raises 2 questions with me:

- 1) Does mgmt/board see something that we are not seeing?
 - One matter of concern is continued writeoffs in Kråktorpet as well as a hefty SEK24m in writeoffs in early-phase projects (biz as usual but a lot right now). As issues over project control have surfaced and unusually large projects are finding their way to the books now, the board may want to await further progress before releasing cash.
 - The Windwall project may be taken on Eolus`own books, requiring approx SEK 500m provision of capital on top of a large WC buildup

- The sale of Øyfjellet (40pc of the 2021 SEK 9bn plan) have some contingencies that have not been cleared yet, and talking to people in the Vefsn area it is clear that there is massive resistance against the project. Even if the approval has been given, Eolus still needs to come up with an MTA-plan before final go-ahead will be given. If not, the sale to Aquila will be reversed and the project is back on Eolus` hands, implying a large outstanding WC need.

Not exactly a walk in the park – 75 turbines planned right here....



- 2) The other issue is over communication. I am ok with a mgmt team that seems somewhat inexperienced in communicating with investors. But there is a limit. The company ought to have released at least SEK 250m extra cash to investors at this point judging by the stated implications of facts. As this is not happening, there is just no way of gaining confidence in the all-important issue over how Eolus will think around its own balance sheet and funding going forward.

Eolus is still a lovely business model with an exciting outlook. None of that has changed. But, until the Board communicates openly around its balance sheet or at least appoints someone with a deeper understanding of capital markets to its board or management, I think there are too many uncertainties here that needs to be cleared before investors will be willing to reprice the stock further.

As such, with the stock having approx doubled since this spring, I think investors may be well advised taking some chips off the table and await news on Øyfjellet, Windwall and the use of cash. Otherwise, one risks being locked in with some arrogant Swedes down in Skåne with total disregard of minority shareholders and their interests.

The Harpoon Report

Hunting for value



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