

**Vestas**



**IT'S A WIND WIN!**



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# Vestas



**Recommendation:**  
**BUY**

**Target Price**  
**DKK 1480**

**23%  
upside**

**DKK 1200**  
**April 13, 2021**

Market cap, DKK	245bn
EPS, EUR	3.9
Free Float	99.5%

# Investment summary



**TECHNOLOGY MOAT UNLOCKS HIGHER PRICING POTENTIAL**



**OFFSHORE EXPANSION MAXIMIZES SHAREHOLDER RETURNS**



**UNIQUE POSITION TO CAPITALIZE ON THE RENEWABLE TRANSITION**

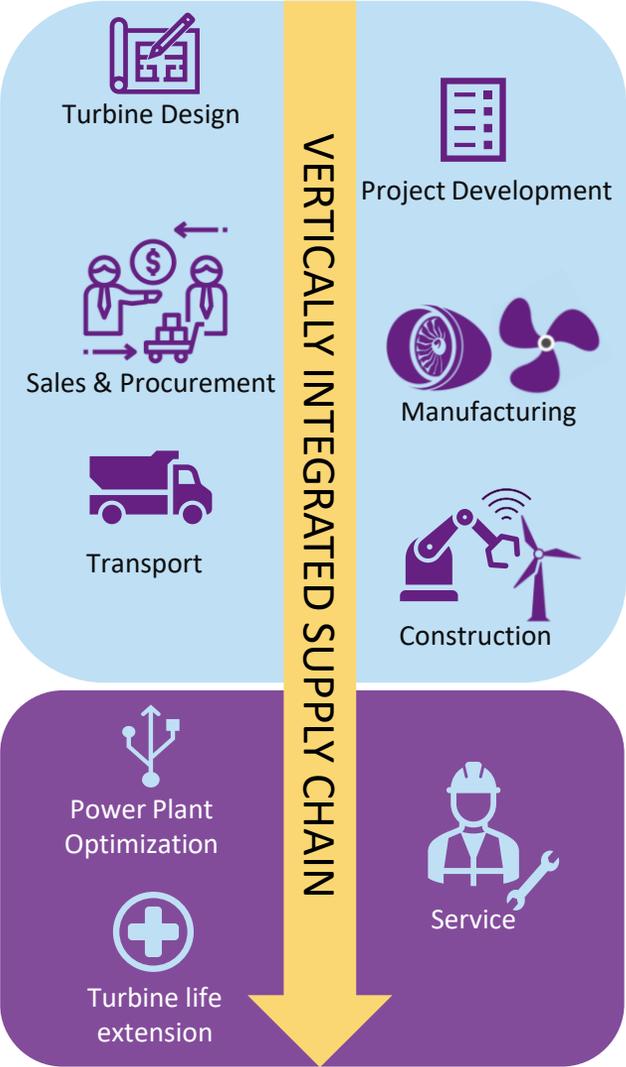


# Business description

## 2020 revenues by region



Total Revenue **€14.1 bn**



## 2020 revenues by segment



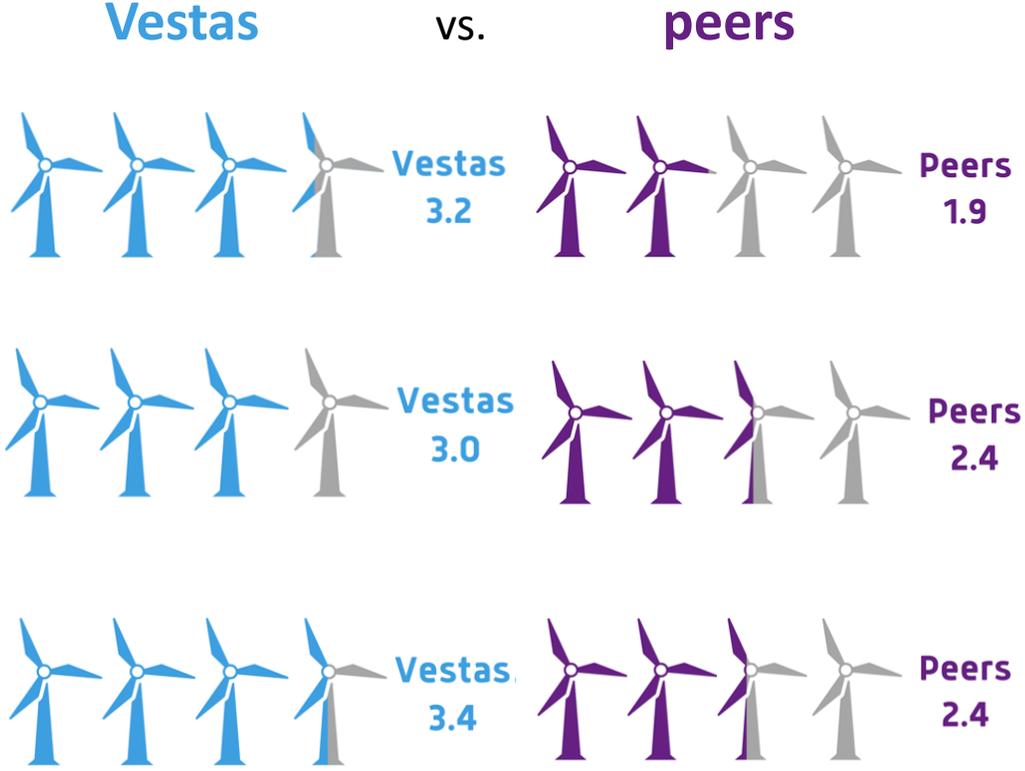
Order Backlog **3x revenue**

Source: Company Data, Team Analysis



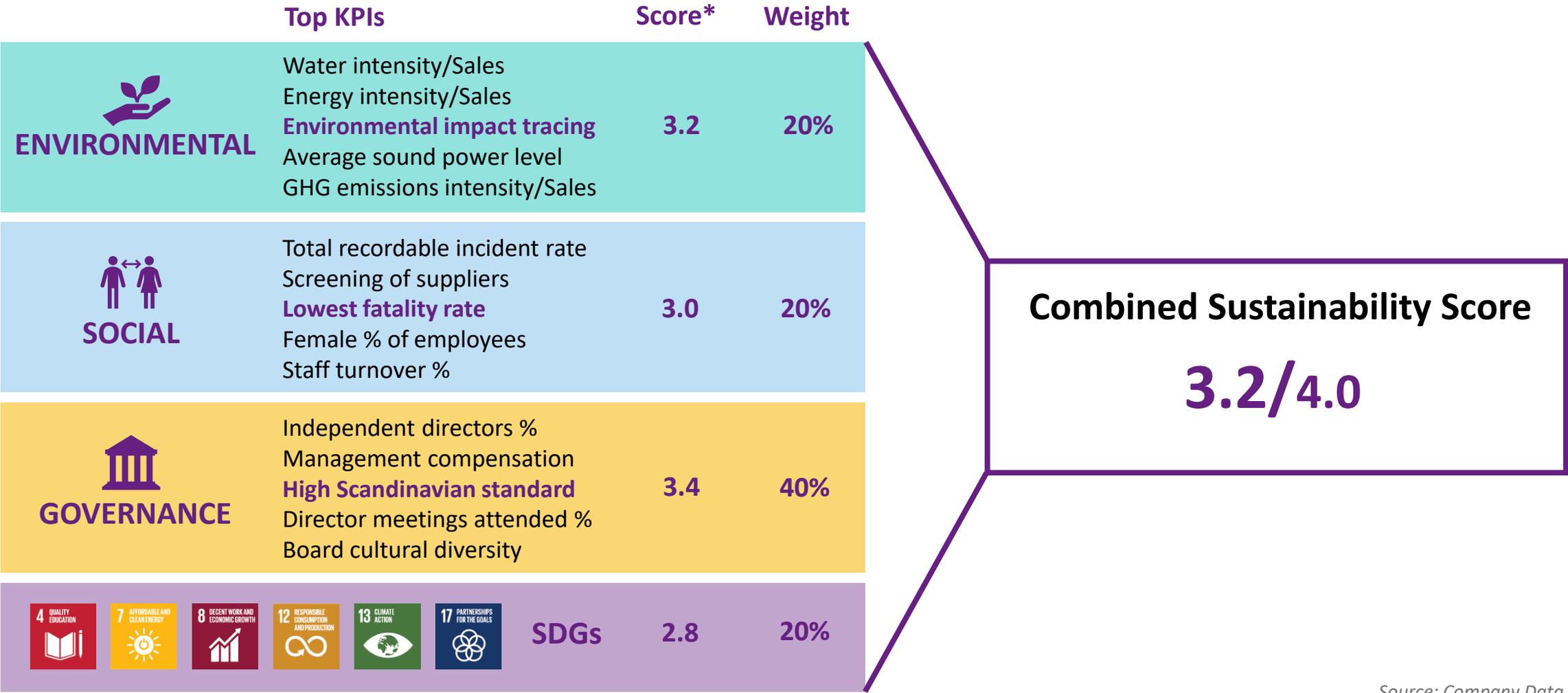
# Sustainability in everything they do

	Top KPIs	Score*	Weight
 <p><b>ENVIRONMENTAL</b></p>	Water intensity/Sales Energy intensity/Sales <b>Environmental impact tracing</b> Average sound power level GHG emissions intensity/Sales	<b>3.2</b>	<b>20%</b>
 <p><b>SOCIAL</b></p>	Total recordable incident rate Screening of suppliers <b>Lowest fatality rate</b> Female % of employees Staff turnover %	<b>3.0</b>	<b>20%</b>
 <p><b>GOVERNANCE</b></p>	Independent directors % Management compensation <b>High Scandinavian standard</b> Director meetings attended % Board cultural diversity	<b>3.4</b>	<b>40%</b>
	<b>SDGs</b>	<b>2.8</b>	<b>20%</b>



Source: Company Data, Team Analysis  
 \*All the scores are on a scale 1-4, where 4 is the highest number

# Sustainability in everything they do



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# Investment summary



**TECHNOLOGY MOAT UNLOCKS HIGHER PRICING POTENTIAL**



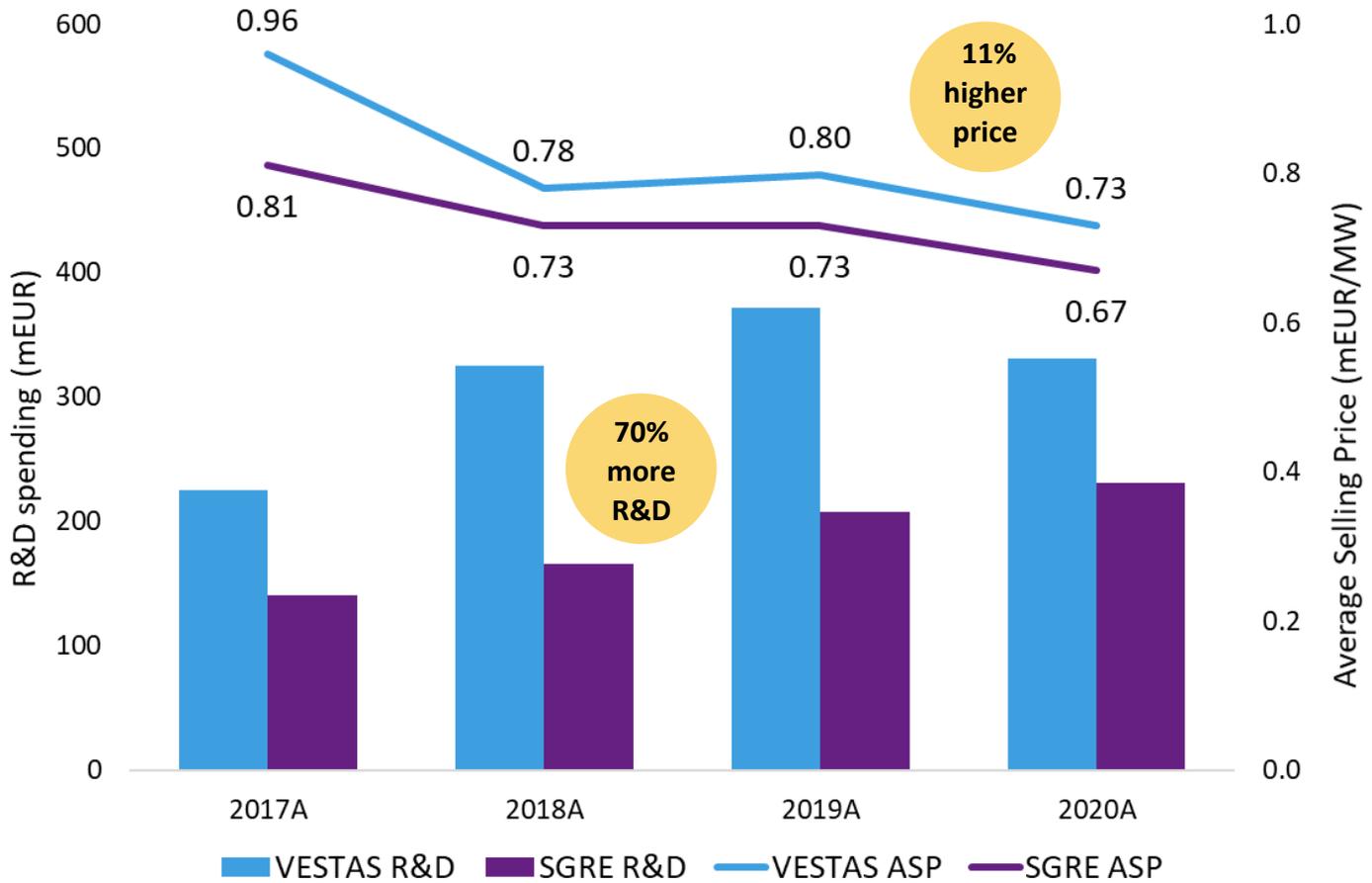
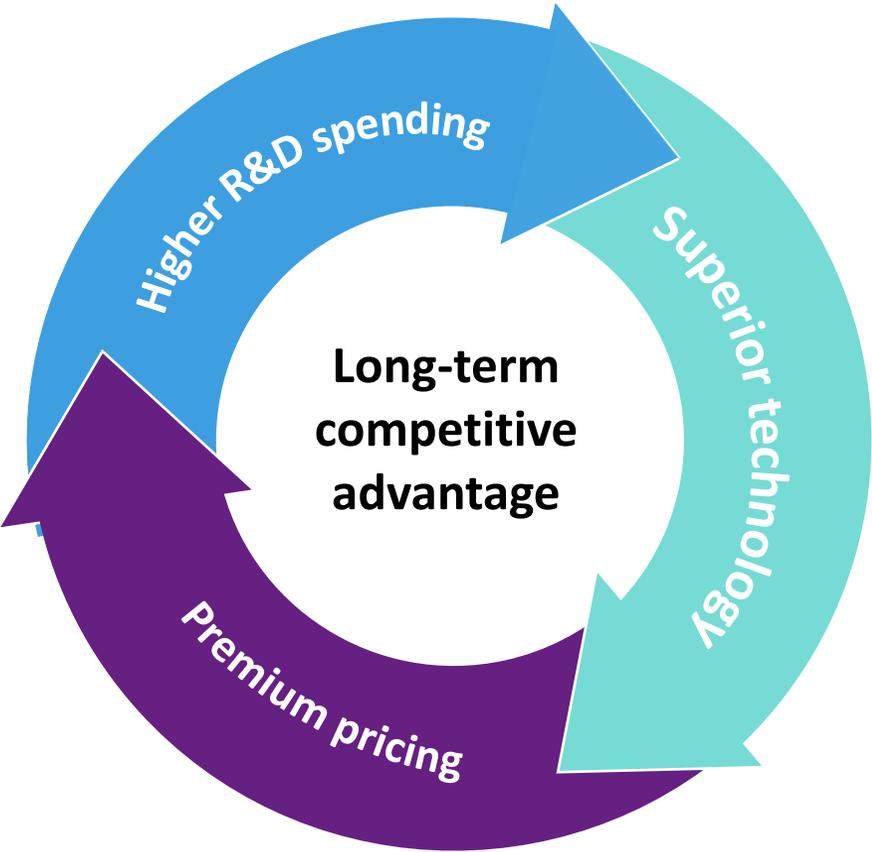
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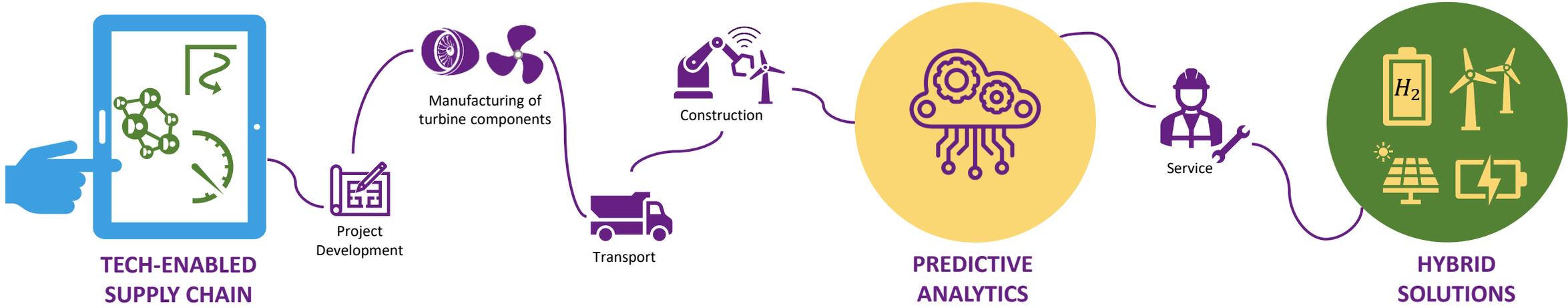


# Technology moat unlocks higher pricing potential



Source: Company Data, Team Analysis

# Vestas is moving towards a digital future



**TECH-ENABLED SUPPLY CHAIN**

↓

EnVentus platform **modularity**:  
60% identical components

On-demand global **3D printing** of complex parts

In-house **pitch control system**

**PREDICTIVE ANALYTICS**

↓

Schipper (AI): Processes **103 billion signals** daily

Increases turbine uptime and forecasts energy output **5 min-14 days ahead**

**HYBRID SOLUTIONS**

↓

**First-mover** advantage

Tesla partnership:  
World's **first** utility-scale wind, solar and energy storage power plant



Source: Company Data, Team Analysis

# Investment summary



## TECHNOLOGY MOAT UNLOCKS HIGHER PRICING POTENTIAL

Digital supply chain

Predictive analytics

Hybrid solutions



## OFFSHORE EXPANSION MAXIMIZES SHAREHOLDER RETURNS

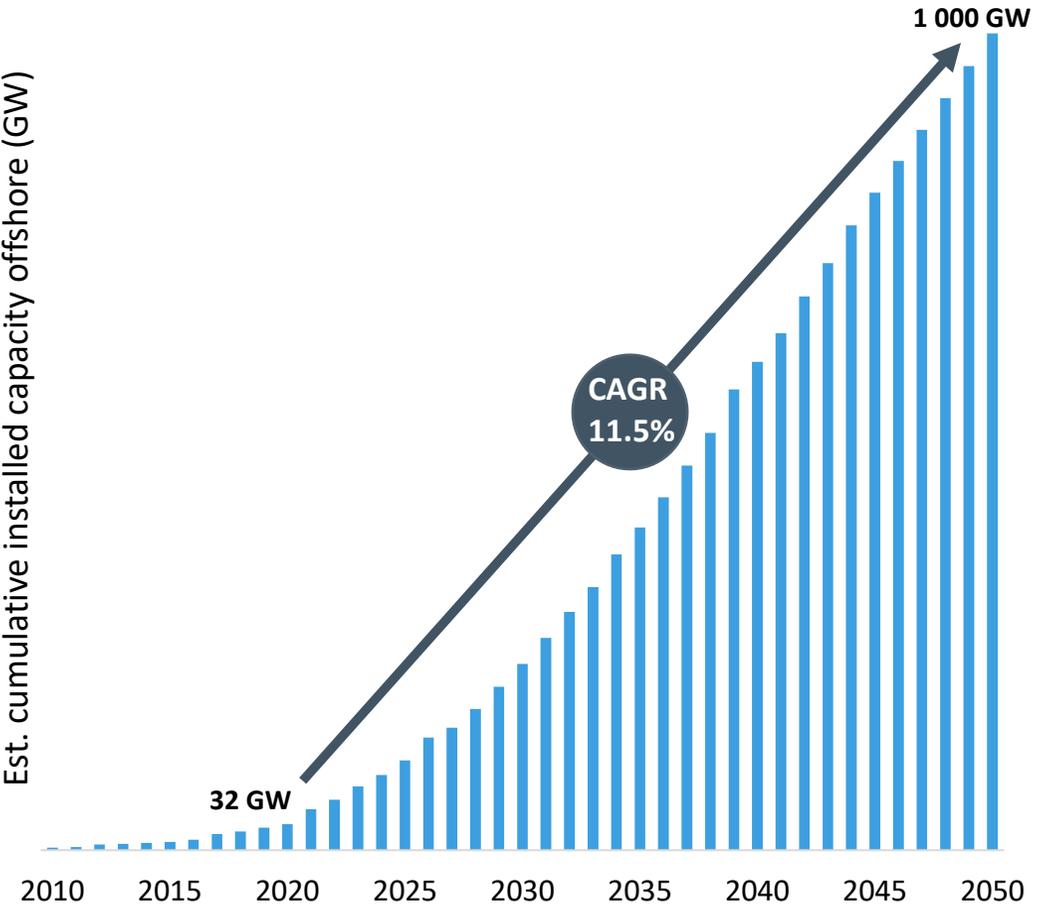


## UNIQUE POSITION TO CAPITALIZE ON THE RENEWABLE TRANSITION



# Offshore expansion maximizes shareholder returns

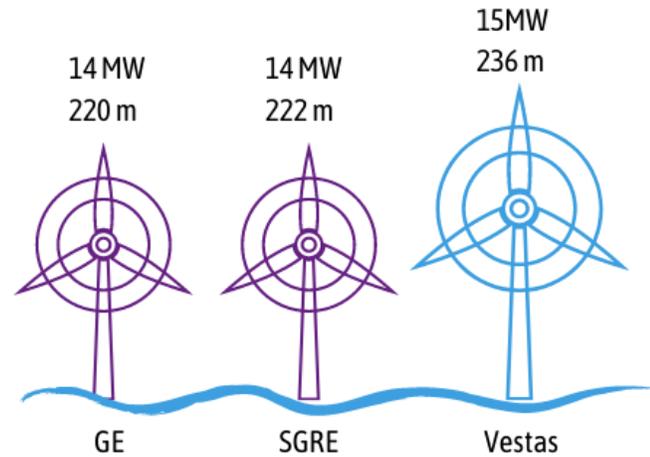
## 1 trillion-dollar industry by 2040



## New launch World's largest and most powerful turbine

Nominal Capacity: **15 MW**  
 Powers **20 000** homes  
 60% capacity

**Standardized** onshore components which allow Vestas to **unify** production

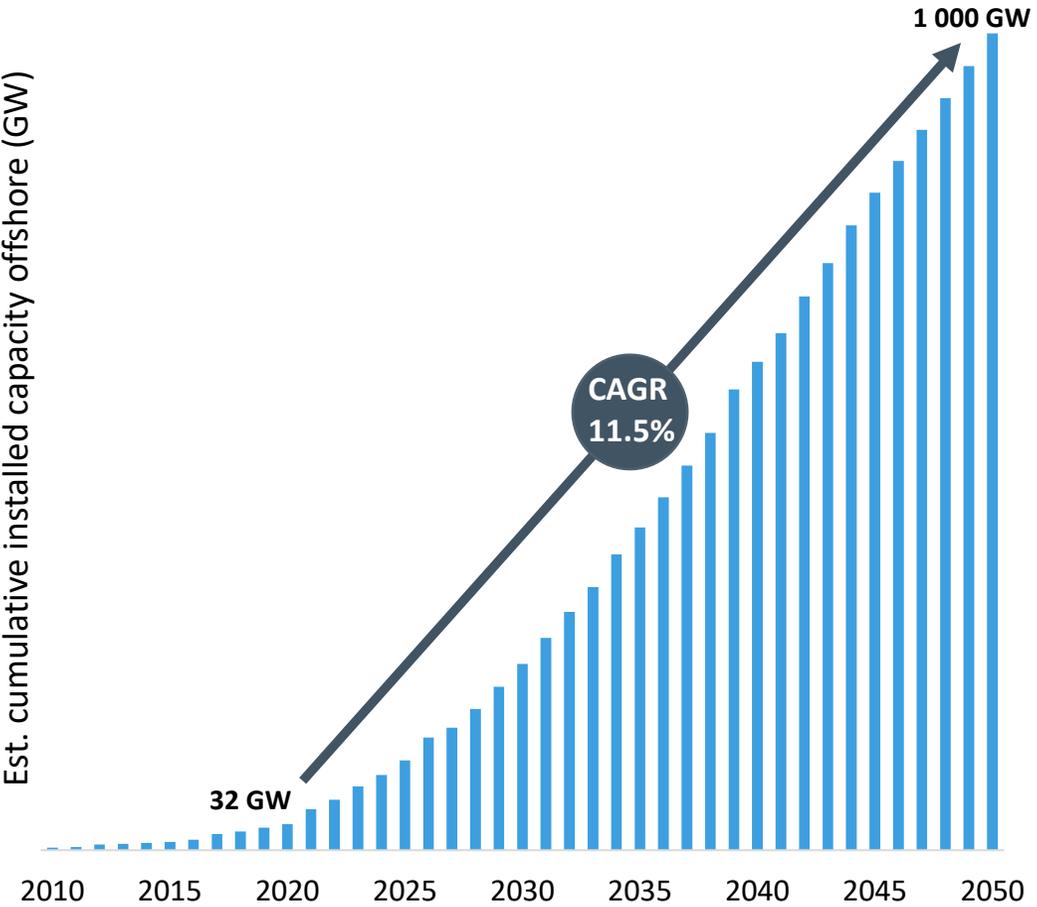


Will capture offshore boom 2024 onwards

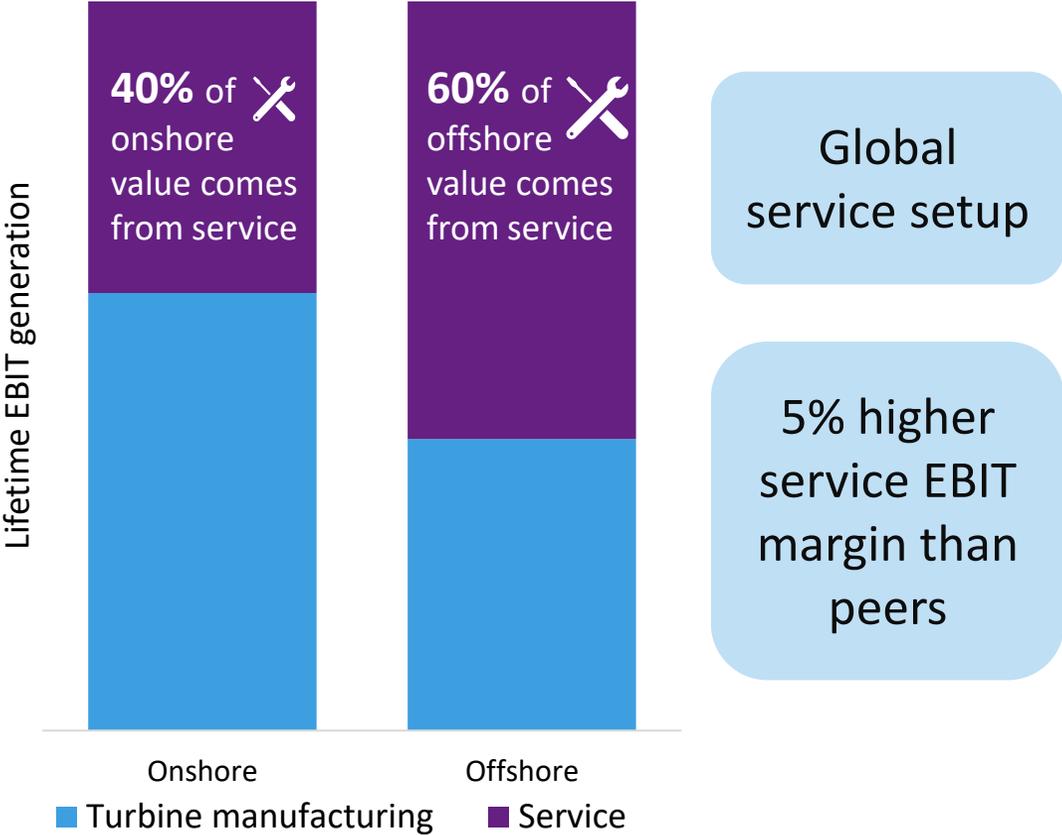
Source: Company Data, IRENA, Team Analysis

# Offshore expansion maximizes shareholder returns

## 1 trillion-dollar industry by 2040



## Vestas sole player with setup to exploit high offshore service value



Source: Company Data, IRENA, Team Analysis



# Investment summary



## TECHNOLOGY MOAT UNLOCKS HIGHER PRICING POTENTIAL

Digital supply chain

Predictive analytics

Hybrid solutions



## OFFSHORE EXPANSION MAXIMIZES SHAREHOLDER RETURNS

\$1tn industry

Best offshore turbine

Global service infrastructure

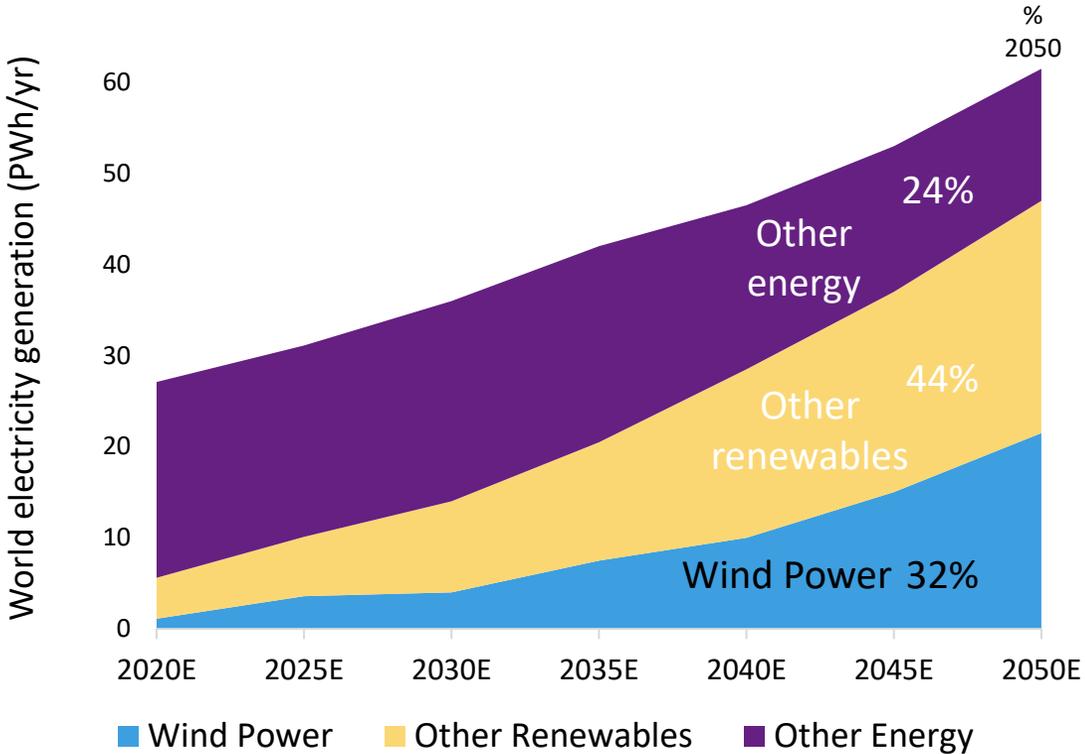


## UNIQUE POSITION TO CAPITALIZE ON THE RENEWABLE TRANSITION

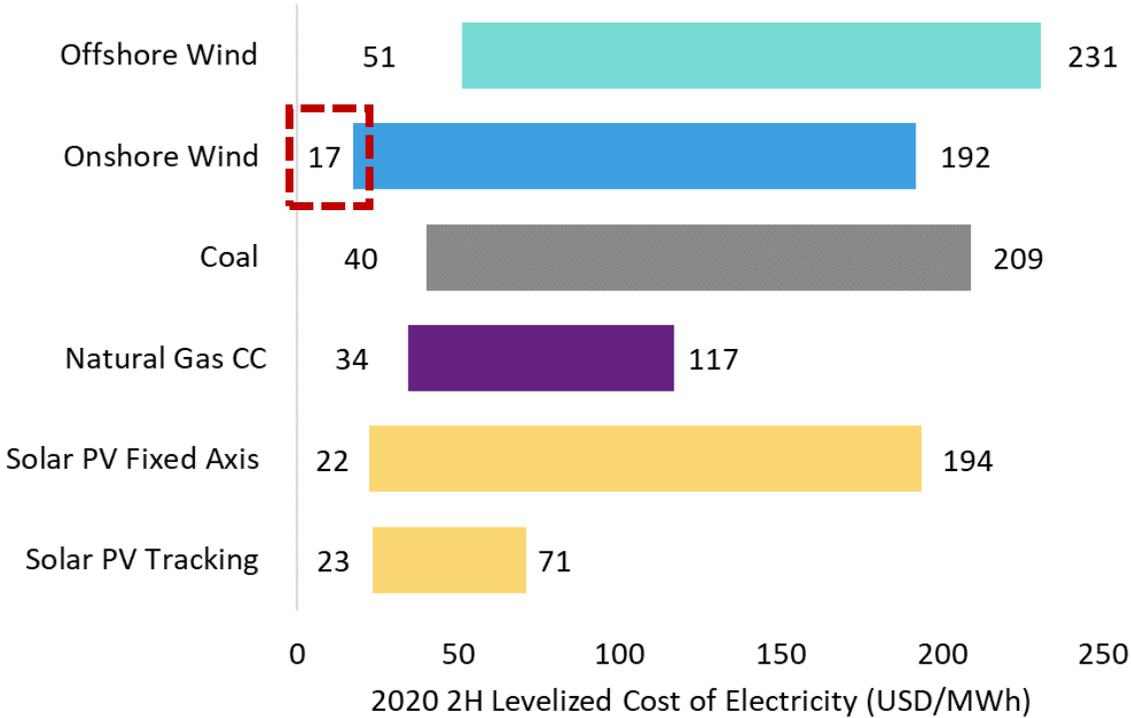


# Uniquely positioned to capitalize on the renewable transition

Wind projected to generate 32% of electricity by 2050

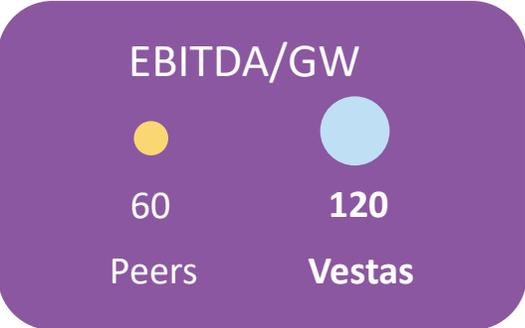
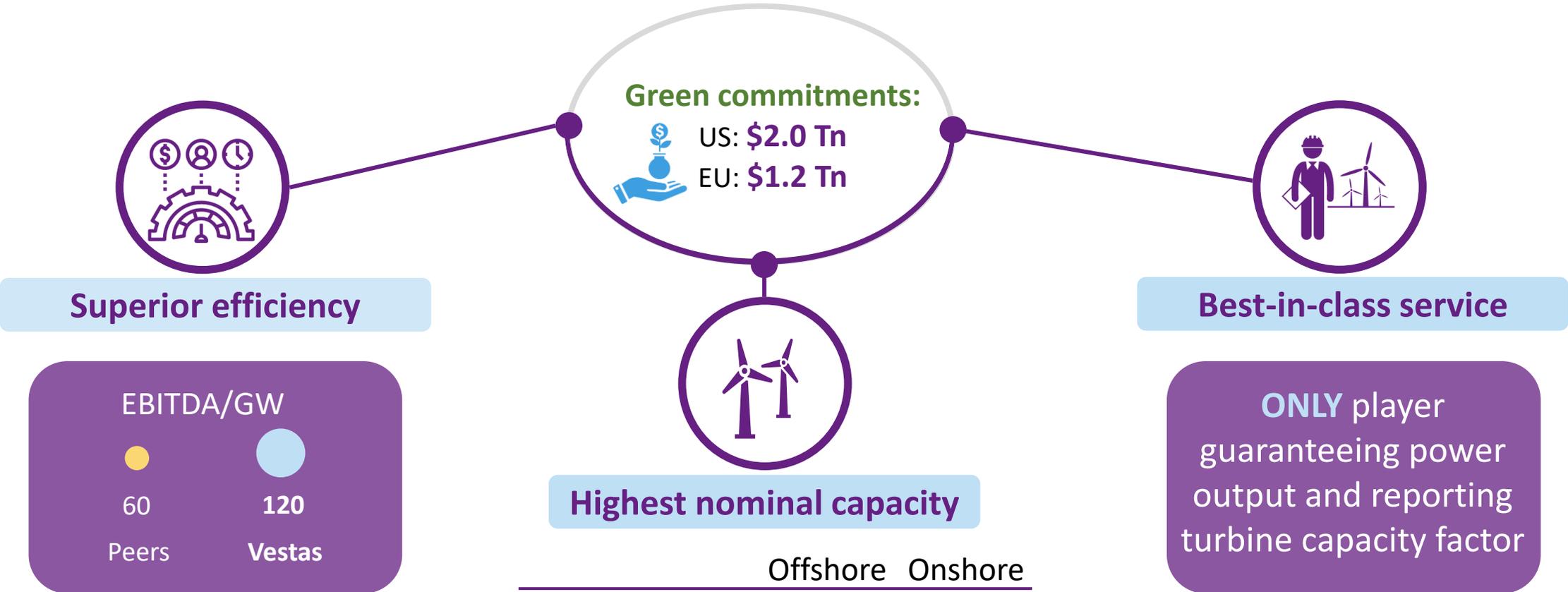


Onshore wind has the lowest cost



Source: BNEF, Team Analysis

# Vestas will be the prime beneficiary of green investments



	Offshore	Onshore
<b>Vestas</b>	15 MW	6 MW
<b>SIEMENS Gamesa</b> RENEWABLE ENERGY	14 MW	5.8 MW
<b>GE</b> Renewable Energy	14 MW	6 MW

Source: Company Data, Team Analysis

# Investment summary



## TECHNOLOGY MOAT UNLOCKS HIGHER PRICING POTENTIAL

Digital supply chain

Predictive analytics

Hybrid solutions



## OFFSHORE EXPANSION MAXIMIZES SHAREHOLDER RETURNS

\$1tn industry

Best offshore turbine

Global service infrastructure



## UNIQUE POSITION TO CAPITALIZE ON THE RENEWABLE TRANSITION

Lowest LCOE

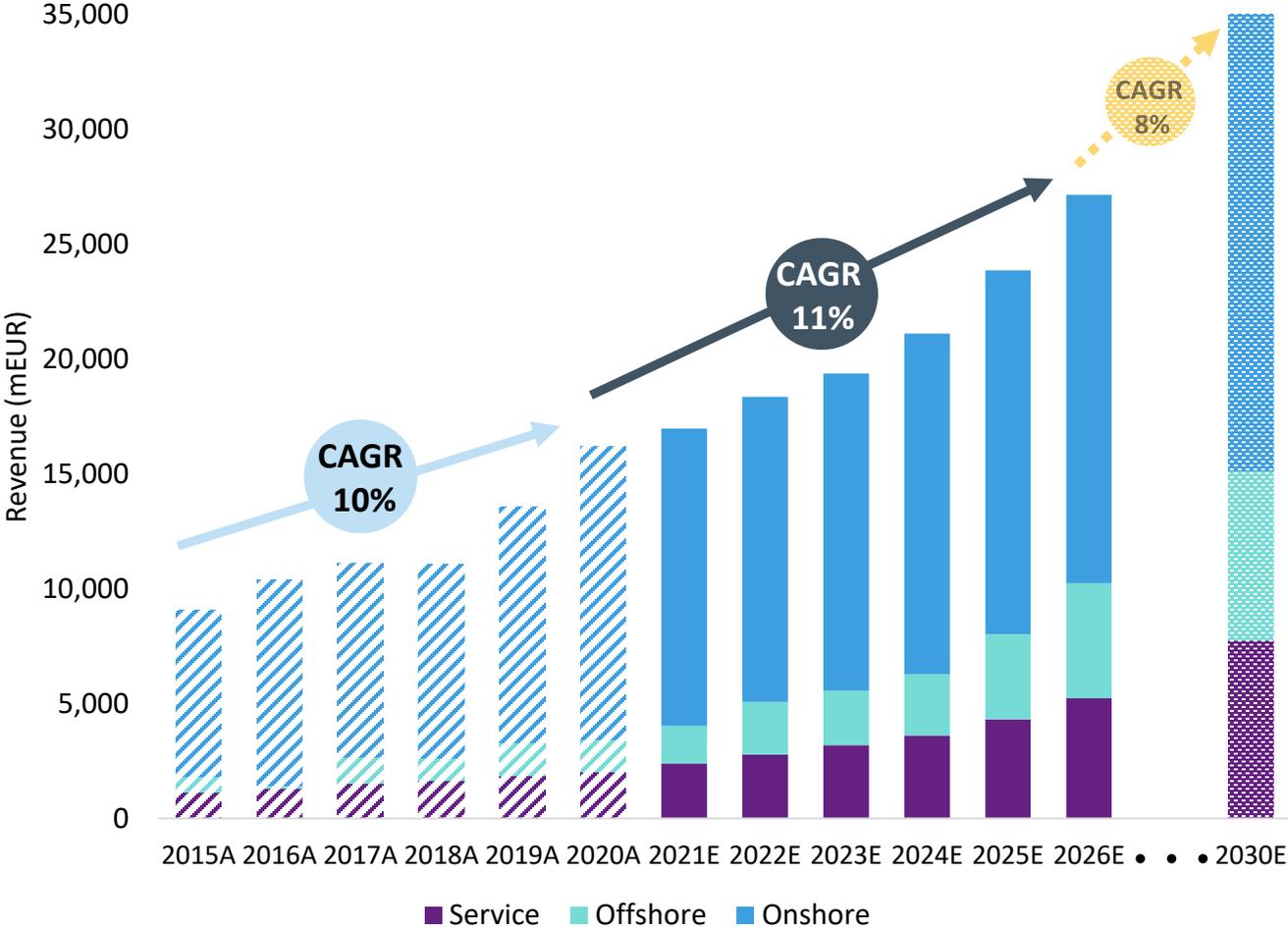
Most efficient OEM

Global green commitments



# Scaling the revenue engine on the back of growing deliveries

## Strong revenue projected



**Growth Drivers**

**Deliveries and MW under service**

- Increased **electrification**
- Corporate **green** investments
- Vestas' **tech-enabled** services
- Offshore **expansion**

**Stable price**

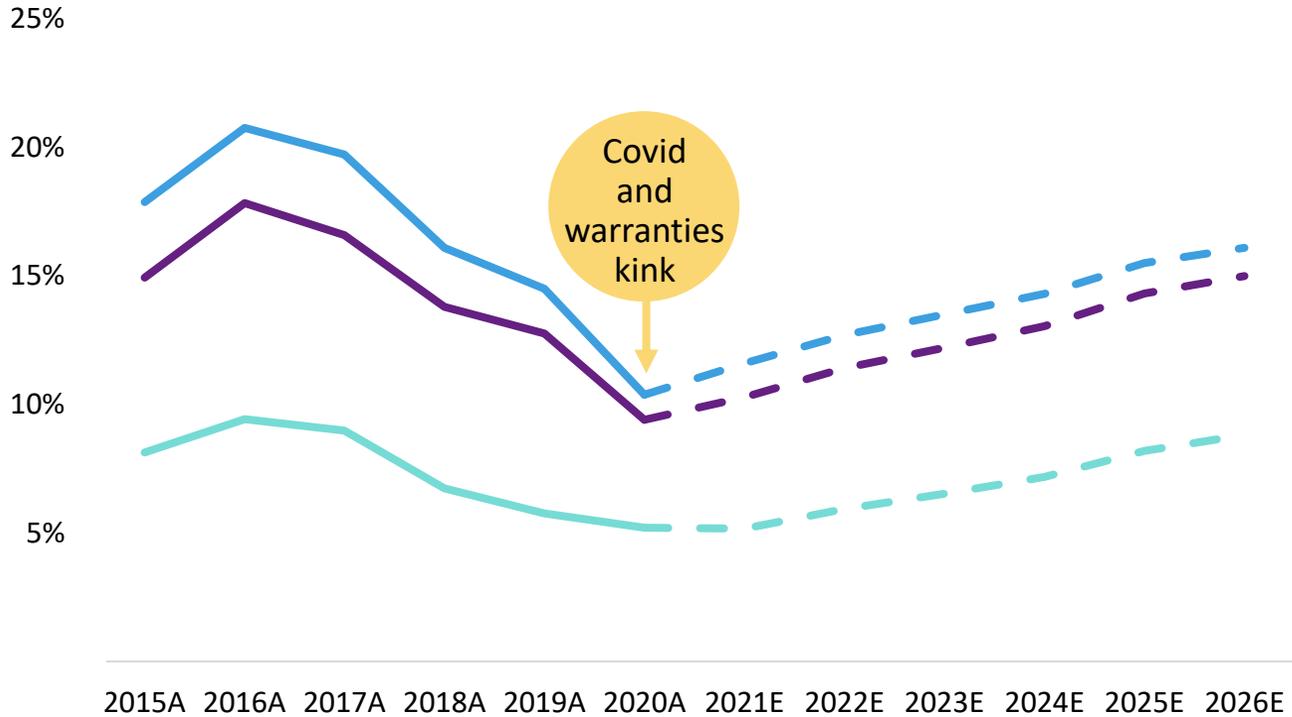
- Sustained turbine **quality**
- Sustained premium **pricing**



Source: Company Data, Team Analysis

# Cost control and technology allow margin expansion

## Continued solid margin lead



2015A 2016A 2017A 2018A 2019A 2020A 2021E 2022E 2023E 2024E 2025E 2026E

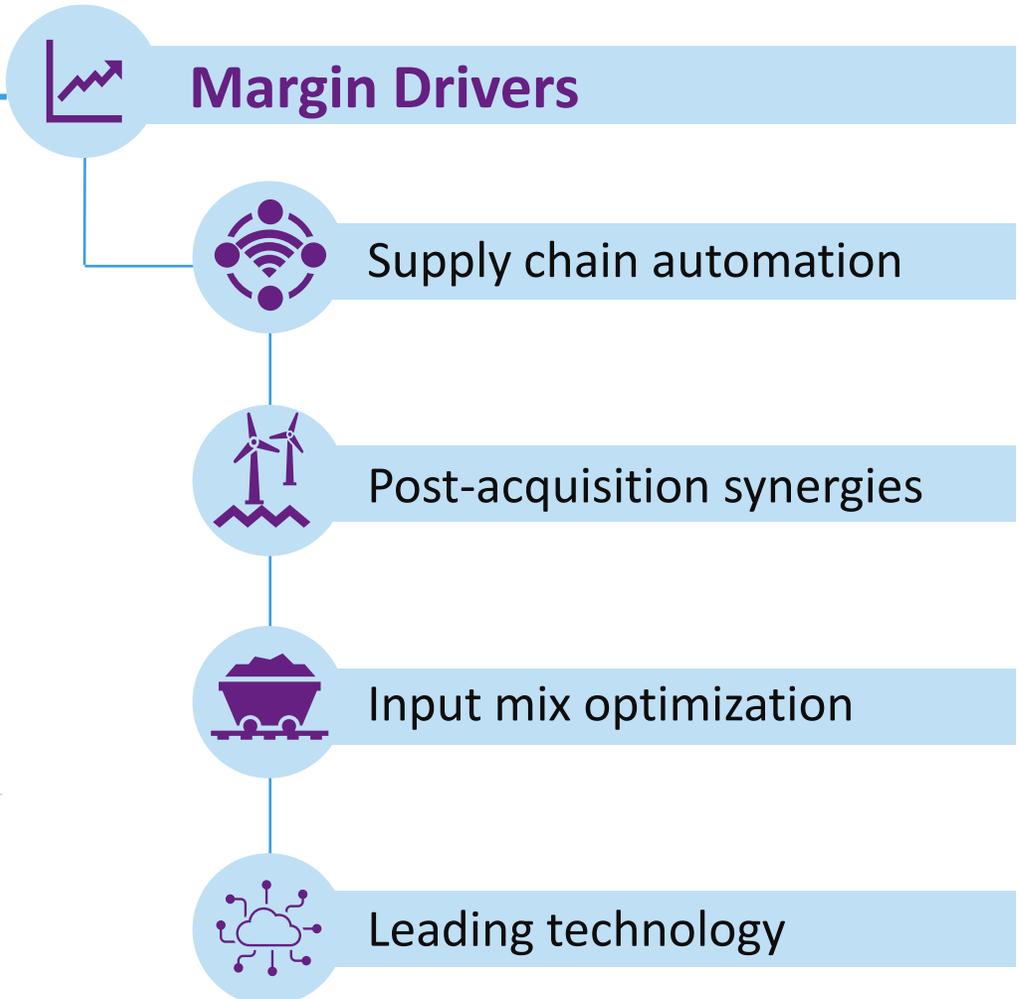
— Gross margin — EBITDA margin — NI margin

2019

**1.2x**  
peers

**1.3x**  
peers

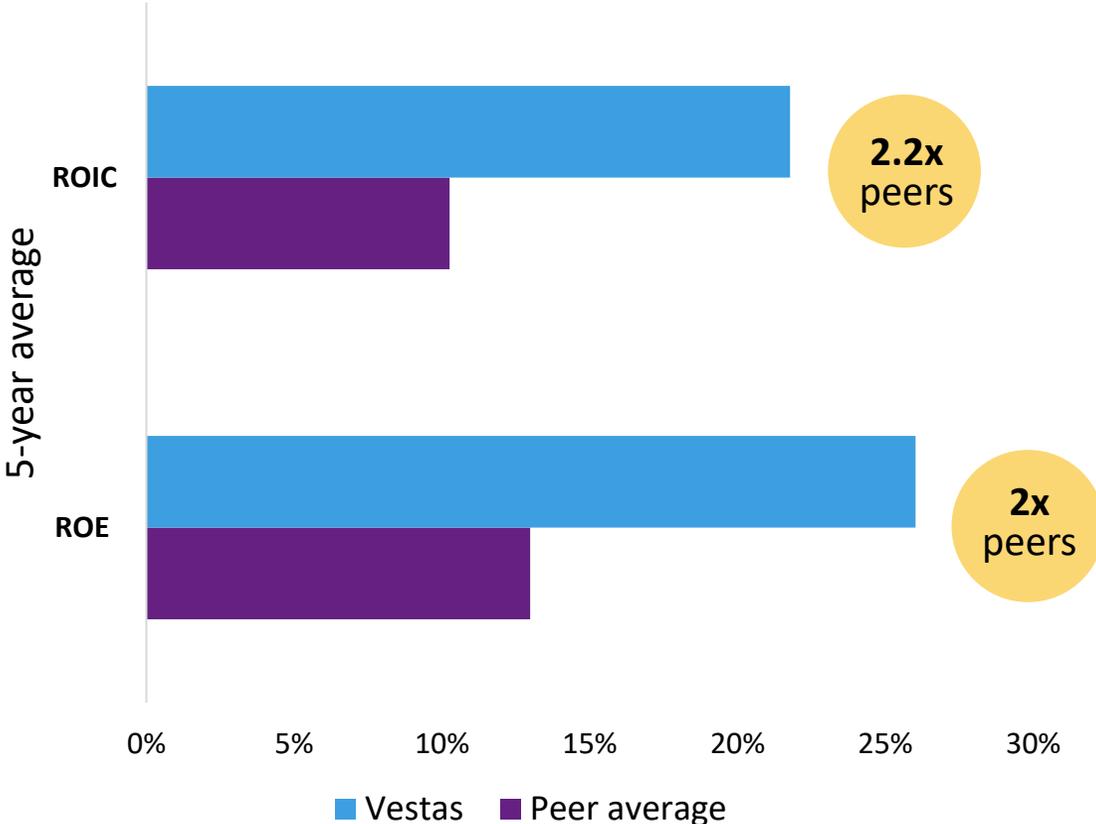
**3x**  
peers



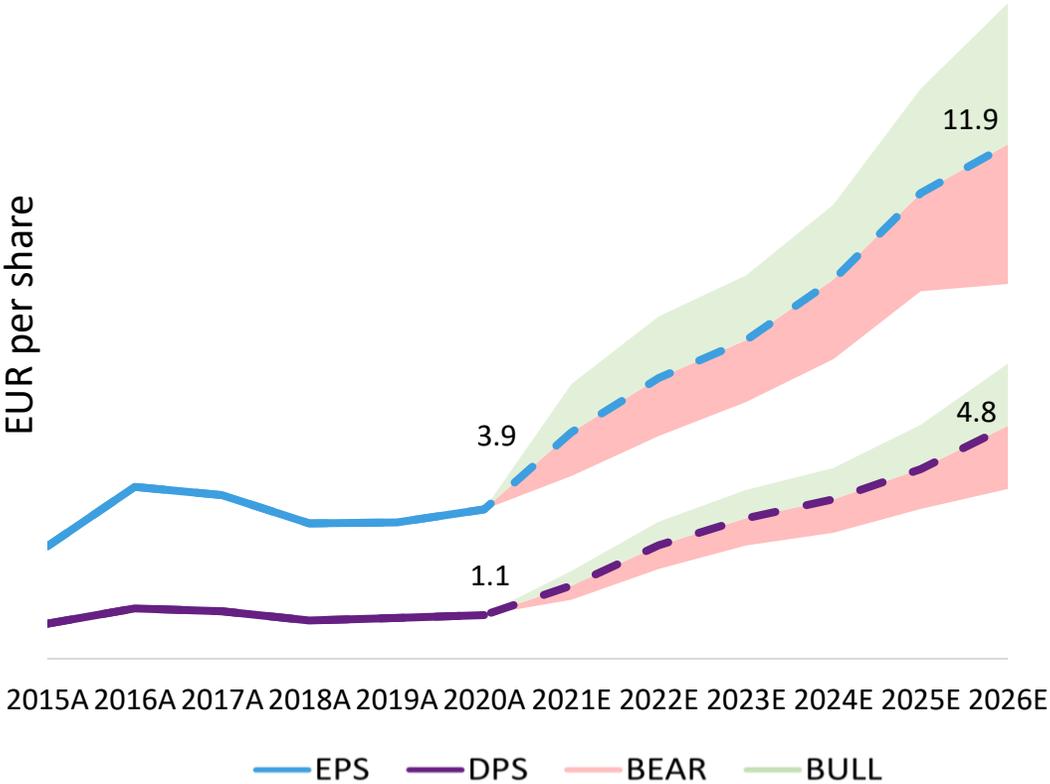
Source: Company Data, Team Analysis

# Indulging shareholders with high earnings and dividends

## Superior profitability to peers



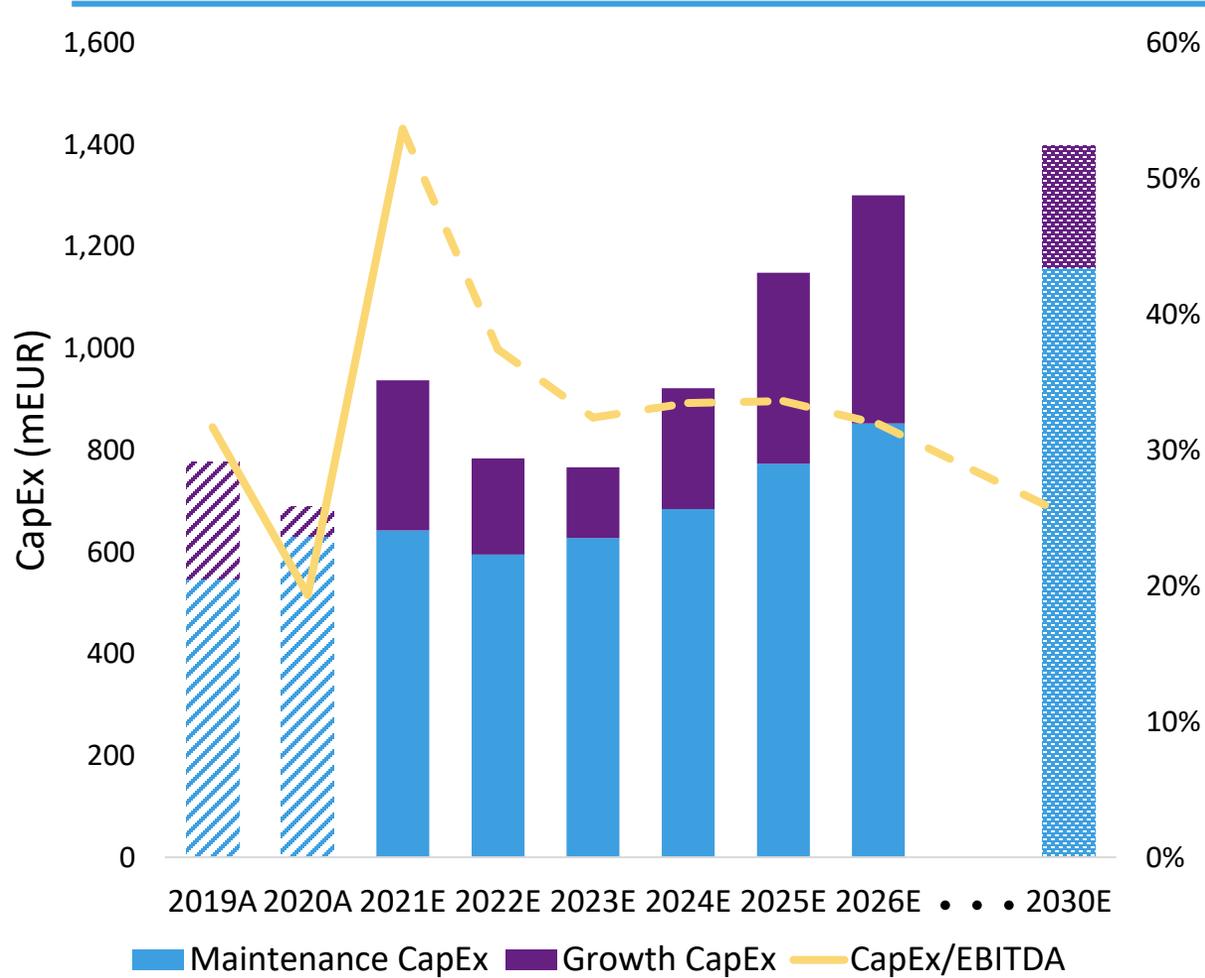
## Increasing returns to investors



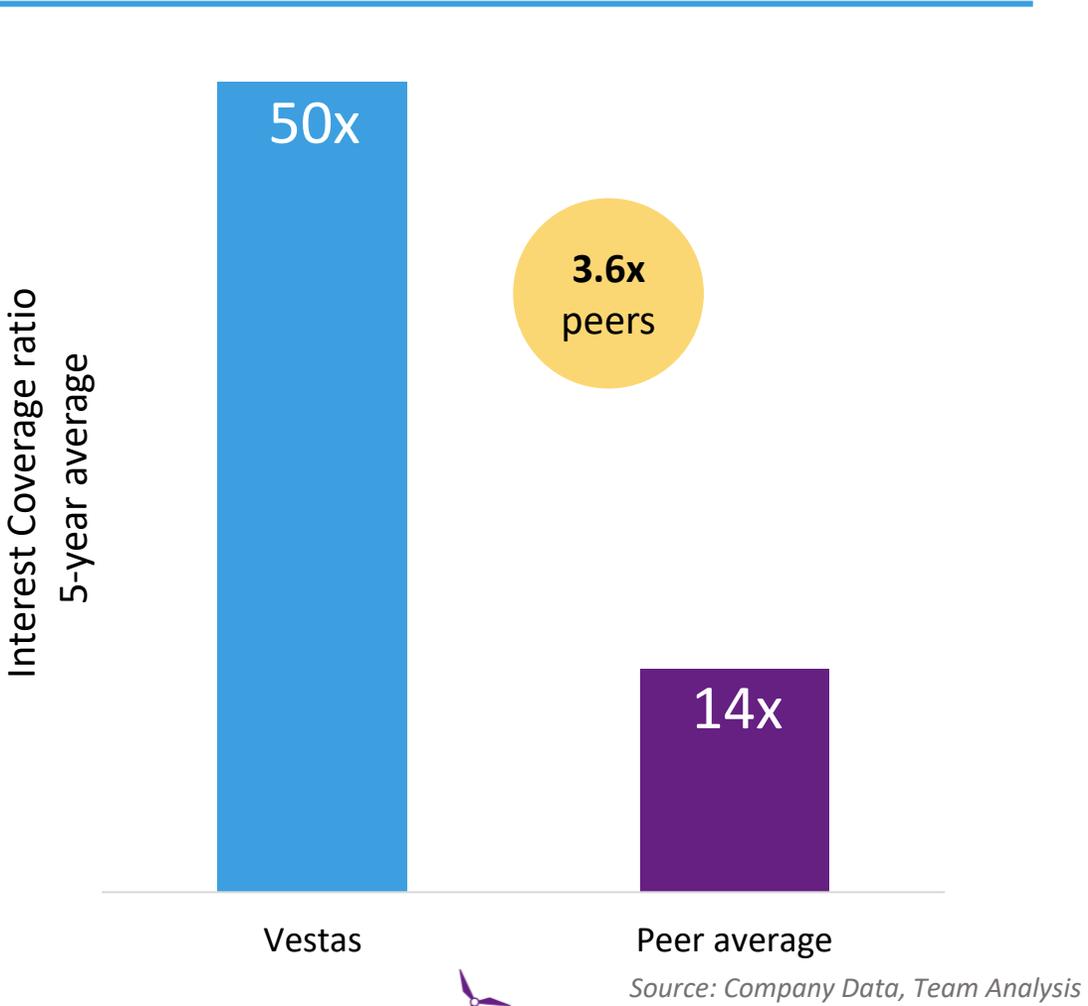
Source: Company Data, Team Analysis

# CapEx program and solid debt capacity to capture offshore winds

### CapEx projection



### Superior debt capacity to peers



Source: Company Data, Team Analysis

# Our multi-stage DCF suggests a positive upside

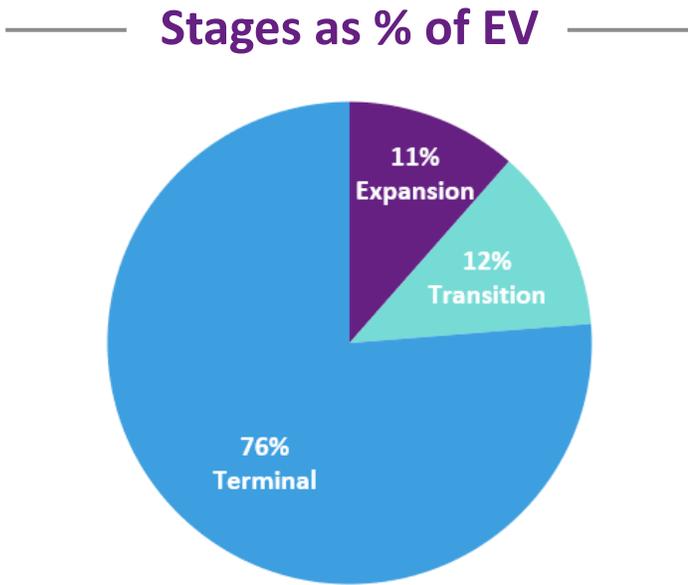
**DCF TARGET: DKK 1480**

Cost of debt <b>3.4%</b>	Cost of equity <b>7.5%</b>	WACC <b>7.1%</b>	Terminal growth <b>3.0%</b>
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Upside: **23%**

**Terminal growth**

	2.0%	2.5%	3.0%	3.5%	4.0%
6.1%	1632	1825	2079	2433	2955
6.6%	1413	1556	1740	1983	2320
7.1%	1237	1347	<b>1480</b>	1660	1892
7.6%	1094	1180	1285	1416	1583
8.1%	974	1043	1125	1226	1351

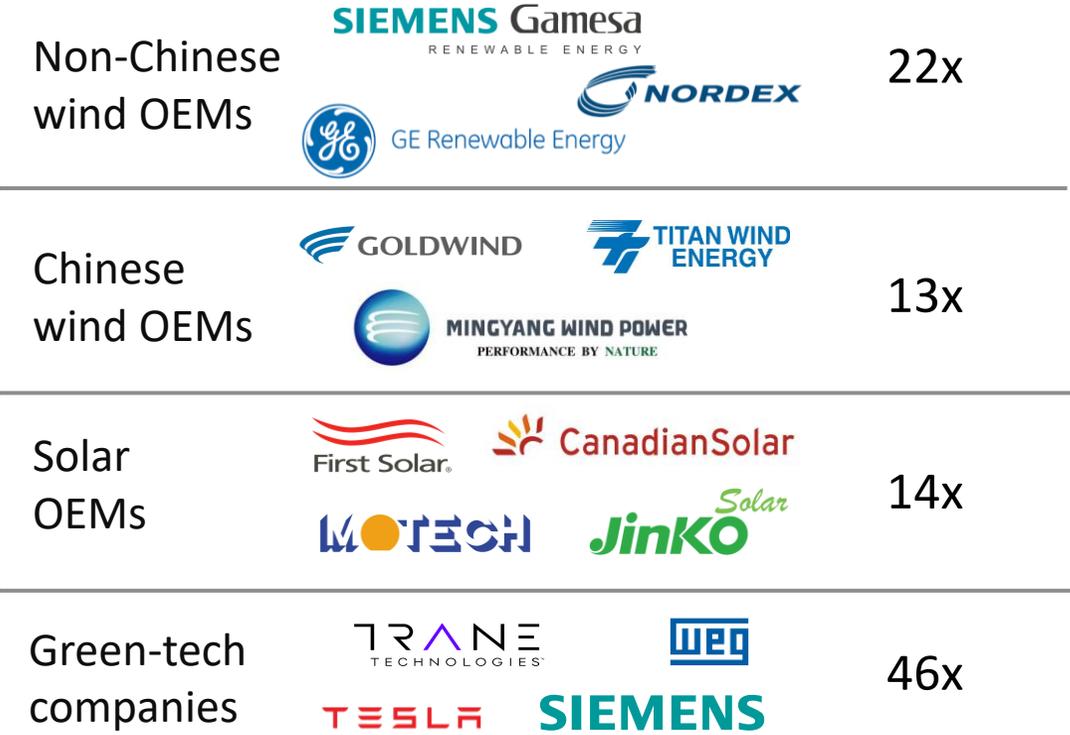


Source: Team Analysis



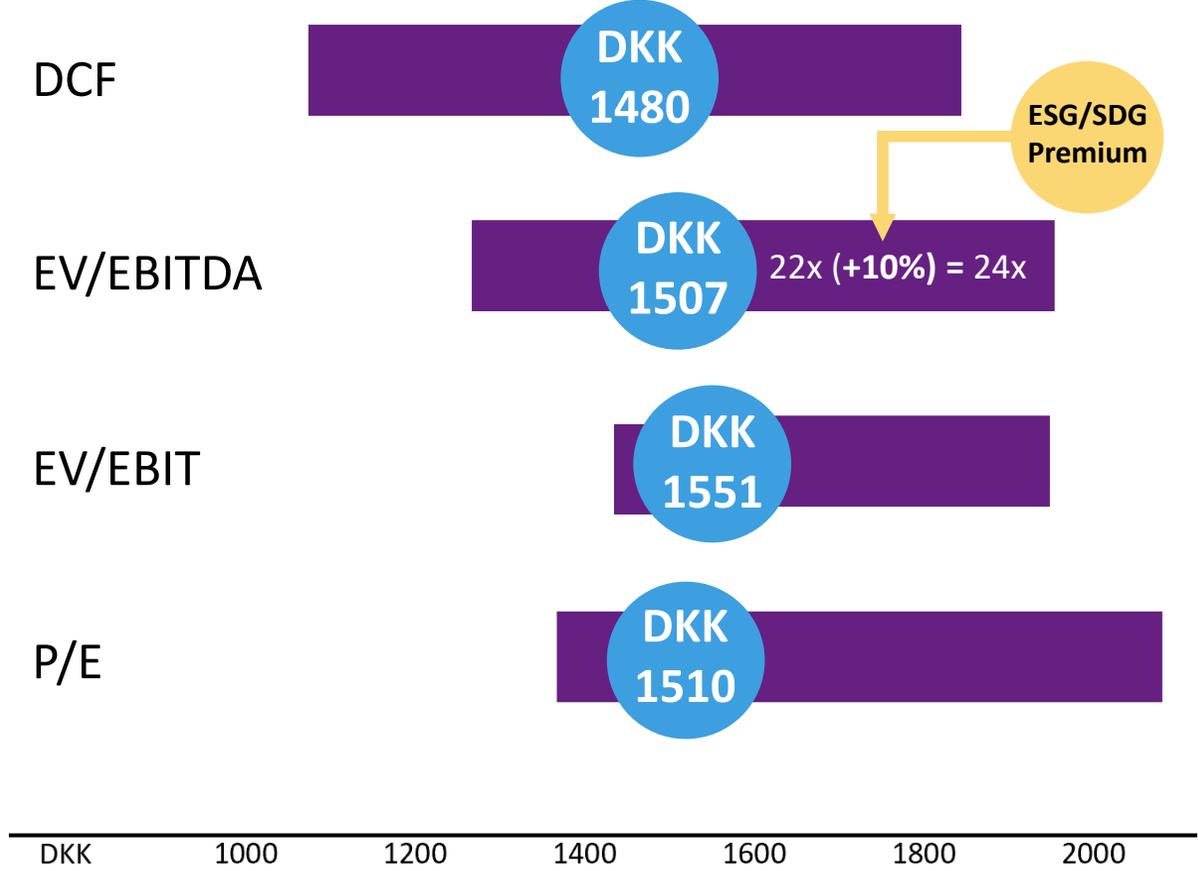
# Our relative valuation confirms our buy recommendation

## PEER GROUP 2021 EV/EBITDA



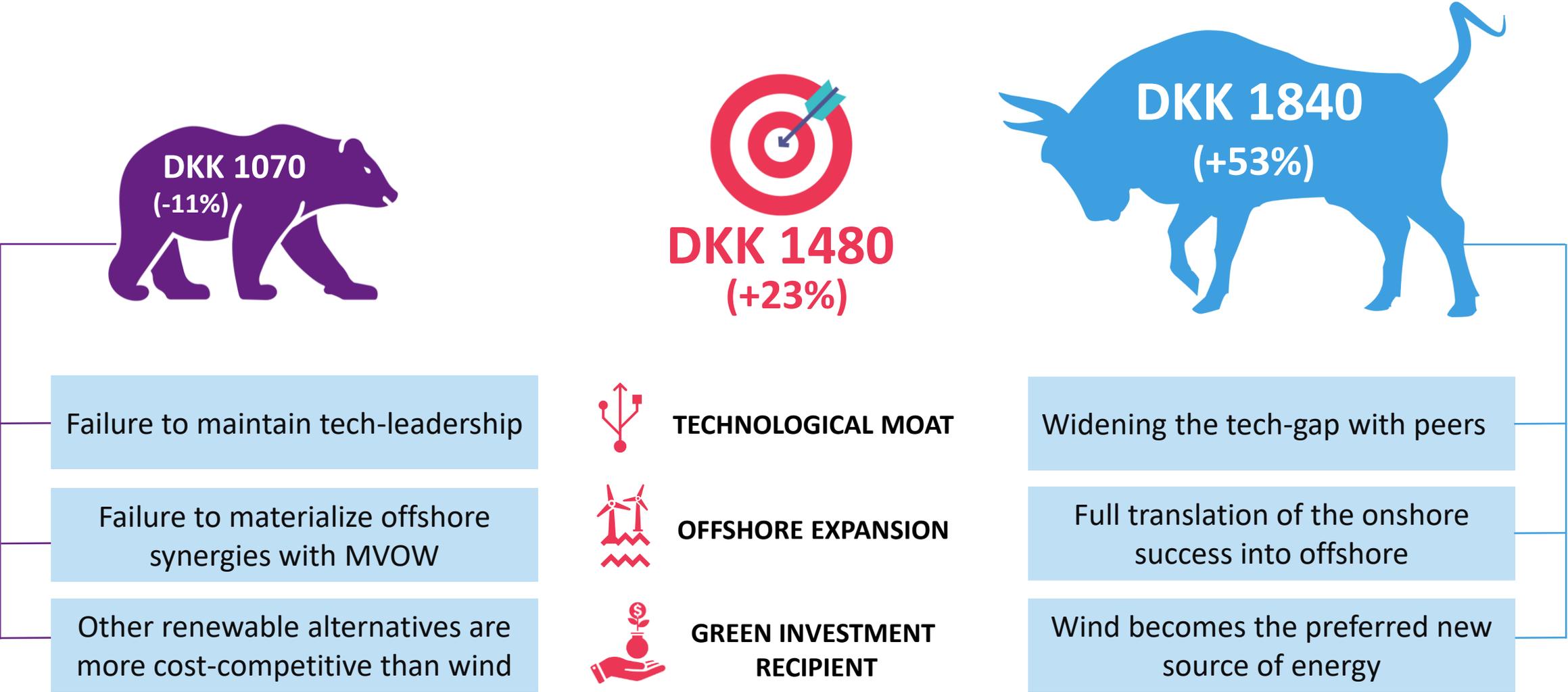
**RV TARGET: DKK 1507**  
Upside: **26%**

## FOOTBALL FIELD



Source: Team Analysis, Bloomberg

# Scenario analysis illustrates true upside potential



Source: Team Analysis

# Monte Carlo shows limited downside

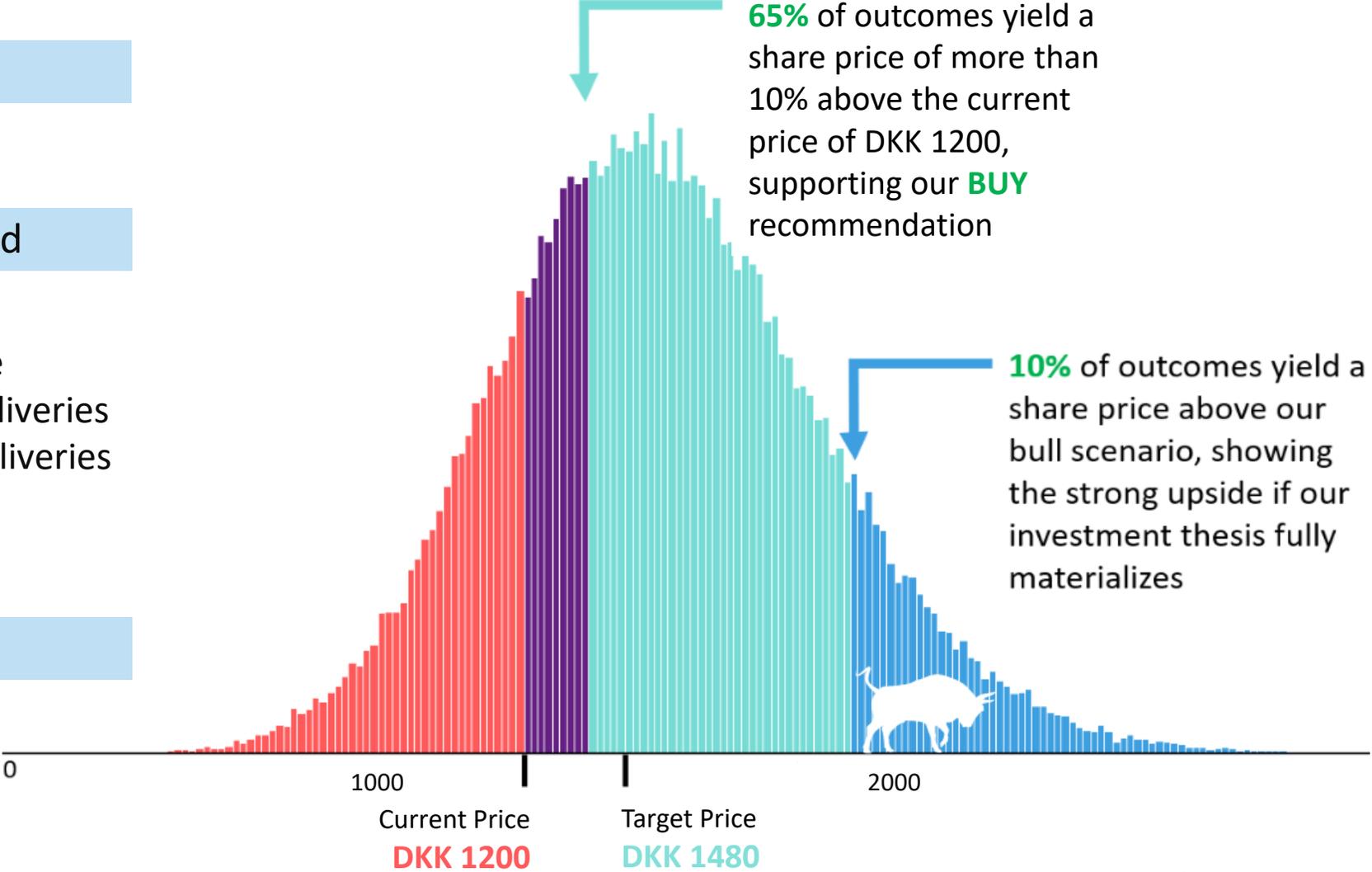
## MC Simulation

## Parameters stressed

- WACC
- Terminal growth rate
- Regional onshore deliveries
- Regional offshore deliveries
- Average selling price
- COGS

## Number of trials

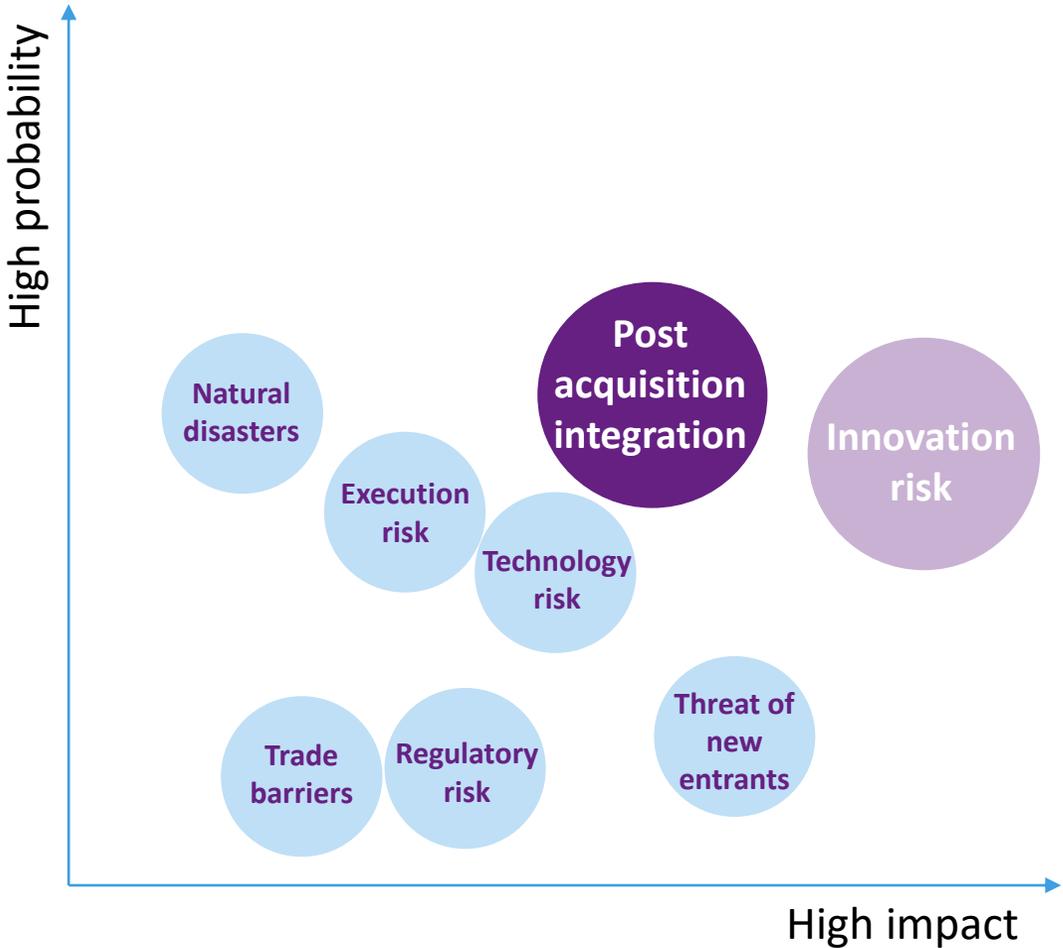
- 100,000



Source: Team Analysis



# No high probability-high impact risks identified



**Post acquisition integration risk**

**Mitigating Factors**

- 1. Good insight into MVOW pre-acquisition
- 2. Unified technology for further expansion

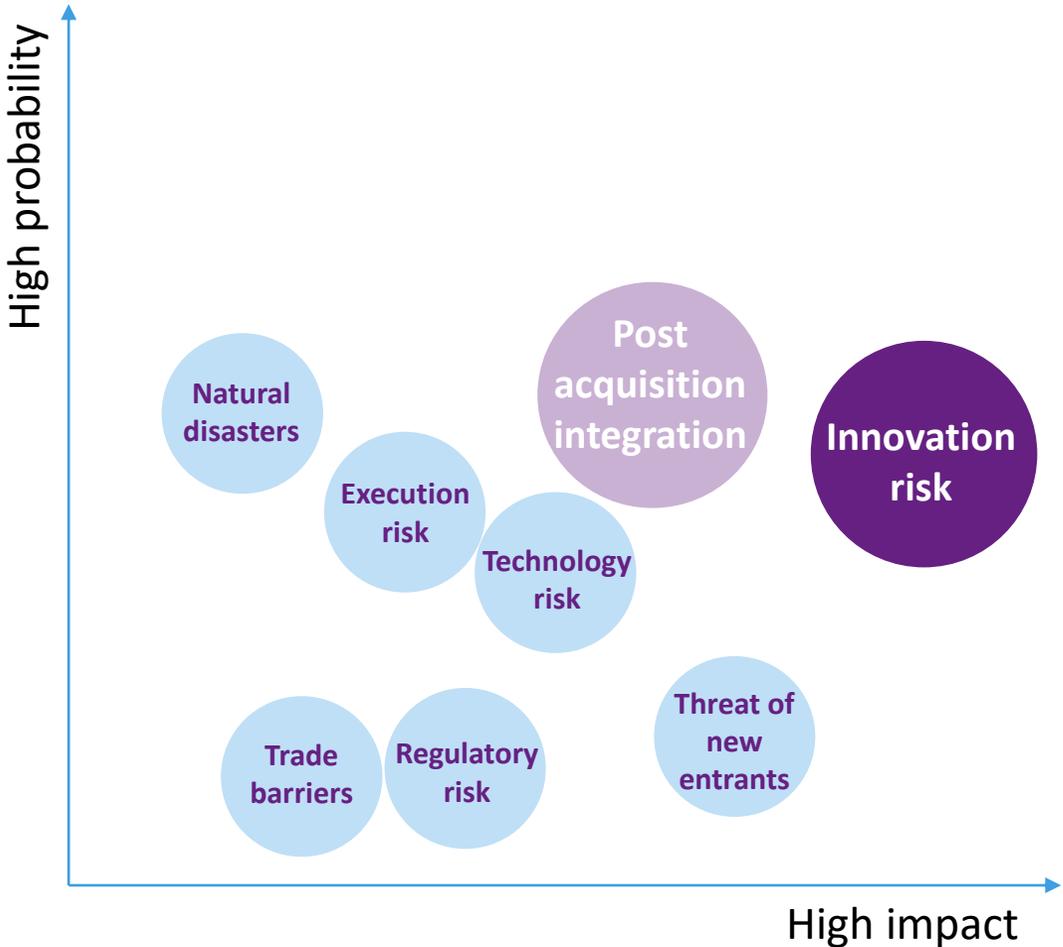
**Valuation Impact**

- 1. Offshore market share 2026 reaches only 25%
- 2. Offshore EBIT margin 2026 grows to only 4%

Impact: -14% from target price (7.5% probability)

Source: Team Analysis

# No high probability-high impact risks identified



**Innovation risk**

**Mitigating Factors**

- 1. Strategic R&D investments
- 2. Top of the line service segments

**Valuation Impact**

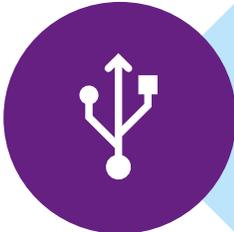
- 1. Overall market share 2026 reaches only 27%
- 2. Selling price down to 0.6m EUR/MW

Impact: -15% from target price (6% probability)

Source: Team Analysis



# For investors looking at a renewable jewel, Vestas is a WIND WIN!



Technology moat unlocks higher pricing potential



Offshore expansion maximizes shareholder returns



Uniquely positioned to capitalize on the renewable transition



Recommendation  
**BUY**

Target Price  
**DKK 1480**