

INDUS Holding AG

Germany | Financial Services | MCap EUR 549m

12 November 2024

UPDATE



Lackluster Q3 results but sequential improvements visible; BUY

BUY (BUY)

Target price	EUR 34.00 (34.00)
Current price	EUR 20.40
Up/downside	66.7%



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What's it all about?

INDUS reported mixed results for Q3 24, showing signs of improvement despite ongoing economic challenges. While revenues declined by 3.6% yoy to EUR 443m, EBIT remained somewhat stable yoy at EUR 32.1m. Overall, INDUS showed a positive trend throughout the year with sequential improvements compared to Q1 and Q2 24. FCF after 9M was almost EUR 72m, lower than last year due to weaker market conditions. However, the company maintained its full-year FCF guidance of over EUR 110m, which we see as a reassuring sign. INDUS confirmed its FY24 sales guidance of EUR 1.7-1.8bn. The EBIT guidance of EUR 115-125m has already been lowered with the prelims. due to impairment charges. Despite the challenges, we see the company's diversified portfolio and strong market positions as strengths in navigating the current economic environment, which is why we reiterate to BUY with unchanged PT of EUR 34.00. mwb research will host a roundtable with Head of IR Dafne Sanac on Nov 14. Register [here](#).

IMPORTANT. Please refer to the last page of this report for "Important disclosures" and analyst(s) certifications.

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Germany | Financial Services | MCap EUR 549m | EV EUR 1,055m

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Lackluster Q3 results but sequential improvements visible; BUY

Weak but improving sales development in Q3 INDUS reported Q3 results that were broadly in line with our and consensus estimates. In the wake of still weak domestic demand and a slowing recovery in international demand, sales were down 3.6% yoy to EUR 443m. While slightly below the consensus and our estimate of EUR 446m, this is an improvement compared to Q1 and Q2 24, when sales declined by 9% and 5.4% respectively. Due to price and volume declines in the metalworking industry, the Materials segment was the hardest hit, with Q3 revenues down c.7% yoy. The Infrastructure segment, on the other hand, showed some resilience (Q3 sales -3% yoy) despite weak construction activity. Finally, INDUS' Engineering segment remained broadly stable yoy, benefiting from the first-time consolidation of DECKMA, which was acquired in August and contributed c. EUR 3m to total sales. In 9M 24, sales totaled EUR 1.28bn, down some 6% on the same period last year.

Order situation with no real impulse INDUS' order book remained weak in the first nine months of the year. Order intake amounted to EUR 1.22bn, a slight decline of 0.8% yoy. The order backlog at the end of the first nine months was EUR 678m, 4.6% lower than at the end of FY23. Looking specifically at the third quarter, order intake in Q3 24 was quite low with a book-to-bill ratio of 0.91x. However, similar to the sales trend, the order situation improved compared to Q2 24 (mwb est. -6% yoy in Q3 vs. -8% yoy in Q2), raising hopes of stabilizing markets.

Earnings impacted by impairment charges On the bottom line, Q3 EBIT was EUR 31.8m, slightly below last year's EUR 32.1m but above the consensus estimate of EUR 32.5m EBIT before impairment. With its prelim. Q3/9M results INDUS already flagged non-cash impairment charges of in total EUR 6.7m (read [here](#)). Adjusted EBITA for Q3 was EUR 43.7m, showing a positive trend throughout the year. The nine-month EBIT was EUR 95.9m (vs. EUR 116.9m), with an EBIT margin of 7.5% (vs. 8.6%). Free cash flow for the first nine months of 2024 was EUR 71.9m, down from EUR 106.1m in the previous year due to weaker market conditions. However, INDUS maintains its FY free cash flow forecast of over EUR 110m, which we see as a reassuring signal for a strong finish to Q4 24.

-continued-

INDUS Holding AG	2021	2022	2023	2024E	2025E	2026E
Sales	1,633	1,804	1,802	1,748	1,840	1,928
<i>Growth yoy</i>	4.8%	10.4%	-0.1%	-3.0%	5.3%	4.7%
EBITDA	251	262	258	248	250	253
EBIT	166	134	150	133	147	155
Net profit	47	-42	55	75	82	90
Net debt (net cash)	504	594	506	434	357	302
Net debt/EBITDA	2.0x	2.3x	2.0x	1.7x	1.4x	1.2x
EPS reported	1.78	-1.57	2.06	2.78	3.07	3.36
DPS	1.05	0.80	1.20	0.97	1.01	1.04
<i>Dividend yield</i>	5.1%	3.9%	5.9%	4.8%	5.0%	5.1%
Gross profit margin	55.0%	53.3%	54.6%	53.5%	52.6%	52.1%
EBITDA margin	15.4%	14.5%	14.3%	14.2%	13.6%	13.1%
EBIT margin	10.1%	7.4%	8.3%	7.6%	8.0%	8.1%
ROCE	10.1%	8.2%	8.8%	9.2%	10.3%	10.9%
EV/Sales	0.6x	0.6x	0.6x	0.6x	0.5x	0.4x
EV/EBITDA	4.2x	4.4x	4.1x	4.0x	3.6x	3.4x
EV/EBIT	6.4x	8.5x	7.1x	7.4x	6.1x	5.5x
PER	11.5x	-13.0x	9.9x	7.3x	6.7x	6.1x

Source: Company data, mwb research



Source: Company data, mwb research

High/low 52 weeks 29.10 / 18.90
Price/Book Ratio 0.8x

Ticker / Symbols

ISIN DE0006200108
WKN 620010
Bloomberg INH:GR

Changes in estimates

		Sales	EBIT	EPS
2024E	old	1,748	133	2.78
	Δ	0.0%	0.0%	0.0%
2025E	old	1,840	147	3.07
	Δ	0.0%	0.0%	0.0%
2026E	old	1,928	155	3.36
	Δ	0.0%	0.0%	0.0%

Key share data

Number of shares: (in m pcs) 26.90
Book value per share: (in EUR) 26.71
Ø trading vol.: (12 months) 23,142

Major shareholders

Versicherungskammer Bayern 13.0%
H.J. Selzer et al. 5.6%
Protector Forsikring 5.4%
Free Float 68.2%

Company description

INDUS Holding acquires small and medium-sized companies. Within its three segments (Engineering, Infrastructure and Materials) it operates a buy-and-hold strategy. INDUS is specializing in industries such as construction, automotive, engineering (including inert gas glove box systems and automated valves), healthcare and basic materials processing.

Outlook confirmed Despite the challenging environment, INDUS maintains its FY24 revenue guidance of EUR 1.70-1.80bn. However, due to impairments, the company has already revised its EBIT guidance last week with the release of its prelim. Q3/9M results to EUR 115-125m (previously EUR 125-145m). The EBIT margin is still expected to be between 7.0-8.0%.

Conclusion The company's performance in Q3 showed some resilience in a challenging economic environment, with improvements in the Engineering and Infrastructure segments partially offsetting pressures in the Materials segment. While sales and earnings were generally lower yoy, the company has shown sequential improvement throughout 2024, which we believe indicates some sort of stabilization, albeit at a lower level. We believe that INDUS is in a strong position to meet the current challenges, not least because of its broad and diverse portfolio and the strong market positions within it. We therefore reiterate our BUY rating based on long-term growth and earnings prospects, with unchanged PT of EUR 34.00.

The following table displays the quarterly performance of **INDUS Holding AG**:

P&L data	Q4 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023	Q1 2024	Q2 2024	Q3 2024
Sales	459.0	450.8	453.3	459.7	438.6	410.1	429.0	443.1
yoy growth in %	3.1%	8.2%	-3.5%	0.2%	-4.4%	-9.0%	-5.4%	-3.6%
Gross profit	245.6	249.4	245.6	252.8	241.5	229.4	235.5	251.2
Gross margin in %	66.5%	55.3%	54.2%	55.0%	55.1%	55.9%	54.9%	56.7%
EBITDA	74.8	80.7	62.0	86.0	67.1	64.1	59.7	61.3
EBITDA margin in %	16.3%	17.9%	13.7%	18.7%	15.3%	15.6%	13.9%	13.8%
EBIT	51.3	59.4	40.1	63.1	44.0	42.4	37.3	31.8
EBIT margin in %	11.2%	13.2%	8.8%	13.7%	10.0%	10.3%	8.7%	7.2%
EBT	33.8	40.9	34.0	27.6	29.7	21.9	32.8	26.3
taxes paid	7.1	12.0	11.4	8.6	23.7	7.4	11.0	8.4
tax rate in %	21.0%	29.3%	33.5%	31.1%	79.8%	33.9%	33.5%	31.9%
net profit	25.8	24.9	21.5	23.5	12.6	10.2	21.5	17.6
yoy growth in %	222.5%	-1.3%	-31.4%	-3,479.9%	-51.2%	-59.2%	-0.1%	-25.1%
EPS	-0.44	0.60	0.83	0.80	0.47	0.38	0.83	0.68

Source: Company data; mwb research

Investment case in “six” charts

Products & Services

INFRASTRUCTURE

14 COMPANIES IN THE SEGMENT

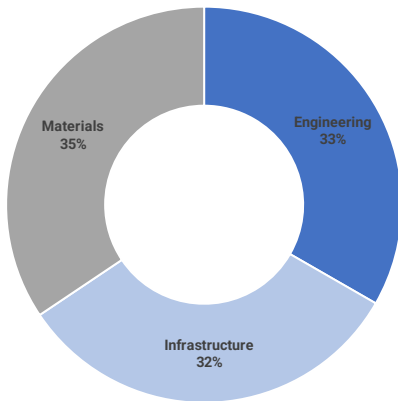
MATERIALS

14 COMPANIES IN THE SEGMENT

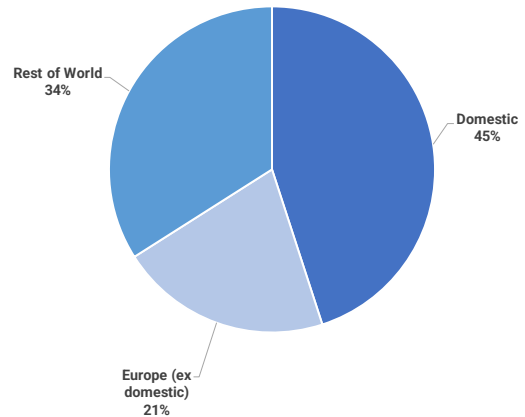
ENGINEERING

16 COMPANIES IN THE SEGMENT

Segmental breakdown in %



Regional sales split in %

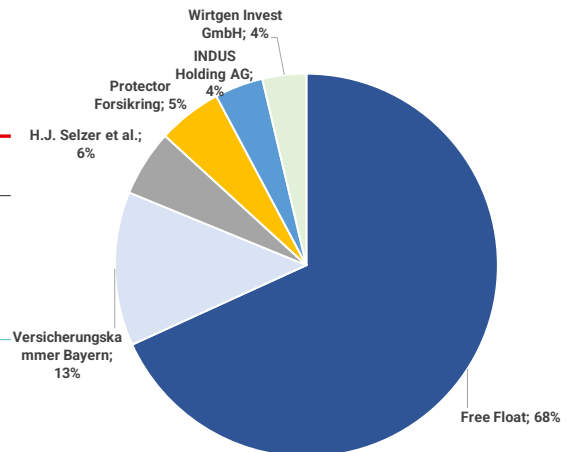


Guidance 2024

	GROUP	
	2023	Forecast Aug 2024
Sales (in EUR billion)	1.80	1.70 - 1.80
EBIT (in EUR million)	149.6	125 - 145
EBIT margin (in %)	8.3	7.0 bis 8.0
Free cash flow (in EUR million)*	198.9	>110

*Free cash flow forecast of > 110 EUR million confirmed

Major Shareholders



Source: Company data, mwb research

SWOT analysis

Strengths

- High level management expertise through years of experience in a wide range of industries
- Well diversified portfolio by industries
- Wealth of expertise in the field of operational efficiency, automation, AI and lean management principles
- Access to financial resources
- Strong anchor shareholders

Weaknesses

- Disproportionately higher share of sales depending on the German market
- Focus on cyclical industries
- Relatively large Supervisory Board in relation to the size of the company

Opportunities

- Well filled M&A pipeline
- PARKOUR perform with the potential to strengthen INDUS' portfolio structure and to facilitate innovation
- Higher interest rates lead to normalization of valuations; Hence falling purchase prices open up new investment opportunities
- Increased government spending into infrastructure in order to achieve climate neutrality could support the company's growth outlook

Threats

- Macro economic headwinds and particularly risks of a recession in Germany
- Fierce competition from different angles of the market such as private equity firms or buy-out specialists
- Higher interest rates for a longer period of time

Valuation

DCF Model

The DCF model results in a **fair value of EUR 33.80 per share**:

Top-line growth: We expect INDUS Holding AG to grow revenues at a CAGR of 2.9% between 2024E and 2031E. The long-term growth rate is set at 2.0%.

ROCE. Returns on capital are developing from 9.2% in 2024E to 11.2% in 2031E.

WACC. Starting point is a historical equity beta of 1.61. Unlevering and correcting for mean reversion yields an asset beta of 1.14. Combined with a risk-free rate of 2.0% and an equity risk premium of 6.0% this yields cost of equity of 11.4%. With pre-tax cost of borrowing at 5.0%, a tax rate of 25% and target debt/equity of 0.5 this results in a long-term WACC of 8.9%.

DCF (EURm) (except per share data and beta)	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	Terminal value
NOPAT	92	102	108	106	104	106	106	108	
Depreciation & amortization	115	103	97	93	91	89	87	87	
Change in working capital	-10	-21	-21	-13	-41	-40	-14	-12	
Chg. in long-term provisions	-8	10	-10	-6	-6	-7	-7	-7	
Capex	-69	-72	-76	-77	-79	-81	-82	-84	
Cash flow	121	122	98	103	69	68	90	91	1,357
Present value	120	111	82	79	49	44	54	50	741
WACC	8.6%	8.6%	8.6%	8.7%	8.7%	8.8%	8.8%	8.8%	8.9%

DCF per share derived from	
Total present value	1,329
Mid-year adj. total present value	1,386
Net debt / cash at start of year	506
Financial assets	30
Provisions and off b/s debt	27
Equity value	909
No. of shares outstanding	26.9
Discounted cash flow / share	33.80
upside/(downside)	65.7%

DCF avg. growth and earnings assumptions	
Planning horizon avg. revenue growth (2024E-2031E)	2.9%
Terminal value growth (2031E - infinity)	2.0%
Terminal year ROCE	11.2%
Terminal year WACC	8.9%

Terminal WACC derived from	
Cost of borrowing (before taxes)	5.0%
Long-term tax rate	25%
Equity beta	1.61
Unlevered beta (industry or company)	1.14
Target debt / equity	0.5
Relevered beta	1.57
Risk-free rate	2.0%
Equity risk premium	6.0%
Cost of equity	11.4%

Share price	20.40
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Sensitivity analysis DCF							
Change in WACC (%-points)	Long term growth					Share of present value	
	1.0%	1.5%	2.0%	2.5%	3.0%		
2.0%	21.7	22.7	23.9	25.1	26.6	2024E-2027E	29.5%
1.0%	25.3	26.7	28.2	29.9	31.9	2028E-2031E	14.7%
0.0%	29.9	31.7	33.8	36.2	39.0	terminal value	55.7%
-1.0%	35.8	38.4	41.3	44.9	49.1		
-2.0%	43.8	47.5	52.0	57.5	64.5		

Source: mwb research

FCF Yield Model

Due to the fact that companies rarely bear sufficient resemblance to peers in terms of geographical exposure, size or competitive strength and in order to adjust for the pitfalls of weak long-term visibility, an Adjusted Free Cash Flow analysis (Adjusted FCF) has been conducted.

The adjusted Free Cash Flow Yield results in a fair value between EUR 32.60 per share based on 2024E and EUR 48.65 per share on 2028E estimates.

The main driver of this model is the level of return available to a controlling investor, influenced by the cost of that investors' capital (opportunity costs) and the purchase price – in this case the enterprise value of the company. Here, the adjusted FCF yield is used as a proxy for the required return and is defined as EBITDA less minority interest, taxes and investments required to maintain existing assets (maintenance capex).

FCF yield in EURm	2024E	2025E	2026E	2027E	2028E
EBITDA	248	250	253	246	241
- Maintenance capex	115	103	97	93	91
- Minorities	1	1	1	1	1
- tax expenses	32	36	39	42	42
= Adjusted FCF	100	110	115	110	107
Actual Market Cap	549	549	549	549	549
+ Net debt (cash)	434	357	302	235	203
+ Pension provisions	0	0	0	0	0
+ Off B/S financing	0	0	0	0	0
- Financial assets	30	30	30	30	30
- Acc. dividend payments	32	58	86	114	143
<i>EV Reconciliations</i>	372	268	186	92	30
= Actual EV'	921	817	735	641	578
Adjusted FCF yield	10.9%	13.5%	15.6%	17.1%	18.5%
base hurdle rate	8.0%	8.0%	8.0%	8.0%	8.0%
ESG adjustment	0.0%	0.0%	0.0%	0.0%	0.0%
adjusted hurdle rate	8.0%	8.0%	8.0%	8.0%	8.0%
Fair EV	1,249	1,381	1,436	1,371	1,338
- <i>EV Reconciliations</i>	372	268	186	92	30
Fair Market Cap	877	1,112	1,250	1,279	1,309
No. of shares (million)	27	27	27	27	27
Fair value per share in EUR	32.60	41.35	46.47	47.56	48.65
Premium (-) / discount (+)	59.8%	102.7%	127.8%	133.1%	138.5%

Sensitivity analysis FV						
Adjusted hurdle rate	6.0%	48	58	64	65	65
	7.0%	39	49	54	55	56
	8.0%	33	41	46	48	49
	9.0%	27	36	41	42	43
	10.0%	23	31	36	37	39

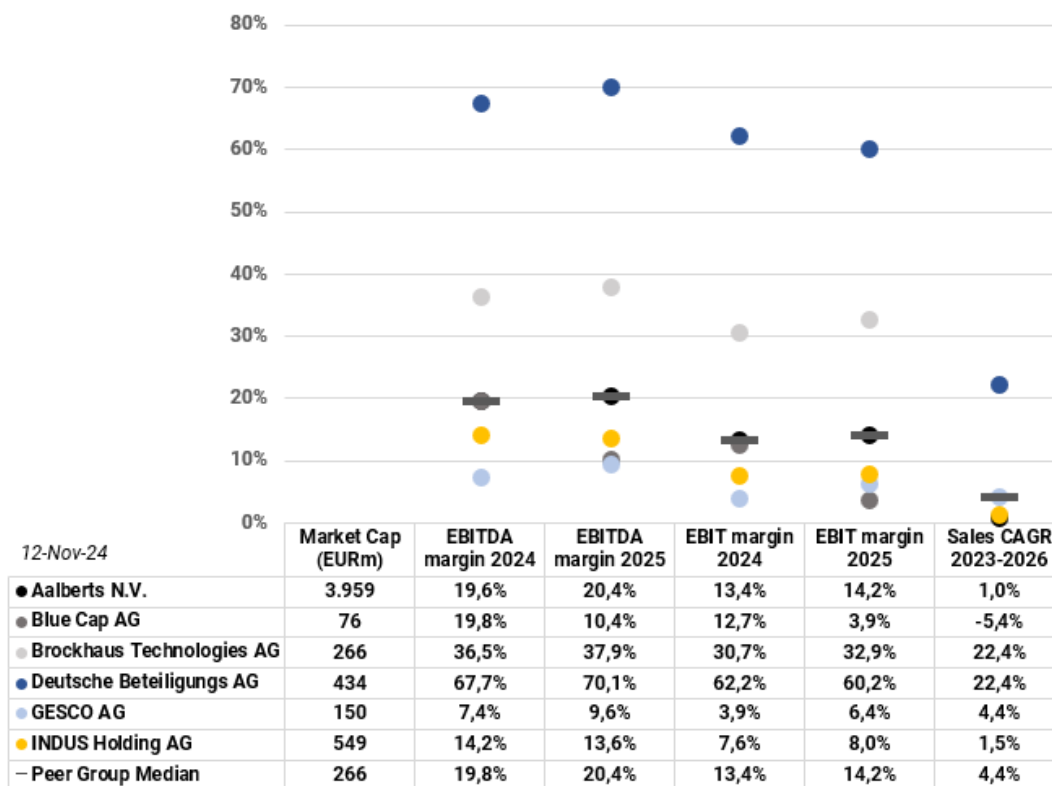
Source: Company data; mwb research

Simply put, the model assumes that investors require companies to generate a minimum return on the investor's purchase price. The required after-tax return equals the model's hurdle rate of 8.0%. Anything less suggests the stock is expensive; anything more suggests the stock is cheap. **ESG adjustments might be applicable. A high score indicates high awareness for environmental, social or governance issues and thus might lower the overall risk an investment in the company might carry. A low score on the contrary might increase the risk of an investment and might therefore trigger a higher required hurdle rate.**

Peer group analysis

A peer group or comparable company (“comps”) analysis is a methodology that calculates a company’s relative value – how much it should be worth based on how it compares to other similar companies. Given that **INDUS Holding AG** differs quite significantly in terms of size, focus, financial health and growth trajectory, we regard our peer group analysis merely as a support for other valuation methods. The peer group of INDUS Holding AG consists of the stocks displayed in the chart below. As of 12 November 2024 the median market cap of the peer group was EUR 266m, compared to EUR 549m for INDUS Holding AG. In the period under review, the peer group was more profitable than INDUS Holding AG. The expectations for sales growth are higher for the peer group than for INDUS Holding AG.

Peer Group – Key data

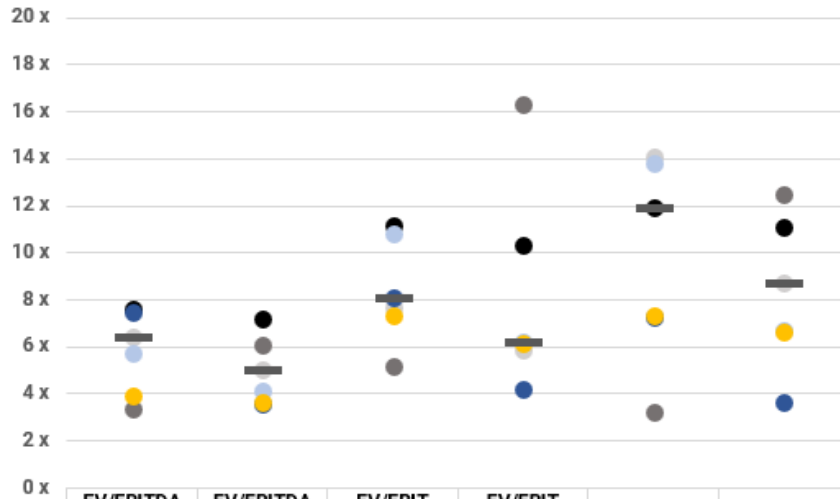


Source: FactSet, mwb research

Comparable company analysis operates under the assumption that similar companies will have similar valuation multiples. We use the following multiples: EV/EBITDA 2024, EV/EBITDA 2025, EV/EBIT 2024, EV/EBIT 2025, P/E 2024 and P/E 2025.

Applying these to INDUS Holding AG results in a range of fair values from EUR 18.01 to EUR 43.48.

Peer Group – Multiples and valuation



12-Nov-24

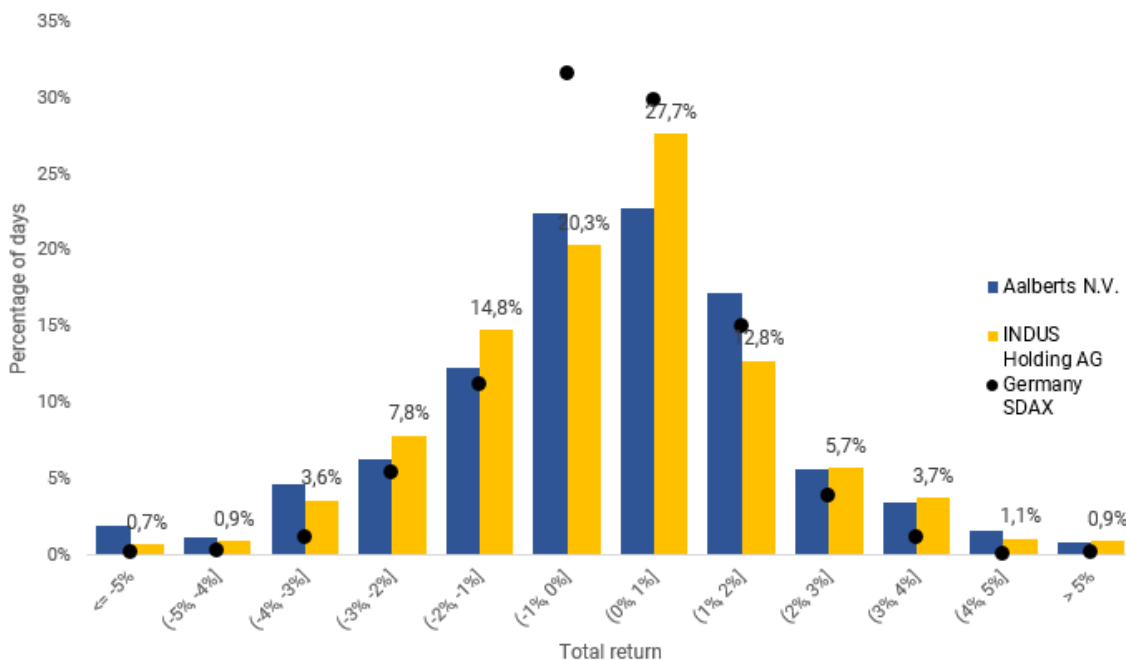
	EV/EBITDA 2024	EV/EBITDA 2025	EV/EBIT 2024	EV/EBIT 2025	P/E 2024	P/E 2025
● Aalberts N.V.	7,6x	7,2x	11,2x	10,3x	11,9x	11,1x
● Blue Cap AG	3,3x	6,1x	5,2x	16,3x	3,2x	12,5x
● Brockhaus Technologies AG	6,5x	5,1x	7,7x	5,8x	14,1x	8,7x
● Deutsche Beteiligungs AG	7,4x	3,6x	8,1x	4,2x	7,3x	3,6x
● GESCO AG	5,7x	4,1x	10,8x	6,2x	13,8x	6,7x
● INDUS Holding AG	4,0x	3,6x	7,4x	6,1x	7,3x	6,7x
– Peer Group Median	6,5x	5,1x	8,1x	6,2x	11,9x	8,7x
Fair Value (EUR)	43,48	31,08	23,99	18,01	33,24	26,70

Source: FactSet, mwb research

Risk

The chart displays the **distribution of daily returns of INDUS Holding AG** over the last 3 years, compared to the same distribution for Aalberts N.V.. We have also included the distribution for the index Germany SDAX. The distribution gives a better understanding of risk than measures like volatility, which assume that log returns are normally distributed. In reality, they are skewed (down moves are larger) and have fat tails (large moves occur more often than predicted). Also, volatility treats up and down moves the same, while investors are more worried about down moves. For INDUS Holding AG, the worst day during the past 3 years was 30/11/2023 with a share price decline of -7.4%. The best day was 30/03/2023 when the share price increased by 7.1%.

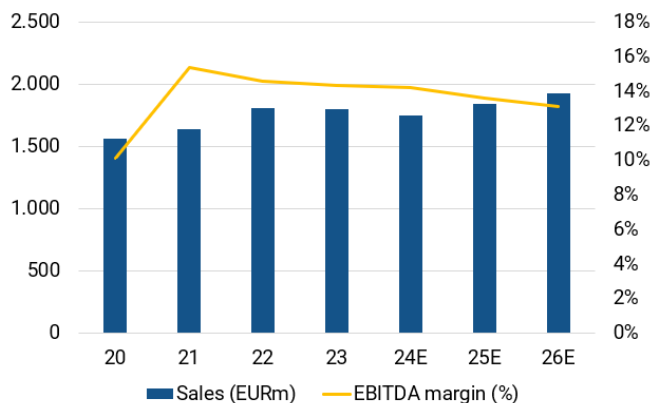
Risk – Daily Returns Distribution (trailing 3 years)



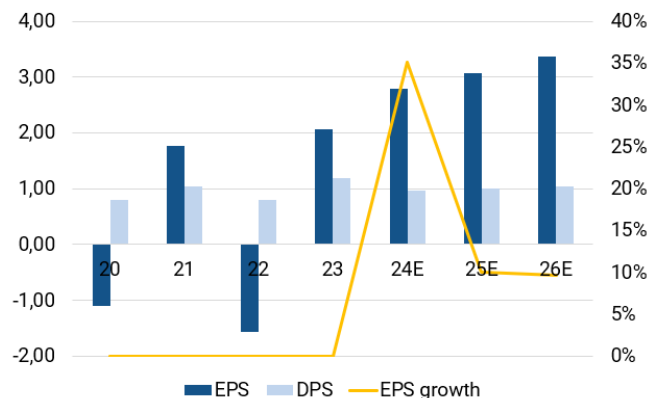
Source: FactSet, mwb research

Financials in six charts

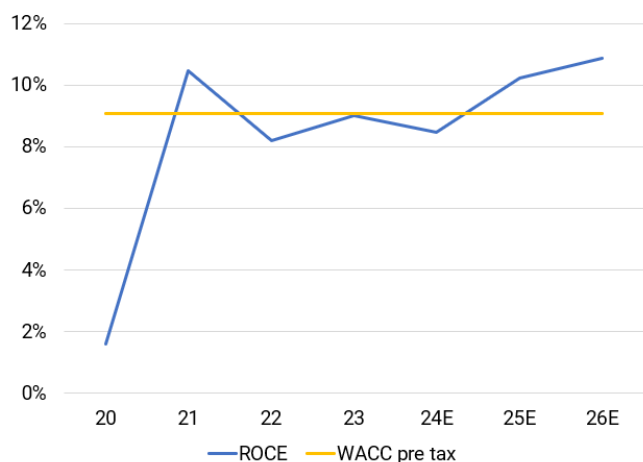
Sales vs. EBITDA margin development



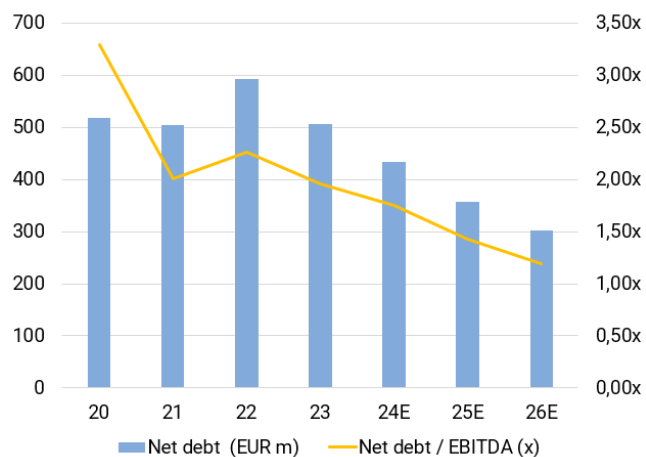
EPS, DPS in EUR & yoy EPS growth



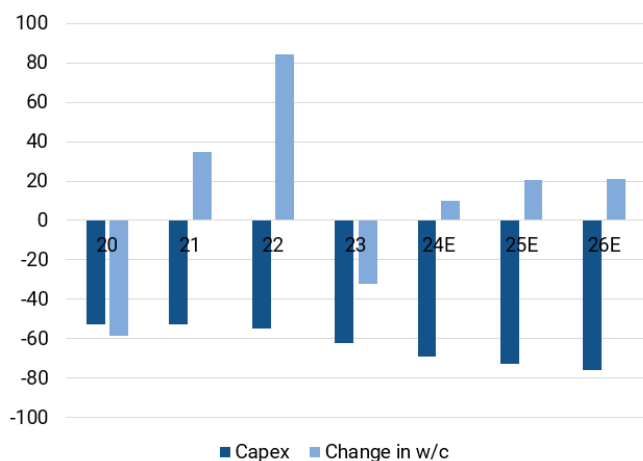
ROCE vs. WACC (pre tax)



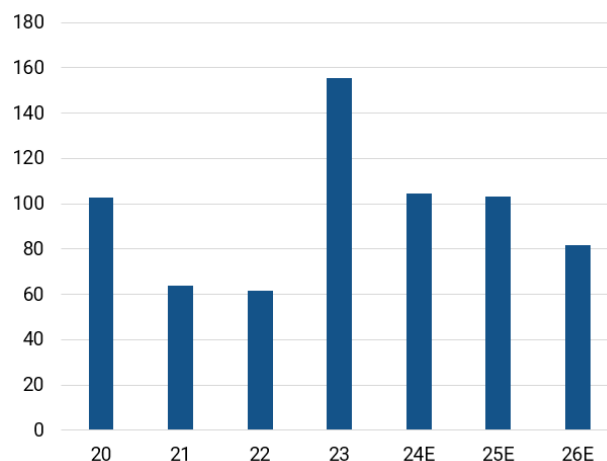
Net debt and net debt/EBITDA



Capex & chgn in w/c requirements in EURm



Free Cash Flow in EURm



Source: Company data; mwb research

Financials

Profit and loss (EURm)	2021	2022	2023	2024E	2025E	2026E
Net sales	1,633	1,804	1,802	1,748	1,840	1,928
Sales growth	4.8%	10.4%	-0.1%	-3.0%	5.3%	4.7%
Change in finished goods and work-in-process	22	30	-17	38	22	10
Total sales	1,655	1,834	1,785	1,787	1,863	1,938
Material expenses	757	872	801	851	894	933
Gross profit	898	962	984	935	968	1,004
Other operating income	28	29	26	24	26	27
Personnel expenses	467	495	522	493	515	540
Other operating expenses	207	233	230	219	228	239
EBITDA	251	262	258	248	250	253
Depreciation	83	86	89	90	84	79
EBITA	168	176	169	158	166	173
Amortisation of goodwill and intangible assets	3	43	19	25	19	18
EBIT	166	134	150	133	147	155
Financial result	-16	-18	-10	-25	-28	-25
Recurring pretax income from continuing operations	150	116	140	108	119	131
Extraordinary income/loss	0	0	0	0	0	0
Earnings before taxes	150	116	140	108	119	131
Taxes	52	33	56	32	36	39
Net income from continuing operations	98	82	84	76	83	91
Result from discontinued operations (net of tax)	-50	-124	-28	0	0	0
Net income	48	-41	56	76	83	91
Minority interest	-1	-1	-1	-1	-1	-1
Net profit (reported)	47	-42	55	75	82	90
Average number of shares	26.33	26.90	26.90	26.90	26.90	26.90
EPS reported	1.78	-1.57	2.06	2.78	3.07	3.36

Profit and loss (common size)	2021	2022	2023	2024E	2025E	2026E
Net sales	100%	100%	100%	100%	100%	100%
Change in finished goods and work-in-process	1%	2%	-1%	2%	1%	0%
Total sales	101%	102%	99%	102%	101%	100%
Material expenses	46%	48%	44%	49%	49%	48%
Gross profit	55%	53%	55%	54%	53%	52%
Other operating income	2%	2%	1%	1%	1%	1%
Personnel expenses	29%	27%	29%	28%	28%	28%
Other operating expenses	13%	13%	13%	13%	12%	12%
EBITDA	15%	15%	14%	14%	14%	13%
Depreciation	5%	5%	5%	5%	5%	4%
EBITA	10%	10%	9%	9%	9%	9%
Amortisation of goodwill and intangible assets	0%	2%	1%	1%	1%	1%
EBIT	10%	7%	8%	8%	8%	8%
Financial result	-1%	-1%	-1%	-1%	-2%	-1%
Recurring pretax income from continuing operations	9%	6%	8%	6%	6%	7%
Extraordinary income/loss	0%	0%	0%	0%	0%	0%
Earnings before taxes	9%	6%	8%	6%	6%	7%
Taxes	3%	2%	3%	2%	2%	2%
Net income from continuing operations	6%	5%	5%	4%	5%	5%
Result from discontinued operations (net of tax)	-3%	-7%	-2%	0%	0%	0%
Net income	3%	-2%	3%	4%	5%	5%
Minority interest	-0%	-0%	-0%	-0%	-0%	-0%
Net profit (reported)	3%	-2%	3%	4%	4%	5%

Source: Company data; mwb research

Balance sheet (EURm)	2021	2022	2023	2024E	2025E	2026E
Intangible assets (excl. Goodwill)	143	172	164	148	138	130
Goodwill	410	404	396	396	396	396
Property, plant and equipment	510	413	418	388	367	354
Financial assets	23	14	30	30	30	30
FIXED ASSETS	1,085	1,003	1,008	962	931	910
Inventories	404	449	429	443	466	486
Accounts receivable	167	195	181	176	185	194
Other current assets	51	94	23	23	23	23
Liquid assets	136	128	266	66	43	48
Deferred taxes	14	20	21	21	21	21
Deferred charges and prepaid expenses	0	0	0	0	0	0
CURRENT ASSETS	772	887	921	730	739	772
TOTAL ASSETS	1,857	1,890	1,929	1,691	1,670	1,682
SHAREHOLDERS EQUITY	787	693	718	762	819	883
MINORITY INTEREST	2	2	2	2	2	2
Long-term debt	477	581	618	400	400	350
Provisions for pensions and similar obligations	0	0	0	0	0	0
Other provisions	204	210	200	192	202	193
Non-current liabilities	681	790	818	592	602	543
short-term liabilities to banks	163	141	154	100	0	0
Accounts payable	76	74	64	68	71	72
Advance payments received on orders	0	0	0	0	0	0
Other liabilities (incl. from lease and rental contracts)	133	172	147	142	149	156
Deferred taxes	15	17	26	26	26	26
Deferred income	0	0	0	0	0	0
Current liabilities	387	404	391	336	246	254
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	1,857	1,890	1,929	1,691	1,670	1,682

Balance sheet (common size)	2021	2022	2023	2024E	2025E	2026E
Intangible assets (excl. Goodwill)	8%	9%	9%	9%	8%	8%
Goodwill	22%	21%	21%	23%	24%	24%
Property, plant and equipment	27%	22%	22%	23%	22%	21%
Financial assets	1%	1%	2%	2%	2%	2%
FIXED ASSETS	58%	53%	52%	57%	56%	54%
Inventories	22%	24%	22%	26%	28%	29%
Accounts receivable	9%	10%	9%	10%	11%	12%
Other current assets	3%	5%	1%	1%	1%	1%
Liquid assets	7%	7%	14%	4%	3%	3%
Deferred taxes	1%	1%	1%	1%	1%	1%
Deferred charges and prepaid expenses	0%	0%	0%	0%	0%	0%
CURRENT ASSETS	42%	47%	48%	43%	44%	46%
TOTAL ASSETS	100%	100%	100%	100%	100%	100%
SHAREHOLDERS EQUITY	42%	37%	37%	45%	49%	53%
MINORITY INTEREST	0%	0%	0%	0%	0%	0%
Long-term debt	26%	31%	32%	24%	24%	21%
Provisions for pensions and similar obligations	0%	0%	0%	0%	0%	0%
Other provisions	11%	11%	10%	11%	12%	11%
Non-current liabilities	37%	42%	42%	35%	36%	32%
short-term liabilities to banks	9%	7%	8%	6%	0%	0%
Accounts payable	4%	4%	3%	4%	4%	4%
Advance payments received on orders	0%	0%	0%	0%	0%	0%
Other liabilities (incl. from lease and rental contracts)	7%	9%	8%	8%	9%	9%
Deferred taxes	1%	1%	1%	2%	2%	2%
Deferred income	0%	0%	0%	0%	0%	0%
Current liabilities	21%	21%	20%	20%	15%	15%
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	100%	100%	100%	100%	100%	100%

Source: Company data; mwb research

Cash flow statement (EURm)	2021	2022	2023	2024E	2025E	2026E
Net profit/loss	98	-41	84	76	83	91
Depreciation of fixed assets (incl. leases)	86	129	109	90	84	79
Amortisation of goodwill	0	0	0	0	0	0
Amortisation of intangible assets	0	0	0	25	19	18
Others	-32	113	-7	-8	10	-10
Cash flow from operations before changes in w/c	151	201	186	183	197	179
Increase/decrease in inventory	0	0	0	-14	-22	-20
Increase/decrease in accounts receivable	0	0	0	5	-9	-9
Increase/decrease in accounts payable	0	0	0	4	3	1
Increase/decrease in other w/c positions	-35	-84	32	-5	7	7
Increase/decrease in working capital	-35	-84	32	-10	-21	-21
Cash flow from operating activities	117	116	218	173	176	158
CAPEX	-53	-55	-62	-69	-72	-76
Payments for acquisitions	-67	-59	-9	0	0	0
Financial investments	-25	-0	-1	0	0	0
Income from asset disposals	15	19	21	0	0	0
Cash flow from investing activities	-130	-94	-50	-69	-72	-76
Cash flow before financing	-14	22	168	105	103	82
Increase/decrease in debt position	-85	106	42	-272	-100	-50
Purchase of own shares	0	0	0	0	0	0
Capital measures	85	0	0	0	0	0
Dividends paid	-22	-28	-22	-32	-26	-27
Others	-19	-22	-21	0	0	0
Effects of exchange rate changes on cash	-0	-0	-1	0	0	0
Cash flow from financing activities	-41	56	-1	-304	-126	-77
Increase/decrease in liquid assets	-55	78	166	-200	-23	5
Liquid assets at end of period	136	128	266	66	43	48

Source: Company data; mwb research

Regional sales split (EURm)	2021	2022	2023	2024E	2025E	2026E
Domestic	849	902	811	787	828	868
Europe (ex domestic)	327	343	379	367	386	405
The Americas	0	0	0	0	0	0
Asia	0	0	0	0	0	0
Rest of World	457	559	613	594	626	655
Total sales	1,633	1,804	1,802	1,748	1,840	1,928

Regional sales split (common size)	2021	2022	2023	2024E	2025E	2026E
Domestic	52.0%	50.0%	45.0%	45.0%	45.0%	45.0%
Europe (ex domestic)	20.0%	19.0%	21.0%	21.0%	21.0%	21.0%
The Americas	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Asia	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Rest of World	28.0%	31.0%	34.0%	34.0%	34.0%	34.0%
Total sales	100%	100%	100%	100%	100%	100%

Source: Company data; mwb research

Ratios	2021	2022	2023	2024E	2025E	2026E
Per share data						
Earnings per share reported	1.78	-1.57	2.06	2.78	3.07	3.36
Cash flow per share	4.43	4.33	8.09	2.17	2.71	2.25
Book value per share	29.89	25.77	26.71	28.33	30.46	32.85
Dividend per share	1.05	0.80	1.20	0.97	1.01	1.04
Valuation						
P/E	11.5x	-13.0x	9.9x	7.3x	6.7x	6.1x
P/CF	4.6x	4.7x	2.5x	9.4x	7.5x	9.1x
P/BV	0.7x	0.8x	0.8x	0.7x	0.7x	0.6x
Dividend yield (%)	5.1%	3.9%	5.9%	4.8%	5.0%	5.1%
FCF yield (%)	21.7%	21.2%	39.7%	10.7%	13.3%	11.0%
EV/Sales	0.6x	0.6x	0.6x	0.6x	0.5x	0.4x
EV/EBITDA	4.2x	4.4x	4.1x	4.0x	3.6x	3.4x
EV/EBIT	6.4x	8.5x	7.1x	7.4x	6.1x	5.5x
Income statement (EURm)						
Sales	1,633	1,804	1,802	1,748	1,840	1,928
yoy chg in %	4.8%	10.4%	-0.1%	-3.0%	5.3%	4.7%
Gross profit	898	962	984	935	968	1,004
Gross margin in %	55.0%	53.3%	54.6%	53.5%	52.6%	52.1%
EBITDA	251	262	258	248	250	253
EBITDA margin in %	15.4%	14.5%	14.3%	14.2%	13.6%	13.1%
EBIT	166	134	150	133	147	155
EBIT margin in %	10.1%	7.4%	8.3%	7.6%	8.0%	8.1%
Net profit	47	-42	55	75	82	90
Cash flow statement (EURm)						
CF from operations	117	116	218	173	176	158
Capex	-53	-55	-62	-69	-72	-76
Maintenance Capex	0	0	0	115	103	97
Free cash flow	64	62	156	105	103	82
Balance sheet (EURm)						
Intangible assets	553	576	560	544	534	526
Tangible assets	510	413	418	388	367	354
Shareholders' equity	787	693	718	762	819	883
Pension provisions	0	0	0	0	0	0
Liabilities and provisions	844	931	972	692	602	543
Net financial debt	504	594	506	434	357	302
w/c requirements	495	570	547	551	580	608
Ratios						
ROE	6.0%	-6.0%	7.8%	9.9%	10.2%	10.4%
ROCE	10.1%	8.2%	8.8%	9.2%	10.3%	10.9%
Net gearing	64.0%	85.6%	70.5%	56.9%	43.5%	34.2%
Net debt / EBITDA	2.0x	2.3x	2.0x	1.7x	1.4x	1.2x

Source: Company data; mwb research

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