PARMANTIER & CIE.

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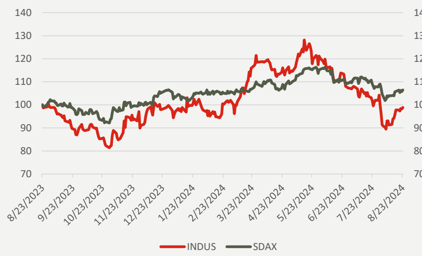
BUY

Target price	**€ 35.40 (-)**
Share price*	€ 22.15 (+0,9%)

*Closing price XETRA (23.08.2024)

CHART



SHAREHOLDER STRUCTURE

Versicherungskammer Bayern	13.0%
H.J. Selzer et al.	5.6%
Protector Forsikring	5.4%
Wirtgen Invest Holding	3.7%
EPINA GmbH & Co. KG	2.7%
Treasury shares of the company	4.1%

BASIC DATA SHARE

Number of shares (in millions)	26.9
Free float (in %)	65.5%
Market capitalisation (in € million)	571.3
Trading volume (Ø-100 days; in k€)	156.1
52-week high (in €)	29.05
52-week low (in €)	18.24

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INDUS Holding AG

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High-quality, diversified SME portfolio with attractive discount to fair value

INDUS Holding AG recorded **cyclical declines** in sales (€ 839.1 million; -7.2%) and EBIT (€ 64.1 million; -24.5%) in the first half of 2024. As the portfolio streamlining was completed in 2023 and the discontinued operations therefore no longer had a negative impact, **net profit for the period (€ 31.6 million; +47.7%) improved significantly**. However, economic concerns continue to weigh on the share price, as a noticeable recovery in the economic environment (especially in Germany) has been delayed. We believe that this is a **favourable situation** to build up a position in the INDUS share. The share price is **protected on the downside** by a low P/E ratio (2024e: 8.3) and a dividend yield of over 5%.

INDUS paid out around € 56 million to shareholders in H1 2024 via the **regular dividend** and a **share buyback programme**. In terms of dividends, INDUS has stood for reliable annual payouts for over 25 years - even in times of crisis. This underscores not least the **quality of** INDUS' **actively managed Hidden Champion portfolio**.

Despite the above-average **phase of economic weakness** and the **noticeable impact on the operating business** of the INDUS portfolio companies, EBIT margins remained solid at over 5% compared to other industrial business models in the **Engineering** segment. **Infrastructure** was even able to increase its operating margin. Free cash flow (Group) improved significantly in H1 to € 41.2 million (H1 23: € 35.2 million).

The portfolio was strengthened with three acquisitions in H1, including two bolt-on acquisitions. The **M&A budget** (of € 70 million for 2024) has not yet been utilised, meaning that further acquisitions are expected in H2.

Outlook: For 2024, the INDUS Group expects **sales of** between € 1.7 billion and € 1.8 billion and **EBIT** of between € 125 million and € 145 million, with **an EBIT margin of** between 7% and 8%. **Free cash flow** is expected to exceed € 110 million.

FY 31.12.; in million euros	(22-26e)	2022	2023	2024e	2025e	2026e
Turnover	6.2%	1,804.11	1,802.43	1,780.80	2,047.92	2,293.67
EBITDA	5.3%	262.43	258.13	223.49	277.49	322.26
EBITDA margin, %		14.5%	14.3%	12.5%	13.5%	14.1%
EBIT	11.5%	133.67	149.56	133.56	174.07	206.43
EBIT margin, %		7.4%	8.3%	7.5%	8.5%	9.0%
Consolidated earnings	n.m.	-42.24	55.44	71.70	98.37	119.50
EPS, in euros	n.m.	-1.57	2.06	2.78	3.81	4.63
Dividend per share, in euros	27.3%	0.80	1.20	1.26	1.73	2.10
EV/Sales		0.73	0.66	0.62	0.54	0.48
EV/EBITDA		6.0	5.0	5.0	4.0	3.4
P/E RATIO		n.m.	11.6	8.3	6.1	5.0

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INVESTMENT THESES

INDUS Holding AG (INDUS) pursues a "buy, hold and develop" approach in the DACH region and has an **actively managed and diversified SME portfolio** that is positioned along various megatrends. The focus is on the long-term, sustainable development of the portfolio companies while preserving their SME character. As "**hidden champions**", many of the holdings are leading companies in their respective market niches.

With **PARKOUR perform**, INDUS implemented a strategy update at the beginning of 2023 based on **four initiatives**: **(1) strengthening the portfolio structure** (alignment with future topics/megatrends), **(2) driving innovation** (via INDUS development bank, innovation toolbox, transfer of expertise and the acquisition of innovative second-tier subsidiaries), **(3) increasing performance** (continuous improvement of business processes by focusing on actual value creation) and **(4) acting sustainably**. The sales target of over € 2 billion in annual sales in 2025 has become more ambitious due to the economic challenges and is increasingly dependent on acquisitions.

Despite the diversification across various **industrial niche markets** and the operating improvements brought about by **PARKOUR perform**, INDUS cannot completely escape the **general economic trend**. Although relevant sectors (such as the construction industry and mechanical engineering) are in crisis, all segments are reporting clearly positive operating margins despite declining sales. In our opinion, this speaks in favour of the **high quality of the portfolio companies** and a **strong market position** in the respective niche.

INDUS pursues an investor-friendly **capital market strategy.** This includes a high degree of **transparency** in **capital market communication, share buybacks,** and a **shareholder-friendly dividend policy** that is underpinned by a long history. INDUS has paid a dividend every financial year **for over 25 years - even in the economically challenging years** after 2000, during the financial crisis and in the coronavirus years. On average between 40% and 50% of INDUS Holding AG's net retained profits are to be distributed. A share buyback programme (volume € 25.3 million) was completed in March 2024 - together with the dividend (of € 1.20 per share), around € 56 million already flowed to the shareholders in 2024. The **use of the repurchased shares** (acquisition currency, employee share ownership programme) is still open, but there are no plans to withdraw them. As long as the shares are held by INDUS, there will be positive effects on EPS and dividends.

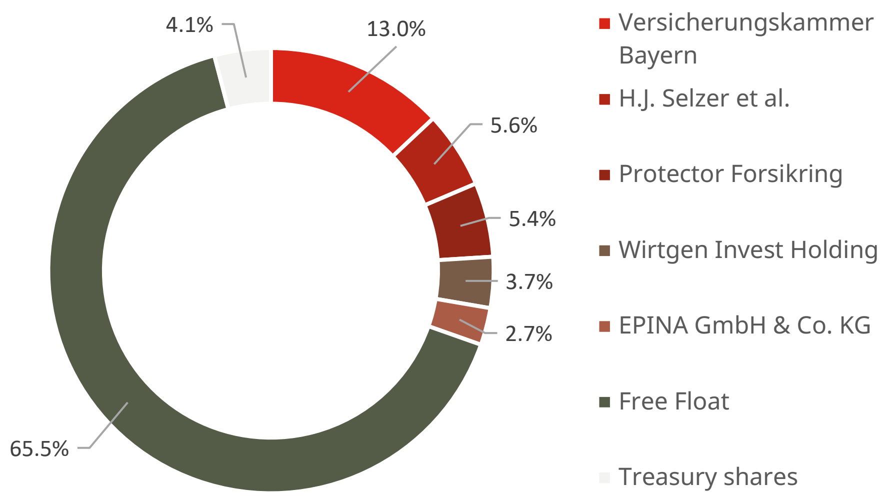
According to our estimates, INDUS has **a P/E ratio of 8.3 for 2024**, with a **dividend yield of over 5%**. Fundamentally, INDUS is therefore favourably valued. The leading **economic research institutes** see 2024 as a bottoming-out year with subdued GDP growth. The portfolio companies should benefit strongly from an expected economic upturn in 2025 in operational terms, and the INDUS share should then experience a revaluation in terms of earnings multiples. **In our view, building up a position in INDUS at the present time is "hedged" on the downside by fundamental indicators.**

Company profile

INDUS Holding AG, headquartered in Bergisch Gladbach, is an SME holding company with currently **44 subsidiaries (at first level)** in the DACH region. The subsidiaries are assigned to the **Engineering, Infrastructure** and **Materials** segments and are represented in a total of around 30 countries with their own branches. In 2023, INDUS generated consolidated sales of € 1,802 million with an average total of 8,929 employees and an EBIT margin of 8.3%. The focus of the (mostly wholly owned) portfolio companies is **on long-term development**, not exit. All investments address at least one of the **megatrends: sustainability, digitalisation, mobility & urbanisation** and/or **demographics & health**. The independent management of the SME subsidiaries (by the respective managing directors) preserves the typical **strengths of German-speaking SMEs**, while at the same time providing backing from INDUS. This applies not only to financial support for **larger investment projects** (innovation, sustainability) and **add-on investments abroad** for international growth. INDUS also supports the portfolio companies in their **internationalisation** (Expansion of foreign locations), through training courses (**know-how transfer**) and by **providing legal and support functions** (e.g. accounting).

Shareholder structure

INDUS has a stable shareholder base. In addition to the **anchor shareholder "Versicherungskammer Bayern"**, which has been invested since 2010, the company has two other shareholders with voting rights of more than 5%. These include the Norwegian insurer **Protector Forsikring**, which has adopted a stock-picking approach with its equity investments (21 securities, >200 million AUM), in which INDUS forms the largest single position. According to the definition of Deutsche Börse, the free float of the INDUS share would therefore be around 75%. However, with **Wirtgen Invest Holding** and **EPINA GmbH & Co KG**, there are two other long-term shareholders with voting rights of around 3%, as well as 4.1% of the treasury shares that INDUS has bought back - resulting in a tradable free float of 65.5% in our presentation. It should be noted that **treasury shares do not carry voting or dividend rights**.



Source: Company information

Company history

Year	Events
1989	Foundation of INDUS; the acquisitions made at that time, BETEK, BETOMAX and KARL SIMON, are still part of INDUS Holding's holdings today
1995	The IPO of INDUS Holding AG took place on September 13, 1995; the issue price was the equivalent of € 14.83; the growth acquisitions made at that time included OFA Bamberg and IPETRONIK, which are still part of the Group today
2002	Change of management; entry into the consolidation phase; growth acquisitions at that time included MBRAUN Inertgas-Systeme and OBUK Haustürfüllungen, which are still part of the Group today
2010	Versicherungskammer Bayern becomes a long-term anchor shareholder, INDUS begins transparent reporting on climate management (CDP climate change questionnaire)
2012	Entry into the "buy, hold & develop" phase; "Kompass 2020" strategy is implemented; growth acquisitions BUDDE Fördertechnik, ELTHERM are made, as well as several add-on acquisitions for existing subsidiaries
2015	INDUS enters the next stage of the "COMPASS 2020" strategy, growth acquisitions (including HEITZ Furnierkanten; RAGUSE company for medical products), portfolio strengthening with bolt-on acquisitions and internationalization characterize the successful development of the groups Prime rating from oekom research (rating agency in the sustainable investment segment)
2016	Top rating from the non-profit organization CDP and inclusion on the "CDP Climate Change A List" (the world's leading companies in climate protection)
2018	Change of management; the new PARKOUR strategy program strengthens the portfolio structure and the fitness of the investments; growth acquisitions MESUTRONIC Gerätebau; Dessauer Schaltschrank- und Gehäusetechnik
2020	"ZWISCHENSPURT" package of measures; INDUS sustainability development bank will support sustainability activities in the future; climate neutrality by 2045 remains a constant focus; growth acquisitions including Heiber + Schröder Maschinenbau, WIRUS Fenster
2023	Strategy update "PARKOUR perform" is implemented
2024	New acquisition GESTALT AUTOMATION is part of the INDUS Group since 1.3.24

Source: Company data; PCR

Segment structure

The new segment structure introduced at the beginning of 2023 comprises **three segments of roughly equal size in terms of sales – Engineering, Infrastructure and Materials** - which are presented in **brief profiles** below. A more detailed analysis and an assessment of the current development of the segments can be found in the market section ("Economic development").

Engineering

Segment CEO Axel Meyer, who is also responsible for the strategic pillar "**Improving performance**", leads the Engineering segment, which currently has 16 holdings. The segment generated sales of € 599.6 million in the past financial year. Mechanical and plant engineering is an important pillar of the German economy, and the combination of production and IT is creating new growth models. This development is driven by the megatrends of digitalisation and sustainability. INDUS' portfolio companies address specialised mechanical and equipment engineering as well as niches in automation/robotics, sensor technology and measurement and control technology. With 2023 sales of € 99.7 million, **MBraun Inertgas-Systeme GmbH**, a manufacturer of glovebox systems for industry and research, is the division's largest portfolio company.

Infrastructure

Driven by the megatrends of urbanisation, digitalisation and sustainability, INDUS' 14 Infrastructure portfolio companies focus on construction and building technology, telecommunications infrastructure and refrigeration and air conditioning technology. In 2023, the segment generated sales of € 582.3 million. The segment's CEO is **Dr. Jörn Großmann**, who is also responsible for the strategic pillars "**Striving for Sustainability**" and "**Driving Innovation**". With sales of just over € 90 million each, **Hauff-Technik GmbH & Co. KG** (innovative sealing systems for cables and pipes) and **Remko GmbH & Co. KG** (air conditioning and heating technology) are the largest portfolio companies in the segment.

Materials

The Materials segment generated sales of € 619.9 million in 2023 and is managed by segment head Gudrun Degenhart. 14 equity investments are allocated to the segment, with a participation rate of 100% across the board. The largest segment investment in terms of sales is **Betek GmbH & Co. KG** (sales 2023: € 301.5 million). The specialisations of the portfolio companies are based on a high level of expertise in the areas of materials science and materials and address metal forming, processing and production, as well as medical aids and consumables.

Executive Board and Supervisory Board

The five-member INDUS Board of Management is made up of two Group Board members and three segment Board members. **Johannes Schmidt** (born 1961) has been **Chairman of the Board of Management** since 2018; Mr Schmidt has been a member of the INDUS Board of Management since 2006. His areas of responsibility include Corporate Governance, Human Resources (Holding), Legal, Corporate Strategy, IR&PR and Internal Audit. In previous professional positions, Mr Schmidt, who holds a degree in mathematics, worked for various medium-sized companies, including ebm-papst Landshut GmbH (as sole member of the Board of Management). **Deputy Chairman of the Board of Management Rudolf Weichert** (born in 1963) has been a member of the INDUS Board of Management since mid-2012 and is responsible for Finance, Investments, Compliance Management, Reporting, IT Accounting (Holding), Risk Management and Insurance, among other things. Prior to this, the business graduate spent around 20 years at the auditing firm KPMG, nine of which as a partner. **Board member Gudrun Degenhart** (born 1970) joined the INDUS Board of Management in October 2023 and heads the Materials segment. In previous management positions, the business administration graduate worked for ISS A/S, thyssenkrupp and the medium-sized construction technology company Schöck AG (Board of Management member), among others. **Board member Axel Meyer** (born 1968) has been a member of the INDUS Board of Management since 2017 and is in charge of the Engineering segment. In previous positions, the industrial engineering graduate held various management positions at Schuler AG and an international management consultancy, among others. **Board member Dr. Jörn Großmann** (born 1968) has been a member of the INDUS Board of Management since 2019 and is responsible for the Infrastructure segment. Dr Großmann, who holds a doctorate in materials science, has previously held various management positions in medium-sized companies (including Impreglon and Buderus) and most recently for the listed Dutch group Aalberts Industries N.V.

The twelve members of INDUS Holding AG's Supervisory Board cover a broad spectrum of qualifications and areas of expertise. The following table provides an overview.

	Members of the supervisory board											
	Jürgen Abromeit	Wolfgang Lemb	Dr.Dorothee Becker	Dorothee Diehm	Pia Fischinger	Cornelia Holzberger	Gerold Klausmann	Jan Klingelnberg	Stefan Müller	Barbara Schick	Carl Martin Welcker	Prof.Dr.Isabell M. Welpe
Areas of expertise												
Technology & Innovation	+	+	+		+	+	+	+	+	+	+	+
Mergers & Acquisitions	+		+				+	+		+	+	+
Corporate management (with international experience)	+	+	+	+	+	+	+	+	+	+	+	+
Accounting & Auditing	+	+	+				+	+	+	+	+	+
Corporate Finance	+	+	+			+	+	+		+	+	+
Corporate Governance	+	+	+	+	+	+	+	+	+	+	+	+
ESG & Sustainability	+	+	+	+	+	+	+	+	+	+	+	+
Digitalisation	+	+	+		+	+	+	+	+	+	+	+
Human Resources & Social Affairs	+	+	+	+	+	+	+	+	+	+	+	+
Committees (C=chair; M=membership)												
Nomination Committee	C									M	M	
Personnel Committee	C	M	M	M								
Audit Committee							M			C		M
Strategy & ESG Committee	C	M				M		M				
Mediation Committee	C	M			M					M		
Other committees												
Employee representative		+		+	+	+	+		+			
Financial Expert							+			+		+

Source: Company data; PCR

Business model

The core of the INDUS business model is **to** selectively **acquire innovative and profitable SMEs**, **hold** them **for the long term** and **develop them further**. 27 of the current 44 portfolio companies have been part of the Group for over 15 years. The portfolio is being continuously developed - 2-3 acquisitions are planned per financial year. INDUS follows the long-term investment principle of **"buy, hold and develop"** and supports the portfolio companies with major investments in innovation and sustainability.

With their **core competences**, the target companies occupy interesting **market niches** in their industry in which they hold a leading position. INDUS' good network and reputation as a long-term investor helps it gain access to potential target companies. Founders who want to preserve their life's work often favour INDUS over more exit-oriented investors and approach the INDUS M&A team directly. INDUS welcomes it when the previous owners remain in the company as managing directors for a transitional phase, as this helps to preserve the company's identity.

The focus of the SME investments on **megatrends** such as **sustainability, digitalisation, mobility & urbanisation**, **demographics** and **health** already plays a key role in the selection process of the target companies. Business models in the areas of energy efficiency, recycling and waste management are assigned to the topic of **sustainability**. The topic of **digitalisation** is of particular relevance in the fields of telecommunications, infrastructure, automation and robotics, as well as sensor technology, measurement technology and logistics. **Mobility & Urbanisation** is primarily addressed by companies in the Infrastructure segment and comprises projects relating to supply networks and the supply of infrastructure structures (e.g. transport routes). **Demography & Health** is mainly covered by the Materials segment, with business models that produce medical aids and consumables, but also in the field of wear technology for field processing (agricultural sector).

In addition to addressing megathemes, potential target companies are subject to further financial and non-financial criteria as well as a multi-stage selection process. We have described this in more detail in the **"M&A strategy" section**.

The special strengths of the portfolio companies - especially their **SME identity** - should be preserved. INDUS sees itself as a sparring partner for the portfolio companies in strategic matters and supports them with capital, experience and expertise. INDUS allows the subsidiaries to **operate independently**, as the portfolio companies know their niche best anyway. However, the portfolio companies are subject to **operational controlling** through their own market and competition monitoring and regular communication with the portfolio companies' management teams in order to avoid risks arising from misjudgements in strategic positioning. All portfolio companies report monthly to the holding company on current business developments and the individual risk situation.

Strategy

Values and vision

INDUS wants to be the **“first point of contact for family-owned SMEs”**. In concrete terms, this means being the preferred contact for **owners of SMEs** who, for example, have plans to sell in the course of a succession plan and want to know that their life's work is in good hands. For **investors** who want to invest in **German SMEs** in the form of a diversified portfolio, there is also no way around INDUS. INDUS has built up a reputation in the market over the past three decades: INDUS stands for the **sustainable and long-term development of** its portfolio companies, **entrepreneurship, creativity, stability** and **reliability**. The SME identity of the portfolio companies - as the basis of genuine entrepreneurial activity - is retained.

The "PARKOUR perform" strategy

The PARKOUR perform strategy introduced on 1 January 2023 not only brought a new segment structure, but can also be seen as an update to the previous strategy. It is the answer to the challenging economic conditions of previous years. INDUS is focussing on four initiatives: **"Strengthen portfolio structure"**, "**Drive innovation", "Increase performance"** and (holistically) "**Act sustainably"**. We discuss these points in more detail below.

Strengthening the portfolio structure

With **two to three acquisitions per year at the first level** (total volume: € 50 to 60 million p.a.), the portfolio is to be further developed in a future-oriented manner. The acquisitions address the future topics relevant to INDUS, which in turn are derived from the **megatrends of sustainability, digitalisation, mobility & urbanisation**, **demographics** and **health**. Specifically, the areas of measurement, automation and control technology, construction technology, environment and energy technology, and medical technology are at the centre of the planned inorganic growth. In addition to acquisitions at the first level**, acquisitions of second-tier subsidiaries** will **also** be possible at the level of equity investments. Investments are to be developed on a long-term and sustainable basis, i.e. sales/exits are not a means of value creation, but may be carried out in individual cases.

Driving innovation

INDUS supports its companies in the ongoing digitalization and other innovation projects, such as the use of AI. In addition to **product innovations**, the aim is to promote **new services**, **new business processes** and **new business models**. One tool for this is the **INDUS development bank**, which supports the portfolio companies' innovation projects aimed at opening up new markets or new technologies with up to 3% of Group EBIT. In 2023, 15 projects were supported by the development bank. The **Innovation Toolbox** serves to provide the portfolio companies with methodological knowledge for developing innovation strategies and tapping into future fields. In 2023, for example, the topic of "artificial intelligence" was prepared in collaboration with the Technical University of Munich and the Fraunhofer Institute in such a way that the portfolio companies were given a professional entry into the complex topic.

Improving performance

This strategic initiative addresses two focal points: "**market excellence**" and "**operational excellence**" - the holding company offers services for both focal points, ranging from "status check" and "implementation" to "knowledge" and "cooperation". **Market excellence** includes offerings that are directly aimed at optimizing the portfolio companies' individual market development (e.g. internationalization), such as the derivation and implementation of suitable market strategies to enable future growth. In 2023, the specialist area carried out several development and implementation projects in addition to smaller sparring assignments. Employees from the portfolio companies were involved in each case, which resulted in a transfer of knowledge. Seminars were also offered on topics such as "Foreign sales" and "Digital selling". The range of seminars is continuously adapted to include needs-based and up-to-date content. "**Operational excellence"** aims to **improve value-adding core processes** (i.e. production strategy, planning, management and efficiency). The focus of the training and further education offerings, as well as the accompanied implementation projects, is the area of lean management with a focus on increasing the efficiency of production processes. This includes the optimization of IT landscapes. A need for action was identified in the areas of digitalization and software. Experience circles with participants from several portfolio companies and technical experts were introduced in the 2024 financial year for two key areas in the field of ERP projects.

Striving for sustainability

The department's work in 2023 was characterised by a **steady increase in reporting obligations**, with reporting on EU taxonomy-compliant economic activities required for the first time in 2022. The number of environmental targets was increased from two to six in 2023. INDUS will also implement the new directive on sustainability reporting (CSRD/Corporate Sustainability Reporting Directive), which focuses on greater standardisation and quantification of content and thus on measurability and comparability, when presenting the 2024 Annual Report.

The **INDUS Group** has achieved **drastic improvements** in the widely used key figure **tCO2 eq/ EUR million GVA** (tonnes of CO_2 equivalent per EUR million gross value added) in recent years. While the figure was 113 in 2018, it was reduced to 49 by 2023. From 2022 to 2023, the figure was reduced by 36%. In addition to efficiency gains and targeted investments in sustainability projects, changes in the investment portfolio also played an important role in the improvements in recent years. The Group's goal remains **to reduce** the value **by at least 6% annually** based on the current investment portfolio.

In future, the CSRD will stipulate **turnover as a binding reference figure for greenhouse gas emissions**, broken down into Scope 1 to 3. INDUS will adjust the previously used key figure accordingly.

The need to **decarbonise** and **conserve resources** requires **significant investments** by the individual portfolio companies. INDUS supports the portfolio companies' sustainability efforts with **grants of up to 80%**. In 2023, the investment volume in this area totalled € 1.7 million, with an average subsidy rate of 53%. The projects in 2023 ranged from PV systems for renewable power generation to waste heat utilisation and increasing energy efficiency.

M&A strategy

The **“buy, hold, develop” M&A approach** chosen by INDUS is aimed at the long-term development of the portfolio companies, not at an exit. Future investments are therefore subject to **various requirements**, which include a number of non-financial criteria in addition to financial criteria.

M&A requirements matrix	
Financial requirements	
→ Turnover of the target company: € 20 million - € 100 million for first-level investments; supplementary acquisitions from € 10 million annual turnover if necessary	→ Cash flow orientation
→ Double-digit EBIT margin	→ Low/no bank liabilities
→ Equity ratio above 30%	
Focus on megatrends and future topics	
→ **Sustainability** (energy efficiency, energy technology, recycling and waste management)	→ **Mobility & urbanisation** (infrastructure (networks and buildings))
→ **Digitalisation** (infrastructure, automation, sensors/measurement technology, logistics)	→ **Demography & health** (medical consumables/aids, agricultural technology)
Anforderungen an Aufstellung/Positionierung	
→ Broad customer structure	→ Own industrial value creation
→ Niche positioning	→ Growth prospects, also internationally
Criteria for add-on acquisitions	
→ **Strategic fit with an existing portfolio company is crucial**	→ Economic potential resulting from the combination with existing investments
→ Fits in terms of complementary products, expansion of the company's presence or the emergence of technology focal points	→ Annual sales of € 10 million or more

Source: Company data; PCR

A clear common thread can be recognised in the criteria: the target company should be **economically sound**, **sustainable in terms of its positioning** and located in a **niche** - the EBIT margin requirement can also be seen as underpinning the **strong niche position** ("hidden champion"). The required **broad customer base** prevents one-sided dependencies (on customers) and thus any margin pressure that may arise from this side. Add on acquisitions in particular focus on **potential** that can be realised through a combination with the portfolio company, but first-level investments can also generate **synergies** with existing portfolio companies and/or benefit from the **expertise of the holding company** and sister companies. This also includes topics such as internationalisation.

We estimate that INDUS is willing to pay EV multiples of 6 to 7 times EBIT for a target company that fulfils the criteria.

Reputation, deal pipeline and investment process

Due to its high profile in the German SME sector combined with its **reputation as an investment company with a long-term focus**, **company owners** looking for a succession plan while at the same time preserving their life's work turn directly to INDUS. For **add-on acquisitions**, INDUS can also rely on the **expertise of its own portfolio companies**, which know their niches very well and are able to assess strategic additions well.

The **selective process** is evident from the detailed **investment process**. This is divided into **three phases**: The initial **approach**, during which the first contact is made and the ideas basically match. **Around 200 companies per year** go through the **first phase**. The second phase ("sale") involves **50 to 80 companies**. These companies undergo a **detailed analysis** (inspection of current figures, financial statements for the last three years and medium-term planning), **due diligence** (as an indication of the purchase price) and, for **only two to three companies per year**, a company purchase agreement is finally negotiated. INDUS enters **phase three** ("transition") with these companies. The transition can take the form of a majority acquisition in which the existing shareholder initially remains on board and helps to organise his succession. Even after the former shareholder has left the company (and INDUS has acquired its shares), further consulting activities are desired. Overall, INDUS endeavours to ensure swift negotiations and a smooth transition for all parties involved in the investment process.

Capital market strategy

INDUS maintains open, transparent and regular communication with the capital market. The dividend policy is **investor-friendly** and provides for the distribution of up to 50% of the holding company's profits (a good 50% of the profits are to be retained to strengthen the company). Based on the most recent dividend of € 1.20, the company has a **dividend yield of over 5%**. INDUS **has** paid investors **a dividend every year for over 25 years** without interruption. The bursting of the new market bubble, the financial crisis and the coronavirus years were **no exception**.

The company successfully carried out a **share buyback programme** (volume € 25.3 million or 1.1 million shares) from 22 February 2024 to 1 March 2024. The repurchased shares can be used for participation programmes and possibly also as acquisition currency. Regardless of how they are subsequently used, treasury shares do not carry voting or dividend rights as long as they are held by the issuer Owning treasury shares also has the effect of increasing EPS, as IFRS (IAS 33) prohibits the inclusion of treasury shares in the EPS calculation.

Market

INDUS' portfolio companies belong to the **German-speaking SME** sector. SMEs form the foundation of the economy in German-speaking countries. According to KfW Bank's 'Nachfolge-Monitoring Mittelstand' (2/2024), every **third owner** is **over 60 years old**, which means that **125,000 companies per year** are likely to be looking for a successor by 2027 - an **enormous potential for investment companies**. Within the SME sector, INDUS focuses on '**hidden champions**' (see 'Hidden champions'), i.e. SMEs that occupy industrial niches in which they are among the leading companies. These **niches** are generally protected **from new market entrants by expertise** and **allow for attractive margins**.

Niche markets are market segments that are only served by a few (usually medium-sized) companies and are well protected against new market entrants. For large players in the segment, the niche does not fit the scaling concept (mass production, large quantities, high degree of automation) and for smaller competitors, the products are sometimes too sophisticated and critical expertise is not available. As a result, the players in the niche have a **high market share** in their field and can achieve **more attractive margins** than in the mass markets.

Additional information: Hidden champions

Hidden champions are generally understood to be companies that generally generate **annual sales of over € 50 million** and **are among the top 3 in their niche on the global market**, **but** are **hardly known to the public**. These companies, which are estimated to number around 3,500 worldwide, very often come from German-speaking SMEs. According to various estimates, there are well over 1,000 companies in Germany alone that can be categorised as hidden champions.

However, hidden champions are also defined by their **(medium-sized) corporate culture, specialisation** and **innovative strength**. As a rule, the competitive advantages do not lie in the cost structure, but in **in-house research**, **product quality**, **efficiency**, **delivery reliability**, **consulting** and **customer proximity**. Success factors are the **protection of core know-how** and the **qualification of employees**. **The majority of** hidden champions can be categorised in the industrial sectors of **mechanical engineering, electronics, medical technology** and **the metal industry**.

By occupying a **large number of industrial niches** in conjunction with its **focus on megatrends**, INDUS manages to be **less dependent** on **economic developments** than the typical medium-sized company with an industrial background. However, INDUS cannot completely escape the general economic situation, as the ad hoc announcement of 31 July 2024 shows - although this was more moderate than that of its market competitors. In the following excursus, we first look at the general economic expectations.

Economic development

At the beginning of the year, most economic research institutes agreed that following a decline in economic output in Germany in 2023 (-0.2%) and **subdued growth in the first half of 2024**, more dynamic growth would set in during the second half of the year. Many market observers expected an economic upturn in the second half of 2024, but there are now increasing signs that this may not materialise in Germany.

The **IMF (International Monetary Fund)** has raised its growth forecast for the **global economy** in 2024 to **3.2%** (July forecast) (January forecast 3.1%), but also sees growing risks due to tensions in global trade. For the **eurozone**, the IMF maintained its economic forecast from January 2024 - growth of 0.9% (2024) is expected after 0.5% in 2023. However, expectations for **Germany** have been **lowered by 0.3%** since January, to just **0.2% growth**, after the German economy **shrank** by **0.2%** in 2023. The reason cited is the ongoing weakness in (industrial) production in particular.

Every month, the **ifo Institute** publishes two **highly regarded time series on expectations and the situation** in the German economy, based on surveys of companies. Both indices can be seen as neutral at a value of 100. Values below 90 have been rare for expectations over the past twenty years - apart from during the 2008/2009 financial crisis and the coronavirus slump. **Since around 2022,** however, expectations have remained stubbornly below 90 with a few monthly exceptions.

Source: ifo Institute

The ifo indices are **size- and sector-weighted**, i.e. large companies and sectors with a high significance for the economy (such as the automotive industry) are given a higher weighting. The INDUS segmentation **differs** from this. For each INDUS segment, we therefore first present the current developments and factors influencing future developments. We then describe two major investments for each segment, which also reflect the thematic breadth of the respective segments.

Materials segment

The **Materials** segment companies recorded a 10.8% decline in sales in the first half of the year. This was due to a **weakening economy in the metal industry**, **purchasing reluctance** and correspondingly **higher price pressure**. The EBIT margin fell to 9.4% (H1 2023: 11.5%) and is expected to be in a corridor of 7% to 9% in 2024 (2023: 9.2%). **Declining sales** and a **sharp drop in earnings** are expected (March expectation: slightly declining sales, declining earnings). Investments remain almost unchanged at € 6.2 million (H1 2023: € 6.3 million).

The order situation in **industry** has deteriorated since the beginning of the year, with 7% fewer new orders recorded in the period from January to May, and the **business climate in the metal and electrical industry** slumped noticeably in July - meaning that hopes that the economy has already bottomed out have not yet been realised. Customers in the Metals Technology segment are still hesitant to place orders, and prices are also falling. The order backlog at INDUS stood at € 140.7 million as at 30 June 2014, 8.2% below the previous year's figure.

BETEK GmbH & Co KG

BETEK GmbH & Co. KG	
Segment	Materials
Core competence	Carbide-tipped wear tools
Position in the niche	World market leader
Sales structure	Very international
End customer industries	Partly cyclical
Sales weight within the Materials segment (in % in 2023)	48.6%
Source: Company information; PCR	

BETEK GmbH & Co. KG, based in Aichhalden, Baden-Württemberg, **has been** part of the INDUS Group **for over 30 years**. With **annual sales of € 301.5 million**, BETEK is by far the largest INDUS subsidiary in terms of sales. **Its core competence** is "**carbide-tipped wear tools**". The company is **the global market leader** in **tungsten carbide-tipped wear tools, tool systems** and **wear protection solutions**. The speciality products are primarily used in sectors such as **road construction**, **mining**, **special civil engineering**, **agricultural technology**, **mineral extraction** and the **recycling industry**.

BETEK has a **global dealer network** and, in addition to its **headquarters** in Germany, where the entire **carbide development and manufacturing process** takes place, also has a **production facility in China** (near Shanghai) for the Asian markets as well as a **warehouse and sales office in North Carolina (USA).**

BETEK holds various **patents** on products and has **development partnerships with major, renowned brands.** Based on years of experience and detailed expertise, BETEK offers its customers fast, flexible and customised solutions.

Some of BETEK's end customer sectors (e.g. mining, mineral extraction) are cyclical. Other end customer sectors, such as road construction, are driven by the public sector. BETEK's market position is strong and its sales are internationally diversified. Nevertheless, a gloomy economic environment is making itself felt in BETEK's sales and earnings, with agricultural technology currently showing a marked weakness.

Ofa Bamberg GmbH

Ofa Bamberg GmbH	
Segment	Materials
Core competence	Compression stockings and bandages
Position in the niche	Leading manufacturer in Germany
Sales structure	Customers in over 40 countries
End customer industries	Non-cyclical (health)
Sales weight within the Materials segment (in % in 2023)	12.7%
Source: Company information; PCR	

Founded in 1928, **Ofa Bamberg GmbH** and its approximately 600 employees generated sales of € 79 million in the past financial year. Its products are exported to over 40 countries. The company's core expertise lies in the field of (medical) **compression stockings and bandages** and therefore in the **healthcare sector**, **which is** not considered to be **cyclical**. In addition, the products are commodities and consumer goods, which typically speaks in favour of stable sales development. The coronavirus year 2020 was a special case in which the company recorded a decline in sales of over 10% - although this was not due to the economic situation.

Medical compression stockings have a wide range of applications; they are part of the **treatment/prevention** of **venous disorders, varicose veins** and **thrombosis**. They also help to alleviate the symptoms of **lipoedema** and **lymphoedema**. The website provides many target group-specific offers and content (e.g. facts on application and disease pattern, testimonials from lipoedema sufferers ("stories of courage")) and thus achieves **customer and brand loyalty**.

Athletes are also a target group. Both professional and amateur athletes can use **supports and orthoses** to **prevent** injuries and optimise performance.

In July 2024, Ofa announced the construction of a **biomass plant** at the Bamberg site within just 6 months. The plant, which is used to supply heat, helps to save 500 tonnes of CO_2 per year, which corresponds to 62 times the average annual consumption per capita in Germany. The investment, which was subsidised by the INDUS sustainability bank, not only sets an example economically, but also in terms of sustainability.

Engineering segment

The companies **in the Engineering** segment are allocated to the technology areas of automation & assembly technology, fluid technology, conveyor technology, process technology, measurement and monitoring technology, as well as mechanical engineering and equipment manufacturing. The segment recorded a 5.2% decline in sales in the first half of the year (thereof -5.4% organic and +0.2% due to M&A effects) due to weak business in sorting systems and packaging technology. At 5.2%, the EBIT margin in H1 2024 was significantly lower than in the same period of the previous year (9.2%). The EBIT margin for the year as a whole is expected to reach 6.5% to 8.5%, which implies a higher contribution in the second half of the year. The development of **incoming orders (+2.2%)** and **orders on hand (+4.8%)** also shows a positive trend. The contribution from cleanroom systems, sorting systems and packaging machines played a particularly important role here. For the year as a whole, **sales are expected to fall slightly** and **EBIT to fall sharply**.

Investments in H1 (€ 18.5 million) were **characterised by two acquisitions**, i.e. the **acquisition** of **GESTALT AUTOMATION** (AI-based solutions for industrial automation) and the supplementary investment **COLSON** (development and production of industrial valves for measurement and control technology), which was acquired by Pneumatic Components Ltd. a subsidiary of **HORNGROUP**.

In the **mechanical and plant engineering** sector, incoming orders fell by 12% in the first five months of the year. Production fell by 7.2%, with Q1 being particularly weak at 8.3%. A moderate recovery is expected for the second half of the year, but probably without a significant increase in real production levels.

Recently, **internationalisation activities** outside Europe have been driven forward. Together with its Indian JV partner, **HORNGROUP** has expanded its capacity and **MBRAUN** has set up a sales and service centre in **India**. MBRAUN was also active in the **USA** and significantly expanded its US production base for US customers. The engineering subsidiaries **H+S** (establishment of a customer experience centre in Atlanta) and **MESUTRONIC** (establishment of a sales and service location together with a local partner) also became active in the USA.

IPETRONIK GmbH & Co KG

IPETRONIK GmbH & Co. KG	
Segment	Engineering
Core competence	Measuring and testing technology
Position in the niche	Leading specialist
Sales structure	Major international customers
End customer industries	cyclical (automotive, aviation, industry)
Sales weight within the Engineering segment (in % in 2023)	10.5%

Source: Company information; PCR

Founded in 1989, IPETRONIK achieved a turnover of around € 63 million in 2023. The company focuses on a few core sectors - automotive, aerospace and industry - and counts almost **all well-known manufacturers** among its references (e.g. Audi, BMW, Bentley, GM, Ford, PSA Group, Volkswagen in the automotive sector). As a manufacturer of **test benches, mobile measurement technology, DAQ (Data Acquisition) software** and related services, IPETRONIK is not an automotive supplier whose products are used directly in vehicle construction, but rather in vehicle development. IPETRONIK **specialises in thermodynamics, acoustics and thermo-acoustics**, and the company also emphasises a certain unique position through the close integration of hardware, software and services.

IPETRONIK supports **the** customer **throughout the entire development process**. This begins with strategy development, continues through the concept phase and ends with tests on the test bench, worldwide trials and finally series production. This means that the company is **not fully subject to** the cyclical nature of the end customer industries.

IPETRONIK's **agile and customer-centred** approach is also demonstrated by the fact that the company not only complied with the customer's request to use its proven measurement technology for jet engines, but also gave birth to its latest business unit "Aerospace and Turbines".

MBRAUN Inert Gas Systems GmbH

MBRAUN Inertgas-Systeme GmbH	
Segment	Engineering
Core competence	Inert gas and glovebox systems for industry and research
Position in the niche	First mover, leading manufacturer
Sales structure	very international
End customer industries	partly cyclical
Sales weight within the Engineering segment (in % in 2023)	16.6%

Source: Company information; PCR

MBRAUN Inertgas-Systeme GmbH has been a wholly owned INDUS subsidiary since 2002. In 2023, the company generated sales of € 99.7 million and has four production sites. The company's beginnings date back to 1976. Back then, MBRAUN was the first manufacturer of high-quality gloveboxes, and more than 20,000 systems are now in use worldwide. Since 2001 alone, more than 9,000 customised **glovebox inert gas systems** have been built.

Inert gases are gases that are very inert and only take part in a few chemical reactions. In the context of gloveboxes, this creates systems that enable safe working with sensitive materials/components. Examples include **battery production (lithium-ion battery), additive manufacturing (laser-based 3D metal printing), perovskite solar cells** and **organic light-emitting diodes (OLEDs)**. Among other things, an OLED panel absolutely requires an encapsulation layer, which not only serves to protect the **nanometre-thin** OLED layers from mechanical damage, but also from oxygen and moisture due to their **high sensitivity**. The manufacturing process requires **inert clean room conditions** (as with lithium-ion batteries).

There are also **glovebox systems** that are primarily used for personal protection - i.e. to help avoid direct contact with critical, toxic (carcinogenic) nanoparticles or radioactive material. Even if the concept of glovebox systems is initially associated with (manual) human labour, many **pilot lines** are nowadays semi-automated and **production lines** are often even fully automated - and MBRAUN was also a first mover here.

In our opinion, MBRAUN Inertgas is a prime example of a hidden champion that has turned an innovative product into a global standard over the years, which is indispensable for many modern production processes and in specific research and development work.

Thanks to its strong commitment to **research and development**, MBRAUN's sales should be **less cyclical** than the partially cyclical end customer industries.

MBRAUN is currently expanding its **US production site** in order to better serve the **high demand on the North American market** and has opened a sales and service location **in India** in 2024. The signs are thus clearly pointing to further **internationalisation**.

Infrastructure segment

The **Infrastructure** segment recorded a decline in sales of 5.0% in the first half of the year (thereof -7.2% organic and +2.2% due to M&A effects). The EBIT margin improved from 8.6% to 10.7%, although this also includes a positive (sale of a minority interest; effect: +€ 2.5 million) and a negative one-off effect (insolvency of a customer in the Netherlands: effect of around € 1 million), the majority of the improvement in earnings is due to the improved earnings situation. While incoming orders for air conditioning units for buildings were lower due to the rather cool summer, incoming orders for heating and air conditioning units for commercial vehicles rose sharply. This increase is due to a cooperation with a major US manufacturer and should have a lasting effect. For 2024 as a whole, **EBIT** is expected to **rise sharply** with a **slight decline in sales**. The EBIT margin is expected to be in the 10-12% range.

In the first five months, **new orders in the construction industry** were 4.4% down on the same period of the previous year, adjusted for price. Residential construction was weak (-4%), while civil engineering showed the most positive development (+5.8%). In contrast to commercial construction, little momentum is expected in residential and public construction. A real decline of 4% is expected for 2024 as a whole.

The **investments** of € 11.2 million made in H1 2024 were characterised by the acquisition of the remaining 50% of **GRIDCOM** (development of passive components for fibre optic infrastructure) by Hauff-Technik.

REMKO GmbH & Co KG

REMKO GmbH & Co. KG	
Segment	Infrastructure
Core competence	Economical air conditioning and heating technology
Position in the niche	Leading specialist in Europe
Sales structure	Sales are generated in Europe
End customer industries	Commercial, industrial and private customers
Sales weight within the Infrastructure segment (in % in 2023)	15.5%

Source: Company information; PCR

Founded in 1976, REMKO has been part of the INDUS Group since 1988. The "New Energies" product area (heat pumps) was created in 2008. In 2023, REMKO achieved sales of € 90.2 million and has already shown strong sales growth in recent years. The current product range includes **warm air heating systems**, **dehumidifiers**, **air conditioning systems** and **room air conditioners**, as well as **heat pumps**.

All REMKO **heat pumps** meet the latest standards and are therefore eligible for subsidies. Despite government subsidies, the overall environment for heat pumps is currently challenging, as residential construction in Germany is lagging behind expectations. However, REMKO is **well diversified** in terms of fields of application and areas of use - **dehumidifiers** that counteract mould formation are used in bathrooms, sports studios, archives, basements, construction sites and museums, among other places. **Room climate control systems** are sometimes **mobile** and therefore **not tied to the construction industry**. REMKO also offers air conditioning systems for the commercial and industrial sectors, but also serves private end customers.

REMKO's **recipe for success** is **high quality service**. Every customer has a **direct contact person** and spare parts are delivered within 24 hours. Training programmes keep not only the company's own employees but also specialist tradespeople up to date.

We believe that REMKO is also feeling the weak demand for heat pumps documented by listed peers (such as Nibe, Daikin), but is less dependent on the construction sector due to its broad product portfolio and mobile devices. **Recurring service revenue** from the installed base (maintenance) is also likely to play a not insignificant role and smooth out the sales trend.

Hauff-Technik GmbH & Co KG

Hauff-Technik GmbH & Co. KG	
Segment	Infrastructure
Core competence	Innovative sealing systems for cables and pipes
Position in the niche	Leading specialist
Sales structure	International, active in over 40 countries
End customer industries	Commercial, industrial and private customers
Sales weight within the Infrastructure segment (in % in 2023)	15.9%

Source: Company information; PCR

Hauff-Technik has been part of the INDUS Group for over 30 years and achieved a turnover of € 92.7 million in 2023. Hauff-Technik has developed products and solutions for a wide range of specific applications around its core expertise - sealing systems for cables and pipes. Under the INDUS umbrella, HAUFF has successfully developed internationally in recent decades and is therefore less susceptible to the construction industry in German-speaking countries (DACH). HAUFF is now active in over 40 countries with more than 500 employees. HAUFF generated average annual sales growth of around 13% between 2015 and 2022.

In addition to **cable** (e.g. earthing, roof ducts) and **pipe ducts** (e.g. casing pipes, sewage ducts), the range of solutions and products also includes **house and home installations** (builder's packages, electromobility) and newer topics related to **fibre optic expansion** and **electromobility**. The latter underlines the much-cited innovative strength and adaptability of medium-sized companies; the company's own core competences are transferred to newly emerging applications and high-quality solutions are created.

In 2021, after a construction period of just 18 months, a new logistics centre (5,500m2) was put into operation at the company headquarters in Hermaringen (Baden-Württemberg). The logistics centre not only expands capacity, but also improves throughput and delivery performance. Automation, based on an intelligent warehouse system based on SAP, plays a decisive role here. The total investment volume amounted to € 17 million.

In addition, HAUFF expanded its portfolio with the recent acquisition of **GRIDCOM** in March 2024 to include growth topics in the area of infrastructure networks, such as the development and production of passive components for fibre optic infrastructure.

Hauff-Technik sales are likely to be closely linked to the construction sector/new builds (‘builder packages’), as the solutions are **often implemented during construction** and have a very long product life cycle. However, retrofitting, such as a home version for electromobility, is possible.

Finances

Income statement (in million euros)	2021	2022	2023	2024e	2025e	2026e
Sales revenue	**1,633.469**	**1,804.109**	**1,802.431**	**1,780.802**	**2,047.922**	**2,293.673**
Own work capitalised	3.870	3.539	5.375	5.311	6.107	6.840
Other operating income	23.810	25.095	20.617	20.370	23.425	26.236
Change in inventories	21.731	30.003	-17.088	-16.883	-19.415	-21.745
Total operating performance	**1,682.880**	**1,862.746**	**1,811.335**	**1,789.599**	**2,058.039**	**2,305.003**
Cost of materials	-757.033	-872.208	-801.416	-791.799	-897.022	-994.464
Personnel expenses	-467.485	-494.642	-521.537	-546.820	-621.910	-695.271
Other operating expenses	-207.206	-233.468	-230.253	-227.490	-261.613	-293.007
EBITDA	**251.156**	**262.428**	**258.129**	**223.490**	**277.493**	**322.261**
Depreciation (excl. PPA)	-69.251	-68.191	-70.048	-70.330	-80.880	-87.656
EBITA	**181.905**	**194.237**	**188.081**	**153.160**	**196.613**	**234.606**
PPA	-13.800	-17.800	-19.200	-19.600	-22.540	-28.175
Impairment losses	-2.479	-42.772	-19.320	0.000	0.000	0.000
EBIT	**165.626**	**133.665**	**149.561**	**133.560**	**174.073**	**206.430**
Financial result	-15.957	-17.734	-9.841	-23.897	-23.997	-24.332
Pre-tax result	**149.669**	**115.931**	**139.720**	**109.663**	**150.077**	**182.098**
Taxes	-51.907	-33.454	-55.767	-37.289	-51.031	-61.920
Result from discontinued operations	-50.198	-123.907	-27.839	0.000	0.000	0.000
Net income before minority interests	**47.564**	**-41.430**	**56.114**	**72.374**	**99.046**	**120.179**
Minority interests	-0.755	-0.805	-0.677	-0.677	-0.677	-0.677
Net profit for the year	**46.809**	**-42.235**	**55.437**	**71.697**	**98.369**	**119.502**
Number of shares (outstanding)	**26.896**	**26.896**	**26.896**	**25.796**	**25.796**	**25.796**
Number of shares (total)	26.896	26.896	26.896	26.896	26.896	26.896
EPS (outstanding shares)	**1.74**	**-1.57**	**2.06**	**2.78**	**3.81**	**4.63**
EPS (total shares)	1.74	-1.57	2.06	2.67	3.66	4.44
DPS	**1.00**	**0.80**	**1.20**	**1.26**	**1.73**	**2.10**

Source: Company information (history)/PCR (forecast)

In our modelling, the **decline in sales expected** for 2024 leads to a fall in **the cost of materials** and a slight decrease in other **operating expenses**. Personnel expenses are rising, driven by higher collective wage agreements - a development that was also reflected in the H1 report. Scheduled depreciation and amortisation in our presentation **does not** include **PPA depreciation and amortisation**. We have reported these separately after **adjusted EBITA**. Our 2024 EBIT is in line with the guidance (2024: € 125 million to € 145 million). The deterioration in the financial result is mainly due to the combination of **net interest income** and the **other financial result**. The latter was strongly positive in 2023 due to a one-off effect. As the portfolio streamlining has been completed, there will be no negative impact on **earnings from discontinued operations** in 2024ff - unlike in previous years. This will lead to an **increase in net profit for the year**. The key figure **EPS (shares outstanding)** calculates EPS (IFRS-compliant) without taking into account the treasury shares held by INDUS. As the latter were not finally cancelled, we have also reported EPS based on the total number of shares.

The strong increase in sales in 2025 and 2026 is largely due to expected acquisitions. With an M&A budget of € 70 million per year, around € 140 million in annualised sales can be acquired (at an EV/sales ratio of 0.5). In the first year of each acquisition, we have recognised half of the turnover of the acquisitions.

Cash flow statement (in million euros)	2021	2022	2023	2024e	2025e	2026e
Cash flow from operating activities	158.36	116.34	217.66	170.16	122.77	162.86
Cash flow from investing activities	-105.990	-94.438	-50.083	-111.206	-140.386	-148.833
Cash flow from financing activities	-40.840	55.905	-0.501	-32.275	-33.854	-46.448
Change in cash and cash equivalents	**11.525**	**77.806**	**167.073**	**26.683**	**-51.470**	**-32.417**
Cash and cash equiv. end of the period	136.320	127.816	265.843	292.526	241.056	208.639

Source: Company information (history)/PCR (forecast)

INDUS forecasts **free cash flow**, defined as operating cash flow less cash flow from investing activities plus payments for investments in shares in fully consolidated companies, to be > € 110 million in 2024. Our investment cash flow (totalling € 111.2 million) includes around € 60 million for acquisitions. However, these are neutral regarding free cash flow, which amounts to around € 119 million.

Balance sheet (in million euros)	2021	2022	2023	2024e	2025e	2026e
Fixed assets	***1,081.781***	***1,001.410***	***1,005.298***	***1,026.574***	***1,063.541***	***1,096.543***
Intangible assets	646.017	645.065	633.856	624.456	613.056	601.556
Property, plant and equipment	416.610	344.283	344.428	375.104	423.471	467.973
Financial assets	19.154	12.062	27.014	27.014	27.014	27.014
Current assets	***758.381***	***866.334***	***899.557***	***918.913***	***957.931***	***1,008.762***
Inventories	403.894	449.387	429.269	424.118	487.735	546.264
Trade receivables	168.890	195.468	181.310	179.134	206.004	230.725
Other receivables	49.277	93.663	23.135	23.135	23.135	23.135
Cash and securities	136.320	127.816	265.843	292.526	241.056	208.639
Other assets	17.247	22.137	23.921	23.921	23.921	23.921
Total assets	**1,857.409**	**1,889.881**	**1,928.776**	**1,969.408**	**2,045.392**	**2,129.226**
Shareholders' equity	***787.474***	***694.808***	***719.661***	***759.760***	***824.951***	***898.682***
Reserves	785.631	692.748	717.937	757.359	821.873	894.927
Minority interests	1.843	2.060	1.724	2.401	3.078	3.755
Accrued liabilities	***88.483***	***66.997***	***69.280***	***70.576***	***71.935***	***73.359***
Accounts payable	***918.095***	***1,021.102***	***1,058.190***	***1,057.426***	***1,066.861***	***1,075.540***
Interest-bearing liabilities	640.454	721.372	772.011	772.011	772.011	772.011
Liabilities from trade payables	75.811	74.283	63.661	62.897	72.332	81.011
Other non-interest-bearing liabilities	201.830	225.447	222.518	222.518	222.518	222.518
Other liabilities Other liabilities	***63.357***	***106.974***	***81.645***	***81.645***	***81.645***	***81.645***
Total liabilities	**1,857.409**	**1,889.881**	**1,928.776**	**1,969.408**	**2,045.392**	**2,129.226**

Source: Company information (history)/PCR (forecast)

In our forecast, we have factored in **future M&A activity** for 2025 and 2026 at € 70 million each, which corresponds to the annual M&A budget. Acquisitions at multiples equal to those of the acquirer do not play a material role in the valuation. We have assumed that the unlisted target companies can be acquired at average EV/sales multiples of around 0.5. This is just below the level at which the capital market currently values INDUS. The takeovers therefore have a (slightly) value-enhancing effect.

Overview of key figures	2021	2022	2023	2024e	2025e	2026e
Key valuation figures						
EV/Sales	0.90	0.73	0.66	0.62	0.54	0.48
EV/EBITDA	5.90	6.03	4.96	4.97	4.00	3.45
EV/EBIT	8.86	9.91	7.93	8.32	6.38	5.38
P/E RATIO	19.54	n.m.	11.64	8.31	6.06	4.99
Price/book value	1.16	1.01	0.90	0.79	0.72	0.67
Profitability ratios in %						
Gross margin	56.7%	54.9%	56.0%	56.0%	56.7%	57.1%
EBITDA margin	15.2%	12.2%	13.2%	12.5%	13.5%	14.0%
EBIT margin	10.1%	7.4%	8.3%	7.5%	8.5%	9.0%
Pre-tax margin	9.2%	6.4%	7.8%	6.2%	7.3%	7.9%
Net margin	2.9%	-2.3%	3.1%	4.0%	4.8%	5.2%
ROE	12.1%	-5.6%	7.9%	9.8%	12.5%	13.9%
ROCE	23.7%	9.7%	11.5%	10.7%	12.9%	13.9%
Key productivity figures						
Turnover/employee (in € thousand)	180.2	204.2	201.9	200.9	222.3	240.1
Net revenue/employee (in € thousand)	5.16	-4.78	6.21	8.09	10.68	12.51
Number of employees	9,063	8,837	8,929	8,864	9,214	9,554
Key financial figures						
Equity ratio	42.4%	36.8%	37.3%	38.6%	40.3%	42.2%
Dividend yield	2.9%	3.1%	5.0%	5.7%	7.8%	9.5%
Other key figures						
Cash flow per share	7.03	8.28	7.03	6.06	7.55	8.75
Free cash flow per share	5.33	6.55	5.12	4.15	4.94	5.82
Working capital/sales (in %)	30.4%	31.6%	30.3%	30.3%	30.3%	30.3%
Depreciation/sales (in %)	5.1%	4.8%	5.0%	5.0%	5.0%	5.1%
Tax rate (in %)	34.7%	28.9%	39.9%	34.0%	34.0%	34.0%

Source: PCR

DCF valuation

	2024 E	2025 E	2026 E	2027 E	2028 E	2029 E	2030 E	2031 E	2032 E	2033 E	2034 E
Turnover	1,780.8	2,047.9	2,293.7	2,362.5	2,433.4	2,482.0	2,531.7	2,582.3	2,633.9	2,686.6	2,740.4
EBITDA	223.5	277.5	322.3	339.0	366.2	378.5	386.1	393.8	401.7	409.7	390.5
EBITDA margin	12.6%	13.6%	14.1%	14.4%	15.1%	15.3%	15.3%	15.3%	15.3%	15.3%	14.3%
EBIT	133.6	174.1	206.4	219.7	243.3	253.2	258.2	263.4	268.7	274.0	252.1
EBIT margin	7.5%	8.5%	9.0%	9.3%	10.0%	10.2%	10.2%	10.2%	10.2%	10.2%	9.2%
Taxes	45.4	59.2	70.2	74.7	82.7	86.1	87.8	89.6	91.3	93.2	85.7
+ depreciation and amorti.	89.9	103.4	115.8	119.3	122.9	125.3	127.8	130.4	133.0	135.7	138.4
- Investments	111.2	140.4	148.8	119.3	122.9	125.3	127.8	130.4	133.0	135.7	138.4
- Change WC	-6.6	81.1	74.6	20.9	21.5	21.9	22.4	22.8	23.3	23.7	24.2
Operating cash flow	73.4	-3.1	28.7	124.1	139.1	145.2	148.1	151.0	154.0	157.1	142.2
Discount factor	0.92	0.84	0.77	0.71	0.65	0.60	0.55	0.50	0.46	0.43	0.39
Value of operating CF (today)	67.4	-2.6	22.2	88.2	90.7	86.9	81.4	76.2	71.3	66.8	55.5
Cum. Value of operating CF	648.4										
Present value of residual value	762.5										
Enterprise value	1,411.0										
- Net debt	479.5										
- Minority interests	6.8										
Value of equity	924.7										
Fair value per share in €	**35.85**										
Share price potential in %.	61.8%										
WACC	8.9%										
Long-term growth rate	1.0%										

Source: PCR

Our DCF analysis reflects the **expected growth**. For 2025 and 2026, we assume an economic recovery, which will be reflected in growth in the mid-single-digit percentage range at INDUS, plus acquisitions (with a volume of EUR 70m p.a.), which will contribute significantly to growth. Thereafter, the expected growth will fall to 2-3%, which is probably a **conservative assumption**. We have calculated the terminal value with a **perpetual growth rate of 1%**. The **tax rate** used in the DCF is 34% and is explained by historical data. This results in **weighted cost of capital of 8.9%** as the basis for the discount factor. The **sensitivity analysis** shows the impact of changes in the WACC and long-term growth rate on the fair value.

Sensitivity analysis

Perpetual growth rate	WACC 6.9%	7.4%	7.9%	8.4%	8.9%	9.4%	9.9%	10.4%	10.9%
0.50%	53.56	47.68	42.61	38.19	34.09	30.85	27.78	25.03	22.55
0.75%	55.35	49.15	43.83	39.20	34.95	31.58	28.41	25.57	23.01
1.00%	57.30	50.74	45.13	40.29	**35.85**	32.36	29.07	26.13	23.50
1.25%	59.42	52.45	46.54	41.25	36.81	33.18	29.76	26.73	24.01
1.50%	61.74	54.31	48.05	42.70	37.84	34.05	30.50	27.36	24.55
1.75%	64.28	56.34	49.69	44.04	38.94	34.98	31.28	28.02	25.12
2.00%	67.08	58.55	51.46	45.49	40.12	35.97	32.12	28.73	25.77

Source: PCR

Peer Valuation

We consider **peer companies** to be companies that follow a **long-term buy-and-build or buy-and-develop approach**, **focus on innovative, industry-related investments**, have **their home market** in the **region (Northern Europe/DACH)** and are roughly comparable to INDUS in terms of consolidated Group sales. Here we have identified the portfolio companies Gesco, MBB, Aalbert and Indutrade.

Brief profiles of the peers

Gesco SE

With currently eleven medium-sized industrial holdings and an approach that is also long-term and not focussed on exits, Gesco is similarly positioned to INDUS. However, with consolidated sales of around € 560 million in 2023, Gesco is significantly smaller than INDUS.

MBB SE

MBB is around half the size of INDUS in terms of revenue (€ 954 million in 2023). The company sees itself as a medium-sized family business with technological and engineering expertise. Three of the six subsidiaries are listed on the stock exchange themselves (Aumann, Friedrich Vorwerk and Delignit), which is a key difference to INDUS, which generally holds 100% of the shares in its subsidiaries.

Aalberts N.V.

Dutch company Aalberts N.V. also focuses on industrial niches and is larger than INDUS with sales of € 3.3 billion in 2023. The 18 subsidiaries are assigned to the "Building Technology" and "Industrial Technology" segments. The company also pursues a shareholder-friendly dividend policy, with 30% of net income before amortisation and special items to be distributed as dividends.

Indutrade AB

The Swedish Indutrade pursues an investment approach similar to that of INDUS with a long-term investment approach. The Group comprises over 200 companies with a total of over 9,600 employees. The investments are divided into the segments "Industrial & Engineering", "Infrastructure & Construction", "Life Sicience", "Process, Energy & Water" and "Technology & Systems Solutions". With recent sales of SEK 31.84 billion (equivalent to around € 2.9 billion), the company is larger than INDUS.

Company	Market capitalisation (in € m)	P/E (2024)	EV/Sales (2024)	EV/EBITDA (2024)	EV/EBIT (2024)	P/E (2025)	EV/Sales (2025)	EV/EBITDA (2025)	EV/EBIT (2025)
Indus Holding AG	595.7	8.1	0.67	5.30	8.86	6.9	0.64	4.87	7.56
Gesco SE	146.7	7.4	0.39	4.35	12.11	5.7	0.35	3.52	9.98
MBB SE	558.9	16.9	0.53	4.53	7.32	14.2	0.48	3.97	6.16
Aalberts NV	3,874.7	11.3	1.46	7.37	10.60	10.4	1.40	6.85	9.74
Indutrade AB	9,981.8	37.8	3.72	21.58	29.24	33.1	3.45	19.93	26.55
Median	**2,216.8**	**14.1**	**0.99**	**5.9**	**11.4**	**12.3**	**0.94**	**5.4**	**9.9**
Average	3,640.5	18.4	1.52	9.5	14.8	15.8	1.42	8.6	13.1
Indus Holding AG	**571.4**	**8.3**	**0.62**	**4.97**	**8.32**	**6.1**	**0.54**	**4.00**	**6.38**
Discount (-)/premium (+)		-41.2%	-37.1%	-16.4%	-26.7%	-50.7%	-42.2%	-26.0%	-35.3%
Implied fair value		38.52	45.30	29.68	36.63	33.48	41.84	25.30	29.33
					37.53				**32.49**

Source: PCR

The peer valuation based on the current and coming year implies an average fair value of 35.01 per INDUS share. A closer look at the peers reveals that the larger companies tend to be assigned higher multiples, especially for EV/Sales and EV/EBITDA. INDUS trades at a discount to the **median value** for all multiples. The national peers **MBB** and **Gesco** are also trading at low multiples, which could be attributed to the current poor sentiment regarding the economic development in Germany.

Valuation summary

The equal weighting of the two valuation methods DCF valuation (€ 35.85) and peer analysis (€ 35.01) results in a rounded fair value per share of € 35.40.

SWOT

STRENGTHS	WEAKNESSES
Diversified and actively managed portfolio with numerous hidden champions.	A gloomy macroeconomic environment is having a significant negative impact on the operating business of
High dividend yield. Shareholder-friendly dividend policy with a long history.	As there is no consolidated tax group, the tax rate at Group level is rather high.
With cash and cash equivalents of around € 122 million (as at 30 June 2024), the company has sufficient financial strength to make major acquisitions and support investments.	With over 40 investments at first level, it is difficult for (private) investors to keep an eye on 'everything'. However, we believe that the detailed segment reporting compensates for this weakness.
The holding company strengthens, develops and supports the portfolio companies without them losing their independence and SME character.	

OPPORTUNITIES	RISKS
The further internationalisation of the investments offers great opportunities for growth.	Individual niches could be subject to disruptive changes and market shares could be redistributed. However, INDUS is broadly diversified.
INDUS' portfolio of portfolio companies participates in various megatrends (e.g. sustainability, digitalisation, automation, health).	General location disadvantages (such as higher energy prices) would affect INDUS, as the portfolio companies (at least with their headquarters) are located in German-speaking countries.
The portfolio companies, some of which were founded over 100 years ago, already show through their history that innovation and change are a sustainable source of growth for SMEs.	Adjustments to the portfolio in the wake of market changes harbour the risk of extraordinary write-downs.
The current poor sentiment towards industry and SMEs in Germany enables investors to enter INDUS at a favourable price.	The overall economic recovery remains fraught with uncertainty.
For founders who want to know that their life's work is in good hands, INDUS is often the first point of contact as a well-known long-term investment company. This ensures a high-quality deal pipeline.	

Quelle: PCR

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