

Buy (old: Buy)

22.03.2024

EUR 36.00 (old: EUR 36.00)

Strong FCF supports further growth; chg.

Topic: INDUS reported solid FY23 figures especially in light of the currently challenging macro environment. Results are in line with the preliminary numbers and FY23 guidance. Further, INDUS had its **capital markets day** yesterday in Frankfurt. Here are the key takeaways:

FY23 **sales** came in at € 1.80bn, **roughly unchanged** from last year, despite a difficult macro environment. While **EBIT increased by 11.9% yoy to € 150m**, it is important to note that the impairments of € 19m in FY23 due to higher interest rates were significantly lower compared to the € 43m in FY22. Adjusted EBIT (excl. impairments) stood at € 169m (- 4.3% yoy) resulting in an implied adj. EBIT margin of 9.4% (- 0.4pp yoy). For FY24e we expect no further impairment of goodwill, as interest rates are seen to reached the zenith.

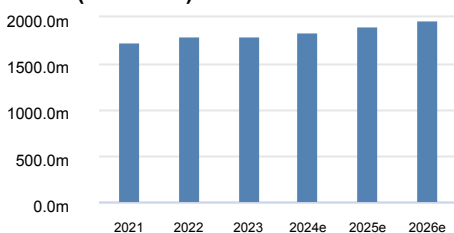
FY23 sales in the **Engineering** segment increased slightly to € 600m (+ 3.2% yoy; eNuW: € 590m) and adj. EBIT increased 1.5% to € 62m, leading to a solid adj. margin of 10.4% (- 0.1 pp), supported by an improved situation in measurement and control engineering due to an ease of the semiconductor shortage in FY22. Sales in the **Infrastructure** segment came in at € 582m (eNuW: € 588m), almost at the previous year's level (- 0.6% yoy). Adj. EBIT came in at € 57m with a margin of 9.8% (-1.1 pp) and declined 11% due to high costs for concrete and sand as well as a strong slowdown in the construction sector. The **Materials** segment showed slightly lower sales of € 620m (- 2.7% yoy; eNuW: € 641m), as a result of lower sales prices and volumes, while adj. EBIT was roughly unchanged at € 64m (- 1.1% yoy), with a margin of 10.3% (-0.1 pp).

CMD feedback: Free cashflow in FY23 came in at € 199m and reached a new record high, growing 96% yoy. However, cashflows were supported by a **reduction in working capital of € 30m** during FY23 (FY22: + € 53m) and a € 15m inflow from the disposal of an office building. Supported by the strong FCF, management intends to spend **€ 70m for acquisitions** during FY24e. The 1.1m recently acquired treasury shares could serve as form of payment and are not included in the € 70m budget. Hence, we expect to see more acquisitions coming in this year, especially in the field of infrastructure networks, automation and energy technologies. Considering the currently low valuations of the German Mittelstand, this is a good opportunity to acquire further niche players to fuel the growth for the coming years. *-continued-*

Y/E 31.12 (EUR m)	2021	2022	2023	2024e	2025e	2026e
Sales	1,741.5	1,804.1	1,802.4	1,857.2	1,912.9	1,970.3
Sales growth	11.7%	3.6%	-0.1%	3.0%	3.0%	6.1%
EBITDA	220.4	262.4	258.1	258.5	261.5	266.4
Net debt (if net cash=0)	504.1	593.6	506.2	460.4	415.1	369.3
FCF	105.8	61.8	155.7	103.3	81.4	84.5
Net Debt/EBITDA	2.3	2.3	2.0	1.8	1.6	1.4
EPS pro forma	1.78	3.50	3.81	3.77	3.75	3.91
EBITDA margin	12.7%	14.5%	14.3%	13.9%	13.7%	13.5%
ROCE	7.5%	11.8%	10.8%	11.2%	10.9%	11.1%
EV/sales	0.8	0.7	0.7	0.6	0.6	0.5
EV/EBITDA	6.5	4.9	4.7	4.4	4.1	3.9
PER	14.0	7.1	6.5	6.6	6.6	6.4
Adjusted FCF yield	5.4%	8.4%	8.0%	11.3%	11.9%	12.5%

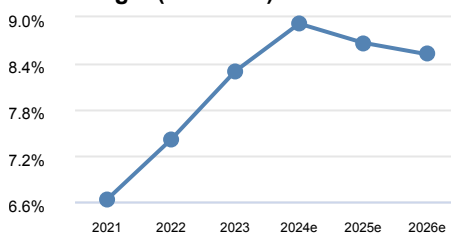
Source: Company data, NuWays, Close price as of 19.03.2024

Sales (2021-26e)



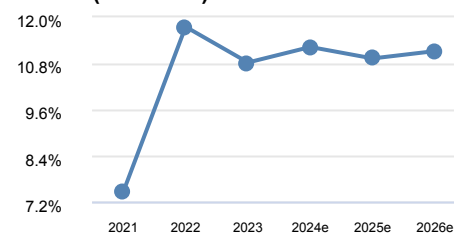
Source: NuWays Research

EBIT margin (2021-26e)



Source: NuWays Research

ROCE (2021-26e)



Source: NuWays Research

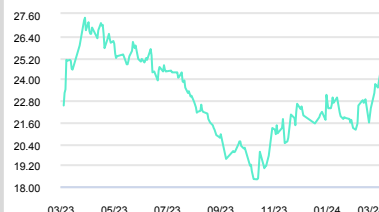
Company description

INDUS Holding AG is a leading specialist in the acquisition of and long-term support of small and medium-sized manufacturing companies in the DACH region. Indus holds a diversified portfolio of key industries and specializes in the field of sustainable companies.

Guidance

- Sales: € 1.85-1.95bn
- EBIT: € 145-165m

Share Performance



High/low 52 weeks (€)	27.40 / 18.38
3m rel. performance	12.3%
6m rel. performance	13.3%
12m rel. performance	3.0%

Market data

Share price (in €)	24.75
Market cap (in € m)	642.3
Number of shares (in m pcs)	25.8
Enterprise value (in € m)	1129.7
Ø trading volume (6 months)	15,657

Identifier

Bloomberg	INH GR
Reuters	INHG
WKN	620010
ISIN	DE0006200108

Key shareholders

Versicherungskammer Bayern	14.7%
Hans Selzer et al.	5.7%
Protector Forsikring	5.4%
Treasury Shares	4.1%
Free Float	70.1%

Estimates changes

	2024e	2025e	2026e
Sales	-1%	-1%	-1%
EBIT	7%	2%	-13%
EPS	9%	2%	-13%

Comment on changes

- We fine tuned our model to reflect the new outlook on the construction industry.

INDUS Holding AG

Update - 22.03.2024



Attractive dividend yield: Management proposed a dividend of € 1.20 per share (eNuW: € 1.20), making INDUS an attractive dividend stock with a **yield of 4.8%** based on yesterday's closing price. Due to the divestment of the loss-making automotive business in FY23 and an ongoing successful operating business, we expect a further dividend rise for the current fiscal year (eNuW: € 1.40). Mind you, INDUS plans to pay out up to 50% of the group's net income. During the short- to mid-term, management plans to grow EBIT to more than € 200m, which could lead to a dividend of € 1.90 per share (40% payout), a 7.5% yield.

Valuation looks undemanding with shares trading at 4.4x EV/EBITDA 2024e (26% below the 10y historical average) while offering 11% adj. FCF yield. We reiterate **BUY with an unchanged PT of € 36** based on FCFY 2024e.

Financials

Profit and loss (EUR m)	2021	2022	2023	2024e	2025e	2026e
Net sales	1,741.5	1,804.1	1,802.4	1,857.2	1,912.9	1,970.3
<i>Sales growth</i>	11.7%	3.6%	-0.1%	3.0%	3.0%	6.1%
Increase/decrease in finished goods and work-in-process	29.7	33.5	-11.7	4.1	4.2	4.3
Total sales	1,771.2	1,837.7	1,790.7	1,861.3	1,917.1	1,974.6
Other operating income	28.4	25.1	20.6	26.0	26.8	27.6
Material expenses	817.6	872.2	801.4	845.0	876.1	902.4
Personnel expenses	529.1	494.6	521.5	544.2	563.3	583.2
Other operating expenses	232.5	233.5	230.3	239.6	242.9	250.2
Total operating expenses	1,550.8	1,575.2	1,532.6	1,602.8	1,655.6	1,708.2
EBITDA	220.4	262.4	258.1	258.5	261.5	266.4
Depreciation	83.9	50.7	62.7	75.4	77.2	80.1
EBITA	136.5	211.8	195.4	183.2	184.3	186.3
Amortisation of goodwill	0.0	0.0	0.0	0.0	0.0	0.0
Amortisation of intangible assets	21.1	35.3	26.5	17.5	18.4	18.4
Impairment charges	0.0	42.8	19.3	0.0	0.0	0.0
EBIT (inc revaluation net)	115.4	133.7	149.6	165.7	165.9	167.9
Interest income	0.2	1.4	1.6	0.0	0.0	0.0
Interest expenses	14.7	14.5	21.2	21.0	23.0	19.0
Investment income	-1.8	-4.6	9.8	-4.0	-3.0	-3.0
Financial result	-16.3	-17.7	-9.8	-25.0	-26.0	-22.0
Recurring pretax income from continuing operations	99.1	115.9	139.7	140.7	139.9	145.9
Extraordinary income/loss	0.0	0.0	0.0	0.0	0.0	0.0
Earnings before taxes	99.1	115.9	139.7	140.7	139.9	145.9
Income tax expense	51.5	33.5	55.8	42.2	42.0	43.8
Net income from continuing operations	47.6	82.5	84.0	98.5	97.9	102.1
Income from discontinued operations (net of tax)	0.0	123.9	27.8	0.0	0.0	0.0
Net income	47.6	-41.4	56.1	98.5	97.9	102.1
Minority interest	0.8	0.8	0.7	1.2	1.2	1.2
Net profit (reported)	46.8	-42.2	55.4	97.3	96.7	100.9
Average number of shares	26.3	26.9	26.9	25.8	25.8	25.8
EPS reported	1.78	-1.57	2.06	3.77	3.75	3.91

Profit and loss (common size)	2021	2022	2023	2024e	2025e	2026e
Net sales	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
<i>Sales growth</i>	11.7%	3.6%	-0.1%	3.0%	3.0%	6.1%
Increase/decrease in finished goods and work-in-process	1.7%	1.9%	-0.6%	0.2%	0.2%	0.2%
Total sales	101.7%	101.9%	99.4%	100.2%	100.2%	100.2%
Other operating income	1.6%	1.4%	1.1%	1.4%	1.4%	1.4%
Material expenses	46.9%	48.3%	44.5%	45.5%	45.8%	45.8%
Personnel expenses	30.4%	27.4%	28.9%	29.3%	29.4%	29.6%
Other operating expenses	13.4%	12.9%	12.8%	12.9%	12.7%	12.7%
Total operating expenses	89.1%	87.3%	85.0%	86.3%	86.5%	86.7%
EBITDA	12.7%	14.5%	14.3%	13.9%	13.7%	13.5%
Depreciation	4.8%	2.8%	3.5%	4.1%	4.0%	4.1%
EBITA	7.8%	11.7%	10.8%	9.9%	9.6%	9.5%
Amortisation of goodwill	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Amortisation of intangible assets	1.2%	2.0%	1.5%	0.9%	1.0%	0.9%
Impairment charges	0.0%	2.4%	1.1%	0.0%	0.0%	0.0%
EBIT (inc revaluation net)	6.6%	7.4%	8.3%	8.9%	8.7%	8.5%
Interest income	0.0%	0.1%	0.1%	0.0%	0.0%	0.0%
Interest expenses	0.8%	0.8%	1.2%	1.1%	1.2%	1.0%
Investment income	-0.1%	-0.3%	0.5%	-0.2%	-0.2%	-0.2%
Financial result	neg.	neg.	neg.	neg.	neg.	neg.
Recurring pretax income from continuing operations	5.7%	6.4%	7.8%	7.6%	7.3%	7.4%
Extraordinary income/loss	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Earnings before taxes	5.7%	6.4%	7.8%	7.6%	7.3%	7.4%
Tax rate	52.0%	28.9%	39.9%	30.0%	30.0%	30.0%
Net income from continuing operations	2.7%	4.6%	4.7%	5.3%	5.1%	5.2%
Income from discontinued operations (net of tax)	0.0%	6.9%	1.5%	0.0%	0.0%	0.0%
Net income	2.7%	-2.3%	3.1%	5.3%	5.1%	5.2%
Minority interest	0.0%	0.0%	0.0%	0.1%	0.1%	0.1%
Net profit (reported)	2.7%	-2.3%	3.1%	5.2%	5.1%	5.1%

Source: Company data, NuWays

Balance sheet (EUR m)	2021	2022	2023	2024e	2025e	2026e
Intangible assets	646.0	645.1	633.9	628.4	622.0	615.6
Property, plant and equipment	422.4	346.5	354.4	345.1	332.8	317.7
Financial assets	13.4	76.1	17.0	17.0	17.0	17.0
FIXED ASSETS	1,081.8	1,067.7	1,005.3	990.4	971.8	950.3
Inventories	403.9	449.4	429.3	422.5	438.1	451.2
Accounts receivable	168.9	195.5	181.3	185.7	191.3	197.0
Other assets and short-term financial assets	52.8	29.4	25.8	41.4	41.7	41.7
Liquid assets	136.3	127.8	265.8	152.6	143.9	189.7
Deferred taxes	13.8	20.2	21.3	21.0	21.5	21.5
Deferred charges and prepaid expenses	0.0	0.0	0.0	0.0	0.0	0.0
CURRENT ASSETS	775.6	822.2	923.5	823.2	836.4	901.1
TOTAL ASSETS	1,857.4	1,889.9	1,928.8	1,813.7	1,808.2	1,851.4
SHAREHOLDERS EQUITY	785.6	692.8	717.9	782.9	843.5	905.7
MINORITY INTEREST	1.8	2.1	1.7	1.7	1.7	1.7
Provisions for pensions and similar obligations	41.3	23.6	27.0	27.0	27.0	27.8
Other provisions and accrued liabilities	89.8	43.4	42.3	42.3	42.3	41.0
Short-term liabilities to banks	163.2	140.7	153.8	143.0	125.0	125.0
Accounts payable	62.2	74.3	63.7	66.3	68.3	69.2
Advance payments received on orders	0.0	0.0	0.0	0.0	0.0	0.0
Other liabilities (incl. from lease and rental contracts)	187.6	278.4	248.8	228.4	214.4	196.9
Deferred taxes	48.6	54.0	55.4	52.1	52.0	50.0
Deferred income	0.0	0.0	0.0	0.0	0.0	0.0
CURRENT LIABILITIES	249.8	352.7	312.4	294.7	282.7	266.1
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	1,857.4	1,889.9	1,928.8	1,813.7	1,808.2	1,851.4
Balance sheet (common size)	2021	2022	2023	2024e	2025e	2026e
Intangible assets	34.8%	34.1%	32.9%	34.6%	34.4%	33.2%
Property, plant and equipment	22.7%	18.3%	18.4%	19.0%	18.4%	17.2%
Financial assets	0.7%	4.0%	0.9%	0.9%	0.9%	0.9%
FIXED ASSETS	58.2%	56.5%	52.1%	54.6%	53.7%	51.3%
Inventories	21.7%	23.8%	22.3%	23.3%	24.2%	24.4%
Accounts receivable	9.1%	10.3%	9.4%	10.2%	10.6%	10.6%
Other assets and short-term financial assets	2.8%	1.6%	1.3%	2.3%	2.3%	2.3%
Liquid assets	7.3%	6.8%	13.8%	8.4%	8.0%	10.2%
Deferred taxes	0.7%	1.1%	1.1%	1.2%	1.2%	1.2%
Deferred charges and prepaid expenses	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
CURRENT ASSETS	41.8%	43.5%	47.9%	45.4%	46.3%	48.7%
TOTAL ASSETS	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
SHAREHOLDERS EQUITY	42.3%	36.7%	37.2%	43.2%	46.6%	48.9%
MINORITY INTEREST	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
Provisions for pensions and similar obligations	2.2%	1.2%	1.4%	1.5%	1.5%	1.5%
Other provisions and accrued liabilities	4.8%	2.3%	2.2%	2.3%	2.3%	2.2%
Short-term liabilities to banks	8.8%	7.4%	8.0%	7.9%	6.9%	6.8%
Accounts payable	3.3%	3.9%	3.3%	3.7%	3.8%	3.7%
Advance payments received on orders	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other liabilities (incl. from lease and rental contracts)	10.1%	14.7%	12.9%	12.6%	11.9%	10.6%
Deferred taxes	2.6%	2.9%	2.9%	2.9%	2.9%	2.7%
Deferred income	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
CURRENT LIABILITIES	13.4%	18.7%	16.2%	16.2%	15.6%	14.4%
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: Company data, NuWays

Cash flow statement (EUR m)	2021	2022	2023	2024e	2025e	2026e
Net profit/loss	47.6	82.5	84.0	98.5	97.9	102.1
Depreciation of fixed assets (incl. leases)	83.9	93.4	82.1	75.4	77.2	80.1
Amortisation of goodwill & intangible assets	21.1	35.3	26.5	17.5	18.4	18.4
Others	-31.0	-3.1	-29.6	0.0	0.0	0.0
Cash flow from operating activities	53.4	-12.4	109.1	88.5	62.8	62.9
Increase/decrease in inventory	-71.4	-45.5	20.1	6.8	-15.5	-13.1
Increase/decrease in accounts receivable	-6.9	-26.6	14.2	-4.4	-5.6	-5.7
Increase/decrease in accounts payable	13.3	9.9	-10.6	2.7	2.0	0.9
Increase/decrease in other working capital positions	0.0	23.5	7.9	10.0	10.0	0.0
Increase/decrease in working capital	-65.1	-38.6	31.5	15.0	-9.1	-18.0
Cash flow from operating activities	158.4	116.3	217.7	181.3	158.4	161.5
CAPEX	52.6	54.5	61.9	78.0	77.0	77.0
Payments for acquisitions	67.3	58.8	8.9	0.0	0.0	0.0
Financial investments	0.7	0.4	0.6	0.0	0.0	0.0
Income from asset disposals	14.6	19.3	21.3	0.0	0.0	0.0
Cash flow from investing activities	-106.0	-94.4	-50.1	-78.0	-77.0	-77.0
Cash flow before financing	30.8	-6.3	146.1	71.1	45.3	45.8
Increase/decrease in debt position	-73.2	87.2	50.6	-159.0	-54.0	0.0
Purchase of own shares	0.0	0.0	0.0	25.3	0.0	0.0
Capital measures	84.8	0.0	0.0	0.0	0.0	0.0
Dividends paid	21.5	28.2	21.5	32.3	36.1	38.7
Others	-31.0	-3.1	-29.6	0.0	0.0	0.0
Effects of exchange rate changes on cash	0.2	-0.3	0.0	0.0	0.0	0.0
Cash flow from financing activities	-40.8	55.9	-0.5	-216.6	-90.1	-38.7
Increase/decrease in liquid assets	11.7	77.5	167.1	-113.3	-8.7	45.8
Liquid assets at end of period	136.3	127.8	265.8	152.6	143.9	189.7

Key ratios (EUR m)	2021	2022	2023	2024e	2025e	2026e
P&L growth analysis						
Sales growth	11.7%	3.6%	-0.1%	3.0%	3.0%	6.1%
EBITDA growth	-2.4%	66.4%	17.1%	-1.5%	1.3%	1.5%
EBIT growth	-2.1%	475.8%	29.6%	23.9%	10.9%	25.6%
EPS growth	-26.9%	33.1%	15.9%	-340.1%	81.9%	-349.1%
Efficiency						
Sales per employee	159.6	173.6	193.5	196.8	200.7	200.7
EBITDA per employee	20.2	25.3	27.7	27.4	27.4	27.1
No. employees (average)	10,910	10,391	9,317	9,438	9,533	9,818
Balance sheet analysis						
Avg. working capital / sales	29.8%	28.2%	29.3%	30.0%	29.0%	29.2%
Inventory turnover (sales/inventory)	2.2	2.0	1.8	2.0	2.0	2.0
Accounts receivable turnover	10.3	9.2	9.9	10.0	10.0	10.0
Accounts payable turnover	28.0	24.3	28.3	28.0	28.0	28.0
Cash flow analysis						
Free cash flow	105.8	61.8	155.7	103.3	81.4	84.5
Free cash flow/sales	6.1%	3.4%	8.6%	5.6%	4.3%	4.3%
FCF / net profit	222.4%	74.9%	185.5%	105.0%	83.2%	82.7%
Capex / sales	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Solvency						
Net debt	504.1	593.6	506.2	460.4	415.1	369.3
Net Debt/EBITDA	2.3	2.3	2.0	1.8	1.6	1.4
Dividend payout ratio	59.1%	100.0%	58.2%	37.1%	40.0%	46.0%
Interest paid / avg. debt	2.2%	2.0%	3.0%	3.1%	3.5%	3.0%
Returns						
ROCE	7.5%	11.8%	10.8%	11.2%	10.9%	11.1%
ROE	6.0%	-6.1%	7.7%	12.4%	11.5%	11.1%
Adjusted FCF yield	5.4%	8.4%	8.0%	11.3%	11.9%	12.5%
Dividend yield	4.2%	3.2%	4.8%	5.6%	6.0%	7.2%
DPS	1.0	0.8	1.2	1.4	1.5	1.8
EPS reported	1.78	-1.57	2.06	3.77	3.75	3.91
Average number of shares	26.3	26.9	26.9	25.8	25.8	25.8
Valuation ratios						
P/BV	0.8	1.0	0.9	0.8	0.8	0.7
EV/sales	0.8	0.7	0.7	0.6	0.6	0.5
EV/EBITDA	6.5	4.9	4.7	4.4	4.1	3.9
EV/EBIT	12.5	9.7	8.0	6.8	6.5	6.2

Source: Company data, NuWays

Disclosures

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Company	Disclosures
INDUS Holding AG	2

Historical target price and rating changes for INDUS Holding AG

Company	Date	Analyst	Rating	Target Price	Close
INDUS Holding AG	22.02.2024	Sandherr, Christian	Buy	EUR 36.00	EUR 21.50
	17.11.2023	Sandherr, Christian	Buy	EUR 34.00	EUR 19.70
	31.07.2023	Sandherr, Christian	Buy	EUR 36.00	EUR 24.35
	11.05.2023	Sandherr, Christian	Buy	EUR 32.00	EUR 27.00
	29.03.2023	Khare, Vaishnavi	Buy	EUR 29.00	EUR 23.20

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The adj. FCF method is based on the assumption that investors purchase assets only at a price (enterprise value) at which the operating cash flow return after taxes on this investment exceeds their opportunity costs in the form of a hurdle rate of 7.5%. The operating cash flow is calculated as EBITDA less maintenance capex and taxes.

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