

INDUS Holding AG

Germany | Industrial Goods & Services | MCap EUR 699m

10 June 2024

INITIATION



INDUS – home of succession planning; Initiate with BUY

What's it all about?

We initiate coverage of INDUS Holding AG with a BUY recommendation and a PT of 40.00 offering an upside potential of c. 50%. INDUS is a leading specialist holding company in the German-speaking SME sector, pursuing a buy-develop-hold strategy. It acquires owner-managed companies primarily focused on succession planning in the industrial technology sector and supports their long-term development. With a portfolio spanning Engineering, Infrastructure and Materials, INDUS boasts a diversified and robust portfolio. It has a solid track record, experienced management and deep sector expertise. INDUS is unique in that it supports its portfolio companies to various growth and development initiatives to drive long-term growth. The company's attractive cash flow generation (FCF yield >15%) and dividend yield (~5%) add to the appeal of the INDUS equity story.

BUY (INITIATION)

Target price	EUR 40.00 (na)
Current price	EUR 26.00
Up/downside	53.8%



MAIN AUTHOR

Thomas Wissler

t.wissler@mwb-research.com

+49 40 309 293-58

INDUS Holding AG

Germany | Industrial Goods & Services | MCap EUR 699m | EV EUR 1,232m

BUY (INITIATION)

Target price EUR 40.00 (na)
Current price EUR 26.00
Up/downside 53.8%

MAIN AUTHOR

Thomas Wissler
t.wissler@mwb-research.com
+49 40 309 293-58

INDUS – home of succession planning; Initiate with BUY

Buy-develop-hold INDUS is one of the leading specialist holding companies in the German-speaking SME sector. It acquires mostly owner-managed companies in the industrial technology sector and supports them in setting a long-term course for their business development. Its portfolio of more than 40 companies occupies interesting niche markets in three distinct sectors, resulting in a high level of diversification, both regionally and by segment, thus creating robustness for INDUS as a whole.

Quality boxes ticked. As with most investment companies, quality is defined by a mix of a solid track record, an experienced management team and deep sector expertise. By setting a budget of up to 3% of group EBIT for implementing innovative projects, INDUS sets itself apart from other peers, which are often looking for quick turnarounds and cost optimization measures. While INDUS ticks all these necessary boxes, it also stands out for its rigorous investment process, which allows it to process and filter a large number of investment opportunities p.a. Finally, with its strong cash generation, INDUS has access to sufficient cash to pursue an even greater number of transactions without relying on lengthy approval processes often required when external financing is needed. As a result, INDUS is regularly the first to cross the finish line, simply by offering an appealing package, including an attractive home for succession planning.

Growth INDUS' top and bottom lines are driven by organic, above GDP-related growth as well as additional external growth through its "growth" or "add-on" acquisitions. While INDUS has earmarked a war chest of up to EUR 70m p.a. for the aforementioned, its focus on niches driven by megatrends such as digitalization, urbanization, sustainability and mobility as well as demographics and health should allow for above-average growth rates. We therefore expect a CAGR 23-26E of at least 5% in the coming years, with an additional kicker when new acquisitions are being announced.

Value In our view, neither the good growth prospects nor the compelling competitive quality of INDUS are currently accurately reflected in its valuation. In fact, INDUS is a highly cash generative company with average FCF of EUR 130m (22-24E), which translates into an attractive FCF yield of >15%. While the company uses some of the cash to keep the flywheel going, it still has plenty of cash to pay out to shareholders as a dividend yield >5% suggests. As such, we are initiating coverage with a BUY rating and a PT of EUR 40.00, offering an attractive 50% upside.

INDUS Holding AG	2021	2022	2023	2024E	2025E	2026E
Sales	1,633	1,804	1,802	1,860	1,958	2,051
<i>Growth yoy</i>	4.8%	10.4%	-0.1%	3.2%	5.3%	4.7%
EBITDA	251	262	258	240	262	277
EBIT	166	134	150	153	174	188
Net profit	47	-42	55	93	107	116
Net debt (net cash)	504	594	506	428	349	270
Net debt/EBITDA	2.0x	2.3x	2.0x	1.8x	1.3x	1.0x
EPS reported	1.77	-1.57	2.06	3.48	3.99	4.32
DPS	1.05	0.80	1.20	1.22	1.32	1.34
<i>Dividend yield</i>	4.0%	3.1%	4.6%	4.7%	5.1%	5.1%
Gross profit margin	55.0%	53.3%	54.6%	53.2%	53.6%	53.8%
EBITDA margin	15.4%	14.5%	14.3%	12.9%	13.4%	13.5%
EBIT margin	10.1%	7.4%	8.3%	8.2%	8.9%	9.2%
ROCE	10.6%	8.6%	9.2%	9.1%	9.8%	10.1%
EV/Sales	0.8x	0.7x	0.7x	0.6x	0.6x	0.5x
EV/EBITDA	5.0x	5.0x	4.8x	4.8x	4.1x	3.6x
EV/EBIT	7.5x	9.8x	8.2x	7.5x	6.2x	5.3x
PER	14.6x	-16.6x	12.6x	7.5x	6.5x	6.0x

Source: Company data, mwb research



Source: Company data, mwb research

High/low 52 weeks 29.10 / 18.18
Price/Book Ratio 1.0x

Ticker / Symbols

ISIN DE0006200108
WKN 620010
Bloomberg INH:GR

Changes in estimates

		Sales	EBIT	EPS
2024E	old	1,860	153	3.48
	Δ	0.0%	0.0%	0.0%
2025E	old	1,958	174	3.99
	Δ	0.0%	0.0%	0.0%
2026E	old	2,051	188	4.32
	Δ	0.0%	0.0%	0.0%

Key share data

Number of shares: (in m pcs) 26.90
Book value per share: (in EUR) 26.69
Ø trading vol.: (12 months) 18,434

Major shareholders

Versicherungskammer Bayern 13.0%
H.J. Selzer et al. 5.7%
Protector Forsikring 5.4%
Free Float 65.4%

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.

Investment case in "six" charts

Products & Services

INFRASTRUCTURE

14 COMPANIES IN THE SEGMENT

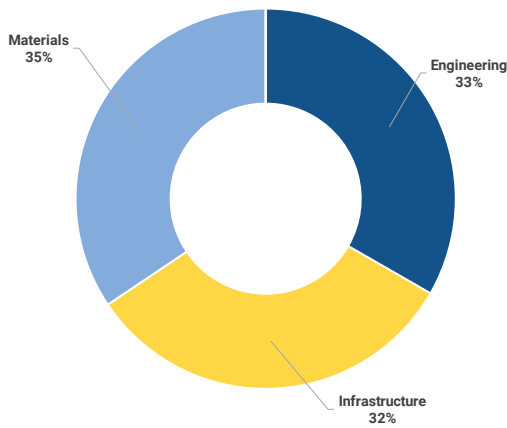
MATERIALS

14 COMPANIES IN THE SEGMENT

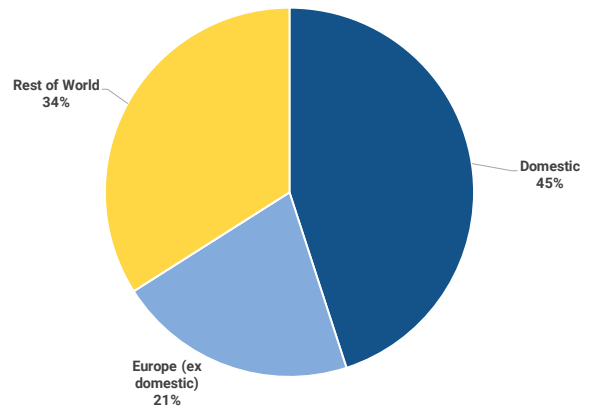
ENGINEERING

16 COMPANIES IN THE SEGMENT

Segmental breakdown in %



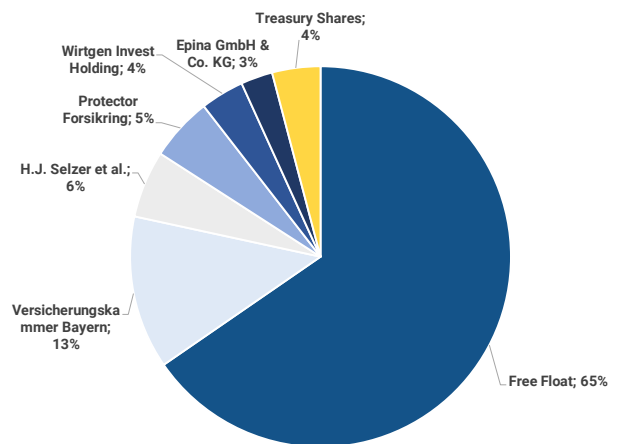
Regional sales split in %



Guidance 2024

	GROUP
	Forecast 2024
Turnover (in EUR billion)	1.85 - 1.95
EBIT (in EUR million)	145 - 165
EBIT margin (in %)	7.5 to 8.5
Free cash flow (in EUR million)	>110
Acquisitions	2 growth acquisitions and further add-on acquisitions
Investments in property, plant and equipment and intangible assets (in EUR million)	75 - 85
GHG emissions (Scope 1+2)* (in t CO ₂ /million EUR turnover)	Reduction by at least 6%
Equity ratio (in %)	Higher than 2023, around 39%
Net debt/EBITDA	around 2.3 years
Working capital (in EUR million)	Slightly increasing

Major Shareholders



Source: Company data; mwb research

Table of content

Investment case in “six” charts	3
Table of content	4
Company background	5
SWOT analysis	13
Growth	14
Valuation	19
Risk	27
Financials in six charts	28
Financials	29
Conflicts of interest	33
Important disclosures	34
Contacts	35

Company background

Products & services

INDUS is an industrial holding company that follows a **buy-and-hold investment philosophy**. In contrast to traditional serial acquirers such as private equity models or special situation investment firms, which typically focus on short-term profits through rapid acquisitions and subsequent sales, INDUS specializes in acquiring private companies and holding them for an extended period of time. The primary objective of this strategy is to significantly increase the value of these companies over time through sustained investment gains, rather than seeking immediate financial returns through rapid resale.

The company primarily targets middle market industrial companies and acquires full or majority ownership interests in these companies. Once acquired, these companies are either fully consolidated or accounted for using the equity method. Currently, INDUS's portfolio includes investments in 44 companies, strategically diversified across three main sectors:

- **Infrastructure**
- **Materials and**
- **Engineering.**

These sectors cover a **variety of specialized industries**, including construction, automotive and mechanical engineering - with specific investments in advanced manufacturing technologies such as inert gas glove box systems and automated valves. The portfolio also includes healthcare and basic materials processing. However, it is worth noting that all portfolio companies have an industrial value chain. This strategy allows INDUS to foster growth and innovation within its portfolio companies, ensuring long-term value creation in its diversified industrial investments.

Products & Services

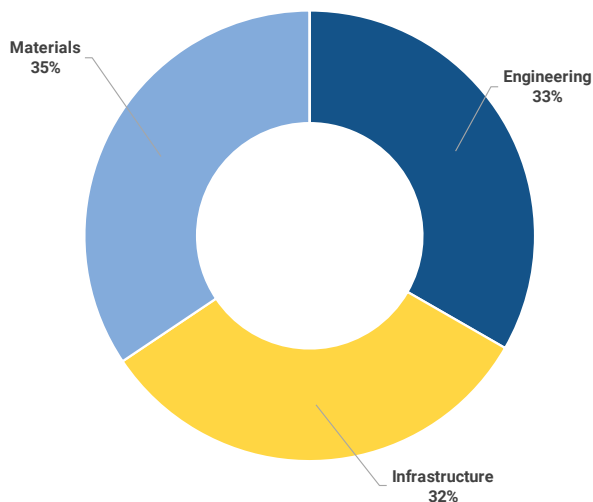


Source: Company data; mwb research

As mentioned above, INDUS strategically distributes its business activities across sectors in three primary segments - Infrastructure, Materials and Engineering - with the deliberate aim of achieving a balanced portfolio. This approach is carefully designed to mitigate the potential risks associated with sector-specific fluctuations.

This diversification not only stabilizes the company's financial performance, but also allows it to take advantage of opportunities in different industries while mitigating the effects of market volatility. This strategy underpins the company's resilience, enabling sustainable growth and stability in a dynamic economic environment.

Segmental breakdown in %



Source: Company data; mwb research

The companies under the roof of INDUS are mainly based in Germany, with their operating facilities spread across the country. However, there is a particular regional focus on the central-western part of Germany. This area is particularly rich in industrial activity, making it a strategic hub for many of INDUS's investments.

By locating in this region, these companies benefit from close contact with a dense network of suppliers, a skilled workforce and an established industrial infrastructure, all of which are crucial for operational efficiency and growth. This geographic strategy not only taps into the vibrant industrial ecosystem of the Midwest, but also aligns with INDUS Holding's broader goals of optimizing the performance and synergies of its portfolio companies.

Regional distribution of portfolio companies



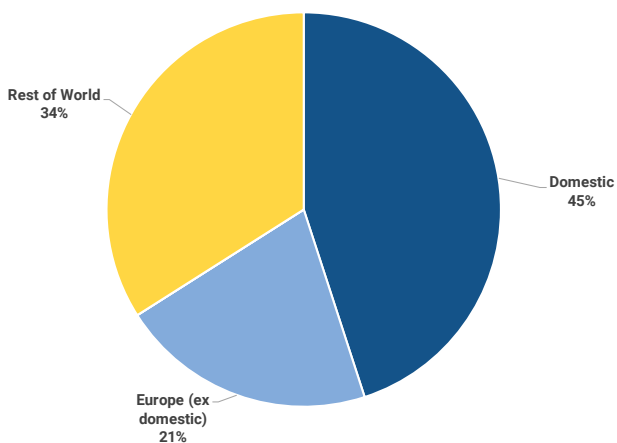
Source: Company data

INDUS differs from typical private equity firms in that it pursues a buy-and-hold strategy rather than focusing on quick buy-and-out deals. This strategic approach has an impact on the distribution of revenues, as they are mostly acting out of their home market. Given the company's strategic investment focus on Germany, a significant portion of revenues - approximately 45% - are generated domestically. This substantial percentage underscores the **central role of Germany** in INDUS Holding's overall business strategy and highlights the importance of the domestic market for the company's revenue streams.

Beyond Germany, the distribution of sales reflects the outward-looking orientation of the portfolio companies, many of which are engaged in exporting their products and services. As a result, other European countries together account for approximately 21% of revenues. This illustrates not only the integration and importance of the European market, but also the effectiveness of the region as a stable revenue base outside of Germany.

The rest of the world accounts for 34% of sales, demonstrating the global reach and export capabilities of the German companies in the INDUS Holding portfolio. This significant share of international sales demonstrates the worldwide demand for German-made products and services and the successful penetration of global markets by the portfolio companies of INDUS Holding. This sales strategy not only helps to mitigate risk by diversifying geographical revenue sources, but also capitalizes on the robust export tradition of German companies.

Regional sales split in %



Source: Company data; mwb research

Business model

Indus Holding presents itself as a haven for entrepreneurs seeking a succession plan for their businesses. Entrepreneurs can entrust their life's work to INDUS Holding, confident that their company's legacy will thrive under its stewardship and by retaining their particular identity and strength.

INDUS Holding distinguishes itself by offering not only a new home but also a wealth of industrial expertise. The company provides an array of benefits to the businesses it acquires:

1. Improving performance and driving innovation: The company brings expertise in areas such as operational efficiency, leveraging automation, AI or lean management principles. Additionally, it aids in ERP system implementation and process optimization to enhance productivity.

2. Financial Support: INDUS Holding provides substantial financial backing and strategic guidance to support companies in their expansion efforts and potential acquisitions.

3. Sustainability Initiatives: INDUS Holding prioritizes sustainability, offering assistance to its portfolio companies in implementing sustainability initiatives such as waste management or other topics that help reducing its environmental footprint (e.g. the integration of solar roofs or electrifying its vehicle fleet).

Through these offerings, INDUS Holding aims to provide a seamless transition for entrepreneurs while equipping their businesses with the resources and expertise needed for sustained success.

Value added services on portfolio level



Source: Company data; mwb research

Portfolio

Engineering – EUR 599.6m in sales / 33% of Group sales

Engineering is the stable backbone of the German economy, home to a thriving SME industry characterized by a wealth of hidden champions. Within this landscape are companies that are driving progress through their technological expertise. Whether it's facilitating the energy transition or fine-tuning work and production processes, engineering serves as the foundation for successful transformation. The integration of manufacturing with cutting-edge information and communications technology is creating fertile ground for disruptive growth models. The prevailing megatrends of digitalization and sustainability are acting as catalysts to drive these developments. The companies in the INDUS Engineering segment play a vital role in supporting today's manufacturing industry with a wide range of products and services such as

- Automation & Assembly Technology
- Conveyor Technology
- Fluid Technology
- Machine & Toolbuilding Technology
- Measuring & Surveillance Technology
- Process Technology

Engineering segment - 16 companies as of Q1 2024



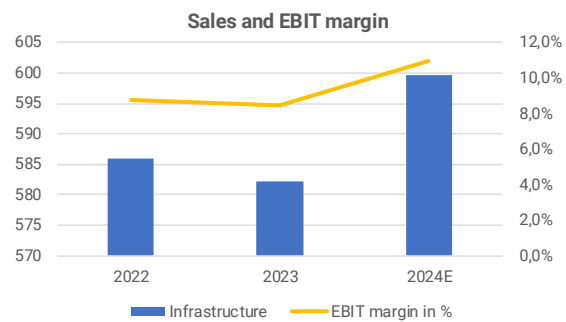
Source: Company data; mwb research

Infrastructure – EUR 582.2m in sales / 32% of Group sales

The construction industry in Germany is driven by enduring megatrends such as growing mobility, ongoing urbanization, increasing digitalization and sustainability. Public investment in infrastructure to maintain and expand transportation routes, as well as high demand for residential construction and energy renovation, are key drivers of this momentum. The sector is also responding to societal demands for sustainable building practices, drawing inspiration from modern technologies to create smart infrastructure and utility networks for telecommunications and energy. In this environment, the companies in the INDUS Infrastructure segment focus on

- construction and building technology,
- telecommunications infrastructure and
- air-conditioning technology.

Infrastructure segment - 14 companies as of Q1 2024

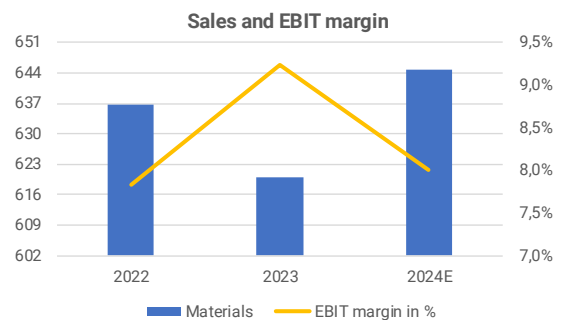


Source: Company data; mwb research

Materials – EUR 619.9m in sales / 34% of Group sales

In manufacturing, breakthrough materials and novel composites are redefining what is possible. Combined with state-of-the-art production methods, they are unlocking solutions that venture into uncharted areas of performance and application. The megatrend of sustainability requires new approaches to resource conservation, with a focus on recycling and waste management. The companies in the INDUS Materials segment have a wealth of expertise in materials science, particularly in metal forming and processing, metal production, and medical consumables and supplies. They use their accumulated knowledge to continually explore new applications, ensuring that their solutions remain at the forefront of innovation.

Materials segment - 14 companies as of Q1 2024



Source: Company data; mwb research

Investment criteria for growth acquisitions

INDUS pursues a stringent Buy-Hold-develop strategy. Over the years, this has resulted in a considerable portfolio with total sales of over EUR 1.8bn. Unlike private equity companies or turnaround specialists, for example, INDUS does not necessarily aim to exit its portfolio companies. Disposals are therefore almost negligible when considering INDUS.

INDUS generally has a pipeline of around 150 companies, which are analyzed and evaluated at various levels of detail. At INDUS, a specialized team of 3 employees deals with the daily M&A process. INDUS typically pays 6-7x EV/EBIT. INDUS typically tries to avoid big bidding competition, but rather wants to advertise with the advantages of its successor package, its very strong engineering expertise and lever to facilitate growth.

The INDUS acquisition profile looks as follows:

- Sales: EUR 20 - 100m (sweet spot)
- Double-digit EBIT margin
- Equity ratio > 30%
- Cash flow orientation
- Low/no bank liabilities
- Broad customer structure
- Niche positioning
- Own industrial value creation
- Growth prospects, also internationally

Criteria for the acquisition of add-on acquisitions In the area of add-on acquisitions, the strategic fit with its existing portfolio companies is decisive. This is characterized in particular by complementary products, an expansion of the company's presence or the emergence of technological focal points within a segment. The economic potential resulting from a combination of the acquired company with an existing investment is also significant.

No restructuring, no start-ups In accordance with its business model, INDUS does not intervene in the operating business of its investments. INDUS therefore rules out involvement in the areas of restructuring and start-ups. Minority shareholdings do not suit INDUS either. Furthermore, the company does not acquire companies in the defense, luxury, food or gambling industries. Furthermore, INDUS does not plan any acquisitions in connection with the extraction of fossil fuels.

Two level acquisition strategy

GROWTH ACQUISITION	ADD-ON ACQUISITIONS
Acquisition directly by INDUS Holding AG (1. Level)	Acquisition by companies of INDUS (2. Level)
expand the INDUS portfolio with new competencies and products	strengthen the portfolio company through product or market side additions

Source: Company data

Management





Dr. Johannes Schmidt, a German citizen born in 1961, has been a member of the Board of Management of INDUS Holding since January 2006 and has been its Chairman since July 2018. Prior to that, he was Managing Director of ebm-papst Landshut GmbH, focusing on new product development and global expansion. Schmidt began his career at Richard Bergner GmbH, where he rose to the position of Managing Director over the course of twelve years. He holds a degree in mathematics and a doctorate in engineering from the Technical University of Darmstadt.

Rudolf Weichert, born in Germany in 1963, has been a member of the Management Board of INDUS Holding since June 2012. Prior to this, he was a partner at KPMG for nine years, where he worked extensively with multinational manufacturing companies, including three years in Detroit, Michigan, focusing on the automotive, engineering and materials trading industries. Weichert holds a degree in business administration and brings more than two decades of experience to his current position.

Axel Meyer, born in 1968 and a German citizen, has been a member of the Management Board of INDUS Holding since October 2017. Prior to this, he held various management positions at Schuler AG, including Managing Director of Schuler Pressen GmbH and Head of the Service Division. Before joining Schuler, Meyer was a member of the Executive Board of IMAGIN Prof. Bochmann AG. Meyer's educational background includes industrial engineering studies in Germany and the U.S., and he holds a Master of Mergers & Acquisitions (LL.M.) degree from the Frankfurt School of Finance & Management.

Dr. Jörn Großmann, a German citizen born in 1968, has been a member of the Board of Management of INDUS Holding since January 2019. He previously held various positions at Aalberts Industries N.V., most recently as sole Managing Director of Impreglon GmbH. Großmann studied materials science and holds a doctorate in natural sciences.

Gudrun Degenhart, born in 1970 and a German citizen, has been a member of the Management Board of INDUS Holding since October 2023. With more than 20 years of experience, she specializes in the management and development of portfolio companies in Europe, the USA and the Asia-Pacific region. She started her career at the Lindner Group and later held senior positions at the ThyssenKrupp Group, including CEO positions for international business units. Most recently, she was CEO for German portfolio companies at ISS A/S.

				
Dr.-Ing. Johannes Schmidt Chairman of the Board since 2018	Rudolf Weichert Member of the Board since 2012	Axel Meyer Member of the Board since 2017	Dr. Jörn Großmann Member of the Board since 2019	Gudrun Degenhart Member of the Board since 2023
ebm-papst Landshut GmbH Richard Bergner GmbH	Partner at KPMG	Schuler AG IMAGIN Prof. Bochmann AG	Aalberts Industries N.V. Impreglon GmbH	ISS A/S ThyssenKrupp Group Lindner Group

Source: Company data; mwb research

Shareholders

Versicherungskammer Bayern is a life and non-life insurer based in Munich. It offers life insurance, private health and long-term care insurance as well as accident and property insurance to private customers, companies, farmers, local authorities and other public bodies and institutions. With premium income of EUR 8.91bn in 2022, it is now the largest public insurer in Germany and one of the country's financially strongest life insurers. In total, the Group has around EUR 62bn of customer funds under management. At 13%, they are the largest shareholder in INDUS Holding.

Hans Joachim Selzer took over the management of the medium-sized family business SELZER Fertigungstechnik GmbH & Co. KG in the 1970s and led the family business into the modern age. He is also a strong advocate of other medium-sized companies and exceeded the 3% and 5% reporting thresholds for INDUS Holding in 2011. He is now the second largest shareholder of INDUS Holding with a 5.7% stake.

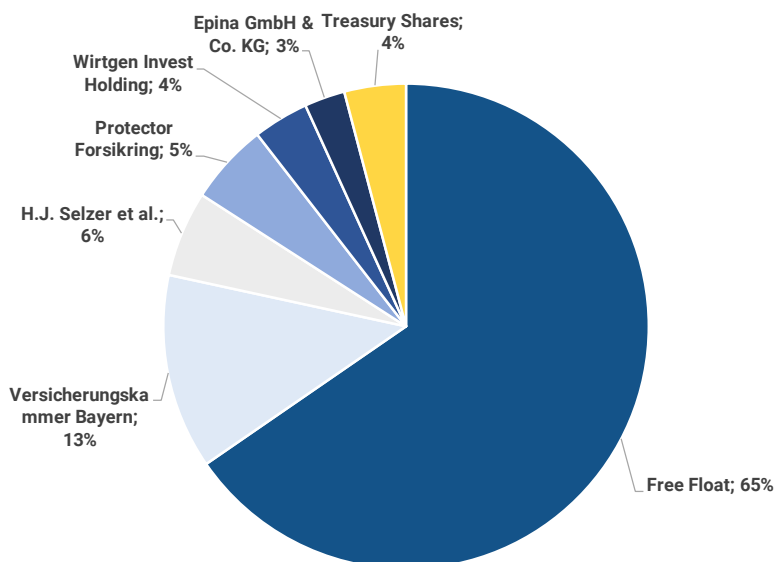
Protector Forsikring, headquartered in Oslo, Norway, is a Norwegian multinational insurance company. Specializing in property and casualty insurance. By 2013, Protector Forsikring commanded over 50% of the property insurance market share in Norway. The company currently holds a 5.4% stake in INDUS Holding.

Wirtgen Invest Holding is a family office that emerged from the Wirtgen Group (a group of companies in the construction equipment industry). The investment focus is on long-term stable assets. The family office currently holds a 3.7% stake in INDUS Holding.

Epina GmbH & Co. KG is an industrial company that reached the 3% threshold in 2021 and holds now 2.7%

INDUS Holding holds a further 4.1% of its own shares, which were acquired through share buy-back programs and do not carry voting or dividend rights.

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

Growth

Top-line growth

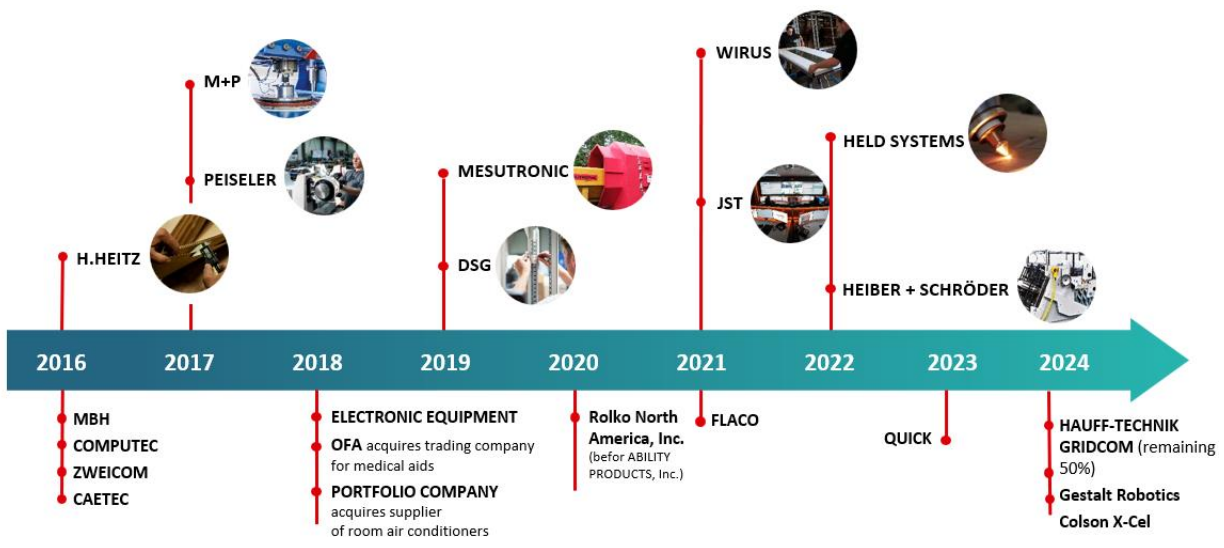
INDUS has experienced decent growth in recent years. In fact, sales have grown at a CAGR of 5% (2020-2023), which is well above overall GDP growth. In our view, the key growth drivers are

- As a starting point, **GDP-related growth** of the entire INDUS portfolio
- Further growth by focusing on **megatrends** such as digitalization, automation, urbanization and sustainability
- Additional growth by expanding the INDUS portfolio through **growth acquisitions** at the holding level
- **Add-on acquisitions** at portfolio level to strengthen its product or market presence

In terms of M&A, INDUS has earmarked a budget of c. EUR 70m for additional acquisitions in 2024 alone. According to the company, the M&A pipeline is well filled for both, growth and add-on acquisitions. Applying an average acquisition multiple of 6.5x EV/EBIT and assuming EBIT margins of c. 12%, INDUS' budget would be good for c. EUR 90m in annualized additional revenues or 5PP in M&A fueled growth.

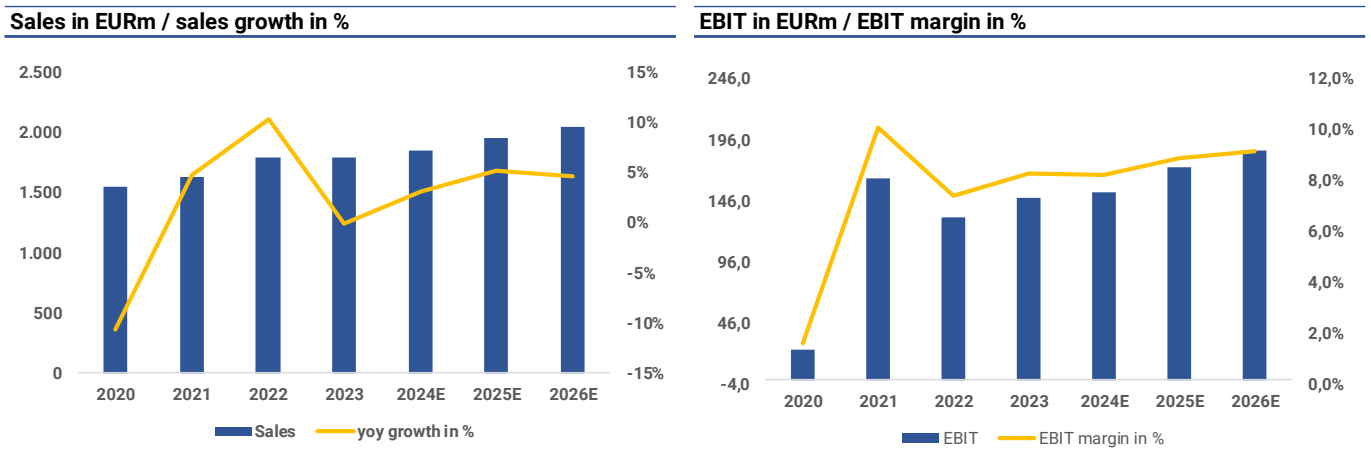
The following chart displays the intensity of INDUS' M&A activities in the past few years:

Value added services on portfolio level



Source: Company data; mwb research

All in all, we expect INDUS to continue to benefit strongly from the aforementioned growth levers, leading to our conservative CAGR 23-26E growth assumption of 5%.



Source: Company data; mwb research

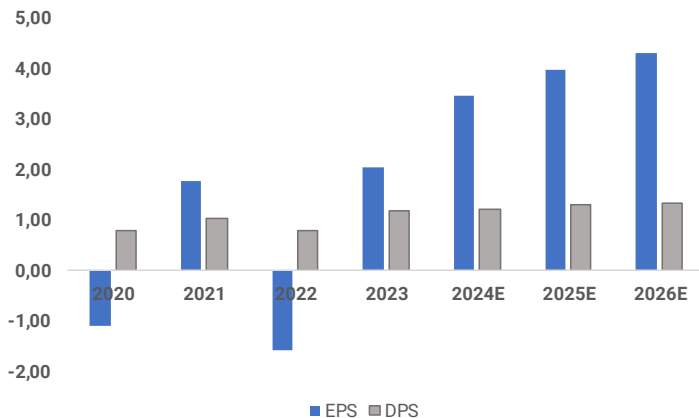
Bottom-line growth

As mentioned above, the INDUS portfolio is characterized by a certain robustness thanks to its three pillars, Engineering, Infrastructure and Materials. Although the portfolio as a whole is not immune to major external shocks (e.g. the coronavirus crisis in 2020 or the energy crisis in 2022 triggered by the war in Ukraine), INDUS still achieves adequate over the cycle margins. The EBIT margin was between 7-8% in the last two years and is also expected to be between 7.5-8.5% this year (company guidance). We expect the margin to be maintained or even improved in the future, mainly driven by

- **Pricing power through focus on niche markets.** The portfolio companies of INDUS often operate in niche markets that are generally less competitive. We believe that INDUS therefore has relatively good pricing power and may be able to pass on higher costs to its customers.
- **Margin-enhancing acquisitions.** We believe that INDUS generally acquires higher-margin businesses when it makes acquisitions. In the current year, we expect the newly acquired companies to generate EBIT margins in the 11-12% range. Overall, this should also lead to an increase in the Group's EBIT margin.
- Further, INDUS aims at **investing into innovative projects** on the portfolio level. Typical projects are in the area of operational efficiency, leveraging automation, AI learning or lean management principles. All of this aim at improving the service and/or efficiency of its portfolio level, ultimately helping to maintain or even increase overall margin levels.
- In addition, INDUS should benefit from further **economies of scale**, not least thanks to improved fixed cost degression.

Going forward, we believe that INDUS will continue to gradually improve its bottom line which will eventually also lead to higher dividend payments as the chart below suggests.

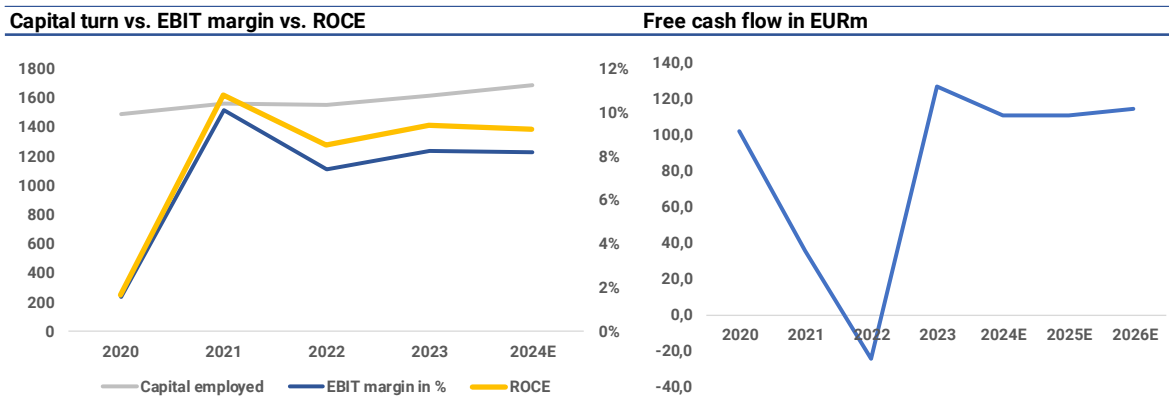
EPS vs. DPS



Source: Company data; mwb research

ROCE and Free Cash flow

In conclusion, the company's robust business model is ultimately reflected in its ability to generate cash and consistently deliver high returns on capital employed. While the company is not immune to external shocks (Covid-19 in 202 or energy crisis in 2022), it is remarkable how quickly the company can return to decent ROCE and cash flow levels.



Source: Company data; mwb research

The following chart depicts key P&L data of INDUS Holding

Growth table (EURm)	2021	2022	2023	2024E	2025E	2026E
Sales	1,633	1,804	1,802	1,860	1,958	2,051
Sales growth	4.8%	10.4%	-0.1%	3.2%	5.3%	4.7%
EBIT	166	134	150	153	174	188
EBIT margin	10.1%	7.4%	8.3%	8.2%	8.9%	9.2%
Net profit	47	-42	55	93	107	116

Source: Company data; mwb research

Outlook

For 2024, INDUS Holding expects sales between EUR 1.85-1.95bn (FY23 EUR 1.8bn), which corresponds to mid-point sales growth of 5.4% yoy. EBIT is expected to remain at around the previous year's level of EUR 145-165m (FY23 EUR 150m). The EBIT margin therefore is guided to remain relatively constant at around 8%. In terms of acquisitions, INDUS plans at least two growth acquisitions and further add-on acquisitions for which the company has earmarked c. 70m. for FY24.

Guidance 2024

	GROUP
	Forecast 2024
Turnover (in EUR billion)	1.85 - 1.95
EBIT (in EUR million)	145 - 165
EBIT margin (in %)	7.5 to 8.5
Free cash flow (in EUR million)	>110
Acquisitions	2 growth acquisitions and further add-on acquisitions
Investments in property, plant and equipment and intangible assets (in EUR million)	75 - 85
GHG emissions (Scope 1+2)* (in t CO ₂ /million EUR turnover)	Reduction by at least 6%
Equity ratio (in %)	Higher than 2023, around 39%
Net debt/EBITDA	around 2.3 years
Working capital (in EUR million)	Slightly increasing

Source: Company data; mwb research

In 2023, INDUS introduced a new performance indicator for the Group, namely adjusted EBITA. This indicator comprises EBIT plus PPA amortization, i.e. the amortization of assets from purchase price allocations. Adjusting for PPA helps ensure that financial statements provide a fair, transparent, and comparable view of INDUS's performance, both before and after acquisitions.

Q1 performance review

INDUS experienced a muted start to the new fiscal year. Group sales for Q1 2024 amounted to EUR 410m, which represented a 9% yoy decrease. The Engineering segment saw a decline in sales of 8.9% to EUR 129m, largely due to weaker performance in sorting systems and packaging technology. The Infrastructure segment reported a 6.8% decrease in sales to EUR 132m, primarily affected by a downturn in the heat pump sector and building construction suppliers. The Materials segment experienced a significant drop of 10.9% to EUR 149m, attributed to reduced demand and increased price pressure in the metal processing sector. Regionally, all segments faced sales declines due to ongoing economic challenges. The performance was impacted by both lower orders and aggressive pricing pressures from customers.

EBIT for Q1 2024 decreased by 40.4% to EUR 26.7m from EUR 44.8m in Q1 2023, resulting in an EBIT margin decline from 9.9% to 6.5%. Adjusted EBITA dropped by 36.4% to EUR 31.5m, reflecting challenging market conditions. Earnings after tax fell by 35.6% to EUR 10.3m, influenced by higher financial expenses and lower pre-tax earnings. EPS also decreased by 36.7% to EUR 0.38. Free Cash Flow was EUR 6.1m, down 18.7% from EUR 7.5m in Q1 2023. The decline in Free Cash Flow was partially mitigated by improved working capital management and lower capital expenditures compared to the previous year.

Despite this rather dull start to the year, INDUS stuck to its FY24 outlook. The economic outlook remains mixed with some recovery expected in the German economy. INDUS Holding anticipates a stronger performance in the second half of 2024, driven by recovery in industrial production and construction investments. The company maintains its full-year guidance with sales projected between EUR 1.85bn and EUR 1.95bn, and EBIT expected to range from EUR 145m to EUR 165m. The strategic acquisitions in automation and fiber optics are expected to contribute positively to future growth. However, persistent economic uncertainties and high financing costs remain challenges.

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

P&L data	Q2 2022	Q3 2022	Q4 2022	Q1 2023	Q2 2023	Q3 2023	Q4 2023	Q1 2024
Sales	500.1	490.0	369.2	450.8	453.3	459.7	438.6	410.1
yoy growth in %	11.2%	9.9%	-17.1%	1.4%	-9.4%	-6.2%	18.8%	-9.0%
Gross profit	241.9	247.5	245.6	249.4	245.6	252.8	241.5	229.4
Gross margin in %	48.4%	50.5%	66.5%	55.3%	54.2%	55.0%	55.1%	55.9%
EBITDA	67.2	71.4	62.3	66.1	62.0	72.5	57.5	48.5
EBITDA margin in %	13.4%	14.6%	16.9%	14.7%	13.7%	15.8%	13.1%	11.8%
EBIT	46.0	10.4	35.9	44.8	40.1	32.1	32.6	26.7
EBIT margin in %	9.2%	2.1%	9.7%	9.9%	8.8%	7.0%	7.4%	6.5%
EBT	41.7	5.0	33.2	36.9	34.0	32.3	36.5	17.8
taxes paid	10.2	5.5	7.1	12.0	11.4	8.6	23.7	7.4
tax rate in %	24.5%	109.5%	21.3%	32.5%	33.7%	26.6%	65.0%	41.8%
net profit	15.9	-50.7	-11.9	16.0	5.4	21.4	12.6	10.2
yoy growth in %	-1.9%	na%	na%	257.0%	-65.9%	na%	na%	-36.6%
EPS	0.59	-1.89	-0.44	0.60	0.20	0.79	0.47	0.38

Source: Company data; mwb research

Valuation

In order to derive at a fair value for INDUS we have conducted several valuation approaches. We note however that valuing an investment firm, traditional valuation techniques often provide pitfalls and hence do not 100% accurately reflect the true value of the company. These are:

1. DCF Model
2. Adj. FCF yield
3. Sum-of-the parts (SOTP) valuation
4. Peer group analysis

The following table summarizes the potential range of fair values for INDUS, using the different valuation approaches.

Valuation overview - in EUR		Fair Value
Peer Group	EV/EBITDA	33,51-39,19
Sum-of-the-part		39,41
Average	X	40,84
adj. FCF yield	2024/2025	41,04-52,46
DCF	Beta 1.0x	40,84
EUR	25,0 29,0 33,0 37,0 41,0 45,0 49,0 53,0 57,0	

Source: mwb research

mwb research valuation toolbox

As discussed later, a **peer group comparison** often comes with challenges in finding the appropriate peers. More often than not, comparable companies differ quite significantly in terms of size, growth rates, profitability and/or geographical exposure. Also, different stages in the life-cycle of a company might command different risk-/reward profiles. All these elements have a significant impact on the appropriate fair value computation. We therefore deem our peer analysis as a rather inappropriate measure to derive at a fair value for INDUS.

The **Sum-of-the-part (SOTP) valuation** is the most appropriate valuation technique when it comes to private equity, venture capital or holding companies. The SOTP arrives at an estimated net asset value (NAV) by adding the value of the portfolio components, subtracting the net debt or adding the net liquidity. The main advantage over other valuation models is that differing valuation levels of different group companies can be more accurately reflected.

Our proprietary **adj. FCF yield valuation** technique values a company on a stand-alone basis. However, the FCF yield observation is a relatively static approach where the cash flows of *one specific year* in the future will be taken as the basis for valuing the entire company, i.e. taking a private equity view, where all cash flows and earnings belong to the potential buyer. An additional pitfall is that cash flows are not discounted to today's value. Hence, the adj. FCF yield only derives at meaningful results if a company has stable future cash flows. For INDUS, constantly buying and selling portfolio companies, steady cash flows are difficult to predict.

Our **DCF derived fair value** valuation is the most appropriate valuation method for companies in its growth phase but with "easy" to predict future cash flows. Again, INDUS buys and seldomly sells portfolio companies. Hence, future cash flows and growth rates are hard to predict. Consequently, we do not apply our DCF valuation for valuing INDUS.

DCF Model

The DCF model results in a **fair value of EUR 40.84 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 9.1% in 2024E to 7.5% in 2031E.

WACC. Starting point is a historical equity beta of 0.98. Unlevering and correcting for mean reversion yields an asset beta of 1.00. Combined with a risk-free rate of 2.0% and an equity risk premium of 6.0% this yields cost of equity of 10.1%. With pre-tax cost of borrowing at 5.0%, a tax rate of 30% and target debt/equity of 0.5 this results in a long-term WACC of 7.9%.

DCF (EURm) (except per share data and beta)	2024E	2025E	2026E	2027E	2028E	2029E	2030E	2031E	Terminal value
NOPAT	100	114	123	103	97	99	99	103	
Depreciation & amortization	87	87	89	88	88	89	88	88	
Change in working capital	0	-13	-15	-14	-17	-9	-11	-9	
Chg. in long-term provisions	4	7	7	3	3	3	3	3	
Capex	-75	-79	-83	-92	-94	-87	-89	-91	
Cash flow	116	116	120	89	77	95	91	94	1,625
Present value	112	104	100	68	55	62	55	53	915
WACC	7.6%	7.6%	7.6%	7.7%	7.9%	7.9%	7.9%	7.9%	7.9%

DCF per share derived from	
Total present value	1,523
Mid-year adj. total present value	1,581
Net debt / cash at start of year	506
Financial assets	51
Provisions and off b/s debt	27
Equity value	1,098
No. of shares outstanding	26.9
Discounted cash flow / share upside/(downside)	40.84 57.1%

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	7.5%
Terminal year WACC	7.9%

Terminal WACC derived from	
Cost of borrowing (before taxes)	5.0%
Long-term tax rate	30%
Equity beta	0.98
Unlevered beta (industry or company)	1.00
Target debt / equity	0.5
Relevered beta	1.35
Risk-free rate	2.0%
Equity risk premium	6.0%
Cost of equity	10.1%

Share price	26.00
--------------------	--------------

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%	24.7	26.0	27.5	29.2	31.1	2024E-2027E	25.1%
1.0%	29.4	31.2	33.2	35.6	38.3	2028E-2031E	14.8%
0.0%	35.4	37.9	40.8	44.3	48.4	terminal value	60.1%
-1.0%	43.5	47.2	51.6	57.0	63.8		
-2.0%	54.9	60.6	67.8	77.1	89.6		

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 41.04 per share based on 2024E and EUR 53.08 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	240	262	277	246	228
- Maintenance capex	87	87	89	88	88
- Minorities	1	1	1	1	1
- tax expenses	49	56	61	50	39
= Adjusted FCF	103	117	126	106	100
Actual Market Cap	699	699	699	699	699
+ Net debt (cash)	428	349	270	222	181
+ Pension provisions	28	29	31	31	32
+ Off B/S financing	0	0	0	0	0
- Financial assets	51	51	51	51	51
- Acc. dividend payments	32	65	100	136	166
<i>EV Reconciliations</i>	372	263	149	67	-4
= Actual EV'	1,072	962	848	766	695
Adjusted FCF yield	9.6%	12.2%	14.9%	13.9%	14.3%
base hurdle rate	7.0%	7.0%	7.0%	7.0%	7.0%
ESG adjustment	0.0%	0.0%	0.0%	0.0%	0.0%
adjusted hurdle rate	7.0%	7.0%	7.0%	7.0%	7.0%
Fair EV	1,476	1,674	1,800	1,519	1,423
- <i>EV Reconciliations</i>	372	263	149	67	-4
Fair Market Cap	1,104	1,411	1,651	1,453	1,428
No. of shares (million)	27	27	27	27	27
Fair value per share in EUR	41.04	52.46	61.38	54.01	53.08
Premium (-) / discount (+)	57.8%	101.8%	136.1%	107.7%	104.1%

Sensitivity analysis FV						
	5.0%	63	77	88	77	74
Adjusted hurdle rate	6.0%	50	63	73	63	62
	7.0%	41	52	61	54	53
	8.0%	34	45	53	47	46
	9.0%	29	39	47	41	41

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 7.0%. 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.**

Sum-of-the-parts model (SOTP)

The DCF and FCF return valuation methods commonly used at mwb research are not applicable to an investment company like INDUS. Instead, we use the most appropriate approach in this case, i.e. we create a sum-of-the-parts valuation by adding the value of the portfolio components, subtracting the net debt or adding the net liquidity and arrive at an estimated net asset value (NAV).

The following portfolio companies have been taken into consideration:

Engineering			
#	Company	Description	2023
1	ASS MASCHINENBAU GmbH	Robotic hands and automation systems for manufacturers	17
2	BUDE FÖRDERTECHNIK GmbH	Specialist in logistics and materials flow	76
3	ELTHERM GmbH	Specialist in electrical heat tracing systems	41
4	GSR VENTILTECHNIK GmbH & Co. KG	Innovative valve technology for demanding industrial applications	26
5	HEIBER UND SCHRÖDER Maschinenbau GmbH	Special machinery for packaging solutions	21
6	HELD SYSTEMS GmbH	Laser technology systems	17
7	HORNGROUP HOLDING GmbH & Co. KG	Refueling technology and workshop solutions, worldwide	66
8	IEF WERNER GmbH	Automation components and systems	22
9	IPETRONIK GmbH & Co. KG	Measurement systems and Services for automotive industry	63
10	JUNGMANN SYSTEMTECHNIK	Integrated control room solutions	16
11	MBN MASCHINENBAUBETRIEBE GmbH	Sophisticated solutions for special machinery and plant solutions	51
12	M.BRAUN INERTGASSYSTEME GmbH & Co. KG	Inert gas glove box systems for industry and research	100
13	M+P INTERNATIONAL MESS- UND RECHNERTECHNIK GmbH	Measurement and test systems for vibration control and analysis	15
14	MESUTRONIC GERÄTEBAU GmbH	Measuring technology and control engineering	30
15	PEISELER GmbH & Co. KG	High-precision indexing devices and rotary-tilt tables for machine tool	40
Engineering segment total sales			586

Infrastructure			
#	Company	Description	2023
1	ANCOTECH AG	Special reinforcements; tanker transport systems	55
2	AURORA Konrad G. Schulz GmbH & Co. KG	Heating and air-conditioning systems f. commercial vehicles	82
3	BETOMAX Systems GmbH & Co. KG	Concrete construction solutions	24
4	FS-BF GmbH & Co. KG	Sealants made from silicone acrylic	42
5	H. HEITZ Furnierkantenwerk GmbH & Co. KG	Edge and wrapping veneer for furniture and construction industries	33
6	HAUFF-TECHNIK GmbH & Co. KG	Innovative sealing systems for cables and pipes	93
7	MIGUA Fugensysteme GmbH	Section construction for expansion joints	13
8	OBUK Haustürrfüllungen GmbH & Co. KG	Individual front door panels	26
9	REMKO GmbH & Co. KG	Efficient heating technology	90
10	SCHUSTER Klima Lüftung GmbH & Co. KG	Energy-efficient ventilation and air conditioning technology	18
11	TSN TURMBAU STEFFENS & NÖLLE GmbH	International construction of towers	9
12	WEIGAND BAU GmbH	Modern pipeline and cable duct construction	27
13	WEINISCH GmbH & Co. KG	High-quality powder coating of metals	6
14	WIRUS Fenster GmbH & Co. KG	Window- and door manufacturing	65
Infrastructure segment total sales			583

Materials			
#	Company	Description	2023
1	BETEK GmbH & Co. KG	Carbide-tipped wafer parts	302
2	BILSTEIN & SIEKERMANN GmbH & Co. KG	Cold extrusion parts, turned parts and locking screws	18
3	DESSAUER SCHALTSCHRANK & GEHÄUSETECHNIK GmbH	High-quality metal and leads parts, components, switch cabins	11
4	HAKAMA AG	High-performance sheet metals	17
5	IMECO GmbH & Co. KG	Nonwoven products	17
6	MEWESTA HYDRAULIK GmbH & Co. KG	Hydraulic control blocks and systems	7
7	MIKROP AG	Miniaturized precision optics	20
8	OFA BAMBERG GmbH	Compression hoisery and bandages	79
9	PLANETROLL GmbH & Co. KG	Stirring and power transmission technology	5
10	RAGUSE GESELLSCHAFT FÜR MEDIZINISCHE PRODUKTE mbH	Indication specific production for surgical drapes	15
11	ROLKO KOHLGRÜBER GmbH	Rehabilitation equipment	31
12	HELMUT RÜBSAMEN GmbH & Co. KG	Metal processing and forming technology	54
13	KARL SIMON GmbH & Co. KG	Components and assemblies made from metal and plastics	13
14	VULKAN INOX GmbH	Granules for surface treatment	31
Materials segment total sales			609

Source: Company data; mwb research

We have applied fair industry multiples to the three operating segments – Engineering, Infrastructure as well as Materials, consisting of typical Small & MidCap companies of the three segments. In addition, we have used the trailing last twelve months (TLTM) EBIT “last FY reported” data for net debt and the number of shares outstanding.

Sum of the part (SOTP) valuation - in EURm				
Segments EBIT	TLTM	fair multiple		Remarks
Engineering	48,8	11,0x	536	EBIT TLTM;
Infrastructure	50,0	11,7x	585	fair multiples based on
Materials	49,0	12,4x	607	broad industry peer
Holding costs	-16,3	10,0x	-162,7	groups
Fair enterprise value			1.566	
Net debt			506	YE 23
Fair equity value			1.060	
Number of shares			26,9	YE 23
Fair value per share - EUR			39,41	

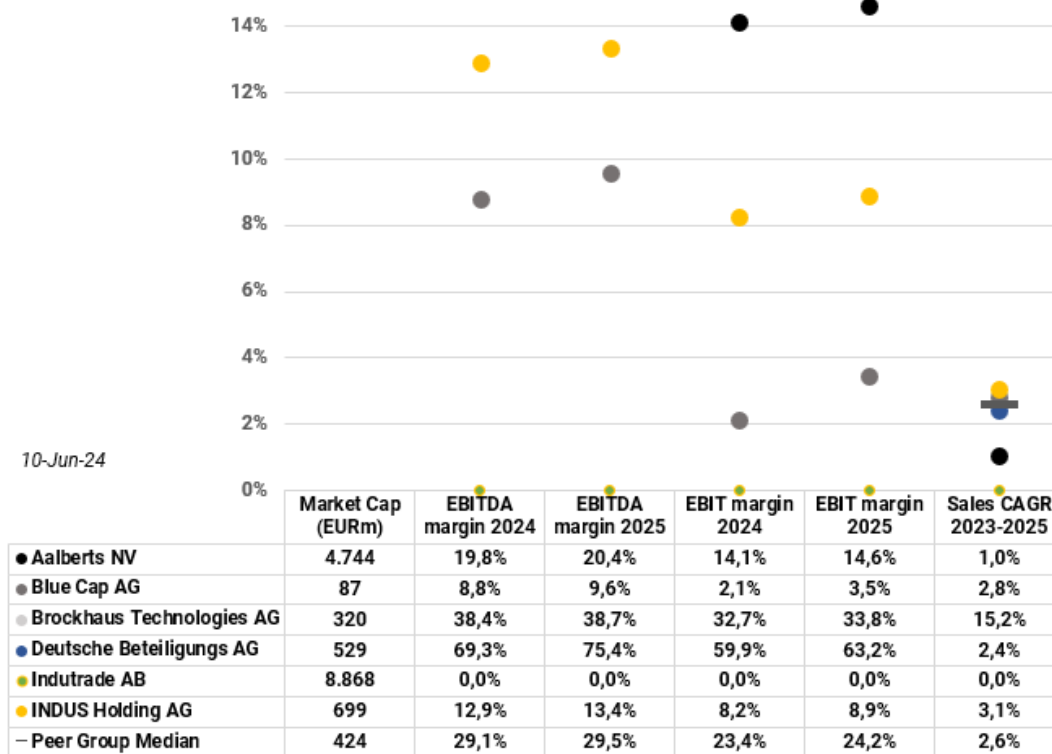
Source: Company data; mwb research

Putting this all together, our sum of the part valuation derives at a fair value per share of EUR 39.41, supporting our other valuation methods.

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 below. As of 10 June 2024 the median market cap of the peer group was EUR 424m, compared to EUR 699m 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 lower for the peer group than for INDUS Holding AG.

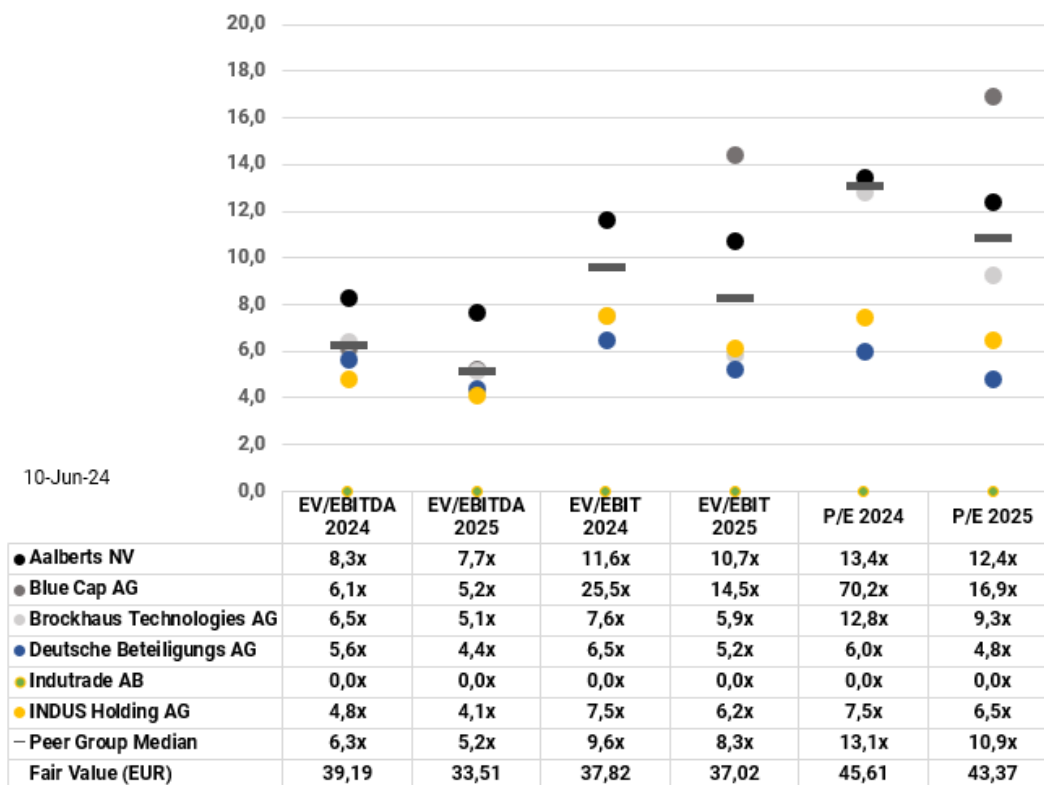
Peer Group – Key data



Source: AlphaSense, 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 33.51 to EUR 45.61.

Peer Group – Multiples and valuation



Source: AlphaSense, mwb research

The following gives a brief summary about the peers used in our comparable company analysis:

Aalberts NV is a company based in the Netherlands. It is engaged in integrated piping systems and hydronic flow control systems for buildings, advanced mechatronics for semiconductor OEMs and surface technologies for various industries. It is divided into segments building technology and industrial technology. The Company designs, develops and manufactures integrated piping systems to distribute and regulate water or gas flows in heating, cooling, water, gas and sprinkler systems in residential, commercial and industrial buildings. It also co-develops, engineers and manufactures tailor-made integrated qualified modules and solutions enabling the technology roadmaps of worldwide active (SPE) semiconductor production equipment OEMs. The Company offers advanced heat and surface treatments to improve material characteristics. With a global network of service locations, Aalberts offers tailor-made processes to customers in general industries, automotive, aerospace, and semiconductor.

Blue Cap AG is a Germany-based holding company investing in medium-sized companies in the industry sector. The Company's portfolio includes companies in the areas of adhesives, special machinery, medical and measurement technology and precious metals. It distinguishes five business segments: Coating technology, Adhesive technology, Production technology, Medical technology, Precious metal recycling and trade.

Brockhaus Technologies AG formerly Brockhaus Capital Management AG is a Germany-based technology company. The Company is engaged in acquiring technology companies with Business to Business (B2B) models in the German Mittelstand. It provides strategic support to its subsidiaries.

Deutsche Beteiligungs AG (DBAG) is a Germany-based private equity company, that initiates and structures closed-end private equity funds (DBAG funds) for investment in equity or equity-like instruments and provides advice for these funds. It focuses on mid-market companies. The Company operates through two business segments: Fund Investment Services, which provides advisory services to DBAG funds, and Private Equity Investment, which encompasses interests in portfolio companies, held through investment entity subsidiaries. The DBAG funds are the link between both business lines. The Company focuses primarily on Mittelstand (mid-sized) companies operating in German-speaking countries, particularly in industry sectors, such as mechanical and plant engineering, automotive and industrial components manufacturing.

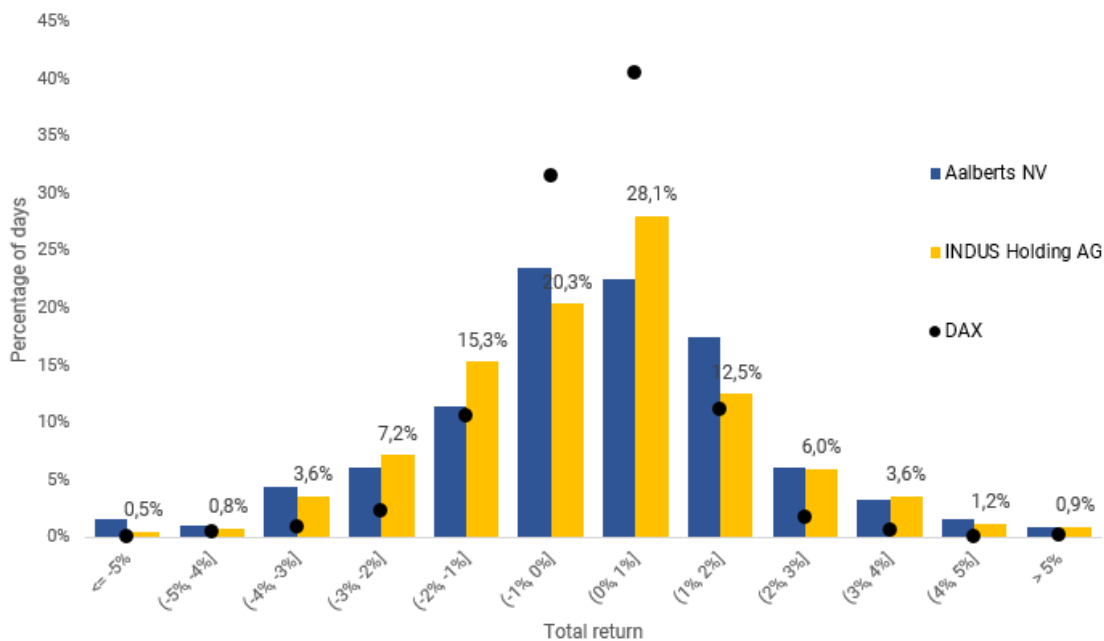
Gesco AG is a Germany-based investment company that acquires industrial small and medium-sized enterprises (SMEs). The Company focuses on production process technology, resource technology, health, and infrastructure technology, as well as mobility technology, and operates as a long-term investor. It manages takeovers both through management buyouts (MBOs) and management buy-ins (MBI), and through group spin-offs. It offers machines, production facilities, tools, components, and services from steelmaking to 3Dimension (3D) printing, from medical technology to special purpose mechanical engineering.

Indutrade AB is a Sweden-based company specialized in high-tech products and solutions that streamline customers' systems and processes. It operates through eight segments: Benelux, DACH and UK offer custom-manufactured niche products, design solutions, aftermarket services, assembly and customization. Finland provides components, customization, combinations and product installations. Flow Technology supplies components and systems for controlling, measuring, monitoring and regulating flows. Fluids & Mechanical Solutions offers hydraulic and mechanical components to industries in the Nordic countries, but also in Europe and North America. Industrial Components includes technical components and systems for industrial production, maintenance and medical technology equipment. Measurement & Sensor Technology sells measurement instruments and systems, sensors, control and regulating technology, and monitoring equipment. Through its subsidiaries the Company operates globally.

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 NV. We have also included the distribution for the index DAX. 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%.

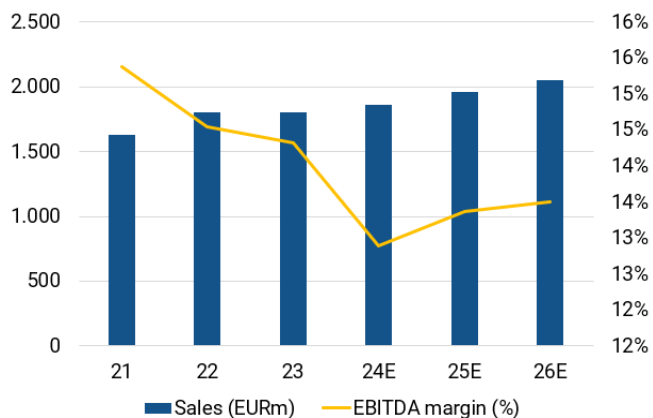
Risk – Daily Returns Distribution (trailing 3 years)



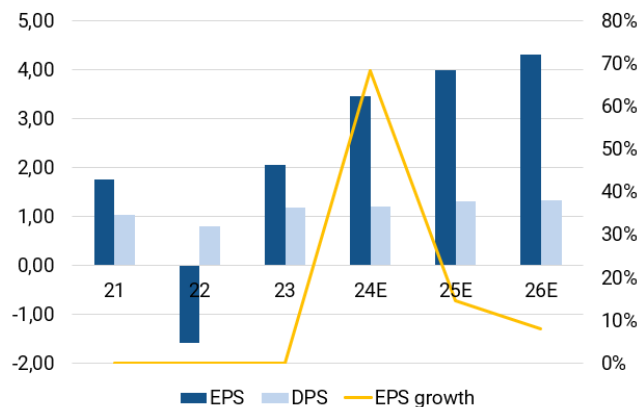
Source: AlphaSense, mwb research

Financials in six charts

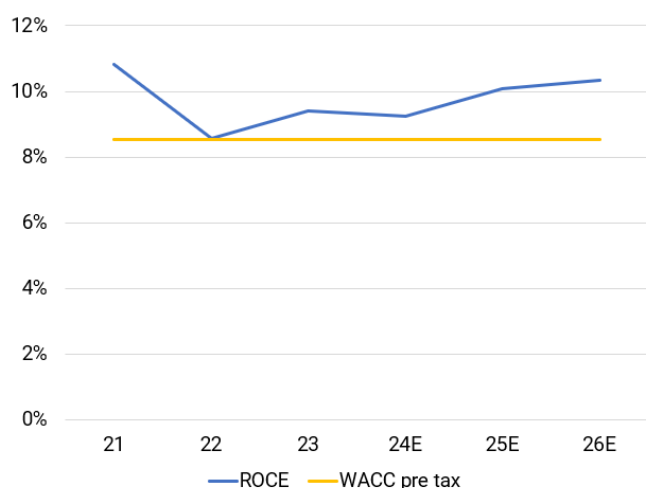
Sales vs. EBITDA margin development



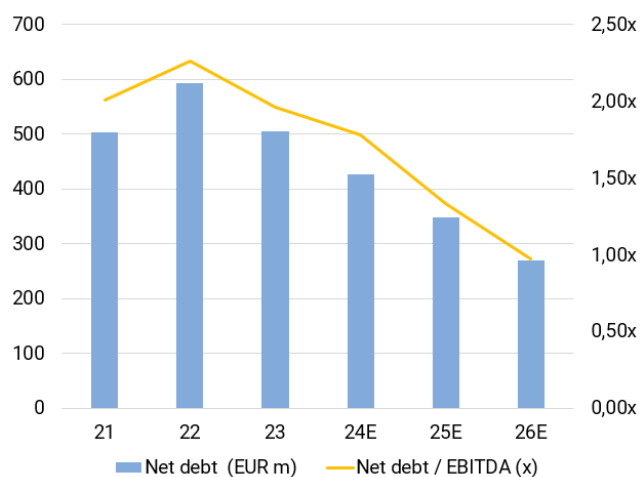
EPS, DPS in EUR & yoy EPS growth



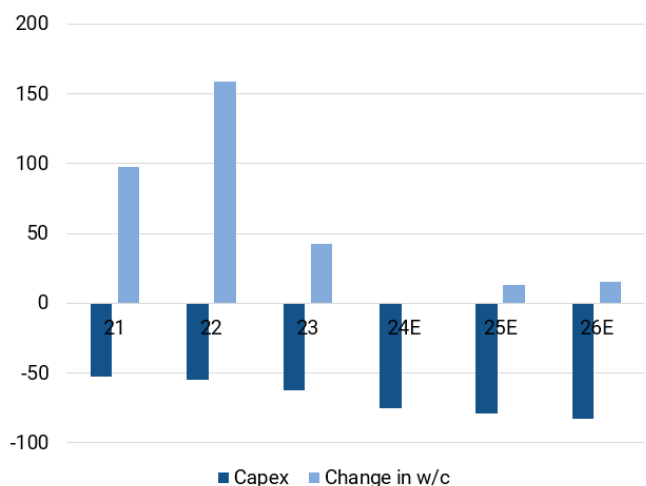
ROCE vs. WACC (pre tax)



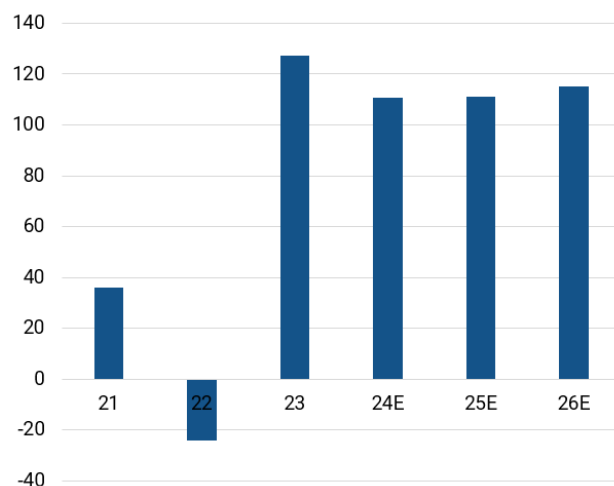
Net debt and net debt/EBITDA



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	1,860	1,958	2,051
Sales growth	4.8%	10.4%	-0.1%	3.2%	5.3%	4.7%
Change in finished goods and work-in-process	22	30	-17	41	35	32
Total sales	1,655	1,834	1,785	1,901	1,993	2,083
Material expenses	757	872	801	912	943	980
Gross profit	898	962	984	989	1,050	1,103
Other operating income	28	29	26	27	28	30
Personnel expenses	467	495	522	538	567	593
Other operating expenses	207	233	230	238	250	262
EBITDA	251	262	258	240	262	277
Depreciation	83	86	89	70	71	73
EBITA	168	176	169	170	190	203
Amortisation of goodwill and intangible assets	3	43	19	16	16	15
EBIT	166	134	150	153	174	188
Financial result	-16	-18	-10	-10	-10	-10
Recurring pretax income from continuing operations	150	116	140	143	165	178
Extraordinary income/loss	0	0	0	0	0	0
Earnings before taxes	150	116	140	143	165	178
Taxes	52	33	56	49	56	61
Net income from continuing operations	98	82	84	95	109	118
Result from discontinued operations (net of tax)	-50	-124	-28	0	0	0
Net income	48	-41	56	95	109	118
Minority interest	-1	-1	-1	-1	-1	-1
Net profit (reported)	47	-42	55	93	107	116
Average number of shares	26.33	26.90	26.90	26.90	26.90	26.90
EPS reported	1.77	-1.57	2.06	3.48	3.99	4.32

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%	2%	2%
Total sales	101%	102%	99%	102%	102%	102%
Material expenses	46%	48%	44%	49%	48%	48%
Gross profit	55%	53%	55%	53%	54%	54%
Other operating income	2%	2%	1%	1%	1%	1%
Personnel expenses	29%	27%	29%	29%	29%	29%
Other operating expenses	13%	13%	13%	13%	13%	13%
EBITDA	15%	15%	14%	13%	13%	13%
Depreciation	5%	5%	5%	4%	4%	4%
EBITA	10%	10%	9%	9%	10%	10%
Amortisation of goodwill and intangible assets	0%	2%	1%	1%	1%	1%
EBIT	10%	7%	8%	8%	9%	9%
Financial result	-1%	-1%	-1%	-1%	-1%	-0%
Recurring pretax income from continuing operations	9%	6%	8%	8%	8%	9%
Extraordinary income/loss	0%	0%	0%	0%	0%	0%
Earnings before taxes	9%	6%	8%	8%	8%	9%
Taxes	3%	2%	3%	3%	3%	3%
Net income from continuing operations	6%	5%	5%	5%	6%	6%
Result from discontinued operations (net of tax)	-3%	-7%	-2%	0%	0%	0%
Net income	3%	-2%	3%	5%	6%	6%
Minority interest	-0%	-0%	-0%	-0%	-0%	-0%
Net profit (reported)	3%	-2%	3%	5%	5%	6%

Source: Company data; mwb research

Balance sheet (EURm)	2021	2022	2023	2024E	2025E	2026E
Intangible assets (exl. Goodwill)	143	172	164	159	155	152
Goodwill	410	404	396	396	396	396
Property, plant and equipment	510	413	418	412	408	405
Financial assets	36	34	51	51	51	51
FIXED ASSETS	1,099	1,024	1,029	1,018	1,009	1,003
Inventories	404	449	429	437	452	470
Accounts receivable	169	195	181	187	197	206
Other current assets	14	72	6	6	6	6
Liquid assets	136	128	266	344	423	502
Deferred taxes	0	0	0	0	0	0
Deferred charges and prepaid expenses	36	22	17	18	19	20
CURRENT ASSETS	758	866	900	992	1,096	1,204
TOTAL ASSETS	1,857	1,890	1,929	2,010	2,106	2,207
SHAREHOLDERS EQUITY	786	693	718	780	856	938
MINORITY INTEREST	2	2	2	2	2	2
Long-term debt	477	581	618	618	618	618
Provisions for pensions and similar obligations	41	24	27	28	29	31
Other provisions	97	115	104	107	113	118
Non-current liabilities	616	719	749	753	761	767
short-term liabilities to banks	163	141	154	154	154	154
Accounts payable	82	74	64	72	75	78
Advance payments received on orders	53	74	80	83	87	91
Other liabilities (incl. from lease and rental contracts)	73	115	75	77	81	85
Deferred taxes	49	54	55	55	55	55
Deferred income	35	18	32	33	35	36
Current liabilities	454	476	460	475	487	500
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	1,857	1,890	1,929	2,010	2,106	2,207

Balance sheet (common size)	2021	2022	2023	2024E	2025E	2026E
Intangible assets (excl. Goodwill)	8%	9%	9%	8%	7%	7%
Goodwill	22%	21%	21%	20%	19%	18%
Property, plant and equipment	27%	22%	22%	20%	19%	18%
Financial assets	2%	2%	3%	3%	2%	2%
FIXED ASSETS	59%	54%	53%	51%	48%	45%
Inventories	22%	24%	22%	22%	21%	21%
Accounts receivable	9%	10%	9%	9%	9%	9%
Other current assets	1%	4%	0%	0%	0%	0%
Liquid assets	7%	7%	14%	17%	20%	23%
Deferred taxes	0%	0%	0%	0%	0%	0%
Deferred charges and prepaid expenses	2%	1%	1%	1%	1%	1%
CURRENT ASSETS	41%	46%	47%	49%	52%	55%
TOTAL ASSETS	100%	100%	100%	100%	100%	100%
SHAREHOLDERS EQUITY	42%	37%	37%	39%	41%	43%
MINORITY INTEREST	0%	0%	0%	0%	0%	0%
Long-term debt	26%	31%	32%	31%	29%	28%
Provisions for pensions and similar obligations	2%	1%	1%	1%	1%	1%
Other provisions	5%	6%	5%	5%	5%	5%
Non-current liabilities	33%	38%	39%	37%	36%	35%
short-term liabilities to banks	9%	7%	8%	8%	7%	7%
Accounts payable	4%	4%	3%	4%	4%	4%
Advance payments received on orders	3%	4%	4%	4%	4%	4%
Other liabilities (incl. from lease and rental contracts)	4%	6%	4%	4%	4%	4%
Deferred taxes	3%	3%	3%	3%	3%	3%
Deferred income	2%	1%	2%	2%	2%	2%
Current liabilities	24%	25%	24%	24%	23%	23%
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	73	84	95	109	118
Depreciation of fixed assets (incl. leases)	86	129	109	70	71	73
Amortisation of goodwill	0	0	0	0	0	0
Amortisation of intangible assets	0	0	0	16	16	15
Others	3	-13	39	4	7	7
Cash flow from operations before changes in w/c	186	189	232	185	203	213
Increase/decrease in inventory	0	0	0	-8	-15	-18
Increase/decrease in accounts receivable	0	0	0	-6	-10	-9
Increase/decrease in accounts payable	38	10	-3	9	2	3
Increase/decrease in other w/c positions	-136	-169	-39	5	9	9
Increase/decrease in working capital	-98	-159	-42	0	-13	-15
Cash flow from operating activities	89	30	189	186	190	198
CAPEX	-53	-55	-62	-75	-79	-83
Payments for acquisitions	0	0	0	0	0	0
Financial investments	-60	-49	-9	0	0	0
Income from asset disposals	7	9	21	0	0	0
Cash flow from investing activities	-106	-94	-50	-75	-79	-83
Cash flow before financing	-17	-64	139	111	111	115
Increase/decrease in debt position	-103	87	22	0	0	0
Purchase of own shares	0	0	0	0	0	0
Capital measures	85	0	0	0	0	0
Dividends paid	-22	-28	-22	-32	-33	-35
Others	-1	-3	-1	0	0	0
Effects of exchange rate changes on cash	-0	-0	-1	0	0	0
Cash flow from financing activities	-41	56	-1	-32	-33	-35
Increase/decrease in liquid assets	-58	-9	138	79	78	80
Liquid assets at end of period	136	128	266	344	423	502

Source: Company data; mwb research

Regional sales split (EURm)	2021	2022	2023	2024E	2025E	2026E
Domestic	849	902	811	837	881	923
Europe (ex domestic)	327	343	379	391	411	431
The Americas	0	0	0	0	0	0
Asia	0	0	0	0	0	0
Rest of World	457	559	613	632	666	697
Total sales	1,633	1,804	1,802	1,860	1,958	2,051

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	3.48	3.99	4.32
Cash flow per share	3.36	1.12	7.04	3.69	3.82	4.05
Book value per share	29.83	25.76	26.69	29.01	31.83	34.89
Dividend per share	1.05	0.80	1.20	1.22	1.32	1.34
Valuation						
P/E	14.6x	-16.6x	12.6x	7.5x	6.5x	6.0x
P/CF	7.7x	23.1x	3.7x	7.0x	6.8x	6.4x
P/BV	0.9x	1.0x	1.0x	0.9x	0.8x	0.7x
Dividend yield (%)	4.0%	3.1%	4.6%	4.7%	5.1%	5.1%
FCF yield (%)	12.9%	4.3%	27.1%	14.2%	14.7%	15.6%
EV/Sales	0.8x	0.7x	0.7x	0.6x	0.6x	0.5x
EV/EBITDA	5.0x	5.0x	4.8x	4.8x	4.1x	3.6x
EV/EBIT	7.5x	9.8x	8.2x	7.5x	6.2x	5.3x
Income statement (EURm)						
Sales	1,633	1,804	1,802	1,860	1,958	2,051
yoy chg in %	4.8%	10.4%	-0.1%	3.2%	5.3%	4.7%
Gross profit	898	962	984	989	1,050	1,103
Gross margin in %	55.0%	53.3%	54.6%	53.2%	53.6%	53.8%
EBITDA	251	262	258	240	262	277
EBITDA margin in %	15.4%	14.5%	14.3%	12.9%	13.4%	13.5%
EBIT	166	134	150	153	174	188
EBIT margin in %	10.1%	7.4%	8.3%	8.2%	8.9%	9.2%
Net profit	47	-42	55	93	107	116
Cash flow statement (EURm)						
CF from operations	89	30	189	186	190	198
Capex	-53	-55	-62	-75	-79	-83
Maintenance Capex	0	0	0	87	87	89
Free cash flow	36	-24	127	111	111	115
Balance sheet (EURm)						
Intangible assets	553	576	560	555	551	547
Tangible assets	510	413	418	412	408	405
Shareholders' equity	786	693	718	780	856	938
Pension provisions	41	24	27	28	29	31
Liabilities and provisions	779	860	903	907	914	921
Net financial debt	504	594	506	428	349	270
w/c requirements	438	496	467	469	487	507
Ratios						
ROE	6.1%	-6.0%	7.8%	12.1%	12.7%	12.5%
ROCE	10.6%	8.6%	9.2%	9.1%	9.8%	10.1%
Net gearing	64.2%	85.7%	70.5%	54.8%	40.8%	28.7%
Net debt / EBITDA	2.0x	2.3x	2.0x	1.8x	1.3x	1.0x

Source: Company data; mwb research

Conflicts of interest

Disclosures regarding research publications of mwb research AG pursuant to section 85 of the German Securities Trading Act (WpHG) and distributed in the UK under an EEA branch passport, subject to the FCA requirements on research recommendation disclosures. It is essential that any research recommendation is fairly presented and discloses interests of and indicates relevant conflicts of interest. Pursuant to section 85 of the German Securities Trading Act (WpHG) a research report has to point out possible conflicts of interest in connection with the analyzed company. Further to this, under the FCA's rules on research recommendations, any conflicts of interest in connection with the recommendation must be disclosed. A conflict of interest is presumed to exist in particular if mwb research AG

- (1) or its affiliate(s) (either in its own right or as part of a consortium) within the past twelve months, acquired the financial instruments of the analyzed company,
- (2) has entered into an agreement on the production of the research report with the analyzed company,
- (3) or its affiliate(s) has, within the past twelve months, been party to an agreement on the provision of investment banking services with the analyzed company or have received services or a promise of services under the terms of such an agreement,
- (4) or its affiliate(s) holds a) 5% or more of the share capital of the analyzed company, or b) the analyzed company holds 5% or more of the share capital of mwb research AG or its affiliate(s),
- (5) or its affiliate(s) holds a net long (a) or a net short (b) position of 0.5% of the outstanding share capital of the analyzed company or derivatives thereof,
- (6) or its affiliate(s) is a market maker or liquidity provider in the financial instruments of the issuer,
- (7) or the analyst has any other significant financial interests relating to the analyzed company such as, for example, exercising mandates in the interest of the analyzed company or a significant conflict of interest with respect to the issuer,
- (8) The research report has been made available to the company prior to its publication. Thereafter, only factual changes have been made to the report.

Conflicts of interest that existed at the time when this research report was published:

Company	Disclosure
INDUS Holding AG	7, 8

Important disclosures

1. General Information/Liabilities This research report has been produced for the information purposes of institutional investors only, and is not in any way a personal recommendation, offer or solicitation to buy or sell the financial instruments mentioned herein. The document is confidential and is made available by mwb research AG, exclusively to selected recipients [in DE, GB, FR, CH, US, UK, Scandinavia, and Benelux or, in individual cases, also in other countries]. A distribution to private investors in the sense of the German Securities Trading Act (WpHG) is excluded. It is not allowed to pass the research report on to persons other than the intended recipient without the permission of mwb research AG. Reproduction of this document, in whole or in part, is not permitted without prior permission mwb research AG. All rights reserved. Under no circumstances shall mwb research AG, any of its employees involved in the preparation, have any liability for possible errors or incompleteness of the information included in this research report – neither in relation to indirect or direct nor consequential damages. Liability for damages arising either directly or as a consequence of the use of information, opinions and estimates is also excluded. Past performance of a financial instrument is not necessarily indicative of future performance.

2. Responsibilities This research report was prepared by the research analyst named on the front page (the "Producer"). The Producer is solely responsible for the views and estimates expressed in this report. The report has been prepared independently. The content of the research report was not influenced by the issuer of the analyzed financial instrument at any time. It may be possible that parts of the research report were handed out to the issuer for information purposes prior to the publication without any major amendments being made thereafter.

3. Organizational Requirements mwb research AG took internal organizational and regulative precautions to avoid or accordingly disclose possible conflicts of interest in connection with the preparation and distribution of the research report. All members of mwb research AG involved in the preparation of the research report are subject to internal compliance regulations. No part of the Producer's compensation is directly or indirectly related to the preparation of this financial analysis. In case a research analyst or a closely related person is confronted with a conflict of interest, the research analyst is restricted from covering this company.

4. Information Concerning the Methods of Valuation/Update The determination of the fair value per share, i.e. the price target, and the resultant rating is done on the basis of the adjusted free cash flow (adj. FCF) method and on the basis of the discounted cash flow – DCF model. Furthermore, a peer group comparison is made. 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. The operating cash flow is calculated as EBITDA less maintenance capex and taxes. Within the framework of the DCF approach, the future free cash flows are calculated initially on the basis of a fictitious capital structure of 100% equity, i.e. interest and repayments on debt capital are not factored in initially. The adjustment towards the actual capital structure is done by discounting the calculated free cash flows with the weighted average cost of capital (WACC), which takes into account both the cost of equity capital and the cost of debt. After discounting, the calculated total enterprise value is reduced by the interest-bearing debt capital in order to arrive at the equity value. Detailed information on the valuation principles and methods used and the underlying assumptions can be found at <https://www.mwb-research.com>.

mwb research AG uses the following three-step rating system for the analyzed companies:

- **Speculative (Spec.) BUY:** Sustainable upside potential of more than 25% within 12 months, above average risk
- **BUY:** Sustainable upside potential of more than 10% within 12 months
- **SELL:** Sustainable downside potential of more than 10% within 12 months.
- **HOLD:** Upside/downside potential is limited. No immediate catalyst visible.

NB: The ratings of mwb research AG are not based on a performance that is expected to be "relative" to the market.

The decision on the choice of the financial instruments analyzed in this document was solely made by mwb research AG. The opinions and estimates in this research report are subject to change without notice. It is within the discretion of mwb research AG whether and when it publishes an update to this research report, but in general updates are created on a regular basis, after 6 months at the latest. A sensitivity analysis is included and published in company's initial studies.

5. Date and time of first publication of this financial analysis
10-Jun-24 08:45:49

6. Risk information

- Stock exchange investments and investments in companies (shares) are always speculative and involve the risk of total loss.
- This is particularly true in respect of investments in companies which are not established and/or small and have no established business or corporate assets.
- Share prices may fluctuate significantly. This is particularly true for shares with low liquidity (market breadth). Even small orders can have a significant impact on the share price.
- In the case of shares in narrow markets, it may also happen that there is no or very little actual trading there and that published prices are not based on actual trading but have only been provided by a stockbroker.
- In such markets a shareholder cannot expect to find a buyer for his shares at all and/or at reasonable prices. In such narrow markets there is a very high possibility of manipulating prices and in such markets there are often considerable price fluctuations.
- An investment in shares with low liquidity and low market capitalization is therefore highly speculative and represents a very high risk.
- There is no regulated market for unlisted shares and securities and a sale is not possible or only possible on an individual basis.

7. Major Sources of Information Part of the information required for this research report was made available by the issuer of the financial instrument. Furthermore, this report is based on publicly available sources (such as, for example, Bloomberg, Reuters, VWD-Trader and the relevant daily press) believed to be reliable. mwb research AG has checked the information for plausibility but not for accuracy or completeness.

8. Competent Supervisory Authority mwb research AG are under supervision of the BaFin – German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht), Graurheindorfer Straße 108, 53117 Bonn and Marie-Curie-Straße 24 – 28, 60439 Frankfurt a.M. This document is distributed in the UK under a MiFID EEA branch passport and in compliance with the applicable FCA requirements.

9. Specific Comments for Recipients Outside of Germany This research report is subject to the law of the Federal Republic of Germany. The distribution of this information to other states in particular to the USA, Canada, Australia and Japan may be restricted or prohibited by the laws applicable within this state.

10. Miscellaneous According to Article 4(1) No. i of the delegated regulation 2016/958 supplementing regulation 596/2014 of the European Parliament, further information regarding investment recommendations of the last 12 months are published free of charge under <https://www.mwb-research.com>

Contacts

mwb research AG
Mittelweg 142
20148 Hamburg
Germany

Tel.: +49 40 309 293-52
Email.: contact@mwb-research.com
Website: www.mwb-research.com
Research: www.research-hub.de

Research

HARALD HOF
Senior Analyst
Tel: +49 40 309 293-53
E-Mail: h.hof@mwb-research.com

LEON MÜHLENBRUCH
Analyst
Tel: +49 40 309 293-57
E-Mail: l.muehlenbruch@mwb-research.com

ABED JARAD
Junior Analyst
Tel: +49 40 309 293-54
E-Mail: a.jarad@mwb-research.com

THOMAS WISSLER
Senior Analyst
Tel: +49 40 309 293-58
E-Mail: t.wissler@mwb-research.com

DR. OLIVER WOJAHN, CFA
Senior Analyst
Tel: +49 40 309 293-55
E-Mail: o.wojahn@mwb-research.com

ALEXANDER ZIENKOWICZ
Senior Analyst
Tel: +49 40 309 293-56
E-Mail: a.zienkowicz@mwb-research.com

Sales

HOLGER NASS
Head of Sales
Tel: +49 40 309 293-52
E-Mail: h.nass@mwb-research.com

Team Assistant

HANNAH GABERT
Team Assistant
Tel: +49 40 309 293-52
E-Mail: h.gabert@mwb-research.com

mwb fairtrade
Wertpapierhandelsbank AG
Rottenbacher Straße 28
82166 Gräfelfing

Tel: +49 89 85852-0
Fax: +49 89 85852-505
Website: www.mwbfairtrade.com
E-Mail: info@mwbfairtrade.com

Sales / Designated Sponsoring / Corporate Finance

ALEXANDER DEUSS
Institutional Sales
Tel: +49 40 36 0995-22
E-Mail: adeuss@mwbfairtrade.com

SASCHA GUENON
Head of Designated Sponsoring
Tel: +49 40 360 995-23
E-Mail: sguenon@mwbfairtrade.com

JAN NEYNABER
Institutional Sales
Tel: +49 69 1387-1255
E-Mail: jneynaber@mwbfairtrade.com

DIRK WEYERHÄUSER
Corporate Finance
Tel: +49 69 1387-1250
E-Mail: dweyerhaeuser@mwbfairtrade.com

Locations

HAMBURG (Research)
Mittelweg 142
20148 Hamburg
+49 40 309 293-52

HAMBURG (Corporates & Markets)
Kleine Johannisstraße 4
20457 Hamburg
+49 40 360 995-0

FRANKFURT A.M.
Unterlindau 29
60323 Frankfurt am Main
+49 40 360 995-22

MUNICH
Rottenbacher Str. 28
82166 Gräfelfing
+49 89-85852-0

BERLIN
Kurfürstendamm 151
10709 Berlin

HANNOVER
An der Börse 2
30159 Hannover

Our research can be found at

ResearchHub
Bloomberg
FactSet
Thomson Reuters / Refinitiv
CapitalIQ

www.research-hub.de
www.bloomberg.com
www.factset.com
www.refinitiv.com
www.capitaliq.com