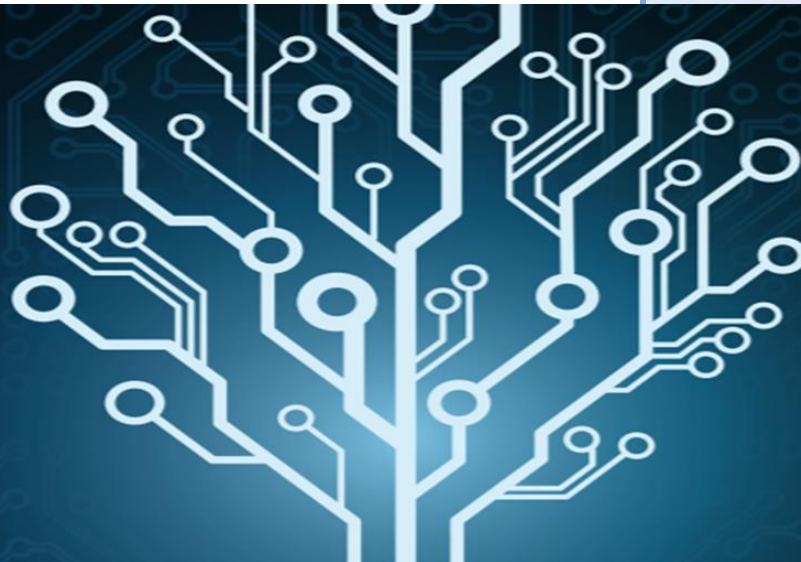


# Kontron AG

Austria | Technology | MCap EUR 970m

5 August 2022

UPDATE



A good second quarter:  
guidance confirmed.  
Maintain BUY but PT down

**BUY (BUY)**

<b>Target price</b>	<b>EUR 28.00 (30.00)</b>
Current price	EUR 14.93
Up/downside	87.5%



## What's it all about?

Kontron AG reported an upbeat Q2 22. While the chip crisis and supply disruptions continue to hamper deliveries, overall structural demand for Kontron's products remains intact, as reflected in its robust order inflows of EUR 405m in Q2 (book-to-bill: 1.22x). This was significantly ahead of expectations. The order backlog at end-Q2 stood at EUR 1.5bn, providing good visibility. In view of a healthy H1, management reiterated its FY22 guidance. On the strategic front, Kontron's plan to divest its IT Services (ca 38% of H1 revenues) business and solely focus on its fast-growing/higher-margin IoT business remains on track. The released resources should help fund organic/inorganic expansion in IoT and lead the group towards its 25 sales and EBITDA margin target of EUR 2bn and 13%, respectively. We reiterate to BUY with slightly reduced PT to EUR 28.00 (old EUR 30.00), as we cut our margin estimates by 5-6%. Still, Kontron remains an interesting growth story with plenty of secular growth potential.

**MAIN AUTHOR**  
**Thomas Wissler**  
t.wissler@alsterresearch.com  
+49 40 309 293-58

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

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# Kontron AG

Austria | Technology | MCap EUR 970m | EV EUR 1,056m

**BUY** (BUY)

**Target price** EUR 28.00 (30.00)  
**Current price** EUR 14.93  
**Up/downside** 87.5%

**MAIN AUTHOR**

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## A good Q2; guidance confirmed. Maintain BUY but PT down.

**Q2 solid, despite delivery delays and a difficult operating environment** Kontron delivered a good set of results in Q2 2022, with the group reporting healthy org. revenue growth, double-digit increases in EBITDA, and a solid margin of 10%. Order inflows remained robust at EUR 405m during the quarter (book-to-bill: 1.22x). Also, at end-Q2, EUR 127m worth of orders were overdue, mainly due to chip shortage; these are likely to be fulfilled within this year. On the back of good progress in H1, management reiterated its 2022 guidance – org. revenue growth of 12% yoy to EUR 1.5bn and an EBITDA margin of 10%.

**Healthy revenue growth momentum** The top line grew 8% yoy to EUR 331m in Q2. The org. growth was at an impressive 10% yoy, indicating that the 2ppt drag came from unfavourable FX movements. Revenues at IoT Solutions Europe grew 4% yoy to EUR 166m in Q2, although the momentum was held back by procurement challenges. IoT Solutions America reported a 26% yoy increase in revenues to EUR 31m (+34% qoq) on a gradual revival in the aviation sector, as well as a low base. IT Services revenue rose at a slower 9% yoy to EUR 134m vs +19% yoy in Q1, owing to significant delays in customer projects due to the chip crisis.

**EBITDA sees good improvement, margins reach near-term target** S&T reported 10% yoy growth in EBITDA to EUR 33m in Q2 (vs +4% yoy in Q1) and a 21bps yoy improvement in margins to 10.0%, reaching its current margin target (of c. 10%). This was impressive amid sourcing headwinds and an inflationary environment, and largely reflects Kontron's improving business mix and efforts to counter supply shortages by adequately stocking inventories.

**Maintain BUY** Kontron's strong order backlog, in addition to an improving outlook on semiconductor availability, paves the way for a good recovery story in 2022. Moreover, the group's plans to divest its IT Services unit remains on track and should help unlock resources to fund its IoT business. Still, we slightly cut our EBIT estimates by some 5-6% in order to reflect somewhat weaker profitability than previously expected. Nonetheless, Kontron remains an interesting growth story with plenty of secular growth potential. The divestment of the IT Services unit could serve as an additional trigger. Hence, we reiterate our BUY rating with new PT of EUR 28.00 (old EUR 30.00).



Source: Company data, AlsterResearch

**High/low 52 weeks** 23.94 / 11.22  
**Price/Book Ratio** 2.3x

### Ticker / Symbols

**ISIN** AT0000A0E9W5  
**WKN** A0X9EJ  
**Bloomberg** KTN:GR

### Changes in estimates

		Sales	EBIT	EPS
2022E	old	1.510	98	1,20
	Δ	0,0%	-6,2%	-6,8%
2023E	old	1.646	112	1,39
	Δ	0,0%	-5,9%	-6,4%
2024E	old	1.777	127	1,51
	Δ	0,0%	-5,6%	-6,0%

### Key share data

**Number of shares: (in m pcs)** 64.96  
**Book value per share: (in EUR)** 6.44  
**Ø trading volume: (12 months)** 48,500

### Major shareholders

**Ennoconn Corporation** 26.6%  
**PPF Group NV** 5.1%  
**Columbia Wanger AM** 4.1%  
**Amiral Gestion** 4.1%  
**Allianz Global Investors** 4.0%  
**Treasury Shares** 3.7%  
**Free Float** 52.3%

### Company description

S&T is an Austria-based technology company. It provides end-to-end IT services, including consulting, integration and support services. In the IoT segment, it provides products and solutions such as industrial PCs and embedded boards installed with proprietary software. Germany, Austria, Switzerland, France, Eastern Europe and North America are its core markets.

Kontron AG	2019	2020	2021	2022E	2023E	2024E
Sales	1,123	1,255	1,342	1,510	1,646	1,777
<i>Growth yoy</i>	13.3%	11.7%	6.9%	12.5%	9.0%	8.0%
EBITDA	112	130	126	145	160	176
EBIT	62	69	63	92	106	120
Net profit	49	56	48	73	85	92
Net debt (net cash)	32	44	65	-105	-136	-193
Net debt/EBITDA	0.3x	0.3x	0.5x	-0.7x	-0.9x	-1.1x
EPS recurring	0.75	0.84	0.74	1.12	1.31	1.42
DPS	0.00	0.30	0.35	0.40	0.46	0.50
<i>Dividend yield</i>	0.0%	2.0%	2.3%	2.7%	3.1%	3.4%
Gross profit margin	37.7%	37.7%	38.1%	37.5%	37.5%	37.5%
EBITDA margin	9.9%	10.4%	9.4%	9.6%	9.7%	9.9%
EBIT margin	5.5%	5.5%	4.7%	6.1%	6.4%	6.8%
ROCE	7.7%	8.3%	7.2%	11.8%	12.9%	15.2%
EV/EBITDA	9.1x	8.0x	8.4x	6.1x	5.4x	4.6x
EV/EBIT	16.5x	15.1x	16.8x	9.7x	8.2x	6.7x
PER	20.0x	17.7x	20.1x	13.3x	11.4x	10.5x
FCF yield	3.4%	11.2%	6.3%	21.9%	7.9%	11.0%

Source: Company data, AlsterResearch

## Quarterly table

P&L data	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022
Sales	297.7	418.4	294.1	306.5	313.2	428.1	329.7	331.0
yoy growth in %	6.6%	13.2%	8.9%	14.1%	5.2%	2.3%	12.1%	8.0%
Gross profit	110.8	143.8	120.3	121.0	121.6	148.8	125.6	131.4
Gross margin in %	37.2%	34.4%	40.9%	39.5%	38.8%	34.8%	38.1%	39.7%
EBITDA	31.7	46.4	28.2	30.1	27.3	40.7	29.4	33.1
EBITDA margin in %	10.7%	11.1%	9.6%	9.8%	8.7%	9.5%	8.9%	10.0%
EBIT	17.2	27.1	12.7	13.9	11.7	24.3	14.7	17.7
EBIT margin in %	5.8%	6.5%	4.3%	4.5%	3.7%	5.7%	4.5%	5.3%
EBT	15.3	24.4	10.8	11.5	9.3	22.6	12.3	15.3
taxes paid	3.3	0.2	1.1	1.1	-1.2	4.3	1.1	2.7
tax rate in %	21.6%	0.9%	10.4%	9.2%	-12.8%	18.9%	9.2%	17.4%
net profit	11.8	24.2	10.1	10.4	10.2	17.6	11.6	12.8
yoy growth in %	8.9%	20.4%	5.8%	2.9%	-13.8%	-27.2%	14.8%	23.0%
<b>EPS</b>	<b>0.18</b>	<b>0.37</b>	<b>0.16</b>	<b>0.16</b>	<b>0.16</b>	<b>0.28</b>	<b>0.18</b>	<b>0.20</b>

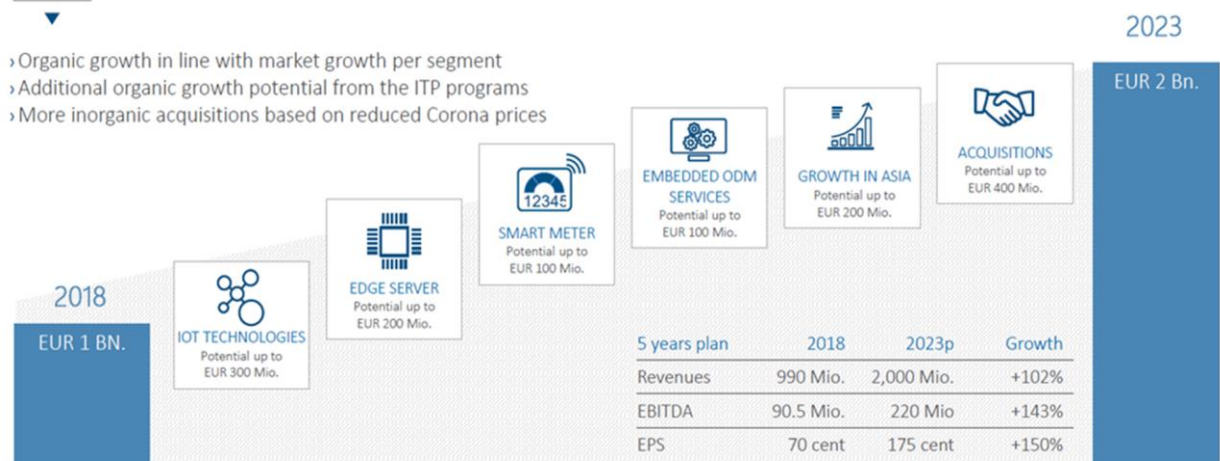
Source: Company data; AlsterResearch

# Investment case in six charts

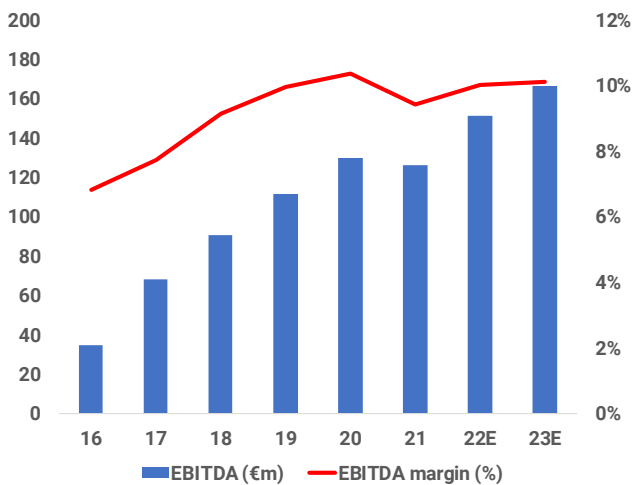
## Business units and end markets



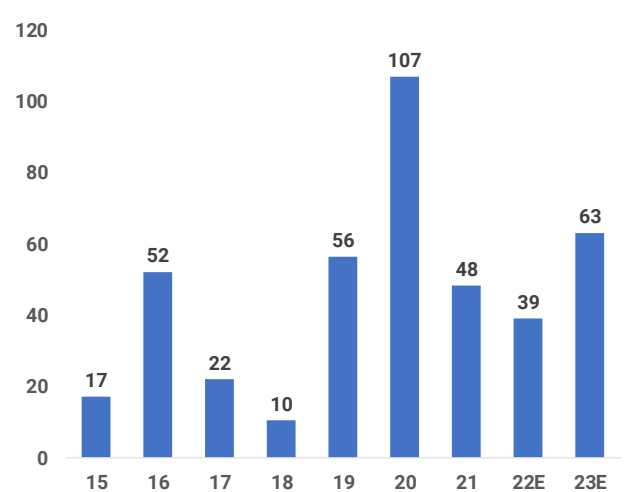
## Growth projection until 2023E



## EBITDA and margins on an upwards trend



## FCF to strengthen going forward



Source: Company data; AlsterResearch

# SWOT-Analysis

## Strengths

- Strong and strategic partnership with Foxconn
- Offers comprehensive suite of solutions in IT Service business
- Strong presence in DACH and EE countries
- Has diversified clients and is present in multiple geographies, minimising concentration risk

## Weaknesses

- A large part of revenue accrues from IT Services segment, which is a low-margin business and has low pricing power
- Lacks a scalable platform
- Avionics, one of its target IoT markets, is witnessing a rough phase due to travel restrictions

## Opportunities

- Has a strong presence in medical and transport segments of IoT market, which are expected to grow well
- Has sufficient liquidity and balance sheet strength to undertake acquisitions in current market where valuations are attractive
- Margin expansion, as focus shifts to higher margin IoT segment and proprietary products
- Expanding presence in China, one of the fastest-growing IoT markets

## Threats

- A relatively small player in the IoT market and could be hard pressed to defend its turf if a larger player enters its segment
- Dependent on Asia for hardware manufacturing and China for raw material. Geopolitical tension in the area could impair its supply chain
- Aggressive acquisitions could drag company's prospects if not properly synergized

# Valuation

## DCF Model

The DCF model results in a **fair value of EUR 27.93 per share**:

**Top-line growth:** We expect Kontron AG to continue benefitting from structural growth. Hence our growth estimates for 2022-29E is in the range of 6.0% p.a. The long-term growth rate is set at 2.0%.

**EBIT margins.** The scalable business model should allow for EBIT margins of 7% by 2023E, which look defensible given high competitive quality based on scale geography and expertise. Accordingly, we model approx. 7% EBIT margins in the long-term.

**WACC.** The averaged 1-, 3- and 5-year historical equity beta is calculated as 1.00. Unlevering and correcting for mean reversion yields an asset beta of 1.15. Combined with a risk free rate of 2.0% and an equity risk premium of 6.0% this yields cost of equity of 11.5%. With pre-tax cost of borrowing at 5.0%, a tax rate of 25% and target debt/equity of 0.5 this results in a long-term WACC of 8.9%.

DCF (EUR m) (except per share data and beta)	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	Terminal value
NOPAT	81	93	99	109	115	121	128	135	
Depreciation & Amort.	53	54	56	58	61	63	66	69	
Change in working capital	82	-33	-7	1	1	1	1	1	
Chg. in long-term provisions	38	10	9	6	7	7	7	8	
Capex	-53	-58	-62	-65	-69	-72	-76	-79	
Cash flow	201	66	95	109	115	120	126	133	1,958
Present value	194	58	78	82	79	76	73	70	1,041
WACC	9.2%	9.1%	9.0%	9.0%	9.0%	9.0%	9.0%	9.0%	8.9%

DCF per share derived from	
Total present value	1,749
Mid-year adj. total present value	1,827
Net debt / cash at start of year	65
Financial assets	74
Provisions and off b/s debt	21
Equity value	1,814
No. of shares outstanding	65.0
<b>Discounted cash flow / share upside/(downside)</b>	<b>27.93</b> <b>87.1%</b>

DCF avg. growth and earnings assumptions	
Planning horizon avg. revenue growth (2022E - 2029E)	6.0%
Terminal value growth (2029E - infinity)	2.0%
Terminal year ROCE	14.0%
Terminal year WACC	8.9%

Terminal WACC derived from	
Cost of borrowing (before taxes)	5.0%
Long-term tax rate	25%
Equity beta	1.00
Unlevered beta (industry or company)	1.15
Target debt / equity	0.5
Relevered beta	1.58
Risk-free rate	2.0%
Equity risk premium	6.0%
Cost of equity	11.5%

<b>Share price</b>	<b>14.93</b>
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Sensitivity analysis DCF								
Change in WACC (%-points)		Long term growth					Share of present value	
		0.0%	1.0%	2.0%	3.0%	4.0%	2022E - 2025E	2026E - 2029E
2.0%		19.8	20.8	22.1	23.7	25.7	23.5%	17.0%
1.0%		21.7	23.0	24.6	26.8	29.6		
0.0%		23.9	25.6	<b>27.9</b>	30.9	35.1		
-1.0%		26.8	29.2	32.4	36.8	43.6		
-2.0%		30.5	33.8	38.6	45.8	57.9		59.5%

## 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 28.81 per share based on 2022E and EUR 40.11 per share on 2026E estimates. **We value Kontron AG on 2022E, which derive at price target of EUR 29.00.** It thus supports the DCF based fair value calculations.

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	2022E	2023E	2024E	2025E	2026E
<b>EBITDA</b>	<b>145</b>	<b>160</b>	<b>176</b>	<b>190</b>	<b>200</b>
- Maintenance capex	33	38	43	48	52
- Minorities	-1	-1	-1	-1	-1
- tax expenses	11	13	20	23	24
<b>= Adjusted FCF</b>	<b>102</b>	<b>110</b>	<b>114</b>	<b>121</b>	<b>125</b>
<b>Actual Market Cap</b>	<b>970</b>	<b>970</b>	<b>970</b>	<b>970</b>	<b>970</b>
+ Net debt (cash)	-105	-136	-193	-264	-336
+ Pension provisions	26	28	30	32	33
+ Off B/S financing	0	0	0	0	0
- Financial assets	74	74	74	74	74
- Acc. dividend payments	23	49	79	111	148
<i>EV Reconciliations</i>	-176	-231	-316	-418	-525
<b>= Actual EV'</b>	<b>794</b>	<b>739</b>	<b>654</b>	<b>552</b>	<b>445</b>
<b>Adjusted RW_FCF yield</b>	<b>12.8%</b>	<b>14.9%</b>	<b>17.4%</b>	<b>21.9%</b>	<b>28.1%</b>
base hurdle rate	6.0%	6.0%	6.0%	6.0%	6.0%
ESG adjustment	0.0%	0.0%	0.0%	0.0%	0.0%
adjusted hurdle rate	6.0%	6.0%	6.0%	6.0%	6.0%
<b>Fair EV</b>	<b>1,695</b>	<b>1,831</b>	<b>1,899</b>	<b>2,015</b>	<b>2,080</b>
- <i>EV Reconciliations</i>	-176	-231	-316	-418	-525
<b>Fair Market Cap</b>	<b>1,872</b>	<b>2,062</b>	<b>2,215</b>	<b>2,433</b>	<b>2,605</b>
No. of shares (million)	65	65	65	65	65
<b>FV per share in EUR</b>	<b>28.81</b>	<b>31.74</b>	<b>34.09</b>	<b>37.46</b>	<b>40.11</b>
<b>Premium (-) / discount (+)</b>	<b>93.0%</b>	<b>112.6%</b>	<b>128.4%</b>	<b>150.9%</b>	<b>168.6%</b>

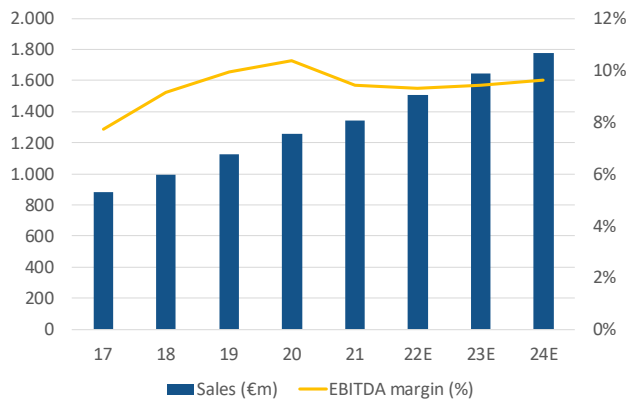
Sensitivity analysis FV						
Adjusted hurdle rate	4.0%	42	46	49	53	56
	5.0%	34	37	40	44	47
	<b>6.0%</b>	<b>29</b>	<b>32</b>	<b>34</b>	<b>37</b>	<b>40</b>
	7.0%	25	28	30	33	36
	8.0%	22	25	27	30	32

Source: AlsterResearch

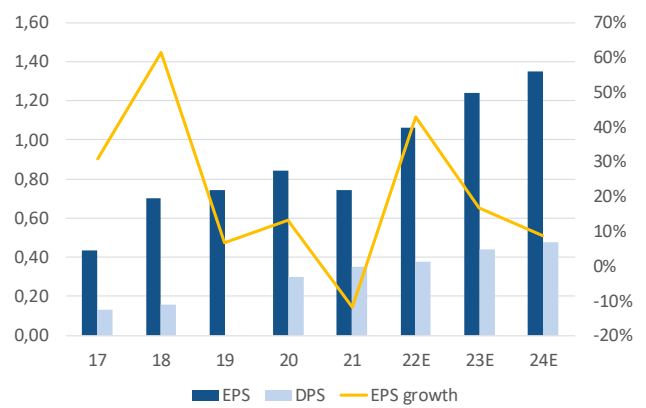
Simply put, the model assumes that investors require companies to generate a minimum return on the investor's purchase price. The required after-tax return equals the model's hurdle rate of 6%. Anything less suggests the stock is expensive; anything more suggests the stock is cheap. **ESG adjustments might be applicable, based on the overall Leeway ESG Score. 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.**

# Financials in six charts

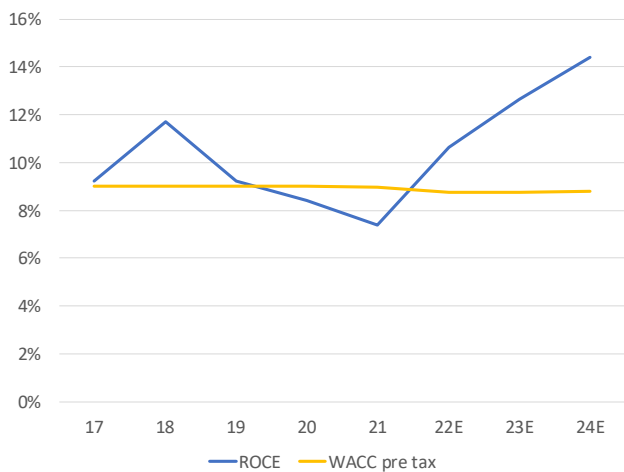
**Sales vs. EBITDA margin development**



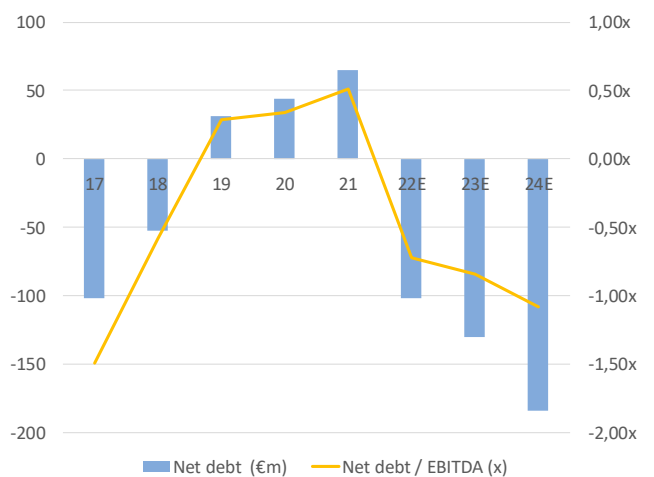
**EPS, DPS in EUR & yoy EPS growth**



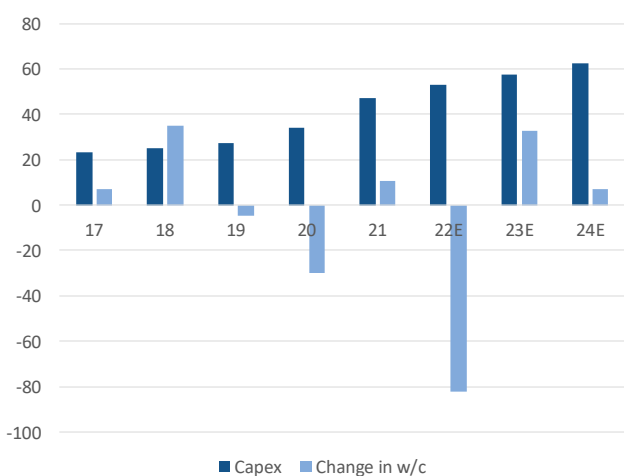
**ROCE vs. WACC (pre tax)**



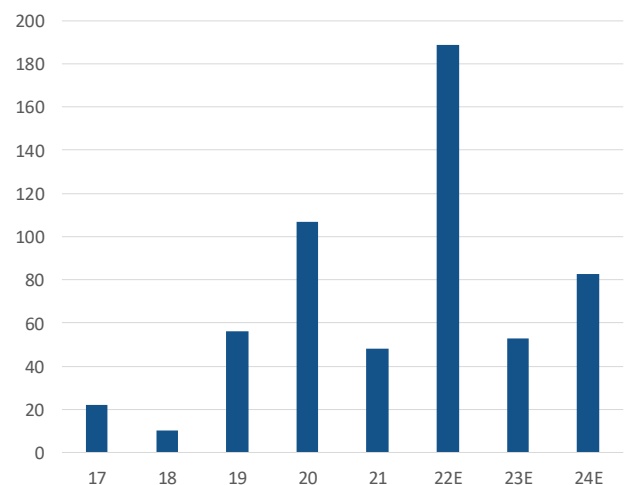
**Net debt and net debt/EBITDA**



**Capex & chg in w/c requirements in EURm**



**Free Cash Flow in EURm**



Source: Company data; AlsterResearch



## Financials

Profit and loss (EUR m)	2019	2020	2021	2022E	2023E	2024E
<b>Net sales</b>	<b>1,123</b>	<b>1,255</b>	<b>1,342</b>	<b>1,510</b>	<b>1,646</b>	<b>1,777</b>
Sales growth	13.3%	11.7%	6.9%	12.5%	9.0%	8.0%
Change in finished goods and work-in-process	16	18	21	0	0	0
<b>Total sales</b>	<b>1,138</b>	<b>1,272</b>	<b>1,363</b>	<b>1,510</b>	<b>1,646</b>	<b>1,777</b>
Material expenses	715	799	852	944	1,028	1,111
<b>Gross profit</b>	<b>423</b>	<b>473</b>	<b>512</b>	<b>566</b>	<b>617</b>	<b>666</b>
Other operating income	8	9	14	8	8	9
Personnel expenses	245	273	314	326	354	379
Other operating expenses	74	79	85	103	112	121
<b>EBITDA</b>	<b>112</b>	<b>130</b>	<b>126</b>	<b>145</b>	<b>160</b>	<b>176</b>
Depreciation	50	31	35	33	38	43
EBITA	62	99	92	112	122	133
Amortisation of goodwill and intangible assets	0	31	29	20	16	13
<b>EBIT</b>	<b>62</b>	<b>69</b>	<b>63</b>	<b>92</b>	<b>106</b>	<b>120</b>
Financial result	-8	-8	-8	-9	-9	-9
Recurring pretax income from continuing operations	54	61	54	83	97	111
Extraordinary income/loss	0	0	0	0	0	0
Earnings before taxes	54	61	54	83	97	111
Taxes	5	6	5	11	13	20
Net income from continuing operations	50	55	49	72	84	91
Result from discontinued operations (net of tax)	0	0	0	0	0	0
<b>Net income</b>	<b>50</b>	<b>55</b>	<b>49</b>	<b>72</b>	<b>84</b>	<b>91</b>
Minority interest	-0	1	-1	1	1	1
Net profit (reported)	49	56	48	73	85	92
Average number of shares	65.87	66.00	64.96	64.96	64.96	64.96
<b>EPS reported</b>	<b>0.75</b>	<b>0.84</b>	<b>0.74</b>	<b>1.12</b>	<b>1.31</b>	<b>1.42</b>

Profit and loss (common size)	2019	2020	2021	2022E	2023E	2024E
<b>Net sales</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
Change in finished goods and work-in-process	1%	1%	2%	0%	0%	0%
<b>Total sales</b>	<b>101%</b>	<b>101%</b>	<b>102%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
Material expenses	64%	64%	63%	63%	63%	63%
<b>Gross profit</b>	<b>38%</b>	<b>38%</b>	<b>38%</b>	<b>38%</b>	<b>38%</b>	<b>38%</b>
Other operating income	1%	1%	1%	1%	1%	1%
Personnel expenses	22%	22%	23%	22%	22%	21%
Other operating expenses	7%	6%	6%	7%	7%	7%
<b>EBITDA</b>	<b>10%</b>	<b>10%</b>	<b>9%</b>	<b>10%</b>	<b>10%</b>	<b>10%</b>
Depreciation	4%	2%	3%	2%	2%	2%
EBITA	6%	8%	7%	7%	7%	7%
Amortisation of goodwill and intangible assets	0%	2%	2%	1%	1%	1%
<b>EBIT</b>	<b>6%</b>	<b>5%</b>	<b>5%</b>	<b>6%</b>	<b>6%</b>	<b>7%</b>
Financial result	-1%	-1%	-1%	-1%	-1%	-1%
Recurring pretax income from continuing operations	5%	5%	4%	5%	6%	6%
Extraordinary income/loss	0%	0%	0%	0%	0%	0%
Earnings before taxes	5%	5%	4%	5%	6%	6%
Taxes	0%	0%	0%	1%	1%	1%
Net income from continuing operations	4%	4%	4%	5%	5%	5%
Result from discontinued operations (net of tax)	0%	0%	0%	0%	0%	0%
<b>Net income</b>	<b>4%</b>	<b>4%</b>	<b>4%</b>	<b>5%</b>	<b>5%</b>	<b>5%</b>
Minority interest	-0%	0%	-0%	0%	0%	0%
<b>Net profit (reported)</b>	<b>4%</b>	<b>4%</b>	<b>4%</b>	<b>5%</b>	<b>5%</b>	<b>5%</b>

Source: Company data; AlsterResearch

Balance sheet (EUR m)	2019	2020	2021	2022E	2023E	2024E
<b>Intangible assets (exl. Goodwill)</b>	<b>100</b>	<b>103</b>	<b>104</b>	<b>84</b>	<b>68</b>	<b>55</b>
Goodwill	194	199	208	208	208	208
Property, plant and equipment	100	135	133	152	172	191
Financial assets	62	69	74	74	74	74
<b>FIXED ASSETS</b>	<b>457</b>	<b>506</b>	<b>519</b>	<b>519</b>	<b>522</b>	<b>529</b>
Inventories	147	160	187	184	200	216
Accounts receivable	239	228	265	290	316	341
Other current assets	21	25	26	26	26	26
Liquid assets	322	286	308	305	306	263
Deferred taxes	0	0	0	0	0	0
Deferred charges and prepaid expenses	39	43	47	30	49	62
<b>CURRENT ASSETS</b>	<b>769</b>	<b>741</b>	<b>833</b>	<b>834</b>	<b>897</b>	<b>908</b>
<b>TOTAL ASSETS</b>	<b>1,226</b>	<b>1,247</b>	<b>1,352</b>	<b>1,353</b>	<b>1,420</b>	<b>1,437</b>
<b>SHAREHOLDERS EQUITY</b>	<b>373</b>	<b>404</b>	<b>419</b>	<b>468</b>	<b>526</b>	<b>587</b>
MINORITY INTEREST	12	5	5	5	5	5
Long-term debt	267	264	277	200	100	0
Provisions for pensions and similar obligations	20	22	21	26	28	30
Other provisions	45	68	49	83	91	98
<b>Non-current liabilities</b>	<b>332</b>	<b>354</b>	<b>348</b>	<b>309</b>	<b>218</b>	<b>128</b>
short-term liabilities to banks	86	66	95	0	70	70
Accounts payable	205	210	270	271	296	320
Advance payments received on orders	61	72	87	86	94	101
Other liabilities (incl. from lease and rental contracts)	109	86	76	151	165	178
Deferred taxes	13	13	13	13	13	13
Deferred income	34	37	40	50	33	36
<b>Current liabilities</b>	<b>509</b>	<b>483</b>	<b>581</b>	<b>571</b>	<b>670</b>	<b>717</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS EQUITY</b>	<b>1,226</b>	<b>1,247</b>	<b>1,352</b>	<b>1,353</b>	<b>1,420</b>	<b>1,437</b>

Balance sheet (common size)	2019	2020	2021	2022E	2023E	2024E
<b>Intangible assets (excl. Goodwill)</b>	<b>8%</b>	<b>8%</b>	<b>8%</b>	<b>6%</b>	<b>5%</b>	<b>4%</b>
Goodwill	16%	16%	15%	15%	15%	14%
Property, plant and equipment	8%	11%	10%	11%	12%	13%
Financial assets	5%	5%	5%	5%	5%	5%
<b>FIXED ASSETS</b>	<b>37%</b>	<b>41%</b>	<b>38%</b>	<b>38%</b>	<b>37%</b>	<b>37%</b>
Inventories	12%	13%	14%	14%	14%	15%
Accounts receivable	20%	18%	20%	21%	22%	24%
Other current assets	2%	2%	2%	2%	2%	2%
Liquid assets	26%	23%	23%	23%	22%	18%
Deferred taxes	0%	0%	0%	0%	0%	0%
Deferred charges and prepaid expenses	3%	3%	3%	2%	3%	4%
<b>CURRENT ASSETS</b>	<b>63%</b>	<b>59%</b>	<b>62%</b>	<b>62%</b>	<b>63%</b>	<b>63%</b>
<b>TOTAL ASSETS</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
<b>SHAREHOLDERS EQUITY</b>	<b>30%</b>	<b>32%</b>	<b>31%</b>	<b>35%</b>	<b>37%</b>	<b>41%</b>
MINORITY INTEREST	1%	0%	0%	0%	0%	0%
Long-term debt	22%	21%	21%	15%	7%	0%
Provisions for pensions and similar obligations	2%	2%	2%	2%	2%	2%
Other provisions	4%	5%	4%	6%	6%	7%
<b>Non-current liabilities</b>	<b>27%</b>	<b>28%</b>	<b>26%</b>	<b>23%</b>	<b>15%</b>	<b>9%</b>
short-term liabilities to banks	7%	5%	7%	0%	5%	5%
Accounts payable	17%	17%	20%	20%	21%	22%
Advance payments received on orders	5%	6%	6%	6%	7%	7%
Other liabilities (incl. from lease and rental contracts)	9%	7%	6%	11%	12%	12%
Deferred taxes	1%	1%	1%	1%	1%	1%
Deferred income	3%	3%	3%	4%	2%	2%
<b>Current liabilities</b>	<b>42%</b>	<b>39%</b>	<b>43%</b>	<b>42%</b>	<b>47%</b>	<b>50%</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS EQUITY</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Source: Company data; AlsterResearch

Cash flow statement (EUR m)	2019	2020	2021	2022E	2023E	2024E
Net profit/loss	54	61	54	72	84	91
Depreciation of fixed assets (incl. leases)	50	61	64	33	38	43
Amortisation of goodwill	0	0	0	0	0	0
Amortisation of intangible assets	0	0	0	20	16	13
Others	-26	-11	-12	38	10	9
Cash flow from operations before changes in w/c	79	111	106	163	148	156
Increase/decrease in inventory	-1	9	-26	4	-17	-16
Increase/decrease in accounts receivable	43	47	-41	-24	-26	-25
Increase/decrease in accounts payable	-30	-2	69	1	24	24
Increase/decrease in other w/c positions	-6	-24	-13	101	-15	10
Increase/decrease in working capital	5	30	-11	82	-33	-7
<b>Cash flow from operating activities</b>	<b>83</b>	<b>141</b>	<b>95</b>	<b>245</b>	<b>115</b>	<b>149</b>
CAPEX	-27	-34	-47	-53	-58	-62
Payments for acquisitions	-27	-41	-16	0	0	0
Financial investments	-4	-3	-7	0	0	0
Income from asset disposals	2	1	4	0	0	0
<b>Cash flow from investing activities</b>	<b>-56</b>	<b>-77</b>	<b>-66</b>	<b>-53</b>	<b>-58</b>	<b>-62</b>
Cash flow before financing	28	64	29	192	57	87
Increase/decrease in debt position	128	-41	29	-173	-30	-100
Purchase of own shares	-15	-12	-21	0	0	0
Capital measures	0	1	0	0	0	0
Dividends paid	-11	0	-20	-23	-26	-30
Others	-19	-14	-9	0	0	0
Effects of exchange rate changes on cash	1	-8	4	0	0	0
<b>Cash flow from financing activities</b>	<b>85</b>	<b>-74</b>	<b>-16</b>	<b>-195</b>	<b>-56</b>	<b>-130</b>
Increase/decrease in liquid assets	113	-10	13	-3	1	-43
<b>Liquid assets at end of period</b>	<b>265</b>	<b>255</b>	<b>268</b>	<b>265</b>	<b>266</b>	<b>223</b>

Source: Company data; AlsterResearch

Regional sales split (EURm)	2019	2020	2021	2022E	2023E	2024E
Domestic	103	103	108	122	133	143
Europe (ex domestic)	601	785	865	973	1,061	1,146
The Americas	0	122	98	111	121	130
Asia	0	42	54	61	66	72
Rest of World	419	204	216	243	265	286
<b>Total sales</b>	<b>1,123</b>	<b>1,255</b>	<b>1,342</b>	<b>1,510</b>	<b>1,646</b>	<b>1,777</b>

Regional sales split (common size)	2019	2020	2021	2022E	2023E	2024E
Domestic	9.2%	8.2%	8.1%	8.1%	8.1%	8.1%
Europe (ex domestic)	53.5%	62.5%	64.5%	64.5%	64.5%	64.5%
The Americas	0.0%	9.7%	7.3%	7.3%	7.3%	7.3%
Asia	0.0%	3.3%	4.0%	4.0%	4.0%	4.0%
Rest of World	37.3%	16.2%	16.1%	16.1%	16.1%	16.1%
<b>Total sales</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Source: Company data; AlsterResearch

Ratios	2019	2020	2021	2022E	2023E	2024E
<b>Per share data</b>						
Earnings per share reported	0.75	0.84	0.74	1.12	1.31	1.42
Cash flow per share	0.51	1.66	0.93	3.26	1.18	1.64
Book value per share	5.66	6.12	6.44	7.21	8.10	9.04
Dividend per share	0.00	0.30	0.35	0.40	0.46	0.50
<b>Valuation</b>						
P/E	20.0x	17.7x	20.1x	13.3x	11.4x	10.5x
P/CF	29.4x	9.0x	16.0x	4.6x	12.6x	9.1x
P/BV	2.6x	2.4x	2.3x	2.1x	1.8x	1.7x
Dividend yield (%)	0.0%	2.0%	2.3%	2.7%	3.1%	3.4%
FCF yield (%)	3.4%	11.2%	6.3%	21.9%	7.9%	11.0%
EV/Sales	0.9x	0.8x	0.8x	0.6x	0.5x	0.5x
EV/EBITDA	9.1x	8.0x	8.4x	6.1x	5.4x	4.6x
EV/EBIT	16.5x	15.1x	16.8x	9.7x	8.2x	6.7x
<b>Income statement (EURm)</b>						
Sales	1,123	1,255	1,342	1,510	1,646	1,777
yoy chg in %	13.3%	11.7%	6.9%	12.5%	9.0%	8.0%
Gross profit	423	473	512	566	617	666
Gross margin in %	37.7%	37.7%	38.1%	37.5%	37.5%	37.5%
EBITDA	112	130	126	145	160	176
EBITDA margin in %	9.9%	10.4%	9.4%	9.6%	9.7%	9.9%
EBIT	62	69	63	92	106	120
EBIT margin in %	5.5%	5.5%	4.7%	6.1%	6.4%	6.8%
Net profit	49	56	48	73	85	92
<b>Cash flow statement (EURm)</b>						
CF from operations	83	141	95	245	115	149
Capex	-27	-34	-47	-53	-58	-62
Maintenance Capex	50	31	35	33	38	43
Free cash flow	56	107	48	192	57	87
<b>Balance sheet (EURm)</b>						
Intangible assets	295	302	312	293	277	264
Tangible assets	100	135	133	152	172	191
Shareholders' equity	373	404	419	468	526	587
Pension provisions	20	22	21	26	28	30
Liabilities and provisions	418	420	443	309	288	198
Net financial debt	32	44	65	-105	-136	-193
w/c requirements	120	106	96	116	126	136
<b>Ratios</b>						
ROE	13.3%	13.5%	11.7%	15.4%	16.0%	15.5%
ROCE	7.7%	8.3%	7.2%	11.8%	12.9%	15.2%
Net gearing	8.5%	10.9%	15.4%	-22.4%	-25.9%	-33.0%
Net debt / EBITDA	0.3x	0.3x	0.5x	-0.7x	-0.9x	-1.1x

Source: Company data; AlsterResearch

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## Contacts

**SRH AlsterResearch AG**  
Himmelstr. 9  
22299 Hamburg

Tel: +49 40 309 293-52  
E-Mail: [info@alsterresearch.com](mailto:info@alsterresearch.com)

### Sales

**MARKUS KÖNIG-WEISS**  
Head of Sales  
Tel: +49 40 309 293-52  
E-Mail: [mkw@alsterresearch.com](mailto:mkw@alsterresearch.com)

### Team Assistant

**HANNAH GABERT**  
Team Assistant  
Tel: +49 40 309 293-53  
E-Mail: [h.gabert@alsterresearch.com](mailto:h.gabert@alsterresearch.com)

**mwb fairtrade Wertpapierhandelsbank AG**  
Rottenbucher Straße 28  
82166 Gräfelfing

Tel: +49 89 85852-0  
Fax: +49 89 85852-505  
E-Mail: [info@mwbfairtrade.com](mailto:info@mwbfairtrade.com)

Our research can be found under

### Research

**HARALD HOF**  
Senior Analyst  
Tel: +49 40 309 293-52  
E-Mail: [h.hof@alsterresearch.com](mailto:h.hof@alsterresearch.com)

**LEVENT YILMAZ**  
Senior Analyst  
Tel: +49 40 309 293-52  
E-Mail: [l.yilmaz@alsterresearch.com](mailto:l.yilmaz@alsterresearch.com)

**KATHARINA SCHLÖTER**  
Analyst  
Tel: +49 40 309 293-52  
E-Mail: [k.schloeter@alsterresearch.com](mailto:k.schloeter@alsterresearch.com)

**THOMAS WISSLER**  
Senior Analyst  
Tel: +49 40 309 293-58  
E-Mail: [t.wissler@alsterresearch.com](mailto:t.wissler@alsterresearch.com)

**DR. OLIVER WOJAHN, CFA**  
Senior Analyst  
Tel: +49 40 309 293-55  
E-Mail: [o.wojahn@alsterresearch.com](mailto:o.wojahn@alsterresearch.com)

**ALEXANDER ZIENKOWICZ**  
Senior Analyst  
Tel: +49 40 309 293-56  
E-Mail: [a.zienkowicz@alsterresearch.com](mailto:a.zienkowicz@alsterresearch.com)

### Equity Capital Markets / Trading

**KAI JORDAN**  
Member of the Board  
Tel: +49 40 36 0995-22  
E-Mail: [kjordan@mwbfairtrade.com](mailto:kjordan@mwbfairtrade.com)

**ALEXANDER DEUSS**  
Head of Institutional Sales  
Tel: +49 40 36 0995- 22  
E-Mail: [adeuss@mwbfairtrade.com](mailto:adeuss@mwbfairtrade.com)

**SASCHA GUENON**  
Head of Designated Sponsoring  
Tel: +49 40 360 995 - 23  
E-Mail: [sguenon@mwbfairtrade.com](mailto:sguenon@mwbfairtrade.com)



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