

Gabriel Holding

Gabriel®

Market: OMXC Small Cap

Ticker: GABR

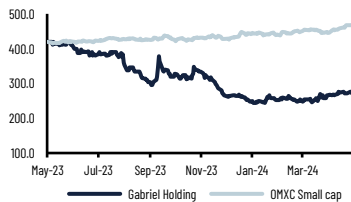
Share price (DKK): 272.0

Market cap (DKK): 514.1

Net debt (DKK): 359.1

Enterprise value (DKK): 873.2

Share information



Ytd: 9.8% 1 year: -17.9%
1 month: 13.5% 3 year: -39.4%

Note: We apply the closing price from 23 May 2024
Index rebased to 24 May 2023. Source: Refinitiv

Financials

(DKKm)	2021/22	2022/23	2023/24E*
Revenue	1,065.0	931.2	880-930
Revenue growth	31.5%	-12.6%	-5.5% to -0.1%
EBIT	64.9	15.9	8 - 15
EBIT margin	6.1%	1.7%	0.9 - 1.6%
Net income	58.2	-4.3	N/A
Net income margin	5.5%	-0.5%	N/A
Cash	77.1	38.5	N/A
Interest-bearing debt	386.0	400.0	N/A

Note: *Gabriel Holding's own guidance for 2023/24

Valuation multiples

	2021/22	2022/23	2023/24E*
P/S (x)	0.9	0.6	0.6
EV/Sales (x)	1.2	1.0	0.9-1.0
EV/EBITDA (x)	15.3	25.5	N/A
EV/EBIT (x)	19.6	59.4	58-109
P/E (x)	16.7	N/A	N/A
P/B (x)	2.7	1.8	N/A
P/CF (x)	107.1	21.8	N/A

Note: Multiples for 2021/22 and 2022/23 are based on historical numbers
*Multiples in 2023/24 are based on Gabriel's own guidance

Company description

With roots back to 1851, Gabriel is today a niche company within the global furniture industry, throughout the value chain, from idea to furniture user. It develops, manufactures, and sells furniture fabrics, components, upholstered surfaces, and related products and services, through its business areas Fabrics, FurnMaster, SampleMaster, and Screen Solutions. Gabriel sells B2B and is growing with the largest market participants, working closely with leading manufacturers and major users of upholstered furniture, seats and upholstered surfaces.

Investment case

Gabriel operates primarily in the global upholstery vertical, which is projected to grow at a 4.1%^[1] CAGR towards 2031, supported by broader economic growth. Gabriel operates B2B, with its client's end-user markets primarily commercial, and also residential.

Under normal market conditions, Gabriel targets 15%/15%/15% for average revenue growth, EPS growth, and ROIC, with a rising EBIT margin. Gabriel has delivered a 9.1% revenue 5-year CAGR, but margins have contracted under challenging markets. However, it reached its ROIC and revenue targets in 5/7 years from 2015/16-2021/22. Gabriel seeks a return to normalised results, and upgraded its guidance following H1 2023/24, a sign of positive momentum.

Gabriel grows with its largest strategic customers, such as MillerKnoll and SteelCase, as they grow with the market, forming long-standing relationships founded on Gabriel's value-adding industry expertise. Gabriel has also increased sales efforts to accelerate new customer growth, particularly in the USA and Europe, as its market remains highly fragmented. Gabriel has grown the US topline at a 22% 3-yr CAGR, despite a pullback last year, and remains positive on the US, Europe, and Asia.

Gabriel has maintained a higher average growth rate than its textile fiber manufacturer peers, however, its EV/EBITDA, and EV/EBIT multiples have risen as its earnings have fallen in recent years.

Source [1]: <https://www.verifedmarketreports.com/product/upholstery-fabric-market-size-and-forecast/>

Key investment reasons

Gabriel may expand its margins back to more normalised levels as more stable cost development and a return to revenue growth, following a volatile Covid-19 and inflation period, can see margins expand back towards pre-Covid levels where EBIT margins were fairly stable around 8-9%.

Gabriel can grow with the market alongside its strategic customers, via new customers across markets, and by deepening its service offering to customers. Investments in sales activities (US & Europe) can generate non-linear results as customers accelerate new product lines with Gabriel products over time.

A guidance upgrade in connection with the H1 2023/2024 results suggests positive momentum in challenged market conditions. The H1 results reflect 54% and 91% of revenue and EBIT mid-point full-year guidance, respectively, and may suggest that guidance is conservative if demand remains stable or improves in H2 2023/24.

Key investment risks

The FY 2023/24 guidance suggests further revenue and earnings slowdown as Gabriel, and the furniture market faces challenges from inflation and weaker global real estate activity. By selling B2B Gabriel doesn't control its end-user markets, and hence, revenues are correlated to broader market conditions, with the furniture market being cyclical by nature. Gabriel expects improvements beyond 2023/24, however, has low visibility, and continued margin and earnings deterioration could result if a recession materialises.

Gabriel's debt has grown in recent years to support acquisitions, investments, and NWC growth. FY 2022/23 NIBD/EBITDA was 6.2x, and further increase may strain further access to credit. Higher interest rates have also increased the cost of debt.

With >70% of the share capital owned by major shareholders/management, the free float is relatively low, which brings some share price volatility (average daily share liquidity is DKK 108k YTD).

Peer group

Company	Price (local)	Total return YTD	Market cap (EURm)	Latest net debt (EURm)	EV/Sales			EV/EBITDA			EV/EBIT			Revenue CAGR		EBITDA margin avg (%)	
					2022A	2023A	2024E	2022A	2023A	2024E	2022A	2023A	2024E	5-yr	3-yr	5-yr	3-yr
Median, textile producer peers		-11.8%	107	117	0.5	0.4	0.4	5.3	4.9	21.9	31.3	10.5	NM	-0.7%	2.1%	6.6%	5.8%
Median, furniture producers		-0.2%	1,715	780	0.7	0.9	0.9	8.2	9.1	8.6	30.5	18.2	14.3	4.7%	7.0%	4.7%	7.0%
Gabriel Holding A/S	DKK 272.0	3.0%	68.9	48.1	1.2	1.0	0.9-1.0	15.3	25.5	N/A	19.6	59.4	58-109	9.1%	8.6%	10.3%	9.6%

Note: Data from 24/05/2024; Source: Refinitiv, CapitalIQ, and HC Andersen Capital. Note: No adjustments have been made to account for skewed reporting periods, which includes Gabriel: 1 Oct - 31 Sept; Culp: 1 May - 31 April; Unifi Inc: 1st Tues of July - 1st Monday of July SteelCase: Day after fiscal year end - final Friday in February.

Appendix - Valuation

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Estimates and assumptions: The data in the peer group concerning the peer companies has not been calculated by HC Andersen Capital but is instead consensus analyst estimates from S&P CapitalIQ. HC Andersen Capital assumes no responsibility for the correctness of the numbers in the peer group; however, considers S&P CapitalIQ a credible source of information. Note: The forward earnings multiples numbers for Gabriel Holding, EV/Sales, and EV/EBIT, have been calculated by HC Andersen Capital, based on Gabriel Holding's own guidance for FY 2023/24.

Selected peers overview:

Culp Inc: is a manufacturer of mattress and upholstery fabrics, selling B2B, with production facilities in the US, China, and Canada. They specialise in upholstery fabrics for furniture, drapery and bedding, as well as mattress ticking and other technical textiles and caters to a broad range of residential and commercial markets in North America. It also offers cutting and sewing services as a value-added service. The company is listed on the New York Stock Exchange (NYSE), and is headquartered in North Carolina, with over 1,000 employees. Culp has a leading position in the US upholstery fabrics market, with a self-proclaimed market share of around 8-10%.

Aquafil SpA: is an Italy-based textile company specialized in the production and distribution primarily Nylon fibers and polymers. It operates through three product areas: Yarn for Carpets, Yarn for Garments and Engineering. Yarn for carpets produces textile flooring yarns, primarily made of nylon and other polymers and is the core business. Aquafil has carpet centres in Europe, the US, and China. Yarn for Garments supports the apparel industry, while Engineering specialises in the design of industrial plants for the chemical polymer industries. Aquafil is listed on the Milan Stock Exchange, and headquartered in Italy, with over 2,750 employees FY 2023.

Unifi Inc: manufactures and sells recycled and synthetic products, made from polyester and nylon, primarily to other yarn manufacturers and knitters and weavers that produce yarn and/or fabric for the apparel, hosiery, home furnishings, automotive, industrial, medical, and other end-use markets. Unifi is listed on the New York Stock Exchange, and also headquartered in New York, with around 2,800 employees.

MillerKnoll: is a leading furniture company that, designs, manufactures and distributes interior furnishings for use in various environments including residential, office, healthcare and educational settings, and provides related services that support organizations and individuals globally. MillerKnoll, previously Herman Miller Inc, altered its name following the acquisition of Knoll Inc. Nov. 2021. MillerKnoll is listed on the US Nasdaq, and headquartered in Michigan, USA, with around 11,000 employees globally. MillerKnoll is a leading Gabriel customer.

SteelCase: is a leading furniture company that, designs, manufactures and distributes interior furnishings for use in various environments including residential, office, healthcare and educational settings. SteelCase is listed on the New York Stock Exchange, headquartered in Michigan, USA, with around 12,000 employees globally. SteelCase is a leading Gabriel customer.

HNI Corp: is a leading provider of workplace furnishings and residential building products, that designs, manufactures and distributes its products globally. HNI Corp is listed on the New York Stock Exchange, with headquarters in Iowa, USA, and around 8,000 employees. HNI Corp's customer status with Gabriel is unknown.

Company	Price (local)	Total return (%) YTD	Market cap (EURm)	Latest net debt (EURm)	EV/Sales			EV/EBITDA			EV/EBIT			Revenue CAGR		EBITDA margin average (%)	
					2022A	2023A	2024E	2022A	2023A	2024E	2022A	2023A	2024E	5-yr	3-yr	5-yr	3-yr
Culp, Inc.	USD 4.4	-23.7%	50	-7	0.1	0.3	0.3	3.6	NM	33.2	65.1	NM	NM	-6.2%	-1.7%	3.0%	0.3%
Aquafil S.p.A.	EUR 3.1	-9.7%	133	257	1.0	0.6	0.7	8.0	4.9	9.3	20.2	10.5	NM	5.7%	4.8%	9.6%	9.4%
Unifi, Inc.	USD 6.5	-2.1%	114	100	0.3	0.3	0.3	4.2	NM	23.3	8.6	NM	NM	-1.7%	0.6%	5.0%	5.7%
Average, textile producers		-11.8%	107	117	0.5	0.4	0.4	5.3	4.9	21.9	31.3	10.5	NM	-0.7%	2.1%	6.6%	5.6%
MillerKnoll, Inc.	USD 26.5	-0.2%	1,786	1,517	0.9	0.9	1.0	7.1	7.0	8.8	18.8	15.4	13.7	11.4%	10.4%	10.9%	10.8%
Steelcase Inc.	USD 13.1	-2.0%	1,400	288	0.5	0.6	0.6	9.2	7.8	7.5	57.0	17.9	14.1	1.1%	-2.8%	6.3%	5.0%
HNI Corporation	USD 44.5	7.9%	1,959	537	0.7	1.1	1.1	8.2	12.4	9.6	15.7	21.4	15.1	1.5%	4.5%	8.6%	8.5%
Average, furniture producers		-0.2%	1,715	780	0.7	0.9	0.9	8.2	9.1	8.6	30.5	18.2	14.3	4.7%	7.0%	4.7%	7.0%
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Note: Data from 24/05/24

Source: Capital IQ

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