

Harvia

Company report

8/9/2024



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✓ Inderes corporate customer

This report is a summary translation of the report "Täyttä höyryä kasvuun" published on 8/8/2024 at 11:00 pm EEST

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Full steam ahead for growth

Harvia grew by more than 20% in Q2 and, supported by the recent acquisition, the growth outlook continues to look good, especially in North America. The margin remained at a strong level, while the company also invested in future growth. We have raised our forecasts for both the next few years and the medium term, especially the growth prospects. We raise our target price to EUR 35 (was EUR 32), but maintain our Sell recommendation as the valuation remains high.

Very strong growth in Q2, margin stable at a good level

In Q2, Harvia's revenue grew by more than 20%, well above the forecasts of just over 10%. In Europe, the growth was only slight and was explained by deliveries postponed from Q1 due to the strike. Outside Europe, however, growth was phenomenal, with North America growing by more than 40% and APAC & MEA by almost 80%. While there may be some quarterly fluctuations in the numbers (in this case upward), even for H1 as a whole, North America grew by over 30% and APAC & MEA by almost 50%. Such rapid growth naturally translates into market share gains, although there is no accurate or up-to-date information on market developments. The strong growth in these regions pushed the company's H1 growth to a level of 10%. Harvia's adj. EBIT grew roughly in line with revenue by just under 20%, exceeding our expectations of slightly less than 10%, and the margin was, as expected, around 22%, as in the comparison period. The company has made significant investments, e.g. by increasing staff to support future growth, which actually led to a slight decline in the margin despite the strong growth. However, the margin is at an excellent level and in line with the company's objectives. In fact, it was made clear at the Capital Markets Day in the spring that the company's goal is to maximize growth with current profitability, not to push for the highest possible profitability. We believe this is the right choice in terms of value creation.

In coming years, we expect progress to be in line with targets

Harvia's financial targets, updated in the spring, are earnings growth of 10% (average, including acquisitions) and an adjusted EBIT margin of more than 20%. The company has met its targets in H1'24 and we expect it to continue to do so in the coming years. We believe the recent ThermoSol acquisition will take growth well above 10% and we expect organic growth to be close to 10% in the coming years. As for profitability, we expect the current level of 22-23% adjusted EBIT margin to remain practically unchanged. In this report, we have raised our revenue forecasts for the next few years by 3-4% and our earnings forecasts by 2-3%.

Valuation is high, expected return is poor, even though the company generates good value and cash flow

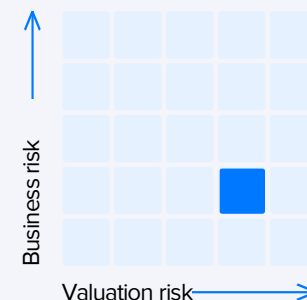
We find Harvia's valuation level (e.g. EV/EBIT 2024 + 20x, P/E 25x) high, although we consider the company's return on capital and its ability to allocate and generate cash flow excellent. In 2024-26, we expect Harvia to achieve annual organic EBIT growth of around 10%, accelerated by the recent acquisition. In addition, the investor receives a dividend yield of 2%. The company's current strong cash flow provides a cash-flow rate of some 4%. We believe that Harvia's capital allocation will continue to be value-creating, and thus channeling of cash into acquisitions and/or larger dividends will support the investor's expected return. We also see Harvia as a potential acquisition target, but with the current valuation, we find it quite expensive for the buyer. In the medium term, we believe that (organic) earnings growth will be limited to a good 5% growth in revenue. Overall, however, the expected return at this valuation level remains weak, especially on a 12-month horizon.

Recommendation

Sell
(was Sell)

EUR 35.00
(was EUR 32.00)

Share price:
40.40



Key figures

	2023	2024e	2025e	2026e
Revenue	151	171	199	218
growth-%	-13%	14%	16%	9%
EBIT adj.	33.7	38.1	44.0	49.0
EBIT-% adj.	22.4 %	22.2 %	22.1 %	22.5 %
Net Income	23.3	25.6	31.2	35.6
EPS (adj.)	1.28	1.44	1.70	1.92

P/E (adj.)	19.8	28.0	23.8	21.0
P/B	4.4	6.3	5.5	4.7
Dividend yield-%	2.7 %	1.8 %	2.0 %	2.5 %
EV/EBIT (adj.)	15.4	21.4	18.2	16.0
EV/EBITDA	13.2	18.6	15.6	13.8
EV/S	3.4	4.7	4.0	3.6

Source: Inderes

Guidance

(Unchanged)

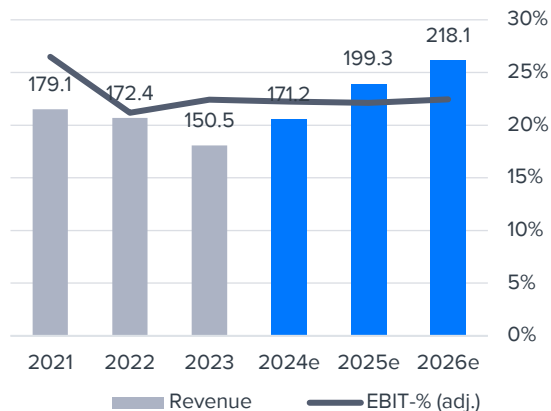
Harvia does not publish a short-term outlook.

Share price



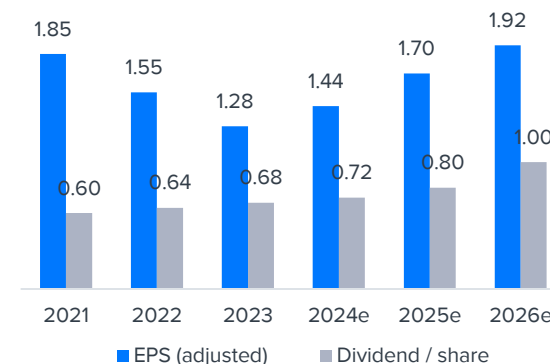
Source: Millstream Market Data AB

Revenue and EBIT-%



Source: Inderes

EPS and dividend



Source: Inderes



Value drivers

- Stably growing sauna and spa market in the longer term
- Leading market position and best profitability in the sector
- Strong cash flow and low investment need
- Revenue growth through complementing acquisitions and expansion of the reseller network



Risk factors

- Dependency on the Muurame plant
- Changes in the competitive field or position
- Economic fluctuations and fluctuations on the construction market may slow down growth
- Successful integration of acquisitions

Valuation	2024e	2025e	2026e
Share price	40.4	40.4	40.4
Number of shares, millions	18.7	18.7	18.7
Market cap	754	754	754
EV	813	800	782
P/E (adj.)	28.0	23.8	21.0
P/E	29.4	24.1	21.2
P/B	6.3	5.5	4.7
P/S	4.4	3.8	3.5
EV/Sales	4.7	4.0	3.6
EV/EBITDA	18.6	15.6	13.8
EV/EBIT (adj.)	21.4	18.2	16.0
Payout ratio (%)	52.4 %	47.8 %	52.5 %
Dividend yield-%	1.8 %	2.0 %	2.5 %

Source: Inderes

Extremely strong growth outside Europe

Huge increase in revenue outside Europe

In Q2, Harvia's revenue grew by as much as 21%, and after adjusting for the small acquisition and currency effects, still by 20%. This was much higher than the forecasts of just over 10%. In Europe there was only a slight growth, explained by postponed deliveries from Q1 due to the strike, and total H1 revenue in Europe was still below the comparison period.

Outside Europe, however, growth was phenomenal, with North America growing by more than 40% and APAC & MEA by almost 80%. The latter region is still relatively small and individual deliveries can be large, leading to fluctuations from one quarter to the next. In North America, the improved capacity situation enabled Harvia to fulfill the order book from the hottest season (Q4-Q1), which provided some support for the strong growth in Q2. Also for H1 as a whole, North America grew by over 30% and APAC & MEA by almost 50%. Such rapid growth naturally translates

into market share gains, although there is no accurate or up-to-date information on market developments. The strong growth in these regions pushed the company's H1 growth to a level of 10%.

Margin reflects investments in growth

Harvia's adj. EBIT grew roughly in line with revenue and the margin was, as expected, around 22%, as in the comparison period. Harvia's strong growth outside Europe is typically positive for the gross margin (which Harvia does not report), and the material margin remained at the excellent 65% level of the comparison period. As a manufacturing company, Harvia's margins are naturally supported by the strong growth in revenue. However, the company has also made significant investments to support and prepare for future growth, for example by increasing the number of employees. As a result, the margin has actually decreased slightly despite the strong growth. The margin is, however, at an excellent level and in line

with the company's objectives. In fact, it was made clear at the Capital Markets Day in the spring that the company's goal is to maximize growth with current profitability, not to push for the highest possible profitability. We believe that this is the right choice in terms of value creation, and therefore the trend we are now seeing in the numbers is, in our view, a prudent and justified decision.

Higher inventory levels put pressure on cash flow

The company's free cash flow was slightly weak in Q2, at 5.5 MEUR vs. 9 MEUR in the comparison period. This was due to exceptionally low inventories in Q1 (due to strikes) and the need to increase delivery capacity in the face of strong growth. The balance sheet remained strong, with a net debt/EBITDA ratio of only 0.8x at the end of Q2, and even after the acquisition in July it still remains at around 1.4x, well below the company's target level of "below 2.5x".

Estimates MEUR / EUR	Q2'23	Q2'24	Q2'24e	Q2'24e	Consensus		Difference (%)	2024e
	Comparison	Actualized	Inderes	Consensus	Low	High	Act. vs. inderes	Inderes
Revenue	35.8	43.2	39.7	39.6			9%	171
EBITDA	9.3	10.5	10.2	10.5			3%	43.6
EBIT (adj.)	8.0	9.4	8.7	-			9%	38.1
EBIT	7.8	8.9	8.7	8.9			3%	36.8
PTP	6.9	7.8	8.0	0.0			-2%	33.6
EPS (reported)	0.28	0.31	0.33	0.34			-6%	1.38
Revenue growth-%	-22.2 %	20.6 %	10.8 %	10.6 %			9.8 pp	13.8 %
EBIT-% (adj.)	22.2 %	21.8 %	21.8 %				-0.1 pp	22.2 %

Source: Inderes & Bloomberg, 4 analysts (consensus)

We have raised our growth forecasts

Outlook looks strong

Harvia does not provide guidance or a short-term outlook, but management's comments suggest that the outlook is still quite good. This is somewhat surprising given the overall weak consumer demand. However, Harvia's growth is currently coming from markets outside Europe. In this market, its product penetration is still low and, on the other hand, it is to some extent a luxury product, which means that it is not necessarily exposed to general economic trends, at least not as sensitively as in the European market, for example. That said, the company did of course say that it would closely monitor, for example, a possible slowdown in US consumer demand. At this stage, however, we do not believe that this will have a significant impact on Harvia's growth.

Forecasts slightly raised

Harvia's much better-than-expected Q2 has naturally led us to raise our forecasts for this year. However, we expect a much more moderate growth rate in Q3 (5% organically) when the temporary factors that supported Q2 are removed and also because, for example, the comparison figures for APAC & MEA in Q3'23 are significantly stronger than in Q2. Nevertheless, looking at the bigger picture, we also expect Europe to achieve modest growth in H2 and growth outside Europe to remain strong. In Q4, we expect the organic growth rate to return to around 10%, the same level as in H1.

Stronger growth in the coming years with a slightly more moderate margin

Harvia's increased focus on growth is already reflected in the figures, and the company has stated that it sees a need to strengthen the organization (i.e. increase

fixed costs) to support growth also in the coming years. Our forecast changes reflect this, with our revenue forecasts increased by around 4%, driven mainly by higher forecasts in markets outside Europe. Our organic growth forecast is now 8-9% for 2025-27, supported by the recent acquisition in the next year.

On the other hand, we expect the margin to remain close to the current level of 22% in the coming years, with earnings forecasts rising by only 2-3%. We have also slightly raised our medium-term growth forecast, which is reflected in our DCF.

In addition to the growth investments, we believe that ThermaSol, included in the figures from the beginning of August, will slightly dilute the company's margin in the early stages, although with synergies and growth, we see potential to bring the margin up to Harvia's average level. We have discussed the ThermaSol acquisition in our previous [report](#) and [in this comment](#).

Estimate revisions	2024e	2024e	Change	2025e	2025e	Change	2026e	2026e	Change
MEUR / EUR	Old	Act.	%	Old	New	%	Old	New	%
Revenue	167	171	3%	191	199	4%	209	218	4%
EBITDA	43.4	43.6	1%	50.2	51.2	2%	54.8	56.7	3%
EBIT (excl. NRIs)	37.3	38.1	2%	43.2	44.0	2%	47.5	49.0	3%
EBIT	36.5	36.8	1%	42.7	43.5	2%	47.2	48.7	3%
EPS (excl. NRIs)	1.43	1.45	1%	1.69	1.70	1%	1.86	1.92	3%
DPS	0.72	0.72	0%	0.80	0.80	0%	1.00	1.00	0%

Source: Inderes

Valuation runs ahead of results

Valuation is high

We expect Harvia to grow significantly starting from this year until the 2030s, and the company has proven its quality even during the difficult years of 2022-23. Although we find Harvia's multiples high for the next few years, we note that we expect the company's earnings growth and good cash flow to push multiples down over the years. However, the high valuation keeps the expected return weak in our view.

Earnings-based valuation

At 2024 earnings, Harvia's EV/EBIT valuation is over 20x and P/E over 25x, which we consider high levels. EV/EBIT for 2026 is just over 16x, which starts to look more neutral, especially if relatively strong growth continues thereafter. Harvia's historical valuation has been higher, but it is mainly due to the multiples of 2020-21 caused by the tremendous growth and share price rise. The valuation is supported by a return on capital of more than 20% and by the good cash flow and only moderately leveraged balance sheet (even after the acquisition), which provides opportunities for acquisitions in particular and/or higher dividends in the longer term.

Harvia's pricing in 2024 translates into an earnings return of less than 4%. With the current share price and a gradually rising 50-60% payout ratio, Harvia offers a dividend yield of some 2%. We estimate that Harvia's free cash flow will be around 30-35 MEUR in the next few years, which at the current share price offers a cash-flow rate of approximately 4%. Together with the earnings growth in the next few years, the expected return is still around 10%, but highish multiples also already clearly price in future earnings

growth. Compared to its peers, Harvia's multiples are at the top of the group and clearly above average. We do not consider this fully justified despite the company's excellent quality.

The sale of Harvia's unlisted competitor Sauna 360 to US Masco in July 2023 offers one approach to the valuation. The EV/S ratio of the transaction was 1.5x and EV/EBIT was around 14x with last year's figures, while Harvia's corresponding ratios for this year are 4.7x and 21x. Harvia's clearly higher EV/S ratio is due to better profitability. Compared to the valuation level (EV/EBIT) of the transaction, Harvia's valuation is higher, but the companies are different in many respects. At the turn of 23/24, there was also another transaction in the industry when Kohler, a US-based company, acquired Harvia's rival Klafs. However, the figures for this transaction have not been published. We also believe that Harvia is a potential acquisition target for large players such as Masco and Kohler, but the current valuation already sets the price very high considering a possible bid.

DCF model

In our DCF model, we expect the company's revenue and earnings to grow by some 7% in 2028-2032 (EBIT margin 22.5%). The terminal growth assumption is 2.5% and profitability is 22.5%. With the stronger growth outlook, we have also raised our investment estimates. However, the company's capital requirement is generally low and the return on capital is high, which enables strong cash flow and growth.

Our DCF model gives Harvia a debt-free value of about 700 MEUR, which means that the share capital is worth about 650 MEUR, or about EUR 35 per share.

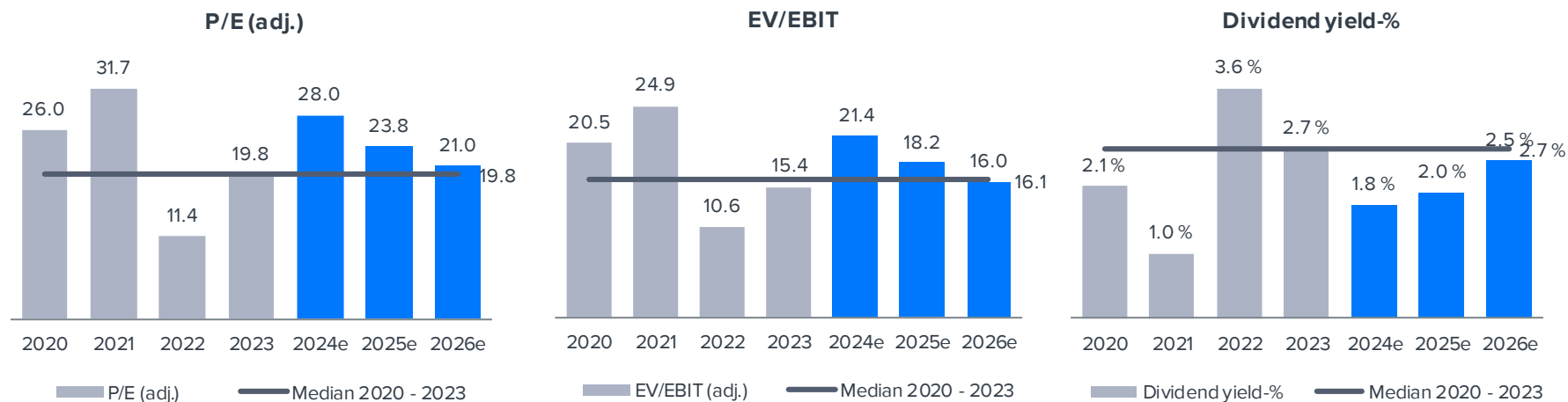
Valuation	2024e	2025e	2026e
Share price	40.4	40.4	40.4
Number of shares, millions	18.7	18.7	18.7
Market cap	754	754	754
EV	813	800	782
P/E (adj.)	28.0	23.8	21.0
P/E	29.4	24.1	21.2
P/B	6.3	5.5	4.7
P/S	4.4	3.8	3.5
EV/Sales	4.7	4.0	3.6
EV/EBITDA	18.6	15.6	13.8
EV/EBIT (adj.)	21.4	18.2	16.0
Payout ratio (%)	52.4 %	47.8 %	52.5 %
Dividend yield-%	1.8 %	2.0 %	2.5 %

Source: Inderes

Valuation table

Valuation	2019	2020	2021	2022	2023	2024e	2025e	2026e	2027e
Share price	10.6	24.5	58.7	17.7	25.5	40.4	40.4	40.4	40.4
Number of shares, millions	18.7	18.6	18.6	18.7	18.7	18.7	18.7	18.7	18.7
Market cap	198	457	1091	330	476	754	754	754	754
EV	224	503	1181	388	518	813	800	782	764
P/E (adj.)	19.5	26.0	31.7	11.4	19.8	28.0	23.8	21.0	18.7
P/E	20.6	29.5	32.4	12.2	20.4	29.4	24.1	21.2	18.7
P/B	2.9	6.9	13.5	3.4	4.4	6.3	5.5	4.7	4.2
P/S	2.7	4.2	6.1	1.9	3.2	4.4	3.8	3.5	3.2
EV/Sales	3.0	4.6	6.6	2.3	3.4	4.7	4.0	3.6	3.2
EV/EBITDA	13.6	18.8	22.5	9.2	13.2	18.6	15.6	13.8	12.3
EV/EBIT (adj.)	16.1	20.5	24.9	10.6	15.4	21.4	18.2	16.0	14.2
Payout ratio (%)	74%	61%	33%	44%	55%	52%	48%	52%	60%
Dividend yield-%	3.6 %	2.1 %	1.0 %	3.6 %	2.7 %	1.8 %	2.0 %	2.5 %	3.2 %

Source: Inderes



Peer group valuation

Peer group valuation	Market cap	EV	EV/EBIT		EV/EBITDA		EV/S		P/E		Dividend yield-%		P/B
Company	MEUR	MEUR	2024e	2025e	2024e	2025e	2024e	2025e	2024e	2025e	2024e	2025e	2024e
Thule Group AB	2627	2782	19.2	16.4	16.4	14.3	3.3	3.1	24.5	20.8	3.4	3.6	4.1
Nobia AB	293	666	285.4	22.0	9.8	6.1	0.7	0.7		71.7	1.1	4.5	0.5
Dometic Group AB	1957	3199	12.5	10.7	8.8	7.8	1.4	1.3	14.9	11.1	2.8	3.6	0.8
Nokian Tyres plc	1117	1718	24.0	14.4	8.6	6.4	1.3	1.1	28.2	13.2	6.8	6.7	0.8
Rapala VMC Oyj	101	192	14.8	11.0	7.7	6.2	0.8	0.8	520.0	17.9	1.4	1.2	0.6
Husqvarna AB	3538	4666	12.4	10.2	7.5	6.5	1.1	1.0	14.5	11.3	4.5	4.7	1.6
Inwido AB	840	1003	14.0	11.6	9.8	8.5	1.3	1.2	17.7	13.7	3.7	4.0	2.0
Nibe Industrier AB	7669	9379	33.8	19.3	20.8	14.3	2.5	2.3	50.5	23.5	0.9	1.3	2.9
Technogym SpA	1816	1731	15.1	13.1	10.3	9.3	2.0	1.8	21.1	18.4	3.2	3.6	3.0
Rockwool A/S	7912	7673	12.2	12.1	8.6	8.5	2.0	1.9	16.5	16.3	1.8	1.9	2.6
Kingspan Group PLC	14739	16038	17.9	16.4	14.3	13.1	1.9	1.8	21.6	19.5	0.7	0.8	3.3
Electrolux AB	2145	4683	25.3	9.3	6.4	4.5	0.4	0.4		7.3	0.0	6.3	2.1
De' Longhi SpA	4148	3963	9.8	8.8	7.6	6.9	1.2	1.1	14.1	12.9	2.8	3.1	2.1
Tulikivi	24	32	8.0	10.6	5.3	5.3	0.9	0.9	10.2	10.2	4.9	4.9	1.2
Harvia (Inderes)	754	813	21.4	18.2	18.6	15.6	4.7	4.0	28.0	23.8	1.8	2.0	6.3
Average			36.0	13.3	10.1	8.4	1.5	1.4	62.8	19.1	2.7	3.6	2.0
Median			14.9	11.8	8.7	7.4	1.3	1.2	19.4	15.0	2.8	3.6	2.0
Diff-% to median			43%	54%	114%	112%	264%	237%	44%	58%	-37%	-46%	210%

Source: Refinitiv / Inderes

Income statement

Income statement	2022	Q1'23	Q2'23	Q3'23	Q4'23	2023	Q1'24	Q2'24	Q3'24e	Q4'24e	2024e	2025e	2026e	2027e
Revenue	172	41.4	35.8	33.9	39.4	151	42.4	43.2	38.6	47.0	171	199	218	238
EBITDA	42.2	10.8	9.3	8.3	10.9	39.3	11.5	10.5	9.4	12.3	43.6	51.2	56.7	62.1
Depreciation	-7.5	-1.6	-1.5	-1.5	-1.7	-6.3	-1.6	-1.6	-1.8	-1.9	-6.9	-7.7	-8.0	-8.2
EBIT (excl. NRI)	36.5	9.3	8.0	6.8	9.6	33.7	10.1	9.4	7.9	10.7	38.1	44.0	49.0	53.9
EBIT	34.7	9.2	7.8	6.8	9.2	33.0	9.9	8.9	7.6	10.4	36.8	43.5	48.7	53.9
Net financial items	2.1	-0.9	-0.9	-0.7	-1.0	-3.5	-0.1	-1.1	-1.0	-1.0	-3.2	-3.0	-2.5	-1.7
PTP	36.8	8.3	6.9	6.1	8.2	29.5	9.8	7.8	6.6	9.4	33.6	40.6	46.2	52.2
Taxes	-8.7	-2.0	-1.7	-1.6	-1.0	-6.3	-2.3	-1.9	-1.5	-2.2	-7.9	-9.3	-10.6	-12.0
Minority interest	-1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net earnings	27.1	6.3	5.3	4.5	7.2	23.3	7.5	5.9	5.1	7.2	25.7	31.2	35.6	40.2
EPS (adj.)	1.55	0.34	0.29	0.24	0.41	1.28	0.41	0.34	0.29	0.40	1.45	1.70	1.92	2.15
EPS (rep.)	1.45	0.34	0.28	0.24	0.39	1.25	0.40	0.32	0.27	0.39	1.38	1.67	1.91	2.15
Key figures	2022	Q1'23	Q2'23	Q3'23	Q4'23	2023	Q1'24	Q2'24	Q3'24e	Q4'24e	2024e	2025e	2026e	2027e
Revenue growth-%	-3.8 %	-18.6 %	-22.2 %	-9.3 %	3.4 %	-12.7 %	2.4 %	20.7 %	13.8 %	19.3 %	13.8 %	16.4 %	9.4 %	9.0 %
Adjusted EBIT growth-%	-23.1 %	-22.9 %	-7.5 %	-12.0 %	19.5 %	-7.6 %	8.4 %	18.0 %	14.9 %	11.5 %	12.9 %	15.7 %	11.1 %	10.2 %
EBITDA-%	24.5 %	26.0 %	26.0 %	24.5 %	27.5 %	26.1 %	27.2 %	24.2 %	24.2 %	26.2 %	25.5 %	25.7 %	26.0 %	26.1 %
Adjusted EBIT-%	21.2 %	22.5 %	22.2 %	20.1 %	24.4 %	22.4 %	23.8 %	21.7 %	20.3 %	22.8 %	22.2 %	22.1 %	22.5 %	22.7 %
Net earnings-%	15.7 %	15.3 %	14.7 %	13.2 %	18.3 %	15.5 %	17.7 %	13.6 %	13.1 %	15.4 %	15.0 %	15.7 %	16.3 %	16.9 %

Source: Inderes

Balance sheet

Assets	2022	2023	2024e	2025e	2026e
Non-current assets	118	115	140	139	138
Goodwill	73.4	73.4	91.4	91.4	91.4
Intangible assets	10.5	8.7	8.9	9.1	9.3
Tangible assets	29.2	29.4	36.6	34.9	34.0
Associated companies	0.0	0.0	0.0	0.0	0.0
Other investments	3.9	2.4	2.4	2.4	2.4
Other non-current assets	0.0	0.0	0.0	0.0	0.0
Deferred tax assets	1.4	1.0	1.0	1.0	1.0
Current assets	90.3	99.4	109	94.3	103
Inventories	45.3	35.5	39.4	45.8	50.2
Other current assets	1.0	4.6	4.6	4.6	4.6
Receivables	18.7	18.7	22.3	25.9	28.3
Cash and equivalents	25.3	40.6	42.9	17.9	19.6
Balance sheet total	209	214	249	233	241

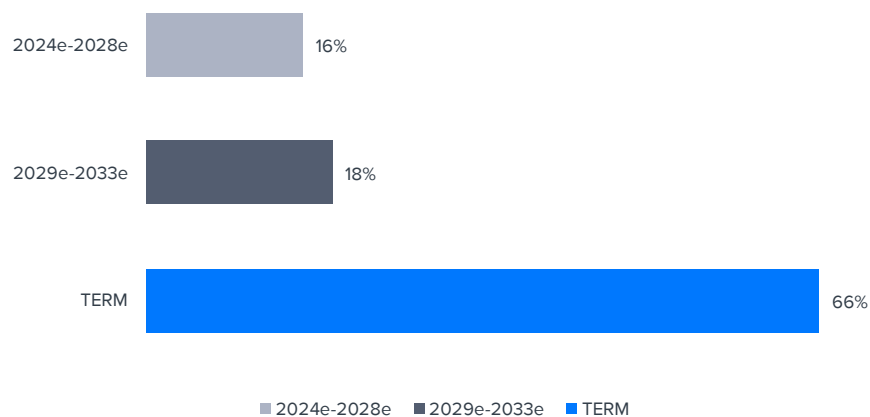
Source: Inderes

Liabilities & equity	2022	2023	2024e	2025e	2026e
Equity	98.4	109	122	139	160
Share capital	0.1	0.1	0.1	0.1	0.1
Retained earnings	63.8	75.1	88.0	106	126
Hybrid bonds	0.0	0.0	0.0	0.0	0.0
Revaluation reserve	0.0	0.0	0.0	0.0	0.0
Other equity	33.4	32.4	32.4	32.4	32.4
Minorities	1.1	1.1	1.1	1.1	1.1
Non-current liabilities	84.6	80.8	98.4	58.8	44.3
Deferred tax liabilities	1.7	1.2	1.2	1.2	1.2
Provisions	2.0	2.0	2.0	2.0	2.0
Interest bearing debt	77.3	77.4	95.0	55.4	40.9
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	3.6	0.2	0.2	0.2	0.2
Current liabilities	25.8	24.7	29.3	34.9	36.5
Interest bearing debt	2.6	0.8	0.0	2.1	1.1
Payables	18.7	18.0	24.0	27.9	30.5
Other current liabilities	4.5	5.9	5.4	4.9	4.9
Balance sheet total	209	214	249	233	241

DCF calculation

DCF model	2023	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	TERM
Revenue growth-%	-12.7 %	13.8 %	16.4 %	9.4 %	9.0 %	7.0 %	7.0 %	7.0 %	7.0 %	7.0 %	2.5 %	2.5 %
EBIT-%	21.9 %	21.5 %	21.8 %	22.3 %	22.7 %	22.5 %	22.5 %	22.5 %	22.5 %	22.5 %	22.5 %	22.5 %
EBIT (operating profit)	33.0	36.8	43.5	48.7	53.9	57.3	61.3	65.5	70.1	75.0	76.9	
+ Depreciation	6.3	6.9	7.7	8.0	8.2	8.6	8.8	9.4	10.1	10.7	11.5	
- Paid taxes	-6.4	-8.0	-9.3	-10.6	-12.0	-12.9	-14.0	-15.1	-16.1	-17.3	-17.7	
- Tax, financial expenses	-0.7	-0.8	-0.7	-0.6	-0.4	-0.2	-0.1	0.0	0.0	0.0	0.0	
+ Tax, financial income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Change in working capital	6.9	-2.0	-6.7	-4.1	-4.3	-3.7	-3.9	-4.2	-4.5	-4.8	-1.8	
Operating cash flow	39.1	32.9	34.5	41.4	45.3	49.0	52.1	55.6	59.6	63.7	68.9	
+ Change in other long-term liabilities	-3.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	-3.2	-32.2	-6.2	-7.3	-8.6	-9.8	-11.1	-12.7	-12.7	-14.2	-14.2	
Free operating cash flow	32.5	0.7	28.3	34.0	36.7	39.2	40.9	43.0	47.0	49.5	54.7	
+/- Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	32.5	0.7	28.3	34.0	36.7	39.2	40.9	43.0	47.0	49.5	54.7	983
Discounted FCFF		0.6	25.4	28.2	28.1	27.7	26.7	25.9	26.2	25.5	26.1	468
Sum of FCFF present value		709	708	683	655	627	599	572	546	520	494	468
Enterprise value DCF		709										
- Interest bearing debt		-78										
+ Cash and cash equivalents		41										
- Minorities		-7										
- Dividend/capital return		-13										
Equity value DCF		652										
Equity value DCF per share		34.9										

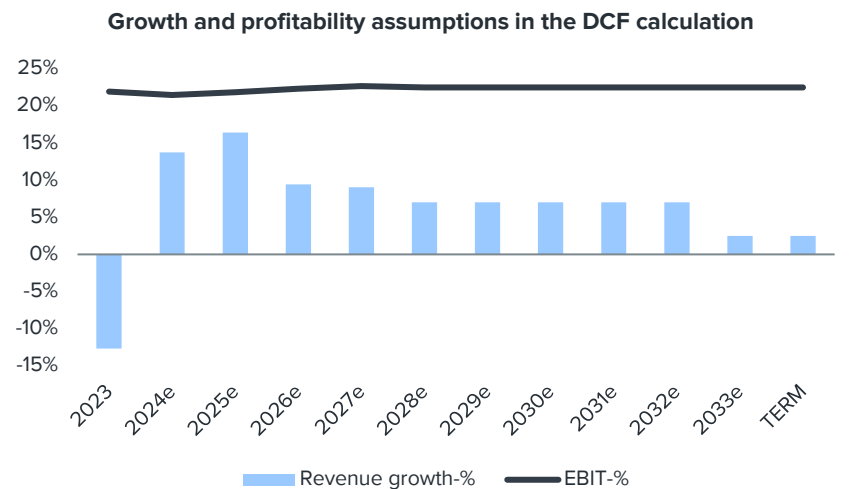
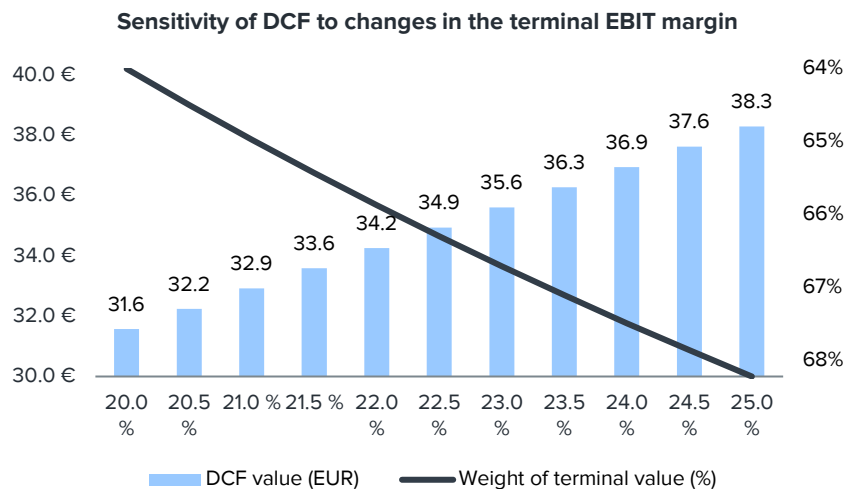
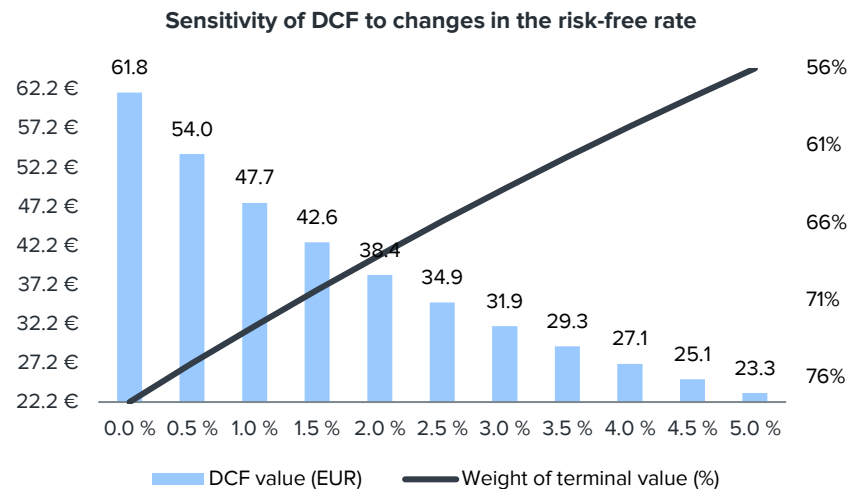
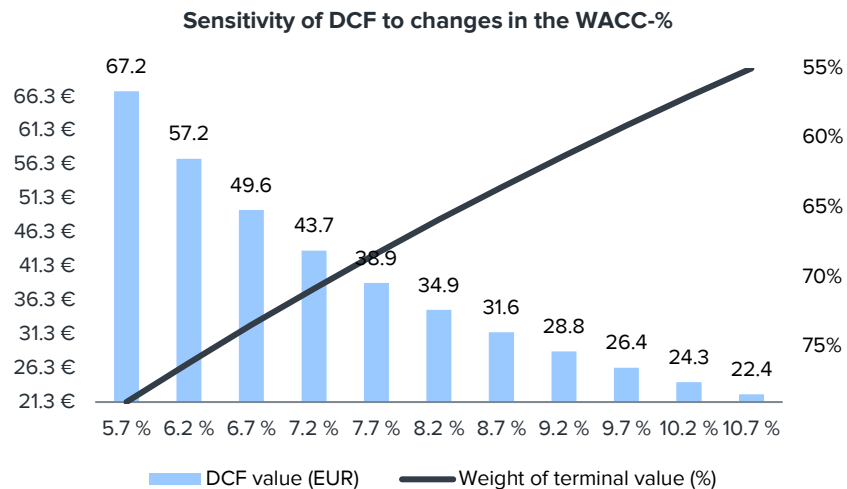
Cash flow distribution



WACC	
Tax-% (WACC)	20.0 %
Target debt ratio (D/(D+E))	10.0 %
Cost of debt	5.0 %
Equity Beta	1.3
Market risk premium	4.75%
Liquidity premium	0.00%
Risk free interest rate	2.5 %
Cost of equity	8.7 %
Weighted average cost of capital (WACC)	8.2 %

Source: Inderes

DCF sensitivity calculations and key assumptions in graphs



Source: Inderes. Note that the weight of the terminal value (%) is shown on an inverse scale for clarity.

Summary

Income statement	2021	2022	2023	2024e	2025e	Per share data	2021	2022	2023	2024e	2025e
Revenue	179.1	172.4	150.5	171.2	199.3	EPS (reported)	1.81	1.45	1.25	1.37	1.67
EBITDA	52.5	42.2	39.3	43.6	51.2	EPS (adj.)	1.85	1.55	1.28	1.44	1.70
EBIT	46.6	34.7	33.0	36.8	43.5	OCF / share	1.14	1.39	2.09	1.76	1.85
PTP	45.2	36.8	29.5	33.6	40.6	FCF / share	0.51	-0.32	1.74	0.04	1.52
Net Income	33.7	27.1	23.3	25.6	31.2	Book value / share	4.33	5.21	5.76	6.46	7.41
Extraordinary items	-0.8	-1.8	-0.7	-1.3	-0.5	Dividend / share	0.60	0.64	0.68	0.72	0.80
Balance sheet	2021	2022	2023	2024e	2025e	Growth and profitability	2021	2022	2023	2024e	2025e
Balance sheet total	201.5	208.7	214.3	249.4	233.1	Revenue growth-%	64%	-4%	-13%	14%	16%
Equity capital	84.1	98.4	108.7	121.6	139.4	EBITDA growth-%	97%	-20%	-7%	11%	17%
Goodwill	73.7	73.4	73.4	91.4	91.4	EBIT (adj.) growth-%	94%	-23%	-8%	13%	16%
Net debt	40.9	54.6	37.6	52.1	39.5	EPS (adj.) growth-%	97%	-16%	-17%	12%	18%
Cash flow	2021	2022	2023	2024e	2025e	EBITDA-%	29.3 %	24.5 %	26.1 %	25.5 %	25.7 %
EBITDA	52.5	42.2	39.3	43.6	51.2	EBIT (adj.)-%	26.5 %	21.2 %	22.4 %	22.2 %	22.1 %
Change in working capital	-21.3	-7.5	6.9	-2.0	-6.7	EBIT-%	26.0 %	20.1 %	21.9 %	21.5 %	21.8 %
Operating cash flow	21.1	26.0	39.1	32.9	34.5	ROE-%	45.8 %	30.5 %	22.7 %	22.5 %	24.1 %
CAPEX	-21.9	-7.4	-3.2	-32.2	-6.2	ROI-%	35.2 %	21.8 %	18.1 %	18.2 %	21.1 %
Free cash flow	9.4	-6.0	32.5	0.7	28.3	Equity ratio	41.8 %	47.1 %	50.7 %	48.8 %	59.8 %
Valuation multiples	2021	2022	2023	2024e	2025e	Gearing	48.7 %	55.5 %	34.6 %	42.9 %	28.4 %
EV/S	6.6	2.3	3.4	4.7	4.0						
EV/EBITDA	22.5	9.2	13.2	18.6	15.6						
EV/EBIT (adj.)	24.9	10.6	15.4	21.4	18.2						
P/E (adj.)	31.7	11.4	19.8	28.0	23.8						
P/B	13.5	3.4	4.4	6.3	5.5						
Dividend-%	1.0 %	3.6 %	2.7 %	1.8 %	2.0 %						

Source: Inderes

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Sell	The 12-month risk-adjusted expected shareholder return of the share is very weak

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Date	Recommendation	Target	Share price
11/26/2020	Buy	22.00 €	19.10 €
2/12/2021	Accumulate	33.00 €	30.00 €
4/18/2021	Buy	45.00 €	33.65 €
5/6/2021	Accumulate	47.00 €	42.25 €
5/31/2021	Accumulate	52.00 €	46.05 €
7/17/2021	Accumulate	62.00 €	58.20 €
8/12/2021	Accumulate	64.00 €	59.00 €
9/2/2021	Buy	64.00 €	53.30 €
11/5/2021	Accumulate	65.00 €	60.00 €
<i>Analyst changed</i>			
1/27/2022	Buy	57.00 €	44.20 €
2/10/2022	Buy	51.00 €	39.20 €
3/11/2022	Buy	42.00 €	34.15 €
5/5/2022	Buy	42.00 €	32.22 €
7/20/2022	Accumulate	27.00 €	24.00 €
<i>Analyst changed</i>			
8/12/2022	Accumulate	22.00 €	19.93 €
9/9/2022	Buy	20.00 €	15.23 €
11/4/2022	Buy	20.00 €	15.46 €
12/19/2022	Accumulate	21.00 €	18.33 €
2/10/2023	Reduce	22.00 €	22.10 €
5/5/2023	Reduce	24.00 €	25.06 €
5/29/2023	Accumulate	24.00 €	22.14 €
8/11/2023	Accumulate	24.00 €	22.00 €
9/13/2023	Accumulate	25.50 €	24.00 €
11/3/2023	Accumulate	25.00 €	23.50 €
12/11/2023	Reduce	25.00 €	25.48 €
2/9/2024	Sell	28.00 €	32.60 €
5/6/2024	Sell	30.00 €	38.60 €
8/6/2024	Sell	32.00 €	36.50 €
8/9/2024	Sell	35.00 €	40.40 €



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