Harvia

Company report

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Inderes corporate customer

This report is a summary translation of the report “Osake oikein hinnoiteltu” published on 12/11/2023 at 7:45 am EET

The stock is correctly priced

We expect Harvia's earnings to make an upturn next year, but the share price already prices this, and the valuation (2024 EV/EBIT 14x) is at the top of the acceptable range. We lowered our earnings estimates by 1-4% for 2023-24. Thus, we see no upside in the stock and we lower the recommendation to Reduce (was Accumulate), but reiterate our target price of EUR 25.

Increased valuation already prices next year's turnaround

Harvia's share price has increased gradually and reached our EUR 25 target price. At this level, we feel the share price already prices the earnings turnaround expected next year. In this report, we have cut our EBIT forecasts slightly, especially for next year (4%), as we expect the European market to remain subdued due to weak consumer demand and construction activity (revenue around 2023 level) and the material margin to fall from this year's exceptionally strong level (mainly Q2'23). On the other hand, we believe that markets outside Europe will drive Harvia's revenue growth to almost 7%, which, through operational leverage, also supports 2024 earnings and margins. We still expect the company's result to make a slight upturn already in Q4'23. As expectations for the next few years are already quite positive in terms of both revenue and margin development, we feel the company has limited opportunities to surprise positively.

Harvia has clear competitive advantages, especially in its core area: heaters and components

In our opinion, Harvia has several clear competitive advantages that support the profitable growth and value creation of the company. They mainly concern the market for wood/electric heaters and their components. These represent about 70% of Harvia's sales. We believe Harvia's competitive advantages are: 1) vertical integration and own design, 2) economies of scale (in production), 3) strong brand(s), 4) broad and long-term distribution relationships. We feel that the company has been very successful since 2014 in driving the international growth of Harvia and strengthening these competitive advantages. We also believe that the company has succeeded in creating value by allocating capital to acquisitions. In our view, the company's strong balance sheet and the weakened market situation provide a good opportunity for new value-creating acquisitions. In the next few years, we expect the company to be able to grow by over 5% in line with its target and reach an EBIT margin of 22-23% as volumes grow from the current level.

Valuation is neutral, expected return is subdued, even though the company generates good value and cash flow

Harvia's valuation level (e.g. 2024 EV/EBIT 14x, P/E 18x) is acceptable in our view, considering its return on capital and ability to generate cash-flow but no longer offers an upside. In 2024-25, we expect an annual EBIT increase of some 10% from Harvia, in addition to which the investor will receive a dividend yield of 3%. The company's current strong cash flow provides a free cash flow yield of some 7%. 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. In our opinion, the most obvious positive risk is utilizing the strengthened balance sheet for a value-creating acquisition. In the medium term (organic) earnings growth will be limited to some 5% revenue growth. As a whole, the expected return at these levels remains close to or slightly below our required return.

Recommendation

Reduce
(previous Accumulate)

EUR 25.00
(previous EUR 25.00)

Share price:
25.48

Key figures

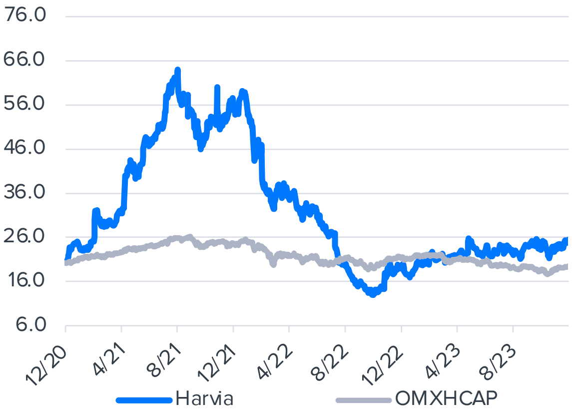
	2022	2023e	2024e	2025e
Revenue	172	149	159	172
growth-%	-4%	-13%	7%	8%
EBIT adj.	36.5	32.3	35.1	39.6
EBIT-% adj.	21.2 %	21.6 %	22.0 %	23.0 %
Net Income	27.1	21.7	25.9	29.3
EPS (adj.)	1.55	1.18	1.39	1.57
P/E (adj.)	11.4	21.6	18.4	16.2
P/B	3.4	4.4	3.9	3.5
Dividend yield-%	3.6 %	2.6 %	2.6 %	2.7 %
EV/EBIT (adj.)	10.6	16.0	14.2	12.1
EV/EBITDA	9.2	13.5	11.9	10.5
EV/S	2.3	3.5	3.1	2.8

Source: Inderes

Guidance (Unchanged)

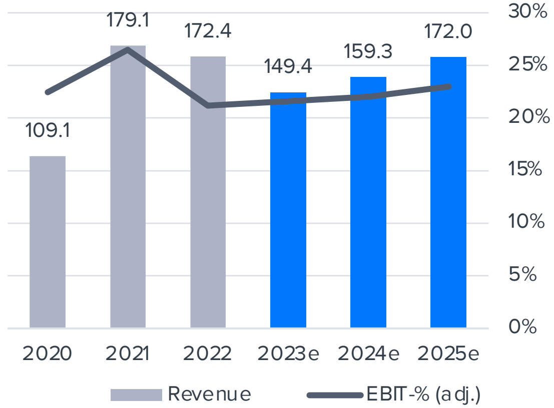
Harvia does not publish a short-term outlook. The company targets average annual revenue growth above 5% and 20% adjusted EBIT margin.

Share price



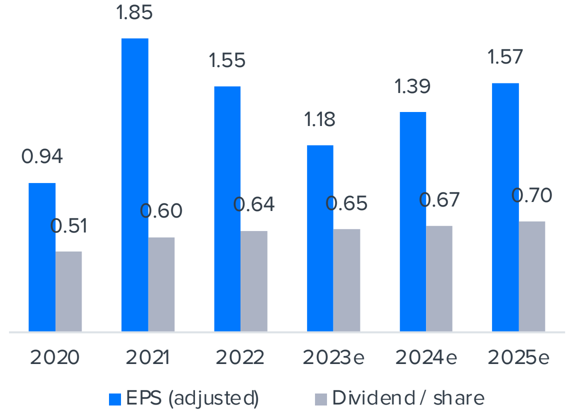
Source: Millistream Market Data AB

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	2023e	2024e	2025e
Share price	25.5	25.5	25.5
Number of shares, millions	18.7	18.7	18.7
Market cap	476	476	476
EV	516	497	480
P/E (adj.)	21.6	18.4	16.2
P/E	21.9	18.4	16.2
P/B	4.4	3.9	3.5
P/S	3.2	3.0	2.8
EV/Sales	3.5	3.1	2.8
EV/EBITDA	13.5	11.9	10.5
EV/EBIT (adj.)	16.0	14.2	12.1
Payout ratio (%)	55.9 %	48.3 %	44.5 %
Dividend yield-%	2.6 %	2.6 %	2.7 %

Source: Inderes

2024 estimates cut a bit

We cut our 2024 estimates slightly

We cut our forecasts for 2024 mainly in the bottom line. We expect the material margin that normalizes at a lower level this year to slow down margin improvements, which, on the other hand, is supported by the operational leverage created by revenue turning to growth. Next year's figures will to some extent reflect the establishment of a joint venture in Japan with its current distributor (Harvia owns 51% of the joint venture), which will increase both revenue and fixed costs, by an estimated few millions. We do not expect a material profit impact on EBIT or lower earnings lines.

We also lowered Q4 forecasts slightly, which resulted in a decrease of 1% in 2023 forecasts. We still expect Q4's revenue and result to be slightly above the comparison period.

The forecasts for 2025 and beyond are virtually unchanged.

Estimate revisions	2023e	2023e	Change	2024e	2024e	Change	2025e	2025e	Change
MEUR / EUR	Old	New	%	Old	New	%	Old	New	%
Revenue	149	149	0%	160	159	0%	173	172	0%
EBITDA	38.4	38.2	-1%	42.9	41.6	-3%	46.1	45.9	0%
EBIT (exc. NRIs)	32.6	32.3	-1%	36.4	35.1	-4%	39.8	39.6	0%
EBIT	32.3	32.0	-1%	36.4	35.1	-4%	39.8	39.6	0%
EPS (excl. NRIs)	1.19	1.18	-1%	1.44	1.39	-4%	1.58	1.57	-1%
DPS	0.65	0.65	0%	0.67	0.67	0%	0.70	0.70	0%

Source: Inderes

Valuation and recommendation 1/2

Normalization of the earnings level makes valuation easier

Harvia has historically been a fairly evenly growing quality company. This enables the use of both the DCF model and earnings-based valuation, and also makes dividend yield more predictable. The rapid growth during the COVID era and the decline in earnings in 2022-23 still poses some challenges to valuation. However, the situation is becoming clearer in this respect when we have seen the rough level at which revenue and profitability will stabilize in the current situation. We believe, however, that making assumptions concerning Harvia is still more difficult than, e.g., some five years ago. Our expected return looks at the profit and cash flow levels and their growth, dividends and possible changes in valuation multiples for the next few years.

The risk/return ratio is on the positive side and we find the long-term outlook good

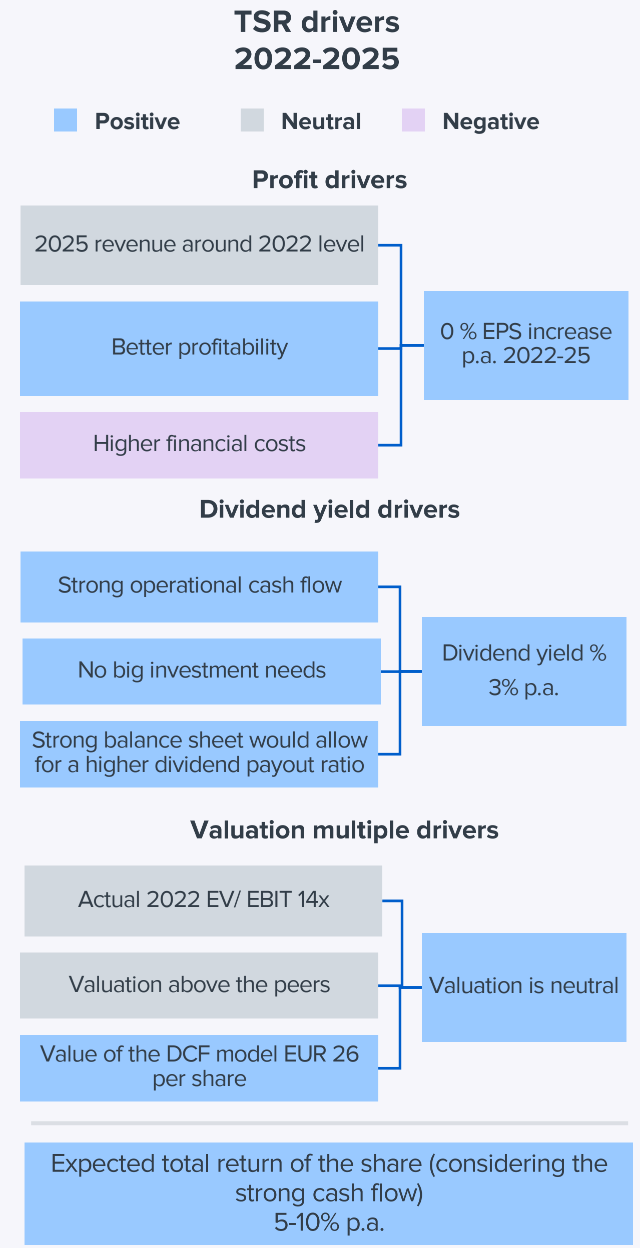
We expect Harvia's result to make a slight upturn already in Q4'23 and revenue next year. In terms of valuation, the P/E 21x and EV/EBIT 16x estimated for 2023 are, in our view, slightly elevated, although acceptable, considering it is the weakest result for the coming years. 2024 multiples (P/E 18x, EV/EBIT 14x) are at an acceptable level but offer little upside. However, we do not expect a significant margin improvement after 2024, and thus earnings growth is mainly limited to approximately 5% revenue growth. Harvia's valuation is above the peer group with 2024 figures. In this respect, Harvia's valuation seems relatively correct, although we do not see the peer group as directly comparable to Harvia.

Examined through earnings growth and dividend we currently reach an expected return of below 5%. However, it should be noted that with our estimates, Harvia's net debt/EBITDA falls below one this year, while the target is 1.5-2.5x. This allows for, or almost requires, either larger profit distribution or acquisitions from the company, which we feel support the expected return. In our opinion, Harvia seeks acquisitions in the future.

DCF model

Due to the stable industry, steady growth and relatively easily predictable business, the DCF model is, in our opinion, a relevant valuation method for Harvia.

We expect the revenue and earnings growth to slow down from 6% to 2.5% in 2026-2032 (EBIT margin 22-23%), which is our growth assumption in the terminal period. We expect the investment level to remain moderate throughout the decade, as Harvia has carried out significant investments in 2021, which allows it to grow. The company's capital requirement is generally low and the return on capital is high, which enables strong cash flow and growth. So, the expected growth can, in our opinion, be generated even with small investments. Our DCF model gives Harvia a debt-free value of about 560 MEUR, which means that the share capital is worth about 490 MEUR, or about EUR 26 per share.



Source: Inderes

Valuation 2/2

Earnings-based valuation

Harvia's EV/EBIT valuation is approximately 16x with 2023 earnings. It is not a low level but considering the bottom result of the cycle we find the valuation acceptable. The 2024 EV/EBIT is 14x, which is also at an acceptable level, but already at the top of our range. Harvia's historical valuation has been clearly 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 over 20% and considering both the good cash flow and rapidly strengthening balance sheet that provides opportunities for acquisitions and/or larger dividends.

With the P/E ratio, Harvia is priced at 21x with 2023 earnings, which translates into an earnings return of close on 5%. The valuation is not cheap but considering the level of cash flow and capital return and the growth outlook, not particularly expensive either. With the current share price and a gradually rising 40-50% payout ratio, Harvia offers a dividend yield of some 3%.

We estimate that Harvia's free cash flow will be 30-35 MEUR in the next few years, which at the current share price offers a free cash flow yield of some 7%. Because we believe that Harvia can achieve an earnings growth of about 5% in the coming years, the expected return is over 10% p.a.

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 for the transaction was 1.5x and EV/EBIT was around 14x with last year's figures, while Harvia's corresponding ratios for 2023 are 3.4x and 16x. 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 slightly higher, although the companies are different in many respects.

Reasonable expected return in the longer term

We believe that after this year's drop, Harvia will return to a growing revenue path of about 5%, or slightly above in line with its objective. We also believe that the target EBIT margin of over 20% can be achieved in future, although not the top level of 25%. From this we derive a medium-term earnings growth expectation of some 5% p.a. When we add the dividend yield of some 3%, the total return is around 8%, i.e. roughly in line with our required return. When the normalization of Harvia's earnings level after COVID is soon over, the risk level of achieving this return falls clearly in our opinion compared to the earlier uncertain situation. In addition, Harvia's strong cash flow means that at the 3% dividend yield level, the company will retain capital for acquisitions or subsequent distributions.

Valuation	2023e	2024e	2025e
Share price	25.5	25.5	25.5
Number of shares, millions	18.7	18.7	18.7
Market cap	476	476	476
EV	516	497	480
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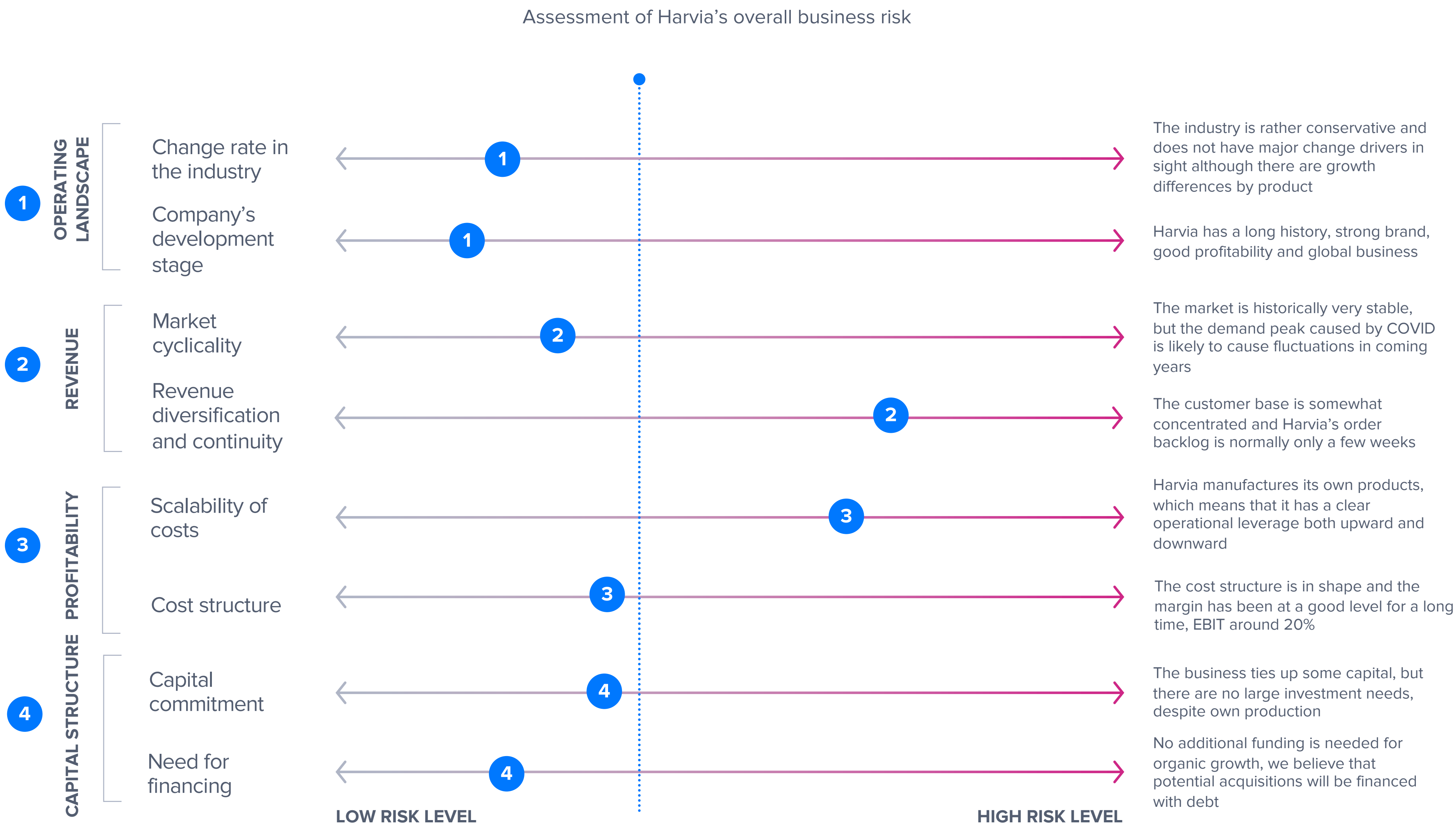
Payout ratio (%)	55.9 %	48.3 %	44.5 %
Dividend yield-%	2.6 %	2.6 %	2.7 %

Source: Inderes

Risk profile of the business model



Source: Inderes

Investment profile 1/2 – Harvia's competitive advantages

Harvia has clear competitive advantages, especially in its core area: heaters and components

In our opinion, Harvia has several clear competitive advantages that support the profitable growth and value creation of the company. We also discuss these elsewhere in the report but give a summary of them here. The company's competitive advantages are of great importance for long-term success and thus crucial for share development. When discussing competitive advantages, we note that they mainly concern the market of Harvia's traditional product areas, i.e. wood/electric heaters and their components. These currently represent about 70% of Harvia's sales. However, in producing/selling ready-made saunas we feel the advantages are smaller but can be found in the same areas as for heaters and components. We will discuss these in more detail below.

Vertical integration and own design

Harvia designs and manufactures almost all the products it sells, as well as most of the components itself, i.e. it is vertically more integrated than a typical competitor. We believe this is one of Harvia's important competitive advantages, since broader supply chain management gives Harvia a larger share of the overall product margin than its competitors and enables unique and more efficient technical solutions. Related expertise has accumulated in Harvia over the decades and we believe that it is not easy to copy. Own design and efficient manufacturing also require some resources that small companies probably cannot afford.

We do not see a similar advantage in the sales of ready-made saunas at Harvia, although the construction of saunas can be seen as further vertical integration. This fits Harvia's strategy to take a bigger share of the entire sauna and spa market perfectly but we do not feel it brings an actual competitive advantage.

Economies of scale

Partly related to the previous point, Harvia's large production volumes also bring efficiency to production, which smaller competitors are unlikely to be able to achieve. This enables good profitability for Harvia also in lower price segment products (for heaters and components).

As regards saunas, Harvia has a relatively large volume and a new, efficient production plant in the US in comparison with its competitors, so the company has at least some advantage there. As business grows, this can become a clear competitive advantage. In other areas the scale of saunas is not, at least currently, ahead of competitors.

Strong brand(s)

The Harvia brand is very well known in all sauna markets. Because the decision-maker is often someone other than the end user/consumer, brand awareness is also important among professionals (wholesalers, electricians, architects, etc.). Harvia's long history and strong position especially in electric and wood-burning heaters directed at consumer use, guarantee its brand's reputation. Brands bought into the group, like EOS and Sentiotec, are strong in professional segment heaters and the Almost Heaven Saunas in the US sauna market complement the brand portfolio and product offering well.

In ready-made saunas, Harvia should be able to utilize its well-known brand, especially in Europe. However, the importance of the brand in sauna construction in general is supposedly less important than in heaters, which also reduces the importance of this competitive advantage for saunas.

Extensive and long-term distribution relationships

As the products in Harvia's product groups are primarily sold through distributors, the distribution network and distributor relationships are important. With its long history and wide product range, Harvia has an extensive distribution network and often decades long customer relations. Compared to competitors in the industry, we see this more as a result of Harvia's other competitive advantages. However, the barrier to entry in the industry, at least on a larger scale, is hampered by the well-established positions of existing operators in the main sales channels.

We also see, e.g., the quality of the company's management, acquisitions and the strategy and its implementation as good things, but we do not include them in this list, as we believe competitive advantages should be more permanent and long-term issues related to the company. We will discuss the success of acquisitions separately later.

Investment profile 2/2

1. **Strong market position and globally well-known brand**
2. **Vertical integration and long experience support high profitability**
3. **Low investment need supports creation of strong free cash flow**
4. **The company's ROIC is high and well above the required return, i.e. the company creates value**
5. **Expansion to new markets and/or new product categories**
6. **Historically a stably growing market**

Potential

- **Increasing the value of average purchases** by expanding the product portfolio, with up-selling and by selling products with more advance features and entire sauna solutions
- **Geographical expansion** both organically and inorganically (90% of sauna markets are located outside Finland)
- **Complementing acquisitions** on the fragmented global sauna and spa market have already generated shareholder value and we believe Harvia will continue making complementing acquisitions if suitable targets are found. In our opinion, natural targets would be, for example, steam generators or infrared emitters, where Harvia has a weaker position and/or related more extensive sauna units.

Risks

- **Demand recovery after the current weaker period** After the high demand during the COVID era and the subsequent decline partly due to weakening purchasing power, the growth outlook for the coming years is clearly more uncertain than historically
- **Dependence on the Muurame plant** is one of the biggest risks associated with the continuity of Harvia’s operations, although more extensive production resulting from the acquisitions has stabilized this risk
- **Acquisition risks:** Price paid in possible future acquisitions and integration of operations generate their own operational risk

Source: Inderes

Financial targets

Financial objectives (issued in connection with the IPO in 2018)

Annual revenue growth of over 5% on average

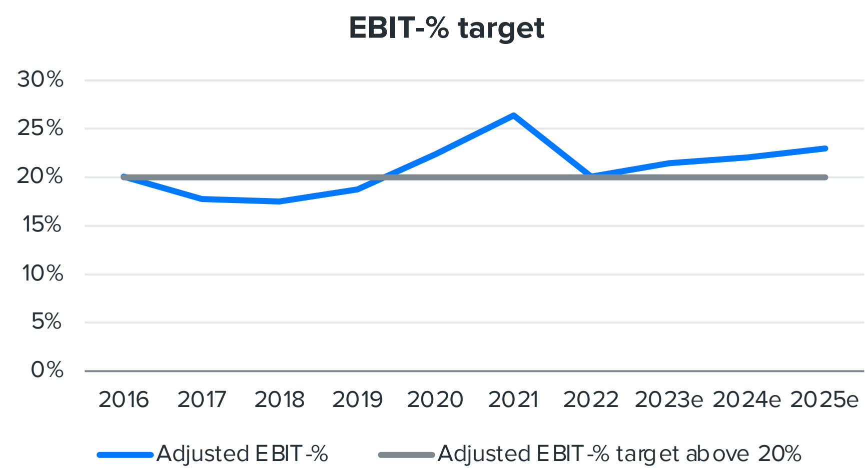
- Harvia grew strongly in 2020-21, while in 2022-23 revenue decreased/will decrease
- Historic market growth is around 5% p.a., so the target requires slightly faster growth than market growth
- We find the growth target to be realistic for Harvia as an average level, and after the demand supported by COVID stabilizes

Adjusted EBIT margin over 20%

- Harvia's historic profitability has been on both sides of the 20% target, clearly stronger in the peak year 2021
- We believe that Harvia will continue to be able to achieve the targeted margin level
- However, the level is already at the top of the industry and Harvia has expanded its operations in product areas with slightly lower margins. Therefore, we do not find it likely that the target will be raised or clearly exceeded

Net debt/adjusted EBITDA 1.5x-2.5x

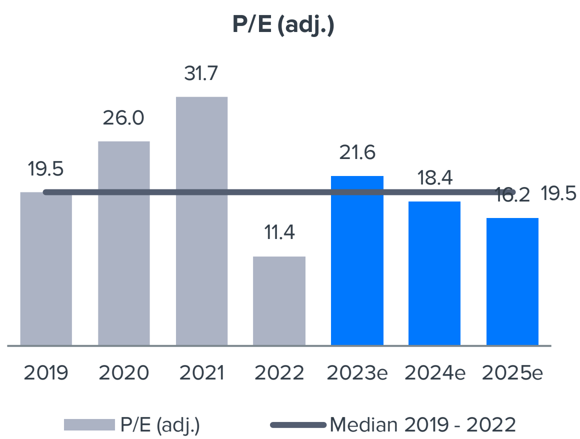
- Harvia's cash flow is strong and investment needs smallish
- Thus, in normal circumstances, the company is able to repay its debt nicely and it is mainly increased by possible acquisitions
- Harvia stood at 1.1x at the end of Q2'23
- We believe that Harvia will remain in the target range, or below it, also in the future. Harvia can keep the balance sheet strong for possible acquisitions

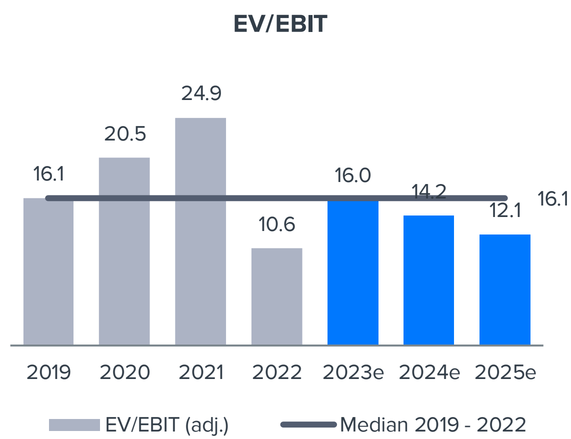


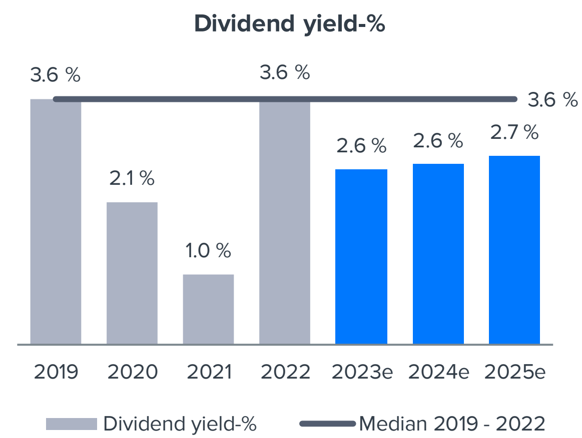
Valuation table

Valuation	2018	2019	2020	2021	2022	2023e	2024e	2025e	2026e
Share price	6.10	10.6	24.5	58.7	17.7	**25.5**	**25.5**	**25.5**	**25.5**
Number of shares, millions	16.7	18.7	18.6	18.6	18.7	**18.7**	**18.7**	**18.7**	**18.7**
Market cap	102	198	457	1091	330	**476**	**476**	**476**	**476**
EV	132	224	503	1181	388	**516**	**497**	**480**	**463**
P/E (adj.)	12.3	19.5	26.0	31.7	11.4	**21.6**	**18.4**	**16.2**	**15.2**
P/E	15.0	20.6	29.5	32.4	12.2	**21.9**	**18.4**	**16.2**	**15.2**
P/B	1.5	2.9	6.9	13.5	3.4	**4.4**	**3.9**	**3.5**	**3.1**
P/S	1.6	2.7	4.2	6.1	1.9	**3.2**	**3.0**	**2.8**	**2.6**
EV/Sales	2.1	3.0	4.6	6.6	2.3	**3.5**	**3.1**	**2.8**	**2.5**
EV/EBITDA	11.4	13.6	18.8	22.5	9.2	**13.5**	**11.9**	**10.5**	**9.6**
EV/EBIT (adj.)	12.2	16.1	20.5	24.9	10.6	**16.0**	**14.2**	**12.1**	**10.9**
Payout ratio (%)	91%	74%	61%	33%	44%	**56%**	**48%**	**45%**	**60%**
Dividend yield-%	6.1 %	3.6 %	2.1 %	1.0 %	3.6 %	**2.6 %**	**2.6 %**	**2.7 %**	**4.0 %**

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**	**2023e**	**2024e**	**2023e**	**2024e**	**2023e**	**2024e**	**2023e**	**2024e**	**2023e**	**2024e**	**2023e**
Thule Group AB	2535	2695	19.5	16.3	16.8	14.4	3.3	3.0	24.9	20.7	3.1	3.7	4.1
Nobia AB	141	561	23.8	15.7	6.2	5.3	0.5	0.5	273.4	35.5		2.1	0.3
Dometic Group AB	2394	3613	13.1	11.8	9.4	8.7	1.4	1.4	16.1	13.7	2.1	2.7	1.0
Nokian Tyres plc	1157	1543	29.5	15.9	8.8	6.7	1.3	1.1	36.2	20.4	5.2	5.2	0.8
Rapala VMC Oyj	105	217	43.4	12.4	13.6	8.0	0.9	0.8		13.8	1.1	2.2	0.8
Husqvarna AB	4405	5528	13.2	12.2	8.3	7.8	1.2	1.2	17.8	15.0	3.5	3.7	2.0
Inwido AB	664	804	9.0	10.5	7.0	7.3	1.0	1.1	11.4	12.8	5.0	4.7	1.3
Nibe Industrier AB	12371	13990	21.3	19.9	17.2	15.9	3.3	3.1	26.6	25.0	1.1	1.2	4.3
Technogym SpA	1762	1691	16.3	14.1	11.2	9.9	2.1	1.9	22.4	19.4	3.1	3.3	4.7
Rockwool A/S	5533	5557	11.3	11.9	7.5	7.8	1.6	1.6	14.9	15.6	2.1	2.1	2.0
Kingspan Group PLC	13486	15148	17.9	17.8	14.3	14.1	1.9	1.8	20.8	20.7	0.7	0.7	3.5
Electrolux AB	2639	5112	42.7	11.8	8.6	5.3	0.4	0.4		12.0		5.0	1.9
De' Longhi SpA	4384	4186	12.8	11.8	9.7	9.0	1.4	1.3	17.8	16.3	2.2	2.4	2.6
Tulikivi	23	31	5.3	7.9	3.5	4.5	0.7	0.8	5.6	7.9	5.1	7.6	1.3
Harvia (Inderes)	**476**	**516**	**16.0**	**14.2**	**13.5**	**11.9**	**3.5**	**3.1**	**21.6**	**18.4**	**2.6**	**2.6**	**4.4**
Average			**19.9**	**13.6**	**10.1**	**8.9**	**1.5**	**1.4**	**40.7**	**17.8**	**2.9**	**3.3**	**2.2**
Median			**17.1**	**12.3**	**9.1**	**7.9**	**1.3**	**1.3**	**19.3**	**16.0**	**2.7**	**3.0**	**1.9**
Diff-% to median			***-7%***	***15%***	***49%***	***51%***	***158%***	***148%***	***12%***	***15%***	***-4%***	***-13%***	***128%***

Source: Refinitiv / Inderes

Income statement

Income statement	2021	Q1'22	Q2'22	Q3'22	Q4'22	2022	Q1'23	Q2'23	Q3'23	Q4'23e	2023e	2024e	2025e	2026e
Revenue	**179**	**50.8**	**46.0**	**37.4**	**38.1**	**172**	**41.4**	**35.8**	**33.9**	**38.3**	**149**	**159**	**172**	**183**
Finland	36.9	11.7	10.4	7.0	7.4	36.4	9.7	7.8	6.5	7.4	31.3	31.6	33.2	34.2
Other Nordic countries	9.4	2.1	2.6	2.3	2.5	9.5	1.9	1.9	2.1	2.1	8.0	8.1	8.5	8.8
Germany	35.4	8.6	6.4	5.7	5.4	26.1	4.6	3.7	3.5	4.6	16.4	16.4	17.2	17.9
Other European countries	49.7	13.4	12.0	10.7	10.3	46.4	11.3	9.8	8.9	9.8	39.8	40.6	42.7	44.4
Russia	11.5	2.3	2.6	1.7	0.9	7.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
North America	29.1	9.6	8.9	7.9	9.7	36.1	11.1	10.3	9.7	11.6	42.7	49.1	55.0	60.8
Other countries	7.2	3.2	3.1	2.2	2.0	10.4	2.7	2.3	3.4	2.8	11.2	13.4	15.4	17.0
EBITDA	**52.5**	**13.7**	**10.4**	**8.9**	**9.2**	**42.2**	**10.8**	**9.3**	**8.3**	**9.7**	**38.2**	**41.6**	**45.9**	**48.0**
Depreciation	-5.8	-1.6	-1.6	-1.6	-2.6	-7.5	-1.6	-1.5	-1.5	-1.6	-6.1	-6.5	-6.3	-5.5
EBIT (excl. NRI)	**47.4**	**12.1**	**8.6**	**7.8**	**8.0**	**36.5**	**9.3**	**8.0**	**6.8**	**8.2**	**32.3**	**35.1**	**39.6**	**42.5**
EBIT	**46.6**	**12.1**	**8.7**	**7.3**	**6.6**	**34.7**	**9.2**	**7.8**	**6.8**	**8.2**	**32.0**	**35.1**	**39.6**	**42.5**
Net financial items	-1.5	0.7	1.0	1.1	-0.8	2.1	-0.9	-0.9	-0.7	-0.8	-3.3	-1.5	-1.5	-1.8
PTP	**45.2**	**12.8**	**9.8**	**8.4**	**5.9**	**36.8**	**8.3**	**6.9**	**6.1**	**7.4**	**28.7**	**33.6**	**38.1**	**40.7**
Taxes	-10.4	-3.2	-2.0	-1.9	-1.7	-8.7	-2.0	-1.7	-1.6	-1.8	-7.0	-7.7	-8.8	-9.4
Minority interest	-1.1	-0.4	-0.4	-0.2	-0.1	-1.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net earnings	**33.7**	**9.2**	**7.4**	**6.3**	**4.1**	**27.1**	**6.3**	**5.3**	**4.5**	**5.6**	**21.7**	**25.9**	**29.3**	**31.3**
EPS (adj.)	**1.85**	**0.50**	**0.39**	**0.37**	**0.30**	**1.55**	**0.34**	**0.29**	**0.24**	**0.30**	**1.18**	**1.39**	**1.57**	**1.68**
EPS (rep.)	**1.81**	**0.50**	**0.40**	**0.34**	**0.22**	**1.45**	**0.34**	**0.28**	**0.24**	**0.30**	**1.16**	**1.39**	**1.57**	**1.68**

Key figures	2021	Q1'22	Q2'22	Q3'22	Q4'22	2022	Q1'23	Q2'23	Q3'23	Q4'23e	2023e	2024e	2025e	2026e
Revenue growth-%	64.2 %	28.2 %	-1.8 %	-18.9 %	-18.0 %	-3.8 %	-18.6 %	-22.2 %	-9.3 %	0.6 %	-13.3 %	6.6 %	8.0 %	6.4 %
Adjusted EBIT growth-%	93.8 %	8.7 %	-34.9 %	-34.0 %	-29.0 %	-23.1 %	-22.9 %	-7.5 %	-12.0 %	2.1 %	-11.4 %	8.5 %	12.8 %	7.4 %
EBITDA-%	29.3 %	27.0 %	22.5 %	23.8 %	24.1 %	24.5 %	26.0 %	26.0 %	24.5 %	25.4 %	25.5 %	26.1 %	26.7 %	26.2 %
Adjusted EBIT-%	26.5 %	23.8 %	18.7 %	20.8 %	21.1 %	21.2 %	22.5 %	22.2 %	20.1 %	21.4 %	21.6 %	22.0 %	23.0 %	23.2 %
Net earnings-%	18.8 %	18.2 %	16.1 %	16.9 %	10.9 %	15.7 %	15.3 %	14.7 %	13.2 %	14.7 %	14.5 %	16.3 %	17.1 %	17.1 %

Source: Inderes

Balance sheet

Assets	2021	2022	2023e	2024e	2025e
Non-current assets	**119**	**118**	**115**	**112**	**110**
Goodwill	73.7	73.4	73.4	73.4	73.4
Intangible assets	12.7	10.5	10.7	10.9	11.1
Tangible assets	28.0	29.2	26.1	22.5	19.7
Associated companies	0.7	0.0	0.0	0.0	0.0
Other investments	2.6	3.9	3.9	3.9	3.9
Other non-current assets	0.0	0.0	0.0	0.0	0.0
Deferred tax assets	1.5	1.4	1.4	1.4	1.4
Current assets	**82.2**	**90.3**	**96.9**	**98.8**	**100**
Inventories	46.1	45.3	37.4	38.2	41.3
Other current assets	0.1	1.0	1.0	1.0	1.0
Receivables	20.4	18.7	19.4	20.7	22.4
Cash and equivalents	15.5	25.3	39.1	38.9	35.5
Balance sheet total	**201**	**209**	**212**	**211**	**210**

Source: Inderes

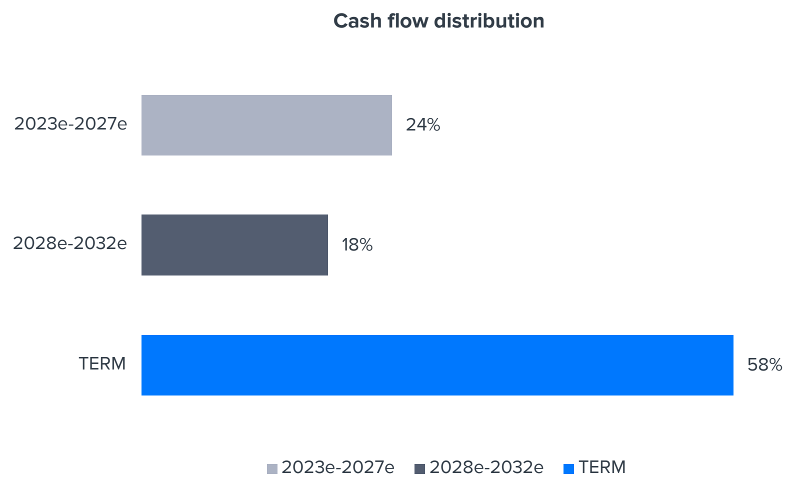
Liabilities & equity	2021	2022	2023e	2024e	2025e
Equity	**84.1**	**98.4**	**108**	**122**	**139**
Share capital	0.1	0.1	0.1	0.1	0.1
Retained earnings	47.9	63.8	73.6	87.3	104
Hybrid bonds	0.0	0.0	0.0	0.0	0.0
Revaluation reserve	0.0	0.0	0.0	0.0	0.0
Other equity	32.6	33.4	33.4	33.4	33.4
Minorities	3.6	1.1	1.1	1.1	1.1
Non-current liabilities	**84.9**	**84.6**	**82.3**	**63.3**	**43.8**
Deferred tax liabilities	2.3	1.7	1.7	1.7	1.7
Provisions	0.3	2.0	2.0	2.0	2.0
Interest bearing debt	56.4	77.3	75.0	56.0	36.5
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	25.9	3.6	3.6	3.6	3.6
Current liabilities	**32.4**	**25.8**	**21.9**	**25.8**	**27.1**
Interest bearing debt	0.0	2.6	0.0	0.0	0.0
Payables	24.6	18.7	17.9	22.3	24.1
Other current liabilities	7.7	4.5	4.0	3.5	3.0
Balance sheet total	**201**	**209**	**212**	**211**	**210**

DCF calculation

DCF model	2022	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	TERM
Revenue growth-%	-3.8 %	-13.3 %	6.6 %	8.0 %	6.4 %	5.5 %	5.0 %	4.0 %	3.5 %	3.0 %	2.5 %	2.5 %
EBIT-%	20.1 %	21.4 %	22.0 %	23.0 %	23.2 %	23.0 %	23.0 %	23.0 %	23.0 %	22.0 %	22.0 %	22.0 %
EBIT (operating profit)	**34.7**	**32.0**	**35.1**	**39.6**	**42.5**	**44.4**	**46.6**	**48.5**	**50.2**	**49.5**	**50.7**	
+ Depreciation	7.5	6.1	6.5	6.3	5.5	5.1	4.9	4.9	4.9	4.6	4.9	
- Paid taxes	-9.2	-7.0	-7.7	-8.8	-9.4	-10.0	-10.7	-11.2	-11.6	-11.4	-11.7	
- Tax, financial expenses	0.5	-0.8	-0.3	-0.3	-0.4	-0.2	0.0	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	-7.5	5.9	1.7	-3.4	-2.5	-2.3	-2.2	-1.9	-1.7	-1.5	-1.3	
Operating cash flow	**26.0**	**36.3**	**35.2**	**33.4**	**35.7**	**37.0**	**38.6**	**40.3**	**41.9**	**41.1**	**42.6**	
+ Change in other long-term liabilities	-20.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	-7.4	-3.2	-3.2	-3.7	-4.1	-4.6	-5.0	-5.4	-5.7	-6.1	-6.1	
Free operating cash flow	**-2.0**	**33.1**	**32.0**	**29.7**	**31.6**	**32.4**	**33.6**	**35.0**	**36.2**	**35.1**	**36.6**	
+/- Other	-4.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	-6.0	33.1	32.0	29.7	31.6	32.4	33.6	35.0	36.2	35.1	36.6	657
Discounted FCFF		**32.9**	**29.5**	**25.2**	**24.8**	**23.5**	**22.5**	**21.7**	**20.7**	**18.6**	**17.9**	**321**
Sum of FCFF present value		559	526	496	471	446	423	400	378	358	339	321
Enterprise value DCF		**559**										
- Interest bearing debt		-79.9										
+ Cash and cash equivalents		25.3										
-Minorities		-4.9										
-Dividend/capital return		-11.9										
Equity value DCF		**487**										
Equity value DCF per share		**26.1**										

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



Summary

Income statement	2020	2021	2022	2023e	2024e
Revenue	109.1	179.1	172.4	**149.4**	**159.3**
EBITDA	26.7	52.5	42.2	**38.2**	**41.6**
EBIT	22.4	46.6	34.7	**32.0**	**35.1**
PTP	20.3	45.2	36.8	**28.7**	**33.6**
Net Income	15.5	33.7	27.1	**21.7**	**25.9**
Extraordinary items	-2.1	-0.8	-1.8	**-0.3**	**0.0**

Balance sheet	2020	2021	2022	2023e	2024e
Balance sheet total	165.6	201.5	208.7	**212.4**	**211.0**
Equity capital	68.9	84.1	98.4	**108.1**	**121.9**
Goodwill	71.0	73.7	73.4	**73.4**	**73.4**
Net debt	29.1	40.9	54.6	**35.9**	**17.1**

Cash flow	2020	2021	2022	2023e	2024e
EBITDA	26.7	52.5	42.2	**38.2**	**41.6**
Change in working capital	2.5	-21.3	-7.5	**5.9**	**1.7**
Operating cash flow	25.8	21.1	26.0	**36.3**	**35.2**
CAPEX	-23.9	-21.9	-7.4	**-3.2**	**-3.2**
Free cash flow	14.1	9.4	-6.0	**33.1**	**32.0**

Valuation multiples	2020	2021	2022	2023e	2024e
EV/S	4.6	6.6	2.3	**3.5**	**3.1**
EV/EBITDA (adj.)	18.8	22.5	9.2	**13.5**	**11.9**
EV/EBIT (adj.)	20.5	24.9	10.6	**16.0**	**14.2**
P/E (adj.)	26.0	31.7	11.4	**21.6**	**18.4**
P/B	6.9	13.5	3.4	**4.4**	**3.9**
Dividend-%	2.1 %	1.0 %	3.6 %	**2.6 %**	**2.6 %**

Source: Inderes

Per share data	2020	2021	2022	2023e	2024e
EPS (reported)	0.83	1.81	1.45	**1.16**	**1.39**
EPS (adj.)	0.94	1.85	1.55	**1.18**	**1.39**
OCF / share	1.38	1.14	1.39	**1.94**	**1.89**
FCF / share	0.76	0.51	-0.32	**1.77**	**1.72**
Book value / share	3.56	4.33	5.21	**5.73**	**6.47**
Dividend / share	0.51	0.60	0.64	**0.65**	**0.67**

Growth and profitability	2020	2021	2022	2023e	2024e
Revenue growth-%	47%	64%	-4%	**-13%**	**7%**
EBITDA growth-%	62%	97%	-20%	**-9%**	**9%**
EBIT (adj.) growth-%	76%	94%	-23%	**-11%**	**9%**
EPS (adj.) growth-%	74%	97%	-16%	**-24%**	**18%**
EBITDA-%	24.5 %	29.3 %	24.5 %	**25.5 %**	**26.1 %**
EBIT (adj.)-%	22.4 %	26.5 %	21.2 %	**21.6 %**	**22.0 %**
EBIT-%	20.5 %	26.0 %	20.1 %	**21.4 %**	**22.0 %**
ROE-%	22.9 %	45.8 %	30.5 %	**21.2 %**	**22.7 %**
ROI-%	19.4 %	35.2 %	21.8 %	**17.7 %**	**19.5 %**
Equity ratio	41.6 %	41.8 %	47.1 %	**50.9 %**	**57.8 %**
Gearing	42.2 %	48.7 %	55.5 %	**33.2 %**	**14.0 %**

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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 €
Analyst changed			
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 €
Analyst changed			
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 €

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