

# Harvia

## Company report

2/8/2024



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✓ Inderes corporate customer

This report is a summary translation of the report “Laatua liian kalliilla” published on 2/8/2024 at 7:11 pm EET.

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# High quality, but the price is too high

Harvia's Q4 results were strong and we believe the company will meet its financial targets in the coming years. We raised our forecasts by 2-4% for 2024-25. We raise the target price to EUR 28 (was EUR 25), driven by higher short- and medium-term forecasts. However, we believe the stock is clearly overvalued (e.g. 2024 EV/EBIT close to 18x), so we lower our recommendation to Sell (was Reduce).

## Earnings showed strong growth and exceeded our expectations; forecasts raised only slightly

After a long period of decline, Harvia managed to reverse the trend and achieve revenue growth of 3% (5% organically) in Q4. As expected, this was supported by growth outside Europe, where the company's largest market, North America, accelerated to 28%. In Central Europe, revenue also started to grow and was better than expected, but in the Nordic countries, revenue declined quite markedly and was lower than expected. Overall, revenue slightly exceeded our expectations. Harvia's adjusted EBIT improved significantly (20%) to 9.5 MEUR, compared to our expectation of 8.2 MEUR. However, part of this difference is explained by the higher-than-normal level of other operating income of around 0.5 MEUR (this item is usually very low, but in Q4'23 it was 0.6 MEUR). The result was also supported by a strong material margin, which we believe is structurally underpinned by growth in North America, as well as flat/slightly declining costs and continued good pricing. Therefore, we believe that the material margin was unexpectedly high in 2023 (especially in Q2 and Q4) and expect it to decline slightly in 2024. Taking these factors into account, our forecast changes remain between 2% and 4% for 2024-25.

## 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 65% of Harvia's sales. The US sauna business also seems to be in a very strong position, at least in terms of efficiency, and thus has some competitive advantage. 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 challenging 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 22-24% as volumes grow from the current level.

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

We think that Harvia's valuation level (e.g. EV/EBIT 2024 18x, P/E 24x) is high, although we consider the company's return on capital and its ability to allocate and generate cash flow to be excellent. 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 2-3%. The company's current strong cash flow provides a cash-flow rate of some 5%. 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. Overall, however, the expected return at this valuation level remains weak, especially on a 12-month horizon.

## Recommendation

**Sell**  
(previous Reduce)

**EUR 28.00**  
(previous EUR 25.00)

**Share price:**  
32.60



## Key figures

	2023	2024e	2025e	2026e
<b>Revenue</b>	151	162	176	188
<b>growth-%</b>	-13%	7%	9%	7%
<b>EBIT adj.</b>	33.7	36.1	40.2	44.0
<b>EBIT-% adj.</b>	22.4 %	22.3 %	22.8 %	23.4 %
<b>Net Income</b>	23.3	25.7	29.8	32.5
<b>EPS (adj.)</b>	1.28	1.37	1.60	1.74
<b>P/E (adj.)</b>	19.8	23.7	20.4	18.7
<b>P/B</b>	4.4	5.0	4.4	3.9
<b>Dividend yield-%</b>	2.7 %	2.2 %	2.5 %	3.2 %
<b>EV/EBIT (adj.)</b>	15.4	17.6	15.4	13.7
<b>EV/EBITDA</b>	13.2	15.1	13.0	12.0
<b>EV/S</b>	3.4	3.9	3.5	3.2

Source: Inderes

## Guidance

(Unchanged)

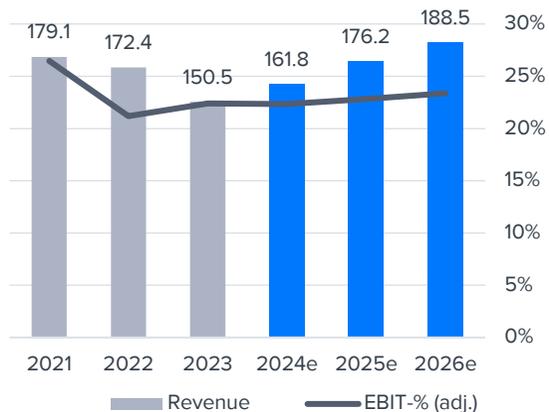
Harvia does not publish a short-term outlook. The company targets average annual revenue growth above 5% and 20% adjusted EBIT margin.

## Share price



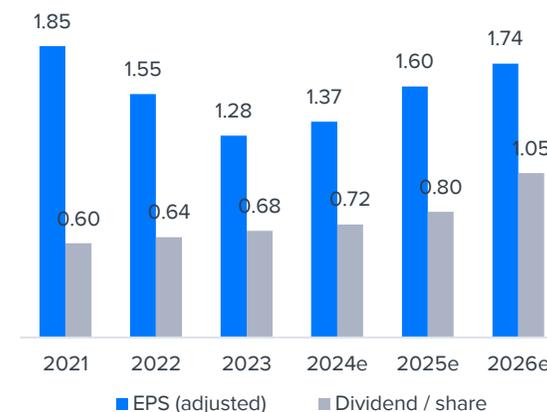
Source: Millstream Market Data AB

## 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	32.6	32.6	32.6
Number of shares, millions	18.7	18.7	18.7
Market cap	608	608	608
EV	637	620	603
P/E (adj.)	23.7	20.4	18.7
P/E	23.7	20.4	18.7
P/B	5.0	4.4	3.9
P/S	3.8	3.5	3.2
EV/Sales	3.9	3.5	3.2
EV/EBITDA	15.1	13.0	12.0
EV/EBIT (adj.)	17.6	15.4	13.7
Payout ratio (%)	52.4 %	50.0 %	60.0 %
Dividend yield-%	2.2 %	2.5 %	3.2 %

Source: Inderes

# Strong end to the year, US growth supports margins

## Revenue turned to growth and slightly beat our expectations

After a long period of decline, Harvia managed to reverse the trend and achieve revenue growth of 3% (5% organically) in Q4. As expected, this was supported by growth outside Europe, where the company's largest market, North America, accelerated to 28%. In Central Europe, revenue also started to grow and was better than expected, but in the Nordic countries, revenue declined quite markedly and was lower than expected. Overall, revenue slightly exceeded our expectations.

## Strong result, material margin high again

Harvia's adjusted EBIT improved significantly to 9.5 MEUR, compared to our expectation of 8.2 MEUR. However, part of this difference is explained by the higher-than-normal level of other operating income of

around 0.5 MEUR (this item is usually very low, but in Q4'23 it was 0.6 MEUR). Even after adjusting for this item, the result would be 9.0 MEUR.

The strong result was again supported by an excellent material margin of 63.5%. Prior to this year, the material margin has fluctuated between 55% and 62% on a quarterly basis throughout Harvia's stock market history (2018-22), but this year Q2'23 was also very high (65%), bringing the full-year level close to 63%. According to the company, this was supported by well-maintained prices, flat or even falling material costs and a growing share of North America.

This last comment is important going forward, as North America is expected to continue to drive growth and thus can support margin levels in the coming years. However, we consider the 2023 material margin to be at an exceptionally high level, which we forecast to fall slightly this year.

Exceptionally low tax levels supported EPS, which landed well above our expectations.

## Higher dividend, strong balance sheet awaits acquisitions

Harvia increased its dividend to EUR 0.68 from EUR 0.64 in the comparison period. The company's cash flow and balance sheet would allow for a larger dividend, but the company wants to prepare for possible acquisitions, which it is actively seeking.

Net debt/ EBITDA was at 0.9x, which is low and below Harvia's target range of 1.5-2.5x. However, the CEO said in our interview that the upper limit of the target is more relevant, and the balance sheet may well be stronger. We believe this makes sense given the consolidation opportunities in the sector and Harvia's good track record in acquisitions.

Estimates MEUR / EUR	Q4'22	Q4'23	Q4'23e	Q4'23e	Consensus		Difference (%)	2023e
	Comparison	Actualized	Inderes	Consensus	Low	High	Act. vs. inderes	Actualized
Revenue	38.1	39.4	38.3	36.9			3%	151
EBITDA	9.2	10.8	9.7	9.5			11%	39.3
EBIT (adj.)	8.0	9.5	8.2	-			16%	33.7
EBIT	6.6	9.2	8.2	6.4			12%	33.0
EPS (reported)	0.22	0.39	0.30	0.31			29%	
DPS	0.64	0.68	0.65	0.63			5%	0.68
Revenue growth-%	-18.0 %	3.4 %	0.6 %	-3.1 %			2.8 pp	-12.7 %
EBIT-% (adj.)	21.1 %	24.1 %	21.4 %				2.7 pp	22.4 %

Source: Inderes & Bloomberg, 4 analysts (consensus)

# Moderate changes in forecasts

## Comments on the future are typically foggy

Harvia does not provide guidance or comment on the outlook in any other way. Moreover, as our forecasts for the coming years are already in line with the company's financial targets (over 5% growth and over 20% EBIT margin), the company's comments do not provide much support for future assessment.

However, the company's CEO said that developments in early 2024 look roughly similar to the rest of the year, with growth outside Europe, a slight leveling off/recovery in Central Europe, and still difficult in the Nordic countries. However, this is a very typical comment from Harvia: for example, in its Q3 report the company did not know or did not want to anticipate the recovery of the Central European market in Q4. We understand that the company's book is only a few weeks long, so there is no

certainty for the current quarter either.

## Estimates raised a bit

Although Q4 was very strong, we raised our forecasts relatively modestly. As mentioned on the previous page, we expect the material margin to normalize and decline slightly this year, which will limit earnings growth. However, we had already expected a significant increase in revenue and a decrease in fixed costs as a percentage of revenue this year, and Q4 did not bring any reasons to make material changes. Our revenue and earnings forecasts increased by 2-3% for 2024-25.

With a higher-than-expected dividend distribution, we also raised our dividend forecasts for the coming years. As mentioned above, the balance sheet would allow significantly higher dividends. In fall, we explained our estimates in more detail in our

[extensive report](#).

Estimate revisions	2023e			2024e			2025e		
	Old	Tot.	Change %	Old	New	Change %	Old	New	Change %
MEUR / EUR									
Revenue	149	151	1%	159	162	2%	172	176	2%
EBITDA	38.2	39.3	3%	41.6	42.3	2%	45.9	47.6	4%
EBIT (exc. NRIs)	32.3	33.7	4%	35.1	36.1	3%	39.6	40.2	2%
EBIT	32.0	33.0	3%	35.1	36.1	3%	39.6	40.2	2%
EPS (excl. NRIs)	1.18	1.28	9%	1.39	1.37	-1%	1.57	1.60	2%
DPS	0.65	0.68	5%	0.67	0.72	7%	0.70	0.80	14%

Source: Inderes

# Valuation has run too high

## Valuation is high

We expect Harvia to grow significantly this year, and the company has proven its quality even during the difficult past few 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 around 18x and P/E well above 20x, which we believe are high levels. The 2025 EV/EBIT is 15x, which is still above our accepted level. 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 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 24x with 2024 earnings, which translates into an earnings return of about 4%. With the current share price and a gradually rising 50-60% payout ratio, Harvia offers a dividend yield of 2-3%. 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 cash-flow rate of approximately 5%. Combined with earnings growth in the coming years, this brings the expected return to more than 10%. Even compared to its peers, Harvia's multiples are significantly higher and Harvia is becoming almost the most highly valued stock in the group, which we believe is not justified despite the excellent quality of the company.

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 3.9x and 18x. 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, although the companies are different in many respects.

## DCF model

In our DCF model, we expect the revenue and earnings growth to slow down from 6% to 2.5% in 2026-2032 (EBIT margin of 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 570 MEUR, which means that the share capital is worth about 520 MEUR, or about EUR 28 per share.

## Reasonable expected return in the longer term

We believe that after the 2022-23 downturn, Harvia will be able to return to a revenue growth path of around 5%, or slightly more, in line with its target. 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 around 2-3%, the total return is around 8%, i.e., roughly in line with our required return. Harvia's strong cash flow means that at the projected dividend yield level, the company will have capital left over for acquisitions or future profit distribution.

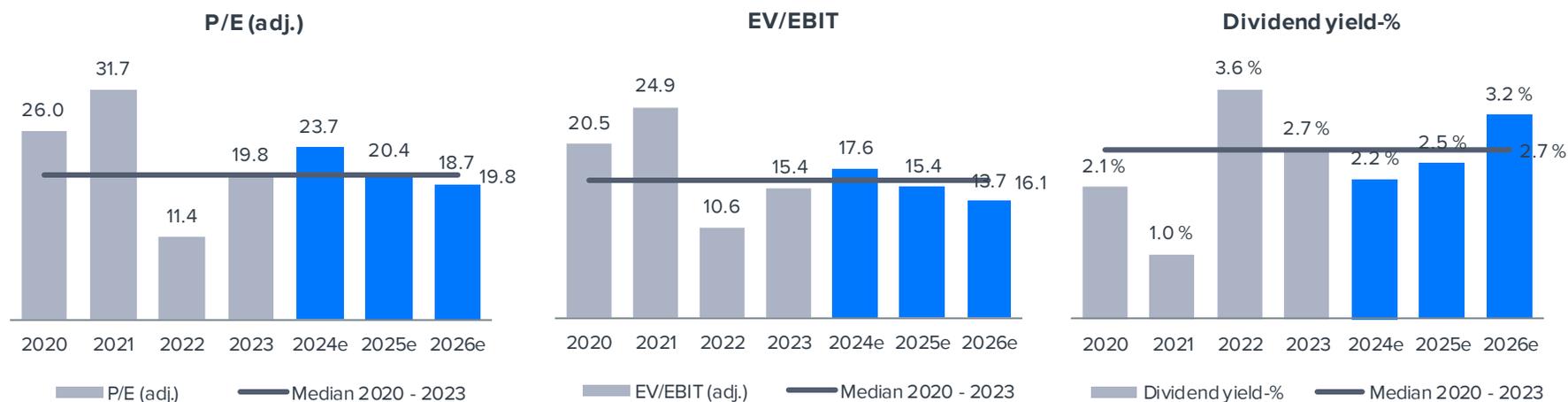
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P/E	23.7	20.4	18.7
P/B	5.0	4.4	3.9
P/S	3.8	3.5	3.2
EV/Sales	3.9	3.5	3.2
EV/EBITDA	15.1	13.0	12.0
EV/EBIT (adj.)	17.6	15.4	13.7
Payout ratio (%)	52.4 %	50.0 %	60.0 %
Dividend yield-%	2.2 %	2.5 %	3.2 %

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	32.6	32.6	32.6	32.6
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	608	608	608	608
EV	224	503	1181	388	518	637	620	603	589
P/E (adj.)	19.5	26.0	31.7	11.4	19.8	23.7	20.4	18.7	17.6
P/E	20.6	29.5	32.4	12.2	20.4	23.7	20.4	18.7	17.6
P/B	2.9	6.9	13.5	3.4	4.4	5.0	4.4	3.9	3.6
P/S	2.7	4.2	6.1	1.9	3.2	3.8	3.5	3.2	3.1
EV/Sales	3.0	4.6	6.6	2.3	3.4	3.9	3.5	3.2	3.0
EV/EBITDA	13.6	18.8	22.5	9.2	13.2	15.1	13.0	12.0	11.5
EV/EBIT (adj.)	16.1	20.5	24.9	10.6	15.4	17.6	15.4	13.7	12.9
Payout ratio (%)	74%	61%	33%	44%	55%	52%	50%	60%	60%
Dividend yield-%	3.6 %	2.1 %	1.0 %	3.6 %	2.7 %	2.2 %	2.5 %	3.2 %	3.4 %

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	2417	2576	16.5	14.1	14.3	12.5	3.0	2.8	20.9	17.7	3.7	4.4	3.6
Nobia AB	147	568	16.2	10.1	5.4	4.0	0.5	0.5	31.2	6.3	2.0	10.5	0.4
Dometic Group AB	2247	3496	11.9	10.3	8.9	7.9	1.4	1.4	14.0	11.2	2.7	3.4	0.9
Nokian Tyres plc	1236	1460	16.0	11.4	6.4	5.2	1.1	1.0	23.1	14.4	5.3	5.8	0.9
Rapala VMC Oyj	118	230	14.4	10.5	8.5	6.8	0.9	0.9	16.8	9.8	1.3	5.0	0.9
Husqvarna AB	4064	5266	12.0	10.3	7.6	6.8	1.2	1.1	14.5	11.9	4.0	4.4	1.8
Inwido AB	649	787	10.1	9.1	7.2	6.6	1.0	0.9	12.7	10.8	4.8	5.1	1.3
Nibe Industrier AB	11506	13121	21.7	19.3	17.1	15.1	3.1	2.8	27.4	23.2	1.1	1.4	3.7
Technogym SpA	1838	1765	15.1	13.2	10.5	9.5	2.0	1.9	20.8	18.0	3.1	3.5	4.6
Rockwool A/S	5757	5781	12.3	11.4	8.0	7.5	1.6	1.6	16.1	14.9	2.1	2.2	1.9
Kingspan Group PLC	14075	15661	18.2	16.7	14.5	13.4	1.9	1.8	21.3	19.4	0.7	0.8	3.1
Electrolux AB	2257	4495	17.2	8.2	5.7	4.2	0.4	0.4	12.8	7.0	0.6	7.3	1.9
De' Longhi SpA	4435	4233	11.0	10.1	8.4	7.8	1.3	1.2	15.7	14.3	2.5	2.7	2.2
Tulikivi	26	35	8.7	11.6	5.0	5.8	0.9	1.0	9.0	11.3	6.7	4.4	1.4
<b>Harvia (Inderes)</b>	<b>608</b>	<b>637</b>	<b>17.6</b>	<b>15.4</b>	<b>15.1</b>	<b>13.0</b>	<b>3.9</b>	<b>3.5</b>	<b>23.7</b>	<b>20.4</b>	<b>2.2</b>	<b>2.5</b>	<b>5.0</b>
<b>Average</b>			<b>14.4</b>	<b>11.9</b>	<b>9.1</b>	<b>8.1</b>	<b>1.4</b>	<b>1.4</b>	<b>18.3</b>	<b>13.6</b>	<b>2.9</b>	<b>4.3</b>	<b>2.0</b>
<b>Median</b>			<b>14.8</b>	<b>10.9</b>	<b>8.2</b>	<b>7.2</b>	<b>1.2</b>	<b>1.2</b>	<b>16.4</b>	<b>13.1</b>	<b>2.6</b>	<b>4.4</b>	<b>1.8</b>
<b>Diff-% to median</b>			<b>19%</b>	<b>41%</b>	<b>83%</b>	<b>82%</b>	<b>222%</b>	<b>203%</b>	<b>44%</b>	<b>56%</b>	<b>-14%</b>	<b>-44%</b>	<b>174%</b>

Source: Refinitiv / Inderes

# Income statement

Income statement	2022	Q1'23	Q2'23	Q3'23	Q4'23	2023	Q1'24e	Q2'24e	Q3'24e	Q4'24e	2024e	2025e	2026e	2027e
<b>Revenue</b>	<b>172</b>	<b>41.4</b>	<b>35.8</b>	<b>33.9</b>	<b>39.4</b>	<b>151</b>	<b>43.8</b>	<b>39.2</b>	<b>36.3</b>	<b>42.6</b>	<b>162</b>	<b>176</b>	<b>188</b>	<b>199</b>
Finland	36.4	9.7	7.8	6.5	6.3	30.2	8.7	7.8	6.7	6.6	29.7	31.2	32.2	33.9
Other Nordics	9.5	1.9	1.9	2.1	1.8	7.7	2.0	1.9	2.1	1.9	7.9	8.3	8.5	9.0
Germany	26.1	4.6	3.7	3.5	5.3	17.1	4.9	3.9	3.7	5.6	18.0	18.9	19.6	20.7
Other European countries	46.4	11.3	9.8	8.9	11.1	41.1	11.9	10.3	9.3	11.1	42.6	44.7	46.5	49.0
Russia	7.5	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
North America	36.1	11.1	10.3	9.7	12.4	43.5	13.3	12.4	11.1	14.3	51.0	58.7	65.7	69.4
Other countries	10.4	2.7	2.3	3.4	2.6	11.0	3.0	3.0	3.4	3.3	12.6	14.5	15.9	16.8
<b>EBITDA</b>	<b>42.2</b>	<b>10.8</b>	<b>9.3</b>	<b>8.3</b>	<b>10.9</b>	<b>39.3</b>	<b>11.9</b>	<b>10.1</b>	<b>9.0</b>	<b>11.4</b>	<b>42.3</b>	<b>47.6</b>	<b>50.3</b>	<b>51.4</b>
Depreciation	-7.5	-1.6	-1.5	-1.5	-1.7	-6.3	-1.6	-1.6	-1.6	-1.6	-6.2	-7.3	-6.3	-5.6
<b>EBIT (excl. NRI)</b>	<b>36.5</b>	<b>9.3</b>	<b>8.0</b>	<b>6.8</b>	<b>9.6</b>	<b>33.7</b>	<b>10.4</b>	<b>8.5</b>	<b>7.4</b>	<b>9.8</b>	<b>36.1</b>	<b>40.2</b>	<b>44.0</b>	<b>45.7</b>
<b>EBIT</b>	<b>34.7</b>	<b>9.2</b>	<b>7.8</b>	<b>6.8</b>	<b>9.2</b>	<b>33.0</b>	<b>10.4</b>	<b>8.5</b>	<b>7.4</b>	<b>9.8</b>	<b>36.1</b>	<b>40.2</b>	<b>44.0</b>	<b>45.7</b>
Net financial items	2.1	-0.9	-0.9	-0.7	-1.0	-3.5	-0.7	-0.7	-0.7	-0.7	-2.8	-1.5	-1.8	-0.9
<b>PTP</b>	<b>36.8</b>	<b>8.3</b>	<b>6.9</b>	<b>6.1</b>	<b>8.2</b>	<b>29.5</b>	<b>9.7</b>	<b>7.8</b>	<b>6.7</b>	<b>9.1</b>	<b>33.3</b>	<b>38.8</b>	<b>42.3</b>	<b>44.9</b>
Taxes	-8.7	-2.0	-1.7	-1.6	-1.0	-6.3	-2.2	-1.8	-1.5	-2.1	-7.7	-8.9	-9.7	-10.3
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
<b>Net earnings</b>	<b>27.1</b>	<b>6.3</b>	<b>5.3</b>	<b>4.5</b>	<b>7.2</b>	<b>23.3</b>	<b>7.4</b>	<b>6.0</b>	<b>5.2</b>	<b>7.0</b>	<b>25.7</b>	<b>29.8</b>	<b>32.5</b>	<b>34.5</b>
<b>EPS (adj.)</b>	<b>1.55</b>	<b>0.34</b>	<b>0.29</b>	<b>0.24</b>	<b>0.41</b>	<b>1.28</b>	<b>0.40</b>	<b>0.32</b>	<b>0.28</b>	<b>0.38</b>	<b>1.37</b>	<b>1.60</b>	<b>1.74</b>	<b>1.85</b>
<b>EPS (rep.)</b>	<b>1.45</b>	<b>0.34</b>	<b>0.28</b>	<b>0.24</b>	<b>0.39</b>	<b>1.25</b>	<b>0.40</b>	<b>0.32</b>	<b>0.28</b>	<b>0.38</b>	<b>1.37</b>	<b>1.60</b>	<b>1.74</b>	<b>1.85</b>

Key figures	2022	Q1'23	Q2'23	Q3'23	Q4'23	2023	Q1'24e	Q2'24e	Q3'24e	Q4'24e	2024e	2025e	2026e	2027e
<b>Revenue growth-%</b>	-3.8 %	-18.6 %	-22.2 %	-9.3 %	3.4 %	-12.7 %	5.8 %	9.4 %	6.8 %	8.1 %	7.5 %	8.9 %	6.9 %	5.5 %
<b>Adjusted EBIT growth-%</b>	-23.1 %	-22.9 %	-7.5 %	-12.0 %	19.5 %	-7.6 %	11.2 %	7.0 %	8.5 %	2.3 %	7.1 %	11.3 %	9.5 %	3.8 %
<b>EBITDA-%</b>	24.5 %	26.0 %	26.0 %	24.5 %	27.5 %	26.1 %	27.2 %	25.7 %	24.7 %	26.7 %	26.2 %	27.0 %	26.7 %	25.8 %
<b>Adjusted EBIT-%</b>	21.2 %	22.5 %	22.2 %	20.1 %	24.4 %	22.4 %	23.7 %	21.8 %	20.5 %	23.1 %	22.3 %	22.8 %	23.4 %	23.0 %
<b>Net earnings-%</b>	15.7 %	15.3 %	14.7 %	13.2 %	18.3 %	15.5 %	17.0 %	15.4 %	14.3 %	16.5 %	15.9 %	16.9 %	17.3 %	17.4 %

Source: Inderes

# Balance sheet

Assets	2022	2023	2024e	2025e	2026e
<b>Non-current assets</b>	<b>118</b>	<b>115</b>	<b>112</b>	<b>108</b>	<b>106</b>
Goodwill	73.4	73.4	73.4	73.4	73.4
Intangible assets	10.5	8.7	8.9	9.1	9.3
Tangible assets	29.2	29.4	26.2	22.4	20.2
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
<b>Current assets</b>	<b>90.3</b>	<b>99.4</b>	<b>97.2</b>	<b>99.2</b>	<b>121</b>
Inventories	45.3	35.5	38.8	42.3	45.2
Other current assets	1.0	4.6	4.6	4.6	4.6
Receivables	18.7	18.7	21.0	22.9	24.5
Cash and equivalents	25.3	40.6	32.7	29.4	46.2
<b>Balance sheet total</b>	<b>209</b>	<b>214</b>	<b>209</b>	<b>207</b>	<b>227</b>

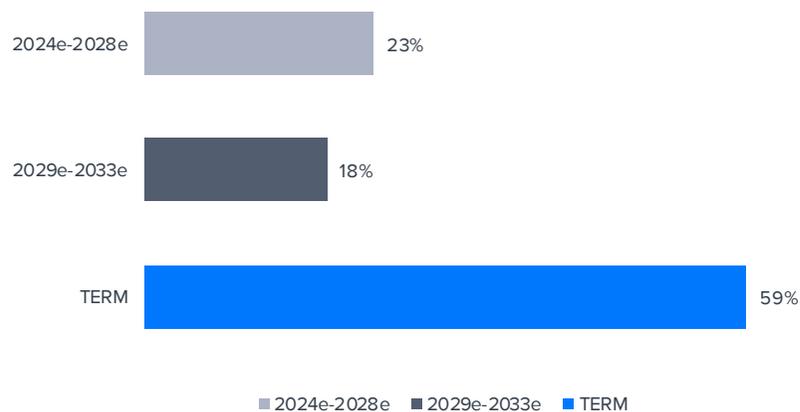
Source: Inderes

Liabilities & equity	2022	2023	2024e	2025e	2026e
<b>Equity</b>	<b>98.4</b>	<b>109</b>	<b>122</b>	<b>138</b>	<b>156</b>
Share capital	0.1	0.1	0.1	0.1	0.1
Retained earnings	63.8	75.1	88.1	104	122
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
<b>Non-current liabilities</b>	<b>84.6</b>	<b>80.8</b>	<b>59.4</b>	<b>39.9</b>	<b>39.9</b>
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	56.0	36.5	36.5
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
<b>Current liabilities</b>	<b>25.8</b>	<b>24.7</b>	<b>28.0</b>	<b>29.5</b>	<b>31.2</b>
Interest bearing debt	2.6	0.8	0.0	0.0	0.0
Payables	18.7	18.0	22.7	24.7	26.4
Other current liabilities	4.5	5.9	5.4	4.9	4.9
<b>Balance sheet total</b>	<b>209</b>	<b>214</b>	<b>209</b>	<b>207</b>	<b>227</b>

# DCF calculation

DCF model	2023	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	TERM
Revenue growth-%	-12.7 %	7.5 %	8.9 %	6.9 %	5.5 %	5.0 %	5.0 %	5.0 %	5.0 %	5.0 %	2.5 %	2.5 %
EBIT-%	21.9 %	22.3 %	22.8 %	23.4 %	23.0 %	23.0 %	23.0 %	23.0 %	23.0 %	22.0 %	22.0 %	22.0 %
<b>EBIT (operating profit)</b>	<b>33.0</b>	<b>36.1</b>	<b>40.2</b>	<b>44.0</b>	<b>45.7</b>	<b>48.0</b>	<b>50.4</b>	<b>52.9</b>	<b>55.6</b>	<b>55.8</b>	<b>57.2</b>	
+ Depreciation	6.3	6.2	7.3	6.3	5.6	5.3	5.2	5.3	4.9	5.3	5.8	
- Paid taxes	-6.4	-7.7	-8.9	-9.7	-10.3	-11.1	-11.6	-12.2	-12.8	-12.9	-13.2	
- Tax, financial expenses	-0.7	-0.7	-0.3	-0.4	-0.2	0.0	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	6.9	-1.6	-3.8	-2.8	-2.4	-2.3	-2.4	-2.5	-2.6	-2.8	-1.5	
<b>Operating cash flow</b>	<b>39.1</b>	<b>32.5</b>	<b>34.5</b>	<b>37.4</b>	<b>38.5</b>	<b>40.0</b>	<b>41.6</b>	<b>43.5</b>	<b>45.0</b>	<b>45.5</b>	<b>48.4</b>	
+ 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	-3.2	-3.7	-4.2	-4.7	-5.1	-5.6	-6.1	-6.7	-7.4	-7.4	
<b>Free operating cash flow</b>	<b>32.5</b>	<b>29.3</b>	<b>30.7</b>	<b>33.2</b>	<b>33.8</b>	<b>34.9</b>	<b>36.0</b>	<b>37.4</b>	<b>38.3</b>	<b>38.1</b>	<b>41.0</b>	
+/- 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	29.3	30.7	33.2	33.8	34.9	36.0	37.4	38.3	38.1	41.0	736
<b>Discounted FCFF</b>		<b>27.4</b>	<b>26.6</b>	<b>26.5</b>	<b>25.0</b>	<b>23.8</b>	<b>22.7</b>	<b>21.8</b>	<b>20.6</b>	<b>19.0</b>	<b>18.9</b>	<b>339</b>
Sum of FCFF present value		571	544	517	491	466	442	419	397	377	358	339
<b>Enterprise value DCF</b>		<b>571</b>										
- Interest bearing debt		-78.2										
+ Cash and cash equivalents		40.6										
-Minorities		-5.6										
-Dividend/capital return		0.0										
<b>Equity value DCF</b>		<b>528</b>										
<b>Equity value DCF per share</b>		<b>28.3</b>										

Cash flow distribution

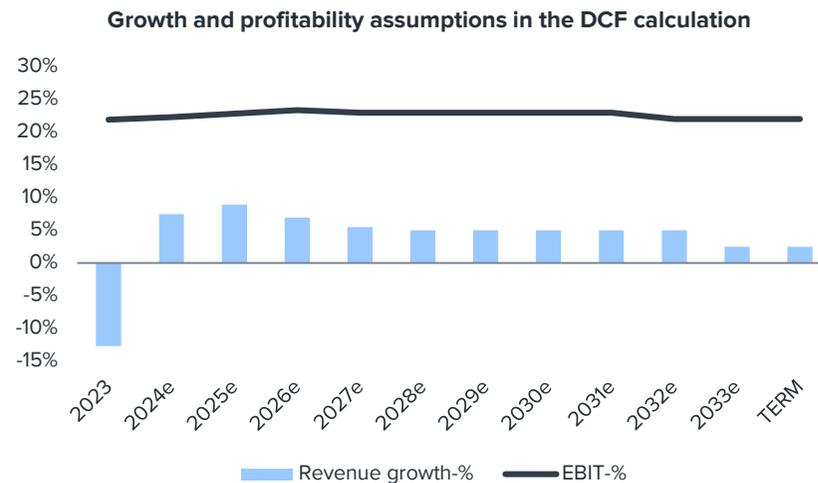
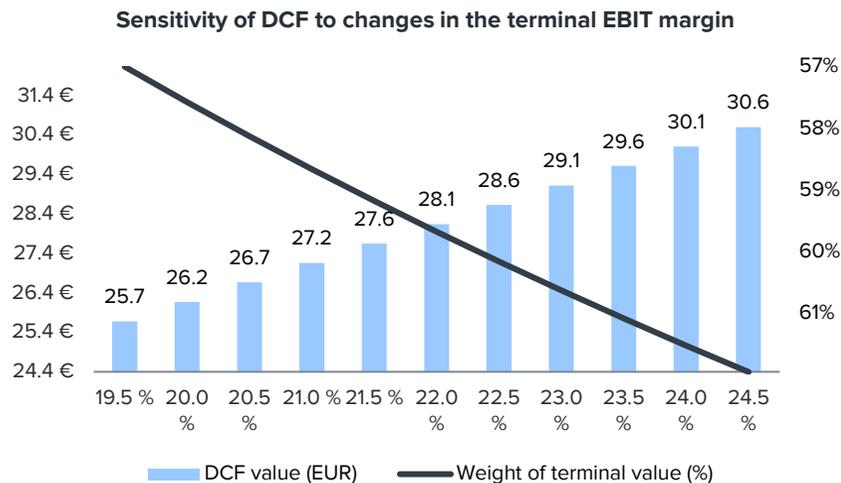
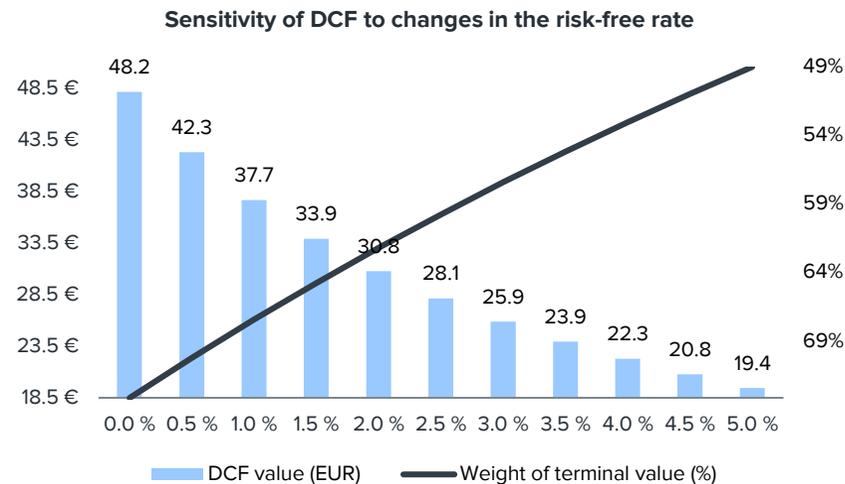
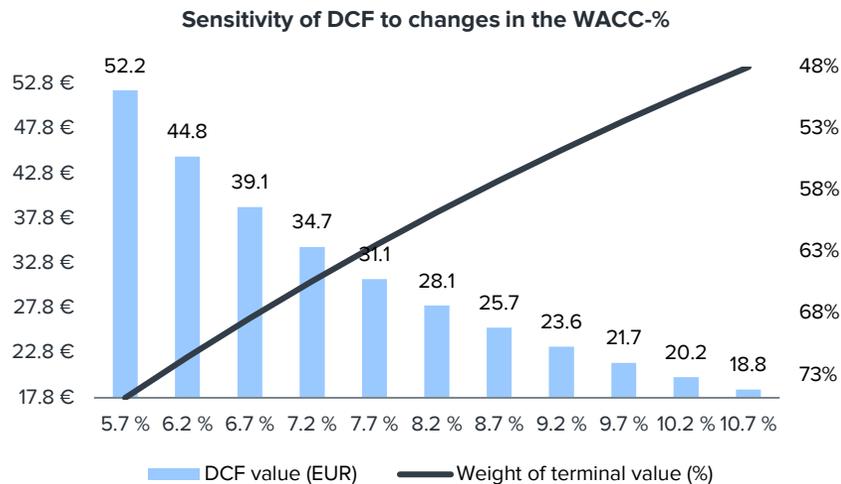


## WACC

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 %
<b>Cost of equity</b>	<b>8.7 %</b>
<b>Weighted average cost of capital (WACC)</b>	<b>8.2 %</b>

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	161.8	176.2	EPS (reported)	1.81	1.45	1.25	1.37	1.60
EBITDA	52.5	42.2	39.3	42.3	47.6	EPS (adj.)	1.85	1.55	1.28	1.37	1.60
EBIT	46.6	34.7	33.0	36.1	40.2	OCF / share	1.14	1.39	2.09	1.74	1.85
PTP	45.2	36.8	29.5	33.3	38.8	FCF / share	0.51	-0.32	1.74	1.57	1.65
Net Income	33.7	27.1	23.3	25.7	29.8	Book value / share	4.33	5.21	5.76	6.46	7.34
Extraordinary items	-0.8	-1.8	-0.7	0.0	0.0	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	209.1	207.5	Revenue growth-%	64%	-4%	-13%	7%	9%
Equity capital	84.1	98.4	108.7	121.7	138.1	EBITDA growth-%	97%	-20%	-7%	8%	12%
Goodwill	73.7	73.4	73.4	73.4	73.4	EBIT (adj.) growth-%	94%	-23%	-8%	7%	11%
Net debt	40.9	54.6	37.6	23.3	7.1	EPS (adj.) growth-%	97%	-16%	-17%	7%	16%
Cash flow	2021	2022	2023	2024e	2025e	EBITDA-%	29.3 %	24.5 %	26.1 %	26.2 %	27.0 %
EBITDA	52.5	42.2	39.3	42.3	47.6	EBIT (adj.)-%	26.5 %	21.2 %	22.4 %	22.3 %	22.8 %
Change in working capital	-21.3	-7.5	6.9	-1.6	-3.8	EBIT-%	26.0 %	20.1 %	21.9 %	22.3 %	22.8 %
Operating cash flow	21.1	26.0	39.1	32.5	34.5	ROE-%	45.8 %	30.5 %	22.7 %	22.5 %	23.2 %
CAPEX	-21.9	-7.4	-3.2	-3.2	-3.7	ROI-%	35.2 %	21.8 %	18.1 %	19.8 %	22.9 %
Free cash flow	9.4	-6.0	32.5	29.3	30.7	Equity ratio	41.8 %	47.1 %	50.7 %	58.2 %	66.5 %
						Gearing	48.7 %	55.5 %	34.6 %	19.2 %	5.2 %
Valuation multiples	2021	2022	2023	2024e	2025e						
EV/S	6.6	2.3	3.4	3.9	3.5						
EV/EBITDA (adj.)	22.5	9.2	13.2	15.1	13.0						
EV/EBIT (adj.)	24.9	10.6	15.4	17.6	15.4						
P/E (adj.)	31.7	11.4	19.8	23.7	20.4						
P/B	13.5	3.4	4.4	5.0	4.4						
Dividend-%	1.0 %	3.6 %	2.7 %	2.2 %	2.5 %						

Source: Inderes

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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 €
12/9/2024	Sell	28.00 €	32.60 €



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