

Flügger Group

Flügger

Market: OMXC Mid Cap

Ticker: FLUG B

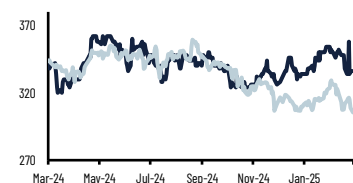
Share price (DKK): 336

Market cap (DKK): 1.0bn

Net debt (DKK): 589m

Enterprise value (DKK): 1.6bn

Share information



Ytd: 1.2% 1 year: -2.9%
1 month: -5.1% 3 year: -33.6%

Note: We apply the closing price from 21 March 2024.
Index rebased to 22 March 2024. Source: S&P Capital IQ

Financials

(DKKm)	2022/23	2023/24	2024/25E*
Revenue	2,130	2,208	2,200-2,400
Revenue growth	-5.4%	3.7%	0% to 9%
EBITDA	145.5	237.5	N/A
EBITDA margin	6.8%	10.8%	N/A%
Adj. EBIT	-7.6	68.0	85-95
EBIT margin	-0.4%	3.1%	3.5 - 4.3%
Net income	-8.6	25.2	N/A
Net income margin	-0.4%	1.1%	N/A

Note: *Flügger's own guidance for 2024/25; Historical financials have been adjusted for continuing operations following the sale of Eskaro ex. Ukraine. Adj. EBIT guidance previously DKK 75-95m

Valuation multiples

	2022/23	2023/24	2024/25E*
P/S (x)	0.5	0.5	0.4
EV/Sales (x)	0.9	0.8	0.7
EV/EBITDA (x)	12.7	7.6	N/A
EV/EBIT (x)	N/A	26.4	17.4
P/E (x)	N/A	43.2	N/A
P/B (x)	0.8	1.3	N/A
P/CF (x)	12.1	5.6	N/A

Note: Multiples for 2022/23 and 2023/24 are based on historical numbers and S&P Capital IQ. *Multiples in 2024/25 are based on mid-point guidance

Company description

Flügger is a Danish-based developer, producer, marketer, and seller of decorative paint, wood stains, filler, and tools, selling to professional painters, private customers, and builder's merchants. Flügger has three operational segments Nordics, International, and Partnerships. Nordics: the largest segment including all Nordic activities. International: wholly owned operations in Poland and other export activities. Partnerships: The activities from majority owned Unicell (Poland) and Eskaro (Ukraine).

Investment case

Flügger has emerged from a turbulent period of high cyclicality and a Russia-Ukraine war-affected acquisition of Eskaro (2021). The divestment of Eskaro activities outside of Ukraine (home to the primary factory), has improved Flügger's balance sheet and returned focus to core markets. The enhanced focus is reflected in FY2024/25 guidance for 0-9% revenue growth as Flügger sees growth opportunity amid still challenged, but improving markets.

A stronger revenue growth in 2024/25 may drive margin expansion, supported by the operating leverage which results from a relatively fixed cost structure relating to production facilities. As such revenue growth can have a larger impact on EBIT growth, as seen during Covid-19, with evidence of a positive impact YTD as price increases and stabilizing production costs allowed a narrowing of EBIT guidance to the top-end in connection with the H1 2024/25 results. Medium-term the "Flügger Organic" 2024-27 strategy aims to drive organic growth by growing market share alongside general market improvements, particularly in the Nordics, and continued expansion in Poland, Ukraine, and Lithuania. Longer term Eastern European markets have attractive growth potential as rising incomes per capita increase premium preferences, while large European fiscal packages may also support market improvements.

Flügger trades below its peers on EV/EBITDA but above on EV/EBIT multiples. Improving margins may see valuation improve, however, a greatly smaller size and lower margins will justify some discount.

Key investment reasons

Structural factors such as income per capita and population growth support long-term growth in Poland and Ukraine, which complements more stable Nordics growth. Larger fiscal spending across markets may accelerate a rebound from a cyclical low point, which early signs suggest is underway. Market share gains in the Nordics may also support revenue growth.

The new "Flügger Organic" 2024-27 strategy focused on organic growth in core markets, gives a foundation for stable growth and margin expansion as utilization improves with a positive impact on absolute earnings per share.

Flügger's strengthen its financial position following its divestment of Eskaro (non-Ukraine), reducing gearing (NIBD/EBITDA) to 2.1x. Improving cash flow, elevated by earnings and working capital improvements can support ongoing dividends with DKK 5/share declared in connection with the FY2023/24 results.

Key investment risks

Flügger faces continued macroeconomic challenges with lingering economic weakness in Europe and the Nordics. Flügger's premium nature may reduce its cyclicality relative to other brands; however, sales trends somewhat depend on wider macroeconomic and housing/building market conditions.

Flügger has a high market penetration in the Nordics which may make it challenging to outpace broader market growth in the region. Additionally, Ukraine, a growth market, faces heightened war-related uncertainty, despite growing around 40% 2023/24 y/y.

Flügger has historically had narrow EBIT margins, also relative to peers. The business has a degree of operating leverage which can create margin sensitivity. Margins were positively affected during the Covid-19 pandemic, however, there is reduced flexibility to reduce costs in weaker markets.

Peer group

Company	Price (local)	Total return YTD	Market cap (EURm)	EV (EURm)	EV/Sales FY2024	EV/Sales FY2025E	EV/EBITDA FY2024	EV/EBITDA FY2025E	EV/EBIT FY2024	EV/EBIT FY2025E	EBIT margin 3-yr avg	EBIT margin LTM
Akzo Nobel N.V.	EUR 59.5	3%	10,155	14,298	1.3	1.3	9.9	9.1	13.4	12.0	9.2%	8.8%
PPG Industries, Inc.	USD 113	-5%	23,733	28,487	1.9	2.0	10.7	10.7	14.4	12.5	12.7%	14.2%
The Sherwin-Williams Company	USD 342.7	1%	79,774	90,780	4.1	3.9	20.6	18.8	23.0	20.7	16.3%	16.3%
Median		-1.9%	51,753	59,633	3.0	3.0	15.6	14.7	18.7	16.6	14.5%	15.3%
					2023/24	2024/25E	2023/24	2024/25E	2023/24	2024/25E		
Flügger group A/S	DKK 336	1.2%	134.5	215.4	0.8	0.7	7.6	N/A	26.4	17.4	6.8%	4.7%

Note: Data from 24/03/2025. *Estimates calculated by HC Andersen Capital using Flügger's latest guidance as a midpoint where possible. No adjustments have been made for Flügger's skewed reporting season, from 1 May - 30 April. Other estimates are from consensus analysts from S&P Capital IQ. EV calculation includes listed and non-listed shares. Source: HC Andersen Capital and S&P Capital IQ.

Estimates and assumptions: Some of the data in the peer group has not been calculated by HC Andersen Capital but is instead consensus analyst estimates from S&P Capital IQ. HC Andersen Capital assumes no responsibility for the correctness of the numbers in the peer group; however, considers S&P Capital IQ a credible source of information.

Selected peers overview:

PPG Industries Inc: manufactures and distributes a broad range of paints, coatings and speciality materials. PPG was incorporated in Pennsylvania in 1883. Headquartered in Pittsburgh, USA, PPG employs over. 45,000 people globally and has operations in more than 70 countries.

Akzo Nobel: is a Dutch multinational company that creates paints and performance coatings for both industry and consumers worldwide. Headquartered in Amsterdam, the company has activities in more than 80 countries and employs over 30,000 people.

The Sherwin-Williams Company: The Sherwin-Williams Company is a global leader in the manufacture, development, distribution, and sale of paint, coatings, and related products. Headquartered in Ohio, USA, the company employs over. 60,000 people globally, the majority of which are in the USA and has distribution capabilities to over 40 countries. The Sherwin-Williams Company is not a direct competitor to Flügger because it only sells its industrial coatings products in Europe, and not its consumer products.