

# Singulus Technologies AG

Technology - Germany



**Hold** (old: Hold)

16.05.2024

**EUR 1.60** (old: EUR 1.60)

## Good start into 2024 and strong order intake; chg. est.

**Topic:** Singulus reported solid Q1 figures with sales and EBIT above our estimates. Order intake came in strong as already announced on the FY23 CC in April.

**Q1 sales increased 26% yoy** to € 20.6m (eNuW: € 18.6m), despite a low order backlog of € 55m end of FY23. **Q1 EBIT stood at € 0.6m** (eNuW: € -1.3m), up from last year's Q1 (€ -0.9m). Growth was particularly driven by the Solar (+24%) and Life Science (+50%) segments. Life Science recovered from a low level in FY23 which was affected by a challenging macro environment and is gaining traction again. For instance, the MEDLINE production system from Singulus for the processing of contact lenses is steadily gaining acceptance in the market (company news May 14). In FY24e, Solar should again be the most important segment (eNuW: € 50m; + 28% yoy) thanks to CdTe follow-up orders from CNBM as well as potential orders from Enel as they start their new project in the US.

**Order intake improved significantly to € 33.2m**, a 136% increase yoy due to the strong demand in the semiconductor segment. Furthermore, management expects the order intake to stay at a similar high level for the second quarter.

**Successful refinancing:** The € 10m loan from Bank of Shanghai which expired on May 9, 2024 was successfully refinanced at the end of April with comparable conditions and a term of 12 months. In addition, Singulus is discussing another € 10m loan from Bank of Shanghai to finance the currently increasing working capital and repayment of debt tranches maturing in FY24e.

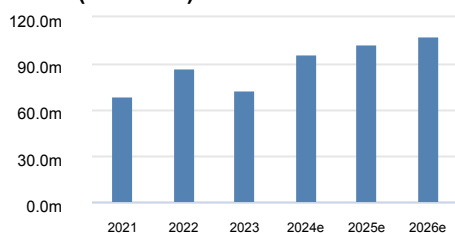
**Guidance confirmed:** Management confirmed its guidance of € 120-130m sales and EBIT in the low double-digit million range. However, despite the strong order intake of € 33.2m in Q1, the outlook appears ambitious given the difficult macro environment and the challenging situation of the solar industry in Europe due to low-cost solar modules from China. That said, **Singulus is on a good way to reach operating breakeven this year** (eNuW: sales € 97m; EBIT € 0.2m) after five years of negative EBIT (adjusted for the extraordinary income of € 12.1m in FY22 from a property sale).

Singulus midterm prospects remain intact with the potential of larger orders from CNBM for CdTe thin-film modules and a fast-growing µLED and hydrogen business. Yet, as this is already reflected in the current valuation, in our view, we **reiterate HOLD with an unchanged PT of € 1.60 based on DCF**.

Y/E 31.12 (EUR m)	2021	2022	2023	2024e	2025e	2026e
Sales	68.7	87.8	72.5	97.0	102.8	108.0
Sales growth	132.9%	27.8%	-17.4%	33.8%	6.0%	5.0%
EBITDA	-8.6	9.4	-7.4	3.2	4.5	5.0
Net debt (if net cash=0)	1.3	3.3	32.8	42.2	46.8	50.4
FCF	23.2	-24.7	-28.3	-6.4	-1.6	-0.6
Net Debt/EBITDA	-0.2	0.4	-4.4	13.4	10.3	10.2
EPS pro forma	-1.60	-0.01	-1.10	-0.25	-0.09	-0.02
EBITDA margin	-12.5%	10.7%	-10.2%	3.3%	4.4%	4.6%
ROCE	-45.9%	31.3%	-97.1%	0.9%	7.7%	9.5%
EV/sales	0.5	0.3	0.8	0.7	0.7	0.7
EV/EBITDA	-3.8	3.2	-8.2	22.4	16.7	16.1
PER	-1.1	-155.7	-1.6	-6.9	-20.5	-113.7
Adjusted FCF yield	-58.8%	5.5%	-13.3%	0.2%	2.2%	3.1%

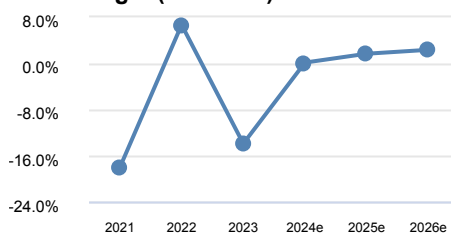
Source: Company data, NuWays, Close price as of 10.05.2024

### Sales (2021-26e)



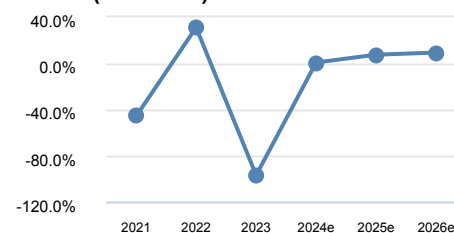
Source: NuWays Research

### EBIT margin (2021-26e)



Source: NuWays Research

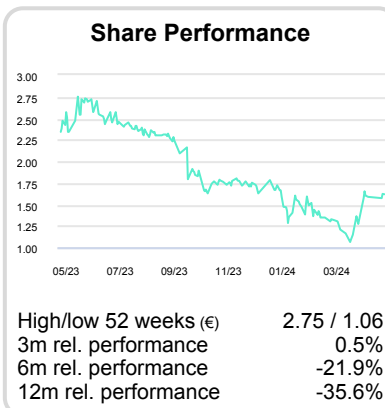
### ROCE (2021-26e)



Source: NuWays Research

### Company description

SINGULUS TECHNOLOGIES develops and manufactures innovative machines and systems for production processes in thin-film technology and surface treatment in the photovoltaic, semiconductor, medical technology, packaging, glass and automotive, battery and hydrogen markets.



### Market data

Share price (in €)	1.61
Market cap (in € m)	15.6
Number of shares (in m pcs)	8.9
Enterprise value (in € m)	70.6
Ø trading volume (6 months)	7,500

### Identifier

Bloomberg	SNG GR
Reuters	SNGG
WKN	A1681X
ISIN	DE000A1681X5

### Key shareholders

Triumph Group	16.8%
Universal	9.8%
Clemens Jakopitsch	6.2%
Free Float	67.3%

### Estimates changes

	2024e	2025e	2026e
Sales	0%	0%	0%
EBIT	146%	145%	27%
EPS	18%	57%	80%

### Comment on changes

- We adjusted our estimates for gross profit margin due to a more profitable product mix.

### Guidance

- 2024 sales: € 120-130m
- 2024 EBIT: low double-digit € m

## Financials

Profit and loss (EUR m)	2021	2022	2023	2024e	2025e	2026e
<b>Sales</b>	<b>68.7</b>	<b>87.8</b>	<b>72.5</b>	<b>97.0</b>	<b>102.8</b>	<b>108.0</b>
Sales growth	132.9%	27.8%	-17.4%	33.8%	6.0%	5.0%
Cost of sales	50.6	62.6	56.3	69.4	73.0	76.7
<b>Gross profit</b>	<b>18.1</b>	<b>25.2</b>	<b>16.2</b>	<b>27.6</b>	<b>29.8</b>	<b>31.3</b>
Sales and marketing	11.0	11.7	10.9	12.3	12.7	13.0
General and administration	11.2	10.5	8.9	9.1	9.3	9.6
Research and development	8.1	7.1	6.9	6.8	6.8	7.0
Other operating income	0.5	13.2	1.0	1.5	1.5	1.6
Other operating expenses	0.7	3.2	0.6	0.7	0.8	0.8
<b>Total operating expenses</b>	<b>30.5</b>	<b>19.3</b>	<b>26.3</b>	<b>27.5</b>	<b>28.1</b>	<b>28.7</b>
Unusual or infrequent items	0.0	0.0	0.0	0.0	0.0	0.0
<b>EBITDA</b>	<b>-8.6</b>	<b>9.4</b>	<b>-7.4</b>	<b>3.2</b>	<b>4.5</b>	<b>5.0</b>
Depreciation	3.8	1.8	1.2	1.8	1.6	1.4
Amortisation of goodwill	0.0	0.0	0.0	0.0	0.0	0.0
Amortisation of intangible assets	0.0	1.7	1.5	1.2	1.2	1.0
Impairment charges	0.0	0.0	0.0	0.0	0.0	0.0
<b>EBIT (inc revaluation net)</b>	<b>-12.4</b>	<b>5.9</b>	<b>-10.1</b>	<b>0.2</b>	<b>1.7</b>	<b>2.6</b>
Interest income	0.9	0.0	0.7	0.0	0.0	0.0
Interest expenses	1.7	2.0	2.1	2.4	2.5	2.7
Investment income	0.0	0.0	0.0	0.0	0.0	0.0
Financial result	-0.8	-2.0	-1.4	-2.4	-2.5	-2.7
<b>Recurring pretax income from continuing operations</b>	<b>-13.2</b>	<b>3.9</b>	<b>-11.5</b>	<b>-2.2</b>	<b>-0.8</b>	<b>-0.1</b>
Extraordinary income/loss	0.0	0.0	0.0	0.0	0.0	0.0
<b>Earnings before taxes</b>	<b>-13.2</b>	<b>3.9</b>	<b>-11.5</b>	<b>-2.2</b>	<b>-0.8</b>	<b>-0.1</b>
Income tax expense	1.0	4.0	-1.7	0.0	0.0	0.0
<b>Net income from continuing operations</b>	<b>-14.2</b>	<b>-0.1</b>	<b>-9.8</b>	<b>-2.2</b>	<b>-0.8</b>	<b>-0.1</b>
Income from discontinued operations (net of tax)	0.0	0.0	0.0	0.0	0.0	0.0
<b>Net income</b>	<b>-14.2</b>	<b>-0.1</b>	<b>-9.8</b>	<b>-2.2</b>	<b>-0.8</b>	<b>-0.1</b>
Minority interest	0.0	0.0	0.0	0.0	0.0	0.0
<b>Net profit (reported)</b>	<b>-14.2</b>	<b>-0.1</b>	<b>-9.8</b>	<b>-2.2</b>	<b>-0.8</b>	<b>-0.1</b>
Average number of shares	8.9	8.9	8.9	8.9	8.9	8.9
<b>EPS reported</b>	<b>-1.60</b>	<b>-0.01</b>	<b>-1.10</b>	<b>-0.25</b>	<b>-0.09</b>	<b>-0.02</b>

Profit and loss (common size)	2021	2022	2023	2024e	2025e	2026e
<b>Sales</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
Cost of sales	73.7%	71.3%	77.7%	71.5%	71.0%	71.0%
<b>Gross profit</b>	<b>26.3%</b>	<b>28.7%</b>	<b>22.3%</b>	<b>28.5%</b>	<b>29.0%</b>	<b>29.0%</b>
Sales and marketing	16.0%	13.3%	15.0%	12.7%	12.4%	12.0%
General and administration	16.3%	12.0%	12.3%	9.4%	9.0%	8.9%
Research and development	11.8%	8.1%	9.5%	7.0%	6.6%	6.5%
Other operating income	0.7%	15.0%	1.4%	1.5%	1.5%	1.5%
Other operating expenses	1.0%	3.6%	0.8%	0.7%	0.8%	0.7%
<b>Total operating expenses</b>	<b>44.4%</b>	<b>22.0%</b>	<b>36.3%</b>	<b>28.3%</b>	<b>27.3%</b>	<b>26.6%</b>
Unusual or infrequent items	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>EBITDA</b>	<b>-12.5%</b>	<b>10.7%</b>	<b>-10.2%</b>	<b>3.3%</b>	<b>4.4%</b>	<b>4.6%</b>
Depreciation	5.5%	2.1%	1.7%	1.9%	1.6%	1.3%
Amortisation of goodwill	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Amortisation of intangible assets	0.0%	1.9%	2.1%	1.2%	1.2%	0.9%
Impairment charges	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>EBIT (inc revaluation net)</b>	<b>-18.0%</b>	<b>6.7%</b>	<b>-13.9%</b>	<b>0.2%</b>	<b>1.7%</b>	<b>2.4%</b>
Interest income	1.3%	0.0%	1.0%	0.0%	0.0%	0.0%
Interest expenses	2.5%	2.3%	2.9%	2.5%	2.4%	2.5%
Investment income	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Financial result	neg.	neg.	neg.	neg.	neg.	neg.
<b>Recurring pretax income from continuing operations</b>	<b>-19.2%</b>	<b>4.4%</b>	<b>-15.9%</b>	<b>-2.3%</b>	<b>-0.7%</b>	<b>-0.1%</b>
Extraordinary income/loss	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Earnings before taxes</b>	<b>-19.2%</b>	<b>4.4%</b>	<b>-15.9%</b>	<b>-2.3%</b>	<b>-0.7%</b>	<b>-0.1%</b>
Tax rate	-7.6%	102.6%	0.0%	0.0%	0.0%	0.0%
<b>Net income from continuing operations</b>	<b>-20.7%</b>	<b>-0.1%</b>	<b>-13.5%</b>	<b>-2.3%</b>	<b>-0.7%</b>	<b>-0.1%</b>
<b>Net income</b>	<b>-20.7%</b>	<b>-0.1%</b>	<b>-13.5%</b>	<b>-2.3%</b>	<b>-0.7%</b>	<b>-0.1%</b>
Minority interest	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Net profit (reported)</b>	<b>-20.7%</b>	<b>-0.1%</b>	<b>-13.5%</b>	<b>-2.3%</b>	<b>-0.7%</b>	<b>-0.1%</b>

Source: Company data, NuWays

Balance sheet (EUR m)	2021	2022	2023	2024e	2025e	2026e
Intangible assets	11.6	11.7	11.8	11.8	11.8	11.8
Property, plant and equipment	10.0	6.7	7.1	6.4	5.7	5.1
Financial assets	15.1	3.8	3.2	3.2	3.2	3.2
<b>FIXED ASSETS</b>	<b>36.7</b>	<b>22.2</b>	<b>22.1</b>	<b>21.4</b>	<b>20.7</b>	<b>20.1</b>
Inventories	13.5	14.0	12.7	17.3	18.3	19.2
Accounts receivable	17.9	22.8	25.3	32.3	34.3	36.0
Other assets and short-term financial assets	0.0	0.0	0.0	0.0	0.0	0.0
Liquid assets	15.0	18.7	11.5	8.2	3.6	4.0
Deferred taxes	0.2	0.1	0.2	0.2	0.3	0.3
Deferred charges and prepaid expenses	0.0	0.0	0.0	0.0	0.0	0.0
<b>CURRENT ASSETS</b>	<b>46.6</b>	<b>55.6</b>	<b>49.7</b>	<b>58.1</b>	<b>56.4</b>	<b>59.4</b>
<b>TOTAL ASSETS</b>	<b>83.3</b>	<b>77.8</b>	<b>71.8</b>	<b>79.5</b>	<b>77.1</b>	<b>79.5</b>
<b>SHAREHOLDERS EQUITY</b>	<b>-39.7</b>	<b>-33.6</b>	<b>-44.6</b>	<b>-46.8</b>	<b>-47.6</b>	<b>-47.7</b>
MINORITY INTEREST	0.0	0.0	0.0	0.0	0.0	0.0
Provisions for pensions and similar obligations	15.4	11.4	12.2	12.8	13.2	14.0
Other provisions and accrued liabilities	7.6	10.1	8.4	8.0	7.5	7.1
Short-term liabilities to banks	0.0	10.0	29.3	35.0	35.0	35.0
Accounts payable	16.9	9.9	8.9	14.5	15.3	16.1
Advance payments received on orders	5.6	8.0	5.8	6.5	6.5	6.5
Other liabilities (incl. from lease and rental contracts)	59.0	44.7	33.3	30.7	29.4	26.5
Deferred taxes	1.9	4.8	2.9	2.7	1.5	1.5
Deferred income	0.0	0.0	0.0	0.0	0.0	0.0
<b>CURRENT LIABILITIES</b>	<b>81.5</b>	<b>62.6</b>	<b>48.0</b>	<b>51.6</b>	<b>51.1</b>	<b>49.1</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS EQUITY</b>	<b>83.3</b>	<b>77.8</b>	<b>71.8</b>	<b>79.5</b>	<b>77.1</b>	<b>79.5</b>
<b>Balance sheet (common size)</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024e</b>	<b>2025e</b>	<b>2026e</b>
Intangible assets	13.9%	15.0%	16.4%	14.8%	15.3%	14.8%
Property, plant and equipment	12.0%	8.6%	9.9%	8.1%	7.4%	6.4%
Financial assets	18.1%	4.9%	4.5%	4.0%	4.2%	4.0%
<b>FIXED ASSETS</b>	<b>44.1%</b>	<b>28.5%</b>	<b>30.8%</b>	<b>26.9%</b>	<b>26.8%</b>	<b>25.3%</b>
Inventories	16.2%	18.0%	17.7%	21.8%	23.7%	24.1%
Accounts receivable	21.5%	29.3%	35.2%	40.7%	44.5%	45.3%
Other assets and short-term financial assets	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Liquid assets	18.0%	24.0%	16.0%	10.3%	4.6%	5.0%
Deferred taxes	0.2%	0.1%	0.3%	0.3%	0.4%	0.4%
Deferred charges and prepaid expenses	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>CURRENT ASSETS</b>	<b>55.9%</b>	<b>71.5%</b>	<b>69.2%</b>	<b>73.1%</b>	<b>73.2%</b>	<b>74.7%</b>
<b>TOTAL ASSETS</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>SHAREHOLDERS EQUITY</b>	<b>-47.7%</b>	<b>-43.2%</b>	<b>-62.1%</b>	<b>-58.9%</b>	<b>-61.7%</b>	<b>-60.0%</b>
MINORITY INTEREST	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Provisions for pensions and similar obligations	18.5%	14.7%	17.0%	16.1%	17.1%	17.6%
Other provisions and accrued liabilities	9.1%	13.0%	11.7%	10.1%	9.7%	8.9%
Short-term liabilities to banks	0.0%	12.9%	40.8%	44.0%	45.4%	44.0%
Accounts payable	20.3%	12.7%	12.4%	18.2%	19.9%	20.2%
Advance payments received on orders	6.7%	10.3%	8.1%	8.1%	8.4%	8.1%
Other liabilities (incl. from lease and rental contracts)	70.8%	57.5%	46.4%	38.6%	38.1%	33.3%
Deferred taxes	2.3%	6.2%	4.0%	3.4%	1.9%	1.9%
Deferred income	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>CURRENT LIABILITIES</b>	<b>97.8%</b>	<b>80.5%</b>	<b>66.9%</b>	<b>65.0%</b>	<b>66.3%</b>	<b>61.7%</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS EQUITY</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

Source: Company data, NuWays

Cash flow statement (EUR m)	2021	2022	2023	2024e	2025e	2026e
Net profit/loss	-14.2	-0.1	-9.8	-2.2	-0.8	-0.1
Depreciation of fixed assets (incl. leases)	3.8	1.8	1.2	1.8	1.6	1.4
Amortisation of goodwill & intangible assets	0.0	1.7	1.5	1.2	1.2	1.0
Other costs affecting income / expenses	35.0	-12.1	-16.5	0.0	0.0	0.0
Cash flow from operating activities	20.3	-26.2	-29.0	-7.1	-2.3	-1.2
Increase/decrease in inventory	-5.1	-0.5	0.9	-4.6	-0.9	-0.9
Increase/decrease in accounts receivable	-7.1	-4.9	-1.2	-7.0	-1.9	-1.7
Increase/decrease in accounts payable	10.4	-7.0	-1.0	5.6	0.9	0.8
Increase/decrease in other working capital positions	2.9	2.4	-2.2	0.7	0.0	0.0
Increase/decrease in working capital	1.1	-10.0	-3.5	-5.5	-2.0	-1.9
<b>Cash flow from operating activities</b>	<b>24.1</b>	<b>-22.7</b>	<b>-26.3</b>	<b>-4.1</b>	<b>0.5</b>	<b>1.2</b>
CAPEX	0.9	2.0	2.0	2.3	2.1	1.8
Payments for acquisitions	0.0	0.0	0.0	0.0	0.0	0.0
Financial investments	0.0	0.0	0.0	0.0	0.0	0.0
Income from asset disposals	0.0	9.3	0.0	0.0	0.0	0.0
<b>Cash flow from investing activities</b>	<b>-0.9</b>	<b>7.3</b>	<b>-2.0</b>	<b>-2.3</b>	<b>-2.1</b>	<b>-1.8</b>
Cash flow before financing	23.2	-15.4	-28.3	-6.4	-1.6	-0.6
Increase/decrease in debt position	-6.6	8.0	22.0	6.1	0.0	4.0
Purchase of own shares	0.0	0.0	0.0	0.0	0.0	0.0
Capital measures	0.0	0.0	0.0	0.0	0.0	0.0
Dividends paid	0.0	0.0	0.0	0.0	0.0	0.0
Others	-11.7	10.9	-0.8	-3.0	-3.0	-3.0
Effects of exchange rate changes on cash	0.3	0.2	0.0	0.0	0.0	0.0
<b>Cash flow from financing activities</b>	<b>-18.3</b>	<b>18.9</b>	<b>21.2</b>	<b>3.1</b>	<b>-3.0</b>	<b>1.0</b>
Increase/decrease in liquid assets	5.2	3.7	-7.1	-3.3	-4.6	0.4
<b>Liquid assets at end of period</b>	<b>15.0</b>	<b>18.7</b>	<b>11.5</b>	<b>8.2</b>	<b>3.6</b>	<b>4.0</b>

Key ratios (EUR m)	2021	2022	2023	2024e	2025e	2026e
<b>P&amp;L growth analysis</b>						
Sales growth	132.9%	27.8%	-17.4%	33.8%	6.0%	5.0%
EBITDA growth	1128.6%	-136.3%	-14.0%	-66.5%	-161.3%	57.4%
EBIT growth	51.2%	-116.0%	-18.5%	-97.4%	-117.2%	1569.8%
EPS growth	25.7%	-99.7%	-31.0%	2146.5%	-92.2%	-93.9%
<b>Efficiency</b>						
Sales per employee	216.7	273.5	248.3	321.2	334.9	334.9
EBITDA per employee	-27.1	29.3	-25.3	10.4	14.8	15.4
No. employees (average)	317	321	292	302	307	322
<b>Balance sheet analysis</b>						
Avg. working capital / sales	22.1%	16.5%	22.2%	24.6%	26.3%	28.4%
Inventory turnover (sales/inventory)	4.6	4.6	4.2	4.0	4.0	4.0
Accounts receivable turnover	4.8	4.3	3.0	3.0	3.0	3.0
Accounts payable turnover	5.9	6.6	7.7	6.7	6.7	6.7
<b>Cash flow analysis</b>						
Free cash flow	23.2	-24.7	-28.3	-6.4	-1.6	-0.6
Free cash flow/sales	33.7%	-28.1%	-39.1%	-6.6%	-1.6%	-0.6%
FCF / net profit	neg.	24700.0%	289.2%	284.9%	216.3%	436.1%
Capex / sales	1.4%	2.3%	2.8%	2.4%	2.0%	1.7%
<b>Solvency</b>						
Net debt	1.3	3.3	32.8	42.2	46.8	50.4
Net Debt/EBITDA	-0.2	0.4	-4.4	13.4	10.3	10.2
Dividend payout ratio	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Interest paid / avg. debt	7.9%	7.6%	6.9%	6.6%	5.3%	5.2%
<b>Returns</b>						
ROCE	-45.9%	31.3%	-97.1%	0.9%	7.7%	9.5%
ROE	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Adjusted FCF yield	-58.8%	5.5%	-13.3%	0.2%	2.2%	3.1%
Dividend yield	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
DPS	0.0	0.0	0.0	0.0	0.0	0.0
EPS reported	-1.60	-0.01	-1.10	-0.25	-0.09	-0.02
Average number of shares	8.9	8.9	8.9	8.9	8.9	8.9
<b>Valuation ratios</b>						
P/BV	-0.4	-0.5	-0.3	-0.3	-0.3	-0.3
EV/sales	0.5	0.3	0.8	0.7	0.7	0.7
EV/EBITDA	-3.8	3.2	-8.2	22.4	16.7	16.1
EV/EBIT	-2.6	5.1	-6.0	459.6	43.5	31.2

Source: Company data, NuWays

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Company	Disclosures
Singulus Technologies AG	2

### Historical target price and rating changes for Singulus Technologies AG

Company	Date	Analyst	Rating	Target Price	Close
Singulus Technologies AG	15.11.2023	Wunderlich, Tim	Hold	EUR 1.60	EUR 1.76
	01.11.2023	Wunderlich, Tim	Hold	EUR 1.90	EUR 1.73
	15.08.2023	Wunderlich, Tim	Hold	EUR 2.90	EUR 2.37

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The adj. FCF method is based on the assumption that investors purchase assets only at a price (enterprise value) at which the operating cash flow return after taxes on this investment exceeds their opportunity costs in the form of a hurdle rate of 7.5%. The operating cash flow is calculated as EBITDA less maintenance capex and taxes.

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ment towards the actual capital structure is done by discounting the calculated free cash flows with the weighted average cost of capital (WACC), which takes into account both the cost of equity capital and the cost of debt. After discounting, the calculated total enterprise value is reduced by the interest-bearing debt capital in order to arrive at the equity value.

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