

Buy (old: Buy)

04.11.2024

EUR 34.00 (old: EUR 34.00)

Case fully intact despite PW; chg. est.

Topic: On Thursday, INDUS released its preliminary Q3 sales and EBIT figures in line with our estimates. Further, due to non-cash goodwill impairments, the company revised its FY24e EBIT guidance.

Impairment of goodwill and intangible assets: Due to the annual assessment, INDUS had to reduce the book value of goodwill and other intangible assets in the amount of € 5.2m in the Infrastructure segment and € 1.5m in the Materials segment. The need for these impairments resulted from reduced forecasts of future cash flow for the two units.

Preliminary Q3 sales came in at c. € 441m (eNuW: € 445m), a slight decrease of c. 4% yoy due to a challenging macroeconomic environment. Reported EBIT remained roughly unchanged yoy at a solid € 31.8m (eNuW: € 30.8m). However, adjusting for impairments of € 6.7m in Q3'24 and € 17.6m in Q3'23 due to higher interest rates, EBIT decreased by 22.4% yoy.

FY EBIT guidance revised: While INDUS confirmed its FY24e top-line and FCF guidance of € 1.70-1.80bn and € 110m, they reduced their EBIT forecast to € 115-125m (previously: € 125-145m) due to impairments. However, the **guidance looks plausible in our view** as INDUS has achieved by now c. 75% of the lower end of the sales guidance in the first three quarters while the situation has improved already compared to H1'24 in terms of sales. Moreover, the revised EBIT outlook implies an EBIT margin of 5.1% in Q4'24e at mid-point, which looks conservative to us after 7.5% in 9M'24.

All things considered, this is rather positive news. Preliminary results are in line with our estimates, despite the € 6.7m impairment. Even though INDUS decreased its FY EBIT outlook due to impairments, it is a non-cash expenses and hence it will not affect FCF. Further, the company reiterated its FCF guidance of € 110m (eNuW: € 114m), which implies a strong FCFY24e of c. 10%.

Therefore, we **reiterate our BUY rating with an unchanged PT of € 34** based on FCFY24e and confirm the stock as one of NuWays' Alpha Picks.



Market data

Share price (in €)	20.45
Market cap (in € m)	515.9
Number of shares (in m pcs)	25.8
Enterprise value (in € m)	1027.8
Ø trading volume (6 months)	15,657

Identifier

Bloomberg	INH GR
Reuters	INHG
WKN	620010
ISIN	DE0006200108

Key shareholders

Versicherungskammer Bayern	13.0%
Hans Selzer et al.	5.6%
Protector Forsikring	5.4%
Treasury Shares	4.1%
Free Float	71.9%

Estimates changes

	2024e	2025e	2026e
Sales	-2%	-2%	-3%
EBIT	-13%	-4%	-6%
EPS	-14%	-4%	-6%

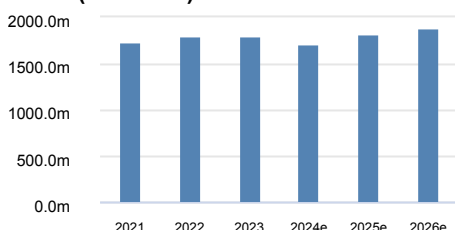
Comment on changes

- We finetuned our model for the latest macroeconomic data and incorporated the € 6.7m impairment loss.

Y/E 31.12 (EUR m)	2021	2022	2023	2024e	2025e	2026e
Sales	1,741.5	1,804.1	1,802.4	1,715.1	1,830.0	1,900.0
Sales growth	11.7%	3.6%	-0.1%	-4.8%	6.7%	3.8%
EBITDA	220.4	262.4	258.1	211.3	246.0	255.4
Net debt (if net cash=0)	504.1	593.6	506.2	485.4	448.0	414.7
FCF	105.8	61.8	155.7	114.5	68.3	69.4
Net Debt/EBITDA	2.3	2.3	2.0	2.3	1.8	1.6
EPS pro forma	1.78	3.04	3.10	2.72	3.58	3.73
EBITDA margin	12.7%	14.5%	14.3%	12.3%	13.4%	13.4%
ROCE	7.5%	11.8%	10.8%	8.0%	9.9%	10.5%
EV/sales	0.8	0.7	0.6	0.6	0.5	0.5
EV/EBITDA	6.5	4.9	4.1	4.9	4.0	3.8
PER	11.3	6.6	6.5	7.4	5.6	5.4
Adjusted FCF yield	6.1%	9.5%	9.0%	9.2%	12.0%	13.2%

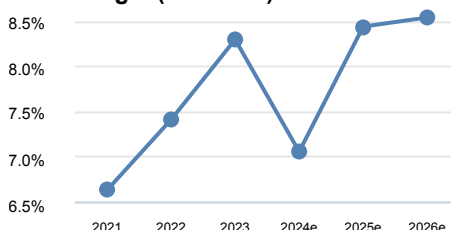
Source: Company data, NuWays, Close price as of 31.10.2024

Sales (2021-26e)



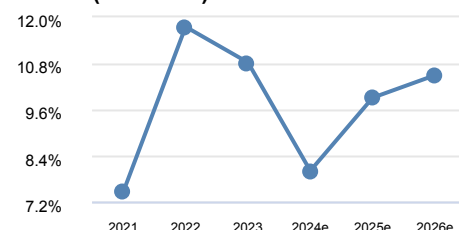
Source: NuWays Research

EBIT margin (2021-26e)



Source: NuWays Research

ROCE (2021-26e)



Source: NuWays Research

Company description

INDUS Holding AG is a leading specialist in the acquisition of and long-term support of small and medium-sized manufacturing companies in the DACH region. Indus holds a diversified portfolio of key industries and specializes in the field of sustainable companies.

Guidance

- Sales: € 1.70-1.80bn
- EBIT: € 115-125m
- FCF: > € 110m

Financials

Profit and loss (EUR m)	2021	2022	2023	2024e	2025e	2026e
Net sales	1,741.5	1,804.1	1,802.4	1,715.1	1,830.0	1,900.0
<i>Sales growth</i>	11.7%	3.6%	-0.1%	-4.8%	6.7%	3.8%
Increase/decrease in finished goods and work-in-process	29.7	33.5	-11.7	4.3	4.0	4.2
Total sales	1,771.2	1,837.7	1,790.7	1,719.4	1,834.0	1,904.2
Other operating income	28.4	25.1	20.6	18.5	25.6	26.6
Material expenses	817.6	872.2	801.4	762.6	827.2	862.6
Personnel expenses	529.1	494.6	521.5	537.9	550.5	569.6
Other operating expenses	232.5	233.5	230.3	226.0	236.1	243.2
Total operating expenses	1,550.8	1,575.2	1,532.6	1,508.1	1,588.1	1,648.8
EBITDA	220.4	262.4	258.1	211.3	246.0	255.4
Depreciation	83.9	50.7	62.7	72.9	73.1	74.7
EBITA	136.5	211.8	195.4	138.5	172.9	180.7
Amortisation of goodwill	0.0	0.0	0.0	0.0	0.0	0.0
Amortisation of intangible assets	21.1	35.3	26.5	17.5	18.4	18.4
Impairment charges	0.0	42.8	19.3	0.0	0.0	0.0
EBIT (inc revaluation net)	115.4	133.7	149.6	121.0	154.5	162.3
Interest income	0.2	1.4	1.6	3.8	4.0	4.0
Interest expenses	14.7	14.5	21.2	20.9	23.5	25.7
Investment income	-1.8	-4.6	9.8	-3.8	-3.0	-3.0
Financial result	-16.3	-17.7	-9.8	-20.9	-22.5	-24.7
Recurring pretax income from continuing operations	99.1	115.9	139.7	100.1	132.0	137.6
Extraordinary income/loss	0.0	0.0	0.0	0.0	0.0	0.0
Earnings before taxes	99.1	115.9	139.7	100.1	132.0	137.6
Income tax expense	51.5	33.5	55.8	30.0	39.6	41.3
Net income from continuing operations	47.6	82.5	84.0	70.1	92.4	96.3
Income from discontinued operations (net of tax)	0.0	123.9	27.8	0.0	0.0	0.0
Net income	47.6	-41.4	56.1	70.1	92.4	96.3
Minority interest	0.8	0.8	0.7	0.9	0.8	0.8
Net profit (reported)	46.8	-42.2	55.4	69.2	91.6	95.5
Average number of shares	26.3	26.9	26.9	25.8	25.8	25.8
EPS reported	1.78	-1.57	2.06	2.68	3.55	3.70

Profit and loss (common size)	2021	2022	2023	2024e	2025e	2026e
Net sales	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
<i>Sales growth</i>	11.7%	3.6%	-0.1%	-4.8%	6.7%	3.8%
Increase/decrease in finished goods and work-in-process	1.7%	1.9%	-0.6%	0.3%	0.2%	0.2%
Total sales	101.7%	101.9%	99.4%	100.3%	100.2%	100.2%
Other operating income	1.6%	1.4%	1.1%	1.1%	1.4%	1.4%
Material expenses	46.9%	48.3%	44.5%	44.5%	45.2%	45.4%
Personnel expenses	30.4%	27.4%	28.9%	31.4%	30.1%	30.0%
Other operating expenses	13.4%	12.9%	12.8%	13.2%	12.9%	12.8%
Total operating expenses	89.1%	87.3%	85.0%	87.9%	86.8%	86.8%
EBITDA	12.7%	14.5%	14.3%	12.3%	13.4%	13.4%
Depreciation	4.8%	2.8%	3.5%	4.2%	4.0%	3.9%
EBITA	7.8%	11.7%	10.8%	8.1%	9.4%	9.5%
Amortisation of goodwill	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Amortisation of intangible assets	1.2%	2.0%	1.5%	1.0%	1.0%	1.0%
Impairment charges	0.0%	2.4%	1.1%	0.0%	0.0%	0.0%
EBIT (inc revaluation net)	6.6%	7.4%	8.3%	7.1%	8.4%	8.5%
Interest income	0.0%	0.1%	0.1%	0.2%	0.2%	0.2%
Interest expenses	0.8%	0.8%	1.2%	1.2%	1.3%	1.4%
Investment income	-0.1%	-0.3%	0.5%	-0.2%	-0.2%	-0.2%
Financial result	neg.	neg.	neg.	neg.	neg.	neg.
Recurring pretax income from continuing operations	5.7%	6.4%	7.8%	5.8%	7.2%	7.2%
Extraordinary income/loss	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Earnings before taxes	5.7%	6.4%	7.8%	5.8%	7.2%	7.2%
Tax rate	52.0%	28.9%	39.9%	30.0%	30.0%	30.0%
Net income from continuing operations	2.7%	4.6%	4.7%	4.1%	5.0%	5.1%
Income from discontinued operations (net of tax)	0.0%	6.9%	1.5%	0.0%	0.0%	0.0%
Net income	2.7%	-2.3%	3.1%	4.1%	5.0%	5.1%
Minority interest	0.0%	0.0%	0.0%	0.1%	0.0%	0.0%
Net profit (reported)	2.7%	-2.3%	3.1%	4.0%	5.0%	5.0%

Source: Company data, NuWays

Balance sheet (EUR m)	2021	2022	2023	2024e	2025e	2026e
Intangible assets	646.0	645.1	633.9	628.4	622.0	615.6
Property, plant and equipment	422.4	346.5	354.4	379.8	371.7	362.0
Financial assets	13.4	76.1	17.0	11.2	11.2	11.2
FIXED ASSETS	1,081.8	1,067.7	1,005.3	1,019.3	1,004.8	988.7
Inventories	403.9	449.4	429.3	397.2	413.6	431.3
Accounts receivable	168.9	195.5	181.3	171.5	183.0	190.0
Other assets and short-term financial assets	52.8	29.4	25.8	41.4	41.7	41.7
Liquid assets	136.3	127.8	265.8	234.6	227.0	260.3
Deferred taxes	13.8	20.2	21.3	21.0	21.5	21.5
Deferred charges and prepaid expenses	0.0	0.0	0.0	0.0	0.0	0.0
CURRENT ASSETS	775.6	822.2	923.5	865.7	886.7	944.8
TOTAL ASSETS	1,857.4	1,889.9	1,928.8	1,885.0	1,891.6	1,933.5
SHAREHOLDERS EQUITY	785.6	692.8	717.9	756.1	818.2	871.9
MINORITY INTEREST	1.8	2.1	1.7	1.7	1.7	1.7
Long-term liabilities to banks	477.3	580.6	618.2	565.0	550.0	550.0
Bonds (long-term)	0.0	0.0	0.0	0.0	0.0	0.0
other interest-bearing liabilities	0.0	0.0	0.0	0.0	0.0	0.0
Provisions for pensions and similar obligations	41.3	23.6	27.0	26.5	26.5	27.5
Other provisions and accrued liabilities	89.8	43.4	42.3	36.0	35.7	34.0
NON-CURRENT LIABILITIES	608.4	647.6	687.4	627.5	612.2	611.5
Short-term liabilities to banks	163.2	140.7	153.8	155.0	125.0	125.0
Accounts payable	62.2	74.3	63.7	61.3	63.1	68.5
Advance payments received on orders	0.0	0.0	0.0	0.0	0.0	0.0
Accrued taxes	0.0	0.0	0.0	0.0	0.0	0.0
Other liabilities (incl. from lease and rental contracts)	187.6	278.4	248.8	225.9	214.4	196.9
Deferred taxes	48.6	54.0	55.4	57.6	57.0	58.0
Deferred income	0.0	0.0	0.0	0.0	0.0	0.0
CURRENT LIABILITIES	461.5	547.4	521.7	499.8	459.5	448.4
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	1,857.4	1,889.9	1,928.8	1,885.0	1,891.6	1,933.5
Balance sheet (common size)	2021	2022	2023	2024e	2025e	2026e
Intangible assets	34.8%	34.1%	32.9%	33.3%	32.9%	31.8%
Property, plant and equipment	22.7%	18.3%	18.4%	20.1%	19.6%	18.7%
Financial assets	0.7%	4.0%	0.9%	0.6%	0.6%	0.6%
FIXED ASSETS	58.2%	56.5%	52.1%	54.1%	53.1%	51.1%
Inventories	21.7%	23.8%	22.3%	21.1%	21.9%	22.3%
Accounts receivable	9.1%	10.3%	9.4%	9.1%	9.7%	9.8%
Other assets and short-term financial assets	2.8%	1.6%	1.3%	2.2%	2.2%	2.2%
Liquid assets	7.3%	6.8%	13.8%	12.4%	12.0%	13.5%
Deferred taxes	0.7%	1.1%	1.1%	1.1%	1.1%	1.1%
Deferred charges and prepaid expenses	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
CURRENT ASSETS	41.8%	43.5%	47.9%	45.9%	46.9%	48.9%
TOTAL ASSETS	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
SHAREHOLDERS EQUITY	42.3%	36.7%	37.2%	40.1%	43.3%	45.1%
MINORITY INTEREST	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
Long-term liabilities to banks	25.7%	30.7%	32.0%	30.0%	29.1%	28.4%
Bonds (long-term)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
other interest-bearing liabilities	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Provisions for pensions and similar obligations	2.2%	1.2%	1.4%	1.4%	1.4%	1.4%
Other provisions and accrued liabilities	4.8%	2.3%	2.2%	1.9%	1.9%	1.8%
NON-CURRENT LIABILITIES	32.8%	34.3%	35.6%	33.3%	32.4%	31.6%
Short-term liabilities to banks	8.8%	7.4%	8.0%	8.2%	6.6%	6.5%
Accounts payable	3.3%	3.9%	3.3%	3.2%	3.3%	3.5%
Advance payments received on orders	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Accrued taxes	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other liabilities (incl. from lease and rental contracts)	10.1%	14.7%	12.9%	12.0%	11.3%	10.2%
Deferred taxes	2.6%	2.9%	2.9%	3.1%	3.0%	3.0%
Deferred income	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
CURRENT LIABILITIES	24.8%	29.0%	27.0%	26.5%	24.3%	23.2%
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: Company data, NuWays

Cash flow statement (EUR m)	2021	2022	2023	2024e	2025e	2026e
Net profit/loss	47.6	82.5	84.0	70.1	92.4	96.3
Depreciation of fixed assets (incl. leases)	83.9	93.4	82.1	72.9	73.1	74.7
Amortisation of goodwill & intangible assets	21.1	35.3	26.5	17.5	18.4	18.4
Other costs affecting income / expenses	37.5	-17.7	-9.8	-20.9	-22.5	-24.7
Cash flow from operating activities	53.4	-12.4	109.1	98.2	53.8	53.3
Increase/decrease in inventory	-71.4	-45.5	20.1	32.1	-16.4	-17.7
Increase/decrease in accounts receivable	-6.9	-26.6	14.2	9.8	-11.5	-7.0
Increase/decrease in accounts payable	13.3	9.9	-10.6	-2.4	1.8	5.4
Increase/decrease in other working capital positions	0.0	23.5	7.9	10.0	10.0	0.0
Increase/decrease in working capital	-65.1	-38.6	31.5	49.5	-16.0	-19.3
Cash flow from operating activities	158.4	116.3	217.7	188.5	145.3	146.4
CAPEX	52.6	54.5	61.9	74.0	77.0	77.0
Payments for acquisitions	67.3	58.8	8.9	36.2	0.0	0.0
Financial investments	0.7	0.4	0.6	0.0	0.0	0.0
Income from asset disposals	14.6	19.3	21.3	0.0	0.0	0.0
Cash flow from investing activities	-106.0	-94.4	-50.1	-110.2	-77.0	-77.0
Cash flow before financing	30.8	-6.3	146.1	46.0	37.4	33.3
Increase/decrease in debt position	-73.2	87.2	50.6	-52.0	-45.0	0.0
Purchase of own shares	0.0	0.0	0.0	25.3	0.0	0.0
Capital measures	84.8	0.0	0.0	0.0	0.0	0.0
Dividends paid	21.5	28.2	21.5	32.3	31.0	36.1
Others	-31.0	-3.1	-29.6	0.0	0.0	0.0
Effects of exchange rate changes on cash	0.2	-0.3	0.0	0.0	0.0	0.0
Cash flow from financing activities	-40.8	55.9	-0.5	-109.6	-76.0	-36.1
Increase/decrease in liquid assets	11.7	77.5	167.1	-31.3	-7.6	33.3
Liquid assets at end of period	136.3	127.8	265.8	234.6	227.0	260.3

Key ratios (EUR m)	2021	2022	2023	2024e	2025e	2026e
P&L growth analysis						
Sales growth	11.7%	3.6%	-0.1%	-4.8%	6.7%	3.8%
EBITDA growth	-2.4%	66.4%	17.1%	-19.5%	-4.7%	-2.7%
EBIT growth	-2.1%	475.8%	29.6%	-9.5%	3.3%	21.4%
EPS growth	-26.9%	33.1%	15.9%	-270.8%	72.2%	-335.8%
Efficiency						
Sales per employee	159.6	173.6	193.5	181.7	192.0	192.0
EBITDA per employee	20.2	25.3	27.7	22.4	25.8	25.8
No. employees (average)	10,910	10,391	9,317	9,438	9,533	9,897
Balance sheet analysis						
Avg. working capital / sales	29.8%	28.2%	29.3%	31.4%	29.5%	29.6%
Inventory turnover (sales/inventory)	2.2	2.0	1.8	1.9	2.0	2.0
Accounts receivable turnover	10.3	9.2	9.9	10.0	10.0	10.0
Accounts payable turnover	28.0	24.3	28.3	28.0	29.0	29.0
Cash flow analysis						
Free cash flow	105.8	61.8	155.7	114.5	68.3	69.4
Free cash flow/sales	6.1%	3.4%	8.6%	6.7%	3.7%	3.7%
FCF / net profit	222.4%	74.9%	185.5%	163.4%	74.0%	72.1%
Capex / sales	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Solvency						
Net debt	504.1	593.6	506.2	485.4	448.0	414.7
Net Debt/EBITDA	2.3	2.3	2.0	2.3	1.8	1.6
Dividend payout ratio	59.1%	100.0%	58.2%	44.7%	39.4%	43.2%
Interest paid / avg. debt	2.2%	2.0%	3.0%	2.9%	3.2%	3.7%
Returns						
ROCE	7.5%	11.8%	10.8%	8.0%	9.9%	10.5%
ROE	6.0%	-6.1%	7.7%	9.2%	11.2%	11.0%
Adjusted FCF yield	6.1%	9.5%	9.0%	9.2%	12.0%	13.2%
Dividend yield	5.3%	4.0%	6.0%	6.0%	7.0%	8.0%
DPS	1.0	0.8	1.2	1.2	1.4	1.6
EPS reported	1.78	-1.57	2.06	2.68	3.55	3.70
Average number of shares	26.3	26.9	26.9	25.8	25.8	25.8
Valuation ratios						
P/BV	0.7	0.8	0.7	0.7	0.6	0.6
EV/sales	0.8	0.7	0.6	0.6	0.5	0.5
EV/EBITDA	6.5	4.9	4.1	4.9	4.0	3.8
EV/EBIT	12.5	9.7	7.2	8.5	6.4	5.9

Source: Company data, NuWays

Disclosures

Disclosures regarding research publications of NuWays AG pursuant to section 85 of the German Securities Trading Act (WpHG)

Indication of conflict of interest

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Company	Disclosures
INDUS Holding AG	2

Historical target price and rating changes for INDUS Holding AG

Company	Date	Analyst	Rating	Target Price	Close
INDUS Holding AG	26.09.2024	Sandherr, Christian	Buy	EUR 34.00	EUR 22.15
	02.09.2024	Sandherr, Christian	Buy	EUR 34.00	EUR 22.40
	14.08.2024	Sandherr, Christian	Buy	EUR 34.00	EUR 20.50
	21.03.2024	Sandherr, Christian	Buy	EUR 36.00	EUR 24.75
	22.02.2024	Sandherr, Christian	Buy	EUR 36.00	EUR 21.50
	17.11.2023	Sandherr, Christian	Buy	EUR 34.00	EUR 19.70

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Date of publication creation: 04/11/2024 07:52 AM

Date of publication dissemination: 04/11/2024 07:52 AM

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