

Buy (old: Buy)

13.11.2024

EUR 34.00 (old: EUR 34.00)

Final Q3 results out // 2nd buyback offer announced; chg. est.

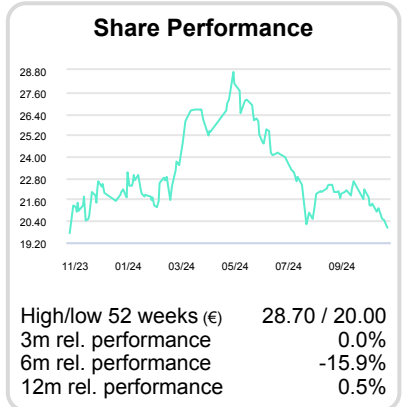
Topic: INDUS released its final Q3 numbers in line with preliminary results. Even more importantly, the company announced a public buyback offer in the period from 12-25 November 2024 up to € 15.2m.

To recap: Q3 sales decreased slightly by 3.6% to € 443m due to a challenging macro environment and low order backlog. **Reported EBIT remained roughly unchanged yoy at a solid € 31.8m** with a 7.2% EBIT margin. However, adjusted for impairments of € 6.7m in Q3'24 and € 17.6m in Q3'23, EBIT decreased by 22%. Personnel costs increased slightly by 0.6% yoy to € 129.4m despite a lower headcount (-1.6% yoy of continuing operations) due to a notable rise in wages and salaries. Cost of materials increased 1.4% yoy to € 195m with a 1.3pp increase in the cost ratio from a low comparable base.

Order intake remained unchanged yoy at € 392m (€ 391 in Q3'23) but on a low level due to a weak economic situation in the metal production and processing sectors. This leads to an order backlog of € 678m (vs. € 711m end of FY23). While the demand situation stopped declining and consolidated now on a low level (€ 1,220m order intake 9M'24 vs. € 1,230m in 9M'23), the book to bill ratio is still slightly below 1.00 (0.95 in 9M'24). However, we estimate that INDUS has already overcome the low point, and we should see successive improvements for FY25e.

Buyback offer announced: already in February, INDUS acquired 1.1m shares at a price of € 23 per share in a public buyback offer, amounting to 4.1% of its share capital, which are still held as treasury shares. The company announced now a **second buyback offer at € 21.65 per share for 0.7m shares** in the period from 12-25 November. In addition, INDUS intends to buy for up to € 5m, but no more than 0.2m shares on the open market between 2 December 2024 at the earliest and until 16 May 2025 at the latest. If both programs are conducted successfully, INDUS would hold **up to 7.4% in treasury shares**. According to management, shares from the second tender offer and the open market transaction will be cancelled. This is positive news, as the stock is clearly undervalued in our view and hence repurchasing shares offers an attractive return on invested capital compared to other capital allocation choices.

– continued –



Market data

Share price (in €)	20.00
Market cap (in € m)	515.9
Number of shares (in m pcs)	25.8
Enterprise value (in € m)	1028.5
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

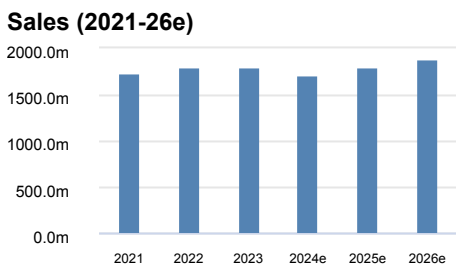
	2024e	2025e	2026e
Sales	0%	-1%	-1%
EBIT	0%	-1%	-1%
EPS	-2%	-1%	-1%

Comment on changes

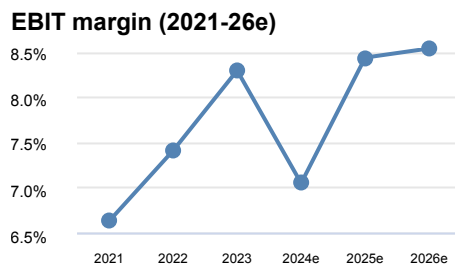
- We slightly changed our estimates due to the new order intake numbers.

Y/E 31.12 (EUR m)	2021	2022	2023	2024e	2025e	2026e
Sales	1,741.5	1,804.1	1,802.4	1,717.2	1,810.0	1,890.0
Sales growth	11.7%	3.6%	-0.1%	-4.7%	5.4%	4.4%
EBITDA	220.4	262.4	258.1	211.2	243.3	254.1
Net debt (if net cash=0)	504.1	593.6	506.2	483.6	424.1	389.5
FCF	105.8	61.8	155.7	115.1	90.5	70.7
Net Debt/EBITDA	2.3	2.3	2.0	2.3	1.7	1.5
EPS pro forma	1.78	3.04	3.10	2.67	3.54	3.71
EBITDA margin	12.7%	14.5%	14.3%	12.3%	13.4%	13.4%
ROCE	7.5%	11.8%	10.8%	8.1%	9.8%	10.4%
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	3.7
PER	11.3	6.6	6.5	7.5	5.7	5.4
Adjusted FCF yield	6.1%	9.5%	9.0%	9.2%	12.2%	13.4%

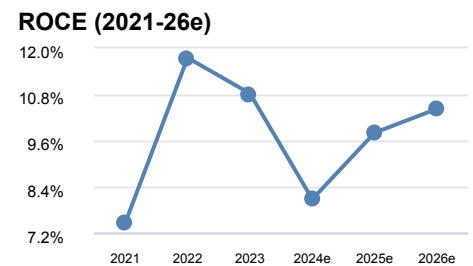
Source: Company data, NuWays, Close price as of 04.11.2024



Source: NuWays Research



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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
- FCFF: > € 110m

INDUS Holding AG

Update - 13.11.2024

Strong FCF: management confirmed the FCF outlook for FY24e of above € 110m. INDUS achieved € 71.9m FCF in 9M'24, € 34.2m lower than last year but still on a solid level. Further, FCF in 9M'23 includes a positive one-time effect of € 14.4m from a property sale. The FY target of € 110m looks plausible in our view (eNuW: € 115m), as working capital tends to come down in Q4 due to seasonal effects. With that, INDUS should deliver a strong FCFY'24e of c. 10%.

2025 outlook: According to management, the geopolitical and macroeconomic challenges should continue to exist in FY25e. However, compared to Q1'24, the situation has already visible improved. Thus, we expect to see a moderate top-line improvement for FY25e of 5.4% to € 1810m, of which € 40-50m should be contributed from M&A acquisitions in FY24e and FY25e as stated by management. Further, we expect EBIT to improve disproportionately to € 150m in FY25e (eNuW) due to less expected impairments and macroeconomic improvements.

Nevertheless, INDUS has shown resilience even in an adverse business environment. On top of that, INDUS is trading at only 8x forward P/E (eNuW), offers an expected dividend yield of 5.8% (eNuW FY24e: € 1.2 per share), and delivers a strong FCFY24e of c. 10% (eNuW). **Hence, we keep INDUS as one of NuWays' Alpha Picks and reiterate BUY with an unchanged PT of € 34, based on FCFY'24e.**

Financials

Profit and loss (EUR m)	2021	2022	2023	2024e	2025e	2026e
Net sales	1,741.5	1,804.1	1,802.4	1,717.2	1,810.0	1,890.0
<i>Sales growth</i>	11.7%	3.6%	-0.1%	-4.7%	5.4%	4.4%
Increase/decrease in finished goods and work-in-process	29.7	33.5	-11.7	-0.7	4.0	4.2
Total sales	1,771.2	1,837.7	1,790.7	1,716.5	1,814.0	1,894.2
Other operating income	28.4	25.1	20.6	18.1	25.3	26.5
Material expenses	817.6	872.2	801.4	763.3	818.1	858.1
Personnel expenses	529.1	494.6	521.5	532.3	544.4	566.6
Other operating expenses	232.5	233.5	230.3	227.8	233.5	241.9
Total operating expenses	1,550.8	1,575.2	1,532.6	1,505.3	1,570.7	1,640.1
EBITDA	220.4	262.4	258.1	211.2	243.3	254.1
Depreciation	83.9	50.7	62.7	72.7	72.1	74.2
EBITA	136.5	211.8	195.4	138.5	171.2	179.8
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	152.8	161.4
Interest income	0.2	1.4	1.6	3.5	4.0	4.0
Interest expenses	14.7	14.5	21.2	22.2	23.5	25.7
Investment income	-1.8	-4.6	9.8	-4.0	-3.0	-3.0
Financial result	-16.3	-17.7	-9.8	-22.8	-22.5	-24.7
Recurring pretax income from continuing operations	99.1	115.9	139.7	98.2	130.3	136.7
Extraordinary income/loss	0.0	0.0	0.0	0.0	0.0	0.0
Earnings before taxes	99.1	115.9	139.7	98.2	130.3	136.7
Income tax expense	51.5	33.5	55.8	29.5	39.1	41.0
Net income from continuing operations	47.6	82.5	84.0	68.7	91.2	95.7
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	68.7	91.2	95.7
Minority interest	0.8	0.8	0.7	1.0	0.8	0.8
Net profit (reported)	46.8	-42.2	55.4	67.7	90.4	94.9
Average number of shares	26.3	26.9	26.9	25.8	25.8	25.8
EPS reported	1.78	-1.57	2.06	2.63	3.50	3.68

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%	-4.7%	5.4%	4.4%
Increase/decrease in finished goods and work-in-process	1.7%	1.9%	-0.6%	-0.0%	0.2%	0.2%
Total sales	101.7%	101.9%	99.4%	100.0%	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%	44.4%	45.2%	45.4%
Personnel expenses	30.4%	27.4%	28.9%	31.0%	30.1%	30.0%
Other operating expenses	13.4%	12.9%	12.8%	13.3%	12.9%	12.8%
Total operating expenses	89.1%	87.3%	85.0%	87.7%	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%	9.5%	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%	7.0%	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%	1.3%	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%	5.7%	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%	5.7%	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%	4.0%	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%	4.0%	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%	3.9%	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	651.9	645.5	639.1
Property, plant and equipment	422.4	346.5	354.4	364.9	352.8	338.6
Financial assets	13.4	76.1	17.0	10.1	10.1	10.1
FIXED ASSETS	1,081.8	1,067.7	1,005.3	1,026.9	1,008.4	987.8
Inventories	403.9	449.4	429.3	401.7	409.1	429.0
Accounts receivable	168.9	195.5	181.3	190.8	181.0	189.0
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	211.4	250.9	285.5
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	866.3	904.2	966.8
TOTAL ASSETS	1,857.4	1,889.9	1,928.8	1,893.2	1,912.6	1,954.6
SHAREHOLDERS EQUITY	785.6	692.8	717.9	754.7	814.2	873.0
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	540.0	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	29.0	29.0	30.3
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	605.0	614.7	614.2
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	71.5	62.4	68.2
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	245.2	237.7	214.5
Deferred taxes	48.6	54.0	55.4	60.0	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	531.8	482.1	465.6
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	1,857.4	1,889.9	1,928.8	1,893.2	1,912.6	1,954.6
Balance sheet (common size)	2021	2022	2023	2024e	2025e	2026e
Intangible assets	34.8%	34.1%	32.9%	34.4%	33.7%	32.7%
Property, plant and equipment	22.7%	18.3%	18.4%	19.3%	18.4%	17.3%
Financial assets	0.7%	4.0%	0.9%	0.5%	0.5%	0.5%
FIXED ASSETS	58.2%	56.5%	52.1%	54.2%	52.7%	50.5%
Inventories	21.7%	23.8%	22.3%	21.2%	21.4%	22.0%
Accounts receivable	9.1%	10.3%	9.4%	10.1%	9.5%	9.7%
Other assets and short-term financial assets	2.8%	1.6%	1.3%	2.2%	2.2%	2.1%
Liquid assets	7.3%	6.8%	13.8%	11.2%	13.1%	14.6%
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%	45.8%	47.3%	49.5%
TOTAL ASSETS	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
SHAREHOLDERS EQUITY	42.3%	36.7%	37.2%	39.9%	42.6%	44.7%
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%	28.5%	28.8%	28.1%
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%	1.5%	1.5%	1.5%
Other provisions and accrued liabilities	4.8%	2.3%	2.2%	1.9%	1.9%	1.7%
NON-CURRENT LIABILITIES	32.8%	34.3%	35.6%	32.0%	32.1%	31.4%
Short-term liabilities to banks	8.8%	7.4%	8.0%	8.2%	6.5%	6.4%
Accounts payable	3.3%	3.9%	3.3%	3.8%	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%	13.0%	12.4%	11.0%
Deferred taxes	2.6%	2.9%	2.9%	3.2%	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%	28.1%	25.2%	23.8%
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	68.7	91.2	95.7
Depreciation of fixed assets (incl. leases)	83.9	93.4	82.1	72.7	72.1	74.2
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	-22.8	-22.5	-24.7
Cash flow from operating activities	53.4	-12.4	109.1	83.9	72.0	50.1
Increase/decrease in inventory	-71.4	-45.5	20.1	27.5	-7.3	-20.0
Increase/decrease in accounts receivable	-6.9	-26.6	14.2	-9.5	9.8	-8.0
Increase/decrease in accounts payable	13.3	9.9	-10.6	7.9	-9.1	5.8
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	36.0	3.3	-22.2
Cash flow from operating activities	158.4	116.3	217.7	174.1	162.5	142.7
CAPEX	52.6	54.5	61.9	59.0	72.0	72.0
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	-95.2	-72.0	-72.0
Cash flow before financing	30.8	-6.3	146.1	47.9	59.6	34.6
Increase/decrease in debt position	-73.2	87.2	50.6	-77.0	-20.0	0.0
Purchase of own shares	0.0	0.0	0.0	25.4	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	31.0	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	-133.3	-51.0	-36.1
Increase/decrease in liquid assets	11.7	77.5	167.1	-54.5	39.6	34.6
Liquid assets at end of period	136.3	127.8	265.8	211.4	250.9	285.5

Key ratios (EUR m)	2021	2022	2023	2024e	2025e	2026e
P&L growth analysis						
Sales growth	11.7%	3.6%	-0.1%	-4.7%	5.4%	4.4%
EBITDA growth	-2.4%	66.4%	17.1%	-19.5%	-5.8%	-3.2%
EBIT growth	-2.1%	475.8%	29.6%	-9.5%	2.1%	20.8%
EPS growth	-26.9%	33.1%	15.9%	-267.2%	70.0%	-334.3%
Efficiency						
Sales per employee	159.6	173.6	193.5	181.9	189.9	189.9
EBITDA per employee	20.2	25.3	27.7	22.4	25.5	25.5
No. employees (average)	10,910	10,391	9,317	9,438	9,533	9,954
Balance sheet analysis						
Avg. working capital / sales	29.8%	28.2%	29.3%	31.8%	29.7%	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	9.0	10.0	10.0
Accounts payable turnover	28.0	24.3	28.3	24.0	29.0	29.0
Cash flow analysis						
Free cash flow	105.8	61.8	155.7	115.1	90.5	70.7
Free cash flow/sales	6.1%	3.4%	8.6%	6.7%	5.0%	3.7%
FCF / net profit	222.4%	74.9%	185.5%	167.4%	99.3%	73.9%
Capex / sales	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Solvency						
Net debt	504.1	593.6	506.2	483.6	424.1	389.5
Net Debt/EBITDA	2.3	2.3	2.0	2.3	1.7	1.5
Dividend payout ratio	59.1%	100.0%	58.2%	45.7%	40.0%	43.5%
Interest paid / avg. debt	2.2%	2.0%	3.0%	3.1%	3.2%	3.7%
Returns						
ROCE	7.5%	11.8%	10.8%	8.1%	9.8%	10.4%
ROE	6.0%	-6.1%	7.7%	9.0%	11.1%	10.9%
Adjusted FCF yield	6.1%	9.5%	9.0%	9.2%	12.2%	13.4%
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	2.63	3.50	3.68
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	3.7
EV/EBIT	12.5	9.7	7.2	8.5	6.3	5.8

Source: Company data, NuWays

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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	04.11.2024	Sandherr, Christian	Buy	EUR 34.00	EUR 20.45
	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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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.

Within the framework of the DCF approach, the future free cash flows are calculated initially on the basis of a fictitious capital structure of 100% equity, i.e. interest and repayments on debt capital are not factored in initially. The adjust-

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According to Article 4(1) No. i of the delegated regulation 2016/958 supplementing regulation 596/2014 of the European Parliament, further information regarding investment recommendations of the last 12 months are published under: www.nuways-ag.com

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