

Buy (old: Buy)

22.02.2024

EUR 36.00 (old: EUR 34.00)

Solid FY23 prelims // focus on strong FCF & share buyback; chg.

Topic: While prelim. FY23 sales and EBIT came in largely as expected, the strong FCF generation of € 190m is well above expectations. On top, INDUS announced a 4.1% share buyback at € 23.

Preliminary FY23 sales remained stable yoy at € 1.80bn (eNuW: € 1.82bn), despite unfavourable economic conditions in the construction industry; Q4 sales -5.0% yoy to € 436m. Thanks to a strong Engineering Segment, FY23 operating EBIT came in at € 150m (eNuW: € 152m), implying a 8.3% margin, up 0.9pp yoy and above the guidance range of 7-8%; Q4 EBIT of € 32.7m, a 7.5% margin.

The **Engineering segment** delivered slight revenue growth and noticeable growth in earnings for FY23e. Sales in the **Infrastructure segment** were flattish yoy with a slightly lower EBIT as the slowdown in the construction sector impacted several portfolio companies, particularly in H1. Revenues in the **Materials segment** decreased modestly but with a significantly higher EBIT due to price increases.

Most importantly, **Free cashflow** came in above € 190m materially improving yoy (2022: € 102m), **exceeding the guidance of € 100m and eNuW of € 89m**, caused by further noticeable working capital normalizations. As a result, net debt decreased by € 87.3m to € 506m, strengthened the equity ratio to 37.3% (FY22: 36.8%). Further, the strong cashflow generation gives INDUS with additional financial flexibility regarding acquisitions and dividend payments.

Thanks to the INDUS announced a **share buyback for up to 1.1m shares** at a price of € 23 during the period from February 22nd, 2024 to March 1st, 2024. Thus, the volume of the buyback amounts up to € 25.3m in aggregate, leading to approximately 4.09% of the company's registered share capital. This underlines not only the strong cash generation of the company but also the current undervaluation.

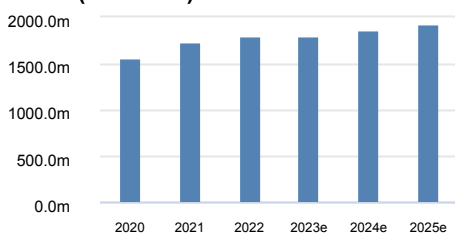
FY24e guidance in line with expectations. Management anticipates **revenues in the range of € 1.85-1.95bn** (eNuW: € 1.88bn) with an **EBIT between € 145-165m** in FY24e (eNuW: € 150m). Despite of the continuously challenging end markets and general macroeconomic conditions, we regard the guidance as doable due to price increases and slight pickup of demand across several portfolio companies.

Trading at only 4.1x EV/EBITDA 2023e, 59% below its historical average, **INDUS remains attractively priced.** We reiterate our **BUY rating with an increased PT of € 36** (old: € 34) based on FCFY 2024e.

Y/E 31.12 (EUR m)	2020	2021	2022	2023e	2024e	2025e
Sales	1,558.6	1,741.5	1,804.1	1,800.0	1,875.7	1,932.0
Sales growth	-10.6%	11.7%	3.6%	-0.2%	4.2%	3.0%
EBITDA	157.7	220.4	262.4	258.5	248.0	259.3
Net debt (if net cash=0)	518.9	504.1	593.6	416.6	390.7	361.1
FCF	102.7	41.0	49.5	192.9	58.2	64.6
Net Debt/EBITDA	3.3	2.3	2.3	1.6	1.6	1.4
EPS pro forma	0.57	1.78	3.27	3.80	3.32	3.49
EBITDA margin	10.1%	12.7%	14.5%	14.4%	13.2%	13.4%
ROCE	4.5%	7.5%	11.8%	11.0%	10.4%	10.8%
EV/sales	0.8	0.8	0.7	0.6	0.5	0.5
EV/EBITDA	8.3	6.5	4.9	4.1	4.1	3.8
PER	39.9	12.7	6.9	5.9	6.8	6.5
Adjusted FCF yield	2.6%	5.7%	8.0%	11.3%	12.1%	13.3%

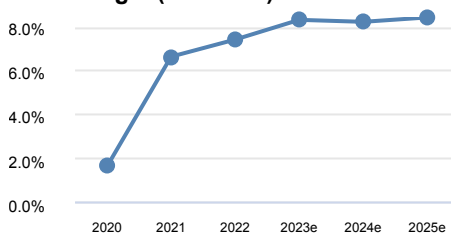
Source: Company data, NuWays, Close price as of 21.02.2024

Sales (2020-25e)



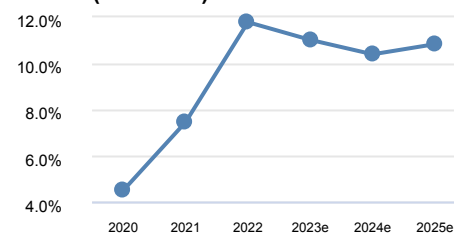
Source: NuWays Research

EBIT margin (2020-25e)



Source: NuWays Research

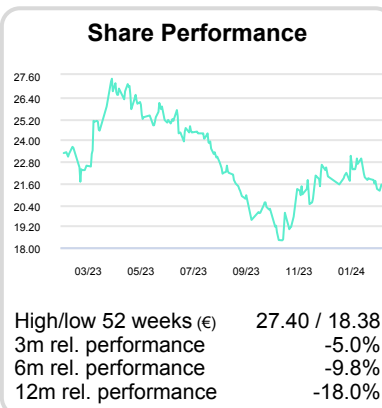
ROCE (2020-25e)



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.



Market data

Share price (in €)	21.50
Market cap (in € m)	607.9
Number of shares (in m pcs)	26.9
Enterprise value (in € m)	1024.0
Ø trading volume (6 months)	15,657

Identifier

Bloomberg	INH GR
Reuters	INHG
WKN	620010
ISIN	DE0006200108

Key shareholders

Versicherungskammer Bayern	17.7%
Hans Selzer et al.	5.7%
Wirtgen Invest Holding	3.7%
Epina GmbH & Co KG	2.7%
Free Float	70.2%

Estimates changes

	2023e	2024e	2025e
Sales	-1%	0%	0%
EBIT	12%	2%	-0%
EPS	7%	3%	-0%

Comment on changes

- We fine tuned our model for the better than expected cashflow generation and the new FY24 outlook.

Guidance

- Sales: € 1.85-1.95bn
- EBIT: € 145-165m

Financials

Profit and loss (EUR m)	2020	2021	2022	2023e	2024e	2025e
Net sales	1,558.6	1,741.5	1,804.1	1,800.0	1,875.7	1,932.0
<i>Sales growth</i>	-10.6%	11.7%	3.6%	-0.2%	4.2%	3.0%
Increase/decrease in finished goods and work-in-process	-21.2	29.7	33.5	10.9	4.1	4.3
Total sales	1,537.4	1,771.2	1,837.7	1,810.9	1,879.9	1,936.3
Other operating income	22.1	28.4	25.1	13.6	26.3	27.0
Material expenses	690.1	817.6	872.2	820.3	883.5	911.9
Personnel expenses	501.0	529.1	494.6	516.6	540.2	558.3
Other operating expenses	210.6	232.5	233.5	229.2	234.5	233.8
Total operating expenses	1,379.7	1,550.8	1,575.2	1,552.4	1,631.9	1,677.0
EBITDA	157.7	220.4	262.4	258.5	248.0	259.3
Depreciation	76.8	89.0	69.8	72.8	76.3	78.2
EBITA	80.9	131.4	192.6	185.7	171.7	181.1
Amortisation of goodwill	0.0	0.0	0.0	0.0	0.0	0.0
Amortisation of intangible assets	15.0	16.0	16.2	16.8	17.5	18.4
Impairment charges	40.8	0.0	42.8	19.3	0.0	0.0
EBIT (inc revaluation net)	25.1	115.4	133.7	149.6	154.2	162.7
Interest income	0.3	0.2	1.4	0.4	0.0	0.0
Interest expenses	16.5	14.7	14.5	19.1	21.0	23.0
Investment income	0.7	-1.8	-4.6	-8.7	-4.0	-4.0
Financial result	-15.4	-16.3	-17.7	-27.4	-25.0	-27.0
Recurring pretax income from continuing operations	9.7	99.1	115.9	122.1	129.2	135.7
Extraordinary income/loss	0.0	0.0	0.0	0.0	0.0	0.0
Earnings before taxes	9.7	99.1	115.9	122.1	129.2	135.7
Income tax expense	36.5	51.5	43.0	38.2	38.8	40.7
Net income from continuing operations	-26.9	47.6	72.9	83.9	90.4	95.0
Income from discontinued operations (net of tax)	0.0	0.0	0.0	0.0	0.0	0.0
Net income	-26.9	47.6	72.9	83.9	90.4	95.0
Minority interest	0.1	0.8	0.8	1.0	1.2	1.2
Net profit (reported)	-27.0	46.8	72.1	82.9	89.2	93.8
Average number of shares	24.5	26.9	26.9	26.9	26.9	26.9
EPS reported	-1.10	1.74	2.68	3.08	3.32	3.49

Profit and loss (common size)	2020	2021	2022	2023e	2024e	2025e
Net sales	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
<i>Sales growth</i>	-10.6%	11.7%	3.6%	-0.2%	4.2%	3.0%
Increase/decrease in finished goods and work-in-process	-1.4%	1.7%	1.9%	0.6%	0.2%	0.2%
Total sales	98.6%	101.7%	101.9%	100.6%	100.2%	100.2%
Other operating income	1.4%	1.6%	1.4%	0.8%	1.4%	1.4%
Material expenses	44.3%	46.9%	48.3%	45.6%	47.1%	47.2%
Personnel expenses	32.1%	30.4%	27.4%	28.7%	28.8%	28.9%
Other operating expenses	13.5%	13.4%	12.9%	12.7%	12.5%	12.1%
Total operating expenses	88.5%	89.1%	87.3%	86.2%	87.0%	86.8%
EBITDA	10.1%	12.7%	14.5%	14.4%	13.2%	13.4%
Depreciation	4.9%	5.1%	3.9%	4.0%	4.1%	4.0%
EBITA	5.2%	7.5%	10.7%	10.3%	9.2%	9.4%
Amortisation of goodwill	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Amortisation of intangible assets	1.0%	0.9%	0.9%	0.9%	0.9%	1.0%
Impairment charges	2.6%	0.0%	2.4%	1.1%	0.0%	0.0%
EBIT (inc revaluation net)	1.6%	6.6%	7.4%	8.3%	8.2%	8.4%
Interest income	0.0%	0.0%	0.1%	0.0%	0.0%	0.0%
Interest expenses	1.1%	0.8%	0.8%	1.1%	1.1%	1.2%
Investment income	0.0%	-0.1%	-0.3%	-0.5%	-0.2%	-0.2%
Financial result	neg.	neg.	neg.	neg.	neg.	neg.
Recurring pretax income from continuing operations	0.6%	5.7%	6.4%	6.8%	6.9%	7.0%
Extraordinary income/loss	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Earnings before taxes	0.6%	5.7%	6.4%	6.8%	6.9%	7.0%
Tax rate	378.1%	52.0%	37.1%	31.3%	30.0%	30.0%
Net income from continuing operations	-1.7%	2.7%	4.0%	4.7%	4.8%	4.9%
Income from discontinued operations (net of tax)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Net income	-1.7%	2.7%	4.0%	4.7%	4.8%	4.9%
Minority interest	0.0%	0.0%	0.0%	0.1%	0.1%	0.1%
Net profit (reported)	-1.7%	2.7%	4.0%	4.6%	4.8%	4.9%

Source: Company data, NuWays

Balance sheet (EUR m)	2020	2021	2022	2023e	2024e	2025e
Intangible assets	559.8	646.0	645.1	640.3	634.8	628.4
Property, plant and equipment	411.4	422.4	346.5	350.5	340.2	327.0
Financial assets	14.7	13.4	76.1	51.2	51.2	51.2
FIXED ASSETS	985.8	1,081.8	1,067.7	1,042.0	1,026.2	1,006.6
Inventories	332.5	403.9	449.4	372.8	401.6	414.5
Accounts receivable	161.9	168.9	195.5	171.4	178.6	193.2
Other assets and short-term financial assets	41.9	52.8	29.4	35.1	41.4	41.7
Liquid assets	194.7	136.3	127.8	266.0	222.3	197.9
Deferred taxes	12.0	13.8	20.2	20.2	21.0	21.5
Deferred charges and prepaid expenses	0.0	0.0	0.0	0.0	0.0	0.0
CURRENT ASSETS	743.0	775.6	822.2	865.5	864.9	868.8
TOTAL ASSETS	1,728.8	1,857.4	1,889.9	1,907.5	1,891.1	1,875.4
SHAREHOLDERS EQUITY	675.3	785.6	683.2	752.1	809.0	867.8
MINORITY INTEREST	1.0	1.8	2.1	2.1	2.1	2.1
Provisions for pensions and similar obligations	49.7	41.3	23.6	25.5	25.5	25.5
Other provisions and accrued liabilities	78.7	89.8	43.4	42.4	42.4	42.4
Short-term liabilities to banks	159.8	163.2	140.7	151.0	143.0	125.0
Accounts payable	48.9	62.2	74.3	69.2	72.1	66.6
Advance payments received on orders	0.0	0.0	0.0	0.0	0.0	0.0
Other liabilities (incl. from lease and rental contracts)	129.4	187.6	278.4	273.7	271.7	254.7
Deferred taxes	32.1	48.6	63.6	60.0	55.3	57.3
Deferred income	0.0	0.0	0.0	0.0	0.0	0.0
CURRENT LIABILITIES	178.3	249.8	352.7	342.9	343.8	321.3
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	1,728.8	1,857.4	1,889.9	1,907.5	1,891.1	1,875.4
Balance sheet (common size)	2020	2021	2022	2023e	2024e	2025e
Intangible assets	32.4%	34.8%	34.1%	33.6%	33.6%	33.5%
Property, plant and equipment	23.8%	22.7%	18.3%	18.4%	18.0%	17.4%
Financial assets	0.8%	0.7%	4.0%	2.7%	2.7%	2.7%
FIXED ASSETS	57.0%	58.2%	56.5%	54.6%	54.3%	53.7%
Inventories	19.2%	21.7%	23.8%	19.5%	21.2%	22.1%
Accounts receivable	9.4%	9.1%	10.3%	9.0%	9.4%	10.3%
Other assets and short-term financial assets	2.4%	2.8%	1.6%	1.8%	2.2%	2.2%
Liquid assets	11.3%	7.3%	6.8%	13.9%	11.8%	10.6%
Deferred taxes	0.7%	0.7%	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	43.0%	41.8%	43.5%	45.4%	45.7%	46.3%
TOTAL ASSETS	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
SHAREHOLDERS EQUITY	39.1%	42.3%	36.1%	39.4%	42.8%	46.3%
MINORITY INTEREST	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%
Provisions for pensions and similar obligations	2.9%	2.2%	1.2%	1.3%	1.3%	1.4%
Other provisions and accrued liabilities	4.6%	4.8%	2.3%	2.2%	2.2%	2.3%
Short-term liabilities to banks	9.2%	8.8%	7.4%	7.9%	7.6%	6.7%
Accounts payable	2.8%	3.3%	3.9%	3.6%	3.8%	3.6%
Advance payments received on orders	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other liabilities (incl. from lease and rental contracts)	7.5%	10.1%	14.7%	14.3%	14.4%	13.6%
Deferred taxes	1.9%	2.6%	3.4%	3.1%	2.9%	3.1%
Deferred income	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
CURRENT LIABILITIES	10.3%	13.4%	18.7%	18.0%	18.2%	17.1%
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)	2020	2021	2022	2023e	2024e	2025e
Net profit/loss	-26.9	47.6	72.9	83.9	90.4	95.0
Depreciation of fixed assets (incl. leases)	117.6	89.0	112.6	92.1	76.3	78.2
Amortisation of goodwill & intangible assets	15.0	16.0	16.2	16.8	17.5	18.4
Others	-54.7	-36.6	-3.1	0.0	0.0	0.0
Cash flow from operating activities	62.2	11.6	-12.4	163.9	42.4	45.0
Increase/decrease in inventory	48.9	-71.4	-45.5	76.5	-28.7	-12.9
Increase/decrease in accounts receivable	40.6	-6.9	-26.6	24.0	-7.2	-14.6
Increase/decrease in accounts payable	-7.0	13.3	9.9	-5.1	2.9	-5.5
Increase/decrease in other working capital positions	0.0	0.0	12.3	10.0	10.0	10.0
Increase/decrease in working capital	82.5	-65.1	-49.8	105.5	-23.0	-23.0
Cash flow from operating activities	155.2	116.6	116.3	272.9	136.2	141.6
CAPEX	52.5	75.6	66.8	80.0	78.0	77.0
Payments for acquisitions	0.0	59.1	58.8	8.9	0.0	0.0
Financial investments	1.0	2.2	0.4	0.0	0.0	0.0
Income from asset disposals	1.2	6.5	19.3	14.5	0.0	0.0
Cash flow from investing activities	-52.3	-130.4	-106.7	-74.4	-78.0	-77.0
Cash flow before financing	83.3	-33.4	-18.6	177.0	25.9	29.6
Increase/decrease in debt position	32.2	-73.2	87.2	-38.8	-69.6	-54.0
Purchase of own shares	0.0	0.0	0.0	0.0	0.0	0.0
Capital measures	0.0	84.8	0.0	0.0	0.0	0.0
Dividends paid	19.6	19.6	28.2	21.5	32.3	35.0
Others	-54.7	-36.6	-3.1	0.0	0.0	0.0
Effects of exchange rate changes on cash	-1.2	0.2	-0.3	0.0	0.0	0.0
Cash flow from financing activities	-42.0	-44.5	55.9	-60.3	-101.9	-89.0
Increase/decrease in liquid assets	59.6	-58.1	65.2	138.2	-43.7	-24.4
Liquid assets at end of period	194.7	136.6	127.8	266.0	222.3	197.9

Key ratios (EUR m)	2020	2021	2022	2023e	2024e	2025e
P&L growth analysis						
Sales growth	-10.6%	11.7%	3.6%	-0.2%	4.2%	3.0%
EBITDA growth	-27.7%	-2.4%	66.4%	17.3%	-5.5%	0.3%
EBIT growth	-81.3%	-2.1%	432.3%	29.6%	15.4%	8.7%
EPS growth	-138.0%	-28.4%	-343.1%	77.1%	23.8%	13.1%
Efficiency						
Sales per employee	145.5	145.5	145.5	145.5	145.5	145.5
EBITDA per employee	14.7	18.4	21.2	20.9	19.2	19.5
No. employees (average)	10,710	11,967	12,397	12,369	12,890	13,276
Balance sheet analysis						
Avg. working capital / sales	31.8%	29.8%	28.2%	27.4%	28.8%	26.3%
Inventory turnover (sales/inventory)	1.9	2.2	2.0	2.2	2.2	2.2
Accounts receivable turnover	9.6	10.3	9.2	10.5	10.5	10.0
Accounts payable turnover	31.9	28.0	24.3	26.0	26.0	29.0
Cash flow analysis						
Free cash flow	102.7	41.0	49.5	192.9	58.2	64.6
Free cash flow/sales	6.6%	2.4%	2.7%	10.7%	3.1%	3.3%
FCF / net profit	neg.	86.1%	68.0%	229.8%	64.3%	68.0%
Capex / sales	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Solvency						
Net debt	518.9	504.1	593.6	416.6	390.7	361.1
Net Debt/EBITDA	3.3	2.3	2.3	1.6	1.6	1.4
Dividend payout ratio	100.0%	59.1%	29.8%	38.9%	39.2%	40.2%
Interest paid / avg. debt	2.5%	2.2%	2.0%	2.9%	3.1%	3.7%
Returns						
ROCE	4.5%	7.5%	11.8%	11.0%	10.4%	10.8%
ROE	-4.0%	6.0%	10.6%	11.0%	11.0%	10.8%
Adjusted FCF yield	2.6%	5.7%	8.0%	11.3%	12.1%	13.3%
Dividend yield	3.5%	4.6%	3.5%	5.3%	5.8%	6.2%
DPS	0.8	1.0	0.8	1.2	1.3	1.4
EPS reported	-1.10	1.74	2.68	3.08	3.32	3.49
Average number of shares	24.5	26.9	26.9	26.9	26.9	26.9
Valuation ratios						
P/BV	0.8	0.8	0.9	0.8	0.8	0.7
EV/sales	0.8	0.8	0.7	0.6	0.5	0.5
EV/EBITDA	8.3	6.5	4.9	4.1	4.1	3.8
EV/EBIT	52.0	12.5	9.7	7.0	6.6	6.1

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

It is essential that any research recommendation is fairly presented and discloses interests of indicates relevant conflicts of interest. Pursuant to section 85 of the German Securities Trading Act (WpHG) a research report has to point out possible conflicts of interest in connection with the analysed company. A conflict of interest is presumed to exist in particular if NuWays AG

- (1) or any other person belonging to the same group with it was part of a consortium within the past twelve months that issued the financial instruments of the analysed company by way of a public offer.
- (2) or any other person belonging to the same group with it has entered into an agreement on the production of the research report with the analysed company.
- (3) or any other person belonging to the same group with it has been party to an agreement on the provision of investment banking services with the analysed company or have received services or a promise of services under the term of such an agreement within the past twelve month.
- (4) The analysed company holds 5% or more of the share capital of NuWays AG.
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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	17.11.2023	Sandherr, Christian	Buy	EUR 34.00	EUR 19.70
	31.07.2023	Sandherr, Christian	Buy	EUR 36.00	EUR 24.35
	11.05.2023	Sandherr, Christian	Buy	EUR 32.00	EUR 27.00
	29.03.2023	Khare, Vaishnavi	Buy	EUR 29.00	EUR 23.20

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