

14 November 2022

BAUER GROUP

Rating Buy
Share price (EUR) 6.76
Target price (EUR) 10.50

Bloomberg B5A GY
Sector Capital Goods

Share data

Shares out (m) 26.1
Daily volume shs (m) 0.0
Free float (%) 33.98
Market cap (EUR m) 176
EV (EUR m) 587
DPS (EUR) 0.00
Dividend yield (%) 0.0
Payout ratio (%) 0.0

Performance

ytd (%) -31.7
12 months (%) -38.4
12 months rel. (%) -7.7
Index Scale

Share price performance



Source: Bloomberg

Next triggers

6 March 2023 – Preliminary FY 22 results

Analysts

Katharina Schmenger – Financial Analyst
T +49 (0) 69 2475049 61
katharina.schmenger@quirinprivatbank.de

Please see final page for important disclaimers and disclosures

Q3 as expected

BAUER reported mixed Q3 2022 results as Total Group Revenues increased by 22% yoy to EUR 465.5m and EBIT significantly decreased by 19% yoy to EUR 7.1m. Main drivers for the weak EBIT development were lower earnings in the Construction segment and a negative contribution to earnings resulted from impairment losses by subsidiaries in Russia. As of 9m 2022 Total Group Revenues increased by 13.7% yoy to EUR 1,306.9m and EBIT decreased by 19.1% yoy to EUR 19.5m. Note that BAUER already adjusted its EBIT guidance in September 2022 and expects EBIT to be significantly lower than in FY 2021 (EUR 36m) and assumes a significant increase of Total Group Revenues in FY 2022. Positively, order backlog increased in all segments and reached EUR 1,561.4m (+23% yoy) as of 9m 2022. We confirm our Buy rating and TP of EUR 10.50.

Results in detail

In Q3 2022 Total Group Revenues improved by 22% to EUR 465.5m, driven by an increase in all segments. Weak earnings in the Construction segment as well as the negative impact from impairment losses by subsidiaries in Russia has led to a significant decrease of EBIT by 19% yoy to EUR 7.1m. While the Equipment segment developed as expected the Construction segment was negatively influenced by an underutilization of capacities in some subsidiaries (Canada, Qatar, USA and Malaysia). Positively, Earnings after taxes improved from EUR -5.9m to EUR 15.9m as of 9m 2022, resulting from a strong financial result because of additional earnings from interest hedging transactions

Q3 2022 und 9m 2022 results

in EURm	Q3 2022	Q3 2021	yoy	9m 2022	9m 2021	yoy
Total Group Revenues	465.5	382.2	22%	1306.9	1149.6	13.7%
EBIT EURm	7.1	8.8	-19%	19.5	24.1	-19.1%
Earnings after taxes	3.5	-0.3	n.m.	15.9	-5.9	n.m.

Source: BAUER, Quirin Privatbank

Capital increase

On 10 Oct. 2022 BAUER announced that it intends to conduct a capital increase to increase the equity base and to improve balance sheet ratios. The plan is to increase the share capital by up to EUR 74,124,374.99 against cash contributions by the issue of up to 17,394,520 new no-nominal-value shares in the form of ordinary shares (with voting rights). The Extraordinary General Meeting will take place on 18 Nov 2022.

Key figures

		2020	2021	2022e	2023e	2024e
Sales	EUR m	1,343	1,433	1,501	1,568	1,623
EBITDA	EUR m	165	153	158	189	211
EBIT	EUR m	56	36	28	67	89
EPS	EUR	-0.49	-0.02	0.42	0.84	1.42
Sales growth	%	n.m.	6.7	4.7	4.5	3.5
EBIT growth	%	64.8	n.m.	n.m.	142.2	33.6
EPS growth	%	n.m.	n.m.	n.m.	98.1	69.6
EBITDA margin	%	12.3	10.7	10.5	12.0	13.0
EBIT margin	%	4.1	2.5	1.8	4.2	5.5
Net margin	%	-0.6	0.0	0.7	1.4	2.3
EV/Sales	ratio	0.55	0.48	0.42	0.26	0.24
EV/EBITDA	ratio	4.5	4.5	4.0	2.1	1.9
EV/EBIT	ratio	13.4	19.2	22.8	6.1	4.4
P/E	ratio	n.m.	n.m.	19.7	10.0	5.9
P/BV	ratio	0.4	0.5	0.4	0.4	0.4
Dividend yield	%	0.0	0.0	0.0	0.0	0.0

Source: Bloomberg, Company data, Quirin Privatbank estimates

Profit & loss statement

Profit & loss statement (EUR m)	2020	YOY	2021	YOY	2022e	YOY	2023e	YOY	2024e	YOY
Sales	1,343.2	-8.7 %	1,433.1	6.7 %	1,500.5	4.7 %	1,568.3	4.5 %	1,623.3	3.5 %
Unfinished Goods	-16.8		5.4		13.0		15.0		17.0	
Other own work capitalized	8.1		15.1		10.0		10.0		4.7	
Other operating earnings	66.8		18.8		10.0		10.0		10.0	
Cost of goods	-626.1		-729.7		-755.0		-796.7		-821.4	
Gross profit	1,401.3		1,472.4		1,533.5		1,603.3		1,655.0	
Personnel expenses	-394.9		-430.4		-445.0		-446.0		-448.0	
Depreciation	-109.7		-117.4		-130.0		-122.0		-122.0	
Other operating expenses	-224.8		-170.1		-185.0		-181.0		-183.6	
EBITDA	165.2	23.1 %	153.5	-7.1 %	157.5	2.6 %	188.6	19.7 %	211.0	11.9 %
EBITDA margin (%)	12.30		10.71		10.50		12.03		13.00	
EBIT	55.5	64.8 %	36.0	-35.1 %	27.5	-23.7 %	66.6	142.2 %	89.0	33.6 %
EBIT margin (%)	4.13		2.51		1.83		4.25		5.48	
Net interest	-39.2		-14.7		10.0		-25.0		-25.0	
Income from Participations	9.8		11.3		9.0		9.0		9.0	
Net financial result	-29.4		-3.5		19.0		-16.0		-16.0	
Exceptional items	0.0		0.0		0.0		0.0		0.0	
Pretax profit	16.3	-244.3 %	21.3	30.3 %	37.5	76.2 %	41.6	10.9 %	64.0	53.8 %
Pretax margin (%)	1.22		1.49		2.50		2.65		3.94	
Taxes	-24.6		-17.3		-22.5		-15.8		-23.0	
Tax rate (%)	150.36		130.00		60.00		38.00		36.00	
Earnings after taxes	-8.2		4.0		15.0		25.8		41.0	
Minorities	0.2		4.6		4.0		4.0		4.0	
Group attributable income	-8.4	-77.4 %	-0.6	-93.3 %	11.0	-2053.8 %	21.8	98.1 %	37.0	69.6 %
No. of shares (m)	18.8		26.1		26.1		26.1		26.1	
Earnings per share (EUR)	-0.49	-77.6 %	-0.02	-95.0 %	0.42	-1828.5 %	0.84	98.1 %	1.42	69.6 %

Source: Company data, Quirin Privatbank estimates

Balance sheet

Balance sheet (EUR m)	2020	YOY	2021	YOY	2022e	YOY	2023e	YOY	2024e	YOY
Assets										
Cash and cash equivalents	46.0		41.3		63.6		56.4		61.3	
Accounts receivables	241.4		243.0		248.0		246.0		242.0	
Inventories	424.6		446.7		456.7		451.7		451.7	
Other current assets	180.5		182.0		182.0		182.0		182.0	
Tax claims	2.4		4.3		4.0		4.0		4.0	
Total current assets	894.9	-4.4 %	917.4	2.5 %	954.4	4.0 %	940.2	-1.5 %	941.1	0.1 %
Fixed assets	452.5		506.4		490.4		508.4		531.4	
Goodwill	0.0		0.0		-15.0		-15.0		-15.0	
Other intangible assets	14.6		15.9		15.9		15.9		15.9	
Financial assets	0.0		0.0		0.0		0.0		0.0	
Deferred taxes	66.9		65.4		65.4		65.4		65.4	
Other fixed assets	115.1		134.4		143.4		152.4		161.4	
Total fixed assets	649.1	-6.3 %	722.1	11.2 %	700.1	-3.0 %	727.1	3.9 %	759.1	4.4 %
Total assets	1,544.0	-5.2 %	1,639.5	6.2 %	1,654.5	0.9 %	1,667.3	0.8 %	1,700.2	2.0 %
Equity & Liabilities										
Subscribed capital	80.3		111.2		111.2		111.2		111.2	
Reserves & other	47.1		91.7		91.7		91.7		91.7	
Revenue reserves	237.4		275.2		275.2		275.2		275.2	
Accumulated other comprehensive	0.0		0.0		11.0		32.8		69.8	
Shareholder's equity	364.7	-4.5 %	478.1	31.1 %	489.1	2.3 %	510.9	4.5 %	547.8	7.2 %
Minorities	0.8		3.0		7.0		11.0		15.0	
Shareholder's equity incl. minorities	365.5	-5.5 %	481.1	31.6 %	496.1	3.1 %	521.9	5.2 %	562.8	7.8 %
Long-term liabilities										
Pension provisions	0.0		0.0		0.0		0.0		0.0	
Financial liabilities	280.5		254.9		258.9		251.9		249.9	
Tax liabilities	20.6		18.4		18.4		18.4		18.4	
Other liabilities	210.9		209.5		209.5		209.5		209.5	
Total long-term debt	512.0	56.5 %	482.8	-5.7 %	486.8	0.8 %	479.8	-1.4 %	477.8	-0.4 %
Short-term debt										
Other provisions	32.9		30.3		30.3		30.3		30.3	
Trade payables	179.6		198.0		198.0		198.0		198.0	
Financial debt	235.3		218.8		214.8		208.8		202.8	
Other liabilities	218.6		228.5		228.5		228.5		228.5	
Total short-term debt	666.4	-27.1 %	675.6	1.4 %	671.6	-0.6 %	665.6	-0.9 %	659.6	-0.9 %
Total equity & liabilities	1,544.0	-5.2 %	1,639.5	6.2 %	1,654.5	0.9 %	1,667.3	0.8 %	1,700.2	2.0 %

Source: Company data, Quirin Privatbank estimates

Financial key ratios

Key ratios	2020	2021	2022e	2023e	2024e
Per share data (EUR)					
EPS	-0.49	-0.02	0.42	0.84	1.42
Book value per share	19.4	18.3	18.7	19.6	21.0
Free cash flow per share	2.1	-4.1	-0.5	0.2	0.5
Dividend per share	0.00	0.00	0.00	0.00	0.00
Valuation ratios					
EV/Sales	0.55	0.48	0.39	0.26	0.24
EV/EBITDA	4.5	4.5	3.7	2.1	1.9
EV/EBIT	13.4	19.2	21.3	6.1	4.4
P/E	n.m.	n.m.	16.0	8.1	4.8
P/B	0.3	0.4	0.4	0.3	0.3
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
Growth					
Sales growth (%)	n.m.	6.7	4.7	4.5	3.5
EBITDA growth (%)	23.1	-7.1	2.6	19.7	11.9
EBIT growth (%)	64.8	n.m.	n.m.	142.2	33.6
EPS growth (%)	n.m.	n.m.	n.m.	98.1	69.6
Profitability ratios					
EBITDA margin (%)	12.3	10.7	10.5	12.0	13.0
EBIT margin (%)	4.1	2.5	1.8	4.2	5.5
Net margin (%)	-0.6	0.0	0.7	1.4	2.3
ROCE (%)	6.3	3.7	2.8	6.6	8.6
Financial ratios					
Total equity (EUR m)	364.7	478.1	489.1	510.9	547.8
Equity ratio (%)	23.6	29.2	29.6	30.6	32.2
Net financial debt (EUR m)	528.8	497.2	475.0	469.2	456.2
Net debt/Equity	0.2	0.3	0.3	0.3	0.3
Interest cover	0.8	0.6	0.3	1.1	1.5
Net debt/EBITDA	3.2	3.2	3.0	2.5	2.2
Payout ratio (%)	0.0	0.0	0.0	0.0	0.0
Working Capital (EUR m)	486.5	491.7	506.7	499.7	495.7
Working capital/Sales	0.36	0.34	0.34	0.32	0.31

Source: Company data, Quirin Privatbank estimates

Legal Disclaimer

This report was completed 14/11/2022 09:57 CET (Delegierte Verordnung 2016/958, Artikel 3 Absatz 1e)

This document has been prepared by Quirin Privatbank AG (hereinafter referred to as „the Bank“). This document does not claim completeness regarding all the information on the stocks, stock markets or developments referred to in it. On no account should the document be regarded as a substitute for the recipient procuring information for himself/herself or exercising his/her own judgments.

The document has been produced for information purposes for institutional clients or market professionals. Private customers, into whose possession this document comes, should discuss possible investment decisions with their customer service officer as differing views and opinions may exist with regard to the stocks referred to in this document.

This document is not a solicitation or an offer to buy or sell the mentioned stock.

The document may include certain descriptions, statements, estimates, and conclusions underlining potential market and company development. These reflect assumptions, which may turn out to be incorrect. The Bank and/or its employees accept no liability whatsoever for any direct or consequential loss or damages of any kind arising out of the use of this document or any part of its content.

Any forecasts or price targets shown for companies discussed in this document may not be achieved due to multiple risk factors including without limitation market volatility, sector volatility, corporate actions, the unavailability of complete and accurate information. For investments in foreign markets and instruments there are further risks, generally based on changes in economic and political environment, changes in financial conditions of the relevant company, on exchange rate changes, etc.

The Bank and/or its employees may hold, buy or sell positions in any securities mentioned in this document, derivatives thereon or related financial products. The Bank and/or its employees may underwrite issues for any securities mentioned in this document, derivatives thereon or related financial products or seek to perform capital market or underwriting services.

The Bank reserves all the rights in this document.

The preparation of this document is subject to regulation by German Law.

Remarks regarding to U.K. clients: Distribution of this material in the U.K. is governed by the FSA Rules. This Report is intended only for distribution to Professional Clients or Eligible Counterparties (as defined under the rules of the FSA) and is not directed at Retail Clients (as defined under the rules of the FSA).

Disclosures in respect of section 85 of the German Securities Trading Act, the market abuse regulation and the Commission Delegated Regulation (EU) 2016/958

Section 85 of the German Securities Trading Act in combination with the European regulations requires an enterprise preparing a securities analyses to point possible conflicts of interest with respect to the company that is the subject of the analyses. Catalogue of potential conflicts of interest:

1. The Bank and/or its affiliate(s) own a net long or short position exceeding the threshold of 0,5% of the total issued share capital of the company that is the subject of the Research Document, calculated in accordance with Article 3 of regulation (EU) No 236/2012 and with Chapter III and IV of Commission Delegated Regulation (EU) No 918/2012
2. The company that is the subject of the Research Document owns 5% or more in the total issued share capital of the Bank and/or its affiliate(s)
3. The Bank and/or its affiliate(s) was Lead Manager or Co-Lead Manager over the previous 12 months of a public offering of analyzed company
4. The Bank and/or its affiliate(s) act as Market Maker or Designated Sponsor for the analyzed company
5. The Bank and/or its affiliate(s) over the previous 12 months has been providing investment banking services for the analyzed company for which a compensation has been or will be paid
6. The responsible analyst named in this report disclosed a draft of the analysis set forth in this Research Document to the company that is the subject of this Research Document for fact reviewing purposes and changes were made to this Research Document before publication
7. The Bank and/or its affiliate(s) effected an agreement with the analyzed company for the preparation of the financial analysis
8. The Bank and/or its affiliate(s) holds a trading position in shares of the analyzed company
9. The Bank and/or its affiliate(s) has other important financial interests in relation to the analyzed company

In relation to the security or financial instrument discussed in this analyses the following possible conflict of interest exists: (7)

The Bank have set up effective organizational administrative arrangements to prevent and avoid possible conflicts of interest and, where applicable, to disclose them. The Quirin research analysts involved in issuing research reports operate independently of Quirin Investment Banking business. Information barriers and procedures are in place between the research analysts and staff involved in securities trading for the account of Quirin or clients to ensure the price sensitive information is treated according to applicable laws and regulations.

The valuation underlying the rating of the company analyzed in this report is based on generally accepted and widely used methods of fundamental valuation, such as the DCF model, Free Cash Flow Value Potential, peer group comparison and – where applicable – a sum-of-the-parts model.

We do not commit ourselves in advance to whether and in which intervals an update is made. The document and the recommendation and the estimations contained therein are not linked – whether directly or indirectly – to the compensation of the analyst responsible for the document.

All share prices given in this equity analysis are closing prices from the last trading day before the publication date stated, unless another point in time is explicitly stated.

The rating in this report are based on the analyst's expectation of the absolute change in stock price over a period of 6 to 12 months and reflect the analyst's view of the potential for change in stock price as a percentage. The BUY and SELL ratings reflect the analyst's expected high change in the value of the stock.

The levels of change expressed in each rating categories are:

BUY > +10%

HOLD <=-10% and < = +10%

SELL > -10%.

Analyst certification

Katharina Schmenger, financial analyst, hereby certifies that all of the views expressed in this report accurately reflect my personal views about any and all of the subject securities or issuers discussed herein. In addition, I hereby certify that no part of my compensation was, is, or will be, directly or indirectly related to the specific recommendations or views expressed in this research report, nor is it tied to any specific investment banking transaction performed by the Bank or its affiliates.

Price and Rating History (last 12 months)

Date	Price target-EUR	Rating	Initiation
14.11.2022	10.50	Buy	
14.09.2022	10.50	Buy	
11.08.2022	12.00	Buy	
12.05.2022	13.00	Buy	
08.04.2022	13.00	Buy	
07.03.2022	13.00	Buy	
23.02.2022	13.00	Buy	23.02.2022

Bank distribution of ratings and in proportion to investment banking services can be found on the internet at the following address:

<https://www.quirinprivatbank.de/kapitalmarktgeschaeft/institutionelles-research>

Bank disclosures, conflict of interest on complete list of financial analysis on the last 12 month can be found on the internet at the following address:

<https://research.quirinprivatbank.de/content/disclosures>

Competent supervisory authority

Bundesanstalt für Finanzdienstleistungsaufsicht - BaFin – (Federal Financial Supervisory Authority), Graurheindorfer Str. 108 , 53117 Bonn

Contact Quirin Privatbank AG Frankfurt am Main

Schillerhaus / Schillerstraße 20 / 60313 Frankfurt am Main

Management Board: Karl Matthäus Schmidt • Johannes Eismann •

Contact Details

Quirin Privatbank AG

Schillerhaus | Schillerstrasse 20 | 60313 Frankfurt am Main

Tel.: +49 69 2 47 50 49-0 | Fax: +49 69 2 47 50 49-44 | Institutional-Sales-FFM@quirinprivatbank.de

Equity Research	Tel.	Email
Klaus Soer	+49 (0) 69 2475049-27	klaus.soer@quirinprivatbank.de
Ralf Marinoni	+49 (0) 69 2475049-24	ralf.marinoni@quirinprivatbank.de
Sebastian Droste	+49 (0) 69 2475049-26	sebastian.droste@quirinprivatbank.de
Daniel Kukalj	+49 (0) 69 2475049-28	daniel.kukalj@quirinprivatbank.de
Katharina Schmenger	+49 (0) 69 2475049-61	katharina.schmenger@quirinprivatbank.de

Equity Sales	Tel.	Email
Klaus Korzilius	+49 (0) 69 2475049-25	klaus.korzilius@quirinprivatbank.de
Oliver Mattick	+49 (0) 69 2475049-74	oliver.mattick@quirinprivatbank.de
Klaus Messenzehl	+49 (0) 69 2475049-46	klaus.messenzehl@quirinprivatbank.de
Bruno de Lencquesaing	+49 (0) 69 2475049-81	bruno.delencquesaing@quirinprivatbank.de
Tina Heidenreich	+49 (0) 69 2475049-73	tina.heidenreich@quirinprivatbank.de

Fixed Income Sales	Tel.	Email
Jürgen Raabe	+49 (0) 69 2475049-41	juergen.raabe@quirinprivatbank.de
Janine Kaiser	+49 (0) 69 24750 49-83	janine.kaiser@quirinprivatbank.de
Michael Laufenberg	+49 (0) 69 2475049-48	michael.laufenberg@quirinprivatbank.de
Roman Piroutek	+49 (0) 69 2475049-47	roman.piroutek@quirinprivatbank.de

Trading / Sales Trading	Tel.	Email
Jean-Marie Frémion	+49 (0) 69 2475049-90	jean-marie.fremion@quirinprivatbank.de
Lars Haussmann	+49 (0) 69 2475049-76	lars.haussmann@quirinprivatbank.de
Peter Rumstich	+49 (0) 69 2475049-65	peter.rumstich@quirinprivatbank.de
Carsten Pfersdorf	+49 (0) 69 2475049-75	carsten.pfersdorf@quirinprivatbank.de

Business Support	Tel.	Email
Suganya Sutharsan	+49 (0) 69 2475049-88	suganya.sutharsan@quirinprivatbank.de