

7 December 2022

BAUER GROUP

Rating **Buy (Buy)**
 Share price (EUR) **6.76**
 Target price (EUR) **8.00 (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 (%) -32.1
 12 months rel. (%) -6.0
 Index SDAX

Share price performance



Source: Bloomberg

Next triggers

6 March 2023 – Preliminary FY 2022 results

Analysts

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Second profit warning

After having reduced its 2022e EBIT guidance in September BAUER adjusted its forecast again. BAUER now expects to reach an EBIT in the range of between EUR -65m and EUR -90m. Main reasons were the impairment of assets and the winding up of subsidiaries. The negative EBIT impact should be in the range of between EUR 80m and EUR 105m. Bauer has left its forecast for Total Group Revenues unchanged. We have updated our estimates and now forecast an EBIT of EUR -83m for 2022e and left our 2023e and 2024e estimates unchanged. We confirm our Buy rating with a new TP of EUR 8.00. We have taken into account the current market environment that is characterized by a high inflation rate and rising interest rates.

Profit warning in detail

On the back of the changed interest rate environment with rising interest rates weighted average cost of capital (WACC) has also increased. Thus there is an impairment need on non-current assets and current assets at the end of the year. The negative impact on EBIT should be in the range of between EUR 55m and EUR 70m. BAUER also decided to sell or wind up further subsidiaries which have negatively contributed to the company's earnings in recent years. This includes the well drilling company of the Resources segment in Jordan. The negative EBIT impact should be EUR 25m-35m. Note that the explained measures relate to the portfolio streamlining to focus on the core business.

Further details to the planned capital increase

The shareholder structure is expected to change post the planned capital increase as the major shareholder BAUER Family (stake of 36%) will not exercise its subscription rights in the course of the capital increase. SD Thesaurus GmbH plans to acquire all new shares that are not purchased by other company shareholders up to EUR 70m. Doblinger Beteiligung GmbH which currently holds a stake of nearly 30% will participate in the capital increase to a significant extent. The capital increase will be @6.00 EUR and the net proceeds of up to EUR 103.9m will be used to repay financial debt. Note that the capital increase will be earnings dilutive. Our estimates do not include the planned capital increase.

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	-83	67	89
EPS	EUR	-0.49	-0.02	-4.60	0.84	1.42
Sales growth	%	n.m.	6.7	4.7	4.5	3.5
EBIT growth	%	64.8	n.m.	n.m.	n.m.	33.6
EPS growth	%	n.m.	n.m.	n.m.	n.m.	69.6
EBITDA margin	%	12.3	10.7	10.5	12.0	13.0
EBIT margin	%	4.1	2.5	-5.5	4.2	5.5
Net margin	%	-0.6	0.0	-8.0	1.4	2.3
EV/Sales	ratio	0.55	0.48	0.40	0.27	0.25
EV/EBITDA	ratio	4.5	4.5	3.9	2.3	2.0
EV/EBIT	ratio	13.4	19.2	-7.4	6.4	4.6
P/E	ratio	n.m.	n.m.	n.m.	8.1	4.8
P/BV	ratio	0.3	0.4	0.5	0.5	0.4
Dividend yield	%	0.0	0.0	0.0	0.0	0.0

Source: Bloomberg, Company data, Quirin Privatbank estimates

Valuation

Discounted Cash flow model

We have derived a target price of EUR 8.00 from a DCF model valuation. The key parameters of the model are as follows:

- Driven by an expected recovery of the Construction and Equipment segment we expect high Sales growth in 2022e and 2023e which should stabilize to 2.8% in 2031e.
- We forecast EBIT margin to further improve reaching 6.8% from 2031e onwards.
- CAPEX as a % of sales is expected to decrease from 9.0% in 2022e to 7.6% in 2031e.
- Tax rate is expected to be 36% from 2024e onwards.
- Our terminal value is based on the assumption of a growth rate of 0.9% consistently.
- We calculated a WACC of around 8.39% (Equity ratio: 70%; financial debt cost: 5.5% and company beta: 1.2). The model results to an equity value of c. 209m (EUR 8.00 per share).

New TP of EUR 8.00

DCF model for BAUER

(EUR m)	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	TV
Sales	1,501	1,568	1,623	1,680	1,737	1,795	1,852	1,909	1,967	2,022	
growth yoy	4.7%	4.5%	3.5%	3.5%	3.4%	3.3%	3.2%	3.1%	3.0%	2.8%	
EBIT	-83	67	89	93	107	111	120	124	131	138	
EBIT margin	n.m.	4.2%	5.5%	5.5%	6.2%	6.2%	6.5%	6.5%	6.7%	6.8%	
Taxes	-49.5	-25.3	-32.0	-33.5	-38.5	-40.0	-43.4	-44.8	-47.3	-49.8	
Tax rate	60%	38%	36%	36%	36%	36%	36%	36%	36%	36%	
Depreciation	240.0	122.0	122.0	126.0	131.2	135.9	140.5	145.0	149.4	153.7	
% of sales	16.0%	7.8%	7.5%	7.5%	7.6%	7.6%	7.6%	7.6%	7.6%	7.6%	
Capex	-135.0	-140.0	-145.0	-138.9	-137.8	-139.4	-142.3	-145.9	-149.9	-153.7	
% of sales	9.0%	8.9%	8.9%	8.3%	7.9%	7.8%	7.7%	7.6%	7.6%	7.6%	
Δ NWC	-15.0	7.0	4.0	-3.4	-3.5	-3.6	-3.7	-3.8	-3.9	-4.0	
% of sales	1.0%	-0.4%	-0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	
FCF	-42.0	30.3	38.0	43.3	58.4	64.1	71.6	74.9	79.6	84.5	1,145.8
growth yoy	nm	nm	25.3%	14.1%	34.7%	9.8%	11.7%	4.7%	6.2%	6.2%	0.9%
PV FCF	-41.8	27.8	32.1	33.8	42.1	42.6	43.9	42.4	41.6	40.7	552.1

PV Forecast Period	305
PV Terminal Value	552

Enterprise value	857
- Net Debt / Net Cash	496
- Pension Provisions	152
Equity value	209
Number of shares	26.1
Value per share (€)	8.0

Sensitivity Analysis	Terminal growth rate				
	-0.1%	0.4%	0.9%	1.4%	1.9%
7.55%	9.42	11.09	13.01	15.24	17.87
7.97%	7.26	8.71	10.36	12.26	14.48
WACC 8.39%	5.33	6.59	8.02	9.65	11.54
8.80%	3.58	4.68	5.93	7.34	8.96
9.22%	1.99	2.96	4.06	5.29	6.69

Risk free rate	3.5%	Equity ratio	70%
Cost of debt	5.5%	Company beta	1.2
Market Premium	6.0%	WACC	8.39%

Source: Quirin Privatbank

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	n.a.		n.a.		n.a.		n.a.		n.a.	
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 %	-82.5	-329.0 %	66.6	-180.7 %	89.0	33.6 %
EBIT margin (%)	4.13		2.51		-5.50		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 %	-72.5	-440.7 %	41.6	-157.4 %	64.0	53.8 %
Pretax margin (%)	1.22		1.49		-4.83		2.65		3.94	
Taxes	-24.6		-17.3		-43.5		-15.8		-23.0	
Tax rate (%)	150.36		130.00		60.00		38.00		36.00	
Earnings after taxes	-8.2		4.0		-116.0		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 %	-120.0	21214.4 %	21.8	-118.2 %	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 %	-4.60	18756.6 %	0.84	-118.2 %	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		42.6		35.4		40.3	
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 %	933.4	1.7 %	919.2	-1.5 %	920.1	0.1 %
Fixed assets	452.5		506.4		380.4		398.4		421.4	
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 %	590.1	-18.3 %	617.1	4.6 %	649.1	5.2 %
Total assets	1,544.0	-5.2 %	1,639.5	6.2 %	1,523.5	-7.1 %	1,536.3	0.8 %	1,569.2	2.1 %
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		-120.0		-98.2		-61.2	
Shareholder's equity	364.7	-4.5 %	478.1	31.1 %	358.1	-25.1 %	379.9	6.1 %	416.8	9.7 %
Minorities	0.8		3.0		7.0		11.0		15.0	
Shareholder's equity incl. minorities	365.5	-5.5 %	481.1	31.6 %	365.1	-24.1 %	390.9	7.1 %	431.8	10.5 %
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 %	1,523.5	-7.1 %	1,536.3	0.8 %	1,569.2	2.1 %

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	-4.60	0.84	1.42
Book value per share	19.4	18.3	13.7	14.6	16.0
Free cash flow per share	2.1	-4.1	-1.3	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	0.40	0.27	0.25
EV/EBITDA	4.5	4.5	3.9	2.3	2.0
EV/EBIT	13.4	19.2	-7.4	6.4	4.6
P/E	n.m.	n.m.	n.m.	8.1	4.8
P/B	0.3	0.4	0.5	0.5	0.4
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	-35.1	n.m.	n.m.	33.6
EPS growth (%)	n.m.	n.m.	n.m.	n.m.	69.6
Profitability ratios					
EBITDA margin (%)	12.3	10.7	10.5	12.0	13.0
EBIT margin (%)	4.1	2.5	n.m.	4.2	5.5
Net margin (%)	-0.6	0.0	n.m.	1.4	2.3
ROCE (%)	6.3	3.7	n.m.	7.6	9.8
Financial ratios					
Total equity (EUR m)	364.7	478.1	358.1	379.9	416.8
Equity ratio (%)	23.6	29.2	23.5	24.7	26.6
Net financial debt (EUR m)	528.8	497.2	496.0	490.2	477.2
Net debt/Equity	0.2	0.3	0.2	0.2	0.3
Interest cover	0.8	0.6	-1.0	1.1	1.5
Net debt/EBITDA	3.2	3.2	3.1	2.6	2.3
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

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The levels of change expressed in each rating categories are:

BUY > +10%

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

SELL > -10%.

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Price and Rating History (last 12 months)

Date	Price target-EUR	Rating	Initiation
07.12.2022	8.00	Buy	
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

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Competent supervisory authority

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