

26 July 2023

Closing prices as of 25/07/23: €16.00

Company / Sector	Fair Value	Recommendation
<b>Basler AG</b>	<b>€14.1</b>	<b>Neutral</b>
Technology	(€18.8)	(unchanged)

## Weak market and restructuring burden H2

### Share price performance



### Share data

Reuters	BSLG.DE
Bloomberg	BSL.GY
No. of shares (m)	29.89
Monthly volume	12,056
Free float	27.0%
Market cap. (m)	478.9
EV (m)	511.6

Valuation	2023e	2024e
EV/Sales	2.5	2.3
EV/ EBITDA	-169.6	15.8
EV/EBIT	-25.8	34.0
PER	-32.5	46.5
Div. yield	-0.9%	0.6%
RoCE	-10.6%	7.8%
RoE	-12.0%	7.5%

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### Investment case

**Profiting more than a decade from strong growth in China and automation trends, Basler now has to cope with a considerable slack in its most important region and even more so its vertical markets. The company had to switch fast from expansion to consolidation mode and H2 23 will be burdened by a weak top line and high costs. As the worst is yet to come and there are no signs for any improvement it is too early to bet on recovery.**

#### ➤ Q2 ORDER INTAKE COLLAPSES

While preliminary Q2 sales of €60m/-7% were in line with our expectation and EBIT q-o-q improved to €1.8m (after €-1.6m in Q1) order intake declined drastically to €39.9m/-44% (e: €67m/-5%) as a result of continued weak demand in Asia and North America which could not be compensated by the solid demand in Europe.

#### ➤ MGMT HAS STARTED RESTRUCTURING PROGRAM

As Europe now also shows signs of weakening mgmt. has initiated a restructuring program that includes the reduction of approx. 200 full-time equivalents. The program is expected to cost €11-13m.

#### ➤ ...AND ISSUED A PROFIT WARNING

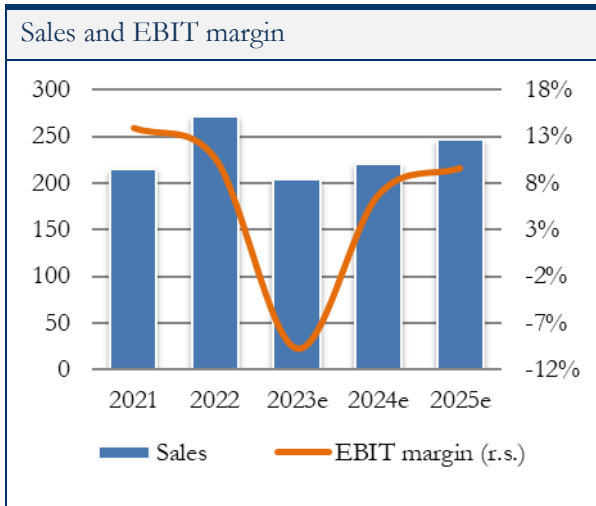
2023 sales are now expected to be in the range of €200-215m and EBIT should show a loss of €12-20m. This includes the costs for the restructuring program of which most are planned to be booked in Q3 23. The restructuring shall be finalized by the end of the year.

#### ➤ OUR FAIR VALUE COMES DOWN TO €14.1

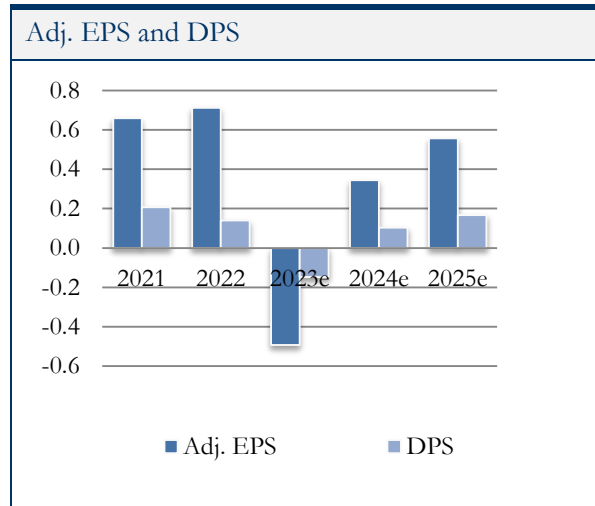
We lower our FY23 sales forecast to €204m/-25% and our EBIT forecast to €-19.8m. For FY24 we anticipate moderate growth and a return to profitability as a result of the initiated cost savings.

For additional disclosures please refer to the appendix

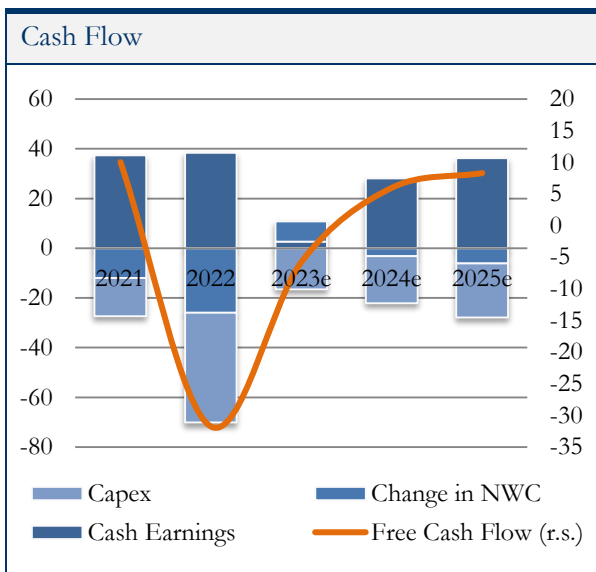
Forecasts	2020	2021	2022e	2023e	2024e
Sales (€m)	170.5	214.7	272.2	204.1	220.4
EBITDA (€m)	34.6	46.2	45.9	-3.0	32.1
EBIT (€m)	20.1	30.0	29.1	-19.8	15.0
EPS (€)	0.48	0.66	0.71	-0.49	0.34
Dividend (€)	0.19	0.21	0.14	-0.15	0.10
Oper. CF (€m)	37.3	25.3	12.4	10.8	25.0
Free CF (€m)	14.0	10.0	-31.7	-5.8	6.0



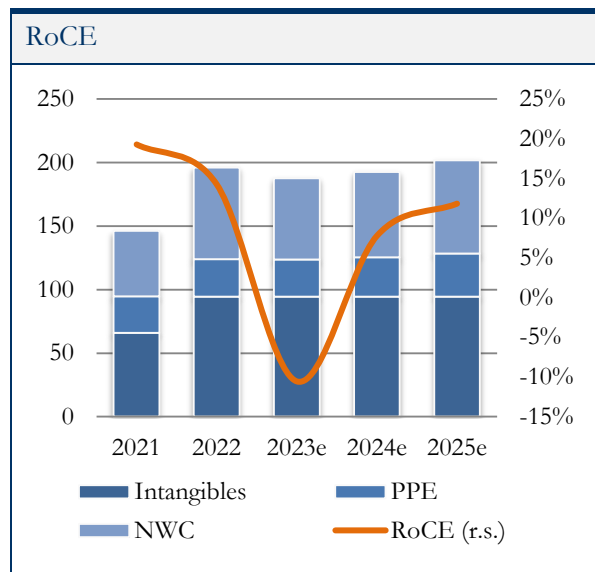
In EURm



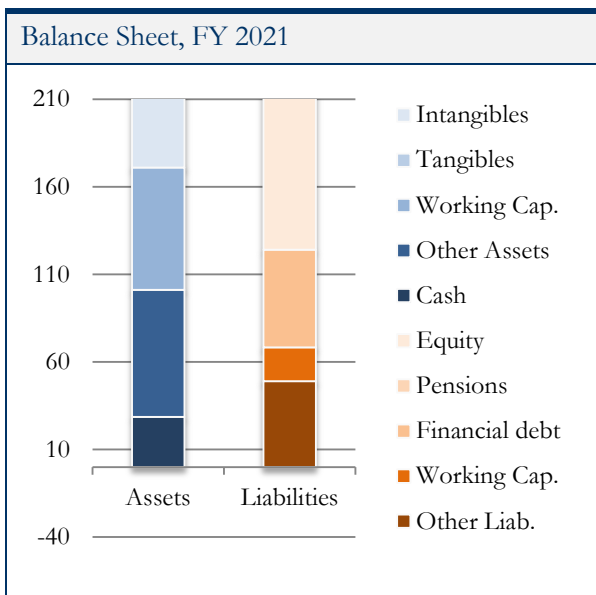
In EUR, adj. for bonus shares



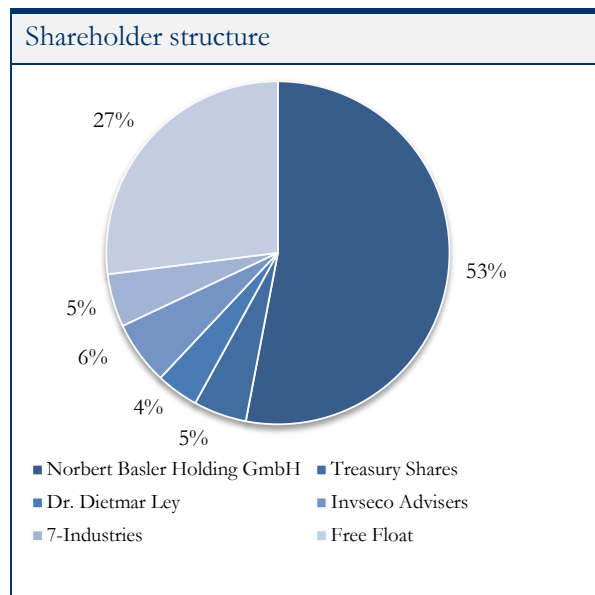
In EURm



In EURm



In EURm



P & L					
EURm	2021	2022	2023e	2024e	2025e
<b>Sales</b>	<b>214.7</b>	<b>272.2</b>	<b>204.1</b>	<b>220.4</b>	<b>246.8</b>
<i>Growth</i>	<i>26.0%</i>	<i>26.8%</i>	<i>-25.0%</i>	<i>8.0%</i>	<i>12.0%</i>
Cost of sales	-102.5	-140.4	-110.2	-112.4	-122.2
<b>Gross profit</b>	<b>112.2</b>	<b>131.8</b>	<b>93.9</b>	<b>108.0</b>	<b>124.6</b>
<i>Gross margin</i>	<i>52.3%</i>	<i>48.4%</i>	<i>46.0%</i>	<i>49.0%</i>	<i>50.5%</i>
Other operating costs	-66.1	-85.9	-96.9	-75.9	-82.0
<b>EBITDA</b>	<b>46.2</b>	<b>45.9</b>	<b>-3.0</b>	<b>32.1</b>	<b>42.7</b>
<i>Margin</i>	<i>21.5%</i>	<i>16.9%</i>	<i>-1.5%</i>	<i>14.6%</i>	<i>17.3%</i>
Depreciation	-16.2	-16.8	-16.8	-17.1	-18.8
<b>EBIT</b>	<b>30.0</b>	<b>29.1</b>	<b>-19.8</b>	<b>15.0</b>	<b>23.8</b>
<i>Margin</i>	<i>14.0%</i>	<i>10.7%</i>	<i>-9.7%</i>	<i>6.8%</i>	<i>9.7%</i>
Financial result	-0.4	-0.6	-0.6	-0.7	-0.7
<b>EBT</b>	<b>29.6</b>	<b>28.5</b>	<b>-20.5</b>	<b>14.3</b>	<b>23.2</b>
Taxes	-7.2	-7.0	5.7	-4.0	-6.5
Net profit	20.8	21.4	-14.7	10.3	16.7
Minorities	0.0	0.0	0.0	0.0	0.0
<b>Net profit a.m.</b>	<b>20.8</b>	<b>21.4</b>	<b>-14.7</b>	<b>10.3</b>	<b>16.7</b>
<i>Growth</i>	<i>37.4%</i>	<i>2.9%</i>	<i>-168.9%</i>	<i>-170.0%</i>	<i>61.9%</i>
No of shares	10.0	30.0	29.9	29.9	29.9
EPS	2.08	0.71	-0.49	0.34	0.56
<b>Adj. EPS</b>	<b>0.66</b>	<b>0.71</b>	<b>-0.49</b>	<b>0.34</b>	<b>0.56</b>
<i>Growth</i>	<i>37.5%</i>	<i>7.9%</i>	<i>-169.1%</i>	<i>-170.0%</i>	<i>61.9%</i>
Dividend	0.21	0.14	-0.15	0.10	0.17

2021 adj. EPS include bonus shares

Cash Flow					
EURm	2021	2022	2023e	2024e	2025e
<b>EBIT</b>	<b>28.4</b>	<b>28.9</b>	<b>-19.8</b>	<b>15.0</b>	<b>23.8</b>
Depreciation	16.2	16.8	16.8	17.1	18.8
Other non-cash items	0.0	-0.4	0.0	0.0	0.0
Cash taxes	-7.2	-7.0	5.7	-4.0	-6.5
Cash earnings	37.3	38.4	2.7	28.1	36.2
Change in NWC	-12.0	-25.9	8.1	-3.1	-6.1
<b>CF from operations</b>	<b>25.3</b>	<b>12.4</b>	<b>10.8</b>	<b>25.0</b>	<b>30.1</b>
Capex	-15.7	-30.0	-16.5	-19.0	-21.8
Other investments/divestments	0.4	-14.2	0.0	0.0	0.0
<b>CF from investing activities</b>	<b>-15.3</b>	<b>-44.2</b>	<b>-16.5</b>	<b>-19.0</b>	<b>-21.8</b>
<b>CF from fin. and other act.</b>	<b>-3.1</b>	<b>5.7</b>	<b>10.1</b>	<b>-4.0</b>	<b>1.7</b>
<b>Change in cash</b>	<b>7.0</b>	<b>-26.1</b>	<b>4.3</b>	<b>2.0</b>	<b>10.0</b>

Valuation multiples					
	2021	2022	2023e	2024e	2025e
Share price	158.8	23.0	16.0	16.0	16.0
x No of shares	10.0	29.9	29.9	29.9	29.9
<b>Market Capitalisation</b>	<b>1,585.9</b>	<b>687.5</b>	<b>478.9</b>	<b>478.9</b>	<b>478.9</b>
+ Net financial debt	-9.3	27.0	32.7	29.7	20.2
+ Pension provision	0.0	0.0	0.0	0.0	0.0
+ Minorities	0.0	0.0	0.0	0.0	0.0
- Participations	0.0	0.0	0.0	0.0	0.0
<b>Enterprise Value</b>	<b>1,490.0</b>	<b>908.8</b>	<b>511.6</b>	<b>508.6</b>	<b>499.0</b>
Sales	214.7	272.2	204.1	220.4	246.8
Adj. EBITDA	46.2	45.8	-3.0	32.1	42.7
Adj. EBIT	28.4	28.9	-19.8	15.0	23.8
Adj. Net profit a.m.	20.8	21.4	-14.7	10.3	16.7
EV / Sales	6.9	3.3	2.5	2.3	2.0
EV / EBITDA	32.3	19.9	-169.6	15.8	11.7
EV / EBIT	52.5	31.4	-25.8	34.0	20.9
PE	72.2	41.3	-32.5	46.5	28.7

Source: Matelan Research

Balance Sheet					
EURm	2021	2022	2023e	2024e	2025e
Intangible assets	66.0	94.5	94.5	94.5	94.5
Tangible assets	28.7	29.4	29.1	30.9	33.9
Participations	0.0	0.0	0.0	0.0	0.0
Other non-current assets	0.8	7.0	0.0	0.0	0.0
<b>Non-current assets</b>	<b>95.5</b>	<b>130.9</b>	<b>123.6</b>	<b>125.5</b>	<b>128.5</b>
Inventories	37.1	50.3	42.7	45.2	49.6
Receivables	33.3	41.2	35.9	37.7	41.3
Cash	54.8	28.7	33.0	35.0	45.0
Other current assets	6.5	14.4	19.8	16.6	15.7
<b>Current Assets</b>	<b>131.8</b>	<b>134.6</b>	<b>131.4</b>	<b>134.5</b>	<b>151.5</b>
<b>Total assets</b>	<b>227.3</b>	<b>265.5</b>	<b>255.0</b>	<b>260.0</b>	<b>280.0</b>
Equity	128.7	141.5	122.6	137.3	150.9
Minorities	0.0	0.0	0.0	0.0	0.0
<b>Total equity</b>	<b>128.7</b>	<b>141.5</b>	<b>122.6</b>	<b>137.3</b>	<b>150.9</b>
Long-term fin. liab.	41.4	51.7	61.7	60.7	61.1
Pension provisions	0.0	0.0	0.0	0.0	0.0
Other long-term liab.	11.0	26.5	34.0	31.0	32.3
<b>Non-current liabilities</b>	<b>52.4</b>	<b>78.1</b>	<b>95.7</b>	<b>91.7</b>	<b>93.4</b>
Short-term fin. liab.	4.1	4.0	4.0	4.0	4.0
Payables	18.8	19.4	14.6	15.7	17.6
Other short-term liab.	23.2	22.5	18.2	11.3	14.1
<b>Current liabilities</b>	<b>46.2</b>	<b>45.9</b>	<b>36.7</b>	<b>31.0</b>	<b>35.7</b>
<b>Total liabilities</b>	<b>227.3</b>	<b>265.5</b>	<b>255.0</b>	<b>260.0</b>	<b>280.0</b>

Segments					
EURm	2021	2022	2023e	2024e	2025e
EMEA	61.4	78.9	86.8	90.3	99.3
<i>Change</i>	<i>23.9%</i>	<i>28.5%</i>	<i>10.0%</i>	<i>4.0%</i>	<i>10.0%</i>
America	31.5	47.9	38.3	40.6	44.6
<i>Change</i>	<i>21.1%</i>	<i>51.7%</i>	<i>-20.0%</i>	<i>6.0%</i>	<i>10.0%</i>
Asia	121.8	145.4	79.0	89.5	102.9
<i>Change</i>	<i>0.0%</i>	<i>19.4%</i>	<i>-45.7%</i>	<i>13.4%</i>	<i>14.9%</i>
<b>Sales</b>	<b>214.7</b>	<b>272.2</b>	<b>204.1</b>	<b>220.4</b>	<b>246.8</b>

Key operational indicators					
	2021	2022	2023e	2024e	2025e
Equity ratio	56.6%	53.3%	48.1%	52.8%	53.9%
Gearing	0.4	0.4	0.5	0.5	0.4
Asset turnover	2.2	2.1	1.7	1.8	1.9
NWC / sales	24.0%	26.5%	31.4%	30.5%	29.7%
Payable days outstanding	32.0	26.0	26.0	26.0	26.0
Receivable days outstand.	56.6	55.2	64.2	62.5	61.0
Fix operating assets	95.5	130.9	123.6	125.5	128.5
NWC	51.6	72.1	64.1	67.2	73.2
Capital employed	147.1	203.0	187.7	192.7	201.7
RoE	16.1%	15.1%	-12.0%	7.5%	11.1%
RoA	12.5%	10.9%	-7.8%	5.8%	8.5%
RoCE	19.3%	14.2%	-10.6%	7.8%	11.8%
Gross margin	52.3%	48.4%	46.0%	49.0%	50.5%
EBITDA margin	21.5%	16.8%	-1.5%	14.6%	17.3%
EBIT margin	13.2%	10.6%	-9.7%	6.8%	9.7%
Net profit margin	9.7%	7.8%	-7.2%	4.7%	6.8%

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Date	Rating
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25/03/20	Buy
13/05/19	Neutral
25/03/19	Buy
28/03/18	Neutral
09/11/17	Reduce

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