

04 August 2022

Closing prices as of 04/08/22: €33.25

Company / Sector	Fair Value	Recommendation
Basler AG	€34.7	Neutral
Technology	(€37.8)	(unchanged)

Q2: Weakness in China weighs on gross margin

Share price performance



Share data

Reuters	BSLG.DE
Bloomberg	BSL.GY
No. of shares (m)	31.50
Monthly volume	12
Free float	38.0%
Market cap. (m)	918.7
EV (m)	908.5

Valuation	2022e	2023e
EV/Sales	4.1	3.5
EV/EBITDA	21.8	18.5
EV/EBIT	35.0	28.7
PER	49.1	40.8
Div. Yield	0.6%	0.7%
RoCE	16.2%	18.1%
RoE	14.8%	15.8%

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Investment case

Sales growth in Q2 slowed to +6%, earnings decreased by 27%, and order entry started normalizing (-25%). However, as a result of the strong Q1 and the still strong order backlog Basler is still on track to meet our FY2022 forecasts. We do not change our estimates but raise the cost of capital in our DCF model in order to reflect the increasing interest environment. Our fair value comes down to €34.7 leaving the share fairly valued at the current share price. Our rating remains Neutral.

➤ MULTIPLE EFFECTS WEIGH ON PROFITABILITY

While Q2 sales growth slowed down (+6% after 21% in Q1) due to the ongoing shortage of components, gross margin remained substantially below Q1's (47.6% after 50.2%) as next to high spot prices for components, M&A effects from the Korea acquisition and a change of the country mix had an adverse effect. The latter was a consequence of a 25% decrease of the high margin business in China which was substituted by lower margin business from the Korea acquisition. As a result, gross profit decreased by 7%. Higher OPEX due to the ongoing business expansion additionally reduced net income (€11.5m/-27%).

➤ ORDER ENTRY STARTED NORMALIZING

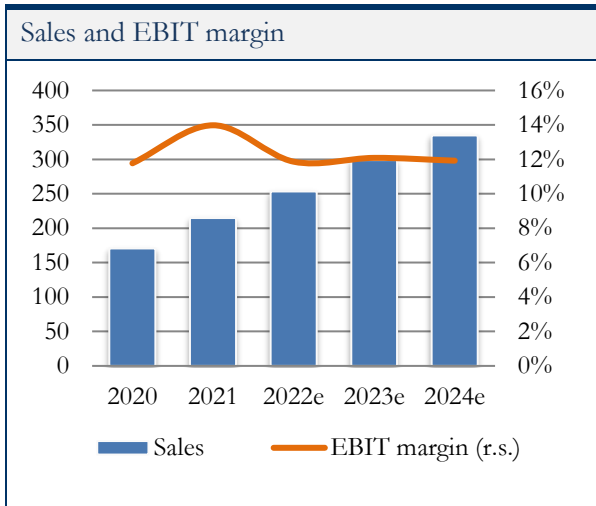
Q2 order entry (€64m/-25%) started normalizing but with approx. €145m the order backlog remained high. OCF (Q2 22 €-0.9m) again reflected the higher needs for WC.

➤ MGMT REITERATES FY2022 TARGETS

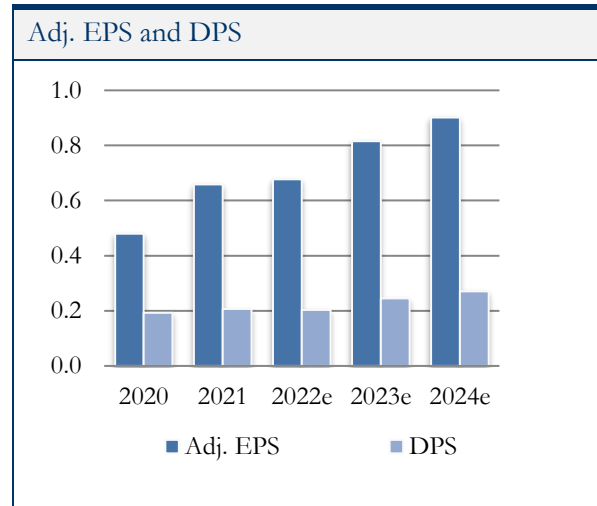
Mgmt reiterates FY22 sales (€235-265m (+9%- +23%)) and EBT margin (9-12%) targets stating that the continued chip shortage remained the limiting factor of order processing.

For additional disclosures please refer to the appendix

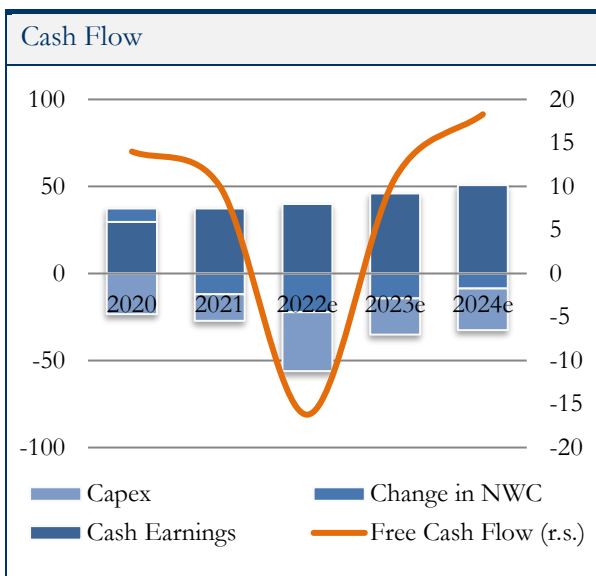
Forecasts	2019	2020	2021e	2022e	2023e
Sales (€m)	162.0	170.5	214.7	253.4	299.0
EBITDA (€m)	30.0	34.6	46.2	48.2	56.1
EBIT (€m)	17.0	20.1	30.0	30.1	36.1
EPS (€)	0.41	0.48	0.66	0.68	0.82
Dividend (€)	0.09	0.19	0.21	0.20	0.24
Oper. CF (€m)	24.7	37.3	25.3	20.6	32.3
Free CF (€m)	-9.6	14.0	10.0	-13.2	11.5



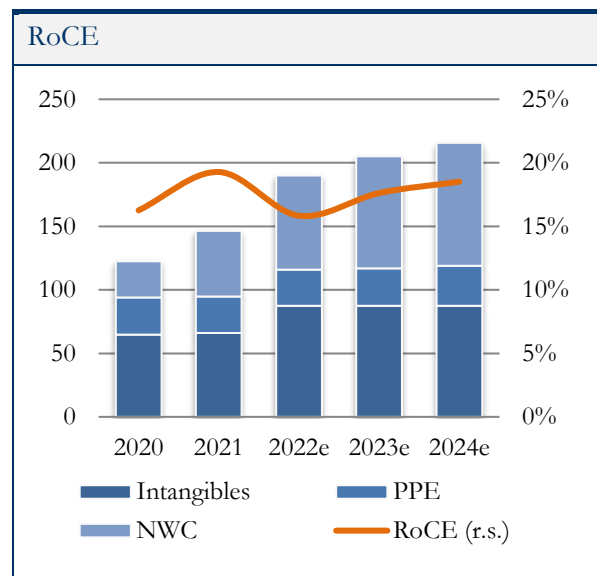
In EURm



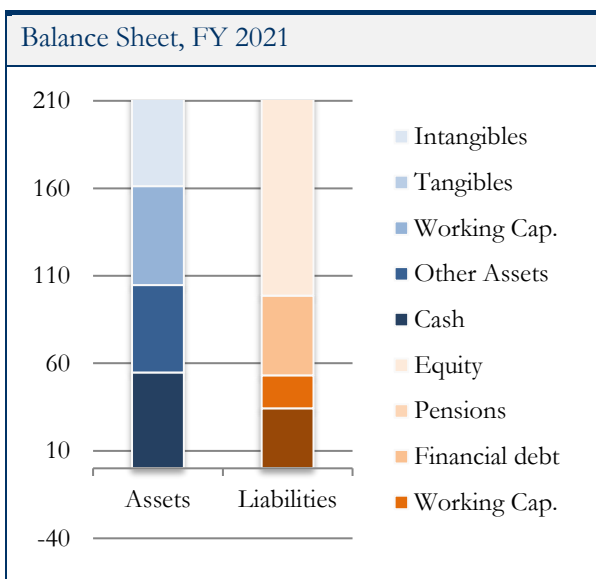
In EUR, adj. for bonus shares



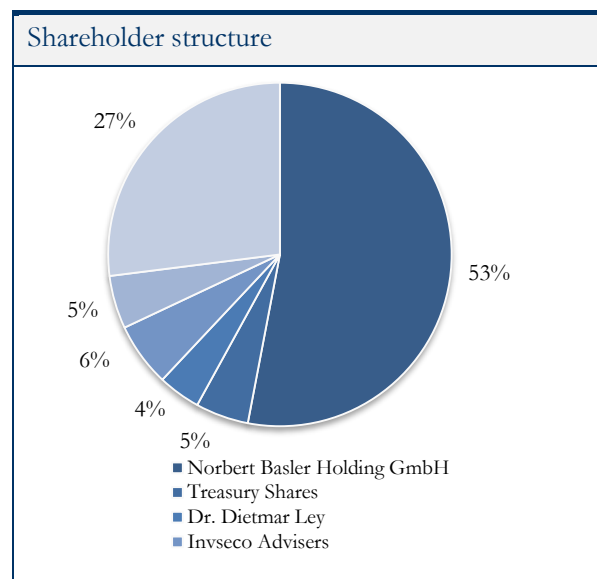
In EURm



In EURm



In EURm



P & L					
EURm	2020	2021	2022e	2023e	2024e
Sales	170.5	214.7	253.4	299.0	334.9
<i>Growth</i>	5.2%	26.0%	18.0%	18.0%	12.0%
Cost of sales	-81.7	-102.5	-125.9	-148.6	-166.4
Gross profit	88.7	112.2	127.4	150.4	168.4
<i>Gross margin</i>	52.0%	52.3%	50.3%	50.3%	50.3%
Other operating costs	-54.2	-66.1	-79.3	-94.3	-106.6
EBITDA	34.6	46.2	48.2	56.1	61.8
<i>Margin</i>	20.3%	21.5%	19.0%	18.7%	18.5%
Depreciation	-14.5	-16.2	-18.1	-19.9	-21.9
EBIT	20.1	30.0	30.1	36.1	39.9
<i>Margin</i>	11.8%	14.0%	11.9%	12.1%	11.9%
Financial result	0.4	-0.4	-0.4	-0.5	-0.5
EBT	20.4	29.6	29.6	35.7	39.5
Taxes	-5.3	-7.2	-8.5	-10.0	-11.0
Net profit	15.1	20.8	21.3	25.7	28.4
Minorities	0.0	0.0	0.0	0.0	0.0
Net profit a.m.	15.1	20.8	21.3	25.7	28.4
<i>Growth</i>	17.4%	37.4%	2.8%	20.4%	10.6%
No of shares	31.5	31.5	31.5	31.5	31.5
EPS	0.48	0.66	0.68	0.82	0.90
Adj. EPS	0.48	0.66	0.68	0.82	0.90
<i>Growth</i>	17.4%	37.4%	2.8%	20.4%	10.6%
Dividend	0.19	0.21	0.20	0.24	0.27

adjusted for bonus shares

Cash Flow					
EURm	2020	2021	2022e	2023e	2024e
EBIT	20.1	28.4	30.1	36.1	39.9
Depreciation	14.5	16.2	18.1	19.9	21.9
Other non-cash items	0.4	0.0	0.0	0.0	0.0
Cash taxes	-5.3	-7.2	-8.5	-10.0	-11.0
Cash earnings	29.6	37.3	39.9	46.1	50.8
Change in NWC	7.7	-12.0	-22.3	-14.3	-8.6
CF from operations	37.3	25.3	17.6	31.8	42.2
Capex	-15.0	-15.7	-18.1	-20.8	-23.9
Other investments/divestments	-8.3	0.4	-15.7	0.0	0.0
CF from investing activities	-23.3	-15.3	-33.8	-20.8	-23.9
CF from fin. and other act.	-1.3	-3.1	-6.5	25.9	-17.3
Change in cash	12.7	7.0	-22.7	36.9	1.0

Valuation multiples					
	2020	2021	2022e	2023e	2024e
Share price	30.6	50.0	33.3	33.3	33.3
x No of shares	31.5	31.5	31.5	31.5	31.5
Market Capitalisation	963.9	1,575.0	1,047.4	1,047.4	1,047.4
+ Net financial debt	-11.3	-9.3	6.9	-23.5	-28.8
+ Pension provision	1.1	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
Enterprise Value	953.7	1,565.7	1,054.3	1,023.9	1,018.6
Sales	170.5	214.7	253.4	299.0	334.9
Adj. EBITDA	34.6	46.2	48.2	56.1	61.8
Adj. EBIT	20.1	28.4	30.1	36.1	39.9
Adj. Net profit a.m.	15.1	20.8	21.3	25.7	28.4
EV / Sales	5.6	7.3	4.2	3.4	3.0
EV / EBITDA	27.6	33.9	21.9	18.3	16.5
EV / EBIT	47.5	55.2	35.1	28.3	25.5
PE	63.8	75.9	49.1	40.8	36.9

Adjusted for bonus shares

Source: Matelan Research

Balance Sheet					
EURm	2020	2021	2022e	2023e	2024e
Intangible assets	64.8	66.0	87.3	87.3	87.3
Tangible assets	29.3	28.7	28.7	29.6	31.6
Participations	0.0	0.0	0.0	0.0	0.0
Other non-current assets	0.9	0.8	0.0	0.0	0.0
Non-current assets	95.0	95.5	116.0	116.9	118.9
Inventories	20.0	37.1	49.8	57.8	63.7
Receivables	19.5	33.3	43.3	53.1	58.5
Cash	47.9	54.8	32.1	69.0	70.0
Other current assets	8.5	6.5	14.4	-6.7	-11.0
Current Assets	95.2	131.8	139.6	173.1	181.1
Total assets	190.0	227.3	255.6	290.0	300.0
Equity	114.9	128.7	143.5	162.8	183.5
Minorities	0.0	0.0	0.0	0.0	0.0
Total equity	114.9	128.7	143.5	162.8	183.5
Long-term fin. liab.	32.5	41.4	34.9	41.4	37.1
Pension provisions	1.1	0.0	0.0	0.0	0.0
Other long-term liab.	10.3	11.0	11.0	30.5	17.5
Non-current liabilities	43.9	52.4	45.9	71.9	54.6
Short-term fin. liab.	4.1	4.1	4.1	4.1	4.1
Payables	11.1	18.8	19.2	22.7	25.4
Other short-term liab.	16.1	23.2	42.9	28.6	32.5
Current liabilities	31.3	46.2	66.2	55.4	62.0
Total liabilities	190.0	227.3	255.6	290.0	300.0

Segments					
EURm	2020	2021	2022e	2023e	2024e
EMEA	49.6	57.0	62.7	69.0	75.9
<i>Change</i>	-1.0%	15.0%	10.0%	10.0%	10.0%
America	26.0	29.2	32.1	35.3	38.8
<i>Change</i>	11.4%	12.0%	10.0%	10.0%	10.0%
Asia	94.8	128.5	158.6	194.7	220.2
<i>Change</i>	7.1%	35.5%	23.4%	22.8%	13.1%
Sales	170.5	214.7	253.4	299.0	334.9

Key operational indicators					
	2020	2021	2022e	2023e	2024e
Equity ratio	60.5%	56.6%	56.1%	56.1%	61.2%
Gearing	0.3	0.4	0.3	0.3	0.2
Asset turnover	1.8	2.2	2.2	2.6	2.8
NWC / sales	16.7%	24.0%	29.2%	29.5%	28.9%
Payable days outstanding	23.7	32.0	27.7	27.7	27.7
Receivable days outstand	41.7	56.6	62.4	64.8	63.7
Fix operating assets	95.0	95.5	116.0	116.9	118.9
NWC	28.4	51.6	73.9	88.2	96.8
Capital employed	123.4	147.1	189.9	205.1	215.6
RoE	13.1%	16.1%	14.9%	15.8%	15.5%
RoA	10.6%	12.5%	11.8%	12.5%	13.3%
RoCE	16.3%	19.3%	15.8%	17.6%	18.5%
Gross margin	52.0%	52.3%	50.3%	50.3%	50.3%
EBITDA margin	20.3%	21.5%	19.0%	18.7%	18.5%
EBIT margin	11.8%	13.2%	11.9%	12.1%	11.9%
Net profit margin	8.9%	9.7%	8.4%	8.6%	8.5%

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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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