

11 November 2022

Closing prices as of 10/11/22: €31.30

Company / Sector	Fair Value	Recommendation
Basler AG	€34.8	Neutral
Technology	(unchanged)	(unchanged)

Order development reduces visibility

Share price performance



Share data

Reuters	BSLG.DE
Bloomberg	BSL.GY
No. of shares (m)	31.50
Monthly volume	9,408
Free float	38.0%
Market cap. (m)	720.4
EV (m)	908.3

Valuation	2022e	2023e
EV/Sales	3.6	3.3
EV/EBITDA	19.7	19.4
EV/EBIT	30.9	27.0
PER	42.7	37.6
Div. Yield	0.7%	0.8%
RoCE	16.0%	16.5%
RoE	15.6%	15.7%

Analyst

Anne Gronski
 Tel.: +49 228 227 99 238
 Anne.gronski@matelan.de

Investment case

Easing procurement costs and the still inflated order backlog should help Basler in the next two quarters even if further old orders should be cancelled and the order entry should further normalize. However, order dynamics will have to start improving in Q1 if Basler wants to stay on the growth track in FY2023. As the global economic cooling makes this challenging we stick to our Neutral rating on the stock until visibility for 2023 increases.

➤ GOOD RESULTS BUT ADVERSE ORDER DYNAMICS

Q3 finals (sales €74m/+51 and EBT €9.8m/+160%) once more highlighted the positive effects of easing procurement conditions but also revealed adverse order dynamics as order intake was down to €50.4m/-41%. This resulted from a normalisation of order behaviour due to lower lead times. In addition, old orders from 2021 worth €7.6m were cancelled. Nevertheless, the order backlog at the end of Q3 still stood at €124m.

➤ MGMT REITERATES TARGETS FOR 2022

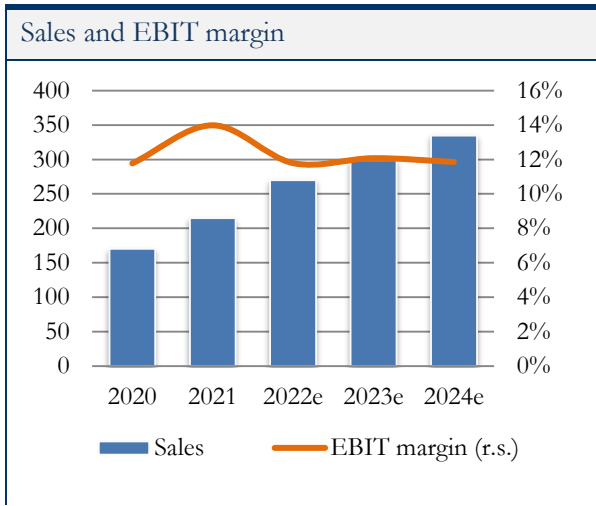
For FY 22, mgmt repeated the recently increased guidance of sales between €262-270m and an EBT margin of between 10-12%. Due to lower lead times order entry should further decrease in Q4 and further old orders might be cancelled. Both should bring the order backlog down to a normal level of 2-3 months of sales.

➤ OUR FY23 FORECASTS BECOME MORE AMBITIOUS

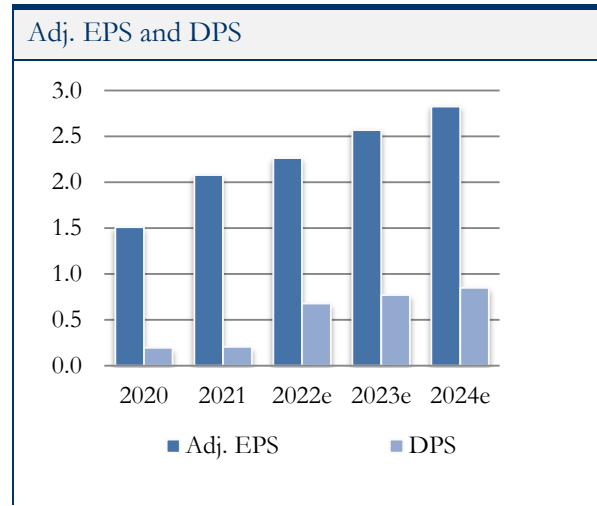
Basler still has enough orders for our Q4 and Q1 forecast even when considering additional cancellations of €15m (e) and a further decline in order entry in Q4. However, Q1 needs an improvement of the order dynamics to support the remainder of FY2023.

For additional disclosures please refer to the appendix

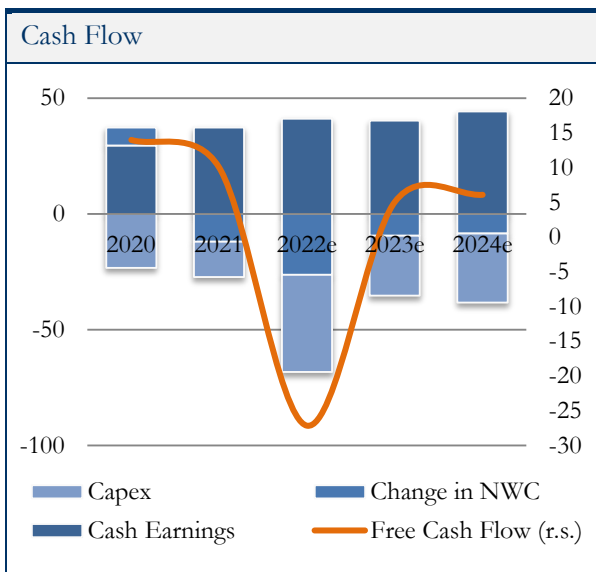
Forecasts	2019	2020	2021	2022e	2023e
Sales (€m)	162.0	170.5	214.7	270.0	299.0
EBITDA (€m)	30.0	34.6	46.2	49.9	50.3
EBIT (€m)	17.0	20.1	30.0	31.8	36.1
EPS (€)	1.29	0.48	0.66	0.75	0.86
Dividend (€)	0.09	0.19	0.21	0.23	0.26
Oper. CF (€m)	24.7	37.3	25.3	14.9	30.9
Free CF (€m)	-9.6	14.0	10.0	-27.1	5.1



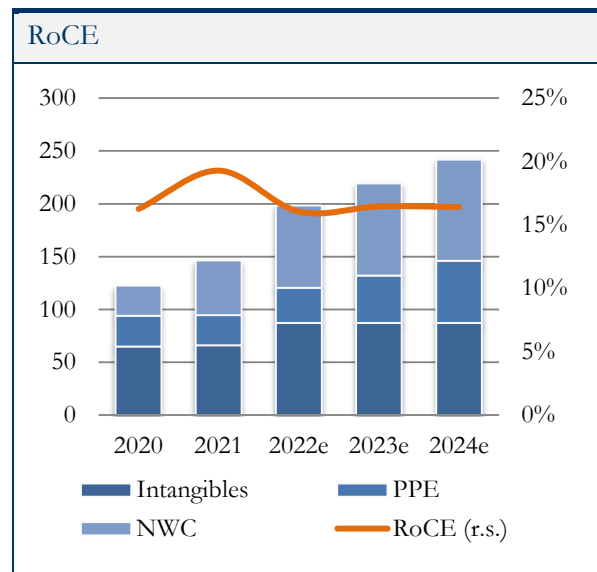
In EURm



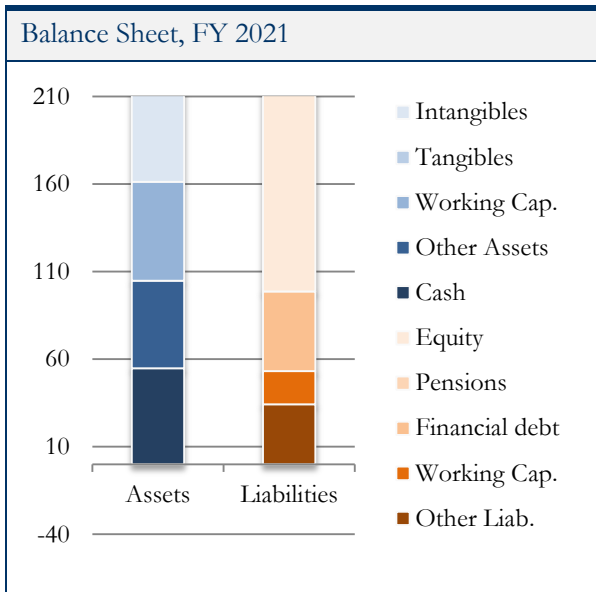
In EUR, adj. for bonus shares



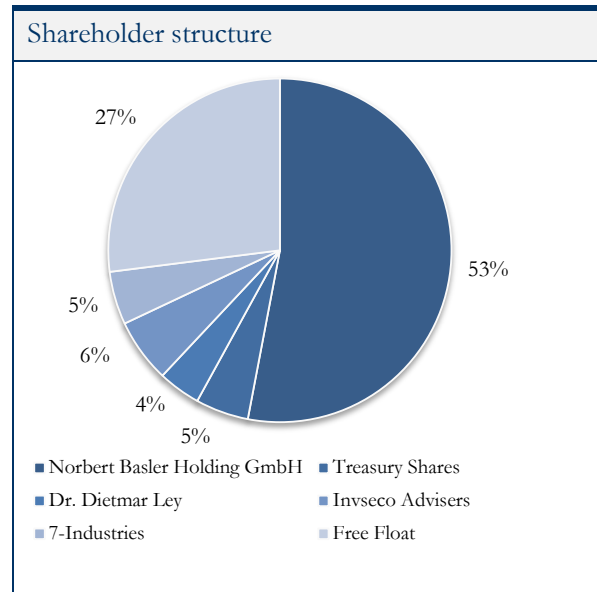
In EURm



In EURm



In EURm



P & L					
EURm	2020	2021	2022e	2023e	2024e
Sales	170.5	214.7	270.0	299.0	334.9
<i>Growth</i>	<i>5.2%</i>	<i>26.0%</i>	<i>25.7%</i>	<i>10.7%</i>	<i>12.0%</i>
Cost of sales	-81.7	-102.5	-134.2	-146.5	-164.1
Gross profit	88.7	112.2	135.8	152.5	170.8
<i>Gross margin</i>	<i>52.0%</i>	<i>52.3%</i>	<i>50.3%</i>	<i>51.0%</i>	<i>51.0%</i>
Other operating costs	-54.2	-66.1	-85.9	-102.2	-115.5
EBITDA	34.6	46.2	49.9	50.3	55.3
<i>Margin</i>	<i>20.3%</i>	<i>21.5%</i>	<i>18.5%</i>	<i>16.8%</i>	<i>16.5%</i>
Depreciation	-14.5	-16.2	-18.1	-14.2	-15.6
EBIT	20.1	30.0	31.8	36.1	39.7
<i>Margin</i>	<i>11.8%</i>	<i>14.0%</i>	<i>11.8%</i>	<i>12.1%</i>	<i>11.9%</i>
Financial result	0.4	-0.4	-0.4	-0.5	-0.5
EBT	20.4	29.6	31.4	35.6	39.2
Taxes	-5.3	-7.2	-8.8	-10.0	-11.0
Net profit	15.1	20.8	22.6	25.7	28.2
Minorities	0.0	0.0	0.0	0.0	0.0
Net profit a.m.	15.1	20.8	22.6	25.7	28.2
<i>Growth</i>	<i>17.4%</i>	<i>37.4%</i>	<i>8.9%</i>	<i>13.6%</i>	<i>10.0%</i>
No of shares	10.0	10.0	30.0	29.9	29.9
EPS	1.51	2.08	0.75	0.86	0.94
Adj. EPS	0.48	0.66	0.75	0.86	0.94
<i>Growth</i>	<i>-62.9%</i>	<i>37.5%</i>	<i>14.2%</i>	<i>13.9%</i>	<i>10.0%</i>
Dividend	0.19	0.21	0.23	0.26	0.28

2020 and 2021 adj. EPS include bonus shares

Cash Flow					
EURm	2020	2021	2022e	2023e	2024e
EBIT	20.1	28.4	31.8	36.1	39.7
Depreciation	14.5	16.2	18.1	14.2	15.6
Other non-cash items	0.4	0.0	0.0	0.0	0.0
Cash taxes	-5.3	-7.2	-8.8	-10.0	-11.0
Cash earnings	29.6	37.3	41.1	40.3	44.3
Change in NWC	7.7	-12.0	-26.3	-9.4	-8.5
CF from operations	37.3	25.3	14.9	30.9	35.9
Capex	-15.0	-15.7	-22.5	-25.9	-29.7
Other investments/divestments	-8.3	0.4	-19.5	0.0	0.0
CF from investing activities	-23.3	-15.3	-42.0	-25.9	-29.7
CF from fin. and other act.	-1.3	-3.1	4.4	5.8	0.9
Change in cash	12.7	7.0	-22.7	10.9	7.0

Valuation multiples					
	2020	2021	2022e	2023e	2024e
Share price	72.0	158.8	32.3	32.3	32.3
x No of shares	10.0	10.0	29.9	29.9	29.9
Market Capitalisation	720.4	1,585.9	965.5	965.5	965.5
+ Net financial debt	-11.3	-9.3	17.9	8.4	1.6
+ 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	908.3	1,490.0	983.4	973.9	967.1
Sales	170.5	214.7	270.0	299.0	334.9
Adj. EBITDA	34.6	46.2	49.9	50.3	55.3
Adj. EBIT	20.1	28.4	31.8	36.1	39.7
Adj. Net profit a.m.	15.1	20.8	22.6	25.7	28.2
EV / Sales	5.3	6.9	3.6	3.3	2.9
EV / EBITDA	26.3	32.3	19.7	19.4	17.5
EV / EBIT	45.3	52.5	30.9	27.0	24.4
PE	60.8	72.2	42.7	37.6	34.2

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	33.1	44.7	58.9
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	120.4	132.1	146.2
Inventories	20.0	37.1	52.7	57.3	63.2
Receivables	19.5	33.3	45.9	52.8	58.1
Cash	47.9	54.8	32.1	43.0	50.0
Other current assets	8.5	6.5	4.5	4.8	2.5
Current Assets	95.2	131.8	135.2	157.9	173.8
Total assets	190.0	227.3	255.6	290.0	320.0
Equity	114.9	128.7	145.1	163.9	184.5
Minorities	0.0	0.0	0.0	0.0	0.0
Total equity	114.9	128.7	145.1	163.9	184.5
Long-term fin. liab.	32.5	41.4	45.8	47.3	47.5
Pension provisions	1.1	0.0	0.0	0.0	0.0
Other long-term liab.	10.3	11.0	11.0	15.4	16.0
Non-current liabilities	43.9	52.4	56.8	62.7	63.6
Short-term fin. liab.	4.1	4.1	4.1	4.1	4.1
Payables	11.1	18.8	20.7	22.9	25.6
Other short-term liab.	16.1	23.2	28.9	36.4	42.2
Current liabilities	31.3	46.2	53.7	63.4	72.0
Total liabilities	190.0	227.3	255.6	290.0	320.0

Segments					
EURm	2020	2021	2022e	2023e	2024e
EMEA	49.6	57.0	74.1	81.5	89.7
<i>Change</i>	<i>-1.0%</i>	<i>15.0%</i>	<i>30.0%</i>	<i>10.0%</i>	<i>10.0%</i>
America	26.0	29.2	34.1	37.5	41.3
<i>Change</i>	<i>11.4%</i>	<i>12.0%</i>	<i>17.0%</i>	<i>10.0%</i>	<i>10.0%</i>
Asia	94.8	128.5	161.8	179.9	203.9
<i>Change</i>	<i>7.1%</i>	<i>35.5%</i>	<i>25.8%</i>	<i>11.2%</i>	<i>13.3%</i>
Sales	170.5	214.7	270.0	299.0	334.9

Key operational indicators					
	2020	2021	2022e	2023e	2024e
Equity ratio	60.5%	56.6%	56.7%	56.5%	57.6%
Gearing	0.3	0.4	0.3	0.3	0.3
Asset turnover	1.8	2.2	2.2	2.3	2.3
NWC / sales	16.7%	24.0%	28.8%	29.2%	28.6%
Payable days outstanding	23.7	32.0	28.0	28.0	28.0
Receivable days outstanding	41.7	56.6	62.0	64.5	63.4
Fix operating assets	95.0	95.5	120.4	132.1	146.2
NWC	28.4	51.6	77.9	87.3	95.7
Capital employed	123.4	147.1	198.3	219.3	241.9
RoE	13.1%	16.1%	15.6%	15.7%	15.3%
RoA	10.6%	12.5%	12.4%	12.4%	12.4%
RoCE	16.3%	19.3%	16.0%	16.5%	16.4%
Gross margin	52.0%	52.3%	50.3%	51.0%	51.0%
EBITDA margin	20.3%	21.5%	18.5%	16.8%	16.5%
EBIT margin	11.8%	13.2%	11.8%	12.1%	11.9%
Net profit margin	8.9%	9.7%	8.4%	8.6%	8.4%

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

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CONTACT DATA

For further information, please contact:

Matelan Research GmbH Koblenzer Straße 79 53177 Bonn www.matelan.de	Head Analyst: Anne Gronski Tel: +49 228 227 99 238 e-mail: anne.gronski@matelan.de
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