

28 October 2022

Closing prices as of 27/10/22: €28.30

Company / Sector	Fair Value	Recommendation
<b>Basler AG</b>	<b>€34.8</b>	<b>Neutral</b>
Technology	(€34.7)	(unchanged)

## Q3 prelims profit from supply chain improvements

### Share price performance



### Share data

Reuters	BSLG.DE
Bloomberg	BSL.GY
No. of shares (m)	31.50
Monthly volume	11.077
Free float	38.0%
Market cap. (m)	963.9
EV (m)	953.7

Valuation	2022e	2023e
EV/Sales	3.3	2.9
EV/EBITDA	18.1	17.3
EV/EBIT	28.3	24.1
PER	39.5	34.7
Div. Yield	0.8%	0.9%
RoCE	16.4%	17.2%
RoE	15.6%	15.7%

### Analyst

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

### Investment case

**Better procurement conditions in Q3 allowed Basler to reduce its still inflated order backlog, leading to a strong increase in sales and earnings. In Q4, Basler should profit from the same situation. However, Basler's performance in FY23 will increasingly being determined by new order entry. As there is yet little visibility to what extent economic cooling affects Basler's order entry, we keep our medium-term forecasts unchanged and stick to our Neutral rating for the time being.**

#### ➤ Q3 PRELIMS ARE SURPRISINGLY STRONG

Driven by an improved supply situation Basler posted strong Q3 22 prelims with sales of €74.4m/+51% (Q3 21 €49.4m) and an EBT of €9.5m/ (Q3 21: €3.7m). 9M 22 sales sums up to €205.2m/+25% (9M 21: €164.6m) and 9M 22 EBT (€24.3m) nearly reached last year's level (9M21 €24.5m). Final figures will be published on November 8.

#### ➤ MGMT INCREASES TARGETS FOR 2022

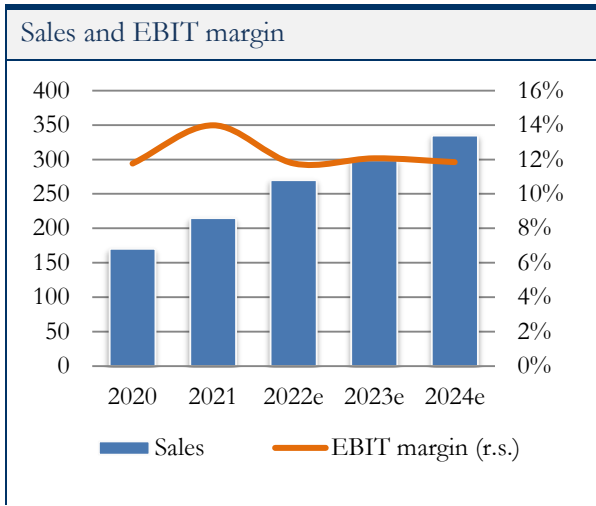
Based on the strong Q3 results and a good transparency for Q4, mgmt has increased its FY 22 targets with sales now expected to be between €262-270m (previously: €235-265m) and the EBT margin to be between 10-12% (previously: 9-12%).

#### ➤ WE SLIGHTLY RAISE OUR FY22 FORECAST

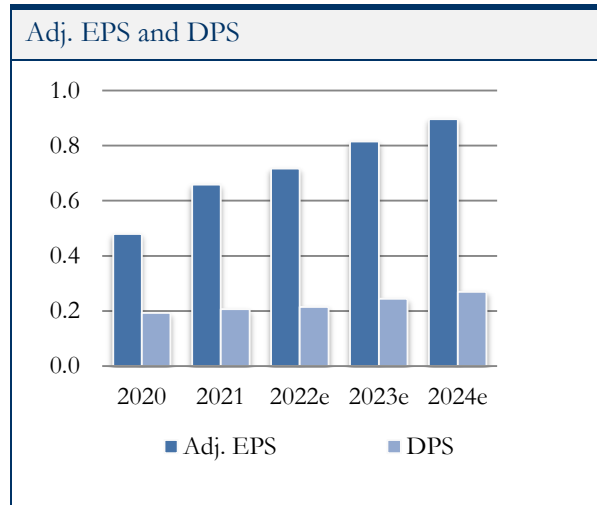
We raise our FY22 sales forecast to €269.9m/+26% (from €253.4m) and our EBT forecast to €31.4m/+12% (from €29.6m). Based on the new forecast, Basler now has achieved 76% of our sales and 78% of our EBT forecast. Having no information on the order entry yet, we keep our FY23 and mid-term forecast unchanged. Therefore, our valuation changes only marginally.

For additional disclosures please refer to the appendix

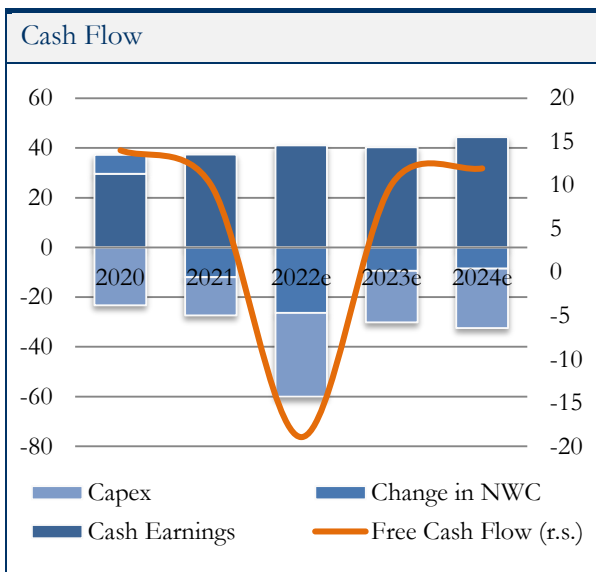
Forecasts	2019	2020	2021	2022e	2023e
Sales (€m)	162.0	170.5	214.7	269.9	299.0
EBITDA (€m)	30.0	34.6	46.2	49.9	50.3
EBIT (€m)	17.0	20.1	30.0	31.8	36.1
EPS (€)	0.41	0.48	0.66	0.72	0.81
Dividend (€)	0.09	0.19	0.21	0.21	0.24
Oper. CF (€m)	24.7	37.3	25.3	14.9	30.9
Free CF (€m)	-9.6	14.0	10.0	-19.0	10.1



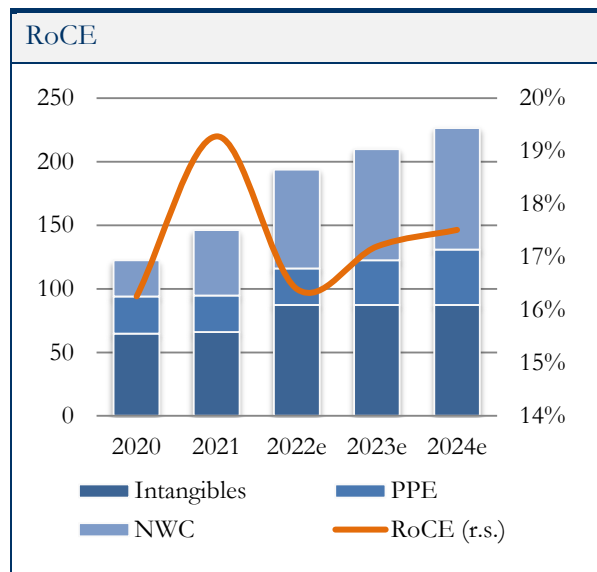
In EURm



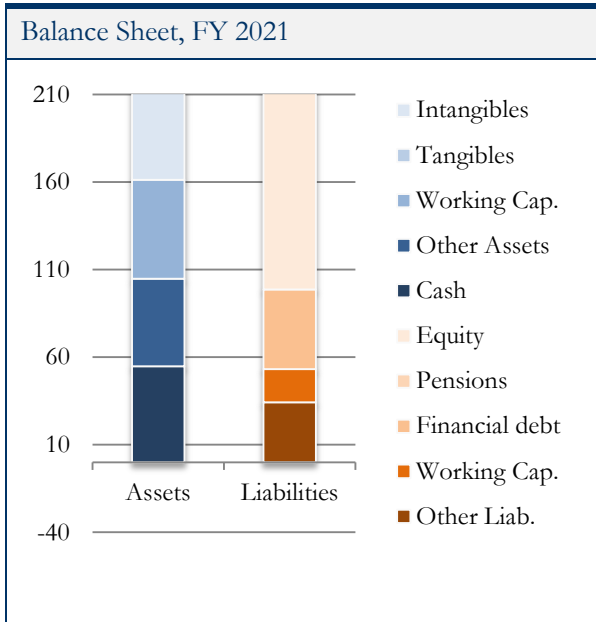
In EUR, adj. for bonus shares



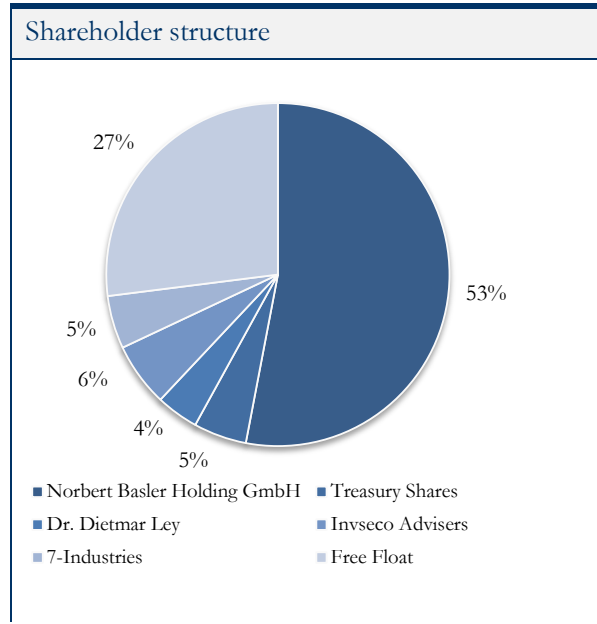
In EURm



In EURm



In EURm



P & L					
EURm	2020	2021	2022p	2023e	2024e
<b>Sales</b>	<b>170.5</b>	<b>214.7</b>	<b>269.9</b>	<b>299.0</b>	<b>334.9</b>
<i>Growth</i>	5.2%	26.0%	25.7%	10.8%	12.0%
Cost of sales	-81.7	-102.5	-134.2	-146.5	-164.1
<b>Gross profit</b>	<b>88.7</b>	<b>112.2</b>	<b>135.8</b>	<b>152.5</b>	<b>170.8</b>
<i>Gross margin</i>	52.0%	52.3%	50.3%	51.0%	51.0%
Other operating costs	-54.2	-66.1	-85.9	-102.2	-115.5
<b>EBITDA</b>	<b>34.6</b>	<b>46.2</b>	<b>49.9</b>	<b>50.3</b>	<b>55.3</b>
<i>Margin</i>	20.3%	21.5%	18.5%	16.8%	16.5%
Depreciation	-14.5	-16.2	-18.1	-14.2	-15.6
<b>EBIT</b>	<b>20.1</b>	<b>30.0</b>	<b>31.8</b>	<b>36.1</b>	<b>39.7</b>
<i>Margin</i>	11.8%	14.0%	11.8%	12.1%	11.9%
Financial result	0.4	-0.4	-0.4	-0.5	-0.5
<b>EBT</b>	<b>20.4</b>	<b>29.6</b>	<b>31.4</b>	<b>35.6</b>	<b>39.2</b>
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
<b>Net profit a.m.</b>	<b>15.1</b>	<b>20.8</b>	<b>22.6</b>	<b>25.7</b>	<b>28.2</b>
<i>Growth</i>	17.4%	37.4%	8.8%	13.7%	10.0%
No of shares	31.5	31.5	31.5	31.5	31.5
EPS	0.48	0.66	0.72	0.81	0.90
<b>Adj. EPS</b>	<b>0.48</b>	<b>0.66</b>	<b>0.72</b>	<b>0.81</b>	<b>0.90</b>
<i>Growth</i>	17.4%	37.4%	8.8%	13.7%	10.0%
Dividend	0.19	0.21	0.21	0.24	0.27

adjusted for bonus shares

Cash Flow					
EURm	2020	2021	2022e	2023e	2024e
<b>EBIT</b>	<b>20.1</b>	<b>28.4</b>	<b>31.8</b>	<b>36.1</b>	<b>39.7</b>
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
<b>CF from operations</b>	<b>37.3</b>	<b>25.3</b>	<b>14.9</b>	<b>30.9</b>	<b>35.9</b>
Capex	-15.0	-15.7	-18.1	-20.8	-23.9
Other investments/divestments	-8.3	0.4	-15.7	0.0	0.0
<b>CF from investing activities</b>	<b>-23.3</b>	<b>-15.3</b>	<b>-33.8</b>	<b>-20.8</b>	<b>-23.9</b>
<b>CF from fin. and other act.</b>	<b>-1.3</b>	<b>-3.1</b>	<b>-3.8</b>	<b>26.8</b>	<b>-10.9</b>
<b>Change in cash</b>	<b>12.7</b>	<b>7.0</b>	<b>-22.7</b>	<b>36.9</b>	<b>1.0</b>

Valuation multiples					
	2020	2021	2022e	2023e	2024e
Share price	30.6	50.0	28.3	28.3	28.3
x No of shares	31.5	31.5	31.5	31.5	31.5
<b>Market Capitalisation</b>	<b>963.9</b>	<b>1,575.0</b>	<b>891.5</b>	<b>891.5</b>	<b>891.5</b>
+ Net financial debt	-11.3	-9.3	9.7	-20.5	-24.3
+ 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
<b>Enterprise Value</b>	<b>953.7</b>	<b>1,565.7</b>	<b>901.1</b>	<b>870.9</b>	<b>867.2</b>
Sales	170.5	214.7	269.9	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	5.6	7.3	3.3	2.9	2.6
EV / EBITDA	27.6	33.9	18.1	17.3	15.7
EV / EBIT	47.5	55.2	28.3	24.1	21.9
PE	63.8	75.9	39.5	34.7	31.6

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	35.3	43.6
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
<b>Non-current assets</b>	<b>95.0</b>	<b>95.5</b>	<b>116.0</b>	<b>122.6</b>	<b>130.9</b>
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	69.0	70.0
Other current assets	8.5	6.5	9.0	-11.7	-22.3
<b>Current Assets</b>	<b>95.2</b>	<b>131.8</b>	<b>139.6</b>	<b>167.4</b>	<b>169.1</b>
<b>Total assets</b>	<b>190.0</b>	<b>227.3</b>	<b>255.6</b>	<b>290.0</b>	<b>300.0</b>
Equity	114.9	128.7	144.7	163.6	184.1
Minorities	0.0	0.0	0.0	0.0	0.0
<b>Total equity</b>	<b>114.9</b>	<b>128.7</b>	<b>144.7</b>	<b>163.6</b>	<b>184.1</b>
Long-term fin. liab.	32.5	41.4	37.7	44.4	41.6
Pension provisions	1.1	0.0	0.0	0.0	0.0
Other long-term liab.	10.3	11.0	11.0	31.1	22.9
<b>Non-current liabilities</b>	<b>43.9</b>	<b>52.4</b>	<b>48.7</b>	<b>75.4</b>	<b>64.5</b>
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	37.4	24.0	21.6
<b>Current liabilities</b>	<b>31.3</b>	<b>46.2</b>	<b>62.2</b>	<b>51.0</b>	<b>51.4</b>
<b>Total liabilities</b>	<b>190.0</b>	<b>227.3</b>	<b>255.6</b>	<b>290.0</b>	<b>300.0</b>

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	175.1	194.7	220.2
<i>Change</i>	7.1%	35.5%	36.2%	11.2%	13.1%
<b>Sales</b>	<b>170.5</b>	<b>214.7</b>	<b>269.9</b>	<b>299.0</b>	<b>334.9</b>

Key operational indicators					
	2020	2021	2022e	2023e	2024e
Equity ratio	60.5%	56.6%	56.6%	56.4%	61.4%
Gearing	0.3	0.4	0.3	0.3	0.2
Asset turnover	1.8	2.2	2.3	2.4	2.6
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	116.0	122.6	130.9
NWC	28.4	51.6	77.9	87.3	95.7
Capital employed	123.4	147.1	193.9	209.8	226.6
RoE	13.1%	16.1%	15.6%	15.7%	15.3%
RoA	10.6%	12.5%	12.4%	12.4%	13.2%
RoCE	16.3%	19.3%	16.4%	17.2%	17.5%
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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Date	Rating
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25/03/19	Buy
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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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