

Indus Holding

23 August 2018

Situation better than sentiment suggests

Q2 reporting on 14. August 2018 was in line with consensus with €437m sales and €41m EBIT, however, segmentally Engineering and Automotive were weak while Metal Processing reported strong growth. After meeting with the management, we conclude that the environment for Indus remains solid. We consider most problems to be limited and expect them to be tackled and compensated for. However, Automotive exposure may demand a more comprehensive solution. We trim our forecasts and conclude that the 2018 EBIT consensus of €163m is in reach (CB: €162m) while we are 2% ahead for 2019. The €154m to €160m 2018 guidance is conservative. We rate the share a Buy based on the expectation of a stabilising IFO index and as we see further benefits from the innovation strategy. Indus trades at a c.10x EV/EBIT 2019 while peers are priced at c. 12.5x.

Weak spots offset The segments Engineering (Q2 EBIT of €10.1m, down 29% y/y) and Automotive (Q2 EBIT €1.8m, down 44% y/y) are weak spots. We think that structural issues in the Automotive industry burden both segments. The €4.6m EBIT in Medical/Life Science in Q2 was down 15% on increasing regulation. Weakness was largely offset by a stronger performance in Metal Processing where EBIT was €11.1m, up c. three fold on a weak comparable, driven by restructuring effects and hard metal tools.

Adjusting forecasts We leave our €162m EBIT estimate for 2018 roughly unchanged, reducing 2019 by 1% and lifting 2020 by 1%. The restructuring in Automotive should stabilise earnings from H2 2018 onwards. However, we do not expect the 6% to 8% target margin of the segment to be reached, forecasting 5% for 2019/20. Countermeasure in Medical/Life Science should take effect from 2019. We forecast that performance in Metal Processing will compensate for burdens. After meeting with the management, we have the impression that the environment remains healthy and problems are being addressed.

Catch up potential We expect to get more details on the innovation strategy from new CEO Dr. Schmidt. This should support sentiment. In addition, we conclude from our research that the relative valuation of Indus compared to its peers is not only dependent upon company performance but is highly sensitive to the overall environment which we think the IFO index is a good proxy for. Based on the assumption that the environment should stabilise, though some further losses in the IFO look realistic short term, we think that the share has some catch up potential.

Key financial and valuation metrics

Year-end Dec	2015	2016	2017	2018E	2019E	2020E	CAGR 2017-20E
Sales rep. (€m)	1,389	1,444	1,641	1,702	1,722	1,741	2.0 %
EBITDA adj. (€m)	186	201	215	226	242	248	4.8 %
EBITDA rep. (€m)	186	201	215	226	242	248	4.8 %
EBITA adj. (€m)	136	146	154	162	178	183	6.0 %
EBITA margin	9.8%	10.1%	9.4%	9.5%	10.3%	10.5%	
EBITA rep. (€m)	136	146	154	162	178	183	
FCF pre-div (€m)	18.2	10.1	14.0	39.5	100	103	94.6 %
FCF yield	1.7%	0.9%	0.9%	3.0%	7.6%	7.9%	
EPS rep. (€)	2.78	3.27	3.37	3.74	4.22	4.44	9.6 %
EPS adj. (€)	2.78	3.27	3.37	3.74	4.18	4.35	8.9 %
DPS (€)	1.20	1.35	1.50	1.60	1.75	1.80	6.3 %
EV/Sales (x)	1.0	1.1	1.2	1.1	1.0	1.0	
EV/EBITDA (x)	7.7	7.6	9.0	8.0	7.2	6.9	
EV/EBITA (x)	10.5	10.5	12.6	11.2	9.9	9.3	
P/E (x)	15.5	14.1	18.0	14.4	12.9	12.4	
Div yield	2.8%	2.9%	2.5%	3.0%	3.3%	3.3%	
Net debt (€m)	384	406	443	492	439	384	
Net debt/EBITDA (x)	2.1	2.0	2.1	2.2	1.8	1.5	

Sources: Company data, Commerzbank Research

Buy
TP €66
CP €53.80

(Closing 22 August 2018)

Key information

Expected performance	22.7%
Volatility (60d, realized)	18.1%
1M / 3M performance	2.1% / (8.5%)
Bloomberg / Reuters:	INH GY, INHG.DE
Market cap (€m)	1,315
EV (€m)	1,755
Shares outstanding (m)	24.5
Free float	74.2%
Dly trading vol (last 3-mth) (€m)	1.0

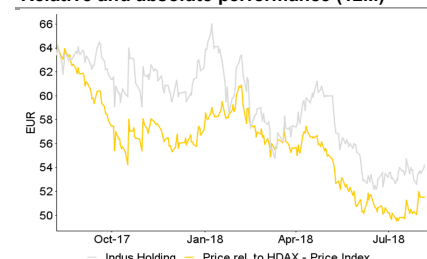
Source: Commerzbank Research, Bloomberg

Changes in estimates

€m	2018o	2018n	2019o	2019n
Sales	1,689	1,702	1,708	1,722
EBITA	162	-	179	178
EPS	3.65	3.74	4.11	4.18

Source: Commerzbank Research

Relative and absolute performance (12M)



Source: Bloomberg

Company events

Date	Event
14 November 2018	Q3 earnings

Sources: Bloomberg, Company data, Commerzbank Research

Shareholder structure

Major shareholders	Stake
Versicherungskammer Bayern	19.4%
Hans Joachim Selzer at. al.	6.4%

Sources: Bloomberg, Company data, Commerzbank Research



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For important disclosure information please see pages 10 and 12.

Q2 in line: Surprises in the segments netting out

Indus' Q2 revenue was €437m, in line with consensus and 1% short of our estimate, up 3% y/y and driven by €111m sales (up 11% y/y, 4% ahead of our estimate) in the segment Metal Processing where tailwinds resulted from restructuring efforts and hard metal tools.

Sales in Engineering of €94m (down 3% y/y) were 11% below our estimates, we think due to weakness in equipment for the Automotive industry and a cyclical slowdown in a participation active in high tech clean environment solutions. In Medical/Life Science, sales were down 2% y/y due to regulation affecting surgical products.

This inhomogeneous development in sales filters through to the €40.8m Q2 EBIT, in line with consensus and 2% short of our estimates. The margin was 9.3%, in line with consensus and 10bps below our forecast. The strong €11.1m EBIT in Metal Processing (CB: €5.0m), driven by restructuring effects phasing in more strongly than we had assumed and hard metal tools compensated for weaker EBIT in Engineering (€10.1m vs. CB of €15.2m, down 29% y/y) and Automotive (€1.8m, vs. our €3.4m estimate; down 44% y/y). The €9.6m op. cash flow was slightly below our €15.8m forecast while the €23.3m net profit was in line (Consensus: €23.1m, CB: €23.3m).

TABLE 1: Q2 overview

€m	Q2 2018	CB Q2 2018E	Δ	Cons Q2 2018	Δ	Q2 2017	y/y	Q1 2018	q/q	2017	Cons 2018	2018	y/y
Sales	436.6	442.7	-1%	437.8	0%	422.5	3%	408.2	7%	1640.6	1697	1689.0	3%
Construction / Infra.	95.1	92.4	3%			90	5%	76.9	24%	330.4		344.9	4%
Engineering	93.5	105.0	-11%			97	-3%	88.8	5%	375.1		394.6	5%
Automotive	98.4	97.8	1%			96	2%	98.1	0%	394.1		400.7	2%
Metal/Processing	110.6	106.5	4%			100	11%	105.7	5%	385.6		387.5	0%
Medical / Life Science	38.7	40.9	-5%			39	-2%	39.0	-1%	155.2		161.3	4%
EBITA	43.2	43.9	-2%			41	7%	38.0	14%	163.7		173.0	6%
EBIT	40.8	41.7	-2%	40.9	0%	38.0	7%	35.4	15%	152.9	163	162.2	6%
Construction / Infra.	15.2	14.8	3%			14.4	5%	7.8	95%	49.4		51.8	5%
Engineering	10.1	15.2	-34%			14.2	-29%	12.5	-19%	53.5		56.5	6%
Automotive	1.8	3.4	-47%			3.2	-44%	2.4	-24%	14.7		13.6	-8%
Metal/Processing	11.1	5.0	123%			2.9	282%	11.4	-2%	24.2		24.7	2%
Medical / Life Science	4.6	5.6	-16%			5.5	-15%	3.8	24%	20.8		24.1	16%
Margin	9.3%	9.4%		9.3%		9.0%		8.7%		9.3%	9.6%	9.6%	
Construction / Infra.	16.0%	16.0%				16.0%		10.1%		15.0%		15.0%	
Engineering	10.8%	14.5%				14.7%		14.1%		14.3%		14.3%	
Automotive	1.8%	3.5%				3.4%		2.4%		3.7%		3.4%	
Metal/Processing	10.1%	4.7%				2.9%		10.7%		6.3%		6.4%	
Medical / Life Science	12.0%	13.6%				13.9%		9.6%		13.4%		14.9%	
Net income	23.3	23.3	0%	23.1	1%	20.3	15%	19.9	17%	82.3	90.1	89.2	8%

Source: Company data, Commerzbank Research

Slightly adjusting our forecasts

We raise our group sales forecasts for 2018 – 2020 by 1% due to the stronger sales trajectory in Metal Processing while we lower our forecast for Engineering and Medical/Life Science.

We leave our €162m EBIT estimate for 2018 roughly unchanged, reducing 2019 by 1% and lifting 2020 by 1%. While the weakness in Automotive should keep margins under pressure, we expect some positive effects from related restructuring and from countermeasure in Medical/Life. Also on the EBIT, performance in Metal Processing will compensate for burdens, we forecast.

TABLE 2: Change estimates overview

€m except for EPS/DPS	2017r	2018o	2018n	chg.	2019o	2019n	chg.	2020o	2020n	chg.
Sales	1,641	1,689	1,702	0.8%	1,708	1,722	0.8%	1,727	1,741	0.8%
Construction / Infrastructure	330	345	349	1.2%	356	361	1.2%	368	373	1.2%
Engineering	375	395	383	-3.0%	403	391	-3.0%	411	398	-3.0%
Automotive	394	401	401	0.2%	393	392	-0.1%	385	383	-0.5%
Metal / Metal Processing	386	388	415	7.1%	391	421	7.6%	395	425	7.5%
Med. Eng. / Life Science	155	161	154	-4.6%	166	157	-5.1%	169	162	-4.1%
EBIT before PPA	163.7	173.0	172.9	0.0%	190.0	188.8	-0.7%	192.2	193.6	0.7%
EBIT	152.9	162.2	162.1	0.0%	179.2	177.9	-0.7%	181.4	182.8	0.8%
Construction / Infrastructure	49.4	51.8	52.6	1.6%	52.9	53.7	1.6%	54.3	55.2	1.6%
Engineering	53.5	56.5	45.4	-19.7%	57.1	50.6	-11.4%	58.6	52.0	-11.3%
Automotive	14.7	13.6	12.1	-10.4%	21.8	18.7	-13.8%	20.1	17.3	-13.9%
Metal / Metal Processing	24.2	24.7	41.5	68.4%	31.2	42.5	36.3%	31.5	42.8	36.1%
Med. Eng. / Life Science	20.8	24.1	19.2	-20.5%	24.9	21.3	-14.6%	25.6	24.4	-4.5%
Overhead	-9.8	-8.5	-8.8		-8.6	-8.9		-8.7	-9.0	
Margin	9.3%	9.6%	9.5%		10.5%	10.3%		10.5%	10.5%	
Construction / Infrastructure	15.0%	15.0%	15.1%		14.8%	14.9%		14.8%	14.8%	
Engineering	14.3%	14.3%	11.9%		14.2%	13.0%		14.3%	13.1%	
Automotive	3.7%	3.4%	3.0%		5.5%	4.8%		5.2%	4.5%	
Metal / Metal Processing	6.3%	6.4%	10.0%		8.0%	10.1%		8.0%	10.1%	
Med. Eng. / Life Science	13.4%	14.9%	12.5%		15.0%	13.5%		15.1%	15.1%	
Net income	82.3	89.2	91.4	2.5%	101.4	103.2	1.7%	104.9	108.4	3.4%
EPS (€)	3.37	3.65	3.74	2.5%	4.15	4.22	1.7%	4.29	4.44	3.4%
DPS (€)	1.50	1.60	1.60	0.0%	1.75	1.75	0.0%	1.80	1.80	0.0%
Payout ratio	44.5%	43.9%	42.8%		42.2%	41.5%		42.0%	40.6%	

Source: Company data, Commerzbank Research

TABLE 3: CB vs. consensus

€m except for EPS	2018	2019	2020
Sales	1,702	1,722	1,741
Sales Consensus	1,696	1,752	1,812
Diff.	0.4%	-1.7%	-3.9%
EBIT	162.1	177.9	182.8
EBIT Cons.	163.4	173.8	181.5
Diff.	-0.8%	2.4%	0.7%
EPS	3.74	4.22	4.44
EBIT Cons.	3.69	3.95	4.19
Diff.	1.3%	7.0%	5.9%

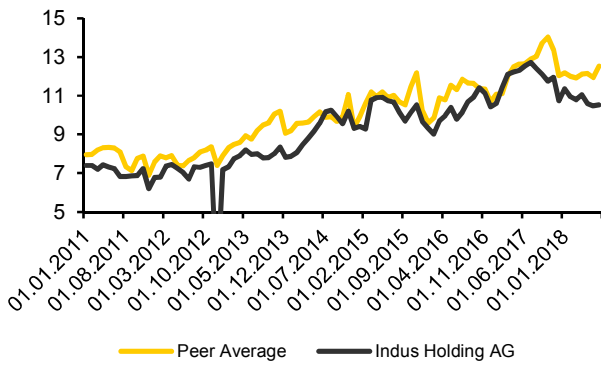
Source: Commerzbank Research, Bloomberg

Discount unlikely to persist

We value the share with a sum-of-the parts approach based on the peers for the segments for 2019. Please see the tables below for details.

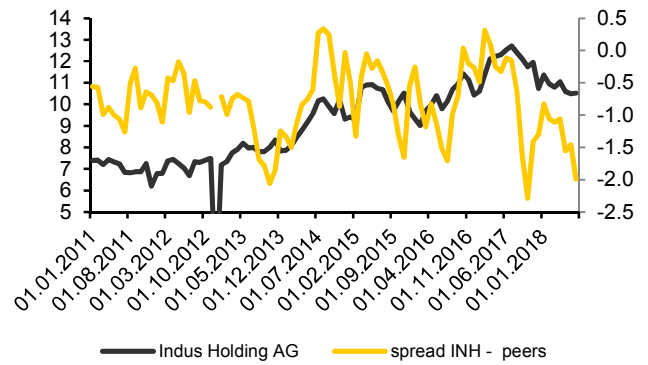
The share has caught up vs. peer multiples from 2013 until 2017. Since 2017, a c. two turns discount opened. The same pattern can also be observed when comparing Indus vs. the MDAX.

CHART 1: 12 month forward EV/EBIT Indus vs. peers



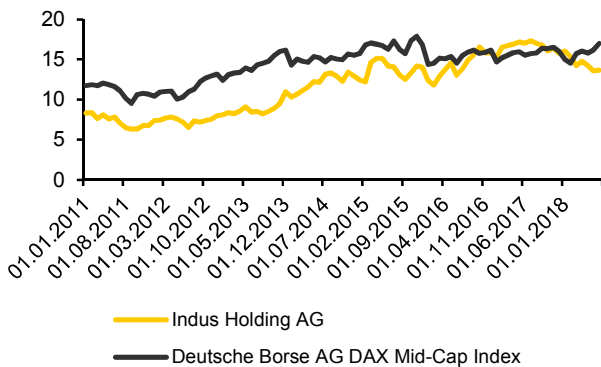
Source: Commerzbank Research, Bloomberg 12 months EV/EBIT forward multiples

CHART 2: Spread of Indus EV/EBIT vs. peers



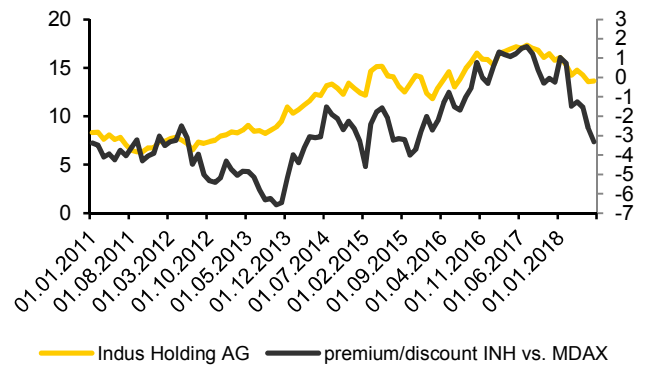
Source: Commerzbank Research, Bloomberg 12 months EV/EBIT forward multiples

CHART 3: 12 month forward PE Indus vs. MDAX



Source: Commerzbank Research, Bloomberg 12 months PE forward multiples

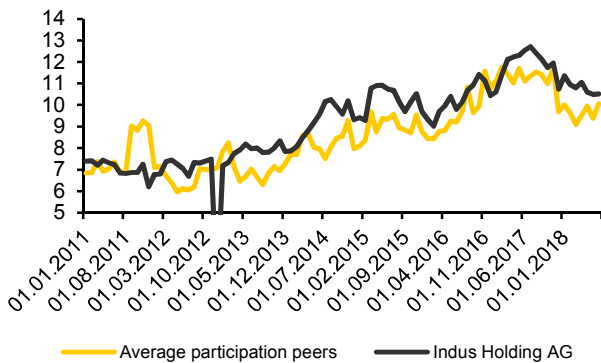
CHART 4: Spread of Indus PE vs. MDAX



Source: Commerzbank Research, Bloomberg 12 months PE forward multiples

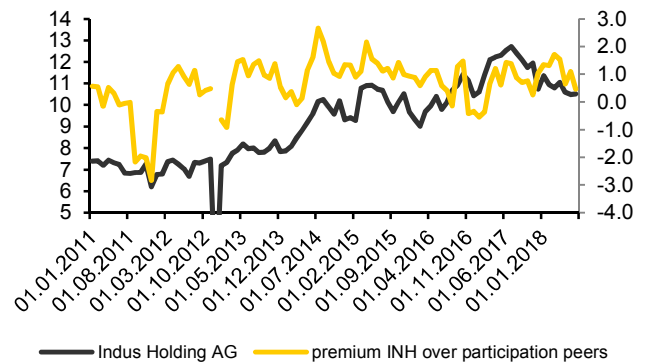
At the same time, the premium over holding company peers remained relatively stable.

CHART 5: 12 month forward EV/EBIT Indus vs. holding company peers



Source: Commerzbank Research, Bloomberg 12 months EV/EBIT forward multiples

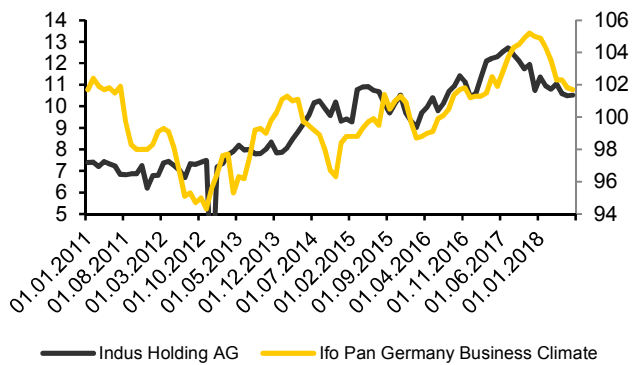
CHART 6: Spread of Indus EV/EBIT vs. holding company peers



Source: Commerzbank Research, Bloomberg 12 months EV/EBIT forward multiples

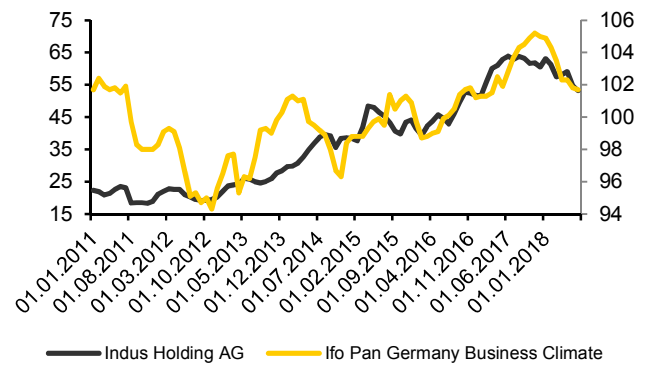
When tracking Indus vs. the IFO index, valuation and share price peaks coincide with the peak in the IFO

CHART 7: Indus 12 month forward EV/EBIT vs. IFO index



Source: Commerzbank Research, Bloomberg data

CHART 8: Indus share price vs. IFO index



Source: Commerzbank Research, Bloomberg data

We draw the conclusion that from 2012 onward, the share was driven by the newly established “Compass 2020” growth strategy. This strategy followed a period of consolidation at low growth rates and helped to close the valuation gap vs. peers and the MDAX.

However, we think that a favourable environment is the second component which was decisive for this catch process. And we believe that the IFO index is a good proxy for the environment.

Based on the expectation of Commerzbank Economic Research that the IFO index should stabilise going forward (though some further decline in the short term is expected), we think that the environment for the share should stabilise.

On top, we expect more news on the innovation strategy. Indus has made clear that it works on multiple projects, addressing applications like e-mobility, additive metal manufacturing, virtual reality and cloud computing. At this time, we consider the related strategy as a further dimension of the Compass 2020 program which we think bears to potential to contribute to another re-rating.

TABLE 4: Peer valuation overview

Multiples based on share prices as of 22. August 2018	EV/EBIT 2018	EV/EBIT 2019	EV/EBIT 2020
Panel Construction / Infrastructure			
Peer Average	13.1	11.5	10.2
EBIT Construction / Infrastructure	52.6	53.7	55.2
Fair value	691.2	617.8	562.8
Panel Engineering			
Peer Average	12.2	10.7	9.3
EBIT Engineering	45.4	50.6	52.0
Fair value	555.1	541.1	484.1
Panel Automotive			
Peer Average	10.4	8.7	7.8
EBIT Automotive	12.1	18.7	17.3
Fair value	126.3	162.9	134.5
Panel Metal / Metal Processing			
Peer Average	12.2	10.7	9.3
EBIT Metal / Metal Processing	41.5	42.5	42.8
Fair value	508.1	454.4	398.9
Panel Medical Engineering / Life Science			
Peer Average	24.1	21.4	17.9
EBIT Medical Engineering / Life Science	19.2	21.3	24.4
Fair value	461.4	454.3	438.0
Overhead/Reconciliation			
Multiple - Average	14.4	12.6	10.9
EBIT Reconciliation/overhead	-8.8	-8.9	-9.0
Fair value	-126.8	-112.0	-98.1
EV	2215	2118	1920
Adjusted net debt	-492		
Net debt	-413		
Provisions for pensions	-46		
Minorities	-64		
Financial assets	19		
At equity shareholdings	11		
Fair value of equity	1723	1626	1428
Fair value of equity per share (€)	70	66	58

Source: Commerzbank Research, Bloomberg multiples

TABLE 5: Peers overview (to be continued on the next page)

		Share price	Mkt.Cap	PE 2018	PE 2019	PE 2020	EV/EBIT 18	EV/EBIT 19	EV/EBIT 20
Panel Construction / Infrastructure									
Bauer AG	EUR	16.8	287.12	10.1	8.0	6.4	9.6x	8.3x	7.0x
De' Longhi SpA	EUR	27.4	4093.31	21.6	19.8	18.4	14.2x	12.9x	11.8x
HB Fuller Co	USD	58.3	2951.72	18.0	14.7	12.3	15.8x	13.2x	11.0x
Geberit AG	CHF	433.2	16046.35	24.4	22.9	21.6	22.1x	20.2x	18.7x
Steico SE	EUR	25.1	353.49	19.8	18.1	16.9	16.4x	14.4x	13.0x
STO SE & Co KGaA	EUR	99.0	678.94	10.5	9.6	8.7	6.5x	5.7x	5.4x
Uzin Utz AG	EUR	60.5	305.18	18.6	14.8	12.1	13.8x	11.0x	8.9x
Villeroy & Boch AG	EUR	16.0	449.43	12.1	11.1	10.3	6.6x	6.3x	5.7x
Panel Engineering; Metal Processing									
Deutz AG	EUR	7.6	916.13	17.5	12.3	10.8	12.4x	8.7x	7.3x
Duerr AG	EUR	39.8	2756.32	14.8	12.9	10.3	9.8x	8.3x	7.2x
GEA Group AG	EUR	33.1	5976.10	18.5	15.9	14.3	13.9x	11.8x	10.6x
Heidelberger Druckmaschinen AG	EUR	2.4	667.29	21.4	16.1	9.8	10.4x	11.8x	9.0x
Jungheinrich AG	EUR	31.1	3176.28	16.8	15.3	14.3	11.6x	11.4x	10.6x
KION Group AG	EUR	58.6	6922.44	15.0	13.0	11.7	13.0x	11.1x	9.9x
Koenig & Bauer AG	EUR	61.1	1009.66	12.8	11.2	10.0	9.9x	8.1x	6.8x
Krones AG	EUR	105.9	3345.71	17.4	15.8	14.2	12.2x	10.8x	9.6x
KUKA AG	EUR	90.7	3607.64	24.3	22.2	19.5	N/A	N/A	N/A
Pfeiffer Vacuum Technology AG	EUR	130.4	1286.74	18.2	17.3	15.7	12.7x	12.0x	10.8x
Vossloh AG	EUR	48.5	774.42	27.2	20.8	17.7	16.3x	13.1x	11.3x
Panel Automotive									
Bertrandt AG	EUR	78.1	792.19	15.2	13.0	11.8	11.2x	9.5x	8.6x
Brembo SpA	EUR	11.1	3696.52	13.2	12.2	11.3	10.6x	9.5x	8.4x
Continental AG	EUR	161.7	32340.97	9.9	9.1	8.2	7.2x	6.4x	5.6x
ElringKlinger AG	EUR	10.3	653.88	9.8	8.5	7.4	12.2x	11.0x	10.1x
Faurecia SA	EUR	51.5	7106.08	9.7	8.7	8.0	5.9x	5.1x	4.4x
Grammer AG	EUR	59.5	749.49	13.4	11.7	11.5	10.6x	9.4x	9.4x
Haldex AB	SEK	89.5	3957.33	16.5	14.5	12.4	11.6x	10.0x	8.2x
Hella GmbH & Co KGaA	EUR	51.1	5672.22	14.2x	12.1x	12.1x	10.4x	8.6x	8.4x
Leoni AG	EUR	36.4	1187.52	8.2x	7.3x	6.2x	7.6x	6.9x	6.1x
Norma Group SE	EUR	55.1	1754.03	15.9x	14.2x	13.2x	13.3x	11.6x	10.5x
Cie Plastic Omnium SA	EUR	34.1	5105.94	11.1x	9.8x	8.9x	8.9x	7.6x	6.5x
Progress-Werk Oberkirch AG	EUR	38.5	120.31	8.9x	7.4x	6.3x	9.8x	8.6x	7.4x
SAF-Holland SA	EUR	12.7	576.96	11.2x	8.9x	8.2x	9.2x	7.5x	6.6x
SHW AG	EUR	30.8	198.24	17.0x	10.4x	9.0x	15.8x	7.6x	6.5x
Stabilus SA	EUR	74.6	1842.62	18.6x	17.2x	16.1x	14.5x	12.8x	11.5x
Valeo SA	EUR	37.7	9052.74	9.4x	8.1x	7.2x	7.7x	6.7x	5.9x
Panel Medical Engineering / Life Science									
Carl Zeiss Meditec AG	EUR	74.4	6649.91	50.3x	43.0x	38.2x	31.6x	27.1x	23.8x
Amplifon SpA	EUR	19.0	4300.53	37.6x	30.6x	26.1x	28.1x	24.2x	20.5x
Novo Nordisk A/S	DKK	317.3	777262.50	19.7x	19.0x	17.4x	16.0x	15.2x	14.2x
Sonova Holding AG	CHF	179.3	11713.83	26.5x	23.2x	21.1x	25.2x	21.4x	19.2x
Straumann Holding AG	CHF	792.0	12576.16	43.9x	36.1x	30.4x	36.3x	30.1x	25.0x
William Demant Holding A/S	DKK	257.6	65009.99	31.1x	27.6x	24.6x	26.3x	23.2x	21.4x
Draegerwerk AG & Co KGaA	EUR	67.4	1084.25	20.9x	16.4x	12.5x	10.0x	7.7x	5.9x
Gerresheimer AG	EUR	74.0	2322.03	16.0x	17.0x	15.7x	19.0x	18.2x	16.1x
Gerry Weber International AG	EUR	4.9	224.02	N/A	31.7x	16.7x	N/A	25.2x	15.2x
Constr. Average				16.9x	14.9x	13.3x	13.1x	11.5x	10.2x
Engin./Metal Proc. Average			18.5x	15.7x	13.5x	12.2x	10.7x	9.3x	
Automotive Average			12.6x	10.8x	9.9x	10.4x	8.7x	7.8x	
Medical Average				30.7x	27.2x	22.5x	24.1x	21.4x	17.9x

	Share price	Mkt.Cap	PE 2018	PE 2019	PE 2020	EV/EBIT 18	EV/EBIT 19	EV/EBIT 20	
Overview holding company peers									
Gesco AG	EUR	31.7	344.70	16.3x	12.9x	12.6x	13.1x	9.6x	8.9x
MBB SE	EUR	90.7	594.00	40.0x	32.3x	26.0x	9.5x	7.3x	5.9x
Deutsche Beteiligungs AG	EUR	38.7	578.44	16.0x	10.6x	10.2x	13.4x	10.2x	9.6x
MAX Automation SE	EUR	6.0	179.11	32.0x	11.7x	10.2x	25.3x	9.2x	7.9x
Average				26.1x	16.9x	14.8x	15.3x	9.1x	8.0x

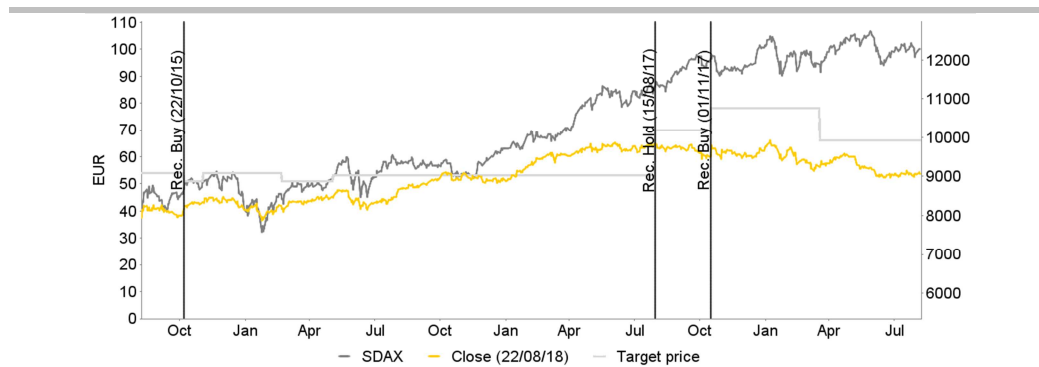
Source: Commerzbank Research, as of 22 August 2018

TABLE 6: Financials

Balance Sheet (€m)	2016	2017	2018E	2019E	2020E	CAGR 2017-20E
Property, plant & equipment	369	397	422	440	444	3.8%
Intangible fixed assets	74.3	86.5	86.5	86.5	86.5	0.0%
Goodwill	409	429	429	429	429	
Total operating fixed assets	852	912	937	955	959	1.7%
Net working capital	252	241	273	261	266	3.4%
as a % of sales	17.4%	14.7%	16.1%	15.2%	15.3%	
Operating invested capital	1,104	1,153	1,210	1,216	1,226	2.1%
ROIC (%)	9.8%	9.8%	9.9%	10.6%	10.8%	
IC/sales (x)	0.8	0.7	0.7	0.7	0.7	
Investments	17.6	19.2	19.2	19.2	19.2	0.0%
Capital employed	1,122	1,172	1,229	1,235	1,245	2.0%
ROCE	9.6%	9.6%	9.7%	10.4%	10.6%	
Cash and cash equivalents	127	136	142	163	172	8.2%
Interest-bearing liabilities	504	535	555	515	465	(4.5%)
Interest-bearing provisions	29.0	44.0	45.6	46.1	46.7	2.0%
Net debt	406	443	492	439	384	(4.7%)
thereof pension provisions	n.a.	n.a.	n.a.	n.a.	n.a.	
Total equity	645	674	713	777	842	7.7%
Equity Ratio	42.4%	40.8%	42.2%	45.5%	48.9%	
ROE	13.0%	12.6%	13.3%	13.8%	13.3%	
Total assets	1,522	1,653	1,687	1,707	1,722	1.4%
Income Statement (€m)	2016	2017	2018E	2019E	2020E	CAGR 2017-20E
Sales	1,444	1,641	1,702	1,722	1,741	2.0%
growth y/y	4.0%	13.6%	3.8%	1.2%	1.1%	
Operating expenses	1,243	1,425	1,476	1,479	1,493	1.6%
Gross margin	37.3%	36.8%	37.0%	37.5%	37.6%	
EBITDA	201	215	226	242	248	4.8%
as a % of sales	13.9%	13.1%	13.3%	14.1%	14.2%	
Depreciation and intangible amortisation	55.3	61.7	63.9	64.5	65.1	1.8%
EBITA	146	154	162	178	183	6.0%
as a % of sales	10.1%	9.4%	9.5%	10.3%	10.5%	
Impairments	0.7	0.8	0.0	0.0	0.0	
EBIT	145	153	162	178	183	
as a % of sales	10.1%	9.4%	9.5%	10.3%	10.5%	
Net interest result	(21.6)	(23.7)	(20.1)	(19.3)	(18.1)	(8.5%)
Result from participations	0.0	0.0	0.0	0.0	0.0	
Other financial result	0.0	0.0	0.0	0.0	0.0	
Adjustments	0.0	0.0	0.0	0.0	0.0	
PBT	123	129	142	159	165	8.4%
Tax expense	(43.0)	(46.1)	(49.7)	(55.5)	(57.2)	7.4%
Adjustment	0.0	0.0	0.0	0.0	0.0	
Tax rate	34.8%	35.7%	35.0%	35.0%	34.8%	
Net profit from continuing operations	80.4	83.1	92.3	103	107	8.9%
as a % of sales	5.6%	5.1%	5.4%	6.0%	6.2%	
Minorities	(0.4)	(0.7)	(0.8)	(0.9)	(1.0)	
Net income attributable to shareholders	80.0	82.3	91.4	103	108	9.6%
Cash Flow Statement (€m)	2016	2017	2018E	2019E	2020E	CAGR 2017-20E
Operating cash flow	115	124	128	183	173	11.7%
as a % of sales	7.9%	7.6%	7.5%	10.6%	9.9%	
Gross capex	(70.0)	(79.0)	(88.5)	(82.7)	(69.6)	(4.1%)
Asset disposals	3.7	3.9	0.0	0.0	0.0	
Net financial investments	(8.3)	(2.5)	0.0	0.0	0.0	
Net acquisitions	(29.9)	(32.4)	0.0	0.0	0.0	
Gross capex as a % of sales	4.8%	4.8%	5.2%	4.8%	4.0%	
Gross capex as a % of depreciation	126.5%	128.1%	138.5%	128.1%	107.0%	
Free cash flow	10.1	14.0	39.5	100	103	94.6%
as a % of sales	0.7%	0.9%	2.3%	5.8%	5.9%	
Dividends	(29.3)	(33.0)	(36.7)	(39.1)	(42.8)	
Free cash flow (post dividend)	(19.6)	(20.5)	(14.0)	60.2	59.5	
Increase / (decrease) in debt	14.8	30.6	20.6	(40.0)	(50.0)	
Increase / (decrease) in equity	0.0	0.0	0.0	0.0	0.0	
Other financing cash flows	0.0	0.0	0.0	0.0	0.0	
FX effects	(0.2)	(1.4)	0.0	0.0	0.0	
Other items	0.0	0.0	0.0	0.0	0.0	
Change in cash	(5.0)	8.7	6.6	20.2	9.5	

Source: Commerzbank Research

Indus Holding price chart



Source: Commerzbank Research

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