



# Indus Holding AG

## Surprise in Automotive boosting EBIT

25/07/2019

**Buy** (Buy)  
**56.00 EUR** (55.00 EUR)

Close 23/07/2019 35.45 EUR  
 Bloomberg: INH GY WKN: 620010  
 Sector Industrials

### Share price performance

52 week high / low 56.90 / 34.40 EUR  
 YTD -9.1%  
 12 months -33.1%

### Share price vs. SDAX



### Next event

Quarterly Results 13/08/2019

### Change in model

	Sales	EBIT	EPS
2019e	-	11.0%	19.5%
2020e	-	-	-
2021e	-	-	-

### Share data

Market Cap (m EUR) 866.8  
 No. of shares (m) 24.5  
 Free float 71.8%

### Analyst

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See end of document for disclaimer.

Indus has sold a minority stake in an automotive joint venture to its partner and expects to record an EBIT gain of € 16.5 m. As a result, the company should be able to avoid a profit warning, and we believe it is even well on track to exceed the upper end of its EBIT guidance range (€ 156-162 m). The sale is associated with a cash inflow of € 27.5 m. We see our positive stance on Indus clearly confirmed.

### INVESTMENT CASE

The gain from this sale has saved the company guidance, and it may even lead to a guidance increase. However, this resembles a one-off effect, similar to the write-downs on the two holdings in Q4 2018, which had a negative impact of € 16.1 m on 2018 EBIT. Indus did not disclose which subsidiary sold the stake, but we do not believe that it is one of the automotive companies delivering to the assembly line. It will rather be one of those delivering services to new model development, in our view. The sale therefore has the side effect of reminding the community that about half of Indus's subsidiaries in the automotive segment do not depend on car production volumes.

In our estimates, this sales gain, expected to be booked in Q3, will account for nearly the entire EBIT contribution from the Automotive segment (€ 16.5 m of € 16.7 m). It has boost our full-year EBIT forecast by 11% to € 166.1 m. As the gain is virtually tax free (after tax impact of € 16.2 m), we have raised our EPS estimates by nearly 20%.

### CATALYSTS

- Guidance increase now on the cards

### VALUATION

Indus expects the transaction to have a positive impact on liquidity of € 27.5 m. The improved cash position therefore leads to an increase in our DCF valuation of about € 1 per share.

in m EUR	2017	2018	2019e	2020e	2021e
Sales	1,641	1,711	1,747	1,807	1,872
EBIT	152.9	134.7	166.1	160.0	168.6
EBIT margin	9.3%	7.9%	9.5%	8.9%	9.0%
Net financial debt	398.9	482.7	549.0	521.7	526.2
Free cash flow	14.0	-23.6	63.9	64.8	34.6
EPS (in EUR)	3.37	2.90	4.05	3.62	3.80
DPS (in EUR)	1.50	1.50	1.50	1.60	1.70
Dividend yield	2.5%	3.8%	4.2%	4.5%	4.8%
EV/sales	1.2	0.9	0.8	0.8	0.8
EV/EBIT	12.4	11.0	8.8	9.0	8.5
P/E	17.7	13.4	8.7	9.8	9.3

Source: Company information, Bankhaus Lampe Research estimates

We have adjusted our estimates only to include the impact of the sale of the minority stake and left all other estimates unchanged. We expect the following for the individual segments:

€ m	2018	2019E	2019E	2020E
<b>Construction</b>				
Sales	358.7	367.7	373.2	378.8
EBIT	45.8	52.2	52.1	53.2
Margin (%)	12.8%	14.2%	14.0%	14.0%
<b>Engineering</b>				
Sales	387.0	422.3	430.6	437.1
EBIT	52.2	52.8	56.8	58.3
Margin (%)	13.5%	12.5%	13.2%	13.3%
<b>Automotive</b>				
Sales	391.0	366.9	368.7	378.6
EBIT	-4.3	16.7	4.2	5.9
Margin (%)	-1.1%	4.6%	1.1%	1.6%
<b>MedTech</b>				
Sales	154.3	157.4	161.3	165.4
EBIT	17.3	16.9	17.5	17.7
Margin (%)	11.2%	10.7%	10.8%	10.7%
<b>Metal</b>				
Sales	420.0	426.3	432.7	439.2
EBIT	28.3	35.7	36.3	36.9
Margin (%)	6.7%	8.4%	8.4%	8.4%
<b>Acquisitions</b>				
Sales		6.0	40.6	81.2
EBIT		0.6	4.3	8.9
Margin (%)		10.0%	10.6%	11.0%
<b>Consolidation</b>				
EBIT	-4.6	-8.8	-11.3	-12.3

# Valuation

## Valuation is based on a DCF model

We have raised our price target for Indus Holding AG by € 1.00 to € 56.00 due to the cash effect from the sale of the minority stake. Our price target is based on a three-layer DCF model. The lower price target results from reduced estimates for the operating result.

## DCF MODEL

Our DCF model is based on detailed estimates for the period 2019-21. In the medium-term phase of our model from 2022 to 2025, we have assumed a very conservative EBIT growth rate of 2%. Our growth assumption for calculating the terminal value is only 1%.

Indus	2019e	2020e	2021e	2022e	2023e	2024e	2025e	2026e	Terminal Value
DCF model (EUR m)									
EBIT	166.1	160.0	168.6	172.0	175.4	178.9	182.5	186.1	188.0
Taxes	-61.5	-59.2	-62.4	-63.6	-64.9	-66.2	-67.5	-68.9	-69.6
NOPAT	104.6	100.8	106.2	108.3	110.5	112.7	115.0	117.3	118.4
+ Depreciation	87.3	91.6	94.6	96.4	98.3	100.3	102.3	104.3	105.4
- Capex	-109.0	-105.0	-107.1	-109.2	-111.4	-113.7	-115.9	-118.2	-119.4
+/- Change in working capital	30.7	24.9	-9.9	-10.0	-10.2	-10.4	-10.6	-10.8	-10.9
+/- Other cash items	11.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net Cashflow	124.6	112.3	83.8	85.5	87.2	88.9	90.7	92.5	93.5
Discounting period in years	0.4	1.4	2.4	3.4	4.4	5.4	6.4	7.4	8.4
WACC	4.4%	4.4%	4.4%	4.4%	4.4%	4.4%	4.4%	4.4%	4.4%
Present value	122.3	105.5	75.4	73.6	71.9	70.3	68.6	67.0	1,893.0

## Calculation of fair value per share

Sum of all present values	2,548
thereof Terminal Value	74%
+ Operating Segment Financial Assets	19.7
- Minorities	-2.7
- Pension provisions	-43.7
- Net financial debt (cash) of operations	-570.7
<b>Fair operating value</b>	<b>1,950</b>
Bookvalue non-operating assets	0
<b>Equity Value</b>	<b>1,950</b>
Holding discount	30%
<b>Fair equity value</b>	<b>1,365</b>
No. of shares [in mio.]	24.5

**Fair value per share [in €]** **55.80**

Source: Company information, Bankhaus Lampe Research

## WACC model

Risk-free rate	1.0%
Equity risk premium	7.0%
Beta	1.10
<b>Expected return on investment</b>	<b>8.7%</b>
Cost of debt	2.50%
Tax rate	37.0%
<b>Cost of debt after taxes</b>	<b>1.58%</b>

## Sensitivity of fair value per share

		TV growth				
		0.0%	0.5%	1.0%	1.5%	2.0%
Beta	0.7	63.1	74.4	90.5	115.6	159.9
	0.9	51.6	59.3	69.7	84.5	107.3
	1.1	43.1	48.6	55.8	65.4	79.0
	1.3	36.4	40.6	45.8	52.4	61.4
	1.5	31.1	34.3	38.2	43.1	49.3

## Model assumptions

Short-term CAGR (first 3 years)	7.8%
Medium-term CAGR (next 5 years)	2.0%
Terminal value growth (ad infinity)	1.0%
Terminal value EBIT margin	7.5%

Source: Company information, Bankhaus Lampe Research

## Price target € 56.00

Including a holding discount of 30%, our DCF model leads us to a rounded fair value of € 56.00, which is also our new price target. As the upside potential to the price target is significantly greater than 10%, we reiterate our BUY rating.

## MAIN RISKS

## GDP growth

The main risks for Indus stem from the general development of GDP growth in Germany and abroad.

## Increase in interest rates

Since the company uses borrowed funds to finance the portfolio, the announcement of interest rate increases may ultimately also exert a highly negative influence on the value of the company even though its refinancing is essentially long term. In addition, higher interest rates are likely to have a negative impact on valuation multiples.

## Fewer acquisitions

Portfolio additions are part of the business case, although the impact has declined over time as the portfolio has grown to more than 40 holdings.

# Key figures

## Indus Holding AG – Income statement

in m EUR	2017	2018	2019e	2020e	2021e
Sales	1,641	1,711	1,747	1,807	1,872
Own work capitalised	10.3	43.0	14.0	14.0	14.0
Total sales	1,651	1,754	1,761	1,821	1,886
Material expenses	-745.9	-811.9	-792.0	-818.9	-847.9
Personnel expenses	-479.7	-506.6	-521.4	-539.2	-558.2
Unusual or infrequent items	0.0	0.0	0.0	0.0	0.0
Other operating result	-210.1	-216.9	-193.8	-211.5	-217.0
EBITDA	215.3	218.4	253.4	251.6	263.2
Depreciation	51.6	57.1	77.5	81.1	83.5
EBITA	163.7	161.3	175.9	170.5	179.7
Amortisation of goodwill	10.8	26.6	9.8	10.5	11.1
Amortisation of intangible assets	0.0	0.0	0.0	0.0	0.0
EBIT	152.9	134.7	166.1	160.0	168.6
Financial result	-23.7	-20.0	-17.9	-19.4	-20.3
Income on ordinary activities	129.2	114.7	148.2	140.6	148.3
Extraordinary income/loss	0.0	0.0	0.0	0.0	0.0
EBT	129.2	114.7	148.2	140.6	148.3
Taxes	-46.1	-43.5	-48.4	-51.3	-54.1
Net income from cont. operations	83.1	71.2	99.8	89.3	94.2
Net income from discount. operations	0.0	0.0	0.0	0.0	0.0
Minority interest	-0.7	-0.3	-0.7	-0.9	-1.2
Net income (adj.)	82.3	70.9	99.1	88.4	93.0
No. of shares	24.5	24.5	24.5	24.5	24.5
EPS	3.37	2.90	4.05	3.62	3.80

Source: Company information, Bankhaus Lampe Research estimates

	2017	2018	2019e	2020e	2021e
Gross margin	54.5%	52.5%	54.7%	54.7%	54.7%
EBITDA margin	13.1%	12.8%	14.5%	13.9%	14.1%
EBITA margin	10.0%	9.4%	10.1%	9.4%	9.6%
EBIT margin	9.3%	7.9%	9.5%	8.9%	9.0%
EBT margin	7.9%	6.7%	8.5%	7.8%	7.9%
Net profit margin	5.0%	4.1%	5.7%	4.9%	5.0%
Tax rate	35.7%	37.9%	32.7%	36.5%	36.5%

Source: Company information, Bankhaus Lampe Research estimates

Growth rates yoy	2017	2018	2019e	2020e	2021e
Sales	13.6%	4.3%	2.1%	3.5%	3.6%
EBITDA	7.1%	1.5%	16.0%	-0.7%	4.6%
EBIT	5.4%	-11.9%	23.3%	-3.7%	5.4%
EBT	4.7%	-11.2%	29.2%	-5.1%	5.5%
Net income (adj.)	2.9%	-13.9%	39.8%	-10.8%	5.2%
EPS	2.9%	-13.9%	39.8%	-10.8%	5.2%

Source: Company information, Bankhaus Lampe Research estimates

## Indus Holding AG – Balance sheet

Assets (in m EUR)	2017	2018	2019e	2020e	2021e
Fixed assets	953.6	968.5	1,125	1,175	1,223
Property, plant and equipment	402.2	418.2	554.3	593.7	622.1
Intangible assets	515.0	509.4	535.0	545.0	565.0
Financial assets	24.9	24.7	19.7	19.7	19.7
Other long-term assets	11.5	16.2	16.2	16.2	16.2
Current assets	699.6	751.5	774.0	796.3	806.8
Inventories	339.2	408.7	400.0	390.0	400.0
Accounts receivable	197.5	202.5	210.0	215.0	220.0
Other current assets	27.0	30.6	30.6	30.6	30.6
Securities	0.0	0.0	0.0	0.0	0.0
Cash	135.9	109.7	133.4	160.7	156.2
Total assets	1,653	1,720	1,899	1,971	2,030
Equity and liabilities in m EUR					
Shareholders' equity	673.8	712.5	772.2	824.0	877.8
Shareholders' equity (before minority)	670.9	709.8	769.5	821.3	875.1
Minorities	2.9	2.7	2.7	2.7	2.7
Non-current liabilities	561.0	580.2	670.2	670.2	670.2
Pension provisions	44.0	43.7	43.7	43.7	43.7
Other provisions	2.4	1.7	1.7	1.7	1.7
Long-term financial debt	439.5	465.9	555.9	555.9	555.9
Other long-term debt	75.1	68.9	68.9	68.9	68.9
Current liabilities	418.4	427.3	456.8	476.7	481.8
Short-term debt	95.3	126.5	126.5	126.5	126.5
Other accruals short-term	72.4	73.6	73.6	73.6	73.6
Accounts payable	66.2	65.7	75.0	80.0	85.0
Other liabilities	184.5	161.5	181.7	196.6	196.7
Total equity and liabilities	1,653	1,720	1,899	1,971	2,030

Source: Company information, Bankhaus Lampe Research estimates

## Indus Holding AG – Balance sheet structure

Assets	2017	2018	2019e	2020e	2021e
Fixed assets	57.7%	56.3%	59.2%	59.6%	60.3%
Property, plant and equipment	24.3%	24.3%	29.2%	30.1%	30.6%
Intangible assets	31.2%	29.6%	28.2%	27.7%	27.8%
Current assets	42.3%	43.7%	40.8%	40.4%	39.7%
Inventories	20.5%	23.8%	21.1%	19.8%	19.7%
Accounts receivable	11.9%	11.8%	11.1%	10.9%	10.8%
Cash	8.2%	6.4%	7.0%	8.2%	7.7%
Equity and liabilities					
Shareholders' equity	40.8%	41.4%	40.7%	41.8%	43.2%
Non-current liabilities	33.9%	33.7%	35.3%	34.0%	33.0%
Pension provisions	2.7%	2.5%	2.3%	2.2%	2.2%
Long-term financial debt	26.6%	27.1%	29.3%	28.2%	27.4%
Current liabilities	25.3%	24.8%	24.1%	24.2%	23.7%
Short-term debt	5.8%	7.4%	6.7%	6.4%	6.2%
Accounts payable	4.0%	3.8%	3.9%	4.1%	4.2%

Source: Company information, Bankhaus Lampe Research estimates

## Indus Holding AG – Cash flow statement

in m EUR	2017	2018	2019e	2020e	2021e
Net income (adj.)	82.3	70.9	99.1	88.4	93.0
Depreciation	51.6	57.1	77.5	81.1	83.5
Amortisation of goodwill & intangible assets	10.8	26.6	9.8	10.5	11.1
Change of provisions	3.6	-0.9	0.0	0.0	0.0
Other	-29.1	22.6	0.8	0.9	0.0
Operating cash flow before changes in w/c	119.2	176.3	187.2	180.9	187.6
Change in inventory	-30.5	-69.5	8.7	10.0	-10.0
Change in accounts receivable	-19.9	-5.0	-7.5	-5.0	-5.0
Change in accounts payable	10.8	-0.5	9.3	5.0	5.0
Change in other assets	44.4	-26.6	20.2	14.9	0.1
Operating cash flow	124.0	74.7	217.9	205.8	177.7
Capex, incl. capitalized R&D	-79.0	-90.9	-109.0	-105.0	-107.1
Payments for acquisitions	-32.4	-11.5	-50.0	-36.0	-36.0
Financial investments	-2.5	-1.4	5.0	0.0	0.0
Income from asset disposals	3.9	5.5	0.0	0.0	0.0
Income from financial investments	0.0	0.0	0.0	0.0	0.0
Cash flow from investing activities	-110.0	-98.3	-154.0	-141.0	-143.1
Free cash flow	14.0	-23.6	63.9	64.8	34.6
Capital measures	0.0	0.0	0.0	0.0	0.0
Increase/decrease in debt position	29.8	34.5	90.0	0.0	0.0
Purchase of own shares	0.0	0.0	0.0	0.0	0.0
Other financing Cash-flow	-0.7	-0.5	-0.6	-0.8	0.0
Dividend paid	-33.0	-36.7	-36.7	-36.7	-39.1
Cash flow from financing activities	-3.9	-2.7	52.7	-37.5	-39.1
Increase/ decrease in liquid assets	10.1	-26.3	116.6	27.3	-4.5
Effects of exchange rate changes	-1.4	0.1	-93.0	0.0	0.0
Cash at beginning of period	127.2	135.9	109.7	133.4	160.7
Change in total cash and cash equivalents	8.7	-26.2	23.6	27.3	-4.5
Cash at end of period	135.9	109.7	133.4	160.7	156.2

Source: Company information, Bankhaus Lampe Research estimates

## Indus Holding AG – Ratios

	2017	2018	2019e	2020e	2021e
<b>Per Share Data</b>					
EPS	3.37	2.90	4.05	3.62	3.80
Book value per share	27.56	29.14	31.58	33.70	35.90
Free Cash-flow per share	0.57	-0.97	2.61	2.65	1.42
Dividend per share	1.50	1.50	1.50	1.60	1.70
<b>Valuation ratios</b>					
EV/Sales	1.2	0.9	0.8	0.8	0.8
EV/EBITDA	8.8	6.8	5.8	5.7	5.5
EV/EBIT	12.4	11.0	8.8	9.0	8.5
P/E	17.7	13.4	8.7	9.8	9.3
Price to book (total equity)	2.2	1.3	1.1	1.1	1.0
Dividend yield	2.5%	3.8%	4.2%	4.5%	4.8%
<b>Profitability ratios</b>					
EBITDA margin	13.1%	12.8%	14.5%	13.9%	14.1%
EBIT margin	9.3%	7.9%	9.5%	8.9%	9.0%
Net return on sales	5.0%	4.1%	5.7%	4.9%	5.0%
Return on capital employed (ROCE)	12.2%	10.0%	11.1%	10.3%	10.5%
<b>Productivity ratios</b>					
Capital turnover	86.8%	88.5%	95.1%	94.0%	93.9%
Operating leverage	0.4	-2.8	11.1	-1.1	1.5
Sales per employee (in thousands)	160,686	165,135	166,185	169,531	173,201
EBIT per employee (in thousands)	14,971	13,002	15,804	15,009	15,597
Number of employees (in thousands)	10.2	10.4	10.5	10.7	10.8
<b>Financial ratios</b>					
Equity ratio	40.8%	41.4%	40.7%	41.8%	43.2%
Net financial debt (in m EUR)	398.9	482.7	549.0	521.7	526.2
Net debt / Equity	59.2%	67.7%	71.1%	63.3%	59.9%
Interest cover	6.3	6.6	8.6	7.7	7.7
Net debt / EBITDA	1.85	2.21	2.17	2.07	2.00
Working Capital (in m EUR)	470.5	545.5	535.0	525.0	535.0
Change in working capital (in m EUR)	39.6	75.0	-10.5	-10.0	10.0
WC /sales	28.7%	31.9%	30.6%	29.1%	28.6%
Stocks in days of sales	75	87	84	79	78
Trade debtors in days of sales	44	43	44	43	43
Trade creditors in days of COGS/sales	15	14	16	16	17
Cash conversion cycle	104	116	112	106	104
Invest. (property/plant/equity) / Depreciation	153.1%	159.2%	140.6%	129.5%	128.3%
<b>Others</b>					
Sales CAGR (last 3 years)	9.3%	7.2%	6.5%	3.3%	3.1%
EBIT CAGR (last 3 years)	6.3%	-0.4%	4.6%	1.5%	7.8%
Net income CAGR (last 3 years)	9.2%	1.4%	7.4%	2.4%	9.5%
Pay-out ratio	44.6%	51.7%	37.0%	44.3%	44.7%
Free cash flow (in m EUR)	14.0	-23.6	63.9	64.8	34.6
Free cash flow yield	1.0%	-2.5%	7.4%	7.5%	4.0%

Source: Company information, Bankhaus Lampe Research estimates



# Disclaimer

The creation of this recommendation was finalised on 24/07/2019 02:17 PM (CEST) and first published on 25/07/2019 07:01 AM (CEST).

## Analyst declaration

The relevant research analysts, as named on the front cover of this research report, certify that (a) all of the views expressed in this research report accurately reflect their personal views about the securities and companies mentioned in this research report; and (b) that no part of their compensation was, is or will be directly or indirectly related to the specific recommendation(s) or views expressed by them in this research report.

## Rating system

Shares are rated based upon analyst forecasts with regard to the performance of the share during a period of twelve months. The rating "Buy" within this general concept means that the share's forecast performance is at least 10%. "Hold" means a price movement in a bandwidth of -10% to 10%. "Sell" means that the share's forecast performance is less than -10%.

## Explanation of valuation

Unless shown otherwise, the stated upside targets are based upon either a discounted cash-flow pricing or upon a comparison of the performance ratios of companies that the respective analyst considers to be comparable, or upon a combination of these two analyses. Analysts modify the result of this fundamental assessment to incorporate the potential trend in market sentiment.

Details on the concepts and methods as well as the valuation models employed are available on our [website](#).

Overview of changes in our recommendations/price targets in the previous twelve months for: Indus Holding AG (INH GY), Close (23/07/2019): 35.45 EUR, Analyst: Dr. Georg Kanders (Analyst).

Date of publication	Price at recommendation	Rating	Price target
18/07/2019	36.80 EUR	Buy	55.00 EUR
20/05/2019	42.90 EUR	Buy	56.00 EUR
03/04/2019	45.05 EUR	Buy	61.00 EUR
30/01/2019	43.85 EUR	Buy	60.00 EUR
30/08/2018	55.50 EUR	Buy	73.00 EUR

The distribution of recommendations in our investments universe is currently as follows (date: 01/07/2019)

Rating	Basis: all analysed companies	Basis: companies with investment banking relationships
Buy	57.8%	62.5%
Hold	37.9%	25.0%
Sell	4.3%	12.5%
Under Review	0.0%	0.0%

## Frequency of updates

The Bank intends to publish at least one research report per year for the aforementioned stock/stocks.

## Complete list of recommendations

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Company	Disclosure
Indus Holding AG	6, 7

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