

Indus Holding (INH GY)

Weak Q2 (due 13 August); Auto disposal no breakthrough

Indus announced that it has disposed of a 49% participation in the segment Automotive, resulting in an EBIT book gain of €16.5m and a €27.5m cash in. Indus provides no further information for legal reasons but we conclude from the 49% share that the disposed asset is not one of the 46 direct participations. This implies that the transaction is not a solution to structural problems in Automotive. Based on limited at-equity income, we assume that earnings contribution was negligible, roughly estimating the added value at around €1 per Indus share. We forecast Q2 sales of €460m, up 5% y/y but a weak 8.5% EBIT margin, down 80bps y/y, burdened by margin weakness in Automotive and Metal Processing. The €16.5m book gain from the disposal should eliminate the risk of a warning. However, further Automotive weakness might burden H2 operationally. With operational prospects bearing increased uncertainty, we remain neutral.

Table 1 - Q2 estimates

€m	Cons. Q2		CB Q2	Δ y/y	Q1 2019	Δ q/q	2018	Cons		
	Q2 2018	2019E	2019E					2019	2019	y/y
Sales	437	n.a.	460	5%	438	5%	1711	1753	1740	2%
Construction / Infra.	95		103	9%	87	19%	359		372	4%
Engineering	93		109	17%	109	0%	387		394	2%
Automotive	98		93	-5%	93	1%	391		388	-1%
Metal/Processing	111		113	2%	108	4%	420		429	2%
Medical / Life Science	39		41	6%	41	0%	154		157	2%
EBIT	40.8	n.a.	39.1	-4%	33.6	17%	134.7	153	156.6	16%
Construction / Infra.	15.2		17.8	17%	10.0	78%	49.8		51.6	4%
Engineering	10.1		12.6	24%	12.8	-2%	52.2		53.0	1%
Automotive	1.9		-1.9	-201%	0.2	-1079%	-4.3		9.1	-311%
Metal/Processing	11.2		8.4	-25%	8.6	-3%	28.3		34.9	23%
Medical / Life Science	4.6		4.5	-2%	3.8	18%	17.3		16.9	-2%
Margin	9.3%		8.5%		7.7%		7.9%	8.7%	9.0%	
Construction / Infra.	16.0%		17.2%		11.5%		13.9%		13.9%	
Engineering	10.9%		11.5%		11.7%		13.5%		13.4%	
Automotive	1.9%		-2.0%		0.2%		-1.1%		2.3%	
Metal/Processing	10.1%		7.4%		8.0%		6.7%		8.1%	
Medical / Life Science	11.9%		11.0%		9.4%		11.2%		10.8%	
Net income	23.3	n.a.	22.8	-2%	19.8	15%	70.9	83.5	83.3	18%
EPS	0.95	n.a.	0.93	-2%	0.81	15%	2.90	3.49	3.41	18%

Commerzbank, company data

Key Financials

Year End Dec	2017A	2018A	2019E	2020E	2021E
Revenue	1,641	1,711	1,740	1,783	1,785
EBITDA	215	218	235	244	245
EBIT	153	135	157	164	165
EBT	140	99	145	153	155
EPS	3.37	2.90	3.41	3.79	3.85
P/E (x)	10.5	12.2	10.4	9.4	9.2
Free Cash Flow	14	(24)	92	99	90
Net debt	399	483	508	451	404
Net debt/EBITDA (x)	1.8	2.4	2.1	1.8	1.6

Source Commerzbank Research, Bloomberg, Company Information

research.commerzbank.com | Bloomberg: CBKR | Important disclosure information

25 July 2019

Hold
TP €48.00
CP €35.45

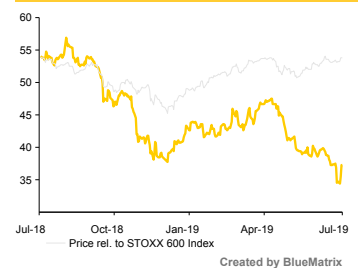
(Closing 23 July 2019)

Key information

Expected performance	35.4%
1M / 3M performance:	(10.7)% / (24.3)%
Market Cap (m)	867
Bloomberg:	INH GY
Shares outstanding (m)	24
Equity Free Float	74.8%
Average Daily Volume 30d	.0
Average Daily Volume 90d	.0
Consensus Target Price	52.9
Book value per share	29.3
Consensus recommendation (5=Buy)	4.3

Source: Commerzbank Research, Bloomberg

Relative and absolute performance (12M)



Source: Bloomberg

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Balance Sheet

Year End Dec	2017A	2018A	2019E	2020E	2021E
Cash	136	110	134	141	128
Trade receivables	198	203	206	211	214
Inventories	339	409	396	388	388
Other WC assets	18	23	23	23	23
Intangible assets	86	91	91	91	91
PP&E	397	418	503	507	511
Goodwill	429	419	419	419	419
Financial assets	30	28	28	28	28
Other assets	20	21	21	21	21
Total assets	1,653	1,720	1,820	1,828	1,822
Account payables	66	66	67	68	69
Other WC liabilities	257	238	238	240	243
Financial debt	535	592	642	592	532
Pension provisions	44	44	44	46	46
Other Provisions	2	2	2	2	2
Other liabilities	75	69	70	72	72
Total liabilities	979	1,010	1,063	1,020	964
Share Capital	64	64	64	64	64
Addl paid-in capital	607	644	690	741	793
Treasury shares	0	0	0	0	0
Equity & liabilities	1,653	1,720	1,820	1,828	1,822
Minority interest	3	3	3	3	3
Total equity	671	707	754	805	856

Source Commerzbank Research, Bloomberg, Company Information

Profit and Loss

Year End Dec	2017A	2018A	2019E	2020E	2021E
Revenue	1,641	1,711	1,740	1,783	1,785
Material expenses	(719)	(748)	(762)	(779)	(779)
Gross profit	922	962	978	1,004	1,006
Other income/expenses	(706)	(744)	(743)	(760)	(760)
EBIT rep.	153	135	157	164	165
Adjustments	0	(16)	10	10	10
EBIT adj.	153	135	157	164	165
EBITDA rep.	215	218	235	244	245
Financial result	(24)	(20)	(22)	(22)	(20)
EBT rep.	129	115	135	143	145
Tax	(46)	(44)	(51)	(50)	(50)
Minorities	(1)	(0)	(0)	(0)	(0)
EAT rep.	84	72	84	94	95

Source Commerzbank Research, Bloomberg, Company Information

KPI

Year End Dec	2017A	2018A	2019E	2020E	2021E
Revenues	1,641	1,711	1,740	1,783	1,785
EBITDA	215	218	235	244	245
EBIT	153	135	157	164	165
EBT	140	99	145	153	155
Free cash flow	14	(24)	92	99	90
EPS rep.	0.00	2.90	0.00	0.00	0.00
Net financial debt	399	483	508	451	404
Net financial debt/EBITDA (x)	1.8	2.4	2.1	1.8	1.6

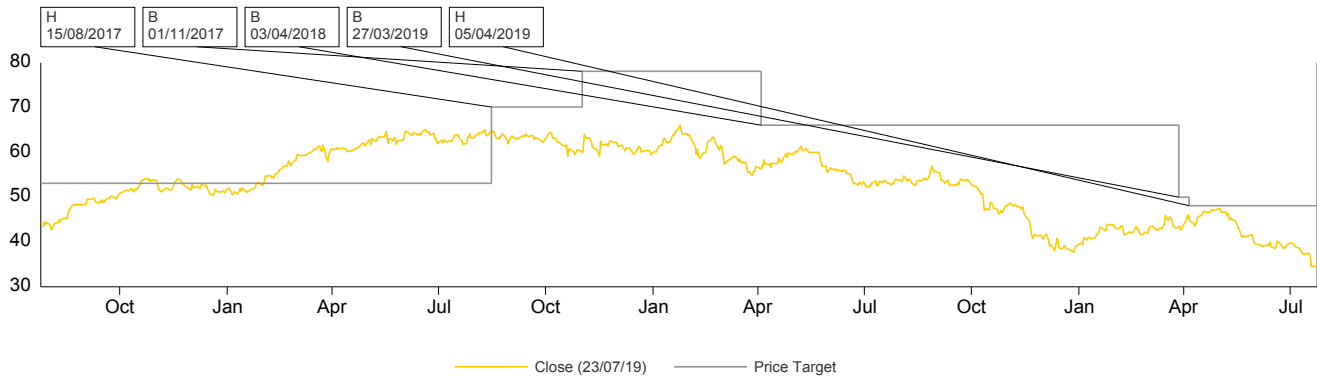
Source Commerzbank Research, Bloomberg, Company Information

Cash Flow

Year End Dec	2017A	2018A	2019E	2020E	2021E
EBIT as rep.	153	135	157	164	165
Operating Cash Flow	124	75	175	183	174
Invest. cash flow	(110)	(98)	(84)	(84)	(84)
Free Cash Flow	14	(24)	92	99	90
Dividend payment	(34)	(60)	(37)	(42)	(43)
Free Cash Flow (after dividend)	(20)	(84)	54	57	47
Increase / (decrease) in debt	31	58	(30)	(50)	(60)
Net change in cash	9	(26)	24	7	(13)
Beginning cash	127	136	110	134	141
Ending cash	136	110	134	141	128

Source Commerzbank Research, Bloomberg, Company Information

In accordance with ESMA MAR requirements this report was completed 24/7/2019 17:36 CEST and disseminated 25/7/2019 07:30 CEST.



Rating and PT Changes:

Company Name	Covering Analyst	Rating	Previous Rating	Price Target	Previous PT	Closing Price	Change Date
Indus Holding AG	Norbert Kretlow	Hold	Buy	€48.00	€50.00	€46.05	5/4/2019
Indus Holding AG	Norbert Kretlow	Buy	-	€50.00	-	€43.30	27/3/2019

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Source: Commerzbank Research

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