Purmo Group

Company report

2/13/2024

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Inderes corporate customer

This report is a summary translation of the report "Tulos lähdössä parempaan päin" published on 2/13/2024 at 7:01 pm EET.

Performance starting to improve

Purmo's Q4 was slightly below our expectations, but the guidance of a potentially growing result this year was a positive surprise for us. We raised our adjusted EBITDA forecasts by 2-3% for 2024-25. Supported by a low valuation (e.g. P/E 8x 2024), we reiterate our Buy recommendation and target price of EUR 8.

Q4 slightly below our expectations, yet clearly up year-on-year

Purmo's revenue fell 15% in Q4, which was more than we expected, and remained at the Q3 level. Purmo's revenue has been roughly flat in Q2-Q4'23 with weak market demand across its various product groups and regions. In terms of adjusted EBITDA, Purmo was able to improve its results in both segments, which for Climate Solutions was a surprise for us after a weaker Q3. We think this shows that the higher top line is well reflected in the bottom line. Adjusted EBITDA rose to over 12%, slightly above our forecast, as the efficiency program supported the result. The reported result was burdened by significant one-off costs related to the efficiency program. As expected, the company proposes a dividend of EUR 0.36 per share, the same as last year.

Guidance cautiously positive despite weak market - forecasts up slightly

Purmo expects adjusted EBITDA in 2024 to be at the same level or above that of 2023 (92 MEUR). At the same level means +/- 5% and above means more than 5% improvement. Purmo reports that retailer inventory levels have leveled off and the above-mentioned efficiency program is supporting the result this year, as expected. In terms of demand, however, Purmo still expects 2024 to be weaker than 2023. We note that Q1'23 in particular was still a good quarter and therefore we still expect a clear decline in revenue in the early part of the year. However, Purmo's efficiency program will support 2024 earnings by 24 MEUR (according to the company) compared to 2023, which we believe will more than offset the negative impact of lower revenues. We raised our forecast slightly (2-3% for adjusted EBITDA) and now expect adjusted EBITDA of 96 MEUR, an improvement of around 5%.

Earnings on the way up again

Purmo's value creation in the next few years is expected to take place in two ways. First, through the 50 MEUR efficiency program, the full impact of which will be felt from the end of 2024, particularly in the CPS division. Second, it is seeking growth in the Solutions division, which typically has better profitability than CPS, and thus growth would support margins for the company as a whole. This year, the improvement in results will only come from efficiency measures, and growth will have to wait until next year. In the longer-term, growth is supported, e.g., by the need for energy renovations in buildings. Purmo's financial objective is an EBITDA margin of more than 15%. Our margin projections are still slightly below target, at 13.5-14% for 2024-26.

Valuation multiples are cheap, which together with dividend yield supports a good expected return

We consider the 2024 earnings multiples (P/E 8x, EV/EBIT 7x) to be at below the acceptable multiples for Purmo. The company's acceptable valuation is limited by the subdued growth potential in radiators and thus the entire company and the return on capital of close on 10% even in the medium term. However, even in a difficult market, we believe that the combination of flat or rising earnings, a favorable valuation and a good dividend yield provides a good return on the stock. Our DCF and SOTP indicate a clearly higher level than the current share price. This requires, however, a sustainable improvement in profitability and/or a better growth profile.

Recommendation

Buy
(previous Buy)

EUR 8.00
(previous EUR 8.00)

Share price:
6.90

Key figures

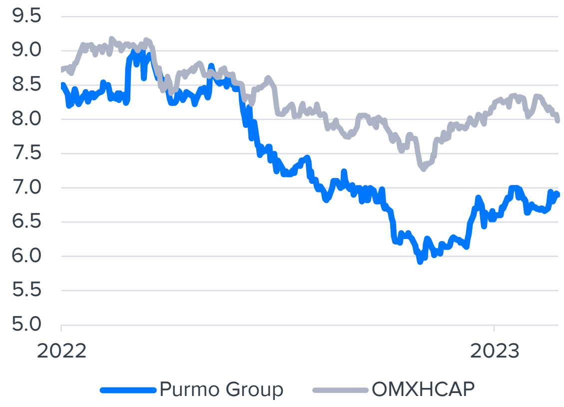
	2023	2024e	2025e	2026e
Revenue	743.2	708.0	733.7	754.6
growth-%	-18%	-5%	4%	3%
EBIT adj.	55.4	68.0	73.2	75.9
EBIT-% adj.	7.5 %	9.6 %	10.0 %	10.1 %
Net Income	-13.2	21.1	39.3	44.9
EPS (adj.)	0.68	0.85	0.92	1.05
P/E (adj.)	9.1	8.2	7.5	6.5
P/B	0.6	0.7	0.6	0.7
Dividend yield-%	5.7 %	5.1 %	5.3 %	5.8 %
EV/EBIT (adj.)	8.7	6.9	6.1	6.4
EV/EBITDA	5.2	5.1	4.4	4.6
EV/S	0.6	0.7	0.6	0.6

Source: Inderes

Guidance (New guidance)

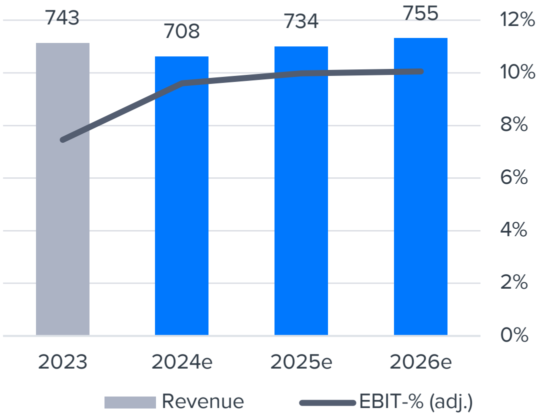
Adjusted EBITDA in 2024 is expected to be on a similar or higher level than in 2023 (92.3 MEUR).

Share price



Source: Millistream Market Data AB

Revenue and EBIT-%



Source: Inderes

EPS and dividend

Source: Inderes

Value drivers

- One of the largest product portfolios on the market
- Strong brands and market positions in Europe's radiator business
- Sustainable development, renovation debt, digitalization support the growth outlook of the market

Risk factors

- Dependency on construction cycles, especially in housing construction
- Distribution is dependent on large wholesale customers
- Capacity management and successful growth investment

Valuation	2024e	2025e	2026e
Share price	6.90	6.90	6.90
Number of shares, millions	42.7	42.7	42.6
Market cap	294	294	294
EV	527	508	484
P/E (adj.)	8.2	7.5	6.5
P/B	0.7	0.6	0.7
P/S	0.4	0.4	0.4
EV/Sales	0.7	0.6	0.6
EV/EBITDA	5.1	4.4	4.6
EV/EBIT (adj.)	6.9	6.1	6.4
Payout ratio (%)	71%	40%	38%
Dividend yield-%	5.1 %	5.3 %	5.8 %

Source: Inderes

Result slightly below our expectations, but margin significantly improved

Revenue fell clearly more than we expected

Purmo's revenue fell 15% in Q4, which was more than we expected, and remained at the Q3 level. Purmo's revenue was roughly flat in Q2-Q4'23 as market demand was weak and well below the comparison period. Purmo commented that demand was weak across its different product groups and regions.

In the larger Climate Products & Systems segment, revenue fell by 15%, which was more than we expected. In Climate Solutions, the decline was 9%, again better than expected. In Climate Solutions, revenue was higher than in Q2-Q3 as demand showed signs of leveling off/recovery. Climate Solutions was also supported by the completion of projects in its large market in Italy towards the end of the year. Geographically, Purmo grew in Central and Eastern Europe, while other regions declined.

Margin clearly up, result slightly below forecast

In terms of adjusted EBITDA, Purmo was able to improve its results in both segments, which for Climate Solutions was a surprise for us after a weaker Q3. We think this shows that the higher-than-expected top line is also well reflected in the bottom line. Climate Products & Systems did not meet our expectations with lower-than-expected revenue, but the efforts of its efficiency program will continue to underpin further results. The efficiency program also had a bigger impact in Q4 than previously expected.

The adjusted EBITDA margin rose to over 12%, slightly above our forecast. Reported results were impacted by significant one-time costs related to the efficiency program, which were even higher than expected in Q4.

Moderate cash flow

Purmo's cash flow from operating activities was 33 MEUR in Q4'23, slightly weaker than in the comparison period. During 2023, the company's net debt remained roughly unchanged, taking into account the 60 MEUR hybrid loan taken out early in the year. Considering the high one-off costs of the efficiency program, which we believe had a negative impact on cash flow, cash flow was reasonably good. The company's reported net debt/total EBITDA (excluding the hybrid loan) was 2.4x, compared to the company's target of less than 3x. Taking into account hybrid loan, the ratio was exactly 3x. The hybrid loan will be paid back in February 2026.

As expected, the company proposes a dividend of EUR 0.36 per share, the same as last year.

Estimates	Q4'22	Q4'23	Q4'23e	Q4'23e	Consensus		Difference (%)	2023
MEUR / EUR	Comparison	Actualized	Inderes	Consensus	Low	High	Act. vs. inderes	Actualized
Revenue	207	175	185	172			-5%	743
EBITDA (adj.)	6.4	21.1	22.0	-			-4%	92.3
EBIT	-1.5	-25.5	-9.1	-17.8			180%	9.7
EPS (reported)	-0.17	-0.59	-0.39	-0.03			52%	-0.32
DPS	0.36	0.36	0.36	0.32			0%	0.36
Revenue growth-%	-	-15.3 %	-10.5 %	-16.8 %			-4.8 pp	-17.8 %
EBITDA-% (adj.)	3.1 %	12.1 %	11.9 %				0.2 pp	12.4 %

Source: Inderes & Bloomberg, 3 analysts (consensus)

Efficiency program boosts results despite a difficult market

Guidance hints at potential for earnings improvement

Purmo expects adjusted EBITDA in 2024 to be at the same level or above that of 2023 (92 MEUR). At the same level means +/- 5% and above means more than 5% improvement. Purmo reports that retailer inventory levels have leveled off and the above-mentioned efficiency program is supporting the result this year, as expected. We raised our forecast slightly and now expect adjusted EBITDA of 96 MEUR, an improvement of about 5%.

Markets still weak this year, recovering in 2025

Purmo reiterated its earlier assessment that its end markets are expected to remain weak this year. We note that Q1'23 was still well above the level of Q2-Q4'23 in terms of demand, so we're expecting a further significant year-on-year decline in revenue in Q1'24, and a flattening thereafter.

Estimates for efficiency program raised again

Purmo's efficiency program is making strong progress and its annualized impact at the end of 2023 is already 30 MEUR, up from over 25 MEUR as previously reported. The company also increased its estimate of the total impact of the program to 50 MEUR by the end of 2024, compared to a previous estimate of over 40 MEUR. For the financial year 2024, the positive impact is expected to be 24 MEUR. This is well above the negative impact of the decline in revenue/volumes that we estimate. As such, we believe Purmo has the opportunity to make growth investments and still improve earnings this year. The company also stressed that the target would turn more towards growth as the efficiency program progresses.

Most of the one-time costs of the program have already been booked, but there are still approximately 15 MEUR of one-time costs for this year, of which more than 10 MEUR are cash-related.

Earnings forecasts slightly up

We raised our adjusted EBITDA forecasts by 2-3% for 2024-25. For this year, we added 5 MEUR in one-off costs in line with the costs of the efficiency program reported by the company, which weighed on the reported forecasts. Our estimates for reported earnings in 2025 and other bottom lines also increased.

Estimate revisions	2023	2023e	Change	2024e	2024e	Change	2025e	2025e	Change
MEUR / EUR	Inderes	Actualized	%	Old	New	%	Old	New	%
Revenue	753	743	-1%	710	708	0%	741	734	-1%
EBITDA (adj.)	92.3	96.0	4%	93	102	10%	100	105	6%
EBIT	26.1	9.7	-63%	59.0	53.0	-10%	70.2	73.2	4%
PTP	6.5	-9.6	-248%	40.5	34.5	-15%	54.2	57.2	6%
EPS (excl. NRIs)	0.74	0.68	-7%	0.84	0.85	1%	0.87	0.92	6%
DPS	0.36	0.36	0%	0.36	0.36	0%	0.40	0.38	-5%

Source: Inderes

Earnings growth supports good expected return

Summary - Buy

We reiterate our Buy recommendation for Purmo. Our positive view is supported by a moderate valuation relative to current earnings, earnings growth in the coming years and a good dividend yield of over 5%.

Earnings-based valuation is cheap

Purmo's historical profile is of a company with relatively weak growth and average profitability. We believe the company's valuation level is negatively affected at least by the fact that nearly half of its sales come from radiators, where the market has been structurally declining for a long time and stable development is expected for the next few years. In addition, the company's return on capital is average, reflecting historically weak capital allocation (a large amount of goodwill in the balance sheet). The company now aims to focus on growing segments in heating and cooling solutions, but we do not believe the company will be able to achieve significant (over 5%) sustainable revenue growth with its current structure. M&A is an opportunity to accelerate growth, but they are unlikely in the near term, at least not on a significant scale, and historically they have not been very successful.

The acceptable valuation level we have determined for Purmo is P/E 10-12x and EV/EBIT 9-11x. This includes an assumption of a positive earnings trend from 2024 onwards. If we were convinced that the company would reach its margin target (above 15% adjusted EBITDA) in the medium term, the valuation could be slightly higher, as faster earnings growth in the coming years would compensate.

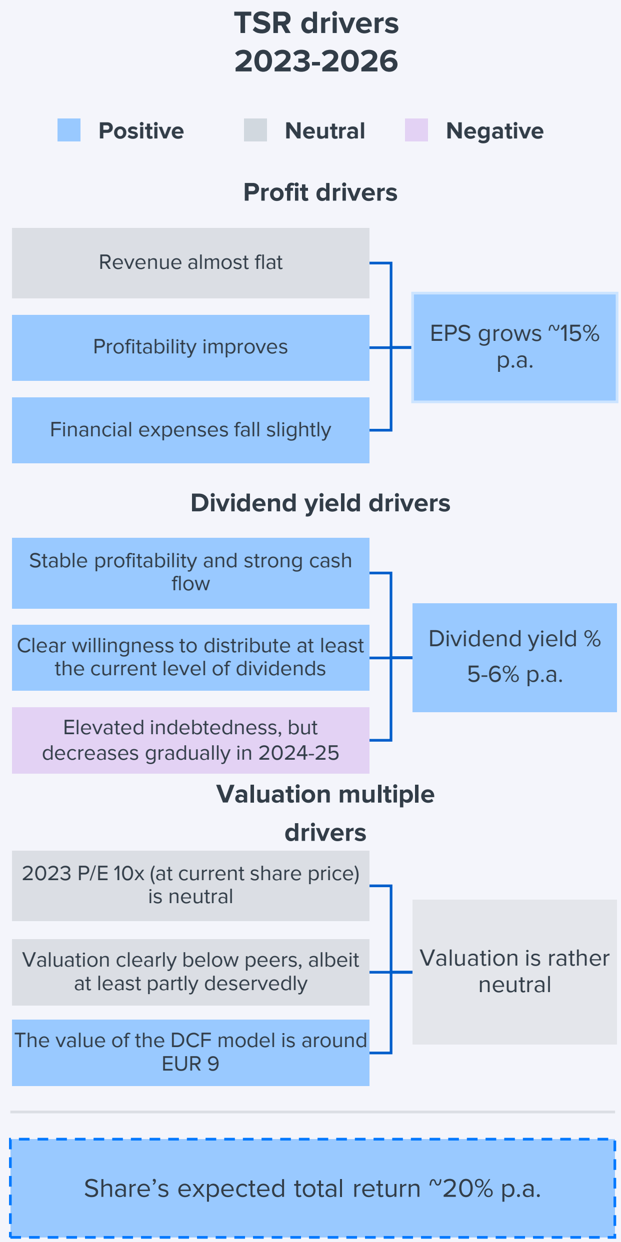
The company's valuation for this year is P/E around 8x and EV/EBIT around 7x, considering the hybrid bond and its interest rates in EPS. So, the valuation is below the acceptable multiples. Expected earnings growth will put further downward pressure on the multiples in 2024-25. It is also worth noting that with our estimates the company can repay the hybrid bond in 2026, which reduces the company's interest expenses.

DCF valuation

The lack of historical financial information and changes in the focus of the business make it difficult to determine Purmo's DCF. However, due to the moderate growth profile and relatively stable profitability, the DCF model is, in our opinion, suitable for Purmo as such. Our margin forecast for the longer term is lower than in the next few years and we project growth of 2-2.5% p.a. The weight of the terminal period is under 50% in our model.

Our required return on capital (WACC) for Purmo is about 8.8% and the cost of equity is around 10%. The lowish WACC is supported by relatively stable business operations and the use of debt leverage, while a higher WACC is supported by, e.g., business cyclicality.

Our DCF model indicates that Purmo's debt-free value is about EUR 670 million and the value of the share capital is about EUR 390 million, or about EUR 9 per share. We put more weight on the multiples of the next few years when defining the target price, but the DCF model shows the company's potential in the longer term.



Valuation attractive from many angles

Balance sheet-based valuation looks cheap

With our forecasts, Purmo's return on capital will remain moderate even in the medium term, with both return on equity and return on capital as a whole remaining in the range of 8–10%. Therefore, a P/B ratio of 1.0x or even slightly below seems justified for the company. However, the hybrid bond must be adjusted from the figures, which has been recognized as equity, although we believe that it is in practice a debt. Considering this, the current P/B valuation is about 0.8x. Purmo's book value for this year (excluding the hybrid bond) is just under EUR 9, which would mean a fair value of P/B 1.0x. The return on capital is depressed by the large amount of goodwill that the company has generated from acquisitions.

Sum-of-the-parts value higher than current share price

Purmo's reporting was still divided into Radiators and ICS divisions in 2022 figures. We believe that this clear division into different profile activities provides a good basis for a sum of the parts valuation. We believe that the main competitor for the Radiators segment, and thus the closest peer, is Stelrad, whose 2023 EV/EBITDA ratio (around 5x) we use directly to determine the value of the division. We use a broader peer group for the ICS division, which is practically the entire peer group of the company, from which we have removed Stelrad and Arbonia, which are more active in radiators. These peers give ICS an EV/EBITDA ratio of over 10x. Using our estimated 2023 EBITDA for Purmo's (former) divisions, we arrive at a fair value of around EUR 10 per Purmo share.

Especially the high share of radiators and the lower growth profile resulting from this, therefore, depresses the valuation of the entire company. We do not believe that Purmon will start divesting parts of the company, so in that sense the sum of the parts value is unlikely to materialize. However, we feel it provides a useful angle for valuation.

Achieving the targeted margin would bring more upside

The company has ambitious financial targets on a 3-5-year horizon. If we assume that Purmo reaches its 15% adjusted EBITDA margin target in 2026 (using our current revenue estimate), it will generate EBITDA of around EUR 115 million and EPS of around EUR 1.2. If the company would then be priced at 11x P/E, the calculated value of the share would be above EUR 13 in 2026. However, as we have already mentioned, our estimates are below the target level.

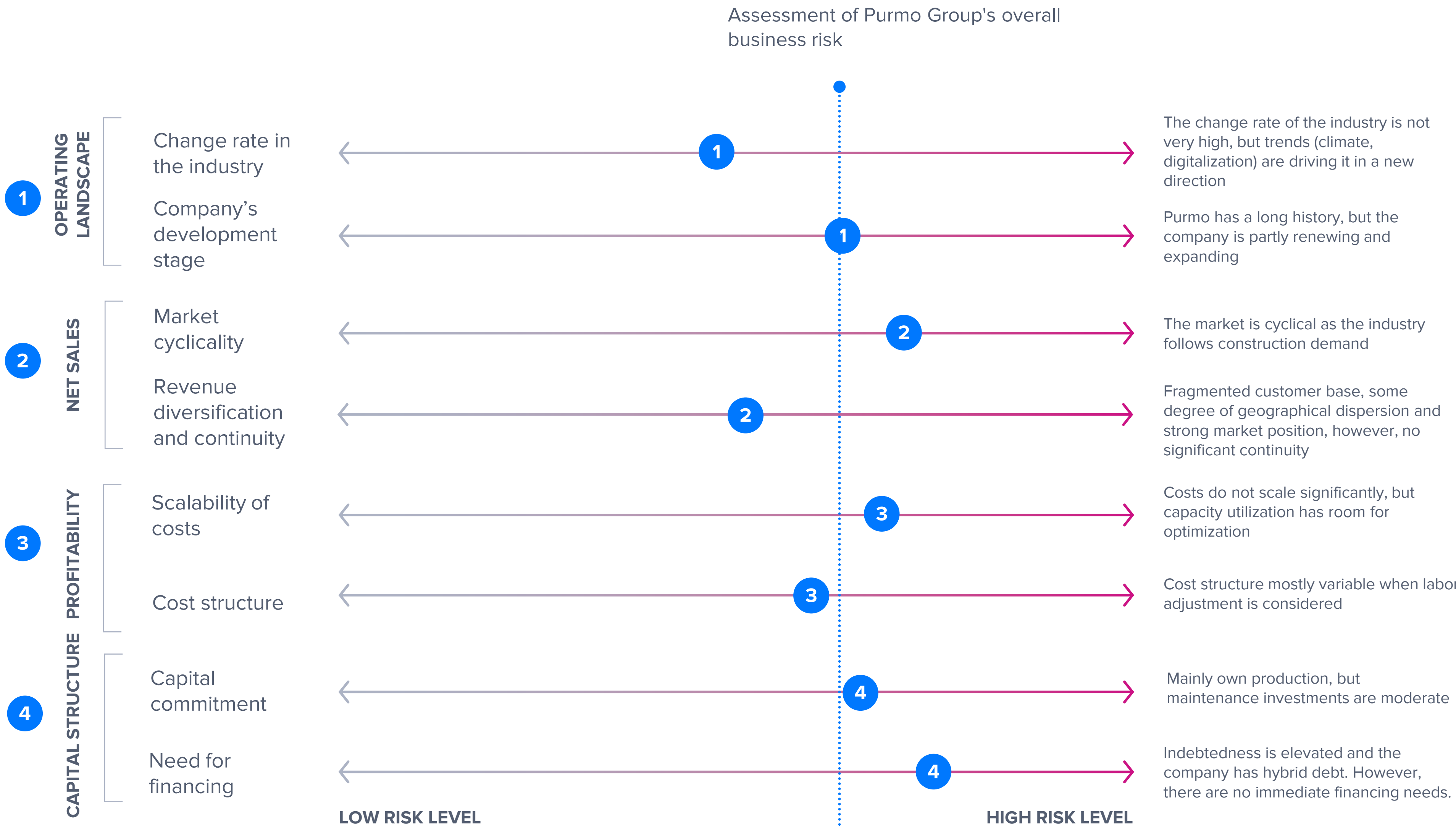
Valuation	2024e	2025e	2026e
Share price	6.90	6.90	6.90
Number of shares, millions	42.7	42.7	42.6
Market cap	294	294	294
EV	527	508	484
P/E (adj.)	8.2	7.5	6.5
P/B	0.7	0.6	0.7
P/S	0.4	0.4	0.4
EV/Sales	0.7	0.6	0.6
EV/EBITDA	5.1	4.4	4.6
EV/EBIT (adj.)	6.9	6.1	6.4
Payout ratio (%)	71%	40%	38%
Dividend yield-%	5.1 %	5.3 %	5.8 %

Source: Inderes

Sum of the parts	Value, MEUR	Valuation method
Radiators	314	Stelrad EV/EBITDA 2023
ICS	489	Peer group EV /EBITDA 2023
Others	-89	EV/EBITDA 9x
EV total	715	
Net debt at end of 2023	276	Includes hybrid
Share capital	439	
per share	10.3	

Source: Inderes

Risk profile of the business model



Source: Inderes

Investment profile

1. **Strong market position and well-known brands, especially in radiators**
2. **Energy efficiency investments support market growth**
3. **Business supports sustainability**
4. **Largest product category radiators does not support growth at least in the near future**
5. **Weakish balance sheet limits acquisition possibilities**

Potential

- A wide product range and well-known, strong brands
- Megatrends of sustainable development and digitalization play a large part in the business
- Potential to shape more into a growth company through acquisitions

Risks

- The industry is cyclical and depends on construction growth
- Risks generated by acquisitions or expansion investments
- Structural lack of growth in the radiator market and tightish competition

Source: Inderes

Strategy 1/2

Purmo's strategic objectives

Solution selling

- Providing end-to-end solutions to unlock growth potential

Growth markets

- Exploiting the best opportunities outside the current market

Smart products

- Delivering smarter, more sustainable and aesthetically pleasing products

Inderes' comments on Purmo's strategic objectives

- Purmo's largest division by far is Climate Products & Systems, whose distribution channel is mainly construction/HVAC industry wholesalers.
- We, therefore, believe that solution selling mainly concerns the smaller Climate Solutions division. Growing sales in this division is, therefore, Purmo's main growth project.
- There is definitely demand for solutions related to lowering energy consumption but, on the other hand, there is also a lot of supply.
- We believe that Purmo can grow in this area, but we are not convinced that it has competitive advantages that will enable it to gain market shares.
- The key to the success of the strategy is that HVAC designers adopt Purmo's solutions, as they usually make decisions on behalf of end-users or make recommendations on solutions. Thus, growth in solution selling requires development of the currently small sales channel for Purmo.

- Purmo's original growth strategy (published at the end of 2021) highlighted the Chinese and Russian markets in particular. Now Russia is, naturally, out of the picture.
- Purmo is still small in China, and we do not see Purmo having a competitive advantage that would enable it to become a serious player in China. With the support of an own local factory, some growth can be achieved that supports the growth of the company as a whole. However, China only represents about 1% of the company's revenue.
- The aim is also to increase radiator sales outside the current markets. We find this challenging, because already in its current market, Purmo faces fierce price competition from radiators from cheaper production countries and we believe that it is challenging to win over new areas
- Purmo is also pursuing acquisitions, which we believe are necessary to change the company's structure more towards growth areas and to reduce the weight of radiators.

- New products are a natural part of any product company.
- We also believe that Purmo's competitors are developing similar products, and we do not believe that Purmo has a major advantage in this respect.
- Purmo's Italian Emmeti brand/company focuses on integrated system solutions, where smart products also play a role.

Source: Inderes

Strategy 2/2

Vision of an indoor climate system supplier

The company announces that its vision is that perfect indoor climate should not cost the planet's climate. Purmo's mission is to be the global leader in sustainable indoor climate comfort solutions.

The strategy is built on three pillars

- Solution selling
- Smart products
- Growth markets

We already discussed these on the previous page, and we believe that the most important of these is growing solution sales, which in practice will determine the growth profile of the entire company in coming years.

In addition, the company says that its strategy is supported by:

- Operational excellence
- People and culture

Improving business efficiency is a natural part of any company. With this Purmo refers in particular to improving the efficiency in operational, commercial and business support. The efficiency program launched last year, which we described earlier, aims specifically at this.

People and culture are also a natural part of any company, and in fact a prerequisite for the existence of a company. So, we do not believe that these activities that support the strategy in themselves constitute a particular competitive advantage for the company, but rather how they are implemented in practice. Under the current management, the company successfully completed a previous efficiency improvement program in 2020-21, so the company has expertise in this area. On the other hand, when a relatively short time has passed since the previous efficiency program, implementing new savings that are double the size is a bit more challenging in our view.

Business acquisitions as a growth enabler

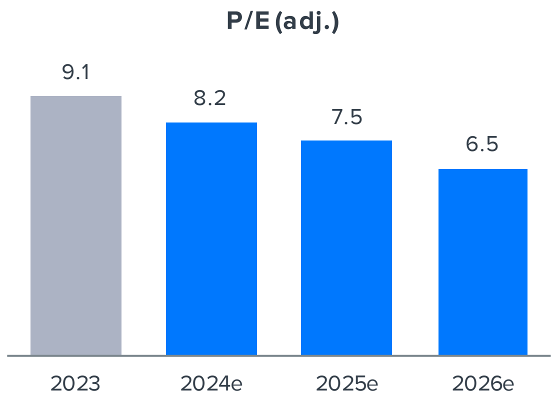
In addition to the previous strategic points, Purmo sees acquisitions as an enabler of growth and aims to be active in acquisitions. However, the current balance sheet situation does not allow the company to carry out significant acquisitions with debt, and we do not believe that the company at the current share price level is particularly willing to use its own shares to finance the transaction either. Thus, we believe that in 2023-24 Purmo will focus more on improving own operations and efficiency, e.g., by implementing the efficiency improvement program. The company's management has also commented that they are currently disciplined and cautious about acquisitions.

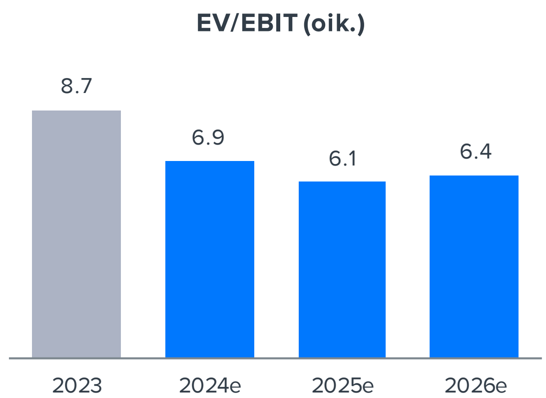
The company has also been active in acquisitions in the past and acted as a consolidator in the radiator market in past years. It is impossible to assess the quality of these transactions comprehensively afterwards, but in light of the drop in the demand of radiators, market consolidation has not generated value in the long run. Here too, the lack of information makes it challenging to assess success, but generally we believe that the Emmeti and Thermotech acquisitions were sensible, as they have moved the company to more growth areas. However, we estimate that Emmeti's revenue in 2021 were about EUR 100 million, which was slightly lower than at the time of the acquisition in 2015. In 2022, Emmeti grew strongly supported by Italy's generous energy renovation subsidies, but a clear growth trend in previous years is not visible in Emmeti (however, we do not know the figures for 2016-2020 or their background). Hewing is more component production and Sigarth is a rather small company in the complementary product category, so we do not see them as strategically important and we do not have sufficient information to evaluate their economic success.

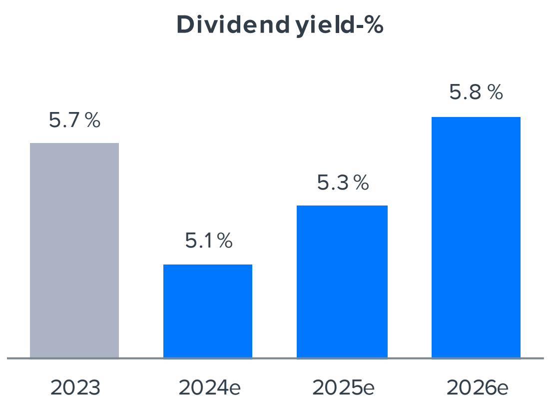
Valuation table

Valuation	2019	2020	2021	2022	2023	2024e	2025e	2026e	2027e
Share price				8.22	6.18	**6.90**	**6.90**	**6.90**	**6.90**
Number of shares, millions				41.2	42.7	**42.7**	**42.7**	**42.6**	**42.6**
Market cap				351	264	**294**	**294**	**294**	**294**
EV				627	479	**527**	**508**	**484**	**458**
P/E (adj.)				9.7	9.1	**8.2**	**7.5**	**6.5**	**6.1**
P/B				0.9	0.6	**0.7**	**0.6**	**0.7**	**0.6**
P/S				0.4	0.4	**0.4**	**0.4**	**0.4**	**0.4**
EV/Sales				0.7	0.6	**0.7**	**0.6**	**0.6**	**0.6**
EV/EBITDA				6.8	5.2	**5.1**	**4.4**	**4.6**	**4.3**
EV/EBIT (adj.)				10.3	8.7	**6.9**	**6.1**	**6.4**	**5.9**
Payout ratio (%)				112.9 %	neg.	**70.7 %**	**40.1 %**	**37.9 %**	**40.0 %**
Dividend yield-%				4.3 %	5.7 %	**5.1 %**	**5.3 %**	**5.8 %**	**6.5 %**

Source: Inderes







Peer group valuation

Peer group valuation	Market cap	EV	EV/EBIT		EV/EBITDA		EV/Liikevaihto		P/E		Dividend yield-%		P/B
Company	**MEUR**	**MEUR**	**2024e**	**2025e**	**2024e**	**2025e**	**2024e**	**2025e**	**2024e**	**2025e**	**2024e**	**2025e**	**2024e**
Nibe Industrier AB	11948	13568	22.3	19.9	17.6	15.5	3.2	2.9	28.4	24.0	1.1	1.3	3.8
Lindab International AB	1492	1765	14.1	11.8	10.0	8.7	1.4	1.3	16.9	13.2	2.5	2.7	2.1
Systemair AB	1416	1544	15.2	13.6	10.6	9.8	1.4	1.3	18.8	17.3	1.8	2.0	2.7
Uponor Oyj	2067	2124	14.0	12.9	10.0	9.5	1.6	1.6	20.3	18.4	2.8	2.9	3.9
Arbonia AG	786	1042	33.2	17.6	9.3	7.5	0.9	0.8	37.5	19.6	2.5	3.3	0.8
Volution Group PLC	1009	1125	13.9	13.1	11.6	11.1	2.7	2.6	16.7	15.7	1.9	2.0	
Zehnder Group AG	1140	1114	20.1	17.0	13.9	12.3	1.5	1.4	15.4	13.0	2.5	3.0	1.7
Stelrad Group PLC	187	280	7.8	6.8	5.6	5.1	0.7	0.7	8.5	7.1	6.1	5.9	
Ecoclime Group AB	18	15	7.7	4.1	4.1	2.7	0.5	0.4	9.9	5.5			0.9
Purmo Group (Inderes)	**294**	**467**	**6.9**	**6.1**	**5.1**	**4.4**	**0.7**	**0.6**	**8.2**	**7.5**	**5.1**	**5.3**	**0.7**
Average			**16.5**	**13.0**	**10.3**	**9.1**	**1.5**	**1.4**	**19.2**	**14.9**	**2.6**	**2.9**	**2.3**
Median			**14.1**	**13.1**	**10.0**	**9.5**	**1.4**	**1.3**	**16.9**	**15.7**	**2.5**	**2.8**	**2.1**
Diff-% to median			***-51%***	***-53%***	***-49%***	***-54%***	***-53%***	***-54%***	***-52%***	***-52%***	***103%***	***90%***	***-68%***

Source: Refinitiv / Inderes

Income statement

Income statement	Q1'23	Q2'23	Q3'23	Q4'23	2023	Q1'24e	Q2'24e	Q3'24e	Q4'24e	2024e	2025e	2026e	2027e
Revenue	**212**	**180**	**176**	**175**	**743**	**177**	**173**	**175**	**183**	**708**	**734**	**755**	**776**
Climate Products & Systems	169	145	143	135	592	140	135	140	145	560	577	588	600
Climate Solutions	43	36	33	40	152	37	38	35	38	148	157	166	176
EBITDA	**23.1**	**16.9**	**17.3**	**-10.8**	**46.6**	**18.5**	**18.0**	**19.0**	**25.5**	**81.0**	**101.9**	**105.2**	**107.6**
EBITDA (adj.)	**29.2**	**27.8**	**19.6**	**16.3**	**92.9**	**23.5**	**23.0**	**24.0**	**25.5**	**96.0**	**101.9**	**105.2**	**107.6**
Depreciation	-8.0	-8.0	-6.1	-14.8	-36.9	-7.0	-7.0	-7.0	-7.0	-28.0	-28.7	-29.3	-29.9
EBIT (excl. NRI)	**18.5**	**13.1**	**17.4**	**6.4**	**55.4**	**16.5**	**16.0**	**17.0**	**18.5**	**68.0**	**73.2**	**75.9**	**77.7**
EBIT	**15.1**	**8.9**	**11.2**	**-25.5**	**9.7**	**11.5**	**11.0**	**12.0**	**18.5**	**53.0**	**73.2**	**75.9**	**77.7**
Climate Products & Systems (adj. EBITDA)	22.7	17.3	22.2	16.3	78.5	20.0	19.5	21.5	22.0	83.0	87.0	89.0	90.0
Climate Solutions (adj. EBITDA)	6.2	6.6	3.6	7.3	23.7	6.0	6.0	5.0	6.0	23.0	25.1	26.6	28.2
Other	-2.5	-2.7	-2.3	-2.4	-9.9	-2.5	-2.5	-2.5	-2.5	-10.0	-10.2	-10.4	-10.6
Share of profits in assoc. compan.	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net financial items	-5.6	-4.8	-4.0	-4.9	-19.3	-5.0	-4.5	-4.5	-4.5	-18.5	-16.0	-16.5	-15.6
PTP	**9.5**	**4.1**	**7.2**	**-30.4**	**-9.6**	**6.5**	**6.5**	**7.5**	**14.0**	**34.5**	**57.2**	**59.4**	**62.1**
Taxes	-2.7	-1.3	-2.7	7.0	0.3	-1.6	-1.6	-1.9	-3.5	-8.6	-13.2	-13.7	-14.3
Minority interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net earnings	**6.5**	**1.9**	**4.5**	**-26.1**	**-13.2**	**3.7**	**3.7**	**4.4**	**9.3**	**21.1**	**39.3**	**44.9**	**47.8**
EPS (adj.)	**0.23**	**0.12**	**0.23**	**0.10**	**0.68**	**0.20**	**0.20**	**0.22**	**0.22**	**0.85**	**0.92**	**1.05**	**1.12**
EPS (rep.)	**0.15**	**0.04**	**0.11**	**-0.61**	**-0.31**	**0.09**	**0.09**	**0.10**	**0.22**	**0.49**	**0.92**	**1.05**	**1.12**

Key figures	Q1'23	Q2'23	Q3'23	Q4'23	2023	Q1'24e	Q2'24e	Q3'24e	Q4'24e	2024e	2025e	2026e	2027e
Revenue growth-%	-10.4 %	-26.3 %	-18.6 %	-15.3 %	-17.8 %	-16.4 %	-4.1 %	-0.6 %	4.6 %	-4.7 %	3.6 %	2.9 %	2.9 %
Adj. EBITDA growth-%	0.3 %	3.8 %	-22.8 %	-27.9 %	-10.6 %	-19.5 %	-17.3 %	22.4 %	56.4 %	3.3 %	6.1 %	3.2 %	2.3 %
EBITDA-%	10.9 %	9.4 %	9.8 %	-6.1 %	6.3 %	10.5 %	10.4 %	10.9 %	13.9 %	11.4 %	13.9 %	13.9 %	13.9 %
EBITDA-% (adj.)	13.8 %	15.4 %	11.1 %	3.7 %	12.5 %	13.3 %	13.3 %	13.7 %	13.9 %	13.6 %	13.9 %	13.9 %	13.9 %
Net earnings-%	3.1 %	1.1 %	2.6 %	-14.9 %	-1.8 %	2.1 %	2.1 %	2.5 %	5.1 %	3.0 %	5.4 %	6.0 %	6.2 %

Source: Inderes

Balance sheet

Assets	2022	2023	2024e	2025e	2026e
Non-current assets	**619**	**628**	**615**	**619**	**623**
Goodwill	371	371	371	371	371
Intangible assets	47.0	45.9	45.7	45.5	45.4
Tangible assets	167	163	168	173	177
Associated companies	0.0	0.0	0.0	0.0	0.0
Other investments	0.0	0.0	0.0	0.0	0.0
Other non-current assets	5.6	5.5	5.5	5.5	5.5
Deferred tax assets	29.2	42.8	25.0	25.0	25.0
Current assets	**365**	**370**	**348**	**373**	**313**
Inventories	174	144	120	125	128
Other current assets	45.4	38.9	38.9	38.9	38.9
Receivables	89.1	75.2	70.8	73.4	75.5
Cash and equivalents	56.3	112	118	136	70.7
Balance sheet total	**984**	**998**	**963**	**993**	**936**

Source: Inderes

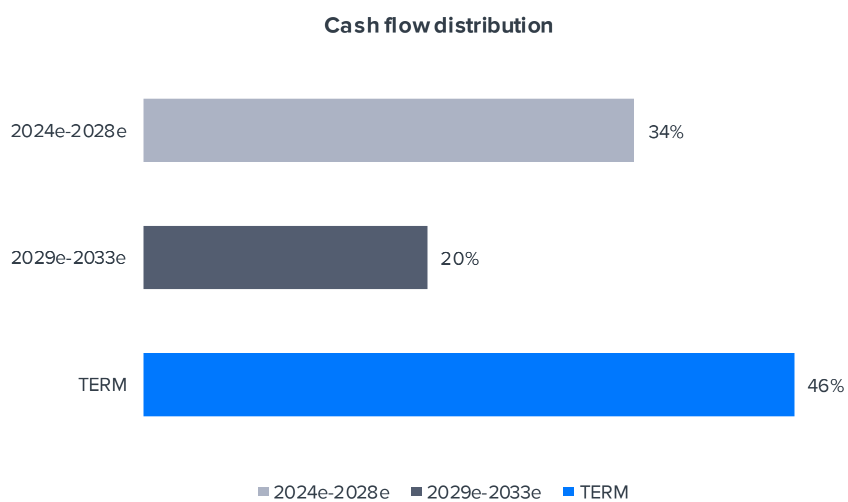
Liabilities & equity	2022	2023	2024e	2025e	2026e
Equity	**403**	**436**	**443**	**467**	**436**
Share capital	3.1	3.1	3.1	3.1	3.1
Retained earnings	24.4	22.8	29.0	53.3	82.5
Hybrid bonds	0.0	59.3	60.0	60.0	0.0
Revaluation reserve	0.0	0.0	0.0	0.0	0.0
Other equity	376	351	351	351	351
Minorities	0.0	0.0	0.0	0.0	0.0
Non-current liabilities	**346**	**344**	**294**	**284**	**254**
Deferred tax liabilities	5.4	6.4	6.4	6.4	6.4
Provisions	7.8	8.1	8.1	8.1	8.1
Interest bearing debt	312	310	260	250	220
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	20.1	19.6	19.6	19.6	19.6
Current liabilities	**235**	**218**	**226**	**241**	**246**
Interest bearing debt	20.7	17.7	30.0	40.0	40.0
Payables	193	161	156	161	166
Other current liabilities	20.7	40.0	40.0	40.0	40.0
Balance sheet total	**984**	**998**	**963**	**993**	**936**

DCF calculation

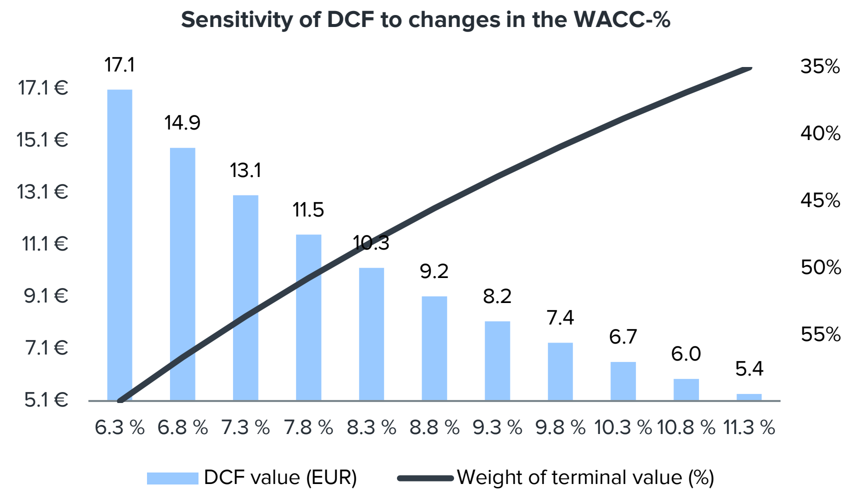
DCF model	2023	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	TERM
Revenue growth-%	-17.8 %	-4.7 %	3.6 %	2.9 %	2.9 %	2.5 %	2.5 %	2.5 %	2.5 %	2.5 %	2.0 %	2.0 %
EBIT-%	1.3 %	7.5 %	10.0 %	10.1 %	10.0 %	9.0 %	9.0 %	9.0 %	9.0 %	7.0 %	7.0 %	7.0 %
EBIT (operating profit)	**9.7**	**53.0**	**73.2**	**75.9**	**77.7**	**71.6**	**73.4**	**75.2**	**77.1**	**61.5**	**62.7**	
+ Depreciation	36.9	28.0	28.7	29.3	29.9	30.4	30.9	31.4	31.8	32.2	32.3	
- Paid taxes	-12.3	9.2	-13.2	-13.7	-14.3	-12.9	-13.3	-13.7	-14.2	-10.6	-10.8	
- Tax, financial expenses	-0.6	-4.6	-3.7	-3.8	-3.6	-3.6	-3.6	-3.6	-3.6	-3.6	-3.6	
+ Tax, financial income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Change in working capital	37.2	23.0	-1.3	-1.0	-1.1	-1.0	-1.0	-1.0	-1.0	-1.1	-0.9	
Operating cash flow	**70.9**	**109**	**83.8**	**86.7**	**88.6**	**84.6**	**86.5**	**88.3**	**90.2**	**78.5**	**79.7**	
+ Change in other long-term liabilities	-0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	-32.5	-32.6	-32.9	-33.2	-33.5	-33.8	-34.1	-34.4	-34.4	-32.5	-32.7	
Free operating cash flow	**38.2**	**76.0**	**50.9**	**53.5**	**55.2**	**50.8**	**52.4**	**53.9**	**55.8**	**45.9**	**46.9**	
+/- Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	38.2	76.0	50.9	53.5	55.2	50.8	52.4	53.9	55.8	45.9	46.9	701
Discounted FCFF		**70.5**	**43.4**	**42.0**	**39.7**	**33.6**	**31.9**	**30.1**	**28.7**	**21.7**	**20.4**	**304**
Sum of FCFF present value		666	595	552	510	470	437	405	375	346	324	304
Enterprise value DCF		**666**										
- Interest bearing debt		-387										
+ Cash and cash equivalents		112										
-Minorities		0.0										
-Dividend/capital return		0.0										
Equity value DCF		**391**										
Equity value DCF per share		**9.2**										

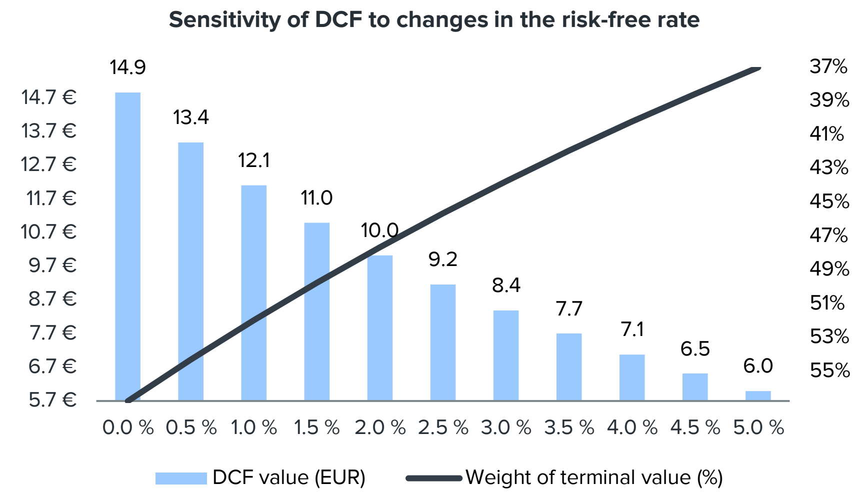
WACC	
Tax-% (WACC)	23.0 %
Target debt ratio (D/(D+E))	20.0 %
Cost of debt	5.0 %
Equity Beta	1.30
Market risk premium	4.75%
Liquidity premium	1.40%
Risk free interest rate	2.5 %
Cost of equity	**10.1 %**
Weighted average cost of capital (WACC)	**8.8 %**

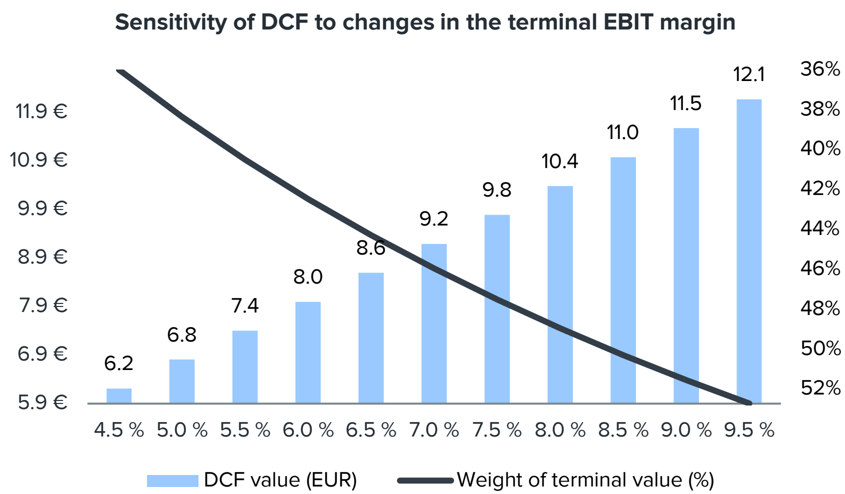
Source: Inderes

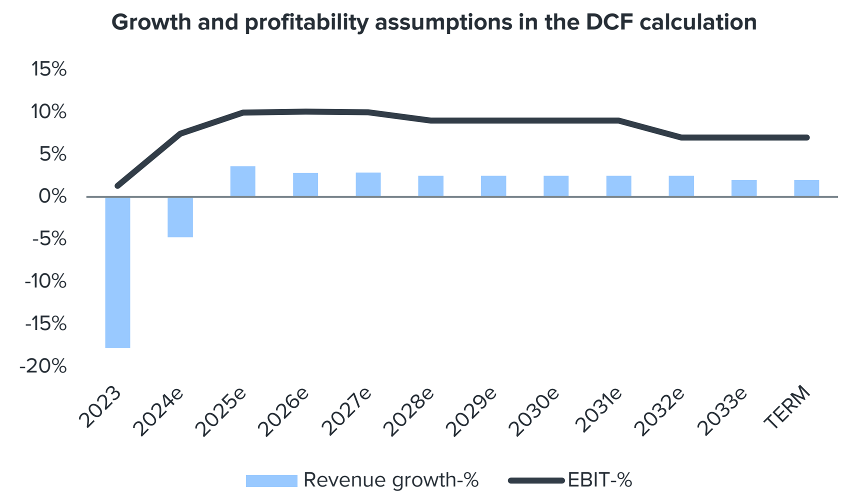


DCF sensitivity calculations and key assumptions in graphs









Source: Inderes. Note that the weight of the terminal value (%) is shown on an inverse scale for clarity.

Summary

Income statement	2022	2023	2024e	2025e
Revenue	904.1	743.2	**708.0**	**733.7**
EBITDA	78.4	46.6	**81.0**	**101.9**
EBIT	39.0	9.7	**53.0**	**73.2**
PTP	21.6	-9.6	**34.5**	**57.2**
Net Income	13.2	-13.2	**21.1**	**39.3**
Extraordinary items	-21.7	-45.7	**-15.0**	**0.0**

Balance sheet	2022	2023	2024e	2025e
Balance sheet total	983.9	997.7	**962.6**	**992.6**
Equity capital	403.3	435.9	**442.8**	**467.1**
Goodwill	370.6	370.6	**370.6**	**370.6**
Net debt	276.8	215.6	**172.4**	**153.6**

Cash flow	2022	2023	2024e	2025e
EBITDA	78.4	46.6	**81.0**	**101.9**
Change in working capital	-32.0	37.2	**23.0**	**-1.3**
Operating cash flow	33.1	70.9	**108.6**	**83.8**
CAPEX	-53.3	-32.5	**-32.6**	**-32.9**
Free cash flow	-24.6	38.2	**76.0**	**50.9**

Valuation multiples	2022	2023	2024e	2025e
EV/S	0.7	0.6	**0.7**	**0.6**
EV/EBITDA (adj.)	6.8	5.2	**5.1**	**4.4**
EV/EBIT (adj.)	10.3	8.7	**6.9**	**6.1**
P/E (adj.)	9.7	9.1	**8.2**	**7.5**
P/B	0.9	0.6	**0.7**	**0.6**
Dividend-%	4.3 %	5.7 %	**5.1 %**	**5.3 %**

Source: Inderes

Per share data	2022	2023	2024e	2025e
EPS (reported)	0.32	-0.31	**0.49**	**0.92**
EPS (adj.)	0.85	0.68	**0.85**	**0.92**
OCF / share	0.80	1.66	**2.54**	**1.96**
FCF / share	-0.60	0.90	**1.78**	**1.19**
Book value / share	9.79	10.22	**10.38**	**10.95**
Dividend / share	0.36	0.36	**0.36**	**0.38**

Growth and profitability	2022	2023	2024e	2025e
Revenue growth-%	7%	-18%	**-5%**	**4%**
EBITDA growth-%	133%	-41%	**74%**	**26%**
EBIT (adj.) growth-%	-18%	-9%	**23%**	**8%**
EPS (adj.) growth-%	-53%	-19%	**24%**	**9%**
EBITDA-%	8.7 %	6.3 %	**11.4 %**	**13.9 %**
EBIT (adj.)-%	6.7 %	7.5 %	**9.6 %**	**10.0 %**
EBIT-%	4.3 %	1.3 %	**7.5 %**	**10.0 %**
ROE-%	3.3 %	-3.1 %	**4.8 %**	**8.6 %**
ROI-%	5.1 %	1.3 %	**7.1 %**	**9.8 %**
Equity ratio	41.0 %	43.7 %	**46.0 %**	**47.1 %**
Gearing	68.6 %	49.5 %	**38.9 %**	**32.9 %**

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Date	Recommendation	Target	Share price
1/5/2022	Accumulate	16.00 €	14.80 €
3/4/2022	Accumulate	12.50 €	10.90 €
4/13/2022	Accumulate	13.00 €	12.00 €
5/13/2022	Buy	13.00 €	10.35 €
8/12/2022	Buy	13.00 €	11.00 €
11/9/2022	Buy	12.00 €	10.00 €
11/11/2022	Buy	12.00 €	9.00 €
12/9/2022	Accumulate	10.00 €	9.20 €
2/10/2023	Accumulate	9.50 €	8.38 €
4/5/2023	Accumulate	9.50 €	8.32 €
4/27/2023	Accumulate	9.50 €	8.68 €
7/20/2023	Accumulate	8.50 €	7.20 €
10/26/2023	Buy	8.00 €	6.18 €
2/14/2024	Buy	8.00 €	6.90 €

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