

Market: OMXC Mid Cap

Ticker: FLUG B

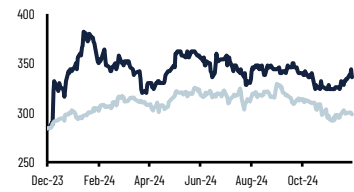
Share price (DKK): 336

Market cap (DKK): 1bn

Net debt (DKK): 596m

Enterprise value (DKK): 1.6bn

Share information



Ytd	3.1%	1 year:	19.1%
1 month:	3.7%	3 year:	-50.3%

Note: We apply the closing price from 12 December 2024. Index rebased to December 2023. Source: S&P Capital IQ

Financials

(DKKm)	2022/23	2023/24	2024/25E*
Revenue	2,130	2,208	2,200-2,400
Revenue growth	-5.4%	3.7%	0% to 9%
EBITDA	145.5	237.5	N/A
EBITDA margin	6.8%	10.8%	N/A%
Adj. EBIT	-7.6	68.0	85-95
EBIT margin	-0.4%	3.1%	3.5 - 4.3%
Net income	-8.6	25.2	N/A
Net income margin	-0.4%	1.1%	N/A

Note: *Flügger's own guidance for 2024/25. Historical financials have been adjusted for continuing operations following the sale of Eskaro ex. Ukraine. Adj. EBIT guidance previously DKK 75-95m

Valuation multiples

	2022/23	2023/24	2024/25E*
P/S (x)	0.5	0.5	0.4-0.5
EV/Sales (x)	0.9	0.8	0.7
EV/EBITDA (x)	13.1	7.2	N/A
EV/EBIT (x)	N/A	25.3	17-18
P/E (x)	N/A	39.1	N/A
P/B (x)	1.41	1.20	N/A
P/CF (x)	12.3	5.1	N/A

Note: Multiples for 2022/23 and 2023/24 are based on historical numbers and S&P Capital IQ. *Multiples in 2024/25 are based on the company guidance

Company description

Flügger is a Danish-based developer, producer, marketer, and seller of decorative paint, wood stains, filler, and tools, selling to professional painters, private customers, and builder's merchants. Flügger has three operational segments Nordics, International, and Partnerships. Nordics: the largest segment including all Nordic activities. International: wholly owned operations in Poland and other export activities. Partnerships: The activities from majority owned Unicell (Poland) and Eskaro (Ukraine).

Investment case

Flügger realised a strong end to 2023/24, with around 10% y/y growth in Q4. This follows a turbulent period with Flügger divesting its Eskaro activities in all markets ex. Ukraine. Following the divestment of Eskaro, Flügger has strengthened its balance sheet with NIBD/EBITDA around 3x. Guidance FY2024/25 reflects 0-9% revenue growth as Flügger sees some signs of market improvement in the Nordics and continued strong growth in Poland and Ukraine. Near-term falling interest rates may support greater housing market activity and in-turn demand for Flügger's products.

An accelerating topline growth FY2024/25 can see margins expand as Flügger's relatively fixed production and store cost base leads to operating leverage, which is advantageous in a rising revenue environment as seen during Covid-19. Guidance suggests further EBIT margin expansion FY2024/25, with the EBIT guidance also narrowed towards the top-end, driven by price increases and stabilizing production costs. Medium-term the "Flügger Organic" 2024-27 strategy targets organic growth to drive sales growth both by developing market share, alongside improving conditions in the Nordics, and advancing its ongoing growth in Poland, Ukraine, and Lithuania. Longer term Eastern European markets can drive growth as income per capita growth drives premium preferences.

Flügger trades below its peers on EV/EBITDA but above on EV/EBIT multiples. Improving margins may see valuation improve, however, a greatly smaller size and lower margins will justify some discount.

Key investment reasons

Structural factors such as income per capita and population growth support long-term growth in Poland and Ukraine, while Flügger believes it can develop its market position in the Nordics, which may be rebounding from a cyclical low point post Covid-19. Returning growth can expand margins via greater utilisation.

The divestment of Eskaro renews management and organisational focus toward its main markets with the new "Flügger Organic" 2024-27 strategy focused on organic growth in its core markets. Flügger targets growth as macro conditions stabilise and margin expansion supported by its operational leverage as revenues grow.

Flügger's financial solidity, is improved following its divestment of Eskaro (non-Ukraine), reducing debt FY2023/24 to NIBD/EBITDA, 2.1x. Cash flow also improved in 2023/24 as inventory levels came down as they move toward normalised levels. Positive cash flow can continue to support dividends (DKK 5/share FY2023/24).

Key investment risks

Flügger faces continued macroeconomic challenges with lingering economic weakness in Europe and the Nordics. Flügger's premium nature may reduce its cyclicality relative to other brands; however, sales trends somewhat depend on wider macroeconomic conditions.

Flügger has a high market penetration in the Nordics which may make it challenging to outpace broader market growth in the region. Additionally, Ukraine, a growth market, faces heightened uncertainty due to war developments, despite growing around 14% FY2023/24.

Flügger has historically had narrow EBIT margins, also relating to peers. The business has a degree of operating leverage which can create margin sensitivity. Margins were positively affected during the Covid-19 pandemic, however, there is reduced flexibility to reduce costs in weaker markets.

Peer group

Company	Price (local)	Total return YTD	Market cap (EURm)	Latest net debt (EURm)	EV/Sales		EV/EBITDA		EV/EBIT		EBIT margin	
					FY2023	FY2024	FY2023	FY2024	FY2023	FY2024	3-yr avg	LTM
Akzo Nobel N.V.	EUR 59.4	-18.0%	10,148	3,785	1.6	1.6	15.4	11.9	23.0	15.6	9.3%	9.7%
PPG Industries, Inc.	USD 124	-15.3%	27,397	4,720	2.3	2.3	16.1	14.2	23.5	17.0	10.8%	12.0%
The Sherwin-Williams Company	USD 366.9	18.6%	87,786	10,434	4.1	4.0	21.7	21.4	30.4	23.6	14.2%	16.4%
Median		-15.3%	27,397	4,720	2.3	2.3	16.1	14.2	23.5	17.0	10.8%	12.0%
Flügger group A/S	DKK 336	4.5%	135	76	0.8*	0.7*	7.4*	6.8*	25.7*	18.0*	3.7%	4.7%
Premium (+)/ Discount (-) to peers					-66.0%	-69.0%	-54.1%	-52.2%	9.4%	6.1%		

Note: Data from 13/12/2024. *Estimates calculated by HC Andersen Capital using Flügger's latest guidance as a midpoint where possible. No adjustments have been made for Flügger's skewed reporting season, Køjborg, do not own shares in Flügger. This is not a piece of advice to buy, not to buy, sell, or not to sell shares. HC Andersen Capital assumes no responsibility for the correctness of the contents of the material. Published on 13 December 2024 15:00 by Philip Coombes and Rasmus Køjborg, HC Andersen Capital.

Estimates and assumptions: Some of the data in the peer group has not been calculated by HC Andersen Capital but is instead consensus analyst estimates from S&P Capital IQ. HC Andersen Capital assumes no responsibility for the correctness of the numbers in the peer group; however, considers S&P Capital IQ a credible source of information.

Selected peers overview:

PPG Industries Inc: manufactures and distributes a broad range of paints, coatings and speciality materials. PPG was incorporated in Pennsylvania in 1883. Headquartered in Pittsburgh, USA, PPG employs over 45,000 people globally and has operations in more than 70 countries.

Akzo Nobel: is a Dutch multinational company that creates paints and performance coatings for both industry and consumers worldwide. Headquartered in Amsterdam, the company has activities in more than 80 countries and employs over 30,000 people.

The Sherwin-Williams Company: The Sherwin-Williams Company is a global leader in the manufacture, development, distribution, and sale of paint, coatings, and related products. Headquartered in Ohio, USA, the company employs over 60,000 people globally, the majority of which are in the USA and has distribution capabilities to over 40 countries. The Sherwin-Williams Company is not a direct competitor to Flügger because it only sells its industrial coatings products in Europe, and not its consumer products.