AlsterResearch

Carl Zeiss Meditec AG

Germany | Health Care | MCap EUR 15,947m

3 November 2021

INITIATION

100% focussed, but can you trust your eyes on valuation?

What's it all about?

Carl Zeiss Meditec (CZM) is a medical technology company focussed on ophthalmology, i.e., the diagnosis and treatment of disorders of the eye, and visualization solutions in the field of microsurgery. CZM has secured market leading positions in the bulk of its revenues, for example in Ophthalmic Diagnostics, Refractive Laser and Microsurgery. Target markets of CZM are benefitting from several structural growth drivers, translating into rising demand for CZM medical equipment and expected growth rates of 8% to 9% (eAR) over the next years. So competitive quality is outstanding and growth prospects are credible. But everything has its price, and a premium of up to 100% on multiples of peers like Alcon or Johnson & Johnson seems hard to justify. Our DCF model, which we feel we tweaked to the max, points to a fair value of EUR 126.00, we thus recommend to SELL.

SELL (INITIATION)

Target price	**EUR 126.00 (none)**
Current price	EUR 178.30
Up/downside	-29.3%

ResearchHub

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IMPORTANT. Please refer to the last page of this report for "Important disclosures" and analyst(s) certifications.

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Carl Zeiss Meditec AG

Germany | Health Care | MCap EUR 15,947m | EV EUR 16,176m

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100% focussed, but can you trust your eyes on valuation?

100% MedTech. Carl Zeiss Meditec (CZM) is a medical technology company focussed on ophthalmology, i.e., the diagnosis and treatment of disorders of the eye, and visualization solutions in the field of microsurgery.

World market leader in its niches. CZM has long-standing relationships with health care professionals. Built on a close partnership with these customers and R&D-based innovation, this has led to an unequalled recognition of the brand Carl Zeiss Meditec and a high level of trust in CZM's cutting edge products. As a result, CZM has secured market leading positions in the bulk of its revenues: Ophthalmic Diagnostics (ca. 20% world market share), Refractive Laser (> 25%) and Microsurgery (>60%).

Unhealthy lifestyles, healthy growth. Target markets of CZM are benefitting from several structural growth drivers: a growing and ageing population goes hand in hand with an increase of disorders of the eye. Also environmental factors, like low physical activity and insufficient light exposure, can increase the prevalence of eye disorders. For example, the percentage of the global population with myopia is expected to increase from 30% in 2020 to 50% by 2050. Combined with increasing per capita income, this translates into rising demand for CZM medical equipment and expected growth rates of 8% to 9% (eAR) over the next years.

Valuation just does not stack up. Considering the outstanding competitive quality and credible growth prospects, it is easy to see why investors might fall in love with CZM. But everything has its price, and a premium of up to 100% on multiples of peers like Alcon or Johnson & Johnson seems hard to justify. Our DCF model, which we feel we tweaked to the max, points to a **fair value of EUR 126, we thus recommend to SELL**. There may be better entry points once cautious money moves out of high-quality bond surrogates like CZM, or if the company fails to meet very high expectations.

Carl Zeiss Meditec AG	2018	2019	2020	2021E	2022E	2023E
Sales	1,281	1,459	1,335	1,643	1,790	1,934
Growth yoy	7.6%	13.9%	-8.5%	23.0%	9.0%	8.0%
EBITDA	242	334	265	465	458	490
EBIT	197	265	178	384	385	420
Net profit	126	160	122	247	261	284
Net debt (net cash)	19	144	136	-39	-224	-404
Net debt/EBITDA	0.1x	0.4x	0.5x	-0.1x	-0.5x	-0.8x
EPS recurring	1.41	1.79	1.37	2.76	2.91	3.18
DPS	0.55	0.65	0.50	0.83	1.08	1.18
Dividend yield	0.3%	0.4%	0.3%	0.5%	0.6%	0.7%
Gross profit margin	55.5%	57.0%	55.8%	58.3%	58.0%	58.5%
EBITDA margin	18.9%	22.9%	19.9%	28.3%	25.6%	25.3%
EBIT margin	15.4%	18.1%	13.3%	23.4%	21.5%	21.7%
ROCE	14.1%	15.6%	10.3%	20.3%	19.3%	19.2%
EV/EBITDA	66.2x	48.4x	61.0x	34.5x	34.6x	31.9x
EV/EBIT	81.2x	61.1x	91.1x	41.6x	41.1x	37.3x
PER	126.1x	99.8x	130.3x	64.5x	61.2x	56.1x
FCF yield	1.2%	1.4%	1.1%	1.8%	2.1%	2.2%

Source: Company data, AlsterResearch

Source: Company data, AlsterResearch

High/low 52 weeks	202.00 / 105.40
Price/Book Ratio	11.1x

Ticker / Symbols

ISIN	DE0005313704
WKN	531370
Bloomberg	AFX:GR

Changes in estimates

		Sales	EBIT	EPS
2021	old	00.0	00.0	00.0
	Δ	–	–	–
2022	old	00.0	00.0	00.0
	Δ	–	–	–
2023	old	00.0	00.0	00.0
	Δ	–	–	–

Key share data

Number of shares: (in m pcs)	89.44
Book value per share: (in EUR)	16.01
Ø trading volume: (12 months)	90,000

Major shareholders

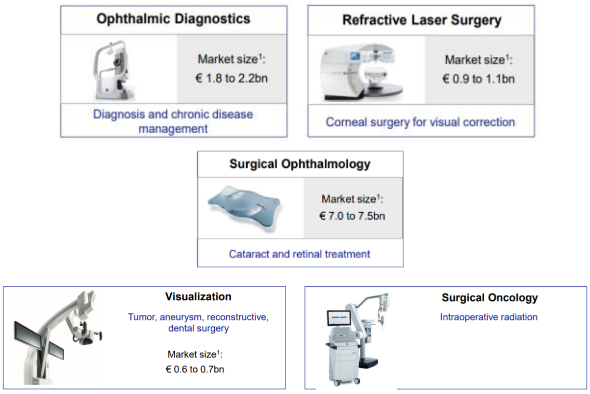
Carl Zeiss Group	59.1%
Free Float	40.9%

Company description

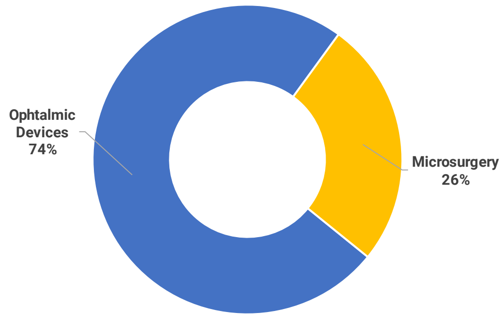
Carl Zeiss Meditec AG is a Germany-based medical technology and device company. It offers complete solutions to diagnose and treat ophthalmic diseases, visualization solutions for microsurgery and other technologies, such as intraoperative radiotherapy.

Investment case in six charts

Products



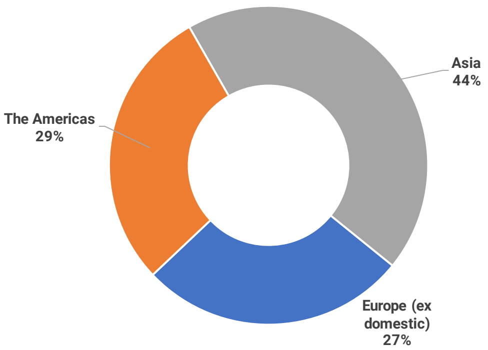
Segmental Split



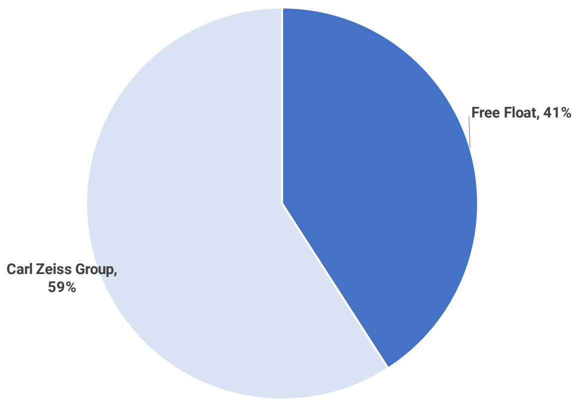
Comprehensive Portfolio

		ZEISS	Alcon	Johnson&Johnson	B+L	TOPCON	HAAG-STREIT
Diagnostics	Routine Diagnostics	+					+
	Retinal Imaging	+				+	+
	Perimetry	+					+
	Biometry	+	+			+	+
Surgical	Therap. Laser Surgery	+			+	+	
	Refr. Laser Surgery	+	+	+	+		
	Surgical Microscopy	+	+				+
	Phaco & IOLs	+	+	+	+		

Regional Sales



Shareholder Structure



Source: Company data, AlsterResearch

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Company background

Products & services

Carl Zeiss Meditec AG (CZM) is a **leading global medical technology company**, which supplies innovative technologies and application-oriented solutions. It provides complete system solutions in the field of medical technology for **ophthalmology** and creates innovative **visualization solutions in the field of microsurgery**.

Its major products include screening, diagnostic, and therapeutic systems for the treatment of vision defects, cataracts, glaucoma, and retinal disorders. Headquartered in Jena, Germany, CZM has major subsidiaries in the US, Spain, the UK, France, Japan, Germany, and Turkey. Around 59% of its stake is held by Carl Zeiss AG, one of the world's leading groups in the optical and optoelectronic industries.

The group operates under **two strategic business units**:

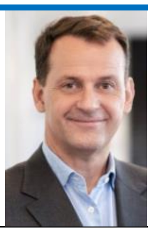
i) **Ophthalmic Devices** (OPT; 74% of 2020 revenues), which offers a variety of products and solutions for the diagnosis and treatment of eye diseases along with systems and consumables mainly for refractive, retinal, and cataract surgery. It covers all activities related to ophthalmology such as surgical visualization solutions, intraocular lenses, and medical laser and diagnostic systems. The product portfolio in this unit includes refractometers, slit lamps, tonometers, fundus cameras, optical coherence tomography, biometers, and ophthalmic surgery microscopes.

Source: Carl Zeiss Meditec, AlsterResearch

ii) **Microsurgery** (MCS; 26%), which offers visualization solutions for minimally invasive surgical treatments. These solutions include state-of the-art surgical microscopes for neurosurgery, ear, nose, and throat (ENT) surgery, dental and spinal surgery as well as plastic and reconstructive surgery.

Source: Carl Zeiss Meditec, AlsterResearch

Management

		
Dr. Ludwig Monz CEO since 2010	Justus Felix Wehmer CFO since 2018	Jan Willem de Cler Board member since 2018

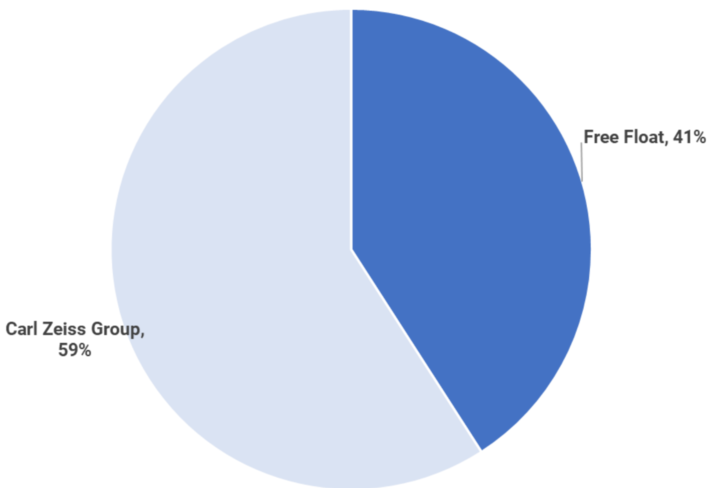
Source: Company data; AlsterResearch

Dr. Ludwig Monz has been serving CZM as President and Chief Executive Officer of the group since March 2010, while being a member of the management board since 2007. He is responsible for strategic business units OPT and MCS, and corporate quality management among others.

Justus Felix Wehmer has been Chief Financial Officer of the group since October 2018. Previously, he served as Co-Head of the Microscopy business and Managing Director of Carl Zeiss Microscopy GmbH. He is now responsible for investor relations, finance and controlling, legal affairs, information technology, and taxes.

Jan Willem de Cler has been a member of the management board since October 2018. He is responsible for global service and customer care and operations, cultural development, human resources and employee development, and training.

Shareholders



Source: Company data; AlsterResearch

Quality

Customers

CZM offers the most comprehensive diagnostics and surgical solutions portfolio in the eye care sector, enabling it to serve physicians and surgeons in various fields and hospitals across the world.

For OPT, its **key customers include ophthalmologists, optometrists, ambulatory surgery centers and hospitals/eye clinics**, while for MCS, it acquires its customers from **clinics, hospitals, and dental offices**.

Carl Zeiss AG and its other subsidiaries represent a key customer of CZM and accounted for 48% of total revenues. The group also enjoys a well-diversified business across regions, with Asia Pacific accounting for 44% of 2020 revenues, followed by the Americas (29%), and Europe, the Middle East, and Africa (27%).

Regional sales split (EUR m)	2018	2019	2020	2021E	2022E	2023E
Domestic	0	0	0	0	0	0
Europe (ex domestic)	0	0	362	435	474	512
The Americas	0	0	385	419	457	493
Asia	0	0	589	788	859	928
Rest of World	0	0	0	0	0	0
Sales	**1,281**	**1,459**	**1,335**	**1,643**	**1,790**	**1,934**

Source: Company data; AlsterResearch

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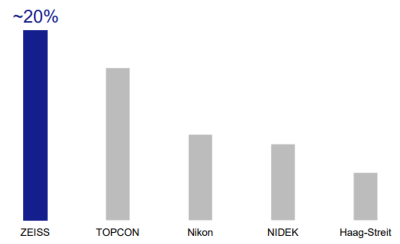
Competition

CZM enjoys leading market positions in **Ophthalmology (#2)** and **Microsurgery (#1)**, as the group provides cutting edge systems and solutions across eye diagnostics and surgery compared to its peers, such as Alcon, Johnson & Johnson, and Topcon.

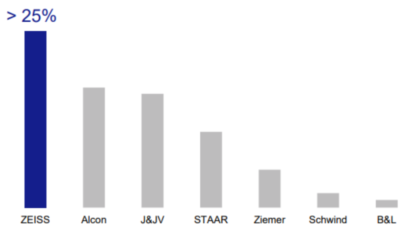
CZM is world's third-largest supplier of ophthalmic surgery business, with a ca 7% market share, behind Alcon and Johnson & Johnson Vision. However, it is the market leader in ophthalmic diagnostic technologies and in the refractive laser business, with a market share of ca 20% and ca 25%, respectively (as per Market Scope, CZM internal estimates). It is also one of the largest suppliers of microsurgery products and a market leader in surgical microscopes.

Market shares Ophthalmic Diagnostics
(ca. EUR 300m CZM revenues)



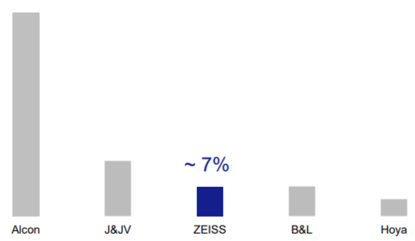
Source: CZM

Market shares Refractive Laser
(ca. EUR 250m CZM revenues)



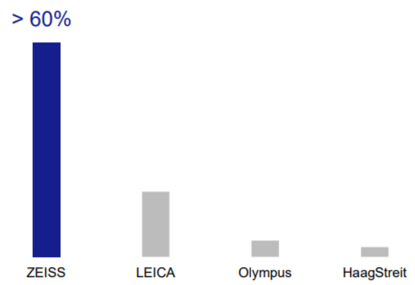
Source: CZM

Market shares Surgical Ophthalmology
(ca. EUR 350m CZM revenues)



Source: CZM

Market shares Microsurgery
(ca. EUR 300m CZM revenues)



Source: CZM

Suppliers

CZM **focuses on the integration of modules and system components** procured from external partners and has major manufacturing sites in Germany, France, and the US. It manufactures systems and devices for ophthalmology in Dublin and Jena, while it manufactures microsurgical visualization solutions in Oberkochen and intraocular lenses in Berlin and Ontario. However, some product groups are manufactured by external partners who have special production processes or favorable cost structures, which helps in realizing economies of scale.

CZM takes efforts to qualify secondary suppliers for its key product groups to lower the risk of dependency on individual suppliers. It also runs consignment warehouses in hospitals and clinics, which are restocked on the basis of consumption. Additionally, the group also has access for ca 60 sales and service locations, over 30 production sites, and ca 27 research and development locations of its parent, Carl Zeiss AG.

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SWOT analysis

Strengths

- World market leader in Ophthalmic Diagnostics, Refractive Laser and Microsurgery
- Technology leadership and strong brand
- Strong balance sheet (too strong?)

Weaknesses

- Goals of majority owner Carl Zeiss need not be aligned with minority shareholders
- Customer capex cycles

Opportunities

- secular structural tailwinds (growing, ageing and more affluent population; higher incidence of myopia)
- external growth

Threats

- well-funded, large competitors (Johnson & Johnson, Alcon)

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Growth

CZM is a leading medical technology company and has significantly expanded its service and product offerings over the years through its multiple **acquisitions** (IOLTECH SA in 2005, merger with Carl Zeiss Surgical in 2006, Acri. Tec AG in 2007, Spanish distributor IMEX in 2011, AarenScientific, Inc. and Optronik AS in 2014, and IanTECH in 2018). It has diversified its portfolio with ophthalmic surgical solutions, covering a patient's entire ocular lifecycle and has increased its **share of recurring revenues to a new record level of 39%** in 2020 (vs 9% in 2003) allowing for profitable growth in the future.

The medical technology industry benefits from **population growth**, and an **ageing population**. The group also benefits from a rising percentage of the global population with **myopia**, which is expected to increase to 50% by 2050, compared to 30% in 2020, according to Investigative Ophthalmology Visual Science 2021. Furthermore, the **increasing per capita income** enables favorable conditions for rising demand for basic medical care in fast growing economies. In the long-term, the group could benefit from the rapid economic growth in the **Asia Pacific region**, which is now the largest region for the CZM. The aforesaid secular tailwinds in addition to its technology leadership, strong brand, long product lifecycles, and steady investments in research and development, should underpin its top-line growth.

Growth table (EURm)	2018	2019	2020	2021E	2022E	2023E
Sales	1,281	1,459	1,335	1,643	1,790	1,934
Sales growth	7.6%	13.9%	-8.5%	23.0%	9.0%	8.0%
EBIT	197	265	178	384	385	420
EBIT margin	15.4%	18.1%	13.3%	23.4%	21.5%	21.7%
Net profit	126	160	122	247	261	284

Source: Company data; AlsterResearch

P&L data	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021
Sales	431.3	369.7	345.2	253.0	367.6	368.9	398.5	430.8
yoy growth in %	21.7%	14.2%	0.5%	-29.9%	-14.8%	-0.2%	15.4%	70.3%
Gross profit	248.1	206.3	191.4	137.7	210.1	207.3	230.8	261.4
Gross margin in %	57.5%	55.8%	55.5%	54.4%	57.2%	56.2%	57.9%	60.7%
EBIT	72.8	55.4	47.1	14.4	60.6	73.9	87.4	121.5
EBIT margin in %	16.9%	15.0%	13.6%	5.7%	16.5%	20.0%	21.9%	28.2%
EBT	68.5	55.9	40.2	5.9	76.7	66.6	79.1	116.3
taxes paid	17.6	17.3	13.8	2.3	21.9	20.3	23.9	35.1
tax rate in %	25.7%	30.9%	34.2%	39.7%	28.5%	30.5%	30.2%	30.2%
net profit	50.9	38.8	25.1	5.3	53.2	46.3	54.3	81.6
yoy growth in %	14.1%	35.2%	-14.6%	-89.6%	4.6%	19.3%	116.3%	1,442.3%
EPS	**0.57**	**0.43**	**0.28**	**0.06**	**0.60**	**0.52**	**0.61**	**0.92**

Source: Company data; AlsterResearch

Valuation

DCF Model

The DCF model results in a **fair value of EUR 126.10 per share**:

Top-line growth: We expect Carl Zeiss Meditec AG to continue benefitting from structural growth. Hence our growth estimates for 2021-28E is in the range of 8.0% p.a. The long-term growth rate is set at 2.0%.

EBIT margins. We expect margins to remain high going forward, and to significantly expand in the terminal year as steady state growth requires less R&D.

WACC. The averaged 1-, 3- and 5-year historical equity beta is calculated as 0.71. Unlevering and correcting for mean reversion yields an asset beta of 0.70. Combined with a risk free rate of 2.0% and an equity risk premium of 6.0% this yields cost of equity of 6.2%. With pre-tax cost of borrowing at 5.0%, a tax rate of 30% and target debt/equity of na this results in a long-term WACC of 6.2%.

DCF (EUR m) (except per share data and beta)	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	Terminal value
NOPAT	263	264	287	320	357	397	441	540	
Depreciation & amortization	80	73	71	71	73	76	81	86	
Change in working capital	-54	-20	-19	-20	-21	-23	-24	2	
Chg. in long-term provisions	7	12	11	12	13	14	16	15	
Capex	-62	-68	-73	-79	-86	-93	-100	-90	
Cash flow	234	261	277	304	336	373	414	553	13,437
Present value	235	247	247	255	266	277	290	365	8,871
WACC	6.2%	6.2%	6.2%	6.2%	6.2%	6.2%	6.2%	6.2%	6.2%

DCF per share derived from	
Total present value	11,053
Mid-year adj. total present value	11,390
Net debt / cash at start of year	136
Financial assets	117
Provisions and off b/s debt	93
Equity value	11,279
No. of shares outstanding	89.4
Discounted cash flow / share	**126.10**
upside/(downside)	**-29.3%**
Share price	**178.30**

DCF avg. growth and earnings assumptions	
Planning horizon avg. revenue growth (2021E - 2028E)	8.0%
Terminal value growth (2028E - infinity)	2.0%
Terminal year ROCE	22.8%
Terminal year WACC	6.2%

Terminal WACC derived from	
Cost of borrowing (before taxes)	5.0%
Long-term tax rate	30%
Equity beta	0.71
Unlevered beta (industry or company)	0.70
Target debt / equity	na
Relevered beta	0.70
Risk-free rate	2.0%
Equity risk premium	6.0%
Cost of equity	6.2%

Sensitivity analysis DCF

Change in WACC (%-points)	Long term growth 1.0%	1.5%	2.0%	2.5%	3.0%
2.0%	74.8	79.0	83.9	89.6	96.4
1.0%	87.7	93.7	100.9	109.6	120.4
0.0%	105.6	114.7	126.1	140.5	159.3
-1.0%	132.2	147.4	167.2	194.5	234.2
-2.0%	175.6	204.3	246.1	312.5	434.5

Share of present value	
2021E - 2024E	8.9%
2025E - 2028E	10.8%
terminal value	80.3%

Source: AlsterResearch

FCF Yield Model

Due to the fact that companies rarely bear sufficient resemblance to peers in terms of geographical exposure, size or competitive strength and in order to adjust for the pitfalls of weak long-term visibility, an Adjusted Free Cash Flow analysis (Adjusted FCF) has been conducted.

The adjusted Free Cash Flow Yield results in a fair value between EUR 66.27 per share based on 2021E and 93.94 EUR per share on 2025E estimates.

The main driver of this model is the level of return available to a controlling investor, influenced by the cost of that investors' capital (opportunity costs) and the purchase price – in this case the enterprise value of the company. Here, the adjusted FCF yield is used as a proxy for the required return and is defined as EBITDA less minority interest, taxes and investments required to maintain existing assets (maintenance capex).

FCF yield in EURm	2021E	2022E	2023E	2024E	2025E
EBITDA	**465**	**458**	**490**	**539**	**594**
- Maintenance capex	0	0	0	0	0
- Minorities	2	2	2	3	3
- tax expenses	112	118	129	144	160
= Adjusted FCF	**351**	**338**	**359**	**392**	**431**
Actual Market Cap	**15,947**	**15,947**	**15,947**	**15,947**	**15,947**
+ Net debt (cash)	-39	-224	-404	-603	-821
+ Pension provisions	99	107	116	125	135
+ Off b/s financing	0	0	0	0	0
- Financial assets	117	117	117	117	117
- Acc. dividend payments	45	119	215	321	438
EV Reconciliations	-102	-353	-621	-916	-1,241
= Actual EV'	**15,845**	**15,594**	**15,326**	**15,032**	**14,706**
Adjusted FCF yield	**2.2%**	**2.2%**	**2.3%**	**2.6%**	**2.9%**
base hurdle rate	6.0%	6.0%	6.0%	6.0%	6.0%
ESG adjustment	-0.0%	-0.0%	-0.0%	-0.0%	-0.0%
adjusted hurdle rate	6.0%	6.0%	6.0%	6.0%	6.0%
Fair EV	**5,825**	**5,612**	**5,964**	**6,518**	**7,161**
- EV Reconciliations	-102	-353	-621	-916	-1,241
Fair Market Cap	**5,927**	**5,965**	**6,585**	**7,433**	**8,402**
No. of shares (million)	89	89	89	89	89
Fair value per share in EUR	**66.27**	**66.69**	**73.62**	**83.11**	**93.94**
Premium (-) / discount (+)	**-62.8%**	**-62.6%**	**-58.7%**	**-53.4%**	**-47.3%**

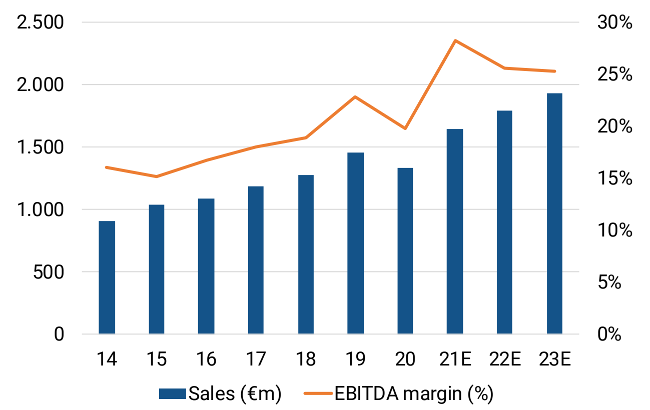
Sensitivity analysis fair value						
Adjusted hurdle rate	4.0%	99	98	107	119	134
	5.0%	79	79	87	98	110
	6.0%	**66**	**67**	**74**	**83**	**94**
	7.0%	57	58	64	73	83
	8.0%	50	51	57	65	74

Source: Company data; AlsterResearch

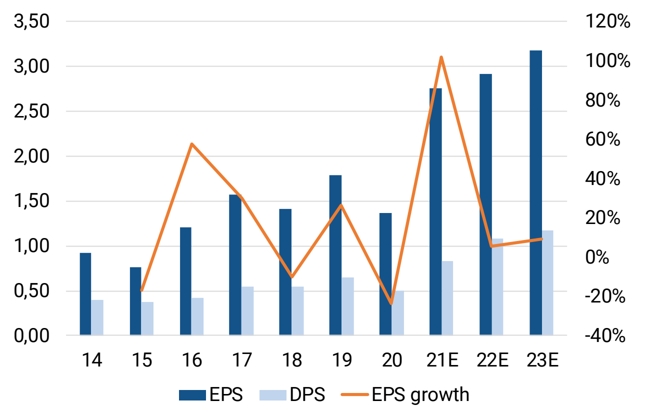
Simply put, the model assumes that investors require companies to generate a minimum return on the investor's purchase price. The required after-tax return equals the model's hurdle rate of 6.0%. Anything less suggests the stock is expensive; anything more suggests the stock is cheap. **ESG adjustments might be applicable, based on the overall Leeway ESG Score. A high score indicates high awareness for environmental, social or governance issues and thus might lower the overall risk an investment in the company might carry. A low score on the contrary might increase the risk of an investment and might therefore trigger a higher required hurdle rate.**

Financials in six charts

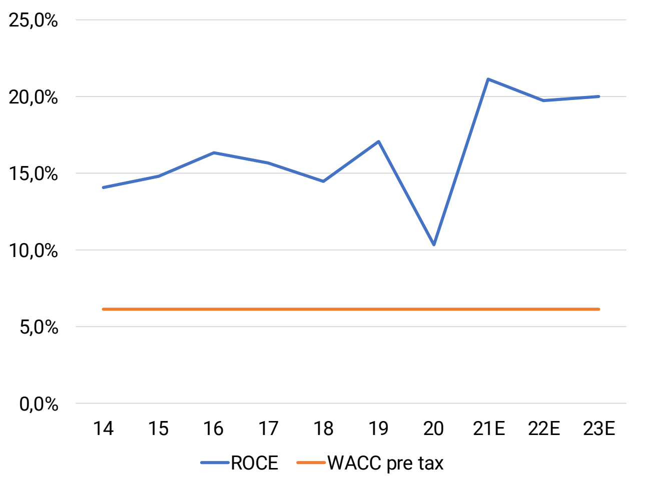
Sales vs. EBITDA margin development



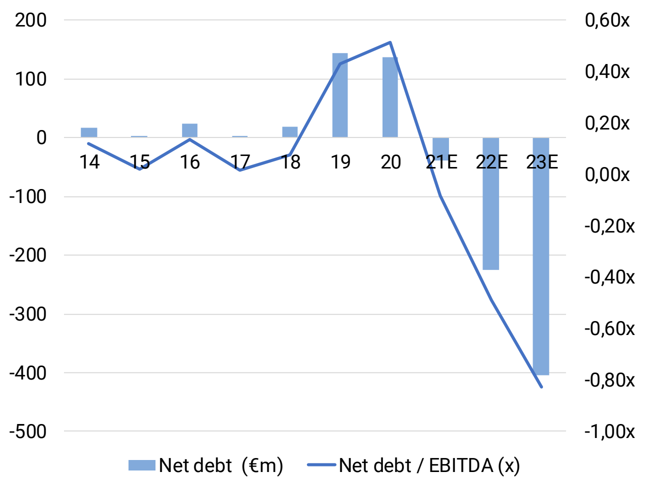
EPS, DPS in EUR & yoy EPS growth



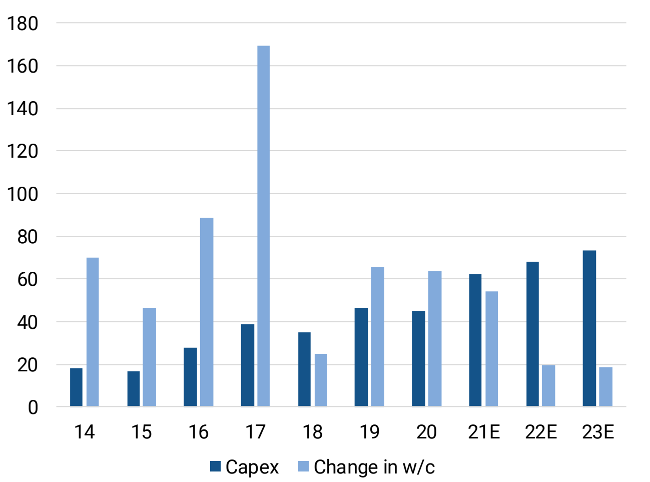
ROCE vs. WACC (pre tax)



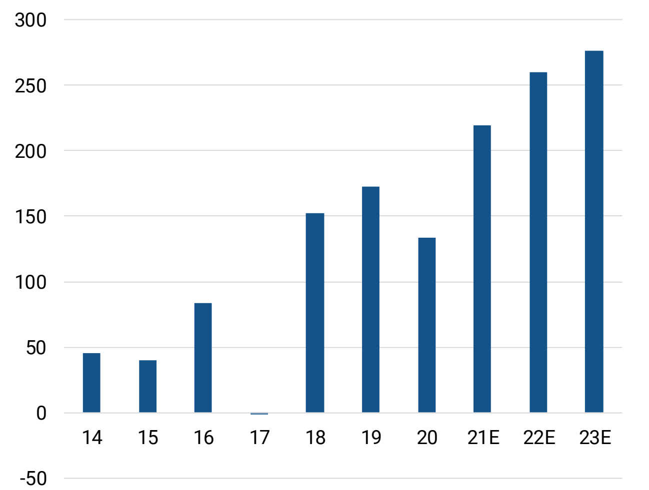
Net debt and net debt/EBITDA



Capex & chgn in w/c requirements in EURm



Free Cash Flow in EURm



Source: Company data, AlsterResearch

AlsterResearch

Financials

Profit and loss (EUR m)	2018	2019	2020	2021E	2022E	2023E
Sales	**1,281**	**1,459**	**1,335**	**1,643**	**1,790**	**1,934**
Sales growth	7.6%	13.9%	-8.5%	23.0%	9.0%	8.0%
Cost of sales	570	627	590	685	752	802
Gross profit	**710**	**832**	**746**	**958**	**1,038**	**1,131**
SG&A expenses	354	394	349	345	412	460
Research and development	160	173	219	230	242	251
Other operating expenses (income)	-0	0	0	-2	0	0
EBITDA	**242**	**334**	**265**	**465**	**458**	**490**
Depreciation	31	48	60	54	47	44
EBITA	211	286	205	410	411	446
Amortisation of goodwill and intangible assets	13	21	27	26	26	27
EBIT	**197**	**265**	**178**	**384**	**385**	**420**
Financial result	-18	-35	1	-23	-4	-4
Recurring pretax income from continuing operations	179	230	179	361	381	416
Extraordinary income/loss	0	0	0	0	0	0
Earnings before taxes	179	230	179	361	381	416
Taxes	53	69	55	112	118	129
Net income from continuing operations	126	161	123	249	263	287
Result from discontinued operations (net of tax)	0	0	0	0	0	0
Net income	**126**	**161**	**123**	**249**	**263**	**287**
Minority interest	0	-1	-1	-2	-2	-2
Net profit (reported)	126	160	122	247	261	284
Average number of shares	89.44	89.44	89.44	89.44	89.44	89.44
EPS reported	**1.41**	**1.79**	**1.37**	**2.76**	**2.91**	**3.18**

Profit and loss (common size)	2018	2019	2020	2021E	2022E	2023E
Sales	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**
Cost of sales	45%	43%	44%	42%	42%	42%
Gross profit	**55%**	**57%**	**56%**	**58%**	**58%**	**59%**
SG&A expenses	28%	27%	26%	21%	23%	24%
Research and development	12%	12%	16%	14%	14%	13%
Other operating expenses (income)	-0%	0%	0%	-0%	0%	0%
EBITDA	**19%**	**23%**	**20%**	**28%**	**26%**	**25%**
Depreciation	2%	3%	5%	3%	3%	2%
EBITA	16%	20%	15%	25%	23%	23%
Amortisation of goodwill and intangible assets	1%	1%	2%	2%	1%	1%
EBIT	**15%**	**18%**	**13%**	**23%**	**22%**	**22%**
Financial result	-1%	-2%	0%	-1%	-0%	-0%
Recurring pretax income from continuing operations	14%	16%	13%	22%	21%	21%
Extraordinary income/loss	0%	0%	0%	0%	0%	0%
Earnings before taxes	14%	16%	13%	22%	21%	21%
Taxes	4%	5%	4%	7%	7%	7%
Net income from continuing operations	10%	11%	9%	15%	15%	15%
Result from discontinued operations (net of tax)	0%	0%	0%	0%	0%	0%
Net income	**10%**	**11%**	**9%**	**15%**	**15%**	**15%**
Minority interest	0%	-0%	-0%	-0%	-0%	-0%
Net profit (reported)	**10%**	**11%**	**9%**	**15%**	**15%**	**15%**

Source: Company data; AlsterResearch

Balance sheet (EUR m)	2018	2019	2020	2021E	2022E	2023E
Intangible assets (excl. Goodwill)	**74**	**144**	**137**	**138**	**140**	**144**
Goodwill	186	338	334	334	334	334
Property, plant and equipment	63	117	135	117	110	108
Financial assets	89	119	117	117	117	117
FIXED ASSETS	**411**	**718**	**724**	**706**	**701**	**704**
Inventories	248	268	286	319	350	374
Accounts receivable	192	206	165	234	255	275
Other current assets	789	795	810	810	810	810
Liquid assets	8	23	20	149	234	404
Deferred taxes	0	0	0	0	0	0
Deferred charges and prepaid expenses	14	13	8	16	18	19
CURRENT ASSETS	**1,251**	**1,304**	**1,290**	**1,528**	**1,667**	**1,883**
TOTAL ASSETS	**1,662**	**2,022**	**2,013**	**2,234**	**2,368**	**2,587**
SHAREHOLDERS EQUITY	**1,293**	**1,398**	**1,432**	**1,636**	**1,825**	**2,015**
MINORITY INTEREST	21	19	19	19	19	19
Long-term debt	7	152	141	100	0	0
Provisions for pensions and similar obligations	45	82	93	99	107	116
Other provisions	15	31	32	33	36	39
Non-current liabilities	**67**	**266**	**265**	**231**	**143**	**155**
short-term liabilities to banks	19	15	16	10	10	0
Accounts payable	101	118	92	118	134	143
Advance payments received on orders	25	0	0	0	0	0
Other liabilities (incl. from lease and rental contracts)	31	73	65	76	82	89
Deferred taxes	5	18	16	16	16	16
Deferred income	98	116	109	128	140	151
Current liabilities	**280**	**340**	**298**	**348**	**382**	**398**
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	**1,662**	**2,022**	**2,013**	**2,234**	**2,368**	**2,587**

Balance sheet (common size)	2018	2019	2020	2021E	2022E	2023E
Intangible assets (excl. Goodwill)	**4%**	**7%**	**7%**	**6%**	**6%**	**6%**
Goodwill	11%	17%	17%	15%	14%	13%
Property, plant and equipment	4%	6%	7%	5%	5%	4%
Financial assets	5%	6%	6%	5%	5%	5%
FIXED ASSETS	**25%**	**35%**	**36%**	**32%**	**30%**	**27%**
Inventories	15%	13%	14%	14%	15%	14%
Accounts receivable	12%	10%	8%	10%	11%	11%
Other current assets	47%	39%	40%	36%	34%	31%
Liquid assets	0%	1%	1%	7%	10%	16%
Deferred taxes	0%	0%	0%	0%	0%	0%
Deferred charges and prepaid expenses	1%	1%	0%	1%	1%	1%
CURRENT ASSETS	**75%**	**65%**	**64%**	**68%**	**70%**	**73%**
TOTAL ASSETS	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**
SHAREHOLDERS EQUITY	**78%**	**69%**	**71%**	**73%**	**77%**	**78%**
MINORITY INTEREST	1%	1%	1%	1%	1%	1%
Long-term debt	0%	8%	7%	4%	0%	0%
Provisions for pensions and similar obligations	3%	4%	5%	4%	5%	4%
Other provisions	1%	2%	2%	1%	2%	1%
Non-current liabilities	**4%**	**13%**	**13%**	**10%**	**6%**	**6%**
short-term liabilities to banks	1%	1%	1%	0%	0%	0%
Accounts payable	6%	6%	5%	5%	6%	6%
Advance payments received on orders	1%	0%	0%	0%	0%	0%
Other liabilities (incl. from lease and rental contracts)	2%	4%	3%	3%	3%	3%
Deferred taxes	0%	1%	1%	1%	1%	1%
Deferred income	6%	6%	5%	6%	6%	6%
Current liabilities	**17%**	**17%**	**15%**	**16%**	**16%**	**15%**
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

Source: Company data; AlsterResearch

AlsterResearch

Cash flow statement (EUR m)	2018	2019	2020	2021E	2022E	2023E
Net profit/loss	126	161	123	249	263	287
Depreciation of fixed assets (incl. leases)	31	48	60	54	47	44
Amortisation of goodwill	0	0	0	0	0	0
Amortisation of intangible assets	0	0	0	26	26	27
Others	55	76	59	7	12	11
Cash flow from operations before changes in w/c	212	285	243	336	348	369
Increase/decrease in inventory	-12	-11	-28	-33	-31	-24
Increase/decrease in accounts receivable	-0	-21	54	-69	-21	-20
Increase/decrease in accounts payable	1	15	-25	27	16	9
Increase/decrease in other w/c positions	-14	-48	-65	21	17	16
Increase/decrease in working capital	-25	-66	-64	-54	-20	-19
Cash flow from operating activities	**187**	**220**	**179**	**282**	**328**	**350**
CAPEX	-35	-47	-45	-62	-68	-73
Payments for acquisitions	-0	-96	-27	0	0	0
Financial investments	3	-4	0	0	0	0
Income from asset disposals	0	1	0	0	0	0
Cash flow from investing activities	**-31**	**-146**	**-72**	**-62**	**-68**	**-73**
Cash flow before financing	156	74	107	220	260	277
Increase/decrease in debt position	-4	-14	-16	-46	-100	-10
Purchase of own shares	0	0	0	0	0	0
Capital measures	0	0	0	0	0	0
Dividends paid	-49	-49	-58	-45	-74	-96
Others	-105	4	-49	0	0	0
Effects of exchange rate changes on cash	2	1	-1	0	0	0
Cash flow from financing activities	**-156**	**-58**	**-124**	**-91**	**-174**	**-106**
Increase/decrease in liquid assets	0	16	-17	129	86	170
Liquid assets at end of period	**7**	**23**	**5**	**134**	**220**	**390**

Source: Company data; AlsterResearch

Regional sales split (EURm)	2018	2019	2020	2021E	2022E	2023E
Domestic	0	0	0	0	0	0
Europe (ex domestic)	0	0	362	435	474	512
The Americas	0	0	385	419	457	493
Asia	0	0	589	788	859	928
Rest of World	0	0	0	0	0	0
Total sales	**1,281**	**1,459**	**1,335**	**1,643**	**1,790**	**1,934**

Regional sales split (common size)	2018	2019	2020	2021E	2022E	2023E
Domestic	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Europe (ex domestic)	0.0%	0.0%	27.1%	26.5%	26.5%	26.5%
The Americas	0.0%	0.0%	28.8%	25.5%	25.5%	25.5%
Asia	0.0%	0.0%	44.1%	48.0%	48.0%	48.0%
Rest of World	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Total sales	**100%**	**100%**	**100%**	**100%**	**100%**	**100%**

Source: Company data; AlsterResearch

Ratios	2018	2019	2020	2021E	2022E	2023E
Per share data						
Earnings per share reported	1.41	1.79	1.37	2.76	2.91	3.18
Cash flow per share	2.09	2.46	2.00	3.15	3.67	3.91
Book value per share	14.46	15.64	16.01	18.29	20.40	22.53
Dividend per share	0.55	0.65	0.50	0.83	1.08	1.18
Valuation						
P/E	126.1x	99.8x	130.3x	64.5x	61.2x	56.1x
P/CF	85.2x	72.6x	89.3x	56.5x	48.6x	45.5x
P/BV	12.3x	11.4x	11.1x	9.7x	8.7x	7.9x
Dividend yield (%)	0.3%	0.4%	0.3%	0.5%	0.6%	0.7%
FCF yield (%)	1.2%	1.4%	1.1%	1.8%	2.1%	2.2%
EV/Sales	12.5x	11.1x	12.1x	9.7x	8.8x	8.1x
EV/EBITDA	66.2x	48.4x	61.0x	34.5x	34.6x	31.9x
EV/EBIT	81.2x	61.1x	91.1x	41.6x	41.1x	37.3x
Income statement (EURm)						
Sales	1,281	1,459	1,335	1,643	1,790	1,934
yoy chg in %	7.6%	13.9%	-8.5%	23.0%	9.0%	8.0%
Gross profit	710	832	746	958	1,038	1,131
Gross margin in %	55.5%	57.0%	55.8%	58.3%	58.0%	58.5%
EBITDA	242	334	265	465	458	490
EBITDA margin in %	18.9%	22.9%	19.9%	28.3%	25.6%	25.3%
EBIT	197	265	178	384	385	420
EBIT margin in %	15.4%	18.1%	13.3%	23.4%	21.5%	21.7%
Net profit	126	160	122	247	261	284
Cash flow statement (EURm)						
CF from operations	187	220	179	282	328	350
Capex	-35	-47	-45	-62	-68	-73
Maintenance Capex	0	0	0	0	0	0
Free cash flow	152	173	134	220	260	277
Balance sheet (EURm)						
Intangible assets	260	482	471	471	474	478
Tangible assets	63	117	135	117	110	108
Shareholders' equity	1,293	1,398	1,432	1,636	1,825	2,015
Pension provisions	45	82	93	99	107	116
Liabilities and provisions	86	280	281	241	153	155
Net financial debt	19	144	136	-39	-224	-404
w/c requirements	314	356	360	435	471	506
Ratios						
ROE	9.8%	11.5%	8.6%	15.2%	14.4%	14.2%
ROCE	14.1%	15.6%	10.3%	20.3%	19.3%	19.2%
Net gearing	1.4%	10.3%	9.5%	-2.4%	-12.3%	-20.1%
Net debt / EBITDA	0.1x	0.4x	0.5x	-0.1x	-0.5x	-0.8x

Source: Company data; AlsterResearch

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