

4 April 2025

**GESCO SE**

Germany

**Capital Goods****Well prepared for organic and inorganic growth**

We confirm our Buy rating with a TP of EUR 22. Due to the challenging economic environment since 2H23, the results for FY24 were as weak as expected. However, we got the impression from some portfolio divestments in December, progress in the operating cash flow, the strong equity ratio, the renewed dividend policy and our call with the new CEO this week that the company is well prepared to return to profitable growth. We expect a considerable improvement in earnings this and next year and additional potential from any portfolio opportunities which may arise.

- **FY24 results were impacted by weak economic environment, but strong CF and balance sheet:** GESCO reported preliminary key results for FY24, which came in roughly as expected. Sales declined by 8% yoy, slightly below the guidance range and net income saw the expected strong decline to only EUR 4.4mn (2023: EUR 21mn) within the guidance range of EUR 3.5-7.5mn. Excluding a negative impact from the disposal of EUR 4.8mn, adj. net profit was at EUR 9.2mn vs. our estimate of EUR 10.3mn. Positive was the progress in the WC reduction by EUR 30mn, which led to an increase in operating CF by EUR 18mn to EUR 51mn. The disposals lowered the bank debt and improved the already healthy balance with an equity ratio of ~60%.
- **Our expectations for FY25:** The disposal of one subsidiary and two business units will limit the expected sales improvement in 2025. However, we expect a positive impact on the EBIT margin. In addition, the stabilized steel prices will lead to a strong margin improvement for the largest subsidiary Doerrenberg. Overall, we estimate almost flat revenues (but +6% disposal-adjusted), an EBIT margin of 5.7% versus estimated 2.5% in 2024 and a significant increase in net profit from EUR 4.4mn to EUR 16.1mn.
- **Renewed dividend policy with focus on growth opportunities:** GESCO has specified its dividend policy and limits the payout range to 20-40% (prev.: 20-60%) of net income. The priorities for the use of profits are **1)** organic and inorganic growth, **2)** share buyback if value-enhancing and **3)** dividend payments. We welcome the predominant focus on organic growth and external growth opportunities. For FY24, the DPS proposal is EUR 0.10 (2023: EUR 0.40) and means a payout ratio of 24%.
- **Valuation:** At our unchanged TP of EUR 22, GESCO would be valued at a 2026E P/E of 9x (6.5x currently), still well below the historical level of 11x.

|                        | 2023  | 2024E | 2025E | 2026E | 2027E |
|------------------------|-------|-------|-------|-------|-------|
| Sales (EUR mn)         | 560.7 | 513.8 | 510.4 | 551.7 | 590.4 |
| EBITDA (EUR mn)        | 59.0  | 31.3  | 47.8  | 61.1  | 67.2  |
| EBIT reported (EUR mn) | 35.9  | 13.0  | 29.0  | 41.0  | 46.3  |
| EBIT adjusted (EUR mn) | 41.0  | 17.3  | 29.0  | 41.0  | 46.3  |
| Net income (EUR mn)    | 20.9  | 4.4   | 16.1  | 25.0  | 28.8  |
| EPS reported (EUR)     | 1.93  | 0.42  | 1.56  | 2.42  | 2.79  |
| EPS adjusted (EUR)     | 2.36  | 0.88  | 1.56  | 2.42  | 2.79  |
| DPS (EUR)              | 0.40  | 0.10  | 0.31  | 0.48  | 0.56  |
| Dividend yield (%)     | 1.7   | 0.6   | 2.0   | 3.1   | 3.6   |
| P/E adjusted (x)       | 9.9   | 18.1  | 10.1  | 6.5   | 5.6   |
| P/BV (x)               | 0.9   | 0.6   | 0.6   | 0.5   | 0.5   |
| EV/Sales (x)           | 0.6   | 0.4   | 0.4   | 0.3   | 0.3   |
| EV/EBITDA (x)          | 5.4   | 6.2   | 4.1   | 3.2   | 2.7   |
| EV/EBIT (x)            | 8.9   | 15.0  | 6.8   | 4.7   | 4.0   |
| Net debt/EBITDA (x)    | 0.9   | 0.2   | 0.2   | 0.1   | 0.0   |

Source: Company data, Baader Helvea Equity Research

**Buy (prev. Buy)**

|                                       |                  |
|---------------------------------------|------------------|
| Closing price as of 03-Apr-25         | EUR 15.70        |
| High/Low (12M)                        | 19.30/13.05      |
| <b>Target price (prev. EUR 22.00)</b> | <b>EUR 22.00</b> |
| Upside to target price (%)            | 40.1             |
| Expected dividend yield (%)           | 0.6              |
| Total return potential (%)            | 40.7             |

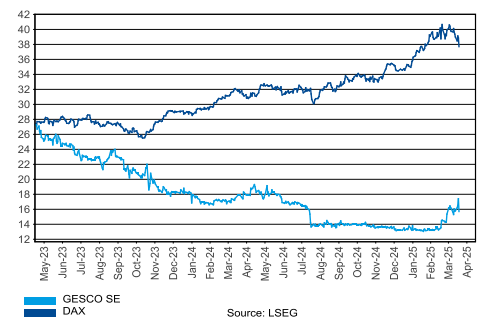
|                              |                  |
|------------------------------|------------------|
| Reuters/Bloomberg            | GSC1n.DE/GSC1 GY |
| Avg. daily turnover (EUR mn) | 0.11             |
| Free float (%)               | 81.1             |
| Market cap. (EUR mn)         | 170              |
| No. of shares issued (mn)    | 10.8             |

**Events**

|                        |             |
|------------------------|-------------|
| Annual general meeting | 25-Jun-2025 |
| Bal. sheet press conf. | 29-Apr-2025 |

**Shareholders**

|                             |       |
|-----------------------------|-------|
| Norman Rentrop              | 14.5% |
| Stefan Heimöller            | 14.2% |
| BW Versorgungsanstalt Ärzte | 3.3%  |
| Treasury shares             | 4.7%  |

**Price relative to Index**

Source: LSEG

| Performance (%)          | 1M   | 3M   | 6M   |
|--------------------------|------|------|------|
| Absolute                 | 16.7 | 18.9 | 12.5 |
| rel. DAX                 | 22.9 | 9.8  | -1.7 |
| rel. STOXX Europe 600    | 23.8 | 16.0 | 11.2 |
| rel. SXXP Industrial G&S | 26.0 | 16.2 | 9.0  |

**Changes in estimates**

| EUR mn         | 2024E Prev. | Delta (%) | 2025E Prev. | Delta (%) |
|----------------|-------------|-----------|-------------|-----------|
| Sales          | 530.4       | -3.1      | 583.5       | -12.5     |
| EBIT adj.      | 19.1        | -9.3      | 36.6        | -20.8     |
| EPS adj. (EUR) | 0.98        | -10.2     | 2.14        | -27.1     |
| DPS (EUR)      | 0.30        | -66.7     | 0.64        | -51.6     |

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## GESCO SE

## UPDATE ON OPERATING PERFORMANCE

Preliminary FY24 results mirror the weak economy, but strong cash flow strengthened the equity ratio

**Business stabilized in 4Q24.** GESCO reported preliminary key results for FY24. Sales declined by 8% yoy to EUR 513.8mn, slightly below the guidance of EUR 520-540mn. Although sales in 4Q saw no improvement sequentially but are up +1% versus 4Q23. The business stabilization is also proved by a significantly lower decline of 3% yoy in 2H24 versus -14% in 1H24.

**Net income** amounted to only EUR 4.4mn, a significant drop by 79% yoy; however, this is in-line with the most recent guidance of EUR 3.5-7.5mn. The announced divestment of two business units in December had a negative impact of EUR 4.8mn and was communicated at that time (EUR -4.5mn). The **adjusted net profit** of EUR 9.2mn compares to our estimate of EUR 10.3mn and EUR 25.6mn in 2023.

**EBIT** has not yet been reported, but our estimated EUR 13mn for the year in total would mean an EBIT margin of 2.5% versus 6.4% last year. Excluding the one-time loss from the divestment, the EBIT margin improved from 2.6% in 1H to 4.1% in 2H, which is at least a stabilization, too.

**Positively highlighted was the progress in the reduction of working capital by EUR ~30mn** and the increase in operating cash flow by EUR 18mn to EUR 51mn in 2024. This was used to lower bank debt by EUR 30m and strengthen the already solid balance sheet with an equity ratio of approx. 60%.

EPS for FY24 was at EUR 0.42 (2023: EUR 1.93) and GESCO proposes a **DPS of EUR 0.10 for the year.**

Full results will be released on **29 April with a conference call at 11:00 am CET.** The AGM is planned for 25 June.

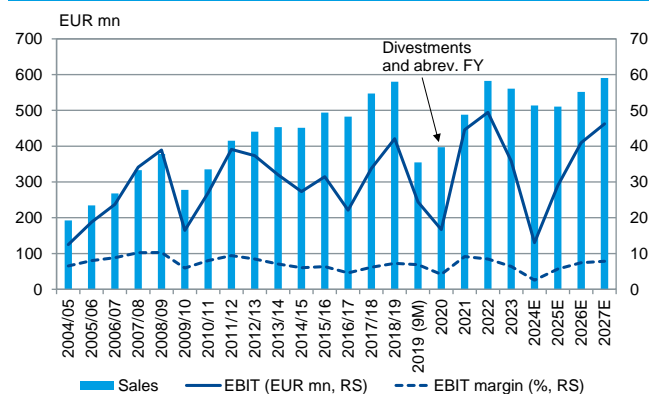
## Our view versus consensus – Considerable earnings recovery expected for FY25 and FY26

|                              |        | 2023<br>Rep. | 2024E      |             |        |       | 2025E  |       | 2026E  |       |
|------------------------------|--------|--------------|------------|-------------|--------|-------|--------|-------|--------|-------|
|                              |        |              | Guidance   | Preliminary | Baader | Cons. | Baader | Cons. | Baader | Cons. |
| <b>Sales revenues</b>        | EUR mn | 560.7        | 520-540    | 513.8       | 513.8  | 513.8 | 510.4  | 508.0 | 551.7  | 553.1 |
| Change yoy                   | %      | -3.7         | -7 to -4   | -8          | -8     | -8    | -1     | -1    | 8      | 9     |
| <b>EBIT</b>                  | EUR mn | 35.9         |            |             | 13.0   | 12.7  | 29.0   | 28.7  | 41.0   | 40.5  |
| Change yoy                   | %      | -27.4        |            |             | -64    | -65   | 122    | 126   | 41     | 41    |
| <b>EBIT margin</b>           | %      | 6.4          |            |             | 2.5    | 2.5   | 5.7    | 5.6   | 7.4    | 7.3   |
| <b>Net income after min.</b> | EUR mn | 20.9         | 3.5-7.5    | 4.4         | 4.4    | 4.4   | 16.1   | 16.3  | 25.0   | 24.4  |
| Change yoy                   | %      | -38.3        | -83 to -64 | -79         | -79    | -79   | 266    | 271   | 55     | 50    |
| <b>EPS reported</b>          | EUR    | 1.93         |            |             | 0.42   | 0.42  | 1.56   | 1.58  | 2.42   | 2.36  |
| Change yoy                   | %      | -38.2        |            |             | -78    | -78   | 272    | 277   | 55     | 49    |
| <b>DPS</b>                   | EUR    | 0.40         |            |             | 0.10   | 0.10  | 0.31   | 0.31  | 0.48   | 0.46  |

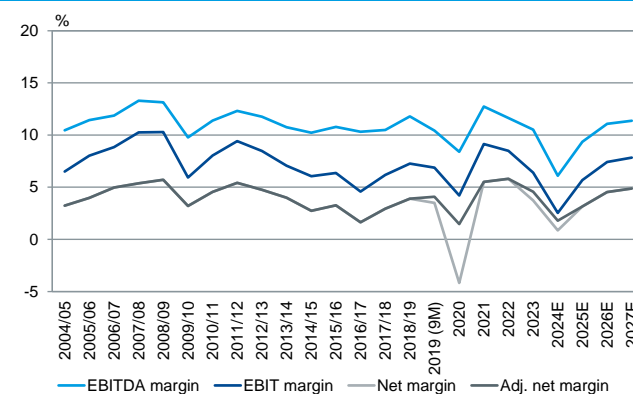
Source: Company data, Baader Helvea Equity Research

## LONG-TERM VIEW ON GROUP SALES/ EBIT AND MARGIN DEVELOPMENT

## Development of sales, EBIT and EBIT margin



## Development of margins



Source: Company data, Baader Helvea Equity Research

## GESCO SE

## Our expectations for FY25 and beyond – Changes in estimates with initiation of FY27E

**Not a broad-based economic recovery expected but some arguments for higher earnings**

**We see some company-related improvements to materialize this year**, despite we do not forecast a significantly better economic environment for this year than in 2024. Most important is a margin recovery of the largest subsidiary Doerrenberg. Last year, the company was negatively impacted by the former decline in steel prices on their inventories. In addition, two loss-making business units were disposed at year-end 2024 and will not burden the margin in 2025. Inventories are at low levels and will probably have to be refilled during the year. The VDMA reported for February no general increase in demand, but a positive development from the inventory cycle. With the disposal of AstroPlast in December, another low-margin business with high capital needs was divested as well.

**In terms of sales, the disposal of approx. EUR 34mn revenues will lower the basis for FY25.** However, we estimate **organic growth of 6%** resulting in a marginal decline of 1% yoy for the year in total (EUR 510mn). In terms of EBIT, we estimate an increase from EUR 13mn to EUR 29mn. Approx. EUR 4mn is attributable to the one-time divestment loss last year and approx. EUR 2-3mn from the negative contribution of the units divested last year. The remainder of the increase will result from a margin improvement from 3.4% (adjusted) last year to 5.7% this year. As mentioned before, the adj. margin already improved to 4.1% in 2H24.

**Regarding net income**, we estimate an improvement from EUR 4.4mn to EUR 16.1mn. Excluding the one-time effect last year, the basis is EUR 9.2mn.

Overall, this shows a **strong recovery potential** in our view and will continue and even **accelerate in 2026E and 2027E** based on an organic growth rate in sales of approx. 5% and a further step-by-step recovery of EBIT margins. We estimate an EBIT margin of 7.4% for FY26 and 7.8% for FY27. The average EBIT margin over the last 20 years was at 7.2%; however, with a range of 2.5% (2024E) and 10.3%. GESCO set a target of >10% for each of the portfolio companies, which should consequently lead to a higher group margin on average. We got the impression that the new CEO is strongly focusing on the profitability.

## GESCO SE

Changes in estimates – Adjustments due to divestments, the postponed recovery of economic conditions and the changed dividend policy

| EUR mn                             | 2023         | 2024E        |              |            | 2025E          |              |              | 2026E       |              |              | 2027E      |              |
|------------------------------------|--------------|--------------|--------------|------------|----------------|--------------|--------------|-------------|--------------|--------------|------------|--------------|
|                                    | Rep.         | New          | Prev.        | Chg. (%)   | Guidance       | New          | Prev.        | Chg. (%)    | New          | Prev.        | Chg. (%)   | New          |
| Order intake                       | 542.7        | 526.0        | 552.0        | -5         |                | 532.4        | 605.2        | -12         | 565.8        | 646.2        | -12        | 595.2        |
| Change yoy (%)                     | -7.8         | -3.1         | 1.7          | -5pp       |                | 1.2          | 9.6          | -8pp        | 6.3          | 6.8          | -1pp       | 5.2          |
| Book-to-bill ratio (x)             | 0.97         | 1.02         | 1.04         |            |                | 1.04         | 1.04         |             | 1.03         | 1.03         |            | 1.01         |
| <b>Sales revenues</b>              | <b>560.7</b> | <b>513.8</b> | <b>530.4</b> | <b>-3</b>  | <b>520-540</b> | <b>510.4</b> | <b>583.5</b> | <b>-13</b>  | <b>551.7</b> | <b>626.5</b> | <b>-12</b> | <b>590.4</b> |
| Change yoy (%)                     | -3.7         | -8.4         | -5.4         | -3pp       |                | -0.6         | 10.0         | -11pp       | 8.1          | 7.4          | 1pp        | 7.0          |
| EBIT                               | 35.9         | 13.0         | 19.1         | -32        |                | 29.0         | 36.6         | -21         | 41.0         | 47.4         | -14        | 46.3         |
| <b>EBIT adjusted</b>               | <b>41.0</b>  | <b>17.3</b>  | <b>19.1</b>  | <b>-9</b>  |                | <b>29.0</b>  | <b>36.6</b>  | <b>-21</b>  | <b>41.0</b>  | <b>47.4</b>  | <b>-14</b> | <b>46.3</b>  |
| Change yoy (%)                     | -17.1        | -57.7        | -53.4        | -4pp       |                | 67.3         | 91.8         | -24pp       | 41.3         | 29.4         | 12pp       | 12.9         |
| <b>EBIT margin (adjusted) (%)</b>  | <b>7.3</b>   | <b>3.4</b>   | <b>3.6</b>   | <b>0pp</b> |                | <b>5.7</b>   | <b>6.3</b>   | <b>-1pp</b> | <b>7.4</b>   | <b>7.6</b>   | <b>0pp</b> | <b>7.8</b>   |
| <b>Net income after minorities</b> | <b>20.9</b>  | <b>4.4</b>   | <b>10.3</b>  | <b>-57</b> | <b>3.5-7.5</b> | <b>16.1</b>  | <b>22.1</b>  | <b>-27</b>  | <b>25.0</b>  | <b>29.6</b>  | <b>-15</b> | <b>28.8</b>  |
| Change yoy (%)                     | -38.3        | -78.9        | -50.8        | -28pp      |                | 266.0        | 115.4        | 151pp       | 55.3         | 33.6         | 22pp       | 15.1         |
| Net income margin (%)              | 3.7          | 0.9          | 1.9          | -1pp       |                | 3.2          | 3.8          | -1pp        | 4.5          | 4.7          | 0pp        | 4.9          |
| Adj. net income after min.         | 25.6         | 9.2          | 10.3         | -10        |                | 16.1         | 22.1         | -27         | 25.0         | 29.6         | -15        | 28.8         |
| <b>EPS reported (EUR)</b>          | <b>1.93</b>  | <b>0.42</b>  | <b>0.98</b>  | <b>-57</b> |                | <b>1.56</b>  | <b>2.14</b>  | <b>-27</b>  | <b>2.42</b>  | <b>2.86</b>  | <b>-15</b> | <b>2.79</b>  |
| EPS adjusted (EUR)                 | 2.36         | 0.88         | 0.98         | -10        |                | 1.56         | 2.14         | -27         | 2.42         | 2.86         | -15        | 2.79         |
| <b>DPS (EUR)</b>                   | <b>0.40</b>  | <b>0.10</b>  | <b>0.30</b>  | <b>-66</b> |                | <b>0.31</b>  | <b>0.64</b>  | <b>-51</b>  | <b>0.48</b>  | <b>0.86</b>  | <b>-44</b> | <b>0.56</b>  |
| Equity ratio (%)                   | 59.2         | 61.4         | 58.0         | 3pp        |                | 62.3         | 58.8         | 4pp         | 63.6         | 60.2         | 3pp        | 64.8         |
| Net debt                           | 52.6         | 7.7          | 59.9         | -87        |                | 11.7         | 56.6         | -79         | 7.9          | 50.6         | -84        | -0.1         |
| Cash                               | 34.5         | 42.3         | 30.1         | 40         |                | 48.3         | 38.4         | 26          | 52.1         | 44.4         | 17         | 60.1         |
| BPS (EUR)                          | 25.09        | 25.45        | 26.02        | -2         |                | 26.91        | 27.87        | -3          | 29.02        | 30.08        | -4         | 31.33        |

Source: Company data, Baader Helvea Equity Research

## GESCO SE

## UPDATE ON STRATEGY

## Focus on organic and inorganic growth opportunities – Strong financial flexibility

**Renewed dividend policy – Higher focus on growth opportunities**

With the release of preliminary results, the company announced an adjustment of its **dividend policy**. The range for the payout ratio will be adjusted from 20% to 60% to 20% to 40%. One could argue that this is not a material change; however, this demonstrates that the focus for the years to come is on using the cash generation for growth opportunities and value-increasing measures like share buyback programs (SBBP). In addition, the company stated the aim is to be able to deviate from this new range if appropriate opportunities arise. For particularly attractive growth opportunities (or value-enhancing SBBP), they will use profits entirely.

**The priorities for the appropriation of profits are: 1) Organic and inorganic growth, 2) SBBP if economically viable and value-enhancing and 3) dividend payments.**

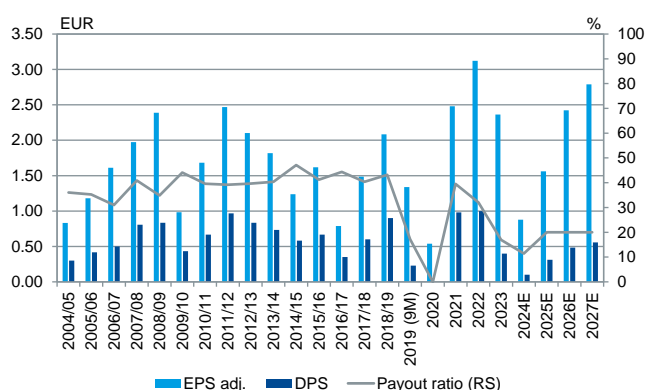
**In our last call with CEO Johannes Pfeffer**, who joined the company on 1 October 2024, we got the impression that growth opportunities will become again a more active part of the business model. The highest priority is the individual improvement of any of the nine portfolio companies. The targets are: **1) sales growth >7% (CAGR)**, of which is >5% organic growth, **2) ROS of >10%** and **3) ROCE of >15%** for each company.

**The CEO highlighted the focus on companies with higher value-added products and lower capital needs.** Consequently, the subsidiary AstroPlast Kunststofftechnik was sold via a MBO in December, which also supported the balance sheet. The portfolio companies need a scalable business model with products imported for the clients. Some of the remaining nine portfolio companies provide attractive organic growth opportunities and already have a strong order backlog. Other companies could profit from add-on acquisitions. According to the CEO, there are some companies that are offered to GESCO in an improved M&A environment.

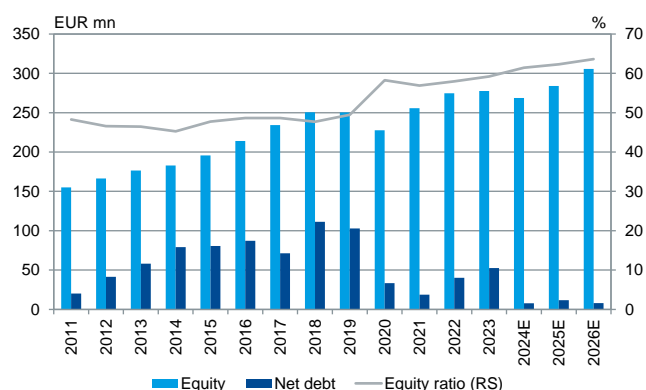
**We have a constructive view on portfolio transactions**, already this year. As the size and timing are difficult to predict, we only model some minor add-on investments into our estimates for 2025E to 2027E. In general, the strong balance sheet of the company provides solid financial flexibility to capture any opportunities. However, we did not have the impression that the management would put themselves under pressure.

## DIVIDEND PAYOUT AND CAPITAL STRUCTURE

Payout ratio on adjusted EPS



Capital structure with a strong equity ratio and low debt



Source: Company data, Baader Helvea Equity Research

## GESCO SE

## CONSOLIDATED INCOME STATEMENT

|   |               | 2020         | 2021         | 2022         | 2023         | 2024E        | 2025E        | 2026E        | 2027E        |
|---|---------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| <b>Sales revenues</b>                             | <b>EUR mn</b> | <b>397.2</b> | <b>488.1</b> | <b>582.3</b> | <b>560.7</b> | <b>513.8</b> | <b>510.4</b> | <b>551.7</b> | <b>590.4</b> |
| <i>Change yoy</i>                                 | %             | 12.0         | 22.9         | 19.3         | -3.7         | -8.4         | -0.6         | 8.1          | 7.0          |
| Change in stock                                   | EUR mn        | 0.4          | 1.9          | 7.2          | -0.5         | 2.0          | 3.0          | 4.0          | 4.5          |
| Own work capitalized                              | EUR mn        | 0.5          | 0.5          | 0.6          | 0.7          | 0.5          | 0.5          | 0.5          | 0.5          |
| Other operating income                            | EUR mn        | 5.5          | 7.5          | 5.8          | 8.1          | 5.5          | 5.8          | 6.0          | 5.2          |
| <b>Total output</b>                               | <b>EUR mn</b> | <b>403.7</b> | <b>498.0</b> | <b>596.0</b> | <b>569.0</b> | <b>521.8</b> | <b>519.7</b> | <b>562.2</b> | <b>600.6</b> |
| <i>Change yoy</i>                                 | %             | 14.4         | 23.4         | 19.7         | -4.5         | -8.3         | -0.4         | 8.2          | 6.8          |
| Cost of materials                                 | EUR mn        | -220.7       | -265.7       | -342.3       | -320.1       | -293.4       | -285.3       | -305.0       | -325.9       |
| as a percentage of sales                          | %             | 55.6         | 54.4         | 58.8         | 57.1         | 57.1         | 55.9         | 55.3         | 55.2         |
| Personnel expenses                                | EUR mn        | -104.0       | -112.9       | -121.7       | -126.1       | -131.5       | -126.6       | -132.4       | -139.3       |
| as a percentage of sales                          | %             | 26.2         | 23.1         | 20.9         | 22.5         | 25.6         | 24.8         | 24.0         | 23.6         |
| Other operating expenses                          | EUR mn        | -45.4        | -56.8        | -62.8        | -63.5        | -65.2        | -59.7        | -63.5        | -67.9        |
| as a percentage of sales                          | %             | 11.4         | 11.6         | 10.8         | 11.3         | 12.7         | 11.7         | 11.5         | 11.5         |
| Impairment losses on financial assets             | EUR mn        | -0.1         | -0.4         | -1.5         | -0.4         | -0.3         | -0.3         | -0.3         | -0.3         |
| <b>EBITDA</b>                                     | <b>EUR mn</b> | <b>33.4</b>  | <b>62.2</b>  | <b>67.7</b>  | <b>59.0</b>  | <b>31.3</b>  | <b>47.8</b>  | <b>61.1</b>  | <b>67.2</b>  |
| <i>Change yoy</i>                                 | %             | -9.9         | 86.4         | 8.9          | -12.9        | -46.9        | 52.5         | 27.8         | 10.0         |
| EBITDA margin                                     | %             | 8.4          | 12.7         | 11.6         | 10.5         | 6.1          | 9.4          | 11.1         | 11.4         |
| Amortization and depreciation                     | EUR mn        | -16.7        | -17.6        | -18.3        | -23.1        | -18.3        | -18.8        | -20.1        | -20.9        |
| <b>EBIT</b>                                       | <b>EUR mn</b> | <b>16.7</b>  | <b>44.6</b>  | <b>49.4</b>  | <b>35.9</b>  | <b>13.0</b>  | <b>29.0</b>  | <b>41.0</b>  | <b>46.3</b>  |
| <i>Change yoy</i>                                 | %             | -31.6        | 167.0        | 10.9         | -27.4        | -63.7        | 122.5        | 41.3         | 12.9         |
| EBIT margin                                       | %             | 4.2          | 9.1          | 8.5          | 6.4          | 2.5          | 5.7          | 7.4          | 7.8          |
| Adjustments                                       | EUR mn        | 0.0          | 0.0          | 0.0          | 5.1          | 4.3          | 0.0          | 0.0          | 0.0          |
| <b>EBIT adj.</b>                                  | <b>EUR mn</b> | <b>16.7</b>  | <b>44.6</b>  | <b>49.4</b>  | <b>41.0</b>  | <b>17.3</b>  | <b>29.0</b>  | <b>41.0</b>  | <b>46.3</b>  |
| <i>Change yoy</i>                                 | %             | -31.6        | 167.0        | 10.9         | -17.1        | -57.7        | 67.3         | 41.3         | 12.9         |
| EBIT adj. margin                                  | %             | 4.2          | 9.1          | 8.5          | 7.3          | 3.4          | 5.7          | 7.4          | 7.8          |
| Net financial result                              | EUR mn        | -3.8         | -1.9         | 0.0          | -3.5         | -5.1         | -4.4         | -3.8         | -3.7         |
| <b>EBT</b>  | <b>EUR mn</b> | <b>12.9</b>  | <b>42.7</b>  | <b>49.5</b>  | <b>32.4</b>  | <b>7.9</b>   | <b>24.6</b>  | <b>37.2</b>  | <b>42.6</b>  |
| <i>Change yoy</i>                                 | %             | -31.6        | 167.0        | 10.9         | -17.1        | -57.7        | 67.3         | 41.3         | 14.5         |
| EBT margin  | %             | 3.2          | 8.8          | 8.5          | 5.8          | 1.5          | 4.8          | 6.7          | 7.2          |
| Income tax expense                                | EUR mn        | -6.0         | -13.2        | -13.2        | -10.2        | -2.4         | -7.4         | -11.2        | -12.8        |
| Tax rate  | %             | 46.6         | 31.0         | 26.7         | 31.6         | 30.0         | 30.0         | 30.0         | 30.0         |
| Earnings from continued operations                | EUR mn        | 6.9          | 29.5         | 36.3         | 22.1         | 5.6          | 17.2         | 26.0         | 29.8         |
| Earnings from discontinued operations             | EUR mn        | -22.9        | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          |
| <b>Net income before minorities</b>               | <b>EUR mn</b> | <b>-16.0</b> | <b>29.5</b>  | <b>36.3</b>  | <b>22.1</b>  | <b>5.6</b>   | <b>17.2</b>  | <b>26.0</b>  | <b>29.8</b>  |
| <i>Change yoy</i>                                 | %             | n.a.         | n.a.         | 23.1         | -38.9        | -74.9        | 210.0        | 51.1         | 14.5         |
| Minorities  | EUR mn        | -0.6         | -2.6         | -2.4         | -1.3         | -1.2         | -1.1         | -1.0         | -1.0         |
| Net income after minorities (cont. operations)    | EUR mn        | 5.8          | 26.9         | 33.8         | 20.9         | 4.4          | 16.1         | 25.0         | 28.8         |
| Net income after minorities (discont. operations) | EUR mn        | -22.4        | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          |
| <b>Net income after minorities</b>                | <b>EUR mn</b> | <b>-16.6</b> | <b>26.9</b>  | <b>33.8</b>  | <b>20.9</b>  | <b>4.4</b>   | <b>16.1</b>  | <b>25.0</b>  | <b>28.8</b>  |
| Net income margin                                 | %             | -4.2         | 5.5          | 5.8          | 3.7          | 0.9          | 3.2          | 4.5          | 4.9          |
| Adjustments                                       | EUR mn        | 0.0          | 0.0          | 0.0          | 4.7          | 4.8          | 0.0          | 0.0          | 0.0          |
| <b>Adj. net income after min.</b>                 | <b>EUR mn</b> | <b>5.8</b>   | <b>26.9</b>  | <b>33.8</b>  | <b>25.6</b>  | <b>9.2</b>   | <b>16.1</b>  | <b>25.0</b>  | <b>28.8</b>  |
| <i>Change yoy</i>                                 | %             | -59.8        | 361.1        | 25.9         | -24.4        | -64.0        | 75.1         | 55.3         | 15.1         |
| <i>Adj. net income margin</i>                     | %             | 1.5          | 5.5          | 5.8          | 4.6          | 1.8          | 3.2          | 4.5          | 4.9          |
| Number of shares outstanding (EOP)                | mn            | 10.8         | 10.8         | 10.8         | 10.8         | 10.3         | 10.3         | 10.3         | 10.3         |
| Number of shares outstanding (Avg.)               | mn            | 10.8         | 10.8         | 10.8         | 10.8         | 10.5         | 10.3         | 10.3         | 10.3         |
| <b>EPS reported</b>                               | <b>EUR</b>    | <b>-1.53</b> | <b>2.48</b>  | <b>3.12</b>  | <b>1.93</b>  | <b>0.42</b>  | <b>1.56</b>  | <b>2.42</b>  | <b>2.79</b>  |
| <b>EPS adjusted</b>                               | <b>EUR</b>    | <b>0.54</b>  | <b>2.48</b>  | <b>3.12</b>  | <b>2.36</b>  | <b>0.88</b>  | <b>1.56</b>  | <b>2.42</b>  | <b>2.79</b>  |
| <b>DPS</b>  | <b>EUR</b>    | <b>0.00</b>  | <b>0.98</b>  | <b>1.00</b>  | <b>0.40</b>  | <b>0.10</b>  | <b>0.31</b>  | <b>0.48</b>  | <b>0.56</b>  |

Source: Company data, Baader Helvea Equity Research

## GESCO SE

## CONSOLIDATED BALANCE SHEET

|  |               | 2020         | 2021         | 2022         | 2023         | 2024E        | 2025E        | 2026E        | 2027E        |
|--|---------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| <b>ASSETS</b>                                |               |              |              |              |              |              |              |              |              |
| Tangible assets                              | EUR mn        | 104.8        | 106.4        | 105.3        | 109.3        | 87.1         | 93.3         | 100.4        | 107.9        |
| Intangible assets                            | EUR mn        | 16.7         | 28.1         | 24.8         | 21.4         | 18.4         | 16.8         | 15.0         | 13.2         |
| Goodwill                                     | EUR mn        | 23.3         | 38.8         | 38.9         | 38.8         | 38.8         | 38.8         | 38.8         | 38.8         |
| Other financial assets                       | EUR mn        | 10.1         | 9.5          | 9.5          | 9.9          | 9.9          | 9.9          | 9.9          | 9.9          |
| Other assets                                 | EUR mn        | 0.4          | 0.2          | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          |
| Shares valued at-equity                      | EUR mn        | 1.9          | 2.1          | 2.4          | 2.9          | 2.9          | 2.9          | 2.9          | 2.9          |
| Shares in affiliated companies               | EUR mn        | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          |
| Deferred tax assets                          | EUR mn        | 2.5          | 4.4          | 4.8          | 5.0          | 5.0          | 5.0          | 5.0          | 5.0          |
| <b>Non-current assets</b>                    | <b>EUR mn</b> | <b>159.8</b> | <b>189.6</b> | <b>185.8</b> | <b>187.5</b> | <b>162.2</b> | <b>166.8</b> | <b>172.1</b> | <b>177.8</b> |
| Inventories                                  | EUR mn        | 108.9        | 124.8        | 160.8        | 163.6        | 152.0        | 154.0        | 162.0        | 171.0        |
| Trade receivables                            | EUR mn        | 56.3         | 68.4         | 82.2         | 72.9         | 68.0         | 71.5         | 77.2         | 82.7         |
| Receivables from income taxes                | EUR mn        | 1.8          | 2.5          | 2.1          | 5.5          | 5.0          | 5.0          | 5.0          | 5.0          |
| Other financial assets                       | EUR mn        | 6.9          | 6.5          | 6.7          | 5.0          | 8.0          | 10.0         | 12.0         | 12.0         |
| Cash and equivalents                         | EUR mn        | 49.2         | 57.7         | 36.3         | 34.5         | 42.3         | 48.3         | 52.1         | 60.1         |
| Assets held for sale                         | EUR mn        | 8.0          | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          |
| <b>Current assets</b>                        | <b>EUR mn</b> | <b>231.1</b> | <b>260.0</b> | <b>288.1</b> | <b>281.4</b> | <b>275.3</b> | <b>288.7</b> | <b>308.4</b> | <b>330.7</b> |
| <b>Total long- and short-term assets</b>     | <b>EUR mn</b> | <b>390.8</b> | <b>449.5</b> | <b>473.9</b> | <b>469.0</b> | <b>437.5</b> | <b>455.6</b> | <b>480.5</b> | <b>508.6</b> |
| <b>EQUITY AND LIABILITIES</b>                |               |              |              |              |              |              |              |              |              |
| Share capital                                | EUR mn        | 10.8         | 10.8         | 10.8         | 10.8         | 10.3         | 10.3         | 10.3         | 10.3         |
| Capital reserve                              | EUR mn        | 72.4         | 72.4         | 72.4         | 72.4         | 72.4         | 72.4         | 72.4         | 72.4         |
| Retained earnings                            | EUR mn        | 137.9        | 164.5        | 184.4        | 192.3        | 192.4        | 207.4        | 229.2        | 253.0        |
| Other comprehensive income                   | EUR mn        | -5.4         | -4.4         | -3.1         | -3.6         | -3.6         | -3.6         | -3.6         | -3.6         |
| Treasury shares                              | EUR mn        | 0.0          | 0.0          | 0.0          | -0.2         | -8.6         | -8.6         | -8.6         | -8.6         |
| <b>Shareholders' equity</b>                  | <b>EUR mn</b> | <b>215.6</b> | <b>243.3</b> | <b>264.6</b> | <b>271.7</b> | <b>262.9</b> | <b>278.0</b> | <b>299.8</b> | <b>323.6</b> |
| Minorities                                   | EUR mn        | 12.1         | 12.5         | 10.1         | 5.9          | 5.9          | 5.9          | 5.9          | 5.9          |
| <b>Equity</b>                                | <b>EUR mn</b> | <b>227.8</b> | <b>255.7</b> | <b>274.7</b> | <b>277.7</b> | <b>268.8</b> | <b>283.9</b> | <b>305.7</b> | <b>329.5</b> |
| Financial liabilities                        | EUR mn        | 38.3         | 32.3         | 25.6         | 32.8         | 20.0         | 25.0         | 25.0         | 25.0         |
| Pension provisions                           | EUR mn        | 11.1         | 11.9         | 10.2         | 8.7          | 8.7          | 8.5          | 8.5          | 8.5          |
| Other provisions                             | EUR mn        | 0.5          | 0.5          | 0.6          | 0.7          | 0.5          | 0.5          | 0.5          | 0.5          |
| Other financial liabilities                  | EUR mn        | 1.7          | 1.0          | 1.0          | 0.8          | 0.5          | 0.5          | 0.5          | 0.5          |
| Lease liabilities                            | EUR mn        | 13.0         | 16.0         | 15.4         | 14.3         | 13.5         | 13.0         | 12.5         | 12.5         |
| Deferred tax liabilities                     | EUR mn        | 2.7          | 6.8          | 6.4          | 6.0          | 5.0          | 5.0          | 5.0          | 5.0          |
| Minority interests (partnerships)            | EUR mn        | 0.9          | 0.1          | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          |
| <b>Non-current liabilities</b>               | <b>EUR mn</b> | <b>68.2</b>  | <b>68.6</b>  | <b>59.2</b>  | <b>63.2</b>  | <b>48.2</b>  | <b>52.5</b>  | <b>52.0</b>  | <b>52.0</b>  |
| Trade payables                               | EUR mn        | 8.7          | 15.7         | 18.2         | 11.8         | 18.0         | 16.3         | 17.7         | 18.9         |
| Financial liabilities                        | EUR mn        | 44.4         | 44.0         | 50.8         | 54.3         | 30.0         | 35.0         | 35.0         | 35.0         |
| Lease liabilities                            | EUR mn        | 2.3          | 3.2          | 3.2          | 3.7          | 3.5          | 3.5          | 3.5          | 3.5          |
| Other provisions                             | EUR mn        | 8.3          | 8.5          | 10.2         | 7.1          | 6.0          | 6.0          | 6.0          | 6.0          |
| Income tax payables                          | EUR mn        | 0.0          | 0.0          | 16.6         | 13.2         | 8.0          | 8.0          | 8.0          | 8.0          |
| Prepayments received on orders               | EUR mn        | 8.6          | 16.8         | 17.7         | 13.6         | 15.0         | 15.3         | 17.7         | 20.7         |
| Other financial liabilities                  | EUR mn        | 18.5         | 35.5         | 22.8         | 24.4         | 40.0         | 35.0         | 35.0         | 35.0         |
| Liabilities to affil./ at-equity companies   | EUR mn        | 1.0          | 1.4          | 0.5          | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          |
| Liabilities relating to assets held for sale | EUR mn        | 3.0          | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          |
| <b>Current liabilities</b>                   | <b>EUR mn</b> | <b>94.8</b>  | <b>125.2</b> | <b>140.0</b> | <b>128.1</b> | <b>120.5</b> | <b>119.1</b> | <b>122.8</b> | <b>127.1</b> |
| <b>Total equity and liabilities</b>          | <b>EUR mn</b> | <b>390.8</b> | <b>449.5</b> | <b>473.9</b> | <b>469.0</b> | <b>437.5</b> | <b>455.6</b> | <b>480.5</b> | <b>508.6</b> |

Source: Company data, Baader Helvea Equity Research

## Baader Helvea Equity Research

## COMPANY UPDATE

/ BAADER /

## Key data

## GESCO SE

Germany

## Capital Goods

Reuters: GSC1n.DE Bloomberg: GSC1 GY

## Buy

Price on 03-Apr-25 EUR 15.70

Target price EUR 22.00

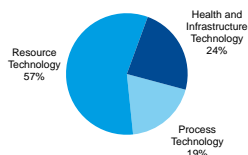
High/Low (12M) EUR 19.30/13.05

Market cap. EUR mn 170

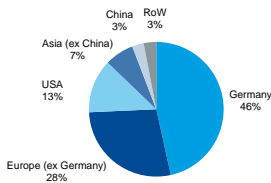
## Company profile

GESCO SE is an industrial group with market- and technology-leading companies in the capital goods industry specializing in process technology, resource technology, healthcare and infrastructure technology.

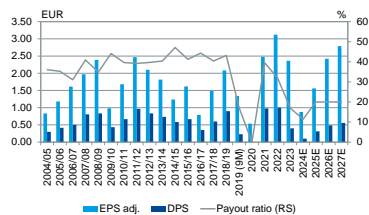
## Sales by segment (2023)



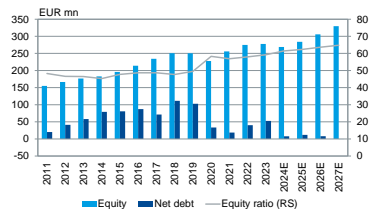
## Sales by region (2023)



## EPS and dividend payout



## Equity and net debt



Source: Company data, LSEG,  
Baader Helvea Equity Research

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| FY 31 Dec.                              | 2022         | 2023        | 2024E       | 2025E       | 2026E       | 2027E       |
|---|--------------|-------------|-------------|-------------|-------------|-------------|
| <b>Share data</b>                       |              |             |             |             |             |             |
| EPS reported (EUR)                      | 3.12         | 1.93        | 0.42        | 1.56        | 2.42        | 2.79        |
| <b>EPS adjusted (EUR)</b>               | <b>3.12</b>  | <b>2.36</b> | <b>0.88</b> | <b>1.56</b> | <b>2.42</b> | <b>2.79</b> |
| Dividend (EUR)                          | 1.00         | 0.40        | 0.10        | 0.31        | 0.48        | 0.56        |
| Book value (EUR)                        | 24.41        | 25.09       | 25.45       | 26.91       | 29.02       | 31.33       |
| Free cash flow (EUR)                    | 0.03         | 0.96        | 5.68        | -0.19       | 0.81        | 1.33        |
| Avg. no. of shares (mn)                 | 10.8         | 10.8        | 10.8        | 10.8        | 10.8        | 10.8        |
| Market cap. (avg./current, EUR mn)      | 264.2        | 253.7       | 172.6       | 170.2       | 170.2       | 170.2       |
| Enterprise value (EUR mn)               | 324.6        | 320.9       | 194.9       | 196.4       | 192.5       | 184.6       |
| <b>Valuation</b>                        |              |             |             |             |             |             |
| <b>P/E adj. (x)</b>                     | <b>7.8</b>   | <b>9.9</b>  | <b>18.1</b> | <b>10.1</b> | <b>6.5</b>  | <b>5.6</b>  |
| P/BV (x)                                | 1.0          | 0.9         | 0.6         | 0.6         | 0.5         | 0.5         |
| FCF/EV (%)                              | 0.1          | 3.2         | 30.6        | -1.0        | 4.4         | 7.4         |
| FCF yield (%), (FCF/Mcap.)              | 0.1          | 4.1         | 34.6        | -1.2        | 4.9         | 8.1         |
| Dividend yield (%)                      | 4.1          | 1.7         | 0.6         | 2.0         | 3.1         | 3.6         |
| EV/Sales (x)                            | 0.6          | 0.6         | 0.4         | 0.4         | 0.3         | 0.3         |
| EV/EBITDA adj. (x)                      | 4.8          | 5.4         | 6.2         | 4.1         | 3.2         | 2.7         |
| EV/EBIT adj. (x)                        | 6.6          | 7.8         | 11.2        | 6.8         | 4.7         | 4.0         |
| EV/CE (x)                               | 0.9          | 0.8         | 0.6         | 0.6         | 0.5         | 0.5         |
| ROCE/WACC adj. (x)                      | 1.7          | 1.4         | 0.6         | 0.9         | 1.2         | 1.3         |
| <b>Key company data</b>                 |              |             |             |             |             |             |
| Sales growth (%)                        | 19.3         | -3.7        | -8.4        | -0.6        | 8.1         | 7.0         |
| EBITDA adj. growth (%)                  | 8.9          | -12.9       | -46.9       | 52.5        | 27.8        | 10.0        |
| EBITDA adj. margin (%)                  | 11.6         | 10.5        | 6.1         | 9.4         | 11.1        | 11.4        |
| <b>EBIT adj. margin (%)</b>             | <b>8.5</b>   | <b>7.3</b>  | <b>3.4</b>  | <b>5.7</b>  | <b>7.4</b>  | <b>7.8</b>  |
| Net adj. margin (%)                     | 5.8          | 4.6         | 1.8         | 3.2         | 4.5         | 4.9         |
| Free cash flow margin (%)               | 0.0          | 1.9         | 11.6        | -0.4        | 1.5         | 2.3         |
| Payout ratio (%)                        | 32.0         | 20.7        | 23.8        | 20.0        | 20.0        | 20.0        |
| Gearing (%), (net debt/equity)          | 14.6         | 18.9        | 2.9         | 4.1         | 2.6         | 0.0         |
| Net debt/EBITDA (x)                     | 0.6          | 0.9         | 0.2         | 0.2         | 0.1         | 0.0         |
| Equity ratio (x), (equity/total assets) | 58.0         | 59.2        | 61.4        | 62.3        | 63.6        | 64.8        |
| Capital employed (EUR mn)               | 378.5        | 383.6       | 334.3       | 345.8       | 361.2       | 377.0       |
| ROCE adj. (%)                           | 13.1         | 10.7        | 5.2         | 8.4         | 11.3        | 12.3        |
| <b>Income statement (EUR mn)</b>        |              |             |             |             |             |             |
| Turnover                                | 582.3        | 560.7       | 513.8       | 510.4       | 551.7       | 590.4       |
| EBITDA                                  | 67.7         | 59.0        | 31.3        | 47.8        | 61.1        | 67.2        |
| EBITDA adj.                             | 67.7         | 59.0        | 31.3        | 47.8        | 61.1        | 67.2        |
| EBIT                                    | 49.4         | 35.9        | 13.0        | 29.0        | 41.0        | 46.3        |
| EBIT adj.                               | 49.4         | 41.0        | 17.3        | 29.0        | 41.0        | 46.3        |
| EBT                                     | 49.5         | 32.4        | 7.9         | 24.6        | 37.2        | 42.6        |
| Net profit after minorities             | 33.8         | 20.9        | 4.4         | 16.1        | 25.0        | 28.8        |
| Net profit adj.                         | 33.8         | 25.6        | 9.2         | 16.1        | 25.0        | 28.8        |
| <b>Balance sheet (EUR mn)</b>           |              |             |             |             |             |             |
| Non-current assets                      | 186          | 188         | 162         | 167         | 172         | 178         |
| thereof goodwill                        | 39           | 39          | 39          | 39          | 39          | 39          |
| Current assets                          | 288          | 281         | 275         | 289         | 308         | 331         |
| <b>Total assets</b>                     | <b>474</b>   | <b>469</b>  | <b>438</b>  | <b>456</b>  | <b>481</b>  | <b>509</b>  |
| Shareholders' equity                    | 275          | 278         | 269         | 284         | 306         | 329         |
| <b>Total equity and liabilities</b>     | <b>474</b>   | <b>469</b>  | <b>438</b>  | <b>456</b>  | <b>481</b>  | <b>509</b>  |
| Net debt                                | 40           | 53          | 8           | 12          | 8           | 0           |
| <b>Cash flow (EUR mn)</b>               |              |             |             |             |             |             |
| Cash flow from operations               | 10.7         | 32.2        | 53.8        | 22.0        | 34.0        | 40.5        |
| of which change in working capital      | -46.3        | -4.0        | 24.1        | -6.8        | -10.1       | -10.2       |
| Cash flow from investments              | -10.4        | -21.8       | 5.8         | -24.0       | -25.6       | -26.8       |
| of which investment in fixed assets     | -12.5        | -17.5       | -18.7       | -24.0       | -25.6       | -26.8       |
| <b>Free cash flow</b>                   | <b>0.3</b>   | <b>10.4</b> | <b>59.6</b> | <b>-2.0</b> | <b>8.4</b>  | <b>13.7</b> |
| Dividends paid                          | -10.6        | -10.8       | -4.3        | -1.0        | -3.2        | -5.0        |
| Cash flow from financing activities     | -21.9        | -12.4       | -60.7       | 8.0         | -4.5        | -5.8        |
| <b>Change in cash position</b>          | <b>-21.5</b> | <b>-2.0</b> | <b>-1.1</b> | <b>6.0</b>  | <b>3.9</b>  | <b>7.9</b>  |



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**Applicable Key Factors**

| Company  | Key  |
|----------|------|
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| Company  | Date      | Rating | Currency | Target price | Closing price as of | Analyst          |
|----------|-----------|--------|----------|--------------|---------------------|------------------|
| GESCO SE | 06-Aug-24 | Buy    | EUR      | 22.00        | 14.00 05-Aug-24     | Andre Remke, CFA |

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| Rating | Expected total return |
|--------|-----------------------|
| Buy    | >20%                  |
| Add    | 5%-20%                |
| Reduce | -10% to 5%            |
| Sell   | <-10%                 |

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