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8 - 10 January 2025, Bad Ragaz**GESCO SE**

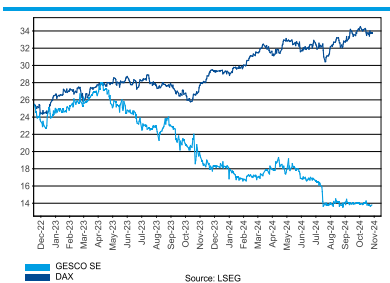
Germany

Capital Goods

Reuters: GSC1n.DE Bloomberg: GSC1 GY

Buy

Closing price as of 11-Nov-24	EUR 13.80
Target price	EUR 22.00
High/Low (12M)	EUR 19.90/13.55
Market cap.	EUR mn 150
Enterprise value	EUR mn 224
Free float	81.1%
Avg. daily turnover	EUR mn 0.05

Price relative to Index

Performance (%)	1M	3M	6M
Absolute	-1.4	0.4	-24.6
rel. DAX	-0.6	-8.1	-26.9
rel. STOXX Europe 600	0.4	-2.3	-23.0
rel. SXXP Industrial G&S	-2.1	-8.4	-26.4

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Still confronted with weak economic conditions but book-to-bill at 1.05x**Our conclusion**

- Sales and earnings stabilized at a slightly higher level in the third quarter than in the weaker first two quarters. In total for 9M24, sales declined by 11% yoy and net income by ~70%. The results reflect the weak economic development in Germany and Europe, in particular in the mechanical engineering sector, which is important for the largest subsidiary Doerrenberg. Lower sales and the low-price level for steel has still a negative impact on the profitability of the subsidiary.
- A positive sign is that the book-to-bill ratio for 9M24 is still at 1.05x, albeit order intake is 4% below last year due to a strong 1Q last year, i.e. before demand started to fade. GESCO stated not to see any migration of customers to competitors.
- The guidance for this year was already reduced in July after the muted 1H24 and due to reduced expectations for a significant recovery in 2H. Today, the guidance has been confirmed and calls for a decline in sales by approx. 5% to EUR 520-540mn and net income by approx. 50% to EUR 8-12mn. Both are in line with our and consensus' estimates.
- The new CEO Johannes Pfeffer (since 1 October) stated that an improvement in the short term is not yet foreseeable, but he is confident that they will benefit disproportionately from an improvement in the general conditions. He sees great potential for growth, both in existing markets and in new markets to be developed. CC is scheduled for 11:00 am CET.

Facts & Analysis**3Q/9M24 results at a glance**

EUR mn	9M24	9M23	yoy	9M24E	Dev.	3Q24	3Q23	yoy	3Q24E	Dev.
	Actual	Actual	(%)	Baader	(%)	Actual	Actual	(%)	Baader	(%)
Order intake	400.6	417.3	-4	410.0	-2	125.1	128.5	-3	134.5	-7
Book-to-bill (x)	1.05	0.97		1.07		0.96	0.93		1.02	
Sales	382.9	430.7	-11	384.5	0	130.1	138.6	-6	131.7	-1
EBITDA	26.5	44.5	-40	25.9	2	10.8	12.8	-16	10.2	6
EBIT	12.7	31.2	-59	12.1	5	6.2	8.3	-26	5.6	10
EBIT margin (%)	3.3	7.2	-3.9pp	3.2	0.1pp	4.2	6.0	-1.8pp	4.2	0.0pp
EBT	9.2	28.8	-68	8.8	4	5.1	7.6	-32	4.7	8
Net income after min.	5.4	19.6	-73	5.2	4	3.4	5.3	-36	3.2	6
EPS reported (EUR)	0.51	1.80	-72	0.49	4	0.31	0.49	-37	0.31	0

Guidance versus our and consensus' view

		2023	2024E		2025E		
		Rep.	Guidance	Baader	Cons.	Baader	Cons.
Sales revenues	EUR mn	560.7	520-540	530.4	525.4	583.5	570.4
Change yoy	%	-3.7	-7 to -4	-5	-6	10	9
EBIT	EUR mn	35.9		19.1	19.6	36.6	34.9
Change yoy	%	-27.4		-47	-45	92	78
EBIT margin	%	6.4		3.6	3.7	6.3	6.1
Net income after min.	EUR mn	20.9	8-12	10.3	9.8	22.1	20.8
Change yoy	%	-38.3	-62 to -43	-51	-53	115	112
EPS reported	EUR	1.93		0.98	0.93	2.14	1.98
Change yoy	%	-38.2		-49	-52	119	112

Source: Company data, LSEG, Baader Helvea Equity Research

Key financials

EUR mn	2023	2024E	2025E	2026E	CAGR (%)
Sales	560.7	530.4	583.5	626.5	3.8
EBIT adj.	41.0	19.1	36.6	47.4	5.0
EPS adj. (EUR)	2.36	0.98	2.14	2.86	6.6

Source: Company data, Baader Helvea Equity Research

Valuation ratios

x	2023	2024E	2025E	2026E
EV/Sales	0.6	0.4	0.4	0.3
EV/EBIT adj.	7.8	11.7	6.0	4.5
P/E adj.	9.9	14.1	6.4	4.8

GESCO SE

Key data

FY 31 Dec.	2021	2022	2023	2024E	2025E	2026E
Share data						
EPS reported (EUR)	2.48	3.12	1.93	0.98	2.14	2.86
EPS adjusted (EUR)	2.48	3.12	2.36	0.98	2.14	2.86
Dividend (EUR)	0.98	1.00	0.40	0.30	0.64	0.86
Book value (EUR)	22.44	24.41	25.09	26.02	27.87	30.08
Free cash flow (EUR)	1.82	0.03	0.96	0.68	0.70	1.31
Avg. no. of shares (mn)	10.8	10.8	10.8	10.8	10.8	10.8
Market cap. (avg./current; EUR mn)	246.5	264.2	253.7	149.6	149.6	149.6
Enterprise value (EUR mn)	289.5	324.6	320.9	224.1	220.6	214.6
Valuation						
P/E adj. (x)	9.2	7.8	9.9	14.1	6.4	4.8
P/BV (x)	1.0	1.0	0.9	0.5	0.5	0.5
FCF/EV (%)	6.8	0.1	3.2	3.2	3.3	6.3
FCF yield (%) (FCF/Mcap.)	8.0	0.1	4.1	4.8	4.8	9.1
Dividend yield (%)	4.3	4.1	1.7	2.2	4.6	6.2
EV/Sales (x)	0.6	0.6	0.6	0.4	0.4	0.3
EV/EBITDA adj. (x)	4.7	4.8	5.4	5.9	3.9	3.2
EV/EBIT adj. (x)	6.5	6.6	7.8	11.7	6.0	4.5
EV/CE (x)	0.9	0.9	0.8	0.6	0.6	0.5
ROCE/WACC adj. (x)	2.5	1.7	1.4	0.6	1.2	1.5
Key company data						
2021	2022	2023	2024E	2025E	2026E	
Sales growth (%)	22.9	19.3	-3.7	-5.4	10.0	7.4
EBITDA adj. growth (%)	86.4	8.9	-12.9	-35.6	47.4	20.9
EBITDA adj. margin (%)	12.7	11.6	10.5	7.2	9.6	10.8
EBIT adj. margin (%)	9.1	8.5	7.3	3.6	6.3	7.6
Net adj. margin (%)	5.5	5.8	4.6	1.9	3.8	4.7
Free cash flow margin (%)	4.0	0.0	1.9	1.3	1.2	2.2
Payout ratio (%)	39.5	32.0	20.7	30.5	30.0	30.0
Gearing (%) (net debt/equity)	7.3	14.6	18.9	21.8	19.3	16.0
Net debt/EBITDA (x)	0.3	0.6	0.9	1.6	1.0	0.7
Equity ratio (x) (equity/total assets)	56.9	58.0	59.2	58.0	58.8	60.2
Capital employed (EUR mn)	336.2	378.5	383.6	382.3	395.5	409.9
ROCE adj. (%)	13.3	13.1	10.7	5.0	9.3	11.6
Income statement (EUR mn)						
2021	2022	2023	2024E	2025E	2026E	
Turnover	488.1	582.3	560.7	530.4	583.5	626.5
EBITDA	62.2	67.7	59.0	38.0	56.0	67.7
EBITDA adj.	62.2	67.7	59.0	38.0	56.0	67.7
EBIT	44.6	49.4	35.9	19.1	36.6	47.4
EBIT adj.	44.6	49.4	41.0	19.1	36.6	47.4
EBT	42.7	49.5	32.4	15.7	33.0	43.7
Net profit after minorities	26.9	33.8	20.9	10.3	22.1	29.6
Net profit adj.	26.9	33.8	25.6	10.3	22.1	29.6
Balance sheet (EUR mn)						
2021	2022	2023	2024E	2025E	2026E	
Non-current assets	190	186	188	187	192	197
thereof goodwill	39	39	39	39	39	39
Current assets	260	288	281	286	308	329
Total assets	450	474	469	473	500	526
Shareholders' equity	256	275	278	275	294	317
Total equity and liabilities	450	474	469	473	500	526
Net debt	19	40	53	60	57	51
Cash flow (EUR mn)						
2021	2022	2023	2024E	2025E	2026E	
Cash flow from operations	51.7	10.7	32.2	25.8	31.2	39.2
of which change in working capital	-12.8	-46.3	-4.0	1.1	-8.5	-9.1
Cash flow from investments	-32.0	-10.4	-21.8	-18.7	-24.0	-25.6
of which investment in fixed assets	-7.9	-12.5	-17.5	-18.7	-24.0	-25.6
Free cash flow	19.7	0.3	10.4	7.1	7.2	13.6
Dividends paid	0.0	-10.6	-10.8	-4.3	-3.1	-6.6
Cash flow from financing activities	-10.6	-21.9	-12.4	-20.4	1.0	-7.5
Change in cash position	9.3	-21.5	-2.0	-13.2	8.2	6.0

Source: Company data, Baader Helvea Equity Research

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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

GESCO SE

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