

# Einhell Germany AG

Consumer Goods - Germany



**Buy** (old: Buy)

09.04.2024

**EUR 227.00** (old: EUR 225.00)

## Gradual recovery underway // better FY'24 outlook; chg.

After Einhell indicated that it will not be able to achieve its adjusted FY'23 guidance of € 1.0bn in revenues, **FY sales are now expected to come in at c. € 972m** (eNuW: € 991m), implying weaker-than-expected Q4'23 sales (-5% yoy), largely due to muted consumer sentiment and unfavorable FX effects. However, FY profitability should remain at a healthy level, carried by a significantly improved gross margin of 38-39% (+2-3pp yoy; eNuW) on the back of a favorable product mix (i.e. higher share of PXC), and likely leading to an EBT margin of c. 7.7% (eNuW old: 8%), thus still exceeding pre-pandemic levels (FY'19: 5%). Positively, Einhell should have been able to significantly **reduce working capital** (-24% yoy to € 379m) and **boost FCF generation in FY'23** (eNuW: € 175m, +443% yoy).

That said, **Einhell looks set to return to growth in FY'24e** on the back of easier comps, sustained market share gains, positive M&A and FX effects. Hence, we model 6% yoy sales growth to € 1,030m (eNuW old: € 1,050m) with an EBT margin recovering by 0.2pp yoy to 8.2% thanks to lower input costs, positive mix effects and FX, which should turn into a tailwind latest in H2'24. Three promising growth avenues should help Einhell steadily grow its top and bottom line over time:

(1) **increasing the revenue share of Power X-Change products** with higher margins (mid-term targets: revenue share of 70% by 2029 and 450+ product "skins" by 2027) benefiting from a structural trend towards cordless power and garden tools along with

(2) **marketing investments to increase brand awareness** (FC Bayern Munich, Mercedes AMG-Petronas F1), which ultimately lays the foundation for

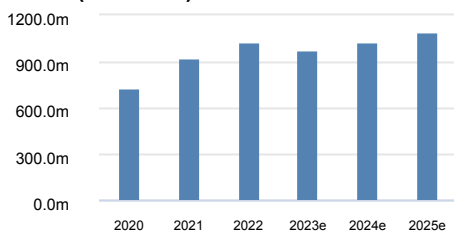
(3) **international expansion via its proven success model** of gaining market access through the acquisition of a smaller local DIY brand and gradually replacing the assortment with best-in-class price/value PXC products. Following its successful international expansion in e.g. Australia and Canada, the US market should provide an attractive growth opportunity given that it is by far the largest DIY market globally and Einhell's major rival Ryobi seems to neglect the online channel as well as Tier-2 DIY stores (eNuW: 2000-4000 stores), which Einhell aims to tackle (eNuW: US market entry in FY24e).

Against this backdrop, valuation looks undemanding, trading at 9.7x PER 24e and a 10.5% FCF yield. **BUY, PT € 227** (old: € 225), based on DCF.

Y/E 31.12 (EUR m)	2020	2021	2022	2023e	2024e	2025e
Sales	724.7	927.4	1,032.5	972.0	1,030.3	1,092.1
Sales growth	19.6%	28.0%	11.3%	-5.9%	6.0%	6.0%
EBITDA	68.6	94.4	107.2	92.7	102.9	112.4
Net debt (if net cash=0)	7.3	211.1	224.3	150.9	25.2	-19.5
FCF	18.9	-168.9	32.2	174.7	48.3	54.6
Net Debt/EBITDA	0.1	2.2	2.1	1.6	0.2	0.0
EPS pro forma	10.92	15.53	15.83	14.66	16.44	18.06
EBITDA margin	9.5%	10.2%	10.4%	9.5%	10.0%	10.3%
ROCE	21.8%	18.3%	14.9%	12.7%	13.5%	13.2%
EV/sales	0.6	0.9	0.8	0.8	0.6	0.6
EV/EBITDA	6.3	8.9	8.0	8.4	6.4	5.5
PER	6.6	9.9	10.0	10.8	9.7	8.8
Adjusted FCF yield	8.4%	6.6%	8.4%	7.6%	10.5%	12.6%

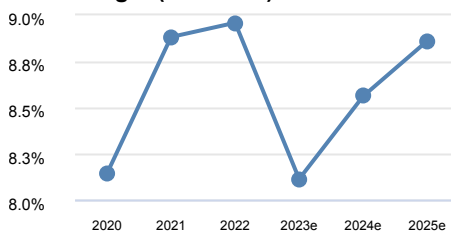
Source: Company data, NuWays, Close price as of 05.04.2024

### Sales (2020-25e)



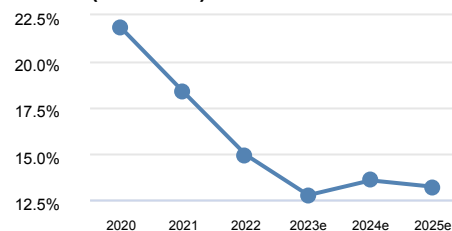
Source: NuWays Research

### EBIT margin (2020-25e)



Source: NuWays Research

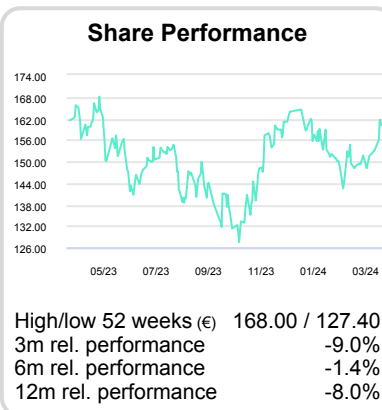
### ROCE (2020-25e)



Source: NuWays Research

### Company description

Einhell is a supplier of power tools and equipment for DIY and semi-professional use. The Bavarian company is active internationally and recently expanded its product portfolio to include the innovative Power X-Change cordless tools, securing market leadership in this segment.



### Market data

Share price (in €)	160.00
Market cap (in € m)	600.1
Number of shares (in m pcs)	3.8
Enterprise value (in € m)	658.8
Ø trading volume (6 months)	2,600

### Identifier

Bloomberg	EIN3 GR
Reuters	EING_p
WKN	565493
ISIN	DE0005654933

### Key shareholders

Free float (Preference shares)	100.0%
Thannhuber AG (Ordinary shares)	93.0%
Others (Ordinary shares)	7.0%

### Estimates changes

	2023e	2024e	2025e
Sales	-2%	-2%	-2%
EBIT	-5%	-2%	-2%
EPS	-5%	-2%	-2%

- ### Comment on changes
- Adjustments reflect softer-than-expected Q4'23 sales
  - Terminal year EBIT margin raised to 8.5% from 8%
  - Analyst change

### Guidance

- 2023 Sales: € 1bn
- 2023 EBT margin: 8%

## Financials

Profit and loss (EUR m)	2020	2021	2022	2023e	2024e	2025e
<b>Net sales</b>	<b>724.7</b>	<b>927.4</b>	<b>1,032.5</b>	<b>972.0</b>	<b>1,030.3</b>	<b>1,092.1</b>
<i>Sales growth</i>	19.6%	28.0%	11.3%	-5.9%	6.0%	6.0%
Increase/decrease in finished goods and work-in-process	1.0	0.4	0.4	0.4	0.4	0.4
<b>Total sales</b>	<b>725.7</b>	<b>927.8</b>	<b>1,032.9</b>	<b>972.4</b>	<b>1,030.7</b>	<b>1,092.6</b>
Other operating income	8.9	9.3	17.8	15.9	14.3	15.2
Material expenses	464.8	594.2	659.1	601.0	633.0	668.8
Personnel expenses	92.1	107.8	118.7	123.5	128.8	136.6
Other operating expenses	109.1	140.7	165.7	171.1	180.3	190.0
<b>Total operating expenses</b>	<b>657.1</b>	<b>833.4</b>	<b>925.7</b>	<b>879.7</b>	<b>927.8</b>	<b>980.2</b>
<b>EBITDA</b>	<b>68.6</b>	<b>94.4</b>	<b>107.2</b>	<b>92.7</b>	<b>102.9</b>	<b>112.4</b>
Depreciation	9.6	12.0	14.7	13.9	14.7	15.6
<b>EBITA</b>	<b>59.0</b>	<b>82.4</b>	<b>92.5</b>	<b>78.8</b>	<b>88.2</b>	<b>96.8</b>
Amortisation of goodwill	0.0	0.0	0.0	0.0	0.0	0.0
Amortisation of intangible assets	0.0	0.0	0.0	0.0	0.0	0.0
Impairment charges	0.0	0.0	0.0	0.0	0.0	0.0
<b>EBIT (inc revaluation net)</b>	<b>59.0</b>	<b>82.4</b>	<b>92.5</b>	<b>78.8</b>	<b>88.2</b>	<b>96.8</b>
Interest income	0.0	0.0	0.0	0.0	0.0	0.0
Interest expenses	2.6	0.5	5.1	3.6	3.8	4.0
Investment income	0.0	0.0	0.0	0.0	0.0	0.0
Financial result	-2.6	-0.5	-5.1	-3.6	-3.8	-4.0
<b>Recurring pretax income from continuing operations</b>	<b>56.4</b>	<b>81.8</b>	<b>87.4</b>	<b>75.3</b>	<b>84.4</b>	<b>92.8</b>
Extraordinary income/loss	0.0	0.0	0.0	0.0	0.0	0.0
<b>Earnings before taxes</b>	<b>56.4</b>	<b>81.8</b>	<b>87.4</b>	<b>75.3</b>	<b>84.4</b>	<b>92.8</b>
Income tax expense	14.6	21.7	26.6	19.9	22.4	24.6
<b>Net income from continuing operations</b>	<b>41.8</b>	<b>60.2</b>	<b>60.8</b>	<b>55.3</b>	<b>62.0</b>	<b>68.2</b>
Income from discontinued operations (net of tax)	0.0	0.0	0.0	0.0	0.0	0.0
<b>Net income</b>	<b>41.8</b>	<b>60.2</b>	<b>60.8</b>	<b>55.3</b>	<b>62.0</b>	<b>68.2</b>
Minority interest	0.6	1.5	1.0	0.0	0.0	0.0
<b>Net profit (reported)</b>	<b>41.2</b>	<b>58.6</b>	<b>59.8</b>	<b>55.3</b>	<b>62.0</b>	<b>68.2</b>
Average number of shares	3.8	3.8	3.8	3.8	3.8	3.8
<b>EPS reported</b>	<b>10.92</b>	<b>15.53</b>	<b>15.83</b>	<b>14.66</b>	<b>16.44</b>	<b>18.06</b>

Profit and loss (common size)	2020	2021	2022	2023e	2024e	2025e
<b>Net sales</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<i>Sales growth</i>	19.6%	28.0%	11.3%	-5.9%	6.0%	6.0%
Increase/decrease in finished goods and work-in-process	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Total sales</b>	<b>100.1%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
Other operating income	1.2%	1.0%	1.7%	1.6%	1.4%	1.4%
Material expenses	64.1%	64.1%	63.8%	61.8%	61.4%	61.2%
Personnel expenses	12.7%	11.6%	11.5%	12.7%	12.5%	12.5%
Other operating expenses	15.1%	15.2%	16.0%	17.6%	17.5%	17.4%
<b>Total operating expenses</b>	<b>90.7%</b>	<b>89.9%</b>	<b>89.7%</b>	<b>90.5%</b>	<b>90.0%</b>	<b>89.7%</b>
<b>EBITDA</b>	<b>9.5%</b>	<b>10.2%</b>	<b>10.4%</b>	<b>9.5%</b>	<b>10.0%</b>	<b>10.3%</b>
Depreciation	1.3%	1.3%	1.4%	1.4%	1.4%	1.4%
<b>EBITA</b>	<b>8.1%</b>	<b>8.9%</b>	<b>9.0%</b>	<b>8.1%</b>	<b>8.6%</b>	<b>8.9%</b>
Amortisation of goodwill	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Amortisation of intangible assets	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Impairment charges	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>EBIT (inc revaluation net)</b>	<b>8.1%</b>	<b>8.9%</b>	<b>9.0%</b>	<b>8.1%</b>	<b>8.6%</b>	<b>8.9%</b>
Interest income	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Interest expenses	0.4%	0.1%	0.5%	0.4%	0.4%	0.4%
Investment income	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Financial result	neg.	neg.	neg.	neg.	neg.	neg.
<b>Recurring pretax income from continuing operations</b>	<b>7.8%</b>	<b>8.8%</b>	<b>8.5%</b>	<b>7.7%</b>	<b>8.2%</b>	<b>8.5%</b>
Extraordinary income/loss	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Earnings before taxes</b>	<b>7.8%</b>	<b>8.8%</b>	<b>8.5%</b>	<b>7.7%</b>	<b>8.2%</b>	<b>8.5%</b>
Tax rate	25.8%	26.5%	30.5%	26.5%	26.5%	26.5%
<b>Net income from continuing operations</b>	<b>5.8%</b>	<b>6.5%</b>	<b>5.9%</b>	<b>5.7%</b>	<b>6.0%</b>	<b>6.2%</b>
Income from discontinued operations (net of tax)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Net income</b>	<b>5.8%</b>	<b>6.5%</b>	<b>5.9%</b>	<b>5.7%</b>	<b>6.0%</b>	<b>6.2%</b>
Minority interest	0.1%	0.2%	0.1%	0.0%	0.0%	0.0%
<b>Net profit (reported)</b>	<b>5.7%</b>	<b>6.3%</b>	<b>5.8%</b>	<b>5.7%</b>	<b>6.0%</b>	<b>6.2%</b>

Source: Company data, NuWays

Balance sheet (EUR m)	2020	2021	2022	2023e	2024e	2025e
Intangible assets	19.8	19.6	38.6	36.3	38.5	40.8
Property, plant and equipment	46.2	57.2	57.6	54.2	57.5	60.9
Financial assets	0.9	15.5	7.2	6.8	7.2	7.6
<b>FIXED ASSETS</b>	<b>66.9</b>	<b>92.3</b>	<b>103.4</b>	<b>97.3</b>	<b>103.1</b>	<b>109.3</b>
Inventories	194.8	450.0	473.5	347.1	368.0	390.0
Accounts receivable	119.2	135.9	143.7	149.1	158.1	167.6
Other assets and short-term financial assets	52.5	124.8	93.9	142.8	142.8	142.8
Liquid assets	32.1	11.5	10.7	60.5	149.9	194.6
Deferred taxes	13.0	17.4	17.6	16.5	16.5	16.5
Deferred charges and prepaid expenses	0.0	0.0	0.0	0.0	0.0	0.0
<b>CURRENT ASSETS</b>	<b>411.5</b>	<b>739.6</b>	<b>739.3</b>	<b>716.1</b>	<b>835.3</b>	<b>911.5</b>
<b>TOTAL ASSETS</b>	<b>478.4</b>	<b>831.9</b>	<b>842.7</b>	<b>813.4</b>	<b>938.4</b>	<b>1,020.8</b>

<b>SHAREHOLDERS EQUITY</b>	<b>243.0</b>	<b>340.9</b>	<b>355.5</b>	<b>348.2</b>	<b>480.5</b>	<b>544.6</b>
MINORITY INTEREST	2.4	3.4	11.3	11.3	11.3	11.3
Provisions for pensions and similar obligations	9.1	37.7	33.5	31.6	33.5	35.5
Other provisions and accrued liabilities	0.0	0.0	0.0	0.0	0.0	0.0
Short-term liabilities to banks	3.4	90.9	102.9	92.6	74.1	74.1
Accounts payable	96.8	137.5	116.3	117.5	127.3	138.0
Advance payments received on orders	0.0	0.0	0.0	0.0	0.0	0.0
Other liabilities (incl. from lease and rental contracts)	83.8	69.3	75.8	79.0	96.3	102.1
Deferred taxes	3.9	20.5	15.3	14.4	14.4	14.4
Deferred income	0.0	0.0	0.0	0.0	0.0	0.0
<b>CURRENT LIABILITIES</b>	<b>180.6</b>	<b>206.8</b>	<b>192.1</b>	<b>196.5</b>	<b>223.6</b>	<b>240.0</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS EQUITY</b>	<b>478.4</b>	<b>831.9</b>	<b>842.7</b>	<b>813.4</b>	<b>938.4</b>	<b>1,020.8</b>

Balance sheet (common size)	2020	2021	2022	2023e	2024e	2025e
Intangible assets	4.1%	2.4%	4.6%	4.5%	4.1%	4.0%
Property, plant and equipment	9.6%	6.9%	6.8%	6.7%	6.1%	6.0%
Financial assets	0.2%	1.9%	0.9%	0.8%	0.8%	0.7%
<b>FIXED ASSETS</b>	<b>14.0%</b>	<b>11.1%</b>	<b>12.3%</b>	<b>12.0%</b>	<b>11.0%</b>	<b>10.7%</b>
Inventories	40.7%	54.1%	56.2%	42.7%	39.2%	38.2%
Accounts receivable	24.9%	16.3%	17.1%	18.3%	16.8%	16.4%
Other assets and short-term financial assets	11.0%	15.0%	11.1%	17.6%	15.2%	14.0%
Liquid assets	6.7%	1.4%	1.3%	7.4%	16.0%	19.1%
Deferred taxes	2.7%	2.1%	2.1%	2.0%	1.8%	1.6%
Deferred charges and prepaid expenses	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>CURRENT ASSETS</b>	<b>86.0%</b>	<b>88.9%</b>	<b>87.7%</b>	<b>88.0%</b>	<b>89.0%</b>	<b>89.3%</b>
<b>TOTAL ASSETS</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

<b>SHAREHOLDERS EQUITY</b>	<b>50.8%</b>	<b>41.0%</b>	<b>42.2%</b>	<b>42.8%</b>	<b>51.2%</b>	<b>53.3%</b>
MINORITY INTEREST	0.5%	0.4%	1.3%	1.4%	1.2%	1.1%
Provisions for pensions and similar obligations	1.9%	4.5%	4.0%	3.9%	3.6%	3.5%
Other provisions and accrued liabilities	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Short-term liabilities to banks	0.7%	10.9%	12.2%	11.4%	7.9%	7.3%
Accounts payable	20.2%	16.5%	13.8%	14.4%	13.6%	13.5%
Advance payments received on orders	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other liabilities (incl. from lease and rental contracts)	17.5%	8.3%	9.0%	9.7%	10.3%	10.0%
Deferred taxes	0.8%	2.5%	1.8%	1.8%	1.5%	1.4%
Deferred income	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>CURRENT LIABILITIES</b>	<b>37.8%</b>	<b>24.9%</b>	<b>22.8%</b>	<b>24.2%</b>	<b>23.8%</b>	<b>23.5%</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS EQUITY</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

Source: Company data, NuWays

Cash flow statement (EUR m)	2020	2021	2022	2023e	2024e	2025e
Net profit/loss	41.8	60.2	60.8	55.3	62.0	68.2
Depreciation of fixed assets (incl. leases)	9.6	12.0	14.7	13.9	14.7	15.6
Amortisation of goodwill & intangible assets	0.0	0.0	0.0	0.0	0.0	0.0
Other costs affecting income / expenses	10.2	-21.0	21.9	0.0	4.0	4.0
Cash flow from operating activities	18.9	-168.9	32.2	174.7	49.8	56.1
Increase/decrease in inventory	-21.4	-255.2	-23.5	126.3	-20.8	-22.1
Increase/decrease in accounts receivable	-26.3	-16.7	-7.8	-5.4	-8.9	-9.5
Increase/decrease in accounts payable	18.6	40.7	-21.2	1.2	9.9	10.6
Increase/decrease in other working capital positions	0.0	0.0	0.0	0.0	0.0	0.0
Increase/decrease in working capital	-29.2	-231.2	-52.6	122.1	-19.9	-20.9
<b>Cash flow from operating activities</b>	<b>36.3</b>	<b>-151.4</b>	<b>40.8</b>	<b>189.3</b>	<b>62.7</b>	<b>68.8</b>
CAPEX	17.4	17.5	8.6	14.6	14.4	14.2
Payments for acquisitions	0.3	0.0	19.0	0.0	0.0	0.0
Financial investments	0.0	0.0	0.0	0.0	0.0	0.0
Income from asset disposals	0.0	0.1	0.7	0.0	0.0	0.0
<b>Cash flow from investing activities</b>	<b>-17.7</b>	<b>-17.4</b>	<b>-26.9</b>	<b>-14.6</b>	<b>-14.4</b>	<b>-14.2</b>
Cash flow before financing	13.1	-177.4	3.3	163.9	38.5	43.6
Increase/decrease in debt position	12.4	183.2	12.4	-23.5	-36.4	0.0
Purchase of own shares	0.0	0.0	0.0	0.0	0.0	0.0
Capital measures	0.0	0.0	0.0	0.0	0.0	0.0
Dividends paid	5.5	8.6	10.5	10.8	9.8	11.0
Others	-17.5	-28.1	-16.3	0.0	0.0	0.0
Effects of exchange rate changes on cash	-1.6	1.7	-0.3	0.0	0.0	0.0
<b>Cash flow from financing activities</b>	<b>-10.6</b>	<b>146.5</b>	<b>-14.5</b>	<b>-34.3</b>	<b>-46.2</b>	<b>-11.0</b>
Increase/decrease in liquid assets	6.4	-20.6	-0.9	140.4	2.1	43.6
<b>Liquid assets at end of period</b>	<b>32.1</b>	<b>11.5</b>	<b>10.7</b>	<b>151.1</b>	<b>153.2</b>	<b>196.8</b>

Key ratios (EUR m)	2020	2021	2022	2023e	2024e	2025e
<b>P&amp;L growth analysis</b>						
Sales growth	19.6%	28.0%	11.3%	-5.9%	6.0%	6.0%
EBITDA growth	57.9%	37.6%	13.6%	-13.5%	11.0%	9.2%
EBIT growth	68.4%	39.6%	12.3%	-14.8%	11.9%	9.7%
EPS growth	69.4%	42.3%	1.9%	-7.4%	12.2%	9.9%
<b>Efficiency</b>						
Sales per employee	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
EBITDA per employee	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
No. employees (average)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
<b>Balance sheet analysis</b>						
Avg. working capital / sales	28.0%	35.9%	46.0%	45.3%	37.7%	37.5%
Inventory turnover (sales/inventory)	3.7	2.1	2.2	2.8	2.8	2.8
Accounts receivable turnover	60.0	53.5	50.8	56.0	56.0	56.0
Accounts payable turnover	48.8	54.1	41.1	44.1	45.1	46.1
<b>Cash flow analysis</b>						
Free cash flow	18.9	-168.9	32.2	174.7	48.3	54.6
Free cash flow/sales	2.6%	-18.2%	3.1%	18.0%	4.7%	5.0%
FCF / net profit	45.2%	neg.	52.9%	315.9%	77.9%	80.2%
Capex / sales	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
<b>Solvency</b>						
Net debt	7.3	211.1	224.3	150.9	25.2	-19.5
Net Debt/EBITDA	0.1	2.2	2.1	1.6	0.2	0.0
Dividend payout ratio	13.4%	14.6%	17.6%	19.6%	15.9%	16.2%
Interest paid / avg. debt	8.0%	0.4%	2.2%	1.6%	2.0%	2.3%
<b>Returns</b>						
ROCE	21.8%	18.3%	14.9%	12.7%	13.5%	13.2%
ROE	17.0%	17.2%	16.8%	15.9%	12.9%	12.5%
Adjusted FCF yield	8.4%	6.6%	8.4%	7.6%	10.5%	12.6%
Dividend yield	3.0%	1.7%	1.8%	1.6%	1.8%	2.0%
DPS	2.1	2.5	2.8	2.6	2.9	3.2
EPS reported	10.92	15.53	15.83	14.66	16.44	18.06
Average number of shares	3.8	3.8	3.8	3.8	3.8	3.8
<b>Valuation ratios</b>						
P/BV	1.1	1.7	1.7	1.7	1.2	1.1
EV/sales	0.6	0.9	0.8	0.8	0.6	0.6
EV/EBITDA	6.3	8.9	8.0	8.4	6.4	5.5
EV/EBIT	7.4	10.2	9.3	9.9	7.5	6.4

Source: Company data, NuWays

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Company	Disclosures
Einhell Germany AG	2

### Historical target price and rating changes for Einhell Germany AG

Company	Date	Analyst	Rating	Target Price	Close
Einhell Germany AG	06.10.2023	Salis, Christian	Buy	EUR 225.00	EUR 131.60

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