

Einhell Germany AG

Consumer Goods - Germany



by Hauck Aufhäuser Lampe

Buy (old: Buy)

25.04.2024

EUR 227.00 (old: EUR 227.00)

Q4 in line with prelims // solid FY24 guidance; chg.

Einhell released **Q4 results in line with prelims**, showing a slowdown versus previous quarters. **Group sales decreased by 5% yoy to € 216m**, bringing full year sales to € 972m (-6% yoy). In DACH, Einhell continued to experience a somewhat muted consumer sentiment, explaining why regional sales declined by 8.1% yoy. Meanwhile, both Western and Eastern Europe experienced healthy yoy growth of 7.2% (Q3: 1.5% yoy) and 17.8% (Q3: 32.1% yoy), respectively, while overseas markets experienced a pronounced contraction of 16.7% yoy (Q3: 4.8% yoy), mainly driven by adverse currency translation effects (relative weakness of Australian and Canadian dollar) as well as muted consumer sentiment in Australia.

While the gross margin rose 2.8pp yoy to 43.2% supported by easing supply-chain constraints and higher PXC share (44% of sales or +4pp yoy), **Q4 EBT fell by 31% yoy to € 12.6m**, bringing full year EBT to € 75.4m (7.8% margin vs. 8.5% in FY22). This largely resulted from (1) negative operating leverage due to fewer orders by DIY chains (high inventories built up in previous years) and (2) PPA effects from the acquisitions in Canada and Thailand (adjusted for these effects EBT margin would have been c. 8%). Still, Einhell was able to exceed pre-pandemic levels (Q4'19: 4%) and **managed to significantly reduce working capital** (-28% yoy) and thus **boost FCF generation in FY'23 to € 197m** (eNuW: € 175m, +514% yoy), which should indicate fewer promotional activity going forward.

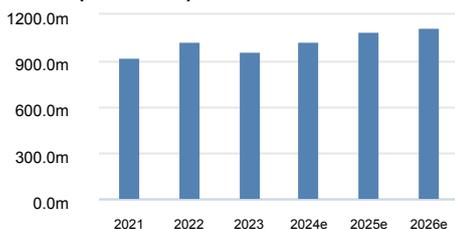
The company issued a **solid FY24 guidance** with **sales expected to grow by 6% yoy** to € 1,030m (eNuW: € 1,030m, eCons: € 1,039m) partially driven by an easier comparable base as well as easing consumer sentiment in DACH (38% of sales), along with overseas markets (26% of sales) likely benefiting from the introduction / continued expansion of the Power X-Change platform (e.g. Canada). **The EBT margin is seen to come in at 7.5-8.0%** (eNuW new: 7.9%, eNuW old: 8.2%), implying an EBT of € 77-82m. This should be supported by the **sustained trend towards higher-margin Power X-Change products** leading to positive mix effects, offset by higher personnel expenses stemming from acquisitions in Vietnam and Thailand and higher marketing expenses. The latter should strengthen Einhell's brand in preparation for entering new markets through the acquisition of a smaller local DIY brand and gradually replacing the assortment with best-in-class price/value PXC products.

Against this backdrop, valuation looks undemanding, trading at 9.6x PER 24e and a 10.5% FCF yield. **BUY, PT € 227**, based on DCF.

Y/E 31.12 (EUR m)	2021	2022	2023	2024e	2025e	2026e
Sales	927.4	1,032.5	971.5	1,029.8	1,091.6	1,124.4
Sales growth	28.0%	11.3%	-5.9%	6.0%	6.0%	3.0%
EBITDA	94.4	107.2	98.0	100.3	108.0	114.6
Net debt (if net cash=0)	211.1	224.3	67.6	30.6	-9.6	-52.3
FCF	-168.9	32.2	197.4	47.8	52.9	56.3
Net Debt/EBITDA	2.2	2.1	0.7	0.3	0.0	0.0
EPS pro forma	15.53	15.83	13.56	15.94	17.21	18.39
EBITDA margin	10.2%	10.4%	10.1%	9.7%	9.9%	10.2%
ROCE	18.3%	14.9%	13.6%	14.9%	14.9%	14.4%
EV/sales	0.9	0.8	0.7	0.6	0.6	0.5
EV/EBITDA	8.8	7.8	6.9	6.4	5.6	4.9
PER	9.9	9.7	11.3	9.6	8.9	8.3
Adjusted FCF yield	6.7%	8.7%	8.9%	10.5%	12.3%	15.1%

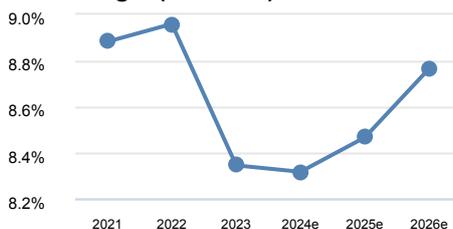
Source: Company data, NuWays, Close price as of 22.04.2024

Sales (2021-26e)



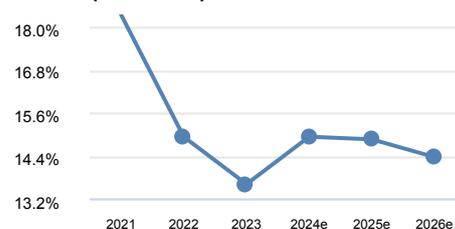
Source: NuWays Research

EBIT margin (2021-26e)



Source: NuWays Research

ROCE (2021-26e)



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.

Share Performance



High/low 52 weeks (€) 168.00 / 127.40
 3m rel. performance -3.9%
 6m rel. performance 3.6%
 12m rel. performance -10.3%

Market data

Share price (in €) 153.00
 Market cap (in € m) 577.5
 Number of shares (in m pcs) 3.8
 Enterprise value (in € m) 645.0
 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

	2024e	2025e	2026e
Sales	-0%	-0%	-0%
EBIT	-3%	-5%	-1%
EPS	-3%	-5%	-1%

Comment on changes

- 2026e shown for the first time
- Adjusted estimates reflect slightly higher personnel and marketing expenses in FY24e and FY25e

Guidance

- 2024 Sales: 6% growth
- 2024 EBT margin: 7.5-8%

Financials

Profit and loss (EUR m)	2021	2022	2023	2024e	2025e	2026e
Net sales	927.4	1,032.5	971.5	1,029.8	1,091.6	1,124.4
<i>Sales growth</i>	28.0%	11.3%	-5.9%	6.0%	6.0%	3.0%
Increase/decrease in finished goods and work-in-process	0.4	0.4	0.7	0.4	0.4	0.4
Total sales	927.8	1,032.9	972.3	1,030.2	1,092.0	1,124.8
Other operating income	9.3	17.8	18.8	14.3	15.2	15.6
Material expenses	594.2	659.1	583.7	632.7	668.4	688.5
Personnel expenses	107.8	118.7	129.6	131.3	139.7	140.5
Other operating expenses	140.7	165.7	179.8	180.2	191.0	196.8
Total operating expenses	833.4	925.7	874.3	929.9	984.0	1,010.2
EBITDA	94.4	107.2	98.0	100.3	108.0	114.6
Depreciation	12.0	14.7	16.2	14.7	15.6	16.1
EBITA	82.4	92.5	81.7	85.6	92.4	98.6
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	0.7	0.0	0.0	0.0
EBIT (inc revaluation net)	82.4	92.5	81.1	85.6	92.4	98.6
Interest income	0.0	0.0	0.0	0.0	0.0	0.0
Interest expenses	0.5	5.1	5.7	3.8	4.0	4.1
Investment income	0.0	0.0	0.0	0.0	0.0	0.0
Financial result	-0.5	-5.1	-5.7	-3.8	-4.0	-4.1
Recurring pretax income from continuing operations	81.8	87.4	75.4	81.8	88.4	94.4
Extraordinary income/loss	0.0	0.0	0.0	0.0	0.0	0.0
Earnings before taxes	81.8	87.4	75.4	81.8	88.4	94.4
Income tax expense	21.7	26.6	23.8	21.7	23.4	25.0
Net income from continuing operations	60.2	60.8	51.6	60.2	65.0	69.4
Income from discontinued operations (net of tax)	0.0	0.0	0.0	0.0	0.0	0.0
Net income	60.2	60.8	51.6	60.2	65.0	69.4
Minority interest	1.5	1.0	1.1	0.0	0.0	0.0
Net profit (reported)	58.6	59.8	50.5	60.2	65.0	69.4
Average number of shares	3.8	3.8	3.8	3.8	3.8	3.8
EPS reported	15.53	15.83	13.38	15.94	17.21	18.39

Profit and loss (common size)	2021	2022	2023	2024e	2025e	2026e
Net sales	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
<i>Sales growth</i>	28.0%	11.3%	-5.9%	6.0%	6.0%	3.0%
Increase/decrease in finished goods and work-in-process	0.0%	0.0%	0.1%	0.0%	0.0%	0.0%
Total sales	100.0%	100.0%	100.1%	100.0%	100.0%	100.0%
Other operating income	1.0%	1.7%	1.9%	1.4%	1.4%	1.4%
Material expenses	64.1%	63.8%	60.1%	61.4%	61.2%	61.2%
Personnel expenses	11.6%	11.5%	13.3%	12.8%	12.8%	12.5%
Other operating expenses	15.2%	16.0%	18.5%	17.5%	17.5%	17.5%
Total operating expenses	89.9%	89.7%	90.0%	90.3%	90.1%	89.8%
EBITDA	10.2%	10.4%	10.1%	9.7%	9.9%	10.2%
Depreciation	1.3%	1.4%	1.7%	1.4%	1.4%	1.4%
EBITA	8.9%	9.0%	8.4%	8.3%	8.5%	8.8%
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%	0.1%	0.0%	0.0%	0.0%
EBIT (inc revaluation net)	8.9%	9.0%	8.3%	8.3%	8.5%	8.8%
Interest income	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Interest expenses	0.1%	0.5%	0.6%	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.
Recurring pretax income from continuing operations	8.8%	8.5%	7.8%	7.9%	8.1%	8.4%
Extraordinary income/loss	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Earnings before taxes	8.8%	8.5%	7.8%	7.9%	8.1%	8.4%
Tax rate	26.5%	30.5%	31.6%	26.5%	26.5%	26.5%
Net income from continuing operations	6.5%	5.9%	5.3%	5.8%	6.0%	6.2%
Income from discontinued operations (net of tax)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Net income	6.5%	5.9%	5.3%	5.8%	6.0%	6.2%
Minority interest	0.2%	0.1%	0.1%	0.0%	0.0%	0.0%
Net profit (reported)	6.3%	5.8%	5.2%	5.8%	6.0%	6.2%

Source: Company data, NuWays

Balance sheet (EUR m)	2021	2022	2023	2024e	2025e	2026e
Intangible assets	19.6	38.6	47.9	50.8	53.8	55.4
Property, plant and equipment	57.2	57.6	85.4	90.5	95.9	98.8
Financial assets	15.5	7.2	8.6	9.2	9.7	10.0
FIXED ASSETS	92.3	103.4	141.9	150.4	159.5	164.3
Inventories	450.0	473.5	363.6	385.4	408.5	437.1
Accounts receivable	135.9	143.7	149.8	158.8	168.4	173.4
Other assets and short-term financial assets	124.8	93.9	32.0	32.0	32.0	32.0
Liquid assets	11.5	10.7	99.4	111.7	152.0	194.7
Deferred taxes	17.4	17.6	23.3	23.3	23.3	23.3
Deferred charges and prepaid expenses	0.0	0.0	0.0	0.0	0.0	0.0
CURRENT ASSETS	739.6	739.3	668.1	711.2	784.1	860.5
TOTAL ASSETS	831.9	842.7	810.0	861.6	943.6	1,024.7

SHAREHOLDERS EQUITY	340.9	355.5	340.9	397.4	458.2	522.6
MINORITY INTEREST	3.4	11.3	14.0	14.0	14.0	14.0
Provisions for pensions and similar obligations	37.7	33.5	34.8	36.9	39.1	40.3
Other provisions and accrued liabilities	0.0	0.0	0.0	0.0	0.0	0.0
Short-term liabilities to banks	90.9	102.9	16.8	13.5	13.5	13.5
Accounts payable	137.5	116.3	154.3	166.4	179.3	181.6
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)	69.3	75.8	93.8	99.4	105.4	108.5
Deferred taxes	20.5	15.3	5.2	5.2	5.2	15.3
Deferred income	0.0	0.0	0.0	0.0	0.0	0.0
CURRENT LIABILITIES	206.8	192.1	248.1	265.8	284.7	290.2
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	831.9	842.7	810.0	861.6	943.6	1,024.7

Balance sheet (common size)	2021	2022	2023	2024e	2025e	2026e
Intangible assets	2.4%	4.6%	5.9%	5.9%	5.7%	5.4%
Property, plant and equipment	6.9%	6.8%	10.5%	10.5%	10.2%	9.6%
Financial assets	1.9%	0.9%	1.1%	1.1%	1.0%	1.0%
FIXED ASSETS	11.1%	12.3%	17.5%	17.5%	16.9%	16.0%
Inventories	54.1%	56.2%	44.9%	44.7%	43.3%	42.7%
Accounts receivable	16.3%	17.1%	18.5%	18.4%	17.8%	16.9%
Other assets and short-term financial assets	15.0%	11.1%	4.0%	3.7%	3.4%	3.1%
Liquid assets	1.4%	1.3%	12.3%	13.0%	16.1%	19.0%
Deferred taxes	2.1%	2.1%	2.9%	2.7%	2.5%	2.3%
Deferred charges and prepaid expenses	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
CURRENT ASSETS	88.9%	87.7%	82.5%	82.5%	83.1%	84.0%
TOTAL ASSETS	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

SHAREHOLDERS EQUITY	41.0%	42.2%	42.1%	46.1%	48.6%	51.0%
MINORITY INTEREST	0.4%	1.3%	1.7%	1.6%	1.5%	1.4%
Provisions for pensions and similar obligations	4.5%	4.0%	4.3%	4.3%	4.1%	3.9%
Other provisions and accrued liabilities	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Short-term liabilities to banks	10.9%	12.2%	2.1%	1.6%	1.4%	1.3%
Accounts payable	16.5%	13.8%	19.0%	19.3%	19.0%	17.7%
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)	8.3%	9.0%	11.6%	11.5%	11.2%	10.6%
Deferred taxes	2.5%	1.8%	0.6%	0.6%	0.5%	1.5%
Deferred income	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
CURRENT LIABILITIES	24.9%	22.8%	30.6%	30.8%	30.2%	28.3%
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: Company data, NuWays

Cash flow statement (EUR m)	2021	2022	2023	2024e	2025e	2026e
Net profit/loss	60.2	60.8	51.6	60.2	65.0	69.4
Depreciation of fixed assets (incl. leases)	12.0	14.7	16.2	14.7	15.6	16.1
Amortisation of goodwill & intangible assets	0.0	0.0	0.0	0.0	0.0	0.0
Other costs affecting income / expenses	-21.0	21.9	0.9	4.0	4.0	14.0
Cash flow from operating activities	-168.9	32.2	197.4	49.2	54.3	61.5
Increase/decrease in inventory	-255.2	-23.5	109.9	-21.8	-23.1	-28.6
Increase/decrease in accounts receivable	-16.7	-7.8	-6.1	-9.0	-9.5	-5.1
Increase/decrease in accounts payable	40.7	-21.2	38.0	12.1	13.0	2.3
Increase/decrease in other working capital positions	0.0	0.0	0.0	0.0	0.0	0.0
Increase/decrease in working capital	-231.2	-52.6	141.8	-18.7	-19.7	-31.4
Cash flow from operating activities	-151.4	40.8	211.7	62.2	67.1	69.3
CAPEX	17.5	8.6	14.2	14.4	14.2	12.9
Payments for acquisitions	0.0	19.0	4.7	0.0	0.0	0.0
Financial investments	0.0	0.0	0.0	0.0	0.0	0.0
Income from asset disposals	0.1	0.7	0.1	0.0	0.0	0.0
Cash flow from investing activities	-17.4	-26.9	-18.9	-14.4	-14.2	-12.9
Cash flow before financing	-177.4	3.3	181.3	37.0	40.3	42.7
Increase/decrease in debt position	183.2	12.4	-67.9	-24.7	0.0	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	8.6	10.5	11.4	10.8	12.6	13.6
Others	-28.1	-16.3	-23.5	0.0	0.0	0.0
Effects of exchange rate changes on cash	1.7	-0.3	-1.2	0.0	0.0	0.0
Cash flow from financing activities	146.5	-14.5	-102.8	-35.5	-12.6	-13.6
Increase/decrease in liquid assets	-20.6	-0.9	88.8	12.3	40.3	42.7
Liquid assets at end of period	11.5	10.7	99.4	111.7	152.0	194.7

Key ratios (EUR m)	2021	2022	2023	2024e	2025e	2026e
P&L growth analysis						
Sales growth	28.0%	11.3%	-5.9%	6.0%	6.0%	3.0%
EBITDA growth	37.6%	13.6%	-8.6%	2.4%	7.6%	6.1%
EBIT growth	39.6%	12.3%	-12.4%	5.6%	7.9%	6.6%
EPS growth	42.3%	1.9%	-15.5%	19.1%	8.0%	6.8%
Efficiency						
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.
Balance sheet analysis						
Avg. working capital / sales	35.9%	46.0%	44.3%	35.8%	35.5%	36.8%
Inventory turnover (sales/inventory)	2.1	2.2	2.7	2.7	2.7	2.6
Accounts receivable turnover	53.5	50.8	56.3	56.3	56.3	56.3
Accounts payable turnover	54.1	41.1	58.0	59.0	60.0	59.0
Cash flow analysis						
Free cash flow	-168.9	32.2	197.4	47.8	52.9	56.3
Free cash flow/sales	-18.2%	3.1%	20.3%	4.6%	4.8%	5.0%
FCF / net profit	neg.	52.9%	382.9%	79.5%	81.4%	81.2%
Capex / sales	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Solvency						
Net debt	211.1	224.3	67.6	30.6	-9.6	-52.3
Net Debt/EBITDA	2.2	2.1	0.7	0.3	0.0	0.0
Dividend payout ratio	14.6%	17.6%	22.6%	18.0%	19.4%	19.6%
Interest paid / avg. debt	0.4%	2.2%	2.8%	2.5%	2.8%	2.9%
Returns						
ROCE	18.3%	14.9%	13.6%	14.9%	14.9%	14.4%
ROE	17.2%	16.8%	14.8%	15.1%	14.2%	13.3%
Adjusted FCF yield	6.7%	8.7%	8.9%	10.5%	12.3%	15.1%
Dividend yield	1.7%	1.9%	1.9%	2.2%	2.3%	2.5%
DPS	2.5	2.8	2.8	3.3	3.6	3.8
EPS reported	15.53	15.83	13.38	15.94	17.21	18.39
Average number of shares	3.8	3.8	3.8	3.8	3.8	3.8
Valuation ratios						
P/BV	1.7	1.6	1.7	1.5	1.3	1.1
EV/sales	0.9	0.8	0.7	0.6	0.6	0.5
EV/EBITDA	8.8	7.8	6.9	6.4	5.6	4.9
EV/EBIT	10.1	9.0	8.4	7.5	6.6	5.7

Source: Company data, NuWays

Disclosures

Disclosures regarding research publications of NuWays AG pursuant to section 85 of the German Securities Trading Act (WpHG)

Indication of conflict of interest

It is essential that any research recommendation is fairly presented and discloses interests of indicates relevant conflicts of interest. Pursuant to section 85 of the German Securities Trading Act (WpHG) a research report has to point out possible conflicts of interest in connection with the analysed company. A conflict of interest is presumed to exist in particular if NuWays AG

- (1) or any other person belonging to the same group with it was part of a consortium within the past twelve months that issued the financial instruments of the analysed company by way of a public offer.
- (2) or any other person belonging to the same group with it has entered into an agreement on the production of the research report with the analysed company.
- (3) or any other person belonging to the same group with it has been party to an agreement on the provision of investment banking services with the analysed company or have received services or a promise of services under the term of such an agreement within the past twelve month.
- (4) The analysed company holds 5% or more of the share capital of NuWays AG.
- (5) holds (a) a net short position or (b) a net long position of 0.5% of the outstanding share capital of the analysed company.
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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	09.04.2024	Salis, Christian	Buy	EUR 227.00	EUR 160.00
	06.10.2023	Salis, Christian	Buy	EUR 225.00	EUR 131.60

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The adj. FCF method is based on the assumption that investors purchase assets only at a price (enterprise value) at which the operating cash flow return after taxes on this investment exceeds their opportunity costs in the form of a hurdle rate of 7.5%. The operating cash flow is calculated as EBITDA less maintenance capex and taxes.

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According to Article 4(1) No. i of the delegated regulation 2016/958 supplementing regulation 596/2014 of the European Parliament, further information regarding investment recommendations of the last 12 months are published under: www.nuways-ag.com

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