

Buy EUR 150.00 (EUR 110.00) Price EUR 91.60 Upside 63.8 %	Value Indicators: EUR DCF: 150.13 FCF-Value Potential 22e: 141.44	Warburg ESG Risk Score: 2.3 ESG Score (MSCI based): 2.0 Balance Sheet Score: 4.0 Market Liquidity Score: 1.0	Description: Supplier of power tools and garden equipment for private household use.
	Market Snapshot: EUR m Market cap: 345.7 No. of shares (m): 3.8 EV: 333.3 Freefloat MC: 345.7 Ø Trad. Vol. (30d): 240.47 th	Shareholders: Freefloat 100.0 % Thannhuber AG (Ordinary sh.) 91.0 % Others (Ordinary shares) 9.0 %	Key Figures (WRe): 2020e Beta: 1.2 Price / Book: 1.4 x Equity Ratio: 55 %

Growth course underpinned by Power-X-Change and international expansion

With a strong position in the important category of battery-driven power tools and garden tools, Einhell has built up a good basis for further growth. So far, the group has sold more than 10 million of its Power-X-Change battery. With this battery system, Einhell significantly expanded its market share and presence at the point-of-sale in the DIY and e-commerce channels in core markets. The recent result of a product test by Germany's highly reputable "Stiftung Warentest" institute underpins the leading position as Einhell was named as the best, ahead of Bosch, Makita and others.

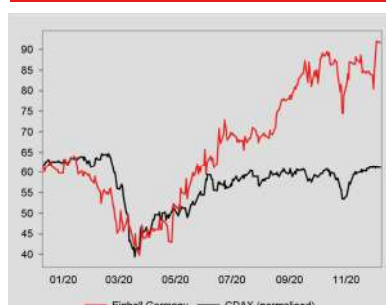
The Power-X-Change series will remain the important growth driver for the coming years. With almost 180 different devices for house and garden, Einhell currently offers one of the widest product ranges in this category. Power-X-Change product sales account for 30% of total sales in the current year (2018: 19%, 2019: 24%). We assume that the target of 40-50% will be achieved in 2022. Management plans an extension of the Power-X-Change programme to around 350 products. The roll-out of the battery system offers significant potential for customer loyalty.

One important pillar of the strategy is to strengthen brand awareness. The position as an A-Brand is underpinned by product quality and a high service level. Moreover, the group has a strong focus on product development. Partnerships are in place with key suppliers and research institutes in the field of battery technology. Moreover, a subsidiary of the group is working on software development for innovative products.

Einhell has a long-standing track record in international growth. Currently, the products are sold across Europe, Australia and South America. The further international expansion is one of the top priorities on the strategic agenda. For the US market entry, the group has entered a partnership. A new distribution alliance has been established for Scandinavia and Einhell recently announced a takeover in South Africa. Overall, we assume that the international expansion will be an important long-term growth driver with the opportunity to develop a strong global brand. With strong financials (equity ratio around 55%, no structural net debt) the group can flexibly react to potential growth opportunities.

This year, the group is benefiting from high demand in the DIY segment overall. Based on a consistently strong sales performance, the 2020 targets were increased recently. For the coming years, we are assuming annual sales growth of 5-6%. Our DCF-based valuation reflects the mid to long-term growth potential. Expectations of profitable growth offer attractive upside potential. The stronger market position and higher profitability are not yet reflected in the share price valuation. **We confirm our Buy recommendation with a new PT of EUR 150 (EUR 110).**

Changes in Estimates:				Comment on Changes:			
FY End: 31.12. in EUR m	2020e (old)	+ / -	2021e (old)	+ / -	2022e (old)	+ / -	
Sales	672.0	4.5 %	696.0	5.9 %	731.0	6.8 %	<ul style="list-style-type: none"> We have increased our estimates in light of the current dynamic growth momentum and the strong focus on international expansion. After the record profitability level in the current year, we expect similar EBT margins above the long-term target range of 5-6% in 2021/22. Based on the significant earnings improvement, a dividend increase for FY 2020 seems likely.
EBT	43.4	12.7 %	42.0	18.3 %	44.2	23.7 %	
EPS	7.94	12.3 %	7.73	18.4 %	8.12	24.0 %	

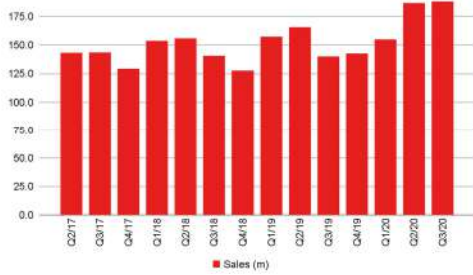


Rel. Performance vs CDAX:	
1 month:	2.6 %
6 months:	40.8 %
Year to date:	55.2 %
Trailing 12 months:	46.9 %

Company events:

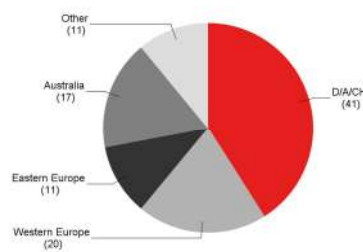
FY End: 31.12. in EUR m	CAGR (19-22e)	2016	2017	2018	2019	2020e	2021e	2022e
Sales	8.8 %	487.2	553.4	577.9	605.7	702.0	737.0	781.0
Change Sales yoy		9.8 %	13.6 %	4.4 %	4.8 %	15.9 %	5.0 %	6.0 %
Gross profit margin		32.2 %	34.6 %	34.2 %	34.1 %	34.2 %	34.2 %	34.2 %
EBITDA	15.6 %	27.0	43.8	43.7	43.5	60.3	61.8	67.1
Margin		5.5 %	7.9 %	7.6 %	7.2 %	8.6 %	8.4 %	8.6 %
EBIT	17.7 %	20.5	38.5	38.9	35.0	51.2	52.3	57.2
Margin		4.2 %	7.0 %	6.7 %	5.8 %	7.3 %	7.1 %	7.3 %
EBT	19.0 %	17.0	35.7	36.2	32.5	48.9	49.8	54.7
Margin		3.5 %	6.5 %	6.3 %	5.4 %	7.0 %	6.8 %	7.0 %
Net income	16.0 %	9.3	21.2	26.0	24.3	33.7	34.5	38.0
EPS	16.1 %	2.48	5.63	6.90	6.44	8.92	9.15	10.07
DPS	16.3 %	0.80	1.20	1.40	1.40	1.90	1.90	2.20
Dividend Yield		2.2 %	1.9 %	1.6 %	2.2 %	2.1 %	2.1 %	2.4 %
FCFPS		8.25	-5.65	-3.64	8.62	7.87	3.85	5.08
FCF / Market cap		23.1 %	-9.1 %	-4.1 %	13.6 %	8.6 %	4.2 %	5.6 %
EV / Sales		0.2 x	0.4 x	0.6 x	0.4 x	0.5 x	0.4 x	0.4 x
EV / EBITDA		4.3 x	5.6 x	8.5 x	5.9 x	5.5 x	5.3 x	4.7 x
EV / EBIT		5.7 x	6.4 x	9.5 x	7.3 x	6.5 x	6.2 x	5.5 x
P / E		14.4 x	11.1 x	12.8 x	9.8 x	10.3 x	10.0 x	9.1 x
FCF Potential Yield		12.6 %	9.3 %	6.9 %	10.0 %	9.5 %	10.1 %	11.7 %
Net Debt		-18.3	11.1	35.9	16.4	-12.4	-19.6	-31.6
ROCE (NOPAT)		7.4 %	13.7 %	13.2 %	11.4 %	15.5 %	15.2 %	15.4 %
Guidance:		2020: Sales EUR 700m, EBT margin ca. 7.0%						

Sales development
in EUR m



Source: Warburg Research

Sales by regions
2019; in %



Source: Warburg Research

Gross margin development
in %



Source: Warburg Research

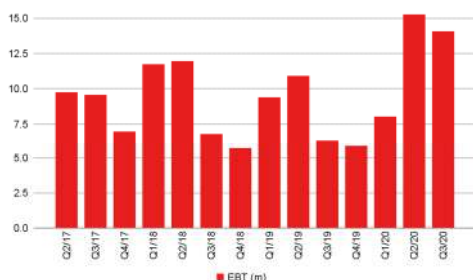
Company Background

- Einhell is a leading provider of power tools and garden equipment for household use. With around 40 subsidiaries, the products are sold globally.
- Particularly in the category of cordless battery-driven products, Einhell has built up a strong position. With the Power-X-Change series the company offers one of the leading systems in the market.
- Einhell's main customers are large DIY chains (58% of sales in 2019), e-commerce (16%) and specialised trade (14%). The share of business with discounters is less than 10%.
- Einhell has long-standing expertise in product development, quality control, international distribution and after-sales services. The production is outsourced and supervised by Einhell's own unit in Asia.
- The company was founded in 1964 by Josef Thannhuber. In 1987 Einhell was listed at the stock exchange. The Thannhuber family holds the majority of the non-listed ordinary shares.

Competitive Quality

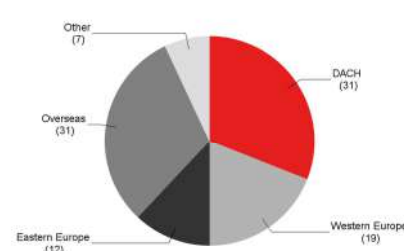
- Einhell has a high brand awareness in key markets, which will be further strengthened by marketing initiatives and presentation at the point-of-sale (including e-commerce) in the course of a long-term brand strategy.
- With its focus on innovative product development, the group can benefit from dynamic growth in the segment of cordless battery systems and gain market share.
- Under the Power-X-Change battery system, the group offers a broad assortment of around 180 devices for house and garden, which can be further expanded also by cooperation with other manufacturers.
- Einhell shows a strong balance sheet as well as a high level of cost flexibility and generated clearly positive earnings even in economically challenging years.
- Continued international expansion (for example in North America, Scandinavia and South East Asia) offers additional growth potential and economies of scale.

EBT development
in EUR m



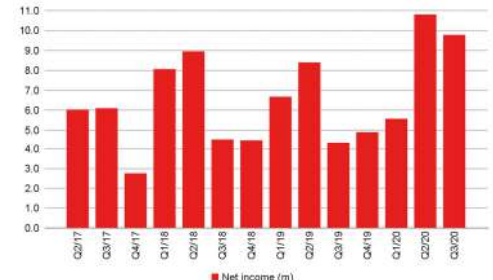
Source: Warburg Research

EBT by regions
2019; in %



Source: Warburg Research

Net income development
in EUR m



Source: Warburg Research

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Summary of Investment Case

Investment triggers

- Einhell is well positioned in the fast growing category of battery-driven products. The Power-X-Change series is one of the leading battery systems in the market. With the roll-out of this system, the group gained market share in the key DACH region. The further expansion of Power-X-Change should underpin Einhell's position in the market as well as the brand quality.
- Besides growth with battery-driven products, the group continues to benefit from its international expansion. The group has an established track record in international sales activities across Europe, Australia and South America. Current initiatives for the expansion in North America, Scandinavia and South East Asia are not yet fully reflected in the estimates and could support sales and earnings growth.
- With the further implementation of the long-term A-brand strategy, Einhell is in the position to develop a strong global brand following significant market share gains in core regions. Based on its broad assortment and the increased brand awareness, the company can benefit from the future growth of the e-commerce sales channels.

Valuation

- From our DCF model we derive a PT of EUR 150 for the Einhell share.
- The share is trading at a level that is not significantly higher than the book value of EUR 64 per share (2020e). In light of the steady dividend policy with a pay-out ratio of 20-30%, the book value is expected to increase considerably in the coming years.
- With a PE of around 10 and an EV/EBITDA of around 5 based on our 2021/22 expectations, the key valuation multiples are significantly below peers and underpin the upside potential.

Growth

- Einhell is aiming for average annual sales growth of 5-10%. In the period from 2016 to 2019 the group achieved average sales growth of 7.5% and a CAGR of 24.1% on the EBT line. The management board's long-term sales target of EUR 1bn underpins the growth potential.
- So far this year, sales growth has accelerated (cumulated sales until November 2020 +17.5%) as a result of high demand in the DIY and gardening categories in the COVID-19 environment. A key growth driver remains the Power-X-Change category. The share of Power-X-Change products will increase to around 30% in 2020 (2019: 24%).
- Besides the organic growth course in existing markets and the focus on new regions, further add-on acquisitions might strengthen Einhell's portfolio.


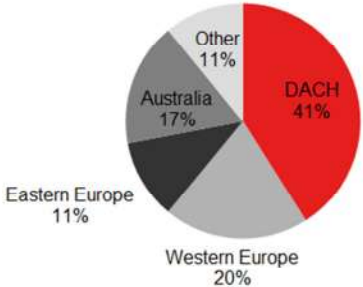
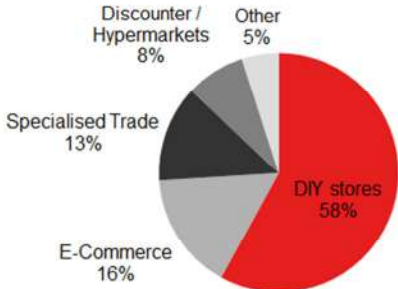
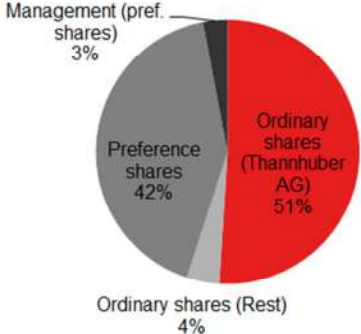
Competitive quality

- Einhell enjoys a high level of brand awareness in key markets, based on a broad power tool and garden equipment range with high quality. In the important category of battery-driven products, the group is well positioned. The Power-X-Change series is one of the leading battery systems in the market and should enable Einhell to gain further market share.
- The group has long-standing experience in international expansion and marketing as well as in the development and sourcing of innovative products with partnerships in Far East. For the further development of the efficient batter technology and other mobility issues, the group has established cooperation with specialised research institutes.
- Einhell has a strong balance sheet with an equity ratio above 50%, steady cash flows, no structural financial debt and almost negligible goodwill position.

Warburg versus consensus

- No consensus estimates available.

Company Overview

Product portfolio	DIY / Power Tools Screwdrivers, Drillers, Hammers, Saws, Grinders, Stationary Machines, Power Generators, Cleaning Devices, Accessories	Garden Lawn Mowers, Scarifiers, Hedge Trimmers, Trimmers, Chain Saws, Leaf Blowers, Water Pumps
Power-X-Change battery system		One of the leading battery systems with the widest product range in the market: Around 180 different devices for house and garden can be used with one battery and one charger. End of 2018: 87 devices End of 2019: 130 devices End of 2020: ca 180 devices Mid-term target: 350 devices
Key financials Sales EBT Power-X-Change	2019 EUR 605.7m (+4.8% y/y) EUR 32.5m (5.4% margin) ca. 24% of sales	2020e EUR 702.0m (+15.9% y/y) EUR 48.9m (7.0% margin) ca. 30% of sales
Competitors	Bosch, Makita, Metabo, Gardena, Black+Decker, Ryobi, Wolf Garten	
Sales split by regions and sales split by distribution channels (2019)		
Management Board	Andreas Kroiss <i>Chairman of the Board</i> <i>(since 2003, in the company since 1998)</i> Dr. Markus Thannhuber <i>Chief Technical Officer</i> <i>(since 2007, in the company since 2001)</i>	Jan Teichert <i>Chief Financial Officer</i> <i>(since 2003)</i> Dr. Christoph Urban <i>Chief IT and Digitalization Officer</i> <i>(since 2019, in the company since 2002)</i>
Shareholder structure		Ord. shares: 2.094m Pref. shares: 1.680m Total shares: 3.774m

Source: Warburg Research

Competitive Quality

- A-brand strategy as clear long-term ambition of the management.
- Strong focus on Power-X-Change battery system is paying off. Current ranking by German product-testing institute “Stiftung Warentest” underpins the leading position in the segment of cordless power tools.
- Continuation of the international expansion in selected target regions offers additional growth potential and economies of scale.

A-brand position underpinned by recent product test results

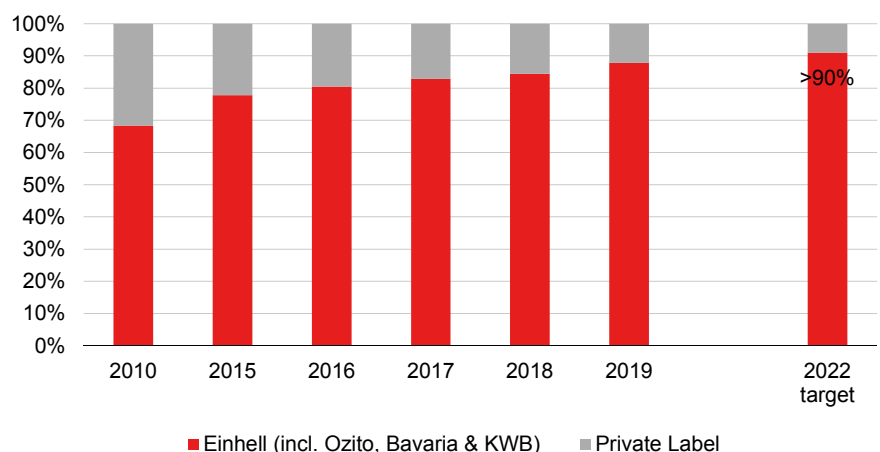
Convincing A-brand strategy

Einhell has long-standing experience in developing and selling state-of-the-art power tools for home and garden. Based on a wide product range and reliable quality, the focus of the management has always been to position Einhell as an A-brand. Historically, the group had a strong presence in the white-label business for its retail clients. The relevance of this business has been significantly reduced. The share of business with food retailers and hypermarkets is now less than 10%.

The Einhell brand has caught up with prominent brand-names like Bosch or Gardena. In its core markets, the group was able to gain significant market share over recent years. In the German power-tool category, Einhell is among the top-three brands, together with Bosch and Makita, in terms of units sold. In the segment of cordless powered gardening equipment, Einhell has reached the top position in Germany in terms of units sold.

The strategic position as an A-brand is based on sound product quality and a high service level. Production in China is monitored by an Einhell entity to ensure quality control. Regular positive comments from product testing underpin the performance of the products. Furthermore, the company’s approach is to offer the best service-experience in the DIY market and the service offerings seem to be an important brand differentiator. Therefore, Einhell is strongly focused on a permanent optimisation of its service (e.g. hotline, multi-channel communication, explanatory videos, return/repair management, spare parts, warranties).

Share of sales with core brands expanding steadily



Source: Einhell

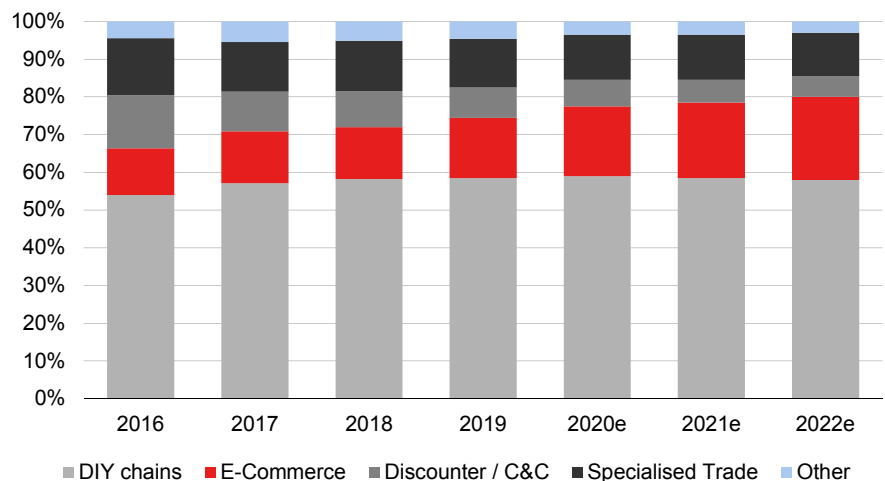
Einhell’s core focus will remain on product development and innovation. The group has established partnerships with key suppliers and works together with research institutes in

the field of battery technology. An own IT subsidiary (ECommerce System) is working on software development for the future configuration and connectivity of the products. With these measures, Einhell is aiming to secure its leading position in the category of battery systems.

One important pillar to strengthen the brand awareness in relevant markets is a greater focus on marketing, design and an improved point-of-sale (PoS) presence. In the core DACH region, TV advertising campaigns led to significantly higher sales of Power-X-Change products. Not least, Einhell is Official Main Partner of BMW I Motorsport in the Formula E. This should further enhance the brand awareness and the image in the field of cordless power tools.

The A-brand strategy and stronger brand awareness should also lead to a further sales increase with e-commerce customers. While DIY chains remain the largest sales channel by far for Einhell, the e-commerce distribution channel already accounted for almost 20% of sales in 9M 2020. With the broad product range across the DIY and gardening segments as well as potential repeat purchases from Power-X-Change users, the relevance of the e-commerce sales channel for Einhell is set to increase further in our view.

Strong sales growth with e-commerce customers



Source: Einhell, Warburg Research

Power-X-Change concept as category leader

The Einhell battery system ...

In 2015, Einhell established its Power-X-Change programme, which allowed for several devices to be used with one battery and one charger. Since then the product range for the Power-X-Change has been steadily expanded. Currently the group offers around 180 different devices across the full product category for home and garden. Due to efficient batteries and latest cell technology, Power-X-Change is also suitable for power intensive tools.

With the early focus on the shift in customer demand to cordless tools and to master battery concepts, Einhell was able to benefit from the fast growth in this category. The original target to sell six million Power-X-Change batteries by 2020 was already achieved in 2019. So far, Einhell has sold more than 10 million Power-X-Change batteries. This number also underlines Einhell’s strong position in this category. A high number of batteries sold leads to recurring sales as one “starter kit” (battery + charger) leads to the potential sale of up to three different tools. By 2022 the group plans to have sold 16 million batteries.

Besides the wide Einhell product range, the group has also opened Power-X-Change as a platform for cooperation. Power-X-Change batteries can be also used for Electric Kickscooter or pallet trucks. Other cooperations for household applications might follow and would further strengthen the Einhell platform.

Overall, the establishment of battery platform systems seems to be an important game-changer in the industry. With a consumer decision in favour of one provider, the customer loyalty to one brand and the cross-selling potential will increase. With the strong focus on this category, Einhell has an excellent opportunity to gain new customers.

Power-X-Change offers a high number of devices for home and garden



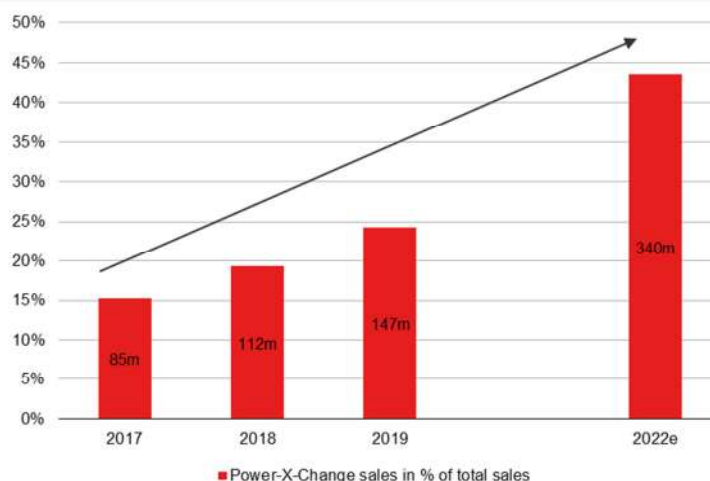
Source: Einhell

... as the key driver for further sales growth

The strong focus on the Power-X-Change category is a strong driver for Einhell's top-line development. In the mid term, Einhell aims for a share of sales of 40-50% with Power-X-Change products. The management plans an extension to around 350 devices for the Power-X-Change platform.

In the current year, the dynamic Power-X-Change growth has continued (WRe: Power-X-Change sales +40%). We expect that around 30% of total sales will be generated with this product category in 2020. The level of 40% will be exceeded in 2022 according to our assumptions. Overall, we assume a CAGR 2019/22 of 32% in sales from the Power-X-Change assortment.

Development of Power-X-Change sales



Source: Einhell, Warburg Research

Market and competitors

All major players in the power tool industry have also introduced battery systems (e.g. Bosch, Ryobi, Makita, Metabo). This underlines the strong market growth in this category. We expect that this growth will continue with ongoing replacement purchases for drill machines, hedge trimmers, lawn mowers and other items.

Despite the competition, we regard Einhell to be well positioned in this category. With the early focus on battery-driven products, the group has built up significant experience and partnerships for research and development. Moreover, Einhell offers one of the widest product ranges for its master battery, which seems to be a decisive factor for customers. Not least, Einhell has reached a critical size, which is relevant for development and procurement. Especially for smaller companies or niche brands, the shift to cordless tools is very challenging.

In July 2020, Bosch announced a “Power For All” alliance. Gardena and some smaller brands will enter the Bosch battery system. This step might also be seen as a reaction to Einhell’s strong position in the battery market. Compared to the overall power tool market, Einhell has achieved higher market shares in Germany in the cordless market segments, especially in the cordless lawn mower category where Power-X-Change products have significantly outperformed unit sales in the market.

A recent product test by the highly reputable German product-testing institute and magazine Stiftung Warentest underlines Einhell’s strong position in the field of battery systems. Quality, handling, charging time, storage life were key items of the inspection and Einhell was named as the best in the test ahead of Bosch, Makita and others. In the B2C category, in particular, such product tests are highly relevant for the buying decisions of consumers.

International expansion, a key pillar of the long-term strategy

Einhell has a long-standing track record in the internationalisation of its business. With almost 40 subsidiaries across Europe, Asia, Australia and South America, the group has a strong international network. The market entry in South America and the acquisition of Ozito in Australia 2013 were major steps to strengthen the business outside Europe. Over many years, Einhell has gained extensive expertise in distributing its products to the different markets with own subsidiaries or external sales partners. The group has also gained significant experience in running the business in countries with hyperinflation or high political and economic uncertainties (e.g. Argentina, Turkey).

Further international expansion remains a key priority on Einhell's strategic agenda. The group has selected several interesting regional markets for the continuation of its long-term growth strategy:

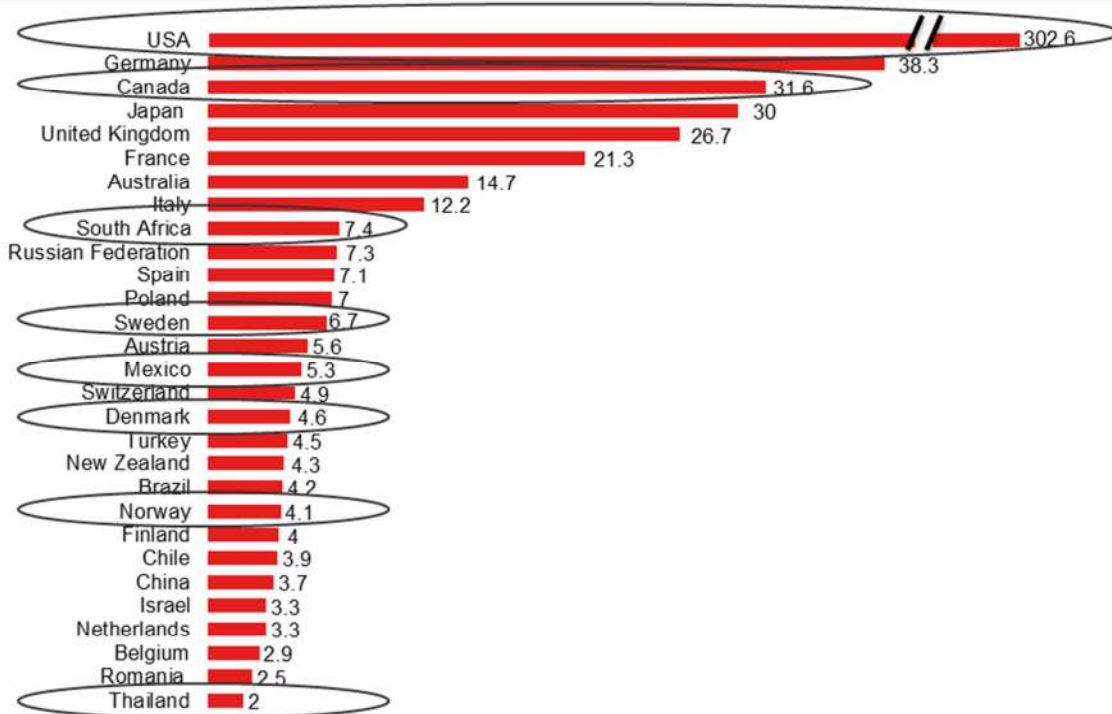
- USA/Canada with a long-term sales target of EUR 100m.
- Mexico and other markets in South/Central America with a sales potential of around EUR 40m.
- Scandinavia, where the group has already established a new joint venture with the distributor Millarco as local partner with an additional sales potential of EUR 20m.
- South Africa and Thailand are potential expansion markets for market entry with local partners or acquisitions.

While the new cooperation for Sweden, Denmark, and Norway has successfully started with the listing of Einhell products with additional retail partners, the projects for the other target countries are still at an early stage. As current restrictions related to COVID-19 are making the introduction of new international partnerships more difficult, our estimates do not yet fully include the addressed sales potential.

The USA accounts for around 50% of the global DIY market of around EUR 600bn. For the important US market, Einhell announced a partnership with US company SnowJoe in April 2019 after an intensive market analysis. 80 Power-X-Change devices have been assembled for the start of distribution in the US. However, the business partner in the US has not yet made as much progress as expected, according to the management. Currently the group is working on optimisation measures together with the US partner, which will take some time. The North American market remains highly attractive for Einhell. In light of the size of the market and a low-risk expansion approach, the group clearly prefers a partnership with a local distribution company for this region.

Recently, the group announced the acquisition of a 51%-stake in South African company Lawn Star, which sells garden tools (lawn trimmers and mowers etc.) in South Africa and other neighbouring African countries. Even if this is a smaller activity with current sales of EUR 3-4m, it's a further step in the international growth strategy. Lawn Star will be a good platform to distribute Einhell products on the African continent.

International expansion: Target countries in terms of total DIY market size



Source: EDRA, Einhell, Warburg Research

Growth / Financials

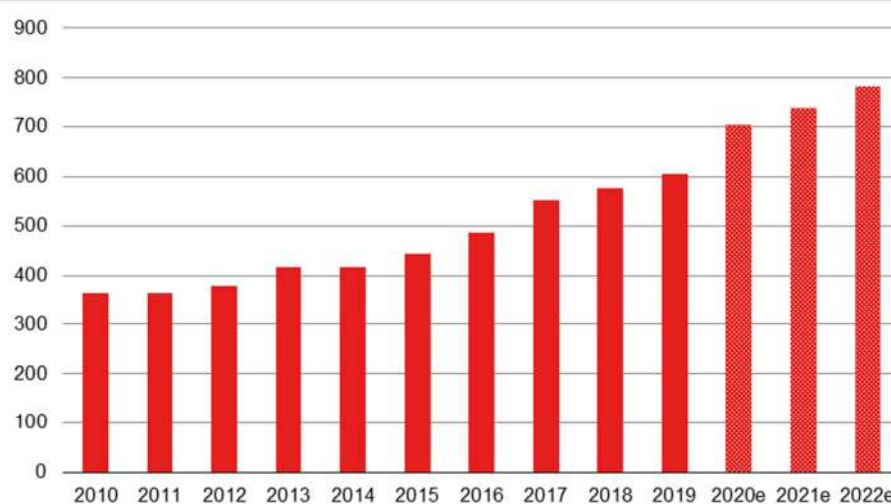
- Steady growth course supported by dynamic sales increase with Power-X-Change products. Additional growth opportunities from international expansion and add-on acquisitions.
- Strong earnings increase in the current year. Long-term EBT margin target of 5-6% seems to be very conservative after recent profitability improvements.
- A key pillar of the investment case is the high balance sheet quality with an equity ratio of above 50%

Long-standing track record of turnover growth

Continuation of steady growth course

We expect the A-brand strategy with a strong focus on the Power-X-Change battery platform to continue to support Einhell's steady growth course. From 2010 to 2019 the group achieved an average sales increase of 5.8%. For the period 2016 to 2019 the CAGR was 7.5%.

Sales development 2010 – 2022e



Source: Einhell, Warburg Research

We assume that the sales level of EUR 750m can be exceeded as early as in 2022. Originally the management was planning for this in 2023/24. Now, the group is focused on its long-term sales target of EUR 1bn.

Sales and EBT scenario 2016 – 2022e

in EURm	2016	2017	y/y	2018	y/y	2019	y/y	2020e	y/y	2021e	y/y	2022e	y/y
DACH	201.4	220.0	9.2%	229.1	4.2%	247.0	7.8%	298.0	20.6%	314.0	5.4%	333.0	6.1%
Western Europe	82.0	103.6	26.3%	114.4	10.4%	121.8	6.5%	136.0	11.7%	141.5	4.0%	152.0	7.4%
Eastern Europe	60.7	67.7	11.6%	69.8	3.0%	63.4	-9.0%	68.0	7.2%	70.5	3.7%	74.0	5.0%
Overseas	115.9	135.4	16.8%	126.5	-6.6%	126.9	0.3%	158.0	24.5%	168.0	6.3%	178.0	6.0%
Other countries	27.2	26.7	-1.9%	38.2	43.0%	46.6	21.9%	42.0	-9.8%	43.0	2.4%	44.0	2.3%
Einhell group	487.2	553.4	13.6%	577.9	4.4%	605.7	4.8%	702.0	15.9%	737.0	5.0%	781.0	6.0%
DACH	5.9	6.7		8.0		10.2		16.0		16.4		18.4	
Western Europe	2.7	6.7		4.8		6.2		8.7		8.9		9.9	
Eastern Europe	4.4	5.0		5.7		4.0		5.5		5.7		6.2	
Overseas	6.7	15.4		13.0		10.0		15.2		15.4		16.8	
Other countries	4.9	9.5		3.5		3.7		5.5		5.5		5.5	
Consolidation	-7.6	-7.6		1.2		-1.6		-2.0		-2.1		-2.1	
EBT	17.0	35.7	110.2%	36.2	1.4%	32.5	-10.2%	48.9	50.5%	49.8	1.8%	54.7	9.8%
EBT margin	3.5%	6.5%		6.3%		5.4%		7.0%		6.8%		7.0%	

Source: Warburg Research

Our sales growth expectations are mainly based on the organic growth potential in existing markets. Owing to current uncertainties, we have not factored in a significant short-term sales volume from further international expansion.

The key growth driver will remain the Power-X-Change battery system. We expect Einhell to steadily increase its share of sales in this category. The result of the recent Stiftung Warentest report, in particular, is likely to be an additional driver for the promotion of Einhell's battery system in core markets in Western Europe.

Power-X-Change sales 2017-2022e

<i>in EURm</i>	2017	2018	y/y	2019	y/y	2020e	y/y	2021e	y/y	2022e	y/y
Group sales	553.4	577.9	4.4%	605.7	4.8%	702.0	15.9%	737.0	5.0%	781.0	6.0%
Power-X-Change	84.6	111.9	32.3%	147.2	31.5%	211.0	43.3%	275.0	30.3%	340.0	23.6%
share of sales	15.3%	19.4%		24.3%		30.1%		37.3%		43.5%	

Source: Einhell, Warburg Research

EBT margin target of 5-6% looks conservative and underpins solid profitability

With an increase in the share of own-brand sales and the reduction in business with discounters, Einhell's gross margin structurally improved from 30% (average from 2010 – 2014) to around 34%. For the coming years we expect a similar gross margin level.

In line with the track record of profitable growth, the group has a long-term EBT margin target of 5-6%. For 2020, the group is expecting a higher EBT margin of around 7.0%, driven by the dynamic sales development in the current year as the group benefited from the strong demand in the DIY and gardening categories, owing to the pandemic-related "stay-at-home" environment. In 9M 2020, sales were up by around 14%. The strong sales growth continued in October and November (sales after 11 months +17.5%). Therefore, the management increased the sales and earnings guidance at the beginning of December (FY 2020 sales of around EUR 700m vs. EUR 670m previously, EBT margin 7.0% vs. 6.5% previously).

After the strong profit margin increase in 2020, we also expect EBT margins to exceed the 5-6% corridor in 2021 and 2022. We assume a slight EBT margin decline to 6.8% in 2021 in light of the announced investments in product development and marketing. However, the 5-6% target range seems to be very conservative in our view.

Our calculation (gross margin ca. 34%, EBT margin ca. 7%) implies a personnel cost ratio of ca. 12.5% and other operating expenses of ca. 14.5% of sales. Main items within other operating expenses are advertising and freight costs. We are assuming a further increase in advertising expenses (2017: 2.3% of sales, 2019: 3.7% of sales) but economies of scale and efficiency gains should compensate for this.

Overall, further increases in the gross margin might be possible owing to the long-term focus on the A-brand strategy and the increasing share of Power-X-Change sales. This would offer upside potential for the EBT margin in the mid to long term, which is currently not factored in.

Based on the significant earnings improvement in the current year, a dividend increase for 2020 is highly likely in our view. We expect an increase from EUR 1.40 to 1.90 per preference share. This is in line with a long-term pay-out ratio of 20-30%.

Recent performance: Strong 9M 2020 numbers

<i>Regions in EURm</i>	9M 2020	9M 2019	y/y	<i>P&L in EURm</i>	9M 2020	9M 2019	y/y
DACH	234.1	194.3	20.5%	Sales	529.6	463.0	14.4%
Western Europe	101.4	94.1	7.8%	Material expenses	-347.6	-307.6	13.0%
Eastern Europe	51.3	48.9	4.9%	Gross profit	182.0	155.4	17.1%
Overseas	114.4	92.0	24.4%	Margin	34.4%	33.6%	+80bps
Other countries	28.4	33.7	-15.7%	Operating expenses	-135.9	-120.4	12.8%
Group sales	529.6	463.0	14.4%	EBITDA	46.1	35.0	31.8%
DACH	13.5	10.2	32.2%	Depreciation	-6.9	-5.9	17.5%
Western Europe	5.8	3.9	47.4%	EBIT	39.2	29.1	34.7%
Eastern Europe	4.2	3.1	36.5%	Financial result	-1.8	-2.5	-25.4%
Overseas	11.7	7.0	68.2%	EBT	37.4	26.6	40.3%
Other countries	3.7	2.0	86.7%	Margin	7.1%	5.8%	+130bps
Consolidation	-1.5	0.5	-412.0%	Taxes	-10.8	-7.0	54.4%
Group EBT	37.4	26.6	40.3%	Net profit	26.6	19.6	35.3%
EBT margin	7.1%	5.8%		Minorities	0.4	0.2	85.5%
				Net profit after minorities	26.2	19.4	34.7%

Source: Einhell

Strong balance sheet allows for further add-on acquisitions

With an equity ratio of around 55% and no structural net debt, Einhell has a very healthy balance sheet. The equity has now increased to well above EUR 200m from EUR 150m in 2016, with the retention of profits. In the same period the group paid out dividends of EUR 20m in total.

Key balance sheet items are related to the working capital with seasonal fluctuations. Overall, we assume a net working capital of approximately 30% of sales.

Balance sheet structure per December 2019 (in EURm)

Fixed Assets	67	16.9%	Equity	215	54.2%
Inventories	173	43.6%	Accounts payable	78	19.6%
Receivables	93	23.4%	Bank/Lease liabilities	38	9.6%
Cash	25	6.3%	Other items	66	16.6%
Other current assets	39	9.8%			

Source: Einhell

The strong balance sheet and a steady operating cash flow allow Einhell to react flexibly to potential growth or M&A opportunities. With the takeover of kwb (Accessories) and Ozito (Australia) the management has a good track record in the integration of acquired companies. Potential targets could include specialty retail brands or regional players to strengthen the group portfolio. A combination of the discounter business with attractive volumes would also be a strategic option.

Valuation

- From our DCF model we derive a PT of EUR 150 for the Einhell share.
- With a fair value of around EUR 140 (2022e) the FCF Value Potential approach indicates significant upside potential too.
- Sales and earnings multiples undemanding

DCF model points to current undervaluation of the Einhell share

For the valuation of the Einhell share we use a DCF model as well as our Free Cash Flow Value Potential approach and a peer group comparison.

We regard the DCF model to be most relevant to reflect the mid to long-term growth potential. In the DCF model we assume steadily declining growth rates in the long run with a TV growth of 2%. Our model implies an average mid to long-term EBT margin of 5.8%, which is in line with the 5-6% long-term guidance. The fair value calculation is based on a WACC of 7.3%.

The FCF Value Potential model is more short-term oriented. However, the fair values based on the cash flow potential in 2021 and 2022 are also clearly above EUR 100.

Free Cash Flow Value Potential

Warburg Research's valuation tool "FCF Value Potential" reflects the ability of the company to generate sustainable free cash flows. It is based on the "FCF potential" - a FCF "ex growth" figure - which assumes unchanged working capital and pure maintenance capex. A value indication is derived via the perpetuity of a given year's "FCF potential" with consideration of the weighted costs of capital. The fluctuating value indications over time add a timing element to the DCF model (our preferred valuation tool).

in EUR m	2016	2017	2018	2019	2020e	2021e	2022e
Net Income before minorities	9.6	21.6	26.3	24.6	34.2	34.8	38.3
+ Depreciation + Amortisation	6.5	5.2	4.8	8.4	9.1	9.5	9.9
- Net Interest Income	-3.5	-2.8	-2.7	-2.5	-2.3	-2.5	-2.5
- Maintenance Capex	5.0	6.7	8.4	10.0	14.0	14.0	14.0
+ Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0
= Free Cash Flow Potential	14.6	22.9	25.4	25.5	31.6	32.8	36.7
FCF Potential Yield (on market EV)	12.6 %	9.3 %	6.9 %	10.0 %	9.5 %	10.1 %	11.7 %
WACC	7.30 %	7.30 %	7.30 %	7.30 %	7.30 %	7.30 %	7.30 %
= Enterprise Value (EV)	116.7	246.2	369.7	254.9	333.3	326.2	314.2
= Fair Enterprise Value	200.5	313.4	348.2	349.7	432.8	449.4	502.3
- Net Debt (Cash)	12.2	12.2	12.2	12.2	-16.2	-23.6	-35.6
- Pension Liabilities	4.2	4.2	4.2	4.2	3.8	4.0	4.0
- Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0
- Market value of minorities	0.0	0.0	0.0	0.0	0.0	0.0	0.0
+ Market value of investments	0.0	0.0	0.0	0.0	0.0	0.0	0.0
= Fair Market Capitalisation	184.1	296.9	331.8	333.2	445.2	468.9	533.9
Number of shares, average	3.8	3.8	3.8	3.8	3.8	3.8	3.8
= Fair value per share (EUR)	48.76	78.67	87.91	88.29	117.96	124.24	141.44
premium (-) / discount (+) in %					28.8 %	35.6 %	54.4 %
Sensitivity Fair value per Share (EUR)							
	10.30 %	33.30	54.50	61.05	61.32	84.58	102.70
	9.31 %	37.35	60.83	68.08	68.38	93.31	112.84
	8.30 %	42.37	68.67	76.80	77.13	104.15	125.42
WACC	7.30 %	48.76	78.67	87.91	88.29	117.96	141.44
	6.31 %	57.19	91.84	102.55	102.98	136.15	162.55
	5.30 %	68.79	109.97	122.70	123.22	161.20	191.61
	4.30 %	85.78	136.53	152.21	152.85	197.88	234.17

- Increase in net cash position expected in the coming years.

DCF model

Figures in EUR m	Detailed forecast period			Transitional period										Term. Value
	2020e	2021e	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	
Sales	702.0	737.0	781.0	827.9	877.5	925.8	976.7	1,025.6	1,076.8	1,125.3	1,164.7	1,199.6	1,229.6	
Sales change	15.9 %	5.0 %	6.0 %	6.0 %	6.0 %	5.5 %	5.5 %	5.0 %	5.0 %	4.5 %	3.5 %	3.0 %	2.5 %	2.0 %
EBIT	51.2	52.3	57.2	58.0	61.4	60.2	63.5	66.7	64.6	67.5	69.9	66.0	67.0	
EBIT-margin	7.3 %	7.1 %	7.3 %	7.0 %	7.0 %	6.5 %	6.5 %	6.5 %	6.0 %	6.0 %	6.0 %	5.5 %	5.5 %	
Tax rate (EBT)	30.0 %	30.0 %	30.0 %	30.0 %	30.0 %	30.0 %	30.0 %	30.0 %	30.0 %	30.0 %	30.0 %	30.0 %	30.0 %	
NOPAT	35.8	36.6	40.0	40.6	43.0	42.1	44.4	46.7	45.2	47.3	48.9	46.2	46.9	
Depreciation	9.1	9.5	9.9	10.8	11.4	12.0	12.7	13.3	14.0	14.6	15.1	15.6	16.0	
in % of Sales	1.3 %	1.3 %	1.3 %	1.3 %	1.3 %	1.3 %	1.3 %	1.3 %	1.3 %	1.3 %	1.3 %	1.3 %	1.3 %	
Changes in provisions	-0.4	0.2	0.0	-0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.1	
Change in Liquidity from														
- Working Capital	-3.0	14.0	12.0	16.7	14.5	14.2	15.1	14.6	15.4	13.6	11.0	9.8	8.4	
- Capex	14.0	13.0	13.0	13.2	13.2	13.0	12.7	13.3	14.0	14.6	15.1	15.6	16.0	
Capex in % of Sales	2.0 %	1.8 %	1.7 %	1.6 %	1.5 %	1.4 %	1.3 %	1.3 %	1.3 %	1.3 %	1.3 %	1.3 %	1.3 %	
Other	4.0	4.0	4.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Free Cash Flow (WACC Model)	29.5	15.3	20.9	21.1	26.9	27.2	29.6	32.3	30.1	33.9	38.1	36.6	38.6	40
PV of FCF	29.5	14.2	18.2	17.1	20.3	19.1	19.4	19.7	17.1	18.0	18.8	16.8	16.6	327
share of PVs	10.83 %			31.98 %										57.19 %

Model parameter

Derivation of WACC:		Derivation of Beta:	
Debt ratio	15.00 %	Financial Strength	1.00
Cost of debt (after tax)	2.8 %	Liquidity (share)	1.50
Market return	7.00 %	Cyclicality	1.00
Risk free rate	1.50 %	Transparency	1.00
		Others	1.50
WACC	7.30 %	Beta	1.20

Valuation (m)

Present values 2032e	245		
Terminal Value	327		
Financial liabilities	25		
Pension liabilities	4		
Hybrid capital	0		
Minority interest	2		
Market val. of investments	0		
Liquidity	26	No. of shares (m)	3.8
Equity Value	567	Value per share (EUR)	150.13

Sensitivity Value per Share (EUR)

Beta	WACC	Terminal Growth							Beta	WACC	Delta EBIT-margin						
		1.25 %	1.50 %	1.75 %	2.00 %	2.25 %	2.50 %	2.75 %			-1.5 pp	-1.0 pp	-0.5 pp	+0.0 pp	+0.5 pp	+1.0 pp	+1.5 pp
1.41	8.3 %	118.44	120.58	122.89	125.37	128.07	130.99	134.18	1.41	8.3 %	82.53	96.81	111.09	125.37	139.65	153.94	168.22
1.31	7.8 %	128.09	130.72	133.57	136.67	140.04	143.73	147.78	1.31	7.8 %	90.11	105.63	121.15	136.67	152.18	167.70	183.22
1.25	7.6 %	133.51	136.44	139.62	143.09	146.88	151.05	155.65	1.25	7.6 %	94.42	110.64	126.87	143.09	159.31	175.53	191.75
1.20	7.3 %	139.39	142.66	146.22	150.13	154.41	159.14	164.40	1.20	7.3 %	99.15	116.14	133.13	150.13	167.12	184.11	201.10
1.15	7.1 %	145.78	149.45	153.46	157.87	162.74	168.14	174.17	1.15	7.1 %	104.35	122.19	140.03	157.87	175.71	193.55	211.39
1.09	6.8 %	152.77	156.89	161.43	166.43	171.99	178.19	185.15	1.09	6.8 %	110.10	128.88	147.66	166.43	185.21	203.98	222.76
0.99	6.3 %	168.85	174.14	180.02	186.58	193.95	202.28	211.79	0.99	6.3 %	123.65	144.63	165.60	186.58	207.56	228.53	249.51

- Mid to long-term EBIT margin assumption in line with management target and average EBIT margin of 6.2% from 2016/20.
- Sales growth assumption in line with Einhell's long-standing target range of +5-10% p.a.
- Beta of 1.2 due to non-voting preference share with limited liquidity.

In our peer group, we compare Einhell with several listed companies from the power tool or household appliances industry. In light of different company sizes and share structures, the relevance of the comparison is somewhat limited. However, the peer group clearly underpins the significant upside potential for the Einhell shares.

Peer group comparison

Company	LC	Marketcap. LC (million)	EV/Sales		EV/EBITDA		P/E	
			2020e	2021e	2020e	2021e	2020e	2021e
Husqvarna	SEK	55,296	1.4	1.4	9.4	8.8	19.5	17.6
Stanley Black & Decker	USD	28,395	2.5	2.3	14.1	12.7	20.9	18.6
Techtronic Industries	HKD	178,220	2.7	2.3	20.8	17.9	31.7	26.5
Makita	JPY	1,411,940	2.4	2.3	14.9	14.0	28.1	26.0
Leifheit	EUR	371	1.5	1.4	14.6	12.9	30.5	26.4
Average			2.1	1.9	14.8	13.2	26.1	23.0
Median			2.4	2.3	14.6	12.9	28.1	26.0
Einhell Germany Pref.			0.5	0.4	5.5	5.3	10.3	10.0
<i>vs. Median</i>			-80.0%	-80.4%	-62.0%	-59.2%	-63.5%	-61.5%

Source: Factset

**Strong international network
with 40 subsidiaries**

Company Background

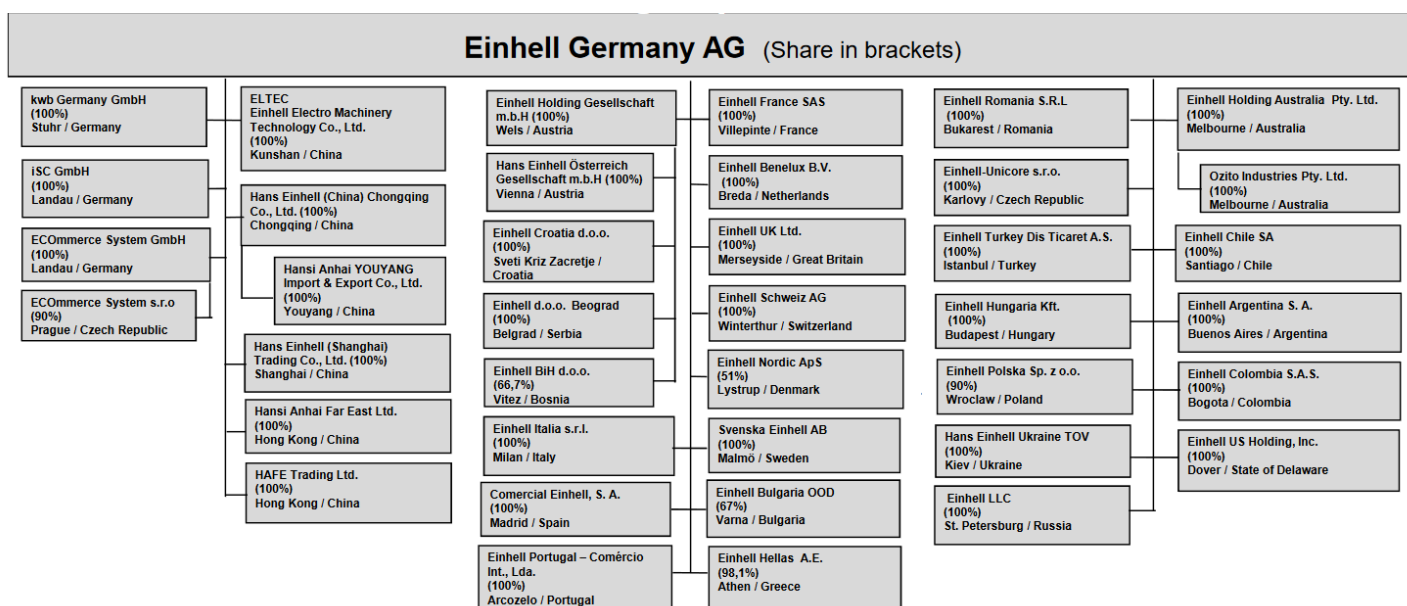
Einhell was founded in 1964 by Josef Thannhuber. The group's headquarters is in Landau an der Isar. In 1987, Einhell was listed on the stock exchange. The Thannhuber family holds the majority of the non-listed ordinary shares.

Overall, the group has ca. 1,600 employees. Einhell has built up an international network with about 40 subsidiaries. Most of the subsidiaries are responsible for sales and distribution in the different regions. Several companies have important central functions:

- The companies in China are responsible for factory audits, supervision of Einhell's suppliers and quality control before the export of the products. The export is coordinated by the trading companies in Hong Kong.
- iSC provides the complete after-sales and repair service for Einhell including the company's own call centre operations.
- kwb is a specialist for power tool accessories and was acquired by Einhell in 2012.
- In 2019, ECOMmerce System was set up with a focus on IT and software development as the digital connectivity of the products has become an important factor.

One of the largest companies in the group is Ozito Industries with annual sales of slightly more than EUR 100m. Ozito is a well-known brand in the power tool and garden tool category on the Australian market. The company was bought by Einhell in 2013. Ozito has a strong long-term relationship to the leading DIY chain Bunnings, which belongs to Wesfarmers Group.

Group structure



Source: Einhell

DCF model

Figures in EUR m	Detailed forecast period			Transitional period										Term. Value
	2020e	2021e	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	
Sales	702.0	737.0	781.0	827.9	877.5	925.8	976.7	1,025.6	1,076.8	1,125.3	1,164.7	1,199.6	1,229.6	
Sales change	15.9 %	5.0 %	6.0 %	6.0 %	6.0 %	5.5 %	5.5 %	5.0 %	5.0 %	4.5 %	3.5 %	3.0 %	2.5 %	2.0 %
EBIT	51.2	52.3	57.2	58.0	61.4	60.2	63.5	66.7	64.6	67.5	69.9	66.0	67.0	
EBIT-margin	7.3 %	7.1 %	7.3 %	7.0 %	7.0 %	6.5 %	6.5 %	6.5 %	6.0 %	6.0 %	6.0 %	5.5 %	5.5 %	
Tax rate (EBT)	30.0 %	30.0 %	30.0 %	30.0 %	30.0 %	30.0 %	30.0 %	30.0 %	30.0 %	30.0 %	30.0 %	30.0 %	30.0 %	
NOPAT	35.8	36.6	40.0	40.6	43.0	42.1	44.4	46.7	45.2	47.3	48.9	46.2	46.9	
Depreciation	9.1	9.5	9.9	10.8	11.4	12.0	12.7	13.3	14.0	14.6	15.1	15.6	16.0	
in % of Sales	1.3 %	1.3 %	1.3 %	1.3 %	1.3 %	1.3 %	1.3 %	1.3 %	1.3 %	1.3 %	1.3 %	1.3 %	1.3 %	
Changes in provisions	-0.4	0.2	0.0	-0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.1	
Change in Liquidity from														
- Working Capital	-3.0	14.0	12.0	16.7	14.5	14.2	15.1	14.6	15.4	13.6	11.0	9.8	8.4	
- Capex	14.0	13.0	13.0	13.2	13.2	13.0	12.7	13.3	14.0	14.6	15.1	15.6	16.0	
Capex in % of Sales	2.0 %	1.8 %	1.7 %	1.6 %	1.5 %	1.4 %	1.3 %	1.3 %	1.3 %	1.3 %	1.3 %	1.3 %	1.3 %	
Other	4.0	4.0	4.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Free Cash Flow (WACC Model)	29.5	15.3	20.9	21.1	26.9	27.2	29.6	32.3	30.1	33.9	38.1	36.6	38.6	40
PV of FCF	29.5	14.2	18.2	17.1	20.3	19.1	19.4	19.7	17.1	18.0	18.8	16.8	16.6	327
share of PVs	10.83 %			31.98 %										57.19 %

Model parameter

Derivation of WACC:		Derivation of Beta:	
Debt ratio	15.00 %	Financial Strength	1.00
Cost of debt (after tax)	2.8 %	Liquidity (share)	1.50
Market return	7.00 %	Cyclicality	1.00
Risk free rate	1.50 %	Transparency	1.00
		Others	1.50
WACC	7.30 %	Beta	1.20

Valuation (m)

Present values 2032e	245		
Terminal Value	327		
Financial liabilities	25		
Pension liabilities	4		
Hybrid capital	0		
Minority interest	2		
Market val. of investments	0		
Liquidity	26	No. of shares (m)	3.8
Equity Value	567	Value per share (EUR)	150.13

Sensitivity Value per Share (EUR)

Beta	WACC	Terminal Growth							Beta	WACC	Delta EBIT-margin						
		1.25 %	1.50 %	1.75 %	2.00 %	2.25 %	2.50 %	2.75 %			-1.5 pp	-1.0 pp	-0.5 pp	+0.0 pp	+0.5 pp	+1.0 pp	+1.5 pp
1.41	8.3 %	118.44	120.58	122.89	125.37	128.07	130.99	134.18	1.41	8.3 %	82.53	96.81	111.09	125.37	139.65	153.94	168.22
1.31	7.8 %	128.09	130.72	133.57	136.67	140.04	143.73	147.78	1.31	7.8 %	90.11	105.63	121.15	136.67	152.18	167.70	183.22
1.25	7.6 %	133.51	136.44	139.62	143.09	146.88	151.05	155.65	1.25	7.6 %	94.42	110.64	126.87	143.09	159.31	175.53	191.75
1.20	7.3 %	139.39	142.66	146.22	150.13	154.41	159.14	164.40	1.20	7.3 %	99.15	116.14	133.13	150.13	167.12	184.11	201.10
1.15	7.1 %	145.78	149.45	153.46	157.87	162.74	168.14	174.17	1.15	7.1 %	104.35	122.19	140.03	157.87	175.71	193.55	211.39
1.09	6.8 %	152.77	156.89	161.43	166.43	171.99	178.19	185.15	1.09	6.8 %	110.10	128.88	147.66	166.43	185.21	203.98	222.76
0.99	6.3 %	168.85	174.14	180.02	186.58	193.95	202.28	211.79	0.99	6.3 %	123.65	144.63	165.60	186.58	207.56	228.53	249.51

- Mid to long-term EBIT margin assumption in line with management target and average EBIT margin of 6.2% from 2016/20.
- Sales growth assumption in line with Einhell's long-standing target range of +5-10% p.a.
- Beta of 1.2 due to non-voting preference share with limited liquidity.

Free Cash Flow Value Potential

Warburg Research's valuation tool "FCF Value Potential" reflects the ability of the company to generate sustainable free cash flows. It is based on the "FCF potential" - a FCF "ex growth" figure - which assumes unchanged working capital and pure maintenance capex. A value indication is derived via the perpetuity of a given year's "FCF potential" with consideration of the weighted costs of capital. The fluctuating value indications over time add a timing element to the DCF model (our preferred valuation tool).

in EUR m	2016	2017	2018	2019	2020e	2021e	2022e	
Net Income before minorities	9.6	21.6	26.3	24.6	34.2	34.8	38.3	
+ Depreciation + Amortisation	6.5	5.2	4.8	8.4	9.1	9.5	9.9	
- Net Interest Income	-3.5	-2.8	-2.7	-2.5	-2.3	-2.5	-2.5	
- Maintenance Capex	5.0	6.7	8.4	10.0	14.0	14.0	14.0	
+ Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
= Free Cash Flow Potential	14.6	22.9	25.4	25.5	31.6	32.8	36.7	
FCF Potential Yield (on market EV)	12.6 %	9.3 %	6.9 %	10.0 %	9.5 %	10.1 %	11.7 %	
WACC	7.30 %	7.30 %	7.30 %	7.30 %	7.30 %	7.30 %	7.30 %	
= Enterprise Value (EV)	116.7	246.2	369.7	254.9	333.3	326.2	314.2	
= Fair Enterprise Value	200.5	313.4	348.2	349.7	432.8	449.4	502.3	
- Net Debt (Cash)	12.2	12.2	12.2	12.2	-16.2	-23.6	-35.6	
- Pension Liabilities	4.2	4.2	4.2	4.2	3.8	4.0	4.0	
- Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Market value of minorities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
+ Market value of investments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
= Fair Market Capitalisation	184.1	296.9	331.8	333.2	445.2	468.9	533.9	
Number of shares, average	3.8	3.8	3.8	3.8	3.8	3.8	3.8	
= Fair value per share (EUR)	48.76	78.67	87.91	88.29	117.96	124.24	141.44	
premium (-) / discount (+) in %					28.8 %	35.6 %	54.4 %	
Sensitivity Fair value per Share (EUR)								
	10.30 %	33.30	54.50	61.05	61.32	84.58	89.58	102.70
	9.31 %	37.35	60.83	68.08	68.38	93.31	98.65	112.84
	8.30 %	42.37	68.67	76.80	77.13	104.15	109.91	125.42
WACC	7.30 %	48.76	78.67	87.91	88.29	117.96	124.24	141.44
	6.31 %	57.19	91.84	102.55	102.98	136.15	143.13	162.55
	5.30 %	68.79	109.97	122.70	123.22	161.20	169.13	191.61
	4.30 %	85.78	136.53	152.21	152.85	197.88	207.21	234.17

▪ Increase in net cash position expected in the coming years.

Valuation	2016	2017	2018	2019	2020e	2021e	2022e
Price / Book	0.8 x	1.3 x	1.7 x	1.1 x	1.4 x	1.3 x	1.2 x
Book value per share ex intangibles	37.74	42.83	47.69	51.76	59.15	66.11	74.01
EV / Sales	0.2 x	0.4 x	0.6 x	0.4 x	0.5 x	0.4 x	0.4 x
EV / EBITDA	4.3 x	5.6 x	8.5 x	5.9 x	5.5 x	5.3 x	4.7 x
EV / EBIT	5.7 x	6.4 x	9.5 x	7.3 x	6.5 x	6.2 x	5.5 x
EV / EBIT adj.*	5.2 x	6.1 x	9.3 x	7.3 x	6.5 x	6.2 x	5.5 x
P / FCF	4.3 x	n.a.	n.a.	7.3 x	11.6 x	23.8 x	18.0 x
P / E	14.4 x	11.1 x	12.8 x	9.8 x	10.3 x	10.0 x	9.1 x
P / E adj.*	14.4 x	11.1 x	12.8 x	9.8 x	10.3 x	10.0 x	9.1 x
Dividend Yield	2.2 %	1.9 %	1.6 %	2.2 %	2.1 %	2.1 %	2.4 %
FCF Potential Yield (on market EV)	12.6 %	9.3 %	6.9 %	10.0 %	9.5 %	10.1 %	11.7 %

*Adjustments made for: -

Consolidated profit & loss

In EUR m	2016	2017	2018	2019	2020e	2021e	2022e
Sales	487.2	553.4	577.9	605.7	702.0	737.0	781.0
Change Sales yoy	9.8 %	13.6 %	4.4 %	4.8 %	15.9 %	5.0 %	6.0 %
Increase / decrease in inventory	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Own work capitalised	0.0	0.0	0.3	0.2	0.0	0.0	0.0
Total Sales	487.2	553.4	578.2	605.9	702.0	737.0	781.0
Material expenses	330.1	361.9	380.2	399.3	461.9	484.9	513.9
Gross profit	157.1	191.4	197.9	206.6	240.1	252.1	267.1
<i>Gross profit margin</i>	<i>32.2 %</i>	<i>34.6 %</i>	<i>34.2 %</i>	<i>34.1 %</i>	<i>34.2 %</i>	<i>34.2 %</i>	<i>34.2 %</i>
Personnel expenses	63.2	72.4	76.2	78.5	86.3	91.1	95.8
Other operating income	6.2	7.8	11.0	6.9	7.0	7.2	7.3
Other operating expenses	73.1	83.1	88.9	91.5	100.5	106.4	111.5
Unfrequent items	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBITDA	27.0	43.8	43.7	43.5	60.3	61.8	67.1
<i>Margin</i>	<i>5.5 %</i>	<i>7.9 %</i>	<i>7.6 %</i>	<i>7.2 %</i>	<i>8.6 %</i>	<i>8.4 %</i>	<i>8.6 %</i>
Depreciation of fixed assets	3.9	3.1	3.4	7.9	8.6	8.9	9.2
EBITA	23.1	40.6	40.3	35.6	51.7	52.9	57.9
Amortisation of intangible assets	2.6	2.1	1.4	0.5	0.5	0.6	0.7
Goodwill amortisation	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	20.5	38.5	38.9	35.0	51.2	52.3	57.2
<i>Margin</i>	<i>4.2 %</i>	<i>7.0 %</i>	<i>6.7 %</i>	<i>5.8 %</i>	<i>7.3 %</i>	<i>7.1 %</i>	<i>7.3 %</i>
EBIT adj.	22.3	40.3	39.8	35.0	51.2	52.3	57.2
Interest income	0.1	0.2	0.2	0.2	0.0	0.0	0.0
Interest expenses	2.1	2.2	1.5	1.0	1.3	1.3	1.3
Other financial income (loss)	-1.5	-0.8	-1.4	-1.8	-1.0	-1.2	-1.2
EBT	17.0	35.7	36.2	32.5	48.9	49.8	54.7
<i>Margin</i>	<i>3.5 %</i>	<i>6.5 %</i>	<i>6.3 %</i>	<i>5.4 %</i>	<i>7.0 %</i>	<i>6.8 %</i>	<i>7.0 %</i>
Total taxes	7.3	14.2	9.9	7.9	14.7	14.9	16.4
Net income from continuing operations	9.6	21.6	26.3	24.6	34.2	34.8	38.3
Income from discontinued operations (net of tax)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net income before minorities	9.6	21.6	26.3	24.6	34.2	34.8	38.3
Minority interest	0.3	0.3	0.3	0.3	0.6	0.3	0.3
Net income	9.3	21.2	26.0	24.3	33.7	34.5	38.0
<i>Margin</i>	<i>1.9 %</i>	<i>3.8 %</i>	<i>4.5 %</i>	<i>4.0 %</i>	<i>4.8 %</i>	<i>4.7 %</i>	<i>4.9 %</i>
Number of shares, average	3.8	3.8	3.8	3.8	3.8	3.8	3.8
EPS	2.48	5.63	6.90	6.44	8.92	9.15	10.07
EPS adj.	2.48	5.63	6.90	6.44	8.92	9.15	10.07

*Adjustments made for:

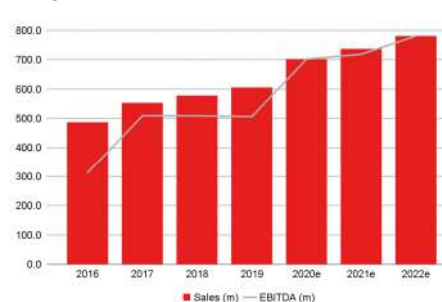
Guidance: 2020: Sales EUR 700m, EBT margin ca. 7.0%

Financial Ratios

	2016	2017	2018	2019	2020e	2021e	2022e
Total Operating Costs / Sales	95.7 %	93.5 %	94.4 %	94.0 %	92.4 %	92.6 %	92.3 %
Operating Leverage	4.9 x	6.5 x	0.2 x	-2.1 x	2.9 x	0.4 x	1.6 x
EBITDA / Interest expenses	12.8 x	19.8 x	29.2 x	44.6 x	46.4 x	47.5 x	51.6 x
Tax rate (EBT)	43.2 %	39.6 %	27.3 %	24.4 %	30.0 %	30.0 %	30.0 %
Dividend Payout Ratio	31.3 %	21.0 %	20.1 %	21.5 %	21.0 %	20.6 %	21.7 %
Sales per Employee	357,193	374,392	368,326	384,323	438,750	449,390	46,240

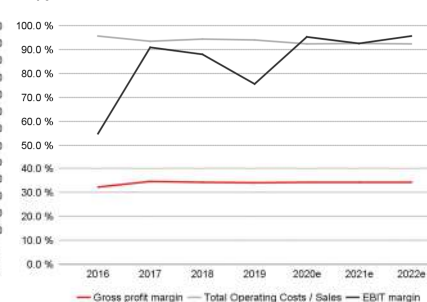
Sales, EBITDA

in EUR m

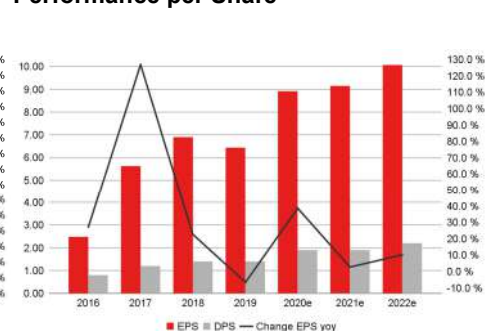


Operating Performance

in %



Performance per Share



Source: Warburg Research

Source: Warburg Research

Source: Warburg Research

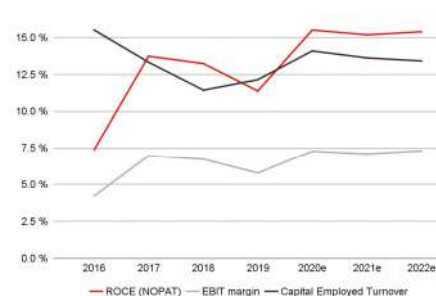
Consolidated balance sheet

In EUR m	2016	2017	2018	2019	2020e	2021e	2022e
Assets							
Goodwill and other intangible assets	19.8	17.9	16.5	17.7	18.1	19.2	20.2
thereof other intangible assets	7.0	5.5	4.8	5.9	6.4	7.5	8.5
thereof Goodwill	12.8	12.3	11.7	11.7	11.7	11.7	11.7
Property, plant and equipment	19.9	22.1	26.0	48.9	52.3	54.4	56.2
Financial assets	0.4	0.7	0.7	0.4	0.4	0.4	0.4
Other long-term assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Fixed assets	40.0	40.7	43.2	66.9	70.8	74.0	76.8
Inventories	127.7	180.1	188.5	173.3	173.0	189.0	200.0
Accounts receivable	67.9	82.3	88.1	92.9	108.0	113.0	120.0
Liquid assets	54.7	14.4	14.1	25.7	49.1	56.4	68.5
Other short-term assets	32.9	35.2	37.8	38.5	39.0	39.0	39.0
Current assets	283.2	312.1	328.6	330.5	369.1	397.4	427.5
Total Assets	323.3	352.8	371.8	397.4	439.9	471.5	504.3
Liabilities and shareholders' equity							
Subscribed capital	9.7	9.7	9.7	9.7	9.7	9.7	9.7
Capital reserve	26.7	26.7	26.7	26.7	26.7	26.7	26.7
Retained earnings	132.9	151.9	173.4	189.6	171.4	197.9	225.3
Other equity components	-7.0	-8.7	-13.2	-12.9	33.7	34.5	38.0
Shareholders' equity	162.2	179.5	196.5	213.0	241.4	268.8	299.6
Minority interest	1.9	2.0	2.1	1.9	2.0	2.0	2.0
Total equity	164.1	181.6	198.6	214.9	243.4	270.8	301.6
Provisions	21.9	31.9	26.6	25.9	27.2	28.4	28.4
thereof provisions for pensions and similar obligations	3.2	3.1	3.4	4.2	3.8	4.0	4.0
Financial liabilities (total)	33.2	22.4	46.7	37.9	32.9	32.9	32.9
thereof short-term financial liabilities	3.2	22.4	21.6	2.4	0.0	0.0	0.0
Accounts payable	70.3	85.4	68.5	78.2	96.0	103.0	109.0
Other liabilities	33.8	31.4	31.4	40.6	40.4	36.4	32.4
Liabilities	159.2	171.2	173.1	182.5	196.5	200.7	202.7
Total liabilities and shareholders' equity	323.3	352.8	371.8	397.4	439.9	471.5	504.3

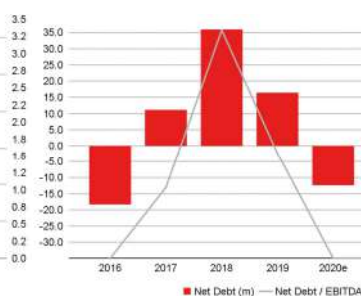
Financial Ratios

	2016	2017	2018	2019	2020e	2021e	2022e
Efficiency of Capital Employment							
Operating Assets Turnover	3.4 x	2.8 x	2.5 x	2.6 x	3.0 x	2.9 x	2.9 x
Capital Employed Turnover	3.3 x	2.9 x	2.5 x	2.6 x	3.0 x	2.9 x	2.9 x
ROA	23.3 %	52.3 %	60.3 %	36.3 %	47.5 %	46.6 %	49.4 %
Return on Capital							
ROCE (NOPAT)	7.4 %	13.7 %	13.2 %	11.4 %	15.5 %	15.2 %	15.4 %
ROE	5.9 %	12.4 %	13.8 %	11.9 %	14.8 %	13.5 %	13.4 %
Adj. ROE	5.9 %	12.4 %	13.8 %	11.9 %	14.8 %	13.5 %	13.4 %
Balance sheet quality							
Net Debt	-18.3	11.1	35.9	16.4	-12.4	-19.6	-31.6
Net Financial Debt	-21.5	8.0	32.6	12.2	-16.2	-23.6	-35.6
Net Gearing	-11.2 %	6.1 %	18.1 %	7.6 %	-5.1 %	-7.2 %	-10.5 %
Net Fin. Debt / EBITDA	n.a.	18.3 %	74.4 %	28.1 %	n.a.	n.a.	n.a.
Book Value / Share	43.0	47.6	52.1	56.4	64.0	71.2	79.4
Book value per share ex intangibles	37.7	42.8	47.7	51.8	59.2	66.1	74.0

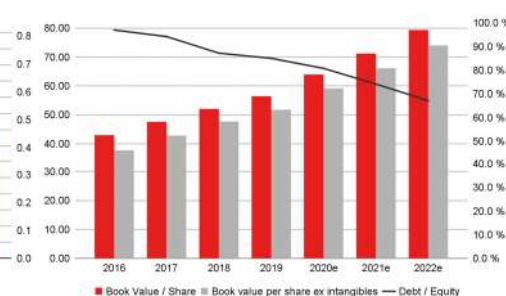
ROCE Development



Net debt in EUR m



Book Value per Share in EUR



Source: Warburg Research

Source: Warburg Research

Source: Warburg Research

Consolidated cash flow statement

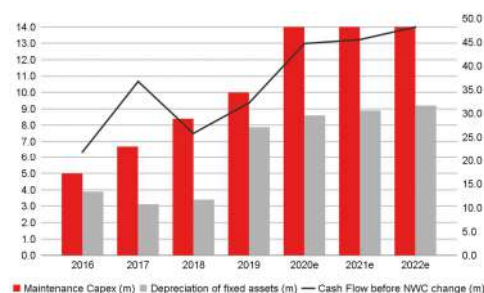
In EUR m	2016	2017	2018	2019	2020e	2021e	2022e
Net income	17.0	35.7	36.2	32.5	48.9	49.8	54.7
Depreciation of fixed assets	3.9	3.1	3.4	7.9	8.6	8.9	9.2
Amortisation of goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Amortisation of intangible assets	2.6	2.1	1.4	0.5	0.5	0.6	0.7
Increase/decrease in long-term provisions	5.7	10.0	-5.3	-0.7	1.4	1.2	0.0
Other non-cash income and expenses	-7.3	-14.2	-9.9	-7.9	-14.7	-14.9	-16.4
Cash Flow before NWC change	21.9	36.8	25.8	32.3	44.7	45.5	48.2
Increase / decrease in inventory	11.4	-52.4	-8.4	15.2	0.3	-16.0	-11.0
Increase / decrease in accounts receivable	-5.2	-14.4	-5.8	-4.7	-15.1	-5.0	-7.0
Increase / decrease in accounts payable	7.8	15.1	-17.0	9.7	17.8	7.0	6.0
Increase / decrease in other working capital positions	0.0	0.0	0.0	-4.0	-4.0	-4.0	-4.0
Increase / decrease in working capital (total)	14.0	-51.7	-31.2	16.2	-1.0	-18.0	-16.0
Net cash provided by operating activities [1]	35.9	-15.0	-5.4	48.5	43.7	27.5	32.2
Investments in intangible assets	-0.5	-0.7	-0.7	-1.7	-2.0	-2.0	-2.0
Investments in property, plant and equipment	-4.2	-5.6	-7.7	-14.2	-12.0	-11.0	-11.0
Payments for acquisitions	0.0	0.3	0.4	0.0	0.0	0.0	0.0
Financial investments	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Income from asset disposals	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net cash provided by investing activities [2]	-4.7	-6.0	-8.0	-15.9	-14.0	-13.0	-13.0
Change in financial liabilities	0.6	-10.7	24.2	-8.7	-5.0	0.0	0.0
Dividends paid	-2.3	-3.0	-4.5	-5.3	-5.3	-7.2	-7.2
Purchase of own shares	0.0	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	0.0
Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net cash provided by financing activities [3]	-1.6	-13.8	19.7	-14.0	-10.3	-7.2	-7.2
Change in liquid funds [1]+[2]+[3]	29.5	-34.8	6.4	18.5	19.4	7.4	12.0
Effects of exchange-rate changes on cash	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Cash and cash equivalent at end of period	53.8	19.9	20.8	32.6	45.1	56.4	68.5

Financial Ratios

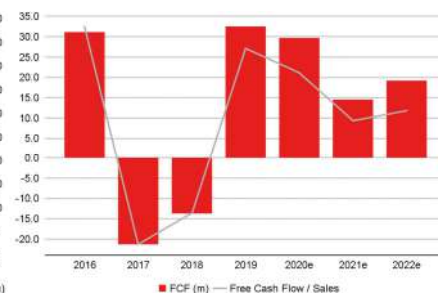
	2016	2017	2018	2019	2020e	2021e	2022e
Cash Flow							
FCF	31.1	-21.3	-13.7	32.5	29.7	14.5	19.2
Free Cash Flow / Sales	6.4 %	-3.9 %	-2.4 %	5.4 %	4.2 %	2.0 %	2.5 %
Free Cash Flow Potential	14.6	22.9	25.4	25.5	31.6	32.8	36.7
Free Cash Flow / Net Profit	333.3 %	-100.4 %	-52.7 %	133.7 %	88.2 %	42.1 %	50.5 %
Interest Received / Avg. Cash	0.3 %	0.6 %	1.2 %	1.1 %	0.0 %	0.0 %	0.0 %
Interest Paid / Avg. Debt	6.4 %	7.9 %	4.3 %	2.3 %	3.7 %	4.0 %	4.0 %
Management of Funds							
Investment ratio	1.0 %	1.1 %	1.4 %	2.6 %	2.0 %	1.8 %	1.7 %
Maint. Capex / Sales	1.0 %	1.2 %	1.5 %	1.7 %	2.0 %	1.9 %	1.8 %
Capex / Dep	73.4 %	120.8 %	173.1 %	189.3 %	153.8 %	136.8 %	131.3 %
Avg. Working Capital / Sales	27.1 %	27.3 %	33.3 %	32.7 %	26.6 %	26.1 %	26.2 %
Trade Debtors / Trade Creditors	96.5 %	96.3 %	128.7 %	118.8 %	112.5 %	109.7 %	110.1 %
Inventory Turnover	2.6 x	2.0 x	2.0 x	2.3 x	2.7 x	2.6 x	2.6 x
Receivables collection period (days)	51	54	56	56	56	56	56
Payables payment period (days)	78	86	66	71	76	78	77
Cash conversion cycle (Days)	114	150	171	143	117	121	121

CAPEX and Cash Flow

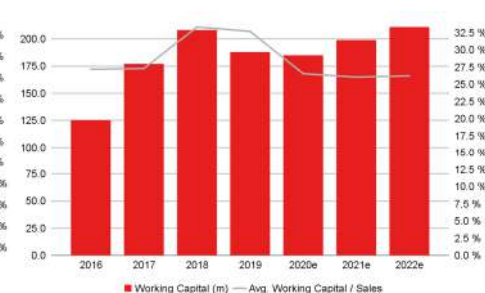
in EUR m



Free Cash Flow Generation



Working Capital



Source: Warburg Research

Source: Warburg Research

Source: Warburg Research

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Company	Disclosure	Link to the historical price targets and rating changes (last 12 months)
Einhell Pref.	3, 5	http://www.mmwarburg.com/disclaimer/disclaimer_en/DE0005654933.htm

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-H-	Hold:	The price of the analysed financial instrument is expected to remain mostly flat over the next 12 months.
-S-	Sell:	The price of the analysed financial instrument is expected to fall over the next 12 months.
“-“	Rating suspended:	The available information currently does not permit an evaluation of the company.

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Rating	Number of stocks	% of Universe
Buy	130	64
Hold	59	29
Sell	8	4
Rating suspended	6	3
Total	203	100

WARBURG RESEARCH GMBH – ANALYSED RESEARCH UNIVERSE BY RATING ...

... taking into account only those companies which were provided with major investment services in the last twelve months.

Rating	Number of stocks	% of Universe
Buy	37	84
Hold	5	11
Sell	0	0
Rating suspended	2	5
Total	44	100

PRICE AND RATING HISTORY EINHELL PREF. AS OF 09.12.2020


Markings in the chart show rating changes by Warburg Research GmbH in the last 12 months. Every marking details the date and closing price on the day of the rating change.

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