

Einhell Germany AG

Consumer Goods - Germany



Buy (old: Buy)

23.08.2024

EUR 84.00 (old: EUR 227.00)

Final Q2 results & guidance confirmed; 1:3 share split; chg.

Yesterday, Einhell released final Q2 results with sales amounting to € 307m or +11.1% yoy, implying a stronger Q2 performance than initially expected by management after releasing preliminary Q2 results in June (sales of € 295m or vs. eNuW: € 292m). Once again the satisfactory sales development was driven by an ongoing strong demand for the company's Power X-Change products (H1'24: 51% PXC share; +5ppts yoy). Q2 sales in DACH came in at € 135m (+6.3% yoy), still making up the bulk of overall revenue with c. 43% of Group sales. Western Europe grew by 6.2% yoy to € 57m, while Eastern Europe performed strongly, growing 30% yoy to € 35m as a result of stronger demand in Turkey, Croatia, and Poland. Overseas and Other Countries grew 13.7% to € 65m, driven by solid performance of Einhell Australia (formerly Ozito), offset by top-line challenges in both Canada and South Africa.

EBT for Q2'24 was € 27.5m (+14.6% yoy) with an **EBT margin of 9%** (+0.3ppts yoy), mainly due to operating leverage, offset by PPA effects with regards to the acquisitions in Thailand and Vietnam. While the gross margin was roughly on par with last year's figure due to easing but still noticeable cost inflation (41.4% or +1ppts yoy), **personnel expenses grew 9% yoy to € 35m** (11.5% of sales) as an increased employee base in combination with the acquisitions in Thailand and Vietnam weighed on operating profitability. **Other operating expenses also increased markedly by 11.8% to € 59m** (19.2% of sales) as the revenue share expended on marketing and advertising increased by 1.7ppts to 7.4% of sales in H1.

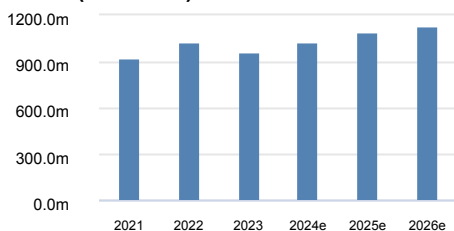
Einhell confirmed its FY24e guidance of 6% sales growth yoy to around € 1,030m (eNuW: € 1,035m) and **sees its EBT margin at the upper end (8%)** of the 7.5-8% guidance corridor (eNuW: 7.6%). In our view, this continues to look achievable as the healthy sales growth and solid EBT profitability in Q1 and Q2 should provide confidence, aided by a less challenging H2'23 comparable base. Given that Einhell has a sound track record of expanding internationally via M&A, a targeted US market entry should provide the company access to the largest DIY market globally and help with rolling-out its leading Power X-Change platform there.

Due to a 1:3 stock split and the increased share count we have adjusted our model and PT accordingly and **reiterate our BUY rating post-split with a PT of € 84** (pre-split: € 227), based on DCF.

Y/E 31.12 (EUR m)	2021	2022	2023	2024e	2025e	2026e
Sales	927.4	1,032.5	971.5	1,034.7	1,096.8	1,129.7
Sales growth	28.0%	11.3%	-5.9%	6.5%	6.0%	3.0%
EBITDA	94.4	107.2	98.0	99.6	108.5	115.2
Net debt (if net cash=0)	211.1	224.3	67.6	33.0	16.1	0.7
FCF	-168.9	32.2	197.4	45.5	53.1	56.5
Net Debt/EBITDA	2.2	2.1	0.7	0.3	0.1	0.0
EPS pro forma	15.53	15.83	13.56	5.09	5.76	6.16
EBITDA margin	10.2%	10.4%	10.1%	9.6%	9.9%	10.2%
ROCE	18.3%	14.9%	13.6%	14.5%	15.2%	15.3%
EV/sales	0.7	0.5	0.3	0.7	0.6	0.6
EV/EBITDA	7.0	4.4	3.2	7.1	6.4	5.9
PER	9.9	3.5	4.1	11.0	9.7	9.1
Adjusted FCF yield	8.4%	15.7%	20.0%	9.6%	11.2%	13.2%

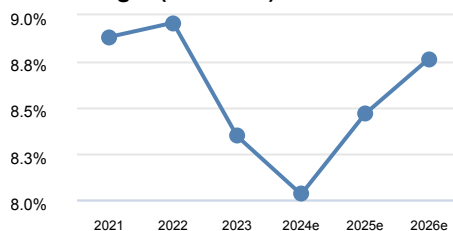
Source: Company data, NuWays, Close price as of 21.08.2024

Sales (2021-26e)



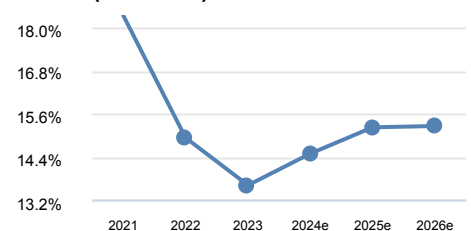
Source: NuWays Research

EBIT margin (2021-26e)



Source: NuWays Research

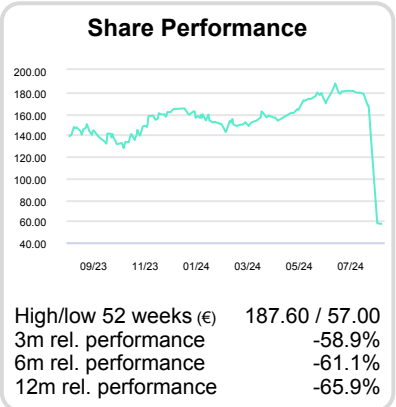
ROCE (2021-26e)



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.



Market data

Share price (in €)	57.00
Market cap (in € m)	634.1
Number of shares (in m pcs)	11.3
Enterprise value (in € m)	704.2
Ø trading volume (6 months)	2,600

Identifier

Bloomberg	EIN GR
Reuters	ING_p
WKN	A40ESU
ISIN	DE000A40ESU3

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%	0%	0%
EPS	-68%	-67%	-67%

- ### Comment on changes
- Changes reflect elevated marketing investments and higher personnel expenses as well as an increased share count due to a 1:3 stock split
 - Terminal year EBIT margin was raised to 8.5%

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	1,034.7	1,096.8	1,129.7
<i>Sales growth</i>	28.0%	11.3%	-5.9%	6.5%	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	1,035.1	1,097.2	1,130.1
Other operating income	9.3	17.8	18.8	14.4	15.2	15.7
Material expenses	594.2	659.1	583.7	621.8	671.6	691.7
Personnel expenses	107.8	118.7	129.6	134.5	140.4	141.2
Other operating expenses	140.7	165.7	179.8	193.5	191.9	197.7
Total operating expenses	833.4	925.7	874.3	935.4	988.7	1,014.9
EBITDA	94.4	107.2	98.0	99.6	108.5	115.2
Depreciation	12.0	14.7	16.2	16.6	15.7	16.1
EBITA	82.4	92.5	81.7	83.1	92.9	99.0
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	83.1	92.9	99.0
Interest income	0.0	0.0	0.0	0.0	0.0	0.0
Interest expenses	0.5	5.1	5.7	4.7	4.0	4.2
Investment income	0.0	0.0	0.0	0.0	0.0	0.0
Financial result	-0.5	-5.1	-5.7	-4.7	-4.0	-4.2
Recurring pretax income from continuing operations	81.8	87.4	75.4	78.4	88.8	94.9
Extraordinary income/loss	0.0	0.0	0.0	0.0	0.0	0.0
Earnings before taxes	81.8	87.4	75.4	78.4	88.8	94.9
Income tax expense	21.7	26.6	23.8	20.8	23.5	25.1
Net income from continuing operations	60.2	60.8	51.6	57.6	65.3	69.7
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	57.6	65.3	69.7
Minority interest	1.5	1.0	1.1	0.0	0.0	0.0
Net profit (reported)	58.6	59.8	50.5	57.6	65.3	69.7
Average number of shares	3.8	3.8	3.8	11.3	11.3	11.3
EPS reported	15.53	15.83	13.38	5.09	5.76	6.16

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%	6.5%	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%	60.1%	61.2%	61.2%
Personnel expenses	11.6%	11.5%	13.3%	13.0%	12.8%	12.5%
Other operating expenses	15.2%	16.0%	18.5%	18.7%	17.5%	17.5%
Total operating expenses	89.9%	89.7%	90.0%	90.4%	90.1%	89.8%
EBITDA	10.2%	10.4%	10.1%	9.6%	9.9%	10.2%
Depreciation	1.3%	1.4%	1.7%	1.6%	1.4%	1.4%
EBITA	8.9%	9.0%	8.4%	8.0%	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%	8.0%	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%	7.6%	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%	7.6%	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%	5.6%	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%	5.6%	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%	5.6%	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	51.0	54.1	55.7
Property, plant and equipment	57.2	57.6	85.4	90.9	96.4	99.3
Financial assets	15.5	7.2	8.6	9.2	9.7	10.0
FIXED ASSETS	92.3	103.4	141.9	151.2	160.2	165.0
Inventories	450.0	473.5	363.6	387.2	410.4	439.2
Accounts receivable	135.9	143.7	149.8	159.6	169.1	174.2
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	109.4	126.2	141.6
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	711.4	761.1	810.3
TOTAL ASSETS	831.9	842.7	810.0	862.6	921.3	975.3

SHAREHOLDERS EQUITY	340.9	355.5	340.9	396.9	434.4	471.7
MINORITY INTEREST	3.4	11.3	14.0	14.0	14.0	14.0
Long-term liabilities to banks	91.4	88.3	92.2	73.8	73.8	73.8
Bonds (long-term)	0.0	0.0	0.0	0.0	0.0	0.0
other interest-bearing liabilities	40.3	43.8	58.0	55.1	55.1	55.1
Provisions for pensions and similar obligations	37.7	33.5	34.8	37.1	39.3	40.5
Other provisions and accrued liabilities	0.0	0.0	0.0	0.0	0.0	0.0
NON-CURRENT LIABILITIES	169.3	165.6	185.0	166.0	168.2	169.4
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	167.2	180.2	182.5
Advance payments received on orders	0.0	0.0	0.0	0.0	0.0	0.0
Accrued taxes	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	99.9	105.9	109.1
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	318.2	310.2	270.1	285.7	304.7	320.3
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	831.9	842.7	810.0	862.6	921.3	975.3

Balance sheet (common size)	2021	2022	2023	2024e	2025e	2026e
Intangible assets	2.4%	4.6%	5.9%	5.9%	5.9%	5.7%
Property, plant and equipment	6.9%	6.8%	10.5%	10.5%	10.5%	10.2%
Financial assets	1.9%	0.9%	1.1%	1.1%	1.1%	1.0%
FIXED ASSETS	11.1%	12.3%	17.5%	17.5%	17.4%	16.9%
Inventories	54.1%	56.2%	44.9%	44.9%	44.6%	45.0%
Accounts receivable	16.3%	17.1%	18.5%	18.5%	18.4%	17.9%
Other assets and short-term financial assets	15.0%	11.1%	4.0%	3.7%	3.5%	3.3%
Liquid assets	1.4%	1.3%	12.3%	12.7%	13.7%	14.5%
Deferred taxes	2.1%	2.1%	2.9%	2.7%	2.5%	2.4%
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%	82.6%	83.1%
TOTAL ASSETS	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

SHAREHOLDERS EQUITY	41.0%	42.2%	42.1%	46.0%	47.2%	48.4%
MINORITY INTEREST	0.4%	1.3%	1.7%	1.6%	1.5%	1.4%
Long-term liabilities to banks	11.0%	10.5%	11.4%	8.6%	8.0%	7.6%
Bonds (long-term)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
other interest-bearing liabilities	4.8%	5.2%	7.2%	6.4%	6.0%	5.6%
Provisions for pensions and similar obligations	4.5%	4.0%	4.3%	4.3%	4.3%	4.2%
Other provisions and accrued liabilities	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
NON-CURRENT LIABILITIES	20.4%	19.7%	22.8%	19.2%	18.3%	17.4%
Short-term liabilities to banks	10.9%	12.2%	2.1%	1.6%	1.5%	1.4%
Accounts payable	16.5%	13.8%	19.0%	19.4%	19.6%	18.7%
Advance payments received on orders	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Accrued taxes	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%	11.6%	11.5%	11.2%
Deferred taxes	2.5%	1.8%	0.6%	0.6%	0.6%	1.6%
Deferred income	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
CURRENT LIABILITIES	38.2%	36.8%	33.3%	33.1%	33.1%	32.8%
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	57.6	65.3	69.7
Depreciation of fixed assets (incl. leases)	12.0	14.7	16.2	16.6	15.7	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	46.9	54.6	61.7
Increase/decrease in inventory	-255.2	-23.5	109.9	-23.6	-23.2	-28.7
Increase/decrease in accounts receivable	-16.7	-7.8	-6.1	-9.7	-9.6	-5.1
Increase/decrease in accounts payable	40.7	-21.2	38.0	12.9	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	-20.5	-19.8	-31.5
Cash flow from operating activities	-151.4	40.8	211.7	59.9	67.4	69.5
CAPEX	17.5	8.6	14.2	14.5	14.3	13.0
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	-14.5	-14.3	-13.0
Cash flow before financing	-177.4	3.3	181.3	34.6	16.8	15.4
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	36.3	41.1
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	-36.3	-41.1
Increase/decrease in liquid assets	-20.6	-0.9	88.8	9.9	16.8	15.4
Liquid assets at end of period	11.5	10.7	99.4	109.4	126.2	141.6

Key ratios (EUR m)	2021	2022	2023	2024e	2025e	2026e
P&L growth analysis						
Sales growth	28.0%	11.3%	-5.9%	6.5%	6.0%	3.0%
EBITDA growth	37.6%	13.6%	-8.6%	1.7%	8.9%	6.1%
EBIT growth	39.6%	12.3%	-12.4%	2.5%	11.8%	6.6%
EPS growth	42.3%	1.9%	-15.5%	-62.0%	13.3%	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%	35.7%	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	45.5	53.1	56.5
Free cash flow/sales	-18.2%	3.1%	20.3%	4.4%	4.8%	5.0%
FCF / net profit	neg.	52.9%	382.9%	78.9%	81.4%	81.1%
Capex / sales	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Solvency						
Net debt	211.1	224.3	67.6	33.0	16.1	0.7
Net Debt/EBITDA	2.2	2.1	0.7	0.3	0.1	0.0
Dividend payout ratio	14.6%	17.6%	22.6%	18.8%	55.6%	58.9%
Interest paid / avg. debt	0.4%	2.2%	2.8%	3.0%	2.8%	2.9%
Returns						
ROCE	18.3%	14.9%	13.6%	14.5%	15.2%	15.3%
ROE	17.2%	16.8%	14.8%	14.5%	15.0%	14.8%
Adjusted FCF yield	8.4%	15.7%	20.0%	9.6%	11.2%	13.2%
Dividend yield	1.7%	5.1%	5.1%	5.7%	6.4%	6.9%
DPS	2.5	2.8	2.8	3.2	3.6	3.8
EPS reported	15.53	15.83	13.38	5.09	5.76	6.16
Average number of shares	3.8	3.8	3.8	11.3	11.3	11.3
Valuation ratios						
P/BV	1.7	0.6	0.6	1.6	1.5	1.3
EV/sales	0.7	0.5	0.3	0.7	0.6	0.6
EV/EBITDA	7.0	4.4	3.2	7.1	6.4	5.9
EV/EBIT	8.1	5.1	3.9	8.5	7.4	6.8

Source: Company data, NuWays

Disclosures

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Indication of conflict of interest

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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 determination of the fair value per share, i.e. the price target, and the relevant rating is done on the basis of the adjusted free cash flow (adj. FCF) method and on the basis of the discounted cash flow – DCF model. Furthermore, a peer group comparison is made.

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.

Within the framework of the DCF approach, the future free cash flows are calculated initially on the basis of a fictitious capital structure of 100% equity, i.e. interest and repayments on debt capital are not factored in initially. The adjust-

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8. Miscellaneous

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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Contacts

NuWays AG

Mittelweg 16-17
20148 Hamburg
Germany

+49 170 119 8648
info@nuways-ag.com
www.nuways-ag.com



Christian Sandherr

Co-CEO/Analyst

christian.sandherr@nuways-ag.com



Frederik Jarchow

Co-CEO/Analyst

frederik.jarchow@nuways-ag.com



Philipp Sennewald

Analyst

philipp.sennewald@nuways-ag.com



Henry Wendisch

Analyst

henry.wendisch@nuways-ag.com



Mark Schüssler

Analyst

mark-hendrik.schuessler@nuways-ag.com



Konstantin Völk

Analyst

konstantin.voelk@nuways-ag.com

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