

20 September 2021

Gigaset AG

Rating	Buy (Buy)
Share price (EUR)	0.37
Target price (EUR)	0.81 (0.71)
Bloomberg Sector	GGG GY Technology

Share data

Shares out (m)	132.5
Daily volume shs (m)	0.0
Free float (%)	100.00
Market cap (EUR m)	49
EV (EUR m)	32
DPS (EUR)	0.00
Dividend yield (%)	0.0
Payout ratio (%)	0.0

Performance

ytd (%)	23.0
12 months (%)	47.6
12 months rel. (%)	12.8
Index	SDAX

Share price performance



Source: Bloomberg

Next triggers

25.11.2021: Q3 figures

Analysts

Sebastian Droste – Financial Analyst
T +49 (0) 69 2475049 26
sebastian.droste@quirinprivatbank.de

Please see final page for important disclaimers and disclosures

Strong & better than expected Q2

On September 16th, Gigaset published a very strong and better than expected set of Q2 2021 results. Revenues were up a strong 18.4% yoy and 6% exceeding our estimate. EBITDA came in at EUR 2.7m, from EUR -0.6m last year and also well above our expectation. In 2020, Gigaset suffered particularly from the closure of stationary retail stores in the course of the covid-19 lockdown. The situation has strongly improved and is clearly reflected in Gigaset's results. Our view remains positive and we expect the business to continue to pick up as long as stationary retail trade will not be disrupted again. Also, we are still excited about the exclusive agreement with Unify that Gigaset signed last December – this should significantly contribute to top line growth over the next years. Due to the strong results, we increase our DCF-based target price from EUR 0.71 to EUR 0.81 and confirm our Buy rating.

Performance of business areas

Revenues in the Phones, Smartphones and Smart Home business areas, which are primarily geared towards private customers, amounted to EUR 79.2m in H1 2021 - an increase of 36.1% yoy. This is mostly due to an increased proportion of people working from home. In the professional segment revenue climbed to EUR 22.7m, increasing 29% yoy and supported by catch-up effects due to project postponements last year. Both strong growth rates, which we see as great success.

Guidance 2021 for the first time

Management also published a guidance for 2021 and expects a modest increase in revenues and EBITDA. Even more promising is the expectation of a positive free cash flow at the pre-pandemic level.

Gigaset AG - Q2 2021

EUR m	Q2 2021	Q2 2020	yoy	Quirin est.	delta
Revenues	51.5	43.5	18.4%	48.6	6.0%
EBITDA	2.7	-0.6	nm	2.4	12.5%
EBITDA margin	5.2%	-1.4%	nm	4.9%	30 BP

Source: Gigaset AG, Quirin Privatbank AG

Key figures		2019	2020	2021e	2022e	2023e
Sales	EUR m	258	214	231	236	241
EBITDA	EUR m	29	2	9	12	25
EBIT	EUR m	14	-13	-10	-5	9
EPS	EUR	0.09	-0.08	-0.06	-0.04	0.04
Sales growth	%	-8.0	-17.0	8.0	2.0	2.1
EBIT growth	%	61.1	-195.0	-25.9	-43.6	-273.6
EPS growth	%	233.1	-192.7	-18.9	-42.5	-220.5
EBITDA margin	%	11.1	0.9	3.8	5.0	10.5
EBIT margin	%	5.3	-6.1	-4.2	-2.3	3.9
Net margin	%	4.4	-4.9	-3.7	-2.1	2.4
EV/Sales	ratio	0.09	0.07	0.14	0.13	-0.12
EV/EBITDA	ratio	0.9	7.3	3.7	2.6	-1.2
EV/EBIT	ratio	1.8	-1.1	-3.3	-5.7	-3.1
P/E	ratio	4.3	-4.7	-5.8	-10.0	8.3

Source: Bloomberg, Company data, Quirin Privatbank estimates

DCF Valuation

We have derived our target price for Gigaset AG from our DCF model. With a WACC of 7.35% (resulting from a risk free rate of 2.0%, market premium of 5% and a beta of 1.1), a mid-term revenue CAGR 2021-2024 of 2% fading to a perpetual growth rate of 1.5% and a sustainable long-term EBIT margin of 6.5%, our DCF model derives a fair value of EUR 0.81 per share. Hence, we reiterate our Buy recommendation.

DCF Model for Gigaset

(EUR m)	2021e	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	TV
Sales	231	236	241	246	249	261	275	292	306	318	
growth yoy	8.0%	2.0%	2.1%	2.0%	15%	4.8%	5.3%	6.1%	5.0%	4.0%	
EBIT	-10	-5	9	12	13	14	16	18	19	21	
EBIT margin	-4.2%	-2.3%	3.9%	5.0%	5.3%	5.6%	5.8%	6.0%	6.3%	6.5%	
Taxes	1.9	1.4	-2.8	-3.7	-4.0	-4.3	-4.8	-5.3	-5.8	-6.2	
Tax rate	20%	25%	30%	30%	30%	30%	30%	30%	30%	30%	
Depreciation	18.4	17.2	15.8	14.8	14.2	14.1	14.4	15.1	15.7	16.2	
% of sales	8.0%	7.3%	6.6%	6.0%	5.7%	5.4%	5.2%	5.2%	5.1%	5.1%	
Capex	-13.9	-11.8	-12.0	-12.3	-12.5	-13.2	-14.0	-14.8	-15.6	-16.2	
% of sales	6.0%	5.0%	5.0%	5.0%	5.0%	5.1%	5.1%	5.1%	5.1%	5.1%	
Δ NWC	-8.5	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	-0.2	
% of sales	3.7%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	0.1%	
FCF	-11.6	1.1	10.2	10.8	10.8	10.9	11.4	12.3	13.3	14.3	247.4
growth yoy	nm	nm	nm	6.7%	-0.4%	0.5%	5.2%	8.2%	8.1%	6.9%	1.5%
PV FCF	-11.4	1.0	8.6	8.6	8.0	7.5	7.3	7.4	7.4	7.4	128.0

PV Forecast Period	52
PV Terminal Value	128

Enterprise value	180
- Net Debt / Net Cash	-26
- Pension Provisions	98
Equity value	107
Number of shares	132.5
Value per share (€)	0.81

Sensitivity Analysis	Terminal growth rate				
	0.5%	1.0%	1.5%	2.0%	2.5%
6.62%	0.84	0.93	1.04	1.17	1.34
6.98%	0.74	0.82	0.92	1.03	1.17
WACC 7.35%	0.66	0.73	0.81	0.90	1.02
7.72%	0.58	0.64	0.71	0.80	0.89
8.09%	0.52	0.57	0.63	0.70	0.78

Risk free rate	2.00%	Equity ratio	100%
Cost of debt	3.00%	Company beta	1.1
Market Premium	5.00%	WACC	7.35%

Source: Quirin Privatbank

Profit & loss statement

Profit & loss statement (EUR m)	2019	YOY	2020	YOY	2021e	YOY	2022e	YOY	2023e	YOY
Sales	257.9	-8.0 %	214.2	-17.0 %	231.2	8.0 %	235.9	2.0 %	240.8	2.1 %
Other own work capitalized	30.6		13.8		23.1		23.6		24.1	
Cost of goods	-130.9		-103.7		-111.5		-113.3		-115.1	
Gross profit	288.5		228.0		254.3		259.5		264.9	
Personnel expenses	-59.4		-58.5		-53.2		-51.9		-52.7	
Depreciation	-14.8		-15.0		-18.4		-17.2		-15.8	
Other operating expenses	-69.7		-63.9		-80.9		-82.5		-71.7	
EBITDA	28.5	28.8 %	1.9	-93.2 %	8.8	355.4 %	11.8	34.3 %	25.3	114.4 %
EBITDA margin (%)	11.05		0.90		3.80		5.00		10.50	
EBIT	13.7	61.1 %	-13.0	-195.0 %	-9.7	-25.9 %	-5.5	-43.6 %	9.5	-273.6 %
EBIT margin (%)	5.32		-6.09		-4.18		-2.31		3.93	
Net financial result	0.8		-0.9		-1.0		-1.1		-1.0	
Exceptional items	0.0		0.0		0.0		0.0		2.0	
Pretax profit	14.5	94.6 %	-14.0	-196.3 %	-10.6	-24.0 %	-6.5	-38.6 %	8.4	-229.1 %
Pretax margin (%)	5.63		-6.53		-4.59		-2.76		3.50	
Taxes	-3.2		3.5		2.1		1.6		-2.5	
Tax rate (%)	22.11		25.03		20.00		25.00		30.00	
Earnings after taxes	11.3		-10.5		-8.5		-4.9		5.9	
Group attributable income	11.3	233.1 %	-10.5	-192.7 %	-8.5	-18.9 %	-4.9	-42.5 %	5.9	-220.5 %
No. of shares (m)	132.5		132.5		132.5		132.5		132.5	
Earnings per share (EUR)	0.09	233.1 %	-0.08	-192.7 %	-0.06	-18.9 %	-0.04	-42.5 %	0.04	-220.5 %

Source: Company data, Quirin Privatbank estimates

Balance sheet

Balance sheet (EUR m)	2019	YOY	2020	YOY	2021e	YOY	2022e	YOY	2023e	YOY
Assets										
Cash and cash equivalents	36.6		42.0		33.1		34.4		45.8	
Accounts receivables	45.4		24.6		91.8		93.7		95.6	
Inventories	35.2		23.5		87.7		89.5		91.3	
Other current assets	27.0		18.5		18.5		18.5		18.5	
Tax claims	9.4		15.8		15.8		15.8		15.8	
Total current assets	144.2	3.0 %	108.7	-24.6 %	231.1	112.7 %	236.0	2.1 %	251.2	6.4 %
Fixed assets	23.3		18.9		14.4		8.9		5.1	
Other intangible assets	33.8		51.4		51.4		51.4		51.4	
Financial assets	7.7		6.7		6.7		6.7		6.7	
Deferred taxes	9.4		15.8		15.8		15.8		15.8	
Other fixed assets	4.3		3.5		3.5		3.5		3.5	
Total fixed assets	78.4	7.3 %	96.3	22.8 %	91.7	-4.8 %	86.3	-5.9 %	82.5	-4.4 %
Total assets	222.6	4.5 %	204.9	-7.9 %	322.8	57.5 %	322.3	-0.2 %	333.7	3.6 %
Equity & Liabilities										
Subscribed capital	132.5		132.5		132.5		132.5		132.5	
Reserves & other	86.1		86.1		86.1		86.1		86.1	
Revenue reserves	69.0		69.0		60.5		55.6		62.5	
Accumulated other comprehensive	-269.0		-285.6		-285.6		-285.6		-285.6	
Shareholder's equity	18.5	-25.9 %	1.9	-89.8 %	-6.6	-448.2 %	-11.5	74.0 %	-4.6	-60.0 %
Shareholder's equity incl. minorities	18.5	-25.9 %	1.9	-89.8 %	-6.6	-448.2 %	-11.5	74.0 %	-4.6	-60.0 %
Long-term liabilities										
Pension provisions	92.5		98.3		98.3		98.3		98.3	
Financial liabilities	10.2		12.7		12.7		12.7		12.7	
Tax liabilities	4.9		1.8		1.9		2.0		2.0	
Other liabilities	6.6		4.7		5.1		5.2		5.3	
Total long-term debt	114.2	6.5 %	117.4	2.8 %	117.9	0.4 %	118.1	0.1 %	118.2	0.1 %
Short-term debt										
Other provisions	14.8		13.1		14.1		14.4		14.7	
Trade payables	51.2		45.0		167.9		171.3		174.9	
Financial debt	5.7		3.8		3.8		3.8		3.8	
Other liabilities	23.1		25.5		27.6		28.1		28.7	
Total short-term debt	94.8	-1.1 %	87.4	-7.8 %	213.4	144.1 %	217.6	2.0 %	222.1	2.0 %
Total equity & liabilities	222.6	4.5 %	204.9	-7.9 %	322.8	57.5 %	322.3	-0.2 %	333.7	3.6 %

Source: Company data, Quirin Privatbank estimates

Financial key ratios

Key ratios	2019	2020	2021e	2022e	2023e
Per share data (EUR)					
EPS	0.09	-0.08	-0.06	-0.04	0.04
Book value per share	0.1	0.0	0.0	-0.1	0.0
Free cash flow per share	0.0	0.1	-0.1	0.0	0.1
Dividend per share	0.00	0.00	0.00	0.00	0.00
Valuation ratios					
EV/Sales	0.09	0.07	0.14	0.13	-0.12
EV/EBITDA	0.9	7.3	3.7	2.6	-1.2
EV/EBIT	1.8	-1.1	-3.3	-5.7	-3.1
P/E	4.3	-4.7	-5.8	-10.0	8.3
P/B	2.6	25.8	-7.4	-4.3	-10.6
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
Growth					
Sales growth (%)	-8.0	-17.0	8.0	2.0	2.1
EBITDA growth (%)	28.8	-93.2	355.4	34.3	114.4
EBIT growth (%)	61.1	-195.0	-25.9	-43.6	-273.6
EPS growth (%)	233.1	-192.7	-18.9	-42.5	-220.5
Profitability ratios					
EBITDA margin (%)	11.1	0.9	3.8	5.0	10.5
EBIT margin (%)	5.3	-6.1	-4.2	-2.3	3.9
Net margin (%)	4.4	-4.9	-3.7	-2.1	2.4
ROCE (%)	10.7	-11.1	-8.8	-5.2	8.5
Financial ratios					
Total equity (EUR m)	18.5	1.9	-6.6	-11.5	-4.6
Equity ratio (%)	8.3	0.9	-2.0	-3.6	-1.4
Net financial debt (EUR m)	71.8	72.7	81.6	80.3	68.9
Net debt/Equity	0.1	0.0	0.0	0.0	0.0
Interest cover	8.8	-9.5	-6.6	-3.7	5.1
Net debt/EBITDA	2.5	37.7	9.3	6.8	2.7
Payout ratio (%)	0.0	0.0	0.0	0.0	0.0
Working Capital (EUR m)	29.4	3.1	11.6	11.8	12.0
Working capital/Sales	0.11	0.01	0.05	0.05	0.05

Source: Company data, Quirin Privatbank estimates

Legal Disclaimer

This report was completed 20/09/2021 12:22 CEST (Delegierte Verordnung 2016/958, Artikel 3 Absatz 1e)

This document has been prepared by Quirin Privatbank AG (hereinafter referred to as „the Bank“). This document does not claim completeness regarding all the information on the stocks, stock markets or developments referred to in it. On no account should the document be regarded as a substitute for the recipient procuring information for himself/herself or exercising his/her own judgments.

The document has been produced for information purposes for institutional clients or market professionals. Private customers, into whose possession this document comes, should discuss possible investment decisions with their customer service officer as differing views and opinions may exist with regard to the stocks referred to in this document.

This document is not a solicitation or an offer to buy or sell the mentioned stock.

The document may include certain descriptions, statements, estimates, and conclusions underlining potential market and company development. These reflect assumptions, which may turn out to be incorrect. The Bank and/or its employees accept no liability whatsoever for any direct or consequential loss or damages of any kind arising out of the use of this document or any part of its content.

Any forecasts or price targets shown for companies discussed in this document may not be achieved due to multiple risk factors including without limitation market volatility, sector volatility, corporate actions, the unavailability of complete and accurate information. For investments in foreign markets and instruments there are further risks, generally based on changes in economic and political environment, changes in financial conditions of the relevant company, on exchange rate changes, etc.

The Bank and/or its employees may hold, buy or sell positions in any securities mentioned in this document, derivatives thereon or related financial products. The Bank and/or its employees may underwrite issues for any securities mentioned in this document, derivatives thereon or related financial products or seek to perform capital market or underwriting services.

The Bank reserves all the rights in this document.

The preparation of this document is subject to regulation by German Law.

Remarks regarding to U.K. clients: Distribution of this material in the U.K. is governed by the FSA Rules. This Report is intended only for distribution to Professional Clients or Eligible Counterparties (as defined under the rules of the FSA) and is not directed at Retail Clients (as defined under the rules of the FSA).

Disclosures in respect of section 85 of the German Securities Trading Act, the market abuse regulation and the Commission Delegated Regulation (EU) 2016/958

Section 85 of the German Securities Trading Act in combination with the European regulations requires an enterprise preparing a securities analyses to point possible conflicts of interest with respect to the company that is the subject of the analyses. Catalogue of potential conflicts of interest:

1. The Bank and/or its affiliate(s) own a net long or short position exceeding the threshold of 0,5% of the total issued share capital of the company that is the subject of the Research Document, calculated in accordance with Article 3 of regulation (EU) No 236/2012 and with Chapter III and IV of Commission Delegated Regulation (EU) No 918/2012
2. The company that is the subject of the Research Document owns 5% or more in the total issued share capital of the Bank and/or its affiliate(s)
3. The Bank and/or its affiliate(s) was Lead Manager or Co-Lead Manager over the previous 12 months of a public offering of analyzed company
4. The Bank and/or its affiliate(s) act as Market Maker or Designated Sponsor for the analyzed company
5. The Bank and/or its affiliate(s) over the previous 12 months has been providing investment banking services for the analyzed company for which a compensation has been or will be paid
6. The responsible analyst named in this report disclosed a draft of the analysis set forth in this Research Document to the company that is the subject of this Research Document for fact reviewing purposes and changes were made to this Research Document before publication
7. The Bank and/or its affiliate(s) effected an agreement with the analyzed company for the preparation of the financial analysis
8. The Bank and/or its affiliate(s) holds a trading position in shares of the analyzed company
9. The Bank and/or its affiliate(s) has other important financial interests in relation to the analyzed company

In relation to the security or financial instrument discussed in this analyses the following possible conflict of interest exists: (7)

The Bank have set up effective organizational administrative arrangements to prevent and avoid possible conflicts of interest and, where applicable, to disclose them. The Quirin research analysts involved in issuing research reports operate independently of Quirin Investment Banking business. Information barriers and procedures are in place between the research analysts and staff involved in securities trading for the account of Quirin or clients to ensure the price sensitive information is treated according to applicable laws and regulations.

The valuation underlying the rating of the company analyzed in this report is based on generally accepted and widely used methods of fundamental valuation, such as the DCF model, Free Cash Flow Value Potential, peer group comparison and – where applicable – a sum-of-the-parts model.

We do not commit ourselves in advance to whether and in which intervals an update is made. The document and the recommendation and the estimations contained therein are not linked – whether directly or indirectly – to the compensation of the analyst responsible for the document.

All share prices given in this equity analysis are closing prices from the last trading day before the publication date stated, unless another point in time is explicitly stated.

The rating in this report are based on the analyst's expectation of the absolute change in stock price over a period of 6 to 12 months and reflect the analyst's view of the potential for change in stock price as a percentage. The BUY and SELL ratings reflect the analyst's expected high change in the value of the stock.

The levels of change expressed in each rating categories are:

BUY > +10%

HOLD <=-10% and < = +10%

SELL > -10%.

Analyst certification

Sebastian Droste, financial analyst, hereby certifies that all of the views expressed in this report accurately reflect my personal views about any and all of the subject securities or issuers discussed herein. In addition, I hereby certify that no part of my compensation was, is, or will be, directly or indirectly related to the specific recommendations or views expressed in this research report, nor is it tied to any specific investment banking transaction performed by the Bank or its affiliates.

Price and Rating History (last 12 months)

Date	Price target-EUR	Rating	Initiation
20.09.2021	0.81	Buy	
22.04.2021	0.71	Buy	
21.04.2021	0.68	Buy	21.04.2021

Bank distribution of ratings and in proportion to investment banking services can be found on the internet at the following address:

<https://www.quirinprivatbank.de/kapitalmarktgeschaeft/institutionelles-research>

Bank disclosures, conflict of interest on complete list of financial analysis on the last 12 month can be found on the internet at the following address:

<https://research.quirinprivatbank.de/content/disclosures>

Competent supervisory authority

Bundesanstalt für Finanzdienstleistungsaufsicht - BaFin – (Federal Financial Supervisory Authority), Graurheindorfer Str. 108 , 53117 Bonn

Contact Quirin Privatbank AG Frankfurt am Main

Schillerhaus / Schillerstraße 20 / 60313 Frankfurt am Main

Management Board: Karl Matthäus Schmidt • Johannes Eismann •

Contact Details

Quirin Privatbank AG

Schillerhaus | Schillerstrasse 20 | 60313 Frankfurt am Main

Tel.: +49 69 2 47 50 49-0 | Fax: +49 69 2 47 50 49-44 | Institutional-Sales-FFM@quirinprivatbank.de

Equity Research	Tel.	Email
Klaus Soer	+49 (0) 69 2475049-27	klaus.soer@quirinprivatbank.de
Ralf Marinoni	+49 (0) 69 2475049-24	ralf.marinoni@quirinprivatbank.de
Sebastian Droste	+49 (0) 69 2475049-26	sebastian.droste@quirinprivatbank.de
Daniel Kukalj	+49 (0) 69 2475049-28	daniel.kukalj@quirinprivatbank.de
Katharina Schmenger	+49 (0) 69 2475049-61	katharina.schmenger@quirinprivatbank.de
Marilda Kazo	+49 (0) 69 2475049-29	marilda.kazo@quirinprivatbank.de

Equity Sales	Tel.	Email
Klaus Korzilius	+49 (0) 69 2475049-25	klaus.korzilius@quirinprivatbank.de
Rainer Jell	+49 (0) 69 2475049-45	rainer.jell@quirinprivatbank.de
Klaus Messenzehl	+49 (0) 69 2475049-46	klaus.messenzehl@quirinprivatbank.de
Bruno de Lencquesaing	+49 (0) 69 2475049-81	bruno.delencquesaing@quirinprivatbank.de

Fixed Income Sales	Tel.	Email
Jürgen Raabe	+49 (0) 69 2475049-41	juergen.raabe@quirinprivatbank.de
Janine Kaiser	+49 (0) 69 24750 49-83	janine.kaiser@quirinprivatbank.de
Michael Laufenberg	+49 (0) 69 2475049-48	michael.laufenberg@quirinprivatbank.de
Roman Piroutek	+49 (0) 69 2475049-47	roman.piroutek@quirinprivatbank.de

Trading / Sales Trading	Tel.	Email
Jean-Marie Frémion	+49 (0) 69 2475049-90	jean-marie.fremion@quirinprivatbank.de
Lars Haussmann	+49 (0) 69 2475049-76	lars.haussmann@quirinprivatbank.de
Peter Rumstich	+49 (0) 69 2475049-65	peter.rumstich@quirinprivatbank.de
Carsten Pfersdorf	+49 (0) 69 2475049-75	carsten.pfersdorf@quirinprivatbank.de

Business Support	Tel.	Email
Suganya Sutharsan	+49 (0) 69 2475049-88	suganya.sutharsan@quirinprivatbank.de