

28 April 2022

Gigaset AG

Rating	Buy (Buy)
Share price (EUR)	0.29
Target price (EUR)	0.90 (0.84)
Bloomberg Sector	GGG GY Technology

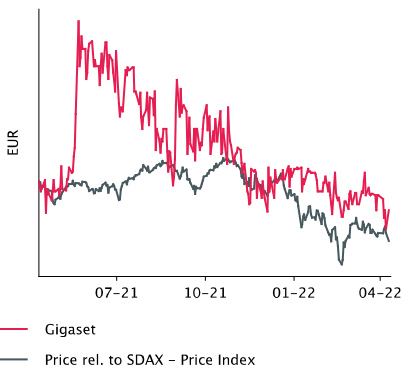
Share data

Shares out (m)	132.5
Market cap (EUR m)	38
EV (EUR m)	25
DPS (EUR)	0.00
Dividend yield (%)	0.0
Payout ratio (%)	0.0

Performance

ytd (%)	-7.2
12 months (%)	-7.2
12 months rel. (%)	8.1
Index	SDAX

Share price performance



Source: Bloomberg

Next triggers

24.05.2022: Q1 results

Analysts

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Significant improvement in margin

On April 26, Gigaset published better than expected full year figures for 2021. Revenues were up 1.4% yoy and 1.4% exceeding our estimate. However, more importantly the EBITDA margin significantly improved from 0.9% in 2020 to 7.6% in 2021 and 321 basis points ahead of our expectation. This was largely a result of higher other operating income, which was up 63.6% yoy (or EUR 7m yoy) due to state aid for companies affected by the pandemic totaling EUR 3.4m and miscellaneous other operating income relating mainly to income from rents. Also a positive effect on margins had purchased goods and services, which were down EUR -1.6m despite higher sales. This was primarily the result of a considerable increase in revenues in the Professional segment (+39.2% yoy), which benefitted from catch-up effects due to postponement and temporary suspension of projects in 2020, which were now realized in 2021. We update our estimates accordingly, increase our target price from EUR 0.84 to EUR 0.90 and confirm our Buy recommendation.

Outlook for 2022

Due to the uncertainties in regard to the covid-19 pandemic as well as the war in Ukraine, management gives only a general statement of financial performance in 2022. They are expecting a slight increase in revenues and EBITDA and a moderately positive free cashflow, which is in line with our expectations.

Performance of business areas

Business in the Phones segment is returning to normal after the unusual increase in revenue due to the pandemic and was additionally impacted by difficulties in procuring materials. Therefore, it was down -10.9% yoy. The Smartphones segment performed particularly positive with sales growth of 36.8% yoy, mainly due to the launch of new models. The Smart Home segment is the smallest and therefore less relevant segment with sales decreasing by EUR 1m to EUR 1.5m. Revenue in the Professional segment was up 39.2% yoy due to catch-up effects from deferred projects and orders.

Gigaset AG - FY 2021

EUR m	2021	2020	yoy	Quirin est.	delta
Revenues	217.1	214.2	1.4%	214.0	1.4%
EBITDA	16.5	1.9	768.4%	9.4	75.5%
EBITDA margin	7.6%	0.9%	671 BP	4.4%	321 BP

Source: Gigaset AG, Quirin Privatbank AG

Key figures		2020	2021	2022e	2023e	2024e
Sales	EUR m	214	217	225	238	249
EBITDA	EUR m	2	16	17	20	24
EBIT	EUR m	-13	2	3	7	10
EPS	EUR	-0.08	0.00	0.01	0.03	0.05
Sales growth	%	-17.0	1.4	3.6	5.8	4.6
EBITDA margin	%	0.9	7.6	7.6	8.6	9.5
EV/Sales	ratio	0.07	0.15	0.11	0.07	0.03
EV/EBITDA	ratio	7.3	2.0	1.5	0.8	0.3
EV/EBIT	ratio	-1.1	19.3	10.2	2.6	0.7
P/E	ratio	-3.6	81.5	48.6	10.6	6.2
P/BV	ratio	19.9	4.7	4.3	2.8	1.8

Source: Bloomberg, Company data, Quirin Privatbank estimates

Growing B2B business might be one of the next triggers

In addition to the broad availability of B2C products in established online and retail channels, Gigaset distributes its B2B portfolio through a network of qualified partners - including IT and telecommunications providers as well as value added resellers (VARs) and enterprise systems providers. The partners advise, sell and install Gigaset Professional solutions and offer other services to customers. The Professional segment was up 39.2% yoy and thus seems to gain some traction. This could also be supported by the Plus X Award, which recently honored Gigaset with the "Specialist Retailer Brand of the Year 2022" award.

Business customers might favour Gigaset due to their German based production

We think that in addition to Gigaset's product quality, Gigaset's production in Germany should become increasingly important to customers as the ESG issue and more sustainable supply chains become more relevant.

DCF Valuation

We have derived our target price for Gigaset AG from our DCF model. With a WACC of 7.28% (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 4.7% 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 0.90 per share. Hence, we reiterate our Buy recommendation.

DCF Model for Gigaset

(EUR m)	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	TV
Sales	225	238	249	255	259	271	286	303	318	331	
growth yoy	3.6%	5.8%	4.6%	2.4%	1.6%	4.8%	5.3%	6.1%	5.0%	4.0%	
EBIT	3	7	10	13	15	16	18	19	20	22	
EBIT margin	1.1%	2.7%	4.1%	5.3%	5.9%	6.0%	6.1%	6.3%	6.4%	6.5%	
Taxes	-0.6	-2.0	-3.0	-4.0	-4.6	-4.9	-5.3	-5.7	-6.1	-6.5	
Tax rate	25%	30%	30%	30%	30%	30%	30%	30%	30%	30%	
Depreciation	14.6	14.0	13.6	13.4	13.2	13.9	14.6	15.5	16.2	16.9	
% of sales	6.5%	5.9%	5.4%	5.2%	5.1%	5.1%	5.1%	5.1%	5.1%	5.1%	
Capex	-11.3	-11.9	-12.5	-12.8	-13.0	-13.7	-14.5	-15.4	-16.2	-16.9	
% of sales	5.0%	5.0%	5.0%	5.0%	5.0%	5.1%	5.1%	5.1%	5.1%	5.1%	
Δ NWC	0.0	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
% of sales	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	
FCF	5.2	6.6	8.1	10.0	10.9	11.6	12.3	13.3	14.2	15.0	264.5
growth yoy	nm	26.4%	23.9%	22.6%	9.8%	5.5%	6.7%	7.9%	6.9%	5.8%	1.5%
PV FCF	4.9	5.8	6.7	7.7	7.9	7.8	7.7	7.8	7.7	7.6	134.0

PV Forecast Period	72
PV Terminal Value	134

Enterprise value	206
- Net Debt / Net Cash	-7
- Pension Provisions	94
Equity value	119
Number of shares	132.5
Value per share (€)	0.90

Sensitivity Analysis	Terminal growth rate				
	0.5%	1.0%	1.5%	2.0%	2.5%
6.55%	0.93	1.03	1.14	1.29	1.46
6.91%	0.83	0.91	1.01	1.13	1.28
WACC 7.28%	0.74	0.81	0.90	1.00	1.12
7.64%	0.66	0.72	0.80	0.88	0.99
8.00%	0.59	0.64	0.71	0.78	0.87

Risk free rate	2.00%	Equity ratio	100%
Cost of debt	3.00%	Company beta	1.1
Market Premium	5.00%	WACC	7.28%

Source: Quirin Privatbank

Profit & loss statement

Profit & loss statement (EUR m)	2020	YOY	2021	YOY	2022e	YOY	2023e	YOY	2024e	YOY
Sales	214.2	-17.0 %	217.1	1.4 %	225.0	3.6 %	238.0	5.8 %	249.0	4.6 %
Other own work capitalized	13.8		27.7		28.7		30.3		31.7	
Cost of goods	-103.7		-102.1		-105.3		-111.0		-115.6	
Gross profit	228.0		244.8		253.7		268.3		280.7	
Personnel expenses	-58.5		-58.9		-58.5		-61.6		-52.3	
Depreciation	-15.0		-14.7		-14.6		-14.0		-13.6	
Other operating expenses	-63.9		-67.3		-72.7		-75.3		-89.2	
EBITDA	1.9	-93.2 %	16.5	753.6 %	17.1	3.9 %	20.5	19.7 %	23.7	15.6 %
EBITDA margin (%)	0.90		7.58		7.60		8.60		9.50	
EBIT	-13.0	-195.0 %	1.7	-113.3 %	2.5	44.3 %	6.5	159.4 %	10.1	54.9 %
EBIT margin (%)	-6.09		0.80		1.12		2.74		4.05	
Income from Participations	0.0		0.0		0.0		0.0		0.0	
Net financial result	-0.9		-1.4		-1.5		-1.4		-1.4	
Exceptional items	0.0		0.0		0.0		2.0		2.0	
Pretax profit	-14.0	-196.3 %	0.4	-102.5 %	1.0	196.1 %	5.1	390.3 %	8.7	71.8 %
Pretax margin (%)	-6.53		0.16		0.46		2.14		3.51	
Taxes	3.5		0.1		-0.3		-1.5		-2.6	
Tax rate (%)	25.03		-32.29		25.00		30.00		30.00	
Earnings after taxes	-10.5		0.5		0.8		3.6		6.1	
Minorities	0.0		0.0		0.0		0.0		0.0	
Group attributable income	-10.5	-192.7 %	0.5	-104.4 %	0.8	67.9 %	3.6	357.7 %	6.1	71.8 %
No. of shares (m)	132.5		132.5		132.5		132.5		132.5	
Earnings per share (EUR)	-0.08	-192.7 %	0.00	-104.4 %	0.01	67.9 %	0.03	357.7 %	0.05	71.8 %

Source: Company data, Quirin Privatbank estimates

Balance sheet

Balance sheet (EUR m)	2020	YOY	2021	YOY	2022e	YOY	2023e	YOY	2024e	YOY
Assets										
Cash and cash equivalents	42.0		23.1		28.2		36.5		46.2	
Accounts receivables	24.6		16.0		16.6		17.5		18.3	
Inventories	23.5		29.9		30.9		32.7		34.2	
Other current assets	18.5		24.5		24.5		24.5		24.5	
Tax claims	15.8		12.2		12.2		12.2		12.2	
Total current assets	108.7	-24.6 %	93.5	-14.0 %	100.3	7.3 %	111.3	11.0 %	123.3	10.8 %
Fixed assets	18.9		20.9		17.6		15.5		14.4	
Goodwill	0.0		0.0		0.0		0.0		0.0	
Other intangible assets	51.4		55.8		55.8		55.8		55.8	
Financial assets	6.7		6.7		6.7		6.7		6.7	
Deferred taxes	15.8		12.2		12.2		12.2		12.2	
Other fixed assets	3.5		3.0		3.0		3.0		3.0	
Total fixed assets	96.3	22.8 %	98.7	2.5 %	95.3	-3.4 %	93.3	-2.2 %	92.2	-1.2 %
Total assets	204.9	-7.9 %	192.2	-6.2 %	195.6	1.8 %	204.6	4.6 %	215.5	5.3 %
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		69.8		74.3		81.4	
Accumulated other comprehensive	-285.6		-279.5		-279.5		-279.5		-279.5	
Shareholder's equity	1.9	-89.8 %	8.0	321.7 %	8.8	9.7 %	13.3	52.0 %	20.4	53.3 %
Minorities	0.0		0.0		0.0		0.0		0.0	
Shareholder's equity incl. minorities	1.9	-89.8 %	8.0	321.7 %	8.8	9.7 %	13.3	52.0 %	20.4	53.3 %
Long-term liabilities										
Pension provisions	98.3		93.8		93.8		93.8		93.8	
Financial liabilities	12.7		2.8		2.8		2.8		2.8	
Tax liabilities	1.8		1.8		1.8		1.9		2.0	
Other liabilities	4.7		3.2		3.3		3.5		3.7	
Total long-term debt	117.4	2.8 %	101.6	-13.4 %	101.8	0.2 %	102.1	0.3 %	102.3	0.2 %
Short-term debt										
Other provisions	13.1		12.0		12.4		13.2		13.8	
Trade payables	45.0		45.0		46.6		49.3		51.6	
Financial debt	3.8		13.1		13.1		13.1		13.1	
Other liabilities	25.5		14.2		14.7		15.5		16.3	
Total short-term debt	87.4	-7.8 %	84.3	-3.6 %	86.9	3.1 %	91.2	4.9 %	94.8	4.0 %
Total equity & liabilities	204.9	-7.9 %	192.2	-6.2 %	195.6	1.8 %	204.6	4.6 %	215.5	5.3 %

Source: Company data, Quirin Privatbank estimates

Financial key ratios

Key ratios	2020	2021	2022e	2023e	2024e
Per share data (EUR)					
EPS	-0.08	0.00	0.01	0.03	0.05
Book value per share	0.0	0.1	0.1	0.1	0.2
Free cash flow per share	0.1	-0.1	0.0	0.1	0.1
Dividend per share	0.00	0.00	0.00	0.00	0.00
Valuation ratios					
EV/Sales	0.07	0.15	0.11	0.07	0.03
EV/EBITDA	7.3	2.0	1.5	0.8	0.3
EV/EBIT	-1.1	19.3	10.2	2.6	0.7
P/E	-3.6	81.5	48.6	10.6	6.2
P/B	19.9	4.7	4.3	2.8	1.8
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
Growth					
Sales growth (%)	-17.0	1.4	3.6	5.8	4.6
EBITDA growth (%)	-93.2	753.6	3.9	19.7	15.6
EBIT growth (%)	-195.0	-113.3	44.3	159.4	54.9
EPS growth (%)	-192.7	-104.4	67.9	357.7	71.8
Profitability ratios					
EBITDA margin (%)	0.9	7.6	7.6	8.6	9.5
EBIT margin (%)	-6.1	0.8	1.1	2.7	4.1
Net margin (%)	-4.9	0.2	0.3	1.5	2.5
ROCE (%)	-11.1	1.6	2.3	5.7	8.4
Financial ratios					
Total equity (EUR m)	1.9	8.0	8.8	13.3	20.4
Equity ratio (%)	0.9	4.2	4.5	6.5	9.5
Net financial debt (EUR m)	72.7	86.7	81.5	73.2	63.6
Net debt/Equity	0.0	0.0	0.0	0.1	0.1
Interest cover	-9.5	1.0	1.5	2.7	4.8
Net debt/EBITDA	37.7	5.3	4.8	3.6	2.7
Payout ratio (%)	0.0	0.0	0.0	0.0	0.0
Working Capital (EUR m)	3.1	0.9	0.9	0.9	1.0
Working capital/Sales	0.01	0.00	0.00	0.00	0.00

Source: Company data, Quirin Privatbank estimates

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

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Price and Rating History (last 12 months)

Date	Price target-EUR	Rating	Initiation
28.04.2022	0.90	Buy	
25.11.2021	0.84	Buy	
20.09.2021	0.81	Buy	
21.05.2021	0.71	Buy	21.04.2021

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Competent supervisory authority

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