

24 November 2022

Gigaset AG

Rating	Buy (Buy)
Share price (EUR)	0.22
Target price (EUR)	0.85 (0.90)
Bloomberg	GGG GY
Sector	Technology

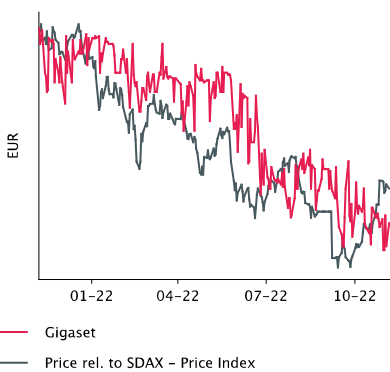
Share data

Shares out (m)	132.5
Market cap (EUR m)	29
EV (EUR m)	21
DPS (EUR)	0.00
Dividend yield (%)	0.0
Payout ratio (%)	0.0

Performance

ytd (%)	-27.7
12 months (%)	-33.3
12 months rel. (%)	-6.3
Index	SDAX

Share price performance



Source: Bloomberg

Next triggers

27.04.2023: Q4 results

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Gaining market share in a difficult environment

On November 22, Gigaset published its nine months results. Revenues were up by a good 3.8% yoy and 1.5% exceeding our estimate. Sales for Q3 was even stronger with 8.5% growth, primarily coming from the Phones segment, where the company seems to gain further market share. EBITDA for nine months came down -30% yoy to EUR 7.7m due to a lack of material availability (disrupted supply chains) and a sharp rise in purchasing prices. Also the strong USD had a negative exchange rate impact as Gigaset pays for the majority of the materials and components in USD. The guidance was updated and implies strong sales growth in Q4 (usually backend loaded) due to a better material availability. Only EBITDA is expected below the previous year's level. We update our estimates accordingly, slightly decrease our target price from EUR 0.90 to EUR 0.85 and confirm our Buy recommendation. In our view, Gigaset should benefit from the overall accelerated digitalization in Germany and the continued improvement of material availability – our outlook remains positive.

Outlook for 2022

Gigaset also released a new guidance and now expects an increase in revenue of between EUR 235m and EUR 250m (2021: EUR 217.1m); hence, rather strong growth for the year and better than the previous guidance of only a slight increase yoy. Due to the reasons mentioned above, EBITDA is now expected to be below the previous year's level in the range of EUR 6m to EUR 15m (2021 EUR 16.5m).

Phones segment significantly up

In Q3, the Phones segment, as the largest business area, strongly increased by 31.3% yoy. An important sales driver and prestige success is the intensified cooperation with Telekom Deutschland. Since July 2022, the latter has been using DECT cordless phones from Gigaset in its Telekom Shops and in the Telekom Online Shop. The Smartphones segment was down -35.8% yoy, also due to a general slowdown in growth of the smartphone market. The Professional segment was down -19.5% yoy in Q3 but up 8.8% for nine months. The overall positive development is due to catch-up effects from projects as well as high demand and new project implementations.

Gigaset AG - 9M 2022

EUR m	9M 2022	9M 2021	yoy	Quirin est.	delta
Revenues	159.7	153.9	3.8%	157.3	1.5%
EBITDA	7.7	11.0	-30.0%	7.8	-1.3%
EBITDA margin	4.8%	7.1%	-233 BP	5.0%	-14 BP

Source: Gigaset AG, Quirin Privatbank AG

Key figures		2020	2021	2022e	2023e	2024e
Sales	EUR m	214	217	240	238	249
EBITDA	EUR m	2	16	11	14	18
EBIT	EUR m	-13	2	-4	0	4
Sales growth	%	-17.0	1.4	10.5	-0.8	4.6
EBITDA margin	%	0.9	7.6	4.5	5.8	7.2
EBIT margin	%	-6.1	0.8	-1.6	-0.1	1.7
EV/Sales	ratio	0.07	0.15	0.09	0.08	0.05
EV/EBITDA	ratio	7.3	2.0	1.9	1.4	0.7
P/E	ratio	-2.8	63.5	-7.4	-24.0	15.0

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 7.25% (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 6.7%, our DCF model derives a fair value of EUR 0.85 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	240	238	249	255	259	271	286	303	318	331	
growth yoy	10.5%	-0.8%	4.6%	2.4%	16%	4.8%	5.3%	6.1%	5.0%	4.0%	
EBIT	-4	0	4	8	12	13	15	18	20	22	
EBIT margin	-16%	-0.1%	17%	3.2%	4.5%	4.9%	5.4%	5.8%	6.3%	6.7%	
Taxes	0.9	0.1	-1.3	-2.5	-3.5	-4.0	-4.6	-5.3	-6.0	-6.7	
Tax rate	25%	30%	30%	30%	30%	30%	30%	30%	30%	30%	
Depreciation	14.6	14.1	13.7	13.4	13.3	13.9	14.6	15.5	16.2	16.9	
% of sales	6.1%	5.9%	5.5%	5.3%	5.1%	5.1%	5.1%	5.1%	5.1%	5.1%	
Capex	-12.0	-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	-0.1	0.0	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	-0.3	2.0	4.2	6.4	8.4	9.5	10.8	12.4	13.9	15.5	273.8
growth yoy	nm	nm	nm	54.6%	31.1%	12.6%	13.7%	14.4%	12.9%	11.2%	1.5%
PV FCF	-0.3	1.9	3.6	5.2	6.3	6.6	7.0	7.5	7.9	8.2	144.7

PV Forecast Period	54
PV Terminal Value	145

Enterprise value	199
- Net Debt / Net Cash	-7
- Pension Provisions	94
Equity value	112
Number of shares	132.5
Value per share (€)	0.85

Sensitivity Analysis	Terminal growth rate				
	0.5%	1.0%	1.5%	2.0%	2.5%
6.53%	0.87	0.97	1.10	1.25	1.45
6.89%	0.77	0.86	0.96	1.09	1.25
WACC 7.25%	0.67	0.75	0.85	0.96	1.09
7.61%	0.59	0.66	0.74	0.84	0.95
7.98%	0.52	0.58	0.65	0.73	0.83

Risk free rate	2.00%	Equity ratio	100%
Cost of debt	3.00%	Company beta	1.1
Market Premium	5.00%	WACC	7.25%

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 %	240.0	10.5 %	238.0	-0.8 %	249.0	4.6 %
Unfinished Goods	0.0		0.0		1.0		2.0		2.0	
Other own work capitalized	13.8		27.7		30.6		30.3		31.7	
Other operating earnings	0.0		0.0		1.0		2.0		2.0	
Cost of goods	-103.7		-102.1		-112.4		-111.0		-115.6	
Gross profit	228.0		244.8		270.6		268.3		280.7	
Personnel expenses	-58.5		-58.9		-62.4		-61.6		-52.3	
Depreciation	-15.0		-14.7		-14.6		-14.1		-13.7	
Other operating expenses	-63.9		-67.3		-85.0		-81.9		-94.9	
EBITDA	1.9		16.5		10.8		13.8		17.9	
EBITDA margin (%)	0.90		7.58		4.50		5.80		7.20	
EBIT	-13.0		1.7		-3.8		-0.3		4.2	
EBIT margin (%)	-6.09		0.80		-1.58		-0.12		1.71	
Net interest	n.a.		n.a.		n.a.		n.a.		n.a.	
Income from Participations	0.0		0.0		0.0		0.0		0.0	
Net financial result	-0.9		-1.4		-1.5		-1.5		-1.4	
Exceptional items	0.0		0.0		0.0		2.0		2.0	
Pretax profit	-14.0		0.4		-5.3		-1.8		2.8	
Pretax margin (%)	-6.53		0.16		-2.19		-0.74		1.13	
Taxes	3.5		0.1		1.3		0.5		-0.8	
Tax rate (%)	25.03		-32.29		25.00		30.00		30.00	
Earnings after taxes	-10.5		0.5		-3.9		-1.2		2.0	
Minorities	0.0		0.0		0.0		0.0		0.0	
Group attributable income	-10.5		0.5		-3.9		-1.2		2.0	
No. of shares (m)	132.5		132.5		132.5		132.5		132.5	
Earnings per share (EUR)	-0.08		0.00		-0.03		-0.01		0.01	

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		24.7		26.4		32.1	
Accounts receivables	24.6		16.0		17.7		17.5		18.3	
Inventories	23.5		29.9		33.0		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 %	99.9	6.9 %	101.2	1.3 %	109.2	7.9 %
Fixed assets	18.9		20.9		18.4		16.2		14.9	
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 %	96.1	-2.6 %	93.9	-2.3 %	92.7	-1.3 %
Total assets	204.9	-7.9 %	192.2	-6.2 %	196.0	2.0 %	195.1	-0.5 %	201.9	3.4 %
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		65.0		64.8		67.8	
Accumulated other comprehensive	-285.6		-279.5		-279.5		-279.5		-279.5	
Shareholder's equity	1.9	-89.8 %	8.0	321.7 %	4.0	-49.4 %	3.8	-5.6 %	6.8	77.5 %
Minorities	0.0		0.0		0.0		0.0		0.0	
Shareholder's equity incl. minorities	1.9	-89.8 %	8.0	321.7 %	4.0	-49.4 %	3.8	-5.6 %	6.8	77.5 %
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		2.0		1.9		2.0	
Other liabilities	4.7		3.2		3.5		3.5		3.7	
Total long-term debt	117.4	2.8 %	101.6	-13.4 %	102.1	0.5 %	102.1	0.0 %	102.3	0.2 %
Short-term debt										
Other provisions	13.1		12.0		13.3		13.2		13.8	
Trade payables	45.0		45.0		49.7		49.3		51.6	
Financial debt	3.8		13.1		13.1		13.1		13.1	
Other liabilities	25.5		14.2		15.7		15.5		16.3	
Total short-term debt	87.4	-7.8 %	84.3	-3.6 %	91.8	8.9 %	91.2	-0.7 %	94.8	4.0 %
Total equity & liabilities	204.9	-7.9 %	192.2	-6.2 %	196.0	2.0 %	195.1	-0.5 %	201.9	3.4 %

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	-0.03	-0.01	0.01
Book value per share	0.0	0.1	0.0	0.0	0.1
Free cash flow per share	0.1	-0.1	0.0	0.0	0.0
Dividend per share	0.00	0.00	0.00	0.00	0.00
Valuation ratios					
EV/Sales	0.07	0.15	0.09	0.08	0.05
EV/EBITDA	7.3	2.0	1.9	1.4	0.7
EV/EBIT	-1.1	19.3	-5.5	-64.8	3.1
P/E	-2.8	63.5	-7.4	-24.0	15.0
P/B	15.5	3.7	7.3	7.7	4.3
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
Growth					
Sales growth (%)	-17.0	1.4	10.5	-0.8	4.6
Profitability ratios					
EBITDA margin (%)	0.9	7.6	4.5	5.8	7.2
EBIT margin (%)	-6.1	0.8	-1.6	-0.1	1.7
Net margin (%)	-4.9	0.2	-1.6	-0.5	0.8
ROCE (%)	-11.1	1.6	-3.6	-0.3	4.0
Financial ratios					
Total equity (EUR m)	1.9	8.0	4.0	3.8	6.8
Equity ratio (%)	0.9	4.2	2.1	2.0	3.4
Net financial debt (EUR m)	72.7	86.7	85.0	83.3	77.7
Net debt/Equity	0.0	0.0	0.0	0.0	0.0
Interest cover	-9.5	1.0	-2.3	-1.4	1.3
Net debt/EBITDA	37.7	5.3	7.9	6.0	4.3
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
24.11.2022	0.85	Buy	
28.04.2022	0.90	Buy	
25.11.2021	0.84	Buy	21.04.2021

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Competent supervisory authority

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