



GMG Equity Research

GEORG - FISCHER

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17/10/2019

Key data

Market capitalization (millions CHF)	3.492
Entreprise value (million CHF)	3.672
Share price (CH)	915,5

Stock absolute and relative performance (CHF)

In %	Absolute	Relative *
1 month	3,3%	3,3%
3 months	6,7%	5,8%
6 months	-11,0%	-16,7%
YTD	19,2%	-4,3%
1 year	0,0%	-14,1%
2018	-37,8%	-29,2%
2017	57,9%	38,0%

*relative to SPI

Description

G+F is an industrial conglomerate made of 3 entities.

GF Piping Systems (46% of sales, 57% of profit) is a producer of plastic and metal pipes, fittings, valves and automation for the transport of water, chemicals and gases. The customers are industrialists, utilities and builders. The firm has developed a system aiming at avoiding drinking water contamination (salmonella, for example) in large buildings such as hospitals.

GF Casting Solutions (27% of sales, 22% of profit) manufactures iron and light metal components. The automotive industry is the largest group of customers. About one third of new projects are in relation with electrical vehicules, for which weight is critical. The firm is increasing its exposure to light metals and diversifies its sectorial exposure. Customers in aerospace and turbine manufacturing are becoming more important.

GF Machining Solutions (27% of sales, 23% of profit) is a provider of milling, laser, wire-cutting machines and EDM (Electrical Discharge Machines). These equipments help manufacturing molds (used for casting metallic or plastic parts), precise components, such as lenses for mobile phones and medical devices.

About 20% of revenues originate from China.

Firm's performance

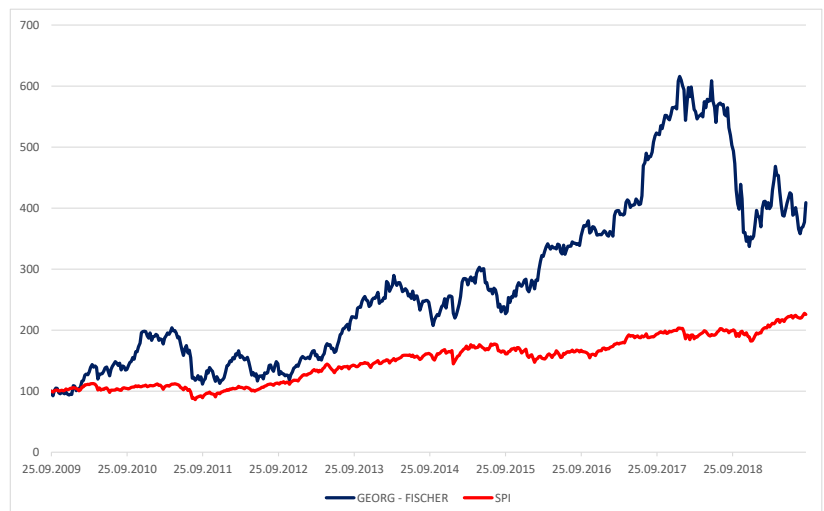
The stock has delivered a performance slightly better, but more volatile, than the market over the long term. Performance was generated in roughly the same proportions through dividend and through price appreciation.

Sales growth has been modest and profitability rather stable over the last 2 decades.

Recently, G+F has been concentrating its efforts to reinforce its pipings activities, which are seen as more profitable and less cyclical. For the same reasons, the casting division has reduced its exposure to iron components and automotive.

The firm seems well positionned to benefit from favorable trends such as water conservation, fuel efficiency in vehicles and electrical vehicles.

Share price (10 years)



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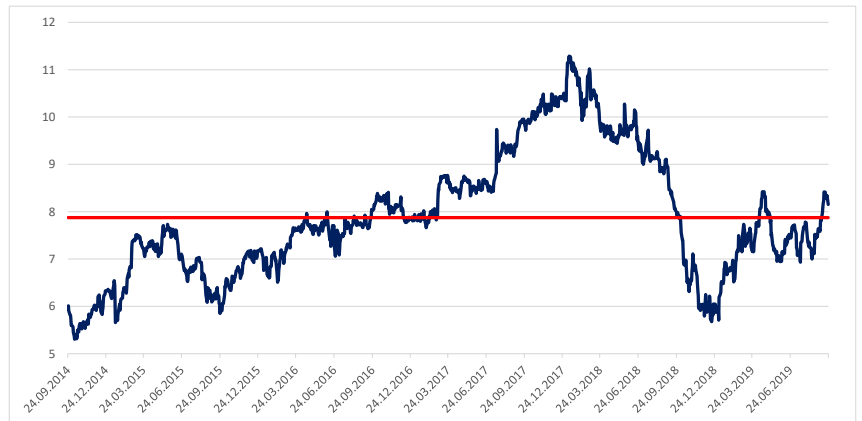
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Valuation ratios

	12/16	12/17	12/18	12/19e	12/20e
EV/EBITDA	8,2	11,1	6,5	9,0	7,8
PER	15,7	20,9	11,5	18,8	15,0
Free Cash Flow Yield	6,5%	3,8%	4,7%	4,4%	4,2%
Dividend Yield	2,4%	1,8%	3,2%	2,7%	2,9%
P/BV	2,9	3,9	2,3	2,4	2,4

Bloomberg ESG ranking

Global ESG	54,1
Environment	48,8
Social	64,9
Governance	55,4

EV / EBITDA

Environment, Social & Governance comments
Environment

- The piping systems sold by G+F have a positive impact on water conservation; some of its systems are aimed at preventing contamination of the drinking water.
- The lightweight components from Casting Solutions help building energy efficient vehicles.

Social

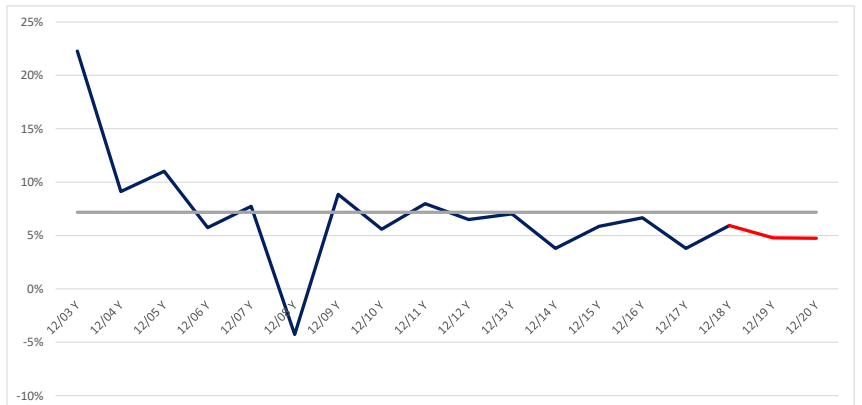
- G+F has been an early adopter of ESG principles. The company follows a Code of Conduct and has set a serie of targets tagged Sustainability Targets 2020.

- Through its Clean Water Foundation, G+F has supported 145 drinking water projects worldwide since 2002; 10 million CHF have been invested and 300 000 people have been impacted, according to G+F.

- The firm maintains a historical library devoted to iron techniques. The library is located in a listed former monastery, which the firm owns since 1918.

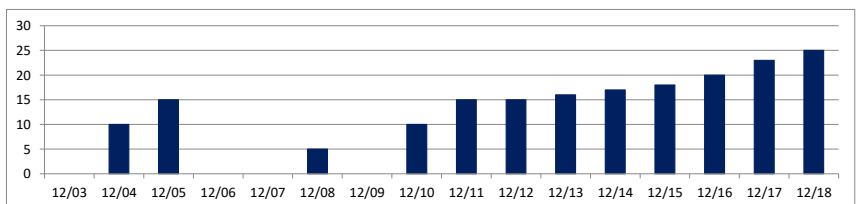
Governance

- Shareholders are not allowed to accumulate more than 5% of the stock, unless 2/3 of the shareholders vote otherwise.
- The free-float is 100%.

Free Cash Flow Yield

ESG affiliations and codes of conduct

UN Global Compact	✓
UN PRI (responsible investment)*	✓
Anti bribery policy	✓
Employee CSR training	✗
Fair remuneration policy	✗

* Applicable to financial institutions

Dividend per share (CHF)




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Performance ratios

	12/16	12/17	12/18	12/19e	12/20e
Operating Margin	8,3%	8,5%	8,2%	7,3%	8,7%
ROIC	14,3%	13,7%	13,7%		
ROE	19,2%	20,3%	20,3%		
WC / Sales	25,6%	20,7%	22,0%		
Net Debt / EBITDA	48,3%	37,3%	45,0%		
Net Debt / Equity	17,8%	13,4%	16,7%		
Capex / D&A	131,8%	152,5%	159,2%		

Financial statements (million CHF)

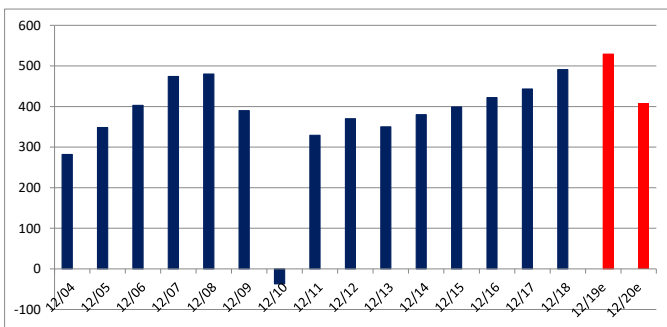
	12/16	12/17	12/18	12/19e	12/20e
Sales	3.744	4.150	4.572	3.777	3.798
<i>variation</i>		10,8%	10,2%	-17,4%	0,6%
D&A costs	132	139	147		
EBITDA	443	491	529	407	460
<i>variation</i>		10,8%	7,7%	-23,1%	13,2%
Net earnings	217	250	281	206	242
Total current assets	2.024	2.277	2.128		
Total fixed assets	1.178	1.333	1.316		
Shareholders equity	1.200	1.369	1.428		
Working capital	957	859	1.004		
Net debt	214	183	238		
Operating cash flow	402	412	400	385	378
Capex	-174	-212	-234	-205	-200
Free cash flow	228	200	166	179	178

Chairman: **Andreas N Koopmann**
Tenure (years): 7,7

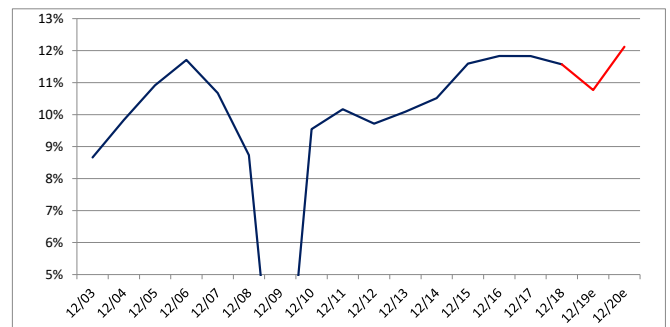
CEO: **Andreas Mueller**
Tenure (years): 0,6

CFO: **Mads Joergensen**
Tenure (years): 0,6

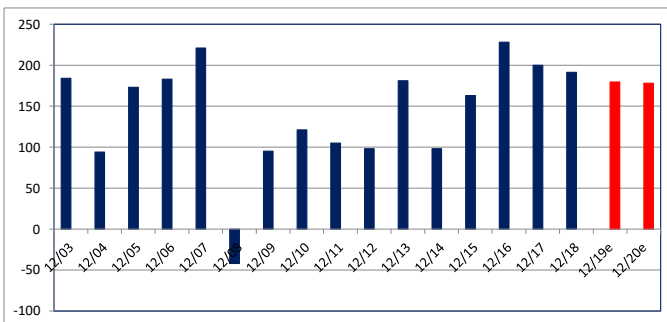
EBITDA



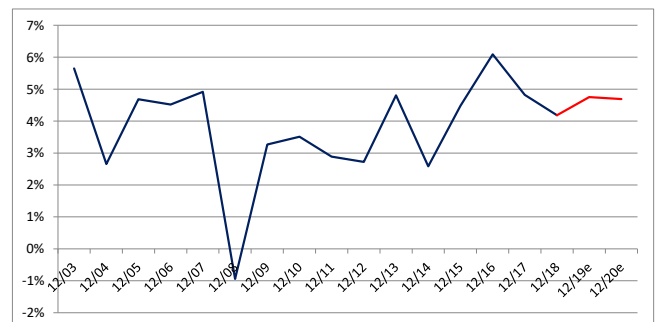
EBITDA margin



Free cash flow



Free cash flow & Free cash flow / sales





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SWOT

Strengths

- Attractive profitability over time
- Strong balance sheet

Weaknesses

- Capital intensive business model
- Conglomerate structure without synergies

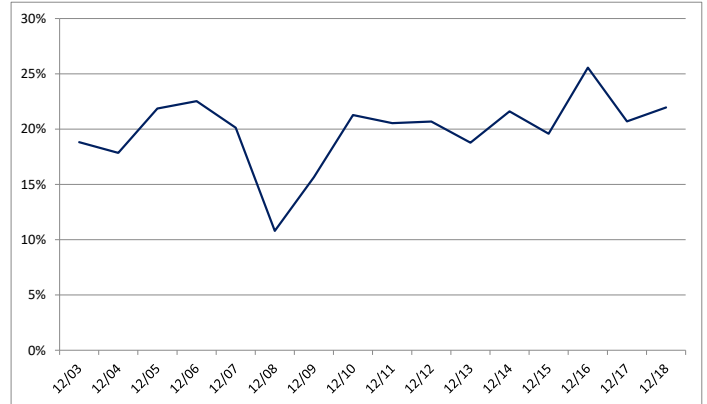
Opportunities

- Casting solutions is winning new contracts for electrical vehicles, which should keep growing faster than the wider automotive market
- Casting solutions' sales are concentrated in the German cars manufacturers. The division could acquire customers in other geographies

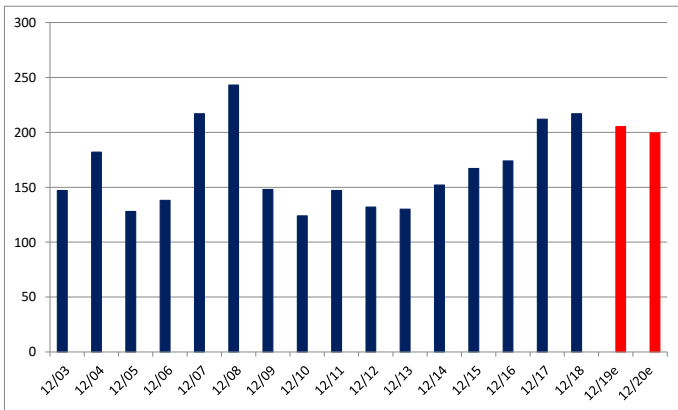
Threats

- High sensitivity to economic cycles. Machining solutions and Casting solutions are highly dependent, respectively, on industrial investments and automotive. Both are very cyclical

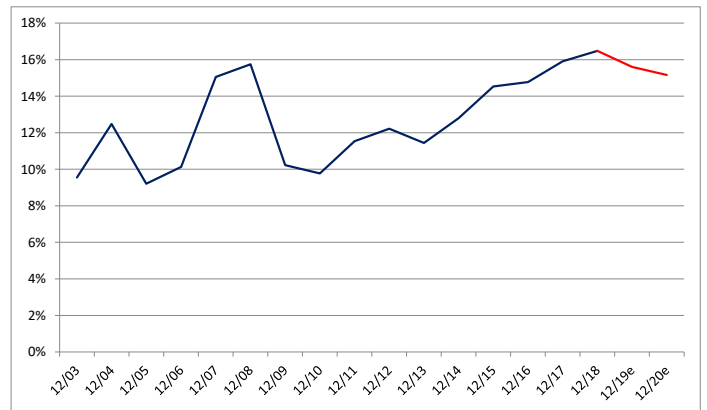
Working capital / sales



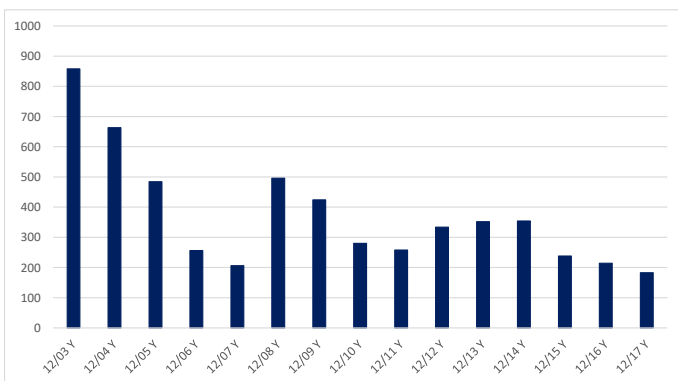
CAPEX



CAPEX / non current assets



NET DEBT



NET DEBT / EBITDA

