

# MS Industrie AG

Germany | Industrial Goods & Services | MCap EUR 41.1m

21 January 2025

INITIATION



## Low CAPEX and high free cash flow ahead; Initiate with BUY

### What's it all about?

MS Industrie recently decided to focus on its core business by selling 51% of its subsidiary MS Ultraschall in mid-24. The move will allow the company to focus on its highly automated MS XTEC division, which produces mechanical parts and systems as a single-source, first-tier supplier primarily for the heavy-duty truck market. MS XTEC's products are known for their high quality, consistency and long-life cycles. The company has long-term contracts with major customers, including Daimler Trucks and Traton, that specify planned annual purchase volumes. Despite the current downturn in the European truck market, growth is expected as demand picks up. The company's low future CAPEX requirements, long-term contracts and low price-to-book ratio of 0.5x make the stock an attractive investment. We initiate our coverage of MS Industrie with a BUY rating and a PT of 2.40, offering an upside of 75.2%.

### BUY (INITIATION)

|               |                 |
|---------------|-----------------|
| Target price  | EUR 2.40 (none) |
| Current price | EUR 1.37        |
| Up/downside   | 75.2%           |



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# MS Industrie AG

Germany | Industrial Goods & Services | MCap EUR 41.1m | EV EUR 124.3m

**BUY** (INITIATION)

**Target price** EUR 2.40 (none)  
Current price EUR 1.37  
Up/downside 75.2%

MAIN AUTHOR

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## Low CAPEX and high free cash flow ahead; Initiate with BUY

**Focus on a single line of business.** MS Industrie until recently was active in two unrelated subsidiaries: MS XTEC, supplying mechanical parts and systems mainly for heavy-duty trucks, and MS Ultraschall (Ultrasonic Technology). In mid-24, MS Industrie sold 51% of MS Ultraschall in order to focus on one area. The sale reduces revenues from 24, as MS Ultraschall is now accounted via the equity method.

**Highly automated with consistent high quality products.** MS XTEC's production is highly automated and significant investments in recent years are expected to reduce the ratio of personnel to sales, especially in the coming years. The company's products are known for their high quality, consistency and long-life cycles, which are particularly important in the heavy-duty truck market. In contrast to the highly competitive automotive supply industry, MS XTEC has mainly one major competitor in the international premium truck industry. In addition, the company has long-term, single-source supply agreements with its major customers, including Daimler Truck and Traton, that specify planned annual purchase volumes, representing 71% of sales and a contract volume of more than EUR 1.1bn.

**Short-term growth in established areas.** The European truck market, which accounts for 61% of MS XTEC's sales, is currently in recession, which is having a significant impact on business performance. However, a recovery is expected in the coming years. This optimism is partly due to the expected growth in demand as shipping fleets age and major customers such as Traton introduce a new standardized diesel engine for all their brands. In the longer term, new areas into which the company is slowly moving may become more important for growth.

**Conclusion.** The company is characterized by high efficiency through flexible automation, long-term contracts with large corporations, and continued expansion into new markets. Thanks to prior investments in automation, CAPEX is expected to remain low in the coming years, positioning the company favorably in the CAPEX cycle. This, combined with expected continued market growth, should result in robust free cash flow. With a low price-to-book ratio of 0.5x and an EV/EBITDA multiple of 3.9x at the end of 26 (mwb est.), the stock is particularly attractive for value investors. The recent sale of a 51% stake in MS Ultraschall contributed to a reduction in net debt, thereby improving the company's financial stability. We initiate our coverage of MS Industrie with a BUY rating and a PT of EUR 2.40, representing an upside of 75.2%.

| MS Industrie AG     | 2021   | 2022  | 2023  | 2024E  | 2025E  | 2026E |
|---------------------|--------|-------|-------|--------|--------|-------|
| Sales               | 164.7  | 206.2 | 246.7 | 170.2  | 146.4  | 155.8 |
| Growth yoy          | 0.4%   | 25.2% | 19.7% | -31.0% | -14.0% | 6.4%  |
| EBITDA              | 9.1    | 15.1  | 21.8  | 8.0    | 11.3   | 13.9  |
| EBIT                | -4.4   | 2.7   | 9.4   | -0.9   | 5.0    | 8.1   |
| Net profit          | -4.0   | 1.2   | 4.4   | -3.1   | 4.0    | 6.4   |
| Net debt (net cash) | 74.9   | 88.7  | 83.3  | 30.6   | 30.2   | 11.7  |
| Net debt/EBITDA     | 8.2x   | 5.9x  | 3.8x  | 3.8x   | 2.7x   | 0.8x  |
| EPS reported        | -0.13  | 0.04  | 0.15  | -0.10  | 0.13   | 0.21  |
| DPS                 | 0.00   | 0.00  | 0.00  | 0.00   | 0.00   | 0.02  |
| Dividend yield      | 0.0%   | 0.0%  | 0.0%  | 0.0%   | 0.0%   | 1.5%  |
| Gross profit margin | 50.2%  | 47.1% | 48.0% | 46.0%  | 43.5%  | 40.5% |
| EBITDA margin       | 5.5%   | 7.3%  | 8.8%  | 4.7%   | 7.7%   | 8.9%  |
| EBIT margin         | -2.7%  | 1.3%  | 3.8%  | -0.5%  | 3.4%   | 5.2%  |
| ROCE                | -2.8%  | 1.6%  | 5.6%  | -0.8%  | 4.5%   | 7.1%  |
| EV/Sales            | 0.7x   | 0.6x  | 0.5x  | 0.4x   | 0.5x   | 0.3x  |
| EV/EBITDA           | 12.7x  | 8.6x  | 5.7x  | 9.1x   | 6.4x   | 3.9x  |
| EV/EBIT             | -26.2x | 47.6x | 13.3x | -81.0x | 14.6x  | 6.7x  |
| PER                 | -10.3x | 34.8x | 9.2x  | -13.1x | 10.2x  | 6.5x  |

Source: Company data, mwb research



Source: Company data, mwb research

**High/low 52 weeks** 1.98 / 1.21  
**Price/Book Ratio** 0.5x

### Ticker / Symbols

ISIN DE0005855183  
WKN 585518  
Bloomberg MSAG:GR

### Changes in estimates

|       |     | Sales | EBIT | EPS   |
|-------|-----|-------|------|-------|
| 2024E | old | 170.2 | -0.9 | -0.10 |
|       | Δ   | 0.0%  | na%  | na%   |
| 2025E | old | 146.4 | 5.0  | 0.13  |
|       | Δ   | 0.0%  | 0.0% | 0.0%  |
| 2026E | old | 155.8 | 8.1  | 0.21  |
|       | Δ   | 0.0%  | 0.0% | 0.0%  |

### Key share data

Number of shares: (in m pcs) 29.96  
Book value per share: (in EUR) 2.50  
Ø trading vol.: (12 months) 9,948

### Major shareholders

MS ProActive (Board of Directors) 15.0%  
Reto Garzetti 15.0%  
Management 10.0%  
Kreissparkasse Biberach 5.0%  
Marco Garzetti 3.0%  
Free Float 52.0%

### Company description

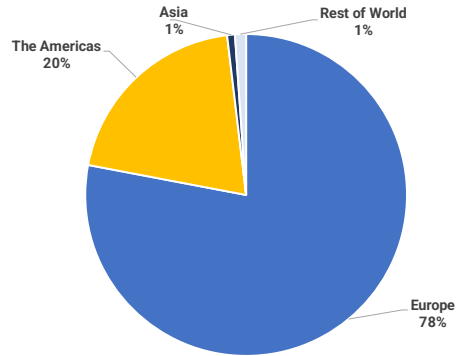
Based in Germany, MS Industrie AG, through its subsidiary MS XTEC GmbH, specialises in precision components and systems for modern combustion engines. The focus is on the heavy-duty truck market, but the company is also expanding into other markets.

# Investment case in six charts

## Products & Services



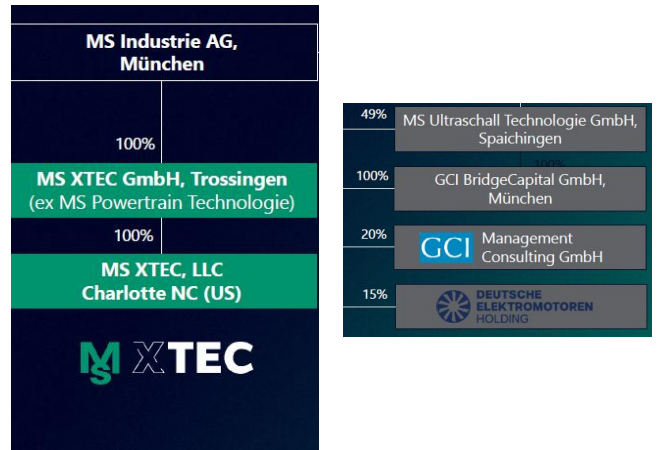
## Regional sales split in % 2023



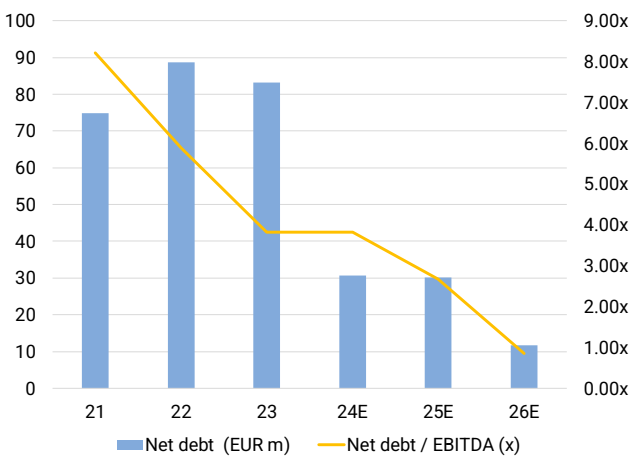
## Customers



## Corporate structure since mid-2024

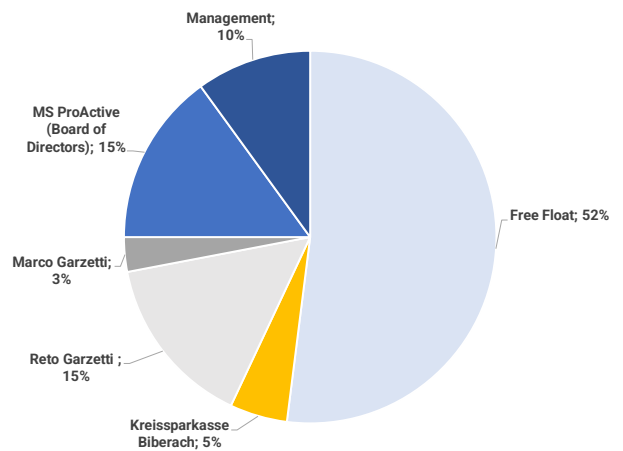


## Net debt and net debt/EBITDA



Source: Company data; mwb research

## Major Shareholders



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# Company background

## Products & services

MS Industrie is a German industrial company specializing in mechanical engineering and drive technology. Its activities until mid-2024 were divided into two main business segments: MS XTEC (Drive Technology) with 69% revenue share in 2023 and MS Ultraschall Technologie GmbH (Ultrasonic Technology) with 31%. In addition, MS Industrie still has a very small external advisory business (corporate finance, controlling and reporting, risk management, corporate governance and transaction advisory services). From mid-2024, Ultrasonic will no longer be fully consolidated due to the sale of 51% of the business. It will then be accounted for using the equity method and from mid-2024 the focus will be entirely on the Drive Technology segment.

MS XTEC (Drive Technology) focuses on products and services for the commercial vehicle and industrial engine sectors. These include high-performance valve train systems, precision components, housings and systems for combustion engines and powertrains, as well as solutions for hybrid and electric drives. 71% of sales come from heavy-duty trucks (61% Europe and 10% US) and the remaining 29% from other vehicles (12% off-highway, 10% alternative engines and 7% cars), for which the company also supplies aftermarket components. Thanks to its highly automated plants, the company is able to manufacture its products not only very efficiently, but also with a fully documented very high level of consistent quality, which is particularly important in the truck sector.

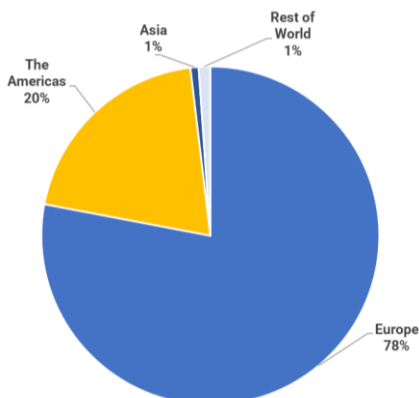
### Products & Services



Company data; mwb research

MS Industrie combines technical innovation and sustainability to serve global industrial markets, particularly in the truck and manufacturing industries. More than three quarters of MS Industrie's sales are generated in Europe. However, the company's products are used in goods destined for all parts of the world.

### Regional sales split in % 2023



Company data; mwb research

## Corporate structure

In mid-2024, MS Ultraschall Technologie GmbH, previously a wholly owned subsidiary of MS Industrie, underwent a significant change in ownership when MS Industrie sold 51% of its shares to Sonosystems. This transaction brought about a major shift in financial reporting. Starting from the second half of 2024, the Ultrasonic business unit will no longer be fully consolidated into MS Industrie's accounts. Instead, its financial performance will be reflected using the equity method, marking a significant realignment of the group's accounting practices and operational focus. The MS Ultraschall (Ultrasonic Technology) provides specialized ultrasonic welding and joining solutions. Products include ultrasonic welding systems for thermoplastics, nonwovens and films, and ultrasonic components such as generators, converters and sonotrodes. In addition, the company offers application development, line integration and after-sales support services (More under Appendix). With the divestiture of the Ultrasonics business, MS Industrie is now focused on a single core business area: Drive Technology. The Company has streamlined its operations to two locations: Trossingen, Germany and Charlotte, North Carolina, USA, significantly narrowing its geographic and business focus. Both facilities are equipped with state-of-the-art machinery designed for multiple applications rather than being limited to a single product line. This adaptability ensures that the machines retain their value over time, as they can potentially be resold to industrial companies in various sectors.

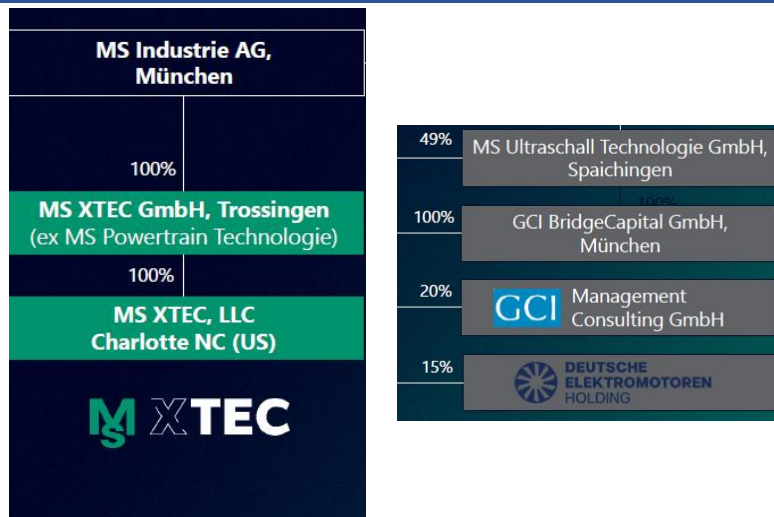
Concurrently, MS Industrie transitioned its accounting framework from International Financial Reporting Standards (IFRS) to the German Generally Accepted Accounting Principles (GAAP), reflecting a strategic pivot in its operational focus.

In addition, GCI BridgeCapital GmbH, Munich, a wholly owned subsidiary of MS Industrie, which primarily holds a real estate asset, will sell this investment in the long term. The planned sale is in line with MS Industrie's strategic realignment following the restructuring of its business portfolio.

MS Industrie continues to hold minority stakes in two additional entities. It retains a 20% share in GCI Management Consulting GmbH, a holding of historical relevance, and a 15% share in Deutsche Elektromotoren Holding GmbH (DEH). DEH operates as the parent company of an industrial group specializing in the production of electric motors and related components. By pursuing a "buy-and-build" strategy, DEH seeks to optimize synergies in motor manufacturing while expanding its product range, underscoring its focus on fostering growth and innovation within the electric motor industry.

(Simplified corporate structure, excluding holding/administrative units and minority interests <10%)

### Corporate structure since mid-2024

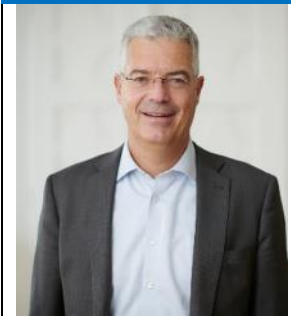



Source: Company data; mwb research

## Management

**Dr. Andreas Aufschnaiter**, an Italian citizen born in 1962, is a business economist residing in Munich. He has been a member of the board of MS Industrie AG (formerly GCI Industrie AG) since 2000, with responsibilities in finance, controlling, legal matters, and communication, and his term extends until 2027. He previously worked as a partner at GCI Management Consulting and as an auditor at Arthur Andersen & Co. Dr. Aufschnaiter studied business administration at the University of Innsbruck and holds a Laurea di Economia Aziendale from the University of Venice. He serves as chairman or member of several supervisory boards, including MS Technologie Group AG and Wolfbank Group AG.

**Armin Distel**, a German engineer born in 1965, resides in Villingen. He joined the board of MS Industrie AG in 2013, with expertise in technology and sales, and will remain in this role until 2027. Before this, he held leadership positions in subsidiaries of MS Spaichingen GmbH, including MS Industries Inc. in Michigan, USA. His earlier career began in 1990 as a process engineer at Maschinenfabrik Spaichingen. Distel earned his degree in precision engineering from FH Furtwangen. He is actively involved in advisory board of MS-Schramberg GmbH & Co. KG.

|  |  |
|--|--|
|                            |    |
| <p>Dr. Andreas Aufschnaiter<br/>CEO/CFO since 2000<br/>GCI Management<br/>Consulting GmbH since<br/>1991</p> | <p>Armin Distel<br/>CSO/CTO since 2013<br/>Part of MS Industrie<br/>since 2006<br/>Maschinenfabrik<br/>Spaichingen GmbH since<br/>1992</p> |

Source: Company data; mwb research

## Supervisory Board

**Karl-Heinz Dommès**, born in 1950, is a German business consultant based in Hausen am Tann. He has been the managing director of PMB Vermögensmanagement GmbH since 2012 and operates his own financial advisory firm, ComFin-Finanzmanagement, specializing in corporate finance. He previously spent 37 years at Mayer & Cie. GmbH & Co. KG, where he rose to the role of commercial director. Dommès trained in accounting, obtaining a Accountant qualification in 1973.

**Reto A. Garzetti**, born in 1960, holds dual Swiss and Italian citizenship and resides in Zurich. He is a business economist with an extensive career in executive roles across the industrial and financial sectors, with experience in restructuring, M&A, and investment banking. Since 1998, he has been the CEO and a board member of SE Swiss Equities AG. He also held a leadership role in Setech Inc. until its sale in 2015. Garzetti is currently a board member of several companies, including Siegfried Holding AG and Peach Property Group.

**Silke Bader**, born in 1971, is a German attorney based in Munich, specializing in capital markets, employment, and corporate law. Practicing independently since 2006, she previously worked in human resources at retarus GmbH and GCI Management AG, where she gained management experience.

## Shareholders

MS Industrie's shareholder structure comprises a mix of major companies and individual stakeholders. The largest voting rights holder is MS ProActive Verwaltungs GmbH, owned and managed by the Board of Directors, with a 15% share. Reto A. Garzetti holds an additional 15%, while Marco P. Garzetti owns 3%, bringing the Garzetti family's total holdings to 18%. The Board of Directors and top management collectively hold 10% directly, with Kreissparkasse Biberach owning 5%. The remaining 52% of shares are held in free float, enabling broad public trading.

**MS ProActive Verwaltungs GmbH (15%)** holds the largest voting rights, which are equally owned and managed by the Board of Directors, Dr. Andreas Aufschnaiter and Armin Distel, each holding 50% of MS ProActive. In 2023, MS ProActive announced public offers to acquire additional shares in MS Industrie, aiming to optimize its corporate structure and strengthen its market position. A central element of this strategy was the decision to transition MS Industrie from the regulated market to the open market, thereby reducing regulatory obligations and enhancing operational flexibility.

**Reto A. Garzetti (15%)** holds a significant individual stake in MS Industrie. He is a member of the Supervisory Board, which indicates a strong alignment between the interests of the company's leadership and its shareholders. His active role in governance and his substantial ownership reflects his commitment to shaping the strategic direction of MS Industrie, ensuring that the company's performance aligns with both long-term growth objectives and shareholder value.

**Marco P. Garzetti (3%)** the brother of Reto A. Garzetti, also holds shares in MS Industrie.

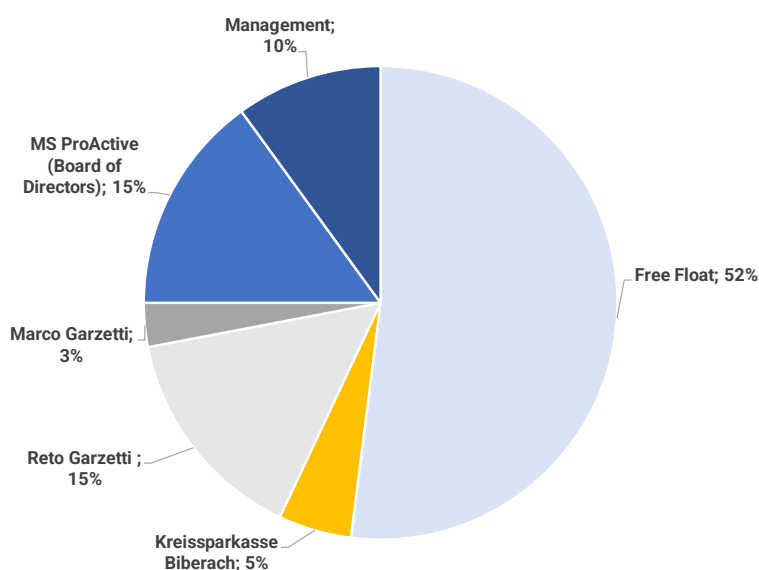
**MS Industrie's Board of Directors and top management**, who cumulatively hold a 10% direct shareholding, have significant internal ownership, ensuring that their interests are aligned with long-term shareholder value. Together with the voting rights held by MS ProActive, the Board and management collectively control one quarter of the voting rights.

**Kreissparkasse Biberach (5%)** is a regional bank with a notable shareholding, indicating potential local support or strategic interest in MS Industrie.

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### Major Shareholders

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Source: Company data; mwb research



# Quality

## Customers

The bargaining power of customers is particularly relevant for MS Industrie, ranging from moderate to high, depending on the customer profile. A key factor is the company's reliance on large industrial customers, which can exert significant influence on pricing and contract terms. MS XTEC (Drive Technology) is now MS Industrie's sole business area, with **c. 50% of sales stemming from its largest customer, Daimler Trucks, and 20% from Traton and its brands**. Together with ZF Friedrichshafen and MTU, these four customers contribute around 80-90% of total sales, underscoring the concentrated customer base. This dependency has further increased since mid-2024 as a result of the sale of 51% of MS Ultraschall, which is now consolidated at equity, which will remove its sales contribution from the Group's consolidated financial statements and thus increase the proportion of total sales accounted for by these key customers. However, as the company is usually the **sole source of supply for the products**, this results in an interdependency between the key customers and MS XTEC.

### Customers



Source: Company data; mwb research

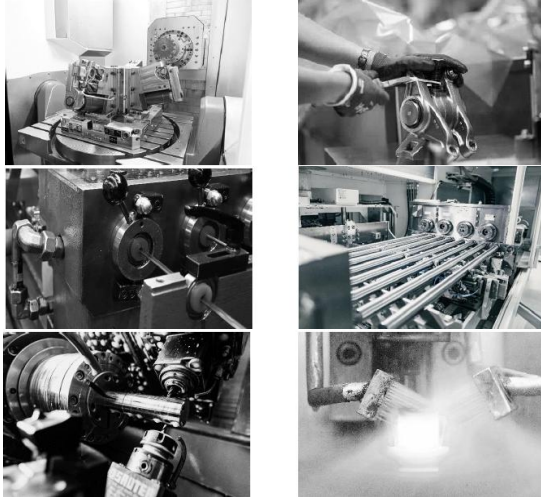
More than **75% of MS XTEC's revenues are generated in Europe**, which creates a geographic risk. This regional concentration makes the company vulnerable to economic fluctuations, regulatory changes or political instability in these markets. While the focus on Europe helps MS XTEC maintain close relationships with key customers, it also limits the diversification of its revenue streams, even though the company's **products are used in goods that are shipped worldwide**. Still, this dependence on a specific region with a limited number of key customers exposes the company to potential risks that could affect the stability of its revenues.

| Regional sales split (EURm) | 2021         | 2022         | 2023         | 2024E        | 2025E        | 2026E        |
|-----------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Domestic                    | 112.0        | 137.7        | 154.6        | 106.7        | 91.8         | 97.6         |
| Europe (ex domestic)        | 20.0         | 31.7         | 37.8         | 26.1         | 22.4         | 23.8         |
| The Americas                | 25.5         | 33.8         | 49.6         | 34.3         | 29.5         | 31.3         |
| Asia                        | 0.6          | 2.7          | 1.9          | 1.3          | 1.1          | 1.2          |
| Rest of World               | 0.3          | 2.7          | 2.7          | 1.9          | 1.6          | 1.7          |
| <b>Sales</b>                | <b>164.7</b> | <b>206.2</b> | <b>246.7</b> | <b>170.2</b> | <b>146.4</b> | <b>155.8</b> |

Source: Company data; mwb research

Despite these challenges, MS XTEC not only has very successful, **decades-long relationships with its key customers**, but is also able to mitigate buyer power by offering highly specialized and technologically advanced products that limit customers' ability to switch to alternatives.

### Technologically advanced and highly specialized



Source: Company data; mwb research

As a result, the company has **long-term, single-source supply agreements** with its major customers that specify annual purchase volumes and are planned over extended periods, typically in excess of five years. Although purchase volumes are guaranteed for only 6 months at a time, they may vary from period to period based on end-user demand, but generally remain stable over multiple periods and are typically renewed or extended prior to the end of each agreement. If the agreed **volume in any year is 20% or more below the agreed volume**, the parties will meet and **negotiate the terms for that or the next period**, either reducing the previously given discount for lower volumes or increasing it for higher volumes.

### Competition

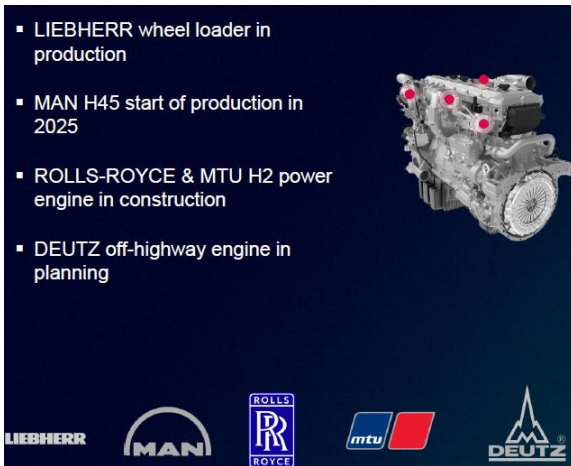
**MS XTEC's (Drive Technology), a niche focus with less competition.** Drive technology industries, such as the automotive supply industry, are typically characterized by significant competition among well-established players. In slower growing or mature markets, competition intensifies as companies struggle to maintain or increase market share.

MS XTEC's focus on the heavy-duty truck industry, combined with its highly automated manufacturing facilities, enables the company to produce products efficiently while maintaining high and consistent quality and ensuring long product life cycles - an essential factor in the heavy-duty truck industry. This has resulted in limited competition for MS XTEC, with **mainly one major competitor** sharing the market, each focusing on their specialized products. As a result, MS XTEC has **EUR 1.1bn in long-term supply agreements** with major customers including Daimler Trucks and Traton over the next 5 to 10 years. The long-term nature of these agreements is due in part to the fact that once a heavy-duty truck engine supplier is selected, **it is rarely changed over the life cycle of the engines**. The move by key customers to adopt **cleaner engine technologies** has further streamlined operations by **removing the need for truck manufacturers to modify diesel engines**, further strengthening the trend toward long-term contracts of 5 to 10 years and more. For example, Traton has launched its new standardized heavy-duty engine that will be used across all of its brands for as long as diesel trucks are in use worldwide. MS XTEC is part of this engine, ensuring that its products will be in demand as long as combustion engines are used in trucks.

The **threat of substitution** for MS XTEC's products is currently moderate. Alternative engine technologies, such as electric drives that do not rely on MS XTEC's

components, could eventually pose a challenge by offering similar solutions and potentially reducing demand. However, this threat is highly dependent on the price/performance ratio of these alternatives. Currently, **alternative truck engines are neither cost effective nor widely adopted**, representing only a small fraction of global truck sales. As a result, the **threat is expected to remain minimal** for at least the next 10 years. If substitutes begin to offer higher value or more innovative solutions, the risk could increase. However, MS XTEC's strong brand reputation and commitment to innovation may allow its **components to be used in new technologies such as hydrogen combustion engines**, which remain mechanically unchanged regarding the parts and systems supplied by MS XTEC.

## Transformation H2 combustion



- LIEBHERR wheel loader in production
- MAN H45 start of production in 2025
- ROLLS-ROYCE & MTU H2 power engine in construction
- DEUTZ off-highway engine in planning

The infographic features a central image of a hydrogen combustion engine with red highlights. At the bottom, logos for LIEBHERR, MAN, ROLLS-ROYCE, mtu, and DEUTZ are displayed.

Source: Company data; mwb research

The **threat of new competitors** to MS XTEC is moderate to low. The industry in which MS XTEC operates requires **specialized fixtures and is highly capital intensive**. This means that new competitors require significant up-front investments in technology, equipment and production facilities, creating a significant barrier to entry. In addition, the company's expertise and proprietary innovations, such as flexible automated machinery, make it difficult for new entrants to compete effectively. Long-standing customer relationships and established trust in the company's capabilities also make it difficult for new entrants to gain a foothold.

## Suppliers

MS XTEC's bargaining power with suppliers is moderate and influenced by several factors. As a manufacturer of precision components, the company relies on specialized suppliers for critical components such as metal castings and other materials required for production. The degree of dependence varies by product line but is particularly significant for custom or high-precision parts. However, in the important heavy truck market, many suppliers are selected directly by customers and assume much of the associated risk, reducing MS XTEC's potential exposure.

# SWOT analysis

## Strengths

- Highly automated production with full documentation and consistent quality products.
- Long-standing industry experience and established reputation.
- Long-term customer relationships.
- Products used in goods that find destination worldwide in growing markets.
- Highly skilled workforce of engineers and specialists.
- Flexible and adaptable to market demands, offering customized solutions.
- Long-term single-source agreements with a total volume of EUR 1.1bn over the next 5 to 10 years.

## Weaknesses

- Dependence on a few large customers.
- Dependence on cyclical truck sector.
- Dependence on European framework conditions due to production in Europe and main European customers.
- Limited brand recognition in broader markets outside key sectors.

## Opportunities

- Little medium-term CAPEX required as automation has been driven in recent years.
- Expansion into other product areas such as medical technology etc.
- Hydrogen engines where the MS XTEC products are also needed.

## Threats

- Economic downturns affecting customer budgets and investment.
- Rapid technological changes.
- Conversion to electric motors for trucks in which MS XTEC present products are not required.

# Growth

## Market Growth

While everybody is talking about electrification, it is easy to overlook the continued growth of **demand for traditional heavy-duty trucks with combustion engines** in sectors such as logistics, construction and mining, particularly in emerging markets. Global growth in the segment is estimated at a **CAGR of c. 4-5% over the next 10 years** (source: The Business Research Company).

Including alternative engines, the **heavy-duty truck market** is poised for even higher growth, resulting in a **CAGR of c. 8% from 2024 to 2034**. From c. USD 213bn in 2024, the market is expected to nearly double to c. USD 468bn by 2034 (source: Precedencer Research). A major contributor to this growth in the truck market is the rise of new engines and electric trucks, which are expected to account for a significant share of light and medium-duty truck sales by 2030, driven by stricter environmental regulations, advances in battery technology and growing corporate commitment to sustainability. In addition, advances in automation and connectivity, such as autonomous driving and intelligent fleet management, are expected to continue to drive the market.

At the same time, the potential for **hydrogen-powered trucks to capture a significant share of the market** cannot be overlooked. Hydrogen fuel cell technology and hydrogen combustion engines are emerging as a viable alternative, particularly for long-haul applications where battery electric solutions are limited by range and charging infrastructure. With increased investment in hydrogen production and refueling networks, hydrogen-powered trucks could play a critical role alongside electric trucks in the decarbonization of the heavy-duty trucking industry.

### Heavy duty trucks market size 2024 to 2034 (USDbn)



Source: [www.precedencerresearch.com/heavy-duty-trucks-market](http://www.precedencerresearch.com/heavy-duty-trucks-market); mwb research

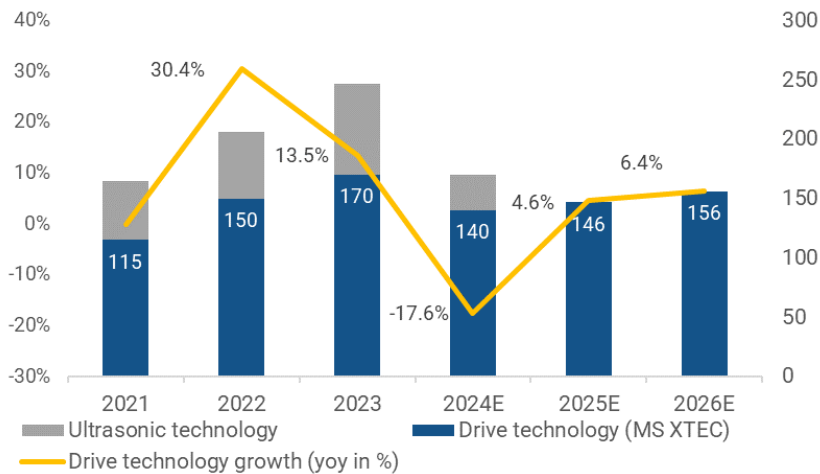
## Drive Technology (MS XTEC) growth

MS Industrie has shown strong growth in recent years, highlighted by the strong performance of its Drive Technology division, due to **catch-up effects in the truck market** after the Corona period. From 2021 to 2023, revenues increased from EUR 115m to EUR 170m, representing a **CAGR of 22%**.

This **upward trend is expected to reverse** temporarily, with revenues declining to EUR 140m in 2024, a 17.6% yoy decline (mwb est.). This decline is due to the current **weakness of the European economy** and the related cyclical truck market in Europe, which accounts for 61% of MS Industrie's sales and has led to lower volumes. In contrast, the US truck market, which accounts for 10% of sales, continues to perform robustly. Looking ahead, a recovery is expected in 2025 and 2026, with Drive Technology sales expected to grow by 4.6% and 6.4% yoy, respectively, to EUR 156m

in 2026 (mwb est.). This will be supported by the expected increase in demand for trucks in Europe as shippers' fleets age, but also by the launch of new combustion engines from major customers such as Traton, where the company is also represented with its components.

### Drive Technology sales (in EURm) and yoy growth



Source: Company data; mwb research

### Company overall growth

The strong overall growth of MS Industrie in recent years has been driven not only by the Drive Technology segment but also by the Ultrasonic Technology segment (MS Ultraschall). However, the sale of a 51% stake in MS Ultraschall in mid-2024 means that it will no longer be fully consolidated after that date. Combined with the current sales weakness in the Drive Technology segment, this is expected to result in an **overall sales decline of 31% yoy in 2024 and a further decline of 14% in 2025** (mwb est.), as MS Ultraschall will no longer contribute any consolidated sales.

As a result of the restructuring and the challenges in the truck market, **overall EBIT margins are expected to remain under pressure in 2024 and 2025**. However, once the restructuring is complete and the new manufacturing facility in Charlotte, North Carolina, USA, has started ramping up with its first large orders, improvements in manufacturing efficiency and cost savings from automation are expected to significantly improve EBIT margins.

The company benefits from long-term contracts with its two main customers, Daimler Truck and Traton, which together account for 70% of sales. These contracts secure an expected volume of more than EUR 1.1bn over the next 5 to 10 years. This strong contractual base is expected to support a **CAGR of 6% from 2026 with a strong overall EBIT margin of over 7%** (mwb est.).

| Growth table (EURm) | 2021  | 2022  | 2023  | 2024E  | 2025E  | 2026E |
|---------------------|-------|-------|-------|--------|--------|-------|
| Sales               | 164.7 | 206.2 | 246.7 | 170.2  | 146.4  | 155.8 |
| Sales growth        | 0.4%  | 25.2% | 19.7% | -31.0% | -14.0% | 6.4%  |
| EBIT                | -4.4  | 2.7   | 9.4   | -0.9   | 5.0    | 8.1   |
| EBIT margin         | -2.7% | 1.3%  | 3.8%  | -0.5%  | 3.4%   | 5.2%  |
| Net profit          | -4.0  | 1.2   | 4.4   | -3.1   | 4.0    | 6.4   |

Source: Company data; mwb research

In recent years, the company has steadily expanded into **new business areas**, successfully **diversifying its revenue streams**. These new segments include off-highway vehicle sales, which currently account for 12% of sales, alternative engine technologies, which account for 10%, and passenger cars, which account for 7%. By entering these areas, the company has positioned itself to take advantage of potential growth opportunities in markets outside its traditional core business.

Looking ahead, these segments are expected to become increasingly important in driving growth, particularly **beyond 2032**. Industry forecasts indicate a significant increase in the market share of electric trucks in terms of manufacturer sales. As electric trucks do not require the same mechanical components as combustion engines, this shift is expected to reduce the industry's dependence on traditional truck parts. As a result, the company's strategic focus on **alternative markets is expected to become even more important** in adapting to these changing dynamics.

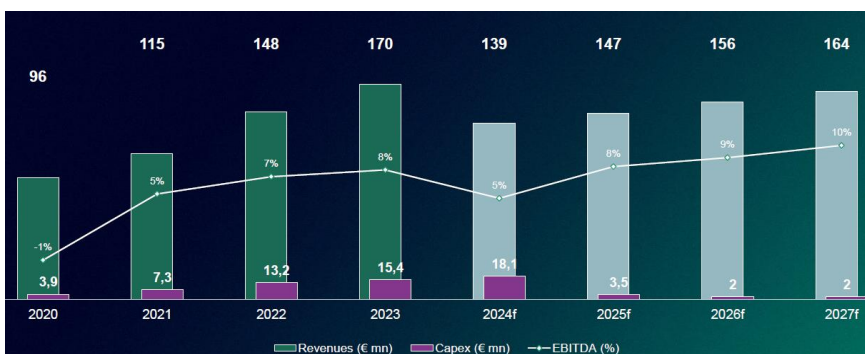
The table below presents the **six-monthly performance of MS Industrie**. Due to the partial sale of MS Ultraschall (51%) and its resulting exclusion from full consolidation, significant adjustments in revenue are anticipated over the next few half-year periods. Additionally, the gross margin is expected to decline because of increased material usage in the MS XTEC (Drive Technology) segment.

| P&L data           | H2 2020     | H1 2021      | H2 2021      | H1 2022     | H2 2022      | H1 2023     | H2 2023     | H1 2024     |
|--------------------|-------------|--------------|--------------|-------------|--------------|-------------|-------------|-------------|
| Sales              | 91.0        | 83.8         | 80.8         | 97.0        | 109.1        | 128.0       | 120.9       | 109.2       |
| yoy growth in %    | -10.8%      | 14.7%        | -11.1%       | 15.8%       | 35.0%        | 32.0%       | 10.8%       | -14.7%      |
| Gross profit       | 11.5        | 44.4         | 38.2         | 49.0        | 48.2         | 66.6        | 51.8        | 56.8        |
| Gross margin in %  | 12.6%       | 53.0%        | 47.2%        | 50.5%       | 44.2%        | 52.0%       | 42.8%       | 52.1%       |
| EBITDA             | 4.3         | 6.0          | 3.2          | 10.0        | 5.1          | 11.7        | 8.3         | 7.8         |
| EBITDA margin in % | 4.7%        | 7.2%         | 4.0%         | 10.3%       | 4.6%         | 9.2%        | 6.9%        | 7.1%        |
| EBIT               | -2.4        | -0.4         | -3.9         | 4.2         | -1.5         | 7.1         | 2.2         | 2.7         |
| EBIT margin in %   | -2.7%       | -0.5%        | -4.8%        | 4.4%        | -1.4%        | 5.5%        | 1.8%        | 2.4%        |
| EBT                | -0.3        | -1.9         | -4.6         | 3.2         | -2.5         | 5.8         | 0.6         | 0.5         |
| taxes paid         | -0.4        | -1.0         | -1.2         | 0.5         | -0.7         | 1.1         | 0.5         | -1.6        |
| tax rate in %      | 163.8%      | 54.4%        | 27.0%        | 16.7%       | 28.9%        | 18.8%       | na%         | na%         |
| net profit         | 0.3         | -0.9         | -3.0         | 2.5         | -1.4         | 4.7         | 0.4         | 2.0         |
| yoy growth in %    | -108.6%     | na%          | na%          | na%         | na%          | na%         | na%         | na%         |
| <b>EPS</b>         | <b>0.01</b> | <b>-0.03</b> | <b>-0.10</b> | <b>0.08</b> | <b>-0.05</b> | <b>0.16</b> | <b>0.01</b> | <b>0.07</b> |

Source: Company data; mwb research

**Company Guidance for MS XTEC (Drive Technology)**, which has become the Group's sole core segment from mid-2024, the company expects 2024 to be a challenging year. Revenues are expected to decline by c. 18% yoy, with an EBITDA margin of only 5%, mainly due to a **recession in the European truck market**. This market, which accounts for 61% of MS XTEC's revenues, is currently experiencing a decline in demand, which has resulted in lower sales volumes across Europe.

### Guidance in EURm (MS XTEC)



excl. MS Ultraschall (consolidated at equity from mid 2024) / excl. holding costs / excl. other participations

Source: Company data; mwb research

**Overall**, the company expects weaker financial results in the short term due to the deconsolidation of MS Ultraschall and an organic decline in performance at MS XTEC. However, the company expects a significant turnaround in the following years, driven by the expected **recovery of the truck market**. As shippers replace aging fleets and key customers such as Traton introduce new combustion engines, the company expects this recovery to generate organic revenue growth at a **CAGR of 6% from 2024 to 2027**. This growth will be affected by several factors, including

the pace and strength of the market recovery and catch-up effects from European truck market. In addition, the introduction of long-term supply agreements for the new engine by major truck manufacturers such as Traton is expected to further drive sales growth.

This expected growth will be further **supported by reduced CAPEX** requirements as a result of the significant investments the company has already made in automation. These strategic investments are expected to yield significant improvements in operational efficiency, enabling the company to streamline its processes, reduce costs and maximize output. As a result, the company anticipates a **significant increase in free cash flow over the next several years**, providing the financial flexibility to support its ongoing growth initiatives and strengthen its competitive position in the marketplace.

With the company's transition from IFRS to German GAAP in mid-2024, its guidance has been fully adjusted to GAAP standards. This transition is expected to have a material impact on the company's reported financials. Specifically, certain investments previously classified as OPEX, such as lease-purchase equipment purchases, will be reclassified as CAPEX under GAAP. As a result, the GAAP guidance for 2023 and 2024 shows significantly higher CAPEX figures. However, this reclassification will result in a reduction of OPEX in subsequent years, ultimately contributing to improved margins as the company benefits from more favorable treatment of capital expenditures over time. This shift is a key factor in the Company's ability to improve profitability and operational efficiency over the long term.

**In the long term**, MS XTEC is gradually diversifying into new off-highway sectors, such as medical technology, where certification requirements have already been met. These areas are expected to play a more significant role in driving the company's growth in the future.

The company's expectations are closely aligned with our estimates and reflect the company's strategic positioning to fully capitalize on the expected continued global growth of the truck market over the next decade. Our model incorporates previously reported financials and has been specifically developed using GAAP starting in 2024.

## Business transformation: Overview of progress and company expectations

| Traditionally (until 2020)   | Now (2025)   | Future (until 2030)  |
|--|--|--|
| <ul style="list-style-type: none"> <li><b>Industries:</b> 100% powertrain for commercial vehicles</li> <li><b>Machines:</b> 4 axis milling, mainly special machines for each customer</li> <li><b>Personnel:</b> manual handling and partly automated assembly; personnel cost &gt;23%</li> <li><b>Quality:</b> statistic samples by separate quality department</li> <li><b>Energy:</b> 100% from external providers</li> </ul> | <ul style="list-style-type: none"> <li><b>Industries:</b> 70% powertrain for heavy commercial vehicles; 30% offroad and new passenger car drives</li> <li><b>Machines:</b> 5 axis milling; mainly standard machines; flexible automation and logistics by AGVs</li> <li><b>Personnel:</b> mainly automated machine handling and semi-automated assembly; personnel cost ~20%</li> <li><b>Quality:</b> embedded automated quality control / full traceability</li> <li><b>Energy:</b> ~ 25% from own PV systems, ~ 10% by two own heat &amp; power units</li> </ul> | <ul style="list-style-type: none"> <li><b>Industries:</b> ~50% powertrain for heavy commercial vehicles; 50% all kind of industries (medical, aerospace ...)</li> <li><b>Machines:</b> existing standard 5 axis machines; flexible automation and logistics by AGVs</li> <li><b>Personnel:</b> full automated machine handling and automated assembly; personnel cost &lt;17%</li> <li><b>Quality:</b> embedded automated quality control / full traceability</li> <li><b>Energy:</b> ~ 25% from own PV systems, ~10% by two own heat &amp; power units</li> </ul> |

Source: Company data; mwb research



## Initiatives to reduce debt

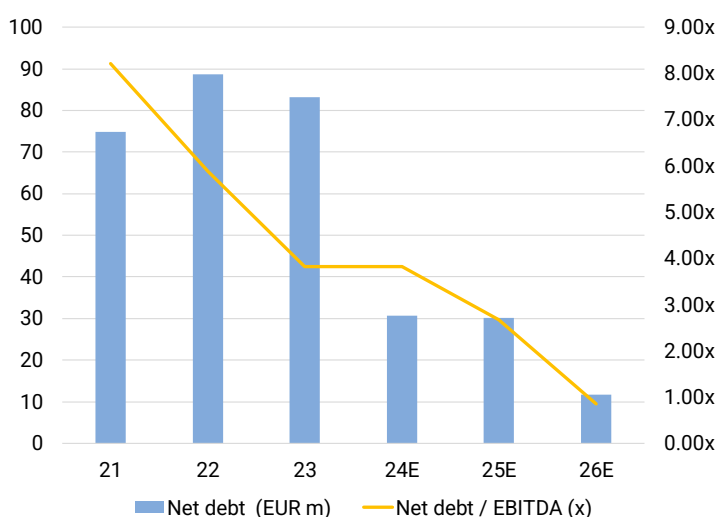
With the sale of 51% of MS Ultraschall, MS Industrie is now focused on a single core business. The transaction, which resulted in MS Ultraschall being accounted for using the equity method, will reduce its sales contribution from 2024. However, the sale brings significant benefits: it allows for a significant reduction in net debt, improving financial flexibility and strengthening the balance sheet. In addition, the company is sharpening its strategic focus on core businesses and streamlining operations by divesting non-core assets. MS Industrie is also prioritizing the repayment of its MS bond to further strengthen its financial position and ensure sustainable growth.

**The further planned timeline** for MS Industrie's strategic initiatives:

- Begins in 2025 with the planned sale of the Zittau property. This transaction is expected to generate cash inflows of around EUR 2m (mwb est.). This step marks the beginning of a series of measures aimed at optimizing the company's financial position and focusing its resources on its core businesses.
- In 2026, MS Industrie plans to sell the Webberville property. This sale is expected to generate cash inflows of EUR 10m after costs and deductions. Together, these property sales will provide the company with a significant capital infusion, allowing it to further strengthen its financial flexibility and reduce net debt.
- By 2027, MS Industrie intends to fully repay the MS bond, which currently stands at EUR -8.35m. This repayment will be a key milestone in the company's efforts to streamline its balance sheet, improve its leverage ratios and reduce its overall financial obligations.
- Looking ahead to 2028, the company intends to sell its remaining 49% interest in MS Ultraschall. If the contractually agreed conditions with Sonosystems are met and certain performance targets at MS Ultraschall are achieved, MS Industrie expects to receive at least EUR 17m in pro rata equity from this transaction. This decision is in line with the company's strategic focus on realizing value from non-core assets while maintaining operational and financial discipline.

Taken together, these actions are expected to significantly reduce MS Industrie's net debt over the next several years. In addition, these actions will significantly improve the company's net debt to EBITDA ratio, further strengthening its financial stability and positioning the company for long-term sustainable growth as projected (mwb est.).

### Net debt and net debt/EBITDA



Source: Company data; mwb research

# Valuation

## DCF Model

The DCF model results in a **fair value of EUR 2.41 per share**:

**Top-line growth:** We expect MS Industrie AG to grow revenues at a CAGR of 5.5% between 2025E and 2032E. The long-term growth rate is set at 2.0%.

**ROCE.** Returns on capital are developing from -0.8% in 2024E to 4.1% in 2032E.

**WACC.** Starting point is a historical equity beta of 1.35. Unlevering and correcting for mean reversion yields an asset beta of 0.87. Combined with a risk-free rate of 2.0% and an equity risk premium of 6.0% this yields cost of equity of 8.2%. With pre-tax cost of borrowing at 5.0%, a tax rate of 25.0% and target debt/equity of 0.3 this results in a long-term WACC of 7.3%.

| DCF (EURm)<br>(except per share data and beta) | 2025E | 2026E | 2027E | 2028E | 2029E | 2030E | 2031E | 2032E | Terminal value |
|--|-------|-------|-------|-------|-------|-------|-------|-------|----------------|
| NOPAT  | 3.7   | 6.1   | 8.5   | 9.3   | 9.6   | 10.4  | 7.8   | 3.8   |                |
| Depreciation & amortization                    | 6.3   | 5.8   | 4.7   | 4.6   | 4.5   | 4.4   | 4.9   | 10.8  |                |
| Change in working capital                      | -5.8  | -1.1  | -0.7  | -0.8  | -0.9  | -0.9  | -1.1  | -0.3  |                |
| Chg. in long-term provisions                   | -3.2  | 0.6   | 0.6   | 0.6   | 0.6   | 0.7   | 0.7   | 0.3   |                |
| Capex  | -2.9  | -3.1  | -3.3  | -3.5  | -3.7  | -9.4  | -10.0 | -10.2 |                |
| Cash flow                                      | -1.9  | 8.2   | 9.7   | 10.2  | 10.1  | 5.1   | 2.3   | 4.3   | 82.8           |
| Present value                                  | -1.8  | 7.1   | 7.9   | 7.7   | 7.2   | 3.4   | 1.4   | 2.5   | 47.3           |
| WACC   | 7.4%  | 7.4%  | 7.4%  | 7.3%  | 7.2%  | 7.2%  | 7.2%  | 7.2%  | 7.3%           |

| DCF per share derived from                            |                     |
|---|---------------------|
| Total present value                                   | 82.7                |
| Mid-year adj. total present value                     | 85.7                |
| Net debt / cash at start of year                      | 30.6                |
| Financial assets                                      | 18.5                |
| Provisions and off b/s debt                           | 1.2                 |
| Equity value  | 72.4                |
| No. of shares outstanding                             | 30.0                |
| <b>Discounted cash flow / share upside/(downside)</b> | <b>2.41 / 76.2%</b> |

| DCF avg. growth and earnings assumptions           |      |
|--|------|
| Planning horizon avg. revenue growth (2025E-2032E) | 5.5% |
| Terminal value growth (2032E - infinity)           | 2.0% |
| Terminal year ROCE                                 | 4.1% |
| Terminal year WACC                                 | 7.3% |

| Terminal WACC derived from           |       |
|--------------------------------------|-------|
| Cost of borrowing (before taxes)     | 5.0%  |
| Long-term tax rate                   | 25.0% |
| Equity beta                          | 1.35  |
| Unlevered beta (industry or company) | 0.87  |
| Target debt / equity                 | 0.3   |
| Relevered beta                       | 1.03  |
| Risk-free rate                       | 2.0%  |
| Equity risk premium                  | 6.0%  |
| Cost of equity                       | 8.2%  |

|                    |             |
|--------------------|-------------|
| <b>Share price</b> | <b>1.37</b> |
|--------------------|-------------|

| Sensitivity analysis DCF     |                  |      |      |      |      |                        |       |
|------------------------------|------------------|------|------|------|------|------------------------|-------|
| Change in WACC<br>(%-points) | Long term growth |      |      |      |      | Share of present value |       |
|                              | 1.0%             | 1.5% | 2.0% | 2.5% | 3.0% |                        |       |
| 2.0%                         | 1.6              | 1.7  | 1.7  | 1.8  | 1.9  | 2025E-2028E            | 25.3% |
| 1.0%                         | 1.8              | 1.9  | 2.0  | 2.1  | 2.3  | 2029E-2032E            | 17.5% |
| 0.0%                         | 2.1              | 2.3  | 2.4  | 2.6  | 2.8  | terminal value         | 57.3% |
| -1.0%                        | 2.6              | 2.8  | 3.0  | 3.3  | 3.7  |                        |       |
| -2.0%                        | 3.2              | 3.5  | 3.9  | 4.5  | 5.3  |                        |       |

Source: mwb research

## FCF Yield Model

Due to the fact that companies rarely bear sufficient resemblance to peers in terms of geographical exposure, size or competitive strength and in order to adjust for the pitfalls of weak long-term visibility, an Adjusted Free Cash Flow analysis (Adjusted FCF) has been conducted.

**The adjusted Free Cash Flow Yield results in a fair value between EUR 1.29 per share based on 2025E and EUR 5.73 per share on 2029E estimates.**

The main driver of this model is the level of return available to a controlling investor, influenced by the cost of that investors' capital (opportunity costs) and the purchase price – in this case the enterprise value of the company. Here, the adjusted FCF yield is used as a proxy for the required return and is defined as EBITDA less minority interest, taxes and investments required to maintain existing assets (maintenance capex).

| FCF yield in EURm                  | 2025E        | 2026E         | 2027E         | 2028E         | 2029E         |
|------------------------------------|--------------|---------------|---------------|---------------|---------------|
| <b>EBITDA</b>                      | <b>11.3</b>  | <b>13.9</b>   | <b>16.0</b>   | <b>17.0</b>   | <b>18.0</b>   |
| - Maintenance capex                | 6.3          | 5.8           | 4.7           | 4.6           | 4.5           |
| - Minorities                       | 0.0          | 0.0           | 0.0           | 0.0           | 0.0           |
| - tax expenses                     | 1.3          | 2.1           | 3.0           | 3.4           | 4.1           |
| <b>= Adjusted FCF</b>              | <b>3.6</b>   | <b>6.0</b>    | <b>8.3</b>    | <b>9.1</b>    | <b>9.5</b>    |
| <b>Actual Market Cap</b>           | <b>41.1</b>  | <b>41.1</b>   | <b>41.1</b>   | <b>41.1</b>   | <b>41.1</b>   |
| + Net debt (cash)                  | 30.2         | 11.7          | 2.1           | -22.2         | -28.6         |
| + Pension provisions               | 1.5          | 1.6           | 1.7           | 1.8           | 1.9           |
| + Off B/S financing                | 0.0          | 0.0           | 0.0           | 0.0           | 0.0           |
| - Financial assets                 | 18.5         | 18.5          | 18.5          | 1.5           | 1.5           |
| - Acc. dividend payments           | 0.0          | 0.0           | 0.6           | 4.2           | 8.3           |
| <i>EV Reconciliations</i>          | 13.1         | -5.2          | -15.4         | -26.2         | -36.5         |
| <b>= Actual EV'</b>                | <b>54.2</b>  | <b>35.9</b>   | <b>25.7</b>   | <b>14.9</b>   | <b>4.6</b>    |
| <b>Adjusted FCF yield</b>          | <b>6.7%</b>  | <b>16.6%</b>  | <b>32.3%</b>  | <b>60.7%</b>  | <b>207.2%</b> |
| base hurdle rate                   | 7.0%         | 7.0%          | 7.0%          | 7.0%          | 7.0%          |
| ESG adjustment                     | 0.0%         | 0.0%          | 0.0%          | 0.0%          | 0.0%          |
| adjusted hurdle rate               | 7.0%         | 7.0%          | 7.0%          | 7.0%          | 7.0%          |
| <b>Fair EV</b>                     | <b>51.8</b>  | <b>85.1</b>   | <b>118.8</b>  | <b>129.5</b>  | <b>135.3</b>  |
| - <i>EV Reconciliations</i>        | 13.1         | -5.2          | -15.4         | -26.2         | -36.5         |
| <b>Fair Market Cap</b>             | <b>38.6</b>  | <b>90.4</b>   | <b>134.1</b>  | <b>155.7</b>  | <b>171.8</b>  |
| No. of shares (million)            | 30.0         | 30.0          | 30.0          | 30.0          | 30.0          |
| <b>Fair value per share in EUR</b> | <b>1.29</b>  | <b>3.02</b>   | <b>4.48</b>   | <b>5.19</b>   | <b>5.73</b>   |
| <b>Premium (-) / discount (+)</b>  | <b>-5.9%</b> | <b>120.1%</b> | <b>226.8%</b> | <b>279.2%</b> | <b>318.6%</b> |

| Sensitivity analysis FV     |             |            |            |            |            |            |
|-----------------------------|-------------|------------|------------|------------|------------|------------|
|                             | 5.0%        | 2.0        | 4.2        | 6.1        | 6.9        | 7.5        |
| <b>Adjusted hurdle rate</b> | 6.0%        | 1.6        | 3.5        | 5.1        | 5.9        | 6.5        |
|                             | <b>7.0%</b> | <b>1.3</b> | <b>3.0</b> | <b>4.5</b> | <b>5.2</b> | <b>5.7</b> |
|                             | 8.0%        | 1.1        | 2.7        | 4.0        | 4.7        | 5.2        |
|                             | 9.0%        | 0.9        | 2.4        | 3.6        | 4.2        | 4.7        |

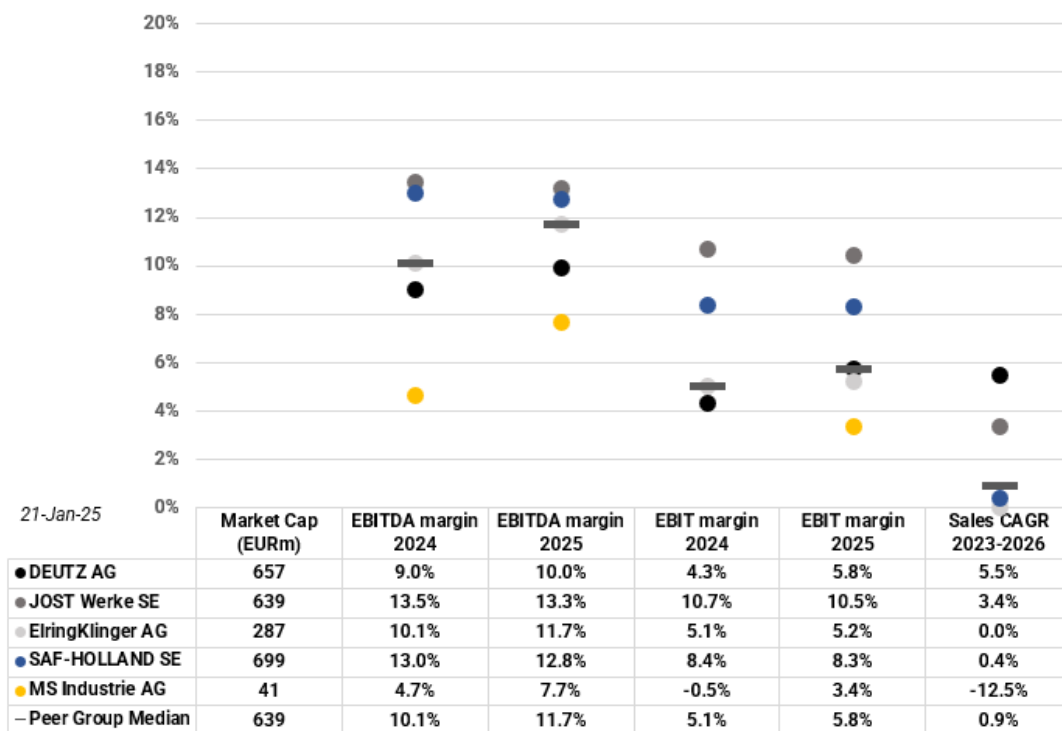
Source: Company data; mwb research

Simply put, the model assumes that investors require companies to generate a minimum return on the investor's purchase price. The required after-tax return equals the model's hurdle rate of 7.0%. Anything less suggests the stock is expensive; anything more suggests the stock is cheap. **ESG adjustments might be applicable. A high score indicates high awareness for environmental, social or governance issues and thus might lower the overall risk an investment in the company might carry. A low score on the contrary might increase the risk of an investment and might therefore trigger a higher required hurdle rate.**

## Peer group analysis

A peer group or comparable company (“comps”) analysis is a methodology that calculates a company’s relative value – how much it should be worth based on how it compares to other similar companies. Given that **MS Industrie AG** differs quite significantly in terms of size, focus, financial health and growth trajectory, we regard our peer group analysis merely as a support for other valuation methods. The peer group of MS Industrie AG consists of the stocks displayed in the below. As of 21 January 2025 the median market cap of the peer group was EUR 639.2m, compared to EUR 41.1m for MS Industrie AG. In the period under review, the peer group was more profitable than MS Industrie AG. The expectations for sales growth are higher for the peer group than for MS Industrie AG.

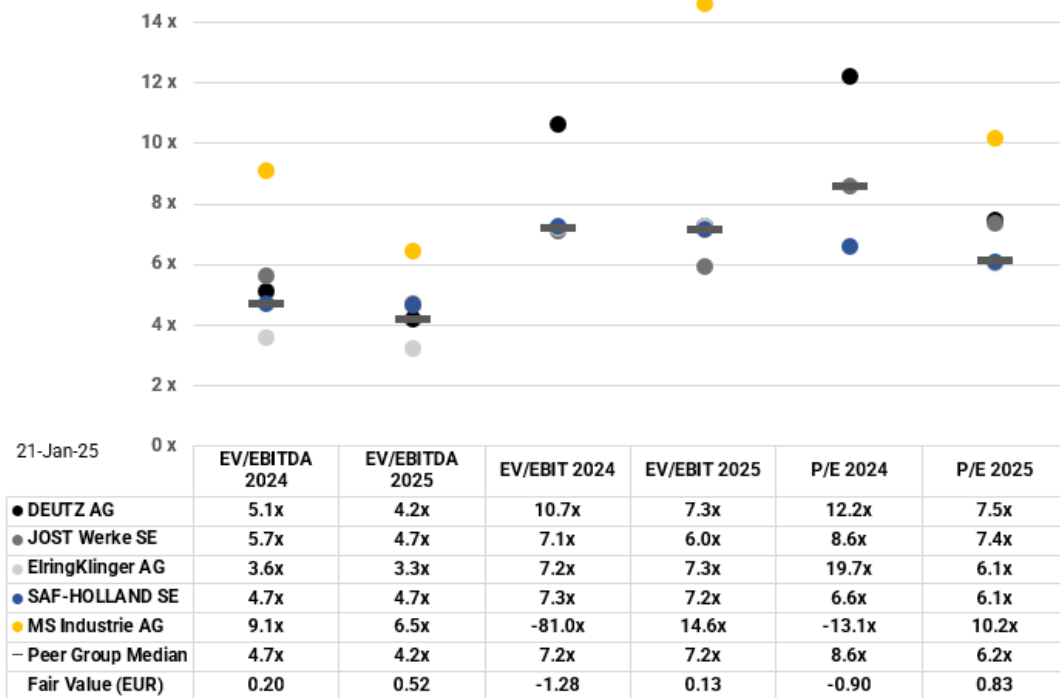
### Peer Group – Key data



Source: FactSet, mwb research

Comparable company analysis operates under the assumption that similar companies will have similar valuation multiples. We use the following multiples: EV/EBITDA 2024, EV/EBITDA 2025, EV/EBIT 2024, EV/EBIT 2025, P/E 2024 and P/E 2025. Applying these to MS Industrie AG results in a range of fair values from EUR 0.00 to EUR 0.83.

### Peer Group – Multiples and valuation



Source: FactSet, mwb research

The following is a detailed description of the peer group and other major competitors (source: FactSet):

**DEUTZ AG** engages in the development, design, manufacture, distribution, and servicing of diesel engines for professional applications. It operates through the DEUTZ Classic and DEUTZ Green segments. The DEUTZ Classic segment focuses on the development, production, distribution, and maintenance of diesel and gas engines. The DEUTZ Green segment is involved in all-electric and hybrid drives, hydrogen-powered drive solutions, mobile rapid charging stations, and the development of battery management hardware and software. The company was founded by Eugen Langen and Nicolaus August Otto on March 31, 1864 and is headquartered in Cologne, Germany.

**JOST Werke SE** engages in the production and supply of safety-critical components and systems for commercial vehicles. It operates through the following geographical segments: Europe, North America, and Asia, Pacific, and Africa. Its brands include JOST, ROCKINGER, TRIDEC, and Quicke. The company was founded in 1952 and is headquartered in Neu-Isenburg, Germany.

**ElringKlinger AG** engages in the provision of lightweight solutions, electromobility, sealing and shielding technology, tool technology and engineering services. It operates through the following segments: Original Equipment, Aftermarket, Engineered Plastics, and Other. The Original Equipment segment develops, manufactures, and sells products and assemblies destined for the automobile industry. The Aftermarket segment offers a range of gaskets, gasket sets, and service parts for the repair of engines, transmissions, exhaust systems, and auxiliary

units in cars and commercial vehicles. The Engineered Plastics segment manufactures and markets a range of customized products made of plastic. The Other segment is composed of the activities of services and industrial parks segment. The company was founded in 1879 and is headquartered in Dettingen an der Erms, Germany.

**SAF-HOLLAND SE** operates as an international manufacturer of chassis-related assemblies and components for trailers, trucks, semi-trailers, and buses. The company product range includes axle and suspension systems for trailers as well as fifth wheels and coupling systems for trucks, trailers and semi-trailers as well as braking and EBS systems. The firm develops innovative products to increase the efficiency, safety and environmental friendliness of commercial vehicles. It markets its products under the SAF, Holland, Neway, KLL, V.Orlandi, TrailerMaster, and York brands. SAF-HOLLAND supplies manufacturers in the original equipment market in six continents. The company in the aftermarket business, supplies spare parts to manufacturers' service networks and wholesalers as well as to end customers and service centers via an extensive global distribution network. It primarily operates in Europe, the Middle East, Africa, the Americas, and the Asia Pacific. SAF-HOLLAND was founded on December 21, 2005, and is headquartered in Bessenbach, Germany.

## Valuation overview

The table below outlines the potential fair value range for MS Industrie based on various valuation methods. By integrating multiple approaches, the analysis provides a well-rounded view of the company's value, considering diverse financial metrics, industry benchmarks, and future scenarios for a balanced assessment of its financial position and strategy.

The detailed analysis shows that the shares of MS Industrie are currently trading at relatively low valuation ratios. However, this observation also extends to the peer group, suggesting that the low ratios are not unique to MS Industrie, but rather reflect broader market trends within the sector. Based on these valuation ratios, the current fair value of MS Industrie's shares is estimated to be between EUR 0.99 and EUR 0.92.

On the other hand, a different picture emerges when assessing the company's potential through the lens of the adjusted free cash flow (FCF) yield. According to projections, MS Industrie is expected to generate substantial Free Cash Flow from 2026 onwards. This expected strong performance supports a significantly higher fair value estimate for the company in the range of EUR 3.02 to EUR 4.48. This approach highlights the company's ability to deliver financial results that could lead to higher valuations in the future.

Furthermore, a Discounted Cash Flow (DCF) analysis, widely considered to be one of the most appropriate and reliable valuation methods, provides further insights. Based on the DCF model and using our carefully prepared forecasts, the fair value of MS Industrie shares is calculated at EUR 2.41. In particular, these projections are closely aligned with the company's internal planning figures, which lends credibility to the valuation. The alignment of the DCF model with the company's outlook underscores its robustness and highlights the potential for MS Industrie's shares to reach higher valuation levels as the market recognizes the company's future financial capabilities.

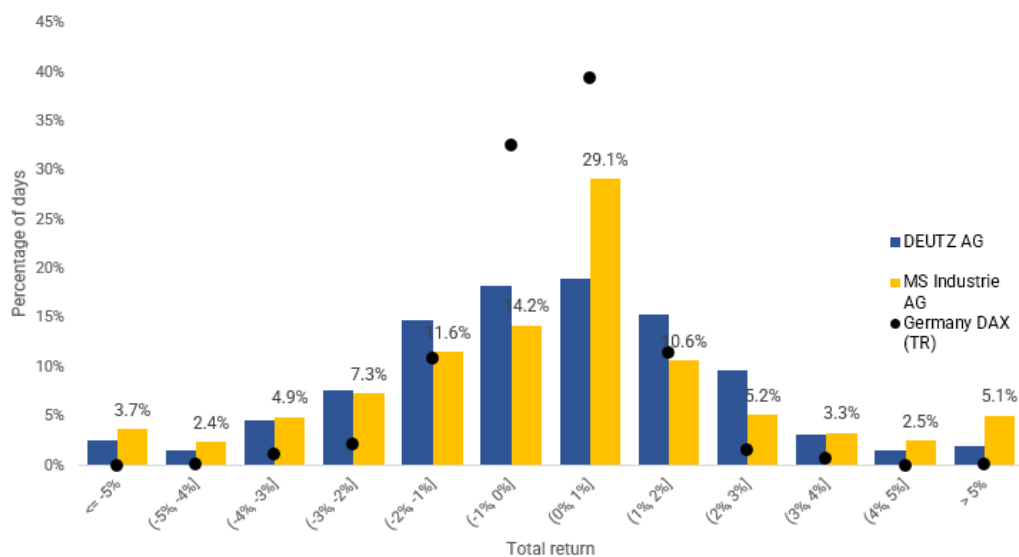


Source: mwb research; The DCF model is the most appropriate valuation method in our view

# Risk

The chart displays the distribution of daily returns of MS Industrie AG over the last 3 years, compared to the same distribution for DEUTZ AG. We have also included the distribution for the index Germany DAX (TR). The distribution gives a better understanding of risk than measures like volatility, which assume that log returns are normally distributed. In reality, they are skewed (down moves are larger) and have fat tails (large moves occur more often than predicted). Also, volatility treats up and down moves the same, while investors are more worried about down moves. For MS Industrie AG, the worst day during the past 3 years was 20/09/2022 with a share price decline of -11.4%. The best day was 03/03/2022 when the share price increased by 16.8%.

## Risk – Daily Returns Distribution (trailing 3 years)

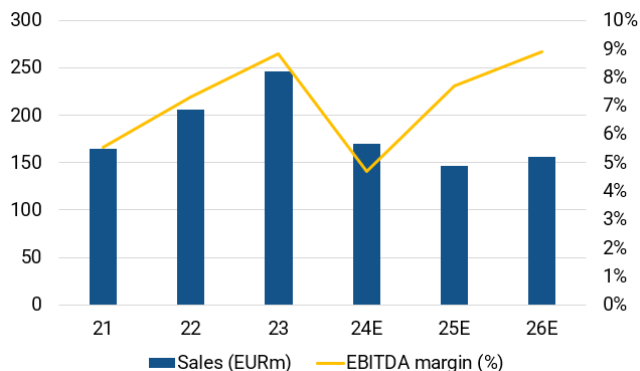


Source: FactSet, mwb research

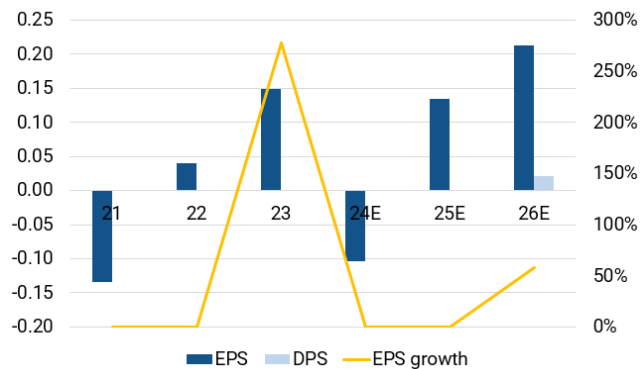


# Financials in six charts

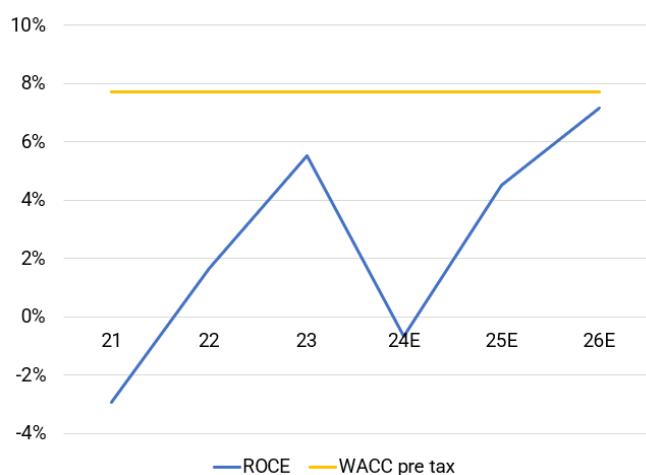
**Sales vs. EBITDA margin development**



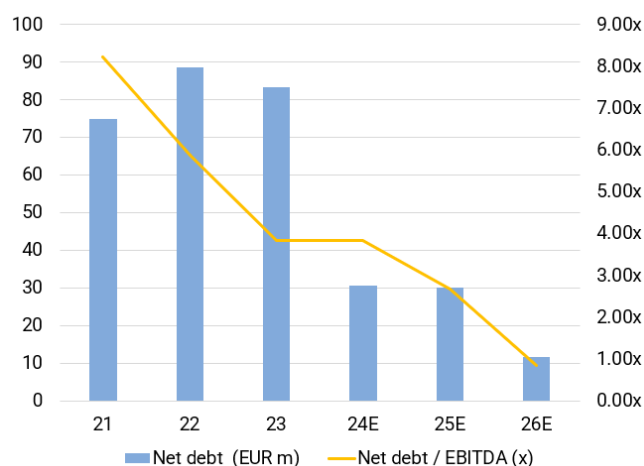
**EPS, DPS in EUR & yoy EPS growth**



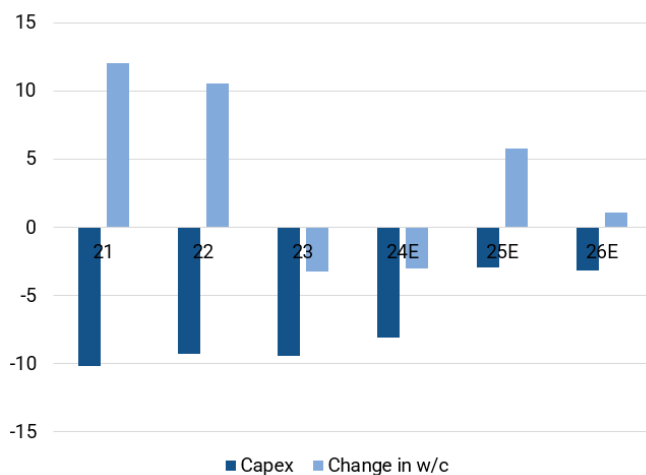
**ROCE vs. WACC (pre tax)**



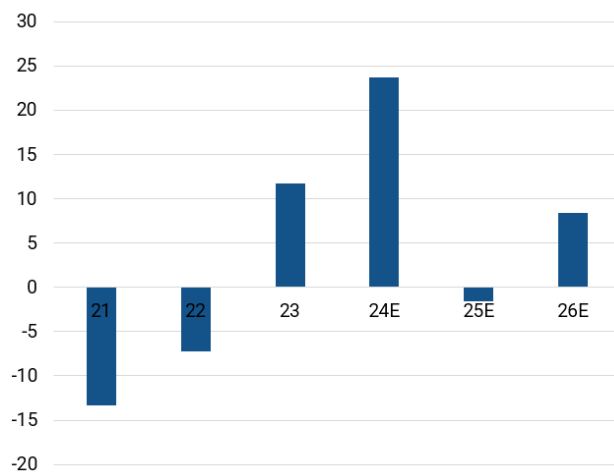
**Net debt and net debt/EBITDA**



**Capex & chgn in w/c requirements in EURm**



**Free Cash Flow in EURm**



Source: Company data; mwb research

# Financials

| Profit and loss (EURm)                             | 2021         | 2022         | 2023         | 2024E        | 2025E        | 2026E        |
|--|--------------|--------------|--------------|--------------|--------------|--------------|
| <b>Net sales</b>                                   | <b>164.7</b> | <b>206.2</b> | <b>246.7</b> | <b>170.2</b> | <b>146.4</b> | <b>155.8</b> |
| Sales growth                                       | 0.4%         | 25.2%        | 19.7%        | -31.0%       | -14.0%       | 6.4%         |
| Change in finished goods and work-in-process       | 0.9          | 3.2          | -2.4         | -3.4         | 0.0          | 0.0          |
| <b>Total sales</b>                                 | <b>165.5</b> | <b>209.4</b> | <b>244.3</b> | <b>166.8</b> | <b>146.4</b> | <b>155.8</b> |
| Material expenses                                  | 82.9         | 112.2        | 125.9        | 88.5         | 82.7         | 92.7         |
| <b>Gross profit</b>                                | <b>82.6</b>  | <b>97.2</b>  | <b>118.4</b> | <b>78.3</b>  | <b>63.7</b>  | <b>63.1</b>  |
| Other operating income                             | 5.5          | 6.9          | 5.0          | 3.4          | 0.0          | 0.0          |
| Personnel expenses                                 | 50.9         | 57.7         | 62.4         | 43.4         | 28.0         | 26.0         |
| Other operating expenses                           | 28.1         | 31.2         | 39.2         | 30.3         | 24.4         | 23.2         |
| <b>EBITDA</b>                                      | <b>9.1</b>   | <b>15.1</b>  | <b>21.8</b>  | <b>8.0</b>   | <b>11.3</b>  | <b>13.9</b>  |
| Depreciation                                       | 12.8         | 12.4         | 12.4         | 8.9          | 6.3          | 5.8          |
| EBITA  | -3.7         | 2.7          | 9.4          | -0.9         | 5.0          | 8.1          |
| Amortisation of goodwill and intangible assets     | 0.7          | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          |
| <b>EBIT</b>  | <b>-4.4</b>  | <b>2.7</b>   | <b>9.4</b>   | <b>-0.9</b>  | <b>5.0</b>   | <b>8.1</b>   |
| Financial result                                   | -1.9         | -1.7         | -3.1         | -3.5         | 0.4          | 0.4          |
| Recurring pretax income from continuing operations | -6.3         | 1.0          | 6.2          | -4.4         | 5.4          | 8.5          |
| Extraordinary income/loss                          | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          |
| Earnings before taxes                              | -6.3         | 1.0          | 6.2          | -4.4         | 5.4          | 8.5          |
| Taxes  | -2.3         | -0.2         | 1.8          | -1.3         | 1.3          | 2.1          |
| Net income from continuing operations              | -4.0         | 1.2          | 4.4          | -3.1         | 4.0          | 6.4          |
| Result from discontinued operations (net of tax)   | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          |
| <b>Net income</b>                                  | <b>-4.0</b>  | <b>1.2</b>   | <b>4.4</b>   | <b>-3.1</b>  | <b>4.0</b>   | <b>6.4</b>   |
| Minority interest                                  | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          |
| Net profit (reported)                              | -4.0         | 1.2          | 4.4          | -3.1         | 4.0          | 6.4          |
| Average number of shares                           | 29.89        | 29.93        | 29.96        | 29.96        | 29.96        | 29.96        |
| <b>EPS reported</b>                                | <b>-0.13</b> | <b>0.04</b>  | <b>0.15</b>  | <b>-0.10</b> | <b>0.13</b>  | <b>0.21</b>  |

| Profit and loss (common size)                      | 2021        | 2022        | 2023        | 2024E       | 2025E       | 2026E       |
|--|-------------|-------------|-------------|-------------|-------------|-------------|
| <b>Net sales</b>                                   | <b>100%</b> | <b>100%</b> | <b>100%</b> | <b>100%</b> | <b>100%</b> | <b>100%</b> |
| Change in finished goods and work-in-process       | 1%          | 2%          | -1%         | -2%         | 0%          | 0%          |
| <b>Total sales</b>                                 | <b>101%</b> | <b>102%</b> | <b>99%</b>  | <b>98%</b>  | <b>100%</b> | <b>100%</b> |
| Material expenses                                  | 50%         | 54%         | 51%         | 52%         | 56%         | 60%         |
| <b>Gross profit</b>                                | <b>50%</b>  | <b>47%</b>  | <b>48%</b>  | <b>46%</b>  | <b>44%</b>  | <b>41%</b>  |
| Other operating income                             | 3%          | 3%          | 2%          | 2%          | 0%          | 0%          |
| Personnel expenses                                 | 31%         | 28%         | 25%         | 26%         | 19%         | 17%         |
| Other operating expenses                           | 17%         | 15%         | 16%         | 18%         | 17%         | 15%         |
| <b>EBITDA</b>                                      | <b>6%</b>   | <b>7%</b>   | <b>9%</b>   | <b>5%</b>   | <b>8%</b>   | <b>9%</b>   |
| Depreciation                                       | 8%          | 6%          | 5%          | 5%          | 4%          | 4%          |
| EBITA  | -2%         | 1%          | 4%          | -1%         | 3%          | 5%          |
| Amortisation of goodwill and intangible assets     | 0%          | 0%          | 0%          | 0%          | 0%          | 0%          |
| <b>EBIT</b>  | <b>-3%</b>  | <b>1%</b>   | <b>4%</b>   | <b>-1%</b>  | <b>3%</b>   | <b>5%</b>   |
| Financial result                                   | -1%         | -1%         | -1%         | -2%         | 0%          | 0%          |
| Recurring pretax income from continuing operations | -4%         | 0%          | 3%          | -3%         | 4%          | 5%          |
| Extraordinary income/loss                          | 0%          | 0%          | 0%          | 0%          | 0%          | 0%          |
| Earnings before taxes                              | -4%         | 0%          | 3%          | -3%         | 4%          | 5%          |
| Taxes  | -1%         | -0%         | 1%          | -1%         | 1%          | 1%          |
| Net income from continuing operations              | -2%         | 1%          | 2%          | -2%         | 3%          | 4%          |
| Result from discontinued operations (net of tax)   | 0%          | 0%          | 0%          | 0%          | 0%          | 0%          |
| <b>Net income</b>                                  | <b>-2%</b>  | <b>1%</b>   | <b>2%</b>   | <b>-2%</b>  | <b>3%</b>   | <b>4%</b>   |
| Minority interest                                  | 0%          | 0%          | 0%          | 0%          | 0%          | 0%          |
| <b>Net profit (reported)</b>                       | <b>-2%</b>  | <b>1%</b>   | <b>2%</b>   | <b>-2%</b>  | <b>3%</b>   | <b>4%</b>   |

Source: Company data; mwb research

| Balance sheet (EURm)   | 2021         | 2022         | 2023         | 2024E        | 2025E        | 2026E        |
|--|--------------|--------------|--------------|--------------|--------------|--------------|
| <b>Intangible assets (excl. Goodwill)</b>                            | <b>2.2</b>   | <b>2.7</b>   | <b>3.4</b>   | <b>0.0</b>   | <b>0.0</b>   | <b>0.0</b>   |
| Goodwill   | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          |
| Property, plant and equipment  | 58.7         | 66.9         | 71.1         | 65.0         | 59.6         | 47.0         |
| Financial assets   | 35.2         | 36.6         | 35.9         | 18.5         | 18.5         | 18.5         |
| <b>FIXED ASSETS</b>  | <b>96.1</b>  | <b>106.2</b> | <b>110.5</b> | <b>83.5</b>  | <b>78.1</b>  | <b>65.5</b>  |
| Inventories  | 35.2         | 40.2         | 41.2         | 20.0         | 22.7         | 25.4         |
| Accounts receivable  | 32.4         | 49.5         | 39.8         | 17.5         | 18.0         | 19.2         |
| Other current assets   | 7.3          | 5.8          | 3.7          | 8.9          | 8.9          | 8.9          |
| Liquid assets  | 6.5          | 2.3          | 2.1          | 3.6          | 5.8          | 20.3         |
| Deferred taxes   | 5.5          | 5.3          | 4.2          | 6.7          | 6.7          | 6.7          |
| Deferred charges and prepaid expenses                                | 0.9          | 1.1          | 0.9          | 0.0          | 0.0          | 0.0          |
| <b>CURRENT ASSETS</b>  | <b>87.8</b>  | <b>104.4</b> | <b>91.9</b>  | <b>56.7</b>  | <b>62.1</b>  | <b>80.5</b>  |
| <b>TOTAL ASSETS</b>  | <b>183.9</b> | <b>210.5</b> | <b>202.4</b> | <b>140.2</b> | <b>140.2</b> | <b>145.9</b> |
| <b>SHAREHOLDERS EQUITY</b>   | <b>68.0</b>  | <b>71.7</b>  | <b>74.9</b>  | <b>62.4</b>  | <b>66.4</b>  | <b>72.8</b>  |
| MINORITY INTEREST  | 0.5          | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          |
| Long-term debt   | 43.7         | 39.0         | 41.9         | 23.8         | 26.0         | 26.0         |
| Provisions for pensions and similar obligations                      | 0.0          | 0.0          | 0.0          | 1.2          | 1.5          | 1.6          |
| Other provisions   | 9.5          | 8.1          | 7.1          | 10.8         | 7.3          | 7.8          |
| <b>Non-current liabilities</b>                                       | <b>53.2</b>  | <b>47.1</b>  | <b>49.0</b>  | <b>35.8</b>  | <b>34.8</b>  | <b>35.3</b>  |
| short-term liabilities to banks                                      | 37.7         | 52.1         | 43.5         | 10.4         | 10.0         | 6.0          |
| Accounts payable   | 11.8         | 25.7         | 22.8         | 21.6         | 15.9         | 17.8         |
| Advance payments received on orders                                  | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          |
| Other liabilities (incl. from lease until 2023 and rental contracts) | 12.6         | 13.9         | 12.1         | 10.0         | 13.2         | 14.0         |
| Deferred taxes   | 0.0          | 0.0          | 0.1          | 0.0          | 0.0          | 0.0          |
| Deferred income  | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          | 0.0          |
| <b>Current liabilities</b>   | <b>62.2</b>  | <b>91.7</b>  | <b>78.5</b>  | <b>42.0</b>  | <b>39.0</b>  | <b>37.8</b>  |
| <b>TOTAL LIABILITIES AND SHAREHOLDERS EQUITY</b>                     | <b>183.9</b> | <b>210.5</b> | <b>202.4</b> | <b>140.2</b> | <b>140.2</b> | <b>145.9</b> |

| Balance sheet (common size)  | 2021        | 2022        | 2023        | 2024E       | 2025E       | 2026E       |
|--|-------------|-------------|-------------|-------------|-------------|-------------|
| <b>Intangible assets (excl. Goodwill)</b>                            | <b>1%</b>   | <b>1%</b>   | <b>2%</b>   | <b>0%</b>   | <b>0%</b>   | <b>0%</b>   |
| Goodwill   | 0%          | 0%          | 0%          | 0%          | 0%          | 0%          |
| Property, plant and equipment  | 32%         | 32%         | 35%         | 46%         | 43%         | 32%         |
| Financial assets   | 19%         | 17%         | 18%         | 13%         | 13%         | 13%         |
| <b>FIXED ASSETS</b>  | <b>52%</b>  | <b>50%</b>  | <b>55%</b>  | <b>60%</b>  | <b>56%</b>  | <b>45%</b>  |
| Inventories  | 19%         | 19%         | 20%         | 14%         | 16%         | 17%         |
| Accounts receivable  | 18%         | 24%         | 20%         | 12%         | 13%         | 13%         |
| Other current assets   | 4%          | 3%          | 2%          | 6%          | 6%          | 6%          |
| Liquid assets  | 4%          | 1%          | 1%          | 3%          | 4%          | 14%         |
| Deferred taxes   | 3%          | 3%          | 2%          | 5%          | 5%          | 5%          |
| Deferred charges and prepaid expenses                                | 1%          | 1%          | 0%          | 0%          | 0%          | 0%          |
| <b>CURRENT ASSETS</b>  | <b>48%</b>  | <b>50%</b>  | <b>45%</b>  | <b>40%</b>  | <b>44%</b>  | <b>55%</b>  |
| <b>TOTAL ASSETS</b>  | <b>100%</b> | <b>100%</b> | <b>100%</b> | <b>100%</b> | <b>100%</b> | <b>100%</b> |
| <b>SHAREHOLDERS EQUITY</b>   | <b>37%</b>  | <b>34%</b>  | <b>37%</b>  | <b>45%</b>  | <b>47%</b>  | <b>50%</b>  |
| MINORITY INTEREST  | 0%          | 0%          | 0%          | 0%          | 0%          | 0%          |
| Long-term debt   | 24%         | 18%         | 21%         | 17%         | 19%         | 18%         |
| Provisions for pensions and similar obligations                      | 0%          | 0%          | 0%          | 1%          | 1%          | 1%          |
| Other provisions   | 5%          | 4%          | 4%          | 8%          | 5%          | 5%          |
| <b>Non-current liabilities</b>                                       | <b>29%</b>  | <b>22%</b>  | <b>24%</b>  | <b>26%</b>  | <b>25%</b>  | <b>24%</b>  |
| short-term liabilities to banks                                      | 20%         | 25%         | 21%         | 7%          | 7%          | 4%          |
| Accounts payable   | 6%          | 12%         | 11%         | 15%         | 11%         | 12%         |
| Advance payments received on orders                                  | 0%          | 0%          | 0%          | 0%          | 0%          | 0%          |
| Other liabilities (incl. from lease until 2023 and rental contracts) | 7%          | 7%          | 6%          | 7%          | 9%          | 10%         |
| Deferred taxes   | 0%          | 0%          | 0%          | 0%          | 0%          | 0%          |
| Deferred income  | 0%          | 0%          | 0%          | 0%          | 0%          | 0%          |
| <b>Current liabilities</b>   | <b>34%</b>  | <b>44%</b>  | <b>39%</b>  | <b>30%</b>  | <b>28%</b>  | <b>26%</b>  |
| <b>TOTAL LIABILITIES AND SHAREHOLDERS EQUITY</b>                     | <b>100%</b> | <b>100%</b> | <b>100%</b> | <b>100%</b> | <b>100%</b> | <b>100%</b> |

Source: Company data; mwb research

| Cash flow statement (EURm)                      | 2021         | 2022         | 2023         | 2024E        | 2025E       | 2026E       |
|---|--------------|--------------|--------------|--------------|-------------|-------------|
| Net profit/loss                                 | -4.0         | 1.2          | 4.4          | -3.1         | 4.0         | 6.4         |
| Depreciation of fixed assets (incl. leases)     | 11.8         | 11.6         | 12.4         | 9.6          | 6.3         | 5.8         |
| Amortisation of goodwill                        | 0.0          | 0.0          | 0.0          | 0.0          | 0.0         | 0.0         |
| Amortisation of intangible assets               | 1.0          | 0.7          | 0.0          | 0.0          | 0.0         | 0.0         |
| Others  | 0.1          | -1.0         | 1.1          | 22.3         | -3.2        | 0.6         |
| Cash flow from operations before changes in w/c | 9.0          | 12.6         | 18.0         | 28.8         | 7.1         | 12.7        |
| Increase/decrease in inventory                  | 0.0          | 0.0          | 0.0          | 0.0          | -2.7        | -2.7        |
| Increase/decrease in accounts receivable        | 0.0          | 0.0          | 0.0          | 0.0          | -0.5        | -1.2        |
| Increase/decrease in accounts payable           | -0.2         | 13.5         | -5.0         | 0.0          | -5.7        | 1.9         |
| Increase/decrease in other w/c positions        | -11.8        | -24.1        | 8.2          | 3.0          | 3.2         | 0.8         |
| Increase/decrease in working capital            | -12.1        | -10.6        | 3.2          | 3.0          | -5.8        | -1.1        |
| <b>Cash flow from operating activities</b>      | <b>-3.1</b>  | <b>2.0</b>   | <b>21.2</b>  | <b>31.8</b>  | <b>1.3</b>  | <b>11.6</b> |
| CAPEX   | -10.2        | -9.2         | -9.4         | -8.1         | -2.9        | -3.1        |
| Payments for acquisitions                       | 0.0          | 0.0          | 0.0          | 0.0          | 0.0         | 0.0         |
| Financial investments                           | 5.0          | 0.4          | 2.1          | 0.0          | 0.0         | 0.0         |
| Income from asset disposals                     | 6.5          | 5.0          | 0.3          | 45.0         | 2.0         | 10.0        |
| <b>Cash flow from investing activities</b>      | <b>1.3</b>   | <b>-3.9</b>  | <b>-7.0</b>  | <b>36.9</b>  | <b>-0.9</b> | <b>6.9</b>  |
| Cash flow before financing                      | -1.8         | -1.9         | 14.2         | 68.7         | 0.4         | 18.5        |
| Increase/decrease in debt position              | -8.7         | 1.3          | -3.9         | -51.2        | 1.8         | -4.0        |
| 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                                  | 0.0          | 0.0          | 0.0          | 0.0          | 0.0         | 0.0         |
| Others  | -8.1         | -8.4         | -9.4         | 0.0          | 0.0         | 0.0         |
| Effects of exchange rate changes on cash        | 0.0          | 0.0          | 0.0          | 0.0          | 0.0         | 0.0         |
| <b>Cash flow from financing activities</b>      | <b>-16.8</b> | <b>-7.1</b>  | <b>-13.3</b> | <b>-51.2</b> | <b>1.8</b>  | <b>-4.0</b> |
| Increase/decrease in liquid assets              | -18.6        | -9.0         | 0.9          | 17.5         | 2.2         | 14.5        |
| <b>Liquid assets at end of period</b>           | <b>-18.8</b> | <b>-27.8</b> | <b>-26.9</b> | <b>-9.4</b>  | <b>-7.2</b> | <b>7.3</b>  |

Source: Company data; mwb research

| Regional sales split (EURm) | 2021         | 2022         | 2023         | 2024E        | 2025E        | 2026E        |
|-----------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Domestic                    | 112.0        | 137.7        | 154.6        | 106.7        | 91.8         | 97.6         |
| Europe (ex domestic)        | 20.0         | 31.7         | 37.8         | 26.1         | 22.4         | 23.8         |
| The Americas                | 25.5         | 33.8         | 49.6         | 34.3         | 29.5         | 31.3         |
| Asia                        | 0.6          | 2.7          | 1.9          | 1.3          | 1.1          | 1.2          |
| Rest of World               | 0.3          | 2.7          | 2.7          | 1.9          | 1.6          | 1.7          |
| <b>Total sales</b>          | <b>164.7</b> | <b>206.2</b> | <b>246.7</b> | <b>170.2</b> | <b>146.4</b> | <b>155.8</b> |

| Regional sales split (common size) | 2021        | 2022        | 2023        | 2024E       | 2025E       | 2026E       |
|------------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Domestic                           | 68.0%       | 66.8%       | 62.7%       | 62.7%       | 62.7%       | 62.7%       |
| Europe (ex domestic)               | 12.1%       | 15.4%       | 15.3%       | 15.3%       | 15.3%       | 15.3%       |
| The Americas                       | 15.5%       | 16.4%       | 20.1%       | 20.1%       | 20.1%       | 20.1%       |
| Asia                               | 0.4%        | 1.3%        | 0.8%        | 0.8%        | 0.8%        | 0.8%        |
| Rest of World                      | 0.2%        | 1.3%        | 1.1%        | 1.1%        | 1.1%        | 1.1%        |
| <b>Total sales</b>                 | <b>100%</b> | <b>100%</b> | <b>100%</b> | <b>100%</b> | <b>100%</b> | <b>100%</b> |

Source: Company data; mwb research

| Ratios                            | 2021   | 2022   | 2023   | 2024E  | 2025E  | 2026E |
|-----------------------------------|--------|--------|--------|--------|--------|-------|
| <b>Per share data</b>             |        |        |        |        |        |       |
| Earnings per share reported       | -0.13  | 0.04   | 0.15   | -0.10  | 0.13   | 0.21  |
| Cash flow per share               | -0.10  | 0.07   | 0.71   | 0.76   | -0.17  | 0.19  |
| Book value per share              | 2.28   | 2.40   | 2.50   | 2.08   | 2.22   | 2.43  |
| Dividend per share                | 0.00   | 0.00   | 0.00   | 0.00   | 0.00   | 0.02  |
| <b>Valuation</b>                  |        |        |        |        |        |       |
| P/E                               | -10.3x | 34.8x  | 9.2x   | -13.1x | 10.2x  | 6.5x  |
| P/CF                              | -13.1x | 20.5x  | 1.9x   | 1.8x   | -8.3x  | 7.1x  |
| P/BV                              | 0.6x   | 0.6x   | 0.5x   | 0.7x   | 0.6x   | 0.6x  |
| Dividend yield (%)                | 0.0%   | 0.0%   | 0.0%   | 0.0%   | 0.0%   | 1.5%  |
| FCF yield (%)                     | -7.6%  | 4.9%   | 51.6%  | 55.7%  | -12.1% | 14.1% |
| EV/Sales                          | 0.7x   | 0.6x   | 0.5x   | 0.4x   | 0.5x   | 0.3x  |
| EV/EBITDA                         | 12.7x  | 8.6x   | 5.7x   | 9.1x   | 6.4x   | 3.9x  |
| EV/EBIT                           | -26.2x | 47.6x  | 13.3x  | -81.0x | 14.6x  | 6.7x  |
| <b>Income statement (EURm)</b>    |        |        |        |        |        |       |
| Sales                             | 164.7  | 206.2  | 246.7  | 170.2  | 146.4  | 155.8 |
| yoy chg in %                      | 0.4%   | 25.2%  | 19.7%  | -31.0% | -14.0% | 6.4%  |
| Gross profit                      | 82.6   | 97.2   | 118.4  | 78.3   | 63.7   | 63.1  |
| Gross margin in %                 | 50.2%  | 47.1%  | 48.0%  | 46.0%  | 43.5%  | 40.5% |
| EBITDA                            | 9.1    | 15.1   | 21.8   | 8.0    | 11.3   | 13.9  |
| EBITDA margin in %                | 5.5%   | 7.3%   | 8.8%   | 4.7%   | 7.7%   | 8.9%  |
| EBIT                              | -4.4   | 2.7    | 9.4    | -0.9   | 5.0    | 8.1   |
| EBIT margin in %                  | -2.7%  | 1.3%   | 3.8%   | -0.5%  | 3.4%   | 5.2%  |
| Net profit                        | -4.0   | 1.2    | 4.4    | -3.1   | 4.0    | 6.4   |
| <b>Cash flow statement (EURm)</b> |        |        |        |        |        |       |
| CF from operations                | -3.1   | 2.0    | 21.2   | 31.8   | 1.3    | 11.6  |
| Capex                             | -10.2  | -9.2   | -9.4   | -8.1   | -2.9   | -3.1  |
| Maintenance Capex                 | 0.0    | 0.0    | 0.0    | 8.9    | 6.3    | 5.8   |
| Free cash flow                    | -13.3  | -7.2   | 11.8   | 23.7   | -1.6   | 8.5   |
| <b>Balance sheet (EURm)</b>       |        |        |        |        |        |       |
| Intangible assets                 | 2.2    | 2.7    | 3.4    | 0.0    | 0.0    | 0.0   |
| Tangible assets                   | 58.7   | 66.9   | 71.1   | 65.0   | 59.6   | 47.0  |
| Shareholders' equity              | 68.0   | 71.7   | 74.9   | 62.4   | 66.4   | 72.8  |
| Pension provisions                | 0.0    | 0.0    | 0.0    | 1.2    | 1.5    | 1.6   |
| Liabilities and provisions        | 90.9   | 99.2   | 92.5   | 46.2   | 44.8   | 41.3  |
| Net financial debt                | 74.9   | 88.7   | 83.3   | 30.6   | 30.2   | 11.7  |
| w/c requirements                  | 55.7   | 64.0   | 58.2   | 15.9   | 24.8   | 26.8  |
| <b>Ratios</b>                     |        |        |        |        |        |       |
| ROE                               | -5.9%  | 1.6%   | 5.9%   | -5.0%  | 6.1%   | 8.7%  |
| ROCE                              | -2.8%  | 1.6%   | 5.6%   | -0.8%  | 4.5%   | 7.1%  |
| Net gearing                       | 110.1% | 123.8% | 111.2% | 49.0%  | 45.4%  | 16.1% |
| Net debt / EBITDA                 | 8.2x   | 5.9x   | 3.8x   | 3.8x   | 2.7x   | 0.8x  |

Source: Company data; mwb research

# Appendix

## Ultrasonic (49% participation, at-equity consolidation)

The MS Ultraschall (Ultrasonic Technology) provides specialized ultrasonic welding and joining solutions. Products include ultrasonic welding systems for thermoplastics, nonwovens and films, and ultrasonic components such as generators, converters and sonotrodes. In addition, the company offers application development, line integration and after-sales support services.

### 1. Ultrasonic Welding Systems

MS Ultraschall offers advanced welding systems that ensure fast, precise, and environmentally friendly bonding of thermoplastic materials.

- **Standard Welding Machines:** Flexible and modular systems for diverse applications, including automotive interior and exterior components, consumer electronics, and packaging.
- **Customized Solutions:** Tailor-made machines designed for specific production requirements, providing optimal efficiency and reliability.
- **Automation Integration:** Welding systems that seamlessly integrate into fully automated production lines for high-volume manufacturing.

### 2. Ultrasonic Cutting Systems

Specialized ultrasonic cutting solutions ensure precise, clean, and burr-free cuts for soft, hard, and composite materials.

- **Food Cutting Systems:** Perfectly suited for slicing delicate and sticky products like cakes, cheeses, or sandwiches with unparalleled precision.
- **Textile and Film Cutting:** Enabling high-speed cutting of fabrics, films, and laminates while sealing the edges to prevent fraying.
- **Industrial Material Cutting:** Ideal for composite materials, offering clean cuts without damaging or deforming the material.

### 3. Ultrasonic Sonotrodes and Tools

MS Ultraschall designs and manufactures high-quality sonotrodes and tools that ensure optimal performance in ultrasonic applications.

- **Standard Sonotrodes:** Ready-to-use, robust sonotrodes for welding and cutting tasks.
- **Custom-Engineered Sonotrodes:** Precision-designed tools tailored to specific ultrasonic welding and cutting requirements.
- **Tool Maintenance Services:** Ensuring long-term reliability and optimal functionality with regular inspection and maintenance services.

### 4. Ultrasonic Generators

Ultrasonic generators from MS Ultraschall are the backbone of ultrasonic systems, providing the necessary power and frequency for precise and efficient operation.

- **Compact Generators:** Space-saving solutions for smaller systems and standalone applications.
- **High-Performance Generators:** Designed for demanding industrial applications requiring high power and reliability.
- **Smart Generators:** Featuring advanced controls and diagnostics for enhanced process monitoring and optimization.

### 5. Ultrasonic Modules and Systems for Automation

MS Ultraschall develops modular ultrasonic systems that integrate seamlessly into automated production environments.

- Automation-Ready Modules: Designed for easy integration into robotic and automated systems.
- Compact Ultrasonic Units: Space-efficient systems for applications in limited-space environments.
- Turnkey Automation Solutions: Complete ultrasonic systems for automated production, ensuring consistent and high-quality output.

#### 6. Ultrasonic Testing and Analysis Equipment

To support precision and quality, MS Ultraschall offers state-of-the-art equipment for testing and analyzing ultrasonic processes.

- Process Monitoring Tools: Real-time analysis of ultrasonic parameters for consistent results.
- Quality Assurance Systems: Advanced tools for ensuring compliance with industry standards.

#### Industries Served

- Automotive: Welding and cutting solutions for interior, exterior, and safety components.
- Medical: Precision assembly and sealing for medical devices and packaging.
- Consumer Goods: Ultrasonic technology for durable, high-quality product assembly.
- Packaging: Clean and precise sealing for food and industrial packaging.

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## Ultrasonic

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Special machines



Servo presses



Systems & components

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Company data; mwb research

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