

Baader Helvea Equity Research

COMPANY FLASH

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3 November 2022

Lenzing

Austria

Chemicals

Reuters: LENV.VI

Bloomberg: LNZ AV

Buy

Closing price as of

02-Nov-22 EUR 48.25

Target price EUR 73.00

High/Low (12M) EUR 133.00/45.35

Market cap. EUR mn 1,281

Enterprise value EUR mn 3,003

Free float 50.0%

Avg. daily turnover EUR mn 2.94

Price relative to Index



Performance (%)	1M	3M	6M
Absolute	-13.5	-38.9	-44.0
rel. Austrian Traded Index	-23.9	-38.1	-35.8
rel. STOXX Europe 600	-20.1	-33.7	-37.2
rel. SXXP Chemicals	-21.2	-36.3	-35.0

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3Q22 EBITDA as feared – 2022 consensus fine for Lenzing; Cost savings program of EUR 70mn announced; EUR 1bn 2027 EBITDA target reiterated

Our conclusion

- Lenzing's 3Q22 numbers are as feared but the confirmation of the company that consensus has revised down enough for 2022 might calm the market today. We see Lenzing's long-term story unchanged despite the current difficult market environment. If the 2027 targets are reached, the stock should at least quadruple until 2027. Consequently, we reiterate our bullish long-term view on Lenzing.

Facts & Analysis

- 3Q22 at a glance:** 1) 3Q22 sales at EUR 676.5mn (up 3% yoy and flat qoq but 2%), 2) 3Q22 EBITDA as bad as expected (up 14% yoy but down 26% qoq), 3) 3Q22 net income better than feared (-75% yoy and -95% qoq), 4) 9M22 FCF down 56% yoy and therefore worse than expected at EUR minus 495.8mn due to high capex and high NWC, 5) EUR 70mn cost savings target announced (fully implemented by end of 2023).

3Q22 numbers at a glance

EUR mn	3Q22	3Q22E Baader	Dev. (%)	2Q22	qoq (%)	3Q21	yoy (%)
Sales	676.5	689.2	-2	678.6	0	655.5	3
EBITDA	74.2	74.1	0	100.8	-26	65.3	14
EBITDA margin (%)	11.0	10.8	n.m.	14.9	n.m.	10.0	n.m.
Net income	2.6	-22.2	>100	57.5	-95	10.3	-75

Source: Company data, Baader Helvea Equity Research

- Energy independence enhanced:** In order to become less dependent on global energy markets and to further reduce carbon emissions in-line with its strategic targets, Lenzing is also focusing to an even greater extent on electricity generated from renewable energies in Austria. During the reporting period, Lenzing constructed several photovoltaic plants at the Lenzing site in Upper Austria together with Austrian energy utility VERBUND. With a capacity of 5.6 MW p.a., the ground-mounted plant is the largest of its kind in this entire federal state. The output of the three roof systems amounts to 1.5 MW p.a. Lenzing also announced the signing of a long-term electricity supply agreement with green power producer Energy and Energie Steiermark. Once commissioned, the photovoltaic plant that has thereby been financed will supply the fiber and pulp plant at the Lenzing site with further green electricity from the fourth quarter of 2023. The plant's output will amount to 5.5 MW p.a.
- 2022 earnings expected to be in-line with consensus forecasts:** According to Lenzing, a deterioration in the market environment for Lenzing's relevant industries lead to a worsening of business prospects for Lenzing in 3Q22. Given this deterioration in the market environment, Lenzing suspended its earnings guidance for the 2022 financial year on 19 September 2022. The Lenzing Group anticipates earnings in the 2022 financial year in-line with current market expectations.

Where do we differ from consensus?

EUR mn	2021 Rep.	2022E				2023E			
		Guidance	Baader	Cons.	Dev. (%)*	Baader	Cons.	Dev. (%)*	
Revenues	2,194.6		2,468.9	2,486.0	-1	2,639.9	2,866.0	-8	
EBITDA	362.9	New: in-line with consensus (prev. "significantly above 2021 level")	331.3	326.0	2	337.1	397.3	-15	
EBITDA margin (%)	16.5		13.2	13.1	n.m.	12.6	13.9	n.m.	
Net income	127.7		13.4	33.4	-60	-16.0	52.0	-131	
Dividend (EUR)	4.35		2.60	2.7	-4	2.70	3.73	-28	

* Deviation Baader Helvea vs. consensus

Source: Company data, Refinitiv Datastream, Baader Helvea Equity Research

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Lenzing

Key data

FY 31 Dec.	2019	2020	2021	2022E	2023E	2024E
Share data						
EPS reported (EUR)	4.63	0.24	4.16	0.51	-0.60	10.16
EPS adjusted (EUR)	4.63	0.24	4.16	0.51	-0.60	10.16
Dividend (EUR)	0.00	0.00	4.35	2.60	2.70	4.50
Book value (EUR)	57.92	70.86	78.04	75.30	73.20	81.76
Free cash flow (EUR)	-0.38	-24.23	-21.64	-11.87	0.00	0.00
Avg. no. of shares (mn)	26.6	26.6	26.6	26.6	26.6	26.6
Market cap. (avg./current; EUR mn)	2,416.1	1,482.6	2,887.3	1,281.0	1,281.0	1,281.0
Enterprise value (EUR mn)	2,979.9	2,233.9	4,185.9	3,003.1	3,183.0	3,199.9
Valuation						
P/E adj. (x)	19.7	232.7	26.1	94.6	-	4.7
P/BV (x)	1.6	0.8	1.4	0.6	0.7	0.6
FCF/EV (%)	-0.3	-28.8	-13.7	-10.5	0.0	0.0
FCF yield (%) (FCF/Mcap.)	-0.4	-43.4	-19.9	-24.6	0.0	0.0
Dividend yield (%)	0.0	0.0	4.0	5.4	5.6	9.3
EV/Sales (x)	1.4	1.4	1.9	1.2	1.2	1.1
EV/EBITDA adj. (x)	9.1	11.4	11.5	9.1	9.4	4.5
EV/EBIT adj. (x)	18.4	58.6	20.9	37.4	61.1	7.4
EV/CE (x)	1.4	0.9	1.2	0.8	0.8	0.8
ROCE/WACC adj. (x)	0.8	0.1	0.6	0.2	0.1	1.0
Key company data						
Sales growth (%)	-3.3	-22.4	34.4	12.5	6.8	14.5
EBITDA adj. growth (%)	-14.4	-39.9	84.6	-8.7	1.8	113.1
EBITDA adj. margin (%)	15.5	12.0	16.5	13.4	12.8	23.8
EBIT adj. margin (%)	7.7	2.3	9.1	3.3	2.0	14.3
Net adj. margin (%)	5.8	0.4	5.0	0.5	-0.6	8.9
Free cash flow margin (%)	-0.5	-39.4	-26.2	-12.8	0.0	0.0
Payout ratio (%)	0.0	0.0	104.7	513.5	-449.2	44.3
Gearing (%) (net debt/equity)	26.7	25.6	47.7	70.4	81.6	73.7
Net debt/EBITDA (x)	1.3	2.5	2.7	4.3	4.7	2.2
Equity ratio (x) (equity/total assets)	49.3	45.2	38.9	37.2	35.6	37.4
Capital employed (EUR mn)	2,058.1	2,594.9	3,421.6	3,774.4	3,900.5	4,146.7
ROCE adj. (%)	5.9	1.1	4.4	1.6	1.0	7.8
Income statement (EUR mn)						
Turnover	2,105.2	1,632.6	2,194.6	2,468.9	2,636.9	3,019.4
EBITDA	326.9	196.6	362.9	331.3	337.1	718.2
EBITDA adj.	326.9	196.6	362.9	331.3	337.1	718.2
EBIT	162.3	38.1	200.6	80.3	52.1	433.2
EBIT adj.	162.3	38.1	200.6	80.3	52.1	433.2
EBT	163.8	22.3	182.9	56.3	17.1	398.2
Net profit after minorities	122.8	6.3	110.3	13.4	-16.0	269.9
Net profit adj.	122.8	6.3	110.3	13.4	-16.0	269.9
Balance sheet (EUR mn)						
Non-current assets	1,784	2,361	3,205	3,561	3,691	3,941
thereof goodwill	14	13	14	14	14	14
Current assets	1,337	1,802	2,118	1,818	1,762	1,869
Total assets	3,121	4,163	5,323	5,379	5,453	5,811
Shareholders' equity	1,538	1,881	2,072	1,999	1,943	2,171
Total equity and liabilities	3,121	4,163	5,323	5,379	5,453	5,811
Net debt	410	482	988	1,408	1,585	1,599
Cash flow (EUR mn)						
Cash flow from operations	244.6	23.0	310.4	301.4	0.0	0.0
of which change in working capital	-49.3	-78.5	11.0	5.2	0.0	0.0
Cash flow from investments	-254.7	-666.2	-885.0	-616.6	0.0	0.0
of which investment in fixed assets	-259.6	-702.1	-847.0	-606.7	0.0	0.0
Free cash flow	-10.1	-643.3	-574.6	-315.1	0.0	0.0
Dividends paid	-132.8	0.0	0.0	-115.5	0.0	0.0
Cash flow from financing activities	333.3	1,212.4	611.6	-39.1	0.0	0.0
Change in cash position	323.2	569.2	37.0	-354.3	0.0	0.0

Source: Company data, Baader Helvea Equity Research

Lenzing

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Company	Date	Rating	Currency	Target price	Closing price as of	Analyst
Lenzing	18-Oct-22	Buy	EUR	73.00	46.30 17-Oct-22	Markus Mayer

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