Georg Fischer AG

Swiss convictions

Recommended since 10.04.2019 | **24.05.2022**

Country	CH	Market capitalization (bn)	CHF	4.1	Perf. since reco. (%)	
Sector	Industrial Goods & Services	Free float	99.3%		Georg Fischer AG	4.2
Factset	GF-CH	Closing price	CHF	50.50	Market	16.9
ISIN	CH1169151003	ESG Risk score*	25.2	Medium risk		

Profile

Founded in 1802, Georg Fischer (GF+) is a global diversified industrial corporation providing solutions for the safe transportation of water and gas, automotive safety, energy efficiency, aerospace and high-precision components manufacturing. It operates through the following business segments: GF Piping Systems (48% of sales), GF Casting Solutions (26%), and GF Machining Solutions (26%). GF+ is present in 33 countries and has more than 15,000 employees.

Strengths/opportunities

- Well positioned to benefit from the trend towards lightweight casting components in vehicles (energy efficiency).
- Rising demand in semiconductors.
- Strong balance sheet.

Weaknesses/threats

- Still large (cyclical) exposure to the automotive sector (25% of sales).
- Sensitivity to raw material costs.
- High cyclicality of the majority of end customers (capital goods).

Investment case

- GF+ continues to refocus on more profitable activities with higher margins, to the detriment of the automotive sector. The Piping Systems segment, for example, benefits from a solid momentum in the long term, with new, better-marketed products (data centre cooling systems) and structurally growing end markets. GF+ has become a key player in the field of water supply and treatment.
- At the same time, management has withdrawn from its unprofitable and resource-intensive steel foundries.
- CapEx cycle coming to an end -> gradual recovery of margins.
- In a still uncertain environment, some of the Group's end markets remain challenging, but the more robust construction exposure compensates for this to some extent.
- The group is sensitive to raw material prices, but proved in H2'21 that it has strong pricing power.
- The medium-term targets of an EBIT margin of 9-11% and sales (2025) of CHF 4.4bn, plus CHF 600m of acquisitions, remain valid.

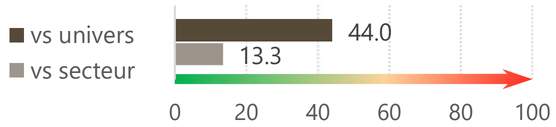
Valuation

GF+ is currently trading in line with its 5-year average based on normalized 2023ᵉ earnings and book value. This is an attractive price for a restructuring story underway.

CHF	12/2021	2022e	2023e
Sales revenue (mio)	3'722	3'858	4'033
Sales growth	*16.9%*	*3.6%*	*4.6%*
EBIT adjusted (mio)	268	337	385
% of sales	*7.2%*	*8.7%*	*9.5%*
Net income (mio)	214	252	289
Net income growth	*84.5%*	*17.9%*	*14.5%*
FCF/Sales	4.2%	5.0%	7.7%
Net debt/Ebitda	0.1x	-0.1x	-0.3x
Dividend yield	2.0%	2.3%	2.6%
PE	26.5x	16.3x	14.2x
P/BV	3.8x	2.5x	2.2x

Factset estimates

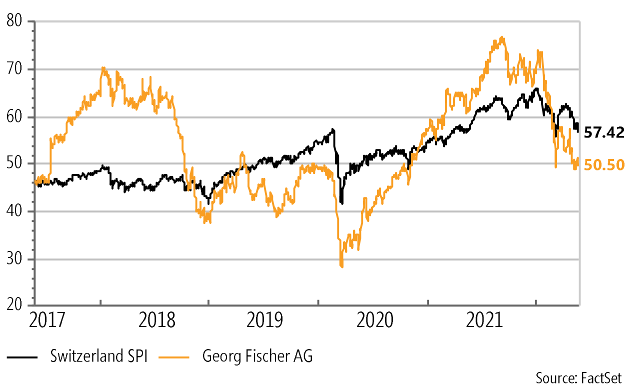
ESG risk vs. universe & sector (percentile)*



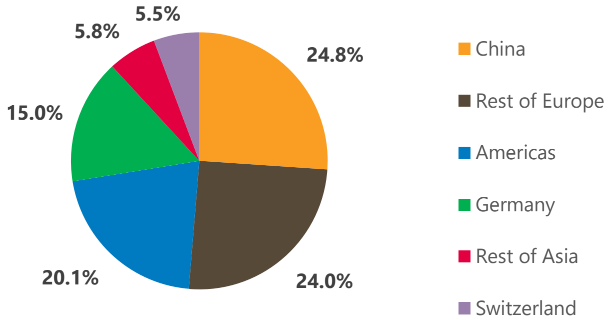
ESG - risks and key points

- GF+ presents a low risk in terms of product governance. The machine tools and components supplied by GF+ are reputed to be of high quality.
- The Group depends on a skilled workforce that needs to be cared for. However, GF+ falls short of best practice in this area.
- The company manages ethical risk on average: anti-competition and anti-corruption measures.

5-year performance vs SPI



Sales breakdown - 12/2021



*: see overleaf

Source: Factset, Sustainalytics

Glossary

Satellite

From 2015, B&Cie separates its investment recommendations into Core Holdings (higher organic growth potential, high free cash flow, ROCE in excess of the cost of capital and balance sheet efficiency throughout the cycle) and Satellite Recommendations, which do not meet the above criteria but are likely to outperform in the short-to-medium term.

ESG Risk Score

At B&Cie, we take particular care to ensure that the companies in which we recommend investing are sustainable. Accordingly, our selection process takes account of risks relating to environmental, social and governance (ESG) issues. This approach is underpinned by research from Sustainalytics, the global leader in ESG and corporate governance analysis, whose methodology aims to identify major controversies and risks and assess a company's ESG risks relative to both its sector and the investment universe as a whole. The corresponding score is expressed as a percentile: the lower the overall risk score, the lower the risk within the investment universe.

b-Digital, b-Transition & b-Well

Over and above the conventional geographical and sectoral approaches to asset management, at B&Cie we believe the world of tomorrow is being shaped by structural trends. We have identified three main megatrends: ongoing digital globalisation of the economy; economic transition, particularly in the energy sector; and the quest for wellness. We believe selecting and investing in companies that play an active role in these transformations should lead to more resilient portfolios that generate higher long-term returns. Our investment recommendations in the digital globalisation space are labelled "b-Digital", those in the economic transition space "b-Transition" and those in the wellness space "b-Well". A given recommendation may fall under more than one theme, in which case it will carry the relevant matching labels.

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