

# V-Zug

Valor: 52 248 374 Industry: Appliances

**BUY**
**VZUG** 5Y Price Target: **CHF 210.-** Price: **CHF 129.-** Upside: **62.8%**

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## Stock Data in Mio.

Price	129 CHF
52-Week Range	65.50 CHF-140 CHF
P/E	17.3x
Price/Book	2.1x
Dividend yield	0%
Market cap.	829 CHF
Sales	569 CHF
EBIT	49 CHF
Earnings	43 CHF

## Description

V-Zug was spun off from Metall Zug in 2020 and listed separately on the SIX. V-Zug manufactures household appliances and is a market leader in Switzerland. Many Swiss households have appliances from V-Zug, because the home market is very saturated, V-Zug is seeking a greater presence abroad. Currently, the production site in Zug is being renovated, which should pay off in the future. 2020 was a very successful year for V-Zug. Corona could do almost nothing to V-Zug, and profits increased sharply.

## Outlook

The prospects for V-Zug lie primarily abroad. In 2020, V-Zug was able to win some major orders, which are important. Expansion abroad helps improve efficiency and enables margins to be increased. In the medium term, the operating margin should rise again to over 10%. Many investments made last year and in the further years are not yet visible, which makes it so attractive because the investments are not yet reflected in the stock prices. A dividend should be paid in 2023.

## Valuation

The valuation of V-Zug with a P/E ratio of 17.3 is comfortably valued for this year. In the future, however, the P/E ratio will decrease significantly, because the management wants to focus more on foreign countries and thus increase profits. The P/B ratio of 2.1 is rather low compared to the competition. Since V-Zug is new on the stock exchange, the P/E ratio cannot be calculated in the past.

	12/2017	12/2018	12/2019	12/2020
P/E	-	-	-	17.3x
Price/Book	-	-	-	2.1x

## Growth

Group revenues are composed of the sale of household appliances. There has been little growth in sales. Profit has been rising again since 2020. Currently, the production site in Zug is being fundamentally renovated, which should result in significant production improvements. This should increase sales and profit, as has already been proven in 2020.

	12/2017	12/2018	12/2019	12/2020
Sales	534.0	539.0	543.6	569.4
Growth		0.9%	0.9%	4.7%
Earnings (EBIT)	62.4	48.2	29.6	49.2
Growth		-22.7%	-38.6%	66.2%

### Efficiency

The return on sales has been declining sharply since 2018. In a few years, however, targeted investments should increase profitability back to over 10 percent. This should bring it back to the 2016 level of 12.8%.

Electrolux has a higher return on sales. In the future, however, this could surpass V-Zug.

	12/2017	12/2018	12/2019	12/2020
Return on sales	10%	7.6%	5%	7.6%
Sales per employee	285'561	278'552	280'206	284'842

### Profitability

Return on equity is lower compared to Electrolux. In the future, return on equity should continue to grow thanks to international growth and rising demand. A level of over 15% should be possible in the next few years.

	12/2017	12/2018	12/2019	12/2020
Return on equity		18.2%	11.6%	13.6%
e.g. Electrolux	27.9%	17.5%	8.1%	21.3%

### Balance sheet quality

V-Zug has a high equity ratio. The spin-off from Metall Zug was a good thing. While Metall Zug is doing worse, V-Zug can further expand its capital cushion. Liquidity was in the red in 2019 due to high investments, but is now back at a very high level. Investments are likely to remain high, but will pay off in the coming years.

	12/2017	12/2018	12/2019	12/2020
Equity ratio	57.5%	55.9%	51.2%	70.9%
Net. Liquidity	45.9	13.5	-42.7	107.8

### SWOT-Analysis

<b>Strengths</b> <ul style="list-style-type: none"> <li>▪ Annual result showed growth despite pandemic</li> <li>▪ Very high cash position and low level of debt</li> <li>▪ Strong presence in the Swiss market</li> </ul>	<b>Weaknesses</b> <ul style="list-style-type: none"> <li>▪ Since 2017, profit has been at a low level</li> <li>▪ Weakly represented in the low and mid-range segment</li> </ul>
<b>Opportunities</b> <ul style="list-style-type: none"> <li>▪ Foreign expansion should yield a clearly higher margin</li> <li>▪ Additional income from conversion of vacant space in Zug</li> </ul>	<b>Threats</b> <ul style="list-style-type: none"> <li>▪ Small trading volume</li> <li>▪ Expansion could lead to a price war and significantly low margins</li> </ul>

**Recommendation method:**

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