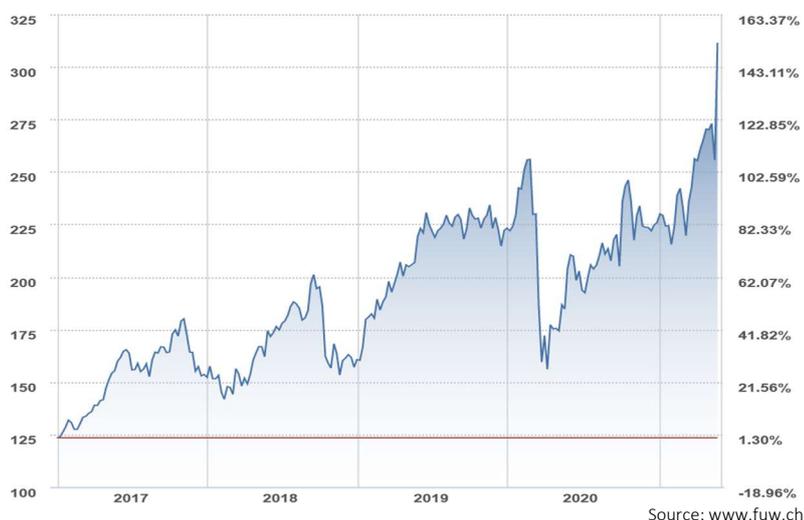


Sonova

Valor: 1 254 978 Industry: Hearing aids & implants

HOLD
SOON 5Y Price Target: **CHF 335.-** Price: **CHF 312.-** Upside: **7,4%**

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Stock Data in Mio.

Price	311,50 CHF
52-Week Range	185 CHF-312 CHF
P/E	33,9x
Price/Book	7,1x
Dividend yield	1%
Market cap.	19638 CHF
Sales	2602 CHF
EBIT	619,5 CHF
Earnings	581 CHF

Description

Sonova is one of the leading hearing system manufacturers in the world. In terms of sales, Sonova is the global number one in the hearing aid market with a market share of about 25%. With targeted acquisitions, Sonova has several brands in its segment including Phonak, Unitron and Hansaton. With the acquisition of Sennheiser, Sonova can expand its business with younger customers. Sonova employs around 14,300 people worldwide and achieved sales of CHF 2600 million in 2020.

Valuation

Sonova's share price has risen massively in the recent days. The P/E ratio of 33.9 is much higher than the average of the last 5 years. The P/B ratio of 7.1 is also much higher. The acquisition of Sennheiser and the significantly better than expected result have led to the strong share price increase.

	12/2017	12/2018	12/2019	12/2020
P/E	26x	24,8x	28,2x	22,9x
Price/Book	4,31x	4,04x	5,39x	5,41x

Growth

Sales increased steadily. The drop in sales in 2020 is attributable to the Corona pandemic. However, EBIT increased strongly. Analysts had expected EBIT of CHF 350 million. With the acquisition of Sennheiser, further growth is possible.

	12/2017	12/2018	12/2019	12/2020
Sales	2646	2763	2917	2602
Growth		4,8%	5,6%	-10,1%
Earnings (EBIT)	483	536,2	510	619,5
Growth		11%	-4,8%	21,5%

Outlook

There will always be hearing impaired people. The question is whether Sonova can keep up with the competition. Bose has just launched its first over-the-counter device. However, Sonova's quality is convincing. With the acquisition of Sennheiser, Sonova can further diversify. The liquidity of 1,8 billion CHF is sufficient for further lucrative acquisitions. Sonova anticipates pent-up demand in 2021 and expects sales to increase by 24 to 28% in local currency. Operating income Ebita is expected to climb 34 to 42%. On a positive note, the dividend has increased steadily over the last ten years.

Efficiency

The return on sales is very high at 16.6%. It is pleasing to note that this has been steadily increased. Compared to the competition, Sonova's return on sales is considerably higher.

	12/2017	12/2018	12/2019	12/2020
Return on sales	14,6%	15,1%	16,4%	16,6%
Sales per employee	170.037	185.783	187.463	192.104

Profitability

The return on equity is very high at 24.4%. Compared with the competition, it is roughly on a par. The steadily increasing return on equity is due to the declining equity ratio.

	12/2017	12/2018	12/2019	12/2020
Return on equity	17,5%	18,9%	22,1%	24,4%
e.g. GN Store Nord	24,7%	24,4%	30,0%	24,2%

Balance sheet quality

With liquid assets of CHF 1.8 billion, Sonova's balance sheet is very stable. Further acquisitions are therefore possible. Debt is at a lower level. Sonova intends to use the high liquidity to buy back own shares worth up to 700 million CHF.

	12/2017	12/2018	12/2019	12/2020
Equity ratio	57,5%	55,4%	45,2%	46,8%
Net. Liquidity	556,5	385,8	457,9	1779
Debt-equity ratio	74%	81%	121%	114%

SWOT-Analysis

Strengths <ul style="list-style-type: none"> ▪ Global market share of just under 25%. ▪ Extremely solid financial position. ▪ Steadily increasing dividend. ▪ Strong growth. 	Weaknesses <ul style="list-style-type: none"> ▪ The acquisition of Audionova has disappointed and has not yet met expectations. ▪ Declining equity ratio.
Opportunities <ul style="list-style-type: none"> ▪ The acquisition of Sennheiser offers a further area of business. ▪ The job cuts and other measures will lead to lower operating expenses. 	Threats <ul style="list-style-type: none"> ▪ More competition from Bose etc. ▪ Strong price increase in the last week (high valuation).

Appointments

GA: 15.06.2021, Zürich-Oerlikon
 Year-end figures: 17.05.2021
 Quarterly statement: 15.11.2021

Website

<https://www.sonova.com>

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