

Gurit
 Valor: 801 223 Industry: chemistry, plastics technology **BUY**

GUR 5Y Price Target: CHF 2500.- Price: CHF 2090.- Upside: **19.6%**



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Stock Data in Mio.

Price	2090 CHF
52-Week Range	1498 CHF-2800 CHF
P/E	29x
Price/Book	5.4x
Dividend yield	1.5%
Market cap.	938 CHF
Sales	577 CHF
EBIT	64 CHF
Earnings	47 CHF

Valuation

The valuation is high in historical terms. This is due to the fact that Gurit has lowered its forecasts. The reason is China, because the support regime for wind energy has expired there. Nevertheless, a recovery is expected, so Gurit remains attractively valued in the longer term. The P/B ratio is expected to decline sharply over time.

	12/2017	12/2018	12/2019	12/2020
P/E	19.7x	20.2x	19.6x	24.7x
Price/Book	2.15x	2.91x	4.26x	6.00x

Growth

Gurit is a composite material specialist. Such materials are used in the wind industry and the transportation sector. Sales have risen steadily thanks to the massive expansion of wind power plants. Gurit now generates around 80% of its sales from wind energy. Further growth can be expected in the future, even if this is initially followed by a slump in sales.

	12/2017	12/2018	12/2019	12/2020
Sales	340.0	410.6	558.3	576.7
Growth		21%	36%	3%
Earnings (EBIT)	36.9	45.4	61.5	64.1
Growth		23%	35%	4%

Description

Gurit develops composite materials used in wind turbines, aerospace, trains and marine applications. Gurit is one of the largest manufacturers of these composite materials. The Swiss company employs almost 3000 people worldwide. The special focus on wind turbines has greatly increased profitability in recent years. In mid-2021, Gurit had to lower its forecasts because demand in China dropped sharply due to expired subsidies. The share price reacted with a sharp drop, which is why the stock is again available at cheaper prices.

Outlook

For 2021, Gurit expects sales of CHF 500 million, which is about 15% less than in 2020. Nevertheless, Gurit CEO Mitja Schulz remains confident. In order to achieve the goal of CO2 neutrality by 2060, annual construction rates in the largest wind energy market would have to double again. This offers very good growth opportunities for Gurit. Because the raw material balsa wood is being replaced by PET, Gurit has an advantage over Schweizer. Schweizer has its own balsa plant and was able to profit from the high balsa prices. With PET, Gurit now has an advantage. The strong correction offers a good entry point for long-term investors.

Efficiency

In an industry comparison, Gurit performs similarly to its peers in terms of return on sales. After a slump in 2018, the return on sales has recovered strongly. Double-digit returns should be possible again in the longer term.

	12/2017	12/2018	12/2019	12/2020
Return on sales	7.3%	4.8%	6.3%	8.1%
Sales per employee	164,015	148,722	190,423	196,141

Profitability

The return on equity is enormously high despite a solid equity ratio. Compared to its competitor Schweiter, Gurit generates a higher shareholder value. The return on equity is likely to decline somewhat but nevertheless remain high.

	12/2017	12/2018	12/2019	12/2020
Return on equity	12.6%	16.1%	26.1%	29.2%
e.g. GN Store Nord	23.9%	7.9%	8.1%	14.1%

Balance sheet quality

Gurit's debt is at a lower level. The liquid funds are sufficient for new investments and research. It is gratifying that the equity ratio has risen sharply again in the last two years. Thus, Gurit is solidly financed even in more difficult times.

	12/2017	12/2018	12/2019	12/2020
Equity ratio	71.1%	33.8%	40.2%	45.6%
Net. Liquidity	44.6	48.2	44.9	47.3
Debt-equity ratio	41%	196%	147%	118%

SWOT-Analysis

<p>Strengths</p> <ul style="list-style-type: none"> ▪ Strong representation in wind energy ▪ Solid financial position with very high return on equity ▪ Good growth rates due to sustained trend toward environmental friendliness 	<p>Weaknesses</p> <ul style="list-style-type: none"> ▪ Sharp drop in sales due to absence of demand in China ▪ Somewhat low return on sales
<p>Opportunities</p> <ul style="list-style-type: none"> ▪ The wind energy market offers very high growth prospects ▪ The switch to PET brings advantages for Gurit compared with its competitors 	<p>Threats</p> <ul style="list-style-type: none"> ▪ High raw material prices put pressure on margins ▪ Gurit is in a transition phase and must now show its qualities

Appointments

GA: 14.04.2022, Pfäffikon SZ
 Year-end figures: 02.03.2022
 Quarterly statement: 17.08.2021

Website

<https://www.gurit.com/>

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