Daily Market Opinion

Key facts at a glance | 13. March 2024

Swiss company news

SLI

- Geberit («Market Perform»): Result in line with expectations; only slight dividend increase; as expected, no guidance for 2024 yet. *Slightly negative.*
- Sandoz[1] («Outperform»): FY23 in line with the guidance (slightly below consensus for core EBITDA). The outlook for FY24 is in line with the consensus forecasts for revenue and slightly higher for core EBITDA. *Neutral.*
- Swiss Re[7] («Market Perform»): High SST solvency ratio of 306% at the beginning of 2024. *Neutral.*

Non-SLI

- Autoneum («Underperform»): Net profit for 2023 is 6% below the consensus, outlook for 2024 in line with our estimates. *Neutral.*
- Flughafen Zürich («Outperform»): Passenger numbers in February at almost 100% of the 2019 level. *Positive.*
- Fundamenta Real Estate («Market Perform»): Solid annual result - LTV remains at a high 55% despite the sale of three properties. *Neutral.*
- Implenia («Market Perform»): Further operational improvements targeted in the current year (estimate revision).
- Kudelski («Underperform»): Certification service for Infineon announced. *Neutral.*
- Medacta Group AG («Outperform»): Revenue guidance FY 2024 in line with consensus. Adj. EBITDA margin FY 2023 and guidance FY 2024 below consensus. *Negative.*
- Orior («Outperform»): As expected following the profit warning in 2023. Outlook with margin improvement, but slightly below expectations. *Slightly negative.*
- Rieter[7] («Market Perform»): Reported EBIT 2023 is 5% above consensus – outlook for 2024 is in line with our estimates. *Neutral.*
- SF Urban Properties AG[8] («Market Perform»): Solid operating performance with further reductions in vacancy rates and a stable dividend of CHF 3.60. *Neutral.*
- Stadler Rail[7] («Market Perform»): 2023 results and 2024 outlook below market expectations. Accelerated growth and higher margins forecast for 2025 and 2026. *Neutral.*
- V-ZUG («Market Perform»): Despite progress in 2H23, the annual result is below expectations. *Negative.*

Preview on corporate results: Burkhalter, Lalique Group, R&S Group, SoftwareONE

Contact and disclaimer

Geberit (GEBN)

Earnings in line with expectations; only slight dividend increase; as expected, no guidance for 2024 yet

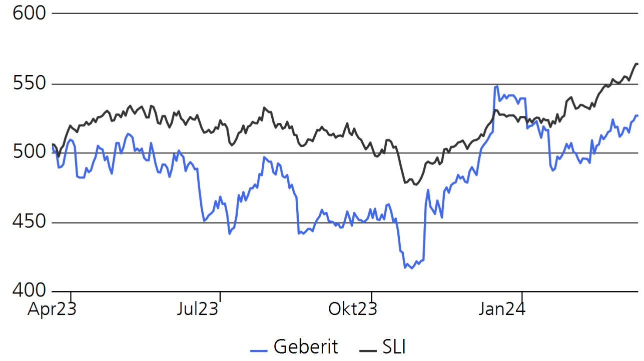
Rating: Market Perform

Sector: Building Products
Analyst: Martin Hüsler, CFA +41 44 292 24 11

In CHF	2022	2023E	2024E
EPS	20.48	18.65	18.06
P/E	26.3x	28.8x	29.8x
P/B	11.9x	13.0x	11.5x
Dividend	12.60	12.70	12.80

Source: Zürcher Kantonalbank

Sec. no.: R: 3 017 040 Price: CHF 537.60



Sources: Zürcher Kantonalbank, Refinitiv

(in CHF mn)	2022	2023	ZKB E	Consensus*	Comments (LC = local currency)
Revenue	3,392	3,084	3,084	3,084	Already reported. Organic and in LC: -4.8%.
- Change yoy	0.0%	-9.1%	-9.1%	-9.1%	
EBITDA	909.0	920.9	928.0	926.0	EBITDA is 0.6% below the consensus. The margin rose by 310 bp to 29.9%. The guidance for the EBITDA margin was 30%.
- Change yoy	0.0%	1.3%	2.1%		As expected, the decline in raw material prices of -2.6% in LC, sales price increases of +8% and productivity gains more than offset the negative effect of wage inflation and lower volumes.
- Margin	26.8%	29.9%	30.1%	30.0%	
EBIT	755.0	768.5	774.0	775.0	EBIT was 0.8% below the consensus.
- Change yoy	0.0%	1.8%	2.5%	2.6%	
- Margin	22.3%	24.9%	25.1%	25.1%	
Financial result	-14.1	-26.7	-24.0	-	
Pre-tax profit	740.9	741.8	750.0		
Taxes	-34.6	-124.8	-123.0	-	As expected, the tax rate rose significantly from 4.7% in the previous year (non-recurring effects) to 16.8% (ZKB E: 16.4%).
Tax rate	-4.7%	-16.8%	-16.4%		
Net profit	706.3	617.0	627.0	630.0	Net profit is 2.1% below the consensus due to slightly higher-than-expected financial and tax expenses.
- Change yoy	0.0%	-12.6%	-11.2%	-10.8%	
- Margin	20.8%	20.0%	20.3%	20.4%	
*Consensus: AWP					

Source: Zürcher Kantonalbank

Outlook: A decline in new construction activity is expected for 2024. Geberit is now forecasting that the sharpest decline will be in Northern Europe (9% share of revenue) and Germany (29%), while a more positive trend is foreseeable in Switzerland (11%). The renovation business (60% of revenue) is viewed more favourably due to the fundamental need for replacement in several European countries. In addition, Geberit does not expect any additional pressure from the shift from sanitary to heating solutions as in the previous year. Expected interest rate cuts over the course of the year and the structural trend towards higher-quality sanitary standards should also provide impetus. High margins and a strong FCF are targeted once again in 2024. For 2024, we expect revenue growth of 2% in LC and an EBITDA margin of 29.4% (-50 bp).

On the cost side, raw material prices are likely to be slightly lower in 1Q24 compared to 4Q23. Wage inflation in 2024 is likely to be 5 to 6%. Geberit is planning additional expenditure totalling CHF 30 mn in 2024 for growth initiatives outside Europe, for specific marketing activities (launch of new Alba shower toilet, 150th anniversary of Geberit) and for digitalisation projects. These statements correspond to those made in January. A dividend increase of 10 centimes to CHF 12.70 will be proposed.

Conclusion: After the revenue and margin guidance for 2023 announced in January, the annual results come as no surprise. As usual, Geberit is not providing a quantitative forecast at this time. Even if the market environment remains challenging in 2024E, Geberit is likely to play to its defensive strengths with innovative products and investments in growth. After a strong run of the share in the run-up to the results, we do not see any immediate additional trigger for the share from the set of figures.

We have rated Geberit as "Market Perform" with a P/E ratio 2024E of 28.8x and an EV/EBITDA of 20.3x. Conference today at 10:00 a.m. Registration for Webcall register here.

Sandoz (SDZ)[1]

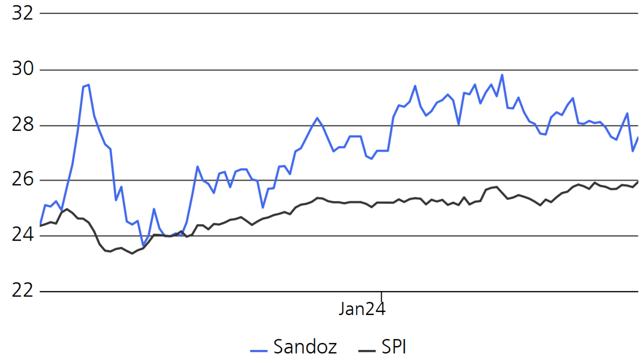
Sec. no.: R: 124 359 842 Price: CHF 27.54

FY23 in line with the guidance (slightly below consensus for core EBITDA). The outlook for FY24 is in line with the consensus forecasts for revenue and slightly higher for core EBITDA

Rating:	Outperform	
	Expected relative performance: 10%	
Sector:	Pharmaceuticals	
Analyst:	Laurent Flamme	+41 44 292 20 74

In USD	2022	2023E	2024E
EPS	1.55	0.37	1.72
P/E	18.6x	82.6x	18.2x
P/B	1.5x	1.4x	1.4x
Dividend	0.00	0.50	0.60

Source: Zürcher Kantonalbank



Sources: Zürcher Kantonalbank, Refinitiv

(in USD mn)	FY22 Pro forma	FY23	ZKB E	Consensus	LC = local currency
Revenue to third parties	**9,069**	**9,647**	**9,569**	**9,508**	Revenue to third parties rose 7% in LC (Eur 9%, NordAm 3%, RoW 9%), 6.4% in USD and was thus 1.5% above the consensus.
- % growth	n.a.	6.4%	5.5%	4.8%	Price effect was at: -3% Volume effect was at: +10%
Revenue Generics	7,141	7,432	7,425	7,384	Generics revenue rose 6% in LC, 4.1% in USD and was thus 0.7% above the consensus.
- % growth	n.a.	4.1%	4.0%	3.4%	
Biosimilars revenue	1,928	2,215	2,144	2,124	Biosimilars revenue rose 15% LC, 15% in USD and was thus 4.3% above the consensus.
- % growth	n.a.	14.9%	11.2%	10.2%	
Core EBITDA	**1,856**	**1,743**	**1,733**	**1,781**	Core EBITDA was 2.1% below the consensus.
- % growth	n.a.	-6.1%	-6.7%	-4.1%	
- Margin %	20.5%	18.1%	18.1%	18.7%	
Core net profit	**1,048**	**953**	**930**	**1,027**	Core net profit, attributable, fell by 9% in USD.
- % growth	n.a.	-9.0%	-11.2%	-2.0%	
- Margin %	11.6%	9.9%	9.7%	10.8%	

Source: Zürcher Kantonalbank

Outlook: Outlook for 2024 in LC: Revenue growth in the mid-single-digit percentage range at constant exchange rates, core EBITDA margin in the region of 20%. The company has confirmed its medium-term outlook: mid-single-digit revenue growth in LC in the period 2023-2028 (FX-CE +5.2%, FX-CE +5.4%), core EBITDA margin of 24-26% in 2028 (FX-CE 24.2%, FX-CE 24.6%).

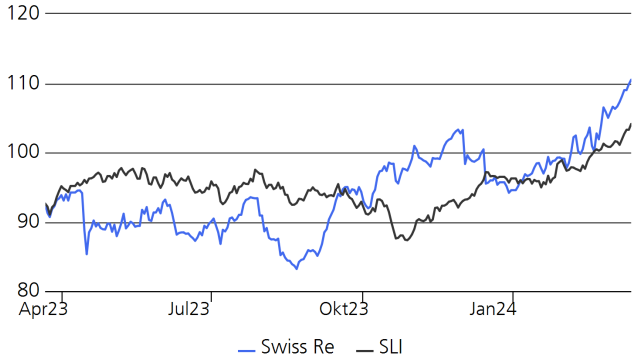
Conclusion: Revenue (to third parties) and the core EBITDA margin for FY 2023 were in line with forecasts (growth in the mid-single-digit range at constant exchange rates and 18.0-19.0%) but at the upper and lower end of expectations). Sales were 1.5% above consensus (0.8% above ZKB E) and core EBITDA was 2.1% below (0.6% above). The outlook for FY 2024 is roughly in line with the consensus and the ZKB E for revenue, and is up to 3% above the consensus (8% above the ZKB E) for core EBITDA.

We consider the revenue forecast conservative due to baseline effects (especially strong cold season in 1H23) and taking into account a structural effect estimated by ZKB of up to 3.5% on group sales to third parties in 2024 (Cimerli from March 24 +1.7%, booking of sales to Novartis there since Q4 2023 +0.4%, the antifungal Mycamine acquired from Astellas and booked since August 23, commercialisation of the biosimilars Herceptin and Avastin from Biocon in Australia since February 24).

Swiss Re (SREN)[7]

High SST solvency ratio of 306% at the beginning of 2024

Sec. no.: R: 12 688 156 Price: CHF 110.50



Sources: Zürcher Kantonalbank, Refinitiv

Rating: Market Perform

Sector: Reinsurance
Analyst: Georg Marti +41 44 292 35 48

In CHF	2023	2024E	2025E
EPS	9.94	11.15	11.49
P/E	11.1x	9.9x	9.6x
P/B	2.7x	1.7x	1.6x
Dividend (in USD)	6.80	7.20	7.60

Source: Zürcher Kantonalbank

Facts / Assessment: On the occasion of the publication of the Annual Report and the agenda items for the upcoming Annual General Meeting (12 April 2024), Swiss Re is today announcing further key business figures for the 2023 financial year - including the SST equity ratio. This amounts to a high 306% as at 1 April 2024 (1H23: 314%), which means that the capitalisation remains very strong, as expected.

The very good economic capital adequacy lets the company continue to drive business forward and achieve good growth. It also enables consistently good distributions. The priorities remain unchanged. The primary aim is to pay substantial dividends, as has been the case in recent years, even though some of the business results were not very good – especially from 2017 to 2022. However, a substantial Group profit of around USD 3.2 bn was generated in the 2023 financial year, which will easily cover the dividend payment (around USD 2 bn). Share buybacks, which we do not expect for the time being, are Swiss Re's last priority in terms of active capital management.

Further information relates to reporting on EVM (Economic Value Management), Swiss Re's internal business management concept, which is being conducted for the last time today. With the conversion of the accounting standard from US GAAP to IFRS as at 1 January 2014, EVM reporting will be discontinued. The growth in ENW per share, the economic shareholders' equity per share, amounts to 10.8% for the 2023 financial year. This means that the previous ENW growth target of 10% p.a. on average for the 2023 financial year has been achieved.

Conclusion: Swiss Re's economic capitalisation remains good, as was to be expected. The now higher capital market interest rates, particularly in the US, are also helping Swiss Re's economic capitalisation.

Autoneum Holding AG (AUTN)

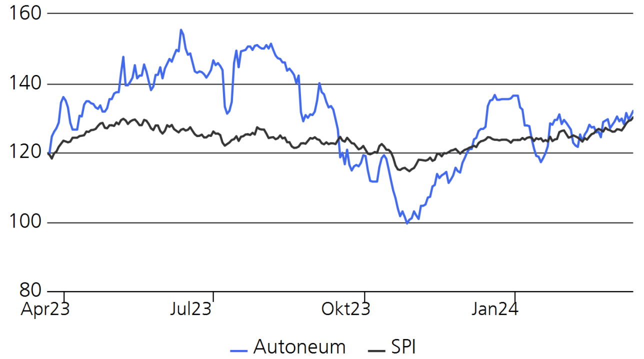
Sec. no.: R: 12 748 036 Price: CHF 132.00

Net profit for 2023 is 6% below the consensus, outlook for 2024 in line with our estimates

Rating:	Underperform	
	Expected relative performance: -27%	
Sector:	Auto Parts & Equipment	
Analyst:	Walter Bamert	+41 44 292 20 68

In CHF	2022	2023E	2024E
EPS	-0.47	12.26	10.65
P/E	-282.2x	10.8x	12.4x
P/B	1.9x	1.8x	1.8x
Dividend	0.00	3.40	3.20

Source: Zürcher Kantonalbank



Sources: Zürcher Kantonalbank, Refinitiv

(in CHF mn)	2022	2023	ZKB E	Consensus[1]	Notes
					Already announced
Group revenue	**1,804.5**	**2,302.3**	**2,302.3**	**2,303.8**	+7.2% organic in LC
EBIT (reported)	**35.3**	**106.9**	**126.3**		15% below our estimate.
EBIT (underlying)	**35.3**	**99.2**	**106.3**		Badwill Borgers +CHF 102.7 mn, restructuring -CHF 95.1 mn
- Margin	2.0%	4.3%	4.6%		H1: 4.1%, H2: 4.5%
BG Europe	5.8	45.7	52.0		Before CHF 42.4 mn restructuring
- Margin	0.9%	4.3%	4.8%		H1: 4.5%, H2: 4.1%
BG North America	-35.5	11.7	1.0		Before CHF 52.0 mn value adjustment
- Margin	-4.5%	1.3%	0.1%		H1: -0.4%, H2: 3.0%
BG Asia	31.5	26.5	27.0		Before CHF 1 mn restructuring China
- Margin	11.5%	10.9%	11.1%		H1: 10.7%, H2: 11.1%
BG SAMEA	20.0	16.9	18.3		Devaluation in LC
- Margin	16.6%	15.5%	16.8%		H1: 17.4%, H2: 13.5%
Net profit before minority interests	**10.9**	**61.1**	**78.7**	**65.1**	6% below the consensus estimate.
Net profit after minority interests	**-2.3**	**48.3**	**65.7**		High profit share of JV partners
- Margin	-0.1%	2.1%	2.9%		
Free cash flow	**57.3**	**47.7**	**-71.7**		-CHF 96.0 mn acquisition of Borgers
Net debt without leasing	**252.2**	**177.8**	**340.1**		CHF 233.9 mn on 30 June 2023
Dividend (CHF per share)	**0.00**	**2.50**	**3.40**	**2.90**	1.9% dividend yield

[1] AWP

Source: Zürcher Kantonalbank

Outlook: As we expected, the outlook takes into account stagnation in the automotive industry: "According to forecasts, global automotive production will be rather subdued in 2024 and even decline slightly compared to 2023. Based on these market forecasts, Autoneum anticipates revenue of CHF 2.3 to 2.5 bn for the 2024 financial year. The company expects an EBIT margin of 4.5 to 5.5% and a free cash flow in the high upper-double-digit million range for 2024."

We previously assumed revenue of CHF 2,392 mn (+3.9%) and EBIT of CHF 125.5 mn (5.2% margin) for 2024. The consolidation of Borgers is likely to contribute 8% to revenue for an additional quarter.

Conclusion: While EBIT and net profit were somewhat modest, the cash flow trend and debt reduction were the positive highlights. Even after investing CHF 96.0 mn in the acquisition of Borgers, the free cash flow was positive at CHF 47.7 mn.

At CHF 97, our indicative fair DCF value per share (before change in estimate) is 27% below the current share price. We confirm our "Underperform" rating, as this stock appears expensive within the automotive sector. In addition, the expected stagnation is limiting the attractiveness of the sector.

A hybrid presentation in English will take place today at 10.30 a.m. CET (registration with the company required) +41 52 244 83 88).

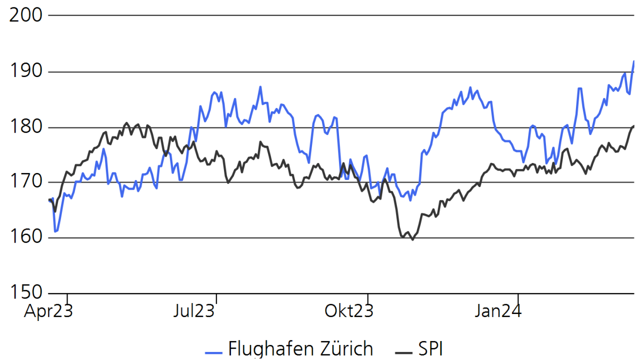
Overview

Flughafen Zürich (FHZN)

Passenger numbers in February at almost 100% of the 2019 level

Rating:	Outperform
	Expected relative performance: 13%
Sector:	Airport Services
Analyst:	Daniel Bürki, CFA +41 44 292 34 34

Sec. no.: R: 31 941 693 Price: CHF 196.80



Sources: Zürcher Kantonalbank, Refinitiv

In CHF	2023	2024E	2025E
EPS old	9.91	11.04	11.51
EPS new	9.91	10.97	11.55
P/E	28.5x	20.5x	17.4x
P/B	2.2x	2.1x	2.0x
Dividend	5.30	6.00	8.00

Source: Zürcher Kantonalbank

Facts / Assessment: A good 2 mn passengers were counted at Zurich Airport in February, an increase of 16.4% compared to the previous year. The figure also means that 99.2% of the 2019 level has been achieved. Up to and including February, the increase in passenger numbers was 14.9%, and 95.4% of the 2019 level was reached. There was also a further increase in the number of flight movements (+12.4%, YTD +10.3%), while the aircraft load factor was 76.9%, 0.7% below February 2023. Retail spending increased by 9.9% to CHF 41.9 mn in February (5% above 2019).

Our estimates for 2024 are based on 31.5 mn air passengers, which would be exactly the pre-pandemic level. Zurich Airport is more conservatively expecting 95% of 2019 levels to be achieved this year, with a full recovery in 2025.

Conclusion: We have changed our EPS estimates only slightly following the good annual results and continue to expect a steady increase in the dividend over the next few years, from CHF 5.3 in 2023 to CHF 9.5 in 2026 (yield of 4.8%). Despite the good performance, the share is still not overvalued with a 12-month EV/EBITDA multiple of 9.4x and offers further upside potential of 20% with a fair value of CHF 236.

Fundamenta Real Estate (FREN)

Solid annual result - LTV remains at a high 55% despite the sale of three properties

Rating: Market Perform

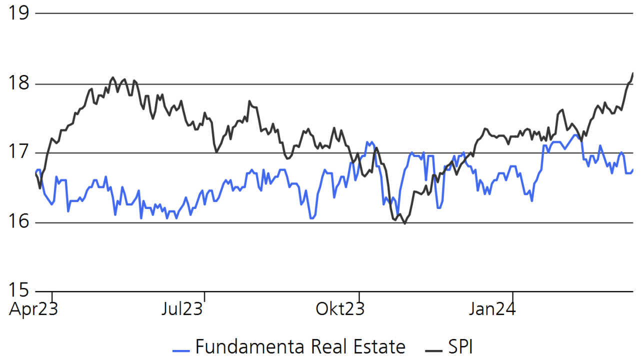
Sector: Immobiliengesellschaften

Analyst: Philippe Züger +41 44 292 48 48

In CHF	2022	2023E	2024E
EPS	0.66	0.60	0.58
P/E	25.3x	28.1x	29.0x
P/B	1.0x	1.0x	1.0x
Dividend	0.55	0.55	0.55

Source: Zürcher Kantonalbank

Sec. no.: R: 4 582 551 Price: CHF 16.75



Sources: Zürcher Kantonalbank, Refinitiv

(in CHF mn)	2022	2023	ZKB E	Consensus	Notes:
Rental income	**40.9**	**41.0**	**41.4**	n.a.	Despite temporary reductions in income of around CHF 1.3 mn due to ongoing repositioning, property income remained constant, which is slightly below our expectations. The vacancy rate at the end of the year was 1.3% (1H23: 1.3%; 2022: 1.6%).
- Change yoy		0.2%	1.0%		
EBIT (excluding RV)	**27.7**	**29.8**	**28.8**	n.a.	EBIT excluding revaluations (“SR”) was around 8% higher than in the previous year and above our estimate. Income from the sale of three properties contributed around CHF 0.9 mn to this.
- Change yoy		7.5%	3.9%		
Net profit (excluding RV)	**19.9**	**20.3**	**17.1**	n.a.	Net profit excluding RV was around 2% higher than the previous year and also higher than our estimate. Besides the success in sales, this was mainly due to the significant 21% reduction in administrative expenses. As at 1 January 2023, the management fee for the external asset manager was reduced from 0.5% to 0.4%.
- Change yoy		2.3%	-13.9%		
Net profit	**22.3**	**8.3**	**10.1**	n.a.	The negative revaluation effects were higher than expected at CHF -10 mn (ZKB E: CHF -9 mn; 2022: CHF 4 mn), which meant that net profit was also below our estimate. The average capital-weighted real discount rate of the independent property assessor Jones Lang LaSalle was 2.67% at the end of 2023 (2022: 2.60%).
- Change yoy		-62.7%	-54.5%		

Source: Zürcher Kantonalbank

Outlook: As we expected, the dividend remains constant at CHF 0.55 per share and was once again earned from the operating result in the past financial year (CHF 0.65 per share excluding revaluations and disposals; payout ratio): 81%). The company can take the dividend in full from the reserve for additional paid-in capital, which means that it can be paid out free of withholding tax.

At the upcoming Annual General Meeting, the entire board of directors will stand for re-election with the exception of Herbert Stoop. He had already announced at last year’s Annual General Meeting that he would not be standing for re-election in 2024. The board of directors has identified Ramona Lindenmann, CEO of smeyers Immobilien AG as a new candidate from May 2024.

With a view to realising the planned developments in both the existing property portfolio and new builds, Fundamenta is also examining various options with regard to its capital base.

The loan-to-value (“LTV”) ratio was a relatively high 54.8% as at the end of 2023 (2022: 54.7%). The average capital-weighted interest rate as at the end of 2023 was 1.4%% (2022: 1.1%), with a remaining term of the liabilities of 7.3 years (2022: 6.2 years).

Conclusion: The operating result increased further despite the higher debt ratio. The high residential component of 94% promises earnings stability even in a difficult economic environment.

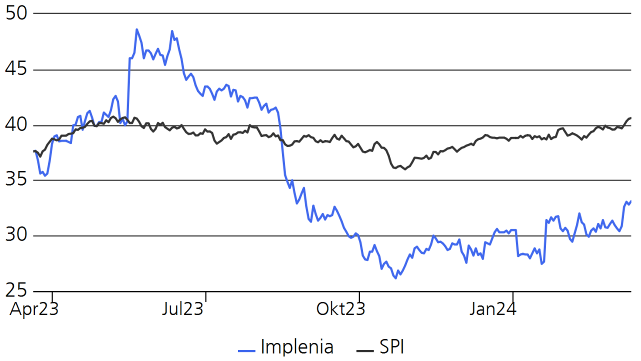
The share currently trades at a 7% discount to 2025E NAV before deferred taxes, which compares to a discount among weighted peers at 17%. The expected dividend yield 2025E is 3.3% (weighted peers: 3.9%).

We consider the valuation to be appropriate due to the focus on residential property and despite the relatively high debt ratio in a cross-comparison and continue to rate Fundamenta as “Market Perform”.

Implenia (IMPN)

Further operational improvements targeted in the current year (estimate revision)

Sec. no.: R: 2 386 855 Price: CHF 33.10



Sources: Zürcher Kantonalbank, Refinitiv

Rating:	Market Perform
Sector:	Construction & Engineering
Analyst:	Martin Hüsler, CFA +41 44 292 24 11

In CHF	2023	2024E	2025E
EPS old	7.69	4.88	5.64
EPS new	7.69	4.60	5.05
P/E	4.3x	7.2x	6.6x
P/B	1.3x	1.1x	1.0x
Dividend	0.60	0.70	0.80

Source: Zürcher Kantonalbank

Facts / Assessment: Implenia was able to fulfil expectations with its recently announced 2023 annual results. For 2024, a further improvement in EBIT to CHF 130 mn (2023: CHF 122.6 mn) is targeted. We expect EBIT of CHF 133.5 mn in 2024E (previously CHF 137.9 mn) and have therefore reduced our estimates slightly.

We attribute the expected increase in EBIT primarily to the Buildings division (building construction, general contracting, property management), which should benefit from the full-year consolidation of Wincasa (property services provider). We expect Buildings to generate EBIT of CHF 54 mn in 2024 (previous year: CHF 43 mn).

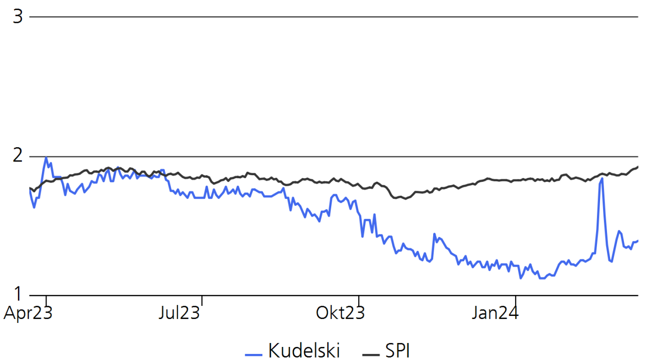
For Real Estate, we expect EBIT to be around the previous year's level (CHF 42.0 mn; 2022: CHF 40.5 mn). However, the project development business is difficult to forecast, as the EBIT series of the last three years shows: 2021: CHF 42.1 mn, 2022: CHF 81.1 mn; 2023: CHF 40.5 mn. For Civil Engineering, we estimate an increase in EBIT from CHF 38 mn to CHF 42 mn, whereby the previous year was burdened by negative currency effects of around CHF 4 mn. At CHF 84.7 mn, we estimate net profit to be significantly lower than the previous year's figure of CHF 141.8 mn, which benefited from positive tax expenses of CHF 30.6 mn.

Conclusion: Implenia was able to achieve EBIT of over CHF 110 mn for the third consecutive time, which speaks in favour of a more stable business model (risk management). With an EV/EBITDA 2024E of 4.3x, the share is not expensively valued, but which is true for the entire construction sector (Strabag, Porr, Webuild, BAM). Nevertheless, the share is likely to be well supported on the downside after a subdued share price performance over the last 12 months. Our rating remains "Market Perform".

Kudelski (KUD)

Certification service for Infineon announced

Sec. no.: B: 1 226 836 Price: CHF 1.39



Sources: Zürcher Kantonalbank, Refinitiv

Rating:	Underperform
	Expected relative performance: -8%
Sector:	Electronic Equipment & Instruments
Analyst:	Christian Bader +41 44 292 37 29

In USD	2022	2023E	2024E
EPS	-0.37	-0.39	-0.16
P/E	-4.3x	-4.0x	-10.0x
P/B	0.3x	0.3x	0.3x
Dividend (in CHF)	0.00	0.00	0.00

Source: Zürcher Kantonalbank

Facts / Assessment: Kudelski IoT and Infineon announced last night a security solution with a Matter provisioning service for smart home and smart building devices. By leveraging Kudelski IoT's Matter certification service for Infineon (non-exclusive), this partnership simplifies the integration of Infineon semiconductors' Matter standard into IoT devices and improves their security, interoperability and reliability. The Matter smart home standard creates a cross-manufacturer communication language for networked devices in the home. The first version of Matter was adopted in October 2022 and has since undergone two new editions with enhancements and improvements.

Conclusion: The price for Kudelski's certification is only a few USD cents per semiconductor sold. According to the company, the service is comparable to a licence fee and probably highly profitable as a result. According to initial statements, the company is planning revenue of USD 1.0 mn for this certification service for Infineon in the current year. If the number of smart home semiconductors produced booms in the coming years, this would also have a positive impact on Kudelski's results. From today's perspective, however, it is too early for us to say how strongly the earnings situation will be affected for the Group.

Medacta Group AG (MOVE)

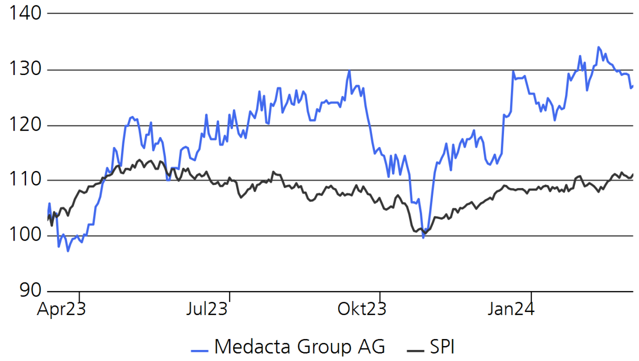
Revenue guidance FY 2024 in line with consensus. Adj. EBITDA margin FY 2023 and guidance FY 2024 below consensus

Rating:	Outperform	
	Expected relative performance: 12%	
Sector:	Health Care Equipment	
Analyst:	Edouard Riva	+41 44 292 20 05

In EUR	2022	2023E	2024E
EPS (in CHF)	2.32	3.22	3.46
P/E	54.8x	39.5x	36.7x
P/B	8.9x	8.2x	7.0x
Dividend (in CHF)	0.54	0.55	0.60

Source: Zürcher Kantonalbank

Sec. no.: R: 46 852 522 Price: CHF 127.00



Sources: Zürcher Kantonalbank, Refinitiv

(in EUR mn)	FY22	FY23	ZKB E	Consensus*	Comments (LC = local currency)
Total revenue	**437**	**511**	NA	NA	reported
- Change yoy	20.4%	16.8%			
- In LC	15.0%	19.5%			
From a segment-based perspective					
- Hips	204	230	NA	NA	reported
- Knee	165	198	NA	NA	reported
- Spine	42	46	NA	NA	reported
- Extremities and Sportsmed	28	36	NA	NA	reported
EBITDA, adj.	120.4	134.2	140.9	138.5	The positive operating leverage effect was unable to fully offset the currency impact on opex (ZKB E +1.2%). Adj. EBITDA was -3.1% below consensus
- Margin	27.6%	26.3%	27.6%	27.1%	
					In LC the adj. EBITDA margin 27.9%
					H2 adj. EBITDA margin: 24.4%
Net profit	46.2	47.4	64.3	61	
- Margin	10.6%	9.3%	12.6%	12%	

Source: Zürcher Kantonalbank

Outlook: Medacta expects organic growth of 13% to 15% for 2024 (which corresponds to revenue of between CHF 577 mn and CHF 587 mn, consensus to date CHF 582 mn, ZKB E: EUR 580.6 mn). In 2024, Medacta is targeting an improvement in the EBITDA margin in LC of 50 bp (which corresponds to an adj. EBITDA margin of 26.8%, consensus 27.6%, ZKB E: 28%).

Conclusion: Medacta is slightly increasing the dividend to CHF 0.55 per share (2022 CHF 0.54). We will have to revise our EBITDA estimates for next year downwards. Despite these results, we continue to believe in Medacta's strong position and growth potential. The financial analyst presentation will take place digitally at 13.00: Switzerland +41 225954728. We confirm our "Outperform" rating.

Orior (ORON)

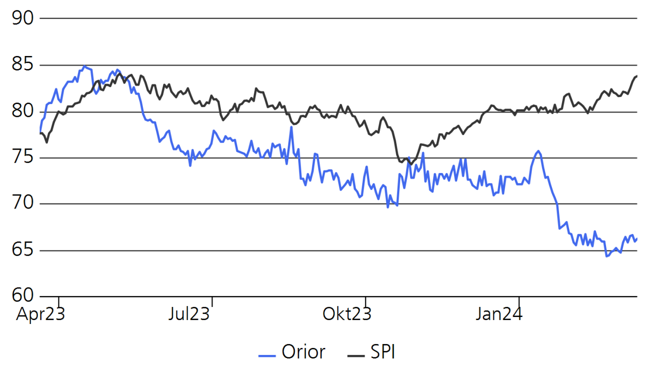
Sec. no.: R: 11 167 736 Price: CHF 66.50

As expected following the profit warning in 2023. Outlook with margin improvement, but slightly below expectations

Rating:	Outperform
	Expected relative performance: 15%
Sector:	Packaged Foods & Meats
Analyst:	Patrik Schwendimann +41 44 292 22 21

In CHF	2022	2023	2024E
EPS old	4.61	3.75	4.02
EPS new	4.61	3.79	4.02
P/E	14.4x	17.5x	16.5x
P/B	5.3x	4.9x	4.4x
Dividend	2.50	2.51	2.55

Source: Zürcher Kantonalbank



Sources: Zürcher Kantonalbank, Refinitiv

(in CHF mn)	2022	2023	ZKB E	Consensus	Consensus: AWP (n = 4)
Total revenue	**636.7**	**643.1**	**643.0**	**Published**	Orior already indicated revenue of CHF 643 mn in the profit warning issued on 24 January 2024. The change in revenue breaks down as follows: organic +2.1% (after +2.4% in 1H) and currency effect -1.1%.
- Change yoy	3.7%	1.0%	1.0%	n.a.	
Refinement revenue	249.1	245.7	242.9	n.a.	1.2% above our expectations. The revenue trend has improved for the full year compared to 1H (1H: -4.3%), partly due to the higher price of pork. Albert Spiess (Bündnerfleisch) fell significantly short of original expectations (loss of orders, weak exports, subdued Christmas business in food service).
- Change yoy	0.9%	-1.4%	-2.5%	n.a.	
Convenience revenue	220.2	219.8	220.2	n.a.	In line with our expectations. The revenue trend remained more or less stable in the full year vs H1 (H1:-0.1%). Adjusted growth came in at +0.6% (volume transfer from the Convenience division to the Meat Processing division). Food service and exports of plant-based products came in below the original expectations.
- Change yoy	-1.2%	-0.2%	0.0%	n.a.	
International revenue	189.7	198.9	200.0	n.a.	0.5% below our expectations: org. +8.5% (ZKB E: +9.1%), compared with +11.0% in H1; currency effect: -3.7% (ZKB: -3.7%). Strong recovery in the Casualfood airport catering business, new listings at Culinor, weak exports of Bündnerfleisch.
- Change yoy	13.6%	4.8%	5.4%	n.a.	
EBITDA	**64.1**	**59.2**	**59.2**	**Published**	Orior indicated an EBITDA margin of 9.2% in the profit warning of 24 January 2024. The EBITDA margin deteriorated by 90 bp to 9.2%, following +0 bp to 9.8% in H1. The gross profit margin improved by 210 bp to 48.0% (ZKB E: 48.3%), following +310 bp to 48.8% in H1.
- Change yoy	0.0%	-7.7%	-7.7%	n.a.	
- EBITDA margin	10.1%	9.2%	9.2%	n.a.	
Net profit	**30.2**	**24.8**	**24.6**	**25.1**	Net profit is 1.2% below the consensus expectation and 0.8% above our estimate. Both the financial result of CHF -2.6 mn (ZKB E: -2.7 mn, previous year -2.5 mn) and the tax rate of 15.8% (previous year: 14.1%, ZKB E: 15.7%) are in line with our expectations.
- Change yoy	10.6%	-17.8%	-18.6%	-16.8%	

Source: Zürcher Kantonalbank

Outlook: Orior expects revenue of CHF 652.7 mn to CHF 659.2 mn in 2024 at constant exchange rates (ZKB E: 654 mn), organic growth 1.5% to 2.5% (ZKB E: +2.7%, ZKB E: currency effect -1.0%), EBITDA margin 9.3% to 9.5% (ZKB E: 9.5%, Bloomberg consensus: 9.6%) with an increase in EBITDA (ZKB: CHF 62.1 mn, consensus: CHF 64.2 mn), tax rate 15.0% to 19.0% (ZKB E: 16.0%), ordinary investments CHF 18 mn to CHF 22 mn (ZKB E: CHF 24 mn). In addition, there are strategic investments of CHF 30 mn to 34 mn in connection with the plant development and the purchase of an adjacent building at the Oberentfelden (CH) site.

The target of an EBITDA margin of 10% has been confirmed, but according to Orior, the recovery is likely to continue over the next two to three years due to the challenging general conditions (including rising input costs in some cases). Among other things, Orior mentions a product portfolio analysis, which may lead to adjustments to the product range and structure. Innovations remain a core strategic aspect at Orior, as they generally exhibit an improved margin structure.

The Board of Directors is to be strengthened with the addition of Felix Burkhard (CFO Galenica, 1966) and Dr Patrick M. Müller (ex-CEO of home delivery company Milk & More and formerly with Theo Müller, 1980). CFO Andreas Lindner will leave Orior at the beginning of 2025 to devote himself to private/sporting commitments and to concentrate on VR activities in the future. The imminent departure of CFO Andreas Lindner is certainly a loss, but is not entirely surprising for us in view of his great commitment to sport.

Conclusion: After the profit warning on 24 January 2020, the annual result for 2023 no longer comes as a major surprise. The EBITDA margin fell due to high input costs (including rising pork prices), a decline in volume (revenue in Switzerland -0.3%) and a shift in the mix towards lower-margin product ranges. Operating cash flow fell by 11% to CHF 53.0 mn (2022: +16% to CHF 59.4 mn). The debt ratio (net debt/EBITDA) fell from 2.06x to 1.97x. The dividend is to be increased by 0.4% to CHF 2.51 per share, but this puts it slightly below expectations (ZKB E: CHF 2.55, consensus: 2.54).

The guidance for 2024 is slightly below expectations. However, Orior is likely to have set its guidance at this level to avoid having to disappoint again at the end of the year. Orior's revenue in 2024 will benefit from a further recovery in the airport catering business (10% of revenue before Covid-19, 2023: 9%) and innovations in the convenience sector at Culinor and in Switzerland. Compared to other food companies, Orior is moderately valued with a 12-month P/E of 16.1x (14% premium vs history) and a fair value according to our DCF model (WACC 6.75%) of CHF 86.60 per share (+30% vs current price). The dividend yield is attractive at 3.8%. We expect a slightly negative price reaction, although a lot of the negative factors have already been priced in. Team video conference at 10:00 a.m.

Rieter (RIEN)[7]

Sec. no.: R: 367 144 Price: CHF 103.00

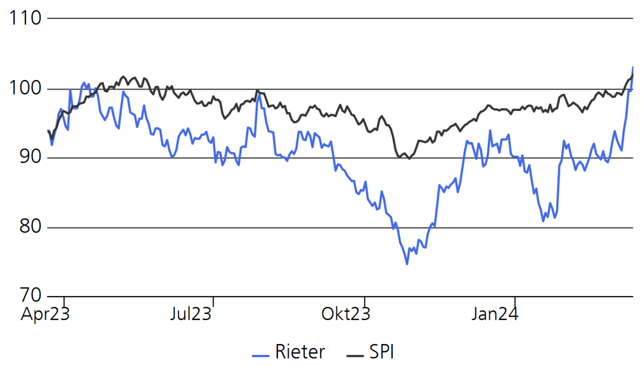
Reported EBIT 2023 is 5% above consensus – outlook for 2024 is in line with our estimates

Rating: Market Perform

Sector: Industrial Machinery
Analyst: Walter Bamert +41 44 292 20 68

In CHF	2022	2023E	2024E
EPS	2.69	15.84	4.44
P/E	38.2x	6.5x	23.2x
P/B	1.3x	1.1x	1.1x
Dividend	1.50	1.60	1.80

Source: Zürcher Kantonalbank



Sources: Zürcher Kantonalbank, Refinitiv

(in CHF mn)	2022	2023	ZKB E	Consensus*	Comments (LC = local currency)
Order intake	**1157**	**542**	**542**	**542**	Already reported
- Change yoy	-48.0%	-53.2%	-53.2%	-53.2%	H1: -62.6%, H2: -24.7%
Order backlog	**1540**	**650**	**650**	**650**	Already reported
- Change yoy	-16.3%	-57.8%	-57.8%	-57.8%	
Revenue	**1511**	**1419**	**1419**	**1419**	Already reported
- Change yoy	55.9%	-6.1%	-6.1%	-6.1%	H1: 22.2%, H2: -25.8%
EBITDA (reported)	**85.0**	**160.4**	**149.7**		7.2% higher than we had anticipated.
- Margin	5.6%	11.3%	10.6%		H1: 5.7%, H2: 17.7%
EBIT (reported)	**32.2**	**101.7**	**99.0**	**96.7**	5.2% above the consensus forecast.
- Margin	2.1%	7.2%	7.0%	6.8%	H1: 3.3%, H2: 11.6%
EBIT (underlying)	**32.2**	**83.8**	**74.0**		Real estate + CHF 72.5 mn, restructuring: CHF -54.6 mn
- Margin	2.1%	5.9%	5.2%		H1: 2.1%, H2: 10.3%
Machines & Systems	-18.7	-3.1	14.9		After restructuring costs of CHF –26.6 mn
- Margin	-1.8%	-0.3%	1.5%		H1: 0.3%, H2: -1.1%
Components	26.8	19.2	30.1		One-off costs of CHF -4.5 mn
- Margin	8.8%	7.2%	11.3%		H1: 11.1%, H2: 2.6%
After Sales	25.0	29.0	31.9		One-off costs of CHF -6.1 mn
- Margin	14.5%	15.5%	17.0%		H1: 17.3%, H2: 13.7%
Reported net profit	**12.1**	**74.0**	**70.9**	**63.1**	17.3% above the consensus forecast.
Operating cash flow	**-76.2**	**69.3**	**115.6**		Reduction in NWC
Net debt	**285.6**	**191.2**	**241.4**		CHF 298.9 mn on 30 June 2023
Dividend (CHF per share)	**1.50**	**3.00**	**1.60**	**3.02**	Dividend yield: 2.9%
*AWP consensus					

Source: Zürcher Kantonalbank

Outlook: As expected, the outlook remains cautious, but management is hoping for a slight improvement: "With the economic slowdown, high rates of inflation and noticeably gloomy consumer sentiment, the markets remain under pressure. Clients are reluctant to place orders due to financing challenges. The first signs of a recovery in the 2024 financial year can be seen in the key markets of China and India. Rieter expects demand to pick up in the coming months. For 2024 as a whole, Rieter anticipates revenue in the region of around CHF 1 bn CHF and a positive EBIT margin of up to 4%."

We previously assumed revenue of CHF 1,013 mn (-28.6%) and EBIT of CHF 39.4 mn (3.9% margin) for 2024.

The efficiency improvement programme appears to be having an impact and has already enabled an operating result in 2023 that was 5% above expectations. Cash flow management was also successful and, together with the property sale, enabled a greater than expected reduction in debt.

Conclusion: We expect a slightly positive trend in orders at Rieter in the coming months. However, visibility is limited, even for the management. However, these additional volumes are necessary in order to achieve the guidance at revenue and profitability level. The absolute price level of the Rieter share has already recovered by 39% since October 2023 (CHF 74.10) and is thus trading 51% above the low of CHF 68.35 reached in 2009. In our view, the new management has taken the right measures in a difficult starting position and the market has responded positively. However, there is no tailwind from the economy. We therefore confirm our "Market Perform" rating.

A hybrid presentation in English (+41 58 310 50 00, +44 207 107 06 13) will take place today at 9.00 a.m. CET.

SF Urban Properties AG (SFPN)[8]

Solid operating performance with further reduction in vacancy rate and stable dividend of CHF 3.60

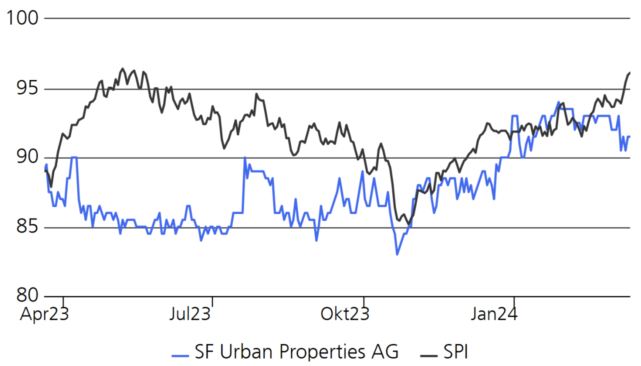
Rating: Market Perform

Sector: Immobiliengesellschaften
Analyst: Joel Knup +41 44 292 37 38

In CHF	2022	2023E	2024E
EPS	4.4	4.0	4.6
P/E	20.9x	22.8x	19.9x
P/B	0.8x	0.8x	0.8x
Dividend	3.60	3.60	3.60

Source: Zürcher Kantonalbank

Sec. no.: R: 3 281 613 Price: CHF 91.50



Sources: Zürcher Kantonalbank, Refinitiv

(in CHF mn)	2022	2023	ZKB E	Consensus	Notes
Rental income	**28.4**	**29.8**	**29.7**	**n.a.**	The rental income of SF Urban Properties AG ("SFUP") was around 5% higher than in the previous year and in line with our estimate. Earnings were boosted by the lower vacancy rate for the period compared to the previous year (2023: 1.7%; 2022: 2.4%), the indexation of commercial leases, a higher volume of new lettings following the completion of refurbishment projects and the reference interest rate-related increases in existing rents as at the beginning of October 2023. However, the additional rental income associated with the reference interest rate increases will mainly be reflected in 2024.
- Change yoy		4.8%	4.6%		
EBIT (excl. RV)	**26.1**	**23.6**	**20.2**	**n.a.**	At CHF 23.6 mn, EBIT excluding revaluation effects ("RV") was around 10% lower than in the previous year, but more positive than we had estimated. The slight decline is due to the expected lower EBIT contribution from the development properties (2023: CHF 5.2 mn; ZKB E: CHF 2.8 mn; 2022: CHF 8.3 mn).
- Change yoy		-9.6%	-22.7%		
Profit after minorities (excl. RV)	**14.7**	**15.0**	**13.3**	**n.a.**	Profit after minorities excluding RV, which is attributable to the shareholders of SFUP, totalled CHF 15.0 mn (previous year: CHF 14.7 mn) and was therefore around 13% higher than our estimate. The average interest rate (incl. swaps) on financial liabilities rose slightly year-on-year to 2.07% with an average fixed interest rate of 6.2 years (2022: 2.01% and 6.8 years).
- Change yoy		2.1%	-9.3%		
Profit after minorities	**26.8**	**0.3**	**0.6**	**n.a.**	Profit after minorities was in line with our estimate at CHF 0.3 mn. The revaluation effects were slightly more negative than we expected at CHF -18.6 mn (ZKB E: CHF -15.9 mn; 2022: CHF 15.2 mn), which corresponds to a devaluation of around 2.5% of the portfolio. The average, weighted real discount rate increased from 2.70% in 2022 to 2.76%.
- Change yoy		-98.8%	-97.9%		

Source: Zürcher Kantonalbank

Outlook: The Board of Directors proposes a stable dividend of CHF 3.60 per registered share with a par value of CHF 9.00 (ZKB E: CHF 3.60).

In the 2024 financial year, the management of SFUP would like to continue to focus on acquisitions of properties in the immediate vicinity of existing properties and promotional properties. SFUP has set itself the goal of acquiring new building plots for new promotional developments. Sales of specific properties that do not fit the defined portfolio strategy are reviewed opportunistically.

The equity ratio was 45% at the end of 2023 (end of 2022: 47%). The low period-related vacancy rate of 1.7% (2022: 2.4%) is, in our opinion, an indication of the high portfolio quality and its good management by SFUP. In its first participation in the Global Real Estate Sustainability Rating (GRESB), SFUP received four out of five stars in the area of existing properties.

Conclusion: SFUP will continue to adhere to its strategy of investing in and managing investment properties in urban centres and realising promotional developments in prime locations. The well-maintained and broadly diversified portfolio in city centre locations in Zurich and Basel serves as the basis for solid cash flows.

The SFUP share is currently trading at a discount to NAV 2025E before deferred taxes of 33%, compared to a discount of 17% for weighted peers. Our estimated dividend yield for 2025E is 4.0% (payout ratio 2025E: 74%), and thus slightly above the weighted peer group at 3.9% (payout ratio 2025E: 90%). We consider the current valuation to be justified due to the limited liquidity of the share, the high debt ratio compared to its peers and the dual share structure.

We are sticking to our "Market Perform" rating for the SFUP share, and therefore expect a performance comparable to that of the SPI.

Stadler Rail (SRAIL)[7]

2023 results and 2024 outlook below market expectations. Accelerated growth and higher margins forecast for 2025 and 2026

Rating: Market Perform

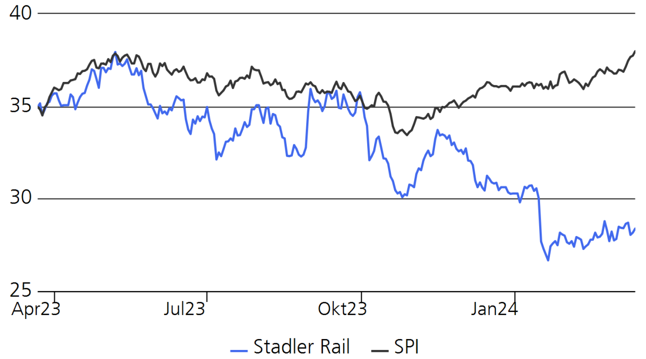
Sector: Construction Machinery & Heavy Trucks

Analyst: Bernd Laux +41 44 292 37 23

In CHF	2022	2023E	2024E
EPS	0.73	1.24	1.64
P/E	38.9x	22.9x	17.3x
P/B	3.6x	3.4x	3.1x
Dividend	0.90	0.90	0.90

Source: Zürcher Kantonalbank

Sec. no.: R: 217 818 Price: CHF 28.38



Sources: Zürcher Kantonalbank, Refinitiv

(in CHF mn)	2022	2023	ZKB E	Consensus	Notes: Consensus: AWP n=7
Order intake	8,557	6,804	6,300	6,961	In line with expectations (-2.3% vs. consensus, +8.0% vs. ZKB-E). The decline YoY is due to the exceptionally high prior-year figure (includes Kazakhstan order), particularly in the Rolling Stock segment. The order backlog reached a new record high of CHF 24.4 bn (2022 CHF 22.0 bn). Rolling stock shrank order intake by 31% due to the high prior-year base. Nevertheless, the order backlog YoY was 8% higher at CHF 18.4 bn. In Service & Components, the order intake was well above the previous year (+48%) and the order backlog rose by 23% YoY to CHF 5.9 bn. Signalling grew as expected with +14% to CHF 56 mn, its order backlog decreased by 5% to CHF 162 mn.
- Change yoy		-20.5%	-26.4%	-18.7%	
Revenue	3,751	3,608	3,850	3,788	Below expectations (-4.8%, -6.3%). Negative currency effects at Group level had a negative impact of around 3 percentage points.
- Change yoy		-3.8%	2.7%	1.0%	
EBIT	205.1	183.3	210.0	212.6	Slightly below expectations. The gross profit margin improved from 10.3% in the previous year to 11.2% thanks to the favourable product mix. The adjusted EBIT margin fell by around 40 bp to 5.1%. Negative currency effects totalled CHF 25 mn (=50 bp) and were thus responsible for the overall YoY decline.
- Change yoy		-10.6%	2.4%	3.7%	
- Margin	5.5%	5.1%	5.5%	5.6%	
Net profit	72.9	138.6	140.8	136.0	In line with expectations (+1.9%, -1.6%). Operating cash flow rose sharply by 105% to CHF 905 mn, while free cash flow increased by 89% to CHF 749 mn, mainly thanks to milestone and advance payments. Net debt was turned into net liquidity of CHF 398 mn (previous year: CHF -231 mn). Dividend unchanged at CHF 0.90 per share.
- Change yoy		90.1%	93.1%	86.6%	
- Margin	1.9%	3.8%	3.7%	3.6%	

Source: Zürcher Kantonalbank

Outlook: Stadler Rail reported annual results for 2023 that fell just short of market expectations. This was mainly due to the strong negative currency effect. Order intake (-21% yoy), revenue (-4% yoy), and EBIT (-11% yoy, margin 5.1%) fell short of the consensus. By contrast, operating cash flow (+105% yoy) and free cash flow of CHF 749 mn (+89% yoy) were particularly strong (and above expectations) thanks in part to negative net working capital, meaning that Stadler Rail ended the year with net liquidity of CHF 398 mn. However, the outlook for 2024 (revenue CHF 3.5-3.7 bn, EBIT margin approx. 5%) is also cautious and below consensus estimates.

Conclusion: In view of the high currency risk for Stadler Rail, the outlook for 2024E is modest, as expected. However, the company is forecasting significant growth and a jump in earnings for 2025 (revenue CHF 4.0-4.2 bn, EBIT margin approx. 7%) and 2026 (revenue CHF 5.0-5.5 bn, EBIT margin 7-8%) thanks to increased shipments. This confirms Stadler 's medium-term targets. We expect only minor adjustments to the consensus forecasts, downwards for 2024E and upwards for 2026E. It remains to be seen whether the confirmed medium-term forecasts will be enough to act as a catalyst to stop the price erosion. At the depressed price level (2024E P/E approx. 20x), the Stadler stock no longer appears expensive, provided Stadler delivers for 2025-26. Our rating is "Market Perform."

V-ZUG (VZUG)

Despite progress in 2H23, the annual result is below expectations

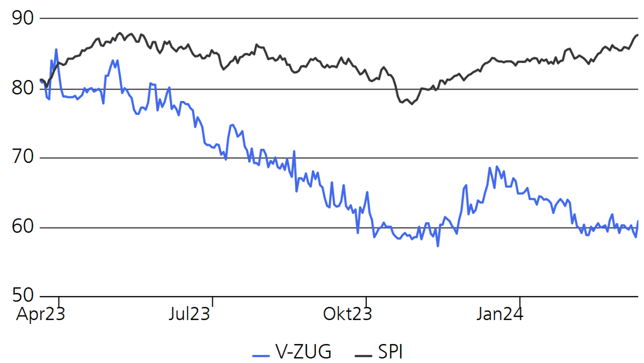
Rating: Market Perform

Sector: Household Appliances
Analyst: Martin Hüsler, CFA +41 44 292 24 11

In CHF	2022	2023E	2024E
EPS	1.23	2.71	4.75
P/E	49.2x	22.4x	12.8x
P/B	0.9x	0.8x	0.8x
Dividend	0.00	0.00	1.40

Source: Zürcher Kantonalbank

Sec. no.: R: 54 248 374 Price: CHF 60.80



Sources: Zürcher Kantonalbank, Refinitiv

(in CHF mn)	2022	2023	ZKB E	Consensus*	Comments (LC = local currency)
Net revenue	**636.3**	**585.4**	**605.0**	**594.5**	Revenue is 1.5% below consensus and slightly more below our higher estimate. Revenue fell by -8.0% and on a currency-adjusted basis by -7.2%. Volumes declined by -16% and could not be offset by price increases (ZKB E: +9%). Pull-forward effects in previous years and a fall in demand due to inflation and interest rates depressed revenue.
- Change yoy	0.8%	-8.0%	-4.9%	-6.6%	
EBIT	**10.3**	**16.8**	**20.4**	**17.4**	EBIT increased significantly compared to the low level of the previous year. Nevertheless, it is 3.5% below consensus. The EBIT margin of 2.9% is still well below the medium-term target of 10 to 13%. In 2H23, the margin improved to 4.1% despite a decline in revenue compared to 1H23 (1H23: 1.7%). V-ZUG benefited from higher sales prices, easing pressure on material costs as well as cost and process optimisation.
- Change yoy	-83.6%	63.1%	98.1%		
- Margin as %	1.6%	2.9%	3.4%	2.9%	
Net profit	**7.9**	**11.7**	**17.4**	**15.1**	Net profit is at a low level and clearly below expectations.
- Change yoy	-85.7%	48.1%	120.3%	91.1%	
* AWP (3 estimates)					

Source: Zürcher Kantonalbank

Outlook: Free cash flow improved from CHF -52 mn in the previous year to CHF 18.2 mn, which was exactly in line with our estimate. The balance sheet remains very solid, with an equity ratio of 74.9% and net liquidity of CHF 81 mn. As expected, no dividend distribution will be made.

Due to global uncertainties, V-ZUG does not expect the situation in the real estate industry to improve. Accordingly, the company continues to focus on reducing complexity and simplifying processes. New products will be launched in 2024, particularly in the mid-range segment. Investments in market positioning, production and innovation projects will continue.

There is no quantitative guidance for 2024. We previously expected efficiency improvements will enable a margin increase to 5.7% in 2024 (2023: 2.9%).

Conclusion: After an already difficult previous year characterised by sharply rising procurement costs, delivery delays and component bottlenecks, V-ZUG suffered from unsatisfactory demand in 2023, particularly from new residential construction. However, the renovation business also continued to suffer from the consequences of the exceptional economic situation during the coronavirus pandemic.

The low valuation (EV/EBITDA 2024E: around 5x) reflects the recent unsatisfactory operating performance and the cautious outlook. The medium-term targets (annual revenue growth of 3% p.a., EBIT margin of 10 to 13%) are currently out of reach. Our rating on V-ZUG is "Market Perform".

Webcall today at 09.00 am. Registration via investorrelations@vzug.com

➲ Overview

Burkhalter Holding AG (BRKN)

Solid financial year 2023 expected (preview)

Sec. no.: R: 21 225 580 Price: CHF 94.60

Rating: Market Perform

Sector: Construction & Engineering
Analyst: Yannik Ryf +41 44 292 35 67

In CHF	2022	2023E	2024E
EPS	4.73	4.97	5.19
P/E	20.0x	19.0x	18.2x
P/B	7.3x	7.0x	6.8x
Dividend	4.25	4.45	4.65

Source: Zürcher Kantonalbank

Publication date: 8.4.
Preview of company figures table

Key figures	ZKB E	Δ yoy	Consensus
Revenue	1076.8	34.5%	n.a.
EBIT	65.6	36.4%	n.a.
Group profit	52.2	35.6%	n.a.

Facts / Assessment: Burkhalter will present its results for the 2023 financial year on 8 April. It should be noted that the income statement for 1H22 did not yet include any effects of the merger with Poenina as at the end of June 2022, as Poenina's operating businesses were consolidated into the Burkhalter Group only starting in 2H22. Accordingly, the prior-year baseline contains a certain distortion.

We expect revenue totalling CHF 1,076.8 mn for the 2023 financial year, of which CHF 194.4 mn is attributable to the consolidation effect with Poenina. In addition to organic growth (ZKB E: 2.0%), we expect acquisition-related revenue growth of around CHF 78 mn due to various acquisitions made in the building technology sector. We expect an EBIT margin of 6.1% (previous year: 6.0%) and a net profit margin of 4.9% (previous year: 4.8%).

Conclusion: At the media conference at the beginning of September, Burkhalter did not provide any specific guidance for the 2023 financial year, apart from the statement that EPS for the 2023 financial year can be increased moderately compared to the previous year. We expect Burkhalter to increase its revenue, EBIT and net profit compared to the previous year. Accordingly, we expect EPS growth of around 5.1% to CHF 4.97 for the 2023 financial year.

We consider Burkhalter to be fairly valued with a currently estimated dividend yield of 4.7% for 2024. We have rated Burkhalter with "Market Perform".

➲ Overview

Lalique Group (LLQ)

How strong was the margin improvement in the 2H?

Sec. no.: R: 3 381 329 Price: CHF 33.00

Rating: Market Perform

Sector: Personal Products
Analyst: Patrik Schwendimann +41 44 292 22 21

In EUR	2022	2023E	2024E
EPS old	1.35	0.69	1.15
EPS new	1.35	0.68	1.11
P/E	24.4x	49.8x	31.4x
P/B	1.3x	1.3x	1.3x
Dividend	0.50	0.50	0.50

Source: Zürcher Kantonalbank

Publication date: 20.3.
Preview of company figures table

Key figures	ZKB E	Δ yoy	Consensus
Operating income (in EUR mn)	182.3	7.2%	n.a.
EBIT	8.9	-32.1%	n.a.
EBIT margin	4.9%	-280 bp	n.a.
Net profit	5.1	-47.5%	n.a.

Source: Zürcher Kantonalbank

Facts / Assessment: Lalique Group will publish its key figures on 20.3.24 and its annual results on 17.4.24. When publishing its half-year results, Lalique Group lowered its guidance for 2023 to sales growth in the high single-digit percentage range and an EBIT margin that is significantly lower than in 2022 (2022: 7.7%, previous guidance "slightly lower vs. 2022"). We expect an increase in operating income of 7.2% after +5.3% in 1H23. Growth drivers are expected to be the Ultrasun sun cream, the perfume brands (including Jaguar and Brioni) and, starting from a deep base, the whisky brand The Glenturret.

For the main brand Lalique (including crystal goods and perfumes), on the other hand, we expect a decline in sales of 1.3% to EUR 94.4 mn and EBIT of EUR -0.6 mn after EUR 4.3 mn in the previous year. Due to the main brand Lalique, we expect the group's EBIT margin to decline by 280 bp to 4.9% (1H23 -690 bp to 2.8% or -480 bp vs. adjusted previous year). Lalique Group suffered from higher energy and labour costs in 1H23. For 2H23, we expect an EBIT margin of 6.8% after 5.9% in 2H22.

Conclusion: Unfortunately, the free float is very low with the two shareholders Silvio Denz (50.1%) and Müller Handels AG (25%, drugstore chain). The fair value according to our DCF model is CHF 29.0 per share (WACC 8.25%). After all, the entry of Müller Handels AG in two stages in 2023 at a price of CHF 40 per share was an indication that there is brand substance. However, we do not believe that Lalique Group will be able to surprise positively with its annual results, as the dilution caused by the main Lalique brand and its difficult crystal business (around 25% of Group sales) is likely to be too strong. In April, we are looking forward to the first appearance of Nina Müller (ex CEO of Jelmoli and ex CEO of Christ), who took over the CEO position on 1 February 2014.

R&S Group (RSGN)

Sec. no.: B: 110 797 983 Price: CHF 10.40

Preview: 2023 Annual results probably drastically improved yoy. Special effects due to de-SPACing

Rating: Market Perform

Sector: Heavy Electrical Equipment

Analyst: Bernd Laux +41 44 292 37 23

In CHF	2022	2023E	2024E
EPS	na	0.54	0.99
P/E	na	19.3x	10.5x
P/B	na	7.3x	5.0x
Dividend	na	0.24	0.34

Source: Zürcher Kantonalbank

Publication date: 21.3.

Preview of company figures table

Key figures	ZKB E	Δ yoy	Consensus
Order intake	229.0	n.a.	n.a.
Revenue	201.6	30.0%	n.a.
EBITA	36.8	343.0%	n.a.
Net profit	15.7	220%	n.a.

Facts / Assessment: The R&S Group, which was newly listed in December 2023 and specialises in transformers for electrical grid infrastructure, will publish preliminary key figures for the 2023 financial year on 21 March 2024. The company provided an initial insight back in January when it published revenue for 2023 of CHF 201.6 mn (+30% yoy organic; CHF 216.7 mn including the sold SERW business) and an order backlog of CHF 185.7 mn (+17% yoy). The operating result (EBIT before amortisation of intangible assets in de-SPACing) in 2023E should now follow with CHF 36.8 mn (ZKB E), an increase of 343% yoy and an EBITA margin of 18.2% (PY 5.4%). The R&S Group may also report impressive yoy growth in net profit and cash flow.

Conclusion: In our view, there is no doubt that the R&S Group will report impressive improvements in all performance indicators for 2023E. The massive price increases of the past 24 months have played a large part in this. The R&S Group should also achieve robust growth in 2024E. As already signalled in January, the Group is targeting revenue growth of +9-12% yoy and an EBIT margin of 16-18% in 2024, despite the additional costs for the listing. We are more concerned about the years after 2024, when we expect prices to erode and the high EBIT margin to normalise towards 12%. Based on the 2024E estimates, the R&S Group share is not expensive with a P/E of 10.5x. However, the price pressure from the share overhang on the sell side is unlikely to disappear in the short term.

SoftwareONE (SWON)

Sec. no.: R: 49 645 150 Price: CHF 16.33

Preview: No surprises expected from the final figures for 2023

Rating: Market Perform

Sector: Technology Distributors

Analyst: Christian Bader +41 44 292 37 29

In CHF	2023	2024E	2025E
EPS	0.34	0.78	0.94
P/E	48.1x	20.9x	17.4x
P/B	3.9x	3.5x	3.2x
Dividend	0.36	0.37	0.40

Source: Zürcher Kantonalbank

Publication date: 19.3.

Preview of company figures table

Key figures	ZKB E	Δ yoy	Consensus
Revenue	1010.9	0.7%	n.a.
EBITDA, reported	161.7	18.1%	n.a.
EBITDA margin	16.0%	2.4%	n.a.
EBIT, reported	95.8	22.3%	n.a.
EBIT margin	9.5%	1.7%	n.a.
Net profit, reported	21.4	n.m.	n.a.

AR & ESG Report www.softwareone.com

Facts / Assessment: SoftwareONE reported detailed, preliminary results for financial year 2023 on 15 February 2024. The earnings report included all material items of the P&L, cash flow and balance sheet. On 19 March, the ESG report will be published at the same time as the annual report. For 2024, management plans to achieve revenue growth of 8-10% YoY ccy, an underlying EBITDA margin of 24.5-25.5% (the underlying EBITDA margin was 24.3% in 2023) and a dividend payout ratio of 30-50%.

Conclusion: Usually, no changes to the material items of the P&L, cash flow or balance sheet are reported with the publication of the 2023 annual financial report. Normally, the guidance for 2024 that has already been given will not be changed. Based on these assumptions, the final results are unlikely to produce any major surprises.

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Mario Dürst	
Marco Genepretti	
Fabienne Hunkeler	
Richard Jucker	
Marc Müller	
Räto Negri	
Jasmin Spörri	
Kevin Wacker	
Selina Chiara Müller	

Bond Sales	+41 44 293 66 70
Foreign Currency Sales	+41 44 293 62 00
Structured Products Sales	+41 44 293 66 65
Interest Rate Derivatives Sales	+41 44 293 65 06

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– Equity research analysts: Lonza (28.04.2021, CHF 558.2); Novartis (18.09.2016, CHF 68.5); Roche (06.03.2014, CHF 262.2); Sandoz (04.10.2023, CHF 22)

– Credit research analysts: Bell Food Group (18.08.2015; CHF 250.5); Emmi (01.11.2007; CHF 169); Holcim (27.03.2020; CHF 34.34); SGS (21.09.2015; CHF 1718)

[2] Participation in capital market transactions

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[3, 9] Shareholdings of Zürcher Kantonalbank

– [3] Zürcher Kantonalbank owns over 10% in Viseca Payment Services SA and over 5% of the voting rights in Banque Cantonale du Jura.

– [9] According to the latest notification, Zürcher Kantonalbank holds over 10% in Pfandbriefzentrale der schweizerischen Kantonalbanken (Pfandbriefzentrale) and refinances part of its mortgage business through Pfandbriefzentrale. This may result in conflicts of interest affecting the Pfandbriefzentrale rating assessment.

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[5, 6] Net purchase and net sales positions of Zürcher Kantonalbank

– [5] Zürcher Kantonalbank holds a net short position of at least 0.5% of the share capital of the company.

– [6] Zürcher Kantonalbank holds a net long position of at least 0.5% of the share capital of the company.

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Recommendation	Company in the Swiss Research Universe	% distribution	Clients with IB services
Outperform	65	36.72%	66.15%
Market Perform	98	55.37%	53.06%
Underperform	14	7.91%	35.71%

The table is updated at the beginning of each quarter and reflects the data at that time: 31.12.2023

Recommendations made in the last twelve months

Autoneum Holding AG

07.07.2023 From Market Perform (143.8 CHF) to Underperform

Flughafen Zürich

26.05.2023 From Market Perform (168.9 CHF) to Outperform

Medacta Group AG

24.10.2023 Outperform (105.8 CHF)

R&S Group

27.02.2024 Market Perform (10.8 CHF)

Sandoz

04.10.2023 Outperform

SoftwareONE

11.03.2024 From Outperform (16.46 CHF) to Market Perform

V-ZUG

07.06.2023 From Outperform (80.1 CHF) to Market Perform

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