

**Buy** (old: Buy)

17.08.2023

**EUR 57.00** (old: EUR 57.00)

## Q2 prelims: Sequential improvements to further accelerate

**Topic:** Following the weak Q1 (delayed call-offs from several customers), prelim. Q2 figures show a significant sequential acceleration, which should further increase during H2. As reflected by the recently raised mid-term guidance, Nynomic looks poised for strong sales and margin growth going forward.

**Prelim. Q2 sales grew by 20% yoy to € 31.2m** (+44% qoq), slightly ahead of our estimates of € 29.7m, thanks to partial call-offs of delayed order from Q2, the strong order backlog at the end of Q1 and continued unbroken demand across all segments. **H1 sales is down 2.6% yoy.**

**Q2 EBIT came in flat yoy at € 3.1m** (eNuW: € 3m), **yet significantly above Q1** (+108% qoq) with a 3pp sequential margin improvement to 10% **as the positive operating leverage kicks in** (~ 16.7% incremental margin vs Q1). **H1 EBIT is down 32% yoy**, margin -4pp yoy.

**H2 with further sequential improvements.** As underpinned by the reiterated FY23 guidance (single-digit organic sales growth and a further EBIT margin expansion) and our FY estimates, Nynomic's operations are seen to further improve during H2 (sales +17.4% yoy and a 3.8pp yoy margin increase, eNuW). This is seen to be stemming from further confirmed call-off dates, several new projects within structurally growing markets (e.g. a plant phenotyping solutions worth € 5-6m and the handheld solutions from Spectral Engines) and the order backlog of € 81m.

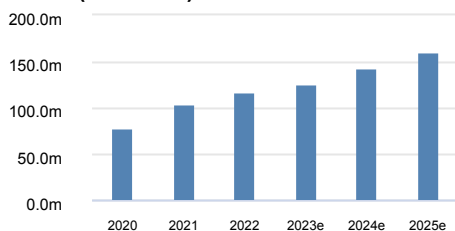
**Promising mid-term prospects.** During the next 3-5 years, management expects to reach € 200m sales with an EBIT margin of 16-19% (eNuW: sales target reached by 2027e with a 17.5% margin). The implied 9.6% to 16.7% sales CAGR (depending on the time horizon; 12.3% at mid-point) should mainly stem from (1) Spectral Engines with its hand-held sensor solutions, (2) smart farming solutions and (3) the Clean Tech segment, which provides solutions for variety of strongly growing industries including semiconductor equipment and multisensor and camera calibration for LiDAR systems.

Despite the positive newsflow during the past six months (e.g. updated mid-term guidance, largest single plant phenotyping order), shares' performance remains subdued. Based on 2024e estimates, the implied valuation of 8.3x EV/EBIT (40% below the historic 5y avg.) looks undemanding. We hence **reiterate our BUY rating with an unchanged € 57 PT**, based on DCF.

Y/E 31.12 (EUR m)	2020	2021	2022	2023e	2024e	2025e
Sales	78.6	105.1	116.8	126.3	142.7	160.3
Sales growth	21.1%	33.8%	11.2%	8.1%	13.0%	12.3%
EBITDA	11.4	17.0	19.2	21.1	25.2	30.0
Net debt (if net cash=0)	17.3	6.0	2.7	-25.7	-39.2	-55.9
FCF	4.5	16.4	7.1	9.4	13.6	16.7
Net Debt/EBITDA	1.5	0.4	0.1	0.0	0.0	0.0
EPS pro forma	0.83	1.37	1.26	1.34	1.72	2.18
EBITDA margin	14.6%	16.2%	16.4%	16.7%	17.6%	18.7%
ROCE	10.1%	13.6%	14.7%	13.9%	14.5%	15.9%
EV/sales	2.4	1.8	1.7	1.5	1.2	1.0
EV/EBITDA	16.6	11.3	10.2	8.8	6.9	5.2
PER	39.5	23.7	25.8	24.4	18.9	15.0
Adjusted FCF yield	2.7%	4.4%	4.1%	5.0%	6.8%	9.4%

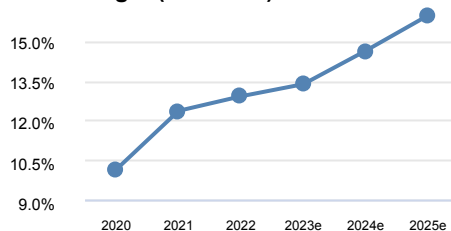
Source: Company data, NuWays, Close price as of 16.08.2023

### Sales (2020-25e)



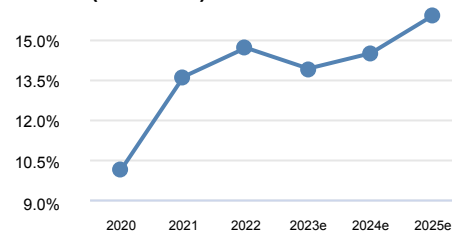
Source: NuWays Research

### EBIT margin (2020-25e)



Source: NuWays Research

### ROCE (2020-25e)



Source: NuWays Research

## Company description

Nynomic is a leading supplier of optical metrology solutions, which are based on spectroscopy. Simply put, by measuring the spectrum of light that is emitted by an object one can contactless determine the color, temperature, density and even chemical composition of such.

## Share Performance



High/low 52 weeks (€)	39.10 / 25.60
3m rel. performance	2.0%
6m rel. performance	-1.0%
12m rel. performance	7.5%

## Market data

Share price (in €)	32.60
Market cap (in € m)	211.6
Number of shares (in m pcs)	6.5
Enterprise value (in € m)	186.0
Ø trading volume (6 months)	6,200

## Identifier

Bloomberg	M7U GR
Reuters	M7UG
WKN	A0MSN1
ISIN	DE000A0MSN11

## Key shareholders

Management & Supervisory Board	21.4%
Berenberg Asset Management	4.2%
Paladin Asset Management	3.5%
Free Float	70.9%

## Estimates changes

	2023e	2024e	2025e
Sales	0%	0%	0%
EBIT	0%	0%	0%
EPS	0%	0%	0%

## Comment on changes

## Guidance

- Sales: single-digit yoy growth
- EBIT margin: yoy improvement

## Financials

Profit and loss (EUR m)	2020	2021	2022	2023e	2024e	2025e
<b>Net sales</b>	<b>78.6</b>	<b>105.1</b>	<b>116.8</b>	<b>126.3</b>	<b>142.7</b>	<b>160.3</b>
Sales growth	21.1%	33.8%	11.2%	8.1%	13.0%	12.3%
Increase/decrease in finished goods and work-in-process	2.8	2.3	3.1	0.8	0.5	0.5
<b>Total sales</b>	<b>81.3</b>	<b>107.4</b>	<b>119.9</b>	<b>127.1</b>	<b>143.2</b>	<b>160.8</b>
Other operating income	0.6	1.1	0.9	1.3	1.4	1.6
Material expenses	32.6	46.5	51.2	52.4	58.8	65.6
Personnel expenses	28.5	33.5	36.9	40.7	45.0	49.6
Other operating expenses	9.5	11.5	13.6	14.1	15.7	17.3
<b>Total operating expenses</b>	<b>69.9</b>	<b>90.4</b>	<b>100.7</b>	<b>106.0</b>	<b>118.0</b>	<b>130.8</b>
<b>EBITDA</b>	<b>11.4</b>	<b>17.0</b>	<b>19.2</b>	<b>21.1</b>	<b>25.2</b>	<b>30.0</b>
Depreciation	2.7	3.2	3.3	3.4	3.5	3.5
<b>EBITA</b>	<b>8.8</b>	<b>13.8</b>	<b>15.9</b>	<b>17.7</b>	<b>21.7</b>	<b>26.4</b>
Amortisation of goodwill	0.0	0.0	0.0	0.0	0.0	0.0
Amortisation of intangible assets	0.8	0.8	0.8	0.8	0.8	0.8
Impairment charges	0.0	0.0	0.0	0.0	0.0	0.0
<b>EBIT (inc revaluation net)</b>	<b>8.0</b>	<b>13.0</b>	<b>15.1</b>	<b>16.9</b>	<b>20.9</b>	<b>25.6</b>
Interest income	0.0	0.0	0.0	0.0	0.0	0.0
Interest expenses	0.7	0.7	0.7	0.9	0.9	0.9
Investment income	0.0	0.0	0.0	0.0	0.0	0.0
Financial result	-0.7	-0.6	-0.7	-0.9	-0.9	-0.9
<b>Recurring pretax income from continuing operations</b>	<b>7.3</b>	<b>12.4</b>	<b>14.4</b>	<b>16.0</b>	<b>20.0</b>	<b>24.8</b>
Extraordinary income/loss	0.0	0.0	0.0	0.0	0.0	0.0
<b>Earnings before taxes</b>	<b>7.3</b>	<b>12.4</b>	<b>14.4</b>	<b>16.0</b>	<b>20.0</b>	<b>24.8</b>
Income tax expense	2.1	2.9	4.4	4.6	5.8	7.2
<b>Net income from continuing operations</b>	<b>5.2</b>	<b>9.5</b>	<b>9.9</b>	<b>11.4</b>	<b>14.2</b>	<b>17.6</b>
Income from discontinued operations (net of tax)	0.0	0.0	0.0	0.0	0.0	0.0
<b>Net income</b>	<b>5.2</b>	<b>9.5</b>	<b>9.9</b>	<b>11.4</b>	<b>14.2</b>	<b>17.6</b>
Minority interest	0.8	1.7	2.5	2.7	3.0	3.4
<b>Net profit (reported)</b>	<b>4.4</b>	<b>7.9</b>	<b>7.4</b>	<b>8.7</b>	<b>11.2</b>	<b>14.2</b>
Average number of shares	5.3	5.7	5.9	6.5	6.5	6.5
<b>EPS reported</b>	<b>0.83</b>	<b>1.37</b>	<b>1.26</b>	<b>1.34</b>	<b>1.72</b>	<b>2.18</b>

Profit and loss (common size)	2020	2021	2022	2023e	2024e	2025e
<b>Net sales</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
Sales growth	21.1%	33.8%	11.2%	8.1%	13.0%	12.3%
Increase/decrease in finished goods and work-in-process	3.6%	2.2%	2.7%	0.6%	0.4%	0.3%
<b>Total sales</b>	<b>103.6%</b>	<b>102.2%</b>	<b>102.7%</b>	<b>100.6%</b>	<b>100.4%</b>	<b>100.3%</b>
Other operating income	0.8%	1.1%	0.8%	1.0%	1.0%	1.0%
Material expenses	41.5%	44.3%	43.9%	41.5%	41.2%	40.9%
Personnel expenses	36.2%	31.8%	31.6%	32.2%	31.5%	30.9%
Other operating expenses	12.1%	11.0%	11.6%	11.2%	11.0%	10.8%
<b>Total operating expenses</b>	<b>89.0%</b>	<b>86.0%</b>	<b>86.3%</b>	<b>83.9%</b>	<b>82.7%</b>	<b>81.6%</b>
<b>EBITDA</b>	<b>14.6%</b>	<b>16.2%</b>	<b>16.4%</b>	<b>16.7%</b>	<b>17.6%</b>	<b>18.7%</b>
Depreciation	3.4%	3.1%	2.8%	2.7%	2.4%	2.2%
<b>EBITA</b>	<b>11.2%</b>	<b>13.1%</b>	<b>13.6%</b>	<b>14.0%</b>	<b>15.2%</b>	<b>16.5%</b>
Amortisation of goodwill	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Amortisation of intangible assets	1.0%	0.8%	0.7%	0.6%	0.6%	0.5%
Impairment charges	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>EBIT (inc revaluation net)</b>	<b>10.1%</b>	<b>12.4%</b>	<b>12.9%</b>	<b>13.4%</b>	<b>14.6%</b>	<b>16.0%</b>
Interest income	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Interest expenses	0.9%	0.6%	0.6%	0.7%	0.6%	0.5%
Investment income	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Financial result	neg.	neg.	neg.	neg.	neg.	neg.
<b>Recurring pretax income from continuing operations</b>	<b>9.3%</b>	<b>11.8%</b>	<b>12.3%</b>	<b>12.7%</b>	<b>14.0%</b>	<b>15.4%</b>
Extraordinary income/loss	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Earnings before taxes</b>	<b>9.3%</b>	<b>11.8%</b>	<b>12.3%</b>	<b>12.7%</b>	<b>14.0%</b>	<b>15.4%</b>
Tax rate	29.0%	23.1%	30.9%	29.0%	29.0%	29.0%
<b>Net income from continuing operations</b>	<b>6.6%</b>	<b>9.1%</b>	<b>8.5%</b>	<b>9.0%</b>	<b>10.0%</b>	<b>11.0%</b>
Income from discontinued operations (net of tax)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>Net income</b>	<b>6.6%</b>	<b>9.1%</b>	<b>8.5%</b>	<b>9.0%</b>	<b>10.0%</b>	<b>11.0%</b>
Minority interest	1.0%	1.6%	2.1%	2.1%	2.1%	2.1%
<b>Net profit (reported)</b>	<b>5.6%</b>	<b>7.5%</b>	<b>6.4%</b>	<b>6.9%</b>	<b>7.8%</b>	<b>8.8%</b>

Source: Company data, NuWays

Balance sheet (EUR m)	2020	2021	2022	2023e	2024e	2025e
Intangible assets	36.2	42.1	46.9	46.9	46.9	46.9
Property, plant and equipment	14.7	17.3	19.0	19.3	19.7	20.1
Financial assets	0.5	0.4	0.6	0.6	0.6	0.6
<b>FIXED ASSETS</b>	<b>51.5</b>	<b>59.9</b>	<b>66.5</b>	<b>66.8</b>	<b>67.2</b>	<b>67.6</b>
Inventories	15.1	18.8	23.8	25.3	25.9	29.1
Accounts receivable	12.3	11.8	16.4	18.0	19.5	22.0
Other assets and short-term financial assets	1.9	1.6	2.4	2.4	2.4	2.4
Liquid assets	22.1	26.7	26.6	54.9	68.5	85.2
Deferred taxes	0.2	1.4	2.7	2.7	2.7	2.7
Deferred charges and prepaid expenses	0.0	0.0	0.0	0.0	0.0	0.0
<b>CURRENT ASSETS</b>	<b>51.6</b>	<b>60.4</b>	<b>72.0</b>	<b>103.3</b>	<b>119.1</b>	<b>141.4</b>
<b>TOTAL ASSETS</b>	<b>103.0</b>	<b>120.3</b>	<b>138.4</b>	<b>170.1</b>	<b>186.3</b>	<b>209.1</b>

<b>SHAREHOLDERS EQUITY</b>	<b>48.1</b>	<b>62.4</b>	<b>70.6</b>	<b>101.1</b>	<b>116.3</b>	<b>134.9</b>
MINORITY INTEREST	2.9	4.1	6.4	6.4	6.4	6.4
Provisions for pensions and similar obligations	0.0	0.0	0.0	0.0	0.0	0.0
Other provisions and accrued liabilities	1.5	0.0	0.0	0.0	0.0	0.0
Short-term liabilities to banks	4.9	4.2	4.3	4.3	4.3	4.3
Accounts payable	4.9	4.8	6.6	8.0	9.0	13.2
Advance payments received on orders	0.0	1.8	4.8	4.8	4.8	4.8
Other liabilities (incl. from lease and rental contracts)	5.1	11.2	17.1	17.1	17.1	17.1
Deferred taxes	0.0	3.1	3.5	3.5	3.5	3.5
Deferred income	1.1	0.1	0.2	0.0	0.0	0.0
<b>CURRENT LIABILITIES</b>	<b>10.0</b>	<b>17.8</b>	<b>28.5</b>	<b>29.9</b>	<b>30.9</b>	<b>35.1</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS EQUITY</b>	<b>103.0</b>	<b>120.3</b>	<b>138.4</b>	<b>170.1</b>	<b>186.3</b>	<b>209.1</b>

Balance sheet (common size)	2020	2021	2022	2023e	2024e	2025e
Intangible assets	35.1%	35.0%	33.9%	27.6%	25.2%	22.4%
Property, plant and equipment	14.3%	14.4%	13.7%	11.3%	10.6%	9.6%
Financial assets	0.5%	0.4%	0.4%	0.4%	0.3%	0.3%
<b>FIXED ASSETS</b>	<b>50.0%</b>	<b>49.8%</b>	<b>48.0%</b>	<b>39.3%</b>	<b>36.1%</b>	<b>32.4%</b>
Inventories	14.6%	15.6%	17.2%	14.8%	13.9%	13.9%
Accounts receivable	11.9%	9.8%	11.9%	10.6%	10.5%	10.5%
Other assets and short-term financial assets	1.8%	1.4%	1.7%	1.4%	1.3%	1.2%
Liquid assets	21.5%	22.2%	19.2%	32.3%	36.8%	40.7%
Deferred taxes	0.2%	1.2%	2.0%	1.6%	1.5%	1.3%
Deferred charges and prepaid expenses	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
<b>CURRENT ASSETS</b>	<b>50.0%</b>	<b>50.2%</b>	<b>52.0%</b>	<b>60.7%</b>	<b>63.9%</b>	<b>67.6%</b>
<b>TOTAL ASSETS</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

<b>SHAREHOLDERS EQUITY</b>	<b>46.7%</b>	<b>51.9%</b>	<b>51.0%</b>	<b>59.4%</b>	<b>62.4%</b>	<b>64.5%</b>
MINORITY INTEREST	2.8%	3.4%	4.6%	3.8%	3.4%	3.1%
Provisions for pensions and similar obligations	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other provisions and accrued liabilities	1.4%	0.0%	0.0%	0.0%	0.0%	0.0%
Short-term liabilities to banks	4.8%	3.5%	3.1%	2.5%	2.3%	2.1%
Accounts payable	4.8%	4.0%	4.8%	4.7%	4.8%	6.3%
Advance payments received on orders	0.0%	1.5%	3.5%	2.8%	2.6%	2.3%
Other liabilities (incl. from lease and rental contracts)	5.0%	9.3%	12.4%	10.1%	9.2%	8.2%
Deferred taxes	0.0%	2.5%	2.5%	2.0%	1.9%	1.7%
Deferred income	1.1%	0.1%	0.1%	0.0%	0.0%	0.0%
<b>CURRENT LIABILITIES</b>	<b>9.8%</b>	<b>14.8%</b>	<b>20.6%</b>	<b>17.6%</b>	<b>16.6%</b>	<b>16.8%</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS EQUITY</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

Source: Company data, NuWays

Cash flow statement (EUR m)	2020	2021	2022	2023e	2024e	2025e
Net profit/loss	5.2	9.5	9.9	11.4	14.2	17.6
Depreciation of fixed assets (incl. leases)	2.7	3.2	3.3	3.4	3.5	3.5
Amortisation of goodwill & intangible assets	0.8	0.8	0.8	0.8	0.8	0.8
Others	-2.4	-1.4	-1.2	0.0	0.0	0.0
Cash flow from operating activities	2.9	13.8	5.6	9.7	14.0	17.1
Increase/decrease in inventory	-3.4	-3.8	-5.0	-1.5	-0.7	-3.2
Increase/decrease in accounts receivable	-2.8	0.5	-4.6	-1.6	-1.6	-2.4
Increase/decrease in accounts payable	1.3	-0.1	1.8	1.3	1.0	4.2
Increase/decrease in other working capital positions	1.1	2.1	-0.0	-5.0	-4.0	-4.0
Increase/decrease in working capital	-3.9	-1.2	-7.9	-6.7	-5.2	-5.4
<b>Cash flow from operating activities</b>	<b>6.4</b>	<b>17.8</b>	<b>9.7</b>	<b>13.9</b>	<b>18.3</b>	<b>21.5</b>
CAPEX	1.9	1.4	2.6	4.5	4.7	4.8
Payments for acquisitions	5.1	3.9	0.0	0.0	0.0	0.0
Financial investments	0.0	0.0	0.0	0.0	0.0	0.0
Income from asset disposals	0.1	0.0	0.0	0.0	0.0	0.0
<b>Cash flow from investing activities</b>	<b>-6.9</b>	<b>-5.3</b>	<b>-2.6</b>	<b>-4.5</b>	<b>-4.7</b>	<b>-4.8</b>
Cash flow before financing	-0.5	12.5	7.1	9.4	13.6	16.7
Increase/decrease in debt position	1.3	-8.4	-6.8	0.0	0.0	0.0
Purchase of own shares	0.0	0.0	0.0	0.0	0.0	0.0
Capital measures	13.4	0.6	0.4	18.9	0.0	0.0
Dividends paid	0.0	0.0	0.0	0.0	0.0	0.0
Others	-2.4	-1.4	-1.2	0.0	0.0	0.0
Effects of exchange rate changes on cash	-0.2	0.6	0.3	0.0	0.0	0.0
<b>Cash flow from financing activities</b>	<b>12.3</b>	<b>-9.2</b>	<b>-7.6</b>	<b>18.9</b>	<b>0.0</b>	<b>0.0</b>
Increase/decrease in liquid assets	11.6	3.9	-0.2	28.3	13.6	16.7
<b>Liquid assets at end of period</b>	<b>22.1</b>	<b>26.7</b>	<b>26.6</b>	<b>54.9</b>	<b>68.5</b>	<b>85.2</b>

Key ratios (EUR m)	2020	2021	2022	2023e	2024e	2025e
<b>P&amp;L growth analysis</b>						
Sales growth	21.1%	33.8%	11.2%	8.1%	13.0%	12.3%
EBITDA growth	-13.7%	78.1%	67.8%	24.1%	31.1%	42.0%
EBIT growth	296.9%	594.2%	513.5%	252.3%	-100.0%	-100.0%
EPS growth	-39.0%	58.5%	52.9%	-2.6%	36.4%	63.0%
<b>Efficiency</b>						
Sales per employee	83.7	99.2	103.7	101.3	107.3	114.1
EBITDA per employee	12.2	16.0	17.0	16.9	18.9	21.3
No. employees (average)	939	1,060	1,126	1,246	1,329	1,405
<b>Balance sheet analysis</b>						
Avg. working capital / sales	25.4%	22.3%	22.0%	23.5%	21.8%	20.2%
Inventory turnover (sales/inventory)	5.2	5.6	4.9	5.0	5.5	5.5
Accounts receivable turnover	57.1	40.9	51.3	52.0	50.0	50.0
Accounts payable turnover	22.8	22.8	23.0	23.0	23.0	30.0
<b>Cash flow analysis</b>						
Free cash flow	4.5	16.4	7.1	9.4	13.6	16.7
Free cash flow/sales	5.8%	15.6%	6.1%	7.5%	9.5%	10.4%
FCF / net profit	87.2%	171.9%	71.5%	82.7%	95.4%	95.0%
Capex / sales	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
<b>Solvency</b>						
Net debt	17.3	6.0	2.7	-25.7	-39.2	-55.9
Net Debt/EBITDA	1.5	0.4	0.1	0.0	0.0	0.0
Dividend payout ratio	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Interest paid / avg. debt	2.3%	2.0%	2.1%	2.8%	3.0%	3.0%
<b>Returns</b>						
ROCE	10.1%	13.6%	14.7%	13.9%	14.5%	15.9%
ROE	9.1%	12.6%	10.5%	8.6%	9.6%	10.5%
Adjusted FCF yield	2.7%	4.4%	4.1%	5.0%	6.8%	9.4%
Dividend yield	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
DPS	0.0	0.0	0.0	0.0	0.0	0.0
EPS reported	0.83	1.37	1.26	1.34	1.72	2.18
Average number of shares	5.3	5.7	5.9	6.5	6.5	6.5
<b>Valuation ratios</b>						
P/BV	3.6	3.0	2.7	2.1	1.8	1.6
EV/sales	2.4	1.8	1.7	1.5	1.2	1.0
EV/EBITDA	16.6	11.3	10.2	8.8	6.9	5.2
EV/EBIT	23.9	14.8	12.9	11.0	8.3	6.1

Source: Company data, NuWays

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Company	Disclosures
Nynomic AG	2,8

### Historical target price and rating changes for Nynomic AG

Company	Date	Analyst	Rating	Target Price	Close
Nynomic AG	01.12.2022	Sandherr, Christian	Buy	EUR 50.00	EUR 37.45

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