

Kardex Holding AG

Swiss convictions Bern

Recommended since 26.08.2022

26.03.2024



Country	CH	Market capitalization (bn)	CHF 1.9	Perf. since reco. (%)	
Sector	Industrial Goods & Services	Free float	77.2%	Kardex Holding AG	42.3
Factset	KARN-CH	Closing price	CHF 247.00	Market	4.1
ISIN	CH0100837282	ESG Risk score*	n.a.		

Profile

Kardex Holding AG is a provider of automated storage solutions and material handling systems. It was founded in 1879 and has its headquarters in Zurich, Switzerland. The company operates as two divisions, Kardex Remstar and Kardex Mlog. Its automated storage solutions are produced and installed by Remstar as the global market leader. The range includes affordable and user-friendly products such as shuttles and carousel storage systems. The Mlog division, on the other hand, manufactures material handling systems and storage and retrieval machines for high-bay warehouses.

Strengths/opportunities

- User-friendly and affordable products for the first step towards modernization and e-commerce
- It provides its own bespoke software (competitors are often very hardware-oriented).
- High dividends and strong FCF generation.

Weaknesses/threats

- The company's net liquidity is too high (this is inefficient, as it has excess funds of over EUR 100 million).
- It relies on Europe, where the market is more saturated, for the majority of its sales.
- Most production occurs in Germany, which means a lack of geographical proximity to its customers.

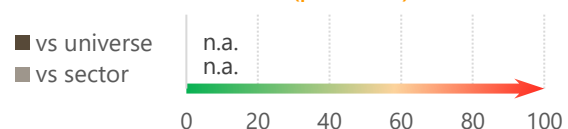
Investment case

- With a market share of over 30%, Kardex is the market leader in automated storage and retrieval solutions.
- Kardex is expected to outperform the estimated market growth of around 7-10% per year due to its involvement in sectors with strong interest in intralogistics (mechanical engineering, electronics) and due to the development of new markets and regions.
- Remstar still has a lot of untapped potential in the B2B/B2C e-commerce market (e.g. automated pick-up points), where it is currently expanding its product offering through mergers and collaborations (e.g. Autostore).
- Mlog is working hard on product standardization in order to increase revenue and margins in the medium term. It anticipates being able to expand its regional reach in the process.
- Kardex already generates a third of its revenues from services. Remstar is continuously expanding its digital service offering, which will lead to further growth.

Valuation

Based on a historical comparison, Kardex's valuation on a P/E basis is attractive. The company is well positioned to capitalize on ongoing megatrends, which will lead to an increase in its stock price.

ESG risk vs. universe & sector (percentile)*



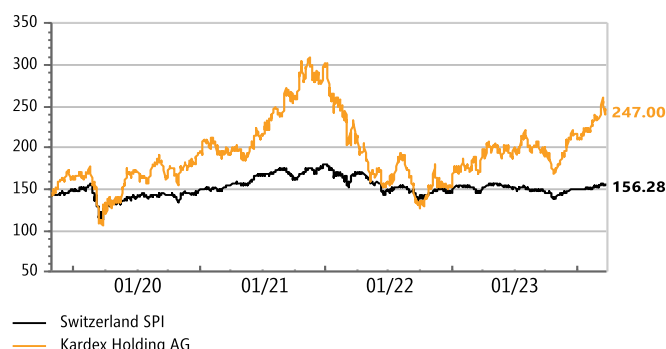
EUR	12/2023	2024e	2025e
Sales revenue (bn)	682	722	767
Sales growth	20.8%	5.8%	6.3%
EBIT adjusted (bn)	88	96	104
% of sales	12.9%	13.3%	13.6%
Net income (bn)	65	71	77
Net income growth	71.2%	9.7%	8.9%
FCF/Sales	9.1%	7.8%	8.5%
Net debt/Ebitda	-1.2x	-1.2x	-1.3x
Dividend yield	2.0%	2.4%	2.6%
PE	26.0x	27.5x	25.2x
P/BV	7.6x	7.4x	6.7x

Factset estimates

ESG - risks and key points

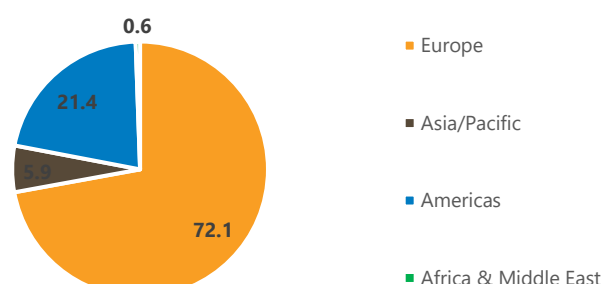
- We rate Kardex as a medium risk in terms of ESG criteria, which is relatively good compared to the sector as a whole.
- The company is known for its good corporate governance, which significantly reduces overall risks.
- Kardex takes seriously the risks associated with emissions and waste, and has several programmes in place to reduce emissions.

5-year performance vs SPI



Source: FactSet

Sales breakdown - 12/2023



*: see overleaf

Source: Factset, Sustainability

Glossary

Satellite

From 2015, B&Cie separates its investment recommendations into Core Holdings (higher organic growth potential, high free cash flow, ROCE in excess of the cost of capital and balance sheet efficiency throughout the cycle) and Satellite Recommendations, which do not meet the above criteria but are likely to outperform in the short-to-medium term.

ESG Risk Score

At B&Cie, we take particular care to ensure that the companies in which we recommend investing are sustainable. Accordingly, our selection process takes account of risks relating to environmental, social and governance (ESG) issues. This approach is underpinned by research from Sustainalytics, the global leader in ESG and corporate governance analysis, whose methodology aims to identify major controversies and risks and assess a company's ESG risks relative to both its sector and the investment universe as a whole. The corresponding score is expressed as a percentile: the lower the overall risk score, the lower the risk within the investment universe.

b-Digital, b-Transition & b-Well

Over and above the conventional geographical and sectoral approaches to asset management, at B&Cie we believe the world of tomorrow is being shaped by structural trends. We have identified three main megatrends: ongoing digital globalisation of the economy; economic transition, particularly in the energy sector; and the quest for wellness. We believe selecting and investing in companies that play an active role in these transformations should lead to more resilient portfolios that generate higher long-term returns. Our investment recommendations in the digital globalisation space are labelled "b-Digital", those in the economic transition space "b-Transition" and those in the wellness space "b-Well". A given recommendation may fall under more than one theme, in which case it will carry the relevant matching labels.

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