

COMET Holding AG

Swiss convictions

Recommended since 17.03.2016

20.03.2024



Country CH	Market capitalization (bn) CHF 2.4	Perf. since reco. (%)
Sector Industrial Goods & Services	Free float 93.6%	COMET Holding AG 385.2
Factset COTN-CH	Closing price CHF 306.40	Market 43.5
ISIN CH0360826991	ESG Risk score* #N/A #N/A	

Profile
Comet specialises in the development and production of components and systems based on X-ray and radio frequency technology. It operates in the following business segments: Plasma Control Technologies (PCT = 42% of Group revenues), X-Ray Systems (IXS = 39%) and X-Ray Modules (IXM = 19%). Comet's customers are active in the semiconductor, electronics, industrial, automotive, aerospace, energy, airport security and medical sectors. The company was founded in 1948 and is headquartered in Flamatt.

Strengths/opportunities

- ⊕ A leading technology company.
- ⊕ Refocusing of business activities with increasing exposure to the high-growth and high margins' semiconductors sector.
- ⊕ Market share gains

Weaknesses/threats

- ⊖ High cyclicality of certain end customers (capital goods).
- ⊖ Continuing need for innovation in sectors with rapid technological progress.
- ⊖ Execution risk linked to IXS restructuring.

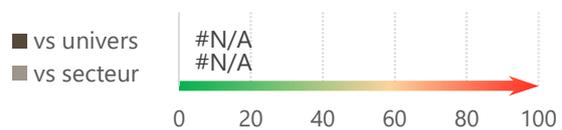
Investment case

- ⊕ In addition to industrial X-ray systems and modules, Comet delivers solutions for plasma control technologies. This is used by semiconductor companies in the manufacture of memory chips, flat panel displays and solar panels.
- ⊕ Management has recently (August 2019) refocused its semiconductor (PCT) and X-ray (IXM) & (IXS) businesses to improve the Group's growth and productivity. 2025 targets are ambitious (sales growth higher than 15% and EBITDA margin targets higher than 25%) but achievable.
- ⊕ IXS is effectively refocusing on standardised systems and limited to the more profitable automotive, aerospace, semiconductor and security (airports) sectors. New machines are being launched to revitalise a range that has become obsolete. Customer acceptance of these new products is positive and launches are accelerating.
- ⊕ Growing exposure to semiconductors is gradually taking over at Group level. For 2024, management has announced a range of CHF 440-480m for sales and a rather conservative EBITDA margin of 15-17%.

Valuation

Comet is trading at a 20% discount on a 24^e PE basis compared to its two Swiss comparables VAT and Inficon (admittedly purer play in semiconductors). And on a 24^e P/BV basis, the discount is 50%, which is exaggerated.

ESG risk vs. universe & sector (percentile)*



CHF	12/2023	2024e	2025e
Sales revenue (mio)	397	458	576
Sales growth	-32.2%	15.2%	25.7%
EBIT adjusted (mio)	17	52	107
% of sales	4.3%	11.4%	18.5%
Net income (mio)	15	40	85
Net income growth	-80.3%	158.3%	115.0%
FCF/Sales	-0.7%	1.4%	8.3%
Net debt/Ebitda	0.2x	-0.1x	-0.3x
Dividend yield	0.3%	0.8%	1.3%
PE	133.9x	58.6x	28.7x
P/BV	7.0x	6.7x	5.6x

Factset estimates

ESG - risks and key points

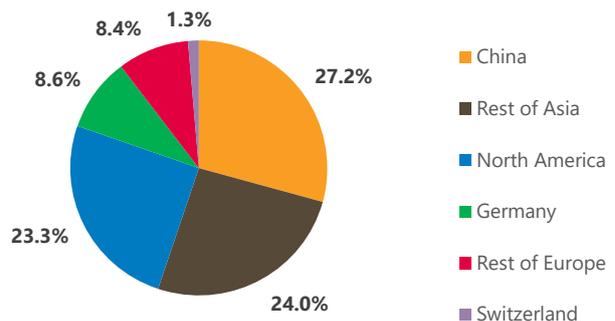
- ⊕ The Group's exposure to ESG risks is low.
- ⊕ Indeed, Comet has not been involved in any particular controversies, but management only discloses few initiatives on the management of some ESG issues.
- ⊕ There is no program on its practices in some key areas, indicating insufficient attention to these aspects at the management level.

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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