

Zehnder Group AG Class A

Swiss convictions Bern

Recommended since 06.11.2020

26.03.2024



Country CH	Market capitalization (bn) CHF 0.7	Perf. since reco. (%)
Sector Construction & Materials	Free float 91.8%	Zehnder Group AG Class A 22.7
Factset ZEHN-CH	Closing price CHF 57.30	Market 8.5
ISIN CH0276534614	ESG Risk score* #N/A #N/A	



Profile
Zehnder is an international supplier of energy-efficient solutions for indoor climate. The group offers individual designer radiators, indoor ventilation with heat recovery, heating and cooling ceiling systems, as well as clean-air systems. Zehnder ranks as market leader in several countries in both its radiator and ventilation businesses. Zehnder's dominant geographical market is Europe, followed by North America and China, which now account for c. 9% each of group sales.

Strengths/opportunities

- ⊕ Zehnder is a leading company, having strong brands in both its radiator and ventilation businesses, with a focus on the more resilient residential construction markets.
- ⊕ Solid balance sheet with low leverage and adequate liquidity provides operational flexibility.

Weaknesses/threats

- ⊖ Worse than expected key construction markets, potentially leading to heightened competitive pressures.
- ⊖ FX headwinds could impact sales and margins.
- ⊖ Hikes in prices of raw materials, such as steel, could hurt margins.

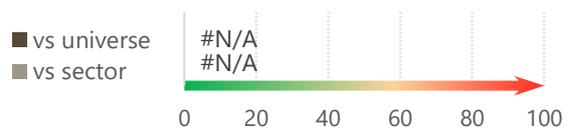
Investment case

- ⊕ New CEO's positive recent track record with a focus on the more attractive ventilation business and cost-cutting to boost margins.
- ⊕ With its 'green' ventilation business, Zehnder is well-positioned to benefit from the EU's Green Deal focused on the energy efficiency of buildings.
- ⊕ Attractive launch of new innovative products will likely boost expected organic growth.
- ⊕ For 2024, we expect EPS to recover to 4.08 due to an easing of interest rates and an improvement in demand.

Valuation

Quality meets favourable valuation. Price has corrected excessively. We recommend to buy with a price target of CHF 75.

ESG risk vs. universe & sector (percentile)*



EUR	12/2023	2024e	2025e
Sales revenue (bn)	740	739	768
Sales growth	-8.9%	-0.2%	3.9%
EBIT adjusted (bn)	108	56	65
% of sales	14.6%	7.6%	8.5%
Net income (bn)	42	42	49
Net income growth	-24.2%	0.3%	17.5%
FCF/Sales	8.6%	6.3%	5.6%
Net debt/Ebitda	-0.5x	-1.2x	-1.3x
Dividend yield	2.3%	2.4%	2.7%
PE	14.2x	15.9x	13.5x
P/BV	1.9x	1.8x	1.7x

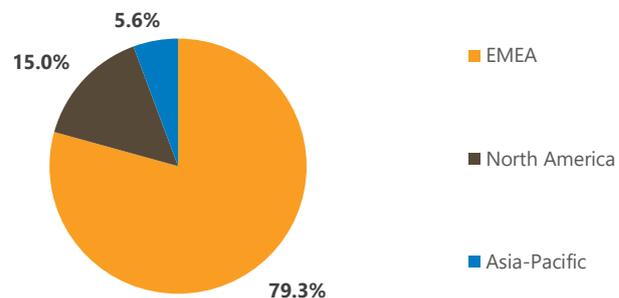
ESG - risks and key points

- ⊕ Considering the company's medium exposure, we view Zehnder as being at medium risk of serious financial impact stemming from ESG factors.
- ⊕ Zehnder's disclosure is poor, signalling inadequate accountability to investors and the public.
- ⊕ On the plus side, Zehnder has not been implicated in any significant ESG-related controversies.

5-year performance vs SPI



Sales breakdown - 12/2023



*: see overleaf

Source: Factset, Sustainalytics

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.

Offices & Branches

Bordier & Cie Genève

Rue Rath 16
CH-1204 Genève
Case postale
CH-1211 Genève 3
T + 41 58 258 00 00
F + 41 58 258 00 40

Bordier & Cie Berne

Spitalgasse 40
Case postale
CH-3001 Berne
T + 41 58 258 07 00
F + 41 58 258 07 10

Bordier & Cie Nyon

Rue de la Porcelaine 13
CH-1260 Nyon
Case postale 1045
CH-1260 Nyon 1
T + 41 58 258 07 50
F + 41 58 258 07 70

Bordier & Cie Zurich

Talstrasse 83
CH-8001 Zürich
T + 41 58 258 05 00
F + 41 58 258 05 50

Bordier & Cie (France) S.A.

1, rue François 1er
75008 Paris – France
T + 33 1 55 04 78 78
F + 33 1 49 26 92 48

Bordier & Cie (Uruguay) S.A.

Edificio Beta 3, oficina 102
Zonamerica
91600 Montevideo
Uruguay
T + 598 2 518 2700
F + 598 2 518 2703

Bordier & Cie (Singapore) Ltd

CapitaGreen #14-00
138 Market Street
Singapore 048946
T + 65 6239 9999
F + 65 6239 9998

Bordier Bank (TCI) Ltd

Leeward Highway
Caribbean Place
Providenciales
Turks and Caicos
T + 1 649 946 45 35
F + 1 649 946 45 40

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