Attractive dividend yield - geared towards further growth

Revenues in Q4 increased by c.10% yoy to EUR 28.1m (PASe: EUR 28m), resulting in new record levels, both on quarterly basis and for the year as a whole with EUR 103.6m on the back of the increased portfolio size. The mid-point of the FY 2024e revenue guidance range (c.EUR 120m, PASe: EUR 120m) implies a further growth of c.16% yoy. Assuming further exits in 2024 as well, the pace of acquisitions is likely to remain at an elevated level, enough to more than offset the revenue losses from the exits. Net income in Q4 amounted to EUR 1.2m (PASe: EUR 2.5m) and thus had a very limited impact on the full year net income, which at EUR 102.5m represents a new record. In view of the high revenues and potential upstream dividends, which are usually received in Q4 (PASe: EUR 15m) the slightly positive net income suggests a higher cost base in the final quarter. The dividend proposal of EUR 2.25 per share (PASe: EUR 2.00) is not only an increase of c.29% yoy but also corresponds to an attractive dividend yield of 6.4%. The net income guidance for FY 2024e, which implies at its mid-point at EUR 120m an earnings growth of c.17% yoy, shows that Mutares is geared towards further growth and transaction activities on both sides, for acquisitions and exits, will remain high. With a TP of EUR 45.5, we continue to rate the shares a Buy.

- For FY 2024e, Mutares guides a net income in the range of EUR 108m to EUR 132m, which is based on expected group revenues of EUR 6bn. Our estimate for the holding net income of EUR 70m, which already includes the in March closed Frigoscandia exit, has significant upside potential. We believe that Mutares' guidance is based on further exits, which we only include in our estimates when they are announced.
- Net income in 2023 on holding level of EUR 102.5m came in at the mid-point of the company's guidance range of EUR 92m to EUR 112m.
- On consolidated level, revenues in 2023 amounted to EUR 4.69bn, and thus shy of the company's guidance of EUR 4.8bn to EUR 5.4bn. We trace this back to the brisk exit transactions of seven portfolio companies (e.g. SMP with EUR 140m of revenues), of which the timing is always hard to predict.
- The reported EBITDA in 2023 on consolidated level of EUR 757m (2022: EUR 182m) is a result of the high level of acquisitions and the related bargain purchase of EUR 727m (2022: EUR 262m). The adj. EBITDA, which is more meaningful in terms of operating performance, amounted to EUR 16m, compared to losses in 2022 of EUR -33m. Taking into account, that every acquired company initially has a negative impact on earnings, the positive adj. EBITDA is very encouraging as it shows restructuring success.

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