

Interroll Holding AG

Swiss convictions

Recommended since 14.08.2015

06.12.2024



Country	CH	Market capitalization (bn)	CHF	1.8	Perf. since reco. (%)	
Sector	Industrial Goods & Services	Free float		75.5%	Interroll Holding AG	212.2
Factset	INRN-CH	Closing price	CHF	2165.00	Market	26.1
ISIN	CH0006372897	ESG Risk score*	#N/A	#N/A		

Profile

Interroll is one of the world's leading manufacturers of conveyor belts and materials-handling systems used in postal services, airports, the food industry and distribution centres. The group is organised into four divisions: Rollers (conveyor rollers: 20% of sales), Drives (engines and drives for conveyor systems: 31%), Conveyors & Sorters (conveyor modules and high-speed sorters: 40%) and Pallet & Carton Flow (dynamic storage systems: 9%). The group has 23,000 clients worldwide, including Amazon, Bosch, Coca-Cola, DHL, Nestlé, Procter & Gamble, Siemens, Walmart and Zalando. The company was founded in 1959 and has 2,400 employees.

Strengths/opportunities

- ⊕ A benchmark for innovativeness.
- ⊕ Resilience of postal and food services.
- ⊕ World leader in its field -> extensive and diverse client base.

Weaknesses/threats

- ⊖ Still exposed (c. 10% of sales) to airports whose fundamentals have been shaken by COVID-19.
- ⊖ Sensitive to raw material costs
- ⊖ Results are quite sensitive to exchange rates.

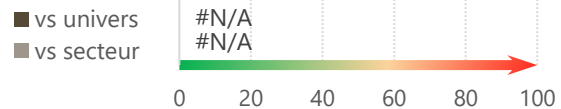
Investment case

- ⊕ Interroll is benefiting from structural expansion of e-commerce in the US and China. Consumers' spending habits had already begun to shift towards online shopping. The COVID-19 crisis has merely accelerated this underlying trend and probably cemented it as a permanent feature of everyday life. The group is indispensable for the likes of Amazon, Alibaba and Zalando in this world, providing them with automated, integrated and customised logistics solutions for conveying goods and materials.
- ⊕ The group has further strengthened its market shares in this segment during the crisis and now finds itself with 25-30% exposure to e-commerce, where growth and profitability are higher. This contributes towards structural gains in the group's margins in the longer term.
- ⊕ Momentum in e-commerce suffered from destocking in 2023, but the trend is improving for 2024, according to management: "The slowdown has bottomed out. We are unable to predict precisely when the market will rebound, but we are seeing positive signs in the sector."

Valuation

The valuation is high but, as usual with Interroll, the market has just run ahead of analysts. The PE 25e is trading at a slight premium to the 5-year average. This is not unreasonable, given its superior long-term growth profile.

ESG risk vs. universe & sector (percentile)*



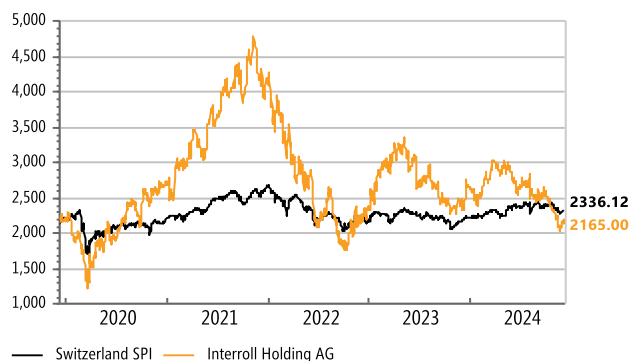
CHF	12/2023	2024e	2025e
Sales revenue (mio)	556	529	560
Sales growth	-16.3%	-5.0%	5.9%
EBIT adjusted (mio)	80	77	86
% of sales	14.4%	14.5%	15.3%
Net income (mio)	66	58	61
Net income growth	-19.9%	-11.9%	4.8%
FCF/Sales	17.6%	#N/A	#N/A
Net debt/Ebitda	-1.3x	-1.8x	-1.9x
Dividend yield	1.5%	1.3%	1.4%
PE	33.1x	28.9x	24.8x
P/BV	5.4x	4.0x	3.7x

Factset estimates

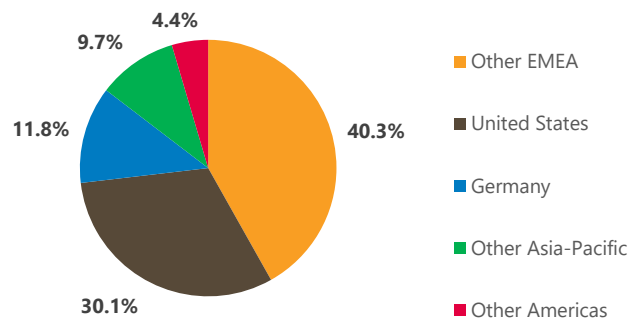
ESG - risks and key points

- ⊕ The risk of business losses due to ESG factors is high at Interroll.
- ⊕ The company has not been implicated in any particular controversies, but management does not disclose any programme on its practices in key issues, pointing towards minimum consideration of such aspects at management level.

5-year performance vs SPI



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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