

DKSH Holding Ltd

Swiss convictions

Recommended since 18.01.2018

06.12.2024



Country CH	Market capitalization (bn) CHF 4.2	Perf. since reco. (%)
Sector Industrial Goods & Services	Free float 54.6%	DKSH Holding Ltd -27.7
Factset DKSH-CH	Closing price CHF 64.70	Market 17.4
ISIN CH0126673539	ESG Risk score* 11.0 Low risk	

Profile

DKSH, founded in 1865 in Zurich, is the leading provider of market expansion solutions in Asia. The Group provides all services enabling its customers to distribute products in new or existing markets (from sourcing, research and analysis, marketing and sales to distribution and logistics and after-sales services). The company is active in the following business areas: Consumer Goods (35% of sales), Healthcare (52%), Performance Materials (9%) and Technology (4%). DKSH operates in 36 markets with 33,350 specialists.

Strengths/opportunities

- DKSH's businesses are highly cash-generating activities, and its balance sheet is very strong (with positive cash balances).
- Growth potential through acquisitions.
- Sale of the Maurice Lacroix watch brand.

Weaknesses/threats

- Emerging markets are more volatile, and the company is relatively overexposed to Thailand.
- Margin pressure in the Consumer Goods business line.

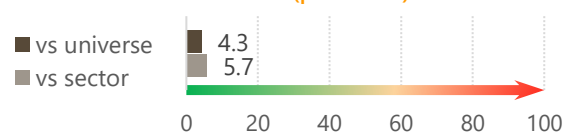
Investment case

- The Group achieves more than 90% of its sales in Southeast Asia and China. These markets offer a higher growth potential because the middle class is expanding there and its share in international trade is increasing.
- In a still uncertain environment, we particularly appreciate the profile of DKSH for its defensive virtues: 52% of its revenues are health-related (pharmacies) and 20% are from basic consumption (supermarkets), which have been the only business activities relatively unaffected by containment measures. These activities benefit from the growth of tourism in Thailand (1/3 of revenue) and the positive effect this has on the personal consumption of its inhabitants.
- DKSH's balance sheet is particularly robust and cash generation consistently exceeds expectations, providing financial flexibility for future acquisitions.
- The outlook for 2024 is reassuring, with volumes expected to rise > GDP growth thanks to a robust recovery in intra-Asian trade. In terms of EBIT, continued strategic refocusing (exit from unprofitable fashion retail activities) should enable margins to improve by > 10bp.

Valuation

DKSH has no real competitors to compare it with. However, after two years of disappointing operating and stock market performance, the stock has recovered and is once again trading in line with its historical average, which seems quite reasonable to us.

ESG risk vs. universe & sector (percentile)*



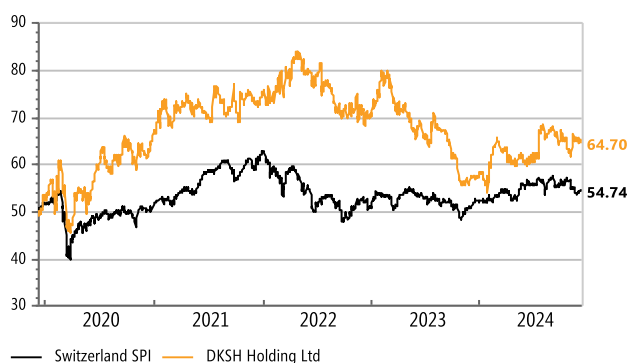
CHF	12/2023	2024e	2025e
Sales revenue (mio)	11 066	11 043	11 482
Sales growth	-2.2%	-0.2%	4.0%
EBIT adjusted (mio)	289	349	372
% of sales	2.6%	3.2%	3.2%
Net income (mio)	182	224	236
Net income growth	-9.5%	23.1%	5.5%
FCF/Sales	3.3%	2.4%	2.3%
Net debt/Ebitda	0.6x	0.0x	-0.1x
Dividend yield	3.5%	3.6%	3.7%
PE	20.8x	18.4x	17.5x
P/BV	2.2x	2.4x	2.2x

Factset estimates

ESG - risks and key points

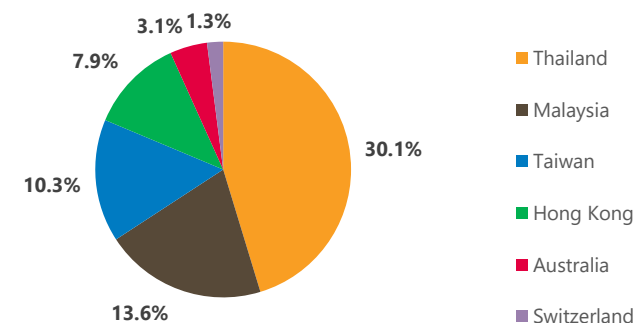
- DKSH has a relatively high risk in terms of product governance, just average.
- The Group is dependent on a skilled workforce. Employee retention/satisfaction programs are just average at DKSH, but the risk is low.
- The company manages the ethical risk in its marketing activities rather well so that it is not misleading.

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.

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.

Costa Rica 1661, oficina 8
11500 Montevideo
Uruguay
T + 598 2604 7083

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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