

Share buyback of EUR 8.9m

Gesco has announced a share buyback of up to 0.5m shares (4.61% of total shares). Based on the offer of EUR 17.8 per shares the total amount of the share buyback is expected to be up to EUR 8.9m. Given the cash position of EUR 44m per end of Q3 2023 and a net leverage of <1x, the amount to be spent is not a major challenge, in our view. In times with a lack of suitable acquisition targets, the investment in own shares can be a rationale step. In view of the recent underperformance of the shares (past 12 months: -32%, SDAX: +6% in the same period) and the current cheap valuation (P/E 2024e of 6.5x compared to 5-years average of 13.1x), the timing of the buyback looks favourable. Nevertheless, taking into account the rather moderate premium of 3%/4% to the closing price before announcement/3 months VWAP, the share price impact should be limited. With a TP of EUR 29, we rate the shares a Buy.

Share price development over the past three months



Source: FactSet, Pareto Securities

- Bear in mind, that the dividend proposal of EUR 0.40 per share (PAsE: EUR 1.00), implies with 20.7% not only the lower end of the pay-out ratio (20%-60%), but it also represents a relatively low dividend yield of 2.2% (based on 2023 share price). The dividend for 2022 of EUR 1.00 per share implied a dividend yield of 4.1%. On the back of the lowered dividend, the company will be able to save cash outflows of approximately EUR 6.5m.
- However, the total return to shareholders (share buyback and dividend payout combined) with approximately EUR 13m is higher than in the previous year with c.EUR 11m.

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