

ACATIS FAIR VALUE DEUTSCHLAND ELM

Investment report June 2024

Lübeck, June 10, 2024

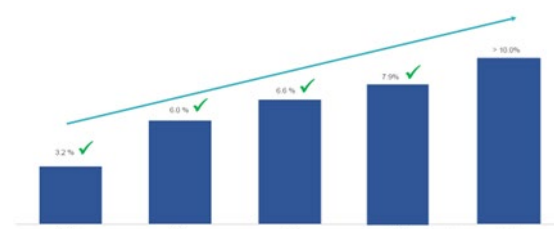
We invest in German sustainability. We take the perspective of an owner with a long-term view. First, we screen and analyse only those companies that have successfully passed our sustainability filter. An investment depends on three success factors: a solid business model, good management and an attractive valuation. We look for companies that are leaders in their markets, with long-term competitive advantages and positive growth perspectives. The portfolio is highly concentrated.

KSB

KSB (founded in 1871 and based in Frankenthal) is a globally leading manufacturer of pumps, fittings and associated systems.

Johannes und Jacob Klein GmbH owns approximately 84% of the common shares and approximately 20% of the preferred shares. At this time, KSB is active in 53 countries with its own subsidiaries and over 16,000 employees. Customers value the quality and reliability of the company's products. To date, EUR 30 billion in KSB pumps and fittings have been installed worldwide. This is a good starting point for the high-margin service and spare parts business, which accounts for 34% of sales revenues. The service business comprises installation, start-up, maintenance and repairs. We estimate that it accounts for more than three quarters of the company's profits. Therefore it is only right that this segment receives the most attention. KSB intends to generate 40% of sales revenues from this segment in the medium term. It could also be the main driver for continued improvements in profitability. By 2030, the operating margin (EBIT/sales) is supposed to increase from 8% to 10%.

The diagram below shows the current progress on the way to the 10% EBIT margin target.



Source: KSB

In this context, sales revenues should reach an average growth rate (CAGR) of around 5% p.a. In the year 2030, this would mean sales revenues of EUR 4 billion and an EBIT of EUR 400 million. By way of comparison, in the last financial year the company generated an EBIT of EUR 224 million. Therefore we still see price potential, hence the stock has been given a weighting of 3.4% in the fund. Since the stock was purchased in September 2023, it has contributed 0.4% to fund performance.

KSB is also a good stock when it comes to sustainability. The pumps score well in terms of energy efficiency. The intelligent application of the pumps can lower energy consumption, as the pump's performance is adjusted to the actual requirements. In terms of digitisation, users can benefit from additional advantages. A digital monitoring system continuously tracks the pump status in real time. It helps to maximise energy efficiency and minimise maintenance requirements, as possible problems are indicated early and downtimes are prevented. The use of recycled materials (aluminium, copper, steel) represents another sustainability aspect of the company.

Kind regards



Christoph Gebert (fund advisor)
Ehrke & Lübberstedt AG

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