

PWO Group

Continued difficult market conditions in Germany

PWO Group issued a trading update reaffirming FY25 guidance and introducing guidance for FY26. Based on the current call-off plans of key customers, PWO expects lower revenues from its German site in FY26, while costs are expected to increase. This will only be partly offset by growth at its international production sites. PWO expects a revenue decline of 2% y-o-y to €500m in FY26 and a decline in EBIT margin to 2.6–3.4% (vs 4.5–5.0% in FY25). To be prepared for improving market conditions, PWO aims to avoid redundancies in Germany. We have adjusted our estimates following FY26 guidance, but still see growth potential in the longer term.

Year end	Revenue (€m)	EBITDA (adj) (€m)	EBIT (€m)	EPS (€)	DPS (€)	EV/Adj EBITDA (x)	P/E (x)	Yield (%)
12/23	555.8	54.8	28.2	5.19	1.75	3.4	5.2	6.5
12/24	555.1	53.6	30.0	4.01	1.75	3.4	6.7	6.5
12/25e	510.0	48.3	25.8	3.35	1.25	3.8	8.0	4.7
12/26e	500.4	44.4	16.3	1.61	1.00	4.1	16.6	3.7

Note: EBITDA is normalised, excluding amortisation of acquired intangibles and exceptional items (Edison definition). EBIT is as reported and before currency effects; EPS is as reported.

FY25 guidance reaffirmed

PWO maintains its guidance for FY25, which assumes a revenue decline of 8% y-o-y to around €510m, in line with our estimate. The automotive market has remained subdued, and the revenue decline includes a negative impact from currencies and lower raw materials costs. Reported EBIT before currency effects is still expected to be €23–28m, although achieving the upper half of this range appears ambitious (Edison estimate: €25.8m). We note that the FY25 results include several one-off items, the balance of which we estimate at around €3m.

FY26 guidance points to lower revenues and EBIT

PWO expects a decline in revenues to c €500m in FY26 and EBIT before currency effects of €13–17m, with the decrease due entirely to worsened conditions at its production site in Germany. This is based on the current call-off plans of key customers, which are facing declining orders at their own German locations, with competitive pressure resulting in a shift of production to Eastern Europe. Also, the expected stimulus of the German government has not yet had a visible positive impact on the market. Along with higher costs, PWO anticipates increasing losses in Germany, with a considerable negative effect on group EBIT in FY26. To avoid redundancies at its German site and be prepared for a market improvement, PWO agreed with the local works council on a works agreement to reduce working hours and remuneration. PWO remains positive about the outlook for its international production sites, for which it expects higher revenues and EBIT. Further details will follow in the annual report on 27 March.

Valuation adjusted to lower estimates

We have left our FY25 estimates unchanged but have lowered our estimates for FY26 following company guidance. We use three methods for the valuation of PWO: historical multiples, peer comparison and a discounted cash flow (DCF) analysis. The average now points to a value per share of €32.0 (previously €35.1).

Trading update and 2026 guidance

Industrials

27 January 2026

Price €26.80

Market cap €83m

Net cash/(debt) at 31 October 2025 €(100.6)m

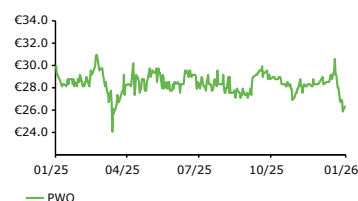
Shares in issue 3.1m

Code PWO

Primary exchange XETRA

Secondary exchange N/A

Share price performance



%	1m	3m	12m
Abs	(4.9)	(6.9)	(3.7)
52-week high/low		€30.6	€22.8

Business description

PWO Group develops and produces lightweight metal components and complex systems for the automotive industry. The company has extensive expertise in cold forming of metals and joining technologies.

Next events

FY25 results 27 March 2026

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Lowered estimates for FY26 and FY27

PWO issued a trading update to confirm FY25 guidance and to introduce guidance for FY26. For FY25, the company expects revenues of around €510m, reflecting a decline of 8% y-o-y, which is in line with our estimates. The ramp up of new orders could not compensate for the subdued automotive market and the negative impact from currencies and lower raw material costs. EBIT before currency effects is expected to be €23–28m, although the upper half of this range appears ambitious, according to PWO (Edison estimate: €25.8m). We note that PWO's FY25 results will include several one-off items, the balance of which we estimate at around €3m (a positive one-off in Canada of €6.8m and several unspecified negative one-offs in Germany and Czech Republic).

For FY26, PWO expects a decline in revenues of 2% y-o-y to around €500m, whereas we had previously anticipated a return to revenue growth with new orders compensating for the subdued automotive market. The main reason for this decline is the current call-off plans of PWO's key customers at its production site in Germany, as these customers are facing falling orders at their own sites in Germany. Competitive pressure remains high and is resulting in a shift in production from Germany to Eastern European countries. Still, PWO is relatively positive about the outlook for its international sites, for which it expects further revenue growth in FY26. Higher costs in Germany will put pressure on results in FY26 and the absence of the one-off in FY25 of an estimated €3m will also have a negative impact, hence the company's guidance for EBIT before currency effect of €13–17m. To prevent redundancies at its German site, PWO has reached an agreement with the local works council for 2026, which enables the site in Oberkirch to reduce working hours by up to 7.63%, depending on the workload, with a proportional reduction in regular remuneration components. This is all in anticipation of better market conditions from 2027.

We have kept our estimates for FY25 unchanged but have made changes to our FY26 and FY27 forecasts following company guidance of declining revenues and EBIT. Our FY26 estimate is now in line with management's revenue guidance of c €500m, down from our previous estimate of €551m. We also have lowered our FY27 revenue estimate, due to the lower base in FY26, but we still expect a recovery in revenues, driven by the contribution of new orders and better market conditions. For EBIT before currency effects, our estimate of €16.3m is at the higher end of company guidance for FY26 and we expect a recovery to €22.3m in 2027. This reflects an EBIT margin of 4.1%. We still believe that, in the longer term, PWO should be able to achieve margins of 6–7%.

Exhibit 1: Changes to estimates

€m	2025e			2026e			2027e		
	Old	New	Change	Old	New	Change	Old	New	Change
Sales	510.0	510.0	0%	550.8	500.4	-9%	578.4	540.4	-7%
EBIT normalised, before currency effects	22.8	22.8	0%	26.8	16.3	-39%	31.2	22.3	-28%
EBIT margin	4.5%	4.5%	0%	4.9%	3.3%	-33%	5.4%	4.1%	-23%
Exceptional items	3.0	3.0		0.0	0.0		0.0	0.0	
EBIT reported, before currency effects	25.8	25.8	0%	26.8	16.3	-39%	31.2	22.3	-28%
Net profit reported	10.5	10.5	0%	12.4	5.0	-59%	15.8	9.5	-39%
Net profit normalised	8.4	8.4	0%	12.4	5.0	-59%	15.8	9.5	-39%
EPS reported (€)	3.35	3.35	0%	3.97	1.61	-59%	5.04	3.05	-39%
EPS normalised (€)	2.68	2.68	0%	3.97	1.61	-59%	5.04	3.05	-39%

Source: Edison Investment Research

Valuation

We value PWO using three methods, which are shown in Exhibit 2. As we have lowered our estimates, the average of historical multiples, DCF and peer multiples points to a potential value of €32.0 per share, down from €35.1 previously.

Exhibit 2: Valuation

Valuation method	Assumption	Value per share, €
Historical multiples	2026e EV/EBITDA at 15% discount to historical multiples	30.8
DCF	Terminal growth 1.5%, EBIT margin 5.5%	33.2
Peer multiples	2026e EV/EBITDA in line with peers	32.0
Average value per share		32.0
Current share price		26.8

Source: Edison Investment Research

Exhibit 3: Financial summary

€m	2021	2022	2023	2024	2025e	2026e	2027e
Year end 31 December	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
INCOME STATEMENT							
Revenue	404.3	530.8	555.8	555.1	510.0	500.4	540.4
Gross Profit	200.6	220.6	234.7	244.5	242.6	233.4	251.9
EBITDA normalised (Edison definition)	46.3	56.6	54.8	53.6	48.3	44.4	51.2
Exceptionals (Edison definition)	0.8	(5.4)	(2.7)	0.2	3.0	0.0	0.0
EBITDA reported	47.2	51.2	52.0	53.7	51.3	44.4	51.2
Depreciation & Amortisation	(26.4)	(25.6)	(24.8)	(23.6)	(26.8)	(28.1)	(28.9)
Amortisation of acquired intangibles	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Exceptionals (Edison definition)	1.1	1.1	0.6	0.0	0.0	0.0	0.0
EBIT normalised, before currency effects (Edison definition)	20.2	32.9	31.0	29.8	22.8	16.3	22.3
EBIT reported, before currency effects	22.1	27.5	28.2	30.0	25.8	16.3	22.3
EBIT reported, including currency effects	21.8	26.8	27.9	30.1	24.5	16.3	22.3
Net Interest	(6.2)	(5.7)	(8.4)	(9.7)	(9.5)	(9.1)	(8.7)
Profit Before Tax	15.7	21.1	19.5	20.4	15.0	7.2	13.6
Reported tax	(0.9)	(5.9)	(3.3)	(7.9)	(4.5)	(2.2)	(4.1)
Profit After Tax	14.7	15.2	16.2	12.5	10.5	5.0	9.5
Net income normalised (Edison definition)	13.1	17.8	17.5	14.0	8.4	5.0	9.5
Net income reported	14.7	15.2	16.2	12.5	10.5	5.0	9.5
Average number of shares (m)	3.13	3.13	3.13	3.13	3.13	3.13	3.13
Total number of shares (m)	3.13	3.13	3.13	3.13	3.13	3.13	3.13
EPS normalised (€, Edison definition)	4.19	5.71	5.61	4.47	2.68	1.61	3.05
EPS reported (€)	4.72	4.87	5.19	4.01	3.35	1.61	3.05
DPS (€)	1.50	1.65	1.75	1.75	1.25	1.00	1.10
Revenue growth	8.9%	31.3%	4.7%	-0.1%	-8.1%	-1.9%	8.0%
Gross margin	49.6%	41.6%	42.2%	41.3%	43.1%	43.6%	43.8%
Normalised EBITDA margin	11.5%	10.7%	9.9%	9.6%	9.5%	8.9%	9.5%
Normalised EBIT margin, before currency effects	5.0%	6.2%	5.6%	5.4%	4.5%	3.3%	4.1%
BALANCE SHEET							
Fixed Assets	224.6	218.8	219.7	245.2	256.0	262.7	263.4
Intangible Assets	8.9	9.0	9.9	11.2	12.0	12.7	13.0
Tangible Assets	179.9	175.6	173.7	195.4	205.5	211.4	211.8
Investments & other	35.7	34.2	36.1	38.6	38.6	38.6	38.6
Current Assets	148.7	181.4	203.4	187.9	175.3	173.5	184.7
Stocks	32.6	39.6	38.3	40.6	40.0	39.3	42.4
Debtors	39.9	54.2	63.8	49.0	45.1	43.4	46.9
Other current assets	69.2	84.4	94.8	86.5	83.4	81.0	87.5
Cash & cash equivalents	6.9	3.2	6.4	11.8	6.8	9.8	7.9
Current Liabilities	112.7	155.8	144.1	151.4	147.7	146.4	152.0
Creditors	37.2	41.5	52.2	65.7	63.4	62.8	65.8
Other current liabilities	33.9	37.8	37.1	38.9	37.5	36.8	39.4
Short-term borrowings	41.6	76.5	54.8	46.8	46.8	46.8	46.8
Long-Term Liabilities	135.3	93.1	122.4	119.4	116.4	121.4	121.4
Long-term borrowings	68.9	42.0	58.9	52.1	52.1	57.1	57.1
Other long-term liabilities	66.4	51.1	63.5	67.3	64.3	64.3	64.3
Shareholders' equity	125.3	151.3	156.5	162.3	167.3	168.4	174.8
Balance sheet total	373.3	400.3	423.1	433.0	431.4	436.2	448.1
CASH FLOW							
Op Cash Flow before WC and tax	39.1	45.4	64.8	43.9	49.2	45.3	52.2
Working capital	(17.2)	(28.3)	(20.1)	37.4	3.9	3.5	(7.6)
Tax	(0.9)	(5.5)	(7.4)	(3.3)	(4.5)	(2.2)	(4.1)
Net interest	(6.2)	(3.0)	(6.9)	(7.8)	(9.5)	(9.1)	(8.7)
Net operating cash flow	14.8	8.6	30.5	70.2	39.0	37.6	31.8
Capex	(10.1)	(14.5)	(24.2)	(38.5)	(38.5)	(35.7)	(30.5)
Acquisitions/disposals	0.1	0.2	0.0	0.3	0.0	0.0	0.0
Equity financing	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Dividends	0.0	(4.7)	(5.2)	(5.5)	(5.5)	(3.9)	(3.1)
Other	(6.0)	(1.4)	6.9	(6.3)	0.0	0.0	0.0
Net Cash Flow	(1.1)	(11.8)	8.1	20.2	(5.0)	(2.0)	(1.8)
Opening net debt/(cash)	102.5	103.6	115.4	107.3	87.1	92.1	94.1
Closing net debt/(cash)	103.6	115.4	107.3	87.1	92.1	94.1	95.9

Source: PWO Group, Edison Investment Research

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