PWO Group

H125 results

Focus remains on long-term growth potential

Industrials

22 August 2025

In H125, PWO's revenues and EBIT margins were lower, mainly due to weak automotive markets. So far, the company has had no problems with the import tariff situation, but it has noticed a slowdown in the market. Because of this slowdown and the expected negative currency impact in H225, PWO adjusted its FY25 revenue guidance but maintained its EBIT guidance, which now also includes a positive one-off. PWO remains focused on its long-term growth potential, with continued high capex levels, the opening of its new plant in Serbia and more capacity expansions planned. On our adjusted estimates, the average of our three valuation methods points at a potential value of €34.6 per share (previously €35.0).

Year end	Revenue (€m)	EBITDA (adj) (€m)	EBIT (€m)	EPS (€)	DPS (€)	P/E (x)	Yield (%)
12/23	555.8	54.8	28.2	5.19	1.75	5.5	6.1
12/24	555.1	53.6	30.0	4.01	1.75	7.2	6.1
12/25e	505.2	48.3	25.3	3.49	1.75	8.3	6.1
12/26e	545.6	54.4	26.5	3.85	1.75	7.5	6.1

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.

Managing headwinds in automotive

In H125, revenue declined 5.3% y-o-y, due to weak automotive markets and a currency impact of -2% in Q2. On lower revenue and higher personnel costs and depreciation, reported EBIT before currency effects declined 14.2% y-o-y to €13.3m. PWO reported a positive one-off of €4.8m and a few (unspecified) negative one-offs (which we estimate at around €1m). PWO adjusted its FY25 revenue guidance from around €530m to €500–510m (just under two thirds due to the market slowdown and a good one-third due to currency effects). However, it maintains its reported EBIT before currency effects guidance of €23–28m, also helped by the reported one-off of an estimated €3.8m. We have adjusted our estimates to bring them in line with the new FY25 guidance. We maintain our revenue growth forecasts of 8% y-o-y in FY26 and 5% y-o-y in FY27, and still see ample margin upside from FY26.

Focus remains on long-term growth potential

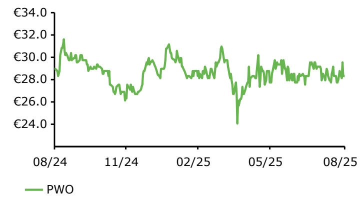
In H125, capex levels were €17m as part of the planned €40m in FY25. PWO opened its new plant in Serbia in July and expects the first products towards the end of 2025. We estimate that this plant will contribute revenue of around €70m by 2029, or 10% of PWO's ambition to realise €700m in revenue by 2029. PWO has growth ambitions and will keep capex levels high for further capacity investments. The ramp-up in Serbia will also have a positive impact on EBIT margins, as we assume margin levels in line with the Czech Republic plant (7–8% over the past few years). In the longer term, we believe that EBIT margins of 6–7% will be feasible for PWO (compared to an estimated underlying margin of 4.3% in FY25).

Valuation still undemanding

For the valuation of PWO we look at three valuation methods, namely historical multiples, discounted cash flow and peer comparison. On our adjusted estimates, the average of these three methods points to €34.6 per share (previously €35.0).

Price	**€28.80**
Market cap	**€90m**
Net cash/(debt) at 30 June 2025	€(94.8)m
Shares in issue	3.1m
Code	PWO
Primary exchange	XETRA
Secondary exchange	N/A

Share price performance



%	1m	3m	12m
Abs	(3.4)	4.0	(0.1)
52-week high/low		€32.0	€24.2

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.

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H125 results affected by weak automotive market

PWO reported its H125 results, which showed the impact of the weaker automotive market. Revenue was down 5.3% y-o-y, with a better performance in Q2 (-4% y-o-y, including a negative currency impact of almost 2%) compared to Q1 (-7% y-o-y). According to PWO, this is partly explained by higher call-offs of its customers before the expected increased tariffs.

The effect of the weaker automotive market was partly compensated for by the continuous start-up and ramp-up of new series production at PWO (from contracts won in recent years). In addition, tools revenue was higher, which is normally a good indication of new business to come, as tools are made before series production starts.

In contrast to Q1, there was a negative impact on revenue from currencies in Q2 of €2.3m, or almost 2% y-o-y. The Chinese yuan, the Canadian dollar and the US dollar were all lower versus the euro on average in the first half of 2025. The exit rates of these currencies were materially below the average of H1, meaning that a larger impact in H225 is to be expected if rates stay at current levels. According to PWO, the negative effect of currencies on revenue hardly has any impact on EBIT as a result of hedging.

Looking at the different business units, both Electronic, Chassis & Airbag Components (33% of revenue) and Steering & Seat Components (19%) faced a double-digit decline in revenue, of 12% y-o-y and 10%, respectively, while Body Components (42%) had a strong half-year with growth of 2.4% y-o-y. Other revenues (6%) also showed an increase (1.9% y-o-y).

Exhibit 1: Summary H125 results

€m	H124	H125	Change
Revenues	288.6	273.4	-5%
EBIT normalised, before currency effects	14.7	9.5	-35%
EBIT margin, normalised	5.1%	3.5%	
Exceptional items	0.8	3.8	
EBIT reported, before currency effects	15.5	13.3	-14%
EBIT margin, reported	5.4%	4.9%	
EBIT reported, after currency effects	15.3	12.6	-17%
Financial income and expenses	(4.6)	(4.6)	-1%
Pre tax income	10.7	8.1	-25%
Taxes	(4.0)	(2.7)	-32%
Net profit reported	6.7	5.4	-20%
EPS reported (€)	2.15	1.71	-20%
EPS normalised (€)	2.15	0.50	-77%

Source: PWO Group, Edison Investment Research

The H125 gross margin was higher than last year, helped by the continued trend of lower material costs. On the other hand, staff costs increased by more than 5% as PWO hired and trained more staff for future series start-ups and ramp-ups. Other operating expenses also increased, but this was largely due to currency effects. Other operating costs before currency effects remained stable at €25m, with higher costs for communication (including the relaunch of PWO's website and corporate design) and maintenance being offset by lower costs for temporary staff.

PWO reports exceptional items when they are at least 5% of EBIT before currency impacts. In H125, PWO mentioned one positive one-off of €4.8m, which is related to the Canada segment, where customer adjustments to plans resulted in non-recurring payments and, at the same time, the write-down of production facilities already purchased. The customer decided not to continue with the project and PWO received compensation for the missed future revenue of series production and the investments in tools and assembly lines. PWO also mentioned various negative one-offs, mainly in Germany and Czech Republic, including provisions for personnel and materials costs as well as two ongoing orders. PWO did not provide financial details about these, as these are most likely less than 5% of EBIT before currency effects (or below €1.5m). We estimate these two negative items at €1m and therefore take the positive balance of €3.8m as split between reported and adjusted EBIT. In H124, PWO reported a positive one-off in Canada of an estimated €0.8m.

In Q225, depreciation increased more than 25% y-o-y to €7.7m following higher capex levels (in Q125, depreciation was modestly up 3% y-o-y). Reported EBIT before currency impacts declined 14% y-o-y in H125 to €13.3m, with a larger decline in Q1 than in Q2 (helped by the one-off in Canada in Q2). Reported EBIT including currency effects was €12.6m. PWO's EBIT including currency effects includes the valuation of foreign currency receivables and hedging transactions as of the reporting date.

Interest expenses were equal to last year's and the tax rate was back to a normal level of 33.5% after the relatively high 37% in H124 (due to the effect of deferred taxes). Overall, reported net profit declined 20% y-o-y to €5.4m.

Milestone reached with opening of new plant in Serbia

The different countries where PWO has production facilities showed different pictures during the first half. Germany was hit by the adverse market conditions, while expenses for personnel and provisions also had an impact on results. These expenses are not expected in H225. China faced fierce competition within the automotive sector, but tight cost management limited the impact on results. In Mexico, the weaker automotive market affected revenue and costs related to planned series production start-ups and ramp-ups also put pressure on the results, but these are expected to be temporary. In Canada, good capacity utilisation and strict cost management resulted in higher profits. On top of that, PWO reported a positive one-off of €4.8m related to the conclusion of customer negotiations. The Czech Republic reported higher revenue in weaker markets, driven by the start-ups and ramp-ups of new series production and also higher tools sales. Non-recurring expenses (not specified), relating to two ongoing orders, had a noticeable impact on EBIT. The opening of the new plant in Serbia on 3 July 2025 was a milestone for PWO, adding new capacity in the Eastern European region. Current revenue is from tools sales and the first products are expected towards the end of 2025. We estimate a potential revenue contribution from the Serbian plant of around €70m by 2029 (or around 10% of PWO's ambition level for 2029).

Exhibit 2: PWO's results by geographic location

€m	H124	H125	Change
Germany	113.6	98.9	-13%
Czech Republic	65.9	68.0	3%
Serbia	0.6	0.9	36%
Canada	24.4	28.6	17%
Mexico	59.7	56.1	-6%
China	24.2	20.7	-15%
Total external revenues	**288.6**	**273.4**	**-5%**
Germany	1.7	(3.6)	N/A
Czech Republic	3.8	1.5	-62%
Serbia	(0.6)	0.5	N/A
Canada	2.1	9.0	317%
Mexico	5.3	3.6	-31%
China	3.1	2.6	-16%
Total EBIT reported, before currencies	**15.5**	**13.3**	**-14%**

Source: PWO Group

Free cash flow positive again in Q2

PWO's balance sheet has not changed materially in H125. Net debt increased from €87m at end FY24 to €94.8m at end H125, as free cash flow was much lower compared to last year, but this was expected. PWO had already mentioned at the time of the FY24 results that this would be due to the timing of the unexpectedly high cash inflows in FY24 (shifting from FY25). However, free cash flow was a positive €0.8m in H125 after the negative €10.5m in Q125 (mainly due to the mentioned timing effect of cash inflows). This improvement was reflected in a decline in net debt compared to €97.9m in Q125. PWO is in an expansion phase and capex increased to €17m from €10.6m in H124, including €7.6m related to the new plant in Serbia. PWO is still planning for capex of around €40m in FY25.

Higher level of new business in Q225

PWO reported a positive development in new business in Q225, with an increase from €210m in Q224 to €250m in Q225, following a small decline of €5m y-o-y in Q125 to €195m. The half year number of €445m includes €20m for tools volumes connected to series production. Another positive is that PWO won two orders outside of the passenger car sector (ie for trucks and delivery vans), although the non-automotive business will remain very small for the foreseeable future. Given the current slowdown in automotive, PWO conservatively maintains its previous guidance of new business for FY25 of €550–600m, although it only needs €105m to reach the bottom end of this range.

Estimate changes

PWO has adjusted its revenue guidance for FY25 to incorporate the market slowdown and the anticipated negative impact of currencies. Previous revenue guidance was around €530m (or -5% y-o-y versus €555m in FY24) and at the time of the Q125 results in May 2025, PWO stated that this level might be challenging to achieve. According to PWO, two-thirds of the decline stems from the weaker automotive market and one-third from weaker currencies (mainly Chinese yuan, Canadian dollar and US dollar). PWO has not faced direct problems as a result of the higher import tariffs, but it has noticed a slowdown in the overall automotive market. It is therefore also cautious about raising its new business guidance after a good intake in Q225.

As PWO mentioned in its Q125 report, any shortfall in revenue will be compensated for by further cost actions. For that reason, management is keeping its previous guidance for EBIT before currency effects of €23–28m (versus €30m in FY24). It also stated that its hedging policy means that a negative currency impact on revenue will hardly have any negative impact on EBIT. We note that the H125 results included one positive one-off in Canada of €4.8m, which supports the overall EBIT development and in our model we take €3.8m as the balance with several unspecified negative one-offs. On the other hand, PWO said that several negative items which affected the H125 results will not reoccur in H225 (eg personnel-related expenses in Germany, a recovery in results in the Czech Republic after a weaker Q2, while Mexico will only gradually improve over time as new series ramp up).

Exhibit 3: PWO's guidance for FY25

€m	2023	2024	2025 guidance
Revenue	555.8	555.1	500–510
EBIT reported, before currencies	28.2	30.0	23–28
Capex	26.5	46.2	40.0
Free cash flow	11.3	33.3	Low single-digit million
Equity ratio	37.0%	37.5%	Sideways
Net debt/EBITDA (x)	2.1	1.6	<2.5
Value of new business	845	630	550–600

Source: PWO Group

We have adjusted our revenue estimate for FY25 to bring it in line with the company's adjusted guidance and now expect a decline of 9% y-o-y in FY25. Our revenue growth scenario for FY26 and FY27 is unchanged at 8% y-o-y and 5% y-o-y, respectively.

We have raised our estimated reported EBIT before currency effects for 2025 from €24.1m to €25.3m, to include the exceptional items of an estimated €3.8m. Our estimate of normalised EBIT before currency effects is lowered from €24.1m to €21.5m. We have also lowered our EBIT estimates for FY26 and FY27 by 6–7% as a result of the lower expected base in 2025. We still expect good margin improvement from FY26, driven by the larger scale, the contribution of the Serbian plant and further efficiency effects. For example, in H125, PWO established a new Shared Service Center in Eastern Europe with a staff of 25 to support activities at its other locations.

Exhibit 4: Changes in estimates

€m	2025e			2026e			2027e		
	Old	New	Change	Old	New	Change	Old	New	Change
Sales	521.8	505.2	-3%	563.6	545.6	-3%	591.7	572.8	-3%
EBIT normalised, before currency effects	24.1	21.5	-11%	28.6	26.5	-7%	32.6	30.8	-6%
EBIT margin	4.6%	4.3%	-8%	5.1%	4.9%	-4%	5.5%	5.4%	-2%
Exceptional items	0.0	3.8		0.0	0.0		0.0	0.0	
EBIT reported, before currency effects	24.1	25.3	5%	28.6	26.5	-7%	32.6	30.8	-6%
Net profit reported	10.1	10.9	8%	13.5	12.0	-11%	16.6	15.3	-8%
Net profit normalised	10.1	7.1	-29%	13.5	12.0	-11%	16.6	15.3	-8%
EPS reported (€)	3.22	3.49	8%	4.32	3.85	-11%	5.31	4.90	-8%
EPS normalised (€)	3.22	2.27	-29%	4.32	3.85	-11%	5.31	4.90	-8%

Source: Edison Investment Research

Valuation

PWO is trading on a 2025 P/E of 8.0x and an EV/EBITDA of 3.7x. For its potential valuation we look at historical multiples, peer comparison and a discounted cash flow (DCF) analysis, with the average pointing to a value of €34.6/ share (previously €35.0). PWO also offers an attractive dividend yield of c 6%.

Exhibit 5: Valuation methods

Valuation method	Assumption	Value per share, €
Historical multiples	2025e EV/EBITDA at 15% discount to historical multiples	32.5
DCF	Terminal growth 1.5%, EBIT margin 5.5%	32.9
Peer multiples	2025e EV/EBITDA in line with peers	38.5
Average value per share		34.6

Source: Edison Investment Research

Exhibit 6: Financial table

€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	505.2	545.6	572.8
Gross Profit	200.6	220.6	234.7	244.5	259.4	244.2	257.1
EBITDA normalised (Edison definition)	**46.3**	**56.6**	**54.8**	**53.6**	**48.3**	**54.4**	**59.4**
Exceptionals (Edison definition)	0.8	(5.4)	(2.7)	0.2	3.8	0.0	0.0
EBITDA reported	47.2	51.2	52.0	53.7	52.1	54.4	59.4
Depreciation & Amortisation	(26.4)	(25.6)	(24.8)	(23.6)	(26.8)	(27.9)	(28.6)
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	21.5	26.5	30.8
EBIT reported, before currency effects	22.1	27.5	28.2	30.0	25.3	26.5	30.8
EBIT reported, including currency effects	21.8	26.8	27.9	30.1	25.3	26.5	30.8
Net Interest	(6.2)	(5.7)	(8.4)	(9.7)	(9.7)	(9.3)	(8.9)
Profit Before Tax	15.7	21.1	19.5	20.4	15.6	17.2	21.9
Reported tax	(0.9)	(5.9)	(3.3)	(7.9)	(4.7)	(5.2)	(6.6)
Profit After Tax	14.7	15.2	16.2	12.5	10.9	12.0	15.3
Net income normalised (Edison definition)	13.1	17.8	17.5	14.0	7.1	12.0	15.3
Net income reported	14.7	15.2	16.2	12.5	10.9	12.0	15.3
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**	**2.27**	**3.85**	**4.90**
EPS reported (€)	4.72	4.87	5.19	4.01	3.49	3.85	4.90
DPS (€)	1.50	1.65	1.75	1.75	1.75	1.75	1.75
Revenue growth	8.9%	31.3%	4.7%	-0.1%	-9.0%	8.0%	5.0%
Gross margin	49.6%	41.6%	42.2%	41.3%	42.3%	42.8%	43.0%
Normalised EBITDA margin	11.5%	10.7%	9.9%	9.6%	9.6%	10.0%	10.4%
Normalised EBIT margin, before currency effects	5.0%	6.2%	5.6%	5.4%	4.3%	4.9%	5.4%
BALANCE SHEET							
Fixed Assets	224.6	218.8	219.7	245.2	256.9	264.5	269.4
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	206.3	213.2	217.8
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	173.9	186.5	194.3
Stocks	32.6	39.6	38.3	40.6	36.9	39.9	41.9
Debtors	39.9	54.2	63.8	49.0	46.9	49.7	52.2
Other current assets	69.2	84.4	94.8	86.5	82.6	88.3	92.8
Cash & cash equivalents	6.9	3.2	6.4	11.8	7.5	8.6	7.5
Current Liabilities	112.7	155.8	144.1	151.4	146.7	155.4	158.3
Creditors	37.2	41.5	52.2	65.7	62.8	68.5	69.7
Other current liabilities	33.9	37.8	37.1	38.9	37.2	40.1	41.7
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	167.7	174.3	184.1
Balance sheet total	373.3	400.3	423.1	433.0	430.8	451.0	463.7
CASH FLOW							
Op Cash Flow before WC and tax	39.1	45.4	64.8	43.9	49.9	55.3	60.4
Working capital	(17.2)	(28.3)	(20.1)	37.4	5.0	(2.8)	(6.0)
Tax	(0.9)	(5.5)	(7.4)	(3.3)	(4.7)	(5.2)	(6.6)
Net interest	(6.2)	(3.0)	(6.9)	(7.8)	(9.7)	(9.3)	(8.9)
Net operating cash flow	14.8	8.6	30.5	70.2	40.6	38.0	38.9
Capex	(10.1)	(14.5)	(24.2)	(38.5)	(39.4)	(36.5)	(34.5)
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)	(5.5)	(5.5)
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	(4.3)	(3.9)	(1.1)
Opening net debt/(cash)	102.5	103.6	115.4	107.3	87.1	91.4	95.3
Closing net debt/(cash)	103.6	115.4	107.3	87.1	91.4	95.3	96.4

Source: PWO Group, Edison Investment Research

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