

Trip insights



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What were the key insights from your recent research trip?

Over the course of three weeks in Europe, 38 HQ-visits and management meetings in the Industrials, Materials and Energy sectors were conducted along with a dozen expert meetings in nuclear energy, defence, datacentre development and EU policy. Depending on sub-sector, the tone on the outlook varied but could be summarised as warily optimistic.

Tariffs remain the Rumsfeldian "known unknown" with pricing and re-sourcing being the main tools for cost mitigation. True demand destruction has yet to materialise, but uncertainty is already now causing delayed capex decisions and unseasonal trading patterns in consumer-oriented verticals noted by the freight forwarders. Erratic ever-changing U.S. policy making is viewed as a greater risk to business than fixed tariffs.

Exposure to electrification, AI/datacentres, aerospace and defence offer the best continuing growth trajectories for the next few years. Emerging growth trends noted in infrastructure and construction with key drivers from both lower interest and mortgage rates supporting European housing and infrastructure projects stemming from European NATO countries committing to spend c.5% of GDP on a mix of defence and infrastructure.

The overall impression is European Industrials offer a good risk-reward relative U.S. industrials over the next 12-18 months thanks to an unusually wide discount to U.S. peers (sector P/E of <22x is >3x below U.S. peers vs. <1x being the 2010-20 norm) despite similar expectations for earnings growth (e.g. European industrials EBITDA and EPS CAGR 2025-27 at 10% vs. U.S. at 11%).

Provide examples of any interesting under-the-radar SMID cap companies that most people wouldn't have heard of?

There were several interesting under-the-radar companies that piqued our interest during the trip, including the following three.

Geberit (market cap US\$26bn) is a Swiss designer and manufacturer of plumbing and sanitary systems with focus being on "behind-the-wall technology", particularly concealed cisterns, piping systems and installation elements for bathrooms and washrooms. Geberit's phenomenal commitment to innovation and being close to the market sets it apart from peers and saves it from earnings collapses, e.g. in the last 2-3 years when European construction and R&R (repair and replacement) has dropped >20%, GEBN has recorded 5%, -5% and +3% organic sales growth (OSG) in 2022-24 and is tracking at c. +4% for 2025 despite no recovery thus far in 2025. Capacity in production is low meaning when Europe turns, high single digit to low double-digit OSG is feasible and the company should also deliver margin expansion. Consensus estimates do not currently factor in a meaningful recovery, potentially leaving room for results to beat expectations. In addition, c. 5% of revenues is from German public construction/building which is set to grow a lot thanks to stimuli. Geberit is a company that has been on our radar for many years but likely remains unfamiliar to most investors.

VAT Group (market cap US\$13bn) is a Swiss developer, manufacturer and supplier of vacuum valves, multi-valve modules and edge-welded bellows with key end markets being semiconductor (2/3), display, scientific and solar panel manufacturing. Importantly, the company is not subject to potential export restrictions as per the US AI Action Plan and comfortably continues to "sail under the radar". While orders may track sideways for the next 6-9 months, numerous indicators point at solid WFE (wafer fab equipment) capex recovery in a year (e.g. hyper-scaler plans, quoting activity, Samsung "getting their act together"). VAT Group's growth trajectory somewhat mirrors that of large cap Dutch semi-equipment manufacturer ASML, with the benefit of 2-2.5x more content per leading edge machine plus a sometimes-forgotten mini driver via growth in semi adjacencies. The company has a rock-solid moat (90%+ market share in semi) and strong profitability. We are not currently investors but monitoring closely for an attractive entry point.

Maire (market cap US\$5bn) is a leading Italian engineering and construction (E&C) company focused on onshore-downstream segment, particularly projects related to oil & gas, petrochemicals and fertilisers. The company operates through business units like Tecnimont (E&C) and NextChem (technology), utilising a large proprietary technology portfolio, including its technology/new energy profile, to design and manufacture various types of industrial plants globally. Maire's outlook is robust for years to come thanks to its strong backlog, which offers over three years of visibility and supports a strong earnings trajectory through 2027. The large commercial pipeline (over EUR50bn in opportunities) is set to lead to significant new awards, potentially pushing the group to reach its ambitious 2029 revenue targets well ahead of schedule. The order book points to EBIT and EPS growth in the solid double-digit range for the next 4-5 years. Competition has diminished in the last 4-6 years as key competitors Technip and Saipem have focused on LNG trains and offshore EPC respectively. An interesting under the radar name that we have prioritised for further analysis.

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