

Nidec (6594.T)

Earnings Review: Results/guidance both in line with expectations, support our view of a turning point; Buy

Buy

6594.T 12m Price Target: ¥3,500 Price: ¥2,241 Upside: 56.2%

Nidec's FY3/24 operating profits of ¥240.2 bn, reported after the April 24 close, were slightly above our estimate and guidance (both ¥240.0 bn). FY3/25 guidance is for operating profits of ¥260 bn (assumes ¥140/USD), mostly in line with our previous forecast of ¥270 bn (premised on ¥150/USD; operating profits fluctuate by ¥1.1 bn with each ¥1 move in the USD/JPY rate, per company data). The company also announced a new medium-term plan. Key points from the results briefing were as follows: **(1) New medium-term plan:** Nidec targets FY3/26-FY3/28 sales of ¥2.6 tn/¥2.75 tn/¥2.9 tn and operating profits of ¥260 bn/¥300 bn/¥350 bn (for OPM of 10%/11%/12%). The plan assumes a fundamental transformation of the company's profit structure through business restructuring, site consolidation, and personnel reductions, and factors in a ¥100 bn reduction in variable costs (mainly in FY3/27-FY3/28) and a ¥50 bn reduction in fixed costs (mainly from FY3/26; referred to as the "WPR-T" initiative). The company is also introducing more precise ROIC management. **(2) Consolidation:** Nidec plans to consolidate and optimize its 248 group production offices and 356 enterprises. It aims to halve the number of production sites with 100 or fewer employees. **(3) Tariff impact and FY3/26 guidance:** The company looks to minimize the impact of tariffs through careful advance preparation. Guidance factors in macro risks. **(4) Key products:** Water cooling module sales totaled ¥17 bn in FY3/25, and Nidec expects them to double in FY3/26 on expansion in customers and parts supply. The E-Axle business is on track to achieve consistent profitability from FY3/26. Generators and battery energy storage systems (BESS) in the motion & energy (MOEN) business are expected to be profit growth drivers, with strong sales growth and margin expansion.

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Key Data

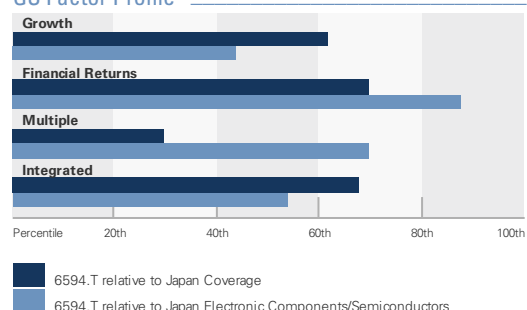
Market cap: ¥2.6tr / \$18.1bn
Enterprise value: ¥2.5tr / \$17.4bn
3m ADTV: ¥11.9bn / \$79.9mn
Japan
Japan Electronic Components/Semiconductors
M&A Rank: 3
Leases incl. in net debt & EV?: No

GS Forecast

	3/25	3/26E	3/27E	3/28E
Revenue (¥ bn)	2,607.1	2,681.5	2,813.5	2,946.9
Op. profit (¥ bn) New	240.2	265.0	300.0	335.0
Op. profit (¥ bn) Old	240.0	270.0	304.0	338.0
Op. profit CoE (¥ bn)	240.0	260.0	—	—
EPS (¥) New	142.4	177.6	201.0	224.5
EPS (¥) Old	156.1	180.5	203.6	226.7
P/E (X)	21.7	12.6	11.1	10.0
P/B (X)	2.1	1.4	1.3	1.2
CROCI (%)	13.0	16.0	17.0	17.8

	3/25	6/25E	9/25E	12/25E
EPS (¥)	34.7	41.2	45.6	48.1

GS Factor Profile



Source: Company data, Goldman Sachs Research estimates.
See disclosures for details.

Bottom Line: Nidec has entered a phase of fundamental

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Buy

Nidec (6594.T)

Rating since Feb 16, 2017

Ratios & Valuation

	3/25	3/26E	3/27E	3/28E
P/E (X)	21.7	12.6	11.1	10.0
P/B (X)	2.1	1.4	1.3	1.2
FCF yield (%)	15.8	8.1	7.7	9.0
EV/EBITDAR (X)	9.4	6.0	5.3	4.6
EV/EBITDA (excl. leases) (X)	9.4	6.0	5.3	4.6
CROCI (%)	13.0	16.0	17.0	17.8
ROE (%)	9.8	11.5	12.1	12.6
Net debt/equity (%)	(1.2)	(7.0)	(11.0)	(15.6)
Net debt/equity (excl. leases) (%)	(1.2)	(7.0)	(11.0)	(15.6)
Interest cover (X)	46.6	51.4	58.2	65.0
Days inventory outst, sales	59.6	40.0	39.2	38.9
Receivable days	84.0	72.9	72.2	72.2
Days payable outstanding	90.5	85.8	85.1	85.1
DuPont ROE (%)	9.3	10.9	11.5	12.0
Turnover (X)	0.8	0.8	0.8	0.8
Leverage (X)	1.8	1.7	1.7	1.7
Gross cash invested (ex cash) (¥)	2,180.8	2,239.8	2,339.3	2,431.3
Average capital employed (¥)	1,888.0	1,736.0	1,761.1	1,800.3
BVPS (¥)	1,499.6	1,598.9	1,711.6	1,841.5

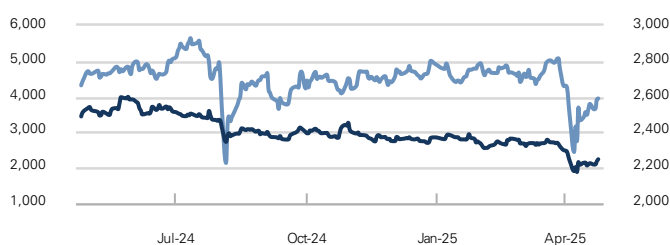
Growth & Margins (%)

	3/25	3/26E	3/27E	3/28E
Total revenue growth	11.0	2.9	4.9	4.7
EBITDA growth	5.7	8.4	11.0	9.9
EPS growth	30.5	24.7	13.2	11.7
DPS growth	25.0	24.0	12.9	7.1
EBIT margin	9.2	9.9	10.7	11.4
EBITDA margin	14.5	15.3	16.2	17.0
Net income margin	6.3	7.6	8.2	8.8

Price Performance

6594.T (¥)

TOPIX



	3m	6m	12m
Absolute	(21.5)%	(24.9)%	(34.0)%
Rel. to the TOPIX	(16.6)%	(23.6)%	(31.0)%

Source: FactSet. Price as of 24 Apr 2025 close.

Income Statement (¥ bn)

	3/25	3/26E	3/27E	3/28E
Total revenue	2,607.1	2,681.5	2,813.5	2,946.9
Cost of goods sold	(2,041.6)	(2,082.0)	(2,162.5)	(2,244.2)
SG&A	(325.3)	(334.5)	(351.0)	(367.6)
R&D	(52.0)	(52.0)	(52.0)	(52.0)
Other operating inc./exp.)	—	—	—	—
EBITDA	378.3	410.0	455.0	500.0
Depreciation & amortization	(138.1)	(145.0)	(155.0)	(165.0)
EBIT	240.2	265.0	300.0	335.0
Net interest inc./exp.)	(1.3)	(1.3)	(1.3)	(1.3)
Income/(loss) from associates	—	—	—	—
Pre-tax profit	236.5	265.0	300.0	335.0
Provision for taxes	(70.1)	(58.1)	(66.1)	(75.5)
Minority interest	(2.8)	(2.9)	(2.9)	(1.5)
Preferred dividends	—	—	—	—
Net inc. (pre-exceptionals)	163.6	204.1	231.0	258.0
Post-tax exceptionals	—	—	—	—
Net inc. (post-exceptionals)	163.6	204.1	231.0	258.0
EPS (basic, pre-exception) (¥)	142.4	177.6	201.0	224.5
EPS (diluted, pre-exception) (¥)	142.4	177.6	201.0	224.5
EPS (basic, post-exception) (¥)	142.4	177.6	201.0	224.5
EPS (diluted, post-exception) (¥)	142.4	177.6	201.0	224.5
DPS (¥)	62.5	77.5	87.5	93.8
Div. payout ratio (%)	43.9	43.6	43.5	41.8

Balance Sheet (¥ bn)

	3/25	3/26E	3/27E	3/28E
Cash & cash equivalents	621.2	732.0	820.3	936.8
Accounts receivable	527.9	543.0	569.7	596.7
Inventory	290.9	296.7	308.2	319.8
Other current assets	88.7	88.7	88.7	88.7
Total current assets	1,528.7	1,660.4	1,786.9	1,942.0
Net PP&E	849.9	834.9	849.9	854.9
Net intangibles	406.1	416.1	426.1	436.1
Total investments	24.3	24.3	24.3	24.3
Other long-term assets	324.2	324.2	324.2	324.2
Total assets	3,133.3	3,260.0	3,411.5	3,581.6
Accounts payable	484.9	494.5	513.6	533.0
Short-term debt	186.1	186.1	186.1	186.1
Short-term lease liabilities	—	—	—	—
Other current liabilities	242.5	242.5	242.5	242.5
Total current liabilities	913.4	923.0	942.2	961.6
Long-term debt	414.8	414.8	414.8	414.8
Long-term lease liabilities	—	—	—	—
Other long-term liabilities	51.9	51.9	51.9	51.9
Total long-term liabilities	466.7	466.7	466.7	466.7
Total liabilities	1,380.2	1,389.8	1,408.9	1,428.3
Preferred shares	—	—	—	—
Total common equity	1,723.3	1,837.5	1,967.0	2,116.2
Minority interest	29.8	32.7	35.6	37.1
Total liabilities & equity	3,133.3	3,260.0	3,411.5	3,581.6
Net debt, adjusted	(60.9)	(171.7)	(260.0)	(376.5)

Cash Flow (¥ bn)

	3/25	3/26E	3/27E	3/28E
Net income	163.6	204.1	231.0	258.0
D&A add-back	138.1	145.0	155.0	165.0
Minority interest add-back	2.8	2.9	2.9	1.5
Net (inc)/dec working capital	371.1	(11.2)	(19.1)	(19.2)
Other operating cash flow	—	—	—	—
Cash flow from operations	675.6	340.7	369.8	405.2
Capital expenditures	(110.7)	(130.0)	(170.0)	(170.0)
Acquisitions	—	—	—	—
Divestitures	—	—	—	—
Others	(88.2)	(10.0)	(10.0)	(10.0)
Cash flow from investing	(198.9)	(140.0)	(180.0)	(180.0)
Repayment of lease liabilities	—	—	—	—
Dividends paid (common & pref)	(72.5)	(89.9)	(101.5)	(108.7)
Inc/(dec) in debt	—	—	—	—
Other financing cash flows	0.0	0.0	0.0	0.0
Cash flow from financing	(72.5)	(89.9)	(101.5)	(108.7)
Total cash flow	404.2	110.8	88.3	116.5
Free cash flow	564.9	210.7	199.8	235.2

Source: Company data, Goldman Sachs Research estimates.

transformation aiming for a high-margin structure, underpinned by changes in management processes. We had expected market confidence in the company's management and earnings to rise from around the time of the FY3/25 results announcement, and we look for a positive share price reaction in light of the announced details. We believe the market will be upbeat about Nidec's initiatives to improve earnings amid the uncertain macro environment. We fine-tune our 12-month target price to ¥3,500 from ¥3,600, but reiterate our Buy rating. The stock is trading at an FY3/26E P/E of 13X.

Estimate revisions, target price

Reflecting FY3/25 results and FY3/26 guidance, and the change in our FX assumption from ¥150/USD to ¥145/USD, we trim our FY3/26-FY3/28 operating profit estimates by -2%/-1%/-1%. We also fine-tune our 12-month target price to ¥3,500 from ¥3,600, but reiterate our Buy rating.

Exhibit 1: Nidec: Earnings summary

(JPY: Bn)	FY3/25 -Q4		FY3/26			
	GSE	Actual	GSE		CoE	Bloomberg
			Old	New		
Sales	648.2	661.1	2,715.7	2,681.5	2,600.0	2,735.0
OP	64.5	64.7	270.0	265.0	260.0	265.7
NI	55.6	39.9	207.5	204.1	200.0	205.1

Source: Company data, Goldman Sachs Global Investment Research, Bloomberg

Nidec

Investment Thesis - Nidec

Nidec's business segments are divided into small precision motors (SPMs), automotive products, appliance, commercial & industrial products (ACI), and other products (machinery, electronic, and optical components). While the company has scaled back significantly in HDD-SPMs in its small precision motor business, its water cooling business has been attracting attention amid rising electric power consumption by AI servers, and we expect it to become a growth driver. In the automotive products segment, in addition to E-Axle, Nidec also manufactures other auto-related motors. The ACIM business supplies a variety of products, including motors for HVAC systems, automated transfer systems used in distribution centers, power generators and motors for industrial infrastructure applications, and motors/compressors for refrigeration applications. Management has rapidly expanded its ACI business portfolio via M&A, and is currently focused on improving profitability. In the other products segment, Nidec mainly produces semiconductor testing equipment, robots for transferring displays, and stamping equipment, and plans to focus on M&A in the machine tool industry moving forward. With motors accounting for over 40% of total power consumption worldwide, we expect Nidec to garner attention as a Greenabler on the contribution to greater energy saving/efficiency from its brushless and other motor products. On this basis, we are Buy rated on Nidec.

Price Target Risks and Methodology - Nidec

We are Buy-rated on Nidec, with a 12-month price target of ¥3,500. Our target price is based on the average of FY3/26E-FY3/27E EV/GCI vs. CROCI/WACC, applying a 50% premium to the sector average EV/DACF multiple of 8X (our target price implies FY3/26E P/E of 20X). Key risks include a slower-than-expected recovery in auto production volume, a greater-than-expected slowdown in the European economy, tougher competition in the water cooling module business, and a further rise in materials prices.

Disclosure Appendix

Reg AC

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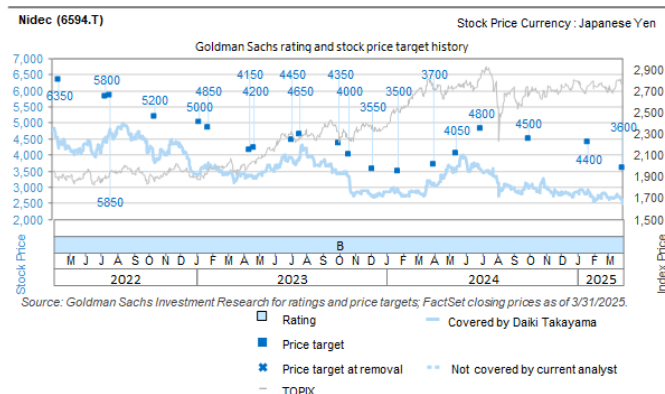
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