

15 September 2021

Commissioned research: Sdipotech – Hiked M&A target, as expected, but with additional upside to estimates

Marketing material commissioned by Sdipotech

Sdipotech lifted its M&A-related financial target yesterday evening (14 September), ahead of its CMD. The target increased from SEK 90m in annual EBITA up to SEK 120-150m. We think the hike was partly expected, as an absolute target would imply a decelerating M&A pace (as a percentage of EBITA), and Sdipotech has already surpassed this target YTD by adding SEK 105m in EBITA. This marks a clear signal to the market that M&A will continue at a high pace, which is accentuated by Sdipotech being the only company in our “core compounding” peer group that used more funds (2x) for M&A during 2018-20 than it had available through its FCF. **Our current estimates** prudently expect SEK ~50m in EBITA per year from future M&A. If Sdipotech achieves its new M&A target, this would provide 9-19% upside to our 2022 EBITA estimate, and 27-43% for 2024E. This is similar, however, to what we wrote in our Q2 review, when we said SEK 800m in M&A firepower could add ~30% to its SEK 430m EBITA* LTM.

SDIPOTECH: EBITA ESTIMATE IMPACT FROM M&A*,**

	2021E	2022E	2023E	2024E
If +90m p.a.	422	593	712	830
%	-9%	-1%	6%	11%
If +120m p.a.	452	653	802	950
%	-2%	9%	19%	27%
If +150m p.a.	482	713	892	1,070
%	4%	19%	33%	43%

*Our estimates already include future M&A of SEK ~50m p.a. (+26m in 2021E)

**Estimates including IDE Systems (acquired 3 September 2021)

Source: Nordea estimates

Sdipotech's financial goals:

- Organic earnings growth: Average annual organic EBITA growth of 5-10% (**unchanged**)
- Acquired earnings growth: On an annual average basis, acquire companies with a total EBITA of SEK 120-150 million (**updated**)
- Capital structure: Financial net debt in relation to adjusted EBITDA shall not exceed 2.5 times on a rolling 12-month basis (**unchanged**)

SUMMARY TABLE - KEY FIGURES

SEKm	2018	2019	2020	2021E	2022E	2023E
Total revenue	1,554	1,908	2,113	2,664	2,932	3,248
EBITDA (adj)	213	358	403	542	675	760
EBIT (adj)	143	222	310	410	530	598
EBIT (adj) margin	9.2%	11.6%	14.7%	15.4%	18.1%	18.4%
EPS (adj, SEK)	3.68	4.86	5.41	7.60	9.95	11.30
EPS (adj) growth	34.1%	32.2%	11.3%	40.4%	31.0%	13.6%
DPS (ord, SEK)	0.00	0.00	0.00	0.00	0.00	5.70
EV/Sales	1.3	1.8	4.3	6.4	5.9	5.2
EV/EBIT (adj)	13.8	15.7	29.6	41.8	32.4	28.5
P/E (adj)	11.3	15.4	42.5	59.0	45.0	39.6
P/BV	1.2	1.9	4.6	6.5	5.7	5.0
Dividend yield (ord)	0.0%	0.0%	0.0%	0.0%	0.0%	1.3%
FCF Yield bef A&D, lease adj	4.3%	9.4%	5.3%	1.8%	2.6%	3.0%
Net debt	694	1,176	1,311	1,259	1,275	1,154
Net debt/EBITDA	3.3	3.3	3.3	2.3	1.9	1.5
ROIC after tax	6.9%	7.8%	8.3%	8.9%	10.0%	10.4%

Source: Company data and Nordea estimates

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