

28 October 2021

Commissioned research: Etteplan – Slight weakness in Q3

Marketing material commissioned by Etteplan

Etteplan witnessed some demand weakness for engineering services begin of Q3. Organic sales growth was high 14% in Q3 y/y but that is more related to a weak comparison point rather than totally new customers and projects. The global shortage of components has now even reached engineering services taking down the company's utilisation ratios. Operating profit margin in Q3 was 6.9% which was the lowest figure for many years. Expectations for Q4 2021 are still positive and we expect efficiency to improve late 2021. One core strength of the company is proactive utilisation ratio management why we are not overly worried about the profitability. However, risks related to China and engineering service pricing in Europe have increased according to our analysis.

Organic revenue growth was 14% in Q3 y/y

- Net sales was 6% under Infront consensus in Q3.
- Adjusted EBITA was EUR 5.7m compared to consensus of EUR 6.3m in Q3.
- Reported EPS of EUR 0.14 was even 18% under consensus in Q3.
- Engineering solutions EBITA was EUR 3m, slightly under our estimate of EUR 3.8m. Sales were EUR 36.9m, 8% under our estimate.
- Software and Embedded solutions EBITA was EUR 1.6m, below our estimate of EUR 2.1m. Sales were EUR 18.1m, 7% below our estimate.
- Technical Documentation solutions EBITA was EUR 1.2m, close to our estimate of EUR 1.3m. Sales were EUR 11.8m, 15% under our estimate in Q3.

Full year 2021 revenue guidance was slightly downgraded

- Overall demand for engineering services has stayed good in the market.
- The company do not currently see remarkable risks related to Chinese construction market.
- Etteplan downgraded its 2021 revenue guidance midpoint by 1%. New revenue guidance is EUR 295-310m. Consensus has been EUR 302m which is close to current guidance midpoint.
- Operating profit is guided to be EUR 25-28m (unchanged, consensus EUR 26.9m).

SUMMARY TABLE - KEY FIGURES

EURm	2018	2019	2020	2021E	2022E	2023E
Total revenue	236	263	260	303	318	331
EBITDA (adj)	26	36	41	46	48	49
EBIT (adj)	21	22	23	27	29	31
EBIT (adj) margin	8.7%	8.3%	9.0%	8.9%	9.2%	9.2%
EPS (adj, EUR)	0.63	0.66	0.73	0.82	0.89	0.94
EPS (adj) growth	29.9%	4.3%	10.4%	13.1%	8.5%	4.9%
DPS (ord, EUR)	0.30	0.35	0.34	0.38	0.42	0.45
EV/Sales	0.9	1.1	1.4	1.6	1.5	1.4
EV/EBIT (adj)	10.6	13.4	15.5	18.2	16.4	15.2
P/E (adj)	12.6	15.4	17.8	22.1	20.4	19.5
P/BV	2.9	3.3	3.7	4.6	4.1	3.6
Dividend yield (ord)	3.8%	3.4%	2.6%	2.1%	2.3%	2.5%
FCF Yield bef A&D, lease adj	10.8%	9.2%	8.1%	4.6%	5.4%	5.6%
Net debt	20	40	41	42	27	12
Net debt/EBITDA	0.8	1.1	1.0	0.9	0.6	0.2
ROIC after tax	17.9%	16.5%	15.5%	16.4%	21.5%	22.9%

Source: Company data and Nordea estimates

Completion date: 28 Oct 2021, 10:58 CET

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