29 April 2022

Commissioned research: Sdiptech – Underlying earnings in line with expectations and an “extra strong“ M&A pipeline

Marketing material commissioned by Sdiptech

Sdiptech delivered a solid Q1 report, in line with our expectations on EBITA*, but -4% on the reported EBITA, due to earnout revaluations SEK (-6m) and M&A costs (SEK -4m). Organic EBITA* growth was weak, -1% y/y excluding FX (+5%), due to cost inflation, while total EBITA* was up 25% y/y due to M&A. The operating cash flow was healthy at SEK 145m (+34% y/y), including some WC build-up, and cash conversion increased to 73%. We think it is positive that cash conversion is high once again, as this has been a worry for many investors. The CEO says that the M&A pipeline is “extra strong”, and that it is set to reach its SEK 120-150m EBITA M&A target already before autumn. We think this is achievable given a financial ND/EBITDA of 1.3x in Q1. We do not expect to make any significant estimate revisions after the Q1 results.

Key numbers

- Sales SEK 784m; +3.9% vs. Nordea and +19.0% y/y
- EBITA* SEK 145m; -0.3% vs. Nordea and +24.7% y/y
- EBITA* margin 18.5%; vs. Nordea at 19.3% and +0.8 pp y/y

SDIPTECH: DEVIATION TABLE

SEKm	Actual Q1 2022	NDA est. Q1 2022E	Deviation vs. actual		Actual Q4 2021	q/q	Actual Q1 2021	y/y
Net sales	784	754	29	4%	749	5%	658	19%
Other operating income	4	3	-	-	7	-	4	-
Total sales	**787**	**757**	**30**	**4%**	**756**	**4%**	**662**	**19%**
Direct expenses	-320	-320	0	0%	-320	0%	-265	21%
Other external expenses	-75	-54	-21	39%	-112	-33%	-70	8%
Employee expenses	-225	-213	-13	6%	-198	14%	-204	10%
D&A on tang. non-current assets	-27	-26	-	-	-26	-	-23	-
D&A on intang. non-current assets	-18	-17	-	-	-17	-	-10	-
Adjusted EBIT	**122**	**128**	**-6**	**-5%**	**83**	**47%**	**91**	**34%**
Non-recurring items			-	-	0	-	-3	-
EBIT	**122**	**128**	**-6**	**-5%**	**83**	**47%**	**88**	**38%**
Financial income	0	0	-	-	0	-	9	-
Financial expense	-16	-12	-	-	-19	-	-14	-
Pre-tax profit	**106**	**116**	**-10**	**-8%**	**64**	**66%**	**83**	**28%**
Tax	-30	-28	-	-	-17	-	-21	-
Results from discontinued ops.	0	0	-	-	0	-	0	-
Minorities	0.3	0	-	-	0	-	-2	-
Net profit	**76**	**88**	**-11**	**-13%**	**47**	**64%**	**60**	**27%**
Key ratios								
Sales growth	**19%**	**15%**	**-**	**4pp**	**45%**	**-26pp**	**49%**	**-30pp**
EBITA growth	42%	47%	-	-5pp	21%	21pp	84%	-42pp
EBITA margin	**17.8%**	**19.2%**	**-**	**-1pp**	**14.7%**	**3pp**	**14.9%**	**3pp**
Tax rate	28.3%	24.1%	-	4pp	26.6%	2pp	25.5%	3pp
Sales per business area								
Resource Efficiency	340	282	58	20%	301	13%	211	61%
Special Infrastructure Solutions	444	473	-28	-6%	448	-1%	447	-1%
Other	0	3	-3	-	7	-	4	-
Total	**783.7**	**757**	**26**	**3%**	**756**	**4%**	**662**	**18%**
EBITA per business area								
Resource Efficiency	80.7	67	14	21%	75	8%	49	66%
Special Infrastructure Solutions	80.1	92	-12	-13%	94	-14%	80	0%
Central costs	-15.9	-13	-3	-	-15	-	-12	-
Total EBITA*	**144.9**	**145**	**0**	**0%**	**153**	**-5%**	**116**	**25%**
M&A costs incl divestment	-3.9	-3	-1	-	-4	-	-15	-
Non M&A Amortisation	4.6	3	2	-				
Revaluation of earn-outs	-5.8	0	-6	-	-40	-	-3	-
Reported EBITA	**139.8**	**145**	**-5**	**-4%**	**110**	**27%**	**98**	**42%**
EBITA margin per business area								
Resource Efficiency	23.8%	23.6%	-	0.2pp	24.8%	-1.1pp	23.0%	0.8pp
Special Infrastructure Solutions	18.0%	19.4%	-	-1.4pp	20.9%	-2.9pp	17.9%	0.2pp
Central costs	-	-	-	-	-	-	-	-
EBITA* margin	**18.5%**	**19.3%**	**-**	**-0.8pp**	**20.5%**	**-2.0pp**	**17.6%**	**0.8pp**
M&A costs	-	-	-	-	-	-	-	-
Revaluation of earn-outs	-	-	-	-	-	-	-	-
Reported total	**17.8%**	**19.1%**	**-**	**-1.3pp**	**14.5%**	**3.3pp**	**14.9%**	**2.9pp**

Source: Company data, Refinitiv and Nordea estimates

SUMMARY TABLE - KEY FIGURES						
SEKm	2019	2020	2021	2022E	2023E	2024E
Total revenue	1,826	2,088	2,719	3,367	3,787	4,231
EBITDA (adj)	358	403	509	790	897	1,003
EBIT (adj)	222	310	367	601	684	765
EBIT (adj) margin	12.1%	14.9%	13.5%	17.8%	18.1%	18.1%
EPS (adj, SEK)	4.86	5.41	6.76	11.39	13.14	14.94
EPS (adj) growth	32.2%	11.3%	24.9%	68.6%	15.4%	13.7%
DPS (ord, SEK)	0.00	0.00	0.00	0.00	5.30	6.00
EV/Sales	1.9	4.4	6.9	4.2	3.7	3.4
EV/EBIT (adj)	15.7	29.6	51.3	23.6	20.6	18.6
P/E (adj)	15.4	42.5	69.8	30.0	26.0	22.9
P/BV	1.9	4.6	6.6	4.2	3.6	3.3
Dividend yield (ord)	0.0%	0.0%	0.0%	0.0%	1.5%	1.8%
FCF Yield bef A&D, lease adj	9.4%	5.3%	2.0%	3.5%	4.5%	5.1%
Net debt	1,176	1,311	2,127	1,987	1,922	2,034
Net debt/EBITDA	3.3	3.3	4.2	2.5	2.1	2.0
ROIC after tax	7.8%	8.3%	6.9%	9.1%	9.8%	10.1%

Source: Company data and Nordea estimates

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As of today Nordea Abp holds no positions of 0.5% or more of shares issued

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