

10 August 2022

## Commissioned research: Etteplan – Small weakness in profitability in Q2, full year guidance unchanged

*Marketing material commissioned by Etteplan*

Revenue growth was close to consensus (Refinitiv) but EBITA came 7% below consensus in Q2. Adjusted EBITA in Software and Technical documentation segments were also under our expectations in Q2. Project postponements combined with unexpected demand variation reduced efficiency and utilisation ratios leading to a weaker than expected profitability. Travelling and training expenses were also up in Q2 y/y. However, the number of hours sold in the Chinese market was down only by 1.6% y/y in Q2 which was good performance taking into account COVID-19 lockdowns in the country. Operating cash flow was only EUR 4.4m in Q2. Increased receivables and higher expenses had a negative effect on cash flow in Q2. Full year guidance was unchanged. Etteplan is relatively confident for the demand situation in H2 2022. But uncertainty related to industrial investments and order backlogs has increased.

### Organic revenue growth was 10% in Q2 y/y

- Net sales (EUR 89m) was in-line with Refinitiv consensus in Q2.
- Adjusted EBITA was EUR 8.1m compared to consensus of EUR 8.7m in Q2.
- Reported EPS of EUR 0.22 was 8% below consensus in Q2.
- Engineering solutions EBITA was EUR 4.9m, slightly above our estimate of EUR 4.5m. Segment's sales were EUR 46.2m, close to our expectations of EUR 45.8m.
- Software and Embedded solutions EBITA was EUR 1.9m, below our estimate of EUR 2.2m. Sales were EUR 25.1m which was 7% above our estimate.
- Technical Documentation solutions EBITA was EUR 1.5m compared to our estimate of EUR 2.1m. Sales were EUR 17.7m in the segment, some 2% below our estimate in Q2.

### Full year 2022 revenue and EBIT guidance was confirmed

- Full year 2022 revenue guidance is EUR 340-370m (unchanged). Consensus for net sales (Refinitiv) has been EUR 354m.
- Operating profit is guided to be EUR 28-32m (unchanged, consensus EUR 29.5m).

**ETTEPLAN: DEVIATION TABLE**

| EURm              | Actual      | NDA est.    | Deviation   |            | Consensus   | Deviation   |            | Actual      | Actual     |             |            |
|-------------------|-------------|-------------|-------------|------------|-------------|-------------|------------|-------------|------------|-------------|------------|
|                   | Q2 2022     | Q2 2022E    | vs. actual  |            | Q2 2022E    | vs. actual  |            | Q1 2022     | q/q        | Q2 2021     | y/y        |
| <b>Sales</b>      | <b>89.3</b> | <b>87.4</b> | <b>1.9</b>  | <b>2%</b>  | <b>89.0</b> | <b>0.3</b>  | <b>0%</b>  | <b>89.6</b> | <b>0%</b>  | <b>75.0</b> | <b>19%</b> |
| <b>Adj. EBITA</b> | <b>8.1</b>  | <b>8.6</b>  | <b>-0.5</b> | <b>-6%</b> | <b>8.7</b>  | <b>-0.6</b> | <b>-7%</b> | <b>9.0</b>  | <b>-9%</b> | <b>7.8</b>  | <b>4%</b>  |
| Adj. EBITA margin | 9.1%        | 9.9%        | -0.8pp      |            | 9.8%        | -0.7pp      |            | 10.0%       | -0.9pp     | 10.4%       | -1.3pp     |
| EBIT              | 6.8         | 7.3         | -0.5        | -7%        | 7.5         | 0.7         | -9%        | 7.6         | -11%       | 6.7         | 1%         |
| EBIT margin       | 7.6%        | 8.4%        | -0.7pp      |            | 8.4%        | -0.8pp      |            | 8.5%        | -0.9pp     | 9.0%        | -1.4pp     |
| EPS               | 0.22        | 0.23        | -0.01       | -2%        | 0.24        | -0.02       | -8%        | 0.23        | -6%        | 0.20        | 10%        |

**Divisional****Sales**

|                         |      |      |      |     |  |  |  |      |     |      |     |
|-------------------------|------|------|------|-----|--|--|--|------|-----|------|-----|
| Engineering             | 46.2 | 45.8 | 0.4  | 1%  |  |  |  | 46.7 | -1% | 42.0 | 10% |
| Software and Embedded   | 25.1 | 23.5 | 1.7  | 7%  |  |  |  | 24.6 | 2%  | 19.9 | 27% |
| Technical documentation | 17.7 | 18.1 | -0.4 | -2% |  |  |  | 18.1 | -2% | 13.0 | 36% |

**Adj. EBITA**

|                         |     |     |      |      |  |  |  |     |      |     |      |
|-------------------------|-----|-----|------|------|--|--|--|-----|------|-----|------|
| Engineering             | 4.9 | 4.5 | 0.4  | 9%   |  |  |  | 4.9 | -1%  | 4.2 | 17%  |
| Software and Embedded   | 1.9 | 2.2 | -0.3 | -15% |  |  |  | 2.3 | -20% | 2.2 | -14% |
| Technical documentation | 1.5 | 2.1 | -0.5 | -26% |  |  |  | 1.8 | -15% | 1.6 | -5%  |

Source: Refinitiv, company data and Nordea estimates

**SUMMARY TABLE - KEY FIGURES**

| EURm                         | 2019  | 2020  | 2021  | 2022E | 2023E | 2024E |
|------------------------------|-------|-------|-------|-------|-------|-------|
| Total revenue                | 263   | 260   | 300   | 350   | 366   | 386   |
| EBITDA (adj)                 | 36    | 41    | 44    | 49    | 51    | 53    |
| EBIT (adj)                   | 22    | 23    | 26    | 30    | 31    | 33    |
| EBIT (adj) margin            | 8.3%  | 9.0%  | 8.6%  | 8.5%  | 8.6%  | 8.5%  |
| EPS (adj, EUR)               | 0.66  | 0.73  | 0.81  | 0.91  | 0.97  | 1.02  |
| EPS (adj) growth             | 4.3%  | 10.4% | 11.7% | 12.5% | 6.1%  | 4.8%  |
| DPS (ord, EUR)               | 0.35  | 0.34  | 0.40  | 0.44  | 0.47  | 0.50  |
| EV/Sales                     | 1.1   | 1.4   | 1.6   | 1.3   | 1.2   | 1.1   |
| EV/EBIT (adj)                | 13.4  | 15.5  | 18.1  | 15.0  | 13.7  | 12.7  |
| P/E (adj)                    | 15.4  | 17.8  | 20.8  | 17.7  | 16.7  | 15.9  |
| P/BV                         | 3.3   | 3.7   | 4.2   | 3.6   | 3.2   | 2.9   |
| Dividend yield (ord)         | 3.4%  | 2.6%  | 2.4%  | 2.7%  | 2.9%  | 3.1%  |
| FCF Yield bef A&D, lease adj | 9.2%  | 8.1%  | 3.7%  | 7.4%  | 6.6%  | 6.5%  |
| Net debt                     | 40    | 41    | 48    | 45    | 30    | 16    |
| Net debt/EBITDA              | 1.1   | 1.0   | 1.1   | 0.9   | 0.6   | 0.3   |
| ROIC after tax               | 16.8% | 15.7% | 15.3% | 19.9% | 20.7% | 21.8% |

Source: Company data and Nordea estimates

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