

23 August 2022

Commissioned research: Etteplan is buying Semcon for EUR 258m

Marketing material commissioned by Etteplan

Etteplan offers SEK 149 per Semcon's share, which is 32% over yesterday's close price. The board of directors of Semcon has recommended to accept the offer. A competitive offer is possible but not likely we believe. The proposed deal indicates EV/S valuation of 1.3x compared to Etteplan's own EV/S of 1.2x (peer group median 1.3x). The transaction is not very expensive but timing is interesting. Etteplan is late-cyclical company and economic indicators forecasts weak years for engineering consults. However, Etteplan has a very successful M&A track record which gives confidence for today's announcement. Semcon has 2,000 employees in seven countries compared to Etteplan with 4,000 workers in 8 countries. The combined company would become a Nordic market leader in technology services for industries. The deal also offers new customers, like Volvo Cars and AstraZeneca, for Etteplan. Annual synergies are estimated to be over EUR 5m. Market consensus (Refinitiv) for Semcon's EBIT 2022E has been SEK 184m. Added with full synergies, the deal would be under Etteplan's own EV/EBIT valuation (peer group EV/EBIT median 13x).

Financing of the transaction

Etteplan has no cash in hand for the full payment of EUR 258m why the company is planning EUR 110-125m rights offering on top of loans to finance the transaction. Etteplan's largest shareholder (66%) Ingman has committed to provide a bridge funding of at least EUR 110m as a part of the financing of the public offer. Ingman has also committed to participate in the planned rights offering at least with such amount that the bridge financing can be repaid in full. We have forecasted Etteplan's standalone net debt to be EUR 55m in 2022E and net debt EBITDA to be 1.1x end of December. New debt and combined EBITDA could lead net debt per EBITDA to be ~2.5x. The offer is valid if more than 90% of Semcon's owners accept it.

SUMMARY TABLE - KEY FIGURES

EURm	2019	2020	2021	2022E	2023E	2024E
Total revenue	263	260	300	354	375	396
EBITDA (adj)	36	41	44	49	50	52
EBIT (adj)	22	23	26	29	31	32
EBIT (adj) margin	8.3%	9.0%	8.6%	8.3%	8.1%	8.2%
EPS (adj, EUR)	0.66	0.73	0.81	0.92	0.95	1.01
EPS (adj) growth	4.3%	10.4%	11.7%	13.5%	3.2%	6.7%
DPS (ord, EUR)	0.35	0.34	0.40	0.44	0.47	0.50
EV/Sales	1.1	1.4	1.6	1.2	1.1	1.0
EV/EBIT (adj)	13.4	15.5	18.1	14.6	13.6	12.1
P/E (adj)	15.4	17.8	20.8	16.4	15.9	14.9
P/BV	3.3	3.7	4.2	3.4	3.0	2.7
Dividend yield (ord)	3.4%	2.6%	2.4%	2.9%	3.1%	3.3%
FCF Yield bef A&D, lease adj	9.2%	8.1%	3.7%	6.5%	8.8%	9.0%
Net debt	40	41	48	55	41	19
Net debt/EBITDA	1.1	1.0	1.1	1.1	0.8	0.4
ROIC after tax	16.8%	15.7%	15.3%	19.1%	18.9%	20.7%

Source: Company data and Nordea estimates

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