

Svedbergs Group

Consumer Goods
Sweden

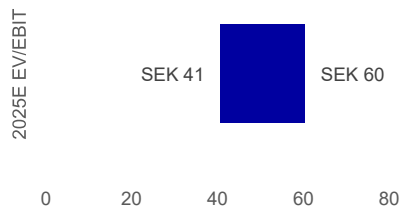
KEY DATA

Stock country	Sweden
Bloomberg	SVEDB.SS
Reuters	SVEDB.ST
Share price (close)	SEK 49.10
Free float	
Market cap. (bn)	EUR 0.23/SEK 2.60
Website	www.svedbergsgroup.se
Next report date	18 Jul 2024

PERFORMANCE



VALUATION APPROACH



ESTIMATE CHANGES

Year	2024E	2025E	2026E
Sales	n.a.	n.a.	n.a.
EBIT (adj)	n.a.	n.a.	n.a.

Source: Nordea estimates

Nordea IB & Equity - Analysts

Mona Kilsgård
AnalystAgnieszka Vilela
Managing Director

A spotless champion

Svedbergs Group has set the course to consolidate the European market for bathroom fittings, evolving from a Swedish-centric company to a prominent player in northern Europe. With roughly two-thirds of its sales now originating from outside of the Nordics, we argue that the company has mitigated end-market risks. Due to its large exposure to renovations (~85%), Svedbergs Group also looks set to exit the current construction downturn earlier than other building material firms that are more exposed to newbuilds. Given its latest margin-accretive acquisitions, the company's adjusted EBITA margin target of 15% appears within reach by the end of this year. We initiate coverage on Svedbergs Group and set our fair value range at SEK 41-60 per share, translating to 2025E EV/EBIT of 7.5-10.5x.

De-risked market exposure ought to support growth

Owing to recent acquisitions, Svedbergs Group has de-risked its end-market exposure, going from having a presence only in Sweden to becoming a leading player within the northern European market for bathroom fittings. In the midst of this transformation, the company's share of sales originating from outside the Nordic region has grown from less than 1% in 2016 to ~65% for LTM Q1 2024. Supported by ~85% of sales stemming from renovations, coupled with an expected gradual market recovery in 2024, we believe the company will likely exit the current construction downturn earlier than other companies that have more exposure to newbuilds.

Set to reach its adjusted EBITA margin target

While our estimates do not include any potential future M&A, we remain confident that Svedbergs Group will remain an active market consolidator, especially given its track record of acquiring well-established and profitable businesses, coupled with M&A being part of its growth target. In late 2023, the company proved its M&A affinity by incorporating Thebalux in the Netherlands. With Thebalux accounting for the highest margin in the group (~25%) and contributing to a larger share of earnings ahead, Svedbergs Group looks set to reach its adjusted EBITA margin target of 15% in 2024.

We set a fair value range of SEK 41-60 per share

We initiate coverage of Svedbergs Group with a fair value range of SEK 41-60 per share, reflecting 2025E EV/adjusted EBIT of 7.5-10.5x. This can be set relative to peers at an average 2025E adjusted EV/EBIT of ~13x, implying a discount of 20-40%.

SUMMARY TABLE - KEY FIGURES

SEKm	2020	2021	2022	2023	2024E	2025E	2026E
Total revenue	649	869	1,833	1,824	2,226	2,316	2,402
EBITDA (adj)	100	146	298	292	400	438	463
EBIT (adj)	76	114	242	229	318	345	367
EBIT (adj) margin	11.8%	13.1%	13.2%	12.5%	14.3%	14.9%	15.3%
EPS (adj, SEK)	2.88	3.15	5.17	4.01	3.82	4.22	4.54
EPS (adj) growth	47.0%	9.3%	64.0%	-22.4%	-4.8%	10.5%	7.5%
DPS (ord, SEK)	0.00	1.25	0.00	1.50	1.00	1.25	1.50
EV/Sales	1.1	3.2	0.7	1.2	1.5	1.3	1.2
EV/EBIT (adj)	9.6	24.1	5.7	9.7	10.2	8.8	7.7
P/E (adj)	8.5	19.6	4.3	7.8	12.9	11.6	10.8
P/BV	2.3	6.0	0.8	1.1	1.7	1.4	1.3
Dividend yield (ord)	0.0%	2.0%	0.0%	4.8%	2.0%	2.5%	3.1%
FCF Yield bef A&D, lease	12.8%	5.0%	27.0%	15.4%	6.2%	9.7%	10.4%
Net debt	212	1,137	623	1,108	628	430	224
Net debt/EBITDA	2.4	9.0	2.1	4.0	1.6	1.0	0.5
ROIC after tax	13.0%	8.4%	11.2%	8.6%	10.3%	10.8%	11.2%

Source: Company data and Nordea estimates

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Svedbergs Group

Not rated

Sweden | Consumer Goods

Sector average rating: **BBB**

Svedbergs Group - ESG profile

Svedbergs Group is focused on the development of innovative and high-quality bathroom products, aiming to find solutions that extend the life of its products and reduce their environmental impact, from the design phase and throughout production. The company places a strong emphasis on the sustainability of materials and on reducing its emissions.

Key ESG risk/opportunity

Svedbergs Group places great importance on materials' sustainability, from using wood from sustainable forestry, to increasing the share of recycled content and integrating circular design principles in product development. A high proportion of in-house development (roughly a third) limits transportation emissions and decreases supply chain risk, while the Swedish operations have been using only renewable energy since 2019.

Other ESG risks/opportunities

Material sourcing poses risks in the form of higher prices, regulations and reputational issues. This risk is limited through e.g. the use of shared logistics and supply chain management, the implementation of supplier requirements, and reduced plastic content. Svedbergs Group also strives to optimise energy and water consumption, both within its operations and by incorporating such measures into its product development.

Main takeaways from our ESG rating

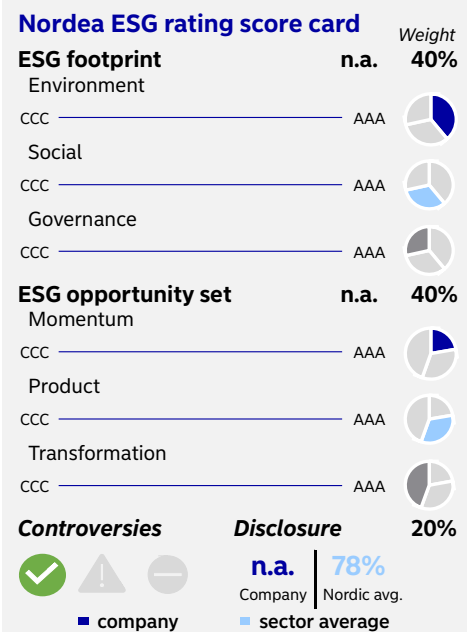
The company is not rated. It will receive a rating based on full-year 2023 data as part of our annual update in summer 2024.

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CO₂ INTENSITY - SCOPE 2 (T/EURm SALES)

No data available

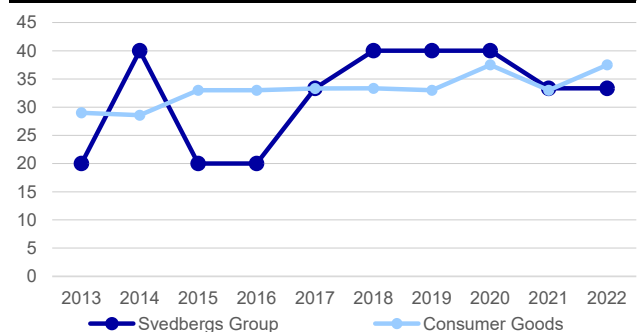
WASTE INTENSITY (T/EURm SALES)

No data available

EMPLOYEE TURNOVER (%)

No data available

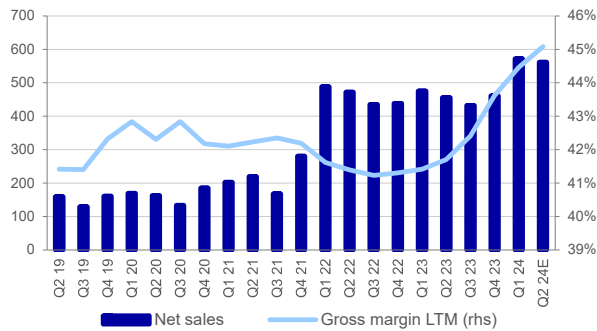
FEMALE BOARD MEMBERS (%)



Source all four charts: Company data and Nordea estimates

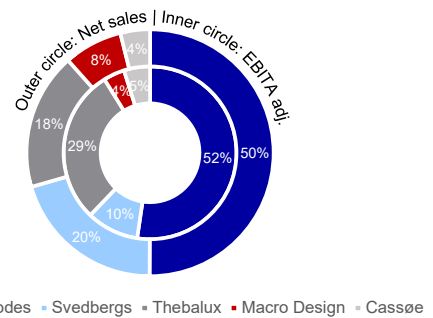
Key charts

NET SALES (SEKm) AND GROSS MARGIN LTM (%)



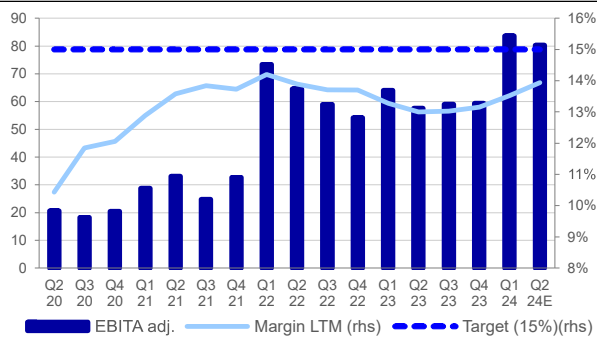
Source: Company data and Nordea estimates

DIVISIONAL DISTRIBUTIONS, Q2 2024



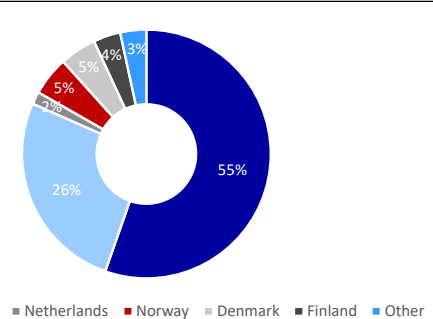
Source: Company data and Nordea estimates

ADJUSTED EBITA (SEKm) AND MARGIN (%)



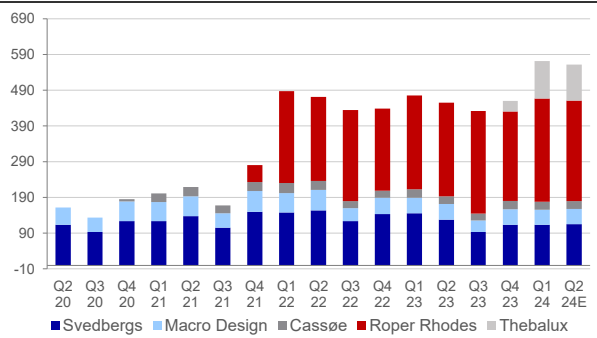
Source: Company data and Nordea estimates

GEOGRAPHICAL SALES SPLIT (SEKm), 2023



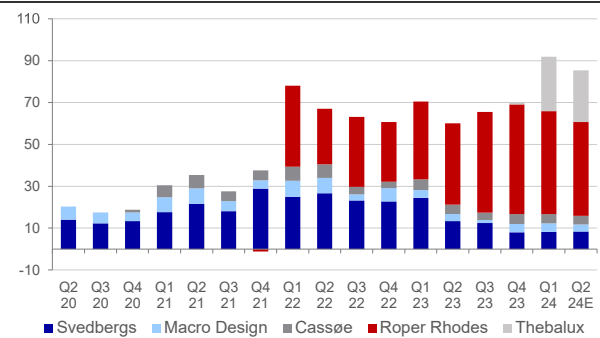
Source: Company data and Nordea estimates

EXTERNAL SALES DISTRIBUTION (SEKm)



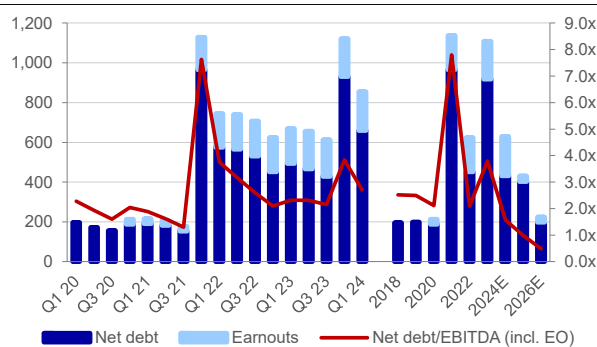
Source: Company data and Nordea estimates

ADJUSTED EBITA DISTRIBUTION (SEKm)



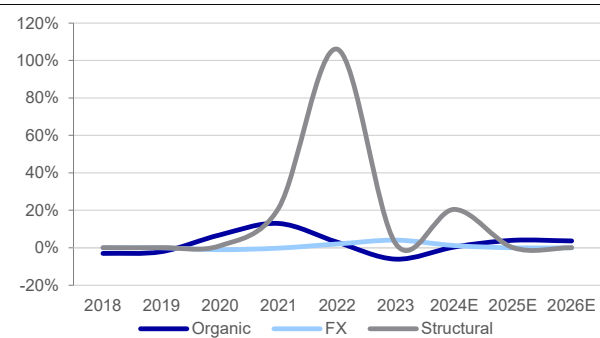
Source: Company data and Nordea

NET DEBT (SEKm) AND LEVERAGE RATIO (x)



Source: Company data and Nordea estimates

SALES GROWTH DRIVERS (%)



Source: Company data and Nordea

Factors to consider when investing

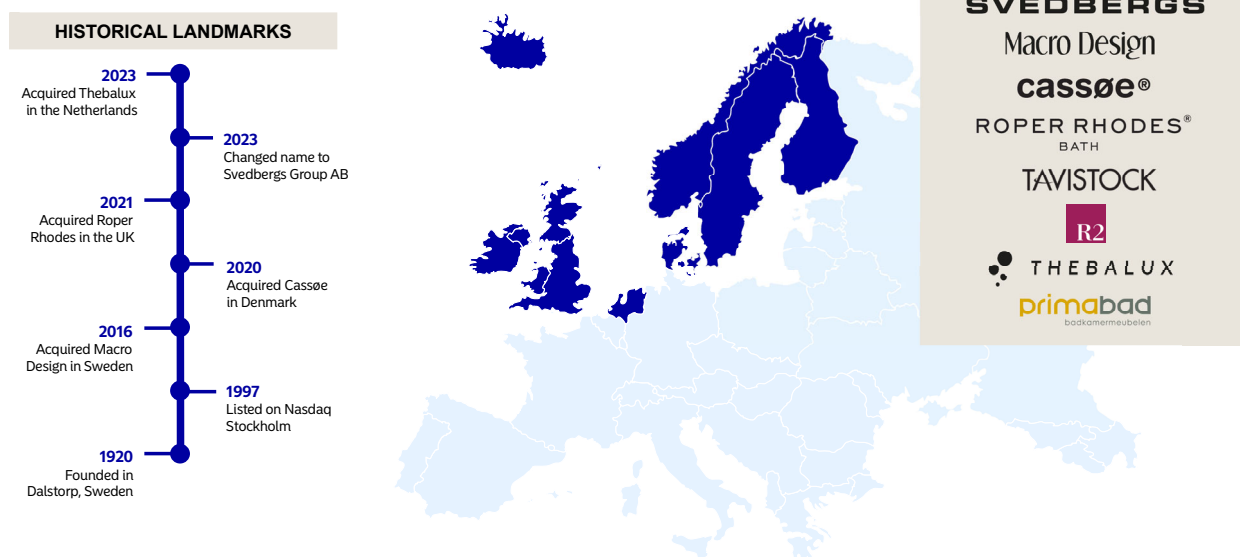
Svedbergs Group has undergone a significant change in its market exposure, with the share of sales originating from outside the Nordic region having increased from less than 1% in 2016 to 64% in LTM Q1 2024. As such, we argue that Svedbergs Group has mitigated risks associated with market fluctuations, and with a large exposure to renovations (~85%), the company is able to reduce its cyclicity. Going forward, Svedbergs Group looks well positioned to capture the trend of increased home investments and the underlying need for new housing, which we argue will contribute to the company's long-term growth trajectory. Moreover, given an anticipated gradual market recovery heading into H2 2024, coupled with the company's latest acquisitions, which are margin-accretive, Svedbergs Group looks set to reach its adjusted EBITA margin target of 15% in 2024, after which we cautiously pencil in a gradual margin expansion of 0.9pp for 2024-26. Through a multiples-based valuation, we set a fair value range of SEK 41-60 per share, reflecting 2025E EV/adjusted EBITA of 7.5-10.5x.

Svedbergs Group provides an extensive array of bathroom products, catering to clientele across the Nordics, the UK and the Netherlands

Transformed from a local hub to a northern European player

Since its inception in 1920, Svedbergs Group has gone from having a presence only in Sweden to becoming a well-established bathroom group in northern Europe. Through its eight brands – Svedbergs, Macro Design, Cassøe, Roper Rhodes, Tavistock, R2 and the more recently added Thebalux and Primabad – the company offers a comprehensive array of products, ranging from sanitary ware to heating solutions, enabling Svedbergs Group to cater to a broad spectrum of the market and accommodate varying customer preferences.

SVEDBERGS GROUP: HISTORICAL LANDMARKS, GEOGRAPHICAL PRESENCE AND BRANDS, 2023

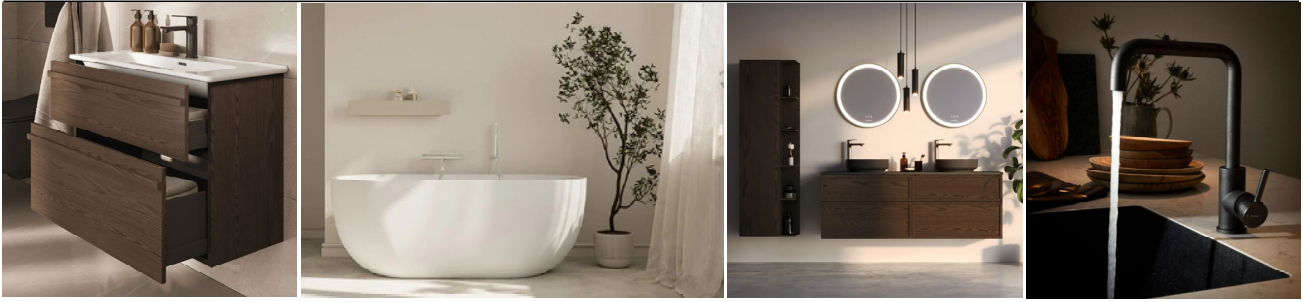


Source: Company data and Nordea

The company's strategy is to grow both organically and through strategic acquisitions

With a vision of becoming Europe's leading group of innovative brands that designs, manufactures and markets sustainable products and services for bathrooms, the company relies on a combination of organic growth and strategic acquisitions, targeting companies that complement its current portfolio through a broader geographical presence, new product categories and greater expertise in innovation, marketing and sustainability.

A SELECTION OF SVEDBERGS GROUP'S PRODUCTS



Source: Company images

A de-risked market exposure following recent acquisitions

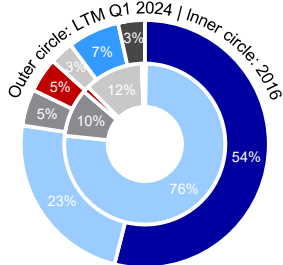
Following its two most recent acquisitions, Svedbergs Group has seen a profound change in its market exposure, having de-risked its operations

In 2016, Svedbergs Group shifted gears and made its first acquisition, Macro Design in Sweden. Since then, the company has made three acquisitions, growing sales from SEK 449m in 2016 to SEK 1.9bn in LTM Q1 2024. During this journey, the company has also significantly expanded its geographical footprint and decreased its dependence on one single market.

Through the acquisition of Roper Rhodes in 2021, the company established itself outside the Nordic region

Through the acquisition of Roper Rhodes in the UK at the end of 2021, Svedbergs Group took its first step towards establishing itself outside the Nordic region, which, in our view, marked a significant milestone in the company's efforts to consolidate the fragmented European market for bathroom fittings. After this acquisition, Svedbergs Group's market exposure underwent a significant transformation, with the UK emerging as its largest market, accounting for 54% of group sales as of LTM Q1 2024. This marks a substantial shift compared to 2016, when the Nordics accounted for nearly all of group sales (36% as of LTM Q1 2024).

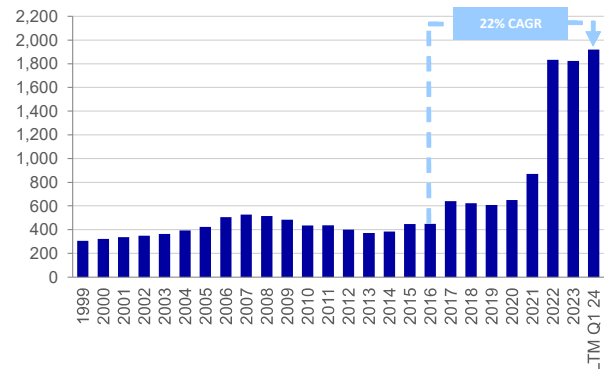
MARKET EXPOSURE (%), 2016 VS. LTM Q1 2024



■ UK ■ Sweden ■ Norway ■ Denmark ■ Finland ■ Netherlands ■ Other

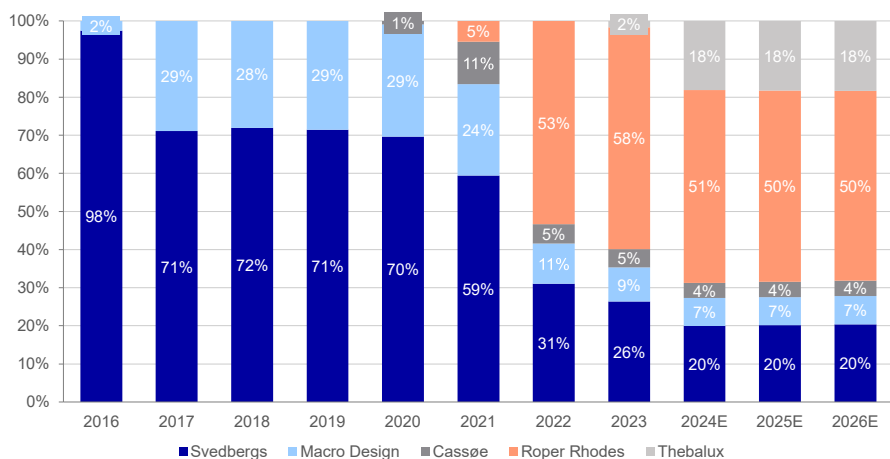
Source: Company data and Nordea

NET SALES DEVELOPMENT (SEKm)



Source: Company data and Nordea

SEGMENT SPLIT AS A PERCENTAGE OF SALES, 2016-26E



Source: Company data and Nordea estimates

The share of sales originating from outside the Nordic region has grown from nearly zero in 2016 to 64% in LTM Q1 2024

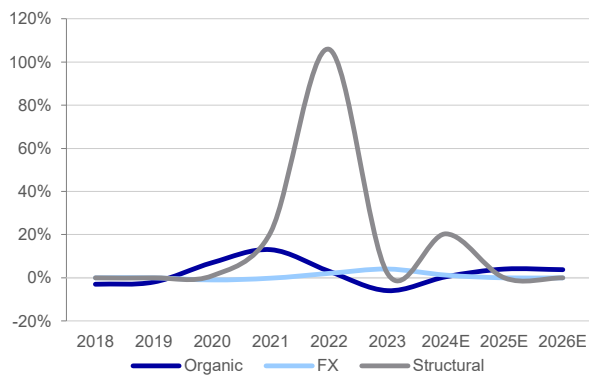
The acquisition of Thebalux in 2023 was yet another step in Svedbergs Group's ambition to consolidate the European market

Most recently, Svedbergs Group expanded its portfolio by incorporating Thebalux in the Netherlands, marking another significant addition to its operations and setting the group on a trajectory for further growth and one step closer to consolidating the European market. Moreover, in the midst of this overall transformation, going from a company only present in Sweden to a northern European player, we argue that Svedbergs Group has mitigated risks associated with market fluctuations, as well as reducing its cyclicality.

Despite a weakening market, Roper Rhodes has held up well, mitigating the decline seen in the Nordic region

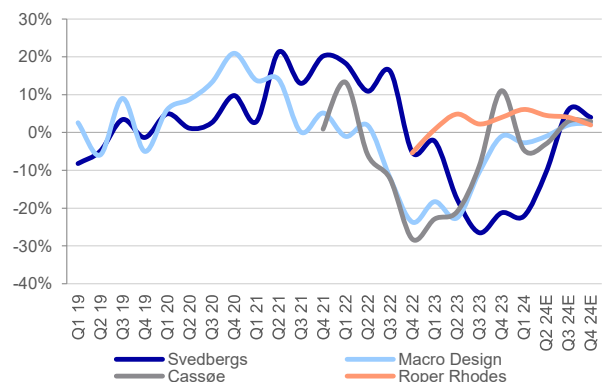
For instance, despite a noticeable market slowdown in the UK (read further details in the *Market overview* chapter), Roper Rhodes, the group's largest brand, has sustained its growth, delivering average organic y/y growth of ~4% per quarter since Q1 2023. This is in stark contrast to the company's Nordic operations, which have encountered significant market challenges, particularly due to a downturn in the new construction sector – with the Svedbergs brand accounting for roughly 30-35% of the group's exposure to newbuilds (~15% of group sales stem from newbuilds).

SALES GROWTH DRIVERS (%)



Source: Company data and Nordea estimates

ORGANIC GROWTH Y/Y BY SEGMENT (%)



Source: Company data and Nordea estimates

Short-term headwinds offset by resilient underlying market demand

Underlying demand is driven by increased home investments and new construction

Svedbergs Group looks well positioned to capture the trend of increased home investments, while consumers are seeking personalised and sustainable solutions with increased technological content. There is also a pent-up need for new housing in all of Svedbergs Group's geographical markets, which we argue will contribute to the company's long-term growth trajectory.

Demand in the consumer market tends to be less volatile over a business cycle compared to the new construction market

However, over the past two years, rising construction costs and interest rates have significantly reduced demand in the European building construction industry, particularly in the newbuild sector – in which Svedbergs Group is late-cyclical, as bathroom furniture and products are usually installed towards the end of new construction. Hence, we see some near-term headwinds, specifically impacting the group's Nordic operations (accounting for ~36% of group sales as of LTM Q1 2024), due to the soft macroeconomic environment.

With 85% of sales stemming from renovation, coupled with some positive market indicators, we look for flat organic growth y/y in 2024

Despite the generally negative forecasts for the industry in 2024, the anticipated reduction in interest rates throughout the year – which has already begun – coupled with some positive signs in Swedish housing building starts, construction confidence and housing transactions, should boost demand ahead, in our view. With easier comparisons for Svedbergs Group's Nordic operations heading into H2 2024, we look for flat organic growth y/y for the full-year 2024. Hence, given the company's de-risked market exposure combined with roughly 85% of its sales stemming from renovations, we believe Svedbergs Group will exit the current construction downturn earlier than other building materials companies that are more exposed to newbuilds. As such, we do not expect short-term challenges to affect the company's long-term strategy.

Current market challenges will likely not interrupt the company's long-term strategy

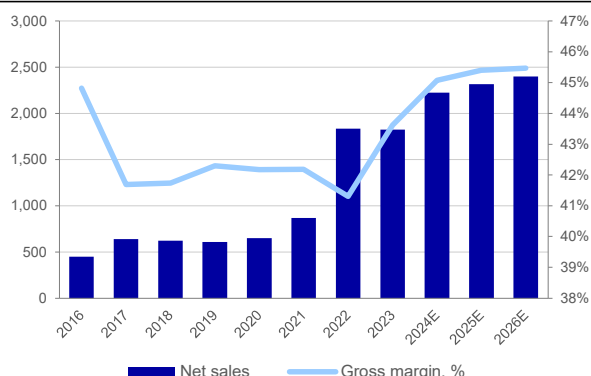
Looks set to reach its margin target in 2024

Svedbergs Group's adjusted EBITA margin target of 15% appears achievable in 2024

Following the margin-accretive acquisition of Thebalux in late 2023, which delivered an adjusted EBITA margin of 24.8% in Q1 2024, coupled with an anticipated gradual market recovery, we argue that margins should be structurally higher and less volatile going forward. We model adjusted EBITA growth of ~40% y/y for 2024, and a CAGR of 7% for 2024-26, with Thebalux's share of group adjusted EBITA growing from less than 1% in 2023 to 27% in 2024E. At the same time, we expect Svedbergs Group to attain a

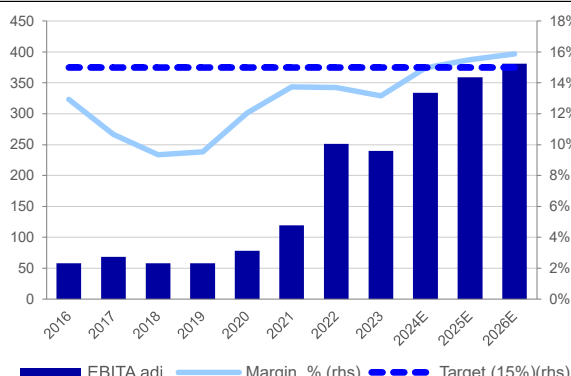
gradually increasing adjusted EBITA margin, growing by 1.8pp y/y in 2024E to 15.0%, after which we cautiously pencil in a gradual margin expansion of 0.9pp for 2024-26. As such, despite cyclical headwinds, Svedbergs Group looks set to reach its adjusted EBITA margin target of 15% in 2024.

NET SALES (SEKm) AND GROSS MARGIN (%)



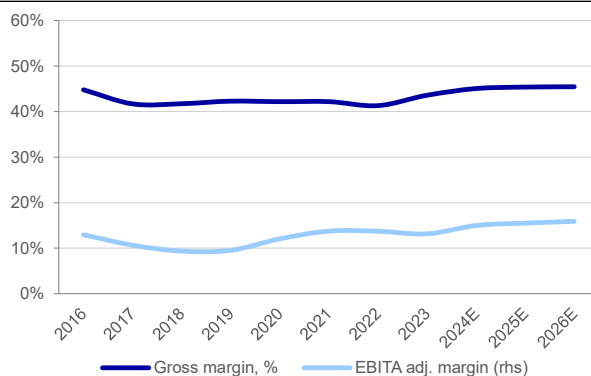
Source: Company data and Nordea estimates

ADJUSTED EBITA (SEKm) AND MARGIN (%)



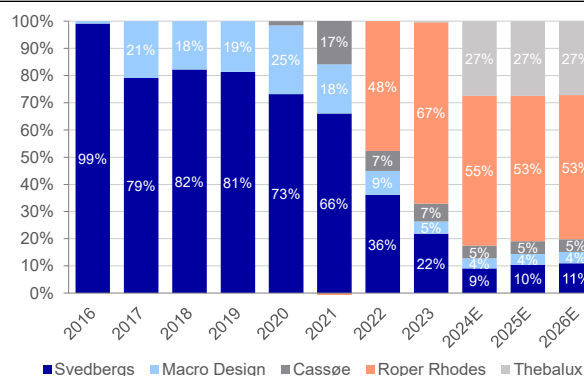
Source: Company data and Nordea estimates

GROSS MARGIN AND ADJUSTED EBITA MARGIN (%)



Source: Company data and Nordea estimates

SEGMENT SPLIT AS % OF ADJUSTED EBITA



Source: Company data and Nordea estimates

Primed for future growth via strategic acquisitions

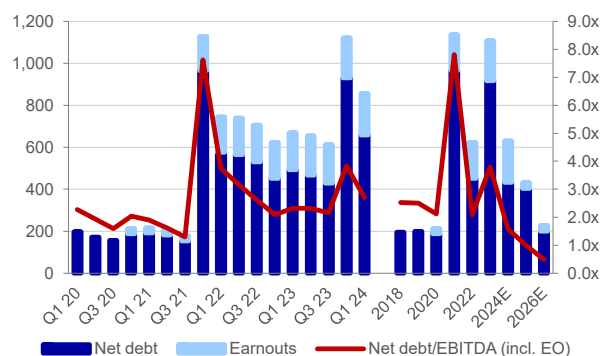
The company has set the course to consolidate the European market for bathroom furniture and shower enclosures

Svedbergs Group has set the course to consolidate the European market for bathroom furniture and shower enclosures – a market that is currently characterised as fragmented, consisting of several independent, strong local brands. While our estimates do not include any potential future acquisitions, we remain confident that Svedbergs Group will continue to be an active market consolidator. This expectation is reinforced by communication from management, the company's track record of acquiring well-established and profitable businesses, and the fact that the company has incorporated M&A in its growth target, aiming to reach average net sales growth of 10% over a business cycle.

We expect the temporary elevated leverage to return to a healthier level throughout 2024

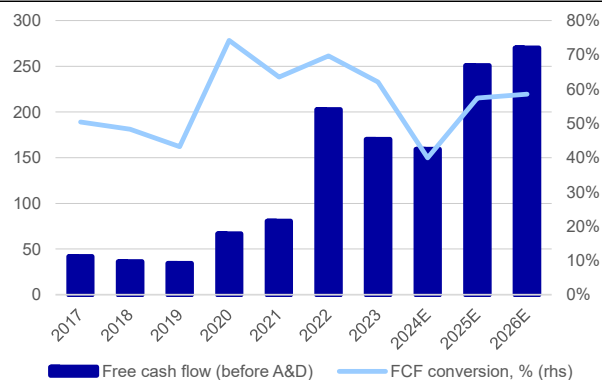
Moreover, Svedbergs Group ended 2023 with somewhat elevated net debt/adjusted EBITDA of 3.8x, owing to the acquisition of Thebalux. However, following its finalised rights issue at the beginning of 2024 of roughly SEK 400m, the company decreased its debt level (including earnouts) from SEK ~1.1bn in Q4 2023 to SEK 855m in Q1 2024. Given the company's solid cash conversion, relatively stable net working capital and limited capex needs, together with our estimate of adjusted EBITDA growth of almost 40% y/y for 2024, we expect this trend to persist and we forecast net debt (including earnouts) of SEK ~630m for 2024, implying net debt/adjusted EBITDA of 1.6x. With leverage returning to healthier levels and projected accumulated free cash flow (before A&D) in the realm of SEK ~680m for 2024E-26E, we believe potential future acquisitions are imminent.

NET DEBT (SEKm) AND LEVERAGE (x)



Source: Company data and Nordea estimates

FREE CASH FLOW (SEKm) AND FCF CONVERSION (%)



Source: Company data and Nordea estimates

Financial benchmarking

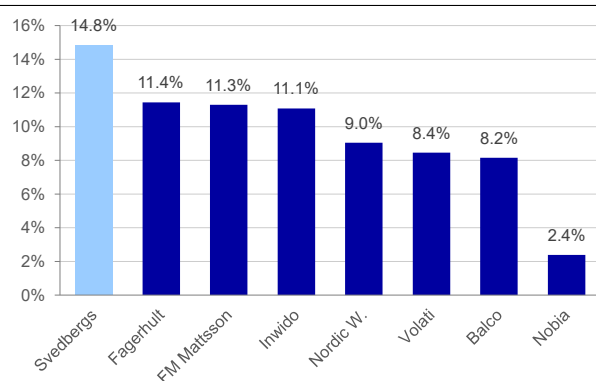
Given Svedbergs Group's exposure to both the renovation market and new construction, we find it relevant to benchmark the company using a peer group of other Swedish building materials companies. The peer group includes Inwido, Nobia, FM Mattsson, Balco, Nordic Waterproofing, Volati and Fagerhult.

SVEDBERGS GROUP: PEER VALUATION (SWEDISH BUILDING MATERIAL COMPANIES)

Company	Rating	Mcap SEKm	EV/EBITDA (adj.)			EV/EBITA (adj.)			EV/EBIT (adj.)			P/E (adj.)			EBIT %	Growth
			24E	25E	26E	24E	25E	26E	24E	25E	26E	24E	25E	26E		
Inwido	BUY	8,330	7.4x	6.4x	5.5x	10.0x	8.5x	7.2x	10.5x	8.8x	7.5x	14.1x	11.7x	10.5x	11.1%	4.9%
Nobia	BUY	3,598	9.1x	5.9x	4.5x	-	20.7x	11.5x	-	26.6x	13.3x	-	-	16.3x	2.4%	5.5%
Volati	BUY	9,385	13.4x	10.5x	9.6x	16.3x	12.5x	11.3x	19.5x	14.5x	13.0x	-	22.0x	19.1x	8.4%	7.0%
FM Mattsson	NOT COVERED	1,920	5.8x	5.4x	5.0x	7.1x	6.0x	-	8.0x	7.1x	6.2x	15.5x	12.6x	10.9x	11.3%	6.0%
Balco	NOT COVERED	1,013	9.5x	7.2x	6.6x	13.4x	9.4x	8.6x	9.5x	7.2x	6.6x	17.1x	9.6x	8.2x	8.2%	7.2%
Nordic Waterproofing	NOT COVERED	3,894	9.4x	8.1x	7.7x	13.1x	10.4x	9.8x	12.8x	10.7x	10.1x	17.0x	12.4x	11.1x	9.0%	5.1%
Fagerhult	NOT COVERED	12,286	11.0x	10.4x	9.7x	14.1x	12.9x	-	15.7x	14.2x	12.8x	18.5x	16.4x	14.6x	11.4%	6.1%
Peers average			9.4x	7.7x	6.9x	12.3x	11.5x	9.7x	12.7x	12.7x	10.0x	16.4x	14.1x	13.0x	8.8%	6.0%
Peers median			9.4x	7.2x	6.6x	13.2x	10.4x	9.8x	11.6x	10.7x	10.1x	17.0x	12.5x	11.1x	9.0%	6.0%
Svedbergs (Nordea)	NO RATING	2,490	7.8x	6.7x	5.9x	9.3x	8.1x	7.1x	9.8x	8.5x	7.4x	12.3x	11.1x	10.4x	14.8%	3.9%
vs. peers average			-17%	-13%	-16%	-24%	-29%	-26%	-22%	-33%	-26%	-25%	-21%	-20%	6.0 pp	-2.1 pp
vs. peers median			-17%	-7%	-12%	-29%	-22%	-27%	-16%	-21%	-27%	-28%	-11%	-6%	6.0 pp	-2.1 pp

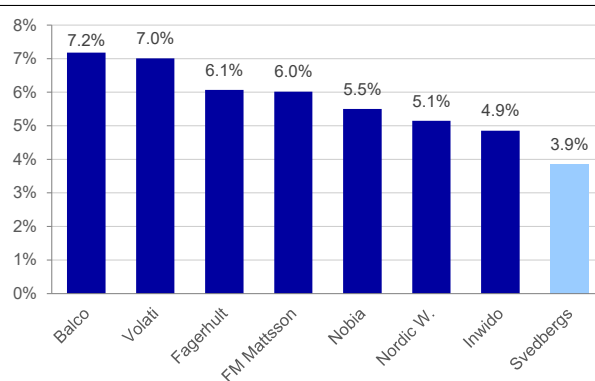
Source: LSEG Data & Analytics and Nordea estimates

PEER ANALYSIS: ADJUSTED EBIT MARGIN (%), 2024E-26E



Source: LSEG Data & Analytics and Nordea estimates

PEER ANALYSIS: SALES CAGR (%), 2024E-26E



Source: LSEG Data & Analytics and Nordea estimates

While we benchmark Svedbergs Group against the above-mentioned building materials companies, we also provide an overview of a smaller set of European peers, consisting of Geberit, Villeroy & Boch, and Howden.

SVEDBERGS GROUP: PEER VALUATION (SWEDISH BUILDING MATERIALS COMPANIES)

Company	Rating	Mcap SEKm	EV/EBITDA (adj.)			EV/EBITA (adj.)			EV/EBIT (adj.)			P/E (adj.)			EBIT % 24E-26E	Growth 24E-26E
			24E	25E	26E	24E	25E	26E	24E	25E	26E	24E	25E	26E		
Geberit	NOT COVERED	226,890	22.7x	21.5x	20.3x	26.4x	25.0x	23.6x	27.3x	25.8x	24.2x	31.6x	29.2x	27.5x	24.7%	4.5%
Villeroy & Boch	NOT COVERED	2,729	4.2x	3.9x	3.7x	-	-	-	7.2x	6.8x	6.5x	6.3x	5.6x	5.3x	8.7%	6.8%
Howden	NOT COVERED	67,546	11.0x	10.0x	9.5x	15.0x	13.7x	12.6x	15.0x	13.5x	12.8x	19.0x	16.9x	15.3x	15.8%	6.6%
Peers average			12.6x	11.8x	11.2x	20.7x	19.3x	18.1x	16.5x	15.4x	14.5x	19.0x	17.2x	16.0x	16.4%	6.0%
Peers median			11.0x	10.0x	9.5x	20.7x	19.3x	18.1x	15.0x	13.5x	12.8x	19.0x	16.9x	15.3x	15.8%	6.8%
Svedbergs (Nordea)	NO RATING	2,490	7.8x	6.7x	5.9x	9.3x	8.1x	7.1x	9.8x	8.5x	7.4x	12.3x	11.1x	10.4x	14.8%	3.9%
vs. peers average			-38%	-44%	-48%	-55%	-58%	-61%	-41%	-45%	-49%	-35%	-35%	-35%	-1.6 pp	-2.1 pp
vs. peers median			-29%	-34%	-38%	-55%	-58%	-61%	-35%	-38%	-42%	-35%	-34%	-32%	-1.6 pp	-2.1 pp

Source: LSEG Data & Analytics and Nordea estimates

We initiate coverage with a fair value range of SEK 41-60 per share

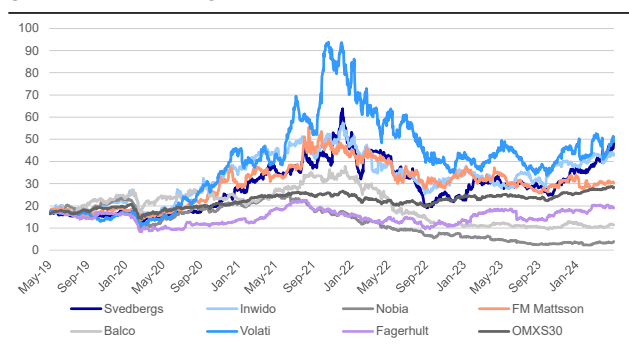
We initiate coverage of Svedbergs Group with a fair value range of SEK 41-60 per share, reflecting 2025E EV/adjusted EBIT of 7.5-10.5x. Relative to the sector average 2025E adjusted EV/EBIT of ~13x, this implies a discount of ~20-40%. The share is currently, as of 31 May, trading at 2025E EV/adjusted EBIT of 8.5x, which is a discount to its four-year median and average of 9x and 9.3x, respectively. Moreover, given the company's growth agenda ahead, we see further upside potential from additional strategic acquisitions.

VALUATION: 2025E ADJUSTED EV/EBIT SENSITIVITY (SEK PER SHARE, SEKm AND x)

Adjusted EV/EBIT 2025E - multiple	7.0x	7.5x	8.0x	8.5x	9.0x	9.5x	10.0x	10.5x	11.0x	11.5x	12.0x	12.5x	13.0x
Implied EV	2,416	2,589	2,762	2,934	3,107	3,279	3,452	3,625	3,797	3,970	4,142	4,315	4,488
ND	430	430	430	430	430	430	430	430	430	430	430	430	430
Implied Mcap	1,987	2,159	2,332	2,505	2,677	2,850	3,022	3,195	3,368	3,540	3,713	3,885	4,058
Mcap per share (SEK)	38	41	44	47	51	54	57	60	64	67	70	73	77
Implied P/E	8.9x	9.7x	10.4x	11.2x	12.0x	12.7x	13.5x	14.3x	15.1x	15.8x	16.6x	17.4x	18.1x
Implied FCF yield	4.2%	3.8%	3.5%	3.3%	3.1%	2.9%	2.7%	2.6%	2.5%	2.3%	2.2%	2.1%	2.0%
Implied EV/EBITA 2024E vs. peer average	-45%	-41%	-37%	-33%	-29%	-25%	-21%	-17%	-14%	-10%	-6%	-2%	2%
Implied EV/EBITA 2024E vs. peer median	-34%	-30%	-25%	-20%	-16%	-11%	-6%	-1%	3%	8%	13%	17%	22%
Upside/downside to current share price	-22%	-16%	-9%	-2%	5%	11%	18%	25%	32%	38%	45%	52%	59%

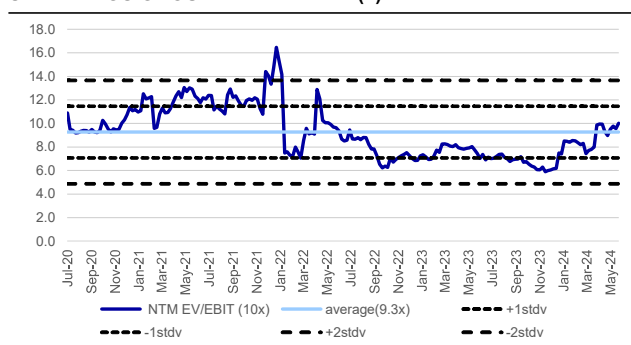
Source: Nordea estimates

SHARE PRICE PERFORMANCE



Source: LSEG Data & Analytics

SVEDBERGS GROUP: NTM EV/EBIT (x)



Source: LSEG Data & Analytics

Company overview

Svedbergs Group is a pioneering force in the realm of bathroom furnishing, with a rich heritage dating back to 1920. Renowned for its Scandinavian roots and relentless pursuit of innovation, sustainability and digitalisation, the company offers a comprehensive array of products ranging from sanitary ware to heating solutions, tailored to elevate the ambience of any bathroom space. Given the acquisition of Roper Rhodes in 2021, Svedbergs Group has significantly de-risked its end-market exposure, with the UK now emerging as its largest market (54% of sales in LTM Q1 2024), followed by the Nordics (36%). The company also grew sales from SEK 449m in 2016 to SEK 1.9bn in LTM Q1 2024. Most recently, Svedbergs Group expanded its portfolio by incorporating Thebalux in the Netherlands, marking another significant addition to its operations and setting the group on a trajectory for further growth and one step closer to consolidating the European market.

Introduction to Svedbergs Group

Svedbergs Group provides an expensive array of bathroom products, catering to clientele across the Nordics, the UK and the Netherlands

Svedbergs Group, headquartered in Sweden, is a well-established bathroom group in northern Europe. The company operates through its eight brands: Svedbergs, Macro Design, Cassøe, Roper Rhodes, Tavistock, R2 and the more recently added Thebalux and Primabad. It offers a comprehensive range of products, including bathroom furniture, shower enclosures, baths, brassware, heated towel rails, toilets and bathroom accessories – enabling the company to cater to a broad spectrum of the market and accommodate varying customer preferences.

Business model and value proposition

Set to consolidate the European market for bathroom products

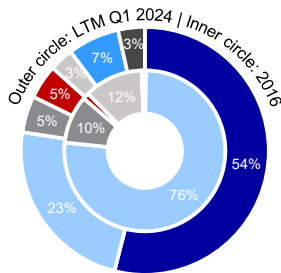
Svedbergs Group's vision is to be recognised as Europe's leading group of innovative brands that design, manufacture and market sustainable products and services for bathrooms. To enable this, the company invests in independent and innovative European brands that complement the group.

The company has significantly diversified its market exposure...

Since its start in 1920, Svedbergs Group has significantly de-risked its end-market exposure, going from having a presence only in Sweden to become a leading player within the northern European bathroom furniture market. Following the acquisition of Roper Rhodes in 2021, Svedbergs Group's market exposure underwent a significant transformation, with the UK emerging as its largest market, accounting for 54% of group sales as of LTM Q1 2024. This marks a substantial shift compared to 2016, when the Nordics accounted for all group sales (36% as of LTM Q1 2024). Most recently, through the acquisition of Thebalux in 2023, Svedbergs Group has also established a presence in the Netherlands. The company also has grown sales from SEK 449m in 2016 to SEK 1.9bn in LTM Q1 2024, translating to a CAGR of 22% over the same period.

...with the UK accounting for 54% of sales as of LTM Q1 2024

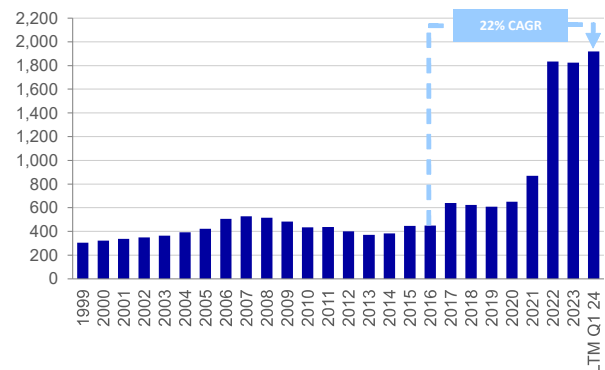
MARKET EXPOSURE (%), 2016 VERSUS LTM Q1 2024



■ UK ■ Sweden ■ Norway ■ Denmark ■ Finland ■ Netherlands ■ Other

Source: Company data and Nordea

NET SALES DEVELOPMENT (SEKm)



Source: Company data and Nordea

The company's strategy is to grow both organically and through strategic acquisitions

Svedbergs Group's strategy is centred on a combination of organic growth and strategic acquisitions, targeting companies that complement its current portfolio through a broader geographical presence, new product categories and greater expertise in innovation, marketing and sustainability. In this pursuit, the company is not targeting any turnaround cases, but rather is looking for already well-established profitable businesses.

Svedbergs Group deploys a decentralised and entrepreneur-driven business model, with subsidiaries operating as independent but cooperating businesses

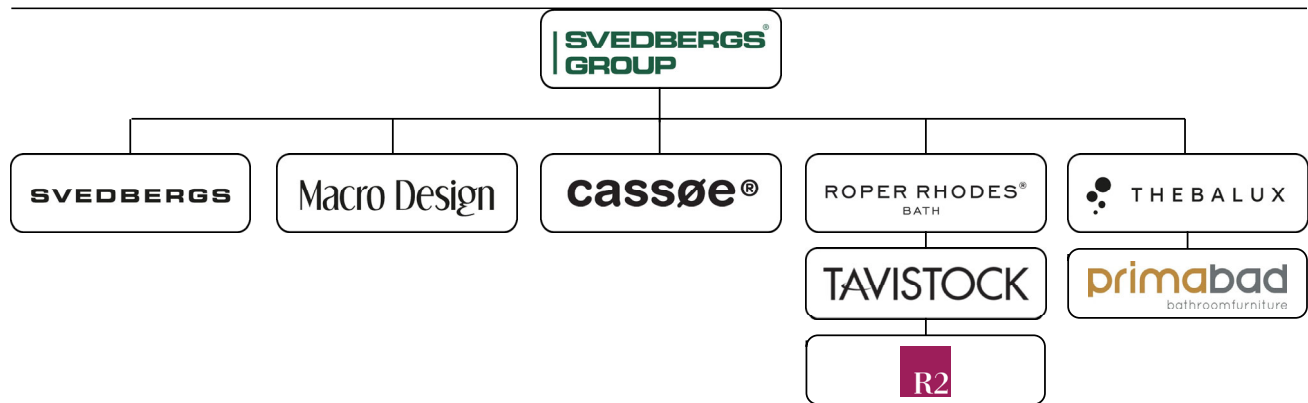
As they are brought under the Svedbergs Group umbrella, the acquired companies are encouraged to collaborate with each other, sharing expertise in areas such as branding, design, product development and sustainability. This is accomplished while maintaining independence, a high degree of autonomy and an entrepreneurial spirit, which the company calls "cooperation without confusion". Among shared functions, it highlights sourcing, production, digitalisation and sustainability as key enablers of synergy extraction, sustained growth and cost efficiencies for the group.

Segment overview

Svedbergs Group operates through eight brands, all distributed under its five segments

Svedbergs Group operates through five segments: Svedbergs (its original brand), Macro Design (acquired in 2016), Cassøe (2020), Roper Rhodes (2021) and Thebalux (2023). Under the Roper Rhodes segment, Svedbergs Group also operates its brands Tavistock and R2, while the Thebalux segment includes the Primabad brand. As such, the company operates a total of eight brands, all with a strong position in their respective geographical markets and various niches.

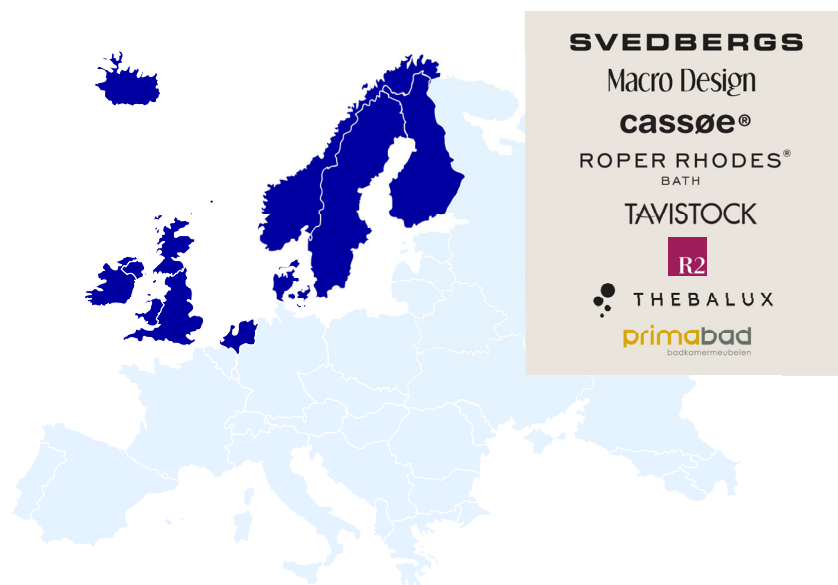
OVERVIEW OF GROUP STRUCTURE AND BRANDS



Source: Company data and Nordea

SVEDBERGS GROUP: GEOGRAPHICAL PRESENCE AND BRANDS, 2023

Svedbergs Group primarily operates in the Nordics, the UK and the Netherlands

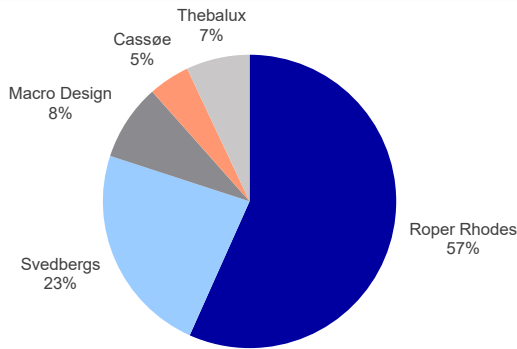


Source: Company data and Nordea

In terms of both sales and adjusted EBITA, Roper Rhodes is the largest contributor

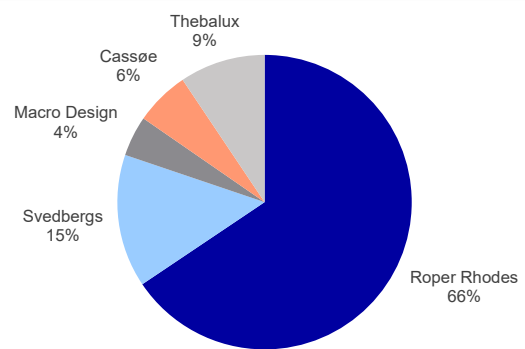
Measured by group sales, Roper Rhodes is the largest segment, representing 57% of LTM Q1 2024 net sales, followed by Svedbergs (23%), Macro Design (8%), Cassøe (5%) and Thebalux (7%). Reviewing the distribution of group adjusted EBITA, a similar order is to be found, with Roper Rhodes accounting for 66%. However, it is worth noting that Thebalux, acquired in late 2023, was part of the group for only approximately one month during 2023 and is estimated by Svedbergs Group to become a larger part.

EXTERNAL SALES DISTRIBUTION (%), LTM Q1 2024



Source: Company data and Nordea

ADJUSTED EBITA DISTRIBUTION (%), LTM Q1 2024



Source: Company data and Nordea

Svedbergs

Svedbergs leverages in-house production to ensure high quality and high delivery precision

Svedbergs was founded in 1920 and has been focused on manufacturing quality products for bathrooms since 1962. Today, it offers a wide array of products, including bathroom furniture, bathtubs, showers, brassware, toilets, heated towel rails and bathroom accessories.

A new processing line in Dalstorp is expected to support the whole group in new product development

The majority of Svedbergs' products are manufactured and assembled in-house at its production facility in Dalstorp (~75%), which enables the company to ensure a high-quality offering. According to Svedbergs, the production facility also facilitates short delivery times between production and customers, enabling high delivery precision while reducing environmental impact. Supported by a new wood processing line at the production facility in Dalstorp, installed during 2023 and having started service in January 2024, the company envisions both increased capacity and capabilities, as well as extended product development opportunities for the whole group.

Svedbergs serves consumers and industrial customers situated in the Nordics

The Svedbergs brand primarily operates in the Swedish (77% of sales as of LTM Q1 2024), Finnish (13%) and Norwegian (8%) markets, with some sales attributable to the Danish market (2%). The company's sales organisation is divided into two channels: consumers and industrial customers. For the consumer market, sales are conducted through retailers in the construction and specialist trade, both in-store and online. On the other side, sales to industrial clients occur directly in the project markets or via wholesalers.

A SELECTION OF SVEDBERGS' PRODUCTS

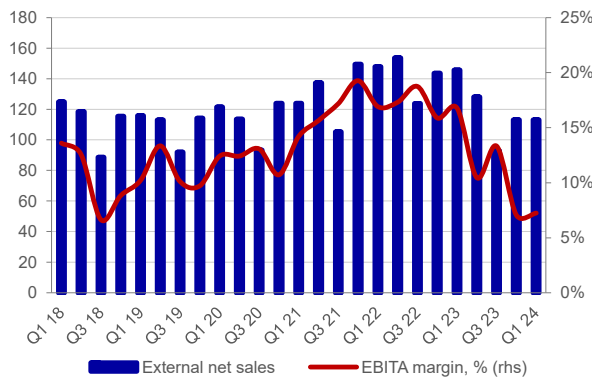


Source: Svedbergs

Svedbergs accounted for 15% of group adjusted EBITA in LTM Q1 2024

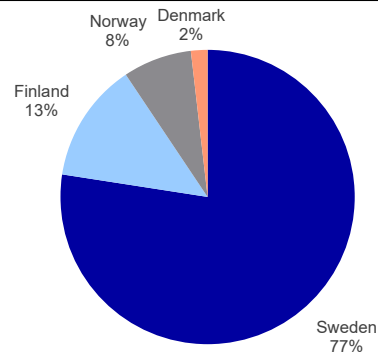
Sales in the segment grew from SEK 435m in 2019 to SEK 480m in 2023, translating to a CAGR of 2.5% over the same period, rendering it the group's second-largest segment in terms of sales (accounting for 23% of group net sales as of LTM Q1 2024). Svedbergs also grew adjusted EBITA from SEK 48m in 2018 to SEK 59m in 2023, representing 15% of group adjusted EBITA (excluding group eliminations) as of LTM Q1 2024. This resulted in a margin uplift of 1.5pp in 2018-23, with an average adjusted EBITA margin of ~13% over the same period. Following a slowdown in the consumer market and in new construction projects (with the Svedbergs brand accounting for roughly 30-35% of the group's exposure to newbuilds), the segment has seen a falling margin trend throughout 2023 and in the beginning of 2024. This has resulted in an average adjusted EBITA margin of 9.5% between Q2 2023 to Q1 2024.

SVEDBERGS: EXTERNAL NET SALES (SEKm) AND ADJUSTED EBITA MARGIN (%)



Source: Company data and Nordea

SVEDBERGS: SALES BY MARKET (%), LTM Q1 2024



Source: Company data and Nordea

Macro Design

Macro Design, established in 1985, has evolved into a cornerstone of the industry, with its headquarters and all production and development operations centralised in Laholm, Sweden. Specialising in the niche bathroom specialist trade, Macro Design is renowned for its meticulously crafted showers, as well as bespoke shower enclosures, alongside an extensive selection of bathroom furniture, faucets and accessories.

Macro Design mainly operates in the Swedish and Norwegian markets

With a strategic focus on the Swedish and Norwegian markets, Macro Design tailors its sales operations to each region, maintaining dedicated teams in both Sweden and Norway. Primarily serving the consumer market, albeit with some engagement in the industrial sector, the company channels its products through a network of retailers specialising in the bathroom and building trade, as well as wholesale distributors.

Macro Design products primarily cater to the middle to premium segments

Catering primarily to clientele situated in the middle to premium segments, Macro Design has transitioned from its origins as a purveyor of shower solutions to a comprehensive supplier of bathroom fittings. According to Svedbergs Group, this evolution underscores the company's commitment to diversification and meeting the evolving needs of its discerning customer base. However, it is still acting as a pure shower expert within the group, with its Laholm factory being directed towards the production of showers, while the production of bathroom furniture and assembly of other products takes place in Dalstorp (see above). By having a large portion of the group's products manufactured in-house, Svedbergs Group argues that it is less vulnerable to disruptions in the outside world.

A large proportion of the company's products are manufactured in Dalstorp and Laholm, Sweden

A SELECTION OF MACRO DESIGN'S PRODUCTS

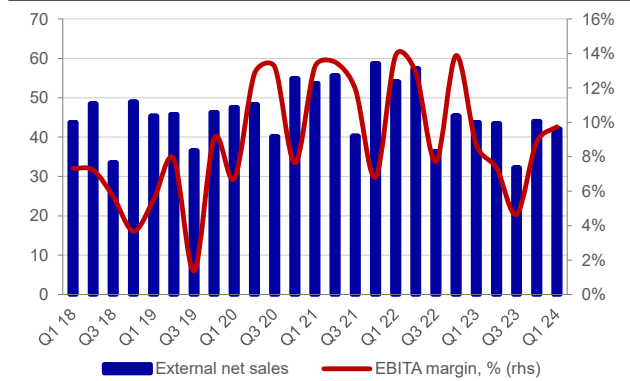


Source: Macro Design

Macro Design accounted for 4% of group adjusted EBITA in LTM Q1 2024

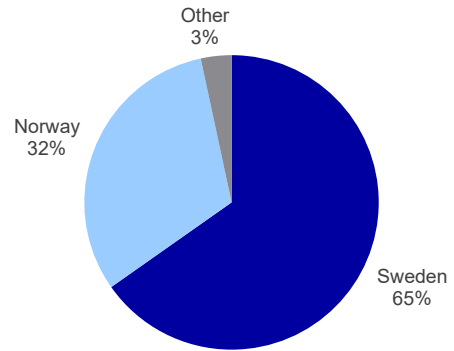
Macro Design was acquired by Svedbergs Group in 2016 at an EV/EBIT multiple of 13x and EV/sales of 1.1x. Between 2018 and 2021, the company grew sales from SEK 175m to SEK 208m, corresponding to a sales CAGR of 6%. However, following a weakening construction market and macroeconomic environment, the subsequent two years were more challenging for Macro Design, resulting in a total sales decline of 21% in 2021-23. However, the company saw a margin uplift of 1.5pp in 2018-23, with an average adjusted EBITA margin of 8.9% over the same period (peak full-year margin of 12.5% was achieved in 2022).

MACRO DESIGN: EXTERNAL NET SALES (SEKm) AND ADJUSTED EBITA MARGIN (%)



Source: Company data and Nordea

MACRO DESIGN: SALES BY MARKET (%), LTM Q1 2024



Source: Company data and Nordea

Cassøe

Cassøe is a leading supplier of innovative quality products for bathrooms and kitchens...

Cassøe was founded in 1997 by Peter Cassøe Dalsgaard and has its headquarters in Herning, Denmark. Specialising in faucets designed for both bathrooms and kitchens, Cassøe complements its product line with an assortment of e.g. shower enclosures, furniture, mirrors and various accessories. This diverse range comprises offerings under both the Cassøe brand and external brands, all distinguished by attributes of quality, innovation and compelling design. Moreover, to meet all customers' needs in the bathroom arena, the company is currently working to broaden its product range even further.

...primarily serving the Danish market

A SELECTION OF CASSØE'S PRODUCTS



Source: Cassøe

Cassøe offers a mixed product palette to meet local market characteristics

Operating primarily within Denmark (89% of sales as of LTM Q1 2024), with limited sales extending to Norway (7%), Cassøe navigates a market landscape marked by distinctive characteristics. According to the company, the Danish bathroom sector differs from its Swedish and Norwegian counterparts in that major players in the realm of bathroom furnishing typically offer an extensive array encompassing both bathroom and kitchen products. This delineation aligns with Cassøe's historical roots in its mixed assortment catering to both kitchen and bathroom environments.

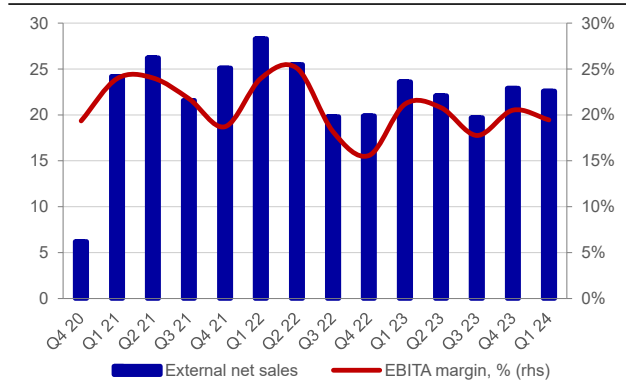
Most of Cassøe's products are tailored to the middle to premium segments

Distribution channels for Cassøe's products span a diverse spectrum, encompassing retail outlets, kitchen and bathroom stores, tile retailers, plumbing wholesalers and online platforms. Additionally, sales extend to architectural and housing contractors, facilitating engagement with both consumer and industrial markets. Within these markets, Cassøe predominantly targets clientele within the middle to premium segments.

Cassøe accounted for 6% of group adjusted EBITA in LTM Q1 2024

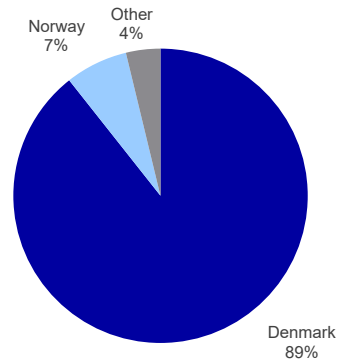
Cassøe has been part of Svedbergs Group since 2020 and accounted for 5% of group net sales in LTM Q1 2024. Similar to both Svedbergs and Macro Design, Cassøe has been challenged by the weakening construction market in the Nordics, which resulted in an external net sales decline of 10% during 2021-23 (from SEK 97m, to SEK 88m). At the same time, adjusted EBITA contracted from SEK 22m in 2020 to SEK 18m in 2023, resulting in an average adjusted EBITA margin of ~21% over the same period (a peak full-year margin of 22.5% was achieved in 2021).

CASSØE: EXTERNAL NET SALES (SEKm) AND ADJUSTED EBITA MARGIN (%)



Source: Company data and Nordea

CASSØE: SALES BY MARKET (%), LTM Q1 2024



Source: Company data and Nordea

Roper Rhodes primarily serves the British and Irish markets

Roper Rhodes

Established in 1979, Roper Rhodes stands as a distinguished British enterprise renowned for its innovation in bathroom furniture and related amenities. Comprising a diverse portfolio, the Roper Rhodes line encompasses five distinct product categories: bathroom furniture, sanitary ware, illuminated mirrors and cabinets, brassware, shower enclosures and bathtubs, as well as an array of accessories. While primarily serving the domestic market within the United Kingdom (95% of sales in 2023), the company also engages in selective exports to Ireland (5%).

The company operates under three brands: Roper Rhodes, Travistock and R2

Catering to both new construction projects and the renovation and maintenance of existing residences, Roper Rhodes operates under its three brands: Roper Rhodes (~40% of annual segment sales), R2 (~30%) and Tavistock (~30%). Each brand targets a specific customer segment, spanning from premium to mid-range and budget-conscious demographics. The company engages in direct sales to national, regional and local construction and plumbing retailers across the UK, which subsequently resale to end customers.

A SELECTION OF ROPER RHODES' PRODUCTS



Source: Roper Rhodes

Roper Rhodes has streamlined its operations to ensure delivery accuracy

Strategically headquartered in Bath, England, Roper Rhodes centralises its design operations and augments its operational infrastructure through its ~18,500 square metre warehouse and distribution centre in Bristol, England. This facility, inaugurated in 2017, consolidates erstwhile disparate warehouses into a unified logistical hub, facilitating enhanced efficiency and cost-effectiveness across transportation, packaging and pallet management. Moreover, in 2022, Roper Rhodes initiated a furniture assemble line, which it states further reduces transportation efforts and thus its carbon footprint. By opting for component assembly over fully assembled furniture, the company attains notable space efficiency while also enhancing delivery accuracy.

The company leverages production outsourcing

Integral to Roper Rhodes' production ecosystem is its extensive network of around 100 external partners spanning ~15 countries, primarily in China, Great Britain and Spain. Additionally, the company operates with sales and purchasing offices in Dublin, Ireland, and Shenzhen, China, respectively.

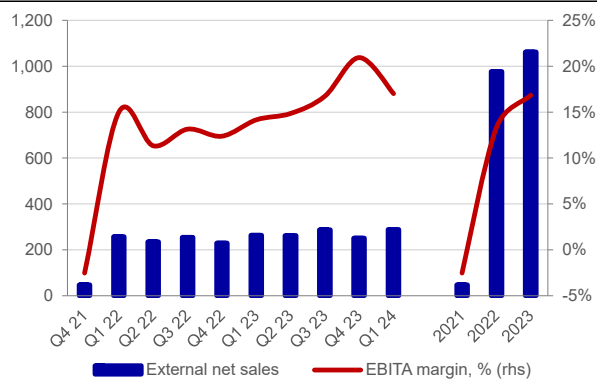
Prompt delivery is crucial to maintaining customer satisfaction and competitiveness in the UK

In the UK bathroom furniture market, the demand for having goods in stock is notably high, especially when compared to the Nordics. For instance, Roper Rhodes aims to dispatch goods within a tight timeframe, typically within 48 hours. Unlike in the Nordics, where there might be a greater tolerance of longer lead times or back orders, the UK market's sensitivity to stock availability underscores the importance of efficient inventory management and supply chain operations.

Roper Rhodes accounted for 66% of group adjusted EBITA in LTM Q1 2024, rendering it the group's largest segment

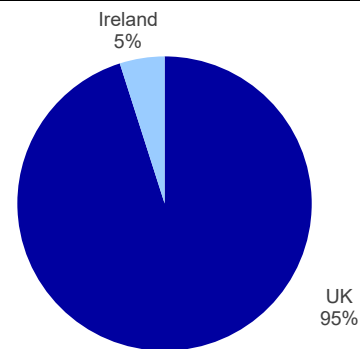
In 2021, Roper Rhodes became part of Svedbergs Group, marking a significant milestone in the group's growth trajectory. Roper Rhodes grew sales from SEK 47m in 2021 (only part of the group during one month of 2021) to SEK 1.1bn in 2023, increasing its share of group sales from 5% to 58% over the same period. In terms of profitability, Roper Rhodes managed to grow adjusted EBITA from SEK 130m in 2022 to SEK 179m in 2023 despite a weakening construction market in the UK (further details are available in the *Market overview* chapter), corresponding to growth of ~37% y/y – representing 67% of group adjusted EBITA (excluding group eliminations) in 2023. Meanwhile, it also grew its adjusted EBITA margin from ~13% in 2022 to ~17% in 2023. As of LTM Q1 2024, Roper Rhodes accounted for 57% of group sales and 66% of group adjusted EBITA, rendering it the group's largest segment.

ROPER RHODES: EXTERNAL NET SALES (SEKm) AND ADJUSTED EBITA MARGIN (%)



Source: Company data and Nordea

ROPER RHODES: SALES BY MARKET (%), LTM Q1 2024



Source: Company data and Nordea

Thebalux was acquired by Svedbergs Group in late 2023, expanding the group's geographical reach

Thebalux

Thebalux, headquartered in Zutphen, Netherlands, has over 25 years of experience in the design, development and production of bathroom furniture and products. Its broad product palette includes e.g. bathroom furniture, mirrors, cabinets, brassware, lighting and various bathroom accessories. The company views its bathroom furniture, cabinets, ceramic products and mirrors as its major product categories in terms of net sales. These products are primarily sold in Thebalux's home market, the Netherlands, with some exports to neighbouring countries such as Germany, Belgium, Austria and Luxembourg.

A SELECTION OF THEBALUX'S PRODUCTS



Source: Thebalux

The segment operates through the Thebalux and Primabad brands...

...both focused on creating sustainable and innovative bathroom solutions

Thebalux's products are mainly produced in-house at its two own production facilities

Prior to joining the group, Thebalux showed a CAGR of 12% in 2020-22, with an average EBIT margin of ~27%

In Q1 2024, Thebalux showed an adjusted EBITA margin of 24.8%, the highest in the group

Prior to joining the Svedbergs Group, Thebalux showed a 2020-22 sales CAGR of ~12%

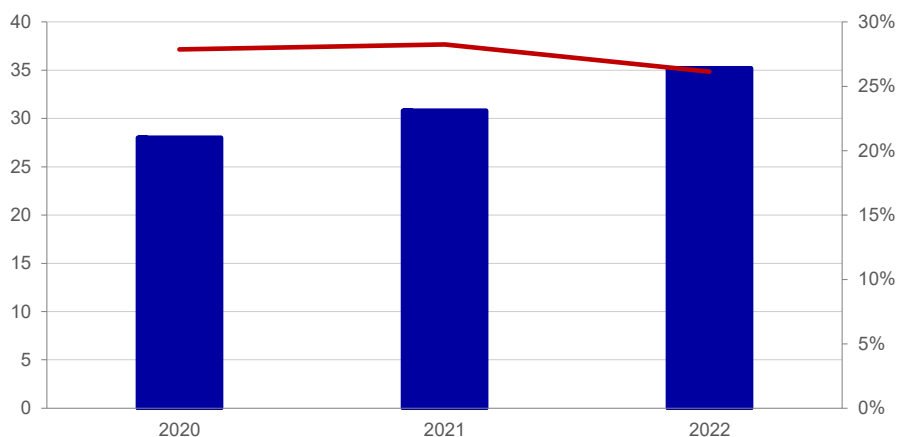
Thebalux operates under the two brands of Thebalux and Primabad, with the latter being the largest and representing 67% of net revenue in 2023 (Thebalux: 33%). The Thebalux brand is marketed as a premium brand with a product positioning focused on design and functionality, incorporating sustainability throughout the production process. Similarly, the Primabad brand, acquired by Thebalux in 2005, is recognised as a premium brand focused on creating practical and innovative layouts with a high degree of customisation.

Thebalux's customer base primarily consists of retailers (~700, with Germany representing the strongest presence outside the Nordics) in the bathroom sector and building materials industry; after receiving the shipped goods from Thebalux, these companies handle final delivery to customers. According to Thebalux, most of the retailers traditionally operate physical stores, although some also have online outlets. Of the company's B2B sales, ~95% is linked to retailers and ~5% to industrial clients. Additionally, Thebalux's products are primarily produced in-house at its production facilities in Biddinghuizen and Veghel, Netherlands, at which the average lead time from order placement to delivery of the finished product is around three to four weeks.

Thebalux was acquired by Svedbergs Group in 2023 and is the group's most recently added vertical. Prior to joining the group, Thebalux grew net sales from EUR 28m in 2020 to EUR 35m in 2022, translating to a CAGR of ~12% over the same period. Meanwhile, the company also grew EBIT from EUR 7.8m to EUR 9.2m, with an average EBIT margin of ~27%. Since 2020, Thebalux has also increased its exports to outside of the Netherlands, growing from 8% of net sales in 2020 to 12% in 2022 (with the Netherlands accounting for the remaining 92% and 88%, respectively). Outside the Netherlands, Thebalux's strongest presence is in Germany, which accounted for 10% of net sales in 2022.

After being consolidated into the group on 23 November 2023, Thebalux delivered sales of SEK 30m and an adjusted EBITA of SEK 1m, corresponding to a margin of 3.3%. According to the company, the lower margin seen during Q4 2023 was driven by December being a month with lower demand. However, as early as in Q1 2024, Thebalux delivered sales of SEK 105m and adjusted EBITA of SEK 26m, translating to a margin of 24.8%, which is the highest in the group.

THEBALUX: NET SALES (EURm) AND EBITA MARGIN (%)



Source: Company data and Nordea

Sales channels and marketing strategy

A comprehensive sales channel mix renders a broader customer reach and non-cyclicality

Svedbergs Group has a comprehensive mix of sales channels spanning its various end markets. In the Nordic region, sales are facilitated through the six sales channels of bathroom specialists, hardware stores, wholesalers, professional contracts, DIY (Do-It-Yourself) and e-commerce, with a large portion of sales derived through the bathroom and building stores. Similar to the Nordics, sales in the UK take place through six channels: national, regional and local building and plumbing merchants, as well as distribution, DIY and e-commerce. For the Netherlands, sales primarily are accomplished through retailers in the bathroom and building materials sector. Based on management commentary, this broad mix of sales channels combined with the group's diversified market exposure can reduce sales volatility during economic fluctuations.

We note that builders' and plumbers' merchants in the UK share three main customer groups: 1) small building contractors and plumbers operating in the Repair, Maintenance and Improvement (RMI) sector; 2) medium-sized and large building and plumbing contractors supplying new private and public contractors; and 3) end customers shopping in the RMI sector at physical stores and via e-commerce.

OVERVIEW OF SVEDBERGS GROUP'S SALES CHANNELS IN THE NORDIC REGION AND THE UK

NORDIC REGION	UK
Bathroom specialists Sales through retailers and installers. Characterised by the purchase of complete bathrooms and individual products.	National builders' and plumbers' merchants Companies with broad geographical coverage.
Hardware stores The main customer group is small and medium-sized construction companies. The end customers of hardware stores are primarily professionals.	Regional builders' and plumbers' merchants Companies with multiple stores in a region or area.
Wholesalers Sales via wholesalers are mainly to professionals and plumbers as well as end customers. Spare parts are often sold through the wholesale channel.	Local builders' and plumbers' merchants Companies with one store in a geographical location. Usually independently owned.
Professional contracts Sales are characterised by extensive sales contracts to construction companies and housing developers.	Distribution This sales channel is characterised by companies that sell B2B by providing warehousing and logistics services to bathroom specialists, builders' and plumbers' merchants, e-commerce and wholesalers.
DIY Sales directly to end customers in physical stores.	Sales to end customers in the RMI sector via large national retailers with wide geographical coverage.
E-commerce Direct sales to end customers via websites and marketplaces.	Direct sales to end customers via websites and marketplaces.

Source: Company data and Nordea

Customers include Bauhaus, NCC, Ahlsell, Byggnakker and AO Johansen

In total, the company has more than 3,000 customers, including JM, NCC, Bauhaus, Onninen and Ahlsell VVS in the Nordic market, Comfort, XL-Bygg, Beijer Bygg, Interpares and Dahl in Sweden, Bademiljø and Byggnakker in Norway, AO Johansen in Denmark and the PHG, UKPS and IPG chains in the UK.

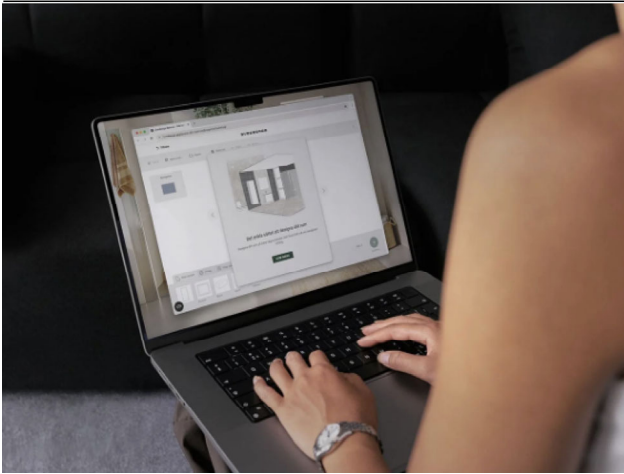
About 15% of sales are from newbuilds and 85% from renovations

Today, roughly 15% of Svedbergs Group's sales are from newbuilds, of which 30-35% is from the Svedbergs segment. With the Svedbergs brand only representing 23% of group sales as of LTM Q1 2024 (98% in 2016), the company has significantly reduced its dependence on building starts. Based on management commentary, it is instead more dependent on renovations and the health of the consumers which, especially during current market conditions, are choosing between whether they should build a terrace or renovate their bathroom, for example.

Digitalisation – an integral part of Svedbergs Group

An online presence is becoming increasingly important

Apart from offering its products through online channels, e.g. through its own websites, the company proactively works to strengthen its relationships with end customers, where a digital presence has grown to become an integral part of Svedbergs Group. The company is actively working to expand digital communication channels and has taken multiple steps to increase interaction points with its customers, so as to create a flexible and customised customer experience. For example, it offers multiple "plan your bathroom" options, such as 3D software and illustration software. The company also offers both digital and physical showrooms and has increasingly expanded its presence on various social media platforms.

USE OF SVEDBERGS' DIGITAL BATHROOM PLANNER

Source: Svedbergs

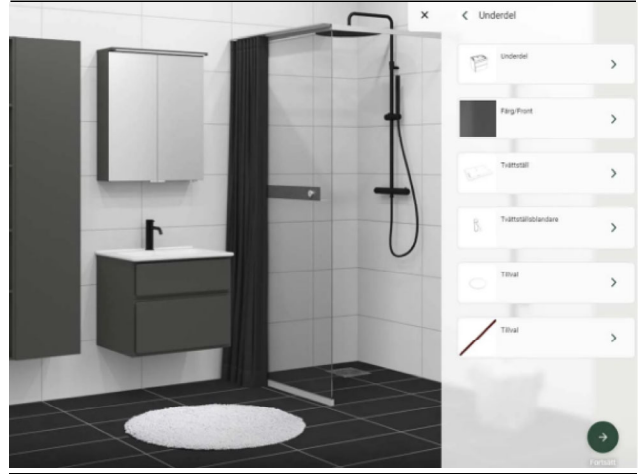
The company works continuously to offer new innovative and customised products for each brand, with its ambition being that 30% of each brand's annual sales should stream from newly launched products

Sustainability is a high priority for Svedbergs Group and an integral part of all business processes

Svedbergs Group's Swedish operations have been using only renewable energy since 2019

The company has implemented supplier requirements

Svedbergs Group has six sustainability targets, all to be achieved 2030

VIEW OF SVEDBERGS' DIGITAL BATHROOM PLANNER

Source: Svedbergs

Moreover, technological advancements have significantly influenced bathroom product innovation, with features such as motion-controlled faucets, heat sensors, LED-illuminated mirrors and voice-controlled systems becoming increasingly prevalent. With innovation at its heart, Svedbergs Group has a continuous focus on meeting evolving customer preferences through continuous development of its product range and offering. This is partly reflected in the company's goal that 30% of each brand's annual sales should be derived from products launched in the last three years.

Sustainability span throughout the entire value chain

Svedbergs Group is focused on the development of innovative and high-quality bathroom products, aiming to find solutions that extend the life of its products and reduce their environmental impact throughout their lifecycle; from extraction of raw materials to transport, production processes, use, end-use and the potential for recycling. As such, the company places strong emphasis on the materials' sustainability, using wood from sustainable forestry, an increased share of recycled content and reduced plastic content, while integrating circular design principles in product development. Svedbergs Group also strives to optimise energy and water consumption, both within its operations and by incorporating such measures into its product development.

Moreover, a high proportion of in-house development (roughly a third) limits transportation emissions and decreases supply chain risk, while its Swedish operations have been using only renewable energy since 2019. In addition, to minimise risks associated with material sourcing, Svedbergs Group utilises shared logistics and supply chain management within the group. Before signing an agreement with a new supplier, the company also performs a risk assessment and evaluation to check the supplier's ability to ensure reliable deliveries of high-quality products as well as their ability to meet requirements for social and environmental responsibilities.

Svedbergs Group's, in our view, high focus on sustainability is visible through its six sustainability targets, all of which are aimed to be reached by 2030. These include reduction of CO₂ emissions, increased share of renewable energy, use of environmentally certified wood raw material, healthy presence, physical audits of strategic suppliers, and total waste.

SVEDBERGS GROUP'S SUSTAINABILITY TARGETS

In 2023, 100% of the wood material purchased by the company came from environmentally-certified sources

		Targets	Outcome 2023
Reduction of CO₂ emissions	CO ₂ emissions from Svedbergs Group's operations should fall by 50% in relation to net sales between 2021 and 2023	50%	17.2%
Share of renewable energy	100% of the energy used by Svedbergs Group should come from renewable sources by 2023	100%	92.4%
Environmentally certified wood raw material	100% of the wood material purchased by Svedbergs Group should come from environmentally certified sources	100%	100%
Healthy presence	Healthy presence in relation to total scheduled time should exceed 96.5% by 2030	>96.5%	97.6%
Physical audits of strategic suppliers	The proportion of strategic suppliers at which a physical audit has been carried out should be 20% per annum	20%	10%
Total waste	The ratio of waste to net sales should be reduced by 35% between 2021 and 2023	35%	17.2%

Source: Company data and Nordea

Company history

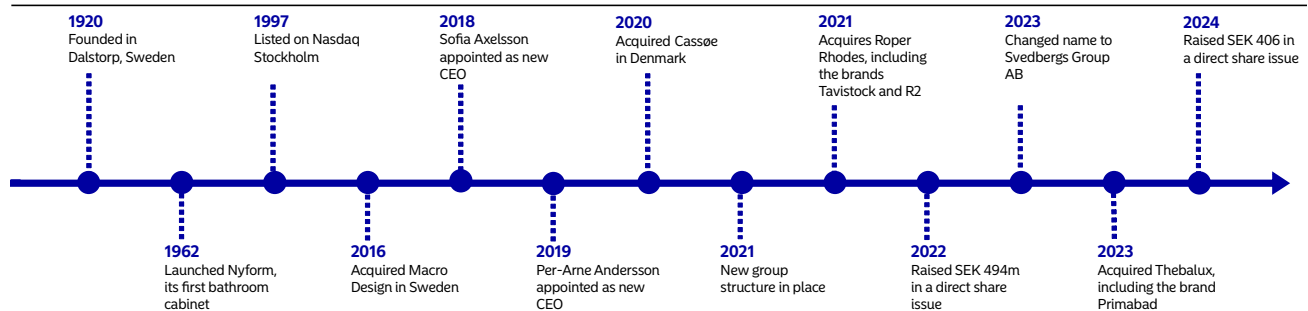
Svedbergs Group shifted its focus to manufacturing bathroom cabinets in 1962

Svedbergs Group was founded in 1920, but it was not until 1962 that it switched to manufacturing bathroom cabinets. Later, in the 1980s, the company went fully onboard with its journey to become a complete bathroom developer and manufacturer under its own Svedbergs brand. Since then, the company has continued on its growth journey, having added seven additional well-established brands to the group.

Through its acquisition of Macro Design in 2016, the company took its first step towards consolidating the European market

Through the acquisition of Macro Design (2016) and Cassøe (2020), Svedbergs Group took an important step towards realising its vision of becoming the leading bathroom furniture player on the Nordic market, with a broadened product portfolio and market coverage. Through the acquisition of Roper Rhodes at the end of 2021, Svedbergs Group established itself outside the Nordic region, representing a significant milestone in its efforts to consolidate the fragmented market of bathroom fittings. The acquisition of Thebalux in 2023 was yet another step in Svedbergs Group's ambition to consolidate the European market.

SVEDBERGS GROUP: HISTORICAL LANDMARKS



Source: Company data and Nordea

Financial overview

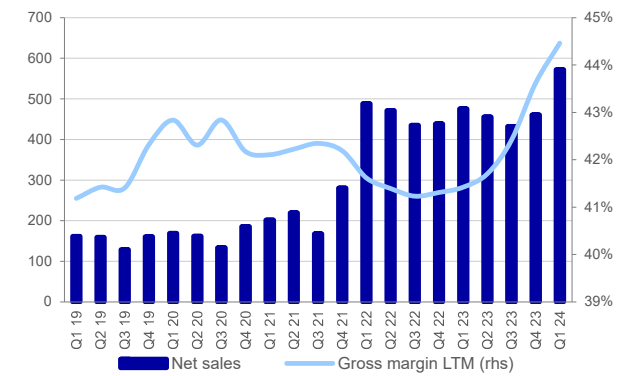
Svedbergs Group generated net sales of SEK 1.8bn in 2023

Svedbergs Group achieved an impressive 2016-23 sales CAGR of 22% (SEK 449m in 2016 to SEK 1.8bn in 2023). Following the company's M&A journey, Svedbergs Group has not only more than doubled group sales, but also significantly expanded its geographical footprint. After the acquisition of Roper Rhodes in 2021, the UK has emerged as the group's largest segment, representing 54% of group sales in LTM Q1 2024, with the Nordics now down to 36%. Through the acquisition of Thebalux in 2023, the Svedbergs has also established a presence in the Netherlands.

Q3 is the company's smallest quarter in terms of sales

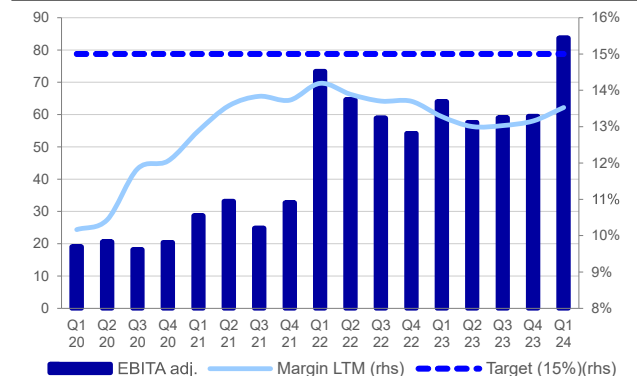
Here, we also note a seasonality pattern, with Q3 being the smallest quarter in terms of sales. This is partly due to the vacation season as well as warmer weather during the quarter, with consumers to some extent prioritising outdoor investments and renovations, according to Svedbergs Group.

SVEDBERGS GROUP: NET SALES (SEKm) AND GROSS MARGIN (%)



Source: Company data and Nordea

SVEDBERGS GROUP: ADJUSTED EBITA (SEKm) AND MARGIN (%)



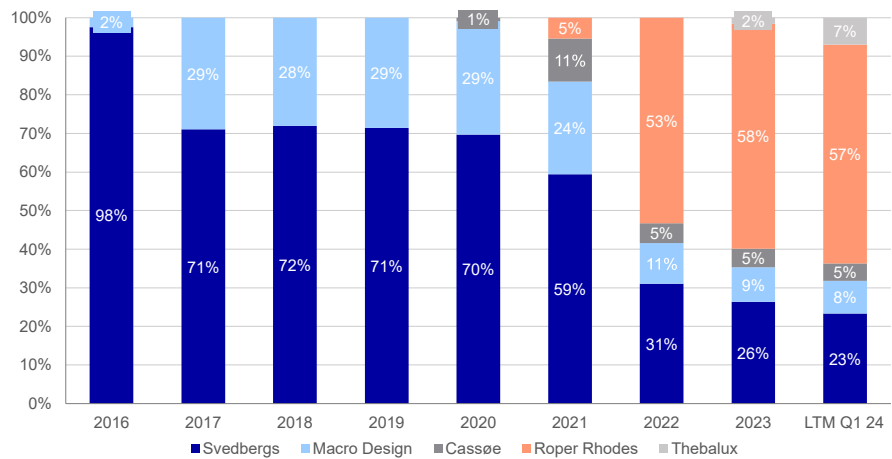
Source: Company data and Nordea

Adjusted EBITA grew from SEK 58m in 2018 to SEK 240m in 2023

Thebalux delivered an adjusted EBITA margin of 24.8% in Q1 2024, the highest in the group

The healthy sales growth has been well reflected in Svedbergs Group's earnings growth, with adjusted EBITA having increased from SEK 58m in 2018 to SEK 240m in 2023, implying a CAGR of ~33%. The company has also seen a clear margin uplift, with adjusted EBITA margin growing from 9.3% to 13.2%, an increase of 3.8pp. Reviewing the same figure for LTM Q1 2024, the adjusted EBITA margin was 13.5%, which is yet another increase of 0.4pp compared to 2023. This uplift is primarily a result of Thebalux becoming a larger part of the group. In Q1 2024, Thebalux accounted for 28% of group adjusted EBITA (excluding eliminations), and delivered a margin of 24.8%, which is the highest in the group. We note that the company defines EBITA as operating profit after depreciation, amortisation and impairment but before deductions for impairment of goodwill and amortisation and impairment of other intangible assets arising from business combinations (i.e. PPA amortisation), adjusted for items affecting comparability. Hence, we refer to reported EBITA as adjusted EBITA.

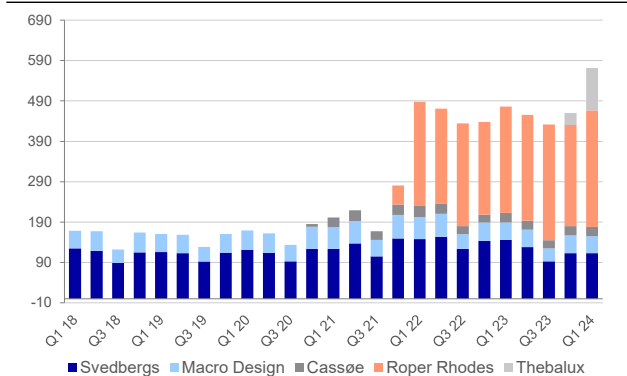
BUSINESS AREA SPLIT AS PERCENTAGE OF SALES, 2016-LTM Q1 2024



Source: Company data and Nordea

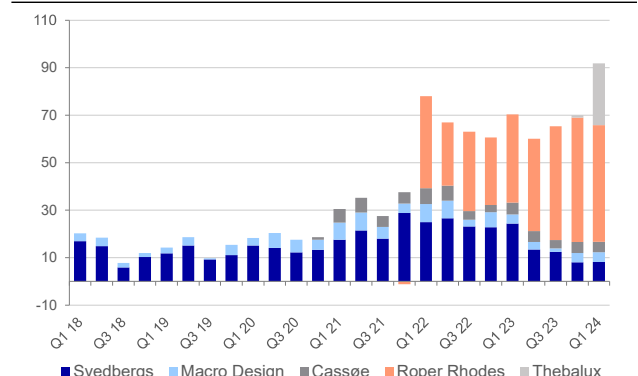
Roper Rhodes is the group's largest segment, representing 57% of sales in LTM Q1 2024

EXTERNAL NET SALES DISTRIBUTION (SEKm)



Source: Company data and Nordea

ADJUSTED EBITA DISTRIBUTION (SEKm)

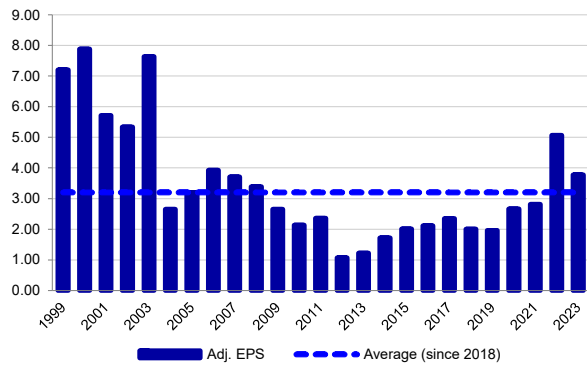


Source: Company data and Nordea

In 2018, the company revised its dividend policy, now aiming to distribute up to 50% of the year's profit after tax to shareholders

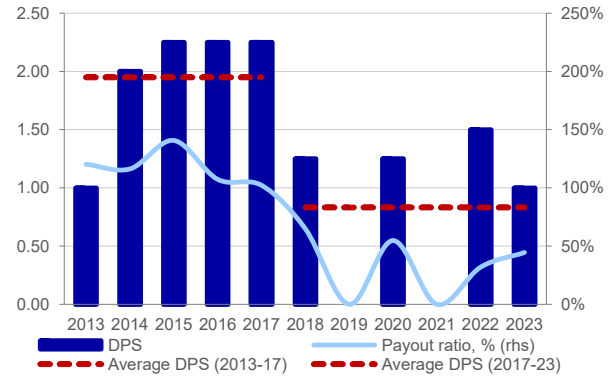
In 2018, the company also revised its dividend policy, with the new objective that up to 50% of the year's profit after tax can be distributed to shareholders (of which 50% is distributed in May and 50% in November). According to Svedbergs Group, this decision was mainly explained by increased M&A ambitions, which is evidenced by the company having incorporated M&A into its financial targets (read more below). This led to a dividend cut, decreasing from SEK 2.25 in 2017 to SEK 1.25 in 2018.

ADJUSTED EPS (SEK)



Source: Company data and Nordea

DIVIDEND PER SHARE (SEK) AND PAYOUT RATIO (%)

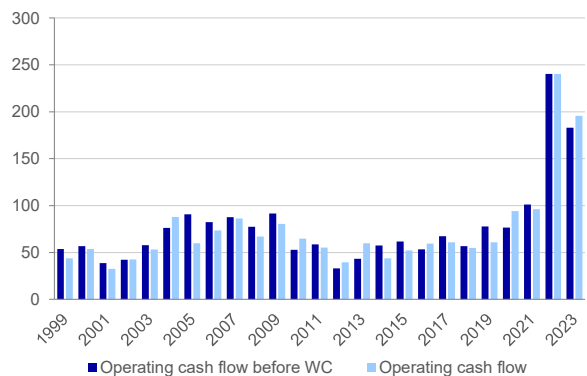


Source: Company data and Nordea

The company has limited capex needs for its ongoing operations

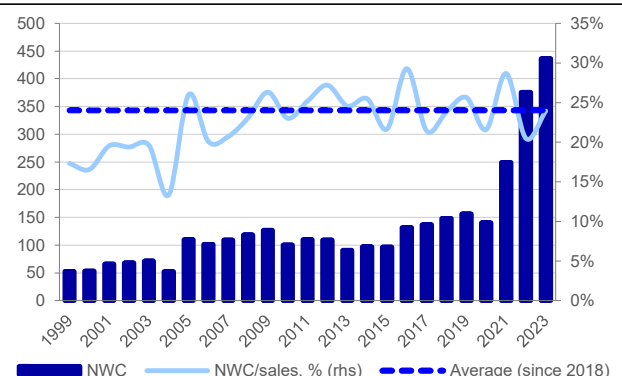
We note that Svedbergs Group has limited capex needs for its ongoing operations, which largely consist of production equipment, product development and investments in increased digitisation. Svedbergs Group's capex in relation to net sales amounted to 1.4% in 2023, or an average of 2.8% since 2018. The company also has a limited operational working capital requirement, with NWC down to 24% of sales as of 2023, whereas Roper Rhodes accounts for the largest share (primarily owing to higher inventory requirements). As a result, Svedbergs Group has had solid cash generation, which it states will continue to enable investments in its own operations to drive growth, both organically and through strategic acquisitions.

OPERATING CASH FLOW BEFORE AND AFTER WC (SEKm)



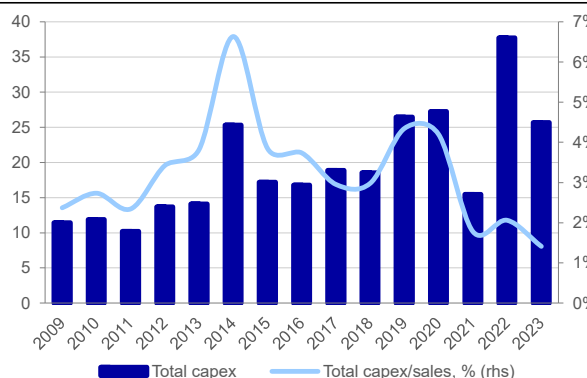
Source: Company data and Nordea

NET WORKING CAPITAL (SEKm) AND % OF SALES



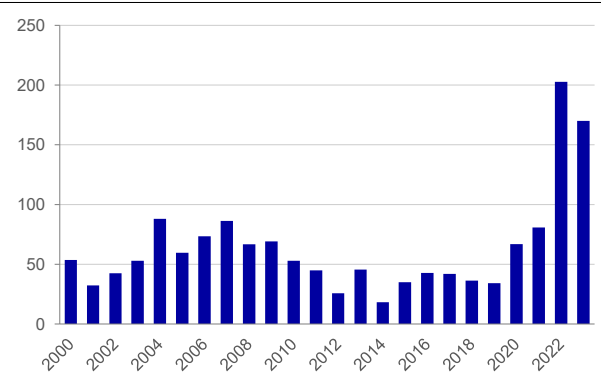
Source: Company data and Nordea

CAPEX (SEKm) AND % OF SALES



Source: Company data and Nordea

FREE CASH FLOW (BEFORE A&D) (SEKm)

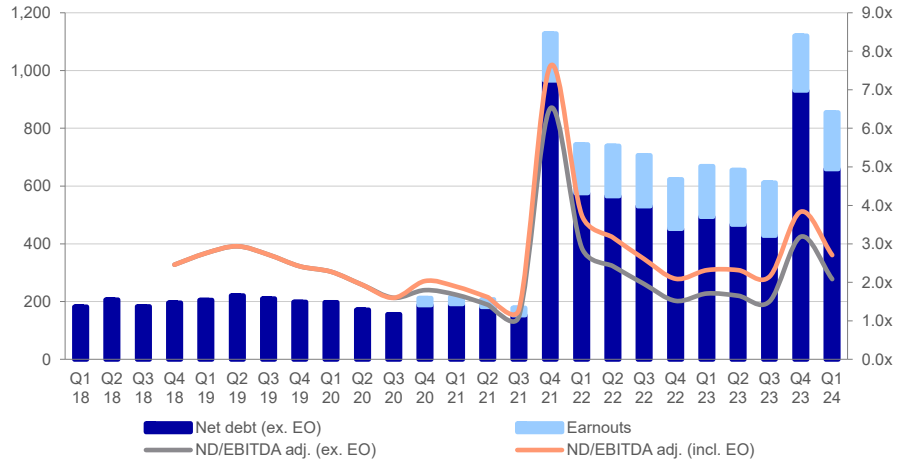


Source: Company data and Nordea

In terms of funding, Svedbergs Group has completed two larger capital raises following the acquisitions of Roper Rhodes and Thebalux, with a total of SEK ~850m raised since 2022. At the same time, the company has had fairly elevated leverage, peaking at 7.6x in Q4 2021 following the acquisition of Roper Rhodes and currently at the somewhat elevated level of 2.7x (including earnouts related to Roper Rhodes and Thebalux) following the acquisition of Thebalux. The remaining performance-based earnout related to the acquisition of Roper Rhodes is to be paid during 2025, while the earnout for Thebalux (SEK ~31m) is due in 2027.

NET DEBT (SEKm) AND LEVERAGE (x)

As of Q1 2024, Svedbergs Group had net debt/adjusted EBITDA of 2.7x (including earnouts) and 2.1x (excluding earnouts)



Source: Company data and Nordea

Financial targets

Svedbergs Group currently has three long-term financial targets:

Svedbergs Group has three long-term financial targets, covering growth, profitability and a dividend policy

- Average net sales growth of 10% per business cycle
- Adjusted EBITA margin of at least 15%
- Annual dividend of up to 50% of profit after tax

The company aims at average net sales growth of at least 10% per year over a business cycle. This should be achieved both through organic growth and strategic acquisitions. Moreover, it aims to achieve an adjusted EBITA margin exceeding 15%. Lastly, the company's objective is to distribute up to 50% of the year's profit after tax in dividends. However, the level of the dividend shall take into account the company's capital needs, growth and investment strategy.

SVEDBERGS GROUP'S FINANCIAL TARGETS

As of 2023, Svedbergs Group had an adjusted EBITA margin of 13.2%

		Targets	Outcome 2023
Growth	Svedbergs Group target an average net sales growth of 10% per business cycle	>10%	27%
Profitability	Svedbergs Group target an adjusted EBITA margin of 15%	>15%	13.2%
Dividend policy	Svedbergs Group aim to distribute up to 50% of the year's profit after tax in dividends	50%	44.6%

Note: The average growth rate for 2023 is calculated over the last seven years

Source: Company data and Nordea

SHAREHOLDER STRUCTURE**10 LARGEST SHAREHOLDERS AS OF 26 APRIL 2024**

Stena Adactum	41.72%
Nordea Funds	14.16%
IF Skadeförsäkring AB	11.50%
Avanza Pension	2.90%
Nordnet Pensionsförsäkring	2.10%
Sune Svedberg	2.06%
Ida Svedberg Sandström	1.13%
Nordea Funds (Lux)	1.08%
Handelsbanken Fonder	0.62%
Anna Svedberg	0.48%
Top 10	77.82%

Source: Company data and Nordea

Together, Stena Adactum, Nordea Funds and IF Skadeförsäkring hold close to 67.5% of the shares

Market overview

Svedbergs Group looks well positioned to capture the trends of increased home investments, at the same time as consumers are seeking personalised and sustainable solutions with increased technological content. We argue that this match will contribute to the company's long-term growth trajectory. However, given the cyclical nature of the business, we see several near-term headwinds specifically impacting Svedbergs' Nordic operations (accounting for ~36% of group sales as of LTM Q1 2024), as the deteriorating macroeconomic environment and weaker economic cycle point towards softer demand for Svedbergs Group in 2024. That said, given the company's de-risked market exposure combined with roughly 85% of its sales stemming from renovations, we believe it will exit the current construction downturn earlier than other building materials companies that are more exposed to newbuilds.

The European market for bathrooms is fragmented, with many local and regional players

The European bathroom market – a fragmented arena

The European bathroom market is characterised as fragmented, consisting of a plethora of independent and local or regional companies. It also is fairly divided in terms of strong local market characteristics, whereas evolving cultural preferences, economic conditions and building traditions have influenced the design of bathrooms and bathroom products, as well as applicable marketing strategies and sales processes in each geographic market. There also are major similarities, however, especially in terms of market drivers and structure.

Demand is mostly driven by renovation, rebuilding and extensions

Demand is driven by renovations and new construction

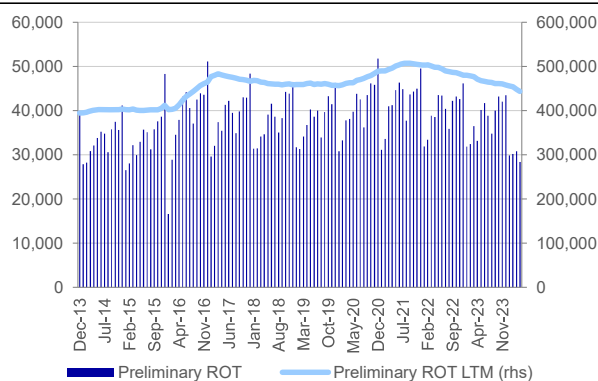
Overall, demand is propelled by the fundamental need for new construction and renovation projects, encompassing renovations, reconstruction and extension – the so-called ROT (which equates to Repairs, Conversion and Extension in English) tax-deduction market. For Svedbergs Group, renovation accounts for the largest part, with roughly 15% of the sales stemming from newbuilds (of which ~30-35% stem from the Svedbergs brand) and 85% from renovations.

Sales are directed either towards consumers or professional operators

The bathroom market can be split broadly into two additional parts: sales to consumers and sales to professional operators related to new construction and/or ROT deductions. Demand in the consumer markets is predominantly driven by consumer preferences to replace outdated bathroom fixtures, disposable household income, housing price trends and interest rates, and historically has exhibited relatively low volatility throughout the business cycle. Additionally, demand in the professional market related to ROT deductions has demonstrated greater stability over time, while the new construction market normally is more volatile and highly determined by construction cycles and the pace of new constructions – with Svedbergs Group's sales and growth conditions in the industrial market being influenced by a delay of several months, as bathroom furniture and products are usually installed towards the end of new constructions.

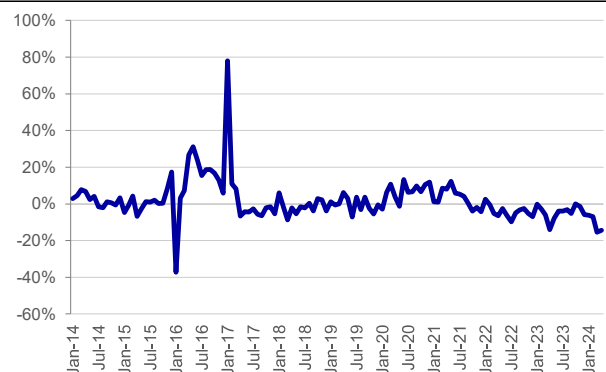
Bathroom furniture and products are usually installed towards the end of new constructions

SWEDEN: NUMBER OF PRELIMINARY ROT DEDUCTIONS BY MONTH REGISTERED BY THE SERVICE PROVIDER



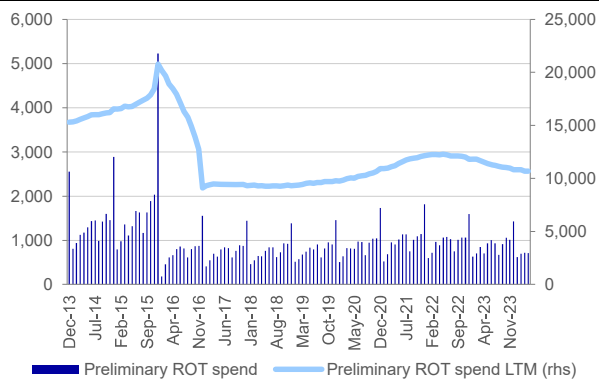
Source: Swedish Tax Agency and Nordea

SWEDEN: NUMBER OF PRELIMINARY ROT DEDUCTIONS BY MONTH REGISTERED BY THE SERVICE PROVIDER, GROWTH Y/Y (%)



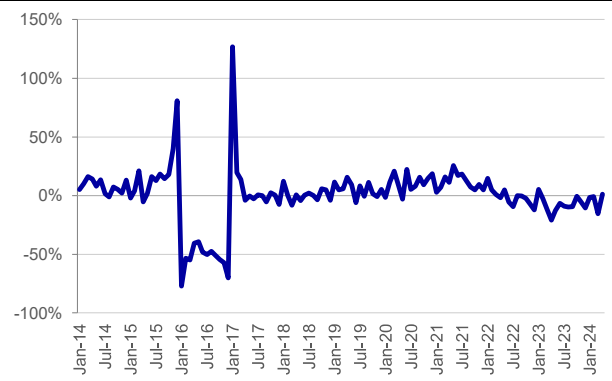
Source: Swedish Tax Agency and Nordea

SWEDEN: PRELIMINARY ROT SPEND BY MONTH REGISTERED BY THE SERVICE PROVIDER (SEKm)



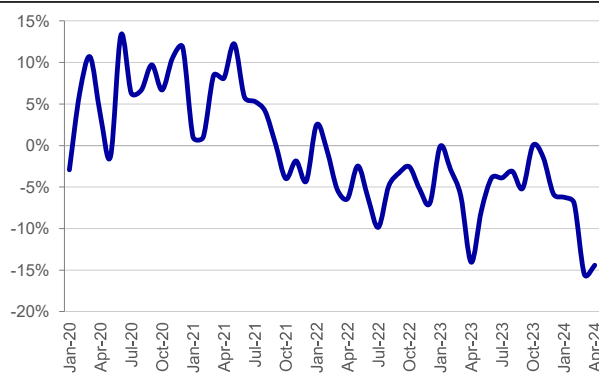
Source: Swedish Tax Agency and Nordea

SWEDEN: PRELIMINARY ROT SPEND BY MONTH REGISTERED BY THE SERVICE PROVIDER, GROWTH Y/Y (%)



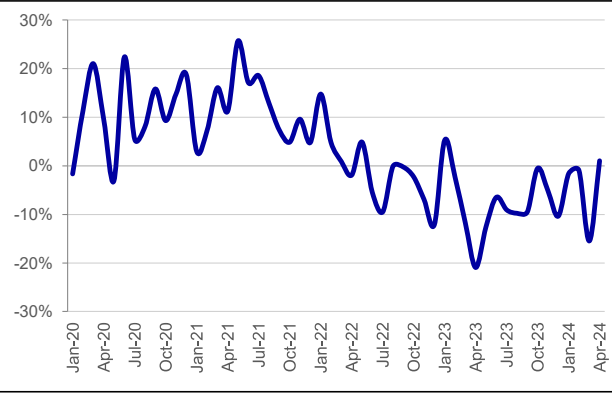
Source: Swedish Tax Agency and Nordea

SWEDEN: NUMBER OF PRELIMINARY ROT DEDUCTIONS BY MONTH REGISTERED BY THE SERVICE PROVIDER, GROWTH Y/Y (%)



Source: Swedish Tax Agency and Nordea

SWEDEN: PRELIMINARY ROT SPEND BY MONTH REGISTERED BY THE SERVICE PROVIDER, GROWTH Y/Y (%)



Source: Swedish Tax Agency and Nordea

Moreover, new construction is not as dependent on consumer spending, since construction projects span a longer time frame. The construction confidence indicator data provided by EuroStat serves as a better indicator of new constructions, in our view, due to its ability to gauge the sentiment and outlook of key industry stakeholders, including contractors, builders, developers and suppliers.

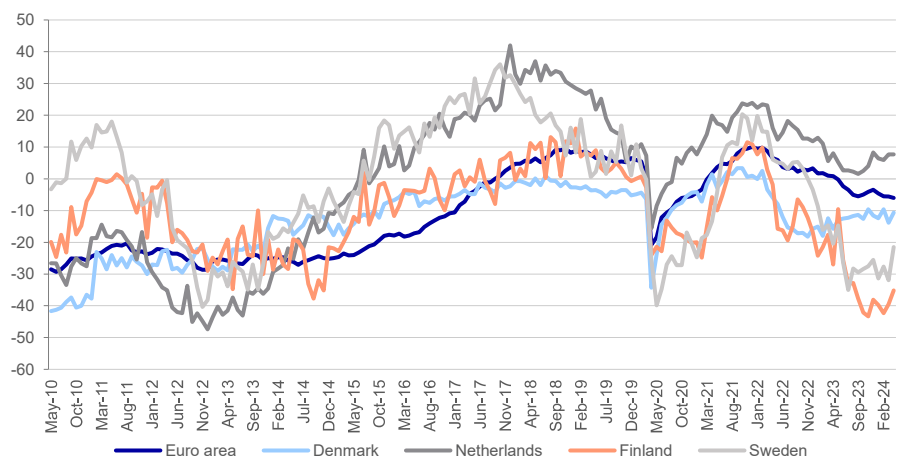
The construction confidence indicators provide insight into potential shifts in construction demand

By reflecting the optimism or pessimism within the construction sector regarding future activity and business conditions, this indicator provides valuable insights into potential shifts in construction demand. Positive sentiment typically correlates with increased investment and the initiation of new projects, while negative sentiment may signal a slowdown or contraction in the industry.

The construction confidence indicator points to lower construction sentiment in the Nordics compared to the larger Euro area...

...with the Netherlands showing the strongest development

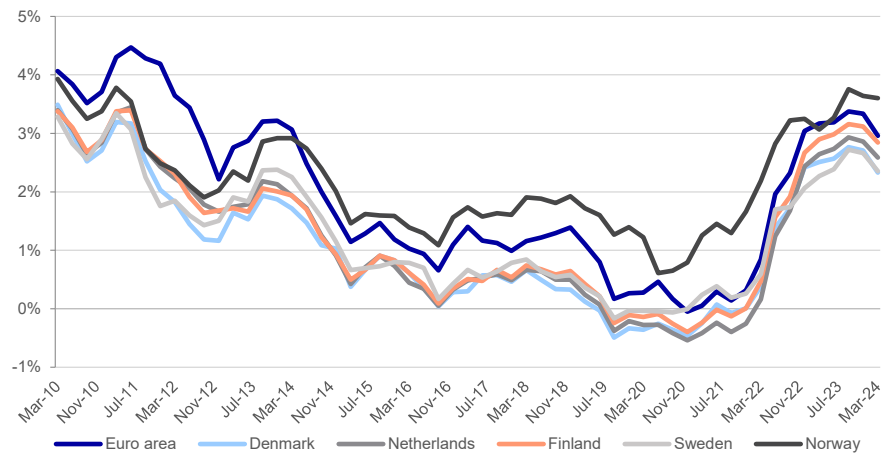
CONSTRUCTION CONFIDENCE INDICATOR



Source: EuroStat and Nordea

We note that the Nordic region has been hit significantly harder than the larger Euro area when it comes to construction confidence, mainly due to construction company gearing levels and housing price sensitivity to interest rate changes.

LONG-TERM INTEREST RATES



Source: OECD and Nordea

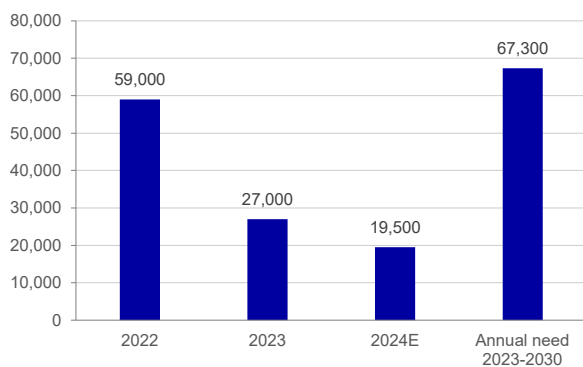
Local market development
The Swedish market

The Swedish National Board of Housing, Building and Planning estimates that the need for new residential is 67,300...

...with 62% of Sweden's municipalities reporting a housing deficit in 2023

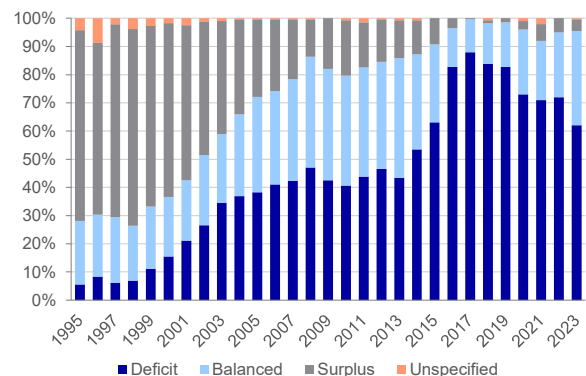
In Sweden, new construction is supported by an undersupply of housing, which amounts to ~175,000 homes, according to the Swedish National Board of Housing, Building and Planning. Additionally, the Swedish National Board of Housing, Building and Planning estimates that the need for new residential is 67,300 per year during 2023-30, which acts as a cushion for the B2B business of suppliers of bathroom and other furnishing products. Meanwhile, it forecasts that ~27,000 units were completed in 2023, while 19,500 are expected to be completed in 2024. In our view, this corresponds well with 62% of Sweden's municipalities having reported a housing deficit in 2023, according to the Swedish National Board of Housing, Building and Planning. By contrast, the demand for furnishing products for renovations is instead correlated to renovation activity.

SWEDEN: ESTIMATE OF STARTED UNITS AND FORECAST OF ANNUAL NEED FOR RESIDENTIAL UNITS



Source: National Board of Housing, Building and Planning and Nordea

SWEDEN: SHARE OF MUNICIPALITIES STATING A HOUSING DEFICIT/BALANCE/SURPLUS



Source: National Board of Housing, Building and Planning and Nordea

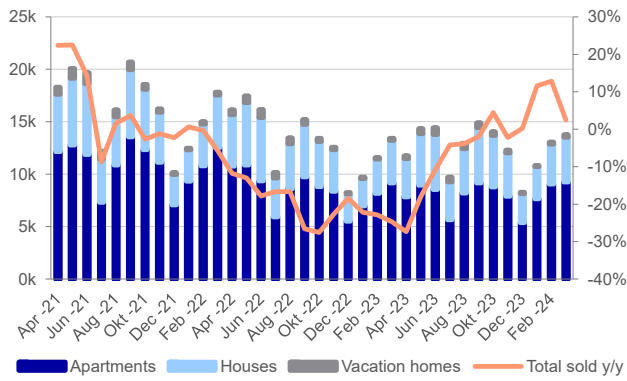
Housing trends in Sweden

A change in housing typically results in increased demand for renovations

The number of renovations is tightly connected to the housing velocity, measured as the number of sold residences in any given time period. The reason for this is twofold: 1) renovations can enhance the appeal of an apartment, making it more attractive to potential buyers, and 2) some buyers prefer to purchase a residence with the intention of customising it to their own tastes and needs.

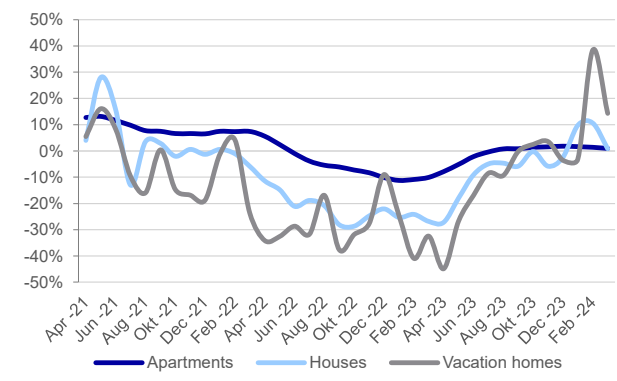
Looking at Sweden, the number of sold residences weakened at the end of 2022 and stabilised throughout 2023, mainly thanks to increased consumer confidence and medium-term expectations for lower interest rates. In fact, Q1 2024 was the first quarter to show three consecutive months of y/y growth since the beginning of 2021.

NUMBER OF SOLD RESIDENCES BY MONTH, SWEDEN



Source: Svensk Mäklarstatistik and Nordea

RESIDENCE AVERAGE PRICE CHANGE BY MONTH, SWEDEN



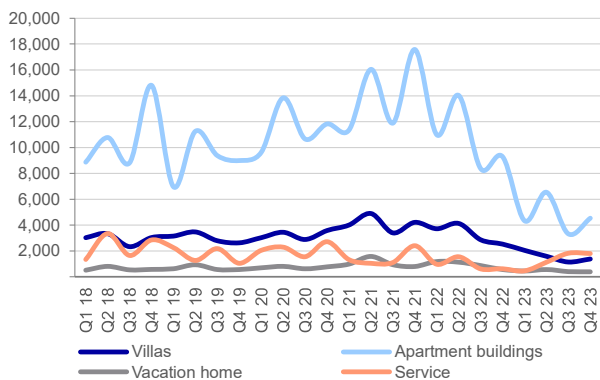
Source: Svensk Mäklarstatistik and Nordea

The number of issued building permits serves as a leading indicator for construction activity

The number of building permits issued serves as a leading indicator for construction activity, as it reflects the intent of developers and homeowners to build in the near future. A rise in building permits typically foreshadows an increase in started construction projects, while a decline may suggest a housing market slowdown.

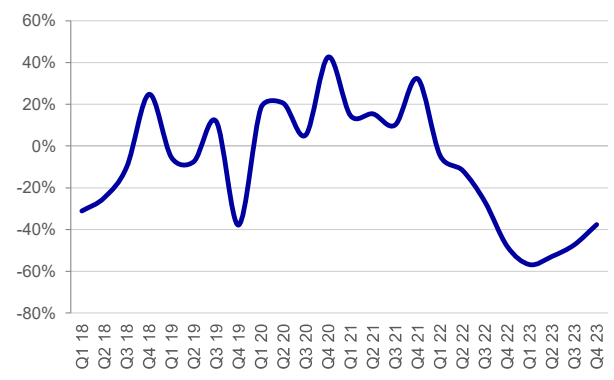
Looking at the recent official statistics for new building permits in Sweden, we see that, after a few quarters with sharp falls in the number of permits, the negative growth rate is slowing. However, for bathroom product suppliers, such as Svedbergs Group, the recovery in building permits will take time to translate into growth as the products are placed rather late in the construction process. In addition, data provided by Statistics Sweden (SCB) shows that the cost of building materials has significantly decreased since its peak in 2023. Combined, this points to a somewhat more stable construction market ahead, in our view.

SWEDEN: NEW BUILDING PERMITS BY QUARTER



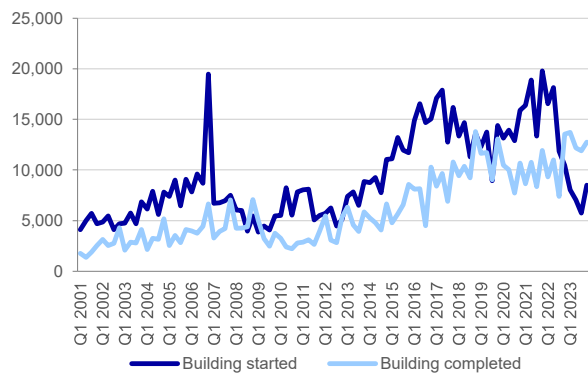
Source: Statistics Sweden and Nordea

SWEDEN: TOTAL NEW BUILDING PERMIT GROWTH Y/Y



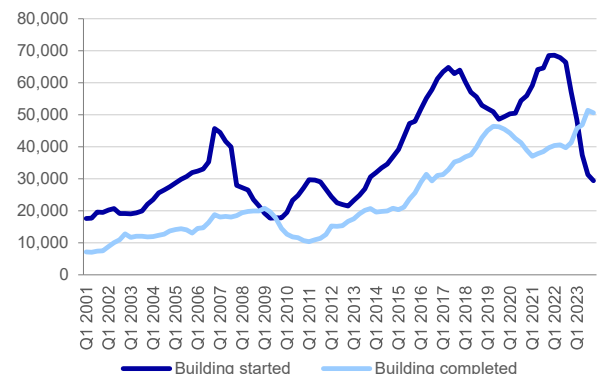
Source: Statistics Sweden and Nordea

SWEDEN: BUILDING STARTS AND COMPLETIONS (UNITS)



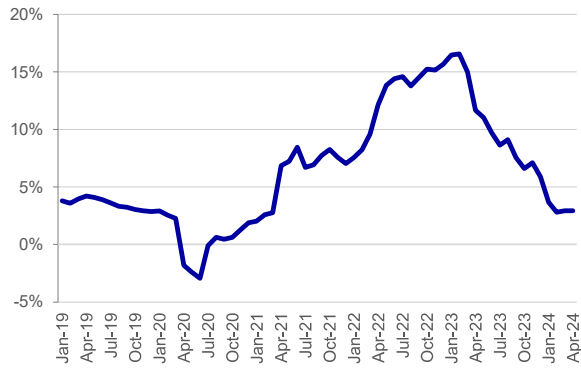
Source: LSEG Data & Analytics and Nordea

SWEDEN: BUILDING STARTS AND COMPLETIONS, LTM (UNITS)



Source: LSEG Data & Analytics and Nordea

SWEDEN: BUILDING COST INDEX GROWTH Y/Y



Source: Statistics Sweden and Nordea

SWEDEN: CONSUMER CONFIDENCE INDEX



Source: Eurostat and Nordea

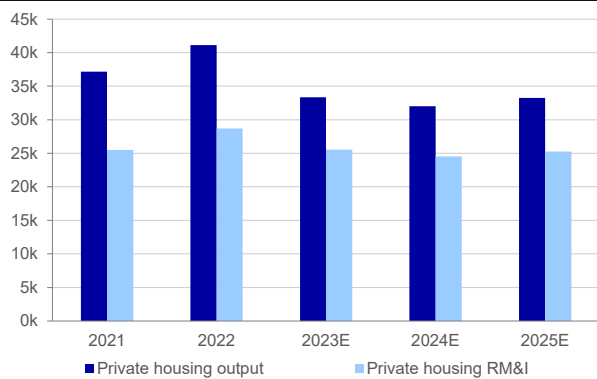
The UK market

Challenging UK market expected in 2024...

...with projected recovery in 2025

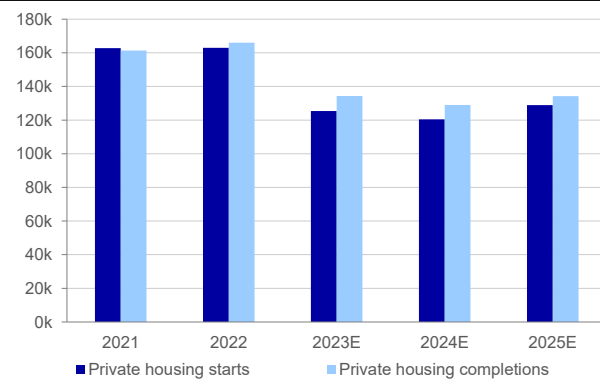
In the UK, the challenging environment during 2023, with falls in private housing newbuilds as well as maintenance and improvement projects, is now expected to extend into 2024, with a projected recovery in 2025. More specifically, the Construction Product Association (CPA) estimates a construction output decline of 2% y/y during 2024, before rising by 2% in 2025. For private housing RM&I (Repair, Maintenance and Improvement), the CPA forecasts a decline of 4% y/y in 2024, followed by a y/y rise of 3% in 2025 as the general housing market recovers (albeit from a low base).

UK: PRIVATE HOUSING OUTPUT AND RM&I (GBPm)



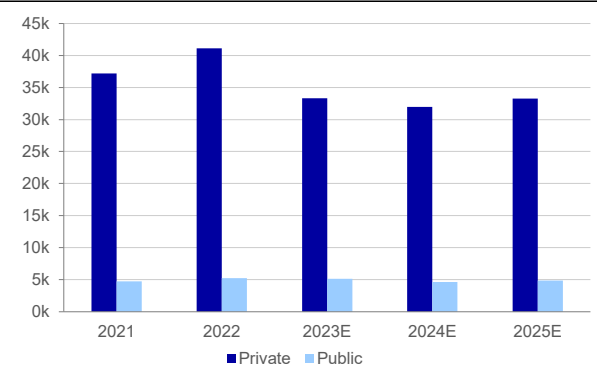
Source: CPA and Nordea

UK: PRIVATE HOUSING STARTS AND COMPLETIONS



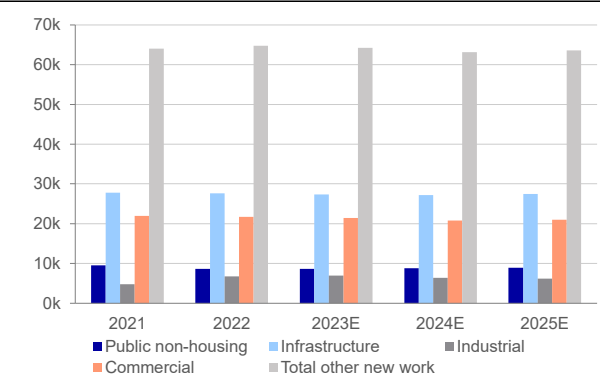
Source: CPA and Nordea

HOUSING: CONSTRUCTION OUTPUT (GBPm)



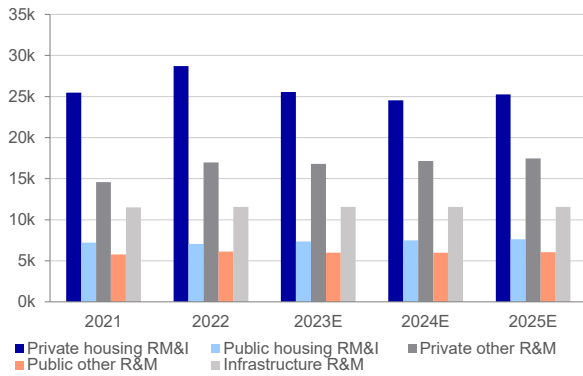
Source: CPA and Nordea

OTHER NEW WORK: CONSTRUCTION OUTPUT (GBPm)



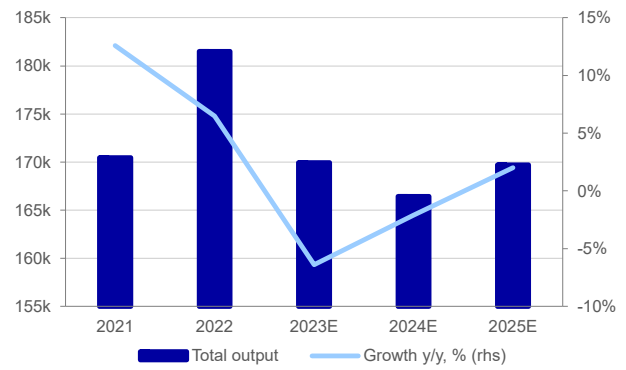
Source: CPA and Nordea

REPAIR & MAINTANANCE: CONSTRUCTION OUTPUT (GBPm)



Source: CPA and Nordea

TOTAL CONSTRUCTION OUTPUT (GBPm)

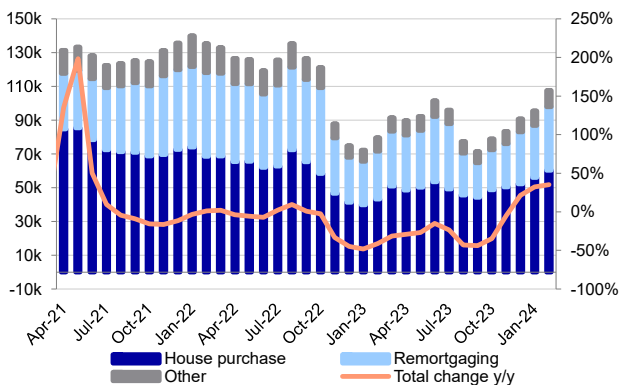


Source: CPA and Nordea

Housing trends in the UK

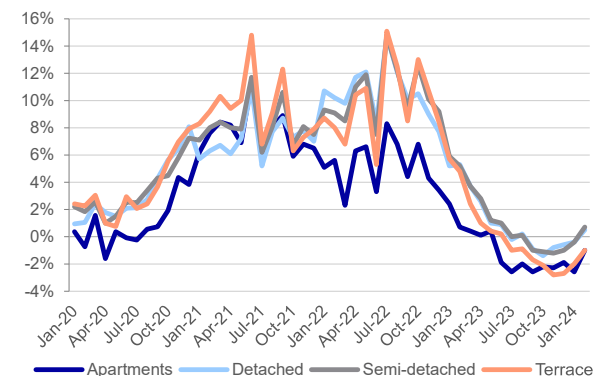
Looking into housing statistics for the UK, Svedbergs Group's largest region, we do not have access to any direct number of sold residences. However, the number of approved new mortgages is published on a monthly basis and should serve as a good indicator for the number of housing transactions. Notably, this number is growing again, with the latest monthly print being the highest since mid-2022. In addition, the CPA estimates that UK house prices will fall by 2% in 2024, or remain flat, as declining demand is partially offset by a reduction in the supply of homes onto the market.

UK: NUMBER OF NEW MORTGAGES BY MONTH



Source: Bank of England and Nordea

UK: RESIDENCE AVERAGE PRICE CHANGE BY MONTH (%)



Source: GOV.UK and Nordea

The Dutch market

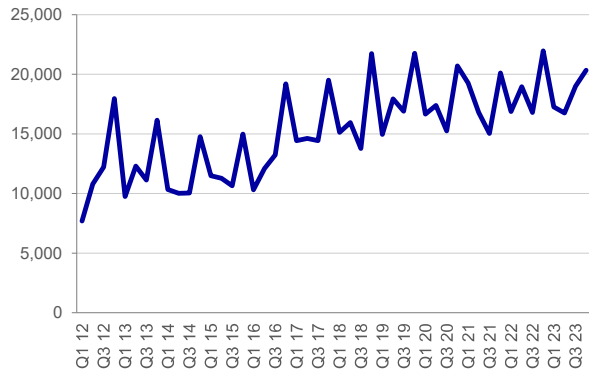
Both new construction and housing transactions have seen a steady development in recent years

New construction of residential buildings and apartments in the Netherlands has seen a steady development since 2012, with the average number of housing completions per quarter increasing from 12,890 in 2012-17 to 17,801 in 2018-23. Also, with the housing market being an important driving force for the market for bathrooms and bathroom furniture, as home purchases often lead to renovations and improvement works, we find it interesting to review the number of housing transactions in the Netherlands. According to data provided by Statistics Netherlands, the residential transaction market has increased steadily over the past years, averaging 53,091 transactions per quarter in 2018-23 – with the exception of the time period surrounding the COVID-19 pandemic, when transaction volumes were negatively affected at the beginning of 2020 before quickly recovering during H2.

Dutch authorities expect a large housing shortage in the Netherlands

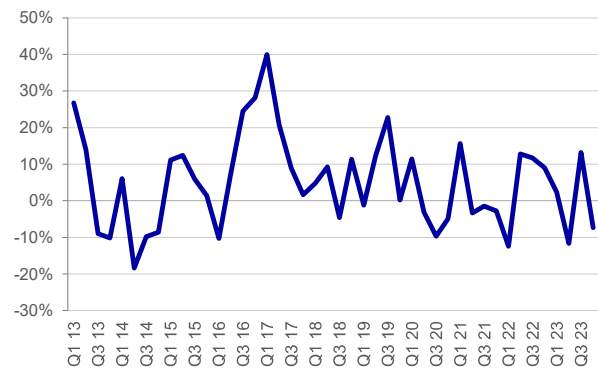
Despite an increased number of completed residential buildings and apartments, there is a housing shortage in the Netherlands. In 2023, the Dutch authorities (Ministerie van Binnenlandse Zaken en Koninkrijksrelaties) reported a deficit of 390,000 homes, representing 4.8% of the entire housing stock. According to their forecast, the housing shortage will increase until the year 2027, to 397,000 homes, which implies an increase of 1.8% between 2023 and 2027. In our view, this points to a healthy development for bathroom furniture and products, which in the long term should benefit Svedbergs Group's most recently acquired subsidiary, Thebalux.

NETHERLANDS: NUMBER OF HOUSING COMPLETIONS



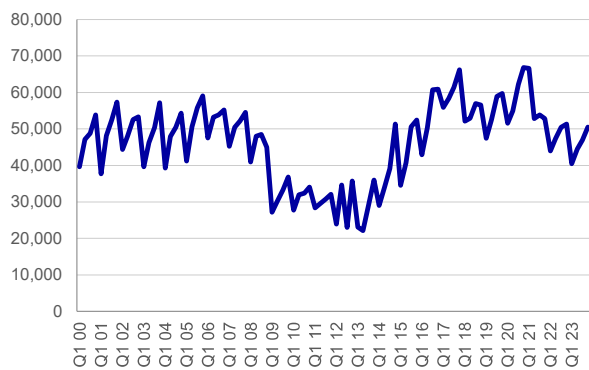
Source: Statistics Netherlands and Nordea

NETHERLANDS: HOUSING COMPLETIONS GROWTH Y/Y



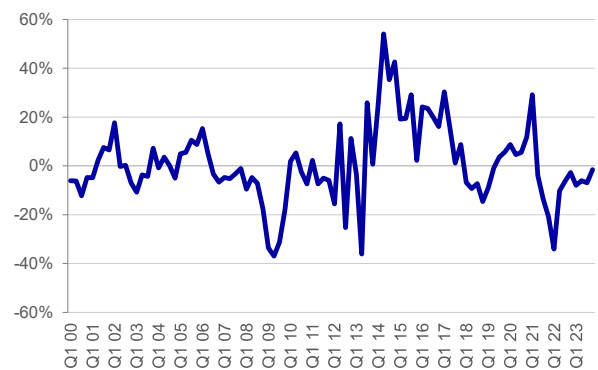
Source: Statistics Netherlands and Nordea

NETHERLANDS: NUMBER OF HOUSING TRANSACTIONS



Source: Statistics Netherlands and Nordea

NETHERLANDS: HOUSING TRANSACTIONS GROWTH Y/Y



Source: Statistics Netherlands and Nordea

Underlying market trends

Apart from the underlying market drivers of new construction and renovations (described in detail above), there are several trends and driving forces affecting demand for Svedbergs Group's product offering. Below, we list some of those we deem to be the most important.

Emphasis on home living drives demand for bathroom renovations

The COVID-19 pandemic reinforced the significance of the home as a central hub for living, working and relaxation. With more time spent at home, consumers increasingly are investing in home improvement projects, including bathroom renovations. According to Svedbergs Group, the bathroom is now prioritised to a greater extent and increasingly is perceived as a value-enhancing component of the home, a trend observed among both homeowners and property seekers in the rental market. This shifting perspective has led to a surge in demand for high-quality bathroom furniture and products. In addition, the availability of inspiration, not least through various social media platforms, has contributed to a globalisation of trends.

On the other side, however, consumers increasingly are seeking personalised solutions that deviate from conventional standard products – i.e. being able to design entirely based on their own preferences. Also, as urban living spaces become smaller, there is a growing emphasis on maximising space utilisation in bathrooms. Furniture with multi-functional capabilities, such as vanity cabinets with built-in storage, adjustable shelving and modular configurations, is seeing increased demand.

With a substantial portion of Svedbergs Group's production occurring in-house (approximately one-third) and with a strong focus on innovation, we see ample opportunities for the company to offer flexible and customised solutions to meet this demand effectively – something that the company is already proactively working on (read more details in the *Company overview* chapter).

Evolving lifestyle needs of homeowners in the post-pandemic era increase the demand for bathroom renovations

Social media platforms provide inspiration for end customers

Consumers increasingly are looking for customised solutions

Digital tools play an increasingly pivotal role

Increased digitalisation and technological content

Digitalisation remains a potent and persistent trend, serving as a driving force behind development and demand. With an increasing number of purchases conducted remotely, customers have greater access to product information and pricing details through digital platforms. Consequently, digital tools play an increasingly pivotal role in the sales process and purchase decisions, as well as in production automation.

The integration of technology into bathroom furniture is gaining momentum

Moreover, technological advancements have significantly influenced bathroom product innovation, with features such as motion-controlled faucets, heat sensors, LED-illuminated mirrors and voice-controlled systems becoming increasingly prevalent. This trend aligns with the growing consumer preference for design-focused products and accessible luxury, necessitating that companies such as Svedbergs Group consistently prioritise product innovation and remain abreast of technological advancements.

Increased focus on sustainability puts pressure on manufacturers of bathroom products

Sustainability is expected throughout the whole value chain

Consumers increasingly are prioritising sustainability and eco-consciousness in their purchasing decisions, searching for quality, longevity and fair working conditions. This growing awareness puts increased pressure on manufacturers responsible for incorporating recycled materials, eco-friendly finishes and sustainable production practices into their bathroom furniture designs.

Products that help minimise water and energy consumption are gaining traction

Additionally, there is a notable surge in the prioritisation of sustainability with an emphasis on minimising water and energy consumption. Water-efficient fixtures such as low-flow faucets, dual-flush toilets and aerated showerheads designed to reduce water usage are increasingly being incorporated into companies' product offerings. Similarly, energy-efficient lighting solutions, motion-sensor activated fixtures and programmable thermostatic controls are gaining traction in modern bathroom designs.

There are several larger international companies focused on bathroom furnishing

Market players (key competitors)

Beyond the smaller local and regional bathroom companies present in Europe, there are several large international companies that are focused on bathroom materials and products – spanning from low to high end. In terms of companies with global operations, we identify the Swiss sanitary products and bathroom producer Geberit AG, the German bathroom product manufacturer Grohe AG (owned by the Japanese Lixil Group), German ceramics manufacturer Villeroy & Boch, the Spanish ceramics manufacturer Roca Corporación and Finnish brassware manufacturer Oras Group as some of the main ones.

Other bathroom product suppliers in Sweden include FM Mattson, Gustavsberg, Hafa and Ifö

In Sweden, however, the main bathroom product suppliers include Svedbergs, FM Mattson, Gustavsberg (Villeroy & Boch), Hafa Bathroom Group (BHG Group) and Ifö Sanitär (Geberit). Looking at other types of renovation suppliers, we note some listed companies, including Inwido, Nobia, Balco, Nordic Waterproofing and Salix (owned by Volati).

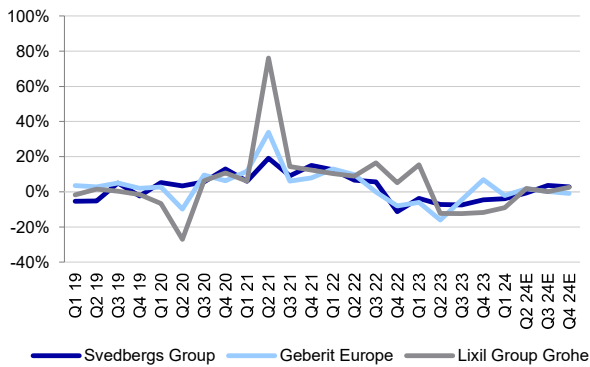
In the UK bathroom market, some of the main brands include Victoria Plum, Crosswater, Twyford (Geberit), Roca (Roca Corporación), Belgian Ideal Standard (recently acquired by Villeroy & Boch) and Germany's Duravit.

BRAND POSITIONING

Luxury Brands						
Premium Brands						
Fighting Brands						

Source: Company data and Nordea

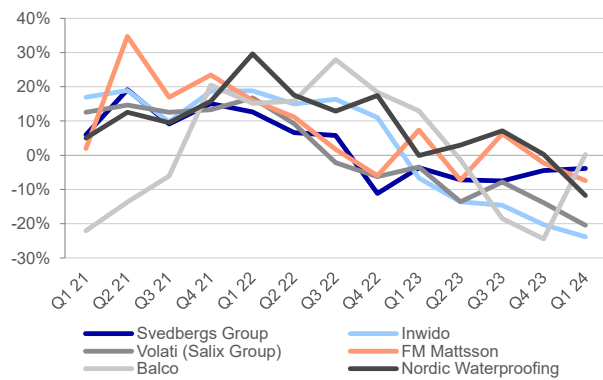
GLOBAL BATHROOM PRODUCT SUPPLIERS GROWTH Y/Y



Note: Organic growth for Svedbergs Group

Source: Company data, Visible Alpha and Nordea estimates

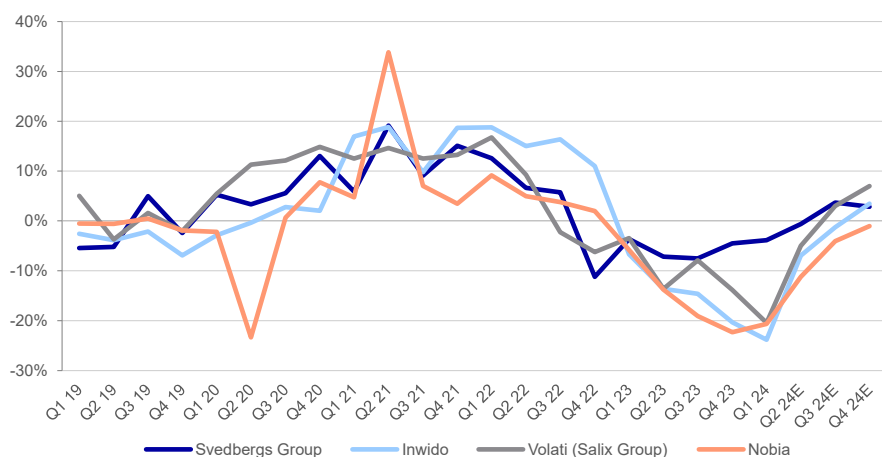
SWEDISH RENOVATION SUPPLIERS GROWTH Y/Y



Note: Organic growth for Svedbergs Group, Inwido and Volati

Source: Company data and Nordea estimates

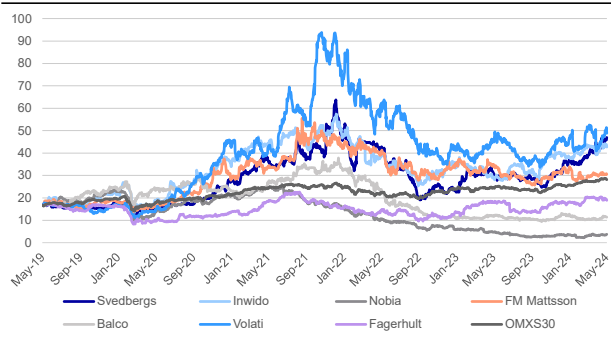
SWEDISH RENOVATION SUPPLIERS, ORGANIC GROWTH Y/Y



Source: Company data and Nordea estimates

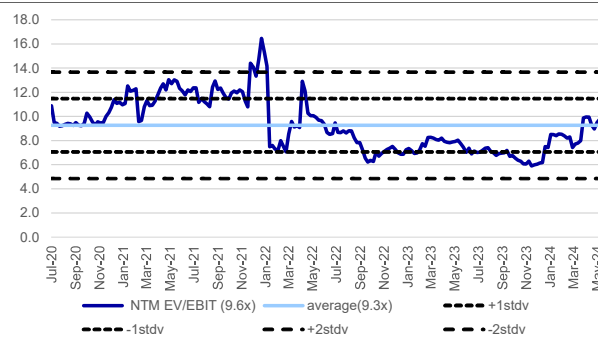
Performance and valuation

SHARE PRICE PERFORMANCE



Source: LSEG Data & Analytics

SVEDBERGS GROUP: NTM EV/EBIT (x)



Source: LSEG Data & Analytics

SWEDISH BUILDING MATERIALS COMPANIES: VALUATION TABLE

Company	Rating	Mcap SEKm	EV/EBITDA (adj.)			EV/EBITA (adj.)			EV/EBIT (adj.)			P/E (adj.)			EBIT %	Growth
			24E	25E	26E	24E	25E	26E	24E	25E	26E	24E	25E	26E		
Inwido	BUY	8,330	7.4x	6.4x	5.5x	10.0x	8.5x	7.2x	10.5x	8.8x	7.5x	14.1x	11.7x	10.5x	2.4%	4.9%
Nobia	BUY	3,598	9.1x	5.9x	4.5x	-	20.7x	11.5x	-	26.6x	13.3x	-	-	16.3x	2.4%	5.5%
Volati	BUY	9,385	13.4x	10.5x	9.6x	16.3x	12.5x	11.3x	19.5x	14.5x	13.0x	-	22.0x	19.1x	8.4%	7.0%
FM Mattsson	NOT COVERED	1,920	5.8x	5.4x	5.0x	7.1x	6.0x	-	8.0x	7.1x	6.2x	15.5x	12.6x	10.9x	11.3%	6.0%
Balco	NOT COVERED	1,013	9.5x	7.2x	6.6x	13.4x	9.4x	8.6x	9.5x	7.2x	6.6x	17.1x	9.6x	8.2x	8.2%	7.2%
Nordic Waterproofing	NOT COVERED	3,894	9.4x	8.1x	7.7x	13.1x	10.4x	9.8x	12.8x	10.7x	10.1x	17.0x	12.4x	11.1x	9.0%	5.1%
Fagerhult	NOT COVERED	12,286	11.0x	10.4x	9.7x	14.1x	12.9x	-	15.7x	14.2x	12.8x	18.5x	16.4x	14.6x	11.4%	6.1%
Peers average			9.4x	7.7x	6.9x	12.3x	11.5x	9.7x	12.7x	12.7x	10.0x	16.4x	14.1x	13.0x	8.8%	6.0%
Peers median			9.4x	7.2x	6.6x	13.2x	10.4x	9.8x	11.6x	10.7x	10.1x	17.0x	12.5x	11.1x	9.0%	6.0%
Svedbergs (Nordea)	NO RATING	2,490	7.8x	6.7x	5.9x	9.3x	8.1x	7.1x	9.8x	8.5x	7.4x	12.3x	11.1x	10.4x	14.8%	3.9%
vs. peers average			-17%	-13%	-16%	-24%	-29%	-26%	-22%	-33%	-26%	-25%	-21%	-20%	6.0 pp	-2.1 pp
vs. peers median			-17%	-7%	-12%	-29%	-22%	-27%	-16%	-21%	-27%	-28%	-11%	-6%	6.0 pp	-2.1 pp

Source: LSEG Data & Analytics and Nordea estimates

EUROPEAN BUILDING MATERIALS COMPANIES: VALUATION TABLE

Company	Rating	Mcap SEKm	EV/EBITDA (adj.)			EV/EBITA (adj.)			EV/EBIT (adj.)			P/E (adj.)			EBIT %	Growth
			24E	25E	26E	24E	25E	26E	24E	25E	26E	24E	25E	26E		
Geberit	NOT COVERED	226,890	22.7x	21.5x	20.3x	26.4x	25.0x	23.6x	27.3x	25.8x	24.2x	31.6x	29.2x	27.5x	24.7%	4.5%
Villeroy & Boch	NOT COVERED	2,729	4.2x	3.9x	3.7x	-	-	-	7.2x	6.8x	6.5x	6.3x	5.6x	5.3x	8.7%	6.8%
Howden	NOT COVERED	67,546	11.0x	10.0x	9.5x	15.0x	13.7x	12.6x	15.0x	13.5x	12.8x	19.0x	16.9x	15.3x	15.8%	6.6%
Peers average			12.6x	11.8x	11.2x	20.7x	19.3x	18.1x	16.5x	15.4x	14.5x	19.0x	17.2x	16.0x	16.4%	6.0%
Peers median			11.0x	10.0x	9.5x	20.7x	19.3x	18.1x	15.0x	13.5x	12.8x	19.0x	16.9x	15.3x	15.8%	6.6%
Svedbergs (Nordea)	NO RATING	2,490	7.8x	6.7x	5.9x	9.3x	8.1x	7.1x	9.8x	8.5x	7.4x	12.3x	11.1x	10.4x	14.8%	3.9%
vs. peers average			-38%	-44%	-48%	-55%	-58%	-61%	-41%	-45%	-49%	-35%	-35%	-35%	-1.6 pp	-2.1 pp
vs. peers median			-29%	-34%	-38%	-55%	-58%	-61%	-35%	-38%	-42%	-35%	-34%	-32%	-1.6 pp	-2.1 pp

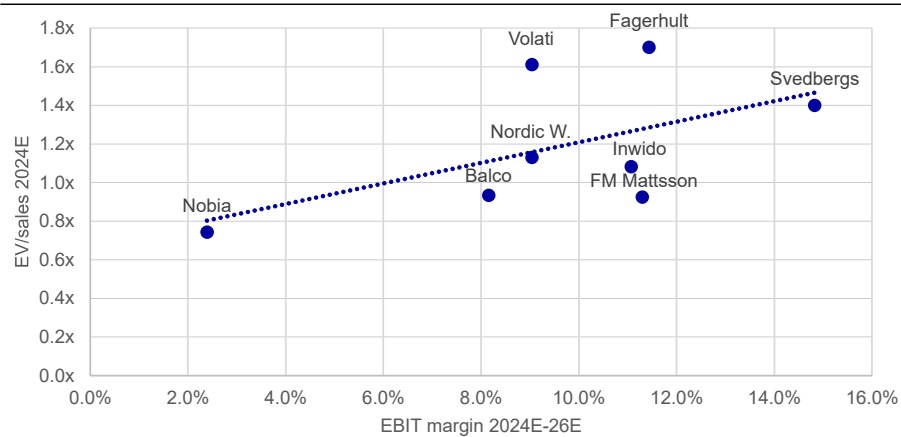
Source: LSEG Data & Analytics and Nordea estimates

VALUATION: 2025E ADJUSTED EV/EBIT SENSITIVITY (SEK PER SHARE, SEKm, x)

Adjusted EV/EBIT 2025E - multiple	7.0x	7.5x	8.0x	8.5x	9.0x	9.5x	10.0x	10.5x	11.0x	11.5x	12.0x	12.5x	13.0x
Implied EV	2,416	2,589	2,762	2,934	3,107	3,279	3,452	3,625	3,797	3,970	4,142	4,315	4,488
ND	430	430	430	430	430	430	430	430	430	430	430	430	430
Implied Mcap	1,987	2,159	2,332	2,505	2,677	2,850	3,022	3,195	3,368	3,540	3,713	3,885	4,058
Mcap per share (SEK)	38	41	44	47	51	54	57	60	64	67	70	73	77
Implied P/E	8.9x	9.7x	10.4x	11.2x	12.0x	12.7x	13.5x	14.3x	15.1x	15.8x	16.6x	17.4x	18.1x
Implied FCF yield	4.2%	3.8%	3.5%	3.3%	3.1%	2.9%	2.7%	2.6%	2.5%	2.3%	2.2%	2.1%	2.0%
Implied EV/EBITA 2024E vs. peer average	-45%	-41%	-37%	-33%	-29%	-25%	-21%	-17%	-14%	-10%	-6%	-2%	2%
Implied EV/EBITA 2024E vs. peer median	-34%	-30%	-25%	-20%	-16%	-11%	-6%	-1%	3%	8%	13%	17%	22%
Upside/downside to current share price	-22%	-16%	-9%	-2%	5%	11%	18%	25%	32%	38%	45%	52%	59%

Source: Nordea estimates

EV/SALES (x) VS. EBIT MARGIN (%)



Source: LSEG Data & Analytics and Nordea estimates

Detailed estimates

SVEDBERGS GROUP: BREAKDOWN OF OUR ESTIMATES

SEKm	Q3 22	Q4 22	Q1 23	Q2 23	Q3 23	Q4 23	Q1 24	Q2 24E	2021	2022	2023	2024E	2025E	2026E
Net sales	435	438	476	456	432	460	572	562	869	1,833	1,824	2,226	2,316	2,402
COGS	-253	-257	-279	-263	-239	-248	-317	-309	-502	-1,076	-1,028	-1,223	-1,264	-1,310
Gross profit	182	181	197	193	193	213	255	252	366	757	796	1,004	1,052	1,092
Adj. opex	-112	-115	-121	-123	-122	-138	-156	-156	-221	-459	-504	-603	-614	-629
Adj. EBITDA	70	67	76	70	72	75	100	97	146	298	292	400	438	463
Depreciation	-11	-13	-12	-12	-13	-15	-16	-16	-26	-47	-52	-67	-79	-82
Adj. EBITA	59	54	64	58	59	59	84	80	119	251	240	334	359	381
Amortisation (PPA)	-3	-2	-3	-3	-3	-3	-4	-4	-6	-9	-11	-16	-14	-14
Adj. EBIT	56	52	62	55	56	56	80	76	114	242	229	318	345	367
IAC	-1	-5	0	-4	0	-15	0	0	-19	-7	-18	0	0	0
EBIT	55	48	62	51	57	41	80	76	95	234	210	317	345	367
Net financials	-3	-9	-10	-9	-13	-18	-12	-12	-16	-28	-51	-48	-47	-46
Pre-tax profit	52	39	52	42	43	23	67	64	79	206	160	269	298	320
Tax	-10	-9	-10	-9	-9	-13	-17	-16	-21	-40	-41	-68	-75	-80
Net profit	42	30	42	33	34	10	50	48	59	166	119	202	224	240
Adj. EPS (SEK)	1.22	0.95	1.19	1.02	0.96	0.60	0.95	0.91	2.82	5.07	3.77	3.82	4.22	4.54
EPS (SEK)	1.19	0.84	1.19	0.93	0.97	0.27	0.95	0.91	2.26	4.90	3.37	3.81	4.22	4.54

Margins

Gross margin	41.8%	41.3%	41.4%	42.3%	44.7%	46.2%	44.6%	44.9%	42.2%	41.3%	43.6%	45.1%	45.4%	45.5%
Adj. EBITDA margin	16.1%	15.2%	16.0%	15.3%	16.6%	16.2%	17.4%	17.2%	16.8%	16.3%	16.0%	18.0%	18.9%	19.3%
Adj. EBITA margin	13.5%	12.4%	13.5%	12.6%	13.7%	12.9%	14.6%	14.3%	13.7%	13.7%	13.2%	15.0%	15.5%	15.9%
Adj. EBIT margin	12.9%	11.9%	12.9%	12.0%	13.0%	12.2%	14.0%	13.6%	13.1%	13.2%	12.5%	14.3%	14.9%	15.3%
EBIT margin	12.6%	10.9%	12.9%	11.2%	13.1%	9.0%	13.9%	13.6%	10.9%	12.8%	11.5%	14.2%	14.9%	15.3%

Sales drivers

Organic	6%	-9%	-4%	-8%	-8%	-5%	-4%	-1%	13%	3%	-6%	0%	4%	4%
FX	2%	3%	1%	4%	7%	3%	2%	2%	0%	2%	4%	1%	0%	0%
Structure	152%	63%	0%	1%	0%	7%	22%	22%	21%	106%	2%	20%	0%	0%
Total	160%	56%	-3%	-3%	-1%	5%	20%	23%	34%	111%	-1%	22%	4%	4%

PERFORMANCE BY SEGMENT

External net sales	Q3 22	Q4 22	Q1 23	Q2 23	Q3 23	Q4 23	Q1 24	Q2 24E	2021	2022	2023	2024E	2025E	2026E
Svedbergs	124	144	146	128	93	113	113	115	516	569	480	445	467	490
Macro design	36	45	44	43	32	44	42	43	208	193	163	163	171	178
Cassøe	20	20	24	22	20	23	23	22	97	94	88	88	94	97
Roper Rhodes	255	230	263	262	287	250	289	281	47	977	1,062	1,128	1,162	1,196
Thebalux	0	0	0	0	0	30	105	101	0	0	30	403	423	440
Group	435	438	476	456	432	460	572	562	869	1,833	1,824	2,226	2,316	2,402

Adj. EBITA

Svedbergs	23	23	24	13	12	8	8	8	86	99	59	33	41	45
Macro design	3	6	4	3	2	4	4	3	24	24	12	13	15	17
Cassøe	4	3	5	5	4	5	4	4	22	20	18	17	18	19
Roper Rhodes	34	28	37	39	48	52	49	45	-1	130	179	199	207	218
Thebalux	0	0	0	0	0	1	26	25	0	0	1	99	106	111
Eliminations	-4	-6	-6	-3	-6	-11	-8	-5	-11	-22	-28	-28	-29	-29
Group	59	54	64	58	59	59	84	80	119	251	240	334	359	381

Adj. EBITA margin

Svedbergs	18.7%	15.9%	16.8%	10.5%	13.3%	7.1%	7.2%	7.2%	16.6%	17.3%	12.2%	7.4%	8.7%	9.2%
Macro design	7.7%	13.9%	8.7%	7.4%	4.7%	8.9%	9.7%	7.9%	11.3%	12.5%	7.4%	8.2%	9.0%	9.6%
Cassøe	18.2%	15.6%	21.2%	20.8%	17.8%	20.5%	19.5%	19.2%	22.5%	21.4%	20.3%	19.3%	19.3%	19.5%
Roper Rhodes	13.1%	12.4%	14.1%	14.8%	16.7%	20.9%	17.0%	15.9%	-2.5%	13.3%	16.8%	17.6%	17.9%	18.2%
Thebalux						3.4%	24.8%	24.6%			3.4%	24.6%	25.1%	25.3%
Group	13.5%	12.4%	13.5%	12.6%	13.7%	12.9%	14.6%	14.3%	13.7%	13.7%	13.2%	15.0%	15.5%	15.9%

Source: Company data and Nordea estimates

Risk factors

In this section, we introduce several risk factors that we believe currently affect Svedbergs Group's operations and financial performance, and/or could do so in the future. The purpose of this list is not to provide a comprehensive description of all risks to which the company may be subject, but rather to highlight those that we find the most relevant. The main risks that we identify are market demand volatility, production and supply chain disruptions, and risks associated with the company's M&A agenda.

<p>Svedbergs Group faces the risk of demand fluctuations in the housing and new construction markets, something that currently can be seen in the market</p>	<p>Market demand volatility</p> <p>As a manufacturer and developer of bathroom products and services, Svedbergs Group is subject to market demand fluctuations in both the housing market and in new construction. Here we note that demand in the consumer markets is predominantly driven by consumer preferences to replace outdated bathroom fixtures, and by disposable household income, housing price trends and interest rates. Historically, consumer demand has exhibited relatively low volatility throughout the business cycle. Additionally, demand in the professional market related to Swedish home renovation tax deductions (ROT) has demonstrated greater stability over time, while the new construction market is normally more volatile and determined by cycles and the pace of newbuilds. As such, with renovations accounting for the largest part of group sales (roughly 85%), combined with the company's de-risked market exposure, we believe Svedbergs Group would be able to exit a construction downturn – such as the one currently burdening market sentiment – earlier than other building materials companies that are more exposed to newbuilds.</p>
<p>Shortages of raw materials or components, or transportation delays, could lead to revenue losses</p>	<p>Production and supply chain disruptions</p> <p>Disruptions in the supply chain, such as shortages of raw material or components, and transportation delays, could impact Svedbergs Group's production capabilities and result in potential revenue losses. We argue that its vertically-integrated manufacturing capabilities (roughly a third) – which enable greater control from supply to validation and quality – as well as the use of shared logistics and supply chain management, help the company mitigate such issues.</p> <p>Moreover, water restrictions and conflicts with local communities may lead to higher prices, lower quality and shortages of raw materials. In our view, the company reduces such risks by, for instance, requiring all suppliers to have sustainable water use practices in place. In addition, Svedbergs Group strives to optimise energy and water consumption, both within its operations and by incorporating such measures into its product development.</p>
<p>Svedbergs Group is exposed to transaction and currency risks</p>	<p>Exchange rates and international trade</p> <p>Svedbergs Group operates in the Northern European, UK and Benelux markets, with a hefty portion of sales derived from outside Sweden, but it reports in SEK. As such, it is exposed to transaction risks and translation risks related to FX fluctuations. Changes in foreign exchange rates could affect the company's margins and earnings. Also, changes in trade policies could impact the company's costs, pricing and overall profitability. However, these are factors that would largely imply similar price pressure across the industry. We therefore believe that the company will be able to offset this with price increases over time, and thereby mitigate any negative earnings effects in the longer term.</p>
<p>Finding suitable targets and overpaying are risks related to having an acquisition-driven business model</p>	<p>Acquisitions</p> <p>With a strategy centred on a combination of organic growth and strategic acquisitions, we expect Svedbergs Group to continue to execute on its M&A journey. However, there are several risks associated with an acquisition-driven business model. For example, Svedbergs Group might struggle to find and acquire suitable targets that fit its criteria, and which the owners are willing to sell. There is also a risk of overpaying for acquisitions, which could negatively affect Svedbergs Group's financials and ROI. However, with its long-term financial target of reaching an adjusted EBITA margin of 15%, combined with its history of acquiring well-established and profitable businesses, we expect the evaluation of, and criteria for, acquisitions to be quite stringent, which should limit such risks.</p>

Intensified competition from both established and emerging players could pose a risk	Competitive landscape The European bathroom market is characterised as fragmented, consisting of a plethora of independent and local or regional companies. That said, Svedbergs Group could face intensified competition from both established companies and emerging players. This could affect both market share and pricing, and thus impact the company's revenue and profitability. However, as Svedbergs is a pioneer within its field and given its relentless pursuit of innovation, sustainability and digitalisation, combined with de-risked market exposure and the company's long history in the space, we argue these factors limit Svedbergs Group's risks.
Regulatory requirements and industry standards may shift	Regulatory compliance Changes in regulatory requirements or non-compliance with industry standards and regulations could pose a risk to Svedbergs Group's operations, potentially leading to delays in, for example, the introduction of new products. As a pioneer within its field, we believe Svedbergs Group is an up-to-speed company and that it is continuously monitoring changing market dynamics to mitigate such issues.

Management



Chief Executive Officer

Per-Arne Andersson, born 1970

CEO since 2019

Previous experience: Holds an MBA from Jönköping University. Previously President and CEO of Kinnarps Group and CEO of CC Höganäs Byggkeramik. Current directorships include Navinova AB and Scandinavian and Finnish Interiors AB.

Number of shares: 156,084 (as of 18 March 2024)



Chief Financial Officer

Ann-Sofie Davidsson, born 1972

Joined Svedbergs Group in 2023

Previous experience: Holds an M.Sc. in Business Administration from Lund University and a B.Sc. in Business Administration from Blekinge Institute of Technology. Previously CFO of Continental Bakeries North Europe AB, Finance Manager of Elopak AB and Controller Manager at Höganäs AB.

Number of shares: 4,500 (as of 1 February 2024)



Director of Business Development and Sustainability

Beate Hennessy, born 1970

Joined Svedbergs Group in 2022

Previous experience: Holds a degree in International Communications from Stockholm University. Previously worked as a Digital Business Developer at Svedbergs i Dalstorp AB and as Sales Support Manager at Eton Fashion AB.

Number of shares: 2,357 (as of 1 February 2024)



CEO of Svedbergs i Dalstorp AB

Thomas Elvlin, born 1968

Employed since 2021

Previous experience: Holds a degree in Business Management from IHM Business School. Previously CEO of Itab Shop Concept Nässjö and CEO of Macro Design.

Number of shares: 13,462 (as of 1 February 2024)

**CEO of Macro Design AB**

Thomas Gunnarsson, born 1964

Joined Svedbergs Group in 2021

Previous experience: Holds an MBA in Business Administration from Jönköping University. Previously worked as Supply Chain Director at Kinnarps AB and was CEO of Rosenqvist Maskin AB.

Number of shares: 10,704 (as of 1 February 2024)

Board of directors



Board Chairman

Anders Wassberg, born 1965

Board Chairman since 2017 and board member since 2016

Experience: Holds an M.Sc. in Engineering from Chalmers University of Technology. Previously President and CEO of Ballingslöv International, Gustaf Kähr and Beijer Byggmaterial. Anders Wassberg is currently President and CEO of Stena Adactum and a member of the Stena Sphere Coordination Group.

Number of shares: 124,998 (as of 26 April 2024)



Member of the board

Jan Svensson, born 1945

Board member since 2013

Experience: Jan Svensson has previously worked in various executive positions at Skandia, including Head of Nordic Commercial and Chief of Staff to the Group Chief Executive. He is currently Chairman of the Board of Håkan Harenberger and has multiple engagements in other small- and medium-sized enterprises.

Number of shares: 8,333 (as of 31 December 2023)



Member of the board

Ingrid Osmundsen, born 1961

Board member since 2017

Experience: Holds a BA from the University of Washington. Previous positions include Head of Lindex Sweden, CEO of Wedins, CEO of Day Birger et Mikkelsen, GMM Director of Nike Europe and COO of Claires Europe. She currently works as a management consultant and is the CEO of Osmundsen Consulting.

Number of shares: 3,825 (as of 1 February 2024)



Member of the board

Susanne Lithander, born 1961

Board member since 2020

Experience: Holds an MBA from the School of Business, Economics and Law at the University of Gothenburg. Previous positions include CFO of BillerudKorsnäs and various senior roles at Ericsson. She is currently CFO of NCC Group.

Number of shares: 3,000 (as of 1 February 2024)

**Member of the board**

Kristoffer Väliharju, born 1975

Board member since 2020

Experience: Kristoffer Väliharju was previously CEO of CDON and held various executive positions at Dustin Group and Dell. He is currently CEO of GoldPen Computing and a board member of Skånes Stadsmissions Affärsråd, Godsintösen Nordic AB and Sweden Buyersclub AB.

Number of shares: 5,748 (as of 1 February 2024)

**Member of the board**

Joachim Frykberg, born 1970

Board member since 2021

Experience: Holds an M.Sc. in Economics from Karlstad University and IHM Stockholm. Joachim Frykberg previously held several executive positions in the JULA Group, and is currently the owner of Joachim Frykberg AB and Chairman of the Board of S-Invest Trading AB and LifeClean International AB.

Number of shares: 7,500 (as of 1 February 2024)

Reported numbers and forecasts

INCOME STATEMENT

SEKm	2016	2017	2018	2019	2020	2021	2022	2023	2024E	2025E	2026E
Total revenue	449	639	622	609	649	869	1,833	1,824	2,226	2,316	2,402
Revenue growth	0.3%	42.4%	-2.7%	-2.1%	6.6%	33.8%	111.0%	-0.5%	22.1%	4.0%	3.7%
of which organic	n.a.	n.a.	-3.0%	-2.0%	7.0%	13.0%	3.0%	-6.0%	0.5%	4.0%	3.7%
of which FX	n.a.	n.a.	0.0%	0.0%	-1.0%	-0.2%	2.0%	4.0%	1.2%	0.0%	0.0%
EBITDA	57	83	75	79	90	127	291	274	400	438	463
Depreciation and impairments PPE	0	-19	-19	-21	-22	-26	-47	-52	-67	-79	-82
of which leased assets	0	0	0	0	0	0	0	0	0	0	0
EBITA	57	64	56	58	68	101	244	222	333	359	381
Amortisation and impairments	0	-1	-1	-2	-2	-6	-9	-11	-16	-14	-14
EBIT	57	63	55	56	66	95	234	210	317	345	367
of which associates	0	0	0	0	0	0	0	0	0	0	0
Associates excluded from EBIT	0	0	0	0	0	0	0	0	0	0	0
Net financials	0	-3	-3	-3	-4	-16	-28	-51	-48	-47	-46
of which lease interest	0	0	0	0	0	0	0	0	0	0	0
Changes in value, net	0	0	0	0	0	0	0	0	0	0	0
Pre-tax profit	57	60	51	53	62	79	206	160	269	298	320
Reported taxes	-13	-13	-11	-12	-14	-21	-40	-41	-68	-75	-80
Net profit from continued operations	44	46	41	41	48	59	166	119	202	224	240
Discontinued operations	0	0	0	0	0	0	0	0	0	0	0
Minority interests	0	0	0	0	0	0	0	0	0	0	0
Net profit to equity	44	46	41	41	48	59	166	119	202	224	240
EPS, SEK	2.10	2.20	1.93	1.96	2.28	2.26	4.90	3.37	3.81	4.22	4.54
DPS, SEK	2.25	2.25	2.25	1.25	0.00	1.25	0.00	1.50	1.00	1.25	1.50
of which ordinary	2.25	2.25	2.25	1.25	0.00	1.25	0.00	1.50	1.00	1.25	1.50
of which extraordinary	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Profit margin in percent

EBITDA	12.8%	13.0%	12.1%	13.0%	13.9%	14.6%	15.9%	15.0%	18.0%	18.9%	19.3%
EBITA	12.8%	10.0%	9.0%	9.5%	10.5%	11.6%	13.3%	12.2%	15.0%	15.5%	15.9%
EBIT	12.8%	9.9%	8.8%	9.2%	10.2%	10.9%	12.8%	11.5%	14.2%	14.9%	15.3%

Adjusted earnings

EBITDA (adj)	58	87	77	79	100	146	298	292	400	438	463
EBITA (adj)	58	68	58	58	78	119	251	240	334	359	381
EBIT (adj)	58	67	57	56	76	114	242	229	318	345	367
EPS (adj, SEK)	2.13	2.44	2.05	1.96	2.88	3.15	5.17	4.01	3.82	4.22	4.54

Adjusted profit margins in percent

EBITDA (adj)	12.9%	13.6%	12.4%	13.0%	15.5%	16.8%	16.3%	16.0%	18.0%	18.9%	19.3%
EBITA (adj)	12.9%	10.7%	9.3%	9.5%	12.0%	13.7%	13.7%	13.2%	15.0%	15.5%	15.9%
EBIT (adj)	12.9%	10.5%	9.1%	9.2%	11.8%	13.1%	13.2%	12.5%	14.3%	14.9%	15.3%

Performance metrics

CAGR last 5 years											
Net revenue	0.5%	9.8%	11.0%	9.8%	7.7%	14.1%	23.5%	24.0%	29.6%	29.0%	22.6%
EBITDA	-3.7%	24.1%	24.9%	10.9%	15.4%	17.2%	28.4%	29.4%	38.2%	37.2%	29.5%
EBIT	-3.7%	17.4%	17.2%	3.5%	8.5%	10.6%	30.1%	30.9%	41.4%	39.1%	31.0%
EPS	-2.3%	15.5%	18.4%	2.7%	7.3%	1.5%	17.3%	11.8%	14.2%	13.1%	15.0%
DPS	n.m.	n.m.	n.m.	4.6%	n.m.	-11.1%	n.m.	-7.8%	-4.4%	n.m.	3.8%
Average last 5 years											
Average EBIT margin	9.8%	10.3%	10.5%	9.9%	10.0%	9.9%	11.1%	11.4%	12.5%	13.3%	13.9%
Average EBITDA margin	9.8%	11.2%	12.1%	12.3%	13.0%	13.4%	14.5%	14.9%	16.0%	16.9%	17.6%

VALUATION RATIOS - ADJUSTED EARNINGS

SEKm	2016	2017	2018	2019	2020	2021	2022	2023	2024E	2025E	2026E
P/E (adj)	14.3	10.5	7.7	8.3	8.5	19.6	4.3	7.8	12.9	11.6	10.8
EV/EBITDA (adj)	14.1	8.1	6.8	6.9	7.3	18.8	4.6	7.6	8.1	6.9	6.1
EV/EBITA (adj)	14.1	10.4	9.1	9.4	9.4	23.0	5.5	9.2	9.7	8.4	7.4
EV/EBIT (adj)	14.1	10.6	9.3	9.7	9.6	24.1	5.7	9.7	10.2	8.8	7.7

VALUATION RATIOS - REPORTED EARNINGS

SEKm	2016	2017	2018	2019	2020	2021	2022	2023	2024E	2025E	2026E
P/E	14.6	11.6	8.2	8.3	10.8	27.4	4.5	9.3	12.9	11.6	10.8
EV/Sales	1.82	1.11	0.85	0.89	1.13	3.16	0.75	1.21	1.45	1.31	1.18
EV/EBITDA	14.2	8.5	7.0	6.9	8.1	21.6	4.7	8.1	8.1	6.9	6.1
EV/EBITA	14.2	11.1	9.4	9.4	10.8	27.2	5.6	10.0	9.7	8.4	7.4
EV/EBIT	14.2	11.3	9.6	9.7	11.1	28.8	5.9	10.5	10.2	8.8	7.7
Dividend yield (ord.)	7.4%	8.8%	14.3%	7.6%	0.0%	2.0%	0.0%	4.8%	2.0%	2.5%	3.1%
FCF yield	-19.0%	8.0%	11.0%	10.0%	1.9%	-44.0%	8.2%	-27.8%	6.2%	3.2%	10.4%
FCF Yield bef A&D, lease adj	6.6%	7.8%	10.9%	9.9%	12.8%	5.0%	27.0%	15.4%	6.2%	9.7%	10.4%
Payout ratio	105.6%	92.4%	109.7%	63.7%	0.0%	39.7%	0.0%	37.4%	26.2%	29.5%	33.1%

Source: Company data and Nordea estimates

BALANCE SHEET

SEKm	2016	2017	2018	2019	2020	2021	2022	2023	2024E	2025E	2026E
Intangible assets	165	163	160	160	260	971	1,001	1,381	1,385	1,561	1,568
of which R&D	0	0	0	0	0	0	0	0	0	0	0
of which other intangibles	51	49	46	46	98	376	388	543	547	554	561
of which goodwill	114	114	114	114	162	595	614	838	838	1,007	1,007
Tangible assets	70	70	70	85	81	322	317	461	424	369	311
of which leased assets	0	0	0	9	9	40	28	82	82	82	82
Shares associates	0	0	0	0	0	0	0	0	0	0	0
Interest bearing assets	0	0	0	0	0	0	0	0	0	0	0
Deferred tax assets	0	0	0	0	0	0	0	0	0	0	0
Other non-IB non-current assets	0	0	0	0	0	0	0	0	0	0	0
Other non-current assets	0	0	0	0	0	0	2	3	3	3	3
Total non-current assets	235	233	231	245	341	1,294	1,320	1,845	1,812	1,933	1,882
Inventory	108	131	118	134	130	326	444	499	553	575	597
Accounts receivable	119	118	126	120	138	322	291	296	355	369	383
Short-term leased assets	0	0	0	0	0	0	0	0	0	0	0
Other current assets	5	7	12	5	7	67	35	64	67	70	73
Cash and bank	17	16	21	36	58	320	200	217	303	332	537
Total current assets	249	272	277	296	334	1,035	971	1,076	1,278	1,347	1,589
Assets held for sale	0	0	0	0	0	0	0	0	0	0	0
Total assets	484	505	508	541	674	2,328	2,291	2,921	3,090	3,279	3,472
Shareholders equity	170	168	163	179	227	267	935	979	1,513	1,852	2,027
Of which preferred stocks	0	0	0	0	0	0	0	0	0	0	0
Of which equity part of hybrid debt	0	0	0	0	0	0	0	0	0	0	0
Minority interest	0	0	0	0	0	0	0	0	0	0	0
Total Equity	170	168	163	179	227	267	935	979	1,513	1,852	2,027
Deferred tax	14	13	17	21	36	135	132	174	174	174	174
Long term interest bearing debt	153	131	131	132	132	528	563	490	489	489	489
Pension provisions	0	0	0	0	0	0	0	0	0	0	0
Other long-term provisions	0	0	0	0	25	163	164	187	30	30	3
Other long-term liabilities	8	15	0	0	0	0	0	0	0	0	0
Non-current lease debt	0	0	0	3	4	20	10	64	64	66	66
Convertible debt	0	0	0	0	0	0	0	0	0	0	0
Shareholder debt	0	0	0	0	0	0	0	0	0	0	0
Hybrid debt	0	0	0	0	0	0	0	0	0	0	0
Total non-current liabilities	176	158	148	156	196	846	868	915	758	760	733
Short-term provisions	2	3	3	3	6	13	12	11	174	5	32
Accounts payable	45	50	43	37	39	102	113	161	175	182	188
Current lease debt	0	0	0	7	6	20	19	19	19	17	17
Other current liabilities	55	69	65	66	96	363	282	261	290	301	312
Short term interest bearing debt	36	56	86	93	105	718	61	576	163	163	163
Total current liabilities	139	178	197	206	251	1,216	487	1,027	820	667	712
Liabilities for assets held for sale	0	0	0	0	0	0	0	0	0	0	0
Total liabilities and equity	484	505	508	541	674	2,328	2,291	2,921	3,090	3,279	3,472
Balance sheet and debt metrics											
Net debt	172	171	195	198	212	1,137	623	1,108	628	430	224
of which lease debt	0	0	0	10	9	39	29	83	83	83	83
Working capital	131	137	148	156	140	249	375	437	511	531	551
Invested capital	367	370	379	401	481	1,543	1,695	2,281	2,323	2,464	2,433
Capital employed	359	355	379	414	474	1,552	1,588	2,126	2,248	2,587	2,762
ROE	25.8%	27.5%	24.6%	24.3%	23.7%	23.7%	27.5%	12.4%	16.2%	13.3%	12.4%
ROIC	15.6%	13.6%	11.4%	10.8%	13.0%	8.4%	11.2%	8.6%	10.3%	10.8%	11.2%
ROCE	21.4%	18.7%	15.5%	14.2%	17.2%	11.2%	15.4%	12.3%	14.5%	14.3%	13.7%
Net debt/EBITDA	3.0	2.1	2.6	2.5	2.4	9.0	2.1	4.0	1.6	1.0	0.5
Interest coverage	n.m.	20.6	15.6	21.1	16.1	6.2	8.3	4.1	6.6	7.3	7.9
Equity ratio	35.1%	33.3%	32.1%	33.1%	33.7%	11.5%	40.8%	33.5%	49.0%	56.5%	58.4%
Net gearing	101.4%	101.6%	120.0%	110.8%	93.4%	426.0%	66.6%	113.2%	41.5%	23.2%	11.1%

Source: Company data and Nordea estimates

CASH FLOW STATEMENT

SEKm	2016	2017	2018	2019	2020	2021	2022	2023	2024E	2025E	2026E
EBITDA (adj) for associates	57	83	75	79	90	127	291	274	400	438	463
Paid taxes	-20	-14	-16	0	-12	0	-30	-49	-68	-75	-80
Net financials	0	-3	-3	-3	-4	-15	-23	-38	-48	-47	-46
Change in provisions	0	1	0	0	27	145	0	22	6	-169	0
Change in other LT non-IB	8	7	-15	0	0	0	-2	-1	0	0	0
Cash flow to/from associates	0	0	0	0	0	0	0	0	0	0	0
Dividends paid to minorities	0	0	0	0	0	0	0	0	0	0	0
Other adj to reconcile to cash flow	8	-6	15	1	-25	-156	4	-24	-6	169	0
Funds from operations (FFO)	53	67	57	78	77	101	240	183	284	316	336
Change in NWC	6	-6	-2	-17	18	-5	0	13	-74	-21	-20
Cash flow from operations (CFO)	60	61	55	61	94	96	240	196	210	296	317
Capital expenditure	-17	-19	-19	-26	-27	-15	-38	-26	-50	-44	-46
Free cash flow before A&D	43	42	36	34	67	81	203	170	160	252	271
Proceeds from sale of assets	5	1	0	0	0	1	8	0	0	0	0
Acquisitions	-170	0	0	0	-57	-788	-149	-477	0	-169	0
Free cash flow	-123	43	37	35	10	-707	62	-307	160	83	271
Free cash flow bef A&D, lease adj	43	42	36	34	67	81	203	170	160	252	271
Dividends paid	-48	-47	-48	-26	0	-26	0	-53	-53	-53	-66
Equity issues / buybacks	-1	-1	1	1	1	2	480	0	391	0	0
Net change in debt	180	4	15	8	12	992	-655	407	-413	0	0
Other financing adjustments	0	0	0	0	0	0	0	0	0	0	0
Other non-cash adjustments	0	0	0	0	0	0	12	-7	0	0	0
Change in cash	9	-1	5	15	22	261	-120	17	86	30	205
Cash flow metrics											
Capex/D&A	n.m.	92.8%	89.9%	n.m.	n.m.	48.5%	67.0%	40.6%	60.7%	47.5%	47.5%
Capex/Sales	3.7%	3.0%	3.0%	4.3%	4.2%	1.8%	2.1%	1.4%	2.2%	1.9%	1.9%
Key information											
Share price year end (/current)	31	26	16	16	25	62	22	31	49	49	49
Market cap.	644	539	332	346	521	1,606	750	1,102	2,601	2,601	2,601
Enterprise value	817	710	528	545	734	2,742	1,373	2,210	3,230	3,031	2,826
Diluted no. of shares, year-end (m)	21.1	21.1	21.1	21.1	21.2	26.0	33.8	35.3	53.0	53.0	53.0

Source: Company data and Nordea estimates

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