

18 July 2024

## Commissioned research: Svedbergs Group – Still a challenging market for the Svedbergs brand

*Marketing material commissioned by Svedbergs Group*

Svedbergs Group posted a solid set of Q2 2024 numbers, with sales coming in-line with our estimates (no consensus), with organic growth of -1.6% (-1% expected) and gross profit coming in 1% below our estimates. The gross margin of 44.2% was -0.6pp below of our forecast, and up 1.9pp y/y. Adjusted EBITA came in at SEK 76m and 5% below our estimates (SEK 80m), explained mainly by weaker delivery in Svedbergs, while all other estimates beat our estimates. Cash flow from operations (after changes in working capital) came in at SEK 119m, up vs SEK 106m same period last year, supported by a WC release of SEK 56m. The company reiterated its long-term financial targets of reaching an average net sales growth of at least 10% over a business cycle, to be achieved both through organic growth and strategic acquisitions. It also aims to achieve an adjusted EBITA margin exceeding 15% while distribute up to 50% of the year's profit after tax in dividends. **Conclusion:** Despite the company missing our estimates on adj. EBITA, we believe the lower performance in Svedbergs to already be understood by the market, and expect a neutral to slightly positive share price reaction in the range on these numbers today.

### Q2 2024 numbers on key lines:

- Svedbergs Group delivered sales of SEK 562m vs. our estimates of SEK 560m (+0%, and +23% y/y), with an organic y/y growth of -1.6% vs our estimate of -1%. This is an improvement vs -4% organic growth in the previous quarter.
- On gross profit, Svedberg Group delivered SEK 248m vs our estimate of SEK 251m, implying a 44.2% gross margin (+1.9pp y/y) vs our estimate of 44.8%.
- Total opex came in at SEK 177m vs. our estimates of SEK 175m (+1%), an increase of 25% y/y.
- Adj. EBITA came in at SEK 76m, 5% below our estimate of SEK 80m, with an 13.5% adj. EBITA margin (+0.8pp y/y) vs our estimate of 14.2%.
- Cash flow from operating activities (after changes in working capital) came in at SEK 119m vs SEK 106m same period last year, supported by a working capital release of SEK 56m.

### Financial targets:

The company reiterated its long-term financial targets of reaching an average net sales growth of at least 10% over a business cycle, which should be achieved both through organic growth and strategic acquisitions. Svedberg Group also 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: DEVIATION TABLE**

SEKm	Actual Q2 24	NDA est. Q2 24E	Deviation vs. actual		Actual Q1 24	q/q %	Actual Q2 23	y/y %
<b>Net sales</b>	<b>562</b>	<b>560</b>	<b>3</b>	<b>0%</b>	<b>572</b>	<b>-2%</b>	<b>456</b>	<b>23%</b>
Gross profit	248	251	-2	-1%	255	-3%	193	29%
Adj. EBITDA	91	96	-4	-5%	100	-8%	70	31%
<b>Adj. EBITA</b>	<b>76</b>	<b>80</b>	<b>-4</b>	<b>-5%</b>	<b>84</b>	<b>-10%</b>	<b>58</b>	<b>31%</b>
Adj. EBIT	72	76	-4	-5%	80	-10%	55	31%
IAC	0	0	0	-	0	-100%	-4	-100%
EBIT	72	76	-4	-5%	80	-10%	51	41%
Net financials	-18	-12	-6	53%	-12	48%	-9	95%
Pre-tax profit	54	64	-10	-16%	67	-20%	42	29%
Net profit	40	48	-7	-15%	50	-19%	33	22%
<b>EPS (SEK)</b>	<b>0.76</b>	<b>0.90</b>	<b>-0.14</b>	<b>-16%</b>	<b>0.95</b>	<b>-20%</b>	<b>0.93</b>	<b>-19%</b>
<b>Margins</b>								
Gross margin	44.2%	44.8%	-	-0.6pp	44.6%	-0.5pp	42.3%	1.9pp
Adj. EBITDA margin	16.2%	17.1%	-	-0.9pp	17.4%	-1.2pp	15.3%	0.9pp
<b>Adj. EBITA margin</b>	<b>13.5%</b>	<b>14.2%</b>	<b>-</b>	<b>-0.7pp</b>	<b>14.6%</b>	<b>-1.2pp</b>	<b>12.6%</b>	<b>0.8pp</b>
Adj. EBIT margin	12.8%	13.5%	-	-0.7pp	14.0%	-1.2pp	12.0%	0.7pp
EBIT margin	12.8%	13.5%	-	-0.7pp	13.9%	-1.1pp	11.2%	1.6pp
<b>External net sales</b>								
Svedbergs	102	115	-13	-11%	113	-10%	128	-20%
Macro design	44	43	0	1%	42	3%	43	0%
Cassøe	25	22	3	14%	23	9%	22	11%
Roper Rhodes	285	280	6	2%	289	-1%	262	9%
Thebalux	107	101	6	6%	105	2%	0	-
<b>Group</b>	<b>562</b>	<b>560</b>	<b>3</b>	<b>0%</b>	<b>572</b>	<b>-2%</b>	<b>456</b>	<b>23%</b>
<b>EBITA adj. by segment</b>								
Svedbergs	1	8	-7	-84%	8	-84%	13	-90%
Macro design	4	3	1	21%	4	0%	3	28%
Cassøe	5	4	1	19%	4	14%	5	9%
Roper Rhodes	49	44	5	10%	49	0%	39	26%
Thebalux	28	24	3	14%	26	7%	0	-
Eliminations	-12	-5	-7	132%	-8	41%	-3	364%
<b>Group</b>	<b>76</b>	<b>80</b>	<b>-4</b>	<b>-5%</b>	<b>84</b>	<b>-9%</b>	<b>58</b>	<b>32%</b>
<b>EBITA adj. margin by segment</b>								
Svedbergs	1.3%	7.0%	-	-5.7pp	7.2%	-6.0pp	10.5%	-9.2pp
Macro design	9.4%	7.9%	-	1.6pp	9.7%	-0.3pp	7.4%	2.1pp
Cassøe	20.3%	19.4%	-	0.9pp	19.5%	0.9pp	20.8%	-0.5pp
Roper Rhodes	17.2%	15.9%	-	1.3pp	17.0%	0.2pp	14.8%	2.4pp
Thebalux	26.1%	24.3%	-	1.8pp	24.8%	1.3pp	-	-
<b>Group</b>	<b>13.5%</b>	<b>14.2%</b>	<b>-</b>	<b>-0.7pp</b>	<b>14.6%</b>	<b>-1.2pp</b>	<b>12.6%</b>	<b>0.8pp</b>

Source: Company data and Nordea estimates

**SUMMARY TABLE - KEY FIGURES**

SEKm	2021	2022	2023	2024E	2025E	2026E
Total revenue	869	1,833	1,824	2,217	2,306	2,392
EBITDA (adj)	146	298	292	398	435	460
EBIT (adj)	114	242	229	316	343	364
EBIT (adj) margin	13.1%	13.2%	12.5%	14.2%	14.9%	15.2%
EPS (adj, SEK)	3.15	5.17	4.01	3.79	4.19	4.50
EPS (adj) growth	9.3%	64.0%	-22.4%	-5.6%	10.6%	7.5%
DPS (ord, SEK)	1.25	0.00	1.50	1.00	1.24	1.49
EV/Sales	3.2	0.7	1.2	1.4	1.3	1.1
EV/EBIT (adj)	24.1	5.7	9.7	9.9	8.5	7.5
P/E (adj)	19.6	4.3	7.8	12.4	11.2	10.4
P/BV	6.0	0.8	1.1	1.6	1.3	1.2
Dividend yield (ord)	2.0%	0.0%	4.8%	2.1%	2.6%	3.2%
FCF Yield bef A&D, lease adj	5.0%	27.0%	15.4%	6.4%	10.0%	10.8%
Net debt	1,137	623	1,108	628	431	227
Net debt/EBITDA	9.0	2.1	4.0	1.6	1.0	0.5
ROIC after tax	8.4%	11.2%	8.6%	10.3%	10.8%	11.2%

Source: Company data and Nordea estimates

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