25 October 2024

Commissioned research: Svedbergs Group – Solid gross margin offset by weaker than expected opex

Marketing material commissioned by Svedbergs Group

Svedbergs Group posted a soft set of Q3 2024 numbers, with sales coming in 4% below our estimates (no consensus), with organic growth at -1.4% vs. our estimate of 1%. The gross margin of 46% was 1.3pp ahead of our forecast, and 1.3pp up y/y. Adjusted EBITA came in at SEK 71m and 7% below our estimates (SEK 77m), explained mainly by weaker delivery in Thebalux, which saw a seasonally weaker quarter and was burdened by an unplanned halt in production. The Svedbergs brand continued to experience a challenging market, and was further burdened by costs related to the new production equipment in Dalstorp. Cash flow from operations (after changes in working capital) came in at SEK 4m, down vs. SEK 36m same period last year, burdened by a working capital build-up of SEK 62m. 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:** Given the weaker than expected profitability, we expect a negative share price reaction in the range of 3-5% at first glance on these numbers today.

Q3 2024 numbers on key lines

- Svedbergs Group delivered sales of SEK 512m vs. our estimates of SEK 532m (-4%), with an organic y/y growth of -1.4% vs our estimate of 1%. This is an improvement vs -2% organic growth in the previous quarter.
- On gross profit, Svedberg Group delivered SEK 236m vs our estimate of SEK 238m, implying a 46% gross margin (+1.3pp y/y) vs our estimate of 44.7%.
- Total opex came in at SEK 169m vs. our estimates of SEK 164m (+3%), an increase of 23% y/y. This was driven mainly by higher than expected selling and administrative costs.
- Adj. EBITA came in at SEK 71m, 7% below our estimate of SEK 77m, with an 13.9% adj. EBITA margin (+0.3pp y/y) vs our estimate of 14.5%.
- Cash flow from operating activities (after changes in working capital) came in at SEK 4m vs SEK 36m same period last year, burdened by a working capital build-up of SEK 62m.

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 is to 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 Q3 24	NDA est. Q3 24E		Deviation vs. actual	Actual Q2 24	q/q %	Actual Q3 23	y/y %
Net sales	**512**	**532**	**-20**	**-4%**	**562**	**-9%**	**432**	**19%**
Gross profit	236	238	-2	-1%	248	-5%	193	22%
Adj. EBITDA	86	93	-8	-8%	91	-6%	72	19%
Adj. EBITA	**71**	**77**	**-6**	**-7%**	**76**	**-6%**	**59**	**21%**
Adj. EBIT	67	73	-6	-8%	72	-6%	56	20%
IAC	0.0	0	0	-	0	-	0	-100%
EBIT	67	73	-6	-8%	72	-6%	57	19%
Net financials	-30	-19	-11	62%	-18	63%	-13	125%
Pre-tax profit	38	55	-17	-32%	54	-30%	43	-13%
Net profit	28	41	-13	-32%	41	-31%	34	-19%
EPS (SEK)	**0.53**	**0.78**	**-0.25**	**-32%**	**0.76**	**-31%**	**0.97**	**-45%**
Margins								
Gross margin	46.0%	44.7%	-	1.3pp	44.2%	1.9pp	44.7%	1.3pp
Adj. EBITDA margin	16.7%	17.5%	-	-0.8pp	16.3%	0.4pp	16.6%	0.1pp
Adj. EBITA margin	**13.9%**	**14.5%**	**-**	**-0.6pp**	**13.5%**	**0.5pp**	**13.7%**	**0.3pp**
Adj. EBIT margin	13.2%	13.8%	-	-0.6pp	12.8%	0.4pp	13.0%	0.1pp
EBIT margin	13.2%	13.8%	-	-0.6pp	12.8%	0.4pp	13.1%	0.1pp
External net sales								
Svedbergs	76	79	-3	-4%	102	-26%	93	-18%
Macro design	35	32	2	8%	44	-20%	32	8%
Cassøe	19	20	-2	-8%	25	-24%	20	-6%
Roper Rhodes	289	299	-10	-3%	285	1%	287	1%
Thebalux	94	102	-8	-8%	107	-12%	0	-
Group	**512**	**532**	**-20**	**-4%**	**562**	**-9%**	**432**	**19%**
EBITA adj. by segment								
Svedbergs	1	3	-1	-53%	1	0%	12	-90%
Macro design	3	2	1	56%	4	-32%	2	87%
Cassøe	3	4	0	-7%	5	-32%	4	-3%
Roper Rhodes	55	52	3	6%	49	12%	48	15%
Thebalux	18	26	-8	-30%	28	-34%	0	-
Eliminations	-10	-9	0	5%	-12	-17%	-6	52%
Group	**71**	**77**	**-6**	**-7%**	**76**	**-6%**	**59**	**21%**
EBITA adj. margin by segment								
Svedbergs	1.7%	3.5%	-	-1.8pp	1.3%	0.4pp	13.3%	-11.6pp
Macro design	8.1%	5.6%	-	2.5pp	9.4%	-1.4pp	4.7%	3.4pp
Cassøe	18.3%	18.1%	-	0.2pp	20.3%	-2.0pp	17.8%	0.5pp
Roper Rhodes	19.1%	17.4%	-	1.7pp	17.2%	1.9pp	16.7%	2.4pp
Thebalux	19.5%	25.8%	-	-6.3pp	26.1%	-6.6pp		-
Group	**13.9%**	**14.5%**	**-**	**-0.6pp**	**13.5%**	**0.5pp**	**13.7%**	**0.3pp**

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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