



## Results Update

04 May 2020

**BUY** (since 05 Jul 2017)

Share price: SEK95.0

Target price: SEK125.0

# Sdipotech

## Solid Q1 results and reassuring comments regarding Q2

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### Q1 EBITA just above thanks to Special Infrastructure Solutions

Q1 adjusted EBITA was SEK71m excluding M&A one-off items, 1% above our estimate. The organic earnings recovery continued, with 12% organic EBITA growth on the back of EBITA margins up 230bps Y/Y, and organic sales growth at 1% Y/Y. Despite Covid-19, management reiterated its target to add SEK90m of annualised EBITA through M&A and 5–10% organic EBITA growth. It said the Covid-19 impact in Q1 was limited and that deliveries in the third week of April had been at about 85% of planned-for levels. Thus, Q1 results were just above expectations, and Q2 comments (and the comment on M&A) were reassuring.

### Estimates lowered on the back of Covid-19

We have lowered our EBITA(20–22e) and adjusted EPS by 5–7%, despite the very slight Q1 beat, as we factor in a certain, although not major, Covid-19 impact in Q2–Q3.

### Niche businesses create strong (and growing) cash flow that funds further M&A

Sdipotech acquires niche companies with strong, stable cash flow and profitability at reasonable valuations. It focuses on products and services for urban infrastructure. We like Sdipotech for its asset-light, high-margin and cash-generating qualities, urbanisation trends, and substantial M&A potential. It has made over 30 acquisitions since the start of 2013. The average EV/EBITA paid is ~6–7x. Four companies with about SEK90m in EBITA were acquired in 2019 (30% of FY EBITA), and we believe this high pace of M&A will continue.

### Attractive valuation for company with 10% adjusted EBITA growth in 2020e

Given that we argue that Sdipotech's quality is higher than perceived, we expect that the re-rating seen over the last few quarters can continue, and that strong M&A growth potential is likely to lead to positive revisions in 2020–21. Our unchanged SEK125 target price reflects adjusted P/E(21e) 18x and EV/EBITA(21e) 15.5x, in line with the Swedish trading company peer group and also fairly in line with Swedish small caps (excluding financials). BUY.

### Changes in this report

	From	To	Chg
EPS adj. 2020e	7.0	6.5	-7%
EPS adj. 2021e	7.4	7.0	-6%
EPS adj. 2022e	7.9	7.5	-5%

### Upcoming events

Q2 Report	22 Jul 2020
Q3 Report	03 Nov 2020
Q4 Report	11 Feb 2021

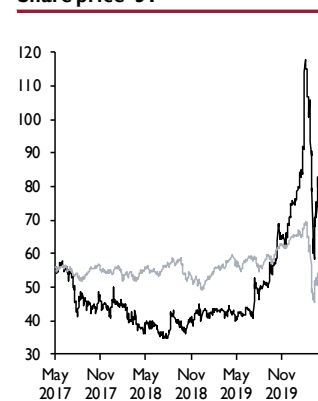
### Key facts

No. shares (m)	30.3
Market cap. (USDm)	294
Market cap. (SEKm)	2,876
Net IB Debt. (SEKm)	1,142
Adjustments (SEKm)	25
EV (2020e) (SEKm)	4,044
Free float	79.9%
Avg. daily vol. ('000)	41
Risk	Medium Risk
Fiscal year end	December
Share price as of (CET)	30 Apr 2020 12:59

### Key figures (SEK)

	2019	2020e	2021e	2022e
Sales	1,825	1,934	2,038	2,081
EBITA	291	287	304	316
EBITA adj.	262	287	304	316
EPS	5.32	6.75	7.22	7.52
EPS adj.	5.14	6.54	6.96	7.52
DPS	0.00	0.00	0.00	0.00
Sales growth Y/Y	22%	6%	5%	2%
EPS adj. growth Y/Y	72%	27%	6%	8%
EBITA adj. margin	14.4%	14.8%	14.9%	15.2%
EV/Sales	2.3	2.1	1.9	1.7
EV/EBITA adj.	13.9	14.1	12.6	11.5
EV/EBITA	12.5	14.1	12.6	11.5
EV/EBIT	16.4	14.4	12.9	11.7
P/E adj.	18.5	14.5	13.7	12.6
P/BV	2.7	2.3	2.0	1.7
Dividend yield	0.0%	0.0%	0.0%	0.0%
FCF yield	7.5%	7.2%	7.2%	7.7%
ROCE	9.3%	10.8%	11.4%	12.3%
ROE adj.	15.9%	17.2%	15.5%	14.4%
Net IB debt/EBITDA	3.8	3.3	2.6	1.9

### Share price -5Y



— Sdipotech  
— OMX Stockholm\_PI (Se) (Rebased)

High/Low (12M) SEK118/39.7

Perf.	3M	6M	12M	YTD
Abs.	11.5	38.9	123.5	26.7
Rel.	24.2	46.2	126.8	38.3

Source: Carnegie Research, FactSet

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### Ratings and risk assessment structure

#### Current rating system as of October 2011

Buy (B), upside of at least 10% to the target price and with an attractive risk/reward profile

Hold (H), the stock is trading close to its target price and is fairly valued

Sell (S), unattractive risk/reward ratio as the stock is trading above its target price

Not rated (NR), Under review (UR), Under bid (UB). The investment rating, if any, has been suspended temporarily.

### Risk assessment

The risk assessment is based on the analyst's evaluation of the company's equity beta based on the business risk (asset beta) and financial risk (gearing).

Low risk estimated equity beta <0.75

Medium risk estimated equity beta 0.75 to 1.25

High risk estimated equity beta >1.25

### Valuation, methodology, and assumptions

#### Target price

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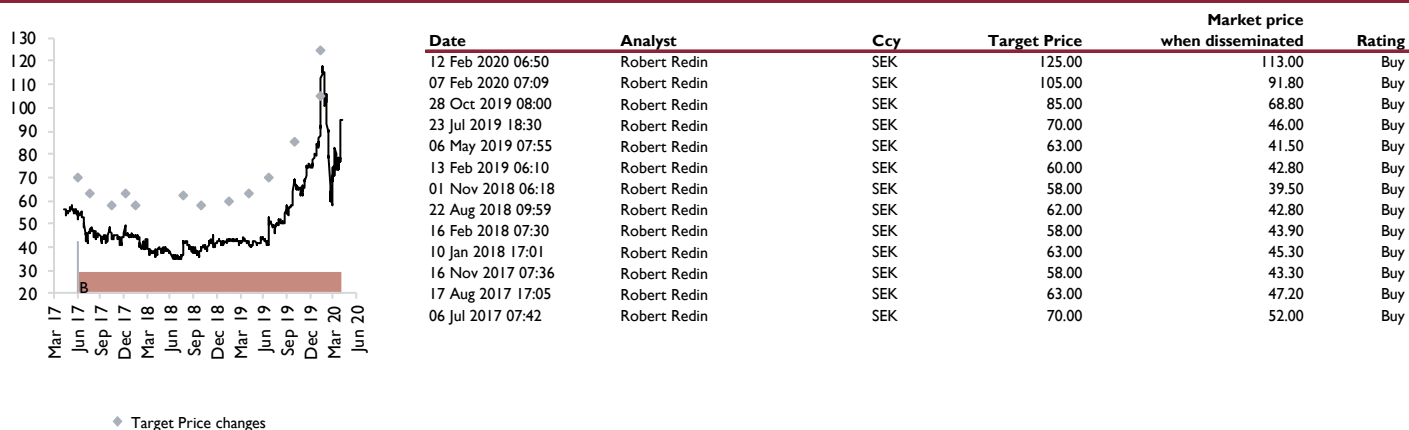
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**Sdiptech price, rating and target price history (SDIPB.ST)**


Our **Target Price Horizon** is 6–12 months

Source: Carnegie Research, Factset

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Ratings	Carnegie coverage universe		Investment banking services*	
	% of total		% of total	
Buy	51		56	
Hold	41		38	
Sell	8		6	

\*Investment banking services provided by Carnegie in the previous 12 months

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