

February 24, 2020

Nordic Morning Wrap

Remember to visit our website at <http://www.handelsbanken.se/research/equity>
Request a password at the site or talk to your sales contact.

Markets	-1d %
Stockholm (OMXS30)	-1.0
Copenhagen (OMXC20)	-0.9
Oslo (OSBEX)	-0.7
Helsinki (OMXH25)	-0.3

Source: FactSet

Recommendation changes

Today's research

Other topics

Research Reports

Recipharm / Hold / SEK 159.4 - Must show it's capable of spinning plates

- 2020e-22e EPS up by 1-10% on higher margins, lower organic growth
- Rights issue during H1 2020
- Target price up to SEK 160 (155); reiterate HOLD

Fast Comments

Lundbeck / Hold / DKK 267,10 - FDA approves Vyepti as expected. Adds DKK 6 to our NPV for Lundbeck. HOLD

- FDA approves Vyepti for the preventive treatment of migraine (timing as expected given February 21 PDUFA)
- We had approval at 95% probability. Approval adds DKK 6 per share to our NPV for the Lundbeck share
- Label largely as expected. Launch to commence in April.

Skanska / Hold / SEK 237.70 - Confirmed; almost SEK 100,000 per m2 for 'Solna United'

- 'Solna United' divested, almost SEK 100,000 per m2
- Should be supportive for Faberge's property valuation, in our view
- Faberge sits on a large volume of building rights with low book values

Alimak / Hold / SEK 129.20 - Soft end for the year

- aEBITA 5% below consensus, dividend 6% below
- At first glance, we expect consensus for 2020 to drop by 3-4%
- Not much in the report to warrant a positive share price reaction, in our view

Indices

Markets	Value	-1d %	-2d %	-3d %	-4d %	-5d %	-1w %	-1m %	-3m %	-6m %	-1y %	YTD %
OMX Stockholm 30:	1,879	-1.0	-1.1	0.0	-0.5	-0.3	-0.3	2.9	9.2	22	19	4.5
OMX Copenhagen 20:	1,252	-0.9	-1.1	-0.3	0.5	0.6	0.6	5.8	16	21	28	10
OMX Helsinki 25:	4,470	-0.3	-0.7	0.3	-1.2	-1.7	-1.7	2.4	10	16	10.0	5.0
OBX Oslo:	842.7	-0.6	0.0	1.1	1.0	0.9	0.9	-1.0	2.4	8.8	5.2	-0.5
S&P500:	3,338	-1.1	-1.4	-1.0	-1.3	-1.3	-1.3	0.5	7.5	14	20	3.0
NASDAQ Composite Index:	9,577	-1.8	-2.5	-1.6	-1.6	-1.6	-1.6	2.2	13	19	28	6.3
STOXX Europe 600:	414.7	-0.6	-1.6	-0.8	-1.2	-0.9	-0.9	1.1	4.6	13	15	1.7
Hang Seng Composite:	27,309	-1.1	-1.3	-0.8	-2.3	-1.8	-1.8	-2.4	3.2	4.0	-4.6	-3.2
NIKKEI 225:	23,387	-0.4	-0.1	0.8	-0.6	-1.3	-1.3	-2.0	1.5	13	9.0	-1.9
India S&P BSE 100:	41,170	0.0	-0.4	0.7	0.3	-0.2	-0.2	-0.4	1.5	11	15	-1.0
OMX Nordics												
Automobiles & Parts:	1,046	-1.4	-1.5	-1.1	-3.3	-2.5	-2.5	-0.8	-1.4	8.1	n.m	-5.0
Banks:	1,350	-0.8	-0.9	1.2	0.5	0.7	0.7	12	24	32	n.m	11
Basic Resources:	1,466	-0.6	0.9	2.4	0.2	0.8	0.8	3.9	3.6	27	n.m	0.9
Chemicals:	1,774	-1.5	-1.0	1.2	-1.3	-1.2	-1.2	-6.6	-6.7	9.0	n.m	-7.4
Construction & Materials:	2,314	-0.1	0.0	0.8	-0.3	0.4	0.4	4.8	14	23	n.m	7.4
Financial Services:	2,680	-0.3	-0.9	-0.1	-0.6	0.5	0.5	6.8	19	29	n.m	10
Food & Beverage:	2,247	-0.9	-0.9	0.0	-0.1	-0.4	-0.4	-1.2	6.9	4.0	n.m	2.9
Health Care:	3,347	-0.7	-1.1	-0.4	0.4	0.7	0.7	6.1	17	20	n.m	10
Industrial Goods & Services:	1,789	-1.3	-1.9	-1.3	-2.4	-2.9	-2.9	-3.0	5.2	n.m	n.m	-3.2
Insurance:	2,265	-0.5	-0.8	0.2	-0.1	-0.1	-0.1	0.2	11	7.7	n.m	4.1
Media:	780.2	-0.5	-0.4	1.1	-0.3	-0.6	-0.6	3.3	13	30	n.m	8.5
Oil & Gas:	4,734	-0.7	-1.1	0.9	-0.1	0.2	0.2	6.5	15	26	n.m	11
Personal & Household Goods:	2,230	-0.1	-0.8	-0.1	-0.6	-0.1	-0.1	-1.6	9.2	13	n.m	4.1
Real Estate:	3,399	0.8	0.2	2.6	-1.9	-2.1	-2.1	5.1	24	30	n.m	8.6
Retail:	1,070	0.3	-0.1	0.5	-1.0	-0.9	-0.9	5.2	8.4	9.6	n.m	1.3
Technology:	1,196	-0.4	-1.0	-0.2	-1.6	-1.4	-1.4	2.7	12	8.5	n.m	7.4
Telecommunications:	1,167	-0.1	0.3	1.4	2.0	2.2	2.2	4.9	8.1	8.4	n.m	7.0
Travel & Leisure:	2,609	0.4	0.5	2.1	2.6	4.3	4.3	18	28	48	n.m	20
Utilities:	1,600	0.6	-1.1	0.2	2.1	2.2	2.2	6.6	18	12	n.m	6.9
Interest rates bp change												
US Benchmark Bond - 10 Year:	1.5	-6.4	-10	-10	-10	-10	-10	-20	-16	-5.8	-45	-23
Euro Benchmark Bond - 10 Year:	-0.44	4.8	16	16	16	16	16	91	29	-35	-540	100
Sweden Benchmark Bond - 10 Year:	-0.11	175	-375	-375	-375	-375	-375	-173	120	-71	-128	-210
Denmark Benchmark Bond - 10 Year:	-0.43	13	19	19	19	19	19	95	26	-39	-407	105
Norway Benchmark Bond - 10 Year:	1.4	-4.2	-2.8	-2.8	-2.1	-4.8	-4.8	-3.5	-3.5	28	-17	-8.6
Commodities %-change												
Crude Oil Brent ICE Near Term :	58.50	-1.0	1.3	1.4	2.1	3.8	3.8	-9.8	-6.3	-2.5	n.m	-14
Gold NYMEX Near Term (\$/ozt):	1,645	2.3	2.8	3.9	3.9	4.4	4.4	5.5	12	9.3	n.m	9.0
Silver London AM/PM Fixing (\$/oz) :	18.56	5.7	5.7	5.7	5.7	5.7	5.7	2.8	8.4	9.0	n.m	5.5
Aluminum Alloy Cash Official LME:	1,365	-0.4	-1.1	-0.7	-1.1	0.7	0.7	-2.8	6.2	14	n.m	3.0
Copper Cash Official LME (\$/mt):	5,702	-0.8	-0.8	-0.8	-0.8	-0.8	-0.8	-9.2	-2.9	0.1	n.m	-7.8
Nickel Cash Official LME (\$/mt):	12,440	-0.8	-0.8	-0.8	-0.8	-0.8	-0.8	-9.2	-2.9	0.1	n.m	-7.8
High Grade Zinc Cash Official LME:	2,087	-2.5	-2.0	-3.1	-2.4	-3.3	-3.3	-14	-12	-6.3	n.m	-8.4
Baltic Dry Index - Price:	497.0	6.9	18	18	18	18	18	-34	-61	-76	n.m	-54
CBOE Market Volatility Index:	17.08	19	15	25	25	21	21	41	34	-2.4	n.m	35

Source: FactSet

Yesterday's share price moves

Large caps

	Denmark	%	Finland	%	Norway	%	Sweden	%
Gainers								
	FLSmidth & Co	1.6	Revenio	4.5	Sparebanken Vest	1.9	Elekta	5.6
	Ørsted	1.2	Orion	2.0	Leroy Seafood Group	1.7	Modern Times Group	3.5
	Vestas	0.5	Olvi	1.1	Selvaag Bolig AS	1.7	Fabege	2.0
	Genmab	0.4	Kojamo	0.8	Austevoll Seafood	1.6	Fast Partner	1.9
	Alm. Brand	0.4	Kone	0.7	SalMar	1.6	Sinch	1.8
Laggards								
	ISS	-4.8	Tokmanni Group	-3.8	Nordic Semiconductor	-4.7	Alimak	-7.9
	NKT Holding	-3.2	Valmet	-3.2	BW Offshore	-4.1	Catena	-6.5
	Bavarian Nordic	-3.1	Wartsila	-2.6	Aker BP	-3.7	Lundin Petroleum	-4.3
	Demant	-3.1	Outokumpu	-2.0	DNO ASA	-3.7	Oncopeptides AB	-3.9
	Nilfisk	-2.2	Cramo	-1.9	PGS	-3.5	Öresund	-3.8

Small caps

	Denmark	%	Finland	%	Norway	%	Sweden	%
Gainers								
	TCM Group	1.8	Etteplan	2.9	Bouvet	5.3	Boozt	22.2
	Gabriel Holding	1.0	Rapala VMC	1.4	Nordic Mining	3.7	Catena Media	8.6
	Sparekassen Sjælland	0.6	Evli Pankki	1.2	ContextVision	1.6	Boule Diagnostics	6.9
	TK Development	0.5	Ilkka-Yhtymä	1.1	Otello	1.4	Better Collective	6.1
	Bang & Olufsen	0.5	Marimekko	1.1	American Shipping	1.2	Eastnine	4.3
Laggards								
	RTX	-2.9	Lehto Group	-4.0	PCI Biotech Holding	-4.0	Bjorn Borg	-10.6
	D/S Norden	-2.7	Atria	-3.7	Idex	-3.4	Arise	-8.0
	H+H International	-2.5	Tecnotree	-3.5	XXL	-3.3	Pricer	-7.1
	Orphazyme	-2.0	Exel Composites	-3.3	Q-Free	-3.0	Catella	-6.2
	Roblon	-1.9	Stockmann	-2.8	FLEX LNG	-3.0	Scribona	-6.2

Recipharm

Must show it's capable of spinning plates

- 2020e-22e EPS up by 1-10% on higher margins, lower organic growth
- Rights issue during H1 2020
- Target price up to SEK 160 (155); reiterate HOLD

We assume the rights issue will happen at SEK 145/share

Following Recipharm's Q4 report, we raise 2020e-22e EPS by 1-10% on higher EBITDA margin forecasts for the Solids & Others and Steriles & Inhalation divisions, while we trim our organic growth rate assumptions by 0.5-1.0%. Our current forecasts assume that the subscription price for the upcoming SEK 2bn rights issue will be SEK 145 per share. We currently include SEK 125m in annual synergies related to the Consort acquisition but do not factor in any related costs, etc. Our estimate changes buoy our target price to SEK 160 (155) per share; we reiterate HOLD.

We find that the share should be sold after M&A based on history

The history of Recipharm suggests to us that the shares should be sold after an acquisition, as it appears that the company has had difficulties in handling the concurrent tasks of integration and running the base business with returns on capital dropping for a period of 1-2 years before normalising. Therefore, we believe it is imperative that the company demonstrates that it can both handle the integration of Consort and run the other parts of the business with no major disruptions.

Equity story and our conference call impressions

In our view, the equity story is about consolidating the industry and creating a global player that can participate across the CDMO value chain from development to production. However, we believe that the path is bumpy and we do not find the company's track record for return on capital to be convincing. During the conference call, management gave no further timeline for the rights issue except that it will be in H1 2020.

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Company page on Handelsbanken's REON

SEKm	2017	2018	2019	2020e	2021e
Sales	5,331	6,374	7,457	11,093	11,495
Sales growth (%)	14.0	19.6	17.0	48.8	3.6
EBITDA adj	704	1,051	1,311	1,912	1,934
margin (%)	13.2	16.5	17.6	17.2	16.8
EBIT adj	231	506	572	681	714
margin (%)	4.3	7.9	7.7	6.1	6.2
EBT	-122	230	370	499	627
EPS rep (SEK)	-2.53	2.47	4.59	4.79	5.5
EPS adj (SEK)	0.13	3.55	5.4	5.5	5.5
Y-o-y growth (%)	-97	>900	53	2	-1
P/E adj (x)	>99	31.9	27.5	27.9	28.2
P/BV (x)	1.3	1.4	1.8	1.6	1.5
ROE adj (%)	0.16	4.5	6.6	6.0	5.5
EV/EBIT (x)	41.0	22.1	24.0	30.2	27.5
EV/EBITDA (x)	13.5	10.6	10.5	10.8	10.2
EV/sales (x)	1.8	1.8	1.8	1.9	1.7
FCF adj yield (%)	0.50	0.81	-3.9	0.81	8.6
Tot DPS (SEK)	1.25	0.00	0.00	0.00	0.00
Tot div yield (%)	1.3	0	0	0	0
Net debt/equity (%)	67.0	67.2	68.8	104	88.6

Source: Handelsbanken Capital Markets

Target price change



Sell



HOLD



Buy

Results Comment Q4 2019 February 24, 2020, 07:05 CET

Share price (SEK) Feb 21	154.8
Market cap (EURm)	987
Market cap (SEKm)	10,416
No of shares (m)	67
Free float (%)	87.4
Avg daily volume ('000)	164
Avg daily value (EURm)	2
Bloomberg	RECIB SS
Reuters	RECIB.ST
Next event	07/05/2020: Q1 report
Web address:	Link to company website
IR web address:	Link to IR website

12m target return	
Target price, inc. div. (SEK)	160
Expected total return (%)	3.4
DCF value (SEK)	149

Balance sheet 2019	
Net debt (SEKm)	3,915
Net debt/equity (%)	68.8
ROE (%)	5.6
ROIC (%)	7.8

2020-02-21	Votes (%)	Capital (%)
Eldered Thomas Bengt	38.7	15.8
Backsell Lars Rickard	37.2	11.3
Forsta Ap-Fonden	2.4	7.4
Lannebo Fonder Ab	2.4	7.3
Fjarde Ap-Fonden	1.8	5.3

Total number of shares (m)	67.78
Free float (%)	87.4

Absolute and relative performance



P&L outcome, Q4

SEKm	Actual	Growth %		Deviation %	
		Y-o-y	Q-o-q	HCM	Cons
Sales	1,981	13.9	10.2	n.m	2.5
Gross profit	492.2	n.m	n.m	n.m	n.m
Gross margin (%)	24.8				
EBIT adj	196.7	99.1	106	n.m	18.5
margin (%)	9.9				
EBT	83.1	n.m	26.0	n.m	-36.1
Net income	106.4	n.m	113	n.m	10.1
EPS reported (SEK)	3.16	n.m	327	n.m	135
EPS adj (SEK)	4.83	n.m	551	n.m	258

Source: Company data, Handelsbanken Capital Markets and FactSet

Trend analysis

%	Q4 18	Q1 19	Q2 19	Q3 19	Q4 19	Q1 20e
Sales y-o-y	23.9	19.8	9.8	26.5	13.9	33.0
EBITDA adj y-o-y	44.0	19.7	-9.0	84.8	44.4	4.0
EBITDA adj margin	15.2	16.3	18.9	15.6	19.2	12.8
EBIT adj y-o-y	24.6	-7.8	-35.5	282	99.1	n.m
EBIT adj margin	5.7	6.1	9.0	5.3	9.9	n.m
EPS adj (SEK)	-0.18	0.76	1.51	0.74	4.83	-0.54
EPS adj y-o-y	n.m	3.8	-53.0	n.m	n.m	n.m

Source: Company data, Handelsbanken Capital Markets

Business area breakdown

SEKm	Q4 18	Q1 19	Q2 19	Q3 19	Q4 19	Q1 20e
Sales						
Sterile services	743.0	0.0	0.0	0.0	3,363	0.0
Solids and others	757.0	0.0	0.0	0.0	2,873	0.0
Development & Technology (D&T)	211.0	0.0	0.0	0.0	1,063	0.0
Total	1,739	1,812	1,867	1,797	1,981	2,410
Y-o-y sales growth (%)						
Sterile services	36.1	n.m	n.m	n.m	353	n.m
Solids and others	31.0	n.m	n.m	n.m	280	n.m
Development & Technology (D&T)	-5.0	n.m	n.m	n.m	404	n.m
Total	23.9	19.8	9.8	26.5	13.9	33.0
EBITDA						
Sterile services	151.4	0.0	0.0	0.0	649.6	0.0
Solids and others	115.6	0.0	0.0	0.0	483.3	0.0
Development & Technology (D&T)	50.5	0.0	0.0	0.0	283.7	0.0
Total	318	0	0	0	1,417	0
EBITDA margin (%)						
Sterile services	20.4	n.m	n.m	n.m	19.3	n.m
Solids and others	15.3	n.m	n.m	n.m	16.8	n.m
Development & Technology (D&T)	23.9	n.m	n.m	n.m	26.7	n.m
Total	18.3	0	0	0	71.5	0

Source: Handelsbanken Capital Markets

Lundbeck / Hold / DKK 267,10 - FDA approves Vyepti as expected. Adds DKK 6 to our NPV for Lundbeck. HOLD

- FDA approves Vyepti for the preventive treatment of migraine (timing as expected given February 21 PDUFA)
- We had approval at 95% probability. Approval adds DKK 6 per share to our NPV for the Lundbeck share
- Label largely as expected. Launch to commence in April.

FDA approves Vyepti (eptinezumab)

On Saturday morning, Lundbeck announced that the US FDA has approved Vyepti (eptinezumab) for the preventive treatment of migraine in adults. The timing of the approval is as expected given the February 21 PDUFA date (Friday) and in the press release, Lundbeck reiterates that the product will be available in April 2020. Ahead of Friday we had a 95% approval probability for Vyepti and the approval adds DKK 6 per share to our NPV for the Lundbeck share.

We forecast peak sales in the US of DKK 4.5bn. Contributes to 2020 - 27 EPS CAGR of around 12%

The label, which can be found at vyepti.com is largely as expected reflecting data from both pivotal studies, PROMISE 1&2 and across both doses (100 and 300mg). We model peak sales in the US of DKK 4.5bn, contributing to forecasted 2020 - 2027 EPS CAGR of around 12%.

HOLD

We currently have a HOLD recommendation on the Lundbeck share and a target price of DKK 291 per share (12-month forward DCF value).

Key figures - Lundbeck

DKKm	2017	2018	2019	2020e	2021e
Sales	17,234	18,117	17,036	18,367	18,250
Sales growth (%)	10.2	5.1	-6.0	7.8	-0.63
Gross margin (%)	77.5	80.9	80.1	78.4	80.2
EBIT adj	5,670	6,402	3,948	4,327	4,149
margin (%)	32.9	35.3	23.2	23.6	22.7
EBT	4,277	5,289	3,437	2,622	2,828
EPS rep (DKK)	13.3	19.7	13.2	9.8	10.8
EPS adj (DKK)	18.1	23.6	14.1	16.2	15.6
Y-o-y growth (%)	93	30	-40	15	-4
P/E adj (x)	17.4	12.1	18.0	16.4	17.1
P/BV (x)	5.1	4.0	3.5	3.5	3.2
ROE adj (%)	32.7	35.3	19.5	21.7	19.6
EV/EBIT (x)	10.3	7.8	14.7	13.6	13.6
EV/sales (x)	3.4	2.8	3.4	3.2	3.1
FCF adj yield (%)	5.6	7.9	5.1	5.7	6.5
Tot DPS (DKK)	2.45	8.0	12.0	6.0	4.39
Tot div yield (%)	0.78	2.8	4.7	2.3	1.6
Net debt/equity (%)	-31.4	-47.7	52.6	37.9	19.5

Skanska / Hold / SEK 237.70 - Confirmed; almost SEK 100,000 per m2 for 'Solna United'

- 'Solna United' divested, almost SEK 100,000 per m2
- Should be supportive for Fabege's property valuation, in our view
- Fabege sits on a large volume of building rights with low book values

Finally, Skanska divests its 'Solna United' project

This morning, Skanska sent out a press release confirming the divestment of the large development project, 'Solna United' in Arenastaden (Solna, Stockholm), which contains 34,000 m2 office space in what we believe is perhaps the best location in the area, with absolute proximity to the train station and the new subway station, planned to be completed in ~2024. The price is set at SEK 3.3bn, or very close to the target/speculation of SEK 100,000 per m2 (i.e. a very high property value for the area). This divestment – and we expect there are probably more lined up for sale given the profile and maturity of Skanska's CD portfolio – was part of the reason that we upgraded the stock to a Hold recommendation following the Q4 report. Given the transaction price, we expect the margin in this project to be very earnings-supportive, although we do not know the cost of land (i.e. the building rights). The agreed price should also set a new standard for yields in the specific area and most likely have an impact on property values in Solna in general.

Interesting read-across to Fabege

We have been waiting for this transaction and the outcome (i.e. the price). Fabege has previously divested three modern (newly developed) properties in Arenastaden to the German fund, Union. The latest transaction, recorded in March 2018 (SEK 1.2bn), had an assumed price of SEK ~67,000/m2 and a yield of 3.50-3.75%. In total, Union has acquired properties worth SEK ~4.6bn from Fabege since 2016. For Solna United, market sources assumed a new price record for a property transaction outside of Stockholm's CBD, with figures of a 3.2% initial yield and around SEK 100,000/m2 in property value floating around. We also understand that rents in Solna United have been set low, at around SEK 3,000/m2, which could explain the very low, initial yield. Nevertheless, the price per m2 suggests a low yield also on market/higher rents.

Fabège's modern Arenastaden properties valued at a ~3.7% yield

The low yield/high price in the transaction could trigger yield contraction in Fabège's Solna properties, which are worth SEK 35bn (47% of the total property portfolio). In addition, Fabège has around 204,000 m2 of commercial building rights and 249,50 m2 of residential building rights in Solna, reported with a prudent book value of around SEK 4,000 per m2. In Q4, Fabège reported a 4.11% average valuation yield for its Solna property portfolio, including Solna Business Park and Solna Strand, but management indicates that its new and modern properties in Arenastaden have a valuation yield of around 3.7%. The transaction released today, and the price, should be fuel for a revaluation of Fabège's Solna properties, we believe, although the price per m2 may not be applied to all of Fabège's assets in the area owing to different micro-locations.

Key figures - Skanska

SEKm	2017	2018	2019	2020e	2021e
Sales	160,823	170,494	176,782	175,539	179,724
Sales growth (%)	6.3	6.0	3.7	-0.70	2.4
EBIT adj	5,504	4,827	7,828	8,386	8,502
margin (%)	3.4	2.8	4.4	4.8	4.7
EBT	5,549	4,864	7,725	8,222	8,338
EPS rep (SEK)	12.0	9.5	15.5	16.8	17.1
EPS adj (SEK)	12.0	9.5	15.5	16.8	17.1
Y-o-y growth (%)	-25	-20	62	9	2
P/E adj (x)	14.2	14.8	13.7	14.1	13.9
P/BV (x)	2.6	2.0	2.6	2.6	2.4
ROE adj (%)	18.1	14.0	20.5	19.7	17.8
EV/EBIT (x)	11.8	10.1	9.8	10.2	10.0
EV/sales (x)	0.41	0.29	0.43	0.49	0.47
FCF adj yield (%)	1.5	12.8	8.9	5.2	4.5
Tot DPS (SEK)	8.3	6.0	6.3	7.0	8.0
Tot div yield (%)	4.9	4.3	3.0	3.0	3.4
Net debt/equity (%)	4.1	-10.8	-12.0	-14.5	-14.1

Alimak / Hold / SEK 129.20 - Soft end for the year

- aEBITA 5% below consensus, dividend 6% below
- At first glance, we expect consensus for 2020 to drop by 3-4%
- Not much in the report to warrant a positive share price reaction, in our view

Good orders for After Sales, but weak Q4 invoicing and margin

After Sales, accounting for roughly 50% of Alimak's earnings, generated 14% organic order growth in Q4, and orders were 6% above our estimate, making this the best line in the report. Unfortunately, Q4 revenue was 5% below consensus and the margin was at 25.1% vs. the 26.9% expected by consensus. Looking ahead, we believe the performance of the margin in After Sales is key for the share price and for the confidence in management's margin target for aEBITA at 15%. The group's full-year EBITA margin improved to 13.7% from 12.8%, but Q4 was down from 13.8% to 13.2%.

Wind and Construction are the main burdens

In 2019, around SEK 300m of orders were lost because of weak trends in Wind. Industrial orders were down 11%, both in 2019 and in Q4. Organically, Construction orders were down 27% in 2019 and 53% in Q4 y-o-y, whereas its revenue was up for the full year and Q4. Given the drop in orders, we find that the outlook for H1 is weak for equipment, but management argues for a more positive H2.

What to do with the share?

We stick to our neutral view on the share. After Sales' margin must improve, in our view, otherwise the target of a 15% aEBITA margin is not likely to be achieved. Valued at a 2021e EV/EBITA at 10x, the share is trading more or less in line with the sector (prior to estimate changes). However, our 2021 estimates assume a 14.7% EBITA margin; thus, we believe that Alimak needs to show a more positive trend in After Sales' margin in the coming quarters or confidence will drop and hit the share price.

Key figures - Alimak

SEKm	2017	2018	2019e	2020e	2021e
Sales	4,001	4,320	4,580	4,672	4,812
Sales growth (%)	95.3	8.0	6.0	2.0	3.0
EBITA adj	527	554	642	677	706
margin (%)	13.2	12.8	14.0	14.5	14.7
EBIT adj	480	503	596	621	650
margin (%)	12.0	11.6	13.0	13.3	13.5
EBT	388	397	543	611	640
EPS rep (SEK)	5.4	6.4	7.5	8.7	9.1
EPS adj (SEK)	5.7	7.2	7.6	8.7	9.1
Y-o-y growth (%)	27	27	5	15	5
P/E adj (x)	22.7	15.3	15.7	13.7	13.1
P/BV (x)	2.2	1.7	1.8	1.6	1.5
ROE adj (%)	11.5	12.0	11.6	12.3	11.9
EV/EBIT (x)	16.5	13.7	12.0	11.0	10.1
EV/EBITA (x)	15.0	12.4	11.2	10.1	9.3
EV/sales (x)	2.0	1.6	1.6	1.5	1.4
FCF adj yield (%)	4.6	5.3	5.3	7.4	7.6
Tot DPS (SEK)	2.30	2.75	3.00	3.50	4.00
Tot div yield (%)	1.8	2.5	2.5	2.9	3.4
Net debt/equity (%)	31.2	27.1	20.0	10.5	2.8

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Ratings: definitions and allocations

HCM rating	R _{TP} is expected to be ¹	HCM Universe ²	IB services ³
Buy	above 10%	40%	11%
Hold	between 0% and +10%	41%	14%
Sell	below 0%	19%	26%

¹ R_{TP} is defined as the expected share price appreciation or depreciation including dividends over the next 12 months

² Percentage of companies under coverage within each recommendation

³ Percentage of companies within each recommendation for which investment banking services have been provided in the past 12 months

Source: Handelsbanken Capital Markets, as per 24/2 2020

Recommendations are continuously reviewed by the analyst and monitored by the Research Management and will be updated and/or refreshed regularly. The rationale behind a change in recommendation will be explained in such a refresher/update.

A list of all recommendations made by investment research during the preceding 12-month period is available here: <https://www.researchonline.se/desc/rechist>.

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Unless otherwise specified, share prices mentioned in this report refer to the closing price of the previous day.

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Lundbeck

On 2019-03-08 the recommendation Reduce, which was set on 2017-02-09 at the share price of DKK 290, was changed to the current recommendation Hold at a share price of DKK 300.

Recipharm

On 2019-11-19 the recommendation Buy, which was set on 2019-05-02 at the share price of SEK 136, was changed to the current recommendation Hold at a share price of SEK 144.

Skanska

On 2020-02-10 the recommendation Sell, which was set on 2019-09-12 at the share price of SEK 190, was changed to the current recommendation Hold at a share price of SEK 232.

Alimak

On 2019-03-08 the recommendation Accumulate, which was set on 2017-04-27 at the share price of SEK 134, was changed to the current recommendation Hold at a share price of SEK 129.

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