

Building Products, Sweden

Systemair

Ahead of March 11: Mild winter negative for the quarter

- Ventilation key to energy savings for buildings
- We lower our estimates for Q3 2019/20
- Reiterate BUY and our target price of SEK 186

On its path towards a 10% EBIT margin

As ventilation is key to energy savings for buildings, we continue to believe that Systemair is well-positioned to benefit from an increased focus on indoor climate. The company recently updated its financial targets to prioritise margins over volumes, including an aim to restore the EBIT margin to 10% within two to three years, supported by continued positive organic growth, price increases, efficiency measures and a turnaround of the German company Menerga and the AC factories.

Superior profitability for peer Swegon bodes well, in our view

Systemair's key peer in Sweden, Swegon, reported 4% sales growth in Q4 2019 (8% organic growth in 2019) and improved its operating margin to 9.9% (vs. 9.7% a year ago). For 2019, Swegon improved its operating margin to 12%, up from 10% in 2018, which is well above Systemair's current profitability. In our view, Swegon's profitability is indicative of Systemair's own potential, provided that it follows through on its updated financial targets. Moreover, we note that both Swegon and Systemair continue to acquire companies.

Short and mild winter negative for high-margin products

While we reiterate our BUY recommendation for Systemair, we lower our Q3 2019/20 estimates. December and January were unseasonably mild in Europe, which we believe had a negative effect on the sales of its high-margin Frico product range (radiant heaters). Additionally, Systemair experienced a decline in sales in the high-margin Norwegian market in Q2 and signalled that this weakness would persist in Q3.

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Company page on Handelsbanken's REON

| SEKm (FYE: 30/04) | 17/18 | 18/19 | 19/20e | 20/21e | 21/22e |
|-----------------------|-------|-------|--------|--------|--------|
| Sales | 7,301 | 8,326 | 9,081 | 9,279 | 9,612 |
| Sales growth (%) | 6.4 | 14.0 | 9.1 | 2.2 | 3.6 |
| Gross margin (%) | 33.1 | 32.8 | 34.0 | 34.3 | 34.3 |
| EBIT adj | 419 | 551 | 709 | 760 | 843 |
| margin (%) | 5.7 | 6.6 | 7.8 | 8.2 | 8.8 |
| EBT | 333 | 458 | 663 | 712 | 803 |
| EPS rep (SEK) | 4.43 | 6.2 | 9.3 | 9.9 | 11.1 |
| EPS adj (SEK) | 5.8 | 6.6 | 9.3 | 9.9 | 11.1 |
| Y-o-y growth (%) | -8 | 15 | 40 | 6 | 13 |
| EPS adj revisions (%) | n.m | n.m | -2 | 0 | 3 |
| P/E adj (x) | 20.1 | 17.4 | 15.8 | 14.9 | 13.2 |
| P/BV (x) | 2.3 | 2.1 | 2.4 | 2.1 | 1.9 |
| ROE adj (%) | 12.0 | 12.6 | 15.9 | 15.0 | 15.2 |
| EV/EBIT (x) | 17.5 | 13.6 | 12.7 | 11.4 | 9.9 |
| EV/sales (x) | 1.0 | 0.90 | 0.99 | 0.93 | 0.87 |
| FCF adj yield (%) | -0.64 | 2.4 | 4.0 | 6.0 | 6.3 |
| Tot DPS (SEK) | 2.00 | 2.00 | 2.50 | 3.00 | 3.67 |
| Tot div yield (%) | 1.7 | 1.7 | 1.7 | 2.0 | 2.5 |
| Net debt/equity (%) | 67.2 | 70.3 | 55.8 | 40.7 | 28.2 |

Source: Handelsbanken Capital Markets

Estimate changes



Sell



Hold



BUY

Results Preview Q3 2019/20 March 05, 2020, 18:03 CET

| | |
|-------------------------------------|---|
| Share price (SEK) Mar 05, 17:39 CET | 147.0 |
| Market cap (EURm) | 716 |
| Market cap (SEKm) | 7,644 |
| No of shares (m) | 52 |
| Free float (%) | 35.7 |
| Avg daily volume ('000) | 29 |
| Avg daily value (EURm) | 0.4 |
| Bloomberg | SYSR SS |
| Reuters | SYSR.ST |
| Next event | 11/03/2020: Q3 report |
| Web address: | Link to company website |
| IR web address: | Link to IR website |

| 12m target return | |
|-----------------------------------|------|
| Target price, inc. div. (SEK) | 186 |
| Expected total return (%) | 26.5 |
| Expected total dividend yield (%) | 1.7 |
| DCF value (SEK) | 195 |

| Balance sheet 2019 | |
|---------------------|-------|
| Net debt (SEKm) | 1,996 |
| Net debt/equity (%) | 70.3 |
| ROE (%) | 11.8 |
| ROIC (%) | 12.5 |

| 2020-03-04 | Votes (%) | Capital (%) |
|-----------------------------------|-----------|-------------|
| Engstrom Gerald | 42.6 | 42.6 |
| Ebm-Papst Mulfingen GmbH & Co. Kg | 21.3 | 21.3 |
| Nordea Investment Management Ab | 6.1 | 6.1 |
| Swedbank Robur Fonder Ab | 5.3 | 5.3 |
| Alecta Pension Insurance Mutual | 4.8 | 4.8 |
| Total number of shares (m) | | 52.00 |
| Free float (%) | | 35.7 |

Absolute and relative performance



| Share performance (%) | -1m | -3m | -12m |
|-----------------------|-------|-------|---------------|
| Absolute: | -18.6 | -13.3 | 51.7 |
| Absolute EUR: | -18.8 | -13.6 | 51.4 |
| Relative DJStoxx: | -10.8 | -8.9 | 48.1 |
| 52w range (SEK): | | | 189.5 / 96.20 |

Source: FactSet

P&L expectation and momentum

Margin improvement should be supported by organic growth

| SEKm (FYE: 30/04) | Q3 18/19 | Q4 18/19 | Q1 19/20 | Q2 19/20 | Q3 19/20e | Q4 19/20e |
|-------------------------|----------|----------|----------|----------|-----------|-----------|
| Sales | 2,019 | 2,144 | 2,254 | 2,483 | 2,134 | 2,210 |
| Gross margin (%) | 31.9 | 32.8 | 34.0 | 35.8 | 32.5 | 33.2 |
| EBIT adj | 80.1 | 120.4 | 173.0 | 283.9 | 106.2 | 145.8 |
| margin (%) | 4.0 | 5.6 | 7.7 | 11.4 | 5.0 | 6.6 |
| EBT | 74.3 | 96.4 | 177.0 | 263.9 | 91.2 | 130.8 |
| Net income | 44.8 | 78.1 | 128.5 | 194.3 | 65.6 | 94.1 |
| EPS (SEK) | 0.86 | 1.50 | 2.47 | 3.74 | 1.26 | 1.81 |
| EPS adj (SEK) | 0.86 | 1.62 | 2.47 | 3.74 | 1.26 | 1.81 |
| EPS adj 12m MAV (SEK) | 6.0 | 6.6 | 7.5 | 8.7 | 9.1 | 9.3 |
| Sales y-o-y (%) | 13.8 | 17.3 | 12.0 | 15.4 | 5.7 | 3.1 |
| EBIT adj y-o-y (%) | -9.3 | 146 | 12.3 | 44.8 | 32.5 | 21.1 |
| EPS adj y-o-y (%) | -28.0 | 52.9 | 58.3 | 45.7 | 46.5 | 11.6 |
| EPS adj 12MAV y-o-y (%) | 12.5 | 14.7 | 28.1 | 36.1 | 50.3 | 40.4 |

Source: Company data and Handelsbanken Capital Markets estimates

What has changed

| SEKm | HCM Q3 19/20e | chg (%) | HCM 19/20e | chg (%) | HCM 20/21e | chg (%) |
|---------------|---------------|---------|------------|---------|------------|---------|
| Sales | 2,134 | -1 | 9,081 | 0 | 9,279 | -2 |
| EBITA adj | 118.0 | -6 | 756.2 | -2 | 807.6 | 0 |
| EBIT adj | 106.2 | -7 | 708.8 | -2 | 760.2 | 0 |
| margin (%) | 5.0 | -6 | 7.8 | -1 | 8.2 | 1 |
| EBT | 91.2 | -8 | 662.8 | -2 | 712.2 | 0 |
| Net income | 65.6 | -8 | 482.6 | -2 | 512.8 | 0 |
| EPS (SEK) | 1.26 | -8 | 9.3 | -2 | 9.9 | 0 |
| EPS adj (SEK) | 1.26 | -8 | 9.3 | -2 | 9.9 | 0 |

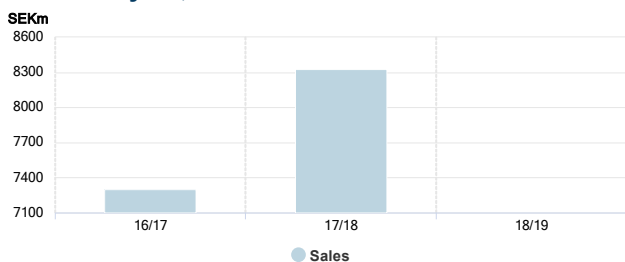
Source: Handelsbanken Capital Markets

HCM vs. consensus

| SEKm | Cons Q3 19/20e | diff (%) | Cons 19/20e | diff (%) | Cons 20/21e | diff (%) |
|---------------|----------------|----------|-------------|----------|-------------|----------|
| Sales | 2,135 | 0 | 9,192 | -1 | 9,651 | -4 |
| EBIT adj | 114.0 | -7 | 713.0 | -1 | 852.0 | -11 |
| margin (%) | 5.3 | 0 | 7.8 | 0 | 8.8 | -1 |
| EBT | 96.1 | -5 | 617.0 | 7 | 687.0 | 4 |
| Net income | 74.0 | -11 | 496.0 | -3 | 584.0 | -12 |
| EPS (SEK) | 1.33 | -5 | 9.5 | -3 | 11.2 | -12 |
| EPS adj (SEK) | 1.43 | -12 | 10.1 | -8 | 11.2 | -12 |

Source: Handelsbanken Capital Markets and FactSet

ESG analysis, environmental



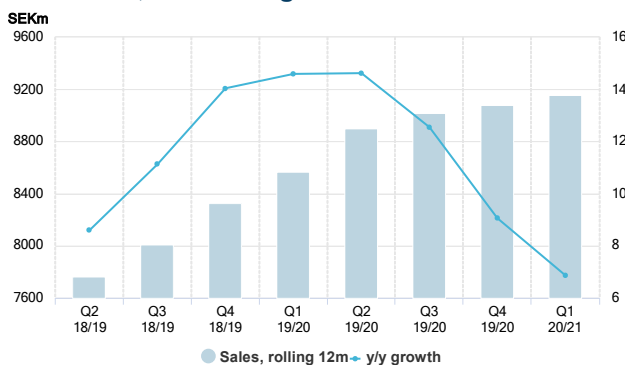
Source: Company data, Handelsbanken Capital Markets

ESG analysis, social



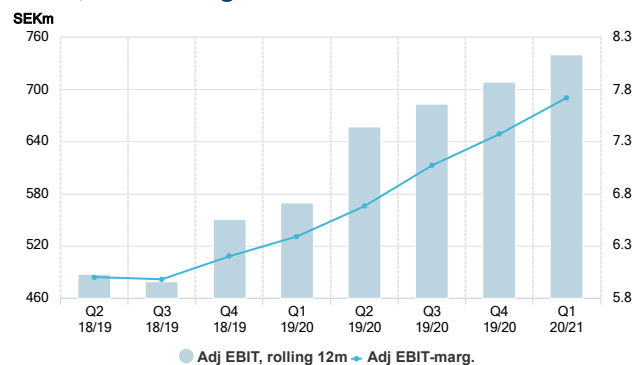
Source: Company data, Handelsbanken Capital Markets

Revenues, 12m rolling



Source: Handelsbanken Capital Markets

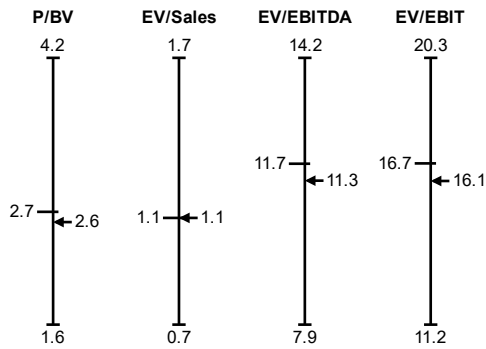
EBIT, 12m rolling



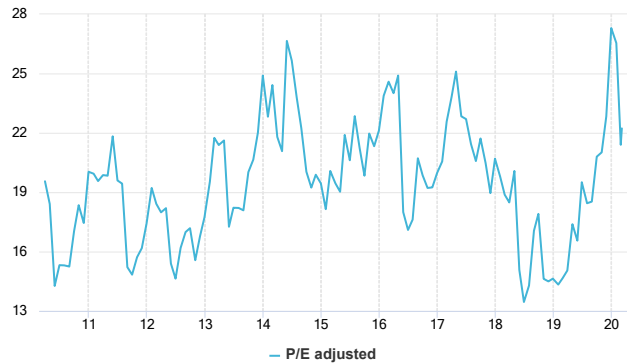
Source: Handelsbanken Capital Markets

Valuation charts

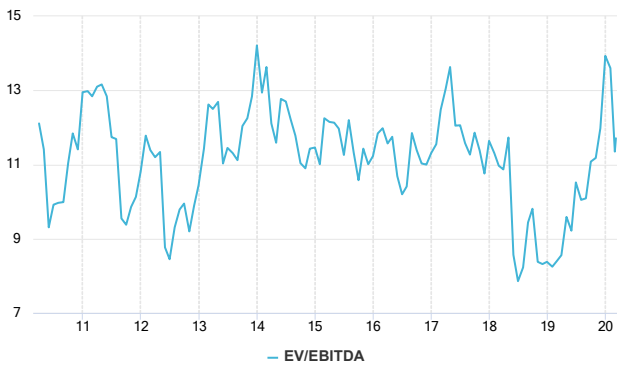
Current vs. high/low/median, 10 years *



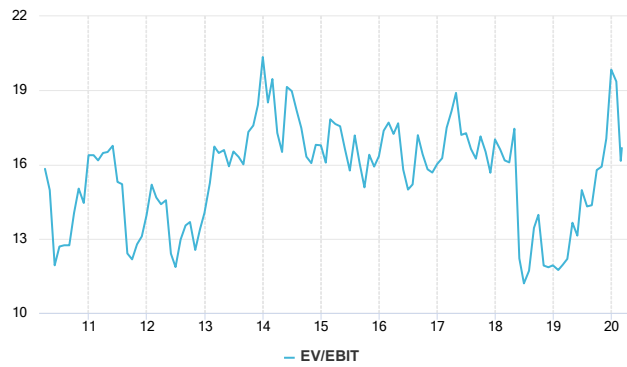
P/E x



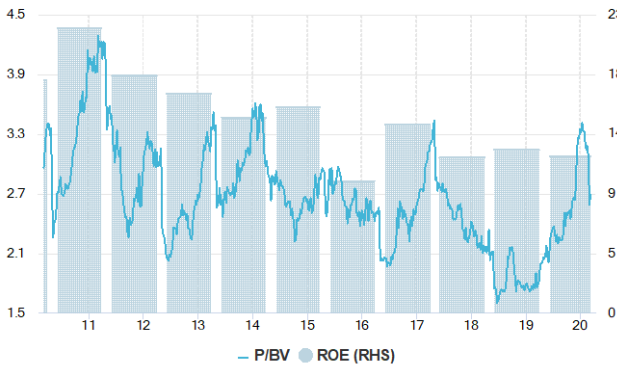
EV/EBITDA x



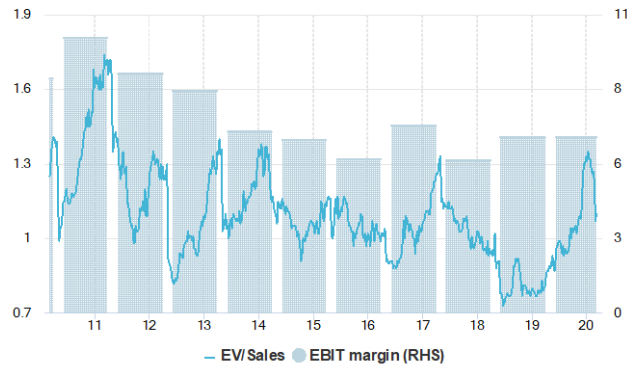
EV/EBIT x



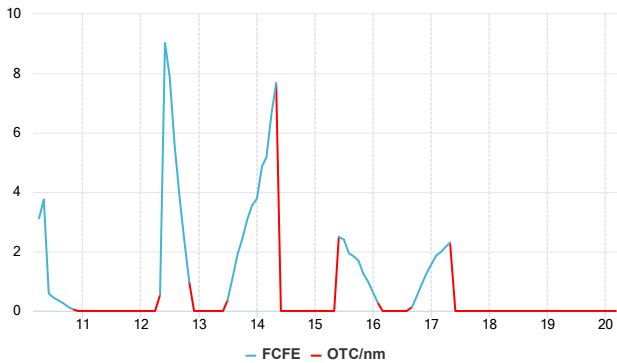
P/BV x and ROE %



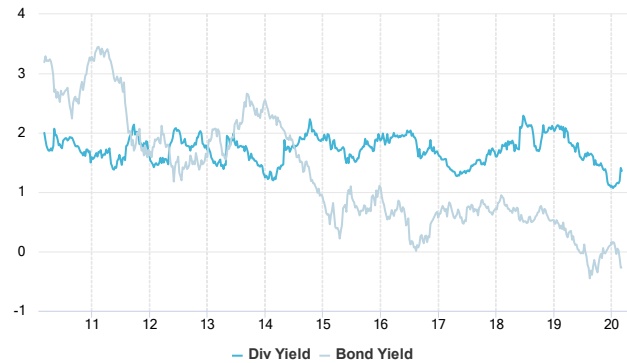
EV/sales x and EBIT margin %



FCFE yield %



Dividend (ordinary) and 10-year bond yield %

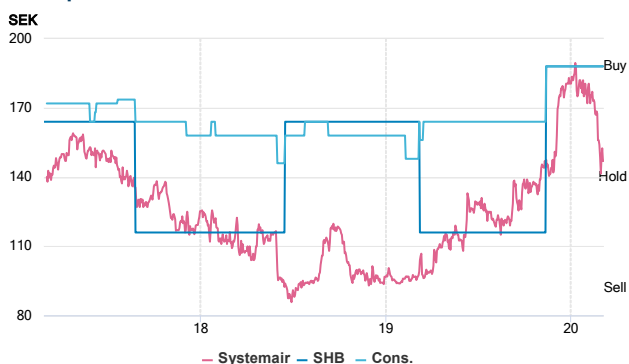


Source: Handelsbanken Capital Markets and company fundamentals

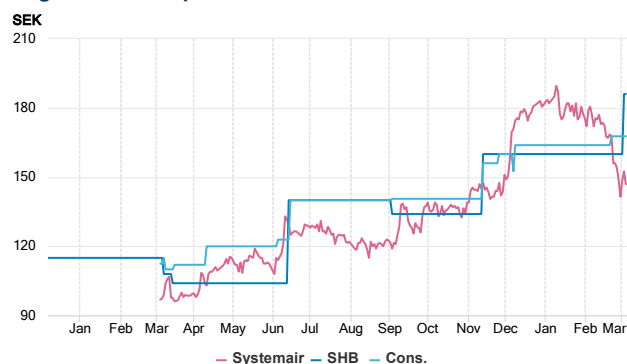
Note: The median value is the figure on left-hand side and the current value is shown by the arrow on the right-hand side.

Momentum

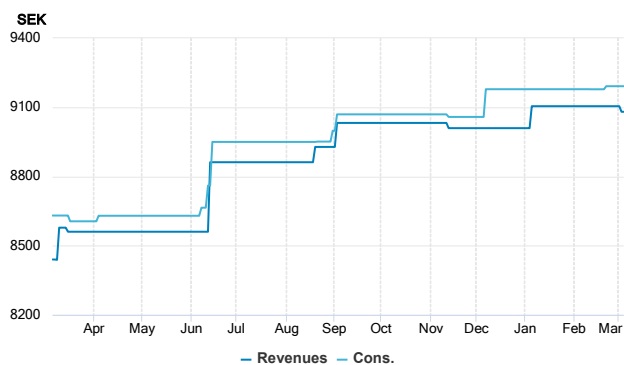
Share price and recommendation



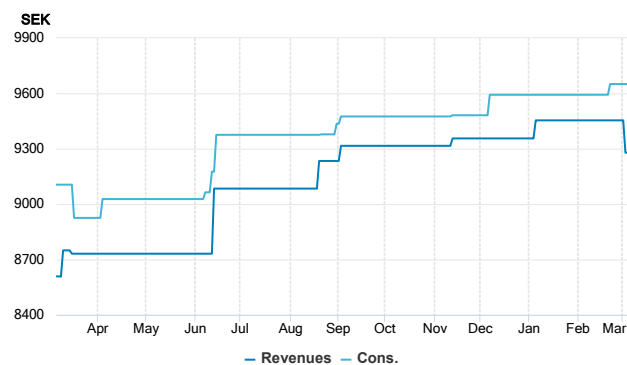
Target and share price



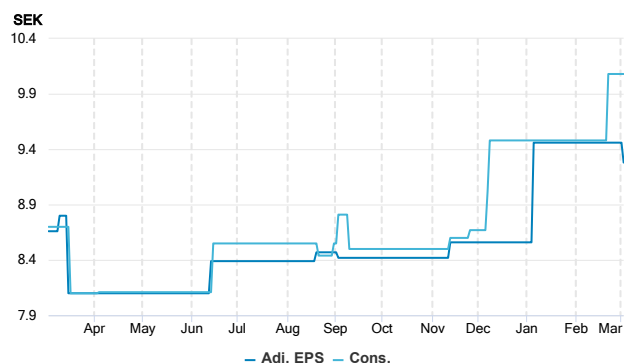
Revenues 2019/2020 estimate revisions



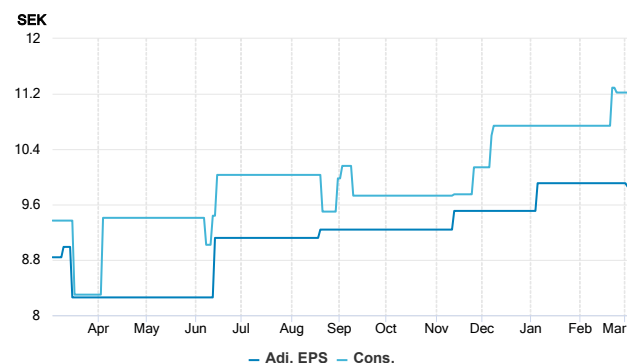
Revenues 2020/2021 estimate revisions



EPS 2019/2020 estimate revisions



EPS 2020/2021 estimate revisions



Source: Handelsbanken Capital Markets and FactSet

Opportunities

- Turnaround of struggling acquired companies
- Success in new product launches
- Effects from cost savings

Risks

- Failure to turn struggling acquired companies around
- Enhanced competition

Source: Handelsbanken Capital Markets

Valuation data

| SEK (FYE: 30/04) | 14/15 | 15/16 | 16/17 | 17/18 | 18/19 | 19/20e | 20/21e | 21/22e |
|------------------------------|-------|-------|-------|-------|-------|--------|--------|--------|
| Share price year-end/current | 115 | 103 | 158 | 116 | 115 | 147 | 147 | 147 |
| Share price high | 120 | 115 | 161 | 131 | 116 | 190 | - | - |
| Share price low | 100 | 97.0 | 120 | 99.2 | 92.5 | 140 | - | - |
| Market cap (m) | 5,980 | 5,330 | 8,190 | 6,022 | 5,980 | 7,644 | 7,644 | 7,644 |
| Net debt (m) | 1,198 | 1,387 | 1,401 | 1,761 | 1,996 | 1,795 | 1,465 | 1,136 |
| MV associates (m) | 463.9 | 463.9 | 463.9 | 463.9 | 463.9 | 463.9 | 463.9 | 463.9 |
| EV (m) | 6,714 | 6,253 | 9,127 | 7,319 | 7,512 | 8,975 | 8,645 | 8,316 |
| P/E reported (x) | 19.3 | 25.7 | 27.8 | 26.2 | 18.6 | 15.8 | 14.9 | 13.2 |
| P/E adj (x) | 19.0 | 24.9 | 25.1 | 20.1 | 17.4 | 15.8 | 14.9 | 13.2 |
| P/CEPS (x) | 12.4 | 13.8 | 17.0 | 13.9 | 10.8 | 10.4 | 10.0 | 9.2 |
| P/BV (x) | 2.87 | 2.53 | 3.44 | 2.30 | 2.11 | 2.38 | 2.12 | 1.90 |
| ROE adj (%) | 15.9 | 10.2 | 14.5 | 12.0 | 12.6 | 15.9 | 15.0 | 15.2 |
| Pre-tax ROIC (%) | 13.9 | 11.6 | 13.4 | 9.7 | 12.5 | 15.4 | 16.0 | 17.4 |
| EV/sales (x) | 1.1 | 1.0 | 1.3 | 1.0 | 0.9 | 1.0 | 0.9 | 0.9 |
| EV/EBITDA (x) | 12.1 | 11.8 | 13.6 | 11.7 | 9.6 | 9.3 | 8.5 | 7.6 |
| EV/EBIT (x) | 17.5 | 17.7 | 18.9 | 17.5 | 13.6 | 12.7 | 11.4 | 9.9 |
| EBIT adj margin (%) | 6.5 | 5.8 | 7.1 | 5.7 | 6.6 | 7.8 | 8.2 | 8.8 |
| FCF adj yield (%) | 1.4 | 0.13 | 3.9 | -0.64 | 2.4 | 4.0 | 6.0 | 6.3 |
| Tot div yield (%) | 1.7 | 2.0 | 1.3 | 1.7 | 1.7 | 1.7 | 2.0 | 2.5 |
| Payoutratio (%) | 33.6 | 50.2 | 35.4 | 45.2 | 32.4 | 26.9 | 30.4 | 33.0 |

Source: Handelsbanken Capital Markets

Peer group valuation

| | CCY | Price (Sh. curr.) | Mcap (EURm) | EV/S (x) 2020e | EV/EBIT (x) 2020e | P/E adj. (x) 2020e |
|--------------------------------|-----|-------------------|-------------|-------------------|----------------------|-----------------------|
| Systemair* | SEK | 147 | 723 | 1.0 | 11.8 | 15.2 |
| Kingspan | EUR | 59.0 | 10,677 | 2.2 | 22.1 | 26.3 |
| Uponor | EUR | 12.1 | 886 | 1.0 | 10.5 | 14.6 |
| Rockwool | DKK | 1,661 | 4,795 | 1.7 | 13.3 | 17.5 |
| Geberit | CHF | 502 | 17,481 | 6.1 | 24.6 | 28.0 |
| NIBE Industrier | SEK | 162 | 7,734 | 3.2 | 25.9 | 33.2 |
| Lindab | SEK | 110 | 796 | 1.0 | 10.4 | 12.0 |
| Average | | | | 2.3 | 16.9 | 21.0 |
| Median | | | | 1.7 | 13.3 | 17.5 |
| Average excl. Systemair | | | | 2.5 | 17.8 | 21.9 |
| Median excl. Systemair | | | | 1.9 | 17.7 | 21.9 |

Source: Handelsbanken Capital Markets and FactSet

DCF model assumptions

| SEKm (FYE: 30/04) | 18/19 | 19/20e | 20/21e | 21/22e | 22/23e | 23/24e | 28/29e | 33/34e | 38/39e |
|---|-------|--------|--------|--------|--------|--------|--------|--------|--------|
| Sales | 8,326 | 9,081 | 9,279 | 9,612 | 9,956 | 10,312 | 12,546 | 14,545 | 16,861 |
| EBITDA - Reported | 761.2 | 960.0 | 1,011 | 1,094 | 1,087 | 1,138 | 1,409 | 1,633 | 1,893 |
| EBITA2 - Reported (=EBITA bef gw amort) (use: IS) | 528.0 | 708.8 | 760.2 | 842.7 | 836.3 | 886.9 | 1,066 | 1,236 | 1,433 |
| Sales CAGR (%) | 14.0 | 9.1 | 2.2 | 3.6 | 3.6 | 3.6 | 4.0 | 3.0 | 3.0 |
| EBITDA growth (%) | 25.6 | 22.5 | 5.4 | 8.2 | -0.6 | 4.6 | 4.4 | 3.0 | 3.0 |
| EBITA growth (%) | 31.3 | 28.7 | 7.3 | 10.9 | -0.8 | 6.0 | 3.8 | 3.0 | 3.0 |
| EBITDA margin (%) | 9.4 | 10.6 | 10.9 | 11.4 | 10.9 | 11.0 | 11.2 | 11.2 | 11.2 |
| EBITA margin (%) | 6.6 | 7.8 | 8.2 | 8.8 | 8.4 | 8.6 | 8.5 | 8.5 | 8.5 |
| Capex/sales (%) | 2.9 | 2.8 | 2.8 | 2.8 | 2.7 | 2.7 | 3.0 | 3.0 | 3.0 |
| Capex/depreciation (x) | 1.0 | 1.0 | 1.0 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 | 1.1 |
| Networking cap/sales (%) | 23.7 | 23.7 | 23.7 | 23.7 | 23.7 | 23.7 | 25.0 | 25.0 | 25.0 |

| WACC assumptions (%) | Calculation of DCF (SEKm) | DCF checkpoints (%) |
|----------------------------|----------------------------------|---|
| Risk-free interest rate | 2.0 NPV FCFF | 11,666 5y hist sales growth |
| Equity market risk premium | 4.5 ND inc off-BS & Hybrids | 1,996 5y exp sales growth |
| Extra risk premium | 1.5 Market value Preferred stock | 0.0 Sustainable growth |
| Equity beta (x) | 1.0 Market value Associates | 464 Sust EBITDA margin |
| Implicit asset beta (x) | 0.85 Market value Minorities | 0.0 Sust EBITA margin |
| Cost of equity | 8.0 Surplus values | 0.0 Sust after-tax ROIC |
| Pre-tax cost of debt | 5.0 Other adjustments | 0.0 Terminal value/DCF |
| Equity weight | 80.0 DCF value | 10,135 Implicit equity weight |
| WACC | 7.1 DCF value/share (SEK) | 195 Share price potential to DCF value |

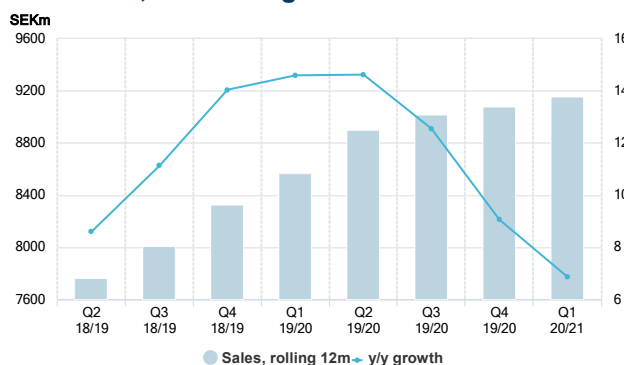
Source: Handelsbanken Capital Markets

P&L accounts – quarterly data

| SEKm (FYE: 30/04) | Q2 18/19 | Q3 18/19 | Q4 18/19 | Q1 19/20 | Q2 19/20 | Q3 19/20e | Q4 19/20e | Q1 20/21e |
|------------------------------|--------------|-------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Sales | 2,151 | 2,019 | 2,144 | 2,254 | 2,483 | 2,134 | 2,210 | 2,330 |
| Cost of goods sold | -1,420 | -1,375 | -1,441 | -1,487 | -1,593 | -1,441 | -1,477 | 2,330 |
| Gross profit | 731.6 | 643.3 | 702.9 | 767.1 | 889.7 | 692.8 | 733.4 | 4,660 |
| Other operating income | 0.0 | 0.0 | 169.5 | 0.0 | 0.0 | 0.0 | 147.9 | 0.0 |
| Sales and marketing costs | 0.0 | 0.0 | -1,827 | 0.0 | 0.0 | 0.0 | -1,940 | 0.0 |
| Admin costs | 0.0 | 0.0 | -389.2 | 0.0 | 0.0 | 0.0 | -425.6 | 0.0 |
| SG&A | 0.0 | 0.0 | -2,216 | 0.0 | 0.0 | 0.0 | -2,366 | 0.0 |
| OPEX | 0.0 | 0.0 | -2,216 | 0.0 | 0.0 | 0.0 | -2,366 | 0.0 |
| Other operating expenses | -542.7 | -563.2 | 1,458 | -594.1 | -605.8 | -586.6 | 1,630 | -4,456 |
| EBIT | 188.9 | 80.1 | 114.1 | 173.0 | 283.9 | 106.2 | 145.8 | 204.1 |
| Net financials | -11.1 | -5.8 | -17.7 | 4.0 | -20.0 | -15.0 | -15.0 | 0.0 |
| EBT | 177.8 | 74.3 | 96.4 | 177.0 | 263.9 | 91.2 | 130.8 | 204.1 |
| Total tax | -51.5 | -29.5 | -18.3 | -48.5 | -69.6 | -25.5 | -36.6 | -53.8 |
| tax rate (%) | 29.0 | 39.7 | 19.0 | 27.4 | 26.4 | 28.0 | 28.0 | 26.4 |
| EPS rep (SEK) | 2.43 | 0.86 | 1.50 | 2.47 | 3.74 | 1.26 | 1.81 | 2.89 |
| Net income | 126.3 | 44.8 | 78.1 | 128.5 | 194.3 | 65.6 | 94.1 | 150.3 |
| Growth (%) | | | | | | | | |
| Sales | 15.4 | 13.8 | 17.3 | 12.0 | 15.4 | 5.7 | 3.1 | 3.4 |
| EBIT | 31.3 | 18.3 | >900 | 19.4 | 50.3 | 32.5 | 27.8 | 18.0 |
| Net income | 24.6 | 7.7 | 579 | 78.5 | 53.8 | 46.5 | 20.5 | 17.0 |
| of sales (%) | | | | | | | | |
| Gross margin | 34.0 | 31.9 | 32.8 | 34.0 | 35.8 | 32.5 | 33.2 | 200 |
| EBIT margin | 8.8 | 4.0 | 5.3 | 7.7 | 11.4 | 5.0 | 6.6 | 8.8 |
| EBT margin | 8.3 | 3.7 | 4.5 | 7.9 | 10.6 | 4.3 | 5.9 | 8.8 |
| Net margin | 5.9 | 2.2 | 3.6 | 5.7 | 7.8 | 3.1 | 4.3 | 6.5 |
| SG&A | 0 | 0 | 103 | 0 | 0 | 0 | 107 | 0 |
| OPEX | 0 | 0 | 103 | 0 | 0 | 0 | 107 | 0 |
| Adjusted values | | | | | | | | |
| Total adjustments to net inc | -7.1 | 0.0 | -6.3 | - | - | - | - | - |
| EBIT | 196.0 | 80.1 | 120.4 | 173.0 | 283.9 | 106.2 | 145.8 | 204.1 |
| margin (%) | 9.1 | 4.0 | 5.6 | 7.7 | 11.4 | 5.0 | 6.6 | 8.8 |
| EBT | 184.9 | 74.3 | 102.7 | 177.0 | 263.9 | 91.2 | 130.8 | 204.1 |
| EPS adj (SEK) | 2.57 | 0.86 | 1.62 | 2.47 | 3.74 | 1.26 | 1.81 | 2.89 |
| Net income | 133.4 | 44.8 | 84.4 | 128.5 | 194.3 | 65.6 | 94.1 | 150.3 |

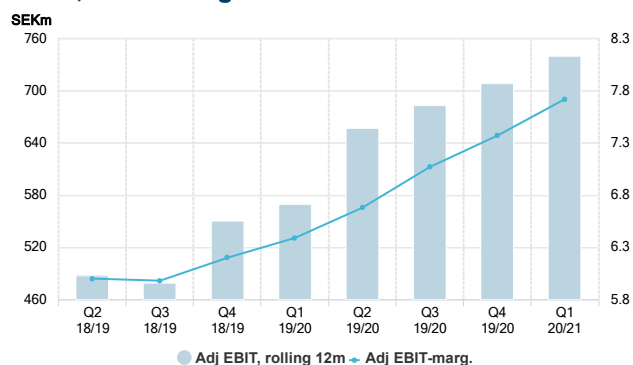
Source: Handelsbanken Capital Markets

Revenues, 12m rolling



Source: Handelsbanken Capital Markets

EBIT, 12m rolling



Source: Handelsbanken Capital Markets

Business areas – quarterly data

| SEKm (FYE: 30/04) | Q2 18/19 | Q3 18/19 | Q4 18/19 | Q1 19/20 | Q2 19/20 | Q3 19/20e | Q4 19/20e | Q1 20/21e |
|-------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|------------------|------------------|------------------|
| Sales | | | | | | | | |
| Europe | 1,742 | 1,645 | 1,751 | 1,762 | 1,965 | 1,677 | 1,735 | 1,785 |
| RoW | 409.0 | 373.5 | 392.7 | 491.8 | 518.3 | 456.4 | 474.9 | 545.3 |
| Total | 2,151 | 2,019 | 2,144 | 2,254 | 2,483 | 2,134 | 2,210 | 2,330 |
| Y-o-y sales growth (%) | | | | | | | | |
| Europe | 13.8 | 11.6 | 16.0 | 7.4 | 12.8 | 2.0 | -0.92 | 1.3 |
| RoW | 22.7 | 25.0 | 23.5 | 32.3 | 26.7 | 22.2 | 20.9 | 10.9 |
| Total | 15.4 | 13.8 | 17.3 | 12.0 | 15.4 | 5.7 | 3.1 | 3.4 |
| EBIT | | | | | | | | |
| Europe | 194.7 | 100.0 | 142.8 | 170.1 | 272.2 | 109.0 | 150.2 | 181.2 |
| RoW | 20.1 | -1.8 | 8.0 | 38.3 | 35.1 | 20.5 | 19.0 | 46.3 |
| Group-wide | -25.9 | -18.1 | -36.7 | -35.4 | -23.4 | -23.4 | -23.4 | -23.4 |
| Total | 189 | 80.1 | 114 | 173 | 284 | 106 | 146 | 204 |
| EBIT margin (%) | | | | | | | | |
| Europe | 11.2 | 6.1 | 8.2 | 9.7 | 13.9 | 6.5 | 8.7 | 10.2 |
| RoW | 4.9 | -0.48 | 2.0 | 7.8 | 6.8 | 4.5 | 4.0 | 8.5 |
| Total | 8.8 | 4.0 | 5.3 | 7.7 | 11.4 | 5.0 | 6.6 | 8.8 |

Source: Handelsbanken Capital Markets

P&L accounts – annual data

| SEKm (FYE: 30/04) | 14/15 | 15/16 | 16/17 | 17/18 | 18/19 | 19/20e | 20/21e | 21/22e |
|------------------------------|--------------|--------------|--------------|--------------|--------------|---------------|---------------|---------------|
| Income statement | | | | | | | | |
| Sales | 5,882 | 6,113 | 6,864 | 7,301 | 8,326 | 9,081 | 9,279 | 9,612 |
| Cost of goods sold | -3,858 | -4,010 | -4,503 | -4,887 | -5,598 | -5,998 | -6,092 | -6,310 |
| Gross profit | 2,025 | 2,102 | 2,361 | 2,414 | 2,729 | 3,083 | 3,187 | 3,302 |
| Other operating income | - | 80.3 | 119.6 | 116.8 | 169.5 | 147.9 | 151.0 | 154.0 |
| Associated income | - | - | - | - | - | - | 1.0 | - |
| Sales and marketing costs | -1,353 | -1,400 | -1,548 | -1,653 | -1,827 | -1,940 | -1,992 | -2,064 |
| Admin costs | -313.9 | -337.1 | -365.2 | -360.6 | -389.2 | -425.6 | -435.0 | -450.5 |
| SG&A | -1,667 | -1,737 | -1,913 | -2,013 | -2,216 | -2,366 | -2,427 | -2,514 |
| OPEX | -1,667 | -1,737 | -1,913 | -2,013 | -2,216 | -2,366 | -2,427 | -2,514 |
| Other operating expenses | 19.0 | -101.4 | -128.4 | -167.9 | -154.1 | -156.6 | -152.0 | -98.7 |
| EBIT | 377 | 344 | 439 | 350 | 528 | 709 | 760 | 843 |
| Net interest expenses | 3.6 | -36.8 | -28.9 | -16.5 | -70.0 | -46.0 | -48.0 | -40.0 |
| Net financials | 3.6 | -36.8 | -28.9 | -16.5 | -70.0 | -46.0 | -48.0 | -40.0 |
| EBT | 381 | 307 | 410 | 333 | 458 | 663 | 712 | 803 |
| Paid tax | -70.8 | -138.7 | -128.6 | -147.3 | -152.7 | -180.2 | -199.4 | -224.8 |
| Deferred tax | - | 38.4 | 12.7 | 44.2 | - | - | - | - |
| Tax | -70.8 | -100.1 | -115.9 | -103.1 | -136.8 | -180.2 | -199.4 | -224.8 |
| tax rate (%) | 18.6 | 32.6 | 28.3 | 30.9 | 29.9 | 27.2 | 28.0 | 28.0 |
| EPS rep (SEK) | 6.0 | 3.98 | 5.7 | 4.43 | 6.2 | 9.3 | 9.9 | 11.1 |
| Net income | 310 | 207 | 294 | 230 | 321 | 483 | 513 | 578 |
| Growth (%) | | | | | | | | |
| Sales | 11.1 | 3.9 | 12.3 | 6.4 | 14.0 | 9.1 | 2.2 | 3.6 |
| EBIT | 18.9 | -8.7 | 27.6 | -20.3 | 51.0 | 34.2 | 7.3 | 10.9 |
| Net income | -29.4 | -33.1 | 42.0 | -21.8 | 39.6 | 50.2 | 6.3 | 12.7 |
| % of sales (%) | | | | | | | | |
| Gross margin | 34.4 | 34.4 | 34.4 | 33.1 | 32.8 | 34.0 | 34.3 | 34.3 |
| EBIT margin | 6.4 | 5.6 | 6.4 | 4.8 | 6.3 | 7.8 | 8.2 | 8.8 |
| EBT margin | 6.5 | 5.0 | 6.0 | 4.6 | 5.5 | 7.3 | 7.7 | 8.4 |
| Net margin | 5.3 | 3.4 | 4.3 | 3.2 | 3.9 | 5.3 | 5.5 | 6.0 |
| SG&A | 28.3 | 28.4 | 27.9 | 27.6 | 26.6 | 26.0 | 26.2 | 26.2 |
| OPEX | 28.3 | 28.4 | 27.9 | 27.6 | 26.6 | 26.0 | 26.2 | 26.2 |
| Profitability (%) | | | | | | | | |
| ROE reported | 15.6 | 9.9 | 13.1 | 9.2 | 11.8 | 15.9 | 15.0 | 15.2 |
| ROE adj | 15.9 | 10.2 | 14.5 | 12.0 | 12.6 | 15.9 | 15.0 | 15.2 |
| ROCE | 12.0 | 9.9 | 12.6 | 9.7 | 11.4 | 13.4 | 13.4 | 13.9 |
| Pre-tax ROIC | 13.9 | 11.6 | 13.4 | 9.7 | 12.5 | 15.4 | 16.0 | 17.4 |
| After tax ROIC | 11.4 | 6.3 | 9.2 | 5.4 | 8.3 | 11.2 | 11.5 | 12.5 |
| Sales/capital invested (x) | 1.9 | 1.8 | 1.9 | 1.8 | 1.8 | 1.8 | 1.8 | 1.9 |
| Sales/total assets (x) | 1.4 | 1.3 | 1.4 | 1.3 | 1.3 | 1.3 | 1.2 | 1.2 |
| Sales peremployee (SEKm) | 1.9 | 2.0 | 2.2 | 2.3 | 2.7 | 2.9 | 3.0 | 3.1 |
| Adjusted values | | | | | | | | |
| Total adjustments to net inc | -4.9 | -6.5 | -32.4 | -69.7 | -22.6 | - | - | - |
| EBIT | 382.9 | 353.8 | 484.1 | 419.4 | 550.6 | 708.8 | 760.2 | 842.7 |
| margin (%) | 6.5 | 5.8 | 7.1 | 5.7 | 6.6 | 7.8 | 8.2 | 8.8 |
| EBT | 386.5 | 317.0 | 455.2 | 402.9 | 480.6 | 662.8 | 712.2 | 802.7 |
| EPS adj (SEK) | 6.0 | 4.11 | 6.3 | 5.8 | 6.6 | 9.3 | 9.9 | 11.1 |
| Net income | 314.6 | 213.7 | 326.6 | 299.8 | 343.8 | 482.6 | 512.8 | 578.0 |

Source: Handelsbanken Capital Markets

Business areas – annual data

| SEKm (FYE: 30/04) | 14/15 | 15/16 | 16/17 | 17/18 | 18/19 | 19/20e | 20/21e | 21/22e |
|-------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Sales | | | | | | | | |
| Europe | - | 4,979 | 5,472 | 5,960 | 6,779 | 7,139 | 7,234 | 7,483 |
| RoW | - | 1,134 | 1,391 | 1,342 | 1,547 | 1,941 | 2,046 | 2,129 |
| Total | 5,882 | 6,113 | 6,864 | 7,301 | 8,326 | 9,081 | 9,279 | 9,612 |
| Sales growth (%) | | | | | | | | |
| Europe | n.m | n.m | 10 | 9 | 14 | 5 | 1 | 3 |
| RoW | n.m | n.m | 23 | -4 | 15 | 25 | 5 | 4 |
| Total | 11.1 | 3.9 | 12.3 | 6.4 | 14.0 | 9.1 | 2.2 | 3.6 |
| EBIT | | | | | | | | |
| Europe | - | 343 | 438 | 459 | 559 | 701 | 720 | 782 |
| RoW | - | 56 | 91 | 26 | 53 | 113 | 134 | 154 |
| Group-wide | - | -54 | -90 | -133 | -84 | -106 | -94 | -94 |
| Total | - | 344 | 439 | 352 | 528 | 709 | 760 | 843 |
| EBIT margin (%) | | | | | | | | |
| Europe | n.m | 6.9 | 8.0 | 7.7 | 8.2 | 9.8 | 10.0 | 10.5 |
| RoW | n.m | 4.9 | 6.5 | 1.9 | 3.4 | 5.8 | 6.6 | 7.2 |
| Total | 0 | 5.6 | 6.4 | 4.8 | 6.3 | 7.8 | 8.2 | 8.8 |

Source: Handelsbanken Capital Markets

Forecast balance sheet – annual data

| SEKm (FYE: 30/04) | 15/16 | 16/17 | 17/18 | 18/19 | 19/20e | 20/21e | 21/22e |
|---------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Accounts receivable | 1,255 | 1,427 | 1,632 | 1,902 | 2,074 | 2,120 | 2,196 |
| Inventory | 1,105 | 1,170 | 1,399 | 1,509 | 1,646 | 1,682 | 1,742 |
| Other current assets | - | - | 12 | - | - | - | - |
| Cash & other interest-bearing | 177 | 242 | 213 | 250 | 451 | 781 | 1,110 |
| Current assets | 2,537 | 2,839 | 3,256 | 3,662 | 4,172 | 4,583 | 5,048 |
| Goodwill | 622 | 691 | 759 | 847 | 847 | 847 | 847 |
| Other intangible | 189 | 193 | 217 | 265 | 218 | 170 | 123 |
| Tangible assets | 1,274 | 1,413 | 1,722 | 1,769 | 1,816 | 1,869 | 1,931 |
| Oth non-IB fixed assets | 181 | 201 | 240 | 268 | 268 | 268 | 268 |
| Total assets | 4,802 | 5,338 | 6,195 | 6,811 | 7,320 | 7,737 | 8,216 |
| Equity | 2,108 | 2,381 | 2,620 | 2,839 | 3,218 | 3,601 | 4,023 |
| Shareholder equity | 2,108 | 2,381 | 2,620 | 2,839 | 3,218 | 3,601 | 4,023 |
| Pension provisions | 59 | 59 | n.m | n.m | n.m | n.m | n.m |
| Deferred tax liabilities | 82 | 69 | - | - | - | - | - |
| LT interest-bearing debt | 197 | 261 | 691 | 1,070 | 1,070 | 1,070 | 1,070 |
| ST interest-bearing debt | 1,309 | 1,323 | 1,283 | 1,176 | 1,176 | 1,176 | 1,176 |
| Provisions | 98 | 190 | 276 | 289 | 289 | 289 | 289 |
| Trade payables | 492 | 552 | 1,316 | 1,437 | 1,567 | 1,602 | 1,659 |
| Other current liabilities | 458 | 503 | 9 | n.m | n.m | n.m | n.m |
| Current liabilities | 2,259 | 2,378 | 2,609 | 2,613 | 2,743 | 2,777 | 2,835 |
| Total equity & liabilities | 4,802 | 5,338 | 6,195 | 6,811 | 7,320 | 7,737 | 8,216 |
| Net interest bearing debt | 1,387 | 1,401 | 1,761 | 1,996 | 1,795 | 1,465 | 1,136 |

Source: Handelsbanken Capital Markets

Forecast cash flow

| SEKm (FYE: 30/04) | 14/15 | 15/16 | 16/17 | 17/18 | 18/19 | 19/20e | 20/21e | 21/22e |
|--|---------------|---------------|--------------|---------------|---------------|--------------|--------------|--------------|
| EBIT before associates | 376.9 | 344.1 | 439.0 | 349.7 | 528.0 | 708.8 | 760.2 | 842.7 |
| + Net financials | -20.7 | -18.9 | -28.9 | -16.5 | -70.0 | -46.0 | -48.0 | -40.0 |
| - Paid tax | -121.5 | -138.7 | -128.6 | -147.3 | -152.7 | -180.2 | -199.4 | -224.8 |
| - Change in NWC | -192.8 | -161.3 | 28.1 | -174.4 | -149.5 | -178.9 | -47.1 | -78.8 |
| + Depreciation/impairment | 199.5 | 178.2 | 186.6 | 204.6 | 233.2 | 251.2 | 251.2 | 251.2 |
| + Other adjustment | -0.1 | -34.5 | n.m | 8.2 | -2.5 | n.m | n.m | n.m |
| Cash flow from operations (CFFO) | 241.3 | 168.9 | 496.2 | 224.3 | 386.5 | 554.9 | 716.9 | 750.4 |
| - Net recurring capex | -160.0 | -162.1 | -180.0 | -263.1 | -241.5 | -250.0 | -257.5 | -265.2 |
| FCF bef Acq. & Div. (FCF) | 81.3 | 6.8 | 316.2 | -38.8 | 145.0 | 304.9 | 459.4 | 485.2 |
| - Acquisitions | -137.0 | -50.0 | -125.0 | -44.0 | -273.9 | - | - | - |
| FCF to equity (FCFE) | -55.7 | -43.2 | 191.2 | -82.8 | -128.9 | 304.9 | 459.4 | 485.2 |
| - Paid dividends to shareholders | -156.0 | -104.0 | -104.0 | -104.0 | -104.0 | -104.0 | -130.0 | -156.0 |
| + Other adjustments | -69.1 | -41.7 | -100.7 | -173.5 | -1.5 | - | - | - |
| NET cash flow/change in NIBD | -280.8 | -188.9 | -13.5 | -360.3 | -234.4 | 200.9 | 329.4 | 329.2 |
| Funds from operations (FFO) | 434.1 | 330.2 | 468.1 | 398.7 | 536.0 | 733.8 | 764.0 | 829.2 |
| Cash flow from operations (CFFO) | 241.3 | 168.9 | 496.2 | 224.3 | 386.5 | 554.9 | 716.9 | 750.4 |
| FCF bef Acquisitions & Divestments (FCF) | 81.3 | 6.8 | 316.2 | -38.8 | 145.0 | 304.9 | 459.4 | 485.2 |
| FCF to equity (FCFE) | -55.7 | -43.2 | 191.2 | -82.8 | -128.9 | 304.9 | 459.4 | 485.2 |

Source: Handelsbanken Capital Markets

Financial ratios – annual data

| % (FYE: 30/04) | 14/15 | 15/16 | 16/17 | 17/18 | 18/19 | 19/20e | 20/21e | 21/22e |
|------------------------------|--------------|--------------|--------------|--------------|--------------|---------------|---------------|---------------|
| Equity/total assets | 44.4 | 43.9 | 44.6 | 42.3 | 41.7 | 44.0 | 46.5 | 49.0 |
| Net debt/equity | 57.6 | 65.8 | 58.8 | 67.2 | 70.3 | 55.8 | 40.7 | 28.2 |
| Net debt/EBITDA (x) | 2.2 | 2.7 | 2.2 | 3.2 | 2.6 | 1.9 | 1.4 | 1.0 |
| Net cash flow/capex | -176 | -117 | -7.5 | -137 | -97.1 | 80.4 | 128 | 124 |
| EBITDA net interest cover(x) | -152 | 14.2 | 21.6 | 33.6 | 10.9 | 20.9 | 21.1 | 27.3 |
| EBIT net interest cover(x) | -105 | 9.4 | 15.2 | 21.2 | 7.5 | 15.4 | 15.8 | 21.1 |
| FCFF/total debt | 6.0 | 0.90 | 14.4 | -0.63 | 6.4 | 11.4 | 16.3 | 16.8 |
| Total debt/capital | 40.0 | 42.6 | 40.8 | 43.0 | 44.2 | 41.1 | 38.4 | 35.8 |
| Short-term debt/capital | 32.9 | 35.6 | 32.9 | 27.9 | 23.1 | 21.5 | 20.1 | 18.8 |
| Long-term debt/capital | 7.1 | 5.4 | 6.5 | 15.0 | 21.0 | 19.6 | 18.3 | 17.1 |
| Inventory/sales | 17.5 | 18.1 | 17.1 | 19.2 | 18.1 | 18.1 | 18.1 | 18.1 |
| Receivables/sales | 19.8 | 20.5 | 20.8 | 22.5 | 22.8 | 22.8 | 22.8 | 22.8 |
| Accounts payable/sales | 19.3 | 16.3 | 17.3 | 21.9 | 20.7 | 20.4 | 20.4 | 20.3 |
| Working capital/sales | 21.0 | 23.1 | 22.5 | 23.5 | 23.7 | 23.7 | 23.7 | 23.7 |
| Current ratio | 113 | 112 | 119 | 125 | 140 | 152 | 165 | 178 |
| Quick ratio | 64.4 | 63.4 | 70.2 | 71.2 | 82.4 | 92.1 | 104 | 117 |

Source: Handelsbanken Capital Markets

Per share data

| m (FYE: 30/04) | 14/15 | 15/16 | 16/17 | 17/18 | 18/19 | 19/20e | 20/21e | 21/22e |
|---------------------------|--------------|--------------|--------------|--------------|--------------|---------------|---------------|---------------|
| Nr of shares, year-end | 52.0 | 52.0 | 52.0 | 52.0 | 52.0 | 52.0 | 52.0 | 52.0 |
| Nr of shares, average | 52.0 | 52.0 | 52.0 | 52.0 | 52.0 | 52.0 | 52.0 | 52.0 |
| EPS reported (SEK) | 6.0 | 3.98 | 5.7 | 4.43 | 6.2 | 9.3 | 9.9 | 11.1 |
| Y-o-y growth (%) | -29.4 | -33.1 | 42.0 | -21.8 | 39.6 | 50.2 | 6.3 | 12.7 |
| EPS adj (SEK) | 6.0 | 4.11 | 6.3 | 5.8 | 6.6 | 9.3 | 9.9 | 11.1 |
| Y-o-y growth (%) | 20.6 | -32.1 | 52.8 | -8.2 | 14.7 | 40.4 | 6.3 | 12.7 |
| Cash earnings (SEK) | 9.2 | 7.4 | 9.2 | 8.4 | 10.7 | 14.1 | 14.7 | 15.9 |
| DPS - ordinary (SEK) | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 | 2.50 | 3.00 | 3.67 |
| Payout ratio (%) | 33.6 | 50.2 | 35.4 | 45.2 | 32.4 | 26.9 | 30.4 | 33.0 |
| Tot cash payout ratio (%) | 50.4 | 50.2 | 35.4 | 45.2 | 32.4 | 21.6 | 25.4 | 27.0 |
| Book value (SEK) | 40.0 | 40.5 | 45.8 | 50.4 | 54.6 | 61.9 | 69.2 | 77.4 |
| Y-o-y growth (%) | 10.7 | 1.2 | 13.0 | 10.0 | 8.4 | 13.3 | 11.9 | 11.7 |
| Net debt (SEK) | 23.0 | 26.7 | 26.9 | 33.9 | 38.4 | 34.5 | 28.2 | 21.8 |
| NAV (SEK) | 32.8 | 33.9 | 37.7 | 40.5 | 42.1 | 50.3 | 58.6 | 67.6 |

Source: Handelsbanken Capital Markets

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| HCM rating | R _{TP} is expected to be ¹ | HCM Universe ² | IB services ³ |
|------------|--|---------------------------|--------------------------|
| Buy | above 10% | 41% | 11% |
| Hold | between 0% and +10% | 41% | 16% |
| Sell | below 0% | 18% | 24% |

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 5/3 2020

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Systemair

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Mar 05, 2020:

Systemair

- Handelsbanken's analyst Marcela Klang has no position in Systemair or a related instrument.

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On 2019-11-13 the recommendation Hold, which was set on 2019-03-08 at the share price of SEK 99.00, was changed to the current recommendation Buy at a share price of SEK 145.

Share prices mentioned in this report refer to a price defined by manual input on 2020-03-05 at 17:39 CET.

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