

HANZA

Reversed profit warning

- Expects sales of more than SEK 600m, ABGSCe 629m
- Expects EBITA of more than SEK 35m, ABGSCe 29m
- EBITA more than 19% better than expectations

Record-high margins

Hanza has issued a reversed profit warning ahead of the Q2'21 report. It expects at least SEK 600m in sales, compared to ABGSCe at SEK 629m. It mentions that the underlying market development has been strong, and that both Key Markets and Other markets has benefitted. Impressively, it expects that EBITA will surpass SEK 35m, which is at least 19% better than ABGSCe. It mentions that it expects the margin to be c. 5.8%, we expected 4.7%. This is a new record-high margin, with previous high of 5.0% and close to its target of having an operating margin above 6% over a cycle.

Strong signal for the rest of the year

Hanza has reorganized its branches and improved its cluster strategy through M&A over the past year, and it is beginning to show through higher margins now that the underlying market is displaying a strong momentum. Macro data is still showing a solid order intake which should mean that demand should be on a good level throughout the year, and that Hanza should be able to continue to showcase a high margin. We currently expect Hanza to reach an EBITA margin of 5.3% in 2023, which then implies an EBITA CAGR of 46% between '20-'23e. On that margin assumption, Hanza is trading at 7x EBITA '23e (SEK 22/share) with 9% FCF yield.

Strong performance YTD

HANZA is up 58% YTD and is on our estimates trading on EV/EBITA '21e of 11x. We are seeing strategic initiatives playing out, delivering higher margins.

Fast comment

Company-sponsored research: Not rated

Share price (SEK) 11/06/2021 19.7
Capital Goods, Sweden
HANZA.ST/HANZA SS

MCap (SEKm) 646
MCap (EURm) 64
Net debt (EURm) 53

No. of shares (m) 32.8
Free float (%) 70
Av. daily volume (k) 11

Next event Q2 report: 27 Jul

Please refer to important disclosures at the end of this report

This research product is commissioned and paid for by the company covered in this report. As such, this report is deemed to constitute an acceptable minor non-monetary benefit (i.e. not investment research) as defined in MiFID II.

| (SEKm) | Last year | Actual | ABGSC | |
|-------------------------|--------------|-------------|-------------|--------------|
| | Q2 20 | Q2 21 | Q2 21e | Dev (%) |
| Net sales | 559.0 | 600.0 | 628.7 | -5% |
| EBITA | -12.6 | 35.0 | 29.5 | 19% |
| Adj EBITA | 14.9 | 35.0 | 29.5 | 19% |
| EBIT | -16.1 | | 26.0 | -100% |
| Adj EBIT | 11.4 | | 26.0 | -100% |
| Net profit | -19.6 | | 14.4 | -100% |
| EPS | -0.60 | | 0.40 | -100% |
| <i>EBITA margin</i> | -2.3% | 5.8% | 4.7% | 1.1% |
| Adj EBITA margin | 2.7% | 5.8% | 4.7% | 1.1% |
| <i>EBIT margin</i> | -2.9% | 0.0% | | |
| Adj EBIT margin | 2.0% | 0.0% | | |
| EO | -27.5 | 0.0 | 0.0 | |

Analyst(s): erik.cassel@abgsc.se, +46 8 566 286 25

| SEKm | 2019 | 2020 | 2021e | 2022e | 2023e |
|-------------------------------|-------|--------|---------|-------|-------|
| Sales | 2,068 | 2,155 | 2,373 | 2,589 | 2,763 |
| <i>Sales growth (%)</i> | 14.2 | 4.2 | 10.1 | 9.1 | 6.7 |
| EBITDA | 149 | 139 | 196 | 221 | 242 |
| <i>EBITDA margin (%)</i> | 7.2 | 6.4 | 8.2 | 8.5 | 8.8 |
| EBIT adj | 76 | 56 | 100 | 118 | 132 |
| <i>EBIT adj margin (%)</i> | 3.7 | 2.6 | 4.2 | 4.5 | 4.8 |
| Pretax profit | 32 | 9 | 67 | 81 | 93 |
| EPS rep | 0.72 | -0.04 | 1.40 | 1.71 | 1.96 |
| <i>EPS growth (%)</i> | -3.2 | -106.0 | 3,383.7 | 22.2 | 14.5 |
| EPS adj | 1.63 | 1.22 | 1.95 | 2.12 | 2.40 |
| DPS | 0.25 | 0.25 | 0.25 | 0.47 | 0.58 |
| EV/EBITDA (x) | 6.8 | 6.2 | 6.3 | 5.4 | 4.7 |
| EV/EBIT adj (x) | 13.3 | 15.3 | 12.4 | 10.1 | 8.6 |
| P/E (x) | 21.9 | -326.6 | 14.0 | 11.5 | 10.0 |
| P/E adj (x) | 9.6 | 11.4 | 10.1 | 9.3 | 8.2 |
| EV/sales (x) | 0.5 | 0.4 | 0.5 | 0.5 | 0.4 |
| <i>FCF yield (%)</i> | -3.0 | 26.6 | -5.2 | 10.0 | 10.5 |
| <i>Dividend yield (%)</i> | 1.6 | 1.8 | 1.3 | 2.4 | 2.9 |
| Net IB debt/EBITDA | 3.3 | 2.9 | 2.7 | 2.2 | 1.8 |
| <i>Lease adj. FCF yld (%)</i> | -3.0 | 26.6 | -5.2 | 10.0 | 10.5 |
| Lease adj. ND/EBITDA | 2.1 | 1.7 | 1.8 | 1.4 | 1.7 |

Analyst certification

I/We, the author(s) of this report, certify that notwithstanding the existence of any such potential conflicts of interests referred to below, the views expressed in this report accurately reflect my/our personal view about the companies and securities covered in this report.

Analyst valuation methods

ABG Sundal Collier analysts may publish valuation ranges for stocks covered under Company Sponsored Research. These valuation ranges rely on various valuation methods. One of the most frequently used methods is the valuation of a company by calculation of that company's discounted cash flow (DCF). Another valuation method is the analysis of a company's return on capital employed relative to its cost of capital. Finally, the analysts may analyse various valuation multiples (e.g. the P/E multiples and the EV/EBITDA multiples) relative to global industry peers. In special cases, particularly for property companies and investment companies, the ratio of price to net asset value is considered. Valuation ranges may be changed when earnings and cash flow forecasts are changed. They may also be changed when the underlying value of a company's assets changes (in the cases of investment companies, property companies or insurance companies) or when factors impacting the required rate of return change.

Important Company Specific Disclosure

The following disclosures relate to the relationship between ABG Sundal Collier and its affiliates and the companies covered by ABG Sundal Collier referred to in this research report.

Unless disclosed in this section, ABG Sundal Collier has no required regulatory disclosures to make in relation to an ownership position for the analyst(s) and members of the analyst's household, ownership by ABG Sundal Collier, ownership in ABG Sundal Collier by the company(ies) to whom the report(s) refer(s) to, market making, managed or co-managed public offerings, compensation for provision of certain services, directorship of the analyst, or a member of the analyst's household, or in relation to any contractual obligations to the issuance of this research report.

ABG Sundal Collier is engaged in providing liquidity in HANZA's securities at the time of this report's publication.

ABG Sundal Collier is not aware of any other actual, material conflicts of interest of the analyst or ABG Sundal Collier of which the analyst knows or has reason to know at the time of the publication of this report.

Production of report: 06/14/2021 13:25 CET.

All prices are as of market close on 13 June, 2021 unless otherwise noted.

Disclaimer

This document has been prepared by ABG Sundal Collier which is the marketing name referring to all or any of ABG Sundal Collier ASA, ABG Sundal Collier AB or ABG Sundal Collier Partners LLP and any of their affiliated or associated companies and their directors, officers, representatives and employees.

This research product is commissioned and paid for by the company covered in this report. As such, this report is deemed to constitute an acceptable minor non-monetary benefit (i.e. not investment research) as defined in MiFID II.

This research product has not been prepared in accordance with legal requirements designed to promote the independence of investment research and is not subject to any prohibition on dealing ahead of the dissemination.

This report is provided solely for the information and use of professional investors, who are expected to make their own investment decisions without undue reliance on this report. The information contained herein does not apply to, and should not be relied upon by, retail clients. This report is for distribution only under such circumstances as may be permitted by applicable law. Research reports prepared by ABG Sundal Collier are for information purposes only. ABG Sundal Collier accepts no liability whatsoever for any losses arising from any use of this report or its contents. This report is not to be used or considered as an offer to sell, or a solicitation of an offer to buy. The information herein has been obtained from, and any opinions herein are based upon, sources believed reliable, but ABG Sundal Collier makes no representation as to its accuracy or completeness and it should not be relied upon as such. All opinions and estimates herein reflect the judgment of ABG Sundal Collier on the date of this report and are subject to change without notice. Past performance is not indicative of future results.

This research report does not, and does not attempt to contain everything material that there is to be said about HANZA.

The compensation of our research analysts is determined exclusively by research management and senior management, but not including investment banking management. Compensation is not based on specific investment banking revenues, however, it is determined from the profitability of the ABG Sundal Collier Group, which includes earnings from investment banking operations and other business. Investors should assume that ABG Sundal Collier is seeking or will seek investment banking or other business relationships with the companies in this report. The research analyst(s) responsible for the preparation of this report may interact with trading desk and sales personnel and other departments for the purpose of gathering, synthesizing and interpreting market information. From time to time, ABG Sundal Collier and its affiliates and any shareholders, directors, officers or employees thereof may (I) have a position in, or otherwise be interested in, any securities directly or indirectly connected to the subject of this report, or (II) perform investment banking or other services for, or solicit investment banking or other services from, a company mentioned in this report. ABG Sundal Collier relies on information barriers to control the flow of information contained in one or more areas of ABG Sundal Collier, into other areas, units, groups or affiliates of ABG Sundal Collier.

Norway: ABG Sundal Collier ASA is regulated by the Financial Supervisory Authority of Norway (Finanstilsynet); Sweden: ABG Sundal Collier AB is regulated by the Swedish Financial Supervisory Authority (Finansinspektionen); UK: This report is a communication made, or approved for communication in the UK, by ABG Sundal Collier Partners LLP, authorised and regulated by the Financial Conduct Authority in the conduct of its business. US: This report is being distributed in the United States in accordance with FINRA Rule 1050(f)(3)(B) by ABG Sundal Collier Inc., a FINRA member which accepts responsibility for its content. Research analysts are not registered/qualified as research analysts with FINRA or the NYSE, and are not associated persons of ABG Sundal Collier Inc. and therefore not subject to FINRA Rule 2241, the research analyst conflict rules. Research reports distributed in the U.S are intended solely for "major institutional investors", as defined under Rule 15a-6 of the Securities Exchange Act of 1934. Each U.S major institutional investor that receives a copy of this research report by its acceptance represents that it agrees it will not distribute this research report to any other person. Any U.S. major institutional investor receiving this report who wishes to effect transactions in any securities referred to herein should contact ABG Sundal Collier Inc., not its affiliates. Further information on the securities referred to herein may be obtained from ABG Sundal Collier Inc., on request.

Singapore: This report is distributed in Singapore by ABG Sundal Collier Pte Ltd, which is not licensed under the Financial Advisers Act (Chapter 110 of Singapore). In Singapore, this report may only be distributed to institutional investors as defined in Section 4A(1)(c) of the Securities and Futures Act (Chapter 289 of Singapore) ("SFA"), and should not be circulated to any other person in Singapore.

This report may not be reproduced, distributed or published by any recipient for any purpose whatsoever without the prior written express permission of ABG Sundal Collier.

Additional information available upon request. If reference is made in this report to other companies and ABG Sundal Collier provides research coverage for those companies details regarding disclosures may be found on our website www.abgsc.com.

© Copyright 2020 ABG Sundal Collier ASA

| | | | | | | |
|---|--|--|--|--|--|--|
| Norway Pb. 1444 Vikta NO-0115 OSLO Norway Tel: +47 22 01 60 00 Fax: +47 22 01 60 60 | Sweden Box 7269 SE-103 89 STOCKHOLM Sweden Tel: +46 8 566 286 00 Fax: +46 8 566 286 01 | Denmark Forbindelsesvej 12, DK-2100 COPENHAGEN Denmark Tel: +45 35 46 61 00 Fax: +45 35 46 61 10 | United Kingdom 10 Paternoster Row, 5th fl LONDON EC4M 7EJ UK Tel: +44 20 7905 5600 Fax: +44 20 7905 5601 | USA 850 Third Avenue, Suite 9-C NEW YORK, NY 10022 USA Tel. +1 212 605 3800 Fax. +1 212 605 3801 | Germany Schillerstrasse 2, 5. OG DE-60313 FRANKFURT Germany Tel +49 69 96 86 96 0 Fax +49 69 96 86 96 99 | Singapore 10 Collyer Quay Ocean Financial Center #40-07, Singapore 049315 Tel +65 6808 6082 |
|---|--|--|--|--|--|--|