

## Hanza Q4'21 Review: Main Markets is Back on Track

Redeye's preliminary revisions indicate a slight increase in sales forecasts but a near-term reduction of margins. However, following slightly increased mid-and long-term forecasts, we will likely raise our Base Case by about 5%.

Sales beat our forecast by 12%, as both Main Markets and Other Markets had significantly higher organic growth than we thought. On the group level, organic growth was 30% y/y. Although Q4 2020 was dampened due to the Corona pandemic, also relative to Q4 2019, growth was strong. According to management, the solid organic growth was driven by both current customers expanding their volumes and new customers. Also, the supply chain turmoil seen in many sectors following the pandemic has increased the interest in back-sourcing and Hanza's cluster strategy.

Adjusted EBITA came in roughly as we expected, while the margin was somewhat below our forecast. Main Markets beat our EBITA estimate by 23%, following stronger growth and margins. Despite Beyers, with zero margins, joining the numbers, margins significantly expanded y/y. Interestingly, there are no signs of material and component shortages in the numbers, suggesting the segment had handled the situation well.

Other Markets came in soft with regards to margins. While the segment seems to have experienced an adverse effect from shortages, its clusters are currently expanding their facilities, resulting in a temporary margin reduction. According to management, the expansions are planned to be completed by H1 2022. However, it will likely take a quarter or two before running at good speed.

<b>Actuals vs Forecast - 4Q21</b>				
<b>(SEKm)</b>	<b>4Q20</b>	<b>4Q21</b>	<b>4Q21E</b>	<b>Diff</b>
<b>Net sales</b>	<b>494</b>	<b>717</b>	<b>637</b>	<b>12.4%</b>
<i>Growth YoY</i>	-9.9%	45.1%	29.1%	
Main Markets	255	407	363	12.1%
<i>Growth YoY</i>		59.5%	42.3%	
Other Markets	238	309	274	12.8%
<i>Growth YoY</i>		29.8%	15.0%	
<b>Adj. EBITA</b>	<b>16.1</b>	<b>39.4</b>	<b>40.0</b>	<b>-1.6%</b>
<i>Adj. EBITA margin</i>	3.3%	5.5%	6.3%	
Main Markets	10.9	35.3	28.7	23.2%
<i>Adj. EBITA margin</i>	4.3%	8.7%	7.9%	
Other Markets	10.4	7.0	12.3	-43.2%
<i>Adj. EBITA margin</i>	4.4%	2.3%	4.5%	
<b>EBITA</b>	<b>18.6</b>	<b>43.0</b>	<b>40.0</b>	<b>7.4%</b>
<i>EBITA margin</i>	3.8%	6.0%	6.3%	

Source: Redeye Research, Hanza

Our preliminary revisions suggest an increased sales forecast for 2022 by about 2% and a cut in EBIT of around 3%. We were likely too optimistic about margins in Other Markets considering the several expansions. However, as we expect margins in Other Markets to improve, although somewhat later, and as we raise our sales forecasts, we will likely end up increasing our Base Case by about 5%.

<b>Prel. Financial forecasts Base-case</b>								
<b>(SEKm)</b>	<b>2021</b>	<b>1Q22E</b>	<b>2Q22E</b>	<b>3Q22E</b>	<b>4Q22E</b>	<b>2022E</b>	<b>2023E</b>	<b>2024E</b>
<b>Net sales</b>	<b>2515</b>	<b>694</b>	<b>737</b>	<b>685</b>	<b>745</b>	<b>2861</b>	<b>2976</b>	<b>3095</b>
<i>Growth YoY</i>	16.7%	22.3%	16.3%	14.6%	4.0%	13.8%	4.0%	4.0%
<b>Adj. EBITA</b>	<b>145.8</b>	<b>41.9</b>	<b>46.9</b>	<b>46.7</b>	<b>55.2</b>	<b>190.6</b>	<b>206.0</b>	<b>224.5</b>
<i>Adj. EBITA margin</i>	5.8%	6.0%	6.4%	6.8%	7.4%	6.7%	6.9%	7.3%
<b>EBIT</b>	<b>127.5</b>	<b>38.4</b>	<b>43.4</b>	<b>43.2</b>	<b>51.7</b>	<b>176.6</b>	<b>192.0</b>	<b>210.5</b>
<i>EBIT margin</i>	5.1%	5.5%	5.9%	6.3%	6.9%	6.2%	6.5%	6.8%

Source: Redeye Research, Hanza

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Rating	People	Business	Financials
5	32	15	4
3-4	140	125	43
0-2	5	37	130
<b>total</b>	<b>177</b>	<b>177</b>	<b>177</b>

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