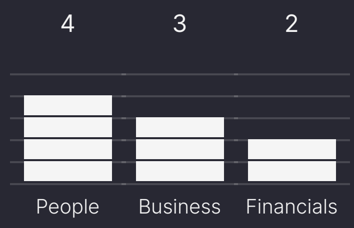
REDEYE

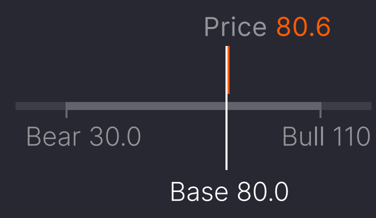
Hanza

Research Update

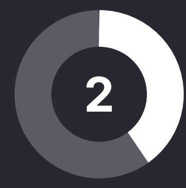
QUALITY RATING



FAIR VALUE RANGE



MOMENTUM



Performance VS OMXS30

Share Information

Share Price SEK	80.6
Number of shares (M)	46.0
Marketplace	NASDAQ Stockholm
CEO	Erik Stenfors
Chairman	Francesco Franzé

Key Stats

Market Cap	3.7 BSEK
Entprs. Value (EV)	4.6 BSEK
Net Debt (2025Q1)	963.0 MSEK
30 Day Avg Vol	108 K
Dividend Yield	N/A

Top Holders

Name	Ownership
Gerald Engström	22.89%
Francesco Franzé	8.3%
Första AP-fonden	4.98%
Ritter Beteiligungs Gmbh	4.58%
Nordnet Pensionsförsäkring	4%
ODIN Fonder	3.97%
Tredje AP-fonden	2.76%
Inbox Capital	2.2%
Cicero Fonder	2.07%
Berenberg Funds	1.59%

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More research on Hanza

Scan the QR code to access all Redeye publications and research tools regarding Hanza.

redeye.se/company/hanza-holding

Hanza: Extended focus on growth segments

Redeye retains its view of Hanza following a Q1 report showing a relatively solid performance in a soft market. While the outlook remains cautious and uncertain, growth initiatives in certain sectors and new customers should have a positive impact gradually.

Mixed picture

Sales was 5% short of our expectations and amounted to SEK1,326m (1,253). The organic growth was -3% y/y. On the other hand, "old Hanza" (excluding Leten, which was consolidated in March) saw an improvement in demand in the latter parts of the quarter, entering into organic growth territory. Overall, management is happy to present a stable Q1 report in a challenging market. We agree, although our expectations were somewhat higher. EBITA (adjusted for SEK11m in one-offs) was SEK97m (67), 7% below our forecast of SEK104m. The adjusted EBITA margin was 7.3%, and our forecast was 7.4%. While below Hanza's 8% target for the full year 2025, we expect gradually increasing margins as we enter 2025, as Leden is integrated, and new deals are becoming active.

Project Lynx

Hanza has launched a focused market program targeting "stable, high-potential" sectors such as defence, energy, and security to drive growth. In addition, it will emphasise MIG (supply chain solutions) in the German market. We view it as an initiative to strengthen Hanza's position further in the few existing growing manufacturing areas. While those areas are likely to attract competition, we believe it makes sense for Hanza to strengthen its focus on those areas. Hanza has a track record in those sectors and differentiates itself with its cluster focus.

New Base Case SEK80 (82)

We lower our sales forecasts by 6% and 5% for 2025-2026, respectively, on the back of the development in Q1 and an overall more cautious outlook for the macroeconomic environment in general. For EBITA, we lower by 10% and 6% for 2025-2026, respectively. Following slight forecast cuts, we lower our Base Case somewhat to SEK78 (82). However, we see substantial upside potential if the 2025 targets are reached. After trading at a 25-30% discount on EV/EBIT in H1 2024, Hanza is now trading on par with the peer median at 11x and 9x EBIT 2025-2026.

Key Financials

SEKm	2024	2025e	2026e	2027e	2028e
Total Revenue	5,005.0	6,157.0	6,397.4	6,652.8	6,918.4
Revenue Growth	20.5%	23.0%	3.9%	4.0%	4.0%
EBITDA	441.6	742.6	858.4	910.0	961.7
EBIT	239.0	409.6	489.8	531.9	573.3
EBIT Margin	4.9%	7.0%	7.7%	8.0%	8.3%
Net Income	111.0	221.5	282.6	317.6	351.9
EV/Revenue	0.8	0.8	0.7	0.7	0.6
EV/EBIT	16.8	11.0	9.1	8.2	7.4

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Review of Q1 2025

Estmates vs. Actuals						
Sales	**Q1E 2025**	**Q1A 2025**	**Diff**		**Q1A 2024**	**Q4A 2024**
Net sales	1401	1326	-5%		1253	1270
Y/Y Growth (%)	12%	6%			18%	20%
Main Markets	868	787	-9%		770	745
Y/Y Growth (%)	13%	2%			30%	23%
Adj. EBITA (MM)	71	74	4%		54	60
EBITA margin	8.2%	9.4%			7.0%	8%
Other Markets	534	535	0%		480	520
Y/Y Growth (%)	11%	11%			3%	16%
Adj. EBITA (OM)	35	26	-25%		16	33
EBITA margin	6.5%	4.9%			3.3%	6.3%
Earning						
EBITA	104	97	-7%		67	74
EBITA Margin (%)	*7.4%*	*7.3%*			*5.3%*	*5.8%*
EBIT	98	90	-8%		61	67
EBIT Margin (%)	*7.0%*	*6.8%*			*4.9%*	*5.3%*
Diluted EPS	1.14	0.90	-21%		0.78	0.71

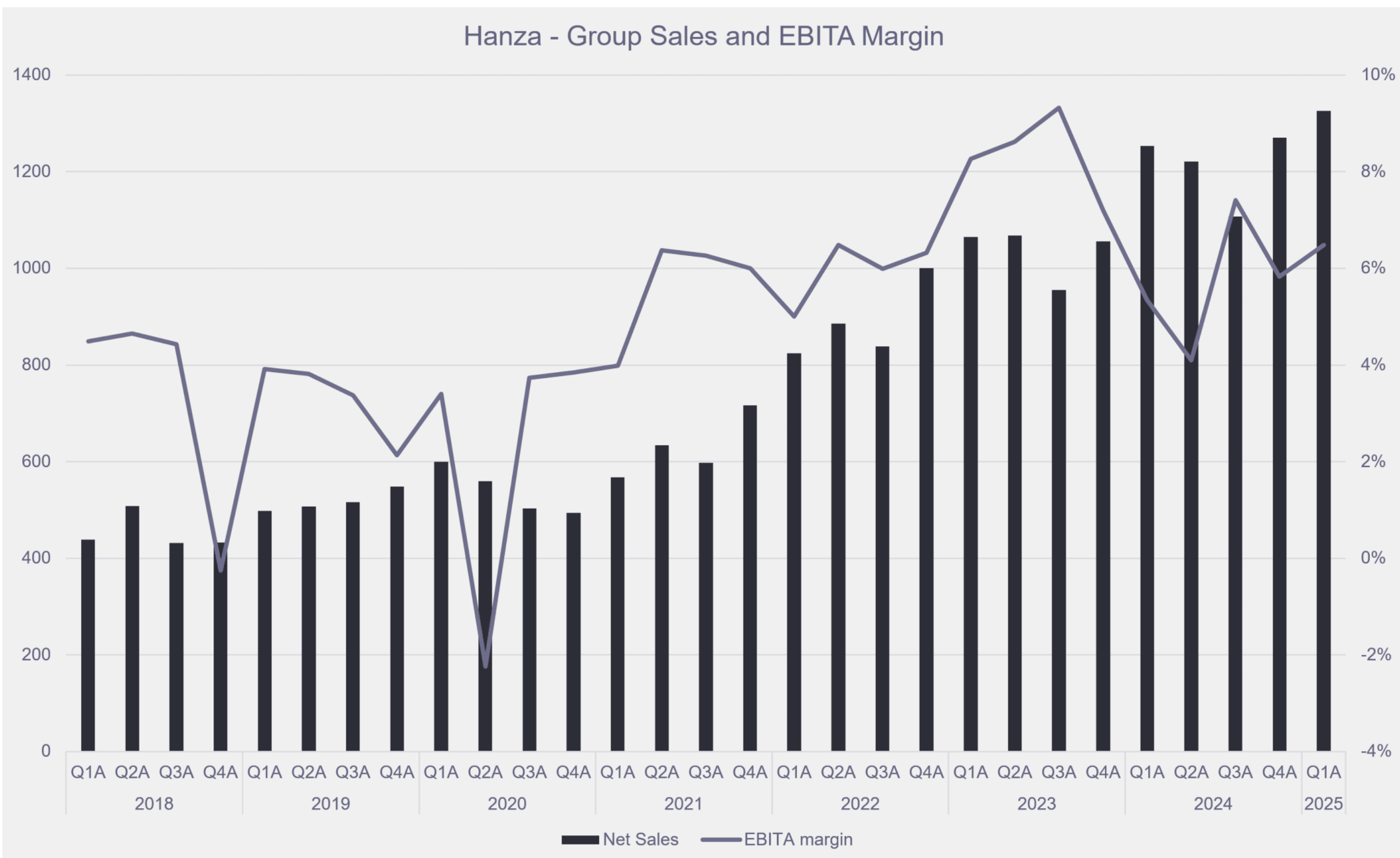
Stable performance in a soft market

Sales was 5% short of our expectations and amounted to SEK1,326m (1,253). The organic growth was -3% y/y. On the other hand, "old Hanza" (excluding Leten, which was consolidated in March) saw an improvement in demand in the latter parts of the quarter, entering into organic growth territory. Overall, management is happy to present a stable Q1 report in a challenging market. We agree, although our expectations were somewhat higher.

Leden, which should add about SEK1.1bn in sales with an EBITA margin of ~7%, was consolidated in March, later than previously assumed. However, its Q1 numbers look solid, with a total Q1 sales of SEK320 and an EBITA margin of 7.2% in March, both slightly above our assumptions. According to management, the integration is proceeding well so far.

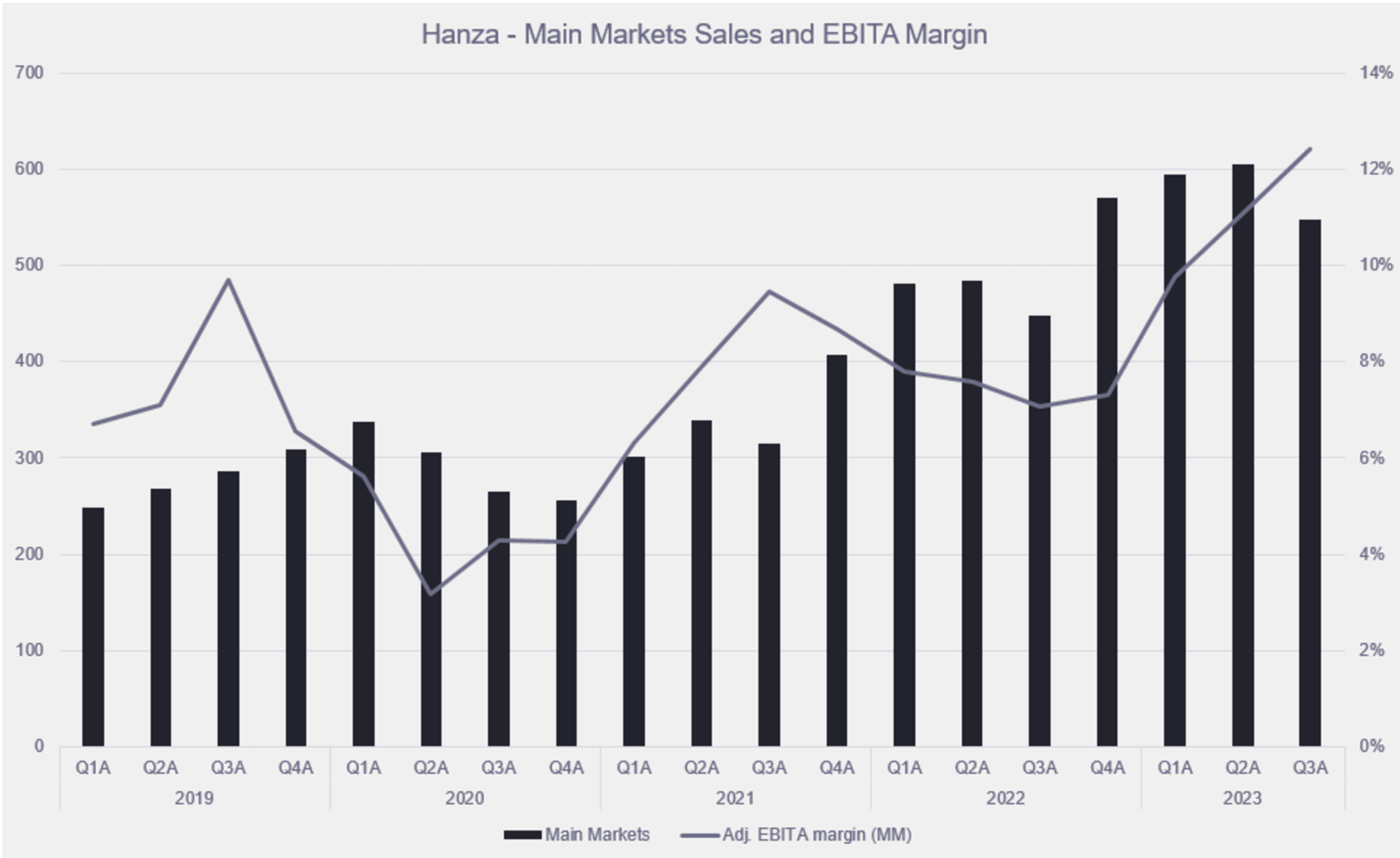
However, more is needed for Hanza's target of SEK6.5bn in 2025. Considering management's cautious expectations on volumes from current customers and Leden being consolidated somewhat later than expected, we believe an acquisition is needed to reach SEK6.5bn in 2025 – management has a similar view.

EBITA (adjusted for SEK11m in one-offs) was SEK97m (67), 7% below our forecast of SEK104m. The adjusted EBITA margin was 7.3%, and our forecast was 7.4%. While below Hanza's 8% target for the full year 2025, we expect gradually increasing margins as we enter 2025, as Leden is integrated, and new deals are becoming active.



Source: Hanza

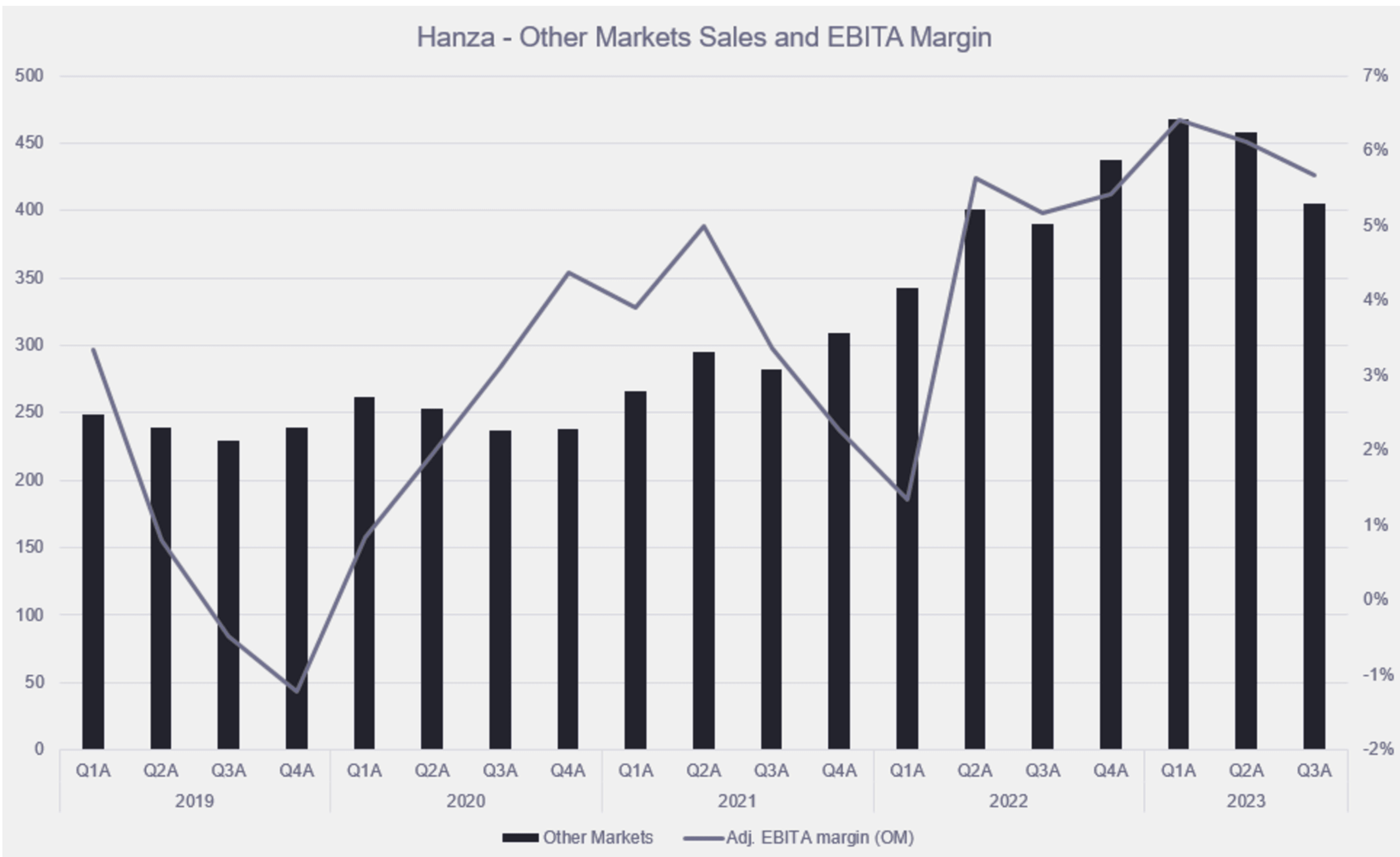
Main Markets missed our sales forecasts by 9%, while EBITA, thanks to a strong margin of 9.4% (7.0), beat our expectation by 4%. Organic growth was -6%. Once again, Main Markets highlights its ability to deliver solid margins also in softer economic conditions. However, both sales and margins were negatively affected by lower volumes in the German cluster.



Source: Hanza

Main Markets consist of the Swedish, Finnish, and German clusters. The Swedish cluster is the largest and the most profitable cluster, with manufacturing facilities mainly located in Årjäng and Töcksfors, Värmland, along with the recently acquired facility in Ronneby, Blekinge. The German cluster is less mature but has seen substantial improvements in profitability during the last year. The Finnish cluster is somewhere in between, in terms of maturity and profitability.

Other Markets sales matched our forecasts, while the EBITA was 8% lower than expected. Organic growth was 2% y/y. The adjusted EBITA margin was 4.9% (3.3), a decrease from 6.5% in Q4. Management mentions seasonality and a project in Poland as drivers behind the lower margin q/q. For Hanza to reach its 8% EBITA margin target for the full year 2025, margins in Other Markets converging towards Main Markets are key, although there is potential for improvements in Main Markets as well. We saw Q4 as a solid step in the right direction, but we might have over-interpreted a seasonal fluctuation.



Source: Hanza

Other Markets consist of the Baltic, Central European, and Chinese clusters. The Baltic cluster is the largest and likely the most profitable, with manufacturing facilities in Tartu and Narva, Estonia. The Central Europan cluster is less mature but will increase significantly in size with the recently acquired Orbit One factory in Poland. The Chinese cluster is Hanza's smallest and the only cluster outside of Europe.

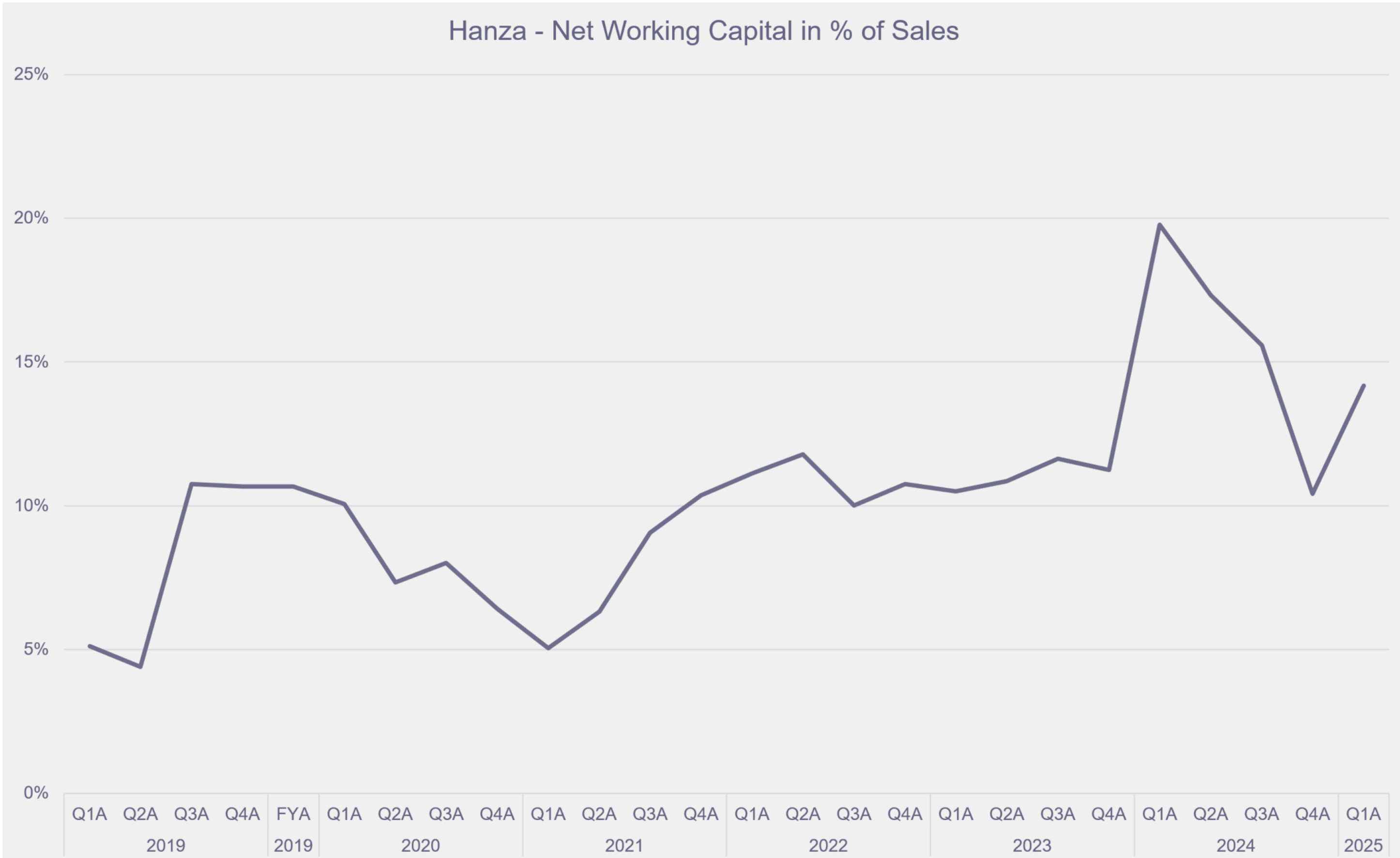
Project Lynx

Hanza has launched a focused market program targeting "stable, high-potential" sectors such as defence, energy, and security to drive growth. In addition, it will emphasise MIG (supply chain solutions) in the German market. We view it as an initiative to strengthen Hanza's position further in the few existing growing manufacturing areas. While those areas are likely to attract competition, we believe it makes sense for Hanza to strengthen its focus on those areas. Hanza has a track record in those sectors and differentiates itself with its cluster focus.

Improved NWC – Leden impacting

The NWC has improved gradually throughout 2024 since the consolidation of Orbit One and was in Q4 back to Hanza's historical levels of about 10-11% of R12m sales. Following the consolidation of Leden, which is included for only one month, NWC increased somewhat to 14% of R12m sales. However, relative to pro forma R12m sales, NWC was at the higher bound of Hanza's usual level. Yet management expects to improve the NWC in Leden over time.

On our forecasts for 2025, Hanza is estimated to have a net debt of 1.1x EBITDA by the end of 2025.



Source: Hanza

Financial Forecasts

We lower our sales forecasts by 6% and 5% for 2025-2026, respectively, on the back of the development in Q1 and an overall more cautious outlook for the macroeconomic environment in general. For EBITA, we lower by 10% and 6% for 2025-2026, respectively. In addition to the lowered sales forecast, we reduced our margin assumptions slightly for Other markets. We were too optimistic about its performance following the solid Q4. We raise the margin assumption somewhat in Main Markets, but it is not enough to mitigate the adverse effect of lowered sales.

Note that the later-than-expected consolidation of Leden, explains almost 50% of the reductions in forecasts for 2025. 2026 is not affected.

Overall, we expect Hanza to continue to do well in a soft market. Also, an accelerating deal flow could increase estimates as we advance. We expect 2% organic growth in 2025 based on some growth from new customers and roughly flat sales from current customers.

Our forecasts are somewhat more defensive regarding Hanza's 2025 targets of SEK6.5bn in sales and an EBITA margin of 8%. We expect SEK5.8bn in sales and an EBITA margin of 7.6%. Thus, we believe SEK6.5bn will be challenging to reach without acquisitions. While the prospects for new deals are solid, their potential effect on 2025 sales is limited due to lead time. For the EBITA margin, our forecast is somewhat below the target. While we expect Hanza to reach 8% in H2 2025, considering the Q1 actual and our forecast for Q2, we expect a slightly lower full-year figure.

Estimate Revisions						
Sales	**FYE 2025**	**Old**	**Change**	**FYE 2026**	**Old**	**Change**
Net sales	5851	6217	*-6%*	6385	6714	*-5%*
Y/Y Growth (%)	21%	28%		9%	8%	
Main Markets	3525	3809	*-7%*	3871	4113	*-6%*
Y/Y Growth (%)	23%	33%		10%	8%	
EBITA (MM)	319	328	*-3%*	364	378	*-4%*
EBITA margin	9.1%	8.6%		9.4%	9.2%	
Other Markets	2326	2408	*-3%*	2515	2601	*-3%*
Y/Y Growth (%)	18%	22%		8%	8%	
EBITA (OM)	135	169	*-20%*	166	187	*-11%*
EBITA margin	5.8%	7.0%		6.6%	7.2%	
Earning						
EBITA	445	492	*-10%*	524	560	*-6%*
EBITA Margin (%)	*7.6%*	*7.9%*		*8.2%*	*8.3%*	
EBIT	410	468	*-12%*	490	539	*-9%*
EBIT Margin (%)	*7.0%*	*7.5%*		*7.7%*	*8.0%*	
Diluted EPS	4.80	5.51	*-13%*	6.13	6.64	*-8%*

Source: Hanza & Redeye Research

Forecasts								
Sales	**FYA 2024**	**Q1A 2025**	**Q2E 2025**	**Q3E 2025**	**Q4E 2025**	**FYE 2025**	**FYE 2026**	**FYE 2027**
Net sales	4851	1326	1520	1415	1594	5851	6385	6641
Y/Y Growth (%)	17%	6%	24%	28%	25%	21%	9%	4%
Main Markets	2864	787	931	839	968	3525	3871	4026
Y/Y Growth (%)	22%	2%	29%	34%	30%	23%	10%	4%
EBITA (MM)	222	74	86	80	89	328	364	382
EBITA margin	8%	9%	9%	10%	9%	9%	9%	10%
Other Markets	1973	535	589	576	625	2326	2515	2615
Y/Y Growth (%)	11%	11%	19%	21%	20%	18%	8%	4%
EBITA (OM)	90	26	34	35	40	135	166	183
EBITA margin	5%	5%	6%	6%	6%	6%	7%	7%
Earning								
EBITA	273	86	118	113	128	445	524	559
EBITA Margin (%)	*5.6%*	*6.5%*	*7.8%*	*8.0%*	*8.0%*	*7.6%*	*8.2%*	*8.4%*
EBIT	239	79	108	103	119	410	490	532
EBIT Margin (%)	*4.9%*	*6.0%*	*7.1%*	*7.3%*	*7.4%*	*7.0%*	*7.7%*	*8.0%*
Diluted EPS	2.53	0.90	1.28	1.19	1.46	4.80	6.13	6.89

Source: Hanza & Redeye Research

Valuation

Following slight forecast cuts, we lower our Base Case somewhat to SEK78 (82). However, we see substantial upside potential if the 2025 targets are reached.

Fair Value Range - Assumptions			
	Bear Case	**Base Case**	**Bull Case**
Value per share, SEK	**30**	**80**	**110**
Sales CAGR			
2025 - 2032	2%	5%	5%
2032 - 2042	2%	3%	4%
Avg EBIT margin			
2025 - 2032	6%	8%	9%
2032 - 2042	7%	8%	9%
Terminal EBIT Margin	6%	8%	9%
Terminal growth	2%	2%	2%
WACC	10%	10%	10%

Source: Redeye Research

Peer Valuation

After trading at a 25-30% discount on EV/EBIT in H1 2024, Hanza is now trading on par with the peer median. Following the recent strong relative performance in Hanza's operations, we believe a faded discount is reasonable. Given that Hanza continues to outperform, we believe there is a case for the company to trade at a premium to the peer median.

Manufacturing	EV	Sales	EV/SALES			EV/EBIT			Sales growth			EBIT margin		
Company	(SEKm)	24	24	25e	26e	24	25e	26e	24	25e	26e	24	25e	26e
Incap	3 318	2 844	0.9	0.7	0.6	7.4	5.8	4.6	4%	11%	10%	12%	13%	13%
Kitron	11 709	8 371	1.4	1.2	1.0	16.3	12.6	10.8	7%	19%	14%	9%	9%	9%
Nolato	16 195	9 655	1.7	1.5	1.4	16.7	14.3	12.4	0%	7%	8%	10%	11%	11%
Scanfil	6 930	9 908	0.7	0.7	0.6	10.4	9.5	8.6	7%	6%	6%	7%	7%	7%
Inission	1 203	2 137	0.6	0.5	0.5	9.5	7.8	6.9	-1%	5%	5%	6%	7%	7%
NCAB	8 516	3 907	2.2	1.9	1.7	20.7	15.5	12.7	8%	11%	8%	11%	12%	13%
Hanza	4 169	4 851	0.9	0.8	0.7	16.5	11.2	9.3	17%	19%	9%	5%	7%	8%
Average	**7 434**	**5 953**	**1.2**	**1.0**	**0.9**	**13.9**	**11.0**	**9.3**	**6%**	**11%**	**8%**	**8.5%**	**9.3%**	**9.7%**
Median	**6 930**	**4 851**	**0.9**	**0.8**	**0.7**	**16.3**	**11.2**	**9.3**	**7%**	**11%**	**8%**	**8.6%**	**9.1%**	**9.2%**

Source: Redeye, Company reports, FactSet

Investment Thesis

Case

Riding the Back-Shoring Trend with its Unique Cluster Strategy

With its 'All you need is one' cluster-based strategy, Hanza, and its experienced management take a unique approach that differentiates it from manufacturing service companies. By gathering several manufacturing technologies in a single location, Hanza can reduce costs, lead times, and environmental footprint. Having almost every cluster in the end market or in close-by low-cost countries, Hanza is set to benefit from the ongoing back-shoring trend. Quarterly reports with strong operational performance, particularly improvements in immature clusters, are the main catalysts.

Evidence

Proven Track-Record in Mature Clusters

The Main Markets segment, including the mature Swedish and Finnish clusters as well as the newly established German cluster, has an EBITA margin of about 8% - implying sector-leading margins in the mature Swedish and Finnish clusters. As the other clusters mature, we expect their margins to approach Swedish levels gradually. Since late 2021, Hanza has seen a surge in organic sales growth following the pandemic. While a rebound from the pandemic has a positive effect, we believe the strong numbers also result from increasing interest in back-shoring.

Challenge

Cyclical Exposure Through Customers' Volume Fluctuations

While Hanza seldom loses customers, its revenues depend on the customers' volumes. During the pandemic in 2020, organic sales fell by about 10%, putting pressure on margins. Thus, Hanza is, to some extent, exposed to market cycles. However, following recent acquisitions and organic customer intake, we believe the diversification between sectors has improved. In addition, the back-shoring trend should help Hanza attract new customers in economic downturns.

Lack of transferability

Hanza's success in the Nordics may not result from its 'All you need Is one' cluster strategy but rather follow from smart acquisitions and a management team with close connections to several Nordic product companies. If so, it may struggle to achieve solid profitability outside of the Nordics. However, it has already established a successful presence outside the Nordics, such as in Tartu, Estonia.

Valuation

Fair Value SEK 80

Our DCF model shows a fair value of SEK80, which is also supported by a peer valuation. While Hanza has been trading at a discount to peers historically, considering its improvements regarding organic sales growth and margins, we believe Hanza should trade on par with peers.

Financials

Income Statement					
SEKm	**2024**	**2025e**	**2026e**	**2027e**	**2028e**
Net Sales	4,851.0	5,851.0	6,385.4	6,640.8	6,906.4
Other Income	154.0	306.0	12.0	12.0	12.0
Total Revenue	5,005.0	6,157.0	6,397.4	6,652.8	6,918.4
Cost of Sales	2,722.0	3,541.0	3,958.9	4,117.3	4,282.0
Gross Profit	2,129.0	2,310.0	2,426.4	2,523.5	2,624.4
Operating Expenses	1,687.4	1,567.4	1,568.0	1,613.5	1,662.7
EBITDA	441.6	742.6	858.4	910.0	961.7
Depreciation and Amortization	202.6	333.0	368.6	378.2	388.4
EBIT	239.0	409.6	489.8	531.9	573.3
Net Financial Items	114.0	144.0	149.3	149.3	149.3
EBT	125.0	265.6	340.5	382.6	424.0
Income Tax Expenses	-14.0	-44.2	-57.9	-65.0	-72.1
Net Income	111.0	221.5	282.6	317.6	351.9
Balance Sheet					
SEKm	**2024**	**2025e**	**2026e**	**2027e**	**2028e**
Assets					
Non-current assets					
Property, Plant and Equipment (Net)	902.0	1,214.6	1,374.1	1,528.9	1,679.9
Goodwill	529.0	709.0	709.0	709.0	709.0
Intangible Assets	135.0	180.9	146.9	119.3	96.8
Right-of-Use Assets	282.0	692.0	692.0	692.0	692.0
Other Non-Current Assets	39.0	41.0	41.0	41.0	41.0
Total Non-Current Assets	1,887.0	2,837.5	2,963.0	3,090.1	3,218.7
Current assets					
Inventories	1,137.0	1,358.4	1,481.4	1,540.7	1,602.3
Accounts Receivable	213.0	263.5	287.3	298.8	310.8
Other Current Assets	124.0	175.7	191.6	199.2	207.2
Cash Equivalents	276.0	440.3	486.2	578.9	694.7
Total Current Assets	1,750.0	2,237.8	2,446.5	2,617.6	2,814.9
Total Assets	3,637.0	5,075.3	5,409.5	5,707.7	6,033.7
Equity and Liabilities					
Non-current liabilities					
Long Term Debt	601.0	923.0	923.0	923.0	923.0
Long Term Lease Liabilities	166.0	540.0	540.0	540.0	540.0
Other Non-Current Lease Liabilities	181.0	203.0	203.0	203.0	203.0
Total Non-Current Liabilities	948.0	1,666.0	1,666.0	1,666.0	1,666.0
Current liabilities					
Short Term Debt	167.0	321.0	321.0	321.0	321.0
Short Term Lease Liabilities	73.0	104.0	104.0	104.0	104.0
Accounts Payable	590.0	714.3	779.0	810.2	842.6
Other Current Liabilities	379.0	468.4	510.8	531.3	552.5
Total Current Liabilities	1,209.0	1,607.7	1,714.8	1,766.4	1,820.1
Equity	1,480.0	1,801.6	2,028.6	2,275.3	2,547.6
Total Liabilities and Equity	3,637.0	5,075.3	5,409.5	5,707.7	6,033.7
Cash Flow					
SEKm	**2024**	**2025e**	**2026e**	**2027e**	**2028e**
Operating Cash Flow	569.0	606.8	595.5	668.9	712.5
Investing Cash Flow	-632.0	-396.7	-281.0	-292.2	-303.9
Financing Cash Flow	-12.0	-36.7	-268.7	-284.0	-292.8
Cash Flow For The Period	-75.0	173.3	45.9	92.7	115.8

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