



SP Group

Market: OMXC Mid Cap

Ticker: CPSE:SPG

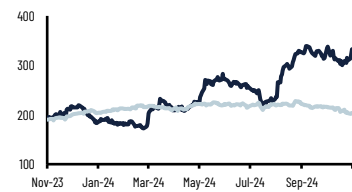
Share price (DKK): 332.5

Market cap (DKK): 4.0bn

Net debt (DKK): 825.6m

Enterprise value (DKK): 4.8bn

Share information



Ytd	52.2%	1 year:	72.1%
1 month:	5.7%	3 year:	-20.1%

Note: We apply the closing price from 20 November 2024
Index rebased to November 2023. Source: S&P Capital IQ

Financials

DKKm	2022	2023	2024E*
Revenue	2,656	2,606	2,870-3,020
Revenue growth	7.1%	-1.9%	10%-16%
EBITDA	478.4	441.0	545-635
EBITDA margin	18.0%	16.9%	19%-21%
EBT	268.5	201.1	315-390
EBT margin	10.1%	7.7%	11%-13%
Net income	213.4	159.2	N/A
Net income margin	8.0%	6.1%	N/A
Net debt (NIBD)	1,035	1,031	N/A

Note: *SP Group's own 2024 guidance. Guidance narrowed from revenue growth 8-18%, EBITDA margin 16-19%, and EBT margin 11-13%.

Valuation multiples

	2022	2023	2024E*
P/S (x)	1.2	1.0	1.3-1.4
EV/Sales (x)	1.6	1.3	1.6-1.7
EV/EBITDA (x)	8.9	7.5	7.6-8.9
EV/EBT (x)	15.8	16.5	12.3-15.3
P/E (x)	14.7	16.8	N/A
P/B (x)	2.5	1.8	N/A
P/CF (x)	12.1	7.4	N/A

Note: Multiples for 2022 and 2023 are based on historical numbers
*Multiples in 2024 are based on SP Group's own guidance

Company description

SP Group is a Danish-based manufacturing company producing advanced plastic and composite components and performs coatings on plastic and metal products. It produces products under its own trademarks and products for other firms as a sub-supplier. SP Group operates globally, with 78% of global sales in Europe (29% of which in DK). Additionally, the group supplies a variety of industries, with healthcare, cleantech, and food-related industries the three largest, together comprising 83% of sales Q3 2024.

Investment case

SP Group's moulded plastics segment experiences structural support as customers seek cheap, lightweight, and less carbon-intensive alternatives to metal/glass components, projected to grow at a CAGR of 5.3%^[1] from 2023.

The company maintains its 'buy and build' strategy, based on organic and acquisitive growth, which has led to revenue and EBT CAGR of 9% and 16%, respectively, from 2010-2023. SP Group can continue consolidating in a fragmented market, delivering on customer demands for fewer larger suppliers with nearshored supply chains. Continued margin expansion relies on further increasing the share of own products as a share of total revenues.

SP Group has returned to growth in 9M 2024, following dampened demand in 2023. After Q3 SP Group's narrowed guidance maintained the midpoint of its Q2 upgrade, suggesting that the cyclical downturn since 2022 may have turned around, with a return to double-digit topline growth and further margin expansion. However, some macroeconomic and geopolitical uncertainty remains, particularly in Europe.

Looking towards the peer group, we can see SP Group's valuation has fallen relative to its peers, particularly showing a lower EV/EBITDA and EV/EBIT valuation, which are also below historical levels. There may be room for valuation multiples to expand if the strong momentum is maintained.

Source^[1]: https://www.reportlinker.com/p06479939/Injection-Molded-Plastics-Global-Market-Report.html?utm_source=GWW

Key investment reasons

SP Group's growth strategy is supported by growing organically across its international markets, while opportunistically acquiring companies at attractive valuations, which expand the product portfolio and/or international footprint. A focus on growing its own-brands as a share of sales (a record 30.6% sales in Q3 2024) continues to drive margin improvement, as seen YTD in 2024.

The buy-and-build strategy focuses on acquiring businesses with cross-company synergies at attractive valuations. A lack of major acquisitions since 2022, due to prohibitive valuations, has seen the leverage ratio improve to LTM NIBD/EBITDA 1.5x (below the 2.0-3.5x target range) which can support future acquisitions.

SP Group's largest segments Q3 2024, Healthcare (41%), Cleantech (30%), and Food-related (12%), benefit from the macro themes of ageing populations, green energy transition, and global food insecurity, also offering diversification to reduce cyclical risk.

Key investment risks

Weak global macroeconomic conditions are fuelling weaker demand for SP Group's more cyclical products, e.g. Ergomed. Further economic weakness, particularly in Europe, can see this trend continue. However, exposure to less cyclical and diverse business areas has seen some areas continue growing e.g. cleantech, going some way to counteract demand weakness.

SP Group's ten largest customers contributed 46% of revenue FY 2023, with its largest customer contributing 12.6%, suggesting SP Group faces some concentration risk. Concentration has been steadily declining, but the loss of a key customer would be material.

Interest rates have risen significantly since 2022 and have increased the cost of capital for acquisitions. Interest rates remain elevated with continued effects on cost of capital, however, interest rates in Europe have come down slightly, which may continue into 2025.

Peer group

Company	Price (local)	Total return YTD	Market cap (EURm)	Latest net debt (EURm)	EV/EBITDA		EV/EBIT		P/E		EBIT margin	
					FY2024	FY2025	FY2024	FY2025	FY2024	FY2025	3-yr avg	LTM
Polytec Holding AG	EUR 2.2	-37.2%	48	112	4.4	3.5	30.7	10.7	NM	11.4	0.3%	-0.4%
Gerresheimer AG	EUR 70.2	-24.8%	2,423	1,150	8.6	7.0	15.9	12.4	15.4	12.2	10.6%	10.6%
Nolato AB	SEK 52.6	2.0%	1,220	108	10.1	9.3	16.6	14.6	20.6	17.5	8.6%	8.9%
BEWi ASA	NOK 24.0	-6.6%	395	524	9.9	7.0	35.9	14.5	NM	18.2	5.6%	2.6%
Median		-15.7%	807	318	9.2	7.0	23.6	13.4	18.0	14.9	7.1%	5.8%
SP Group A/S	DKK 332.5	54.3%	538	79	7.9	7.2	12.1	10.9	15.2	13.3	10.4%	12.8%
		Premium (+) / Discount (-) to peers			-14.1%	2.9%	-48.7%	-18.7%	-15.6%	-10.7%		

Note: Data from 20/11/2024

Source: S&P Capital IQ

Appendix

Estimates and assumptions: The data in the peer group concerning the peer companies has not been calculated by HC Andersen Capital but is instead consensus analyst estimates from S&P Capital IQ. Some of the companies have no or limited analyst coverage, and hence, N/A shows for some data points. HC Andersen Capital assumes no responsibility for the correctness of the numbers in the peer group; however, considers S&P Capital IQ a credible source of information.

Selected plastic-related manufacturer peers overview:

Peer group overview: SP Group's peer group consists of peers engaged in the manufacture of plastic products, with multiple product segments and international operations. While there is no identical peer to SP Group, we believe drawing comparisons between SP Group and the following peers is appropriate.

Polytech Holding: is based in Austria, is a prominent manufacturer of high-quality plastic components, specialising in the automotive, aerospace, and industrial sectors. The company's product portfolio includes interior and exterior automotive components, structural parts, and engine bay components. Additionally, Polytec offers engineering and consulting services to support the development of innovative products and manufacturing processes.

Nolato: is a Swedish-based leading international manufacturer of polymer-based products and systems. The company operates through three key business areas: Nolato Medical, which focuses on advanced medical components and devices; Nolato Industrial, offering customised polymer solutions for a wide range of industries; and Nolato Telecom, providing advanced technology and components for the telecom and electronics sectors.

Gerresheimer: is a German-based leading global manufacturer of high-quality specialty glass and plastic products, primarily for the pharmaceutical and medical industries. The company's product portfolio includes pharmaceutical packaging, drug delivery systems, and medical devices, such as insulin pens, inhalers, and pre-fillable syringes. Gerresheimer also provides services for the development and production of cosmetic packaging and moulded glass containers for the food and beverage industry.

Bewi: is a Norwegian-based manufacturing company specialising in the production of particle foam products and insulated packaging solutions. The company offers a wide range of products that cater to various industries, including construction, packaging, and automotive sectors. Bewi products are designed to provide excellent insulation, protection, and lightweight solutions while minimising environmental impact.