

Share information



Ytd	41.9%	1 year:	52.7%
1 month:	36.9%	3 year:	-18.0%

Note: We apply the closing price from 11 September 2024
Index rebased to September 2023. Source: S&P Capital IQ

Financials

DKKm	2022	2023	2024E*
Revenue	2,656	2,606	2,815-3,075
Revenue growth	7.1%	-1.9%	8%-18%
EBITDA	478.4	441.0	535-645
EBITDA margin	18.0%	16.9%	19%-21%
EBT	268.5	201.1	310-400
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 upgraded from revenue growth 5-15%, EBITDA margin 16-19%, and EBT margin 9-12%.

Valuation multiples

	2022	2023	2024E*
P/S (x)	1.2	1.0	1.2-1.3
EV/Sales (x)	1.6	1.3	1.5-1.6
EV/EBITDA (x)	8.9	7.5	7.1-8.6
EV/EBT (x)	15.8	16.5	11.5-14.9
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 cleantech, healthcare and food-related industries the three largest, together comprising 77% of sales FY 2023.

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 H1 2024, following dampened demand in 2023, due to customer destocking and higher interest rates. SP Group upgraded its guidance in connection with its Q2 2024 results now forecasting 8-18% revenue growth and with record EBT margins. SP Group's guidance suggests that the cyclical downturn since 2022 may have turned around; despite some macroeconomic indicators still showing heightened uncertainty.

Looking towards the peer group, we can see SP Group's valuation has fallen relative to its peers, currently 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 stronger momentum is maintained.

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

Key investment reasons

SP Group is focused on increasing its share of own-brand products, (record of ~30% sales in Q2 2024) to improve margins and control over its value chains, while also expanding its product portfolio, access to new geographies, and improving proximity to customers.

The buy-and-build growth strategy has focused on acquisitions at favourable valuations, which are accretive to EPS and facilitate accelerated organic growth through cross-company synergies. Further acquisitions can be supported by current leverage of LTM NIBD/EBITDA 1.8x, below the low end of its 2.0-3.5x target range. However, SP Group has reported that seller valuations have not yet adjusted to a higher interest rate environment.

SP Group's largest segments H1 2024, Healthcare (40%), Cleantech (29%), and Food-related (12%), are supported by the macro themes of ageing populations, the green energy transition, and global food insecurity, with some areas displaying less cyclicality.

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 in 2024 and 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 3.1	-12.4%	68	123	6.5	4.1	NM	11.1	NM	9.2	0.3%	-0.5%
Gerresheimer AG	EUR 103.6	11.1%	3,569	919	10.3	8.9	19.2	15.7	20.5	17.2	10.6%	10.9%
Nolato AB	SEK 54.2	5.0%	1,276	107	12.1	10.2	22.3	16.6	25.4	19.6	8.6%	7.9%
BEWi ASA	NOK 27	5.1%	432	547	8.8	7.1	24.7	14.1	NM	18.3	5.6%	2.4%
Median		5.0%	854	335	9.5	8.0	22.3	14.9	22.9	17.8	7.1%	5.1%
SP Group A/S	DKK 310	43.9%	503	136	7.7	7.4	14.6	13.5	18.6	18.0	10.4%	11.5%
Premium (+) / Discount (-) to peers					-18.9%	-7.5%	-34.5%	-9.4%	-18.8%	1.1%		

Note: Data from 12/09/2024

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.