

Market: OMXC Mid Cap

Ticker: SPPG

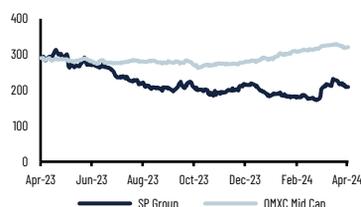
Share price (DKK): 209.0

Market cap (DKK): 2.5bn

Net debt (DKK): 1.0bn

Enterprise value (DKK): 3.5bn

## Share information



Ytd: -18.5% 1 year: -27.9%  
 1 month: 1.5% 3 year: -39.1%

Note: We apply the closing price from 22 April 2024  
 Index rebased to 21 April 2023. Source: Refinitiv

## Financials

DKKm	2022	2023	2024E*
Revenue	2,656	2,606	2,737-2,997
Revenue growth	7.1%	-1.9%	5%-15%
EBITDA	478.4	441.0	438-569
EBITDA margin	18.0%	16.9%	16%-19%
EBT	268.5	201.1	246-360
EBT margin	10.1%	7.7%	9%-12%
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

## Valuation multiples

	2022	2023	2024E*
P/S (x)	1.2	1.0	0.8-0.9
EV/Sales (x)	1.6	1.3	1.2-1.3
EV/EBITDA (x)	8.9	7.5	6.2-8.1
EV/EBT (x)	15.8	16.5	9.9-14.4
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%<sup>[1]</sup> 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 faced weaker demand in 2023, due to customer destocking and higher interest rates, leading to a slight revenue decline of 1.9% and some margin contraction. While some industrially exposed higher-margin own-brands saw revenues decline, SP Group's diversified exposure lessened the impact as cleantech grew 8% YoY. SP Group's guidance suggests improving markets in 2024, as economic activity improves and cost-cutting businesses transition to lower-cost plastic components. However, macroeconomic uncertainty remains elevated for 2024.

Looking towards the peer group, we can see SP Group's valuation has fallen relative to its peers, currently showing a lower valuation on EV/EBITDA, EV/EBIT, and P/E for 2024E.

Source<sup>[1]</sup>: [https://www.reportlinker.com/p06479939/Injection-Molded-Plastics-Global-Market-Report.html?utm\\_source=GWW](https://www.reportlinker.com/p06479939/Injection-Molded-Plastics-Global-Market-Report.html?utm_source=GWW)

## Key investment reasons

SP Group retains its focus on increasing its share of proprietary products, despite a dip in 2023, 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 NIBD/EBITDA 2.3x, at 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 FY 2023, Healthcare (34%), Cleantech (31%), 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, suggesting concentration risk, and while this has been steadily declining, the loss of a major customer would be material.

Interest rates have risen significantly since 2022 and are likely to remain elevated, as central banks communicate "higher for longer". Higher interest rates may reduce the availability of capital for acquisitions and increase the cost of acquisitions, while SP Group must also be cautious not to approach its loan covenant restraints for NIBD/EBITDA <3.5x.

## Peer group

Company	Price (local)	Total return Ytd	Market cap (EURm)	Latest net debt (EURm)	EV/EBITDA		EV/EBIT		Price/EPS		Net debt / EBITDA	
					2024E	2025E	2024E	2025E	2024E	2025E	2024E	2025E
Polytec Holding AG	EUR 3.3	-5.8%	74	130	6.9x	4.2x	N/A	12.3x	N/A	13x	4.2x	2.2x
Gerrsheimer AG	EUR 101.3	7.4%	3,499	994	10.2x	8.5x	17.7x	14.0x	20.3x	16x	2.2x	1.8x
Nolato AB	SEK 53.3	0.8%	1,235	-62	9.9x	9.0x	16.8x	14.1x	22.6x	18.7x	0.9x	0.7x
Bewi ASA	NOK 30.0	16.7%	490	547	8.8x	6.8x	19.3x	12.2x	45.2x	12.4x	3.4x	2.2x
<b>Average</b>		<b>4.8%</b>	<b>1,325</b>	<b>402</b>	<b>8.9x</b>	<b>7.1x</b>	<b>17.9x</b>	<b>13.1x</b>	<b>29.4x</b>	<b>15x</b>	<b>2.6x</b>	<b>1.7x</b>
<b>SP Group A/S</b>	<b>DKK 209.0</b>	<b>-4.3%</b>	<b>350</b>	<b>138</b>	<b>8.1x</b>	<b>7.4x</b>	<b>15.0x</b>	<b>13.2x</b>	<b>17.4x</b>	<b>14.9x</b>	<b>1.8x</b>	<b>1.4x</b>
		Premium (+) / Discount (-) to peers			-9%	4%	-16%	0%	-41%	-1%		

Note: Data from 23/04/24

Source: Refinitiv

# 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 (Mean estimates) from Refinitiv. 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 Refinitiv 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.