

SKAKO**SKAKO**

Market: OMXC Small Cap

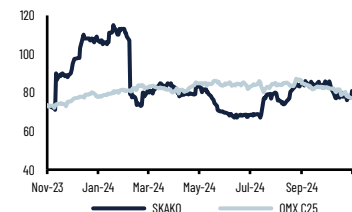
Ticker: SKAKO

Share price (DKK): 80.8

Market cap (DKK): 252.9M

Net debt (DKK): 33m

Enterprise value (DKK): 285.9m

Share information

YTD -21.6% 1 year: 9.9%
 1 month: -5.8% 3 years: 43.8%

Note: We apply the closing price from 19 November 2024
 Index rebased to November 2023. Source: S&P Capital IQ

Financials

DKKm	2022	2023	2024E*
Revenue	237.5	248.2	243-251
Revenue growth	16.9%	4.5%	-2 to 1%
EBIT**	19.7	24.6	24-28
EBIT margin	7.0%	9.9%	10-11%
Net income, cont.	12.4	13.8	N/A
Net income margin	5.2%	5.6%	N/A
Net income, disc.	25.1	81.2	N/A
NIBD	21.0	-137.5	N/A

Note: *SKAKO's own 2024 guidance **EBIT is before special items. Guidance adjusted from revenue growth 2-5% and EBIT DKK 24-28m previously.

Valuation multiples

	2022	2023	2024E*
P/S (x)	0.5	0.8	1.0
EV/Sales (x)	0.5	0.3	1.1-1.2
EV/EBITDA (x)	5.5	2.2	N/A
EV/EBIT (x)	7.0	2.6	10.2-11.9
P/E (x)	8.0	14.7	N/A
P/B (x)	1.3	0.9	N/A
P/CF (x)	6.4	10.4	N/A

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

Company description

SKAKO is a Danish industrial machinery developer founded in 1963 that develops, designs, and sells vibratory equipment used as industrial production line components across three segments, Recycling, Minerals/Mining, and Fasteners (for the automotive industry). SKAKO's continuing vibration activities follow the sale of its SKAKO Concrete business unit in Q4 2023 to Zefyr Invest. SKAKO's main markets are the EU and North Africa, with presence through partnerships in the US, South America, and Asia.

Investment case

Following the sale of SKAKO Concrete, SKAKO has updated its financial ambitions, targeting 50% group revenue growth by 2028 (8.4% CAGR) driven by a back-end loaded doubling of recycling (14.9% CAGR) and around 5% annualized growth in Minerals and Fasteners while maintaining an EBIT margin of around 10%.

Macroeconomic factors drive demand across the business units, including the need for circular economies, demand for electric vehicles (EVs), and growing global needs for rare earth minerals. SKAKO report private sector recycling investment has grown at a 16.4% 5-yr CAGR* and expect continued growth. Additionally, SKAKO received its largest-ever order in Q3'24, for DKK 150m, relating to a phosphate mining project in Morocco (Minerals), expected to support revenue growth in 2025 & 2026 revenues.

SKAKO continues to target growing aftersales, as they provide predictable and higher margin sales and may support margin expansion in the medium term. Continued positive cash flows, deferred tax assets, and positive net incomes can support continued dividends in FY2024 and beyond.

From a valuation perspective, SKAKO's EV/Sales and EV/EBIT trade slightly below its peer group average. While a small market cap, and lower liquidity, may justify some discount, the record order and strong orderbook create a strong outlook for the coming years.

*Source: SKAKO Annual Report 2023.

Key investment reasons

The recent record order demonstrates a greater ability to win and execute larger projects, while also securing a foundation for significant revenue growth in 2025 and 2026. Upcoming tenders, particularly in minerals, can further build the orderbook, while SKAKO's segments benefit from thematic trends such as the green energy transition and European nearshoring/reindustrialisation.

SKAKO has a strong capital position with a positive cash position which can support continued strong dividends (dividend payout ratio of 61% FY2022 and 69% FY2023 ex-extraordinary dividend). Additionally, SKAKO retains significant deferred tax assets which can support elevated EPS for the coming 2-3 years.

SKAKO's market is highly fragmented, and therefore the company can pursue acquisitions given a low leverage ratio of 1.2x. This may generate long term value to shareholders as valuations have adjusted lower in a higher interest rate environment.

Key investment risks

SKAKO has cyclical demand, due to its exposure to commodities, automotive and broader investment spending conditions. Despite facing weaker market conditions due to European economic weakness, SKAKO maintains solid aftersales and recycling growth. While the large order protects downside, a larger economic downturn could still negatively impact earnings.

There may be a mismatch in market power between SKAKO and its large customers, consisting of states and municipalities (recycling) and large automotive/mining corporations. Additionally, SKAKO's new large order with OCP exposes SKAKO to greater third-party risk as the deal will represent a significant share of revenue in 2025.

SKAKO has limited liquidity in its shares, which brings some share price volatility (average daily share turnover is around DKK 370k YTD). Additionally, around 40% of the share capital owned by major shareholders/management reducing also impacting liquidity.

Peer group

Company	Price (local)	Total return YTD	Market cap (EURm)	Latest net debt (EURm)	EV/Sales		EV/EBIT		EBIT margin	
					FY2023	FY2024	FY2023	FY2024	3-yr avg	LTM
FLSmidth & Co. A/S	DKK 365.2	28.6%	2,781	154	0.8	0.8	20.1	20.1	4.9%	9.1%
Metso Oyj	EUR 8.1	-8.7%	6,675	1,058	1.6	1.6	15.3	15.3	12.3%	15.7%
The Weir Group PLC	GBP 21.2	14.7%	6,557	870	2.3	2.3	18.7	18.7	13.1%	14.2%
Tomra Systems ASA	NOK 142.8	17.3%	3,632	423	3.4	3.4	27.4	27.4	11.5%	7.9%
Tamtron Group Oyj	EUR 5.5	11.9%	40	9	1.3	1.3	12.8	12.8	8.8%	8.3%
Median		14.7%	3,632	423	1.6	1.5	18.7	12.6	11.5%	9.1%
SKAKO A/S	DKK 80.8	24.5%	33.9	4.4	0.7	1.1	10.6	11.0	8.5%	9.8%
Premium (+) / Discount (-) to peers					-56.3%	-26.7%	-43.3%	-12.7%		

Note: Data from 20/11/2024

Note: SKAKO total return includes extraordinary dividend of DKK 39.4/share

Source: S&P Capital IQ

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. 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. Note: *The forward earnings multiples numbers for SKAKO, EV/Sales, EV/EBIT, have been calculated by HC Andersen Capital, assuming SKAKO will recognise the midpoint of its FY 2024 guidance, for -2-1% revenue growth, and EBIT before special items of DKK 24-28m.

Selected peers overview:

FLSmidth & Co: is a Denmark-based provider of equipment and services for the cement and minerals industries. FLSmidth primarily operates in the mining and cement industries; however, recent acquisitions have aided the business's long-term goal of transitioning into a predominately mining company. FLSmidth's focus on sustainable innovation has resulted in its cement business seeing significant progress for sustainable solutions.

Metso Outotec Corp: is a Finnish industrial machinery company that provides technology, services, and process solutions for mining, aggregates, metal refining, and recycling industries. The business' minerals segment offers equipment, parts, and services for quarries, aggregates contractors, construction companies, as well as demolition and recycling applications. Metso Outotec's minerals segment provides services which enable profitable handling of ore types to its customers, which are large global miners, major and mid-sized regional operators, as well as junior miners. Metso's metal refining segment has a similar customer base to its minerals segments; however, it has a greater focus on emerging markets.

Weir Group Plc: is a UK-Based mining technology business providing industrial machinery and mining solutions. The group's primary markets include mining and minerals processing, including comminution, slurry transportation, mine dewatering; sand and aggregates, and oil sands. Weir operates in over 60 countries with its central operational locations: the US, Chile, Brazil, Peru, UK, Netherlands, South Africa, Malaysia, China, and Australia. Its customer base predominantly includes primary and junior mining houses, Engineering, Procurement, construction management companies (EPCM), and national and international oil companies.

Tomra Systems ASA: is a Norwegian company, initially engaged in production and distribution of reverse vending machines (RVMs) for automated collection of used beverage containers, and now also industrial sorting machinery for the Recycling, Mining, and Food industries. The company is headquartered in Asker, just outside of Oslo, and is listed on the Oslo Stock Exchange. Tomra Systems' reverse vending machines remain around 50% of revenues, with Europe as its largest market, followed by food and recycling. Its recycling and mining segments can be considered peers to SKAKO.

Tamtron Group Oyj: is a Finnish small-cap company engaged in producing industrial weighing equipment used in production plants within major industries, including construction, mining, forestry, waste management, recycling, and other manufacturing industries. Tamtron is headquartered in Tampere, Finland, and listed on the Helsinki Stock Exchange. Tamtron Group operates primarily in the Nordics within the industrial equipment segment and therefore is considered a peer to SKAKO.