Spar Nord

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2023

5.4

0.98

19.7

10.0

9.3

46.4

22.3

17.7

2024F

6.8

1.06

16.2

8.9

7.3

48.6

n/a

17.4

Market cap (DKK): 14.3bn

Market: Large cap

Share information



2022 2023 2024E* (DKKm) 2,011 3,538 Net interest income Total income 4,145 5,658 Total costs 2,338 2,550 Income before tax 1,730 3,141 Net income 1,417 2,421 1,700-2,100 Shareholder's equity 11.270 12,777 72,169 Bank deposits 74.308 Total assets 123.936 134.896 Note: *Company's own quidance. Source: Spar Nord

Ticker: SPNO

Financials

16.4 Note: Multiples for 2022 and 2023 are based on historical numbers while 2024 are consensus estimates Source: Capital IQ and Spar Nord

2022

9.5

1.14

12.5

4.5

4.2

56.3

20.9

Company description

Spar Nord is a leading Danish bank and the fifth-largest bank in Denmark. The bank is headquartered in Aalborg and currently has around 60 branches spread across the country. Serving customers nationwide, the bank offers various financial products, including savings and investment accounts, loans, mortgages, insurance, and wealth management solutions. Founded in 1824, Spar Nord will celebrate its 200th anniversary in 2024.

Investment case

Strategy 2023-25: In the annual report for 2022 Spar Nord outlined its 2023-25 strategy under the name - "A Committed Bank" with a vision to offer Denmark's best personal banking services.

In the strategy process, Spar Nord has identified four current trends that are expected to define the bank's operations in the coming years. They are:

- Geopolitical and macroeconomic uncertainty
- 2. Demands for individual customer experience
- 3. Competition for human resources and expertise
- 4. Focus on responsibility and sustainability

These trends leads to the following actions to address the threats and opportunities that may arise:

- 1. Creating more value for our customers
- 2. An efficient engine room
- 3. Strengthened local bank model

The strategic direction of the bank leads to the following financial targets for 2023-25 (based on an impairment ratio not expected to exceed 50 bp):

- Return on Equity (after tax): > 11% (2023: 19.7%)
- Cost/Income ratio: < 55 (2023: 45)
- Dividend: 40-60% of profit for the year (2023: 69%)

Current guidance for 2024: Spar Nord expects 2024 to be a repeat of 2023 but lower interest rates and limited investment appetite will lead to lower net interest income in 2024 versus the record year of 2023. Further higher costs are expected in relation to staff, IT and one-offs in connection with the banks 200 years anniversary.

Core earnings before impairments are thus expected in the range of DKKbn 2.4-2.9 for 2024 compared to DKKbn 3.1 in 2023. Profit after tax are guided for level of DKKbn 1.7-2.1 versus around DKKbn 2.4 realized in 2023.

Upcoming events: 02 2024 - Thursday 15 August 2024

Key investment reasons

Share price (DKK): 122,60

Despite Spar Nord's expectations of three rate cuts from Danmark's Nationalbank totalling 0.75%-points, higher interest rates relative to the levels before 2023 can support net interest income in a higher-for-longer rate environment, as higher rates increase income from loans and deposits. The greater earnings level is the basis for an attractive cash redistribution.

Valuation multiples

P/E (x)

P/B(x)

ROE (%)

Dividend/share (ord.)

Total capital ratio (%)

CET 1 Capital ratio (%)

Dividend yield (%)

Adj. C/I ratio (%)

For 2023 Spar Nord paid a dividend of DKK 10 per share and initiated a new buyback program of DKKm 500 bringing the total return to shareholders up to almost 70% of the annual result, or DKKm 1,705. That equals a total yield at an attractive level of around 13.3% measured towards the share price end of 2023. With an expected profit after tax in the range of DKKm 1,700-2,100 and a continuation of the pay-out ratio around 70% Spar Nord should be capable of returning a yield of 8.3-10.3% at the current share price.

Spar Nord is expected to transition to internal-rating-based models going into 2025 which should establish the foundation for a more optimized capital application compared to the standard methods which are applied today.

Key investment risks

There is risk that Spar Nord will find itself stuck in the middle as the bank, on some parameters, might be too large to compete with some of the smaller banks with a more local presence, and on the other hand, be too small to compete well with the scale that some of the larger Nordic banks has as their advantage.

Spar Nord aims to bring their Cost/Income ratio to a level below 55%. For 2023 the number was 45% due to a record-breaking result, but in the previous year's 2019-22 it was in the range 56%-63%. Although that is more or less in line with its closest peers it is somewhat above the larger Nordic banks with whom Spar Nord is also competing - both in terms of clients and shareholders.

External factors such as recessions and banking crises may affect banks in general and thus also Spar Nord. Recessions are a realistic risk which is also highlighted by Spar Nord themselves in their 2024 guidance. Bank crises, seen in the beginning of 2023 originating from US banks, could potentially rise again as would affect the sector as a whole.

BANK	Guidance	Result 2022		of guidance		Last 2023 guidance		Upgrade of initial 2023 guidance at		Growth 2023 versus 2022	Number of upgrades of	Initial 2024 guidance		Growth in 2024 at current guidance versus 2023 result	
			2023 guidance			Low	High	mid-point			2024 guidance	Low	High	Low / High	
Spar Nord Bank A/S	Profit after tax	1.417	3*	1.500	1.800	2.350	2.550	48%	2.421	70,9%	0	1.700	2.100	-29,8% / -13,3%	
Note: All numbers in DKKm unless othwarwise stated So									Source: Company announcements						
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Investment Case One-pager



Peer Group Selection: Spar Nord's peer group consists of other Danish large-cap banks reflecting a somewhat similar business model and market structure. We consider Sydbank to be the closest peer among the four banks.

Estimates and assumptions: Some of the data in the peer group has not been calculated by HC Andersen Capital but is consensus analyst estimates from Refinitiv. HC Andersen Capital assumes no responsibility for the correctness of the numbers in the peer group; however, considers Refinitiv a credible source of information.

Table: Danish Large-cap Banks

C	Price	Market cap	Total return		P/B			P/E			ROE			Dividend yield	
Company	(local)	(DKKm)	YTD	1-yr	FY2023A	FY2024E	FY2025E	FY2023A	FY2024E	FY2025E	FY2023A	FY2024E	FY2025E	FY2023A	FY2024E
Danske Bank A/S (CPSE:DANSKE)	DKK 205,90	173.455	18%	50%	0,95	0,88	0,84	7,6	7,7	7,5	12,7	11,9	11,4	7,5	7,2
Jyske Bank A/S (CPSE:JYSK)	DKK 548,50	36.625	15%	14%	0,71	0,75	0,68	6,1	7,0	7,3	13,6	11,1	10,1	1,4	4,1
Ringkjøbing Landbobank A/S (CPSE:RILBA)	DKK 1172,00	32.013	19%	24%	3,06	2,74	2,60	14,2	13,4	13,2	21,8	21,7	20,1	0,8	1,1
Spar Nord Bank A/S (CPSE:SPNO)	DKK 122,60	14.272	25%	25%	1,08	1,06	1,01	5,9	6,8	7,9	18,3	16,2	13,1	8,1	7,3
Sydbank A/S (CPSE:SYDB)	DKK 353,00	19.601	31%	27%	1,31	1,21	1,16	5,8	6,5	7,1	22,5	19,8	16,9	8,5	8,2
Average		55.193	22%	28%	1,42	1,33	1,26	7,9	8,3	8,6	17,8	16,1	14,3	5,3	5,6
Note: Data from 04/06/24														Sou	rce: Capital IO

5-year share price development vs Nordic Bank & Insurance index and Euro Stoxx600 Banks index (rebased to 01.05.2019)



Market Development: For perspective, we compare Spar Nord with two indexes, the Nasdaq OMX Nordic Bank & Insurance index, and the Euro Stoxx 600 Banks index, showing the bank's share price development against two benchmark indexes. The chart showcases some years of performance in line with the Nordic sector index, however, since the beginning of 2022, Spar Nord's share price has outperformed the indices above.



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