

SKAKO

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Market: OMXC Small Cap

Ticker: SKAKO

Share price (DKK): 79.0

Market cap (DKK): 245.4m

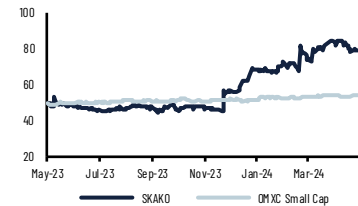
Net debt (DKK): 0.1m

Enterprise value (DKK): 245.5m

*Ex dividends paid

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Share information



Financials

DKKm	2022	2023	2024E*
Revenue	237.5	248.2	261-271
Revenue growth	16.9%	4.5%	5-9%
EBIT	19.7	24.6	24-28
EBIT margin	7.0%	9.9%	9-11%
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, and net income reflects continuing SKAKO Vibrations only.

Valuation multiples

	2022	2023	2024E*
P/S(x)	0.5	0.8	0.9
EV/Sales(x)	0.5	0.3	N/A
EV/EBITDA(x)	5.5	2.2	N/A
EV/EBIT(x)	7.0	2.6	8.8-10.2
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% revenue growth towards 2028, driven by a doubling in revenues from recycling activities and around 5% annual growth in fasteners, and mining activities. Additionally, it seeks to maintain an EBIT margin of around 10%, as its continuing vibrations activities exhibit higher margins than SKAKO Concrete.

SKAKO forecasts continued growth, supported by demand for electric vehicles (EVs), the global economies growing need for rare earth minerals and the need for a circular economy. The recycling segment has grown at a 16.4% 5-yr CAGR, and can continue driving growth, particularly as Europe pursues its circular economy ambitions. In addition, SKAKO earns recurring revenues from its aftersales activities, relating to maintenance of its installed plant base, which are also higher margin. Aftersales also reduce the cyclicity of revenues.

SKAKO's strategy towards 2028 involves working with leading players in its three business segments to address the major structural shifts occurring in each, with a particular focus on the fast-growing recycling segment.

From a valuation perspective, SKAKO's EV/Sales and EV/EBIT are significantly below its peer group average. While a small market cap, lower liquidity, and lower average margins are factors, the difference may not be fully justified.

Key investment reasons

SKAKO has a strong capital position with a positive cash position which can support continued strong dividends, with a dividend payout ratio of 61%, and 69% in 2022, and 2023, ex-extraordinary dividend, respectively. Additionally, SKAKO retains significant deferred tax assets which can support elevated EPS for coming year (2-3 years).

SKAKO's recycling activities can benefit from the transition to a green and net-zero economy, with the EU's green ambitions supporting long-term demand for the business unit, while macroeconomic drivers also support long-term Mineral and Fasteners demand.

SKAKO's market is highly fragmented, and therefore the company can pursue acquisitions supported by its strong capital position. This may be accretive 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 sectors, and broader investment spending conditions. SKAKO currently reports robust demand, and its aftersales reduce its cyclicity, however, an economic downturn could negatively affect earnings, as was the case in the 2020 and 2008 downturns. Additionally, a higher for longer interest rate environment may negatively affect investment spending.

There may be a mismatch in market power between SKAKO and its large customers, consisting of states and municipalities (recycling) and large automotive/mining corporates. SKAKO's smaller size and unequal bargaining power may result in unfavourable terms if relationships with customers deteriorate.

SKAKO has limited share liquidity, which brings some share price volatility (average daily share liquidity is DKK 345k YTD). Additionally, around 40% of the share capital owned by major shareholders/management reducing also impacting liquidity.

Peer group

Company	Price	Total return	Market cap	Latest net debt	EV/sales		EV/EBIT		EBIT margin	
	(local)	Ytd	(EURm)	(EURm)	2023A	2024E	2023A	2024E	3-year avg	TTM
FLSmith & Co A/S	DKK 357.6	25.9%	2,796	76	0.9x	1.0x	16.1x	14.1x	5.3%	7.0%
Terex Corp	USD 59.7	4.2%	2,815	333	1.4x	0.6x	22.6x	4.9x	10.3%	12.4%
Metso Oyj	EUR 11.0	22.4%	9,206	828	1.9x	1.9x	12.4x	12.2x	13.9%	15.7%
Weir Group PLC	GBP 2,014.0	7.9%	6,299	796	2.3x	2.2x	13.9x	13.1x	14.9%	16.3%
Tomra Systems ASA	NOK 139.1	14.3%	3,432	336	3.0x	2.9x	33.4x	25.2x	12.4%	11.3%
Tamtron Group Oyj	EUR 5.5	11.9%	41	11	1.0x	0.9x	17.0x	10.4x	4.7%	4.5%
Average		14.4%	4,098	397	1.7x	1.6x	19.2x	13.3x	10.3%	11.2%
SKAKO A/S	DKK 79.4	29.2%	33	-18	0.3x*	0.9x*	2.6x*	9.5x*	7.6%	9.9%

Note: Data from 08/05/24

Note: *HC Andersen Capital Estimates

Source: Refinitiv

Appendix

SKAKO

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. HC Andersen Capital assumes no responsibility for the correctness of the numbers in the peer group; however, considers Refinitiv 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 5-9% 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.

Terex Corp: is a global manufacturer of aerial work platforms and materials processing machinery. The company designs, builds, and exports products used in construction, maintenance, manufacturing, energy, minerals, and materials management applications. Terex sells its products worldwide, with major operational locations including, North America, Europe, Australia, and Asia.

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.