

Cavotec SA

Stronger margins, lower orders

- 45% organic sales, 2.6% EBIT margin (ABGSCe 1.9%)
- Guides for gradually improving margins in 2023
- Some positives and negatives, likely small pos. overall

Q2 details

Better deliveries and margins, but declining orders and negative cash flow. The order backlog declined 8% y-o-y and -6% q-o-q to EUR 140m (-8% vs. ABGSCe 153m). Revenues grew 45% y-o-y organically (ABGSCe 44%) to EUR 46m (+7% vs. ABGSCe 43m) as Ports & Maritime grew 66% y-o-y organically (ABGSCe 70%) while Industry also delivered strong growth (20% organically, ABGSCe 15%). EBIT reached EUR 1.2m (ABGSCe 0.8m), for a margin of 2.6% (ABGSCe 1.9%, -3% Q2'22). Net debt increased from EUR 19m to 23m, as lease adj. FCF was EUR 6m. Looking ahead, the CEO expects the margin pressure from previously booked orders to remain in the coming quarters but that pricing on new orders should support gradually improved profitability. Also, the CEO cites uncertain macroeconomic conditions as the reason behind why customers have postponed orders but that the installed base continued to grow, which is positive for the service business. Finally, Cavotec at the end of the quarter agreed to a covenant waiver with its lenders for the remainder of 2023.

Consensus estimates

On isolated numbers, we expect FactSet consensus 2023e EBIT to remain fairly unchanged in absolute numbers (from a low base) as better than expected Q2 margins could be partly offset by further margin pressure during H2.

Final thoughts

Encouraging to see margins continuing upwards both vs. Q2'22 and Q1'23 while deliveries are now ramping up at the same time. However, we believe the positive reaction could be partly held back by the lower order intake due to comments surrounding hesitant customer activity as well as the negative cash flow. The stock is +5% L1M (vs. OMXSGI +3%) while trading at 18-6x EBIT '23e-'24e. There is a webcast at 10:00 CET, link: <https://financialhearings.com/event/46744>.

Fast comment

Commissioned research

Not rated

Capital Goods

CCC-SE/CCC SS

Share price (SEK)	28/7/2023	13.90
MCap (SEKm)		1,480
MCap (EURm)		128
No. of shares (m)		106.5
Free float (%)		41.5
Av. daily volume (k)		12

Next event Q2 Report 28 July 2023

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Quarterly outcome vs. expectations

Deviation table*	Q2'22	Q2'23e		Q2'23e	Deviation	
EURm	Actual	Actual	y-o-y %	ABGSCe	EURm	%
Net sales	31.7	45.7	44%	42.7	3.0	7%
Opex	-31.1	-43.1	39%	-40.2	-2.9	7%
EBITDA	0.6	2.7	357%	2.5	0.2	6%
D&A	-1.5	-1.5	-2%	-1.7		
EBIT	-0.9	1.2	-224%	0.8	0.4	47%
Non-recurring items	0.0	0.0	n.a.	0.0		
Adj. EBIT	-0.9	1.2	-224%	0.8	0.4	47%
PTP	1.9	0.4	-78%	0.0	0.4	-7955%
Net profit	0.9	-0.9	-203%	0.0	-0.9	24336%
Assumptions	Q2'22	Q2'23e		Q2'23e	Deviation	
	Actual	Actual	y-o-y %	ABGSCe	EURm	%
EBITDA margin	1.8%	5.8%	4.0%	5.8%		0.0%
EBIT margin	-3.0%	2.6%	5.5%	1.9%		0.7%
Adj. EBIT margin	-3.0%	2.6%	5.5%	1.9%		0.7%
Organic sales	20%	45%		44%		
Sales y-o-y	-11%	44%		35%		

Source: ABG Sundal Collier, company data

EURm	2021	2022	2023e	2024e	2025e
Sales	142	148	181	212	230
Sales growth (%)	-10.3	4.0	22.2	17.2	8.6
EBITDA	4	2	14	27	33
EBITDA margin (%)	2.9	1.1	7.9	12.8	14.2
EBIT adj.	-4	-4	8	20	25
EBIT adj. margin (%)	-3.0	-2.4	4.2	9.4	10.9
Pretax profit	-1	-0	5	17	23
EPS	-0.39	-0.15	0.02	0.11	0.15
EPS growth (%)	827.4	-61.9	-114.6	417.0	33.8
EPS adj.	-0.39	-0.03	0.02	0.11	0.15
DPS	0.00	0.00	0.00	0.00	0.00
EV/EBITDA (x)	32.7	88.2	9.9	4.9	3.7
EV/EBIT adj. (x)	-31.8	-41.1	18.9	6.8	4.8
P/E (x)	-3.1	-8.0	54.8	10.6	7.9
P/E adj. (x)	-3.1	-40.3	54.8	10.6	7.9
EV/sales (x)	0.94	0.97	0.79	0.63	0.52
FCF yield (%)	-3.1	-11.3	3.1	9.0	13.3
Le. adj. FCF yld. (%)	-6.5	-14.0	0.7	6.4	10.4
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
Net IB debt/EBITDA (x)	3.8	18.1	0.9	0.2	-0.2
Le. adj. ND/EBITDA (x)	30.3	29.3	0.0	0.3	0.7

Source: ABG Sundal Collier, Company Data

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