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Company Comment	Telecom Equipment	Sweden	09 January 2024
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Nordic Seminar: Strong secular drivers backing up financial ambitions

At SEB's Nordic Seminar, CEO Sonny Mirborn reiterated Alcadon's financial targets (20% growth pa, +10% EBITA margin and ND/EBITDA of 2-3x), as well as focusing on several secular growth drivers (the ever-growing need for increased connectivity within its Data centre, FTTx and cabling segments) that support the group's financial ambitions ahead. We reiterate our mid-point value of SEK 80 per share based on our forecast for accelerating organic growth in the year ahead.

Case in a nutshell: Growth and margins will follow

CEO Sonny Mirborn outlined strong underlying growth trends within its various market segments for the period 2023-30. In the Data centre segment, based on colocation and enterprise, the Nordic + UK markets are set to record a CAGR of 10-25% over the same years. FTTH (broadband) markets also provide a substantial opportunity, based on low penetration levels in key geographical markets (Germany: 7%, UK 11% - compare Sweden: 68%). In all, Alcadon Group reiterated its financial targets aiming at 20% annual growth, +10% EBITA margin, as well as a contained financial gearing (ND/EBITDA of 2-3x). Looking into this year, we forecast organic sales growth of 12%, up from closer to flat y/y developments last year (2023E). This includes an expected increase in invoicing from its various frame agreements and including Deutsche Glasfaser - its key German customer. Answering the question on the margin bridge to get to "10% EBITA-to-sales", Mr Mirborn essentially stated it is mostly about volumes, as well as a slight improvement in gross margins.

Key figures

(SEKm)	2022	2023E	2024E	2025E
Revenues (m)	1,110	1,572	1,782	2,057
Adj. EBIT	67	85	115	145
PTP (m)	52	46	88	121
EPS	1.80	1.56	3.06	4.32
EPS (adjusted)	2.17	2.44	3.76	5.04
DPS	0.00	0.00	0.00	0.00
Revenue growth (%)	50.8	41.6	13.3	15.5
EPS growth (%)	(24.0)	12.7	53.8	n.a.
Operating margin (%)	5.6	4.9	6.5	7.1
ROCE (%)	8.1	7.6	10.2	12.4
Net Debt/EBITDA (x)	5.0	2.9	2.3	1.6
PER (adjusted)	34.3	15.3	10.0	7.4
Dividend yield (%)	0.0	0.0	0.0	0.0
Free Cash Flow Yield (%)	(0.7)	9.2	8.2	10.8
P/BV (x)	2.7	1.2	1.1	1.0
EV/EBIT (x)	29.7	13.9	10.1	7.7
EV/Sales (x)	1.78	0.75	0.65	0.54

Source: SEB

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