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Company Comment	Services	Sweden	15 October 2024
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Q3E: A softer market likely to weigh on sales and earnings

Ahead of PE's Q3 report (due 25 October at 07.30 CET) we cut our adjusted EBIT excl. PPA forecasts by an average of 7% for 2024E-26E. We have mainly revisited our sales assumptions reflecting changes to operating KPIs (FTEs, utilisation rates, pricing) as we factor in a softer market for architectural consultancy services also in H2 this year. We maintain our DCF-based mid-point equity value of SEK 17. At current levels, we argue PE is valued below a 2025E EV/EBIT of 8x.

H2 2024E: savings and efficiency gains to continue to mitigate organic sales declines

Mid-point valuation summary

Mid-point valuation summary

Mid-point DCF value (SEK)	17.00
Share price (SEK)	11.20
2024E adj. EV/EBIT (x)	12.9
2024E adj. PER (x)	11.8
2024E DPS yield (2025 payout)	3.6

	Low	High	Mid-point
DCF valuation range (SEK)	14.00	20.00	17.00
Equity potential (%)	25	79	52
2024E adj. EV/EBIT at DCF range (x)	14.7	18.6	16.7
2024E DPS yield (%)	3.6	3.6	3.6
Total return potential	29	82	55

Source: SEB

PE financial targets versus SEB estimates

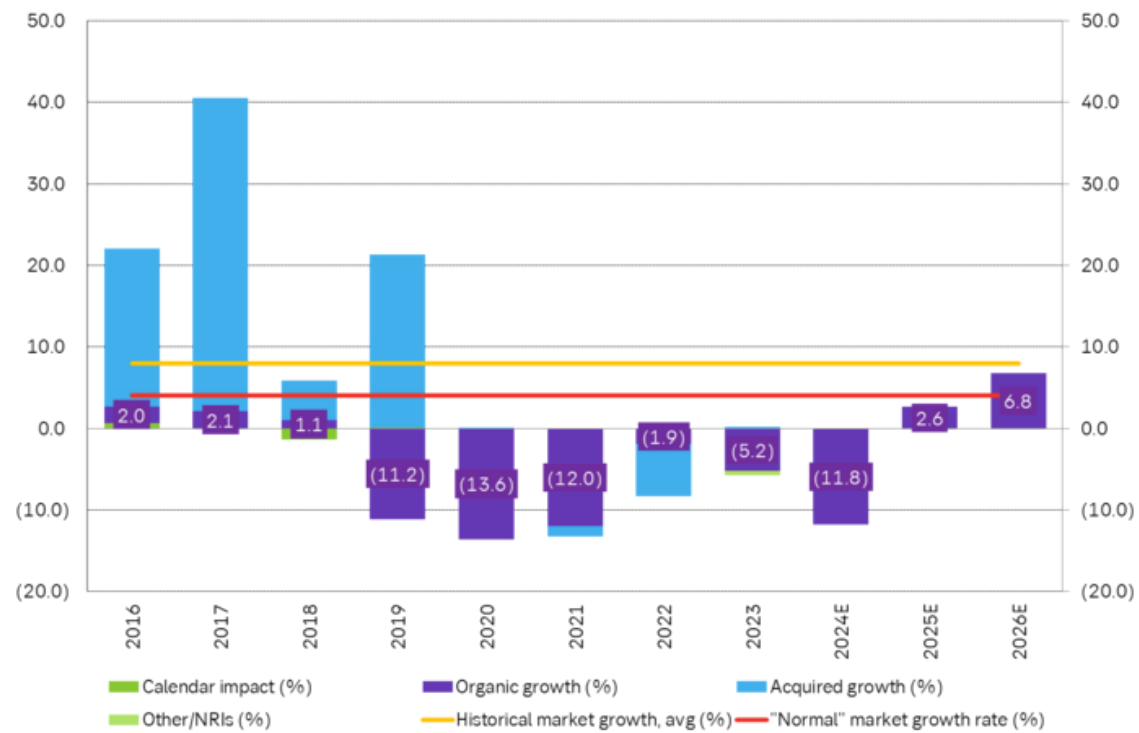
Financial targets (July-21) vs. SEBE	2021	2022	2023	2024E	2025E	2026E
Sales growth incl. M&A (>15%)	(13.2)	(8.3)	(5.0)	(11.8)	2.6	6.8
EBIT ex PPA-margin (10%)	6.0	5.5	3.6	5.3	8.1	8.5
Net debt/EBITDA (<2.5x)	2.12	2.38	2.48	2.25	1.57	1.34
DPS payout (30-50%)	48.4	44.5	0.0	46.5	44.0	43.2

Source: SEB, PE

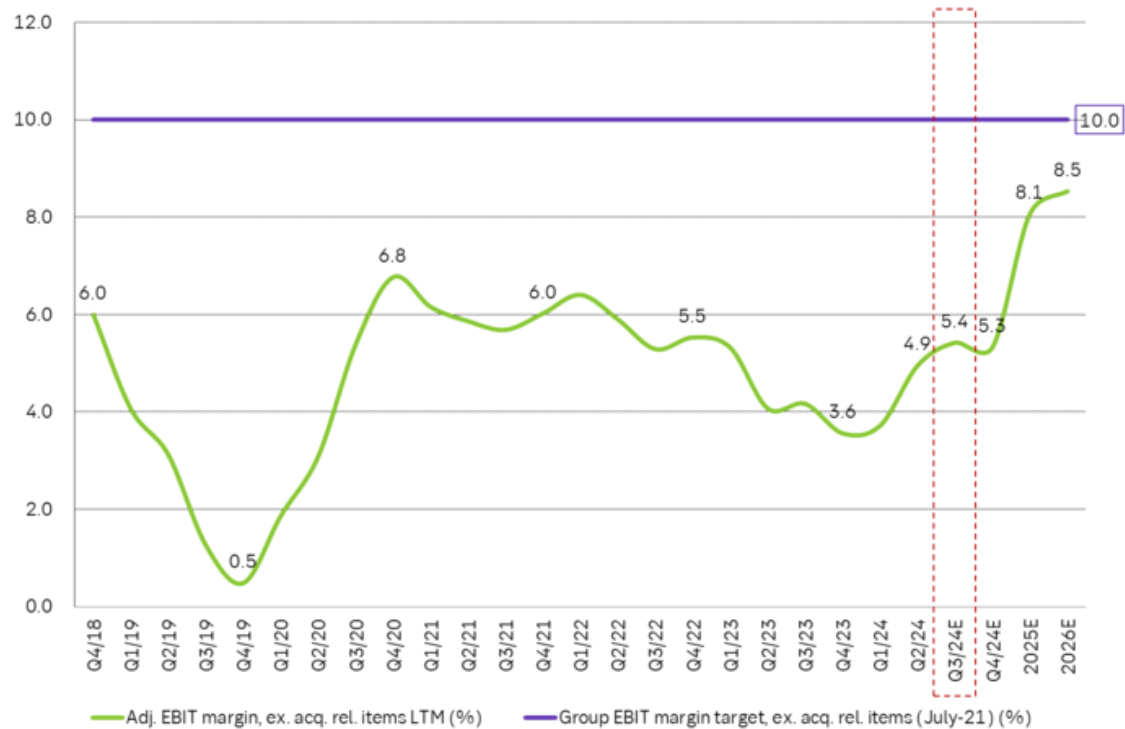
Capitalisation forecasts

Capitalization (SEKm)	2021	2022	2023	2024E	2025E	2026E
No of shares (m)	24.6	24.6	24.6	24.6	24.6	24.6
Share price (SEK)	11.20	11.20	11.20	11.20	11.20	11.20
Market cap	275	275	275	275	275	275
Net debt/(cash), as reported	277	292	246	207	180	165
EV, as reported	552	567	521	482	455	440
Net debt/(cash) excl. IFRS16 debt	118	145	159	120	93	78
EV excl. IFRS16 debt	393	420	434	395	368	353

Source: SEB

Sales growth bridge forecasts, y/y (pp)

Source: SEB

12M trailing EBIT eccl. PPA margin forecasts versus PE margin target (%)

Source: SEB

PE savings programme to bolster margin outlook in 2024E-25E

PE sensitivity analyses: rental costs and savings (SEKm)	2020	2021	2022E	2023	2024E	2025E	2026E	Acc.
Net revenue	1,167	1,013	929	882	778	799	853	
Other external expenses	(256)	(213)	(170)	(165)	(142)	(141)	(154)	
Other external expenses/sales (%)	21.9	21.0	18.3	18.7	18.2	17.7	18.1	
Chg. y/y (pp)	(2.0)	(0.9)	(2.7)	0.4	(0.5)	(0.5)	0.4	
Adj. EBIT excl. acq. items	78.9	60.9	51.3	31.4	41.4	64.4	72.7	
Proposed cost savings 2023-25				10	30	20		60
Proposed cost savings 2026 (Q4/23: "brought forward to 2025")						0	0	0
Gross cost savings				10	30	20	0	60
Gross savings/other external expenses (%)				6.1	21.2	14.1	0.0	
Assumption: costs for savings/gross savings (%)				166.0	0.0	0.0	0.0	27.7
Costs for savings				(17)	0	0	0	(17)
Net savings				(7)	30	20	0	43

Source: SEB, PE

Financial forecasts

Interim financials										
SEKm	Q3/23	Q4/23	Q1/24	Q2/24	Q3/24E	Q4/24E	2023	2024E	2025E	2026E
Net revenue	170.4	231.0	218.3	210.8	151.5	197.7	882.2	778.2	798.8	853.1
Other external expenses	(32.1)	(48.4)	(37.0)	(36.4)	(29.3)	(39.0)	(164.7)	(141.7)	(141.4)	(154.1)
Personnel costs	(128.1)	(159.2)	(149.2)	(145.5)	(111.2)	(138.6)	(628.6)	(544.5)	(542.4)	(575.8)
Share of assoc.	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total costs	(160.2)	(207.5)	(186.2)	(181.9)	(140.5)	(177.6)	(793.3)	(686.2)	(683.8)	(729.8)
NRIs (cash)	(2.0)	(3.1)	0.0	0.0	0.0	0.0	(10.3)	0.0	0.0	0.0
EBITDA	10.2	23.5	32.0	28.9	11.0	20.0	88.9	92.0	115.0	123.3
Adj. EBITDA	12.2	26.6	32.0	28.9	11.0	20.0	99.2	92.0	115.0	123.3
Depreciation & amortization	(32.7)	(19.5)	(13.8)	(13.2)	(15.1)	(12.5)	(92.2)	(54.5)	(54.5)	(54.5)
EBITA	(7.7)	8.6	18.5	16.3	(3.2)	8.7	19.2	40.3	63.3	71.6
Adj. EBITA	(5.7)	11.7	18.5	16.3	(3.2)	8.7	29.5	40.3	63.3	71.6
EBIT (ex. acq. items)	(20.5)	6.0	18.2	15.7	(2.0)	9.6	4.5	41.4	64.4	72.7
Adj. EBIT (ex. acq. items)	(4.9)	12.1	18.2	15.7	(2.0)	9.6	31.4	41.4	64.4	72.7
Acquisition-related items	(2.0)	(2.0)	0.0	0.0	(2.0)	(2.0)	(7.8)	(4.0)	(4.0)	(4.0)
EBIT	(22.5)	4.0	18.2	15.7	(4.0)	7.6	(3.3)	37.4	60.4	68.7
Adj. EBIT	(6.9)	10.1	18.2	15.7	(4.0)	7.6	23.6	37.4	60.4	68.7
Financial items	(2.9)	(3.1)	(2.7)	(1.7)	(3.0)	(3.3)	(11.5)	(10.7)	(10.9)	(11.1)
Pre-tax profit	(25.3)	0.9	15.4	14.0	(7.0)	4.3	(14.8)	26.8	49.5	57.6
Taxes	5.1	0.8	(3.1)	(2.9)	1.2	(0.9)	3.3	(5.7)	(10.5)	(12.2)
Minorities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net profit	(20.2)	1.7	12.4	11.1	(5.8)	3.4	(11.5)	21.1	39.1	45.4
Adjustments, net of tax	13.3	6.1	0.2	0.5	0.7	0.9	26.0	2.3	2.3	2.3
Adj. net profit	(6.8)	7.8	12.6	11.6	(5.1)	4.3	14.6	23.4	41.3	47.7
EPS, reported	(0.82)	0.07	0.50	0.45	(0.24)	0.14	(0.47)	0.86	1.59	1.85
EPS, adjusted	(0.28)	0.32	0.51	0.47	(0.21)	0.18	0.59	0.95	1.68	1.94
Adj. EBITDA margin (%)	7.2	11.5	14.7	13.7	7.3	10.1	11.2	11.8	14.4	14.5
Adj. EBITA margin (%)	(3.3)	5.1	8.5	7.7	(2.1)	4.4	3.3	5.2	7.9	8.4
Adj. EBIT margin (%)	(4.0)	4.4	8.3	7.4	(2.6)	3.8	2.7	4.8	7.6	8.1
Adj. EBIT margin (ex. acq. items) (%)	(2.9)	5.2	8.3	7.4	(1.3)	4.8	3.6	5.3	8.1	8.5
Group target margin (%)	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0
Adj. EBITA growth (%)	(3.9)	(35.4)	1.5	210.5	(44.2)	(25.6)	(41.1)	36.7	57.0	13.1
No of shares (m)	24,556	24,556	24,556	24,556	24,556	24,556	24,556	24,556	24,556	24,556

Source: SEB

Main KPI forecasts

Main KPI assumptions	Q3/23	Q4/23	Q1/24	Q2/24	Q3/24E	Q4/24E	2023	2024E	2025E	2026E
Calendar impact (%)	(1.5)	1.6	(1.6)	3.5	1.5	(3.2)	0.0	0.0	0.0	0.0
Other/NRIs (%)	0.0	0.0	1.9	0.0	0.0	0.0	(0.6)	0.0	0.0	0.0
Organic growth (%)	(4.2)	(9.7)	(11.5)	(13.8)	(12.6)	(11.2)	(5.2)	(11.8)	2.6	6.8
Acquired growth (%)	(0.2)	(0.2)	0.0	0.0	0.0	0.0	0.2	0.0	0.0	0.0
Net revenue growth, y/y (%)	(5.9)	(8.3)	(11.2)	(10.3)	(11.1)	(14.4)	(5.0)	(11.8)	2.6	6.8
No of FTEs, EOP	809	753	713	709	695	681	753	681	715	736
EOP FTEs, chg, q/q	(18)	(56)	(40)	(4)	(14)	(14)	(75)	(72)	34	21
No of FTEs, avg	757	730	685	664	647	634	759	658	640	666
Avg FTEs, chg, q/q	(22)	(27)	(45)	(21)	(17)	(13)	(8)	(101)	(17)	25
Utilization rate (%)	70.3	71.9	71.4	73.0	70.2	72.1	72.1	71.7	74.2	74.9
Utilization rate, chg, y/y (pp)	(3.9)	(2.7)	(2.1)	0.2	(0.1)	0.2	(3.0)	(0.4)	2.5	0.7
No of billed hours	366	360	354	345	371	349	1,428	1,419	1,469	1,484
Billed hours, chg, y/y (%)	(6.7)	(2.1)	(4.4)	3.8	1.4	(2.9)	(3.9)	(0.6)	3.5	1.0
Avg price per hour (SEK)	616	880	900	921	631	893	814	834	849	864
Avg price/hour, chg, y/y (%)	2.2	(0.1)	3.4	1.3	2.5	1.5	(0.1)	2.4	1.9	1.7
Net revenue/FTE, avg (SEK'000)	225	316	319	317	234	312	1,162	1,183	1,248	1,282
Net revenue/avg. FTE, growth, y/y (%)	(4.7)	(2.1)	1.0	5.1	4.0	(1.5)	(4.0)	1.8	5.4	2.7
Net revenue growth, y/y (%)	(5.9)	(8.3)	(11.2)	(10.3)	(11.1)	(14.4)	(5.0)	(11.8)	2.6	6.8
Adj. opex, share of sales (%)	92.8	88.5	85.3	86.3	92.7	89.9	88.8	88.2	85.6	85.5
Adj. EBIT margin, excl. acq. items (%)	(2.9)	5.2	8.3	7.4	(1.3)	4.8	3.6	5.3	8.1	8.5
Adj. EBIT margin (ex. acq. items), chg, y/y (pp)	0.1	(2.0)	1.1	4.7	1.5	(0.4)	(2.0)	1.8	2.7	0.5

Source: SEB

Q3 conference call at 09.00 CET - call-in details: <https://ir.pe.se/en/>

Valuation: We reiterate our SEK 17 mid-point equity value per share (range: 14-20)

Mid-point DCF valuation summary

DCF valuation (SEKm)		Weighted average cost of capital (%)	
NPV of FCF in explicit forecast period	292	Risk free interest rate	2.5
NPV of continuing value	245	Risk premium	10.0
Value of operation	537	Cost of equity	12.5
Net debt	120	After tax cost of debt	2.0
Share issue/buy-back in forecast period	-	WACC	10.1
Value of associated companies	-	Assumptions	
Value of minority shareholders' equity	-		
Value of marketable assets	-		
DCF value of equity	417		
DCF value per share (SEK)	17.00	Number of forecast years	10
Current share price (SEK)	11.15	EBIT margin - steady state (%)	6.2
DCF performance potential (%)	52	EBIT multiple - steady state (x)	8.3
		Continuing value (% of NPV)	45.6

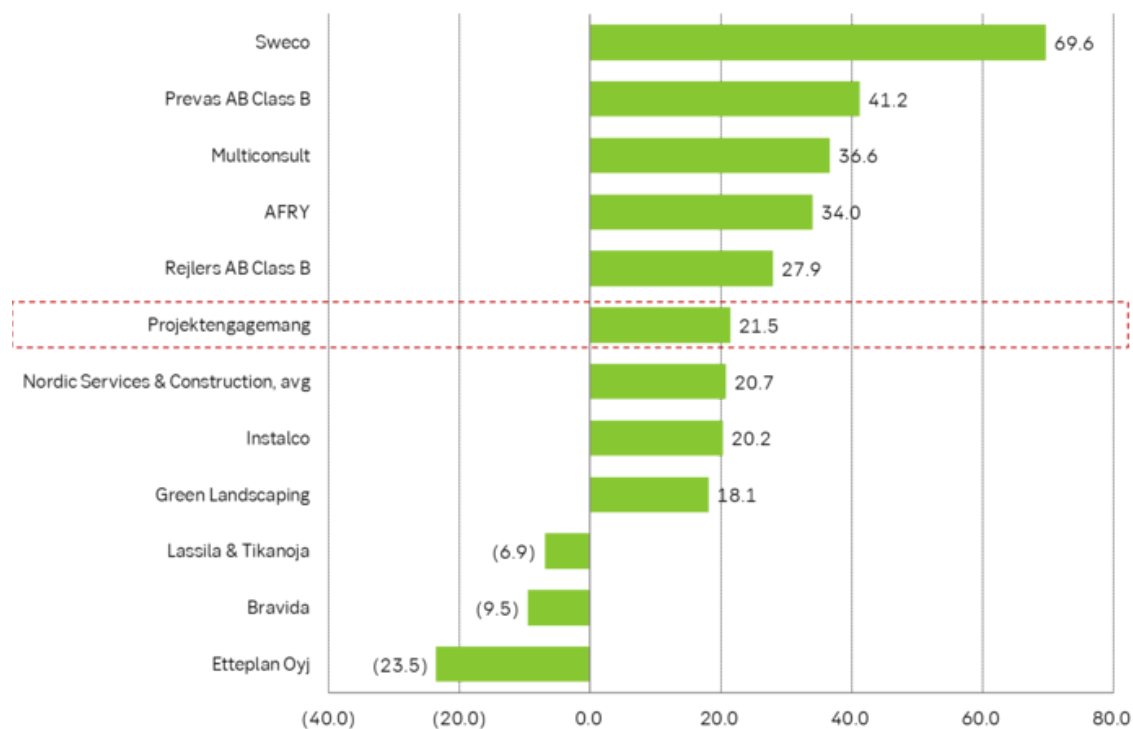
Source: SEB

DCF sensitivity analyses: growth vs. margins (SEK p. sh)

		Absolute change in EBITDA margin - all years				
		-2%	-1%	0	+1%	+2%
Abs. change in sales growth - all years	-2%	10.4	13.0	15.5	18.1	20.7
	-1%	10.8	13.5	16.3	19.0	21.7
	0	11.3	14.1	17.0	19.9	22.7
	+1%	11.8	14.8	17.8	20.8	23.8
	+2%	12.2	15.4	18.6	21.8	25.0

Source: SEB

Consultancy peer group share price performance, -12M (%)



Source: SEB, FactSet

Peer group valuation

		CCY	Share	Mkt cap	EV/Sales (x)			EV/EBIT (x)		
Services & Construction	RIC	price	price	(EURm)	2024E	2025E	2026E	2024E	2025E	2026E
Nordic Services & Construction										
AFRY	AFbST	SEK	180.70	1,802	0.96	0.89	0.81	12.8	11.1	9.6
Bravida	BRAVST	SEK	75.00	1,358	0.59	0.54	0.50	11.3	9.0	7.8
Etteplan Oyj	ETTE-FI	EUR	11.05	280	1.14	0.97	0.93	14.7	14.5	12.2
Green Landscaping	GREENST	SEK	76.40	381	1.00	0.91	0.84	15.0	12.9	11.8
Instalco	instalst	SEK	38.40	887	0.96	0.90	0.83	16.5	14.3	12.3
Lassila & Tikanoja	LAT1V.HE	EUR	8.84	338	0.66	0.63	0.60	12.7	10.8	9.7
Multiconsult	MULTIOL	NOK	185.00	432	1.14	1.08	1.01	11.8	10.9	10.2
Prevas AB Class B	PREVBGE	SEK	128.20	139	1.05	0.99	0.89	9.6	10.0	9.0
Rejlers AB Class B	REJLBGE	SEK	149.00	267	0.83	0.89	0.84	12.4	12.5	11.3
Sweco	SWECbST	SEK	172.80	5,529	2.18	2.04	1.91	23.2	21.8	19.7
Nordic Services & Construction, avg					1.05	0.98	0.92	14.0	12.8	11.3
Nordic Services & Construction, med					0.98	0.90	0.84	12.7	11.8	10.7
Projektengagemang										
	PENGb.ST	SEK	11.15	24	0.62	0.57	0.51	12.8	7.5	6.4
Discount/(premium) to Services peers, avg (%/pp)					41.3	42.2	43.9	8.3	41.2	43.8
Discount/(premium) to Services peers, med (%/pp)					37.2	37.1	38.9	(0.8)	36.2	40.5

Source: SEB, FactSet

Estimate Revisions

(SEKm)	2024E	2025E	2026E
Revenues			
Old	801	836	882
New	778	799	853
Change (%)	(3)	(4)	(3)
Adj. EBIT			
Old	45	62	72
New	37	60	69
Change (%)	(16)	(3)	(4)
Adj. EPS			
Old	1.19	1.75	2.06
New	0.95	1.68	1.94
Change (%)	(20)	(4)	(6)

Source: SEB

Key figures

(SEKm)	2023	2024E	2025E	2026E
Revenues (m)	882	778	799	853
Adj. EBIT	24	37	60	69
PTP (m)	(15)	27	50	58
EPS	(0.47)	0.86	1.59	1.85
EPS (adjusted)	0.59	0.95	1.68	1.94
DPS	0.00	0.40	0.70	0.80
Revenue growth (%)	(5.0)	(11.8)	2.6	6.8
EPS growth (%)	(53.9)	60.4	n.a.	n.a.
Operating margin (%)	(0.4)	4.8	7.6	8.1
Adj. EBIT margin (%)	2.7	4.8	7.6	8.1
ROCE (%)	2.8	4.6	7.5	8.6
Net Debt/EBITDA (x)	2.5	2.2	1.6	1.3
PER (adjusted)	15.4	11.7	6.6	5.7
Dividend yield (%)	0.0	3.6	6.3	7.2
Free Cash Flow Yield (%)	2.2	15.8	14.8	13.3
P/BV (x)	0.4	0.5	0.4	0.4
EV/EBIT (x)	20.0	12.8	7.5	6.4
EV/Sales (x)	0.53	0.62	0.57	0.51

Source: SEB

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Methodology

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