Corporate Research

Green Landscaping



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Company Comment Services	Sweden	27 November 2024
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Our impressions from Green Landscaping's 2024 CMD

Today, Green Landscaping (Green) hosted its first-ever capital markets day. Financial targets were reiterated, while main focus was on the ample growth opportunities Green sees in the market. We got some insights about strategic priorities and geographical focus. Besides continuing to be opportunistic in the Nordics, Green aims to increase its geographical scope and be more forward-leaning in the DACH-region. Green has also expanded to cater to increased M&A activity.

Financial targets reiterated: sustaining and improving margins

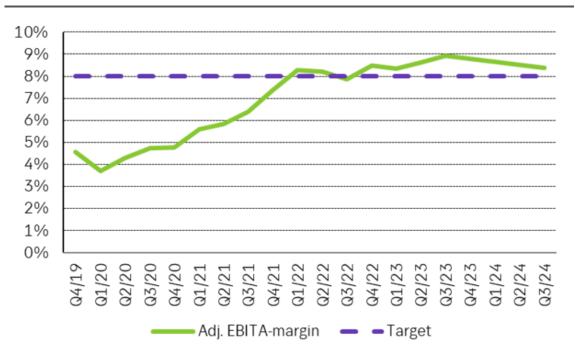
At the CMD, Green Landscaping reiterated the financial targets of 10% sales growth on average, with an 8% EBITA-margin. On a rolling twelve month basis, Green is currently at an adj. EBITA margin of 8.4% as of Q3/24. We believe one key message from the CMD is that the current EBITA-margin level is sustainable and that there is more room to improve the margin further going forward (mainly in Norway and Sweden). At the end of the CMD, management commented that there is indeed an active discussion about the design of the financial targets going forward (they have not been changed since the IPO).

Financial targets



Source: Green Landscaping

LTM adj. EBITA-margin (%)

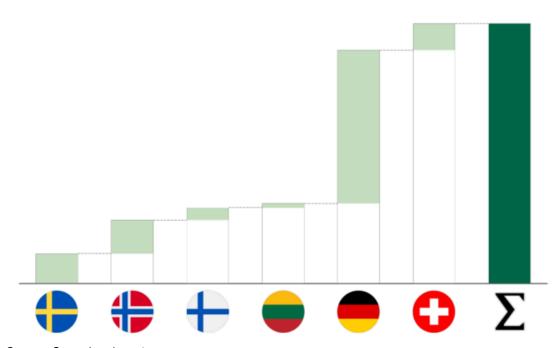


Source: Green landscaping, SEB

Green landscaping highlighted that the underlying market for ground maintenance and landscaping is growing healthily around 4-5% annually with relatively low cyclicality. The market is large and highly fragmented, which should bode well for further acquisitions, particularly in the DACH-region.

Annual addressable market

Annual adressable market of 350 BSEK

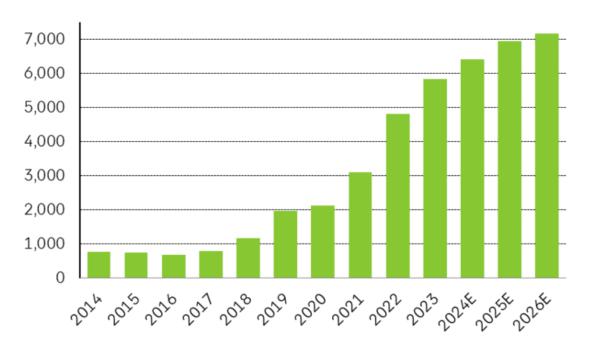


Source: Green Landscaping

DACH-region in focus for M&A

M&A continues to be a central part of the growth strategy. Historically, Green has made roughly 50 acquisitions with a proven track-record, producing an ROI of approximately 20%, according to management. Going forward, Green expects an M&A pace of 8-10 acquisitions annually. In its selection criteria, Green searches for companies with an historically stable track-record, annual turnover of SEK 50-300m and an EBITA-margin >10%. While ND/EBITDA is currently at 2.7x LTM, above its financial target of 2.5x, management seems confident about the financial situation, given the asset-light business model and stable markets that it operates in.

Net sales development (SEKm)

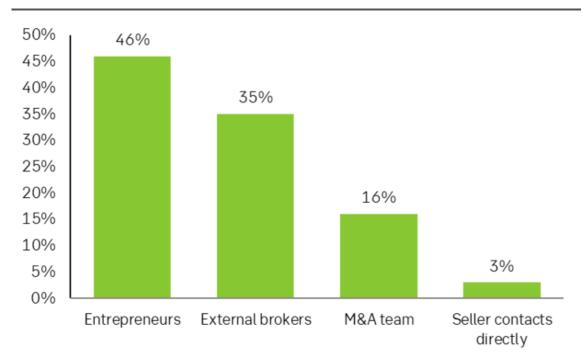


Source: SEB, Green Landscaping

On the M&A agenda going forward, Green aims to diversify its current geographical scope. Besides remining opportunistic in the Nordics, Green communicated that the plan is to remain forward-leaning in the DACH-region, i.e., Germany, Switzerland and Austria. The potential in Germany is large and the market opportunity is estimated to be 8-10 times larger than in Sweden. Green intends to make Germany a home market and believes that it will become the group's largest market over time. Also, within the coming years Green intends to accelerate the group M&A pace. In conjunction with the German and general DACH-expansion, Green now has the opportunity to transform from a Nordic to a European leader within its niche.

At the CMD, we also got some more insights about the M&A process. The most common channel for acquisitions is via Green Landscaping's own entrepreneurs, which we find interesting. Moreover, Green commented that the companies that are recommended by its own entrepreneurs tend to perform better. We believe this showcases the strength of the network that Green Landscaping is building throughout its decentralised model.

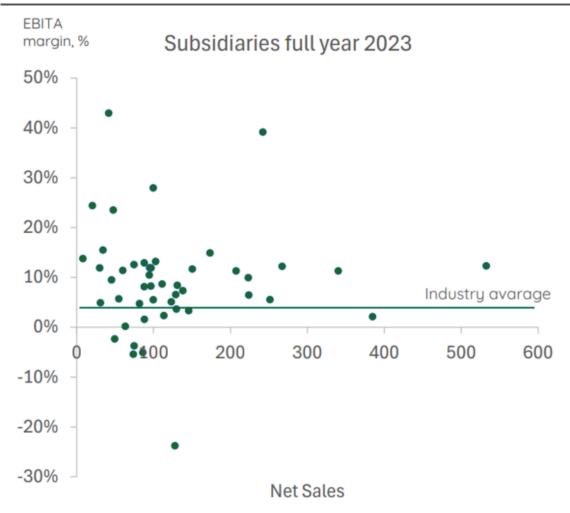
The four routes for M&A



Source: Green Landscaping, SEB

In the vast majority of acquired companies, revenue tends to grow faster than Green's initial expectations, while profitability remains healthy. However, when acquisitions do not perform according to initial expectations, the common denominator is typically that these companies have large fluctuations in their historical financial performance. Therefore, Green primarily targets companies with a stable financial track-record.

Green Landscaping, Subsidiary performance post investment



Source: Green Landscaping

Steady progress, one step at the time

While there was no major news at the CMD, we believe Green Landscaping provided more color around its strategic focus and M&A agenda ahead. For us, it became even more clear that expansion in the DACH-region is highly prioritised, alongside strengthening the Baltic business and remaining opportunistic in the Nordic region. We believe there should be ample room for Green to continue to grow and consolidate its market in the journey to become a European champion within its niche.

Key figures				
(SEKm)	2023	2024E	2025E	2026E
Revenues (m)	5,885	6,406	6,941	7,175
Adj. EBIT	394	414	487	513
PTP (m)	293	276	356	389
EPS	3.93	3.65	4.73	5.16
EPS (adjusted)	5.57	5.35	6.57	7.06
DPS	0.00	0.00	0.00	0.00
Revenue growth (%)	21.2	9.9	8.3	3.4
EPS growth (%)	16.2	(4.1)	n.a.	n.a.
Operating margin (%)	6.8	6.5	7.0	7.2
Adj. EBIT margin (%)	6.7	6.5	7.0	7.2
ROCE (%)	12.2	9.9	10.8	10.9
Net Debt/EBITDA (x)	2.7	2.9	2.3	1.9
PER (adjusted)	12.6	13.3	10.8	10.1
Dividend yield (%)	0.0	0.0	0.0	0.0
Free Cash Flow Yield (%)	0.5	2.1	6.2	8.4
P/BV (x)	2.6	2.4	2.0	1.8
EV/EBIT (x)	15.1	15.2	12.5	11.2
EV/Sales (x)	1.02	0.98	0.87	0.80

Source: SEB

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