

## Norditek Group AB (NOTEK)



### About Norditek Group

Norditek Group AB (Norditek or "the Company") is a cleantech company developing, manufacturing, leasing and selling recycling equipment. The Company provides system solutions enabling customers to obtain pure fractions of material waste. Norditek Group serves customers within the recycling sector entirely in Sweden.

#### Overweight

Target Price	SEK 30.2
Current Price	SEK 16.0
Upside	88.8%

#### Market Data, SEK

Exchange	First North Stockholm
Shares (m)	12.6
MCAP (m)	202.2
EV (m)	256.1

#### Forecast, SEKm

	21/22A	22/23E	23/24E
Total revenue	72.9	97.8	121.4
Rev. growth	3.3%	34.1%	24.1%
Gross Profit	32.6	44.8	55.5
Gross Margin	44.8%	45.8%	45.8%
EBITDA	14.3	19.2	24.5
EBITDA Margin	19.7%	19.6%	20.2%
EBIT	9.3	14.6	19.6
EBIT Margin	12.7%	14.9%	16.2%

#### Key Metrics

	21/22A	22/23E	23/24E
EV/EBITDA	17.9x	13.3x	10.5x
EV/EBIT	27.7x	17.5x	13.1x
ND/EBITDA	2.1x	1.6x	1.2x
P/E	30.2x	18.5x	13.7x
P/S	2.8x	2.1x	1.7x
EPS	0.53	0.86	1.16

#### ANALYSTS CONTACT INFORMATION

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### Norditek – Turning Trash into Cash

Norditek Group AB develops, manufactures, leases and sells system solutions and modules within the waste management sector. The in-house products can be integrated with other producers creating a fully customizable solution. The Company operates in four primary segments; waste, rock & gravel, biomass and aftermarket sales, with waste constituting 60% of the Company's sales. The Company is currently in an expansion phase with acquisition plans primarily focused on the aftermarket segment, where the Company sees immense opportunities for growth looking forward. Based on a 50/50 weighted peer and DCF valuation, a target EV/EBIT multiple of 22.2x in 23/24E is motivated, which implies a target price of SEK 30.2 and a potential upside of 88.8%.

#### Key takeaways

- **Market tailwind and new legislations:**

Norditek Group is well positioned to take advantage of the growing waste management market, with an estimated market CAGR of 10.9% until 2028. New legislations will require extensive investments in waste management for companies to meet quotas, enabling future revenue growth for Norditek. Further incentives, such as an increased tax on waste incineration, further increase demand for which the analysts estimate a revenue CAGR of 16.3% from 21/22A to 27/28E.

- **Market opportunities looking forward:**

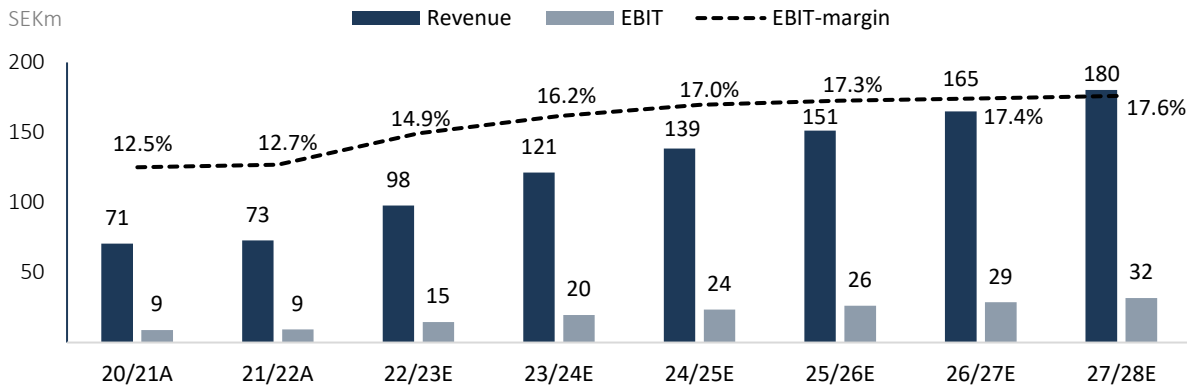
Each year extensive amounts of possible recycled material are wasted. In Sweden SEK 55bn is the estimated loss of value in steel, aluminum, plastic and paper. Currently, only 24% of the value of this material is preserved after its initial use, resulting in a staggering annual loss of SEK 42bn. However, a significant portion of the discarded material has the potential to be recycled and transformed into new resources. This highlights the immense opportunities within the Swedish waste management industry and the possibilities ahead of the Company.

- **Business model ensures stability and non-cyclical revenue growth:**

Norditek Group's historically proven business model, Norditek trappan, will enable continuous revenue and EBIT growth. The Company can repeatedly gain income from its system solutions and modules through its highly profitable methodology. By Norditek's exceptional business model, which enables the customer to lease the products needed, the Company will continue to grow its revenue stream regardless of the economic climate, ensuring stability and non-cyclical revenue growth. Furthermore, economies of scale are estimated to enable an EBIT-margin expansion from 12.7% to 17.6% in 21/22A-27/28E.

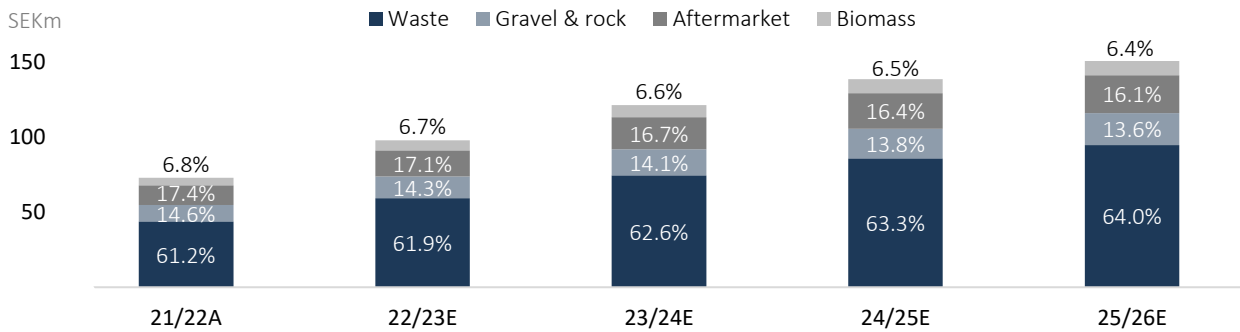
## Investment thesis in charts

### Revenue & EBIT growth 20/21A-27/28E



Sources: Analyst estimates, The Company

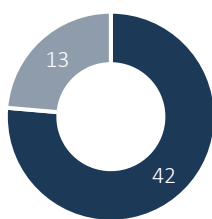
### Revenue per segment 21/22A-25/26E



Sources: Analyst estimates, The Company

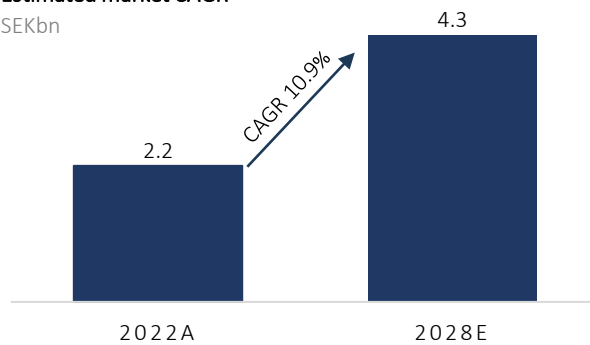
### Market opportunity

SEKbn ■ Wasted ■ Recycled



### Estimated market CAGR

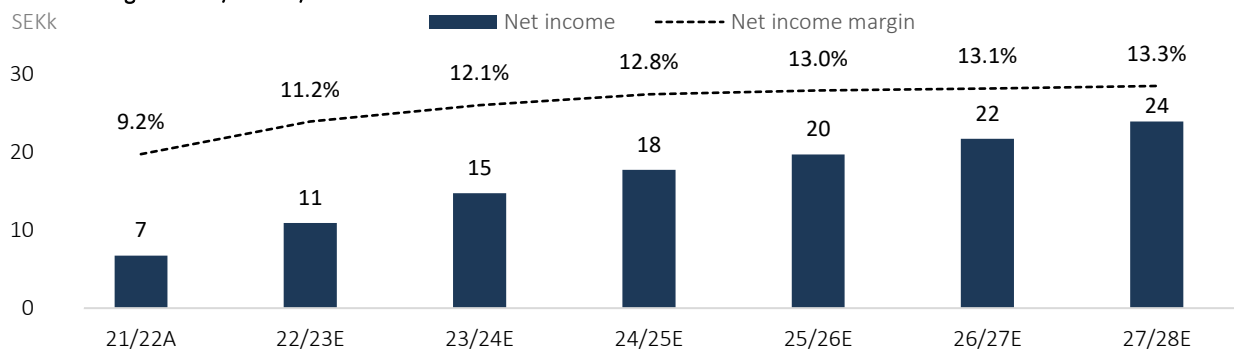
SEKbn



Sources: Expert Market Research, The Company

### Net income growth 21/22A-27/28E

SEKk



Source: Analyst estimates, The Company

## Investment thesis

### Capitalize on market tailwind and new legislations

The global market for smart waste management is in the beginning of a period of comprehensive growth. Norditek is poised to capitalize on the market opportunity, as it is projected to achieve an impressive CAGR of 10.9% between the years 2022A and 2028E. With an estimated revenue CAGR of 16.3% from 21/22A to 27/28E, Norditek is strategically positioned to leverage its strengths and seize the potential within the market. The European Union recently announced new legislation compelling union members to recycle 50% of their municipal waste in 2025. The requirement will expand to 60% in 2030 and 65% in 2035. These legislations will force companies to invest, thereby increasing the demand for Norditek's product offering. Looking forward, these legislations will enable further revenue growth for the Company. In 2020 Sweden implemented a taxation on waste incineration with 75 SEK/ton, which in 2022 increased by over 65% to 125 SEK/ton. The higher cost of incineration will give companies further incentives to expand their focus on recycling materials, supporting the previously mentioned revenue CAGR of 16.3%.

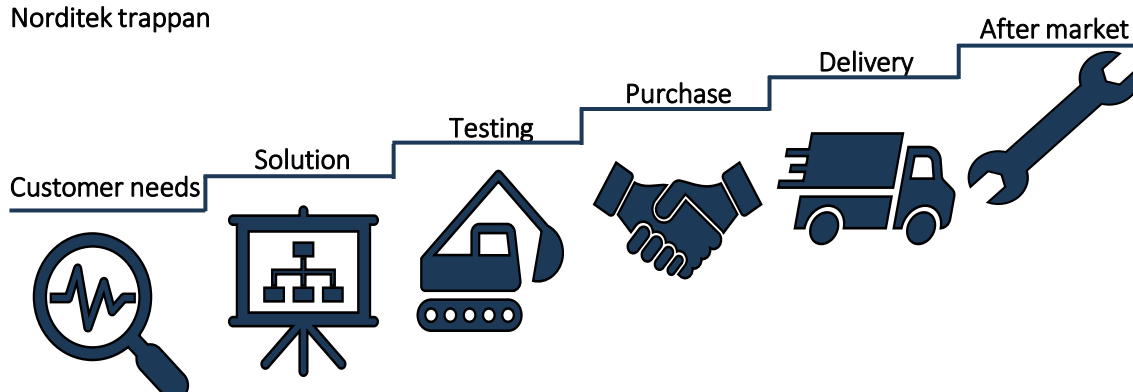
### Promising Market Opportunities avenues for growth

Within the Swedish economy, a significant amount of steel, aluminum, plastic, and paper is annually lost, amounting to approximately SEK 55 billion or 1.2% of the Swedish GDP. Shockingly, only 24% of these materials are currently recycled, resulting in a staggering loss of value totaling SEK 42 billion each year. This substantial waste of materials underscores the vast opportunities that lie ahead for Norditek. As a system solutions provider, Norditek enables its customers to obtain pure fractions of materials, thereby increasing their chances of recovering lost value from the waste mixture and capitalizing on these valuable resources.

### Unique business model – Norditek trappan

The Company's methodology, Norditek trappan, enables the Company to gain recurring revenue over time. Historically this has been the primary justification for the Company's persistent revenue and EBIT-margin growth. The business model will continuously encourage further revenue and EBIT growth, with an estimated EBIT-margin expansion from 12.7% in 21/22A to 17.6% in 27/28E. Each machinery possesses a substantial lifespan, meaning it can be leased out in turns generating considerable margins before eventually getting sold. Norditek's distinctive solutions lucrative open avenues for sales growth, empowering customers to maximize their business operations. By offering flexible leasing options, Norditek enables businesses to swiftly and cost-effectively initiate and sustain their ventures, regardless of economic circumstances. This approach expands Norditek's market reach, particularly among smaller companies with limited resources, who can now access and lease the Company's advanced machinery. By capitalizing on this increased accessibility, Norditek amplifies its potential for accelerated revenue growth and strengthens its position in the market.

#### Norditek trappan



Sources: Analysts, The Company

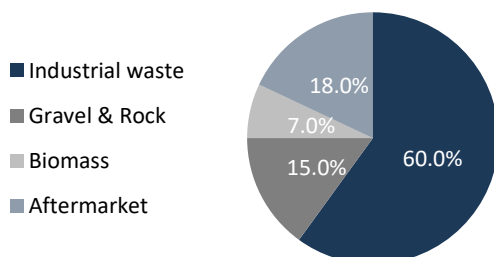
## Company Overview

Norditek is a Swedish-based waste management Company operating entirely in Sweden. The Company was founded in 1998, went public in November 2021, and is listed at Nasdaq First North Growth Market. Norditek provides system solutions and individual machinery to companies managing construction waste. The typical waste mixture is plastic, metal, and wood, whereas Norditek's solutions enable the customer to obtain pure fractions of materials, either to resell or to reuse themselves. As of 2021, the Company had approximately 720 active system solutions in Sweden. The Company's strategy is to grow both organically and through acquisitions. Historically, Norditek has been able to align with its financial goals of an EBIT-margin of 17% and organic growth of 15% yearly from its beginning to today. The Company strongly believes it will be able to beat its financial goals looking forward due to its future acquisition intentions.

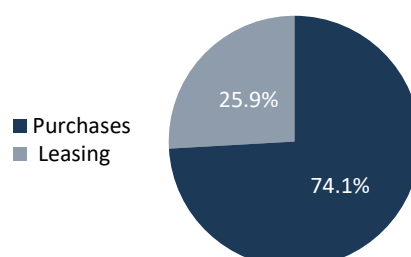
## Business Model

Norditek operates within the Swedish recycling industry, generating revenue by selling and renting out its system solutions and machinery. The Company operates in four distinct segments: waste, rock & gravel, biomass and aftermarket sales. Norditek strategically positions itself as a key player in the recycling industry through its innovative "Norditek Trappan" approach. This enables the Company to nurture crucial customer relationships, fostering mutual growth. Norditek's wide-ranging mechanical equipment allows for tailored and adjustable system solutions, catering to diverse customer needs. To validate the desired outcome, customers typically begin by leasing the machinery before making a purchase. This customer-centric approach, supported by adaptable solutions and a comprehensive value chain, solidifies Norditek's position as a reliable industry partner committed to meeting evolving demands.

Share of revenue by segment 21/22A



Revenue split purchases and leasing 21/22A



Source: The Company

## Market Overview

Norditek operates in the Swedish waste management market, which includes sorting and recycling. The Company's main sectors within the waste management industry are waste, rock & gravel, biomass and aftermarket sales. The market is fragmented with a few larger actors and many smaller family-owned corporations who operate in different niches of the market. Sweden imports a lot of waste and has a large domestic waste disposal. Sweden's extensive mining industry contributes a significant portion of the waste generated within the country. While there is a growing trend towards increased material recycling, the magnitude of lost material remains substantial. Astonishingly, the collective value of steel, aluminum, plastic, and paper that escapes Sweden's economy amounts to a staggering SEK 55bn annually. Only 24% of this value undergoes recycling, signaling an immense opportunity for the waste management market to expand. This opportunity arises from the potential for enhanced profitability and the compelling environmental benefits associated with bolstering recycling efforts.

## Valuation

### Norditek is trading at an 87.0% discount relative to peers despite showing stronger growth

Two of the peers chosen, Waste Management and Waste Connection, operate in the waste disposal sector. Waste Management handles both municipal and industrial waste while Waste Connection operates landfills. Both companies are based in the US and are active in North America with the US as their main market. Tomra Systems develops deposit systems and waste sorting solutions and operates worldwide. All peers are significantly larger than Norditek but are projected to grow less. Norditek is currently trading at an EV/EBIT multiple of 13.1x in 23/24E and the peer median EV/EBIT multiple is 24.5x. Due to the difference in size and the enclosed larger risk with Norditek, a discount of 20% is justified. A 20% discount of the peer median implies a target multiple of 19.6x EV/EBIT 23/24E, a target price of SEK 26.2 and a potential upside of 63.8%.

Peer Valuation SEKm	Market Data		Financials			Valuation
Company Name	MCAP	EV	EBIT	Sales	Sales growth	EV/EBIT 24E
Waste Management	723,883	862,995	42,350	225,114	9.4%	20.4x
Waste Connection	389,350	455,417	17,615	89,580	11.1%	25.9x
Tomra Systems	51,593	53,003	2,160	14,927	9.1%	24.5x
<b>Median</b>	<b>389,350</b>	<b>455,417</b>	<b>17,615</b>	<b>89,580</b>	<b>9.4%</b>	<b>24.5x</b>
<b>Mean</b>	<b>388,275</b>	<b>457,138</b>	<b>20,708</b>	<b>109,874</b>	<b>9.9%</b>	<b>23.6x</b>
Norditek Group	202	256	20	121	16.2%	13.1x

### DCF implies a target price of 34.2

A 6-year DCF has been conducted of estimates (22/23E-27/28E), implying a 113.8% upside. The terminal growth rate is assumed to be 2.2%, which is in line with Sweden's expected GDP growth. With a cost of equity of 7.9% and a cost of debt of 3.5%, the WACC is calculated to 6.0%. The NOPAT is based on analyst estimates with an average EBIT-margin of 16.7%, a topline CAGR of 16.3% and a tax rate of 20.6%. The target price is based on the present value from the estimated unlevered free cash flows of SEK 77.5m and the terminal value of SEK 408.0m. Therefore, the DCF implies an enterprise value of SEK 485.5m and with a net debt of SEK 53.9, an equity value of SEK 431.6m is implied. With the calculated equity value, the target price amounts to SEK 34.2 which entails a potential upside of 113.8%

Key cash flow components SEKk	22/23E	23/24E	24/25E	25/26E	26/27E	27/28E
Revenue	97,794	121,370	138,518	151,194	165,065	180,247
EBIT	14,609	19,623	23,519	26,108	28,770	31,735
Taxes	(2,829)	(3,818)	(4,589)	(5,099)	(5,622)	(6,205)
<b>NOPAT</b>	<b>11,780</b>	<b>15,804</b>	<b>18,929</b>	<b>21,008</b>	<b>23,148</b>	<b>25,530</b>
D&A	4,601	4,866	5,168	5,204	5,414	5,594
CapEx	(1,067)	(1,324)	(1,511)	(1,649)	(1,800)	(1,966)
Change in NWC	419	(11,432)	(8,315)	(6,146)	(6,726)	(7,362)
<b>Unlevered free cash flow</b>	<b>15,734</b>	<b>7,914</b>	<b>14,272</b>	<b>18,417</b>	<b>20,036</b>	<b>21,796</b>

## Appendix

Income statement SEKk	19/20A	20/21A	21/22A	22/23E	23/24E	24/25E	25/26E	26/27E	27/28E
Net revenue	53,035	69,644	71,656	96,554	119,832	136,763	149,278	162,974	177,963
Other operating income	273	945	1,276	1,239	1,538	1,755	1,916	2,092	2,284
<b>Revenue</b>	<b>53,308</b>	<b>70,589</b>	<b>72,932</b>	<b>97,794</b>	<b>121,370</b>	<b>138,518</b>	<b>151,194</b>	<b>165,065</b>	<b>180,247</b>
COGS	(25,523)	(40,951)	(40,283)	(53,042)	(65,829)	(75,130)	(82,005)	(89,529)	(97,763)
<b>Gross profit</b>	<b>27,785</b>	<b>29,638</b>	<b>32,649</b>	<b>44,752</b>	<b>55,541</b>	<b>63,388</b>	<b>69,189</b>	<b>75,536</b>	<b>82,484</b>
<i>Gross margin</i>	52.1%	42.0%	44.8%	45.8%	45.8%	45.8%	45.8%	45.8%	45.8%
OPEX	(15,533)	(18,614)	(18,310)	(25,542)	(31,052)	(34,701)	(37,877)	(41,352)	(45,155)
Other external costs	(9,176)	(10,741)	(9,237)	(14,195)	(17,258)	(19,286)	(21,051)	(22,982)	(25,096)
Personel costs	(5,891)	(7,838)	(8,401)	(10,775)	(13,100)	(14,639)	(15,979)	(17,445)	(19,049)
Other operating expenses	(466)	(35)	(672)	(571)	(694)	(776)	(847)	(925)	(1,010)
<b>EBITDA</b>	<b>12,252</b>	<b>11,024</b>	<b>14,339</b>	<b>19,210</b>	<b>24,488</b>	<b>28,687</b>	<b>31,312</b>	<b>34,184</b>	<b>37,329</b>
<i>EBITDA-margin</i>	23.0%	15.6%	19.7%	19.6%	20.2%	20.7%	20.7%	20.7%	20.7%
Depreciation	(899)	(711)	(1,060)	(657)	(922)	(1,224)	(1,260)	(1,470)	(1,650)
<b>EBITA</b>	<b>11,353</b>	<b>10,313</b>	<b>13,279</b>	<b>18,553</b>	<b>23,567</b>	<b>27,463</b>	<b>30,052</b>	<b>32,714</b>	<b>35,679</b>
<i>EBITA-margin</i>	21.3%	14.6%	18.2%	19.0%	19.4%	19.8%	19.9%	19.8%	19.8%
Amortization	(1,859)	(1,488)	(4,025)	(3,944)	(3,944)	(3,944)	(3,944)	(3,944)	(3,944)
D&A	(2,749)	(2,199)	(5,085)	(4,601)	(4,866)	(5,168)	(5,204)	(5,414)	(5,594)
<b>EBIT</b>	<b>9,504</b>	<b>8,825</b>	<b>9,254</b>	<b>14,609</b>	<b>19,623</b>	<b>23,519</b>	<b>26,108</b>	<b>28,770</b>	<b>31,735</b>
<i>EBIT-margin</i>	17.8%	12.5%	12.7%	14.9%	16.2%	17.0%	17.3%	17.4%	17.6%
Interest expenses	(249)	(240)	(1,273)	(876)	(1,087)	(1,240)	(1,354)	(1,478)	(1,614)
<b>EBT</b>	<b>9,254</b>	<b>8,585</b>	<b>7,981</b>	<b>13,734</b>	<b>18,536</b>	<b>22,278</b>	<b>24,754</b>	<b>27,292</b>	<b>30,121</b>
<i>EBT-margin</i>	17.4%	12.2%	10.9%	14.0%	15.3%	16.1%	16.4%	16.5%	16.7%
Tax expense	(1,970)	(1,812)	(1,276)	(2,829)	(3,818)	(4,589)	(5,099)	(5,622)	(6,205)
<b>Net income</b>	<b>7,285</b>	<b>6,773</b>	<b>6,705</b>	<b>10,904</b>	<b>14,717</b>	<b>17,689</b>	<b>19,655</b>	<b>21,670</b>	<b>23,916</b>
<i>Net margin</i>	13.7%	9.6%	9.2%	11.2%	12.1%	12.8%	13.0%	13.1%	13.3%

WACC	Terminal growth rate						
	1.6%	1.8%	2.0%	2.2%	2.4%	2.6%	2.8%
5.4%	35.5	37.4	39.6	42.1	44.9	48.1	51.8
5.6%	33.4	35.1	37.1	39.2	41.7	44.4	47.6
5.8%	31.5	33.1	34.8	36.7	38.8	41.2	44.0
6.0%	29.8	31.2	32.7	34.2	36.3	38.4	40.8
6.2%	28.2	29.5	30.9	32.4	34.1	36.0	38.1
6.4%	26.8	27.9	29.2	30.6	32.1	33.7	35.6
6.6%	25.5	26.5	27.6	28.9	30.2	31.7	33.4

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