

HMS Networks

Less backlog support to hurt Q1 sales

- Q1 results due on 16 April
- Adj. EBIT -47% y-o-y on tough comps and lower deliveries
- Great mid- and long-term story, but too dearly priced

Q1 results

The global supply chain drought impacted HMS in multiple ways. Lead times were longer, costs for components increased and customers placed orders for delivery later than usual, resulting in a ballooned order backlog. At its peak in Q3'22, HMS' order backlog was 6x pre-pandemic levels. While the end-of-Q4 order backlog remains above historical levels (~3x), we believe that the durability has normalised, with demand in terms of deliveries starting to match the order intake. With continued negative order intake on the cards for Q1e (SEK 485m, -30% organic y-o-y) due to destocking and some market slowdown in EU/APAC, we expect HMS' sales to suffer. One of its peers, U-Blox, cited similar trends as the main reasons behind its guidance of Q1 revenues -66% y-o-y ([link](#)), but it expects gradual improvements in the subsequent period. We forecast Q1e sales of SEK 626m (-18% org. y-o-y) and adj. EBIT of SEK 113m, -47% y-o-y, for a margin of 18% (27%).

Estimate changes

Negative currency effects and lower delivery assumptions mean that our adj. EBIT comes down by 3% for '24e, but with small revisions for '25e-'26e. As previously highlighted, we have not included the acquisition of Red Lion into our forecasts, as we await closing (likely in Q2); this could potentially give >20% upside to our '25e EPS adj. estimate.

Share price view

We continue to argue that HMS is well-positioned in an attractive market that benefits from long-term structural drivers. However, both its market and operations have historically been cyclical, which has recently hurt its orders and thus the backlog support. Although the trough in absolute orders was likely in Q4, this will hurt near-term earnings; as such, we see adj. EBIT -36% y-o-y in '24e. At 43x-31x '24e-'25e EV/EBIT, we therefore reiterate SELL and our TP of SEK 385.

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SEKm	2022	2023	2024e	2025e	2026e
Sales	2,506	3,025	2,681	3,078	3,443
EBITDA	752	873	622	804	924
EBITDA margin (%)	30.0	28.9	23.2	26.1	26.8
EBIT adj.	625	777	497	676	796
EBIT adj. margin (%)	24.9	25.7	18.5	22.0	23.1
Pretax profit	624	718	500	686	811
EPS	10.89	12.24	8.46	11.62	13.74
EPS adj.	10.80	12.90	8.78	11.86	13.94
Sales growth (%)	27.1	20.7	-11.4	14.8	11.9
EPS growth (%)	40.1	12.4	-30.9	37.4	18.2

Source: ABG Sundal Collier, Company Data

Reason: Preview of results

BUY  HOLD  SELL 

IT

Estimate changes (%)

	2024e	2025e	2026e
Sales	-2.1	-0.5	-0.0
EBIT	-4.0	0.3	0.3
EPS	-3.9	0.2	0.3

Source: ABG Sundal Collier

HMS-SE/HMS SS

Share price (SEK)	14/3/2024	462.60
Target price		385.0

MCap (SEKm)	21,658
MCap (EURm)	1,934
No. of shares (m)	46.8
Free float (%)	58.4
Av. daily volume (k)	17

Next event Q1 Report 16 April 2024

Performance



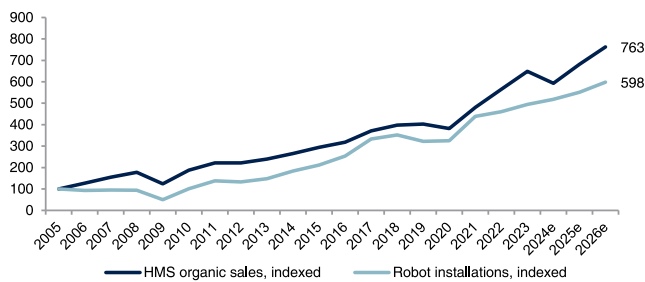
— HMS-SE — OMX Stockholm All Share Index

	2024e	2025e	2026e
P/E (x)	54.7	39.8	33.7
P/E adj. (x)	52.7	39.0	33.2
P/BVPS (x)	10.17	8.80	7.55
EV/EBITDA (x)	34.4	26.3	22.5
EV/EBIT adj. (x)	43.1	31.2	26.1
EV/sales (x)	7.98	6.86	6.04
ROE adj. (%)	20.4	24.3	24.6
Dividend yield (%)	1.0	1.1	1.2
FCF yield (%)	3.1	2.5	2.9
Le. adj. FCF yld. (%)	2.9	2.3	2.6
Net IB debt/EBITDA (x)	-0.3	-0.6	-0.8
Le. adj. ND/EBITDA (x)	-0.8	-0.9	-1.2

Company description

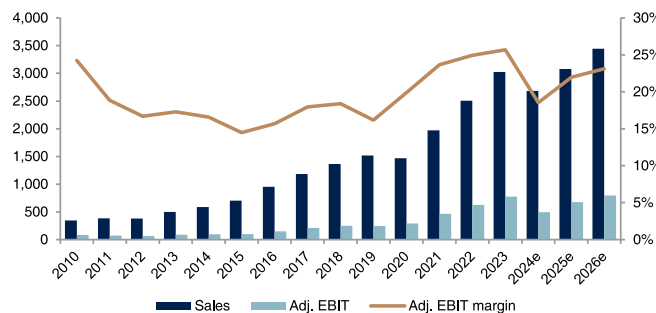
HMS Networks is a global supplier of products within the communication technology area. The primary focus is to make industrial devices accessible of communicating with each other. In addition to this, the company develops and commercializes software for remote monitoring and control. More than 90% of the total sales is done outside of Sweden, whereas the central markets are Germany, Japan and the US.

Outgrowing robot installations



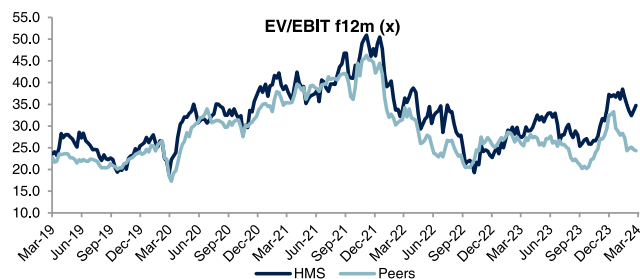
Source: ABG Sundal Collier, company data, IFR

Forecasts, yearly



Source: ABG Sundal Collier, company data

EV/EBIT f12m (x) - HMS vs. Nordic HW peers

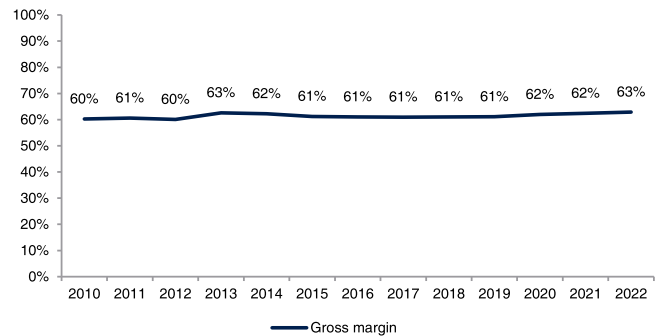


Source: ABG Sundal Collier, FactSet

Risks

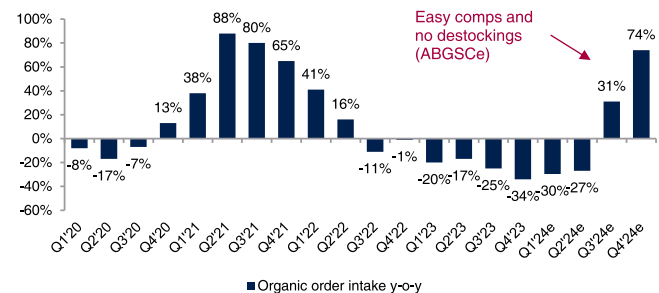
Even though a key driver for HMS is the digitalization trend, it is operating within the industrial segment, which is characterized by cyclicality. Hence, the demand for HMS's products should be affected by the general economic condition. Another risk lies with competition. HMS is exposed to competition, which could affect the profitability going forward. The primary competition is from HMS's customers themselves, who can choose to use substitutional self-developed solutions instead of implementing HMS's products.

Exceptionally low gross margin volatility



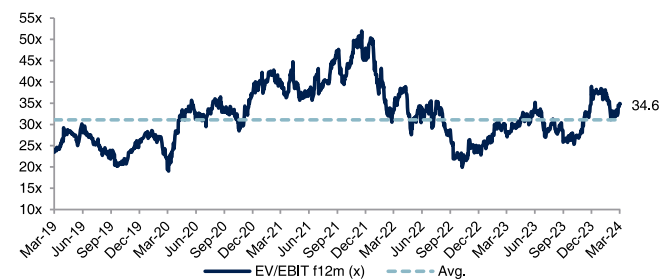
Source: ABG Sundal Collier, company data

Org. orders y-o-y



Source: ABG Sundal Collier, company data

EV/EBIT f12m (x)



Source: ABG Sundal Collier, FactSet

Red Lion pro forma overview - scenario analysis

SEK m	2021	2022	2023	2024e	2025e
HMS (ABGSCe)					
Net sales	1,972	2,506	3,025	2,681	3,078
y-o-y	34%	27%	21%	-11%	15%
Adj. EBIT	467	625	777	497	676
Adj. EBIT margin	23.7%	24.9%	25.7%	18.5%	22.0%
Adj. EBIT y-o-y	59.9%	33.9%	24.3%	-36.1%	36.2%
PTP	449	624	718	500	686
Net profit	363	508	571	395	542
Adj. EPS	8.1	10.4	12.6	8.5	11.6
Red Lion (closing expected H1'24)			r12m Q3'23	2024e	2025e
Net sales			1,397	1,238	1,422
y-o-y				-11%	15%
Adj. EBIT			288	184	251
Adj. EBIT margin			20.6%	14.9%	17.6%
Adj. EBIT y-o-y				-36.1%	36.2%
PTP					
Net profit					
Adj. EPS					
Preliminary pro forma overview			r12m Q3'23	2024e	2025e
Sales				3,919	4,500
Addition, %				46%	46%
Adj. EBIT				681	927
Addition, %				37%	37%
adj. EBIT margin				17.4%	20.6%
Net financials (assumed 6% interest rate)				-120	-50
PTP				561	877
Taxes				-119	-189
Tax rate				-21%	-22%
Adj. net profit				442	688
Adj. EPS (6% dilution)				8.9	13.9
Addition, %				5%	20%
Multiples at SEK 465/share				2024e	2025e
EV/EBIT adj., excl Red Lion				43.4x	31.5x
EV/EBIT adj. pro forma				36.9x	26.7x
P/E adj. excl. Red Lion				55.0x	40.0x
P/E adj. pro forma				52.1x	33.5x

Source: ABG Sundal Collier, company data

Estimate changes

Estimate changes SEKm	Old forecast			New forecast			Change		
	2024e	2025e	2026e	2024e	2025e	2026e	2024e	2025e	2026e
Net sales	2,739	3,094	3,445	2,681	3,078	3,443	-2.1%	-0.5%	0.0%
EBIT	514	675	794	494	676	796	-4.0%	0.3%	0.3%
NRIs	0	0	0	-3	0	0	nmf	nmf	nmf
Adj. EBIT	514	675	794	497	676	796	-3.4%	0.3%	0.3%
Pre-tax profit	520	685	809	500	686	811	-3.9%	0.2%	0.3%
Net income	411	541	639	395	542	641	-3.9%	0.2%	0.3%
Orders									
Order intake	2,344	3,117	3,522	2,344	3,088	3,490	0.0%	-0.9%	-0.9%
Destockings	-395	0	0	-395	0	0	0.0%	na	na
FX revaluation	20	0	0	10	0	0	-50.0%	na	na
Underlying orders	2,719	3,117	3,522	2,729	3,088	3,490	0.4%	-0.9%	-0.9%

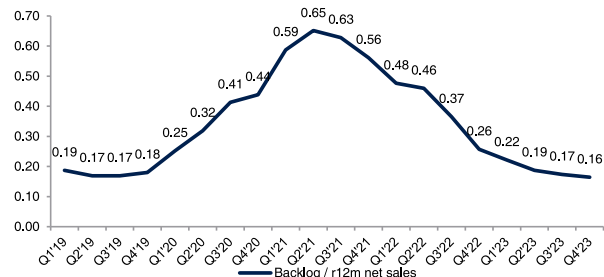
Source: ABG Sundal Collier, company data

Order backlog (SEKbn)



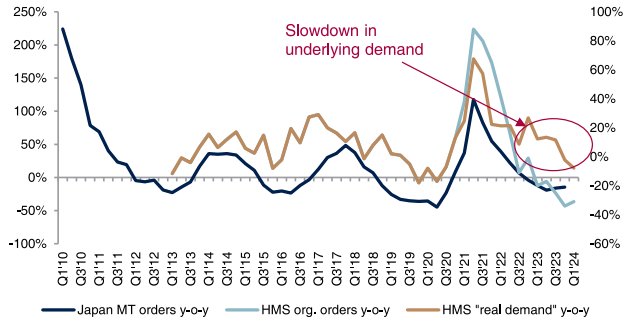
Source: ABG Sundal Collier, company data

Backlog / r12m net sales



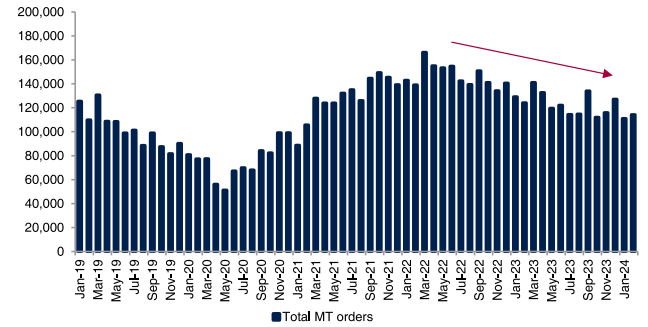
Source: ABG Sundal Collier, company data

Japan machinery orders vs. HMS org. orders



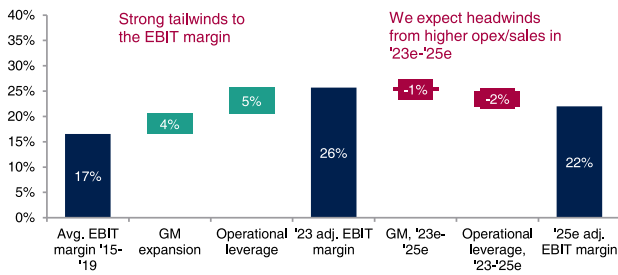
Source: ABG Sundal Collier, company data, JMTBA

Total Japan MT orders, monthly (JPYm)



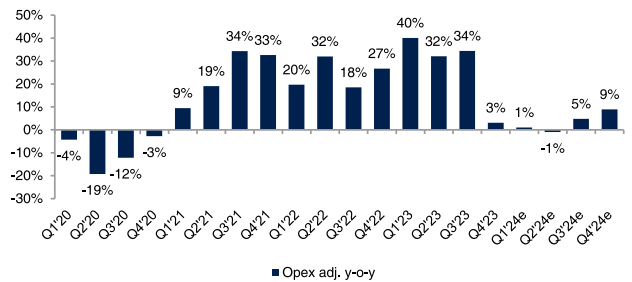
Source: ABG Sundal Collier, JMTBA

'23-'25e EBIT margin bridge



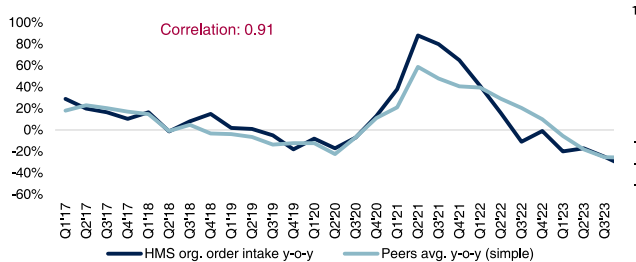
Source: ABG Sundal Collier, company data

Opex adj. y-o-y



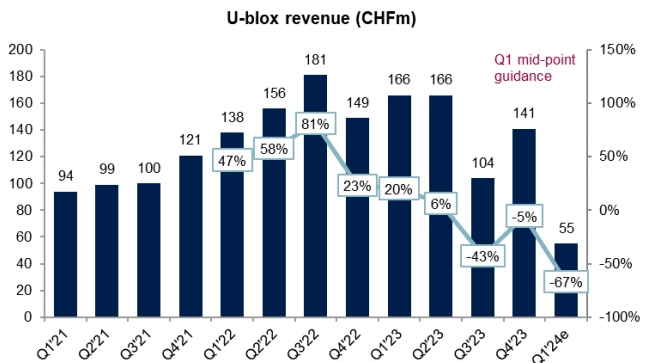
Source: ABG Sundal Collier, company data

HMS org. order intake vs. orders y-o-y for selected robotics players



Source: ABG Sundal Collier, company data (simple avg. for HMS, Fanuc, Yaskawa, ABB Robotics, Kuka)

U-Blox Q1 revenue guidance



Source: ABG Sundal Collier, company data

HMS vs. peers

	Mcap	EV/Sales			EV/EBIT			P/E			EBIT margin (%)		
Valuation	SEKm	2023	2024e	2025e	2023	2024e	2025e	2023	2024e	2025e	2023	2024e	2025e
Nordic HW peers													
Autostore	65,841	10.3	9.4	7.8	24.3	22.8	18.7	n.a.	29.6	24.1	42.5	41.2	41.8
CTT	3,533	11.2	8.4	6.1	29.3	24.8	18.6	36.1	30.7	23.6	38.2	33.8	33.0
engcon	9,903	6.8	7.4	5.8	34.3	47.4	27.5	47.1	63.9	37.3	19.8	15.6	21.0
Hexagon	326,609	6.2	5.8	5.3	23.3	20.2	18.1	25.6	24.4	21.8	26.6	28.6	29.5
Invisio	10,349	8.2	7.1	6.0	41.8	33.1	25.2	55.3	44.6	35.2	19.6	21.5	23.9
Nordic Semiconductor	16,567	2.6	3.2	2.3	301.2	n.a.	64.9	206.7	n.a.	91.1	0.9	-9.9	3.6
NCAB	12,471	3.2	3.2	2.9	22.6	22.8	20.0	29.7	29.8	26.1	14.1	14.1	14.4
Mycronic	34,467	5.7	4.8	5.0	26.4	18.1	21.5	31.9	24.1	29.2	21.6	26.8	23.2
Tomra	46,386	3.4	3.4	3.1	35.3	27.5	21.4	46.9	38.6	29.8	9.8	12.4	14.2
Troax	13,416	4.8	4.2	3.8	24.9	21.5	19.0	32.7	28.1	24.9	19.1	19.5	19.9
Mips	8,123	21.6	16.0	12.1	106.6	45.4	27.9	123.1	58.1	36.9	20.2	35.2	43.4
Median	13,416	6.2	5.8	5.3	29.3	23.8	21.4	41.5	30.2	29.2	19.8	21.5	23.2
Average	49,788	7.6	6.6	5.5	60.9	28.4	25.7	63.5	37.2	34.5	21.1	21.7	24.4
International automation													
ABB	922,369	2.8	2.7	2.5	18.7	16.9	15.3	23.2	22.1	20.3	15.1	15.8	16.4
Advantech	110,143	5.0	4.6	4.1	26.5	24.4	21.0	31.3	29.6	26.1	18.8	19.0	19.7
Belden	36,374	1.7	1.8	1.5	10.8	12.4	9.8	12.7	15.0	11.9	15.3	14.4	15.8
Cognex	71,778	8.1	7.1	6.1	49.7	45.2	28.0	62.9	53.6	34.2	16.3	15.8	21.9
Emerson	645,545	4.1	3.7	3.5	18.5	18.4	16.2	23.6	20.0	18.4	22.9	19.8	21.7
Fanuc	298,727	4.6	4.5	4.1	24.7	23.7	19.0	29.6	28.9	23.9	17.5	19.6	22.5
Honeywell	1,332,901	3.9	3.7	3.5	17.2	15.9	14.7	21.8	20.0	18.3	22.7	23.3	23.7
Rockwell Automation	333,457	3.8	3.7	3.5	18.5	19.4	17.1	23.5	22.8	20.8	21.3	18.7	20.1
U-Blox	7,097	1.0	1.1	0.9	7.9	18.7	8.0	n.a.	30.7	13.1	12.1	5.7	11.1
Yaskawa	115,053	3.0	2.8	2.7	25.6	23.8	20.5	33.2	31.1	27.0	11.5	12.0	13.2
Median	206,890	3.9	3.7	3.5	18.6	19.0	16.7	23.6	25.8	20.5	16.9	17.2	19.9
Average	387,345	3.8	3.6	3.2	21.8	21.9	17.0	29.1	27.4	21.4	17.3	16.4	18.6
HMS (ABGSCe)	21,696	7.3	8.0	6.9	28.3	43.4	31.5	38.0	55.0	40.0	25.7	18.5	22.0
vs. Nordic HW		17%	39%	30%	-3%	83%	47%	-8%	82%	37%			
vs. int. automation		89%	117%	99%	52%	128%	89%	61%	113%	95%			

Source: ABG Sundal Collier, FactSet

Forecasts, quarterly

SEKm	Q1'21	Q2'21	Q3'21	Q4'21	Q1'22	Q2'22	Q3'22	Q4'22	Q1'23	Q2'23	Q3'23	Q4'23	Q1'24e	Q2'24e	Q3'24e	Q4'24e
Net sales	455	474	472	571	517	601	624	764	773	703	789	760	626	614	683	759
COGS	-163	-172	-182	-224	-198	-227	-227	-278	-272	-248	-273	-264	-220	-219	-244	-269
Gross profit	291	302	290	347	319	374	397	486	501	455	516	496	406	395	439	489
Selling and marketing	-81	-82	-92	-117	-97	-112	-109	-139	-136	-145	-148	-160	-148	-155	-160	-180
Admin costs	-36	-44	-41	-53	-41	-49	-55	-68	-72	-76	-68	-66	-65	-65	-65	-65
R&D costs	-60	-57	-55	-64	-61	-63	-61	-76	-79	-78	-76	-86	-80	-82	-82	-85
Other income	0	1	0	1	27	0	7	0	0	0	0	9	0	0	0	0
Other costs	0	0	-1	-4	-8	-8	0	-11	-3	-6	-1	-23	-3	0	0	0
EBIT	114	121	101	109	139	143	179	192	211	150	223	170	110	93	132	159
Net financials	1	-4	1	5	-4	-2	-11	-11	2	-8	-2	-28	0	0	3	3
PTP	115	117	102	114	135	140	168	180	213	143	220	142	110	93	135	162
Taxes	-21	-19	-18	-28	-23	-31	-33	-29	-40	-27	-48	-32	-23	-19	-28	-34
Minority	0	0	0	0	0	0	0	0	0	0	0	1	0	0	0	0
Net profit	94	98	84	86	112	109	135	151	173	116	172	110	87	73	107	128
EPS	2.0	2.1	1.8	1.8	2.4	2.3	2.9	3.2	3.7	2.5	3.7	2.3	1.9	1.6	2.3	2.7
Adj. EBIT	118	127	106	115	112	143	179	192	211	150	223	193	113	93	132	159
Adj. EBITA	123	132	111	120	117	148	185	198	215	154	227	197	117	97	136	163
Order intake	565	606	669	699	857	815	675	718	682	703	492	426	485	499	625	734
Book-to-bill	1.24	1.28	1.42	1.22	1.66	1.36	1.08	0.94	0.88	1.00	0.62	0.56	0.78	0.81	0.92	0.97
"Boosted" orders	65	100	140	200	250	150	50	85	0	-30	-150	-150	-160	-160	-75	0
FX revaluation of backlog	0	0	0	0	0	50	50	0	0	35	0	-43	10	0	0	0
Underlying orders	500	506	529	499	607	615	575	633	682	698	642	619	635	659	700	734
Growth	Q1'21	Q2'21	Q3'21	Q4'21	Q1'22	Q2'22	Q3'22	Q4'22	Q1'23	Q2'23	Q3'23	Q4'23	Q1'24e	Q2'24e	Q3'24e	Q4'24e
Sales growth y-o-y	26%	34%	37%	41%	14%	27%	32%	34%	50%	17%	26%	-1%	-19%	-13%	-13%	0%
Of which M&A	14%	15%	21%	5%	4%	4%	0%	0%	1%	1%	0%	0%	0%	0%	0%	0%
Of which organic	20%	28%	18%	37%	5%	17%	24%	22%	41%	9%	20%	-3%	-18%	-11%	-10%	2%
Of which FX	-8%	-9%	-2%	-2%	5%	6%	9%	11%	8%	6%	6%	2%	-1%	-2%	-4%	-2%
Adj. EBIT y-o-y	76%	74%	38%	53%	-5%	13%	69%	67%	88%	5%	25%	1%	-47%	-38%	-41%	-17%
Adj. EBITA y-o-y	71%	71%	35%	50%	-5%	12%	67%	65%	84%	4%	23%	-1%	-46%	-37%	-40%	-17%
Orders y-o-y	41%	101%	99%	71%	52%	34%	1%	3%	-20%	-14%	-27%	-41%	-29%	-29%	27%	72%
Organic orders y-o-y	38%	88%	80%	65%	41%	16%	-11%	-1%	-20%	-17%	-25%	-34%	-30%	-27%	31%	74%
"Underlying orders" y-o-y	25%	68%	57%	22%	21%	22%	9%	27%	12%	13%	12%	-2%	-7%	-6%	9%	19%
Margins	Q1'21	Q2'21	Q3'21	Q4'21	Q1'22	Q2'22	Q3'22	Q4'22	Q1'23	Q2'23	Q3'23	Q4'23	Q1'24e	Q2'24e	Q3'24e	Q4'24e
Gross margin	64.0%	63.7%	61.4%	60.8%	61.7%	62.2%	63.6%	63.6%	64.8%	64.7%	65.4%	65.3%	64.8%	64.3%	64.3%	64.5%
EBITDA margin	31.2%	31.0%	26.3%	23.1%	31.1%	27.8%	32.7%	28.9%	31.0%	25.5%	31.9%	26.6%	22.6%	20.3%	24.0%	25.2%
EBIT margin	25.1%	25.5%	21.4%	19.1%	26.9%	23.8%	28.7%	25.1%	27.3%	21.3%	28.3%	22.4%	17.5%	15.1%	19.3%	21.0%
Adj. EBIT margin	25.9%	26.8%	22.5%	20.1%	21.7%	23.8%	28.7%	25.1%	27.3%	21.3%	28.3%	25.4%	18.0%	15.1%	19.3%	21.0%
Adj. EBITA margin	27.0%	27.8%	23.5%	21.0%	22.6%	24.6%	29.6%	25.9%	27.8%	21.9%	28.8%	25.9%	18.6%	15.8%	19.9%	21.5%
PTP margin	25.3%	24.7%	21.6%	20.0%	26.1%	23.3%	26.9%	23.6%	27.6%	20.3%	27.9%	18.7%	17.5%	15.1%	19.8%	21.4%
Incremental EBIT margin	50.0%	43.7%	18.9%	20.5%	40.3%	17.3%	51.3%	43.0%	28.1%	6.9%	26.7%	550.0%	68.9%	64.3%	85.6%	743.8%
Sales breakdown	Q1'21	Q2'21	Q3'21	Q4'21	Q1'22	Q2'22	Q3'22	Q4'22	Q1'23	Q2'23	Q3'23	Q4'23	Q1'24e	Q2'24e	Q3'24e	Q4'24e
Anybus	214	231	220	249	257	276	324	375	440	381	486	450	322	294	404	397
IXXAT	47	41	53	51	46	67	61	60	62	78	91	84	62	59	65	70
eWon	93	97	73	116	98	130	110	137	157	126	117	116	125	139	112	166
Intesis	31	34	34	34	41	49	39	49	56	64	60	59	59	64	64	67
Services + other	69	71	92	122	75	79	90	143	59	54	34	52	59	58	38	59
Totalt	454	474	472	572	517	601	624	764	774	703	788	761	626	614	683	759

Source: ABG Sundal Collier, company data

Forecasts, yearly

SEKm	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024e	2025e	2026e
Net sales	702	952	1,183	1,366	1,519	1,467	1,972	2,506	3,025	2,681	3,078	3,443
COGS	-272	-371	-462	-532	-591	-558	-741	-930	-1,057	-953	-1,096	-1,214
Gross profit	430	581	722	834	928	909	1,230	1,576	1,968	1,729	1,982	2,229
Selling and marketing	-165	-226	-268	-310	-349	-312	-372	-457	-589	-643	-682	-757
Admin costs	-61	-79	-103	-111	-124	-123	-174	-213	-282	-260	-276	-289
R&D costs	-103	-119	-140	-162	-190	-180	-235	-261	-319	-329	-349	-387
Other income	1	0	2	6	20	12	2	34	9	0	0	0
Other costs	0	-8	0	-5	-42	-18	-6	-27	-33	-3	0	0
EBIT	102	149	212	251	243	288	446	652	754	494	676	796
Net financials	-14	-10	-17	-20	-15	-14	3	-28	-36	6	10	15
PTP	88	140	195	232	228	274	449	624	718	500	686	811
Taxes	-27	-39	-52	-61	-23	-54	-86	-116	-147	-105	-144	-170
Minority	0	0	0	0	0	0	0	0	0	0	0	0
Net profit	60	100	143	171	205	220	363	508	571	395	542	641
EPS	1.3	2.2	3.1	3.8	4.4	4.7	7.7	10.9	12.2	8.4	11.6	13.7
	0	0	0	0	0	0	0	0	0	0	0	0
Adj. EBIT	102	149	212	251	245	292	467	625	777	497	676	796
Adj. EBITA	110	160	225	264	260	311	487	647	793	513	690	808
Order intake	682	966	1,204	1,433	1,470	1,447	2,539	3,065	2,303	2,344	3,088	3,490
Book-to-bill	0.97	1.01	1.02	1.05	0.97	0.99	1.29	1.22	0.76	0.87	1.00	1.01
"Boosted" orders							505	535	-330	-395	0	0
FX revaluation of backlog							0	100	-8	10	0	0
Underlying orders	681	965	1,204	1,433	1,471	1,447	2,034	2,430	2,641	2,729	3,088	3,490
Growth	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024e	2025e	2026e
Sales growth y-o-y	19%	36%	24%	15%	11%	-3%	34%	27%	21%	-11%	15%	12%
Of which M&A	0%	26%	6%	3%	5%	3%	13%	2%	0%	0%	0%	0%
Of which organic	11%	8%	17%	7%	1%	-5%	26%	17%	15%	-9%	15%	12%
Of which FX	8%	2%	2%	5%	5%	-1%	-5%	8%	5%	-3%	0%	0%
Adj. EBIT y-o-y	4%	47%	42%	18%	-2%	19%	60%	34%	24%	-36%	36%	18%
Adj. EBITA y-o-y	4%	46%	40%	18%	-1%	19%	57%	33%	23%	-35%	35%	17%
Orders y-o-y	12%	42%	25%	19%	3%	-2%	75%	21%	-25%	2%	32%	13%
Organic orders y-o-y	3%	8%	17%	9%	-5%	-4%	66%	11%	-31%	4%	32%	13%
"Underlying orders" y-o-y	11%	42%	25%	19%	3%	-2%	41%	19%	9%	3%	13%	13%
Margins	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024e	2025e	2026e
Gross margin	61.2%	61.0%	61.0%	61.1%	61.1%	62.0%	62.4%	62.9%	65.1%	64.5%	64.4%	64.8%
EBITDA margin	19.3%	20.2%	22.2%	22.1%	22.1%	27.3%	27.7%	30.0%	28.9%	23.2%	26.1%	26.8%
EBIT margin	14.5%	15.7%	17.9%	18.4%	16.0%	19.6%	22.6%	26.0%	24.9%	18.4%	22.0%	23.1%
Adj. EBIT margin	14.5%	15.7%	17.9%	18.4%	16.2%	19.9%	23.7%	24.9%	25.7%	18.5%	22.0%	23.1%
Adj. EBITA margin	15.7%	16.8%	19.0%	19.4%	17.1%	21.2%	24.7%	25.8%	26.2%	19.1%	22.4%	23.5%
PTP margin	12.5%	14.7%	16.5%	17.0%	15.0%	18.7%	22.8%	24.9%	23.7%	18.6%	22.3%	23.6%
Incremental EBIT margin	3.6%	19.0%	27.3%	21.4%	-5.4%	-86.0%	31.3%	38.6%	19.7%	75.7%	46.0%	32.9%
Sales breakdown	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024e	2025e	2026e
Anybus	498	581	700	792	873	797	914	1,232	1,757	1,416	1,682	1,867
IXXAT	140	133	153	166	176	167	192	234	315	256	265	284
eWon	21	190	231	264	292	301	379	475	516	542	622	722
Intesis	0	0	74	98	117	114	133	178	239	254	278	317
Services + other	42	48	26	46	60	87	354	387	199	214	230	253
Totalt	702	952	1,184	1,366	1,519	1,467	1,972	2,506	3,026	2,681	3,078	3,443

Source: ABG Sundal Collier, company data

Income Statement (SEKm)	2017	2018	2019	2020	2021	2022	2023	2024e	2025e	2026e
Sales	1,183	1,366	1,519	1,467	1,972	2,506	3,025	2,681	3,078	3,443
COGS	-462	-532	-591	-558	-741	-930	-1,057	-953	-1,096	-1,214
Gross profit	722	834	928	909	1,230	1,576	1,968	1,729	1,982	2,229
Other operating items	-459	-532	-593	-509	-685	-824	-1,095	-1,107	-1,178	-1,305
EBITDA	262	302	335	400	546	752	873	622	804	924
Depreciation and amortisation	-38	-38	-77	-74	-72	-78	-103	-112	-114	-116
of which leasing depreciation	0	0	-31	-34	-33	-41	-50	-56	-56	-56
EBITA	225	264	258	326	474	674	770	510	690	808
EO Items	0	0	-2	-4	-21	27	-23	-3	0	0
Impairment and PPA amortisation	-12	-13	-15	-38	-28	-22	-16	-16	-14	-12
EBIT	212	251	243	288	446	652	754	494	676	796
Net financial items	-17	-20	-15	-14	3	-28	-36	6	10	15
Pretax profit	195	232	228	274	449	624	718	500	686	811
Tax	-52	-61	-23	-54	-86	-116	-147	-105	-144	-170
Net profit	143	171	205	220	363	508	571	395	542	641
Minority interest	0	0	0	0	0	0	0	0	0	0
Net profit discontinued	0	0	0	0	0	0	0	0	0	0
Net profit to shareholders	143	171	205	220	363	508	571	395	542	641
EPS	3.04	3.65	4.38	4.71	7.77	10.89	12.24	8.46	11.62	13.74
EPS adj.	3.24	3.86	4.71	5.43	8.62	10.80	12.90	8.78	11.86	13.94
Total extraordinary items after tax	0	0	-2	-3	-17	22	-18	-2	0	0
Leasing payments	0	0	-29	-35	-36	-41	-50	-56	-56	-56
<i>Tax rate (%)</i>	<i>26.9</i>	<i>26.1</i>	<i>10.2</i>	<i>19.5</i>	<i>19.2</i>	<i>18.6</i>	<i>20.5</i>	<i>21.0</i>	<i>21.0</i>	<i>21.0</i>
<i>Gross margin (%)</i>	<i>61.0</i>	<i>61.1</i>	<i>61.1</i>	<i>62.0</i>	<i>62.4</i>	<i>62.9</i>	<i>65.1</i>	<i>64.5</i>	<i>64.4</i>	<i>64.8</i>
<i>EBITDA margin (%)</i>	<i>22.2</i>	<i>22.1</i>	<i>22.1</i>	<i>27.3</i>	<i>27.7</i>	<i>30.0</i>	<i>28.9</i>	<i>23.2</i>	<i>26.1</i>	<i>26.8</i>
<i>EBITA margin (%)</i>	<i>19.0</i>	<i>19.4</i>	<i>17.0</i>	<i>22.2</i>	<i>24.0</i>	<i>26.9</i>	<i>25.5</i>	<i>19.0</i>	<i>22.4</i>	<i>23.5</i>
<i>EBIT margin (%)</i>	<i>17.9</i>	<i>18.4</i>	<i>16.0</i>	<i>19.6</i>	<i>22.6</i>	<i>26.0</i>	<i>24.9</i>	<i>18.4</i>	<i>22.0</i>	<i>23.1</i>
<i>Pre-tax margin (%)</i>	<i>16.5</i>	<i>17.0</i>	<i>15.0</i>	<i>18.7</i>	<i>22.8</i>	<i>24.9</i>	<i>23.7</i>	<i>18.6</i>	<i>22.3</i>	<i>23.6</i>
<i>Net margin (%)</i>	<i>12.1</i>	<i>12.5</i>	<i>13.5</i>	<i>15.0</i>	<i>18.4</i>	<i>20.3</i>	<i>18.9</i>	<i>14.7</i>	<i>17.6</i>	<i>18.6</i>
Growth Rates y-o-y	-	-	-	-	-	-	-	-	-	-
<i>Sales growth (%)</i>	<i>24.3</i>	<i>15.4</i>	<i>11.2</i>	<i>-3.4</i>	<i>34.4</i>	<i>27.1</i>	<i>20.7</i>	<i>-11.4</i>	<i>14.8</i>	<i>11.9</i>
<i>EBITDA growth (%)</i>	<i>36.7</i>	<i>15.1</i>	<i>11.0</i>	<i>19.3</i>	<i>36.5</i>	<i>37.8</i>	<i>16.1</i>	<i>-28.8</i>	<i>29.4</i>	<i>14.9</i>
<i>EBITA growth (%)</i>	<i>40.1</i>	<i>17.7</i>	<i>-2.3</i>	<i>26.2</i>	<i>45.4</i>	<i>42.3</i>	<i>14.2</i>	<i>-33.8</i>	<i>35.5</i>	<i>17.1</i>
<i>EBIT growth (%)</i>	<i>42.2</i>	<i>18.4</i>	<i>-3.3</i>	<i>18.4</i>	<i>54.9</i>	<i>46.3</i>	<i>15.6</i>	<i>-34.5</i>	<i>37.0</i>	<i>17.8</i>
<i>Net profit growth (%)</i>	<i>42.1</i>	<i>20.0</i>	<i>19.7</i>	<i>7.5</i>	<i>64.5</i>	<i>40.1</i>	<i>12.4</i>	<i>-30.9</i>	<i>37.4</i>	<i>18.2</i>
<i>EPS growth (%)</i>	<i>41.5</i>	<i>20.0</i>	<i>19.7</i>	<i>7.6</i>	<i>65.1</i>	<i>40.1</i>	<i>12.4</i>	<i>-30.9</i>	<i>37.4</i>	<i>18.2</i>
Profitability	-	-	-	-	-	-	-	-	-	-
<i>ROE (%)</i>	<i>21.0</i>	<i>21.7</i>	<i>22.0</i>	<i>19.8</i>	<i>30.2</i>	<i>36.5</i>	<i>32.2</i>	<i>19.5</i>	<i>23.7</i>	<i>24.1</i>
<i>ROE adj. (%)</i>	<i>22.8</i>	<i>23.3</i>	<i>23.8</i>	<i>23.5</i>	<i>34.0</i>	<i>36.5</i>	<i>34.2</i>	<i>20.4</i>	<i>24.3</i>	<i>24.6</i>
<i>ROCE (%)</i>	<i>18.7</i>	<i>21.2</i>	<i>17.9</i>	<i>19.4</i>	<i>28.3</i>	<i>35.0</i>	<i>34.5</i>	<i>20.9</i>	<i>26.0</i>	<i>27.1</i>
<i>ROCE adj. (%)</i>	<i>19.8</i>	<i>22.3</i>	<i>19.1</i>	<i>22.2</i>	<i>31.0</i>	<i>34.8</i>	<i>36.3</i>	<i>21.1</i>	<i>25.8</i>	<i>26.5</i>
<i>ROIC (%)</i>	<i>15.8</i>	<i>17.7</i>	<i>17.9</i>	<i>18.7</i>	<i>26.5</i>	<i>32.9</i>	<i>30.4</i>	<i>19.5</i>	<i>27.6</i>	<i>31.2</i>
<i>ROIC adj. (%)</i>	<i>15.8</i>	<i>17.7</i>	<i>18.1</i>	<i>18.9</i>	<i>27.7</i>	<i>31.6</i>	<i>31.3</i>	<i>19.6</i>	<i>27.6</i>	<i>31.2</i>
Adj. earnings numbers	-	-	-	-	-	-	-	-	-	-
<i>EBITDA adj.</i>	<i>262</i>	<i>302</i>	<i>337</i>	<i>404</i>	<i>567</i>	<i>725</i>	<i>896</i>	<i>625</i>	<i>804</i>	<i>924</i>
<i>EBITDA adj. margin (%)</i>	<i>22.2</i>	<i>22.1</i>	<i>22.2</i>	<i>27.5</i>	<i>28.7</i>	<i>28.9</i>	<i>29.6</i>	<i>23.3</i>	<i>26.1</i>	<i>26.8</i>
<i>EBITDA lease adj.</i>	<i>262</i>	<i>302</i>	<i>308</i>	<i>368</i>	<i>531</i>	<i>684</i>	<i>846</i>	<i>569</i>	<i>748</i>	<i>868</i>
<i>EBITDA lease adj. margin (%)</i>	<i>22.2</i>	<i>22.1</i>	<i>20.3</i>	<i>25.1</i>	<i>26.9</i>	<i>27.3</i>	<i>28.0</i>	<i>21.2</i>	<i>24.3</i>	<i>25.2</i>
<i>EBITA adj.</i>	<i>225</i>	<i>264</i>	<i>260</i>	<i>330</i>	<i>495</i>	<i>647</i>	<i>793</i>	<i>513</i>	<i>690</i>	<i>808</i>
<i>EBITA adj. margin (%)</i>	<i>19.0</i>	<i>19.4</i>	<i>17.1</i>	<i>22.5</i>	<i>25.1</i>	<i>25.8</i>	<i>26.2</i>	<i>19.1</i>	<i>22.4</i>	<i>23.5</i>
<i>EBIT adj.</i>	<i>212</i>	<i>251</i>	<i>245</i>	<i>311</i>	<i>475</i>	<i>625</i>	<i>777</i>	<i>497</i>	<i>676</i>	<i>796</i>
<i>EBIT adj. margin (%)</i>	<i>17.9</i>	<i>18.4</i>	<i>16.2</i>	<i>21.2</i>	<i>24.1</i>	<i>24.9</i>	<i>25.7</i>	<i>18.5</i>	<i>22.0</i>	<i>23.1</i>
<i>Pretax profit Adj.</i>	<i>207</i>	<i>245</i>	<i>245</i>	<i>316</i>	<i>498</i>	<i>619</i>	<i>757</i>	<i>519</i>	<i>700</i>	<i>823</i>
<i>Net profit Adj.</i>	<i>155</i>	<i>184</i>	<i>222</i>	<i>262</i>	<i>408</i>	<i>508</i>	<i>605</i>	<i>413</i>	<i>556</i>	<i>653</i>
<i>Net profit to shareholders adj.</i>	<i>155</i>	<i>184</i>	<i>222</i>	<i>262</i>	<i>408</i>	<i>508</i>	<i>605</i>	<i>413</i>	<i>556</i>	<i>653</i>
<i>Net adj. margin (%)</i>	<i>13.1</i>	<i>13.5</i>	<i>14.6</i>	<i>17.8</i>	<i>20.7</i>	<i>20.3</i>	<i>20.0</i>	<i>15.4</i>	<i>18.1</i>	<i>19.0</i>

Source: ABG Sundal Collier, Company Data

Cash Flow (SEKm)	2017	2018	2019	2020	2021	2022	2023	2024e	2025e	2026e
EBITDA	262	302	335	400	546	752	873	622	804	924
Net financial items	-17	-20	-15	-14	3	-28	-36	6	10	15
Paid tax	-59	-79	-58	-39	-33	-84	-147	-105	-144	-170
Non-cash items	15	28	2	9	21	7	61	0	0	0
Cash flow before change in WC	201	232	264	356	536	647	751	523	670	769
Change in working capital	6	-39	-10	14	-28	-216	-232	241	-41	-62

Cash Flow (SEKm)	2017	2018	2019	2020	2021	2022	2023	2024e	2025e	2026e
Operating cash flow	207	193	254	370	508	431	519	764	630	707
Capex tangible fixed assets	-15	-20	-26	-6	-16	-36	-52	-30	-30	-30
Capex intangible fixed assets	-10	-17	-42	-41	-24	-49	-36	-55	-55	-60
Acquisitions and Disposals	0	-26	-24	-40	-60	-280	-40	0	0	0
Free cash flow	182	131	161	282	408	65	391	679	545	617
Dividend paid	-47	-70	-84	0	-93	-140	-187	-206	-211	-234
Share issues and buybacks	0	0	0	0	0	0	0	0	0	0
Leasing liability amortisation	0	0	-29	-35	-36	-41	-50	-56	-56	-56
Other non-cash items	-15	-84	-106	-46	-409	178	-173	0	0	0
Balance Sheet (SEKm)	2017	2018	2019	2020	2021	2022	2023	2024e	2025e	2026e
Goodwill	759	841	876	902	1,034	1,120	1,117	1,117	1,117	1,117
Other intangible assets	261	254	290	278	281	290	276	279	282	290
Tangible fixed assets	49	52	45	42	45	69	70	80	90	100
Right-of-use asset	0	0	111	102	81	164	266	266	266	266
Total other fixed assets	2	11	13	14	46	51	55	55	55	55
Fixed assets	1,072	1,158	1,335	1,339	1,486	1,693	1,784	1,797	1,810	1,828
Inventories	117	157	159	158	195	362	589	429	462	516
Receivables	133	161	143	175	286	412	385	402	462	516
Other current assets	25	42	69	73	63	119	130	130	130	130
Cash and liquid assets	91	59	51	82	172	144	124	525	803	1,130
Total assets	1,438	1,577	1,758	1,826	2,204	2,730	3,012	3,283	3,666	4,121
Shareholders equity	721	857	1,010	1,220	1,177	1,610	1,933	2,122	2,453	2,860
Minority	0	0	0	0	0	0	0	0	0	0
Total equity	721	857	1,010	1,220	1,177	1,610	1,933	2,122	2,453	2,860
Long-term debt	391	378	339	177	431	226	143	127	127	127
Pension debt	0	0	0	0	0	0	0	0	0	0
Convertible debt	0	0	0	0	0	0	0	0	0	0
Leasing liability	0	0	113	102	78	160	261	261	261	261
Total other long-term liabilities	84	76	77	80	85	90	104	104	104	104
Short-term debt	4	24	1	1	3	36	1	1	1	1
Accounts payable	99	105	76	91	165	243	150	188	215	241
Other current liabilities	140	138	142	154	265	365	420	481	505	527
Total liabilities and equity	1,438	1,577	1,758	1,826	2,204	2,730	3,012	3,283	3,666	4,121
Net IB debt	301	331	389	184	309	242	247	-170	-448	-775
Net IB debt excl. pension debt	301	331	389	184	309	242	247	-170	-448	-775
Net IB debt excl. leasing	301	331	276	82	231	82	-14	-431	-709	-1,036
Capital employed	1,116	1,258	1,464	1,501	1,689	2,033	2,338	2,511	2,842	3,249
Capital invested	1,022	1,188	1,399	1,405	1,486	1,851	2,180	1,952	2,005	2,085
Working capital	36	117	154	161	116	285	534	293	333	395
EV breakdown	-	-	-	-	-	-	-	-	-	-
Market cap. diluted (m)	21,686	21,677	21,670	21,664	21,584	21,584	21,584	21,584	21,584	21,584
Net IB debt adj.	301	331	389	184	309	242	247	-170	-448	-775
Market value of minority	0	0	0	0	0	0	0	0	0	0
Reversal of shares and participations	0	0	0	0	-15	-14	-21	-21	-21	-21
Reversal of conv. debt assumed equity	-	-	-	-	-	-	-	-	-	-
EV	21,987	22,008	22,059	21,849	21,878	21,812	21,810	21,393	21,115	20,788
Total assets turnover (%)	83.2	90.6	91.1	81.9	97.9	101.6	105.4	85.2	88.6	88.4
Working capital/sales (%)	4.6	5.6	8.9	10.7	7.0	8.0	13.5	15.4	10.2	10.6
Financial risk and debt service	-	-	-	-	-	-	-	-	-	-
Net debt/equity (%)	41.7	38.7	38.5	15.1	26.3	15.0	12.8	-8.0	-18.3	-27.1
Net debt / market cap (%)	1.4	1.6	1.8	0.9	1.4	1.1	1.1	-0.8	-2.1	-3.6
Equity ratio (%)	50.2	54.3	57.5	66.8	53.4	59.0	64.2	64.6	66.9	69.4
Net IB debt adj. / equity (%)	41.7	38.7	38.5	15.1	26.3	15.0	12.8	-8.0	-18.3	-27.1
Current ratio	1.51	1.57	1.93	1.98	1.66	1.61	2.15	2.22	2.57	2.98
EBITDA/net interest	15.3	15.5	22.3	28.9	183.4	26.9	24.3	103.6	80.4	61.6
Net IB debt/EBITDA (x)	1.1	1.1	1.2	0.5	0.6	0.3	0.3	-0.3	-0.6	-0.8
Net IB debt/EBITDA lease adj. (x)	1.1	1.1	0.9	0.2	0.4	0.1	-0.0	-0.8	-0.9	-1.2
Interest coverage	13.1	13.5	17.2	23.6	159.2	24.1	21.4	84.9	69.0	53.9

Source: ABG Sundal Collier, Company Data

Share Data (SEKm)	2017	2018	2019	2020	2021	2022	2023	2024e	2025e	2026e
Actual shares outstanding	47	46	47	47	47	47	47	47	47	47
Actual shares outstanding (avg)	47	46	47	47	47	47	47	47	47	47

Share Data (SEKm)	2017	2018	2019	2020	2021	2022	2023	2024e	2025e	2026e
All additional shares	-0	-1	1	0	0	0	0	0	0	0
Issue month	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Assumed dil. of shares from conv.	0	0	0	0	0	0	0	0	0	0
As. dil. of shares from conv. (avg)	0	0	0	0	0	0	0	0	0	0
Conv. debt not assumed as equity	0	0	0	0	0	0	0	0	0	0
No. of warrants	0	0	0	0	0	0	0	0	0	0
Market value per warrant	0	0	0	0	0	0	0	0	0	0
Dilution from warrants	0	1	0	0	-0	-0	-0	-0	-0	-0
Issue factor	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Actual dividend per share	1.50	1.80	0.00	2.00	3.00	4.00	4.40	4.50	5.00	5.50
Reported earnings per share	3.04	3.65	4.38	4.71	7.77	10.89	12.24	8.46	11.62	13.74

Source: ABG Sundal Collier, Company Data

Valuation and Ratios (SEKm)	2017	2018	2019	2020	2021	2022	2023	2024e	2025e	2026e
Shares outstanding adj.	47	46	47	47	47	47	47	47	47	47
Diluted shares adj.	47	47	47	47	47	47	47	47	47	47
EPS	3.04	3.65	4.38	4.71	7.77	10.89	12.24	8.46	11.62	13.74
Dividend per share	1.50	1.80	0.00	2.00	3.00	4.00	4.40	4.50	5.00	5.50
EPS adj.	3.24	3.86	4.71	5.43	8.62	10.80	12.90	8.78	11.86	13.94
BVPS	15.39	18.29	21.57	26.06	25.23	34.50	41.43	45.47	52.58	61.30
BVPS adj.	-6.38	-5.09	-3.32	0.86	-2.95	4.28	11.57	15.55	22.60	31.15
Net IB debt/share	6.42	7.07	8.30	3.93	6.62	5.18	5.29	-3.65	-9.60	-16.61
Share price	462.60	462.60	462.60	462.60	462.60	462.60	462.60	462.60	462.60	462.60
Market cap. (m)	21,585	21,067	21,556	21,582	21,658	21,658	21,658	21,658	21,658	21,658
Valuation	-	-	-	-	-	-	-	-	-	-
P/E (x)	151.9	126.6	105.7	98.3	59.5	42.5	37.8	54.7	39.8	33.7
EV/sales (x)	18.58	16.11	14.52	14.90	11.10	8.70	7.21	7.98	6.86	6.04
EV/EBITDA (x)	83.8	72.9	65.8	54.7	40.1	29.0	25.0	34.4	26.3	22.5
EV/EBITA (x)	97.9	83.3	85.5	67.1	46.2	32.4	28.3	42.0	30.6	25.7
EV/EBIT (x)	103.5	87.6	90.7	75.9	49.1	33.5	28.9	43.3	31.2	26.1
Dividend yield (%)	0.3	0.4	0.0	0.4	0.6	0.9	1.0	1.0	1.1	1.2
FCF yield (%)	0.8	0.6	0.7	1.3	1.9	0.3	1.8	3.1	2.5	2.9
Le. adj. FCF yld. (%)	0.8	0.6	0.6	1.1	1.7	0.1	1.6	2.9	2.3	2.6
P/BVPS (x)	30.07	25.30	21.45	17.75	18.34	13.41	11.17	10.17	8.80	7.55
P/BVPS adj. (x)	-72.13	-88.36	-138.65	537.69	-157.24	108.40	40.11	29.84	20.54	14.90
P/E adj. (x)	143.0	119.9	98.3	85.2	53.7	42.8	35.9	52.7	39.0	33.2
EV/EBITDA adj. (x)	83.8	72.9	65.4	54.1	38.6	30.1	24.3	34.2	26.3	22.5
EV/EBITA adj. (x)	97.9	83.3	84.7	66.3	44.2	33.7	27.5	41.7	30.6	25.7
EV/EBIT adj. (x)	103.5	87.6	89.9	70.3	46.1	34.9	28.1	43.1	31.2	26.1
EV/CE (x)	19.7	17.5	15.1	14.6	13.0	10.7	9.3	8.5	7.4	6.4
Investment ratios	-	-	-	-	-	-	-	-	-	-
Capex/sales (%)	2.1	2.6	4.5	3.2	2.0	3.4	2.9	3.2	2.8	2.6
Capex/depreciation	0.7	1.0	1.5	1.2	1.0	2.3	1.7	1.5	1.5	1.5
Capex tangibles / tangible fixed assets	31.1	37.8	58.9	14.6	36.3	52.5	74.3	37.5	33.3	30.0
Capex intangibles / definite intangibles	3.7	6.5	14.3	14.9	8.6	17.0	13.0	19.7	19.5	20.7
Depreciation on intang / def. intang	10	9	11	10	10	9	12	13	13	14
Depreciation on tangibles / tangibles	22.01	26.15	33.34	28.58	26.75	17.47	27.14	25.00	22.22	20.00

Source: ABG Sundal Collier, Company Data

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Stock price, company ratings and target price history

Company: HMS Networks

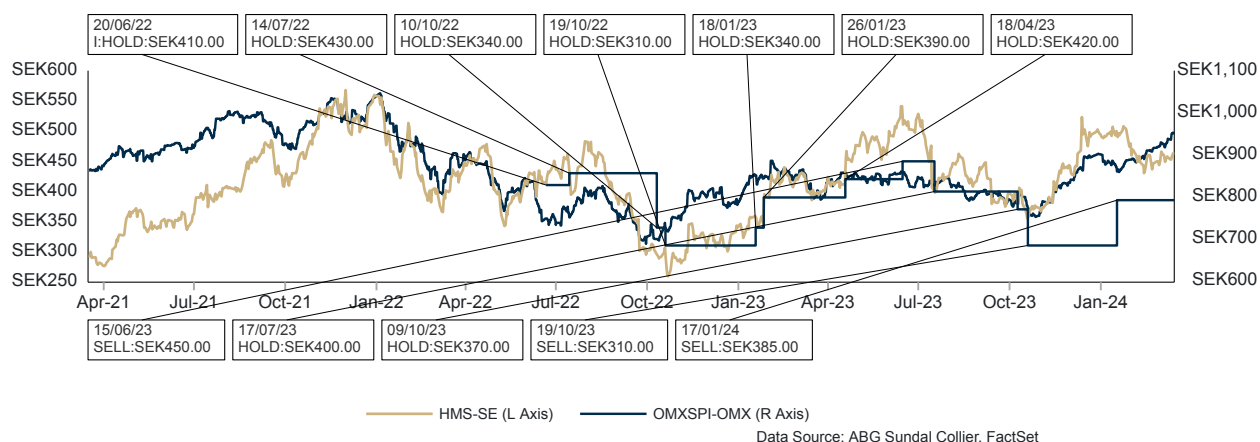
Currency: SEK

Current Recommendation: SELL

Date: 14/3/2024

Current Target price: 385.0

Current Share price: 462.60



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