

Atlas Copco

First class ticket, business class price

- Semi sentiment soured but outlook in fact brighter
- CT outperformance to continue, long pumps M&A runway
- Off valuation highs, extra distribution could help

Semi sentiment cooled, but orders about to turn

The Atlas Copco stock is disproportionately governed by semiconductor sentiment, which has soured recently. This is paradoxical, because we are now finally approaching the belated turnaround in chip capex, driven by released subsidies for greenfield plants, AI driven investments in logic, and a rebound in memory. This will take the sub-sector back to its long-term 10% growth rate. We see Atlas Vacuum Technique orders (down c. 25% since the peak in H1'22) increasing by double digits from Q4 onwards.

Broad CT growth, long M&A runway, XO divi's likely

More importantly from a value viewpoint, Compressor Technique's structural growth drivers have become increasingly visible, with 2019-'24e sales CAGR more than double that of sector peers. This has been boosted by new applications in gas and process, but we note that the outperformance is remarkably broad across segments and geographies, and thus not a result of a single factor but rather by the model itself. From an M&A perspective, we highlight the long runway for the nascent industrial pumps business, which we believe is currently 5% of sales, but has the potential to contribute with 2-3% of acquired growth per year and to form a new business area in three years' time. Finally, the balance sheet is yet again at a point where Atlas has historically distributed extra cash.

Seldom low P/E, but we est. cross-cycle 11-15% value growth

Atlas multiples are never mouth-watering but at least they are now well below previous highs and represent a reasonable starting point for taking part in the cross-cycle 11-15% EPS+dividend returns (with maintained debt ratios), in our opinion. We upgrade our rating to BUY (Hold) with a target price of SEK 205 (195).

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SEKm	2022	2023	2024e	2025e	2026e
Sales	141,325	172,664	176,778	184,967	195,350
EBITDA	36,563	44,870	46,096	48,884	51,957
EBITDA margin (%)	25.9	26.0	26.1	26.4	26.6
EBIT adj.	30,065	38,217	38,657	40,823	43,729
EBIT adj. margin (%)	21.3	22.1	21.9	22.1	22.4
Pretax profit	30,044	36,442	37,711	40,383	43,369
EPS	4.82	5.76	6.08	6.43	6.90
EPS adj.	5.08	6.30	6.51	6.79	7.26
Sales growth (%)	27.4	22.2	2.4	4.6	5.6
EPS growth (%)	29.6	19.4	5.5	5.7	7.4

Source: ABG Sundal Collier, Company Data

Reasons:

Recommendation change Estimate changes



Capital Goods

Estimate changes (%)

	2024e	2025e	2026e
Sales	0.3	0.6	0.6
EBIT	0.5	1.3	2.1
EPS	0.5	1.3	2.1

Source: ABG Sundal Collier

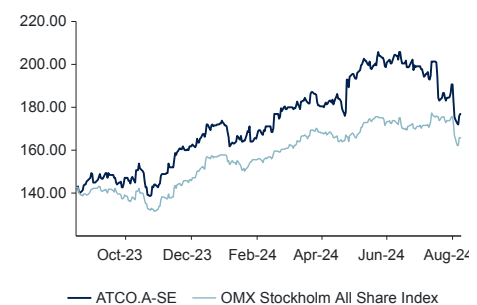
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Share price (SEK)	13/8/2024	176.65
Target price	(195.0)	205.0

MCap (SEKm)	835,754
MCap (EURm)	72,845
No. of shares (m)	4,918.5
Free float (%)	75.8
Av. daily volume (k)	2,049

Next event Q3 Report 23 October 2024

Performance



	2024e	2025e	2026e
P/E (x)	29.1	27.5	25.6
P/E adj. (x)	27.1	26.0	24.3
P/BVPS (x)	8.01	6.93	6.05
EV/EBITDA (x)	19.0	17.6	16.2
EV/EBIT adj. (x)	22.6	21.0	19.3
EV/sales (x)	4.94	4.64	4.31
ROE adj. (%)	32.4	29.0	26.9
Dividend yield (%)	1.7	1.8	1.9
FCF yield (%)	3.0	3.7	3.9
Le. adj. FCF yld. (%)	2.8	3.5	3.7
Net IB debt/EBITDA (x)	0.3	-0.0	-0.3
Le. adj. ND/EBITDA (x)	0.2	-0.1	-0.5

Company description

Atlas Copco, with headquarters in Stockholm, operates four business areas. Compressor Technique is the global market leader in industrial air compressors. Vacuum Technique is the global leader in vacuum pumps and abatement systems, catering to semiconductor, electronics and industrial manufacturers. Industrial Technique provides tools and systems for industrial assembly, not least to automotive customers. Power Technique sells and offers rental of portable compressors and generators to construction and industrial customers. All business areas engage in service and after market sales.

[Sustainability Information](#)

Risks

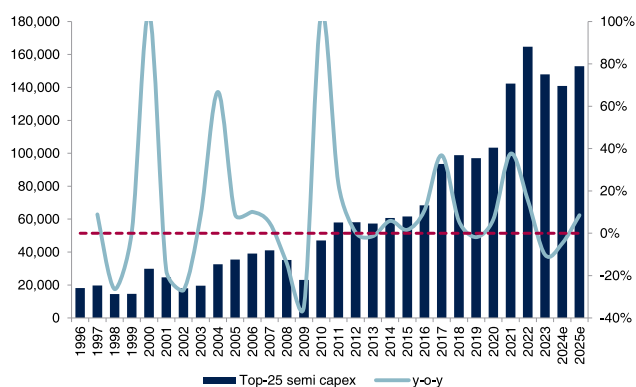
Worse industrial production and capex, price pressure on semiconductor equipment and services.

Semi recovery finally around the corner

Few investors doubt the long-term growth for Vacuum Technique's end-markets. Since the business came together in 2014, the compound annual organic sales growth has been 8%. For the medium-term, this could even go higher, underpinned by a projected semiconductor sales CAGR of 7-9% (ASML) and increased vacuum intensity (from 50% now to 70% in 2027, according to VAT, adding 3pp to market growth in relation to total equipment spending).

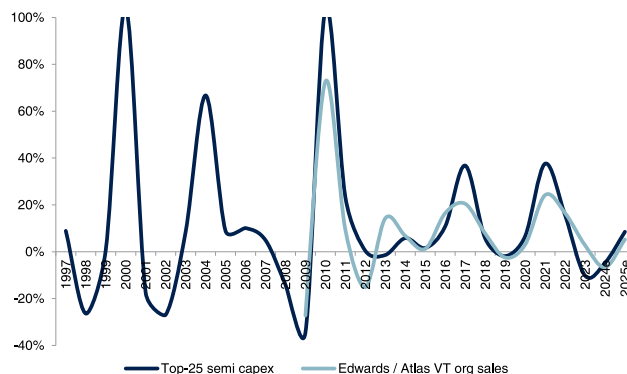
However, 2023 chip investments declined by c. 10%, led by big reductions from memory manufacturers, and 2024 now looks set to be down another 5% led primarily by logic chip manufacturers. When we aggregate consensus capex forecasts for semiconductor companies, they sum up to growth of 9% y-o-y, and we believe that this is more credible, with even some room for upside. Fellow vacuum player VAT said its blend of market forecasts point to growth of 16% for wafer fab equipment (a more narrow and relevant definition of chip capex).

Semiconductor capex (USDm)



Source: ABG Sundal Collier, Factset

Semi capex and VT sales y-o-y

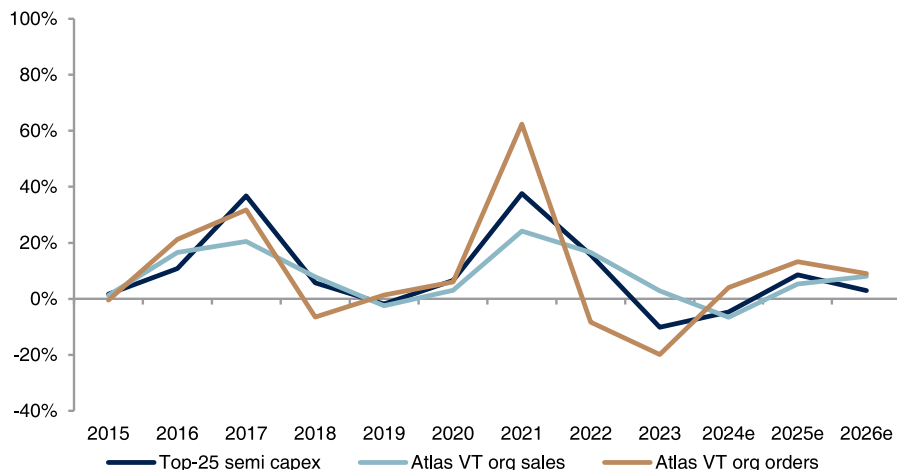


Source: Company data, ABG Sundal Collier, Factset

On the upside, we believe that some investments into near-shoring and geographical diversifications have been deferred due to uncertainties over subsidies. During Q2, however, some large grants under the US CHIPS act were formalised, including USD 6-8bn each to Intel, TSMC, Micron and Samsung. There is also an accelerating demand for AI, which drives demand for high-end computing power as well as memory. On the downside, we believe Chinese customers, which we have a tougher time tracking, may have done some over-ordering of equipment to stay ahead of potential export restrictions. For Atlas VT, we believe that China represents 20-25% of sales. Lately, there has been news that most western companies would be exempt from such US restrictions, which is positive long term but may lead to some air pockets in Chinese ordering.

For Atlas Copco Vacuum Technique, orders were down by 20% in 2023 but they were up 9% in H1'24 compared to H2'23 and with roughly similar orders in absolute terms in H2, we see order growth turning positive on a y-o-y basis (+7% in Q3e, +16% in Q4e). While this appears to be reflected also in consensus estimates, we believe this will serve to de-risk estimates and revive the growth story in Atlas. In 2024, we model order growth of 13%, which we believe is consistent with the 9% semi capex growth (the factor has historically been 1.2x).

Semi capex and Atlas Vacuum Technique (organic)



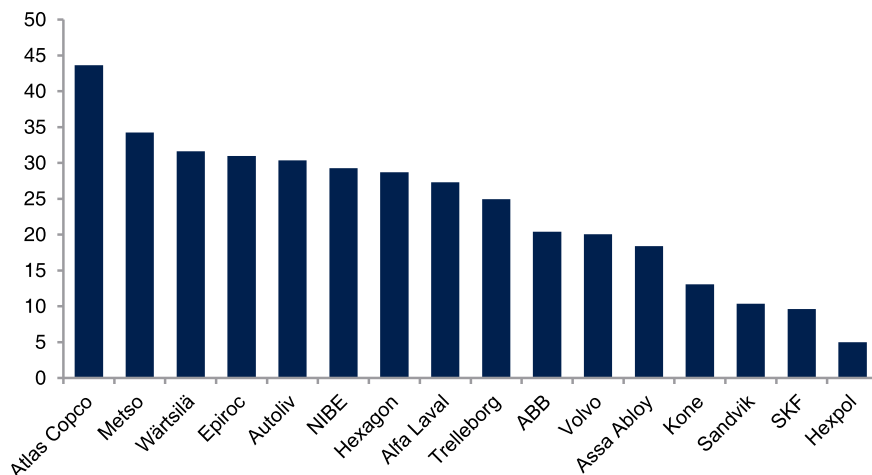
Source: Company data, ABG Sundal Collier, Factset

Compressor Technique growth is by design

While Atlas Copco's shares have been disproportionately driven by the 15% or so that is related to semiconductors, its main value driver Compressor Technique (50% of earnings, 85% ROCE) has continued to prove itself.

The organic sales for Compressor Technique in 2024e will be 53% higher than in 2019 (a CAGR of 9%). For the group, it will be 44% (8% CAGR). In contrast, we expect sector sales to be 23% higher than in 2019 (4% CAGR). Book-to-bill has remained stubbornly above 1x even in the cyclical downturn, and stands at 1.02x on a R12M basis, providing additional support.

Organic sales 2024e versus 2019



Source: Company data, ABG Sundal Collier

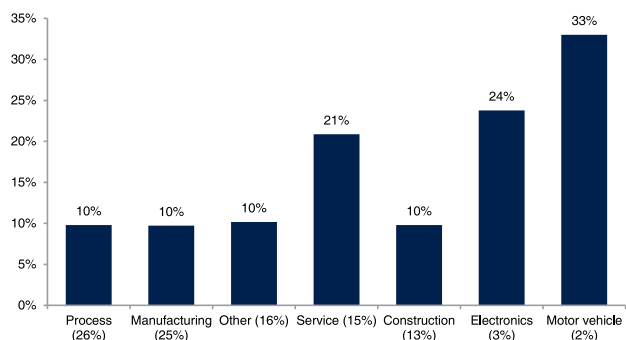
How has this come about, and can it continue? In the last year and a half, much of the focus has been on the strong performance of gas and process compressors, where Atlas has benefited from demand for applications such as LNG, hydrogen, natural gas and carbon capture. While gas and process has been positive, it can only be a part of the growth outperformance since this business has only increased from 10% to c. 15% of sales.

We rather think that the growth has been remarkably broad-based, and is more a testament of the Atlas Copco model of filling blank spots and expanding market coverage. From 2019-23, the two largest customer group segments both grew with a 10% CAGR, while some higher rates were seen in much smaller areas. From a geographical standpoint, all

areas except Europe (+7%) have grown by double digits. The standout is North America, where growth has been 14%, but we estimate 11% after deducting currency (-2%) and acquisitions (-1%). Finally, the growth has been equally weighted between equipment (+11%) and aftermarket (same).

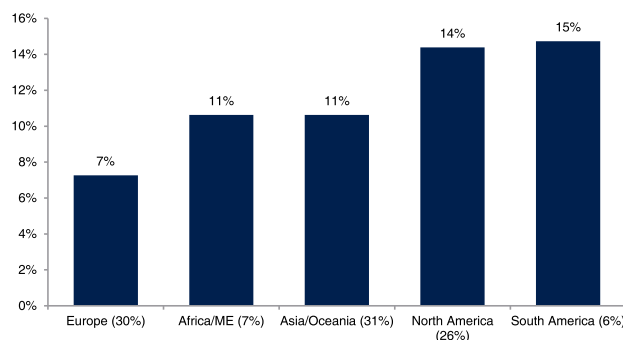
Why is this important? The superior growth in Compressor Technique is not driven by a few temporary factors, but is rather a result of the business model, and as such easier to deem sustainable.

Order CAGR 2019-23 in SEKm



Source: Atlas Copco, ABG Sundal Collier

Sales CAGR 2019-24e in SEKm



Source: Atlas Copco, ABG Sundal Collier

Compelling M&A has a long runway

Few companies drive such a consistent, low-risk bolt-on regime, and barely a week goes by without Atlas announcing one or two distributors or small product suppliers. They are typically too small to notice but these types of deals have consistently added 1-2% to total sales per year. What is more important for the investment story over the next five years is the build-out of the pumps business in Power Technique. Atlas studied the industry for a significant period of time and was attracted to the high service intensity and the high industry profitability, as well as the overlap in customers. It began building up the business in earnest in 2022, and we now believe it achieves annual sales of around SEK 8bn.

Pumps acquisitions

Year	Company	Business	Sales (SEKm)*
2015	Varisco	Industrial pumps	270
2022	Pumpenfabrik Wangen	Industrial cavity, screw pumps	466
2022	LEWA	Industrial pumps, metering	2,470
2022	Geveke	Pumps, packages	647
2023	National Pump & Energy	Dewatering services, rental, Australia	1,400
2023	Sykes	Dewatering pumps, Australia	455
2024	KRACHT	Pumps, meters, valves, hydraulic drives	766

Source: Company data, ABG Sundal Collier

To be fair, the acquisitions in Australia (representing about SEK 2bn of sales and catering partly to the mining industry) represent a more specialised and less scalable strategy. However, there appears to be significant opportunity to expand the industrial pumps business further, as Atlas has only entered a few of the many pump technologies, and it could therefore also go further into adjacent areas like metering and analyzer equipment. At its CMD in May, the business area president confirmed that there are more strategic acquisitions in the works, and we have been positively surprised by the earnings contribution of the acquired units even before Atlas started to implement its model for after market growth and synergy - we believe that Industrial Pumps is already at >20% EBIT margin.

With maintained focus on add-ons, we would not be surprised to see this business turning into a stand-alone "Industrial Flow" business area with sales of SEK 20bn+ by 2026-27. At any rate, it is obvious that Atlas now has a healthy acquisition pipeline, which could conceivably add 2-3% to acquired growth in the next 3-4 years, and where synergies should be plentiful.

Balance sheet ripe for more dividends

Even with the M&A ambitions, we are getting there again: the balance sheet is overcapitalised with a projected net debt / EBITDA of 0.3x at YE'24.

Prior extra distributions were made at 0.7x (2005, ahead of expected Rental Service divestment), -1.1x (2007, following the divestment), 0.3x (2011), 0.7x (2015), 0.1x (2018) and 0.3x (2022).

Extra cash distributions

Year	Net debt/EBITDA		SEKbn
	Y-1	Y0	
2005	0.7	0.6	4,192
2006	0.6	-1.1	3,800
2007	-1.1	1.4	24,415
2011	0.3	0.7	6,092
2015	0.7	0.6	7,308
2018	0.1	0.5	9,705
2022	0.3	0.7	9,744
2025?	0.3		14,605

Source: Atlas Copco, ABG Sundal Collier

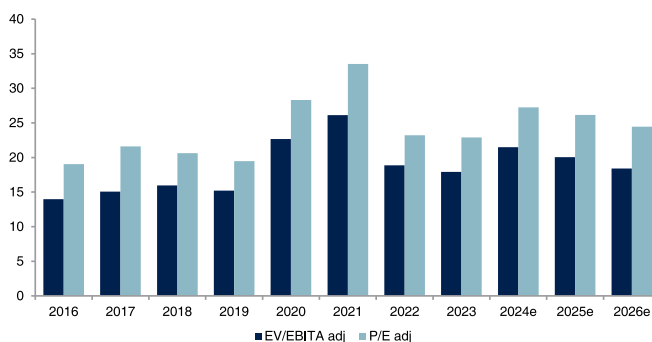
As we approach the Q4 reports, this will give some support, although we would perhaps not overstate it. If Atlas opts to double its ordinary dividend of SEK 3, it would distribute an additional SEK 14bn and would give an additional one-time yield of 1.7% (1.9% on the B share). In such a scenario, and assuming the company spends SEK 5bn on acquisitions in 2025, pro forma net debt / equity in 2025 would be 0.4x (incidentally opening up for more of the same in 2026).

De-rating presents a good entry point

Let's face it, there are few occasions where Atlas' nominal multiples are mouth-watering. The main attraction is the long-term earnings growth. Over the next three years we think that even without any change in the multiple, investors can reasonably expect 6-7% top-line growth translating into 7-8% EPS growth, plus a 2-4% contribution from acquisitions, plus 2-3% from distribution for a total of 11-15% returns. This is possible with steady debt ratios.

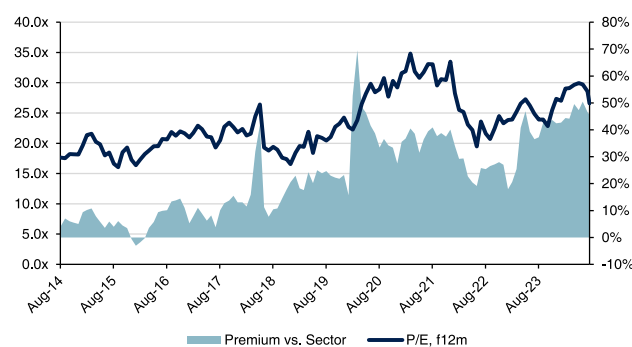
That said, we have been reluctant to buy into the stock at peak multiples and sentiment, but this no longer appears to be the case. The stock is disproportionately influenced by the semiconductor index (SOX), which is now 20% off its high from July. Atlas, following a sub-par Q2 report (which nevertheless led to some upgrades at the EPS level) has gone from an adj. P/E in '25e of 29x to 26x. And industrial sentiment has at least partly started to discount the risk that the industrial recovery will be delayed. In such a scenario, it is worth pointing out that, should Atlas also be hit by industrial downgrades, we would be even more comfortable about its relative merits against capital goods peers, given that VT is at the low point of the cycle.

Multiples on realized / forecasted earnings



Source: Company data, ABG Sundal Collier

Forward 12M consensus P/E



Source: Factset, ABG Sundal Collier

Interim earnings

Orders	Q1'22	Q2'22	Q3'22	Q4'22	Q1'23	Q2'23	Q3'23	Q4'23	Q1'24	Q2'24	Q3'24e	Q4'24e
Compressor Technique	16,859	17,964	18,809	16,202	21,819	20,119	20,304	17,250	21,144	21,224	20,893	18,268
Vacuum Technique	11,564	11,403	9,764	8,482	9,524	9,190	8,774	8,235	9,104	9,403	9,221	9,503
Industrial Technique	6,002	6,868	7,001	6,199	7,729	7,918	7,443	6,407	7,796	6,928	6,952	6,240
Power Technique	6,164	4,997	5,161	5,461	8,929	6,483	6,297	5,231	8,019	6,307	6,083	5,664
Other	-210	-222	-180	-196	-294	-294	-212	-280	-407	-208	-285	-285
Group Total	40,379	41,010	40,555	36,148	47,707	43,416	42,606	36,843	45,656	43,654	42,864	39,391
<i>Organic order growth</i>	<i>23%</i>	<i>13%</i>	<i>6%</i>	<i>-7%</i>	<i>5%</i>	<i>-5%</i>	<i>-1%</i>	<i>1%</i>	<i>-4%</i>	<i>-1%</i>	<i>2%</i>	<i>7%</i>
Sales	Q1'22	Q2'22	Q3'22	Q4'22	Q1'23	Q2'23	Q3'23	Q4'23	Q1'24	Q2'24	Q3'24e	Q4'24e
Compressor Technique	13,305	14,291	16,377	17,085	17,632	18,600	19,493	19,827	18,710	20,136	20,253	20,997
Vacuum Technique	8,179	9,335	10,781	10,646	9,989	10,911	10,802	11,110	9,719	10,089	9,733	10,266
Industrial Technique	5,083	5,405	5,911	6,608	6,492	7,280	7,306	7,375	7,514	7,471	7,189	7,405
Power Technique	3,702	4,247	5,207	5,897	5,996	6,828	7,142	6,933	7,202	7,391	7,113	6,745
Other	-183	-167	-202	-182	-248	-255	-250	-291	-270	-284	-300	-300
Group Total	30,086	33,111	38,074	40,054	39,861	43,364	44,493	44,954	42,875	44,803	43,988	45,112
<i>Organic sales growth</i>	<i>7%</i>	<i>8%</i>	<i>18%</i>	<i>16%</i>	<i>18%</i>	<i>18%</i>	<i>10%</i>	<i>10%</i>	<i>7%</i>	<i>2%</i>	<i>0%</i>	<i>0%</i>
EBIT	Q1'22	Q2'22	Q3'22	Q4'22	Q1'23	Q2'23	Q3'23	Q4'23	Q1'24	Q2'24	Q3'24e	Q4'24e
Compressor Technique	3,170	3,266	3,963	4,026	4,245	4,472	4,856	4,915	4,642	4,990	4,996	5,203
Vacuum Technique	1,859	2,123	2,484	1,941	2,268	2,504	2,465	2,370	2,119	2,027	2,053	2,158
Industrial Technique	1,065	1,077	1,267	1,188	1,371	1,585	1,647	1,580	1,649	1,557	1,502	1,514
Power Technique	664	807	983	1,071	1,145	1,294	1,429	1,323	1,393	1,406	1,374	1,287
Other	-9	6	-319	-416	-330	-666	-350	-253	-458	-514	-350	-350
Group EBIT	6,749	7,279	8,378	7,810	8,699	9,189	10,117	9,086	9,345	9,466	9,575	9,811
Comparison distorting items	224	237	-91	-219	36	-299	7	-870	-141	-319	0	0
Group EBIT ex distorting items	6,525	7,042	8,469	8,029	8,663	9,488	10,110	9,956	9,486	9,785	9,575	9,811
EBIT margin	Q1'22	Q2'22	Q3'22	Q4'22	Q1'23	Q2'23	Q3'23	Q4'23	Q1'24	Q2'24	Q3'24e	Q4'24e
Compressor Technique	23.8%	22.9%	24.2%	23.6%	24.1%	24.0%	24.9%	24.8%	24.8%	24.8%	24.7%	24.8%
Vacuum Technique	22.7%	22.7%	23.0%	18.2%	22.7%	22.9%	22.8%	21.3%	21.8%	20.1%	21.1%	21.0%
Industrial Technique	21.0%	19.9%	21.4%	18.0%	21.1%	21.8%	22.5%	21.4%	21.9%	20.8%	20.9%	20.4%
Power Technique	17.9%	19.0%	18.9%	18.2%	19.1%	19.0%	20.0%	19.1%	19.3%	19.0%	19.3%	19.1%
Group EBIT margin	22.4%	22.0%	22.0%	19.5%	21.8%	21.2%	22.7%	20.2%	21.8%	21.1%	21.8%	21.7%
Group EBIT margin ex XO	21.7%	21.3%	22.2%	20.0%	21.7%	21.9%	22.7%	22.1%	22.1%	21.8%	21.8%	21.7%
Net financials	-78	26	70	-190	-163	-163	-189	-253	16	-192	-160	-150
PTP	6,671	7,305	8,448	7,620	8,536	9,026	9,928	8,833	9,361	9,274	9,415	9,661
Taxes	-1,458	-1,627	-1,912	-1,565	-2,127	-2,085	-2,125	-2,053	-2,186	-1,629	-2,118	-2,174
Minority interests	0	0	0	-2	-5	-1	-5	-1	-3	-1	-5	-1
Discontinued	0	0	0	0	0	0	0	0	0	0	0	0
Net profit	5,213	5,678	6,536	6,053	6,404	6,940	7,798	6,779	7,172	7,644	7,292	7,486
EPS	1.1	1.2	1.3	1.2	1.3	1.4	1.6	1.4	1.5	1.6	1.5	1.5

Source: Company data, ABG Sundal Collier

Annual earnings

Order Intake	2018	2019	2020	2021	2022	2023	2024e	2025e	2026e
Compressor Technique	45,580	50,654	47,401	55,012	69,834	79,492	81,529	84,431	89,081
Vacuum Technique	21,471	23,876	25,583	39,529	41,213	35,723	37,232	42,454	47,116
Industrial Technique	18,264	18,267	16,254	20,545	26,070	29,497	27,916	30,299	31,814
Power Technique	12,498	13,954	11,810	15,155	21,783	26,940	26,073	27,601	28,981
Other	-681	-647	-494	-696	-808	-1,080	-1,185	-1,176	-1,242
Group Total	97,132	106,104	100,554	129,545	158,092	170,572	171,565	183,609	195,750
<i>Organic order growth</i>	5%	2%	-4%	33%	8%	0%	1%	7%	7%
Sales	2018	2019	2020	2021	2022	2023	2024e	2025e	2026e
Compressor Technique	43,972	48,286	47,329	49,657	61,058	75,552	80,096	84,613	88,844
Vacuum Technique	22,007	23,570	24,685	29,219	38,941	42,812	39,806	42,306	45,995
Industrial Technique	17,933	18,712	16,176	19,421	23,007	28,453	29,579	30,616	32,147
Power Technique	12,042	13,915	12,106	13,234	19,053	26,899	28,451	28,660	29,663
Other	-591	-727	-509	-619	-734	-1,044	-1,154	-1,229	-1,298
Group Total	95,363	103,756	99,787	110,912	141,325	172,672	176,778	184,967	195,350
<i>Organic growth</i>	8%	2%	-3%	14%	12%	14%	3%	4%	6%
EBIT	2018	2019	2020	2021	2022	2023	2024e	2025e	2026e
Compressor Technique	10,263	11,198	10,658	11,874	14,425	18,488	19,831	21,130	22,237
Vacuum Technique	5,522	5,792	5,519	7,066	8,407	9,607	8,357	9,394	10,551
Industrial Technique	4,188	4,069	2,422	3,976	4,597	6,183	6,222	6,547	6,976
Power Technique	2,006	2,308	1,594	2,121	3,525	5,191	5,460	5,512	5,813
Other	-792	-1,470	-1,047	-1,478	-738	-1,599	-1,672	-1,760	-1,848
Group EBIT	21,187	21,897	19,146	23,559	30,216	37,091	38,197	40,823	43,729
Comparison distorting items	52	-780	-852	-585	151	-1,126	-460	0	0
Group EBIT ex distorting items	21,135	22,677	19,998	24,144	30,065	38,217	38,657	40,823	43,729
EBIT margin	2018	2019	2020	2021	2022	2023	2024e	2025e	2026e
Compressor Technique	23.3%	23.2%	22.5%	23.9%	23.6%	24.5%	24.8%	25.0%	25.0%
Vacuum Technique	25.1%	24.6%	22.4%	24.2%	21.6%	22.4%	21.0%	22.2%	22.9%
Industrial Technique	23.4%	21.7%	15.0%	20.5%	20.0%	21.7%	21.0%	21.4%	21.7%
Power Technique	16.7%	16.6%	13.2%	16.0%	18.5%	19.3%	19.2%	19.2%	19.6%
Group EBIT margin	22.2%	21.1%	19.2%	21.2%	21.4%	21.5%	21.6%	22.1%	22.4%
Group EBIT margin ex XO	22.2%	21.9%	20.0%	21.8%	21.3%	22.1%	21.9%	22.1%	22.4%
Net financials	-343	-325	-321	-149	-172	-649	-486	-440	-360
PTP	20,844	21,572	18,825	23,410	30,044	36,442	37,711	40,383	43,369
Taxes	-4,508	-5,029	-4,042	-5,276	-6,562	-8,390	-8,107	-9,086	-9,758
Minority interests	-271	-21	-4	-4	-2	-12	-10	-11	-11
Discontinued	89,018	0	0	0	0	0	0	0	0
Net profit	106,164	16,522	14,779	18,130	23,480	28,040	29,594	31,286	33,600
EPS	21.8	3.4	3.0	3.7	4.8	5.8	6.1	6.4	6.9

Source: Company data, ABG Sundal Collier

Income Statement (SEKm)	2017	2018	2019	2020	2021	2022	2023	2024e	2025e	2026e
Sales	116,421	95,363	103,756	99,787	110,912	141,325	172,664	176,778	184,967	195,350
Other operating items	-87,111	-70,254	-77,159	-75,452	-81,887	-104,762	-127,794	-130,682	-136,083	-143,393
EBITDA	29,310	25,109	26,597	24,335	29,025	36,563	44,870	46,096	48,884	51,957
Depreciation and amortisation	-3,997	-2,921	-3,559	-3,753	-4,139	-4,607	-5,502	-5,659	-5,821	-5,988
EBITA	25,313	22,188	23,038	20,582	24,886	31,956	39,368	40,437	43,063	45,969
EO Items	-749	52	-780	-852	-585	151	-1,126	-460	0	0
Impairment and PPA amortisation	-1,113	-1,001	-1,141	-1,436	-1,327	-1,740	-2,277	-2,240	-2,240	-2,240
EBIT	24,200	21,187	21,897	19,146	23,559	30,216	37,091	38,197	40,823	43,729
Net financial items	-1,071	-343	-325	-321	-149	-172	-649	-486	-440	-360
Pretax profit	23,129	20,844	21,572	18,825	23,410	30,044	36,442	37,711	40,383	43,369
Tax	-6,367	-4,508	-5,029	-4,042	-5,276	-6,562	-8,390	-8,107	-9,086	-9,758
Net profit	16,762	16,336	16,543	14,783	18,134	23,482	28,052	29,604	31,297	33,611
Minority interest	-22	-271	-21	-4	-4	-2	-12	-10	-11	-11
Net profit discontinued	-69	90,099	0	0	0	0	0	0	0	0
Net profit to shareholders	16,671	106,164	16,522	14,779	18,130	23,480	28,040	29,594	31,286	33,600
EPS	3.43	21.84	3.40	3.03	3.72	4.82	5.76	6.08	6.43	6.90
EPS adj.	3.73	21.99	3.71	3.40	4.03	5.08	6.30	6.51	6.79	7.26
Total extraordinary items after tax	-584	41	-608	-665	-453	118	-878	-361	0	0
Leasing payments	0	0	-1,050	-1,155	-1,154	-1,403	-1,793	-1,811	-1,829	-1,847
<i>Tax rate (%)</i>	<i>27.5</i>	<i>21.6</i>	<i>23.3</i>	<i>21.5</i>	<i>22.5</i>	<i>21.8</i>	<i>23.0</i>	<i>21.5</i>	<i>22.5</i>	<i>22.5</i>
<i>EBITDA margin (%)</i>	<i>25.2</i>	<i>26.3</i>	<i>25.6</i>	<i>24.4</i>	<i>26.2</i>	<i>25.9</i>	<i>26.0</i>	<i>26.1</i>	<i>26.4</i>	<i>26.6</i>
<i>EBITA margin (%)</i>	<i>21.7</i>	<i>23.3</i>	<i>22.2</i>	<i>20.6</i>	<i>22.4</i>	<i>22.6</i>	<i>22.8</i>	<i>22.9</i>	<i>23.3</i>	<i>23.5</i>
<i>EBIT margin (%)</i>	<i>20.8</i>	<i>22.2</i>	<i>21.1</i>	<i>19.2</i>	<i>21.2</i>	<i>21.4</i>	<i>21.5</i>	<i>21.6</i>	<i>22.1</i>	<i>22.4</i>
<i>Pre-tax margin (%)</i>	<i>19.9</i>	<i>21.9</i>	<i>20.8</i>	<i>18.9</i>	<i>21.1</i>	<i>21.3</i>	<i>21.1</i>	<i>21.3</i>	<i>21.8</i>	<i>22.2</i>
<i>Net margin (%)</i>	<i>14.4</i>	<i>17.1</i>	<i>15.9</i>	<i>14.8</i>	<i>16.3</i>	<i>16.6</i>	<i>16.2</i>	<i>16.7</i>	<i>16.9</i>	<i>17.2</i>
Growth Rates y-o-y	-	-	-	-	-	-	-	-	-	-
<i>Sales growth (%)</i>	<i>14.9</i>	<i>-18.1</i>	<i>8.8</i>	<i>-3.8</i>	<i>11.1</i>	<i>27.4</i>	<i>22.2</i>	<i>2.4</i>	<i>4.6</i>	<i>5.6</i>
<i>EBITDA growth (%)</i>	<i>21.2</i>	<i>-14.3</i>	<i>5.9</i>	<i>-8.5</i>	<i>19.3</i>	<i>26.0</i>	<i>22.7</i>	<i>2.7</i>	<i>6.0</i>	<i>6.3</i>
<i>EBITA growth (%)</i>	<i>21.7</i>	<i>-12.3</i>	<i>3.8</i>	<i>-10.7</i>	<i>20.9</i>	<i>28.4</i>	<i>23.2</i>	<i>2.7</i>	<i>6.5</i>	<i>6.7</i>
<i>EBIT growth (%)</i>	<i>22.2</i>	<i>-12.5</i>	<i>3.4</i>	<i>-12.6</i>	<i>23.0</i>	<i>28.3</i>	<i>22.8</i>	<i>3.0</i>	<i>6.9</i>	<i>7.1</i>
<i>Net profit growth (%)</i>	<i>21.6</i>	<i>-2.5</i>	<i>1.3</i>	<i>-10.6</i>	<i>22.7</i>	<i>29.5</i>	<i>19.5</i>	<i>5.5</i>	<i>5.7</i>	<i>7.4</i>
<i>EPS growth (%)</i>	<i>40.2</i>	<i>nm</i>	<i>-84.4</i>	<i>-10.8</i>	<i>22.7</i>	<i>29.6</i>	<i>19.4</i>	<i>5.5</i>	<i>5.7</i>	<i>7.4</i>
Profitability	-	-	-	-	-	-	-	-	-	-
<i>ROE (%)</i>	<i>29.3</i>	<i>206.0</i>	<i>34.5</i>	<i>27.8</i>	<i>30.0</i>	<i>31.8</i>	<i>32.7</i>	<i>29.8</i>	<i>27.0</i>	<i>25.2</i>
<i>ROE adj. (%)</i>	<i>32.3</i>	<i>207.9</i>	<i>38.2</i>	<i>31.7</i>	<i>33.0</i>	<i>34.0</i>	<i>36.4</i>	<i>32.4</i>	<i>29.0</i>	<i>26.9</i>
<i>ROCE (%)</i>	<i>29.0</i>	<i>27.6</i>	<i>30.0</i>	<i>23.6</i>	<i>26.7</i>	<i>28.4</i>	<i>30.4</i>	<i>28.6</i>	<i>27.9</i>	<i>27.8</i>
<i>ROCE adj. (%)</i>	<i>31.2</i>	<i>28.9</i>	<i>32.7</i>	<i>26.5</i>	<i>28.9</i>	<i>29.9</i>	<i>33.2</i>	<i>30.6</i>	<i>29.4</i>	<i>29.2</i>
<i>ROIC (%)</i>	<i>28.0</i>	<i>31.0</i>	<i>30.9</i>	<i>23.9</i>	<i>26.5</i>	<i>27.4</i>	<i>27.4</i>	<i>26.8</i>	<i>27.2</i>	<i>28.7</i>
<i>ROIC adj. (%)</i>	<i>28.8</i>	<i>30.9</i>	<i>31.9</i>	<i>24.9</i>	<i>27.1</i>	<i>27.3</i>	<i>28.1</i>	<i>27.1</i>	<i>27.2</i>	<i>28.7</i>
Adj. earnings numbers	-	-	-	-	-	-	-	-	-	-
<i>EBITDA adj.</i>	<i>30,059</i>	<i>25,057</i>	<i>27,377</i>	<i>25,187</i>	<i>29,610</i>	<i>36,412</i>	<i>45,996</i>	<i>46,556</i>	<i>48,884</i>	<i>51,957</i>
<i>EBITDA adj. margin (%)</i>	<i>25.8</i>	<i>26.3</i>	<i>26.4</i>	<i>25.2</i>	<i>26.7</i>	<i>25.8</i>	<i>26.6</i>	<i>26.3</i>	<i>26.4</i>	<i>26.6</i>
<i>EBITDA lease adj.</i>	<i>30,059</i>	<i>25,057</i>	<i>26,327</i>	<i>24,032</i>	<i>28,456</i>	<i>35,009</i>	<i>44,203</i>	<i>44,745</i>	<i>47,055</i>	<i>50,110</i>
<i>EBITDA lease adj. margin (%)</i>	<i>25.8</i>	<i>26.3</i>	<i>25.4</i>	<i>24.1</i>	<i>25.7</i>	<i>24.8</i>	<i>25.6</i>	<i>25.3</i>	<i>25.4</i>	<i>25.7</i>
<i>EBITA adj.</i>	<i>26,062</i>	<i>22,136</i>	<i>23,818</i>	<i>21,434</i>	<i>25,471</i>	<i>31,805</i>	<i>40,494</i>	<i>40,897</i>	<i>43,063</i>	<i>45,969</i>
<i>EBITA adj. margin (%)</i>	<i>22.4</i>	<i>23.2</i>	<i>23.0</i>	<i>21.5</i>	<i>23.0</i>	<i>22.5</i>	<i>23.5</i>	<i>23.1</i>	<i>23.3</i>	<i>23.5</i>
<i>EBIT adj.</i>	<i>24,949</i>	<i>21,135</i>	<i>22,677</i>	<i>19,998</i>	<i>24,144</i>	<i>30,065</i>	<i>38,217</i>	<i>38,657</i>	<i>40,823</i>	<i>43,729</i>
<i>EBIT adj. margin (%)</i>	<i>21.4</i>	<i>22.2</i>	<i>21.9</i>	<i>20.0</i>	<i>21.8</i>	<i>21.3</i>	<i>22.1</i>	<i>21.9</i>	<i>22.1</i>	<i>22.4</i>
<i>Pretax profit Adj.</i>	<i>24,991</i>	<i>21,793</i>	<i>23,493</i>	<i>21,113</i>	<i>25,322</i>	<i>31,633</i>	<i>39,845</i>	<i>40,411</i>	<i>42,623</i>	<i>45,609</i>
<i>Net profit Adj.</i>	<i>18,459</i>	<i>17,296</i>	<i>18,292</i>	<i>16,884</i>	<i>19,914</i>	<i>25,104</i>	<i>31,207</i>	<i>32,205</i>	<i>33,537</i>	<i>35,851</i>
<i>Net profit to shareholders adj.</i>	<i>18,368</i>	<i>107,124</i>	<i>18,271</i>	<i>16,880</i>	<i>19,910</i>	<i>25,102</i>	<i>31,195</i>	<i>32,195</i>	<i>33,526</i>	<i>35,840</i>
<i>Net adj. margin (%)</i>	<i>15.9</i>	<i>18.1</i>	<i>17.6</i>	<i>16.9</i>	<i>18.0</i>	<i>17.8</i>	<i>18.1</i>	<i>18.2</i>	<i>18.1</i>	<i>18.4</i>

Source: ABG Sundal Collier, Company Data

Cash Flow (SEKm)	2017	2018	2019	2020	2021	2022	2023	2024e	2025e	2026e
EBITDA	29,310	25,109	26,597	24,335	29,025	36,563	44,870	46,096	48,884	51,957
Net financial items	-1,071	-343	-325	-321	-149	-172	-649	-486	-440	-360
Paid tax	-8,367	-5,896	-5,501	-4,531	-5,211	-6,562	-8,758	-8,107	-9,086	-9,758
Non-cash items	293	1,335	-1,649	555	-269	-1,037	-1,604	-10	-11	-11
Cash flow before change in WC	20,165	20,205	19,122	20,038	23,396	28,792	33,859	37,492	39,347	41,828
Change in working capital	1,215	-3,391	-2,971	2,166	-244	-7,415	-5,775	-2,064	-1,276	-1,618
Operating cash flow	21,380	16,814	16,151	22,204	23,152	21,377	28,084	35,428	38,071	40,210
Capex tangible fixed assets	-1,563	-2,046	-962	-1,420	-1,877	-3,561	-3,886	-3,712	-3,884	-4,102
Capex intangible fixed assets	-1,019	-846	-1,015	-1,337	-1,903	-1,391	-1,464	-1,945	-2,220	-2,344
Acquisitions and Disposals	1,490	-1,409	-7,706	-13,745	-3,164	-10,591	-4,314	-3,700	0	0

Cash Flow (SEKm)	2017	2018	2019	2020	2021	2022	2023	2024e	2025e	2026e
Free cash flow	20,288	12,513	6,468	5,702	16,208	5,834	18,420	26,071	31,967	33,763
Dividend paid	-8,256	-18,192	-7,663	-8,506	-8,889	-19,004	-11,211	-13,631	-14,605	-15,579
Share issues and buybacks	-236	-198	1,287	-274	1,034	-483	265	0	0	0
Leasing liability amortisation	0	0	-1,050	-1,155	-1,154	-1,403	-1,793	-1,811	-1,829	-1,847
Balance Sheet (SEKm)	2017	2018	2019	2020	2021	2022	2023	2024e	2025e	2026e
Goodwill	23,219	19,417	22,757	28,873	32,113	44,299	45,361	47,361	47,361	47,361
Other intangible assets	11,932	10,608	13,792	16,967	18,235	22,768	22,140	20,812	19,749	18,801
Tangible fixed assets	12,457	10,387	10,879	10,130	11,333	15,409	18,703	23,161	23,972	24,879
Right-of-use asset	0	0	3,557	3,261	3,244	4,752	5,763	5,763	5,763	5,763
Total other fixed assets	3,614	2,912	3,244	3,190	3,752	4,861	4,510	4,510	4,510	4,510
Fixed assets	51,222	43,324	54,229	62,421	68,677	92,089	96,477	101,607	101,356	101,313
Inventories	18,415	12,718	14,501	13,450	17,801	27,219	29,283	29,699	31,074	32,819
Receivables	30,117	24,111	27,861	25,777	30,363	40,849	45,072	46,146	48,283	50,994
Other current assets	1,488	103	126	63	847	889	965	2,727	2,853	3,014
Cash and liquid assets	24,496	16,414	15,005	11,655	18,995	11,255	10,887	19,446	27,745	39,070
Total assets	125,738	96,670	111,722	113,366	136,683	172,301	182,684	199,624	211,312	227,210
Shareholders equity	60,639	42,425	53,231	53,215	67,633	79,976	91,450	107,402	124,072	142,082
Minority	84	47	59	319	1	50	50	60	71	83
Total equity	60,723	42,472	53,290	53,534	67,634	80,026	91,500	107,462	124,144	142,165
Long-term debt	22,415	14,313	17,730	19,269	17,723	20,265	24,751	24,552	17,205	12,097
Pension debt	3,034	2,837	3,488	3,488	3,114	2,380	2,584	2,584	2,584	2,584
Leasing liability	0	0	3,557	3,369	3,349	4,819	5,742	5,742	5,742	5,742
Total other long-term liabilities	3,395	3,190	2,112	3,209	5,081	3,190	4,421	4,421	4,421	4,421
Short-term debt	1,513	5,966	2,243	1,950	2,960	10,361	1,251	1,251	1,251	1,251
Accounts payable	32,576	26,188	27,564	26,556	35,196	47,142	49,836	51,023	53,387	56,384
Other current liabilities	2,082	1,704	1,738	1,991	1,626	4,118	2,599	2,589	2,578	2,566
Total liabilities and equity	125,738	96,670	111,722	113,366	136,683	172,301	182,684	199,624	211,312	227,210
Net IB debt	2,466	6,702	12,013	16,421	8,151	26,570	23,441	14,683	-962	-17,396
Net IB debt excl. pension debt	-568	3,865	8,525	12,933	5,037	24,190	20,857	12,099	-3,546	-19,980
Net IB debt excl. leasing	2,466	6,702	8,456	13,052	4,802	21,751	17,699	8,941	-6,704	-23,138
Capital employed	87,685	65,588	80,308	81,610	94,780	117,851	125,828	141,591	150,926	163,839
Capital invested	63,189	49,174	65,303	69,955	75,785	106,596	114,941	122,146	123,181	124,769
Working capital	15,362	9,040	13,186	10,743	12,189	17,697	22,885	24,960	26,247	27,876
EV breakdown	-	-	-	-	-	-	-	-	-	-
Market cap. diluted (m)	857,459	858,872	859,084	861,063	860,773	859,995	859,995	859,995	859,995	859,995
Net IB debt adj.	2,466	6,702	12,013	16,421	8,151	26,570	23,441	14,683	-962	-17,396
Market value of minority	84	47	59	319	1	50	50	60	71	83
Reversal of shares and participations	-212	-133	-1,037	-931	-931	-939	-854	-854	-854	-854
Reversal of conv. debt assumed equity	-	-	-	-	-	-	-	-	-	-
EV	859,797	865,488	870,119	876,872	867,994	885,676	882,632	873,885	858,250	841,828
Total assets turnover (%)	96.4	85.8	99.6	88.7	88.7	91.5	97.3	92.5	90.0	89.1
Working capital/sales (%)	13.4	12.8	10.7	12.0	10.3	10.6	11.8	13.5	13.8	13.9
Financial risk and debt service	-	-	-	-	-	-	-	-	-	-
Net debt/equity (%)	4.1	15.8	22.5	30.7	12.1	33.2	25.6	13.7	-0.8	-12.2
Net debt / market cap (%)	0.3	0.8	1.4	1.9	0.9	3.1	2.7	1.7	-0.1	-2.0
Equity ratio (%)	48.3	43.9	47.7	47.2	49.5	46.4	50.1	53.8	58.7	62.6
Net IB debt adj. / equity (%)	4.1	15.8	22.5	30.7	12.1	33.2	25.6	13.7	-0.8	-12.2
Current ratio	2.06	1.58	1.82	1.67	1.71	1.30	1.61	1.79	1.92	2.09
EBITDA/net interest	27.4	73.2	81.8	75.8	194.8	212.6	69.1	94.8	111.1	144.3
Net IB debt/EBITDA (x)	0.1	0.3	0.5	0.7	0.3	0.7	0.5	0.3	-0.0	-0.3
Net IB debt/EBITDA lease adj. (x)	0.1	0.3	0.3	0.5	0.2	0.6	0.4	0.2	-0.1	-0.5
Interest coverage	23.6	64.7	70.9	64.1	167.0	185.8	60.7	83.2	97.9	127.7

Source: ABG Sundal Collier, Company Data

Share Data (SEKm)	2017	2018	2019	2020	2021	2022	2023	2024e	2025e	2026e
Actual shares outstanding	4,854	4,862	4,863	4,874	4,873	4,868	4,868	4,868	4,868	4,868
Actual shares outstanding (avg)	4,854	4,862	4,863	4,874	4,873	4,868	4,868	4,868	4,868	4,868
Actual dividend per share	3.75	1.58	1.75	1.83	3.90	2.30	2.80	3.00	3.20	3.40
Reported earnings per share	3.43	21.84	3.40	3.03	3.72	4.82	5.76	6.08	6.43	6.90

Source: ABG Sundal Collier, Company Data

Valuation and Ratios (SEKm)	2017	2018	2019	2020	2021	2022	2023	2024e	2025e	2026e
Shares outstanding adj.	4,854	4,862	4,863	4,874	4,873	4,868	4,868	4,868	4,868	4,868
Diluted shares adj.	4,854	4,862	4,863	4,874	4,873	4,868	4,868	4,868	4,868	4,868

Valuation and Ratios (SEKm)	2017	2018	2019	2020	2021	2022	2023	2024e	2025e	2026e
EPS	3.43	21.84	3.40	3.03	3.72	4.82	5.76	6.08	6.43	6.90
Dividend per share	3.75	1.58	1.75	1.83	3.90	2.30	2.80	3.00	3.20	3.40
EPS adj.	3.73	21.99	3.71	3.40	4.03	5.08	6.30	6.51	6.79	7.26
BVPS	12.49	8.73	10.95	10.92	13.88	16.43	18.78	22.06	25.49	29.18
BVPS adj.	5.25	2.55	3.43	1.51	3.55	2.65	4.92	8.06	11.70	15.59
Net IB debt/share	0.51	1.38	2.47	3.37	1.67	5.46	4.81	3.02	-0.20	-3.57
Share price	176.65	176.65	176.65	176.65	176.65	176.65	176.65	176.65	176.65	176.65
Market cap. (m)	857,459	858,872	859,084	861,063	860,773	859,995	859,995	859,995	859,995	859,995
Valuation	-	-	-	-	-	-	-	-	-	-
P/E (x)	51.4	8.1	52.0	58.3	47.5	36.6	30.7	29.1	27.5	25.6
EV/sales (x)	7.39	9.08	8.39	8.79	7.83	6.27	5.11	4.94	4.64	4.31
EV/EBITDA (x)	29.3	34.5	32.7	36.0	29.9	24.2	19.7	19.0	17.6	16.2
EV/EBITA (x)	34.0	39.0	37.8	42.6	34.9	27.7	22.4	21.6	19.9	18.3
EV/EBIT (x)	35.5	40.8	39.7	45.8	36.8	29.3	23.8	22.9	21.0	19.3
Dividend yield (%)	2.1	0.9	1.0	1.0	2.2	1.3	1.6	1.7	1.8	1.9
FCF yield (%)	2.4	1.5	0.8	0.7	1.9	0.7	2.1	3.0	3.7	3.9
Le. adj. FCF yld. (%)	2.4	1.5	0.6	0.5	1.7	0.5	1.9	2.8	3.5	3.7
P/BVPS (x)	14.14	20.24	16.14	16.18	12.73	10.75	9.40	8.01	6.93	6.05
P/BVPS adj. (x)	33.64	69.26	51.50	116.75	49.80	66.62	35.91	21.92	15.10	11.33
P/E adj. (x)	47.3	8.0	47.7	52.0	43.9	34.8	28.0	27.1	26.0	24.3
EV/EBITDA adj. (x)	28.6	34.5	31.8	34.8	29.3	24.3	19.2	18.8	17.6	16.2
EV/EBITA adj. (x)	33.0	39.1	36.5	40.9	34.1	27.8	21.8	21.4	19.9	18.3
EV/EBIT adj. (x)	34.5	41.0	38.4	43.8	36.0	29.5	23.1	22.6	21.0	19.3
EV/CE (x)	9.8	13.2	10.8	10.7	9.2	7.5	7.0	6.2	5.7	5.1
Investment ratios	-	-	-	-	-	-	-	-	-	-
Capex/sales (%)	2.2	3.0	1.9	2.8	3.4	3.5	3.1	3.2	3.3	3.3
Capex/depreciation	0.6	1.0	0.8	1.1	1.3	1.5	1.4	1.4	1.5	1.5

Source: ABG Sundal Collier, Company Data

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Stock price, company ratings and target price history

Company: Atlas Copco

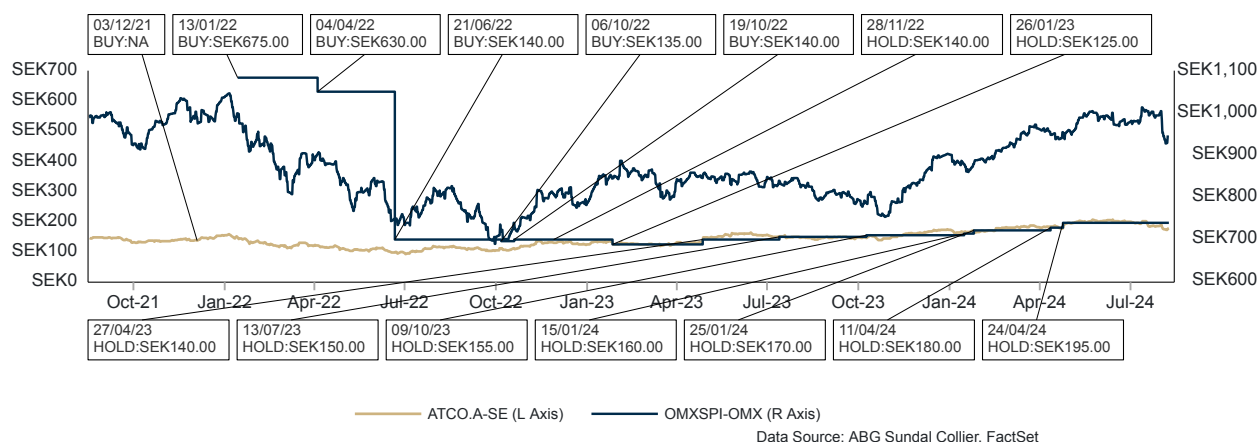
Currency: SEK

Current Recommendation: BUY

Date: 13/8/2024

Current Target price: 205.0

Current Share price: 176.65



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