

Waiting for closing of takeover - Buy

Following a difficult year 2023, SMT is set to consolidate in 2024e. The cautious FY 2024e guidance indicates that the operational development is expected to be subdued. However, we believe that in H2e, demand from China has potential for upside. In our view, rather than the operational development, investors' focus in 2024 will be on the takeover process through Yankuang (SMT expects closing in Q3e) and the strategic considerations of the new major shareholder. The announced uplisting of the shares is obviously good news for the shareholders and indicates that Yankuang has some plans for SMT with the maintaining of the stock-market listing at a higher transparency level. With a new TP of EUR 11 (prev. EUR 11.50), we continue to rate the shares a Buy.

Takeover is progressing according to plan

According to the management, the takeover process through Yankuang Energy, which intends to acquire Shareholder Value's 52.66% stake as well as the planned uplisting to the Prime Standard is progressing as expected, with the closing aimed for end of Q3e. While it is still too early to evaluate the impact of the new major shareholder, we believe that it is very obvious that SMT will target to leverage Yankuang's footprint in China's mining equipment market.

2024e guidance and our estimates

At first glance, SMT's guidance looks cautious. At the mid-point the revenue guidance of EUR 74m to EUR 79m implies a moderate increase of c.5% yoy. In view of the sharp decrease in 2023 (-22% yoy), we had expected a stronger recovery. However, it appears that the weakness in Russia will continue to weigh on the business and that the exceptional year 2023 in Poland cannot be repeated. The expected EBIT decline (guided range of EUR 1.5m to EUR 2.5m) of 50% yoy on average is due to the increased costs that cannot be passed on to customers. In order to reflect the guidance, we now forecast for FY 2024e revenues of EUR 76.5m (prev. EUR 84m) and an EBIT of EUR 1.9m (prev. EUR 6.3m).

Q1 2024e (due on May 15) – Restrained start to the year expected

On the back of the cautious outlook, we expect a rather restrained Q1e with revenues of EUR 13.1m (+2% yoy) and an EBIT loss of EUR -1m (Q1 2023: EUR -1.1m). Bear in mind, that the first quarter is traditionally characterized by lower revenue contribution and therefore losses on earnings level are not untypical.

EURm	2022	2023	2024e	2025e	2026e
Revenues	94	73	77	90	100
EBITDA	17	7	5	8	11
EBIT	20	9	3	6	9
EPS	2.66	0.89	0.28	0.70	1.02
EPS adj	2.11	0.89	0.28	0.70	1.02
DPS	-	-	-	-	-
EV/EBITDA	4.5	6.3	7.8	5.2	3.7
EV/EBIT	3.9	5.3	12.2	6.6	4.6
P/E adj	5.5	7.2	24.0	9.5	6.6
P/B	0.74	0.41	0.42	0.41	0.38
ROE (%)	18.7	5.7	1.8	4.4	6.0
Div yield (%)	-	-	-	-	-
Net debt	9	6	(6)	0	(1)

Source: Pareto Securities

Target price (EUR)	11.0	▲	BUY
Share price (EUR)	6.7	–	HOLD
		▼	SELL

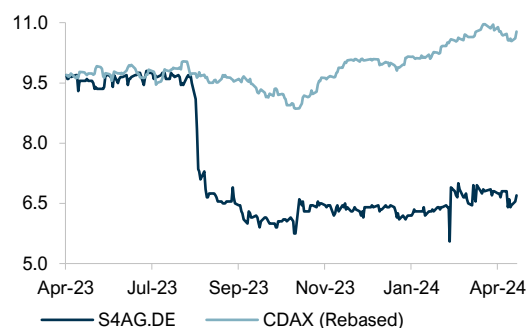
Forecast changes

%	2024e	2025e	2026e
Revenues	(9)	-	NM
EBITDA	(49)	(19)	NM
EBIT adj	NM	NM	NM
EPS reported	(68)	(28)	NM
EPS adj	(68)	(28)	NM

Source: Pareto Securities

Ticker	S4AG.DE, S4AA GY
Sector	Industrials
Shares fully diluted (m)	5.5
Market cap (EURm)	37
Net debt (EURm)	-3
Minority interests (EURm)	2
Enterprise value 24e (EURm)	36

Performance



Source: FactSet

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Analysts

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We continue to value the shares based on our DCF and peer group models. Due to the comparatively smaller company size of SMT and its lower profitability compared to its peers, we continue to apply a valuation discount of 10%.

Peer group model

Company	PE 2024e	PE 2025e	EV/EBITDA 2024e	EV/EBITDA 2025e	EBITDA margin 2025e
Atlas Copco AB Class A	29.5	27.9	18.9	17.7	26%
Caterpillar Inc.	17.1	16.1	12.0	11.5	23%
Epiroc AB Class A	25.7	23.2	16.1	14.5	26%
FLSmidth & Co. A/S	18.5	13.6	9.5	7.2	13%
Sandvik AB	19.3	15.8	10.9	9.6	24%
Median	19.3	16.1	12.0	11.5	24.4%
SMT Scharf AG	24.0	9.5	3.4	2.6	8.9%
relative	-	59%	28%	23%	
Fair value per share at peer median	5.4	11.4	10.6	16.4	
Fair value / share (av.)	10.9				
Target price including 10% discount	9.8				

Source: FactSet, Pareto Securities

DCF model

EURm	Phase I					Phase II					Phase III
	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	
Revenues	76.5	90.0	99.9	106.4	111.7	116.8	121.7	126.3	130.6	134.5	
growth rate	4.5%	17.6%	11.0%	6.5%	5.0%	4.6%	4.2%	3.8%	3.4%	3.0%	
EBIT	1.9	5.3	7.8	9.4	10.7	11.2	11.6	12.0	12.4	12.8	
EBIT margin	2.5%	5.9%	7.8%	8.8%	9.6%	9.6%	9.6%	9.5%	9.5%	9.5%	
Tax	(0.5)	(1.5)	(2.2)	(2.6)	(3.0)	(3.1)	(3.3)	(3.4)	(3.5)	(3.6)	
Tax rate	28%	28%	28%	28%	28%	28%	28%	28%	28%	28%	
Depr. & Amort.	2.7	2.7	3.0	3.2	3.4	3.5	3.6	3.7	3.8	3.9	
% of sales	3.5%	3.0%	3.0%	3.0%	3.0%	3.0%	2.9%	2.9%	2.9%	2.9%	
Capex	(2.7)	(3.1)	(3.0)	(3.2)	(3.4)	(3.5)	(3.7)	(3.8)	(3.9)	(4.0)	
% of sales	3.5%	3.5%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	
Change in WC & P	9.9	(10.5)	(5.1)	(4.9)	(4.0)	(3.8)	(3.6)	(3.3)	(3.0)	(2.7)	
% of sales	-12.9%	11.6%	5.2%	4.6%	3.6%	3.3%	2.9%	2.6%	2.3%	2.0%	
Free Cash Flow	11.2	(7.1)	0.4	1.9	3.7	4.2	4.7	5.3	5.8	6.4	110.5
growth rate		nm	nm	nm	97.6%	12.9%	12.4%	11.6%	10.8%	9.9%	2.0%
Present Value FCF	10.7	(6.2)	0.4	1.4	2.6	2.7	2.8	2.9	3.0	3.1	52.8

PV Phase I	9	Risk free rate	3.00%	Targeted Eq. ratio	80%
PV Phase II	15	Premium Equity	5.00%	Beta	1.2
PV Phase III	53	Premium Debt	2.00%	WACC	7.9%

Enterprise value	76	Sensitivity	Growth in phase III					
- Net Debt	6		1.0%	1.5%	2.0%	2.5%	3.0%	
- Pension Provisions	3		7.1%	12.5	13.4	14.6	15.9	17.6
- Minorities & Peripherals	2		7.5%	11.5	12.3	13.2	14.3	15.7
- Paid-out dividends for last FY	-		7.9%	10.6	11.3	12.1	13.0	14.1
Equity value	66.0	8.3%	9.8	10.4	11.1	11.9	12.8	
Number of shares	5.5	8.7%	9.1	9.6	10.2	10.9	11.7	
Value per share (€)	12.1							
Current Price (€)	6.70							
Upside	80.1%							

Source: Pareto Securities

PROFIT & LOSS (fiscal year) (EURm)	2019	2020	2021	2022	2023	2024e	2025e	2026e
Revenues	75	50	86	94	73	77	90	100
EBITDA	10	(1)	14	17	7	5	8	11
Depreciation & amortisation	(3)	(7)	(3)	(3)	(3)	(3)	(3)	(3)
EBIT	8	(6)	15	20	9	3	6	9
Net interest	(0)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Other financial items	-	-	-	-	-	-	-	-
Profit before taxes	7	(7)	14	19	8	2	6	8
Taxes	(1)	(1)	(2)	(4)	(2)	(1)	(2)	(2)
Minority interest	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
Net profit	5	(8)	13	15	5	2	4	6
EPS reported	1.20	(1.79)	2.46	2.66	0.89	0.28	0.70	1.02
EPS adjusted	1.20	(0.78)	2.46	2.11	0.89	0.28	0.70	1.02
DPS	-	-	-	-	-	-	-	-
BALANCE SHEET (EURm)	2019	2020	2021	2022	2023	2024e	2025e	2026e
Tangible non current assets	10	9	8	8	7	6	6	6
Other non-current assets	13	13	20	26	27	28	28	29
Other current assets	68	57	84	89	84	88	102	113
Cash & equivalents	5	4	10	8	8	20	14	16
Total assets	96	84	121	131	127	142	151	163
Total equity	61	48	72	87	87	88	92	98
Interest-bearing non-current debt	12	15	20	16	14	14	14	14
Interest-bearing current debt	-	-	-	-	-	-	-	-
Other Debt	20	17	26	25	23	37	42	48
Total liabilities & equity	96	84	121	131	127	142	151	163
CASH FLOW (EURm)	2019	2020	2021	2022	2023	2024e	2025e	2026e
Cash earnings	9	(5)	20	10	1	4	8	9
Change in working capital	(6)	8	(26)	(4)	3	10	(10)	(5)
Cash flow from investments	(4)	(5)	(3)	(2)	(1)	(3)	(3)	(3)
Cash flow from financing	(1)	3	13	(4)	(2)	0	0	0
Net cash flow	(0)	(1)	5	(2)	1	11	(6)	1
VALUATION (EURm)	2019	2020	2021	2022	2023	2024e	2025e	2026e
Share price (EUR end)	10.0	8.7	14.2	11.6	6.4	6.7	6.7	6.7
Number of shares end period	5	5	5	5	5	5	5	5
Net interest bearing debt	6	10	11	9	6	(6)	0	(1)
Enterprise value	57	55	93	76	45	36	41	40
EV/Sales	0.8	1.1	1.1	0.8	0.6	0.5	0.5	0.4
EV/EBITDA	5.9	-	6.7	4.5	6.3	7.8	5.2	3.7
EV/EBIT	7.4	-	6.2	3.9	5.3	12.2	6.6	4.6
P/E reported	8.3	-	5.8	4.4	7.2	24.0	9.5	6.6
P/E adjusted	8.3	-	5.8	5.5	7.2	24.0	9.5	6.6
P/B	0.8	0.8	1.1	0.7	0.4	0.4	0.4	0.4
FINANCIAL ANALYSIS	2019	2020	2021	2022	2023	2024e	2025e	2026e
ROE adjusted (%)	9.8	-	20.9	14.5	5.6	1.7	4.3	5.8
Dividend yield (%)	-	-	-	-	-	-	-	-
EBITDA margin (%)	12.8	-	16.2	18.2	9.8	6.0	8.9	10.8
EBIT margin (%)	10.2	-	17.3	20.9	11.6	3.8	7.0	8.8
NIBD/EBITDA	0.66	(7.19)	0.76	0.50	0.81	(1.21)	0.01	(0.13)
EBITDA/Net interest	21.26	-	17.76	17.41	7.84	6.52	11.41	15.35

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Pareto Bank	16,185,349	21.08 %
Pexip Holding	724,595	0.69 %
SpareBank 1 Nord-Norge	5,006,421	4.99 %
SpareBank 1 SMN	2,945,805	2.27 %
SpareBank 1 SR-Bank	2,468,277	0.97 %
SpareBank 1 Østfold Akerhus	1,234,613	9.97 %
SpareBank 1 Østlandet	6,991,771	6.58 %
Sparebanken Sør	495,000	1.19 %
Sparebanken Vest	9,159,657	8.35 %

Pareto Securities AS may hold financial instruments in companies where a recommendation has been produced or distributed by Pareto Securities AS in connection with rendering investment services, including Market Making.

Please find below an overview of material interests in shares held by employees in Pareto Securities AS, in companies where a recommendation has been produced or distributed by Pareto Securities AS. "By material interest" means holdings exceeding a value of NOK 50 000.

Company	Analyst holdings*	Total holdings
2020 Bulker s		13,924
2G Energy		340
ABB Ltd.		580
ABL Group		34,508
Aker ASA	500	2,241
Aker BP		13,105
Aker Carbon Capture		8,976
AMSC ASA		3,640
Aprila Bank		22,675
Austevoll Seafood		2,923
B3 Consulting Group		2,000
BB Biotech		460
Beer enberg		96,600
Belships		10,000
Biolinvent		15,000
Bonheur		30,618
Bouvet		3,500
BW Energy		50,959
BW LPG		450
BW Off shore		3,000
Cool Company		610
Crayon		21,346
Deep Value Driller		10,650
Dermaphar m Holding SE		850
DNB		16,402
DNO		82,731
DOF		1,250
Elkem		179,170
Elmera Group ASA		32,755
Embracer Group		55,520

Company	Analyst holdings*	Total holdings
Encavis AG		630
Equinor		5,114
Europris		15,018
Flex LNG		295
Frontline		7,660
Gaming Innovation Group		10,010
Genel Energy		5,700
Getinge		260
GFT Technologies		420
Gjensidige Forsikring	519	3,010
Golden Ocean Group		995
Greg Seafood		11,801
Hafslund		108,178
Hennes & Mauritz B		1,085
Himalaya Shipping		6,000
Høegh Autoliners		2,463
International Petroleum Corp		7,676
International Seaways		192
Kinnvik AB		495
Kitron		21,138
Komplett ASA		287,114
Kongsberg Gruppen		170
Kontron AG		350
Leabank		16,355
Lerøy Seafood Group		59,075
Link Mobility Group		115,000
Lundin Mining Corp.		7,652
Magnora ASA		28,170
Morrow Bank		171,200
Mowi		10,626
MPC Container Ships		6,290
Multitude		2,443
Mutar es SE & Co. KGaA		433
NorAm Drilling		6,883
NORBIT		4,070
Nordic Semiconductor		35,552
Norsk Hydro		79,351
Norske Skog		81,764
Norwegian Air Shuttle		3,507
Okeanis Eco Tankers		6,822
Orkla		7,086
Panoro Energy		36,833
Pareto Bank		828,865
Petro Tal		20,000
Pexip Holding		724,595
Protector Forsikring		9,436
PSI Software		300
Quantafuel		16,665
REC Silicon		21,739
Salmor		224
Sandnes Sparebank		2,500
SATSASA		12,000
Scorpio Tankers		5,000
Seadrill Ltd		8,500
Securitas AB		656
Solstad Off shore		1,500
SpareBank 1 Nord-Norge	725	744
SpareBank 1 SMN		7,443
SpareBank 1 SR-Bank		10,447
SpareBank 1 Østlandet	1,100	2,280
Sparebanken Møre		950
Sparebanken Sør		15,000
Sparebanken Vest		966
Stolt-Nielsen		2,000
Stora Enso		1,396
Storbrand	100	2,400
Storitel		22,115
Subsea 7		21,141
Telenor		3,563
Telia Company		5,000
TGS		11,530
Thule Group		800
TORM		2,000
Transocean		10,000
Valaris		3,427
Vestas Wind Systems		1,275
Viscom		1,300
Volue		69,415
Vår Energi		279,546
Wallenius Wilhelmsen		2,500
Yara		18,449
Zaptec		21,500

This overview is updated monthly (last updated 15.04.2024).

*Analyst holdings refer to positions held by the Pareto Securities AS analyst covering the company.

Appendix B

Disclosure requirements in accordance with Article 6(1)(c)(iii) of Commission Delegated Regulation (EU) 2016/958

Overview over issuers of financial instruments where Pareto Securities AS have prepared or distributed investment recommendation, where Pareto Securities AS have been lead manager/co-lead manager or have rendered publicly known not immaterial investment banking services over the previous 12 months:

Acr oud AB	Quality Living Residential AS
Advanzia Bank S.A.	ReFuels
Alter a Infrastructur e	Rejo Nutec A/ S
Alva Industrier AS	Sega Robotics ASA
AMSC ASA	Salmon Evolution
APK AG	Seacrest Petr oleo Ber muda Ltd
Ar cher	Shamar an Petr oleum
Ar geo AS	Shearwater Geoservices
Austevoll Seafood	Solstad Off shore
Ayfie Group AS	Spar ebanken Ser
Beer enberg Services AS	SSCP Lager Bidco AB
Bonheur ASA	Talos Production Inc.
Bor r Drilling	Tomagruppen
BP Inv3 Topco Limited (TWMA)	Tr easure ASA
BW Ener gy	Var el Ener gy Solutions
BW Epic Kosan	Vester ålen Havbruk AS
BW Group Limited	Ziton A/ S
Cabonline Group Holding	
Cadeler	
Capsol Technologies ASA	
CEMAsys AS	
Clemens Kraft AS	
Crayon	
DEAG Deutsche Entertainment AG	
Delight	
Desert Contr ol AS	
DOF	
Delphin Drilling	
EIK Servicing AS	
Ener gy Drilling Pte. Ltd.	
Floatel	
Fr edrikstad Ener gi AS	
Fr ay ASA	
GC Rieber Shipping ASA	
Gjensidige Forsikring ASA	
Golar LNG	
Golden Ener gy Off shore Services AS	
Gr entvedt	
Hertha BSC GmbH & Co. KGaA	
HMH Holding B.V.	
Huddly AS	
HydrogenPro	
HÖRMANN Industries GmbH	
Inin Group AS	
Insr ASA	
Instabank ASA	
International Petroleum Corp. ("IPC")	
Katjes International GmbH&CO	
Klavness Combination Carriers ASA	
KMC Properties	
Krow Bidco AS	
Lear nd SE	
Lif eFI Group Midco GmbH	
Logistic Contractors AS	
LoneStar Group	
Minerva Topco AS	
Mintra Group	
Morrow Bank	
Mutar es SE & Co. KGaA	
NEXT Biometrics Group ASA	
Nordic Aqua Partners AS	
Nordic Hallbut AS	
Nordic Unmanned	
Norse Atlantic	
Norsk Renewables AS	
OKEA	
One Publicus Midco AB	
Otovo ASA	
Par eto Bank	
Pelagia Holding AS	
Pentfield Shipping LLC	
PGSASA	
PHM Group Holding	
Point Resources Holding AS	
poLight AS	
Prosafe	
protector Forsikring ASA	
Proximar Seafood	

This overview is updated monthly (this overview is for the period 01.04.2023 – 31.03.2024).

Appendix C

Disclosure requirements pursuant to the Norwegian Securities Trading Regulation § 3-11 (4)

Distribution of recommendations

Recommendation	% distribution
Buy	75%
Hold	24%
Sell	2%

Distribution of recommendations (transactions*)

Recommendation	% distribution
Buy	95%
Hold	5%
Sell	0%

* Companies under coverage with which Pareto Securities Group has on-going or completed public services in the previous 12 months

This overview is updated monthly (last updated 15.04.2024).

Appendix D

This section applies to research reports prepared by Pareto Securities AB.

Disclosure of positions in financial instruments

The beneficial holding of the Pareto Group is 1 % or more of the total share capital of the following companies included in Pareto Securities AB's research coverage universe: None

The Pareto Group has material holdings of other financial instruments than shares issued by the following companies included in Pareto Securities AB's research coverage universe: None

Disclosure of assignments and mandates

Overview over issuers of financial instruments where Pareto Securities AB has prepared or distributed investment recommendation, where Pareto Securities AB has been lead manager or co-lead manager or has rendered publicly known not immaterial investment banking services over the previous twelve months:

ADDvise Group AB	HANZA AB	Xspray Pharma AB
Artificial Solutions International AB	Hexicon AB	VEFAB
Awardit AB	Minesto AB	Vicore Pharma Holding AB
Biovica International AB	Renewcell AB	VNV Global AB
Camurus AB	Xbrane Biopharma AB	Webrock Ventures AB
Gaming Innovation Group		

Members of the Pareto Group provide market making or other liquidity providing services to the following companies included in Pareto Securities AB's research coverage universe:

Adtraction AB	Mentice AB	Sedana Medical AB
Implantica AG	Modelon AB	VEF
Lundin Gold		

Members of the Pareto Group have entered into agreements concerning the inclusion of the company in question in Pareto Securities AB's research coverage universe with the following companies: None

Member of the Pareto Group is providing Business Management services to the following companies:

Aarhus Residentials	Hallsell Property Invest AB	Målaråsen AB
Backaheden Fastighets AB	Korsängen Fastighets AB (publ)	One Publicus Fastighets AB
Bonäsudden Holding AB (publ)	Krona Public Real Estate AB	Origa Car e AB (publ)
Borglunda Fastighets AB	Logistri Fastighets AB	Pr eser vium Property AB
Fleming Properties AB		

Members of the Pareto Group have entered into agreements concerning the inclusion of the company in question in Pareto Securities AB's research coverage universe with the following companies: None

This overview is updated monthly (last updated 15.04.2024).

Appendix E

Disclosure requirements in accordance with Article 6(1)(c)(i) of Commission Delegated Regulation (EU) 2016/958

Designated Sponsor

Pareto Securities acts as a designated sponsor for the following companies, including the provision of bid and ask offers. Therefore, we regularly possess shares of the company in our proprietary trading books. Pareto Securities receives a commission from the company for the provision of the designated sponsor services.

2G Ener gy AG	IVU Traffic AG	Pr yme B.V.
ad pepper media International N.V.	Kontron AG	PSI AG
Biotech AG	Logwin AG	Pyrum Innovations AG
Biotech AG Pf.d.	manz AG	Salmones Camanchaca S.A.
Cor estate Capital Holding S.A.	MAX Automation SE	Seven Principles AG
Daldrup & Söhne AG	Mer kur Privatbank AG	SHOP APOTHEKE EUROPE N.V.
DEMIRE AG	Meta Wolf AG	SMT Scharf AG
DF Deutsche Forfait AG	MPL SE	Surteco AG
epigenomics AG	MPC Container Ships ASA	SYZGY AG
Foris AG	Muehlhahn AG	TTL Beteiligungs- und Grundbesitz AG
Gesco AG	Mutar es SE & Co. KGaA	Uzin Utz SE
GFT Technologies SE	OVB Holding AG	VERIANOSSE
Heidelber g Pharma AG	Pr oCredit Holding AG	Viscom AG
INTERSHOP Communications AG	Pr ogress-Werk Oberkirch AG	WPU - Waste Plastic Upcycling AS

Appendix F

Disclosure requirements in accordance with Article 6(1)(c)(iv) of Commission Delegated Regulation (EU) 2016/958

Sponsored Research

Pareto Securities has entered into an agreement with these companies about the preparation of research reports and – in return - receives compensation.

2G Ener gy AG	Gesco AG	Mynaric AG
BB Biotech AG	GFT Technologies SE	OHB SE
Biotech AG	Heidelber g Pharma AG	pf er dewetten.de
Biotech AG Pf.d.	Hypoport SE	Pr oCredit Holding AG
Clid Digital AG	INTERSHOP Communications AG	Pr ogress-Werk Oberkirch AG
Daldrup & Söhne AG	Kontron AG	PSI AG
Delight	Logwin AG	Siegrfried Holding AG
Der maphar m Holding SE	MAX Automation SE	SMT Scharf AG
Enapter AG	Mer kur Privatbank AG	Surteco AG
epigenomics AG	MPL SE	SYZGY AG
except Group	Mutar es SE & Co. KGaA	Viscom AG
Expr es2ion Biotech Holding AB		

This overview is updated monthly (last updated 15.04.2024).