Nekkar

Sector: Industrials

Hidden Marine Engineering Champion

Redeye initiates coverage of Nekkar, an industrial technology group offering ocean-based technologies with an emphasis on efficiency, digitalization, and sustainability to the ship handling, offshore, renewables, and aquaculture industries. The company has a strong financial track record and attractive growth opportunities both organic and M&A, accompanied by a strong balance sheet for continued value creation. Our base case valuation of NOK17 per share indicates a significant upside potential in the share.

New strategic path

Following a strategic shift in 2022, Nekkar has established a buy-and-build strategy with an active M&A agenda to become an ocean-based industrial powerhouse. Nekkar's current portfolio of companies spans from global market leaders to venture investments and is now on a solid growth trajectory while facing healthy to strong organic growth opportunities ahead. It's backed by an order backlog of NOK888m and a tender pipeline of >NOK4bn for the coming years. Based on fairly conservative estimates, we believe that Nekkar can deliver a top-line CAGR of 9-10% until 2030. As the subsidiaries grow, we expect Nekkar's margin to improve, leading to an average EBITDA margin of 21% and an EBITDA CAGR of almost 15% for the next ten years.

Attractively priced

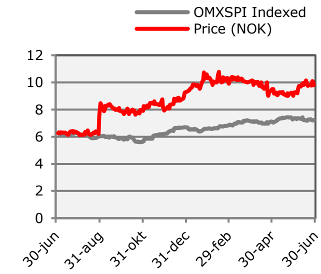
Nekkar trades at attractive multiples around 7.3x 2023 EBITDA and as low as 5.4x EBITDA on 2024e, which we find surprising given the company's quality, financial track record over time, and outlook. Based on our forecast, we argue for a base case valuation of NOK17 per share, derived by our DCF valuation indicating an upside of around 70% from current levels. Furthermore, our thesis is strengthened by our SOTP valuation which in a better way accounts for the value of Nekkar's smaller subsidiaries. In our SOTP exercise, we arrive at NOK20 per share.

Key Financials (NOKm)	2021	2022	2023	2024E	2025E	2026E
Revenues	480	388	575	678	756	839
Revenue growth	34%	-19%	48%	18%	12%	11%
EBITDA	140	62	109	137	153	181
EBITDA Margin (%)	29%	16%	19%	20%	20%	22%
EBIT	134	52	101	128	143	170
EBIT Margin (%)	28%	13%	18%	19%	19%	20%
Net Income	112	28	83	94	123	148
EV/Revenue	1,8	1,2	1,4	1,1	0,9	0,7
EV/EBITDA	6,3	7,5	7,3	5,4	4,5	3,4
EV/EBIT	6,6	9,0	7,8	5,7	4,8	3,6

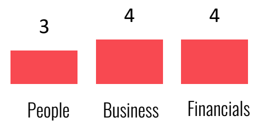
FAIR VALUE RANGE

BEAR	BASE	BULL
12	17	23

Nekkar VERSUS OMXS30



REDEYE RATING



KEY STATS

Ticker	NKR
Market	OSE
Share Price (NOK)	9.8
Market Cap (NOKm)	1050
Net Cash 2024e(NOKm)	288
Free Float (%)	81
Avg. daily volume ('000)	285

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Investment case

Nekkar is an industrial technology group offering ocean-based technologies with an emphasis on efficiency, digitalization, and sustainability to the ship handling, offshore, renewables, and aquaculture industries. Following a strategic shift in 2022, Nekkar has established a buy-and-build strategy with an active M&A agenda to become an ocean-based industrial powerhouse. The company has showcased strong capital allocation skills, historically by acquiring Rolls-Royce Syncrolift back in 2015 for a bargain, which today is the leading global shiplift company generating strong cashflows to support the group's expansion plans. More recently, by acquiring Intellilift, Techano Oceanlift, and FiiZK which all have been low-priced with significant potential for long-term value creation. Nekkar's current portfolio of companies spans from global market leaders to venture investments and is now on a solid growth trajectory while facing healthy to strong organic growth opportunities ahead visible in the current order backlog of NOK888m accompanied by a tender pipeline of more than NOK4bn for the coming years.

Based on fairly conservative estimates, we believe that Nekkar can deliver a top-line CAGR of 9-10% until 2030, driven by a continued strong performance from Syncrolift while seeing positive contributions from Intellilift as well as Techano Oceanlift. However, there are upside optionality to our estimates in several respects ii) We have set limited expectations for the smaller subsidiaries Intellilift, Techano Oceanlift, and FiiZK, and have not incorporated its venture business Skywalker ii) Nekkar has an active M&A agenda with NOK400m in capital available for investments posing additional upside to our forecasts.

On profitability, we see that the company's margins are currently somewhat diluted due to growth investments in subsidiaries and new ventures. As the subsidiaries grow, we expect Nekkar's margin to improve by a few percentage points, leading to an average EBITDA margin of 21% in the coming ten-year period up from 2022-2023 margins of around 16-19%. This progress is expected to result in an EBITDA CAGR of almost 15% for the next ten years. The company has an asset-light business with outsourced production and a good amount of prepayments, generating solid cash flows in the coming years available for new investments.

Attractive valuation

Nekkar trades at attractive multiples around 7.3x 2023 EBITDA and as low as 5.4x EBITDA in 2024e, which we find surprising given the company's quality, financial track record over time, and outlook. Partly, it could be explained by i) historic volatility related to Syncrolift's project-driven business and ii) the market peering Nekkar to old-fashioned oil and gas companies rather than being a provider of sustainable ocean-based technologies. Based on our peer group, also including fairly comparable companies, Nekkar today trades at a discount of around 40%.

Based on our forecast, we argue for a base case valuation of NOK17 per share, derived from our DCF valuation indicating an upside of around 70% from the latest trading. Furthermore, our thesis is strengthened by our SOTP valuation which in a better way accounts for the value of Nekkar's smaller subsidiaries. In our SOTP exercise, we arrive at NOK20 per share.

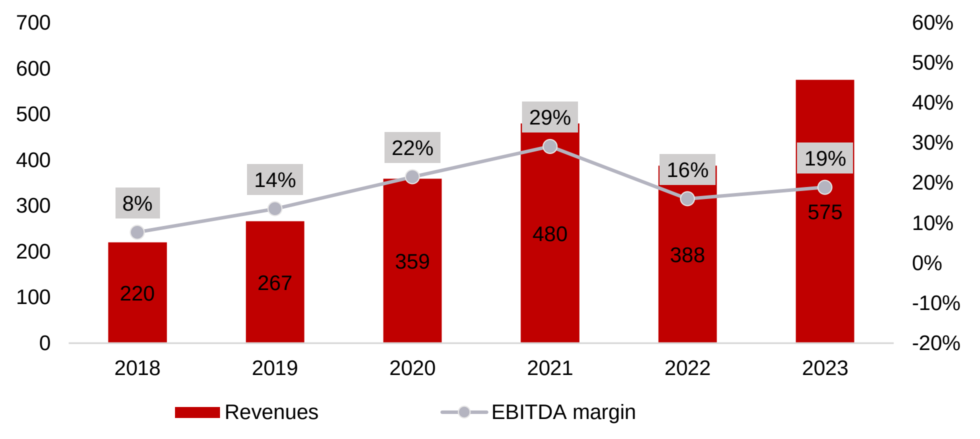
For our investment thesis to materialize into shareholder returns, Syncrolift must maintain its market-leading position, manifested in new tender wins. Moreover, we believe that its efforts towards growing Syncrolifts recurring revenues via services and decreasing project dependence will land favorably in sight for investors. As downside protection in the rather volatile share, buybacks of up to 10% of the company will add support.

Evidence

I: Financial track record

Nekkar has a strong financial track record and has since 2018, when the divestment of its previous business was completed, posted a revenue CAGR of 21% and an EBITDA CAGR of 45% in the same period, mainly driven by its key holding Syncrolift. Syncrolift holds a global market-leading position in shiplifts (60%) and transfer systems (70%). With a market-leading position in a niche market, the Syncrolift business and margins are protected by moats, foremost as the market is an efficient scale, whereby there are only a handful of companies serving the entire global market. This has enabled Syncrolift to maintain above-average industry returns, reaching an average weighted EBITDA margin of 27% for the last five years. The group's margins are somewhat held back by investments in new ventures and future organic growth during the last two years, still, the consolidated figures are strong.

Nekkar: Revenues and Margins, 2018-2023



Source: Redeye research

II: Solid organic growth outlook

Nekkar's portfolio of companies is on a solid growth trajectory while facing healthy (Syncrolift) to strong (Intellilift, Techano Oceanlift) organic growth opportunities ahead. This is visible in the current order backlog of NOK888m for the group, accompanied by a tender pipeline of ~NOK4bn for Syncrolift for the coming years. The tender activity for Techano is reported to be high and Intellilift is progressing nicely, recently with InteliWell together with Transocean.

III: Successful capital allocation and M&A optionality

In recent years, we argue that Nekkar has proven its business acumen and made several value-accretive acquisitions at attractive prices. Syncrolift is an obvious example where Rolls-Royce Syncrolift was acquired for USD1m back in 2015 and following several years of strong development recently posted FY23 revenues of NOK515m with a 26% EBITDA margin. Moreover, 51% of Intellilift which offers digitalization software for the Nekkar group companies (and others) was acquired in 2019 for around NOK15m, while most recently delivering 6m in EBITDA for 2023. Intellilift continues to perform well. More recently, Nekkar acquired Techano Oceanlift during financial distress for an immaterial amount, and the company posted sales of NOK30m in FY23 with a positive margin. Boasted by the group's network and experience, Techano recently signed two crane contracts valued at more than EUR10m. All in all, its M&A activity has been impressive.

Now Nekkar has NOK400m (where of 200m cash) in additional firepower for growth investments but also, new M&A and its third tool: share buybacks. We understand that the company is continuously evaluating a few M&A targets. We are fond of Nekkar's share buyback program which was renewed and amounts to 10% of the outstanding shares. Especially value accretive given the current valuation multiples and strong balance sheet.

Challenges

Syncrolift maintains its global market-leading position

The group is heavily dependent on Syncrolift's progress in signing and delivering deals to maintain its global market-leading position in shiplifts (60%) and transfer systems (70%). The market is almost at an efficient scale, and while several smaller competitors have surrendered there is still competition, foremost from the 2nd leading player Pearlson which today has a market share of around 30%. Syncrolift's historic win rate of 60% is based on the latest 12 years' awarded tenders while zooming in on the last few years with relatively few contract awards one could say that its market share is deteriorating and Pearlson gaining traction. Technology-wise we believe that Syncrolift has the upper hand, while in some cases Pearlson's solution might be good enough. We have not drawn any definite conclusions from the most recent project awards yet but would like to state that it is crucial for the entire Nekkar Group that Syncrolift can maintain its market-leading position.

Betting on continued successful capital allocation

Nekkar's historic capital allocation has been successful when looking at historic deals seen in Rolls-Royce Syncrolift, Intellilift, and Techano Oceanlift. When it comes to FiiZK (ongoing restructuring) and Skywalker (early venture investment) the jury is still out. Going forward, investments will balance between several available options including M&A targets, investments into current portfolio companies, and share buybacks. Using Syncrolift's returns and margins as a measuring stick, one risk is that future investments may become costly and potentially have dilutive effects on the group's financials.

Catalysts

Contract wins for Syncrolift

Syncrolift represents a vast majority of Nekkar's business and its continued progress in signing new deals and maintaining its market-leading position will be crucial for the Nekkar stock.

Improved communication and visibility

We see that Nekkar's increased efforts when it comes to communication with the stock market will have a continuously positive impact on the share. The company has been overlooked, partly driven by low communication. The communication will be important to explain the new Nekkar case and its positioning in sustainable ocean-based technologies rather than being a supplier to the oil and gas industry where its multiples are priced today.

Additional M&A potential

Nekkar has NOK400m (where of 200m cash) in additional firepower for growth investments but also new M&A. Historically, Nekkar has been fond of small companies facing a turnaround. To generalize, we now believe they are looking at profitable companies with a proven business model, ready to scale up while benefitting from the Nekkar Group's extensive industry experience.

Favorable restructuring of FiiZK

FiiZK was in financial distress when Nekkar entered the company in 2023. So far, the market climate for new investments in aquaculture has been challenging and has continued to post negative results in the last quarters. Currently, FiiZK negatively impacts Nekkar's financials but it's undergoing a restructuring. The company has previously delivered sales of more than NOK300m, so underlying there is some solid business. Nekkar recently sold one part of the company, FiiZK digital, for an unknown amount. Further successful restructuring and details could be a positive catalyst for the stock.

Redeye rating

People: 3

Nekkar scores three out of five in the people section. We see a business-oriented management that has shown strong capital allocation skills. Moreover, the company has a long-term-oriented board and owners foremost by Skeiegruppen representing 30% of share shares for the last decade. On the downside, the new management is relatively short-tenured in Nekkar and has a relatively low own skin in the game.

Business: 4

Nekkar scores four out of five in the business section, mainly driven by Syncrolift's strong market share of 60% in a mature and profitable niche of the marine industry. The group faces favorable growth prospects for its main business as well as venture investments. On the downside, the company is dependent on large shiplift projects, has a low degree of recurring revenue, and is exposed to swings in the market cycle. Still, four is a very good score.

Financials: 4

Nekkar scores four out of five in the financial section, driven by its strong financial track record. Since 2018, when the divestment of its previous business was completed, it posted a revenue CAGR of 21% followed by an EBITDA CAGR of 45% in the same period, mainly driven by its key holding Syncrolift. Syncrolift holds a global market-leading position in shiplifts (60%) and transfer systems (70%). With a market-leading position in a niche market, the Syncrolift business and margins are protected by moats, foremost as the market is an efficient scale, whereby there are only a handful of companies serving the entire global market. This has enabled Syncrolift to maintain above-average industry returns, reaching an average weighted EBITDA margin of 27% for the last five years. On the downside, the financials can be relatively volatile in between periods, making it harder to forecast the progress.

SWOT

Strengths

- Attractive portfolio of companies: most notably its hidden champion Syncrolift, being the global market-leading provider of shiplifts generating strong cash flows protected by moats
- Possibility to leverage its extensive industry experience and strong financial position to support and develop the group companies.
- Backed by strong owners

Weaknesses

- Due to its significant size, the group is heavily dependent on Syncrolift's progress in signing and delivering deals. Hence, the group is dependent on Syncrolift to maintain its market-leading position and manage the competition from Pearlson.
- Volatility in revenue recognitions and projects for Syncrolift makes the company's financials volatile and harder to predict. Moreover, the company is exposed to potential delays in projects as well as the market cycle which could have a negative impact on the group's figures.
- Currently, the company's recurring revenues are limited. Initiatives to change that are ongoing, for example by growing services revenues for Syncrolift.

Opportunities

- Well positioned in a secular growth trend of efficiency and sustainability in ocean-based industries.
- Its solid balance sheet enables NOK400m available for new investments as M&A.
- Overlooked hidden champion wrongfully valued as a supplier to the oil and gas industry rather than its real focus on sustainable ocean-based technologies.

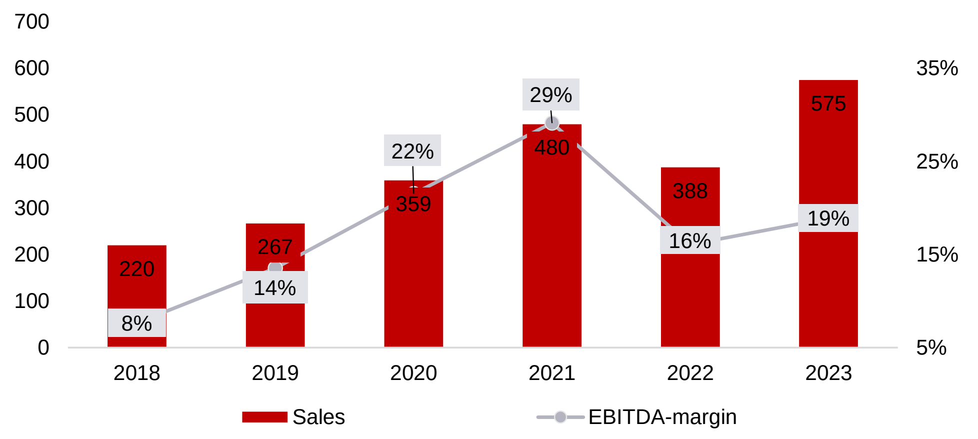
Threats

- With an increased focus on M&A and new investments, the company is exposed to new external risks with potentially dilutive financial effects driven by too-heavy investments or overpaying for new targets.
- Exposed to the global market cycle and investment in the marine industry. COVID-19 is a good example, where sales decreased by 20% in 2022.

Introduction to Nekkar Group

Nekkar Group is an industrial technology company working in ocean-based industries driven by a focus on providing solutions that are efficient and sustainable. The company was founded back in 1966 and listed on the Oslo stock exchange in 1996 under its original name TTS Group with roots in the offshore sector. In 2019, TTS Group sold its marine and offshore business to Cargotec and was renamed Nekkar. The company now focuses on ocean-based technologies with an emphasis on sustainability and digitalization of the offshore, renewables, and aquaculture industries. Nekkar's current portfolio totals five entities, within four main business segments: Shipyard solutions, Renewable energy, Aquaculture, and the Offshore industry. The five entities are Syncrolift, Intellilift, Techano Oceanlift, FiiZK and Skywalker. The company's headquarters is in Kristiansand, Norway, and all in all, the company employs about 90 people. Nekkar is listed on the Oslo stock exchange with a market cap of around SEK1bn. Revenue during 2023 amounted to NOK575m, with an EBITDA margin of 19%.

Nekkar: Net sales and EBITDA margin, 2018-2023



Source: Redeye research

The Nekkar portfolio

Syncrolift (owns 100%)- Revenues of NOK515m 2023
The global leading provider of shipyard solutions for safe and efficient ship docking. Syncrolift is the core holding of Nekkar, generating solid cash flow to finance the development of the other entities and new M&A activities.

Techano Oceanlift (owns 90%) - Revenues of NOK30m in 2023
Offers Intelligent load handling systems such as cranes and gangways for renewables, subsea, and aquaculture vessels.

Intellilift (owns 51%) - Revenues of NOK34m in 2023
Industrial software solutions focused on digitalizing workflows through automation and remote-control systems for drilling and offshore load handling.

Skywalker (owns 100%) – No revenues in 2023
Included in impact technology ventures and offers a disruptive wind turbine service and installation machine for onshore and offshore use.

FiiZK (owns 39%) – Ongoing restructuring & no communicated figures
Is a leading provider of closed-cage solutions, technical textiles, and software for the aquaculture industry.

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Company History [1]

1966-1975

Emerging from a small family enterprise producing cranes, Total Transportation Systems was established in 1966. Later, the name was shortened to TTS. Today the name is Nekkar. TTS became the first Norwegian company to act on the improved relations between China and the West.

1976–1985

The delivery of cargo handling solutions to a car carrier in 1984 marked the beginning of a climb to a world-leading position as a provider of access systems for this highly specialized segment.

1986–1995

After years of dwindling order intake due to a declining Norwegian shipbuilding industry, large contracts in 1988 marked a new turning point. TTS was listed on the Oslo Stock Exchange in 1995.

1996–2005

An acquisition in 1996 kicked off a period of acquisition-driven growth. Target segments, product portfolio, and operations were heavily expanded.

2006–2018

The drilling package provider Sense EMD was acquired and sold to Cameron with a sound profit. Nekkar became the leading player in the heavy-lift market and a network of service hubs was set up. Operations in China and Korea were strengthened.

2019-Today

In 2019, a larger part of Nekkar's activities was sold to MacGregor, and the name was changed to Nekkar. A new strategic direction was set to leverage the group's superior engineering, electrification, automation, and digitalization heritage from "Drilling Bay" in Kristiansand, to develop disruptive technologies that can make high-growth industry sectors more sustainable, productive, and profitable.

[1] https://nekkar.com/about-nekkar

People

For Nekkar's management, we see a good mix of industry experience and business mindset with a tilt towards M&A focus, in line with Nekkar's new strategy. Moreover, we like the fact that the company has decided to focus close to its core competencies being in ocean-based industries. Our impression of the management so far, has been solid posting business acumen and adding several value-creating deals. Moreover, we do not find any blunders in their first years of running Nekkar. Historically, communication with the stock market has been very limited, and we believe that the management has done a good job of expanding it, both when it comes to explaining the current business and its plans going forward. While the top management of Nekkar is relatively new to the company, the CEOs of each subsidiary are long-tenured or have been with it since its inception. The most obvious example is Rolf Atle Tomassen CEO of Syncrolift, who has been in the Group since 2003.

Nekkar Management	Position	Shares	Options
Ole Falk Hansen 	CEO Ole Falk Hansen joined Nekkar in June 2022, leveraging his expertise in strategic leadership and finance. His prior roles include CEO of Beckmann AS, a leading backpack company in Norway with exports to 20 countries, and CFO at MHWirth (now HMH), an international drilling technology firm. He also served as Head of Strategy and M&A at Aker Solutions' drilling business domain. Additionally, Falk Hansen has consulting experience with McKinsey & Company and is a board member at Baneservice AS and Northern Ocean ASA. He holds a Master's degree in finance from the Norwegian School of Economics (NHH)	338 361	0
Marianne Voreland Ottesen 	Head of Finance Marianne Voreland Ottosen is the Head of Finance at Nekkar ASA (since 2022) tasked with leading the company's finance and accounting functions. Her background includes senior finance positions at MHWirth (now HMH) and a role as Compliance Manager at Aker Solutions. Additionally, she has experience from a seven-year stint with Deloitte Norway's audit & advisory team. Voreland Ottosen holds a master's degree in finance from the Norwegian School of Economics (NHH)	61 018	0
Petter Brøvig 	Head of Strategy Petter Brøvig is the Head of Strategy at Nekkar ASA. He joined in 2022, leading the group's strategic initiatives and mergers and acquisitions. He has a background in strategy consulting with a focus on technology and B2B SaaS. Brøvig also played key roles at Telenor Digital and Tapad, focusing on strategy and product management, respectively. He holds an M.Sc. in Innovation, Entrepreneurship, and Management from Imperial College Business School.	106 034	0
Rolf Atle Tomassen 	Managing Director, Syncrolift Rolf-Atle Tomassen (b. 1965) has been associated with Nekkar since 2003. He has held previous positions such as Sales and Marketing Director at VINN Design and Managing Director at MultiCraft AS. Tomassen earned a Bachelor with Honors in Mechanical Engineering from the University of Newcastle-upon-Tyne. Currently, he occupies the position of General Manager at Syncrolift AS.	17 223	0
Stig Tyrdal	Managing Director, Intellift Stig Trydal serves as a Board Member at InteliWell and is the CEO and Managing Director of Intellilift since 2017. He has an extensive background in the industry, previously holding the position of Director of Control Systems at National Oilwell Varco. Trydal possesses a Master's degree in Innovation and Business Development from Handelshøyskolen BI, reflecting his strong foundation in both technical expertise and business strategy.	0	0
Mette Harv 	Managing Director, Skywalker Mette Harv (b. 1968) boasts extensive management experience in the marine and offshore industries. Her expertise encompasses business development, project management, finance, and supply chain operations. Harv holds a degree in Economics and Business Administration from the Norwegian School of Economics (NHH).	284 791	0
Nils Stray 	Managing Director, Techano Oceanlift Nils Stray is the Managing Director at Techano Oceanlift AS. Prior to his current role, he served as the Interim Chief Executive Officer and Business Development Manager within Techano, demonstrating strong leadership and strategic growth capabilities. Stray has also held the position of Sales Director for Products & Technology at Global Ocean Technology Group and has experience as CEO of BESTRA AS. His career reflects a significant focus on business development and technology in the marine and offshore sectors	0	0

Source: Redeye research, holdings as of june 2024

Board of directors

In the recent 2024 AGM, we understand that Trym Skeie decided to step down as Chairman of the board in a planned process. Besides being the largest shareholder holding ~30%, he had been in that seat since 2009. We previously appreciated the fact that there was a large controlling shareholder seated as the chairman of the board. Following the AGM, Håkan Andre Berg was elected chairman of the board. He joined as a director in 2023 and is also the CEO of the Skeie companies and will be representing the holdings for Skeiegruppen making the change less dramatic. Two new board members were elected: Fabian Qvist and Bjørn-Erik Dahle.

Nekkar Board	Position	Shares	Options
Håkon Andre Berg 	Chairman of the Board Håkon Andre Berg, born in 1980, has been serving as a Director of the Board at Nekkar ASA since 2023. He currently occupies the role of CEO at Skeie Technology. Berg earned his M.Sc. from the Norwegian School of Economics and Business Administration. His professional background includes various executive management roles and board positions, primarily within the aquaculture/seafood and maritime/offshore sectors, including suppliers to the oil & gas industry.	0	0
Fabian Qvist 	Director Lars Carl Fabian Qvist has been a director of Nekkar ASA since May 2024. Qvist is an experienced investor with a robust background in international investment banking, corporate financial advisory, and private and public investments. He spent 12 years in investment banking with Barclays Capital in London and Arctic Securities in Oslo, where he held leadership roles in corporate finance and fixed income sales. In 2017, Qvist became Chief Investment Officer at Klein Group, contributing to the growth of a successful portfolio in technology and e-commerce. He has served on various boards, including River Tech plc, Gobi Technologies AS, and as CEO of Airwing AS. Currently, Qvist is involved in the tech and gaming sectors as a board member of Sisu Group and Grid esports, and as an advisor to Cagson AG and Molcap Invest AB. He holds a Master of Science in Economics and Business from the Stockholm School of Economics.	445 315+ 1,282,521	0
Marit Solberg 	Director Marit Solberg, born in 1956, has served on the Board of Directors at Nekkar ASA since 2019. Her career spans significant senior management positions within the seafood industry, notably including an eight-year tenure as COO Farming at Mowi ASA. Solberg possesses specialized technical and biological knowledge in aquaculture, supported by a Master's degree in Marine Microbiology from the University of Bergen (UiB). Additionally, she has substantial experience in board roles.	150 804	0
Trine Ingebjørg Ulla 	Director Trine Ingebjørg Ulla, born in 1961, has been a member of the Board of Directors at Nekkar ASA since 2023. She holds the position of Vice President at Equinor ASA. Ulla has a background in Chemical Engineering, with a Master's degree from the Norwegian University of Science and Technology. She has occupied various senior roles within the Equinor group and has accumulated over ten years of experience in the offshore wind sector.	0	0
Bjørn-Erik Dahle 	Director Bjørn-Erik Dale, born in 1982, joined the Board of Directors at Nekkar ASA the spring of 2024. He has background from strategy consulting (Managing Partner at Arkwright Norway) and corporate finance advisory (First Securities / Swedbank), serving international blue-chip clients and private equity firms on strategy, investments, and M&A in the energy, maritime, seafood, industrial, and technology sectors. Dale has served as Board Director and Chairman on behalf of leading Norwegian industrial investors such as HitecVision PE, Equinor Ventures, Kongsberg Maritime, Arendal Fossekompani. He is also co-founder and co-owner of several industrial technology companies. Dale has a MSc. in Industrial Economics and Technology Management from the Norwegian University of Science and Technology in Trondheim.	0	0

Source: Redeye research

Shareholders

Nekkar: Shareholders				
Owners	**Number of shares**	**Value (NOKm)**	**Capital**	**Votes**
Skeiegruppen AS	31 475 823	308	29,3%	29,3%
Rasmussengruppen AS	11 512 506	113	10,7%	10,7%
Nordnet Bank AB	5 594 138	55	5,2%	5,2%
MP Pensjon PK	5 126 303	50	4,8%	4,8%
Tigerstaden AS	5 002 083	49	4,7%	4,7%
Avanza Bank AB	3 390 286	33	3,2%	3,2%
Hatle AS	3 254 354	32	3,0%	3,0%
Nekkar ASA	2 240 909	22	2,1%	2,1%
Trym Skeie	1 756 395	17	1,6%	1,6%
Skeie Consultants AS	1 507 243	15	1,4%	1,4%
Itlution AS	1 475 261	14	1,4%	1,4%
Patronia AS	1 127 429	11	1,0%	1,0%
Vinterstua AS	1 017 628	10	0,9%	0,9%
Wieco Invest AS	879 047	9	0,8%	0,8%
Jæderen AS	787 661	8	0,7%	0,7%
Others	31 280 046	1 087	29%	29%

Source: Holdings as of 2024-06-26

The Skeie family has a long-tenured ownership in Nekkar, while holding the board seat between 2009 and 2024 by Trym Skeie, now followed by a new representative in Håkon Andre Berg. We are encouraged by their commitment and understand the change of chairman was a planned succession. Besides larger family offices and investors, there is no institutional capital invested in the company, possibly explained by its still relatively small size of around NOK1bn. This offers a trigger in the medium term as the company grows and possibly becomes institutional grade.

Strategy

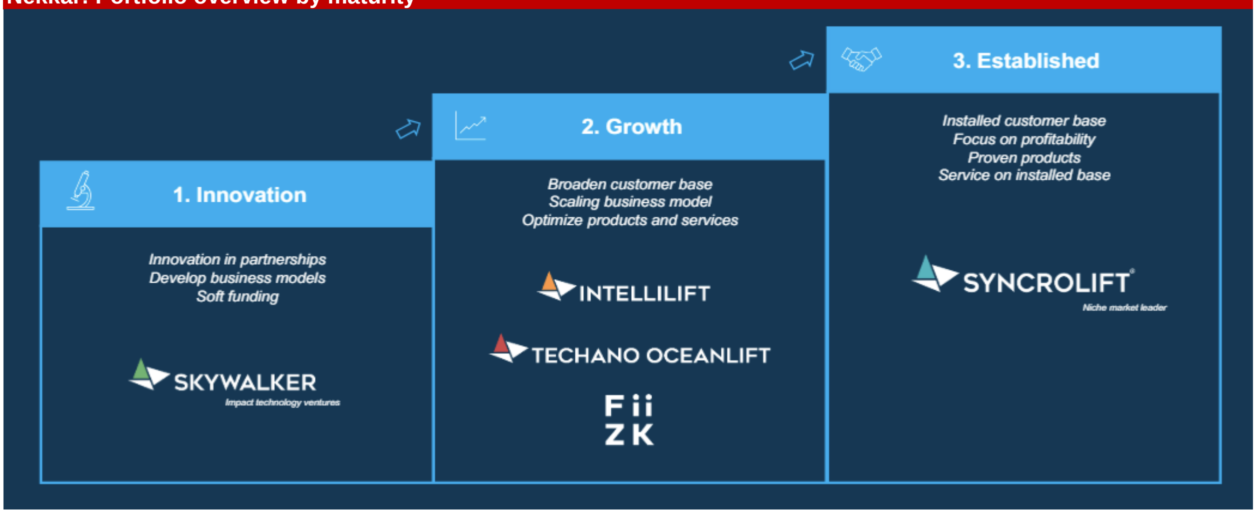
Nekkar's strategy is to leverage its position and extensive knowledge within engineering, electrification, automation, and digitalization to develop and invest in emerging technologies for Ocean-based industries. Its focus is on productivity and sustainability developing companies with a focus on prospects of high growth and profitability. The company focuses on ocean-based technologies with an emphasis on sustainability and digitalization of the offshore, renewables, and aquaculture industries. Nekkar's current portfolio totals five entities, within four main business segments: Shipyard solutions, Renewables, Aquaculture, and the Offshore industry. The five entities are Syncrolift, Intellilift, Techano Oceanlift, FiiZK and Skywalker. The companies are managed independently from each other but can recognize cross-company knowledge and resources, for both sales and business development.

Nekkar: Business segments

Source: Nekkar

In these four business segments, Nekkar's holdings are also diversified within various development stages, from what they call new impact technology ventures to the mature and market-leading company Syncrolift. Syncrolift offers a solid base of cashflows to finance the development of both growth and innovation companies. Overall, the growth companies, Intellilift, Techano Oceanlift, and FiiZK are revenue-generating companies around or targeting breakeven, while the Innovation company Skywalker is a development project.

Nekkar: Portfolio overview by maturity



Source: Nekkar

Capital allocation & Ownership model

Ownership model

- Nekkar builds companies for the long term with no exit strategy
- The portfolio companies operate independently, and the management is trusted to operate with a high degree of autonomy with a focus on developing internal competence and capabilities
- An overall focus on profitable growth with solid cash flow. Nekkar is still willing to invest now to secure long-term profit growth. However, the company requires continuous improvement and value creation over time.
- Solid teams & culture are important and Nekkar invests in motivated employees who deliver results. Its cultural values are domain expertise, execution speed, and minimizing bureaucracy.
- Nekkar applies an opportunistic approach to synergies, enabling the portfolio companies to discover and pursue synergies and cross-collaborations rather than through forced initiatives. The possibilities however are solid with a shared focus on ocean-based technology enabling opportunities for commercial, technology, and cost-efficiency synergies throughout the group. The clearest example is Intellilift, delivering control systems to the other companies in the group.

Capital allocation

We believe that Nekkar has a well-balanced capital allocation strategy, that incorporates four different elements that are evaluated relative to one another. Firstly, the Group invests in its existing portfolio companies with the primary target of organic growth. Secondly, Nekkar investigates new businesses (M&A) to strengthen the Nekkar group's offering within existing business segments. Thirdly, it investigates innovation and R&D, of Impact technology ventures such as Skywalker to validate technology and market potential cautiously. In perspective to this, Nekkar also engages in share buybacks. With solid cash generation from the Syncrolift business, Nekkar is well-equipped to maneuver its different investment options. In Q1 2024, Nekkar had an available net cash position of around NOK200m and another NOK200m in an undrawn credit facility available for allocation.

Existing portfolio growth

With its current company portfolio, we believe that Nekkar sees solid opportunities to continue to grow its revenues organically in each of its holdings individually. Syncrolift sees fair growth prospects from signing new shiplift contracts and upgrading/upselling existing installations while growing its service revenues. We see that both Intellilift and Techano have prospects for strong growth but from a smaller base. FiiZK is somewhat more uncertain and it's mainly a restructuring case, while some subdivisions offer solid growth opportunities ahead. We address this more thoroughly in each company division below.

M&A strategy

Its most prominent acquisition was made back in 2015 when TTS acquired Rolls-Royce Syncrolift for about USD1m and renamed it Syncrolift. Since the acquisition, the division has grown its revenues from around NOK200m to today's NOK500m while pushing the EBITDA margin from around 8% to an average of 27% in the last years. To summarize, the acquisition has been very successful. Below we highlight the most recent acquisitions.

Since 2019, when Nekkar divested a large part of its business to McGregor and set out a new strategic path, the company has made three acquisitions: Intellilift, Techano Oceanlift, and FiiZK. So far, we see that they have made smaller investments in terms of relative size while aiming for a large share of each acquired company. Moreover, we note that the last two, Techano Oceanlift and FiiZK were in financial distress, which then led to acquisition multiples being relatively low. Historically, the company has paid about two-thirds of internal financing and around one-third with external financing.

Nekkar has employed a strategy and M&A dedicated person to evaluate potential targets, highlighting that it will continue to have a focus on new deals. We understand that the company continuously evaluates a list of prospects by looking at a few companies simultaneously.

Nekkar - Acqusitions

Date	Company	Share	Acq. Price	23' Revenue	23' EBITDA
August 2019	Intellilift	51%	~NOK15m	NOK34m	18%
March 2023	Techano Oceanlift	90%	Undisclosed immaterial amount	NOK30m	3%
August 2023	FiiZK	39%	NOK25m Starfish IP+ 25m cash	>NOK100m	Neg.

Source: Nekkar, Redeye research

New technology ventures

Skywalker is classified as a new technology venture, being an innovation project with large potential but in the early development phase. In this category, Nekkar works actively with projects that can accumulate soft funding and government grants to carry some of the development costs. We see that Nekkar cautiously invests in this type of new venture.

Share buybacks

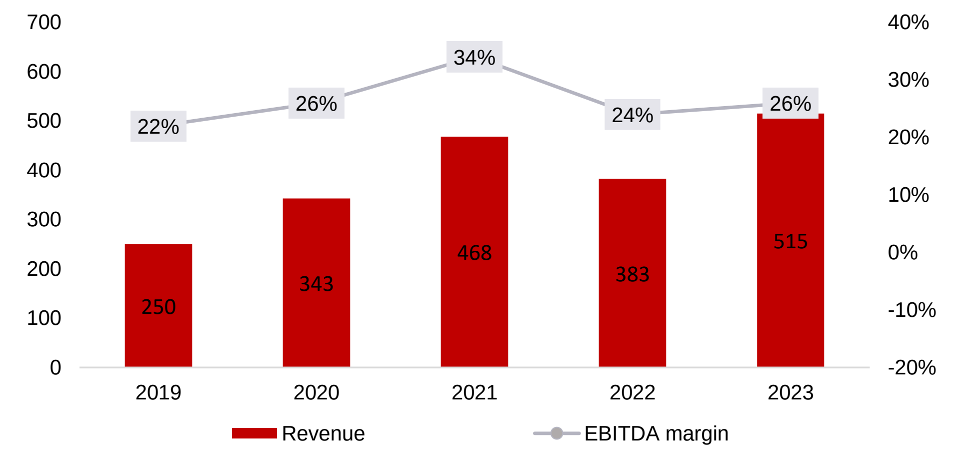
Nekkar runs a share buyback program that can be used for several purposes including termination, acquisitions, and employee incentive programs. Nekkar's initial buyback program was initiated in Q3 2023 and runs until June 30th, amounting to a maximum of NOK80m, or around 10.74m shares. In total, Nekkar repurchased around 2.7m shares valued at NOK24.7m until the end of the program in June 2024, equaling around 25% of the total program.

Nekkar renewed its buyback program at the 2024 AGM on the 30th of May. The new program authorizes the repurchase of 10% of the company's shares until the 30th of May 2025, in the range of NOK1-25 per share to a maximum of 10.7m shares or NOK100m.

Syncrolift

Syncrolift is the global market leader in shiplift systems with over 200 operational installations worldwide. The head office is located in Vestby Norway, with a local presence in important markets through subsidiaries in the US, Singapore and sales/service offices in Dubai, India, and Australia. Since 2012, Syncrolift has signed ~60% of the awarded shiplift systems contracts equaling around 21 projects, while having a market share of around 70% for new installations of transfer systems. Syncrolift employs around 45 people and is headquartered in Norway, with regional offices in Dubai, India, the US, Australia, and Singapore.

Syncrolift: Revenue and EBITDA margin



Source: Redeye research, Nekkar

Investment highlights

- A global market-leading position in shiplift (60%) and transfer systems (70%)
- With a market-leading position in a relatively small niche market, the Syncrolift business is protected by moats foremost as the market is an efficient scale, whereby there are only a handful of companies serving the entire global market.
- Syncrolift has a strong financial track record posting 19% CAGR 2019-2023, with an average weighted EBITDA margin of 27% for the last five years. Operating in a market at an efficient scale, Syncrolift can maintain above-average returns.
- With an outsourced production of equipment, Syncrolift operates asset-light with strong cash flow as the customers pay in advance generating negative working capital.
- By being the technological leader for years, the continued need for investments is relatively limited.
- Key risks; exposure to the market cycle, volatility in project awards and revenue recognition, and competition from 2nd largest player Pearlson.

Shiplift history

1958 - Raymond Pearlson invents the articulated platform
1979 - Rolls-Royce acquires Pearlson Engineering Company
1980-2010 - Key market players during this period are Rolls-Royce, Bosch Rexroth, Brohl, and Schiess DeFries.
2008 - "New" Pearlson Shiplift Corporation was established by the founding family
2010 - TTS and Bosch Rexroth cooperation
2015 - TTS acquires Rolls-Royce Syncrolift for USD1m and changes the name to Syncrolift. Following the acquisition, Syncrolift got its hands on a large base of installed shiplifts globally.
2012-2023 - Market shares during the period are Syncrolift ~60%, Pearlson ~30%, Bardex 3%.

Syncrolift - Value proposition

Challenges for shipyards today

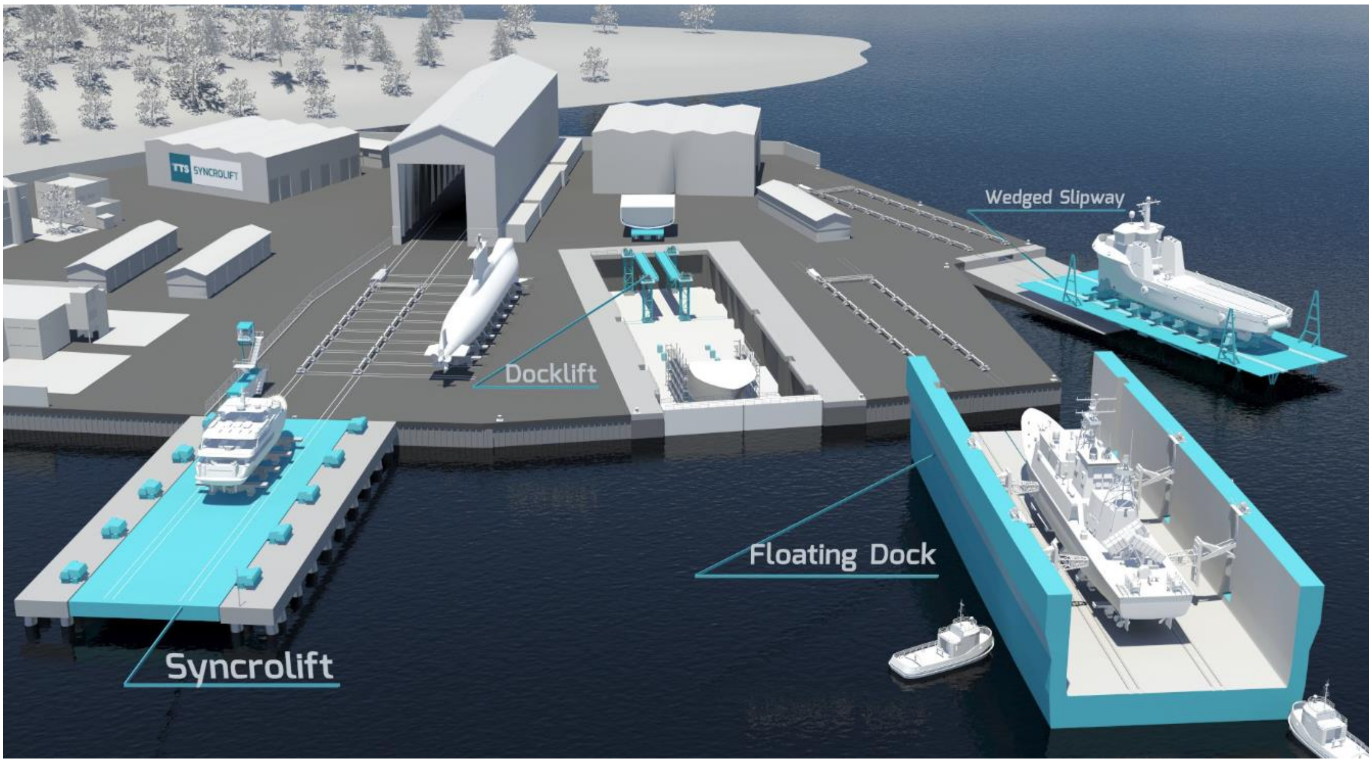
Every day a ship is at a repair yard is a day without income. To stay competitive, shipyards must ensure an efficient repair time and reasonable costs to shipowners. Every shipyard has different needs to get the ship out of the water depending on factors such as soil and water dept. This significantly limits the capacity of how many vessels can be worked at during the same time. Moreover, the available space on land is often not unlimited. With Syncrolift solutions, the docking time is significantly reduced, and vessels can be moved around on land optimizing a shipyard's capacity. A shiplift can enable repair of 3-50 vessels simultaneously compared to a graving dock or a floating dock handling one vessel at a time. Many repair yards also have a relatively high degree of manual labor, requiring a lot of staff and time to do work such as preparing supportive blocks for keel/blidge support, propeller repair, and manual inhauling for docking in which Syncrolift's productions can improve efficiency significantly.

Offering

Being the world's leading provider of shipyard solutions globally, Syncrolift focuses on shipyard efficiency and logistics by improving productivity and decreasing the lead time for the repair of ships. It offers three main solutions to its customers: Docking solutions and Transfer Systems, Fast Docking Tools, and services for existing systems in operation.

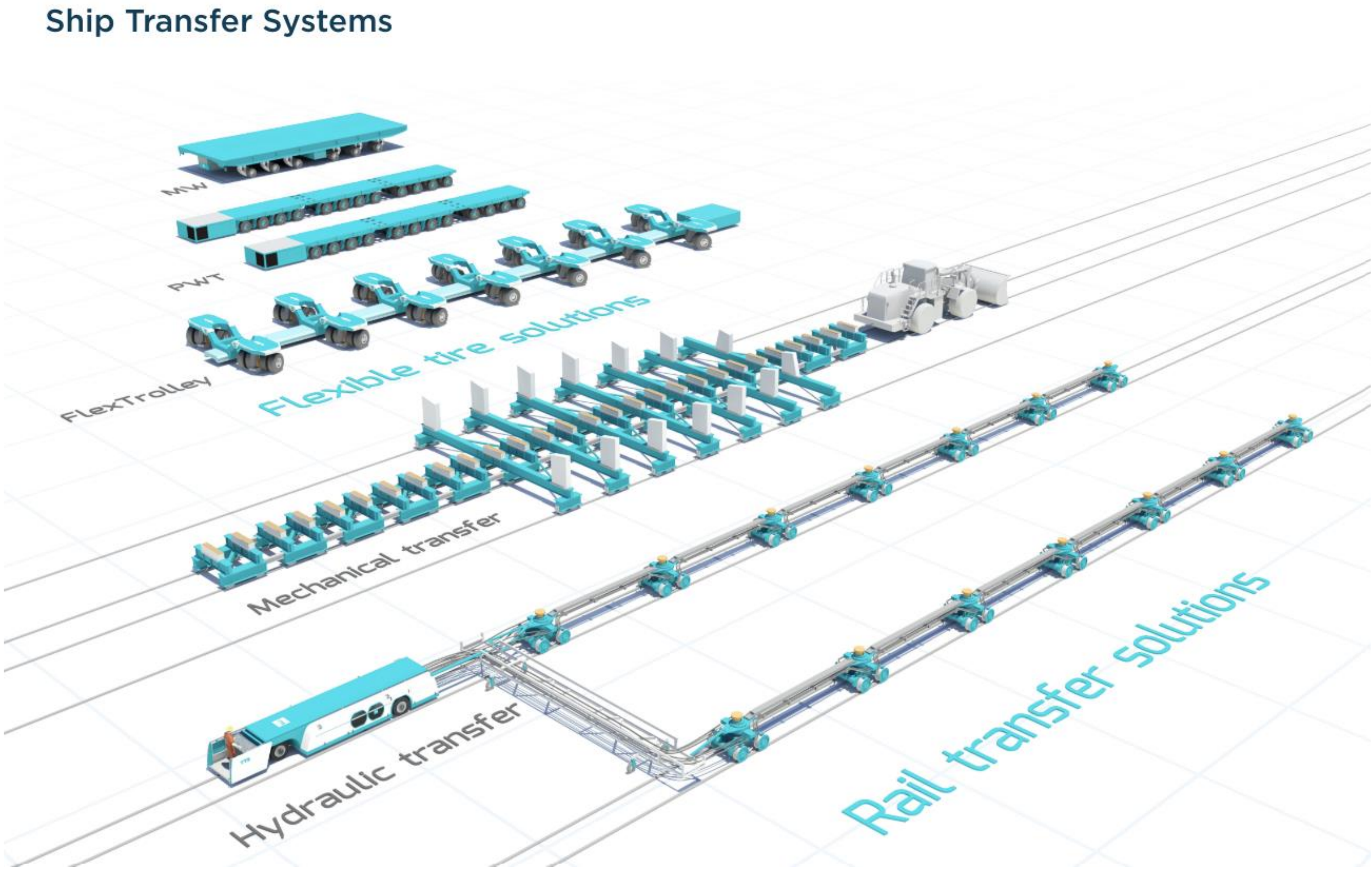
Docking solutions

We believe Syncrolift offers the market's safest and most reliable shiplift on the market today with solutions such as Syncrolift, Slipway, floating dock, and docklift seen in the picture below. Mainly, its docking solutions launch and retrieve vessels from the ocean, while also providing transfer systems that enable a fast and reliable way of moving around vessels in a ship's yard. The offering is both turnkey and can be customized to the customer's need as the product platform is broad as every shipyard needs different solutions depending on factors such as soil and water depth etc. It also has advanced control systems that can distribute shipload on a platform allowing the winches to share loads and collectively lift higher loads, safely locking the platform, Alarm systems to ensure safe operation and tilting and listing of platforms in case of ships with uneven keel or uneven ballasting.



Ship Transfer Systems

Syncrolift offers two main types of transfer systems Rail transfer solutions and Flexible tire solutions. Modern shipyards should be designed to maximize the number of vehicles it can dry dock while at the same time enabling to possibility to safely and efficiently dock or launch vessels into the ocean. The advantages of rail solutions are mainly their ability to transfer heavy and large vessels while tire-based solutions offer additional freedom to move around in the yard. Syncrolift's solutions are marked in blue below.

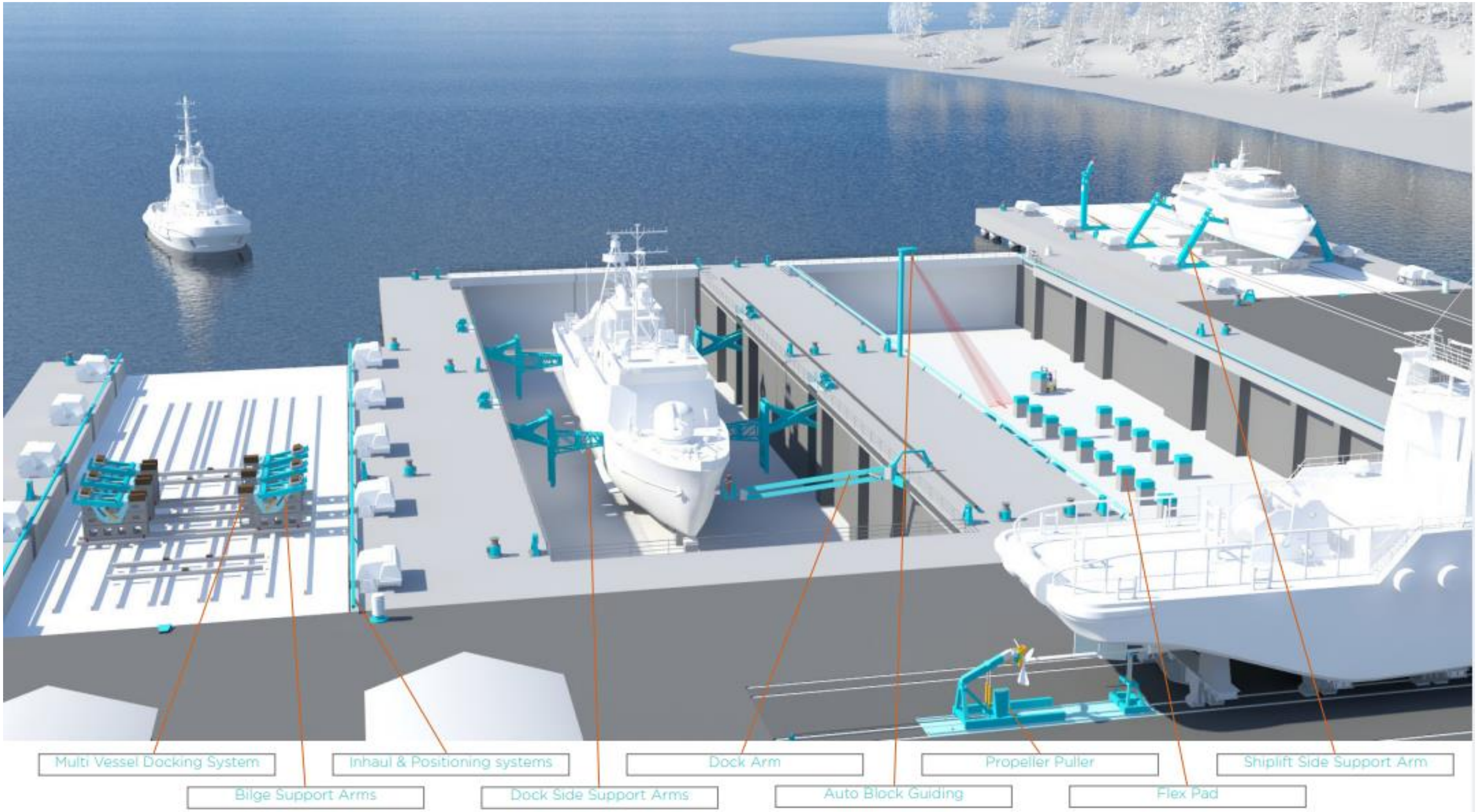


Services for installed systems

The service segment offers maintenance, repairs, spare parts inventory, periodic inspections, installation, dismantling, system upgrades capacity upgrades, etc. Syncrolift has a worldwide service network with support to ensure minimal downtime and digital remote support which can provide diagnostics, system monitoring, and operator support. Syncrolift also offers simulator training programs for its solutions, giving realistic insight and training into the operation of its shiplifts but also maintenance training and dockmaster techniques.

Fast docking tools

Within fast docking, Syncrolift offers tools for multi-vessel docking, bilge support arms, inhaul & position systems, dock arms, auto block guiding, propeller puller, and flex pad which improves the speed and flexibility of repair significantly. The solutions free up man hours and reduce the lead times between different steps of the process Syncrolift has close cooperation with customers to accumulate knowledge and develop new products.

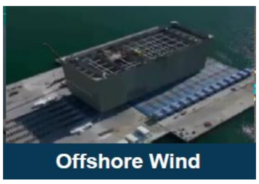


Syncrolift - Market

Syncrolift's key customer groups are new build shipyards, commercial ship repair yards, and navy shipyards. Overall, the need to get vessels in and out of water efficiently is the same between all categories, but some characteristics have an even higher priority in some segments. For example, the Naval shipyards, which handle very high-value vessels set very high demand on solution quality, safety, and efficiency as vessels need to be ready in case of mobilization, moreover, we believe that this customer segment is less price sensitive and well-funded to handle larger investments if required. To this segment, we argue that Syncrolift's offering is particularly strong. The Naval segment has seen an accelerated demand in recent years due to the geopolitical situation. We believe that the naval segment represents a large portion of the current tender pipeline for the coming years, but it's also common that some projects are a combination of both commercial and naval installations.

The Commercial segment has been Syncrolift's bread and butter business and offers a good market outlook with potential both for new shiplift contracts as well as upgrades of the installed base. Moreover, the wide installed base of shiplifts offers the solid potential to grow its service revenue over time, but also potential for upselling and expansion with new solutions.

The Mega Yachts segment is more competitive as the vessels are somewhat smaller and less complex to handle. This allows more companies to enter into tenders, we also see that they are of lower contract value and price points can be lower, both due to competition but also due to ROI for shipyards being of relatively higher importance. This segment has historically been of relatively lower focus for Syncrolift, and we believe it will remain so. The offshore wind segment is currently small but sees a growing interest in solutions to support the deployment of new offshore structures such as wind turbines. Furthermore, it grows from a small base.

Market segment	Activities	Customer characteristics & priorities	Build activity	Market trends
 Commercial	Ship building Repairs & mainenance	• Fast docking and transfer • High number of vessels per year • ROI important		• Shiplifts becoming attractive from a pricing perspective compared to floating docks • ESG requirements will also make shiplifts more relevant compared to alternative solutions
 Naval	Ship building Repairs & maintenance	• Safe and smooth system with high-accessability to ships • Limited number of vessels per year • High investment accepted to handle-high value vessels		• Increased investments and demand as a result o ofthe war in Ukraine and current geopolitical situation
 Mega-Yachts	Ship building Repairs & maintenance	• Safe and smooth system with high-accessability to ships • High number of yachts per year • Seasonal • Return of Investment important		• Active market with multiple projects planned
 Offshore Wind	Offshore Wind	• Emerging inbound requests for slipways and launch systems for offshore floating structures		• Fast growing market, from small base, with need to build out port infrastructure to support capacity targets • More business development needed to identify scope and opportunity space

Source: Nekkar

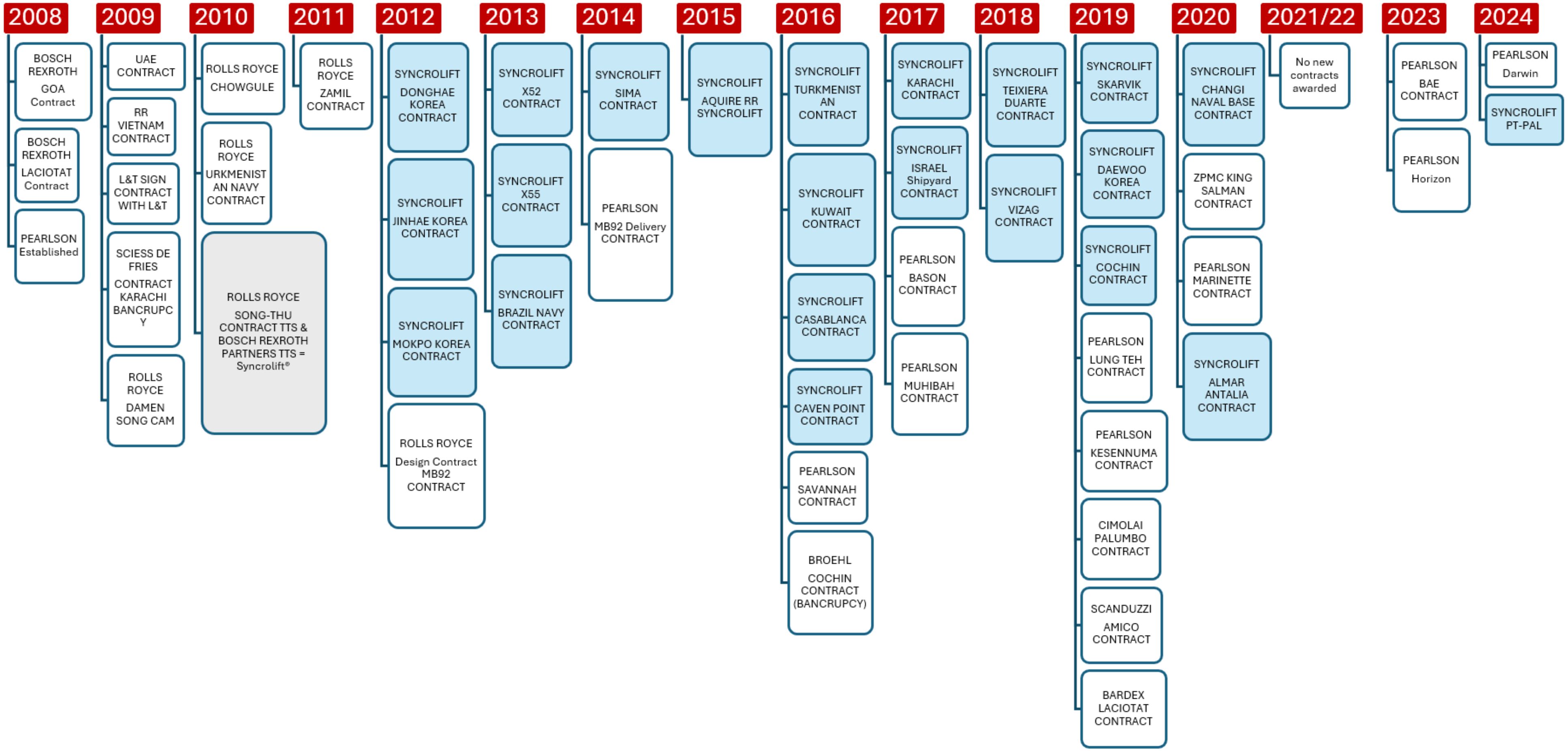
Some geographic takeaways:

- The US is generally a tougher market, both in competition with Pearlson, but also as they in many cases continue to repair its shiplift to a larger extent rather than investing in new solutions while seeing some protectionism. Moreover, we understand that the service potential is lower, as they in many cases prefer the do as much as possible on their own. The US has not built any ships for export during the last decades which is explained by prices several times higher than Asian. [2]
- Today there are no deliveries made to China and they continue work in classic dry docks. In the future, China will offer solid potential if the market opens up, as China is the world's largest shipbuilding nation by gross tonnage followed by South Korea and Japan. China's strategy is set by government plans in most of the shipyards, which requires a change to be available for new solutions. In 2021 the shipyards which were entirely government-owned represent 64% of the tonnage built.[3]
- In some markets, there is a conservatism to foreign companies entering to build large shipyard projects. One example is India, where it's required that local companies are involved to some extent, or the supplier will have to face price reductions in the tender process. We have heard around 20%, this means that it could be an advantage to establish local offices and involve local companies to a further extent. Generally, we have noticed the same type of conservatism on foreign suppliers of shipyard solutions, for example in Australian newspapers regarding the Darwin project.

[2] https://crsreports.congress.gov/product/pdf/IF/IF12534
[3] https://crsreports.congress.gov/product/pdf/IF/IF12534

Market share

Since 2012, Syncrolift has signed 22 out of the latest 38 global shiplift contracts, implying a market share of around 60%. This clearly proves Syncrolift's market-leading position in the global shiplift market. Its largest competitor Pearlson coming second in place has, in turn, signed 10 contracts since 2012, indicating a market share of almost 30%. Worth noting is that Pearlson during the last years, seems to have taken an increasingly large market share. On average around three large contracts have been awarded each year, with a relatively uneven distribution. We believe that large commercial shiplift investments are somewhat correlated to movements in the global shipping market and the economic outlook including costs of financing etc. One example is during the pandemic in 2021-2022 when no new contracts were awarded.



Growth initiatives

1. Manifest global leadership for shiplift systems – Currently 60% market share

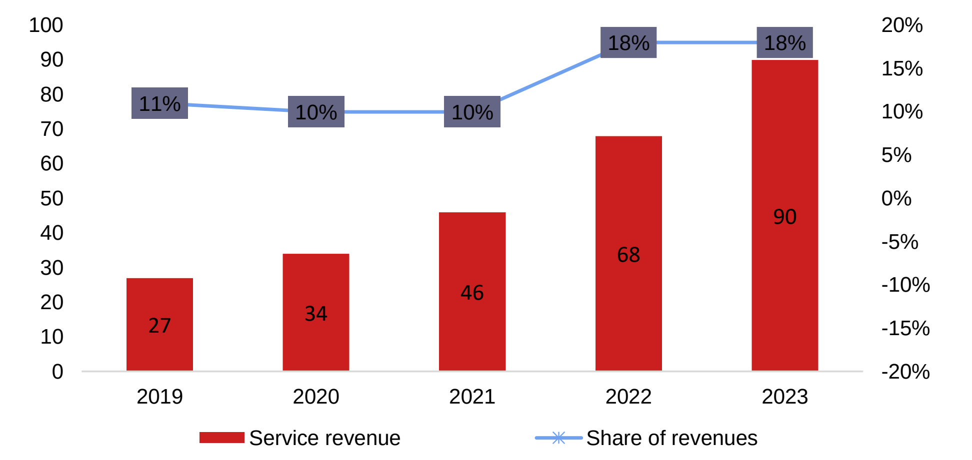
With a strong market footprint and attractive value proposition, targeting faster docking and increased yard capacity that in the end leads to increased shipyard ROI, Syncrolift works actively to maintain its market-leading position. Syncrolift works in close cooperation with its customers to maintain its product leadership. The company sees a continued higher focus on naval and commercial segments going forward, which is where we see the best use for the technology. Despite being the technology leader, we believe that Syncrolift also has cost advantages often being price-leading in tenders. We believe this is possible as the market is very consolidated.

2. Grow service revenue

As we previously mentioned, Syncrolift has a large base of installed shiplifts globally but historically its services have been sold more ad hoc. In 2023, service revenue amounted to NOK90m, representing around 18% of Syncrolift's total sales in the last two years. Syncrolift increased its focus on services back in 2020 and now aims to grow its services substantially to reach around NOK150m in 2024, by signing agreements for spares, inspections, and service guarantees resulting in a lifetime partnership by being a total solution provider.

We understand that service EBITDA margins are healthy and around 16-18% today, with the potential of a few percentage points higher. This is below Syncrolift's total margin, but we welcome this initiative as it will balance nicely between the volatile revenue recognition for new installations and recurring service revenues. The potential is substantial, and we note that Syncrolift has a service market share of around 30% relative to a larger new build market share of 60%. We understand that Pearlson has a greater, around 40%, while it's also competing with DIY customers on service. Especially Naval customers, which to a large extent requires its own staff to be able to service the installations.

Syncrolift: Service revenues



Source: Nekkar, Redeye research

3. Enter new markets based on Syncrolifts proven technology

With the existing offering, Syncrolift's technology can be applied to new applications, such as the offshore industry for deployment and transfer of floating offshore wind turbines into the sea. For now, this segment is small and emerging, but we believe it offers long-term potential. As an example, the installed base of offshore wind turbines amounted to almost 4,000 in 2015, growing to around 6,000 in 2020 but is expected to reach 45,000 in 2035 according to Nekkar's recent presentation.

Syncrolift - Competition

The market is consolidated and concentrated to a few competitors offering a similar solution of shiplifts, but with some technical differences. Besides Syncrolift being the market leading provider with a market share of around 60%, the only real competition in terms of signed deals is represented by Pearlson with a market share of around 30%.

Pearlson Shiplift Corporation

The company was founded by Douglas Pearlson back in 2008, but the family has a legacy from the first shiplift that was invented back in 1957-58. Since the original founding of the Pearlson Engineering Company (PECO) in 1958, the original company shifted hands several times but is now included in the Nekkar group. The new Perlson Shiplift Corporation is today the key competitor to Syncrolift. Since 2016, Pearlson has been awarded around ten larger contracts including the Darwin project which amounts to a market share of around 30% and is the clear second leading player in the industry. In the most recent years, we see that Pearlson has increased its market share and signed several of the awarded deals in the last three years. We note that marketing/articles from the new Pearlson (Pearlson Shiplift Corporation) are claiming fame for a large installed base of installations, which was made by the first Pearlson Engineering company, which now is included in the Nekkar group. Besides that, we see that Pearlson has a strong foothold in its home market, the US, and is also quite successful with the Yacht/mega Yacht segment frequently marketed on its webpage. and by signing service contracts.

Key differences

On the technological side, the key difference is that Pearlson uses an articulated platform which is a less safe alternative than the technology currently used by Syncrolift. Moreover, we see that Pearlson is less forward-leaning when it comes to technology and innovations. This includes its offering for transfer systems as well as control and safety systems. In the next chapter, we do a little deep dive into the articulated vs. rigid platform.

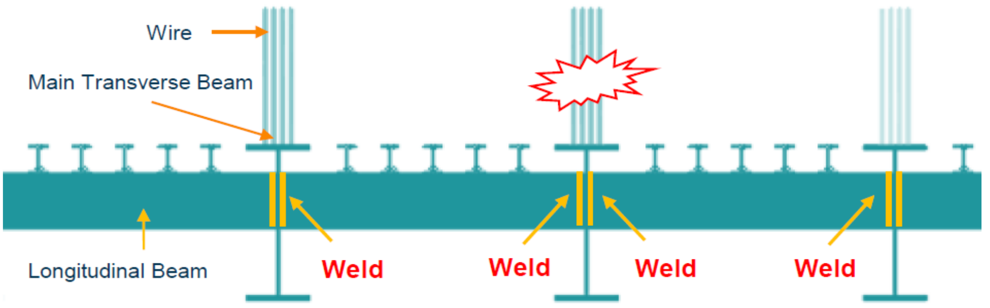
Other competitors

Besides Pearlson, US-based Bardex Corporation approaches several projects in competition with Syncrolift. For the large Darwin project, for example, it was these three players in competition. One key difference between Syncrolift and Pearlson is that Bardex uses chains instead of wires for its winches which together with the articulated platform can be considered a less safe shiplift alternative. The other players are Cimolai, Bosch Rexroth, Larsen & Toubro, and ZPMC together with Brohl and Scheiss Defries which have gone into bankruptcy.

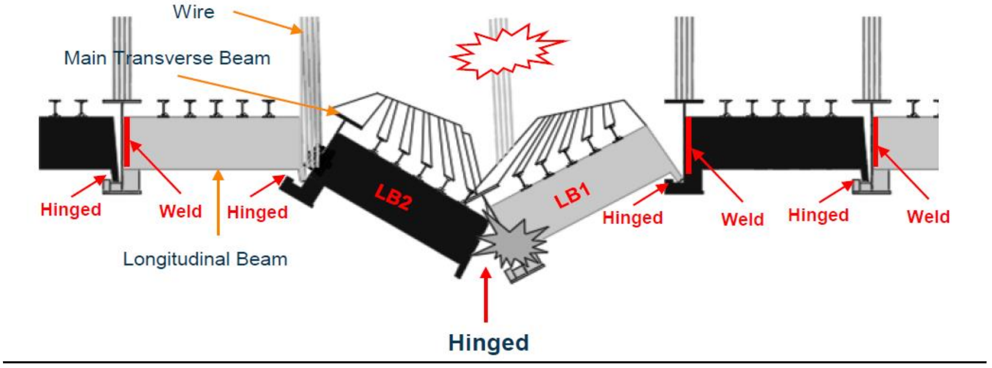
Technology: Rigid vs Articulated platform

The rigid platform was developed in 1980 and saw success mainly due to the higher safety standard of the concept. The key difference is that the old articulated platform invented in 1950, incorporates hinged designs which allows flexibility, whereas the rigid platform is characterized by a fully welded structure. This means that the articulated platform may lose support if a wire rope fails, while on a rigid platform, the weight will be supported by the rest of the rope wires i.e., there is a built-in redundancy.

Rigid platform



Articulated platform



Source: Nekkar

A Rigid Platform “allows” for a Wire rope to break. The vessel is safe, and the wire rope must be changed before commencing normal operation. In 50% of cases where a wire rope fail, -a Hinged articulated platform will have a “cascading” collapse as observed and documented at more than 35 Yards. When a rope breaks, LB1 has nothing to “hold on to” and drops down 0,5-1m. Opposite side (LB2) will prevent it from falling further. However, LB1 and LB2 falling partially down will cause great damage to wires, twisted by sheaves, causing “other side” to snap, and causing the “Cascade” longitudinally –depending on the load scenario.

Syncrolift stopped providing the articulated platform back in 2015, and we have noted several accidents in the industry with the articulated platform from the years prior to that. The articulated platform is still provided today by some companies and can work fine as long as the conditions are favorable, in the end, its key treat is that it has a straightforward design that requires simpler machinery, resulting in a cheaper solution (as long as nothing goes wrong). The rigid platform instead, requires more complex technology for calculations and control mechanisms as it can adjust each winch depending on load to keep the platform on balance. This type of platform then enables tilt and adjustments to handle vessels with an uneven keel and uneven load such as tugs, fishing boats, etc.

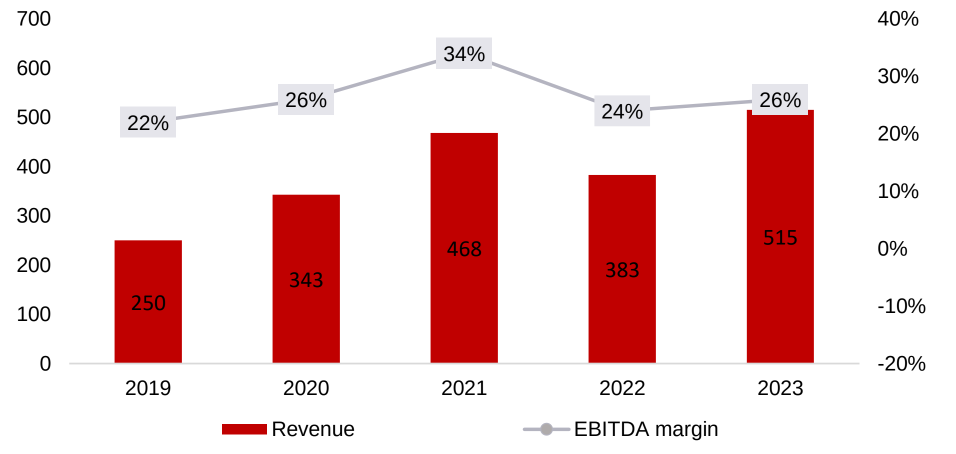
With both superior safety standards and lifting flexibility, we find solid arguments for the Rigid platform being the most advantageous, which is also reflected in the market share for rigid platforms being around 75% between 2012-2023. We do not find any reasonable arguments as to why the articulated platform should increase its market share going forward based on the technology.

Syncrolift – Strong financial track record

Revenues

Syncrolift has a strong track record of growth, delivering a revenue CAGR of 19% between 2019-2023. Its market position is manifested by a 60% market share in the global shiplift market and a 70% market share in transfer systems. Its revenues are exposed to the overall market cycle with investments and installations into new shiplift solutions. The volatility is however decreasing, as Nekkar continues to grow its service revenues, which is of a more recurring nature.

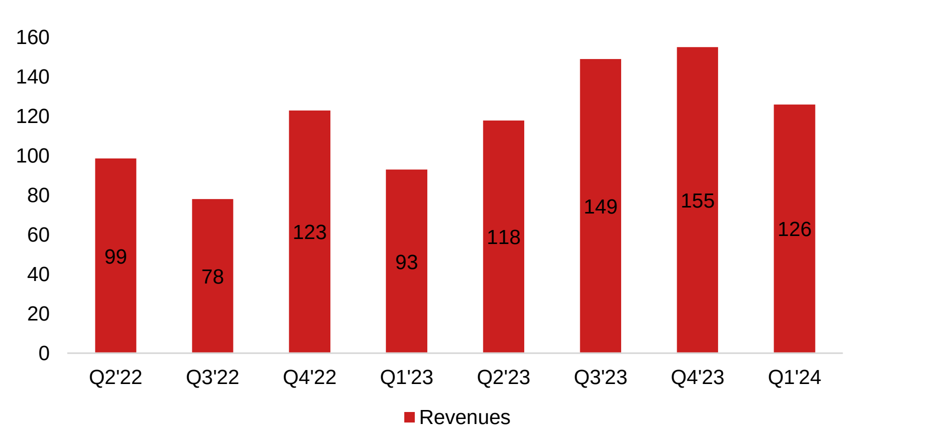
Syncrolift: Revenue and EBITDA margin



Source: Redeye research, Nekkar

The quarterly revenues are increasingly affected by the volatility in revenue recognition. In general, the company is currently seeing a growing trend on a yearly as well as quarterly basis. Moreover, Nekkar does not provide any specific quarterly estimates of when a project will be delivered and booked

Syncrolift : Revenues by quarter



Source: Nekkar, Redeye research

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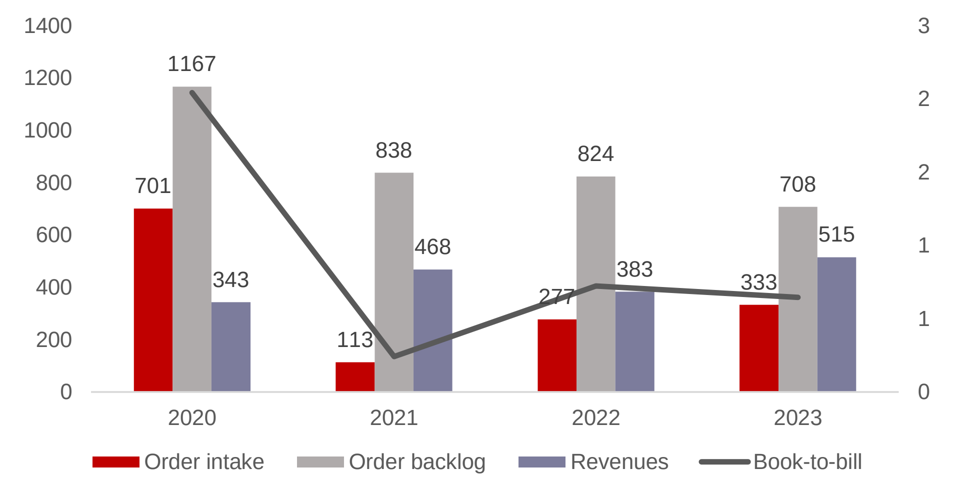
Orderbook and outlook

The order intake has been volatile in between years depending on project awards. 2021 was a low point during the pandemic where there was an absence of new project awards. The order backlog was large, >1bn entering 2020 following several larger project awards but has now normalized and most recently amounted to around NOK800m. Beyond signing and delivering new deals, we describe Nekkar's growth prospects in the strategy section above.

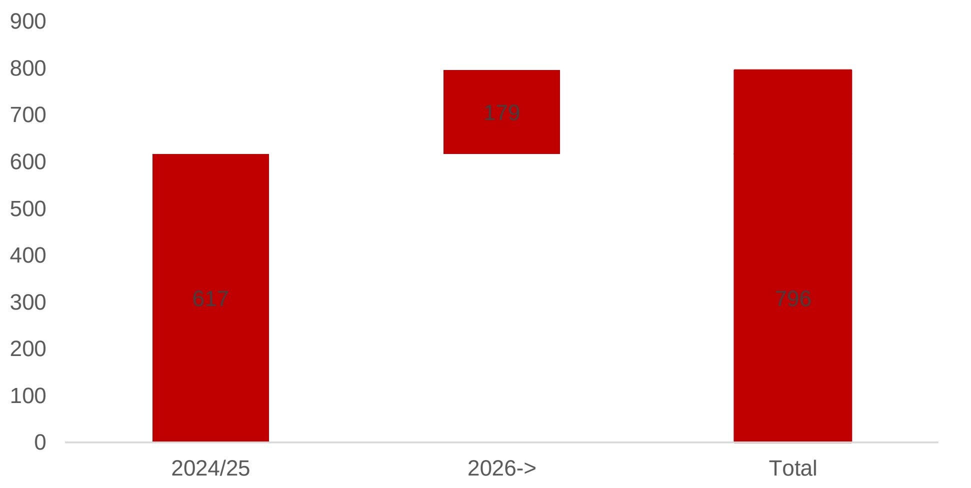
Syncrolift: Revenues and Order Book summary



Source: Nekkar, Redeye research

Following the end of 2023, new orders have been added and its current order backlog of NOK800m is tilted toward delivery in 2024/25, while NOK180m is planned for delivery in 2026 and beyond. These figures represent deliveries to larger signed projects and do not include service contracts.

Syncrolift: Order backlog by est. execution year

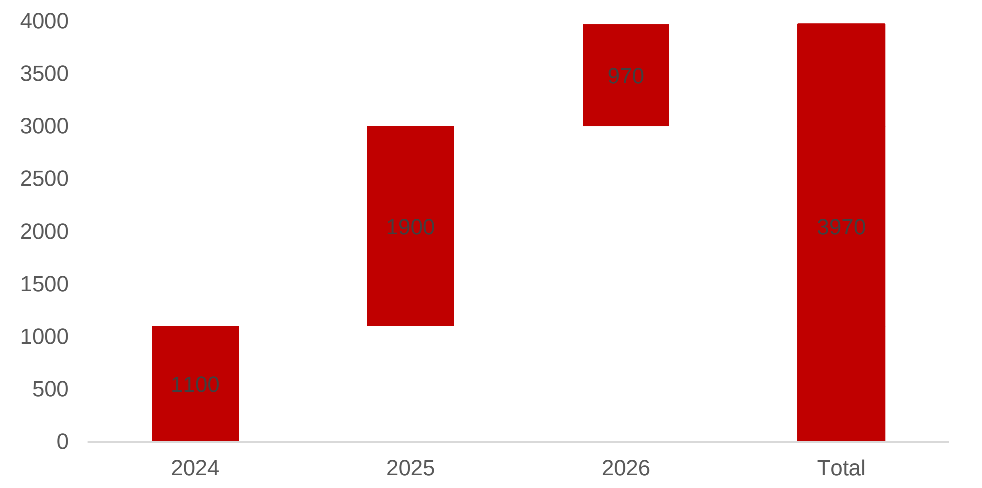


Source: Nekkar as of 2024-04-15, Redeye research

Closely monitoring contract awards

Most importantly, we see a strong tender pipeline ahead of both new build shiplift contracts and upgrades. The figures are based on Nekkar's last reported figures and the total tender pipeline summarizes to around NOK4bn. Applying Nekkar's historic win rate of around 60%, we see prospects of signing new deals of around NOK2.5bn in 2024 and the following two years. We are closely monitoring Nekkar's win rate to get a sense of the market movements. Nekkar must continue to manifest its market-leading position. Looking only at the last few years, few projects have been awarded but based on the ones that have, the market share is deteriorating. We do not draw any conclusions from it yet, as it is so few projects. Moreover, it is worth noting that the lead times are extensive, for new construction 18-28 months, and for upgrade contracts around 12-24 months.

Syncrolift: Tender pipeline, newbuild/upgrades by year of est. contract award

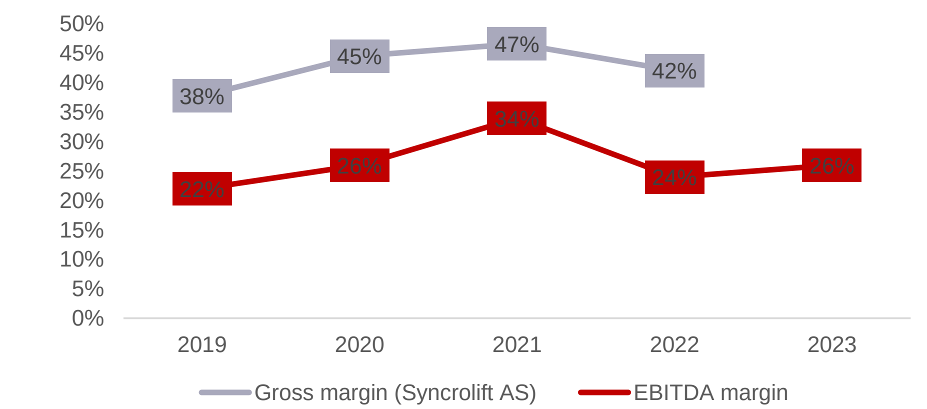


Source: Nekkar as of 2024-04-15, Redeye research

Unmatched profitability

Nekkar does not report detailed breakdowns per subsidiary more than EBITDA (semi)annually, we have looked at the reporting for its subsidiary Syncrolift AS which fairly matches Nekkar's reported topline numbers for Syncrolift. In the report, we can see that it has realized strong gross margins between 42-47% between 2020-2022, this is exceptional for a hardware provider. With a market-leading position in a relatively small niche market, the Syncrolift business is protected by moats foremost as the market is an efficient scale, whereby there are only a handful of companies serving the entire global market. The strong position has enabled Syncrolift to generate above-average returns of an average weighted EBITDA margin of 27% for the last five years. We expect the strong position to remain. In the last 20 years, the market consolidation has increased further where a few players have left the market.

Syncrolift: Margins



Source: Nekkar,Proff, Redeye research

Intellilift

Intellilift is a subsidiary of Nekkar ASA owned to 51%, which delivers industrial software solutions primarily focused on digitalizing workflow for drilling and offshore load-handling through automation and remote-controlled systems. Intellilift operates as a digital solutions competence hub, serving other subsidiaries within Nekkar ASA and customers outside the group. It consists of different services with unique digital automated competence, developing and delivering software platforms for monitoring and control of data. The end goal is to digitalize the internal subsidiaries within Nekkar ASA to optimize operations while also distributing these services externally and generating revenue.

Established in 2018, Intellilift is defined as a growth business by Nekkar, essentially meaning it is in the process of widening its customer base and scaling its business model, trying to optimize its service to capitalize on growth opportunities. Nekkar acquired its share of 51% in 2019 for around NOK ~15m. Intellilift is headquartered in Kristiansand and managed by Stig Trydal, a key founder of Intellilift and industry veteran, having held leading positions in software and automation departments for National Oilwell Varco (NOV).

Offering

The business model consists of three divisions – SaaS revenue, perpetual upfront software licenses, and project-based revenue, depending on customer preferences and industries, including offshore energy, aquaculture, and renewables. The system collects sensor data, streamlining processes to enable remote operation and full robotization of operations. Nekkar ASA acknowledges certain critical benefits for customers utilizing the digital solutions services provided by Intellilift. These benefits include Supervisory Control and Data Acquisition (SCADA) Systems, Remote & Machine control systems, cloud-based technology, energy optimization, and more. The digital solutions services encompass multiple products used in other subsidiaries within Nekkar ASA Group, internally supporting both Syncrolift and Techano Oceanlift, meaning significant synergies.

Value proposition and Joint venture with Transocean

In late 2021, Intellilift established a joint venture with Transocean Inc. called InteliWell, aiming to reduce drilling time through rig automation. Formed by industry experts in artificial intelligence, automation, and well construction, the platform provides solid closed-loop, end-to-end workflow through integrated applications for smart well-monitoring. The purpose is to create synergies during the well construction cycle. Through streamlining the well construction process using AI-driven tools, InteliWell provides a tidy software solution, allowing operators to improve consistency and reduce costs. Towards the year-end of 2022, InteliWell signed its first commercial contract, a four-year contract with Transocean, on behalf of its customers, Wintershall Dea and OM. The contract included facilitating operations utilizing the proprietary InteliWell software on the Transocean drilling rig. The first operations of the InteliWell JV were successfully executed during the second half of 2023, meaning a major breakthrough for the Intellilift subsidiary. The InteliWell platform consists of four key applications: InteliAutomate, InteliTrak, InteliAssist, and InteliPlan.

InteliPlan

The InteliPlan application allows users to create and manage rig and customer-specific operational well programs and work instructions. InteliPlan includes a unique decision logic that substantially reduces the time required to create a drilling program, and the specific operating practices can be embedded into the decision logic to accommodate future drilling programs and rig site constructions. This application allows users to create an operations program within hours.

InteliAutomate

This application enables users to execute pre-built automation sequences that control the drilling equipment and includes the ability to execute automation directly from the digital well plan. InteliAutomate works in coordination with IntelPlan by enabling the execution of the pre-built automation steps, with constant monitoring and intervention oversight provided by InteliAssist.

InteliAssist

Monitors all available drilling data during the well construction process and provides early warning actionable information to both the driller (and wider team) and InteliAutomate. Another key feature is InteliAssist’s ability to optimize operations predict any operational problems, and thereby identify if human intervention is required.

InteliTrak

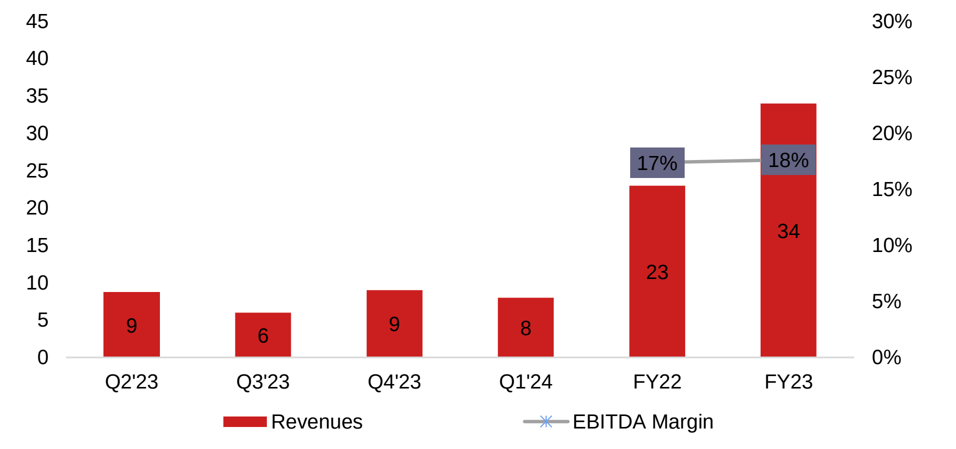
Provides automated tubular tracking, tally creation, and depth provision to InteliAssist

The finalized result of all these applications combined is a platform that allows automated execution and continuous monitoring of operations programs, with notifications and alarms both onshore and offshore. As of Q1 2024, the InteliWell system is in operation and has received excellent customer feedback, gaining international recognition as it prepares for an upcoming deployment in the US Gulf Coast of Mexico.

Financials and Outlook

In 2023, Intellilift showed substantial growth, increasing its revenue from NOK 22 million to NOK 34 million, where the external revenue amounted to NOK 29 million in 2023 compared to NOK 4 million in 2022. Nekkar does not report EBITDA margin breakdown per company on a quarterly basis, but the margins have been solid even early in commercialization progress and in the long term there is a substantial margin upside. In general, we see that the communication is a little more secretive on what the future holds for Intellilift as a stand-alone business, however, that comes naturally as its services today besides the JV, mainly represent software services for the other Nekkar group companies. We see that Intellilift holds solid growth prospects benefitting from the Nekkar infrastructure to drive sales. Moreover, its JV with Transocean offers solid growth prospects.

Intellilift: Revenues & Margins



Source: Nekkar, Redeye research

Techano Oceanlift

Techano Oceanlift specializes in advanced load handling and lifting equipment for the renewable, aquaculture, and offshore energy industries. The product portfolio includes cranes, gangways, and fish transfer systems, coupled with digital control systems and software. One of its major claims to fame is the advanced motion-compensated load handling system which enables operations in rough seas and weather conditions. Control systems are provided by the sister company Intellilift and facilitate high precision and maneuverability. Furthermore, the cranes and gangways are all-electric, and in addition, lightweight and compact, taking up little deck space when not used. Techano Oceanlift was founded in 2008 and currently has around 24 employees. The company is based in Kristiansand, Norway, and is co-located with Nekkar's headquarters.

Vector – 3D Motion Compensated Crane

Subsea crane mounted on support vessel

VOYAGER W2W gangway

Fish transfer system

Synergies within the Nekkar Group

Adding Techano Oceanlift to the Group strengthens Nekkar's offering in the industry verticals, especially within the renewables and aquaculture industries. Here the customers are to a great extent overlapping and Nekkar will be able to extend its offering of products and services within these segments. Also, as mentioned above, Intellilift supplies the remote-control systems "Phoenix" for Techano's cranes and gangways. Furthermore, Techano adds competence in complex engineering and the ability to execute integrated projects.

Commercial progress

Revenues have ramped up over the last year, as Techano has started to deliver on two major contracts for offshore cranes (see below). Since Nekkar became the principal owner, the company has recorded revenues of NOK70m with a strong growth trajectory Q2'23-Q1'24. Earnings are still modest but in positive territory. The two initial crane orders were offered at discounted prices in order to get some market traction and the first customer references. According to Nekkar, tender activity is now high for offshore cranes as well as gangways. As for aquaculture and fish farming, the market is still slow.

Acquired in 2023 for a bargain price

Nekkar acquired 90% of the shares in Techano Oceanlift, in March 2023, marking a reentry into the offshore load-handling market. (Nekkar previously developed the Horizon gangway which was a part of the divestment to MacGregor in 2018). The purchase price was an undisclosed "unmaterial" amount. However, we noticed that the book value in the Q2'23 report amounted to NOK2.7m, so the price was obviously very modest. Nekkar has no earnout commitments. Techano Oceanlift was in financial distress at this point and filed for bankruptcy. The main reason was a very large order from Russia that was canceled due to the full-scale invasion of Ukraine. Considering how Techano has developed in the past year, it appears that Nekkar has probably made a very good deal.

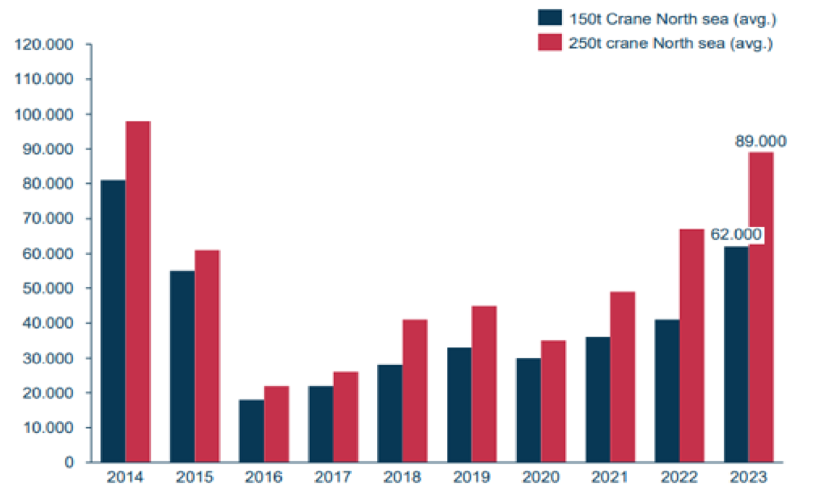
Brief market overview

Considering the fact that Techano is a small and innovative player in the industry, they are not entirely reliant on the general development of the market. The company still has plenty of room for growth as long as it can close another few deals. However, it's worth noting that the overall market has seen a significant pick-up in activity since last year. The graph below shows North Sea rates for offshore cranes (from the Nekkar Investor Day 2024 presentation, courtesy of Clarksons). The outlook remains promising with high activity, particularly within the offshore wind farm segment

According to Techano, the main competitors in the offshore subsea segment are MacGregor, NOV, and Huisman. In the renewable energy sector: Motus, Uptime, and SMST (gangway).

According to a report from Market Research Future, the global market for offshore cranes, across all market segments, is expected to reach USD 36 billion by 2032, growing at a CAGR of 8% from 2023 to 2032.[4]

North Sea subsea rates, USD/day



Source: Clarkssons

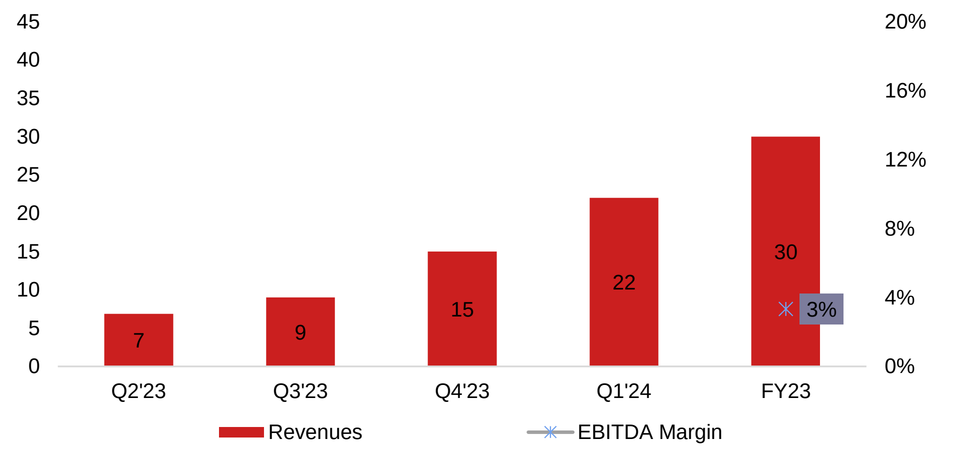
[4] https://www.marketresearchfuture.com/reports/offshore-cranes-market-8445

Financials & outlook

Since the restart of Techano in ownership of Nekkar, Techano has recognized a solid ramp-up in the first quarters. Nekkar does not report EBITDA breakdown per quarter, but we recognize that Techano had a positive result already in 2023 of 3%. In the medium term, we see a margin potential of somewhere around 10-15% on EBITDA level.

In the near term, Techano has signed two contracts into the crane market to the Turkish shipyard Sefine installed for the Norwegian end customer Agalas. valued at EUR10.5m. We understand that it will be entry contracts, with a somewhat discounted price that might impact near-term margins. However, it's still impressive to see the progress. The tendering activity is reported to be high, and we believe that more contracts will follow in the near future. Below we run through the most notable deals.

Techano Oceanlift: Revenues & Margins



Source: Nekkar, Redeye research

Significant orders:

- Fish transfer systems. In 2022, SalMar Aker Ocean placed an order for two fish transfer systems for its offshore Farm 1. No order value was disclosed. But we understand that these orders are typically in the range of NOK 30-80m, so significant amounts.
- Offshore 70-tonne crane. In May 2023, Techano received a EUR4m order from Sefine Shipyards in Turkey. The contract relates to a crane capable of performing both subsea installation and removal operations plus topside 3D-compensated lifting operations in conjunction with wind farm developments and operations. The system will be delivered in 2024 to a newly built vessel owned by Norwegian shipowner Agalas.
- Subsea 150-tonne crane. In December 2023, Techano was awarded a second order from Sefine Shipyards in Turkey. The 150t capacity knuckle boom crane with Intellilift's control system and motion compensating system will be fitted on a newbuild subsea IMR/survey vessel, also for Agalas. The order value amounts to around EUR6.5m with deliveries planned for 2025.

FiiZK

Nekkar and BEWI Invest AS saved FiiZK

In November 2023, Nekkar made an investment in FiiZK together with BEWI Invest AS. Nekkar currently owns 39% and BEWI Invest owns 40% of the company. In 2023 FiiZK was in a financially distressed situation as investments stopped dramatically following the introduction of an additional 25% tax on salmon farmers (resource rent tax). This offered an attractive opportunity for Nekkar to acquire a significant share in the company. Nekkar's cash contribution was NOK25m in cash, while it also transferred its IP from Starfish, valued at NOK25m.

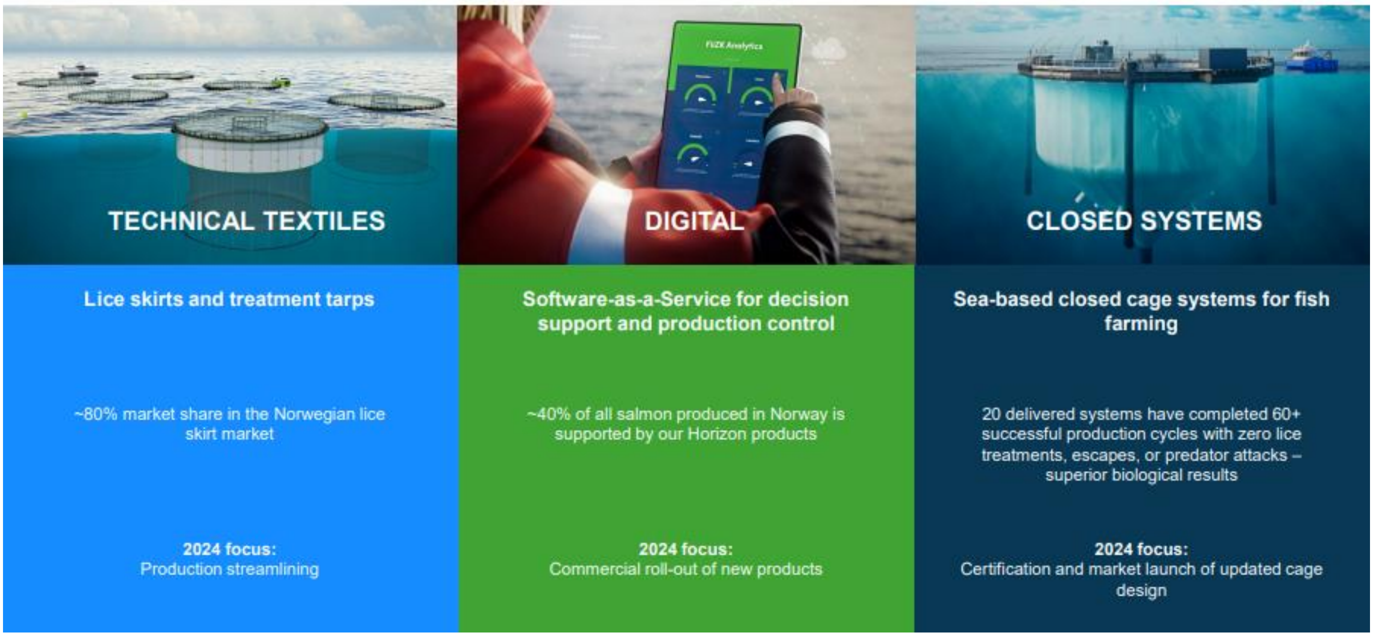
FiiZK had several years of strong growth from 2016 up until 2022 and subsequently filed for bankruptcy when the new tax regime killed the market in 2023. Sales in 2022 amounted to around NOK300m. We have no detailed information on sales numbers in 2023-24. As Nekkar currently has a minority shareholding in FiiZK, Nekkar reports its proportion of FiiZK's financial performance as financial income/expense in the P&L.

Current status

We understand that Nekkar reported a Q1'24 deficit of NOK6m (for its 39% owner share). This corresponds to minus ~NOK15m for the FiiZK Group. Nekkar's CEO, Ole Falk Hansen, mentioned at the Q1'24 call that the ambition for 2024 is to complete the turn-around and show a profit. Also, a strategic review of parts of the business is ongoing, and the company recently announced the sale of FiiZK digital for an undisclosed amount. We believe that the restructuring not yet is finalized.

FiiZK – Company overview

Fiizk is a supplier of cage systems and services to the fish farming industry. The offering includes closed and semi-closed cage solutions for post-smolt production, broodstock fish, and harvesting. The company is also a major producer of protective textiles (lice skirts) for fish farms and technical textiles for several other industry segments. The FiiZK Group is headquartered in Trondheim with branch offices and manufacturing sites in Bergen, Ålesund, and Valsneset, Bjugn. The Group has around 90 employees within the following three subsidiaries:



FiiZK Aquaculture Systems

The subsidiary develops and delivers closed systems for sea-based aquaculture including engineering, construction, and automation systems. Main focus is on sea-based fish farming of salmon and rainbow trout, although it also has an offering for land-based systems. So far FiiZK has over 20 closed cage installations at sea, in Norway, Canada, and the Faroe Islands. These have performed more than 70+ production cycles of fish. This has been done with zero lice treatments, escapes, or predator attacks and superior biological results, according to the company. The focus during 2024 is the certification and market launch of an updated cage design.

Recently, a new closed cage system was launched, FiiZK Protectus. It combines the best features of previous models, Certus, Ecomerden, and Starfish, according to the company. Major benefits include:

- No lice treatment.
- No escapes.
- Sludge/waste collection.
- Water intake at 25 meters or lower to secure a stable temperature and eliminate sea lice.
- Fully automated system with remote control.

FiiZK Protectus

Source: www.fiizk.com

FiiZK Digital (Divested in 2024-06-26)

The company provides digital services specifically for the aquaculture industry. The software package Horizon includes a variety of services to survey and optimize fish farming production. According to the company, around 40% of the salmon produced in Norway is, in some way, processed through Horizon software. Currently, FiiZK Digital has 10 customers using its software in their daily operations. This generates around NOK 25 million in annual recurring SaaS revenues. The focus for 2024 was the roll-out of new products. FiiZK Digital was sold in late June 2024 for an undisclosed amount. We believe that it was an unprofitable part of the business, with an ARR of NOK25m while employing around 25 people. The division was divested in June 2024 for an undisclosed amount, and we await the financial impact. We believe that following the divestment, FiiZK group's margins will improve and likely add a fair amount of cash to fund the other FiiZK division's growth.

FiiZK Protection

FiiZK Protection is a leading supplier of industrial textiles to the Norwegian aquaculture industry. Their prime products are lice skirts, where the company holds a market share of around 80% in Norway. The lice skirts protect farmed fish from infestation of sea lice and are often tailored to each customer's individual site. The flagship product is a heavy-duty lice skirt fitted for rough sea conditions. The company also offers lighter so-called flow-through skirts via a third-party agreement, to cater to various customer needs.

Furthermore, the company designs and delivers products and solutions in technical textiles and tarpaulin for a number of other market segments like offshore, farming, cargo, and the construction industry. The majority of sales are related to lice skirts, which is a rather stable business. Fish farmers need to replace the skirts within 1-3 years depending on weather and water conditions. From what we understand, this generates annual sales of around NOK100m with good profitability. We believe the continued strategic review, could include Protection, possibly by a divestment of some product lines and/or manufacturing units.

Target market overview

This section is limited to a brief overview of the Norwegian market. Since FiiZK is based in Norway, this is obviously by far their most important market. However, the company also markets some of its products to international markets like Canada, Iceland, Scotland, and the Faroe Islands.

Fish farming in Norway is a NOK >100 billion industry. It started in the 1970s and has grown by 5-6% annually over the last two decades. It is dominated by salmon (~80%) followed by rainbow trout (10-15%). Norway is by far the world's largest producer of farmed Atlantic salmon. Annual production is around 1.5 million tons, making up for ~60% of global production.

Fish farming is well-regulated by the Norwegian Government. Currently, there are some 1215 licenses for grow-out production of salmon and trout. These are owned by around 120 companies operating fish farms in ~1000 different locations. Today there are an estimated 4-5000 pens holding salmon and trout in Norway. So, the market is well-defined and transparent in most respects. This provides good conditions for equipment and system suppliers like FiiZK to map customer needs and focus their sales efforts.

Norway aiming for major expansion

The Norwegian Government has a very ambitious long-term plan aiming at growing the industry from current production levels of around 1.5 million tons per year to 5 million tons in 2050. An important prerequisite is however that this is done in a sustainable way, which involves several challenges. The industry must ensure good fish health and fish welfare. Also, seafood must be produced with a small climate and environmental footprint.

In recent years, fish farmers have been heavily criticized. Primarily on two different accounts. One is poor fish health, mainly caused by sea lice and the harsh treatment that fish endure when de-loused. However, there are also other aspects of the farming causing poor conditions and high mortality rates for the fish. The problem is well recognized by the industry and the Norwegian Seafood Association aims to halve the mortality rate by 2030.

The second account of criticism relates to farmed salmon escaping, causing genetic interaction with wild salmon. Interbreeding between farmed and wild salmon produces offspring that are poorly adapted to the wild environment. The fish grow faster and mature at a younger age, undermining their ability to survive and reproduce in a natural environment. The escapes are usually due to seals and other predators damaging the nets.

Industry challenges => opportunities for FiiZK

The serious issues mentioned above are challenges that the industry must overcome. Not just to comply with sustainability targets. But also, because high mortality and fish escapes incur severe economic losses. Regardless of whether production volumes are going to increase or remain at current levels. And an important part of the solution is, without a doubt, to use better fish cages. Closed cage systems are gaining a lot of attention as they have demonstrated significant improvement in terms of reducing sea lice and escapes. Also, with a more controlled environment, overall fish welfare and growth have improved. The newly launched FiiZK Protectus seems very promising as it offers a viable solution to the customer's major problems.

One good example is in Canada, where a ban on open-net pen salmon farming on the British Columbia coast will be set in five years. This follows a plan to transition towards closed containment technologies to protect the declining wild Pacific salmon populations. [5]

Outlook & Financials

Salmon prices remain high due to firm demand and constraints on supply. Since the introduction of the resource rent tax, the fish farming industry has been holding back on investments in new capacity. Hence there is a pent-up demand for investments in new capacity, but the very near-term outlook is still uncertain. However, with Nekkar and BEWI Invest as principal owners, we believe FiiZK now has the strategic long-term focus and financial stamina to execute its business plan.

In terms of financials, FiiZK's current sales levels are not published. In 2022, we believe it was more than NOK300m. And in 2023, sales of at least NOK100-150m. FiiZK posted a negative result of around NOK15m in the first quarter of 2024. Nekkar has a plan to turn FiiZK into a positive run rate during 2024.

Ongoing restructuring

In the latest conference call, Nekkar communicated that it's doing a strategic review of FiiZK, which can include different investments and divestments of some parts of the FiiZK business. We believe that Nekkar is mainly interested in FiiZK's offering of semi and closed-cage systems, while we are somewhat uncertain regarding the protective segment being the stable profitable business. FiiZK Digital was sold in late June 2024 for an undisclosed amount. We believe that it was an unprofitable part of the business, with an ARR of NOK25m while employing around 25 people, which positively will impact the FiiZK group figures. It's possible that more parts of the business will be sold.

[5] https://www.theguardian.com/environment/article/2024/jun/20/canada-to-ban-open-net-pen-salmon-farming-in-british-columbia

SkyWalker

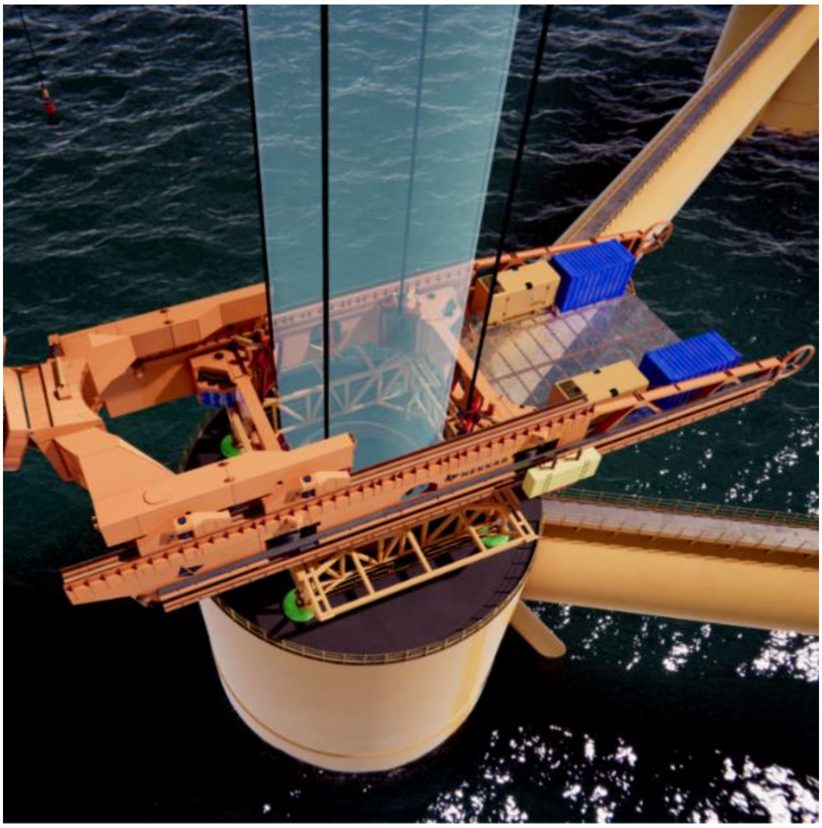
In the development phase, we find one of Nekkar's innovation projects called SkyWalker. The company was established in 2022 in Kristiansand, Norway, and is at the forefront of transforming the wind turbine installation and maintenance sector. SkyWalker develops a wind turbine installation tool that significantly enhances the speed and cost-effectiveness of wind turbine installations and maintenance, once it is fully operational.

Value proposition

The SkyWalker tool uses active heave compensation (a technology to counteract wave motion) and digital remote-control technologies to handle heavier loads and operate at greater heights compared to current solutions. Once fully developed, this capability will allow SkyWalker to perform installations in stronger winds, thereby reducing installation time and environmental impact, including CO2 emissions from transportation compared to traditional cranes.

In many cases today a floating offshore turbine is towed to land before any major component can be replaced. This requires several vessels, with an estimated downtime of more than 35 days. The cost is expected to be around USD10m to replace any major components.

All in all, the key difference from using regular cranes is that Skywalker's installation tool is self-climbing once it's mounted to the pillar. This means that it can operate faster to install or replace mounted turbine blades. In challenging environments, like offshore turbines it can make a significant difference.



Market

The wind turbine installation and maintenance market is experiencing rapid growth, fueled by the global transition towards renewable energy sources. This market is divided into onshore and offshore segments, with offshore installations seeing substantial growth due to technological advancements and decreasing costs. Yet, it's early to estimate the potential, but it could be vast if Skywalker's solutions become adopted by even one or a few partners. To add some perspective, the installed base of offshore wind turbines amounted to almost 4,000 in 2015, growing to around 6,000 in 2020 but is expected to reach 45,000 in 2035 according to Nekkar's recent presentation.

Amongst the key players in the industry, we find a few that offer different type of cranes that enables lifting solutions for the wind industry including the large original players like Palfinger, Konecranes, Liebherr, and Liftra. Amongst the more innovative we find WindSpider self-erecting crane, ENERCON Climbing Crane, and Mammoet's wind turbine assembly system.

Strategy

In late 2022, Skywalker formed a strategic partnership regarding the development and testing of the wind turbine installation tool with BMS Heavy Cranes. BMS has extensive expertise in heavy lifting for wind turbines together with several of the large international turbine manufacturers. In late 2023, a Nekkar consortium together with Kongsberg Maritime, DOF, and others was awarded a research and innovation grant of NOK75m for the development of an efficient solution for main component replacement (blades, gearbox, etc.) for both floating and bottom fixed offshore wind. The Nekkar-led consortium has a timeline between Q1 2024-Q4 2026.

Looking for partners

Skywalker is still in the development phase, but we are encouraged to see that the company is moving forward and evaluating potential partnerships and business models for commercialization. We like the fact that Skywalker aims mainly for partnerships as a go-to-market strategy as it currently lacks the infrastructure to commercialize the company solely on its own. With a partnership, the company can reduce risk and investments, gain market access, and add complementary competence.

Financials & timeline

SkyWalker is yet pre-revenue company with some contributions from grants. We expect no significant income for the company in the near term. The company has reached internal proof of concept and is now in a validation process spanning over the next two years. Around 2026 the company expects to start commercialization of the technology by starting with bottom fixed turbines together with partnerships. A few years later, the company plans to expand with floating turbines.

Financial forecasts

Syncrolift

Based on its strong market position we believe that Syncrolift has good market visibility to find ongoing opportunities and tenders. Based on its current order backlog of NOK617m for 2024-2025, with additional service sales and new tender wins, we believe that Syncrolift can deliver growth of around 10-15% in the coming three years. Furthermore, the tender pipeline is strong and currently amounts to around NOK4b in total, which if applying a win rate of 60% (at the historical level) we believe Syncrolift sees the opportunity to secure an additional 2.5b in newbuild and upgrade contracts in the coming years. The timeline of these new tender wins is however uncertain, with expected delivery stretching up to 28 months, while delays in the tender process are common. We expect service revenues to grow going forward in line with Syncrolift's strategy targeting its large installed base of shiplifts, adding a stable base of recurring sales. The overall estimate uncertainty is relatively high, for Syncrolift as some projects are large and can be pushed between quarters or even years. As such, we argue that one should zoom out from quarterly financials and look at the progress on an annual basis. In terms of margins for the Syncrolift groups, they vary depending on revenue recognition while remaining at strong levels. Going forward, we calculate with a relatively flat margin development, as service margins are healthy, while growth in new build contracts and upgrades could offer additional margin upside to our estimates.

Techano Oceanlift

Based on strong technological offering and high tendering activity we expect strong growth for Techano Oceanlift in the coming years delivering growth of around 80% in 2024, followed by around 20% in 2025-2026. Beyond the high tendering activity, Techano Oceanlift has signed two contracts with delivery in 2024, which have driven revenues in the last two quarters. One Offshore 70-tonne crane with a contracted value of EUR4m, with planned delivery in late 2024. Furthermore, a 150-tonne crane where engineering has now commenced valued at EUR6.5m with planned delivery in 2025. We expect that Techano will deliver the 70-tonne crane contract during the year while adding some additional revenues for the 150-tonne crane with delivery in 2025. In terms of revenue recognition, we believe that the revenue booked in late 2023 and Q1’24 stems from the two coming deliveries. We see a high likelihood of signing new contracts in the coming quarters, based on high tendering activity while the company now can leverage its entry contracts. Besides the two orders signed, the order book is empty, so new contracts need to be signed in H2’24 to meet our 2025 projections. In terms of profitability, Nekkar has stated that the initial orders were taken at entry price levels with lower margins of around a few percent. Going forward we see a potential for Techano to reach mature state EBITDA margins of 10-15%, while for now expecting a gradual ramp-up that grows as sales volumes increase.

Intellilift

We expect continued growth for Intellilift, driven both by sales that include software from the other Nekkar companies as well as revenues related to the InteliWell project together with Transocean. In the coming years, we expect Intellilift to grow by around 20% annually, while seeing a temporary lower growth in H1’24 driven by softer Q1’24 figures. In terms of margins, the historic margin looks like a cost-plus EBITDA margin of around 17-18% for the last two years, possibly explained by the intergroup sales. Going forward, we estimate a steady margin increase as the company sees operating leverage. In the long run, we see the potential for substantially higher margins up to around 30% which can be achieved if the margin towards the other group functions is not actually a cost-plus margin or its offering with InteliWell and other offshore projects kicks off substantially.

Nekkar - Quarterly estimates

NOKm	Q1'23	Q2'23	Q3'23	Q4'23	Q1'24	Q2'24e	Q3'24e	Q4'24e
Net sales	99	126	162	173	149	150	179	190
Revenue	101	132	162	179	152	153	181	192
Syncrolift	93	118	149	155	126	136	167	171
Intellilift	10	9	6	9	8	10	7	11
Techano Oceanlift	0	7	9	15	22	9	9	14
Other inc. Eliminations	-2	-1	-2	0	-4	-2	-3	-3
EBITDA	23	36	29	32	30	31	36	40
EBITDA margin	23%	27%	18%	18%	20%	20%	20%	21%
EBIT	22	34	27	30	28	29	34	38
EBIT margin	22%	26%	17%	17%	18%	19%	19%	20%
Net sales growth y/y								
Syncrolift	-	20%	91%	26%	35%	15%	12%	10%
Intellilift	-	74%	20%	29%	-20%	20%	20%	20%
Techano Oceanlift	-	-	-	-	-	30%	5%	-10%
Other inc. Eliminations of revenues	-2%	-1%	-1%	0%	-3%	-1%	-2%	-2%

Source: Redeye Research

Net sales vs revenues - Nekkar mainly focuses on Revenues in its reporting and not Net sales, the difference is mainly the net amount of external funding received which has been around 10-20 million NOK per year. Hence, we do not make any major difference between the two in this case.

Gross margins - The gross margin has been slightly declining in the last year following increased investments and a growing share of sales from other companies than Syncrolift. Still, the margin has been around 47% for the last two years, somewhat down from 51% in 2021. The revenue mix has also impacted, Intellilift (software gross margin) and Techano with dilutive gross margins compared to Syncrolift. Going forward, we expect that continued growth investments will somewhat limit the gross margin development expecting a smaller decline for the coming two years, followed by a stepwise improvement as the other subsidiaries reach a more mature state.

Costs and EBITDA margin - The cost breakdown is only reported semiannually, and we do not expect any major changes here going forward. We see that the group EBITDA margin has decreased below 20% in recent years, driven by growth investments. This is far off the reported peak EBITDA margin of 29% in 2021. As we expect the profitability of the subsidiaries to improve going forward, we believe that the group margin will strengthen by a few percentage points from 2022-2023, from 16-19% to 20-21% in 2025-2026.

Net Financials & FiiZK - The development of FiiZK is reported under financial items together with FX effects. We expect that the Q1'24 run rate of -15m continues into Q2'24 while seeing that after the sale of FiiZK digital, the company could improve the run rate into positive territory towards the end of the year. There we no details disclosed in the sale of FiiZK digital, but we believe it was an unprofitable part of the company, with an ARR of NOK25m while employing around 25 people. Together with a strong cash position of NOK200m generating some interest, we expect to see an overall positive net financial figure. We have not included any type of FX derivatives effect in our estimates, which may impact the figures for relative movements of USD/EUR compared to NOK.

Working capital - Despite Syncrolift's characteristics of providing large shiplift installations, Nekkar's balance sheet remains light as its production is outsourced. In some years, the group's working capital has even been negative due to prepayments for projects made to Syncrolift. In recent years, working capital has been around NOK100m, totaling 15-20% of sales, which is a level we calculate going forward given the anticipated revenue mix between subsidiaries.

Investments

Nekkar has invested around NOK20-30m into CAPEX in the last years representing around 3-6% of sales. We believe that the investments will continue around this level going forward, as the company is cautious to invest heavily into a new development of the venture businesses. Instead, the company has an outspoken strategy to share development and commercialization costs with partners and from soft funding. We reason that the strategy is sound and a healthy mix of organic investments vs M&A/share buybacks.

M&A

Nekkar has a strong financial position of around NOK200m in net cash and NOK200m in available debt financing. It is clear that Nekkar targets additional M&A in the coming years, while it's hard to foresee what the company will acquire in terms of size and acquisition multiples. As such, we consider the M&A track as an attractive optionality to our estimates as well as valuation.

Nekkar Estimates - Base case scenario

NOKm	2021	2022	2023	H1'24e	H2'24e	2024e	H1'25e	H2'25e	2025e	2026e
Revenue	**480**	**388**	**575**	**305**	**372**	**678**	**345**	**411**	**756**	**839**
Cost of goods sold	-237	-206	-304	-165	-201	-366	-186	-222	-408	-436
Gross profit	243	181	271	140	171	312	159	189	348	403
Total OPEX	-104	-119	-162	-80	-95	-175	-96	-99	-195	-222
EBITDA	140	62	109	61	76	137	63	90	153	181
D&A	-6	-10	-8	-4	-5	-9	-4	-5	-10	-11
EBIT	134	52	101	57	72	128	59	85	143	170
Net financials inc. FiiZK	-2	-14	8	-28	20	-8	5	10	15	20
Net income	112	28	83	22	71	94	50	74	123	148
Revenue growth y/y	34%	-19%	48%	31%	9%	18%	13%	10%	12%	11%
Gross margin	51%	47%	47%	46%	46%	46%	46%	46%	46%	48%
EBITDA margin	29%	16%	19%	20%	21%	20%	18%	22%	20%	22%
EBIT margin	28%	13%	18%	19%	19%	19%	17%	21%	19%	20%

Estimates - Breakdown

NOKm	2021	2022	2023	H124e	H224e	2024e	H125e	H225e	2025e	2026e
Total group revenues	480	388	575	305	372	678	345	411	756	839
Syncrolift	468	383	515	262	337	599	290	368	658	720
Intellilift	42	22	34	18	18	36	22	22	44	52
Techano Oceanlift	-	-	30	31	23	54	39	29	67	82
Other inc. Eliminations			-4	-6	-6	-12	-6	-8	-13	-15
Group revenue growth y/y	34%	-19%	48%	31%	9%	18%	13%	10%	12%	11%
Syncrolift growth y/y	37%	-18%	34%	24%	11%	16%	11%	9%	10%	9%
Intellilift growth y/y	179%	-46%	52%	-3%	20%	7%	20%	20%	20%	18%
Techano Oceanlift growth y/y	-	-	-	350%	-2%	78%	25%	25%	25%	22%
Other inc. eliminations of revenues (%)	-	-	-	-2%	-2%	-2%	-2%	-2%	-2%	-2%
Group EBITDA margin	29%	16%	19%	20%	21%	20%	18%	22%	20%	22%
Syncrolift EBITDA margin	34%	25%	26%	25%	26%	26%	24%	27%	26%	27%
Intellilift EBITDA margin	-	17%	18%	18%	19%	18%	20%	20%	20%	22%
Techano Oceanlift EBITDA margin	-	-	3%	5%	7%	6%	7%	10%	8%	9%
Nekkar: Order backlog end of period	838	824	803	-	-	-	-	-	-	-
Nekkar: Order intake during period	113	277	478	-	-	-	-	-	-	-
Nekkar: Book-to-bill ratio	24%	71%	83%	-	-	-	-	-	-	-
Syncrolift: Order backlog as of Q1'24 (*Total order backlog for 2024 and 2025)						617*			617*	179 ->
Syncrolift: Tender pipeline as of Q1'24						1100			1900	970->
Syncrolift: Tender awards if 60% winrate						660			1140	582 ->

Source: Company reports, Redeye Research

Valuation

We primarily base our valuation on a traditional DCF model. Based on our financial forecast shown above, for the coming years, in the addition to our assumptions below, we arrive at an enterprise value of NOK1.8bn while including the company's expected net cash position of around NOK280m at the end of the year.

Based on our DCF valuation, we argue for base case valuation per share of NOK17

The main assumptions include:

- Growth CAGR of 10% (2024-2027) followed by 9% (2027-2030) driven by the growth opportunities described above. Terminal growth of 2%.
- An average EBITDA margin of 21% for 2024-2034, while a lower terminal EBITDA margin of 18%, driven mainly by Syncrolift's strong profitability.
- WACC of 10% and corporate tax of 22%
- Furthermore, we have deducted the treasury shares owned by Nekkar, but we have not included the coming share buyback program of up to 10m shares or 100m NOK, which will be value accretive to our valuation. This is because we do not know if the shares will be terminated or used for payment, how much of the program will be utilized, and at what price the purchase will be carried out. In last year's program, around 25% of the program was utilized.
- As Nekkar posts consolidated figures for its companies, we have adjusted for the value of Intellilift and Techano that will be attributed to external minority shareholders. We have extrapolated 2026 normalized margins to deduct their share of the future cash flows. We have not included any value to Skywalker at this stage.
- Lastly, we have added the value of FiiZK at cost, as the restructuring program is ongoing with no communication regarding financial figures.

TECO 2030 - Base case scenario

Assumptions		**DCF Value**	
Revenue CAGR 2024-2027	11%	WACC	10%
Revenue CAGR 2027-2030	9%	Net present value of FCF	901
Revenue CAGR 2030-2034	7%	Net present value of term v.	732
EBITDA-margin 2024-2034	21%	**EV**	**1 632**
EBIT-margin 2024-2034	17%	Net cash 2024e	288
		Intellilift adj.	-78
Terminal year	**2034**	Techano adj.	-13
Terminal growth	2%	FiiZk adj.	50
Terminal EBITDA margin	18%		
		DCF Value	1 880
Treasury shares (m)	2,24	**Estimated fair value**	**17**
Of total shares	2%		
		Current share price	9,8
		Potential/risk	**71%**

Source: Redeye Research

WACC and Terminal EBITDA-senitivity

		WACC				
		12%	11%	10%	9%	8%
	15,0%	13	14	16	18	20
EBITDA	18,0%	14	15	17	19	22
	21,0%	14	16	18	20	23

Source: Redeye Research

DCF Sensitivity – Base case

The valuation is fairly unsensitive to changes in both WACC and terminal EBITDA margin, which partly is explained by a relatively large share of DCF value generated in the forecast period rather than in the terminal value.

Scenario overview

In practice, there are a relatively large number of possible outcomes for how the next 5-10 years will play out for Nekkar. Especially when it comes to its early-stage businesses such as Intellilift, Techano, FiiZK, and Skywalker. The companies all have solid growth outlooks, with a possibility to impact the group's total figures. In our estimates, we have mainly included a stepwise organic improvement and not any blockbuster contribution from these companies.

Bull case scenario NOK23 per share. We have mainly included higher growth with a few percentages and slightly higher margin during the period, expecting that Syncrolift raises its margins and Intellilift's software margins impacts nicely. Furthermore, Nekkar manages to maintain a terminal EBITDA margin of 22%.

Bear case scenario NOK12 per share. We have mainly included some continued growth from Syncrolift while it loses market share to Pearlson. We also incorporate limited contribution in terms of growth from other subsidiaries. Moreover, we have forecasted that Nekkar can maintain its current margin for the coming years, while its subsidiaries and venture investments negatively impact terminal EBITDA margin placed at 15%.

Scenarios overview

Base case - NOK17			2023	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Revenue CAGR 2024-2027	10%	Revenue	575	678	750	829	913	995	1 084	1 174
Revenue CAGR 2027-2030	9%	Growth	48%	18%	11%	11%	10%	10%	9%	8%
Revenue CAGR 2030-2034	7%	EBITDA	109	137	152	178	175	216	239	254
EBITDA-margin 2024-2034	21%	EBITDA-margin	19%	20%	20%	21%	19%	22%	22%	22%
EBIT-margin 2024-2034	17%	EBIT-margin	18%	19%	19%	20%	14%	17%	17%	17%
EBITDA Terminal	18%									

Bull case - NOK 23			2023	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Revenue CAGR 2024-2027	14%	Revenue	575	678	773	888	1 008	1 145	1 282	1 420
Revenue CAGR 2027-2030	12%	Growth	48%	18%	14%	15%	14%	14%	12%	11%
Revenue CAGR 2030-2034	8%	EBITDA	109	137	172	218	250	283	320	351
EBITDA-margin 2024-2034	24%	EBITDA-margin	19%	20%	22%	24%	25%	25%	25%	25%
EBIT-margin 2024-2034	19%	EBIT-margin	18%	19%	21%	23%	19%	19%	19%	19%
EBITDA Terminal	22%									

Bear case - NOK 12			2023	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Revenue CAGR 2024-2027	8%	Revenue	575	678	750	802	850	901	946	989
Revenue CAGR 2027-2030	5%	Growth	48%	18%	11%	7%	6%	6%	5%	5%
Revenue CAGR 2030-2034	3%	EBITDA	109	137	152	152	157	167	170	175
EBITDA-margin 2024-2034	18%	EBITDA-margin	19%	20%	20%	19%	19%	19%	18%	18%
EBIT-margin 2024-2034	14%	EBIT-margin	18%	19%	19%	18%	14%	14%	13%	13%
EBITDA Terminal	15%									

Source: Redeye research

SOTP

Nekkar is a holding company of several subsidiaries that are in different maturity stages both when it comes to growth and profitability. We argue that a SOTP valuation makes the most sense in trying to estimate the value of Nekkar at this point in time. As the companies are in different maturity stages, we have applied the most suitable multiple based on the subsidiaries' characteristics and adjusted it for Nekkar's ownership in each company.

Syncrolift – is the key value driver for Nekkar and highly profitable, hence we have applied an EBITDA multiple. The SOTP is especially sensitive to what multiple is being used for Syncrolift. We have applied an EBITDA multiple of 12x, given the strong market position and profitability. However, there are risks related to project delays, and we recognize an overall lower multiple for Norwegian companies. (We get back to that in the peer valuation).

Intellilift – Being a software company currently performing steadily growing recurring revenues at healthy margins with a solid margin expansion potential in the long run. Hence, we use a sales multiple of 5x to highlight the long-term potential.

Techano Oceanlift – Yet in the early stage but shows solid growth and high tendering activity. As it is profitable but not anywhere near its potential margins, we use a sales multiple of 3x.

FiiZK - Following the sale of FiiZK digital with an unknown sales price, we have no value to accredit to the FiiZK group for the transaction. We estimate that the price was decent and will improve the remaining FiiZK group figures. Still, the restructuring is ongoing, and based on what we know now it's hard to draw any meaningful conclusions regarding the remaining value. Hence, we value the FiiZK investment at cost, but we see that the potential value, post-restructuring, could be more than 100-150m.

For eliminations, we apply the Syncrolift EBITDA multiple, as it is mainly Syncrolift that generates strong results covering the Nekkar group-related costs.

Nekkar SOTP 2024e (NOKm)

Subsidary	Share of ownership	Sales	EBITDA	Margin	Multiple used EV sales	EV/EBITDA	At cost	Implied EV	Per share
Syncrolift	100%	599	153	26%		12x		1 837	17,7
Intellilift	51%	36	7	18%	5x			93	0,9
Techano Oceanlift	90%	54	3	6%	3x			145	1,4
FiiZK	39%	>100m	N/A	N/A			50m	50	0,5
Eliminations	100%	-12	-24			12x		-289	-2,8
Group Equity total								1 837	17,7
Net cash								288	2,8
Nb of shares (less treasury shares)								104	-
Total equity value								**2 126**	**20**

Source: Redeye Research

We arrive at an equity value per share of NOK20, mainly driven by Syncrolift. There is further upside potential in a case where Skywalker (not included) becomes a success and a successful restructuring of FiiZK (making it possible to estimate the remaining value as well as proceeds).

Peer Valuation

In our peer valuation, we have included three peers Endúr, Norbit, and Cambi, that we consider to be comparable to Nekkar in one way or another. Mainly, Endúr is a very reasonable peer due to its focus on marine infrastructure and aquaculture combined with an active M&A agenda. Norbit, is also a fair peer given its focus on ocean-based industries combined with a strong financial track record. Lastly, Cambi is mainly comparable to Syncrolifts business as it's an industry leader in a niche market selling large hardware projects combined with solid financials.

Endúr is a Nordic industrial group and a leading supplier of marine infrastructure and innovative solutions for the land-based aquaculture industry. In 2020, Endúr implemented a significant strategic redirection and transformation, away from its traditional operations related to the maritime industry and offshore energy, towards becoming a provider of products and services to the marine infrastructure market and aquaculture industry. 2023 revenues were almost NOK2bn, with an EBITDA margin of 12%. Endúr targets 4 billion in annualized revenue by the end of 2025, driven both organically and through complementary M&A. The company has performed strongly and has a similar business setup and financial profile to Nekkar.

NORBIT is a global provider of tailored technology to applications within three business segments: Oceans, Connectivity, and Product Innovation & Realization (PIR). The Oceans segment delivers tailored technology solutions to global maritime markets. The Connectivity segment provides tailored wireless solutions for identification, monitoring, and tracking. The PIR segment offers R&D services and products, and contract manufacturing to key customers. The company has 450 employees and is listed on the Oslo Stock Exchange. The company has a strong financial track record of profitable growth, with high margins. Norbit also acquires companies closely related to its business areas from time to time. We argue that it's a good peer to Nekkar, both in terms of its focus on ocean-based industries and a strong financial track record.

Cambi is the world-leading solutions supplier for efficient anaerobic digestion. The company's patented technology, thermal hydrolysis, enables a swift global transition to sustainable communities, by transforming wastewater solids and organic wastes into valuable bioresources for industries and municipal utilities. The company is mainly comparable to Nekkar as it's an industry leader in a niche market selling large hardware projects combined with solid financials.

Peer valuation

		EV/Sales			EV/EBITDA			EV/EBIT			Sales CAGR	EBITDA CAGR	EBITDA margin		
Selected peers	**EV (MSEK)**	**2023**	**2024e**	**2025e**	**2023**	**2024e**	**2025e**	**2023**	**2024e**	**2025e**	**22–25e**	**23–25e**	**2023**	**2024e**	**2025e**
Norbit ASA	4 678	2,4x	2,8x	2,4x	9,2x	11,0x	9,1x	12,7x	15,3x	12,0x	21%	15%	26%	25%	25%
Cambi ASA	1 897	2,6x	1,8x	1,5x	10,0x	8,2x	7,7x	11,1x	9,2x	8,6x	42%	neg.	25%	22%	19%
Endur ASA	2 903	1,1x	1,0x	0,8x	8,8x	7,6x	6,0x	25,4x	19,1x	11,1x	14%	36%	13%	14%	12%
Median	**2 903**	**2,4x**	**1,8x**	**1,5x**	**9,2x**	**8,2x**	**7,7x**	**12,7x**	**15,3x**	**11,1x**	**21%**	**15%**	**25%**	**22%**	**19%**
Average	**3 159**	**2,0x**	**1,9x**	**1,5x**	**9,4x**	**8,9x**	**7,6x**	**16,4x**	**14,6x**	**10,6x**	**26%**	**17%**	**21%**	**20%**	**19%**
Nekkar ASA	762	1,4x	1,1x	0,9x	7,3x	5,4x	5,2x	7,8x	5,8x	5,6x	26%	13%	19%	20%	18%
Delta to average		*46%*	*71%*	*64%*	*29%*	*65%*	*47%*	*111%*	*151%*	*90%*					

*Source: Factset *Redeye estimates*

Based on our peer valuation, Nekkar trades at a discount to its peers on all multiples. This is despite that they offer a similar financial outlook in terms of sales and EBITDA CAGR, as well as profitability profile. Given the quality of the peer groups financial track record and outlook, we are slightly surprised to see the overall multiples being relatively low to other industries.

Looking at the EV/EBITDA multiple, the upside to average is around 40% from today's trading. Moreover, we see that Nekkar has somewhat negative EBITDA impact in this case from current investments diluting its underlying EBITDA.

Possibly, one reason for the discount is that Nekkar is limited by its dependence on Syncrolift and its project volatility. Moreover, Nekkar is smaller in size with a few yet unproven venture/early-stage investments.

Summary Redeye Rating

The rating consists of three valuation keys, each constituting an overall assessment of several factors that are rated on a scale of 0 to 1 points. The maximum score for a valuation key is 5 points.

People: 3

Nekkar scores three out of five in the people section. We see a business-oriented management that has shown strong capital allocation skills. Moreover, the company has a long-term-oriented board and owners foremost by Skeiegruppen representing 30% of share shares for the last decade. On the downside, the new management is relatively short-tenured in Nekkar and has a relatively low own skin in the game.

Business: 4

Nekkar scores four out of five in the business section, mainly driven by Syncrolift's strong market share of 60% in a mature and profitable niche of the marine industry. The group faces favorable growth prospects for its main business as well as venture investments. On the downside, the company is dependent on large shiplift projects, has a low degree of recurring revenue, and is exposed to swings in the market cycle. Still, four is a very good score.

Financials: 4

Nekkar scores four out of five in the financial section, driven by its strong financial track record. Since 2018, when the divestment of its previous business was completed, it posted a revenue CAGR of 21% followed by an EBITDA CAGR of 45% in the same period, mainly driven by its key holding Syncrolift. Syncrolift holds a global market-leading position in shiplifts (60%) and transfer systems (70%). With a market-leading position in a niche market, the Syncrolift business and margins are protected by moats, foremost as the market is an efficient scale, whereby there are only a handful of companies serving the entire global market. This has enabled Syncrolift to maintain above-average industry returns, reaching an average weighted EBITDA margin of 27% for the last five years. On the downside, the financials can be relatively volatile in between periods, making it harder to forecast the progress.

	2022	2023	2024E	2025E
INCOME STATEMENT				
Net sales	388	575	678	756
Cost of Revenues	206	304	366	408
Gross Profit	181	271	312	348
Operating Expenses	119	162	175	195
EBITDA	62	109	137	153
Depreciation & Amortization	10	8	9	10
EBIT	52	101	128	143
Net Financial Items	-9	8	-8	0
EBT	38	109	120	158
Income Tax Expenses	10	26	26	35
Non-Controlling Interest	20	23	23	23
Net Income	28	83	94	123
BALANCE SHEET				
Assets				
Current assets				
Cash & Equivalents	181	194	288	337
Inventories	2	12	14	15
Accounts Receivable	107	92	136	151
Other Current Assets	121	164	136	151
Total Current Assets	**411**	**462**	**573**	**655**
Non-current assets				
Property, Plant & Equipment, Net	10	9	25	44
Goodwill	17	17	17	17
Intangible Assets	58	50	48	45
Right-of-Use Assets	4	14	14	14
Shares in Associates	0	0	0	0
Other Long-Term Assets	7	49	49	49
Total Non-Current Assets	**96**	**139**	**152**	**168**
Total Assets	**507**	**601**	**726**	**822**
Liabilities				
Current liabilities				
Short-Term Debt	0	0	0	0
Short-Term Lease Liabilities	2	4	4	4
Accounts Payable	46	57	81	91
Other Current Liabilities	106	85	134	145
Total Current Liabilities	**153**	**147**	**219**	**240**
Non-current liabilities				
Long-Term Debt	0	0	0	0
Long-Term Lease Liabilities	3	9	9	9
Other Long-Term Liabilities	0	18	18	18
Total Non-current Liabilities	**3**	**27**	**27**	**27**
Non-Controlling Interest	20	23	23	23
Shareholder's Equity	331	404	457	533
Total Liabilities & Equity	**507**	**601**	**726**	**822**
CASH FLOW				
NOPAT	38	77	100	112
Change in Working Capital	-23	-44	56	-12
Operating Cash Flow	33	75	158	121
Capital Expenditures	-22	-19	-22	-25
Investment in Intangible Assets	0	0	0	0
Investing Cash Flow	-22	-51	-22	-25
Financing Cash Flow	-9	-12	-42	-47
Free Cash Flow	**11**	**56**	**136**	**96**

	2022	2023	2024E	2025E
CAPITAL STRUCTURE				
Equity Ratio	0,7	0,7	0,6	0,6
Debt to equity	0,0	0,0	0,0	0,0
Net Debt	-181	-194	-288	-337
Capital Employed	354	454	506	583
Working Capital Turnover	5,0	4,8	10,4	9,7
GROWTH				
Revenue Growth	-19%	48%	18%	12%
Basic EPS Growth	-75%	200%	15%	32%
Adjusted Basic EPS Growth	-75%	200%	15%	32%
PROFITABILITY				
ROE	9%	23%	22%	25%
ROCE	15%	22%	25%	25%
ROIC	27%	43%	57%	66%
EBITDA Margin (%)	16%	19%	20%	20%
EBIT Margin (%)	13%	18%	19%	19%
Net Income Margin (%)	7%	14%	14%	16%
VALUATION				
Basic EPS		0,8	0,9	1,2
Adjusted Basic EPS		0,8	0,9	1,2
P/E		11,8	10,9	8,3
EV/Revenue		1,4	1,1	0,9
EV/EBITDA		7,3	5,4	4,5
EV/EBIT		7,8	5,7	4,8
P/B		2,4	2,2	1,9

SHARE INFORMATION

Reuters code	NKR
List	OSE
Share price	9.8
Total shares, million	106,3

MANAGEMENT & BOARD

CEO	Ole Falk Hansen
CFO	Marianne Voreland Ottesen
Chairman	Håkon Andre Berg

SHAREHOLDERS	Capital	Votes
Skeiegruppen AS	29%	29%
Rasmussengruppen AS	11%	11%
Nordnet Bank AB	5%	5%
MP Pensjon PK	5%	5%
Tigerstaden AS	5%	5%
Avanza Bank AB	3%	3%
Hatle AS	3%	3%
Nekkar ASA	2%	2%
Trym Skeie	2%	2%
Skeie Consultants AS	1%	1%

ANALYSTS

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Redeye Rating and Background Definitions

Company Quality

Company Quality is based on a set of quality checks across three categories; PEOPLE, BUSINESS, FINANCE. These are the building blocks that enable a company to deliver sustained operational outperformance and attractive long-term earnings growth.

Each category is grouped into multiple sub-categories assessed by five checks. These are based on widely accepted and tested investment criteria and used by demonstrably successful investors and investment firms. Each sub-category may also include a complementary check that provides additional information to assist with investment decision-making.

If a check is successful, it is assigned a score of one point; the total successful checks are added to give a score for each sub-category. The overall score for a category is the average of all sub-category scores, based on a scale that ranges from 0 to 5 rounded up to the nearest whole number. The overall score for each category is then used to generate the size of the bar in the Company Quality graphic.

People

At the end of the day, people drive profits. Not numbers. Understanding the motivations of people behind a business is a significant part of understanding the long-term drive of the company. It all comes down to doing business with people you trust, or at least avoiding dealing with people of questionable character.

The People rating is based on quantitative scores in seven categories:

- Passion, Execution, Capital Allocation, Communication, Compensation, Ownership, and Board.

Business

If you don't understand the competitive environment and don't have a clear sense of how the business will engage customers, create value and consistently deliver that value at a profit, you won't succeed as an investor. Knowing the business model inside out will provide you some level of certainty and reduce the risk when you buy a stock.

The Business rating is based on quantitative scores grouped into five sub-categories:

- Business Scalability, Market Structure, Value Proposition, Economic Moat, and Operational Risks.

Financials

Investing is part art, part science. Financial ratios make up most of the science. Ratios are used to evaluate the financial soundness of a business. Also, these ratios are key factors that will impact a company's financial performance and valuation. However, you only need a few to determine whether a company is financially strong or weak.

The Financial rating is based on quantitative scores that are grouped into five separate categories:

- Earnings Power, Profit Margin, Growth Rate, Financial Health, and Earnings Quality.

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Redeye Rating

Rating	People	Business	Financials
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3-4	153	154	40
0-2	23	25	142

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Oskar Vilhelmsson owns shares in the company : Yes

Henrik Alveskog owns shares in the company : No

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