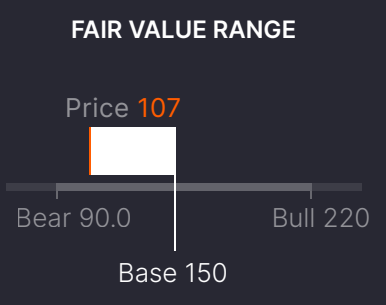
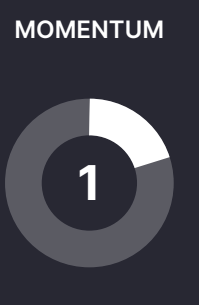
REDEYE

Momentum Group

Research Update







Performance VS OMXS30



Share Information

Share Price SEK	**107**
Number of shares (M)	**49.9**
Marketplace	**NASDAQ Stockholm**
CEO	**Ulf Lilius**
Chairman	**Johan Sjö**

Key Stats

Market Cap	**5.3bn SEK**
Entprs. Value (EV)	**5.6bn SEK**
Net Debt (2026Q1)	**356.0m SEK**
30 Day Avg Vol	**37 K**
Dividend Yield	**N/A**

Top Holders

Name	Ownership
Nordstjernan	29.11%
Ampfield Management	8.48%
Lannebo Kapitalförvaltning	5.99%
The California Public Employees' Retirement System	5.33%
Tredje AP-fonden	4.67%
Danske Invest	4.09%
Andra AP-fonden	3.96%
C WorldWide Asset Management	2.77%
Länsförsäkringar Fonder	2.12%
Momentum Group AB	2.07%

Redeye Equity Analysts

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More research on Momentum Group

Scan the QR code to access all Redeye publications and research tools regarding Momentum Group.

redeye.se/company/momentum-group

Momentum Group (Q1 review): Soft organic start to 2026

Redeye updates its estimates and valuation following Momentum Group's Q1 2026 report. Net sales came in 13% below our estimates, with the flat y/y performance weighed down by a 6% organic decline. Adjusted EBITA was 22% below our forecast, primarily due to the sales miss and lower capacity utilization. With modest leverage and strong capital efficiency , the company retains ample M&A firepower. We expect continued acquisitions but lower our 2026e adj. EBITA by 13%. Our updated fair value range supports a positive stance on the share.

Financial commentary - Organic headwinds

Sales were SEK736m, below our estimate of SEK843m and flat y/y (0%). Organic growth in local currency was -6.1%, a sequential decline from previous quarters, while acquisitions contributed 6.9% (SEK51m). The gross margin improved to 49.3% and remains solid. OPEX was better than expected at SEK-267m, but EBITA of SEK70m was 22% below our forecast, resulting in a 9.5% margin. The return on working capital (EBITA/WC) was 56%, comfortably above the >45% target. Per business area, Industry was the stronger performer, despite a 3% organic decline, while Infrastructure posted a sharper 9% organic decline due to customer restraint and seasonal effects.

Quarterly overview - Long-term case intact

Although Q1 was below our forecast, we view the long-term case as intact. Momentum noted a slight upturn in sales towards the end of the quarter, and with several group companies reporting improved gross margins, we expect the group to maintain a solid profitability profile through 2026e. With an operational net loan liability of SEK 356m and SEK 944m in available liquidity, including unutilised credit facilities, Momentum Group has a strong capacity for further acquisitions. Coupled with its relatively modest size compared to larger listed peers, this supports a solid outlook for long-term, M&A-driven growth.

Estimate and valuations changes - 2026e EBITA down 13%

We decrease our 2026e adj. EBITA by 13%, leading to a lower valuation following the report, reflecting a trim of both top-line figures and margin expectations. Our new fair value range is SEK90 (100) to SEK 220(220), with a Base Case of SEK150 (160) per share. Momentum Group is currently trading at 17.4x EV/EBITA on 2026e and a P/E of 26.6x on Redeye's estimates. We believe Momentum Group has demonstrated its ability to scale M&A, holds a strong portfolio of companies, and benefits from a smaller base to grow from compared with its larger peers. While the Q1 organic development was soft, we consider the current share price attractive for the long term, with a potential upside of 40% relative to our Base Case.

Key Financials

SEKm	2023	2024	2025	2026e	2027e
Total Revenue	2,304.0	2,880.0	3,102.0	3,279.7	3,810.8
Revenue Growth	32.3%	24.9%	7.8%	5.9%	16.2%
EBITDA	339.0	410.0	442.0	464.0	545.6
EBIT	239.0	273.0	279.0	277.4	328.8
EBIT Margin	10.4%	9.5%	9.0%	8.5%	8.6%
Net Income	175.0	186.0	196.0	199.1	229.7
EV/Sales	2.9	3.1	2.6	1.8	1.6
ev/ebita	25.36	28.52	23.79	17.41	15.07
P/E	36.8	47.2	38.8	26.6	23.0

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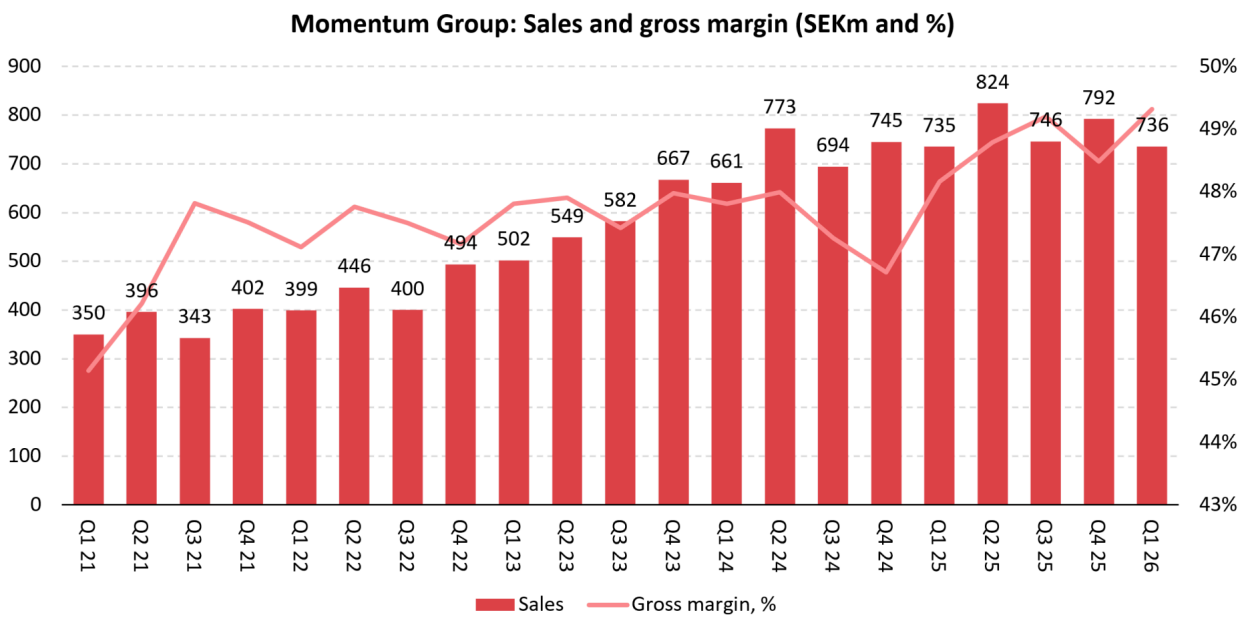
Financial commentary

Momentum Group: Estimates					
SEKm	**Q1 26a**	**Q1 26e**	**Last year**	**Diff vs est.**	**Y/Y growth**
Industry	431	456	438	-6%	-2%
Infrastructure	316	369	304	-14%	4%
Future M&A	0	18	0	-100%	n/a
Net sales	**736**	**843**	**735**	**-13%**	**0%**
Gross profit	**363**	**411**	**354**	**-12%**	**3%**
Personnel costs	-202	-220	-192	-8%	5%
Other operating expenses	-65	-72	-65	-10%	0%
Total opex	**-267**	**-292**	**-257**	**-8%**	**4%**
EBITDA	**98**	**119**	**98**	**-18%**	**0%**
Depreciation and amortisation	-42	-44	-37	-5%	14%
Adj EBITA*	**70**	**90**	**73**	**-22%**	**-4%**
EBIT	56	75	61	-25%	-8%
Net income	38	53	44	-28%	-14%
Net sales growth y/y (%)	0%	15%	11%	-14,5pp	-11,1pp
of which organic (%)	-6%	2%	-1%	-8,1pp	-5,5pp
Gross margin (%)	*49.3%*	*48.8%*	*48.2%*	*0,6pp*	*1,2pp*
EBITDA margin (%)	*13.3%*	*14.2%*	*13.3%*	*-0,8pp*	*0pp*
Adj EBITA margin (%)	***9.5%***	***10.7%***	***9.9%***	***-1,2pp***	***-0,4pp***
EBIT margin (%)	*7.6%*	*8.9%*	*8.3%*	*-1,3pp*	*-0,7pp*
Net income margin (%)	*5.2%*	*6.2%*	*6.0%*	*-1,1pp*	*-0,8pp*

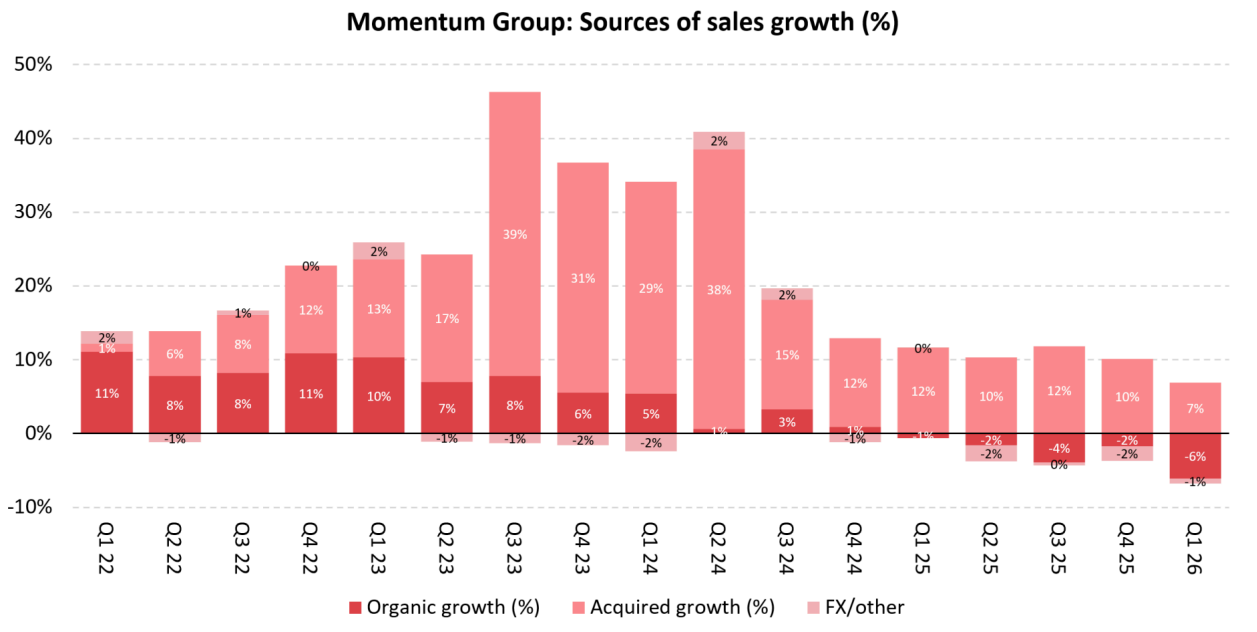
**Not including estimates of one-offs/adjustments. Totals may not sum due to rounding.*

Source: Redeye research, Company data.

Sales were SEK736m, below our estimate of SEK843m and essentially flat y/y (0%). Growth was supported by SEK51m in acquisitions, while sales for comparable units decreased by 6%. We had anticipated 2% organic growth, leading to an 8.1pp miss on our organic estimate.

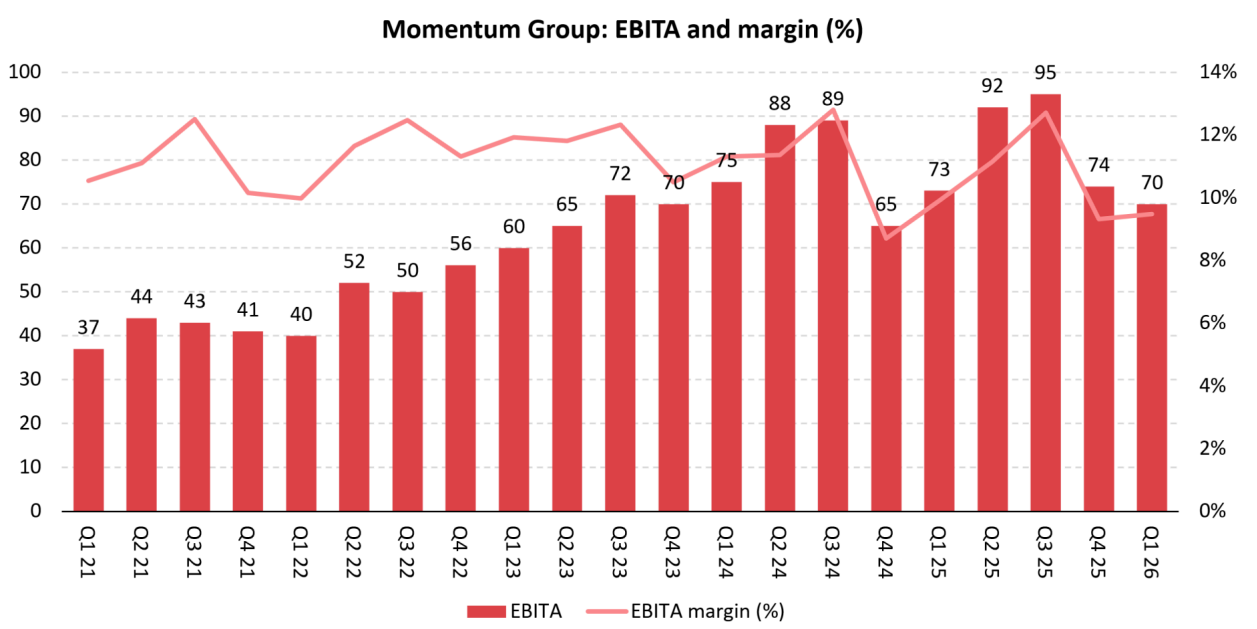


Organic growth in local currency was -6.1%, a sequential decline from previous quarters as the business climate remained hesitant with a cautious customer base. Acquisitions contributed 6.9%, continuing a trend in which M&A offsets negative organic growth. With an operational net loan liability of SEK 356m and SEK 944m in available liquidity (cash and unutilised credit facilities), Momentum Group maintains ample room for further acquisitions.



The gross margin remained a bright spot, increasing to 49.3% from 48.2% last year. The return on working capital (EBITA/WC) was 56%, slightly down from 58% last year but still well above the company's target of 45%.

OPEX was better contained than we foresaw, at SEK-267m vs our SEK-292m estimate, yet EBITA came in at SEK70m, roughly 22% below our SEK90m estimate. The EBITA margin was 9.5% compared to 10.3% last year. The miss in sales directly impacted profitability, as lower service utilization and customer-maintained equipment led to lower capacity utilization against a relatively fixed cost base.

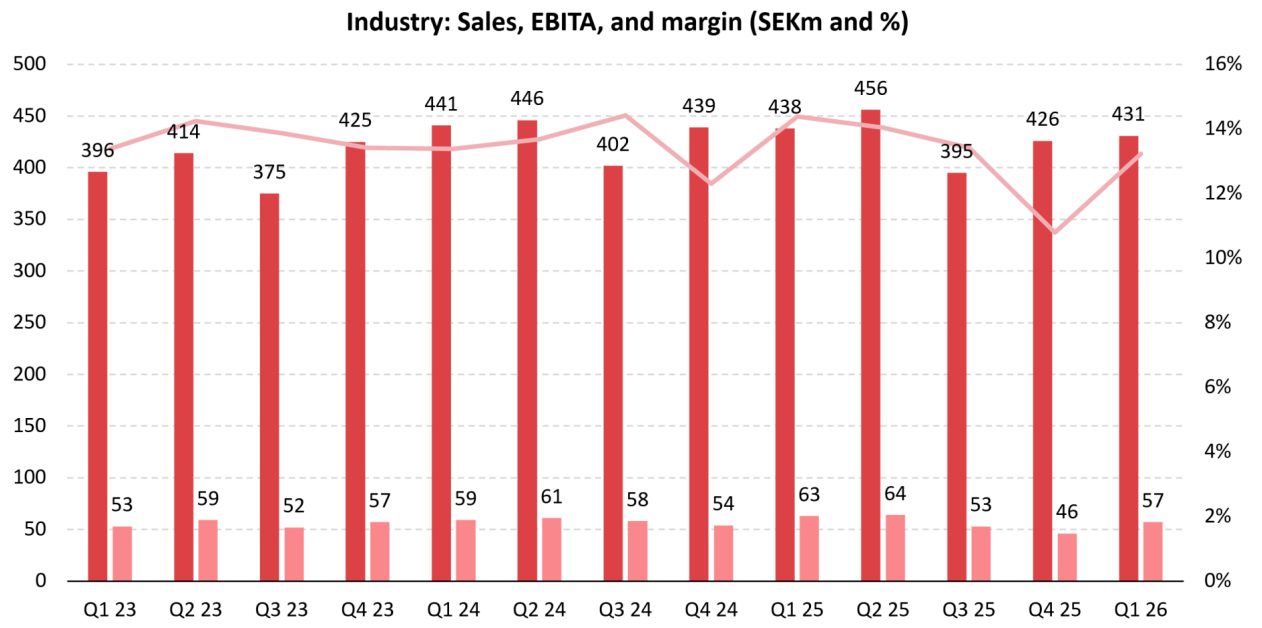


The two business areas

Momentum Group has shown stable growth across both divisions since its separate listing in 2022. Growth from acquisitions was again the main driver in the quarter, a pattern we expect to continue, although likely balanced by stronger organic growth from H2 2026 onwards. We take a conservative stance for the beginning of 2026e, anticipating -3% organic growth in Q2'26, as the recovery seems to take a bit longer than most expect.

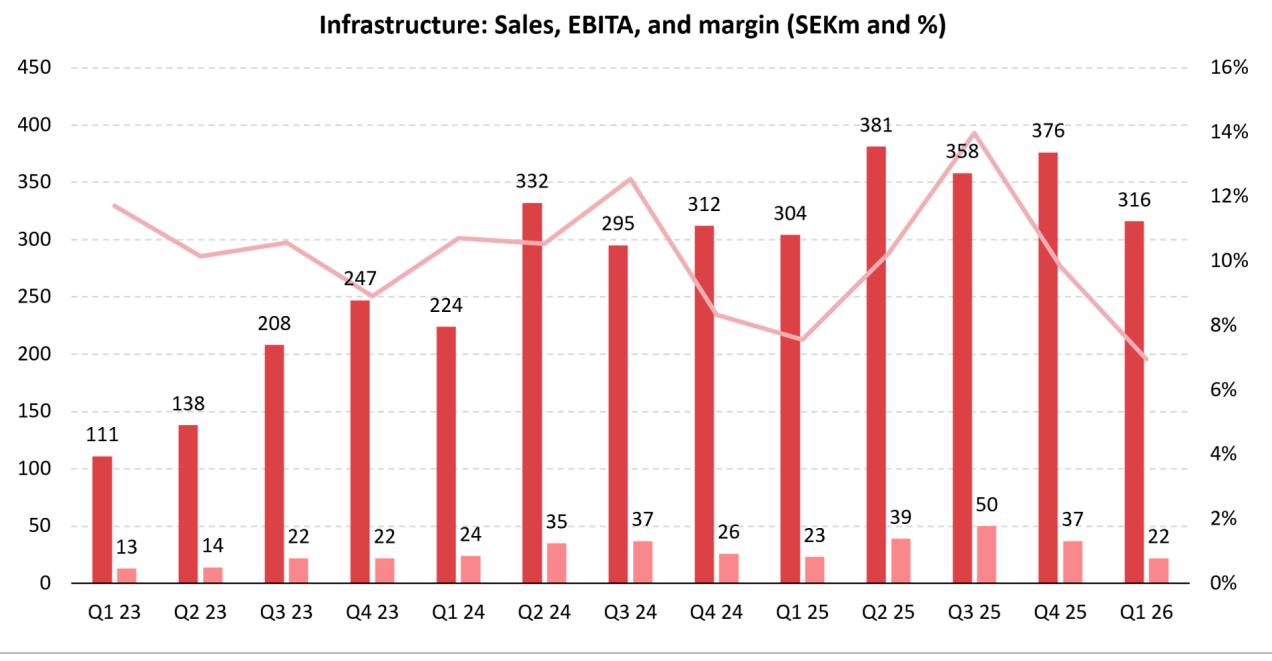
Industry

The Industry business area had a hesitant quarter, with sales of SEK431m and EBITA of SEK57m. Growth in comparable units, adjusted for trading days, was -3%, with the quarter characterized by a weak start followed by gradual improvement. The EBITA margin declined to 13.2% from 14.4% last year. We judge this as relatively undramatic, as quarterly fluctuations are to be expected given project timing and local market conditions; however, demand in Denmark was markedly weaker than the previous year due to lower activity in larger projects. In contrast, demand increased in the pulp and paper and mining industries. Acquired businesses contributed SEK10m in revenue, reportedly with a strong contribution to earnings.



Infrastructure

The Infrastructure business area reached sales of SEK316m, up 4% y/y, primarily supported by acquisitions. Growth in comparable units was -9% in local currency, adjusted for the number of trading days. Acquired operations contributed SEK41m in total revenue—SEK29m from Flow Technology and SEK12m from Technical Solutions. EBITA decreased slightly from SEK23m to SEK22m, resulting in the margin declining to 7.0% from 7.6% in the previous year. While Technical Solutions faced lower capacity utilization due to seasonal effects and customer restraint, Flow Technology reported improved earnings driven by increased gross margins.



In the webcast, CEO Ulf Lilius noted that the business climate remained "hesitant," with demand fluctuating heavily throughout the quarter. The Q&A session highlighted that the drop in Infrastructure's EBITA margin to 7.0% (from 7.6%) was a direct result of the fixed cost base in service units being under-recovered by lower volumes. Management's "cool head" approach focuses on maintaining these resources in anticipation of a recovery, but it puts short-term profitability at risk.

Despite the organic slump, the business area's EBITA/WC remains high at 62%. However, the critical question for the coming quarters is whether the "slight improvement" noted at the end of March will be enough to offset the structural caution seen in Danish and project-intensive segments. If maintenance cycles continue to be postponed, Infrastructure may struggle to return to the 10.3% LTM EBITA margins it previously achieved.

Acquisitions

Momentum Group acquired Höglandets Kompressorservice in early February 2026. The company, headquartered in Nässjö, Sweden, is a specialist in industrial compressor technology. The acquisition strengthens Momentum's already strong position in compressor technology and expands its geographical presence.

Subsequently, in early April 2026, Momentum Group signed an agreement to acquire 100 percent of the shares in Actuated Solutions Limited (ASL), an established specialist in valve automation. This acquisition is strategically significant as it marks Momentum Group's entry into the UK market. ASL has an annual turnover of approximately GBP 3.2 million, employs 9 people, and has become part of the Flow Technology business unit. The company operates from Bognor Regis on the south coast of England.

Financial forecasts

Following the Q1 report, we have trimmed our sales and margin assumptions. Specifically, we have lowered our 2026e sales forecast by 7% to SEK3,280m (from SEK3,521m) and our adj. EBITA forecast by 13% to SEK340m (fromSEK 392m).

Sales are lower mainly due to a significantly lower starting base following the 13% revenue miss in Q1'26 and softer organic growth assumptions for the first half of the year, as evidenced by the 15pp downward revision in year-over-year sales growth for the quarter. Our lower margin assumptions are a direct result of the earnings miss relative to our previous estimates, with the EBIT margin forecast for 2026e revised down by 1pp to 8%. We also make small adjustments to the acquisition pace beyond the initial forecast period, with sales and adj. EBITA for 2027e and 2028e revised downward by roughly 7% and 12-13% respectively.

Momentum Group: Estimates											
SEKm	**2022**	**2023**	**2024**	**2025**	**Q1 26**	**Q2 26e**	**Q3 26e**	**Q4 26e**	**2026e**	**2027e**	**2028e**
Industry		1,610	1,728	1,715	431	448	391	435	1,704	1,772	1,843
Infrastructure		704	1,163	1,419	316	398	373	403	1,490	1,564	1,627
Future M&A*					0	14	28	43	85	474	969
Net sales	**1,739**	**2,300**	**2,873**	**3,097**	**736**	**860**	**793**	**880**	**3,280**	**3,811**	**4,439**
Gross profit	**824**	**1,099**	**1,363**	**1,507**	**363**	**419**	**386**	**429**	**1,609**	**1,873**	**2,185**
Personnel costs	-412	-555	-710	-808	-202	-224	-206	-229	-862	-999	-1,162
Other operating expenses	-163	-209	-250	-262	-65	-74	-68	-77	-283	-328	-380
Total opex	**-575**	**-764**	**-960**	**-1,070**	**-267**	**-298**	**-274**	**-306**	**-1,145**	**-1,327**	**-1,542**
EBITDA	**253**	**339**	**410**	**442**	**98**	**122**	**112**	**123**	**464**	**546**	**643**
Depreciation and amortisation	-68	-100	-137	-163	-42	-49	-45	-50	-187	-217	-252
Adj EBITA*	**198**	**267**	**317**	**334**	**70**	**89**	**82**	**89**	**340**	**401**	**475**
EBIT	185	239	273	279	56	73	67	73	277	329	391
Net income	140	175	186	196	38	52	48	52	199	230	268
*Net sales growth y/y (%)***	*16.6%*	*32.3%*	*24.9%*	*7.8%*	*0.1%*	*4.4%*	*6.3%*	*11.1%*	*5.9%*	*16.2%*	*16.5%*
of which organic (%)	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*-6.1%*	*-3.0%*	*-1.0%*	*2.0%*	*-6.1%*	*-3.0%*	*-1.0%*
Gross margin (%)	*47.4%*	*47.8%*	*47.4%*	*48.7%*	*49.3%*	*48.8%*	*48.8%*	*48.8%*	*49.1%*	*49.1%*	*49.2%*
EBITDA margin (%)	*14.5%*	*14.7%*	*14.3%*	*14.3%*	*13.3%*	*14.2%*	*14.2%*	*14.0%*	*14.1%*	*14.3%*	*14.5%*
Adj EBITA margin (%)	***11.4%***	***11.6%***	***11.0%***	***10.8%***	***9.5%***	***10.4%***	***10.4%***	***10.2%***	***10.4%***	***10.5%***	***10.7%***
EBIT margin (%)	*10.6%*	*10.4%*	*9.5%*	*9.0%*	*7.6%*	*8.5%*	*8.5%*	*8.3%*	*8.5%*	*8.6%*	*8.8%*
Net income margin (%)	*8.1%*	*7.6%*	*6.5%*	*6.3%*	*5.2%*	*6.1%*	*6.1%*	*5.9%*	*6.1%*	*6.0%*	*6.0%*

**Not including estimates of one-offs/adjustments.*

Source: Redeye research, Company data.

Momentum Group: Estimate changes											
SEKm	**2022**	**2023**	**2024**	**2025**	**Q1 26**	**Q2 26e**	**Q3 26e**	**Q4 26e**	**2026e**	**2027e**	**2028e**
Net sales											
New					736	860	793	880	3,280	3,811	4,439
Old	1,739	2,300	2,873	3,097	843	916	847	916	3,521	4,078	4,716
Change					-13%	-6%	-6%	-4%	-7%	-7%	-6%
Gross profit*											
New					363	419	386	429	1,609	1,873	2,185
Old	824	1,099	1,363	1,507	411	446	413	447	1,717	1,992	2,307
Change					-12%	-6%	-6%	-4%	-6%	-6%	-5%
Total opex											
New					-267	-298	-274	-306	-1,145	-1,327	-1,542
Old	-575	-764	-960	-1,070	-292	-312	-289	-310	-1,202	-1,389	-1,602
Change					-8%	-5%	-5%	-1%	-5%	-4%	-4%
EBITDA											
New					98	122	112	123	464	546	643
Old	253	339	410	442	119	134	124	137	515	603	705
Change					-18%	-9%	-10%	-10%	-10%	-9%	-9%
Adj EBITA											
New					70	89	82	89	340	401	475
Old	198	267	317	334	90	102	95	105	392	461	541
Change					-22%	-13%	-13%	-15%	-13%	-13%	-12%
Net income											
New					38	52	48	52	199	230	268
Old	140	175	186	196	53	61	56	62	231	266	309
Change					-28%	-14%	-14%	-16%	-14%	-14%	-13%

Net sales growth y/y (%)										
New					0%	4%	6%	11%	6%	16%	16%
Old	17%	32%	25%	8%	15%	11%	14%	16%	14%	16%	16%
Change (pp)					-15pp	-7pp	-7pp	-5pp	-8pp	0pp	1pp
EBIT margin (%)										
New					8%	8%	8%	8%	8%	9%	9%
Old	11%	10%	10%	9%	9%	9%	9%	10%	9%	10%	10%
Change (pp)					-1pp	-1pp	-1pp	-1pp	-1pp	-1pp	-1pp
Net income margin (%)										
New					5%	6%	6%	6%	6%	6%	6%
Old	8%	8%	6%	6%	6%	7%	7%	7%	7%	7%	7%
Change (pp)					-1pp	-1pp	-1pp	-1pp	0pp	0pp	-1pp

Source: Redeye research, Company data

Valuation

Our new fair value range is revised to SEK90 (Bear Case) to SEK220 (Bull Case), with a Base Case of SEK150 per share. This downward revision reflects our updated sales and margin assumptions following the Q1 report.

The assumptions underlying our different scenarios are detailed in the tables below. As we model M&A throughout the forecast period, the valuation naturally remains back-heavy, with the terminal value contributing SEK141 per share to our Base Case.

Base case - SEK150 (160)

Momentum Group: Base Case valuation				
Assumptions		**DCF**	**SEKm**	**Per share**
Tax rate	21%	2026e-2034e	-16	0
WACC	8%	2035e-2038e	993	20
CAGR, 2026e-2034e	12%	Terminal	6,981	141
CAGR, 2035e-2038e	6%	Cash and cash equivalents*	46	1
Diluted shares outstanding, millions	49.4	Value of debt	-402	-8
Terminal value assumptions, 2039e		**Base Case**		**150**
Group sales	10,736	Upside potential		40%
Terminal growth	2.4%			
EBIT margin	11%			

Bull case - SEK220 (220)

Momentum Group: Bull Case valuation				
Assumptions		**DCF**	**SEKm**	**Per share**
Tax rate	21%	2026e-2034e	-237	-5
WACC	8%	2035e-2038e	2,045	41
CAGR, 2026e-2034e	13%	Terminal	9,558	193
CAGR, 2035e-2038e	10%	Cash and cash equivalents*	46	1
Diluted shares outstanding, millions	49.4	Value of debt	-402	-8
Terminal value assumptions, 2039e		**Bull Case**		**220**
Group sales	13,212	Upside potential		106%
Terminal growth	2.4%			
EBIT margin	13%			

Bear case - SEK90 (100)

Momentum Group: Bear Case valuation				
Assumptions		**DCF**	**SEKm**	**Per share**
Tax rate	21%	2026e-2034e	-524	-11
WACC	8%	2035e-2038e	602	12
CAGR, 2026e-2034e	9%	Terminal	4,737	96
CAGR, 2035e-2038e	6%	Cash and cash equivalents*	46	1
Diluted shares outstanding, millions	49.4	Value of debt	-402	-8
Terminal value assumptions, 2039e		**Bear Case**		**90**
Group sales	8,521	Upside potential		-16%
Terminal growth	2.2%			
EBIT margin	9%			

Peer valuation

We use peer valuation to inform our fundamentally derived DCF-based fair value estimate. For 2026e–2028e, Momentum Group trades essentially in line with the peer median on EV/EBITA multiples. Specifically, for 2026e, Momentum trades at 16.5x EV/EBITA compared to the peer median of 16.4x. On a P/E basis for 2026e, it trades at 25.2x, slightly below the peer median of 26.6x. Considering its solid

historical performance and ample M&A firepower, we believe the current valuation offers an interesting entry point, as reflected in our SEK 150 Base Case, which represents a 40% upside potential.

A key difference between our estimates and the FactSet consensus lies in how we model future M&A. We understand that many analysts do not include future acquisitions for serial acquirers, instead valuing the existing portfolio as is. This approach results in a sharp drop-off in consensus growth one to two years ahead, as acquired growth from announced deals fades. By modelling future M&A, we see a faster decline in multiples over the same horizon, as additional acquisitions drive higher earnings growth.

Niche acquirers	EV	Sales	EV/SALES			EV/EBITA			Sales growth			EBITA margin			P/E		
Company	(SEKm)	26e	26e	27e	28e	26e	27e	28e	26e	27e	28e	26e	27e	28e	26e	27e	28e
Lifco	138,540	30,164	4.6x	4.2x	3.9x	20.3x	18.4x	16.7x	7%	7%	5%	24%	25%	24%	32.1x	29.1x	27.8x
Indutrade	77,694	33,854	2.3x	2.1x	1.9x	16.4x	14.6x	13.2x	5%	6%	4%	15%	15%	15%	24.8x	21.8x	20.2x
Addtech	94,661	25,101	3.8x	3.4x	3.3x	23.9x	21.6x	20.1x	10%	8%	1%	17%	17%	17%	37.0x	33.0x	31.3x
Lagercrantz	53,961	11,607	4.6x	4.3x	4.1x	25.5x	23.3x	21.3x	9%	6%	2%	20%	20%	20%	37.0x	34.4x	31.7x
Asker Healthcare	34,042	18,966	1.8x	1.6x	1.5x	18.1x	16.0x	14.2x	13%	8%	8%	11%	11%	11%	34.7x	27.5x	22.8x
Röko	28,779	7,371	3.9x	3.6x	3.2x	18.8x	17.0x	15.4x	14%	8%	7%	24%	22%	23%	29.2x	27.1x	25.7x
Addlife	20,898	10,784	1.9x	1.8x	1.6x	15.7x	14.1x	12.5x	3%	7%	6%	13%	13%	14%	32.9x	26.9x	23.5x
OEM International	19,539	5,918	3.3x	3.0x	2.8x	20.9x	18.8x	17.2x	11%	7%	5%	18%	17%	17%	29.3x	26.7x	24.8x
Vitec	13,053	3,973	3.3x	3.0x	2.7x	11.9x	10.4x	9.2x	9%	6%	6%	30%	30%	32%	20.0x	17.0x	14.9x
Addnode	8,837	6,047	1.5x	1.3x	1.2x	8.9x	7.9x	7.0x	4%	5%	5%	17%	18%	18%	16.2x	13.4x	11.9x
Beijer Alma	19,770	8,102	2.4x	2.3x	2.1x	15.5x	14.0x	12.7x	5%	6%	5%	16%	17%	17%	21.4x	19.4x	17.8x
Sdiptech	11,561	4,850	2.4x	2.2x	1.9x	11.2x	9.9x	8.7x	-7%	5%	6%	20%	23%	24%	18.9x	14.3x	12.8x
Volati	9,763	9,355	1.0x	1.0x	0.9x	11.1x	9.4x	8.2x	11%	6%	4%	10%	11%	11%	15.7x	13.0x	11.4x
Bergman & Beving	10,587	5,163	2.1x	1.9x	1.6x	18.1x	16.4x	14.2x	4%	6%	12%	12%	12%	13%	31.2x	27.5x	30.0x
Momentum Group	**5,861**	**3,266**	**1.8x**	**1.6x**	**1.5x**	**16.5x**	**14.3x**	**12.6x**	**5%**	**8%**	**8%**	**12%**	**12%**	**12%**	**25.2x**	**22.1x**	**20.0x**
MedCap	7,251	2,310	3.1x	2.9x	2.6x	16.4x	14.4x	12.6x	10%	6%	5%	21%	21%	21%	28.0x	24.2x	21.8x
Idun Industrier	4,841	2,575	1.9x	1.8x	1.7x	18.5x	16.1x	14.7x	12%	4%	4%	14%	14%	15%	22.4x	21.1x	20.2x
Relais Group	5,075	4,900	1.0x	1.0x	1.0x	9.9x	9.2x	8.1x	18%	3%	3%	12%	12%	12%	12.7x	10.8x	9.3x
Boreo	n/a	1,816	n/a	n/a	n/a	n/a	n/a	n/a	10%	3%	3%	n/a	n/a	n/a	n/a	n/a	n/a
Average	**31,373**	**10,322**	**2.6x**	**2.4x**	**2.2x**	**16.5x**	**14.8x**	**13.3x**	**8%**	**6%**	**5%**	**17%**	**17%**	**18%**	**26.0x**	**22.7x**	**21.0x**
Median	**16,296**	**6,047**	**2.3x**	**2.1x**	**1.9x**	**16.4x**	**14.5x**	**12.9x**	**9%**	**6%**	**5%**	**17%**	**17%**	**17%**	**26.6x**	**23.2x**	**21.0x**

Source: Redeye, Company reports, FactSet (note that Factset estimates are used also for Momentum to facilitate comparison).

For this comparison, we use FactSet consensus estimates for Momentum Group. As our own forecasts include future M&A, comparing them directly with peers is somewhat misleading. Momentum Group is trading at c16.5x EV/EBITA on 2026e and a P/E of c25.2x (17.4x and 26.6x on Redeye's estimates). As mentioned, we consider Momentum Group slightly cheap in both absolute and relative terms. The company has demonstrated its ability to scale M&A, holds a strong portfolio of businesses, and benefits from a smaller base to grow from compared with its closest peers.

Investment Thesis

Case

A compounding machine with no signs of a slow-down

Momentum Group is a niche acquirer of industrial SMEs, its key peers being Addtech, Lagercrantz and Indutrade. Its heritage lies in Bergman & Beving and although it now executes a similar playbook to peers, Momentum targets slightly different niches. The group was spun off from Alligo in 2022, kickstarting its acquisition journey through its net cash position. We believe Momentum Group will be able to continue reinvesting its generated free cash flows at high returns for a long time to come.

Evidence

Ramp up in M&A already proven

Momentum was listed in 2022 and has since accelerated its acquisition pace. In the two years up to 2024, its acquired growth averaged c24%. The management team, headed by CEO Ulf Lilius and CFO Niklas Enmark, is rife with experienced capital allocators and is firing on all cylinders.

Supportive Analysis

When the economy booms, the companies within Momentum Group are likely to lag peers with a greater exposure to project-related business. The majority of Momentum's revenues stem from maintenance, repair and service, meaning the group prospers more from maintenance capex spending and not as much from growth capex spending, i.e. new machines.

Challenge

Scaling M&A

The group has proven its ability to execute its M&A playbook through a mix of a few large acquisitions and multiple small purchases. We expect this to continue, reflecting the markets where Momentum wants to grow. We believe the large acquisitions carry somewhat higher risks and that the group must get these right. We also think Momentum will need to acquire companies outside the Nordic region within the next five years or so, increasing the risks slightly.

Valuation

Potential in acquired growth provides upside potential

Our base case constitutes SEK150 per share, with a valuation range of SEK90-220 per share. Key factors in our base case are further solid sales growth, a continued strong acquisition pace, and a WACC of c8.5%. We see potential for continued robust re-investments and acquired growth ahead.

Redeye Quality Rating

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 longterm 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

5

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. character.

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

1. Passion 2. Execution 3. Capital Allocation 4. Communication 5. Compensation 6. Ownership 7. Board

Positives

- Strong leadership with a visionary CEO: Mr. Lilius demonstrates long-term thinking, industry expertise, and a commitment to building a lasting company based on industrial logic.
- Lean and accountable organization: The company operates with a small management team, emphasizing freedom and accountability, which promotes efficient decision-making and adaptability.
- Effective capital allocation: Momentum Group consistently delivers on promises, generates attractive returns on capital, and has a clear strategy for growth through acquisitions and organic development.
- Transparent and consistent investor communication: The company provides timely updates, maintains consistent key metrics, and focuses on long-term business value in its communications with stakeholders.
- Aligned executive compensation: CEO pay reflects actual share performance, with incentives tied to long-term shareholder value creation and sustainability initiatives.

Negatives

- Limited female representation in leadership: The management team lacks gender diversity, which could potentially impact decision-making and risk missing out on diverse perspectives.
- Low board ownership stakes: Apart from Nordstiernan's majority stake, other board members have relatively low ownership stakes, potentially reducing alignment with shareholder interests.
- Potential overreliance on acquisitions: While the company has a clear acquisition strategy, there may be risks associated with over-dependence on inorganic growth for meeting financial targets.
- Limited innovation focus: While the company shows commitment to innovation through acquisitions, there's less emphasis on internal R&D or organic innovation initiatives.

Business

4

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 ased on quantitative scores in seven categories:

1. Business Scalability 2. Market Structure 3. Value Proposition 4. Economic Moat 5. Operational Risks

Positives

- Strong recurring revenue base and asset-light business model enable efficient growth through acquisitions without diluting equity.
- Benefits from secular tailwinds in various markets (e.g., electrification, infrastructure, defense) positioning for continued organic growth.
- Demonstrates pricing power and ability to adapt to market changes, with a diversified revenue base across multiple industrial end-markets.
- Proven strategy for value capture through best practices, including value-based pricing and focus on customer proximity in small markets.
- Contributes positively to sustainability by extending machine lifespans and maintaining strong customer relationships.

Negatives

- Growth expectations are moderate, with a target of four-fold profit increase over a decade, which may limit potential for exceptional returns.
- Success appears heavily dependent on key individuals (Mr. Lilius and Mr. Enmark), posing a risk if they were to leave the company.
- Operates in a sector that has seen increased competition from new entrants, potentially impacting future acquisition opportunities and pricing.
- Limited geographic expansion beyond the Nordic region, which may constrain long-term growth potential.
- Lack of specific information on employee satisfaction beyond executive tenure, leaving uncertainty about overall workforce engagement.

Redeye Quality Rating

Financials

4

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:

1. Earnings Power 2. Profit Margin 3. Growth Rate 4. Financial Health 5. Earnings Quality

Positives

- Strong profitability with gross profit margin exceeding 40% and consistently high Return on Equity (ROE) of at least 20% over the past three years.
- Solid revenue growth, outperforming industry average over the last three years, indicating market share gains and competitive strength.
- Robust financial health with manageable debt levels, strong interest coverage, and efficient debt repayment capacity using operating and free cash flow.
- High-quality earnings demonstrated by efficient inventory management, effective accounts receivable collection, and strong operating and free cash flow conversion rates.

Negatives

- Operating margin (EBIT) not showing consistent improvement over the past three years, suggesting potential cost management or pricing challenges.

Rating Distribution

Redeye Covered Companies			
Rating	**People**	**Business**	**Financials**
5	5	7	0
3-4	128	114	46
0-2	12	24	99
Companies	145	145	145

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Financials

Income Statement			
SEKm	**2024**	**2025**	**2026e**
Net Sales	2,873.0	3,097.0	3,279.7
Other Income	7.0	5.0	0.0
Total Revenue	2,880.0	3,102.0	3,279.7
Cost of Sales	1,510.0	1,590.0	1,670.8
Gross Profit	1,363.0	1,507.0	1,608.9
Operating Expenses	-960.0	-1,070.0	-1,144.9
EBITDA	410.0	442.0	464.0
Depreciation and Amortization	137.0	163.0	186.5
EBIT	273.0	279.0	277.4
Net Financial Items	-33.0	-27.0	-26.9
EBT	240.0	252.0	250.5
Income Tax Expenses	54.0	56.0	51.5
Net Income	186.0	196.0	199.1

Balance Sheet			
SEKm	**2024**	**2025**	**2026e**
Assets			
Non-current assets			
Property, Plant and Equipment (Net)	29.0	49.0	69.1
Goodwill	214.0	233.0	234.0
Intangible Assets	0.0	0.0	0.0
Right-of-Use Assets	214.0	233.0	234.0
Other Non-Current Assets	649.0	782.0	980.0
Total Non-Current Assets	1,106.0	1,297.0	1,517.1
Current assets			
Inventories	379.0	385.0	406.3
Accounts Receivable	432.0	435.0	480.5
Other Current Assets	55.0	77.0	82.0
Cash Equivalents	27.0	51.0	-20.6
Total Current Assets	893.0	948.0	948.2
Total Assets	1,999.0	2,245.0	2,465.3
Equity and Liabilities			
Non-current liabilities			
Long Term Debt	216.0	328.0	367.6
Long Term Lease Liabilities	125.0	133.0	132.0
Other Non-Current Lease Liabilities	211.0	251.0	255.0
Total Non-Current Liabilities	552.0	712.0	754.6
Current liabilities			
Short Term Debt	63.0	67.0	79.8
Short Term Lease Liabilities	82.0	94.0	95.0
Accounts Payable	246.0	248.0	261.8
Other Current Liabilities	271.0	251.0	265.8
Total Current Liabilities	662.0	660.0	702.4
Equity	726.0	808.0	945.3
Total Liabilities and Equity	1,999.0	2,245.0	2,466.2

Cash Flow			
SEKm	**2024**	**2025**	**2026e**
Operating Cash Flow	323.0	347.0	298.2
Investing Cash Flow	-116.0	-256.0	-295.0
Financing Cash Flow	-227.0	-66.0	-124.0
Cash Flow For The Period	-20.0	25.0	-120.7

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Redeye Sweden AB ("Redeye Nordic Growth" or "the Company") is a specialist financial advisory boutique that focuses on small and mid-cap growth companies in the Nordic region. We focus on the technology and life science sectors. We provide services within corporate broking, equity research and investor relations. Our strengths are our award-winning research department, experienced advisers, a unique investor network, and the powerful distribution channel redeye.se.

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