

TOMRA SYSTEMS

Norway
Industrials – Machinery

BUY

September 6, 2018

Company description

Tomra Systems was founded on an innovation in 1972 that began with design, manufacturing and sale of reverse vending machines (RVMs) for automated collection of used beverage containers. Today, Tomra has 95,700 installations in over 80 markets worldwide and had total revenues of 7.4 billion NOK in 2017. The Group employs 3,550 globally and is publicly listed on the Oslo Stock Exchange. (OSE: TOM). The Tomra Group continues to innovate and provide cutting-edge solutions for optimal resource productivity within two main business areas: Collection Solutions (reverse vending and material recovery) and Sorting Solutions (recycling, mining and food sorting).

Recent developments

July 19, 2018: The Company reported solid Q2 2018 results, reflecting high business activities for Tomra Collection Solutions and strong growth in order intake for Tomra Sorting Solutions. Revenues in Q2 grew of 8%. Gross margin was 43% in Q2 18, a slight increase from 42% in Q2 17.

The increase in Q2 operating expenses was related to higher general business activity, ramp-up costs in New South Wales (Australia) and acquisition of BBC.

March 1st, 2018: Tomra Systems acquired the BBC company. BBC is headquartered in Hamilton, New Zealand and is a leading provider of precision grading systems for blueberries and other small fruits. The company complements Tomra's own fruit inspection and grading technology portfolio.

Upcoming events:

September 21st 2018 : TOMRA 2018 Capital Markets Day.

October 23rd 2018 : Results Q3 2018.

Investment conclusion

We notice that the global political discussions to promote the transition towards a greener economy are getting more concrete and we see that processes are accelerating. We can mention, by example, the positive signals from Europe promoting deposit schemes: on 28 May 2018, the EU Commission released a draft for a directive on single use plastic products, which included a 90% recycling target on plastic bottles by 2025. China's ban on imported waste also creates new business opportunities within recycling.

Tomra offers great exposure to increased awareness of recycling. The Group transitioned from being a pure bottle-deposit player, and now offers a range of advanced solutions for materials recycling. Tomra has great technology and is well positioned for this market.

Since the beginning of the year, the stock price has risen regularly and is recording a strong YTD performance (+40%).

The stock price reached an all-time high going over NOK 191.2 on June 12, 2018.

Performance



	1m	3m	12m
Absolute perf.	+5.8%	-1.3%	+56.1%
Oslo OBX Index perf	+1.2%	+3.1%	+23.5%

Market data

Share price (NOK), as of September 6, 2018:	183.4
52-wk range:	108.5–194
Mkt cap (NOK m):	27'146
Nb of shares issued:	148m
Bloomberg ticker:	TOM:NO
Isin:	NO0005668905

Financial summary (In mio NOK) & Valuation

	2016	2017	2018e	2019e
Sales	6'601	7'432	8'282	8'681
Oper. income	990	916	1'027	1'161
Net Income	691	611	707	828
EPS adj.	4.77	4.14	5.03	5.56
DPS (per NOK)	2.10	2.35	2.64	2.91
Div. yield (%)	2.3%	1.8%	1.4%	1.6%
P/E (x)	19.0	31.8	36.5	33.0

Source: Bloomberg

Equity rating—Bloomberg consensus

		Nb of analysts
Buy	0.0%	0
Hold	85.7%	6
Sell	14.3%	1

AV MANAGEMENT SA
Equity notes — September 2018