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YTD: -35.93% 1 year: -42.64%
1 month: -5.30% Since IPO*: 21.60%

Note: *Hydract's IPO date was 21 April 2021 (subscription price of DKK 5.00)
We apply the closing price from 1 September 2022 (Source: Nasdaq)

Financials

(DKKm)	2020	2021	2022E**
Revenue*	10.8	5.9	8.5**
Revenue growth	1961%	-46%	324%
EBITDA	-0.5	-4.0	N/A
EBITDA margin	-5%	-69%	N/A
Net income	-2.9	-4.5	-10.0**
Net income margin	-27%	-77%	-118%
Cash	1.9	14.8	N/A
Interest-bearing debt	3.2	3.0	N/A

Note: *Revenue is calculated without EU grants.
**Mid-range in Hydract's own guidance for 2022

Valuation multiples

	2020	2021	2022E*
P/S (x)	11.2	20.7	14.3*
EV/Sales (x)	11.3	18.7	13.8*
EV/EBITDA (x)	-231.6	-27.2	N/A
EV/EBIT (x)	-58.5	-19.0	N/A
P/E (x)	-41.6	-27.1	N/A
P/B (x)	7.2	2.9	N/A
P/CF (x)	-25.8	-20.0	N/A

Note: Most recent enterprise value and market value (constant over years)
*Multiples in 2022 are based on mid-range in Hydract's own guidance

Company description

Hydract is a Danish GreenTech company that provides a patented water hydraulic process valve for the process industry. The solution has been developed since 2008, and DKK +60 million has been invested. With Hydract's technology, the electrical power consumption can be reduced significantly, and the customer also has water savings compared to traditional solutions. Carlsberg has implemented the technology since 2016 at its brewery in Fredericia, Denmark.

Investment case

Hydract moves in an industry that is characterized by high energy consumption. In a world with rising energy prices and more focus on reducing CO₂, there is a need for energy-saving solutions which is offered by Hydract.

With Hydract's water hydraulic valves, electrical power can be reduced by more than 90%, and customers achieve large water saving as less cleaning water is used compared to traditional solutions with compressed air. Another key advantage is that customers gain competitive advantages because liquids can be mixed directly with high precision. Additionally, Hydract's water hydraulic valves are fully programmable and can be controlled with digital precision.

The retrofit market is estimated with a value of DKK 10 billion. Hydract's technology addresses strong market trends that current solutions do not offer. At the same time, there is potential for a significant expansion of the addressable market of DKK 50 billion with its inline mixing solutions.

Looking at valuation multiples for perspective, Hydract is currently valued at 20.7x sales based on the company's current market cap and Hydract's historical 2021 revenue, which is above the median value of the HCA Nordic GreenTech sector of approx. 12.5x sales (2021).

Key investment reasons

Hydract's technology is already on the market and ready for sale with proof-of-concept from Carlsberg, which has tested the valve since 2016. With Carlsberg as a strong global reference customer, Hydract is expected to have an advantage with its technology compared to other new technologies tapping into a mature market with many traditional solutions.

The Hydract Advanced (inline mixing) product taps into new market trends for the brewing sector as liquids can be mixed with precision as well as on-demand and just-in-time, while at the same time reducing waste in production.

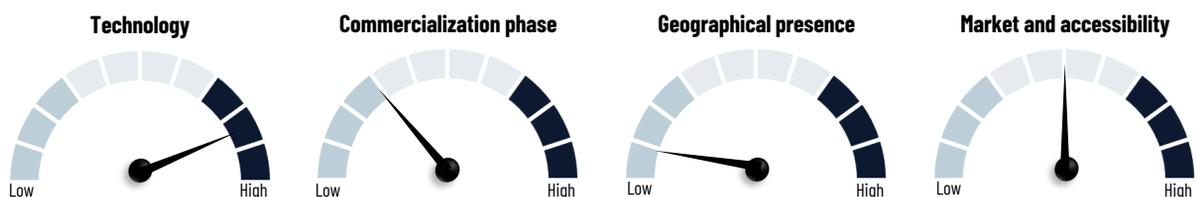
Hydract's technology is unique, and the water hydraulic valve is patented in Denmark, the United States, Japan, China, and the entire EU. The patents expire between 2029 and 2036, making Hydract's technology well protected against competitors over the next many years.

Key investment risks

Hydract has currently only installed the company's technology at Carlsberg's production facility in Fredericia, Denmark. As outlined in the IPO plan in 2021, the company expected to sell more of its solutions, however, this has not been the case yet. This somewhat explains that the accessibility to potential new customers is relatively hard and decreases the assessment of the market despite a large market potential. However, breweries have also been challenged by cost inflation recently, which may have decreased or postponed the investment appetite for new solutions.

Hydract's customer segment is primarily large companies. This implies that there is often a long sales process which is expected to be from 12-18 months. Going forward, the long decision-making processes by potential customers may continue which increases the probability of a guidance downgrade as well as a future capital increase.

GreenTech HCA assessment



Note: GreenTech HCA assessment provides a short overview of four key criteria when assessing growth-oriented Nordic GreenTech companies. Despite being GreenTech companies, they may differ a lot in products, markets, size, management, financials, etc.