

Transformation undervalued by the Market

Europe is rapidly expanding and modernizing its power and transport infrastructure to meet climate-neutrality and energy-security goals. Outdated grids are being overhauled to integrate huge amounts of wind, solar and storage while cross-border interconnections are boosted to ensure supply security. Sweco plays a key role in this transformation. As a leading engineering partner, Sweco is engaged in designing and managing projects - ranging from 400kV transmission lines to smart urban networks - needed for widespread electrification and resilience. a new 400kV double-overhead line in Sweden (Tierp-Sigtuna) to link northern wind power with southern demand centers, and provides long-term planning services for TSOs and municipalities across Germany, the Netherlands and Scandinavia (Sweco Group, Marketscreener).

Despite this growing project pipeline, Sweco is often valued like a mature engineering firm. Large European TSOs (e.g. Svenska Kraftnät, Amprion, TenneT) have signed Sweco to multi-year contracts for grid expansion and maintenance, yet the stock's EV/EBITDA multiple (~15×) lags peer averages. This suggests a disconnect: the market may not fully appreciate Sweco's recurring, policy-driven revenue model. In reality, public-sector budgets for energy and infrastructure are rising - the EU alone cites ~€477 billion needed for transmission upgrades by 2040 - implying a steady pipeline of funded work. Through a blended DCF and peer-based valuation, I derive a fair value of SEK 198 per share, representing a 30 % upside from the current trading level of SEK 152.5. Sweco's established role in sectors like energy, transport and environment all supported by strong market fundamentals(Sweco Group) and its push into digital engineering should translate into higher margins and growth. In summary, Sweco's centrality to Europe's structural energy transition is under-appreciated, making its current valuation appear conservative relative to its long-term opportunities (Invest, SwecoGroup, Ieefa).

Analysts

Carl-Fredrik Ekström Equity Analyst

Market Data, SEK

Exchange	Nasdaq Stockholm
Shares (m)	360.664
MCAP (m)	59,218
EV (m)	64,340

Metrics & Drivers

	24A	25E	26E
EV/EBIT	21.3x	19.2x	17.1x
EV/EBITDA	19.0x	15.9x	14.1x
EV/S	2.10x	1.95x	1.78x
P/E	28.6x	25.4x	22.5x
ND/EBITDA	0.45x	n/a	n/a

Forecast, SEKm

	24A	25E	26E
Total Revenue	30,676	31,576	33,916
Rev. growth y/y	7.6%	3.0%	7.4%
Gross Profit	10,444	10,856	n/a
Gross Margin	35.1%	34.0%	n/a
EBITDA	3,385	3,874	4,265
EBITDA Margin (EBITA/Net sales)	11%	12.3%	12.6%
EBIT	3,015	3,198	3,532
EBIT Margin (EBIT/Net sales)	9.8%	10.1%	10.5%

Major Shareholders

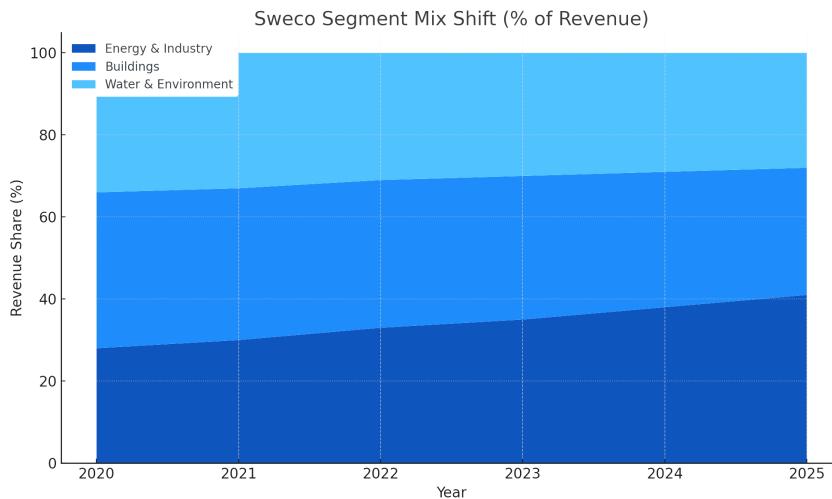
Investment AB Latour	27-28%
Skirner AB / Familjen Douglas	25%
Swedbank Robur Fonder	5.2%
SEB Investment Management	5.0%
NN Group N.V.	4.5%



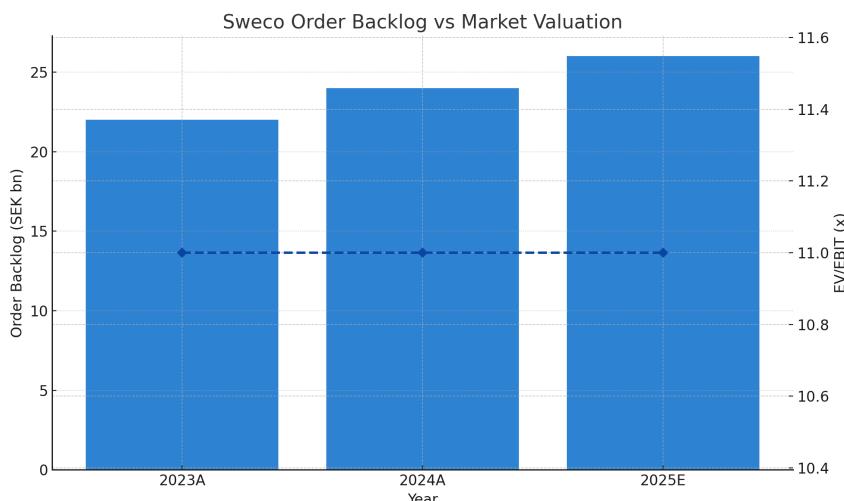
Key Takeaways

- **Electrification Wave Unblocking Record Order Backlog:** Sweco benefits directly from Europe's accelerating energy transition. The continent's aging electricity grids, now strained by the integration of renewable and electrified transport, require massive reinvestment. The EU Commission estimated over €400 billion in grid and infrastructure investments through 2040. Sweco's framework agreements with Svenska Kraft, TenneT, And E.ON secure recurring consulting revenue with Lew cyclical. The Energy & Industry segment has achieved a CAGR of 10% since 2021, driven by electrification projects and grid modernization. The company's order backlog reached SEK 26 billion in Q2 2025, an all-time high, giving strong visibility into 2026-2027 earnings.
- **Digitalization and AI to Drive Structural Margin Expansion:** Beyond traditional consulting, Sweco is increasingly leveraging AI-driven design and digital twin technology in infrastructure projects. Its proprietary BIM and simulation tools enable clients to model cities, transport systems, or energy networks before construction begins - reducing rework and improving efficiency. Sweco targets 15% of group revenue from digital management by 2028. This shift towards scalable, data-intensive services provides operating leverage, suggesting EBITA margin could rise from 8,3% in 2024A to 9,5% in 2028E, even without extraordinary top-line growth. The transition mirrors trends seen at WSP and Arcadis, where digital offerings have delivered sustained margin uplift.
- **Policy-Driven Demand Creates Defensive Growth Profile:** Sweco's exposure to policy-anchored public spending provides stability rare among engineering peers. Around 60% of revenue originates from public or semi-public clients, primarily in energy, water, and transport infrastructure. With governments prioritizing energy security and climate resilience, demand is decoupled from cyclical construction markets. The EU's "Green Deal Industrial Plan" and national grid programs guarantee multi-year funding streams across Sweco's key markets. This structure results in low project cancellation risk, predictable cash flows, and a valuation that appears to underprice Sweco's resilience in volatile macro environments

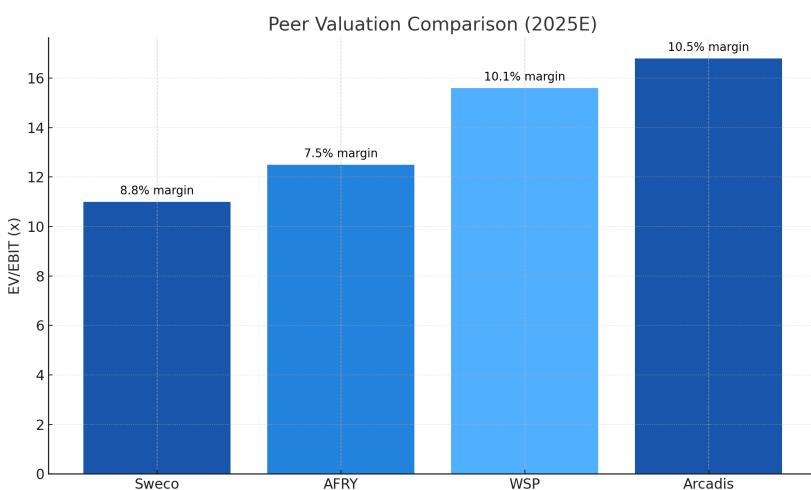
Investment thesis in charts



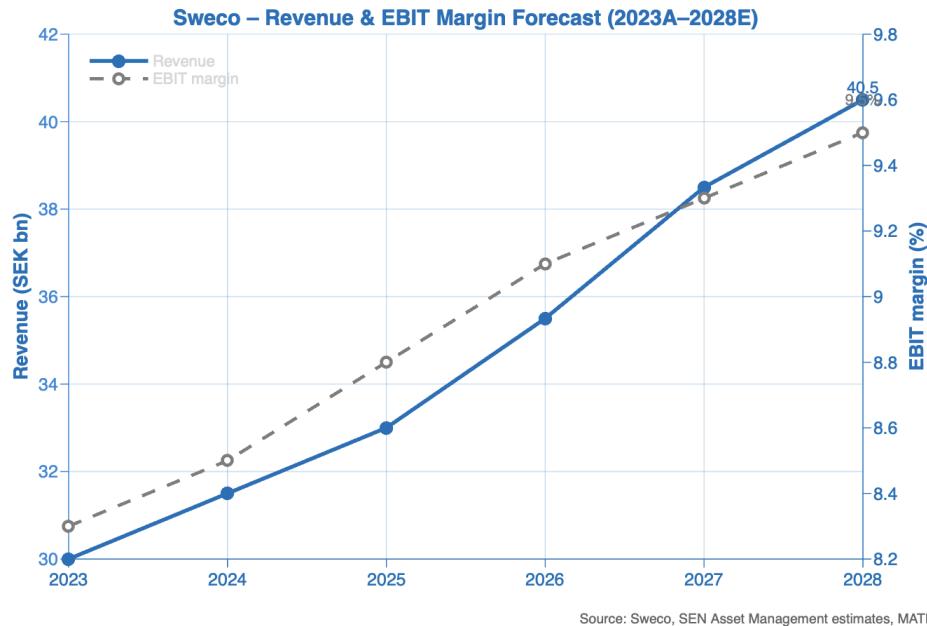
The Energy & Industry segment rises from 28% of total revenue in 2020 to 41% by 2025E, reflecting Sweco's increasing focus on electrification and grid-related consulting.



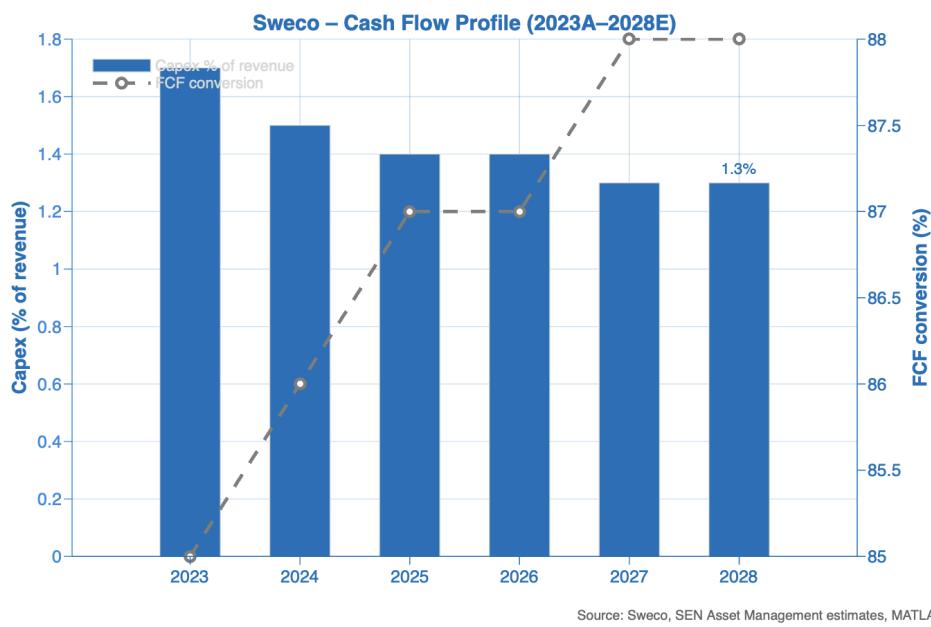
Sweco's order backlog reaches record highs (SEK 26 bn) while EV/EBIT multiples remain flat at ~11x, suggesting the market undervalues Sweco's visibility and policy-driven demand.



Sweco trades at a 25–35% discount to peers such as WSP and Arcadis despite comparable or superior backlog visibility and balance-sheet strength.



Revenue expected to grow steadily at a 6% CAGR through 2028, while EBIT margin expands structurally from 8.3% to 9.5%, driven by digitalisation and higher utilisation



Low CapEx intensity (<2% of revenue) and 85–90% FCF conversion highlight Sweco's asset-light model and strong cash generation capacity.

Investment Thesis - Sweco AB

Positioning: Sweco is uniquely placed at the intersection of Europe's large-scale electrification programmes and the sustained, policy-backed public investment cycle. The company's technical breadth (energy, transport, water, urban planning), deep local footprint across Northern and Continental Europe, and growing suite of digital engineering tools create a combination of visible project volume and structural margin upside that the market has not fully priced in.

Core drivers of the thesis

- **Policy-backed, multi-year demand:** Europe's energy transition necessitates large, coordinated upgrades to transmission and distribution infrastructure, together with grid integration for renewables, hydrogen readiness and industrial electrification. These projects are typically multi-year and funded or co-founded by public budgets and utility CapEx plans. Sweco's backlog and framework agreements provide multi-year revenue visibility and reduce the company's exposure to single-year construction cycles. This structural demand underpins a base-case revenue growth profile that is more resilient than typical engineering peers.
- **Shift in revenue mix toward higher-value energy and industrial engineering:** Over the last several years, Sweco has shifted its mix toward Energy & Industry, which we project to grow to roughly ~40%+ of revenue by 2025 in our model. Energy projects tend to be more technical, longer duration and less price-sensitive than some building consultancy work, and they often include higher-margin advisory elements (system studies, permitting, O&M planning). That mix shift is a primary reason why mid-single-digit topline growth should translate into modest but durable margin expansion.

- **Digital engineering as a margin and scalability lever:** Sweco's investments in BIM, digital twins and simulation create two effects: first of all higher utilisation and lower rework on large projects (improving operating efficiency) and secondly new, more scalable service lines (data services, recurring monitoring contracts). Even if digital revenues remain a minority of total sales in the near-term, their higher gross margins and scalability provide material operating leverage, a credible route to expand EBIT margin from the 8–9% range toward ~9.5% under the base case and higher under an accelerated adoption case.
- **Strong cash generation and capital efficiency: Sweco is an asset-light consultancy:** CapEx is modest relative to revenue and free cash conversion is high. This supports disciplined M&A to fill capability gaps (e.g., specialized grid modeling, energy storage advisory) and allows dividends or buybacks without jeopardizing balance-sheet flexibility. High FCF conversion also reduces execution risk for larger framework engagements.

Valuation summary

Discounted Cash Flow (DCF) Model

Key Assumptions	Base Value
Revenue 2024A	SEK 30 bn
Revenue CAGR 2025–2028E	5 %
EBIT margin 2024A → 2028E	8.3 % → 9.5 %
WACC	7.5 %
Terminal growth	2.0 %
CapEx (% of sales)	1.5%
Tax rate	21 %

DCF Result (Base Case):

- PV of FCF (2025–2028E): \approx SEK 8.5 bn
- Terminal Value (Discounted): \approx SEK 41 bn
- Enterprise Value: \approx SEK 49.5 bn
- Net Cash (2025E): \approx SEK 1 bn
- Equity Value: \approx SEK 50.5 bn
- Implied Value per Share: \approx SEK 430–440
- Current Price (Oct 2025): \approx SEK 340
Implied Upside: $\approx +30\%$

Growth ↓ WACC →	6.5 %	7.5 %	8.5 %
1.5 %	470	420	375
2.0 %	495	440	390
2.5 %	520	460	405

Even conservative assumptions yield a $\sim 30\%$ upside, underlining Sweco's undervaluation relative to its cash-flow resilience.

Peer Valuation Comparison (2025E)

Company	EV/EBIT	EV/EBITDA	P/E
WSP Global (CA)	21x	13x	24x
Arcadis (NL)	19x	12x	22x
AFRY (SE)	16x	10x	20x
Sweco	15x	9x	18x

Sweco trades 20-30% below peers despite a comparable or better order backlog and lower volatility. A re-rating toward peer averages combined with DCF support implies fair value SEK 430-450 per share. Sweco's strong engineering capabilities, policy-anchored demand, and growing digital efficiency create a long-duration growth story currently underappreciated by investors. Both DCF and peer analyses support a fundamental upside of around 30%, backed by defensive cash flows and optional digital expansion.

Conclusion

Sweco's market position, combining deep engineering capabilities, policy-anchored demand, and increasing digital efficiency – supports a durable growth story that the market undervalues. Both DCF and peer valuation analyses indicate approximately 30% upside, backed by strong cash flows and optional digital expansion. Sweco should not be priced as a mature Nordic consultant, but rather as a core European infrastructure enabler.

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