



SinterCast – From clarity to clarity

SINT|Small Cap|SEK 90.2

The usually rather anonymous SinterCast share has begun the new year with a big bang. The share price is now within reach of the top from the beginning of September last year. Anyone who likes to keep track of graphs and technical analysis also notices a few other phenomenon's in the share price development. Firstly, the peaks that were reached around SEK 100 from the end of 2013 to the end of 2015 are suddenly within reach again. Second, the share is in a flat rising trend since 2009. Third, between SEK 60-100 is a range where an extremely large part of the share's turnover has occurred since the 1990s. Fourth, the next distinctive old peak, after the previously mentioned peak of just over SEK 100, is the top of just over SEK 170 from June 2007. Thereafter, it is in fact the old hysteria peak at a good bit over SEK 500 from the SinterCast share's glory days in 1996.

What is the relevance of deep-diving into these ancient share price peaks? Well, SinterCast - as you know - has a history of having been an extremely speculative object in the mid-1990s, where the company's new technology, according to some, would almost change the world. The hysteria in the stock ended up, as familiar, with a catastrophic fall which did not see its bottom until under SEK 30 in March 2009. Since then, a stable, relatively flat upward trend has taken on and considering the share's development the past year, there is a tendency which indicates that a larger outbreak could eventually be in the pipeline.

Although the hysteria that existed in the mid-90s remains remote, developments over the past year, combined with the company's strong development for many years, show something that can be likened to a school book example of when a new, exciting technology in the stock market is far too early and too optimistically valued to the skies, leading to a crash which causes the stock in question to be sunk down and receive a bad stamp. But, several decades later, it turns out that the world becomes mature enough to apply the company's technologies like Phoenix bird rises from the ashes. You were not wrong in the 90s; you were just very much before your time.

So what happened in January that put new flames on the stock? Especially in a situation where the business cycle, trade wars and stock market turbulence has otherwise reduced the prices of cyclically sensitive companies, and especially small companies, since autumn. At the same time, the vehicle sector - which is important for SinterCast – has also had a tough time due to exhaust regulations. Well, the company has given several new announcements that point to the fact that, despite everything, the company is not in the process of slowing down, but rather gaining new speed in the coming years.

First, we learned that Fiat Chrysler Automobiles with the Ram brand launched a new diesel engine in SinterCast-CGI at the North American International Auto Show, and that serial production has already begun in the Tupy foundry in Saltillo, Mexico. This is in the form of a new 6.7-liter inline diesel engine for the Ram Super Duty pickup. SinterCast expects the engine program to provide a production contribution of about 300,000 engine equivalents a year.

The second announcement was that China Shipbuilding Industry Corporation adopted the SinterCast process control technology. A Mini-System 3000 and a wirefeeder should be installed and commissioned during Q2 this year and be used for serial production of Compacted Graphite Iron for applications in the industrial power segment. The market for industrial power is currently about 10% of the total SinterCast production. Through the business that has been realized within industrial power, SinterCast is already well on its way to building yet another important business leg and a future growth window.

Finally, the third news was landed at home. Here it is Scania who ordered the SinterCast process control technology for a new custom-made foundry for Compacted Graphite Iron with a capacity of 90,000 tons per year. Installation of a process control system is planned for 2020, more specifically a System 4000 *Plus* with an initial order value of approximately SEK 5 million. It will be used for large-volume production of engine blocks and cylinder heads for commercial vehicles. According to SinterCast, the planned serial

production increase gives opportunities for continuous serial production revenues of SEK 20 million per year, within three to five years after the installation.

The above-mentioned positive news means that we continue to see SinterCast as a long-term good choice, with good long-term business opportunities in its technological leadership and its ability to innovate, strong margins and cash flows, stable finances and strong dividend opportunities. The stock may still not be the "sexiest" small company share, but the strength of the deal is not to be overlooked and with the increased applications we see for the company's technologies, it is not impossible that growth will be relatively high for a very long time to come.

After the strong news flow in January, we raise the target price to SEK 115 (100) while the purchase recommendation is kept intact. Viewed in a very long perspective, we see every reason to expect that SinterCast's business opportunities will grow significantly, while the competitive situation seems to remain favourable.

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