

SinterCast

Strong quarter with further potential

- Sales beat despite lower production than expected
- Double-digit growth set to continue
- Extra dividend due to excess capital

Engine equivalents increase of 18%

Q4 sales came in at SEK 24.6m (ABGSCe SEK 23.1m), 38% growth y-o-y, and EBIT of SEK 7.5m (ABGSCe SEK 6.9m) with an EBIT margin of 30%. Sales came in SEK 1.5m stronger than expected due to series production and equipment each adding SEK 0.7m. Production averaged 2.60m engine equivalents during the quarter (ABGSCe 2.75m) and grew 18% y-o-y. Sampling cups delivered came in at 53,800 (ABGSCe 51,500). Despite the deviation in produced engine equivalents, sales grew primarily due to a higher selling price than expected. The offset in the quarter is expected to come back in 2019. Equipment installations were higher due to two installations taking place in the quarter (ABGSCe one). Opex was in line with expectations despite a nonconformity claim, which is expected to be less than SEK 0.9m.

Full Ram production in Q1

Sintercast announced that production of Ram super duty pickups have started, but did not fully contribute to Q4, and that installation activity is high in other geographic areas and segments, such as China and heavy trucks. We saw strong growth in the heavy truck segment, which we believe will keep growing due to the market outlook and Sintercast's position. We have raised sales by 4% and EBIT by 2-3% for the period '19e-'20e, due to slight price adjustments within serial production. This implies a '18-'21e sales CAGR of 12% and EBIT CAGR of 20%.

Dividend story in the making

Sintercast is currently trading at an EV/EBIT of 18.9x and a FCF yield of 4.6%. The board has proposed an ordinary dividend of SEK 3.50/share (2.75) and an extra dividend of SEK 1.50/share – totalling SEK 5.0/share, exceeding our expectation of a total dividend of SEK 4.75/share. We find this positive due to its cash flow generation, current net cash position and limited investment needs.

Lead analyst: Mattias Ehrenborg
Karl Bokvist

SEKm	2017	2018	2019e	2020e	2021e
Sales	66	88	100	113	124
EBITDA	19	32	38	46	55
EBITDA margin (%)	29.3	36.0	38.0	40.9	43.9
EBIT adj	18	29	36	43	51
EBIT adj margin (%)	27.0	33.5	35.8	37.9	40.9
Pretax profit	18	29	36	43	51
EPS rep	2.62	4.61	5.06	6.02	7.16
EPS adj	2.62	4.61	5.06	6.02	7.16
Sales growth (%)	-13.0	33.7	14.3	12.4	10.3
EPS growth (%)	-30.6	75.8	9.7	19.0	19.0

Source: ABG Sundal Collier, Company data

Reason: Post-results comment

Company sponsored research

Not rated

Estimate changes (%)	2019e	2020e	2021e
Sales	3.8%	4.1%	0.0%
EBIT (rep)	1.8%	2.6%	0.0%
EPS (rep)	1.8%	2.6%	0.0%

Source: ABG Sundal Collier

Share price (SEK)	22/02/2019	100.0
Capital Goods, Sweden		
SINT.ST/SINT.SS		

MCap (SEKm)	709
MCap (EURm)	66.8
Net debt (EURm)	-6
No. of shares (m)	7.1
Free float (%)	75.0
Av. daily volume (k)	5.6

Next event Q1 report: 24 Apr

Performance



	1m	3m	12m
Absolute (%)	20.2	29.2	48.4
OMX STH PI (%)	6.4	9.6	3.7

Source: FactSet

	2019e	2020e	2021e
P/E (x)	19.8	16.6	14.0
P/E adj (x)	19.8	16.6	14.0
P/BVPS (x)	7.12	6.86	6.36
EV/EBITDA (x)	17.8	14.7	12.4
EV/EBIT adj (x)	18.9	15.9	13.3
EV/sales (x)	6.78	6.02	5.42
ROE adj (%)	36.1	42.1	47.3
Dividend yield (%)	5.5	6.0	7.0
FCF yield (%)	4.6	5.6	6.7
Net IB debt/EBITDA	-1.7	-1.4	-1.3

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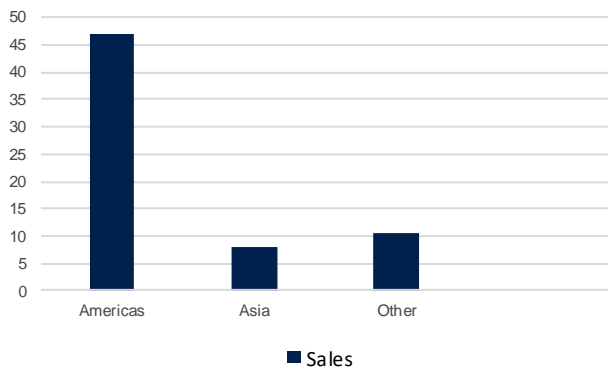
Opportunities

Increased focus on higher energy efficiency and lighter diesel engines. Increasing average vehicle size. Higher penetration of the truck and commercial vehicle segments.

Risks

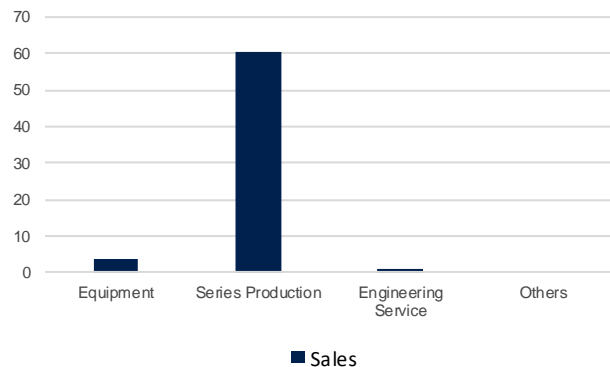
Automotive demand, and more specifically demand for larger passenger vehicles such as SUVs and pick-up trucks with diesel engines. Regulation relating to fossil fuels and diesel in particular poses risks to the business model.

Geographical breakdown, sales, SEKm



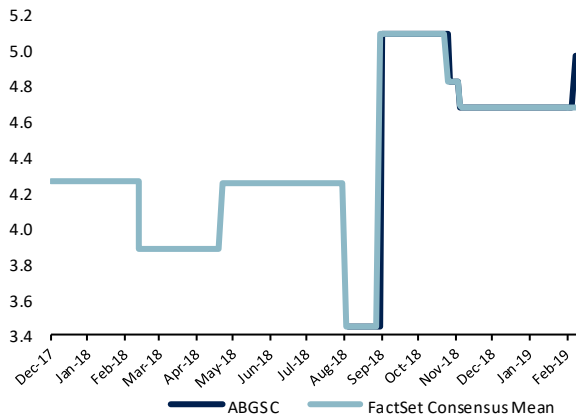
Source: ABG Sundal Collier, Company data

Business area breakdown, sales, SEKm



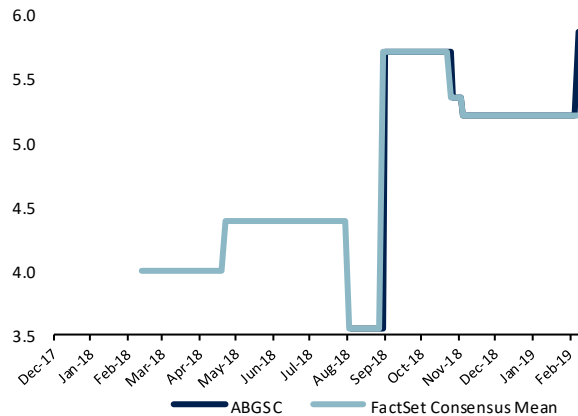
Source: ABG Sundal Collier, Company data

EPS estimate changes, 2019e, SEK



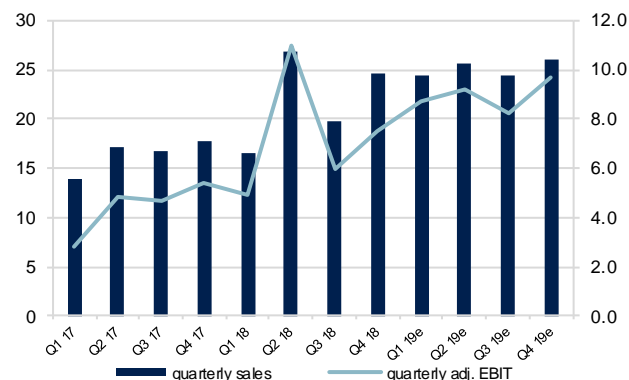
Source: ABG Sundal Collier, FactSet

EPS estimate changes, 2020e, SEK



Source: ABG Sundal Collier, FactSet

Quarterly sales and adj. EBIT, SEKm



Source: ABG Sundal Collier, Company data

Company description

SinterCast is a leading supplier of online process control technology and know-how for the reliable high-volume production of Compacted Graphite Iron (CGI). The material is stronger than traditional iron, which enables downsizing, increased thermal and mechanical loading, and increased engine performance. The technology is primarily used in diesel engines for larger passenger vehicles such as SUVs and pick-ups as well as commercial vehicles and offroad equipment.

Deviation table

Deviation table	Actual	Actual	ABGSCe		Dev	
	Q4'17	Q4'18	y-o-y	Q4'18e	%	SEKm
Net sales	17.8	24.6	38%	23.1	7%	1.5
Gross profit	13.7	19.0	39%	18.1	5%	0.9
Opex	-8.3	-11.5	39%	-11.2	3%	-0.3
EBIT	5.4	7.5	39%	6.9	9%	0.6
PTP	5.4	7.9	46%	6.9	15%	1.0
Net profit	5.4	10.2	89%	7.9	30%	2.3
Growth and margins	Q4'17	Q4'18	y-o-y	Q4'18e	% SEKm	
Sales growth	3%	38%		30%	9%	
EBIT growth	13%	39%		27%	12%	
Gross margin	77%	77%	0%	78%	-1%	
EBIT margin	30%	30%	0%	30%	1%	
Sales split	Q4'17	Q4'18	y-o-y	Q4'18e	% SEKm	
Equipment	0.8	1.7	113%	1.0	70% 0.7	
Service	0.4	0.6	50%	0.5	20% 0.1	
Series production	16.6	22.3	34%	21.6	3% 0.7	
Net sales	17.8	24.6	38%	23.1	7%	1.5
Other metrics	Q4'17	Q4'18	y-o-y	Q4'18e	% SEKm	
Sampling cups	42,400	53,800	27%	51,500	4% 2,300	
Engine equivalents / year (mn)	2.20	2.60	18%	2.75	-5% -0.15	

Source: ABG Sundal Collier, company data

Forecast changes

Estimate changes SEKm	Old			New			SEKm			%		
	2018	2019e	2020e	2018	2019e	2020e	2018	2019e	2020e	2018	2019e	2020e
Net sales	86.2	96.6	108.3	87.7	100.2	112.7	1.5	3.7	4.4	2%	4%	4%
Gross profit	68.0	75.7	83.6	68.9	78.2	86.5	0.9	2.5	2.9	1%	3%	3%
Opex	-39.2	-40.5	-42.0	-39.5	-42.3	-43.8	-0.3	-1.8	-1.8	1%	5%	4%
EBIT	28.8	35.2	41.6	29.4	35.9	42.7	0.6	0.6	1.1	2%	2%	3%
PTP	28.4	35.2	41.6	29.4	35.9	42.7	1.0	0.6	1.1	4%	2%	3%
Net profit	30.4	35.2	41.6	32.7	35.9	42.7	2.3	0.6	1.1	8%	2%	3%
Growth and margins	2018e	2019e	2020e	2018	2019e	2020e	2018	2019e	2020e	2018	2019e	2020e
Sales growth	31%	12%	12%	34%	14%	12%				2%	2%	0%
EBIT growth	63%	22%	18%	66%	22%	19%				4%	0%	1%
Gross margin	79%	78%	77%	79%	78%	77%				0%	0%	0%
EBIT margin	33%	36%	38%	34%	36%	38%				0%	-1%	-1%
Sales split	2018e	2019e	2020e	2018	2019e	2020e	2018	2019e	2020e	2018	2019e	2020e
Equipment	3.9	4.0	9.0	4.6	4.0	9.0	0.7	0.0	0.0	18%	0%	0%
Service	1.7	2.0	2.0	1.8	2.0	2.5	0.1	0.0	0.5	6%	0%	25%
Series production	80.6	90.6	97.3	81.3	94.2	101.2	0.7	3.7	3.9	1%	4%	4%
Net sales	86.2	96.6	108.3	87.7	100.2	112.7	1.5	3.7	4.4	2%	4%	4%
Other metrics	2018e	2019e	2020e	2018	2019e	2020e	2018	2019e	2020e	2018	2019e	2020e
Sampling cups	195,600	216,500	232,600	197,900	216,500	232,600	2,300	0	0	1%	0%	0%
Engine equivalents / year (mn)	2.56	2.89	3.10	2.50	2.89	3.10	-0.06	0.00	0.00	-2%	0%	0%

Source: ABG Sundal Collier, company data

Detailed quarterly income statement

Quarterly overview	Q1'16	Q2'16	Q3'16	Q4'16	Q1'17	Q2'17	Q3'17	Q4'17	Q1'18	Q2'18	Q3'18	Q4'18	Q1'19e	Q2'19e	Q3'19e	Q4'19e
Net sales	16.1	18.3	23.8	17.2	13.9	17.2	16.7	17.8	16.6	26.8	19.7	24.6	24.3	25.6	24.3	26.0
Gross profit	12.9	13.8	18.4	13.7	10.8	13.4	12.7	13.7	13.2	20.9	15.8	19.0	19.0	20.0	19.0	20.3
SG&A	-6.4	-6.8	-5.7	-6.1	-6.8	-6.4	-5.8	-6.0	-6.5	-7.2	-6.8	-8.3	-7.0	-7.5	-7.4	-7.3
R&D	-1.7	-2.0	-1.5	-2.7	-1.0	-1.9	-2.1	-2.3	-2.3	-3.0	-2.1	-2.9	-2.9	-3.0	-3.0	-3.0
Other opex	-0.2	0.4	0.0	-0.1	-0.2	-0.3	-0.1	0.0	0.5	0.3	-0.9	-0.3	-0.3	-0.3	-0.3	-0.3
EBIT	4.6	5.8	11.2	4.8	2.8	4.8	4.7	5.4	4.9	11.0	6.0	7.5	8.7	9.2	8.2	9.7
Net financials	0.1	-0.8	-0.2	0.3	0.2	-0.2	0.0	0.0	-0.8	-0.6	1.0	0.4	0.0	0.0	0.0	0.0
PTP	4.7	5.0	11.0	5.1	3.0	4.6	4.7	5.4	4.1	10.4	7.0	7.9	8.7	9.2	8.2	9.7
Taxes	0.0	1.0	0.0	0.0	0.0	0.9	0.0	0.0	0.0	1.0	0.0	2.3	0.0	0.0	0.0	0.0
Net profit	4.7	6.0	11.0	5.1	3.0	5.5	4.7	5.4	4.1	11.4	7.0	10.2	8.7	9.2	8.2	9.7
Growth and margins	Q1'16	Q2'16	Q3'16	Q4'16	Q1'17	Q2'17	Q3'17	Q4'17	Q1'18	Q2'18	Q3'18	Q4'18	Q1'19e	Q2'19e	Q3'19e	Q4'19e
Sales growth	-14%	16%	16%	0%	-14%	-6%	-30%	3%	19%	56%	18%	38%	47%	-5%	24%	6%
EBIT growth	-22%	100%	58%	9%	-39%	-17%	-58%	13%	75%	129%	28%	39%	78%	-16%	37%	29%
Gross margin	80%	75%	77%	80%	78%	78%	76%	77%	80%	78%	80%	77%	78%	78%	78%	78%
SG&A+R&D / sales R12m	50%	48%	30%	51%	56%	48%	47%	47%	53%	38%	45%	46%	41%	41%	43%	40%
EBIT margin	29%	32%	47%	28%	20%	28%	28%	30%	30%	41%	30%	30%	36%	36%	34%	37%
Tax rate	0%	-20%	0%	0%	0%	-20%	0%	0%	0%	-10%	0%	-29%	0%	0%	0%	0%
Sales split	Q1'16	Q2'16	Q3'16	Q4'16	Q1'17	Q2'17	Q3'17	Q4'17	Q1'18	Q2'18	Q3'18	Q4'18	Q1'19e	Q2'19e	Q3'19e	Q4'19e
Equipment	0.1	0.7	5.9	0.4	0.2	1.2	1.5	0.8	0.1	2.3	0.5	1.7	1.0	1.0	1.0	1.0
Service	0.2	0.7	0.5	0.4	0.1	0.2	0.5	0.4	0.0	0.7	0.5	0.6	0.5	0.5	0.5	0.5
Series production	15.8	16.8	17.4	16.4	13.6	15.8	14.7	16.6	16.5	23.8	18.7	22.3	22.8	24.1	22.8	24.5
Net sales	16.1	18.3	23.8	17.2	13.9	17.2	16.7	17.8	16.6	26.8	19.7	24.6	24.3	25.6	24.3	26.0
Other metrics	Q1'16	Q2'16	Q3'16	Q4'16	Q1'17	Q2'17	Q3'17	Q4'17	Q1'18	Q2'18	Q3'18	Q4'18	Q1'19e	Q2'19e	Q3'19e	Q4'19e
Sampling cups	36,100	46,800	50,900	35,000	28,700	32,900	40,600	42,400	32,500	68,800	42,800	53,800	52,500	55,300	52,500	56,200
y-o-y	-11%	34%	38%	-14%	-20%	-30%	-20%	21%	13%	109%	5%	27%	62%	-20%	23%	4%
Engine equivalents / year (mn)	2.10	2.20	2.00	2.20	2.00	2.20	2.00	2.20	2.50	2.70	2.30	2.60	2.80	2.95	2.80	3.00
Working capital / sales R12m	17%	18%	23%	16%	13%	17%	25%	21%	16%	24%	20%	24%				
Net debt	-51	-30	-36	-45	-49	-22	-22	-30	-37	-20	-29	-33				
ND/Equity	-0.52	-0.37	-0.40	-0.47	-0.50	-0.29	-0.28	-0.35	-0.41	-0.24	-0.33	-0.33				
ROCE	41%	47%	52%	55%	51%	46%	30%	33%	39%	45%	46%	48%				

Source: ABG Sundal Collier, company data

The company

Sintercast is a market leading supplier of process control technology for production of CGI (Compact Graphite Iron), which is a form of cast iron. The material offers at least 75% higher tensile strength, 45% higher stiffness and approximately double fatigue of grey iron and aluminium. These characteristics makes it ideal for engine production and it is primarily used to produce engine blocks for passenger vehicles and commercial vehicles. This allows improved performance and durability of the engine as well as lower fuel consumption meanwhile reducing its size. This is not just beneficial for the end customer but also the manufacturer due to reduction in material costs (less iron) as well as lower energy usage – reducing total costs even after Sintercast fees have been paid. Sintercast has over 50 installations in 14 countries worldwide in foundries with end customers such as Ford, Ram, Scania and MAN. Typically the total cost of Sintercasts product totals 1-2% of the total production costs for the engine. The company is deeply embedded in its customer's production which creates high barriers to entry - once the Sintercast process technology is implemented it is hard to remove or replace. Sintercast's biggest customer is Tupy, which accounts for more than 50% of group sales, a figure that has grown over the years, illustrating Sintercast's ability to gain additional contracts with its current customers.

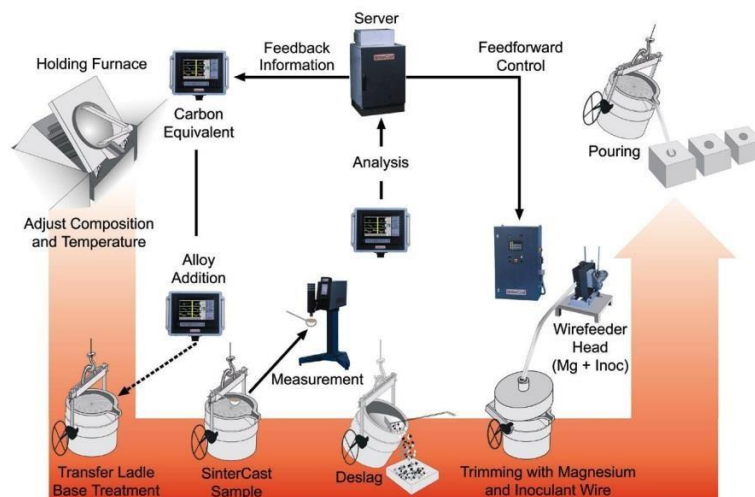
Market leading and highly integrated in production creates high barriers to entry

The Sintercast process

The Sintercast process allows the foundry to control the quality of each cast, which is crucial since engines are expected to live for a long time as well as not breaking or losing capacity. When the cast is poured in to the casket, a Sintercast sample cup is filled up with the current CGI cask and the Sintercast thermometer in the sample cup measures the current properties of the CGI. It will then send data to the system 3000 who interprets the data and determine if the cask's properties are good enough. If it is good, then the casting process can proceed. If it is bad, a wirefeeder can add magnesium in order to get the right properties – then the process can proceed without having to discard the cast. It is also important to be able to track the specific casks under production to know where it has been and what properties it had. Therefore Sintercast have developed its own Ladle tracking system with RFID making it possible to track the cast while in production and if an error is detected by the system 3000, the production will be shut down immediately so production won't proceed and causing harm to other casts. This makes it possible to track and backlog the right cast and its properties even years after it have left factory.

The Sintercast process reduces costs and improve quality control

The Sintercast process



Source: Sintercast

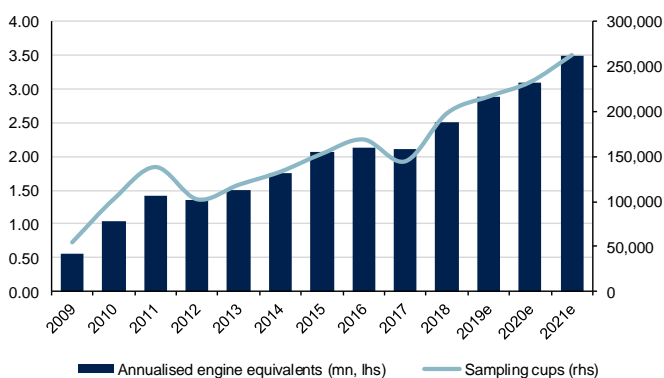
The business model

Sintercast sells or leases their system 3000 that are installed at the foundry accompanied with an annually leased process control software that is required to use the system 3000. Software licence is paid annually and a licence fee for the right to use the software and leased systems are one average leased for 7 years. In addition sampling cups are sold, which are non-reusable and required for every casting, along with a thermometer that is reusable up to 250 times. Sintercast is also paid a running production fee for each tonne of CGI casting with typical running fee of 40-50 euro. The system 3000 is fundamental in order to control the process and collect and interpret data. The system can be configured to suit the layout or process flow of any foundry, making it possible to install anywhere. It is also possible to add different modules such as wirefeeders and sampling module to increase capacity. As the installed hardware system base grows other revenue streams will also increase, such as software licence, sampling cups and running production fee per tonne of cast.

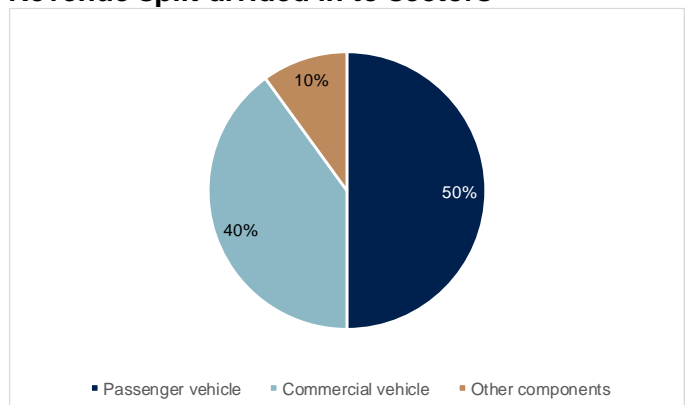
One important contributor of Sintercast's sales growth are increased production volumes in existing programmes at current customers, but the main contributor is adding new high volume programs. Sintercast have successfully done this the last years, producing bestselling engines for bestselling cars - as the Ford F-series and now the new Ram 6.7 litre inline diesel engine.

Sintercast's business model offers scalability as installed hardware base increases

Annualised engine equivalents & sampling cups Revenue split divided in to sectors



Source: ABG Sundal Collier, company data



Source: ABG Sundal Collier, company data

The market & diesel outlook

Sintercast's main market is commercial vehicles such as trucks, and passenger vehicles in the upper segment such as SUVs, Vans and Pickup trucks. Since CGI engines improve fuel efficiency and reduce weight, bigger cars benefit the more from these advantages. Especially since these cars, besides from volume weight, often have many extra features compared to a small car – therefore it's important to reduce weight meanwhile having a strong engine, which CGI engines makes possible. According to a survey made by Citi, diesel penetration in medium and smaller cars will see a decline of 20-25% by 2025. Meanwhile, the upper segment will remain relatively unchanged. Furthermore, the trend is that cars are getting bigger on average, further increasing potential for Sintercast in the segment.

Sintercast's main customers are foundries who implement the technology in their casting process. The biggest customer is Tupy who has foundries in the Americas, accounting for more than 50% of sales. Tupy manufactures engines for end customer such as Ford and Ram. Sintercast is also growing its customer base in China and Russia who are potential growth markets in addition to the growing segment of industrial power.

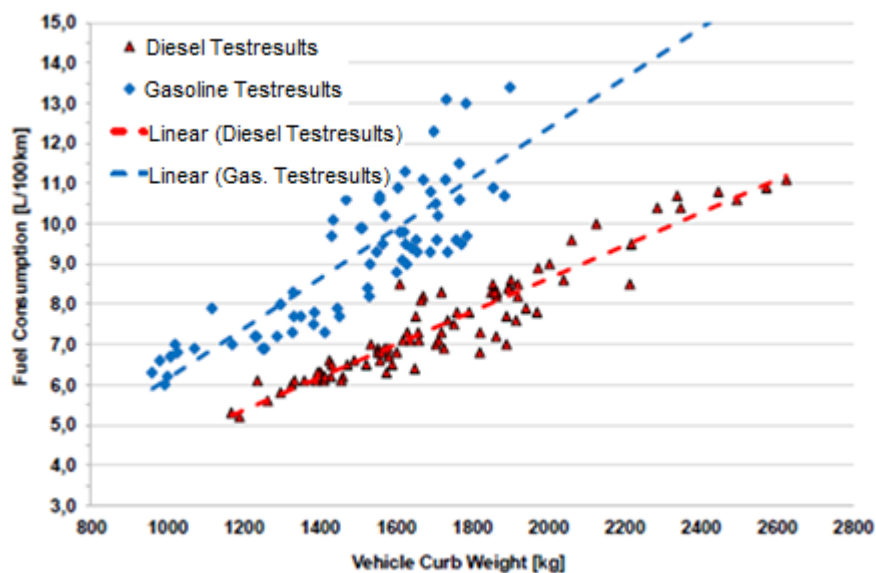
Main segments to keep growing

Heavy vehicles benefit more from diesel engines than smaller cars do

Diesel contains more energy than petrol and diesel engines have a higher thermodynamic efficiency, which makes diesel engines 20-30% more efficient in total. This impact gets bigger as the curb weight of the car increases as the fuel consumption increases less for a diesel engine compared to petrol engine as the cars weight get bigger. The impact is biggest for heavier cars and that segments is where Sintercast operates. Therefore the future of diesel engines within the segment is more stable than petrol. In the smaller cars segment the future is much more uncertain and the segment is expected to shrink its diesel penetration.

The trend is that more companies introduce CGI engines in their new models. This is due to them being more efficient and they would often meet future CO2 emission-rules. For instance, the world most popular pickup truck Ford F-series produce its engines with Sintercast technology, prior only offering a petrol engine but last year they started producing a CGI Sintercast diesel engine, reducing fuel consumption further as well as increasing torch.

Diesel fuel consumption more effective as weight increases

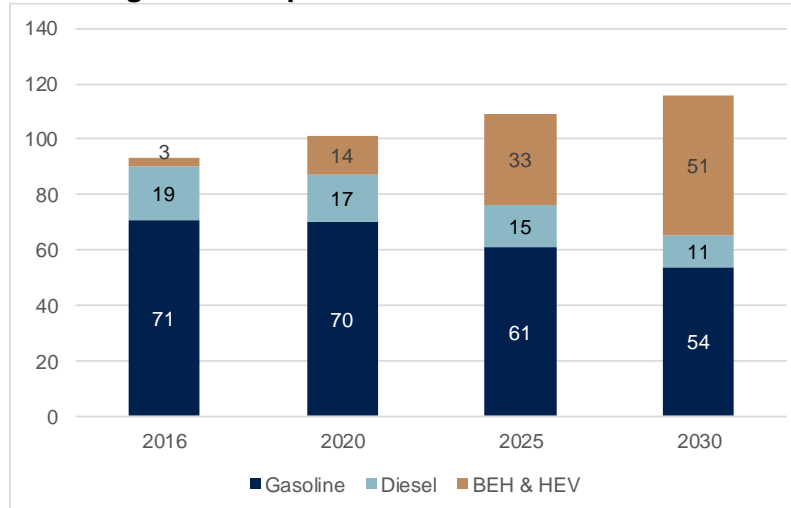


Source: Sintercast (data from AVL)

Electrification to be seen as a possibility rather than obstacle

The electric vehicle trend is clear and its market share is growing rapidly, albeit from small levels. In 2016, according to ISM, only 3 million of total new production were electrified cars or hybrids compared to diesel of 19 million. This might sound like bad news for combustion engines, but it could be seen as an opportunity as the biggest growing segment is hybrids where an electric and combustion engine are combined – meaning that casting of small and strong engines will still take place, even in a greater extent. As stated earlier, CGI offers the opportunity to cast small, strong, and efficient and durable engines, making it ideal for hybrids.

Global light vehicle production



Source: ABG Sundal Collier, IHS, company data

Sintercast technology behind America's most popular pickup truck

A selection of Sintercast's process implementations

Sintercast's technology is currently used in 17 different commercial vehicle engines, and more than 50 passenger vehicles in 18 car brands. The technology is also implemented in the production of America's most popular engine in America's most popular pickup truck. The Engine is a 2.7 litre V6 gas engine and Ford announced in 2018 that it will start producing a diesel engine in CGI. Also, Ram announced in January the sale of the popular Super duty pickup-trucks with the popular 6.7 litre engine from Cummins in CGI. This installation will add about 300,000 engine equivalents per year implying serial production revenue of around SEK 9-10m.

Huge Scania contract to boost sales 20m annually from 2023

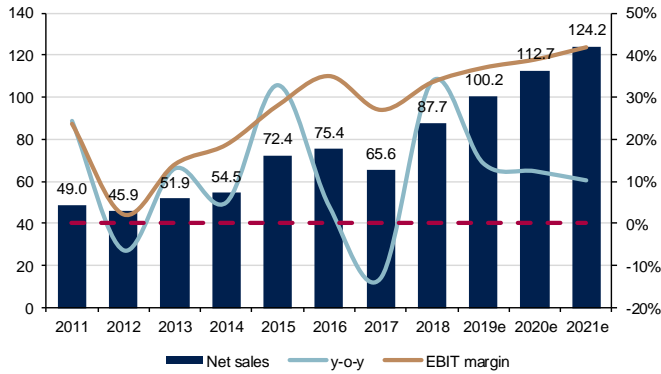
Record Scania investment - 90,000 tonne CGI foundry

In January 2019, Scania announced that it will build a new CGI foundry starting in 2020, where production of CGI engines will take place. The building received permission to produce 90,000 tonnes per year. The full production of engines will start in 3-5 years after installation, which really cements the belief of efficient CGI diesel engines in the future. The Sintercast engine will become standard for Scania and MAN trucks. This is expected to boost Sintercast serial production sales by SEK 20m per year (> 20% increase given current revenue). This increases the confidence of our estimates as well as de-risking Sintercast future operations.

Dividend story in the making

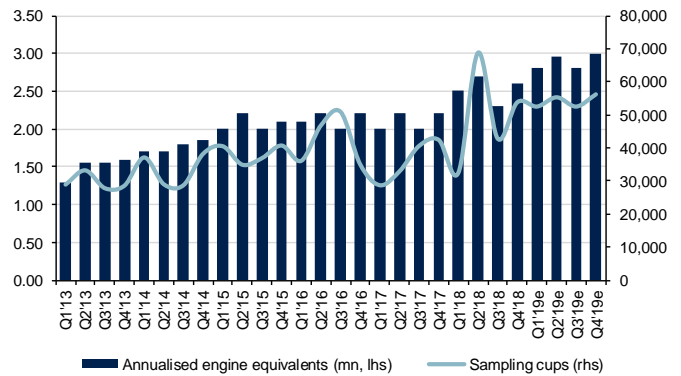
Sintercast proposed a total dividend of SEK 5/share (SEK 35m) for 2018, of which the ordinary dividend equalled SEK 3.5/share, with an extra dividend of SEK 1.5/share. This equals an EPS payout ratio of 108% and an FCF payout ratio of 160%. This may not sound sustainable, but we find this positive given Sintercast's financial position with limited investment needs (<10% of operating cash flow) and its SEK 30m net cash position in addition to zero interest bearing debt. Going forward, we expect Sintercast to pay out ~100% of its FCF and EPS (implying a total DPS of SEK 5.5-7.0 for the period '19e-'21e), in order to not keep growing its large cash position. Furthermore, this should keep the cash position relatively stable at current levels, suggesting that there could be further room for higher dividends if the company believes its cash position is too large to employ. We expect dividend yields of 5.5-7.0% and FCF yields of 4.6-6.7% for the period '19e-'21e. To summarise, we assume that the total distribution to shareholders during '19e-'21e will amount to SEK 132m, corresponding to 19% of today's Mcap. of SEK 709m.

Sales and margins steadily rising



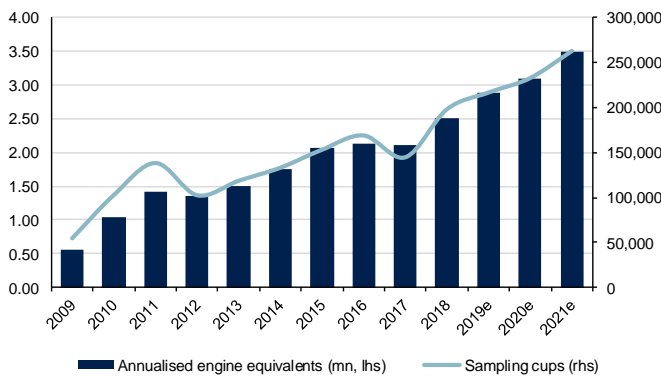
Source: ABG Sundal Collier, company data

Detailed annualized engine equivalents and sampling cups



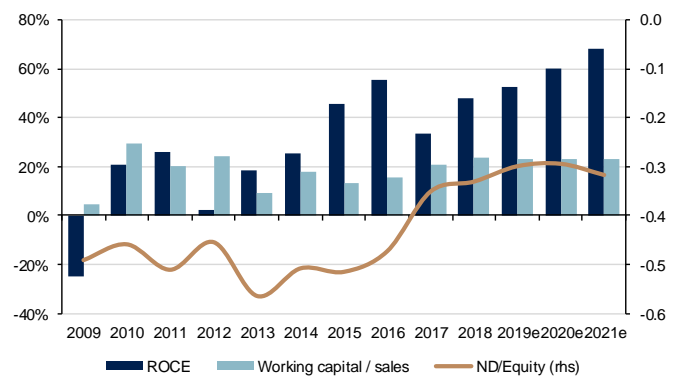
Source: ABG Sundal Collier, company data

Engine equivalents and Sampling cups walking hand in hand



Source: ABG Sundal Collier, company data

High profitability and zero interest bearing debt



Source: ABG Sundal Collier, company data

Detailed income statement

Annual overview	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019e	2020e	2021e
Net sales	39.4	49.0	45.9	51.9	54.5	72.4	75.4	65.6	87.7	100.2	112.7	124.2
Gross profit	29.2	34.8	32.2	37.3	40.8	55.4	58.8	50.6	68.9	78.2	86.5	96.1
SG&A	-16.8	-21.0	-26.2	-24.6	-24.7	-26.4	-25.0	-25.0	-28.8	-29.2	-30.6	-32.0
R&D	-4.5	-4.4	-5.5	-5.8	-6.5	-7.6	-7.9	-7.3	-10.3	-11.9	-12.0	-12.1
Other opex	-0.7	2.2	0.5	0.4	0.6	-1.1	0.5	-0.6	-0.4	-1.2	-1.2	-1.2
EBIT	7.2	11.6	1.0	7.3	10.2	20.3	26.4	17.7	29.4	35.9	42.7	50.8
Net financials	1.4	-0.5	1.0	0.2	1.3	4.6	-0.6	0.0	0.0	0.0	0.0	0.0
PTP	8.6	11.1	2.0	7.5	11.5	24.9	25.8	17.7	29.4	35.9	42.7	50.8
Taxes	8.0	3.4	-5.7	0.6	0.9	0.8	1.0	0.9	3.3	0.0	0.0	0.0
Net profit	16.5	14.5	-3.7	8.1	12.3	25.2	26.8	18.6	32.7	35.9	42.7	50.8
Growth and margins	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019e	2020e	2021e
Sales growth	97%	24%	-6%	13%	5%	33%	4%	-13%	34%	14%	12%	10%
EBIT growth	-214%	61%	-91%	630%	40%	99%	30%	-33%	66%	22%	19%	19%
Gross margin	74%	71%	70%	72%	75%	77%	78%	77%	79%	78%	77%	77%
SG&A+R&D / sales R12m	54%	52%	69%	59%	57%	47%	44%	49%	45%	41%	38%	36%
EBIT margin	18%	24%	2%	14%	19%	28%	35%	27%	34%	36%	38%	41%
Tax rate	-93%	-31%	285%	-8%	-8%	-3%	-4%	-5%	-11%	0%	0%	0%
Sales split	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019e	2020e	2021e
Equipment	0.0	0.0	0.0	10.1	4.9	7.7	7.1	3.7	4.6	4.0	9.0	7.0
Service	0.0	0.0	0.0	1.5	1.8	1.1	1.8	1.2	1.8	2.0	2.5	3.0
Series production	0.0	0.0	0.0	44.1	47.8	63.6	66.4	60.7	81.3	94.2	101.2	114.2
Net sales	39.4	49.0	45.9	51.9	54.5	72.4	75.4	65.6	87.7	100.2	112.7	124.2
Other metrics	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019e	2020e	2021e
Sampling cups	102,650	138,200	102,400	118,500	133,000	153,000	168,800	144,600	197,900	216,500	232,600	262,600
y-o-y	88%	35%	-26%	16%	12%	15%	10%	-14%	37%	9%	7%	13%
Engine equivalents / year (mn)	1.04	1.41	1.35	1.50	1.76	2.08	2.13	2.10	2.50	2.89	3.10	3.50
Working capital / sales	29%	20%	24%	9%	18%	13%	16%	21%	24%	23%	23%	23%
Net debt	-37	-48	-35	-48	-45	-48	-45	-30	-33	-30	-30	-35
ND/Equity	-0.46	-0.51	-0.45	-0.56	-0.51	-0.52	-0.47	-0.35	-0.33	-0.30	-0.29	-0.32
ROCE	21%	26%	2%	18%	25%	46%	55%	33%	48%	53%	60%	68%

Source: ABG Sundal Collier, company data

Income Statement (SEKm)	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019e	Q2 2019e	Q3 2019e	Q4 2019e
Sales	17	27	20	25	24	26	24	26
COGS	-3	-6	-4	-6	-5	-6	-5	-6
Gross profit	13	21	16	19	19	20	19	20
Other operating items	-8	-9	-9	-11	-10	-10	-10	-10
EBITDA	6	12	6	8	9	10	9	10
Depreciation on tangibles	-1	-1	-0	-1	-1	-1	-1	-1
Depreciation on intangibles	0	0	0	0	0	0	0	0
EBITA	5	11	6	8	9	9	8	10
Goodwill impairment charges	0	0	0	0	0	0	0	0
Other impairment and amortisation	0	0	0	0	0	0	0	0
EBIT	5	11	6	8	9	9	8	10
Interest Net	-1	-1	1	0	0	0	0	0
Other financial items	0	0	0	0	0	0	0	0
Associated income	0	0	0	0	0	0	0	0
Other EO items	0	0	0	0	0	0	0	0
Pretax profit	4	10	7	8	9	9	8	10
Tax	0	1	0	2	0	0	0	0
Net profit	4	11	7	10	9	9	8	10
Minority interest	0	0	0	0	0	0	0	0
Net profit discontinued	0	0	0	0	0	0	0	0
Net profit to shareholders	4	11	7	10	9	9	8	10
EPS	0.58	1.61	0.99	1.44	1.23	1.30	1.16	1.36
EPS Adj	0.58	1.61	0.99	1.44	1.23	1.30	1.16	1.36
Total extraordinary items after tax	0	0	0	0	0	0	0	0
Tax rate (%)	0	9.6	0	29.1	0	0	0	0
Gross margin (%)	79.5	78.0	80.2	77.2	77.9	78.0	77.9	78.1
EBITDA margin (%)	33.1	42.9	32.5	32.5	38.3	38.1	36.0	39.3
EBITA margin (%)	29.5	41.0	30.5	30.5	35.9	36.0	33.9	37.2
EBIT margin (%)	29.5	41.0	30.5	30.5	35.9	36.0	33.9	37.2
Pretax margin (%)	24.7	38.8	35.5	32.1	35.9	36.0	33.9	37.2
Net margin (%)	24.7	42.5	35.5	41.5	35.9	36.0	33.9	37.2
Growth rates Y/Y	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019e	Q2 2019e	Q3 2019e	Q4 2019e
Sales growth (%)	19.4	55.8	18.0	38.2	46.7	-4.6	23.6	5.6
EBITDA growth (%)	77.4	125.5	23.1	37.9	69.5	-15.3	37.0	27.7
EBIT growth (%)	75.0	129.2	27.7	38.9	78.4	-16.2	37.5	28.8
Net profit growth (%)	36.7	107.3	48.9	88.9	113.2	-19.2	17.8	-5.3
EPS growth (%)	36.7	107.3	48.9	88.9	113.2	-19.2	17.8	-5.3
Adj earnings numbers	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019e	Q2 2019e	Q3 2019e	Q4 2019e
EBITDA Adj	6	12	6	8	9	10	9	10
EBITDA Adj margin (%)	33.1	42.9	32.5	32.5	38.3	38.1	36.0	39.3
EBITA Adj	5	11	6	8	9	9	8	10
EBITA Adj margin (%)	29.5	41.0	30.5	30.5	35.9	36.0	33.9	37.2
EBIT Adj	5	11	6	8	9	9	8	10
EBIT Adj margin (%)	29.5	41.0	30.5	30.5	35.9	36.0	33.9	37.2
Pretax profit Adj	4	10	7	8	9	9	8	10
Net profit Adj	4	11	7	10	9	9	8	10
Net profit to shareholders Adj	4	11	7	10	9	9	8	10
Net Adj margin (%)	24.7	42.5	35.5	41.5	35.9	36.0	33.9	37.2

Source: ABG Sundal Collier, Company data

Income Statement (SEKm)	2012	2013	2014	2015	2016	2017	2018	2019e	2020e	2021e
Sales	46	52	55	72	75	66	88	100	113	124
COGS	-14	-15	-18	-17	-17	-15	-19	-22	-26	-28
Gross profit	32	37	36	55	59	51	69	78	86	96
Other operating items	-30	-29	-25	-34	-31	-31	-37	-40	-40	-42
EBITDA	2	8	11	21	27	19	32	38	46	55
Depreciation on tangibles	-1	-1	-1	-1	-1	-2	-2	-2	-3	-4
Depreciation on intangibles	0	0	0	0	0	0	0	0	0	0
EBITA	1	7	10	20	26	18	29	36	43	51
Goodwill impairment charges	0	0	0	0	0	0	0	0	0	0
Other impairment and amortisation	0	0	0	0	0	0	0	0	0	0
EBIT	1	7	10	20	26	18	29	36	43	51
Interest Net	1	0	1	5	-1	0	0	0	0	0
Other financial items	0	0	0	0	0	0	0	0	0	0
Associated income	0	0	0	0	0	0	0	0	0	0
Other EO items	0	0	0	0	0	0	0	0	0	0
Pretax profit	2	8	12	25	26	18	29	36	43	51
Tax	-6	1	1	1	1	1	3	0	0	0
Net profit	-4	8	12	26	27	19	33	36	43	51
Minority interest	0	0	0	0	0	0	0	0	0	0
Net profit discontinued	0	0	0	0	0	0	0	0	0	0
Net profit to shareholders	-4	8	12	26	27	19	33	36	43	51
EPS	-0.53	1.14	1.75	3.62	3.78	2.62	4.61	5.06	6.02	7.16
EPS Adj	-0.53	1.14	1.75	3.62	3.78	2.62	4.61	5.06	6.02	7.16
Total extraordinary items after tax	0	0	0	0	0	0	0	0	0	0
Tax rate (%)	285.0	8.0	7.8	3.2	3.9	5.1	11.2	0	0	0
Gross margin (%)	70.2	71.9	66.6	76.5	78.0	77.1	78.6	78.0	76.7	77.4
EBITDA margin (%)	4.4	15.6	20.2	29.1	36.3	29.3	36.0	38.0	40.9	43.9
EBITA margin (%)	2.2	14.1	18.7	28.0	35.0	27.0	33.5	35.8	37.9	40.9
EBIT margin (%)	2.2	14.1	18.7	28.0	35.0	27.0	33.5	35.8	37.9	40.9
Pretax margin (%)	4.4	14.5	21.1	34.4	34.2	27.0	33.5	35.8	37.9	40.9
Net margin (%)	-8.1	15.6	22.8	35.5	35.5	28.4	37.3	35.8	37.9	40.9
Growth rates Y/Y	2012	2013	2014	2015	2016	2017	2018	2019e	2020e	2021e
Sales growth (%)	-6.3	13.1	5.0	32.8	4.1	-13.0	33.7	14.3	12.4	10.3
EBITDA growth (%)	-84.3	305.0	35.8	91.8	29.9	-29.9	64.6	20.4	21.0	18.4
EBIT growth (%)	-91.4	630.0	39.7	99.0	30.0	-33.0	66.1	22.0	19.0	19.0
Net profit growth (%)	-125.5	318.9	53.1	107.3	4.3	-30.6	75.8	9.7	19.0	19.0
EPS growth (%)	-125.4	316.1	53.1	107.3	4.3	-30.6	75.8	9.7	19.0	19.0
Profitability	2012	2013	2014	2015	2016	2017	2018	2019e	2020e	2021e
ROE (%)	-4.3	10.0	14.3	28.3	28.4	20.5	35.4	36.1	42.1	47.3
ROE Adj (%)	-4.3	10.0	14.3	28.3	28.4	20.5	35.4	36.1	42.1	47.3
ROCE (%)	7.3	63.8	92.7	141.5	156.7	84.7	110.1	111.7	120.7	131.8
ROCE Adj(%)	7.3	63.8	92.7	141.5	156.7	84.7	110.1	111.7	120.7	131.8
ROIC (%)	-13.5	68.9	100.0	146.0	162.7	89.0	122.5	111.7	120.7	131.8
ROIC Adj (%)	-13.5	68.9	100.0	146.0	162.7	89.0	122.5	111.7	120.7	131.8
Adj earnings numbers	2012	2013	2014	2015	2016	2017	2018	2019e	2020e	2021e
EBITDA Adj	2	8	11	21	27	19	32	38	46	55
EBITDA Adj margin (%)	4.4	15.6	20.2	29.1	36.3	29.3	36.0	38.0	40.9	43.9
EBITA Adj	1	7	10	20	26	18	29	36	43	51
EBITA Adj margin (%)	2.2	14.1	18.7	28.0	35.0	27.0	33.5	35.8	37.9	40.9
EBIT Adj	1	7	10	20	26	18	29	36	43	51
EBIT Adj margin (%)	2.2	14.1	18.7	28.0	35.0	27.0	33.5	35.8	37.9	40.9
Pretax profit Adj	2	8	12	25	26	18	29	36	43	51
Net profit Adj	-4	8	12	26	27	19	33	36	43	51
Net profit to shareholders Adj	-4	8	12	26	27	19	33	36	43	51
Net Adj margin (%)	-8.1	15.6	22.8	35.5	35.5	28.4	37.3	35.8	37.9	40.9

Source: ABG Sundal Collier, Company data

Cash Flow Statement (SEKm)	2012	2013	2014	2015	2016	2017	2018	2019e	2020e	2021e
EBITDA	2	8	11	21	27	19	32	38	46	55
Net financial items	1	0	1	5	-1	0	0	0	0	0
Paid tax	0	0	0	0	0	0	3	0	0	0
Non-cash items	-1	-0	-1	-6	1	-0	-3	0	0	0
Cash flow before change in WC	2	8	12	20	28	19	32	38	46	55
Change in WC	-1	6	-5	0	-2	-2	-7	-3	-3	-3
Operating cash flow	1	14	7	20	25	17	25	35	44	52
CAPEX tangible fixed assets	-2	-1	-1	-2	-3	-4	-3	-3	-4	-4
CAPEX intangible fixed assets	0	0	0	0	0	0	0	0	0	0
Acquisitions and disposals	0	0	0	0	0	0	0	0	0	0
Free cash flow	-0	14	5	19	22	13	22	32	40	48
Dividend paid	-7	-7	-9	-16	-25	-28	-19	-35	-39	-43
Share issues and buybacks	0	0	0	0	0	0	0	0	0	0
Other non cash items	-10	7	1	1	1	1	3	0	0	0
Decrease in net IB debt	-17	13	-2	4	-1	-14	6	-3	1	5
Balance Sheet (SEKm)	2012	2013	2014	2015	2016	2017	2018	2019e	2020e	2021e
Goodwill	0	0	0	0	0	0	0	0	0	0
Indefinite intangible assets	2	2	2	4	5	8	8	8	8	8
Definite intangible assets	0	0	0	0	0	0	0	0	0	0
Tangible fixed assets	2	2	2	2	2	2	2	3	3	4
Other fixed assets	28	29	30	30	32	33	36	36	36	36
Fixed assets	32	32	34	36	39	42	46	46	47	48
Inventories	4	4	4	4	4	4	7	7	8	9
Receivables	12	11	15	18	19	18	25	29	33	36
Other current assets	0	0	0	0	0	0	0	0	0	0
Cash and liquid assets	35	48	45	48	45	30	33	30	30	35
Total assets	83	95	97	106	108	95	110	112	118	128
Shareholders equity	78	85	88	93	96	86	99	100	103	112
Minority	0	0	0	0	0	0	0	0	0	0
Total equity	78	85	88	93	96	86	99	100	103	112
Long-term debt	0	0	0	0	0	0	0	0	0	0
Pension debt	0	0	0	0	0	0	0	0	0	0
Convertible debt	0	0	0	0	0	0	0	0	0	0
Deferred tax	0	0	0	0	0	0	0	0	0	0
Other long-term liabilities	0	0	0	0	0	0	0	0	0	0
Short-term debt	0	0	0	0	0	0	0	0	0	0
Accounts payable	5	10	8	13	12	9	11	12	15	16
Other current liabilities	0	0	0	0	0	0	0	0	0	0
Total liabilities and equity	83	95	97	106	108	95	110	112	118	128
Net IB debt	-63	-77	-75	-78	-77	-63	-69	-66	-66	-71
Net IB debt excl. pension debt	-63	-77	-75	-78	-77	-63	-69	-66	-66	-71
Capital invested	15	8	14	15	19	23	30	34	37	40
Working capital	11	5	10	10	12	14	21	23	26	29
EV breakdown	2012	2013	2014	2015	2016	2017	2018	2019e	2020e	2021e
Market cap. diluted (m)	na	560	539	626	580	461	573	709	709	709
Net IB debt Adj	-35	-48	-45	-48	-45	-30	-33	-30	-30	-35
Market value of minority	0	0	0	0	0	0	0	0	0	0
Reversal of shares and participations	0	0	0	0	0	0	0	0	0	0
Reversal of conv. debt assumed equity	0	0	0	0	0	0	0	0	0	0
EV	na	512	494	578	534	431	540	679	679	674
Capital efficiency (%)	2012	2013	2014	2015	2016	2017	2018	2019e	2020e	2021e
Total assets turnover (%)	50.2	58.4	56.9	71.3	70.5	64.9	85.6	90.3	98.1	101.2
Capital invested turnover (%)	335.0	453.3	495.5	504.5	447.5	313.9	328.5	312.2	318.8	322.5
Capital employed turnover (%)	335.0	453.3	495.5	504.5	447.5	313.9	328.5	312.2	318.8	322.5
Inventories/sales (%)	9.2	7.6	6.8	5.5	5.8	6.5	6.1	6.7	6.6	6.7
Customer advances/sales (%)	0	0	0	0	0	0	0	0	0	0
Payables/sales (%)	12.9	14.6	17.0	14.9	16.5	15.7	11.3	11.6	11.9	12.4
Working capital/sales (%)	22.9	15.1	13.3	13.4	14.1	19.3	19.6	22.0	21.9	21.9
Financial risk and debt service	2012	2013	2014	2015	2016	2017	2018	2019e	2020e	2021e
Net debt/equity (%)	-81.1	-90.3	-84.4	-84.0	-80.4	-73.2	-69.4	-66.1	-64.3	-64.0
Net debt/market cap (%)	na	-16.5	-12.9	-12.5	-12.8	-11.9	-12.6	-9.3	-9.4	-10.1
Equity ratio (%)	93.9	89.3	91.3	87.6	89.1	90.6	90.0	89.1	87.6	87.3
Net IB debt adj./equity (%)	-45.4	-56.4	-50.8	-51.5	-47.3	-35.1	-33.1	-29.9	-29.4	-31.7
Current ratio (%)	1,009.8	619.8	751.2	536.4	587.2	591.0	586.4	537.1	484.4	495.9
EBITDA/net interest (%)	-200.0	-4,050.0	-846.2	-458.7	4,566.7	high	high	high	high	high
Net IB debt/EBITDA (%)	-3,160.0	-944.4	-678.2	-371.1	-281.0	-327.1	-217.7	-172.9	-144.2	-130.9
Interest cover (%)	-100.0	-3,650.0	-784.6	-441.3	4,400.0	nm	nm	nm	nm	nm

Source: ABG Sundal Collier, Company data

Valuation and Ratios (SEKm)	2012	2013	2014	2015	2016	2017	2018	2019e	2020e	2021e
Shares outstanding adj.	7	7	7	7	7	7	7	7	7	7
Fully diluted shares Adj	7	7	7	7	7	7	7	7	7	7
EPS	-0.53	1.14	1.75	3.62	3.78	2.62	4.61	5.06	6.02	7.16
Dividend per share Adj	1.0	1.2	2.2	3.5	4.0	2.8	5.0	5.5	6.0	7.0
EPS Adj	-0.53	1.14	1.75	3.62	3.78	2.62	4.61	5.06	6.02	7.16
BVPS	11.13	11.95	12.47	13.15	13.51	12.10	13.99	14.05	14.57	15.73
BVPS Adj	11.13	11.95	12.47	13.15	13.51	12.10	13.99	14.05	14.57	15.73
Net IB debt / share	-9.0	-10.8	-10.5	-11.0	-10.9	-8.9	-9.7	-9.3	-9.4	-10.1
Share price	na	79.00	76.00	88.25	81.75	65.00	80.80	100.00	100.00	100.00
Market cap. (m)	na	560	539	626	580	461	573	709	709	709
Valuation	2012	2013	2014	2015	2016	2017	2018	2019e	2020e	2021e
P/E	na	69.1	43.5	24.3	21.6	24.8	17.5	19.8	16.6	14.0
EV/sales	na	9.87	9.06	7.98	7.09	6.57	6.16	6.78	6.02	5.42
EV/EBITDA	na	63.2	44.9	27.4	19.5	22.4	17.1	17.8	14.7	12.4
EV/EBITA	na	70.2	48.4	28.5	20.2	24.3	18.4	18.9	15.9	13.3
EV/EBIT	na	70.2	48.4	28.5	20.2	24.3	18.4	18.9	15.9	13.3
Dividend yield (%)	na	1.5	2.9	4.0	4.9	4.2	6.2	5.5	6.0	7.0
FCF yield (%)	na	2.5	1.0	3.0	3.8	2.9	3.9	4.6	5.6	6.7
P/BVPS	na	6.61	6.10	6.71	6.05	5.37	5.78	7.12	6.86	6.36
P/BVPS Adj	na	6.61	6.10	6.71	6.05	5.37	5.78	7.12	6.86	6.36
P/E Adj	na	69.1	43.5	24.3	21.6	24.8	17.5	19.8	16.6	14.0
EV/EBITDA Adj	na	63.2	44.9	27.4	19.5	22.4	17.1	17.8	14.7	12.4
EV/EBITA Adj	na	70.2	48.4	28.5	20.2	24.3	18.4	18.9	15.9	13.3
EV/EBIT Adj	na	70.2	48.4	28.5	20.2	24.3	18.4	18.9	15.9	13.3
EV/cap. employed	na	62.5	35.8	38.8	28.4	18.7	17.8	20.1	18.4	16.8
Investment ratios	2012	2013	2014	2015	2016	2017	2018	2019e	2020e	2021e
Capex/sales	3.5	1.2	2.4	2.3	4.4	5.6	3.0	2.9	3.5	3.5
Capex/depreciation	160.0	75.0	162.5	212.5	330.0	246.7	118.2	132.2	116.7	116.7
Capex tangibles/tangible fixed assets	80.0	31.6	81.3	100.0	173.7	217.6	123.8	103.3	117.1	109.0
Capex intangibles/definite intangibles	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm
Depreciation on intangibles/definite inta	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm
Depreciation on tangibles/tangibles	50.0	42.1	50.0	47.1	52.6	88.2	104.8	78.1	100.3	93.4

Source: ABG Sundal Collier, Company data

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