

SINTERCAST

SHARE PRICE (SEK): 72,00

NASDAQ OMX Small Cap

Industrials

- Production record
- Solid cost control
- Minor adjustments to estimates

Production record. SinterCast reported net sales for the first quarter of SEK 16.6 million (13.9), corresponding to Y/Y growth of 19.4% and 6% below our estimate of SEK 17.7 million. The number of engine equivalents delivered amounted to a record annualised 2.5 million (2.0), which was Y/Y growth of about 0.5 million or 25%. Management says that the growth was on a broad front, but mainly derived from three high-volume engine programmes and the production start of the V8 and V12 engine blocks at the Luitpoldhütte foundry. The company's guidance is that March volumes reached a record annualised 2.7 million. However, we estimate that these volumes should not be extrapolated for the second quarter. The number of sampling cups shipped amounted to 32,500 (28,700), suggesting a recovery from the inventory build-up that impacted the company during much of 2017.

Solid cost control. Operating profit amounted to SEK 4.9 million (2.8), corresponding to Y/Y growth of 75% and a margin of 29.5% (20.1). The Y/Y margin expansion of 940 bps is derived partly from a strengthened gross margin of 200 bps amounting to 80% (78) and good cost control. Operating costs increased by 3% Y/Y, and in relation to sales were -50.0% (-57.6). Operating costs were in line with our estimate of SEK -8.3 million, but given our higher sales estimate these were 300 bps higher as a percentage of sales.

Minor adjustments to estimates. The report highlights positive guidance, with a stronger market and with new engine programmes and growth from other segments, including industrial power, which could make good contributions to production going forward. The order for a SinterCast Mini-System 3000 and a wirefeeder worth SEK 1.5 million from Sanlian in China should also boost Q2. However, our forecast had anticipated much of this and the report therefore leads to only minor forecast adjustments. We are upping sales by 0.4% and EBIT by 0.4% for this year. For 2019 the upward revisions are 2% and 3% respectively.

COMPANY DESCRIPTION

SinterCast is the world leading supplier of on-line process control technology and know-how for the reliable high-volume production of Compacted Graphite Iron (CGI). The company provides CGI solutions to the world foundry and automotive industries. SinterCast is a publicly listed company on the NASDAQ OMX Stockholm Stock Exchange.

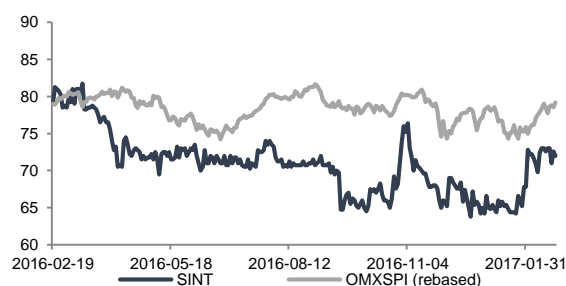
Analyst: Carl Ragnerstam
 carl.ragnerstam@remium.com, +46 (0) 8 454 32 23

KEY DATA		SHARE PERFORMANCE	
Market Capitalization (SEKm)	510	1 month (%)	11,8
Net Debt (SEKm)	-37,3	3 month (%)	5,9
Enterprise Value (SEKm)	473	12 months (%)	-11,1
Equity ratio(%)	88,7	YTD (%)	10,8
No of shares.(mn)	7,1	52-V High	81,8
No of shares (dil.mn)	7,1	52-V Low	62,4
Free Float (%)	87,9	Ticker	SINT

	2016A	2017A	2018E	2019E
Sales (SEKm)	75,4	65,6	73,8	87,6
EBITDA (SEKm)	27,4	19,2	24,1	31,8
EBIT (SEKm)	26,4	17,7	22,3	29,8
EBT (SEKm)	25,8	17,8	21,7	30,2
EPS (just. SEK)	3,8	2,6	3,1	4,3
DPS (SEK)	4,0	2,8	3,0	3,2
Sales growth (%)	4,1	-13,0	12,5	18,8
EPS growth (%)	4,3	-30,2	16,0	39,0
EBIT-margin (%)	35,0	27,0	30,2	34,1

	2016A	2017A	2018E	2019E
P/E (x)	21,6	27,3	23,5	16,9
P/BV (x)	6,1	5,9	5,7	5,2
EV/S (x)	7,1	6,6	6,5	5,4
EV/EBITDA (x)	19,5	22,4	19,9	14,8
EV/EBIT (x)	20,2	24,3	21,6	15,8
Div. Yield (%)	4,9	3,8	4,2	4,4

STOCK PERFORMANCE



Source: Infront, company reports, Remium Nordic, Holdings

MAJOR SHARHOLDERS	CAPITAL	VOTES
Avanza Pension	12,1%	12,1%
VLTCM Ltd	12,1%	12,1%
UBS AG Client	11,2%	11,2%
Nordnet Pension	8,8%	8,8%

MANAGEMENT		FINANCIAL CALENDER	
Chairman	Hans-Eric Andersson	2Q-report	2018-08-22
CEO	Steve Dawson	3Q-report	2018-11-14
CFO	Daphner Uhmeier		

INCOME STATEMENT

MSEK	1Q17A	2Q17A	3Q17A	4Q17A	1Q18A	2Q18E	3Q18E	4Q18E	2015A	2016A	2017A	2018E	2019E	2020E
Sales	13,9	17,2	16,7	17,8	16,6	18,6	18,4	20,2	72,4	75,4	65,6	73,8	87,6	90,0
COGS	-3,1	-3,8	-4,0	-4,1	-3,4	-4,1	-4,2	-4,5	-17,0	-16,6	-15,0	-16,2	-18,7	-19,1
Gross revenue	10,8	13,4	12,7	13,7	13,2	14,5	14,2	15,7	55,4	58,8	50,6	57,6	69,0	70,9
Operating costs	-7,7	-8,3	-7,5	-7,9	-7,7	-8,2	-8,3	-8,7	-34,3	-31,4	-31,4	-33,5	-37,1	-38,0
EO-costs	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
EBITDA	3,1	5,1	5,2	5,8	5,5	6,2	5,9	7,0	21,1	27,4	19,2	24,1	31,8	32,8
Depreciation	-0,3	-0,3	-0,5	-0,4	-0,6	-0,4	-0,4	-0,4	-0,8	-1,0	-1,5	-1,8	-2,0	-2,1
EBIT	2,8	4,8	4,7	5,4	4,9	5,8	5,5	6,6	20,3	26,4	17,7	22,3	29,8	30,7
Net financials	0,2	-0,2	0,0	0,0	-0,8	0,1	0,0	0,1	4,6	-0,6	0,1	-0,6	0,3	0,4
EBT	3,0	4,6	4,7	5,4	4,1	5,9	5,6	6,7	24,9	25,8	17,8	21,7	30,2	31,1
Tax & minorities	0,0	0,9	0,0	0,0	0,0	0,0	0,0	0,0	0,8	1,0	0,9	0,0	0,0	0,0
Net result	3,0	5,5	4,7	5,4	4,1	5,9	5,6	6,7	25,7	26,8	18,7	21,7	30,2	31,1
EPS bef. dil. (SEK)	0,42	0,78	0,66	0,76	0,58	0,83	0,79	0,94	3,62	3,78	2,64	3,06	4,25	4,39
EPS aft. dil. (SEK)	0,42	0,77	0,66	0,76	0,58	0,83	0,79	0,94	3,62	3,78	2,64	3,06	4,25	4,39
Sales Growth Q/Q	-19%	24%	-3%	7%	-7%	12%	-1%	10%	N/A	N/A	N/A	N/A	N/A	N/A
Sales Growth Y/Y	-14%	-6%	-30%	3%	19%	8%	10%	14%	33%	4%	-13%	12%	19%	3%
Adj. EBITDA margin	22%	30%	31%	33%	33%	33%	32%	35%	29%	36%	29%	33%	36%	37%
Adj. EBIT margin	20%	28%	28%	30%	30%	31%	30%	33%	28%	35%	27%	30%	34%	34%
Adj. EBT margin	22%	27%	28%	30%	25%	32%	30%	33%	34%	34%	27%	29%	34%	35%

CASH FLOW

MSEK	2015A	2016A	2017A	2018E	2019E	2020E
Cash flow b.f. ch. in work.cap.	21	27	19	25	32	33
Change in working capital	-1	-2	-2	-3	0	0
Cash flow from operating activities	20	25	17	22	33	33
Cash flow from investments	-2	-3	-4	-3	-2	-2
Free Cash Flow	19	22	13	20	31	31
Cash flow from financing	-16	-25	-28	-19	-21	-23
Net Cash Flow	3	-3	-15	0	10	8

PER SHARE DATA & RETURN ON CAPITAL

SEK	2015A	2016A	2017A	2018E	2019E	20
EPS	3,62	3,78	2,64	3,06	4,25	4,39
Adj. EPS	3,62	3,78	2,64	3,06	4,25	4,39
BVPS	13,15	13,51	12,10	12,54	13,79	14,98
CEPS	2,88	3,58	2,38	3,11	4,59	4,63
DPS	3,50	4,00	2,75	3,00	3,20	3,50
ROE	28%	28%	22%	24%	31%	29%
Adj. ROE	28%	28%	22%	24%	31%	29%
Solidity	88%	89%	91%	88%	87%	88%

BALANCE SHEET

MSEK	2015A	2016A	2017A	2018E	2019E	2020E
Intangible Assets	4	5	8	8	8	8
Cash and cash equivalent	48	45	30	30	40	48
Total Assets	106	108	95	101	112	121
Equity	93	96	86	89	98	106
Net Debt	-48	-45	-30	-30	-40	-48
Net Working Capital	72	74	74	83	86	87

SHARE STRUCTURE

	2015A	2016A	2017A	2018E	2019E	20
No. of A-shares (m)	-	-	-	-	-	Box 10203
No. of B-shares (m)	7,1	7,1	7,1	7,1	7,1	100 55 Stockholm
Total no. of shares (m)	7,1	7,1	7,1	7,1	7,1	+46 (0)8 660 77 50
						www.sintercast.com

COMPANY CONTACT

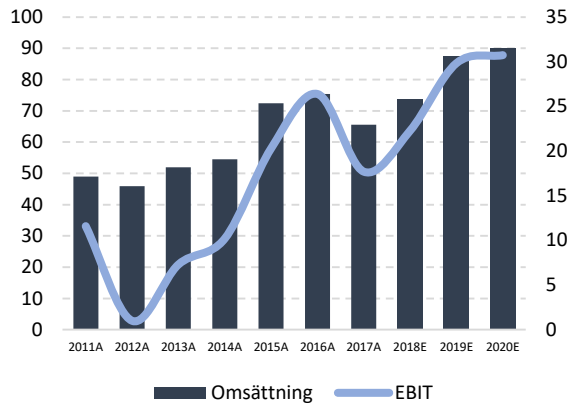
Sources: Infront, Company reports, Remium Nordic

ESTIMATE CHANGES

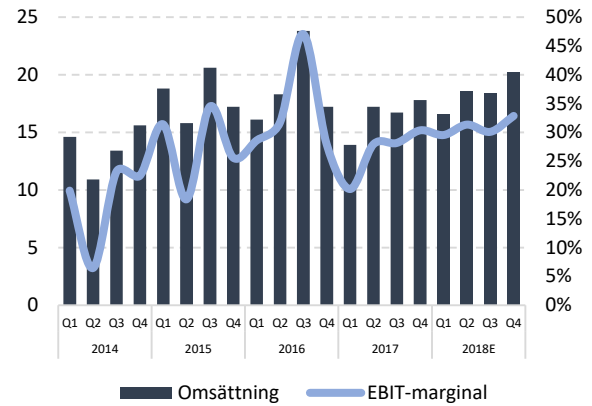
MSEK	1Q 2018A			2018E			2019E			
	Estimate	Actual	Diff (%)	Bef	Now	Diff (%)	Bef	Now	Diff (%)	
Sales		17,7	16,6	-6%	73,5	73,8	0%	85,5	87,6	2%
EBIT		5,4	4,9	-9%	22,2	22,3	0%	28,9	29,8	3%
Adj. EPS (SEK)		0,8	0,6	-22%	3,0	3,1	1%	4,1	4,3	3%

INCOME STATEMENT

SALES & EBIT, Y/Y (MSEK)

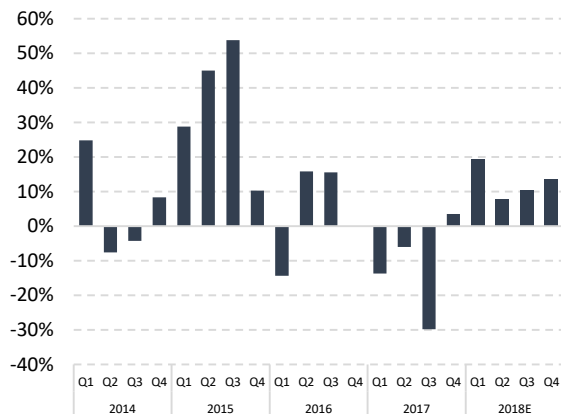


SALES & EBIT-MARGIN, Q/Q (MSEK)

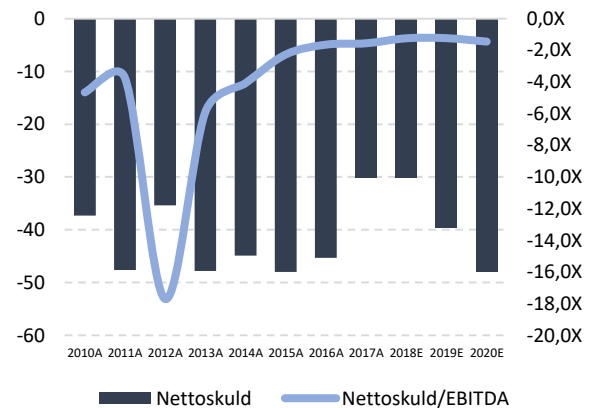


GROWTH & BALANCE SHEET

SALES GROWTH Y/Y

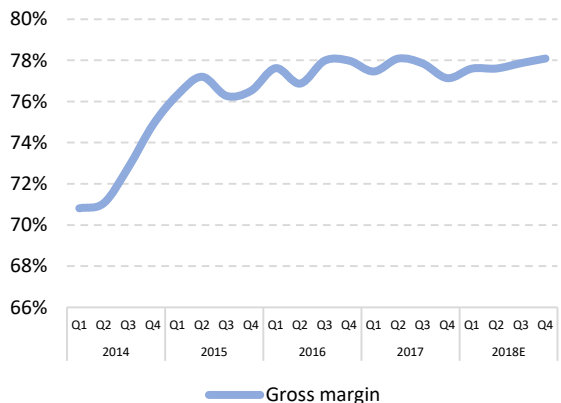


NET DEBT & NET DEBT/EBITDA

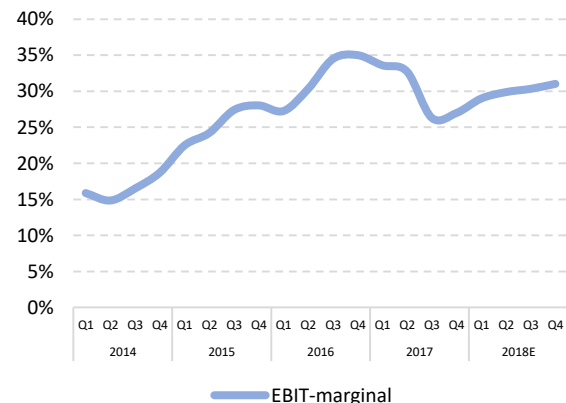


MARGINS, ROLLING 12m

GROSS MARGIN (R12m)

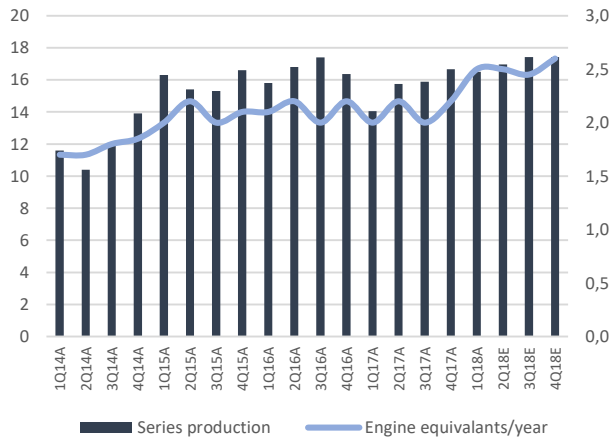


EBIT-MARGIN (R12m)

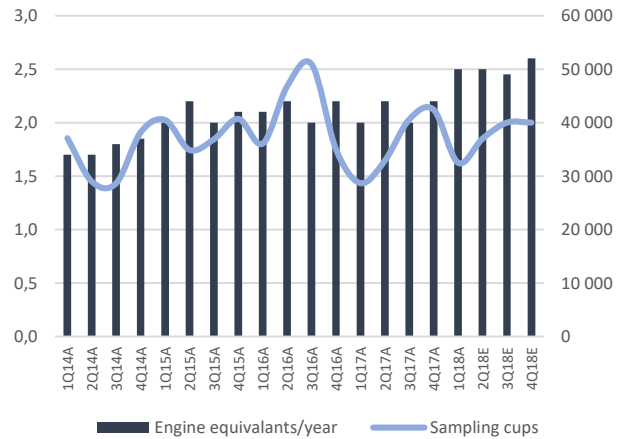


OPERATIONAL

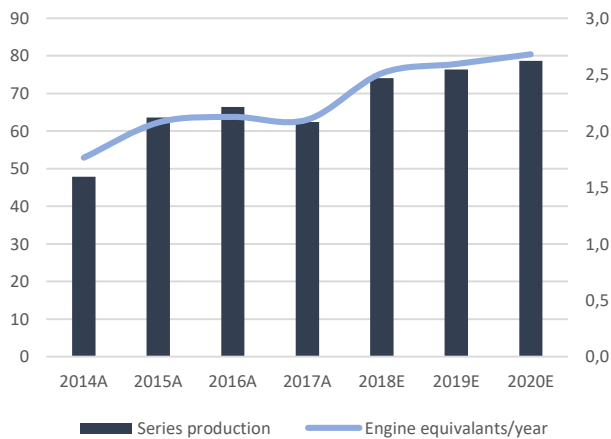
Series production (Q) vs Engine equivalents



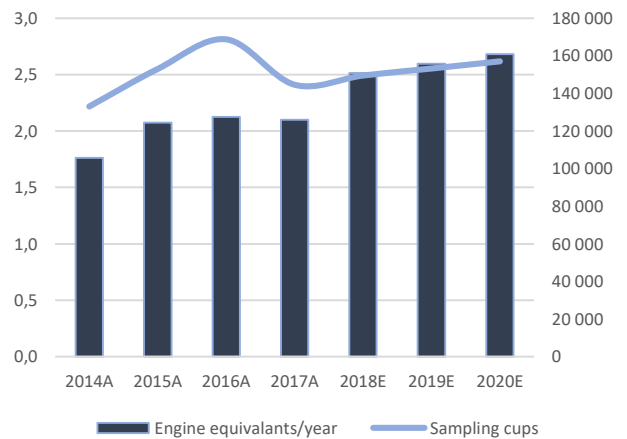
Engine equivalents (annualized) vs Sampling cups (Q)



Series production (FY) vs Engine equivalents

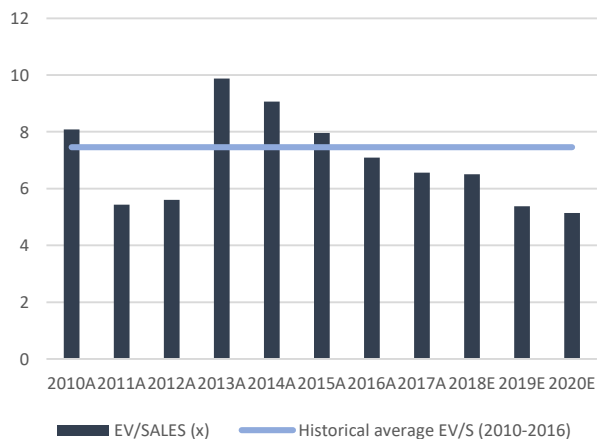


Engine equivalents (annualized) vs Sampling cups (FY)

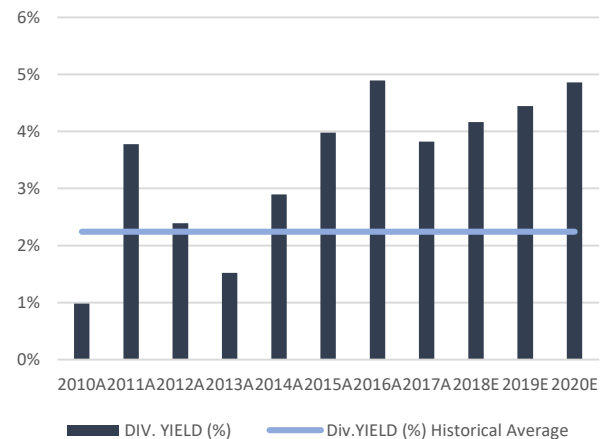


VALUATION

EV/Sales (x) vs Historical average (x)

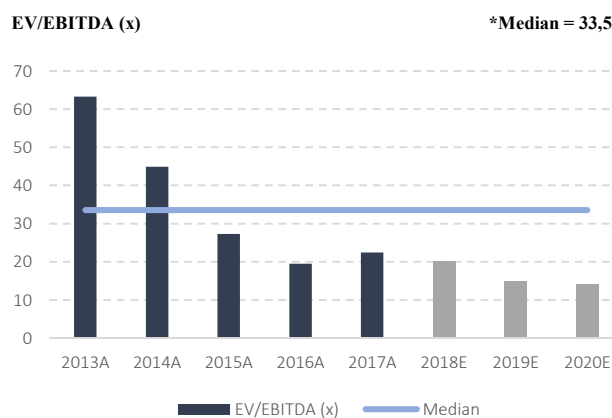
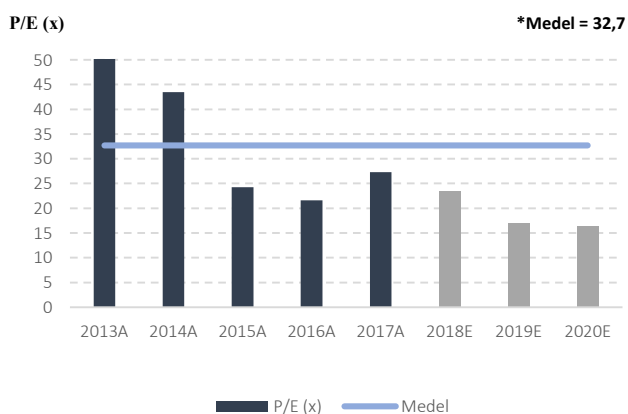


Dividend yield (%) vs Historical average (%)



HISTORICAL VALUATION

	2009A	2010A	2011A	2012A	2013A	2014A	2015A	2016A	2017A	2018E	2019E	2020E	CAGR	L3Y	L5Y
Sales	20	39	49	46	52	55	72	75	66	74	88	90		6,4%	7,4%
EBIT	-6	7	12	1	7	10	20	26	18	22	30	31		20,2%	77,7%
EPS	-0,3	2,4	2,1	-0,5	1,1	1,7	3,6	3,8	2,6	3,1	4,3	4,4		14,7%	-237,9%
													AVG.	L3Y	L5Y
P/E (x)	neg.	21,4	21,6	neg.	69,1	43,5	24,3	21,6	27,3	23,5	16,9	16,4		24,4	37,2
EV/EBITDA (x)	neg.	39,8	21,0	128,6	63,2	44,9	27,3	19,5	22,4	19,9	14,8	14,1		23,1	35,5
EV/EBIT (x)	neg.	44,2	23,0	257,2	70,2	48,4	28,4	20,2	24,3	21,6	15,8	15,0		24,3	38,3
EV/SALES (x)	13,4	8,1	5,4	5,6	9,9	9,1	8,0	7,1	6,6	6,5	5,4	5,1		7,2	8,1
P/FCF (x)	neg.	142,3	22,3	neg.	40,6	99,8	33,4	26,2	38,7	26,1	16,6	16,5		32,8	47,7
P/BV (x)	5,8	4,4	3,4	3,8	6,6	6,1	6,7	6,1	5,9	5,7	5,2	4,8		6,2	6,3
ROA (%)	-3,0%	18,1%	14,5%	-4,5%	8,5%	12,8%	24,2%	24,9%	19,7%	21,5%	27,0%	25,8%		23%	18%
ROE (%)	-3,6%	20,4%	15,6%	-4,7%	9,6%	14,0%	27,6%	28,0%	21,8%	24,4%	30,8%	29,3%		26%	20%
ROCE (%)	-12,5%	8,5%	12,4%	1,3%	8,6%	11,5%	21,8%	27,6%	20,6%	25,1%	30,5%	28,9%		23%	18%
ROC (%)	-14,6%	12,2%	19,7%	1,9%	12,8%	16,9%	28,4%	35,7%	24,1%	26,8%	34,6%	35,3%		29%	24%
FCF YIELD (%)	-1,9%	0,7%	4,5%	-0,1%	2,5%	1,0%	3,0%	3,8%	2,6%	3,8%	6,0%	6,1%		3%	3%
DIV. YIELD (%)	0,0%	1,0%	3,8%	2,4%	1,5%	2,9%	4,0%	4,9%	3,8%	4,2%	4,4%	4,9%		4%	3%
No. of shares (m)	5,8	7,0	7,0	7,0	7,1	7,1	7,1	7,1	7,1	7,1	7,1	7,1			
Market Cap (MSEK)	294	356	314	293	560	539	624	580	461	510	510	510			
EV (MSEK)	269	318	266	257	512	494	576	534	431	480	471	463			



*Average based on historical ratios

SINTERCAST

Process control solutions for compacted graphite iron

SinterCast provides process control solutions and know-how for the reliable high-volume production of compacted graphite iron (CGI), which is a high-strength cast iron that improves the efficiency of components used in cars, heavy vehicles and industrial power components.



Process control solutions for automotive suppliers

SinterCast's technology measures and controls the molten iron before it is cast in moulds to ensure cost-effective series production of CGI. The technology reduces foundry discards and therefore lessens the environmental impact of the foundry process. SinterCast has been a global leader in product development and serial production of CGI since 1992. These efforts have established SinterCast as a credible supplier to the global foundry and automotive industries. SinterCast's goal is to continue promoting new CGI applications based on current series production to increase market opportunities. In parallel, SinterCast will develop new products and services to broaden and deepen existing customer relationships. SinterCast will also explore new product development opportunities in addition to its core CGI business to increase shareholder value in the long term.

The technology reduces foundry discards and therefore lessens the environmental impact

Compacted graphite iron

Compacted graphite iron (CGI) is a type of iron that gives at least 75 % higher tensile strength, 45 % higher stiffness and an approximate doubling of fatigue resistance compared to conventional cast iron and aluminium. The properties of CGI allow engineers to improve performance, fuel economy and durability while reducing engine weight, noise and exhaust emissions. SinterCast's process is also used in the manufacture of castings for a variety of CGI components, including engine blocks and cylinder heads, bedplates, turbo housings, exhaust manifolds, coupling components, piston rings, cylinder linings and large engine components for industrial power applications.

... 45 % higher stiffness and an approximate doubling of fatigue resistance

SINTERCAST

Market

SinterCast's technology is used in 13 countries in 44 foundries for the production of more than 50 CGI components in sizes ranging from 2 kg to 17 tonnes, all produced using the same process control technology. A further 15 foundries have installed process control systems for product development and R&D activities. End users of SinterCast CGI components include Aston Martin, Audi, Cameron Compression, Caterpillar, Chrysler, DAF Trucks, Ford, Ford-Otosan, General Electric Transportation Systems, General Motors, Hyundai, Jaguar, Jeep, Kia, Lancia, Land Rover, MAN, Navistar, Porsche, PSA Peugeot-Citroën, Renault, Rolls-Royce Power Engineering, Scania, Toyota, VM Motori, Volkswagen, Volvo and Waukesha Engine.

Business model

SinterCast sells or leases the hardware for its System 3000, leases the system software, sells sampling consumables and charges a production fee for every tonne of castings produced using the SinterCast technology. There are also revenues from spare parts, customer service, customer demonstrations and sales of test pieces. The total actual production costs (sampling consumables plus production charges) depend on ladle size and replacement for casting for each foundry and each product. A typical engine block production line provides revenue of around EUR 40-50 per tonne of castings, representing EUR 2.00-2.50 for each engine equivalent of 50 kg. SinterCast's business model is highly scalable, providing higher profitability as the installed base increases and more programmes come into series production.

There are also revenues from spare parts, customer service, customer demonstrations and sales of test pieces

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