

SINTERCAST

SHARE PRICE (SEK): 67,20

NASDAQ OMX Small Cap

Industrials

- Normalised inventory levels
- Good throughput and reduced dividend
- Downward revision of estimates

Normalised inventory levels. Sintercast reported net sales for the fourth quarter of SEK 17.8 million (17.2), corresponding to y/y growth of 3.5%. Net sales came in 5% below our forecast of SEK 18.7 million, with the difference attributable to 4% lower annualised engine equivalents. The annualised engine equivalents amounted to 2.2 million, which was unchanged compared with Q4 2016 but also the company's highest level ever. The number of sampling cups shipped during the quarter amounted to 42,400 (35,000), which is y/y growth of 21% or 7,400 units. This number of sampling cups was a positive surprise and beat our forecast of 41,900 by 1%. The company believes the inventory build-up that impacted large parts of 2017 now seems to be over, and normal levels are expected in 2018.

Good throughput and reduced total dividend. Operating profit amounted to SEK 5.4 million (4.8), corresponding to y/y growth of 12.5% and a margin of 30.3% (27.9). The margin expansion was a function of lower selling costs and reduced R&D. We estimated an operating profit of SEK 5.3 million, corresponding to a margin of 28.1%. The variance of around 2.3 percentage points from our estimate is attributable to SG&A 1 percentage point lower in relation to sales and 2.1 percentage points lower R&D. However, the gross margin was approximately 3 percentage points lower than our estimate and amounted to 77.0% (79.7), which slightly offset the lower operating costs. The board proposed an ordinary dividend of SEK 2.75/share (2.5), but no extra dividend was proposed like last year's SEK 1.50/share. Thus, a reduced total dividend amounting to SEK 2.75/share (4.0) was proposed, corresponding to SEK 19.5 million (28.4). We estimated a dividend of SEK 3.75/share.

Downward revision of estimates. We have downwardly adjusted our estimates for net sales and operating profit by 3% and 16% respectively 2018E. The downward revisions are based on increased long-term assumptions for the cost base.

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.

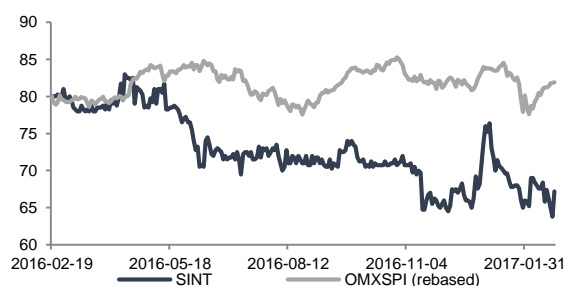
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KEY DATA		SHARE PERFORMANCE	
Market Capitalization (SEKm)	476	1 month (%)	-2,0
Net Debt (SEKm)	-30,1	3 month (%)	0,7
Enterprise Value (SEKm)	446	12 months (%)	-16,0
Equity ratio(%)	90,6	YTD (%)	3,4
No of shares.(mn)	7,1	52-V High	85,3
No of shares (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	75,2	82,3
EBITDA (SEKm)	27,4	19,2	25,0	29,4
EBIT (SEKm)	26,4	17,7	23,5	27,3
EBT (SEKm)	25,8	17,8	23,8	27,6
EPS (just. SEK)	3,8	2,6	3,4	3,9
DPS (SEK)	4,0	2,8	3,0	3,2
Sales growth (%)	4,1	-13,0	14,6	9,4
EPS growth (%)	4,3	-30,2	27,1	16,0
EBIT-margin (%)	35,0	27,0	31,2	33,1

	2016A	2017A	2018E	2019E
P/E (x)	21,6	25,5	20,0	17,3
P/BV (x)	6,1	5,6	5,3	4,9
EV/S (x)	7,1	6,6	5,9	5,3
EV/EBITDA (x)	19,5	22,4	17,8	14,9
EV/EBIT (x)	20,2	24,3	19,0	16,1
Div. Yield (%)	4,9	4,1	4,5	4,8

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	8,7%	8,7%

MANAGEMENT		FINANCIAL CALENDER	
Chairman	Hans-Eric Andersson	1Q-report	2018-04-25
CEO	Steve Dawson	2Q-report	2018-08-22
CFO	Daphner Uhmeier	3Q-report	2018-11-21

INCOME STATEMENT

MSEK	1Q17A	2Q17A	3Q17A	4Q17A	1Q18E	2Q18E	3Q18E	4Q18E	2015A	2016A	2017A	2018E	2019E	2020E
Sales	13,9	17,2	16,7	17,8	17,5	20,0	18,0	19,6	72,4	75,4	65,6	75,2	82,3	84,3
COGS	-3,1	-3,8	-4,0	-4,1	-3,7	-4,4	-4,1	-4,3	-17,0	-16,6	-15,0	-16,6	-17,5	-17,9
Gross revenue	10,8	13,4	12,7	13,7	13,8	15,6	13,9	15,3	55,4	58,8	50,6	58,6	64,7	66,4
Operating costs	-7,7	-8,3	-7,5	-7,9	-8,2	-8,7	-8,1	-8,5	-34,3	-31,4	-31,4	-33,7	-35,4	-36,2
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	5,6	6,9	5,8	6,8	21,1	27,4	19,2	25,0	29,4	30,2
Depreciation	-0,3	-0,3	-0,5	-0,4	-0,3	-0,4	-0,4	-0,4	-0,8	-1,0	-1,5	-1,5	-2,1	-2,2
EBIT	2,8	4,8	4,7	5,4	5,3	6,5	5,4	6,4	20,3	26,4	17,7	23,5	27,3	28,0
Net financials	0,2	-0,2	0,0	0,0	0,1	0,1	0,0	0,1	4,6	-0,6	0,1	0,3	0,3	0,4
EBT	3,0	4,6	4,7	5,4	5,4	6,6	5,4	6,4	24,9	25,8	17,8	23,8	27,6	28,4
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	5,4	6,6	5,4	6,4	25,7	26,8	18,7	23,8	27,6	28,4
EPS bef. dil. (SEK)	0,42	0,78	0,66	0,76	0,75	0,93	0,76	0,91	3,62	3,78	2,64	3,35	3,89	4,01
EPS aft. dil. (SEK)	0,42	0,77	0,66	0,76	0,75	0,93	0,76	0,91	3,62	3,78	2,64	3,35	3,89	4,01
Sales Growth Q/Q	-19%	24%	-3%	7%	-2%	15%	-10%	9%	N/A	N/A	N/A	N/A	N/A	N/A
Sales Growth Y/Y	-14%	-6%	-30%	3%	26%	17%	8%	10%	33%	4%	-13%	15%	9%	2%
Adj. EBITDA margin	22%	30%	31%	33%	32%	34%	32%	34%	29%	36%	29%	33%	36%	36%
Adj. EBIT margin	20%	28%	28%	30%	30%	32%	30%	32%	28%	35%	27%	31%	33%	33%
Adj. EBT margin	22%	27%	28%	30%	31%	33%	30%	33%	34%	34%	27%	32%	34%	34%

CASH FLOW

MSEK	2015A	2016A	2017A	2018E	2019E	2020E
Cash flow b.f. ch. in work.cap.	21	27	19	25	30	31
Change in working capital	-1	-2	-2	-2	1	0
Cash flow from operating activities	20	25	17	23	31	30
Cash flow from investments	-2	-3	-4	-3	-2	-2
Free Cash Flow	19	22	13	21	29	29
Cash flow from financing	-16	-25	-28	-19	-21	-23
Net Cash Flow	3	-3	-15	1	8	6

PER SHARE DATA & RETURN ON CAPITAL

SEK	2015A	2016A	2017A	2018E	2019E	20
EPS	3,62	3,78	2,64	3,35	3,89	4,01
Adj. EPS	3,62	3,78	2,64	3,35	3,89	4,01
BVPS	13,15	13,51	12,10	12,70	13,59	14,40
CEPS	2,88	3,58	2,38	3,27	4,32	4,27
DPS	3,50	4,00	2,75	3,00	3,20	3,50
ROE	28%	28%	22%	26%	29%	28%
Adj. ROE	28%	28%	22%	26%	29%	28%
Solidity	88%	89%	91%	88%	88%	88%

BALANCE SHEET

MSEK	2015A	2016A	2017A	2018E	2019E	2020E
Intangible Assets	4	5	8	9	9	9
Cash and cash equivalent	48	45	30	31	39	45
Total Assets	106	108	95	102	110	116
Equity	93	96	86	90	96	102
Net Debt	-48	-45	-30	-31	-39	-45
Net Working Capital	72	74	74	83	84	84

SHARE STRUCTURE

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

COMPANY CONTACT

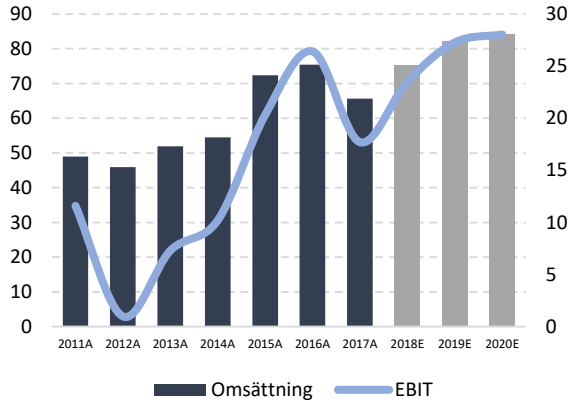
Sources: Infront, Company reports, Remium Nordic

ESTIMATE CHANGES

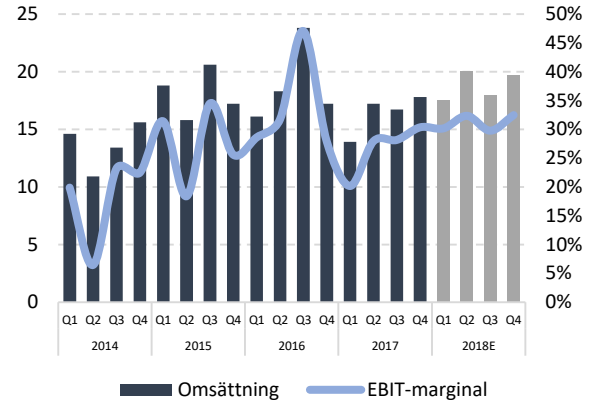
MSEK	4Q 2017A			2018E			2019E			
	Estimate	Actual	Diff (%)	Bef	Now	Diff (%)	Bef	Now	Diff (%)	
Sales		18,7	17,8	-5%	77,5	75,2	-3%	80,0	82,3	3%
EBIT		5,3	5,4	2%	28,0	23,5	-16%	30,3	27,3	-10%
Adj. EPS (SEK)		0,8	0,8	7%	4,0	3,4	-15%	4,3	3,9	-10%

INCOME STATEMENT

SALES & EBIT, Y/Y (MSEK)

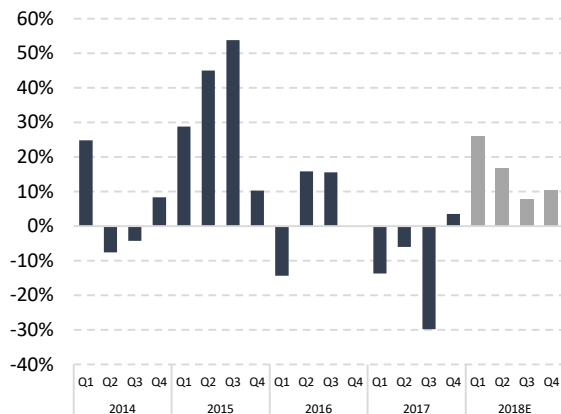


SALES & EBIT-MARGIN, Q/Q (MSEK)

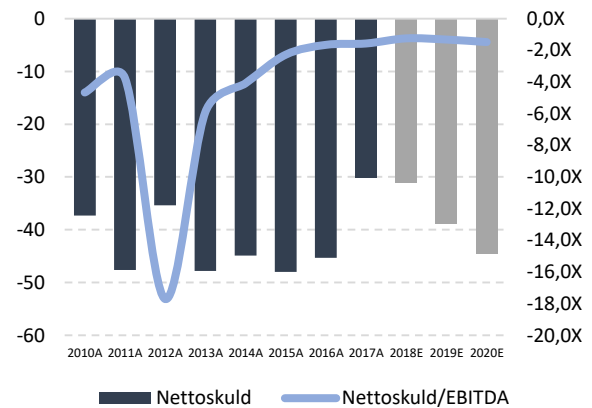


GROWTH & BALANCE SHEET

SALES GROWTH Y/Y

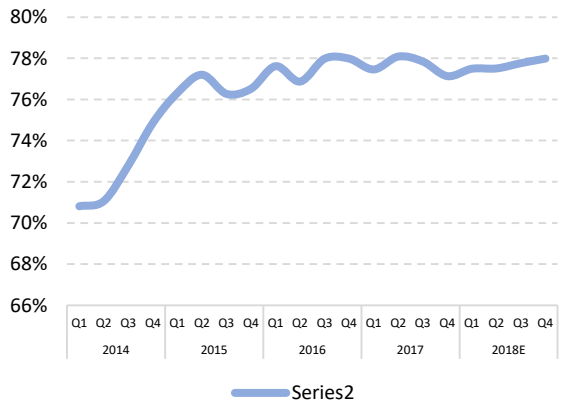


NET DEBT & NET DEBT/EBITDA

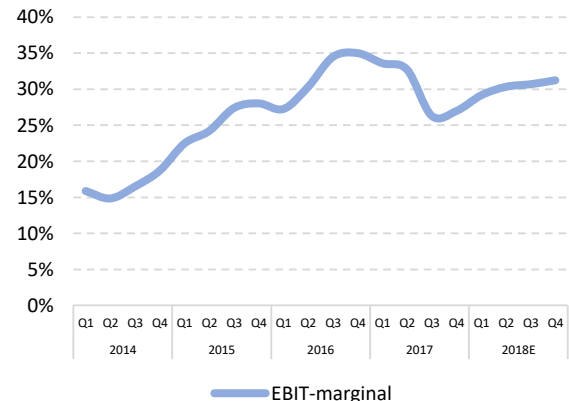


MARGINS, ROLLING 12m

GROSS MARGIN (R12m)

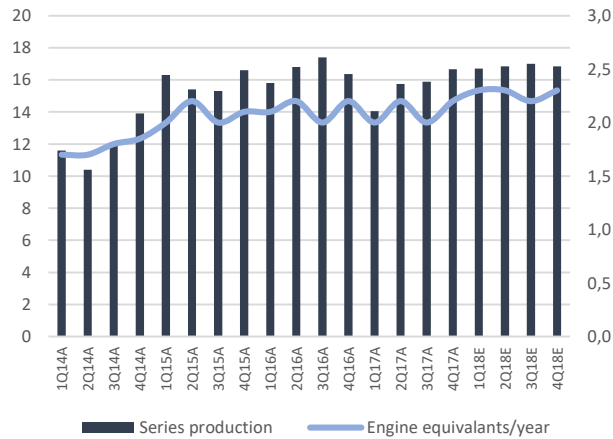


EBIT-MARGIN (R12m)

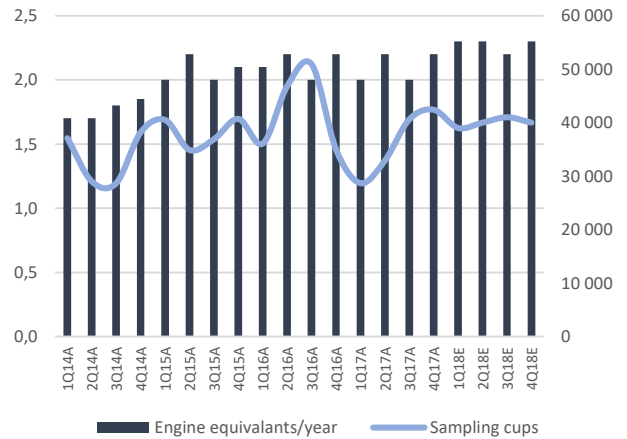


OPERATIONAL

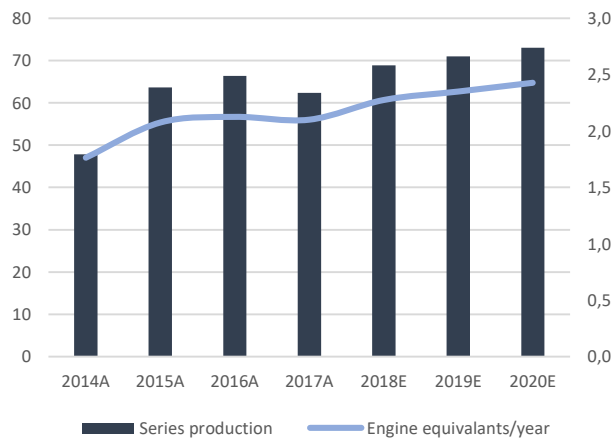
Series production (Q) vs Engine equivalents



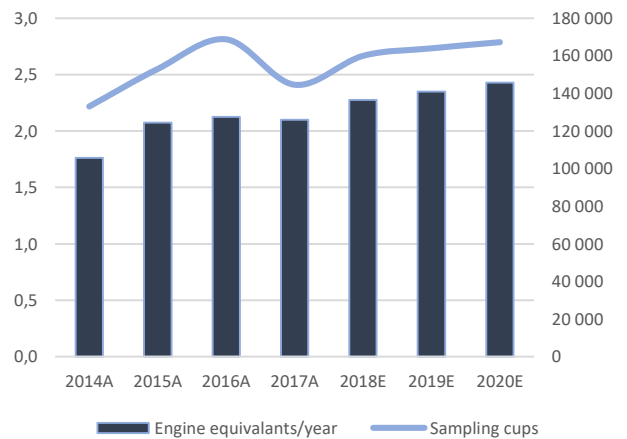
Engine equivalents (annualized) vs Sampling cups (Q)



Series production (FY) vs Engine equivalents

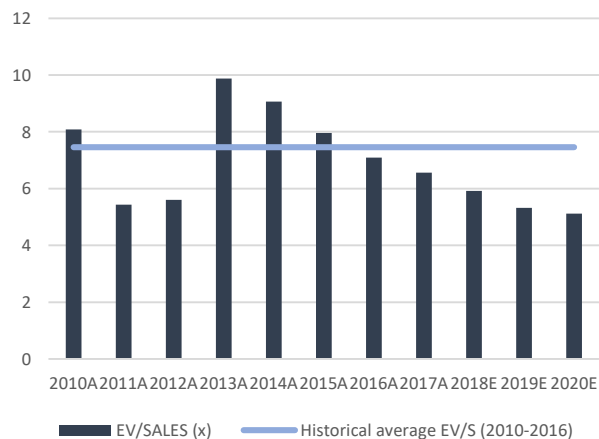


Engine equivalents (annualized) vs Sampling cups (FY)

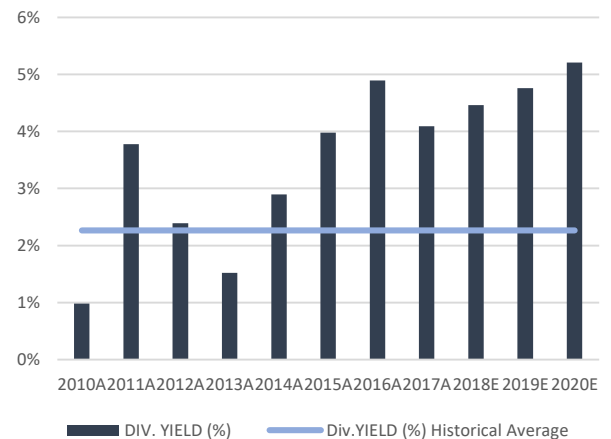


VALUATION

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

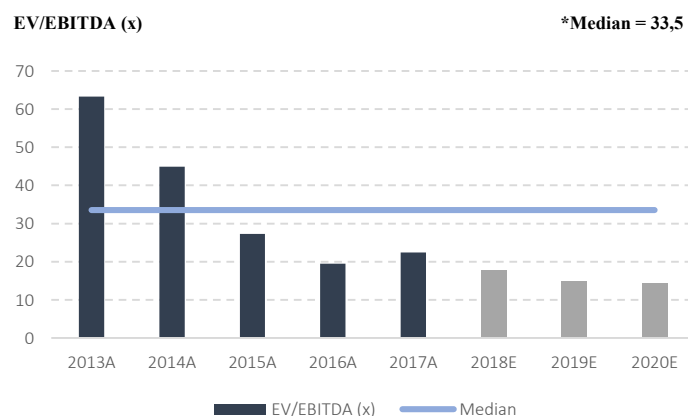
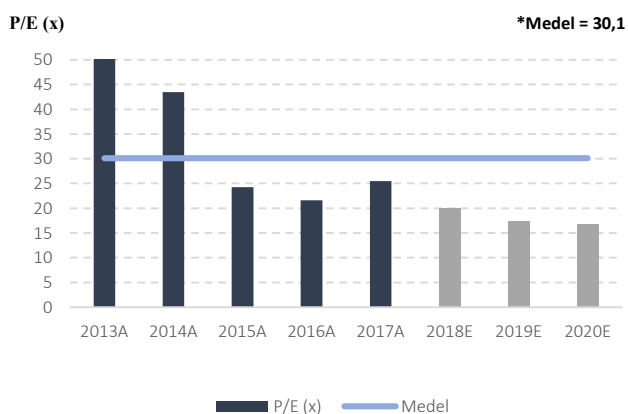


Dividend yield (%) vs Historical average (%)



HISTORICAL VALUATION

	2008A	2009A	2010A	2011A	2012A	2013A	2014A	2015A	2016A	2017A	2018E	2019E	2020E	CAGR	L3Y	L5Y
Sales	25	20	39	49	46	52	55	72	75	66	75	82	84		6,4%	7,4%
EBIT	-6	-6	7	12	1	7	10	20	26	18	23	27	28		20,2%	77,7%
EPS	2,4	-0,3	2,4	2,1	-0,5	1,1	1,7	3,6	3,8	2,6	3,4	3,9	4,0		14,7%	-237,9%
														AVG.	L3Y	L5Y
P/E (x)	13,8	neg.	21,4	21,6	neg.	69,1	43,5	24,3	21,6	25,5	20,0	17,3	16,8		23,8	36,8
EV/EBITDA (x)	neg.	neg.	39,8	21,0	128,6	63,2	44,9	27,3	19,5	22,4	17,8	14,9	14,3		23,1	35,5
EV/EBIT (x)	neg.	neg.	44,2	23,0	257,2	70,2	48,4	28,4	20,2	24,3	19,0	16,1	15,4		24,3	38,3
EV/SALES (x)	6,9	13,4	8,1	5,4	5,6	9,9	9,1	8,0	7,1	6,6	5,9	5,3	5,1		7,2	8,1
P/FCF (x)	neg.	neg.	142,3	22,3	neg.	40,6	99,8	33,4	26,2	36,1	23,2	16,5	16,7		31,9	47,2
P/BV (x)	5,3	5,8	4,4	3,4	3,8	6,6	6,1	6,7	6,1	5,6	5,3	4,9	4,7		6,1	6,2
ROA (%)	32,2%	-3,0%	18,1%	14,5%	-4,5%	8,5%	12,8%	24,2%	24,9%	19,7%	23,3%	25,2%	24,6%		23%	18%
ROE (%)	38,4%	-3,6%	20,4%	15,6%	-4,7%	9,6%	14,0%	27,6%	28,0%	21,8%	26,4%	28,6%	27,8%		26%	20%
ROCE (%)	-16,7%	-12,5%	8,5%	12,4%	1,3%	8,6%	11,5%	21,8%	27,6%	20,6%	26,1%	28,3%	27,5%		23%	18%
ROC (%)	-14,9%	-14,6%	12,2%	19,7%	1,9%	12,8%	16,9%	28,4%	35,7%	24,1%	28,5%	32,5%	33,2%		29%	24%
FCF YIELD (%)	-4,0%	-1,9%	0,7%	4,5%	-0,1%	2,5%	1,0%	3,0%	3,8%	2,8%	4,3%	6,1%	6,0%		3%	3%
DIV. YIELD (%)	0,0%	0,0%	1,0%	3,8%	2,4%	1,5%	2,9%	4,0%	4,9%	4,1%	4,5%	4,8%	5,2%		4%	3%
No. of shares (m)	5,6	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)	180	294	356	314	293	560	539	624	580	461	476	476	476			
EV (MSEK)	171	269	318	266	257	512	494	576	534	431	445	438	432			



*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

DISCLAIMER

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