

# SINTERCAST

SHARE PRICE (SEK): 80,00

NASDAQ OMX Small Cap

Industrials

- Net Sales slightly below expectations
- FCA gives short-term uncertainty
- EBIT estimates slightly lowered

**Turnover slightly below expectations.** Net sales came in at 17.2 million (17.2) which was flat Y/Y and 4.4% below our estimates. In the quarter we estimated net sales of 18,0 MSEK. The number of engine equivalents for the quarter totaled 2.2 million (annualized), corresponding an increase of 5% compared with previous year. We estimated the annualized number of equivalents in line with previous year at 2.1 million. The higher number of equivalents was mainly due to higher delivery to some manufacturers. Number of Sampling Cups in the quarter amounted to 35,000 pieces (40,700), corresponding to a decrease of 14.0%. Full year 2016 deliveries increased from 152 700 to 168 800. Gross margin came in at 79.7% which was in line with previous year but 1.9 percentage points higher than our estimates. Operating profit for the quarter amounted to 4.8 MSEK (4.4), corresponding to a margin of 27.9% (25.6). Operating margin was slightly below our estimates of 5.4 million and a margin of 30.0%. The main reason for the lower margin was due to higher research and development expenses the than we expected. The Board of Directors proposed a dividend of 2.5/share plus an extraordinary dividend of 1.5/share.

**FCA allegation gives short-term uncertainty.** Looking ahead we continue to see great potential in the Ford F-150 diesel engine, and we will see a ramp-up during the year. On the other hand, we will monitor the development between EPA (Environmental Protection Agency) and FCA (Fiat Chrysler Automobile). Short term we believe this might have a negative effect on Sintercast's volumes unless production of Ram 1500 diesel will continue at previous levels. However, we suspect that the potential drop in volume would be offset by the production for Ford F-150 diesel.

**EBIT estimates slightly lowered.** Despite the new production agreement to Ford F-150s new diesel engine, we believe that the net effect might be negative. This is due to expected slightly lower volumes because of the allegation to FCA regarding emission cheating software. FCA is the manufacturer to one of Sintercast's bestseller Dodge RAM. We lowered operating profit by 3% for 2017 and keep sales unchanged.

## 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.

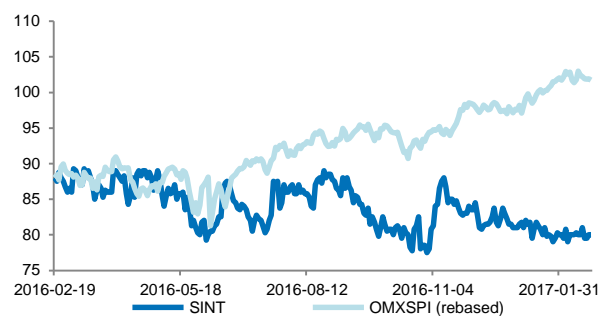
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KEY DATA		SHARE PERFORMANCE	
Market Capitalization (MSEK)	568,0	1 month (%)	0,3
Net Debt (MSEK)	-45,3	3 month (%)	-4,5
Enterprise Value (MSEK)	522,7	12 months (%)	-9,1
Equity ratio(%)	89,1	YTD (%)	-2,1
No of shares.(mn)	7,1	52-V High	90,8
No of shares (dil.mn)	7,1	52-V Low	74,3
Free Float (%)	76,7	Ticker	SINT

	2015A	2016A	2017E	2018E
Sales (MSEK)	72,4	75,4	78,4	81,2
EBITDA (MSEK)	21,1	27,4	27,7	32,1
EBIT (MSEK)	20,3	26,4	26,3	30,4
EBT (MSEK)	24,9	25,8	26,8	31,0
EPS (just. SEK)	3,6	3,8	3,8	4,4
DPS (SEK)	3,5	4,0	3,9	4,0
Sales growth (%)	32,8	4,1	4,0	3,5
EPS growth (%)	107,3	4,1	-0,2	15,9
EBIT-margin (%)	28,0	35,0	33,5	37,5

	2015A	2016A	2017E	2018E
P/E (x)	24,3	21,7	21,5	18,6
P/BV (x)	6,7	6,1	5,2	5,1
EV/Sales (x)	8,0	7,1	6,8	6,5
EV/EBITDA (x)	27,3	19,5	19,1	16,5
EV/EBIT (x)	28,4	20,3	20,1	17,4
Div. Yield (%)	4,0	4,9	4,8	4,9

## STOCK PERFORMANCE



Source: Infront, company reports, Remium Nordic, Holdings

MAJOR SHARHOLDERS	CAPITAL	VOTES
VLTCM Ltd	12,1%	12,1%
Avanza Pension	11,4%	11,4%
UBS AG Client	11,2%	11,2%
Nordnet Pension	9,0%	9,0%

MANAGEMENT		FINANCIAL CALENDER	
Chairman	Hans-Eric Andersson	3Q-report	2017-04-26
CEO	Steve Dawson	4Q-report	2017-08-23
CFO	Daphner Uhmeier	1Q-Report	2017-11-22

**INCOME STATEMENT**

MSEK	1Q16A	2Q16A	3Q16A	4Q16A	1Q17E	2Q17E	3Q17E	4Q17E	2014A	2015A	2016A	2017E	2018E	2019E
Sales	16,1	18,3	23,8	17,2	17,5	18,8	23,7	18,4	54,5	72,4	75,4	78,4	81,2	83,4
COGS	-3,2	-4,5	-5,4	-3,5	-3,5	-4,6	-5,5	-3,7	-18,2	-17,0	-16,6	-17,3	-17,4	-17,5
Gross revenue	12,9	13,8	18,4	13,7	14,0	14,3	18,2	14,7	40,8	55,4	58,8	61,2	63,7	65,9
Operating costs	-8,0	-8,1	-7,0	-8,7	-8,4	-8,9	-7,1	-9,0	-29,8	-34,3	-31,4	-33,5	-31,6	-32,6
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	4,9	5,7	11,4	5,0	5,6	5,3	11,1	5,7	11,0	21,1	27,4	27,7	32,1	33,3
Depreciation	-0,3	-0,3	-0,2	-0,2	-0,4	-0,4	-0,4	-0,4	-0,8	-0,8	-1,0	-1,4	-1,6	-1,7
EBIT	4,6	5,8	11,2	4,8	5,3	5,0	10,7	5,3	10,2	20,3	26,4	26,3	30,4	31,6
Net financials	0,1	-0,8	-0,2	-0,3	0,5	0,6	0,4	0,5	1,3	4,6	-0,6	0,5	0,6	0,6
EBT	4,7	5,0	11,0	4,5	5,7	5,6	11,1	5,9	11,5	24,9	25,8	26,8	31,0	32,2
Tax & minorities	0,0	1,0	0,0	0,0	0,0	0,0	0,0	0,0	0,9	0,8	1,0	0,0	0,0	0,0
Net result	4,7	6,0	11,0	4,5	5,7	5,6	11,1	5,9	12,4	25,7	26,8	26,8	31,0	32,2
EPS bef. dil. (SEK)	0,66	0,85	1,55	0,63	0,81	0,79	1,57	0,83	1,75	3,62	3,77	3,77	4,37	4,53
EPS aft. dil. (SEK)	0,66	0,85	1,55	0,63	0,81	0,79	1,57	0,83	1,75	3,62	3,77	3,77	4,37	4,53
Sales Growth Q/Q	-6%	14%	30%	-28%	2%	8%	26%	-22%	N/A	N/A	N/A	N/A	N/A	N/A
Sales Growth Y/Y	-14%	16%	16%	0%	9%	3%	-1%	7%	5%	33%	4%	4%	3%	3%
Adj. EBITDA margin	30%	31%	48%	29%	32%	28%	47%	31%	20%	29%	36%	35%	40%	40%
Adj. EBIT margin	29%	32%	47%	28%	30%	26%	45%	29%	19%	28%	35%	34%	37%	38%
Adj. EBT margin	29%	27%	46%	26%	33%	30%	47%	32%	21%	34%	34%	34%	38%	39%

**CASH FLOW**

MSEK	2014A	2015A	2016A	2017E	2018E	2019E
Cash flow b.f. ch. in work.cap.	11	21	27	30	33	34
Change in working capital	-4	-1	-2	-1	0	0
Cash flow from operating activities	7	20	25	29	33	34
Cash flow from investments	-1	-2	-3	-2	-2	-2
Free Cash Flow	5	19	22	26	31	32
Cash flow from financing	-9	-16	-25	-14	-27	-28
Net Cash Flow	-3	3	-3	13	3	3

**PER SHARE DATA & RETURN ON CAPITAL**

SEK	2014A	2015A	2016A	2017E	2018E	2019E
EPS	1,75	3,62	3,77	3,77	4,37	4,53
Adj. EPS	1,75	3,62	3,77	3,77	4,37	4,53
BVPS	12,47	13,15	13,49	15,46	15,97	16,51
CEPS	0,94	2,88	3,58	4,02	4,58	4,72
DPS	2,20	3,50	4,00	3,85	4,00	4,80
ROE	14%	28%	28%	24%	27%	27%
Adj. ROE	14%	28%	28%	24%	27%	27%
Solidity	91%	88%	89%	89%	89%	89%

**BALANCE SHEET**

MSEK	2014A	2015A	2016A	2017E	2018E	2019E
Intangible Assets	2	4	5	6	6	6
Cash and cash equivalent	45	48	45	57	60	64
Total Assets	97	106	108	123	127	131
Equity	88	93	96	110	113	117
Net Debt	-45	-48	-45	-57	-60	-64
Net Working Capital	60	72	74	79	81	82

**SHARE STRUCTURE**

	2014A	2015A	2016A	2017E	2018E	2019E
No. of A-shares (m)	-	-	-	-	-	-
No. of B-shares (m)	7,1	7,1	7,1	7,1	7,1	7,1
Total no. of shares (m)	7,1	7,1	7,1	7,1	7,1	7,1

**COMPANY CONTACT**

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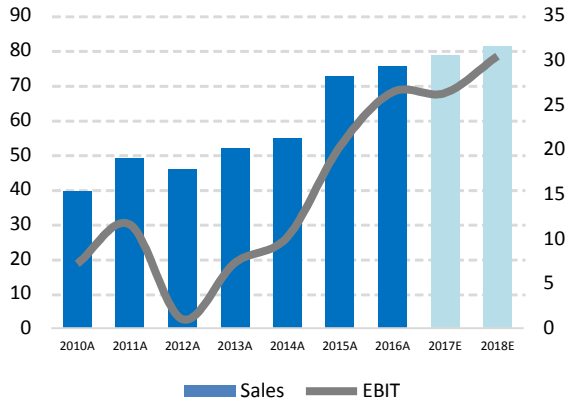
Sources: Infront, Company reports, Remium Nordic

**ESTIMATE CHANGES**

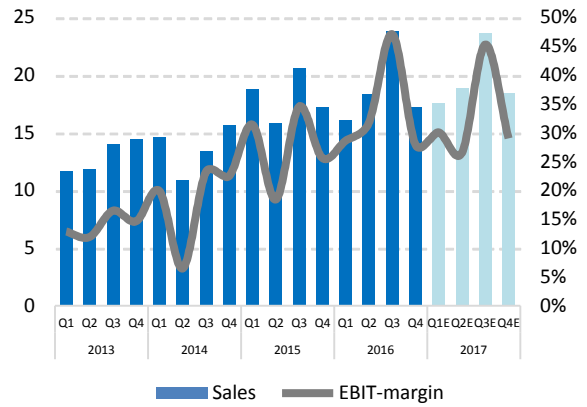
MSEK	4Q 2016A			2017E			2018E			
	Estimate	Actual	Diff (%)	Bef	Now	Diff (%)	Bef	Now	Diff (%)	
Sales		18,0	17,2	-4%	78,8	78,4	0%	83,4	81,2	-3%
EBIT		5,4	4,8	-11%	27,2	26,3	-3%	31,6	30,4	-4%
Adj. EPS (SEK)		0,8	0,7	-14%	3,9	3,8	-3%	4,5	4,4	-4%

**INCOME STATEMENT**

**SALES & EBIT, Y/Y (MSEK)**

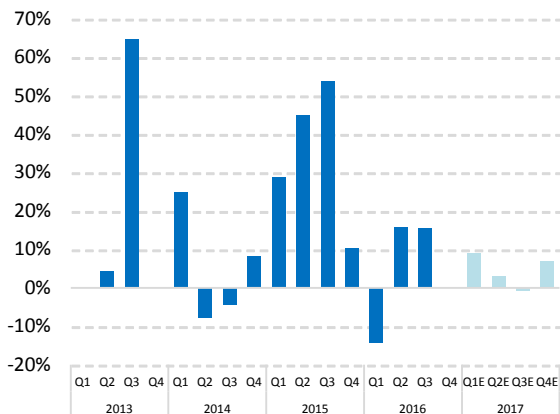


**SALES & EBIT-MARGIN, Q/Q (MSEK)**

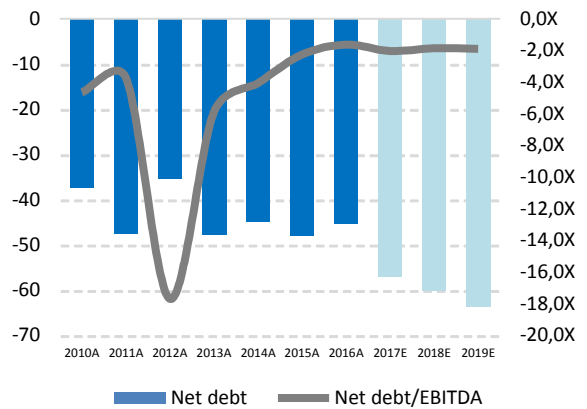


**GROWTH & BALANCE SHEET**

**SALES GROWTH Y/Y**

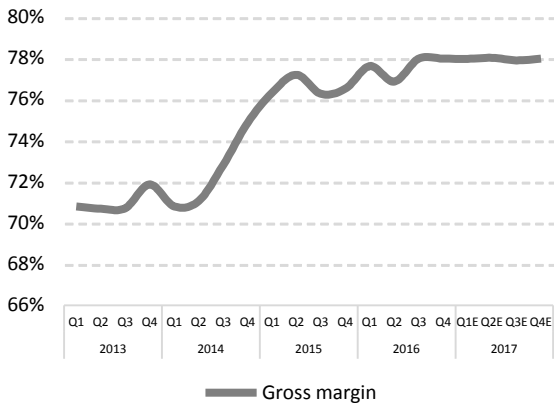


**NET DEBT & NET DEBT/EBITDA**

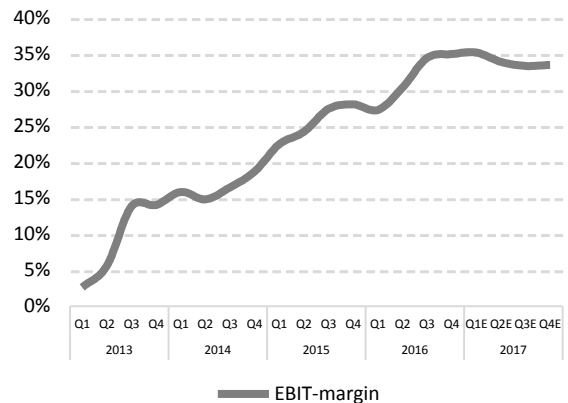


**MARGINS, ROLLING 12m**

**GROSS MARGIN (R12m)**

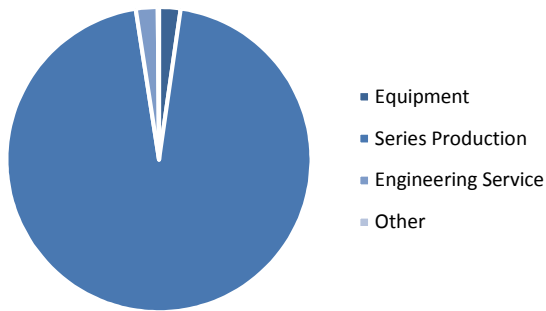


**EBIT-MARGIN (R12m)**



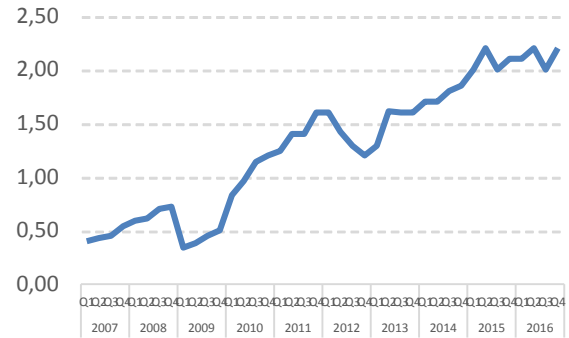
COMPANY SPECIFICS

SALES BREAKDOWN\*



\* Per 2016, \*\* Per quarterly reports

SERIAL PRODUCTION, MOTOR EQUIVALENTS/YR (MILLION)\*\*



COMPANY DESCRIPTION

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