

# SinterCast

## Record-breaking volumes – again

- We expect 20% organic growth...
- ...with an EBIT margin of 38%
- Q2 report due on 22 August

### Record-breaking production volumes

We raise our sales expectations for Q2'19 from SEK 28.8m to SEK 33.0m and forecast EBIT of SEK 12.6m, implying 23% sales growth y-o-y (20% organic, 3% FX) and an EBIT margin of 38%. This revision is due to SinterCast earlier in Q2'19 announcing quarterly annualised production of 3.4m compared to our previous estimate of 3.2m. The company also announced that instalments reached sales of SEK 7.1m in H1. We raise our sales and EBIT estimates both in Q2 and for the remainder of 2019e-21e due to higher production than previously expected, which we believe is supported by current levels of production volumes, the current pace of installation and the coming installation of the Scania foundry in 2020. However, we believe the current high operational activity for SinterCast could increase short-term costs, so we lower our EBIT margin estimate for the quarter by 2pp from 40% to 38%.

### Increased estimates due to greater confidence

SinterCast has communicated on several occasions that the company is likely to see double-digit growth for the next three years. We are expecting a sales CAGR of 25% for 2018-21e and we have further increased our confidence in this sales growth as the company has high visibility for the next three years due to lead times. In addition, the Scania installation will take place in 2020 and should then start adding to sales incrementally, which could imply double-digit growth beyond 2021. We expect 2019e-21e annualised engine equivalents of 3.3-4.1m and we raise our sales and EBIT estimates by 6-8%, respectively, 5-10% for 2019e-21e, while expecting a 2018-21e sales CAGR of 25% and EBIT CAGR of 26%.

### FCF & dividend yields of 4-6%

SinterCast is trading at a 2019e EV/EBIT of 22x, shrinking to 16x in 2021e, with FCF yields of 4-6% and dividend yields of 4-5% for 2019e-21e.

**Lead analyst:** Mattias Ehrenborg  
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SEKm	2017	2018	2019e	2020e	2021e
Sales	66	88	112	126	135
EBITDA	19	32	46	55	62
EBITDA margin (%)	29.3	36.0	41.2	44.2	46.1
EBIT adj	18	29	44	52	58
EBIT adj margin (%)	27.0	33.5	38.9	41.2	43.1
Pretax profit	18	29	43	52	58
EPS rep	2.62	4.61	6.23	7.44	8.34
EPS adj	2.62	4.61	6.23	7.44	8.34
Sales growth (%)	-13.0	33.7	28.2	11.7	7.3
EPS growth (%)	-30.6	75.8	35.1	19.4	12.2

Source: ABG Sundal Collier, Company data

Reason: Preview of results

## Company sponsored research

Not rated

Estimate changes (%)	2019e	2020e	2021e
Sales	6.0%	6.3%	8.3%
EBIT (rep)	4.9%	7.4%	10.3%
EPS (rep)	4.9%	7.2%	10.2%

Source: ABG Sundal Collier

<b>Share price (SEK)</b>	07/08/2019	140.0
Capital Goods, Sweden		
SINT.ST/SINT.SS		

MCap (SEKm)	993
MCap (EURm)	91.9
Net debt (EURm)	-7
No. of shares (m)	7.1
Free float (%)	75.0
Av. daily volume (k)	15.8

Next event Q2 report: 22 Aug

### Performance



	1m	3m	12m
Absolute (%)	-3.4	15.2	78.1
OMX STH PI (%)	-4.9	-2.2	-1.5

Source: FactSet

	2019e	2020e	2021e
P/E (x)	22.5	18.8	16.8
P/E adj (x)	22.5	18.8	16.8
P/BVPS (x)	9.19	8.15	7.18
EV/EBITDA (x)	20.7	17.1	15.0
EV/EBIT adj (x)	21.9	18.3	16.1
EV/sales (x)	8.52	7.54	6.92
ROE adj (%)	42.6	45.9	45.5
Dividend yield (%)	3.9	4.3	5.0
FCF yield (%)	4.0	4.8	5.7
Net IB debt/EBITDA	-1.5	-1.5	-1.5

Please refer to important disclosures at the end of this report

This research product is commissioned and paid for by the company covered in this report. As such, this report is deemed to constitute an acceptable minor non-monetary benefit (i.e. not investment research) as defined in MiFID II.

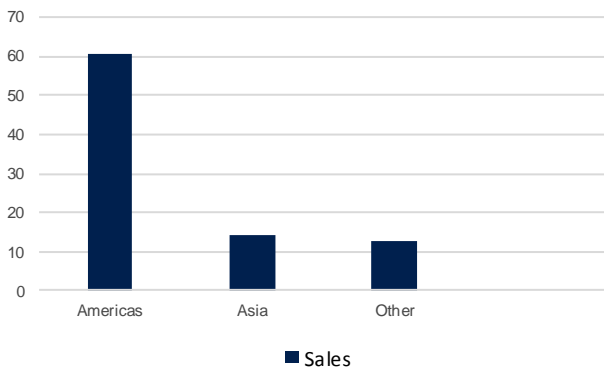
### Opportunities

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

### Risks

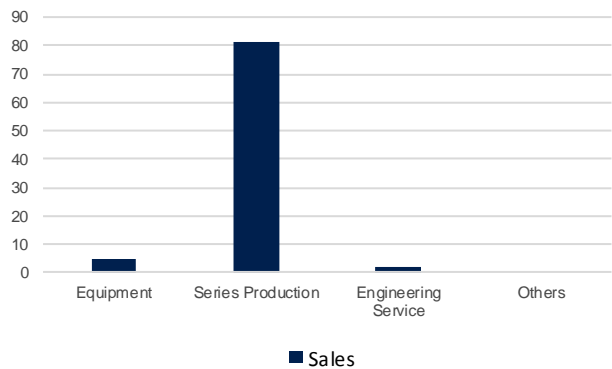
Automotive demand, and more specifically demand for larger passenger vehicles such as SUVs and pick-up trucks with diesel engines. Regulation relating to fossil fuels and diesel in particular poses risks to the business model.

### Geographical breakdown, sales, SEKm



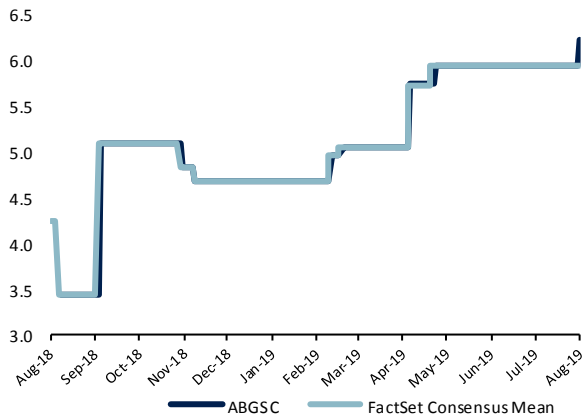
Source: ABG Sundal Collier, Company data

### Business area breakdown, sales, SEKm



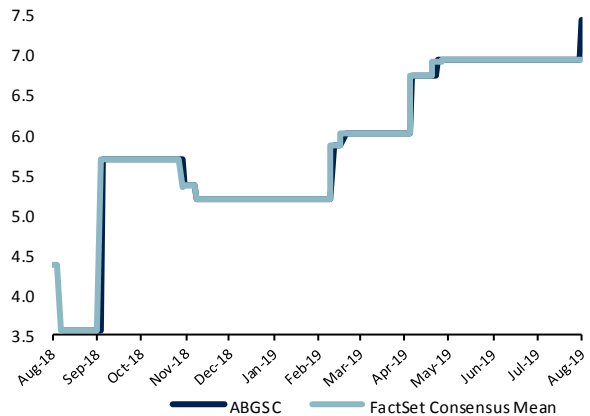
Source: ABG Sundal Collier, Company data

### EPS estimate changes, 2019e, SEK



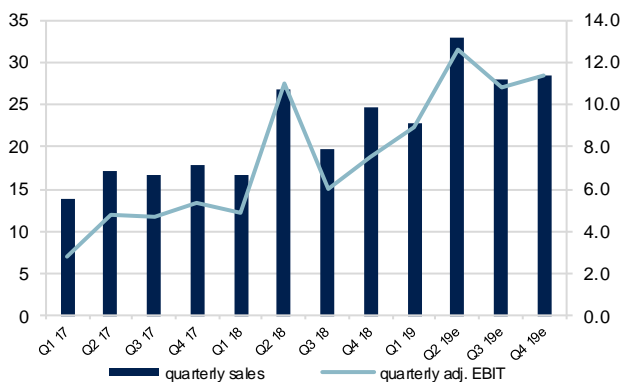
Source: ABG Sundal Collier, FactSet

### 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.

## Forecast changes

Estimate changes		Old			New			SEKm			%		
SEKm	2019e	2020e	2021e	2019e	2020e	2021e	2019e	2020e	2021e	2019e	2020e	2021e	
<b>Net sales</b>	<b>106.1</b>	<b>118.2</b>	<b>124.5</b>	<b>112.4</b>	<b>125.6</b>	<b>134.8</b>	<b>6.3</b>	<b>7.5</b>	<b>10.3</b>	<b>6%</b>	<b>6%</b>	<b>8%</b>	
Gross profit	83.3	91.8	98.0	88.8	100.4	109.1	5.5	8.6	11.1	7%	9%	11%	
Opex	-41.6	-43.7	-45.3	-45.0	-48.7	-50.9	-3.4	-5.0	-5.7	8%	11%	12%	
<b>EBIT</b>	<b>41.7</b>	<b>48.2</b>	<b>52.7</b>	<b>43.8</b>	<b>51.7</b>	<b>58.1</b>	<b>2.1</b>	<b>3.6</b>	<b>5.4</b>	<b>5%</b>	<b>7%</b>	<b>10%</b>	
PTP	41.1	48.2	52.7	43.2	51.7	58.1	2.1	3.6	5.4	5%	7%	10%	
<b>Net profit</b>	<b>42.1</b>	<b>49.2</b>	<b>53.7</b>	<b>44.2</b>	<b>52.7</b>	<b>59.1</b>	<b>2.1</b>	<b>3.6</b>	<b>5.4</b>	<b>5%</b>	<b>7%</b>	<b>10%</b>	
<b>Growth and margins</b>	<b>2019e</b>	<b>2020e</b>	<b>2021e</b>	<b>2019e</b>	<b>2020e</b>	<b>2021e</b>	<b>2019e</b>	<b>2020e</b>	<b>2021e</b>	<b>2019e</b>	<b>2020e</b>	<b>2021e</b>	
Sales growth	21%	11%	5%	28%	12%	7%				7%	0%	2%	
EBIT growth	42%	15%	9%	49%	18%	12%				7%	3%	3%	
Gross margin	79%	78%	79%	79%	80%	81%				0%	2%	2%	
EBIT margin	39%	41%	42%	39%	41%	43%				0%	0%	1%	
<b>Sales split</b>	<b>2019e</b>	<b>2020e</b>	<b>2021e</b>	<b>2019e</b>	<b>2020e</b>	<b>2021e</b>	<b>2019e</b>	<b>2020e</b>	<b>2021e</b>	<b>2019e</b>	<b>2020e</b>	<b>2021e</b>	
Equipment	7.5	11.0	7.0	11.1	11.0	8.0	3.6	0.0	1.0	48%	0%	14%	
Service	1.7	2.5	3.0	1.7	2.5	3.0	0.0	0.0	0.0	0%	0%	0%	
Series production	96.9	104.7	114.5	99.6	112.1	123.8	2.7	7.5	9.3	3%	7%	8%	
<b>Net sales</b>	<b>106.1</b>	<b>118.2</b>	<b>124.5</b>	<b>112.4</b>	<b>125.6</b>	<b>134.8</b>	<b>6.3</b>	<b>7.5</b>	<b>10.3</b>	<b>6%</b>	<b>6%</b>	<b>8%</b>	
<b>Other metrics</b>	<b>2019e</b>	<b>2020e</b>	<b>2021e</b>	<b>2019e</b>	<b>2020e</b>	<b>2021e</b>	<b>2019e</b>	<b>2020e</b>	<b>2021e</b>	<b>2019e</b>	<b>2020e</b>	<b>2021e</b>	
Sampling cups	196,300	222,600	245,000	185,800	210,000	230,000	-10,500	-12,600	-15,000	-5%	-6%	-6%	
Engine equivalents / year (mn)	3.13	3.30	3.60	3.30	3.70	4.10	0.18	0.40	0.50	6%	12%	14%	

Source: ABG Sundal Collier, company data

## Detailed quarterly income statement (SEKm)

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	Q1'19	Q2'19e	Q3'19e	Q4'19e
<b>Net sales</b>	<b>16.1</b>	<b>18.3</b>	<b>23.8</b>	<b>17.2</b>	<b>13.9</b>	<b>17.2</b>	<b>16.7</b>	<b>17.8</b>	<b>16.6</b>	<b>26.8</b>	<b>19.7</b>	<b>24.6</b>	<b>22.9</b>	<b>33.0</b>	<b>28.0</b>	<b>28.5</b>
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	18.4	25.1	22.4	22.9
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	-7.8	-10.0	-9.0	-9.0
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	-2.2	-2.5	-2.5	-2.5
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	0.5	0.0	0.0	0.0
<b>EBIT</b>	<b>4.6</b>	<b>5.8</b>	<b>11.2</b>	<b>4.8</b>	<b>2.8</b>	<b>4.8</b>	<b>4.7</b>	<b>5.4</b>	<b>4.9</b>	<b>11.0</b>	<b>6.0</b>	<b>7.5</b>	<b>8.9</b>	<b>12.6</b>	<b>10.9</b>	<b>11.4</b>
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	-0.6	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	8.3	12.6	10.9	11.4
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	1.0	0.0	0.0
<b>Net profit</b>	<b>4.7</b>	<b>6.0</b>	<b>11.0</b>	<b>5.1</b>	<b>3.0</b>	<b>5.5</b>	<b>4.7</b>	<b>5.4</b>	<b>4.1</b>	<b>11.4</b>	<b>7.0</b>	<b>10.2</b>	<b>8.3</b>	<b>13.6</b>	<b>10.9</b>	<b>11.4</b>
<b>Growth and margins</b>	<b>Q1'16</b>	<b>Q2'16</b>	<b>Q3'16</b>	<b>Q4'16</b>	<b>Q1'17</b>	<b>Q2'17</b>	<b>Q3'17</b>	<b>Q4'17</b>	<b>Q1'18</b>	<b>Q2'18</b>	<b>Q3'18</b>	<b>Q4'18</b>	<b>Q1'19</b>	<b>Q2'19e</b>	<b>Q3'19e</b>	<b>Q4'19e</b>
Sales growth	-14%	16%	16%	0%	-14%	-6%	-30%	3%	19%	56%	18%	38%	38%	23%	42%	16%
EBIT growth	-22%	100%	58%	9%	-39%	-17%	-58%	13%	75%	129%	28%	39%	82%	15%	81%	52%
Gross margin	80%	75%	77%	80%	78%	78%	76%	77%	80%	78%	80%	77%	80%	76%	80%	80%
SG&A+R&D / sales R12m	50%	48%	30%	51%	56%	48%	47%	47%	53%	38%	45%	46%	44%	38%	41%	40%
EBIT margin	29%	32%	47%	28%	20%	28%	28%	30%	30%	41%	30%	30%	39%	38%	39%	40%
Tax rate	0%	-20%	0%	0%	0%	-20%	0%	0%	0%	-10%	0%	-29%	0%	-8%	0%	0%
<b>Sales split</b>	<b>Q1'16</b>	<b>Q2'16</b>	<b>Q3'16</b>	<b>Q4'16</b>	<b>Q1'17</b>	<b>Q2'17</b>	<b>Q3'17</b>	<b>Q4'17</b>	<b>Q1'18</b>	<b>Q2'18</b>	<b>Q3'18</b>	<b>Q4'18</b>	<b>Q1'19</b>	<b>Q2'19e</b>	<b>Q3'19e</b>	<b>Q4'19e</b>
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	0.5	6.6	2.0	2.0
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	0.2	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	22.2	25.9	25.5	26.0
<b>Net sales</b>	<b>16.1</b>	<b>18.3</b>	<b>23.8</b>	<b>17.2</b>	<b>13.9</b>	<b>17.2</b>	<b>16.7</b>	<b>17.8</b>	<b>16.6</b>	<b>26.8</b>	<b>19.7</b>	<b>24.6</b>	<b>22.9</b>	<b>33.0</b>	<b>28.0</b>	<b>28.5</b>
<b>Other metrics</b>	<b>Q1'16</b>	<b>Q2'16</b>	<b>Q3'16</b>	<b>Q4'16</b>	<b>Q1'17</b>	<b>Q2'17</b>	<b>Q3'17</b>	<b>Q4'17</b>	<b>Q1'18</b>	<b>Q2'18</b>	<b>Q3'18</b>	<b>Q4'18</b>	<b>Q1'19</b>	<b>Q2'19e</b>	<b>Q3'19e</b>	<b>Q4'19e</b>
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	36,800	49,000	50,000	50,000
y-o-y	-11%	34%	38%	-14%	-20%	-30%	-20%	21%	13%	109%	5%	27%	13%	-29%	17%	-7%
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	3.10	3.40	3.30	3.40
Working capital / sales R12m	17%	18%	23%	16%	13%	17%	25%	21%	16%	24%	20%	24%	23%			
Net debt	-51	-30	-36	-45	-49	-22	-22	-30	-37	-20	-29	-33	-37			
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	-0.34			
ROCE	41%	47%	52%	55%	51%	46%	30%	33%	39%	45%	46%	48%	54%			

Source: ABG Sundal Collier, company data

Income Statement (SEKm)	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019e	Q3 2019e	Q4 2019e
Sales	17	27	20	25	23	33	28	29
COGS	-3	-6	-4	-6	-5	-8	-6	-6
Gross profit	13	21	16	19	18	25	22	23
Other operating items	-8	-9	-9	-11	-9	-12	-11	-11
<b>EBITDA</b>	<b>6</b>	<b>12</b>	<b>6</b>	<b>8</b>	<b>10</b>	<b>13</b>	<b>11</b>	<b>12</b>
Depreciation on tangibles	-1	-1	-0	-1	-1	-1	-1	-1
Depreciation on intangibles	0	0	0	0	0	0	0	0
<b>EBITA</b>	<b>5</b>	<b>11</b>	<b>6</b>	<b>8</b>	<b>9</b>	<b>13</b>	<b>11</b>	<b>11</b>
Goodwill impairment charges	0	0	0	0	0	0	0	0
Other impairment and amortisation	0	0	0	0	0	0	0	0
<b>EBIT</b>	<b>5</b>	<b>11</b>	<b>6</b>	<b>8</b>	<b>9</b>	<b>13</b>	<b>11</b>	<b>11</b>
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
<b>Pretax profit</b>	<b>4</b>	<b>10</b>	<b>7</b>	<b>8</b>	<b>9</b>	<b>13</b>	<b>11</b>	<b>11</b>
Tax	0	1	0	2	0	1	0	0
<b>Net profit</b>	<b>4</b>	<b>11</b>	<b>7</b>	<b>10</b>	<b>9</b>	<b>14</b>	<b>11</b>	<b>11</b>
Minority interest	0	0	0	0	0	0	0	0
Net profit discontinued	0	0	0	0	0	0	0	0
<b>Net profit to shareholders</b>	<b>4</b>	<b>11</b>	<b>7</b>	<b>10</b>	<b>9</b>	<b>14</b>	<b>11</b>	<b>11</b>
EPS	0.58	1.61	0.99	1.44	1.26	1.92	1.53	1.61
EPS Adj	0.58	1.61	0.99	1.44	1.26	1.92	1.53	1.61
Total extraordinary items after tax	0	0	0	0	0	0	0	0
Tax rate (%)	0	9.6	0	29.1	0	7.9	0	0
Gross margin (%)	79.5	78.0	80.2	77.2	80.3	76.2	79.8	80.2
EBITDA margin (%)	33.1	42.9	32.5	32.5	41.5	40.4	41.0	42.2
EBITA margin (%)	29.5	41.0	30.5	30.5	38.9	38.3	38.8	39.9
EBIT margin (%)	29.5	41.0	30.5	30.5	38.9	38.3	38.8	39.9
Pretax margin (%)	24.7	38.8	35.5	32.1	38.9	38.3	38.8	39.9
Net margin (%)	24.7	42.5	35.5	41.5	38.9	41.3	38.8	39.9
<b>Growth rates Y/Y</b>	<b>Q1 2018</b>	<b>Q2 2018</b>	<b>Q3 2018</b>	<b>Q4 2018</b>	<b>Q1 2019</b>	<b>Q2 2019e</b>	<b>Q3 2019e</b>	<b>Q4 2019e</b>
Sales growth (%)	19.4	55.8	18.0	38.2	38.0	23.1	42.2	16.0
EBITDA growth (%)	77.4	125.5	23.1	37.9	72.7	15.8	79.3	50.4
EBIT growth (%)	75.0	129.2	27.7	38.9	81.6	14.7	81.0	51.8
Net profit growth (%)	36.7	107.3	48.9	88.9	117.1	19.4	55.1	11.7
EPS growth (%)	36.7	107.3	48.9	88.9	117.1	19.4	55.1	11.7
<b>Adj earnings numbers</b>	<b>Q1 2018</b>	<b>Q2 2018</b>	<b>Q3 2018</b>	<b>Q4 2018</b>	<b>Q1 2019</b>	<b>Q2 2019e</b>	<b>Q3 2019e</b>	<b>Q4 2019e</b>
EBITDA Adj	6	12	6	8	10	13	11	12
EBITDA Adj margin (%)	33.1	42.9	32.5	32.5	41.5	40.4	41.0	42.2
EBITA Adj	5	11	6	8	9	13	11	11
EBITA Adj margin (%)	29.5	41.0	30.5	30.5	38.9	38.3	38.8	39.9
EBIT Adj	5	11	6	8	9	13	11	11
EBIT Adj margin (%)	29.5	41.0	30.5	30.5	38.9	38.3	38.8	39.9
Pretax profit Adj	4	10	7	8	9	13	11	11
Net profit Adj	4	11	7	10	9	14	11	11
Net profit to shareholders Adj	4	11	7	10	9	14	11	11
Net Adj margin (%)	24.7	42.5	35.5	41.5	38.9	41.3	38.8	39.9

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	112	126	135
COGS	-14	-15	-18	-17	-17	-15	-19	-24	-25	-26
Gross profit	32	37	36	55	59	51	69	89	100	109
Other operating items	-30	-29	-25	-34	-31	-31	-37	-42	-45	-47
<b>EBITDA</b>	<b>2</b>	<b>8</b>	<b>11</b>	<b>21</b>	<b>27</b>	<b>19</b>	<b>32</b>	<b>46</b>	<b>55</b>	<b>62</b>
Depreciation on tangibles	-1	-1	-1	-1	-1	-2	-2	-3	-4	-4
Depreciation on intangibles	0	0	0	0	0	0	0	0	0	0
<b>EBITA</b>	<b>1</b>	<b>7</b>	<b>10</b>	<b>20</b>	<b>26</b>	<b>18</b>	<b>29</b>	<b>44</b>	<b>52</b>	<b>58</b>
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
<b>EBIT</b>	<b>1</b>	<b>7</b>	<b>10</b>	<b>20</b>	<b>26</b>	<b>18</b>	<b>29</b>	<b>44</b>	<b>52</b>	<b>58</b>
Interest Net	1	0	1	5	-1	0	0	-1	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
<b>Pretax profit</b>	<b>2</b>	<b>8</b>	<b>12</b>	<b>25</b>	<b>26</b>	<b>18</b>	<b>29</b>	<b>43</b>	<b>52</b>	<b>58</b>
Tax	-6	1	1	1	1	1	3	1	1	1
<b>Net profit</b>	<b>-4</b>	<b>8</b>	<b>12</b>	<b>26</b>	<b>27</b>	<b>19</b>	<b>33</b>	<b>44</b>	<b>53</b>	<b>59</b>
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
<b>Net profit to shareholders</b>	<b>-4</b>	<b>8</b>	<b>12</b>	<b>26</b>	<b>27</b>	<b>19</b>	<b>33</b>	<b>44</b>	<b>53</b>	<b>59</b>
EPS	-0.53	1.14	1.75	3.62	3.78	2.62	4.61	6.23	7.44	8.34
EPS Adj	-0.53	1.14	1.75	3.62	3.78	2.62	4.61	6.23	7.44	8.34
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	2.3	1.9	1.7
Gross margin (%)	70.2	71.9	66.6	76.5	78.0	77.1	78.6	79.0	79.9	80.9
EBITDA margin (%)	4.4	15.6	20.2	29.1	36.3	29.3	36.0	41.2	44.2	46.1
EBITA margin (%)	2.2	14.1	18.7	28.0	35.0	27.0	33.5	38.9	41.2	43.1
EBIT margin (%)	2.2	14.1	18.7	28.0	35.0	27.0	33.5	38.9	41.2	43.1
Pretax margin (%)	4.4	14.5	21.1	34.4	34.2	27.0	33.5	38.4	41.2	43.1
Net margin (%)	-8.1	15.6	22.8	35.5	35.5	28.4	37.3	39.3	42.0	43.9
<b>Growth rates Y/Y</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019e</b>	<b>2020e</b>	<b>2021e</b>
Sales growth (%)	-6.3	13.1	5.0	32.8	4.1	-13.0	33.7	28.2	11.7	7.3
EBITDA growth (%)	-84.3	305.0	35.8	91.8	29.9	-29.9	64.6	46.6	19.8	12.1
EBIT growth (%)	-91.4	630.0	39.7	99.0	30.0	-33.0	66.1	48.9	18.2	12.4
Net profit growth (%)	-125.5	318.9	53.1	107.3	4.3	-30.6	75.8	35.1	19.4	12.2
EPS growth (%)	-125.4	316.1	53.1	107.3	4.3	-30.6	75.8	35.1	19.4	12.2
<b>Profitability</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019e</b>	<b>2020e</b>	<b>2021e</b>
ROE (%)	-4.3	10.0	14.3	28.3	28.4	20.5	35.4	42.6	45.9	45.5
ROE Adj (%)	-4.3	10.0	14.3	28.3	28.4	20.5	35.4	42.6	45.9	45.5
ROCE (%)	1.2	9.0	11.8	22.4	27.9	19.5	31.8	41.8	44.6	44.7
ROCE Adj(%)	1.2	9.0	11.8	22.4	27.9	19.5	31.8	41.8	44.6	44.7
ROIC (%)	-13.5	68.9	100.0	146.0	162.7	89.0	122.5	131.9	135.6	142.0
ROIC Adj (%)	-13.5	68.9	100.0	146.0	162.7	89.0	122.5	131.9	135.6	142.0
<b>Adj earnings numbers</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019e</b>	<b>2020e</b>	<b>2021e</b>
EBITDA Adj	2	8	11	21	27	19	32	46	55	62
EBITDA Adj margin (%)	4.4	15.6	20.2	29.1	36.3	29.3	36.0	41.2	44.2	46.1
EBITA Adj	1	7	10	20	26	18	29	44	52	58
EBITA Adj margin (%)	2.2	14.1	18.7	28.0	35.0	27.0	33.5	38.9	41.2	43.1
EBIT Adj	1	7	10	20	26	18	29	44	52	58
EBIT Adj margin (%)	2.2	14.1	18.7	28.0	35.0	27.0	33.5	38.9	41.2	43.1
Pretax profit Adj	2	8	12	25	26	18	29	43	52	58
Net profit Adj	-4	8	12	26	27	19	33	44	53	59
Net profit to shareholders Adj	-4	8	12	26	27	19	33	44	53	59
Net Adj margin (%)	-8.1	15.6	22.8	35.5	35.5	28.4	37.3	39.3	42.0	43.9

Source: ABG Sundal Collier, Company data

Cash Flow Statement (SEK m)	2012	2013	2014	2015	2016	2017	2018	2019e	2020e	2021e
EBITDA	2	8	11	21	27	19	32	46	55	62
Net financial items	1	0	1	5	-1	0	0	-1	0	0
Paid tax	0	0	0	0	0	0	3	1	1	1
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	47	56	63
Change in WC	-1	6	-5	0	-2	-2	-7	-3	-5	-2
<b>Operating cash flow</b>	<b>1</b>	<b>14</b>	<b>7</b>	<b>20</b>	<b>25</b>	<b>17</b>	<b>25</b>	<b>43</b>	<b>52</b>	<b>61</b>
CAPEX tangible fixed assets	-2	-1	-1	-2	-3	-4	-3	-3	-4	-5
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
<b>Free cash flow</b>	<b>-0</b>	<b>14</b>	<b>5</b>	<b>19</b>	<b>22</b>	<b>13</b>	<b>22</b>	<b>40</b>	<b>48</b>	<b>56</b>
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	-3	2	0
<b>Decrease in net IB debt</b>	<b>-17</b>	<b>13</b>	<b>-2</b>	<b>4</b>	<b>-1</b>	<b>-14</b>	<b>6</b>	<b>2</b>	<b>11</b>	<b>14</b>
Balance Sheet (SEK m)	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	5	5
Definite intangible assets	0	0	0	0	0	0	0	0	0	0
Tangible fixed assets	2	2	2	2	2	2	2	6	6	7
Other fixed assets	28	29	30	30	32	33	36	36	36	36
Fixed assets	32	32	34	36	39	42	46	49	48	48
Inventories	4	4	4	4	4	4	7	8	9	9
Receivables	12	11	15	18	19	18	25	31	36	39
Other current assets	0	0	0	0	0	0	0	0	0	0
Cash and liquid assets	35	48	45	48	45	30	33	37	45	59
<b>Total assets</b>	<b>83</b>	<b>95</b>	<b>97</b>	<b>106</b>	<b>108</b>	<b>95</b>	<b>110</b>	<b>125</b>	<b>138</b>	<b>156</b>
Shareholders equity	78	85	88	93	96	86	99	108	122	138
Minority	0	0	0	0	0	0	0	0	0	0
<b>Total equity</b>	<b>78</b>	<b>85</b>	<b>88</b>	<b>93</b>	<b>96</b>	<b>86</b>	<b>99</b>	<b>108</b>	<b>122</b>	<b>138</b>
Long-term debt	0	0	0	0	0	0	0	2	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	15	16	18
Other current liabilities	0	0	0	0	0	0	0	0	0	0
<b>Total liabilities and equity</b>	<b>83</b>	<b>95</b>	<b>97</b>	<b>106</b>	<b>108</b>	<b>95</b>	<b>110</b>	<b>125</b>	<b>138</b>	<b>156</b>
Net IB debt	-63	-77	-75	-78	-77	-63	-69	-71	-81	-95
Net IB debt excl. pension debt	-63	-77	-75	-78	-77	-63	-69	-71	-81	-95
Capital invested	15	8	14	15	19	23	30	37	40	43
Working capital	11	5	10	10	12	14	21	24	29	31
EV breakdown	2012	2013	2014	2015	2016	2017	2018	2019e	2020e	2021e
Market cap. diluted (m)	na	560	539	626	580	461	573	993	993	993
Net IB debt Adj	-35	-48	-45	-48	-45	-30	-33	-35	-45	-59
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
<b>EV</b>	<b>na</b>	<b>512</b>	<b>494</b>	<b>578</b>	<b>534</b>	<b>431</b>	<b>540</b>	<b>958</b>	<b>947</b>	<b>933</b>
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	95.5	95.4	91.7
Capital invested turnover (%)	335.0	453.3	495.5	504.5	447.5	313.9	328.5	331.2	323.2	323.8
Capital employed turnover (%)	53.7	63.8	63.0	79.7	79.8	72.2	94.8	107.3	108.2	103.7
Inventories/sales (%)	9.2	7.6	6.8	5.5	5.8	6.5	6.1	6.3	6.5	6.6
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	11.5	12.4	12.6
Working capital/sales (%)	22.9	15.1	13.3	13.4	14.1	19.3	19.6	20.0	21.0	22.1
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	-65.3	-66.9	-68.9
Net debt/market cap (%)	na	-16.5	-12.9	-12.5	-12.8	-11.9	-12.6	-7.1	-8.2	-9.6
Equity ratio (%)	93.9	89.3	91.3	87.6	89.1	90.6	90.0	86.2	88.2	88.8
Net IB debt adj./equity (%)	-45.4	-56.4	-50.8	-51.5	-47.3	-35.1	-33.1	-32.0	-37.4	-42.9
Current ratio (%)	1,009.8	619.8	751.2	536.4	587.2	591.0	586.4	509.5	554.4	614.2
EBITDA/net interest (%)	-200.0	-4,050.0	-846.2	-458.7	4,566.7	high	high	7,721.2	high	high
Net IB debt/EBITDA (%)	-3,160.0	-944.4	-678.2	-371.1	-281.0	-327.1	-217.7	-152.2	-146.9	-153.3
Interest cover (%)	-100.0	-3,650.0	-784.6	-441.3	4,400.0	nm	nm	7,293.9	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	6.23	7.44	8.34
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	6.23	7.44	8.34
BVPS	11.13	11.95	12.47	13.15	13.51	12.10	13.99	15.23	17.17	19.51
BVPS Adj	11.13	11.95	12.47	13.15	13.51	12.10	13.99	15.23	17.17	19.51
Net IB debt / share	-9.0	-10.8	-10.5	-11.0	-10.9	-8.9	-9.7	-9.9	-11.5	-13.4
Share price	na	79.00	76.00	88.25	81.75	65.00	80.80	140.00	140.00	140.00
Market cap. (m)	na	560	539	626	580	461	573	993	993	993
<b>Valuation</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019e</b>	<b>2020e</b>	<b>2021e</b>
P/E	na	69.1	43.5	24.3	21.6	24.8	17.5	22.5	18.8	16.8
EV/sales	na	9.87	9.06	7.98	7.09	6.57	6.16	8.52	7.54	6.92
EV/EBITDA	na	63.2	44.9	27.4	19.5	22.4	17.1	20.7	17.1	15.0
EV/EBITA	na	70.2	48.4	28.5	20.2	24.3	18.4	21.9	18.3	16.1
EV/EBIT	na	70.2	48.4	28.5	20.2	24.3	18.4	21.9	18.3	16.1
Dividend yield (%)	na	1.5	2.9	4.0	4.9	4.2	6.2	3.9	4.3	5.0
FCF yield (%)	na	2.5	1.0	3.0	3.8	2.9	3.9	4.0	4.8	5.7
P/BVPS	na	6.61	6.10	6.71	6.05	5.37	5.78	9.19	8.15	7.18
P/BVPS Adj	na	6.61	6.10	6.71	6.05	5.37	5.78	9.19	8.15	7.18
P/E Adj	na	69.1	43.5	24.3	21.6	24.8	17.5	22.5	18.8	16.8
EV/EBITDA Adj	na	63.2	44.9	27.4	19.5	22.4	17.1	20.7	17.1	15.0
EV/EBITA Adj	na	70.2	48.4	28.5	20.2	24.3	18.4	21.9	18.3	16.1
EV/EBIT Adj	na	70.2	48.4	28.5	20.2	24.3	18.4	21.9	18.3	16.1
EV/cap. employed	na	6.0	5.6	6.2	5.6	5.0	5.4	8.7	7.8	6.7
<b>Investment ratios</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019e</b>	<b>2020e</b>	<b>2021e</b>
Capex/sales	3.5	1.2	2.4	2.3	4.4	5.6	3.0	2.5	3.5	3.5
Capex/depreciation	160.0	75.0	162.5	212.5	330.0	246.7	118.2	108.1	116.7	116.7
Capex tangibles/tangible fixed assets	80.0	31.6	81.3	100.0	173.7	217.6	123.8	47.7	68.3	66.4
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	44.2	58.6	56.9

Source: ABG Sundal Collier, Company data

## Analyst certification

I/We, Karl Bokvist, Mattias Ehrenborg, the author(s) of this report, certify that notwithstanding the existence of any such potential conflicts of interests referred to below, the views expressed in this report accurately reflect my/our personal view about the companies and securities covered in this report.

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