

# SinterCast

## Firing on all cylinders

- 56% sales growth drove 142% EBIT growth
- New all-time-high production levels; '19e EBIT up 9%
- 20x EBIT '20e on 5-6% div yields and 12% EBIT CAGR

### Strong customer demand overcame seasonality effects

SinterCast continued to deliver new all-time-high production levels during Q3, reaching 3.5m annualised engine equivalents, which was an increase of 52% y-o-y and 6% above our estimates (ABGSCe 3.3m). Sampling cup deliveries were also strong, increasing 30% y-o-y and arrived at 55,700 (+11% vs. ABGSCe). Overall, this resulted in sales of SEK 31m, up 56% y-o-y (+10% vs. ABGSCe). However, we note that the supportive deliveries to the Cummins 6.7 litre in-line diesel engine during 2019 will face tougher comparables during 2020, so we are careful not to extrapolate too much of what was an overall strong third quarter. EBIT arrived at SEK 15m (+36% vs. ABGSCe 11m), up 142%, for a margin of 47% (ABGSCe 38%).

### Strong Q3 raises '19e EBIT by 9%, careful not to extrapolate

We raise our sales estimates by 3% for '19e and 1% for '20e-'21e and EBIT by 9% for '19e and 1-2% for '20e-'21e on the back of a strong Q3 report. However, even though we expect SinterCast to continue to increase its sampling cup deliveries and engine equivalents, we choose not to extrapolate the Q3 numbers. This is due to continued weakness within global light vehicle production, and an impending slowdown in the US truck market, as well as tougher comparables. Nevertheless, we expect SinterCast to deliver an 8% sales CAGR and 12% EBIT CAGR for '19e-'21e.

### Excess cash remains, we expect payout ratios to stay high

As SinterCast is currently delivering a ROCE above 40%, and is expected to have a net cash position exceeding SEK 40m by '19e, we believe that SinterCast has plenty of room to maintain its payout ratio close to, or above, 100% of net profit. Thus, we expect 5-6% dividend yields for '19e-'21e. On our estimates, SinterCast is trading at 20x EV/EBIT '20e and has seen its share price appreciate ~90% YTD, vs. the Carnegie Smallcap index at +32%.

**Lead analyst:** Mattias Ehrenborg  
Karl Bokvist

SEKm	2017	2018	2019e	2020e	2021e
Sales	66	88	116	128	136
EBITDA	19	32	51	57	63
EBITDA margin (%)	29.3	36.0	44.2	44.4	46.5
EBIT adj	18	29	47	53	59
EBIT adj margin (%)	27.0	33.5	41.0	41.4	43.5
Pretax profit	18	29	47	53	59
EPS rep	2.62	4.61	7.05	7.90	8.79
EPS adj	2.62	4.61	7.05	7.90	8.79
Sales growth (%)	-13.0	33.7	32.1	10.0	6.5
EPS growth (%)	-30.6	75.8	52.8	12.2	11.2

Source: ABG Sundal Collier, Company data

Reason: Post-results comment

Company sponsored research

Not rated

Estimate changes (%)

	2019e	2020e	2021e
Sales	2.6%	1.4%	0.6%
EBIT (rep)	8.6%	1.6%	1.2%
EPS (rep)	12.8%	5.8%	4.9%

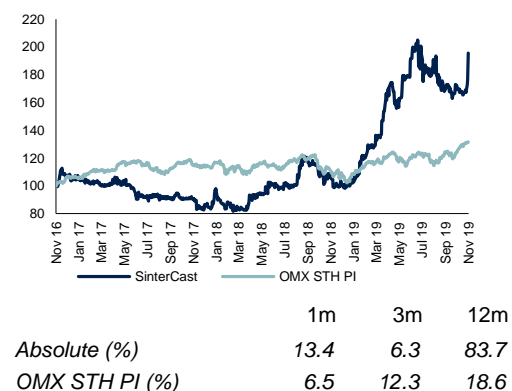
Source: ABG Sundal Collier

**Share price (SEK)** 14/11/2019 152.5  
Capital Goods, Sweden  
SINT.ST/SINT SS

MCap (SEKm) 1,081  
MCap (EURm) 101.1  
Net debt (EURm) -4  
No. of shares (m) 7.1  
Free float (%) 77.0  
Av. daily volume (k) 10.5

Next event Q4 report: 19 Feb

### Performance



Source: FactSet

	2019e	2020e	2021e
P/E (x)	21.6	19.3	17.3
P/E adj (x)	21.6	19.3	17.3
P/BVPS (x)	9.51	9.00	8.60
EV/EBITDA (x)	20.3	18.3	16.3
EV/EBIT adj (x)	21.9	19.6	17.4
EV/sales (x)	8.98	8.11	7.58
ROE adj (%)	46.9	47.9	50.7
Dividend yield (%)	4.6	5.2	5.9
FCF yield (%)	4.4	5.3	5.9
Lease adj. FCF yld (%)	4.3	5.2	5.8
Net IB debt/EBITDA	-0.8	-0.8	-0.8
Lease adj. ND/EBITDA	-0.8	-0.9	-0.9

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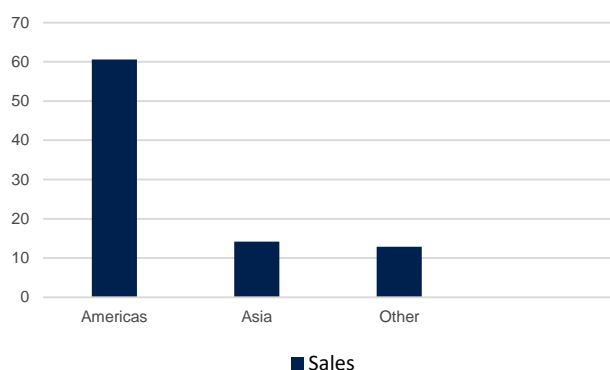
## Opportunities

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

## Risks

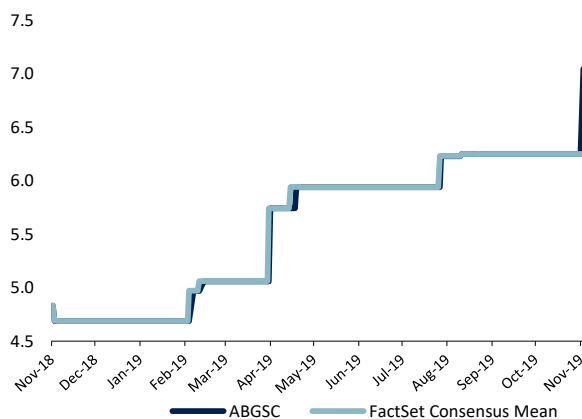
Automotive demand, and more specifically demand for larger passenger vehicles such as SUVs and pick-up trucks with diesel engines. Regulation relating to fossil fuels and diesel in particular poses risks to the business model.

### Geographical breakdown, sales, SEKm



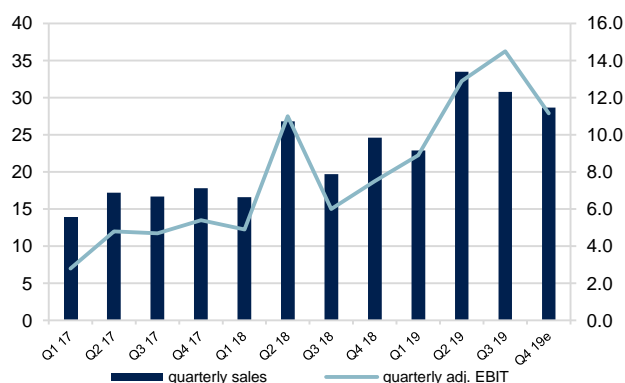
Source: ABG Sundal Collier, Company data

### EPS estimate changes, 2019e, SEK



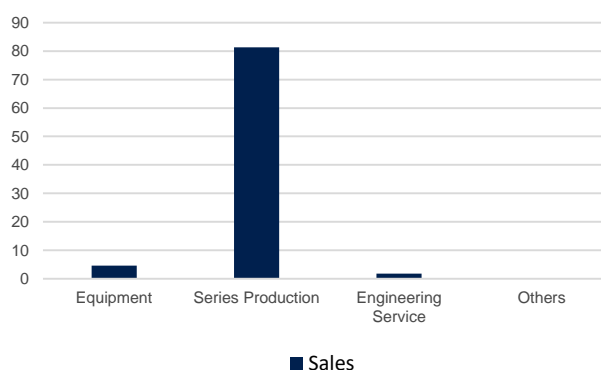
Source: ABG Sundal Collier, FactSet

### Quarterly sales and adj. EBIT, SEKm



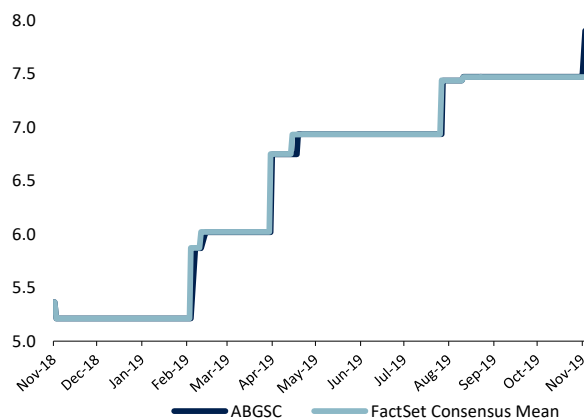
Source: ABG Sundal Collier, Company data

### Business area breakdown, sales, SEKm



Source: ABG Sundal Collier, Company data

### EPS estimate changes, 2020e, SEK



Source: ABG Sundal Collier, FactSet

### 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.

**Q3'19 outcome vs. expectations**

	Actual	Actual		ABGSCe	Dev	
Deviation table	Q3'18	Q3'19	y-o-y	Q3'19e	%	SEKm
<b>Net sales</b>	<b>19.7</b>	<b>30.8</b>	<b>56%</b>	<b>28.0</b>	<b>10%</b>	<b>2.8</b>
Gross profit	15.8	24.6	56%	22.4	10%	2.2
Opex	-9.8	-10.1	3%	-11.7	-14%	1.6
<b>EBIT</b>	<b>6.0</b>	<b>14.5</b>	<b>142%</b>	<b>10.7</b>	<b>36%</b>	<b>3.8</b>
PTP	7.0	14.2	103%	10.7	33%	3.5
<b>Net profit</b>	<b>7.0</b>	<b>14.2</b>	<b>103%</b>	<b>10.7</b>	<b>33%</b>	<b>3.5</b>
<b>Growth and margins</b>	<b>Q3'18</b>	<b>Q3'19</b>	<b>y-o-y</b>	<b>Q3'19e</b>	<b>%</b>	<b>SEKm</b>
Sales growth	18%	56%		42%	14%	
EBIT growth	28%	142%		78%	64%	
Gross margin	80%	80%	0%	80%	0%	
EBIT margin	30%	47%	17%	38%	9%	
<b>Sales split</b>	<b>Q3'18</b>	<b>Q3'19</b>	<b>y-o-y</b>	<b>Q3'19e</b>	<b>%</b>	<b>SEKm</b>
Equipment	0.5	2.4	380%	2.0	20%	0.4
Service	0.5	0.2	-60%	0.5	-60%	-0.3
Series production	18.7	28.2	51%	25.5	10%	2.7
<b>Net sales</b>	<b>19.7</b>	<b>30.8</b>	<b>56%</b>	<b>28.0</b>	<b>10%</b>	<b>2.8</b>
<b>Other metrics</b>	<b>Q3'18</b>	<b>Q3'19</b>	<b>y-o-y</b>	<b>Q3'19e</b>	<b>%</b>	<b>SEKm</b>
Sampling cups	42,800	55,700	30%	50,000	11%	5,700
Engine equivalents / year (mn)	2.30	3.50	52%	3.30	6%	0.20

Source: ABG Sundal Collier, company data

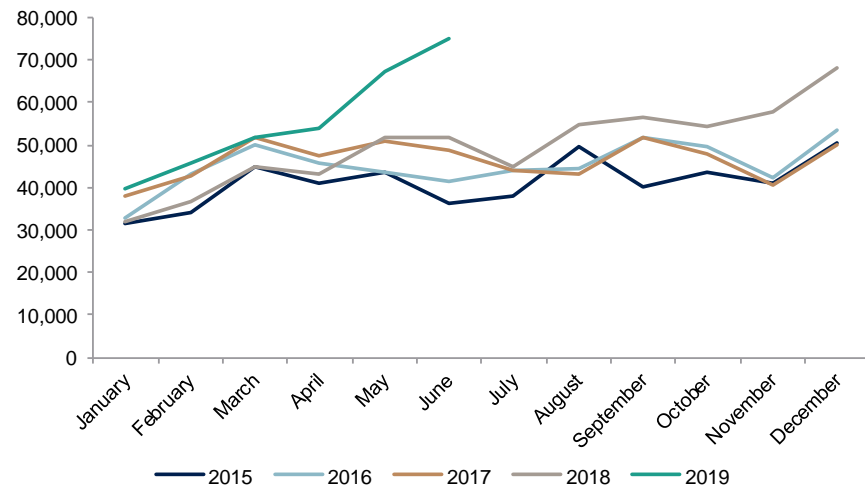
**Q3 highlights and outlook**

In September, SinterCast reached new all-time-highs once again as production amounted to 3.9m annualised engine equivalents, and 3.5m for Q3 (+52% y-o-y). Although SinterCast continued to invest in its organisation (such as higher R&D and salary increases), it did little to hurt earnings, as EBIT grew 142% y-o-y, while the gross margin was strong at 80%.

Sampling cups came in at 55,700, a 30% increase y-o-y and 11% above our estimate of 50,000. The high sampling cup deliveries were, to our understanding, not driven by any larger one-off orders, but instead by overall strong demand and continued growth from the new Cummins in-line diesel engine. For Q4, we expect sampling cup deliveries of 52,000, a 3% decline y-o-y as we note tough comparable numbers from Q4'18.

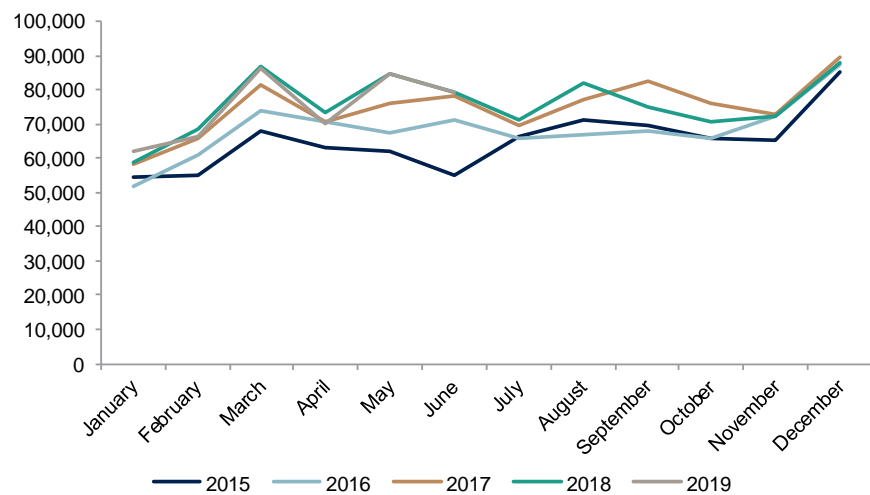
We understand demand is high for Ford and RAM pickup trucks in addition to heavy trucks, as shown in the following charts on the next page. We also understand SinterCast has good visibility in its business in the coming five years, as the industry lead times are about the same. We therefore believe growth is set to persist in the coming five years for SinterCast, especially with Scania's new foundry starting up in 2020, which should add to production volumes – as reflected in our '20-'21 estimates.

### Key customers trending well and leading the way RAM all models monthly US sales 2015-2019



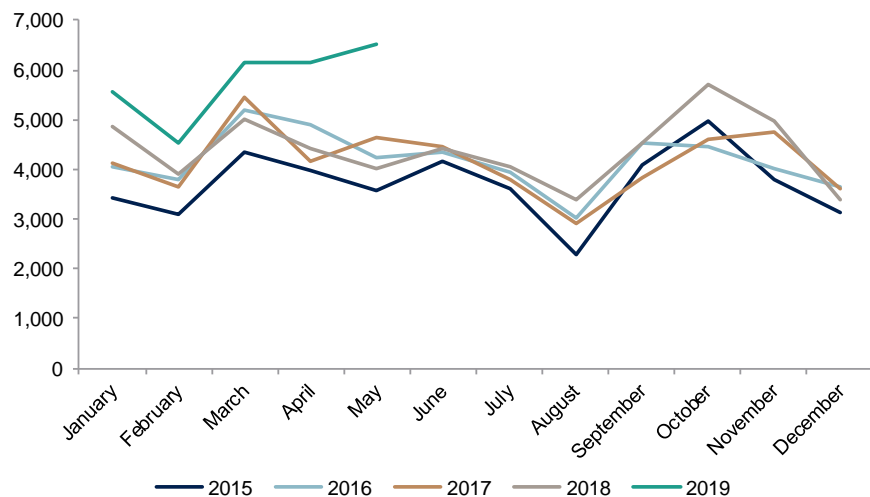
Source: ABG Sundal Collier, CarSalesBase

### Ford F-series monthly US sales 2015-2019



Source: ABG Sundal Collier, CarSalesBase

### Scania trucks monthly registrations in Europe 2015-2019



Source: ABG Sundal Collier, Scania

## Estimate changes

Estimate changes	Old			New			SEKm			%		
SEKm	2019e	2020e	2021e	2019e	2020e	2021e	2019e	2020e	2021e	2019e	2020e	2021e
<b>Net sales</b>	<b>113.0</b>	<b>125.7</b>	<b>134.9</b>	<b>115.9</b>	<b>127.5</b>	<b>135.8</b>	<b>2.9</b>	<b>1.8</b>	<b>0.9</b>	<b>3%</b>	<b>1%</b>	<b>1%</b>
Gross profit	89.1	100.5	109.2	91.4	100.9	108.6	2.3	0.4	-0.6	3%	0%	-1%
Opex	-45.4	-48.5	-50.8	-43.9	-48.0	-49.4	1.5	0.5	1.3	-3%	-1%	-3%
<b>EBIT</b>	<b>43.7</b>	<b>52.0</b>	<b>58.4</b>	<b>47.5</b>	<b>52.8</b>	<b>59.1</b>	<b>3.8</b>	<b>0.9</b>	<b>0.7</b>	<b>9%</b>	<b>2%</b>	<b>1%</b>
PTP	43.4	52.0	58.4	46.8	52.8	59.1	3.4	0.9	0.7	8%	2%	1%
<b>Net profit</b>	<b>44.3</b>	<b>53.0</b>	<b>59.4</b>	<b>50.0</b>	<b>56.0</b>	<b>62.3</b>	<b>5.7</b>	<b>3.1</b>	<b>2.9</b>	<b>13%</b>	<b>6%</b>	<b>5%</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	29%	11%	7%	32%	10%	7%				3%	-1%	-1%
EBIT growth	49%	19%	12%	61%	11%	12%				13%	-8%	-1%
Gross margin	79%	80%	81%	79%	79%	80%				0%	-1%	-1%
EBIT margin	39%	41%	43%	41%	41%	44%				2%	0%	0%
<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	11.1	11.0	8.0	11.5	14.0	11.0	0.4	3.0	3.0	4%	27%	38%
Service	1.4	2.5	3.0	0.9	2.5	3.0	-0.5	0.0	0.0	-36%	0%	0%
Series production	100.5	112.2	123.9	103.5	111.0	121.8	3.0	-1.2	-2.1	3%	-1%	-2%
<b>Net sales</b>	<b>113.0</b>	<b>125.7</b>	<b>134.9</b>	<b>115.9</b>	<b>127.5</b>	<b>135.8</b>	<b>2.9</b>	<b>1.8</b>	<b>0.9</b>	<b>3%</b>	<b>1%</b>	<b>1%</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	186,200	210,000	230,000	193,900	209,000	230,000	7,700	-1,000	0	4%	0%	0%
Engine equivalents / year (mn)	3.30	3.70	4.10	3.35	3.65	4.00	0.05	-0.05	-0.10	2%	-1%	-2%

Source: ABG Sundal Collier, company data

## Quarterly income statement

Quarterly overview	Q1'17	Q2'17	Q3'17	Q4'17	Q1'18	Q2'18	Q3'18	Q4'18	Q1'19	Q2'19	Q3'19	Q4'19e
<b>Net sales</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>33.5</b>	<b>30.8</b>	<b>28.7</b>
Gross profit	10.8	13.4	12.7	13.7	13.2	20.9	15.8	19.0	18.4	25.4	24.6	23.0
SG&A	-6.8	-6.4	-5.8	-6.0	-6.5	-7.2	-6.8	-8.3	-7.8	-9.1	-8.4	-9.0
R&D	-1.0	-1.9	-2.1	-2.3	-2.3	-3.0	-2.1	-2.9	-2.2	-2.7	-3.0	-3.0
Other opex	-0.2	-0.3	-0.1	0.0	0.5	0.3	-0.9	-0.3	0.5	-0.7	1.3	0.2
<b>EBIT</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>12.9</b>	<b>14.5</b>	<b>11.2</b>
Net financials	0.2	-0.2	0.0	0.0	-0.8	-0.6	1.0	0.4	-0.6	0.3	-0.3	-0.1
PTP	3.0	4.6	4.7	5.4	4.1	10.4	7.0	7.9	8.3	13.2	14.2	11.1
Taxes	0.0	0.9	0.0	0.0	0.0	1.0	0.0	2.3	0.0	0.9	0.0	2.3
<b>Net profit</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>14.1</b>	<b>14.2</b>	<b>13.4</b>
<b>Growth and margins</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>Q2'19</b>	<b>Q3'19</b>	<b>Q4'19e</b>
Sales growth	-14%	-6%	-30%	3%	19%	56%	18%	38%	38%	25%	56%	17%
EBIT growth	-39%	-17%	-58%	13%	75%	129%	28%	39%	82%	17%	142%	49%
Gross margin	78%	78%	76%	77%	80%	78%	80%	77%	80%	76%	80%	80%
SG&A+R&D / sales R12m	56%	48%	47%	47%	53%	38%	45%	46%	44%	35%	37%	42%
EBIT margin	20%	28%	28%	30%	30%	41%	30%	30%	39%	39%	47%	39%
Tax rate	0%	-20%	0%	0%	0%	-10%	0%	-29%	0%	-7%	0%	-21%
<b>Sales split</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>Q2'19</b>	<b>Q3'19</b>	<b>Q4'19e</b>
Equipment	0.2	1.2	1.5	0.8	0.1	2.3	0.5	1.7	0.5	6.6	2.4	2.0
Service	0.1	0.2	0.5	0.4	0.0	0.7	0.5	0.6	0.2	0.2	0.2	0.3
Series production	13.6	15.8	14.7	16.6	16.5	23.8	18.7	22.3	22.2	26.7	28.2	26.4
<b>Net sales</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>33.5</b>	<b>30.8</b>	<b>28.7</b>
<b>Other metrics</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>Q2'19</b>	<b>Q3'19</b>	<b>Q4'19e</b>
Sampling cups	28,700	32,900	40,600	42,400	32,500	68,800	42,800	53,800	36,800	49,400	55,700	52,000
y-o-y	-20%	-30%	-20%	21%	13%	109%	5%	27%	13%	-28%	30%	-3%
Engine equivalents / year (mn)	2.00	2.20	2.00	2.20	2.50	2.70	2.30	2.60	3.10	3.40	3.50	3.40
Working capital / sales R12m	13%	17%	25%	21%	16%	24%	20%	24%	24%	29%	25%	
Net debt	-49	-22	-22	-30	-37	-20	-29	-33	-36	-25	-41	
ND/Equity	-0.50	-0.29	-0.28	-0.35	-0.41	-0.24	-0.33	-0.33	-0.34	-0.24	-0.34	
ROCE	25%	30%	20%	19%	21%	33%	32%	32%	33%	37%	42%	

Source: ABG Sundal Collier, company data

## The company

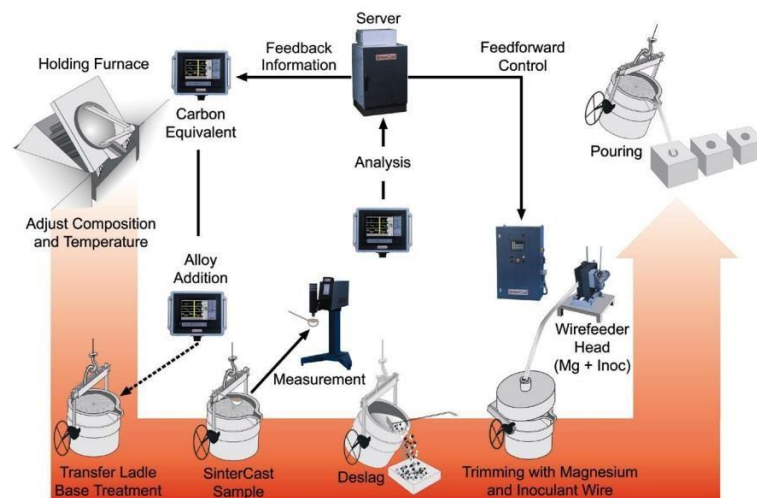
SinterCast is a market-leading supplier of process control technology for production of CGI (Compacted Graphite Iron), a form of cast iron. The material offers at least 75% higher tensile strength, 45% higher stiffness and about double the fatigue strength of grey iron and aluminium. These characteristics make it ideal for engine production and the material 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, while also reducing its size. This is not just beneficial for the end-customer but also the manufacturer due to a 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 SinterCast's product is 1-2% of the total production costs for the engine. The company's process technology is deeply embedded in its customer's production, creating high barriers to entry – once the 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.

## The SinterCast process

The SinterCast process allows the foundry to control the quality of each cast. This is crucial since engines are expected to live for a long time and not break or lose capacity. When the cast is poured into the casket, a SinterCast sample cup is filled with the current CGI cask and the SinterCast thermometer in the sample cup measures the current properties of the CGI. It then sends data to the System 3000, which interprets the data and determines whether the cask's properties are good enough. If good, the casting process can proceed. If bad, a wirefeeder can add magnesium to get the right properties – the process can then proceed without having to discard the cast. It is also important to be able to track the specific casks in production to know where they have been and what properties they had. To this end, SinterCast has developed its own ladle tracking system with radio frequency identification (RFID), making it possible to track the cast while in production. If an error is detected by the System 3000, the production is shut down immediately so no harm is caused to other casts. This makes it possible to track and backlog the right cast and its properties even years after it has left the factory.

## The SinterCast process



Source: SinterCast

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

*The SinterCast process reduces costs and improves quality control*



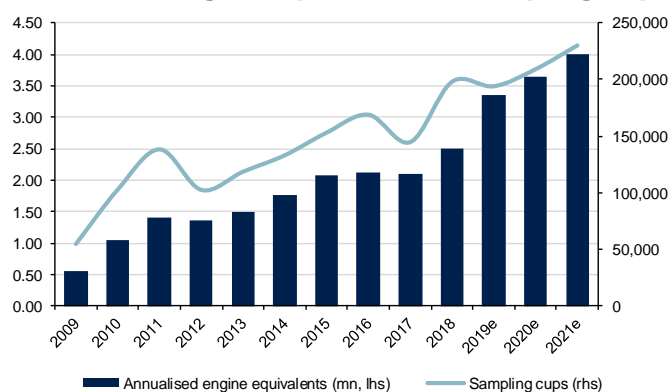
## The business model

SinterCast sells or leases its System 3000. The system is installed at the foundry and comes with a leased process control software that is required to use it. On average, the systems are leased for seven years, with the software licence paid annually. The company also sells sampling cups, 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, typically EUR 40-50. The System 3000 is fundamental for controlling the process and collecting and interpreting 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 a sampling module to increase capacity. As the installed hardware system base grows, other revenue streams will also increase, such as software licences, sampling cups and running production fees per tonne of cast.

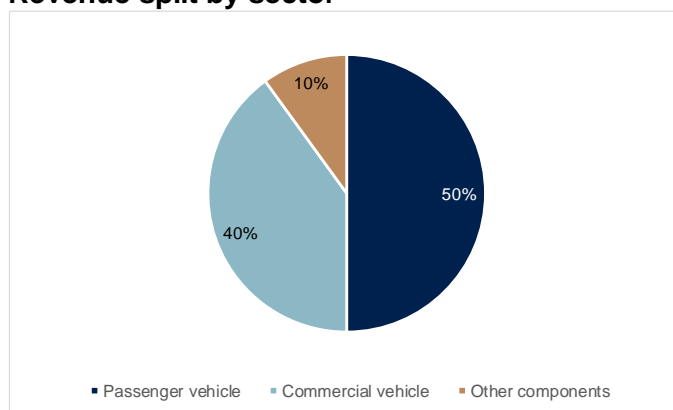
*SinterCast's business model offers scalability as the installed hardware base increases*

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

## Annualised engine equivalents & sampling cups Revenue split by sector



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 pick-up trucks. Since CGI engines improve fuel efficiency and reduce weight, bigger cars benefit more from them. This is especially true as these cars, besides volume weight, often have many extra features compared to a small car – CGI therefore makes it possible to reduce weight while also having a strong engine. According to a survey 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, which implement the technology in their casting process. The biggest customer is Tupy, with foundries in the Americas and accounting for more than 50% of sales. Tupy manufactures engines for end-customers such as Ford and Ram. SinterCast is also growing its customer base in China and Russia, which are potential growth markets in addition to the growing segment of industrial power.

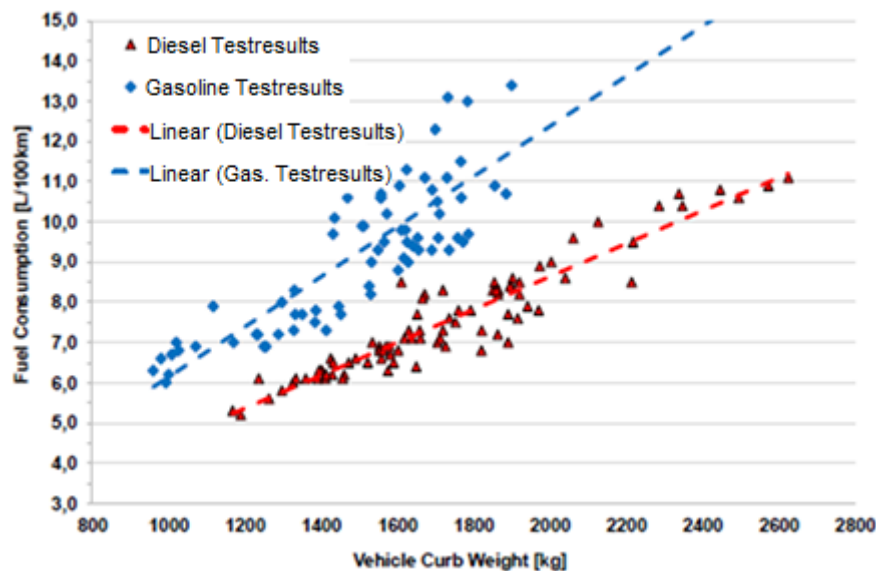
Main segments to keep growing

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, making them 20-30% more efficient overall. This impact gets bigger as the curb weight of a car increases, as the fuel consumption increases less for a diesel engine compared to a petrol engine as a car's weight get bigger. The impact is biggest for heavier cars, the segment in which SinterCast operates. Therefore, the future of diesel engines within the segment should be more stable than for petrol engines. In the small-car segment, the future is more uncertain, with the segment expected to shrink its diesel penetration.

The trend is that more companies are introducing CGI engines in their new models. This is because they are more efficient and to meet future CO<sup>2</sup> emission standards. For instance, the world's most popular pick-up truck, the Ford F-series, has engines with SinterCast technology. Ford previously offered a petrol engine only but last year it started producing a CGI SinterCast diesel engine, reducing fuel consumption further and increasing torque.

### Diesel fuel consumption more effective as weight increases



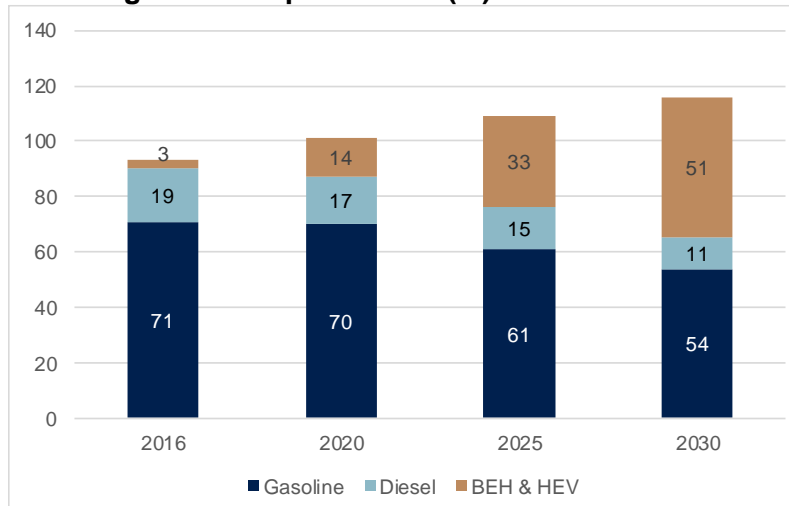
Source: SinterCast (data from AVL)

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 low levels. According to ISM, of total new car production in 2016 only 3m were electrified cars or hybrids, compared to 19m diesel cars. This might sound like bad news for combustion engines, but it could be seen as an opportunity as the biggest growing segment is hybrids, which combine an electric and combustion engine. This means that casting of small and strong engines will still take place, perhaps even to a greater extent. As stated earlier, CGI offers the opportunity to cast small, strong, efficient and durable engines, making it ideal for hybrids.



### Global light vehicle production (m)



Source: ABG Sundal Collier, IHS, company data

SinterCast technology behind America's most popular pick-up 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. As mentioned above, Ford now produces a CGI diesel engine with SinterCast technology for America's most popular pick-up truck. Also, Ram in January announced that it would sell its popular Super Duty pick-up truck with a 6.7 litre engine from Cummins in CGI. This installation will add 300,000-400,000 engine equivalents per year, implying serial production revenue of around SEK 9-12m.

Scania contract to boost sales by SEK 20m annually from 2023

### Record Scania investment – 90,000 tonne CGI foundry

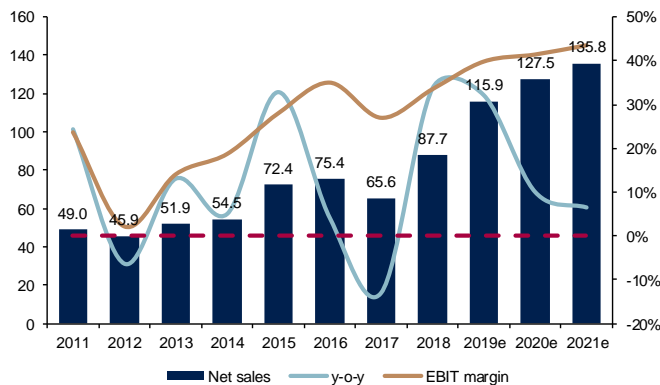
In January 2019, Scania announced that it would build a new foundry starting in 2020 for the production of CGI engines. The building received permission to produce 90,000 tonnes per year. The full production of engines will start 3-5 years after installation, which to us confirms that there is a future for efficient CGI diesel engines. The SinterCast engine will become standard for Scania and MAN trucks. This is expected by the company to boost SinterCast serial production sales by SEK 20m per year (>20% increase given current revenue). This gives us confidence in 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 it positive given SinterCast's financial position with limited investment needs (<10% of operating cash flow), net cash of ~SEK 30m and zero interest-bearing debt (excl. SEK 3m IFRS 16 leasing).

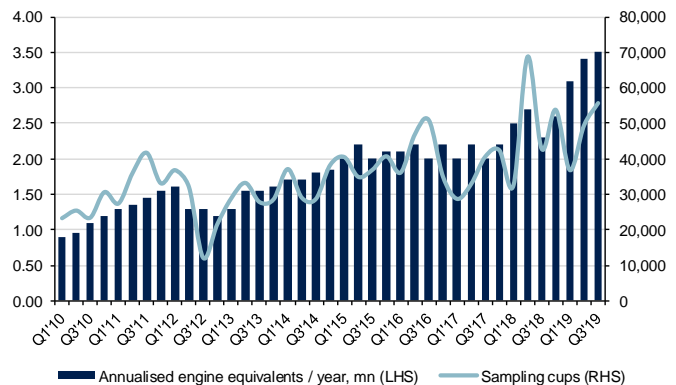
Looking ahead, we expect SinterCast to pay out ~100% of its FCF and EPS (implying a total DPS of SEK 7.0-9.0 for the period '19e-'21e), in order to limit growth in its large cash position. Furthermore, this should keep the cash position relatively stable at current levels, suggesting that there could be further room for higher dividends if the company believes its cash position is too large. We expect dividend yields of 5-6% and FCF yields of 4-6% for the period '19e-'21e. To summarise, we assume that the total distribution to shareholders during '19e-'21e will amount to ~SEK 140m, corresponding to 13% of today's market cap.

## Sales and margins steadily rising



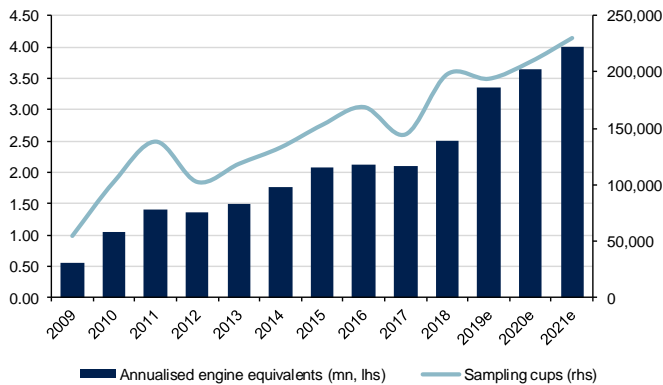
Source: ABG Sundal Collier, company data

## Deliveries in a positive trend since Q3'17



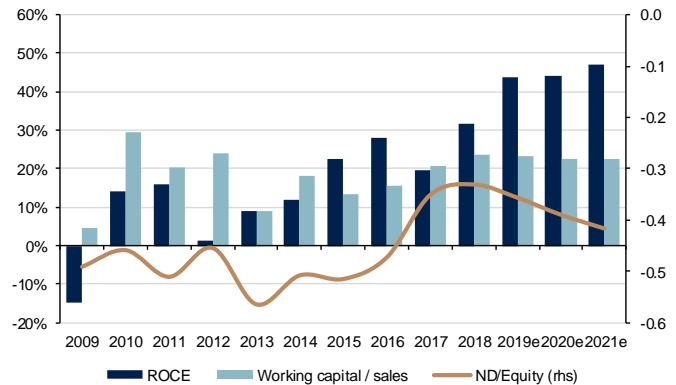
Source: ABG Sundal Collier, company data

## Engine equivalents and sampling cups go hand in hand



Source: ABG Sundal Collier, company data

## High ROCE and low reinvestment needs drive an increasing net cash position



Source: ABG Sundal Collier, company data

## Annual overview

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	115.9	127.5	135.8
Gross profit	29.2	34.8	32.2	37.3	40.8	55.4	58.8	50.6	68.9	91.4	100.9	108.6
SG&A	-16.8	-21.0	-26.2	-24.6	-24.7	-26.4	-25.0	-25.0	-28.8	-34.3	-36.5	-37.8
R&D	-4.5	-4.4	-5.5	-5.8	-6.5	-7.6	-7.9	-7.3	-10.3	-10.9	-11.5	-11.6
Other opex	-0.7	2.2	0.5	0.4	0.6	-1.1	0.5	-0.6	-0.4	1.3	0.0	0.0
EBIT	7.2	11.6	1.0	7.3	10.2	20.3	26.4	17.7	29.4	47.5	52.8	59.1
Net financials	1.4	-0.5	1.0	0.2	1.3	4.6	-0.6	0.0	0.0	-0.7	0.0	0.0
PTP	8.6	11.1	2.0	7.5	11.5	24.9	25.8	17.7	29.4	46.8	52.8	59.1
Taxes	8.0	3.4	-5.7	0.6	0.9	0.8	1.0	0.9	3.3	3.2	3.2	3.2
Net profit	16.5	14.5	-3.7	8.1	12.3	25.2	26.8	18.6	32.7	50.0	56.0	62.3
Growth and margins												
Sales growth	97%	24%	-6%	13%	5%	33%	4%	-13%	34%	32%	10%	7%
EBIT growth	-214%	61%	-91%	630%	40%	99%	30%	-33%	66%	61%	11%	12%
Gross margin	74%	71%	70%	72%	75%	77%	78%	77%	79%	79%	79%	80%
SG&A+R&D / sales R12m	54%	52%	69%	59%	57%	47%	44%	49%	45%	39%	38%	36%
EBIT margin	18%	24%	2%	14%	19%	28%	35%	27%	34%	41%	41%	44%
Tax rate	-93%	-31%	285%	-8%	-8%	-3%	-4%	-5%	-11%	-7%	-6%	-5%
Sales split												
Equipment	0.0	0.0	0.0	10.1	4.9	7.7	7.1	3.7	4.6	11.5	14.0	11.0
Service	0.0	0.0	0.0	1.5	1.8	1.1	1.8	1.2	1.8	0.9	2.5	3.0
Series production	0.0	0.0	0.0	44.1	47.8	63.6	66.4	60.7	81.3	103.5	111.0	121.8
Net sales	39.4	49.0	45.9	51.9	54.5	72.4	75.4	65.6	87.7	115.9	127.5	135.8
Other metrics												
Sampling cups	102,650	138,200	102,400	118,500	133,000	153,000	168,800	144,600	197,900	193,900	209,000	230,000
y-o-y	88%	35%	-26%	16%	12%	15%	10%	-14%	37%	-2%	8%	10%
Engine equivalents / year (mn)	1.04	1.41	1.35	1.50	1.76	2.08	2.13	2.10	2.50	3.35	3.65	4.00
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	-41	-47	-52
ND/Equity	-0.46	-0.51	-0.45	-0.56	-0.51	-0.52	-0.47	-0.35	-0.33	-0.36	-0.39	-0.42
ROCE	14%	16%	1%	9%	12%	22%	28%	19%	32%	44%	44%	47%

Source: ABG Sundal Collier, company data

Income Statement (SEKm)	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019e
Sales	17	27	20	25	23	34	31	29
COGS	-3	-6	-4	-6	-5	-8	-6	-6
Gross profit	13	21	16	19	18	25	25	23
Other operating items	-8	-9	-9	-11	-9	-12	-9	-10
<b>EBITDA</b>	<b>6</b>	<b>12</b>	<b>6</b>	<b>8</b>	<b>10</b>	<b>13</b>	<b>16</b>	<b>13</b>
Depreciation and amortisation	-1	-1	-0	-1	-1	-0	-1	-1
<b>EBITA</b>	<b>5</b>	<b>11</b>	<b>6</b>	<b>8</b>	<b>9</b>	<b>13</b>	<b>15</b>	<b>11</b>
EO items	0	0	0	0	0	0	0	0
Impairment and PPA 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>15</b>	<b>11</b>
Net financial items	-1	-1	1	0	-1	0	-0	-0
<b>Pretax profit</b>	<b>4</b>	<b>10</b>	<b>7</b>	<b>8</b>	<b>8</b>	<b>13</b>	<b>14</b>	<b>11</b>
Tax	0	1	0	2	0	1	0	2
<b>Net profit</b>	<b>4</b>	<b>11</b>	<b>7</b>	<b>10</b>	<b>8</b>	<b>14</b>	<b>14</b>	<b>13</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>8</b>	<b>14</b>	<b>14</b>	<b>13</b>
EPS	0.58	1.61	0.99	1.44	1.17	1.99	2.00	1.88
EPS Adj	0.58	1.61	0.99	1.44	1.17	1.99	2.00	1.88
Total extraordinary items after tax	0	0	0	0	0	0	0	0
Tax rate (%)	0	9.6	0	29.1	0	6.8	0	20.8
Gross margin (%)	79.5	78.0	80.2	77.2	80.3	75.8	79.9	80.0
EBITDA margin (%)	33.1	42.9	32.5	32.5	41.5	39.7	51.6	43.8
EBITA margin (%)	29.5	41.0	30.5	30.5	38.9	38.5	47.1	38.9
EBIT margin (%)	29.5	41.0	30.5	30.5	38.9	38.5	47.1	38.9
Pretax margin (%)	24.7	38.8	35.5	32.1	36.2	39.4	46.1	38.6
Net margin (%)	24.7	42.5	35.5	41.5	36.2	42.1	46.1	46.6
<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 2019</b>	<b>Q3 2019</b>	<b>Q4 2019e</b>
Sales growth (%)	19.4	55.8	18.0	38.2	38.0	25.0	56.3	16.6
EBITDA growth (%)	77.4	125.5	23.1	37.9	72.7	15.7	148.4	57.0
EBIT growth (%)	75.0	129.2	27.7	38.9	81.6	17.3	141.7	48.8
Net profit growth (%)	36.7	107.3	48.9	88.9	102.4	23.7	102.9	31.0
EPS growth (%)	36.7	107.3	48.9	88.9	102.4	23.7	102.9	31.0
<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 2019</b>	<b>Q3 2019</b>	<b>Q4 2019e</b>
EBITDA Adj	6	12	6	8	10	13	16	13
EBITDA Adj margin (%)	33.1	42.9	32.5	32.5	41.5	39.7	51.6	43.8
EBITA Adj	5	11	6	8	9	13	15	11
EBITA Adj margin (%)	29.5	41.0	30.5	30.5	38.9	38.5	47.1	38.9
EBIT Adj	5	11	6	8	9	13	15	11
EBIT Adj margin (%)	29.5	41.0	30.5	30.5	38.9	38.5	47.1	38.9
Pretax profit Adj	4	10	7	8	8	13	14	11
Net profit Adj	4	11	7	10	8	14	14	13
Net profit to shareholders Adj	4	11	7	10	8	14	14	13
Net Adj margin (%)	24.7	42.5	35.5	41.5	36.2	42.1	46.1	46.6

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	116	128	136
COGS	-14	-15	-18	-17	-17	-15	-19	-25	-27	-27
Gross profit	32	37	36	55	59	51	69	91	101	109
Other operating items	-30	-29	-25	-34	-31	-31	-37	-40	-44	-45
<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>51</b>	<b>57</b>	<b>63</b>
Depreciation and amortisation	-1	-1	-1	-1	-1	-2	-2	-4	-4	-4
Of which leasing depreciation	0	0	0	0	0	0	0	-1	-1	-1
<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>47</b>	<b>53</b>	<b>59</b>
EO items	0	0	0	0	0	0	0	0	0	0
Impairment and PPA 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>47</b>	<b>53</b>	<b>59</b>
Net financial items	1	0	1	5	-1	0	0	-1	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>47</b>	<b>53</b>	<b>59</b>
Tax	-6	1	1	1	1	1	3	3	3	3
<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>50</b>	<b>56</b>	<b>62</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>50</b>	<b>56</b>	<b>62</b>
EPS	-0.53	1.14	1.75	3.62	3.78	2.62	4.61	7.05	7.90	8.79
<i>EPS Adj</i>	<i>-0.53</i>	<i>1.14</i>	<i>1.75</i>	<i>3.62</i>	<i>3.78</i>	<i>2.62</i>	<i>4.61</i>	<i>7.05</i>	<i>7.90</i>	<i>8.79</i>
Total extraordinary items after tax	0	0	0	0	0	0	0	0	0	0
Leasing payments	0	0	0	0	0	0	0	0	0	0
<i>Tax rate (%)</i>	<i>285.0</i>	<i>8.0</i>	<i>7.8</i>	<i>3.2</i>	<i>3.9</i>	<i>5.1</i>	<i>11.2</i>	<i>6.8</i>	<i>6.1</i>	<i>5.4</i>
<i>Gross margin (%)</i>	<i>70.2</i>	<i>71.9</i>	<i>66.6</i>	<i>76.5</i>	<i>78.0</i>	<i>77.1</i>	<i>78.6</i>	<i>78.8</i>	<i>79.1</i>	<i>79.9</i>
<i>EBITDA margin (%)</i>	<i>4.4</i>	<i>15.6</i>	<i>20.2</i>	<i>29.1</i>	<i>36.3</i>	<i>29.3</i>	<i>36.0</i>	<i>44.2</i>	<i>44.4</i>	<i>46.5</i>
<i>EBITA margin (%)</i>	<i>2.2</i>	<i>14.1</i>	<i>18.7</i>	<i>28.0</i>	<i>35.0</i>	<i>27.0</i>	<i>33.5</i>	<i>41.0</i>	<i>41.4</i>	<i>43.5</i>
<i>EBIT margin (%)</i>	<i>2.2</i>	<i>14.1</i>	<i>18.7</i>	<i>28.0</i>	<i>35.0</i>	<i>27.0</i>	<i>33.5</i>	<i>41.0</i>	<i>41.4</i>	<i>43.5</i>
<i>Pretax margin (%)</i>	<i>4.4</i>	<i>14.5</i>	<i>21.1</i>	<i>34.4</i>	<i>34.2</i>	<i>27.0</i>	<i>33.5</i>	<i>40.3</i>	<i>41.4</i>	<i>43.5</i>
<i>Net margin (%)</i>	<i>-8.1</i>	<i>15.6</i>	<i>22.8</i>	<i>35.5</i>	<i>35.5</i>	<i>28.4</i>	<i>37.3</i>	<i>43.1</i>	<i>43.9</i>	<i>45.9</i>
<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>
<i>Sales growth (%)</i>	<i>-6.3</i>	<i>13.1</i>	<i>5.0</i>	<i>32.8</i>	<i>4.1</i>	<i>-13.0</i>	<i>33.7</i>	<i>32.1</i>	<i>10.0</i>	<i>6.5</i>
<i>EBITDA growth (%)</i>	<i>-84.3</i>	<i>305.0</i>	<i>35.8</i>	<i>91.8</i>	<i>29.9</i>	<i>-29.9</i>	<i>64.6</i>	<i>62.2</i>	<i>10.5</i>	<i>11.6</i>
<i>EBIT growth (%)</i>	<i>-91.4</i>	<i>630.0</i>	<i>39.7</i>	<i>99.0</i>	<i>30.0</i>	<i>-33.0</i>	<i>66.1</i>	<i>61.4</i>	<i>11.3</i>	<i>11.9</i>
<i>Net profit growth (%)</i>	<i>-125.5</i>	<i>318.9</i>	<i>53.1</i>	<i>107.3</i>	<i>4.3</i>	<i>-30.6</i>	<i>75.8</i>	<i>52.8</i>	<i>12.2</i>	<i>11.2</i>
<i>EPS growth (%)</i>	<i>-125.4</i>	<i>316.1</i>	<i>53.1</i>	<i>107.3</i>	<i>4.3</i>	<i>-30.6</i>	<i>75.8</i>	<i>52.8</i>	<i>12.2</i>	<i>11.2</i>
<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>
<i>ROE (%)</i>	<i>-4.3</i>	<i>10.0</i>	<i>14.3</i>	<i>28.3</i>	<i>28.4</i>	<i>20.5</i>	<i>35.4</i>	<i>46.9</i>	<i>47.9</i>	<i>50.7</i>
<i>ROE Adj (%)</i>	<i>-4.3</i>	<i>10.0</i>	<i>14.3</i>	<i>28.3</i>	<i>28.4</i>	<i>20.5</i>	<i>35.4</i>	<i>46.9</i>	<i>47.9</i>	<i>50.7</i>
<i>ROCE (%)</i>	<i>1.2</i>	<i>9.0</i>	<i>11.8</i>	<i>22.4</i>	<i>27.9</i>	<i>19.5</i>	<i>31.8</i>	<i>43.9</i>	<i>44.0</i>	<i>46.9</i>
<i>ROCE Adj(%)</i>	<i>1.2</i>	<i>9.0</i>	<i>11.8</i>	<i>22.4</i>	<i>27.9</i>	<i>19.5</i>	<i>31.8</i>	<i>43.9</i>	<i>44.0</i>	<i>46.9</i>
<i>ROIC (%)</i>	<i>-4.2</i>	<i>19.9</i>	<i>27.4</i>	<i>47.2</i>	<i>57.3</i>	<i>35.0</i>	<i>53.6</i>	<i>72.7</i>	<i>76.6</i>	<i>85.1</i>
<i>ROIC Adj (%)</i>	<i>-4.2</i>	<i>19.9</i>	<i>27.4</i>	<i>47.2</i>	<i>57.3</i>	<i>35.0</i>	<i>53.6</i>	<i>72.7</i>	<i>76.6</i>	<i>85.1</i>
<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	51	57	63
<i>EBITDA Adj margin (%)</i>	<i>4.4</i>	<i>15.6</i>	<i>20.2</i>	<i>29.1</i>	<i>36.3</i>	<i>29.3</i>	<i>36.0</i>	<i>44.2</i>	<i>44.4</i>	<i>46.5</i>
EBITDA lease Adj	2	8	11	21	27	19	32	51	57	64
<i>EBITDA lease Adj margin (%)</i>	<i>4.4</i>	<i>15.6</i>	<i>20.2</i>	<i>29.1</i>	<i>36.3</i>	<i>29.3</i>	<i>36.0</i>	<i>44.4</i>	<i>44.7</i>	<i>46.8</i>
EBITA Adj	1	7	10	20	26	18	29	47	53	59
<i>EBITA Adj margin (%)</i>	<i>2.2</i>	<i>14.1</i>	<i>18.7</i>	<i>28.0</i>	<i>35.0</i>	<i>27.0</i>	<i>33.5</i>	<i>41.0</i>	<i>41.4</i>	<i>43.5</i>
EBIT Adj	1	7	10	20	26	18	29	47	53	59
<i>EBIT Adj margin (%)</i>	<i>2.2</i>	<i>14.1</i>	<i>18.7</i>	<i>28.0</i>	<i>35.0</i>	<i>27.0</i>	<i>33.5</i>	<i>41.0</i>	<i>41.4</i>	<i>43.5</i>
Pretax profit Adj	2	8	12	25	26	18	29	47	53	59
Net profit Adj	-4	8	12	26	27	19	33	50	56	62
Net profit to shareholders Adj	-4	8	12	26	27	19	33	50	56	62
<i>Net Adj margin (%)</i>	<i>-8.1</i>	<i>15.6</i>	<i>22.8</i>	<i>35.5</i>	<i>35.5</i>	<i>28.4</i>	<i>37.3</i>	<i>43.1</i>	<i>43.9</i>	<i>45.9</i>

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	51	57	63
Net financial items	1	0	1	5	-1	0	0	-1	0	0
Paid tax	-6	1	1	1	1	1	3	3	3	3
Non-cash items	5	-1	-1	-6	-0	-1	-3	2	3	3
Cash flow before change in WC	2	8	12	20	28	19	32	55	63	70
Change in WC	-1	6	-5	0	-2	-2	-7	-6	-2	-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>49</b>	<b>61</b>	<b>68</b>
CAPEX tangible fixed assets	0	0	0	0	0	0	0	0	0	0
CAPEX intangible fixed assets	-2	-1	-1	-2	-3	-4	-3	-2	-4	-4
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>47</b>	<b>57</b>	<b>63</b>
Dividend paid	-7	-7	-9	-16	-25	-28	-19	-35	-50	-57
Share issues and buybacks	0	0	0	0	0	0	0	0	0	0
Other non cash items	-5	6	0	-0	0	-0	-0	-3	0	0
<b>Decrease in net IB debt</b>	<b>-12</b>	<b>12</b>	<b>-3</b>	<b>3</b>	<b>-3</b>	<b>-15</b>	<b>3</b>	<b>8</b>	<b>6</b>	<b>6</b>
Balance Sheet (SEKm)	2012	2013	2014	2015	2016	2017	2018	2019e	2020e	2021e
Goodwill	0	0	0	0	0	0	0	0	0	0
Other intangible assets	2	2	2	4	5	8	8	7	8	9
Tangible fixed assets	2	2	2	2	2	2	2	2	2	2
Right-of-use asset	0	0	0	0	0	0	0	3	3	3
Total other fixed assets	28	29	30	30	32	33	36	35	32	28
Fixed assets	32	32	34	36	39	42	46	46	44	42
Inventories	4	4	4	4	4	4	7	8	9	9
Receivables	12	11	15	18	19	18	25	32	37	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	44	50	55
<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>129</b>	<b>140</b>	<b>146</b>
Shareholders equity	78	85	88	93	96	86	99	114	120	126
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>114</b>	<b>120</b>	<b>126</b>
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
Leasing liability	0	0	0	0	0	0	0	3	3	3
Total 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	17	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>129</b>	<b>140</b>	<b>146</b>
Net IB debt	-35	-48	-45	-48	-45	-30	-33	-41	-47	-52
Net IB debt excl. pension debt	-35	-48	-45	-48	-45	-30	-33	-41	-47	-52
Net IB debt excl. leasing	-35	-48	-45	-48	-45	-30	-33	-44	-50	-55
Capital invested	43	37	44	45	51	56	66	73	73	73
Working capital	11	5	10	10	12	14	21	27	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	1,081	1,081	1,081
Net IB debt Adj	-35	-48	-45	-48	-45	-30	-33	-41	-47	-52
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>1,041</b>	<b>1,034</b>	<b>1,029</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	96.9	94.9	94.9
Working capital/sales (%)	22.9	15.1	13.3	13.4	14.1	19.3	19.6	20.6	21.9	22.0
Financial risk and debt service	2012	2013	2014	2015	2016	2017	2018	2019e	2020e	2021e
Net debt/equity	-0.45	-0.56	-0.51	-0.52	-0.47	-0.35	-0.33	-0.36	-0.39	-0.42
Net debt/market cap	na	-0.10	-0.08	-0.08	-0.08	-0.06	-0.06	-0.04	-0.04	-0.05
Equity ratio (%)	93.9	89.3	91.3	87.6	89.1	90.6	90.0	88.1	86.0	85.9
Net IB debt adj./equity	-0.45	-0.56	-0.51	-0.52	-0.47	-0.35	-0.33	-0.36	-0.39	-0.42
Current ratio	10.10	6.20	7.51	5.36	5.87	5.91	5.86	6.22	5.43	5.57
EBITDA/net interest	-2.00	-40.50	-8.46	-4.59	45.67	high	high	73.23	high	high
Net IB debt/EBITDA	-17.70	-5.90	-4.08	-2.27	-1.65	-1.57	-1.04	-0.79	-0.83	-0.83
Net IB debt/EBITDA lease Adj	-17.70	-5.90	-4.08	-2.27	-1.65	-1.57	-1.04	-0.85	-0.88	-0.87
Interest cover	-1.00	-36.50	-7.85	-4.41	44.00	nm	nm	67.80	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	7.05	7.90	8.79
Dividend per share Adj	1.0	1.2	2.2	3.5	4.0	2.8	5.0	7.0	8.0	9.0
EPS Adj	-0.53	1.14	1.75	3.62	3.78	2.62	4.61	7.05	7.90	8.79
BVPS	11.13	11.95	12.47	13.15	13.51	12.10	13.99	16.04	16.94	17.73
BVPS Adj	10.89	11.72	12.13	12.64	12.78	11.02	12.92	15.11	15.82	16.42
Net IB debt / share	-5.1	-6.7	-6.3	-6.8	-6.4	-4.2	-4.6	-5.7	-6.6	-7.4
Share price	na	79.00	76.00	88.25	81.75	65.00	80.80	152.50	152.50	152.50
Market cap. (m)	na	560	539	626	580	461	573	1,081	1,081	1,081
<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	21.6	19.3	17.3
EV/sales	na	9.87	9.06	7.98	7.09	6.57	6.16	8.98	8.11	7.58
EV/EBITDA	na	63.2	44.9	27.4	19.5	22.4	17.1	20.3	18.3	16.3
EV/EBITA	na	70.2	48.4	28.5	20.2	24.3	18.4	21.9	19.6	17.4
EV/EBIT	na	70.2	48.4	28.5	20.2	24.3	18.4	21.9	19.6	17.4
Dividend yield (%)	na	1.5	2.9	4.0	4.9	4.2	6.2	4.6	5.2	5.9
FCF yield (%)	na	2.5	1.0	3.0	3.8	2.9	3.9	4.4	5.3	5.9
Lease adj. FCF yield (%)	na	2.5	1.0	3.0	3.8	2.9	3.9	4.3	5.2	5.8
P/BVPS	na	6.61	6.10	6.71	6.05	5.37	5.78	9.51	9.00	8.60
P/BVPS Adj	na	6.74	6.27	6.98	6.40	5.90	6.25	10.09	9.64	9.29
P/E Adj	na	69.1	43.5	24.3	21.6	24.8	17.5	21.6	19.3	17.3
EV/EBITDA Adj	na	63.2	44.9	27.4	19.5	22.4	17.1	20.3	18.3	16.3
EV/EBITA Adj	na	70.2	48.4	28.5	20.2	24.3	18.4	21.9	19.6	17.4
EV/EBIT Adj	na	70.2	48.4	28.5	20.2	24.3	18.4	21.9	19.6	17.4
EV/cap. employed	na	6.0	5.6	6.2	5.6	5.0	5.4	8.9	8.4	8.0
<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	1.4	3.2	3.2
Capex/depreciation	160.0	75.0	162.5	212.5	330.0	246.7	118.2	61.5	149.7	146.1
Capex tangibles/tangible fixed assets	0	0	0	0	0	0	0	0	0	0
Capex intangibles/definite intangibles	94.1	37.5	54.2	47.2	63.5	48.1	34.2	25.3	51.5	46.8
Depreciation on intangibles/definite inta	0	0	0	0	0	0	0	0	0	0
Depreciation on tangibles/tangibles	50.0	42.1	50.0	47.1	52.6	88.2	104.8	142.1	143.4	156.6

Source: ABG Sundal Collier, Company data



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Production of report: 14/11/2019 07:01 CET.

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