

# SinterCast

## 2019 dividend back on the agenda

- Board proposes to pay dividend of SEK 3.5 per share
- Decision based on improving fundamentals
- 26x EV/EBIT '21e, 3-6% FCF yields '20e-'22e

### Maintains ordinary dividend, removes the extraordinary part

In May, SinterCast's board of directors decided to withdraw its previously announced dividend proposal for 2019 of SEK 6.75 (4.5 ordinary, 2.25 extraordinary). Today, on the back of improving series production and solid liquidity, the board has now proposed a reinstated dividend for 2019, amounting to SEK 3.5 per share. An extraordinary dividend for 2019 will not be proposed due to "the ongoing market uncertainty". The dividend proposal represents a total payment of SEK 24.8 million, corresponding to c. 52% of the 2019 net profit (SEK 48.2m) and c. 75% of our estimated 2020 FCF (SEK 33.2m). We had included a total DPS of SEK 5.0 (SEK 35m) in our estimates.

### Net cash position remains, improving production numbers

Following a solid performance in Q2'20 with strong operational cash flow and an increased net cash position, the group's financial position has strengthened. In addition, annualised series production has increased from the 2.7m levels in July/August to 2.9m in September, implying an average level of 2.8m for Q3'20 (ABGSCe 3.1m), -20% y-o-y. Looking ahead, we believe the potential remains for SinterCast to return to distributing dividends in excess of its FCF due to its strong financial position. We forecast FCF per share amounting to SEK 4.7-7.8 for '20e-'22e, implying 3-6% FCF yields. When it comes to earnings, we expect a return to growth in Q4'20e, and an EBIT CAGR of 14% for '19-'22e.

### EGM in November, valuation in line with history

The EGM for deciding on the dividend will be held on 9 November 2020. The stock is trading at 26x EV/EBIT '21e, in line with its historical valuation, with a YTD return of -23% vs. the Carnegie Smallcap index at +15%.

## Fast comment

### Company-sponsored research: Not rated

**Share price (SEK)** 12/10/2020 150.4  
Capital Goods, Sweden  
SINT.ST/SINT.SS

MCap (SEKm) 1,066  
MCap (EURm) 103  
Net debt (EURm) -3

No. of shares (m) 7.1  
*Free float (%)* 88  
Av. daily volume (k) 20

Next event Q3 report: 28 Oct

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<b>SEKm</b>	<b>2018</b>	<b>2019</b>	<b>2020e</b>	<b>2021e</b>	<b>2022e</b>
Sales	88	117	105	125	153
<i>Sales growth (%)</i>	33.7	32.8	-10.1	19.4	22.4
EBITDA	32	43	32	43	63
<i>EBITDA margin (%)</i>	36.0	37.2	30.2	34.4	41.4
EBIT adj	29	45	28	39	60
<i>EBIT adj margin (%)</i>	33.5	38.6	26.7	31.5	38.9
Pretax profit	29	40	29	39	60
EPS rep	4.61	6.80	4.36	6.19	9.11
<i>EPS growth (%)</i>	75.8	47.4	-35.9	42.1	47.0
EPS adj	4.61	7.49	4.36	6.19	9.11
DPS	5.00	5.00	4.36	6.19	9.11
EV/EBITDA (x)	17.1	31.2	32.9	24.0	16.2
EV/EBIT adj (x)	18.4	30.0	37.1	26.3	17.2
P/E (x)	17.5	28.7	34.5	24.3	16.5
P/E adj (x)	17.5	26.0	34.5	24.3	16.5
EV/sales (x)	6.2	11.6	9.9	8.3	6.7
<i>FCF yield (%)</i>	3.9	2.6	3.1	3.4	5.2
<i>Dividend yield (%)</i>	6.2	2.6	2.9	4.1	6.1
Net IB debt/EBITDA	-1.1	-0.7	-0.9	-0.7	-0.6
<i>Lease adj. FCF yld (%)</i>	3.9	2.6	3.0	3.3	5.0
Lease adj. ND/EBITDA	-1.1	-0.7	-1.0	-0.8	-0.7

## Analyst certification

I/We, Karl Bokvist, Ofelia Aspemyr, the author(s) of this report, certify that not withstanding 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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