

SinterCast

Interesting times ahead despite COVID

- Still significant COVID-19 impact, improvement in Q4
- We lower EBIT by -19% for '20e, and -3% '21e-'22e
- 20x EV/EBIT '21e on 9% adj. EBIT CAGR '19-'22e

A continued sequential improvement, stabilising in Q4

Shutdowns continued to have an impact on SinterCast in Q3'20, as seen by the 38% revenue decline (ABGSCe -34%) and 19% EBIT margins (ABGSCe 14%, 47% in Q3'19). However, the sequential trend was positive, as annualised engine equivalents grew from 1.6m in Q2 to 2.8m in Q3 (c. 85% of FY'19 levels). We expect the recovery to continue into Q4 and forecast engine equivalents to reach 3.0m (7% q-o-q, -3% y-o-y). Sampling cup deliveries declined 41%, to 32,900 (+17% vs. ABGSCe), primarily related to the lower production volumes. Looking ahead, the company intends to book the installation revenues related to FAW and Scania in Q4. We forecast total equipment revenues of SEK 16m for FY'20 (12m in FY'19). Operating cash flow was SEK -3m, resulting in a SEK 46m cash position as of the end of Q3'20. As announced earlier, SinterCast intends to pay out its reinstated dividend of SEK 3.5 per share later in November (SEK 25m). In addition, the company maintained its outlook that record installation revenues will be achieved in 2020 and that production starts at FAW and Scania remain on track for 2021.

Estimate changes from lower volumes

We lower our EBIT estimates for FY'20 due to lower volumes of engine equivalents (from 2.8m to 2.6m) and sampling cups as well as slightly higher costs. We lower EBIT by 3% for '21e-'22e due to slightly lower revenues and raised opex assumptions because of growth initiatives. Still, we expect SinterCast to continue to win new customers and production lines, and we forecast 9% sales and EBIT CAGRs for '19-'22e.

Stock is trading at 20x EV/EBIT '21e

On our estimates, SinterCast is trading at 20x EV/EBIT '21e on 3-6% lease adj. FCF yields and 3-8% dividend yields for '20e-'22e. Given the company's history of paying out 100% of net profit, our dividend discount model with an applied cost of equity between 8-13% yields a fair value range of SEK 110-206 per share.

Analyst(s): Ofelia Aspemyr
Karl Bokvist

SEKm	2018	2019	2020e	2021e	2022e
Sales	88	117	95	122	151
EBITDA	32	43	26	44	61
EBITDA margin (%)	36.0	37.2	27.0	35.6	40.7
EBIT adj	29	45	22	40	58
EBIT adj margin (%)	33.5	38.6	23.0	32.6	38.3
Pretax profit	29	40	23	40	58
EPS rep	4.61	6.80	3.52	6.26	8.95
EPS adj	4.61	7.49	3.52	6.26	8.95
Sales growth (%)	33.7	32.8	-18.2	28.4	23.1
EPS growth (%)	75.8	47.4	-48.3	77.8	43.0

Source: ABG Sundal Collier, Company data

Reason: Post-results comment

Company sponsored research

Not rated

Estimate changes (%)

	2020e	2021e	2022e
Sales	-9.5%	-3.7%	-1.5%
EBIT (rep)	-19.2%	-2.6%	-3.3%
EPS (rep)	-17.0%	-2.3%	-1.8%

Source: ABG Sundal Collier

Share price (SEK)	30/10/2020	118.6
Fair value range (per share)		110-206

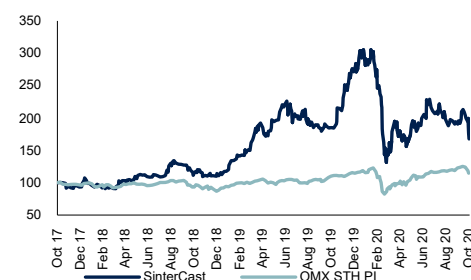
Capital Goods, Sweden
SINT.ST/SINT SS

MCap (SEKm)	841
MCap (EURm)	81
Net debt (EURm)	-3

No. of shares (m)	7.1
Free float (%)	88
Av. daily volume (k)	19

Next event Q4 report: 10 Feb

Performance



	1m	3m	12m
Absolute (%)	-12.4	-18.9	-8.1
OMX STH PI (%)	-83.7	-82.4	-81.8

Source: FactSet

	2020e	2021e	2022e
P/E (x)	33.7	19.0	13.3
P/E adj (x)	33.7	19.0	13.3
P/BVPS (x)	7.52	6.41	5.59
EV/EBITDA (x)	31.5	18.4	13.0
EV/EBIT adj (x)	36.9	20.1	13.8
EV/sales (x)	8.50	6.55	5.27
ROE adj (%)	22.3	36.5	45.1
Dividend yield (%)	3.0	5.3	7.5
FCF yield (%)	3.1	4.1	6.3
Lease adj. FCF yld (%)	3.0	4.0	6.1
Net IB debt/EBITDA	-1.2	-0.9	-0.8
Lease adj. ND/EBITDA	-1.4	-1.0	-0.8

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.

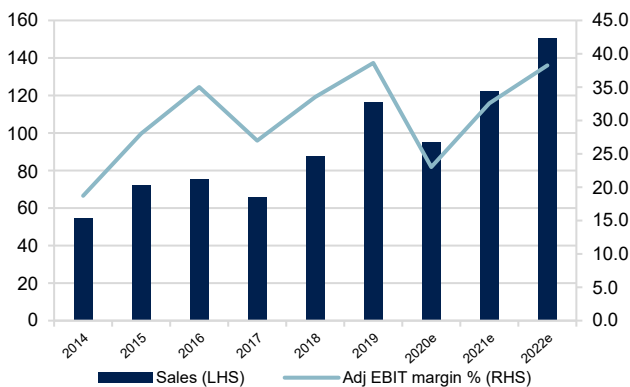
Company description

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.

Risks

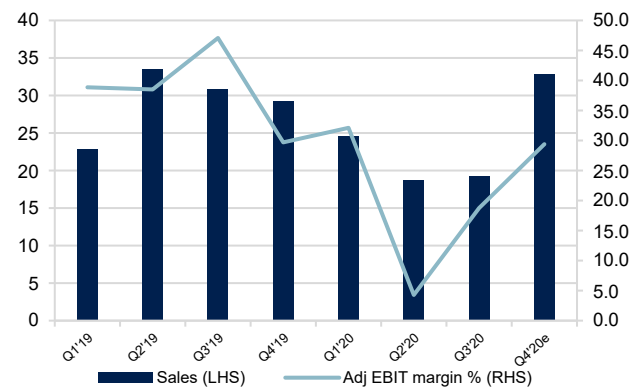
Automotive demand, and more specifically demand for larger passenger vehicles such as SUVs and pick-up trucks with diesel engines. Regulation relating to fossil fuels and diesel in particular poses risks to the business model.

Annual sales and adj. EBIT margin



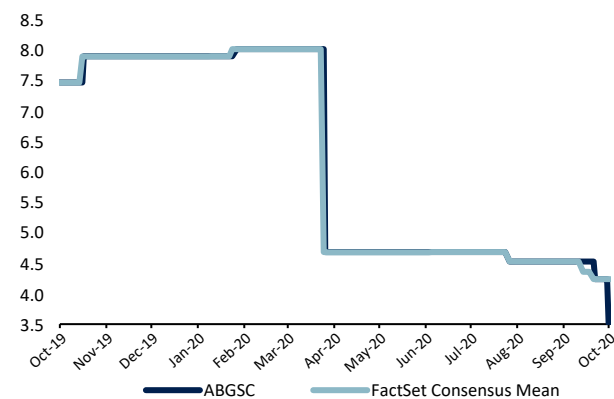
Source: ABG Sundal Collier, Company data

Quarterly sales and adj. EBIT margin



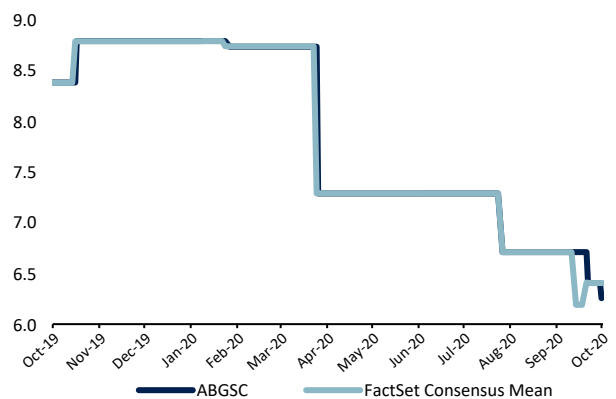
Source: ABG Sundal Collier, Company data

EPS estimate changes, 2020e, SEK



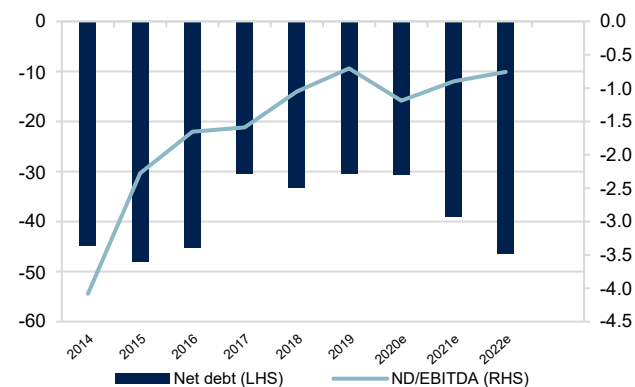
Source: ABG Sundal Collier, FactSet

EPS estimate changes, 2021e, SEK



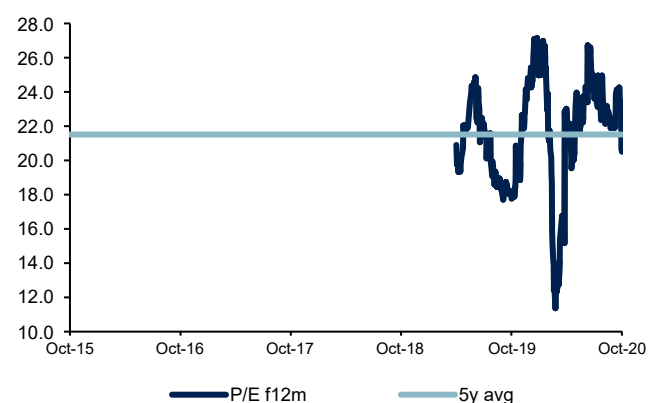
Source: ABG Sundal Collier, FactSet

Net debt and ND/EBITDA adj.



Source: ABG Sundal Collier, Company data

12month forward-looking P/E



Source: ABG Sundal Collier, Company data

Q3'20 outcome vs. expectations

	Actual	Actual		ABGSCe	Dev	Dev
Deviation table	Q3'19	Q3'20e	y-o-y	Q3'20e	%	SEKm
Revenue	30.8	19.2	-38%	20.2	-5%	-1.0
Gross profit	24.6	14.6	-41%	14.8	-1%	-0.2
Opex	-10.1	-11.0	9%	-11.9	-7%	0.9
EBIT	14.5	3.6	-75%	2.9	25%	0.7
PTP	14.2	3.7	-74%	2.9	28%	0.8
Net profit	14.2	3.7	-74%	2.9	28%	0.8
Growth and margins	Q3'19	Q3'20e	y-o-y	Q3'20e	%	SEKm
Revenue grow th	56%	-38%		-34%	-3%	
EBIT grow th	142%	-75%		-80%	5%	
Gross margin	80%	76%	-4%	73%	3%	
EBIT margin	47%	19%	-28%	14%	4%	
Sales split	Q3'19	Q3'20e	y-o-y	Q3'20e	%	SEKm
Equipment	2.4	0.3	-88%	0.0	n.a.	0.3
Series Production	28.2	18.8	-33%	20.0	-6%	-1.2
Engineering Service	0.2	0.1	-50%	0.2	-50%	-0.1
Total revenue	30.8	19.2	-38%	20.2	-5%	-1.0
Other metrics	Q3'19	Q3'20e	y-o-y	Q3'20e	%	SEKm
Sampling cups	55,700	32,900	-41%	28,100	17%	
Annualised engine eq. (mn)	3.50	2.80	-20%	2.80	0%	

Source: ABG Sundal Collier, company data

Estimate changes 2020e-2022e

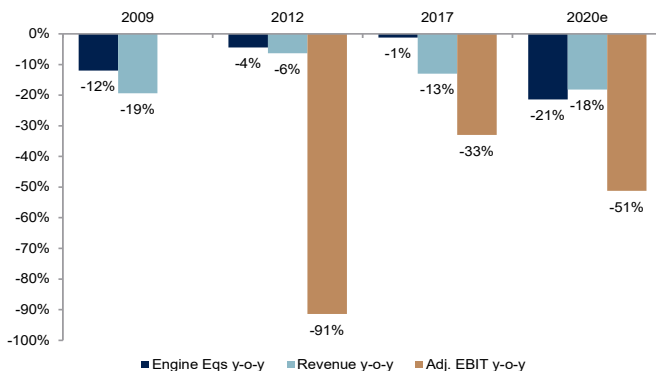
Estimate changes	Old			New			SEKm			%		
SEKm	2020e	2021e	2022e	2020e	2021e	2022e	2020e	2021e	2022e	2020e	2021e	2022e
Revenue	105.3	127.0	153.0	95.3	122.3	150.6	-10.0	-4.7	-2.3	-9%	-4%	-2%
Gross profit	74.3	95.3	116.3	69.7	91.8	113.7	-4.6	-3.5	-2.5	-6%	-4%	-2%
Opex	-47.1	-54.4	-56.7	-47.8	-51.9	-56.1	-0.6	2.5	0.6	1%	-5%	-1%
EBIT	27.2	40.9	59.6	21.9	39.9	57.6	-5.2	-1.1	-1.9	-19%	-3%	-3%
PTP	28.1	40.9	59.6	22.9	39.9	57.6	-5.1	-1.1	-1.9	-18%	-3%	-3%
Net profit	30.1	45.4	64.6	24.9	44.4	63.4	-5.1	-1.1	-1.1	-17%	-2%	-2%
Growth and margins	2020e	2021e	2022e	2020e	2021e	2022e	2020e	2021e	2022e	2020e	2021e	2022e
Revenue grow th	-10%	21%	20%	-18%	28%	23%				-9%	8%	3%
EBIT grow th	-32%	51%	46%	-45%	82%	45%				-13%	31%	-1%
Gross margin	71%	75%	76%	73%	75%	76%				3%	0%	-1%
EBIT margin	26%	32%	39%	23%	33%	38%				-3%	0%	-1%
Sales split	2020e	2021e	2022e	2020e	2021e	2022e	2020e	2021e	2022e	2020e	2021e	2022e
Equipment	18.0	12.0	16.5	15.7	12.0	13.4	-2.3	0.0	-3.1	-13%	0%	-19%
Series Production	86.1	113.6	134.8	78.5	109.0	135.7	-7.6	-4.6	0.9	-9%	-4%	1%
Engineering Service	1.3	1.4	1.7	1.2	1.3	1.5	-0.1	-0.1	-0.1	-8%	-8%	-8%
Total revenue	105.3	127.0	153.0	95.3	122.3	150.6	-10.0	-4.7	-2.3	-9%	-4%	-2%
Other metrics	2020e	2021e	2022e	2020e	2021e	2022e	2020e	2021e	2022e	2020e	2021e	2022e
Sampling cups	150,000	178,900	189,500	143,300	164,250	189,960	-6,700	-14,650	460	-4%	-8%	0%
y-o-y	-21%	19%	6%	-24%	15%	16%				-4%	-5%	10%
Annualised engine eq. (mn)	2.76	3.75	4.50	2.58	3.62	4.50	-0.19	-0.13	0.00	-7%	-3%	0%
y-o-y	-16%	36%	20%	-21%	41%	24%				-6%	5%	4%

Source: ABG Sundal Collier, company data

Assessing the impact of COVID-19

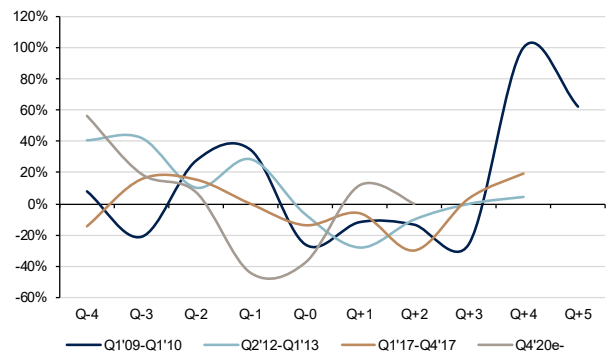
Heading into 2020, we forecast adj. EBIT to decline 51%, caused by lower production volumes in combination with continued investments in quality assurance. By comparison, adj. EBIT declined 33% in 2017 on a 13% revenue drop. However, the company is still in a stable financial position (SEK 46m in available liquidity as of September, and '20e FCF of SEK 26m). For Q4'20, we expect a 12% revenue increase, supported by overall recovering demand and inventory rebuild among customers. However, we forecast 3% lower engine equivalents and 5% lower sampling cup sales (y-o-y).

Peak-to-trough key figures



Source: ABG Sundal Collier, company data

Revenue in previous downturns*



Source: ABG Sundal Collier, company data. *Q-0 being first quarter with negative y-o-y growth

Market leader in an emerging niche

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 for improved performance and durability of the engine as well as lower fuel consumption. This is not just beneficial for the end-customer but also the manufacturer due to a reduction in material costs (less iron).

Hence, even though the automotive industry is characterised by price pressure throughout the supply chain, we believe that the SinterCast can add value in the form of 1) added product benefits, 2) reduced cost of production inefficiencies and 3) improved tracking allows the company to maintain its value-added price model and mitigate price pressure. Typically, the total cost of SinterCast's product is 1-2% of the total production costs for the engine.

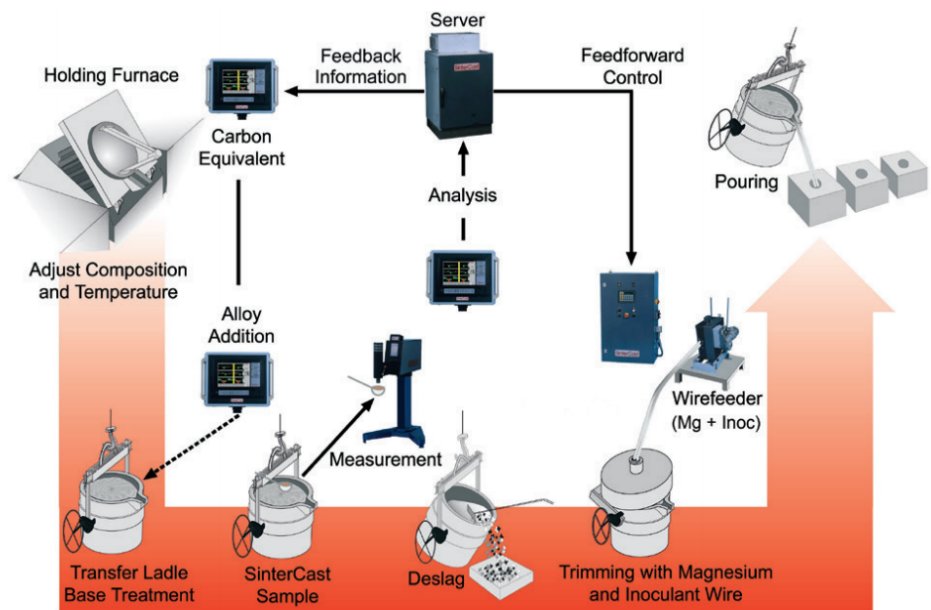
The company's process technology is deeply embedded in its customers' production, creating high barriers to entry – once the technology is implemented it is hard to remove or replace. Therefore, we believe that the main risk for the company lies within its own product quality. To our understanding, this is an area of key importance to the company, with it investing significant resources to make sure that quality defects are virtually 0%. 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 last a long time and not break or lose capacity. When the cast is poured into the mould, a SinterCast sample cup is filled with the current CGI pour and the SinterCast thermometer in the sample cup measures the current properties. It then sends data to the system, which interprets the data and determines whether the cast's properties are good enough. If good, the casting process can proceed. If bad, a wire-feeder can add magnesium to get the right properties – the process can then proceed without having to discard the casting.

It is also important to be able to track the specific casts 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, 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: ABG Sundal Collier, company data

New generations of process control systems

Since 1996, SinterCast has launched 4 generations of its process control system hardware: 1st generation in 1996, 2nd in 1998, 3rd in 2009 and its 4th and latest (System 4000) in 2019, thus implying a product life cycle of ~10 years. The system comes in three versions (Mini, "Main" and Plus), where customers are able to choose between the alternatives depending on the scale of production. The MiniSystem suits smaller-scale prototype or niche volumes, the main System for medium-sized foundries while the Plus System could apply for larger foundries such as the new Scania foundry in Sweden. Capacity varies between 15-20 ladles per hour. Between System 2000 and 3000 (1998 and 2009), SinterCast launched 61 minor software updates and patches (c. 1 new version every second month), indicating that it is a development-intensive operation. In conjunction with the launch of System 4000, SinterCast came with its next major software update, PCS 7.0 (PCS 6.0), with many updates and patches behind it.

System generational updates every ~10 years

Generation	Versions	Feature improvements
 <p>System 4000 Launched in 2019</p>	<p>System Plus System Mini-System</p>	<ul style="list-style-type: none"> • Display and software • Computing power • Process control software (PCS) 7.0 • Re-engineered ejection mechanism for sampling cups • Thermocouple holder, mounting and laser based positioning • Ethernet based communication • Increased visibility and flexibility for signal lamp
 <p>System 3000 Launched in 2009</p>	<p>System Plus System Mini-System</p>	<ul style="list-style-type: none"> • Updated internal hardware components • New operating system • Process control software (PCS) 6.0 • Improved measuring technology • Touch display • New sampling cups included in the technology package • Mini-System introduced for niche and prototype production

Source: ABG Sundal Collier, company data

The business model

SinterCast sells or leases its Systems product line, and has recently launched its System 4000. 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, 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 wire-feeders and a sampling module to increase capacity.

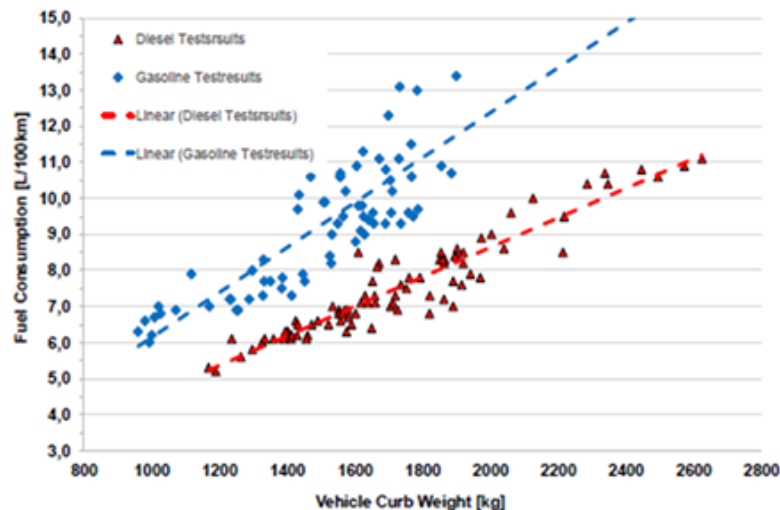
As the installed hardware system base grows, other revenue streams will also increase, such as software licences, sampling cups and running production fees per tonne of cast. SinterCast also offers so-called mini-systems that offer similar capabilities (less features) but with higher mobility due to the system weighing less and being mounted with wheels. 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.

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. In terms of fuel source, the fuel consumption increases

less for a diesel engine compared to a petrol engine as a car's weight increases. 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. The trend is that more companies are introducing CGI engines in their new models. This is because they are more efficient, which is essential in order to meet future CO₂ 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)

What about the threat from hybrids and electric vehicles? The electric vehicle trend is clear and its market share is growing rapidly, although from low levels. According to ISM, of total new car production in 2016 only 3 million were electrified cars or hybrids, compared to 19 million 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.

Production strategy continues to drive growth

SinterCast's Five Waves strategy was originally introduced in 2002 and was intended to summarise the company's view on the overall market development for CGI volumes. As shown below, we note that the first wave concerning CGI material to V-Diesel engines for passenger vehicles in Europe has been fairly stable over time. However, the main growth drivers for SinterCast have been the successful adoption of CGI materials within Wave 2 (commercial vehicle engines) and Wave 4 (V-Diesel passenger vehicles engines outside of Europe). In addition, CGI material is now present across all five waves, as SinterCast has now started to produce 300,000-engine equivalent worth of CGI material to Wave 3 (in-line passenger vehicle diesel engines).

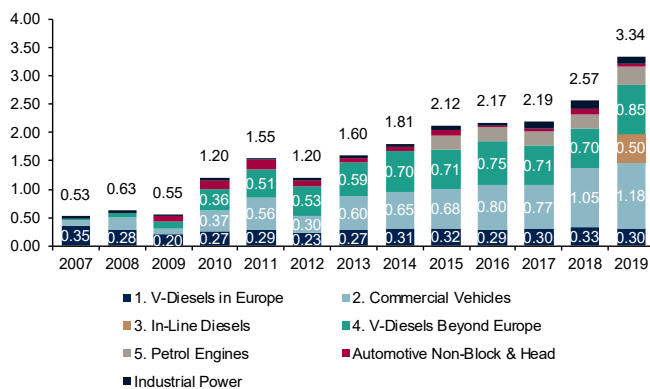
SinterCast's Wave strategy development in annualised year-end production ('000 engine eq)

Wave	Type	Customer(s)	Sintercast component(s)	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
1	V-Diesel Passenger Vehicle Engines in Europe	Audi, Ford, Jaguar, Land Rover, Maserati, Porsche, Volkswagen	Cylinder blocks 2.7-4.4 litres	350	280	195	265	290	230	270	310	315	290	300	325	300
2	Commercial Vehicle Engines Worldwide	DAF, Ford-Otosan, Hyundai, Jiangling Motors, MAN, Navistar, Scania	Cylinder blocks and heads 3.9-16.4 litres	100	235	105	370	555	300	600	650	680	795	765	1050	1180
3	In-Line Passenger Vehicle Diesel Engines Worldwide	Cummins turbodiesel in RAM Super Duty	Cummins 6.7 litre	0	0	0	0	0	0	0	0	0	0	0	0	500
4	V-Diesel Passenger Vehicle Engines Beyond Europe	Ford, Kia, Nissan, RAM	Cylinder blocks 2.7-6.7 litres	25	70	140	360	510	530	590	700	705	750	705	700	850
5	Passenger Vehicle Petrol Engines Worldwide	Ford, Lincoln	Cylinder blocks 2.7-3.0 litres	0	0	0	0	0	0	0	0	250	250	240	240	325
Other	Automotive Non-Block & Head	Various OEMs+Tier-1, BorgWarner, Honeywell	Exhaust manifolds, turbocharger housings	0	0	100	155	155	90	80	85	85	40	62	110	65
Other	Industrial Power	Allen Diesels, Cameron Compression, Caterpillar, Cummins, Deutz, Doosan, Federal Mogul, GE, Jenbacher, MAN, MTU, Waukesha	Agricultural, marine, locomotive, off-road and stationary power	50	40	10	50	40	50	55	60	85	45	120	140	115
				525	625	550	1,200	1,550	1,200	1,595	1,805	2,120	2,170	2,192	2,565	3,335

Source: ABG Sundal Collier, company data

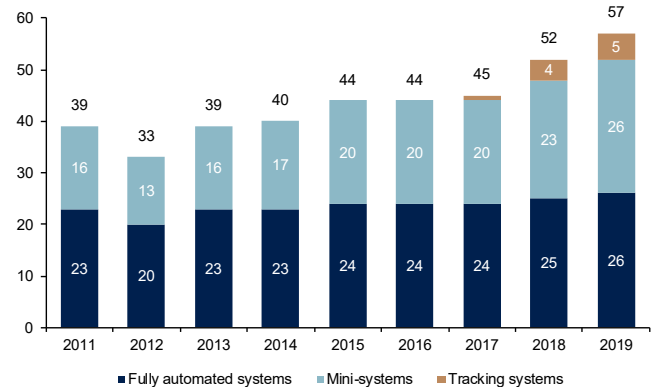
For SinterCast, one of the main growth drivers for licensing revenue and sampling cup deliveries lies in the successful growth in installed systems. We note that over time the installed base of fully automated process control systems has been stable, whereas the growth driver has been an increased use of mini-systems.

Production development by category (annualised million engine equivalents)



Source: ABG Sundal Collier, company data

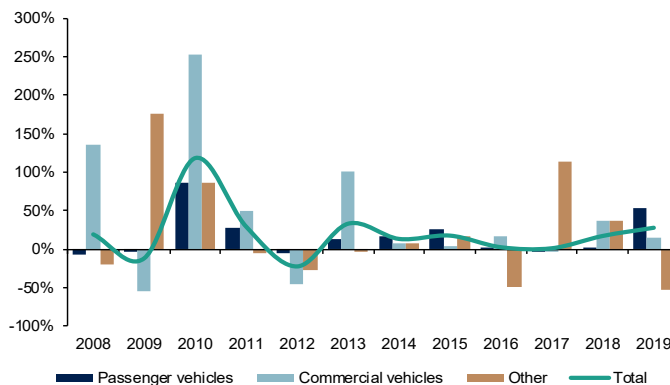
SinterCast's installed systems across 14 countries



Source: ABG Sundal Collier, company data

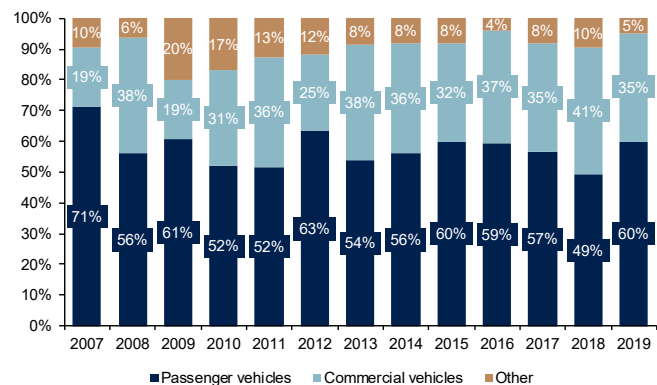
If we revert to the company's production strategy, the key driver has been sales towards the passenger vehicle category, accounting for ~60% of production in 2019. Growth across these categories has been volatile in nature, and is dependent on how (and if) customers choose to start up new production lines using CGI material.

Production growth across categories



Source: ABG Sundal Collier, company data

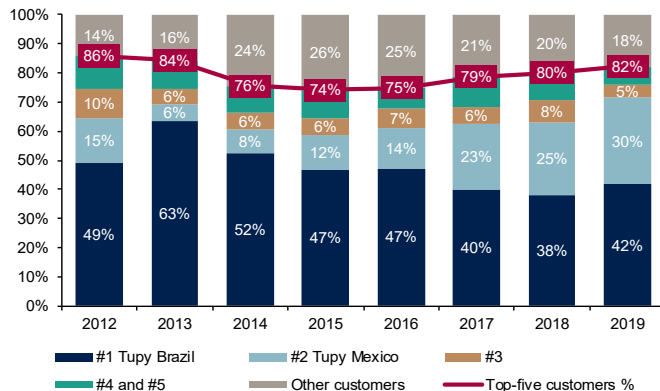
Production split by category



Source: ABG Sundal Collier, company data

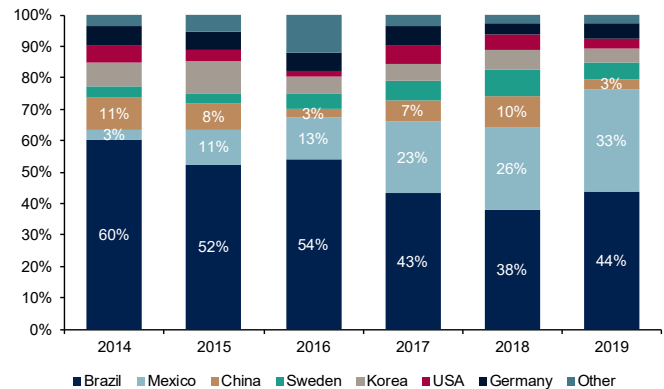
The final end-customers may be diverse but the initial sale of SinterCast products go toward a quite consolidated number of customers. Over time, the top-five customers have accounted for ~82% of sales; Tupy is the single largest customer (accounting for more than 70% of SinterCast's total sales). Thus, the regional exposure becomes dependent on the location of SinterCast's key customers. Unsurprisingly, the two main regions are Brazil (42%) and Mexico (30%), the locations where Tupy's two main foundries are located.

Sales exposure by customers



Source: ABG Sundal Collier, company data

Sales exposure by country



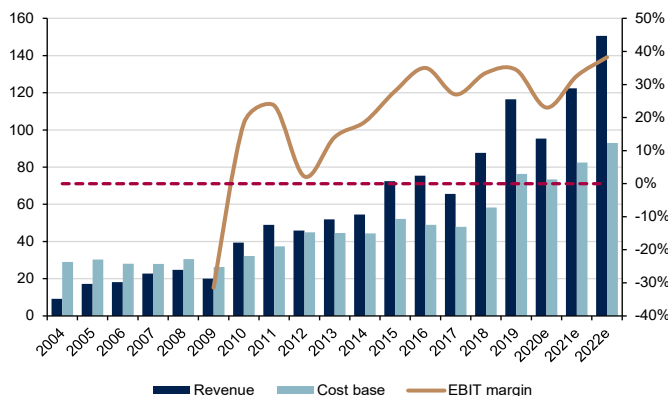
Source: ABG Sundal Collier, company data

Asset-light business model with continuing high dividend potential

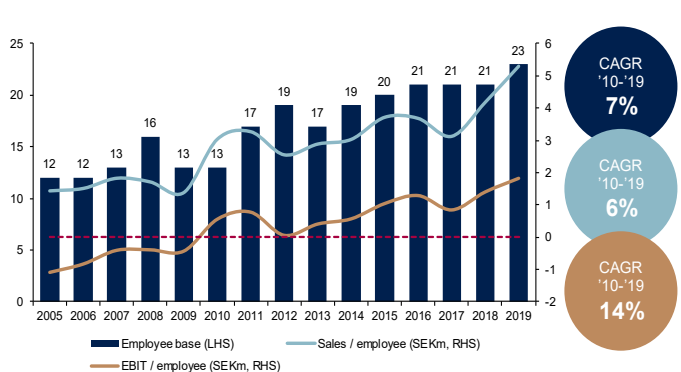
The key idea of obtaining licensing revenue in association with its installed systems, as well as a steady stream of high-margin income from the sale of sampling cups (consumables), has allowed SinterCast to achieve high EBIT margins over time. However, the key was to invest initially to win larger customer contracts. Now, the company has been able to capitalise on successful development in the production of engine equivalents and the sale of sampling cups.

Looking at the company's business model from a different perspective, the now 27 employees of SinterCast generated close to SEK 0.7m in R12m EBIT per employee in Q3'20. Between 2010 and 2019, sales per employee have increased by 6% annually, while EBIT/employee increased by 14% annually.

Scalable business model has allowed revenue to...resulting in a 14% CAGR in EBIT / employee outgrow cost significantly... since 2010



Source: ABG Sundal Collier, company data

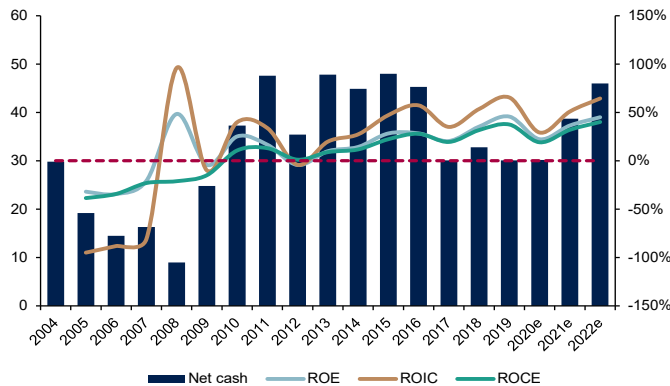


Source: ABG Sundal Collier, company data

Since the company requires little incremental capital, both EBIT margins and return on capital have steadily increased over time. Turning to the balance sheet, the company has consistently maintained a net cash position, and resorted to capital

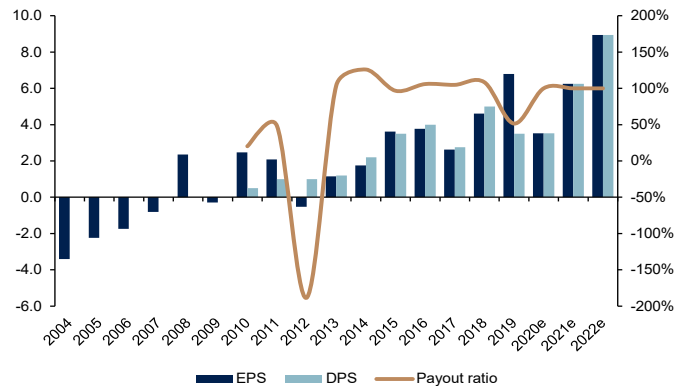
injection from shareholders rather than taking up new debt. Looking ahead, we believe that SinterCast is in little need of further capital injections and should instead focus on how to direct cash into its profitable operations or repatriate it to shareholders. Again, since the business requires low amounts of incremental capital, we expect the payout ratio to remain at least 100%.

History of net cash, return on capital has been above 30% in recent years



Source: ABG Sundal Collier, company data

Expect DPS to equal EPS, implying high DPS growth

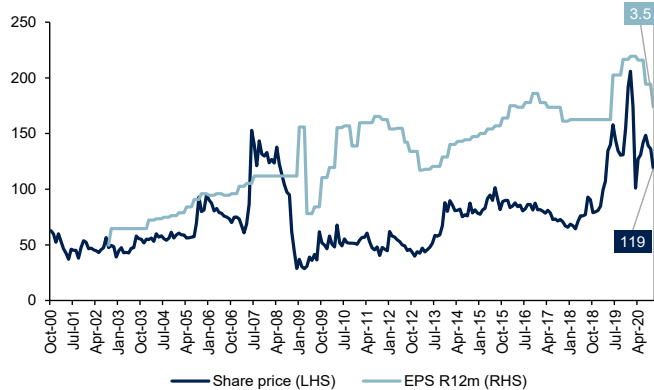


Source: ABG Sundal Collier, company data

Share price in line with EPS trajectory

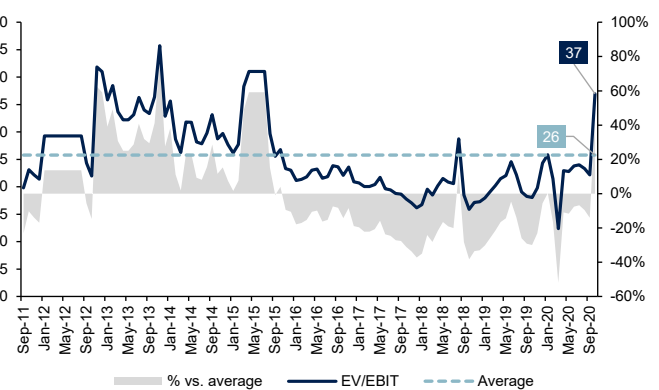
SinterCast's share price has been strong until the impending earnings weakness during 2020, which also seems understandable given that EPS has shown strong growth up until YE'19. Looking ahead, we forecast a 48% EPS decline 2020, but a 10% EPS CAGR '19-'22e. On our estimates, the stock is now trading at a forward-looking 12-month EV/EBIT of 37x, above its historical valuation of 26x.

Share price and SinterCast's R12m EPS (SEK)



Source: ABG Sundal Collier, company data

EV/EBIT f12m vs. historical valuation

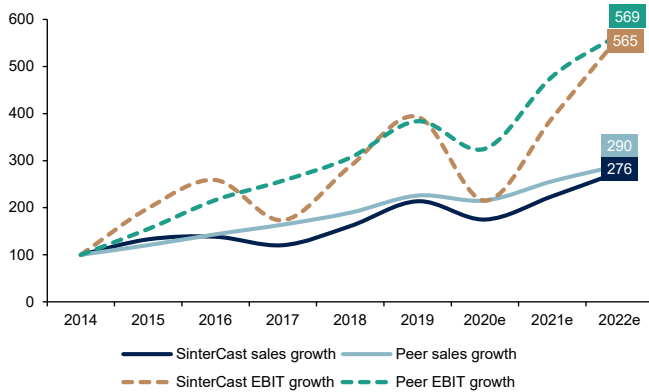


Source: ABG Sundal Collier, company data

Trading below peers on EV/EBIT, on similar growth

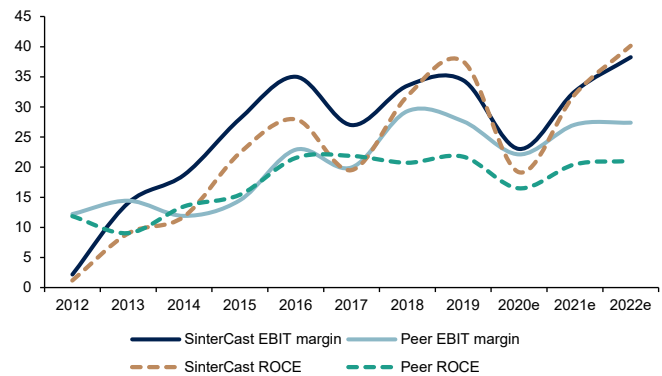
To begin with, SinterCast has no direct competitor within its field. However, we argue that the company's license-based model and selling of consumables resembles companies within the medtech and technological space. If we compare SinterCast to a collection of companies within that peer group, we find that the company is trading below peers on an EV/EBIT basis while indexed sales/EBIT growth has been similar. When it comes to profitability, both SinterCast's EBIT margins and ROCE are above those of peers.

Indexed sales/EBIT growth vs. peers



Source: ABG Sundal Collier, company data

EBIT margin and ROCE vs. peers



Source: ABG Sundal Collier, company data

Peer overview

Valuation	Mcap SEKm	EV/Sales			EV/EBIT			P/E			ROCE (%)			DY (%)
		2020e	2021e	2022e	2020e	2021e	2022e	2020e	2021e	2022e	2020e	2021e	2022e	2020e
Biotage	9,715	8.63	7.98	7.01	50.4	40.2	35.0	56.1	54.9	48.1	14.5	17.2	18.7	1.2
Boule Diagnostics*	951	2.23	1.95	1.74	26.0	13.9	10.9	-53.2	19.0	14.2	10.0	17.5	20.0	1.4
Cellavision	6,578	13.29	10.74	9.19	54.8	37.8	30.3	71.4	49.5	40.3	19.3	24.0	25.6	0.6
CTT Systems*	1,333	6.46	4.54	3.27	29.8	15.4	9.4	40.3	21.1	13.1	16.7	29.8	40.7	1.7
HMS Netw orks	9,317	6.67	5.49	4.76	35.8	28.8	24.6	46.9	39.4	34.1	16.3	18.2	19.0	0.4
IAR Systems	1,732	4.43	3.88	3.59	19.6	15.1	14.7	26.4	20.4	19.7	11.5	14.0	13.7	1.8
MIPS	10,615	29.25	20.08	15.91	69.0	42.4	33.6	89.4	55.3	44.3	39.7	51.2	50.9	0.8
Vitrolife*	23,338	18.37	15.28	14.07	70.0	45.5	41.0	92.0	61.3	56.0	16.6	22.7	22.0	0.5
Average		11.17	8.74	7.44	44.4	29.9	24.9	46.2	40.1	33.7	18.1	24.3	26.3	1.0
Median		7.65	6.74	5.89	43.1	33.3	27.5	51.5	44.5	37.2	16.5	20.5	21.0	1.0
SinterCast*	882	8.93	6.89	5.55	38.8	21.1	14.5	35.4	19.9	13.9	19.2	32.1	40.1	2.8
vs. average		-20%	-21%	-25%	-13%	-29%	-42%	-23%	-50%	-59%	1.1	7.7	13.8	1.8
vs. median		17%	2%	-6%	-10%	-36%	-47%	-31%	-55%	-63%	2.7	11.6	19.1	1.8

Performance	Mcap SEKm	Gross margin (%)			EBIT margin (%)			Sales CAGR (%)			EBIT CAGR (%)			ND/EBITDA
		2020e	2021e	2022e	2020e	2021e	2022e	'14-'19	'16-'19	'19-'22e	'14-'19	'16-'19	'19-'22e	2020e
Biotage	9,715	63.4	64.4	64.1	17.1	19.8	20.0	17.6	18.1	6.6	38.9	33.0	7.5	-0.9
Boule Diagnostics*	951	44.6	46.5	47.5	8.6	14.0	16.0	10.2	7.9	3.8	21.4	14.2	8.3	0.5
Cellavision	6,578	67.0	68.7	69.2	24.2	28.4	30.3	16.3	20.3	13.6	25.2	21.1	16.0	-0.1
CTT Systems*	1,333	n.a.	n.a.	n.a.	21.7	29.4	34.9	12.7	12.2	2.1	84.4	33.1	3.3	-0.4
HMS Netw orks	9,317	62.2	64.0	62.1	18.6	19.1	19.3	20.8	16.8	8.3	24.5	18.5	11.8	0.7
IAR Systems	1,732	96.5	97.1	97.3	22.6	25.7	24.4	9.7	7.3	6.0	15.3	4.0	2.9	0.0
MIPS	10,615	73.1	72.5	71.9	42.4	47.4	47.4	78.5	45.7	32.3	-252.7	74.4	35.5	-1.5
Vitrolife*	23,338	60.6	64.1	64.3	26.2	33.6	34.3	23.7	20.0	1.8	27.8	25.2	3.2	-1.7
Average		66.8	68.2	68.1	22.7	27.2	28.3	23.7	18.6	9.3	-1.9	27.9	11.1	-0.4
Median		63.4	64.4	64.3	22.1	27.1	27.4	16.9	17.5	6.3	24.8	23.1	7.9	-0.3
SinterCast*	882	73.1	75.0	75.5	23.0	32.6	38.3	16.4	15.6	8.9	31.5	15.0	12.9	-1.2
vs. average		6.4	6.8	7.4	0.3	5.4	9.9	-7.3	-2.9	-0.4	33.4	-13.0	1.8	-0.7
vs. median		9.7	10.6	11.2	0.9	5.5	10.9	-0.5	-1.9	2.7	6.7	-8.2	4.9	-0.9

*ABGSC / Introduce estimates

Source: ABG Sundal Collier, FactSet

Long-term valuation potential from high dividend payouts

If we take a long-term view on SinterCast, we believe that a valuation approach is to look at the company's long-term dividend payout potential. Dividends have accounted for at least 100% of net profit. For valuation purposes, we assume dividends to equal net profit and DPS growth to occur in three stages. In stage 1, we use our current estimates for '20e-'22e. In stage 2, we assume a long-term constant growth rate during 10 years and the terminal period to occur afterwards (stage 3). In our example below, we assume a 6% DPS CAGR '23-'32e (34% in '10-'19, and 25% in '14-'19) and a terminal growth rate of 2.5%. We believe the suitable cost of equity is ultimately the decision of the investor, but if we assume 6% DPS CAGR and a cost of equity between 8% and 13%, we arrive at a value range of SEK 110-206.

DPS valuation scenario overview

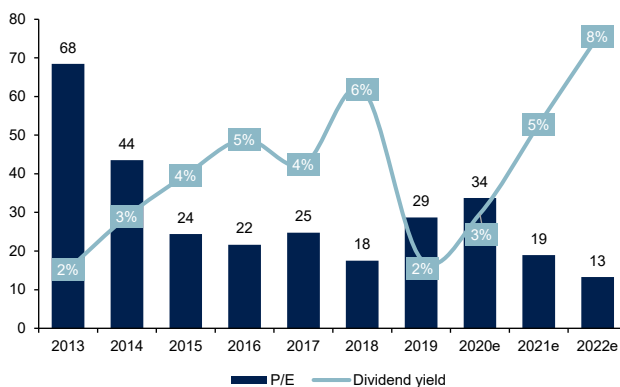
DPS valuation (SEK)	2017	2018	2019	Stage 1			Stage 2										Terminal
				2020e	2021e	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e
DPS	2.8	5.0	3.5	3.5	6.3	8.9	9.5	10.1	10.7	11.3	12.0	12.7	13.5	14.3	15.1	16.0	16.4
y-o-y	-31%	82%	-30%	1%	78%	43%	6%	6%	6%	6%	6%	6%	6%	6%	6%	6%	2.5%
Payout ratio	105%	108%	51%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Share price	65	81	195	119	119	119											
Div yield	4%	6%	2%	3%	5%	8%											

Cost of equity	8%	9%	10%	11%	13%
NPV (Stage 1)	16	15	15	15	14
NPV (Stage 2)	81	77	73	70	64
NPV (Terminal)	110	82	63	50	32
Value per share	206	175	152	135	110
Current SP	119	119	119	119	119
%	74%	47%	28%	13%	-7%

Value per share (SEK)	3%	4%	5%	6%	7%	8%	9%	10%	11%
9.0%	144	153	164	175	187	200	214	229	245
9.5%	134	143	152	163	173	185	198	211	226
10.0%	126	134	143	152	162	173	184	196	210
10.5%	119	126	134	143	152	162	172	183	196
11.0%	113	120	127	135	143	152	162	172	183
11.5%	107	114	120	127	135	143	152	162	172
12.0%	102	108	114	121	128	136	144	153	162
12.5%	98	103	109	115	122	129	137	145	154
13.0%	94	99	104	110	116	123	130	138	146

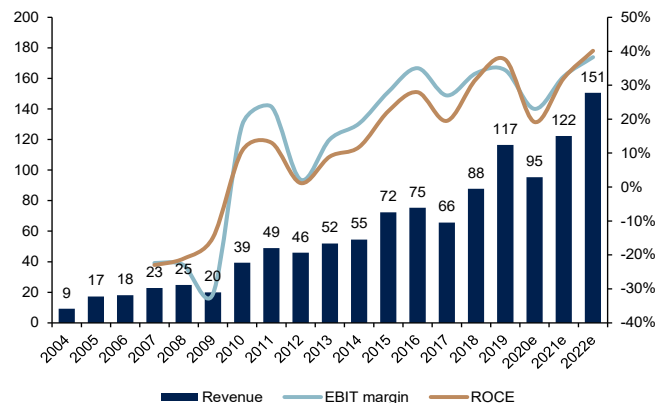
Source: ABG Sundal Collier, company data

Historical P/E and dividend yields



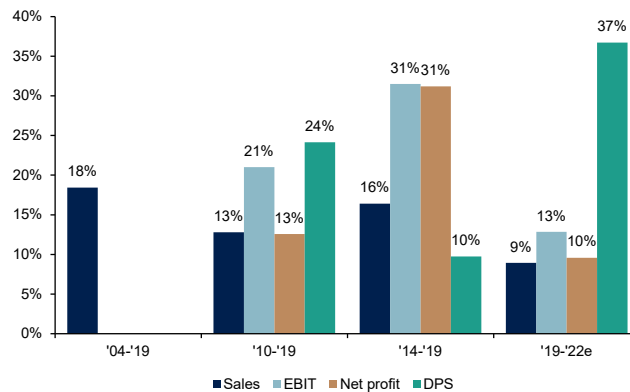
Source: ABG Sundal Collier, company data

Sales and profitability over time



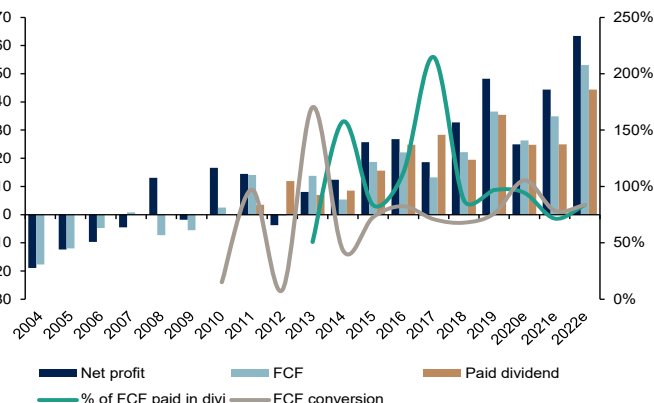
Source: ABG Sundal Collier, company data

Historical P/E and dividend yields



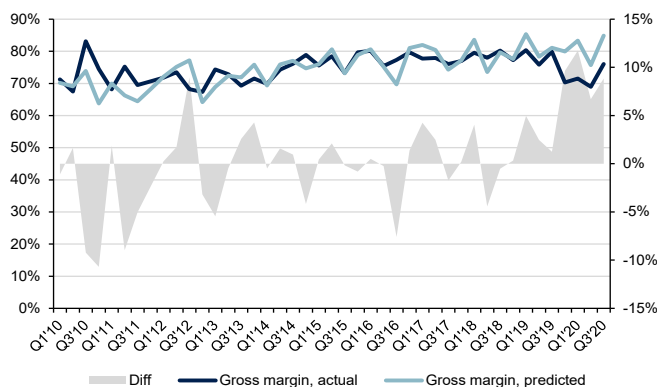
Source: ABG Sundal Collier, company data

Expect 100% payout ratio to remain



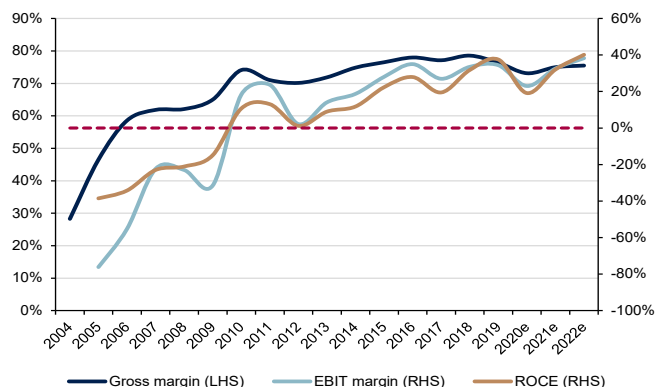
Source: ABG Sundal Collier, company data

Actual gross margin vs. ABGSCe model



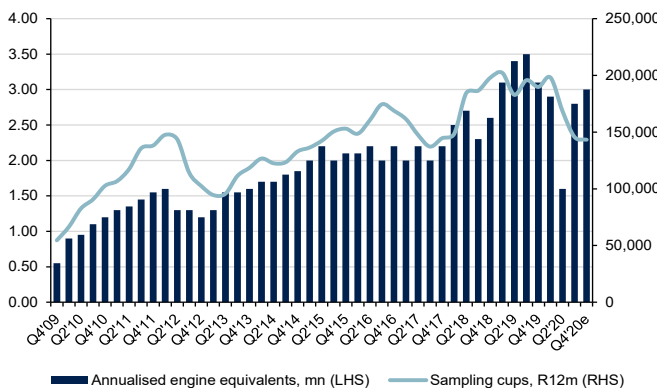
Source: ABG Sundal Collier, company data

Margin and ROCE



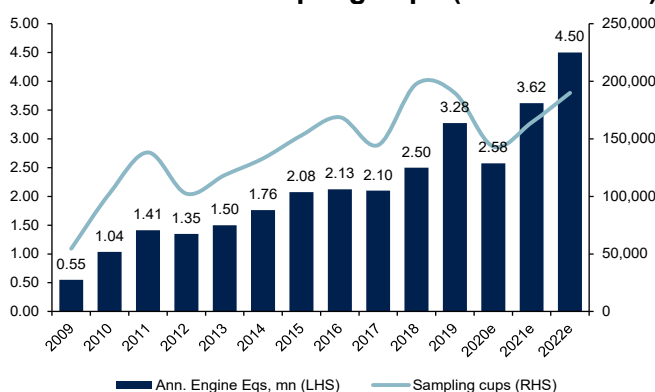
Source: ABG Sundal Collier, company data

Clear historical relationship between productions of annualized engine equivalents...



Source: ABG Sundal Collier, company data

...and the sale of sampling cups (consumables)



Source: ABG Sundal Collier, company data

Quarterly overview

Quarterly overview	Q1'17	Q2'17	Q3'17	Q4'17	Q1'18	Q2'18	Q3'18	Q4'18	Q1'19	Q2'19	Q3'19	Q4'19	Q1'20	Q2'20	Q3'20	Q4'20e
Revenue	13.9	17.2	16.7	17.8	16.6	26.8	19.7	24.6	22.9	33.5	30.8	29.3	24.6	18.7	19.2	32.8
Gross profit	10.8	13.4	12.7	13.7	13.2	20.9	15.8	19.0	18.4	25.4	24.6	20.6	17.6	12.9	14.6	24.6
SG&A	-6.8	-6.4	-5.8	-6.0	-6.5	-7.2	-6.8	-8.3	-7.8	-9.1	-8.4	-10.9	-8.9	-7.3	-7.5	-10.2
R&D	-1.0	-1.9	-2.1	-2.3	-2.3	-3.0	-2.1	-2.9	-2.2	-2.7	-3.0	-4.1	-3.3	-2.3	-3.2	-4.5
Other opex	-0.2	-0.3	-0.1	0.0	0.5	0.3	-0.9	-0.3	0.5	-0.7	1.3	-1.8	2.5	-2.5	-0.3	-0.3
EBIT	2.8	4.8	4.7	5.4	4.9	11.0	6.0	7.5	8.9	12.9	14.5	3.8	7.9	0.8	3.6	9.6
Net financials	0.2	-0.2	0.0	0.0	-0.8	-0.6	1.0	0.4	-0.6	0.3	-0.3	0.4	-1.3	2.2	0.1	0.0
PTP	3.0	4.6	4.7	5.4	4.1	10.4	7.0	7.9	8.3	13.2	14.2	4.2	6.6	3.0	3.7	9.6
Taxes	0.0	0.9	0.0	0.0	0.0	1.0	0.0	2.3	0.0	0.9	0.0	7.4	0.0	0.0	0.0	2.0
Net profit	3.0	5.5	4.7	5.4	4.1	11.4	7.0	10.2	8.3	14.1	14.2	11.6	6.6	3.0	3.7	11.6
Growth and margins	Q1'17	Q2'17	Q3'17	Q4'17	Q1'18	Q2'18	Q3'18	Q4'18	Q1'19	Q2'19	Q3'19	Q4'19	Q1'20	Q2'20	Q3'20	Q4'20e
Revenue growth	-14%	-6%	-30%	3%	19%	56%	18%	38%	38%	25%	56%	19%	7%	-44%	-38%	12%
EBIT growth	-39%	-11%	-58%	13%	75%	129%	28%	39%	82%	17%	142%	-49%	-11%	-94%	-75%	154%
Gross margin	78%	78%	76%	77%	80%	78%	80%	77%	80%	76%	80%	70%	72%	69%	76%	75%
EBIT margin	20%	28%	28%	30%	30%	41%	30%	30%	39%	39%	47%	13%	32%	4%	19%	29%
Sales split	Q1'17	Q2'17	Q3'17	Q4'17	Q1'18	Q2'18	Q3'18	Q4'18	Q1'19	Q2'19	Q3'19	Q4'19	Q1'20	Q2'20	Q3'20	Q4'20e
Equipment	0.2	1.2	1.5	0.8	0.1	2.3	0.5	1.7	0.5	6.6	2.4	2.4	0.4	6.1	0.3	8.9
Series Production	13.6	15.8	14.7	16.6	16.5	23.8	18.7	22.3	22.2	26.7	28.2	25.2	23.8	12.5	18.8	23.4
Engineering Service	0.1	0.2	0.5	0.4	0.0	0.7	0.5	0.6	0.2	0.2	0.2	1.7	0.5	0.1	0.1	0.5
Total revenue	13.9	17.2	16.7	17.8	16.6	26.8	19.7	24.6	22.9	33.5	30.8	29.3	24.7	18.7	19.2	32.8
Other metrics	Q1'17	Q2'17	Q3'17	Q4'17	Q1'18	Q2'18	Q3'18	Q4'18	Q1'19	Q2'19	Q3'19	Q4'19	Q1'20	Q2'20	Q3'20	Q4'20e
Sampling cups	28,700	32,900	40,600	42,400	32,500	68,800	42,800	53,800	36,800	49,400	55,700	47,900	45,100	19,800	32,900	45,500
y-o-y	-20%	-30%	-20%	21%	13%	109%	5%	27%	13%	-28%	30%	-11%	23%	-60%	-41%	-5%
Annualised engine eq. (mn)	2.00	2.20	2.00	2.20	2.50	2.70	2.30	2.60	3.10	3.40	3.50	3.10	2.90	1.60	2.80	3.00
y-o-y	-5%	0%	0%	0%	25%	23%	15%	18%	24%	26%	52%	19%	-6%	-53%	-20%	-3%
Working capital / sales R12m	13%	17%	25%	21%	16%	24%	20%	24%	24%	29%	25%	22%	21%	18%		
Net debt/cash	-49	-22	-22	-30	-37	-20	-29	-33	-36	-25	-41	-30	-39	-45		
ND/EBITDA	-2.0	-0.9	-1.2	-1.6	-1.7	-0.7	-1.0	-1.0	-1.0	-0.7	-0.9	-0.7	-0.9	-1.4		
Equity ratio	90%	88%	90%	91%	89%	88%	91%	90%	88%	88%	90%	88%	86%	85%		
FCF conversion (lease adj.)	95%	85%	81%	71%	83%	68%	95%	68%	59%	65%	68%	74%	81%	110%		
ROCE	25%	30%	20%	19%	21%	33%	32%	32%	33%	37%	42%	38%	34%	23%		

Source: ABG Sundal Collier, company data

Annual overview

Annual overview	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020e	2021e	2022e
Revenue	24.8	20.0	39.4	49.0	45.9	51.9	54.5	72.4	75.4	65.6	87.7	116.5	95.3	122.3	150.6
Gross profit	15.4	13.0	29.2	34.8	32.2	37.3	40.8	55.4	58.8	50.6	68.9	89.0	69.7	91.8	113.7
SG&A	-17.5	-15.3	-16.8	-21.0	-26.2	-24.6	-24.7	-26.4	-25.0	-25.0	-28.8	-36.2	-33.9	-36.9	-38.3
R&D	-3.9	-3.9	-4.5	-4.4	-5.5	-5.8	-6.5	-7.6	-7.9	-7.3	-10.3	-12.0	-13.3	-14.0	-16.8
Other opex	0.3	-0.1	-0.7	2.2	0.5	0.4	0.6	-1.1	0.5	-0.6	-0.4	-0.7	-0.6	-1.0	-1.0
EBIT	-5.7	-6.3	7.2	11.6	1.0	7.3	10.2	20.3	26.4	17.7	29.4	40.1	21.9	39.9	57.6
Net financials	0.3	1.8	1.4	-0.5	1.0	0.2	1.3	4.6	-0.6	0.0	0.0	-0.2	1.0	0.0	0.0
PTP	-5.4	-4.5	8.6	11.1	2.0	7.5	11.5	24.9	25.8	17.7	29.4	39.9	22.9	39.9	57.6
Taxes	18.5	2.7	8.0	3.4	-5.7	0.6	0.9	0.8	1.0	0.9	3.3	8.3	2.0	4.5	5.8
Net profit	13.1	-1.8	16.6	14.5	-3.7	8.1	12.4	25.7	26.8	18.6	32.7	48.2	24.9	44.4	63.4
EPS	2.4	-0.3	2.5	2.1	-0.5	1.2	1.7	3.6	3.8	2.6	4.6	6.8	3.5	6.3	8.9
DPS			0.5	1.0	1.0	1.2	2.2	3.5	4.0	2.8	5.0	3.5	3.5	6.3	8.9
Growth and margins	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020e	2021e	2022e
Revenue grow th	9%	-19%	97%	24%	-6%	13%	5%	33%	4%	-13%	34%	33%	-18%	28%	23%
EBIT grow th	12%	11%	-214%	61%	-91%	630%	40%	99%	30%	-33%	66%	36%	-45%	82%	45%
Gross margin	62%	65%	74%	71%	70%	72%	75%	77%	78%	77%	79%	76%	73%	75%	76%
EBIT margin	-23%	-32%	18%	24%	2%	14%	19%	28%	35%	27%	34%	34%	23%	33%	38%
Sales split	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020e	2021e	2022e
Equipment	5.8	2.6	6.8	7.9	9.0	10.1	4.9	7.7	7.1	3.7	4.6	11.9	15.7	12.0	13.4
Series Production	17.1	15.6	30.9	39.0	35.8	44.1	47.8	63.6	66.4	60.7	81.3	102.3	78.5	109.0	135.7
Engineering Service	1.9	1.8	1.7	2.0	1.0	1.5	1.8	1.1	1.8	1.2	1.8	2.3	1.2	1.3	1.5
Total revenue	24.8	20.0	39.4	48.9	45.8	55.7	54.5	72.4	75.3	65.6	87.7	116.5	95.4	122.3	150.6
Other metrics	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020e	2021e	2022e
Sampling cups	57,600	54,600	102,650	138,200	102,400	118,500	133,000	153,000	168,800	144,600	197,900	189,800	143,300	164,250	189,960
y-o-y		-5%	88%	35%	-26%	16%	12%	15%	10%	-14%	37%	-4%	-24%	15%	16%
Annualised engine eq. (mn)		0.55	1.04	1.41	1.35	1.50	1.76	2.08	2.13	2.10	2.50	3.28	2.58	3.62	4.50
y-o-y		-12%	89%	36%	-4%	11%	18%	18%	2%	-1%	19%	31%	-21%	41%	24%
Working capital / sales	11%	5%	29%	20%	24%	9%	18%	13%	16%	21%	24%	22%	23%	24%	24%
Net debt/cash	-9	-25	-37	-48	-35	-48	-45	-48	-45	-30	-33	-30	-30	-39	-46
ND/EBITDA	2.0	5.2	-4.7	-3.7	-17.7	-5.9	-4.1	-2.3	-1.7	-1.6	-1.0	-0.7	-1.2	-0.9	-0.7
Equity ratio	84%	85%	89%	93%	94%	89%	91%	88%	89%	91%	90%	88%	89%	89%	88%
FCF conversion (lease adj.)	-56%	306%	15%	97%	8%	170%	44%	73%	82%	71%	68%	74%	100%	75%	81%
ROCE	-21%	-15%	11%	13%	1%	9%	12%	22%	28%	19%	32%	38%	19%	32%	40%
Payout ratio			20%	48%	-189%	104%	126%	97%	106%	105%	108%	51%	100%	100%	100%

Source: ABG Sundal Collier, company data

ESG profile

Risks and opportunities

SinterCast is a market-leading supplier of process control technology for production of CGI (Compacted Graphite Iron), a form of cast iron that is primarily used in the production of vehicle engines. The material offers higher tensile strength, stiffness and fatigue strength of grey iron and aluminium. This enables smaller-volume engines with higher efficiency (because the engines are lighter, the vehicles have lower emissions as less energy is required to transport them). The producer of the engine (the foundry) is also likely to reduce its production energy costs as the volumes of the engines are smaller, which lowers both electricity consumption and emissions. SinterCast's technologies also enable the foundry to test every batch of liquid iron to ensure that it has the right properties before the castings are produced. This enables savings in terms of energy, costs and the environment.

Company ESG activities

SinterCast has both a direct and an indirect impact on the environment. In the foundry, the improved efficiency of the SinterCast CGI technology reduces energy consumption, lowers CO2 emissions, and reduces the demand for raw materials. On the road, CGI enables the use of more efficient downsized engines, improving fuel economy and reducing CO2 emissions. Potential risks for SinterCast are the future for combustion engines and the timing of OEM decisions, in addition to emissions legislation, which is both a risk and an opportunity.

Key issues*	ABGSC weight
Environment	80%
Carbon emissions	
Pollution and waste	
Toxic emissions and waste	
Social	10%
Product safety and quality	
Chemical safety	
Product liability	
Governance	10%
Business ethics	
Corporate behaviour	
Corporate governance	
Previous ESG incidents	
None	
Exposure to ESG Trends	
Energy efficiency, Reduced fuel consumption	

Social and governance data			
	2016	2017	2018
Women in workforce %	19	19	19
Women in management %	0	0	0
Women in board %	14	21	15
CEO salary, SEKm p.a.	3.8	3.6	4
Employee turnover %			
Employee absence %			
Person responsible for sustainability:	Steve Dawson		
Senior management:	Yes		

*based on the MSCI framework but not using all the parameters.

Income Statement (SEKm)	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020e
Sales	23	34	31	29	25	19	19	33
COGS	-5	-8	-6	-9	-7	-6	-5	-8
Gross profit	18	25	25	21	18	13	15	25
Other operating items	-9	-12	-9	-16	-9	-11	-10	-14
EBITDA	10	13	16	5	9	2	5	11
Depreciation and amortisation	-1	-0	-1	-1	-1	-1	-1	-1
EBITA	9	13	15	4	8	1	4	10
EO items	0	0	0	-5	0	0	0	0
Impairment and PPA amortisation	0	0	0	0	0	0	0	0
EBIT	9	13	15	4	8	1	4	10
Net financial items	-1	0	-0	0	-1	2	0	0
Pretax profit	8	13	14	4	7	3	4	10
Tax	0	1	0	7	0	0	0	2
Net profit	8	14	14	12	7	3	4	12
Minority interest	0	0	0	0	0	0	0	0
Net profit discontinued	0	0	0	0	0	0	0	0
Net profit to shareholders	8	14	14	12	7	3	4	12
EPS	1.17	1.99	2.00	1.64	0.93	0.42	0.52	1.64
EPS Adj	1.17	1.99	2.00	2.33	0.93	0.42	0.52	1.64
Total extraordinary items after tax	0	0	0	-5	0	0	0	0
Tax rate (%)	0	6.8	0	176.2	0	0	0	20.7
Gross margin (%)	80.3	75.8	79.9	70.3	71.5	69.0	76.0	75.0
EBITDA margin (%)	41.5	39.7	51.6	15.7	35.4	9.6	24.0	32.4
EBITA margin (%)	38.9	38.5	47.1	13.0	32.1	4.3	18.8	29.4
EBIT margin (%)	38.9	38.5	47.1	13.0	32.1	4.3	18.8	29.4
Pretax margin (%)	36.2	39.4	46.1	14.3	26.8	16.0	19.3	29.4
Net margin (%)	36.2	42.1	46.1	39.6	26.8	16.0	19.3	35.5
Growth rates Y/Y	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020e
Sales growth (%)	38.0	25.0	56.3	19.1	7.4	-44.2	-37.7	12.0
EBITDA growth (%)	72.7	15.7	148.4	-42.5	-8.4	-86.5	-71.1	131.3
EBIT growth (%)	81.6	17.3	141.7	-49.3	-11.2	-93.8	-75.2	153.7
Net profit growth (%)	102.4	23.7	102.9	13.7	-20.5	-78.7	-73.9	0.3
EPS growth (%)	102.4	23.7	102.9	13.7	-20.5	-78.7	-73.9	0.3
Adj earnings numbers	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020e
EBITDA Adj	10	13	16	10	9	2	5	11
EBITDA Adj margin (%)	41.5	39.7	51.6	32.4	35.4	9.6	24.0	32.4
EBITA Adj	9	13	15	9	8	1	4	10
EBITA Adj margin (%)	38.9	38.5	47.1	29.7	32.1	4.3	18.8	29.4
EBIT Adj	9	13	15	9	8	1	4	10
EBIT Adj margin (%)	38.9	38.5	47.1	29.7	32.1	4.3	18.8	29.4
Pretax profit Adj	8	13	14	9	7	3	4	10
Net profit Adj	8	14	14	17	7	3	4	12
Net profit to shareholders Adj	8	14	14	17	7	3	4	12
Net Adj margin (%)	36.2	42.1	46.1	56.3	26.8	16.0	19.3	35.5

Source: ABG Sundal Collier, Company data

Income Statement (SEKm)	2013	2014	2015	2016	2017	2018	2019	2020e	2021e	2022e
Sales	52	55	72	75	66	88	117	95	122	151
COGS	-15	-14	-17	-17	-15	-19	-28	-26	-31	-37
Gross profit	37	41	55	59	51	69	89	70	92	114
Other operating items	-29	-30	-34	-31	-31	-37	-46	-44	-48	-52
EBITDA	8	11	21	27	19	32	43	26	44	61
Depreciation and amortisation	-1	-1	-1	-1	-2	-2	-3	-4	-4	-4
Of which leasing depreciation	0	0	0	0	0	0	-1	-1	-1	-1
EBITA	7	10	20	26	18	29	40	22	40	58
EO items	0	0	0	0	0	0	-5	0	0	0
Impairment and PPA amortisation	0	0	0	0	0	0	0	0	0	0
EBIT	7	10	20	26	18	29	40	22	40	58
Net financial items	0	1	5	-1	0	0	-0	1	0	0
Pretax profit	8	12	25	26	18	29	40	23	40	58
Tax	1	1	1	1	1	3	8	2	5	6
Net profit	8	12	26	27	19	33	48	25	44	63
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
Net profit to shareholders	8	12	26	27	19	33	48	25	44	63
EPS	1.15	1.75	3.62	3.78	2.62	4.61	6.80	3.52	6.26	8.95
<i>EPS Adj</i>	<i>1.15</i>	<i>1.75</i>	<i>3.62</i>	<i>3.78</i>	<i>2.62</i>	<i>4.61</i>	<i>7.49</i>	<i>3.52</i>	<i>6.26</i>	<i>8.95</i>
Total extraordinary items after tax	0	0	0	0	0	0	-5	0	0	0
Leasing payments	0	0	0	0	0	0	-1	-1	-1	-1
<i>Tax rate (%)</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>20.8</i>	<i>8.7</i>	<i>11.3</i>	<i>10.1</i>
<i>Gross margin (%)</i>	<i>71.9</i>	<i>74.9</i>	<i>76.5</i>	<i>78.0</i>	<i>77.1</i>	<i>78.6</i>	<i>76.4</i>	<i>73.1</i>	<i>75.0</i>	<i>75.5</i>
<i>EBITDA margin (%)</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>37.2</i>	<i>27.0</i>	<i>35.6</i>	<i>40.7</i>
<i>EBITA margin (%)</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>34.4</i>	<i>23.0</i>	<i>32.6</i>	<i>38.3</i>
<i>EBIT margin (%)</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>34.4</i>	<i>23.0</i>	<i>32.6</i>	<i>38.3</i>
<i>Pretax margin (%)</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>34.2</i>	<i>24.1</i>	<i>32.6</i>	<i>38.3</i>
<i>Net margin (%)</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>41.4</i>	<i>26.2</i>	<i>36.3</i>	<i>42.1</i>
Growth rates Y/Y	2013	2014	2015	2016	2017	2018	2019	2020e	2021e	2022e
<i>Sales growth (%)</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>32.8</i>	<i>-18.2</i>	<i>28.4</i>	<i>23.1</i>
<i>EBITDA growth (%)</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>37.0</i>	<i>-40.6</i>	<i>69.0</i>	<i>41.0</i>
<i>EBIT growth (%)</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>36.4</i>	<i>-45.3</i>	<i>81.7</i>	<i>44.6</i>
<i>Net profit growth (%)</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>47.4</i>	<i>-48.3</i>	<i>77.8</i>	<i>43.0</i>
<i>EPS growth (%)</i>	<i>317.6</i>	<i>51.3</i>	<i>107.3</i>	<i>4.3</i>	<i>-30.5</i>	<i>75.8</i>	<i>47.4</i>	<i>-48.3</i>	<i>77.8</i>	<i>43.0</i>
Profitability	2013	2014	2015	2016	2017	2018	2019	2020e	2021e	2022e
<i>ROE (%)</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>45.7</i>	<i>22.3</i>	<i>36.5</i>	<i>45.1</i>
<i>ROE Adj (%)</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>50.4</i>	<i>22.3</i>	<i>36.5</i>	<i>45.1</i>
<i>ROCE (%)</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>37.5</i>	<i>19.2</i>	<i>32.1</i>	<i>40.1</i>
<i>ROCE Adj(%)</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>42.1</i>	<i>19.2</i>	<i>32.1</i>	<i>40.1</i>
<i>ROIC (%)</i>	<i>19.9</i>	<i>27.4</i>	<i>47.2</i>	<i>57.3</i>	<i>35.2</i>	<i>53.9</i>	<i>65.8</i>	<i>29.4</i>	<i>51.2</i>	<i>64.7</i>
<i>ROIC Adj (%)</i>	<i>19.9</i>	<i>27.4</i>	<i>47.2</i>	<i>57.3</i>	<i>35.2</i>	<i>53.9</i>	<i>73.9</i>	<i>29.4</i>	<i>51.2</i>	<i>64.7</i>
Adj earnings numbers	2013	2014	2015	2016	2017	2018	2019	2020e	2021e	2022e
EBITDA Adj	8	11	21	27	19	32	48	26	44	61
<i>EBITDA Adj margin (%)</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>41.4</i>	<i>27.0</i>	<i>35.6</i>	<i>40.7</i>
EBITDA lease Adj	8	11	21	27	19	32	47	24	42	60
<i>EBITDA lease Adj margin (%)</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>40.5</i>	<i>25.5</i>	<i>34.4</i>	<i>39.8</i>
EBITA Adj	7	10	20	26	18	29	45	22	40	58
<i>EBITA Adj margin (%)</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>38.6</i>	<i>23.0</i>	<i>32.6</i>	<i>38.3</i>
EBIT Adj	7	10	20	26	18	29	45	22	40	58
<i>EBIT Adj margin (%)</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>38.6</i>	<i>23.0</i>	<i>32.6</i>	<i>38.3</i>
Pretax profit Adj	8	12	25	26	18	29	45	23	40	58
Net profit Adj	8	12	26	27	19	33	53	25	44	63
Net profit to shareholders Adj	8	12	26	27	19	33	53	25	44	63
Net Adj margin (%)	15.6	22.8	35.5	35.5	28.4	37.3	45.6	26.2	36.3	42.1

Source: ABG Sundal Collier, Company data

Cash Flow Statement (SEKm)	2013	2014	2015	2016	2017	2018	2019	2020e	2021e	2022e
EBITDA	8	11	21	27	19	32	43	26	44	61
Net financial items	0	1	5	-1	0	0	-0	1	0	0
Paid tax	0	-0	-0	0	-0	0	0	0	0	0
Non-cash items	0	0	0	0	0	0	0	0	0	0
Cash flow before change in WC	8	12	26	27	19	32	43	27	44	61
Change in WC	6	-6	-5	-1	-2	-7	-5	4	-7	-7
Operating cash flow	14	7	20	25	17	25	38	31	36	55
CAPEX tangible fixed assets	-0	-0	-0	-1	-0	-1	-1	-1	-0	-1
CAPEX intangible fixed assets	-0	-1	-2	-2	-3	-2	-1	-3	-1	-1
Acquisitions and disposals	0	0	0	0	0	0	0	0	0	0
Free cash flow	14	5	19	22	13	22	37	26	35	53
Dividend paid	-7	-9	-16	-25	-28	-19	-35	-25	-25	-44
Share issues and buybacks	6	0	0	0	0	0	0	0	0	0
Lease liability amortisation	0	0	0	0	0	0	-1	-1	-1	-1
Other non cash items	0	0	-0	0	0	-0	-3	0	0	0
Balance Sheet (SEKm)	2013	2014	2015	2016	2017	2018	2019	2020e	2021e	2022e
Goodwill	0	0	0	0	0	0	0	0	0	0
Other intangible assets	2	2	4	5	8	8	7	8	7	6
Tangible fixed assets	2	2	2	2	2	2	2	2	2	2
Right-of-use asset	0	0	0	0	0	0	3	3	4	4
Total other fixed assets	29	30	30	32	33	36	45	47	51	57
Fixed assets	32	34	36	39	42	46	56	60	63	68
Inventories	4	4	4	4	4	7	8	8	11	14
Receivables	11	15	18	19	18	25	31	25	32	39
Other current assets	0	0	0	0	0	0	0	0	0	0
Cash and liquid assets	48	45	48	45	30	33	33	33	42	49
Total assets	95	97	106	108	95	110	128	125	148	170
Shareholders equity	85	88	93	96	86	99	112	112	131	150
Minority	0	0	0	0	0	0	0	0	0	0
Total equity	85	88	93	96	86	99	112	112	131	150
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	3	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	10	8	13	12	9	11	13	11	14	17
Other current liabilities	0	0	0	0	0	0	0	0	0	0
Total liabilities and equity	95	97	106	108	95	110	128	125	148	170
Net IB debt	-48	-45	-48	-45	-31	-33	-31	-31	-39	-46
Net IB debt excl. pension debt	-48	-45	-48	-45	-31	-33	-31	-31	-39	-46
Net IB debt excl. leasing	-48	-45	-48	-45	-31	-33	-33	-33	-42	-49
Capital invested	37	44	45	51	55	66	81	81	92	104
Working capital	5	10	10	12	14	21	26	22	29	36
EV breakdown	2013	2014	2015	2016	2017	2018	2019	2020e	2021e	2022e
Market cap. diluted (m)	554	540	627	580	461	573	1,383	841	841	841
Net IB debt Adj	-48	-45	-48	-45	-31	-33	-31	-31	-39	-46
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
EV	506	495	579	535	430	540	1,352	810	802	794
Capital efficiency	2013	2014	2015	2016	2017	2018	2019	2020e	2021e	2022e
Total assets turnover (%)	58.4	56.9	71.3	70.5	64.9	85.6	98.0	75.4	89.6	94.8
Working capital/sales (%)	15.1	13.3	13.4	14.1	19.3	19.6	20.0	25.0	20.9	21.7
Financial risk and debt service	2013	2014	2015	2016	2017	2018	2019	2020e	2021e	2022e
Net debt/equity	-0.56	-0.51	-0.52	-0.47	-0.36	-0.33	-0.27	-0.27	-0.30	-0.31
Net debt/market cap	-0.10	-0.08	-0.08	-0.08	-0.06	-0.06	-0.03	-0.04	-0.05	-0.06
Equity ratio (%)	89.3	91.3	87.6	89.1	90.6	90.0	87.5	89.2	88.8	88.4
Net IB debt adj./equity	-0.56	-0.51	-0.52	-0.47	-0.36	-0.33	-0.27	-0.27	-0.30	-0.31
Current ratio	6.20	7.51	5.36	5.87	5.91	5.86	5.13	5.64	5.77	5.71
EBITDA/net interest	-40.50	-8.46	-4.59	45.67	high	high	216.50	-25.74	high	high
Net IB debt/EBITDA	-5.90	-4.08	-2.27	-1.65	-1.59	-1.05	-0.70	-1.19	-0.90	-0.76
Net IB debt/EBITDA lease Adj	-5.90	-4.08	-2.27	-1.65	-1.59	-1.05	-0.71	-1.37	-1.00	-0.82
Interest cover	-36.50	-7.85	-4.41	44.00	nm	nm	200.50	-21.94	nm	nm

Source: ABG Sundal Collier, Company data

Valuation and Ratios (SEKm)	2013	2014	2015	2016	2017	2018	2019	2020e	2021e	2022e
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	1.15	1.75	3.62	3.78	2.62	4.61	6.80	3.52	6.26	8.95
Dividend per share Adj	1.2	2.2	3.5	4.0	2.8	5.0	3.5	3.5	6.3	8.9
EPS Adj	1.15	1.75	3.62	3.78	2.62	4.61	7.49	3.52	6.26	8.95
BVPS	12.07	12.45	13.13	13.50	12.10	13.99	15.75	15.77	18.51	21.20
BVPS Adj	11.84	12.11	12.62	12.77	11.02	12.92	14.81	14.67	17.57	20.42
Net IB debt / share	-6.8	-6.3	-6.8	-6.4	-4.3	-4.7	-4.3	-4.3	-5.5	-6.5
Share price	79.00	76.00	88.25	81.75	65.00	80.80	195.00	118.60	118.60	118.60
Market cap. (m)	554	540	627	580	461	573	1,383	841	841	841
Valuation	2013	2014	2015	2016	2017	2018	2019	2020e	2021e	2022e
P/E	68.4	43.5	24.4	21.7	24.8	17.5	28.7	33.7	19.0	13.3
EV/sales	9.76	9.08	7.99	7.09	6.56	6.15	11.61	8.50	6.55	5.27
EV/EBITDA	62.5	45.0	27.4	19.5	22.4	17.1	31.2	31.5	18.4	13.0
EV/EBITA	69.4	48.5	28.5	20.3	24.3	18.4	33.7	36.9	20.1	13.8
EV/EBIT	69.4	48.5	28.5	20.3	24.3	18.4	33.7	36.9	20.1	13.8
Dividend yield (%)	1.5	2.9	4.0	4.9	4.2	6.2	1.8	3.0	5.3	7.5
FCF yield (%)	2.5	1.0	3.0	3.8	2.9	3.9	2.6	3.1	4.1	6.3
Lease adj. FCF yield (%)	2.5	1.0	3.0	3.8	2.9	3.9	2.6	3.0	4.0	6.1
P/BVPS	6.54	6.10	6.72	6.06	5.37	5.78	12.38	7.52	6.41	5.59
P/BVPS Adj	6.67	6.27	6.99	6.40	5.90	6.25	13.17	8.09	6.75	5.81
P/E Adj	68.4	43.5	24.4	21.7	24.8	17.5	26.0	33.7	19.0	13.3
EV/EBITDA Adj	62.5	45.0	27.4	19.5	22.4	17.1	28.1	31.5	18.4	13.0
EV/EBITA Adj	69.4	48.5	28.5	20.3	24.3	18.4	30.0	36.9	20.1	13.8
EV/EBIT Adj	69.4	48.5	28.5	20.3	24.3	18.4	30.0	36.9	20.1	13.8
EV/cap. employed	6.0	5.6	6.2	5.6	5.0	5.4	11.8	7.1	6.0	5.2
Investment ratios	2013	2014	2015	2016	2017	2018	2019	2020e	2021e	2022e
Capex/sales	1.2	2.4	2.3	4.4	5.6	3.0	1.0	4.6	1.0	1.0
Capex/depreciation	75.0	162.5	212.5	330.0	246.7	118.2	50.0	146.1	44.5	55.8
Capex tangibles/tangible fixed assets	15.8	12.5	5.9	52.6	23.5	42.9	31.6	53.3	27.1	43.0
Capex intangibles/definite intangibles	18.8	45.8	44.4	44.2	42.9	22.4	9.0	41.3	11.0	13.7
Depreciation on intangibles/definite intai	35.0	23.3	15.6	13.5	13.6	20.3	25.1	26.8	29.0	34.3
Depreciation on tangibles/tangibles	12.6	15.0	14.1	15.8	26.5	31.4	37.9	42.0	45.6	46.3

Source: ABG Sundal Collier, Company data

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