

SinterCast

Second-highest quarter in company's history

- Q4'20 EBIT came in at c. SEK 9m (c. 2m in Q4'19)
- Est. up 5% for '21-22e, primarily from series production
- Trades at 17x EV/EBIT '22e, 4-8% div. yields '21-23e

Q4'20 a mixed quarter with a solid outlook

SinterCast delivered Q4 sales of c. SEK 33m, +5% vs. ABGSCe and up 12% y-o-y. The Q4'20 report showed the second-highest quarterly revenue in the company's history; the highest corresponds to c. SEK 34m in Q2'19. The robust quarterly showing primarily came from equipment sold during Q4 (SEK 9.8m vs. SEK 2.4m in Q4'19), mainly due to System 4000 Plus installations at FAW in China and the new Scania foundry in Sweden. The weaker overall results within series production (-13% y-o-y) and engineering services (-35% y-o-y), stem from year-end foundry shutdowns, restricted on-site engineering services and spending limits among customers. Annualised engine equivalents in Q4 amounted to 2.6m, in line with our expectations (0% vs. ABGSCe), and sampling cups came in at 42,800 (-6% vs. ABGSCe). EBIT was SEK 9.3m (vs. ABGSCe at SEK 11.7m), significantly higher than in Q4'19 (SEK 3.8m) primarily due to lowered costs during the quarter (-17% y-o-y).

Slight rise in series production, EBIT up 5% for '21-22e

We expect the installations commissioned at FAW and Scania during Q4'20 to support production revenue from Q1'21 and onwards. Looking ahead, we make only minor underlying adjustments following the report, and our total revisions are small in nominal terms. The 5% higher EBIT for '21e and '22e, for a '20-23e EBIT CAGR of 48%, stems from improved series production and gradually recovering engineering services from softer comps in 2020.

Long-term fair valuation range of SEK 125-225 per share

SinterCast aims to pay an ordinary dividend of SEK 4.00 per share (3.50), corresponding to 128% of FY'20 EPS. Given the company's history of paying out at least 100%, we use a dividend discount model to evaluate the firm's long-term potential. Depending on the cost of equity, our approach yields a fair range of SEK 125-225 per share; the stock is trading at 17x EV/EBIT '22e (historical average of 25x).

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SEKm	2019	2020	2021e	2022e	2023e
Sales	117	95	113	148	168
EBITDA	43	25	41	61	75
EBITDA margin (%)	37.2	26.6	36.1	41.4	44.5
EBIT adj	45	21	37	57	70
EBIT adj margin (%)	38.6	22.1	32.6	38.7	42.1
Pretax profit	40	22	37	57	70
EPS rep	6.80	3.12	5.78	9.38	11.24
EPS adj	7.49	3.04	5.78	9.38	11.24
Sales growth (%)	32.8	-18.1	18.9	30.6	13.1
EPS growth (%)	47.4	-54.0	84.9	62.4	19.8

Source: ABG Sundal Collier, Company data

Reason: Post-results comment

Company sponsored research

Not rated

Estimate changes (%)

	2021e	2022e	2023e
Sales	3.5%	2.7%	0.0%
EBIT (rep)	5.0%	5.0%	0.0%
EPS (rep)	4.5%	4.3%	0.0%

Source: ABG Sundal Collier

Share price (SEK)	11/02/2021	145.0
Fair value range (per share)		125-225

Capital Goods, Sweden

SINT.ST/SINT.SS

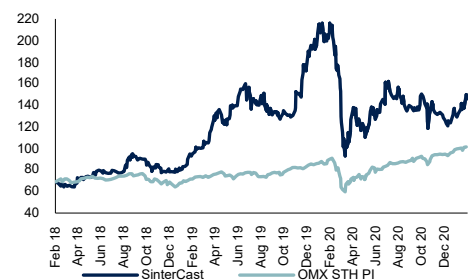
MCap (SEKm)	1,028
MCap (EURm)	102
Net debt (EURm)	-3

No. of shares (m)	7.1
Free float (%)	88
Av. daily volume (k)	17

Next event

Q1 report: 21 Apr

Performance



	1m	3m	12m
Absolute (%)	10.5	2.8	-32.9

Source: FactSet

	2021e	2022e	2023e
P/E (x)	25.1	15.5	12.9
P/E adj (x)	25.1	15.5	12.9
P/BVPS (x)	8.47	7.00	6.42
EV/EBITDA (x)	24.3	16.1	13.3
EV/EBIT adj (x)	26.9	17.3	14.1
EV/sales (x)	8.78	6.68	5.92
ROE adj (%)	35.6	49.6	51.9
Dividend yield (%)	4.0	6.5	7.8
FCF yield (%)	3.3	4.7	6.3
Lease adj. FCF yld (%)	3.2	4.6	6.2
Net IB debt/EBITDA	-0.8	-0.6	-0.5
Lease adj. ND/EBITDA	-0.9	-0.7	-0.5

Please refer to important disclosures at the end of this report

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

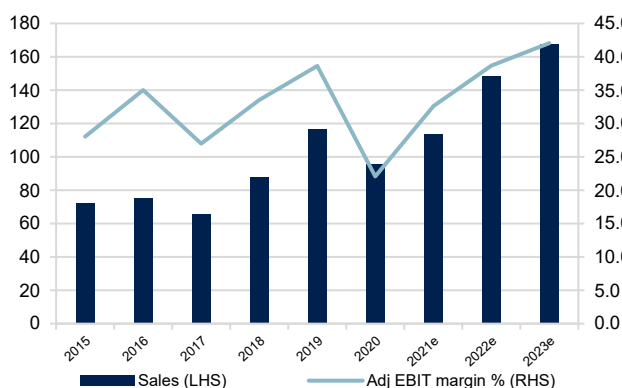
Company description

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

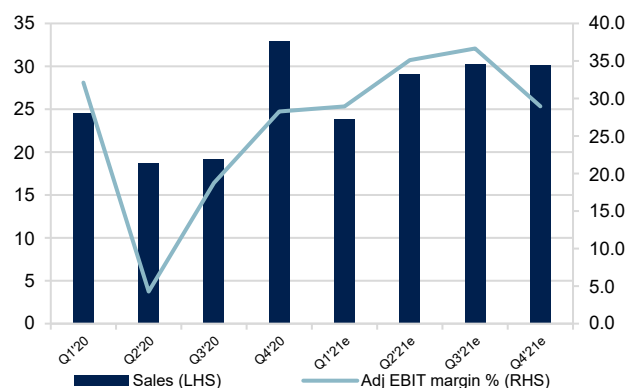
Automotive demand, and more specifically demand for larger passenger vehicles such as SUVs and pick-up trucks with diesel engines. Regulation relating to fossil fuels and diesel in particular poses risks to the business model.

Annual sales and adj. EBIT margin



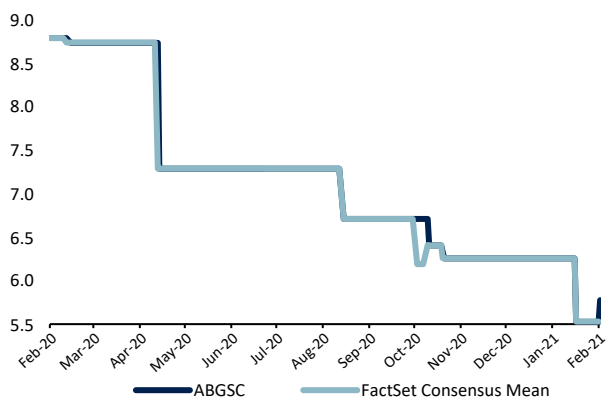
Source: ABG Sundal Collier, Company data

Quarterly sales and adj. EBIT margin



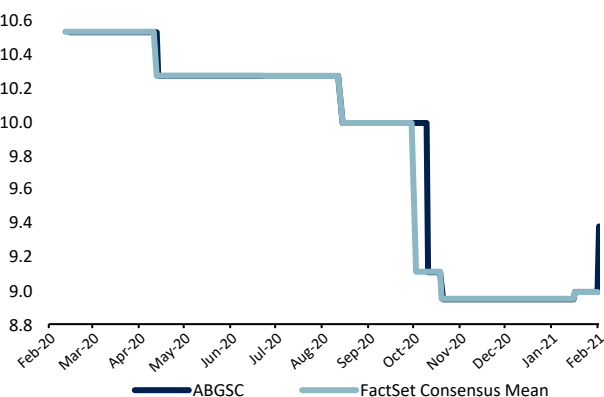
Source: ABG Sundal Collier, Company data

EPS estimate changes, 2021e, SEK



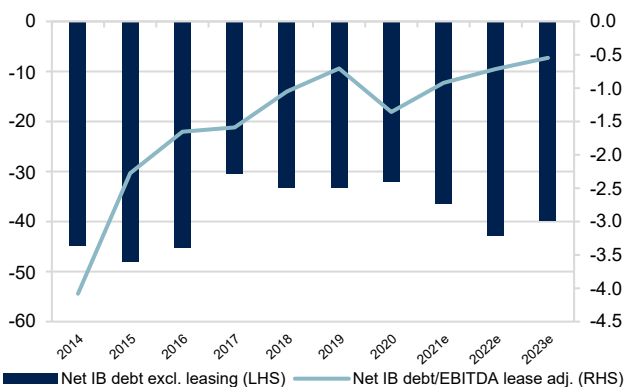
Source: ABG Sundal Collier, FactSet

EPS estimate changes, 2022e, SEK



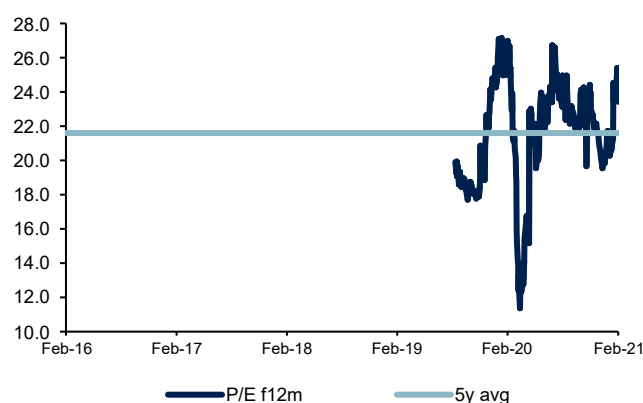
Source: ABG Sundal Collier, FactSet

Lease adj. net debt and ND/EBITDA



Source: ABG Sundal Collier, Company data

12month forward-looking P/E



Source: ABG Sundal Collier, Company data

Q4'20 outcome vs. ABGSCe

Deviation table	Actual	Actual	ABGSCe		Dev	Dev
	Q4'19	Q4'20	y-o-y	Q4'20e	%	SEKm
Revenue	29.3	32.9	12%	31.4	5%	1.5
Gross profit	20.6	23.3	13%	22.6	3%	0.7
Opex	-16.8	-14.0	-17%	-10.9	29%	-3.1
EBIT	3.8	9.3	145%	11.7	-21%	-2.4
PTP	4.2	9.0	114%	11.7	-23%	-2.7
Net profit	11.6	8.9	-23%	11.7	-24%	-2.8
Growth and margins	Q4'19	Q4'20	y-o-y	Q4'20e	%	SEKm
Revenue growth	19%	12%		7%	5%	
EBIT growth	-49%	145%		209%	-64%	
Gross margin	70%	71%	1%	72%	-1%	
EBIT margin	13%	28%	15%	37%	-9%	
Sales split	Q4'19	Q4'20	y-o-y	Q4'20e	%	SEKm
Equipment	2.4	9.8	308%	9.8	0%	0.0
Series Production	25.2	21.9	-13%	21.1	4%	0.8
Engineering Service	1.7	1.1	-35%	0.5	120%	0.6
Total revenue	29.3	32.9	12%	31.4	5%	1.5
Other metrics	Q4'19	Q4'20	y-o-y	Q4'20e	%	SEKm
Sampling cups	47,900	42,800	-11%	45,350	-6%	
Annualised engine eq. (mn)	3.10	2.60	-16%	2.60	0%	

Source: ABG Sundal Collier, company data

Estimate changes 2020a-2022e

Estimate changes SEKm	Old			New			SEKm			%		
	2020	2021e	2022e	2020	2021e	2022e	2020	2021e	2022e	2020	2021e	2022e
Revenue	93.9	109.6	144.3	95.4	113.4	148.1	1.5	3.8	3.9	2%	3%	3%
Gross profit	67.7	82.2	109.6	68.4	85.1	112.6	0.7	2.9	2.9	1%	3%	3%
Opex	-43.7	-47.0	-55.1	-46.7	-48.1	-55.3	-3.0	-1.1	-0.2	7%	2%	0%
EBIT	24.0	35.2	54.5	21.7	37.0	57.3	-2.4	1.8	2.7	-10%	5%	5%
PTP	25.0	35.2	54.5	22.3	37.0	57.3	-2.8	1.8	2.7	-11%	5%	5%
Net profit	25.0	39.2	63.7	22.2	40.9	66.5	-2.9	1.8	2.7	-12%	5%	4%
Growth and margins	2020e	2021e	2022e	2020	2021e	2022e	2020	2021e	2022e	2020	2021e	2022e
Revenue growth	-19%	17%	32%	-18%	19%	31%				1%	2%	-1%
EBIT growth	-40%	46%	55%	-46%	71%	55%				-6%	24%	0%
Gross margin	72%	75%	76%	72%	75%	76%				0%	0%	0%
EBIT margin	26%	32%	38%	23%	33%	39%				-3%	0%	1%
Sales split	2020e	2021e	2022e	2020	2021e	2022e	2020	2021e	2022e	2020	2021e	2022e
Equipment	16.6	12.4	14.3	16.6	12.4	14.4	0.0	0.0	0.1	0%	0%	1%
Series Production	76.2	95.9	128.5	77.0	98.0	130.3	0.8	2.1	1.9	1%	2%	1%
Engineering Service	1.2	1.3	1.5	1.8	3.0	3.4	0.6	1.7	1.9	52%	127%	124%
Total revenue	93.9	109.6	144.3	95.4	113.4	148.1	1.5	3.8	3.9	2%	3%	3%
Other metrics	2020e	2021e	2022e	2020	2021e	2022e	2020	2021e	2022e	2020	2021e	2022e
Sampling cups	143,150	163,965	189,960	140,600	164,410	189,960	-2,550	445	0	-2%	0%	0%
Annualised engine eq. (mn)	2.48	3.16	4.22	2.48	3.16	4.30	0.00	0.00	0.08	0%	0%	2%

Source: ABG Sundal Collier, company data

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.

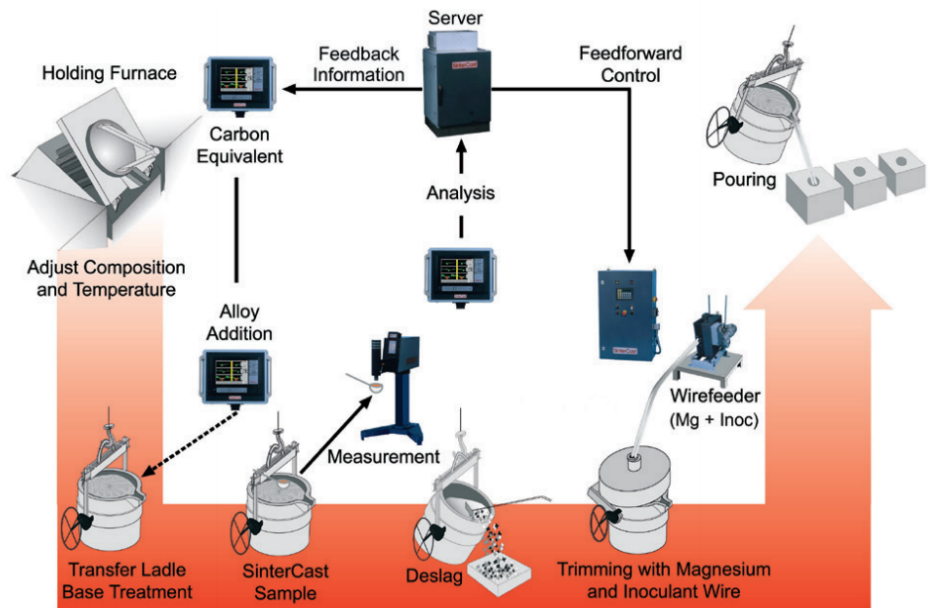
The company's process technology is deeply embedded in its customers' production, creating high barriers to entry – once the technology is implemented it is hard to remove or replace. Therefore, we believe that the main risk for the company lies within its own product quality. To our understanding, this 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 Mini-System 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
 System 4000 Launched in 2019	System Plus System Mini-System	<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
 System 3000 Launched in 2009	System Plus System Mini-System	<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.

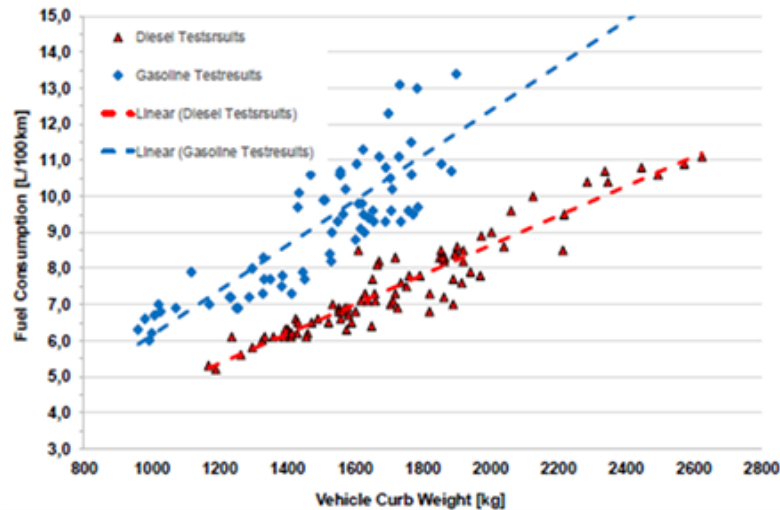
The market & diesel outlook

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



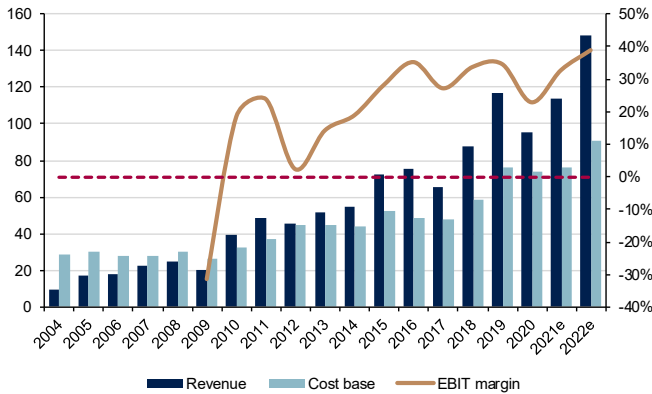
Source: SinterCast (data from AVL)

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.

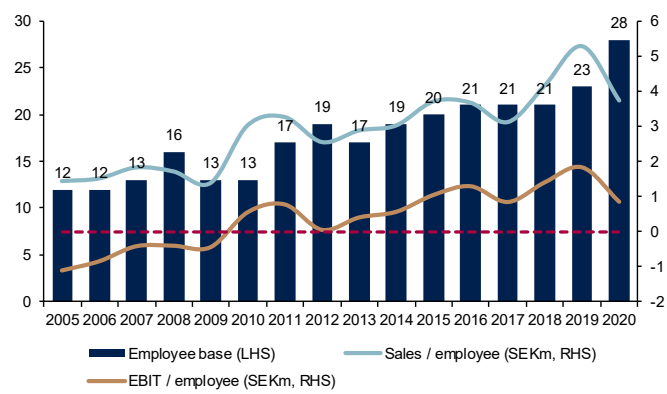
Production strategy continues to drive growth

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).

Scalable business model has allowed revenue to...resulting in a 4% CAGR in EBIT / employee outgrow cost significantly...

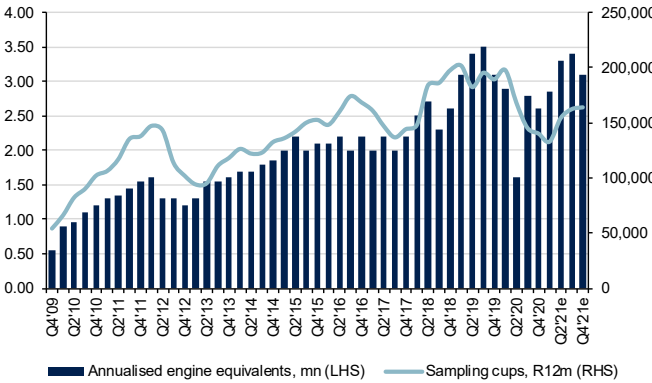


Source: ABG Sundal Collier, company data

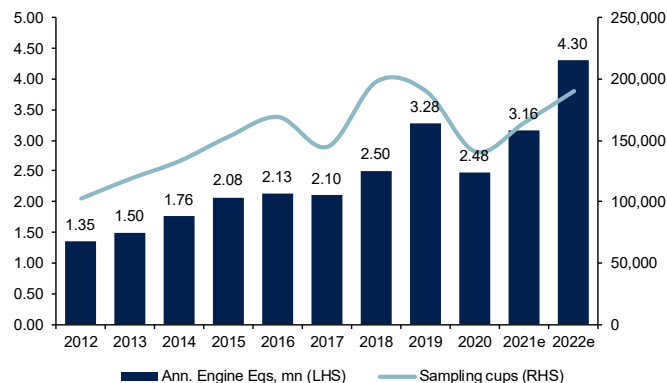


Source: ABG Sundal Collier, company data

Clear historical relationship between productions of annualised engine equivalents... ..and the sale of sampling cups (consumables)

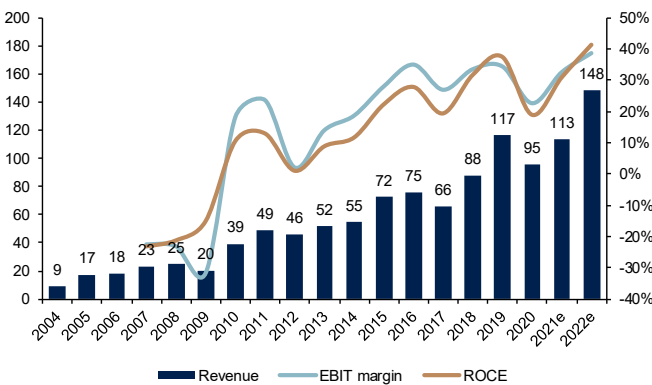


Source: ABG Sundal Collier, company data



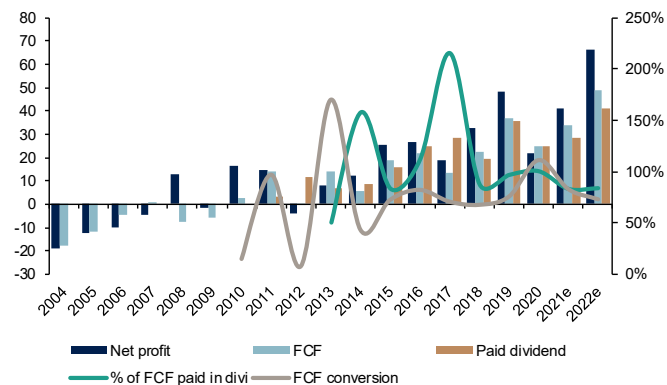
Source: ABG Sundal Collier, company data

Sales and profitability over time



Source: ABG Sundal Collier, company data

Expect 100% pay-out ratio to remain



Source: ABG Sundal Collier, company data

Detailed quarterly figures Q1'19-Q4'21e

Quarterly overview	Q1'19	Q2'19	Q3'19	Q4'19	Q1'20	Q2'20	Q3'20	Q4'20	Q1'21e	Q2'21e	Q3'21e	Q4'21e
Revenue	22.9	33.5	30.8	29.3	24.6	18.7	19.2	32.9	23.9	29.1	30.3	30.2
Gross profit	18.4	25.4	24.6	20.6	17.6	12.9	14.6	23.3	17.9	21.8	22.7	22.6
SG&A	-7.8	-9.1	-8.4	-10.9	-8.9	-7.3	-7.5	-9.8	-7.8	-8.4	-8.4	-10.7
R&D	-2.2	-2.7	-3.0	-4.1	-3.3	-2.3	-3.2	-2.9	-3.0	-3.0	-3.0	-3.0
Other opex	0.5	-0.7	1.3	-1.8	2.5	-2.5	-0.3	-1.3	-0.2	-0.2	-0.2	-0.2
EBIT	8.9	12.9	14.5	3.8	7.9	0.8	3.6	9.3	6.9	10.2	11.1	8.7
Net financials	-0.6	0.3	-0.3	0.4	-1.3	2.2	0.1	-0.3	0.0	0.0	0.0	0.0
PTP	8.3	13.2	14.2	4.2	6.6	3.0	3.7	9.0	6.9	10.2	11.1	8.7
Taxes	0.0	0.9	0.0	7.4	0.0	0.0	0.0	-0.1	1.0	0.9	1.0	1.1
Net profit	8.3	14.1	14.2	11.6	6.6	3.0	3.7	8.9	7.9	11.2	12.1	9.8
Growth and margins	Q1'19	Q2'19	Q3'19	Q4'19	Q1'20	Q2'20	Q3'20	Q4'20	Q1'21e	Q2'21e	Q3'21e	Q4'21e
Revenue growth	38%	25%	56%	19%	7%	-44%	-38%	12%	-3%	56%	58%	-8%
EBIT growth	82%	17%	142%	-49%	-11%	-94%	-75%	145%	-13%	1176%	208%	-6%
Gross margin	80%	76%	80%	70%	72%	69%	76%	71%	75%	75%	75%	75%
EBIT margin	39%	39%	47%	13%	32%	4%	19%	28%	29%	35%	37%	29%
Sales split	Q1'19	Q2'19	Q3'19	Q4'19	Q1'20	Q2'20	Q3'20	Q4'20	Q1'21e	Q2'21e	Q3'21e	Q4'21e
Equipment	0.5	6.6	2.4	2.4	0.4	6.1	0.3	9.8	1.2	3.3	3.8	4.1
Series Production	22.2	26.7	28.2	25.2	23.8	12.5	18.8	21.9	22.0	25.2	25.9	25.0
Engineering Service	0.2	0.2	0.2	1.7	0.5	0.1	0.1	1.1	0.7	0.6	0.6	1.1
Total revenue	22.9	33.5	30.8	29.3	24.7	18.7	19.2	32.8	23.9	29.1	30.3	30.2
Other metrics	Q1'19	Q2'19	Q3'19	Q4'19	Q1'20	Q2'20	Q3'20	Q4'20	Q1'21e	Q2'21e	Q3'21e	Q4'21e
Sampling cups	36,800	49,400	55,700	47,900	45,100	19,800	32,900	42,800	37,780	41,065	41,065	44,500
y-o-y	13%	-28%	30%	-11%	23%	-60%	-41%	-11%	-16%	107%	25%	4%
Annualised engine eq. (mn)	3.10	3.40	3.50	3.10	2.90	1.60	2.80	2.60	2.85	3.30	3.40	3.10
y-o-y	24%	26%	52%	19%	-6%	-53%	-20%	-16%	-2%	106%	21%	19%
Working capital / sales R12m	24%	29%	25%	22%	21%	18%	22%	25%				
Net debt/cash	-36	-25	-41	-30	-39	-45	-42	-22				
ND/EBITDA	-1.0	-0.7	-0.9	-0.7	-0.9	-1.4	-2.1	-0.9				
Equity ratio	86%	88%	90%	88%	86%	85%	86%	85%				
FCF conversion (lease adj.)	59%	65%	68%	74%	81%	110%	80%	106%				
ROCE	33%	37%	42%	38%	34%	23%	13%	19%				

Source: ABG Sundal Collier estimates, company data

Detailed annual figures 2008-2023e

Annual overview	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021e	2022e	2023e
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	95.4	113.4	148.1	167.6
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	68.4	85.1	112.6	127.4
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	-33.5	-35.3	-38.9	-40.5
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	-11.6	-12.0	-15.4	-15.4
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	-1.6	-0.8	-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	21.7	37.0	57.3	70.5
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	0.6	0.0	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	22.3	37.0	57.3	70.5
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	-0.1	4.0	9.2	9.2
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	22.2	40.9	66.5	79.7
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	3.1	5.8	9.4	11.2
DPS			0.5	1.0	1.0	1.2	2.2	3.5	4.0	2.8	5.0	3.5	4.0	5.8	9.4	11.2
Growth and margins	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021e	2022e	2023e
Revenue growth	9%	-19%	97%	24%	-6%	13%	5%	33%	4%	-13%	34%	33%	-18%	19%	31%	13%
EBIT growth	12%	11%	-214%	61%	-91%	630%	40%	99%	30%	-33%	66%	36%	-46%	71%	55%	23%
Gross margin	62%	65%	74%	71%	70%	72%	75%	77%	78%	77%	79%	76%	72%	75%	76%	76%
EBIT margin	-23%	-32%	18%	24%	2%	14%	19%	28%	35%	27%	34%	34%	23%	33%	39%	42%
Sales split	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021e	2022e	2023e
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	16.6	12.4	14.4	15.0
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	77.0	98.0	130.3	149.1
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	1.8	3.0	3.4	3.5
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	113.4	148.1	167.6
Other metrics	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021e	2022e	2023e
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	140,600	164,410	189,960	204,500
y-o-y		-5%	88%	35%	-26%	16%	12%	15%	10%	-14%	37%	-4%	-26%	17%	16%	8%
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	2.48	3.16	4.30	5.00
y-o-y		-12%	89%	36%	-4%	11%	18%	18%	2%	-1%	19%	31%	-24%	28%	36%	16%
Working capital / sales	11%	5%	29%	20%	24%	9%	18%	13%	16%	21%	24%	22%	25%	24%	24%	24%
Net debt/cash	-9	-25	-37	-48	-35	-48	-45	-48	-45	-30	-33	-30	-22	-26	-33	-30
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	-0.9	-0.6	-0.5	-0.4
Equity ratio	84%	85%	89%	93%	94%	89%	91%	88%	89%	91%	90%	88%	85%	85%	84%	84%
FCF conversion (lease adj.)	-56%	306%	15%	97%	8%	170%	44%	73%	82%	71%	68%	74%	107%	80%	71%	80%
ROCE	-21%	-15%	11%	13%	1%	9%	12%	22%	28%	19%	32%	38%	19%	31%	41%	45%
Payout ratio			20%	48%	-189%	104%	126%	97%	106%	105%	108%	51%	128%	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	70%
Carbon emissions	
Pollution and waste	
Toxic emissions and waste	
Social	20%
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			
	2017	2018	2019
Women in workforce %	19	19	17
Women in management %	0	0	0
Women in board %	21	15	15
CEO salary, SEKm p.a.	3.6	4	4.8
Employee turnover %	na	na	na
Employee absence %	na	na	na
Person responsible for sustainability:	Steve Dawson		
Senior management:	Yes		

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

Income Statement (SEKm)	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021e	Q2 2021e	Q3 2021e	Q4 2021e
Sales	25	19	19	33	24	29	30	30
COGS	-7	-6	-5	-10	-6	-7	-8	-8
Gross profit	18	13	15	23	18	22	23	23
Other operating items	-9	-11	-10	-13	-10	-11	-11	-13
EBITDA	9	2	5	10	8	11	12	10
Depreciation and amortisation	-1	-1	-1	-1	-1	-1	-1	-1
EBITA	8	1	4	9	7	10	11	9
EO items	0	0	0	0	0	0	0	0
Impairment and PPA amortisation	0	0	0	0	0	0	0	0
EBIT	8	1	4	9	7	10	11	9
Net financial items	-1	2	0	-0	0	0	0	0
Pretax profit	7	3	4	9	7	10	11	9
Tax	0	0	0	-0	1	1	1	1
Net profit	7	3	4	9	8	11	12	10
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	7	3	4	9	8	11	12	10
EPS	0.93	0.42	0.52	1.26	1.11	1.57	1.71	1.39
EPS Adj	0.93	0.42	0.52	1.26	1.11	1.57	1.71	1.39
Total extraordinary items after tax	0	0	0	0	0	0	0	0
Tax rate (%)	0	0	0	1.1	13.7	9.2	9.0	12.6
Gross margin (%)	71.5	69.0	76.0	70.8	75.0	75.0	75.0	75.0
EBITDA margin (%)	35.4	9.6	24.0	31.0	33.1	38.6	40.0	32.3
EBITA margin (%)	32.1	4.3	18.8	28.3	28.9	35.1	36.7	29.0
EBIT margin (%)	32.1	4.3	18.8	28.3	28.9	35.1	36.7	29.0
Pretax margin (%)	26.8	16.0	19.3	27.4	28.9	35.1	36.7	29.0
Net margin (%)	26.8	16.0	19.3	27.1	32.9	38.3	40.0	32.6
Growth rates Y/Y	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021e	Q2 2021e	Q3 2021e	Q4 2021e
Sales growth (%)	7.4	-44.2	-37.7	12.3	-2.9	55.5	57.6	-8.2
EBITDA growth (%)	-8.4	-86.5	-71.1	121.7	-9.1	522.8	162.9	-4.5
EBIT growth (%)	-11.2	-93.8	-75.2	144.7	-12.5	1,176.4	208.1	-6.0
Net profit growth (%)	-20.5	-78.7	-73.9	-23.3	19.1	271.7	226.8	10.6
EPS growth (%)	-20.5	-78.7	-73.9	-23.3	19.1	271.7	226.8	10.6
Adj earnings numbers	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021e	Q2 2021e	Q3 2021e	Q4 2021e
EBITDA Adj	9	2	5	10	8	11	12	10
EBITDA Adj margin (%)	35.4	9.6	24.0	31.0	33.1	38.6	40.0	32.3
EBITA Adj	8	1	4	9	7	10	11	9
EBITA Adj margin (%)	32.1	4.3	18.8	28.3	28.9	35.1	36.7	29.0
EBIT Adj	8	1	4	9	7	10	11	9
EBIT Adj margin (%)	32.1	4.3	18.8	28.3	28.9	35.1	36.7	29.0
Pretax profit Adj	7	3	4	9	7	10	11	9
Net profit Adj	7	3	4	9	8	11	12	10
Net profit to shareholders Adj	7	3	4	9	8	11	12	10
Net Adj margin (%)	26.8	16.0	19.3	27.1	32.9	38.3	40.0	32.6

Source: ABG Sundal Collier, Company data

Income Statement (SEKm)	2014	2015	2016	2017	2018	2019	2020	2021e	2022e	2023e
Sales	55	72	75	66	88	117	95	113	148	168
COGS	-14	-17	-17	-15	-19	-28	-27	-28	-36	-40
Gross profit	41	55	59	51	69	89	68	85	113	127
Other operating items	-30	-34	-31	-31	-37	-46	-43	-44	-51	-53
EBITDA	11	21	27	19	32	43	25	41	61	75
Depreciation and amortisation	-1	-1	-1	-2	-2	-3	-4	-4	-4	-4
Of which leasing depreciation	0	0	0	0	0	-1	-1	-1	-1	-1
EBITA	10	20	26	18	29	40	22	37	57	70
EO items	0	0	0	0	0	-5	1	0	0	0
Impairment and PPA amortisation	0	0	0	0	0	0	0	0	0	0
EBIT	10	20	26	18	29	40	22	37	57	70
Net financial items	1	5	-1	0	0	-0	1	0	0	0
Pretax profit	12	25	26	18	29	40	22	37	57	70
Tax	1	1	1	1	3	8	-0	4	9	9
Net profit	12	26	27	19	33	48	22	41	66	80
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	12	26	27	19	33	48	22	41	66	80
EPS	1.75	3.62	3.78	2.62	4.61	6.80	3.12	5.78	9.38	11.24
EPS Adj	1.75	3.62	3.78	2.62	4.61	7.49	3.04	5.78	9.38	11.24
Total extraordinary items after tax	0	0	0	0	0	-5	1	0	0	0
Leasing payments	0	0	0	0	0	-1	-1	-1	-1	-1
Tax rate (%)	7.8	3.2	3.9	5.1	11.2	20.8	0.4	10.8	16.1	13.1
Gross margin (%)	74.9	76.5	78.0	77.1	78.6	76.4	71.6	75.0	76.0	76.0
EBITDA margin (%)	20.2	29.1	36.3	29.3	36.0	37.2	26.6	36.1	41.4	44.5
EBITA margin (%)	18.7	28.0	35.0	27.0	33.5	34.4	22.7	32.6	38.7	42.1
EBIT margin (%)	18.7	28.0	35.0	27.0	33.5	34.4	22.7	32.6	38.7	42.1
Pretax margin (%)	21.1	34.4	34.2	27.0	33.5	34.2	23.3	32.6	38.7	42.1
Net margin (%)	22.8	35.5	35.5	28.4	37.3	41.4	23.2	36.1	44.9	47.5
Growth rates Y/Y	2014	2015	2016	2017	2018	2019	2020	2021e	2022e	2023e
Sales growth (%)	5.0	32.8	4.1	-13.0	33.7	32.8	-18.1	18.9	30.6	13.1
EBITDA growth (%)	35.8	91.8	29.9	-29.9	64.6	37.0	-41.5	61.6	49.9	21.5
EBIT growth (%)	39.7	99.0	30.0	-33.0	66.1	36.4	-46.0	70.7	55.0	23.0
Net profit growth (%)	53.1	107.3	4.3	-30.6	75.8	47.4	-54.0	84.9	62.4	19.8
EPS growth (%)	51.3	107.3	4.3	-30.5	75.8	47.4	-54.0	84.9	62.4	19.8
Profitability	2014	2015	2016	2017	2018	2019	2020	2021e	2022e	2023e
ROE (%)	14.3	28.3	28.4	20.5	35.4	45.7	20.1	35.6	49.6	51.9
ROE Adj (%)	14.3	28.3	28.4	20.5	35.4	50.4	19.5	35.6	49.6	51.9
ROCE (%)	11.8	22.4	27.9	19.5	31.8	37.5	19.0	31.0	41.4	44.7
ROCE Adj(%)	11.8	22.4	27.9	19.5	31.8	42.1	18.5	31.0	41.4	44.7
ROIC (%)	27.4	47.2	57.3	35.2	53.9	65.8	26.6	48.2	67.3	68.5
ROIC Adj (%)	27.4	47.2	57.3	35.2	53.9	73.9	25.9	48.2	67.3	68.5
Adj earnings numbers	2014	2015	2016	2017	2018	2019	2020	2021e	2022e	2023e
EBITDA Adj	11	21	27	19	32	48	25	41	61	75
EBITDA Adj margin (%)	20.2	29.1	36.3	29.3	36.0	41.4	25.9	36.1	41.4	44.5
EBITDA lease Adj	11	21	27	19	32	47	24	40	60	73
EBITDA lease Adj margin (%)	20.2	29.1	36.3	29.3	36.0	40.5	24.8	34.9	40.5	43.7
EBITA Adj	10	20	26	18	29	45	21	37	57	70
EBITA Adj margin (%)	18.7	28.0	35.0	27.0	33.5	38.6	22.1	32.6	38.7	42.1
EBIT Adj	10	20	26	18	29	45	21	37	57	70
EBIT Adj margin (%)	18.7	28.0	35.0	27.0	33.5	38.6	22.1	32.6	38.7	42.1
Pretax profit Adj	12	25	26	18	29	45	22	37	57	70
Net profit Adj	12	26	27	19	33	53	22	41	66	80
Net profit to shareholders Adj	12	26	27	19	33	53	22	41	66	80
Net Adj margin (%)	22.8	35.5	35.5	28.4	37.3	45.6	22.6	36.1	44.9	47.5

Source: ABG Sundal Collier, Company data

Cash Flow Statement (SEKm)	2014	2015	2016	2017	2018	2019	2020	2021e	2022e	2023e
EBITDA	11	21	27	19	32	43	25	41	61	75
Net financial items	1	5	-1	0	0	-0	1	0	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	12	26	27	19	32	43	26	41	61	75
Change in WC	-6	-5	-1	-2	-7	-5	2	-4	-8	-5
Operating cash flow	7	20	25	17	25	38	28	37	53	70
CAPEX tangible fixed assets	-0	-0	-1	-0	-1	-1	-2	-2	-2	-2
CAPEX intangible fixed assets	-1	-2	-2	-3	-2	-1	-1	-2	-2	-3
Acquisitions and disposals	0	0	0	0	0	0	0	0	0	0
Free cash flow	5	19	22	13	22	37	25	34	49	65
Dividend paid	-9	-16	-25	-28	-19	-35	-25	-28	-41	-66
Share issues and buybacks	0	0	0	0	0	0	0	0	0	0
Lease liability amortisation	0	0	0	0	0	-1	-1	-1	-1	-1
Other non cash items	0	-0	0	0	-0	-3	-1	0	0	0
Balance Sheet (SEKm)	2014	2015	2016	2017	2018	2019	2020	2021e	2022e	2023e
Goodwill	0	0	0	0	0	0	0	0	0	0
Other intangible assets	2	4	5	8	8	7	6	6	6	6
Tangible fixed assets	2	2	2	2	2	2	3	4	5	6
Right-of-use asset	0	0	0	0	0	3	4	5	5	5
Total other fixed assets	30	30	32	33	36	45	50	54	63	72
Fixed assets	34	36	39	42	46	56	63	68	78	90
Inventories	4	4	4	4	7	8	9	10	13	15
Receivables	15	18	19	18	25	31	29	35	45	51
Other current assets	0	0	0	0	0	0	0	0	0	0
Cash and liquid assets	45	48	45	30	33	33	26	31	37	34
Total assets	97	106	108	95	110	128	128	143	174	190
Shareholders equity	88	93	96	86	99	112	109	121	147	160
Minority	0	0	0	0	0	0	0	0	0	0
Total equity	88	93	96	86	99	112	109	121	147	160
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	3	4	4	4	4
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	8	13	12	9	11	13	15	17	23	26
Other current liabilities	0	0	0	0	0	0	0	0	0	0
Total liabilities and equity	97	106	108	95	110	128	128	143	174	190
Net IB debt	-45	-48	-45	-31	-33	-31	-28	-32	-39	-36
Net IB debt excl. pension debt	-45	-48	-45	-31	-33	-31	-28	-32	-39	-36
Net IB debt excl. leasing	-45	-48	-45	-31	-33	-33	-32	-36	-43	-40
Capital invested	44	45	51	55	66	81	81	89	108	124
Working capital	10	10	12	14	21	26	24	27	36	40
EV breakdown	2014	2015	2016	2017	2018	2019	2020	2021e	2022e	2023e
Market cap. diluted (m)	540	627	580	461	573	1,383	881	1,028	1,028	1,028
Net IB debt Adj	-45	-48	-45	-31	-33	-31	-28	-32	-39	-36
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	495	579	535	430	540	1,352	853	996	989	992
Capital efficiency	2014	2015	2016	2017	2018	2019	2020	2021e	2022e	2023e
Total assets turnover (%)	56.9	71.3	70.5	64.9	85.6	98.0	74.7	83.8	93.5	92.1
Working capital/sales (%)	13.3	13.4	14.1	19.3	19.6	20.0	26.0	22.6	21.3	22.7
Financial risk and debt service	2014	2015	2016	2017	2018	2019	2020	2021e	2022e	2023e
Net debt/equity	-0.51	-0.52	-0.47	-0.36	-0.33	-0.27	-0.26	-0.27	-0.26	-0.22
Net debt/market cap	-0.08	-0.08	-0.08	-0.06	-0.06	-0.03	-0.03	-0.03	-0.04	-0.03
Equity ratio (%)	91.3	87.6	89.1	90.6	90.0	87.5	85.2	84.9	84.5	84.2
Net IB debt adj./equity	-0.51	-0.52	-0.47	-0.36	-0.33	-0.27	-0.26	-0.27	-0.26	-0.22
Current ratio	7.51	5.36	5.87	5.91	5.86	5.13	4.13	4.08	4.01	3.74
EBITDA/net interest	-8.46	-4.59	45.67	high	high	216.50	-42.25	high	high	high
Net IB debt/EBITDA	-4.08	-2.27	-1.65	-1.59	-1.05	-0.70	-1.10	-0.79	-0.63	-0.48
Net IB debt/EBITDA lease Adj	-4.08	-2.27	-1.65	-1.59	-1.05	-0.71	-1.36	-0.92	-0.71	-0.55
Interest cover	-7.85	-4.41	44.00	nm	nm	200.50	-36.08	nm	nm	nm

Source: ABG Sundal Collier, Company data

Valuation and Ratios (SEKm)	2014	2015	2016	2017	2018	2019	2020	2021e	2022e	2023e
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	1.75	3.62	3.78	2.62	4.61	6.80	3.12	5.78	9.38	11.24
Dividend per share Adj	2.2	3.5	4.0	2.8	5.0	3.5	4.0	5.8	9.4	11.2
EPS Adj	1.75	3.62	3.78	2.62	4.61	7.49	3.04	5.78	9.38	11.24
BVPS	12.45	13.13	13.50	12.10	13.99	15.75	15.35	17.12	20.72	22.58
BVPS Adj	12.11	12.62	12.77	11.02	12.92	14.81	14.47	16.32	19.92	21.73
Net IB debt / share	-6.3	-6.8	-6.4	-4.3	-4.7	-4.3	-3.9	-4.5	-5.4	-5.0
Share price	76.00	88.25	81.75	65.00	80.80	195.00	124.20	145.00	145.00	145.00
Market cap. (m)	540	627	580	461	573	1,383	881	1,028	1,028	1,028
Valuation	2014	2015	2016	2017	2018	2019	2020	2021e	2022e	2023e
P/E	43.5	24.4	21.7	24.8	17.5	28.7	39.8	25.1	15.5	12.9
EV/sales	9.08	7.99	7.09	6.56	6.15	11.61	8.94	8.78	6.68	5.92
EV/EBITDA	45.0	27.4	19.5	22.4	17.1	31.2	33.6	24.3	16.1	13.3
EV/EBITA	48.5	28.5	20.3	24.3	18.4	33.7	39.4	26.9	17.3	14.1
EV/EBIT	48.5	28.5	20.3	24.3	18.4	33.7	39.4	26.9	17.3	14.1
Dividend yield (%)	2.9	4.0	4.9	4.2	6.2	1.8	3.2	4.0	6.5	7.8
FCF yield (%)	1.0	3.0	3.8	2.9	3.9	2.6	2.8	3.3	4.7	6.3
Lease adj. FCF yield (%)	1.0	3.0	3.8	2.9	3.9	2.6	2.7	3.2	4.6	6.2
P/BVPS	6.10	6.72	6.06	5.37	5.78	12.38	8.09	8.47	7.00	6.42
P/BVPS Adj	6.27	6.99	6.40	5.90	6.25	13.17	8.58	8.88	7.28	6.67
P/E Adj	43.5	24.4	21.7	24.8	17.5	26.0	40.9	25.1	15.5	12.9
EV/EBITDA Adj	45.0	27.4	19.5	22.4	17.1	28.1	34.5	24.3	16.1	13.3
EV/EBITA Adj	48.5	28.5	20.3	24.3	18.4	30.0	40.5	26.9	17.3	14.1
EV/EBIT Adj	48.5	28.5	20.3	24.3	18.4	30.0	40.5	26.9	17.3	14.1
EV/cap. employed	5.6	6.2	5.6	5.0	5.4	11.8	7.5	7.9	6.5	6.0
Investment ratios	2014	2015	2016	2017	2018	2019	2020	2021e	2022e	2023e
Capex/sales	2.4	2.3	4.4	5.6	3.0	1.0	2.9	3.0	2.9	2.9
Capex/depreciation	162.5	212.5	330.0	246.7	118.2	50.0	93.3	106.3	138.1	156.3
Capex tangibles/tangible fixed assets	12.5	5.9	52.6	23.5	42.9	31.6	57.1	48.0	44.3	38.5
Capex intangibles/definite intangibles	45.8	44.4	44.2	42.9	22.4	9.0	19.4	30.0	38.9	41.6
Depreciation on intangibles/definite intai	23.3	15.6	13.5	13.6	20.3	25.1	33.9	39.6	38.2	36.0
Depreciation on tangibles/tangibles	15.0	14.1	15.8	26.5	31.4	37.9	32.1	27.1	19.9	15.3

Source: ABG Sundal Collier, Company data

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