

SinterCast

Strong profits despite softer volumes

- EBIT SEK 12.9m (+24% vs. ABGSCe 10.4m)
- Q3 numbers imply EBIT upgrades of 4-3%
- Trading at 23x '22e EV/EBIT on pre-Q3 estimates

Q3 outcome

Sales came in at SEK 29.8m (-11% vs. ABGSCe 33.6m), up 18% y-o-y, helped by a stronger USD. EBIT was SEK 12.9m (+24% vs. ABGSCe 10.4m), and included no NRIs (ABGSCe 0m), for an EBIT margin of 43.3% (ABGSCe 31.1%). Net profit was SEK 11.0m (+11% vs. ABGSCe 9.9m). Engine equivalent production came in below expectations (3.6m vs. ABGSCe 3.8m) due supply chain constraints in two high-volume programmes, leading to softer sales as well. However, the opex base was kept tighter than expected, leading to a very strong EBIT margin.

Estimates and outlook

On the Q3 numbers in isolation, EBIT estimates should come up by 4-3% for '23e-'24e. Moreover, SinterCast notes that while there is still pent-up demand in the automotive industry, issues such as high energy prices, inflation and geopolitical conflicts make for an uncertain outlook. The installation outlook, however, is improving, as the previously empty installations pipeline is starting to fill up.

Final thoughts and valuation

On our pre-Q3 estimates, the share is trading at 23-12x '22e-'23e EV/EBIT, offering a dividend yield of 5-8% for '22e-'24e. Finally, due to the lower September production volumes, management now expects that the 4.0m engine equivalent milestone will fall into 2023, but reiterates the 5.0m target for 2024.

Fast comment

Commissioned research: Not rated

Share price (SEK)	03/11/2022	112.2
Capital Goods, Sweden		
SINT.ST/SINT SS		
MCap (SEKm)		796
MCap (EURm)		73
Net debt (EURm)		-1
No. of shares (m)		7.1
Free float (%)		99
Av. daily volume (k)		5
Next event		Q4 report: 08 Feb

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.

Deviation table	Last yr.	Actual			ABGSCe	
Income statement	Q3'21	Q3'22	y-o-y	Q3'22e	Dev %	Dev SEKm
Revenue	25.3	29.8	18%	33.6	-11%	-3.8
Gross profit	19.0	23.2	22%	24.8	-7%	-1.6
Opex	-11.0	-10.3	-7%	-14.4	-28%	4.1
EBIT	8.0	12.9	62%	10.4	24%	2.5
Non-recurring items	0.0	0.0	n.a.	0.0	n.a.	0.0
Adj. EBIT	8.0	12.9	62%	10.4	24%	2.5
PTP	7.5	11.0	47%	8.9	23%	2.1
Net profit	7.5	11.0	47%	9.9	11%	1.1
Growth and margins	Q3'21	Q3'22	y-o-y	Q3'22e	Dev %	Dev SEKm
Revenue growth	32%	18%		33%	-14.9pp	
EBIT growth	121%	62%		31%	30.9pp	
Gross margin	75%	78%	3%	74%	3.9pp	
EBIT margin	31%	43%	12%	31%	12.2pp	
Adj. EBIT margin	31%	43%	12%	31%	12.2pp	
Sales by segment	Q3'21	Q3'22	y-o-y	Q3'22e	Dev %	Dev SEKm
Equipment	2.5	0.3	-88%	0.3	0%	0.0
Series Production	22.1	29.2	32%	33.0	-11%	-3.8
Engineering Service	0.7	0.3	-57%	0.3	0%	0.0
Total revenue	25.3	29.8	18%	33.6	-11%	-3.8
Other metrics	Q3'21	Q3'22	y-o-y	Q3'22e	Dev %	Dev. #
Sampling cups	35,400	45,000	27%	48,500	-7%	-3,500
Annualised engine eq. (mn)	3.20	3.60	13%	3.80	-5%	0

Analyst(s): adrian.gilani@abgsc.se, +46 8 566 286 92
henric.hintze@abgsc.se, +46 8 566 294 89

SEKm	2020	2021	2022e	2023e	2024e
Sales	95	107	123	165	182
Sales growth (%)	-18.1	12.6	15.0	33.6	10.5
EBITDA	25	35	39	71	81
EBITDA margin (%)	26.6	32.8	31.4	42.8	44.6
EBIT adj	21	31	40	67	77
EBIT adj margin (%)	22.1	29.2	32.1	40.3	42.3
Pretax profit	22	29	30	65	75
EPS rep	3.12	4.64	5.00	9.67	11.16
EPS growth (%)	-54.0	48.5	7.7	93.5	15.4
EPS adj	3.04	4.64	5.69	9.67	11.16
DPS	4.00	5.00	6.00	8.50	9.50
EV/EBITDA (x)	33.6	27.6	20.2	10.9	9.4
EV/EBIT adj (x)	40.5	30.9	19.8	11.6	9.9
P/E (x)	39.8	30.3	22.5	11.6	10.1
P/E adj (x)	40.9	30.3	19.7	11.6	10.1
EV/sales (x)	8.9	9.0	6.4	4.7	4.2
FCF yield (%)	2.8	3.0	2.4	7.0	8.7
Dividend yield (%)	3.2	3.6	5.3	7.6	8.5
Net IB debt/EBITDA	-1.1	-0.8	-0.3	-0.3	-0.4
Lease adj. FCF yld (%)	2.7	3.0	2.3	6.8	8.5
Lease adj. ND/EBITDA	-1.4	-0.9	-0.3	-0.4	-0.4

Analyst certification

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

Analyst valuation methods

ABG Sundal Collier analysts may publish valuation ranges for stocks covered under Company Sponsored Research. These valuation ranges rely on various valuation methods. One of the most frequently used methods is the valuation of a company by calculation of that company's discounted cash flow (DCF). Another valuation method is the analysis of a company's return on capital employed relative to its cost of capital. Finally, the analysts may analyse various valuation multiples (e.g. the P/E multiples and the EV/EBITDA multiples) relative to global industry peers. In special cases, particularly for property companies and investment companies, the ratio of price to net asset value is considered. Valuation ranges may be changed when earnings and cash flow forecasts are changed. They may also be changed when the underlying value of a company's assets changes (in the cases of investment companies, property companies or insurance companies) or when factors impacting the required rate of return change.

Important Company Specific Disclosure

The following disclosures relate to the relationship between ABG Sundal Collier and its affiliates and the companies covered by ABG Sundal Collier referred to in this research report.

Unless disclosed in this section, ABG Sundal Collier has no required regulatory disclosures to make in relation to an ownership position for the analyst(s) and members of the analyst's household, ownership by ABG Sundal Collier, ownership in ABG Sundal Collier by the company(ies) to whom the report(s) refer(s) to, market making, managed or co-managed public offerings, compensation for provision of certain services, directorship of the analyst, or a member of the analyst's household, or in relation to any contractual obligations to the issuance of this research report.

ABG Sundal Collier is engaged in providing liquidity in SinterCast's securities at the time of this report's publication.

ABG Sundal Collier is not aware of any other actual, material conflicts of interest of the analyst or ABG Sundal Collier of which the analyst knows or has reason to know at the time of the publication of this report.

Production of report: 11/04/2022 08:23 CET.

All prices are as of market close on 03 November, 2022 unless otherwise noted.

Disclaimer

This document has been prepared by ABG Sundal Collier which is the marketing name referring to all or any of ABG Sundal Collier ASA, ABG Sundal Collier AB or ABG Sundal Collier Limited and any of their affiliated or associated companies and their directors, officers, representatives and employees.

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.

This research product has not been prepared in accordance with legal requirements designed to promote the independence of investment research and is not subject to any prohibition on dealing ahead of the dissemination.

This report is provided solely for the information and use of professional investors, who are expected to make their own investment decisions without undue reliance on this report. The information contained herein does not apply to, and should not be relied upon by, retail clients. This report is for distribution only under such circumstances as may be permitted by applicable law. Research reports prepared by ABG Sundal Collier are for information purposes only. ABG Sundal Collier accepts no liability whatsoever for any losses arising from any use of this report or its contents. This report is not to be used or considered as an offer to sell, or a solicitation of an offer to buy. The information herein has been obtained from, and any opinions herein are based upon, sources believed reliable, but ABG Sundal Collier makes no representation as to its accuracy or completeness and it should not be relied upon as such. All opinions and estimates herein reflect the judgment of ABG Sundal Collier on the date of this report and are subject to change without notice. Past performance is not indicative of future results.

This research report does not, and does not attempt to contain everything material that there is to be said about SinterCast.

The compensation of our research analysts is determined exclusively by research management and senior management, but not including investment banking management. Compensation is not based on specific investment banking revenues, however, it is determined from the profitability of the ABG Sundal Collier Group, which includes earnings from investment banking operations and other business. Investors should assume that ABG Sundal Collier is seeking or will seek investment banking or other business relationships with the companies in this report. The research analyst(s) responsible for the preparation of this report may interact with trading desk and sales personnel and other departments for the purpose of gathering, synthesizing and interpreting market information. From time to time, ABG Sundal Collier and its affiliates and any shareholders, directors, officers or employees thereof may (I) have a position in, or otherwise be interested in, any securities directly or indirectly connected to the subject of this report, or (II) perform investment banking or other services for, or solicit investment banking or other services from, a company mentioned in this report. ABG Sundal Collier relies on information barriers to control the flow of information contained in one or more areas of ABG Sundal Collier, into other areas, units, groups or affiliates of ABG Sundal Collier.

Norway: ABG Sundal Collier ASA is regulated by the Financial Supervisory Authority of Norway (Finanstilsynet); Sweden: ABG Sundal Collier AB is regulated by the Swedish Financial Supervisory Authority (Finansinspektionen); UK: This report is a communication made, or approved for communication in the UK, by ABG Sundal Collier Limited, authorised and regulated by the Financial Conduct Authority in the conduct of its business. US: This report is being distributed in the United States in accordance with FINRA Rule 1050(f)(3)(B) by ABG Sundal Collier Inc., a FINRA member which accepts responsibility for its content. Research analysts are not registered/qualified as research analysts with FINRA or the NYSE, and are not associated persons of ABG Sundal Collier Inc. and therefore not subject to FINRA Rule 2241, the research analyst conflict rules. Research reports distributed in the U.S are intended solely for "major institutional investors", as defined under Rule 15a-6 of the Securities Exchange Act of 1934. Each U.S major institutional investor that receives a copy of this research report by its acceptance represents that it agrees it will not distribute this research report to any other person. Any U.S. major institutional investor receiving this report who wishes to effect transactions in any securities referred to herein should contact ABG Sundal Collier Inc., not its affiliates. Further information on the securities referred to herein may be obtained from ABG Sundal Collier Inc., on request.

Singapore: This report is distributed in Singapore by ABG Sundal Collier Pte Ltd, which is not licensed under the Financial Advisers Act (Chapter 110 of Singapore). In Singapore, this report may only be distributed to institutional investors as defined in Section 4A(1)(c) of the Securities and Futures Act (Chapter 289 of Singapore) ("SFA"), and should not be circulated to any other person in Singapore.

This report may not be reproduced, distributed or published by any recipient for any purpose whatsoever without the prior written express permission of ABG Sundal Collier.

Additional information available upon request. If reference is made in this report to other companies and ABG Sundal Collier provides research coverage for those companies details regarding disclosures may be found on our website www.abgsc.com.

© Copyright 2022 ABG Sundal Collier ASA

Norway Pb. 1444 Vikta NO-0115 OSLO Norway Tel: +47 22 01 60 00 Fax: +47 22 01 60 60	Sweden Box 7269 SE-103 89 STOCKHOLM Sweden Tel: +46 8 566 286 00 Fax: +46 8 566 286 01	Denmark Forbindelsesvej 12, DK-2100 COPENHAGEN Denmark Tel: +45 35 46 61 00 Fax: +45 35 46 61 10	United Kingdom 10 Paternoster Row, 5th fl LONDON EC4M 7EJ UK Tel: +44 20 7905 5600 Fax: +44 20 7905 5601	USA 850 Third Avenue, Suite 9-C NEW YORK, NY 10022 USA Tel. +1 212 605 3800 Fax. +1 212 605 3801	Germany Schillerstrasse 2, 5. OG DE-60313 FRANKFURT Germany Tel +49 69 96 86 96 0 Fax +49 69 96 86 96 99	Singapore 10 Collyer Quay Ocean Financial Center #40-07, Singapore 049315 Tel +65 6808 6082
---	--	--	--	--	--	--