

## Second Quarter 2024

### Record-High Production in the Quarter

For the second quarter, SinterCast reports revenue of 35.1 (31.7) million SEK. This represents an increase of eleven percent, mainly explained by record-high production of four million Engine Equivalents (EE), calculated on an annual basis. One EE corresponds to 50 kg, the weight of an engine block in a typical passenger car. Since SinterCast's process control technology is primarily used for casting engine blocks and cylinder heads for large engines, production is converted to EE for comparability. In addition to revenue related to the production fee per EE, sales of consumables and software licenses also increased. A higher dollar exchange rate also contributed to the revenue growth. The gross margin was at roughly the same level as the previous year, 74.9 (75.2) percent. Operating profit increased by 6.9 million SEK to 13.1 (6.3) million SEK, mainly due to higher volumes but also due to fewer employees. Cash flow improved more than the period's profit thanks to increased operating liabilities. The period's profit is charged with a calculated tax of 2.7 (0.0) million SEK, which reduces earnings per share. Since SinterCast has a tax asset from previous loss years, calculated tax is off-set against the tax asset, meaning the company does not actually pay Swedish corporate tax. This means that cash flow per share is much higher than earnings per share. The company exceeded our expectations, largely due to a higher production rate than anticipated.

### Quantified End of High-Volume Program

SinterCast announced a year ago that one of their high-volume programs would reach its final phase in mid-2024. This has been a short-term risk factor for the stock, as the company had not quantified the extent of this volume program. In the recently presented quarterly report, the loss was quantified at 500,000 Engine Equivalents (EE), which corresponds to 12.5 percent of the annual rate the company reached in the second quarter. The company's guidance is that the production volume for 2024, accounting for the production loss from September, is expected to remain unchanged from the previous year at 3.7 million EE. This also means that the revenue for the current year is expected to be at the same level as the previous year, 136 million SEK.

### One Uncertainty Removed

A significant uncertainty regarding the size of the concluded high-volume program has now been removed from the stock. The focus can now shift back to the medium-term perspective. The company estimates that the volumes can be recovered with other customers within 12–18 months. The guidance for the slightly longer perspective remains unchanged at five million EE by 2026

### SinterCast

#### Rapportkommentar – andra kvartalet 2024

Datum	30 augusti 2024
Analytiker	Philip Wendt
<b>Basfakta</b>	
Bransch	Industri
Styrelseordförande	Robert Dover
VD	Steve Dawson
Noteringsår	1993
Listning	Nasdaq OMX Small Cap
Ticker	SINT
Aktiekurs	113,5
Antal aktier, milj.	7,1
Börsvärde, mkr	802
Finansiell nettotillg, mkr	19
Företagsvärde (EV), mkr	783
Motiverat värde	140 kronor
Nästa rapport	6 november 2024

#### Kursutveckling senaste året



Källa: Refinitiv

#### Prognoser & Nyckeltal, MSEK

	2022	2023	2024p	2025p
omsättning	118,7	134,5	136,7	151,5
Bruttoresultat	85,8	98,6	100,2	111,5
Rörelseres. (ebit)	25,7	42,8	45,6	52,5
Resultat f. skatt	30,3	42,6	45,6	52,6
Årets resultat	33,1	42,2	36,3	41,8
Vinst per aktie	4,68 kr	5,97 kr	5,14 kr	5,92 kr
Utd. per aktie	5,50 kr	6,10 kr	6,51 kr	7,22 kr
Omsättningsstillväxt	13,1%	13,3%	1,7%	10,8%
Bruttomarginal	72,3%	73,3%	73,3%	73,6%
Rörelsemarginal	21,7%	31,8%	33,3%	34,7%
Kassaflöde, verksamh.	25,4	45,5	55,5	53,3
Kassaflöde per aktie	3,6	6,4	7,9	7,5
P/e-tal	24,6	20,1	22,1	19,2
EV/ebitda	26,4	18,3	16,4	14,4
EV/omsättning	6,7	6,1	5,7	5,2
Direktavkastning	4,7%	6,0%	5,7%	6,4%

Källa: Bolaget, Analysguiden

Motiverat värde är en uppfattning om vad bolaget borde vara värt givet Analysguidens huvudscenario. Det är inte samma sak som att aktiekursen ska spegla detta värde.

and seven million by the end of the current five-year planning period. This is central to our assessment of the stock. Future triggers include the increase in Traton Group's 13-litre engine for heavy-duty vehicles and the start of production of a new family of 11, 13, and 16-litre engines for heavy-duty vehicles at First Automobile Works (FAW) in China. Our justified value is revised down to 140 (150) SEK.

## Investment Thesis

SinterCast is a stock with a high dividend yield and dividend growth. They have a predictable business model with long visibility. High equity ratio, lower working capital, and investment needs provide continued good opportunities to return capital to shareholders. Total return, with dividends and buybacks, at seven percent, is uniquely good in a company with high growth potential and high visibility.

## The Business is Valued at a Significant Discount

Based on a market capitalisation of 802 million SEK and cash of 19.2 million SEK, the business is valued at 783 million SEK (Enterprise Value, EV). With an operating profit (EBITDA) of 46 million SEK, the business is valued at 16.4 times EBITDA. This is at the high end of the historical valuation range. If we shift focus to next year's forecast, the valuation decreases and is not as challenging. A reduced risk with the stock is that the sustainability focus has shifted to lifecycle analysis of investment alternatives, particularly for commercial vehicles, considering the fuel used rather than the type of propulsion.

With an addressable market of 15 million EE, the potential remains significant. The adoption curve is steepest in the coming years as compacted graphite iron's market share increases from 40–50 percent today to 80 percent within the company's five-year planning horizon. SinterCast's market share is currently 60–70 percent. The company has a unique position to defend a very high level and thus capture a large share of future volumes.

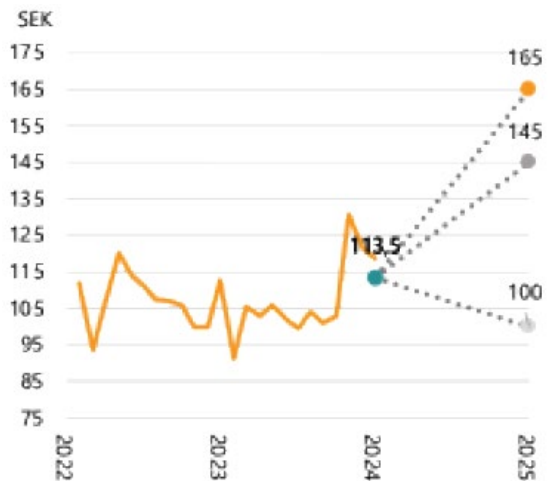
## Scenario Analysis Gives a Justified Value of SEK 140

In our base scenario, the company's value amounts to 145 SEK per share. This is a slightly more conservative scenario than the management's assessment of market growth, market shares, and profitability. They assume that the company's production will increase from the current 3.7 million Engine Equivalents to five million by 2026 and continue to grow to seven million by 2028/29, after which the growth rate halves to five percent.

In a bull scenario, where the management's guidance is fully realised, the valuation amounts to 165 SEK per share. A bear scenario gives a value of 100 SEK per share, based on the average valuation of the past three years. A weighted scenario gives a

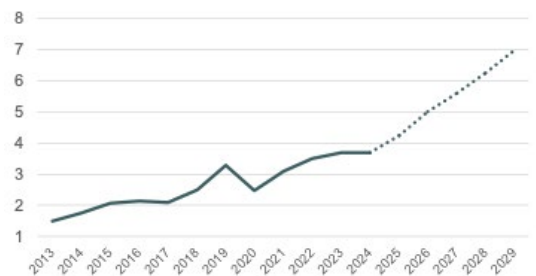
## The Stock is Worth Buying...

The stock's upside/downside in three different scenarios



Source: Analysis Guide's bullish, base, and bearish scenarios

Engine Equivalents, Annual Rate (millions)



Revenue and Operating Margin



value of 140 SEK per share, where the main scenario is considered highly probable, and the two alternative scenarios are given equal weight.

With the current share price, the stock has an attractive risk-reward ratio of 2:1, with a downside to 100 and an upside to the justified value of 145. There is a sufficiently large margin of safety with the current share price for the stock to be considered worth buying.

The downward revision of the justified value of the stock by five SEK to 140 SEK per share from the initiation report in April is a function of a stronger krona and a greater loss of production this year than previously estimated.

*Bullish scenario: SEK 165 per share.*

*Base scenario: SEK 145 per share.*

*Bearish scenario: SEK 100 per share.*

*Weighted scenario: SEK 140 per share.*

## SinterCast – Financial History and Forecasts

## Income Statement (SEK million)

	2017	2018	2019	2020	2021	2022	2023	2024p	2025p	2026p
<b>Revenue</b>	65.6	87.7	116.5	95.4	107.4	118.7	134.5	136.7	151.5	173.5
<i>adjustment</i>	-13%	34%	33%	-18%	13%	11%	13%	2%	11%	15%
<b>Gross Result</b>	<b>50.4</b>	<b>68.7</b>	<b>88.8</b>	<b>68.2</b>	<b>75.9</b>	<b>85.8</b>	<b>98.6</b>	<b>100.2</b>	<b>111.5</b>	<b>127.3</b>
<i>gross margin</i>	77%	78%	76%	71%	71%	72%	73%	73%	74%	73%
<b>Operating Result (ebit)</b>	<b>18.8</b>	<b>30.3</b>	<b>51.1</b>	<b>23.5</b>	<b>30.1</b>	<b>25.7</b>	<b>42.8</b>	<b>45.6</b>	<b>52.5</b>	<b>63.0</b>
<i>operating margin</i>	29%	35%	44%	25%	28%	22%	32%	33%	35%	36%
<i>Financial Net</i>	-1.1	0.0	-0.2	0.6	-0.4	-0.3	-2.0	0.0	1.0	1.0
<b>Result Before Income Tax</b>	<b>17.7</b>	<b>29.4</b>	<b>39.9</b>	<b>22.3</b>	<b>29.0</b>	<b>30.3</b>	<b>42.6</b>	<b>45.6</b>	<b>52.6</b>	<b>63.1</b>
Income tax	0.9	3.3	8.3	-0.1	3.9	2.9	-0.4	-9.3	-10.7	-12.9
<b>Result for the Year</b>	<b>18.6</b>	<b>32.7</b>	<b>48.2</b>	<b>22.2</b>	<b>32.9</b>	<b>33.1</b>	<b>42.2</b>	<b>36.3</b>	<b>41.8</b>	<b>50.2</b>

## Balance Sheet (SEK million)

	2017	2018	2019	2020	2021	2022	2023	2024p	2025p	2026p
<b>ASSETS</b>										
Cash and Cash Equivalents	30.1	32.8	32.9	26.3	27.5	14.2	12.3	11.6	11.0	9.1
Current Assets	22.5	31.7	38.9	38.6	39.1	54.1	57.7	52.6	55.8	61.1
Non-Current Assets	42.1	45.7	55.8	62.8	64.9	62.2	61.6	53.1	42.8	29.7
<b>TOTAL ASSETS</b>	<b>94.7</b>	<b>110.2</b>	<b>127.6</b>	<b>127.7</b>	<b>131.5</b>	<b>130.5</b>	<b>131.6</b>	<b>117.3</b>	<b>109.6</b>	<b>99.8</b>

## Equity &amp; Liabilities

	2017	2018	2019	2020	2021	2022	2023	2024p	2025p	2026p
<b>Equity</b>	85.8	99.2	111.7	108.8	113.8	111.9	113.2	109.4	109.4	109.4
Short Term Liabilities	8.9	11.0	14.0	15.7	15.3	17.1	18.0	7.5	-0.2	-9.9
Long Term Liabilities	0.0	0.0	1.9	3.2	2.4	1.5	0.4	0.4	0.4	0.4
<b>Total Liabilities</b>	8.9	11.0	15.9	18.9	17.7	18.6	18.4	7.9	0.2	-9.6
<b>TOTAL EQUITY &amp; LIABILITIES</b>	<b>94.7</b>	<b>110.2</b>	<b>127.6</b>	<b>127.7</b>	<b>131.5</b>	<b>130.5</b>	<b>131.6</b>	<b>117.3</b>	<b>109.6</b>	<b>99.8</b>

## Cash Flows (SEK million)

	2017	2018	2019	2020	2021	2022	2023	2024p	2025p	2026p
Operating Cash Flow	0.0	31.6	43.0	25.4	32.1	35.6	48.7	47.7	54.3	64.7
Change in Working Capital	0.0	-6.8	-5.2	-3.3	0.9	-10.2	-3.2	7.8	-1.0	-3.1
<b>Cash Flow from Operations</b>	0.0	24.8	37.8	22.1	33.0	25.4	45.5	55.5	53.3	61.5
Financing	0.0	-19.5	-36.5	-25.9	-29.1	-37.1	-41.8	-53.5	-51.5	-59.9
Investments	0.0	-2.6	-1.2	-2.8	-2.7	-1.7	-5.6	-2.0	-1.7	-1.6
<b>TOTAL CASH FLOW</b>	0.0	2.7	0.1	-6.6	1.2	-13.3	-1.9	2.6	-0.2	-2.5
<b>Number of Employees at the End of the Year</b>	20	21	23	28	30	32	28	28	28	28

Source: The company and Analysguiden

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The analyst Philip Wendt does not own and is not allowed to own shares in the analysed company.

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### Responsible Analyst:

Philip Wendt