

Fourth Quarter 2024

Strong Cash Flow Enables Increased Dividend

The company reports an operating cash flow for 2024 of SEK 8.41 (6.42) per share. The board proposes that the company pays an ordinary dividend of SEK 6.0 per share for the financial year, along with a bonus of SEK 1.0 per share – totalling SEK 7.0 per share, equivalent to SEK 49.5 million (43.1 million).

Driven by new legislation for fuel-efficient truck engines in the USA from 2027 and in Europe from 2029, the company expects the proportion of cylinder blocks and heads cast in compacted graphite iron to rise from the current 40–50 per cent to over 80 per cent by 2030. The guidance is based on orders from Chinese truck manufacturer FAW, Traton Group (which includes Scania among others) and additional, as yet unannounced, customers. Serial production is expected to increase from the current 3.2 million to 5 million engine equivalents by the end of 2026, and to 7 million by 2029. Furthermore, the company states that it is anticipated to pay tax at the end of 2027 or early in 2028. This implies that pre-tax profits for the next three years are expected to total just over SEK 200 million. The company has a deferred tax asset of SEK 42 million, which would be fully utilised by then. Our forecast for pre-tax profit over the next three years stands at SEK 183.5 million.

Recovery of Lost Serial Production During the Year

The share market has rightly taken a wait-and-see approach following the decline in SinterCast serial production – which dropped from a baseline of 4 million in 2023 to an annual rate of 3.2 million engine equivalents at the turn of the year. This decline is attributed to the conclusion of a high-volume programme in September and a weaker European truck market. The company expects that, from the second quarter of this year, serial production will ramp up with both Chinese FAW and Traton Group, each contributing an annual rate of 0.5 million engine equivalents. Our assessment is that, by the end of the year, the company could be back to a serial production level of around 3.8 million engine equivalents.

Unchanged Intrinsic Value

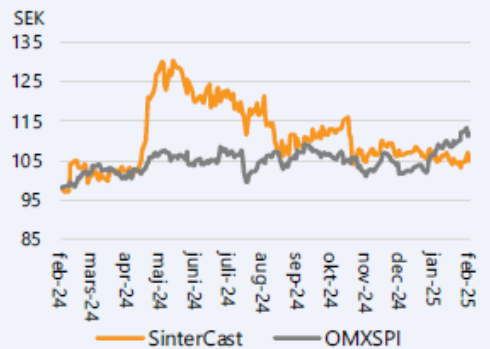
A large portion of this year's dollar sales is hedged, which means we can expect the currency exposure to remain unchanged in 2025. Given our other assumptions, turnover should be able to maintain its current level throughout 2025. Costs have decreased, and we believe there is potential to free up additional working capital. No new investment requirements are anticipated. The cash flow is expected to increase more than the reported earnings this year, which should lead to a marginal increase in the

SinterCast

Rapportkommentar – fjärde kvartalet 2024

Datum	21 februari 2025
Analytiker	Philip Wendt
Basfakta	
Bransch	Industri
Styrelseordförande	Robert Dover
VD	Steve Dawson
Noteringsår	1993
Listning	Nasdaq OMX Small Cap
Ticker	SINT
Aktiekurs	106,0
Antal aktier, milj.	7,1
Börsvärde, mkr	748
Finansiell nettotillg, mkr	23
Företagsvärde (EV), mkr	725
Motiverat värde	140 kronor
Nästa rapport	30 april 2025

Kursutveckling senaste året



Källa: Refinitiv

Prognoser & Nyckeltal, MSEK

	2023	2024	2025p	2026p
Omsättning	134,4	135,6	135,6	162,6
Bruttoresultat	98,5	98,3	98,9	117,4
Rörelseres. (ebit)	42,7	43,2	47,1	58,6
Resultat f. skatt	42,5	43,2	47,1	58,9
Årets resultat	45,3	34,3	37,5	46,9
Vinst per aktie	5,94 kr	4,86 kr	5,31 kr	6,65 kr
Utd. per aktie	6,10 kr	7,00 kr	6,66 kr	7,65 kr
Omsättningstillväxt	13,1%	0,9%	0,0%	19,9%
Bruttomarginal	73,3%	72,5%	72,9%	72,2%
Rörelsemarginal	31,8%	31,9%	34,7%	36,0%
Kassaflöde, verksamh	45,5	59,6	62,4	54,1
Kassaflöde per aktie	6,4	8,4	8,8	7,7
P/e-tal	17,7	22,8	19,9	15,9
EV/ebitda	14,6	16,2	14,9	12,0
EV/omsättning	5,3	5,7	5,3	4,5
Direktavkastning	5,8%	6,3%	6,3%	7,2%

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.

ordinary dividend for the 16th consecutive year. The dividend yield stands at 6.3 per cent, offering attractive compensation for awaiting the increased serial production that the company anticipates in the latter half of the 2020s.

Our intrinsic value remains unchanged at SEK 140 per share. The downside risk is limited by new high-volume programmes commencing this year. When new customers are announced for even higher serial production in 2026, the share could very well reach our intrinsic value, much in the same positive manner as when Scania orders were announced in early 2019.

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 six percent, is uniquely good in a company with high growth potential and high visibility.

The Business is Valued at a Significant Discount

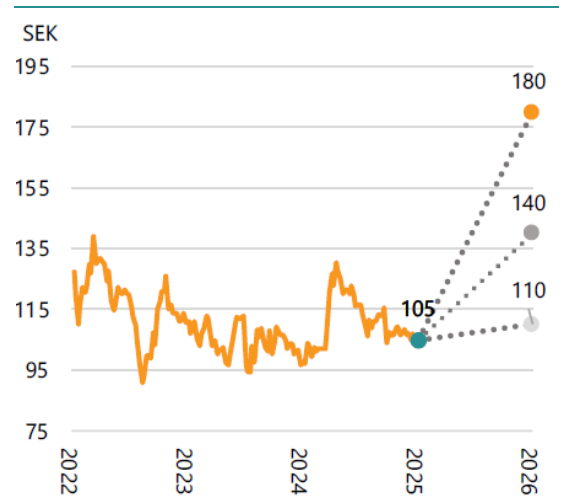
Based on a market capitalisation of 748 million SEK and cash of 23 million SEK, the business is valued at 725 million SEK (Enterprise Value, EV). With an operating profit (EBITDA) of 49 million SEK, the business is valued at 15 times EBITDA. With next year's forecast, the valuation drops to 12 times EBITDA, which is low both in absolute terms and relative to the stock market. A reduced risk factor for the stock is the shift in sustainability focus toward life cycle analysis in investment choices. For commercial vehicles, the key factor is fuel type rather than the specific propulsion system used. With an addressable market of 15 million ME, the potential remains substantial. The adoption curve is expected to be steep in the coming years, with compacted graphite iron's share of the market projected to increase from 40–50 percent today to 80 percent within the company's five-year planning horizon. SinterCast's market share currently stands at 60–70 percent. The company holds a unique position to defend this high level and capture a substantial portion of future volumes.

Scenario Analysis Gives a Justified Value of SEK 140

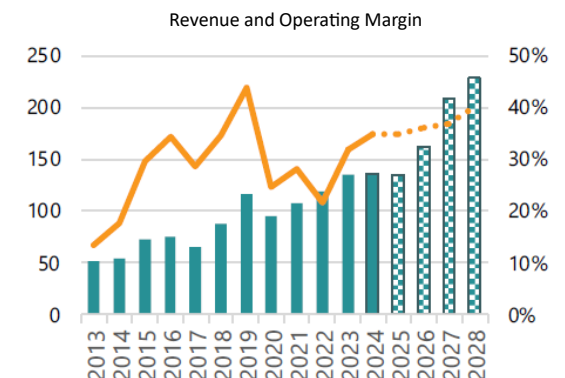
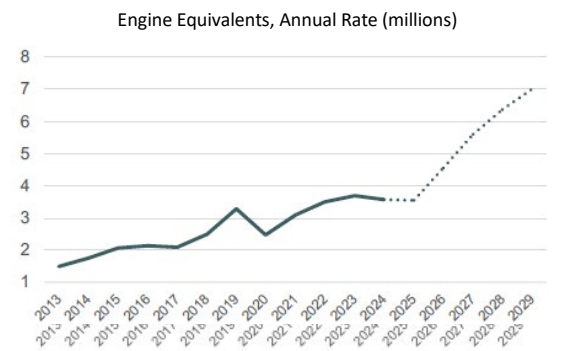
In our base scenario, the company's value reaches SEK 140 per share. This scenario is somewhat more conservative than management's outlook on market growth, market share, and profitability, as it assumes that the company's production will increase from this year's 3.6 million engine equivalents to five million by 2026 and continue rising to seven million by 2028/29.

The Stock is Worth Buying...

The stock's upside/downside in three different scenarios



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



In a bull scenario, where management's guidance is fully realised, the valuation reaches SEK 180 per share. A bear scenario, based on the average valuation over the past three years, gives a value of SEK 110 per share. A weighted scenario provides a valuation of SEK 140 per share, with the base scenario considered highly probable and the bull scenario given higher weight than the bear scenario. With the current share price, the stock has an attractive risk-reward ratio, with a downside to SEK 110 and an upside to the justified value of SEK 140. Combined with a high dividend yield, there is a sufficiently large margin of safety between the current share price and the justified value for the stock to be considered a buy.

Had the SinterCast share continued to follow Traton's stock this fall, it would be at our target value today. After the loss of the high-volume programme accounting for 0.5 million engine equivalents in September, serial production likely reached its lowest level in the fourth quarter of 2024. Tupy's capacity increase in Mexico, Traton Group's ramp-up of their 13-litre engine, and the production start of a new 13-litre engine block by China's First Automotive Works provide hope for increased serial production this year.

Bullish scenario: SEK 180 per share.

Base scenario: SEK 140 per share.

Bearish scenario: SEK 110 per share.

Weighted scenario: SEK 140 per share.

SinterCast – Financial History and Forecasts

Income Statement (SEK million)

	2019	2020	2021	2022	2023	2024	2025p	2026p	2027p
Revenue	116.5	95.4	107.4	118.7	134.4	135.6	135.6	162.6	208.2
<i>adjustment</i>	33%	-18%	13%	11%	13%	1%	0%	20%	28%
Gross Result	88.8	68.2	75.9	85.8	98.5	98.3	98.9	117.4	149.1
<i>gross margin</i>	76%	71%	71%	72%	73%	72%	73%	72%	72%
Operating Result (ebit)	51.1	23.5	30.1	25.7	42.7	43.2	47.1	58.6	76.8
<i>operating margin</i>	44%	25%	28%	22%	32%	32%	35%	36%	37%
<i>Financial Net</i>	0.0	-0.2	0.6	-0.4	-0.3	-2.0	0.0	1.0	1.0
Result Before Income Tax	39.9	22.3	29.0	30.3	42.5	43.2	47.1	58.9	77.2
Income tax	3.3	8.3	-0.1	3.9	2.9	-8.9	-9.6	-12.0	-15.8
Result for the Year	43.2	30.6	28.9	34.2	45.3	34.3	37.5	46.9	61.5

Balance Sheet (SEK million)

	2019	2020	2021	2022	2023	2024	2025p	2026p	2027p
ASSETS									
Cash and Cash Equivalents	32.8	32.9	26.3	27.5	14.2	23.1	20.4	26.4	36.7
Current Assets	31.7	38.9	38.6	39.1	54.1	57.7	49.0	58.7	76.9
Non-Current Assets	45.7	55.8	62.8	64.9	62.2	61.6	41.1	29.5	14.2
TOTAL ASSETS	110.2	127.6	127.7	131.5	130.5	142.4	110.5	114.6	127.8

Equity & Liabilities

	2019	2020	2021	2022	2023	2024	2025p	2026p	2027p
Equity	99.2	111.7	108.8	113.8	111.9	102.9	102.9	102.9	102.9
Short Term Liabilities	11.0	14.0	15.7	15.3	17.1	21.1	7.3	11.5	24.7
Long Term Liabilities	0.0	1.9	3.2	2.4	1.5	0.4	0.4	0.3	0.3
Total Liabilities	11.0	15.9	18.9	17.7	18.6	21.5	7.7	11.8	25.0
TOTAL EQUITY & LIABILITIES	110.2	127.6	127.7	131.5	130.5	124.4	110.6	114.7	127.9

Cash Flows (SEK million)

	2019	2020	2021	2022	2023	2024	2025p	2026p	2027p
Operating Cash Flow	43.0	25.4	32.1	35.6	48.7	48.0	48.8	60.3	78.1
Change in Working Capital	-5.2	-3.3	0.9	-10.2	-3.2	11.6	13.6	-6.1	-12.3
Cash Flow from Operations	37.8	22.1	33.0	25.4	45.5	59.6	62.4	54.1	65.9
Financing	-36.5	-25.9	-29.1	-37.1	-41.8	-47.0	-60.8	-52.5	-64.6
Investments	-1.2	-2.8	-2.7	-1.7	-5.6	-1.8	-1.6	-1.6	-1.3
TOTAL CASH FLOW	0.1	-6.6	1.2	-13.3	-1.9	10.8	11.2	5.4	9.2
Number of Employees at the End of the Year	23	28	30	32	28	25	26	24	24

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.

Responsible Analyst:

Philip Wendt