

SinterCast

Record-breaking volumes likely in Q1

- We expect 56% organic growth...
- ...with an EBIT margin of 39%
- Report due on 24 April

Record-breaking engine equivalent volumes

We have raised our sales expectations for Q1'19 from SEK 24.3m to SEK 26.5m and forecast EBIT of SEK 10.4m, implying 60% sales growth y-o-y (56% organic, 4% FX) and an EBIT margin of 39%. We have increased our expectations for engine equivalents produced in the quarter, for a total of 3.0m in annualised terms. In addition, we expect sampling cup volumes of 52,500. Ram's production of a 6.7 litre diesel engine in CGI should have ramped up sales volumes with immediate effect due to the short production start-up, replacing an existing programme in Q1. We expect production to reach full pace in Q2.

Higher production expected in coming years

We have raised our estimates for the remainder of '19e-'21e due to higher expectations for production of engine equivalents. We expect Ram sales to boost 2019 engine equivalents by 300,000 and volume increases in already existing programmes to add another 200,000. In total, we expect 3m in 2019, rising to 3.6m in 2021, in line with the company's guidance of double-digit growth and supported by the company's ability to gain additional production contracts and Scania's investment in its new foundry. Furthermore, we keep our sampling cup estimates relatively unchanged. We expect installation sales of SEK 8m due to a few 2018 orders being delivered in 2019 instead of 2018, making 2018 (2019) sales lower (higher) than normal.

High pay-out ratio to be maintained

SinterCast is currently trading at EV/EBIT 21x with FCF yields of 4-6% for the period '19e-'21e, dividend yields of 4-6% and a net cash position of SEK 30m.

Lead analyst: Mattias Ehrenborg
Karl Bokvist

SEKm	2017	2018	2019e	2020e	2021e
Sales	66	88	108	119	126
EBITDA	19	32	43	51	56
EBITDA margin (%)	29.3	36.0	40.0	43.1	44.7
EBIT adj	18	29	41	48	52
EBIT adj margin (%)	27.0	33.5	37.8	40.1	41.7
Pretax profit	18	29	41	48	52
EPS rep	2.62	4.61	5.74	6.75	7.39
EPS adj	2.62	4.61	5.74	6.75	7.39
Sales growth (%)	-13.0	33.7	22.7	11.0	5.3
EPS growth (%)	-30.6	75.8	24.5	17.5	9.5

Source: ABG Sundal Collier, Company data

Reason: Preview of results

Company sponsored research

Not rated

Estimate changes (%)	2019e	2020e	2021e
Sales	7.4%	6.0%	1.2%
EBIT (rep)	13.5%	12.1%	3.1%
EPS (rep)	13.5%	12.1%	3.1%

Source: ABG Sundal Collier

Share price (SEK)	11/04/2019	126.0
Capital Goods, Sweden		
SINT.ST/SINT.SS		
MCap (SEKm)		893
MCap (EURm)		85.5
Net debt (EURm)		-7
No. of shares (m)		7.1
Free float (%)		75.0
Av. daily volume (k)		11.0

Next event Q1 report: 24 Apr

Performance



	1m	3m	12m
Absolute (%)	25.4	57.9	73.1
OMX STH PI (%)	3.7	10.9	10.3

Source: FactSet

	2019e	2020e	2021e
P/E (x)	21.9	18.7	17.1
P/E adj (x)	21.9	18.7	17.1
P/BVPS (x)	8.55	7.89	7.26
EV/EBITDA (x)	20.0	16.6	15.1
EV/EBIT adj (x)	21.1	17.9	16.2
EV/sales (x)	7.99	7.15	6.73
ROE adj (%)	40.0	43.9	44.3
Dividend yield (%)	4.4	4.8	5.6
FCF yield (%)	4.0	5.0	5.6
Net IB debt/EBITDA	-1.6	-1.5	-1.5

Please refer to important disclosures at the end of this report

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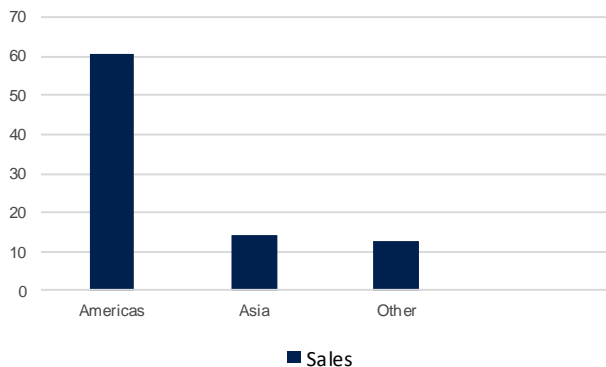
Opportunities

Increased focus on higher energy efficiency and lighter diesel engines. Increasing average vehicle size. Higher penetration of the truck and commercial vehicle segments.

Risks

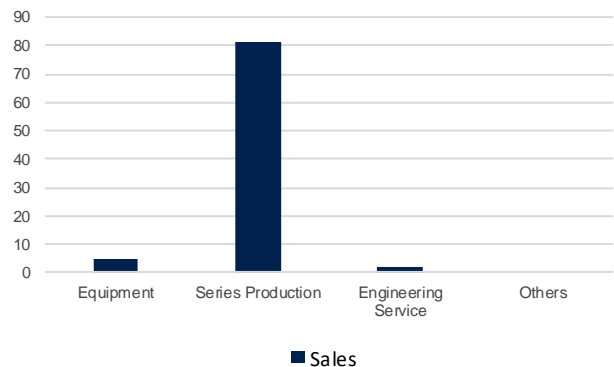
Automotive demand, and more specifically demand for larger passenger vehicles such as SUVs and pick-up trucks with diesel engines. Regulation relating to fossil fuels and diesel in particular poses risks to the business model.

Geographical breakdown, sales, SEKm



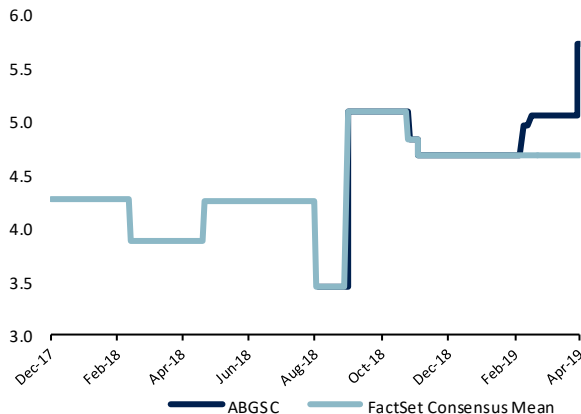
Source: ABG Sundal Collier, Company data

Business area breakdown, sales, SEKm



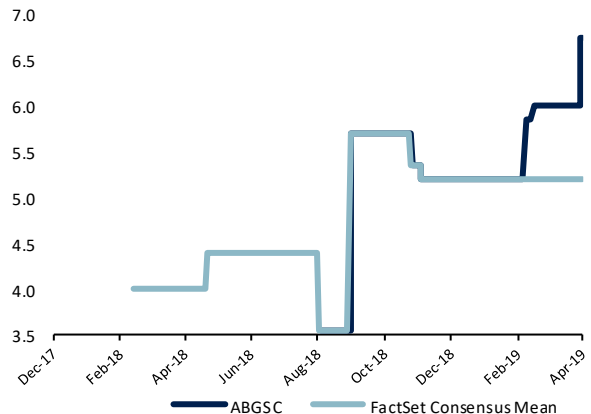
Source: ABG Sundal Collier, Company data

EPS estimate changes, 2019e, SEK



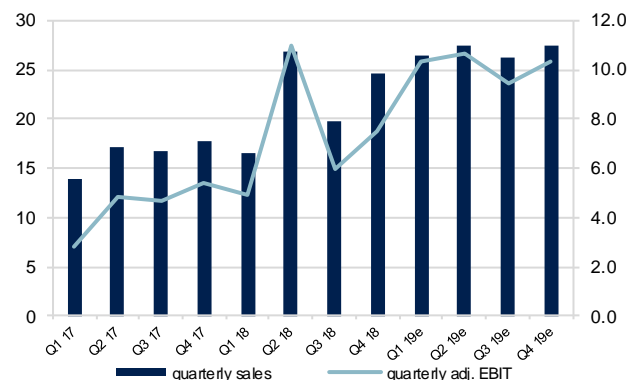
Source: ABG Sundal Collier, FactSet

EPS estimate changes, 2020e, SEK



Source: ABG Sundal Collier, FactSet

Quarterly sales and adj. EBIT, SEKm



Source: ABG Sundal Collier, Company data

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.

Forecast changes – solid outlook

Estimate changes	Old			New			SEKm			%		
SEKm	2019e	2020e	2021e	2019e	2020e	2021e	2019e	2020e	2021e	2019e	2020e	2021e
Net sales	100.2	112.7	124.2	107.6	119.4	125.7	7.4	6.7	1.5	7%	6%	1%
Net sales profit	78.2	86.5	96.1	83.6	92.2	98.3	5.4	5.7	2.2	7%	7%	2%
Opex	-42.3	-43.8	-45.3	-42.9	-44.4	-45.9	-0.5	-0.6	-0.6	1%	1%	1%
EBIT	35.9	42.7	50.8	40.7	47.8	52.4	4.8	5.2	1.6	13%	12%	3%
PTP	35.9	42.7	50.8	40.7	47.8	52.4	4.8	5.2	1.6	13%	12%	3%
Net profit	35.9	42.7	50.8	40.7	47.8	52.4	4.8	5.2	1.6	13%	12%	3%
Growth and margins	2019e	2020e	2021e	2019e	2020e	2021e	2019e	2020e	2021e	2019e	2020e	2021e
Sales growth	14%	12%	10%	23%	11%	5%				8%	-1%	-5%
EBIT growth	22%	19%	19%	38%	17%	10%				16%	-1%	-10%
Gross margin	78%	77%	77%	78%	77%	78%				0%	0%	1%
EBIT margin	36%	38%	41%	38%	40%	42%				2%	2%	1%
Sales split	2019e	2020e	2021e	2019e	2020e	2021e	2019e	2020e	2021e	2019e	2020e	2021e
Equipment	4.0	9.0	7.0	8.0	11.0	7.0	4.0	2.0	0.0	100%	22%	0%
Service	2.0	2.5	3.0	2.0	2.5	3.0	0.0	0.0	0.0	0%	0%	0%
Series production	94.2	101.2	114.2	97.6	105.9	115.7	3.4	4.7	1.5	4%	5%	1%
Net sales	100.2	112.7	124.2	107.6	119.4	125.7	7.4	6.7	1.5	7%	6%	1%
Other metrics	2019e	2020e	2021e	2019e	2020e	2021e	2019e	2020e	2021e	2019e	2020e	2021e
Sampling cups	216,500	232,600	262,600	216,500	232,600	255,000	0	0	-7,600	0%	0%	-3%
Engine equivalents / year (mn)	2.89	3.10	3.50	3.03	3.30	3.60	0.14	0.20	0.10	5%	6%	3%

Source: ABG Sundal Collier, company data

Detailed quarterly income statement

Quarterly overview	Q1'16	Q2'16	Q3'16	Q4'16	Q1'17	Q2'17	Q3'17	Q4'17	Q1'18	Q2'18	Q3'18	Q4'18	Q1'19e	Q2'19e	Q3'19e	Q4'19e
Net sales	16.1	18.3	23.8	17.2	13.9	17.2	16.7	17.8	16.6	26.8	19.7	24.6	26.5	27.5	26.3	27.4
Gross profit	12.9	13.8	18.4	13.7	10.8	13.4	12.7	13.7	13.2	20.9	15.8	19.0	20.6	21.4	20.4	21.2
SG&A	-6.4	-6.8	-5.7	-6.1	-6.8	-6.4	-5.8	-6.0	-6.5	-7.2	-6.8	-8.3	-7.1	-7.5	-7.7	-7.5
R&D	-1.7	-2.0	-1.5	-2.7	-1.0	-1.9	-2.1	-2.3	-2.3	-3.0	-2.1	-2.9	-2.9	-3.0	-3.0	-3.0
Other opex	-0.2	0.4	0.0	-0.1	-0.2	-0.3	-0.1	0.0	0.5	0.3	-0.9	-0.3	-0.3	-0.3	-0.3	-0.3
EBIT	4.6	5.8	11.2	4.8	2.8	4.8	4.7	5.4	4.9	11.0	6.0	7.5	10.4	10.6	9.4	10.3
Net financials	0.1	-0.8	-0.2	0.3	0.2	-0.2	0.0	0.0	-0.8	-0.6	1.0	0.4	0.0	0.0	0.0	0.0
PTP	4.7	5.0	11.0	5.1	3.0	4.6	4.7	5.4	4.1	10.4	7.0	7.9	10.4	10.6	9.4	10.3
Taxes	0.0	1.0	0.0	0.0	0.0	0.9	0.0	0.0	0.0	1.0	0.0	2.3	0.0	0.0	0.0	0.0
Net profit	4.7	6.0	11.0	5.1	3.0	5.5	4.7	5.4	4.1	11.4	7.0	10.2	10.4	10.6	9.4	10.3
Growth and margins	Q1'16	Q2'16	Q3'16	Q4'16	Q1'17	Q2'17	Q3'17	Q4'17	Q1'18	Q2'18	Q3'18	Q4'18	Q1'19e	Q2'19e	Q3'19e	Q4'19e
Sales growth	-14%	16%	16%	0%	-14%	-6%	-30%	3%	19%	56%	18%	38%	60%	3%	33%	11%
EBIT growth	-22%	100%	58%	9%	-39%	-17%	-58%	13%	75%	129%	28%	39%	111%	-3%	57%	37%
Gross margin	80%	75%	77%	80%	78%	78%	76%	77%	80%	78%	80%	77%	78%	78%	78%	77%
SG&A+R&D / sales R12m	50%	48%	30%	51%	56%	48%	47%	47%	53%	38%	45%	46%	38%	38%	41%	39%
EBIT margin	29%	32%	47%	28%	20%	28%	28%	30%	30%	41%	30%	30%	39%	39%	36%	38%
Tax rate	0%	-20%	0%	0%	0%	-20%	0%	0%	0%	-10%	0%	-29%	0%	0%	0%	0%
Sales split	Q1'16	Q2'16	Q3'16	Q4'16	Q1'17	Q2'17	Q3'17	Q4'17	Q1'18	Q2'18	Q3'18	Q4'18	Q1'19e	Q2'19e	Q3'19e	Q4'19e
Equipment	0.1	0.7	5.9	0.4	0.2	1.2	1.5	0.8	0.1	2.3	0.5	1.7	2.0	2.0	2.0	2.0
Service	0.2	0.7	0.5	0.4	0.1	0.2	0.5	0.4	0.0	0.7	0.5	0.6	0.5	0.5	0.5	0.5
Series production	15.8	16.8	17.4	16.4	13.6	15.8	14.7	16.6	16.5	23.8	18.7	22.3	24.0	25.0	23.8	24.9
Net sales	16.1	18.3	23.8	17.2	13.9	17.2	16.7	17.8	16.6	26.8	19.7	24.6	26.5	27.5	26.3	27.4
Other metrics	Q1'16	Q2'16	Q3'16	Q4'16	Q1'17	Q2'17	Q3'17	Q4'17	Q1'18	Q2'18	Q3'18	Q4'18	Q1'19e	Q2'19e	Q3'19e	Q4'19e
Sampling cups	36,100	46,800	50,900	35,000	28,700	32,900	40,600	42,400	32,500	68,800	42,800	53,800	52,500	55,300	52,500	56,200
y-o-y	-11%	34%	38%	-14%	-20%	-30%	-20%	21%	13%	109%	5%	27%	62%	-20%	23%	4%
Engine equivalents / year (mn)	2.10	2.20	2.00	2.20	2.00	2.20	2.00	2.20	2.50	2.70	2.30	2.60	3.00	3.10	2.95	3.05
Working capital / sales R12m	17%	18%	23%	16%	13%	17%	25%	21%	16%	24%	20%	24%				
Net debt	-51	-30	-36	-45	-49	-22	-22	-30	-37	-20	-29	-33				
ND/Equity	-0.52	-0.37	-0.40	-0.47	-0.50	-0.29	-0.28	-0.35	-0.41	-0.24	-0.33	-0.33				
ROCE	41%	47%	52%	55%	51%	46%	30%	33%	39%	45%	46%	48%				

Source: ABG Sundal Collier, company data

The company

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 it is primarily used to produce engine blocks for passenger vehicles and commercial vehicles. This allows improved performance and durability of the engine as well as lower fuel consumption, while also reducing its size. This is not just beneficial for the end-customer but also the manufacturer due to a reduction in material costs (less iron) as well as lower energy usage – reducing total costs even after SinterCast fees have been paid. SinterCast has over 50 installations in 14 countries worldwide in foundries with end-customers such as Ford, Ram, Scania and MAN. 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 customer’s production, creating high barriers to entry - once the technology is implemented it is hard to remove or replace. 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.

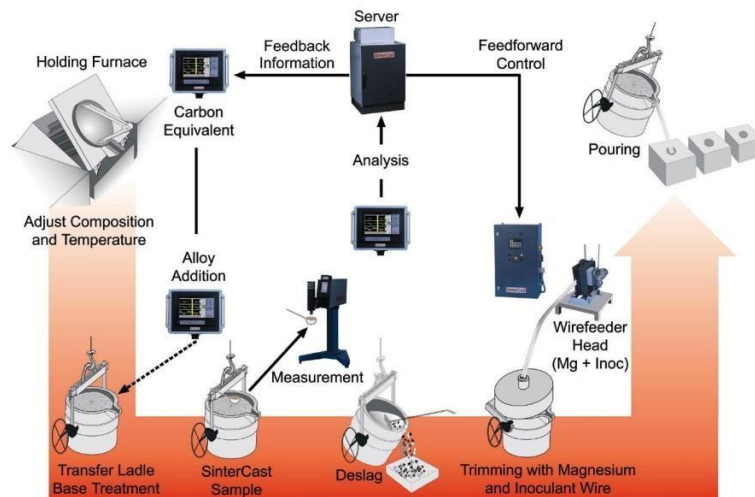
Market leading and highly integrated in production creates high barriers to entry

The SinterCast process

The SinterCast process allows the foundry to control the quality of each cast. This is crucial since engines are expected to live for a long time and not break or lose capacity. When the cast is poured into the casket, a SinterCast sample cup is filled with the current CGI cask and the SinterCast thermometer in the sample cup measures the current properties of the CGI. It then sends data to the System 3000, which interprets the data and determines whether the cask’s properties are good enough. If good, the casting process can proceed. If bad, a wirefeeder can add magnesium to get the right properties – the process can then proceed without having to discard the cast. It is also important to be able to track the specific casks 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 3000, 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 reduces costs and improves quality control

The SinterCast process



Source: SinterCast

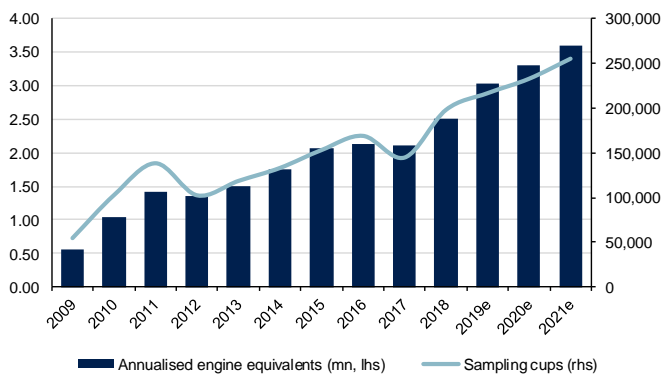
The business model

SinterCast sells or leases its System 3000. 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 7 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 and 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 wirefeeders 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.

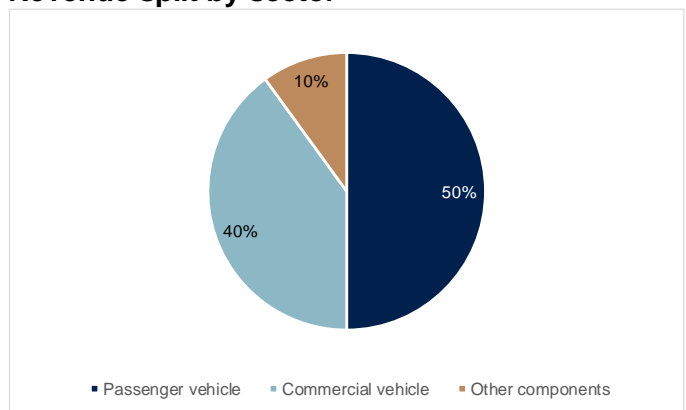
One important contributor to SinterCast's sales growth is increased production volumes in existing programmes at current customers, but the main contributor is adding new high-volume programmes. SinterCast has done this successfully in the last few years, producing bestselling engines for bestselling cars such as the Ford F-series and now the new Ram 6.7 litre inline diesel engine.

SinterCast's business model offers scalability as the installed hardware base increases

Annualised engine equivalents & sampling cups Revenue split by sector



Source: ABG Sundal Collier, company data



Source: ABG Sundal Collier, company data

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.

SinterCast's main customers are foundries, which implement the technology in their casting process. The biggest customer is Tupy, with foundries in the Americas and accounting for more than 50% of sales. Tupy manufactures engines for end-customers such as Ford and Ram. SinterCast is also growing its customer base in China and Russia, which are potential growth markets in addition to the growing segment of industrial power.

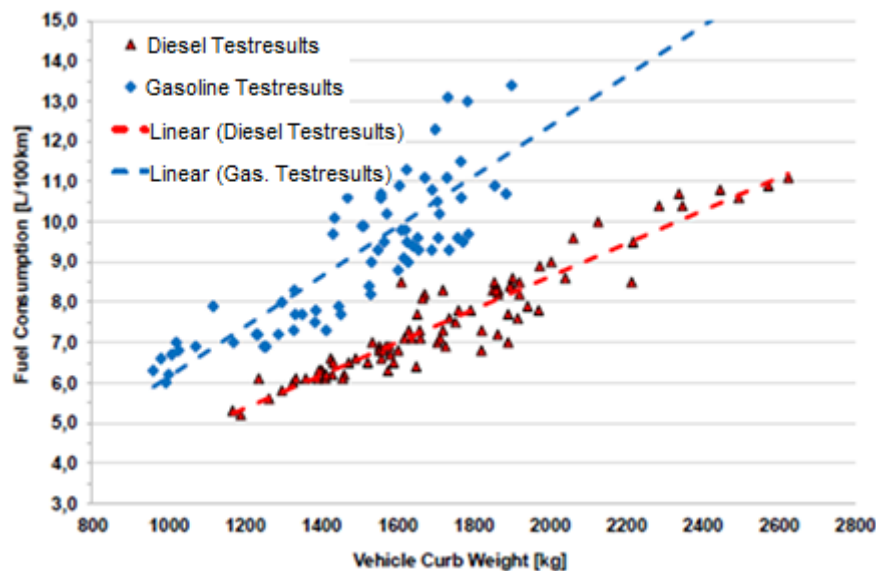
Main segments to keep growing

Heavy vehicles benefit more from diesel engines than smaller cars do

Diesel contains more energy than petrol, and diesel engines have a higher thermodynamic efficiency, making them 20-30% more efficient overall. This impact gets bigger as the curb weight of a car increases, as the fuel consumption increases less for a diesel engine compared to a petrol engine as a car's weight get bigger. 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, with the segment expected to shrink its diesel penetration.

The trend is that more companies are introducing CGI engines in their new models. This is due to them being more efficient and 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

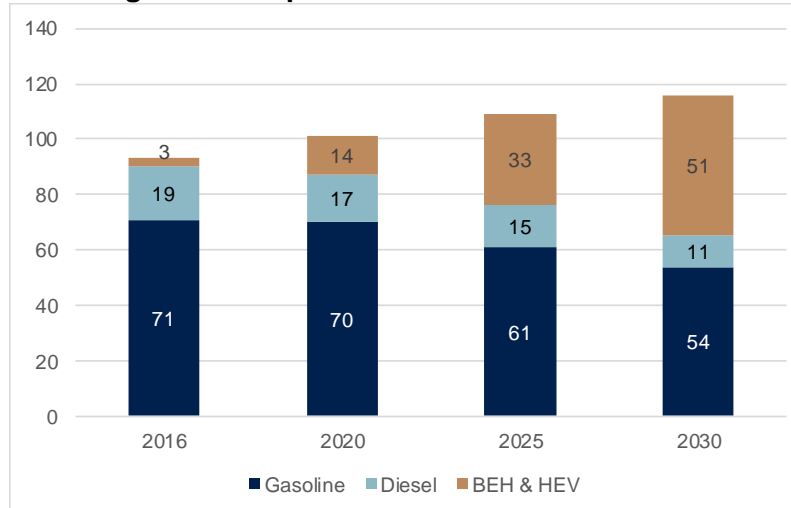


Source: SinterCast (data from AVL)

Electrification to be seen as a possibility rather than obstacle

The electric vehicle trend is clear and its market share is growing rapidly, albeit 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.

Global light vehicle production



Source: ABG Sundal Collier, IHS, company data

SinterCast technology behind America's most popular pick-up truck

A selection of SinterCast's process implementations

SinterCast's technology is currently used in 17 different commercial vehicle engines, and more than 50 passenger vehicles in 18 car brands. As mentioned above, Ford now produces a CGI diesel engine with SinterCast technology for America's most popular pick-up truck. Also, Ram in January announced that it would sell its popular Super Duty pick-up truck with a 6.7 litre engine from Cummins in CGI. This installation will add about 300,000 engine equivalents per year, implying serial production revenue of around SEK 9-10m.

Scania contract to boost sales by SEK 20m annually from 2023

Record Scania investment – 90,000 tonne CGI foundry

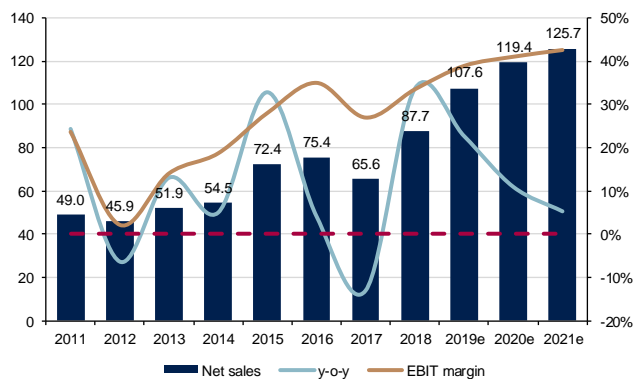
In January 2019, Scania announced that it would build a new foundry starting in 2020 for the production of CGI engines. The building received permission to produce 90,000 tonnes per year. The full production of engines will start 3-5 years after installation, which to us confirms that there is a future for efficient CGI diesel engines. The SinterCast engine will become standard for Scania and MAN trucks. This is expected by the company to boost SinterCast serial production sales by SEK 20m per year (> 20% increase given current revenue). This gives us confidence in our estimates as well as de-risking SinterCast future operations.

Dividend story in the making

SinterCast proposed a total dividend of SEK 5/share (SEK 35m) for 2018, of which the ordinary dividend equalled SEK 3.5/share, with an extra dividend of SEK 1.5/share. This equals an EPS pay-out ratio of 108% and an FCF pay-out ratio of 160%. This may not sound sustainable, but we find it positive given SinterCast's financial position with limited investment needs (<10% of operating cash flow), net cash of SEK 30m and zero interest-bearing debt.

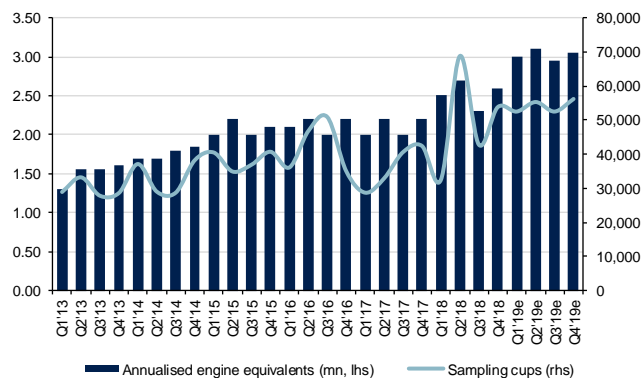
Looking ahead, we expect SinterCast to pay out ~100% of its FCF and EPS (implying a total DPS of SEK 5.5-7.0 for the period '19e-'21e), in order to limit the growth in its large cash position. Furthermore, this should keep the cash position relatively stable at current levels, suggesting that there could be further room for higher dividends if the company believes its cash position is too large. We expect dividend yields of 4.3-5.5% and FCF yields of 4.0-5.6% for the period '19e-'21e. To summarise, we assume that the total distribution to shareholders during '19e-'21e will amount to SEK 132m, corresponding to 15% of today's Mcap. of SEK 893m.

Sales and margins steadily rising



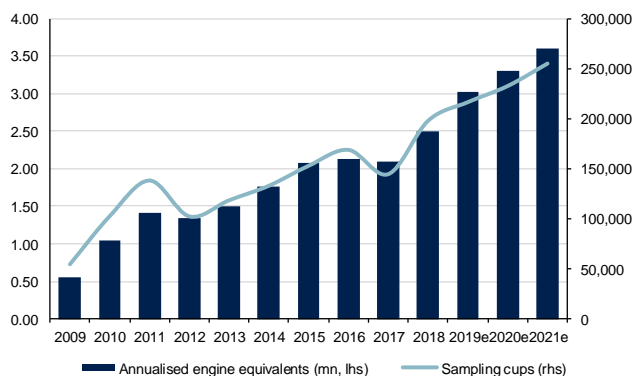
Source: ABG Sundal Collier, company data

Detailed annualized engine equivalents and sampling cups



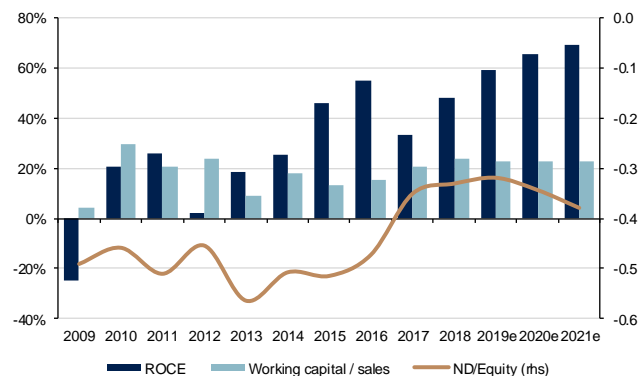
Source: ABG Sundal Collier, company data

Engine equivalents and sampling cups go hand in hand



Source: ABG Sundal Collier, company data

High profitability and zero interest-bearing debt



Source: ABG Sundal Collier, company data

Detailed income statement

Annual overview	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019e	2020e	2021e
Net sales	39.4	49.0	45.9	51.9	54.5	72.4	75.4	65.6	87.7	107.6	119.4	125.7
Gross profit	29.2	34.8	32.2	37.3	40.8	55.4	58.8	50.6	68.9	83.6	92.2	98.3
SG&A	-16.8	-21.0	-26.2	-24.6	-24.7	-26.4	-25.0	-25.0	-28.8	-29.8	-31.2	-32.6
R&D	-4.5	-4.4	-5.5	-5.8	-6.5	-7.6	-7.9	-7.3	-10.3	-11.9	-12.0	-12.1
Other opex	-0.7	2.2	0.5	0.4	0.6	-1.1	0.5	-0.6	-0.4	-1.2	-1.2	-1.2
EBIT	7.2	11.6	1.0	7.3	10.2	20.3	26.4	17.7	29.4	40.7	47.8	52.4
Net financials	1.4	-0.5	1.0	0.2	1.3	4.6	-0.6	0.0	0.0	0.0	0.0	0.0
PTP	8.6	11.1	2.0	7.5	11.5	24.9	25.8	17.7	29.4	40.7	47.8	52.4
Taxes	8.0	3.4	-5.7	0.6	0.9	0.8	1.0	0.9	3.3	0.0	0.0	0.0
Net profit	16.5	14.5	-3.7	8.1	12.3	25.2	26.8	18.6	32.7	40.7	47.8	52.4
Growth and margins	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019e	2020e	2021e
Sales growth	97%	24%	-6%	13%	5%	33%	4%	-13%	34%	23%	11%	5%
EBIT growth	-214%	61%	-91%	630%	40%	99%	30%	-33%	66%	38%	17%	10%
Gross margin	74%	71%	70%	72%	75%	77%	78%	77%	79%	78%	77%	78%
SG&A+R&D / sales R12m	54%	52%	69%	59%	57%	47%	44%	49%	45%	39%	36%	36%
EBIT margin	18%	24%	2%	14%	19%	28%	35%	27%	34%	38%	40%	42%
Tax rate	-93%	-31%	285%	-8%	-8%	-3%	-4%	-5%	-11%	0%	0%	0%
Sales split	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019e	2020e	2021e
Equipment	0.0	0.0	0.0	10.1	4.9	7.7	7.1	3.7	4.6	8.0	11.0	7.0
Service	0.0	0.0	0.0	1.5	1.8	1.1	1.8	1.2	1.8	2.0	2.5	3.0
Series production	0.0	0.0	0.0	44.1	47.8	63.6	66.4	60.7	81.3	97.6	105.9	115.7
Net sales	39.4	49.0	45.9	51.9	54.5	72.4	75.4	65.6	87.7	107.6	119.4	125.7
Other metrics	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019e	2020e	2021e
Sampling cups	102,650	138,200	102,400	118,500	133,000	153,000	168,800	144,600	197,900	216,500	232,600	255,000
y-o-y	88%	35%	-26%	16%	12%	15%	10%	-14%	37%	9%	7%	10%
Engine equivalents / year (mn)	1.04	1.41	1.35	1.50	1.76	2.08	2.13	2.10	2.50	3.03	3.30	3.60
Working capital / sales	29%	20%	24%	9%	18%	13%	16%	21%	24%	23%	23%	23%
Net debt	-37	-48	-35	-48	-45	-48	-45	-30	-33	-33	-39	-47
ND/Equity	-0.46	-0.51	-0.45	-0.56	-0.51	-0.52	-0.47	-0.35	-0.33	-0.32	-0.34	-0.38
ROCE	21%	26%	2%	18%	25%	46%	55%	33%	48%	59%	66%	69%

Source: ABG Sundal Collier, company data

Income Statement (SEKm)	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019e	Q2 2019e	Q3 2019e	Q4 2019e
Sales	17	27	20	25	27	27	26	27
COGS	-3	-6	-4	-6	-6	-6	-6	-6
Gross profit	13	21	16	19	21	21	20	21
Other operating items	-8	-9	-9	-11	-10	-10	-10	-10
EBITDA	6	12	6	8	11	11	10	11
Depreciation on tangibles	-1	-1	-0	-1	-1	-1	-1	-1
Depreciation on intangibles	0	0	0	0	0	0	0	0
EBITA	5	11	6	8	10	11	9	10
Goodwill impairment charges	0	0	0	0	0	0	0	0
Other impairment and amortisation	0	0	0	0	0	0	0	0
EBIT	5	11	6	8	10	11	9	10
Interest Net	-1	-1	1	0	0	0	0	0
Other financial items	0	0	0	0	0	0	0	0
Associated income	0	0	0	0	0	0	0	0
Other EO items	0	0	0	0	0	0	0	0
Pretax profit	4	10	7	8	10	11	9	10
Tax	0	1	0	2	0	0	0	0
Net profit	4	11	7	10	10	11	9	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	4	11	7	10	10	11	9	10
EPS	0.58	1.61	0.99	1.44	1.46	1.50	1.33	1.45
EPS Adj	0.58	1.61	0.99	1.44	1.46	1.50	1.33	1.45
Total extraordinary items after tax	0	0	0	0	0	0	0	0
Tax rate (%)	0	9.6	0	29.1	0	0	0	0
Gross margin (%)	79.5	78.0	80.2	77.2	77.9	77.7	77.6	77.4
EBITDA margin (%)	33.1	42.9	32.5	32.5	41.5	40.8	38.0	39.8
EBITA margin (%)	29.5	41.0	30.5	30.5	39.1	38.7	35.8	37.7
EBIT margin (%)	29.5	41.0	30.5	30.5	39.1	38.7	35.8	37.7
Pretax margin (%)	24.7	38.8	35.5	32.1	39.1	38.7	35.8	37.7
Net margin (%)	24.7	42.5	35.5	41.5	39.1	38.7	35.8	37.7
Growth rates Y/Y	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019e	Q2 2019e	Q3 2019e	Q4 2019e
Sales growth (%)	19.4	55.8	18.0	38.2	59.7	2.5	33.3	11.2
EBITDA growth (%)	77.4	125.5	23.1	37.9	99.9	-2.6	55.7	36.2
EBIT growth (%)	75.0	129.2	27.7	38.9	111.5	-3.4	56.8	37.4
Net profit growth (%)	36.7	107.3	48.9	88.9	152.8	-6.8	34.4	1.0
EPS growth (%)	36.7	107.3	48.9	88.9	152.8	-6.8	34.4	1.0
Adj earnings numbers	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019e	Q2 2019e	Q3 2019e	Q4 2019e
EBITDA Adj	6	12	6	8	11	11	10	11
EBITDA Adj margin (%)	33.1	42.9	32.5	32.5	41.5	40.8	38.0	39.8
EBITA Adj	5	11	6	8	10	11	9	10
EBITA Adj margin (%)	29.5	41.0	30.5	30.5	39.1	38.7	35.8	37.7
EBIT Adj	5	11	6	8	10	11	9	10
EBIT Adj margin (%)	29.5	41.0	30.5	30.5	39.1	38.7	35.8	37.7
Pretax profit Adj	4	10	7	8	10	11	9	10
Net profit Adj	4	11	7	10	10	11	9	10
Net profit to shareholders Adj	4	11	7	10	10	11	9	10
Net Adj margin (%)	24.7	42.5	35.5	41.5	39.1	38.7	35.8	37.7

Source: ABG Sundal Collier, Company data

Income Statement (SEKm)	2012	2013	2014	2015	2016	2017	2018	2019e	2020e	2021e
Sales	46	52	55	72	75	66	88	108	119	126
COGS	-14	-15	-18	-17	-17	-15	-19	-24	-27	-27
Gross profit	32	37	36	55	59	51	69	84	92	98
Other operating items	-30	-29	-25	-34	-31	-31	-37	-41	-41	-42
EBITDA	2	8	11	21	27	19	32	43	51	56
Depreciation on tangibles	-1	-1	-1	-1	-1	-2	-2	-2	-4	-4
Depreciation on intangibles	0	0	0	0	0	0	0	0	0	0
EBITA	1	7	10	20	26	18	29	41	48	52
Goodwill impairment charges	0	0	0	0	0	0	0	0	0	0
Other impairment and amortisation	0	0	0	0	0	0	0	0	0	0
EBIT	1	7	10	20	26	18	29	41	48	52
Interest Net	1	0	1	5	-1	0	0	0	0	0
Other financial items	0	0	0	0	0	0	0	0	0	0
Associated income	0	0	0	0	0	0	0	0	0	0
Other EO items	0	0	0	0	0	0	0	0	0	0
Pretax profit	2	8	12	25	26	18	29	41	48	52
Tax	-6	1	1	1	1	1	3	0	0	0
Net profit	-4	8	12	26	27	19	33	41	48	52
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	-4	8	12	26	27	19	33	41	48	52
EPS	-0.53	1.14	1.75	3.62	3.78	2.62	4.61	5.74	6.75	7.39
EPS Adj	-0.53	1.14	1.75	3.62	3.78	2.62	4.61	5.74	6.75	7.39
Total extraordinary items after tax	0	0	0	0	0	0	0	0	0	0
Tax rate (%)	285.0	8.0	7.8	3.2	3.9	5.1	11.2	0	0	0
Gross margin (%)	70.2	71.9	66.6	76.5	78.0	77.1	78.6	77.7	77.2	78.2
EBITDA margin (%)	4.4	15.6	20.2	29.1	36.3	29.3	36.0	40.0	43.1	44.7
EBITA margin (%)	2.2	14.1	18.7	28.0	35.0	27.0	33.5	37.8	40.1	41.7
EBIT margin (%)	2.2	14.1	18.7	28.0	35.0	27.0	33.5	37.8	40.1	41.7
Pretax margin (%)	4.4	14.5	21.1	34.4	34.2	27.0	33.5	37.8	40.1	41.7
Net margin (%)	-8.1	15.6	22.8	35.5	35.5	28.4	37.3	37.8	40.1	41.7
Growth rates Y/Y	2012	2013	2014	2015	2016	2017	2018	2019e	2020e	2021e
Sales growth (%)	-6.3	13.1	5.0	32.8	4.1	-13.0	33.7	22.7	11.0	5.3
EBITDA growth (%)	-84.3	305.0	35.8	91.8	29.9	-29.9	64.6	36.3	19.4	9.2
EBIT growth (%)	-91.4	630.0	39.7	99.0	30.0	-33.0	66.1	38.5	17.5	9.5
Net profit growth (%)	-125.5	318.9	53.1	107.3	4.3	-30.6	75.8	24.5	17.5	9.5
EPS growth (%)	-125.4	316.1	53.1	107.3	4.3	-30.6	75.8	24.5	17.5	9.5
Profitability	2012	2013	2014	2015	2016	2017	2018	2019e	2020e	2021e
ROE (%)	-4.3	10.0	14.3	28.3	28.4	20.5	35.4	40.0	43.9	44.3
ROE Adj (%)	-4.3	10.0	14.3	28.3	28.4	20.5	35.4	40.0	43.9	44.3
ROCE (%)	7.3	63.8	92.7	141.5	156.7	84.7	110.1	124.2	130.2	132.9
ROCE Adj(%)	7.3	63.8	92.7	141.5	156.7	84.7	110.1	124.2	130.2	132.9
ROIC (%)	-13.5	68.9	100.0	146.0	162.7	89.0	122.5	124.2	130.2	132.9
ROIC Adj (%)	-13.5	68.9	100.0	146.0	162.7	89.0	122.5	124.2	130.2	132.9
Adj earnings numbers	2012	2013	2014	2015	2016	2017	2018	2019e	2020e	2021e
EBITDA Adj	2	8	11	21	27	19	32	43	51	56
EBITDA Adj margin (%)	4.4	15.6	20.2	29.1	36.3	29.3	36.0	40.0	43.1	44.7
EBITA Adj	1	7	10	20	26	18	29	41	48	52
EBITA Adj margin (%)	2.2	14.1	18.7	28.0	35.0	27.0	33.5	37.8	40.1	41.7
EBIT Adj	1	7	10	20	26	18	29	41	48	52
EBIT Adj margin (%)	2.2	14.1	18.7	28.0	35.0	27.0	33.5	37.8	40.1	41.7
Pretax profit Adj	2	8	12	25	26	18	29	41	48	52
Net profit Adj	-4	8	12	26	27	19	33	41	48	52
Net profit to shareholders Adj	-4	8	12	26	27	19	33	41	48	52
Net Adj margin (%)	-8.1	15.6	22.8	35.5	35.5	28.4	37.3	37.8	40.1	41.7

Source: ABG Sundal Collier, Company data

Cash Flow Statement (SEK m)	2012	2013	2014	2015	2016	2017	2018	2019e	2020e	2021e
EBITDA	2	8	11	21	27	19	32	43	51	56
Net financial items	1	0	1	5	-1	0	0	0	0	0
Paid tax	0	0	0	0	0	0	3	0	0	0
Non-cash items	-1	-0	-1	-6	1	-0	-3	0	0	0
Cash flow before change in WC	2	8	12	20	28	19	32	43	51	56
Change in WC	-1	6	-5	0	-2	-2	-7	-4	-3	-1
Operating cash flow	1	14	7	20	25	17	25	39	49	55
CAPEX tangible fixed assets	-2	-1	-1	-2	-3	-4	-3	-3	-4	-4
CAPEX intangible fixed assets	0	0	0	0	0	0	0	0	0	0
Acquisitions and disposals	0	0	0	0	0	0	0	0	0	0
Free cash flow	-0	14	5	19	22	13	22	36	45	50
Dividend paid	-7	-7	-9	-16	-25	-28	-19	-35	-39	-43
Share issues and buybacks	0	0	0	0	0	0	0	0	0	0
Other non cash items	-10	7	1	1	1	1	3	0	0	0
Decrease in net IB debt	-17	13	-2	4	-1	-14	6	1	6	8
Balance Sheet (SEK m)	2012	2013	2014	2015	2016	2017	2018	2019e	2020e	2021e
Goodwill	0	0	0	0	0	0	0	0	0	0
Indefinite intangible assets	2	2	2	4	5	8	8	8	8	8
Definite intangible assets	0	0	0	0	0	0	0	0	0	0
Tangible fixed assets	2	2	2	2	2	2	2	3	3	4
Other fixed assets	28	29	30	30	32	33	36	36	36	36
Fixed assets	32	32	34	36	39	42	46	46	47	48
Inventories	4	4	4	4	4	4	7	7	8	9
Receivables	12	11	15	18	19	18	25	30	35	36
Other current assets	0	0	0	0	0	0	0	0	0	0
Cash and liquid assets	35	48	45	48	45	30	33	33	39	47
Total assets	83	95	97	106	108	95	110	117	129	139
Shareholders equity	78	85	88	93	96	86	99	104	113	123
Minority	0	0	0	0	0	0	0	0	0	0
Total equity	78	85	88	93	96	86	99	104	113	123
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
Deferred tax	0	0	0	0	0	0	0	0	0	0
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	5	10	8	13	12	9	11	13	16	16
Other current liabilities	0	0	0	0	0	0	0	0	0	0
Total liabilities and equity	83	95	97	106	108	95	110	117	129	139
Net IB debt	-63	-77	-75	-78	-77	-63	-69	-69	-75	-83
Net IB debt excl. pension debt	-63	-77	-75	-78	-77	-63	-69	-69	-75	-83
Capital invested	15	8	14	15	19	23	30	35	38	40
Working capital	11	5	10	10	12	14	21	25	27	29
EV breakdown	2012	2013	2014	2015	2016	2017	2018	2019e	2020e	2021e
Market cap. diluted (m)	na	560	539	626	580	461	573	893	893	893
Net IB debt Adj	-35	-48	-45	-48	-45	-30	-33	-33	-39	-47
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	na	512	494	578	534	431	540	860	854	847
Capital efficiency (%)	2012	2013	2014	2015	2016	2017	2018	2019e	2020e	2021e
Total assets turnover (%)	50.2	58.4	56.9	71.3	70.5	64.9	85.6	94.6	97.1	93.7
Capital invested turnover (%)	335.0	453.3	495.5	504.5	447.5	313.9	328.5	328.5	325.0	319.2
Capital employed turnover (%)	335.0	453.3	495.5	504.5	447.5	313.9	328.5	328.5	325.0	319.2
Inventories/sales (%)	9.2	7.6	6.8	5.5	5.8	6.5	6.1	6.5	6.5	6.7
Customer advances/sales (%)	0	0	0	0	0	0	0	0	0	0
Payables/sales (%)	12.9	14.6	17.0	14.9	16.5	15.7	11.3	11.1	11.9	12.7
Working capital/sales (%)	22.9	15.1	13.3	13.4	14.1	19.3	19.6	21.1	21.8	22.3
Financial risk and debt service	2012	2013	2014	2015	2016	2017	2018	2019e	2020e	2021e
Net debt/equity (%)	-81.1	-90.3	-84.4	-84.0	-80.4	-73.2	-69.4	-66.4	-66.1	-67.2
Net debt/market cap (%)	na	-16.5	-12.9	-12.5	-12.8	-11.9	-12.6	-7.8	-8.4	-9.3
Equity ratio (%)	93.9	89.3	91.3	87.6	89.1	90.6	90.0	89.1	87.9	88.3
Net IB debt adj./equity (%)	-45.4	-56.4	-50.8	-51.5	-47.3	-35.1	-33.1	-31.9	-34.4	-37.9
Current ratio (%)	1,009.8	619.8	751.2	536.4	587.2	591.0	586.4	552.1	526.6	561.5
EBITDA/net interest (%)	-200.0	-4,050.0	-846.2	-458.7	4,566.7	high	high	high	high	high
Net IB debt/EBITDA (%)	-3,160.0	-944.4	-678.2	-371.1	-281.0	-327.1	-217.7	-161.0	-145.7	-147.3
Interest cover (%)	-100.0	-3,650.0	-784.6	-441.3	4,400.0	nm	nm	nm	nm	nm

Source: ABG Sundal Collier, Company data

Valuation and Ratios (SEKm)	2012	2013	2014	2015	2016	2017	2018	2019e	2020e	2021e
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	-0.53	1.14	1.75	3.62	3.78	2.62	4.61	5.74	6.75	7.39
Dividend per share Adj	1.0	1.2	2.2	3.5	4.0	2.8	5.0	5.5	6.0	7.0
EPS Adj	-0.53	1.14	1.75	3.62	3.78	2.62	4.61	5.74	6.75	7.39
BVPS	11.13	11.95	12.47	13.15	13.51	12.10	13.99	14.73	15.98	17.37
BVPS Adj	11.13	11.95	12.47	13.15	13.51	12.10	13.99	14.73	15.98	17.37
Net IB debt / share	-9.0	-10.8	-10.5	-11.0	-10.9	-8.9	-9.7	-9.8	-10.6	-11.7
Share price	na	79.00	76.00	88.25	81.75	65.00	80.80	126.00	126.00	126.00
Market cap. (m)	na	560	539	626	580	461	573	893	893	893
Valuation	2012	2013	2014	2015	2016	2017	2018	2019e	2020e	2021e
P/E	na	69.1	43.5	24.3	21.6	24.8	17.5	21.9	18.7	17.1
EV/sales	na	9.87	9.06	7.98	7.09	6.57	6.16	7.99	7.15	6.73
EV/EBITDA	na	63.2	44.9	27.4	19.5	22.4	17.1	20.0	16.6	15.1
EV/EBITA	na	70.2	48.4	28.5	20.2	24.3	18.4	21.1	17.9	16.2
EV/EBIT	na	70.2	48.4	28.5	20.2	24.3	18.4	21.1	17.9	16.2
Dividend yield (%)	na	1.5	2.9	4.0	4.9	4.2	6.2	4.4	4.8	5.6
FCF yield (%)	na	2.5	1.0	3.0	3.8	2.9	3.9	4.0	5.0	5.6
P/BVPS	na	6.61	6.10	6.71	6.05	5.37	5.78	8.55	7.89	7.26
P/BVPS Adj	na	6.61	6.10	6.71	6.05	5.37	5.78	8.55	7.89	7.26
P/E Adj	na	69.1	43.5	24.3	21.6	24.8	17.5	21.9	18.7	17.1
EV/EBITDA Adj	na	63.2	44.9	27.4	19.5	22.4	17.1	20.0	16.6	15.1
EV/EBITA Adj	na	70.2	48.4	28.5	20.2	24.3	18.4	21.1	17.9	16.2
EV/EBIT Adj	na	70.2	48.4	28.5	20.2	24.3	18.4	21.1	17.9	16.2
EV/cap. employed	na	62.5	35.8	38.8	28.4	18.7	17.8	24.5	22.3	20.9
Investment ratios	2012	2013	2014	2015	2016	2017	2018	2019e	2020e	2021e
Capex/sales	3.5	1.2	2.4	2.3	4.4	5.6	3.0	2.9	3.5	3.5
Capex/depreciation	160.0	75.0	162.5	212.5	330.0	246.7	118.2	132.2	116.7	116.7
Capex tangibles/tangible fixed assets	80.0	31.6	81.3	100.0	173.7	217.6	123.8	108.9	121.0	107.8
Capex intangibles/definite intangibles	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm
Depreciation on intangibles/definite inta	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm
Depreciation on tangibles/tangibles	50.0	42.1	50.0	47.1	52.6	88.2	104.8	82.4	103.7	92.4

Source: ABG Sundal Collier, Company data

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