

SinterCast – Suddenly it happens

BUY

SINT | Small Cap | SEK 105.00

SinterCast is the world's leading supplier of process control for the reliable high volume production of Compacted Graphite Iron, CGI. CGI enables improved transport solutions, increasing efficiency and reducing carbon emissions in passenger vehicles, commercial vehicles and industrial power applications. But it doesn't stop there. As a specialist supplier of precision measurement and process control technology for the metals industry, SinterCast also provides the Tracking Technologies SinterCast Ladle Tracker and SinterCast Cast Tracker.

With lower than expected series production during the first quarter, the goal of reaching the four million Engine Equivalents was further delayed. Initially, the goal was to reach the milestone before end of 2022, with June 2022 being a close call with its 3,9 million annualised Engine Equivalents, before a slowdown. In the Q1 report the company communicated that it is likely that the goal to reach the monthly five million Engine Equivalent milestone before the end of 2024 will also be delayed. However, during Thursday, SinterCast communicated the gratifying news that the four million Engine Equivalent milestone not only had been reached, but passed.

The company announced that the month of June resulted in a record annualised production of 4.1 million engine equivalents. Also, the second quarter as a whole, established a new record with the production of 3.7 million annualised engine equivalents, compared to 3.3 million annualised engine equivalents during Q1. This amounts to SinterCast now having achieved nine consecutive quarters of year-on-year production increase.

June was the first month ever for series production to break the four million annualised Engine Equivalent milestone. The annualised series production of 4.1 million Engine Equivalents in June follows production of 3.9 million Engine Equivalents in May, which the company says marks an end to the variable production that affected the first four months of the year. Despite production of 3.1 million Engine Equivalents in April, series production for the second quarter finished at 3.7 million Engine Equivalents, establishing a new quarterly record. What is even more important is that the Management referred to four million Engine Equivalents as the new normal.

Sampling Cup volume also improved during the second quarter, finishing at 49,500 units. The second quarter volume represents a 50% increase over first quarter shipments and returns to the full-year pace of approximately 200,000 Sampling Cups shipped 2021 and 2022. According to SinterCast the second quarter increase indicates that customers have largely concluded their efforts to restrict orders and to re-establish minimum stock levels following the normalisation of global supply chains.

The strong results in the second quarter indicates strong results for the full year and eases the uncertainty in the full year outlook. The company now has stable production from all its main programmes and improving ramps for some of the new series production programmes. These prerequisites, together with the outlook presented in previous analysis, we now choose to return to the targeted price of 140kr (135). The buy recommendation is thus intact.

Dividend yield and dividend history are impressive, while the company continues to show a strong growth outlook. A strong business model and strong customer relations provide good profitability and strong cashflow over time. ■

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