

First Quarter 2024

SinterCast Doubles the Cash Flow for the Quarter

SinterCast reports a positive start to the year with a volume growth of 18 per cent compared to the same period last year. Sequentially compared to last year's volume, the increase is five per cent. The company doubled the cash flow during the first quarter, mainly through a reduction in customer receivables. For the first quarter, the cash flow for the period was SEK 13.6 million (SEK 5.9 million). The cash thus increased to SEK 25.8 million. Series production was 3.9 million (3.3 million) engine equivalents on an annual basis and 44,600 (32,900) sampling cups were delivered. Revenues increased by 22 per cent to SEK 32.1 million (SEK 26.4 million). Although the majority of billing occurs in US dollars, the impact on revenue was less than one per cent.

Unrealised Translation Losses

However, the exchange rate of the dollar had a greater impact on the operating result since the value of sold dollars is taken from the year-end and compared with the last day of the quarter. The dollar rate was six per cent higher during the quarter which resulted in unrealised translation losses from sold currency contracts. The operating result increased by SEK 0.9 million to SEK 7.4 million. Adjusted for the unrealised translation losses, the operating result was SEK 12.0 million (SEK 5.4 million), an operating margin of 37 per cent. Despite strong cash flow, the reported profit after tax was SEK 6.2 million, SEK 0.1 million lower than the same period last year. The explanation is that the company started accounting for estimated corporate tax at the end of last year. For the first quarter, this amounts to SEK 1.2 million (SEK 0.1 million). As the company has historical tax losses, they can activate deferred tax assets against the reported result, which means that it does not pay any tax. The company estimates that they will start paying Swedish corporate tax at the end of 2027 or the beginning of 2028.

Negative Reaction to Quarterly Report Unwarranted

With a lower reported result than expected, the stock fell by two kronor to 101 under relatively normal trading volume for a report day. Neither the translation losses nor the corporate tax result in any impact on cash flow. Despite the negative reaction to the stock price on the report, the stock does not make a new relative low so far this year against the stock market. Perhaps a sign that the bottom has been reached. The result for the first quarter does not necessitate any revisions to our previous forecast. However, the strong dollar leads us to revise upwards the revenues for the full year. With a dollar rate of 10.23, we had a total revenue of SEK 144.4 million which is now raised by SEK 4.9 million to SEK

SinterCast

Rapportkommentar – Q1 2024

Datum	26 april 2024
Analytiker	Philip Wendt
Basfakta	
Bransch	Industri
Styrelseordförande	Robert Dover
Vd	Steve Dawson
Listning	Nasdaq OMX Small Cap
Ticker	SINT
Aktiekurs	101,0
Antal aktier, milj.	7,1
Börsvärde, mkr	714
Nettoskuld, mkr	-26
Företagsvärde (EV), mkr	688
Motiverat värde	150 kronor
Nästa rapport	2024-08-21

Kursutveckling senaste året



Källa: Refinitiv

Prognoser & Nyckeltal, MSEK

	2022	2023	2024p	2025p
Omsättning	118,7	134,5	149,3	161,3
Bruttoresultat	85,8	98,6	109,9	121,6
Rörelseres. (ebit)	25,7	42,8	47,3	54,1
Resultat f. skatt	30,3	42,6	47,3	54,2
Årets resultat	33,1	42,2	37,7	43,1
Vinst per aktie	4,68 kr	5,97 kr	5,33 kr	6,10 kr
Utd. per aktie	5,00 kr	6,10 kr	6,65 kr	7,35 kr
Omsättningstillväxt	13,1%	13,3%	11,0%	8,0%
Bruttomarginal	72,3%	73,3%	73,6%	75,4%
Rörelsemarginal	21,7%	31,8%	31,7%	33,5%
Kassaflöde, verksamhe	25,4	45,5	56,9	58,1
Kassaflöde per aktie	3,6	6,4	8,1	8,2
P/e-tal	24,6	20,1	19,0	16,5
EV/ebitda	26,4	16,1	13,9	12,3
EV/omsättning	6,7	5,1	4,6	4,3
Direktavkastning	3,1%	6,0%	6,6%	7,3%

Källa: Bolaget, Analysguiden

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

149.3 million based on a dollar rate of 10.60. The latest dollar rate is even higher at 10.80. The valuation of the stock is now at one of the lowest levels since the pandemic began in early 2020. Our assessment is that the previously announced production stop from one of their high-volume programmes in the middle of this year is weighing on the stock. The high cash flow and favourable future prospects for deliveries to MAN within the Traton group and Chinese First Automotive Works make the stock a buy.

Investment Thesis

SinterCast is a stock with a high dividend yield and dividend growth. They have a predictable business model with long visibility. High solvency, lower working capital, and investment needs continue to provide good opportunities to return capital to shareholders. The total return, with dividends and buybacks, of seven percent provides sufficient compensation for being long-term in the stock.

The Business is Valued at a Significant Discount

Based on a market value of SEK 714 million and cash of SEK 25,8 million, the business is valued at SEK 688 million (Enterprise Value, EV). With an operating result (EBITDA) of SEK 49 million, the business is valued at 13,9 times. This is close to the lowest level since the pandemic when the business was valued at a low of 14.4 times. The average valuation over three years is 24.5 times, which would correspond to a valuation per share closer to SEK 170 per share, or a 43 percent discount.

The discount, in our assessment, is because the stock market does not see any growth beyond 2028 and an operating margin of 20 percent. The company addresses this with technological developments such as support for, among others, MAN's new heavy hydrogen engine.

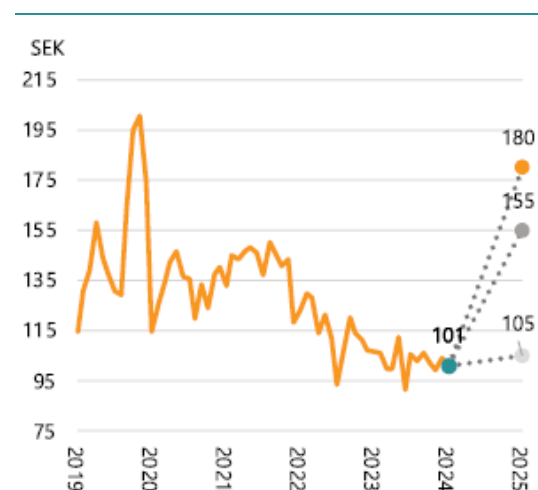
A short-term risk factor for the stock this year is that one of SinterCast's high-volume programs is expected to reach its final stage in the second half of 2024. More information is expected to be provided no later than August at the presentation of the report for the second quarter. This has been announced for a long time, so it should already be discounted.

Scenario Analysis Gives a Justified Value of SEK 150

In our main scenario, the company's value amounts to SEK 155 per share. It is a slightly more cautious scenario than the company management's assessment of market growth, market shares, and profitability. It assumes that the company's production will increase from today's 3.7 million engine equivalents to 4.1 million in 2024 and continue with an increase rate of 11 percent until 2030, then halve to five percent.

The Stock is Worth Buying...

The stock's upside/downside in three different scenarios



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

No expectations for growth beyond 2028.

Short-term uncertainty regarding how the end of a high-volume program is received.

Bullish scenario: SEK 180 per share.

Base scenario: SEK 155 per share.

Bearish scenario: SEK 105 per share.

Weighted scenario results in SEK 150 per share.

The company's profitability is expected to increase over the next five years and then decrease as growth slows. A bull scenario imagines a higher valuation at SEK 180 per share, while a bear scenario gives a value of SEK 105 per share, based on lower growth and reduced profitability. A weighted scenario gives a value of SEK 150 per share, where the main scenario is considered highly probable, and the two alternative scenarios are given equal weight.

The stock has an attractive risk-reward ratio of 5:1, with a downside to 105 and upside to 150. A sufficiently large margin of safety with today's stock price against the justified value.

The justified value of SEK 150 per share presents an attractive risk-reward ratio against the current stock price and potential.

The revision of the target price of the stock by SEK 5 to SEK 150 per share from the initiation report earlier in April is a function of a higher dollar exchange rate so far this year.

SinterCast – Financial History and Forecasts

Income Statement (SEK million)

	2017	2018	2019	2020	2021	2022	2023	2024p	2025p	2026p
Revenue	65.6	87.7	116.5	95.4	107.4	118.7	134.5	149.3	161.3	174.7
<i>adjustment</i>	-13%	34%	33%	-18%	13%	11%	13%	11%	8%	8%
Gross Result	50.4	68.7	88.8	68.2	75.9	85.8	98.6	109.9	121.6	134.8
<i>gross margin</i>	77%	78%	76%	71%	71%	72%	73%	74%	75%	77%
Operating Result (ebit)	18.8	30.3	51.1	23.5	30.1	25.7	42.8	47.3	54.1	63.4
<i>operating margin</i>	29%	35%	44%	25%	28%	22%	32%	32%	34%	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
Result Before Income Tax	17.7	29.4	39.9	22.3	29.0	30.3	42.6	47.3	54.2	63.6
Income tax	0.9	3.3	8.3	-0.1	3.9	2.9	-0.4	-9.7	-11.1	-13.0
Result for the Year	18.6	32.7	48.2	22.2	32.9	33.1	42.2	37.7	43.1	50.6

Balance Sheet (SEK million)

	2017	2018	2019	2020	2021	2022	2023	2024p	2025p	2026p
ASSETS										
Cash and Cash Equivalents	30.1	32.8	32.9	26.3	27.5	14.2	12.3	12.9	15.8	18.9
Current Assets	22.5	31.7	38.9	38.6	39.1	54.1	57.7	53.5	53.5	58.2
Non-Current Assets	42.1	45.7	55.8	62.8	64.9	62.2	61.6	53.1	42.8	29.7
TOTAL ASSETS	94.7	110.2	127.6	127.7	131.5	130.5	131.6	119.6	112.1	106.8

Equity & Liabilities

	2017	2018	2019	2020	2021	2022	2023	2024p	2025p	2026p
Equity	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	9.7	2.3	-2.9
Long Term Liabilities	0.0	0.0	1.9	3.2	2.4	1.5	0.4	0.4	0.4	0.3
Total Liabilities	8.9	11.0	15.9	18.9	17.7	18.6	18.4	10.2	2.7	-2.6
TOTAL EQUITY & LIABILITIES	94.7	110.2	127.6	127.7	131.5	130.5	131.6	119.6	112.1	106.8

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	49.4	55.9	65.1
Change in Working Capital	0.0	-6.8	-5.2	-3.3	0.9	-10.2	-3.2	7.5	2.2	-3.1
Cash Flow from Operations	0.0	24.8	37.8	22.1	33.0	25.4	45.5	56.9	58.1	62.0
Financing	0.0	-19.5	-36.5	-25.9	-29.1	-37.1	-41.8	-54.9	-56.3	-60.4
Investments	0.0	-2.6	-1.2	-2.8	-2.7	-1.7	-5.6	-2.0	-1.7	-1.6
TOTAL CASH FLOW	0.0	2.7	0.1	-6.6	1.2	-13.3	-1.9	3.0	3.6	3.1
Number of Employees at the End of the Year	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 analyzed company.

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