

Third Quarter 2025

Lower Production Volume Than Expected

SinterCast reported net sales of SEK 23.5 million for the third quarter of 2025, a decline of nearly 28 percent compared with SEK 32.6 million in the same period last year. Recurring revenues accounted for 87.1 percent (92.3), and operating profit (EBIT) fell to SEK 5.6 million from SEK 13.2 million a year earlier, corresponding to an operating margin of 23.8 percent compared with last year's strong 40.4 percent. Earnings per share amounted to SEK 0.62 (1.45). Production volumes decreased by 23 percent, from 3.5 million engine equivalents (MEV) to 2.7 million. The decline was due to -0.4 million from the previously announced terminated high-volume program and -0.57 million from reduced heavy-vehicle production, in line with Traton's reported lower output in Q3. Positively, car and off-road vehicle production increased by 0.15 million MEV. Operating cash flow amounted to SEK 12.0 million (14.1).

New Direction and Chairman

The quarter was marked by several challenges, including a weaker economic climate in heavy transport, delays in new engine programs in China and Europe, and changing regulatory requirements in the US, resulting in a smaller-than-expected market for fleet renewal. On the positive side, a new Scania program in China reached serial production, and a System 4000 installation was completed at Maringa Soldas in Brazil. Additionally, Ian Kershaw was elected as the new Chairman of the Board at an extraordinary general meeting, signalling a new strategic direction for the company.

The company guides that third-quarter production volumes of 2.7 million MEVs are expected to reach 3.0 million in the fourth quarter. Traton communicates cautious expectations for production volumes, with some recovery potential next year. SinterCast's earlier guidance of reaching five million MEVs by 2026 has been postponed to 2027. However, the company remains confident that, with all major truck manufacturers committed to using CGI in heavy-duty engines, SinterCast will achieve seven million MEVs by 2029.

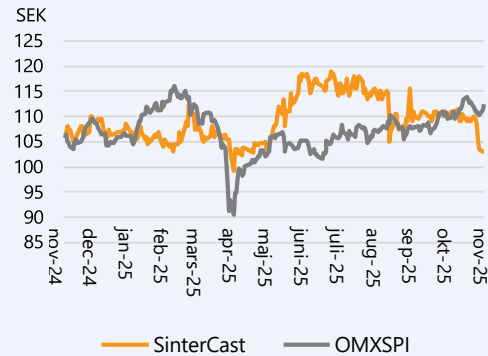
SinterCast shares are currently trading at around 16 times next year's earnings, slightly below the historical average. Not overly demanding, given the strong dividend history and low debt, though near-term risks remain tied to the weak automotive cycle and delays in new customer projects. Following the report, we revise our full-year sales forecast downward by six percent, with the major growth uplift deferred to 2027. Our fair value of SEK 140 per share is based on stable recurring revenues, installations, and the company's confidence that all leading heavy-vehicle manufacturers will adopt CGI technology before the end of the decade. We consider the stock attractive for long-term investors, though the market will likely want to see stabilisation in sales and production volumes first.

SinterCast

Rapportkommentar – tredje kvartalet 2025

Datum	11 november 2025
Analytiker	Philip Wendt
Basfakta	
Bransch	Industri
Styrelseordförande	Ian Kershaw
VD	Steve Dawson
Noteringsår	1993
Listning	Nasdaq OMX Small Cap
Ticker	SINT
Aktiekurs	104,0
Antal aktier, milj.	7,0
Börsvärde, mkr	725
Finansiell nettotillg, mkr	16
Företagsvärde (EV), mkr	709
Motiverat värde	140 kronor
Nästa rapport	17 februari 2026

Kursutveckling senaste året



Källa: Refinitiv

Prognoser & Nyckeltal, MSEK

	2023	2024	2025p	2026p
Omsättning	134,4	135,6	111,7	123,4
Bruttoresultat	98,5	98,3	79,1	87,8
Rörelseres. (ebit)	42,7	43,2	33,1	41,6
Resultat f. skatt	42,5	43,2	33,1	41,6
Årets resultat	45,3	34,3	26,3	33,1
Vinst per aktie	5,94 kr	4,87 kr	3,74 kr	4,70 kr
<u>Utd. per aktie</u>	<u>6,10 kr</u>	<u>7,00 kr</u>	<u>6,25 kr</u>	<u>6,79 kr</u>
Omsättningstillväxt	13,1%	0,9%	-17,6%	10,5%
Bruttomarginal	73,3%	72,5%	70,9%	71,1%
Rörelsemarginal	31,8%	31,9%	29,6%	33,7%
Kassaflöde, verksamh	45,5	59,6	45,9	43,6
<u>Kassaflöde per aktie</u>	<u>6,5</u>	<u>8,5</u>	<u>6,5</u>	<u>6,2</u>
P/e-tal	17,7	22,8	27,6	21,9
EV/ebitda	14,6	16,2	19,3	16,0
EV/omsättning	5,3	5,7	6,4	5,7
Direktavkastning	5,8%	6,3%	6,1%	6,6%

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.

New Chairman with Extensive Experience

Ian Kershaw brings a wealth of curiosity, experience, and energy to the SinterCast boardroom. With 40 years in the international transport and energy industries—including with established names such as Perkins and Rolls-Royce—he has seen it all. He has solved problems, built teams, and gained hands-on knowledge of everything from engine development to innovative sustainability solutions for industrial processes.

For SinterCast, his arrival means there is now someone at the helm who has seen the company's journey from the inside—he was previously a customer and has witnessed how SinterCast's innovation-driven, sustainable CGI material has transformed the engine industry. He understands that technology must solve real-world problems, not just look appealing on paper. His network has been used to drive collaboration and innovation—important assets as SinterCast seeks to grow and reach new markets. Kershaw highlights opportunities to broaden operations within the foundry industry and draws on his experience from developing IQGeo Group Plc, a British software company that provides geospatial network and digitalisation platforms for operators in the telecom, fibre, and power grid sectors.

For shareholders, Kershaw represents a cautiously confident visionary. He focuses on profitability while maintaining a strong sense of sustainability and ethics. With experience in both expansion strategy and technological transitions—and board positions in everything from electric vehicle platforms to green technology—he can help SinterCast take its next step, both as a technology company and as an investment case on the stock market.

In the interim report, the company wrote:

“Building on the successful operation that SinterCast has built over the past 25 years, the Board has initiated a process to explore value-creating opportunities beyond the current organic growth strategy. By leveraging the company's strong balance sheet and cash flows, the addition of a non-organic growth strategy could create further opportunities and strengthen long-term shareholder value. As a complement to current financial targets, a search process has begun to identify potential acquisition opportunities.”

The Company Changes Lane

This means SinterCast is now actively exploring new value-creating opportunities beyond its traditional organic growth and is evaluating potential acquisitions, supported by its strong balance sheet and stable cash flows. For shareholders, this signals that the company is seeking growth beyond what its current operations generate, while management remains focused on maximising shareholder value even in a more challenging market climate. Successful acquisitions could lead to higher valuation multiples and stronger dividend capacity. SinterCast has repurchased 25,233 shares, corresponding to SEK 2.6 million. These are likely to be divested if or when the company initiates an acquisition strategy. The company also has net financial assets of SEK 16 million. With leverage of up to three times operating profit in 2026, SinterCast could borrow an additional SEK 120–130 million.

Ian Kershaw brings extensive experience from the international transport and energy industries

He highlights the development of IQGeo Group as an example of company building in which he has participated

The interim report indicates a new strategic direction for the company

In total, this gives SinterCast financial capacity for acquisitions of up to SEK 150 million. The company could also pay for acquisitions using new shares.

A non-organic growth strategy—considering acquisitions rather than only organic growth—has clear implications for both cash flow and the company's risk profile. Acquisitions typically require significant upfront investments, which directly affect cash flow as capital is used to purchase companies or assets. Although SinterCast currently enjoys strong cash generation from core operations and good liquidity, any acquisition would likely use part of the reserves and reduce cash flow temporarily.

On the risk side, a non-organic strategy increases business risk, as acquisitions may fail to deliver expected profitability or may be poorly integrated. Financial risk could also rise if parts of acquisitions are debt-financed, impacting solvency and potentially increasing capital costs. Overall, this strategy could lead to greater volatility in cash flows—but, if successful, it would enhance long-term strength and diversification.

This strategic shift may bring higher investment costs and short-term risk due to initial outlays and possible integration challenges. Over time, however, successful acquisitions could provide SinterCast with a broader product portfolio, a larger revenue base, and greater resilience against cyclical downturns in its core market.

High Probability of a Lower Dividend Next Year

The third quarter shows that revenue and cash flows declined, but that the company remains financially strong, with a high share of recurring revenue and continued dividend payments—an indication of solid financial discipline and capacity to execute growth initiatives. For shareholders, this new strategic direction increases long-term value creation potential if the company can turn the strategy into profitable deals. However, it also likely means that maintaining or raising the dividend is no longer the top priority.

Shareholding and Ownership Structure

At the end of the third quarter, the company had just over seven million shares outstanding. With a share price of SEK 103, the market capitalisation was SEK 725 million. The stock trades an average of 4,000 shares per day, equivalent to SEK 412,000—significantly lower turnover than comparable industrial shares on the Small Cap list. The shareholder base is estimated at just over 4,000, with individual investors dominating at around 70 percent ownership. The ten largest shareholders control 43 percent, and the top 20 hold a majority of 53 percent. The largest individual shareholders are Ulf Stenbeck, Avanza Pension, and Torbjörn Gustafsson. Swedish investors account for 89 percent of ownership.

We note increased interest from international institutional investors during the year, including Lazard Frères Gestion (France), Discover Capital (Germany), and Storebrand (Norway). Among Swedish institutions, several Wallenberg foundations have also increased their holdings.

Financial capacity of SEK 150 million and a new share issue

Lower profitability and the company's new strategic direction likely imply a reduced ambition for capital distribution

Individual Swedish equity investors dominate

Increased foreign interest in the share

Investment Thesis

SinterCast is a Swedish technology company supplying process control systems to the foundry industry, primarily for the production of engine components in compacted graphite iron (CGI). The company holds a global market share of 60–70 percent within its niche. Its business model is based on equipment sales and recurring revenues from licences and services linked to the volume of produced engine equivalents (MEV). Market growth is expected to stem from an increasing share of heavy-duty engine components made from CGI. The company estimates that today's 40–50 percent share will rise to 80 percent by the end of the decade.

Clear Guidance Reduces Uncertainty

SinterCast has a predictable business model with long-term visibility. Its high equity ratio, low working capital, and minimal investment requirements provide continued ability to return capital to shareholders. If the company achieves its guidance of six million

MEVs annually by the end of 2027 and seven million by 2029, the total return—including share price appreciation, buybacks, and dividends—could exceed 20 percent per year over the next five years. Our fair value in the base scenario is SEK 140 per share.

From today's 2.7 million MEVs, guidance indicates that Traton (mainly MAN and Chinese FAW) will ramp up by one million MEVs annually through the end of 2026. A cyclical recovery could add another 0.3 million MEVs within a year, and 0.5 million more could come from 2027 following Tupy's second-quarter order—believed to be related to Volvo in Brazil and Mexico.

The company had deferred tax assets of SEK 42 million at the beginning of 2025, which stood at SEK 35.9 million after the third quarter. Although the company reports tax, only SEK 0.1 million has been paid year-to-date. Cash flow per share remains strong, allowing a high payout ratio. SinterCast expects to begin paying Swedish corporate tax in the first half of 2028, by which point the

deferred tax asset should be fully utilized if pre-tax profits for this year and the following 2.5 years reach around SEK 200 million. Our forecast is SEK 183 million.

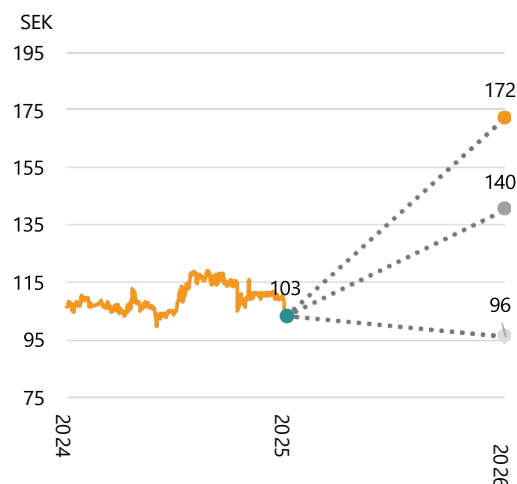
Scenario Analysis – Fair Value of SEK 140 per Share

In our base case scenario, SinterCast's justified value amounts to SEK 140 per share. This assumes production increases from the current 3.0 million MEVs to five million in 2027 and continues to grow to seven million by 2029. In a bull scenario, where management's guidance is fully achieved, the valuation reaches SEK

172 per share. In a bear scenario, based on average market valuations over the past three years, the value is SEK 96 per share. Weighting the scenarios results in a justified value of SEK 140 per share, with the base case seen as the most likely outcome and the bull scenario assigned slightly higher weight than the bear case. At the current share price, the stock offers an attractive risk–reward profile, with downside to SEK 96 and upside to SEK 140, supported by a strong dividend yield. Combined with the company's high revenue base, this provides sufficient margin of safety for long-term investors.

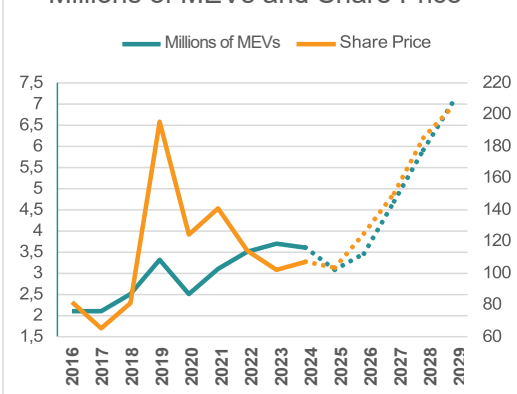
The Stock is Worth Buying...

The stock's upside/downside in three different scenarios

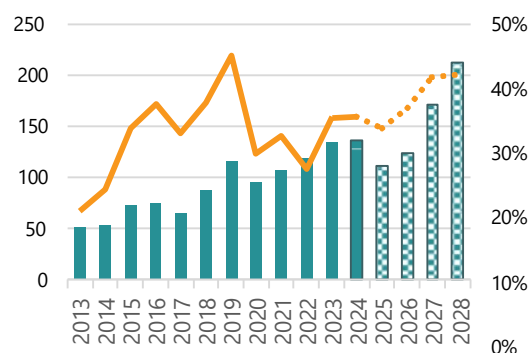


Source: Analysis Guide's bullish, base, and bearish scenarios

Millions of MEVs and Share Price



Revenue and Operating Margin



Bullish scenario: SEK 172 per share

Base scenario: SEK 140 per share

Bearish scenario: SEK 96 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	111,7	123,4	171,5
<i>adjustment</i>	33%	-18%	13%	11%	13%	1%	-18%	11%	39%
Gross Result	88,8	68,2	75,9	85,8	98,5	98,3	79,1	87,8	123,3
<i>gross margin</i>	76%	71%	71%	72%	73%	72%	71%	71%	72%
Operating Result (ebit)	51,1	23,5	30,1	25,7	42,7	43,2	33,1	41,6	67,9
<i>operating margin</i>	44%	25%	28%	22%	32%	32%	30%	34%	40%
<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	33,1	41,6	68,1
Income tax	3,3	8,3	-0,1	3,9	2,9	-8,9	-6,7	-8,5	-13,9
Result for the Year	43,2	30,6	28,9	34,2	45,3	34,3	26,3	33,1	54,2

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	16,8	23,2	35,2
Current Assets	31,7	38,9	38,6	39,1	54,1	57,7	42,4	46,8	62,6
Non-Current Assets	45,7	55,8	62,8	64,9	62,2	61,6	42,1	32,3	17,9
TOTAL ASSETS	110,2	127,6	127,7	131,5	130,5	142,4	101,3	102,3	115,7

Equity & Liabilities

	2019	2020	2021	2022	2023	2024	2025p	2026p	2027p
Equity	99,2	111,7	108,8	113,8	111,9	102,9	94,6	79,8	65,7
Short Term Liabilities	11,0	14,0	15,7	15,3	17,1	21,1	5,9	22,3	49,9
Long Term Liabilities	0,0	1,9	3,2	2,4	1,5	0,4	0,8	0,3	0,3
Total Liabilities	11,0	15,9	18,9	17,7	18,6	21,5	6,8	22,6	50,1
TOTAL EQUITY & LIABILITIES	110,2	127,6	127,7	131,5	130,5	124,4	101,4	102,4	115,8

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	36,8	44,3	70,4
Change in Working Capital	-5,2	-3,3	0,9	-10,2	-3,2	11,6	9,1	-0,7	-2,2
Cash Flow from Operations	37,8	22,1	33,0	25,4	45,5	59,6	45,9	43,6	68,1
Financing	-36,5	-25,9	-29,1	-37,1	-41,8	-47,0	-42,2	-40,9	-65,7
Investments	-1,2	-2,8	-2,7	-1,7	-5,6	-1,8	-3,6	-2,7	-2,4
TOTAL CASH FLOW	0,1	-6,6	1,2	-13,3	-1,9	10,8	-0,5	8,6	18,3

Number of Employees at the End of the Year	23	28	30	32	28	25	26	24	24
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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