

SinterCast

Strong full-year performance, shutdowns in Q4

- 19% sales growth, EBIT -50% (but up 36% FY'19)
- Estimates intact for '20e-'21e, 20% EBIT CAGR '19-'22e
- Long-term dividend potential, 4-5% DY '20e-'22e

Q4 engine equivalent production down due to shutdowns

SinterCast delivered a Q4 report that saw close to 20% growth in both engine equivalents and revenue. However, the 3.1m (-9% vs. ABGSCe 3.4m) in annualised engine equivalents was down from the 3.5m levels in Q3. The q-o-q decline was partly anticipated but the extended year-end shutdowns had a bigger impact than we had expected. EBIT declined by c. 50% in Q4 and was SEK 4m (ABGSCe 11m). If we adjust for certain one-offs related to implementation of new routines, revaluations and credit losses, EBIT would have been ~SEK 9m (-22% vs. ABGSCe). Nevertheless, 2019 as a whole saw EBIT increase by c. 30%, for a margin of 34%. Again, SinterCast paid out close to 100% of net profit. Looking ahead, we note that 2020 should primarily be driven by an expected increase in existing production lines, and to some extent by the ramp-ups at Scania, FAW and potentially WHB in Brazil from H2'20. One should keep in mind that 2019 saw strong growth from the launches of the Cummins 6.7L diesel engine for RAM, the Ford 6.7L diesel engine as well as the 3L Ford F-150 engine.

We remain positive on the long-term growth outlook

We keep our '20e-'21e estimates essentially unchanged despite the lower than expected earnings in Q4'19. Our confidence stems from SinterCast's expected ability to continue its expansion into new production lines, while maintaining a disciplined cost base. For '19-'22e, we expect an 11% CAGR in revenue and a 20% EBIT CAGR.

Long-term dividend valuation range of SEK 173-325

Given SinterCast's history of paying out 100% or more of net profit, we believe one could use a long-term dividend discount model to evaluate the long-term potential. Our valuation approach yields a value per share of SEK 173-325 dependent on the cost of equity. On our estimates, the company is trading at 26x EBIT '20e and 4-5% DY '20e-'22e.

Lead analyst: Karl Bokvist
Edvard Hagman

SEKm	2018	2019	2020e	2021e	2022e
Sales	88	117	133	141	160
EBITDA	32	43	56	61	73
EBITDA margin (%)	36.0	37.2	42.6	43.3	45.9
EBIT adj	29	45	53	57	70
EBIT adj margin (%)	33.5	38.6	39.9	40.7	43.6
Pretax profit	29	40	53	57	70
EPS rep	4.61	6.80	8.02	8.74	10.53
EPS adj	4.61	7.49	8.02	8.74	10.53
Sales growth (%)	33.7	32.8	13.8	6.3	13.3
EPS growth (%)	75.8	47.4	18.0	8.9	20.5

Source: ABG Sundal Collier, Company data

Reason: Post-results comment

Company sponsored research

Not rated

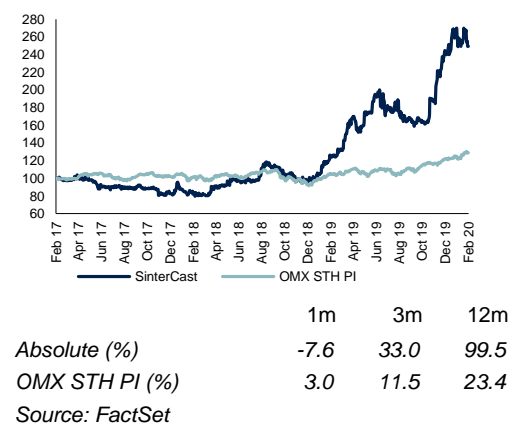
Estimate changes (%)	2020e	2021e	2022e
Sales	4.0%	3.8%	na
EBIT (rep)	0.1%	-2.9%	na
EPS (rep)	1.5%	-0.6%	na

Source: ABG Sundal Collier

Share price (SEK)	23/02/2020	199.5
Capital Goods, Sweden		
SINT.ST/SINT.SS		
MCap (SEKm)		1,416
MCap (EURm)		134.1
Net debt (EURm)		-3
No. of shares (m)		7.1
Free float (%)		100.0
Av. daily volume (k)		40.0

Next event Q1 report: 21 Apr

Performance



	2020e	2021e	2022e
P/E (x)	24.9	22.8	19.0
P/E adj (x)	24.9	22.8	19.0
P/BVPS (x)	11.72	11.25	10.21
EV/EBITDA (x)	24.5	22.6	18.8
EV/EBIT adj (x)	26.1	24.1	19.8
EV/sales (x)	10.42	9.80	8.62
ROE adj (%)	48.9	50.3	56.5
Dividend yield (%)	4.0	4.4	5.3
FCF yield (%)	3.6	4.1	4.8
Lease adj. FCF yld (%)	3.6	4.0	4.7
Net IB debt/EBITDA	-0.6	-0.5	-0.5
Lease adj. ND/EBITDA	-0.6	-0.6	-0.6

Please refer to important disclosures at the end of this report

This research product is commissioned and paid for by the company covered in this report. As such, this report is deemed to constitute an acceptable minor non-monetary benefit (i.e. not investment research) as defined in MiFID II.

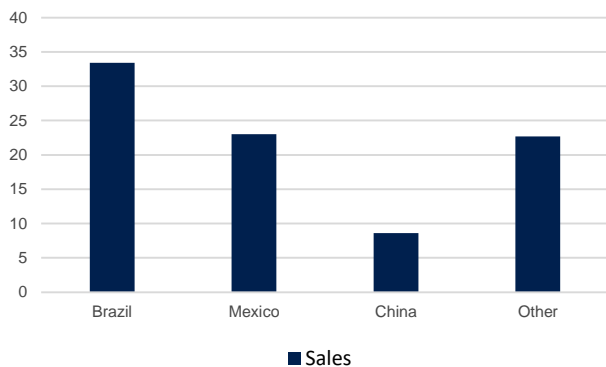
Opportunities

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

Risks

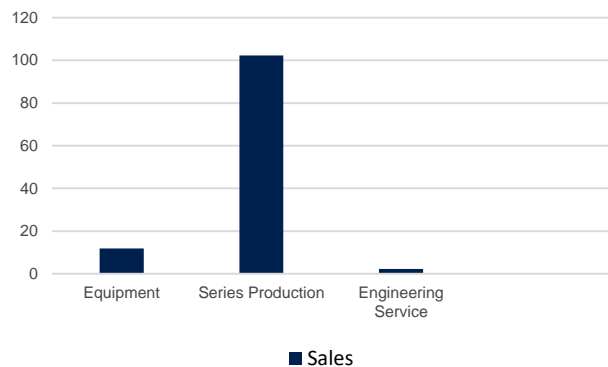
Automotive demand, and more specifically demand for larger passenger vehicles such as SUVs and pick-up trucks with diesel engines. Regulation relating to fossil fuels and diesel in particular poses risks to the business model.

Geographical breakdown, sales, SEKm 2018



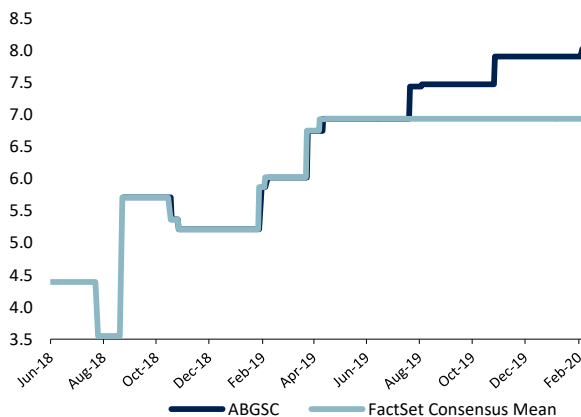
Source: ABG Sundal Collier, Company data

Business area breakdown, sales, SEKm 2019



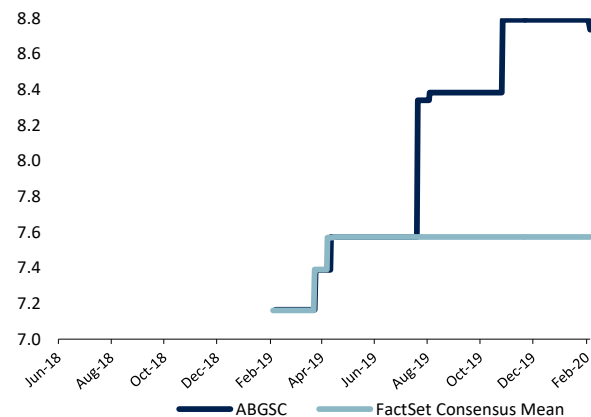
Source: ABG Sundal Collier, Company data

EPS estimate changes, 2020e, SEK



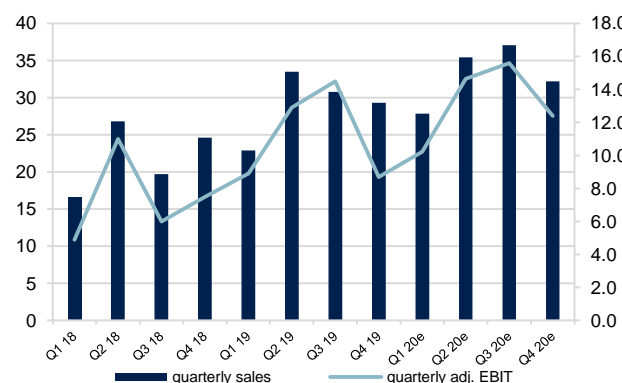
Source: ABG Sundal Collier, FactSet

EPS estimate changes, 2021e, 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.

Q4'19 outcome vs. expectations (SEKm)

	Actual	Actual		ABGSCe	Dev	Dev
Deviation table	Q4'18	Q4'19	y-o-y	Q4'19e	%	SEKm
Revenue	24.6	29.3	19%	28.7	2%	0.6
Gross profit	19.0	20.6	8%	23.0	-10%	-2.4
Opex	-11.5	-16.8	46%	-11.8	42%	-5.0
EBIT	7.5	3.8	-49%	11.2	-66%	-7.4
PTP	7.9	4.2	-47%	11.1	-62%	-6.9
Net profit	10.2	11.6	14%	13.4	-13%	-1.8
Growth and margins	Q4'18	Q4'19	y-o-y	Q4'19e	%	SEKm
Revenue growth	38%	19%		17%	2%	
EBIT growth	39%	-49%		49%	-98%	
Gross margin	77%	70%	-7%	80%	-10%	
EBIT margin	30%	13%	-18%	39%	-26%	
Sales split	Q4'18	Q4'19	y-o-y	Q4'19e	%	SEKm
Equipment	1.7	2.4	41%	2.0	20%	0.4
Series Production	22.3	25.2	13%	26.4	-4%	-1.2
Engineering Service	0.6	1.7	183%	0.3	467%	1.4
Total revenue	24.6	29.3	19%	28.7	2%	0.6
Other metrics	Q4'18	Q4'19	y-o-y	Q4'19e	%	SEKm
Sampling cups	53,800	47,900	-11%	52,000	-8%	-4,100
Annualised engine eq. (mn)	2.60	3.10	19%	3.40	-9%	-0.3

Source: ABG Sundal Collier, company data

Estimate changes

Estimate changes SEKm	Old			New			SEKm			%		
	2019	2020e	2021e	2019	2020e	2021e	2019	2020e	2021e	2019	2020e	2021e
Revenue	115.9	127.5	135.8	116.5	132.6	141.0	0.6	5.1	5.2	1%	4%	4%
Gross profit	91.4	100.9	108.6	89.0	106.5	113.0	-2.4	5.6	4.5	-3%	6%	4%
Opex	-43.9	-48.0	-49.4	-48.9	-53.6	-55.6	-5.0	-5.6	-6.2	11%	12%	12%
EBIT	47.5	52.8	59.1	40.1	52.9	57.4	-7.4	0.0	-1.7	-16%	0%	-3%
PTP	46.8	52.8	59.1	39.9	52.9	57.4	-6.9	0.0	-1.7	-15%	0%	-3%
Net profit	50.0	56.0	62.3	48.2	56.9	61.9	-1.8	0.8	-0.4	-4%	1%	-1%
Growth and margins	2019	2020e	2021e	2019	2020e	2021e	2019	2020e	2021e	2019	2020e	2021e
Revenue growth	32%	10%	7%	33%	14%	6%				1%	4%	0%
EBIT growth	61%	11%	12%	36%	32%	9%				-25%	21%	-3%
Gross margin	79%	79%	80%	76%	80%	80%				-2%	1%	0%
EBIT margin	41%	41%	44%	34%	40%	41%				-7%	-2%	-3%
Sales split	2019	2020e	2021e	2019	2020e	2021e	2019	2020e	2021e	2019	2020e	2021e
Equipment	11.5	14.0	11.0	11.9	16.5	14.0	0.4	2.5	3.0	3%	18%	27%
Series Production	103.5	111.0	121.8	102.3	113.6	124.2	-1.2	2.6	2.4	-1%	2%	2%
Engineering Service	0.9	2.5	3.0	2.3	2.5	2.8	1.4	0.0	-0.3	156%	0%	-8%
Total revenue	115.9	127.5	135.8	116.5	132.6	141.0	0.6	5.1	5.2	1%	4%	4%
Other metrics	2019	2020e	2021e	2019	2020e	2021e	2019	2020e	2021e	2019	2020e	2021e
Sampling cups	193,900	209,000	230,000	189,800	208,000	226,154	-4,100	-1,000	-3,846	-2%	0%	-2%
y-o-y	-2%	8%	10%	-4%	10%	9%				-2%	2%	-1%
Annualised engine eq. (mn)	3.35	3.65	4.00	3.28	3.65	4.00	-0.08	0.00	0.00	-2%	0%	0%
y-o-y	34%	9%	10%	31%	11%	10%				-3%	2%	0%

Source: ABG Sundal Collier, company data

Market leader in an emerging niche

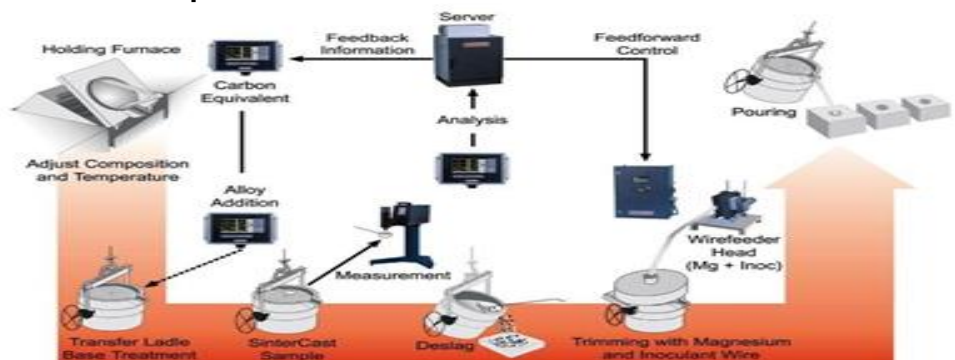
SinterCast is a market-leading supplier of process control technology for production of CGI (Compacted Graphite Iron), a form of cast iron. The material offers at least 75% higher tensile strength, 45% higher stiffness and about double the fatigue strength of grey iron and aluminium. These characteristics make it ideal for engine production and the material is primarily used to produce engine blocks for passenger vehicles and commercial vehicles. This allows for improved performance and durability of the engine as well as lower fuel consumption. This is not just beneficial for the end-customer but also the manufacturer due to a reduction in material costs (less iron). Hence, even though the automotive industry is characterised by price pressure throughout the supply chain, we believe that the added value SinterCast can provide in the form of 1) added product benefits, 2) reduced cost of production inefficiencies and 3) improved tracking allows the company to maintain its value-add price model and mitigate price pressure.

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. Therefore, we believe that the main risk for the company lies within their own product quality. To our understanding, this is an area of key importance to the company where it has invested significant resources in order to make sure that quality defects are virtually zero percent. 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.

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. It then sends data to the system, which interprets the data and determines whether the cask’s properties are good enough. If good, the casting process can proceed. If bad, a wire-feeder 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, 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



Source: ABG Sundal Collier, company data

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

The SinterCast process reduces costs and improves quality control

The business model

SinterCast sells or leases its System 3000, and has recently launched its System 4000. 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 seven 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 wire-feeders 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. SinterCast also offers so-called mini-systems that offer similar capabilities (less features) but with higher mobility due to the system weighing less and being mounted with wheels.

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 in-line diesel engine.

The market & diesel outlook

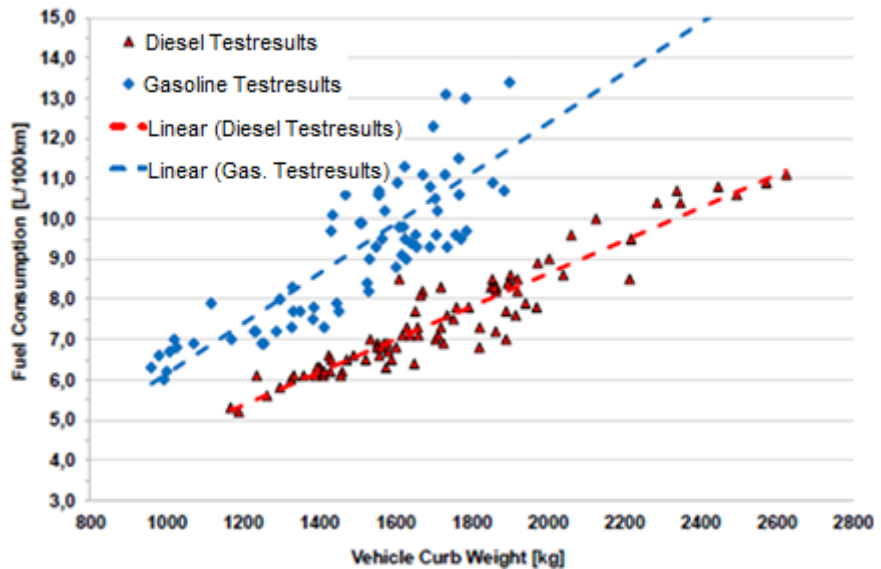
SinterCast's main market is commercial vehicles such as trucks, and passenger vehicles in the upper segment such as SUVs, vans and pick-up trucks. Since CGI engines improve fuel efficiency and reduce weight, bigger cars benefit more from them. This is especially true as these cars, besides volume weight, 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.

In terms of fuel source, 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. Putting it differently, the fuel consumption increases less for a diesel engine compared to a petrol engine as a car's weight increases. 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.

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

The trend is that more companies are introducing CGI engines in their new models. This is because they are more efficient, which is essential in order 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)

What about the threat from hybrids and electric vehicles? 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 3m were electrified cars or hybrids, compared to 19m 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.

Production strategy continues to drive growth

SinterCast's Five Waves strategy was originally introduced in 2002 and was intended to summarise the company's view on the overall market development for CGI volumes. As shown below, we note that the first wave concerning CGI material to V-Diesel engines for passenger vehicles in Europe has been fairly stable over time. However, the main growth drivers for SinterCast have been the successful adoption of CGI materials within Wave 2 (commercial vehicle engines) and Wave 4 (V-Diesel passenger vehicles engines outside of Europe). In addition, CGI material is now present across all five waves, as SinterCast has now started to produce 300,000-engine equivalent worth of CGI material to Wave 3 (in-line passenger vehicle diesel engines).

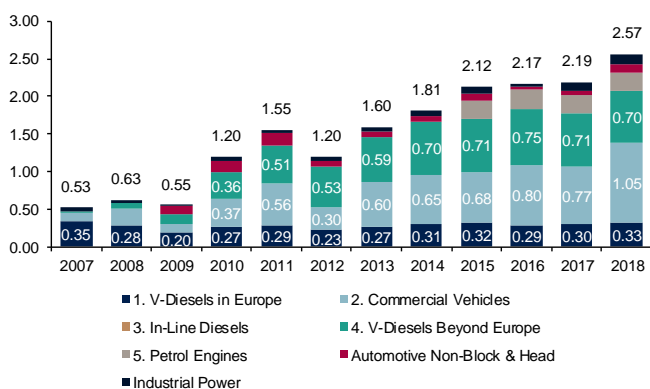
SinterCast's Wave strategy development in annualised year-end production ('000 engine eq)

Wave	Type	Customer(s)	Sintercast component(s)	Annualised year-end production, thousand engine equivalents													
				2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	
1	V-Diesel Passenger Vehicle Engines in Europe	Audi, Ford, Jaguar, Land Rover, Maserati, Porsche, Volkswagen	Cylinder blocks 2.7-4.4 litres	350	280	195	265	290	230	270	310	315	290	300	325		
2	Commercial Vehicle Engines Worldwide	DAF, Ford-Otosan, Hyundai, Jiangling Motors, MAN, Navistar, Scania	Cylinder blocks and heads 3.9-16.4 litres	100	235	105	370	555	300	600	650	680	795	765	1050		
3	In-Line Passenger Vehicle Diesel Engines Worldwide	Cummins turbodiesel in RAM Super Duty	Cummins 6.7 litre	0	0	0	0	0	0	0	0	0	0	0	0	300	
4	V-Diesel Passenger Vehicle Engines Beyond Europe	Ford, Kia, Nissan, RAM	Cylinder blocks 2.7-6.7 litres	25	70	140	360	510	530	590	700	705	750	705	700		
5	Passenger Vehicle Petrol Engines Worldwide	Ford, Lincoln	Cylinder blocks 2.7-3.0 litres	0	0	0	0	0	0	0	0	250	250	240	240		
Other	Automotive Non-Block & Head	Various OEMs+Tier-1, BorgWarner, Honeywell	Exhaust manifolds, turbocharger housings	0	0	100	155	155	90	80	85	85	40	62	110		
Other	Industrial Power	Allen Diesels, Cameron Compression, Caterpillar, Cummins, Deutz, Doosan, Federal Mogul, GE, Jenbacher, MAN, MTU, Waukesha	Agricultural, marine, locomotive, off-road and stationary power	50	40	10	50	40	50	55	60	85	45	120	140		
				525	625	550	1,200	1,550	1,200	1,595	1,805	2,120	2,170	2,192	2,565		

Source: ABG Sundal Collier, company data

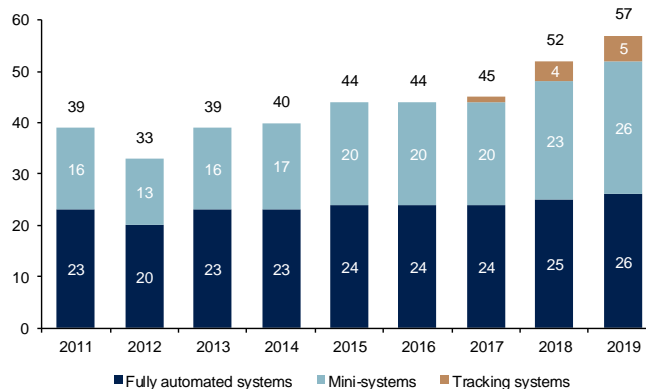
For SinterCast, one of the main growth drivers for licensing revenue and sampling cup deliveries lies in the successful growth in installed systems. We note that over time the installed base of fully automated process control systems has been stable, whereas the growth driver has been an increased use of mini-systems.

Production development by category (annualised million engine equivalents)



Source: ABG Sundal Collier, company data

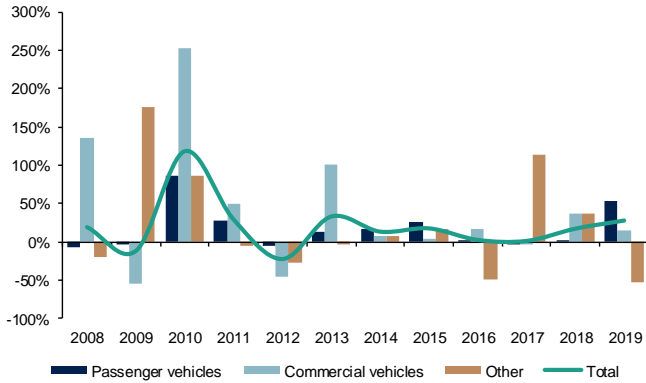
SinterCast's installed systems across 14 countries



Source: ABG Sundal Collier, company data

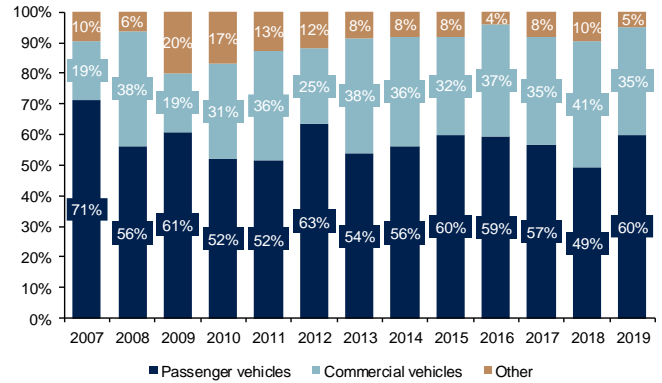
If we revert to the company's production strategy, the key driver has been sales towards the passenger vehicle category, accounting for c. 60% of production in 2019. Growth across these categories has been volatile in nature, and is dependent on how (and if) customers choose to start up new production lines using CGI material.

Production growth across categories



Source: ABG Sundal Collier, company data

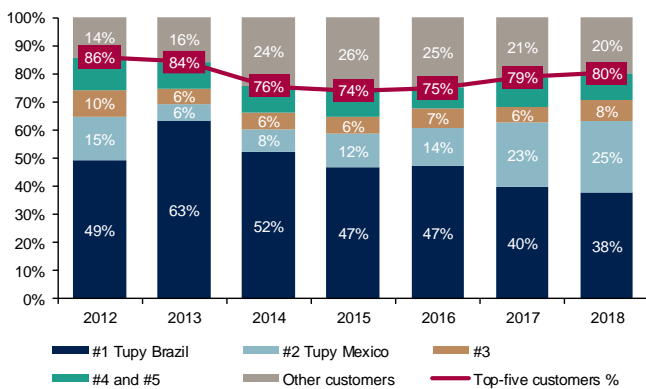
Production split by category



Source: ABG Sundal Collier, company data

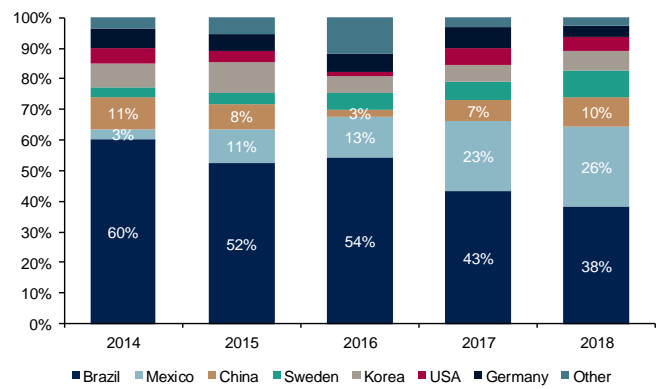
The final end-customers may be diverse but the initial sale of SinterCast products go toward a quite consolidated number of customers. Over time, the top-five customers have accounted for c. 80% of sales; Tupy is the single largest customer (accounting for >50% of SinterCast's sales). Thus, the regional exposure becomes dependent on the location of SinterCast's key customers. Unsurprisingly, the two main regions are Brazil (38%) and Mexico (25-26%), the locations where Tupy's two main foundries are located. In recent times, the corona virus has seen increasing attention due to its impact on global supply chains as well as direct sales into China. SinterCast has not yet seen any impact from the outbreak, but we note that c. 10% of revenues originated from China in 2018.

Sales exposure by customer



Source: ABG Sundal Collier, company data

Sales exposure by country

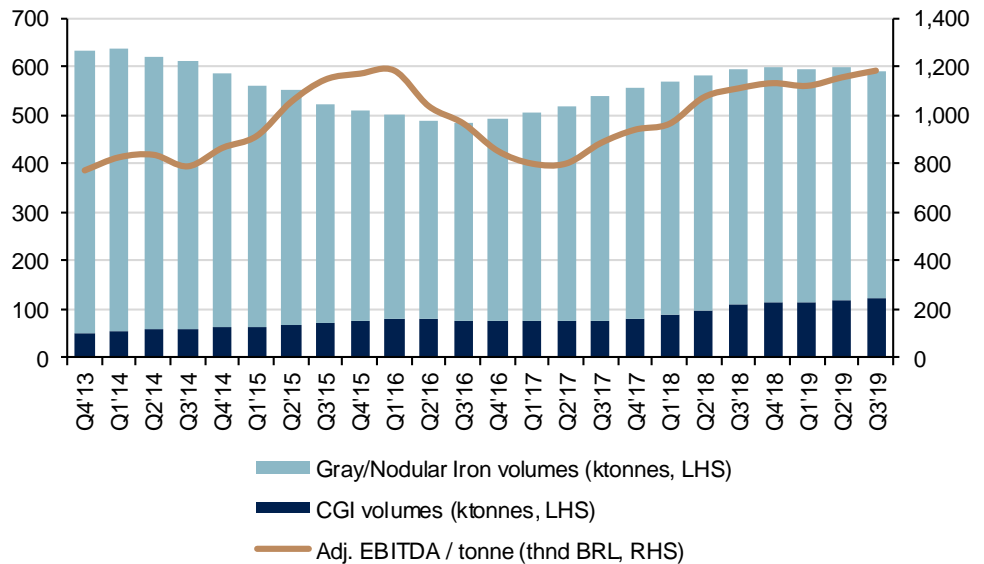


Source: ABG Sundal Collier, company data

Good performance from main customer key for SinterCast

As mentioned above, high customer concentration works both ways – it could become very troublesome if demand starts to weaken but it could also be highly beneficial if the customer performs well. When it comes to SinterCast, we find it comforting that its main customer Tupy seems to deliver growth in both sales (volumes) as well as profit (adj. EBITDA / tonne).

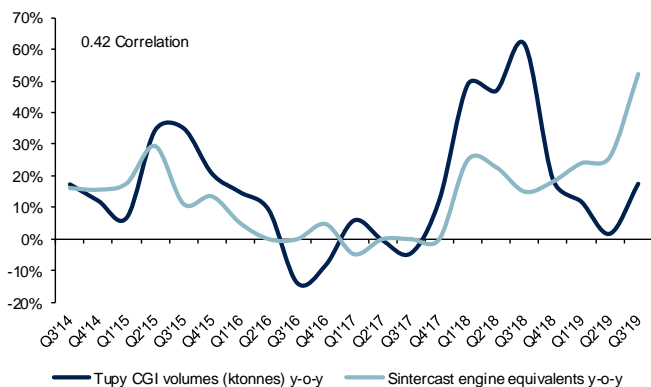
Tupy R12m sales and profitability development



Source: ABG Sundal Collier, Tupy

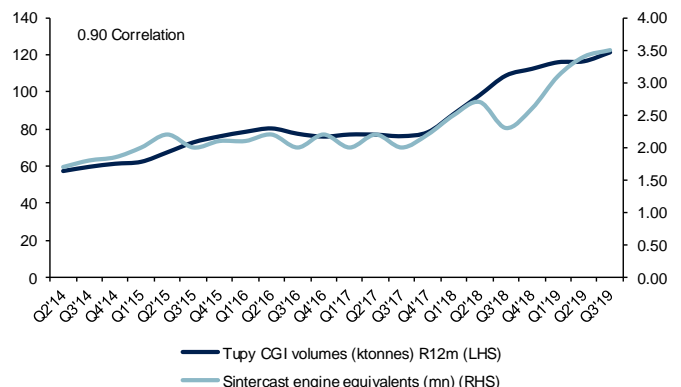
Then again, Tupy not only manufactures products in CGI, but we believe that the mix is beneficial for SinterCast since the share of CGI volumes has steadily increased over time. In Q3'19, the share of CGI in relation to total volumes was 22%, compared to 8% in Q3'13. If we compare Tupy's CGI sales to SinterCast's development in engine equivalents we find that the correlation has been 0.42 when comparing y-o-y development and 0.9 when comparing rolling 12-month volumes to SinterCast's annualised engine equivalent production.

Y-o-y development between Tupy's CGI volumes and SinterCast's engine equivalents



Source: ABG Sundal Collier, company data, Tupy

Correlation between Tupy's CGI volumes and SinterCast's engine equivalents

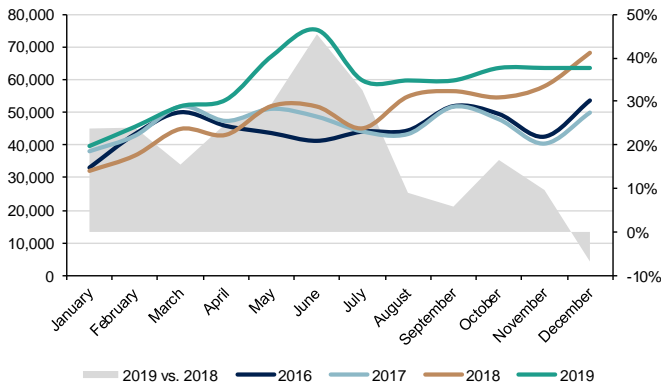


Source: ABG Sundal Collier, company data, Tupy

Slight slowdown lately in relevant vehicle models

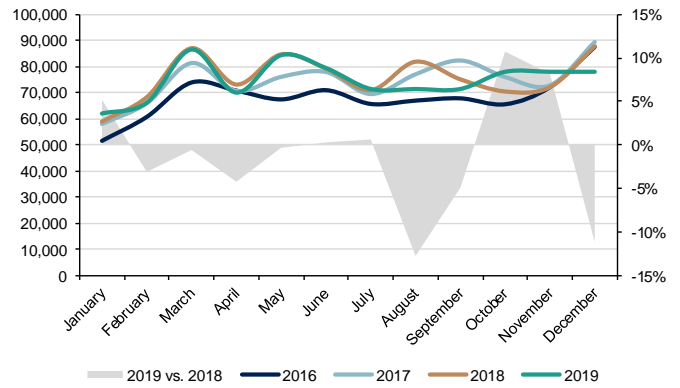
If we look beyond Tupy to the actual vehicles that have engines made of CGI material, we note that high-selling passenger vehicles such as the Ford F-series as well as RAM have both seen increasing demand until lately. When it comes to Scania, it is widely expected that a decline in European truck registration is imminent. On the other hand, the ramp-up from the new Scania foundry should help offset this decline.

RAM monthly US sales (all models)



Source: ABG Sundal Collier, Carsalesbase

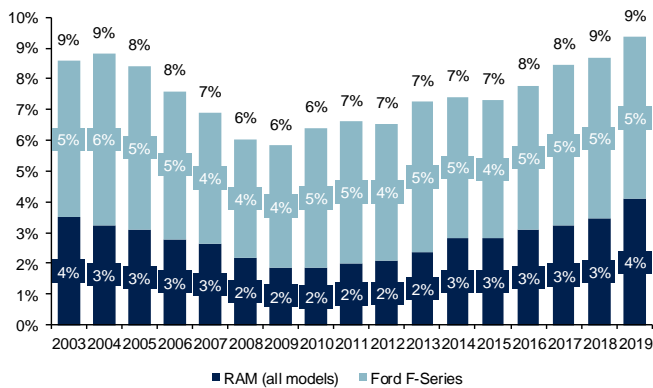
Ford F-Series monthly US sales (all models)



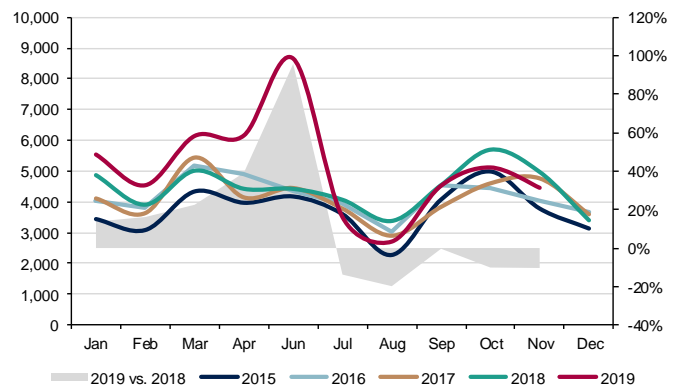
Source: ABG Sundal Collier, Carsalesbase

Even though the general passenger vehicle outlook looks uncertain when listening to industry participants, we believe that the pick-up and SUV categories could continue to outperform the general US market. According to Carsalesbase statistics, this is a trend that we have seen in recent years with both RAM and the Ford F-Series steadily increasing market share over the last years.

Implied market shares of RAM and Ford F-Series Scania truck registrations have started to decline during the second half of 2019



Source: ABG Sundal Collier, Carsalesbase

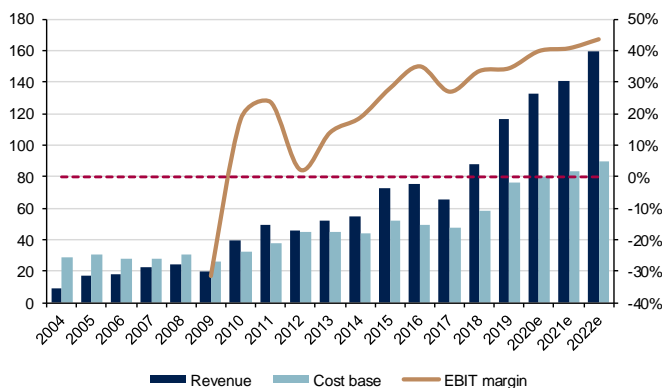


Source: ABG Sundal Collier, Scania

Asset-light business model with high dividend potential

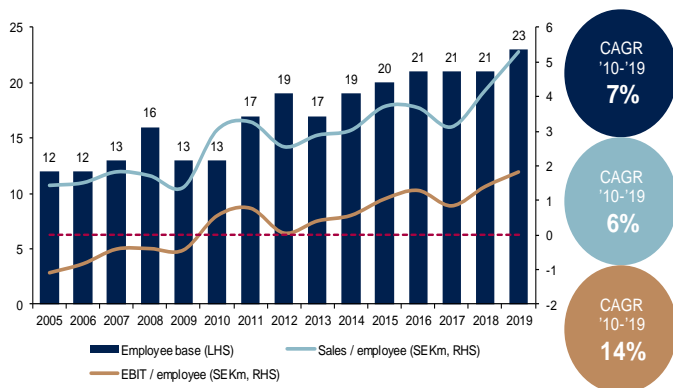
The key idea of obtaining licensing revenue in association with its installed systems as well as a steady stream of high-margin income from the sale of sampling cups (consumables) have allowed SinterCast to achieve high EBIT margins over time. However, the key was to invest initially in order to win the larger customer contracts. Now, the company has been able to capitalise on the successful development in both production of engine equivalents as well as in the sale of sampling cups. Looking at the company's business model from a different perspective, the now 23 employees of SinterCast generated close to SEK 2m per employee in 2019. Since 2010, sales per employee have increased by 6% annually while EBIT per employee increased by 14% annually.

Scalable business model has allowed for revenue to outgrow cost significantly



Source: ABG Sundal Collier, company data

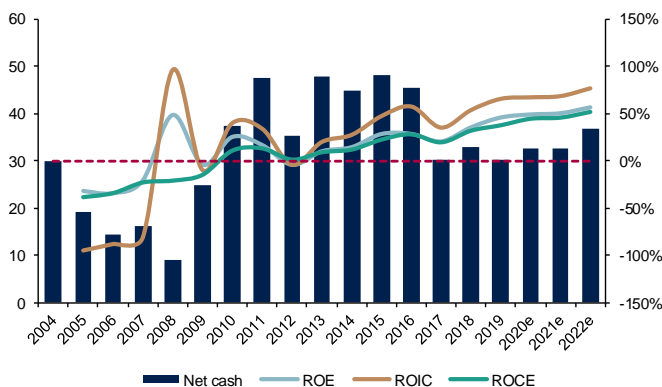
History of net cash, return on capital now above 50%



Source: ABG Sundal Collier, company data

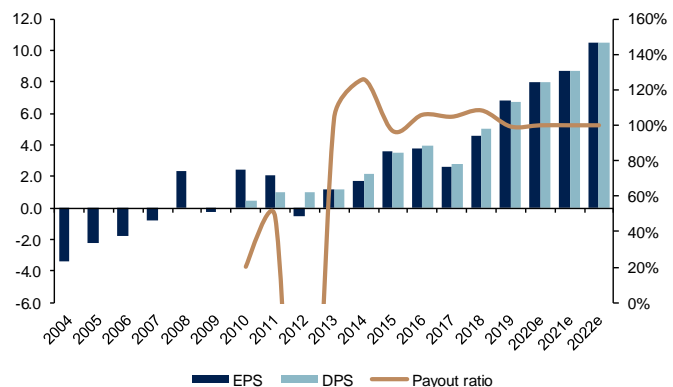
Since the company requires little incremental capital, both EBIT margins and return on capital have steadily increased over time. Turning to the balance sheet, the company has consistently maintained a net cash position, and resorted to capital injection from shareholders rather than taking up new debt. Looking ahead, we believe that SinterCast is in little need of further capital injections and should instead focus on how to direct cash into its profitable operations or repatriate it to shareholders. Again, since the business requires low amounts of incremental capital, we expect to see a payout ratio at least of 100%.

History of net cash, return on capital now above 50%



Source: ABG Sundal Collier, company data

Expect DPS to equal EPS, implying high DPS growth



Source: ABG Sundal Collier, company data

Share price development in line with EPS trajectory

SinterCast's share price has had a strong development lately, which also seems understandable given the high EPS growth the company has delivered lately on a rolling 12-month basis. Looking ahead, we forecast 16% EPS CAGR '19-'22e.

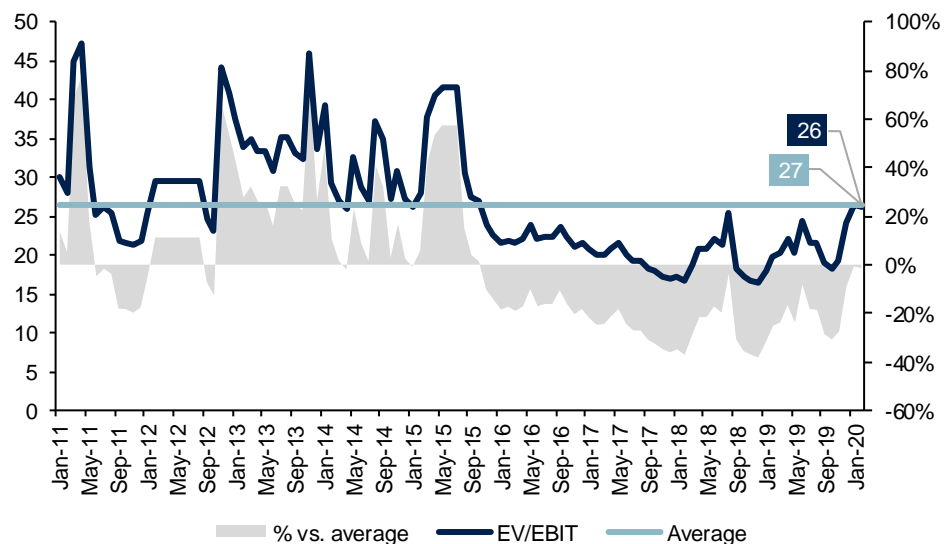
Share price development and SinterCast R12m EPS (SEK)



Source: ABG Sundal Collier, FactSet

On our estimates, the stock is now trading at a forward-looking 12-month EV/EBIT of 26x, which is roughly in line with its historical valuation of 27x.

EV/EBIT f12m vs. historical valuation



Source: ABG Sundal Collier, FactSet

Trading below peers on EV/EBIT, on similar growth

How does SinterCast compare to peers? To begin with, SinterCast has no direct competitor within its field. However, we argue that the company's license-based model and selling of consumables resembles other companies within the medtech and technological space. If we compare SinterCast to a collection of companies within that peer group, we find that the company is trading below peers on an EV/EBIT basis while indexed sales/EBIT growth has been fairly similar. When it comes to profitability, both SinterCast's EBIT margins and ROCE are above peers.

Peer overview

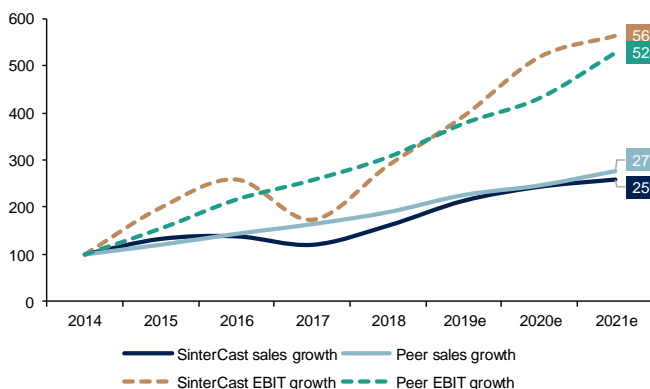
Valuation	Mcap SEKm	EV/Sales			EV/EBIT			P/E			ROCE (%)			DY (%)
		2019e	2020e	2021e	2019e	2020e	2021e	2019e	2020e	2021e	2019e	2020e	2021e	2019e
Biotage	8,385	7.55	6.80	6.05	40.0	34.8	28.0	44.8	42.7	38.0	18.5	19.5	22.1	1.2
Boule Diagnostics*	1,530	2.71	2.98	2.71	19.2	19.4	17.1	36.1	27.8	23.1	18.9	19.8	19.7	0.9
Cellavision	7,430	16.20	12.20	10.34	59.4	44.6	33.9	75.6	59.1	44.2	24.4	26.6	28.4	0.5
CTT Systems*	3,182	6.02	8.58	7.51	17.9	24.7	21.7	23.9	32.4	28.8	47.6	46.7	49.4	4.6
HMS Networks	6,939	4.83	4.65	4.09	29.8	27.3	21.5	33.5	35.3	29.0	16.0	15.9	17.8	1.2
IAR Systems	2,249	5.63	5.05	4.30	21.1	18.0	14.5	28.1	23.8	19.6	15.5	16.6	18.5	2.4
MIPS	6,793	24.57	16.01	12.28	59.9	36.0	27.0	79.0	48.0	36.1	38.3	52.6	55.4	1.1
Vitrolife*	19,344	14.07	11.51	10.50	42.7	34.6	31.4	56.3	46.8	43.2	29.1	26.4	24.7	0.5
Average		10.20	8.47	7.22	36.2	29.9	24.4	47.2	39.5	32.8	26.0	28.0	29.5	1.6
Median		6.78	7.69	6.78	34.9	31.0	24.4	40.5	39.0	32.6	21.6	23.1	23.4	1.2
SinterCast*	1,416	11.61	10.42	9.80	33.7	26.1	24.1	28.7	24.9	22.8	37.5	44.4	45.6	3.5
vs. average		14%	23%	36%	-7%	-13%	-1%	-39%	-37%	-30%	11.5	16.4	16.1	1.9
vs. median		71%	35%	45%	-3%	-16%	-1%	-29%	-36%	-30%	15.9	21.3	22.2	2.3

Performance	Mcap SEKm	Gross margin (%)			EBIT margin (%)			Sales CAGR (%)			EBIT CAGR (%)			ND/EBITDA
		2019e	2020e	2021e	2019e	2020e	2021e	'13-'18	'15-'18	'18-'21e	'13-'18	'15-'18	'18-'21e	2019e
Biotage	8,385	62.2	62.7	63.5	18.9	19.6	21.6	15.4	14.3	13.9	32.8	30.6	19.7	-0.3
Boule Diagnostics*	1,530	45.3	45.9	46.4	14.1	15.4	15.8	8.9	8.6	10.3	-192.2	36.4	18.0	0.4
Cellavision	7,430	72.6	69.4	71.8	27.3	27.3	30.5	15.2	15.1	24.5	33.9	19.5	24.4	0.3
CTT Systems*	3,182	n.a.	n.a.	n.a.	33.7	34.8	34.5	16.0	16.7	9.4	68.2	45.8	16.5	-0.6
HMS Networks	6,939	61.0	61.5	62.8	16.2	17.0	19.0	22.2	24.9	8.1	24.0	35.4	9.5	1.2
IAR Systems	2,249	97.3	97.1	93.7	26.7	28.1	29.6	10.8	7.3	10.4	26.8	11.5	10.0	0.1
MIPS	6,793	74.0	73.0	72.0	41.0	44.5	45.5	n.a.	57.2	39.8	n.a.	218.5	43.5	-1.8
Vitrolife*	19,344	63.4	63.9	63.7	33.0	33.2	33.5	20.5	16.8	14.3	37.4	20.3	13.5	-1.0
Average		68.0	67.6	67.7	26.3	27.5	28.8	15.6	20.1	16.3	4.4	52.2	19.4	-0.2
Median		63.4	63.9	63.7	27.0	27.7	30.1	15.4	15.9	12.2	32.8	33.0	17.2	-0.1
SinterCast*	1,416	76.4	80.3	80.2	34.4	39.9	40.7	11.1	6.6	17.1	32.1	13.1	25.0	-0.7
vs. average		8.4	12.7	12.5	8.1	12.4	12.0	-4.5	-13.5	0.8	27.7	-39.1	5.6	-0.5
vs. median		13.0	16.5	16.5	7.4	12.2	10.7	-4.4	-9.3	5.0	-0.7	-19.9	7.8	-0.6

*ABGSC / Introduce estimates

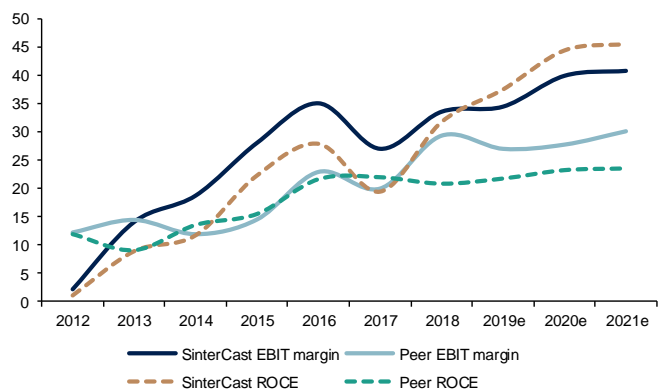
Source: ABG Sundal Collier, company data

Indexed sales/EBIT growth vs. peers



Source: ABG Sundal Collier, company data, FactSet, *ABGSC/Introduce estimates for Boule, CTT and Vitrolife

EBIT margin and ROCE vs. peers



Source: ABG Sundal Collier, company data, FactSet, *ABGSC/Introduce estimates for Boule, CTT and Vitrolife

Long-term valuation potential from high dividend payouts

If we take a more long-term view on SinterCast, we believe that one valuation approach is to look at the company’s long-term dividend payout potential. Dividends have for quite some time accounted for 100% or more of net profit. For valuation purposes, we assume that dividends will equal net profit and that DPS growth should occur in three stages. In stage 1, we have used our current estimates for ‘20e-‘22e. In stage 2, we assume a long-term constant growth rate during 10 years and that the terminal period will occur afterwards (stage 3).

In our example below, we assume 7% DPS CAGR '23-‘32e and a terminal growth rate of 2.5%. The question then becomes what cost of equity is suitable. We believe this is ultimately the decision of the investor, but if we assume 7% DPS CAGR and use a cost of equity between 7% and 11%, we arrive at a value range of SEK 173-325. By comparison, the current share price is SEK 200 (-13% to +63%).

DPS valuation scenario overview

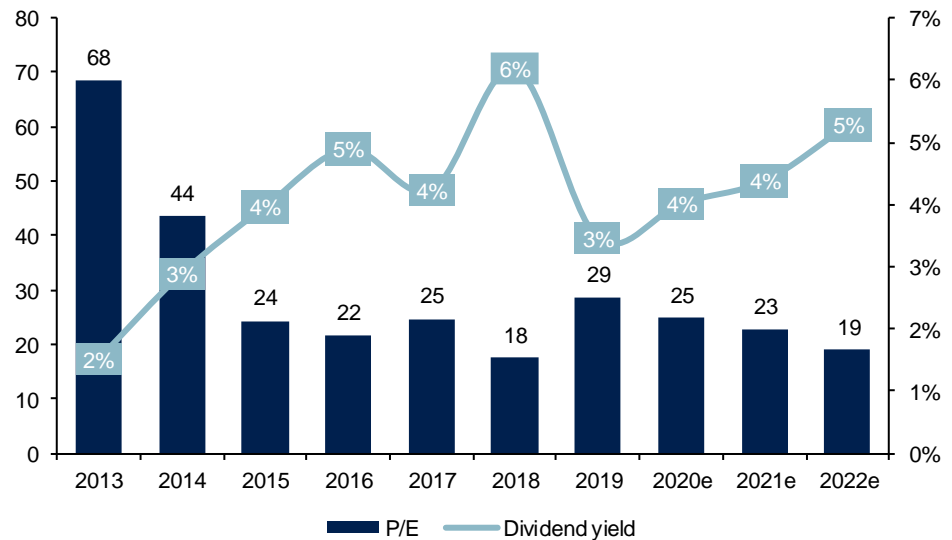
DPS valuation (SEK)	Stage 1						Stage 2										Terminal
	2017	2018	2019	2020e	2021e	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e
DPS	2.8	5.0	6.8	8.0	8.7	10.5	11.3	12.1	12.9	13.8	14.8	15.8	16.9	18.1	19.4	20.7	21.2
y-o-y	-31%	82%	35%	19%	9%	21%	7%	7%	7%	7%	7%	7%	7%	7%	7%	7%	2.5%
Payout ratio	105%	108%	99%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Share price	65	81	195	200	200	200											
Div yield	4%	6%	3%	4%	4%	5%											

Cost of equity	7%	8%	9%	10%	11%
	NPV (Stage 1)	24	23	23	22
NPV (Stage 2)	105	100	95	91	87
NPV (Terminal)	196	142	107	82	64
Value per share	325	265	225	195	173
Current SP	200	200	200	200	200
%	63%	33%	13%	-2%	-13%

Value per share (SEK)	Stage 2 DPS growth (2023e-2032e)									
	2%	3%	4%	5%	6%	7%	8%	9%	10%	
6.0%	286	309	333	360	388	419	453	489	529	
6.5%	253	272	293	315	340	366	395	425	459	
7.0%	227	243	261	281	302	325	349	376	405	
7.5%	206	221	236	253	272	292	313	337	362	
8.0%	189	202	216	231	248	265	284	305	327	
8.5%	175	187	199	213	227	243	260	278	298	
9.0%	163	174	185	197	210	225	240	256	274	
9.5%	153	163	173	184	196	209	223	237	253	
10.0%	144	153	162	173	183	195	208	221	236	

Source: ABG Sundal Collier, company data

Historical P/E and dividend yields



Source: ABG Sundal Collier, company data

Quarterly overview

Quarterly overview	Q1'17	Q2'17	Q3'17	Q4'17	Q1'18	Q2'18	Q3'18	Q4'18	Q1'19	Q2'19	Q3'19	Q4'19	Q1'20e	Q2'20e	Q3'20e	Q4'20e
Revenue	13.9	17.2	16.7	17.8	16.6	26.8	19.7	24.6	22.9	33.5	30.8	29.3	27.9	35.4	37.1	32.2
Gross profit	10.8	13.4	12.7	13.7	13.2	20.9	15.8	19.0	18.4	25.4	24.6	20.6	23.4	28.0	29.0	26.1
SG&A	-6.8	-6.4	-5.8	-6.0	-6.5	-7.2	-6.8	-8.3	-7.8	-9.1	-8.4	-10.9	-9.0	-9.1	-9.2	-9.4
R&D	-1.0	-1.9	-2.1	-2.3	-2.3	-3.0	-2.1	-2.9	-2.2	-2.7	-3.0	-4.1	-4.0	-4.0	-4.0	-4.0
Other opex	-0.2	-0.3	-0.1	0.0	0.5	0.3	-0.9	-0.3	0.5	-0.7	1.3	-1.8	-0.2	-0.2	-0.2	-0.3
EBIT	2.8	4.8	4.7	5.4	4.9	11.0	6.0	7.5	8.9	12.9	14.5	3.8	10.2	14.6	15.6	12.4
Net financials	0.2	-0.2	0.0	0.0	-0.8	-0.6	1.0	0.4	-0.6	0.3	-0.3	0.4	0.0	0.0	0.0	0.0
PTP	3.0	4.6	4.7	5.4	4.1	10.4	7.0	7.9	8.3	13.2	14.2	4.2	10.2	14.6	15.6	12.4
Taxes	0.0	0.9	0.0	0.0	0.0	1.0	0.0	2.3	0.0	0.9	0.0	7.4	0.0	2.0	0.0	2.0
Net profit	3.0	5.5	4.7	5.4	4.1	11.4	7.0	10.2	8.3	14.1	14.2	11.6	10.2	16.6	15.6	14.4
Growth and margins	Q1'17	Q2'17	Q3'17	Q4'17	Q1'18	Q2'18	Q3'18	Q4'18	Q1'19	Q2'19	Q3'19	Q4'19	Q1'20e	Q2'20e	Q3'20e	Q4'20e
Revenue growth	-14%	-6%	-30%	3%	19%	56%	18%	38%	38%	25%	56%	19%	22%	6%	20%	10%
EBIT growth	-39%	-11%	-58%	13%	75%	129%	28%	39%	82%	17%	142%	-49%	15%	14%	8%	226%
Gross margin	78%	78%	76%	77%	80%	78%	80%	77%	80%	76%	80%	70%	84%	79%	78%	81%
EBIT margin	20%	28%	28%	30%	30%	41%	30%	30%	39%	39%	47%	13%	37%	41%	42%	38%
Sales split	Q1'17	Q2'17	Q3'17	Q4'17	Q1'18	Q2'18	Q3'18	Q4'18	Q1'19	Q2'19	Q3'19	Q4'19	Q1'20e	Q2'20e	Q3'20e	Q4'20e
Equipment	0.2	1.2	1.5	0.8	0.1	2.3	0.5	1.7	0.5	6.6	2.4	2.4	2.0	6.0	6.0	2.5
Series Production	13.6	15.8	14.7	16.6	16.5	23.8	18.7	22.3	22.2	26.7	28.2	25.2	25.4	28.8	30.5	28.9
Engineering Service	0.1	0.2	0.5	0.4	0.0	0.7	0.5	0.6	0.2	0.2	0.2	1.7	0.5	0.6	0.6	0.8
Total revenue	13.9	17.2	16.7	17.8	16.6	26.8	19.7	24.6	22.9	33.5	30.8	29.3	27.9	35.4	37.1	32.2
Other metrics	Q1'17	Q2'17	Q3'17	Q4'17	Q1'18	Q2'18	Q3'18	Q4'18	Q1'19	Q2'19	Q3'19	Q4'19	Q1'20e	Q2'20e	Q3'20e	Q4'20e
Sampling cups	28,700	32,900	40,600	42,400	32,500	68,800	42,800	53,800	36,800	49,400	55,700	47,900	40,000	53,000	60,000	55,000
y-o-y	-20%	-30%	-20%	21%	13%	109%	5%	27%	13%	-28%	30%	-11%	9%	7%	8%	15%
Annualised engine eq. (mn)	2.00	2.20	2.00	2.20	2.50	2.70	2.30	2.60	3.10	3.40	3.50	3.10	3.45	3.70	3.80	3.65
y-o-y	-5%	0%	0%	0%	25%	23%	15%	18%	24%	26%	52%	19%	11%	9%	9%	18%
Working capital / sales R12m	13%	17%	25%	21%	16%	24%	20%	24%	24%	29%	25%	22%				
Net debt/cash	-49	-22	-22	-30	-37	-20	-29	-33	-36	-25	-41	-30				
ND/EBITDA	-2.0	-0.9	-1.2	-1.6	-1.7	-0.7	-1.0	-1.0	-1.0	-0.7	-0.9	-0.7				
Equity ratio	90%	88%	90%	91%	89%	88%	91%	90%	86%	88%	90%	88%				
FCF conversion (lease adj.)	95%	85%	81%	71%	83%	68%	95%	68%	59%	65%	68%	74%				
ROCE	25%	30%	20%	19%	21%	33%	32%	32%	33%	37%	42%	38%				

Source: ABG Sundal Collier, company data

Annual overview

Annual overview	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020e	2021e	2022e
Revenue	24.8	20.0	39.4	49.0	45.9	51.9	54.5	72.4	75.4	65.6	87.7	116.5	132.6	141.0	159.7
Gross profit	15.4	13.0	29.2	34.8	32.2	37.3	40.8	55.4	58.8	50.6	68.9	89.0	106.5	113.0	127.2
SG&A	-17.5	-15.3	-16.8	-21.0	-26.2	-24.6	-24.7	-26.4	-25.0	-25.0	-28.8	-36.2	-36.7	-38.1	-39.5
R&D	-3.9	-3.9	-4.5	-4.4	-5.5	-5.8	-6.5	-7.6	-7.9	-7.3	-10.3	-12.0	-16.0	-16.5	-17.0
Other opex	0.3	-0.1	-0.7	2.2	0.5	0.4	0.6	-1.1	0.5	-0.6	-0.4	-0.7	-0.9	-1.0	-1.1
EBIT	-5.7	-6.3	7.2	11.6	1.0	7.3	10.2	20.3	26.4	17.7	29.4	40.1	52.9	57.4	69.6
Net financials	0.3	1.8	1.4	-0.5	1.0	0.2	1.3	4.6	-0.6	0.0	0.0	-0.2	0.0	0.0	0.0
PTP	-5.4	-4.5	8.6	11.1	2.0	7.5	11.5	24.9	25.8	17.7	29.4	39.9	52.9	57.4	69.6
Taxes	18.5	2.7	8.0	3.4	-5.7	0.6	0.9	0.8	1.0	0.9	3.3	8.3	4.0	4.5	5.0
Net profit	13.1	-1.8	16.6	14.5	-3.7	8.1	12.4	25.7	26.8	18.6	32.7	48.2	56.9	61.9	74.6
EPS	2.4	-0.3	2.5	2.1	-0.5	1.2	1.7	3.6	3.8	2.6	4.6	6.8	8.0	8.7	10.5
DPS			0.5	1.0	1.0	1.2	2.2	3.5	4.0	2.8	5.0	6.8	8.0	8.7	10.5
Growth and margins	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020e	2021e	2022e
Revenue growth	9%	-19%	97%	24%	-6%	13%	5%	33%	4%	-13%	34%	33%	14%	6%	13%
EBIT growth	12%	11%	-214%	61%	-91%	630%	40%	99%	30%	-33%	66%	36%	32%	9%	21%
Gross margin	62%	65%	74%	71%	70%	72%	75%	77%	78%	77%	79%	76%	80%	80%	80%
EBIT margin	-23%	-32%	18%	24%	2%	14%	19%	28%	35%	27%	34%	34%	40%	41%	44%
Sales split	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020e	2021e	2022e
Equipment	5.8	2.6	6.8	7.9	9.0	10.1	4.9	7.7	7.1	3.7	4.6	11.9	16.5	14.0	15.0
Series Production	17.1	15.6	30.9	39.0	35.8	44.1	47.8	63.6	66.4	60.7	81.3	102.3	113.6	124.2	141.7
Engineering Service	1.9	1.8	1.7	2.0	1.0	1.5	1.8	1.1	1.8	1.2	1.8	2.3	2.5	2.8	3.0
Total revenue	24.8	20.0	39.4	48.9	45.8	55.7	54.5	72.4	75.3	65.6	87.7	116.5	132.6	141.0	159.7
Other metrics	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020e	2021e	2022e
Sampling cups	57,600	54,600	102,650	138,200	102,400	118,500	133,000	153,000	168,800	144,600	197,900	189,800	208,000	226,154	252,270
y-o-y		-5%	88%	35%	-26%	16%	12%	15%	10%	-14%	37%	-4%	10%	9%	12%
Annualised engine eq. (mn)	0.55	1.04	1.41	1.35	1.50	1.76	2.08	2.13	2.10	2.50	3.28	3.65	4.00	4.00	4.60
y-o-y		n.a.	89%	36%	-4%	11%	18%	2%	-1%	19%	31%	11%	10%	15%	
Working capital / sales	11%	5%	29%	20%	24%	9%	18%	13%	16%	21%	24%	22%	22%	22%	22%
Net debt/cash	-9	-25	-37	-48	-35	-48	-45	-48	-45	-30	-33	-30	-33	-32	-37
ND/EBITDA	2.0	5.2	-4.7	-3.7	-17.7	-5.9	-4.1	-2.3	-1.7	-1.6	-1.0	-0.7	-0.6	-0.5	-0.5
Equity ratio	84%	85%	89%	93%	94%	89%	91%	88%	89%	91%	90%	88%	87%	87%	87%
FCF conversion (lease adj.)	-56%	306%	15%	97%	8%	170%	44%	73%	82%	71%	68%	74%	89%	91%	89%
ROCE	-21%	-15%	11%	13%	1%	9%	12%	22%	28%	19%	32%	38%	44%	46%	52%
Payout ratio			20%	48%	-189%	104%	126%	97%	106%	105%	108%	99%	100%	100%	100%

Source: ABG Sundal Collier, company data

Income Statement (SEKm)	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020e	Q2 2020e	Q3 2020e	Q4 2020e
Sales	23	34	31	29	28	35	37	32
COGS	-5	-8	-6	-9	-4	-7	-8	-6
Gross profit	18	25	25	21	23	28	29	26
Other operating items	-9	-12	-9	-16	-12	-12	-13	-13
EBITDA	10	13	16	5	11	16	16	13
Depreciation and amortisation	-1	-0	-1	-1	-1	-1	-1	-1
EBITA	9	13	15	4	10	15	16	12
EO items	0	0	0	-5	0	0	0	0
Impairment and PPA amortisation	0	0	0	0	0	0	0	0
EBIT	9	13	15	4	10	15	16	12
Net financial items	-1	0	-0	0	0	0	0	0
Pretax profit	8	13	14	4	10	15	16	12
Tax	0	1	0	7	0	2	0	2
Net profit	8	14	14	12	10	17	16	14
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	8	14	14	12	10	17	16	14
EPS	1.17	1.99	2.00	1.64	1.44	2.35	2.20	2.03
EPS Adj	1.17	1.99	2.00	2.33	1.44	2.35	2.20	2.03
Total extraordinary items after tax	0	0	0	-5	0	0	0	0
Tax rate (%)	0	6.8	0	176.2	0	13.7	0	16.1
Gross margin (%)	80.3	75.8	79.9	70.3	83.9	78.9	78.3	81.1
EBITDA margin (%)	41.5	39.7	51.6	15.7	39.9	43.9	44.5	41.3
EBITA margin (%)	38.9	38.5	47.1	13.0	36.7	41.3	42.1	38.5
EBIT margin (%)	38.9	38.5	47.1	13.0	36.7	41.3	42.1	38.5
Pretax margin (%)	36.2	39.4	46.1	14.3	36.7	41.3	42.1	38.5
Net margin (%)	36.2	42.1	46.1	39.6	36.7	47.0	42.1	44.7
Growth rates Y/Y	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020e	Q2 2020e	Q3 2020e	Q4 2020e
Sales growth (%)	38.0	25.0	56.3	19.1	21.7	5.8	20.4	10.0
EBITDA growth (%)	72.7	15.7	148.4	-42.5	17.0	16.9	3.8	189.2
EBIT growth (%)	81.6	17.3	141.7	-49.3	14.8	13.6	7.6	226.4
Net profit growth (%)	102.4	23.7	102.9	13.7	23.1	18.1	9.8	24.2
EPS growth (%)	102.4	23.7	102.9	13.7	23.1	18.1	9.8	24.2
Adj earnings numbers	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020e	Q2 2020e	Q3 2020e	Q4 2020e
EBITDA Adj	10	13	16	10	11	16	16	13
EBITDA Adj margin (%)	41.5	39.7	51.6	32.4	39.9	43.9	44.5	41.3
EBITA Adj	9	13	15	9	10	15	16	12
EBITA Adj margin (%)	38.9	38.5	47.1	29.7	36.7	41.3	42.1	38.5
EBIT Adj	9	13	15	9	10	15	16	12
EBIT Adj margin (%)	38.9	38.5	47.1	29.7	36.7	41.3	42.1	38.5
Pretax profit Adj	8	13	14	9	10	15	16	12
Net profit Adj	8	14	14	17	10	17	16	14
Net profit to shareholders Adj	8	14	14	17	10	17	16	14
Net Adj margin (%)	36.2	42.1	46.1	56.3	36.7	47.0	42.1	44.7

Source: ABG Sundal Collier, Company data

Income Statement (SEKm)	2013	2014	2015	2016	2017	2018	2019	2020e	2021e	2022e
Sales	52	55	72	75	66	88	117	133	141	160
COGS	-15	-14	-17	-17	-15	-19	-28	-26	-28	-32
Gross profit	37	41	55	59	51	69	89	107	113	127
Other operating items	-29	-30	-34	-31	-31	-37	-46	-50	-52	-54
EBITDA	8	11	21	27	19	32	43	56	61	73
Depreciation and amortisation	-1	-1	-1	-1	-2	-2	-3	-4	-4	-4
Of which leasing depreciation	0	0	0	0	0	0	-1	-1	-1	-1
EBITA	7	10	20	26	18	29	40	53	57	70
EO items	0	0	0	0	0	0	-5	0	0	0
Impairment and PPA amortisation	0	0	0	0	0	0	0	0	0	0
EBIT	7	10	20	26	18	29	40	53	57	70
Net financial items	0	1	5	-1	0	0	-0	0	0	0
Pretax profit	8	12	25	26	18	29	40	53	57	70
Tax	1	1	1	1	1	3	8	4	5	5
Net profit	8	12	26	27	19	33	48	57	62	75
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	8	12	26	27	19	33	48	57	62	75
EPS	1.15	1.75	3.62	3.78	2.62	4.61	6.80	8.02	8.74	10.53
<i>EPS Adj</i>	<i>1.15</i>	<i>1.75</i>	<i>3.62</i>	<i>3.78</i>	<i>2.62</i>	<i>4.61</i>	<i>7.49</i>	<i>8.02</i>	<i>8.74</i>	<i>10.53</i>
Total extraordinary items after tax	0	0	0	0	0	0	-5	0	0	0
Leasing payments	0	0	0	0	0	0	-1	-1	-1	-1
<i>Tax rate (%)</i>	<i>8.0</i>	<i>7.8</i>	<i>3.2</i>	<i>3.9</i>	<i>5.1</i>	<i>11.2</i>	<i>20.8</i>	<i>7.6</i>	<i>7.8</i>	<i>7.2</i>
<i>Gross margin (%)</i>	<i>71.9</i>	<i>74.9</i>	<i>76.5</i>	<i>78.0</i>	<i>77.1</i>	<i>78.6</i>	<i>76.4</i>	<i>80.3</i>	<i>80.2</i>	<i>79.7</i>
<i>EBITDA margin (%)</i>	<i>15.6</i>	<i>20.2</i>	<i>29.1</i>	<i>36.3</i>	<i>29.3</i>	<i>36.0</i>	<i>37.2</i>	<i>42.6</i>	<i>43.3</i>	<i>45.9</i>
<i>EBITA margin (%)</i>	<i>14.1</i>	<i>18.7</i>	<i>28.0</i>	<i>35.0</i>	<i>27.0</i>	<i>33.5</i>	<i>34.4</i>	<i>39.9</i>	<i>40.7</i>	<i>43.6</i>
<i>EBIT margin (%)</i>	<i>14.1</i>	<i>18.7</i>	<i>28.0</i>	<i>35.0</i>	<i>27.0</i>	<i>33.5</i>	<i>34.4</i>	<i>39.9</i>	<i>40.7</i>	<i>43.6</i>
<i>Pretax margin (%)</i>	<i>14.5</i>	<i>21.1</i>	<i>34.4</i>	<i>34.2</i>	<i>27.0</i>	<i>33.5</i>	<i>34.2</i>	<i>39.9</i>	<i>40.7</i>	<i>43.6</i>
<i>Net margin (%)</i>	<i>15.6</i>	<i>22.8</i>	<i>35.5</i>	<i>35.5</i>	<i>28.4</i>	<i>37.3</i>	<i>41.4</i>	<i>42.9</i>	<i>43.9</i>	<i>46.7</i>
Growth rates Y/Y	2013	2014	2015	2016	2017	2018	2019	2020e	2021e	2022e
<i>Sales growth (%)</i>	<i>13.1</i>	<i>5.0</i>	<i>32.8</i>	<i>4.1</i>	<i>-13.0</i>	<i>33.7</i>	<i>32.8</i>	<i>13.8</i>	<i>6.3</i>	<i>13.3</i>
<i>EBITDA growth (%)</i>	<i>305.0</i>	<i>35.8</i>	<i>91.8</i>	<i>29.9</i>	<i>-29.9</i>	<i>64.6</i>	<i>37.0</i>	<i>30.4</i>	<i>8.2</i>	<i>20.1</i>
<i>EBIT growth (%)</i>	<i>630.0</i>	<i>39.7</i>	<i>99.0</i>	<i>30.0</i>	<i>-33.0</i>	<i>66.1</i>	<i>36.4</i>	<i>31.8</i>	<i>8.6</i>	<i>21.2</i>
<i>Net profit growth (%)</i>	<i>318.9</i>	<i>53.1</i>	<i>107.3</i>	<i>4.3</i>	<i>-30.6</i>	<i>75.8</i>	<i>47.4</i>	<i>18.0</i>	<i>8.9</i>	<i>20.5</i>
<i>EPS growth (%)</i>	<i>317.6</i>	<i>51.3</i>	<i>107.3</i>	<i>4.3</i>	<i>-30.5</i>	<i>75.8</i>	<i>47.4</i>	<i>18.0</i>	<i>8.9</i>	<i>20.5</i>
Profitability	2013	2014	2015	2016	2017	2018	2019	2020e	2021e	2022e
<i>ROE (%)</i>	<i>10.0</i>	<i>14.3</i>	<i>28.3</i>	<i>28.4</i>	<i>20.5</i>	<i>35.4</i>	<i>45.7</i>	<i>48.9</i>	<i>50.3</i>	<i>56.5</i>
<i>ROE Adj (%)</i>	<i>10.0</i>	<i>14.3</i>	<i>28.3</i>	<i>28.4</i>	<i>20.5</i>	<i>35.4</i>	<i>50.4</i>	<i>48.9</i>	<i>50.3</i>	<i>56.5</i>
<i>ROCE (%)</i>	<i>9.0</i>	<i>11.8</i>	<i>22.4</i>	<i>27.9</i>	<i>19.5</i>	<i>31.8</i>	<i>37.5</i>	<i>44.4</i>	<i>45.6</i>	<i>51.6</i>
<i>ROCE Adj(%)</i>	<i>9.0</i>	<i>11.8</i>	<i>22.4</i>	<i>27.9</i>	<i>19.5</i>	<i>31.8</i>	<i>42.1</i>	<i>44.4</i>	<i>45.6</i>	<i>51.6</i>
<i>ROIC (%)</i>	<i>19.9</i>	<i>27.4</i>	<i>47.2</i>	<i>57.3</i>	<i>35.2</i>	<i>53.9</i>	<i>65.8</i>	<i>67.4</i>	<i>68.6</i>	<i>76.9</i>
<i>ROIC Adj (%)</i>	<i>19.9</i>	<i>27.4</i>	<i>47.2</i>	<i>57.3</i>	<i>35.2</i>	<i>53.9</i>	<i>73.9</i>	<i>67.4</i>	<i>68.6</i>	<i>76.9</i>
Adj earnings numbers	2013	2014	2015	2016	2017	2018	2019	2020e	2021e	2022e
EBITDA Adj	8	11	21	27	19	32	48	56	61	73
<i>EBITDA Adj margin (%)</i>	<i>15.6</i>	<i>20.2</i>	<i>29.1</i>	<i>36.3</i>	<i>29.3</i>	<i>36.0</i>	<i>41.4</i>	<i>42.6</i>	<i>43.3</i>	<i>45.9</i>
EBITDA lease Adj	8	11	21	27	19	32	47	55	60	72
<i>EBITDA lease Adj margin (%)</i>	<i>15.6</i>	<i>20.2</i>	<i>29.1</i>	<i>36.3</i>	<i>29.3</i>	<i>36.0</i>	<i>40.5</i>	<i>41.8</i>	<i>42.5</i>	<i>45.1</i>
EBITA Adj	7	10	20	26	18	29	45	53	57	70
<i>EBITA Adj margin (%)</i>	<i>14.1</i>	<i>18.7</i>	<i>28.0</i>	<i>35.0</i>	<i>27.0</i>	<i>33.5</i>	<i>38.6</i>	<i>39.9</i>	<i>40.7</i>	<i>43.6</i>
EBIT Adj	7	10	20	26	18	29	45	53	57	70
<i>EBIT Adj margin (%)</i>	<i>14.1</i>	<i>18.7</i>	<i>28.0</i>	<i>35.0</i>	<i>27.0</i>	<i>33.5</i>	<i>38.6</i>	<i>39.9</i>	<i>40.7</i>	<i>43.6</i>
Pretax profit Adj	8	12	25	26	18	29	45	53	57	70
Net profit Adj	8	12	26	27	19	33	53	57	62	75
Net profit to shareholders Adj	8	12	26	27	19	33	53	57	62	75
Net Adj margin (%)	15.6	22.8	35.5	35.5	28.4	37.3	45.6	42.9	43.9	46.7

Source: ABG Sundal Collier, Company data

Cash Flow Statement (SEK m)	2013	2014	2015	2016	2017	2018	2019	2020e	2021e	2022e
EBITDA	8	11	21	27	19	32	43	56	61	73
Net financial items	0	1	5	-1	0	0	-0	0	0	0
Paid tax	0	-0	-0	0	-0	0	0	0	0	0
Non-cash items	0	0	0	0	0	0	0	0	0	0
Cash flow before change in WC	8	12	26	27	19	32	43	56	61	73
Change in WC	6	-5	0	-2	-2	-7	-5	-4	-2	-4
Operating cash flow	14	7	20	25	17	25	38	53	59	69
CAPEX tangible fixed assets	-0	-0	-0	-1	-0	-1	-1	-1	-1	-1
CAPEX intangible fixed assets	-0	-1	-2	-2	-3	-2	-1	-1	-1	-1
Acquisitions and disposals	0	0	0	0	0	0	0	0	0	0
Free cash flow	14	5	19	22	13	22	37	52	58	68
Dividend paid	-7	-9	-16	-25	-28	-19	-35	-48	-57	-62
Share issues and buybacks	6	0	0	0	0	0	0	0	0	0
Lease liability amortisation	0	0	0	0	0	0	-1	-1	-1	-1
Other non cash items	0	0	-0	0	0	-0	-3	0	0	0
Decrease in net IB debt	12	-3	3	-3	-15	3	-3	3	-0	4
Balance Sheet (SEK m)	2013	2014	2015	2016	2017	2018	2019	2020e	2021e	2022e
Goodwill	0	0	0	0	0	0	0	0	0	0
Other intangible assets	2	2	4	5	8	8	7	6	4	3
Tangible fixed assets	2	2	2	2	2	2	2	2	1	1
Right-of-use asset	0	0	0	0	0	0	3	3	3	4
Total other fixed assets	29	30	30	32	33	36	45	49	53	58
Fixed assets	32	34	36	39	42	46	56	59	62	66
Inventories	4	4	4	4	4	7	8	10	10	12
Receivables	11	15	18	19	18	25	31	35	37	42
Other current assets	0	0	0	0	0	0	0	0	0	0
Cash and liquid assets	48	45	48	45	30	33	33	36	35	40
Total assets	95	97	106	108	95	110	128	138	144	159
Shareholders equity	85	88	93	96	86	99	112	121	126	138
Minority	0	0	0	0	0	0	0	0	0	0
Total equity	85	88	93	96	86	99	112	121	126	138
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
Leasing liability	0	0	0	0	0	0	3	3	3	3
Total 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	10	8	13	12	9	11	13	15	16	18
Other current liabilities	0	0	0	0	0	0	0	0	0	0
Total liabilities and equity	95	97	106	108	95	110	128	138	144	159
Net IB debt	-48	-45	-48	-45	-31	-33	-31	-33	-33	-37
Net IB debt excl. pension debt	-48	-45	-48	-45	-31	-33	-31	-33	-33	-37
Net IB debt excl. leasing	-48	-45	-48	-45	-31	-33	-33	-36	-36	-40
Capital invested	37	44	45	51	55	66	81	88	93	101
Working capital	5	10	10	12	14	21	26	29	31	35
EV breakdown	2013	2014	2015	2016	2017	2018	2019	2020e	2021e	2022e
Market cap. diluted (m)	554	540	627	580	461	573	1,383	1,414	1,414	1,414
Net IB debt Adj	-48	-45	-48	-45	-31	-33	-31	-33	-33	-37
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	506	495	579	535	430	540	1,352	1,381	1,382	1,377
Capital efficiency	2013	2014	2015	2016	2017	2018	2019	2020e	2021e	2022e
Total assets turnover (%)	58.4	56.9	71.3	70.5	64.9	85.6	98.0	99.7	99.7	105.2
Working capital/sales (%)	15.1	13.3	13.4	14.1	19.3	19.6	20.0	20.8	21.5	20.8
Financial risk and debt service	2013	2014	2015	2016	2017	2018	2019	2020e	2021e	2022e
Net debt/equity	-0.56	-0.51	-0.52	-0.47	-0.36	-0.33	-0.27	-0.27	-0.26	-0.27
Net debt/market cap	-0.10	-0.08	-0.08	-0.08	-0.06	-0.06	-0.03	-0.02	-0.02	-0.03
Equity ratio (%)	89.3	91.3	87.6	89.1	90.6	90.0	87.5	87.2	87.1	87.0
Net IB debt adj./equity	-0.56	-0.51	-0.52	-0.47	-0.36	-0.33	-0.27	-0.27	-0.26	-0.27
Current ratio	6.20	7.51	5.36	5.87	5.91	5.86	5.13	5.05	4.92	4.93
EBITDA/net interest	-40.50	-8.46	-4.59	45.67	high	high	216.50	high	high	high
Net IB debt/EBITDA	-5.90	-4.08	-2.27	-1.65	-1.59	-1.05	-0.70	-0.59	-0.54	-0.51
Net IB debt/EBITDA lease Adj	-5.90	-4.08	-2.27	-1.65	-1.59	-1.05	-0.71	-0.65	-0.60	-0.56
Interest cover	-36.50	-7.85	-4.41	44.00	nm	nm	200.50	nm	nm	nm

Source: ABG Sundal Collier, Company data

Valuation and Ratios (SEKm)	2013	2014	2015	2016	2017	2018	2019	2020e	2021e	2022e
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	1.15	1.75	3.62	3.78	2.62	4.61	6.80	8.02	8.74	10.53
Dividend per share Adj	1.2	2.2	3.5	4.0	2.8	5.0	6.8	8.0	8.7	10.5
EPS Adj	1.15	1.75	3.62	3.78	2.62	4.61	7.49	8.02	8.74	10.53
BVPS	12.07	12.45	13.13	13.50	12.10	13.99	15.75	17.02	17.74	19.53
BVPS Adj	11.84	12.11	12.62	12.77	11.02	12.92	14.81	16.24	17.11	19.06
Net IB debt / share	-6.8	-6.3	-6.8	-6.4	-4.3	-4.7	-4.3	-4.7	-4.6	-5.3
Share price	79.00	76.00	88.25	81.75	65.00	80.80	195.00	199.50	199.50	199.50
Market cap. (m)	554	540	627	580	461	573	1,383	1,414	1,414	1,414
Valuation	2013	2014	2015	2016	2017	2018	2019	2020e	2021e	2022e
P/E	68.4	43.5	24.4	21.7	24.8	17.5	28.7	24.9	22.8	19.0
EV/sales	9.76	9.08	7.99	7.09	6.56	6.15	11.61	10.42	9.80	8.62
EV/EBITDA	62.5	45.0	27.4	19.5	22.4	17.1	31.2	24.5	22.6	18.8
EV/EBITA	69.4	48.5	28.5	20.3	24.3	18.4	33.7	26.1	24.1	19.8
EV/EBIT	69.4	48.5	28.5	20.3	24.3	18.4	33.7	26.1	24.1	19.8
Dividend yield (%)	1.5	2.9	4.0	4.9	4.2	6.2	3.5	4.0	4.4	5.3
FCF yield (%)	2.5	1.0	3.0	3.8	2.9	3.9	2.6	3.6	4.1	4.8
Lease adj. FCF yield (%)	2.5	1.0	3.0	3.8	2.9	3.9	2.6	3.6	4.0	4.7
P/BVPS	6.54	6.10	6.72	6.06	5.37	5.78	12.38	11.72	11.25	10.21
P/BVPS Adj	6.67	6.27	6.99	6.40	5.90	6.25	13.17	12.28	11.66	10.47
P/E Adj	68.4	43.5	24.4	21.7	24.8	17.5	26.0	24.9	22.8	19.0
EV/EBITDA Adj	62.5	45.0	27.4	19.5	22.4	17.1	28.1	24.5	22.6	18.8
EV/EBITA Adj	69.4	48.5	28.5	20.3	24.3	18.4	30.0	26.1	24.1	19.8
EV/EBIT Adj	69.4	48.5	28.5	20.3	24.3	18.4	30.0	26.1	24.1	19.8
EV/cap. employed	6.0	5.6	6.2	5.6	5.0	5.4	11.8	11.2	10.7	9.7
Investment ratios	2013	2014	2015	2016	2017	2018	2019	2020e	2021e	2022e
Capex/sales	1.2	2.4	2.3	4.4	5.6	3.0	1.0	1.0	1.0	1.0
Capex/depreciation	75.0	162.5	212.5	330.0	246.7	118.2	50.0	47.4	51.3	59.2
Capex tangibles/tangible fixed assets	15.8	12.5	5.9	52.6	23.5	42.9	31.6	33.4	42.4	60.6
Capex intangibles/definite intangibles	18.8	45.8	44.4	44.2	42.9	22.4	9.0	14.4	19.0	23.7
Depreciation on intangibles/definite inta	35.0	23.3	15.6	13.5	13.6	20.3	25.1	35.4	43.2	56.2
Depreciation on tangibles/tangibles	12.6	15.0	14.1	15.8	26.5	31.4	37.9	52.8	62.1	61.5

Source: ABG Sundal Collier, Company data

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Production of report: 24/02/2020 06:53 CET.

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