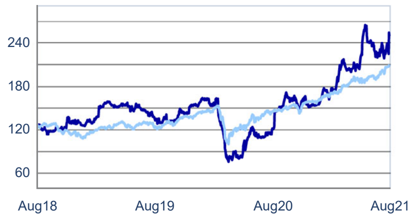
Ferronordic

Capital Goods
Sweden

KEY DATA

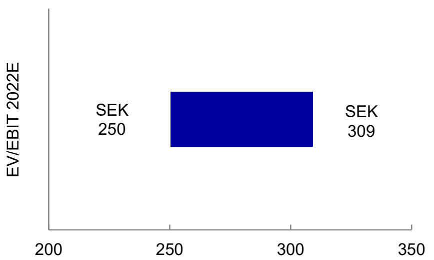
Stock country	Sweden
Bloomberg	FNM SS
Reuters	FNMA.ST
Share price (close)	SEK 250.5
Free Float	84%
Market cap. (bn)	EUR 0.36/SEK 3.64
Website	www.ferronordic.ru
Next report date	12 Aug 2021

PERFORMANCE



— Ferronordic
— Sweden OMX Stockholm All-Share (Rebased)
Source: Refinitiv

VALUATION APPROACH (SEK/SHARE)



Source: Nordea estimates

ESTIMATE CHANGES

Year	2021E	2022E	2023E
Sales	12%	14%	9%
EBIT (adj)	5%	9%	11%

Source: Nordea estimates

Nordea Markets - Analysts
Victor Hansen
Analyst

Carl Ragnerstam
Analyst

From Russia with love

Ferronordic will report its Q2 results on 12 August. We forecast sales to be up by 45% y/y and EBIT by 38% despite 11% currency headwind. We were surprised by the soaring Russian market data (3 August), which suggests 85% y/y unit sales growth for Ferronordic's mix; we raise our sales estimates by 9-14% for 2021-23 to better reflect this and the ongoing German market recovery. Our estimate revisions leave us 8% above Infront's post-Q1 consensus on Q2 adjusted EBIT. Ferronordic is trading at 6x 2022E EV/EBIT, a 50% discount to our peer average, despite it diversifying into Germany. We raise our multiples-based fair value range to SEK 250-309 (197-248), representing a 2022E EV/EBIT of 6.0-7.5x.

Strong Q2 data bodes well for sales growth

We expect Q2 sales to grow by 45% y/y to SEK 1,750m (+54% organic) and adjusted EBIT to improve by 38% to SEK 129m, for a 7.4% margin (-0.4 pp y/y). We are encouraged by the Russian Q2 new construction equipment sales, which for Ferronordic's mix implies 85% y/y growth (-3% in Q2 2020), owing to, among other things, pent-up demand and machine scarcity, which should also benefit the aftermarket business. We pencil in 42% sales growth for Russia/CIS despite the 13% regional FX headwind, with record-high EBIT of SEK 135m and a 9.9% margin (-1.4 pp y/y). For Germany, we expect the gradual recovery to continue and also to benefit from previous pent-up demand; we forecast 60% y/y sales growth with a -1.4% (+4.7 pp) adjusted EBIT margin.

Multiple sources for long-term sales growth

Ferronordic has a long-term target to double its 2020 revenue in its current markets by 2025, meaning a SEK 4,600m increase, which leaves 19% upside to our current 2025 estimate. We believe the main growth drivers are: 1) a continued expansion in Germany fuelled by M&A; 2) expanding contracting services; 3) strong Russian demand, where for instance Volvo CE's Russian MD believes that three times the number of machines is warranted given Russia's size; and 4) additional partnerships such as the bridge-head with Sandvik.

Estimate revisions and valuation

We raise our sales estimates by 9-12% for 2021-23 but only by 5-11% for adjusted EBIT, due to mix effects from a lower gross margin in the new unit sales. Ferronordic's share is trading at 6.1x 2022E EV/EBIT, a 50% discount to the peer average. Compared to key peers Finning and Barloworld, trading at 7x and 11x 2022E, respectively, the average discount is 30%.

SUMMARY TABLE - KEY FIGURES

SEKm	2017	2018	2019	2020	2021E	2022E	2023E
Total revenue	2,567	3,241	3,747	4,635	6,041	6,726	7,110
EBITDA (adj)	214	322	501	503	641	788	874
EBIT (adj)	187	274	365	330	447	570	639
EBIT (adj) margin	7.3%	8.4%	9.7%	7.1%	7.4%	8.5%	9.0%
EPS (adj, SEK)	8.06	14.25	17.74	15.36	22.21	29.54	33.52
EPS (adj) growth	55.6%	76.8%	24.5%	-13.4%	44.6%	33.0%	13.5%
DPS (ord, SEK)	1.73	3.75	4.25	7.50	11.13	15.08	17.53
EV/Sales	0.5	0.5	0.8	0.5	0.6	0.5	0.4
EV/EBIT (adj)	7.0	5.6	8.4	6.9	8.0	6.0	5.0
P/E (adj)	18.7	8.9	9.2	10.2	11.3	8.5	7.5
P/BV	2.6	2.8	2.7	2.8	3.6	2.8	2.3
Dividend yield (ord)	1.1%	2.9%	2.6%	4.8%	4.4%	6.0%	7.0%
FCF Yield bef A&D, lease	8.8%	6.6%	-21.6%	28.1%	4.8%	9.4%	12.9%
Net debt	-312	-303	689	-20	-39	-218	-469
Net debt/EBITDA	-1.5	-0.9	1.4	0.0	-0.1	-0.3	-0.5
ROIC after tax	48.6%	61.3%	29.7%	21.7%	37.6%	41.4%	44.1%

Source: Company data and Nordea estimates

Market overview

The Russian construction equipment market increased unit sales significantly in Q2 2021 – data suggests 74% sales growth y/y and 85% for Ferronordic's weighted sales mix. We take a more prudent stance and estimate 51% y/y in new unit sales for Russia/CIS. Monthly truck registrations in Germany increased 66% from the low in May 2020, reaching ~5,000 units in June 2021. We pencil in 63% organic equipment sales growth y/y for Germany in Q2.

Russian construction equipment market

Cumulative retail sales data from the Association of European Businesses in Russia Construction Equipment Committee (AEB CEC) concludes that sales of new construction equipment (CE) in Russia increased by 74% y/y during Q2 2021. By weighing the overall market development for Ferronordic's 2020 Russian machine sales, we arrive at implied unit sales growth of 85% y/y. This weighted index indicated -3% for Q2 2020, however, when Ferronordic outgrew the Russian & CIS markets and increased unit sales by 6% in the region due to higher market shares.

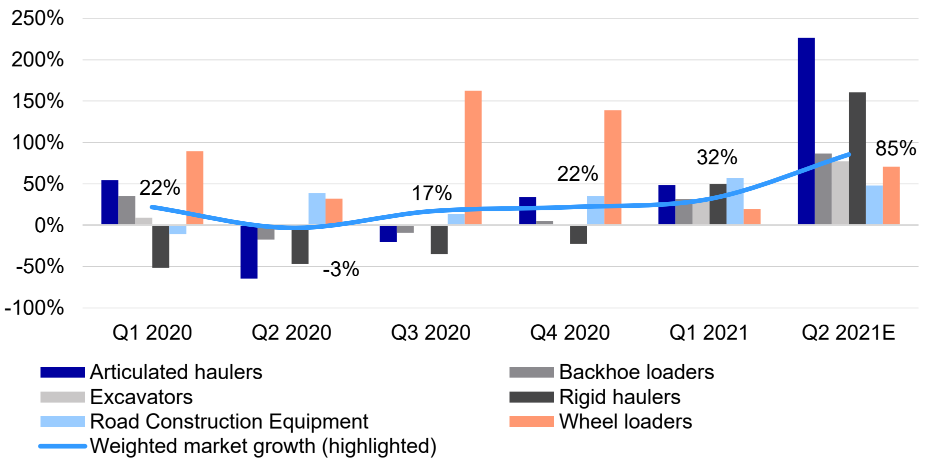
Market dynamics in Q2 exceeded AEBRUS CEC's expectations, but several uncertainties remain

AEBRUS CEC's chairman, who is also Volvo CE's Managing Director in Russia & CIS, stated in a report on 3 August that market dynamics in Q2 were continuously influenced by pent-up demand and the need to replace older machines. Material and component shortages led to a shortage of machines in the market, which caused clients to rush their purchases. Another reason for the strong demand could be the political initiatives to increase utilisation fees for all machines, which is evidently leading to panic-purchasing of stock machines. The chairman has previously stated that he is doubtful that this strong trend can be sustained.

The CEC currently represents the interests of 80% of all road-building and special machinery companies in the Russian market. The following manufacturers and importers are included in the data: Кранекс, ПТЗ, Четра, Bobcat, Caterpillar, CNH, John Deere, Doosan, Dressta, Hidromek, Hitachi, Hyundai, JCB, Komatsu, Liebherr, SDLG, UMG СДМ, Volvo, and Wirtgen.

Our weighted index implies 85% unit sales growth y/y for Ferronordic Russia in Q2 2021

FERRONORDIC: MARKET-IMPLIED UNIT SALES GROWTH PER QUARTER



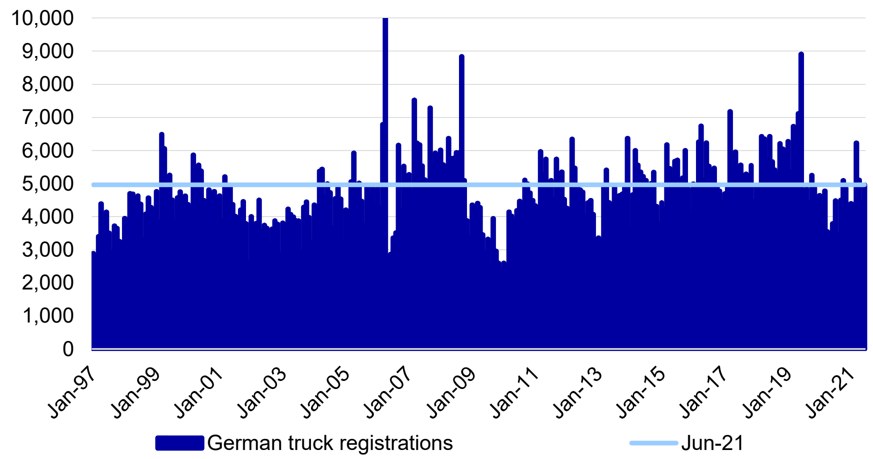
Source: AEBRUS and Nordea estimates

European and German truck market

Germany is Europe's largest truck market, with a total of approximately 68,000 trucks sold annually in 2018 and 2019. Units sold have declined since H2 2019 following the previous ramp-up. Since 1997, average monthly truck registrations have been ~4,700 units. In May 2020, market registrations declined to ~3,000 units, a low point not seen since 2009. Since then, truck registrations have recovered to ~5,000 units as of June 2021. Volvo's European HD/MD truck deliveries grew by 70% y/y in Q2, while order intake increased by 190% up to 29,000 trucks.

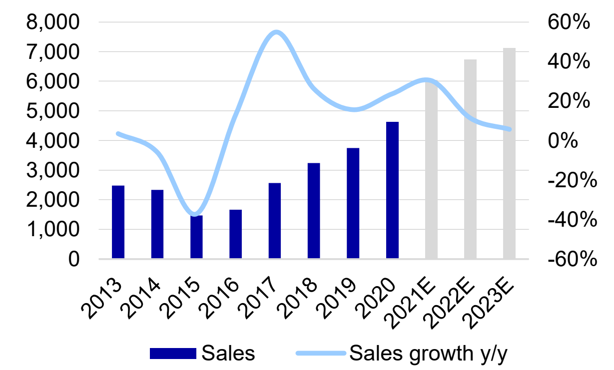
German truck registrations have been declining since H2 2019, but have recently bounced back and were up by 66% in June from the low point in May 2020

GERMAN TRUCK REGISTRATIONS (UNITS), MONTHLY UNTIL JUNE 2021



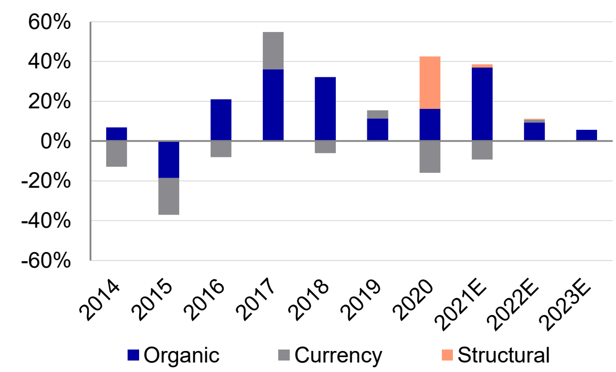
Source: ACEA and Nordea

SALES (SEKm) AND CHANGE Y/Y (%)



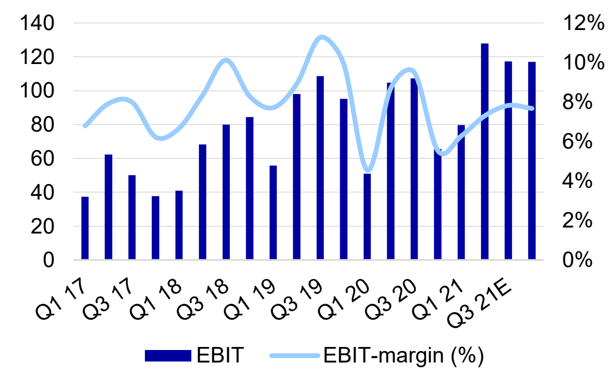
Source: Company data and Nordea estimates

SALES GROWTH BREAKDOWN (%)



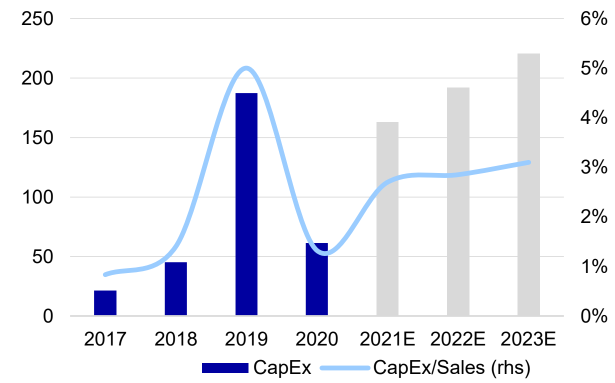
Source: Company data and Nordea estimates

EBIT (SEKm) AND EBIT MARGIN (%)



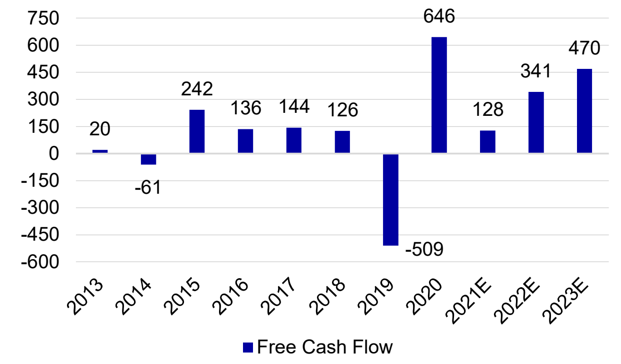
Source: Company data and Nordea estimates

CAPEX (SEKm) AND CAPEX/SALES (%)



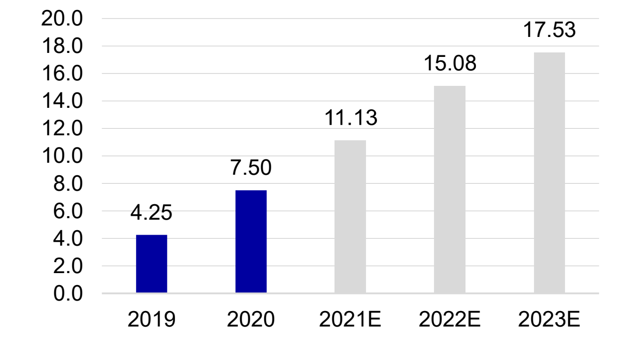
Source: Company data and Nordea estimates

FREE CASH FLOW (SEKm)



Source: Company data and Nordea estimates

DIVIDEND PER SHARE (SEK)



Source: Company data and Nordea estimates

Estimate revisions

We forecast a lower gross profit increase in relation to our higher sales revisions, owing to mix effects as new unit sales have a lower margin

FERRONORDIC: ESTIMATE REVISIONS

	New estimates			Old estimates			Δ		
SEKm	**2021E**	**2022E**	**2023E**	**2021E**	**2022E**	**2023E**	**2021E**	**2022E**	**2023E**
Sales breakdown									
Equipment Sales	3,760	4,201	4,664	3,388	3,729	4,139	11%	13%	13%
Aftermarket Sales	1,291	1,429	1,558	1,267	1,381	1,506	2%	3%	3%
Contracting Services	691	766	813	653	710	746	6%	8%	9%
Group	**6,041**	**6,726**	**7,110**	**5,409**	**5,924**	**6,496**	**12%**	**14%**	**9%**
Gross profit	1,042	1,232	1,329	1,003	1,155	1,273	4%	7%	4%
Adj. EBITDA	641	788	874	625	735	810	3%	7%	8%
Adj. EBIT	447	570	639	430	523	578	4%	9%	11%
Margins									
Gross margin	17.3%	18.3%	18.7%	18.5%	19.5%	19.6%	-1.3 pp	-1.2 pp	-0.9 pp
EBITDA margin	10.6%	11.7%	12.3%	11.5%	12.4%	12.5%	-0.9 pp	-0.7 pp	-0.2 pp
EBIT margin	7.4%	8.5%	9.0%	8.0%	8.8%	8.9%	-0.6 pp	-0.4 pp	0.1 pp
Sales bridge	**30%**	**11%**	**6%**	**8%**	**8%**	**8%**	**22.4 pp**	**3.7 pp**	**-2.6 pp**
Organic	37%	9%	6%	17%	8%	8%	20.0 pp	1.8 pp	-2.7 pp
Structural	2%	0%	0%	1%	0%	0%	0.7 pp	0.3 pp	0.0 pp
Currency	-9%	1%	0%	-10%	0%	0%	0.9 pp	1.6 pp	0.0 pp
DPS (SEK)	11.1	15.1	17.5	10.8	13.8	15.8	3%	10%	11%
of which ordinary	11.1	15.1	17.5	10.8	13.8	15.8	3%	10%	11%
of which extraordinary	0.0	0.0	0.0	0.0	0.0	0.0	n.a	n.a	n.a

Source: Nordea estimates

Consensus

NORDEA ESTIMATES VS CONSENSUS

	Nordea estimates				Consensus estimates				Δ			
SEKm	**Q2 21E**	**2021E**	**2022E**	**2023E**	**Q2 21E**	**2021E**	**2022E**	**2023E**	**Q2 21E**	**2021E**	**2022E**	**2023E**
Sales	1,749	6,041	6,726	7,110	1,430	5,569	6,334	6,971	22%	8%	6%	2%
Adj. EBIT	129	447	570	639	120	448	563	634	8%	0%	1%	1%
Adj. EBIT margin	7.4%	7.4%	8.5%	9.0%	8.4%	8.1%	8.9%	9.1%	-1.0pp	-0.6pp	-0.4pp	-0.1pp
Net profit	92	317	429	487	87	322	427	484	6%	-2%	0%	1%
EPS (SEK)	**6.4**	**21.8**	**29.5**	**33.5**	**6.0**	**22.2**	**29.5**	**33.4**	**5%**	**-2%**	**0%**	**0%**

Source: Infront and Nordea estimates

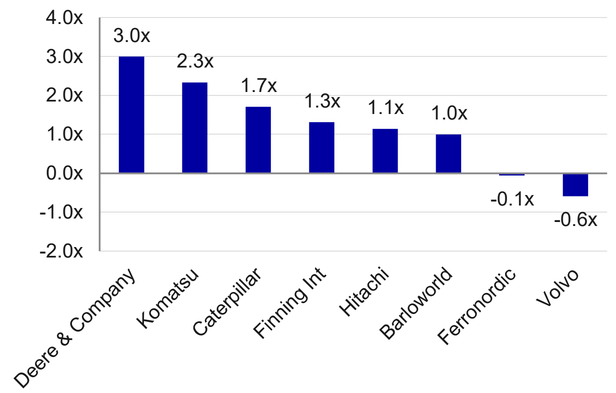
Valuation

FERRONORDIC: PEER VALUATION TABLE

		Mcap.	EV/EBITDA		EV/EBIT		P/E		Div. yield		ND/EBITDA		ROE	
Stock	**Rec.**	**SEKm**	**2021E**	**2022E**	**2021E**	**2022E**	**2021E**	**2022E**	**2021E**	**2022E**	**2021E**	**2022E**	**2021E**	**2022E**
Barloworld	-	12,765	4.3x	4.1x	7.0x	6.6x	11.3x	8.7x	3.9%	4.2%	1.0x	0.8x	9.5%	11.7%
Caterpillar	-	981,997	15.6x	12.9x	20.6x	16.4x	20.6x	16.9x	2.1%	2.2%	1.7x	1.8x	41.5%	45.6%
Cervus	-	1,542	6.4x	5.8x	9.2x	8.8x	9.2x	8.2x	2.7%	3.0%	-	-	-	-
Deere & Company	-	981,254	18.5x	16.7x	22.6x	19.9x	20.2x	17.2x	0.9%	1.0%	3.0x	3.4x	40.2%	41.9%
Ferronordic	NO RATING	3,706	5.8x	4.4x	8.2x	6.1x	11.5x	8.6x	4.4%	5.9%	-0.1x	-0.3x	34.8%	37.4%
Finning Int	-	36,744	8.3x	7.5x	13.8x	11.4x	18.2x	15.0x	2.5%	2.5%	1.3x	1.2x	13.0%	14.8%
Hitachi	-	464,414	8.6x	6.4x	-	28.9x	15.4x	10.3x	1.6%	1.9%	1.1x	1.1x	13.0%	15.6%
Komatsu	-	209,235	12.3x	8.7x	-	-	26.8x	15.2x	1.6%	2.6%	2.3x	1.7x	5.5%	8.9%
Volvo	BUY	411,074	6.1x	4.8x	8.5x	6.6x	13.1x	11.0x	5.7%	6.9%	-0.6x	-0.7x	24.0%	27.1%
Average		**344,748**	**9.5x**	**7.9x**	**12.8x**	**13.1x**	**16.2x**	**12.4x**	**2.8%**	**3.4%**	**1.2x**	**1.1x**	**22.7%**	**25.4%**
Median		**209,235**	**8.3x**	**6.4x**	**9.2x**	**10.1x**	**15.4x**	**11.0x**	**2.5%**	**2.6%**	**1.2x**	**1.1x**	**18.5%**	**21.4%**
Ferronordic	**NO RATING**	**3,706**	**5.8x**	**4.4x**	**8.2x**	**6.1x**	**11.5x**	**8.6x**	**4.4%**	**5.9%**	**-0.1x**	**-0.3x**	**34.8%**	**37.4%**
vs. peer average	-	-	-40%	-44%	-36%	-53%	-29%	-30%	1.6pp	3.3pp	-105%	-125%	12.2pp	16.0pp
vs. peer median	-	-	-31%	-31%	-11%	-39%	-26%	-21%	1.8pp	3.3pp	-105%	-125%	16.3pp	16.0pp

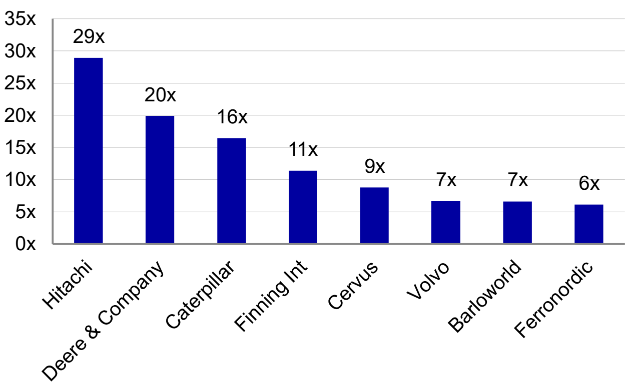
Source: Company data, Refinitiv and Nordea estimates

NET DEBT/EBITDA, 2021E



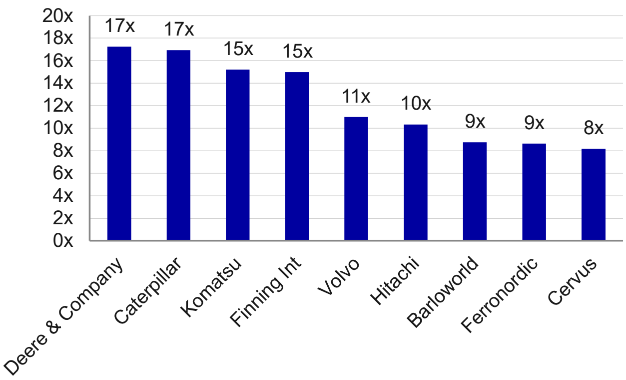
Source: Company data, Refinitiv and Nordea estimates

EV/EBIT, 2022E



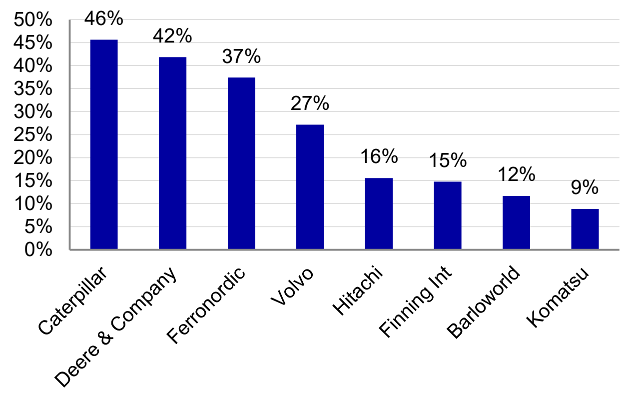
Source: Company data, Refinitiv and Nordea estimates

P/E, 2022E



Source: Company data, Refinitiv and Nordea estimates

RETURN ON EQUITY, 2022E



Source: Company data, Refinitiv and Nordea estimates

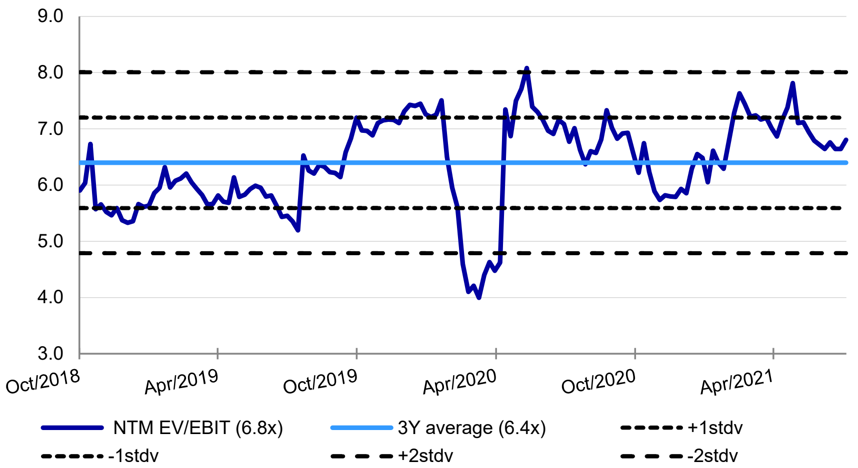
FERRONORDIC: VALUATION TABLE

(SEKm)												
EV/EBIT (adj.) - multiple	**5.0x**	**5.5x**	**6.0x**	**6.5x**	**7.0x**	**7.5x**	**8.0x**	**8.5x**	**9.0x**	**9.5x**	**10.0x**	**10.5x**
Implied Enterprise value	2,849	3,134	3,419	3,704	3,989	4,274	4,559	4,844	5,129	5,414	5,699	5,983
Net debt	-218	-218	-218	-218	-218	-218	-218	-218	-218	-218	-218	-218
Implied market capitalisation (bn)	3,068	3,353	3,638	3,923	4,207	4,492	4,777	5,062	5,347	5,632	5,917	6,202
Number of shares outstanding (m)	14.53	14.53	14.53	14.53	14.53	14.53	14.53	14.53	14.53	14.53	14.53	14.53
Implied share price	**211**	**231**	**250**	**270**	**290**	**309**	**329**	**348**	**368**	**388**	**407**	**427**
Implied P/E	13.8	15.1	16.4	17.7	19.0	20.3	21.5	22.8	24.1	25.4	26.7	28.0
Implied FCF yield	4.2%	3.8%	3.5%	3.3%	3.0%	2.8%	2.7%	2.5%	2.4%	2.3%	2.2%	2.1%

Source: Nordea estimates

Ferronordic is trading in line with its three-year average of 6.4x NTM EV/EBIT

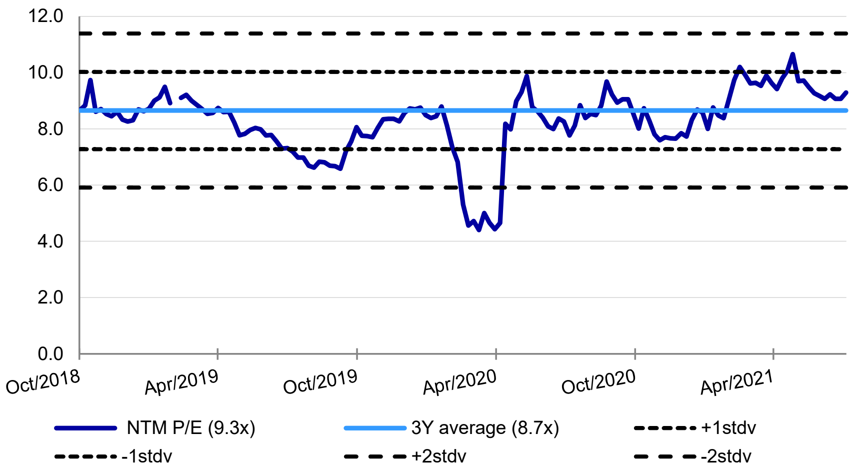
FERRONORDIC: EV/EBIT, NTM



Source: Company data, Refinitiv, and Nordea estimates

Ferronordic's NTM P/E is in line with the three-year average of 8.7x

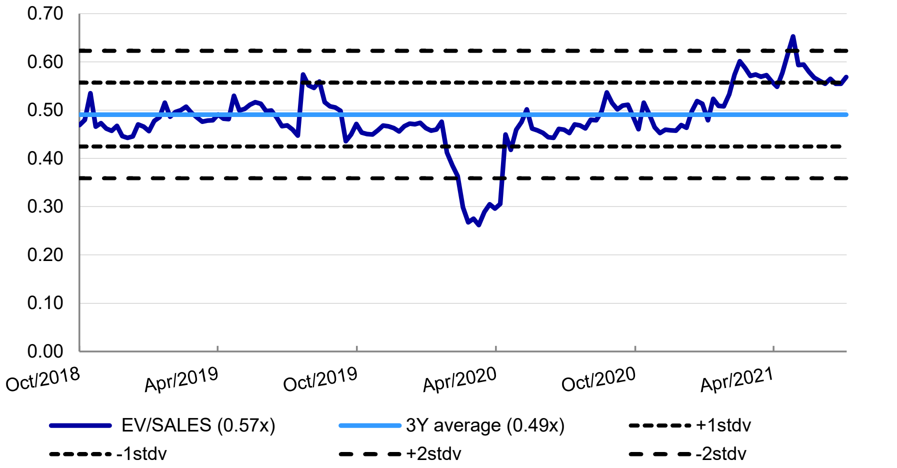
FERRONORDIC: P/E, NTM



Source: Company data, Refinitiv and Nordea estimates

The three-year historical average for NTM EV/sales is 0.5x

FERRONORDIC: EV/SALES, NTM



Source: Company data, Refinitiv and Nordea estimates

Detailed estimates

INTERIM ESTIMATES

(SEKm)	Q1 20	Q2 20	Q3 20	Q4 20	Q1 21	Q2 21E	Q3 21E	Q4 21E
Revenue	1,118	1,203	1,129	1,185	1,267	1,749	1,500	1,525
Cost of sales	-936	-996	-908	-998	-1,052	-1,460	-1,234	-1,253
Gross profit	**183**	**207**	**221**	**187**	**215**	**290**	**266**	**271**
Sales expenses	-55	-53	-55	-55	-54	-66	-62	-66
G&A expenses	-74	-60	-61	-69	-77	-98	-89	-89
Other income	2	13	4	6	1	5	4	4
Other expenses	-5	-2	-2	-3	-5	-2	-2	-4
EBIT	**51**	**105**	**107**	**65**	**80**	**128**	**117**	**117**
Finance income	2	5	2	3	3	3	2	2
Finance costs	-19	-21	-11	-9	-8	-11	-11	-12
Net FX gains/(losses)	-5	3	-1	-3	-3	-2	-1	0
EBT	**29**	**92**	**98**	**56**	**71**	**117**	**107**	**107**
Income tax	-9	-16	-17	-12	-15	-25	-23	-23
Net income	20	76	81	44	56	92	85	84
EPS (SEK)	**1.39**	**5.24**	**5.57**	**3.05**	**3.85**	**6.36**	**5.82**	**5.80**
Pre-tax adjustments	0	11	-5	-8	-4	-1	-1	0
After-tax adjustments	0	9	-4	-6	-3	-1	-1	0
Adj. EBIT	**51**	**94**	**112**	**73**	**83**	**129**	**118**	**117**
Adj. PTP	29	81	103	64	75	118	108	107
Adj. Net income	20	68	85	50	59	93	85	84
Adj. EPS (SEK)	**1.39**	**4.65**	**5.82**	**3.47**	**4.04**	**6.41**	**5.87**	**5.80**

Source: Company data and Nordea estimates

INTERIM SALES BRIDGE

(SEKm and %)	Q1 20	Q2 20	Q3 20	Q4 20	Q1 21	Q2 21E	Q3 21E	Q4 21E
Sales bridge (%) - Group								
Organic	15%	3%	12%	36%	37%	54%	32%	24%
Structural	38%	22%	24%	24%	0%	2%	2%	2%
Currency	4%	-9%	-22%	-33%	-27%	-11%	-2%	2%
Other	-3%	-7%	3%	-4%	3%	0%	0%	0%
Total	**55%**	**9%**	**17%**	**23%**	**13%**	**45%**	**33%**	**29%**
Sales bridge % - Russia/CIS								
Organic	15%	3%	12%	36%	49%	54%	30%	22%
Structural	0%	0%	0%	0%	0%	0%	0%	0%
Currency	4%	-9%	-22%	-33%	-34%	-13%	-2%	3%
Other	-3%	-7%	3%	-4%	4%	0%	0%	0%
Total	**17%**	**-13%**	**-7%**	**-1%**	**20%**	**42%**	**27%**	**25%**
Sales bridge % - Germany								
Organic	0%	0%	0%	0%	-1%	53%	42%	33%
Structural	100%	100%	100%	100%	1%	8%	11%	11%
Currency	0%	0%	0%	0%	-6%	-2%	-1%	0%
Other	0%	0%	0%	0%	0%	1%	1%	1%
Total	**100%**	**100%**	**100%**	**100%**	**-6%**	**60%**	**54%**	**44%**
Sales split	**Q1 20**	**Q2 20**	**Q3 20**	**Q4 20**	**Q1 21**	**Q2 21E**	**Q3 21E**	**Q4 21E**
Russia/CIS	**75%**	**80%**	**80%**	**80%**	**80%**	**78%**	**76%**	**78%**
Equipment	46%	51%	50%	52%	49%	52%	47%	49%
Aftermarket	20%	18%	19%	17%	17%	15%	17%	16%
Contracting Services	9%	10%	11%	11%	13%	10%	12%	12%
Other	1%	0%	0%	0%	0%	0%	0%	0%
Germany	**25%**	**20%**	**20%**	**20%**	**20%**	**22%**	**24%**	**22%**
Equipment	17%	13%	12%	12%	13%	15%	15%	15%
Aftermarket	6%	6%	6%	5%	6%	6%	7%	6%
Other	2%	2%	2%	2%	1%	1%	2%	2%

Source: Company data and Nordea estimates

GROWTH PER SEGMENT, INTERIM

(SEKm)	Q1 20	Q2 20	Q3 20	Q4 20	Q1 21	Q2 21E	Q3 21E	Q4 21E
Russia/CIS								
Gross profit	156	190	199	169	185	240	220	223
EBITDA	100	156	155	122	127	170	157	158
EBIT	60	120	124	91	94	135	122	120
Adjusted EBIT	**60**	**109**	**124**	**91**	**94**	**135**	**122**	**120**
Germany								
Gross profit	27	16	23	18	30	49	46	48
EBITDA	-1	-4	-8	-16	-3	6	9	11
EBIT	-10	-15	-17	-25	-14	-7	-4	-3
Adjusted EBIT	**-10**	**-15**	**-12**	**-20**	**-10**	**-6**	**-3**	**-3**
Margins								
Group								
Gross margin	16.3%	17.2%	19.6%	15.8%	17.0%	16.6%	17.8%	17.8%
EBITDA margin	8.9%	12.6%	13.0%	8.9%	9.8%	10.1%	11.1%	11.1%
EBIT margin	4.6%	8.7%	9.5%	5.5%	6.3%	7.3%	7.8%	7.7%
Adjusted EBIT margin	**4.6%**	**7.8%**	**9.9%**	**6.2%**	**6.6%**	**7.4%**	**7.9%**	**7.7%**
Russia/CIS								
Gross margin	18.5%	19.9%	22.1%	17.8%	18.3%	17.7%	19.2%	18.8%
EBITDA margin	11.8%	16.3%	17.2%	12.8%	12.7%	12.5%	13.7%	13.3%
EBIT margin	7.1%	12.5%	13.8%	9.5%	9.3%	9.9%	10.6%	10.1%
Adjusted EBIT margin	**7.1%**	**11.3%**	**13.8%**	**9.5%**	**9.3%**	**9.9%**	**10.6%**	**10.1%**
Germany								
Gross margin	9.8%	6.7%	9.8%	7.7%	11.6%	12.6%	13.1%	14.3%
EBITDA margin	-0.2%	-1.8%	-3.4%	-6.8%	-1.1%	1.6%	2.6%	3.2%
EBIT margin	-3.5%	-6.1%	-7.3%	-10.7%	-5.3%	-1.7%	-1.2%	-0.9%
Adjusted EBIT margin	**-3.5%**	**-6.1%**	**-5.2%**	**-8.7%**	**-3.9%**	**-1.4%**	**-0.9%**	**-0.9%**

Source: Company data and Nordea estimates

ANNUAL ESTIMATES

(SEKm)	2017	2018	2019	2020	2021E	2022E	2023E	2024E
Revenue	2,567	3,241	3,747	4,635	6,041	6,726	7,110	7,377
Cost of sales	-2,079	-2,627	-2,972	-3,837	-4,998	-5,493	-5,781	-5,975
Gross profit	**488**	**614**	**775**	**797**	**1,042**	**1,232**	**1,329**	**1,402**
Sales expenses	-125	-138	-162	-219	-248	-276	-281	-275
G&A expenses	-165	-190	-238	-264	-354	-384	-401	-413
Other income	5	4	8	24	15	16	17	18
Other expenses	-16	-17	-26	-11	-14	-19	-24	-26
EBIT	**187**	**274**	**358**	**328**	**442**	**570**	**639**	**705**
Finance income	15	7	6	12	10	10	10	10
Finance costs	-7	-9	-58	-59	-43	-33	-32	-33
Net FX gains/(losses)	-2	-5	12	-5	-6	-1	-1	-1
EBT	**193**	**267**	**318**	**276**	**403**	**546**	**617**	**682**
Income tax	-42	-58	-68	-54	-86	-116	-129	-143
Net income	151	209	251	222	317	429	487	539
EPS (SEK)	**8.50**	**14.25**	**17.26**	**15.25**	**21.82**	**29.54**	**33.52**	**36.08**
Pre-tax adjustments	0	0	-7	-2	-6	0	0	0
After-tax adjustments	0	0	-6	-1	-4	0	0	0
Adj. EBIT	**187**	**274**	**365**	**330**	**447**	**570**	**639**	**705**
Adj. PTP	193	267	325	277	409	546	617	682
Adj. Net income	151	209	256	223	322	429	487	539
Adj. EPS (SEK)	**8.50**	**14.25**	**17.64**	**15.34**	**22.13**	**29.54**	**33.52**	**36.08**

Source: Company data and Nordea estimates

ANNUAL SALES BRIDGE

	2017	2018	2019	2020	2021E	2022E	2023E	2024E
Sales bridge (%) - Group								
Organic	36%	32%	11%	16%	37%	9%	6%	4%
Structural	0%	0%	0%	26%	2%	0%	0%	0%
Currency	19%	-6%	4%	-16%	-9%	1%	0%	0%
Other	6%	2%	-1%	-3%	1%	0%	0%	0%
Total	**61%**	**28%**	**15%**	**24%**	**30%**	**11%**	**6%**	**4%**
Sales bridge % - Russia/CIS								
Organic	36%	32%	11%	16%	39%	6%	6%	6%
Structural	0%	0%	0%	0%	0%	0%	0%	0%
Currency	19%	-6%	4%	-16%	-11%	2%	0%	0%
Other	6%	2%	-4%	-3%	1%	0%	0%	0%
Total	**61%**	**28%**	**11%**	**-3%**	**29%**	**8%**	**6%**	**6%**
Sales bridge % - Germany								
Organic	-	-	-	0%	31%	20%	5%	-4%
Structural	-	-	-	100%	8%	2%	0%	0%
Currency	-	-	-	0%	-2%	0%	0%	0%
Other	-	-	-	0%	1%	0%	0%	0%
Total	**-**	**-**	**-**	**100%**	**36%**	**23%**	**5%**	**-4%**
Sales split	**2017**	**2018**	**2019**	**2020**	**2021E**	**2022E**	**2023E**	**2024E**
Russia/CIS	**100%**	**100%**	**100%**	**79%**	**78%**	**76%**	**76%**	**77%**
Equipment	69%	71%	65%	50%	50%	48%	48%	50%
Aftermarket	27%	24%	25%	19%	16%	16%	16%	16%
Contracting Services	0%	0%	10%	10%	11%	11%	11%	12%
Other	4%	5%	1%	0%	0%	0%	0%	0%
Germany	**0%**	**0%**	**0%**	**21%**	**22%**	**24%**	**24%**	**23%**
Equipment	0%	0%	0%	14%	15%	16%	16%	15%
Aftermarket	0%	0%	0%	6%	6%	7%	7%	7%
Other	0%	0%	0%	2%	1%	1%	1%	1%

Source: Company data and Nordea estimates

ANNUAL GROWTH PER SEGMENT

(SEKm)	2017	2018	2019	2020	2021E	2022E	2023E	2024E
Russia/CIS								
Gross profit	488	614	773	714	868	990	1,058	1,129
EBITDA	214	322	494	533	612	711	767	826
EBIT	187	274	358	394	470	554	595	644
Adjusted EBIT	**187**	**274**	**358**	**383**	**470**	**554**	**595**	**644**
Germany								
Gross profit	0	0	0	84	174	242	271	273
EBITDA	0	0	0	-29	23	77	107	120
EBIT	0	0	0	-66	-28	16	45	61
Adjusted EBIT	**0**	**0**	**0**	**-57**	**-22**	**17**	**45**	**61**
Margins								
Group								
Gross margin	19.0%	19.0%	20.7%	17.2%	17.3%	18.3%	18.7%	19.0%
EBITDA margin	8.3%	9.9%	13.2%	10.9%	10.5%	11.7%	12.3%	12.8%
EBIT margin	7.3%	8.4%	9.5%	7.1%	7.3%	8.5%	9.0%	9.6%
Adjusted EBIT margin	**7.3%**	**8.4%**	**9.7%**	**7.1%**	**7.4%**	**8.5%**	**9.0%**	**9.6%**
Russia/CIS								
Gross margin	19.0%	19.0%	20.6%	19.5%	18.5%	19.5%	19.7%	19.8%
EBITDA margin	8.3%	9.9%	13.2%	14.6%	13.0%	14.0%	14.3%	14.5%
EBIT margin	7.3%	8.4%	9.5%	10.8%	10.0%	10.9%	11.1%	11.3%
Adjusted EBIT margin	**7.3%**	**8.4%**	**9.5%**	**10.5%**	**10.0%**	**10.9%**	**11.1%**	**11.3%**
Germany								
Gross margin	-	-	-	8.5%	13.0%	14.7%	15.7%	16.4%
EBITDA margin	-	-	-	-2.9%	1.7%	4.7%	6.2%	7.2%
EBIT margin	-	-	-	-6.7%	-2.1%	1.0%	2.6%	3.7%
Adjusted EBIT margin	**-**	**-**	**-**	**-5.8%**	**-1.7%**	**1.0%**	**2.6%**	**3.7%**

Source: Company data and Nordea estimates

Reported numbers and forecasts

INCOME STATEMENT

SEKm	2013	2014	2015	2016	2017	2018	2019	2020	2021E	2022E	2023E
Total revenue	**2,482**	**2,335**	**1,469**	**1,658**	**2,567**	**3,241**	**3,747**	**4,635**	**6,041**	**6,726**	**7,110**
Revenue growth	3.5%	-5.9%	-37.1%	12.9%	54.8%	26.3%	15.6%	23.7%	30.3%	11.3%	5.7%
of which organic	7.2%	6.9%	-18.6%	21.0%	36.2%	32.2%	11.4%	16.3%	36.9%	9.4%	5.7%
of which FX	0.0%	-12.8%	-18.5%	-8.1%	18.6%	-6.0%	4.0%	-16.0%	-9.2%	1.4%	0.0%
EBITDA	153	172	130	153	214	322	494	504	636	788	874
Depreciation and impairments PPE	-101	-70	-43	-34	-26	-48	-136	-176	-194	-219	-235
of which leased assets	0	0	0	0	0	0	0	0	0	0	0
EBITA	52	102	87	119	187	274	358	328	442	570	639
Amortisation and impairments	0	-33	-26	-15	0	0	0	0	0	0	0
EBIT	52	69	61	104	187	274	358	328	442	570	639
of which associates	0	0	0	0	0	0	0	0	0	0	0
Associates excluded from EBIT	0	0	0	0	0	0	0	0	0	0	0
Net financials	-109	-43	-24	3	6	-7	-39	-53	-39	-24	-23
of which lease interest	0	0	0	0	0	0	0	0	0	0	0
Changes in value, net	0	0	0	0	0	0	0	0	0	0	0
Pre-tax profit	**-57**	**26**	**37**	**107**	**193**	**267**	**318**	**276**	**403**	**546**	**617**
Reported taxes	13	-7	-8	-24	-42	-58	-68	-54	-86	-116	-129
Net profit from continued operations	-44	19	29	84	151	209	251	222	317	429	487
Discontinued operations	0	0	0	0	0	0	0	0	0	0	0
Minority interests	0	0	0	0	0	0	0	0	0	0	0
Net profit to equity	-44	-31	-21	30	87	207	251	222	317	429	487
EPS, SEK	**-4.44**	**-3.10**	**-2.12**	**3.03**	**8.06**	**14.25**	**17.26**	**15.25**	**21.82**	**29.54**	**33.52**
DPS, SEK	0.00	0.00	0.00	0.00	1.73	7.50	4.25	7.50	11.13	15.08	17.53
of which ordinary	0.00	0.00	0.00	0.00	1.73	3.75	4.25	7.50	11.13	15.08	17.53
of which extraordinary	0.00	0.00	0.00	0.00	0.00	3.75	0.00	0.00	0.00	0.00	0.00
Profit margin in percent											
EBITDA	6.2%	7.4%	8.9%	9.2%	8.3%	9.9%	13.2%	10.9%	10.5%	11.7%	12.3%
EBITA	2.1%	4.4%	5.9%	7.2%	7.3%	8.4%	9.5%	7.1%	7.3%	8.5%	9.0%
EBIT	2.1%	3.0%	4.2%	6.3%	7.3%	8.4%	9.5%	7.1%	7.3%	8.5%	9.0%
Adjusted earnings											
EBITDA (adj)	153	172	130	153	214	322	501	503	641	788	874
EBITA (adj)	52	102	87	137	187	274	365	330	447	570	639
EBIT (adj)	90	102	87	132	187	274	365	330	447	570	639
EPS (adj, SEK)	0.17	-0.51	-0.08	5.18	8.06	14.25	17.74	15.36	22.21	29.54	33.52
Adjusted profit margins in percent											
EBITDA (adj)	6.2%	7.4%	8.9%	9.2%	8.3%	9.9%	13.4%	10.9%	10.6%	11.7%	12.3%
EBITA (adj)	2.1%	4.4%	5.9%	8.3%	7.3%	8.4%	9.7%	7.1%	7.4%	8.5%	9.0%
EBIT (adj)	3.6%	4.4%	5.9%	7.9%	7.3%	8.4%	9.7%	7.1%	7.4%	8.5%	9.0%
Performance metrics											
CAGR last 5 years											
Net revenue	n.a.	n.a.	n.a.	-7.3%	1.4%	5.5%	9.9%	25.8%	29.5%	21.2%	17.0%
EBITDA	n.m.	n.m.	n.m.	11.6%	13.0%	16.0%	23.5%	31.1%	33.0%	29.8%	22.1%
EBIT	n.a.	n.a.	n.a.	27.7%	48.0%	39.6%	39.0%	40.0%	33.5%	24.9%	18.5%
EPS	n.a.	n.a.	n.a.	n.m.	n.m.	n.m.	n.m.	n.m.	48.4%	29.7%	18.7%
DPS	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	54.2%	36.1%
Average last 5 years											
Average EBIT margin	n.a.	n.a.	2.1%	3.0%	4.5%	6.2%	7.8%	7.9%	7.9%	8.1%	8.3%
Average EBITDA margin	n.a.	n.a.	5.9%	7.0%	7.8%	8.8%	10.3%	10.6%	10.7%	11.3%	11.7%

VALUATION RATIOS - ADJUSTED EARNINGS

SEKm	2013	2014	2015	2016	2017	2018	2019	2020	2021E	2022E	2023E
P/E (adj)	n.a.	n.a.	n.a.	n.a.	18.7	8.9	9.2	10.2	11.3	8.5	7.5
EV/EBITDA (adj)	n.a.	n.a.	n.a.	n.a.	6.1	4.8	6.1	4.5	5.6	4.3	3.6
EV/EBITA (adj)	n.a.	n.a.	n.a.	n.a.	7.0	5.6	8.4	6.9	8.0	6.0	5.0
EV/EBIT (adj)	n.a.	n.a.	n.a.	n.a.	7.0	5.6	8.4	6.9	8.0	6.0	5.0

VALUATION RATIOS - REPORTED EARNINGS

SEKm	2013	2014	2015	2016	2017	2018	2019	2020	2021E	2022E	2023E
P/E	n.a.	n.a.	n.a.	n.a.	18.7	8.9	9.4	10.3	11.5	8.5	7.5
EV/Sales	n.a.	n.a.	n.a.	n.a.	0.51	0.48	0.82	0.49	0.60	0.51	0.45
EV/EBITDA	n.a.	n.a.	n.a.	n.a.	6.1	4.8	6.2	4.5	5.7	4.3	3.6
EV/EBITA	n.a.	n.a.	n.a.	n.a.	7.0	5.6	8.6	6.9	8.2	6.0	5.0
EV/EBIT	n.a.	n.a.	n.a.	n.a.	7.0	5.6	8.6	6.9	8.2	6.0	5.0
Dividend yield (ord.)	n.a.	n.a.	n.a.	n.a.	1.1%	2.9%	2.6%	4.8%	4.4%	6.0%	7.0%
FCF yield	n.a.	n.a.	n.a.	n.a.	8.9%	6.8%	-21.5%	28.2%	3.5%	9.4%	12.9%
FCF Yield bef A&D, lease adj	n.a.	n.a.	n.a.	n.a.	8.8%	6.6%	-21.6%	28.1%	4.8%	9.4%	12.9%
Payout ratio	0.0%	0.0%	0.0%	0.0%	21.5%	52.6%	24.6%	49.2%	51.0%	51.1%	52.3%

Source: Company data and Nordea estimates

BALANCE SHEET

SEKm	2013	2014	2015	2016	2017	2018	2019	2020	2021E	2022E	2023E
Intangible assets	95	43	15	2	6	6	12	8	78	85	92
of which R&D	0	0	0	0	0	0	0	0	50	57	64
of which other intangibles	95	43	15	2	6	6	12	8	8	8	8
of which goodwill	0	0	0	0	0	0	0	0	20	20	20
Tangible assets	248	225	83	116	136	263	700	507	456	426	408
of which leased assets	0	0	0	0	0	0	0	0	0	0	0
Shares associates	0	0	0	0	0	0	0	0	0	0	0
Interest bearing assets	0	0	0	0	0	0	0	0	0	0	0
Deferred tax assets	23	36	45	42	42	41	51	65	65	65	65
Other non-IB non-current assets	0	0	0	0	0	0	0	0	0	0	0
Other non-current assets	0	0	0	0	0	0	0	0	0	0	0
Total non-current assets	366	303	143	160	184	310	763	579	599	575	564
Inventory	584	425	327	467	633	741	1,290	1,014	1,450	1,681	1,777
Accounts receivable	335	265	161	202	243	319	322	393	513	605	640
Short-term leased assets	0	0	0	0	0	0	0	0	0	0	0
Other current assets	2	2	1	4	3	2	84	37	48	54	57
Cash and bank	163	177	175	199	352	357	519	604	622	802	1,052
Total current assets	1,084	870	665	872	1,231	1,418	2,214	2,048	2,633	3,142	3,527
Assets held for sale	0	0	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Total assets	**1,450**	**1,173**	**808**	**1,033**	**1,414**	**1,727**	**2,978**	**2,628**	**3,232**	**3,718**	**4,091**
Shareholders equity	533	372	322	442	611	656	890	806	1,015	1,282	1,550
Of which preferred stocks	0	0	0	0	0	0	0	0	0	0	0
Of which equity part of hybrid debt	0	0	0	0	0	0	0	0	0	0	0
Minority interest	0	0	0	0	0	0	0	0	0	0	0
Total Equity	533	372	322	442	611	656	890	806	1,015	1,282	1,550
Deferred tax	10	7	0	0	1	1	7	5	5	5	5
Long term interest bearing debt	24	21	4	15	22	28	377	422	422	422	422
Pension provisions	0	0	0	0	0	0	0	0	0	0	0
Other long-term provisions	0	0	0	0	0	0	0	0	0	0	0
Other long-term liabilities	0	0	0	0	0	0	0	0	0	0	0
Non-current lease debt	0	0	0	0	0	0	0	0	0	0	0
Convertible debt	0	0	0	0	0	0	0	0	0	0	0
Shareholder debt	0	0	0	0	0	0	0	0	0	0	0
Hybrid debt	0	0	0	0	0	0	0	0	0	0	0
Total non-current liabilities	34	28	4	16	23	31	391	428	428	428	428
Short-term provisions	18	9	4	10	13	17	22	26	33	37	39
Accounts payable	652	492	384	547	737	982	917	1,188	1,571	1,782	1,884
Current lease debt	0	0	0	0	0	0	0	0	0	0	0
Other current liabilities	15	8	4	7	12	15	21	19	24	27	28
Short term interest bearing debt	198	265	90	11	19	26	735	161	161	161	161
Total current liabilities	883	774	482	575	780	1,040	1,696	1,393	1,789	2,007	2,113
Liabilities for assets held for sale	0	0	0	0	0	0	0	0	0	0	0
Total liabilities and equity	**1,450**	**1,173**	**808**	**1,033**	**1,414**	**1,727**	**2,978**	**2,628**	**3,232**	**3,718**	**4,091**
Balance sheet and debt metrics											
Net debt	59	109	-81	-173	-312	-303	689	-20	-39	-218	-469
of which lease debt	0	0	0	0	0	0	0	0	0	0	0
Working capital	254	193	101	120	130	64	756	238	416	531	562
Invested capital	621	496	244	280	314	374	1,519	818	1,015	1,106	1,126
Capital employed	755	658	416	468	651	710	2,003	1,390	1,598	1,866	2,134
ROE	-13.4%	-6.9%	-6.1%	7.9%	16.4%	32.7%	32.4%	26.1%	34.8%	37.4%	34.4%
ROIC	10.2%	14.1%	18.1%	38.7%	48.6%	61.3%	29.7%	21.7%	37.6%	41.4%	44.1%
ROCE	11.3%	14.8%	18.1%	31.9%	36.1%	41.3%	27.4%	20.1%	30.6%	33.5%	32.5%
Net debt/EBITDA	0.4	0.6	-0.6	-1.1	-1.5	-0.9	1.4	0.0	-0.1	-0.3	-0.5
Interest coverage	0.6	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
Equity ratio	36.7%	31.7%	39.8%	42.8%	43.2%	38.0%	29.9%	30.7%	31.4%	34.5%	37.9%
Net gearing	11.1%	29.4%	-25.3%	-39.1%	-51.0%	-46.2%	77.4%	-2.5%	-3.8%	-17.0%	-30.2%

Source: Company data and Nordea estimates

CASH FLOW STATEMENT											
SEKm	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021E**	**2022E**	**2023E**
EBITDA (adj) for associates	**153**	**172**	**130**	**153**	**214**	**322**	**494**	**504**	**636**	**788**	**874**
Paid taxes	0	0	0	0	0	0	-85	-71	-86	-116	-129
Net financials	111	43	24	-3	-6	7	-58	-59	-39	-24	-23
Change in provisions	-8	-9	-5	7	3	4	5	3	8	4	2
Change in other LT non-IB	-15	-14	-9	3	0	3	-6	-20	0	0	0
Cash flow to/from associates	0	0	0	0	0	0	0	0	0	0	0
Dividends paid to minorities	0	0	0	0	0	0	0	0	0	0	0
Other adj to reconcile to cash flow	-172	-42	-38	-36	-44	-68	17	19	0	0	0
Funds from operations (FFO)	**69**	**151**	**101**	**123**	**168**	**267**	**367**	**377**	**519**	**652**	**724**
Change in NWC	-27	-176	133	18	-20	-106	-698	316	-178	-115	-30
Cash flow from operations (CFO)	**42**	**-25**	**234**	**141**	**148**	**161**	**-330**	**693**	**341**	**537**	**694**
Capital expenditure	-22	-36	3	-10	-7	-38	-181	-49	-165	-195	-224
Free cash flow before A&D	**20**	**-61**	**237**	**132**	**141**	**123**	**-511**	**643**	**175**	**341**	**470**
Proceeds from sale of assets	0	0	5	4	3	3	2	3	0	0	0
Acquisitions	0	0	0	0	0	0	0	0	-48	0	0
Free cash flow	20	-61	242	136	144	126	-509	646	128	341	470
Free cash flow bef A&D, lease adj	20	-61	237	132	141	123	-511	643	175	341	470
Dividends paid	0	-50	-50	-53	-58	-30	-109	-62	-109	-162	-219
Equity issues / buybacks	1	0	-1	0	0	0	0	0	0	0	0
Net change in debt	282	849	109	0	-28	0	802	-402	0	0	0
Other financing adjustments	-32	-1	-30	-15	-12	2	-3	-114	0	0	0
Other non-cash adjustments	-272	-722	-272	-45	108	-94	-18	16	0	0	0
Change in cash	-3	15	-2	24	153	4	163	84	19	180	250
Cash flow metrics											
Capex/D&A	22.1%	35.3%	-4.4%	20.0%	25.8%	80.1%	n.m.	28.1%	85.4%	89.2%	95.5%
Capex/Sales	0.9%	1.6%	-0.2%	0.6%	0.3%	1.2%	4.8%	1.1%	2.7%	2.9%	3.2%
Key information											
Share price year end (/current)	n.a.	n.a.	n.a.	n.a.	151	127	163	157	251	251	251
Market cap.	n.a.	n.a.	n.a.	n.a.	1,615	1,849	2,369	2,287	3,640	3,640	3,640
Enterprise value	n.a.	n.a.	n.a.	n.a.	1,303	1,546	3,058	2,267	3,602	3,422	3,172
Diluted no. of shares, year-end (m)	10.0	10.0	10.0	10.0	10.7	14.5	14.5	14.5	14.5	14.5	14.5

Source: Company data and Nordea estimates

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