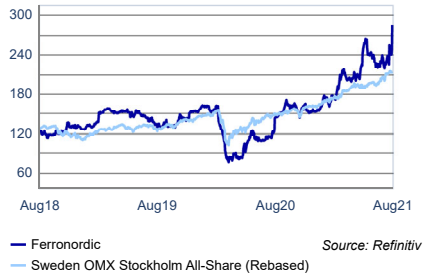
Ferronordic

Capital Goods
Sweden

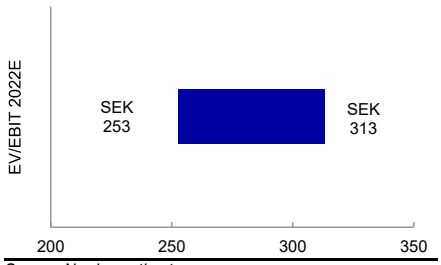
KEY DATA

Stock country	Sweden
Bloomberg	FNM SS
Reuters	FNMA.ST
Share price (close)	SEK 285.5
Free Float	84%
Market cap. (bn)	EUR 0.41/SEK 4.15
Website	www.ferronordic.ru
Next report date	12 Nov 2021

PERFORMANCE



VALUATION APPROACH



Source: Nordea estimates

ESTIMATE CHANGES

Year	2021E	2022E	2023E
Sales	0%	2%	3%
EBIT (adj)	9%	3%	4%

Source: Nordea estimates

Nordea Markets - Analysts
Victor Hansen
Analyst

Carl Ragnerstam
Analyst

Paving the way to success

Ferronordic delivered a solid report on the group level, with 32% sales growth y/y and adjusted EBIT increasing 57% y/y (the latter was 12% above consensus). We expect sustained growth from market tailwinds and lift 2021E-23E adjusted EBIT by 4-9% and sales by 0-3%. Ferronordic is trading at 6.8x 2022E EV/EBIT, i.e. a ~50% discount to our peer average, despite diversifying its operations into Germany. We raise our multiples-based fair value range to SEK 253-313 (250-309), representing a 2022E EV/EBIT of 6.0-7.5x.

Strong growth in the quarter...

Ferronordic delivered solid results on the group level, with 32% sales growth y/y and adjusted EBIT increasing 57% despite tough comparables. Russia/CIS performed well in Q2 2020 with EBIT up 11% y/y, adjusted for customs. Sales in Q2 2021 were 3% below Infront consensus, however, while adjusted EBIT exceeded consensus by 12% and our estimate by 14%. The results were driven by Russia/CIS, which reached SEK 157m in adjusted EBIT, mainly due to a 20% gross margin (2.5 pp above our estimate), while the loss from Germany was unchanged q/q at SEK -10m, adjusted for SEK 3.2m in M&A costs.

...which we expect to continue

We are encouraged by the Russian national infrastructure projects now picking up pace. Due to its strong market position in road construction, we expect Ferronordic's equipment and aftermarket sales to benefit from this tailwind. We forecast 39% and 32% organic growth for Russia/CIS in Q3 and Q4, respectively, and 11% growth for 2022E. We also expect RUB headwinds to wane after Q3, helping our numbers slightly. For Germany (21% of total sales in 2021E), we expect 42% and 33% organic sales growth for Q3 and Q4, respectively, boosted by the recovering truck market, and an extra 11% growth per quarter during H2 from recent acquisitions. For the region, we forecast 23% total sales growth in 2022E and the adjusted EBIT margin reaching 1.1% compared to -2.0% this year after improving in H2.

Estimate revisions and valuation

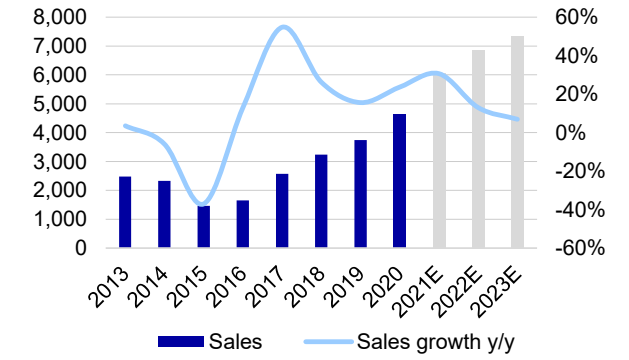
We lift 2021E-23E adjusted EBIT by 4-9% with a higher margin and 0-3% stronger sales, partly due to tailwinds from national projects. Compared to key peers Finning and Barloworld, trading at 11.6x and 6.5x, respectively, Ferronordic is valued at an average discount of 25%.

SUMMARY TABLE - KEY FIGURES

SEKm	2017	2018	2019	2020	2021E	2022E	2023E
Total revenue	2,567	3,241	3,747	4,635	6,054	6,842	7,318
EBITDA (adj)	214	322	501	503	695	810	909
EBIT (adj)	187	274	365	330	490	586	666
EBIT (adj) margin	7.3%	8.4%	9.7%	7.1%	8.1%	8.6%	9.1%
EPS (adj, SEK)	8.06	14.25	17.74	15.36	23.04	30.43	35.09
EPS (adj) growth	55.6%	76.8%	24.5%	-13.4%	50.0%	32.1%	15.3%
DPS (ord, SEK)	1.73	3.75	4.25	7.50	11.48	15.50	18.35
EV/Sales	0.5	0.5	0.8	0.5	0.7	0.6	0.5
EV/EBIT (adj)	7.0	5.6	8.4	6.9	8.5	6.8	5.6
P/E (adj)	18.7	8.9	9.2	10.2	12.4	9.4	8.1
P/BV	2.6	2.8	2.7	2.8	4.1	3.2	2.6
Dividend yield (ord)	1.1%	2.9%	2.6%	4.8%	4.0%	5.4%	6.4%
FCF Yield bef A&D, lease	8.8%	6.6%	-21.6%	28.1%	3.2%	8.3%	11.7%
Net debt	-312	-303	689	-20	27	-152	-413
Net debt/EBITDA	-1.5	-0.9	1.4	0.0	0.0	-0.2	-0.5
ROIC after tax	48.6%	61.3%	29.7%	21.7%	39.5%	39.6%	42.6%

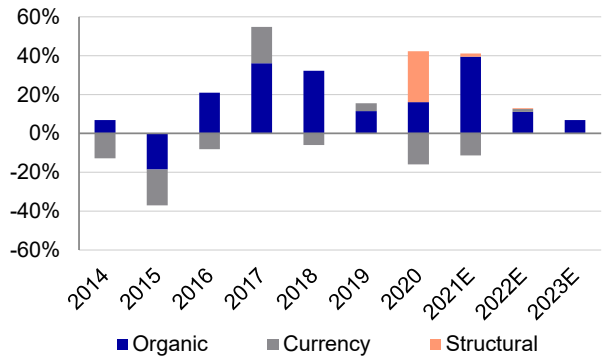
Source: Company data and Nordea estimates

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



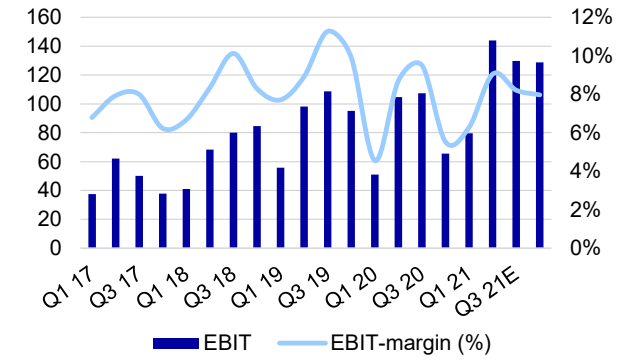
Source: Company data and Nordea estimates

SALES GROWTH BREAKDOWN (%)



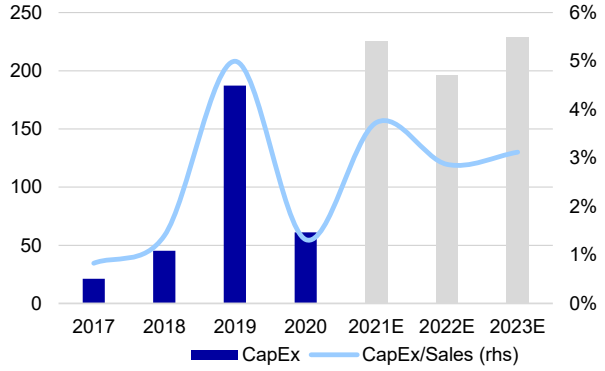
Source: Company data and Nordea estimates

EBIT (SEKm) AND EBIT MARGIN (%)



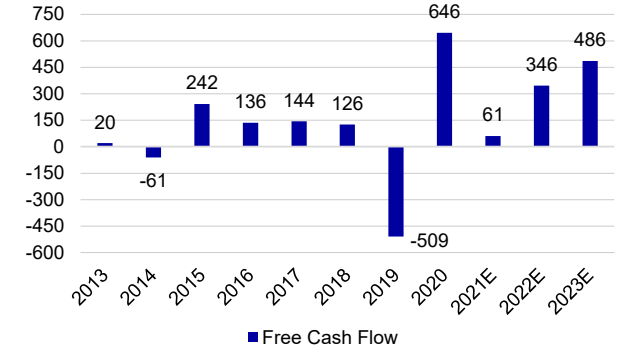
Source: Company data and Nordea estimates

CAPEX (SEKm) AND CAPEX/SALES (%)



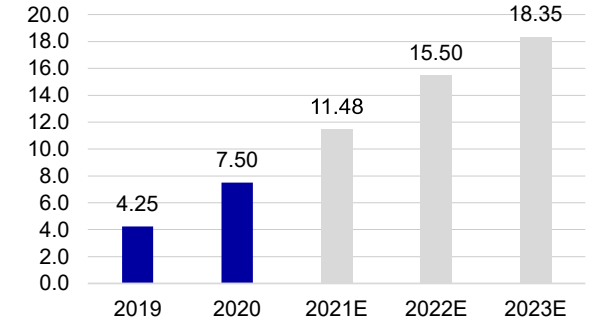
Source: Company data and Nordea estimates

FREE CASH FLOW (SEKm)



Source: Company data and Nordea estimates

DIVIDEND PER SHARE (SEK)



Source: Company data and Nordea estimates

Q2 2021 outcome

Ferronordic delivered a solid Q2 report. However, sales were 9% below our estimate and 3% below Infront consensus. Despite lower-than-anticipated sales, adjusted EBIT was 14% above us and 12% above consensus owing to a strong EBIT margin, up 1.5 pp y/y. Equipment sales in Russia/CIS were 14% below our expectations but the company remains optimistic due to increased activity in national infrastructure projects in Russia. Income tax was higher than expected owing to a dividend payment from the Russian subsidiaries to the parent company.

Q2 2021 DEVIATION TABLE

	Actual	NDA est.	Deviation		Actual		Actual	
SEKm	**Q2 2021**	**Q2 21E**	**vs. actual**		**Q1 21**	**q/q**	**Q2 20**	**y/y**
Sales	**1,590**	**1,749**	**-160**	**-9%**	**1,267**	**25%**	**1,203**	**32%**
Adj. EBIT	**147.0**	**128.9**	**18**	**14%**	**83.3**	**77%**	**93.6**	**57%**
Adj. EBIT margin	9.2%	7.4%	-	1.9pp	6.6%	2.7pp	7.8%	1.5pp
EPS (SEK)	5.94	6.36	-0.42	-7%	3.85	54%	5.24	13%
Revenue	1,590	1,749	(160)	-9%	1,267	25%	1,203	32%
Cost of sales	(1,304)	(1,460)	156	-11%	(1,052)	24%	(996)	31%
Gross profit	286	290	(4)	-1%	215	33%	207	38%
Sales expenses	(63)	(66)	4	-6%	(54)	17%	(53)	18%
G&A expenses	(79)	(98)	19	-19%	(77)	2%	(60)	33%
Other income	2	5	(3)	-	1	-	13	-
Other expenses	(2)	(2)	(0)	-	(5)	-	(2)	-
EBIT	**144**	**128**	**16**	**12%**	**80**	**80%**	**105**	**37%**
Finance income	3	3	1	-	3	17%	5	-36%
Finance costs	(14)	(11)	(3)	-	(8)	68%	(21)	-32%
Net FX gains/(losses)	(6)	(2)	-	-	(3)	-	3	-
PTP	127	117	10	8%	71	79%	92	38%
Income tax	(41)	(25)	-	-	(15)	-	(16)	-
Net income	86	92	-	-7%	56	54%	76	13%
EPS (SEK)	**5.94**	**6.36**	**(0.42)**	**-7%**	**3.85**	**54%**	**5.24**	**13%**
Non recurring items (NRI)	-3.2	-1	-2	-	-3.6	-	11.0	-
Sales per segment								
Russia/CIS								
Equipment	787	916	(129)	-14%	624	26%	617	28%
Aftermarket	252	263	-12	-5%	220	14%	221	14%
Contracting Services	210	172	37	22%	159	32%	115	82%
Germany								
Equipment	236	270	-33	-12%	159	48%	158	49%
Aftermarket	87	102	(15)	-15%	82	6%	68	28%
Adjusted EBIT								
Russia/CIS	157	135	22	17%	94	68%	109	44%
Germany	(10)	(6)	(4)	nm	(10)	nm	(15)	nm

Source: Company data and Nordea estimates

Consensus

NORDEA ESTIMATES VS CONSENSUS (PRE-Q2 2021 REPORT)

	Nordea estimates			Consensus estimates			Δ		
SEKm	**2021E**	**2022E**	**2023E**	**2021E**	**2022E**	**2023E**	**2021E**	**2022E**	**2023E**
Sales	6,054	6,842	7,318	5,909	6,686	7,250	2%	2%	1%
Adj. EBIT	490	586	666	466	586	663	5%	0%	0%
Adj. EBIT margin	8.1%	8.6%	9.1%	7.9%	8.8%	9.1%	0.2pp	-0.2pp	0.0pp
Net profit	327	441	510	335	445	507	-2%	-1%	1%
EPS (SEK)	**22.50**	**30.36**	**35.09**	**23.13**	**30.69**	**34.97**	**-3%**	**-1%**	**0%**

Source: Infront and Nordea estimates

Estimate revisions

FERRONORDIC: ESTIMATE REVISIONS

	New estimates			Old estimates			Δ		
SEKm	**2021E**	**2022E**	**2023E**	**2021E**	**2022E**	**2023E**	**2021E**	**2022E**	**2023E**
Sales breakdown									
Equipment Sales	3,742	4,286	4,611	3,760	4,201	4,664	0%	2%	-1%
Aftermarket Sales	1,338	1,501	1,595	1,291	1,429	1,558	4%	5%	2%
Contracting Services	953	1,033	1,087	691	766	813	38%	35%	34%
Group	**6,054**	**6,842**	**7,318**	**6,041**	**6,726**	**7,110**	**0%**	**2%**	**3%**
Gross profit	1,072	1,253	1,370	1,042	1,232	1,329	3%	2%	3%
Adj. EBITDA	695	810	909	641	788	874	8%	3%	4%
Adj. EBIT	490	586	666	447	570	639	9%	3%	4%
Margins									
Gross margin	17.7%	18.3%	18.7%	17.3%	18.3%	18.7%	0.4 pp	0.0 pp	0.0 pp
EBITDA margin	11.5%	11.8%	12.4%	10.6%	11.7%	12.3%	0.9 pp	0.1 pp	0.1 pp
EBIT margin	8.1%	8.6%	9.1%	7.4%	8.5%	9.0%	0.7 pp	0.1 pp	0.1 pp
Sales bridge	**31%**	**13%**	**7%**	**30%**	**11%**	**6%**	**0.3 pp**	**1.7 pp**	**1.2 pp**
Organic	40%	11%	7%	37%	9%	6%	2.6 pp	1.5 pp	1.2 pp
Structural	2%	0%	0%	2%	0%	0%	0.0 pp	0.0 pp	0.0 pp
Currency	-11%	2%	0%	-9%	1%	0%	-2.2 pp	0.1 pp	0.0 pp
DPS (SEK)	11.5	15.5	18.4	11.1	15.1	17.5	3%	3%	5%
of which ordinary	11.5	15.5	18.4	11.1	15.1	17.5	3%	3%	5%
of which extraordinary	0.0	0.0	0.0	0.0	0.0	0.0	n.a	n.a	n.a

Source: Nordea estimates

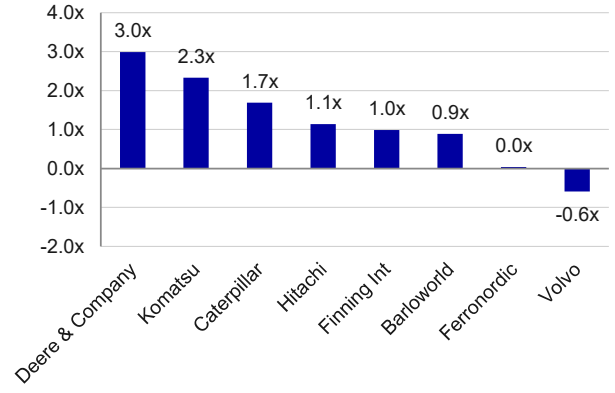
Valuation

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	-	12,802	4.2x	4.1x	7.0x	6.5x	11.0x	8.7x	4.1%	4.7%	0.9x	0.7x	9.5%	11.7%
Caterpillar	-	1,052,697	16.1x	13.5x	21.6x	17.1x	21.7x	18.0x	1.9%	2.1%	1.7x	1.7x	41.5%	46.4%
Cervus	-	1,614	6.6x	6.0x	9.5x	9.0x	9.6x	8.6x	2.5%	2.9%	-	-	-	-
Deere & Company	-	1,044,734	19.4x	17.5x	23.1x	20.7x	21.3x	18.3x	0.9%	0.9%	3.0x	3.4x	40.2%	41.9%
Ferronordic	NO RATING	4,149	6.1x	4.9x	8.5x	6.8x	12.4x	9.4x	4.0%	5.4%	0.0x	-0.2x	35.7%	38.0%
Finning Int	-	38,490	8.4x	7.7x	13.7x	11.6x	17.3x	14.8x	2.5%	2.6%	1.0x	0.8x	14.3%	15.2%
Hitachi	-	477,778	8.8x	6.5x	-	29.5x	15.9x	10.6x	1.6%	1.8%	1.1x	1.1x	13.0%	15.6%
Komatsu	-	214,542	12.5x	8.9x	-	-	27.5x	15.6x	1.5%	2.5%	2.3x	1.7x	5.5%	8.9%
Volvo	BUY	411,481	6.1x	4.8x	8.5x	6.6x	13.2x	11.0x	5.7%	6.9%	-0.6x	-0.7x	24.0%	27.1%
Average		**362,032**	**9.8x**	**8.2x**	**13.1x**	**13.5x**	**16.7x**	**12.8x**	**2.7%**	**3.3%**	**1.2x**	**1.1x**	**23.0%**	**25.6%**
Median		**214,542**	**8.4x**	**6.5x**	**9.5x**	**10.3x**	**15.9x**	**11.0x**	**2.5%**	**2.6%**	**1.1x**	**0.9x**	**19.2%**	**21.4%**
Ferronordic	**NO RATING**	**4,149**	**6.1x**	**4.9x**	**8.5x**	**6.8x**	**12.4x**	**9.4x**	**4.0%**	**5.4%**	**0.0x**	**-0.2x**	**35.7%**	**38.0%**
vs. peer average	-	-	-38%	-40%	-35%	-49%	-26%	-27%	1.3pp	2.8pp	-97%	-118%	12.8pp	16.6pp
vs. peer median	-	-	-28%	-24%	-10%	-34%	-22%	-15%	1.5pp	2.8pp	-96%	-120%	16.6pp	16.6pp

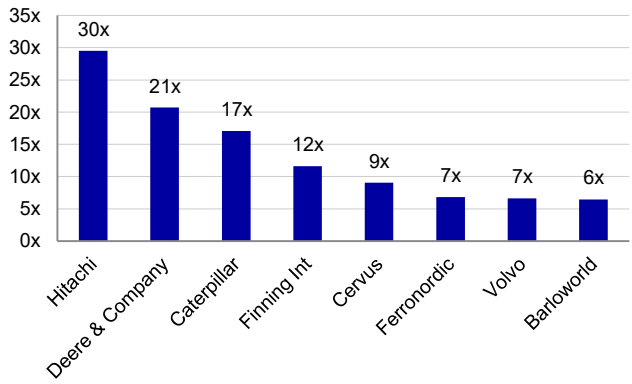
Source: Company data, Refinitiv and Nordea estimates

NET DEBT/EBITDA, 2021E



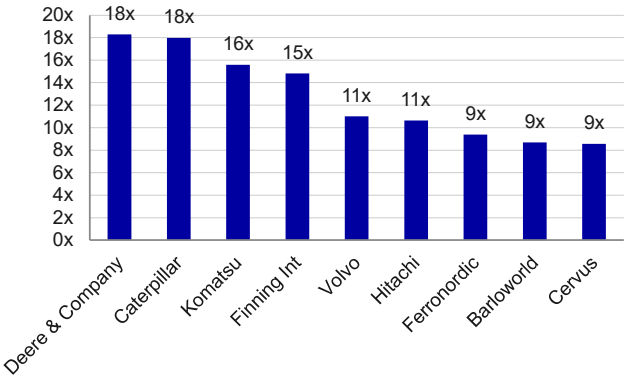
Source: Company data, Refinitiv and Nordea estimates

EV/EBIT, 2022E



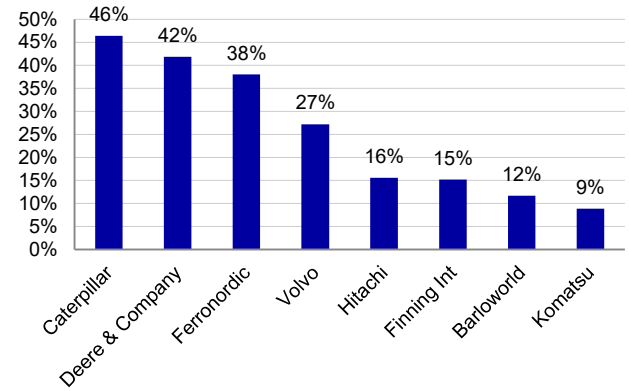
Source: Company data, Refinitiv and Nordea estimates

P/E, 2022E



Source: Company data, Refinitiv and Nordea estimates

RETURN ON EQUITY, 2022E



Source: Company data, Refinitiv and Nordea estimates

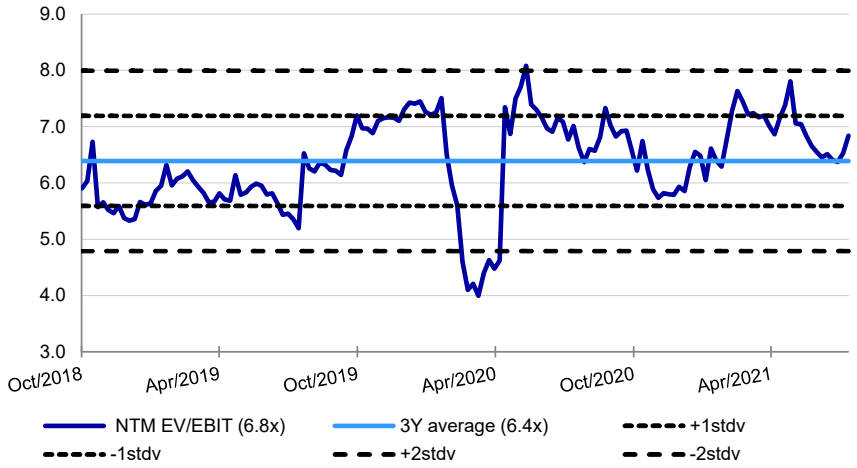
FERRONORDIC: VALUATION TABLE

(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	2,932	3,225	3,519	3,812	4,105	4,398	4,692	4,985	5,278	5,571	5,864	6,158
Net debt	-152	-152	-152	-152	-152	-152	-152	-152	-152	-152	-152	-152
Implied market capitalisation (bn)	3,084	3,377	3,671	3,964	4,257	4,550	4,843	5,137	5,430	5,723	6,016	6,309
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	**212**	**232**	**253**	**273**	**293**	**313**	**333**	**353**	**374**	**394**	**414**	**434**
Implied P/E	13.9	15.2	16.6	17.9	19.2	20.5	21.8	23.2	24.5	25.8	27.1	28.5
Implied FCF yield	2.0%	1.8%	1.7%	1.6%	1.4%	1.4%	1.3%	1.2%	1.1%	1.1%	1.0%	1.0%

Source: Nordea estimates

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

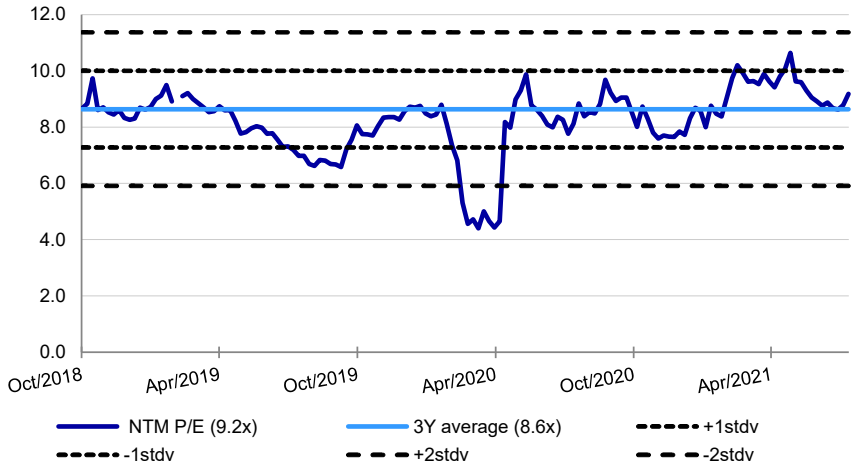
FERRONORDIC: EV/EBIT, NTM



Source: Company data, Refinitiv, and Nordea estimates

Ferronordic's NTM P/E is in line with the three-year average of 8.6x

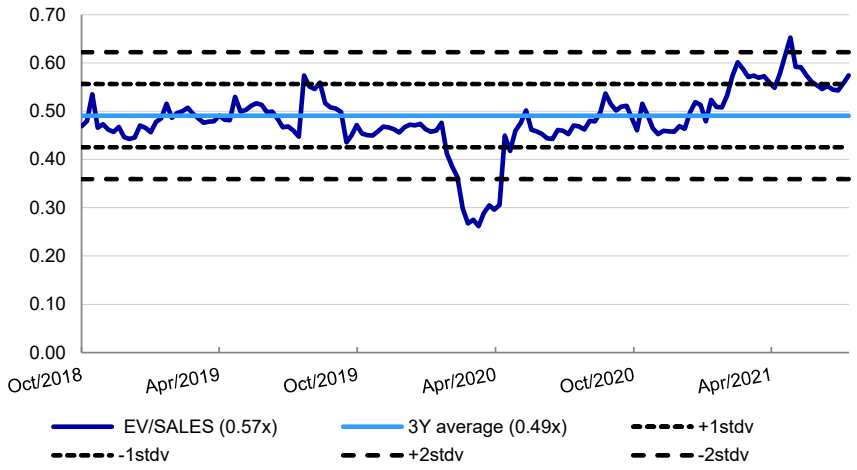
FERRONORDIC: P/E, NTM



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 21	Q3 21E	Q4 21E
Revenue	1,118	1,203	1,129	1,185	1,267	1,590	1,580	1,618
Cost of sales	-936	-996	-908	-998	-1,052	-1,304	-1,298	-1,329
Gross profit	**183**	**207**	**221**	**187**	**215**	**286**	**282**	**289**
Sales expenses	-55	-53	-55	-55	-54	-63	-60	-66
G&A expenses	-74	-60	-61	-69	-77	-79	-94	-94
Other income	2	13	4	6	1	2	4	5
Other expenses	-5	-2	-2	-3	-5	-2	-3	-4
EBIT	**51**	**105**	**107**	**65**	**80**	**144**	**130**	**129**
Finance income	2	5	2	3	3	3	3	2
Finance costs	-19	-21	-11	-9	-8	-14	-11	-12
Net FX gains/(losses)	-5	3	-1	-3	-3	-6	-1	0
EBT	**29**	**92**	**98**	**56**	**71**	**127**	**121**	**119**
Income tax	-9	-16	-17	-12	-15	-41	-29	-26
Net income	20	76	81	44	56	86	92	93
EPS (SEK)	**1.39**	**5.24**	**5.57**	**3.05**	**3.85**	**5.93**	**6.29**	**6.39**
Pre-tax adjustments	0	11	-5	-8	-4	-3	-1	0
After-tax adjustments	0	9	-4	-6	-3	-3	-1	0
Adj. EBIT	**51**	**94**	**112**	**73**	**83**	**147**	**131**	**129**
Adj. PTP	29	81	103	64	75	130	122	119
Adj. Net income	20	68	85	50	59	89	92	93
Adj. EPS (SEK)	**1.39**	**4.65**	**5.82**	**3.47**	**4.04**	**6.10**	**6.34**	**6.39**

Source: Company data and Nordea estimates

INTERIM SALES BRIDGE

(SEKm and %)	Q1 20	Q2 20	Q3 20	Q4 20	Q1 21	Q2 21	Q3 21E	Q4 21E
Sales bridge (%) - Group								
Organic	15%	2%	12%	36%	37%	50%	40%	32%
Structural	38%	22%	24%	24%	0%	2%	2%	2%
Currency	4%	-9%	-22%	-33%	-27%	-19%	-2%	2%
Other	-3%	-7%	3%	-4%	3%	0%	0%	0%
Total	**55%**	**9%**	**17%**	**23%**	**13%**	**32%**	**40%**	**37%**
Sales bridge % - Russia/CIS								
Organic	15%	2%	12%	36%	49%	53%	39%	32%
Structural	0%	0%	0%	0%	0%	0%	0%	0%
Currency	4%	-9%	-22%	-33%	-34%	-23%	-2%	3%
Other	-3%	-7%	3%	-4%	4%	1%	0%	0%
Total	**17%**	**-13%**	**-7%**	**-1%**	**20%**	**31%**	**37%**	**35%**
Sales bridge % - Germany								
Organic	0%	0%	0%	0%	-1%	38%	42%	33%
Structural	100%	100%	100%	100%	1%	8%	11%	11%
Currency	0%	0%	0%	0%	-6%	-7%	-1%	0%
Other	0%	0%	0%	0%	0%	-3%	-1%	0%
Total	**100%**	**100%**	**100%**	**100%**	**-6%**	**37%**	**52%**	**43%**
Sales split	**Q1 20**	**Q2 20**	**Q3 20**	**Q4 20**	**Q1 21**	**Q2 21**	**Q3 21E**	**Q4 21E**
Russia/CIS	**75%**	**80%**	**80%**	**80%**	**80%**	**79%**	**78%**	**79%**
Equipment	46%	51%	50%	52%	49%	49%	46%	47%
Aftermarket	20%	18%	19%	17%	17%	16%	16%	16%
Contracting Services	9%	10%	11%	11%	13%	13%	16%	16%
Other	1%	0%	0%	0%	0%	0%	0%	0%
Germany	**25%**	**20%**	**20%**	**20%**	**20%**	**21%**	**22%**	**21%**
Equipment	17%	13%	12%	12%	13%	15%	14%	14%
Aftermarket	6%	6%	6%	5%	6%	5%	6%	5%
Other	2%	2%	2%	2%	1%	1%	1%	2%

Source: Company data and Nordea estimates

GROWTH PER SEGMENT, INTERIM

(SEKm)	Q1 20	Q2 20	Q3 20	Q4 20	Q1 21	Q2 21	Q3 21E	Q4 21E
Russia/CIS								
Gross profit	156	190	199	169	185	254	239	241
EBITDA	100	156	155	122	127	195	174	173
EBIT	60	120	124	91	94	157	134	131
Adjusted EBIT	**60**	**109**	**124**	**91**	**94**	**157**	**134**	**131**
Germany								
Gross profit	27	16	23	18	30	32	43	48
EBITDA	-1	-4	-8	-16	-3	0	9	12
EBIT	-10	-15	-17	-25	-14	-13	-5	-2
Adjusted EBIT	**-10**	**-15**	**-12**	**-20**	**-10**	**-10**	**-4**	**-2**
Margins								
Group								
Gross margin	16.3%	17.2%	19.6%	15.8%	17.0%	18.0%	17.9%	17.9%
EBITDA margin	8.9%	12.6%	13.0%	8.9%	9.8%	12.2%	11.6%	11.4%
EBIT margin	4.6%	8.7%	9.5%	5.5%	6.3%	9.0%	8.2%	8.0%
Adjusted EBIT margin	**4.6%**	**7.8%**	**9.9%**	**6.2%**	**6.6%**	**9.2%**	**8.3%**	**8.0%**
Russia/CIS								
Gross margin	18.5%	19.9%	22.1%	17.8%	18.3%	20.2%	19.4%	18.8%
EBITDA margin	11.8%	16.3%	17.2%	12.8%	12.7%	15.5%	14.2%	13.5%
EBIT margin	7.1%	12.5%	13.8%	9.5%	9.3%	12.5%	10.9%	10.2%
Adjusted EBIT margin	**7.1%**	**11.3%**	**13.8%**	**9.5%**	**9.3%**	**12.5%**	**10.9%**	**10.2%**
Germany								
Gross margin	9.8%	6.7%	9.8%	7.7%	11.6%	9.6%	12.4%	14.3%
EBITDA margin	-0.2%	-1.8%	-3.4%	-6.8%	-1.1%	-0.1%	2.5%	3.5%
EBIT margin	-3.5%	-6.1%	-7.3%	-10.7%	-5.3%	-3.8%	-1.3%	-0.6%
Adjusted EBIT margin	**-3.5%**	**-6.1%**	**-5.2%**	**-8.7%**	**-3.9%**	**-2.9%**	**-1.0%**	**-0.6%**

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	6,054	6,842	7,318	7,602
Cost of sales	-2,079	-2,627	-2,972	-3,837	-4,982	-5,588	-5,948	-6,156
Gross profit	**488**	**614**	**775**	**797**	**1,072**	**1,253**	**1,370**	**1,446**
Sales expenses	-125	-138	-162	-219	-243	-282	-292	-287
G&A expenses	-165	-190	-238	-264	-345	-379	-401	-414
Other income	5	4	8	24	13	14	15	15
Other expenses	-16	-17	-26	-11	-15	-20	-25	-28
EBIT	**187**	**274**	**358**	**328**	**482**	**585**	**666**	**733**
Finance income	15	7	6	12	11	11	12	12
Finance costs	-7	-9	-58	-59	-46	-33	-32	-33
Net FX gains/(losses)	-2	-5	12	-5	-9	-1	0	0
EBT	**193**	**267**	**318**	**276**	**438**	**563**	**645**	**712**
Income tax	-42	-58	-68	-54	-111	-122	-136	-150
Net income	151	209	251	222	327	441	510	562
EPS (SEK)	**8.50**	**14.25**	**17.26**	**15.25**	**22.50**	**30.36**	**35.09**	**37.69**
Pre-tax adjustments	0	0	-7	-2	-8	-1	0	0
After-tax adjustments	0	0	-6	-1	-6	0	0	0
Adj. EBIT	**187**	**274**	**365**	**330**	**490**	**586**	**666**	**733**
Adj. PTP	193	267	325	277	446	564	645	712
Adj. Net income	151	209	256	223	333	441	510	562
Adj. EPS (SEK)	**8.50**	**14.25**	**17.64**	**15.34**	**22.92**	**30.37**	**35.09**	**37.69**

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%	40%	11%	7%	4%
Structural	0%	0%	0%	26%	2%	0%	0%	0%
Currency	19%	-6%	4%	-16%	-11%	2%	0%	0%
Other	6%	2%	-1%	-3%	1%	0%	0%	0%
Total	**61%**	**28%**	**15%**	**24%**	**31%**	**13%**	**7%**	**4%**
Sales bridge % - Russia/CIS								
Organic	36%	32%	11%	16%	43%	8%	8%	6%
Structural	0%	0%	0%	0%	0%	0%	0%	0%
Currency	19%	-6%	4%	-16%	-14%	2%	0%	0%
Other	6%	2%	-4%	-3%	1%	0%	0%	0%
Total	**61%**	**28%**	**11%**	**-3%**	**31%**	**10%**	**8%**	**6%**
Sales bridge % - Germany								
Organic	-	-	-	0%	27%	21%	5%	-4%
Structural	-	-	-	100%	8%	2%	0%	0%
Currency	-	-	-	0%	-3%	0%	0%	0%
Other	-	-	-	0%	-1%	0%	0%	0%
Total	**-**	**-**	**-**	**100%**	**30%**	**23%**	**5%**	**-4%**
Sales split	**2017**	**2018**	**2019**	**2020**	**2021E**	**2022E**	**2023E**	**2024E**
Russia/CIS	**100%**	**100%**	**100%**	**79%**	**79%**	**77%**	**77%**	**79%**
Equipment	69%	71%	65%	50%	48%	47%	48%	50%
Aftermarket	27%	24%	25%	19%	16%	15%	15%	15%
Contracting Services	0%	0%	10%	10%	14%	14%	14%	14%
Other	4%	5%	1%	0%	0%	0%	0%	0%
Germany	**0%**	**0%**	**0%**	**21%**	**21%**	**23%**	**23%**	**21%**
Equipment	0%	0%	0%	14%	14%	15%	15%	14%
Aftermarket	0%	0%	0%	6%	6%	7%	7%	6%
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	918	1,022	1,111	1,186
EBITDA	214	322	494	533	670	732	804	866
EBIT	187	274	358	394	515	569	622	673
Adjusted EBIT	**187**	**274**	**358**	**383**	**515**	**569**	**622**	**673**
Germany								
Gross profit	0	0	0	84	154	231	259	261
EBITDA	0	0	0	-29	17	77	106	118
EBIT	0	0	0	-66	-33	16	44	60
Adjusted EBIT	**0**	**0**	**0**	**-57**	**-25**	**17**	**44**	**60**
Margins								
Group								
Gross margin	19.0%	19.0%	20.7%	17.2%	17.7%	18.3%	18.7%	19.0%
EBITDA margin	8.3%	9.9%	13.2%	10.9%	11.3%	11.8%	12.4%	12.9%
EBIT margin	7.3%	8.4%	9.5%	7.1%	8.0%	8.6%	9.1%	9.6%
Adjusted EBIT margin	**7.3%**	**8.4%**	**9.7%**	**7.1%**	**8.1%**	**8.6%**	**9.1%**	**9.6%**
Russia/CIS								
Gross margin	19.0%	19.0%	20.6%	19.5%	19.2%	19.4%	19.6%	19.7%
EBITDA margin	8.3%	9.9%	13.2%	14.6%	14.0%	13.9%	14.2%	14.4%
EBIT margin	7.3%	8.4%	9.5%	10.8%	10.8%	10.8%	11.0%	11.2%
Adjusted EBIT margin	**7.3%**	**8.4%**	**9.5%**	**10.5%**	**10.8%**	**10.8%**	**11.0%**	**11.2%**
Germany								
Gross margin	-	-	-	8.5%	12.0%	14.7%	15.7%	16.4%
EBITDA margin	-	-	-	-2.9%	1.4%	4.9%	6.4%	7.4%
EBIT margin	-	-	-	-6.7%	-2.6%	1.0%	2.6%	3.7%
Adjusted EBIT margin	**-**	**-**	**-**	**-5.8%**	**-2.0%**	**1.1%**	**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**	**6,054**	**6,842**	**7,318**
Revenue growth	3.5%	-5.9%	-37.1%	12.9%	54.8%	26.3%	15.6%	23.7%	30.6%	13.0%	7.0%
of which organic	7.2%	6.9%	-18.6%	21.0%	36.2%	32.2%	11.4%	16.1%	39.6%	11.0%	6.9%
of which FX	0.0%	-12.8%	-18.5%	-8.1%	18.6%	-6.0%	4.0%	-16.0%	-11.4%	1.5%	0.0%
EBITDA	153	172	130	153	214	322	494	504	687	809	909
Depreciation and impairments PPE	-101	-70	-43	-34	-26	-48	-136	-176	-205	-224	-243
of which leased assets	0	0	0	0	0	0	0	0	0	0	0
EBITA	52	102	87	119	187	274	358	328	482	585	666
Amortisation and impairments	0	-33	-26	-15	0	0	0	0	0	0	0
EBIT	52	69	61	104	187	274	358	328	482	585	666
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	-44	-23	-20
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**	**438**	**563**	**645**
Reported taxes	13	-7	-8	-24	-42	-58	-68	-54	-111	-122	-136
Net profit from continued operations	-44	19	29	84	151	209	251	222	327	441	510
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	327	441	510
EPS, SEK	**-4.44**	**-3.10**	**-2.12**	**3.03**	**8.06**	**14.25**	**17.26**	**15.25**	**22.50**	**30.36**	**35.09**
DPS, SEK	0.00	0.00	0.00	0.00	1.73	7.50	4.25	7.50	11.48	15.50	18.35
of which ordinary	0.00	0.00	0.00	0.00	1.73	3.75	4.25	7.50	11.48	15.50	18.35
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%	11.3%	11.8%	12.4%
EBITA	2.1%	4.4%	5.9%	7.2%	7.3%	8.4%	9.5%	7.1%	8.0%	8.6%	9.1%
EBIT	2.1%	3.0%	4.2%	6.3%	7.3%	8.4%	9.5%	7.1%	8.0%	8.6%	9.1%
Adjusted earnings											
EBITDA (adj)	153	172	130	153	214	322	501	503	695	810	909
EBITA (adj)	52	102	87	137	187	274	365	330	490	586	666
EBIT (adj)	90	102	87	132	187	274	365	330	490	586	666
EPS (adj, SEK)	0.17	-0.51	-0.08	5.18	8.06	14.25	17.74	15.36	23.04	30.43	35.09
Adjusted profit margins in percent											
EBITDA (adj)	6.2%	7.4%	8.9%	9.2%	8.3%	9.9%	13.4%	10.9%	11.5%	11.8%	12.4%
EBITA (adj)	2.1%	4.4%	5.9%	8.3%	7.3%	8.4%	9.7%	7.1%	8.1%	8.6%	9.1%
EBIT (adj)	3.6%	4.4%	5.9%	7.9%	7.3%	8.4%	9.7%	7.1%	8.1%	8.6%	9.1%
Performance metrics											
CAGR last 5 years											
Net revenue	n.a.	n.a.	n.a.	-7.3%	1.4%	5.5%	9.9%	25.8%	29.6%	21.7%	17.7%
EBITDA	n.m.	n.m.	n.m.	11.6%	13.0%	16.0%	23.5%	31.1%	35.1%	30.5%	23.1%
EBIT	n.a.	n.a.	n.a.	27.7%	48.0%	39.6%	39.0%	40.0%	35.8%	25.6%	19.5%
EPS	n.a.	n.a.	n.a.	n.m.	n.m.	n.m.	n.m.	n.m.	49.3%	30.4%	19.7%
DPS	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	55.0%	37.4%
Average last 5 years											
Average EBIT margin	n.a.	n.a.	2.1%	3.0%	4.5%	6.2%	7.8%	7.9%	8.0%	8.3%	8.5%
Average EBITDA margin	n.a.	n.a.	5.9%	7.0%	7.8%	8.8%	10.3%	10.6%	11.0%	11.5%	11.9%

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	12.4	9.4	8.1
EV/EBITDA (adj)	n.a.	n.a.	n.a.	n.a.	6.1	4.8	6.1	4.5	6.0	4.9	4.1
EV/EBITA (adj)	n.a.	n.a.	n.a.	n.a.	7.0	5.6	8.4	6.9	8.5	6.8	5.6
EV/EBIT (adj)	n.a.	n.a.	n.a.	n.a.	7.0	5.6	8.4	6.9	8.5	6.8	5.6

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	12.7	9.4	8.1
EV/Sales	n.a.	n.a.	n.a.	n.a.	0.51	0.48	0.82	0.49	0.69	0.58	0.51
EV/EBITDA	n.a.	n.a.	n.a.	n.a.	6.1	4.8	6.2	4.5	6.1	4.9	4.1
EV/EBITA	n.a.	n.a.	n.a.	n.a.	7.0	5.6	8.6	6.9	8.7	6.8	5.6
EV/EBIT	n.a.	n.a.	n.a.	n.a.	7.0	5.6	8.6	6.9	8.7	6.8	5.6
Dividend yield (ord.)	n.a.	n.a.	n.a.	n.a.	1.1%	2.9%	2.6%	4.8%	4.0%	5.4%	6.4%
FCF yield	n.a.	n.a.	n.a.	n.a.	8.9%	6.8%	-21.5%	28.2%	1.5%	8.3%	11.7%
FCF Yield bef A&D, lease adj	n.a.	n.a.	n.a.	n.a.	8.8%	6.6%	-21.6%	28.1%	3.2%	8.3%	11.7%
Payout ratio	0.0%	0.0%	0.0%	0.0%	21.5%	52.6%	24.6%	49.2%	51.0%	51.0%	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	84	91	99
of which R&D	0	0	0	0	0	0	0	0	33	40	47
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	43	43	43
Tangible assets	248	225	83	116	136	263	700	507	525	494	476
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	674	650	639
Inventory	584	425	327	467	633	741	1,290	1,014	1,453	1,710	1,829
Accounts receivable	335	265	161	202	243	319	322	393	514	616	659
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	55	59
Cash and bank	163	177	175	199	352	357	519	604	556	735	996
Total current assets	1,084	870	665	872	1,231	1,418	2,214	2,048	2,571	3,116	3,543
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**	**3,245**	**3,766**	**4,181**
Shareholders equity	533	372	322	442	611	656	890	806	1,024	1,299	1,583
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	1,024	1,299	1,583
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	38	40
Accounts payable	652	492	384	547	737	982	917	1,188	1,574	1,813	1,939
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	29
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	1,793	2,039	2,170
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**	**3,245**	**3,766**	**4,181**
Balance sheet and debt metrics											
Net debt	59	109	-81	-173	-312	-303	689	-20	27	-152	-413
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	417	541	578
Invested capital	621	496	244	280	314	374	1,519	818	1,091	1,190	1,217
Capital employed	755	658	416	468	651	710	2,003	1,390	1,608	1,882	2,167
ROE	-13.4%	-6.9%	-6.1%	7.9%	16.4%	32.7%	32.4%	26.1%	35.7%	38.0%	35.4%
ROIC	10.2%	14.1%	18.1%	38.7%	48.6%	61.3%	29.7%	21.7%	39.5%	39.6%	42.6%
ROCE	11.3%	14.8%	18.1%	31.9%	36.1%	41.3%	27.4%	20.1%	33.4%	34.3%	33.5%
Net debt/EBITDA	0.4	0.6	-0.6	-1.1	-1.5	-0.9	1.4	0.0	0.0	-0.2	-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%	31.6%	34.5%	37.9%
Net gearing	11.1%	29.4%	-25.3%	-39.1%	-51.0%	-46.2%	77.4%	-2.5%	2.7%	-11.7%	-26.1%

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**	**687**	**809**	**909**
Paid taxes	0	0	0	0	0	0	-85	-71	-111	-122	-136
Net financials	111	43	24	-3	-6	7	-58	-59	-44	-23	-20
Change in provisions	-8	-9	-5	7	3	4	5	3	8	4	3
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**	**540**	**670**	**756**
Change in NWC	-27	-176	133	18	-20	-106	-698	316	-179	-123	-38
Cash flow from operations (CFO)	**42**	**-25**	**234**	**141**	**148**	**161**	**-330**	**693**	**361**	**546**	**718**
Capital expenditure	-22	-36	3	-10	-7	-38	-181	-49	-229	-200	-232
Free cash flow before A&D	**20**	**-61**	**237**	**132**	**141**	**123**	**-511**	**643**	**132**	**346**	**486**
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	-71	0	0
Free cash flow	20	-61	242	136	144	126	-509	646	61	346	486
Free cash flow bef A&D, lease adj	20	-61	237	132	141	123	-511	643	132	346	486
Dividends paid	0	-50	-50	-53	-58	-30	-109	-62	-109	-167	-225
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	-48	179	261
Cash flow metrics											
Capex/D&A	22.1%	35.3%	-4.4%	20.0%	25.8%	80.1%	n.m.	28.1%	n.m.	89.3%	95.5%
Capex/Sales	0.9%	1.6%	-0.2%	0.6%	0.3%	1.2%	4.8%	1.1%	3.8%	2.9%	3.2%
Key information											
Share price year end (/current)	n.a.	n.a.	n.a.	n.a.	151	127	163	157	286	286	286
Market cap.	n.a.	n.a.	n.a.	n.a.	1,615	1,849	2,369	2,287	4,149	4,149	4,149
Enterprise value	n.a.	n.a.	n.a.	n.a.	1,303	1,546	3,058	2,267	4,177	3,997	3,736
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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