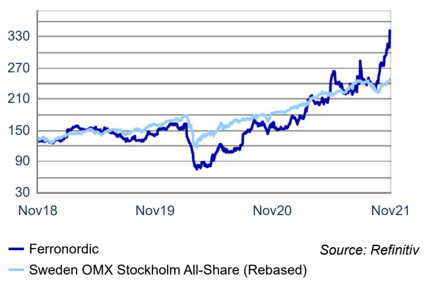
Ferronordic

Capital Goods
Sweden

KEY DATA

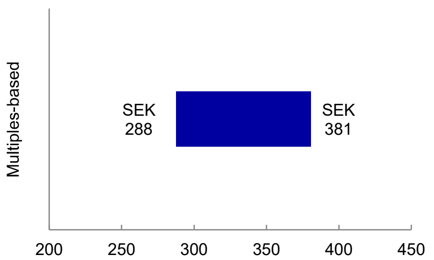
Stock country	Sweden
Bloomberg	FNM SS
Reuters	FNMA.ST
Share price (close)	SEK 345.0
Free Float	84%
Market cap. (bn)	EUR 0.50/SEK 5.01
Website	www.ferronordic.ru
Next report date	

PERFORMANCE



Source: Refinitiv

VALUATION APPROACH



Source: Nordea estimates

ESTIMATE CHANGES

Year	2021E	2022E	2023E
Sales	1%	1%	1%
EBIT (adj)	9%	9%	5%

Source: Nordea estimates

Nordea Markets - Analysts
Victor Hansen
Analyst

Carl Ragnerstam
Analyst

Encouraging outlook for Germany

Ferronordic delivered a strong Q3 report, with sales and adjusted EBIT both up 47% y/y, and 10% and 22% above Infront consensus, respectively. The strong earnings were driven by Russia/CIS with a margin of above 13%, while Germany was still loss making at SEK -32m (NRI of SEK -17m). However, we find it encouraging that management reiterated its guidance for a break-even result in Germany by the end of the year, coupled with the significant market share gains lately. We fine-tune our sales estimates by 1% for 2021-23 but raise adjusted EBIT by 5-9%. We up our multiples-based fair value range to SEK 288-381 (264-327), for a 2022E EV/EBIT of 6-8x.

Q3 outcome

Q3 sales came in at SEK 1,661m and reported EBIT at SEK 147m, up 37%. Russia/CIS delivered a record quarter, with EBIT up 45% y/y and sales up 48% (52% organic). In Germany, the loss was larger than expected at SEK -32m (SEK -17m in NRI), but equipment sales grew 25% in a market that dropped 13%. Group free cash flow reached SEK 248m (95m), boosted by working capital releases. Working capital for Russia/CIS is now at -2% of sales, which could hamper equipment sales growth in the near term.

Germany expected to improve

With 1.5 months left of 2021, we find it encouraging that management reiterated its guidance for Germany to reach a break-even earnings run-rate by the end of Q4, especially as adjusted EBIT declined q/q to SEK -15m in Q3 (adjusted for SEK -17m in NRI). For Germany, we estimate 27% sales growth and a margin of +1% for 2022, driven by a market recovery, scale and operational improvements. We expect the service network to grow further from the 14 outlets, and note that the past four outlet acquisitions have a combined EBIT margin of 13%, compared to the business area margin of -5% for 2021E (adjusted: -3%). It is also promising that the company has gained market shares in its German region for two quarters in a row (Q3: new truck sales grew 25% y/y, while the market was down 13%).

Revisions and valuation

We nudge our sales estimates up 1% for 2021-23 but raise adjusted EBIT by 5-9%. The share is trading at 7x 2022E EV/EBIT, i.e. a ~40% discount to our peer group average, and at an 8% FCF yield for 2022E, with solid earnings growth. Ferronordic is valued in-line with key peer Barloworld (at 7.3x) but 40% below Finning.

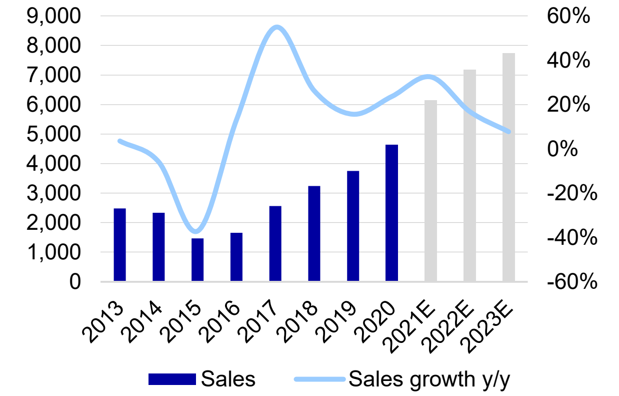
SUMMARY TABLE - KEY FIGURES

SEKm	2017	2018	2019	2020	2021E	2022E	2023E
Total revenue	2,567	3,241	3,747	4,635	6,140	7,174	7,728
EBITDA (adj)	214	322	501	503	724	910	991
EBIT (adj)	187	274	365	330	541	675	743
EBIT (adj) margin	7.3%	8.4%	9.7%	7.1%	8.8%	9.4%	9.6%
EPS (adj, SEK)	8.06	14.25	17.74	15.36	26.30	34.11	38.91
EPS (adj) growth	55.6%	76.8%	24.5%	-13.4%	71.3%	29.7%	14.1%
DPS (ord, SEK)	1.73	3.75	4.25	7.50	12.55	17.06	20.35
EV/Sales	0.5	0.5	0.8	0.5	0.8	0.7	0.6
EV/EBIT (adj)	7.0	5.6	8.4	6.9	9.4	7.2	6.1
P/E (adj)	18.7	8.9	9.2	10.2	13.1	10.1	8.9
P/BV	2.6	2.8	2.7	2.8	4.8	3.7	3.0
Dividend yield (ord)	1.1%	2.9%	2.6%	4.8%	3.6%	4.9%	5.9%
FCF Yield bef A&D, lease	8.8%	6.6%	-21.6%	28.1%	2.3%	7.9%	11.6%
Net debt	-312	-303	689	-20	85	-131	-466
Net debt/EBITDA	-1.5	-0.9	1.4	0.0	0.1	-0.1	-0.5
ROIC after tax	48.6%	61.3%	29.7%	21.7%	41.7%	42.2%	44.8%

Source: Company data and Nordea estimates

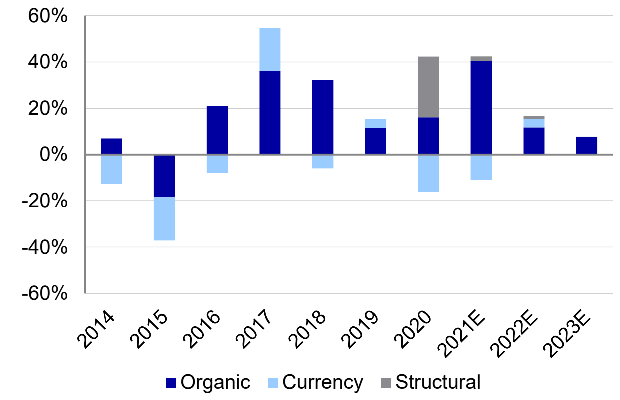
Key charts

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



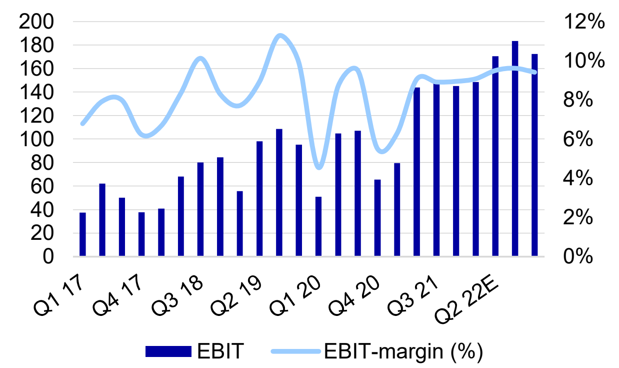
Source: Company data and Nordea estimates

SALES GROWTH BREAKDOWN (%)



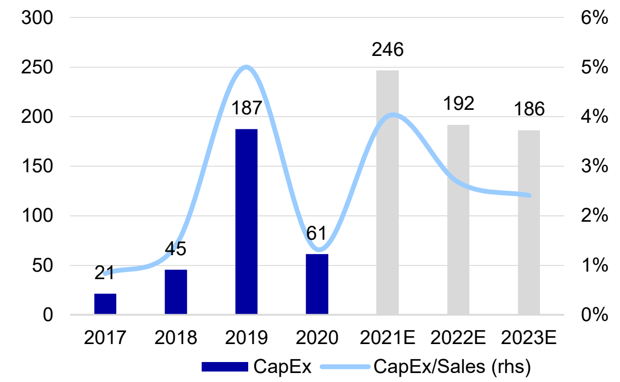
Source: Company data and Nordea estimates

EBIT (SEKm) AND EBIT MARGIN (%)



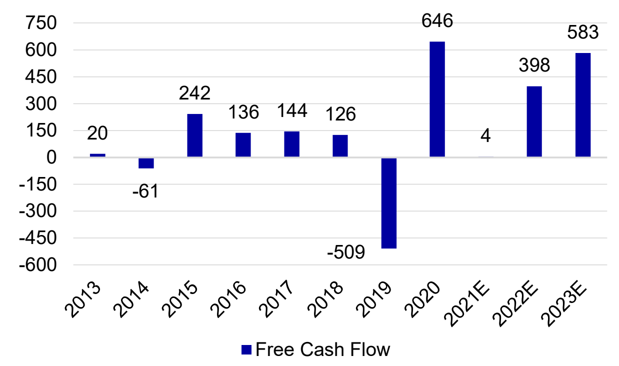
Source: Company data and Nordea estimates

CAPEX (SEKm) AND CAPEX/SALES (%)



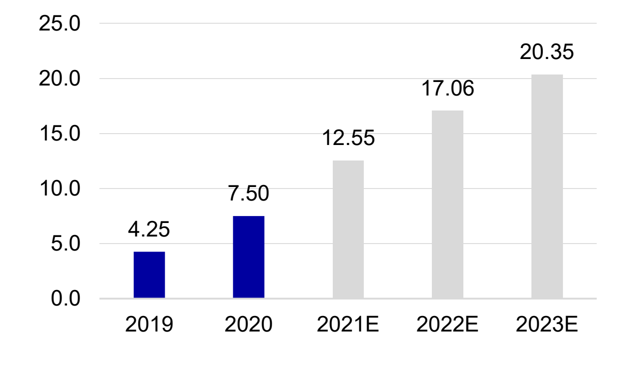
Source: Company data and Nordea estimates

FREE CASH FLOW (SEKm)



Source: Company data and Nordea estimates

DIVIDEND PER SHARE (SEK)



Source: Company data and Nordea estimates

Q3 outcome

FERRONORDIC: DEVIATION TABLE

SEKm	Actual Q3 2021	NDA est. Q3 21E	Deviation vs. actual		Actual Q2 21	q/q	Actual Q3 20	y/y
Sales	**1,661**	**1,557**	**104**	**7%**	**1,590**	**4%**	**1,129**	**47%**
Adj. EBIT	**164.1**	**133**	**31**	**24%**	**147**	**12%**	**112**	**47%**
Adj. EBIT margin	9.9%	8.5%	-	1.3pp	9.2%	0.6pp	9.9%	0.0pp
EPS (SEK)	7.48	6.50	0.98	15%	5.93	26%	5.57	34%
Revenue	1,661	1,557	104	7%	1,590	4%	1,129	47%
Cost of sales	(1,337)	(1,278)	(59)	5%	(1,304)	3%	(908)	47%
Gross profit	324	278	46	16%	286	13%	221	46%
Sales expenses	(69)	(60)	(9)	15%	(63)	10%	(55)	25%
G&A expenses	(98)	(87)	(11)	13%	(79)	24%	(61)	61%
Other income	5	3	2	-	2	-	4	-
Other expenses	(14)	(2)	(12)	-	(2)	-	(2)	-
EBIT	**147**	**132**	**15**	**12%**	**144**	**2%**	**107**	**37%**
Finance income	7	3	4	-	3	113%	2	260%
Finance costs	(20)	(11)	(9)	-	(14)	41%	(11)	89%
Net FX gains/(losses)	1	1	-	-	(6)	-	(1)	-
PTP	135	125	10	8%	127	6%	98	38%
Income tax	(27)	(30)	-	-	(41)	-	(17)	-
Net income	108	95	-	14%	86	25%	81	33%
EPS (SEK)	**7.48**	**6.50**	**0.98**	**15%**	**5.93**	**26%**	**5.57**	**34%**
Non recurring items (NRI)	-17	-1	-16	-	-3	-	-5	-
Sales per segment								
Russia/CIS								
Equipment	803	733	70	10%	787	2%	559	44%
Aftermarket	276	263	13	5%	252	10%	218	27%
Contracting Services	245	235	10	4%	210	17%	119	107%
Germany								
Equipment	222	201	21	10%	236	-6%	135	64%
Aftermarket	88	99	(11)	-11%	87	1%	71	24%
Adjusted EBIT								
Russia/CIS	179	137	42	30%	157	14%	124	45%
Germany	(32)	(4)	(28)	620%	(10)	229%	(12)	168%

Source: Company data 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	3,823	4,477	4,852	3,770	4,493	4,859	1%	0%	0%
Aftermarket Sales	1,366	1,606	1,742	1,353	1,568	1,701	1%	2%	2%
Contracting Services	927	1,064	1,105	926	1,052	1,102	0%	1%	0%
Other									
Group	**6,139**	**7,174**	**7,728**	**6,069**	**7,137**	**7,689**	**1%**	**1%**	**1%**
Gross profit	1,129	1,353	1,471	1,074	1,299	1,433	5%	4%	3%
Adj. EBITDA	724	910	991	700	852	955	3%	7%	4%
Adj. EBIT	**541**	**675**	**743**	**497**	**618**	**708**	**9%**	**9%**	**5%**
Margins									
Gross margin	18.4%	18.9%	19.0%	17.7%	18.2%	18.6%	0.7 pp	0.7 pp	0.4 pp
EBITDA margin	11.8%	12.7%	12.8%	11.5%	11.9%	12.4%	0.3 pp	0.7 pp	0.4 pp
EBIT margin	8.8%	9.4%	9.6%	8.2%	8.7%	9.2%	0.6 pp	0.7 pp	0.4 pp
Sales bridge	**32%**	**17%**	**8%**	**31%**	**18%**	**8%**	**1.5 pp**	**-0.7 pp**	**0.0 pp**
Organic	40%	12%	8%	39%	12%	8%	1.9 pp	-0.7 pp	0.0 pp
Structural	2%	1%	0%	2%	1%	0%	0.0 pp	0.0 pp	0.0 pp
Currency	-11%	4%	0%	-11%	4%	0%	-0.3 pp	0.0 pp	0.0 pp
Other	1%	0%	0%	1%	0%	0%	0.0 pp	0.0 pp	0.0 pp
DPS (SEK)	**12.5**	**17.1**	**20.3**	**11.7**	**15.4**	**19.2**	**7.0%**	**10.6%**	**5.9%**
of which ordinary	12.5	17.1	20.3	11.7	15.4	19.2	7%	11%	6%
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

We are above Infront consensus on all lines, but particularly so on adjusted EBIT

OUR POST-Q3 ESTIMATES VS PRE-Q3 CONSENSUS

	Nordea estimates			Consensus estimates			Δ		
SEKm	**2021E**	**2022E**	**2023E**	**2021E**	**2022E**	**2023E**	**2021E**	**2022E**	**2023E**
Sales	6,140	7,174	7,728	5,996	6,966	7,609	2%	3%	2%
Adj. EBIT	541	675	743	498	624	712	9%	8%	4%
Adj. EBIT margin	8.8%	9.4%	9.6%	8.3%	9.0%	9.4%	0.5pp	0.5pp	0.3pp
Net profit	358	496	565	338	467	542	6%	6%	4%
EPS (SEK)	**24.60**	**34.11**	**38.91**	**23.26**	**32.11**	**37.32**	**6%**	**6%**	**4%**

Source: Company data, Infront and Nordea estimates

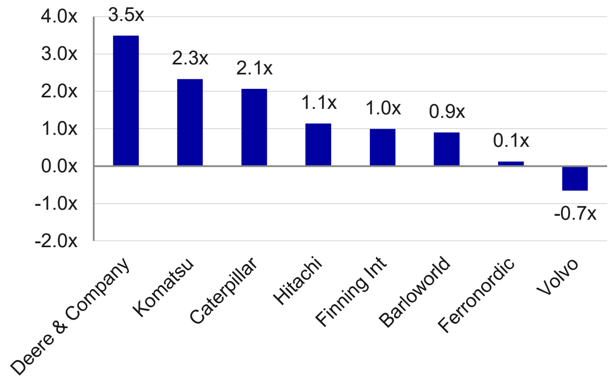
Valuation

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	-	15,182	5.0x	4.6x	8.1x	7.3x	12.6x	10.2x	3.8%	3.9%	0.9x	0.8x	9.9%	11.7%
Caterpillar	-	990,898	16.0x	13.2x	20.9x	16.8x	20.2x	17.2x	2.0%	2.1%	2.1x	2.2x	42.2%	44.1%
Cervus	-	2,094	-	-	-	-	-	-	-	-	-	-	-	-
Deere & Company	-	973,968	18.3x	15.7x	21.7x	18.2x	19.3x	16.4x	0.9%	1.0%	3.5x	3.5x	41.7%	43.6%
Ferronordic	NO RATING	5,014	7.3x	5.4x	9.4x	7.2x	13.1x	10.1x	3.6%	4.9%	0.1x	-0.1x	38.4%	40.9%
Finning Int	-	40,747	8.7x	8.0x	13.8x	12.0x	17.6x	15.4x	2.3%	2.4%	1.0x	0.8x	14.9%	15.3%
Hitachi	-	542,401	9.7x	7.3x	-	-	18.1x	12.3x	1.4%	1.5%	1.1x	1.1x	13.0%	15.9%
Komatsu	-	227,950	12.8x	8.8x	-	-	29.2x	15.8x	1.4%	2.6%	2.3x	1.6x	5.5%	9.3%
Volvo	BUY	421,534	6.4x	5.5x	9.0x	7.3x	13.9x	11.9x	6.7%	7.0%	-0.7x	-0.6x	23.4%	26.5%
Average		**357,754**	**10.5x**	**8.6x**	**13.8x**	**11.5x**	**18.0x**	**13.7x**	**2.8%**	**3.2%**	**1.3x**	**1.2x**	**23.6%**	**25.9%**
Median		**227,950**	**9.2x**	**7.7x**	**11.6x**	**9.7x**	**17.8x**	**13.9x**	**2.2%**	**2.5%**	**1.1x**	**1.0x**	**19.1%**	**21.2%**
Ferronordic	**NO RATING**	**5,014**	**7.3x**	**5.4x**	**9.4x**	**7.2x**	**13.1x**	**10.1x**	**3.6%**	**4.9%**	**0.1x**	**-0.1x**	**38.4%**	**40.9%**
vs. peer average	-	-	-31%	-37%	-32%	-37%	-27%	-26%	0.8pp	2.4pp	-91%	-112%	14.8pp	19.7pp
vs. peer median	-	-	-21%	-30%	-19%	-25%	-26%	-27%	1.5pp	2.4pp	-89%	-115%	19.3pp	19.7pp

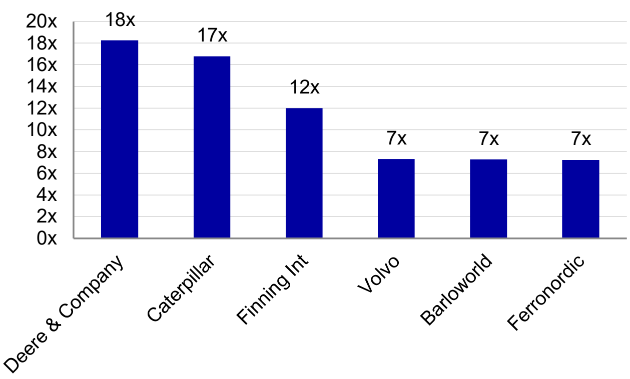
Source: Company data, Refinitiv and Nordea estimates

NET DEBT/EBITDA, 2021E



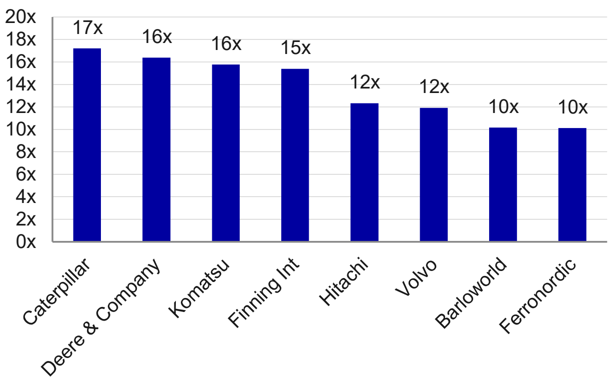
Source: Company data, Refinitiv and Nordea estimates

EV/EBIT, 2022E



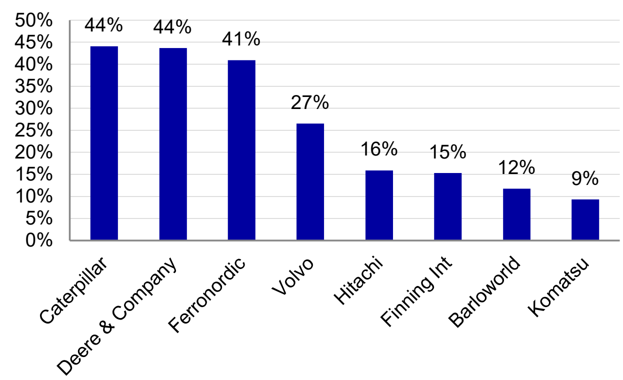
Source: Company data, Refinitiv and Nordea estimates

P/E, 2022E



Source: Company data, Refinitiv and Nordea estimates

RETURN ON EQUITY, 2022E



Source: Company data, Refinitiv and Nordea estimates

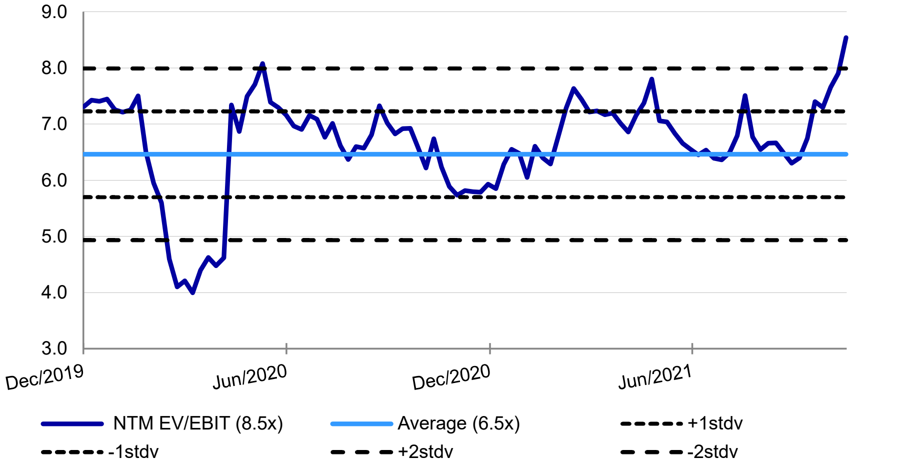
FERRONORDIC: VALUATION TABLE

(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	3,375	3,713	4,050	4,388	4,725	5,063	5,400	5,738	6,076	6,413	6,751	7,088
Net debt	-131	-131	-131	-131	-131	-131	-131	-131	-131	-131	-131	-131
Implied market capitalisation (bn)	3,506	3,844	4,181	4,519	4,856	5,194	5,531	5,869	6,206	6,544	6,881	7,219
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	**241**	**264**	**288**	**311**	**334**	**357**	**381**	**404**	**427**	**450**	**474**	**497**
Implied P/E (x)	7.1	7.8	8.4	9.1	9.8	10.5	11.2	11.8	12.5	13.2	13.9	14.6
Implied FCF yield	11.3%	10.3%	9.5%	8.8%	8.2%	7.7%	7.2%	6.8%	6.4%	6.1%	5.8%	5.5%

Source: Nordea estimates

Ferronordic is trading above its historical average of 6.5x NTM EV/EBIT

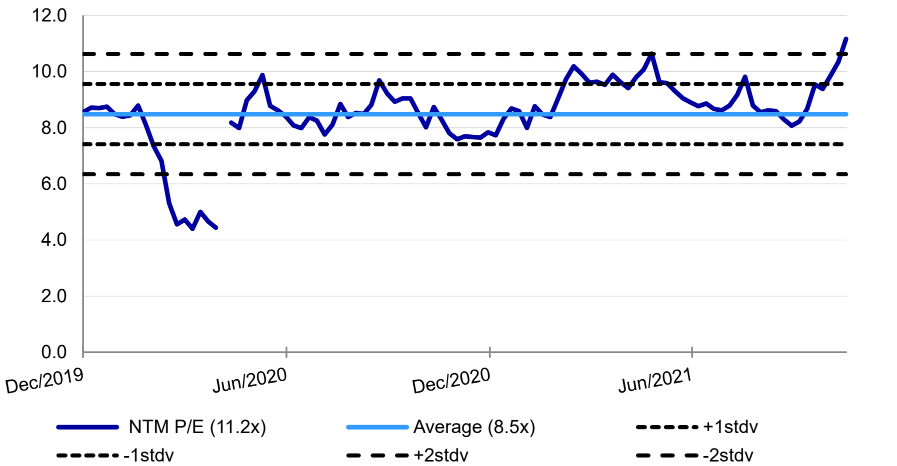
FERRONORDIC: EV/EBIT, NTM



Source: Company data, Refinitiv, and Nordea estimates

Ferronordic's NTM P/E is above its average of 8.5x

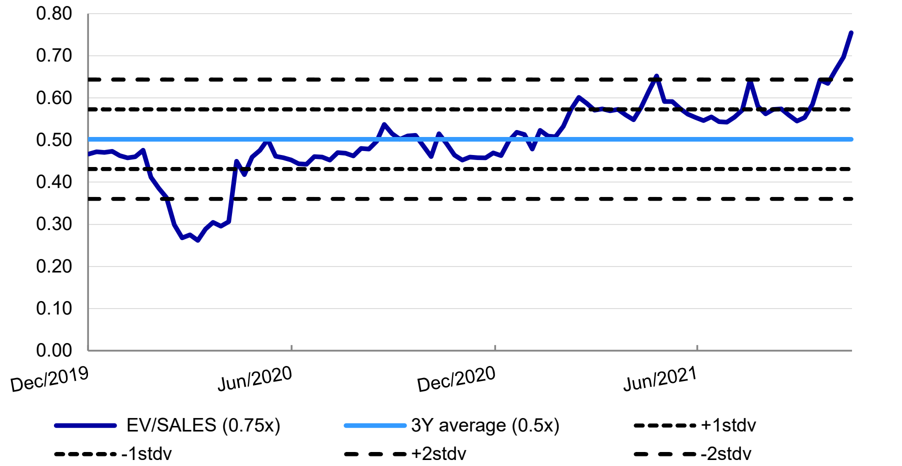
FERRONORDIC: P/E, NTM



Source: Company data, Refinitiv and Nordea estimates

The 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 21	Q4 21E	Q1 22E	Q2 22E	Q3 22E	Q4 22E
Revenue	1,118	1,203	1,129	1,185	1,267	1,590	1,661	1,623	1,636	1,796	1,909	1,833
Cost of sales	-936	-996	-908	-998	-1,052	-1,304	-1,337	-1,318	-1,329	-1,458	-1,548	-1,487
Gross profit	**183**	**207**	**221**	**187**	**215**	**286**	**324**	**305**	**306**	**339**	**362**	**346**
Sales expenses	-55	-53	-55	-55	-54	-63	-69	-64	-57	-69	-57	-70
G&A expenses	-74	-60	-61	-69	-77	-79	-98	-95	-95	-98	-110	-101
Other income	2	13	4	6	1	2	5	3	2	3	6	4
Other expenses	-5	-2	-2	-3	-5	-2	-14	-4	-8	-4	-17	-6
EBIT	**51**	**105**	**107**	**65**	**80**	**144**	**148**	**145**	**148**	**171**	**184**	**172**
Finance income	2	5	2	3	3	3	7	2	4	4	4	4
Finance costs	-19	-21	-11	-9	-8	-14	-20	-12	-11	-12	-11	-13
Net FX gains/(losses)	-5	3	-1	-3	-3	-6	1	1	0	0	0	0
EBT	**29**	**92**	**98**	**56**	**71**	**127**	**135**	**136**	**141**	**163**	**177**	**163**
Income tax	-9	-16	-17	-12	-15	-41	-27	-30	-32	-37	-41	-38
Net income	20	76	81	44	56	86	109	107	109	125	136	126
EPS (SEK)	**1.39**	**5.24**	**5.57**	**3.05**	**3.85**	**5.93**	**7.46**	**7.31**	**7.46**	**8.59**	**9.34**	**8.61**
Pre-tax adjustments	0	11	-5	-8	-4	-3	-17	-1	0	0	0	0
After-tax adjustments	0	9	-4	-6	-3	-3	-13	0	0	0	0	0
Adj. EBIT	**51**	**94**	**112**	**73**	**83**	**147**	**165**	**146**	**148**	**171**	**184**	**172**
Adj. PTP	29	81	103	64	75	130	152	137	141	163	177	163
Adj. Net income	20	68	85	50	59	89	122	107	109	125	136	126
Adj. EPS (SEK)	**1.39**	**4.65**	**5.82**	**3.47**	**4.04**	**6.10**	**8.38**	**7.34**	**7.46**	**8.59**	**9.34**	**8.61**

Source: Company data and Nordea estimates

INTERIM SALES BRIDGE

	Q1 20	Q2 20	Q3 20	Q4 20	Q1 21	Q2 21	Q3 21	Q4 21E	Q1 22E	Q2 22E	Q3 22E	Q4 22E
Sales bridge (%) - Group												
Organic	15%	2%	12%	36%	37%	50%	48%	28%	19%	5%	11%	13%
Structural	38%	22%	24%	24%	0%	2%	2%	4%	3%	2%	1%	0%
Currency	4%	-9%	-22%	-33%	-27%	-19%	-3%	6%	6%	6%	3%	0%
Other	-3%	-7%	3%	-4%	3%	0%	0%	0%	0%	0%	0%	0%
Total	**55%**	**9%**	**17%**	**23%**	**13%**	**32%**	**47%**	**37%**	**29%**	**13%**	**15%**	**13%**
Sales bridge % - Russia/CIS												
Organic	15%	2%	12%	36%	49%	53%	51%	26%	16%	4%	8%	11%
Structural	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Currency	4%	-9%	-22%	-33%	-34%	-23%	-4%	7%	8%	8%	4%	0%
Other	-3%	-7%	3%	-4%	4%	1%	0%	0%	0%	0%	0%	0%
Total	**17%**	**-13%**	**-7%**	**-1%**	**20%**	**31%**	**48%**	**34%**	**24%**	**11%**	**12%**	**12%**
Sales bridge % - Germany												
Organic	0%	0%	0%	0%	-2%	38%	36%	33%	34%	12%	23%	19%
Structural	100%	100%	100%	100%	1%	8%	11%	19%	15%	7%	5%	0%
Currency	0%	0%	0%	0%	-6%	-7%	-2%	-1%	-1%	-1%	-1%	0%
Other	0%	0%	0%	0%	0%	-3%	-3%	0%	1%	2%	0%	-2%
Total	**100%**	**100%**	**100%**	**100%**	**-6%**	**37%**	**43%**	**50%**	**50%**	**20%**	**28%**	**17%**
Sales split (% of Group)	**Q1 20**	**Q2 20**	**Q3 20**	**Q4 20**	**Q1 21**	**Q2 21**	**Q3 21**	**Q4 21E**	**Q1 22E**	**Q2 22E**	**Q3 22E**	**Q4 22E**
Russia/CIS	**75%**	**80%**	**80%**	**80%**	**80%**	**79%**	**80%**	**78%**	**76%**	**78%**	**78%**	**78%**
Equipment	46%	51%	50%	52%	49%	49%	48%	47%	46%	48%	48%	48%
Aftermarket	20%	18%	19%	17%	17%	16%	17%	16%	15%	16%	16%	16%
Contracting Services	9%	10%	11%	11%	13%	13%	15%	15%	15%	13%	14%	14%
Other	1%	0%	0%	0%	0%	0%	1%	0%	0%	0%	0%	0%
Germany	**25%**	**20%**	**20%**	**20%**	**20%**	**21%**	**20%**	**22%**	**24%**	**22%**	**22%**	**22%**
Equipment	17%	13%	12%	12%	13%	15%	13%	14%	15%	15%	15%	14%
Aftermarket	6%	6%	6%	5%	6%	5%	5%	6%	7%	7%	6%	7%
Other	2%	2%	2%	2%	1%	1%	1%	2%	1%	1%	1%	1%

Source: Company data and Nordea estimates

EARNINGS PER SEGMENT, INTERIM

(SEKm)	Q1 20	Q2 20	Q3 20	Q4 20	Q1 21	Q2 21	Q3 21	Q4 21E	Q1 22E	Q2 22E	Q3 22E	Q4 22E
Russia/CIS												
Gross profit	156	190	199	169	185	254	290	254	250	280	299	286
EBITDA	100	156	155	122	127	195	0	188	184	210	225	212
EBIT	60	120	124	91	94	157	179	148	146	167	179	168
Adjusted EBIT	**60**	**109**	**124**	**91**	**94**	**157**	**179**	**148**	**146**	**167**	**179**	**168**
Germany												
Gross profit	27	16	23	18	30	32	34	50	56	58	62	61
EBITDA	-1	-4	-8	-16	-3	0	0	12	18	19	21	20
EBIT	-10	-15	-17	-25	-14	-13	-32	-2	3	3	5	4
Adjusted EBIT	**-10**	**-15**	**-12**	**-20**	**-10**	**-10**	**-15**	**-2**	**3**	**3**	**5**	**4**
Margins												
Group												
Gross margin	16.3%	17.2%	19.6%	15.8%	17.0%	18.0%	19.5%	18.8%	18.7%	18.8%	18.9%	18.9%
EBITDA margin	8.9%	12.6%	13.0%	8.9%	9.8%	12.2%	12.2%	12.3%	12.4%	12.8%	12.9%	12.7%
EBIT margin	4.6%	8.7%	9.5%	5.5%	6.3%	9.0%	8.9%	8.9%	9.1%	9.5%	9.6%	9.4%
Adjusted EBIT margin	**4.6%**	**7.8%**	**9.9%**	**6.2%**	**6.6%**	**9.2%**	**9.9%**	**9.0%**	**9.1%**	**9.5%**	**9.6%**	**9.4%**
Russia/CIS												
Gross margin	18.5%	19.9%	22.1%	17.8%	18.3%	20.2%	21.8%	20.0%	20.1%	20.1%	20.1%	20.1%
EBITDA margin	11.8%	16.3%	17.2%	12.8%	12.7%	15.5%	0.0%	14.8%	14.8%	15.1%	15.1%	14.9%
EBIT margin	7.1%	12.5%	13.8%	9.5%	9.3%	12.5%	13.4%	11.6%	11.7%	12.0%	12.0%	11.8%
Adjusted EBIT margin	**7.1%**	**11.3%**	**13.8%**	**9.5%**	**9.3%**	**12.5%**	**13.4%**	**11.6%**	**11.7%**	**12.0%**	**12.0%**	**11.8%**
Germany												
Gross margin	9.8%	6.7%	9.8%	7.7%	11.6%	9.6%	10.4%	14.3%	14.4%	14.5%	14.8%	14.8%
EBITDA margin	-0.2%	-1.8%	-3.4%	-6.8%	-1.1%	-0.1%	0.0%	3.4%	4.6%	4.7%	5.0%	5.0%
EBIT margin	-3.5%	-6.1%	-7.3%	-10.7%	-5.3%	-3.8%	-9.8%	-0.7%	0.7%	0.8%	1.1%	1.1%
Adjusted EBIT margin	**-3.5%**	**-6.1%**	**-5.2%**	**-8.7%**	**-3.9%**	**-2.9%**	**-4.6%**	**-0.6%**	**0.7%**	**0.8%**	**1.1%**	**1.1%**

Source: Company data and Nordea estimates

ANNUAL ESTIMATES

(SEKm)	2017	2018	2019	2020	2021E	2022E	2023E	2024E	2025E
Revenue	2,567	3,241	3,747	4,635	6,140	7,174	7,728	7,966	8,344
Cost of sales	-2,079	-2,627	-2,972	-3,837	-5,011	-5,822	-6,258	-6,426	-6,713
Gross profit	**488**	**614**	**775**	**797**	**1,129**	**1,353**	**1,471**	**1,539**	**1,631**
Sales expenses	-125	-138	-162	-219	-249	-253	-271	-261	-276
G&A expenses	-165	-190	-238	-264	-349	-405	-431	-441	-458
Other income	5	4	8	24	12	14	15	16	17
Other expenses	-16	-17	-26	-11	-26	-34	-41	-44	-47
EBIT	**187**	**274**	**358**	**328**	**517**	**675**	**743**	**809**	**867**
Finance income	15	7	6	12	15	16	16	16	17
Finance costs	-7	-9	-58	-59	-55	-47	-43	-39	-35
Net FX gains/(losses)	-2	-5	12	-5	-6	0	0	0	0
EBT	**193**	**267**	**318**	**276**	**471**	**644**	**716**	**786**	**848**
Income tax	-42	-58	-68	-54	-113	-148	-150	-165	-178
Net income	151	209	251	222	358	496	565	621	670
EPS (SEK)	**8.50**	**14.25**	**17.26**	**15.25**	**24.60**	**34.11**	**38.91**	**41.62**	**44.91**
Pre-tax adjustments	0	0	-7	-2	-24	0	0	0	0
After-tax adjustments	0	0	-6	-1	-19	0	0	0	0
Adj. EBIT	**187**	**274**	**365**	**330**	**541**	**675**	**743**	**809**	**867**
Adj. PTP	193	267	325	277	495	644	716	786	848
Adj. Net income	151	209	256	223	377	496	565	621	670
Adj. EPS (SEK)	**8.50**	**14.25**	**17.64**	**15.34**	**25.92**	**34.11**	**38.91**	**41.62**	**44.91**

Source: Company data and Nordea estimates

ANNUAL SALES BRIDGE

	2017	2018	2019	2020	2021E	2022E	2023E	2024E	2025E
Sales bridge (%) - Group									
Organic	36%	32%	11%	16%	40%	12%	8%	3%	5%
Structural	0%	0%	0%	26%	2%	1%	0%	0%	0%
Currency	19%	-6%	4%	-16%	-11%	4%	0%	0%	0%
Other	6%	2%	-1%	-3%	1%	0%	0%	0%	0%
Total	**61%**	**28%**	**15%**	**24%**	**32%**	**17%**	**8%**	**3%**	**5%**
Sales bridge % - Russia/CIS									
Organic	36%	32%	11%	16%	45%	9%	8%	5%	5%
Structural	0%	0%	0%	0%	0%	0%	0%	0%	0%
Currency	19%	-6%	4%	-16%	-13%	5%	0%	0%	0%
Other	6%	2%	-4%	-3%	1%	0%	0%	0%	0%
Total	**61%**	**28%**	**11%**	**-3%**	**33%**	**14%**	**9%**	**5%**	**5%**
Sales bridge % - Germany									
Organic	-	-	-	0%	25%	21%	5%	-5%	4%
Structural	-	-	-	100%	10%	6%	0%	0%	0%
Currency	-	-	-	0%	-4%	-1%	0%	0%	0%
Other	-	-	-	0%	-1%	0%	0%	0%	0%
Total	**-**	**-**	**-**	**100%**	**30%**	**27%**	**5%**	**-5%**	**5%**
Sales split (% of Group)	**2017**	**2018**	**2019**	**2020**	**2021E**	**2022E**	**2023E**	**2024E**	**2025E**
Russia/CIS	**100%**	**100%**	**100%**	**79%**	**79%**	**77%**	**78%**	**80%**	**80%**
Equipment	69%	71%	65%	50%	49%	48%	49%	50%	50%
Aftermarket	27%	24%	25%	19%	16%	16%	16%	16%	16%
Contracting Services	0%	0%	10%	10%	14%	14%	13%	13%	13%
Other	4%	5%	1%	0%	0%	0%	0%	0%	0%
Germany	**0%**	**0%**	**0%**	**21%**	**21%**	**23%**	**22%**	**20%**	**20%**
Equipment	0%	0%	0%	14%	14%	15%	14%	13%	13%
Aftermarket	0%	0%	0%	6%	6%	7%	7%	6%	6%
Other	0%	0%	0%	2%	1%	1%	1%	1%	1%

Source: Company data and Nordea estimates

ANNUAL EARNINGS PER SEGMENT

(SEKm)	2017	2018	2019	2020	2021E	2022E	2023E	2024E	2025E
Russia/CIS									
Gross profit	488	614	773	714	983	1,115	1,211	1,283	1,353
EBITDA	214	322	494	533	511	832	897	958	1,012
EBIT	187	274	358	394	577	660	713	768	813
Adjusted EBIT	**187**	**274**	**358**	**383**	**577**	**660**	**713**	**768**	**813**
Germany									
Gross profit	0	0	0	84	147	237	259	257	278
EBITDA	0	0	0	-29	9	78	94	101	117
EBIT	0	0	0	-66	-61	15	30	41	54
Adjusted EBIT	**0**	**0**	**0**	**-57**	**-37**	**15**	**30**	**41**	**54**
Margins									
Group									
Gross margin	19.0%	19.0%	20.7%	17.2%	18.4%	18.9%	19.0%	19.3%	19.5%
EBITDA margin	8.3%	9.9%	13.2%	10.9%	11.4%	12.7%	12.8%	13.3%	13.5%
EBIT margin	7.3%	8.4%	9.5%	7.1%	8.4%	9.4%	9.6%	10.2%	10.4%
Adjusted EBIT margin	**7.3%**	**8.4%**	**9.7%**	**7.1%**	**8.8%**	**9.4%**	**9.6%**	**10.2%**	**10.4%**
Russia/CIS									
Gross margin	19.0%	19.0%	20.6%	19.5%	20.2%	20.1%	20.1%	20.2%	20.3%
EBITDA margin	8.3%	9.9%	13.2%	14.6%	10.5%	15.0%	14.9%	15.1%	15.2%
EBIT margin	7.3%	8.4%	9.5%	10.8%	11.9%	11.9%	11.8%	12.1%	12.2%
Adjusted EBIT margin	**7.3%**	**8.4%**	**9.5%**	**10.5%**	**11.9%**	**11.9%**	**11.8%**	**12.1%**	**12.2%**
Germany									
Gross margin	-	-	-	8.5%	11.5%	14.6%	15.2%	15.8%	16.4%
EBITDA margin	-	-	-	-2.9%	0.7%	4.8%	5.5%	6.2%	6.9%
EBIT margin	-	-	-	-6.7%	-4.8%	0.9%	1.7%	2.5%	3.2%
Adjusted EBIT margin	**-**	**-**	**-**	**-5.8%**	**-2.9%**	**0.9%**	**1.7%**	**2.5%**	**3.2%**

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**	**6,140**	**7,174**	**7,728**
Revenue growth	3.5%	-5.9%	-37.1%	12.9%	54.8%	26.3%	15.6%	23.7%	32.5%	16.8%	7.7%
of which organic	7.2%	6.9%	-18.6%	21.0%	36.2%	32.2%	11.4%	16.1%	40.5%	11.7%	7.7%
of which FX	0.0%	-12.8%	-18.5%	-8.1%	18.6%	-6.0%	4.0%	-16.0%	-10.9%	3.7%	0.0%
EBITDA	153	172	130	153	214	322	494	504	699	910	991
Depreciation and impairments PPE	-101	-70	-43	-34	-26	-48	-136	-176	-183	-235	-248
of which leased assets	0	0	0	0	0	0	0	0	0	0	0
EBITA	52	102	87	119	187	274	358	328	517	675	743
Amortisation and impairments	0	-33	-26	-15	0	0	0	0	0	0	0
EBIT	52	69	61	104	187	274	358	328	517	675	743
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	-46	-31	-27
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**	**471**	**644**	**716**
Reported taxes	13	-7	-8	-24	-42	-58	-68	-54	-113	-148	-150
Net profit from continued operations	-44	19	29	84	151	209	251	222	358	496	565
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	358	496	565
EPS, SEK	**-4.44**	**-3.10**	**-2.12**	**3.03**	**8.06**	**14.25**	**17.26**	**15.25**	**24.63**	**34.11**	**38.91**
DPS, SEK	0.00	0.00	0.00	0.00	1.73	7.50	4.25	7.50	12.55	17.06	20.35
of which ordinary	0.00	0.00	0.00	0.00	1.73	3.75	4.25	7.50	12.55	17.06	20.35
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%	11.4%	12.7%	12.8%
EBITA	2.1%	4.4%	5.9%	7.2%	7.3%	8.4%	9.5%	7.1%	8.4%	9.4%	9.6%
EBIT	2.1%	3.0%	4.2%	6.3%	7.3%	8.4%	9.5%	7.1%	8.4%	9.4%	9.6%
Adjusted earnings											
EBITDA (adj)	153	172	130	153	214	322	501	503	724	910	991
EBITA (adj)	52	102	87	137	187	274	365	330	541	675	743
EBIT (adj)	90	102	87	132	187	274	365	330	541	675	743
EPS (adj, SEK)	0.17	-0.51	-0.08	5.18	8.06	14.25	17.74	15.36	26.30	34.11	38.91
Adjusted profit margins in percent											
EBITDA (adj)	6.2%	7.4%	8.9%	9.2%	8.3%	9.9%	13.4%	10.9%	11.8%	12.7%	12.8%
EBITA (adj)	2.1%	4.4%	5.9%	8.3%	7.3%	8.4%	9.7%	7.1%	8.8%	9.4%	9.6%
EBIT (adj)	3.6%	4.4%	5.9%	7.9%	7.3%	8.4%	9.7%	7.1%	8.8%	9.4%	9.6%
Performance metrics											
CAGR last 5 years											
Net revenue	n.a.	n.a.	n.a.	-7.3%	1.4%	5.5%	9.9%	25.8%	29.9%	22.8%	19.0%
EBITDA	n.m.	n.m.	n.m.	11.6%	13.0%	16.0%	23.5%	31.1%	35.5%	33.6%	25.2%
EBIT	n.a.	n.a.	n.a.	27.7%	48.0%	39.6%	39.0%	40.0%	37.7%	29.2%	22.1%
EPS	n.a.	n.a.	n.a.	n.m.	n.m.	n.m.	n.m.	n.m.	52.0%	33.4%	22.2%
DPS	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	58.0%	40.3%
Average last 5 years											
Average EBIT margin	n.a.	n.a.	2.1%	3.0%	4.5%	6.2%	7.8%	7.9%	8.2%	8.6%	8.9%
Average EBITDA margin	n.a.	n.a.	5.9%	7.0%	7.8%	8.8%	10.3%	10.6%	11.0%	11.7%	12.2%

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	13.1	10.1	8.9
EV/EBITDA (adj)	n.a.	n.a.	n.a.	n.a.	6.1	4.8	6.1	4.5	7.0	5.4	4.6
EV/EBITA (adj)	n.a.	n.a.	n.a.	n.a.	7.0	5.6	8.4	6.9	9.4	7.2	6.1
EV/EBIT (adj)	n.a.	n.a.	n.a.	n.a.	7.0	5.6	8.4	6.9	9.4	7.2	6.1

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	14.0	10.1	8.9
EV/Sales	n.a.	n.a.	n.a.	n.a.	0.51	0.48	0.82	0.49	0.83	0.68	0.59
EV/EBITDA	n.a.	n.a.	n.a.	n.a.	6.1	4.8	6.2	4.5	7.3	5.4	4.6
EV/EBITA	n.a.	n.a.	n.a.	n.a.	7.0	5.6	8.6	6.9	9.9	7.2	6.1
EV/EBIT	n.a.	n.a.	n.a.	n.a.	7.0	5.6	8.6	6.9	9.9	7.2	6.1
Dividend yield (ord.)	n.a.	n.a.	n.a.	n.a.	1.1%	2.9%	2.6%	4.8%	3.6%	4.9%	5.9%
FCF yield	n.a.	n.a.	n.a.	n.a.	8.9%	6.8%	-21.5%	28.2%	0.1%	7.9%	11.6%
FCF Yield bef A&D, lease adj	n.a.	n.a.	n.a.	n.a.	8.8%	6.6%	-21.6%	28.1%	2.3%	7.9%	11.6%
Payout ratio	0.0%	0.0%	0.0%	0.0%	21.5%	52.6%	24.6%	49.2%	51.0%	50.0%	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	114	128	136
of which R&D	0	0	0	0	0	0	0	0	29	44	51
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	76	76	76
Tangible assets	248	225	83	116	136	263	700	507	578	524	458
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	756	716	658
Inventory	584	425	327	467	633	741	1,290	1,014	1,474	1,794	1,932
Accounts receivable	335	265	161	202	243	319	322	393	521	646	696
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	49	57	62
Cash and bank	163	177	175	199	352	357	519	604	499	714	1,049
Total current assets	1,084	870	665	872	1,231	1,418	2,214	2,048	2,543	3,211	3,739
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**	**3,299**	**3,927**	**4,397**
Shareholders equity	533	372	322	442	611	656	890	806	1,055	1,369	1,686
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	1,055	1,369	1,686
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	34	40	43
Accounts payable	652	492	384	547	737	982	917	1,188	1,596	1,901	2,048
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	25	29	31
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	1,816	2,131	2,283
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**	**3,299**	**3,927**	**4,397**
Balance sheet and debt metrics											
Net debt	59	109	-81	-173	-312	-303	689	-20	85	-131	-466
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	423	567	611
Invested capital	621	496	244	280	314	374	1,519	818	1,179	1,283	1,269
Capital employed	755	658	416	468	651	710	2,003	1,390	1,639	1,952	2,270
ROE	-13.4%	-6.9%	-6.1%	7.9%	16.4%	32.7%	32.4%	26.1%	38.4%	40.9%	37.0%
ROIC	10.2%	14.1%	18.1%	38.7%	48.6%	61.3%	29.7%	21.7%	41.7%	42.2%	44.8%
ROCE	11.3%	14.8%	18.1%	31.9%	36.1%	41.3%	27.4%	20.1%	36.7%	38.5%	35.9%
Net debt/EBITDA	0.4	0.6	-0.6	-1.1	-1.5	-0.9	1.4	0.0	0.1	-0.1	-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%	32.0%	34.9%	38.3%
Net gearing	11.1%	29.4%	-25.3%	-39.1%	-51.0%	-46.2%	77.4%	-2.5%	8.0%	-9.6%	-27.6%

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**	**699**	**910**	**991**
Paid taxes	0	0	0	0	0	0	-85	-71	-113	-148	-150
Net financials	111	43	24	-3	-6	7	-58	-59	-46	-31	-27
Change in provisions	-8	-9	-5	7	3	4	5	3	8	6	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**	**549**	**737**	**817**
Change in NWC	-27	-176	133	18	-20	-106	-698	316	-185	-144	-44
Cash flow from operations (CFO)	**42**	**-25**	**234**	**141**	**148**	**161**	**-330**	**693**	**364**	**593**	**773**
Capital expenditure	-22	-36	3	-10	-7	-38	-181	-49	-248	-195	-190
Free cash flow before A&D	**20**	**-61**	**237**	**132**	**141**	**123**	**-511**	**643**	**116**	**398**	**583**
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	-112	0	0
Free cash flow	20	-61	242	136	144	126	-509	646	4	398	583
Free cash flow bef A&D, lease adj	20	-61	237	132	141	123	-511	643	116	398	583
Dividends paid	0	-50	-50	-53	-58	-30	-109	-62	-109	-182	-248
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	-105	215	335
Cash flow metrics											
Capex/D&A	22.1%	35.3%	-4.4%	20.0%	25.8%	80.1%	n.m.	28.1%	n.m.	83.0%	76.6%
Capex/Sales	0.9%	1.6%	-0.2%	0.6%	0.3%	1.2%	4.8%	1.1%	4.0%	2.7%	2.5%
Key information											
Share price year end (/current)	n.a.	n.a.	n.a.	n.a.	151	127	163	157	345	345	345
Market cap.	n.a.	n.a.	n.a.	n.a.	1,615	1,849	2,369	2,287	5,014	5,014	5,014
Enterprise value	n.a.	n.a.	n.a.	n.a.	1,303	1,546	3,058	2,267	5,098	4,883	4,548
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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