Ferronordic

Capital Goods
Sweden

In it for the long haul

We expect a solid Q4 report for Ferronordic on 18 February, with sales up 37% y/y and adjusted EBIT up 84%, owing to a stronger margin y/y. Recent geopolitical turmoil surrounding Russia (~80% of sales) has hurt the share, but Ferronordic has proven its resilience through tough times before. On our forecasts, which do not include further M&A, large contract wins or any potential sanctions, Ferronordic is valued at an implicit ~17% WACC, trading at 2023E EV/EBIT of 5x. We cut our multiples-based fair value to SEK 254-356 (288-381), implying a 2023E EV/EBIT of 4.5x-6.5x.

Quarterly expectations

We expect a solid quarter, with sales of SEK 1,627m, up 37% y/y (28% organic, 4% M&A, 6% FX). For adjusted EBIT, we forecast SEK 135m and an 8.3% margin, up 2.1 pp y/y, driven by Russia/CIS (margin 10.7%), while Germany is almost at break-even (adjusted margin -0.4% versus -9% in Q4 2020). This is in line with Infront consensus for Q4. We have not received AEBRUS Q4 market data, but highlight that Ferronordic generally underperforms the market growth in strong periods and outperforms in tougher times. For Germany, our Q4 estimates reflect Volvo's European Q4 HD/MD deliveries, up 53% y/y (Renault +43% y/y). We also note that the German operations for the last two quarters have outpaced its regional market growth by ~30 pp.

Geopolitical uncertainty weighing on the share

The share has had a shaky start to 2022, mostly owing to geopolitical factors that remain uncertain. In 2014, when economic sanctions were imposed on Russia, the market for construction equipment collapsed (down to 19% of 2011 unit levels). At the same time, Ferronordic's profit proved more resilient, owing to its strong aftermarket and its commodity-exposed clients having long-term capex plans. A potentially weaker RUB would likely benefit its clients, with costs in RUB and most revenue in USD.

Estimate revisions and valuation

We include recent M&A but lower our organic growth assumptions for 2021E-23E, leading to 0% to -1% estimate revisions for sales and -1% to -4% for EBIT. The share is trading at 2023E EV/EBIT of 4.8x, i.e. a ~50% discount to our peer group average, and at a 15% FCF yield for 2023E. The valuation is below key peers Barloworld and Finning at 6x and 10x, respectively.

SUMMARY TABLE - KEY FIGURES

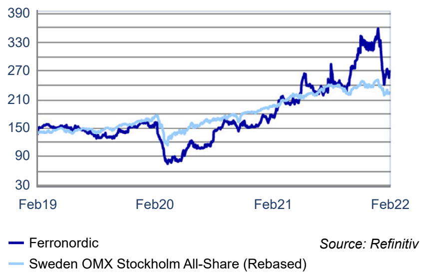
SEKm	2017	2018	2019	2020	2021E	2022E	2023E
Total revenue	2,567	3,241	3,747	4,635	6,145	7,110	7,728
EBITDA (adj)	214	322	501	503	714	884	985
EBIT (adj)	187	274	365	330	530	651	736
EBIT (adj) margin	7.3%	8.4%	9.7%	7.1%	8.6%	9.2%	9.5%
EPS (adj, SEK)	8.06	14.25	17.74	15.36	25.89	32.94	38.60
EPS (adj) growth	55.6%	76.8%	24.5%	-13.4%	68.6%	27.2%	17.2%
DPS (ord, SEK)	1.73	3.75	4.25	7.50	12.34	16.47	20.19
EV/Sales	0.5	0.5	0.8	0.5	0.7	0.5	0.5
EV/EBIT (adj)	7.0	5.6	8.4	6.9	7.8	6.0	4.8
P/E (adj)	18.7	8.9	9.2	10.2	10.5	8.3	7.0
P/BV	2.6	2.8	2.7	2.8	3.8	2.9	2.4
Dividend yield (ord)	1.1%	2.9%	2.6%	4.8%	4.5%	6.1%	7.4%
FCF Yield bef A&D, lease	8.8%	6.6%	-21.6%	28.1%	2.8%	9.8%	14.5%
Net debt	-312	-303	689	-20	157	-49	-383
Net debt/EBITDA	-1.5	-0.9	1.4	0.0	0.2	-0.1	-0.4
ROIC after tax	48.6%	61.3%	29.7%	21.7%	39.6%	38.7%	42.3%

Source: Company data and Nordea estimates

KEY DATA

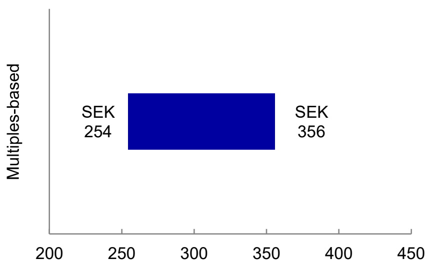
Stock country	Sweden
Bloomberg	FNM SS
Reuters	FNMA.ST
Share price (close)	SEK 272.0
Free Float	84%
Market cap. (bn)	EUR 0.38/SEK 3.95
Website	www.ferronordic.ru
Next report date	18 Feb 2022

PERFORMANCE



Source: Refinitiv

VALUATION APPROACH



Source: Nordea estimates

ESTIMATE CHANGES

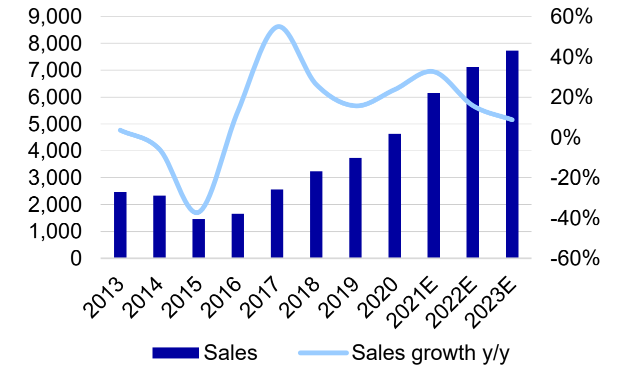
Year	2021E	2022E	2023E
Sales	0%	-1%	0%
EBIT (adj)	-2%	-4%	-1%

Source: Nordea estimates

Nordea Markets - Analysts
Victor Hansen
Analyst

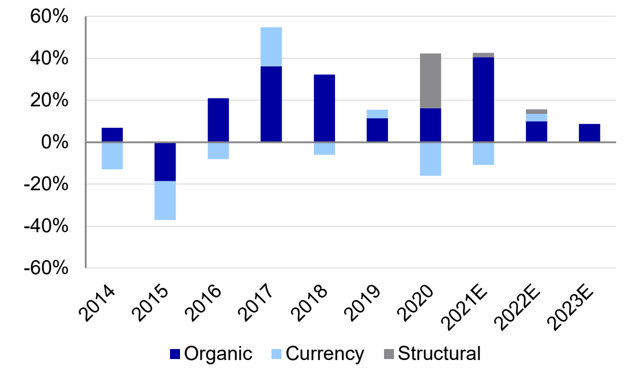
Carl Ragnerstam
Analyst

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



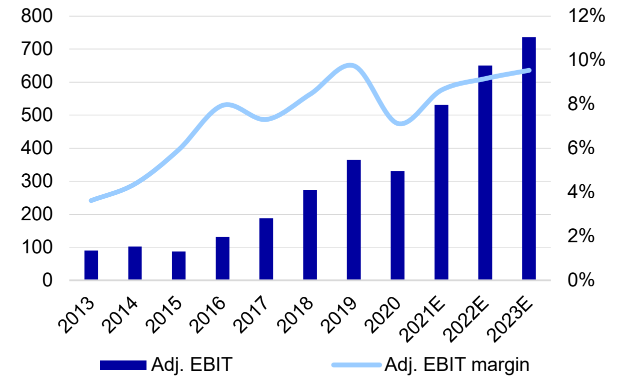
Source: Company data and Nordea estimates

SALES GROWTH BREAKDOWN (%)



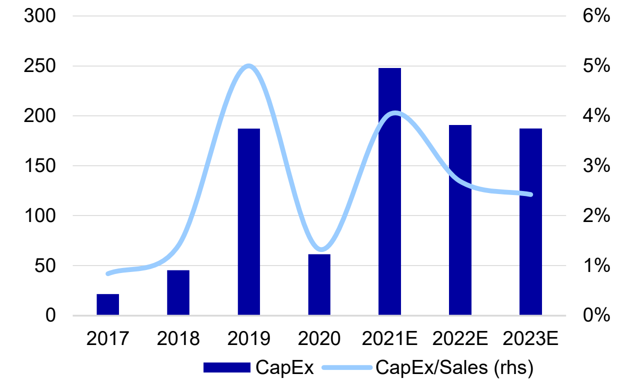
Source: Company data and Nordea estimates

ADJUSTED EBIT (SEKm) AND MARGIN (%)



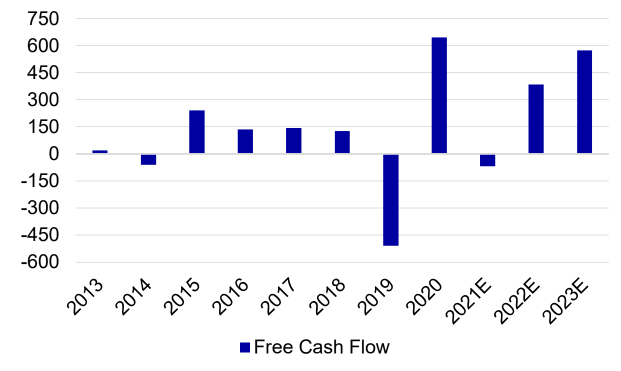
Source: Company data and Nordea estimates

CAPEX (SEKm) AND CAPEX/SALES (%)



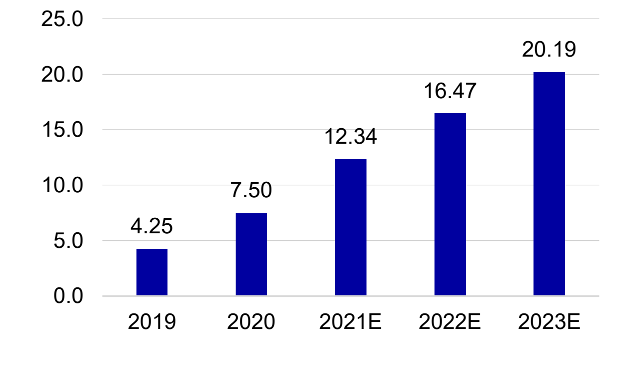
Source: Company data and Nordea estimates

FREE CASH FLOW (SEKm)



Source: Company data and Nordea estimates

DIVIDEND PER SHARE (SEK)



Source: Company data and Nordea estimates

Estimate revisions

We lower our margin estimates slightly, partly owing to mix

FERRONORDIC: ESTIMATE REVISIONS

	New estimates			Old estimates			Δ		
SEKm	2021E	2022E	2023E	2021E	2022E	2023E	2021E	2022E	2023E
Sales breakdown									
Equipment Sales	3,825	4,385	4,820	3,823	4,477	4,852	0%	-2%	-1%
Aftermarket Sales	1,369	1,641	1,781	1,366	1,606	1,742	0%	2%	2%
Contracting Services	927	1,056	1,097	927	1,064	1,105	0%	-1%	-1%
Other									
Group	**6,143**	**7,110**	**7,728**	**6,139**	**7,174**	**7,728**	**0%**	**-1%**	**0%**
Gross profit	1,120	1,325	1,465	1,129	1,353	1,471	-1%	-2%	0%
Adj. EBITDA	714	884	985	724	910	991	-1%	-3%	-1%
Adj. EBIT	**530**	**651**	**736**	**541**	**675**	**743**	**-2%**	**-4%**	**-1%**
Margins									
Gross margin	18.2%	18.6%	19.0%	18.4%	18.9%	19.0%	-0.2 pp	-0.2 pp	-0.1 pp
EBITDA margin	11.6%	12.4%	12.7%	11.8%	12.7%	12.8%	-0.2 pp	-0.3 pp	-0.1 pp
EBIT margin	8.6%	9.2%	9.5%	8.8%	9.4%	9.6%	-0.2 pp	-0.3 pp	-0.1 pp
Sales bridge	**33%**	**16%**	**9%**	**32%**	**17%**	**8%**	**0.1 pp**	**-1.1 pp**	**1.0 pp**
Organic	40%	10%	9%	40%	12%	8%	0.0 pp	-1.7 pp	1.0 pp
Structural	2%	2%	0%	2%	1%	0%	0.1 pp	0.8 pp	0.0 pp
Currency	-11%	3%	0%	-11%	4%	0%	0.0 pp	-0.2 pp	0.0 pp
Other	1%	0%	0%	1%	0%	0%	0.0 pp	0.0 pp	0.0 pp
DPS (SEK)	**12.3**	**16.5**	**20.2**	**12.5**	**17.1**	**20.3**	**-1.7%**	**-3.4%**	**-0.8%**
of which ordinary	12.3	16.5	20.2	12.5	17.1	20.3	-2%	-3%	-1%
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	**Q4 21E**	**2021E**	**2022E**	**2023E**	**Q4 21E**	**2021E**	**2022E**	**2023E**	**Q4 21E**	**2021E**	**2022E**	**2023E**
Sales	1,627	6,145	7,110	7,728	1,623	6,140	7,176	7,867	0%	0%	-1%	-2%
Adj. EBIT	135	530	651	736	136	530	662	741	-1%	0%	-2%	-1%
Adj. EBIT margin	8.3%	8.6%	9.2%	9.5%	8.4%	8.6%	9.2%	9.4%	-0.1pp	0.0pp	-0.1pp	0.1pp
Net profit	101	352	479	561	102	354	498	567	-2%	-1%	-4%	-1%
EPS (SEK)	**6.92**	**24.19**	**32.94**	**38.60**	**7.04**	**24.33**	**34.27**	**39.02**	**-2%**	**-1%**	**-4%**	**-1%**

Source: Infront and Nordea estimates

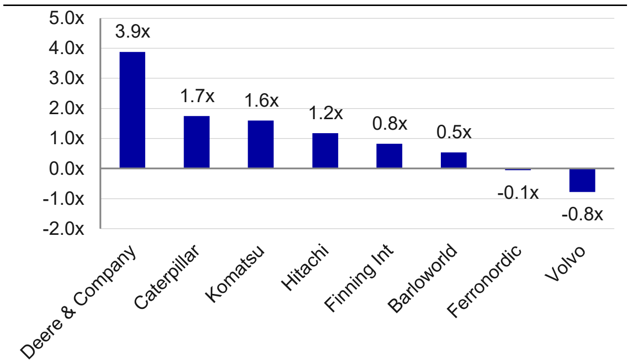
Valuation

FERRONORDIC: PEER VALUATION TABLE

		Mcap.	EV/EBITDA		adj. EV/EBIT		adj. P/E		Div. yield		ND/EBITDA		ROE	
Stock	**Rec.**	**SEKm**	**2022E**	**2023E**	**2022E**	**2023E**	**2022E**	**2023E**	**2022E**	**2023E**	**2022E**	**2023E**	**2022E**	**2023E**
Barloworld	-	16,274	4.1x	3.9x	6.3x	6.0x	9.9x	9.2x	3.2%	3.4%	0.5x	0.7x	13.5%	13.9%
Caterpillar	-	985,779	13.4x	12.1x	16.6x	14.5x	16.6x	14.1x	2.3%	2.5%	1.7x	1.8x	44.8%	44.4%
Cervus	-	2,094	-	-	-	-	-	-	-	-	-	-	-	-
Deere & Company	-	1,046,151	15.5x	14.6x	18.4x	16.2x	16.4x	14.6x	1.0%	1.1%	3.9x	2.5x	41.5%	36.8%
Ferronordic	N.R.	3,953	4.4x	3.6x	6.0x	4.8x	8.3x	7.0x	6.1%	7.4%	-0.1x	-0.4x	39.9%	37.2%
Finning Int	-	39,503	7.3x	6.8x	11.3x	10.4x	14.3x	13.1x	2.5%	-	0.8x	0.7x	15.7%	15.6%
Hitachi	-	456,621	7.6x	7.2x	-	-	10.4x	10.6x	2.0%	2.2%	1.2x	0.8x	14.7%	13.2%
Komatsu	-	219,331	8.1x	7.3x	-	-	13.4x	11.5x	3.1%	3.5%	1.6x	1.2x	10.2%	11.1%
Volvo	BUY	434,634	5.3x	4.7x	7.2x	6.3x	12.3x	11.1x	6.8%	7.0%	-0.8x	-0.8x	24.3%	25.3%
Average		**356,038**	**8.2x**	**7.5x**	**11.0x**	**9.7x**	**12.7x**	**11.4x**	**3.4%**	**3.9%**	**1.1x**	**0.8x**	**25.6%**	**24.7%**
Median		**219,331**	**7.4x**	**7.0x**	**9.2x**	**8.4x**	**12.8x**	**11.3x**	**2.8%**	**3.4%**	**1.0x**	**0.8x**	**20.0%**	**20.4%**
Ferronordic	**N.R.**	**3,953**	**4.4x**	**3.6x**	**6.0x**	**4.8x**	**8.3x**	**7.0x**	**6.1%**	**7.4%**	**-0.1x**	**-0.4x**	**39.9%**	**37.2%**
vs. peer average	-	-	-46%	-52%	-45%	-50%	-35%	-38%	2.7pp	3.5pp	-	-	14.3pp	12.5pp
vs. peer median	-	-	-40%	-48%	-35%	-42%	-36%	-38%	3.3pp	4.0pp	-	-	19.9pp	16.7pp
vs. Barloworld	-	-76%	7%	-7%	-5%	-19%	-17%	-23%	2.8pp	4.0pp	-	-	26.4pp	23.3pp
vs. Finning	-	-90%	-39%	-47%	-47%	-53%	-42%	-46%	3.5pp	-	-	-	24.3pp	21.6pp

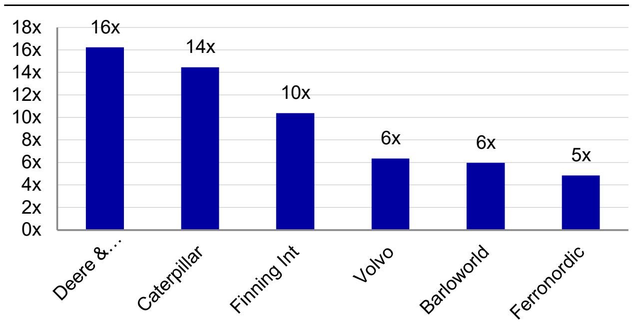
Source: Company data, Refinitiv and Nordea estimates

NET DEBT/EBITDA, 2022E



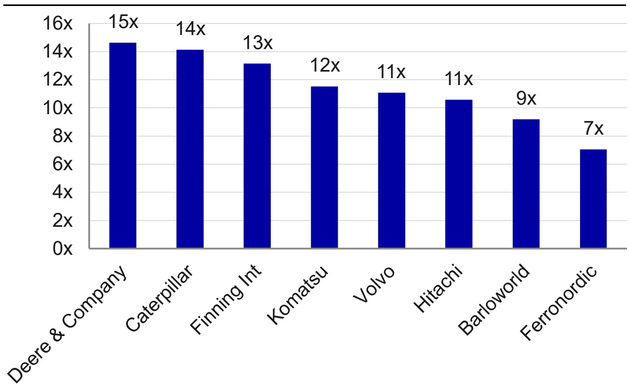
Source: Company data, Refinitiv and Nordea estimates

EV/EBIT, 2023E



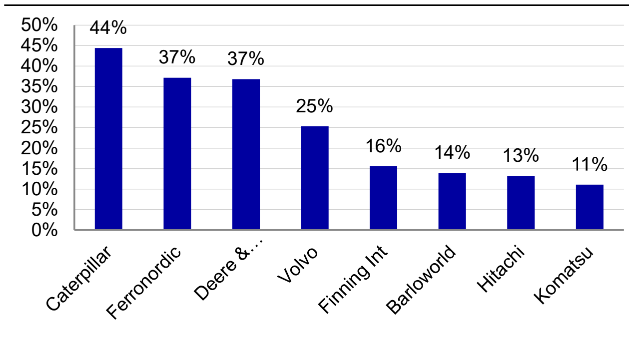
Source: Company data, Refinitiv and Nordea estimates

P/E, 2023E



Source: Company data, Refinitiv and Nordea estimates

RETURN ON EQUITY, 2023E



Source: Company data, Refinitiv and Nordea estimates

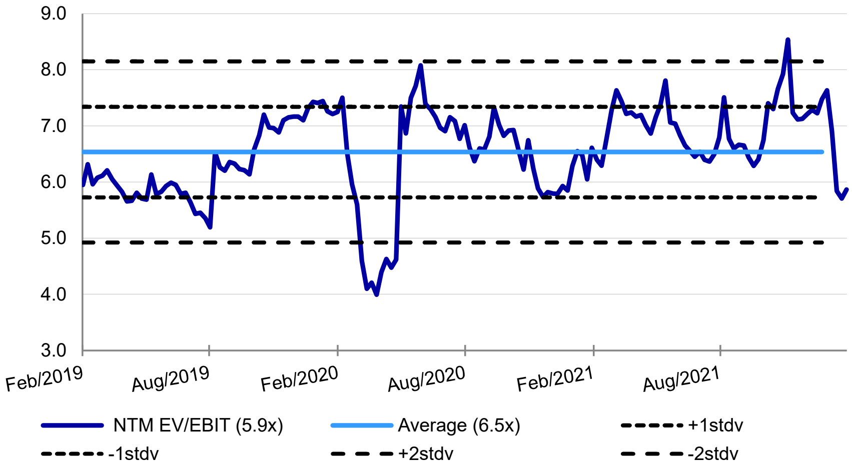
FERRONORDIC: VALUATION TABLE

(SEKm)												
EV/EBIT (adj.) - multiple	**3.5x**	**4.0x**	**4.5x**	**5.0x**	**5.5x**	**6.0x**	**6.5x**	**7.0x**	**7.5x**	**8.0x**	**8.5x**	**9.0x**
Implied Enterprise value	2,576	2,944	3,312	3,680	4,048	4,416	4,784	5,153	5,521	5,889	6,257	6,625
Net debt	-383	-383	-383	-383	-383	-383	-383	-383	-383	-383	-383	-383
Implied market capitalisation (bn)	2,960	3,328	3,696	4,064	4,432	4,800	5,168	5,536	5,904	6,272	6,640	7,008
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 (SEK)	**204**	**229**	**254**	**280**	**305**	**330**	**356**	**381**	**406**	**432**	**457**	**482**
Implied P/E (x)	6.2	7.0	7.7	8.5	9.3	10.0	10.8	11.6	12.3	13.1	13.9	14.6
Implied FCF yield	13.0%	11.6%	10.4%	9.5%	8.7%	8.0%	7.5%	7.0%	6.5%	6.1%	5.8%	5.5%

Source: Nordea estimates

Ferronordic is trading below its three-year average of 6.5x NTM EV/EBIT

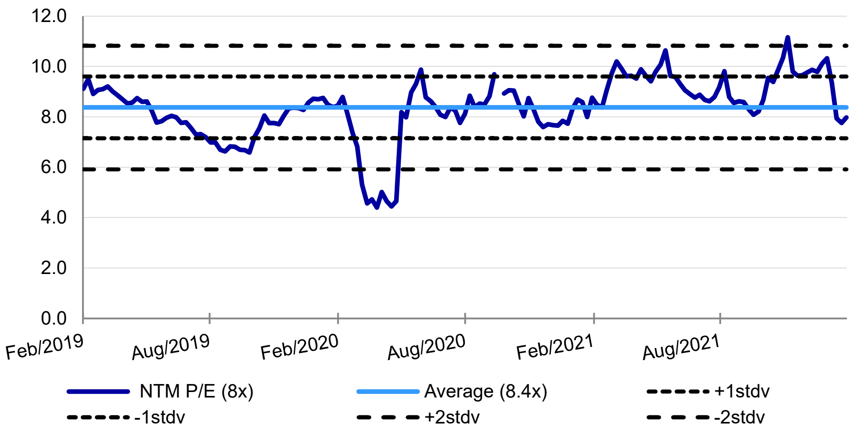
FERRONORDIC: EV/EBIT, NTM



Source: Company data, Refinitiv, and Nordea estimates

Ferronordic's NTM P/E is roughly in line with the three-year average of 8.4x

FERRONORDIC: P/E, 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	1,627	1,621	1,827	1,862	1,800
Cost of sales	-936	-996	-908	-998	-1,052	-1,304	-1,337	-1,332	-1,325	-1,488	-1,512	-1,460
Gross profit	**183**	**207**	**221**	**187**	**215**	**286**	**324**	**295**	**296**	**338**	**351**	**340**
Sales expenses	-55	-53	-55	-55	-54	-63	-69	-65	-57	-71	-56	-70
G&A expenses	-74	-60	-61	-69	-77	-79	-98	-95	-94	-100	-107	-99
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**	**134**	**138**	**167**	**177**	**168**
Finance income	2	5	2	3	3	3	7	4	4	4	5	4
Finance costs	-19	-21	-11	-9	-8	-14	-20	-13	-11	-12	-11	-13
Net FX gains/(losses)	-5	3	-1	-3	-3	-6	1	2	1	1	1	0
EBT	**29**	**92**	**98**	**56**	**71**	**127**	**135**	**127**	**131**	**160**	**171**	**159**
Income tax	-9	-16	-17	-12	-15	-41	-27	-27	-30	-37	-39	-37
Net income	20	76	81	44	56	86	109	101	101	123	132	123
EPS (SEK)	**1.39**	**5.24**	**5.57**	**3.05**	**3.85**	**5.93**	**7.46**	**6.90**	**6.93**	**8.45**	**9.04**	**8.41**
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**	**135**	**138**	**167**	**177**	**168**
Adj. PTP	29	81	103	64	75	130	152	128	131	160	171	159
Adj. Net income	20	68	85	50	59	89	122	101	101	123	132	123
Adj. EPS (SEK)	**1.39**	**4.65**	**5.82**	**3.47**	**4.04**	**6.10**	**8.38**	**6.93**	**6.93**	**8.45**	**9.04**	**8.41**

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%	18%	6%	7%	10%
Structural	38%	22%	24%	24%	0%	2%	2%	4%	4%	2%	2%	1%
Currency	4%	-9%	-22%	-33%	-27%	-19%	-3%	6%	5%	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%**	**28%**	**15%**	**12%**	**11%**
Sales bridge % - Russia/CIS												
Organic	15%	2%	12%	36%	49%	53%	51%	26%	15%	4%	3%	9%
Structural	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Currency	4%	-9%	-22%	-33%	-34%	-23%	-4%	7%	7%	7%	4%	0%
Other	-3%	-7%	3%	-4%	4%	1%	0%	0%	0%	0%	0%	0%
Total	**17%**	**-13%**	**-7%**	**-1%**	**20%**	**31%**	**48%**	**34%**	**22%**	**11%**	**7%**	**9%**
Sales bridge % - Germany												
Organic	0%	0%	0%	0%	-2%	38%	36%	33%	28%	16%	23%	13%
Structural	100%	100%	100%	100%	1%	8%	11%	21%	21%	11%	10%	3%
Currency	0%	0%	0%	0%	-6%	-7%	-2%	-1%	1%	1%	1%	2%
Other	0%	0%	0%	0%	0%	-3%	-3%	0%	1%	2%	0%	-2%
Total	**100%**	**100%**	**100%**	**100%**	**-6%**	**37%**	**43%**	**52%**	**50%**	**30%**	**34%**	**16%**
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%**	**76%**	**76%**	**77%**
Equipment	46%	51%	50%	52%	49%	49%	48%	47%	46%	47%	46%	47%
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%	13%	14%
Other	1%	0%	0%	0%	0%	0%	1%	0%	0%	0%	1%	0%
Germany	**25%**	**20%**	**20%**	**20%**	**20%**	**21%**	**20%**	**22%**	**24%**	**24%**	**24%**	**23%**
Equipment	17%	13%	12%	12%	13%	15%	13%	14%	15%	16%	16%	14%
Aftermarket	6%	6%	6%	5%	6%	5%	5%	7%	8%	7%	7%	8%
Other	2%	2%	2%	2%	1%	1%	1%	2%	1%	1%	1%	1%

Source: Company data and Nordea estimates

INTERIM EARNINGS PER SEGMENT

(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												
Sales	843	958	900	951	1,007	1,254	1,333	1,272	1,230	1,390	1,423	1,389
Gross profit	156	190	199	169	185	254	290	244	239	275	286	279
EBITDA	100	156	155	122	127	195	0	178	173	206	215	205
EBIT	60	120	124	91	94	157	179	136	135	163	171	162
Adjusted EBIT	**60**	**109**	**124**	**91**	**94**	**157**	**179**	**136**	**135**	**163**	**171**	**162**
Germany												
Sales	275	245	229	233	260	336	327	355	391	437	439	411
Gross profit	27	16	23	18	30	32	34	51	56	63	65	61
EBITDA	-1	-4	-8	-16	-3	0	0	13	18	21	23	23
EBIT	-10	-15	-17	-25	-14	-13	-32	-1.8	3	5	6	6
Adjusted EBIT	**-10**	**-15**	**-12**	**-20**	**-10**	**-10**	**-15**	**-1**	**3**	**5**	**6**	**6**
Margins												
Group												
Gross margin	16.3%	17.2%	19.6%	15.8%	17.0%	18.0%	19.5%	18.1%	18.2%	18.5%	18.8%	18.9%
EBITDA margin	8.9%	12.6%	13.0%	8.9%	9.8%	12.2%	12.2%	11.7%	11.8%	12.4%	12.8%	12.6%
EBIT margin	4.6%	8.7%	9.5%	5.5%	6.3%	9.0%	8.9%	8.3%	8.5%	9.1%	9.5%	9.4%
Adjusted EBIT margin	**4.6%**	**7.8%**	**9.9%**	**6.2%**	**6.6%**	**9.2%**	**9.9%**	**8.3%**	**8.5%**	**9.1%**	**9.5%**	**9.4%**
Russia/CIS												
Gross margin	18.5%	19.9%	22.1%	17.8%	18.3%	20.2%	21.8%	19.2%	19.5%	19.8%	20.1%	20.1%
EBITDA margin	11.8%	16.3%	17.2%	12.8%	12.7%	15.5%	0.0%	14.0%	14.1%	14.8%	15.1%	14.8%
EBIT margin	7.1%	12.5%	13.8%	9.5%	9.3%	12.5%	13.4%	10.7%	11.0%	11.7%	12.0%	11.7%
Adjusted EBIT margin	**7.1%**	**11.3%**	**13.8%**	**9.5%**	**9.3%**	**12.5%**	**13.4%**	**10.7%**	**11.0%**	**11.7%**	**12.0%**	**11.7%**
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%	14.9%
EBITDA margin	-0.2%	-1.8%	-3.4%	-6.8%	-1.1%	-0.1%	0.0%	3.6%	4.7%	4.9%	5.3%	5.5%
EBIT margin	-3.5%	-6.1%	-7.3%	-10.7%	-5.3%	-3.8%	-9.8%	-0.5%	0.8%	1.0%	1.4%	1.6%
Adjusted EBIT margin	**-3.5%**	**-6.1%**	**-5.2%**	**-8.7%**	**-3.9%**	**-2.9%**	**-4.6%**	**-0.4%**	**0.8%**	**1.0%**	**1.4%**	**1.6%**

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	6,145	7,110	7,728	7,953	8,331
Cost of sales	-2,079	-2,627	-2,972	-3,837	-5,025	-5,785	-6,262	-6,428	-6,715
Gross profit	**488**	**614**	**775**	**797**	**1,120**	**1,325**	**1,465**	**1,526**	**1,615**
Sales expenses	-125	-138	-162	-219	-250	-254	-273	-263	-278
G&A expenses	-165	-190	-238	-264	-349	-401	-431	-440	-457
Other income	5	4	8	24	12	14	15	16	17
Other expenses	-16	-17	-26	-11	-26	-34	-41	-44	-46
EBIT	**187**	**274**	**358**	**328**	**506**	**651**	**736**	**794**	**850**
Finance income	15	7	6	12	17	17	17	17	18
Finance costs	-7	-9	-58	-59	-56	-47	-43	-39	-35
Net FX gains/(losses)	-2	-5	12	-5	-5	2	0	0	0
EBT	**193**	**267**	**318**	**276**	**461**	**622**	**710**	**772**	**833**
Income tax	-42	-58	-68	-54	-110	-143	-149	-162	-175
Net income	151	209	251	222	352	479	561	610	658
EPS (SEK)	**8.50**	**14.25**	**17.26**	**15.25**	**24.19**	**32.94**	**38.60**	**40.89**	**44.07**
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**	**530**	**651**	**736**	**794**	**850**
Adj. PTP	193	267	325	277	485	622	710	772	833
Adj. Net income	151	209	256	223	371	479	561	610	658
Adj. EPS (SEK)	**8.50**	**14.25**	**17.64**	**15.34**	**25.51**	**32.94**	**38.60**	**40.89**	**44.07**

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%	10%	9%	3%	5%
Structural	0%	0%	0%	26%	2%	2%	0%	0%	0%
Currency	19%	-6%	4%	-16%	-11%	3%	0%	0%	0%
Other	6%	2%	-1%	-3%	1%	0%	0%	0%	0%
Total	**61%**	**28%**	**15%**	**24%**	**33%**	**16%**	**9%**	**3%**	**5%**
Sales bridge % - Russia/CIS									
Organic	36%	32%	11%	16%	45%	7%	9%	5%	5%
Structural	0%	0%	0%	0%	0%	0%	0%	0%	0%
Currency	19%	-6%	4%	-16%	-13%	4%	0%	0%	0%
Other	6%	2%	-4%	-3%	1%	0%	0%	0%	0%
Total	**61%**	**28%**	**11%**	**-3%**	**33%**	**12%**	**9%**	**5%**	**5%**
Sales bridge % - Germany									
Organic	-	-	-	0%	25%	20%	8%	-5%	4%
Structural	-	-	-	100%	10%	10%	0%	0%	0%
Currency	-	-	-	0%	-4%	1%	0%	0%	0%
Other	-	-	-	0%	-1%	0%	0%	0%	0%
Total	**-**	**-**	**-**	**100%**	**30%**	**31%**	**8%**	**-5%**	**5%**
Sales split (% of Group)	**2017**	**2018**	**2019**	**2020**	**2021E**	**2022E**	**2023E**	**2024E**	**2025E**
Russia/CIS	**100%**	**100%**	**100%**	**79%**	**79%**	**76%**	**77%**	**78%**	**78%**
Equipment	69%	71%	65%	50%	49%	46%	47%	48%	48%
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%**	**24%**	**23%**	**22%**	**22%**
Equipment	0%	0%	0%	14%	14%	15%	15%	14%	14%
Aftermarket	0%	0%	0%	6%	6%	7%	7%	7%	7%
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									
Sales	2,567	3,241	3,747	3,652	4,866	5,432	5,912	6,224	6,523
Gross profit	488	614	773	714	972	1,079	1,188	1,258	1,327
EBITDA	214	322	494	533	500	798	880	940	993
EBIT	187	274	358	394	565	630	699	753	797
Adjusted EBIT	**187**	**274**	**358**	**383**	**565**	**630**	**699**	**753**	**797**
Germany									
Sales	0	0	0	983	1,277	1,677	1,816	1,730	1,808
Gross profit	0	0	0	84	147	246	277	267	288
EBITDA	0	0	0	-29	10	86	105	105	119
EBIT	0	0	0	-66	-61	20	37	41	53
Adjusted EBIT	**0**	**0**	**0**	**-57**	**-36**	**20**	**37**	**41**	**53**
Margins									
Group									
Gross margin	19.0%	19.0%	20.7%	17.2%	18.2%	18.6%	19.0%	19.2%	19.4%
EBITDA margin	8.3%	9.9%	13.2%	10.9%	11.2%	12.4%	12.7%	13.1%	13.4%
EBIT margin	7.3%	8.4%	9.5%	7.1%	8.2%	9.2%	9.5%	10.0%	10.2%
Adjusted EBIT margin	**7.3%**	**8.4%**	**9.7%**	**7.1%**	**8.6%**	**9.2%**	**9.5%**	**10.0%**	**10.2%**
Russia/CIS									
Gross margin	19.0%	19.0%	20.6%	19.5%	20.0%	19.9%	20.1%	20.2%	20.3%
EBITDA margin	8.3%	9.9%	13.2%	14.6%	10.3%	14.7%	14.9%	15.1%	15.2%
EBIT margin	7.3%	8.4%	9.5%	10.8%	11.6%	11.6%	11.8%	12.1%	12.2%
Adjusted EBIT margin	**7.3%**	**8.4%**	**9.5%**	**10.5%**	**11.6%**	**11.6%**	**11.8%**	**12.1%**	**12.2%**
Germany									
Gross margin	-	-	-	8.5%	11.5%	14.7%	15.3%	15.5%	16.0%
EBITDA margin	-	-	-	-2.9%	0.8%	5.1%	5.8%	6.1%	6.6%
EBIT margin	-	-	-	-6.7%	-4.7%	1.2%	2.0%	2.4%	2.9%
Adjusted EBIT margin	**-**	**-**	**-**	**-5.8%**	**-2.8%**	**1.2%**	**2.0%**	**2.4%**	**2.9%**

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**	**6,145**	**7,110**	**7,728**
Revenue growth	3.5%	-5.9%	-37.1%	12.9%	54.8%	26.3%	15.6%	23.7%	32.6%	15.7%	8.7%
of which organic	7.2%	6.9%	-18.6%	21.0%	36.2%	32.2%	11.4%	16.1%	40.5%	10.0%	8.6%
of which FX	0.0%	-12.8%	-18.5%	-8.1%	18.6%	-6.0%	4.0%	-16.0%	-10.9%	3.5%	0.0%
EBITDA	153	172	130	153	214	322	494	504	690	884	985
Depreciation and impairments PPE	-101	-70	-43	-34	-26	-48	-136	-176	-184	-234	-249
of which leased assets	0	0	0	0	0	0	0	0	0	0	0
EBITA	52	102	87	119	187	274	358	328	506	651	736
Amortisation and impairments	0	-33	-26	-15	0	0	0	0	0	0	0
EBIT	52	69	61	104	187	274	358	328	506	651	736
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	-29	-26
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**	**462**	**622**	**710**
Reported taxes	13	-7	-8	-24	-42	-58	-68	-54	-110	-143	-149
Net profit from continued operations	-44	19	29	84	151	209	251	222	352	479	561
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	352	479	561
EPS, SEK	**-4.44**	**-3.10**	**-2.12**	**3.03**	**8.06**	**14.25**	**17.26**	**15.25**	**24.21**	**32.94**	**38.60**
DPS, SEK	0.00	0.00	0.00	0.00	1.73	7.50	4.25	7.50	12.34	16.47	20.19
of which ordinary	0.00	0.00	0.00	0.00	1.73	3.75	4.25	7.50	12.34	16.47	20.19
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%	11.2%	12.4%	12.7%
EBITA	2.1%	4.4%	5.9%	7.2%	7.3%	8.4%	9.5%	7.1%	8.2%	9.2%	9.5%
EBIT	2.1%	3.0%	4.2%	6.3%	7.3%	8.4%	9.5%	7.1%	8.2%	9.2%	9.5%
Adjusted earnings											
EBITDA (adj)	153	172	130	153	214	322	501	503	714	884	985
EBITA (adj)	52	102	87	137	187	274	365	330	530	651	736
EBIT (adj)	90	102	87	132	187	274	365	330	530	651	736
EPS (adj, SEK)	0.17	-0.51	-0.08	5.18	8.06	14.25	17.74	15.36	25.89	32.94	38.60
Adjusted profit margins in percent											
EBITDA (adj)	6.2%	7.4%	8.9%	9.2%	8.3%	9.9%	13.4%	10.9%	11.6%	12.4%	12.7%
EBITA (adj)	2.1%	4.4%	5.9%	8.3%	7.3%	8.4%	9.7%	7.1%	8.6%	9.2%	9.5%
EBIT (adj)	3.6%	4.4%	5.9%	7.9%	7.3%	8.4%	9.7%	7.1%	8.6%	9.2%	9.5%
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%	22.6%	19.0%
EBITDA	n.m.	n.m.	n.m.	11.6%	13.0%	16.0%	23.5%	31.1%	35.2%	32.8%	25.1%
EBIT	n.a.	n.a.	n.a.	27.7%	48.0%	39.6%	39.0%	40.0%	37.1%	28.3%	21.9%
EPS	n.a.	n.a.	n.a.	n.m.	n.m.	n.m.	n.m.	n.m.	51.5%	32.5%	22.1%
DPS	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	56.9%	40.0%
Average last 5 years											
Average EBIT margin	n.a.	n.a.	2.1%	3.0%	4.5%	6.2%	7.8%	7.9%	8.1%	8.5%	8.8%
Average EBITDA margin	n.a.	n.a.	5.9%	7.0%	7.8%	8.8%	10.3%	10.6%	10.9%	11.6%	12.1%

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	10.5	8.3	7.0
EV/EBITDA (adj)	n.a.	n.a.	n.a.	n.a.	6.1	4.8	6.1	4.5	5.8	4.4	3.6
EV/EBITA (adj)	n.a.	n.a.	n.a.	n.a.	7.0	5.6	8.4	6.9	7.8	6.0	4.8
EV/EBIT (adj)	n.a.	n.a.	n.a.	n.a.	7.0	5.6	8.4	6.9	7.8	6.0	4.8

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	11.2	8.3	7.0
EV/Sales	n.a.	n.a.	n.a.	n.a.	0.51	0.48	0.82	0.49	0.67	0.55	0.46
EV/EBITDA	n.a.	n.a.	n.a.	n.a.	6.1	4.8	6.2	4.5	6.0	4.4	3.6
EV/EBITA	n.a.	n.a.	n.a.	n.a.	7.0	5.6	8.6	6.9	8.1	6.0	4.8
EV/EBIT	n.a.	n.a.	n.a.	n.a.	7.0	5.6	8.6	6.9	8.1	6.0	4.8
Dividend yield (ord.)	n.a.	n.a.	n.a.	n.a.	1.1%	2.9%	2.6%	4.8%	4.5%	6.1%	7.4%
FCF yield	n.a.	n.a.	n.a.	n.a.	8.9%	6.8%	-21.5%	28.2%	-1.7%	9.8%	14.5%
FCF Yield bef A&D, lease adj	n.a.	n.a.	n.a.	n.a.	8.8%	6.6%	-21.6%	28.1%	2.8%	9.8%	14.5%
Payout ratio	0.0%	0.0%	0.0%	0.0%	21.5%	52.6%	24.0%	48.8%	47.7%	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	133	147	155
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	95	95	95
Tangible assets	248	225	83	116	136	263	700	507	625	571	506
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	822	783	725
Inventory	584	425	327	467	633	741	1,290	1,014	1,475	1,777	1,932
Accounts receivable	335	265	161	202	243	319	322	393	522	640	695
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	427	633	967
Total current assets	1,084	870	665	872	1,231	1,418	2,214	2,048	2,472	3,107	3,656
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**	**3,295**	**3,890**	**4,381**
Shareholders equity	533	372	322	442	611	656	890	806	1,049	1,349	1,670
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	1,049	1,349	1,670
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	39	43
Accounts payable	652	492	384	547	737	982	917	1,188	1,598	1,884	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	28	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	1,817	2,113	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**	**3,295**	**3,890**	**4,381**
Balance sheet and debt metrics											
Net debt	59	109	-81	-173	-312	-303	689	-20	157	-49	-383
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	562	611
Invested capital	621	496	244	280	314	374	1,519	818	1,246	1,344	1,335
Capital employed	755	658	416	468	651	710	2,003	1,390	1,633	1,932	2,254
ROE	-13.4%	-6.9%	-6.1%	7.9%	16.4%	32.7%	32.4%	26.1%	37.9%	39.9%	37.2%
ROIC	10.2%	14.1%	18.1%	38.7%	48.6%	61.3%	29.7%	21.7%	39.6%	38.7%	42.3%
ROCE	11.3%	14.8%	18.1%	31.9%	36.1%	41.3%	27.4%	20.1%	36.2%	37.4%	36.0%
Net debt/EBITDA	0.4	0.6	-0.6	-1.1	-1.5	-0.9	1.4	0.0	0.2	-0.1	-0.4
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%	31.8%	34.7%	38.1%
Net gearing	11.1%	29.4%	-25.3%	-39.1%	-51.0%	-46.2%	77.4%	-2.5%	15.0%	-3.7%	-23.0%

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**	**690**	**884**	**985**
Paid taxes	0	0	0	0	0	0	-85	-71	-110	-143	-149
Net financials	111	43	24	-3	-6	7	-58	-59	-44	-29	-26
Change in provisions	-8	-9	-5	7	3	4	5	3	8	5	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**	**544**	**718**	**813**
Change in NWC	-27	-176	133	18	-20	-106	-698	316	-185	-138	-49
Cash flow from operations (CFO)	**42**	**-25**	**234**	**141**	**148**	**161**	**-330**	**693**	**359**	**579**	**765**
Capital expenditure	-22	-36	3	-10	-7	-38	-181	-49	-250	-194	-191
Free cash flow before A&D	**20**	**-61**	**237**	**132**	**141**	**123**	**-511**	**643**	**110**	**385**	**574**
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	-178	0	0
Free cash flow	20	-61	242	136	144	126	-509	646	-68	385	574
Free cash flow bef A&D, lease adj	20	-61	237	132	141	123	-511	643	110	385	574
Dividends paid	0	-50	-50	-53	-58	-30	-109	-62	-109	-179	-239
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	-177	206	334
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%	76.7%
Capex/Sales	0.9%	1.6%	-0.2%	0.6%	0.3%	1.2%	4.8%	1.1%	4.1%	2.7%	2.5%
Key information											
Share price year end (/current)	n.a.	n.a.	n.a.	n.a.	151	127	163	157	337	272	272
Market cap.	n.a.	n.a.	n.a.	n.a.	1,615	1,849	2,369	2,287	3,953	3,953	3,953
Enterprise value	n.a.	n.a.	n.a.	n.a.	1,303	1,546	3,058	2,267	4,110	3,904	3,569
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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