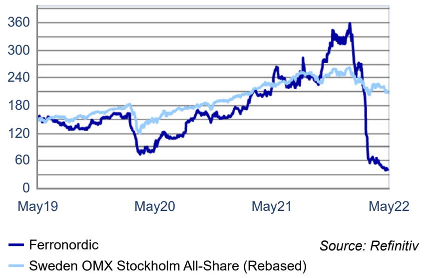
Ferronordic

Capital Goods
Sweden

KEY DATA

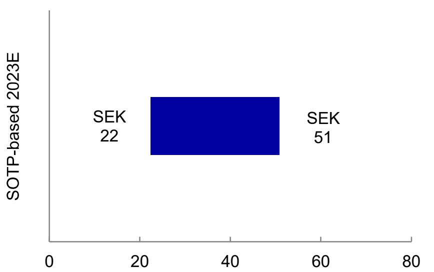
Stock country	Sweden
Bloomberg	FNM SS
Reuters	FNMA.ST
Share price (close)	SEK 40.80
Free Float	84%
Market cap. (bn)	EUR 0.06/SEK 0.59
Website	www.ferronordic.ru
Next report date	12 May 2022

PERFORMANCE



Source: Refinitiv

VALUATION APPROACH



Source: Nordea estimates

ESTIMATE CHANGES

Year	2022E	2023E	2024E
Sales	-33%	-58%	-62%
EBIT (adj)	-74%	-92%	-92%

Source: Nordea estimates

Nordea Markets - Analysts
Victor Hansen
Analyst

Carl Ragnerstam
Analyst

Inventory keeping sales afloat for now

Ferronordic's operations have been severely hit by the sanctions against Russia, as at least two of its suppliers (an estimated 80% of its Russian business) paused exports in late February. For Q1, we expect 12% y/y sales growth but an 8% lower adjusted EBIT, with a much larger earnings impact as 2022 progresses, due to its inventory in Russian declining. We think the most important aspect to the upcoming report will potentially be new financial targets – the expected margin in particular. We cut our group 2022-23E sales forecast by 33-62% and EBIT by 74-92%. We change to a SOTP-based fair value range, which we lower to SEK 22-51 (208-345), with our lower end based on our 2023E estimates and an inventory sell-off in 2022 valued at 1x EBIT, while our upper end includes Germany at a 5% margin (up from 2% 2023E, adds SEK 28 per share). We also find SEK 108 in value uplift if Volvo CE and Sandvik return to Russia (at 3x EBIT). The current valuation is 6x 2023E EV/EBIT, with an implied WACC of 33%.

Q1 expectations

We expect a decent quarter with regards to earnings as most of the export restrictions from Volvo and Sandvik (representing 80% of the Russian business, we calculate) take full effect from Q2 (paused since 28 February). We forecast 12% sales growth y/y driven by Germany (still loss-making at -0.8% margin). We forecast -8% in group adjusted EBIT, while for Russia/CIS we forecast -14% EBIT y/y, as we believe sales can continue in the short term due to inventories. We expect new financial targets to be announced, of which we find the margin target to be the most important.

Significant changes to our expectations related to Russia

Ferronordic had nearly 1,500 employees in Russia (83% of total) as of year-end 2021. We cut our group 2022-23E sales forecast by 33-62% and EBIT by 74-92%, as we expect most Russian operations to taper off during 2022-23, provided that Volvo and Sandvik do not restart their exports, but with the other OEMs remaining. We also assume that as revenues drop (when machine and spare part inventories related to Volvo and Sandvik are depleted), Ferronordic will be able to trim its cost base accordingly and stay above break-even margins (Russia/CIS: 5% EBIT margin 2022E, and between 2-3% for 2023-26E, versus 11% in 2021). For Contracting Services, however, we expect operations to fully stop in 2023, as efficiency declines when spare parts dry up. For Germany, we leave our 2022 estimates largely unchanged but raise our 2023 adjusted EBIT margin estimate to 2% (1.5%).

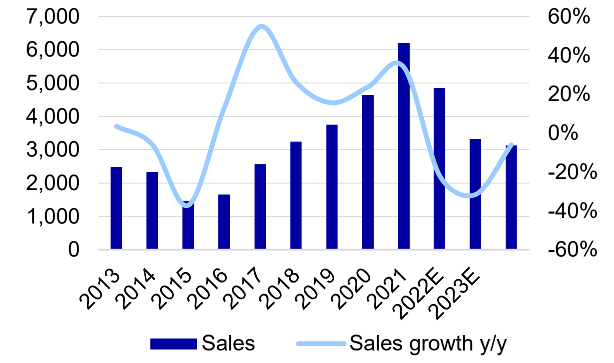
SUMMARY TABLE - KEY FIGURES

SEKm	2018	2019	2020	2021	2022E	2023E	2024E
Total revenue	3,241	3,747	4,635	6,211	4,855	3,324	3,127
EBITDA (adj)	322	501	503	728	412	245	240
EBIT (adj)	274	365	330	510	163	61	66
EBIT (adj) margin	8.4%	9.7%	7.1%	8.2%	3.3%	1.8%	2.1%
EPS (adj, SEK)	14.25	17.74	15.36	25.23	7.27	2.09	2.41
EPS (adj) growth	76.8%	24.5%	-13.4%	64.3%	-71.2%	-71.2%	15.4%
DPS (ord, SEK)	3.75	4.25	7.50	0.00	1.45	1.04	1.21
EV/Sales	0.5	0.8	0.5	0.8	0.1	0.1	0.1
EV/EBIT (adj)	5.6	8.4	6.9	10.0	2.9	5.3	2.6
P/E (adj)	8.9	9.2	10.2	13.4	5.6	19.5	16.9
P/BV	2.8	2.7	2.8	4.4	0.5	0.5	0.5
Dividend yield (ord)	2.9%	2.6%	4.8%	0.0%	3.6%	2.6%	3.0%
FCF Yield bef A&D, lease	6.6%	-21.6%	28.1%	4.9%	54.1%	28.6%	27.6%
Net debt	-303	689	-20	199	-122	-270	-418
Net debt/EBITDA	-0.9	1.4	0.0	0.3	-0.3	-1.1	-1.7
ROIC after tax	61.3%	29.7%	21.7%	35.9%	10.0%	4.4%	5.5%

Source: Company data and Nordea estimates

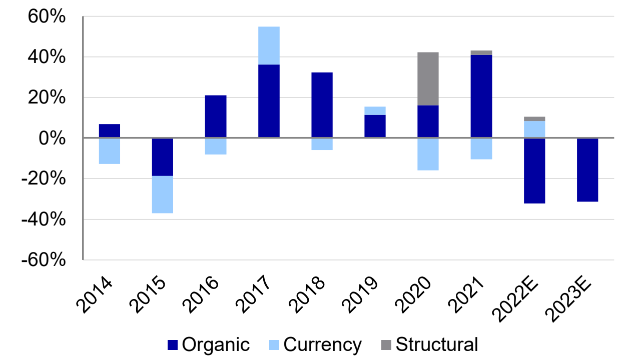
Group development

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



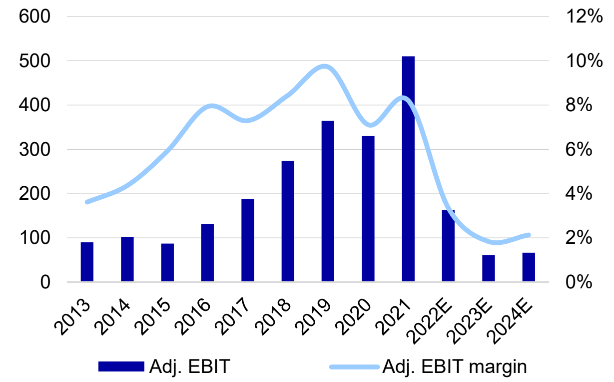
Source: Company data and Nordea estimates

SALES GROWTH BY PARAMETER (%)



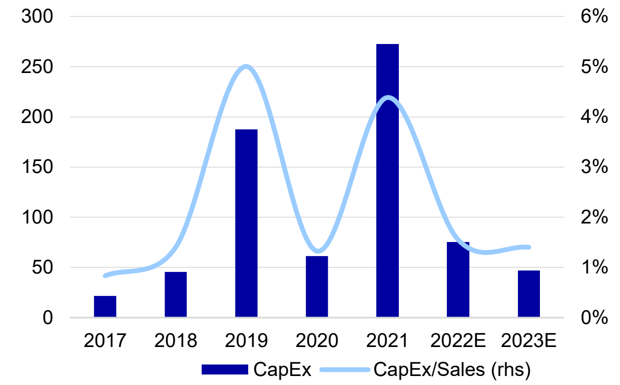
Source: Company data and Nordea estimates

ADJUSTED EBIT (SEKm) AND MARGIN (%)



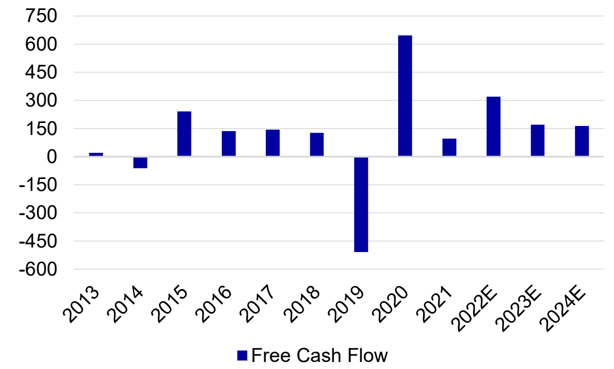
Source: Company data and Nordea estimates

CAPEX (SEKm) AND CAPEX/SALES (%)



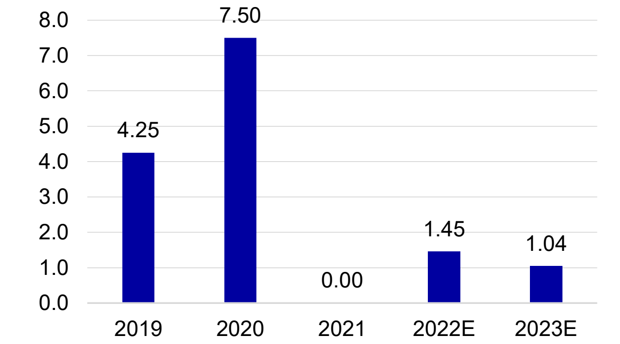
Source: Company data and Nordea estimates

FREE CASH FLOW (SEKm)



Source: Company data and Nordea estimates

DIVIDEND PER SHARE (SEK)



Source: Company data and Nordea estimates

Estimate revisions

FERRONORDIC: ESTIMATE REVISIONS

	New estimates			Old estimates			Δ		
SEKm	**2022E**	**2023E**	**2024E**	**2022E**	**2023E**	**2024E**	**2022E**	**2023E**	**2024E**
Sales breakdown									
Equipment Sales	2,785	2,229	2,169	4,515	4,963	5,073	-38%	-55%	-57%
Aftermarket Sales	1,155	853	844	1,693	1,835	1,898	-32%	-53%	-56%
Contracting Services & other	915	242	115	1,026	1,074	1,119	-11%	-78%	-90%
Group	**4,855**	**3,324**	**3,127**	**7,263**	**7,904**	**8,124**	**-33%**	**-58%**	**-62%**
Gross profit	811	543	510	1,336	1,489	1,549	-39%	-64%	-67%
Adj. EBITDA	412	245	240	883	994	1,054	-53%	-75%	-77%
Adj. EBIT	**163**	**61**	**66**	**618**	**735**	**794**	**-74%**	**-92%**	**-92%**
Margins									
Gross margin	16.7%	16.3%	16.3%	18.4%	18.8%	19.1%	-1.7 pp	-2.5 pp	-2.8 pp
EBITDA margin	8.5%	7.4%	7.7%	12.1%	12.6%	13.0%	-3.7 pp	-5.2 pp	-5.3 pp
EBIT margin	3.3%	1.8%	2.1%	8.5%	9.3%	9.8%	-5.2 pp	-7.5 pp	-7.6 pp
Sales bridge	**-22%**	**-32%**	**-6%**	**17%**	**9%**	**3%**	**-38.8 pp**	**-40.3 pp**	**-8.7 pp**
Organic	-32%	-31%	-6%	11%	9%	3%	-43.2 pp	-40.2 pp	-8.7 pp
Structural	2%	0%	0%	2%	0%	0%	0.0 pp	0.0 pp	0.0 pp
Currency	8%	0%	0%	4%	0%	0%	4.3 pp	0.0 pp	0.0 pp
Other	0%	0%	0%	0%	0%	0%	0 pp	0 pp	0 pp
DPS (SEK)	**1.5**	**1.0**	**1.2**	**15.7**	**20.2**	**22.1**	**-91%**	**-95%**	**-95%**
of which ordinary	1.5	1.0	1.2	15.7	20.2	22.1	-91%	-95%	-95%
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

Consensus is from 14 February 2022, after the Q4 report but before Russia's invasion of Ukraine.

NORDEA ESTIMATES VS CONSENSUS

	Nordea		Consensus		Δ	
SEKm	**2022E**	**2023E**	**2022E**	**2023E**	**2022E**	**2023E**
Sales	4,855	3,324	7,180	7,889	-32%	-58%
Adj. EBIT	163	61	649	736	-75%	-92%
Adj. EBIT margin	3.3%	1.8%	9.0%	9.3%	-5.7pp	-7.5pp
Net profit	106	30	479	556	-78%	-95%
EPS (SEK)	**7.27**	**2.09**	**32.96**	**38.26**	**-78%**	**-95%**

Source: Infront and Nordea estimates

Valuation

Sum-of-the-parts

We believe the earnings multiple will be low on the Russian assets for the foreseeable future even if OEMs lift their export restrictions to Russia.

We include three potential scenarios that could impact Ferronordic's value:

- Volvo and Sandvik do not return to Russia, and Germany is at a 2% margin for 2023E: total share value of **SEK 22**
- Volvo and Sandvik return to Russia: SEK 108 upside – total share value of **SEK 130**
- Germany reaches a 5% EBIT margin: SEK 28 upside – total share value of **SEK 51**

If these potentials come true: **SEK 159** in total share price

FERRONORDIC: SOTP VALUATION AND FUTURE POTENTIAL SCENARIOS

SEKm and SEK per share					
SOTP	**EBIT**	**x EBIT**	**EV**	**Per share**	**Comment**
Germany 2023E (2% margin)	39	7	274	19	Currently loss-making but targets ~5% LT margin. EV = total acquisition price. Peer Mekonomen at 6.6x EV/EBIT 2023E (Nordea estimate)
Kazakhstan	9	5.0	43	3	Likely hurt by spill-over effect from negative Russian GDP growth
Remaining Russian business 2023E	22	3.0	65	5	Estimated 20% of Russian sales
Russian inventory sell-off (2022E)	142	1.0	142	10	Full 2022 RUS/CIS EBIT estimates less CIS
Total	**211**	**1.5**	**525**	**36**	
Less net debt 2021			199	14	
Equity value			**326**	**22**	
Current enterprise value			821		
Current market cap			**622**	**43**	14.5m shares
Future potential					
If Volvo AB & Sandvik returns	523	3.0	1,568	108	Earnings multiple for Russia likely low coming decade. EBIT estimate based on 2021 excl. remaining Russia/CIS business
Germany at 5% margin	59	7.0	413	28	3 pp additional EBIT margin uplift 2023E (2% -> 5%)
Equity value			**2,308**	**159**	

Source: Company data and Nordea estimates

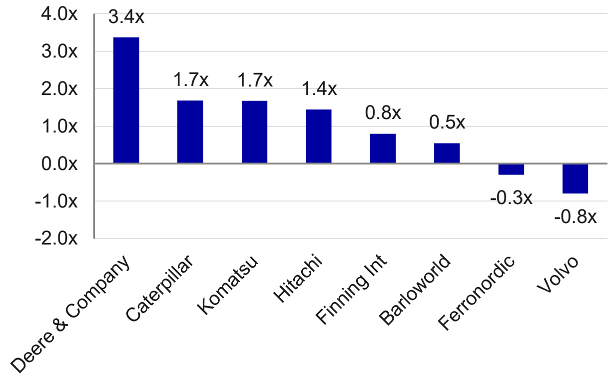
Multiples-based valuation

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	-	14,088	3.6x	3.7x	5.7x	5.7x	8.7x	8.4x	4.3%	4.5%	0.5x	0.5x	13.2%	13.6%
Caterpillar	-	1,123,511	14.3x	12.2x	17.7x	15.4x	17.1x	14.6x	2.1%	2.3%	1.7x	1.6x	45.0%	45.5%
Cervus	-	2,094	-	-	-	-	-	-	-	-	-	-	-	-
Deere & Company	-	1,178,086	15.2x	13.3x	19.3x	16.9x	17.3x	15.0x	1.0%	1.0%	3.4x	2.6x	43.4%	39.4%
Ferronordic	N.R.	622	1.2x	1.4x	3.1x	5.8x	5.9x	20.5x	3.4%	2.4%	-0.3x	-1.1x	9.2%	2.5%
Finning Int	-	42,509	7.4x	6.8x	11.4x	10.2x	14.3x	12.8x	2.3%	2.4%	0.8x	0.7x	16.5%	16.2%
Hitachi	-	479,031	7.7x	7.7x	-	-	11.3x	11.1x	1.9%	2.0%	1.4x	1.0x	14.8%	13.6%
Komatsu	-	221,153	8.3x	7.3x	-	-	13.7x	11.7x	3.0%	3.4%	1.7x	1.3x	10.4%	10.8%
Volvo	BUY	321,385	4.0x	3.3x	5.1x	4.4x	9.0x	8.4x	9.2%	9.5%	-0.8x	-0.8x	22.6%	25.2%
Average		**375,831**	**7.7x**	**7.0x**	**10.4x**	**9.7x**	**12.2x**	**12.8x**	**3.4%**	**3.5%**	**1.1x**	**0.7x**	**21.9%**	**20.8%**
Median		**221,153**	**7.5x**	**7.1x**	**8.5x**	**8.0x**	**12.5x**	**12.3x**	**2.7%**	**2.4%**	**1.1x**	**0.8x**	**15.7%**	**14.9%**
Ferronordic	**N.R.**	**622**	**1.2x**	**1.4x**	**3.1x**	**5.8x**	**5.9x**	**20.5x**	**3.4%**	**2.4%**	**-0.3x**	**-1.1x**	**9.2%**	**2.5%**
vs. peer average	-	-	-84%	-79%	-70%	-41%	-52%	60%	0.0pp	-1.0pp	-	-	-12.7pp	-18.3pp
vs. peer median	-	-	-84%	-80%	-64%	-28%	-53%	67%	0.7pp	0.0pp	-	-	-6.5pp	-12.4pp
vs. Barloworld	-	-96%	-66%	-61%	-46%	1%	-32%	145%	-0.9pp	-2.1pp	-	-	-4.0pp	-11.1pp
vs. Finning	-	-99%	-84%	-79%	-73%	-43%	-59%	60%	1.1pp	-	-	-	-7.3pp	-13.7pp

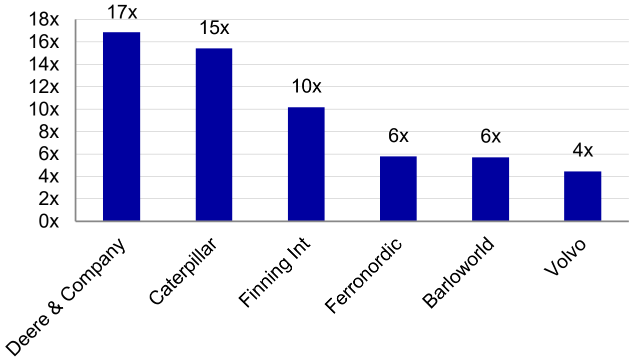
Source: Company data, Refinitiv and Nordea estimates

NET DEBT/EBITDA, 2022E



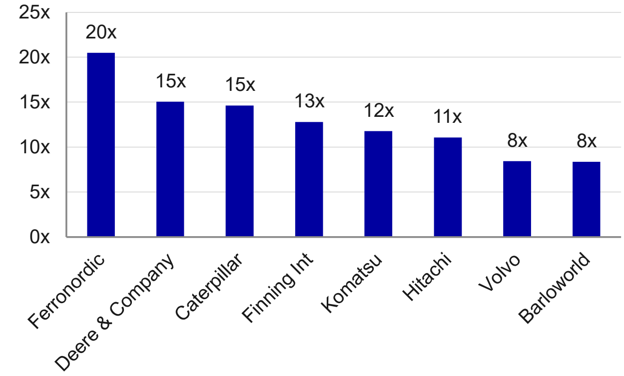
Source: Company data, Refinitiv and Nordea estimates

EV/EBIT, 2023E



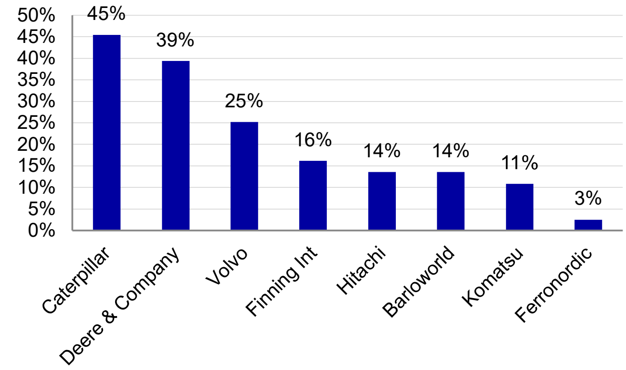
Source: Company data, Refinitiv and Nordea estimates

P/E, 2023E



Source: Company data, Refinitiv and Nordea estimates

RETURN ON EQUITY, 2023E



Source: Company data, Refinitiv and Nordea estimates

Detailed estimates

INTERIM ESTIMATES

(SEKm)	Q1 20	Q2 20	Q3 20	Q4 20	Q1 21	Q2 21	Q3 21	Q4 21	Q1 22E	Q2 22E	Q3 22E	Q4 22E
Revenue	1,118	1,203	1,129	1,185	1,267	1,590	1,661	1,694	1,417	1,353	1,108	976
Cost of sales	-936	-996	-908	-998	-1,052	-1,304	-1,337	-1,409	-1,183	-1,125	-925	-812
Gross profit	**183**	**207**	**221**	**187**	**215**	**286**	**324**	**285**	**234**	**228**	**184**	**165**
Sales expenses	-55	-53	-55	-55	-54	-63	-69	-71	-72	-96	-99	-100
G&A expenses	-74	-60	-61	-69	-77	-79	-98	-102	-82	-74	-64	-56
Other income	2	13	4	6	1	2	5	4	2	2	3	2
Other expenses	-5	-2	-2	-3	-5	-2	-14	-5	-5	-3	-3	-3
EBIT	**51**	**105**	**107**	**65**	**80**	**144**	**148**	**111**	**77**	**56**	**22**	**8**
Finance income	2	5	2	3	3	3	7	10	4	6	7	4
Finance costs	-19	-21	-11	-9	-8	-14	-20	-6	-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**	**117**	**70**	**51**	**18**	**-1**
Income tax	-9	-16	-17	-12	-15	-41	-27	-29	-16	-12	-4	0
Net income	20	76	81	44	56	86	109	88	54	39	14	0
EPS (SEK)	**1.39**	**5.24**	**5.57**	**3.05**	**3.85**	**5.93**	**7.46**	**6.01**	**3.66**	**2.66**	**0.93**	**-0.03**
Pre-tax adjustments	0	11	-5	-8	-4	-3	-17	-4	0	0	0	0
After-tax adjustments	0	9	-4	-6	-3	-3	-13	-3	0	0	0	0
Adj. EBIT	**51**	**94**	**112**	**73**	**83**	**147**	**165**	**115**	**77**	**56**	**22**	**8**
Adj. PTP	29	81	103	64	75	130	152	121	70	51	18	-1
Adj. Net income	20	68	85	50	59	89	122	91	54	39	14	0
Adj. EPS (SEK)	**1.39**	**4.65**	**5.82**	**3.47**	**4.04**	**6.10**	**8.38**	**6.20**	**3.66**	**2.66**	**0.93**	**-0.03**

Source: Company data and Nordea estimates

INTERIM SALES BRIDGE

	Q1 20	Q2 20	Q3 20	Q4 20	Q1 21	Q2 21	Q3 21	Q4 21	Q1 22E	Q2 22E	Q3 22E	Q4 22E
Sales bridge (%) - Group												
Organic	15%	2%	12%	36%	37%	50%	48%	30%	9%	-30%	-48%	-51%
Structural	38%	22%	24%	24%	0%	2%	2%	4%	4%	2%	2%	1%
Currency	4%	-9%	-22%	-33%	-27%	-19%	-3%	7%	-2%	12%	12%	9%
Other	-3%	-7%	3%	-4%	3%	0%	0%	2%	1%	1%	0%	-1%
Total	**55%**	**9%**	**17%**	**23%**	**13%**	**32%**	**47%**	**43%**	**12%**	**-15%**	**-33%**	**-42%**
Sales bridge % - Russia/CIS												
Organic	15%	2%	12%	36%	49%	53%	51%	22%	-3%	-42%	-65%	-71%
Structural	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Currency	4%	-9%	-22%	-33%	-34%	-23%	-4%	9%	-3%	15%	15%	12%
Other	-3%	-7%	3%	-4%	4%	1%	0%	0%	0%	0%	0%	0%
Total	**17%**	**-13%**	**-7%**	**-1%**	**20%**	**31%**	**48%**	**31%**	**-6%**	**-28%**	**-50%**	**-59%**
Sales bridge % - Germany												
Organic	0%	0%	0%	0%	-2%	38%	36%	64%	56%	18%	22%	6%
Structural	100%	100%	100%	100%	1%	8%	11%	21%	21%	11%	10%	2%
Currency	0%	0%	0%	0%	-5%	-7%	-2%	-2%	1%	1%	1%	1%
Other	0%	0%	0%	0%	0%	-3%	-3%	9%	3%	4%	2%	-4%
Total	**100%**	**100%**	**100%**	**100%**	**-6%**	**37%**	**43%**	**91%**	**80%**	**33%**	**35%**	**4%**
Sales split (% of Group)	**Q1 20**	**Q2 20**	**Q3 20**	**Q4 20**	**Q1 21**	**Q2 21**	**Q3 21**	**Q4 21**	**Q1 22E**	**Q2 22E**	**Q3 22E**	**Q4 22E**
Russia/CIS	**75%**	**80%**	**80%**	**80%**	**80%**	**79%**	**80%**	**74%**	**67%**	**67%**	**60%**	**52%**
Equipment	46%	51%	50%	52%	49%	49%	48%	43%	41%	32%	31%	25%
Aftermarket	20%	18%	19%	17%	17%	16%	17%	17%	14%	18%	8%	9%
Contracting Services	9%	10%	11%	11%	13%	13%	15%	13%	11%	17%	21%	18%
Other	1%	0%	0%	0%	0%	0%	1%	0%	0%	0%	0%	0%
Germany	**25%**	**20%**	**20%**	**20%**	**20%**	**21%**	**20%**	**26%**	**33%**	**33%**	**40%**	**48%**
Equipment	17%	13%	12%	12%	13%	15%	13%	17%	22%	22%	26%	32%
Aftermarket	6%	6%	6%	5%	6%	5%	5%	6%	10%	10%	12%	13%
Other	2%	2%	2%	2%	1%	1%	1%	3%	2%	2%	2%	3%

Source: Company data and Nordea estimates

GROWTH PER SEGMENT, INTERIM

(SEKm)	Q1 20	Q2 20	Q3 20	Q4 20	Q1 21	Q2 21	Q3 21	Q4 21	Q1 22E	Q2 22E	Q3 22E	Q4 22E
Russia/CIS												
Sales	843	958	900	951	1,007	1,254	1,333	1,249	949	906	667	512
Gross profit	156	190	199	169	185	254	290	233	174	163	119	96
EBITDA	100	156	155	122	127	195	219	169	120	100	62	45
EBIT	60	120	124	91	94	157	179	124	80	53	16	1
Adjusted EBIT	**60**	**109**	**124**	**91**	**94**	**157**	**179**	**124**	**80**	**53**	**16**	**1**
Germany												
Sales	275	245	229	233	260	336	327	445	468	447	441	465
Gross profit	27	16	23	18	30	32	34	53	60	65	65	69
EBITDA	-1	-4	-8	-16	-3	0	-16	9	15	22	23	26
EBIT	-10	-15	-17	-25	-14	-13	-32	-12.0	-4	4	5	7
Adjusted EBIT	**-10**	**-15**	**-12**	**-20**	**-10**	**-10**	**-15**	**-9**	**-4**	**4**	**5**	**7**
Margins												
Group												
Gross margin	16.3%	17.2%	19.6%	15.8%	17.0%	18.0%	19.5%	16.8%	16.5%	16.8%	16.6%	16.9%
EBITDA margin	8.9%	12.6%	13.0%	8.9%	9.8%	12.2%	12.2%	10.4%	9.6%	9.0%	7.7%	7.2%
EBIT margin	4.6%	8.7%	9.5%	5.5%	6.3%	9.0%	8.9%	6.6%	5.4%	4.1%	1.9%	0.9%
Adjusted EBIT margin	**4.6%**	**7.8%**	**9.9%**	**6.2%**	**6.6%**	**9.2%**	**9.9%**	**6.8%**	**5.4%**	**4.1%**	**1.9%**	**0.9%**
Russia/CIS												
Gross margin	18.5%	19.9%	22.1%	17.8%	18.3%	20.2%	21.8%	18.7%	18.3%	18.0%	17.8%	18.7%
EBITDA margin	11.8%	16.3%	17.2%	12.8%	12.7%	15.5%	16.4%	13.5%	12.7%	11.0%	9.3%	8.7%
EBIT margin	7.1%	12.5%	13.8%	9.5%	9.3%	12.5%	13.4%	9.9%	8.5%	5.8%	2.5%	0.2%
Adjusted EBIT margin	**7.1%**	**11.3%**	**13.8%**	**9.5%**	**9.3%**	**12.5%**	**13.4%**	**9.9%**	**8.5%**	**5.8%**	**2.5%**	**0.2%**
Germany												
Gross margin	9.8%	6.7%	9.8%	7.7%	11.6%	9.6%	10.4%	11.9%	12.9%	14.5%	14.8%	14.9%
EBITDA margin	-0.2%	-1.8%	-3.4%	-6.8%	-1.1%	-0.1%	-4.9%	2.0%	3.3%	4.9%	5.3%	5.5%
EBIT margin	-3.5%	-6.1%	-7.3%	-10.7%	-5.3%	-3.8%	-9.8%	-2.7%	-0.8%	0.8%	1.2%	1.6%
Adjusted EBIT margin	**-3.5%**	**-6.1%**	**-5.2%**	**-8.7%**	**-3.9%**	**-2.9%**	**-4.6%**	**-1.9%**	**-0.8%**	**0.8%**	**1.2%**	**1.6%**

Source: Company data and Nordea estimates

ANNUAL ESTIMATES

(SEKm)	2017	2018	2019	2020	2021	2022E	2023E	2024E	2025E
Revenue	2,567	3,241	3,747	4,635	6,211	4,855	3,324	3,127	3,265
Cost of sales	-2,079	-2,627	-2,972	-3,837	-5,102	-4,044	-2,781	-2,618	-2,723
Gross profit	**488**	**614**	**775**	**797**	**1,110**	**811**	**543**	**510**	**542**
Sales expenses	-125	-138	-162	-219	-256	-368	-291	-264	-271
G&A expenses	-165	-190	-238	-264	-357	-276	-187	-175	-181
Other income	5	4	8	24	13	10	7	6	7
Other expenses	-16	-17	-26	-11	-27	-14	-11	-11	-12
EBIT	**187**	**274**	**358**	**328**	**483**	**163**	**61**	**66**	**85**
Finance income	15	7	6	12	23	20	20	21	21
Finance costs	-7	-9	-58	-59	-49	-47	-43	-43	-35
Net FX gains/(losses)	-2	-5	12	-5	-5	2	0	0	0
EBT	**193**	**267**	**318**	**276**	**451**	**137**	**38**	**44**	**71**
Income tax	-42	-58	-68	-54	-112	-32	-8	-9	-15
Net income	151	209	251	222	339	106	30	35	56
EPS (SEK)	**8.50**	**14.25**	**17.26**	**15.25**	**23.33**	**7.27**	**2.09**	**2.35**	**3.77**
Pre-tax adjustments	0	0	-7	-2	-27	0	0	0	0
After-tax adjustments	0	0	-6	-1	-22	0	0	0	0
Adj. EBIT	**187**	**274**	**365**	**330**	**510**	**163**	**61**	**66**	**85**
Adj. PTP	193	267	325	277	478	137	38	44	71
Adj. Net income	151	209	256	223	361	106	30	35	56
Adj. EPS (SEK)	**8.50**	**14.25**	**17.64**	**15.34**	**24.81**	**7.27**	**2.09**	**2.35**	**3.77**

Source: Company data and Nordea estimates

ANNUAL SALES BRIDGE

	2017	2018	2019	2020	2021	2022E	2023E	2024E	2025E
Sales bridge (%) - Group									
Organic	36%	32%	11%	16%	41%	-32%	-31%	-6%	4%
Structural	0%	0%	0%	26%	2%	2%	0%	0%	0%
Currency	19%	-6%	4%	-16%	-11%	8%	0%	0%	0%
Other	6%	2%	-1%	-3%	1%	0%	0%	0%	0%
Total	**61%**	**28%**	**15%**	**24%**	**34%**	**-22%**	**-32%**	**-6%**	**4%**
Sales bridge % - Russia/CIS									
Organic	36%	32%	11%	16%	43%	-48%	-55%	-8%	4%
Structural	0%	0%	0%	0%	0%	0%	0%	0%	0%
Currency	19%	-6%	4%	-16%	-12%	10%	0%	0%	0%
Other	6%	2%	-4%	-3%	1%	0%	0%	0%	0%
Total	**61%**	**28%**	**11%**	**-3%**	**33%**	**-37%**	**-55%**	**-8%**	**4%**
Sales bridge % - Germany									
Organic	-	-	-	0%	32%	22%	8%	-5%	4%
Structural	-	-	-	100%	10%	10%	0%	0%	0%
Currency	-	-	-	0%	-4%	1%	0%	0%	0%
Other	-	-	-	0%	1%	1%	0%	0%	0%
Total	**-**	**-**	**-**	**100%**	**39%**	**33%**	**8%**	**-5%**	**5%**
Sales split (% of Group)	**2017**	**2018**	**2019**	**2020**	**2021**	**2022E**	**2023E**	**2024E**	**2025E**
Russia/CIS	**100%**	**100%**	**100%**	**79%**	**78%**	**62%**	**41%**	**40%**	**40%**
Equipment	69%	71%	65%	50%	47%	33%	28%	31%	31%
Aftermarket	27%	24%	25%	19%	17%	13%	8%	9%	9%
Contracting Services	0%	0%	10%	10%	14%	16%	4%	0%	0%
Other	4%	5%	1%	0%	0%	0%	0%	0%	0%
Germany	**0%**	**0%**	**0%**	**21%**	**22%**	**38%**	**59%**	**60%**	**60%**
Equipment	0%	0%	0%	14%	15%	25%	39%	39%	39%
Aftermarket	0%	0%	0%	6%	6%	11%	17%	18%	17%
Other	0%	0%	0%	2%	2%	2%	3%	3%	3%

Source: Company data and Nordea estimates

ANNUAL GROWTH PER SEGMENT

(SEKm)	2017	2018	2019	2020	2021	2022E	2023E	2024E	2025E
Russia/CIS									
Sales	2,567	3,241	3,747	3,652	4,843	3,034	1,356	1,252	1,305
Gross profit	488	614	773	714	961	551	251	234	244
EBITDA	214	322	494	533	710	326	130	134	141
EBIT	187	274	358	394	553	150	22	35	39
Adjusted EBIT	**187**	**274**	**358**	**383**	**553**	**150**	**22**	**35**	**39**
Germany									
Sales	0	0	0	983	1,367	1,821	1,969	1,875	1,960
Gross profit	0	0	0	84	149	260	293	276	298
EBITDA	0	0	0	-29	-10	86	115	106	124
EBIT	0	0	0	-66	-71	12	39	31	46
Adjusted EBIT	**0**	**0**	**0**	**-57**	**-43**	**12**	**39**	**31**	**46**
Margins									
Group									
Gross margin	19.0%	19.0%	20.7%	17.2%	17.9%	16.7%	16.3%	16.3%	16.6%
EBITDA margin	8.3%	9.9%	13.2%	10.9%	11.3%	8.5%	7.4%	7.7%	8.1%
EBIT margin	7.3%	8.4%	9.5%	7.1%	7.8%	3.3%	1.8%	2.1%	2.6%
Adjusted EBIT margin	**7.3%**	**8.4%**	**9.7%**	**7.1%**	**8.2%**	**3.3%**	**1.8%**	**2.1%**	**2.6%**
Russia/CIS									
Gross margin	19.0%	19.0%	20.6%	19.5%	19.8%	18.2%	18.5%	18.7%	18.7%
EBITDA margin	8.3%	9.9%	13.2%	14.6%	14.7%	10.7%	9.6%	10.7%	10.8%
EBIT margin	7.3%	8.4%	9.5%	10.8%	11.4%	5.0%	1.6%	2.8%	3.0%
Adjusted EBIT margin	**7.3%**	**8.4%**	**9.5%**	**10.5%**	**11.4%**	**5.0%**	**1.6%**	**2.8%**	**3.0%**
Germany									
Gross margin	-	-	-	8.5%	10.9%	14.3%	14.9%	14.7%	15.2%
EBITDA margin	-	-	-	-2.9%	-0.7%	4.7%	5.8%	5.7%	6.3%
EBIT margin	-	-	-	-6.7%	-5.2%	0.7%	2.0%	1.7%	2.3%
Adjusted EBIT margin	**-**	**-**	**-**	**-5.8%**	**-3.2%**	**0.7%**	**2.0%**	**1.7%**	**2.3%**

Source: Company data and Nordea estimates

Reported numbers and forecasts

INCOME STATEMENT											
SEKm	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022E**	**2023E**	**2024E**
Total revenue	**2,335**	**1,469**	**1,658**	**2,567**	**3,241**	**3,747**	**4,635**	**6,211**	**4,855**	**3,324**	**3,127**
Revenue growth	-5.9%	-37.1%	12.9%	54.8%	26.3%	15.6%	23.7%	34.0%	-21.8%	-31.5%	-5.9%
of which organic	6.9%	-18.6%	21.0%	36.2%	32.2%	11.4%	16.1%	41.1%	-32.2%	-31.4%	-5.9%
of which FX	-12.8%	-18.5%	-8.1%	18.6%	-6.0%	4.0%	-16.0%	-10.5%	8.3%	0.0%	0.0%
EBITDA	172	130	153	214	322	494	504	700	412	245	240
Depreciation and impairments PPE	-70	-43	-34	-26	-48	-136	-176	-218	-250	-184	-174
of which leased assets	0	0	0	0	0	0	0	0	0	0	0
EBITA	102	87	119	187	274	358	328	483	163	61	66
Amortisation and impairments	-33	-26	-15	0	0	0	0	0	0	0	0
EBIT	69	61	104	187	274	358	328	483	163	61	66
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	-43	-24	3	6	-7	-39	-53	-31	-25	-23	-22
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	**26**	**37**	**107**	**193**	**267**	**318**	**276**	**452**	**137**	**38**	**44**
Reported taxes	-7	-8	-24	-42	-58	-68	-54	-112	-32	-8	-9
Net profit from continued operations	19	29	84	151	209	251	222	339	106	30	35
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	-31	-21	30	87	207	251	222	339	106	30	35
EPS, SEK	**-3.10**	**-2.12**	**3.03**	**8.06**	**14.25**	**17.26**	**15.25**	**23.35**	**7.27**	**2.09**	**2.41**
DPS, SEK	0.00	0.00	0.00	1.73	7.50	4.25	7.50	0.00	1.45	1.04	1.21
of which ordinary	0.00	0.00	0.00	1.73	3.75	4.25	7.50	0.00	1.45	1.04	1.21
of which extraordinary	0.00	0.00	0.00	0.00	3.75	0.00	0.00	0.00	0.00	0.00	0.00
Profit margin in percent											
EBITDA	7.4%	8.9%	9.2%	8.3%	9.9%	13.2%	10.9%	11.3%	8.5%	7.4%	7.7%
EBITA	4.4%	5.9%	7.2%	7.3%	8.4%	9.5%	7.1%	7.8%	3.3%	1.8%	2.1%
EBIT	3.0%	4.2%	6.3%	7.3%	8.4%	9.5%	7.1%	7.8%	3.3%	1.8%	2.1%
Adjusted earnings											
EBITDA (adj)	172	130	153	214	322	501	503	728	412	245	240
EBITA (adj)	102	87	137	187	274	365	330	510	163	61	66
EBIT (adj)	102	87	132	187	274	365	330	510	163	61	66
EPS (adj, SEK)	-0.51	-0.08	5.18	8.06	14.25	17.74	15.36	25.23	7.27	2.09	2.41
Adjusted profit margins in percent											
EBITDA (adj)	7.4%	8.9%	9.2%	8.3%	9.9%	13.4%	10.9%	11.7%	8.5%	7.4%	7.7%
EBITA (adj)	4.4%	5.9%	8.3%	7.3%	8.4%	9.7%	7.1%	8.2%	3.3%	1.8%	2.1%
EBIT (adj)	4.4%	5.9%	7.9%	7.3%	8.4%	9.7%	7.1%	8.2%	3.3%	1.8%	2.1%
Performance metrics											
CAGR last 5 years											
Net revenue	n.a.	n.a.	-7.3%	1.4%	5.5%	9.9%	25.8%	30.2%	13.6%	0.5%	-3.6%
EBITDA	n.m.	n.m.	11.6%	13.0%	16.0%	23.5%	31.1%	35.6%	14.0%	-5.3%	-13.4%
EBIT	n.a.	n.a.	27.7%	48.0%	39.6%	39.0%	40.0%	35.9%	-2.8%	-25.9%	-28.6%
EPS	n.a.	n.a.	n.m.	n.m.	n.m.	n.m.	n.m.	50.4%	-2.1%	-31.9%	-32.5%
DPS	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	-3.4%	-22.6%	-22.3%
Average last 5 years											
Average EBIT margin	n.a.	2.1%	3.0%	4.5%	6.2%	7.8%	7.9%	8.0%	7.1%	6.1%	5.0%
Average EBITDA margin	n.a.	5.9%	7.0%	7.8%	8.8%	10.3%	10.6%	10.9%	10.7%	10.3%	9.5%

VALUATION RATIOS - ADJUSTED EARNINGS											
SEKm	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022E**	**2023E**	**2024E**
P/E (adj)	n.a.	n.a.	n.a.	18.7	8.9	9.2	10.2	13.4	5.6	19.5	16.9
EV/EBITDA (adj)	n.a.	n.a.	n.a.	6.1	4.8	6.1	4.5	7.0	1.1	1.3	0.7
EV/EBITA (adj)	n.a.	n.a.	n.a.	7.0	5.6	8.4	6.9	10.0	2.9	5.3	2.6
EV/EBIT (adj)	n.a.	n.a.	n.a.	7.0	5.6	8.4	6.9	10.0	2.9	5.3	2.6

VALUATION RATIOS - REPORTED EARNINGS											
SEKm	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022E**	**2023E**	**2024E**
P/E	n.a.	n.a.	n.a.	18.7	8.9	9.4	10.3	14.4	5.6	19.5	16.9
EV/Sales	n.a.	n.a.	n.a.	0.51	0.48	0.82	0.49	0.82	0.10	0.10	0.06
EV/EBITDA	n.a.	n.a.	n.a.	6.1	4.8	6.2	4.5	7.3	1.1	1.3	0.7
EV/EBITA	n.a.	n.a.	n.a.	7.0	5.6	8.6	6.9	10.6	2.9	5.3	2.6
EV/EBIT	n.a.	n.a.	n.a.	7.0	5.6	8.6	6.9	10.6	2.9	5.3	2.6
Dividend yield (ord.)	n.a.	n.a.	n.a.	1.1%	2.9%	2.6%	4.8%	0.0%	3.6%	2.6%	3.0%
FCF yield	n.a.	n.a.	n.a.	8.9%	6.8%	-21.5%	28.2%	1.9%	54.1%	28.6%	27.6%
FCF Yield bef A&D, lease adj	n.a.	n.a.	n.a.	8.8%	6.6%	-21.6%	28.1%	4.9%	54.1%	28.6%	27.6%
Payout ratio	0.0%	0.0%	0.0%	21.5%	52.6%	24.0%	48.8%	0.0%	20.0%	50.0%	50.0%

Source: Company data and Nordea estimates

BALANCE SHEET

SEKm	2014	2015	2016	2017	2018	2019	2020	2021	2022E	2023E	2024E
Intangible assets	43	15	2	6	6	12	8	81	91	94	97
of which R&D	0	0	0	0	0	0	0	0	10	13	16
of which other intangibles	43	15	2	6	6	12	8	81	81	81	81
of which goodwill	0	0	0	0	0	0	0	0	0	0	0
Tangible assets	225	83	116	136	263	700	507	1,006	813	671	545
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	36	45	42	42	41	51	65	105	105	105	105
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	303	143	160	184	310	763	579	1,192	1,009	870	747
Inventory	425	327	467	633	741	1,290	1,014	1,432	1,020	731	688
Accounts receivable	265	161	202	243	319	322	393	535	413	283	266
Short-term leased assets	0	0	0	0	0	0	0	0	0	0	0
Other current assets	2	1	4	3	2	84	37	46	36	25	23
Cash and bank	177	175	199	352	357	519	604	768	1,088	1,237	1,385
Total current assets	870	665	872	1,231	1,418	2,214	2,048	2,781	2,557	2,275	2,362
Assets held for sale	0	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Total assets	**1,173**	**808**	**1,033**	**1,414**	**1,727**	**2,978**	**2,628**	**3,973**	**3,566**	**3,145**	**3,110**
Shareholders equity	372	322	442	611	656	890	806	1,101	1,207	1,216	1,236
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	372	322	442	611	656	890	806	1,101	1,207	1,216	1,236
Deferred tax	7	0	0	1	1	7	5	7	7	7	7
Long term interest bearing debt	21	4	15	22	28	377	422	588	588	588	588
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	28	4	16	23	31	391	428	617	617	617	617
Short-term provisions	9	4	10	13	17	22	26	39	30	21	20
Accounts payable	492	384	547	737	982	917	1,188	1,809	1,311	898	844
Current lease debt	0	0	0	0	0	0	0	0	0	0	0
Other current liabilities	8	4	7	12	15	21	19	28	22	15	14
Short term interest bearing debt	265	90	11	19	26	735	161	379	379	379	379
Total current liabilities	774	482	575	780	1,040	1,696	1,393	2,255	1,742	1,312	1,257
Liabilities for assets held for sale	0	0	0	0	0	0	0	0	0	0	0
Total liabilities and equity	**1,173**	**808**	**1,033**	**1,414**	**1,727**	**2,978**	**2,628**	**3,973**	**3,566**	**3,145**	**3,110**
Balance sheet and debt metrics											
Net debt	109	-81	-173	-312	-303	689	-20	199	-122	-270	-418
of which lease debt	0	0	0	0	0	0	0	0	0	0	0
Working capital	193	101	120	130	64	756	238	176	135	126	119
Invested capital	496	244	280	314	374	1,519	818	1,368	1,145	996	866
Capital employed	658	416	468	651	710	2,003	1,390	2,068	2,173	2,183	2,203
ROE	-6.9%	-6.1%	7.9%	16.4%	32.7%	32.4%	26.1%	35.6%	9.2%	2.5%	2.9%
ROIC	14.1%	18.1%	38.7%	48.6%	61.3%	29.7%	21.7%	35.9%	10.0%	4.4%	5.5%
ROCE	14.8%	18.1%	31.9%	36.1%	41.3%	27.4%	20.1%	30.8%	8.6%	3.7%	4.0%
Net debt/EBITDA	0.6	-0.6	-1.1	-1.5	-0.9	1.4	0.0	0.3	-0.3	-1.1	-1.7
Interest coverage	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
Equity ratio	31.7%	39.8%	42.8%	43.2%	38.0%	29.9%	30.7%	27.7%	33.8%	38.7%	39.7%
Net gearing	29.4%	-25.3%	-39.1%	-51.0%	-46.2%	77.4%	-2.5%	18.1%	-10.1%	-22.2%	-33.9%

Source: Company data and Nordea estimates

CASH FLOW STATEMENT											
SEKm	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022E**	**2023E**	**2024E**
EBITDA (adj) for associates	**172**	**130**	**153**	**214**	**322**	**494**	**504**	**700**	**412**	**245**	**240**
Paid taxes	0	0	0	0	0	-85	-71	-170	-32	-8	-9
Net financials	43	24	-3	-6	7	-58	-59	-26	-25	-23	-22
Change in provisions	-9	-5	7	3	4	5	3	13	-9	-10	-1
Change in other LT non-IB	-14	-9	3	0	3	-6	-20	-19	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	-42	-38	-36	-44	-68	17	19	-17	0	0	0
Funds from operations (FFO)	**151**	**101**	**123**	**168**	**267**	**367**	**377**	**481**	**347**	**205**	**208**
Change in NWC	-176	133	18	-20	-106	-698	316	-24	41	9	7
Cash flow from operations (CFO)	**-25**	**234**	**141**	**148**	**161**	**-330**	**693**	**457**	**387**	**214**	**215**
Capital expenditure	-36	3	-10	-7	-38	-181	-49	-217	-67	-45	-52
Free cash flow before A&D	**-61**	**237**	**132**	**141**	**123**	**-511**	**643**	**240**	**321**	**170**	**164**
Proceeds from sale of assets	0	5	4	3	3	2	3	8	0	0	0
Acquisitions	0	0	0	0	0	0	0	-153	0	0	0
Free cash flow	-61	242	136	144	126	-509	646	95	321	170	164
Free cash flow bef A&D, lease adj	-61	237	132	141	123	-511	643	240	321	170	164
Dividends paid	-50	-50	-53	-58	-30	-109	-62	-109	0	-21	-15
Equity issues / buybacks	0	-1	0	0	0	0	0	0	0	0	0
Net change in debt	849	109	0	-28	0	802	-402	253	0	0	0
Other financing adjustments	-1	-30	-15	-12	2	-3	-114	-81	0	0	0
Other non-cash adjustments	-722	-272	-45	108	-94	-18	16	6	0	0	0
Change in cash	15	-2	24	153	4	163	84	164	320	148	148
Cash flow metrics											
Capex/D&A	35.3%	-4.4%	20.0%	25.8%	80.1%	n.m.	28.1%	99.7%	26.8%	24.4%	29.7%
Capex/Sales	1.6%	-0.2%	0.6%	0.3%	1.2%	4.8%	1.1%	3.5%	1.4%	1.4%	1.7%
Key information											
Share price year end (/current)	n.a.	n.a.	n.a.	151	127	163	157	337	41	41	41
Market cap.	n.a.	n.a.	n.a.	1,615	1,849	2,369	2,287	4,897	593	593	593
Enterprise value	n.a.	n.a.	n.a.	1,303	1,546	3,058	2,267	5,096	471	323	174
Diluted no. of shares, year-end (m)	10.0	10.0	10.0	10.7	14.5	14.5	14.5	14.5	14.5	14.5	14.5

Source: Company data and Nordea estimates

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