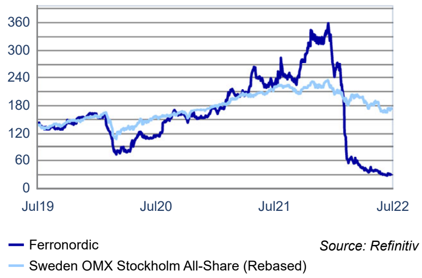
Ferronordic

Capital Goods
Sweden

KEY DATA

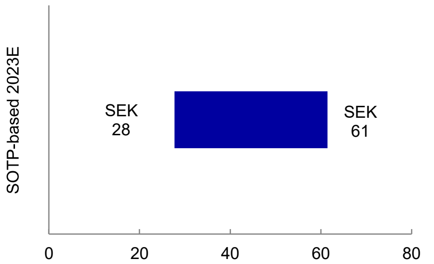
Stock country	Sweden
Bloomberg	FNM SS
Reuters	FNMA.ST
Share price (close)	SEK 33.70
Free Float	84%
Market cap. (bn)	EUR 0.05/SEK 0.49
Website	www.ferronordic.ru
Next report date	17 Aug 2022

PERFORMANCE



Source: Refinitiv

VALUATION APPROACH (SEK/SHARE)



Source: Nordea estimates

ESTIMATE CHANGES

Year	2022E	2023E	2024E
Sales	19%	27%	25%
EBIT (adj)	32%	25%	38%

Source: Nordea estimates

Nordea Markets - Analysts
Victor Hansen
Analyst

Carl Ragnerstam
Analyst

Russian reshuffle and RUB rescue

We expect soft Q2 results on 17 August. While we expect sales to increase by 7% (-17% organic), lifted by a strong RUB, we expect adjusted EBIT to drop by 46% y/y, mainly due to Volvo and Sandvik halting exports to Russia. By 2023, we forecast 85% lower adjusted EBIT versus 2021. Our 2022E-24E adjusted EBIT is 23-61% above Infront consensus, partly due to FX. We raise our SOTP-based fair value range to SEK 28-61 (SEK 21-49), with the lower end based on our 2023 estimates and an inventory sell-off in 2022 valued at 1x EBIT. The upper end includes Germany at a 5% margin (up from 1.3% in 2023E, adding SEK 34 per share at 7x EBIT). We also project SEK 101 in value uplift if suppliers return to Russia (at 3x EBIT). The 2023E valuation is now 2.3x EV/EBIT.

Q2 expectations

For Q2, we forecast 7% y/y sales growth driven by FX (+21%) and M&A (+2%), while we expect a 17% organic decline. Organically by segment, we expect Russia/CIS to decline by 27% but Germany to grow by 20%. We pencil in adjusted EBIT of SEK 80m, down 46% y/y and 26% q/q. This decline is driven by Russia/CIS, while we expect Germany to remain loss-making (adjusted EBIT SEK -5m versus SEK -10m in Q2 2021). We highlight that the RUB appreciated by 39% q/q versus the SEK (on average) during Q2, and by 35% (spot) versus 30 April (when Ferronordic had Russian inventory of SEK ~890m, of which ~60% was parts). We expect inventory in Russia to continue to decline (-7% excluding FX during April) and dampen sales as we do not expect Volvo and Sandvik to resume exports to Russia in the medium term. Our Q2E adjusted EBIT is 7% above Infront consensus. Our Q2E EPS is 31% above consensus, mainly because we pencil in a net FX gain of SEK 12m for EBT (-20m in Q1). We expect consensus estimates to increase ahead of the report due to FX.

Estimate revisions and future expectations

We raise our 2022E-24E sales by 19-27%, aided by a very strong RUB, the equipment mix, and adding SEK 150-200m to Contracting Services beyond 2023, as we believe some level of activity can be maintained even without Volvo CE. Our sales estimates for Germany are similar to our Volvo Trucks Europe estimates, but also include market-share gains. We raise 2022E-24E adjusted EBIT by 25-38% (only SEK 16-67m in absolute numbers), due to a 0-0.4 pp stronger margin. For 2022, we now forecast 1% sales growth (-22% organic) due to FX, and a 46% adjusted EBIT decline. For 2023, we expect another 71% adjusted EBIT decline (-85% versus 2021).

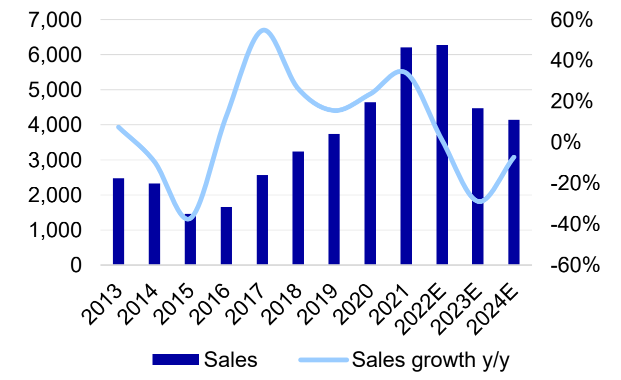
SUMMARY TABLE - KEY FIGURES

SEKm	2018	2019	2020	2021	2022E	2023E	2024E
Total revenue	3,241	3,747	4,635	6,211	6,280	4,471	4,150
EBITDA (adj)	322	501	503	728	527	342	332
EBIT (adj)	274	365	330	510	273	79	91
EBIT (adj) margin	8.4%	9.7%	7.1%	8.2%	4.3%	1.8%	2.2%
EPS (adj, SEK)	14.25	17.74	15.36	25.23	12.61	2.58	3.45
EPS (adj) growth	76.8%	24.5%	-13.4%	64.3%	-50.0%	-79.6%	33.6%
DPS (ord, SEK)	3.75	4.25	7.50	0.00	1.89	1.16	1.55
EV/Sales	0.5	0.8	0.5	0.8	0.1	0.0	0.0
EV/EBIT (adj)	5.6	8.4	6.9	10.0	1.5	2.4	n.m.
P/E (adj)	8.9	9.2	10.2	13.4	2.7	13.1	9.8
P/BV	2.8	2.7	2.8	4.4	0.4	0.4	0.4
Dividend yield (ord)	2.9%	2.6%	4.8%	0.0%	5.6%	3.4%	4.6%
FCF Yield bef A&D, lease	6.6%	-21.6%	28.1%	4.9%	59.6%	47.8%	47.5%
Net debt	-303	689	-20	199	-93	-300	-516
Net debt/EBITDA	-0.9	1.4	0.0	0.3	-0.2	-0.9	-1.6
ROIC after tax	61.3%	29.7%	21.7%	35.9%	16.0%	5.3%	7.3%

Source: Company data and Nordea estimates

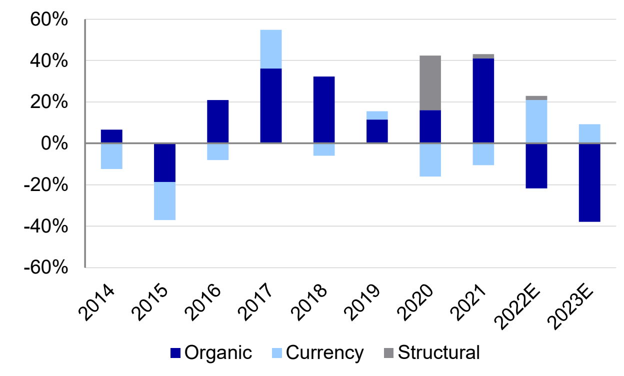
Group development

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



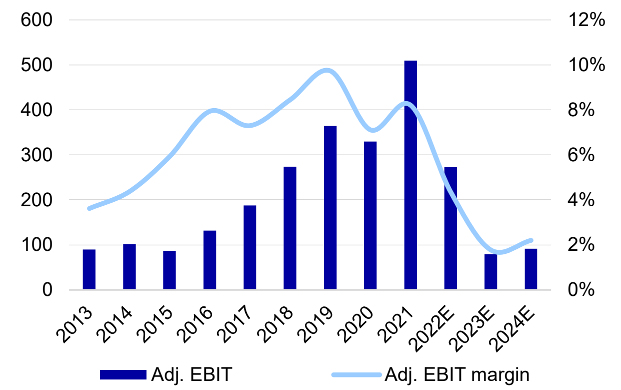
Source: Company data and Nordea estimates

SALES GROWTH BREAKDOWN (%)



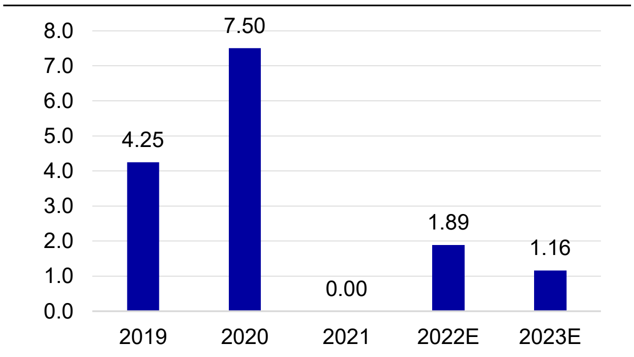
Source: Company data and Nordea estimates

EBIT (SEKm) AND EBIT MARGIN (%)



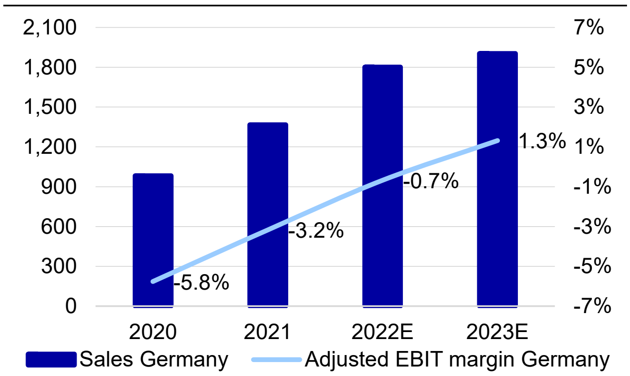
Source: Company data and Nordea estimates

DIVIDEND PER SHARE (SEK)



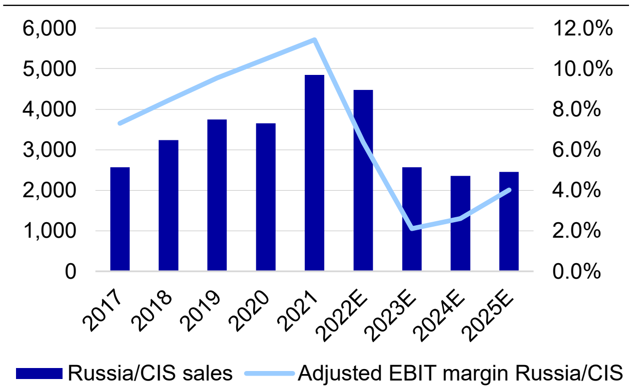
Source: Company data and Nordea estimates

GERMANY: SALES (SEKm) AND ADJUSTED EBIT MARGIN (%)



Source: Company data and Nordea estimates

RUSSIA/CIS: SALES (SEKm) AND ADJUSTED EBIT MARGIN (%)



Source: Company data and Nordea estimates

Estimate revisions

We raise our sales estimates by 19-27% for 2022-24, aided by a very strong RUB, favourable mix, and adding back SEK 150-200m in Contracting Services beyond 2023 as we believe some level of activity can be upheld even without Volvo CE. Our sales estimates for Germany are similar to our Volvo Trucks Europe estimates, but also include market share gains. We raise 2022E-24E adjusted EBIT by 25-38% (only SEK 16-67m in absolute numbers), due to a 0-0.4 pp stronger margin.

FERRONORDIC: ESTIMATE REVISIONS

	New estimates			Old estimates			Δ		
SEKm	**2022E**	**2023E**	**2024E**	**2022E**	**2023E**	**2024E**	**2022E**	**2023E**	**2024E**
Sales breakdown									
Equipment Sales	3,809	3,094	2,915	3,128	2,398	2,340	22%	29%	25%
Aftermarket Sales	1,398	992	960	1,233	887	879	13%	12%	9%
Contracting Services & other	1,074	385	275	925	238	109	16%	62%	153%
Group	**6,281**	**4,471**	**4,150**	**5,286**	**3,522**	**3,328**	**19%**	**27%**	**25%**
Gross profit	1,052	732	690	884	573	550	19%	28%	25%
Adj. EBITDA	527	342	332	447	264	259	18%	29%	28%
Adj. EBIT	**273**	**79**	**91**	**206**	**63**	**66**	**32%**	**25%**	**38%**
Margins									
Gross margin	16.7%	16.4%	16.6%	16.7%	16.3%	16.5%	0.0 pp	0.1 pp	0.1 pp
EBITDA margin	8.4%	7.6%	8.0%	8.4%	7.5%	7.8%	-0.1 pp	0.1 pp	0.2 pp
EBIT margin	4.3%	1.8%	2.2%	3.9%	1.8%	2.0%	0.4 pp	0.0 pp	0.2 pp
Sales bridge	**1%**	**-29%**	**-7%**	**-15%**	**-33%**	**-6%**	**16.0 pp**	**4.6 pp**	**-1.7 pp**
Organic	-22%	-38%	-7%	-25%	-33%	-6%	3.2 pp	-4.6 pp	-1.7 pp
Structural	2%	0%	0%	2%	0%	0%	0.0 pp	0.0 pp	0.0 pp
Currency	21%	9%	0%	8%	0%	0%	12.8 pp	9.2 pp	0.0 pp
Other	0%	0%	0%	0%	0%	0%	0 pp	0 pp	0 pp
DPS (SEK)	**1.9**	**1.2**	**1.6**	**1.7**	**1.2**	**1.3**	**10%**	**-6%**	**17%**
of which ordinary	1.9	1.2	1.6	1.7	1.2	1.3	10%	-6%	17%
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 highlight that the RUB appreciated by 39% q/q versus the SEK (average) during Q2, and by 35% (spot) versus 30 April (when Ferronordic had Russian inventory of SEK ~890m, of which ~60% parts). We expect inventory in Russia to continue to decline (-7% excluding FX during April) and dampen sales, as we do not foresee Volvo and Sandvik resuming exports to Russia in the medium term.

NORDEA ESTIMATES VS CONSENSUS

	Nordea				Consensus				Δ			
SEKm	**Q2 22E**	**2022E**	**2023E**	**2024E**	**Q2 22E**	**2022E**	**2023E**	**2024E**	**Q2 22E**	**2022E**	**2023E**	**2024E**
Sales	1,706	6,280	4,471	4,150	1,423	5,216	3,141	2,810	20%	20%	42%	48%
Adj. EBIT	79.8	273	79	91	74	221	49	58	7%	23%	61%	58%
Adj. EBIT margin	4.7%	4.3%	1.8%	2.2%	5.2%	4.2%	1.6%	2.1%	-0.5pp	0.10pp	0.2pp	0.1pp
Net profit	66	183	37	50	50	135	19	29	31%	35%	97%	75%
EPS (SEK)	**4.52**	**12.61**	**2.58**	**3.45**	**3.44**	**9.31**	**1.31**	**1.97**	**31%**	**35%**	**97%**	**75%**

Source: Infront and Nordea estimates

Valuation

Sum-of-the-parts

We believe the earnings multiple will remain low for the Russian assets for the foreseeable future, even if OEMs lift their export restrictions on 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 2023 - share value of **SEK 28**
- Volvo and Sandvik return to Russia: SEK 101 upside – share value of **SEK 129**
- Germany reaches a 5% EBIT margin: SEK 34 upside – share value of **SEK 61**

If both positive scenarios materialise - **SEK 163** in total share price.

FERRONORDIC: SOTP VALUATION AND POTENTIAL FUTURE SCENARIOS

Ferronordic: SOTP and future possibilities
SEKm and SEK per share

SOTP	EBIT	x EBIT	EV	Per share	Comment
Germany 2023E (1.7% margin)	25	7.0	176	12	Currently loss-making but targets ~5% LT margin. Peer Mekonomen at 7.2x 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	54	3.0	162	11	Estimated 20% of Russian sales
Russian inventory sell-off (2022E)	277	1.0	277	19	Full 2022 RUS/CIS EBIT estimates less CIS
Total	**365**	**1.3**	**658**	**45**	
Less net debt Q1 2022			255	18	
Equity value			**403**	**28**	
Current enterprise value			733		
Current market cap			**478**	**32.90**	14.5m shares
Future potential					
If Volvo AB & Sandvik returns	491	3.0	1,472	101	Earnings multiple for Russia likely low coming decade. EBIT estimate based on 2021 excl. remaining Russia/CIS business
Germany at 5% margin	70	7.0	491	34	EBIT margin uplfit to 5% 2023E
Equity value			**2,365**	**163**	

Source: Company data and Nordea estimates

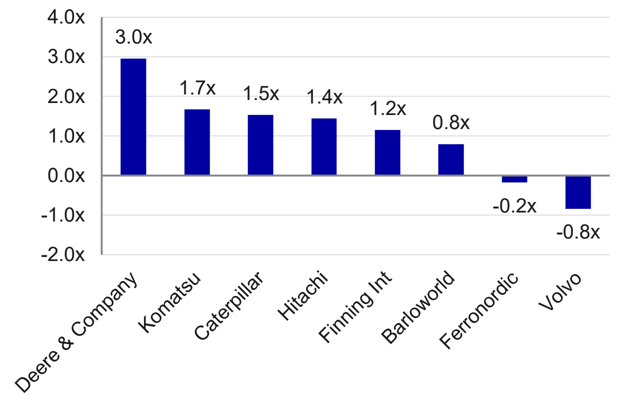
Multiples-based valuation

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	-	10,530	4.1x	4.3x	5.9x	6.3x	7.9x	7.9x	5.2%	5.4%	0.8x	0.6x	10.9%	10.1%
Caterpillar	-	979,382	12.3x	10.9x	15.6x	13.3x	14.2x	12.2x	2.6%	2.8%	1.5x	1.6x	41.9%	45.0%
Cervus	-	2,094	-	-	-	-	-	-	-	-	-	-	-	-
Deere & Company	-	974,243	12.7x	11.1x	15.9x	14.3x	13.1x	11.8x	1.3%	1.3%	3.0x	2.3x	42.8%	36.7%
Ferronordic	N.R.	478	0.7x	0.5x	1.4x	2.3x	2.6x	12.8x	5.8%	3.5%	-0.2x	-0.9x	15.4%	2.9%
Finning Int	-	31,603	5.9x	5.6x	8.8x	8.1x	9.7x	9.1x	3.5%	3.6%	1.2x	1.1x	17.6%	17.6%
Hitachi	-	488,043	7.7x	7.4x	-	-	11.5x	10.2x	1.8%	2.0%	1.4x	1.0x	14.8%	13.9%
Komatsu	-	214,554	8.1x	6.8x	-	-	13.4x	10.7x	3.1%	3.5%	1.7x	1.2x	10.4%	10.9%
Volvo	BUY	355,994	4.4x	3.7x	5.4x	5.0x	9.4x	9.4x	8.6%	9.1%	-0.8x	-0.8x	23.9%	24.7%
Average		**339,658**	**7.0x**	**6.3x**	**8.8x**	**8.2x**	**10.2x**	**10.5x**	**4.0%**	**3.9%**	**1.1x**	**0.8x**	**22.2%**	**20.2%**
Median		**214,554**	**6.8x**	**6.2x**	**7.3x**	**7.2x**	**10.6x**	**10.5x**	**3.3%**	**3.5%**	**1.3x**	**1.1x**	**16.5%**	**15.7%**
Ferronordic	**N.R.**	**478**	**0.7x**	**0.5x**	**1.4x**	**2.3x**	**2.6x**	**12.8x**	**5.8%**	**3.5%**	**-0.2x**	**-0.9x**	**15.4%**	**2.9%**
vs. peer average	-	-	-90%	-92%	-84%	-73%	-75%	21%	1.8pp	-0.4pp	-	-	-6.8pp	-17.3pp
vs. peer median	-	-	-89%	-92%	-81%	-69%	-75%	22%	2.4pp	0.0pp	-	-	-1.1pp	-12.8pp
vs. Barloworld	-	-95%	-82%	-88%	-76%	-64%	-67%	61%	0.6pp	-1.9pp	-	-	4.5pp	-7.2pp
vs. Finning	-	-98%	-88%	-91%	-84%	-72%	-73%	40%	2.3pp	-	-	-	-2.3pp	-14.7pp

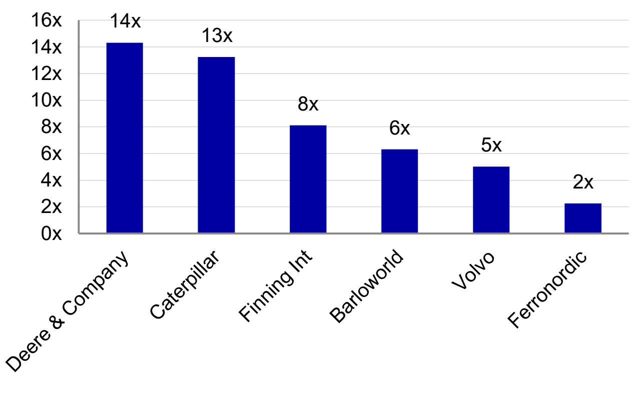
Source: Company data, Refinitiv and Nordea estimates

NET DEBT/EBITDA, 2022E



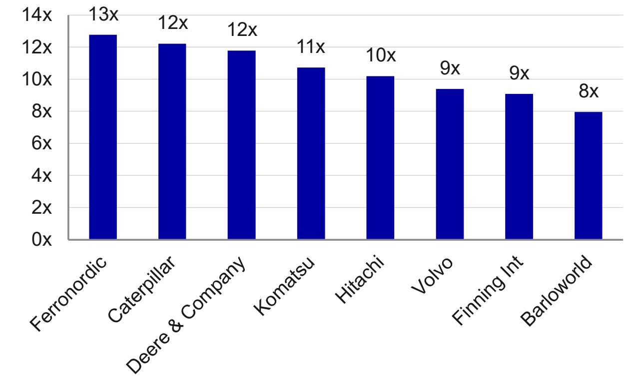
Source: Company data, Refinitiv and Nordea estimates

EV/EBIT, 2023E



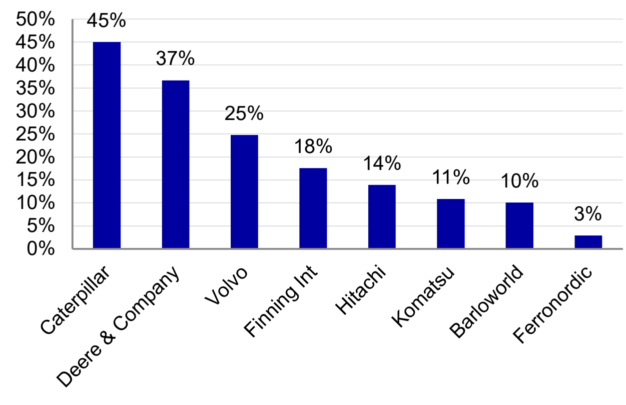
Source: Company data, Refinitiv and Nordea estimates

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 21	Q2 21	Q3 21	Q4 21	Q1 22	Q2 22E	Q3 22E	Q4 22E
Revenue	1,267	1,590	1,661	1,694	1,746	1,706	1,458	1,371
Cost of sales	-1,052	-1,304	-1,337	-1,409	-1,445	-1,426	-1,216	-1,141
Gross profit	**215**	**286**	**324**	**285**	**301**	**280**	**241**	**229**
Sales expenses	-54	-63	-69	-71	-79	-106	-111	-113
G&A expenses	-77	-79	-98	-102	-95	-93	-84	-78
Other income	1	2	5	4	6	3	4	3
Other expenses	-5	-2	-14	-5	-24	-4	-4	-4
EBIT	**80**	**144**	**148**	**111**	**108**	**80**	**47**	**38**
Finance income	3	3	7	10	6	7	6	4
Finance costs	-8	-14	-20	-6	-13	-12	-11	-13
Net FX gains/(losses)	-3	-6	1	2	-20	12	1	0
EBT	**71**	**127**	**135**	**117**	**83**	**86**	**43**	**29**
Income tax	-15	-41	-27	-29	-20	-21	-10	-6
Net income	56	86	109	88	63	66	33	22
EPS (SEK)	**3.85**	**5.93**	**7.46**	**6.01**	**4.30**	**4.52**	**2.26**	**1.53**
Pre-tax adjustments	-4	-3	-17	-4	0	0	0	0
After-tax adjustments	-3	-3	-13	-3	0	0	0	0
Adj. EBIT	**83**	**147**	**165**	**115**	**108**	**80**	**47**	**38**
Adj. PTP	75	130	152	121	83	86	43	29
Adj. Net income	59	89	122	91	63	66	33	22
Adj. EPS (SEK)	**4.04**	**6.10**	**8.38**	**6.20**	**4.30**	**4.52**	**2.26**	**1.53**

Source: Company data and Nordea estimates

INTERIM SALES BRIDGE

	Q1 21	Q2 21	Q3 21	Q4 21	Q1 22	Q2 22E	Q3 22E	Q4 22E
Sales bridge (%) - Group								
Organic	37%	50%	48%	30%	38%	-17%	-48%	-46%
Structural	0%	2%	2%	4%	2%	2%	3%	1%
Currency	-27%	-19%	-3%	7%	-3%	21%	32%	27%
Other	3%	0%	0%	2%	0%	1%	0%	-1%
Total	**13%**	**32%**	**47%**	**43%**	**38%**	**7%**	**-12%**	**-19%**
Sales bridge % - Russia/CIS								
Organic	49%	53%	51%	22%	36%	-27%	-65%	-64%
Structural	0%	0%	0%	0%	0%	0%	0%	0%
Currency	-34%	-23%	-4%	9%	-5%	27%	40%	36%
Other	4%	1%	0%	0%	0%	0%	0%	0%
Total	**20%**	**31%**	**48%**	**31%**	**32%**	**0%**	**-25%**	**-28%**
Sales bridge % - Germany								
Organic	-2%	38%	36%	64%	46%	20%	22%	5%
Structural	1%	8%	11%	21%	9%	11%	14%	3%
Currency	-5%	-7%	-2%	-2%	5%	1%	2%	2%
Other	0%	-3%	-3%	9%	1%	4%	2%	-4%
Total	**-6%**	**37%**	**43%**	**91%**	**62%**	**36%**	**40%**	**5%**
Sales split (% of Group)	**Q1 21**	**Q2 21**	**Q3 21**	**Q4 21**	**Q1 22**	**Q2 22E**	**Q3 22E**	**Q4 22E**
Russia/CIS	**80%**	**79%**	**80%**	**74%**	**76%**	**73%**	**69%**	**66%**
Equipment	49%	49%	48%	43%	49%	42%	38%	36%
Aftermarket	17%	16%	17%	17%	17%	16%	11%	11%
Contracting Services	13%	13%	15%	13%	10%	14%	20%	18%
Other	0%	0%	1%	0%	0%	0%	0%	0%
Germany	**20%**	**21%**	**20%**	**26%**	**24%**	**27%**	**31%**	**34%**
Equipment	13%	15%	13%	17%	16%	18%	20%	22%
Aftermarket	6%	5%	5%	6%	6%	8%	10%	10%
Other	1%	1%	1%	3%	1%	1%	2%	2%

Source: Company data and Nordea estimates

GROWTH PER SEGMENT, INTERIM

(SEKm)	Q1 21	Q2 21	Q3 21	Q4 21	Q1 22	Q2 22E	Q3 22E	Q4 22E
Russia/CIS								
Sales	1,007	1,254	1,333	1,249	1,326	1,249	1,001	902
Gross profit	185	254	290	233	254	222	177	161
EBITDA	127	195	219	169	161	127	90	76
EBIT	94	157	179	124	119	84	48	34
Adjusted EBIT	**94**	**157**	**179**	**124**	**119**	**84**	**48**	**34**
Germany								
Sales	260	336	327	445	420	457	457	469
Gross profit	30	32	34	53	47	58	64	69
EBITDA	-3	0	-16	9	11	17	21	25
EBIT	-14	-13	-32	-12.0	-10	-5	-1	3
Adjusted EBIT	**-10**	**-10**	**-15**	**-9**	**-10**	**-5**	**-1**	**3**
Margins								
Group								
Gross margin	17.0%	18.0%	19.5%	16.8%	17.2%	16.4%	16.5%	16.7%
EBITDA margin	9.8%	12.2%	12.2%	10.4%	9.5%	8.5%	7.6%	7.3%
EBIT margin	6.3%	9.0%	8.9%	6.6%	6.2%	4.7%	3.2%	2.7%
Adjusted EBIT margin	**6.6%**	**9.2%**	**9.9%**	**6.8%**	**6.2%**	**4.7%**	**3.2%**	**2.7%**
Russia/CIS								
Gross margin	18.3%	20.2%	21.8%	18.7%	19.1%	17.8%	17.7%	17.8%
EBITDA margin	12.7%	15.5%	16.4%	13.5%	12.1%	10.2%	9.0%	8.4%
EBIT margin	9.3%	12.5%	13.4%	9.9%	9.0%	6.8%	4.8%	3.8%
Adjusted EBIT margin	**9.3%**	**12.5%**	**13.4%**	**9.9%**	**9.0%**	**6.8%**	**4.8%**	**3.8%**
Germany								
Gross margin	11.6%	9.6%	10.4%	11.9%	11.2%	12.7%	14.0%	14.7%
EBITDA margin	-1.1%	-0.1%	-4.9%	2.0%	2.6%	3.7%	4.5%	5.3%
EBIT margin	-5.3%	-3.8%	-9.8%	-2.7%	-2.4%	-1.0%	-0.2%	0.7%
Adjusted EBIT margin	**-3.9%**	**-2.9%**	**-4.6%**	**-1.9%**	**-2.4%**	**-1.0%**	**-0.2%**	**0.7%**

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	6,280	4,471	4,150	4,332
Cost of sales	-2,079	-2,627	-2,972	-3,837	-5,102	-5,228	-3,739	-3,460	-3,606
Gross profit	**488**	**614**	**775**	**797**	**1,110**	**1,052**	**732**	**690**	**725**
Sales expenses	-125	-138	-162	-219	-256	-409	-392	-357	-331
G&A expenses	-165	-190	-238	-264	-357	-351	-247	-228	-236
Other income	5	4	8	24	13	17	12	11	11
Other expenses	-16	-17	-26	-11	-27	-36	-26	-25	-26
EBIT	**187**	**274**	**358**	**328**	**483**	**273**	**79**	**91**	**144**
Finance income	15	7	6	12	23	23	21	18	18
Finance costs	-7	-9	-58	-59	-49	-49	-52	-45	-35
Net FX gains/(losses)	-2	-5	12	-5	-5	-7	0	0	0
EBT	**193**	**267**	**318**	**276**	**451**	**240**	**48**	**64**	**127**
Income tax	-42	-58	-68	-54	-112	-57	-11	-14	-28
Net income	151	209	251	222	339	183	37	50	99
EPS (SEK)	**8.50**	**14.25**	**17.26**	**15.25**	**23.33**	**12.61**	**2.58**	**3.45**	**6.84**
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**	**273**	**79**	**91**	**144**
Adj. PTP	193	267	325	277	478	240	48	64	127
Adj. Net income	151	209	256	223	361	183	37	50	99
Adj. EPS (SEK)	**8.50**	**14.25**	**17.64**	**15.34**	**24.81**	**12.61**	**2.58**	**3.45**	**6.84**

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%	-22%	-38%	-7%	4%
Structural	0%	0%	0%	26%	2%	2%	0%	0%	0%
Currency	19%	-6%	4%	-16%	-11%	21%	9%	0%	0%
Other	6%	2%	-1%	-3%	1%	0%	0%	0%	0%
Total	**61%**	**28%**	**15%**	**24%**	**34%**	**1%**	**-29%**	**-7%**	**4%**
Sales bridge % - Russia/CIS									
Organic	36%	32%	11%	16%	43%	-34%	-55%	-8%	4%
Structural	0%	0%	0%	0%	0%	0%	0%	0%	0%
Currency	19%	-6%	4%	-16%	-12%	26%	13%	0%	0%
Other	6%	2%	-4%	-3%	1%	0%	0%	0%	0%
Total	**61%**	**28%**	**11%**	**-3%**	**33%**	**-8%**	**-43%**	**-8%**	**4%**
Sales bridge % - Germany									
Organic	-	-	-	0%	32%	21%	5%	-6%	4%
Structural	-	-	-	100%	10%	9%	0%	0%	0%
Currency	-	-	-	0%	-4%	2%	0%	0%	0%
Other	-	-	-	0%	1%	0%	0%	0%	0%
Total	**-**	**-**	**-**	**100%**	**39%**	**32%**	**6%**	**-6%**	**4%**
Sales split (% of Group)	**2017**	**2018**	**2019**	**2020**	**2021**	**2022E**	**2023E**	**2024E**	**2025E**
Russia/CIS	**100%**	**100%**	**100%**	**79%**	**78%**	**71%**	**57%**	**57%**	**57%**
Equipment	69%	71%	65%	50%	47%	42%	42%	43%	43%
Aftermarket	27%	24%	25%	19%	17%	14%	9%	9%	9%
Contracting Services	0%	0%	10%	10%	14%	15%	6%	4%	4%
Other	4%	5%	1%	0%	0%	0%	0%	0%	0%
Germany	**0%**	**0%**	**0%**	**21%**	**22%**	**29%**	**43%**	**43%**	**43%**
Equipment	0%	0%	0%	14%	15%	19%	27%	27%	28%
Aftermarket	0%	0%	0%	6%	6%	8%	13%	14%	13%
Other	0%	0%	0%	2%	2%	2%	2%	2%	2%

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	4,478	2,567	2,355	2,456
Gross profit	488	614	773	714	961	814	449	417	435
EBITDA	214	322	494	533	710	454	231	221	234
EBIT	187	274	358	394	553	286	54	61	99
Adjusted EBIT	**187**	**274**	**358**	**383**	**553**	**286**	**54**	**61**	**99**
Germany									
Sales	0	0	0	983	1,367	1,802	1,904	1,795	1,875
Gross profit	0	0	0	84	149	238	283	273	291
EBITDA	0	0	0	-29	-10	73	111	111	124
EBIT	0	0	0	-66	-71	-12	25	30	45
Adjusted EBIT	**0**	**0**	**0**	**-57**	**-43**	**-12**	**25**	**30**	**45**
Margins									
Group									
Gross margin	19.0%	19.0%	20.7%	17.2%	17.9%	16.7%	16.4%	16.6%	16.7%
EBITDA margin	8.3%	9.9%	13.2%	10.9%	11.3%	8.4%	7.6%	8.0%	8.3%
EBIT margin	7.3%	8.4%	9.5%	7.1%	7.8%	4.3%	1.8%	2.2%	3.3%
Adjusted EBIT margin	**7.3%**	**8.4%**	**9.7%**	**7.1%**	**8.2%**	**4.3%**	**1.8%**	**2.2%**	**3.3%**
Russia/CIS									
Gross margin	19.0%	19.0%	20.6%	19.5%	19.8%	18.2%	17.5%	17.7%	17.7%
EBITDA margin	8.3%	9.9%	13.2%	14.6%	14.7%	10.1%	9.0%	9.4%	9.5%
EBIT margin	7.3%	8.4%	9.5%	10.8%	11.4%	6.4%	2.1%	2.6%	4.0%
Adjusted EBIT margin	**7.3%**	**8.4%**	**9.5%**	**10.5%**	**11.4%**	**6.4%**	**2.1%**	**2.6%**	**4.0%**
Germany									
Gross margin	-	-	-	8.5%	10.9%	13.2%	14.9%	15.2%	15.5%
EBITDA margin	-	-	-	-2.9%	-0.7%	4.1%	5.8%	6.2%	6.6%
EBIT margin	-	-	-	-6.7%	-5.2%	-0.7%	1.3%	1.7%	2.4%
Adjusted EBIT margin	**-**	**-**	**-**	**-5.8%**	**-3.2%**	**-0.7%**	**1.3%**	**1.7%**	**2.4%**

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**	**6,280**	**4,471**	**4,150**
Revenue growth	-5.9%	-37.1%	12.9%	54.8%	26.3%	15.6%	23.7%	34.0%	1.1%	-28.8%	-7.2%
of which organic	6.7%	-18.6%	21.0%	36.2%	32.2%	11.4%	16.1%	41.1%	-21.7%	-37.9%	-7.2%
of which FX	-12.4%	-18.5%	-8.1%	18.6%	-6.0%	4.0%	-16.0%	-10.5%	21.0%	9.2%	0.0%
EBITDA	172	130	153	214	322	494	504	700	527	342	332
Depreciation and impairments PPE	-70	-43	-34	-26	-48	-136	-176	-218	-254	-263	-241
of which leased assets	0	0	0	0	0	0	0	0	0	0	0
EBITA	102	87	119	187	274	358	328	483	273	79	91
Amortisation and impairments	-33	-26	-15	0	0	0	0	0	0	0	0
EBIT	69	61	104	187	274	358	328	483	273	79	91
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	-33	-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	**26**	**37**	**107**	**193**	**267**	**318**	**276**	**452**	**240**	**48**	**64**
Reported taxes	-7	-8	-24	-42	-58	-68	-54	-112	-57	-11	-14
Net profit from continued operations	19	29	84	151	209	251	222	339	183	37	50
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	183	37	50
EPS, SEK	**-3.10**	**-2.12**	**3.03**	**8.06**	**14.25**	**17.26**	**15.25**	**23.35**	**12.61**	**2.58**	**3.45**
DPS, SEK	0.00	0.00	0.00	1.73	7.50	4.25	7.50	0.00	1.89	1.16	1.55
of which ordinary	0.00	0.00	0.00	1.73	3.75	4.25	7.50	0.00	1.89	1.16	1.55
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%	8.4%	7.6%	8.0%
EBITA	4.4%	5.9%	7.2%	7.3%	8.4%	9.5%	7.1%	7.8%	4.3%	1.8%	2.2%
EBIT	3.0%	4.2%	6.3%	7.3%	8.4%	9.5%	7.1%	7.8%	4.3%	1.8%	2.2%
Adjusted earnings											
EBITDA (adj)	172	130	153	214	322	501	503	728	527	342	332
EBITA (adj)	102	87	137	187	274	365	330	510	273	79	91
EBIT (adj)	102	87	132	187	274	365	330	510	273	79	91
EPS (adj, SEK)	-0.51	-0.08	5.18	8.06	14.25	17.74	15.36	25.23	12.61	2.58	3.45
Adjusted profit margins in percent											
EBITDA (adj)	7.4%	8.9%	9.2%	8.3%	9.9%	13.4%	10.9%	11.7%	8.4%	7.6%	8.0%
EBITA (adj)	4.4%	5.9%	8.3%	7.3%	8.4%	9.7%	7.1%	8.2%	4.3%	1.8%	2.2%
EBIT (adj)	4.4%	5.9%	7.9%	7.3%	8.4%	9.7%	7.1%	8.2%	4.3%	1.8%	2.2%
Performance metrics											
CAGR last 5 years											
Net revenue	n.a.	n.a.	-7.3%	1.4%	5.5%	9.9%	25.8%	30.2%	19.6%	6.6%	2.1%
EBITDA	n.m.	n.m.	11.6%	13.0%	16.0%	23.5%	31.1%	35.6%	19.8%	1.2%	-7.6%
EBIT	n.a.	n.a.	27.7%	48.0%	39.6%	39.0%	40.0%	35.9%	7.8%	-22.0%	-23.9%
EPS	n.a.	n.a.	n.m.	n.m.	n.m.	n.m.	n.m.	50.4%	9.4%	-29.0%	-27.5%
DPS	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	1.8%	-20.9%	-18.3%
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%	6.0%	4.9%
Average EBITDA margin	n.a.	5.9%	7.0%	7.8%	8.8%	10.3%	10.6%	10.9%	10.6%	10.1%	9.3%

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	2.7	13.1	9.8
EV/EBITDA (adj)	n.a.	n.a.	n.a.	6.1	4.8	6.1	4.5	7.0	0.8	0.6	n.m.
EV/EBITA (adj)	n.a.	n.a.	n.a.	7.0	5.6	8.4	6.9	10.0	1.5	2.4	n.m.
EV/EBIT (adj)	n.a.	n.a.	n.a.	7.0	5.6	8.4	6.9	10.0	1.5	2.4	n.m.

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	2.7	13.1	9.8
EV/Sales	n.a.	n.a.	n.a.	0.51	0.48	0.82	0.49	0.82	0.06	0.04	-0.01
EV/EBITDA	n.a.	n.a.	n.a.	6.1	4.8	6.2	4.5	7.3	0.8	0.6	n.m.
EV/EBITA	n.a.	n.a.	n.a.	7.0	5.6	8.6	6.9	10.6	1.5	2.4	n.m.
EV/EBIT	n.a.	n.a.	n.a.	7.0	5.6	8.6	6.9	10.6	1.5	2.4	n.m.
Dividend yield (ord.)	n.a.	n.a.	n.a.	1.1%	2.9%	2.6%	4.8%	0.0%	5.6%	3.4%	4.6%
FCF yield	n.a.	n.a.	n.a.	8.9%	6.8%	-21.5%	28.2%	1.9%	59.6%	47.8%	47.5%
FCF Yield bef A&D, lease adj	n.a.	n.a.	n.a.	8.8%	6.6%	-21.6%	28.1%	4.9%	59.6%	47.8%	47.5%
Payout ratio	0.0%	0.0%	0.0%	21.5%	52.6%	24.0%	48.8%	0.0%	15.0%	45.0%	45.0%

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	90	95	99
of which R&D	0	0	0	0	0	0	0	0	9	14	18
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	889	682	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	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	1,084	882	710
Inventory	425	327	467	633	741	1,290	1,014	1,432	1,319	984	913
Accounts receivable	265	161	202	243	319	322	393	535	534	380	353
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	47	33	31
Cash and bank	177	175	199	352	357	519	604	768	1,060	1,267	1,482
Total current assets	870	665	872	1,231	1,418	2,214	2,048	2,781	2,959	2,664	2,779
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**	**4,043**	**3,546**	**3,489**
Shareholders equity	372	322	442	611	656	890	806	1,101	1,284	1,294	1,327
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	1,284	1,294	1,327
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	39	28	26
Accounts payable	492	384	547	737	982	917	1,188	1,809	1,696	1,207	1,120
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	28	20	19
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	2,142	1,634	1,544
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**	**4,043**	**3,546**	**3,489**
Balance sheet and debt metrics											
Net debt	109	-81	-173	-312	-303	689	-20	199	-93	-300	-516
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	175	169	157
Invested capital	496	244	280	314	374	1,519	818	1,368	1,260	1,051	867
Capital employed	658	416	468	651	710	2,003	1,390	2,068	2,251	2,261	2,294
ROE	-6.9%	-6.1%	7.9%	16.4%	32.7%	32.4%	26.1%	35.6%	15.4%	2.9%	3.8%
ROIC	14.1%	18.1%	38.7%	48.6%	61.3%	29.7%	21.7%	35.9%	16.0%	5.3%	7.3%
ROCE	14.8%	18.1%	31.9%	36.1%	41.3%	27.4%	20.1%	30.8%	13.7%	4.4%	4.8%
Net debt/EBITDA	0.6	-0.6	-1.1	-1.5	-0.9	1.4	0.0	0.3	-0.2	-0.9	-1.6
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%	31.8%	36.5%	38.1%
Net gearing	29.4%	-25.3%	-39.1%	-51.0%	-46.2%	77.4%	-2.5%	18.1%	-7.2%	-23.2%	-38.8%

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**	**527**	**342**	**332**
Paid taxes	0	0	0	0	0	-85	-71	-170	-57	-11	-14
Net financials	43	24	-3	-6	7	-58	-59	-26	-33	-31	-27
Change in provisions	-9	-5	7	3	4	5	3	13	0	-11	-2
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**	**438**	**289**	**289**
Change in NWC	-176	133	18	-20	-106	-698	316	-24	1	6	12
Cash flow from operations (CFO)	**-25**	**234**	**141**	**148**	**161**	**-330**	**693**	**457**	**439**	**295**	**301**
Capital expenditure	-36	3	-10	-7	-38	-181	-49	-217	-147	-60	-68
Free cash flow before A&D	**-61**	**237**	**132**	**141**	**123**	**-511**	**643**	**240**	**292**	**234**	**233**
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	292	234	233
Free cash flow bef A&D, lease adj	-61	237	132	141	123	-511	643	240	292	234	233
Dividends paid	-50	-50	-53	-58	-30	-109	-62	-109	0	-27	-17
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	292	207	216
Cash flow metrics											
Capex/D&A	35.3%	-4.4%	20.0%	25.8%	80.1%	n.m.	28.1%	99.7%	57.7%	23.0%	28.4%
Capex/Sales	1.6%	-0.2%	0.6%	0.3%	1.2%	4.8%	1.1%	3.5%	2.3%	1.4%	1.6%
Key information											
Share price year end (/current)	n.a.	n.a.	n.a.	151	127	163	157	337	34	34	34
Market cap.	n.a.	n.a.	n.a.	1,615	1,849	2,369	2,287	4,897	490	490	490
Enterprise value	n.a.	n.a.	n.a.	1,303	1,546	3,058	2,267	5,096	397	190	-26
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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