

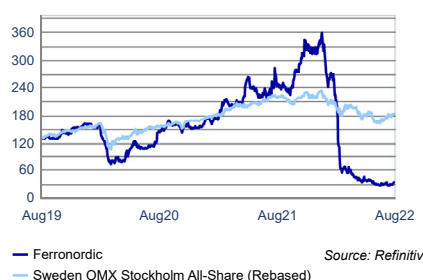
Ferronordic

Capital Goods
Sweden

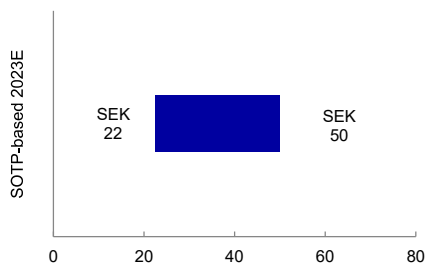
KEY DATA

Stock country	Sweden
Bloomberg	FNM SS
Reuters	FNMA.ST
Share price (close)	SEK 35.65
Free Float	84%
Market cap. (bn)	EUR 0.05/SEK 0.52
Website	www.ferronordic.ru
Next report date	11 Nov 2022

PERFORMANCE



VALUATION APPROACH



ESTIMATE CHANGES

Year	2022E	2023E	2024E
Sales	-2%	-6%	-6%
EBIT (adj)	19%	-4%	-5%

Source: Nordea estimates

Nordea Markets - Analysts

Victor Hansen
AnalystCarl Ragnerstam
Analyst

Digging itself out of a hole

Ferronordic's report was a mixed bag. We calculate that group sales declined 15% organically, while EBIT increased 2% y/y mainly due to FX. We still expect a significant EBIT decline for H2 (-73% y/y). We lower our SOTP-based fair equity value range to SEK 22-50 (28-61), with the lower end based on our 2023 estimates and an inventory sell-off in 2022 valued at 1x EBIT, while the upper end includes Germany at a 5% margin (up from 2% in 2023E, adding SEK 28 per share at 7x EV/EBIT). Its 2023E valuation is now 8x EV/EBIT, with an implied WACC of 36% and a 3% dividend yield.

Q2 2022 outcome

Sales grew 6% y/y, driven by FX (+20% y/y) while we calculate that the organic decline was 15%. EBIT reached SEK 147m, up 2% y/y and 35% q/q, driven by Russia/CIS. For Germany, revenues increased by 12%, 4% of which from M&A (our estimate), while adjusted EBIT was SEK -10m (we expected a y/y improvement to SEK -5m). During the conference call, management guided for at least break-even run-rate EBIT in Germany sometime during H2 2022, while we forecast breakeven in Q4. FCF was negative for the third consecutive quarter, at SEK -111m. Net debt reached SEK 712m (0.9x LTM EBITDA), and we forecast 0.7x EBITDA for 2022E.

Strategic actions underway

Ferronordic now opens up for a divestment of its Russian business, with a highly uncertain outlook due to the war (according to management, no timeframe was provided). We estimate its run-rate Russian operations will bottom out at SEK 33m EBIT in 2023E, to which we assign an enterprise value of SEK 7 per share (3x EV/EBIT). We find a positive SEK 24 per share one-off from selling its Russian inventory (Russian EBIT: SEK 345m 2022E). Ferronordic is also looking for opportunities to grow its business (services, products, and markets). We believe this will be with Volvo CE, due to its long relationship and it being awarded 'EMEA Dealer of the Year' in 2019.

Estimate revisions and future expectations

We lower our 2022-24 sales estimates by 2-6% (both FX and organic) but raise adjusted 2022E EBIT by 19% due to the Q2 earnings beat. For 2023E-24E we lower EBIT by 4-5%. Owing to increased net debt and high uncertainty, we lower DPS by 17-25% for 2022-24E.

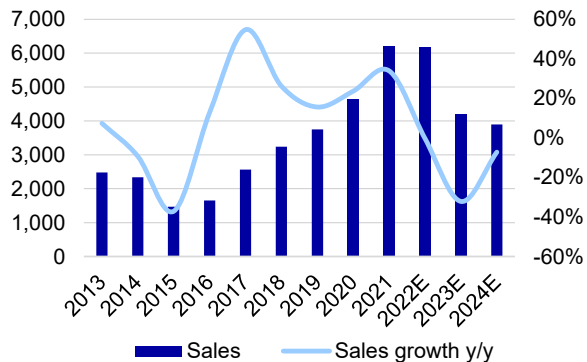
SUMMARY TABLE - KEY FIGURES

SEKm	2018	2019	2020	2021	2022E	2023E	2024E
Total revenue	3,241	3,747	4,635	6,211	6,183	4,197	3,894
EBITDA (adj)	322	501	503	728	588	327	316
EBIT (adj)	274	365	330	510	326	76	86
EBIT (adj) margin	8.4%	9.7%	7.1%	8.2%	5.3%	1.8%	2.2%
EPS (adj, SEK)	14.25	17.74	15.36	25.23	9.46	2.42	3.19
EPS (adj) growth	76.8%	24.5%	-13.4%	64.3%	-62.5%	-74.4%	31.9%
DPS (ord, SEK)	3.75	4.25	7.50	0.00	1.42	0.97	1.27
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	2.8	7.6	4.3
P/E (adj)	8.9	9.2	10.2	13.4	3.8	14.8	11.2
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%	4.0%	2.7%	3.6%
FCF Yield bef A&D, lease	6.6%	-21.6%	28.1%	4.9%	-39.8%	71.2%	42.1%
Net debt	-303	689	-20	199	405	57	-147
Net debt/EBITDA	-0.9	1.4	0.0	0.3	0.7	0.2	-0.5
ROIC after tax	61.3%	29.7%	21.7%	35.9%	16.3%	3.8%	5.2%

Source: Company data and Nordea estimates

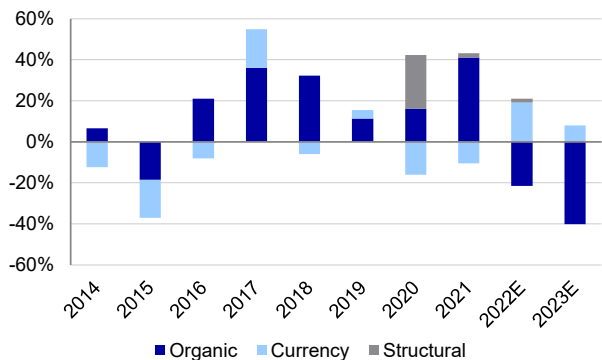
Group development

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



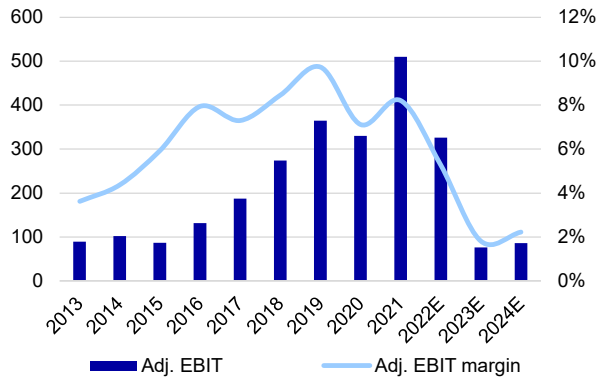
Source: Company data and Nordea estimates

SALES GROWTH BREAKDOWN (%)



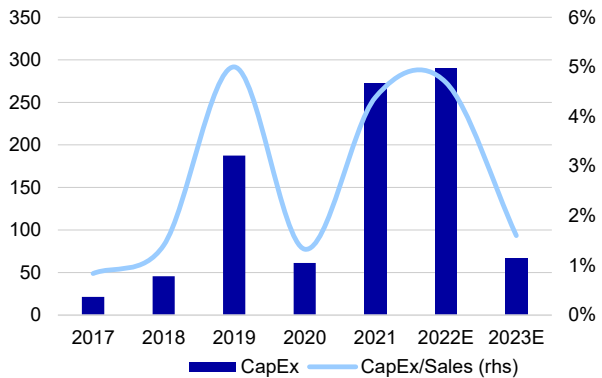
Source: Company data and Nordea estimates

EBIT (SEKm) AND EBIT MARGIN (%)



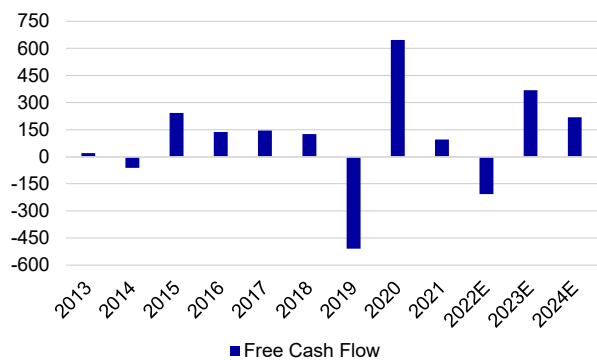
Source: Company data and Nordea estimates

CAPEX (SEKm) AND CAPEX/SALES (%)



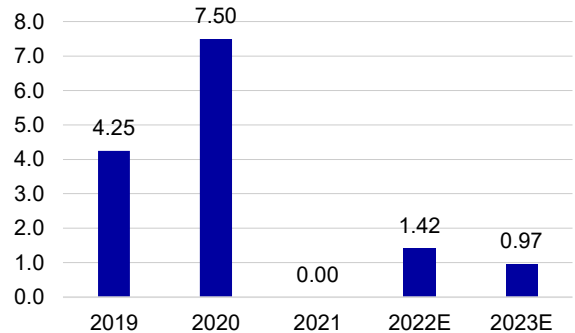
Source: Company data and Nordea estimates

FREE CASH FLOW (SEKm)



Source: Company data and Nordea estimates

DIVIDEND PER SHARE (SEK)



Source: Company data and Nordea estimates

Q2 2022 outcome

Ferronordic's Q2 report was a mixed bag. Sales were in line with our estimate but EBIT was 83% above our estimate due to FX (RUB) and EPS was 51% below, due to FX losses. Germany's EBIT was SEK -10m; we had expected a y/y and q/q improvement to SEK -5m. The German aftermarket business grew 28% (including M&A). For Russia, Ferronordic opens up for a divestment of the business, which we value (Enterprise value) at SEK 7 per share beyond 2022E. Operating cash flow was SEK 39m but free cash flow was SEK -111m.

FERRONORDIC: Q2 DEVIATION TABLE

SEKm	Actual	NDA est.	Deviation		Actual		Actual	
	Q2 2022	Q2 22E	vs. actual		Q1 22	q/q	Q2 21	y/y
Sales	1,691	1,706	-15	-1%	1,746	-3%	1,590	6%
Adj. EBIT	146.0	80	66	83%	108	35%	147	-1%
Adj. EBIT margin	8.6%	4.7%	-	4.0pp	6.2%	2.4pp	9.2%	-0.6pp
EPS (SEK)	2.20	4.52	-2.32	-51%	4.30	-49%	5.93	-63%
Revenue	1,691	1,706	(15)	-1%	1,746	-3%	1,590	6%
Cost of sales	(1,335)	(1,426)	91	-6%	(1,445)	-8%	(1,304)	2%
Gross profit	356	280	76	27%	301	18%	286	25%
Sales expenses	(74)	(106)	32	-30%	(79)	-7%	(63)	18%
G&A expenses	(106)	(93)	(13)	13%	(95)	11%	(79)	34%
Other income	10	3	7	-	6	-	2	-
Other expenses	(40)	(4)	(36)	-	(24)	-	(2)	-
EBIT	146	80	66	83%	108	35%	144	2%
Finance income	6	7	(1)	-	6	-6%	3	83%
Finance costs	(19)	(12)	(7)	-	(13)	48%	(14)	34%
Net FX gains/(losses)	(81)	12	-	-	(20)	-	(6)	-
PTP	52	86	(34)	-40%	83	-37%	127	-59%
Income tax	(22)	(21)	-	-	(20)	-	(41)	-
Net income	30	66	-	-54%	63	-52%	86	-65%
EPS (SEK)	2.20	4.52	(2.32)	-51%	4.30	-49%	5.93	-63%
Non recurring items (NRI)		0	0	-	0	-	-3	-
Sales per segment								
Russia/CIS								
Equipment	538	723	(185)	-26%	854	-37%	787	-32%
Aftermarket	360	276	84	30%	291	24%	252	43%
Contracting Services	415	246	169	68%	177	134%	210	98%
Germany								
Equipment	237	303	-66	-22%	287	-17%	236	0%
Aftermarket	111	128	(17)	-13%	112	-1%	87	28%
Adjusted EBIT								
Russia/CIS	157	84	73	86%	119	32%	157	0%
Germany	(10)	(5)	(5)	119%	(10)	0%	(10)	3%

Source: Company data and Nordea estimates

Estimate revisions

FERRONORDIC: ESTIMATE REVISIONS									
SEKm	New estimates			Old estimates			Δ		
	2022E	2023E	2024E	2022E	2023E	2024E	2022E	2023E	2024E
Sales breakdown									
Equipment Sales	3,494	2,800	2,636	3,809	3,094	2,915	-8%	-10%	-10%
Aftermarket Sales	1,459	1,002	969	1,398	992	960	4%	1%	1%
Contracting Services & other	1,231	395	289	1,074	385	275	15%	3%	5%
Group	6,184	4,197	3,894	6,281	4,471	4,150	-2%	-6%	-6%
Gross profit	1,100	686	642	1,052	732	690	5%	-6%	-7%
Adj. EBITDA	588	327	316	527	342	332	12%	-4%	-5%
Adj. EBIT	326	76	86	273	79	91	19%	-4%	-5%
Margins									
Gross margin	17.8%	16.3%	16.5%	16.7%	16.4%	16.6%	1.0 pp	0.0 pp	-0.1 pp
EBITDA margin	9.5%	7.8%	8.1%	8.4%	7.6%	8.0%	1.1 pp	0.2 pp	0.1 pp
EBIT margin	5.3%	1.8%	2.2%	4.3%	1.8%	2.2%	0.9 pp	0.0 pp	0.0 pp
Sales bridge	0%	-32%	-7%	1%	-29%	-7%	-1.6 pp	-3.3 pp	0.0 pp
Organic	-21%	-40%	-7%	-22%	-38%	-7%	0.3 pp	-2.2 pp	0.0 pp
Structural	2%	0%	0%	2%	0%	0%	0.0 pp	0.0 pp	0.0 pp
Currency	19%	8%	0%	21%	9%	0%	-1.9 pp	-1.2 pp	0.0 pp
Other	0%	0%	0%	0%	0%	0%	0 pp	0 pp	0 pp
DPS (SEK)	1.4	1.0	1.3	1.9	1.2	1.6	-25%	-17%	-18%
of which ordinary	1.4	1.0	1.3	1.9	1.2	1.6	-25%	-17%	-18%
of which extraordinary	0.0	0.0	0.0	0.0	0.0	0.0	n.a	n.a	n.a

Source: Nordea estimates

Valuation

Sum-of-the-parts

We believe earnings multiples will be low due to 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 reaches ~2% margin for 2023E = total share value of **SEK 22**
- Volvo and Sandvik return to Russia = SEK 106 upside
- Germany reaches a 5% EBIT margin = SEK 28 upside

If all of these potential scenarios come true = **SEK 156** 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	35	7.0	243	17	Currently loss-making but targets ~5% LT margin. Peer Mekonomen at 6.9x EV/EBIT 2023E (Nordea estimate)
Kazakhstan	9	5.0	43	3	
Remaining Russian business 2023E	33	3.0	98	7	
Russian inventory sell-off (2022E)	345	1.0	345	24	Full 2022 RUS/CIS EBIT estimates less CIS
Total	421	1.3	730	50	
Less net debt 2022E			405	28	
Equity value			325	22	
Current enterprise value			923		
Current market cap			518	35.7	14.5m shares
Future potential					
If Volvo AB & Sandvik returns	512	3.0	1,536	106	Earnings multiple for Russia likely low coming decade. EBIT estimate based on 2021 excl. remaining Russia/CIS business
Germany at 5% margin	57	7.0	401	28	EBIT margin uplift to 5% 2023E
Equity value			2,262	156	

Source: Company data and Nordea estimates

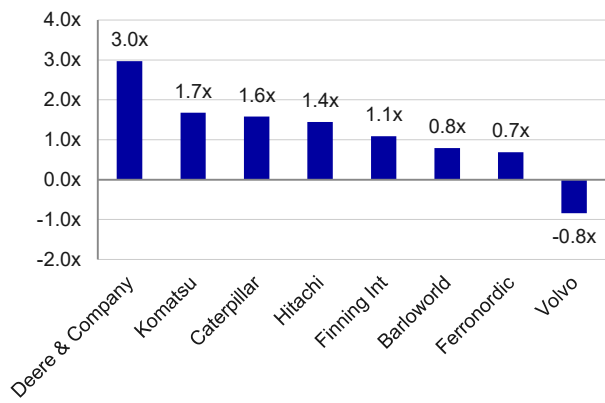
Multiples-based valuation

FERRONORDIC: PEER VALUATION TABLE

Stock	Rec.	Mcap.		EV/EBITDA		adj. EV/EBIT		adj. P/E		Div. yield		ND/EBITDA		ROE	
		SEKm	2022E	2023E	2022E	2023E	2022E	2023E	2022E	2023E	2022E	2023E	2022E	2023E	
Barloworld	-	12,032	4.6x	4.8x	6.6x	7.0x	9.0x	9.1x	4.5%	4.7%	0.8x	0.6x	10.9%	10.1%	
Caterpillar	-	1,077,470	14.0x	12.5x	17.4x	15.0x	16.2x	14.4x	2.3%	2.5%	1.6x	1.6x	44.7%	49.2%	
Cervus	-	2,094	-	-	-	-	-	-	-	-	-	-	-	-	
Deere & Company	-	1,168,469	14.9x	13.1x	18.5x	16.5x	16.1x	14.5x	1.1%	1.1%	3.0x	2.3x	42.3%	37.5%	
Ferronordic	N.R.	538	1.6x	1.8x	2.9x	7.8x	3.9x	15.3x	3.8%	2.6%	0.7x	0.2x	11.7%	2.8%	
Finning Int	-	34,937	6.4x	6.4x	9.4x	9.5x	10.0x	10.4x	3.2%	3.3%	1.1x	1.1x	19.1%	17.0%	
Hitachi	-	521,266	8.4x	8.0x	-	-	12.3x	11.0x	1.7%	1.8%	1.4x	1.1x	14.8%	14.3%	
Komatsu	-	218,444	8.6x	7.2x	-	-	13.6x	10.8x	3.1%	3.6%	1.7x	1.2x	10.4%	11.2%	
Volvo	BUY	374,110	4.7x	4.0x	5.8x	5.4x	9.9x	9.9x	8.1%	8.7%	-0.8x	-0.8x	23.9%	24.7%	
Average		378,818	7.9x	7.2x	10.1x	10.2x	11.4x	11.9x	3.5%	3.5%	1.2x	0.9x	22.2%	20.9%	
Median		218,444	7.4x	6.8x	8.0x	8.7x	11.2x	10.9x	3.1%	2.9%	1.3x	1.1x	17.0%	15.7%	
Ferronordic	N.R.	538	1.6x	1.8x	2.9x	7.8x	3.9x	15.3x	3.8%	2.6%	0.7x	0.2x	11.7%	2.8%	
vs. peer average	-	-	-80%	-75%	-71%	-23%	-66%	28%	0.4pp	-0.9pp	-	-	-10.5pp	-18.0pp	
vs. peer median	-	-	-78%	-73%	-64%	-10%	-65%	41%	0.7pp	-0.3pp	-	-	-5.2pp	-12.8pp	
vs. Barloworld	-	-96%	-65%	-62%	-56%	11%	-56%	68%	-0.7pp	-2.1pp	-	-	0.9pp	-7.3pp	
vs. Finning	-	-98%	-75%	-71%	-69%	-18%	-61%	47%	0.7pp	-	-	-	-7.3pp	-14.2pp	

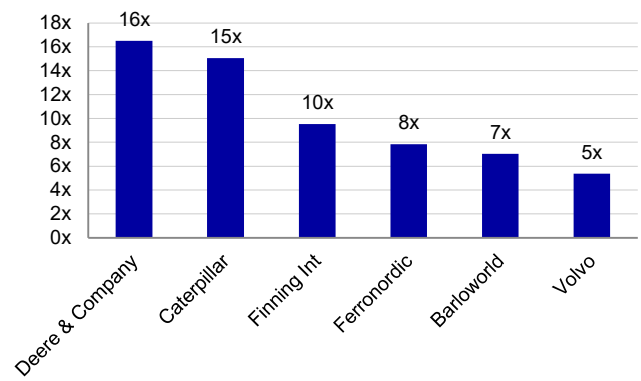
Source: Company data, Refinitiv and Nordea estimates

NET DEBT/EBITDA, 2022E



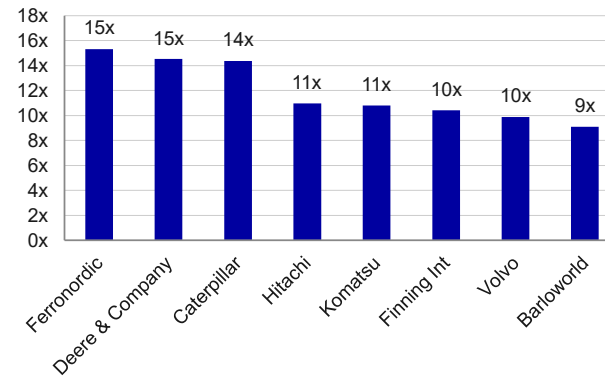
Source: Company data, Refinitiv and Nordea estimates

EV/EBIT, 2023E



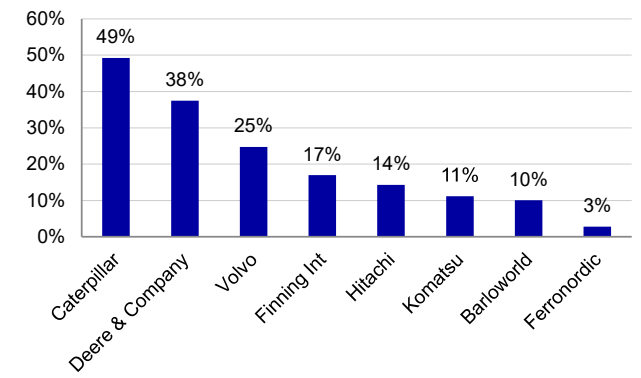
Source: Company data, Refinitiv and Nordea estimates

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 22	Q3 22E	Q4 22E
Revenue	1,267	1,590	1,661	1,694	1,746	1,691	1,419	1,327
Cost of sales	-1,052	-1,304	-1,337	-1,409	-1,445	-1,335	-1,195	-1,109
Gross profit	215	286	324	285	301	356	225	218
Sales expenses	-54	-63	-69	-71	-79	-74	-105	-109
G&A expenses	-77	-79	-98	-102	-95	-106	-82	-76
Other income	1	2	5	4	6	10	4	3
Other expenses	-5	-2	-14	-5	-24	-40	-3	-4
EBIT	80	144	148	111	108	147	39	32
Finance income	3	3	7	10	6	6	6	4
Finance costs	-8	-14	-20	-6	-13	-19	-11	-13
Net FX gains/(losses)	-3	-6	1	2	-20	-81	1	0
EBT	71	127	135	117	83	53	34	23
Income tax	-15	-41	-27	-29	-20	-22	-8	-5
Net income	56	86	109	88	63	31	26	18
EPS (SEK)	3.85	5.93	7.46	6.01	4.30	2.10	1.81	1.25
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	147	39	32
Adj. PTP	75	130	152	121	83	53	34	23
Adj. Net income	59	89	122	91	63	31	26	18
Adj. EPS (SEK)	4.04	6.10	8.38	6.20	4.30	2.10	1.81	1.25

Source: Company data and Nordea estimates

INTERIM SALES BRIDGE

	Q1 21	Q2 21	Q3 21	Q4 21	Q1 22	Q2 22	Q3 22E	Q4 22E
Sales bridge (%) - Group								
Organic	37%	50%	48%	30%	38%	-15%	-48%	-46%
Structural	0%	2%	2%	4%	2%	1%	4%	1%
Currency	-27%	-19%	-3%	7%	-3%	20%	30%	24%
Other	3%	0%	0%	2%	0%	1%	0%	-1%
Total	13%	32%	47%	43%	38%	6%	-14%	-22%
Sales bridge % - Russia/CIS								
Organic	49%	53%	51%	22%	36%	-19%	-65%	-64%
Structural	0%	0%	0%	0%	0%	0%	0%	0%
Currency	-34%	-23%	-4%	9%	-5%	24%	37%	32%
Other	4%	1%	0%	0%	0%	0%	0%	0%
Total	20%	31%	48%	31%	32%	5%	-29%	-32%
Sales bridge % - Germany								
Organic	-2%	38%	36%	64%	46%	-1%	21%	5%
Structural	1%	8%	11%	21%	9%	4%	18%	5%
Currency	-5%	-7%	-2%	-2%	5%	4%	1%	1%
Other	0%	-3%	-3%	9%	1%	5%	3%	-4%
Total	-6%	37%	43%	91%	62%	12%	43%	7%
Sales split (% of Group)								
Russia/CIS	80%	79%	80%	74%	76%	78%	67%	64%
Equipment	49%	49%	48%	43%	49%	32%	36%	35%
Aftermarket	17%	16%	17%	17%	17%	21%	10%	11%
Contracting Services	13%	13%	15%	13%	10%	25%	20%	18%
Other	0%	0%	1%	0%	0%	0%	0%	0%
Germany	20%	21%	20%	26%	24%	22%	33%	36%
Equipment	13%	15%	13%	17%	16%	14%	21%	23%
Aftermarket	6%	5%	5%	6%	6%	7%	11%	11%
Other	1%	1%	1%	3%	1%	2%	2%	2%

Source: Company data and Nordea estimates

DEVELOPMENT PER SEGMENT, INTERIM

(SEKm)	Q1 21	Q2 21	Q3 21	Q4 21	Q1 22	Q2 22	Q3 22E	Q4 22E
Russia/CIS								
Sales	1,007	1,254	1,333	1,249	1,326	1,315	951	849
Gross profit	185	254	290	233	254	319	168	151
EBITDA	127	195	219	169	161	214	86	71
EBIT	94	157	179	124	119	157	46	32
Adjusted EBIT	94	157	179	124	119	157	46	32
Germany								
Sales	260	336	327	445	420	376	468	478
Gross profit	30	32	34	53	47	36	56	67
EBITDA	-3	0	-16	9	11	9	15	22
EBIT	-14	-13	-32	-12.0	-10	-10	-7	0
Adjusted EBIT	-10	-10	-15	-9	-10	-10	-7	0
Margins								
Group								
Gross margin	17.0%	18.0%	19.5%	16.8%	17.2%	21.1%	15.8%	16.4%
EBITDA margin	9.8%	12.2%	12.2%	10.4%	9.5%	13.2%	7.1%	7.0%
EBIT margin	6.3%	9.0%	8.9%	6.6%	6.2%	8.7%	2.7%	2.4%
Adjusted EBIT margin	6.6%	9.2%	9.9%	6.8%	6.2%	8.7%	2.7%	2.4%
Russia/CIS								
Gross margin	18.3%	20.2%	21.8%	18.7%	19.1%	24.3%	17.7%	17.8%
EBITDA margin	12.7%	15.5%	16.4%	13.5%	12.1%	16.3%	9.0%	8.4%
EBIT margin	9.3%	12.5%	13.4%	9.9%	9.0%	11.9%	4.8%	3.8%
Adjusted EBIT margin	9.3%	12.5%	13.4%	9.9%	9.0%	11.9%	4.8%	3.8%
Germany								
Gross margin	11.6%	9.6%	10.4%	11.9%	11.2%	9.6%	12.0%	14.0%
EBITDA margin	-1.1%	-0.1%	-4.9%	2.0%	2.6%	2.4%	3.2%	4.6%
EBIT margin	-5.3%	-3.8%	-9.8%	-2.7%	-2.4%	-2.7%	-1.5%	0.0%
Adjusted EBIT margin	-3.9%	-2.9%	-4.6%	-1.9%	-2.4%	-2.7%	-1.5%	0.0%

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	6,183	4,197	3,894	4,063
Cost of sales	-2,079	-2,627	-2,972	-3,837	-5,102	-5,084	-3,511	-3,253	-3,388
Gross profit	488	614	775	797	1,110	1,100	686	642	675
Sales expenses	-125	-138	-162	-219	-256	-368	-336	-302	-262
G&A expenses	-165	-190	-238	-264	-357	-359	-241	-222	-230
Other income	5	4	8	24	13	24	16	15	15
Other expenses	-16	-17	-26	-11	-27	-71	-48	-45	-48
EBIT	187	274	358	328	483	326	76	86	151
Finance income	15	7	6	12	23	22	21	18	18
Finance costs	-7	-9	-58	-59	-49	-56	-52	-45	-35
Net FX gains/(losses)	-2	-5	12	-5	-5	-100	0	0	0
EBT	193	267	318	276	451	192	45	59	134
Income tax	-42	-58	-68	-54	-112	-55	-10	-13	-30
Net income	151	209	251	222	339	137	35	46	105
EPS (SEK)	8.50	14.25	17.26	15.25	23.33	9.46	2.42	3.19	7.21
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	326	76	86	151
Adj. PTP	193	267	325	277	478	192	45	59	134
Adj. Net income	151	209	256	223	361	137	35	46	105
Adj. EPS (SEK)	8.50	14.25	17.64	15.34	24.81	9.46	2.42	3.19	7.21

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%	-21%	-40%	-7%	4%
Structural	0%	0%	0%	26%	2%	2%	0%	0%	0%
Currency	19%	-6%	4%	-16%	-11%	19%	8%	0%	0%
Other	6%	2%	-1%	-3%	1%	0%	0%	0%	0%
Total	61%	28%	15%	24%	34%	0%	-32%	-7%	4%
Sales bridge % - Russia/CIS									
Organic	36%	32%	11%	16%	43%	-32%	-58%	-8%	4%
Structural	0%	0%	0%	0%	0%	0%	0%	0%	0%
Currency	19%	-6%	4%	-16%	-12%	24%	11%	0%	0%
Other	6%	2%	-4%	-3%	1%	0%	0%	0%	0%
Total	61%	28%	11%	-3%	33%	-8%	-47%	-8%	4%
Sales bridge % - Germany									
Organic	-	-	-	0%	32%	15%	5%	-6%	4%
Structural	-	-	-	100%	10%	9%	0%	0%	0%
Currency	-	-	-	0%	-4%	3%	0%	0%	0%
Other	-	-	-	0%	1%	1%	0%	0%	0%
Total	-	-	-	100%	39%	27%	6%	-6%	4%
Sales split (% of Group)									
Russia/CIS	100%	100%	100%	79%	78%	72%	56%	55%	55%
Equipment	69%	71%	65%	50%	47%	38%	39%	40%	40%
Aftermarket	27%	24%	25%	19%	17%	15%	10%	10%	10%
Contracting Services	0%	0%	10%	10%	14%	18%	7%	4%	4%
Other	4%	5%	1%	0%	0%	0%	0%	0%	0%
Germany	0%	0%	0%	21%	22%	28%	44%	45%	45%
Equipment	0%	0%	0%	14%	15%	18%	28%	27%	28%
Aftermarket	0%	0%	0%	6%	6%	8%	14%	14%	14%
Other	0%	0%	0%	2%	2%	2%	3%	3%	3%

Source: Company data and Nordea estimates

ANNUAL DEVELOPMENT 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	4,441	2,356	2,157	2,249
Gross profit	488	614	773	714	961	892	412	377	394
EBITDA	214	322	494	533	710	532	210	198	209
EBIT	187	274	358	394	553	354	41	47	97
Adjusted EBIT	187	274	358	383	553	354	41	47	97
Germany									
Sales	0	0	0	983	1,367	1,743	1,841	1,737	1,814
Gross profit	0	0	0	84	149	206	273	264	281
EBITDA	0	0	0	-29	-10	57	118	117	130
EBIT	0	0	0	-66	-71	-27	35	39	54
Adjusted EBIT	0	0	0	-57	-43	-27	35	39	54
Margins									
Group									
Gross margin	19.0%	19.0%	20.7%	17.2%	17.9%	17.8%	16.3%	16.5%	16.6%
EBITDA margin	8.3%	9.9%	13.2%	10.9%	11.3%	9.5%	7.8%	8.1%	8.4%
EBIT margin	7.3%	8.4%	9.5%	7.1%	7.8%	5.3%	1.8%	2.2%	3.7%
Adjusted EBIT margin	7.3%	8.4%	9.7%	7.1%	8.2%	5.3%	1.8%	2.2%	3.7%
Russia/CIS									
Gross margin	19.0%	19.0%	20.6%	19.5%	19.8%	20.1%	17.5%	17.5%	17.5%
EBITDA margin	8.3%	9.9%	13.2%	14.6%	14.7%	12.0%	8.9%	9.2%	9.3%
EBIT margin	7.3%	8.4%	9.5%	10.8%	11.4%	8.0%	1.8%	2.2%	4.3%
Adjusted EBIT margin	7.3%	8.4%	9.5%	10.5%	11.4%	8.0%	1.8%	2.2%	4.3%
Germany									
Gross margin	-	-	-	8.5%	10.9%	11.8%	14.9%	15.2%	15.5%
EBITDA margin	-	-	-	-2.9%	-0.7%	3.3%	6.4%	6.7%	7.2%
EBIT margin	-	-	-	-6.7%	-5.2%	-1.6%	1.9%	2.2%	3.0%
Adjusted EBIT margin	-	-	-	-5.8%	-3.2%	-1.6%	1.9%	2.2%	3.0%

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	6,183	4,197	3,894
Revenue growth	-5.9%	-37.1%	12.9%	54.8%	26.3%	15.6%	23.7%	34.0%	-0.5%	-32.1%	-7.2%
of which organic	6.7%	-18.6%	21.0%	36.2%	32.2%	11.4%	16.1%	41.1%	-21.5%	-40.1%	-7.2%
of which FX	-12.4%	-18.5%	-8.1%	18.6%	-6.0%	4.0%	-16.0%	-10.5%	19.1%	8.0%	0.0%
EBITDA	172	130	153	214	322	494	504	700	588	327	316
Depreciation and impairments PPE	-70	-43	-34	-26	-48	-136	-176	-218	-262	-251	-229
of which leased assets	0	0	0	0	0	0	0	0	0	0	0
EBITA	102	87	119	187	274	358	328	483	326	76	86
Amortisation and impairments	-33	-26	-15	0	0	0	0	0	0	0	0
EBIT	69	61	104	187	274	358	328	483	326	76	86
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	-133	-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	192	45	59
Reported taxes	-7	-8	-24	-42	-58	-68	-54	-112	-55	-10	-13
Net profit from continued operations	19	29	84	151	209	251	222	339	137	35	46
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	137	35	46
EPS, SEK	-3.10	-2.12	3.03	8.06	14.25	17.26	15.25	23.35	9.46	2.42	3.19
DPS, SEK	0.00	0.00	0.00	1.73	7.50	4.25	7.50	0.00	1.42	0.97	1.27
of which ordinary	0.00	0.00	0.00	1.73	3.75	4.25	7.50	0.00	1.42	0.97	1.27
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%	9.5%	7.8%	8.1%
EBITA	4.4%	5.9%	7.2%	7.3%	8.4%	9.5%	7.1%	7.8%	5.3%	1.8%	2.2%
EBIT	3.0%	4.2%	6.3%	7.3%	8.4%	9.5%	7.1%	7.8%	5.3%	1.8%	2.2%

Adjusted earnings

EBITDA (adj)	172	130	153	214	322	501	503	728	588	327	316
EBITA (adj)	102	87	137	187	274	365	330	510	326	76	86
EBIT (adj)	102	87	132	187	274	365	330	510	326	76	86
EPS (adj, SEK)	-0.51	-0.08	5.18	8.06	14.25	17.74	15.36	25.23	9.46	2.42	3.19

Adjusted profit margins in percent

EBITDA (adj)	7.4%	8.9%	9.2%	8.3%	9.9%	13.4%	10.9%	11.7%	9.5%	7.8%	8.1%
EBITA (adj)	4.4%	5.9%	8.3%	7.3%	8.4%	9.7%	7.1%	8.2%	5.3%	1.8%	2.2%
EBIT (adj)	4.4%	5.9%	7.9%	7.3%	8.4%	9.7%	7.1%	8.2%	5.3%	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%	19.2%	5.3%	0.8%
EBITDA	n.m.	n.m.	11.6%	13.0%	16.0%	23.5%	31.1%	35.6%	22.4%	0.4%	-8.6%
EBIT	n.a.	n.a.	27.7%	48.0%	39.6%	39.0%	40.0%	35.9%	11.7%	-22.6%	-24.7%
EPS	n.a.	n.a.	n.m.	n.m.	n.m.	n.m.	n.m.	50.4%	3.2%	-29.9%	-28.7%
DPS	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	-3.9%	-23.8%	-21.4%
Average last 5 years											
Average EBIT margin	n.a.	2.1%	3.0%	4.5%	6.2%	7.8%	7.9%	8.0%	7.4%	6.3%	5.2%
Average EBITDA margin	n.a.	5.9%	7.0%	7.8%	8.8%	10.3%	10.6%	10.9%	10.9%	10.5%	9.7%

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	3.8	14.8	11.2
EV/EBITDA (adj)	n.a.	n.a.	n.a.	6.1	4.8	6.1	4.5	7.0	1.6	1.8	1.2
EV/EBITA (adj)	n.a.	n.a.	n.a.	7.0	5.6	8.4	6.9	10.0	2.8	7.6	4.3
EV/EBIT (adj)	n.a.	n.a.	n.a.	7.0	5.6	8.4	6.9	10.0	2.8	7.6	4.3

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	3.8	14.8	11.2
EV/Sales	n.a.	n.a.	n.a.	0.51	0.48	0.82	0.49	0.82	0.15	0.14	0.10
EV/EBITDA	n.a.	n.a.	n.a.	6.1	4.8	6.2	4.5	7.3	1.6	1.8	1.2
EV/EBITA	n.a.	n.a.	n.a.	7.0	5.6	8.6	6.9	10.6	2.8	7.6	4.3
EV/EBIT	n.a.	n.a.	n.a.	7.0	5.6	8.6	6.9	10.6	2.8	7.6	4.3
Dividend yield (ord.)	n.a.	n.a.	n.a.	1.1%	2.9%	2.6%	4.8%	0.0%	4.0%	2.7%	3.6%
FCF yield	n.a.	n.a.	n.a.	8.9%	6.8%	-21.5%	28.2%	1.9%	-39.8%	71.2%	42.1%
FCF Yield bef A&D, lease adj	n.a.	n.a.	n.a.	8.8%	6.6%	-21.6%	28.1%	4.9%	-39.8%	71.2%	42.1%
Payout ratio	0.0%	0.0%	0.0%	21.5%	52.6%	24.0%	48.8%	0.0%	15.0%	40.0%	40.0%

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	86	91	95
of which R&D	0	0	0	0	0	0	0	0	5	10	14
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	1,022	832	678
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	1,214	1,027	878
Inventory	425	327	467	633	741	1,290	1,014	1,432	1,298	923	857
Accounts receivable	265	161	202	243	319	322	393	535	680	462	428
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	93	63	58
Cash and bank	177	175	199	352	357	519	604	768	562	910	1,114
Total current assets	870	665	872	1,231	1,418	2,214	2,048	2,781	2,633	2,358	2,457
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	3,847	3,385	3,335
Shareholders equity	372	322	442	611	656	890	806	1,101	1,238	1,253	1,285
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	1,238	1,253	1,285
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	26	24
Accounts payable	492	384	547	737	982	917	1,188	1,809	1,546	1,091	1,012
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	19	18
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	1,992	1,515	1,433
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	3,847	3,385	3,335
Balance sheet and debt metrics											
Net debt	109	-81	-173	-312	-303	689	-20	199	405	57	-147
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	498	338	313
Invested capital	496	244	280	314	374	1,519	818	1,368	1,711	1,365	1,191
Capital employed	658	416	468	651	710	2,003	1,390	2,068	2,205	2,220	2,252
ROE	-6.9%	-6.1%	7.9%	16.4%	32.7%	32.4%	26.1%	35.6%	11.7%	2.8%	3.6%
ROIC	14.1%	18.1%	38.7%	48.6%	61.3%	29.7%	21.7%	35.9%	16.3%	3.8%	5.2%
ROCE	14.8%	18.1%	31.9%	36.1%	41.3%	27.4%	20.1%	30.8%	16.3%	4.4%	4.7%
Net debt/EBITDA	0.6	-0.6	-1.1	-1.5	-0.9	1.4	0.0	0.3	0.7	0.2	-0.5
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%	32.2%	37.0%	38.5%
Net gearing	29.4%	-25.3%	-39.1%	-51.0%	-46.2%	77.4%	-2.5%	18.1%	32.7%	4.5%	-11.5%

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	588	327	316
Paid taxes	0	0	0	0	0	-85	-71	-170	-55	-10	-13
Net financials	43	24	-3	-6	7	-58	-59	-26	-133	-31	-27
Change in provisions	-9	-5	7	3	4	5	3	13	0	-12	-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	399	274	274
Change in NWC	-176	133	18	-20	-106	-698	316	-24	-322	160	24
Cash flow from operations (CFO)	-25	234	141	148	161	-330	693	457	78	434	298
Capital expenditure	-36	3	-10	-7	-38	-181	-49	-217	-284	-65	-80
Free cash flow before A&D	-61	237	132	141	123	-511	643	240	-206	369	218
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	-206	369	218
Free cash flow bef A&D, lease adj	-61	237	132	141	123	-511	643	240	-206	369	218
Dividends paid	-50	-50	-53	-58	-30	-109	-62	-109	0	-21	-14
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	-206	348	204
Cash flow metrics											
Capex/D&A	35.3%	-4.4%	20.0%	25.8%	80.1%	n.m.	28.1%	99.7%	n.m.	25.9%	34.8%
Capex/Sales	1.6%	-0.2%	0.6%	0.3%	1.2%	4.8%	1.1%	3.5%	4.6%	1.6%	2.1%
Key information											
Share price year end (/current)	n.a.	n.a.	n.a.	151	127	163	157	337	36	36	36
Market cap.	n.a.	n.a.	n.a.	1,615	1,849	2,369	2,287	4,897	518	518	518
Enterprise value	n.a.	n.a.	n.a.	1,303	1,546	3,058	2,267	5,096	923	575	371
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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Completion Date

18 Aug 2022, 01:35 CET

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