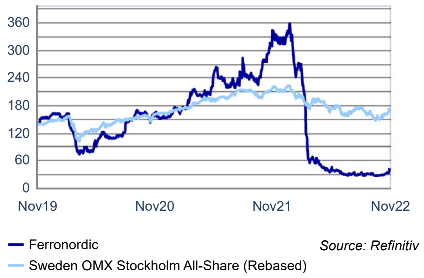
Ferronordic

Capital Goods
Sweden

KEY DATA

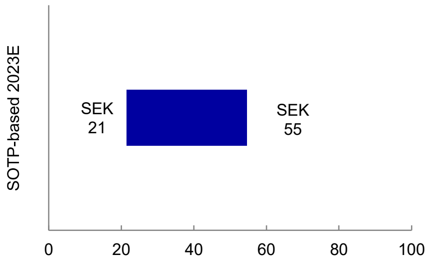
Stock country	Sweden
Bloomberg	FNM SS
Reuters	FNMA.ST
Share price (close)	SEK 45.85
Free Float	84%
Market cap. (bn)	EUR 0.06/SEK 0.67
Website	www.ferronordic.ru
Next report date	11 Feb 2023

PERFORMANCE



Source: Refinitiv

VALUATION APPROACH



Source: Nordea estimates

ESTIMATE CHANGES

Year	2022E	2023E	2024E
Sales	-2%	-12%	-11%
EBIT (adj)	10%	4%	-3%

Source: Nordea estimates

Nordea IB & Equity - Analysts
Victor Hansen
Analyst

Carl Ragnerstam
Analyst

Germany set to become the new engine

Ferronordic's Q3 report was better than we expected, driven by good sales mix in Russia/CIS. Germany, where most of our SOTP value is derived, is still loss-making and suffered from steeper supply chain problems than we forecasted, but the region did increase its gross margin by 4 pp q/q aided by aftermarket sales. We lower 2022E-24E sales by 2-12%, mainly due to unit supply depleting rapidly in Russia. We lift 2022E-23E EBIT by 4-10%, due to better mix, but we lower 2024E EBIT by 3% due to lower sales. We cut our SOTP-based fair value range to SEK 21-55 (24-56). The lower end is based on our 2023 estimates and the upper end includes Germany at a 5% margin (up from ~2% in 2023E).

Q3 outcome

Adjusted EBIT was 17% above our estimate, driven by a stronger margin from Russia/CIS and adjusting for the SEK 321m Volvo CE compensation for Russia (SEK 257m after tax). Germany's EBIT was in line with our estimate at SEK -7m. Group sales, however, were 8% below, due to Germany, which was 22% below our expectations due to supply chain problems, despite strong aftermarket growth. The earnings beat was fully driven by Russia/CIS (16% above our forecast), where the gross margin benefitted more than expected from contracting services and aftermarket mix. Group net debt was SEK 579m in Q3 (SEK 189m from leasing), and we note that it has been difficult to get capital out of Russia, which limits the total cash available.

Underlying improvements in Germany support our valuation

EBIT in Germany is still negative, but we are encouraged by its gross margin expanding to 13.6% in Q3, up 3.2 pp y/y and 4.1 pp q/q (aided by the aftermarket). We think this supports our expectations of improving margins ahead, reaching 1.9% in 2023E, versus -2.3% in 2022 YTD. A stronger German profitability is critical our SOTP valuation; we value Germany at SEK 20 per share on 2023E, but SEK 53 if it reaches a 5% EBIT margin.

Estimate revisions

We lower our sales estimates due to fewer unit deliveries in Russia/CIS (as indicated by the October update) but we raise the near-term margin in Russia/CIS from higher aftermarket mix. We lift our sales estimates for Contracting Services (up 1-2% for 2023E-24E) as the company seeks deals in Kazakhstan, but the CEO said there will be a long ramp-up time for any new contracts. We make minor revisions to our estimates for Germany.

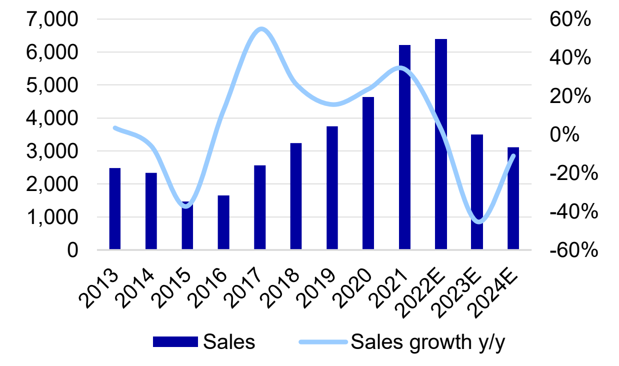
SUMMARY TABLE - KEY FIGURES

SEKm	2018	2019	2020	2021	2022E	2023E	2024E
Total revenue	3,241	3,747	4,635	6,211	6,385	3,494	3,108
EBITDA (adj)	322	501	503	728	815	280	243
EBIT (adj)	274	365	330	510	514	76	85
EBIT (adj) margin	8.4%	9.7%	7.1%	8.2%	8.0%	2.2%	2.7%
EPS (adj, SEK)	14.25	17.74	15.36	25.23	15.89	1.39	2.50
EPS (adj) growth	76.8%	24.5%	-13.4%	64.3%	-37.0%	-91.3%	80.6%
DPS (ord, SEK)	3.75	4.25	7.50	0.00	5.70	0.83	1.38
EV/Sales	0.5	0.8	0.5	0.8	0.1	0.2	0.1
EV/EBIT (adj)	5.6	8.4	6.9	10.0	1.5	7.4	4.8
P/E (adj)	8.9	9.2	10.2	13.4	2.9	33.1	18.3
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%	12.4%	1.8%	3.0%
FCF Yield bef A&D, lease	6.6%	-21.6%	28.1%	4.9%	16.0%	42.2%	24.3%
Net debt	-303	689	-20	199	92	-106	-256
Net debt/EBITDA	-0.9	1.4	0.0	0.3	0.1	-0.4	-1.1
ROIC after tax	61.3%	29.7%	21.7%	35.9%	24.5%	3.4%	4.4%

Source: Company data and Nordea estimates

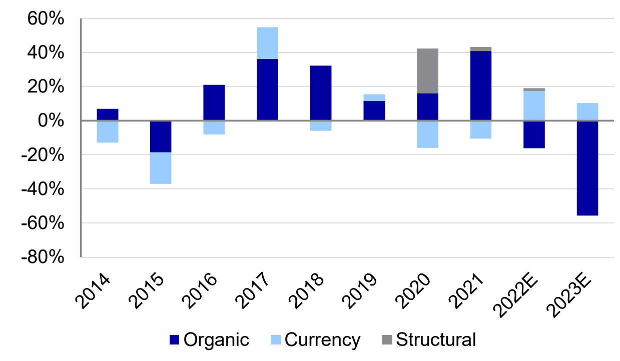
Group development

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



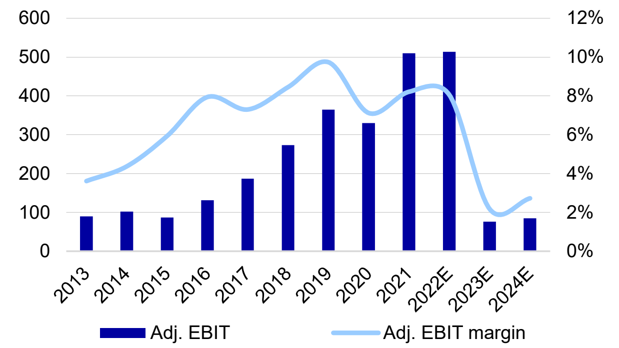
Source: Company data and Nordea estimates

SALES GROWTH BREAKDOWN (%)



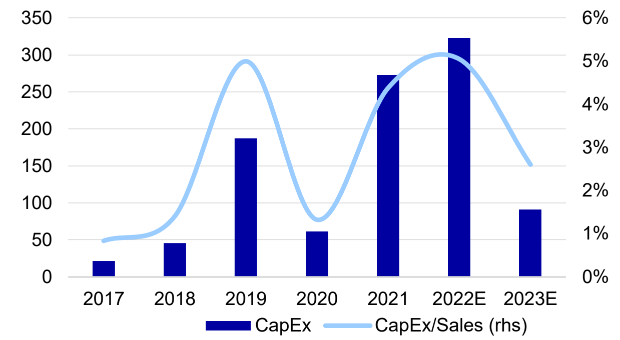
Source: Company data and Nordea estimates

EBIT (SEKm) AND EBIT MARGIN (%)



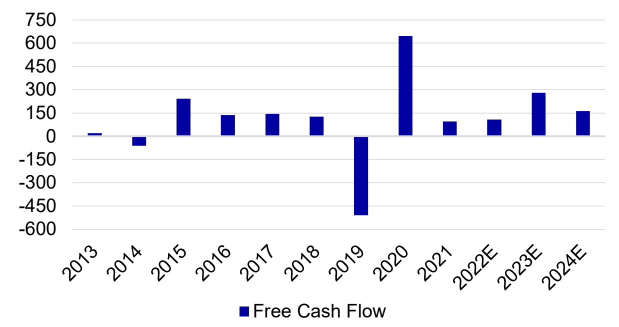
Source: Company data and Nordea estimates

CAPEX (SEKm) AND CAPEX/SALES (%)



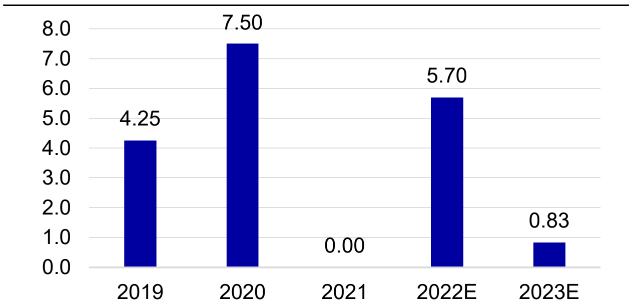
Source: Company data and Nordea estimates

FREE CASH FLOW (SEKm)



Source: Company data and Nordea estimates

DIVIDEND PER SHARE (SEK)



Source: Company data and Nordea estimates

Q3 2022 outcome

The Q3 report was better than we expected. Adjusted EBIT was 17% above our estimate, driven by a stronger margin in Russia/CIS and also adjusting for the SEK 321m (SEK 257m after tax) Volvo CE compensation in Russia. Germany's EBIT was in line at SEK -7m. However, group sales were 8% below us, mostly owing to Germany, which came in 22% below our expectations (Russia/CIS 2% below). The earnings beat was fully driven by Russia/CIS (+16% versus our forecast), which benefitted even more than expected from higher contracting services and aftermarket mix, boosting gross margins. Germany, which represents most of our future SOTP value, reached SEK -7m in EBIT, which will need to improve ahead but was in line with expectations. German sales were up 5% organically (we expected 18%), as its new unit sales were significantly below the market (-5% versus +11%) due to "supply chain problems". The group's net debt is at SEK 579m in Q3 (of which SEK 189m is leasing).

DEVIATION TABLE

SEKm	Actual Q3 2022	NDA est. Q3 22E	Deviation vs. actual		Actual Q2 22	q/q	Actual Q3 21	y/y
Sales	1,479	1,605	-126	-8%	1,691	-13%	1,661	-11%
Adj. EBIT	**130**	**111**	**19**	**17%**	**147**	**-11%**	**165**	**-21%**
Adj. EBIT margin	8.8%	6.9%	-	1.9pp	8.7%	0.1pp	9.9%	-1.2pp
EPS (SEK)	25.20	22.29	2.91	13%	2.10	1101%	7.46	238%
Revenue	**1,479**	**1,605**	**(126)**	**-8%**	**1,691**	**-13%**	**1,661**	**-11%**
Cost of sales	(1,114)	(1,263)	149	-12%	(1,335)	-17%	(1,337)	-17%
Gross profit	**365**	**342**	**23**	**7%**	**356**	**3%**	**324**	**13%**
Sales expenses	(83)	(139)	56	-40%	(74)	12%	(69)	20%
G&A expenses	(101)	(92)	(9)	9%	(106)	-5%	(98)	3%
Other income	332	326	6	-	10	-	5	-
Other expenses	(62)	(4)	(58)	-	(40)	-	(14)	-
EBIT	**451**	**432**	**19**	**4%**	**147**	**208%**	**148**	**205%**
Finance income	5	6	(1)	-	6	-17%	7	-29%
Finance costs	(31)	(18)	(13)	-	(19)	63%	(20)	55%
Net FX gains/(losses)	19	1	-	-	(81)	-	1	-
PTP	**444**	**421**	**23**	**6%**	**53**	**746%**	**135**	**229%**
Income tax	(77)	(97)	-	-	(22)	-	(27)	-
Net income	**367**	**324**	**-**	**13%**	**31**	**1103%**	**109**	**238%**
EPS (SEK)	**25.20**	**22.29**	**2.91**	**13%**	**2.10**	**1101%**	**7.46**	**238%**
Non recurring items (NRI)	321	321	0	0%	0	-	-17	-
Sales per segment								
Russia/CIS	1,119	1,147	(28)	-2%	1,315	-15%	1,333	-16%
Germany	359	458	(99)	-22%	376	-5%	327	10%
Adjusted EBIT								
Russia/CIS	137	118	19	16%	157	-13%	179	-23%
Germany	(7)	(7)	(0)	2%	(10)	-30%	(15)	-

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	3,087	1,942	1,779	3,561	2,472	2,221	-13%	-21%	-20%
Aftermarket Sales	1,724	1,106	1,041	1,718	1,056	997	0%	5%	4%
Contracting Services & other	1,575	446	288	1,262	440	284	25%	1%	2%
Group	**6,385**	**3,494**	**3,108**	**6,540**	**3,969**	**3,502**	**-2%**	**-12%**	**-11%**
Gross profit	1,367	634	554	1,320	698	612	4%	-9%	-9%
Adj. EBITDA	815	280	243	776	299	270	5%	-6%	-10%
Adj. EBIT	**514**	**76**	**85**	**466**	**73**	**88**	**10%**	**4%**	**-3%**
Margins									
Gross margin	21.4%	18.1%	17.8%	20.2%	17.6%	17.5%	1.2 pp	0.6 pp	0.4 pp
EBITDA margin	12.8%	8.0%	7.8%	11.9%	7.5%	7.7%	0.9 pp	0.5 pp	0.1 pp
EBIT margin	8.0%	2.2%	2.7%	7.1%	1.8%	2.5%	0.9 pp	0.3 pp	0.2 pp
Sales bridge	**3%**	**-45%**	**-11%**	**5%**	**-39%**	**-12%**	**-2.5 pp**	**-6.0 pp**	**0.7 pp**
Organic	-16%	-56%	-11%	-18%	-50%	-12%	2.0 pp	-5.6 pp	0.7 pp
Structural	2%	0%	0%	2%	0%	0%	-0.3 pp	0.0 pp	0.0 pp
Currency	17%	10%	0%	21%	11%	0%	-4.0 pp	-0.4 pp	0.0 pp
Other	0%	0%	0%	0%	0%	0%	-0.1 pp	0.1 pp	0.0 pp
DPS (SEK)	**5.7**	**0.8**	**1.4**	**5.0**	**0.8**	**1.3**	**14%**	**-1%**	**3%**
of which ordinary	5.7	0.8	1.4	5.0	0.8	1.3	14%	-1%	3%
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 valuation

We believe that earnings multiples from Russian assets will be low for the foreseeable future, even if original equipment manufacturers lift their export restrictions to Russia. Note that Ferronordic is considering selling its Russian operations.

We include one potential scenario that could impact Ferronordic's value:

- Germany reaches a 5% EBIT margin, up from ~2% for 2023E. This could offer upside of SEK 33 to our SOTP, i.e. a total share value of SEK 55.

FERRONORDIC: SOTP VALUATION AND FUTURE GERMANY POTENTIAL

SEKm and SEK					
SOTP	**EBIT**	**x EBIT**	**EV**	**Per share**	**Comment**
Germany 2023E (~2% margin)	34	8.5	286	20	Loss-making but targets ~5% LT margin. Peer Mekonomen at 8.5x EV/EBIT 2023E.
Kazakhstan	9	5	43	3	NDA estimate
Remaining Russian business	74	1	74	5	Estimated 15% of Russian sales
Total	**117**	**1.7**	**404**	**28**	
Less net debt 2022E			-92	-6	Includes H2 cash flow from Russia, and Volvo compensation
Equity value			**312**	**21**	
Enterprise value 2022E			758		Our FY net debt estimate and current market cap
Current market cap			**666**	**45.85**	
up/downside vs NDA valuation				-53%	
Future potential					
Germany at 5% margin	57	8.5	482	33	This represents the delta to our current valuation for Germany
Equity value			**794**	**55**	

Source: Company data and Nordea estimates

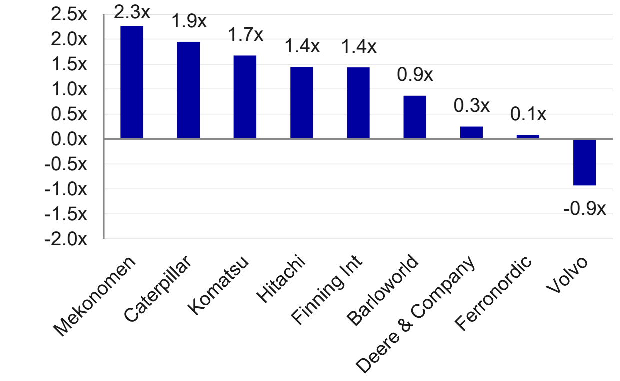
Multiples-based valuation

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	-	12,508	4.5x	5.5x	7.1x	8.9x	9.6x	10.6x	4.0%	3.4%	0.9x	0.5x	10.0%	8.8%
Caterpillar	-	1,275,982	13.9x	12.9x	17.3x	14.8x	16.9x	15.8x	2.1%	2.2%	1.9x	2.0x	45.9%	47.7%
Cervus	-	2,094	-	-	-	-	-	-	-	-	-	-	-	-
Deere & Company	-	1,270,551	14.8x	13.2x	18.7x	16.1x	16.3x	15.5x	1.1%	1.2%	0.3x	-	37.7%	38.7%
Ferronordic	N.R.	666	0.7x	2.0x	1.5x	7.4x	2.9x	33.1x	12.4%	1.8%	0.1x	-0.4x	40.1%	1.2%
Finning Int	-	39,511	6.5x	6.7x	9.3x	9.4x	10.2x	10.5x	2.8%	2.9%	1.4x	1.5x	20.7%	18.0%
Hitachi	-	519,090	8.4x	7.8x	-	-	12.4x	11.3x	1.7%	1.8%	1.4x	1.0x	14.8%	13.8%
Komatsu	-	220,110	8.7x	6.8x	-	9.6x	13.9x	10.1x	3.0%	3.9%	1.7x	1.4x	10.4%	12.6%
Mekonomen	BUY	6,593	6.3x	5.1x	10.5x	8.5x	10.5x	9.1x	2.6%	3.0%	2.3x	1.6x	8.7%	10.7%
Volvo	BUY	390,439	4.8x	4.1x	6.0x	5.6x	10.4x	10.2x	7.8%	8.3%	-0.9x	-0.8x	23.8%	24.9%
Average		**373,755**	**7.6x**	**7.1x**	**10.0x**	**10.0x**	**11.5x**	**14.0x**	**4.2%**	**3.2%**	**1.0x**	**0.8x**	**23.6%**	**19.6%**
Median		**129,811**	**6.5x**	**6.7x**	**9.3x**	**9.1x**	**10.5x**	**10.6x**	**2.8%**	**2.9%**	**1.4x**	**1.2x**	**20.7%**	**13.8%**
Ferronordic	**N.R.**	**666**	**0.7x**	**2.0x**	**1.5x**	**7.4x**	**2.9x**	**33.1x**	**12.4%**	**1.8%**	**0.1x**	**-0.4x**	**40.1%**	**1.2%**
vs. peer average	-	-	-91%	-72%	-85%	-26%	-75%	136%	8.3pp	-1.4pp	-	-	16.5pp	-18.4pp
vs. peer median	-	-	-90%	-70%	-84%	-19%	-73%	212%	9.6pp	-1.1pp	-	-	19.4pp	-12.6pp
vs. Barloworld	-	-95%	-85%	-64%	-79%	-17%	-70%	212%	8.4pp	-1.6pp	-	-	30.1pp	-7.5pp
vs. Finning	-	-98%	-90%	-70%	-84%	-21%	-72%	215%	9.6pp	-	-	-	19.4pp	-16.7pp
vs. Mekonomen	-	-90%	-89%	-61%	-86%	-13%	-73%	264%	9.9pp	-1.2pp	-	-	31.4pp	-9.5pp

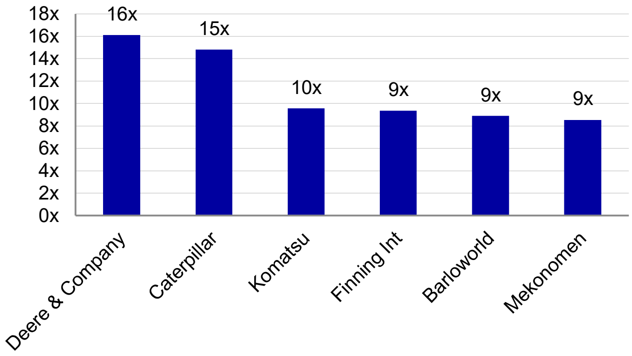
Source: Company data, Refinitiv and Nordea estimates

NET DEBT/EBITDA, 2022E



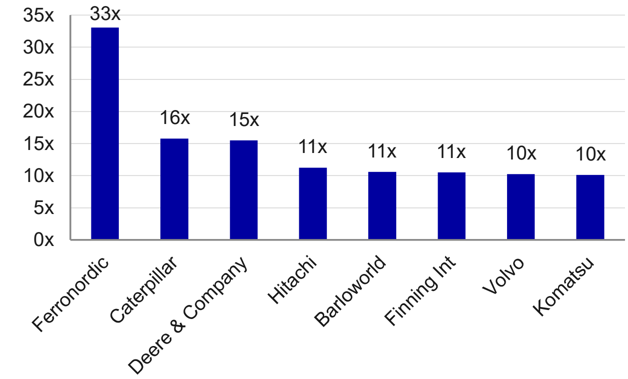
Source: Company data, Refinitiv and Nordea estimates

EV/EBIT, 2023E



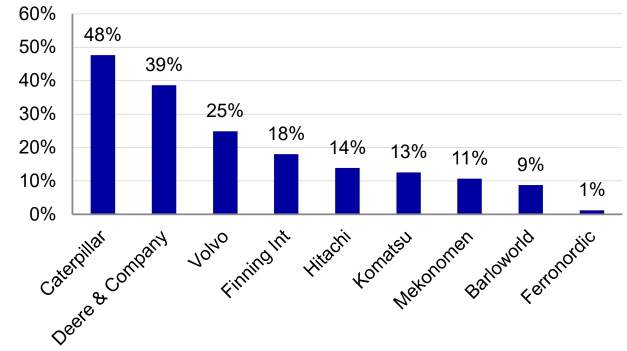
Source: Company data, Refinitiv and Nordea estimates

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 22	Q4 22E
Revenue	**1,267**	**1,590**	**1,661**	**1,694**	**1,746**	**1,691**	**1,479**	**1,469**
Cost of sales	-1,052	-1,304	-1,337	-1,409	-1,445	-1,335	-1,114	-1,124
Gross profit	**215**	**286**	**324**	**285**	**301**	**356**	**365**	**345**
Sales expenses	-54	-63	-69	-71	-79	-74	-83	-119
G&A expenses	-77	-79	-98	-102	-95	-106	-101	-96
Other income	1	2	5	4	6	10	332	4
Other expenses	-5	-2	-14	-5	-24	-40	-62	-4
EBIT	**80**	**144**	**148**	**111**	**108**	**147**	**451**	**129**
Finance income	3	3	7	10	6	6	5	4
Finance costs	-8	-14	-20	-6	-13	-19	-31	-15
Net FX gains/(losses)	-3	-6	1	2	-20	-81	19	0
EBT	**71**	**127**	**135**	**117**	**83**	**53**	**444**	**118**
Income tax	-15	-41	-27	-29	-20	-22	-77	-26
Net income	56	86	109	88	63	31	367	92
EPS (SEK)	**3.85**	**5.93**	**7.46**	**6.01**	**4.30**	**2.10**	**25.25**	**6.33**
Pre-tax adjustments	-4	-3	-17	-4	0	0	321	0
After-tax adjustments	-3	-3	-13	-3	0	0	257	0
Adj. EBIT	**83**	**147**	**165**	**115**	**108**	**147**	**130**	**129**
Adj. PTP	75	130	152	121	83	53	123	118
Adj. Net income	59	89	122	91	63	31	110	92
Adj. EPS (SEK)	**4.04**	**6.10**	**8.38**	**6.20**	**4.30**	**2.10**	**7.57**	**6.33**

Source: Company data and Nordea estimates

INTERIM SALES BRIDGE

	Q1 21	Q2 21	Q3 21	Q4 21	Q1 22	Q2 22	Q3 22	Q4 22E
Sales bridge (%) - Group								
Organic	37%	50%	48%	30%	38%	-15%	-32%	-42%
Structural	0%	2%	2%	4%	2%	1%	2%	2%
Currency	-27%	-19%	-3%	7%	-3%	20%	19%	29%
Other	3%	0%	0%	2%	0%	1%	0%	-1%
Total	**13%**	**32%**	**47%**	**43%**	**38%**	**6%**	**-11%**	**-13%**
Sales bridge % - Russia/CIS								
Organic	49%	53%	51%	22%	36%	-19%	-38%	-59%
Structural	0%	0%	0%	0%	0%	0%	0%	0%
Currency	-34%	-23%	-4%	9%	-5%	24%	23%	38%
Other	4%	1%	0%	0%	0%	0%	-1%	0%
Total	**20%**	**31%**	**48%**	**31%**	**32%**	**5%**	**-16%**	**-22%**
Sales bridge % - Germany								
Organic	-2%	38%	36%	64%	46%	-1%	-7%	5%
Structural	1%	8%	11%	21%	9%	4%	10%	6%
Currency	-5%	-7%	-2%	-2%	5%	4%	5%	3%
Other	0%	-3%	-3%	9%	1%	5%	2%	-4%
Total	**-6%**	**37%**	**43%**	**91%**	**62%**	**12%**	**10%**	**11%**

Source: Company data and Nordea estimates

ESTIMATES PER SEGMENT, INTERIM

(SEKm)	Q1 21	Q2 21	Q3 21	Q4 21	Q1 22	Q2 22	Q3 22	Q4 22E
Russia/CIS								
Sales	1,007	1,254	1,333	1,249	1,326	1,315	1,119	978
Gross profit	185	254	290	233	254	319	316	276
EBITDA	127	195	219	169	161	214	524	184
EBIT	94	157	179	124	119	157	458	127
Adjusted EBIT	**94**	**157**	**179**	**124**	**119**	**157**	**458**	**127**
Germany								
Sales	260	336	327	445	420	376	359	492
Gross profit	30	32	34	53	47	36	49	69
EBITDA	-3	0	-16	9	11	9	11	23
EBIT	-14	-13	-32	-12.0	-10	-10	-7	1
Adjusted EBIT	**-10**	**-10**	**-15**	**-9**	**-10**	**-10**	**-7**	**1**
Margins								
Group								
Gross margin	17.0%	18.0%	19.5%	16.8%	17.2%	21.1%	24.7%	23.5%
EBITDA margin	9.8%	12.2%	12.2%	10.4%	9.5%	13.2%	36.2%	14.1%
EBIT margin	6.3%	9.0%	8.9%	6.6%	6.2%	8.7%	30.5%	8.8%
Adjusted EBIT margin	**6.6%**	**9.2%**	**9.9%**	**6.8%**	**6.2%**	**8.7%**	**8.8%**	**8.8%**
Russia/CIS								
Gross margin	18.3%	20.2%	21.8%	18.7%	19.1%	24.3%	28.2%	28.2%
EBITDA margin	12.7%	15.5%	16.4%	13.5%	12.1%	16.3%	46.8%	18.8%
EBIT margin	9.3%	12.5%	13.4%	9.9%	9.0%	11.9%	40.9%	13.0%
Adjusted EBIT margin	**9.3%**	**12.5%**	**13.4%**	**9.9%**	**9.0%**	**11.9%**	**40.9%**	**13.0%**
Germany								
Gross margin	11.6%	9.6%	10.4%	11.9%	11.2%	9.6%	13.6%	14.0%
EBITDA margin	-1.1%	-0.1%	-4.9%	2.0%	2.6%	2.4%	3.1%	4.6%
EBIT margin	-5.3%	-3.8%	-9.8%	-2.7%	-2.4%	-2.7%	-1.9%	0.3%
Adjusted EBIT margin	**-3.9%**	**-2.9%**	**-4.6%**	**-1.9%**	**-2.4%**	**-2.7%**	**-1.9%**	**0.3%**

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**	**6,385**	**3,494**	**3,108**	**3,256**
Cost of sales	-2,079	-2,627	-2,972	-3,837	-5,102	-5,018	-2,860	-2,554	-2,686
Gross profit	**488**	**614**	**775**	**797**	**1,110**	**1,367**	**634**	**554**	**570**
Sales expenses	-125	-138	-162	-219	-256	-356	-338	-275	-254
G&A expenses	-165	-190	-238	-264	-357	-398	-216	-191	-198
Other income	5	4	8	24	13	352	7	6	7
Other expenses	-16	-17	-26	-11	-27	-130	-12	-11	-12
EBIT	**187**	**274**	**358**	**328**	**483**	**835**	**76**	**85**	**113**
Finance income	15	7	6	12	23	21	10	10	10
Finance costs	-7	-9	-58	-59	-49	-78	-60	-48	-30
Net FX gains/(losses)	-2	-5	12	-5	-5	-82	0	0	0
EBT	**193**	**267**	**318**	**276**	**451**	**697**	**26**	**47**	**93**
Income tax	-42	-58	-68	-54	-112	-145	-6	-10	-20
Net income	151	209	251	222	339	552	20	36	73
EPS (SEK)	**8.50**	**14.25**	**17.26**	**15.25**	**23.33**	**37.98**	**1.39**	**2.50**	**5.00**
Pre-tax adjustments	0	0	-7	-2	-27	321	0	0	0
After-tax adjustments	0	0	-6	-1	-22	257	0	0	0
Adj. EBIT	**187**	**274**	**365**	**330**	**510**	**514**	**76**	**85**	**113**
Adj. PTP	193	267	325	277	478	376	26	47	93
Adj. Net income	151	209	256	223	361	295	20	36	73
Adj. EPS (SEK)	**8.50**	**14.25**	**17.64**	**15.34**	**24.81**	**20.30**	**1.39**	**2.50**	**5.00**

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%	-16%	-56%	-11%	5%
Structural	0%	0%	0%	26%	2%	2%	0%	0%	0%
Currency	19%	-6%	4%	-16%	-11%	17%	10%	0%	0%
Other	6%	2%	-1%	-3%	1%	0%	0%	0%	0%
Total	**61%**	**28%**	**15%**	**24%**	**34%**	**3%**	**-45%**	**-11%**	**5%**
Sales bridge % - Russia/CIS									
Organic	36%	32%	11%	16%	43%	-23%	-78%	-21%	3%
Structural	0%	0%	0%	0%	0%	0%	0%	0%	0%
Currency	19%	-6%	4%	-16%	-12%	21%	14%	0%	0%
Other	6%	2%	-4%	-3%	1%	0%	0%	0%	0%
Total	**61%**	**28%**	**11%**	**-3%**	**33%**	**-2%**	**-64%**	**-22%**	**3%**
Sales bridge % - Germany									
Organic	-	-	-	0%	32%	9%	9%	-1%	6%
Structural	-	-	-	100%	10%	7%	0%	0%	0%
Currency	-	-	-	0%	-4%	4%	1%	0%	0%
Other	-	-	-	0%	1%	1%	0%	0%	0%
Total	-	-	-	**100%**	**39%**	**20%**	**10%**	**-1%**	**6%**

Source: Company data and Nordea estimates

ANNUAL ESTIMATES 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	4,738	1,686	1,321	1,366
Gross profit	488	614	773	714	961	1,165	359	277	273
EBITDA	214	322	494	533	710	1,083	165	127	124
EBIT	187	274	358	394	553	861	42	49	63
Adjusted EBIT	**187**	**274**	**358**	**383**	**553**	**861**	**42**	**49**	**63**
Germany									
Sales	0	0	0	983	1,367	1,647	1,809	1,787	1,889
Gross profit	0	0	0	84	149	201	275	277	297
EBITDA	0	0	0	-29	-10	54	115	116	129
EBIT	0	0	0	-66	-71	-26	34	36	50
Adjusted EBIT	**0**	**0**	**0**	**-57**	**-43**	**-26**	**34**	**36**	**50**
Margins									
Group									
Gross margin	19.0%	19.0%	20.7%	17.2%	17.9%	21.4%	18.1%	17.8%	17.5%
EBITDA margin	8.3%	9.9%	13.2%	10.9%	11.3%	17.8%	8.0%	7.8%	7.8%
EBIT margin	7.3%	8.4%	9.5%	7.1%	7.8%	13.1%	2.2%	2.7%	3.5%
Adjusted EBIT margin	**7.3%**	**8.4%**	**9.7%**	**7.1%**	**8.2%**	**8.0%**	**2.2%**	**2.7%**	**3.5%**
Russia/CIS									
Gross margin	19.0%	19.0%	20.6%	19.5%	19.8%	24.6%	21.3%	21.0%	20.0%
EBITDA margin	8.3%	9.9%	13.2%	14.6%	14.7%	22.9%	9.8%	9.6%	9.1%
EBIT margin	7.3%	8.4%	9.5%	10.8%	11.4%	18.2%	2.5%	3.7%	4.6%
Adjusted EBIT margin	**7.3%**	**8.4%**	**9.5%**	**10.5%**	**11.4%**	**18.2%**	**2.5%**	**3.7%**	**4.6%**
Germany									
Gross margin	-	-	-	8.5%	10.9%	12.2%	15.2%	15.5%	15.7%
EBITDA margin	-	-	-	-2.9%	-0.7%	3.3%	6.4%	6.5%	6.9%
EBIT margin	-	-	-	-6.7%	-5.2%	-1.5%	1.9%	2.0%	2.7%
Adjusted EBIT margin	-	-	-	**-5.8%**	**-3.2%**	**-1.5%**	**1.9%**	**2.0%**	**2.7%**

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**	**6,385**	**3,494**	**3,108**
Revenue growth	-5.9%	-37.1%	12.9%	54.8%	26.3%	15.6%	23.7%	34.0%	2.8%	-45.3%	-11.1%
of which organic	6.9%	-18.6%	21.0%	36.2%	32.2%	11.4%	16.1%	41.1%	-16.1%	-55.7%	-11.0%
of which FX	-12.8%	-18.5%	-8.1%	18.6%	-6.0%	4.0%	-16.0%	-10.5%	17.5%	10.4%	0.0%
EBITDA	172	130	153	214	322	494	504	700	1,136	280	243
Depreciation and impairments PPE	-70	-43	-34	-26	-48	-136	-176	-218	-301	-204	-158
of which leased assets	0	0	0	0	0	0	0	0	0	0	0
EBITA	102	87	119	187	274	358	328	483	835	76	85
Amortisation and impairments	-33	-26	-15	0	0	0	0	0	0	0	0
EBIT	69	61	104	187	274	358	328	483	835	76	85
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	-138	-50	-38
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**	**697**	**26**	**47**
Reported taxes	-7	-8	-24	-42	-58	-68	-54	-112	-145	-6	-10
Net profit from continued operations	19	29	84	151	209	251	222	339	552	20	36
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	552	20	36
EPS, SEK	**-3.10**	**-2.12**	**3.03**	**8.06**	**14.25**	**17.26**	**15.25**	**23.35**	**37.98**	**1.39**	**2.50**
DPS, SEK	0.00	0.00	0.00	1.73	7.50	4.25	7.50	0.00	5.70	0.83	1.38
of which ordinary	0.00	0.00	0.00	1.73	3.75	4.25	7.50	0.00	5.70	0.83	1.38
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%	17.8%	8.0%	7.8%
EBITA	4.4%	5.9%	7.2%	7.3%	8.4%	9.5%	7.1%	7.8%	13.1%	2.2%	2.7%
EBIT	3.0%	4.2%	6.3%	7.3%	8.4%	9.5%	7.1%	7.8%	13.1%	2.2%	2.7%
Adjusted earnings											
EBITDA (adj)	172	130	153	214	322	501	503	728	815	280	243
EBITA (adj)	102	87	137	187	274	365	330	510	514	76	85
EBIT (adj)	102	87	132	187	274	365	330	510	514	76	85
EPS (adj, SEK)	-0.51	-0.08	5.18	8.06	14.25	17.74	15.36	25.23	15.89	1.39	2.50
Adjusted profit margins in percent											
EBITDA (adj)	7.4%	8.9%	9.2%	8.3%	9.9%	13.4%	10.9%	11.7%	12.8%	8.0%	7.8%
EBITA (adj)	4.4%	5.9%	8.3%	7.3%	8.4%	9.7%	7.1%	8.2%	8.0%	2.2%	2.7%
EBIT (adj)	4.4%	5.9%	7.9%	7.3%	8.4%	9.7%	7.1%	8.2%	8.0%	2.2%	2.7%
Performance metrics											
CAGR last 5 years											
Net revenue	n.a.	n.a.	-7.3%	1.4%	5.5%	9.9%	25.8%	30.2%	20.0%	1.5%	-3.7%
EBITDA	n.m.	n.m.	11.6%	13.0%	16.0%	23.5%	31.1%	35.6%	39.7%	-2.7%	-13.2%
EBIT	n.a.	n.a.	27.7%	48.0%	39.6%	39.0%	40.0%	35.9%	34.8%	-22.6%	-25.0%
EPS	n.a.	n.a.	n.m.	n.m.	n.m.	n.m.	n.m.	50.4%	36.3%	-37.3%	-32.0%
DPS	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	26.9%	-26.0%	-20.2%
Average last 5 years											
Average EBIT margin	n.a.	2.1%	3.0%	4.5%	6.2%	7.8%	7.9%	8.0%	9.4%	8.5%	7.6%
Average EBITDA margin	n.a.	5.9%	7.0%	7.8%	8.8%	10.3%	10.6%	10.9%	13.0%	12.7%	12.0%

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	2.9	33.1	18.3
EV/EBITDA (adj)	n.a.	n.a.	n.a.	6.1	4.8	6.1	4.5	7.0	0.9	2.0	1.7
EV/EBITA (adj)	n.a.	n.a.	n.a.	7.0	5.6	8.4	6.9	10.0	1.5	7.4	4.8
EV/EBIT (adj)	n.a.	n.a.	n.a.	7.0	5.6	8.4	6.9	10.0	1.5	7.4	4.8

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	1.2	33.1	18.3
EV/Sales	n.a.	n.a.	n.a.	0.51	0.48	0.82	0.49	0.82	0.12	0.16	0.13
EV/EBITDA	n.a.	n.a.	n.a.	6.1	4.8	6.2	4.5	7.3	0.7	2.0	1.7
EV/EBITA	n.a.	n.a.	n.a.	7.0	5.6	8.6	6.9	10.6	0.9	7.4	4.8
EV/EBIT	n.a.	n.a.	n.a.	7.0	5.6	8.6	6.9	10.6	0.9	7.4	4.8
Dividend yield (ord.)	n.a.	n.a.	n.a.	1.1%	2.9%	2.6%	4.8%	0.0%	12.4%	1.8%	3.0%
FCF yield	n.a.	n.a.	n.a.	8.9%	6.8%	-21.5%	28.2%	1.9%	16.0%	42.2%	24.3%
FCF Yield bef A&D, lease adj	n.a.	n.a.	n.a.	8.8%	6.6%	-21.6%	28.1%	4.9%	16.0%	42.2%	24.3%
Payout ratio	0.0%	0.0%	0.0%	21.5%	52.6%	24.0%	48.8%	0.0%	35.8%	60.0%	55.0%

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	82	86	89
of which R&D	0	0	0	0	0	0	0	0	1	5	8
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	1,018	900	802
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	1,206	1,090	996
Inventory	425	327	467	633	741	1,290	1,014	1,432	1,213	769	684
Accounts receivable	265	161	202	243	319	322	393	535	817	384	342
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	160	87	93
Cash and bank	177	175	199	352	357	519	604	768	875	1,073	1,223
Total current assets	870	665	872	1,231	1,418	2,214	2,048	2,781	3,065	2,313	2,342
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**	**4,271**	**3,404**	**3,338**
Shareholders equity	372	322	442	611	656	890	806	1,101	1,653	1,590	1,615
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	1,653	1,590	1,615
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	89	49	44
Accounts payable	492	384	547	737	982	917	1,188	1,809	1,405	734	653
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	128	35	31
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	2,001	1,197	1,106
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**	**4,271**	**3,404**	**3,338**
Balance sheet and debt metrics											
Net debt	109	-81	-173	-312	-303	689	-20	199	92	-106	-256
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	658	472	435
Invested capital	496	244	280	314	374	1,519	818	1,368	1,864	1,562	1,431
Capital employed	658	416	468	651	710	2,003	1,390	2,068	2,620	2,557	2,581
ROE	-6.9%	-6.1%	7.9%	16.4%	32.7%	32.4%	26.1%	35.6%	40.1%	1.2%	2.3%
ROIC	14.1%	18.1%	38.7%	48.6%	61.3%	29.7%	21.7%	35.9%	24.5%	3.4%	4.4%
ROCE	14.8%	18.1%	31.9%	36.1%	41.3%	27.4%	20.1%	30.8%	22.8%	3.3%	3.7%
Net debt/EBITDA	0.6	-0.6	-1.1	-1.5	-0.9	1.4	0.0	0.3	0.1	-0.4	-1.1
Interest coverage	2.0	2.7	14.4	30.7	31.6	6.3	5.7	10.4	11.0	1.4	2.0
Equity ratio	31.7%	39.8%	42.8%	43.2%	38.0%	29.9%	30.7%	27.7%	38.7%	46.7%	48.4%
Net gearing	29.4%	-25.3%	-39.1%	-51.0%	-46.2%	77.4%	-2.5%	18.1%	5.6%	-6.7%	-15.9%

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**	**1,136**	**280**	**243**
Paid taxes	0	0	0	0	0	-85	-71	-170	-145	-6	-10
Net financials	43	24	-3	-6	7	-58	-59	-26	-138	-50	-38
Change in provisions	-9	-5	7	3	4	5	3	13	50	-40	-5
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**	**903**	**184**	**189**
Change in NWC	-176	133	18	-20	-106	-698	316	-24	-482	186	37
Cash flow from operations (CFO)	**-25**	**234**	**141**	**148**	**161**	**-330**	**693**	**457**	**422**	**370**	**226**
Capital expenditure	-36	3	-10	-7	-38	-181	-49	-217	-315	-89	-64
Free cash flow before A&D	**-61**	**237**	**132**	**141**	**123**	**-511**	**643**	**240**	**107**	**281**	**162**
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	107	281	162
Free cash flow bef A&D, lease adj	-61	237	132	141	123	-511	643	240	107	281	162
Dividends paid	-50	-50	-53	-58	-30	-109	-62	-109	0	-83	-12
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	107	198	150
Cash flow metrics											
Capex/D&A	35.3%	-4.4%	20.0%	25.8%	80.1%	n.m.	28.1%	99.7%	n.m.	43.6%	40.2%
Capex/Sales	1.6%	-0.2%	0.6%	0.3%	1.2%	4.8%	1.1%	3.5%	4.9%	2.5%	2.1%
Key information											
Share price year end (/current)	n.a.	n.a.	n.a.	151	127	163	157	337	46	46	46
Market cap.	n.a.	n.a.	n.a.	1,615	1,849	2,369	2,287	4,897	666	666	666
Enterprise value	n.a.	n.a.	n.a.	1,303	1,546	3,058	2,267	5,096	758	560	410
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

14 Nov 2022, 03:02 CET

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