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Price (p)	10.8
Shares in issue (m)	85
Mkt Cap (£m)	75
Net debt (£m)	-5
EV (£m)	70
BVPS (p)	3.5

Share price performance

1m	13.4%
3m	0.5%
12m	-4.0%
12 m high/low	17.8/8
Ave daily vol (3m)	446,561

Shareholders

Sahle Sven	35.6%
AC Cleantech	17.0%
East Guardian Asset	12.8%
Miura Holding Ltd	8.4%
Avanza Bank Ab	8.1%
Seb	4.9%
Nordnet Ab	4.3%
Larsson Gunnar	2.5%
Swedbank Ab	2.1%
Svenska Handelsb'k	2.0%
	0.0%
Total for top 10	97.7%
Free float	61.9%

Next news Finals Q1

Business description

Waste to energy for the metals industry



FINANCING DEAL DE-RISKS GROWTH

Swedish Stirling's financing deal with IDC makes the buying decision easier for customers and de-risks the opportunity in our view. The scale of the deal is sufficient to fund orders to take the company well beyond cash break-even on our forecasts and underpins our expectations for the company.

Deal to allow financing of up to 100 PWR BLOKS

Swedish Stirling has signed a letter of intent with The Industrial Development Corporation of Africa (IDC) to form a financing and leasing company. This will allow the financing of up to 100 of the company's PWR BLOK waste gas to energy units, removing a potential barrier to sales. The new company will be named Southern Shield and Swedish Stirling will initially own 51% although this will be systematically reduced to no less than 25% plus one share.

€6m to fund but green loan history suggests success

Southern Shield will initially be financed with debt at 50% gearing but over time this is expected to rise to 70%. As a result of this arrangement, Swedish Stirling would need to contribute €6m to fund the remaining proportion of 100 PWR BLOK units and the company expects to be able to fund this with green loans. Swedish Stirling has already been successful in funding two PWR BLOK units with green debt with a SEK10m loan announced in August.

An easier buying decision

Because the PWR BLOK units significantly reduce energy costs, a leasing option turns the buying decision from a capex and return decision into a simple cost reduction implementation decision. We would expect this to help to drive sales. Our current forecasts assume the sale or lease of 106 units out to 2024 by which time we expect the company to be profitable and generating cash. Trimming to 100 units does not change this and would see the company delivering over SEK110m in EBITDA in 2024. In other words, this deal is scaled to deliver a sustainable business and represents a major de-risking in our view.

£,000 Dec	2018a	2019e	2020e	2021e	2022e	2023e
Sales	58,349	46,236	48,341	12,873	37,040	201,140
EBITDA	-14,506	-30,213	-29,678	-41,747	-18,689	3,939
PBT	-19,142	-40,740	-49,724	-78,449	-63,872	-44,862
EPS	-0.2	-0.5	-0.6	-0.9	-0.8	-0.6
CFPS	-0.9	-1.2	-1.1	-2.0	-0.3	-0.2
DPS	0.0	0.0	0.0	0.0	0.0	0.0
Net Debt (Cash)	-4,591	78,260	187,220	267,011	338,572	405,072
Debt/EBITDA	0.3	-2.6	-6.3	-6.4	-18.1	102.8
P/E	-44.9	-22.6	-18.5	-12.0	-13.3	-18.3
EV/EBITDA	-4.8	-5.1	-5.2	-3.7	-8.2	38.8
EV/sales	1.2	3.3	3.2	11.9	4.1	0.8
FCF yield	-8.4%	-10.7%	-9.8%	-18.3%	-2.9%	-1.9%
Div yield	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

FINANCIAL MODEL

Profit and Loss Account

SEK '000, DEC	2018a	2019e	2020e	2021e	2022e	2023e
Turnover						
PWR BLOK sales	0	0	0	0	0	162,811
Project income	0	729	2,021	12,873	37,040	38,329
Own work capitalised	57,334	45,191	46,321	0	0	0
Other	1,015	316	0	0	0	0
Total ex own work cap'd	1,015	1,045	2,021	12,873	37,040	201,140
Operating profit						
PWR BLOK sales	-14,924	-31,232	-32,445	-49,711	-50,819	-29,480
Project income	0	57	1,348	2,571	26,737	28,026
Own work capitalised	0	0	0	0	0	0
Other	0	0	0	0	0	0
Operating profit	-14,924	-31,175	-31,096	-47,140	-24,082	-1,454
P&L Account						
Turnover	1,015	1,045	2,021	12,873	37,040	201,140
Operating Profit	-14,924	-31,175	-31,096	-47,140	-24,082	-1,454
Investment income	0	0	0	0	0	0
Net Interest	-4,218	-9,565	-18,628	-31,309	-39,790	-43,408
Pre Tax Profit (UKSIP)	-19,142	-40,740	-49,724	-78,449	-63,872	-44,862
Goodwill amortisation	0	0	0	0	0	0
Exceptional Items	0	0	0	0	0	0
Pre Tax Profit (FRS3)	-19,142	-40,740	-49,724	-78,449	-63,872	-44,862
Tax	0	0	0	0	0	0
Post tax exceptionals	0	0	0	0	0	0
Minorities	0	0	0	1,817	-5,135	-5,597
Net Profit	-19,142	-40,740	-49,724	-76,632	-69,007	-50,459
Dividend	0	0	0	0	0	0
Retained	-19,142	-40,740	-49,724	-76,632	-69,007	-50,459
EBITDA	-14,506	-30,213	-29,678	-41,747	-18,689	3,939
EPS (c) (UKSIP)	-0.24	-0.48	-0.58	-0.90	-0.81	-0.59
EPS (c) (FRS3)	-0.24	-0.48	-0.58	-0.90	-0.81	-0.59
FCFPS (c)	-0.90	-1.15	-1.06	-1.97	-0.31	-0.21
Dividend (c)	0.00	0.00	0.00	0.00	0.00	0.00

Source: Company data, Longspur Research estimates

KEY POINTS

- FY 19 and 20 show initial electricity sales to first two Afarak units
- FY 21 sees initial electricity sales to Glencore growing in FY 22
- From FY 23 outright equipment sales start to grow and company moves into profitability at EBITDA level
- Operating costs increase in FY 19 and 20 to meet growth
- Interest rises with green loans

Balance Sheet

SEK '000, DEC	2018a	2019e	2020e	2021e	2022e	2023e
Fixed Asset Cost	9,669	26,475	40,565	163,355	163,355	163,355
Fixed Asset Depreciation	-7,051	-7,908	-9,221	-14,509	-19,797	-25,085
Net Fixed Assets	2,619	18,567	31,345	148,846	143,558	138,270
Goodwill	0	0	0	0	0	0
Other intangibles	275,433	320,519	366,735	366,630	366,525	366,420
Investments	0	0	0	0	0	0
Stock	32,055	344	664	4,232	12,177	33,064
Trade Debtors	4,352	86	166	2,116	6,089	33,064
Other Debtors	961	287	288	289	290	530
Trade Creditors	-13,219	-172	-332	-2,116	-6,089	-33,064
Other Creditors <1yr	-30,399	-643	-642	-641	-640	-332
Creditors >1yr	0	0	0	0	0	0
Provisions	0	0	0	0	0	0
Pension	0	0	0	0	0	0
Capital Employed	271,802	338,988	398,224	519,356	521,910	537,952
Cash etc	29,666	72,648	7,570	96,314	24,753	8,252
Borrowing <1yr	0	0	0	0	0	0
Borrowing >1yr	25,075	150,908	194,790	363,325	363,325	413,325
Net Borrowing	-4,591	78,260	187,220	267,011	338,572	405,072
Share Capital	795	809	809	809	809	809
Share Premium	299,217	324,278	324,278	324,278	324,278	324,278
	-	-	-	-	-	-
Retained Earnings	135,025	175,765	225,490	302,121	371,129	421,588
Other	111,406	111,406	111,406	111,406	111,406	111,406
Minority interest	0	0	0	117,974	117,974	117,974
Capital Employed	271,802	338,988	398,224	519,356	521,910	537,952
Net Assets	276,393	260,728	211,003	252,346	183,339	132,880
Total Equity	276,393	260,728	211,003	252,346	183,339	132,880

Source: Company data, Longspur Research estimates

KEY POINTS

- Working capital normalises in H2 19 as Afarak units delivered
- Working capital grows from FY 21 with Glencore units
- Borrowing increases in FY 19 with convertible issues and green loans
- Glencore project debt assumed by end FY 20
- Further green loan assumed in FY 23
- Minority interest (Glencore project) from FY 21

Cashflow

SEK '000, DEC	2018a	2019e	2020e	2021e	2022e	2023e
Operating profit	-14,924	-31,175	-31,096	-47,140	-24,082	-1,454
Depreciation	313	857	1,313	5,288	5,288	5,288
Provisions	0	0	0	0	0	0
Other	-4,113	105	105	105	105	105
Working capital	7,681	-6,152	-243	-3,736	-7,947	-21,435
Operating cash flow	-11,043	-36,365	-29,921	-45,483	-26,636	-17,496
Tax paid	0	0	0	0	0	0
Capex (less disposals)	-3,404	-16,806	-14,090	-122,790	0	0
Investments	-57,427	-45,191	-46,321	0	0	0
Net interest	0	-9,565	-18,628	88,482	-44,925	-49,005
Net dividends	0	0	0	0	0	0
Residual cash flow	-71,874	-107,927	-108,960	-79,790	-71,561	-66,501
Equity issued	0	25,075	0	0	0	0
Change in net borrowing	71,658	82,851	108,960	79,790	71,561	66,501
Adjustments	216	1	0	0	0	0
Total financing	71,874	107,927	108,960	79,790	71,561	66,501

Source: Company data, Longspur Research estimates

KEY POINTS

- FY 20 sees working capital minimum point with outflows thereafter
- Project capex on Afarak and Glencore dominates until FY 21
- Investments represent own work capitalised
- SEK 25m convertible assumed converted in November 2019

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