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Price (SEK)	21.3
Shares in issue (m)	97
Mkt Cap (SEKm)	2,070
Net debt (SEKm)	83
EV (SEKm)	2,152
BVPS (SEK)	2.7

#### Share price performance

1m	15.9%
3m	40.9%
12m	138.8%
12 m high/low	29.9/5.1
Ave daily vol (3m)	602,244

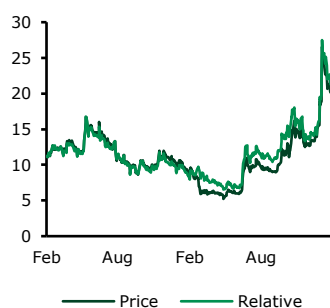
#### Shareholders

Sven Sahle	33.5%
AC Cleantech	15.9%
East Guardian Asset	12.0%
Miura Holding Ltd	10.0%
Gunnar Larsson	2.4%
Avanza Bank Ab	1.6%
Nordnet Ab	1.6%
Ulf Gundemark	0.6%
Erik Wigertz	0.6%
Patrik Nordenhed	0.5%
Total for top 10	78.6%
Free float	36.2%

Next news Q1s Q2

#### Business description

Waste to energy for the metals industry



## FULL YEAR RESULTS REFLECT PROGRESS

The full year results from Swedish Stirling show underlying operating losses reduced on last year and ahead of our forecasts. The company is building up towards full commercial roll out in South Africa with its PWR BLOK 3 waste gas to energy units expected to start serial production by the end of the current year. With key developments in the industry background in South Africa, we see 2021 as continuing the progress made in 2020.

### Moving towards commercial sales

Progress during 2020 has left Swedish Stirling in a strong position as it moves towards commercial sales. The company now has declarations of intent for 241 PWR BLOK energy units. The key priority for the company in the coming year will be to move these to full contracts. In this regard customer interest remains as strong as ever. Key client Glencore has now specifically spoken of the PWR BLOK in its commitment to become globally carbon neutral by 2050.

### Market opportunities remain strong

The South African ferroalloy market remains key for the company and the opportunity has been strengthened by the introduction of an export tax on chrome ore and the proposed increase in the level of self generation allowed without a licence from 1MW to 50MW. Despite the restrictions of COVID 19, new head of sales, Dennis Andersson has been able to visit South Africa and is in continuous discussions towards finalising terms. Beyond South Africa, the company has used the result statement to signal that it has had early discussions to identify opportunities in Europe.

### Numbers reflect progress to commercialisation

Swedish Stirling's full year results continue to reflect a company on the cusp of growth but with most of the numbers representing a period of preparation ahead of moving into full commerciality. Underlying operating losses fell to SEK -23.0m from SEK -24.8m as the company kept control on operating costs while at the same time preparing the company for production of the PWR BLOK 3 later this year. This principally saw external expenses and raw material costs kept flat with personnel costs rising to meet the planned production roll out. This means that the PWR BLOK 3 will be able to go into production towards the end of the current year. The operating loss was well ahead of our forecast of SEK -30.7m. Much of this is due to a higher own work capitalised figure which again reflects the build up of capability ahead of the move to full commercialisation.

SEK,000Dec	2019a	2020a	2021e	2022e	2023e	2024e
Sales	629	370	748	18,129	282,756	682,215
EBITDA	-22,962	-20,257	-76,527	-66,642	-10,162	138,269
PBT	-36,055	-71,440	-139,844	-144,704	-89,581	57,644
EPS	-0.5	-0.8	-1.4	-1.5	-1.0	0.6
CFPS	-1.7	0.1	-3.1	-0.8	-0.6	0.8
DPS	0.0	0.0	0.0	0.0	0.0	0.0
Net Debt (Cash)	82,721	58,720	169,390	287,381	392,220	375,140
Debt/EBITDA	-3.6	-2.9	-2.2	-4.3	-38.6	2.7
P/E	-46.4	-26.8	-15.1	-14.2	-21.9	33.9
EV/EBITDA	-93.7	-105.1	-27.8	-31.9	-209.4	15.4
EV/sales	3421.7	5752.0	2844.1	117.4	7.5	3.1
FCF yield	-7.9%	0.6%	-14.8%	-3.7%	-2.6%	3.7%
Div yield	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

## FORECAST CHANGES

We had held operating costs down in line with the company's COVID 19 statement in April 2020. However now that the company has secured stronger funding it does not have to hold back on development and we are raising our operating costs assumptions for FY 21 and FY 22. While we have not reflected any higher resulting sales growth in our forecasts at present, we see this expenditure as de-risking the growth we expect from FY 22 onwards.

### Forecast changes

	2021		2022		2023	
	Old	Revised	Old	Revised	Old	Revised
Turnover	748	748	18,129	18,129	282,756	282,756
PBT	-129,162	-139,844	-139,333	-144,704	-83,748	-89,581
EPS	-1.30	-1.41	-1.44	-1.49	-0.91	-0.97

Source: Longspur Research

## VALUATION

Small changes in cashflow and revalorisation of the valuation period result in a small uplift to our DCF derived base case valuation which rises to SEK21 from SEK19. However if any progress can be made in Europe we would increase our assumption of sales outside South Africa which would increase our valuation to SEK 27.

## RISKS

The key risk remains the ability to cement progress with commercial contracts. There is clear progress in that direction, mitigating this risk, but until these are signed the risk remains. The wider industry risk in South Africa is partly mitigated by the ore tax and the potential widening of self-generation restrictions. Finance risk has reduced during the period with the successful raising of SEK 67m of new equity in December.

## FINANCIAL MODEL

### Profit and Loss Account

SEK '000, DEC	2019a	2020a	2021e	2022e	2023e	2024e
<b>Turnover</b>						
PWR BLOK sales	0	0	0	0	246,683	644,914
Project income	0	0	748	18,129	36,072	37,301
Own work capitalised	44,540	53,025	0	0	0	0
Other	629	370	0	0	0	0
<b>Total</b>	<b>45,169</b>	<b>53,395</b>	<b>748</b>	<b>18,129</b>	<b>282,756</b>	<b>682,215</b>
<b>Operating profit</b>						
PWR BLOK sales	-24,788	-22,951	-84,862	-92,357	-53,821	93,381
Project income	0	0	-16,730	650	18,594	19,823
Own work capitalised	0	0	0	0	0	0
Other	0	0	0	0	0	0
<b>Operating profit</b>	<b>-24,788</b>	<b>-22,951</b>	<b>-101,592</b>	<b>-91,707</b>	<b>-35,227</b>	<b>113,204</b>
<b>P&amp;L Account</b>						
Turnover	629	370	748	18,129	282,756	682,215
Operating Profit	-24,788	-22,951	-101,592	-91,707	-35,227	113,204
Investment income	0	0	0	0	0	0
Net Interest	-11,267	-48,489	-38,252	-52,997	-54,354	-55,559
Pre Tax Profit (UKSIP)	-36,055	-71,440	-139,844	-144,704	-89,581	57,644
Goodwill amortisation	0	0	0	0	0	0
Exceptional Items	-90,351	0	0	0	0	0
Pre Tax Profit (FRS3)	-126,406	-71,440	-139,844	-144,704	-89,581	57,644
Tax	-620	-1,437	0	0	0	0
Post tax exceptionals	0	0	0	0	0	0
Minorities	0	0	10,071	7,363	505	35
Net Profit	-127,026	-72,877	-129,773	-137,341	-89,076	57,679
Dividend	0	0	0	0	0	0
Retained	-127,026	-72,877	-129,773	-137,341	-89,076	57,679
EBITDA	-22,962	-20,257	-76,527	-66,642	-10,162	138,269
EPS (c) (UKSIP)	-0.46	-0.79	-1.41	-1.49	-0.97	0.63
EPS (c) (FRS3)	-1.59	-0.79	-1.41	-1.49	-0.97	0.63
FCFPS (c)	-1.67	0.12	-3.14	-0.79	-0.55	0.79
Dividend (c)	0.00	0.00	0.00	0.00	0.00	0.00

Source: Company data, Longspur Research estimates

### KEY POINTS

- FY 21 sees first revenue from generation 3 unit sales
- FY 22 sees initial electricity sales to Glencore growing in FY 23
- From FY 23 outright equipment sales start to grow and company moves into profitability at EBITDA level
- Operating costs increase in FY 21 to meet growth
- Interest rises with green loans

## Balance Sheet

SEK '000, DEC	2019a	2020a	2021e	2022e	2023e	2024e
Fixed Asset Cost	17,117	20,813	235,090	235,090	235,090	235,090
Fixed Asset Depreciation	-8,876	-11,570	-36,635	-61,700	-86,765	111,830
Net Fixed Assets	8,242	9,244	198,455	173,390	148,325	123,260
Goodwill	0	0	0	0	0	0
Other intangibles	245,086	342,769	342,769	342,769	342,769	342,769
Investments	0	0	0	0	0	0
Stock	52,330	17,718	246	5,960	46,480	112,145
Trade Debtors	3,761	2,006	123	2,980	46,480	112,145
Other Debtors	102	81	81	81	81	81
Trade Creditors	-2,252	-5,498	-123	-2,980	-46,480	112,145
Other Creditors <1yr	-8,198	-12,181	-641	-640	-332	-332
Creditors >1yr	-752	-2,194	-2,194	-2,194	-2,194	-2,194
Provisions	0	0	0	0	0	0
Pension	0	0	0	0	0	0
Capital Employed	298,319	351,945	538,716	519,366	535,129	575,729
Cash etc	36,862	141,631	323,835	205,844	101,005	118,085
Borrowing <1yr	1,061	1,231	0	0	0	0
Borrowing >1yr	118,522	199,120	493,225	493,225	493,225	493,225
Net Borrowing	82,721	58,720	169,390	287,381	392,220	375,140
Share Capital	851	971	971	971	971	971
Share Premium	323,737	431,583	431,583	431,583	431,583	431,583
Retained Earnings	109,022	139,306	269,079	406,419	495,495	437,816
Other	32	-23	-23	-23	-23	-23
Minority interest	0	0	205,874	205,874	205,874	205,874
Capital Employed	298,319	351,945	538,716	519,366	535,129	575,729
Net Assets	215,598	293,225	369,326	231,985	142,909	200,589
Total Equity	215,598	293,225	369,326	231,985	142,909	200,589

Source: Company data, Longspur Research estimates

## KEY POINTS

- Working capital normalises in FY 22 as units delivered
- Working capital grows from FY 23 with Glencore units
- Borrowing increases in FY 21 with convertible issues and green loans
- Minority interest (Glencore project) from FY 21

## Cashflow

SEK '000, DEC	2019a	2020a	2021e	2022e	2023e	2024e
Operating profit	-24,788	-22,951	-101,592	-91,707	-35,227	113,204
Depreciation	1,825	2,694	25,065	25,065	25,065	25,065
Provisions	0	0	0	0	0	0
Other	-11,267	-17,506	0	0	0	0
Working capital	-52,514	-7,333	3,877	-5,715	-40,828	-65,665
Operating cash flow	-86,744	-45,096	-72,650	-72,357	-50,991	72,604
Tax paid	0	-620	-1,437	0	0	0
Capex (less disposals)	-1,351	3,491	-214,277	0	0	0
Investments	-45,796	53,155	0	0	0	0
Net interest	-11,267	-48,489	177,693	-45,634	-53,849	-55,524
Net dividends	0	0	0	0	0	0
Residual cash flow	-145,158	-37,559	-110,671	-117,991	-104,839	17,080
Equity issued	0	106,927	0	0	0	0
Change in net borrowing	88,437	-24,001	110,670	117,991	104,839	-17,080
Adjustments	56,721	-45,367	0	0	0	0
Total financing	145,158	37,559	110,670	117,991	104,839	-17,080

Source: Company data, Longspur Research estimates

## KEY POINTS

- FY 21 sees working capital minimum point with outflows thereafter
- Project capex on Afarak and Glencore dominates until FY 21
- Investments represent own work capitalised

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