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Price (SEK)	20.3
Shares in issue (m)	112
Mkt Cap (SEKm)	2,268
Net debt (SEKm)	83
EV (SEKm)	2,351
BVPS (SEK)	2.7

Share price performance

1m	-4.5%
3m	60.0%
12m	237.5%
12 m high/low	29.9/5.1
Ave daily vol (3m)	314,501

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



MOU WIDENS OPPORTUNITY

The MoU with SMS Group represents a major opportunity for Swedish Stirling to expand its offering geographically and into other areas of the ferroalloy industry. SMS is one of the world's major providers of submerged arc furnaces. While the initial pilot will target a single PWR BLOK unit in Spain, the longer term potential is significant in our view. Our base case valuation of SEK 21 assumed an eventual 20% of the addressable ferroalloy market. Given the strength of the partnership now announced we increase this to 25% raising our base case valuation to SEK 27.

MoU with SMS group in European ferro alloy industry

Swedish Stirling has announced a memorandum of understanding with SMS group GmbH to use PWR BLOK energy recovery technology for projects in the ferro alloy industry across Europe. This represents a broadening of geography for the company and a widening from ferro chrome to the wider ferro alloy market. The original targeted South African ferro chrome market with production at 3.6 mt had a market potential of 550 PWR BLOK units. The global ferro alloy market with production at 63.1mt represents an opportunity for 6,500 PWR BLOK units. This could be worth c.€3bn.

SMS group represents an important route to market

The family owned SMS group supplies plant and associated technologies to the metals industry with submerged arc furnaces to the ferro alloy industries including ferro nickel, ferro chrome and ferro manganese. As a supplier of equipment, the SMS group relationship allows Swedish Stirling to offer the PWR BLOK as a built-in emissions solution on all new plant. The deal therefore brings a strong competitive advantage to SMS and provides Swedish Stirling with a strong route to a larger market. The initial focus of the co-operation between the companies will be on the Spanish market with both parties targeting a pilot project using a PWR BLOK 400-F.

Our base case valuation rises to SEK 27

We always assumed that Swedish Stirling would eventually find sales beyond its initial target market in South African ferrochrome. With PWR BLOK technology being the only viable solution to capture the highly variable waste gases produced by electric arc furnaces we have expected share of any market to be high. Our base case valuation assumes an eventual move into the wider ferro alloys market globally with a 20% target market share. We are not assuming any acceleration of this on yesterday's news but, given the strength of the partner, we think we can assume a slightly higher market share. Taking this to 25% brings our base case valuation to SEK 27 from SEK 21.

£,000 Dec	2019a	2020a	2021e	2022e	2023e	2024e
Sales	629	370	748	18,129	282,756	737,398
EBITDA	-22,962	-20,257	-76,527	-66,642	-10,162	158,310
PBT	-36,055	-71,440	-139,844	-144,704	-89,581	77,686
EPS	-0.5	-0.8	-1.4	-1.5	-1.0	0.8
CFPS	-1.7	0.1	-3.1	-0.8	-0.6	0.9
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	364,170
Debt/EBITDA	-3.6	-2.9	-2.2	-4.3	-38.6	2.3
P/E	-44.2	-25.5	-14.3	-13.6	-20.9	24.0
EV/EBITDA	-102.4	-114.9	-30.4	-34.9	-229.0	14.7
EV/sales	3737.5	6288.9	3109.6	128.4	8.2	3.2
FCF yield	-8.3%	0.6%	-15.5%	-3.9%	-2.7%	4.5%
Div yield	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

FINANCIAL MODEL

Profit and Loss Account

SEK '000, DEC	2019a	2020a	2021e	2022e	2023e	2024e
Turnover						
PWR BLOK sales	0	0	0	0	246,683	700,097
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
Total	45,169	53,395	748	18,129	282,756	737,398
Operating profit						
PWR BLOK sales	-24,788	-22,951	-84,862	-92,357	-53,821	113,422
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
Operating profit	-24,788	-22,951	-101,592	-91,707	-35,227	133,245
P&L Account						
Turnover	629	370	748	18,129	282,756	737,398
Operating Profit	-24,788	-22,951	-101,592	-91,707	-35,227	133,245
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	77,686
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	77,686
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	77,721
Dividend	0	0	0	0	0	0
Retained	-127,026	-72,877	-129,773	-137,341	-89,076	77,721
EBITDA	-22,962	-20,257	-76,527	-66,642	-10,162	158,310
EPS (c) (UKSIP)	-0.46	-0.79	-1.41	-1.49	-0.97	0.85
EPS (c) (FRS3)	-1.59	-0.79	-1.41	-1.49	-0.97	0.85
FCFPS (c)	-1.67	0.12	-3.14	-0.79	-0.55	0.91
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
- FY 24 sees first sales outside South Africa
- 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	121,216
Trade Debtors	3,761	2,006	123	2,980	46,480	121,216
Other Debtors	102	81	81	81	81	81
						-
Trade Creditors	-2,252	-5,498	-123	-2,980	-46,480	121,216
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	584,800
Cash etc	36,862	141,631	323,835	205,844	101,005	129,055
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	364,170
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	417,774
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	584,800
Net Assets	215,598	293,225	369,326	231,985	142,909	220,630
Total Equity	215,598	293,225	369,326	231,985	142,909	220,630

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	133,245
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	-74,736
Operating cash flow	-86,744	-45,096	-72,650	-72,357	-50,991	83,574
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	28,050
Equity issued	0	106,927	0	0	0	0
Change in net borrowing	88,437	-24,001	110,670	117,991	104,839	-28,050
Adjustments	56,721	-45,367	0	0	0	0
Total financing	145,158	37,559	110,670	117,991	104,839	-28,050

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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