

Swedish Stirling

Another week, another deal

- Letter of intent for the sale of 18 PWR BLOK
- The deal is expected to be valued at SEK 167m
- Recent news flow bringing upside potential to estimates

New customer signs letter of intent for PWR BLOK sales

On 1 July Swedish Stirling announced that it has entered into a letter of intent (LOI) with Richards Bay Alloys (RBA) for the delivery of 18 PWR BLOK. RBA is in the later stage of securing financing for the recommissioning of its two closed furnaces. RBA considers Swedish Stirling's PWR BLOK solution a major part in modernising the facility to reduce costs and the company's CO₂ emissions. The expected CO₂ reduction is 63,000 tonnes per year and would offset the company's carbon taxation. This once again provides conviction regarding the PWR BLOK's value proposition to the ferrochrome market.

Pricing above our previous expectations

There are two important factors related to this LOI: 1) RBA has already at this early stage made it clear that it intends to buy and own the PWR BLOK, which is key for Swedish Stirling; 2) The 18 PWR BLOK deal is expected to provide revenues of USD 18m or SEK 167m. The expected deal size indicates a price of around SEK 9m per unit which is well above our previous estimate at around SEK 5m. This is an important aspect as Swedish Stirling has previously mentioned its ambition to raise prices. We estimate break-even at such pricing levels is somewhere around 5-6 PWR BLOK units. It is also worth noting that our previous PWR BLOK market estimates for South African ferrochrome at around SEK 3bn is based on the old pricing.

Positive news flow

Last week on 1 July, the company announced another deal with existing customer Samancor for the potential installation of 135 PWR BLOK (see our comment from last week). This coupled with today's news gives us increased confidence in Swedish Stirling's ability to grow this newly created market. We note that our estimates do not incorporate these two announcements.

Fast comment

Company-sponsored research: Not rated

Share price (SEK)	07/07/2020	9.5
Capital Goods, Sweden		
STRLNG.NGM/STRLNG:SS		
MCap (SEKm)		775
MCap (EURm)		74.3
Net debt (EURm)		13
No. of shares (m)		81.6
Free float (%)		100.0
Av. daily volume (k)		0

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Lead analyst: Olof Cederholm
Oskar Vikström

SEKm	2018	2019	2020e	2021e	2022e
Sales	58	45	59	26	86
<i>Sales growth (%)</i>	71.4	-22.6	30.1	-56.3	234.1
EBITDA	-15	-99	-18	-38	-38
<i>EBITDA margin (%)</i>	-24.9	-219.4	-31.3	-147.6	-44.1
EBIT adj	-15	-101	-21	-40	-40
<i>EBIT adj margin (%)</i>	-25.6	-223.5	-35.2	-156.7	-47.2
Pretax profit	-19	-126	-46	-60	-74
EPS rep	-0.23	-1.56	-0.51	-0.65	-0.81
<i>EPS growth (%)</i>	-245.6	-563.6	67.5	-28.5	-24.7
EPS adj	-0.23	-1.56	-0.51	-0.65	-0.81
DPS	0	0	0	0	0
EV/EBITDA (x)	-55.7	-9.6	-54.8	-27.4	-29.8
EV/EBIT adj (x)	-54.1	-9.4	-48.7	-25.8	-27.9
P/E (x)	-42.6	-6.8	-18.7	-14.6	-11.7
P/E adj (x)	-42.6	-6.8	-18.7	-14.6	-11.7
EV/sales (x)	13.8	21.1	17.1	40.4	13.2
<i>FCF yield (%)</i>	-8.7	-15.5	-10.7	-5.8	-9.5
<i>Dividend yield (%)</i>	0	0	0	0	0
Net IB debt/EBITDA	-0.9	-0.9	-7.3	-4.4	-6.8
<i>Lease adj. FCF yld (%)</i>	-8.7	-15.5	-10.7	-5.8	-9.5
Lease adj. ND/EBITDA	-0.9	-0.9	-7.3	-4.4	-6.8

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ABGSC Research Department

Joint Global Head of Research

John Olaisen +47 22 01 61 87
 Christer Linde +46 8 566 286 90

Strategy

Christer Linde, Quant/Technical +46 8 566 286 90
 Derek Laliberte +46 8 566 286 78
 Bengt Jonassen +47 22 01 60 98

Capital Goods

Anders Idborg +46 8 566 286 74
 Olof Cederholm +46 8 566 286 22
 Karl Bokvist +46 8 566 286 33
 Oskar Vikström +46 8 566 286 63

Chemicals

Martin Melbye +47 22 01 61 37
 Bengt Jonassen +47 22 01 60 98
 Petter Nyström +47 22 01 61 35

Construction & Real Estate

Tobias Kaj +46 8 566 286 21
 Bengt Jonassen +47 22 01 60 98
 Daniel Vårdal Haugland +47 22 01 61 75
 Staffan Bülow +46 8 566 286 39
 Laurits Louis Kjaergaard +45 35 46 30 12

Consumer Goods

Petter Nyström +47 22 01 61 35
 Fredrik Ivarsson +46 8 566 286 95

Credit Research

Rikard Magnus Braaten +47 22 01 60 86
 Andreas Johannessen +47 22 01 60 31
 Haakon Amundsen +47 22 01 60 25
 Glenn Kringhaug +47 22 01 61 62
 Karl Fredrik Schjøtt-Pedersen +47 22 01 61 65
 Ludvig Kapanen +46 8 566 286 91

Financials

Magnus Andersson +46 8 566 294 69
 Mads Thinggaard +45 35 46 30 18
 Patrik Brattelius +46 8 566 286 64
 Jan Erik Gjerland +47 22 01 61 16
 Jonas Bru Lien +47 22 01 61 71

Food & Beverages

Fredrik Ivarsson +46 8 566 286 95
 Petter Nyström +47 22 01 61 35

Healthcare

Rickard Anderkrans +46 8 566 286 73
 Viktor Sundberg +46 8 566 286 41
 Victor Forssell +46 8 566 286 92
 Jannick Lindegaard Denholt +45 35 46 30 13
 Benjamin Silverstone +45 35 46 30 11

Investment Companies

Derek Laliberte +46 8 566 286 78

IT

Aksel Øverland Engebakken +47 22 01 61 11
 Daniel Thorsson +46 8 566 286 82
 Simon Granath +46 8 566 286 32
 Jesper Birch-Jensen +46 8 566 286 13

Media

Aksel Øverland Engebakken +47 22 01 61 11
 Derek Laliberte +46 8 566 286 78

Metals & Mining

Martin Melbye +47 22 01 61 37
 Bengt Jonassen +47 22 01 60 98

Oil & Gas

John Olaisen +47 22 01 61 87
 Karl Fredrik Schjøtt-Pedersen +47 22 01 61 65
 Eirik Thune Øritsland +47 22 01 61 40

Oil Service

John Olaisen +47 22 01 61 87
 Haakon Amundsen +47 22 01 60 25
 Lukas Daul +47 22 01 61 39
 Karl Fredrik Schjøtt-Pedersen +47 22 01 61 65
 Eirik Thune Øritsland +47 22 01 61 40

Online Gaming

Aksel Øverland Engebakken +47 22 01 61 11
 Erik Moberg +46 8 566 286 87
 Stefan Knutsson +46 8 566 286 37
 Jesper Birch-Jensen +46 8 566 286 13

Pulp & Paper

Martin Melbye +47 22 01 61 37
 Øystein Elton Lodgaard +47 22 01 60 26

Renewable Energy

Casper Blom +45 35 46 30 15
 Petter Nyström +47 22 01 61 35

Retail

Fredrik Ivarsson +46 8 566 286 95
 Johan Brown +46 8 566 286 51
 Petter Nyström +47 22 01 61 35

Seafood

Martin Kaland +47 22 01 60 67

Services

Victor Forssell +46 8 566 286 92
 Stefan Knutsson +46 8 566 286 37

Shipping & Transport

Dennis Anghelopoulos +47 22 01 60 37
 Casper Blom +45 35 46 30 15
 Lukas Daul +47 22 01 61 39

Telecom Operators + Telecom equipment

Peter Kurt Nielsen +44 207 905 5631

Utilities

Petter Nyström +47 22 01 61 35
 Oskar Vikström +46 8 566 286 63

Small Caps/Others

Daniel Thorsson +46 8 566 286 82
 Laurits Louis Kjaergaard +45 35 46 30 12
 Edvard Hagman +45 35 46 30 31

Norway
 Pb. 1444 Vika
 NO-0115 OSLO
 Norway
 Tel: +47 22 01 60 00
 Fax: +47 22 01 60 60

Sweden
 Regeringsgatan 25, 8th floor
 SE-111 53 STOCKHOLM
 Sweden
 Tel: +46 8 566 286 00
 Fax: +46 8 566 286 01

Denmark
 Forbindelsesvej 12,
 DK-2100 COPENHAGEN
 Denmark
 Tel: +45 35 46 61 00
 Fax: +45 35 46 61 10

United Kingdom
 10 Paternoster Row, 5th fl
 LONDON EC4M 7EJ
 UK
 Tel: +44 20 7905 5600
 Fax: +44 20 7905 5601

USA
 850 Third Avenue, Suite 9-C
 NEW YORK, NY 10022
 USA
 Tel: +1 212 605 3800
 Fax: +1 212 605 3801

Germany
 Schillerstrasse 2, 5. OG
 DE-60313 FRANKFURT
 Germany
 Tel +49 69 96 86 96 0
 Fax +49 69 96 86 96 99

Singapore
 10 Collyer Quay
 Ocean Financial Center
 #40-07, Singapore 049315
 Tel +65 6808 6082