

Swedish Stirling

Prudent measures during uncertain times

- Taking action to prepare for long-term headwinds
- Cost savings and cash to support the business into '22e
- Measures taken expected to delay deliveries by 6 months

Preventative actions causing delays but bring cost savings

In the light of the ongoing Covid-19 outbreak and subsequent macro-economic uncertainties, Swedish Stirling has announced an action plan to ensure the stability in the business during a potential long-term crisis. The plan revolves around re-priorities and delays of already contracted projects, of which 3 key initiatives are decided: 1) the ongoing energy project with Afarak Mogale will be terminated, and staff at the site will be transferred to the new pilot project with Samancor; 2) renegotiations with consultants & suppliers is done immediately and development of PWR BLOK 3.0 is delayed up to 6 months; 3) the planned listing on Nasdaq Main Market will be delayed for now and can be revisited every 6 months. The plan is expected to provide saving of SEK 1m per month.

Sufficient cash until 2022, even without any revenues

Following the share issue of SEK 47m and convertible bond issue of SEK 100m in early March '20, Swedish Stirling has solid financial ground to stand on. Coupled with the above-mentioned cost savings, the company maintains that it currently has ample cash to last into '22e, even in a scenario where it does not receive any revenue or advance payments. It is worth noting that the cost savings are done in a way that does not put the ongoing business in harm's way and Swedish Stirling is in a position where it can quickly return to the initial plan if the business environment improves sooner than expected.

Expected deliveries delayed by 6 months

While the first PWR BLOK unit has been delivered to the TC Smelter (Samancor), Swedish Stirling projects that the ongoing situation will put a delay of 6 months for remaining units. CEO Gunnar Larsson will hold a presentation for investors with regards to the action plan on 3 April '20 at 12:30 CET, where we expect to obtain more information. The estimated delay would cause us to review our estimates but the net change should be close to zero.

Fast comment

Company-sponsored research: Not rated

Share price (SEK)	01/04/2020	6.4
Capital Goods, Sweden		
STRLNG.NGM/STRLNG:SS		
MCap (SEKm)		507
MCap (EURm)		46.3
Net debt (EURm)		17
No. of shares (m)		79.5
Free float (%)		100.0
Av. daily volume (k)		0

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SEKm	2018	2019	2020e	2021e	2022e
Sales	58	45	68	62	76
<i>Sales growth (%)</i>	71.4	-22.6	50.2	-8.5	22.4
EBITDA	-15	-99	-25	-51	-50
<i>EBITDA margin (%)</i>	-24.9	-219.4	-36.4	-81.7	-65.8
EBIT adj	-15	-101	-27	-53	-53
<i>EBIT adj margin (%)</i>	-25.6	-223.5	-39.4	-85.3	-69.2
Pretax profit	-19	-126	-40	-71	-86
EPS rep	-0.24	-1.60	-0.50	-0.90	-1.08
<i>EPS growth (%)</i>	-245.6	-563.6	68.5	-78.2	-20.4
EPS adj	-0.24	-1.60	-0.50	-0.90	-1.08
DPS	0	0	0	0	0
EV/EBITDA (x)	-55.7	-9.4	-28.0	-14.8	-16.5
EV/EBIT adj (x)	-54.1	-9.2	-25.9	-14.2	-15.7
P/E (x)	-41.5	-6.6	-12.7	-7.1	-5.9
P/E adj (x)	-41.5	-6.6	-12.7	-7.1	-5.9
EV/sales (x)	13.8	20.6	10.2	12.1	10.9
<i>FCF yield (%)</i>	-9.0	-15.9	-17.5	-12.7	-14.4
<i>Dividend yield (%)</i>	0	0	0	0	0
Net IB debt/EBITDA	-0.9	-0.9	-7.4	-4.8	-6.4
<i>Lease adj. FCF yld (%)</i>	-9.0	-15.9	-17.5	-12.7	-14.4
Lease adj. ND/EBITDA	-0.9	-0.9	-7.4	-4.8	-6.4

Analyst certification

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