

Swedish Stirling

PWR BLOK outlook looking even brighter

- MoU with Samancor for a potential 135 PWR BLOKs
- Could provide SEK 700m in sales given current pricing
- Estimate gross margin of ~40% at 129 PWR BLOKs

Memorandum of Understanding for 135 PWR BLOKs

Swedish Stirling announced on 1 July that it has entered into a Memorandum of Understanding (MoU) in relation to the potential installation of 135 PWR BLOKs at three Samancor smelters located in Mooinooi, Emalahleni and Burgersfort in South Africa. We have previously updated on Swedish Stirling's ongoing deal with Samancor at its TC Smelter, where one PWR BLOK is currently being installed as a pilot facility. We anticipated that the TC Smelter facility could provide further business with Samancor but did not expect it to occur before the first PWR BLOK had been put through its paces. The MoU proves Samancor's confidence in the product and its continuous work to find a way to reduce its energy costs. As one of South Africa's two largest ferrochrome producers is putting its faith in the PWR BLOK, the global ferroalloy market is likely to take notice.

A step closer towards direct sales and profitability

Details surrounding the deal are to be announced at a later date, but given the size and Samancor's apparent interest in the PWR BLOK it is not unlikely that this deal could be the starting point for outright PWR BLOK sales (as opposed to the current conversion service). The pricing of one PWR BLOK is currently around EUR 500k, meaning the potential 135 unit deal could provide sales of ~SEK 700m, providing ample upside potential to estimates, which are currently for 59 units until 2023. Swedish Stirling estimates a breakeven point at 24 units and a GM of ~40% at ~128 units.

New hire with clear focus on global sales and marketing

Last week the company also announced a new role, Global Head of Sales and Marketing. This role has been lacking in our opinion and will be an integral part in developing sales and business strategies going forward, especially as the company is targeting new geographies such as Malaysia, which was announced in conjunction with the Q1 report.

Fast comment

Company-sponsored research: Not rated

Share price (SEK)	30/06/2020	6.5
Capital Goods, Sweden		
STRLNG.NGM/STRLNG:SS		
MCap (SEKm)		529
MCap (EURm)		50.5
Net debt (EURm)		13
No. of shares (m)		81.6
Free float (%)		100.0
Av. daily volume (k)		0

Please refer to important disclosures at the end of this report

This research product is commissioned and paid for by the company covered in this report. As such, this report is deemed to constitute an acceptable minor non-monetary benefit (i.e. not investment research) as defined in MiFID II.

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	-39.7	-20.0	-22.5
EV/EBIT adj (x)	-54.1	-9.4	-35.3	-18.9	-21.0
P/E (x)	-42.6	-6.8	-12.8	-10.0	-8.0
P/E adj (x)	-42.6	-6.8	-12.8	-10.0	-8.0
EV/sales (x)	13.8	21.1	12.4	29.6	9.9
<i>FCF yield (%)</i>	-8.7	-15.5	-15.6	-8.5	-14.0
<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	-15.6	-8.5	-14.0
Lease adj. ND/EBITDA	-0.9	-0.9	-7.3	-4.4	-6.8

Analyst certification

I/We, Olof Cederholm, Oskar Vikströme author(s) of this report, certify that notwithstanding the existence of any such potential conflicts of interests referred to below, the views expressed in this report accurately reflect my/our personal view about the companies and securities covered in this report.

Analyst valuation methods

ABG Sundal Collier analysts may publish valuation ranges for stocks covered under Company Sponsored Research. These valuation ranges rely on various valuation methods. One of the most frequently used methods is the valuation of a company by calculation of that company's discounted cash flow (DCF). Another valuation method is the analysis of a company's return on capital employed relative to its cost of capital. Finally, the analysts may analyse various valuation multiples (e.g. the P/E multiples and the EV/EBITDA multiples) relative to global industry peers. In special cases, particularly for property companies and investment companies, the ratio of price to net asset value is considered. Valuation ranges may be changed when earnings and cash flow forecasts are changed. They may also be changed when the underlying value of a company's assets changes (in the cases of investment companies, property companies or insurance companies) or when factors impacting the required rate of return change.

Important Company Specific Disclosure

The following disclosures relate to the relationship between ABG Sundal Collier and its affiliates and the companies covered by ABG Sundal Collier referred to in this research report.

Unless disclosed in this section, ABG Sundal Collier has no required regulatory disclosures to make in relation to an ownership position for the analyst(s) and members of the analyst's household, ownership by ABG Sundal Collier, ownership in ABG Sundal Collier by the company(ies) to whom the report(s) refer(s) to, market making, managed or co-managed public offerings, compensation for provision of certain services, directorship of the analyst, or a member of the analyst's household, or in relation to any contractual obligations to the issuance of this research report.

ABG Sundal Collier has managed or co-managed a public or Rule 144A offering for Swedish Stirling in the last 12 months.

Within the last 12 months, ABG Sundal Collier has received compensation for Corporate Finance services from Swedish Stirling.

ABG Sundal Collier is not aware of any other actual, material conflicts of interest of the analyst or ABG Sundal Collier of which the analyst knows or has reason to know at the time of the publication of this report.

All prices are as of market close on 30 June, 2020 unless otherwise noted.

Disclaimer

This document has been prepared by ABG Sundal Collier which is the marketing name referring to all or any of ABG Sundal Collier ASA, ABG Sundal Collier AB or ABG Sundal Collier Limited and any of their affiliated or associated companies and their directors, officers, representatives and employees.

This research product is commissioned and paid for by the company covered in this report. As such, this report is deemed to constitute an acceptable minor non-monetary benefit (i.e. not investment research) as defined in MiFID II.

This research product has not been prepared in accordance with legal requirements designed to promote the independence of investment research and is not subject to any prohibition on dealing ahead of the dissemination.

This report is provided solely for the information and use of professional investors, who are expected to make their own investment decisions without undue reliance on this report. The information contained herein does not apply to, and should not be relied upon by, retail clients. This report is for distribution only under such circumstances as may be permitted by applicable law. Research reports prepared by ABG Sundal Collier are for information purposes only. ABG Sundal Collier accepts no liability whatsoever for any losses arising from any use of this report or its contents. This report is not to be used or considered as an offer to sell, or a solicitation of an offer to buy. The information herein has been obtained from, and any opinions herein are based upon, sources believed reliable, but ABG Sundal Collier makes no representation as to its accuracy or completeness and it should not be relied upon as such. All opinions and estimates herein reflect the judgment of ABG Sundal Collier on the date of this report and are subject to change without notice. Past performance is not indicative of future results.

This research report does not, and does not attempt to contain everything material that there is to be said about Swedish Stirling.

The compensation of our research analysts is determined exclusively by research management and senior management, but not including investment banking management. Compensation is not based on specific investment banking revenues, however, it is determined from the profitability of the ABG Sundal Collier Group, which includes earnings from investment banking operations and other business. Investors should assume that ABG Sundal Collier is seeking or will seek investment banking or other business relationships with the companies in this report. The research analyst(s) responsible for the preparation of this report may interact with trading desk and sales personnel and other departments for the purpose of gathering, synthesizing and interpreting market information. From time to time, ABG Sundal Collier and its affiliates and any shareholders, directors, officers or employees thereof may (I) have a position in, or otherwise be interested in, any securities directly or indirectly connected to the subject of this report, or (II) perform investment banking or other services for, or solicit investment banking or other services from, a company mentioned in this report. ABG Sundal Collier relies on information barriers to control the flow of information contained in one or more areas of ABG Sundal Collier, into other areas, units, groups or affiliates of ABG Sundal Collier.

Norway: ABG Sundal Collier ASA is regulated by the Financial Supervisory Authority of Norway (Finanstilsynet); Sweden: ABG Sundal Collier AB is regulated by the Swedish Financial Supervisory Authority (Finansinspektionen); UK: This report is a communication made, or approved for communication in the UK, by ABG Sundal Collier Partners LLP, authorised and regulated by the Financial Conduct Authority in the conduct of its business. US: This report is being distributed in the United States in accordance with FINRA Rule 1050(f)(3)(B) by ABG Sundal Collier Inc., a FINRA member which accepts responsibility for its content. Research analysts are not registered/qualified as research analysts with FINRA or the NYSE, and are not associated persons of ABG Sundal Collier Inc. and therefore not subject to FINRA Rule 2241, the research analyst conflict rules. Research reports distributed in the U.S are intended solely for "major institutional investors", as defined under Rule 15a-6 of the Securities Exchange Act of 1934. Each U.S major institutional investor that receives a copy of this research report by its acceptance represents that it agrees it will not distribute this research report to any other person. Any U.S. major institutional investor receiving this report who wishes to effect transactions in any securities referred to herein should contact ABG Sundal Collier Inc., not its affiliates. Further information on the securities referred to herein may be obtained from ABG Sundal Collier Inc., on request.

Swedish Stirling

Singapore: This report is distributed in Singapore by ABG Sundal Collier Pte Ltd, which is not licensed under the Financial Advisers Act (Chapter 110 of Singapore). In Singapore, this report may only be distributed to institutional investors as defined in Section 4A(1)(c) of the Securities and Futures Act (Chapter 289 of Singapore) ("SFA"), and should not be circulated to any other person in Singapore.

This report may not be reproduced, distributed or published by any recipient for any purpose whatsoever without the prior written express permission of ABG Sundal Collier.

Additional information available upon request. If reference is made in this report to other companies and ABG Sundal Collier provides research coverage for those companies details regarding disclosures may be found on our website www.abgsc.com.

© Copyright 2020 ABG Sundal Collier ASA

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
 André Thormann +45 35 46 30 19
 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 90
 Fax +49 69 96 86 96 99

Singapore

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