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Price (SEK)	10.4
Shares in issue (m)	128
Mkt Cap (SEKm)	1,338
Net debt (SEKm)	59
EV (SEKm)	1,397
BVPS (SEK)	3.2

Share price performance

1m	-27.1%
3m	-35.2%
12m	-52.1%
12 m high/low	25.4/9.3
Ave daily vol (3m)	2,745,470

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 EGM 21
Mar 22

Business description

Waste to energy for the metals industry



FULL YEAR RESULTS REFLECT BUILD UP

Swedish Stirling has posted its full year results to 31 December 2021. The company is now building up towards commercialisation and the numbers reflect that with minimal revenue but costs starting to grow ahead of project delivery. With last week's announcement of debt funding for the 25 unit project at Glencore's Lion smelter, we expect to begin to see progress including initial sales in the current year.

Numbers reflect build up ahead of commercial roll out

Revenue for the year was minimal at SEK 379. EBITDA of SEK -25m slightly widened the loss from the previous year as the company adds costs ahead of commercial roll out. This is a much lower EBITDA loss than our forecast SEK -87m reflecting the timing of costs on initial project roll out. We see this as a small timing change having a big impact on a single year. Lower interest costs meant that earnings per share of SEK -0.59 was an improvement against SEK -0.80 in the previous year. Cash and cash equivalents at the year end were SEK 235m, largely reflecting the SEK 225m of new equity raised during the year. The company has announced that it will evaluate a preference share issue of c. SEK130m to fund the production of PWR BLOKs with terms to be disclosed. We have left our headline forecasts broadly unchanged but will review following the potential funding.

Commercial and operational progress

Commercially 2021 has been an important year for Swedish Stirling which has made strong progress. The company has put in place a MoU with leading metals industry supplier SMS group targeting opportunities in the European ferro-alloy industry and the company secured a full agreement with Glencore for 25 PWR BLOK units for its Lion Smelter. Post the period end, the company secured debt financing for this project. Glencore ferroalloys head Japie Fullard recently highlighted the project as part of its sector leading climate change strategy. On the personnel front, Dennis Anderson has moved from deputy CEO to CEO following the retirement of Gunnar Larsson, Dan Hillen has joined as FD, and Christian Nilsson has joined as CTO. Together we see this as a strengthening of the management team as the company moves into its next stage of development. Operationally the company is now moving to start production of the third generation PWR BLOK following from verifying a unit at the TC Smelter. Serial production will begin in the spring at the production line in Sweden.

SEK,000 Dec	2020a	2021a	2022e	2023e	2024e	2025e
Sales	53,395	67,115	18,129	282,756	737,398	1,104,056
EBITDA	-20,257	-24,737	-76,891	-20,668	147,542	326,594
PBT	-71,440	-67,404	-111,257	-55,020	113,109	292,234
EPS	-0.8	-0.6	-0.9	-0.5	1.0	2.2
CFPS	0.0	-1.0	-2.4	-0.5	0.6	2.0
DPS	0.0	0.0	0.0	0.0	0.0	0.0
Net Debt (Cash)	58,720	-151,308	-67,804	2,472	-61,003	-317,589
Debt/EBITDA	-2.9	6.1	0.9	-0.1	-0.4	-1.0
P/E	-13.0	-17.8	-11.9	-22.6	10.9	4.7
EV/EBITDA	-69.0	-48.0	-15.4	-57.4	8.0	3.6
EV/sales	26.2	17.7	65.5	4.2	1.6	1.1
FCF yield	0.4%	-9.9%	-23.3%	-5.0%	5.9%	19.5%
Div yield	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

FINANCIAL MODEL

Profit and Loss Account

SEK'000, DEC	2020a	2021a	2022e	2023e	2024e	2025e
Turnover						
PWR BLOK sales	0	0	0	246,683	700,097	1,065,505
Project income	0	73	18,129	36,072	37,301	38,551
Own work capitalised	53,025	66,736	0	0	0	0
Other	370	306	0	0	0	0
Total	53,395	67,115	18,129	282,756	737,398	1,104,056
Operating profit						
PWR BLOK sales	-22,951	-37,976	-102,608	-64,328	102,652	280,454
Project income	0	73	650	18,594	19,823	21,073
Own work capitalised	0	0	0	0	0	0
Other	0	0	0	0	0	0
Operating profit	-22,951	-37,903	-101,958	-45,735	122,475	301,527
P&L Account						
Turnover	370	379	18,129	282,756	737,398	1,104,056
Operating Profit	-22,951	-37,903	-101,958	-45,735	122,475	301,527
Investment income	0	0	0	0	0	0
Net Interest	-48,489	-29,501	-9,299	-9,285	-9,366	-9,293
Pre Tax Profit (UKSIP)	-71,440	-67,404	-111,257	-55,020	113,109	292,234
Goodwill amortisation	0	0	0	0	0	0
Exceptional Items	0	0	0	0	0	0
Pre Tax Profit (FRS3)	-71,440	-67,404	-111,257	-55,020	113,109	292,234
Tax	-1,437	-1,915	0	0	0	0
Post tax exceptionals	0	0	0	0	0	0
Minorities	0	0	7,363	505	35	-443
Net Profit	-72,877	-69,319	-103,894	-54,515	113,144	291,792
Dividend	0	0	0	0	0	0
Retained	-72,877	-69,319	-103,894	-54,515	113,144	291,792
EBITDA	-20,257	-24,737	-76,891	-20,668	147,542	326,594
EPS (c) (UKSIP)	-0.80	-0.59	-0.88	-0.46	0.95	2.23
EPS (c) (FRS3)	-0.80	-0.59	-0.88	-0.46	0.95	2.23
FCFPS (c)	0.04	-1.04	-2.43	-0.52	0.61	2.03
Dividend (c)	0.00	0.00	0.00	0.00	0.00	0.00

Source: Company data, Longspur Research estimates

KEY POINTS

- FY 22 sees initial electricity sales to Glencore growing in FY 23
- From FY 23 outright equipment sales start to grow
- FY 24 company moves into profitability
- Operating costs increase in FY 22 to meet growth
- Interest dips following equity raise in FY 21

Balance Sheet

SEK'000, DEC	2020a	2021a	2022e	2023e	2024e	2025e
Fixed Asset Cost	16,636	20,002	234,278	234,278	234,278	234,278
Fixed Asset Depreciation	-11,570	-15,019	-30,368	-45,718	-61,068	-76,418
Net Fixed Assets	5,066	4,983	203,910	188,560	173,210	157,860
Goodwill	0	0	0	0	0	0
Other intangibles	343,628	395,445	385,728	376,011	366,294	356,577
Investments	3,356	14,028	14,028	14,028	14,028	14,028
Stock	17,718	27,445	5,960	46,480	121,216	181,489
Trade Debtors	627	600	2,980	46,480	121,216	181,489
Other Debtors	1,423	3,830	3,830	3,830	3,830	3,830
					-	
Trade Creditors	-5,498	-7,557	-2,980	-46,480	121,216	-181,489
Other Creditors <1yr	-12,181	-11,442	-640	-332	-332	-332
Creditors >1yr	-2,194	-4,099	-4,099	-4,099	-4,099	-4,099
Provisions	0	0	0	0	0	0
Pension	0	0	0	0	0	0
Capital Employed	351,945	423,233	608,717	624,478	674,147	709,353
Cash etc	141,631	235,495	150,045	79,769	143,244	399,830
Borrowing <1yr	129,126	1,946	0	0	0	0
Borrowing >1yr	71,225	82,241	82,241	82,241	82,241	82,241
Net Borrowing	58,720	151,308	-67,804	2,472	-61,003	-317,589
Share Capital	971	1,284	1,284	1,284	1,284	1,284
Share Premium	431,583	784,769	784,769	784,769	784,769	784,769
Retained Earnings	139,306	211,509	315,403	369,918	256,773	35,018
Other	-23	-3	-3	-3	-3	-3
Minority interest	0	0	205,874	205,874	205,874	205,874
Capital Employed	351,945	423,233	608,717	624,478	674,147	709,353
						1,026,94
Net Assets	293,225	574,541	676,521	622,006	735,150	2
						1,026,94
Total Equity	293,225	574,541	676,521	622,006	735,150	2

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 22

Cashflow

SEK'000, DEC	2020a	2021a	2022e	2023e	2024e	2025e
Operating profit	-22,951	-37,903	-101,958	-45,735	122,475	301,527
Depreciation	2,694	3,449	15,350	15,350	15,350	15,350
Provisions	0	0	0	0	0	0
Other	-17,506	-1,563	9,717	9,717	9,717	9,717
Working capital	-7,333	-11,380	5,641	-40,828	-74,736	-60,273
Operating cash flow	-45,096	-47,397	-71,250	-61,496	72,806	266,321
Tax paid	-620	0	-1,915	0	0	0
Capex (less disposals)	-3,491	-1,717	-214,277	0	0	0
Investments	53,155	-73,610	0	0	0	0
Net interest	-48,489	0	203,938	-8,780	-9,331	-9,736
Net dividends	0	0	0	0	0	0
Residual cash flow	-44,541	-122,724	-83,504	-70,276	63,475	256,586
Equity issued	106,927	218,800	0	0	0	0
Change in net borrowing	-24,001	-210,028	83,504	70,276	-63,475	-256,586
Adjustments	-45,367	113,952	0	0	0	0
Total financing	37,559	122,724	83,504	70,276	-63,475	-256,586

Source: Company data, Longspur Research estimates

KEY POINTS

- FY 22 sees working capital minimum point with outflows thereafter
- Fund raise adds cash firepower in FY 21
- Project capex on Glencore dominates in FY 22
- Investments represent own work capitalised

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