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| | |
|---------------------|-------|
| Price (SEK) | 18.3 |
| Shares in issue (m) | 112 |
| Mkt Cap (SEKm) | 2,057 |
| Net debt (SEKm) | 83 |
| EV (SEKm) | 2,140 |
| BVPS (SEK) | 2.7 |

Share price performance

| | |
|--------------------|----------|
| 1m | -0.5% |
| 3m | -9.0% |
| 12m | 217.7% |
| 12 m high/low | 29.9/5.1 |
| Ave daily vol (3m) | 309,429 |

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 Q2s Q3

Business description

Waste to energy for the metals industry



MOVING TOWARDS COMMERCIALITY

The Q1 results from Swedish Stirling show a company starting to move from development to execution with a slight rise in costs as new hires are made. We expect this theme to continue during the year as the company moves towards meeting the demand it is generating. During the period Swedish Stirling signed a MoU with SMS Group, one of the world's major providers of submerged arc furnaces, broadening the company's field of interest beyond South Africa. Immediately after the period end the company signed an initial sales agreement with Glencore. Both these events have placed the company fully on the road to commerciality.

Q1 numbers overshadowed by commercial progress

Swedish Stirling's Q1 results have been rather overshadowed by the recent signing of an initial sales agreement with Glencore for 25 PWR BLOK waste gas to energy units. The result themselves are not materially different from the same period last year, reflecting a company in development mode ahead of ramp up to full commerciality. However, behind the numbers this has been a period of real progress culminating in the Glencore agreement signed shortly after the period end.

Cash strong at period end

The Q1 21 numbers continue to reflect the pre-revenue nature of the company with the only income being own work capitalised which was at a similar level to Q1 20. The operating loss rose to -SEK4.9m from -SEK2.7m as the company begins to recruit ahead of project delivery. EPS was unchanged at -SEK0.14. The company ended the period with cash and cash equivalents of SEK108m, reflecting the SEK67.5m fund raise completed in early January.

Operational progress

Operationally the company continues to make strong progress in the South African ferro chrome market where it is the only effective solution to extract energy from waste gases. Regulatory change has seen the removal of licence requirements for self-generation of up to 50MW, which would represent an installation of 125 PWR BLOK units. Existing projects are below this level and so we see this as creating potential for project extensions in time. In Sweden, the company is developing its distribution chain for serial production to be able to meet the expected levels of demand.

| SEK000 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 | -39.9 | -23.1 | -13.0 | -12.3 | -18.9 | 21.6 |
| EV/EBITDA | -93.2 | -104.4 | -27.6 | -31.7 | -208.2 | 13.4 |
| EV/sales | 3401.9 | 5718.4 | 2827.5 | 116.7 | 7.5 | 2.9 |
| FCF yield | -9.1% | 0.6% | -17.1% | -4.3% | -3.0% | 5.0% |
| 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 | 2019a | 2020a | 2021e | 2022e | 2023e | 2024e |
| 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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