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## Research

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<b>Price (p)</b>	<b>10.94</b>
Shares in issue (m)	128
Mkt Cap (£m)	1,405
Net debt (£m)	-151
EV (£m)	1,254
BVPS (p)	3.2

## Share price performance

1m	15.7%
3m	14.1%
12m	-30.5%
12 m high/low	17.9/7.4
Ave daily vol (30D)	122,884

## Shareholders

Sven Sahle	21.90%
AC Cleantech	10.40%
East Guardian	8.60%
Miura Holding	6.70%
Avanza Pension	3.20%
Other shareholders	49.20%
Free float	77.40%

**Next news** Finals Q1

## Business description

Waste to energy for the metals industry



## FOCUS ON GLENCORE

Swedish Stirling's first half shows progress with Glencore and acceptance of the PWR BLOK technology from this key customer. Progress with Samancor has seen a setback although opportunities beyond the TC smelter site remain. Richards Bay Alloys also appears back in play. The key focus now and into FY 23 is delivering to Glencore and we see progress here unlocking the full potential of the company.

### Results reflect production build up

Swedish Stirling's half year results to 30 June 2022 reflect the stage of development of initial product to the first customer. Sales were minimal at SEK 69,000. Costs have risen as the company moves towards serial production of its PWR BLOK waste gas to energy systems. As a result, operating loss rose to SEK 75.4m from SEK 48.2m in H1 21. Operating cash outflow also reflected the build up of inventories and cash at the period end was SEK 150.3m down from SEK 235.5m in December. The company secured SEK 96m in loan financing during the period for the installation at the Lion smelter and has received key cornerstone investors including Glencore and the af Jochnick family for a potential carbon-offsetting preference share.

### Glencore support

Glencore management teams from both South Africa and Switzerland visited Swedish Stirling's production plant in Sibbult and the head office in Gothenburg in June. We see the subsequent support for the preference share issue as confirming Glencore's comfort with the Swedish Stirling solution and this points to potential for Glencore to go beyond the initial deployment of 25 PWR BLOK units at the Lion Smelter. The companies have a letter of intent for up to 35MW and Glencore has the eventual capacity to take 108MW with 66MW at Lion alone.

### Negotiations stalled at TC Smelter

The statement also reports stalled negotiations with Samancor on their TC Smelter. The size of the proposed energy conversion facility does not stand in relation to the guaranteed level of gas available. This makes it difficult to support the same financing arrangement as that at Lion. However, Swedish Stirling will continue to discuss other smelter opportunities within Samancor or other facilities and the company hopes to be able to reach an agreement on one of these alternatives. Additionally, Richard Bay Alloys who signed a letter of intent in 2020 has now also signed a letter of intent with a financier and the company hopes to make further progress with this customer.

SEK000 Dec	2020a	2021a	2022e	2023e	2024e	2025e
Sales	370	379	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	-13.7	-18.7	-12.5	-23.8	11.5	4.9
EV/EBITDA	-72.3	-50.7	-17.4	-68.1	9.1	3.3
EV/sales	3955.7	3861.8	80.7	5.2	2.0	1.3
FCF yield	0.4%	-9.5%	-22.2%	-4.7%	5.6%	18.6%
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
<b>Turnover</b>						
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
<b>Total</b>	<b>53,395</b>	<b>67,115</b>	<b>18,129</b>	<b>282,756</b>	<b>737,398</b>	<b>1,104,056</b>
<b>Operating profit</b>						
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
<b>Operating profit</b>	<b>-22,951</b>	<b>-37,903</b>	<b>-101,958</b>	<b>-45,735</b>	<b>122,475</b>	<b>301,527</b>
<b>P&amp;L Account</b>						
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
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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
Net Assets	293,225	574,541	676,521	622,006	735,150	1,026,942
Total Equity	293,225	574,541	676,521	622,006	735,150	1,026,942

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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