

Inission

Capital Goods
Sweden

KEY DATA

Stock country	Sweden
Bloomberg	INISSB.SS
Reuters	INISSB.ST
Share price (close)	SEK 99.60
Free Float	31%
Market cap. (bn)	EUR 0.05/SEK 0.49
Website	www.inission.com
Next report date	11 Nov 2020

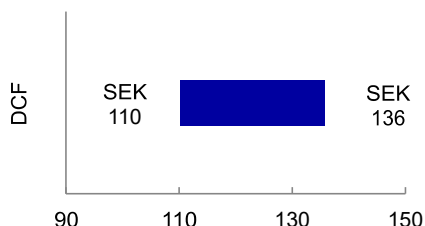
PERFORMANCE



— Inission
— Sweden OMX Stockholm All-Share (Rebased)

Source: Refinitiv

VALUATION APPROACH



Source: Nordea estimates

ESTIMATE CHANGES

Year	2020E	2021E	2022E
Sales	0%	0%	0%
EBIT (adj)	-4%	0%	-3%

Source: Nordea estimates

Nordea Markets - Analysts

Carl Ragnerstam
Analyst

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Assistant Analyst

Ventilator order to draw its last breath

We estimate that Inission will deliver a decent Q3 report on 11 November, with -2% y/y organic growth supported by final delivery of the SEK 94m ventilator order, but with adjusted EBIT down -11% y/y. The directed share issue completed in September is a clear positive to us, as the lower gearing opens up for potential M&A. However, we now believe demand will recover more slowly than we previously expected and therefore lower our estimates and our DCF-based valuation range to SEK 110-136 (118-146).

Large ventilator order supports sales in Q3

We expect Inission to report sales of SEK 253m and EBIT of SEK 14m for the third quarter. Although our overall view on demand may be more negative than in our last update, we expect deliveries on the BREAS ventilator order to have been pushed back into Q3, limiting the organic decline to -2% in the quarter. Our EBIT estimate implies that the EBIT margin should hold up fairly well, at 5.6%, down ~2 pp y/y against tough comparables, as Q3 2019 had the strongest margin since Q1 2015.

Low visibility, but directed share issue creates opportunities

Low visibility is what defines our view. We fear that demand has softened and that this will show in Q4, when we currently estimate that sales will decrease organically by 4% y/y, combined with an adjusted EBIT margin of 4.6%. Our reasoning for estimating slightly better margins y/y is that we now believe the Norwegian business is up and running, further supporting profitability. We also highlight the directed share issue completed late in September – we view this as a clear positive, as the company has welcomed its first institutional investors and lowered its gearing to ~0.9x net debt/adjusted EBITDA LTM. Our belief is that the lower gearing will allow the company to make an acquisition. However, this is not included in our estimates due to uncertainty, but we believe that the company is now targeting more profitable companies (>2% EBITDA margin) than historically, which should minimise the margin dilution, and that these targets are located outside Sweden.

Minor negative estimate revisions

We make minor negative changes of less than 1% to our 2020-22 sales estimates and adjust our EBIT estimates by -4% for 2020 and -3% for 2022, while we lower our 2021 EBIT estimate by less than 1%. The decreases are mainly explained by our view that demand is softer than we had previously expected. Due to these changes, we adjust our DCF-derived valuation range to SEK 110-136 (118-146).

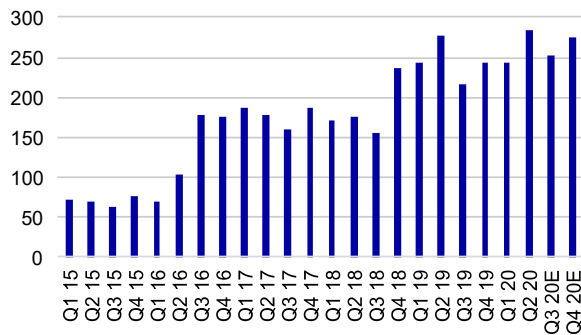
SUMMARY TABLE - KEY FIGURES

SEKm	2016	2017	2018	2019	2020E	2021E	2022E
Total revenue	526	713	740	980	1,056	1,127	1,173
EBITDA (adj)	31	37	49	76	76	90	97
EBIT (adj)	24	30	41	61	53	75	82
EBIT (adj) margin	4.6%	4.2%	5.5%	6.2%	5.0%	6.7%	7.0%
EPS (adj, SEK)	15.34	5.78	6.09	8.90	6.10	9.46	10.42
EPS (adj) growth	39.3%	-62.3%	5.5%	46.0%	-31.4%	54.9%	10.2%
DPS (ord, SEK)	3.00	0.00	1.51	0.00	2.00	2.50	3.00
EV/Sales	0.4	0.5	0.6	0.7	0.5	0.5	0.4
EV/EBIT (adj)	7.6	12.0	10.1	11.0	10.4	6.8	5.8
P/E (adj)	2.8	7.5	8.1	12.5	16.3	10.5	9.6
P/BV	0.9	2.2	2.1	3.8	2.1	1.8	1.6
Dividend yield (ord)	7.1%	0.0%	3.1%	0.0%	2.0%	2.5%	3.0%
FCF Yield bef A&D, lease	-40.9%	20.9%	-3.1%	17.4%	9.2%	8.4%	8.4%
Net debt	134	187	176	130	1	-34	-66
Net debt/EBITDA	4.3	5.1	3.6	1.9	0.0	-0.4	-0.7
ROIC after tax	11.5%	9.4%	10.7%	15.6%	14.0%	20.1%	21.3%

Source: Company data and Nordea estimates

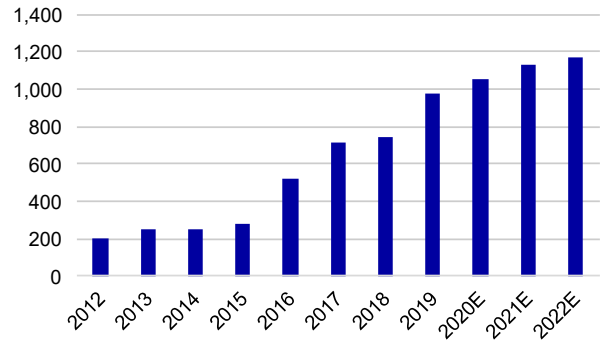
Quarterly charts

INISSION: QUARTERLY NET SALES (SEKm)



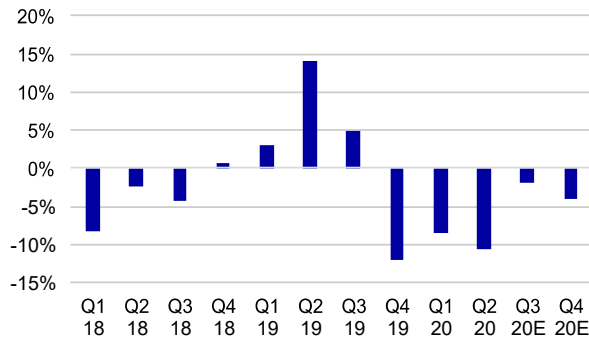
Source: Company data and Nordea estimates

INISSION: ANNUAL NET SALES (SEKm)



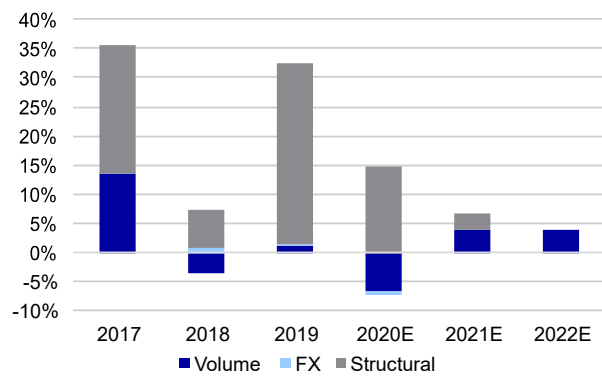
Source: Company data and Nordea estimates

INISSION: QUARTERLY ORGANIC GROWTH (%)



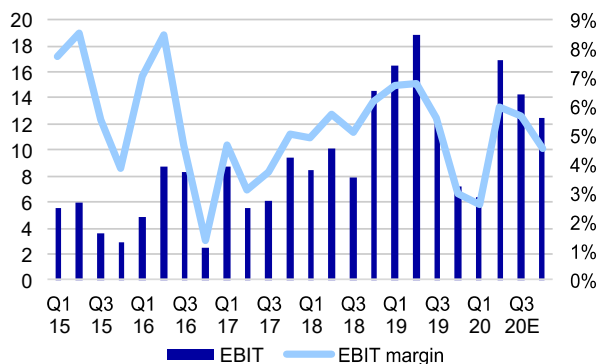
Source: Nordea estimates

INISSION: SALES GROWTH BY PARAMETER (%)



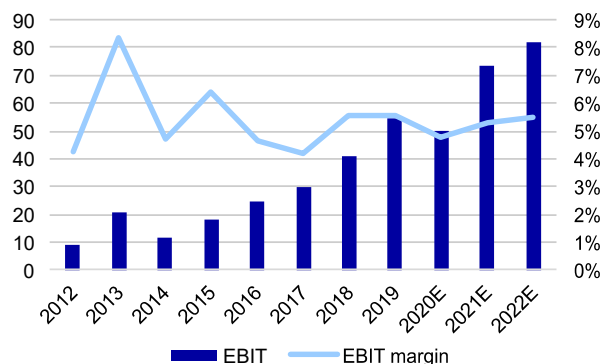
Source: Company data and Nordea estimates

INISSION: QUARTERLY EBIT (SEKm) AND EBIT MARGIN (%)



Source: Company data and Nordea estimates

INISSION: ANNUAL EBIT (SEKm) AND EBIT MARGIN (%)



Source: Company data and Nordea estimates

Detailed estimates

INISSION: INTERIM ESTIMATES

Group	Q1 19	Q2 19	Q3 19	Q4 19	Q1 20	Q2 20	Q3 20E	Q4 20E
Net sales	243	278	216	242	244	284	253	275
Cost of goods sold	-159	-177	-137	-103	-154	-174	-151	-162
Other external costs	-19	-14	-9	-30	-20	-33	-26	-23
Personnell costs	-60	-69	-51	-70	-68	-67	-61	-74
Oter operating costs	0	0	0	-1	0	0	2	0
EBITDA	20	23	16	12	11	23	20	19
Depreciation	-3	-4	-4	-5	-4	-7	-6	-6
EBITA	16	19	12	7	6	17	14	13
Amortisation	0	0	0	0	0	0	0	0
EBIT	16	19	12	7	6	17	14	13
Adj. EBIT	16	19	16	10	9	17	14	13
Net financial itels	-1.6	-1.8	-1.7	-1.6	-2.724	-2.11	-1.7	-1.7
PTP	15	17	10	6	4	15	13	11
Tax	-4	-4	-2	0	-2	-4	-3	-3
Net profit	11	13	8	5	2	11	10	8
Basic EPS, SEK	2.25	2.62	1.67	1.06	0.44	2.23	1.59	1.36
Diluted EPS, SEK	2.23	2.60	1.65	1.06	0.44	2.23	1.58	1.35
Nr of shares at the period end bef dil	4.90	4.90	4.90	4.90	4.90	4.98	6.00	6.00
Nr of shares at the period end after dil	4.93	4.93	4.93	4.93	4.93	4.97	6.04	6.04
EBITDA margin	8.1%	8.1%	7.4%	4.9%	4.4%	8.3%	7.9%	6.9%
EBITA margin	6.8%	6.8%	5.6%	3.0%	2.6%	6.0%	5.6%	4.6%
EBIT margin	6.8%	6.8%	5.6%	3.0%	2.6%	6.0%	5.6%	4.6%
Adj. EBIT margin	6.8%	6.8%	7.4%	4.1%	3.7%	6.0%	5.6%	4.6%

Source: Company data and Nordea estimates

INISSION: ANNUAL ESTIMATES

Group	2015	2016	2017	2018	2019	2020E	2021E	2022E
Net sales	280	526	713	740	980	1,056	1,127	1,173
Cost of goods sold	-155	-317	-460	-453	-576	-641	-683	-709
Other external costs	-25	-53	-50	-55	-73	-102	-109	-114
Personnell costs	-79	-133	-177	-185	-251	-270	-287	-297
Oter operating costs	1	8	-3	-4	-1	2	18	22
EBITDA	23	31	37	49	70	73	90	97
Depreciation	-5	-7	-7	-8	-15	-23	-15	-15
EBITA	18	24	30	41	55	50	75	82
Amortisation	0	0	0	0	0	0	0	0
EBIT	18	24	30	41	55	50	75	82
Adj. EBIT	18	24	30	41	61	53	73	82
Net financial itels	-1	-2	-3	-4	-7	-8	-7	-7
PTP	17	23	26	37	48	42	68	75
Tax	-5	-4	-3	-7	-11	-11	-16	-18
Net profit	13	19	23	30	37	31	52	57
Basic EPS, SEK	11.01	15.43	5.90	6.19	7.60	5.66	9.50	10.47
Diluted EPS, SEK	11.01	15.34	5.78	6.09	7.55	5.63	9.46	10.42
Nr of shares at the period end bef dil	1.15	1.20	3.90	4.85	4.90	5.47	5.47	5.47
Nr of shares at the period end after dil	1.15	1.21	3.99	4.93	4.93	5.50	5.50	5.50
EBITDA margin	8.2%	5.9%	5.2%	6.6%	7.1%	6.9%	8.0%	8.3%
EBITA margin	6.4%	4.6%	4.2%	5.5%	5.6%	4.7%	6.7%	7.0%
EBIT margin	6.4%	4.6%	4.2%	5.5%	5.6%	4.7%	5.3%	5.5%
Adj. EBIT margin	6.4%	4.6%	4.2%	5.5%	6.2%	5.0%	6.5%	7.0%

Source: Company data and Nordea estimates

Reported numbers and forecasts

INCOME STATEMENT

SEKm	2012	2013	2014	2015	2016	2017	2018	2019	2020E	2021E	2022E
Total revenue	204	249	250	280	526	713	740	980	1,056	1,127	1,173
Revenue growth	n.a.	21.7%	0.3%	12.2%	87.7%	35.6%	3.7%	32.5%	7.8%	6.8%	4.0%
of which organic	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
of which FX	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
EBITDA	10	26	17	23	31	37	49	70	73	90	97
Depreciation and impairments PPE	-2	-5	-5	-5	-7	-7	-8	-15	-23	-15	-15
of which leased assets	0	0	0	0	0	0	0	0	0	0	0
EBITA	9	21	12	18	24	30	41	55	50	75	82
Amortisation and impairments	0	0	0	0	0	0	0	0	0	0	0
EBIT	9	21	12	18	24	30	41	55	50	75	82
of which associates	0	0	0	0	0	0	0	0	0	0	0
Associates excluded from EBIT	0	0	0	0	0	0	0	0	0	0	0
Net financials	0	-1	-1	-1	-2	-3	-4	-7	-8	-7	-7
of which lease interest	0	0	0	0	0	0	0	0	0	0	0
Changes in value, net	0	0	0	0	0	0	0	0	0	0	0
Pre-tax profit	9	20	11	17	23	26	37	48	42	68	75
Reported taxes	1	-6	-3	-5	-4	-3	-7	-11	-11	-16	-18
Net profit from continued operations	10	14	8	13	19	23	30	37	31	52	57
Discontinued operations	0	0	0	0	0	0	0	0	0	0	0
Minority interests	0	0	0	0	0	0	0	0	0	0	0
Net profit to equity	10	14	8	13	19	23	30	37	31	52	57
EPS, SEK	n.a.	n.a.	n.a.	11.01	15.34	5.78	6.09	7.58	5.63	9.46	10.42
DPS, SEK	0.00	0.00	0.00	0.00	3.00	0.00	1.51	0.00	2.00	2.50	3.00
of which ordinary	0.00	0.00	0.00	0.00	3.00	0.00	1.51	0.00	2.00	2.50	3.00
of which extraordinary	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Profit margin in percent

EBITDA	5.1%	10.4%	6.7%	8.2%	5.9%	5.2%	6.6%	7.1%	6.9%	8.0%	8.3%
EBITA	4.3%	8.4%	4.7%	6.4%	4.6%	4.2%	5.5%	5.6%	4.7%	6.7%	7.0%
EBIT	4.3%	8.4%	4.7%	6.4%	4.6%	4.2%	5.5%	5.6%	4.7%	6.7%	7.0%

Adjusted earnings

EBITDA (adj)	10	26	17	23	31	37	49	76	76	90	97
EBITA (adj)	9	21	12	18	24	30	41	61	53	75	82
EBIT (adj)	9	21	12	18	24	30	41	61	53	75	82
EPS (adj, SEK)	n.a.	n.a.	n.a.	11.01	15.34	5.78	6.09	8.90	6.10	9.46	10.42

Adjusted profit margins in percent

EBITDA (adj)	5.1%	10.4%	6.7%	8.2%	5.9%	5.2%	6.6%	7.8%	7.2%	8.0%	8.3%
EBITA (adj)	4.3%	8.4%	4.7%	6.4%	4.6%	4.2%	5.5%	6.2%	5.0%	6.7%	7.0%
EBIT (adj)	4.3%	8.4%	4.7%	6.4%	4.6%	4.2%	5.5%	6.2%	5.0%	6.7%	7.0%

Performance metrics

CAGR last 5 years											
Net revenue	n.a.	n.a.	n.a.	n.a.	n.a.	28.4%	24.3%	31.4%	30.4%	16.5%	10.4%
EBITDA	n.m.	n.m.	n.m.	n.m.	n.m.	28.7%	13.5%	33.2%	26.0%	23.5%	21.3%
EBIT	n.a.	n.a.	n.a.	n.a.	n.a.	27.9%	14.5%	35.8%	22.8%	25.2%	22.4%
EPS	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	-12.6%	-9.2%	12.5%
DPS	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	-3.6%	n.m.
Average last 5 years											
Average EBIT margin	n.a.	n.a.	n.a.	n.a.	5.5%	5.2%	5.0%	5.2%	5.0%	5.4%	6.0%
Average EBITDA margin	n.a.	n.a.	n.a.	n.a.	7.1%	6.6%	6.2%	6.5%	6.5%	6.9%	7.5%

VALUATION RATIOS - ADJUSTED EARNINGS

SEKm	2012	2013	2014	2015	2016	2017	2018	2019	2020E	2021E	2022E
P/E (adj)	n.a.	n.a.	n.a.	1.5	2.8	7.5	8.1	12.5	16.3	10.5	9.6
EV/EBITDA (adj)	n.a.	n.a.	n.a.	1.9	5.9	9.6	8.5	8.8	7.2	5.7	4.9
EV/EBITA (adj)	n.a.	n.a.	n.a.	2.4	7.6	12.0	10.1	11.0	10.4	6.8	5.8
EV/EBIT (adj)	n.a.	n.a.	n.a.	2.4	7.6	12.0	10.1	11.0	10.4	6.8	5.8

VALUATION RATIOS - REPORTED EARNINGS

SEKm	2012	2013	2014	2015	2016	2017	2018	2019	2020E	2021E	2022E
P/E	n.a.	n.a.	n.a.	1.5	2.8	7.5	8.1	14.6	17.7	10.5	9.6
EV/Sales	n.a.	n.a.	n.a.	0.15	0.35	0.50	0.56	0.69	0.52	0.45	0.41
EV/EBITDA	n.a.	n.a.	n.a.	1.9	5.9	9.6	8.5	9.6	7.5	5.7	4.9
EV/EBITA	n.a.	n.a.	n.a.	2.4	7.6	12.0	10.1	12.3	10.9	6.8	5.8
EV/EBIT	n.a.	n.a.	n.a.	2.4	7.6	12.0	10.1	12.3	10.9	6.8	5.8
Dividend yield (ord.)	n.a.	n.a.	n.a.	0.0%	7.1%	0.0%	3.1%	0.0%	2.0%	2.5%	3.0%
FCF yield	n.a.	n.a.	n.a.	-79.3%	-70.9%	7.1%	-3.1%	7.8%	7.4%	8.4%	8.4%
FCF Yield bef A&D, lease adj	n.a.	n.a.	n.a.	-79.3%	-40.9%	20.9%	-3.1%	17.4%	9.2%	8.4%	8.4%
Payout ratio	n.a.	n.a.	n.a.	0.0%	19.6%	0.0%	24.9%	0.0%	35.5%	26.4%	28.8%

Source: Company data and Nordea estimates

BALANCE SHEET

SEKm	2012	2013	2014	2015	2016	2017	2018	2019	2020E	2021E	2022E
Intangible assets	0	12	9	29	9	7	9	11	11	11	11
of which R&D	0	0	0	0	0	0	0	0	0	0	0
of which other intangibles	0	0	0	0	0	2	2	1	1	1	1
of which goodwill	0	12	9	29	9	5	7	10	10	10	10
Tangible assets	0	4	3	3	6	15	36	39	42	44	47
of which leased assets	0	0	0	0	0	0	0	0	0	0	0
Shares associates	0	0	0	0	0	60	0	0	0	0	0
Interest bearing assets	0	0	0	0	0	0	0	0	0	0	0
Deferred tax assets	0	3	1	0	0	0	5	6	0	0	0
Other non-IB non-current assets	0	0	0	0	0	0	0	0	0	0	0
Other non-current assets	0	25	30	21	0	0	1	1	0	0	0
Total non-current assets	0	44	43	53	16	82	51	57	53	56	58
Inventory	0	51	47	62	164	165	241	251	264	282	293
Accounts receivable	0	49	44	53	131	124	174	156	168	179	186
Short-term leased assets	0	0	0	0	0	0	0	0	0	0	0
Other current assets	0	3	3	4	12	11	16	12	13	14	14
Cash and bank	0	8	7	17	12	3	0	1	129	164	196
Total current assets	0	112	102	137	319	303	431	419	574	639	690
Assets held for sale	0	0	0	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Total assets	0	156	145	190	334	386	482	477	627	695	748
Shareholders equity	0	55	60	89	59	79	111	142	262	303	346
Of which preferred stocks	0	0	0	0	0	0	0	0	0	0	0
Of which equity part of hybrid debt	0	0	0	0	0	0	0	0	0	0	0
Minority interest	0	0	0	0	0	0	0	0	0	0	0
Total Equity	0	55	60	89	59	79	111	142	262	303	346
Deferred tax	0	0	0	0	0	0	0	0	0	0	0
Long term interest bearing debt	0	13	3	1	32	26	33	32	99	99	99
Pension provisions	0	0	0	0	0	0	0	0	0	0	0
Other long-term provisions	0	5	5	6	7	7	16	14	14	14	14
Other long-term liabilities	0	0	0	0	0	0	0	0	0	0	0
Non-current lease debt	0	0	0	0	0	0	0	0	0	0	0
Convertible debt	0	0	0	0	0	0	0	0	0	0	0
Shareholder debt	0	24	15	38	107	70	36	32	32	32	32
Hybrid debt	0	0	0	0	0	0	0	0	0	0	0
Total non-current liabilities	0	43	22	44	146	104	85	79	145	145	145
Short-term provisions	0	0	0	0	0	0	0	0	0	0	0
Accounts payable	0	17	22	30	75	60	107	97	105	112	117
Current lease debt	0	0	0	0	0	0	0	0	0	0	0
Other current liabilities	0	32	29	25	47	49	72	92	116	135	141
Short term interest bearing debt	0	9	12	2	7	94	107	66	0	0	0
Total current liabilities	0	58	62	57	130	203	286	256	221	247	257
Liabilities for assets held for sale	0	n.a.	0	0	0	0	0	0	0	0	0
Total liabilities and equity	0	156	145	190	334	386	482	477	627	695	748
Balance sheet and debt metrics											
Net debt	0	39	22	23	134	187	176	130	1	-34	-66
of which lease debt	0	0	0	0	0	0	0	0	0	0	0
Working capital	0	55	45	64	185	191	252	229	224	227	236
Invested capital	0	99	88	117	200	273	303	286	277	283	295
Capital employed	0	102	89	129	205	269	287	273	392	433	477
ROE	n.m.	52.2%	13.7%	17.0%	25.1%	33.4%	31.6%	29.5%	15.3%	18.4%	17.7%
ROIC	n.m.	31.4%	9.5%	13.1%	11.5%	9.4%	10.7%	15.6%	14.0%	20.1%	21.3%
ROCE	n.m.	42.1%	13.2%	17.1%	15.2%	12.6%	14.8%	22.0%	16.0%	18.3%	18.1%
Net debt/EBITDA	0.0	1.5	1.3	1.0	4.3	5.1	3.6	1.9	0.0	-0.4	-0.7
Interest coverage	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
Equity ratio	n.m.	35.4%	41.8%	46.7%	17.6%	20.5%	23.1%	29.8%	41.7%	43.6%	46.3%
Net gearing	n.m.	69.8%	36.3%	26.0%	228.1%	237.0%	158.8%	91.3%	0.5%	-11.1%	-19.0%

Source: Company data and Nordea estimates

CASH FLOW STATEMENT

SEKm	2012	2013	2014	2015	2016	2017	2018	2019	2020E	2021E	2022E
EBITDA (adj) for associates	10	26	17	23	31	37	49	70	73	90	97
Paid taxes	0	-3	-4	-2	-3	-5	-1	-4	-11	-16	-18
Net financials	0	0	0	0	0	0	0	-7	-8	-7	-7
Change in provisions	0	5	0	1	1	0	9	-2	0	0	0
Change in other LT non-IB	0	-29	-3	10	21	0	-6	-1	6	0	0
Cash flow to/from associates	0	0	0	0	0	0	0	0	0	0	0
Dividends paid to minorities	0	0	0	0	0	0	0	0	0	0	0
Other adj to reconcile to cash flow	-10	21	5	-12	-35	-2	-10	-4	0	0	0
Funds from operations (FFO)	0	21	14	19	15	31	41	52	61	67	73
Change in NWC	0	-4	13	-29	-35	-10	1	33	5	-4	-9
Cash flow from operations (CFO)	0	17	27	-10	-19	21	41	86	66	63	63
Capital expenditure	0	-1	-26	-5	-1	14	-49	9	-16	-17	-18
Free cash flow before A&D	0	16	1	-16	-21	36	-7	94	50	46	46
Proceeds from sale of assets	0	2	3	0	-12	38	0	0	0	0	0
Acquisitions	0	-14	-3	0	-3	-61	0	-52	-10	0	0
Free cash flow	0	5	2	-16	-36	12	-7	42	40	46	46
Free cash flow bef A&D, lease adj	0	16	1	-16	-21	36	-7	94	50	46	46
Dividends paid	0	-2	-3	-3	-50	0	0	-7	0	-11	-14
Equity issues / buybacks	0	0	0	19	0	0	2	0	88	0	0
Net change in debt	0	9	-20	31	67	63	-57	-25	0	0	0
Other financing adjustments	0	0	0	-10	5	-23	13	-25	0	0	0
Other non-cash adjustments	0	-4	20	-11	7	-60	46	16	0	0	0
Change in cash	0	8	-1	10	-6	-9	-3	1	129	35	32
Cash flow metrics											
Capex/D&A	0.0%	22.3%	n.m.	n.m.	19.6%	n.m.	n.m.	-57.1%	68.4%	n.m.	n.m.
Capex/Sales	0.0%	0.5%	10.4%	1.9%	0.3%	-2.0%	6.6%	-0.9%	1.5%	1.5%	1.5%
Key information											
Share price year end (/current)	n.a.	n.a.	n.a.	17	42	44	49	111	100	100	100
Market cap.	n.a.	n.a.	n.a.	20	51	170	239	543	545	545	545
Enterprise value	n.a.	n.a.	n.a.	43	185	357	415	673	546	511	479
Diluted no. of shares, year-end (m)	0.0	0.0	0.0	1.2	1.2	3.9	4.8	4.9	5.5	5.5	5.5

Source: Company data and Nordea estimates

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Completion Date

02 Nov 2020, 19:28 CET

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