

Inission

Capital Goods
Sweden

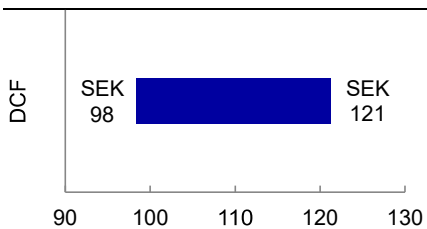
KEY DATA

Stock country	Sweden
Bloomberg	INISSB.SS
Reuters	INISSB.ST
Share price (close)	SEK 112.5
Free Float	31%
Market cap. (bn)	EUR 0.05/SEK 0.56
Website	www.inission.com
Next report date	06 May 2021

PERFORMANCE



VALUATION APPROACH



ESTIMATE CHANGES

Year	2021E	2022E	2023E
Sales	-5%	-1%	-1%
EBIT (adj)	-34%	-9%	-9%

Source: Nordea estimates

Increased headwinds

Inission will present its Q1 report on 6 May. We expect a soft quarter with sales down 1% y/y, mainly driven by a -13% organic headwind. We argue that management will address profitability issues in the group and continue to focus on capturing a larger share of the value chain (ie assisting in all stages from design to service). We cut our earnings forecasts which reduces our DCF-derived fair value range to SEK 98-121 (109-129).

Semiconductor shortage adds pressure to muted recovery

We expect Inission to present a muted Q1 report on 6 May due to a soft organic recovery which has been amplified by the current shortage of semiconductors which impacts the company's operations. We estimate sales of SEK 241m, -1% y/y, organically -13%. Owing to higher opex stemming from the acquisition of HY-Tech we estimate an adjusted EBIT of SEK 5m, -45% y/y, implying a 2.0% margin (down 1.6 pp y/y).

Inission to become leaner and meaner

As current market conditions remain challenging we believe that management continues to improve profitability through phasing out less-profitable contracts, streamlining production and continuing to grow vertically in the value chain. During the quarter the company obtained a waiver from the Finnish Financial Supervisory Authority which will allow Inission to purchase 49% of the shares in Enedo. Although there is a lot of work to be done we believe that management can leverage its experience from previous turnarounds and transform Enedo into a profitable company. However, the timeline for this transformation is uncertain, in our view, which is why we include no contribution to net profit from the investment. As Enedo could be a customer of Inission and also the two companies share customer categories, we believe there is potential for both synergies and cross-selling.

2021 looks increasingly challenging

We reduce our organic sales estimates for 2021 and also assume a smaller impact from cost saving in the year. The overall impact on our 2021-23 sales estimates is -1% to -5% and the impact on our adjusted EBIT estimates is -9% to -34%. Due to these revisions, we update our DCF-based fair value range to SEK 98-121 (109-129).

Nordea Markets - Analysts

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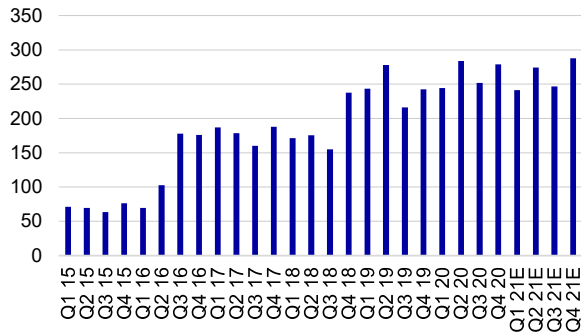
SUMMARY TABLE - KEY FIGURES

SEKm	2017	2018	2019	2020	2021E	2022E	2023E
Total revenue	713	740	980	1,059	1,050	1,134	1,179
EBITDA (adj)	37	49	76	70	69	93	100
EBIT (adj)	30	41	61	51	41	65	73
EBIT (adj) margin	4.2%	5.5%	6.2%	4.8%	3.9%	5.7%	6.2%
EPS (adj, SEK)	5.78	6.09	8.90	5.72	4.43	6.72	7.85
EPS (adj) growth	-62.3%	5.5%	46.0%	-35.7%	-22.5%	51.6%	16.7%
DPS (ord, SEK)	0.00	1.51	0.00	0.00	2.50	3.00	3.50
EV/Sales	0.5	0.6	0.7	0.6	0.7	0.7	0.6
EV/EBIT (adj)	12.0	10.1	11.0	12.2	18.7	11.5	9.7
P/E (adj)	7.5	8.1	12.5	19.6	25.4	16.7	14.3
P/BV	2.2	2.1	3.8	2.2	2.3	2.2	2.0
Dividend yield (ord)	0.0%	3.1%	0.0%	0.0%	2.2%	2.7%	3.1%
FCF Yield bef A&D, lease	20.9%	-3.1%	17.4%	19.4%	2.0%	5.3%	7.0%
Net debt	187	176	130	31	87	66	36
Net debt/EBITDA	5.1	3.6	1.9	0.5	1.2	0.7	0.4
ROIC after tax	9.7%	10.9%	16.0%	13.0%	9.0%	12.9%	14.5%

Source: Company data and Nordea estimates

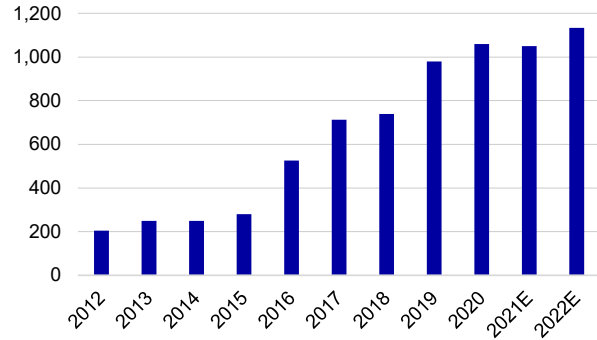
Quarterly charts

INISSION: QUARTERLY SALES (SEKm)



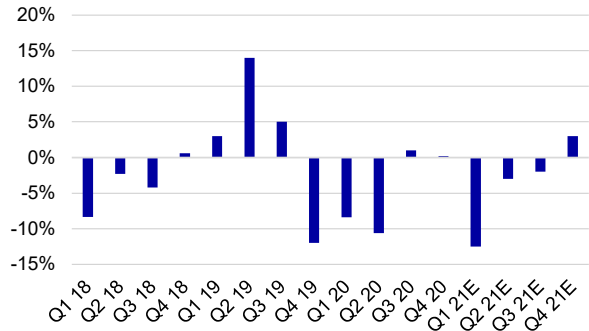
Source: Company data and Nordea estimates

INISSION: ANNUAL SALES (SEKm)



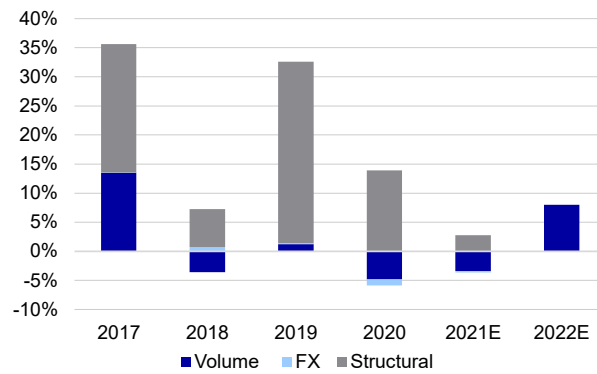
Source: Company data and Nordea estimates

INISSION: QUARTERLY ORGANIC GROWTH (%)



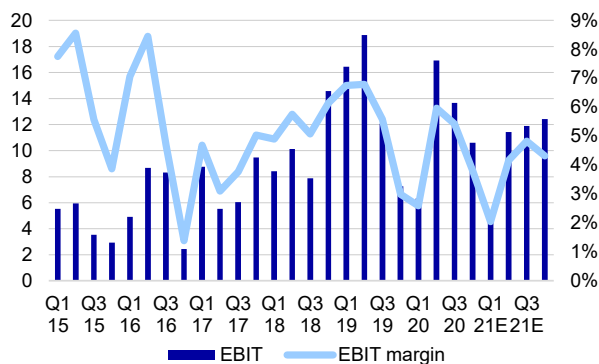
Source: Company data and Nordea estimates

INISSION: SALES GROWTH BY PARAMETER (%)



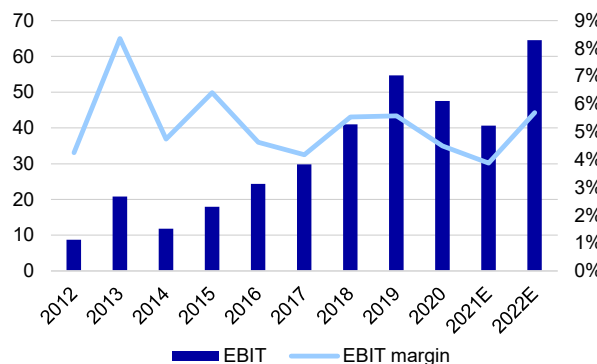
Source: Company data and Nordea estimates

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: QUARTERLY FINANCIALS (SEKm)

Group	Q1 20	Q2 20	Q3 20	Q4 20	Q1 21E	Q2 21E	Q3 21E	Q4 21E
Net sales	244	284	252	279	241	274	247	288
Cost of goods sold	-154	-174	-149	-157	-132	-159	-146	-168
Other external costs	-20	-33	-28	-29	-28	-31	-28	-30
Personnel costs	-68	-67	-57	-69	-69	-67	-54	-71
Other operating costs	0	0	0	-2	0	0	0	0
EBITDA	11	23	20	18	12	19	19	20
Depreciation	-4	-7	-4	-4	-4	-4	-4	-4
EBITA	6	17	16	13	8	14	15	15
Amortisation	0	0	-2	-3	-3	-3	-3	-3
EBIT	6	17	14	11	5	11	12	12
Adj. EBIT	9	17	14	11	5	11	12	12
Net financial items	-2.7	-2.1	-2.4	-2.3	-6.0	-1.7	-1.7	-1.7
PTP	4	15	11	8	-1	10	10	11
Tax	-2	-4	-3	-3	0	-2	-2	-3
Net profit	2	11	9	5	-1	7	8	8
Basic EPS, SEK	0.44	2.23	1.70	0.89	-0.14	1.22	1.28	1.35
Diluted EPS, SEK	0.44	2.23	1.68	0.89	-0.14	1.22	1.28	1.34
Nr of shares at the period end bef dil	4.90	4.98	5.06	6.00	6.00	6.00	6.00	6.00
Nr of shares at the period end after d	4.93	4.97	5.10	6.04	6.04	6.04	6.04	6.04
EBITDA margin	4.4%	8.3%	8.0%	6.4%	5.1%	6.8%	7.7%	6.8%
EBITA margin	2.6%	6.0%	6.3%	4.8%	3.2%	5.2%	6.0%	5.3%
EBIT margin	2.6%	6.0%	5.4%	3.8%	2.0%	4.2%	4.8%	4.3%
Adj. EBIT margin	3.7%	6.0%	5.4%	3.9%	2.0%	4.2%	4.8%	4.3%

Source: Company data and Nordea estimates

INISSION: ANNUAL ESTIMATES (SEKm)

Group	2015	2016	2017	2018	2019	2020	2021E	2022E
Net sales	280	526	713	740	980	1,059	1,050	1,134
Cost of goods sold	-155	-317	-460	-453	-576	-634	-605	-648
Other external costs	-25	-53	-50	-55	-73	-110	-117	-123
Personnel costs	-79	-133	-177	-185	-251	-261	-261	-273
Other operating costs	1	8	-3	-4	-1	-2	0	0
EBITDA	23	31	37	49	70	67	69	93
Depreciation	-5	-7	-7	-8	-15	-20	-17	-17
EBITA	18	24	30	41	55	53	52	76
Amortisation	0	0	0	0	0	-5	-11	-11
EBIT	18	24	30	41	55	48	41	65
Adj. EBIT	18	24	30	41	61	51	41	65
Net financial items	-1	-2	-3	-4	-7	-9	-11	-11
PTP	17	23	26	37	48	38	30	53
Tax	-5	-4	-3	-7	-11	-11	-7	-13
Net profit	13	19	23	30	37	27	22	41
Basic EPS, SEK	11.01	15.43	5.90	6.19	7.60	5.19	3.71	6.76
Diluted EPS, SEK	11.01	15.34	5.78	6.09	7.55	5.17	3.69	6.72
Nr of shares at the period end bef dil	1.15	1.20	3.90	4.85	4.90	5.24	6.00	6.00
Nr of shares at the period end after d	1.15	1.21	3.99	4.93	4.93	5.26	6.04	6.04
EBITDA margin	8.2%	5.9%	5.2%	6.6%	7.1%	6.8%	6.6%	8.2%
EBITA margin	6.4%	4.6%	4.2%	5.5%	5.6%	5.0%	5.0%	6.7%
EBIT margin	6.4%	4.6%	4.2%	5.5%	5.6%	4.5%	3.9%	5.7%
Adj. EBIT margin	6.4%	4.6%	4.2%	5.5%	6.2%	4.8%	3.9%	5.7%

Source: Company data and Nordea estimates

Reported numbers and forecasts

INCOME STATEMENT

SEKm	2013	2014	2015	2016	2017	2018	2019	2020	2021E	2022E	2023E
Total revenue	249	250	280	526	713	740	980	1,059	1,050	1,134	1,179
Revenue growth	21.7%	0.3%	12.2%	87.7%	35.6%	3.7%	32.5%	8.1%	-0.9%	8.0%	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	26	17	23	31	37	49	70	67	69	93	100
Depreciation and impairments PPE	-5	-5	-5	-7	-7	-8	-15	-20	-17	-17	-17
of which leased assets	0	0	0	0	0	0	0	0	0	0	0
EBITA	21	12	18	24	30	41	55	48	52	76	83
Amortisation and impairments	0	0	0	0	0	0	0	0	-11	-11	-10
EBIT	21	12	18	24	30	41	55	48	41	65	73
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	-1	-1	-1	-2	-3	-4	-7	-9	-11	-11	-11
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	20	11	17	23	26	37	48	38	30	53	62
Reported taxes	-6	-3	-5	-4	-3	-7	-11	-11	-7	-13	-15
Net profit from continued operations	14	8	13	19	23	30	37	27	22	41	47
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	14	8	13	19	23	30	37	27	22	41	47
EPS, SEK	n.a.	n.a.	11.01	15.34	5.78	6.09	7.58	5.15	3.72	6.72	7.85
DPS, SEK	0.00	0.00	0.00	3.00	0.00	1.51	0.00	0.00	2.50	3.00	3.50
of which ordinary	0.00	0.00	0.00	3.00	0.00	1.51	0.00	0.00	2.50	3.00	3.50
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	10.4%	6.7%	8.2%	5.9%	5.2%	6.6%	7.1%	6.4%	6.6%	8.2%	8.5%
EBITA	8.4%	4.7%	6.4%	4.6%	4.2%	5.5%	5.6%	4.5%	5.0%	6.7%	7.1%
EBIT	8.4%	4.7%	6.4%	4.6%	4.2%	5.5%	5.6%	4.5%	3.9%	5.7%	6.2%

Adjusted earnings

EBITDA (adj)	26	17	23	31	37	49	76	70	69	93	100
EBITA (adj)	21	12	18	24	30	41	61	51	52	76	83
EBIT (adj)	21	12	18	24	30	41	61	51	41	65	73
EPS (adj, SEK)	n.a.	n.a.	11.01	15.34	5.78	6.09	8.90	5.72	4.43	6.72	7.85

Adjusted profit margins in percent

EBITDA (adj)	10.4%	6.7%	8.2%	5.9%	5.2%	6.6%	7.8%	6.6%	6.6%	8.2%	8.5%
EBITA (adj)	8.4%	4.7%	6.4%	4.6%	4.2%	5.5%	6.2%	4.8%	5.0%	6.7%	7.1%
EBIT (adj)	8.4%	4.7%	6.4%	4.6%	4.2%	5.5%	6.2%	4.8%	3.9%	5.7%	6.2%

Performance metrics

CAGR last 5 years											
Net revenue	n.a.	n.a.	n.a.	n.a.	28.4%	24.3%	31.4%	30.5%	14.8%	9.7%	9.8%
EBITDA	n.m.	n.m.	n.m.	n.m.	28.7%	13.5%	33.2%	23.9%	17.3%	20.2%	15.4%
EBIT	n.a.	n.a.	n.a.	n.a.	27.9%	14.5%	35.8%	21.5%	10.8%	16.7%	12.4%
EPS	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	-14.1%	-24.7%	3.1%	5.2%
DPS	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	-3.6%	n.m.	18.2%
Average last 5 years											
Average EBIT margin	n.a.	n.a.	n.a.	5.5%	5.2%	5.0%	5.2%	4.9%	4.7%	5.0%	5.2%
Average EBITDA margin	n.a.	n.a.	n.a.	7.1%	6.6%	6.2%	6.5%	6.3%	6.4%	7.0%	7.4%

VALUATION RATIOS - ADJUSTED EARNINGS

SEKm	2013	2014	2015	2016	2017	2018	2019	2020	2021E	2022E	2023E
P/E (adj)	n.a.	n.a.	1.5	2.8	7.5	8.1	12.5	19.6	25.4	16.7	14.3
EV/EBITDA (adj)	n.a.	n.a.	1.9	5.9	9.6	8.5	8.8	8.8	11.0	8.0	7.1
EV/EBITA (adj)	n.a.	n.a.	2.4	7.6	12.0	10.1	11.0	12.2	14.7	9.8	8.5
EV/EBIT (adj)	n.a.	n.a.	2.4	7.6	12.0	10.1	11.0	12.2	18.7	11.5	9.7

VALUATION RATIOS - REPORTED EARNINGS

SEKm	2013	2014	2015	2016	2017	2018	2019	2020	2021E	2022E	2023E
P/E	n.a.	n.a.	1.5	2.8	7.5	8.1	14.6	21.7	30.2	16.7	14.3
EV/Sales	n.a.	n.a.	0.15	0.35	0.50	0.56	0.69	0.58	0.73	0.65	0.60
EV/EBITDA	n.a.	n.a.	1.9	5.9	9.6	8.5	9.6	9.2	11.0	8.0	7.1
EV/EBITA	n.a.	n.a.	2.4	7.6	12.0	10.1	12.3	13.0	14.7	9.8	8.5
EV/EBIT	n.a.	n.a.	2.4	7.6	12.0	10.1	12.3	13.0	18.7	11.5	9.7
Dividend yield (ord.)	n.a.	n.a.	0.0%	7.1%	0.0%	3.1%	0.0%	0.0%	2.2%	2.7%	3.1%
FCF yield	n.a.	n.a.	-79.3%	-70.9%	7.1%	-3.1%	7.8%	16.2%	-8.2%	5.3%	7.0%
FCF Yield bef A&D, lease adj	n.a.	n.a.	-79.3%	-40.9%	20.9%	-3.1%	17.4%	19.4%	2.0%	5.3%	7.0%
Payout ratio	n.a.	n.a.	0.0%	19.6%	0.0%	24.9%	0.0%	0.0%	67.2%	44.6%	44.6%

Source: Company data and Nordea estimates

BALANCE SHEET

SEKm	2013	2014	2015	2016	2017	2018	2019	2020	2021E	2022E	2023E
Intangible assets	12	9	29	9	7	9	11	37	25	14	4
of which R&D	0	0	0	0	0	0	0	0	0	0	0
of which other intangibles	0	0	0	0	2	2	1	3	3	3	3
of which goodwill	12	9	29	9	5	7	10	33	22	11	1
Tangible assets	4	3	3	6	15	36	39	64	87	87	89
of which leased assets	0	0	0	0	0	0	0	0	0	0	0
Shares associates	0	0	0	0	60	0	0	5	70	70	70
Interest bearing assets	0	0	0	0	0	0	0	0	0	0	0
Deferred tax assets	3	1	0	0	0	5	6	1	0	0	0
Other non-IB non-current assets	0	0	0	0	0	0	0	0	0	0	0
Other non-current assets	25	30	21	0	0	1	1	1	0	0	0
Total non-current assets	44	43	53	16	82	51	57	107	183	171	163
Inventory	51	47	62	164	165	241	251	211	210	226	235
Accounts receivable	49	44	53	131	124	174	156	148	147	159	165
Short-term leased assets	0	0	0	0	0	0	0	0	0	0	0
Other current assets	3	3	4	12	11	16	12	11	11	12	13
Cash and bank	8	7	17	12	3	0	1	44	2	10	39
Total current assets	112	102	137	319	303	431	419	415	369	407	452
Assets held for sale	0	0	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Total assets	156	145	190	334	386	482	477	523	552	578	615
Shareholders equity	55	60	89	59	79	111	142	270	288	313	343
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	55	60	89	59	79	111	142	270	288	313	343
Deferred tax	0	0	0	0	0	0	0	0	0	0	0
Long term interest bearing debt	13	3	1	32	26	33	32	26	76	76	76
Pension provisions	0	0	0	0	0	0	0	0	0	0	0
Other long-term provisions	5	5	6	7	7	16	14	10	10	10	10
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	24	15	38	107	70	36	32	32	13	0	0
Hybrid debt	0	0	0	0	0	0	0	0	0	0	0
Total non-current liabilities	43	22	44	146	104	85	79	68	98	86	86
Short-term provisions	0	0	0	0	0	0	0	0	0	0	0
Accounts payable	17	22	30	75	60	107	97	86	86	92	96
Current lease debt	0	0	0	0	0	0	0	0	0	0	0
Other current liabilities	32	29	25	47	49	72	92	81	81	87	91
Short term interest bearing debt	9	12	2	7	94	107	66	17	0	0	0
Total current liabilities	58	62	57	130	203	286	256	185	166	179	187
Liabilities for assets held for sale	n.a.	0	0	0	0	0	0	0	0	0	0
Total liabilities and equity	156	145	190	334	386	482	477	523	552	578	615
Balance sheet and debt metrics											
Net debt	39	22	23	134	187	176	130	31	87	66	36
of which lease debt	0	0	0	0	0	0	0	0	0	0	0
Working capital	55	45	64	185	191	252	229	203	202	218	226
Invested capital	99	88	117	200	273	303	286	311	384	389	389
Capital employed	102	89	129	205	269	287	273	345	376	389	418
ROE	52.2%	13.7%	17.0%	25.1%	33.4%	31.6%	29.5%	13.2%	8.1%	13.5%	14.5%
ROIC	32.2%	9.8%	13.5%	11.8%	9.7%	10.9%	16.0%	13.0%	9.0%	12.9%	14.5%
ROCE	42.1%	13.2%	17.1%	15.2%	12.6%	14.8%	22.0%	16.6%	11.4%	17.0%	18.3%
Net debt/EBITDA	1.5	1.3	1.0	4.3	5.1	3.6	1.9	0.5	1.2	0.7	0.4
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	35.4%	41.8%	46.7%	17.6%	20.5%	23.1%	29.8%	51.6%	52.1%	54.2%	55.7%
Net gearing	69.8%	36.3%	26.0%	228.1%	237.0%	158.8%	91.3%	11.6%	30.1%	21.0%	10.6%

Source: Company data and Nordea estimates

CASH FLOW STATEMENT

SEKm	2013	2014	2015	2016	2017	2018	2019	2020	2021E	2022E	2023E
EBITDA (adj) for associates	26	17	23	31	37	49	70	67	69	93	100
Paid taxes	-3	-4	-2	-3	-5	-1	-4	-9	-7	-13	-15
Net financials	0	0	0	0	0	0	-7	-9	-11	-11	-11
Change in provisions	5	0	1	1	0	9	-2	-4	0	0	0
Change in other LT non-IB	-29	-3	10	21	0	-6	-1	5	2	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	21	5	-12	-35	-2	-10	-4	-1	0	0	0
Funds from operations (FFO)	21	14	19	15	31	41	52	48	53	69	74
Change in NWC	-4	13	-29	-35	-10	1	33	35	2	-16	-9
Cash flow from operations (CFO)	17	27	-10	-19	21	41	86	83	55	53	65
Capital expenditure	-1	-26	-5	-1	14	-49	9	31	-41	-17	-18
Free cash flow before A&D	16	1	-16	-21	36	-7	94	114	14	36	48
Proceeds from sale of assets	2	3	0	-12	38	0	0	0	0	0	0
Acquisitions	-14	-3	0	-3	-61	0	-52	-19	-69	0	0
Free cash flow	5	2	-16	-36	12	-7	42	95	-55	36	48
Free cash flow bef A&D, lease adj	16	1	-16	-21	36	-7	94	114	14	36	48
Dividends paid	-2	-3	-3	-50	0	0	-7	0	0	-15	-18
Equity issues / buybacks	0	0	19	0	0	2	0	103	0	0	0
Net change in debt	9	-20	31	67	63	-57	-25	-39	32	0	0
Other financing adjustments	0	0	-10	5	-23	13	-25	-38	0	0	0
Other non-cash adjustments	-4	20	-11	7	-60	46	16	-78	0	0	0
Change in cash	8	-1	10	-6	-9	-3	1	43	-43	8	30
Cash flow metrics											
Capex/D&A	22.3%	n.m.	n.m.	19.6%	n.m.	n.m.	-57.1%	n.m.	n.m.	60.1%	66.7%
Capex/Sales	0.5%	10.4%	1.9%	0.3%	-2.0%	6.6%	-0.9%	-2.9%	3.9%	1.5%	1.5%
Key information											
Share price year end (/current)	n.a.	n.a.	17	42	44	49	111	112	113	113	113
Market cap.	n.a.	n.a.	20	51	170	239	543	586	675	675	675
Enterprise value	n.a.	n.a.	43	185	357	415	673	618	762	741	712
Diluted no. of shares, year-end (m)	0.0	0.0	1.2	1.2	3.9	4.8	4.9	5.2	6.0	6.0	6.0

Source: Company data and Nordea estimates

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