

06 May 2021

Commissioned research: Inission – Somewhat soft top line, resilient margin

Marketing material commissioned by Inission

Inission reported a Q1 with sales of SEK 232m (-4% versus our estimates) and adjusted EBIT of SEK 7.9m (+60% versus our estimate of SEK 4.9m). However, the deviation in adjusted EBIT was mainly driven by higher than anticipated other income which includes government support. We find it encouraging that the company reports that it saw an uptick in demand at the end of the quarter. However, the company still experiences component shortage and expect the situation to remain throughout 2021. At first glance we expect minor positive revisions on the back of the report and the share to outperform slightly today. Deviation table below.

Higher gross margin y/y and cost savings increases profitability in a rebound

Raw materials amounted to 56.2% of sales (not adjusted for changes in inventory) down 6.7pp y/y. We believe a higher gross margin will be key to a higher EBIT margin for Inission in the future and see two possible drivers behind the lower figure in the quarter: 1) The company's box-build offering is gaining traction, which is also mentioned by the company, and 2) Inission Borås may be underperforming after having had a good year in 2020, driven by temporary higher demand from medtech. As this factory has historically had the lowest margin in the group we believe this mix-effect could explain the resilient margin.

According to the company they identified that sales would be negative y/y early in the quarter and therefore began to save cost which we believe could support margin once demand returns. As the company also states that they saw a positive demand trend throughout the quarter we are cautiously optimistic going into Q2 2021 albeit there is still uncertainty regarding the impact from component shortage, which the company expects to remain throughout 2021.

Deviation table

Inission: Deviation table

	Actual	NDA est.	Deviation		Actual		Actual	
SEKm	Q1 2021	Q1 2021E	vs. actual		Q4 2020	q/q	Q1 2020	y/y
Net sales	232	241	-9	-4%	279	-17%	244	-5%
EBIT	7.9	4.9	3	60%	10.6	-25%	6.3	25%
EBIT margin	3.4%	2.0%	1.4pp		3.8%	-0.4pp	2.6%	0.8pp
EO	0	0	0		-0.4		-2.6	
Adj. EBIT	7.9	4.9	3	60%	11	-28%	8.9	-11%
Adj. EBIT margin	3.4%	2.0%	1.4pp		3.9%	-0.5pp	3.7%	-0.2pp
PTP	4	-1	5	nm	8	-55%	4	3%
Tax	-2	0	-2	nm	-3	-36%	-2	24%
Net profit	2	-1	3	nm	5	-66%	2	-12%
EPS	0.31	-0.14	0.45	nm	0.89	-65%	0.44	-30%

Source: Company data and Nordea estimates

Note that the company had a EO-financial expense of SEK 4m which is included in our estimates and therefore not adjusted for.

SUMMARY TABLE - KEY FIGURES

SEKm	2018	2019	2020	2021E	2022E	2023E
Total revenue	740	980	1,059	1,050	1,134	1,179
EBITDA (adj)	49	76	70	69	93	100
EBIT (adj)	41	61	51	41	65	73
EBIT (adj) margin	5.5%	6.2%	4.8%	3.9%	5.7%	6.2%
EPS (adj, SEK)	6.09	8.90	5.72	4.43	6.72	7.85
EPS (adj) growth	5.5%	46.0%	-35.7%	-22.5%	51.6%	16.7%
DPS (ord, SEK)	1.51	0.00	0.00	2.50	3.00	3.50
EV/Sales	0.6	0.7	0.6	0.8	0.7	0.6
EV/EBIT (adj)	10.1	11.0	12.2	19.5	12.0	10.1
P/E (adj)	8.1	12.5	19.6	26.6	17.6	15.0
P/BV	2.1	3.8	2.2	2.5	2.3	2.1
Dividend yield (ord)	3.1%	0.0%	0.0%	2.1%	2.5%	3.0%
FCF Yield bef A&D, lease adj	-3.1%	17.4%	19.4%	1.9%	5.1%	6.7%
Net debt	176	130	31	87	66	36
Net debt/EBITDA	3.6	1.9	0.5	1.2	0.7	0.4
ROIC after tax	10.9%	16.0%	13.0%	9.0%	12.9%	14.5%

Source: Company data and Nordea estimates

Completion date: 06 May 2021, 09:05 CET

Nordea analyst: Carl Ragnerstam & Gustav Norrström

Disclaimer and legal disclosures

Origin of the report

This publication or report originates from: Nordea Bank Abp, including its branches Nordea Danmark, Filial af Nordea Bank Abp, Finland, Nordea Bank Abp, filial i Norge and Nordea Bank Abp, filial i Sverige (together "Nordea") acting through their units Nordea Markets and Equity Sales & Research.

Nordea Bank Abp is supervised by the European Central Bank and the Finnish Financial Supervisory Authority and the branches are supervised by the European Central Bank and the Finnish Financial Supervisory Authority and the Financial Supervisory Authorities in their respective countries.

Content of report

This report has been prepared solely by Nordea Markets or Equity Sales & Research.

Opinions or suggestions from Nordea Markets credit and equity research may deviate from one another or from opinions presented by other departments in Nordea. This may typically be the result of differing time horizons, methodologies, contexts or other factors.

The information provided herein is not intended to constitute and does not constitute investment advice nor is the information intended as an offer or solicitation for the purchase or sale of any financial instrument. The information contained herein has no regard to the specific investment objectives, the financial situation or particular needs of any particular recipient. Relevant and specific professional advice should always be obtained before making any investment or credit decision

Opinions or ratings are based on one or more methods of valuation, for instance cash flow analysis, use of multiples, behavioural technical analyses of underlying market movements in combination with considerations of the market situation and the time horizon. Key assumptions of forecasts or ratings in research cited or reproduced appear in the research material from the named sources. The date of publication appears from the research material cited or reproduced. Opinions and estimates may be updated in subsequent versions of the report, provided that the relevant company/issuer is treated anew in such later versions of the report.

Validity of the report

All opinions and estimates in this report are, regardless of source, given in good faith, and may only be valid as of the stated date of this report and are subject to change without notice.

No individual investment or tax advice

The report is intended only to provide general and preliminary information to investors and shall not be construed as the basis for any investment decision. This report has been prepared by Nordea Markets or Equity Sales & Research as general information for private use of investors to whom the report has been distributed, but it is not intended as a personal recommendation of particular financial instruments or strategies and thus it does not provide individually tailored investment advice, and does not take into account the individual investor's particular financial situation, existing holdings or liabilities, investment knowledge and experience, investment objective and horizon or risk profile and preferences. The investor must particularly ensure the suitability of an investment as regards his/her financial and fiscal situation and investment objectives. The investor bears the risk of losses in connection with an investment.

Before acting on any information in this report, it is recommendable to consult (without being limited to) one's financial, legal, tax, accounting, or regulatory advisor in any relevant jurisdiction.

The information contained in this report does not constitute advice on the tax consequences of making any particular investment decision. Each investor shall make his/her own appraisal of the tax and other financial merits of his/her investment.

Sources

This report may be based on or contain information, such as opinions, estimates and valuations which emanate from: Nordea Markets' analysts or representatives, publicly available information, information from other units of Nordea, or other named sources.

To the extent this publication or report is based on or contain information emanating from other sources ("Other Sources") than Nordea Markets or Equity Sales & Research ("External Information"), Nordea Markets or Equity Sales & Research has deemed the Other Sources to be reliable but neither Nordea, others associated or affiliated with Nordea nor any other person, do guarantee the accuracy, adequacy or completeness of the External Information.

Limitation of liability

Nordea or other associated and affiliated companies assume no liability as regards to any investment, divestment or retention decision taken by the investor on the basis of this report. In no event will Nordea or other associated and affiliated companies be liable for direct, indirect or incidental, special or consequential damages (regardless of whether being considered as foreseeable or not) resulting from the information in this report.

Risk information

The risk of investing in certain financial instruments, including those mentioned in this report, is generally high, as their market value is exposed to a lot of different factors such as the operational and financial conditions of the relevant company, growth prospects, change in interest rates, the economic and political environment, foreign exchange rates, shifts in market sentiments etc. Where an investment or security is denominated in a different currency to the investor's currency of reference, changes in rates of exchange may have an adverse effect on the value, price or income of or from that investment to the investor. Past performance is not a guide to future performance. Estimates of future performance are based on assumptions that may not be realized. When investing in individual shares, the investor may lose all or part of the investments.

Conflicts of interest

Readers of this document should note that Nordea Markets or Equity Sales & Research has received remuneration from the company mentioned in this document for the production of the report. The remuneration is not dependent on the content of the report.

Nordea, affiliates or staff in Nordea, may perform services for, solicit business from, hold long or short positions in, or otherwise be interested in the investments (including derivatives) of any company mentioned in the report.

To limit possible conflicts of interest and counter the abuse of inside knowledge, the analysts of Nordea Markets are subject to internal rules on sound ethical conduct, the management of inside information, handling of unpublished research material, contact with other units of Nordea and personal account dealing. The internal rules have been prepared in accordance with applicable legislation and relevant industry standards. The object of the internal rules is for example to ensure that no analyst will abuse or cause others to abuse confidential information. It is the policy of Nordea that no link exists between revenues from capital markets activities and individual analyst remuneration. Nordea and the branches are members of national stockbrokers' associations in each of the countries in which Nordea has head offices. Internal rules have been developed in accordance with recommendations issued by the stockbrokers associations. This material has been prepared following the Nordea Conflict of Interest Policy, which may be viewed at www.nordea.com/mifid.

Distribution restrictions

The securities referred to in this report may not be eligible for sale in some jurisdictions. This report is not intended for, and must not be distributed to private customers in the UK or the US or to customers in any other jurisdiction where restrictions may apply. This research report is intended only for, and may be distributed only to, accredited investors, expert investors or institutional investors in Singapore who may contact Nordea Bank, Singapore Branch of 138 Market Street, #09-01 CapitaGreen, Singapore 048946.

This publication or report may be distributed by Nordea Bank Abp Singapore Branch, which is subject to the supervision of the European Central Bank, the Finnish Financial Supervisory Authority and the Monetary Authority of Singapore.

This publication or report may be distributed in the UK to institutional investors by Nordea Bank Abp London Branch of 6th Floor, 5 Aldermanbury Square, London, EC2V 7AZ, which is under supervision of the European Central Bank, Finanssivalvonta (Financial Supervisory Authority) in Finland and subject to limited regulation by the Financial Conduct Authority and Prudential Regulation Authority in the United Kingdom. Details about the extent of our regulation by the Financial Conduct Authority and Prudential Regulation Authority are available from us on request.

This report may not be mechanically duplicated, photocopied or otherwise reproduced, in full or in part, under applicable copyright laws.

Analyst Shareholding

Nordea Markets analysts do not hold shares in the companies that they cover. No holdings or other affiliations by analysts or associates.

Fair value and sensitivity

We calculate our fair values by weighting DCF, DDM, SOTP, asset-based and other standard valuation methods. Our fair values are sensitive to changes in valuation assumptions, of which growth, margins, tax rates, working capital ratios, investment-to-sales ratios and cost of capital are typically the most sensitive. It should be noted that our fair values would change by a disproportionate factor if changes are made to any or all valuation assumptions, owing to the non-linear nature of the standard valuation models applied (mentioned above). As a consequence of the standard valuation models we apply, changes of 1-2 percentage points in any single valuation assumption can change the derived fair value by as much as 30% or more. All research is produced on an ad hoc basis and will be updated when the circumstances require it.

Marketing material

This research report should be considered marketing material, as it has been commissioned and paid for by the subject company, and has not been prepared in accordance with the regulations designed to promote the independence of investment research and it is not subject to any legal prohibition on dealing ahead of the dissemination of the report. However, Nordea Markets analysts are according to internal policies not allowed to hold shares in the companies/sectors that they cover.

Issuer Review

This report has not been reviewed by the Issuer prior to publication.

Market-making obligations and other significant financial interest

Nordea has no market-making obligations in Inission.

Investment banking transactions

Nordea has been lead or co-lead manager in a public disclosed offer of financial instruments issued by Inission over the previous 12 months.