Equity Research

Alleima

ESG

Hold	Results Preview	Metal & Mining	Sweden	12 January 2024

Results due: 23 January

Good, but not yet great

Alleima has moved from a discount to a premium valuation to its peers. With mix-positive order momentum looking strong, higher earnings should follow. However, the lack of raised financial targets at its CMD suggests to us that durably higher margins through a more permanent mix shift may occur via higher earnings volatility ahead; in which case, further material upside will need to come from earnings surprises. Downgrade to Hold (Buy).

Mix-driven stability in Q4

We model orders of SEK 5.3bn, revenue of SEK 5.2bn and adjusted EBIT of SEK 607m in Q4, corresponding to an EBIT margin of 11.7%. The Tube division has been awarded SEK 450m worth of large oil and gas orders in Q4, suggesting that the mix continues to improve. We expect a book-to-bill for Tube of >1 and a mix-driven EBIT margin improvement of 180bp, to 12.1% (assumes a largely unchanged load). For Kanthal, we expect the mix to push margins 130bp higher. Strip demand is likely to remain depressed, with the backlog getting thinner. We assume EBIT of just above break-even there.

Slight estimate revisions

We make only minor estimate revisions ahead of the Q4 numbers. Our margin estimates rise slightly, as we believe mix improvements will start to materialise.

Unwillingness to raise financial targets at CMD calls for some caution

After the recent sharp revaluation, we downgrade to Hold (Buy). Alleima is now trading at a premium to its peer group when looking at the ROE and EBITDA it is generating and is also at a premium to its book value (was 0.55x at our initiation). There may very well be further upside ahead, but we believe Alleima needs to exceed our estimate expectations for that to materialise in the near term. We downgrade to Hold (Buy) with a revised target price of SEK 80 (70).

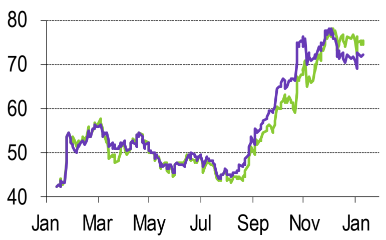
Key Data (2023E)

Price (SEK)	74.74
Target price (SEK)	80.00
- changed from (SEK)	*70.00*
Recommendation	Hold
- changed from	*Buy*
Risk	Normal
Reuters	ALLEI.ST
Bloomberg	ALLEI SS
Market cap (SEKm)	18,825
Market cap (USDm)	1,835
Market cap (EURm)	1,671
Net debt (SEKm)	(192)
Net debt (ex. IFRS-16 debt	(192)
Shares fully dil. (m)	251.9
Avg daily turnover (SEKm)	39.8
Free float	87%

Estimate Revisions (%)

	2023E	2024E	2025E
Revenues	1	1	1
Adj. EBIT	3	3	3
Adj. EPS	3	3	3

Share Price (12M)



Absolute (green) / Relative to Sweden (purple).

Financials (SEK)

Year end: Dec	2021	2022	2023E	2024E	2025E
Revenues (m)	13,847	18,405	20,815	21,460	22,922
Adj. EBIT	1,055	1,680	2,022	2,399	2,620
Pre-tax profit (m)	1,444	1,938	2,012	2,410	2,638
EPS	4.70	5.89	6.07	7.27	7.96
Adj. EPS	4.70	4.83	6.07	7.27	7.96
DPS	0.00	1.40	3.50	6.00	4.00
Revenue growth (%)	(0.6)	32.9	13.1	3.1	6.8
Adj. EBIT growth (%)	(12.4)	59.2	20.3	18.7	9.2
Adj. EPS growth (%)	210.3	2.8	25.7	19.8	9.4
Adj. EBIT margin (%)	7.6	9.1	9.7	11.2	11.4
ROE (%)	10.7	10.7	9.3	10.4	11.0
ROCE (%)	10.2	11.8	11.7	13.1	13.8
PER (x)		8.0	12.3	10.3	9.4
Free cash flow yield (%)		0.1	4.3	8.5	7.8
Dividend yield (%)		3.6	4.7	8.0	5.4
P/BV (x)		0.61	1.10	1.04	1.02
EV/Sales (x)		0.53	0.90	0.84	0.78
EV/Adj. EBITDA (x)	0.0	3.9	6.6	5.6	5.3
EV/Adj. EBIT (x)	0.0	5.8	9.2	7.5	6.9
Operating cash flow/EV (%)		7.0	8.7	13.4	12.6
Net debt/EBITDA (x)	0.65	0.04	(0.07)	(0.28)	(0.25)

Source for all data on this page: SEB (estimates) and Millistream/Thomson Reuters (prices)

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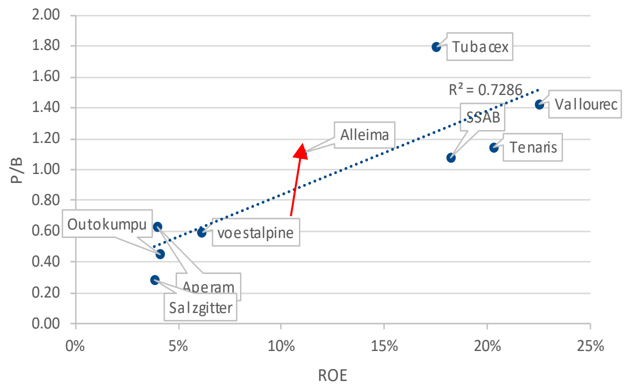
Valuation and revisions

Valuation uplift

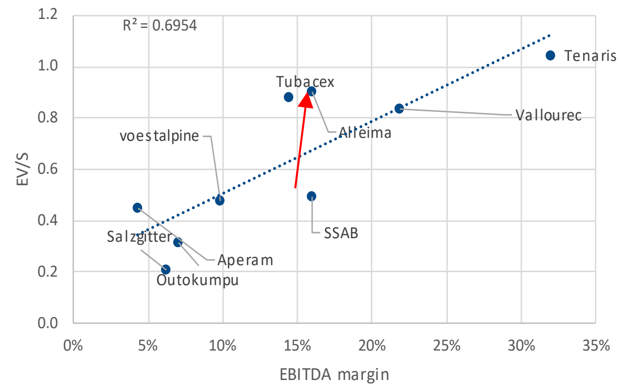
Alleima's valuation has risen, and it is now trading at a premium to its book value. Compared to a selection of steel peers, as illustrated below, Alleima has been revalued meaningfully since the listing of the shares in H2/22. A similar pattern is seen with EV/S versus the EBITDA margin. Worth mentioning here is that we have no coverage of the peer group, hence we have limited insights into the various names specifically.

ROE versus P/BV



Source: FactSet

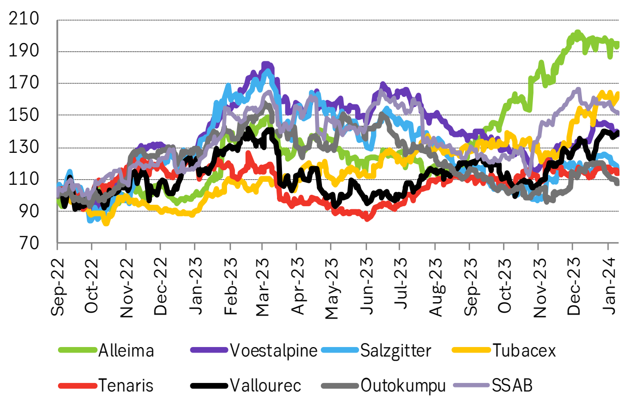
EV/S versus EBITDA margin



Source: FactSet

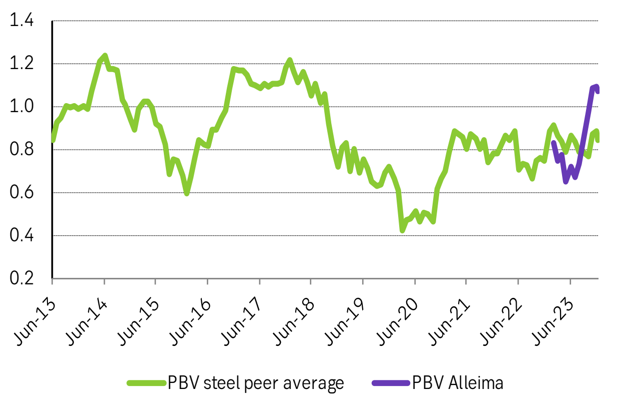
It should also be noted that Alleima is overcapitalised, in our view, and that we do not factor in any other expansion investments than those announced by Alleima. Neither do we factor in any impact from M&A. We have added extra dividends in the forecast period but, not to an extent that leverage comes close to Alleima's financial targets.

Share price performances: steel peers versus Alleima



Source: FactSet

P/B: Alleima versus steel peer average



Source: FactSet

Alleima's financial targets include an EBITA margin >9% over the cycle. We are at above 11% for our forecast period. However, we point out that alloy surcharges carry no earnings impact over time, so margins would rise without earnings moving higher in absolute terms (all else equal) if nickel and alloy prices fall. In essence, the margin target is not a great metric to use in isolation.

Standard grade products still important to the earnings equation

About 25% of Alleima volume is still what it refers to as contribution products (i.e. standard grade products that cover their share of fixed costs but not much more). The volume delivered of such products is likely to have a meaningful impact Alleima's cost absorption equation; hence, should demand for those products decline, there would likely be an equally meaningful impact on profit. While the mix shift into higher-value products is positive, we believe it will take a long time to replace the tonnage of standard grade steel with niche products. Hence, as long as niche products come on top of high utilisation, they will contribute nicely to earnings, but they are unlikely to be sufficient to offset the same high profit amid weakness in standard grade steel.

We have limited transparency into the equation, as Alleima refrains from providing further details, but the lack of raised financial targets, despite very good niche product momentum, is likely to have its explanation in the (still) reasonably high share of standard grade products, in our view.

Could Alleima become a new Carpenter Technology?

Carpenter Technology, the leader in specialty alloys and stainless solutions, trades at >2x book value. Would that be reasonable for Alleima? Well, over time, perhaps yes, but we believe the mix shift that is currently trending in the right direction needs to go much further. Looking at Carpenter's guidance (we do not cover the stock), its operating margin target for 2027 is for 20% for its Specialty Alloys Operations segment and 13-15% for its Performance Engineered Products segment. Weighted, that implies a 19% group EBIT margin by 2027. Although Alleima's >9% target is for over a cycle, we believe it remains distant. Hence, we think Alleima's share price in 2024 is likely to be driven more by a change in earnings than a change in valuation multiples.

DCF

DCF valuation (SEKm)		**Weighted average cost of capital (%)**	
NPV of FCF in explicit forecast period	14,663	Risk free interest rate	3.5
NPV of continuing value	4,399	Risk premium	5.0
Value of operation	**19,062**	**Cost of equity**	**8.5**
Net debt	(1,134)	**After tax cost of debt**	**2.6**
Share issue/buy-back in forecast period	-		
Value of associated companies	-	**WACC**	**8.5**
Value of minority shareholders' equity	-		
Value of marketable assets	-	**Assumptions**	
DCF value of equity	**20,196**	Number of forecast years	20
DCF value per share (SEK)	**80**	EBIT margin - steady state (%)	7.0
Current share price (SEK)	-	EBIT multiple - steady state (x)	9.0

Source: SEB

DCF sensitivity (SEK/share)

		Cost of equity (%)				
		7.5	8.0	**8.5**	9.0	9.5
Equity capital weight (%)	80	111	104	99	94	89
	90	99	94	88	84	80
	100	90	85	**80**	76	72
	100	90	85	80	76	72
	100	90	85	80	76	72

		Absolute change in EBITDA margin - all years				
		-2%	-1%	**0**	+1%	+2%
Abs. change in sales growth - all years	-2%	58	65	72	79	86
	-1%	61	68	76	84	91
	0	63	72	**80**	89	97
	+1%	66	75	85	94	104
	+2%	69	80	90	101	111

Source: SEB

Revisions

Revisions

	New estimates			Old estimates			Difference (%)		
(SEKm)	**2023E**	**2024E**	**2025E**	**2023E**	**2024E**	**2025E**	**2023E**	**2024E**	**2025E**
Sales	20,815	21,460	22,922	20,577	21,213	22,660	1.2	1.2	1.2
Adj. EBITDA	3,055	3,278	3,484	2,997	3,209	3,414	1.9	2.1	2.1
Adj. EBITDA margin (%)	14.7%	15.3%	15.2%	14.6%	15.1%	15.1%	0.1pp	0.1pp	0.1pp
Adj. EBIT	2,180	2,399	2,620	2,122	2,330	2,550	2.7	3.0	2.8
Adj. EBIT margin (%)	10.5%	11.2%	11.4%	10.3%	11.0%	11.3%	0.2pp	0.2pp	0.2pp
Orders									
Tube	16,194	16,703	17,204	16,194	16,703	17,204	0	0	0
Kanthal	4,429	4,207	4,418	4,701	4,466	4,690	-6	-6	-6
Strip	1,235	1,198	1,258	1,257	1,219	1,280	-2	-2	-2
Total	**21,858**	**22,108**	**22,879**	**22,152**	**22,388**	**23,173**	**-1**	**-1**	**-1**
Sales									
Tube	14,783	15,780	16,885	14,783	15,780	16,885	0	0	0
Kanthal	4,658	4,798	5,086	4,396	4,528	4,800	6	6	6
Strip	1,500	1,382	1,451	1,524	1,405	1,475	-2	-2	-2
Total	**20,815**	**21,460**	**22,922**	**20,577**	**21,213**	**22,660**	**1**	**1**	**1**
Adjusted EBITDA									
Tube	2,244	2,544	2,726	2,193	2,493	2,675	2	2	2
Kanthal	974	998	1,033	956	969	1,002	2	3	3
Strip	129	101	115	137	108	122	-5	-6	-6
Total	**3,055**	**3,278**	**3,484**	**2,997**	**3,209**	**3,414**	**2**	**2**	**2**
Adjusted EBITDA margin									
Tube	15.2%	16.1%	16.1%	14.8%	15.8%	15.8%	0.3pp	0.3pp	0.3pp
Kanthal	20.9%	20.8%	20.3%	21.7%	21.4%	20.9%	-0.8pp	-0.6pp	-0.6pp
Strip	8.6%	7.3%	7.9%	9.0%	7.7%	8.3%	-0.3pp	-0.4pp	-0.4pp
Total	**14.7%**	**15.3%**	**15.2%**	**14.6%**	**15.1%**	**15.1%**	**0.1pp**	**0.1pp**	**0.1pp**
Organic order change									
Tube	-3%	3%	3%	-3%	3%	3%	0.0pp	0.0pp	0.0pp
Kanthal	-5%	-5%	5%	0%	-5%	5%	-5.7pp	0.0pp	0.0pp
Strip	-29%	-3%	5%	-28%	-3%	5%	-1.3pp	0.0pp	0.0pp
Group	**-5%**	**1%**	**3%**	**-4%**	**1%**	**4%**	**-1.3pp**	**0.1pp**	**0.0pp**
Order drivers									
Organic	-5%	1%	3%	-4%	1%	4%	-1.3pp	0.1pp	0.0pp
Structure	1%	0%	0%	1%	0%	0%	0.0pp	0.0pp	0.0pp
Currency	3%	0%	0%	3%	0%	0%	0.0pp	0.0pp	0.0pp
Alloys	1%	0%	0%	1%	0%	0%	0.0pp	0.0pp	0.0pp
Total	**-1%**	**1%**	**3%**	**0%**	**1%**	**4%**	**-1.3pp**	**0.1pp**	**0.0pp**

Source: SEB

Detailed estimates

Detailed estimates

	Q2/21	Q3/21	Q4/21	Q1/22	Q2/22	Q3/22	Q4/22	Q1/23	Q2/23	Q3/23	Q4/23E
Order intake											
Tube	2,992	2,449	2,938	4,419	4,869	2,552	4,119	4,837	4,129	3,316	3,912
Kanthal	823	755	883	1,130	1,111	945	1,279	1,271	1,066	1,003	1,089
Strip	351	308	441	447	460	372	427	308	331	276	320
Total order intake	**4,165**	**3,512**	**4,262**	**5,996**	**6,440**	**3,869**	**5,825**	**6,416**	**5,526**	**4,595**	**5,321**
Order bridge, %											
Organic	-	-	-	-	26%	-10%	17%	-5%	-15%	16%	-9%
Structure	-	-	-	-	1%	1%	1%	0%	1%	1%	1%
Currency	-	-	-	-	6%	7%	9%	4%	4%	3%	0%
Alloys	-	-	-	-	20%	11%	9%	7%	-3%	-1%	-1%
Total growth	-	-	-	-	**55%**	**10%**	**37%**	**7%**	**-14%**	**19%**	**-9%**
Organic order growth by division											
Tube	-	-	-	-	32%	-16%	19%	-3%	-16%	26%	-5%
Kanthal	-	-	-	-	5%	2%	23%	-2%	-4%	5%	-17%
Strip	-	-	-	-	20%	10%	-11%	-35%	-30%	-25%	-25%
Group	-	-	-	-	**26%**	**-10%**	**17%**	**-5%**	**-15%**	**16%**	**-9%**
Sales											
Tube	2,336	2,169	2,815	2,897	3,329	2,931	3,647	3,763	4,025	3,130	3,865
Kanthal	762	719	786	934	1,012	995	1,031	1,195	1,179	1,153	1,131
Strip	351	309	334	388	416	344	481	418	435	334	313
Total net sales	**3,449**	**3,197**	**3,935**	**4,219**	**4,757**	**4,270**	**5,159**	**5,376**	**5,638**	**4,617**	**5,184**
Sales drivers											
Organic	-	-	-	-	13%	12%	14%	12%	18%	5%	9%
Structure	-	-	-	-	1%	1%	0%	1%	1%	1%	1%
Currency	-	-	-	-	6%	8%	7%	4%	4%	3%	0%
Alloys					17%	11%	9%	10%	-4%	-1%	-1%
Total growth	**-**	**-**	**-**	**-**	**38%**	**34%**	**31%**	**27%**	**19%**	**8%**	**9%**
Organic sales growth per division											
Tube	**-**	**-**	**-**	**-**	17%	13%	12%	14%	20%	4%	6%
Kanthal	**-**	**-**	**-**	**-**	3%	12%	13%	11%	15%	13%	7%
Strip	**-**	**-**	**-**	**-**	7%	3%	33%	1%	1%	-3%	-35%
Adjusted EBITDA margin											
Tube	17.3%	7.7%	15.6%	15.8%	17.8%	10.6%	15.4%	15.3%	15.8%	12.2%	16.8%
Kanthal	18.5%	15.3%	17.9%	18.2%	18.0%	14.0%	21.0%	18.7%	21.7%	21.2%	22.1%
Strip	20.2%	11.3%	15.6%	18.6%	16.3%	6.4%	19.1%	12.2%	12.6%	2.1%	5.3%
Group EBIT	**16.3%**	**8.1%**	**14.2%**	**14.2%**	**15.8%**	**9.4%**	**15.2%**	**14.6%**	**15.3%**	**12.6%**	**16.0%**
Adjusted EBIT margin											
Tube	10.1%	3.3%	9.6%	9.7%	12.9%	4.9%	10.3%	10.7%	11.4%	6.4%	12.1%
Kanthal	15.7%	12.4%	15.4%	15.6%	15.6%	11.6%	18.7%	16.4%	19.3%	18.6%	20.0%
Strip	16.8%	7.4%	12.0%	15.5%	13.2%	2.9%	17.0%	9.8%	10.1%	-1.2%	1.4%
Group EBIT margin	**10.0%**	**3.8%**	**9.0%**	**9.1%**	**11.5%**	**4.6%**	**10.8%**	**10.6%**	**11.6%**	**7.6%**	**11.7%**
Reported EBIT margin											
Tube	13.3%	12.1%	13.5%	17.5%	27.5%	0.4%	7.1%	22.3%	4.7%	3.0%	9.0%
Kanthal	16.1%	19.2%	18.6%	25.2%	29.3%	10.8%	16.1%	19.6%	17.2%	15.7%	15.5%
Strip	18.5%	10.4%	15.6%	18.8%	17.3%	4.4%	14.8%	11.2%	10.1%	-3.0%	-8.2%
Group EBIT margin	**10.3%**	**9.3%**	**10.0%**	**15.1%**	**23.2%**	**-0.6%**	**6.1%**	**19.5%**	**6.4%**	**4.5%**	**7.8%**
Metals	49	190	129	327	648	-131	-148	479	-292	-144	-200

Source: SEB

Divisional breakdown

	2019	2020	2021	2022	2023E	2024E	2025E
Order intake							
Tube	-	-	10,795	15,959	16,194	16,703	17,204
Kanthal	-	-	3,357	4,466	4,429	4,207	4,418
Strip	-	-	3,357	4,466	1,235	1,198	1,258
Total order intake	**16,851**	**12,230**	**15,681**	**22,130**	**21,858**	**22,108**	**22,879**
Order bridge, %							
Organic	2%	-26%	27%	19%	-5%	1%	3%
Structure	-2%	0%	0%	1%	1%	0%	0%
Currency	4%	-2%	-3%	7%	3%	0%	0%
Alloys	n.a.	n.a.	15%	13%	1%	0%	0%
Total growth	**-**	**-**	**28%**	**41%**	**-1%**	**1%**	**3%**
Organic order growth							
Tube	-	-	26%	25%	-3%	3%	3%
Kanthal	-	-	27%	9%	-5%	-5%	5%
Strip	-	-	-	2%	-29%	-3%	5%
Group	**-**	**-26%**	**27%**	**19%**	**-5%**	**1%**	**3%**
Sales							
Tube	11,528	10,102	9,530	12,804	14,783	15,780	16,885
Kanthal	2,852	2,615	3,007	3,972	4,658	4,798	5,086
Strip	1,275	1,209	1,310	1,628	1,500	1,382	1,451
Total net sales	**15,655**	**13,926**	**13,847**	**18,404**	**20,815**	**21,460**	**22,922**
Sales drivers							
Organic	4%	-9%	-3%	13%	11%	3%	7%
Acquisitions	-2%	1%	0%	5%	1%	0%	0%
Currency	3%	-2%	-2%	6%	3%	0%	0%
Alloys	1%	1%	12%	12%	1%	0%	0%
Total growth	**6%**	**-11%**	**-1%**	**37%**	**16%**	**3%**	**7%**
Organic sales growth per division							
Tube	-	-	-	14%	11%	7%	7%
Kanthal	-	-	-	9%	11%	3%	6%
Strip	-	-	-	14%	-10%	-8%	5%
Adjusted EBITDA margin							
Tube	17%	17%	14%	15%	15%	16%	16%
Kanthal	14%	15%	17%	18%	21%	21%	20%
Strip	12%	12%	16%	16%	9%	7%	8%
Group EBIT	**16%**	**16%**	**13%**	**14%**	**15%**	**15%**	**15%**
Adjusted EBIT margin							
Tube	11.2%	10.8%	7.4%	9.6%	10.3%	11.6%	11.9%
Kanthal	10.8%	11.4%	14.8%	15.4%	18.5%	18.8%	18.4%
Strip	7.8%	8.0%	12.7%	12.7%	5.7%	3.7%	4.5%
Group EBIT margin	**9.7%**	**8.7%**	**7.6%**	**9.4%**	**10.5%**	**11.2%**	**11.4%**
Reported EBIT margin							
Tube	10.7%	6.6%	12.3%	13.2%	9.9%	11.6%	11.9%
Kanthal	13.5%	4.0%	18.1%	20.2%	17.0%	18.8%	18.4%
Strip	6.5%	6.9%	15.5%	14.2%	3.7%	3.7%	4.5%
Group EBIT margin	**9.2%**	**3.5%**	**10.0%**	**11.3%**	**9.7%**	**11.2%**	**11.4%**
Metals	192	-172	487	695	-157	0	0

Source: SEB

SEAM (SEB's ESG Assessment Methodology)

Alleima

Country: Sweden Sector: Metal & Mining Overall impact of ESG factors on valuation: **Slightly Negative** Fully discounted in target price: **No**

In our view, ESG factors do or will have an overall slightly negative impact on the share's valuation. The most material impact is long term pressure on fossil end market and investment costs of meeting emissions targets, partly offset by increase in demand from products assisting transition. Most of the impact is yet to be discounted in our target price (6-12 m horizon). We believe that some of the ESG factors facing the company could be manageable by the company, and that the company's management of these issues could be improved.. In our view, the company will need to provide more detail on investments that will be needed to meet emissions reductions targets..

With regard to the EU taxonomy, we expect to see the company report an insignificant current revenue alignment with relevant taxonomy screening criteria. In the longer term, we expect alignment to be very significant (>30%).

ESG impact on NPV (as % of equity valuation)

Total impact over time	(3)
of which:	
- impact reflected in target equity valuation	(2)
- impact yet-to-be reflected in target equity valuation	(0)

ESG impact on NPV (as % of enterprise valuation)

Total impact over time	(3)
of which:	
- impact reflected in target enterprise valuation	(3)
- impact yet-to-be reflected in target enterprise valuation	(0)

SEB ESG Financial Assessment

	As % of equity valuation	As % of enterprise valuation
Long term impact of ESG issue on valuation	(3)	(3)
of which:		
Impact already reflected in our 6-12 month target	(2)	(3)
Impact yet-to-be reflected in target price	(0)	(0)

Sales (price/volume) exposure to ESG opportunities/threats	Impact on Sales CAGR (%pa) 0-3 yrs	4-10+ yrs	NPV/EV (%)
Climate related impact - products/services			
Oil and Gas segment related demand growth expected to be pressured by transition away from fossil	0	(1)	(2)
Industrial Heating segment sales driven by transition from natural gas to electrical heat (Kantal)	0	1	1
Transportation segment related demand growth expected to be mitigated by lower aviation sector g	0	(0)	(0)
Industrial segment fossil process sector related demand expected to be pressured by transition	0	(0)	(0)
Hydrogen and Renewable Energy sales driven by build out of high pressure hydrogen filling stations	0	0	0

Costs (CAPEX/OPEX) exposure to ESG opportunities/threats	Impact on costs (as % of sales)		NPV/EV (%)
Greenhouse Gas emissions - own operations			
Investment in low/no carbon process equipment required to deliver GHG emissions reduction target	(0)	(0)	(3)

Long term impact of ESG issue on valuation (% NPV/EV)	**(3)**

Alleima (cont.)

EU Taxonomy Eligibility/Alignment (based on mandatory EU disclosures)

Eligible revenues (inc. aligned revs.)	NA (current group revenues)
Aligned revenues	NA (current group revenues)
SEB forecast, aligned revenues (in 5 years' time)	95% (est. future group revenues)
of which:	
Steel made by own furnaces expected to align with Climate Mitigation act section 3.9 "Iron & Steel"	95%

Sustainability related committments and targets

Does the company have a science based target?	Commited to target
Is the CEO's remuneration linked to achievement of sustainability goals?	No
Who has ultimate responsibility for sustainability management?	na

Overview

Investment case	We believe Alleima is a potential beneficiary of increased oil and gas spending. Assuming exploration and production spend growth ahead we anticipate strong order growth through 2023-24. We also believe that underlying demand for industrial heating and medical products, attributable to the Kanthal division, will remain strong. In our view, increased demand will trigger a mix shift where the share of sales attributable to products with lower margins will decrease.
Company profile	Alleima is a leading niche steel manufacturer, where Industrial, Chemical & Petrochemical and Oil & Gas are the largest customer segments. It operates through three business divisions: Tube, Kanthal and Strip, where Tube accounts for around two-thirds of sales. Tube division growth is particularly driven by oil and gas spending. Kanthal, representing c. 20% of sales, includes both industrial heating and industrial consumer related products. Strip is the smallest division, mainly exposed to consumer end-markets. Alleima's main markets are Europe, representing 51% of sales, followed by North America (23%) and Asia (21%).
Valuation approach	Our target price is based on peer group valuation supported by our DCF.
Target price risks	If demand for Alleima's products and services weakens owing to a deterioration in the global economy, it could struggle to defend its margins. Near-term concerns are consumer spending and general industrial-related demand changes. On the upside, a continued mix shift could result in sustainably higher margins, increased earnings and a loftier valuation.

Profit & loss statement - Alleima							
(SEKm)	**2019**	**2020**	**2021**	**2022**	**2023E**	**2024E**	**2025E**
Net Sales	15,654	13,925	13,847	18,405	20,815	21,460	22,922
Other revenues	0	0	0	0	0	0	0
Total revenues	**15,654**	**13,925**	**13,847**	**18,405**	**20,815**	**21,460**	**22,922**
Total expenses	(13,207)	(12,643)	(11,725)	(15,425)	(17,993)	(18,261)	(19,502)
Profit before depreciation	**2,447**	**1,282**	**2,122**	**2,980**	**2,822**	**3,199**	**3,420**
Depreciation - Fixed assets	(1,003)	(790)	(743)	(859)	(800)	(800)	(800)
Depreciation - Other assets	0	0	0	0	0	0	0
Depreciation of right-of-use assets	0	0	0	0	0	0	0
Amortisation - Goodwill	0	0	0	0	0	0	0
Amortisation - Other intangibles	0	0	0	0	0	0	0
Operating profit	**1,444**	**492**	**1,379**	**2,121**	**2,022**	**2,399**	**2,620**
Net interest expenses	(432)	64	65	(183)	(9)	11	18
Foreign exchange items	0	0	0	0	0	0	0
Other financial items	0	0	0	0	0	0	0
Value changes - Fixed assets	0	0	0	0	0	0	0
Value changes - Financial assets	0	0	0	0	0	0	0
Value changes - Other assets	0	0	0	0	0	0	0
Reported pre-tax profit	**1,012**	**556**	**1,444**	**1,938**	**2,012**	**2,410**	**2,638**
Minority interests	0	0	0	0	0	0	0
Total taxes	(345)	(176)	(265)	(455)	(483)	(578)	(633)
Reported profit after tax	**667**	**380**	**1,179**	**1,483**	**1,529**	**1,832**	**2,005**
Discontinued operations	0	0	0	0	0	0	0
Extraordinary items	0	0	0	0	0	0	0
Net Profit	**667**	**380**	**1,179**	**1,483**	**1,529**	**1,832**	**2,005**
Adjustments:							
Discontinued operations	0	0	0	0	0	0	0
Interest on convertible debt	0	0	0	0	0	0	0
Minority interests (IFRS)	0	0	0	0	0	0	0
Value changes	0	0	0	0	0	0	0
Goodwill/intangibles amortisations	0	0	0	0	0	0	0
Restructuring charges	0	0	0	0	0	0	0
Other adjustments	0	0	0	(350)	0	0	0
Tax effect of adjustments	0	0	0	84	0	0	0
Adjusted profit after tax	**667**	**380**	**1,179**	**1,217**	**1,529**	**1,832**	**2,005**
Margins, tax & returns							
Operating margin	9.2	3.5	10.0	11.5	9.7	11.2	11.4
Pre-tax margin	6.5	4.0	10.4	10.5	9.7	11.2	11.5
Tax rate	34.1	31.7	18.4	23.5	24.0	24.0	24.0
ROE	15.2	4.0	10.7	10.7	9.3	10.4	11.0
ROCE	27.7	12.2	10.2	11.8	11.7	13.1	13.8
Growth rates y-o-y (%)							
Total revenues	n.a.	(11.0)	(0.6)	32.9	13.1	3.1	6.8
Operating profit	n.m.	(65.9)	180.3	53.8	(4.7)	18.7	9.2
Pre-tax profit	n.m.	(45.1)	159.7	34.2	3.8	19.8	9.4
EPS (adjusted)	0.0	(43.0)	210.3	2.8	25.7	19.8	9.4

Cash flow							
(SEKm)	**2019**	**2020**	**2021**	**2022**	**2023E**	**2024E**	**2025E**
Net profit	667	380	1,179	1,483	1,529	1,832	2,005
Non-cash adjustments	1,582	994	392	859	800	800	800
Cash flow before work cap	**2,249**	**1,374**	**1,571**	**2,342**	**2,329**	**2,632**	**2,805**
Ch. in working capital / Other	(523)	297	(420)	(1,655)	(717)	(239)	(540)
Operating cash flow	**1,726**	**1,671**	**1,151**	**687**	**1,612**	**2,393**	**2,264**
Capital expenditures	(689)	(516)	(494)	(679)	(800)	(800)	(800)
Asset disposals	99	44	58	23	0	0	0
L/T financial investments	(155)	(61)	(71)	0	0	0	0
Acquisitions / adjustments	0	0	0	(312)	(150)	0	0
Free cash flow	**981**	**1,138**	**644**	**(281)**	**662**	**1,593**	**1,464**
Net loan proceeds	83	(175)	1,543	(1,639)	0	0	0
Dividend paid	(2)	0	0	(3)	(353)	(882)	(1,511)
Share issue	0	0	0	1,400	0	0	0
Other	(5,061)	(2,952)	(107)	(99)	0	0	0
Net change in cash	**(3,999)**	**(1,989)**	**2,080**	**(622)**	**310**	**711**	**(47)**
Adjustments							
C/flow bef chng in work cap	2,249	1,374	1,571	2,342	2,329	2,632	2,805
Adjustments	0	0	0	0	0	0	0
Int on conv debt net of tax	0	0	0	0	0	0	0
Cash earnings	2,249	1,374	1,571	2,342	2,329	2,632	2,805
Per share information							
Cash earnings	8.96	5.48	6.26	9.3	9.25	10.4	11.1
Operating cash flow	6.88	6.66	4.59	2.73	6.4	9.5	8.99
Free cash flow	3.91	4.54	2.57	(1.12)	2.63	6.32	5.81
Investment cover							
Capex/sales (%)	4.4	3.7	3.6	3.7	3.8	3.7	3.5
Capex/depreciation (%)	69	65	66	79	100	100	100

Source for all data on this page: SEB

Balance sheet - Alleima							
(SEKm)	**2019**	**2020**	**2021**	**2022**	**2023E**	**2024E**	**2025E**
Cash and liquid assets	112	179	1,661	892	1,202	1,913	1,866
Debtors	3,510	2,835	3,413	4,712	5,132	5,292	5,652
Inventories	4,876	4,296	5,372	7,355	8,318	8,576	9,160
Other	0	0	0	0	0	0	0
Current assets	**8,498**	**7,310**	**10,446**	**12,959**	**14,652**	**15,781**	**16,678**
Interest bearing fixed assets	0	0	0	0	0	0	0
Other financial assets	799	549	462	714	714	714	714
Capitalized development cost	0	0	0	1	1	1	1
Goodwill	1,324	1,234	1,352	1,615	1,665	1,665	1,665
Other intangibles	128	127	122	194	194	194	194
Right-of-use lease assets	273	210	204	392	392	392	392
Fixed tangible assets	7,484	7,165	7,251	7,350	7,450	7,450	7,450
Other fixed assets	0	0	0	174	174	174	174
Fixed assets	**10,008**	**9,285**	**9,391**	**10,440**	**10,590**	**10,590**	**10,590**
Total assets	**18,506**	**16,595**	**19,837**	**23,399**	**25,242**	**26,371**	**27,268**
Creditors	0	0	0	0	0	0	0
Other trade financing	7,143	3,488	4,243	5,090	5,757	5,935	6,339
S/T lease liabilities	0	0	0	0	0	0	0
S/T interest bearing debt	365	213	1,691	94	0	0	0
Other	0	0	0	0	0	0	0
Current liabilities	**7,508**	**3,701**	**5,934**	**5,184**	**5,757**	**5,935**	**6,339**
L/T interest bearing debt	1,772	1,690	1,351	916	1,010	1,010	1,010
L/T lease liabilities	0	0	0	0	0	0	0
Other long-term liabilities	435	836	840	1,398	1,398	1,398	1,398
Convertible debt	0	0	0	0	0	0	0
Pension provisions	0	0	0	0	0	0	0
Other provisions	0	0	0	0	0	0	0
Deferred tax	0	0	0	0	0	0	0
Long term liabilities	**2,207**	**2,526**	**2,191**	**2,314**	**2,408**	**2,408**	**2,408**
Minority interests	0	0	0	0	0	0	0
Shareholders' equity	**8,791**	**10,368**	**11,712**	**15,901**	**17,078**	**18,028**	**18,521**
Total liabilities and equity	**18,506**	**16,595**	**19,837**	**23,399**	**25,242**	**26,371**	**27,268**
Net debt (m)	2,025	1,724	1,381	118	(192)	(903)	(856)
Working capital (m)	1,243	3,643	4,542	6,977	7,694	7,933	8,473
Capital employed (m)	10,928	12,271	14,754	16,911	18,088	19,038	19,531
Net debt/equity (%)	23	17	12	1	(1)	(5)	(5)
Net debt/EBITDA (x)	0.8	1.3	0.7	0.0	(0.1)	(0.3)	(0.3)
Equity/total assets (%)	48	62	59	68	68	68	68
Interest cover	3.3	4.8	6.5	6.3	67.4	120.3	131.6

Valuation							
(SEK)	**2019**	**2020**	**2021**	**2022**	**2023E**	**2024E**	**2025E**
No of shares, fully dil. (y/e)	250.9	250.9	250.9	251.9	251.9	251.9	251.9
No of shares, fully dil. avg.	250.9	250.9	250.9	251.9	251.9	251.9	251.9
Share price, y/e				38.4	74.7	74.7	74.7
Share price, high				45.1	79.7		
Share price, low				33.7	38.2		
Share price, avg				38.7	54.3		
EPS (reported)	2.66	1.51	4.70	5.89	6.07	7.27	7.96
EPS (adjusted)	2.66	1.51	4.70	4.83	6.07	7.27	7.96
Cash earnings/share	8.96	5.48	6.26	9.30	9.25	10.4	11.1
Dividend/share	0.00	0.00	0.00	1.40	3.50	6.00	4.00
Enterprise value/share				39	74	71	71
Book value/share	35	41	47	63	68	72	74
Adjusted equity/share	35	41	47	63	68	72	74
PER (adjusted)				8.0	12.3	10.3	9.4
CEM				4.1	8.1	7.2	6.7
Dividend yield				3.6	4.7	8.0	5.4
EV/EBITDA				3.9	6.6	5.6	5.3
EV/EBITA				4.6	9.2	7.5	6.9
EV/EBIT				5.8	9.2	7.5	6.9
EV/Sales (x)				0.53	0.90	0.84	0.78
Price/Book value				0.61	1.10	1.04	1.02
Price/adjusted equity				0.61	1.10	1.04	1.02
Free cash flow/Market cap (%)				0.1	4.3	8.5	7.8
Operating cash flow/EV (%)				7.0	8.7	13.4	12.6
EV/Capital employed (x)				0.6	1.0	0.9	0.9

Main shareholders				Management		Company information
Name	**(%)**	**Votes**	**Capital**	**Title**	**Name**	**Contact**
				COB	Andreas Nordbranth	Internet
				CEO	Göran Björkman	Phone number
				CFO	Olof Bengtsson	
				IR	Emelie Alm	

Source for all data on this page: SEB

Target prices and risks

Target price definition and associated risks
Our target price is the analyst's assessment of what total return an investor should expect over the coming six to 12 months. The target is based on fundamental equity research and other factors at the analyst's discretion.

Our current target price of SEK 80 was set today (12 Jan 2024). The main risk to our target price on Alleima is as follows. If demand for Alleima's products and services weakens on any deterioration in the global economy, it could struggle to defend its margins. Near-term concerns are consumer spending and general industrial-related demand changes; Alleima has consumer exposure mainly in the Strip division but to some extent also in Kanthal.

Risk levels
The risk level is the analyst's view of the uncertainty in the earnings forecasts based on an assessment of the company's business model, operating risk as well as financial risk. We use two risk levels with the following explanations:

- **Normal risk:** All forecasts involve uncertainty and we view companies in this risk level to have normal forecast risks
- **High risk:** The earnings forecasts are more uncertain than for an average instrument due to business model, operating risk, financial risk or any other reason at the analyst's discretion. All instruments with shorter track record than 12 months as a listed company are by definition classified as high risk according to SEB.

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Additional recommendation history for the issuer is available at https://research.sebgroup.com/equity

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Methodology

Our target price is based on valuation approaches described in the Overview section of this report, unless our estimates are in the process of being updated. Final consideration as to any valuations, projections and forecasts contained in this report are based on a number of assumptions and estimates and are subject to contingencies and uncertainties, and their inclusion in this report should not be regarded as a representation or warranty by or on behalf of the Group or any person or entity within the Group that they or their underlying assumptions and estimates will be met or realized. Different assumptions could result in materially different results. Past performance is not a reliable indicator of future performance. Foreign currency rates of exchange may adversely affect the value, price or income of any security or related investment mentioned in this report. In addition, investors in securities, such as ADRs, whose values are influenced by the currency of the underlying security, effectively assume currency risk.

Company specific disclosures and potential conflicts of interest

A member of, or an entity associated with, SEB or its affiliates, officers, directors, employees or shareholders of such members (a) is not, and has never been, represented on the board of directors or similar supervisory entity of Alleima, (b) has from time to time bought or sold the securities issued by the company or options relating to the company, and (c) SEB does not hold any short / long position exceeding 0.5% of the total issued share capital of Alleima as of 31 Dec 2023.

The analyst(s) responsible for this research report (jointly with their closely related persons) hold(s) 0 shares in Alleima and do(es) not have holdings in other instruments related to the company.

Current recommendation for Alleima - Hold - was set on 12 Jan 2024, changed from Buy. The dates of previous recommendation changes in relation to Alleima can be found on our Research Online website.

SEB's standardised recommendation structure

	Consolidated distribution as per 31 Dec 2023 (%)	Clients to whom SEB has provided material investment services, last 12M (%)	Clients from whom SEB has received investment banking income, last 12M (%)
Buy	69.2	18.6	15.9
Hold	27.7	7.6	6.7
Sell	3.1	0.3	0

Buy	Attractive risk/reward - at least 10% upside to target price.
Hold	Fairly valued – the security / instrument is trading close to target price.
Sell	Unattractive risk/reward - security / instrument is trading above target price.
Unrated	Company not covered, or we are not allowed to have a recommendation for compliance reasons

Source: SEB

Please note, in the chart to the right:

1=Buy
2=Hold
3=Sell

The grey spots mark the point where target prices have been changed. The price chart is not adjusted for dividends paid, whereas our recommendations are based on expected return including dividends

Target price and recommendation revision history

Source: Thomson Reuters / Millistream / SEB

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