

Awaiting new contracts

Following a 30% rise in the share price over the last three months, there is still at least as much potential left, but this requires the company to start delivering on expectations regarding new contracts. Until that happens, we are not changing our justified price.

Contracting unexpectedly strong in Q1

The Q1 2026 report was broadly in line with our expectations, with Contracting in particular performing surprisingly strongly. Group revenue was 24% higher than Q1-25 at SEK 152.1 million (123.0 for Q1-25), which was 3% below our forecast. The operating margin improved significantly to 12.6% (3.6%) based on a profit of SEK 19.2 million (4.4), which was above our estimate of SEK 17.1 million.

New orders needed to hit 2027 targets

We have difficulty seeing Railcare reaching its revenue target of SEK 1 billion for 2027, and we reduce our forecast slightly further, while expecting continued growth in the years that follow. A delay of a new contract's delivery a few months does not change the valuation much. Management does not appear any less confident about achieving the 2027 targets now than previously, and given the large, high-profile contracts the company has secured over the past two years, there is little reason to doubt that new contracts will be secured. However, ink on paper will dispels doubts about the company's ability to succeed, so we look forward to such contracts being announced soon.

The organisation is scaled up to handle new volumes, and an operating margin of almost 12% was achieved already during the seasonally weak Q1 this year despite the UK still weighing on results, the outlook is good for the margin target of 13% for 2027 to be met.

Good risk/reward

With 2027 so close, we shift our forecast horizon to the end of 2029, with a broader outlook through to 2035. If, in our base case scenario, we assume our forecasts prove accurate and that the share trades at EV/EBIT=11, P/E=11 by the end of 2029, this justifies a current share price of around SEK 50, i.e. an upside potential of around 40%, or conversely an AROR of 30% including dividends. With good visibility and cautious assumptions for growth and margins through to 2035, a doubling of the current share price can be justified, and the AROR would be around 25% per annum until then.

The short-term risk is to secure new contracts as planned. Failing to do so on schedule risks weighing on the share price, which is why we are maintaining our previous justified price of SEK 40 for the time being. Conversely, the announcement of new contracts could trigger a continued positive trend in the share price.

In other words, the risk/reward profile appears attractive, particularly in the long term. Added to this is a structurally growing, cyclically insensitive business and good portfolio characteristics due to the diversification the share provides.

Railcare Group AB

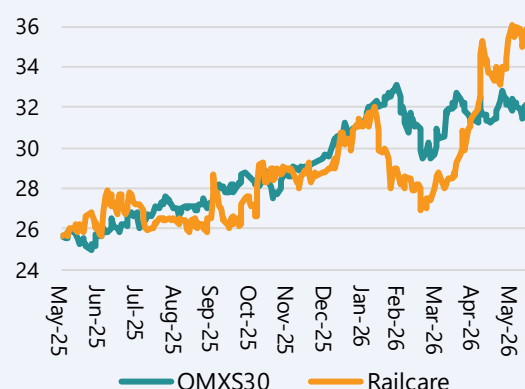
Report Comment - Q1 2026

Date 17 June 2026
Analyst Johan Voss-Schrader

Basic facts

Industry/Sector	Railway, construction & transport
Chairman of the Board	Anders Westermarck
CEO	Mattias Remahl
IPO, year	Nasdaq 2018 (Spotlight 2007)
Listing	Nasdaq Stockholm Small Cap
Ticker	RAIL
Stock price, 17/6 2026	35.40
Shares outstanding (millions)	25.1
Market cap SEKm	890
Net debt SEKm	537
Enterprise value SEKm	1427
Home page	www.railcare.se
Justified price	40,00
Next report	13 August 2026

Share price past year



Source: Refinitiv

Estimates & Key Ratios, SEKm

	2025	2026e	2027e	2028e
Turnover	668	745	940	1060
Gross profit	429	501	640	720
EBIT	67.6	93	122	134
EBT	52.3	71	95	102
Net profit	39.8	54	72	77
Earnings/share, SEK	1.58	2.15	2.87	3.06
Dividend/share, SEK	0.70	0.80	1.00	1.10
Sales growth	18.3%	11.6%	26.7%	12.3%
Gross margin	64.3%	67%	68%	68%
EBIT margin	10.1%	12.5%	13.0%	12.6%
Net debt / Equity	1.7	1.5	1.3	1.2
Net debt / EBITDA	1.2	1.1	0.8	0.7
P/E ratio*	18.1	16.5	12.4	11.6
EV/EBIT*	18.5	15.3	11.7	10.6
EV/Sales*	1.9	1.9	1.5	1.3
Dividend yield*	2.4%	2.3%	2.8%	3.1%

* For 2025, based on price & data as per 2025- 12- 30

Source: Company, Analysguiden (all estimates)

Investment case

Good market overall and locally

Since its formation in 1992, Skellefteå-based Railcare has steadily developed innovative solutions for railway maintenance – primarily for its own needs in construction work on the tracks, but also for sale when it does not compete with its own operations. With these, the company specialises in confined environments that are highly sensitive to exhaust fumes and noise – small, specialised jobs that protect margins and competitiveness even if the economy slows down.

Successes with standby locomotives and increased transport needs, not least locally in Norrland for the heavy industry there, is the backdrop to the success of the Transport business, which is the company's fastest growing and now also largest business.

Low cyclical sensitivity

While Transport sees structural growth, mainly with private companies as customers, Contracting sees significant demand from the public sector, both contributing to low cyclical sensitivity. Many contracts are also indexed, so the customer pays for fuel and electricity in service sales, and product sales have high value-add with a clear focus on sustainability. Increases in input prices thus have a limited impact on earnings, and even higher interest rates are not particularly significant despite a capital-intensive business.

Although sensitivity to economic cycles is low, earnings may still vary somewhat over time, as operational leverage is high due to a high proportion of fixed costs for both machinery and personnel. The key to steady profit growth thus lies in finding ways to reduce fluctuations in capacity utilisation, for example through long-term contracts, which are being won to an increasing extent.

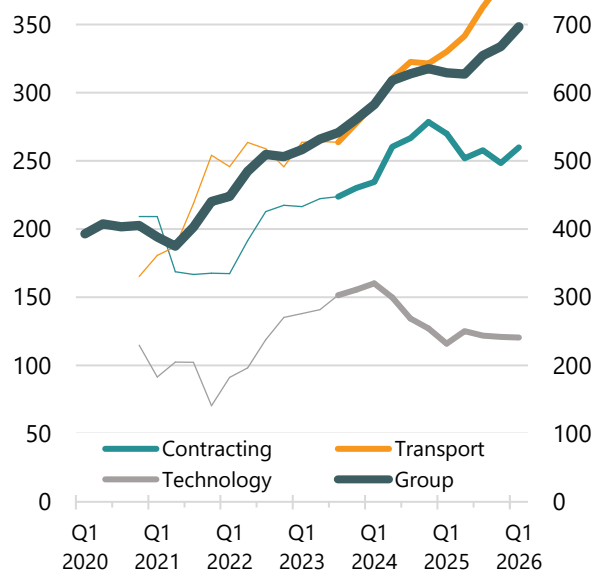
The share has further potential

Given that our revenue forecasts fall slightly short of the company's target of SEK 1 billion by 2027 and an expected operating margin of 13%, we see further upside potential of 40% in the current share price despite the recent gains, and significantly more over a longer horizon than 2029. However, this is based on new transport contracts being secured during the year, or at least in the coming quarters thereafter. Even without new contracts, today's share price can still be justified. In our base scenario, we are not going all out, so there is room for upside surprises. In addition to a likely expansion of the locomotive workshop, new 'pit stop' contracts and further new long-term contracts, the prospect of a breakthrough in external sales of Railcare's unique machines is exciting.

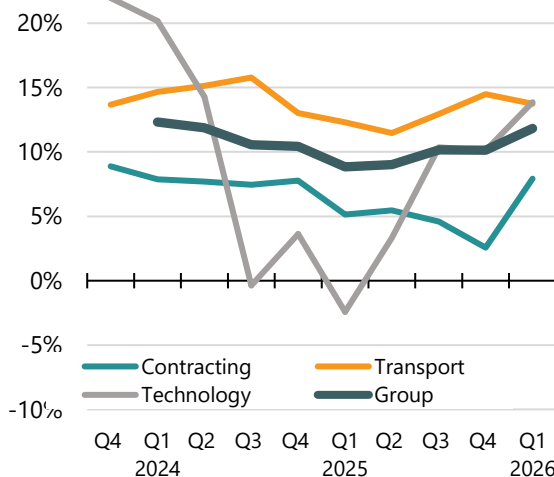
Factors that may weigh on the share price, apart from the possibility that new contracts may not be secured in the near term, include a low market capitalisation with a low free float, which results in low liquidity in the share, 'small-cap contagion' and a degree of operational volatility.

The share remains clearly attractive at these price levels, not least in a slightly more challenging stock market climate and given the favourable diversification effect a holding has on most portfolios.

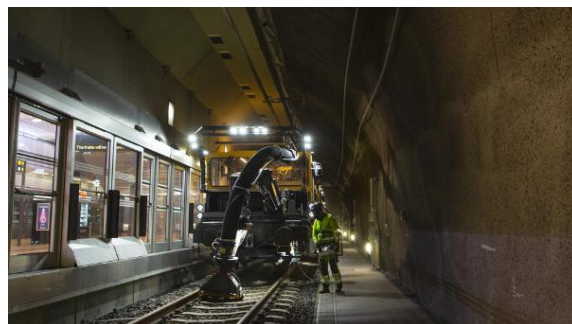
Sales roll. 4Q



EBIT-% roll. 4Q



Source: The Company (thick line), Analysguden estimates (thin line)



Railcare carries out battery-powered track work in the City Tunnel in Stockholm using one of its unique machines. The company specialises in work in confined spaces that are sensitive to noise, dust and exhaust fumes.

Market trends

National Transport Plan

At the end of April this year, the government approved, with certain amendments, the Transport Administration's proposal from last autumn as the national plan for Swedish infrastructure for the period 2026–2037, which represents an increase of over 200 billion in constant prices compared with the previous plan for 2022–2033 and a doubling in constant prices compared with the plan for 2010–2021. Railway investments now amount to just under 500 billion and maintenance to 210 billion. The Transport Administration states that investment in maintenance has almost doubled over the last five years. This is a very welcome increase in ambition, as estimates suggest that rail delays cost society 9 billion per year.

However, [according to the Swedish Railway Operators Association](#), this will only cover 10–15% of the maintenance backlog during the period, which, according to the Transport Administration, will not be cleared until 2050. It is nonetheless a significant shift, as the maintenance backlog, currently estimated at 91 billion, *had* in fact continued to grow until last year, and has doubled since 2015. The situation is worst for the overhead lines, where almost 40% are considered technically obsolete according to the Transport Administration, but where the replacement rate by 2030 will be increased to 2.7 times the 2024 level. The number of points replacements is set to rise to 177 from 39 in 2021, and the German firm Vossloh has even built a points factory near Hallsberg.

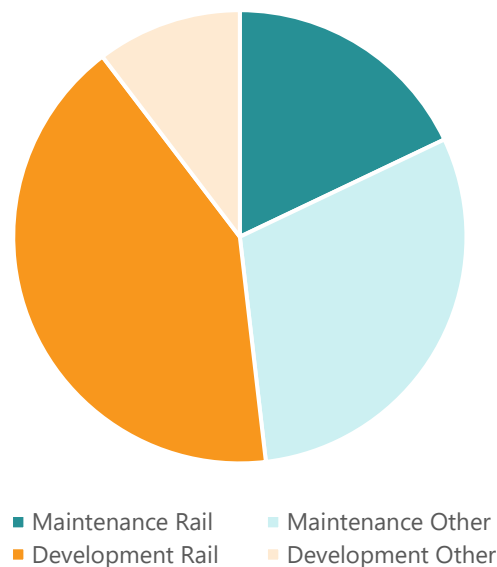
Working methods are changing

The reason for the protracted process of clearing the maintenance backlog is that the work must be balanced against a steadily increasing volume of traffic; securing track time to carry out maintenance is the biggest bottleneck, and here one is competing with increased traffic on a network that already has declining capacity due to, for example, speed restrictions on poorly maintained tracks. This means that efficiency in carrying out the work will be crucial, and the government has tasked the Transport Administration with presenting a plan for this, which was reported at the beginning of June this year. Here, Railcare is recognised as being at the forefront, which should mean good prospects for Railcare, both directly within Contracting and indirectly for, among other things, construction transport within the Transport business area.

According to a [report by Innovationsföretagen](#), productivity in the construction and civil engineering sector is 4% *lower* today than it was 25 years ago – that is, not the rate of change, but the level! According to the report, this applies in particular to infrastructure projects. The previously steady productivity growth of 1–2% per year came to a halt in the 1990s, but if growth had instead continued at the same rate as in other sectors, 225 billion would have been saved, according to the report, which advocates more innovation and new ways of working as a solution to the problem.

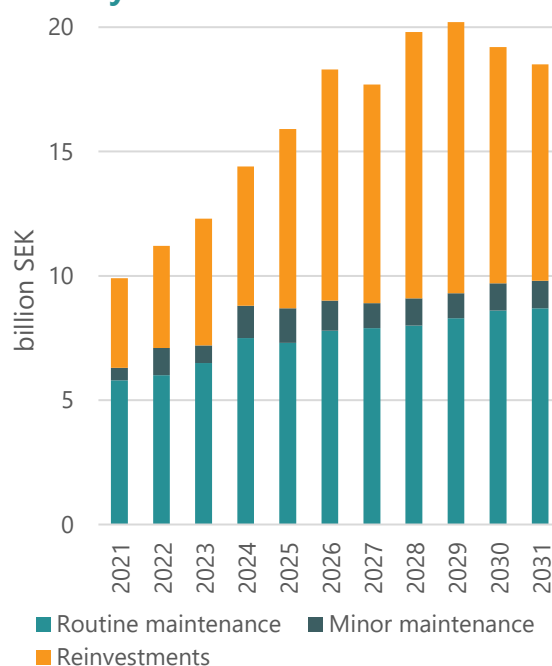
It is a matter of changing the way we work, as the Innovation Companies' report also points out. The pressure for efficiency is now definitely coming from above as well, to bring about a necessary cultural

National Transport Plan 2026–2037



Of a total of 1,171 billion, 564 billion goes to maintenance, of which 210 billion to the railways, and 607 billion to development, of which approximately 80% goes to the railways

Railway maintenance



A near doubling of the maintenance budget from 2021 is planned for the coming years.

Source: Transport Administration

change. This fits like a glove with Railcare and CEO Mattias Remahl's pit stop model for project execution, which the company tested for the first time in the summer of 2024. Under this model, all work on the route is carried out in parallel, resulting in significantly shorter track closures and increased efficiency. Working more efficiently does not make it more expensive – quite the opposite – and innovative players, such as Railcare, are ready and willing to assist the Transport Administration in this.

If the plan is followed, we are facing market growth of around 10% per year for several years to come. Ambitions for increased efficiency are beginning to materialise, according to Railcare, which believes the agency is becoming more adept at 'getting value for money on the tracks'. However, further necessary efficiency improvements require changes to working methods, including more night work, seasonal adjustments, and larger and more frequent projects when the track must be closed anyway.

Changes have, however, begun to be tested. A new procurement model designed to achieve better results, TLS, has just begun to be trialled in connection with the procurement of the sections of the East Link from Järna to Linköping – Sweden's largest infrastructure project, worth 110 billion – where contractors have just been selected. Furthermore, longer freight trains and higher speeds are also being tested in certain corridors to increase capacity.

Improved maintenance benefits both passenger and freight traffic, but the implementation itself affects freight traffic more. The reason is that the difference in speed between passenger and freight trains, which means they do not share the same track very well at the same time, leads to passenger traffic being prioritised during the day and freight traffic having to take place at night. Yet it is precisely at night that much maintenance work is scheduled, to minimise the impact on traffic as far as possible.

At the same time, the competitive position of rail freight compared to road haulage has deteriorated drastically in recent years, partly because fuel prices have fallen dramatically for political reasons, and partly because rail freight has been hit by dramatically increased track access charges; by up to 600% over the last 15 years for certain sectors¹. It is therefore encouraging that the Transport Administration announced in May a reduction in track access charges for freight trains by an average of 20% until 2028. At the same time, diesel prices at the pump are unlikely to fall much lower than they are now; if anything, the risks are on the upside. This means that the balance is shifting back towards equilibrium, which is important for keeping low-traffic lines operational, as they would otherwise risk being closed for good.

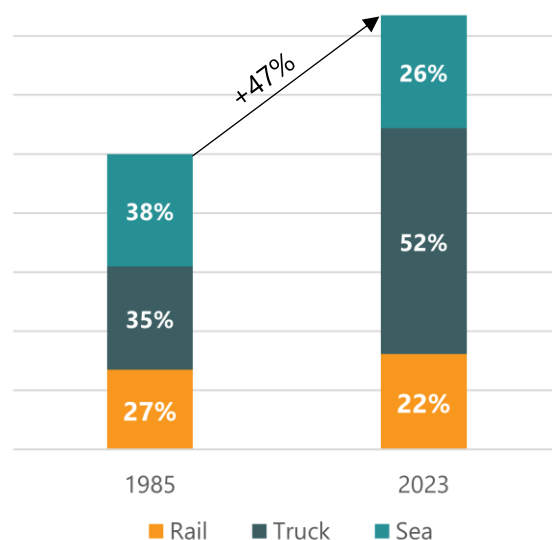
NATO membership

Sweden's NATO membership also affects the market in several ways:

- This means that external demands on Sweden to upgrade our rail-ways are added to the demands from the public and businesses discussed above. To fulfil our obligations to the alliance,

Freight transport work

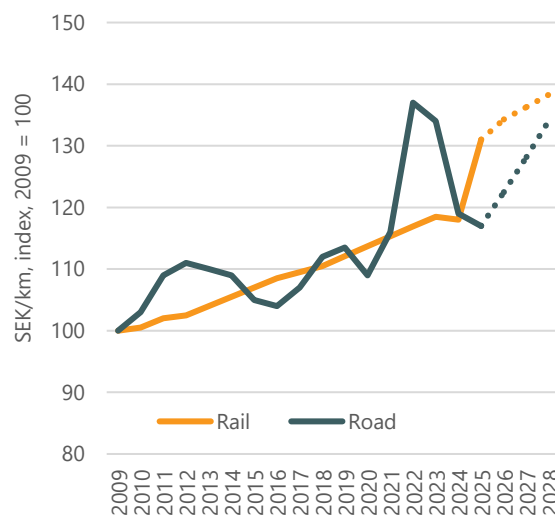
Sweden, tonne-kilometer total by Rail, Truck & Sea



Since 1985, almost all growth in freight transport has taken place by lorry. Rail and maritime transport have seen their share decline, contrary to the objectives of EU and national transport policy. Data from the Swedish Transport Administration and Trafikanalys.

Source: järnvägar.nu

Transport costs



The figure shows how transport costs to the customer have been affected by track access charges and diesel prices between 2009 and 2025. Index 2009=100. Source: Statistics from the Transport Administration, Drivkraft Sverige and the Royal Academy of Science (KTH), processed by Professor Emeritus Bo-Lennart Nelldal, KTH.

Source: järnvägar.nu, forecast by Analysguiden based on data from Trafikanalys, among others.

¹ <https://www.svemin.se/aktuellt/nyhet/svemin-valkomnar-sankta-banavgifter-for-den-tunga-godstrafiken>

substantial measures must be taken immediately. In contrast to the previous focus on north-south rail routes, west-east transport corridors are now a priority for NATO, and the Malmaban, sometimes referred to as the Suez Canal of the North, is also central in this context. As well as ensuring the vital transport of ore from the ore fields to Narvik for shipment to steel producers and consumers in Europe and worldwide, it is absolutely central to Northern Norway, and the same discussions we are having regarding the Swedish section of the line are taking place in Norway regarding the Norwegian section, the Ofotbanen. It accounts for just one per cent of the Norwegian rail network but carries 60% of their freight volume in tonnes. In addition to ore, it transports, for example, fish worth 25 billion annually, half of all daily goods to Northern Norway, as well as post, and it replaces 20,000 lorries per year. In many ways, it is the route to and from the Arctic. The upgrade, including longer and more passing tracks, cannot wait any longer, and it is therefore gratifying to see the major investment specifically in the Malmaban in the new plan.

- Another consequence of NATO membership is the trade-off between climate initiatives and defence. We saw this in autumn 2024 with regard to offshore wind power, which was ruled out from Öresund to Åland, first by the Ministry of Defence and then, just days later, endorsed by the government. The defence sector's demands are likely to similarly gain the upper hand in prioritising diesel over electric power for locomotives, as electric power is too vulnerable. The market is likely to move towards hybrid locomotives, but these are both more expensive to purchase and harder to obtain. Interestingly, the Swedish Transport Administration has ordered new hybrid maintenance trains from Plasser & Robel, but Sweden is not alone in this reprioritisation and is a small market that also runs on alternating current, meaning that larger and simpler customers/countries in continental Europe are likely to jump the queue ahead of us.

And the green argument...?

Although the current government has clearly downgraded the climate agenda, companies' climate ambitions remain and are contributing to the pressure of demand. The environmental impact of maintaining and operating the existing railway infrastructure is, after all, many times lower than that of road transport, and moreover, road transport is sometimes not an option, particularly for heavy industry.

Although it is becoming clear that not all the major industrial projects planned in Norrland in recent years will go ahead, the remaining ones will nevertheless mean a significant expansion of heavy industry specifically in Norrland. This accentuates the need for rail transport in the region, even compared with the rest of the country, and is expected to benefit Railcare in particular, given its local roots, unique products and the flexibility built into the organisation.

Furthermore, these new industries often base their very existence on environmental considerations and therefore require the entire supply chain to be green, including the transport services they procure; this also applies to an increasing number of transport buyers. The Transport Administration has also announced progressively higher requirements for all operators working on or with the railways, with

Transport needs in Norrland

Although some initiatives within heavy industry have not been successful – at least not yet – new needs have arisen, not least due to the deteriorating geopolitical security situation and Sweden's accession to NATO.

1. Troop and equipment transport



Source: nato.org

2. Green mining & steel industry

The green transition requires new minerals, ranging from high-grade iron ore for direct reduction with hydrogen to copper and rare earth elements for electrification.



Source: Kaunis Iron

Not just one, but two giant companies in fossil-free steel production have been established in the north, with the transport needs these operations entail: Hybrit and Stegra (formerly H2 Green Steel)



Source: Stegra

the ultimate goal of their operations being completely emission-free by 2040. In these endeavours, Railcare is once again particularly well-positioned, having long worked on sustainability issues for the railways, developed services and products that reduce or completely eliminate direct emissions, and set targets to reduce consumption and fossil fuel emissions from its own locomotives and machinery. This is where the MPV battery-powered railcar, and its new, upgraded successor with a pantograph, the MPVe, fits perfectly into the increased environmental requirements, both for Railcare's own needs and for external customers in due course.

The Transport Administration's requirements will be difficult for many operators to meet, either for financial reasons or because emission-free locomotives and machinery will not be produced or converted on a sufficient scale by 2040, and those that do exist will be expensive to hire – if it is even possible. Many locomotives are nearly 50 years old, fuel-hungry and polluting, and were manufactured at a time when neither fuel- e prices nor the climate were a priority. Furthermore, a completely new European signalling and safety system, ERTMS (European Rail Traffic Management System), is being introduced, which in Sweden will replace our old ATC system. In the long term, this should eliminate many of the problems associated with crossing national borders, where trains have hitherto been required to carry multiple systems on board for this purpose – a problem that has been a competitive disadvantage for rail compared to road or air transport. The current national systems are also starting to show their age, and in some cases it is even difficult to source spare parts.

There are therefore now two strong, not to say compelling, reasons for refurbishing large numbers of locomotives in the existing fleet: sustainability and technical requirements. It is worth refurbishing locomotives that are not too old, for example by fitting new engines that are more fuel-efficient and cleaner, or even converting them to hybrid or battery power. However, replacing those that have reached the end of their service life will not be cheap, as a new locomotive costs from SEK 30–35 million upwards. Refitting the oldest and most worn-out locomotives to modern standards in terms of both emissions and safety aspects with ETCS (which is the part of ERTMS installed in the locomotives themselves) is hardly worthwhile, as a refit typically costs SEK 10–15 million. However, the Swedish Transport Administration's new 50% subsidy could help with the calculations². It may nevertheless become necessary if new locomotives cannot be procured, given the large number of locomotives involved, not only in Sweden but across Europe. The manufacturing capacity of locomotive manufacturers is simply nowhere near sufficient to meet demand. Whether the solution is new locomotives or refurbishment, the industry is therefore facing a significant investment challenge, where Railcare, thanks to its financial strength and foresight, is at the forefront.

The significant refurbishment requirements are benefiting Railcare's locomotive workshop, which has already seen such a sharp rise in demand in recent years that it has essentially reached full capacity; a decision on expansion appears likely, as several preparatory steps have already been taken, including the purchase of the land required

² All vehicles on the Swedish rail network must be retrofitted for ERTMS by 2030, and the Swedish Transport Administration is now allocating a budget of 3 billion for a 50% subsidy of the retrofitting costs for freight and passenger transport.

Wind power expansion

3. Green electricity

A fundamental prerequisite for the green industries in the north is not only good green transport, but also huge amounts of locally produced green electricity, much of which needs to come from wind power.



Green = Approved
Yellow = Under consideration
Red = Rejected

Source: Vindbrukskollen

Nordic Hydrogen Route

4. Hydrogen, for industrial processes and fuel

A 1,300-kilometre-long hydrogen pipeline around the Gulf of Bothnia, which will also serve as storage, is planned to start construction in 2029 and become operational from early 2030's. Estimated hydrogen demand is 65 TWh/year, which corresponds to 7.5 GW of continuous consumption, compared with the EU's target of 40 GW of installed electrolysis capacity by 2030.



Source: Nordic Hydrogen Route – Bothnia Bay

for this. In addition to increased capacity, an expansion would also enable a broadening of the service offering (e.g. wheel turning), which would mean reduced downtime and delivery times, benefiting customers and, consequently, the locomotive workshop's margins.

The market as a whole

Overall, it appears that the underlying growth for railways in general will be very strong going forward, reflecting a growing rail transport market. At the same time, the significant maintenance backlog in the Swedish rail network is beginning to be addressed, albeit very slowly. As well as benefiting the contracting sector in general, including Railcare, the vulnerability of the railway tracks also benefits Railcare's rapidly expanding business with standby locomotives, where Railcare is one of the few operators able to offer the more environmentally friendly machinery in demand. This has been made possible following the deal with Nornan Invest regarding the acquisition of AC Finance AB in 2024, a locomotive hire company (see below and <https://mf.n.se/a/Analysguiden/kommentar-railcare-framtidsinvestering>).

Earnings trend

The report for the first quarter of 2026 was broadly in line with our expectations, with the Contracting division in particular delivering a surprisingly strong performance. Revenue for the quarter was 24% higher than last year at SEK 152.1 million (123.0 for Q1-25), which was 3% below our forecast. The operating margin improved significantly to 12.6% (3.6%) based on a profit of SEK 19.2 million (4.4), which was above our expectations of SEK 17.1 million.

Business areas

Contracting

The business area benefited primarily from two factors:

- An early spring in northern Sweden, which meant that most of the construction work postponed during Q4 could be carried out at the end of Q1.
- The new snow clearance contract, which has been extended by two weeks and now covers the whole of March, provides slightly better earnings and, above all, greater predictability.

Contracting revenue rose by a full 27% to SEK 53.9 million (42.5) and operating profit by a full SEK 13.9 million to SEK 8.9 million (-5.0), resulting in an operating margin of 16.5% (-11.9%), which was significantly above our forecasts for both revenue and profit.

Railcare is, however, warning that volumes for the full year are expected to decline compared with last year, as a result of the Transport Administration prioritising numerous track replacements this year, meaning there is less scope for preparatory work, where Contracting has its core business. This does not, however, affect the lining business, as the Transport Administration continues to prioritise drainage works highly to reduce the risk of embankment undermining, and lining works can generally be carried out without taking up track time in

External Sales, rolling 4Q



Source: The Company, Analysguiden (estimates, dotted line)

the same way as other works such as ballast replacement, cable laying, etc.

Transport

Revenue in Transport did indeed increase by 16% in Q1 to SEK 90.4 million (77.5), but the entire increase can be attributed to the new standby locomotives, which have been in full operation since the turn of the year. The fixed contracts remain unchanged, so the decline is due to lower volumes of construction transport, which is also confirmed in the report. This was not something we had anticipated, so our expectations were a few million kronor higher.

Margins were also weighed down by two factors:

- The shift in revenue towards more standby locomotives and less construction transport, where the former have lower margins than the latter, and
- A ramp-up in capacity ahead of the summer.

Operating profit therefore fell by 12% to SEK 8.2 million (9.3), resulting in an operating margin of 9.1% (12.0%).

However, the next quarter is likely to see a turnaround with increased volumes, so construction transport is expected to contribute significantly to both revenue and margins during the second half of Q2 through to the first half of Q4.

As regards the standby locomotive business, Railcare's locomotives are among the few that meet all requirements, so the conditions should be favourable for the company to succeed in this area.

The third and final segment within Transport is the long-term fixed contracts – such as ore transport for Kaunis Iron and LKAB – which are also unaffected by seasonality. Here, we are eagerly awaiting news of new contracts of this kind in the coming quarters, as they will be absolutely crucial for the Group to achieve its financial targets.

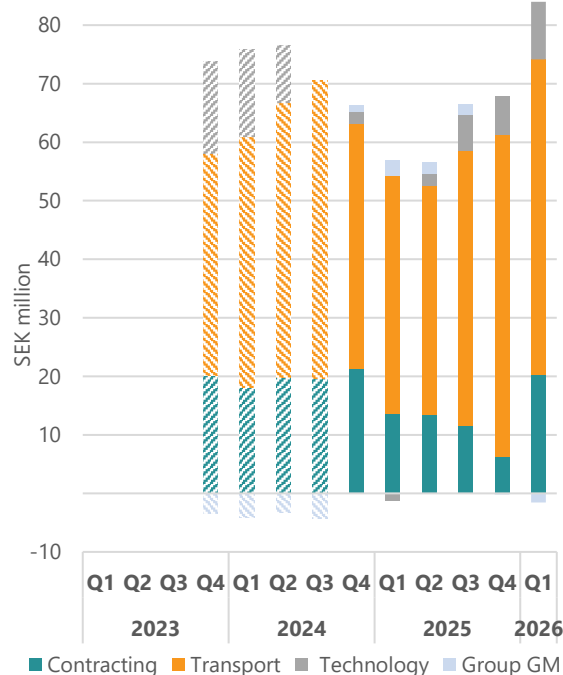
Technology

The business area's turnover fell slightly to SEK 28.8 million (29.4), but revenue from external customers rose by as much as 48% to SEK 19.5 million (13.2), in line with the ongoing shift towards external sales. Operating profit also rose significantly to SEK 2.5 million (-0.8), which improved the operating margin to 8.6% (-2.8%). However, capacity utilisation in Skelleftehamn needs to increase, and new external contracts there are now the focus.

Improved cash flow

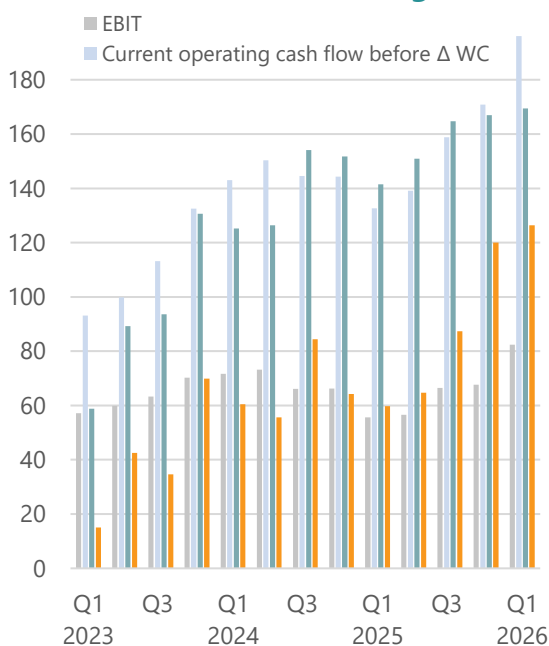
The seasonally weak free cash flow improved during the first quarter to SEK -1.8 million (-8.2), despite operating liabilities falling by as much as SEK -24.7 million (+4.1), so working capital increased by SEK 39.5 million (16.8), thereby weighing on cash flow to a corresponding extent. Investments during the quarter also fell slightly to SEK 6.7 million (10.6). On a rolling 12-month basis, free cash flow strengthened further slightly to SEK 126.4 million (59.8) from the already strong record level of SEK 120 million for the calendar year 2025. This reflects both an increase in cash flow from operating activities and the fact that the heavy investment burden is now behind us.

EBIT, rolling 4Q



Source: The Company, Analysguiden (estimate, dotted line)

Cash flow, 12-month rolling



Source: The Company, Analysguiden (calculations)

Forecasts

Short term

We would like to remind you that both revenue and margins can fluctuate quite significantly from quarter to quarter, so short-term forecasts should be taken with a pinch of salt, and we prefer to focus on rolling four-quarter figures and slightly longer-term forecasts. That said, there are short-term factors that we believe are worth considering, which we describe below.

- Contracting**

The second quarter is typically one of the better ones, depending somewhat on how long the winter lasts in the north. There was good capacity utilisation in the construction business during Q2 last year and the Lining business performed well, so the comparative figures are quite tough, albeit not as tough as Q2-24 when a major ‘depot stop-over’ project involving ballast replacement boosted turnover significantly.

Although operations in the UK are now being wound down, the whole of the current year will be spent reallocating resources efficiently, and certain minor restructuring costs cannot be ruled out.

Overall, our forecasts for Q2-26 point to revenue in line with the same quarter last year at SEK 69 million (68.9). We also expect an operating margin in line with last year’s at 9% (8.8%).

The coming quarters are likely to continue to be characterised by operational optimisation rather than strong growth, and our forecasts reflect this.

- Transport**

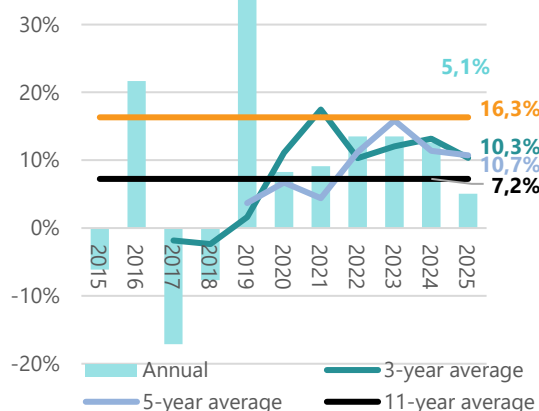
We are also marginally revising downwards our revenue forecasts for Transport for the coming quarters, whilst maintaining them for 2027 for the time being.

For Q2-26, we expect revenue to increase by just under 15% to SEK 109 million (95.1), driven primarily by the emergency locomotive business, where all new contracts have been up and running since the start of the year. We expect the operating margin to rise from last year to 12% (10.9), as last year was burdened by start-up costs.

In addition to the standby locomotives, the fixed long-term transport contracts, such as those for Kaunis Iron and LKAB, provide a solid base for the business area.

It should be noted, however, that both turnover and, above all, earnings depend on construction transport operations getting properly underway, which we expect to happen during at least the second half of the quarter and continue through to November. It is positive that the Transport Administration has commissioned more major track replacements and preparatory work for these from the major players in the sector, which should benefit Railcare’s contract transport operations. Furthermore, if there

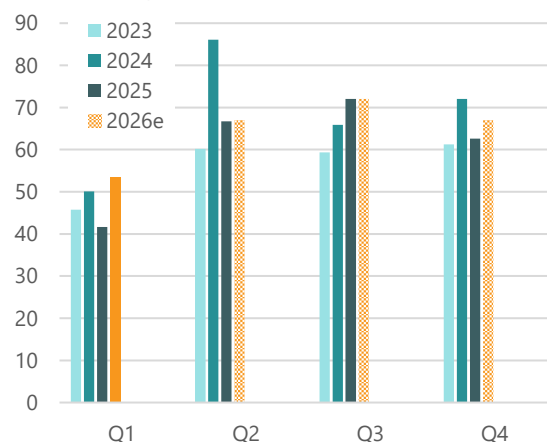
Historical Sales Growth



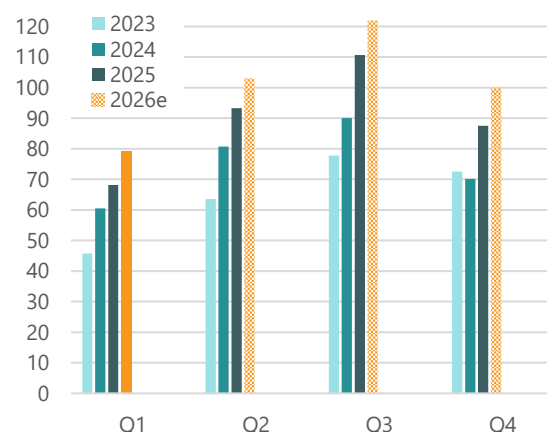
Source: The Company, Analysguiden (calculations)

Seasonal variations

Contracting



Transport



Source: The Company, Analysguiden (estimate, shaded)

are larger jobs in the same location, this is beneficial not only for turnover but also for margins.

Technology

Short-term forecasts for Technology are difficult because, as an external observer, it is hard to keep track of settlements on various projects, what type of work dominates, and how much work is done for the company's own account versus for external customers, even though the latter are set to take over more and more.

Work is continuing on the Railvac ordered by Norsk Baneservice last spring, but delivery is not expected until Q3/Q4. The reallocation of work from the locomotive workshop in Långsele to the workshop in Skelleftehamn does not yet seem to be fully utilising capacity there, but the transfer will reasonably take time. Presumably, this may involve locomotive conversions (from diesel to electric/hybrid operation), given the electrical expertise that has likely been built up in Skelleftehamn during the development and construction of the MPVs.

A decision to expand the locomotive workshop in Långsele is by no means off the table, but is awaiting, among other things, an approved detailed plan, and the wheels of bureaucracy turn slowly...

In the short term, both processes should contribute to a continued increase in the proportion of turnover from external customers and also to a strengthening of earnings.

Overall, we do not dare to expect the same level of turnover as in Q2 last year, but are cautiously forecasting SEK 30 million (36.7). However, we believe the operating margin will improve to 9% (6.9%), so operating profit will be marginally higher than last year.

Exchange rate fluctuations appear set to be smaller for the current quarter compared with previous periods, so the impact on net financial items should not be significant.

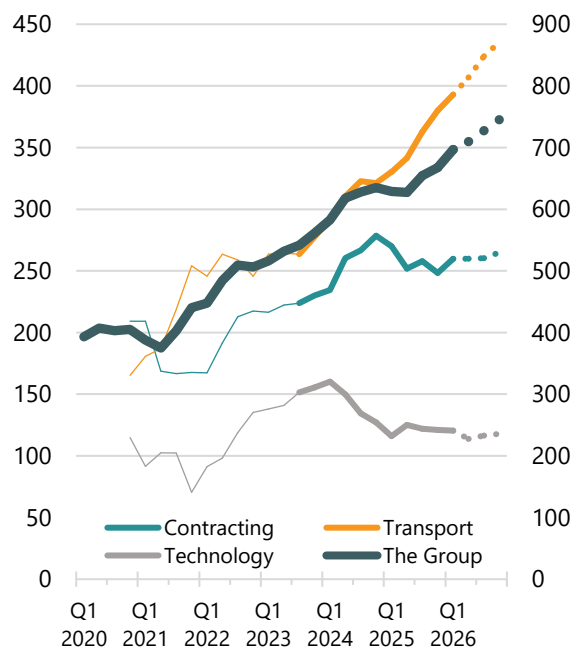
The coming quarters as a whole

Taking all this into account, our forecast for the second quarter is for a revenue increase of just over 7% to SEK 191 million (178.1), driven primarily by the full impact of three new standby locomotives. The higher occupancy and lower scaling-up costs should also have a positive effect on operating profit, which we believe will come in at SEK 22 million (18.1) with an operating margin of 11.6% (10.2%). We then expect revenue growth for Q3-26 compared with Q3-25 to be of a similar magnitude, with a slightly better operating profit, to end the year significantly stronger than last year.

Longer term: Revenue forecasts

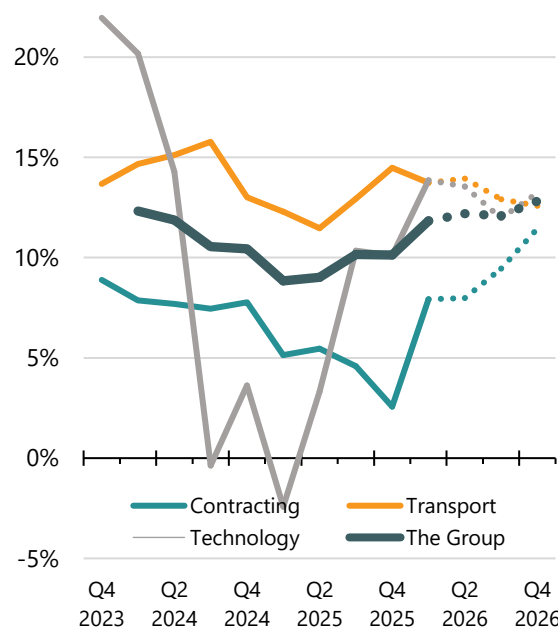
Despite management's unwavering confidence in achieving its financial targets, we believe overall that revenue of SEK 1,000 million for 2027 will be difficult to achieve. This would require new transport contracts with a combined annual revenue of nearly a quarter of a billion kronor for delivery as early as the coming turn of the year. If part

Forecast, rolling 4Q turnover



Source: The Company (solid line), Analysguiden (estimates, thin line & forecasts, dotted line)

Forecast for Q4 EBIT margin



Source: The Company (solid line), Analysguiden (estimates, thin line & forecasts, dotted line)

of this revenue increase were to come later in 2027, the annual revenue growth would need to be correspondingly higher.

We firmly believe that significant new transport volumes will be contracted – just as has been the case in recent years – but we believe it will be difficult to get them all up and running and invoiced within the seven months remaining until 1 January.

We therefore arrive at a revenue forecast for 2027 of just under SEK 950 million, which nevertheless requires fairly optimistic assumptions regarding order intake in the short term. Unless a major contract is announced in the next three months, we will probably need to lower the revenue forecast for 2027 further.

If no new contracts were to commence at all before the end of 2027, revenue for 2027 would end up at around SEK 770 million. However, this is an unlikely scenario, and even if it were to occur, it is highly probable that the revenue would simply be received a little later than expected.

As we shall see in the Valuation section below, however, a delay of a few quarters in the start dates of the expected – and probable – new contracts would have only a negligible effect on the valuation of the share.

Contracting

Now that Contracting is finally ridding itself of the long-standing extra burden of the loss-making UK operations, the focus is now on optimising the business area's resources to increase the overall utilisation rate. The two Railvacs and one Ballast Feeder that have been virtually idle there will now be put to better use, regardless of where they are moved.

Over the past 9 years, the old Contracting Sverige has grown at an average rate of 7.7% per year; over the past 5 years, at 13% per annum; and by more than 18% per year during the three years leading up to 2025. However, the company warns that the capacity of its unique machinery is not unlimited, and as operations at the workshop in Skelleftehamn are now being shifted from manufacturing machinery for internal use within Contracting to focusing primarily on external customers, this is likely to affect the growth rate going forward. With fewer or no new machines, the scope for taking on new jobs will be reduced.

However, some contracts can be handled using hired machinery or by subcontractors, so growth may occasionally accelerate, particularly if the Transport Administration decides to proceed with tenders under the [“pit stop model”](#).

Management is also clear that good profitability now takes priority over rapid growth. We are therefore exercising caution in our forecasts and expect revenue growth of just over 6% on an annual basis until the end of 2027, and thereafter just over 5% per year until the end of 2029.

There are thus several factors contributing to the forecast changes: the loss of overseas operations, fewer new machines and a greater focus on margins. We therefore now expect an annual growth rate of just under 6% for the business area over the next four years.

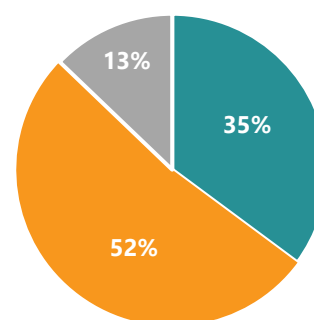
The financial targets:

- 1,000
- ~~SEK 800 million in turnover by 2027~~
- ~~Operating margin exceeding 10%~~
- 13

Having presented new financial targets at the start of 2023, Railcare raised them significantly again at the start of 2024.

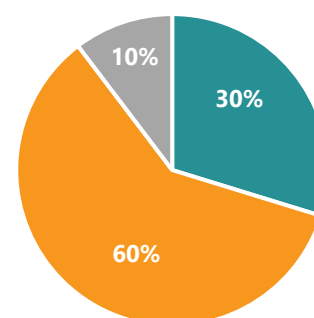
Source: The Company

Business areas Q4-25



■ Contracting ■ Transport ■ Technology

Business areas Q4-27p



■ Contracting ■ Transport ■ Technology

Despite expected strong growth for Transport, there will be no significant change in the revenue breakdown by 2027 if our forecasts are realised.

Source: The Company, Analysguiden (forecast)

However, we expect the operating margin going forward to benefit from the focus on margins and the closure of the UK operations, so the best quarters could reach up to 15%, whilst the winter quarters will bottom out at 10–11%, resulting in a rolling 12-month average close to the Group target of 13%.

Transport

Our previous forecast for growth in Transport through to the end of 2027 implied that the Group would not quite reach its revenue target, and we now expect it to fall slightly further short. Even so, we expect a contract of a similar magnitude to the emergency locomotive contract, i.e. SEK 80 million per year, and a slightly smaller agreement to take full effect throughout 2027, and a further contract of the LKAB class (SEK 70 million/year) to take effect from Q2 2027.

It is far from certain that this will be realised on time, and it is difficult to believe that it can be exceeded. On the other hand, a delay of a few quarters will have only a marginal impact on the valuation, but it is obviously better from a confidence perspective to meet the targets on schedule.

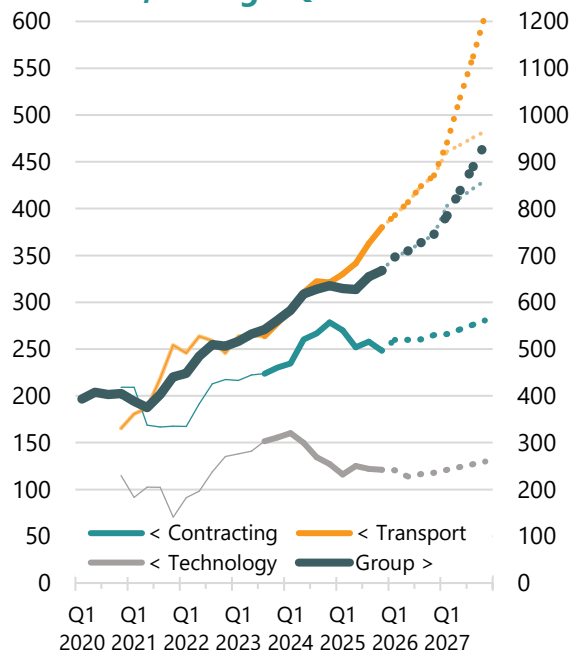
The largest contributions to revenue growth should reasonably come from fixed transport contracts. Transport buyers are reportedly satisfied with Railcare's service, flexibility and expertise, something that historical growth also attests to. Several likely clients can be identified, such as LKAB, where Railcare has firmly established itself in recent years, or why not Boliden, where CEO Mattias Remahl has his background? New companies such as Stegra are also conceivable, but regardless, Railcare is likely to be in discussions with most of them.

At the turn of the year, the last of the five new standby locomotives entered service, in Hallsberg. The contract from autumn 2023 for a total of six locomotives expires gradually during 2030, but an option for 1+1 years is included in the contract. Added to this are the four previous standby locomotives for which Railcare has a contract running until the end of 2027, after which a new procurement process will take over. Although the Transport Administration is then obliged to accept the offered price, there will be a number of requirements that must be met, including those relating to ERTMS and environmental standards, where Railcare is well-positioned with its brand-new locomotives. Further contracts within the standby locomotives business cannot be ruled out either.

However, of Transport's three business areas – fixed transport contracts, standby locomotives and construction transport – the latter offers no prospect of predictable long-term revenue growth, although the Transport Administration's increased outsourcing of track replacement work, amongst other things, should benefit construction transport, which may thereby help to bridge minor gaps towards the revenue target.

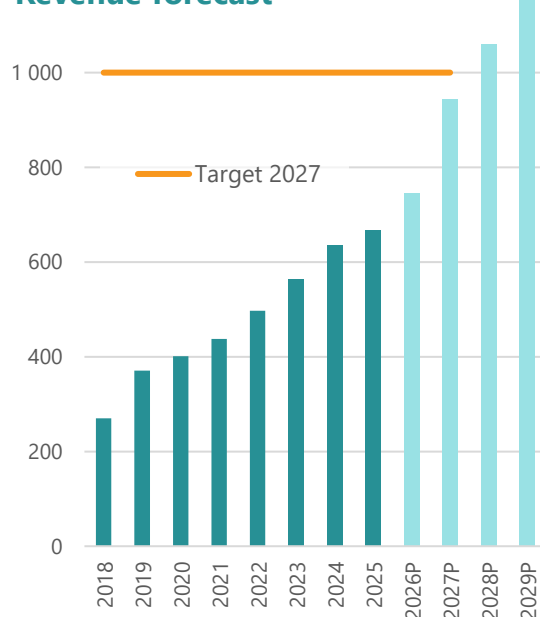
We have no doubts about Railcare's ability to grow the transport business in the longer term, given its successes since Mattias Remahl took the helm, and this is key to the valuation. Having expanded the organisation to accommodate larger volumes and based on the company's own expectations, we anticipate growth of just over 20% per annum for Transport for the years 2026–29, compared with just under 17% per annum for the past five years. We therefore do not

Forecast, rolling 4Q turnover



Source: The Company (solid line), Analysguiden (forecasts, dotted line). The thin dotted lines for Transport and the Group show the trend if no new transport contracts are secured to commence in 2027.

Revenue forecast



The new contract for the standby locomotives is reflected in the shift in 2026 and expected new assignments in 2027.

Source: The Company, Analysguiden (forecasts)

consider ourselves to be either aggressive or conservative. However, our forecast pales in comparison with the 35% annual growth required by the end of 2027 to reach the revenue target.

Our forecasts up to the turn of 2029/30 imply a slowing growth rate down to 13% on an annual basis for the business area and 11% for the Group, and a cautious projection for the Group for the period thereafter lands at 9% on average over the six years up to the end of 2035, with an operating margin of just under 13%. Transport will then be the dominant part of the Group, and the major contracts held by the business area span many years, providing a degree of predictability; however, during this period, several of them will naturally come up for renewal or renegotiation. Naturally, we do not know what competitors' bids might look like at that time, but with the right type of locomotives, established routines and, in the standby locomotive business, economies of scale as well, the conditions should be favourable for renewal on attractive terms for Railcare.

Despite the adjustments to the revenue forecast, we are keeping the operating profit forecast essentially unchanged for both the short and long term for the business area. This implies a slightly higher expectation for the operating margin, but is still, conservatively, a few percentage points lower than historically.

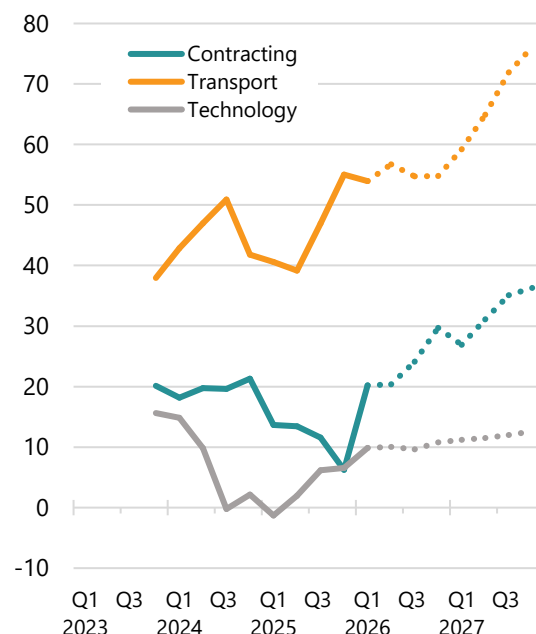
Technology

As in-house machine manufacturing is now decreasing and capacity is being freed up for external customers, certain jobs previously carried out at the locomotive workshop in Långsele are planned to be accommodated in Skelleftehamn alongside any future machine builds for sale. The workshops are closely linked operationally, so the flexibility created by closer integration and exchange between Långsele and Skelleftehamn is a positive development.

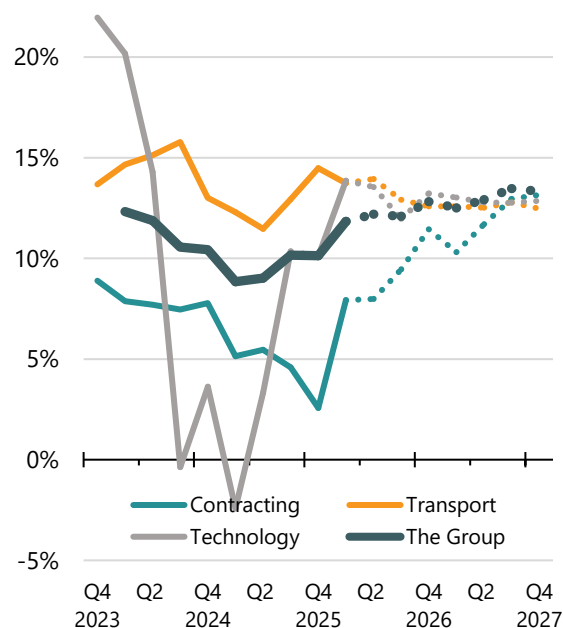
However, the operations are difficult to forecast for many reasons:

- It is project-oriented work where each project is unique in various ways and often runs over several quarters, frequently at a fixed price.
- This can result in lower or higher settlements for ongoing projects over a given period.
- Although some revenue recognition takes place each quarter, it is only at the end of the period that it becomes clear whether the price calculations made prior to the tender were slightly too high or slightly too low, which plays a major role in the margins for that final quarter.
- If efficiency gains can be found in repeating the same tasks from locomotive to locomotive, such as during the installation of on-board equipment on five Traxx locomotives carried out by Railcare in 2023, or, reasonably, the construction of the third MPV currently underway, higher margins can often be achieved.
- There are also different profit margins across different types of projects, for example between a cabin refurbishment and an engine replacement, which can lead to fluctuations from quarter to quarter within the same project.

Forecast, rolling 4Q EBIT



Forecast for Q4 EBIT margin



Source: The Company (solid line), Analysguiden (forecasts, dotted lines)

Fluctuations in turnover and earnings between quarters are therefore likely to remain the norm in the future, in both positive and negative directions. However, this is nothing a share investor should worry about. On the contrary, Technology should be well-positioned to demonstrate solid growth and healthy margins over time, as demand for its services remains very high and is expected to remain so, not least in light of the market outlook described above.

The expansion of the locomotive workshop in Långsele, which is currently under discussion, would likely bring further benefits beyond 'more of the same', namely

- that a wider range of services could be offered, such as wheel turning, to become more of a one-stop-shop, and
- that efficiency would be improved, partly through economies of scale and partly because the premises would be better suited to their purpose.

Overall, we expect Transport's operations to achieve a rolling 12-month growth rate of around 10%, with an operating margin of just under 10%.

Costs³

Raw materials

A slightly higher proportion of service revenue, including from the standby locomotives, and an increased proportion of locomotive leasing, have gradually reduced the proportion of raw material costs. The reinterpretation of IFRS last year also led to a clear improvement in the gross margin, albeit purely for accounting purposes. The value added in most of the operations is generally high, so any changes in raw material costs have only a minor impact on earnings. This applies not least to Transport, which also accounts for an increasingly large share of Railcare's turnover.

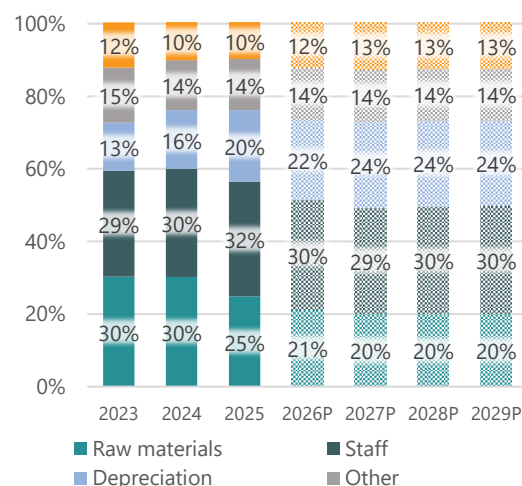
Staff

According to management, the organisation is now the right size and the number of employees has stabilised over the last few quarters, so the company is now fully prepared for a higher volume of business. This is not just a matter of the increase in the wage bill having disappeared, but also of recruitment costs, training, certifications, etc., which have reasonably fallen back now that employees are starting to get to work. We also expect personnel costs as a percentage of turnover, which peaked at nearly 32% on a rolling four-quarter basis in Q2 last year, to continue to fall gradually as turnover rises and fills the cost structure.

Depreciation/Write-downs

As this is a capital-intensive industry, capital is heavily tied up. A shift is underway towards an increasing proportion of leased vehicles and

Cost allocation



Railcare carries out battery-powered track work in the City Tunnel in Stockholm using one of its unique machines. The company specialises in work in confined spaces that are sensitive to noise, dust and exhaust fumes.

³ Note that the reinterpretation of IFRS 16 from the turn of the year 2024/25 means that costs are moved down the income statement, from Raw Materials & Supplies to Depreciation and Financial Expenses. In addition to clearly positive effects down to the EBITDA level in the income statement, and some positive impact further down, cash flow from operating activities will increase whilst financing activities will be weighed down. Lease liabilities increase the balance sheet total and, as several contracts are denominated in EUR and the liability is restated into SEK on the balance sheet date, currency effects will become more apparent in the accounts and increase volatility between quarters without any expected impact in the longer term.

machinery, whilst the reinterpretation of IFRS 16 pushes down the costs of these from an operating lease fee under cost of goods sold, to a point where it is justified to treat this cost as depreciation and financial expenses respectively. This means that depreciation as a proportion of turnover is increasing compared with previously, even though it does not fully correspond to the reduction in the previous operating lease cost mentioned above. The majority of the difference therefore ends up in net financial items, which increases operating profit by an estimated one percentage point compared with before the reinterpretation.

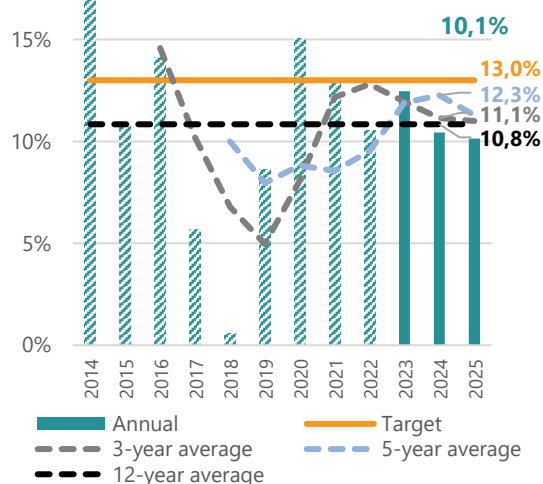
The mechanics of cost development

A high proportion of fixed costs makes earnings sensitive to utilisation rates. In other words, the company has high operating leverage, even though this has decreased over the years due to a broader service offering, more customers, a higher proportion of longer-term contracts and a changed product mix. However, downturns are likely to occur in the future, both due to dips in demand and equipment maintenance. The stoppage on the Malmaban line last winter serves as an example, when Railcare took the opportunity to carry out maintenance on the locomotives. The second half of 2022 is another example, when the increased activity had begun to take its toll on staff and machinery. This meant that the end of 2022 was characterised by recruitment and an increased need for machinery maintenance. The result was rising maintenance costs, but also increased costs for hiring machinery to replace those undergoing servicing. Although the company took the opportunity to implement these measures during a slightly less hectic period, this is something we must expect to recur from time to time, perhaps particularly following a period of high activity.

Workload on the contracting side, which is therefore important for short-term margins, varies over time, but is difficult to forecast and often weather-dependent. Workload also depends on the scheduling of projects by the infrastructure owner, which in Sweden is usually the Transport Administration, and which has nevertheless improved recently. With an expected increase in volume, there will also automatically be some levelling out of capacity utilisation, but increasing capacity is not entirely straightforward either. There is a shortage of locomotives, the company's own specialist machinery has limited capacity, and trained staff are almost impossible to find. Increasing capacity means the company takes on increased fixed costs. The company invests heavily in its employees but, in return, sets high standards for their personal qualities, with the right attitude to service, flexibility and the ability to solve problems independently in the field. Once a recruitment drive is successful and the investment in necessary training and certifications has been made, it takes a great deal before such a person is allowed to leave the company, even if there is a downturn in business.

The solution has been for Railcare to focus more on hiring locomotives and ensuring that staff have as broad a range of training as possible so they can step in at various locations. This reduces costs and increases flexibility as staff can move more easily between different workplaces, although it may simultaneously require more certifications and permits.

Historical EBIT Margin



Note that the years up to and including 2022 are based on figures reported in accordance with the old accounting principles, which may result in a slight underestimation of the operating margin compared with current standards. However, the effect is likely to be small, as the proportion of leased equipment was previously significantly lower than it is today.

Source: The Company, Analysguiden (calculations)

The long-term contracts the company has signed and may sign in the future are particularly valuable in this context, as they provide both consistent capacity utilisation and predictability, which facilitates effective planning. One example is Railcare's breakthrough contract with Kaunis Iron, worth a total of SEK 740 million over 10 years, to transport ore concentrate from the transshipment station in Pitkajärvi to the port of Narvik. Two others are the contract for standby locomotives from autumn 2023, and the LKAB contract in Q4 2024. Similarly, the Swedish Transport Administration's renewal and extension in January 2025 of the snow clearance contract for 4+1+1 years, worth SEK 59 million per year, is also highly valuable, not least because it provides predictable capacity utilisation during the off-season.

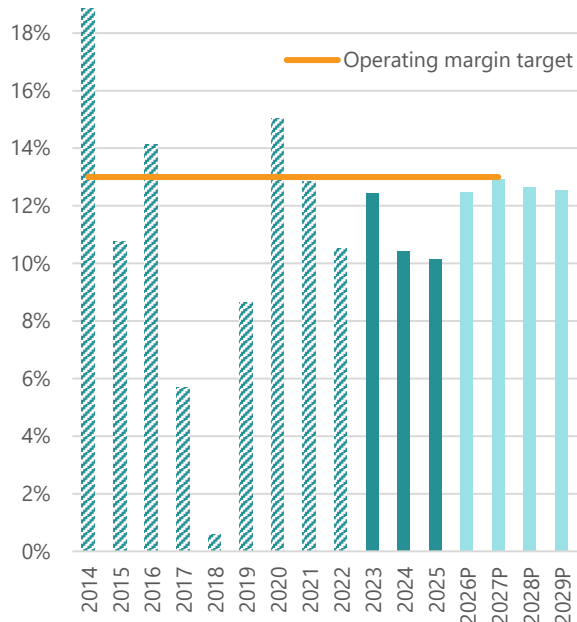
Margin development

There is a good chance that the company will achieve its margin target of 13% for operating profit by the end of 2027, and the change in accounting policies is helping – by around half a percentage point based on the 2023 figures, but that figure has likely increased significantly with the growing number of leased premises. Other factors suggesting that the margin target may be achievable include:

- Over the past three years, Transport has achieved an operating margin of just over 13%, despite the fact that earnings have likely been weighed down by the scaling up of the organisation. With the scaling up complete, this level should at least be maintained.
- Railcare notes that the Transport Administration already pays slightly more for work where Railcare, as one of the few operators, can work sustainably. This applies not least to sensitive projects that can almost only be carried out using the MPV – and thus meet zero-emission requirements – such as work in city centres, tunnels like the Citybanan, etc., something that will hopefully increase in the future and for which the company is preparing with the latest, recently completed MPV.
- It is also reasonable to assume that Railcare, as one of the very few operators meeting the Transport Administration's increasingly stringent environmental requirements and having proven itself reliable and flexible in previous deliveries of emergency locomotive services, has had the scope to negotiate a premium for this.
- Over time, once the transition of the Skelleftehamn workshop has gained momentum with external customers, Technology should reasonably also be able to increase its margins.
- The closure of operations in the UK and the optimisation of resources within Contracting should also have a positive effect.

Overall, we believe there should be good prospects of achieving the operating margin target of 13% by the end of 2027. On a rolling four-quarter basis, just under 12% was already achieved in Q1, and the full benefits of the investments made and operational optimisations have not yet been realised. After 2027, we expect the margin to be in the range of 12–13%.

Operating margin forecast



Note that the years up to and including 2022 are based on figures reported under the old accounting principles, which may result in a slight underestimation of the operating margin compared with current standards. However, the effect is likely to be small, as the proportion of leasing was previously significantly lower than today.

Source: The Company, Analysguiden (forecasts)

Forecast summary

In summary, we consider the revenue target of SEK 1 billion for 2027 to be difficult to achieve. Even with a fairly optimistic forecast, we arrive at just over SEK 940 million for 2027, but it is not certain that this will be achieved. We are therefore counting on new contracts with an annual turnover of SEK 130 million having a full impact throughout 2027, and a further SEK 70 million having a full impact from Q2-27. However, we believe there is a good chance of achieving the operating margin target of 13% based on our forecast.

Should no contract be secured, we would end up with SEK 770 million in revenue for 2027, and an operating margin that barely reaches double digits, at least until the business scales up or is scaled down to match the Group's revenue, but that scenario appears unlikely. The investments required to achieve the target have been made in recent years, so now the company simply needs to grow into its new, larger role to fully reap the rewards of these efforts.

In the years from 2027 until the end of the decade, we conservatively expect a slowing growth rate down to 11% per annum, and thereafter an average growth rate of 9% through to 2035. We expect the operating margin after 2027 to be between 12-13%.

In terms of cash flow, the outlook remains positive thanks to strong operating profits, despite the fact that growth comes at a cost in terms of increased working capital and necessary investments. Towards the end of 2027, the question of raising the 30–40% dividend payout ratio may well arise again, unless new attractive investment opportunities present themselves.

Income statement (SEK million)

	2019	2020	2021	2022	2023	2024	2025	2026p	2027p	2028p	2029p
Net turnover	371	401	438	497	564	635	668	745	944	1,060	1,179
growth, %	+27%	+8%	+9%	+13%	+14%	+13%	+5%	+12%	+27%	+12%	+11%
Other revenue	9	20	15	15	18	25	30	24	24	24	24
Cost of goods sold	-177	-181	-204	-269	-262	-289	-268	-268	-324	-361	-402
Gross profit	203	241	249	243	321	372	429	501	644	723	801
Staff	-120	-125	-139	-146	-170	-197	-220	-232	-283	-322	-358
Other operating expenses	-1	-2	-2	-2	-3	-2	-4	-7	-10	-10	-11
Earnings before interest, tax, depreciation and amortisation (EBITDA)	82	114	108	95	147	173	205	262	351	391	432
Depreciation	-50	-53	-52	-43	-77	-106	-137	-169	-229	-257	-284
Operating profit (EBIT)	32	60	56	52	70	66	68	93	122	134	148
Net financial items	-6	-5	-4	-5	-12	-26	-15	-24	-29	-34	-38
Associated companies	0	0	0	0	0	0	0	2	2	2	3
Profit before tax	27	56	52	47	58	41	52	71	95	102	113
Taxes	-6	-12	-11	-10	-14	-10	-13	-17	-23	-25	-27
Net profit	21	44	41	37	44	30	40	54	72	77	86

Valuation⁴

Cash flow valuation

The focus of our valuation of the Railcare share has always been on a discounted cash flow (DCF) analysis, as we have a solid basis for forecasts and can capture the dynamics of the company's development in a DCF, which we then cross-check against other valuation indicators.

Previously, we used exclusively a method known as "Free Cash Flow to Equity" (FCFE) or "Levered Free Cash Flow". This has the advantage of being directly linked to earnings per share and also makes good use of the P/E ratio to determine the terminal value in the calculation, something that feels familiar to equity investors.

With the reinterpretation of IFRS 16 last year and with significant (and likely rising) amounts of lease liabilities, "Free Cash Flow to Firm" (FCFF) or "Unlevered Free Cash Flow" is emerging as an increasingly relevant alternative method. The calculation focuses on cash flow generation from the business without considering how it is financed – via debt or equity – and results in an estimated unlevered enterprise value (EV), from which net debt is deducted to arrive at the estimated market value and thus the justified share price. The advantage is the focus on the value of the business regardless of the financing, whilst the disadvantage is that the EV/EBIT multiple we use to calculate the terminal value is a slightly less familiar concept than the P/E ratio for many equity investors.

In theory, both methods should yield the same fair share value, but in practice there may be some difference. In companies with a high proportion of borrowed capital, for example, FCFF tends to yield a higher fair value than FCFE, as it incorporates the tax effect of borrowing costs, which is actually more accurate. In general, however, these effects are relatively small compared to the valuation effects that can arise from differences in forecasts and other assumptions.

Short term

The target for the full year 2027 is now so close in time that cash flows up to that point account for only a small fraction of the value. As we have pointed out previously, this means that a cash flow valuation using a terminal multiple for the terminal value calculation becomes circular reasoning: If we assume a terminal multiple that accounts for the vast majority of the valuation, it is tantamount to guessing what P/E ratio or EV/EBIT the market will pay at the end of 2027, assuming nothing exceptional happens to profits in that particular year. In other words, it becomes pointless, and we now need to look further ahead.

Longer term

To minimise the significant impact that the terminal value assumption has on the valuation, we base our calculations on our detailed forecasts up to the end of 2029, as well as on our forecast outline for the period up to the end of 2035. This may seem a long way off, but

Justified price

Sensitivity analysis to 2029

Justified price		Discount rate --->						
		10%	11%	12%	13%	14%	15%	16%
< --- P/E 2029	6	44	43	42	41	40	39	38
	7	46	45	44	43	42	41	40
	8	49	48	46	45	44	43	42
	9	51	50	49	48	46	45	44
	10	54	52	51	50	49	47	46
	11	56	55	53	52	51	49	48
	12	59	57	56	54	53	51	50
	13	61	59	58	56	55	54	52
	14	63	62	60	59	57	56	54
	15	66	64	62	61	59	58	56
	16	68	67	65	63	61	60	58
	17	71	69	67	65	64	62	60
	18	73	71	69	67	66	64	62

If the company meets our forecasts for operating margin and revenue growth up to and including 2029, the fair value today is shown in the table, given the required rate of return on the investment and the multiple at which we believe the share will trade towards the end of 2029.

Source: Analysguiden

⁴ NB: The change in accounting policies regarding IFRS 16 from last year means that price-to-earnings ratios will be lower – to varying degrees for different ratios – and cash flow metrics will be higher, partly because the profit metric is higher and accumulated depreciation increases. Unadjusted, this has the effect of making the share appear cheaper compared with previously.

given the relatively stable long-term conditions prevailing in almost all business areas, a longer forecast period provides significant insights into the share value.

Assumptions

Our required return on equity is based on the risk-free 10-year government bond yield of 2.7%, to which we add a general risk premium for equity investments of 6%. In addition, there is a small-cap and illiquidity premium which, given the company's increasing proportion of longer-term contracts and ever-broader product range, we reduced to 2.5% at the end of 2024, but which we raised back to 3% last year in light of the accounting changes. We are now temporarily adding one percentage point pending the transport contracts required to meet our and the company's forecasts. In total, this amounts to 13.7%. This is relatively high for a company in such a mature industry, but also reflects a certain degree of operational volatility based on high fixed costs, and low liquidity in the share, which is due both to the company's small size and a low free float.

Valuation

Using the FCFF method, the discussion quickly turns to the question of a plausible EV/EBIT multiple at which it is reasonable to assume the market will price the share at the end of the final forecast year; that is, initially at the end of 2029. At the end of 2025, the multiple was 18.5 (17.2 at the end of 2024) and the P/E ratio 18.1 (20.0). Given the recent rise in the share price, it now looks as though the EV/EBIT multiple could end up close to 15.3 for 2026, and the P/E ratio at 16.5. The relationship between the EV/EBIT multiple and the P/E ratio is largely determined by the debt-to-equity ratio (including lease liabilities) and the associated interest rates. We have previously used 12 for EV/EBIT and 11 for the P/E ratio as the levels at which we believe the market will trade the share at a minimum by the end of the valuation period; however, net debt has fallen more rapidly than we had previously anticipated, so we are now assuming 11 for both in our calculations of the respective terminal values. In our FCFF calculation under the conditions stated above, we arrive at a fair value of just over SEK 50

Using the old method, FCFE, the fair value based on our forecasts comes to around SEK 50. In fact, the undiscounted free cash flows for 2026–2029 alone correspond to the current market capitalisation.

However, should new major contracts be delayed until after 2027, this would not affect the long-term valuation as much as one might think, provided we continue to work with the same conservative growth and margin figures for the coming years. It is only a matter of a few kronor, but it could give rise to doubts about the company's ability to deliver and thus have a greater impact on the share price than that.

Under conservative assumptions – including that the emergency shelter contract expires after one of two option years without being replaced by any other revenue stream, and the rest of the business grows by 10% per year – this results in turnover of around SEK 2 billion in 2035 and average growth for the group of just under 9% per year. At the same time, if the operating margin can be maintained at around 12–13% – which appears entirely possible given the strong underlying earnings, not least within Transport – this justifies a

Looking ahead to 2035

Justified price		Discount rate --->						
		10%	11%	12%	13%	14%	15%	16%
< --- P/E 2035	6	94	89	84	80	76	73	69
	7	96	91	87	82	78	74	71
	8	99	93	89	84	80	76	72
	9	101	96	91	86	82	77	74
	10	104	98	93	88	83	79	75
	11	106	100	95	90	85	81	77
	12	108	102	97	91	87	82	78
	13	111	104	99	93	88	84	79
	14	113	107	101	95	90	85	81
	15	116	109	103	97	92	87	82
	16	118	111	105	99	93	88	84
	17	120	113	107	101	95	90	85
	18	123	116	109	103	97	92	87

Even with relatively conservative assumptions and the higher discount rate of 13.8%, the share still offers good potential.

Source: Analysguiden

doubling of the current share price, given the current elevated return requirements.

Conversely, if the share is trading at an EV/EBIT or P/E of 11 by the end of 2035, the current share price implies a return of 27% per annum until then, given our fairly conservative forecasts.

It is worth noting that with the longer time horizon (2035), the terminal value accounts for only about one-third of the total value, which provides with significantly greater certainty in the calculation. With multi-year transport contracts, a significant demand for the locomotive workshop's services for the foreseeable future, and the Transport Administration's long-term plan underpinning the Contracting division, there is a solid foundation for long-term forecasting.

Nor should we forget that this is a business that is very little affected by the economic cycle and thus also brings other qualities to a diversified share portfolio.

What the market seems to be discounting

If we were to adjust the assumptions in the calculation sufficiently to arrive at today's share price in both 2029 and 2035, this would imply either that

- the stock market's required rate of return would need to be raised to almost 30%, or that
- turnover would remain at the current year's level with a 10% operating margin for all years to come; in other words, not even an adjustment for inflation.

Of course, it could also be a combination of both, but regardless, it appears that the market is unable to look very far ahead and is likely also keen to see new contracts actually coming in to feel sufficiently confident to push the share price up to the next level.

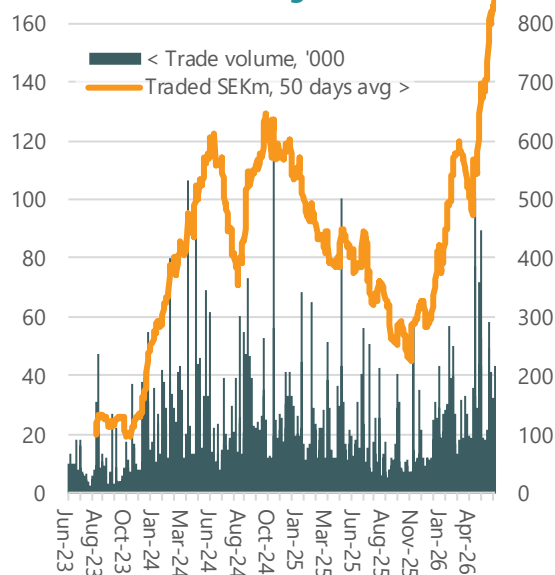
Multiples valuation

Multiplier measures are single-period measures, which is a significantly 'simpler' model than a discounted cash flow model. They do not capture the dynamics of a company's development in the way a DCF calculation can. However, they have the advantage of being simple and are therefore widely used, which is why we include some of them here:

- The P/E ratio for 2026 at the current share price stands at 16.5 and at 12.4 next year based on our forecasts. Despite the rise, this does not appear expensive given the growth, qualities and potential that the company possesses, as described above.
- The same reasoning applies to the EV/EBIT ratio, which stands at 15.3 for 2026 and 11.7 for 2027; given the significant amount of capital tied up, this cannot be considered expensive.
- EV/Sales of 1.9 for 2026 and 1.5 for 2027 captures the company's growth less accurately and is very rough but is not exactly expensive.

Multiples are perhaps used primarily when comparing with similar companies, but this is not entirely straightforward in Railcare's case, as the railway market for maintenance alone is fragmented into small niches and the companies are usually either unlisted, parts of very

Railcare share trading



Liquidity in the share has risen sharply over the past six months and is approaching SEK 1 million per day, which should make it easier for smaller institutions, family offices and others to build a position.

Source: Refinitiv

large groups with only a small proportion of turnover in rail, or part of a large international group with significant rail operations, but of which only a small proportion relates to Sweden or to Railcare's niches.

Conclusions

Railcare's ability to secure large, long-term contracts has increased in recent years, with the most significant examples being the snow clearance contract with the Transport Administration in early 2025, the agreement with LKAB in autumn 2024 and, of course, the order for standby locomotives in autumn 2023. The company's approach has also earned it a good reputation in the industry for flexibility, innovation and problem-solving. It therefore seems likely that Railcare will be able to secure new contracts going forward – not least in a growing market – enabling it to deliver close to its financial targets.

It is difficult to see anything other than continued potential in the share in the short term, despite a price rise of over 30% in the last three months. Our valuation calculation comes in at around SEK 50, or almost 40% higher than today, but we believe that new major contracts actually need to be announced before the share price takes the next step. We are therefore holding off on raising the fair value, which will remain at SEK 40 for the time being.

However, there are other reasons to consider an investment:

- We have not been particularly aggressive in our assumptions, whether regarding the terminal multiple for 2029 or growth assumptions for the years leading up to that point or beyond.
- There is potential, for example, in further "warehouse stop-off assignments", external machinery sales, and the engineering business both in Skelleftehamn and a potentially expanded Långsele. We have not taken any of this into account in our forecasts.
- It is a business that is not sensitive to economic cycles and performs just as well during an economic downturn or stock market slump, as we saw during the stock market turbulence in April last year, the inflation crisis in 2022 and the pandemic year of 2020.
- Its nature also means that an investment in the share offers good portfolio characteristics within a diversified share portfolio.

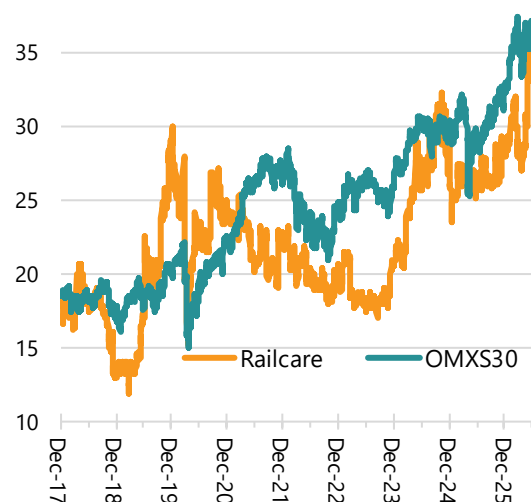
Even if there were to be a temporary dip in capacity utilisation, and consequently in earnings, both should be well placed to recover quickly, given the budget cycle of public sector contractors, increased pressure on maintenance and growing transport demand on the railways.

Nor can one entirely rule out the possibility that Railcare, with its innovative products, could become the subject of a takeover, even if the current ownership structure may not facilitate such a deal.

Risks

Railcare operates in a highly capital-intensive industry with high fixed costs, not only for fixed assets but also for hard-to-recruit staff who require a long induction period and whom the company is reluctant to let go. In other words, the operational leverage is relatively high.

Share price since IPO



Source: Refinitiv

Demand for the company's services can fluctuate quite sharply at short notice, and historically, capacity utilisation has dipped from time to time. Earnings have therefore been quite volatile, and although they have improved over the last 3–4 years, the underlying issues remain and may resurface in the future.

A significant risk, albeit perhaps primarily on a personal level, is safety on the railways. Railcare's motto is “, or not at all”. Nevertheless, accidents can of course occur in such a hazardous technical environment, which, in addition to personal tragedies, can result in compensation claims, reputational risks, loss of revenue, etc. for the company that are not covered by insurance.

Too few locomotives are being manufactured from a market perspective, and although Railcare owns a number of locomotives and secured access to shunting locomotives this summer through the deal with AC Finance AB, locomotives are also leased from other sources, such as mainline locomotives for long-distance transport assignments. If a shortage arises, it may be difficult or expensive to renew leases to ensure sufficient machinery to meet customer commitments, or Railcare's growth may be hampered by the shortage of locomotives. This is a shortage that is not easy to remedy.

Railcare's international ventures or machinery sales have so far failed to bear fruit, despite attempts over many years. Competition is entirely different in the larger international markets, and in a conservative industry with government buyers, there is a high probability that officials will choose domestic suppliers rather than take the risk with a new innovative challenger, so even though Railcare has proven its technology and service delivery at least on home turf, it remains to be seen whether these are commercially viable in an international market.

Market, products & services

The rail market, covering both infrastructure and services, is a conservative sector characterised by significant state control. Although the market is mature, it has seen improved growth prospects in recent years, mainly due to increased climate considerations as rail transport is highly energy-efficient, but also due to the expansion of heavy industry in the north, a severe maintenance backlog and increased interest from the Armed Forces. A few high-tech niches in the market are also showing very good growth.

Contracting

In Sweden, 90% of the rail network is still managed by the Transport Administration, which thus accounts for the lion's share of the contracting market. A market characterised by a completely dominant buyer – and a state-owned one at that – will have its terms largely dictated by this buyer and will not necessarily be rationally market-driven. A concrete example is the way in which maintenance work is planned, communicated and contracted out. Within the framework of established framework agreements, specific tasks are contracted out to the contracted suppliers. However, the lead time has at times been short, the works have been smaller parts of larger projects, and unwanted gaps have arisen between the works, which hinders suppliers' visibility, ability to plan, and a steady workload over time. A certain improvement has, however, begun to emerge, albeit from a low level.

Much of the major work, not least on new construction, is carried out by the major players, such as the large construction contractors InfraKraft, Sweco, WSP, Ramböll and others, and more specialised firms such as NVBS, Ricardo Rail, Systra and others, often specialising in specific niches within the railway market, such as Railcare. RailCare's niche is maintenance in special environments such as railway yards, tunnels, etc., which are difficult to access, cramped and sensitive to exhaust fumes and noise. This also means that RailCare is at the forefront when it comes to sustainability. They have had to improve existing products and develop new ones for their own needs, as their working environments are particularly demanding.

Working in such environments also places high demands on planning, coordination and time management. Work often has to be carried out at night to avoid disrupting traffic flows that must continue as normal, which places high demands on discipline, flexibility and a solution-oriented approach among those carrying out the work. RailCare achieves this through a sound personnel policy, a flat organisational structure and further training, which promotes low staff turnover, experienced staff and professional pride.

The closure of the UK operations was finally completed in Q1-26, allowing the business area to focus on the Swedish part of the contracting business, which has quietly grown and achieved a more consistent utilisation rate over the past 2–3 years. This has also been reflected in a more stable margin trend, with Q1-25 being the exception that proves the rule. This is partly explained by the company having identified and focused on niches where it has advantages thanks to its ingenious technology – such as in snow clearance and lining operations – but also by its ability to derive greater benefit from its organisa-

Relining



Over time, culverts and penetrations under the track become damaged, but instead of a costly replacement, Railcare carries out a 'relining' of the culvert by lining the inside with a multi-layered, thick and hard fibreglass pipe.

Source: Railcare AB

Ore transport



Railcare transports Kaunis Iron's ore the 220 km from Pitkajärvi to Narvik. Each train set consists of 2 locomotives and 36 wagons and carries an average of 3,100 tonnes. Railcare operates two train services per day, seven days a week, resulting in a volume of approximately 2.3 million tonnes of iron ore per year.

Source: Railcare AB

tional structure, with broadly trained staff, a solution-oriented culture and the company's relative small size, all of which provide flexibility. Recently, the Transport Administration's improved forward planning in its allocation of work has also contributed to this consistency, and the new long-term snow clearance contract will also provide a more even workload and greater predictability.

However, with its specialist machinery, the business area has significantly higher operational leverage than, for example, the transport operations – if there is no work for the machines, they stand idle and cannot be used elsewhere. There is a high degree of dependence on what is essentially the sole purchaser of the services. The “pit stop” in Q2 2024, which had a strongly positive impact on both turnover and profit, offers a glimpse of how the contracting business may change as the Transport Administration's new working methods take effect in the future. Combined with an increased focus on railway maintenance in general, and Railcare's machinery and expertise in particular, the coming years could be promising.

A clear competitive advantage for Railcare, in addition to ingenious specialised machinery and a flexible, decentralised organisation with problem-solving and innovative staff, is access to machinery and vehicles that meet high environmental and safety standards.

The snow clearance contract awarded in January last year, mentioned above, is a good example in this context: the Transport Administration's requirements for the six contracted units – snow ploughs and snow melters – are that only HVO100 is to be used as fuel and that the locomotives must be fitted with Stage V engines. In addition, the new pan-European signalling system ETCS must also be installed. This excludes many machines available on the market and made it impossible for competitors who have not progressed as far as Railcare in their environmental work to submit a bid. It also highlights the potential of the locomotive workshop and its expansion, where machines are upgraded to precisely these standards.

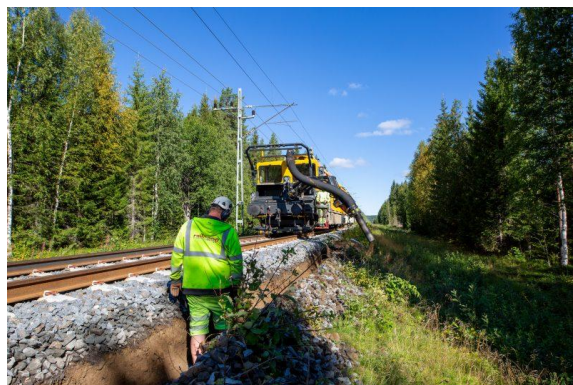
Transport

The corporate culture has also benefited development within the Transport business area, where Railcare's delivery reliability and flexibility appear to have been a clear advantage in successful tenders. A breakthrough for Railcare was the uniquely long 10-year contract secured with Kaunis Iron for ore transport from Pitkärvi to the shipping terminal in Narvik, commencing in August 2018. Central to good delivery is flexibility – for example, regarding issues such as problems in the mine, variations in ore content, ship docking times, etc. – and rapid, detailed decisions in the field to reduce downtime and idle time and minimise cycle times, something that suits Railcare's way of working.

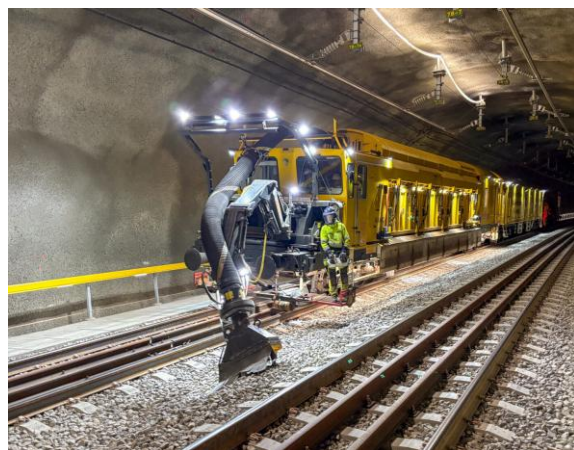
Following the breakthrough deal with Kaunis Iron, Railcare has secured recurring contracts from LKAB for ore transport, albeit for shorter periods. The most recent one began at the end of March 2022, following a hiatus during Q1 2022 after having previously held contracts in 2021. It was therefore very pleasing that the company secured a long-term contract from LKAB last autumn.

However, the example of LKAB highlights the problem of capacity utilisation. During the first quarter of 2022, there were no contracts

RailVac



Railcare's RailVac works like a giant vacuum cleaner, sucking up old ballast – for example, during ballast replacement or cable laying – as seen here during a maintenance project in northern Sweden.



Railcare is cleaning the Varberg Tunnel of construction dust and dirt ahead of the start of traffic in summer 2025.

Source: Railcare AB

Standby locomotives



Standby locomotives have developed into one of Railcare's specialist niches, but fall within the Transport business area.

Source: Railcare AB

from LKAB, nor were there any other clients utilising these resources. Whilst it was possible to keep the workforce occupied with other tasks to some extent, the risk is that the company is left with expensive machinery and staff in whom it has invested heavily, and whom it does not wish to lay off for a short period. The workforce is attractive, and it takes time and money to recruit and train new staff when demand returns. Redirecting resources involves fixed costs and is not free of charge, and may be subject to certifications. The problems are the same within Contracting, and when they occur, they naturally weigh on margins but must be regarded as part of the business.

That cost was clearly evident during the first quarter of 2022. The setback caused by the pause in the LKAB deal meant that the margin in what was then Transport Scandinavia plummeted mercilessly to zero. At the same time, however, at group level, Contracting Sweden performed all the better and offset Transport Scandinavia's weak quarter.

Despite such setbacks, Transport has, perhaps somewhat unexpectedly, emerged as Railcare's star performer in recent years, and things only improved with the major contract for standby locomotives in autumn 2023. Both revenue growth and margins have been well above the group average, albeit with variations in individual quarters.

Technology

RailCare's Technology business area encompasses RailCare's machinery development, and since the turn of the year also the locomotive workshop, which was previously part of Transport and which carries out repairs, maintenance and upgrades for both external customers and its own fleet. Within Technology, several innovations have seen the light of day, such as

RailVac: This was the company's first product and is essentially a giant vacuum cleaner for the ballast – the crushed stone beneath the rails and sleepers that provides shock absorption. When, after a certain period, it begins to lose this ability, it needs to be replaced, and the old ballast must first be removed – a task at which the RailVac excels, particularly in confined spaces. The RailVac also minimises the risk of damage to the cables that always run alongside the rails, and around half of its work involves cable lowering, particularly in the UK.

Ballast Feeder: This is the next step in ballast replacement, where the new ballast must be laid evenly and with precision in an efficient manner. For this, Railcare developed its Ballast Feeder.

Snow clearance machines: Railcare also began using its vacuum technology for gentle snow clearance on the tracks and has most recently developed a snow melter that eliminates the problem of having to remove the snow from, for example, a railway yard. In January last year, the Swedish Transport Administration extended its contract with Railcare for snow clearance by a further 4+1+1 years, worth SEK 59 million per year.

MPVn: The latest major addition to the product range is the MPVn, Multi Purpose Vehicle, which is like a giant power bank on rails. It has so far been linked to the RailVac, but can also be used in other contexts. It enables emission-free and much quieter operation in en-

Snow clearance machines



In addition to traditional snow-clearing machines that simply move the snow, Railcare has developed machines that melt the snow for use in situations where removal is impractical or costly, such as on railway yards in densely built-up areas.

Source: Railcare AB

Ballast Feeder



A Ballast Feeder facilitates the precise laying of the gravel that forms a shock-absorbing layer beneath the rails.

Source: Railcare AB

vironments where the power in the overhead line – if one is even present on site – cannot be switched on for safety reasons. In March 2023, for example, it was used for work in the City Tunnel in Stockholm, where it is perfectly suited. The successor, the MPVe, features a pantograph so that the batteries can be recharged if there is power in the overhead line on site or nearby.

In addition to these, battery conversion of diesel-powered machines is under development. This should bode well for Technology, but the market is conservative, locally produced prototypes are necessary, and politics can play a role. Nor are they alone in developing specialised machinery. There is everything from small competitors such as EuroMaint and Svensk Järnvägsteknik on the Swedish market, to large companies such as the French firm Alstom and the Spanish firm CAF.

Railcare has previously enjoyed some success selling the RailVac abroad, but otherwise external sales of products from the Technology division have been limited. A major reason for this has been a desire not to benefit competitors in the Swedish market, and in foreign markets the company has not achieved any significant success. This means that the value of the company's innovation capacity is limited, and we do not attribute any significant value to it beyond the protection of the niches in which the company otherwise operates, primarily within the contracting business. Should this change in the future, for example with the MPV, there is significant potential in this business.

The Technology division is perhaps the most difficult to forecast, as it is influenced not only by external factors but also by accruals and settlements. We therefore do not attach great significance to individual quarters that deviate from the norm. One-off construction projects may encounter unexpected problems and cost overruns/delays, and, as was the case in Q1-25, customers' need for spare parts may temporarily decrease. In the case of longer-term projects settled on a quarterly basis, a significant balance item – positive or negative – may arise at the end of the quarter relative to how the project was estimated in the quotation and consequently settled, which has a fairly significant impact on the business area's figures for the quarter. One example is when the locomotive workshop completed work on five Traxx locomotives for Beacon Rail during Q3-23, where lessons were gradually learned from the first locomotive to enable work to proceed significantly faster on the remaining four, which boosted the business area's earnings substantially (then Transport Scandinavia) during the project's final quarter. The lesson is that investors are best advised to look at the trend over several quarters instead. However, Technology offers good potential for Railcare within a profitable segment with strong demand over the long term.

Organisation

Railcare strives for a flat organisation with short decision-making paths and decentralised operational decision-making. In practice, this means that staff in the field have the authority and expertise to resolve problems as they arise, and that the company's overhead costs are reduced. Employees grow with their responsibilities, professional pride increases, and an entrepreneurial spirit permeates the company.

MPV



Railcare's new MPV, Multi Purpose Vehicle, is like a giant power bank on wheels and is connected to other machines as a power source. A RailVac with an MPV can run a full shift, eight hours, non-stop.

Source: Railcare AB

This has several effects:

- + More satisfied customers, as problems are resolved more quickly and smooth delivery is facilitated.
- + More satisfied employees who are recognised for their efforts and become good ambassadors for the company.
- + Better margins thanks to fewer stoppages and fewer people being involved in resolving minor issues, as well as lower overhead costs.
- A higher investment in each employee to improve skills, which means a longer induction period for new recruits and greater vulnerability if someone leaves.
- Greater sensitivity to staffing levels, as the company is reluctant to let go of skilled staff given that it is difficult and expensive to recruit and train new people.

Overall, Railcare's organisational structure appears to be one of the company's key success factors in competing with firms that are often significantly larger and less agile. This is perhaps most evident in the Transport business area, which has both grown faster and achieved better margins than the contracting operations, despite the latter having benefited from internal product development.

Management and ownership

Since autumn 2021, the CEO has been Mattias Remahl, who has a background in the mining industry from Boliden, where he was CFO of the Mining business area. This is, of course, positive for the Transport business, as Mattias has a deep understanding of mining customers' workflows, cost calculations and priorities, but he also brings significant expertise and fresh perspectives from another major industry to the other business areas. In August 2024, the company's management team was also strengthened with a new CFO, the appointment of a Safety Manager to the board, and an HR Manager in the autumn.

Ownership in Railcare is, as is often the case in smaller companies, relatively concentrated in a few hands. Interestingly, in this case, it is not primarily the founding shareholders, but other long-term, institutional investors. This is the case following the sale in autumn 2021 by the former principal owners, Ulf Marklund and Leif Dahlqvist, of their remaining holdings to Norra Västerbotten Fastighets AB, now Nornan Invest AB, which, together with Treac AB, is a locally based, foundation-backed business developer.

Largest share holdings, %	No of shares	Share, %
Nornan Invest AB	7 121 395	29.5%
Swedia Capital AB (Staffan Persson)	2 516 367	10.4%
Bernt Larsson	750 987	3.1%
Avanza Pension	644 504	2.7%
Canaccord Genuity Wealth Management	599 906	2.5%
Mikael Gunnarsson	507 000	2.1%
Per-Ake Nilsson	340 000	1.4%
Nordnet Pensionsförsäkring	330 468	1.4%
Torsten Germund Dahlqvist	304 859	1.3%
Christer Lundholm	287 000	1.2%
10 largest, total	13 402 486	55.6%
Other holdings, total	10 721 681	44.4%
Shares issued, total	24 124 167	100.0%
Total No of shareholders	5 121	

Source: Railcare

Most of the shares held by the 10 largest shareholders can probably be regarded as long-term positions, and there are certainly several others outside the top ten, so the free float is likely to be well below 50%. Combined with a market capitalisation of just under SEK 700 million, this limits the liquidity of the share, although turnover has increased in recent years to a median turnover of around SEK 500,000 per trading day over the past year. For those with a slightly larger amount of capital to invest, this nevertheless means that it takes time to build a position and also to exit it, unless a so-called 'block trade' is possible. It also means that a certain small-cap premium is still justified when valuing the share. However, this did not prevent Staffan Persson from becoming a major shareholder via his company Swedia Capital AB this summer.

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