

Overreaction

The share price dip is likely due to no major new contracts have been announced and the company's 2027 targets are unlikely to be met.

Transport took the lead from Contracting in Q2

The report for the second quarter of 2026 was largely in line with our expectations. Turnover was 8% higher than last year at SEK 192.3m (178.1 for Q2-25), in line with our forecast of SEK 191m. The operating margin improved to 10.8% (10.2%) based on an EBIT of SEK 20.7m (18.1); slightly below our expectations of SEK 22.2m. Contracting revenue decreased 11% Q2/Q2 following the record high in Q1, while Transport turned a weak Q1 into 25% growth over Q2-25.

Unwarranted scepticism regarding new contracts

The market now appears to be pricing in the likelihood that Railcare will neither meet its revenue target of SEK 1bn by 2027, nor secure the major contracts necessary to reach it. Admittedly, there has been promising news including framework agreements for specialised transport services for Maersk and with the Transport Administration, plus the one-year option for the northern standby locomotives; however, these are more of a side dish than the main course. **It would, however, be very odd if Railcare's ability to secure new contracts had disappeared.** The market has also improved, so we maintain that new major contracts are on the way, albeit with a delay. However, the delay makes us cut our forecasts and push them further out; we now conservatively expect the revenue target to be reached only in 2029. Costs for the ramped-up organisation are thus not met with new volumes so margins risk fall slightly short of the 13% target as well. We are nevertheless convinced that new orders will fill out capacity in the years that follow, so margins will approach the target.

Undue pressure

Despite more cautious forecasts out to 2029 and a bumped up return requirement to reflect the increased uncertainty, our DCF analysis yields an NPV of 41–43 kronor, assuming that the share will be trading at EV/EBIT=10 and P/E=11 by the end of 2029. A sketch out to 2035, indicates a substantially higher number. As long as no new major contracts are announced, we maintain a fair value of SEK 40, which still implies an upside potential of around 35%, or conversely an AROR of around 30% including dividends through to the end of 2029. With sales growth of 8% and an operating margin of 12–13% through to 2035, a doubling of the current share price is justified, and the AROR would exceed 25% until then.

The stock now appears to be under undue pressure, so when positive news about new contracts emerges, the share price could quickly return to previous peak levels and our target price. In other words, the risk/reward ratio appears very attractive. Added to this is a structurally growing, cyclically insensitive business and good portfolio characteristics thanks to the diversification the share provides.

Railcare Group AB

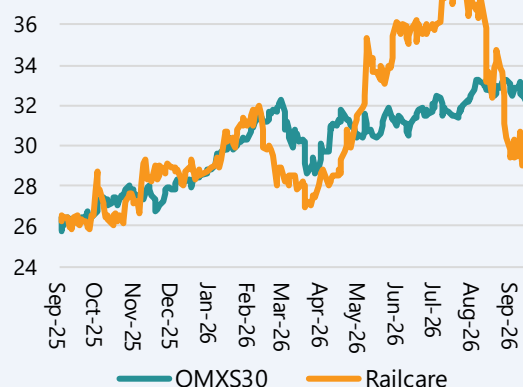
Report Comment - Q2 2026

Date 17 September 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, 16/9 2026	29.70
Shares outstanding (millions)	25.1
Market cap SEKm	746
Net debt SEKm	503
Enterprise value SEKm	1249
Home page	www.railcare.se
Justified price	40,00
Next report	5 November 2026

Share price past year



Source: Refinitiv

Estimates & Key Ratios, SEKm

	2025	2026e	2027e	2028e
Turnover	668	753	820	910
Gross profit	429	512	560	620
EBIT	67.6	90	100	113
EBT	52.3	67	74	83
Net profit	39.8	51	56	63
Earnings/share, SEK	1.58	2.03	2.23	2.51
Dividend/share, SEK	0.70	0.70	0.80	0.90
Sales growth	18.3%	12.8%	8.2%	11.3%
Gross margin	64.3%	68%	68%	68%
EBIT margin	10.1%	12.0%	12.2%	12.4%
Net debt / Equity	1.7	1.4	1.3	1.1
Net debt / EBITDA	1.2	1.0	0.9	0.8
P/E ratio*	18.1	14.6	13.3	11.8
EV/EBIT*	18.5	13.9	12.5	11.1
EV/Sales*	1.9	1.7	1.5	1.4
Dividend yield*	2.4%	2.4%	2.7%	3.0%

* 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.

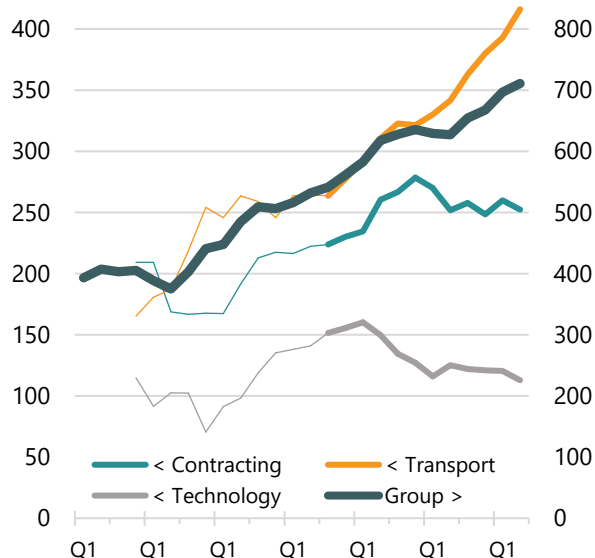
The share has good potential

Given our revenue forecasts – significantly lower than the company's target of SEK 1 bn by 2027 – and an expected operating margin close to the target of 13%, we see a 35% upside from the current share price, and considerably more over a horizon extending beyond 2029. However, this assumes significant new transport contracts will be secured over the next few years and that existing ones will be retained/renewed; e.g., the four northern standby locomotives. Even without new contracts, the current share price remains justified. Our base case scenario is based on growth slightly below historical levels, and we have raised the required rate of return again, so there is scope for upside surprises. These could take the form of an expansion of the locomotive workshop, new 'pit stop' contracts, and a breakthrough in external sales of Railcare's unique machines is also tantalising.

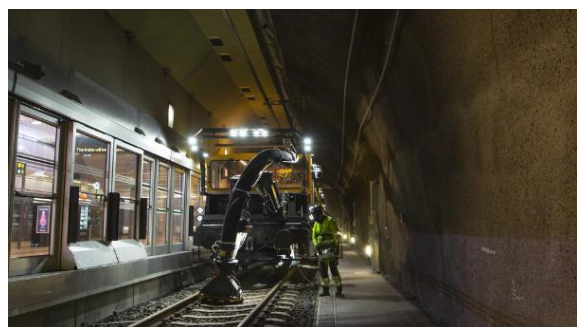
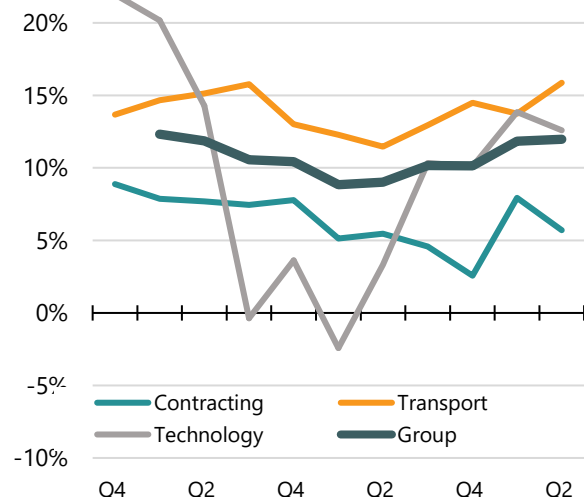
Factors that may weigh on the share price, apart from the possibility that new contracts may not be secured in the near term, include a low market capitalisation with a low free float, which results in low liquidity in the share, 'small-cap contagion' and some operational volatility.

The share is clearly attractive at current 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



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.

Macro perspective

National Transport Plan

At the end of April this year, the Government approved, with certain adjustments, 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 SEK 200bn 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 investment now totals just under SEK 500bn, and maintenance stands at SEK 210bn. 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 9bn per year.

However, [according to the Swedish Rail 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 SEK 91bn – *had* in fact continued to grow up until last year, and has doubled since 2015. The situation is worst for the catenary wires, where almost 40% are considered technically worn out 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 to be replaced is set to rise to 177 from 39 in 2021, and the German company 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 works must be balanced against a steadily increasing volume of traffic; securing track time to carry out maintenance is the biggest bottleneck, and here the works are competing with increased traffic on a network that already has declining capacity due, for example, to 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. Railcare is recognised as being at the forefront in this area, which should bode well for the company, both directly within the Contracting division and indirectly for, amongst other things, contract 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, the level, not the rate of change! 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, SEK 225bn would have been saved, according to the report, which advocates greater innovation and new ways of working as a solution to the problem.

It is a matter of changing the way we work, as the Innovationsföretagen report also highlights. Pressure for efficiency is now definitely coming from the top as well, to bring about a necessary cultural

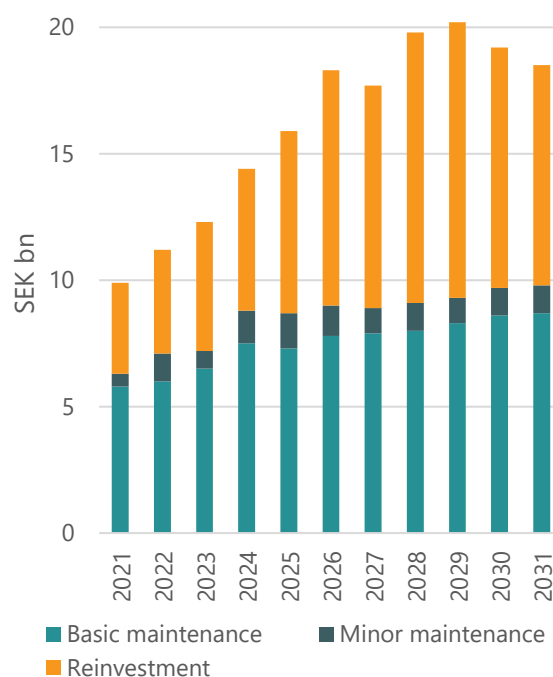
National Transport plan 2026-2037



■ Maintenance Railroad ■ Maintenance Other
■ Development Railroad ■ Development Other

Of a total of 1,171bn, 564bn is allocated to maintenance, of which 210bn goes to the railways, and 607bn to development, of which approximately 80 per cent goes to the railways

Railroad maintenance



The maintenance budget is set to almost double from 2021 levels over the coming years.

Source: the Transport Administration

change. This fits like a glove with Railcare and CEO Mattias Remahl's 'pit stop' model for project delivery, which the company tested for the first time in the summer of 2024. Under this model, all work on the line 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 operators, such as Railcare, stand ready to gladly assist the Transport Administration in this endeavour.

If the plan is followed, we are set to see market growth of around 10% per year for several years to come. Ambitions for increased efficiency are beginning to bear fruit, according to Railcare, which believes that 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-scale and more frequent projects when the track has to be closed.

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

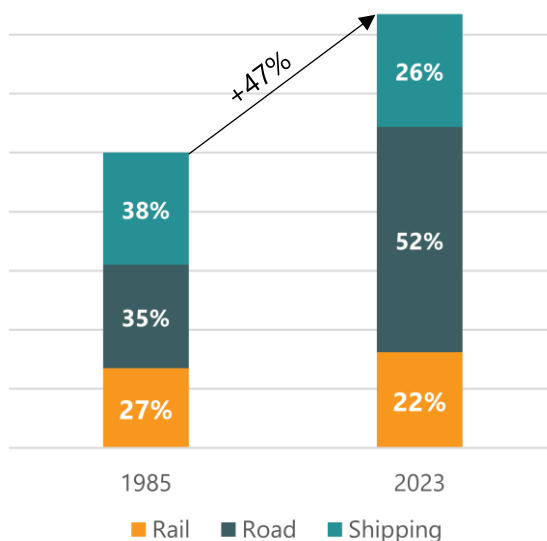
Improved maintenance benefits both passenger and freight traffic, but the implementation itself affects freight traffic more. The reason is that the difference in speed between passenger and freight trains, which means they do not share the same track very well at the same time, leads to passenger traffic 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 with 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 sharp increases in track access charges; by up to 600% over the last 15 years in certain sectors¹. It is therefore encouraging that, in May, the Swedish Transport Administration announced 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 have begun to rise and have likely passed their lowest point. Another positive factor is that the environmental compensation for rail freight is being significantly increased. From 2026 to 2030, the budget is SEK 885m per year, which is SEK 335m more per year than previously. This improves the railways' competitiveness against road transport, although the Transport Administration also notes that the retroactive nature of the scheme makes the support less predictable when signing contracts. Overall, it appears that the balance is shifting back towards equilibrium, which is important for keeping low-traffic lines operational that would otherwise risk being closed down for good.

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

Freight transport

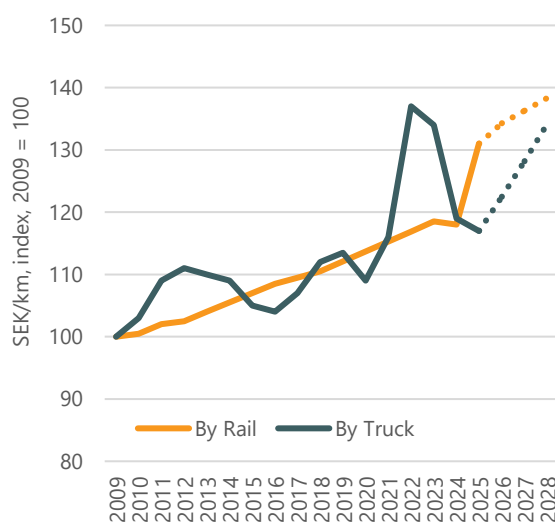
Sweden, total tonne-kilometres by lorry, rail and sea



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

Freight costs, Sweden



The figure shows how transport costs per 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 KTH, processed by Professor Emeritus Bo-Lennart Nelldal, KTH.

Source: järnvägar.nu, forecast by Analysguiden based on, amongst other things, data from Trafikanalys.

NATO membership

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

- This means that external demands on Sweden to modernise our railways are added to the demands from the public and businesses discussed above. To fulfil our obligations to the alliance, substantial measures must be taken immediately. In contrast to the previous focus on north-south rail routes, west-east transport corridors are now a particular priority for NATO, and the Malmaban, sometimes referred to as the Suez Canal of the Nordic region, is also absolutely 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 the world, it is absolutely vital for Northern Norway; and the same discussions we are having regarding the Swedish section of the line are taking place in Norway concerning the Norwegian section, the Ofot Line. It accounts for just one% of the Norwegian rail network but carries 60% of their freight volume in tonnes. In addition to ore, it transports, for example, fish worth 25bn annually, half of all everyday 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 modernisation programme – which includes longer and more passing loops – cannot wait any longer, and it is therefore encouraging to see the major investment specifically in the Malmaban line in the new plan.
- Another effect of NATO membership is the trade-off between climate initiatives and defence. We saw this in the autumn of 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 force's requirements 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 they are both more expensive to purchase and harder to come by. Interestingly, the Swedish Transport Administration has ordered new hybrid maintenance trains from Plasser & Robel, but Sweden is not alone in this shift in priorities and is a small market that, moreover, operates 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

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. Transport of troops and equipment



Source: nato.org

2. Green mining and 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 specialising in fossil-free steel production have been established in the north, with the transport requirements that these operations entail: Hybrit and Stegra (formerly H2 Green Steel)



Source: Stegra

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 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.

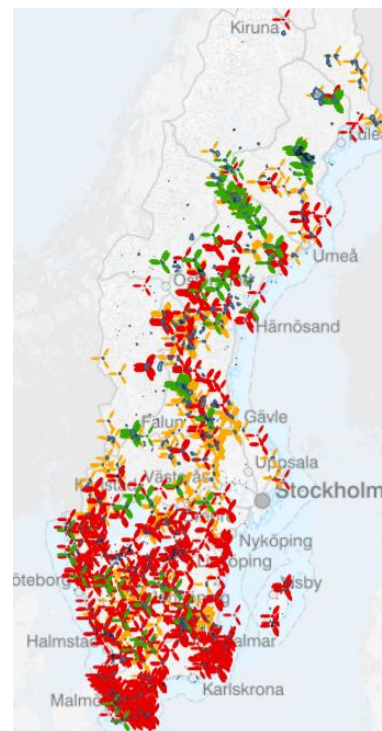
The Transport Administration's requirements will be difficult for many operators to meet, either for financial reasons or because emission-free locomotives and machinery will not be produced or converted on a sufficient scale by 2040, and those that do exist will be expensive to hire – if it is even 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

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 quantities of locally produced green electricity, much of which needs to come from wind power.



Green = Approved
Yellow = Under consideration
Red = Rejected

Source: Vindbrukskollen

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.

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 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>).

Market segments

The Swedish railway market is dominated by a small number of large companies. Giants such as Infranord, Green Cargo and Ahlstrom are examples in the fields of contracting, transport and refurbishment/maintenance, which are Railcare's business areas. However, Railcare avoids competing directly with them, partly by acting as a subcontractor to them for certain services, and partly by specialising in niches that are too small for the giants to focus their efforts on. It may therefore be worth taking a closer look at the market conditions in the most important of these niches.

Emergency/Clearance Locomotives

Over the past 5–6 years, emergency or clearance locomotives have emerged as a real success story for Railcare. They are dispatched from strategically selected locations across the country whenever an incident occurs on nearby tracks, in order to restore the tracks to working order as quickly as possible. This requires continued presence of skilled staff, and the remuneration is therefore largely fixed; the same applies to the costs. To give an idea, one could roughly estimate that a clearance locomotive costs the Transport Administration approximately 1 million SEK per month. At the same time, the contracts are generally long-term, so they offer a high degree of predictability.

The contracts are very attractive, but the Transport Administration imposes high environmental and safety requirements, such as Stage

Nordic Hydrogen Route

4. Hydrogen, for industrial processes and as a fuel

A 1,300-kilometre-long hydrogen pipeline around the Gulf of Bothnia, which, due to its size, will also serve as storage, is planned to commence construction in 2029 and come into operation in the early 2030s. The 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

V diesel engines, ETCS and Swedish safety equipment. This means that the list of potential competitors is short:

- **ProTrain**, whose contracts in Stockholm, Gothenburg and Herrljunga were terminated at the start of the year because their locomotives did not meet the Transport Administration’s requirements, but which may well lease other locomotives.
- **Grenland Rail**, which took over Herrljunga without a tender process until the end of 2026, and previously also operated in Gothenburg,
- **Nordiska Tåg**, which won last year’s tender (5+2 years) for Malmö, has locomotives in Kil and has temporarily taken over Stockholm and Gothenburg via direct award, and
- **Tågab** that previously operated from Hallsberg but lacked locomotives that met the requirements of the latest procurement in 2023.

The total market in Sweden for clearance locomotives is approximately 15 locomotives – with Herrljunga being a temporary solution, while there may be a need to add one or two elsewhere – and the value can therefore be estimated at approximately SEK 180m per year. Looking ahead in this niche, the following major tenders will be on the agenda:

- **Stockholm, Gothenburg (& Herrljunga?)**: After ProTrain lost the contract at the start of the year because it was unable to supply locomotives that met the requirements, a new tender was launched, which was won by Nordiska Tåg for 3+2 years with the same locomotive type as Railcare (Effishunter 1000 from the Czech company CZ Loko). However, the award was appealed and is now pending a ruling by the Administrative Court. In the meantime, the Transport Administration directly awarded both contracts to Nordiska Tåg.
- In **Norrland**, the Swedish Transport Administration recently exercised its one-year option under the contract with Railcare for Kiruna, Boden, Vännäs and Långsele, which will therefore expire on 31 December 2027. Railcare does, after all, have its ‘own’ brand-new locomotives that meet all requirements, as well as local knowledge, expertise and experience, so it should be well-placed in a new tender process.

Railcare currently holds 2/3 of all contracts in the country, and it would be reasonable to assume that the Transport Administration would like to have several operators capable of carrying out these contracts. However, the Transport Administration is obliged to award contracts based on price, so Railcare will remain in the running. They have a wealth of experience, economies of scale in terms of staff and machinery, their own locomotive workshop, and access to new locomotives via their partly-owned subsidiary AC Finance. From a defensive perspective, however, a new tender for the Norrland contracts looms on the horizon, and these must be defended.

Fixed transport contracts

Fixed, multi-year transport contracts, such as Railcare’s agreement with Kaunis Iron, which runs for 10 years until 2031, and its contract with LKAB, which runs for 5 years until 2029 plus 3 optional years,

Standby locomotives

A small niche within the railway market where the contractor undertakes to provide resources at short notice and clear the tracks following an incident, in order to quickly restore traffic on the line.



Source: Railcare

Standby locomotives

A small niche in the rail market where the contractor undertakes to provide resources at short notice and clear the tracks following an incident, in order to quickly restore traffic on the line.

Area	Supplier	Maturity
Kiruna	Railcare	Dec 2027
Boden	Railcare	Dec 2027
Vännäs	Railcare	Dec 2027
Långsele	Railcare	Dec 2027
Ånge	Railcare	Dec 2030, +1 +1 yr
Gävle	Railcare	Dec 2030, +1 +1 yr
Borlänge	Railcare	Dec 2030, +1 +1 yr
Hallsberg	Railcare	Dec 2030, +1 +1 yr
Nässjö	Railcare	Dec 2030, +1 +1 yr
Älmhult	Railcare	Dec 2030, +1 +1 yr
Malmö	Nordiska Tåg	Dec 2026?
Kil	Nordiska Tåg	Dec 2025, +1 +1 yr?
Göteborg	Nordiska Tåg	2026, tender
Stockholm	Nordiska Tåg	2026, tender
(Herrljunga)	Grenland Rail	Unclear

Source: Transport Administration, Järnvägsnytt, et al.

provide the same desirable stability as clearing locomotive contracts. The largest transport contracts are beyond Railcare's reach and are usually snapped up by giants such as Green Cargo, CargoNet (which could be described as Norway's Green Cargo) or Hector Rail. Smaller and more specialised contracts, on the other hand, are Railcare's forte, and the company should be well placed to secure new contracts, particularly in northern Sweden. New transport contracts are also essential for Railcare to continue growing as planned and in line with the trend of the last 5–6 years.

As regards future business opportunities – perhaps particularly within the mining sector – there is a clear pipeline of new mining projects in Norrland that could generate several rail contracts. Looking at 2027–2030, perhaps the most interesting of the upcoming projects are:

- **Viscaria**, where the mine is due to come on stream in 2027/28 and will ship its produce via Narvik, meaning that rail transport will run on the Malmbanan line, where Railcare already operates. Viscaria's feasibility study specifies one train of 30 wagons per week carrying copper concentrate and four trains per week carrying iron concentrate. The company stated as long back as two years ago that it had received a quotation from a train operator for transport to both Narvik and Skelleftehamn (where Railcare happens to have its head office...). Furthermore, Viscaria recently secured an off-take agreement for approximately half of the mine's copper production for 2028–2035, so a transport agreement is likely to be long-term.
- **Blötberget** in Ludvika has a mineable reserve of 34 Mt being developed by Nordic Iron Ore, with the aim of commencing production towards the end of 2028 and continuing production until at least 2043, with shipments via Oxelösund. However, the financing has not yet been fully secured.
- **Kallak** is likely to be a little further off in terms of both probability and timing (the turn of the decade?) but would represent a very significant venture.

Obviously, there are also opportunities within existing projects ahead of any new tenders and for industries outside the mining sector.

Contract transport

As the Transport Administration steps up the pace of railway maintenance, the increase in volume will benefit contract transport. The major players that secure the construction contracts themselves, such as Infranord, NRC Group, Peab, Infrakraft and others, are outsourcing tasks such as the transport of materials to subcontractors, where the main requirements are that the materials are delivered (and removed) at exactly the right time – neither too early, nor too late – and also that they remain flexible in the face of problems with the Contracting project itself that may arise and alter the schedule at short notice.

This is a seasonal activity where the work must be carried out once the ground has thawed until the following winter – in practice, from sometime during Q2 to sometime during Q4. It is also a cyclical activity that depends on how the Transport Administration plans and contracts out its work, but which, following the new Transport Plan

Fixed transport contracts

A very large segment dominated by major companies such as Green Cargo, Hector Rail and others, but where there is scope for smaller operators in specific niches.



Source: Railcare

Contract transport

A cyclical yet structurally growing and profitable market segment is contract transport, which supplies contractors with materials such as rails, sleepers, etc.



Source: Railcare

approved last spring, is now set to receive a structural boost for several years. There are certainly competitors, but trust and a proven track record are key factors, which alongside rising demand, contribute to healthy margins in the business.

Specialised transport

In addition to these three niches within the transport segment in which Railcare has traditionally operated, a new one looks set to emerge in the form of specialised transport. In July, Railcare signed a framework agreement with Maersk's subsidiary Martin Bencher for specialised transport within Sweden, which looks promising. Admittedly, this is an area that is unlikely to become a high-volume business, but it is reasonably price-insensitive. This type of transport requires a very high level of expertise, with meticulous preparations regarding, for example, the condition and load-bearing capacity of the tracks, bridges, etc., flexibility in execution including night work, on-site problem-solving, and so on. Quite simply, nothing must go wrong. Here, too, there are only a very small number of operators who are able and willing to compete in this small niche, so these are likely to be contracts with good margins.

Specialist contracting

Traditional railway construction contracts are primarily carried out by the large companies, some of which we mentioned under 'Contract Transport' above; however, smaller, standard contracts are also subject to considerable competition, ranging from general infrastructure companies to smaller excavation firms for minor jobs. Foreign companies also operate in the Swedish market at a level below that of the largest contracts; for example, the infrastructure contractor Strukton from the Netherlands, with 3,900 employees, a turnover of approximately EUR 1.5bn and operations in five countries, is a competitor to Railcare in the Contracting sector, but also a potential customer.

Railcare has therefore, over the years, developed several unique machines for specialised tasks in specific environments where there is less competition. Examples include railway yards (including those in operation), tunnel works, dense urban areas, etc. With specific and more stringent requirements regarding how these tasks are to be carried out – for example, with restrictions on noise, vibrations or exhaust emissions – competition becomes more limited and margins higher. This has also led to the new framework agreement that Railcare signed with the Transport Administration a month ago, commencing in February 2027, covering maintenance and preparatory work for maintenance, such as ballast replacement at points and on bridges, cable management, etc., where Railcare's unique specialist machinery comes into its own.

This type of specialist contract is a natural part of the Transport Administration's major maintenance plan, so as the plan is implemented, these smaller contracts will follow. The limitation for Railcare is more likely to lie in the capacity of its fleet of machinery. More generally, if the Swedish Transport Administration wishes to have the opportunity to increase orders for this type of work in the long term, it will likely need to commit to volumes over a long period to ensure that suppliers are willing to invest in increased capacity.

Specialised transport

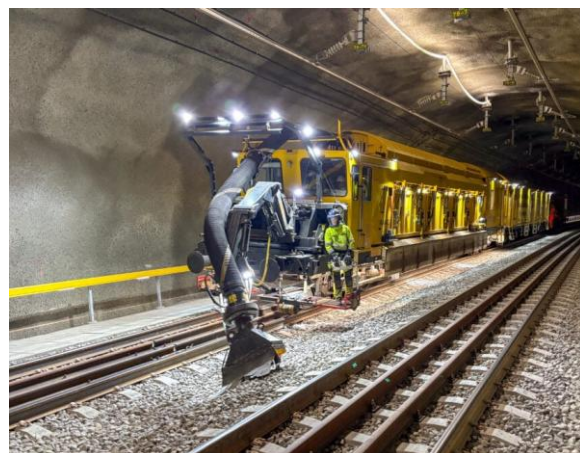
In July, Railcare secured a framework agreement for specialised transport as Maersk's selected partner for transport operations requiring specific expertise, planning and resources.



Source: Railcare

Specialist contracting

The picture below shows a battery-powered vehicle with vacuum technology at work in the Varberg Tunnel.



Source: Railcare

Looking ahead to interesting business opportunities in the near future, we find examples such as:

- The Swedish Transport Administration is currently putting out to tender a framework agreement for the maintenance of railway tunnels in Stockholm County, with a deadline for tenders of 10 September. To an outside observer, this looks like a perfect fit for Railcare's battery-powered machinery, so we are eagerly awaiting the award of the contract.
- Infrakraft has been awarded the fourth phase of track replacement on the Malmaban line, where Railcare has, amongst other things, been awarded a subcontract to replace ballast on seven bridges over five nights in May, though there may be further opportunities to be had.
- Subcontracting and specialist contracting assignments also present an opportunity for Infranord, which on 1 September took over routine maintenance for the Hallsberg–Laxå line and the Hallsberg marshalling yard.
- The same applies to the NRC Group's new contracts for Bräcke/Bispgården, the Mitt-/Ådalsbanan line, Katrineholm and Bergslagen, as well as Strukton's Stockholm South contract, which begins in October 2026.
- Next year, the Sävenäs project – a billion SEK project offering opportunities for extensive subcontracting work – will be put out to tender.

These and many other projects point to clear business opportunities for a specialist such as Railcare. What they all have in common is that they are based on the Transport Plan, which means that we are moving away from continuing to add to the maintenance backlog on the Swedish rail network, and are now instead starting to work through it.

Culvert renovations

Flood risks, drainage and erosion damage have become a key focus area for the Transport Administration. Ageing and poorly maintained drainage systems, combined with climate change – which brings greater variation in rainfall – expose the tracks to a greater risk of undermining, and several incidents have occurred in recent years. In some places, major excavation work is required to replace old culverts or to install larger ones to divert the water, but in many places it is sufficient to clear and reinforce existing culverts to resolve the problem.

The latter – carrying out a so-called 'relining' of the culvert, whereby the interior is lined with fibreglass and epoxy to reinforce it – has become a high-margin product for Railcare within the contracting sector. It is considerably cheaper than 'digging up and replacing' and, in many cases, can also be carried out without halting traffic. Not least, the stage prior to the actual refurbishments – involving inspections and condition assessments – is important for Railcare and constitutes a significant part of the relining business. An interesting opportunity for the coming season is the Arvidsjaur–Jörn line, which has been dormant since the 1990s and is now to be assessed with a view to possibly bringing it back into service, which requires inspection of culverts and drainage systems.

Specialist contracting

In densely built-up areas, marshalling yards and similar locations, it is not simply a matter of ploughing the snow to one side, and in some cases it is not even possible to shovel it up and remove it. In such situations, Railcare's proprietary snow-melting system comes into its own.



Source: Railcare

Drainage works

Below are examples of how a drainage culvert has been reinforced using relining.



Source: Railcare

The future for this niche looks bright, as this work is also overdue and the effects of increasing climate change are heightening the need for action. Furthermore, the new safety policy requirements for the railways demand greater robustness in the infrastructure.

Locomotive maintenance and renovations

There are several major players operating in this niche, such as the French company Alstom, which has just signed a 12-year contract with LKAB for the modernisation and maintenance of 34 locomotives, the Swiss train manufacturer Stadler and the Norwegian state-owned company Mantena; however, Railcare's strength lies once again in its ability to undertake rather specialised projects, such as conversions, renovation of very old locomotives, electric or hybrid conversions, and adaptations to Swedish conditions and regulations. Although there is a great deal of competition, this niche benefits from high prices and long lead times for new locomotives, a structural shortage of certain types of locomotive and, not least, new safety and emissions requirements and the introduction of ERTMS, while we have an existing fleet of rolling stock with remaining technical service life that can be refurbished. This means that demand is high, as are the opportunities for healthy margins.

That said, it varies from project to project: for example, it is difficult to charge as much for a cab refurbishment as for a complete renovation or an engine replacement. It is also generally advantageous if the same work is required on more than one similar locomotive at the same time, as 'the wheel only needs to be invented once' and can then be efficiently repeated, given that the details of the work are often model-specific. Quotation calculations are also difficult and require experience to get right. Complications can arise during a project and can significantly affect the profit margin.

In this sector, Euromaint Rail – with a turnover of 1.9bn and around 1,000 employees, with workshops stretching from Malmö to Luleå – and Kockums-owned SweMaint, with just under 300 employees, stand out as perhaps the strongest competitors, although Alstom, Mantena and Stadler also have a significant presence. The latter appear to be most interested in large-scale contracts involving many vehicles, so the key to success in this niche, too, lies in bespoke services and smaller contracts.

Locomotive work

Changing safety and environmental requirements, together with high prices for new locomotives, are driving increasing demand for refurbishment and maintenance of existing locomotives.



Source: Aktiespararna

Earnings trend

The report for the second quarter of 2026 was, on the whole, in line with our expectations. Turnover for the quarter was 8% higher than last year at SEK 192.3m (178.1 for Q2-25), which was in line with our forecast of SEK 191m. The operating margin improved to 10.8% (10.2%) based on an operating profit of SEK 20.7m (18.1) – the best Q2 EBIT ever – however slightly below our estimate of SEK 22.2m.

Business areas

Contracting

As the company indicated in its Q1 report, large-scale track replacements are currently underway, leaving no scope for the same level of preparatory work – such as cable lowering, ballast replacement, etc. – as is normally the case, and the lining business has been unable to compensate for this shortfall. The lower capacity utilisation is hitting margins hard, given the high proportion of fixed costs relating to both staff and machinery. Added to this is the fact that operations in the UK – which are to be fully wound up by the end of the year – are also weighing on earnings, albeit to a decreasing extent.

Contracting's turnover fell by 11% in Q2 to SEK 61.4 million (68.9), compared with our expectation of unchanged turnover. Operating profit stood at SEK 0.0 million, compared with SEK 6.0 million for Q2-25, where we had anticipated an unchanged result.

The decline this quarter is partly due to work that was completed during Q1, but full-year volumes had nevertheless been forecast to fall compared with last year. However, the impact on Q3-Q4 is not expected to be as drastic, and hopefully the lining business will be able to compensate more effectively going forward, as the Transport Administration continues to prioritise drainage works highly, to reduce the risk of track embankments being undermined. Furthermore, lining works can generally be carried out without taking up track time in the same way as other works.

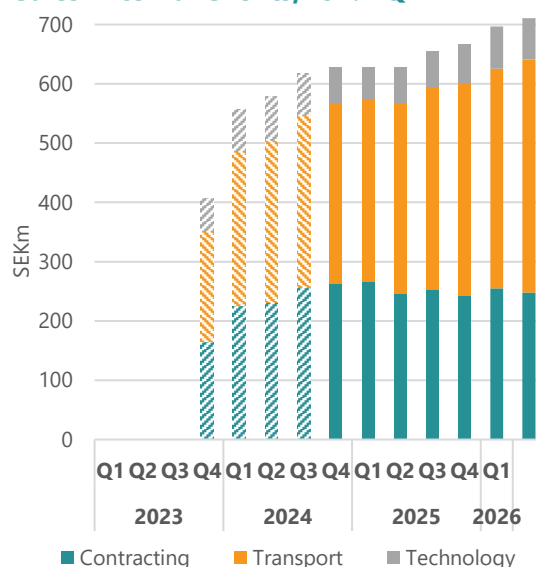
Transport

However, what Railcare lost in Contracting was recouped in Transport. The large volumes of track replacement carried out by the industry's major players significantly increased the volume of construction transport for Railcare.

Turnover in Transport rose by almost 25% to SEK 118.3m (95.1), which was almost 9 percentage points higher than we had anticipated. The increase in standby locomotives contributed, but the real driver came from contracting transport, and this effect was mainly felt in the second half of the quarter, which bodes well for Q3.

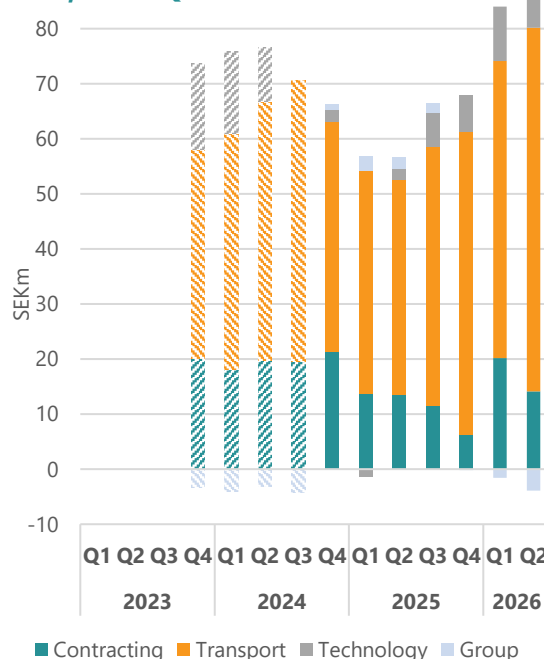
The high capacity utilisation rate also benefited the operating margin, which came in at a full 18.9 per cent (10.9 per cent), on a strong profit of SEK 22.4 million (10.3). As we wrote following the Q1 report, we expected “a turnaround with increased volumes, so that contracting transport can be expected to contribute significantly to both turnover and margins”, but we were clearly too modest on both counts. Our assessment that the strong volumes in contracting transport will continue through to the first half of Q4 remains unchanged.

Sales External Clients, roll. 4Q



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

EBIT, roll. 4Q



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

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

The third and final segment within Transport comprises long-term fixed contracts – such as ore transport for Kaunis Iron and LKAB – which are also unaffected by seasonal fluctuations. 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

Sales in the business area fell both externally and internally during the quarter, reaching SEK 29.0 million (36.7), although revenue from external customers over a rolling four-quarter period shows a positive trend in line with the ongoing shift towards external sales. Operating profit also fell to SEK 1.5 million (2.5), resulting in a modest operating margin of 5.0% (6.9%). However, capacity utilisation in Skelleftehamn needs to increase, and the focus is now on securing new external contracts there; it may, however, take another quarter or so before this is reflected in the figures.

Improved cash flow

Despite an increasing working capital requirement over recent quarters, cash flow from operating activities has continued to strengthen, reaching new record levels on a rolling 12-month basis for each of the last four quarters. This strength stems from a gradual improvement in EBITDA, where the reclassification of rising lease payments has reduced operating costs while increasing depreciation; however, the improvement is also attributable to an underlying improvement in earnings. Together with reduced capital expenditure – partly because the heavy investment burden we described in previous reports is now behind us and the proportion of leased equipment in the fleet has increased – free cash flow has risen sharply in recent quarters and is now double the trend level seen 1–2 years ago. Admittedly, lease payments have also increased, but not at the same rate.

Forecasts

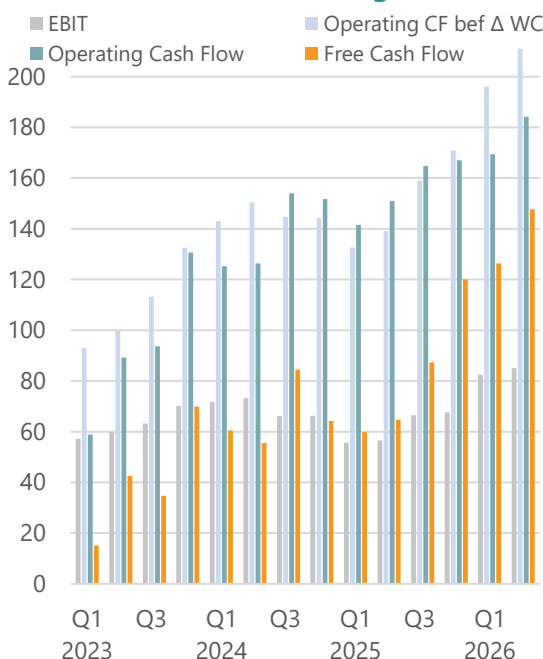
Short term

We would like to remind you that both turnover 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**

Although part of the business area's weak performance in the second quarter was due to some projects being completed as early as Q1, the high volume of track replacement work in the market is limiting the scope for preparatory work, which is important for the Contracting business. This is expected to continue as long as the weather remains favourable, i.e. until some-

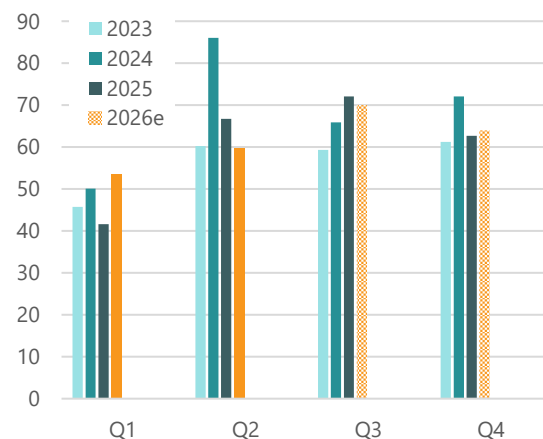
Cash Flow, 12 mth rolling



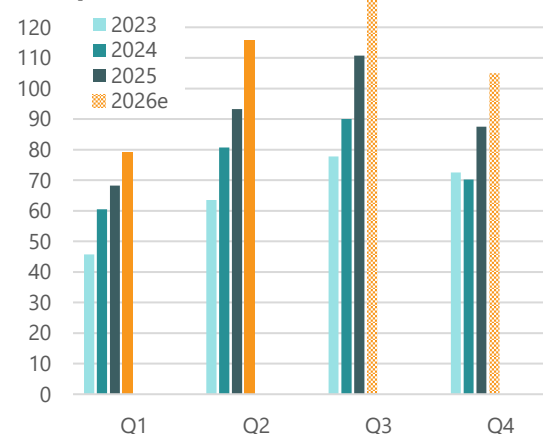
Source: The company, Analysguiden (calculations)

Seasonal variations

Contracting



Transport



Source: The company, Analysguiden (estimate, shaded)

time in Q4 – we anticipate this will last for half of the fourth quarter.

The lining business, on the other hand, should be able to continue unhindered, and the Transport Administration's interest in drainage and dewatering is unlikely to have diminished following this summer's floods in Norrland. At the same time, volumes in the lining business during Q3 last year were lower than normal, which also weighed on margins in the Contracting division, so the comparative figures are not overly challenging.

Added to this are reduced costs in the UK, where a fire in a Railvac last year weighed slightly more heavily on the result; so, all things considered, our forecasts for Q3-26 conservatively indicate revenue slightly below last year's figure of SEK 70m (72.0). We also expect an operating margin of 5%, almost on a par with last year's (5.4%).

In the coming quarters, we expect that operational optimisations, the reduced burden from the UK and market normalisation will help to boost margins. However, we are lowering our growth expectations slightly.

• Transport

Despite a record-strong Q3-25 for Transport, we are revising our revenue forecast for Transport upwards slightly for Q3 in light of the high volumes of contract transport. The Transport Administration's orders for several major track replacement projects typically go to the major players in the sector, who commission contract transport services from Railcare. However, the growth contribution from standby locomotives will be lower compared with previous quarters in 2026, as four out of five new standby locomotives were already in operation during Q3 last year.

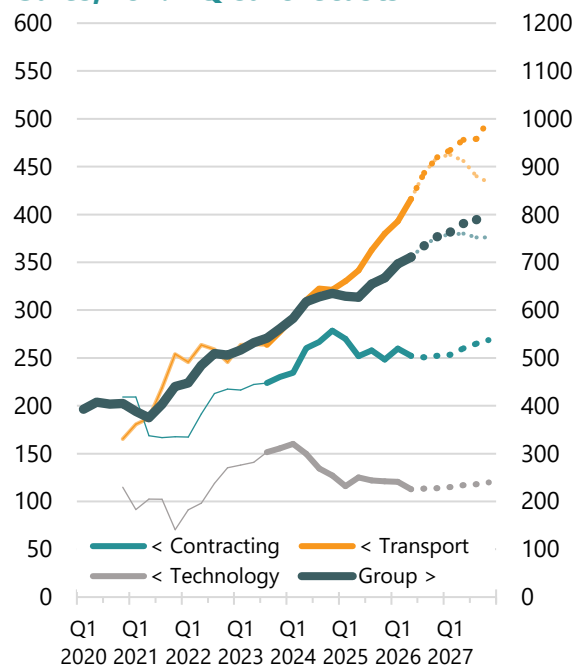
For Q3-26, we expect a revenue increase of as much as 24% to SEK 140m (112.8), which may sound ambitious, but based on the impact of contract transport over just half of Q2 and extrapolating this to the full Q3 – while taking into account a strong Q3-25 and the addition of one more standby locomotive compared with last year – this forecast should not prove too far from the mark. This should also help the operating margin to remain close to Q2 levels at 18.5% – which is, however, slightly lower than Q3 last year, which recorded as much as 20.2%. If this is achieved, a record profit of SEK 25.9m (22.8) is expected for Transport at operating profit level.

In the quarters that follow, i.e. into 2027, we expect the growth rate to slow, however. It is becoming increasingly difficult to see how next year's revenue target can be met when the new Transport contracts needed to achieve it are delayed.

• Technology

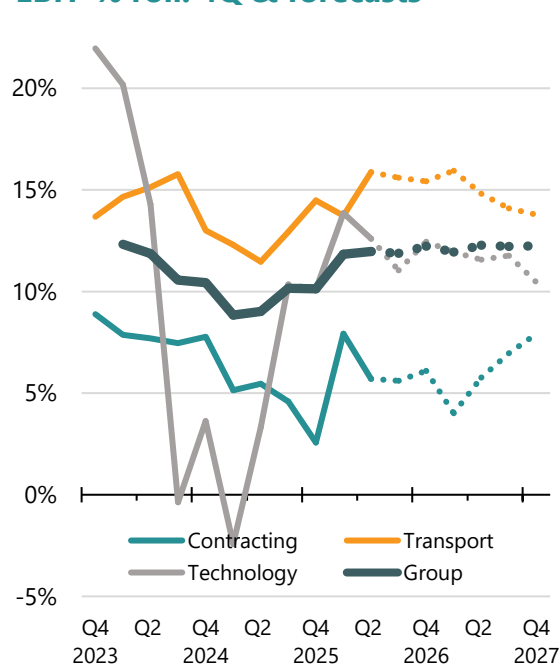
Short-term forecasts for Technology are difficult because, as an external observer, it is hard to keep track of payments for various projects, what type of work predominates, and how much work is carried out for the company's own account versus for external

Sales, roll. 4Q & forecasts



Source: The Company (solid line), Analysguiden (forecasts, dotted line). The thin dotted lines for Transport and the Group show the trend assuming no new transport contract is secured that would commence in 2027.

EBIT-% roll. 4Q & forecasts



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

clients, even though the latter are set to take on an increasing share.

Railcare is carrying out a complete renovation of an older diesel locomotive for TM Togdrift AS. No order value has been disclosed, but it is estimated to be around SEK 10m. Work is also continuing on the Railvac ordered by Norsk Baneservice last spring, although 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 appear to be fully utilising capacity there, but the transfer will reasonably take some time. Presumably, this may involve locomotive conversions (from diesel to electric/hybrid power), given the expertise in electrical systems 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, amongst other things, an approved local development plan, and the wheels of bureaucracy turn slowly...

Both processes should, in the medium term, contribute to a continued increase in the proportion of turnover from external customers and to a strengthening of profits, although we are being cautious and do not factoring these developments in to any significant extent in our forecasts.

Overall, we expect slightly higher turnover in Q3 compared with the same quarter last year, namely SEK 27m (26.3). However, we do not believe the operating margin will match last year's level, but will come in at 10% (12.5%), so operating profit will be lower than last year.

Exchange rate fluctuations so far appear to be less significant for the current quarter compared with previous quarters, so the impact on net financial items should not be substantial.

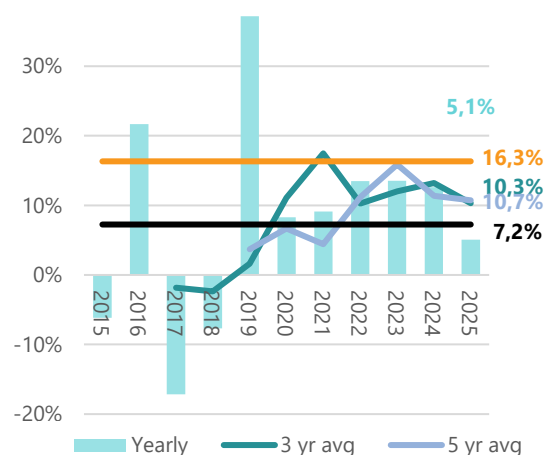
The coming quarters as a whole

Taking all this into account, our forecast for the third quarter is for a 12% increase in turnover to SEK 220m (196.3), entirely attributable to the Transport division, and driven primarily by contract transport. High capacity utilisation is also having a positive impact on operating profit, which we believe will come in at just over SEK 32m (30.2), with an operating margin of just under 15% (15.4%). We then expect a rise in turnover for Q4-26 compared with Q4-25 of almost the same magnitude and a significantly better operating profit, which would result in full-year growth of close to 13% and a margin improvement of a couple of percentage points compared with last year's 10.1%.

Longer term: Revenue forecasts

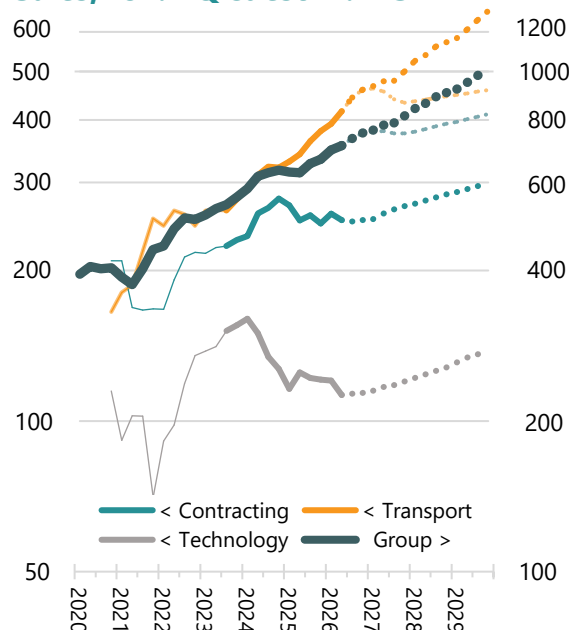
It is becoming increasingly clear that the revenue target of SEK 1,000m for 2027 will not be reached. It would require new transport contracts with a combined annual revenue of some SEK 250m for delivery as early as the coming turn of the year. If part of this increase in turnover were to come later in 2027, the annual increase in turnover would need to be correspondingly higher. We are now cautiously anticipating that the one-billion target will be postponed by two years to 2029.

Historic Sales Growth



Source: The company, Analysguiden (calculations)

Sales, roll. 4Q & estim. mSEK



Source: The company (solid line), Analysguiden (forecasts, dotted line). The thin dotted lines for Transport and the Group show the trend assuming no new transport contract is secured that would commence in 2027.

We firmly believe that significant new transport volumes will be contracted though – just as has been the case in recent years – but not at the rate required to meet the 2027 target. On the contrary, we have cautiously continued to lower our expectations for new contracts – as we did in our previous analyses – both in the short term and for the entire forecast period up to the turn of the decade. Overall, we estimate SEK 110m in new contracts on an annual basis by the end of 2027 and a total of SEK 230m on an annual basis up to and including the end of 2029, net.

The result is a revenue forecast for 2027 of SEK 815m, which nevertheless requires some order intake up to and during 2027. If no new contracts were to commence at all before the end of 2027, revenue for 2027 would come in at around SEK 750m. However, this is an unlikely scenario, and even if it were to occur, it is highly likely that revenues would simply arrive slightly later.

However, as we shall see in the Valuation section below, a delay of a few quarters in the start date of the expected – and likely – new contracts will 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 its loss-making operations in the UK, 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 relocated.

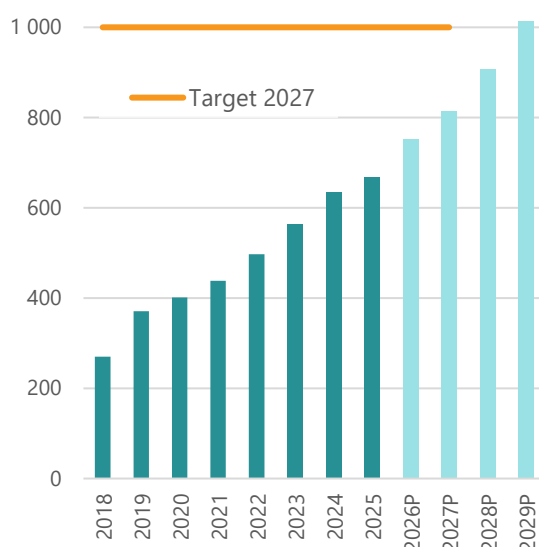
Over the past nine years, the former Contracting Sverige has grown at an average rate of 7.7% per annum; over the past five years, at 13% per annum; and by more than 18% per annum during the three years leading up to 2025. However, the company warns that the capacity of its unique machinery is not unlimited; and as operations at the workshop in Skelleftehamn are now being shifted from manufacturing machinery for its own 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, there is less scope for taking on new jobs.

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

Management is also clear that strong profitability now takes priority over rapid growth. We are therefore exercising caution in our forecasts and expect revenue growth of 4.5% per annum on a rolling 12-month basis until the end of 2027, and thereafter 5.5% per annum until the end of 2029. There are thus several factors contributing to the changes in our forecasts: the discontinuation of overseas operations, fewer new machines being added, and a greater focus on margins.

We believe, however, that the operating margin will benefit from this focus on margins and the closure of the UK operations; so on a rolling 12-month basis, we expect the margin to improve by the end of 2027 by just over a couple of percentage points compared with the

Sales forecast, SEKm



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

Source: The Company, Analysguiden (forecasts)

current 12-month figure of 5.7%, before stabilising at just under 8% for the remainder of the forecast period.

Transport

The forecasts for Transport are entirely dependent on new contracts. Of Transport's three business areas – fixed transport contracts, standby locomotives and contract transport – the latter offers no scope for predictable long-term revenue growth, although the Transport Administration's increased outsourcing of, amongst other things, track replacement works should benefit contract transport, thereby helping to bridge small gaps to any new revenue targets.

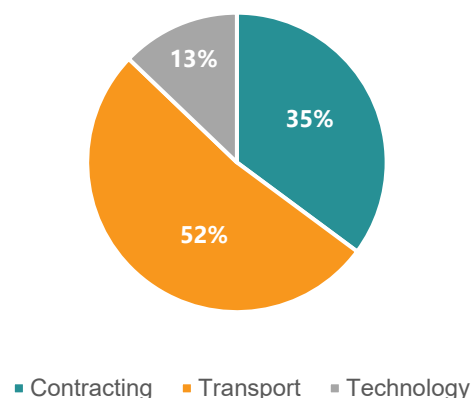
The standby locomotives business should have the potential to grow with new contracts, but also has contracts expiring during the forecast period that must be retained. The most recent contract, dating from autumn 2023 and covering a total of six locomotives, expires gradually during 2030, but the contract includes an option for a further 1+1 years. Added to this are the four existing standby locomotives in the North of Sweden for which Railcare holds contracts, running until the end of 2027, after which a new tender process will commence. Although the Transport Administration will be obliged to go for the lowest bid, there will be a number of requirements that must be met, including those relating to ERTMS and environmental standards, areas in which Railcare is well-positioned with its brand-new locomotives. Further contracts within the standby locomotives business cannot be ruled out either.

However, 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 its 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 Viscaria are also a possibility, but regardless, Railcare is likely to be in discussions with most of them.

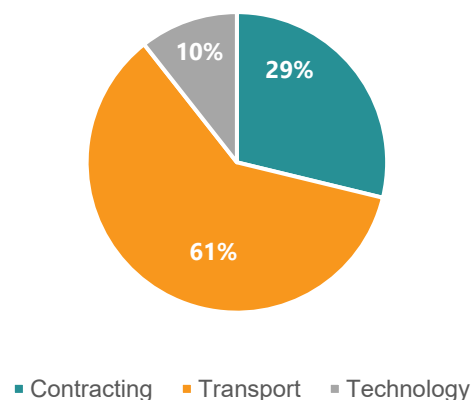
We have no doubts about Railcare's ability to grow its transport business in the longer term, given its successes since Mattias Remahl took the helm, and this is key to the valuation. A few isolated quarterly shifts in revenue have only a marginal impact on the valuation, but it is obviously better from a confidence perspective to meet set targets on schedule. Although the company has expanded its organisation to accommodate larger volumes, we are cautiously lowering our growth expectations for the years 2026–29 to just over 14% year-on-year, compared with 17% per annum over the last five years.

A cautious forecast for the Group for the period thereafter points to an average of +8% over the six years up to the end of 2035, with an operating margin of 12–13%. Transport will then be the dominant part of the Group, and the major contracts held by this business area extend over many years, providing a degree of predictability; however, during this period, several of them will naturally come up for renewal or renegotiation. We obviously do not know what the bids from competitors might look like at that time, but with the right type of locomotives, established procedures and, in the standby locomotive business, economies of scale as well, the prospects should be good for Railcare to secure renewals on attractive terms.

Business areas Q4-25



Business areas Q4-29p



Despite the expected strong growth in the Transport sector, there will not be a significant change in the breakdown of turnover even by 2029 if our forecasts prove accurate.

Source: The Company, Analysguiden (forecast)

The more conservative revenue forecasts we are now making for the business area, both in the short and long term, also reduce the operating profit forecast, despite expectations for the operating margin remaining essentially unchanged.

Technology

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

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

- It is project-based work, where each project is unique in various ways and often spans several quarters, frequently on a fixed-price basis.
- 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 estimates made prior to the tender were slightly too high or slightly too low, which has a significant impact on the margins for that final quarter in particular.
- If efficiency gains can be realised by repeating the same procedures from locomotive to locomotive – such as during the installation of on-board equipment on five Traxx locomotives, which Railcare carried out in 2023, or, reasonably, the construction of the third MPV that has just been completed – higher margins can often be achieved.
- There are also varying margins across different types of projects – for example, between a cab refurbishment and an engine replacement – which can result in fluctuations from quarter to quarter within the same project.

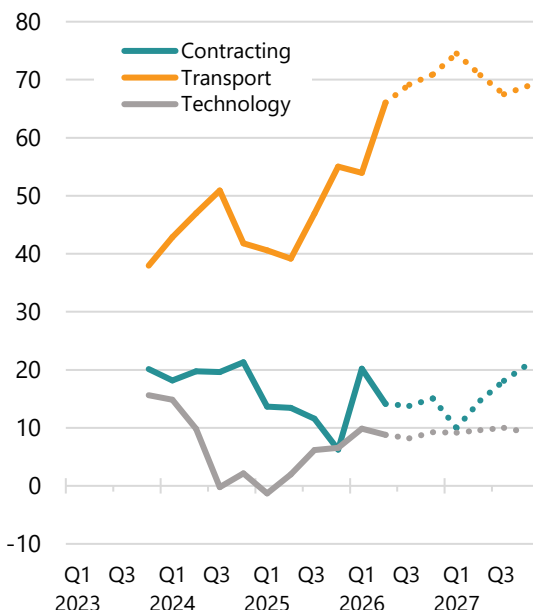
Fluctuations in turnover and profit between quarters are therefore likely to remain the norm in the future, in both positive and negative directions. However, this is nothing an equity investor should be concerned about. On the contrary, Technology should be well-placed to demonstrate solid growth and healthy margins over time, as demand for its services remains very high and is expected to continue 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

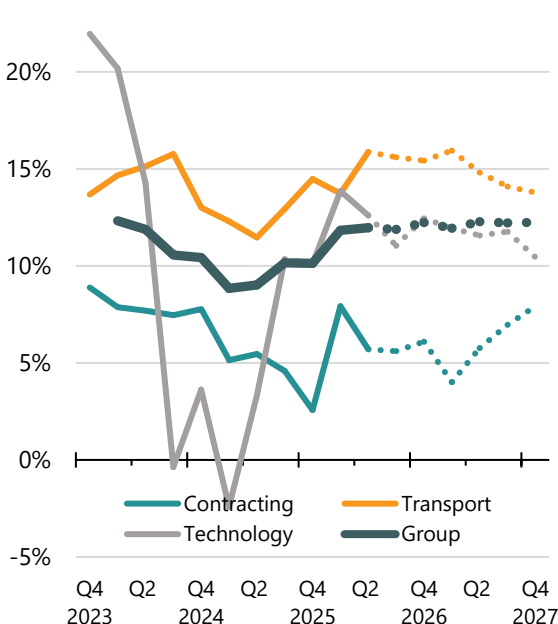
- the ability to offer a wider range of services, such as wheel turning, to become more of a one-stop shop, and
- that efficiency would be improved, partly through economies of scale and partly because the premises would be better suited to their purpose.

Here too, however, we are lowering our turnover forecasts and expect, overall, that Technology's operations will achieve a rolling 12-month

EBIT roll.4Q & forecasts



EBIT-% roll. 4Q & forecasts



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

growth rate of around 6%. The focus on profitability means, however, that we are raising our expectations for the operating margin slightly to just over 11%.

Costs³

Raw materials

An increased proportion of service revenue – including from the standby locomotives – and a higher proportion of locomotive leasing have gradually reduced the proportion of raw material costs quite significantly. Last year's reinterpretation of IFRS also led to a clear improvement in the gross margin, albeit purely from an accounting perspective. The value added in most business areas is generally high, so any changes in raw material costs have only a minor impact on profit. This applies not least to Transport, which also accounts for an ever-increasing proportion of Railcare's turnover.

Staff

According to management, the size of the organisation is now at the right level and the number of employees has stabilised over recent quarters, so the company's preparations for a higher volume of business are now complete. 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. Most of these changes are already reflected in the figures, and we expect only marginal reductions in staff costs as a proportion of turnover on a rolling four-quarter basis as turnover rises and fills the cost structure.

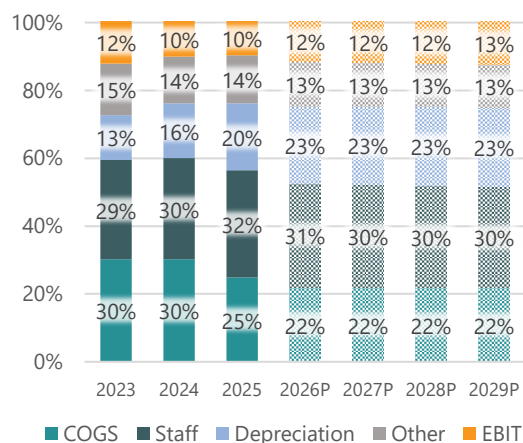
Depreciation/Write-downs

As this is a capital-intensive industry, capital is heavily tied up. A shift has taken place and is continuing towards an ever-increasing proportion of leased vehicles and machinery, while the reinterpretation of IFRS 16 is pushing these costs down the P&L from an operating lease payment under cost of goods sold to depreciation and finance costs respectively. This means that depreciation as a proportion of turnover has increased compared with previously, even though it does not fully correspond to the reduction in the previous operating lease cost mentioned above. The bulk of the difference therefore ends up in net financial items, implying an increase in operating profit by an estimated one percentage point or so compared with before the reclassification. Looking ahead, we expect a slight further increase in this item over the forecast period.

The mechanics of the cost trend

A high proportion of fixed costs makes profits sensitive to utilisation rates. In other words, the company has high operating leverage, even though this has decreased over the years as a result of a broader range of services, more customers, a higher proportion of longer-term contracts and a changed product mix. However, there will be downturns

Cost split



As an increasing proportion of vehicles are leased, raw materials and consumables have decreased as a percentage of sales, while depreciation has increased. Among other things, this leads to an improvement in cash flow from operating activities.

³ Note that the reinterpretation of IFRS 16 from the turn of the financial 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 profit and loss account, and some positive impact further down the account, cash flow from operating activities will increase while cash flow from financing activities will be weighed down. Lease liabilities increase the balance sheet total and, as several contracts are denominated in EUR and the liabilities are restated into SEK on the balance sheet date, the currency effects will be more pronounced in the accounts and increase the volatility between quarters, with no expected impact in the longer term.

in the future, due both to dips in demand and to equipment maintenance. The shutdown on the Malmbanan line during the winter of 24/25 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 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 after a period of high activity.

Capacity utilisation in contracting – which of course is important for short-term margins – varies over time, but is difficult to forecast and often weather-dependent. Capacity utilisation also depends on the scheduling of jobs by the infrastructure owner, which in Sweden is usually the Transport Administration, and which has nevertheless improved recently. As volumes gradually increase, there is also automatically a certain degree of stabilisation in capacity utilisation; however, increasing capacity is not entirely straightforward either. There is a shortage of locomotives, the company's own specialist machinery has limited capacity, and staff must be trained. Increasing capacity means the company takes on higher fixed costs. The company invests heavily in its employees but, in return, sets high standards regarding their personal qualities, with the right attitude to service, flexibility and the ability to solve problems independently out in the field. Once a recruitment drive is successful and the investment in the necessary training and certifications has been made, it takes a great deal before such a person is let go of the company, even if there is a downturn in business.

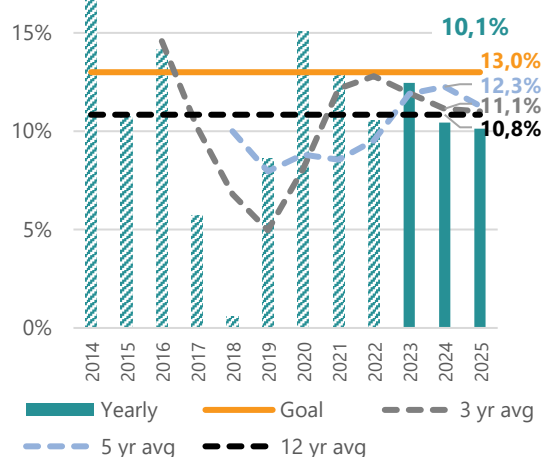
The solution has been for Railcare to focus more on hiring locomotives and on ensuring that staff have as broad a range of training as possible so that they can step in at various locations. This reduces costs and increases flexibility, as staff can move more easily between different workplaces, although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

The long-term contracts that the company has signed and may sign in the future are particularly valuable in this context, as they ensure both a steady workload and predictability, which facilitates effective planning. One example is Railcare's landmark contract with Kaunis Iron, worth a total of SEK 740m over 10 years, to transport ore concentrate from the transshipment station in Pitkärvi 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 59m per year, is also highly valuable, not least because it provides predictable capacity utilisation during the low season.

Margin development

There is a possibility 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 – based on the 2023 figures, by around

Historic EBIT-margin



Please note that the figures for 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. The effect is, however, likely to be small, as the proportion of leasing was previously significantly lower than it is today.

Source: The Company, Analysguiden (calculations)

half a percentage point, but that figure has likely increased significantly with an ever-growing number of leased locomotives. Other factors suggesting that the margin target may well be achieved by at least 2029 include:

- Over the past three years, Transport has achieved an operating margin of just over 13%, even though earnings have likely been weighed down by the scaling up of the organisation. With the ramp up now complete, this level should at least be maintainable, even if the cost structure has not yet been fully optimised.
- Railcare notes that the Transport Administration already pays slightly more for work where Railcare, as one of only a few operators, can operate sustainably. This applies not least to sensitive projects that can almost only be carried out using the MPV – and thus meet zero-emissions 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 has prepared with the latest MPVe.
- It is also reasonable that Railcare, as one of the very few operators that meets the Transport Administration's increasingly stringent environmental requirements and has proven itself to be reliable and flexible in previous deliveries of standby locomotive services, has had the scope to negotiate a premium for this.
- Over time, once the restructuring 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 the Contracting division are also likely to have a positive effect.

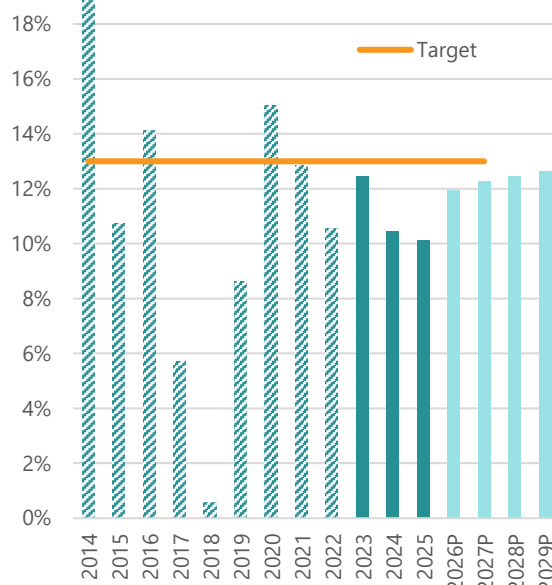
Overall, we believe there should be good prospects of coming close to the operating margin target of 13% by the end of 2027, but the lack of new contracts is holding things back. On a rolling four-quarter basis, the margin had already reached just under 12% in Q1, and the full benefits of the investments made and operational optimisations have not yet been realised. After 2027, we expect the margin to be in the range of 12–13%.

Forecast summary

In summary, we consider the revenue target of 1bn for 2027 to be very difficult to achieve. Our cautious forecast puts the figure at 815 mkr for 2027, though there is scope for positive surprises. We are anticipating new contracts with an annual turnover of 110 mkr coming on gradually during 2027. We believe the operating margin target of 13% can be approached, although we are cautiously setting our estimate slightly below this.

Should no contracts be secured at all, we would end up with revenue of SEK 750m for 2027, and an operating margin that barely reaches double figures, at least until the company has grown into its new, larger capacity or the target is adjusted downwards to match the Group's revenue; however, 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 'suit' to fully reap the rewards of these initiatives.

EBIT-margin, forecast



Note that the figures for 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 minor, as the proportion of leased assets was previously significantly lower than it is today.

Source: The Company, Analysguiden (forecasts)

In the years from 2027 until the end of the decade, we conservatively expect the growth rate to slow to around 11% per annum, followed by an average growth rate of 8% up to and including 2035. We expect the operating margin after 2027 to be between 12 and 13%.

In terms of cash flow, the outlook remains positive thanks to strong EBITDA figures, although growth comes at a cost in the form of increased working capital and necessary investments. Even if targets are not fully met, the dividend should be increased for 2027, and the question of raising the 30–40% dividend payout ratio may well arise again, unless new attractive investment opportunities present themselves.

Profit and Loss Account (SEK million)

	2019	2020	2021	2022	2023	2024	2025	2026p	2027p	2028p	2029p
Net turnover	371	401	438	497	564	635	668	753	815	907	1,014
Growth,%	+27%	+8%	+9%	+13%	+14%	+13%	+5%	+13%	+8%	+11%	+12%
Other revenue	9	20	15	15	18	25	30	27	29	29	29
Cost of goods sold	-177	-181	-204	-269	-262	-289	-268	-268	-288	-319	-356
Gross profit	203	241	249	243	321	372	429	512	556	617	687
Staff	-120	-125	-139	-146	-170	-197	-220	-239	-257	-283	-313
Other operating expenses	-1	-2	-2	-2	-3	-2	-4	-5	-5	-5	-5
Earnings before interest, tax, depreciation and amortisation (EBITDA)	82	114	108	95	147	173	205	268	294	329	369
Depreciation	-50	-53	-52	-43	-77	-106	-137	-178	-194	-216	-241
Operating profit (EBIT)	32	60	56	52	70	66	68	90	100	113	128
Net financial items	-6	-5	-4	-5	-12	-26	-15	-25	-28	-32	-36
Associated companies	0	0	0	0	0	0	0	2	2	2	2
Profit before tax	27	56	52	47	58	41	52	67	74	83	94
Taxes	-6	-12	-11	-10	-14	-10	-13	-16	-18	-20	-23
Net profit	21	44	41	37	44	30	40	51	56	63	71

Valuation⁴

Cash flow valuation

The focus of our valuation of the Railcare share has always been on a discounted cash flow (DCF) analysis, as this provides us with a solid basis for forecasts and allows us to capture the dynamics of the company's development within a DCF model, which we can 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 based directly on earnings per share and also utilises the P/E ratio to determine the terminal value in the calculation – something that feels familiar to equity investors.

With last year's reinterpretation of IFRS 16 and given the significant (and likely rising) levels 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 generated by the business without taking into account how it is financed – whether through debt or equity – and results in an estimated unlevered enterprise value (EV), from which net debt is deducted to arrive at an estimated market capitalisation and, consequently, a fair share price. The advantage is the focus on the value of the business regardless of its financing, while the disadvantage is that the EV/EBIT multiple, which 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 price, but in practice there may be some variation. In companies with a high proportion of borrowed capital, for example, FCFF tends to yield a higher fair value than FCFE, as it accounts for the tax effect of interest on borrowings, which is actually more accurate. In general, however, these effects are relatively small compared with the valuation effects that can arise from differences in forecasts and other assumptions.

Short term

2027 is now so close 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 a circular argument: 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 multiple the market will pay at the end of 2027, assuming nothing exceptional happens to profits in that particular year. In other words, it is pointless, and we now need to look further ahead. We have set out our detailed forecasts up to the end of 2029 above, which form the basis for the short-term valuation.

Fair value

Sensitivity analysis to 2029

Justified price		Discount rate --->						
		10%	11%	12%	13%	14%	15%	16%
P/E 2029 < ---	6	35	35	34	33	32	32	31
	7	38	37	36	35	34	34	33
	8	40	39	38	37	36	35	35
	9	42	41	40	39	38	37	36
	10	44	43	42	41	40	39	38
	11	46	45	44	43	42	41	40
	12	48	47	46	44	43	42	41
	13	50	49	48	46	45	44	43
	14	52	51	49	48	47	46	45
	15	54	53	51	50	49	48	47
	16	56	55	53	52	51	50	48
	17	58	57	55	54	53	51	50
	18	60	59	57	56	54	53	52

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 be trading 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 is increasing. On an unadjusted basis, this has the effect of making the share appear cheaper than before.

Assumptions

Our required rate of return on the company's equity is based on the risk-free 10-year government bond yield, which stands at 3.2%, to which we add a general risk premium for equity investments of 6%. In addition there is a small-cap and illiquidity premium which, in view of 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 changes in accounting policies. Since last spring, we have added one percentage point to account for the uncertainty surrounding the transport contracts required to meet the company's forecasts. In total, this amounts to 14%. This is relatively high for a company in such a mature sector, but it also reflects a certain degree of operational volatility due to high fixed costs, and low liquidity in the share, which is attributable to both 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 was 18.1 (20.0). Following the fall in the share price over recent weeks, it now stands at 13.9, and the P/E ratio at 14.7 for 2026. The relationship between the EV/EBIT and P/E ratios is largely determined by the debt-to-equity ratio (including lease liabilities) and the associated interest rates. As net debt has fallen more rapidly than we had previously anticipated, we now assume an EV/EBIT ratio of 10 and a P/E ratio of 11 as the minimum levels at which we believe the market will trade the share by the end of the valuation period in our calculations of the respective terminal values. With our forecasts now revised downwards to significantly more conservative levels, our FCFF calculation yields a justified share price of SEK 43 today and SEK 41 using the old method, FCFE. The terminal values thus account for approximately half of that total. However, the *undiscounted* free cash flows for only 2026–2029 alone exceed the current market capitalisation.

If new major contracts are delayed until after 2027 – which now seems likely – the long-term valuation will not be affected as much as one might think, provided we continue to use the same conservative growth and margin figures for subsequent 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, which is probably also what we have begun to see in recent weeks.

Longer term

We have also outlined forecasts for the period from the turn of the coming decade to the end of 2035. This may seem a long way off, but with conditions remaining fairly stable in terms of trends across almost all areas of operation, it is possible to gain an idea of future developments, and a longer forecast period provides significant insights into the share's value.

Between 2015 and 2025, Railcare's turnover grew by an average of 8.7% per year. If we assume an annual growth rate of 8% for the six years up to the end of 2035, the growth rate for 2025–2035 will be

Looking ahead to 2035

Justified price		Discount rate --->						
		10%	11%	12%	13%	14%	15%	16%
< --- P/E 2035	6	76	72	69	65	62	59	57
	7	78	74	70	67	64	61	58
	8	80	76	72	68	65	62	59
	9	82	78	74	70	67	63	60
	10	84	80	75	72	68	65	62
	11	86	81	77	73	69	66	63
	12	88	83	79	75	71	67	64
	13	90	85	80	76	72	69	65
	14	92	87	82	78	74	70	66
	15	94	89	84	79	75	71	68
	16	96	90	85	81	77	73	69
	17	98	92	87	82	78	74	70
	18	100	94	89	84	79	75	71

Even with relatively conservative assumptions and the higher discount rate of 14.2 per cent, the share still offers good potential.

Source: Analysguiden

9.2%, which appears to be a reasonable assumption. At the same time, if the operating margin can be maintained at around 12–13% – which seems entirely possible given the strong underlying earnings, not least within the Transport division – this would justify more than a doubling of the current share price, despite the higher required rate of return.

Conversely, if the share is trading at an EV/EBIT of 10 or a P/E of 11 by the end of 2035, the current share price implies a return of just over 26% per annum until then, given our fairly cautious forecasts.

It is worth noting that, with the longer time horizon (2035), the terminal value accounts for only just over a quarter of the total value, which provides considerably greater certainty in the calculation. With multi-year transport contracts, strong 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 basis for long-term forecasting.

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

What the market appears 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 mean either that

- the market's required rate of return on the share would need to be raised to around 30%, or that
- turnover would remain static at the current year's level – i.e. not even adjusted for inflation – with an operating margin of less than 10% for all years to come.

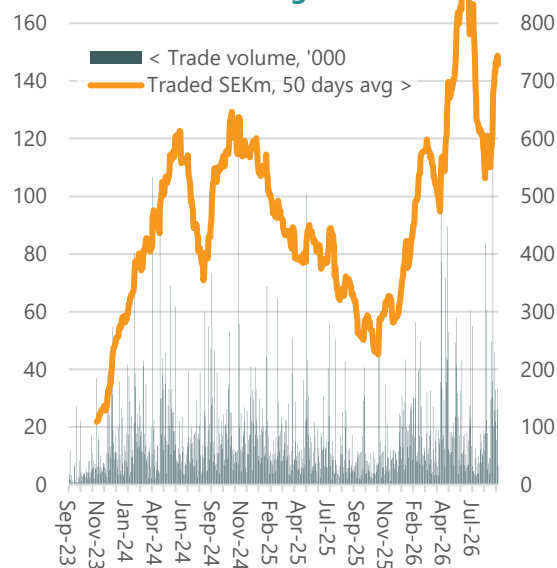
Of course, it could also be a combination, but regardless it appears that the market is unable to look very far into the future and is likely also keen to see new contracts actually be signed before feeling sufficiently confident to drive the share price up towards a more reasonable valuation than currently.

Multiplier valuation

Multiplier ratios are single-period measures, which is a considerably 'simpler' model than a discounted cash flow (DCF) 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:

- Based on the current share price, the P/E ratio for 2026 stands at 14.6 and, according to our conservative forecasts, at 13.3 next year. This appears to be a bargain 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 13.9 for 2026 and 12.5 for 2027; given the significant amount of capital tied up, this cannot be considered expensive.

Railcare share trading



Trading volume in the share has risen sharply and now stands at around SEK 700,000 per day, which should make it easier for smaller institutions, family offices and others to build a position.

Source: Refinitiv

- The EV/Sales ratio of 1.7 for 2026 and 1.5 for 2027 captures the company's growth less accurately and is rough, but is nonetheless not 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 – even for maintenance alone – is fragmented into small niches and the companies are usually either unlisted, part of very large groups with only a small proportion of their turnover coming from rail, or part of a large international group with significant rail operations, of which only a small proportion relates to Sweden or to Railcare's niches.

Conclusions

Railcare's ability to secure major, long-term contracts has increased over a number of 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 strong reputation within the industry for flexibility, innovation and problem-solving. It therefore seems likely that Railcare will be able to secure new contracts in the future – not least in a growing market – enabling it to continue delivering at the same level as in the past.

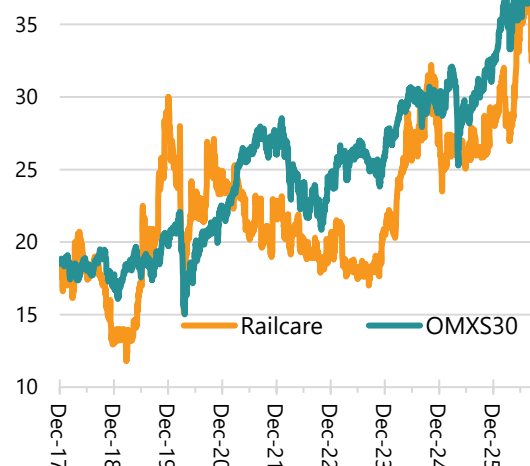
If this is correct, it would appear that the share offers significant potential in both the short and long term, despite the fact that we have scaled back our expectations. While our valuation calculation comes in at SEK 41–43, or around 40% higher than today's price, we believe that new major contracts actually need to be announced before the share price takes the next step. We are therefore leaving the fair value at SEK 40 for the time being.

It should nevertheless be borne in mind that:

- We have scaled back our forecasts and have not been aggressive in our assumptions regarding the terminal multiple for either 2029 or 2035.
- There is potential, for example, for further 'pit stop contracts', external machinery sales, and engineering business both in Skelleftehamn and at a potentially expanded Långsele site. 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 a weak stock market, as we saw during the stock market turbulence in April last year, the inflation crisis of 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 profits – both are well placed to recover quickly, given the budget cycle of public sector contracting authorities, increased pressure on maintenance and growing demand for rail transport.

Share price since IPO



Source: Refinitiv

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 might not facilitate such a deal.

Risks

Railcare operates in a highly capital-intensive sector with high fixed costs, not only for fixed assets but also for staff who are difficult to recruit, require a lengthy induction period and whom the company is reluctant to let go. In other words, the operational leverage is relatively high. Demand for the company's services can fluctuate quite sharply at short notice, and historically, capacity utilisation has experienced occasional dips. Earnings have therefore been quite volatile, and although the situation has 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 railway safety. Railcare's motto is 'We do it safely – 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 claims for damages, reputational risks, loss of revenue, etc. for the company that are not covered by insurance.

From a market perspective, too few locomotives are being manufactured, and although Railcare owns a number of locomotives and, last summer, secured access to shunting locomotives through the deal with AC Finance AB, locomotives are also leased from other sources, such as mainline locomotives for long-distance transport assignments. Should a shortage arise, it may prove difficult or costly to renew leases in order to have sufficient rolling stock 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 and rolling stock sales have so far failed to bear fruit, despite attempts over many years. Competition is entirely different in the major international markets, and in a conservative industry with government buyers, there is a high probability that officials will opt for 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 soil, 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 beneath the tracks become damaged, but instead of a costly replacement, Railcare carries out a 'relining' of the culvert by lining the inside with a thick, hard fibreglass pipe consisting of several layers.

Source: The company

Ore transport



Railcare transports Kaunis Iron's ore the 22 miles from Pitkajärvi to Narvik. Each train set consists of 2 locomotives and 36 wagons and carries an average load 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: The company

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.

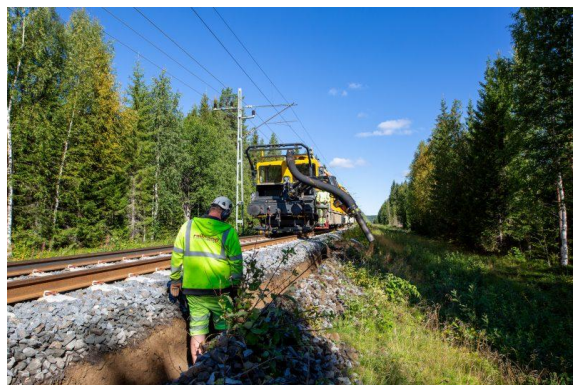
Transport

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 Pitkajärvi 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.

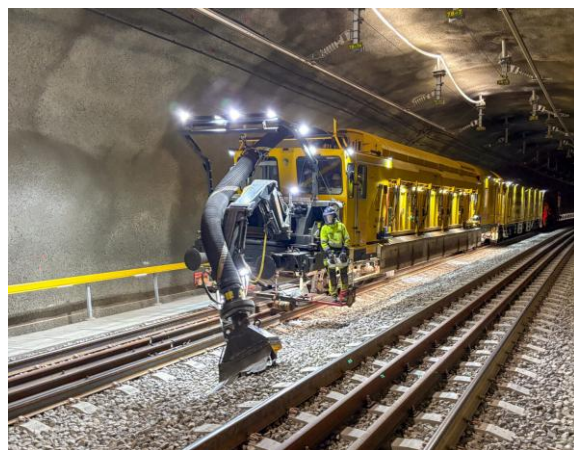
Following the breakthrough deal with Kaunis Iron, Railcare has secured recurring contracts from LKAB for ore transport, albeit for shorter periods. The most recent one began at the end of March 2022, following a hiatus during Q1 2022 after having previously held contracts in 2021. It was therefore very 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 functions like a giant vacuum cleaner, sucking up old ballast – for example, during ballast replacement or cable lowering – as seen here during a maintenance project in northern Sweden.



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

Source: The company

Standby locomotives



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

Source: The Company

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-clearing machines: Railcare also began using its vacuum technology for gentle snow clearance on the tracks and has most recently developed a snow-melting machine that eliminates the problem of having to remove the snow from, for example, a marshalling 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 59m per year.

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

Snow-clearing 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: The company

Ballast Feeder



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

Source: The company

quieter operation in environments where the power to the catenary – 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 ideally 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, the conversion of diesel-powered machinery to battery power is under development. This should bode well for Technology, but the market is conservative, locally produced prototypes are essential, and politics may play a part. Nor are they alone in developing specialised machinery. There are competitors ranging from small players such as EuroMaint and Svensk Järnvägsteknik on the Swedish market, to major 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, or Multi-Purpose Vehicle, is like a giant power bank on wheels and is connected to other machines as a power source. A RailVac equipped with an MPV can run a full shift – eight hours – non-stop.

Source: The company

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 owners

Since autumn 2021, the CEO has been Mattias Remahl, who has a background in the mining industry at Boliden, where he was Chief Financial Officer for 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; however, he also brings a great deal of expertise and fresh perspectives from another major industry to the other business areas. In August 2024, the company's management team was further strengthened with the appointment of a new CFO, the inclusion of a Head of Safety in the management team, and the appointment of a Head of HR during the autumn.

Ownership in Railcare is, as is so often the case in smaller companies, relatively concentrated in a few hands. Interestingly, in this instance, it is not primarily the founding shareholders, but other long-term, institutional investors. This is the case following the sale, in autumn 2021, of the remaining shares held by the former principal shareholders, Ulf Marklund and Leif Dahlqvist, 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	29.1%
Swedia Capital AB (Staffan Persson)	2 516 367	10.3%
Bernt Larsson	750 987	3.1%
Avanza Pension	600 254	2.5%
Canaccord Genuity Wealth Management	599 906	2.5%
Mikael Gunnarsson	507 000	2.1%
Per-Ake Nilsson	340 000	1.4%
Torsten Germund Dahlqvist	296 367	1.2%
Nordnet Pensionsförsäkring	294 592	1.2%
Christer Lundholm	287 000	1.2%
10 largest, total	13 313 868	54.5%
Other holdings, total	11 118 694	45.5%
Shares issued, total	24 432 562	100.0%
Total No of shareholders	5 389	

Source: Railcare

The majority 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 list, so the free float is likely to be slightly below 50%. Combined with a market capitalisation of approximately SEK 750m, this limits the liquidity of the share, although trading volume has increased in recent years to a median turnover of approximately 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 up 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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