

NEXAM CHEMICAL

Q3 is history, opportunities ahead

Q3 sales missed our forecast by 13%, driven mainly by vacation effects but also the general raw-material shortage globally, which may have pushed some sales into Q4e. However, this has not changed our view of Nexam Chemical, and we still believe the 2022 sales target of SEK275m–325m is within reach with its current platforms. Following the Q3 results and a change of analyst, we have lowered our estimates slightly but reiterate our fair value of SEK15–20. We estimate a strong end to 2021 and consider the company well-positioned to continue executing on its profitable growth journey. Additional breakthroughs in new platforms, such as recycling or polyethylene, could offer potential upside in the near to medium term, in our view.

Q3 review. Q3 sales were below our forecast, and LTM sales are now ~32% below the low end of the 2022 sales target range. EBITDA of SEK1m was below our SEK4.2m forecast, affected by lower-than-expected gross margins. We still expect earnings to be lumpy given Nexam Chemical is operating in a tight market, where large order volumes do not necessarily mean better prices, creating margins driven by the sales mix.

Quantifying the long-term potential. Nexam Chemical's main focus right now is to develop and refine both its new and old platforms. We see potential opportunities in the recycling and polyethylene businesses, which we believe should drive growth in the coming years, alongside the well-functioning PET foam and Masterbatch businesses.

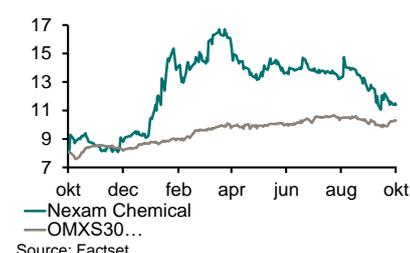
Estimate changes. We have lowered our 2021–2023e sales following the Q3 results and a change of analyst, and cut our EBITDA by 23–7% to reflect the current raw-material shortages as well as the investments in the organisation.

Fair value of SEK15–20 reiterated. Our fair value is based on a 10% premium to peers' 2023e EV/sales of 3.6x, and our DCF, and reflects the prospect of a re-rating on improved ESG credentials.

Year-end Dec	2017	2018	2019	2020	2021e	2022e	2023e
Revenue (SEKm)	19	110	130	166	225	300	387
EBITDA adj (SEKm)	-21	-9	-9	5	12	37	59
EBIT adj (SEKm)	-24	-19	-19	-5	2	25	44
PTP (SEKm)	-23	-17	-17	-8	-1	21	38
EPS rep (SEK)	-0.09	-0.25	-0.25	-0.14	-0.02	0.21	0.39
EPS adj (SEK)	-0.11	-0.30	-0.31	-0.11	-0.01	0.21	0.39
Revenue growth (%)	126.1	487.5	18.4	27.5	35.7	33.5	28.7
EBIT growth adj (%)	nm	nm	nm	nm	nm	1419.2	77.2
EPS growth adj (%)	nm	nm	nm	nm	nm	nm	81.5
EBIT margin adj (%)	-129.3	-16.9	-14.9	-3.2	0.7	8.2	11.3
EV/Sales adj (x)	31.49	5.58	4.33	4.07	3.72	2.78	2.12
EV/EBITDA adj (x)	nm	nm	nm	nm	68.5	22.8	13.9
EV/EBIT adj (x)	nm	nm	nm	nm	nm	33.9	18.8
P/E adj (x)	nm	nm	nm	nm	nm	53.1	29.3
ROE (%)	nm	nm	nm	nm	nm	6.8	11.3

Source: Company (historical figures), DNB Markets (estimates)

NEXAM versus OMXS30 (12m)



Source: Factset

SUMMARY

Share price (SEK)	11.4
Tickers	NEXAM SS

CAPITAL STRUCTURE

No. of shares (m)	76.0
No. of shares fully dil. (m)	76.0
Market cap. (SEKm)	867
NIBD adj end-2021e (SEKm)	-29
Enterprise value adj (SEKm)	838
Net debt/EBITDA adj (x)	-2.36
Free float (%)	84

Source: Company, DNB Markets (estimates)

Note: Unless otherwise stated, the share prices in this note are the last closing price.

NEXT EVENT

Q4 2021	26/01/2022
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ESTIMATE CHANGES (SEK)

Year-end Dec	2021e	2022e	2023e
Sales (old)	233.3	324.0	398.8
Sales (new)	225.1	300.5	386.7
Change (%)	-3.6	-7.3	-3.0
EPS (old)	0.03	0.26	0.41
EPS (new)	-0.01	0.21	0.39
Change (%)	-139.6	-17.8	-5.0

Source: DNB Markets,

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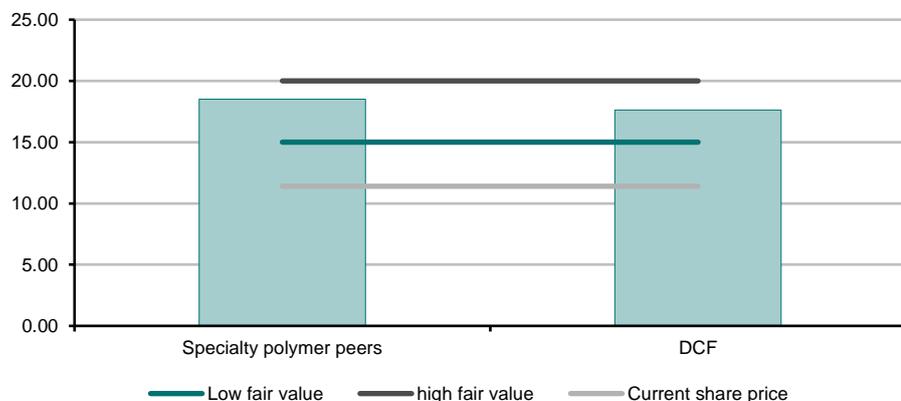
ANALYSTS

Mattias Holmberg

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Overview

Valuation (SEK)



Source: DNB Markets

Valuation methodology

- Our fair value of SEK15–20 is based on speciality polymer peers’ 2023e EV/sales, and our DCF.
- The high end of the range is based on a 10% premium to our peer group’s 2023e EV/sales applied to our forecasts and DCF.
- The low end of the range is based on a c10% higher WACC of 14.1% in our base-case DCF.

Source: DNB Markets

Downside risks to our fair value

- A lack of growth in the Performance Chemicals segment could make the valuation look high.
- A cyclical downturn hitting Performance Masterbatch (accounting for c46% of sales in H1 2021), leading to the group missing its sales target.
- Lower than expected margins, raising the risk of recapitalisation.
- Long-term, substituting plastic bottles with bottles for life and plastic packaging with paper could be negative for Performance Masterbatch.

Source: DNB Markets

DNB Markets estimates

- We expect a 2021–2023 sales CAGR of 31%, and the company to meet its 2022 sales target.
- We expect margins to improve as soon as 2022, reflected in our forecast of an EBIT margin of 8%.
- We believe the balance sheet is well capitalised for now but would not rule out further capital injections in the coming years.

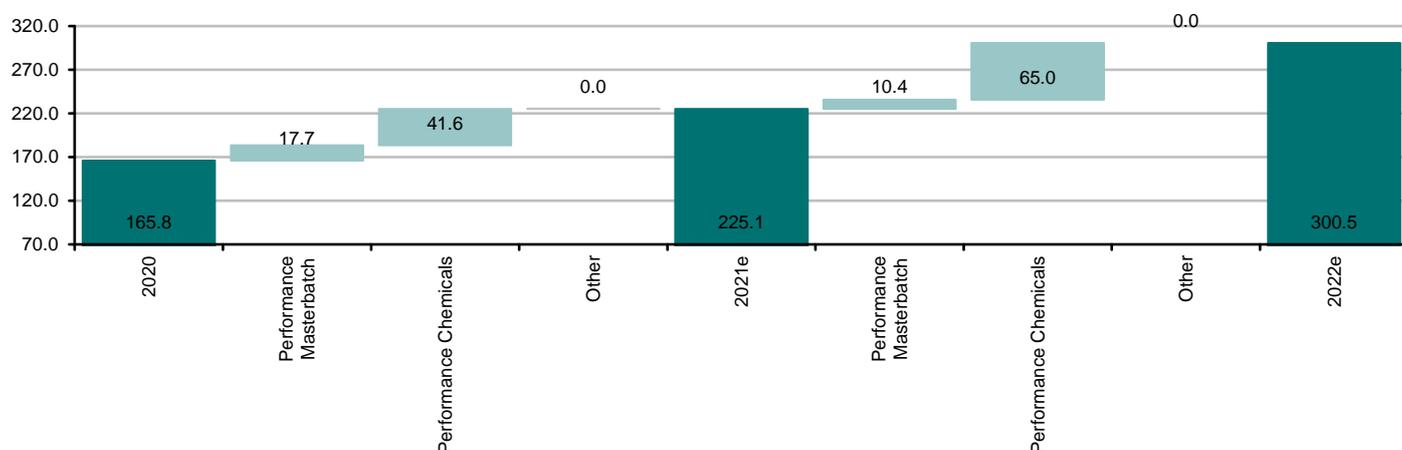
Source: DNB Markets

Upside risks to our fair value

- Higher than expected order intake in the recycling and high-performance segments.
- In our view, the PE market offers the largest potential, and any proof of gaining market share could be a swing factor in the valuation.
- Better cost control could improve the margin profile, and in a mature state we note that EBIT margins average 19% at specialty polymer peers.

Source: DNB Markets

Sales bridge 2020–2022e (SEKm)



Source: DNB Markets (forecasts), company (historical data)

ESG overview

Sustainability assessment

	Positive	Negative
Conclusions	<ul style="list-style-type: none"> ■ Nexam Chemical's products are designed to improve resource-efficiency and recyclability, restoring features of used polymers, which is both cost- and climate-effective. For example, wind turbines can be built out of PET foam (from recycled PET), improving sustainability. ■ Nexam Chemical's products allow clients to substitute heavier materials with polymers, reducing energy-consumption/aiding the environment. ■ Nexam Chemical's products are a crucial part of the wind energy market in our view, enhancing the performance of core materials, allowing for taller and larger rotor blades, and in turn improving efficiency and lowering the LCOE. 	<ul style="list-style-type: none"> ■ We believe the Performance Masterbatch segment could face structural headwinds from increasing penetration of paper versus plastic in several applications such as bottles, packaging, etc., which could reduce the need for colour and additive masterbatches. ■ Despite contributing to higher plastic recyclability and resource-efficiency, there is a risk of a negative ESG perception, as Nexam Chemical's technology is designed to be used with plastics. ■ Regulatory frameworks and directives could work against the use of plastics, while competing solutions could erode the scope for market share gains and opportunities for Nexam Chemical.
Key ESG drivers		
Short-term	<ul style="list-style-type: none"> ■ Lightweighting in industries like aerospace and automotive is a key topic, and complex settings such as engines are one of the few areas where development has not moved forward over the past few years. For instance, incorporating Nexam Chemical's additives in the production of jet engines can result in a c30% weight saving versus titanium. ■ According to BNEF, installed wind capacity is set to increase significantly over the coming years. Given the move towards longer and larger rotor blades, we also expect demand for stronger core materials, and thus Nexam Chemical's products 	<ul style="list-style-type: none"> ■ Changing consumer behaviour could affect the market drivers for the more mature Performance Masterbatch segment, e.g. slumping demand if the use of certain plastics (like single-use) is banned, and finding alternative products for substitution could limit growth.
Long-term	<ul style="list-style-type: none"> ■ Hybrid and electric vehicles contain more polymers and composite technologies than ICE+ and could offer a sizeable market for Nexam Chemical's products. 	<ul style="list-style-type: none"> ■ Significant changes to regulations could render Nexam Chemical's technology and business model outdated/obsolete.

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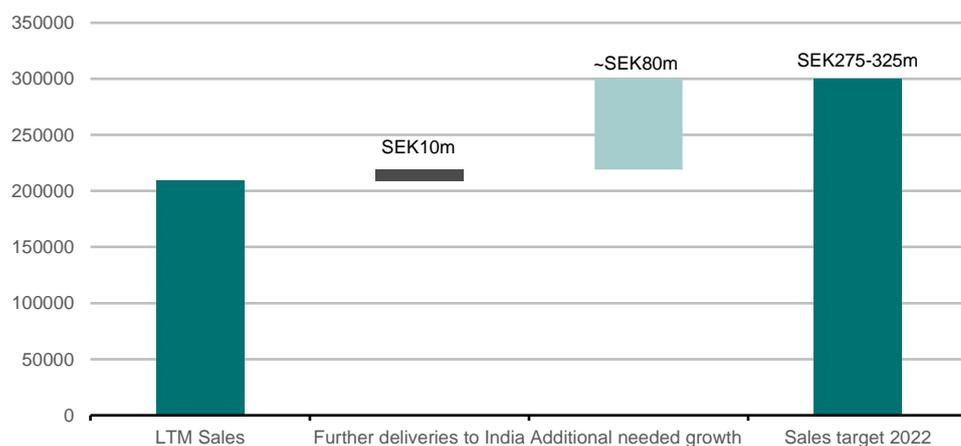
Quantifying the long-term potential

Nexam Chemical is an innovation company focused on developing new industrial solutions for the plastics industry (22% of employees work in R&D). The company has two business divisions, the more traditional Performance Masterbatch and more innovative Performance Chemical. Looking at Performance Chemical, beyond its successful PET foam niche, the company has launched platforms in high-performance chemicals (used in plane engines, etc.), recycling (e.g. in fibre and filaments) and polyolefins, primarily polyethylene (high-density polyethylene products and pipes).

A true innovator, with 22% of staff working in R&D

We forecast a 2021–2023 sales CAGR of 31% and expect the company to reach its sales target of SEK275m–325m in 2022, driven by continued growth in its Performance Chemical division. Following the announcement of further deliveries worth SEK10m in India (within the framework of the collaboration with DIAB), we estimate it needs an additional ~SEK80m of sales to reach its 2022 mid-point target (implying a few more DIAB-type deals) from increased penetration with current customers.

Figure 1: The 2022 sales target looks achievable with current platforms and capacity



Source: DNB Markets (estimates)

However, we have not included a breakthrough in the potential of the recycling business, polyethylene business or geographical expansion of the PET foam business in our 2021–2023 estimates. To put this value potential into context we have carried out a scenario analysis for each segment to quantify this opportunity and determine how it could add shareholder value in the coming years.

PET foam opportunity

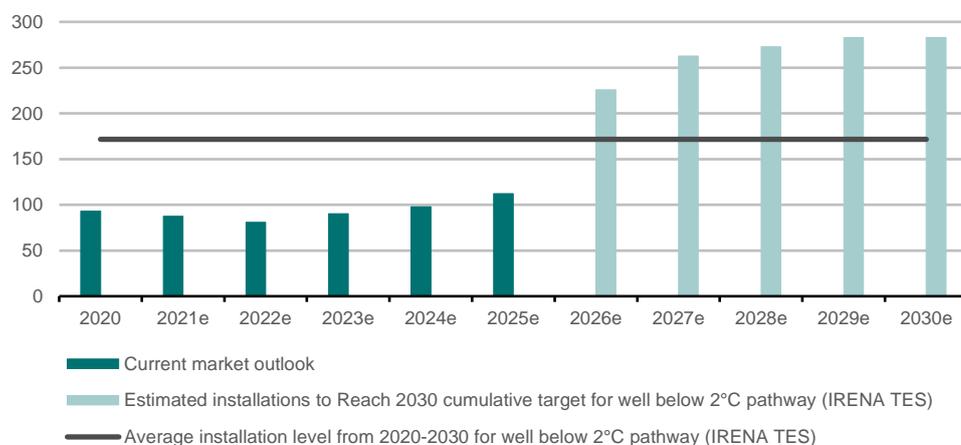
PET foam is a core material to reduce the weight and increase the strength of various ‘sandwich’ constructions, such as wind turbines, marine settings and construction. With PET foam being particularly well-suited to constructing light-weight and cost-effective blades for wind turbines, demand has surged and has become a growth driver for the company in recent years.

The PET foam business has become the primary growth driver in recent years

According to the GWEC Global Wind Report, wind turbines must almost triple their generation of gigawatts by 2030 to keep global warming well below 2°C. Hence, the industry is striving to increase output per turbine by expanding the blade height and tightening requirements for durable and scalable core materials. The wind industry uses three core materials: PET, balsa and PWC. Nexam Chemical’s largest customer (DIAB) expects PET foam penetration in the wind core material market to grow from c25% in 2019 to c36% by 2024, while BNEF expects cUSD13trn to be invested in new power generation assets by 2050. We believe this highlights the opportunity available to Nexam Chemical if it continues to take market share with its additive to the PET foam industry.

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Figure 2: Estimated wind installations to keep global warming below 2°C (GW)



Source: Global Wind Energy Council (underlying data), DNB Markets (graph structuring)

To ‘foam’ PET, polymer needs to be modified by increasing its ductility, which Nexam Chemical’s property-enhancing additive NEXAMITE® does to the exacting level required by PET foam manufacturers. Thus, its additives improve the quality of PET foam and, as an example, ensure the technical specification from DIAB’s customers was met. We believe PET foam related sales account for c80% of Nexam Chemical’s Performance Chemical sales – or cSEK26m of the SEK60m of group sales in Q2 2021 related to PET foam.

Potential for increased shareholder value for Nexam Chemical

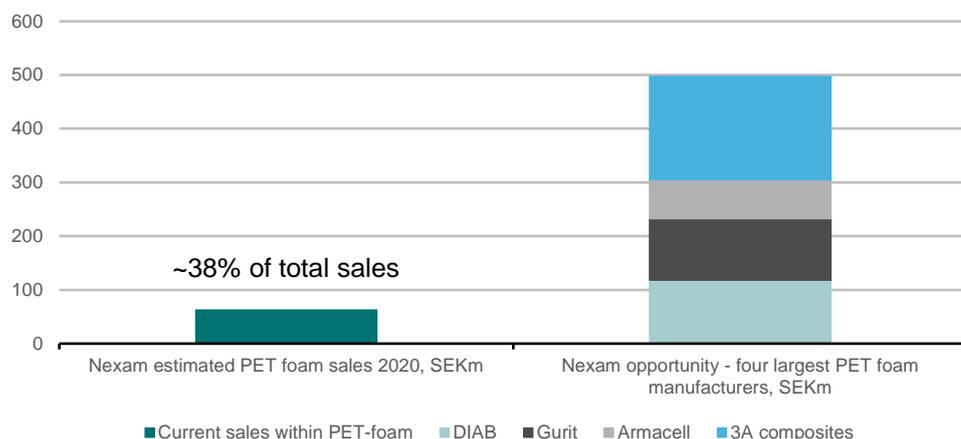
Although Nexam Chemical is quite small, it is already working with three of the four largest PET foam manufacturers (publicly cited two of them, DIAB and Armacell). The first order from DIAB was announced in 2015 and was just shy of SEK200k. It has since grown into an agreement worth SEK100m–120m for 2020–2021 (cSEK60m p.a.), illustrating the potential. Moreover, in 2019 DIAB signed a 5-year delivery agreement worth EUR200m–250m with Danish windmill manufacturer Vestas Wind Systems. With DIAB accounting for c25% of total Nexam Chemical sales (~SEK15m of group Q2 2021 sales), we estimate an additional cSEK50m could be attained with current capacity if it addresses 10% of DIAB’s sales to Vestas Wind Systems.

That said, we assume PET foam will remain the strongest driver of Nexam Chemical’s growth. To illustrate the potential beyond DIAB we have considered a scenario where Nexam Chemical can increase its penetration of the three other largest PET foam manufacturers’ PET foam related sales (besides Armacell, we use 3A Composite and Gurit). Based on these four manufacturers’ PET foam related sales, we estimate Nexam Chemical’s opportunity at cSEK500m.

DIAB is Nexam Chemical’s most essential customer accounting for ~25% of total sales in Q2 2021

We assume the PET foam opportunity to be cSEK500m based on the four largest PET foam manufacturers

Figure 3: Nexam Chemical’s share of opportunity at the four largest companies PET foam manufacturers (SEKm, 2020)



Source: Company (underlying information), DNB Markets (further estimates and graph structuring)

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Our calculated opportunity of cSEK500m implies Nexam Chemical has a 12% market share within these companies, and we expect the overall PET foam market to grow by c10% annually, driven by increasing demand for lighter and larger windmills. As the company already collaborates with three of the four largest PET foam manufacturers, we see good prospects of it taking market share, potentially capturing 40–50% of this opportunity by 2030. This could be translated into a 2021–2030 PET foam sales CAGR of >25%, in our view.

The tables below show how this could add shareholder value, assuming various market growth and market share. Applying an EV/sales of 1.5–3.5x (at the lower end of what Nexam Chemical and its speciality polymer peers are valued at) and discounting the potential value back by what we consider a cautious factor of 13–17% suggests an additional SEK1–11/share could be added to our fair value range.

SEK1–11/share could be added to our fair value range if the company can capitalise on our estimated PET foam opportunity

Figure 4: PET foam – 2030e potential sales scenario analysis with various market shares and growth (SEKm)

		Market growth				
		6%	8%	10%	12%	14%
Market share of opportunity	60%	526	627	745	883	1,043
	50%	438	522	621	736	869
	40%	351	418	497	589	696
	30%	263	313	373	442	522
	20%	175	209	248	294	348

Source: DNB Markets (estimates)

Figure 5: PET foam – discounted PET foam value per share from 2030e sales (SEK)

		EV/Sales				
		1.5	2.0	2.5	3.0	3.5
Discount factor	17%	2	4	5	8	11
	16%	2	3	5	7	10
	15%	2	3	4	6	8
	14%	1	2	3	5	7
	13%	1	2	2	4	5

Source: DNB Markets (estimates)

In spring 2020 Nexam Chemical announced a strategically important order from Bohai Chemicals in China worth SEK1m, with further deliveries worth an additional SEK4m. China is the largest expansive market for windmills, which are a key consumer of PET foam. We consider it likely that Nexam Chemical could grow in tandem with several Chinese companies.

Therefore, we consider it as possible that Nexam Chemical will continue to penetrate the Chinese PET foam market with a potential increase of >30% annually. This could lead to additional PET foam related sales of cSEK150m by 2030 (China accounted for 11% of Nexam Chemical's sales in 2020, up from 5% in 2019). Carrying out the same exercise on this assumption could yield an extra SEK1–3/share to our fair value range, generated from Nexam Chemical's PET foam business.

Potential >30% CAGR for the PET foam business in China

Figure 6: PET foam – 2030e potential sales scenario from Chinese PET foam market (SEKm)

		CAGR of PET foam sales in China 2020-2030					
		10%	20%	30%	40%	50%	60%
Market share of opportunity	60%	26	53	103	192	344	593
	50%	21	42	82	157	275	474

Source: DNB Markets (estimates)

Figure 7: PET foam – discounted PET foam value per share from 2030e sales to Chinese market (SEK)

		EV/Sales				
		1.5	2.0	2.5	3.0	3.5
Discount factor	17%	1	1	1	2	2
	16%	1	1	2	2	2
	15%	1	1	2	2	2
	14%	1	1	2	2	2
	13%	1	2	2	2	3

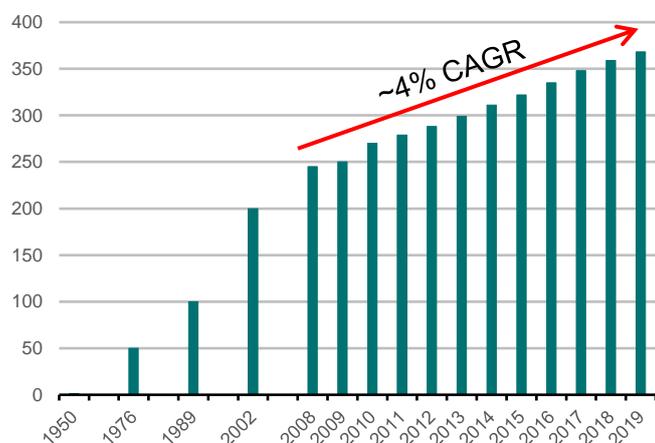
Source: DNB Markets (estimates)

Recycled plastic opportunity

Global plastic production had a 1950–2015 CAGR of ~8%, and although growth has slowed in recent years there was still a 2008–2019 CAGR of ~4%. According to Our World in Data, ~80% of the c380m tons of plastic produced annually is incinerated or discarded.

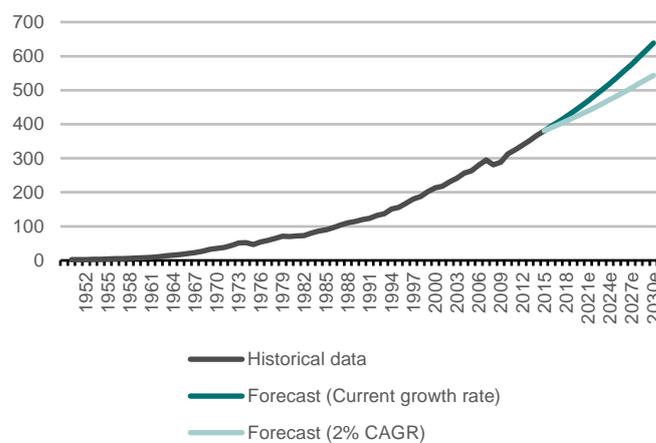
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Figure 8: Global plastics production (mt, 1950–2019)



Source: Statista (underlying data), DNB Markets (further calculations and graph structuring)

Figure 9: Global plastics production – two scenarios (mt)



Source: DNB Markets (estimates and graph structuring)

To illustrate how an increase of only a few percent affects total plastic production, we have estimated global plastic production for the coming years. Current growth suggests more than 600mt by around 2030, or ~40% more than today's volumes. Even with a reduction in growth to 2% p.a. suggests ~550mt by around 2030. This highlights that although plastic waste is an important environmental issue, demand is still present and expected to grow.

Political tailwinds

With plastic production set to continue to grow, increased circularity and efficiency in recycling streams is a prerequisite to reducing harmful environmental effects caused by discarded plastic. According to the announced plastic strategy by the EU, all plastic packaging must be recyclable or reusable by 2030. One step in this process saw the EU in January 2021 launch a plastic tax of EUR800/mt on packaging that is not recycled and ban certain single-use plastic items. The EU also requires PET bottles to contain at least 25% recycled plastic by 2025 and 30% by 2030. A raft of new legislation alongside increased voluntary commitments by major users aims to liberate the world from plastic waste and push for much more recycled plastic.

In addition to political pressure from the EU, action is being taken locally in Sweden. The Swedish political party Centerpartiet decided at its annual party meeting in September 2021 to propose the following to the Swedish Riksdag:

- All plastic products must contain recycled or bio-based plastic. A quota obligation must be introduced, to achieve a certain level of recycled or bio-based material in products.
- A certificate should be awarded to plastic producers that produce recycled or bio-based raw materials in Sweden, while those that produce components or simpler plastic products should be given a quota obligation to deliver on. The certificates could then be bought and sold on a free market, similar to the electricity certificate system that encourages the production of renewable electricity in Sweden. Companies failing to reach their quota would pay a fine to the state.

Although it has not been ratified, we believe such a system would increase the use of recycled plastic in Sweden and force local plastics manufacturers to quickly look for solutions such as Nexam Chemical's additive to deliver on their obligations and avoid paying fines.

Potential for increased shareholder value for Nexam Chemical

Large amounts of virgin plastic material are added during the recycling process to ensure products are commercially viable, since polymers quickly lose their properties when they are recycled. Here, Nexam Chemical's Reactive Recycling portfolio comes into the picture, and adding its additive makes an end-product comparable to one that uses large parts of virgin material. Nexam Chemical's Reactive Recycling portfolio covers the whole plastic recycling value chain with products for PET and polyolefins (polypropylene and polyethylene). We believe the company's technology can lower the use of virgin material from c50% to c10–20% in the

Political tailwinds for Nexam Chemical in the EU as well as locally in Sweden

We believe Nexam Chemical's additive can lower the use of virgin material from c50% to c10–20% in the recycling process

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plastic manufacturers' recycling process. As recycled plastic is c20–40% cheaper than virgin (new oil-based), we see environmental and economic gains for companies using Nexam Chemical's additive.

That said, Nexam Chemical is still only at the beginning of its journey with recycled plastic, and management has had high hopes of initiating this new sales platform this year. In accordance with these hopes, in June 2021 the company announced its first order in fibre and filaments recycling from a regular customer in Hungary. With the help of Nexam Chemical's additives, the customer can use more recycled material in its products. Although the order is only SEK2m–3m of annual sales, we believe it could attract further customers and act as proof of concept.

Putting this in context, we see similarities with this platform and how the PET foam business grew in 2018, which could indicate opportunities on the horizon. We believe investors are likely to factor in increasing value from recycling if Nexam Chemical can capitalise on this opportunity and announce further orders.

Proof of concept order in its recycling business in June 2021

Figure 10: Recycling business – 2030e potential sales scenario analysis (SEKm)

		ASP, USD/kg				
Market share		2	7	12	17	22
	2.5%		140	492	843	1,194
2.0%		112	393	674	955	1,236
1.5%		84	295	506	716	927
1.0%		56	197	337	477	618
0.5%		28	98	169	239	309

Source: DNB Markets (graph structuring)

Figure 11: Recycling business – discounted recycling value per share from 2030e sales (SEK)

		EV/Sales (x)				
Discount factor		1.5	2.0	2.5	3.0	3.5
	17.0%		1	1	2	2
16.0%		1	2	2	2	3
15.0%		1	2	2	3	3
14.0%		1	2	2	3	3
13.0%		2	2	3	3	4

Source: DNB Markets (graph structuring)

To quantify this opportunity, we see an interesting 325m ton market for Nexam Chemical given that ~80% of all the plastic produced today is not recycled. Figure 9 shows our estimates of Nexam Chemical's sales at various selling prices and market shares. Assuming Nexam Chemical can capture just 0.5–1% of this market suggests a SEK250m–300m contribution on the top line by 2030. This seems reasonable to us, since the company has previously communicated that SEK200m of PET related sales from areas other than foam could be possible by 2025–2026. If we apply the same EV/sales as in the PET foam scenario, and discounting the potential value back, we get an additional SEK1–4/share to our fair value range.

High-density polyethylene opportunity

Nexam Chemical has in previous years announced a focus on additives for high-density polyethylene (HDPE) pipes. Such pipes are primarily used for water or gas, but are also suitable for other settings including mining, oil, sewage, agriculture and irrigation. HDPE pipes offer attractive functionality such as flexibility, durability and sustainability. In the oil & gas it is an alternative to steel pipes, reflecting its cost-effectiveness.

Given HDPE pipes' key role in infrastructure, the industry is conservative and it often takes a long time for new technologies to gain acceptance. Nexam Chemical's additive has the possibility to replace the commonly used unwanted compound peroxide that is used for cross-linking polyethylene, primarily relevant for water pipes in houses. Additionally, its additive can be used in larger pipes for sewage or drainage, where it stabilises the material to reduce the risk of kinks in the pipes. Management said earlier it was confident its HDPE pipes business would succeed. Given the improvements its additive make and the conservative nature of the industry, once it has been implemented into the HDPE pipes industry we believe it could be difficult to replace.

HDPE pipes industry is conservative and new technologies take time to gain acceptance

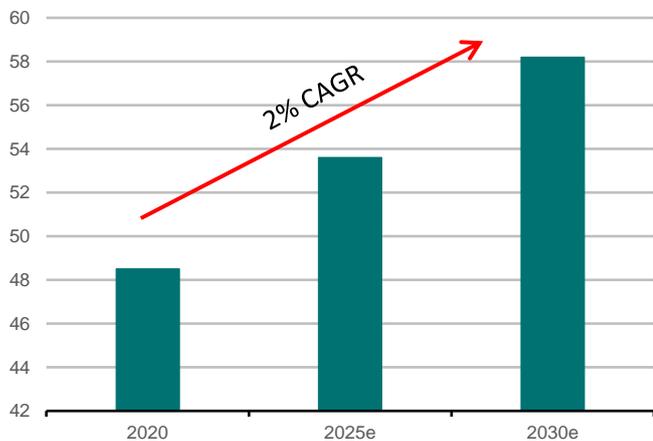
We also see opportunities in polyethylene products beyond pipes, which we consider equally likely to contribute to Nexam Chemical's future growth (e.g. foam, film, melt strength modification, blow moulding, etc). In October 2021, the company announced it will deliver its additive NEXAMITE to the Russian company Sibur, which is the largest petrochemical company in Russia and one of the fastest growing companies in the global petrochemicals industry. Based on a patent application from 2019, we believe the delivery is within the area of polyethylene, which confirms our view of this opportunity. Looking at this market, we see that the global

HDPE products beyond pipes can be a large swing factor for Nexam Chemical

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production forecast for general HDPE products is expected to grow from c48m metric tons today to c58m metric tons by 2030e.

Figure 12: Global production of high-density polyethylene products (HDPE) 2020–2030e, (million metric tons)



Source: Statista (underlying data), DNB Markets (graph structuring)

Figure 13: Nexam Chemical estimated capture by Upinor’s HDPE pipe-related sales 2025e



Source: DNB Markets (estimates and graph structuring)

Estimating the HDPE opportunity for Nexam Chemical

While it is hard to estimate the HDPE market and how much corresponds to pipes, we have used a bottom-up approach based on what has been communicated for Nexam Chemical’s pipes business. The company has previously announced an ongoing settlement with Upinor for additives in HDPE pipes. This agreement sees Udonor (a supplier of HVAC products) exclusively purchase the active additive from Nexam Chemical. With the patented technology, it is possible to create peroxide-free cross-linked polyethylene pipes.

Upinor has recently started the phased rollout of HDPE pipes in North America. We estimate that polypropylene pipes will account for cSEK5bn of Upinor’s total sales in 2025 when the rollout is finished, and that Nexam Chemical could receive 2% of this through its additive. Discounting this value back could add SEK1–2/share to our fair value range.

We estimate it could receive 2% of Upinor’s HDPE pipes sales

Figure 14: Nexam Chemical’s potential sales in 2025 depending on Upinor’s HDPE pipe sales (SEKm)

		Estimated Upinor sales within HDPE pipes 2025e (SEKm)				
		4,000	4,500	5,000	5,500	6,000
% Additive	2.5%	100	113	125	138	150
	2.0%	80	90	100	110	120
	1.5%	60	68	75	83	90
	1.0%	40	45	50	55	60
	0.5%	20	23	25	28	30

Source: DNB Markets (estimates)

Figure 15: HDPE pipes business – discounted HDPE pipes value per share from 2025 sales (SEK)

		EV/Sales (x)				
		1.5	2.0	2.5	3.0	3.5
Discount factor	17.0%	1	1	1	2	2
	16.0%	1	1	2	2	2
	15.0%	1	1	2	2	2
	14.0%	1	1	2	2	2
	13.0%	1	1	2	2	2

Source: DNB Markets (estimates)

In addition to HDPE pipes’ additive to Upinor, we believe Nexam Chemical can address the general HDPE product market significantly more than it does today. By capturing just 1% of the forecasted HDPE product market by 2030e, Nexam Chemical would address c0.5m tons. We estimate the amount of additive added is lower for general HDPE products than for pipes to Upinor. Assuming c0.05% of the total volume implies a potential market of c300,000kg for Nexam Chemical. With an average selling price of USD40–80/kg, Nexam Chemical could see a SEK150m–200m top-line contribution by 2030. Assuming different prices, market shares and discounting the potential value back suggests an additional SEK1–3/share to our fair value range.

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Figure 16: HDPE business (excluding pipes) – 2030e potential sales scenario analysis (SEKm)

		ASP, USD/kg				
		40	50	60	70	80
Market share	2.5%	397	471	546	620	694
	2.0%	238	297	357	416	475
	1.5%	178	223	267	312	357
	1.0%	119	149	178	208	238
	0.5%	59	74	89	104	119

Source: DNB Markets (estimates)

Figure 17: HDPE business (excluding pipes) – discounted HDPE business value per share from 2030e sales (SEK)

		EV/Sales (x)				
		1.5	2.0	2.5	3.0	3.5
Discount factor	17.0%	1	1	2	2	2
	16.0%	1	1	2	2	2
	15.0%	1	2	2	2	3
	14.0%	1	2	2	2	3
	13.0%	1	2	2	3	3

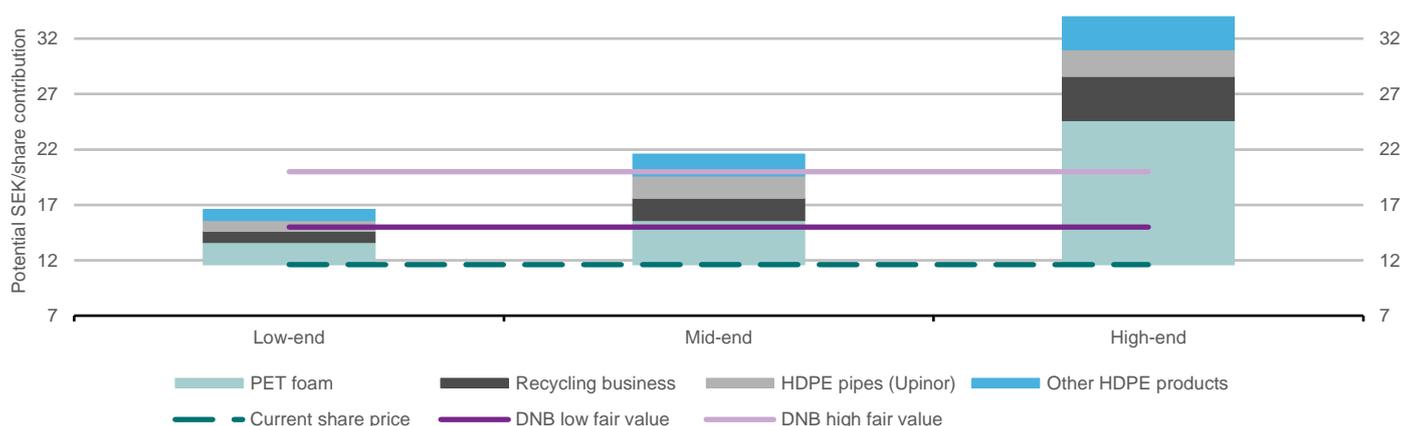
Source: DNB Markets (estimates)

Putting the pieces together

We conclude that even in the smallest-impact scenarios for PET foam, the recycling business, HDPE pipes and general HDPE products, we could see ~SEK5/share added to our fair value. However, in the largest-impact scenarios with the most potential sales, we could see up to ~SEK21/share added to our fair value. That said, as mentioned earlier, the risk is high and Nexam Chemical has much to prove, and we await further breakthroughs in these platforms before we include them in our estimates.

Still a lot to prove, but in the largest-impact scenario ~SEK21/share could be added to our fair value

Figure 18: Putting the potential scenarios together (SEK/share)



Source: DNB Markets (calculations and graph structuring)

M&A agenda

During Q2 2021, Nexam Chemical said it had carried out due diligence on a potential acquisition candidate that would enable it to produce internally and more quickly. The acquisition was never completed for various reasons (not publicly communicated), but we believe it sheds light on the company's desire to improve its infrastructure to deliver on its broad product portfolio and scale up. Nexam Chemical has previously showed evidence of successful acquisitions and integrations, e.g Plasticolour (now Masterbatch). With the new addition of a board member with extensive transaction experience from Swedish listed companies, we believe the company is well positioned to accelerate its M&A agenda.

Carried out due diligence on a potential acquisition candidate in Q2 2021, but the deal was never completed

Additionally, the company gained ~SEK13m before issue costs in Q3 from a rights issue. Although we assume the cash is needed for general investment need in an innovation company, we see a potential acquisition as necessary to be able to expand capacity and would not rule out such an announcement near-term.

Building its ESG credentials

Acknowledging that Nexam Chemical is providing additives to PET foam used in windmills and the potential in the recycling business, we believe the company is well positioned to increase its ESG standing. We estimate that c50% of group sales come from green activities (PET foam for windmills, fibre recycling etc.). Hence, adhering to the EU Taxonomy or Nasdaq Green Designations, for example, can be valuable for the company's ESG reputation now and in the

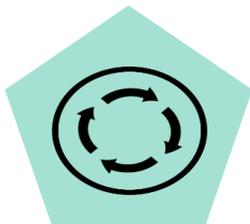
We believe Nexam Chemical could screen favourably in the EU Taxonomy

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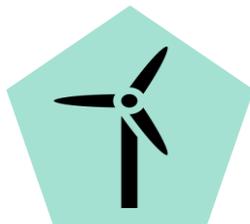
future. A potential increase in its recycling business could also result in multiples expansion, where we consider Re:NewCell (cotton textiles recycling) could be a relevant peer, with a 2023e EV/sales of 16.1x (compared to Nexam Chemical's 2023e EV/sales of 2.2x).

Figure 19: Nexam Chemical's contribution to a more sustainable and circular industry

Benefits far beyond Nexam Chemical's own business



Increased circularity



Renewable energy



Quality materials that last

Source: Company (underlying data), DNB Markets (graph structuring)

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Summary of positives

Sustainability the core of business case

Nexam Chemical's products enhance the properties and performance of polymer materials, including improving strength, recyclability, ductility, and temperature resistance. This allows manufacturers to substitute more expensive and heavier materials with polymers, resulting in lower opex while increasing resource efficiency by using recycled polymers, and reducing energy consumption by lightweighting. This is a key topic in several industries such as wind power (Nexam Chemical's products make it possible to build taller and larger rotor blades, increasing efficiency and lowering the levelised cost of energy (LCOE) of wind energy).

Multiple uses and multiple benefits

Proof-of-concept in each focus area and evidence of customer demand

Orders from manufacturers have validated Nexam Chemical's decade-long R&D programme, exemplified by the renewal of the delivery agreement with DIAB, one of the world's largest PET foam manufacturers, in 2019, which we believe is worth cSEK60m annually to Nexam Chemical (corresponding to c36% of 2020 group sales). Nexam Chemical has announced orders in all of its focus areas, with PET foam in particular showing steady growth in volumes, demonstrating healthy demand. In June 2021 the first order in fibre and filament (recycling) came, which could act as a proof-of-concept order to attract additional customers.

Healthy demand evidenced in announced orders

Long-standing customer relationships and patented know-how

It takes several years to develop a product and reach commercial sales. Proof of its success, Nexam Chemical has built long-standing relationships with large international polymer producers, converters and recyclers. It is collaborating with some of the industry leaders in its focus areas, three of the four largest PET foam manufacturers and other well-established brands in the sector. In addition, the company has 55 patents, in our view raising the barriers to entry and reinforcing its standing as first-mover in its niches.

Client relationships, collaborations and patents form the foundations to Nexam Chemical's strategy

Vast market potential

Given the broad applications for Nexam Chemical's products, quantifying the addressable market is challenging; however, we believe the potential is vast. We estimate Nexam Chemical's PET foam opportunity of cSEK500m based on the four largest PET foam manufacturers, of which Nexam Chemical is already collaborating with three. In our view, Nexam Chemical has yet to prove its entry in the polyethylene (PE) market, which we believe is the largest swing factor, with a potential at 0.5m tons when addressing only 1% of the global production output. Moreover, we also see a 325m ton market for recycled plastic just looking at all the plastic produced that is not being recycled today.

The sheer number of applications for Nexam Chemical's products indicates real scope for growth

Well positioned for 2021–2023e sales CAGR of >30% and 8% EBIT margin by 2022e

We believe the company is well positioned to meet its 2022 sales target of SEK275m–325m, implying a 2020–2022e sales CAGR of ~35%, as:

- We expect continued solid growth in sales in our forecast horizon;
- Following the DIAB delivery agreement, including the additional orders to India, we believe ~SEK80m of sales growth is needed to reach the mid-point sales target (implying a few more DIAB-type deals); and
- Nexam Chemical is already collaborating with three of the four largest PET foam manufacturers; it would be on course to meet its sales target if it could capture 40% of the value of the other two compared with currently capturing 60% of DIAB, we estimate.

We believe our 2022 sales estimate of cSEK300m will be within the company's reach even if growth slows YOY. Nexam Chemical is already approaching net profit breakeven, and we expect higher purchasing power versus suppliers and volume growth to boost gross margins. Taken together with higher fixed-cost absorption, we forecast a 2022 EBIT margin just shy of 8%.

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Summary of negatives

The key risks that could affect our fair value are failure to capitalise on the underlying growth prospects, such as: 1) slower composite uptake in select focus areas than expected; 2) entry of large and well-resourced companies offering composite solutions in select applications, and 3) slower regulatory approvals than expected significantly delaying volume growth.

Competitive landscape

While Nexam Chemical has 55 patents and has built long-standing customer relationships within its focus areas, the polymer industry is still highly competitive, driven by technological advances and shifting market trends; any further intensifying of competition could threaten Nexam Chemical's value offering. The entry of any large and well-resourced companies could hit the company's market share trajectory hard. Nexam Chemical's products also face indirect competition from other materials, such as metals, while falling metal and oil prices could reduce the economic appeal of substituting metals with composite materials.

Technology advances and shifting demand trends can influence the competitive landscape

Consolidated end-markets could limit customer base

The PET foam market is highly consolidated. Nexam Chemical has built close relationships with key participants; however, other market leaders could look for alternative solutions to prevent any information-sharing with competitors. While we believe Nexam Chemical's products are the most attractive in the market, failure to expand its customer base could limit the total market potential and/or delay growth.

Potential clients might be reluctant to work with a company that is already working with many of the sector leaders

Financing and future capital requirements and dilution risk

We estimate the company will have cash of cSEK57m at end-2021 following the directed rights issue during Q3 2021, indicating a well-capitalised balance sheet for now. However, given the growth potential, we do not rule out that it could raise additional funding, resulting in a dilution risk for investors.

Balance sheet well-capitalised, for now at least

Valuation could look high if performance chemicals fail to take off

We believe the narrative on the stock centres on the Performance Chemicals growth case. In the event sales do not materialise, we believe the entire organic growth case would be far less appealing, and a 2022e EV/sales of 3.9x would be unwarranted (Plasticolor, now Masterbatch, was acquired at an EV/sales of 1.35x). Assuming market share gains to just 5% in PET foam by 2025 and an unsuccessful launch in HDPE products and the recycling business would warrant a low-case fair value of SEK6–8 in our view.

Low-case fair value of SEK6–8 based on Performance Chemicals failing to take off

Worsening economic conditions

Demand in Performance Masterbatch (accounting for 46% of H1 2021 group sales) generally tracks overall economic activity, so is susceptible to weakening economic fundamentals. Our base case assumes Performance Chemicals offsets any deterioration in key indicators, given structural growth drivers in its end-markets and market share gains. However, we see a risk to the group reaching its 2022 sales target in the event a global recession slows organic growth in the Performance Masterbatch segment.

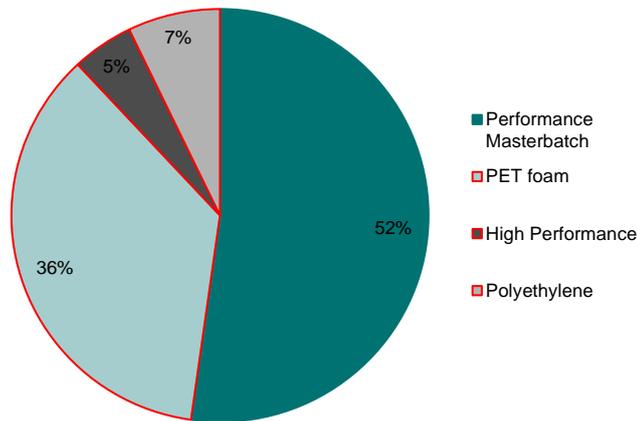
Time will tell if Performance Chemicals makes Nexam Chemical immune to recession

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Company overview

Nexam Chemical is a speciality chemical company with a world-leading, unique technology to enhance the properties and performance of plastics and polymers based on a decade-long R&D programme. It has deep roots in the scientific community, such as NASA's space programme.

Figure 20: Estimated sales by segment (2020)



Source: Company, DNB Markets (Performance Chemicals split)

Figure 21: Sales (LHS, SEKk) and growth (RHS, %)



Source: Company (historical data), DNB Markets (estimates)

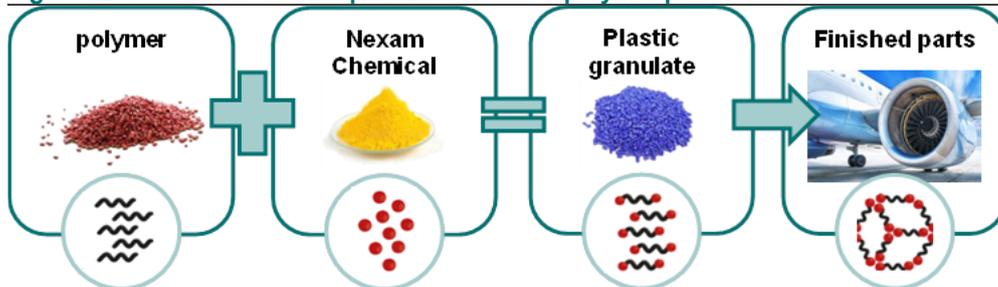
The company has two divisions:

- **Performance Chemicals (54% of H1 2021 sales)** includes enhancing products for PET foam, high performance, polyethylene applications as well as the recycling business portfolio Reactive Recycling. The Performance Chemicals segment increased its top line by 78% in 2020, and we believe this will be the primary growth driver at Nexam Chemical.
- **Performance Masterbatch (46% of H1 2021 sales)** includes the former Plasticolor and mainly targets the plastics industry in the Nordics and eastern Europe. We view Masterbatch as more mature than Performance Chemicals, acting as a cash cow.

Man-made polymers are found in everything from clothing to packaging, household goods and coatings. Durability, flexibility and low costs are key characteristics. Nexam Chemical has created additives that are incorporated in the production process to improve the end-products, making them more resource-efficient in terms of lightweighting, temperature resistance, strength, durability and recyclability. This allows customers to substitute heavier and often more expensive inputs, in turn reducing opex. They also enhance environmental credentials, allowing manufacturers to use recycled plastics by restoring and improving the plastic's original properties.

Polymers are (pretty much) everywhere and in (pretty much) everything

Figure 22: Nexam Chemical's products enhance polymer performance



Source: Company

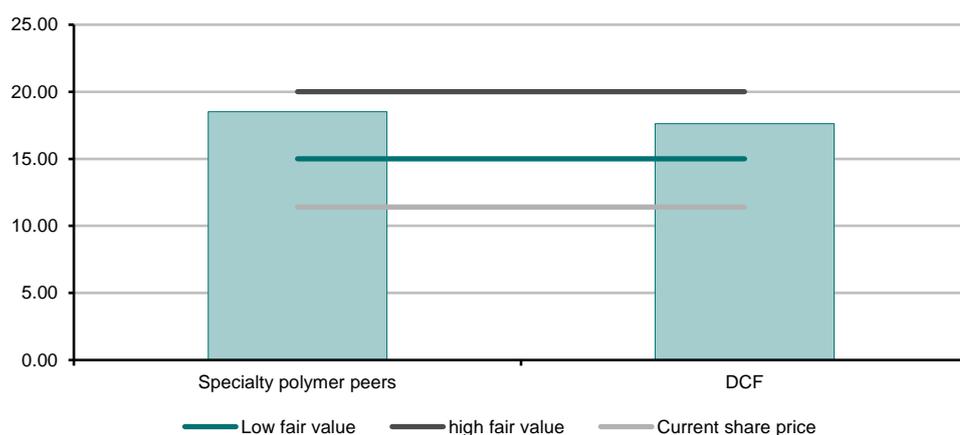
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Valuation

We calculate a fair value of SEK15–20 for Nexam Chemical, based on an equally weighted average of the 2023e EV/sales for our speciality polymer peer group and our DCF. Our fair value corresponds to a 2022e EV/sales of 3.9x, an EV/EBITDA of 14.4x, and a P/E of 25.1x.

- **The low end of the range assumes** a 10% higher WACC of 14.1% in our base-case DCF.
- **The high end of the range assumes** a 10% premium to the peer group's 2023e EV/sales applied to our forecasts and DCF.

Figure 23: Valuation summary (SEK/share)



Source: DNB Markets

Peer group valuation

Being in a growth phase, we believe the best way to arrive at a valuation estimate for Nexam Chemical is EV/sales, even though we expect its bottom line to move into the black in 2022. We have identified relevant speciality polymer peers from their value propositions, end-market exposure, and business models. Nexam Chemical is trading at a 41% discount to our peer group on 2023e EV/sales, with a 17%-point higher gross margin but a 40%-point lower EBIT margin than peers. This indicates a fair value of SEK16–20 for Nexam Chemical.

Figure 24: Valuation – Nexam Chemical versus listed peers

	Mkt. Cap. (SEKm)	P/E (x)			EV/EBITDA (x)			EV/Sales (x)			Gross margin			EBIT margin		
		2021e	2022e	2023e	2021e	2022e	2023e	2021e	2022e	2023e	2021e	2022e	2023e	2021e	2022e	2023e
Nexam Chemical (DNBe)	922	-1047.5	53.1	29.3	68.5	22.8	13.9	3.7	2.8	2.1	40%	45%	45%	1%	8%	11%
Premium(+)/discount(-)*		-2212%	111%	39%	314%	58%	8%	-13%	-29%	-41%	10%	20%	17%	-96%	-53%	-40%
Specialty polymer peers																
Solvay SA	109,710	11.9	11.0	10.1	6.3	5.9	5.5	1.5	1.4	1.3	33%	33%	32%	15%	16%	16%
Ashland Global Holdings, Inc.	51,096	21.6	18.3	15.7	13.2	11.6	10.7	3.0	2.9	2.8	32%	35%	37%	13%	11%	
Croda International Plc	149,406	37.5	35.1	32.9	24.2	22.5	20.9	7.3	6.8	6.4				25%	25%	26%
Hexcel Corporation	41,242	247.3	45.1	27.7	27.6	17.3	13.2	4.2	3.4	2.9	19%	22%	23%	5%	11%	13%
Umicore	122,806	18.3	21.3	20.3	10.8	11.8	11.3	3.4	3.2	2.9	62%	59%	62%	24%	19%	18%
Victrex plc	24,114	26.3	24.2	21.0	17.3	16.8	14.4	6.3	6.1	5.7	54%	58%	61%	29%	31%	33%
Johnson Matthey Plc	63,355	12.0	11.1	10.4	8.1	7.7	7.2	1.5	1.4	1.4	31%	30%	27%	13%	14%	14%
Toray Industries, Inc.	87,116	12.9	11.5	10.2	7.8	7.1	6.6	0.9	0.8	0.8	20%	20%	20%	6%	6%	7%
Lonza Group AG	523,473	58.5	48.5	41.9	33.7	29.0	25.4	10.7	9.4	8.4	42%	44%	44%	23%	24%	25%
Average	130,257	49.6	25.1	21.1	16.5	14.4	12.8	4.3	3.9	3.6	37%	38%	39%	17%	18%	19%
Median	87,116	21.6	21.3	20.3	13.2	11.8	11.3	3.4	3.2	2.9	33%	34%	35%	15%	16%	17%

Source: Factset (underlying data), DNB Markets (Nexam Chemical estimates)

Figure 25: DCF model – detailed base-case assumptions (SEKk)

	Explicit forecasts				Growth state					Maturing state					Terminal	
	2020	2021e	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	2034e	Value
Sales	165,637	225,355	300,542	386,745	483,432	604,289	755,362	944,202	1,180,253	1,475,316	1,696,614	1,951,106	2,243,771	2,580,337	2,967,388	3,041,572
Growth		36%	33%	29%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	15.0%	15.0%	15.0%	15.0%	15.0%	2.5%
EBITDA	4,908	10,940	36,702	59,196	77,349	96,686	120,858	151,072	188,840	236,051	305,390	351,199	403,879	464,461	534,130	547,483
Margin	3%	5%	12%	15%	16.0%	16.0%	16.0%	16.0%	16.0%	16.0%	18.0%	18.0%	18.0%	18.0%	18.0%	18%
D&A	-10,193	-10,613	-12,020	-15,470	-14,929	-20,243	-23,320	-29,150	-33,063	-41,329	-56,934	-66,007	-74,947	-83,361	-89,904	-103,389
% of sales	6%	5%	4%	4%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%
EBIT	-5,285	327	24,683	43,726	62,420	76,443	97,538	121,922	155,777	194,722	248,456	285,192	328,932	381,099	444,226	444,094
Margin	-3%	0%	8%	11%	13%	13%	13%	13%	13%	13%	15%	15%	15%	15%	15%	15%
Net financial items	-2,312	-1,786	-3,498	-5,266	-6,583	-8,228	-10,285	-12,857	-16,071	-20,089	-23,102	-26,567	-30,553	-35,135	-40,406	-41,416
Pre tax profit	-7,598	-1,460	21,185	38,460	55,837	68,214	87,252	109,065	139,706	174,633	225,354	258,625	298,379	345,964	403,820	402,678
Taxes	-496	-665	-4,873	-8,846	-14,357	-17,582	-22,434	-28,042	-35,829	-44,786	-57,145	-65,594	-75,654	-87,653	-102,172	-102,142
Tax rate	-7%	-46%	23%	23%	23%	23%	23%	23%	23%	23%	23%	23%	23%	23%	23%	23%
Net income	-8,094	-2,125	16,312	29,614	41,481	50,633	64,818	81,023	103,878	129,847	168,209	193,030	222,725	258,311	301,648	300,536
FCF calculation																
EBIT	-5,285	327	24,683	43,726	62,420	76,443	97,538	121,922	155,777	194,722	248,456	285,192	328,932	381,099	444,226	444,094
D&A (-)	10,193	10,613	12,020	15,470	14,929	20,243	23,320	29,150	33,063	41,329	56,934	66,007	74,947	83,361	89,904	103,389
Taxes (+)	-496	-665	-4,873	-8,846	-14,357	-17,582	-22,434	-28,042	-35,829	-44,786	-57,145	-65,594	-75,654	-87,653	-102,172	-102,142
Capex (+)	-6,600	-6,994	-19,442	-18,350	-22,938	-28,673	-35,841	-44,801	-56,001	-70,001	-72,018	-82,821	-95,244	-109,531	-125,961	-129,110
% sales	4.0%	3.1%	6.5%	4.7%	4.7%	4.7%	4.7%	4.7%	4.7%	4.7%	4.2%	4.2%	4.2%	4.2%	4.2%	4.2%
Acquisitions (-)/divestments (+)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Change in NWC (-)	-19,386	-7,505	-6,959	-12,102	-11,640	-14,550	-18,188	-22,735	-28,419	-35,523	-24,430	-28,094	-32,308	-37,154	-42,727	-8,189
% of sales growth		13%	9%	14%	12%	12%	12%	12%	12%	12%	11%	11%	11%	11%	11%	11%
Free cash flow		-4,225	5,429	19,898	28,414	35,882	44,396	55,495	68,592	85,740	151,798	174,690	200,672	230,122	263,270	308,042

Source: DNB Markets

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Appendices

Management and board

Management

- **Johan Arvidsson – President and CEO** (born 1969, has a degree in civil engineering and chemistry, Chalmers tekniska högskola). Mr Arvidsson was appointed CEO in 2019 and has been with Nexam Chemical since 2016. Previous experience includes CSO at Nexam Chemical, CEO at aXichem AB, CEO and chairman of the board at DuPont Sverige AB and Nordic market head at DuPont Performance Polymers.
- **Marcus Nyberg – CFO** (born 1975, BSc (economics), Lunds universitet). Mr Nyberg has been CFO since 2019. Previous experience includes business consultant at PwC, finance director at Safegate, finance & operations director at Greenworks tools and group CFO at LGT Logistics.
- **Tomas Eriksson – CSC** (born 1967, has a degree in civil engineering and chemistry, Chalmers tekniska högskola and an MBA from Copenhagen Business School). Mr Eriksson has been CSC since 2020 and previously worked for Finnish Nordkalk Oy AB.
- **Lars Öhrn – CMO** (born 1971, has a degree in civil engineering and chemistry, Chalmers tekniska högskola). Mr Öhrn has been CMO since 2015. Previous experience includes application marketing manager for Bourouge in Abu Dhabi and business development at Trioplast Industrier AB and Mölnlycke Health Care AB.
- **Francesco Piscioti – CTO** (born 1973, has a PhD in polymer materials, Chalmers tekniska högskola). Mr Piscioti has been CTO since 2019. Previous experience includes technology specialist at Tetra Pak R&D, with a focus on polymer materials, and an Industrial PhD from Research Institutes of Sweden (RISE) within polymer material.
- **Lucas Petersson – COO** (born 1992, has a BSc in business, Lunds universitet). Mr Petersson has been at the company since 2018. Previous experience includes procurement manager at Nexam Chemical and management consultant at Qvickbron Industriutveckling AB.
- **Adrian Pepper – Group Regulatory and EHSQ Manager** (born 1973, has a PhD in synthetic organic chemistry, Salford University). Mr Pepper has been group regulatory and EHSQ manager since 2017. Previous experience includes R&D, laboratory and production in Nexam Chemical's chemistry department and CEO at St Andrews ChemTech Int. Ltd, as well as academic positions at the University of Exeter.

Board of directors

- **Mats Persson – Chairman** (born 1963, has a degree in civil engineering and chemistry, Lunds tekniska högskola). Mr Persson has been chairman since 2019. Previous experience includes several leading positions within Perstorp Group and CPP at DIAB.
- **Cecilia Jinert Johansson – board member** (born 1963, has an MSc in business & economics, Lunds universitet). Mrs Jinert Johansson has been a board member since 2014. Previous experience includes coordinating restructuring and change in various organisations, as well as head of production at Lantmännen and SVP of operations for Ruukki Construction.
- **Jonna Opitz – board member** (born 1969, MSc in media & communication, Växjö universitet). Mrs Opitz has been a board member since 2018. Previous experience includes SVP communications & multibrands at Inwido AB, VP corporate communications at ReadSoft and corporate communications manager for PartnerTech.
- **Oskar Tuwesson – board member** (born 1980, MSc in business administration – international finance, Lund University). Mr Tuwesson has been a board member since 2021. He has experience in investment banking and the stock market and has previously held positions at banks such as ABG Sundal Collier, Carnegie, JP Morgan and Pareto Securities.

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- **Martin Roos – board member** (born 1975, MSc in engineering from the Royal Institute of Technology (KTH) and MSc in economics from the Stockholm School of Economics). Mr Roos has been a board member since 2001. He held various management positions within Ericsson and was subsequently CEO of telecom operators Cable and Wireless Caribbean (CWC) and Altice in the Dominican Republic.

Shareholders

Figure 26: Main shareholders (as at 30 September 2021)

Owner	Number of shares	Holdings (%)	Votes (%)
Avanza Pension	8,494,523	10.77%	10.77%
Nerthus Investments Ltd	7,174,257	9.09%	9.09%
Leorex Capital Limited	3,910,000	4.96%	4.96%
Veronica Wallman	3,641,225	4.61%	4.61%
Länsförsäkringar Fonder	3,562,488	4.40%	4.40%
Nordnet Pensionsförsäkring	2,299,711	2.91%	2.91%
ÖstVäst Capital Management	2,025,297	2.57%	2.57%
Lennart Holm med familj	1,996,840	2.53%	2.53%
SEB Fonder	1,952,298	2.41%	2.41%
Jan-Erik Rosenberg	1,362,002	1.73%	1.73%
Futur Pension	1,147,871	1.45%	1.45%
AXA	1,000,000	1.27%	1.27%
Michael Wandy Karlsson	968,342	1.23%	1.23%
Björn Parkander	912,517	1.16%	1.16%
Swedbank Försäkring	820,422	1.04%	1.04%
MediumInvest A/S	819,997	1.04%	1.04%
Jimmy Holm	777,521	0.99%	0.99%
Mikael Gunnarsson	700,000	0.89%	0.89%
Anders Dahlquist	638,755	0.81%	0.81%
Mandarine Gestion	614,938	0.78%	0.78%
Gunnar Jardelöw	458,604	0.58%	0.58%
Patric Rydström	430,000	0.54%	0.54%
Peter Sedira	427,388	0.54%	0.54%
Michael Karlsson i Helsingborg AB	409,000	0.52%	0.52%
Per Håkan Linné	375,977	0.48%	0.48%
Ulf Thaug	361,407	0.46%	0.46%
Lars Olof Jonsson	355,444	0.45%	0.45%
Gunvald Berger	343,736	0.44%	0.44%
Karin Palmqvist Morin	336,140	0.43%	0.43%

Source: Holdings

Figure 27: Board and management ownership (as at 30 September 2021)

Owner	Position	No. of shares	Holdings (%)	Votes (%)
Martin Roos	Board Member	165,000	0.21%	0.21%
Johan Arvidsson	CEO	89,576	0.11%	0.11%
Mats Persson	Chairman	85,164	0.11%	0.11%
Cecilia Jinert Johansson	Board Member	62,000	0.08%	0.08%
Marcus Nyberg	CFO	20,000	0.03%	0.03%
Jonna Opitz	Board Member	12,000	0.02%	0.02%
Oskar Tuwesson	Board Member	10,000	0.01%	0.01%
Lars Öhrn	CMO	8,000	0.01%	0.01%
Francesco Piscioti	CTO	300	0.00%	0.00%

Source: Holdings

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Forecast changes – P&L

(SEKm)	New			Old			Change		
	2021e	2022e	2023e	2021e	2022e	2023e	2021e	2022e	2023e
Revenues	225	300	387	233	324	399	-8	-24	-12
Cost of sales	-134	-165	-213	-136	-178	-219	2	13	7
Gross profit	91	135	174	98	146	179	-6	-11	-5
Operating expenses	-80	-99	-115	-83	-102	-116	3	3	1
EBITDA	11	37	59	15	44	63	-4	-7	-4
EBITDA adj	12	37	59	16	44	63	-4	-7	-4
EBITDA margin (%)	4.9	12.2	15.3	6.3	13.6	15.9	-1.4	-1.4	-0.6
Depreciation	-11	-12	-15	-11	-13	-16	0	1	0
EBIT	0	25	44	4	31	48	-4	-6	-4
EBIT adj	2	25	44	5	31	48	-4	-6	-4
Net interest	-2	-3	-5	-2	-4	-6	1	1	0
Net financial items	-2	-3	-5	-2	-4	-6	1	1	0
PBT	-1	21	38	2	27	42	-3	-6	-4
Taxes	-1	-5	-9	-1	-6	-10	0	1	1
Net profit	-2	16	30	1	21	32	-3	-4	-3
Adjustments to net profit	1	0	0	1	0	0	0	0	0
Net profit adj	-1	16	30	2	21	32	-3	-4	-3
<i>Per share data (SEK)</i>									
EPS	-0.02	0.21	0.39	0.02	0.26	0.41	-0.04	-0.05	-0.02
EPS adj	-0.01	0.21	0.39	0.03	0.26	0.41	-0.04	-0.05	-0.02
<i>Other key metrics (%)</i>									
Revenue growth	35.7	33.5	28.7	40.7	38.9	23.1	-5.0	-5.3	5.6
EBIT adj growth	nm	1419.2	77.2	-202.5	472.1	53.3	nm	947.0	23.9
EPS adj growth	nm	nm	81.5	-125.7	850.3	57.0	nm	nm	24.5
Avg. number of shares (m)	76	76	76	79	79	79	-3	-3	-3
Capex	-7	-19	-18	-10	-21	-19	3	1	1
OpFCF	5	17	41	6	23	44	-1	-6	-3
NIBD adj	-29	-31	-45	-13	-16	-36	-16	-14	-9

Source: DNB Markets

Forecast changes – By segment and assumptions

(SEKm)	New			Old			Change		
	2021e	2022e	2023e	2021e	2022e	2023e	2021e	2022e	2023e
Revenue									
Performance Masterbatch	104	115	122	99	103	107	6	12	14
Performance Chemicals	121	186	265	135	221	292	-14	-35	-26
Assumptions									
Revenue org. % YOY	36.46	33.50	28.70	41.46	38.83	23.09	-5.00	-5.33	5.62
Structure impact % YOY	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Currency impact % YOY	-0.75	0.02	0.00	-0.75	0.02	0.00	0.00	0.00	0.00

Source: DNB Markets

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Quarterly numbers

(SEKm)	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021e	Q1 2022e	Q2 2022e	Q3 2022e	Q4 2022e
Revenues	36	41	47	53	60	50	63	69	77	71	84
Cost of sales	-21	-23	-27	-31	-35	-32	-36	-38	-42	-39	-46
Gross profit	15	18	20	21	25	18	27	31	35	32	38
Operating expenses	-14	-16	-19	-20	-22	-17	-21	-23	-25	-24	-26
EBITDA	0	2	1	2	2	1	6	8	10	8	11
Depreciation	-3	-2	-3	-3	-3	-3	-3	-3	-3	-3	-3
EBIT	-2	-1	-2	0	-1	-2	3	5	7	5	8
Net interest	-1	0	-1	0	-1	0	-1	-1	-1	-1	-1
Net financial items	-1	0	-1	0	-1	0	-1	-1	-1	-1	-1
PBT	-3	-1	-3	-1	-1	-2	2	4	6	5	7
Taxes	0	0	0	0	0	0	-1	-1	-1	-1	-2
Net profit	-4	-1	-3	-1	-1	-2	2	3	4	3	5
Adjustments to net profit	0	0	0	0	1	0	0	0	0	0	0
Net profit adj	-4	-1	-3	-1	0	-2	2	3	4	3	5
Avg. number of shares (m)	76	76	76	79	79	76	76	76	76	76	76
<i>Per share data (SEK)</i>											
EPS	-0.05	-0.03	-0.05	0.00	-0.02	-0.02	0.02	0.04	0.06	0.05	0.07
EPS adj	-0.05	-0.02	-0.04	-0.01	0.00	-0.03	0.02	0.04	0.06	0.05	0.07
<i>Growth and margins (%)</i>											
Revenues, QOQ growth	-12.8	12.9	13.7	12.4	13.6	-15.8	24.7	9.6	12.3	-7.8	17.4
Revenues, YOY growth	3.4	32.1	45.8	25.9	64.0	22.3	34.2	30.8	29.3	41.7	33.3
EPS adj, YOY growth	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	209.8
Gross margin	41.8	43.2	42.6	40.7	41.3	35.9	43.0	45.0	45.0	45.0	45.0
EBITDA adj margin	0.5	4.3	1.4	4.0	5.5	2.1	9.3	11.1	12.5	11.4	13.5
Depreciation/revenues	-7.3	-5.8	-5.7	-4.9	-4.4	-5.3	-4.4	-4.0	-4.0	-4.0	-4.0
EBIT adj margin	-6.8	-1.5	-4.2	-0.9	1.1	-3.2	4.9	7.1	8.5	7.4	9.5
Net profit margin	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm

Source: Company (historical figures), DNB Markets (estimates)

Adjustments to quarterly numbers

(SEKm)	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021e	Q1 2022e	Q2 2022e	Q3 2022e	Q4 2022e
EBITDA	0	2	1	2	2	1	6	8	10	8	11
Gains and losses	0	0	0	0	0	0	0	0	0	0	0
EBITDA adj	0	2	1	2	3	1	6	8	10	8	11
Gains and losses	0	0	0	0	0	0	0	0	0	0	0
EBIT	-2	-1	-2	0	-1	-2	3	5	7	5	8
Gains and losses	0	0	0	0	0	0	0	0	0	0	0
EBIT adj	-2	-1	-2	0	1	-2	3	5	7	5	8
Net profit	-4	-1	-3	-1	-1	-2	2	3	4	3	5
Gains and losses	0	0	0	0	0	0	0	0	0	0	0
Net profit adj	-4	-1	-3	-1	0	-2	2	3	4	3	5

Source: Company (historical figures), DNB Markets (estimates)

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Quarterly numbers by segment and assumptions

(SEKm)	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021e	Q1 2022e	Q2 2022e	Q3 2022e	Q4 2022e
Revenue											
Performance Masterbatch	21	21	22	25	27	26	26	28	29	29	29
Performance Chemicals	15	20	24	27	33	24	36	41	48	42	55
Assumptions											
Revenue org. % YOY	3.70	33.29	47.50	27.35	65.21	22.75	34.26	30.71	29.31	41.66	33.28
Structure impact % YOY	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Currency impact % YOY	-0.34	-1.21	-1.70	-1.45	-1.21	-0.41	-0.08	0.09	0.00	0.00	0.00

Source: Company (historical figures), DNB Markets (estimates)

Annual P&L

(SEKm)	2014	2015	2016	2017	2018	2019	2020	2021e	2022e	2023e
Revenues	2	8	8	19	110	130	166	225	300	387
Cost of sales	-4	-5	-5	-12	-68	-82	-95	-134	-165	-213
Gross profit	1	5	5	9	47	54	71	91	135	174
Operating expenses	-32	-25	-24	-29	-53	-59	-66	-80	-99	-115
EBITDA	-31	-19	-19	-20	-6	-6	5	11	37	59
Depreciation	-4	-3	-2	-3	-10	-10	-10	-11	-12	-15
EBIT	-35	-22	-22	-23	-16	-15	-5	0	25	44
Net interest	0	0	0	0	-1	-2	-2	-2	-3	-5
Net financial items	0	0	0	0	-1	-2	-2	-2	-3	-5
PBT	-35	-22	-22	-23	-17	-17	-8	-1	21	38
Taxes	0	0	0	17	0	0	0	-1	-5	-9
Effective tax rate (%)	0	0	0	75	-1	0	-7	-46	23	23
Net profit	-35	-22	-22	-6	-17	-17	-8	-2	16	30
Adjustments to net profit	-2	-1	0	-1	-3	-4	0	1	0	0
Net profit adj	-37	-23	-22	-7	-20	-21	-8	-1	16	30
Avg. number of shares	52	52	62	65	68	68	73	76	76	76
<i>Per share data (SEK)</i>										
EPS	-0.58	-0.42	-0.36	-0.09	-0.25	-0.25	-0.14	-0.02	0.21	0.39
EPS adj	-0.71	-0.44	-0.36	-0.11	-0.30	-0.31	-0.11	-0.01	0.21	0.39
<i>Growth and margins (%)</i>										
Revenue growth	-37.1	389.5	5.4	126.1	487.5	18.4	27.5	35.7	33.5	28.7
EPS adj growth	nm	nm	81.5							
Gross margin	nm	30.8	43.4	37.4	38.1	36.7	42.6	40.4	45.0	45.0
EBITDA margin	nm	nm	nm	nm	nm	nm	3.0	4.9	12.2	15.3
EBITDA adj margin	nm	nm	nm	nm	nm	nm	3.0	5.4	12.2	15.3
Depreciation/revenues	-259.4	-35.7	-29.5	-15.9	-9.0	-7.6	-6.1	-4.7	-4.0	-4.0
EBIT margin	nm	0.1	8.2	11.3						
EBIT adj margin	-2328.9	-295.6	-268.0	-129.3	-16.9	-14.9	-3.2	0.7	8.2	11.3
PBT margin	nm	7.1	9.9							
Net profit margin	nm	nm	nm							

Source: Company (historical figures), DNB Markets (estimates)

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Adjustments to annual P&L

(SEKm)	2014	2015	2016	2017	2018	2019	2020	2021e	2022e	2023e
EBITDA	-31	-19	-19	-20	-6	-6	5	11	37	59
Gains and losses	-3	-3	-1	-2	-5	-6	0	0	0	0
EBITDA adj	-33	-20	-20	-21	-9	-9	5	12	37	59
Gains and losses	-3	-3	-1	-2	-5	-6	0	0	0	0
EBIT	-35	-22	-22	-23	-16	-15	-5	0	25	44
Gains and losses	-3	-3	-1	-2	-5	-6	0	0	0	0
EBIT adj	-37	-23	-22	-24	-19	-19	-5	2	25	44
Net profit	-35	-22	-22	-6	-17	-17	-8	-2	16	30
Gains and losses	-3	-3	-1	-2	-5	-6	0	0	0	0
Net profit adj	-37	-23	-22	-7	-20	-21	-8	-1	16	30
<i>Per share data (SEK)</i>										
EPS	-0.58	-0.42	-0.36	-0.09	-0.25	-0.25	-0.14	-0.02	0.21	0.39
Recommended adjustment	-0.13	-0.02	0.00	-0.02	-0.05	-0.06	0.03	0.01	0.00	0.00
EPS adj	-0.71	-0.44	-0.36	-0.11	-0.30	-0.31	-0.11	-0.01	0.21	0.39

Source: Company (historical figures), DNB Markets (estimates)

Cash flow

(SEKm)	2014	2015	2016	2017	2018	2019	2020	2021e	2022e	2023e
Net profit	-35	-22	-22	-6	-17	-17	-8	-2	16	30
Other non-cash adjustments	0	0	0	0	-1	-2	-2	-1	-8	-14
Change in net working capital	0	-4	2	1	-6	-14	-19	-8	-7	-12
Cash flow from operations (CFO)	-31	-23	-18	-18	-13	-21	-17	1	21	33
Capital expenditure	-2	-2	-2	-84	-6	-11	-7	-7	-19	-18
Cash flow from investing (CFI)	-2	-2	-2	-84	-6	-11	-7	-7	-19	-18
Free cash flow (FCF)	-33	-26	-20	-102	-18	-32	-23	-6	2	15
Net change in debt	63	-1	117	55	-14	1	30	34	-7	-4
Cash flow from financing (CFF)	63	-1	117	55	-14	1	30	34	-7	-4
Total cash flow (CFO+CFI+CFF)	30	-26	97	-47	-33	-31	7	28	-5	11
<i>FCFF calculation</i>										
Free cash flow	-33	-26	-20	-102	-18	-32	-23	-6	2	15
Less: net interest	0	0	0	0	1	2	2	2	3	5
Less: tax shields/other	0	0	0	0	0	0	0	0	0	0
Growth (%)										
CFO	-27.1	26.4	24.1	-5.0	30.2	-65.1	20.8	105.9	2037.2	54.3
CFI	39.3	-40.0	16.6	-3923.3	93.4	-89.7	37.2	-6.0	-178.0	5.6
FCF	-20.1	22.8	23.4	-418.9	81.9	-72.5	26.2	74.4	132.2	657.7
CFF	19.3	-100.9	19874.1	-52.6	-125.9	105.6	3666.3	12.6	-120.7	42.9
FCFF	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm

Source: Company (historical figures), DNB Markets (estimates)

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Balance sheet

(SEKm)	2014	2015	2016	2017	2018	2019	2020	2021e	2022e	2023e
Assets	85	74	174	282	248	228	250	305	317	353
Inventories	5	6	6	15	19	25	32	51	63	73
Trade receivables	0	2	2	15	16	19	32	45	42	54
Other receivables	3	2	3	5	3	5	6	4	4	4
Cash and cash equivalents	63	36	133	86	54	23	30	57	52	63
Current assets	70	46	143	121	92	72	100	158	162	195
Property, plant and equipment	13	11	9	50	48	49	45	44	51	54
Goodwill	2	18	19	111	108	106	105	103	104	104
Non-current financial assets	0	0	3	0	0	0	0	0	0	0
Non-current assets	15	28	30	161	156	156	150	148	155	158
Total assets	85	74	174	282	248	228	250	305	317	353
Equity and liabilities	85	74	174	282	248	228	250	305	317	353
Total equity	74	66	164	188	171	155	187	232	248	278
Trade payables	2	1	1	14	14	12	14	34	36	46
Other payables and accruals	4	3	5	11	11	7	8	11	11	11
Short-term debt	2	1	1	13	13	14	13	13	13	13
Total current liabilities	7	5	7	38	39	33	36	58	60	70
Long-term debt	2	2	1	50	37	35	23	12	5	1
Pension liabilities	0	0	0	0	0	0	0	0	0	0
Other non-current liabilities	2	1	1	5	1	4	5	4	4	4
Total non-current liabilities	4	3	2	56	39	40	27	16	9	5
Total liabilities	11	8	10	94	77	73	63	74	69	75
Total equity and liabilities	85	74	174	282	248	228	250	305	317	353
<i>Key metrics</i>										
Net interest bearing debt	-59	-33	-131	-31	-15	17	-2	-29	-31	-45

Source: Company (historical figures), DNB Markets (estimates)

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Valuation ratios

(SEKm)	2014	2015	2016	2017	2018	2019	2020	2021e	2022e	2023e
<i>Enterprise value</i>										
Share price (SEK)	11.55	12.50	12.25	9.55	9.30	8.10	9.26	11.40	11.40	11.40
Number of shares (m)	51.14	51.78	62.11	64.85	67.52	67.52	73.06	76.03	76.03	76.03
Market capitalisation	591	647	761	619	628	547	677	867	867	867
Net interest bearing debt	-59	-33	-131	-31	-15	17	-2	-29	-31	-45
Adjustments to NIBD	0	0	0	0	0	0	0	0	0	0
Net interest bearing debt adj	-59	-33	-131	-31	-15	17	-2	-29	-31	-45
EV	532	614	630	589	613	563	674	838	836	821
EV adj	532	614	630	589	613	563	674	838	836	821
<i>Valuation</i>										
EPS	-0.58	-0.42	-0.36	-0.09	-0.25	-0.25	-0.14	-0.02	0.21	0.39
EPS adj	-0.71	-0.44	-0.36	-0.11	-0.30	-0.31	-0.11	-0.01	0.21	0.39
P/E	-19.9	-29.8	-34.0	-106.1	-37.2	-32.4	-66.1	-549.4	53.1	29.3
P/E adj	-16.3	-28.2	-34.1	-88.5	-31.4	-26.1	-83.6	-1047.5	53.1	29.3
Average ROE	-59.8%	-31.4%	-19.2%	-3.3%	-9.6%	-10.5%	-4.7%	-1.0%	6.8%	11.3%
Earnings yield adj	-5.0%	-3.4%	-2.9%	-0.9%	-2.7%	-3.1%	-1.5%	-0.2%	1.9%	3.4%
EV/SALES	332.05	78.28	76.19	31.49	5.58	4.33	4.07	3.72	2.78	2.12
EV/SALES adj	332.05	78.28	76.19	31.49	5.58	4.33	4.07	3.72	2.78	2.12
EV/EBITDA	-17.0	-31.8	-32.3	-29.5	-106.4	-101.1	137.4	76.6	22.8	13.9
EV/EBITDA adj	-16.0	-30.1	-31.9	-27.8	-71.2	-59.4	137.4	68.5	22.8	13.9
EV/EBIT	-15.0	-27.8	-28.7	-25.7	-39.1	-36.6	-127.6	2564.0	33.9	18.8
EV/EBIT adj	-14.3	-26.5	-28.4	-24.4	-33.1	-29.2	-127.6	515.6	33.9	18.8
EV/capital employed	6.9	8.9	3.8	2.4	2.9	2.9	3.1	3.4	3.3	2.9
EV/OpFCF (taxed)	-19.8	-34.9	-37.5	-7.3	-56.3	-36.6	-517.5	207.5	62.9	26.1

Source: Company (historical figures), DNB Markets (estimates)

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Key accounting ratios

	2014	2015	2016	2017	2018	2019	2020	2021e	2022e	2023e
<i>Profitability (%)</i>										
ROA	-50.3	-27.7	-17.8	-2.5	-6.5	-7.2	-3.4	-0.8	5.2	8.8
ROCE	-59.1	-31.6	-18.8	-11.8	-8.2	-9.6	-2.6	0.7	9.8	16.2
<i>Return on invested capital (%)</i>										
Net PPE/revenues	784.3	135.8	105.3	268.4	43.5	37.8	27.1	19.7	16.9	13.8
<i>Cash flow ratios (%)</i>										
FCF/revenues	-2076.8	-327.4	-237.8	-545.8	-16.8	-24.4	-14.1	-2.7	0.6	3.8
FCF yield (%)	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm
CFO/revenues	-1965.7	-295.6	-212.7	-98.8	-11.7	-16.4	-10.2	0.4	7.1	8.5
CFO/market capitalisation	-5.3	-3.6	-2.3	-3.0	-2.1	-3.9	-2.5	0.1	2.5	3.8
CFO/capex	-1770.2	-931.0	-846.7	-22.1	-232.7	-202.5	-255.3	14.3	109.9	179.7
CFO/current liabilities	-428.9	-490.5	-237.5	-48.0	-33.4	-63.6	-47.2	1.7	35.7	47.0
Cash conversion ratio	94.9	116.8	89.0	1775.1	107.2	186.2	289.7	282.0	11.8	49.4
Capex/revenues	111.0	31.8	25.1	447.0	5.0	8.1	4.0	3.1	6.5	4.7
Capex/depreciation	42.8	89.0	85.2	2817.4	55.8	106.8	64.8	65.9	161.8	118.6
OpFCF margin	-2180.5	-291.7	-263.7	-560.4	-12.9	-15.4	-1.0	2.3	5.7	10.6
<i>Leverage and solvency (x)</i>										
Interest cover	nm	nm	nm	nm	-11.49	-9.43	-2.07	0.22	7.43	8.65
EBIT/interest payable	nm	nm	nm	nm	nm	nm	nm	0.17	7.50	8.70
Cash coverage	70.59	192.85	-120.28	-179.78	-4.29	-3.47	2.12	6.13	10.49	11.24
Net debt/EBITDA	1.87	1.73	6.72	1.53	2.62	-2.96	-0.48	-2.64	-0.84	-0.77
Total debt/total capital (BV)	0.04	0.04	0.01	0.23	0.20	0.22	0.14	0.08	0.06	0.04
LTD / (LTD + equity (MV))	0.00	0.00	0.00	0.08	0.06	0.06	0.03	0.01	0.01	0.00
<i>Cash conversion cycle</i>										
Inventory turnover days	454.6	385.7	465.8	460.9	104.4	110.4	124.5	138.2	139.4	126.1
Receivables turnover days	689.2	174.3	193.3	384.6	62.6	68.2	83.9	80.3	56.3	55.1
Credit period	179.0	52.5	98.4	448.8	77.8	53.6	54.3	92.0	79.6	79.6
Cash conversion cycle	964.8	507.6	560.7	396.8	89.1	124.9	154.1	126.4	116.0	101.6

Source: Company (historical figures), DNB Markets (estimates)

22 October 2021

Important Information

Company: Nexam Chemical
 Coverage by Analyst: Mattias Holmberg
 Date: 22/10/2021

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22 October 2021

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