

NEXAM CHEMICAL

Waiting for the wind to turn

We have lowered our 2022e group sales by 9%, following a weaker-than-expected quarter for PET foam, as the wind-power industry has been struggling. However, we have raised our 2022e sales for Performance Masterbatch by 3% on the strong Q2 performance. The recycling business seems to be on track, and we find the division's potential value added promising. We have reduced our fair value to SEK13–17 (14–19) on the back of the Q2 report.

Q2 review. Net sales declined by 7% YOY in Q2 and were 13% below our estimate. The decline was due to lower-than-expected growth in the Performance Chemicals division, driven by a slowdown in the wind-power industry, which hurt Nexam Chemical's PET foam business. With this exception, we believe Q2 showed strength, as the gross margin was stable QOQ at c40% (implying cost inflation was well managed), while Performance Masterbatch grew by 23% YOY (driven mainly by volumes), which we believe signals that the division is gaining market share (market grows c4–5% annually, according to the company).

Reactive Recycling. While Reactive Recycling sales have not fully taken off (we estimate SEK3–4m in 2022), Nexam Chemical says it has c25 clients evaluating its recycling solutions. We believe the high number of potential customers is promising, as it could signal strong demand within Reactive Recycling.

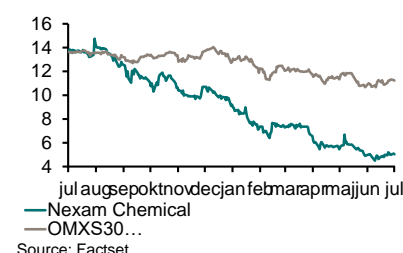
Outlook. We expect the PET-foam business to continue to face challenges throughout 2022 due to a slowdown in the wind-power industry. However, we believe the strong momentum in Performance Masterbatch should continue in 2022 and to some extent offset the weaker H2e for Performance Chemicals. In the long term, we view Nexam Chemical as well positioned for certain trends, such as renewables gaining a greater share of the global energy mix and increased governmental regulations targeting reductions in plastic waste.

Fair value reduced to SEK13–17. We have lowered our 2022e group sales by 9% to reflect the Q2 report and the challenging market for wind power in H2e. We have raised our 2022e sales for Performance Masterbatch by 3% following the strong quarter.

Year-end Dec	2018	2019	2020	2021	2022e	2023e	2024e
Revenue (SEKm)	110	130	166	219	228	301	386
EBITDA adj (SEKm)	-9	-9	5	8	6	35	56
EBIT adj (SEKm)	-19	-19	-5	-3	-7	17	34
PTP (SEKm)	-17	-17	-8	-5	-8	13	28
EPS rep (SEK)	-0.25	-0.25	-0.14	-0.07	-0.09	0.12	0.27
EPS adj (SEK)	-0.30	-0.31	-0.11	-0.05	-0.10	0.12	0.27
Revenue growth (%)	487.5	18.4	27.5	32.3	4.0	31.9	28.2
EBIT growth adj (%)	nm	nm	nm	nm	nm	nm	98.1
EPS growth adj (%)	nm	nm	nm	nm	nm	nm	121.0
EBIT margin adj (%)	-16.9	-14.9	-3.2	-1.4	-3.2	5.7	8.8
EV/Sales adj (x)	5.58	4.33	4.07	3.71	1.70	1.29	0.98
EV/EBITDA adj (x)	nm	nm	nm	nm	68.0	11.2	6.7
EV/EBIT adj (x)	nm	nm	nm	nm	nm	22.6	11.2
P/E adj (x)	nm	nm	nm	nm	nm	41.3	18.7
ROE (%)	nm	nm	nm	nm	nm	4.4	9.1
ROCE (%)	nm	nm	nm	nm	nm	7.3	13.7

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

NEXAM versus OMXS30 (12m)



SUMMARY

Share price (SEK)	5.03
Tickers	NEXAM SS

CAPITAL STRUCTURE

No. of shares (m)	80.9
No. of shares fully dil. (m)	80.9
Market cap. (SEKm)	407
NIBD adj end-2022e (SEKm)	-19
Enterprise value adj (SEKm)	388
Net debt/EBITDA adj (x)	-3.39
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

Q3 2022	20/10/2022
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ESTIMATE CHANGES (SEK)

Year-end Dec	2022e	2023e	2024e
Sales (old)	250.7	322.2	405.1
Sales (new)	228.2	301.0	385.8
Change (%)	-9.0	-6.6	-4.8
EPS adj (old)	0.03	0.25	0.41
EPS adj (new)	-0.10	0.12	0.27
Change (%)	-492.9	-51.9	-34.5

Source: DNB Markets,

This report has been commissioned and paid for by the company, and is deemed to constitute an acceptable minor non-monetary benefit as defined in MiFID II

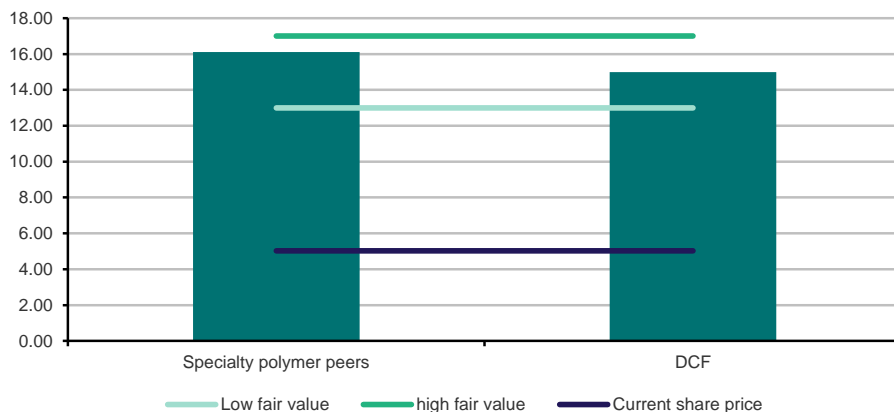
ANALYSTS

Hanna Lindbo

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Overview

Valuation (SEK)



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 c47% of sales in 2021), leading to the group missing its sales target.
- 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 2022–2024e sales CAGR of 27%, and the company to meet its target of growing 25% annually over a cycle.
- We expect margins to improve as soon as 2022, reflected in our forecast of an EBIT margin of 3%.
- 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

Valuation methodology

- Our fair value of SEK13–17 is based on speciality polymer peers' 2023e EV/sales and our DCF.
- The high end of our fair value is based on our peer group's 2023e EV/sales applied to our forecasts and DCF.
- The low end of our fair value is based on a 10% higher WACC of 14.4% in our base-case DCF.

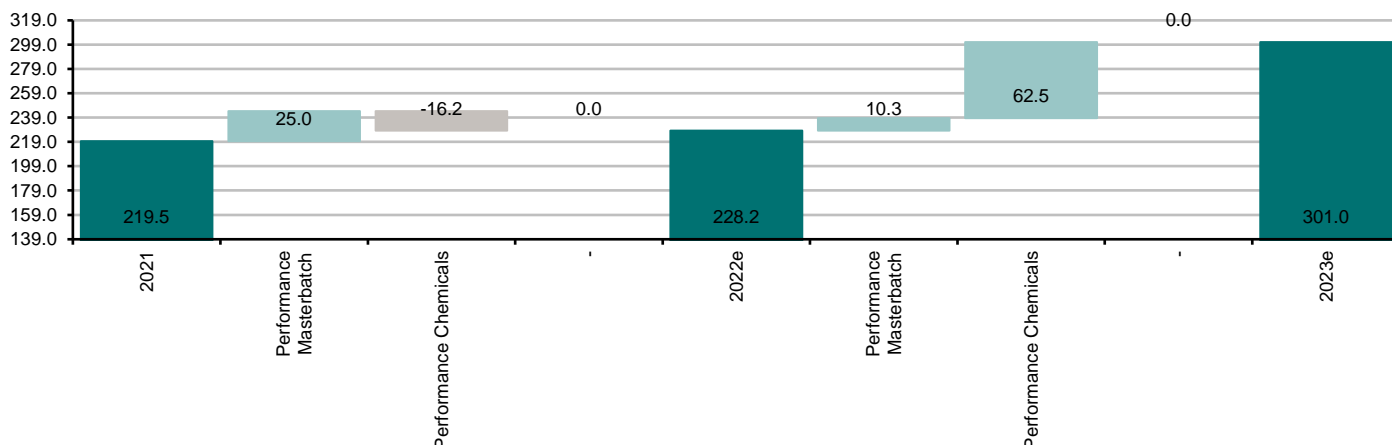
Source: DNB Markets

Upside risks to our fair value

- Higher than expected order intake in the High Performance segment.
- In our view, the recycling business 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 18% at specialty polymer peers.

Source: DNB Markets

Sales bridge 2021–2023e (SEKm)



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

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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 and aiding the environment. 	<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.
Actions being taken by company	<ul style="list-style-type: none"> ■ 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. 	<ul style="list-style-type: none"> ■ 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"> ■ Governmental initiatives to increase the share of wind power in its energy mix could benefit Nexam long-term as it is well positioned in the PET-foam business. ■ 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 or obsolete.

Source: DNB Markets

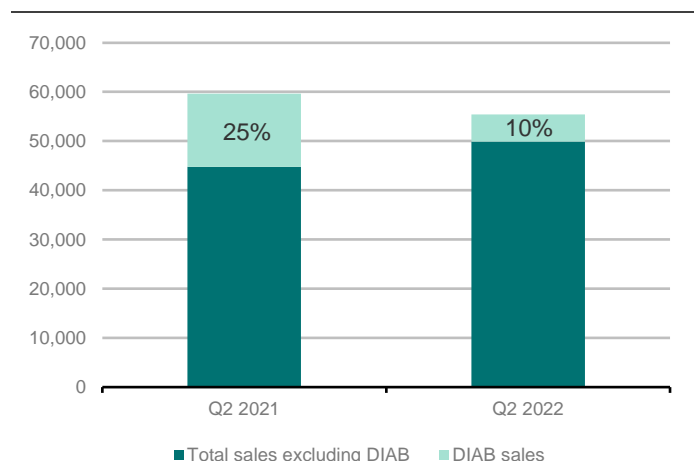
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PET foam

PET foam is a core material for reducing the weight and increasing the strength of various 'sandwich' constructions, such as wind turbines. PET foam is particularly well-suited for constructing lightweight and cost-effective blades for wind turbines.

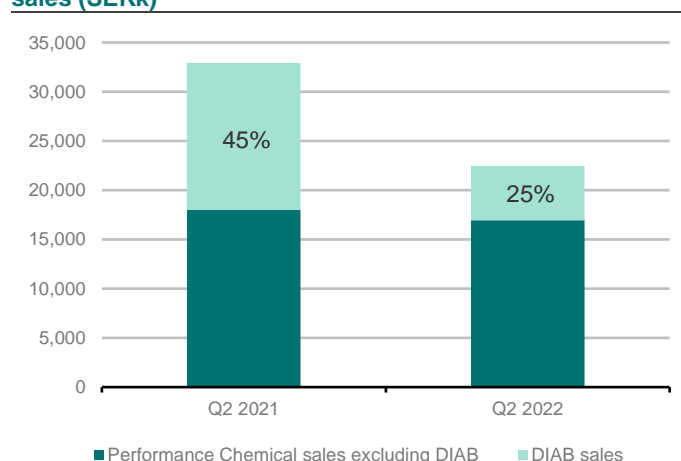
However, as the wind-power industry has been struggling with lower demand, cost inflation, and supply chain issues, Nexam Chemical's PET-foam business has faced challenges in recent quarters. Nexam has three large customers in this segment (there are four large players in total on the market). Its biggest customer priorly has been DIAB. In Q2 2021, DIAB accounted for c25% of Nexam Chemical's total sales (cSEK15m of group sales), while the corresponding figure in Q2 2022 was c10% (cSEK5.5m of group sales). Hence, the portion of sales to DIAB in Performance Chemicals has decreased from c45% in Q2 2021 to c25% in Q2 2022, and we believe the YOY decline in sales in Q2 can largely be explained by a weak quarter for DIAB. As shown in Figure 2, after excluding DIAB from the Performance Chemicals division, sales were only slightly down YOY in Q2, which highlights DIAB's impact on the group, in our view.

Figure 1: Estimated DIAB share of total sales (SEKk)



Source: Company (underlying data), DNB Markets (further calculations)

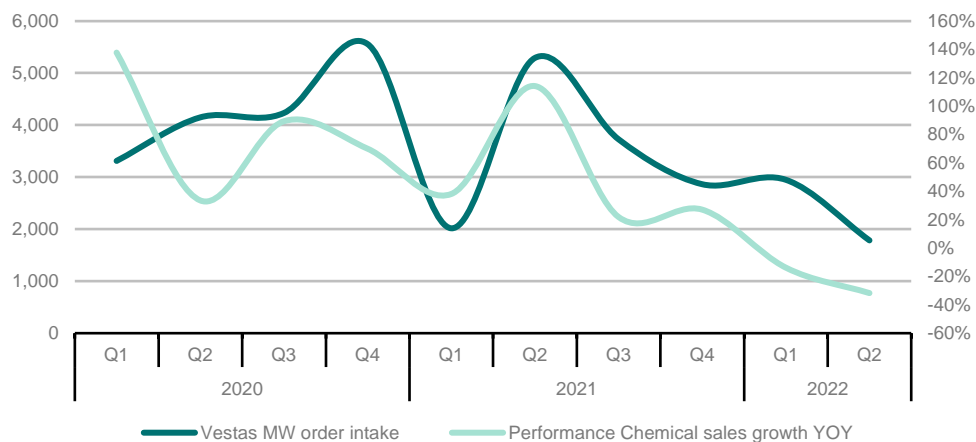
Figure 2: Estimated DIAB share of Performance Chemicals sales (SEKk)



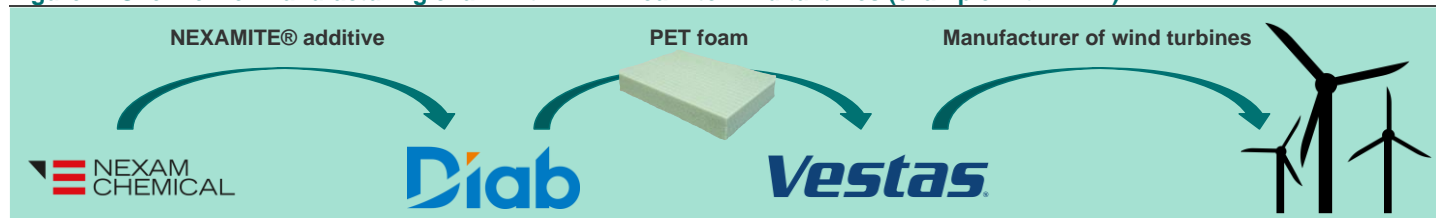
Source: Company (underlying data), DNB Markets (further calculations)

In 2019, DIAB signed a 5-year agreement with Vestas worth cEUR200–250m, and we estimate that Nexam Chemical delivers additives for c10% of DIAB's annual sales to Vestas. We have examined Vestas's announced orders since 2019. Figure 3 shows Vestas's MW order intake together with YOY sales growth for Performance Chemicals. While there is not a perfect correlation between the two, the figure indicates that Performance Chemicals' sales tend to move in the same direction as Vestas's order intake. We believe this supports our view that the decline in Nexam Chemical's sales in Q2 mostly reflected lower sales to DIAB. However, we believe that when Vestas's order intake trends upward, it could signal a positive trend for sales in Performance Chemicals. Thus far in Q3, no new orders have been announced by Vestas.

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Figure 3: Vestas order intake (MW) versus Performance Chemicals sales growth YOY


Source: Vestas (historical data), Nexam Chemical (historical data), DNB Markets (further calculations)

Figure 4: Overview of manufacturing chain within PET foam to wind turbines (example with DIAB)


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

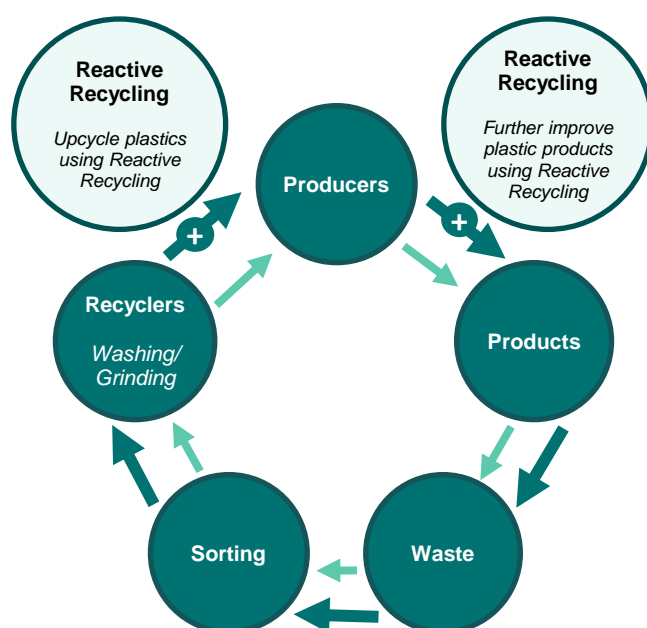
Ratos (the owner of DIAB) stated in its Q2 report that lower demand within the wind industry had hit major wind-turbine manufacturers hard and that it did not expect a turnaround until 2023. Hence, we are rather cautious on the near-term outlook for Nexam Chemical's PET-foam business. However, we expect the market to improve in the medium term, driven by increased government incentives for renewables to gain a larger share of the global energy mix. In turn, we believe this would be positive for Nexam Chemical.

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Reactive Recycling opportunity

In 2021, Nexam Chemical introduced the concept of 'Reactive Recycling', which covers the entire plastics recycling value chain from the recycler to the converter. Reactive Recycling makes it possible to recycle plastics in a more energy-smart and cost-effective way without any 'downcycling'. By introducing its additives after the mechanical recycling process, it is possible to upcycle the plastics, and allow for a larger proportion of recycled plastics or applications not otherwise possible with the current quality.

Figure 5: Reactive Recycling



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

We estimate 2022 Reactive Recycling sales at cSEK3–4m (or c1% of total sales). We believe all sales come from one or two customers, as Nexam Chemical's first (and to date only) announced order in this segment was worth cSEK2m annually. According to the company, it has c25 potential clients evaluating its Reactive Recycling solutions. We believe the high number of ongoing client discussions confirms the interest in its products. This should increase the likelihood of accelerated growth in sales in this segment.

While it is hard to estimate the value of Nexam Chemical's recycling business at this early stage, we have undertaken a scenario analysis to illustrate different potential outcomes and their implied value for the shares (see Figures 6 and 7). The results suggest a potential upside of SEK0–4 per share depending on the outcome, which is not reflected in our fair-value range.

Figure 6: Nexam Chemical's Reactive Recycling potential sales in 2024 depending on number of customers and order value

		Number of customers				
Order value per customer (SEKm)		5	10	15	20	25
	1	5	10	15	20	25
	2	10	20	30	40	50
	3	15	30	45	60	75
	4	20	40	60	80	100
	5	25	50	75	100	125

Source: DNB Markets (estimates)

Figure 7: Reactive Recycling – discounted value per share from 2024 sales (SEK)

		EV/Sales (x)				
Discount factor		1.5	2.0	2.5	3.0	3.5
	17.0%	0	0	0	1	1
	16.0%	0	0	1	1	2
	15.0%	0	1	1	2	2
	14.0%	0	1	1	2	3
	13.0%	0	1	2	3	4

Source: DNB Markets (estimates)

While it is impossible to capture the exact potential of Nexam Chemical's recycling business, we believe government regulation (e.g. the EU targets c50% of all plastic packaging to be recycled by 2025, compared to c15% today) should drive growth in this segment. In addition,

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we believe that growth in Reactive Recycling could accelerate quickly as a proof-of-concept is established. Hence, we believe Reactive Recycling could grow into a core segment of Nexam Chemical's business in the coming years.

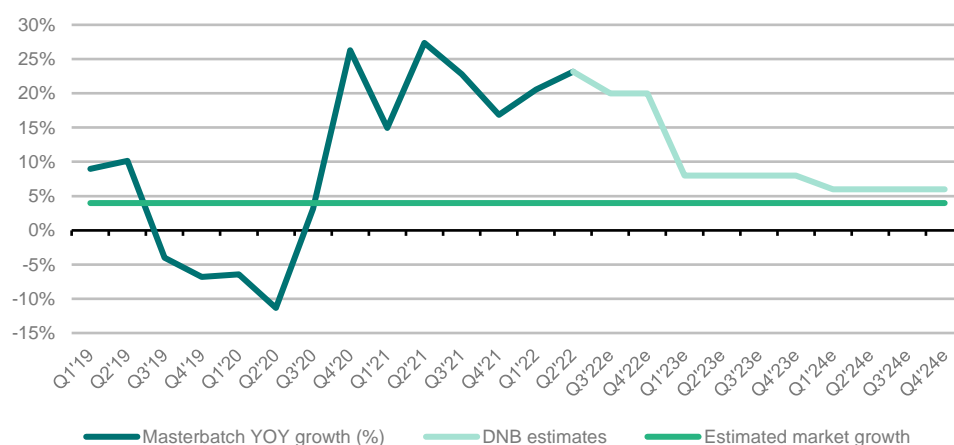
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Masterbatch outgrowing its market

Performance Masterbatch (previously Plasticolor, acquired at end-2017) accounted for c48% of total sales in 2021. The global market for colour masterbatch, which is the main portion of Performance Masterbatch's sales, is estimated at USD2.9bn with an annual growth rate of c4%, according to the company. In 2021, Nexam Chemical had sales of cSEK104m in its Masterbatch business area, which corresponds to less than 1% of the total global market for masterbatch.

While the market for Masterbatch is considered to be mature, Nexam Chemical has shown that it is possible to outgrow the market. In Q2, its Masterbatch business grew by 23%, with the growth primarily driven by increased volumes (higher average order values from existing and new customers). This indicates that the company is taking market share, we believe. Given its track record of outperforming the market multiple quarters in a row, we believe the company has the potential to continually grow its Masterbatch business at a high level in the short term. However, in our view, growth should stabilise closer to the market's growth in the medium to long term. In addition, the Masterbatch market is sensitive to economic downturns, and a recession could lead to a slowdown in growth.

Figure 8: Performance Masterbatch YOY growth (2019–2024e, %)



Source: Company (historical data, estimated market growth), DNB Markets (estimates)

Summary of positives

Sustainability the core of the business case

Nexam Chemical's products enhance the properties and performance of polymer materials by, for instance, improving strength, recyclability, ductility, and temperature resistance. This allows manufacturers to substitute more expensive and heavier materials with polymers, resulting in lower operating expenses 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, as exemplified by the renewal of the delivery agreement with DIAB, one of the world's largest PET foam manufacturers. 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 fibre and filament order was placed, and in December 2021 its Reactive Recycling portfolio received its first commercial order, which we believe could act as a proof-of-concept order to attract more customers.

Healthy demand evident in announced orders

Long-standing customer relationships and patented know-how

It takes several years to develop a product and reach commercial sales. As 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 56 patents, in our view raising the barriers to entry and reinforcing its standing as a first-mover in its niches.

Client relationships, collaborations, and patents form the foundations of 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 at c\$500m based on the four largest PET foam manufacturers, of which Nexam Chemical is already collaborating with three. Moreover, we see great potential in its Reactive Recycling business. The level of recycling is expected to increase in the coming years, driven by governmental actions to reduce plastic waste. The EU targets recycled plastic to account for 50% of plastic packaging by 2025 (currently at 15%, according to Nexam Chemical), and even if the reduction of waste does not reach the targeted range, we believe the market will experience significant growth in the coming years.

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

Energy independency

The Russian invasion of Ukraine has driven energy prices to historically high levels, as Russia accounted for a large part of the energy supply in Europe. This has shown the major impacts reliance on certain countries for energy supply could have. In turn, the importance of reducing reliance on certain countries has been put on the agenda, and several governments have already raised their targets for the exploration of the domestic energy supply. Renewable energy has been highlighted as one key source when expanding the energy supply. Hence, we find the trend toward national energy independency to be positive for Nexam Chemical due to its exposure to wind power.

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Summary of negatives

The key risks that could affect our fair value relate to a potential failure to capitalise on the underlying growth prospects and could include: 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 56 patents and has built long-standing customer relationships in its focus areas, the polymer industry is still highly competitive, driven by technological advances and shifting market trends. Any further intensification 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 advancements 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 cSEK45m at end-2022 following the directed rights issue in Q3 2021, indicating a well-capitalised balance sheet. 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

Lack of sales in Performance Chemical could hinder the growth story

We believe the narrative on the investment case centres on Performance Chemicals' growth story. In the event sales do not materialise, we believe the entire organic growth story of Nexam Chemical would be far less appealing.

Worsening economic conditions

Demand in Performance Masterbatch (48% of 2021 group sales) generally tracks in line with overall economic activity, so is susceptible to weakening economic fundamentals. Our base case assumes Performance Chemicals offsets any deterioration in key indicators, given the structural growth drivers in its end-markets and market-share gains. However, we see a risk of a global recession slowing organic growth within the Performance Masterbatch segment, especially as the Performance Chemicals division has struggled with growth in recent quarters.

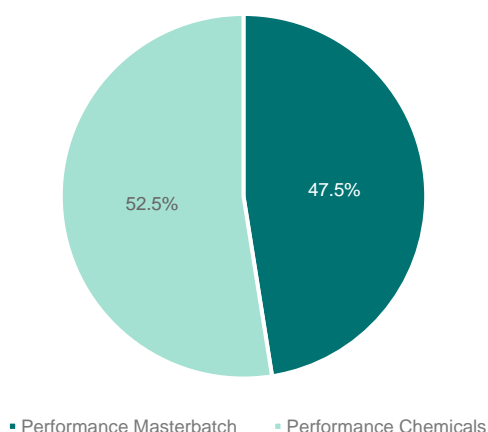
Time will tell if Performance Chemicals makes Nexam Chemical immune to recession

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Company overview

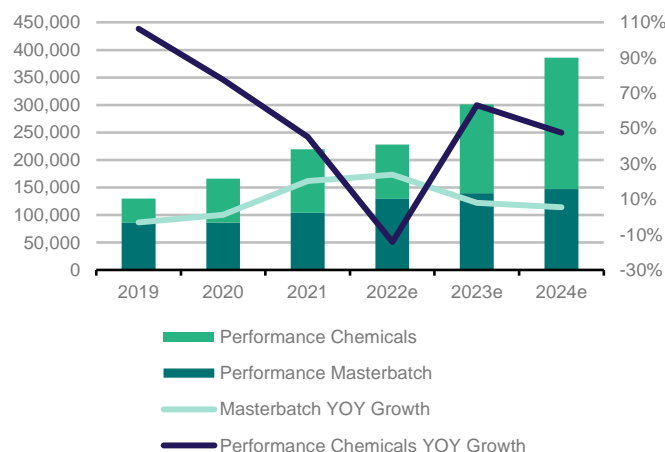
Nexam Chemical is a speciality chemical company with a world-leading, unique technology to enhance the properties and performance of plastics and polymers based on a decade-long R&D programme. It has deep roots in the scientific community, such as NASA's space programme.

Figure 9: Sales by segment (2021)



Source: Company, DNB Markets (graph structuring)

Figure 10: Sales (LHS, SEKk) and growth (RHS, %)



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

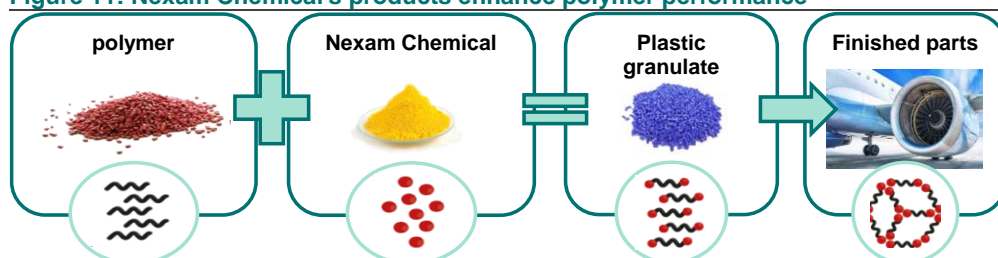
The company has two divisions:

- **Performance Chemicals (53% of 2021 sales)** includes enhancing products for PET foam and high performance, polyethylene applications as well as the recycling business portfolio Reactive Recycling. The Performance Chemicals segment increased its top line by 45% in 2021, and we believe this will be the primary growth driver at Nexam Chemical.
- **Performance Masterbatch (47% of 2021 sales)** includes the former Plasticolor, and mainly targets the plastics industry in the Nordics and Eastern Europe. We view Performance Masterbatch as more mature than Performance Chemicals, and see it as acting as a cash generator.

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 weight, 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 11: Nexam Chemical's products enhance polymer performance



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

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Appendices

Shareholders

The following figures show the top shareholders of Nexam Chemical, and the ownership of the board and management as of 28 June 2022.

Figure 12: Top 30 shareholders (as of 28 June 2022)

Owner	No. of shares 28 June 2022	No. of shares 31 Dec. 2021	Change	Holdings (%)	Country
Avanza Pension	8,220,315	8,500,950	-3.3%	10.16%	SE
Nerthus Investments LTD	7,174,257	7,174,257	0.0%	9.09%	CY
Leorex Capital Limited	3,910,000	3,910,000	0.0%	4.96%	CY
Veronica Wallman	3,641,225	3,641,225	0.0%	4.50%	SE
Länsförsäkringar Fonder	3,513,582	3,545,652	-0.9%	4.34%	SE
SEB Fonder	2,818,268	3,051,723	-7.6%	3.48%	SE
Lennart Holm med familj	2,091,882	2,091,882	0.0%	2.59%	SE
Nordnet Pensionsförsäkring	1,683,378	2,134,849	-21.1%	2.08%	SE
Jan-Erik Rosenberg	1,362,002	1,362,002	0.0%	1.68%	SE
SEBinvest	1,186,008	1,243,962	-4.7%	1.47%	DK
Futur Pension	1,182,980	1,266,030	-6.6%	1.46%	SE
Michael Wandy Karlsson	968,342	968,342	0.0%	1.20%	SE
Björn Parkander	912,517	912,517	0.0%	1.13%	GB
ÖstVäst Capital Management	886,105	886,105	0.0%	1.10%	SE
Swedbank Försäkring	833,846	821,546	1.5%	1.03%	SE
Jimmy Holm	802,000	802,000	0.0%	0.99%	SE
Anders Dahlquist	638,755	638,755	0.0%	0.79%	SE
Livförsäkringsbolaget Skandia	547,079	New	New	0.68%	SE
Mikael Gunnarsson	500,000	650,000	-23.1%	0.62%	SE
Patric Rydström	485,000	430,000	12.8%	0.60%	SE
Gunvald Berger	472,747	375,747	25.8%	0.58%	SE
Gunnar Jardelöv	465,854	807,708	-42.3%	0.58%	SE
Michael Karlsson i Helsingborg	434,000	409,000	6.1%	0.54%	SE
Peter Sedira	427,388	427,388	0.0%	0.53%	SE
Ulf Thaug	384,353	381,933	0.6%	0.48%	SE
Lars Olof Jonsson	381,784	377,784	1.1%	0.47%	SE
Per Håkan Linné	360,000	365,977	-1.6%	0.44%	SE
Karin Palmqvist Morin	336,140	New	New	0.42%	SE
Per Anders Bendt	325,000	New	New	0.40%	SE
Markku Mikkola	313,794	New	New	0.39%	SE

Source: Holdings

Figure 13: Board and management ownership (as of 28 June 2022)

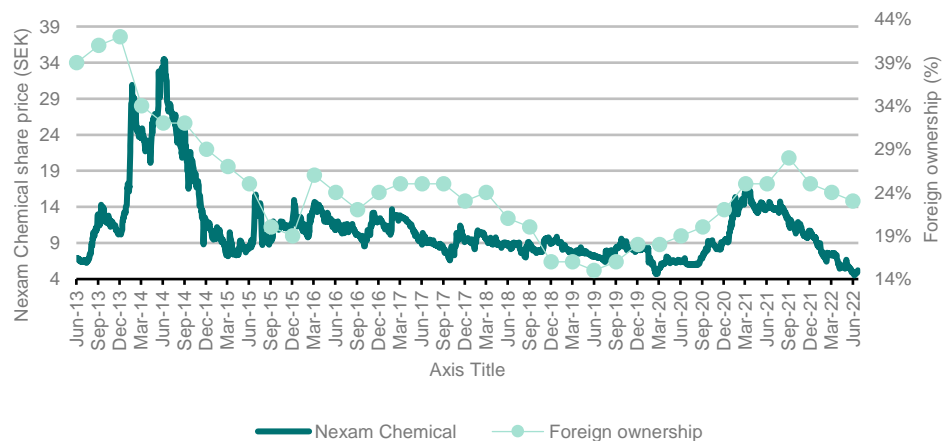
Owner	Position	Number of shares	Holdings/votes (%)
Martin Roos	Board member	269,500	0.33%
Johan Arvidsson	CEO	176,345	0.22%
Mats Persson	Chairman	134,664	0.17%
Cecilia Jinert Johansson	Board member	70,664	0.09%
Marcus Nyberg	CFO	23,332	0.03%
Jörgen Heby	CPO	15,000	0.02%
Jonna Opitz	Board member	14,000	0.02%
Oskar Tuwesson	Board member	10,000	0.01%
Francesco Piscioti	CTO	300	0.00%

Source: Holdings

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Overview of foreign ownership

Figure 14: Share price (SEK) and foreign ownership (%) Q2 2013–Q2 2022



Source: Factset, Holdings (underlying data), DNB Markets (graph structuring)

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Forecast changes – P&L

(SEKm)	2022e	New 2023e	2024e	2022e	Old 2023e	2024e	2022e	Change 2023e	2024e
Revenues	228	301	386	251	322	405	-22	-21	-19
Cost of sales	-135	-166	-212	-145	-177	-223	11	12	11
Gross profit	95	135	174	107	145	182	-12	-10	-9
Operating expenses	-88	-101	-117	-89	-101	-117	0	0	0
EBITDA	6	35	56	18	44	65	-12	-9	-9
EBITDA adj	6	35	56	17	44	65	-11	-9	-9
EBITDA margin (%)	2.8	11.5	14.6	7.3	13.6	16.0	-4.5	-2.1	-1.5
Depreciation	-13	-17	-22	-11	-13	-16	-2	-5	-6
EBIT	-7	17	34	8	31	49	-14	-14	-15
EBIT adj	-7	17	34	6	31	49	-13	-14	-15
Net interest	-2	-4	-6	-2	-4	-6	1	0	0
Net financial items	-2	-4	-6	-2	-4	-6	1	0	0
PBT	-8	13	28	5	27	43	-13	-14	-15
Taxes	1	-3	-7	-2	-6	-10	2	3	3
Net profit	-8	10	22	4	21	33	-11	-11	-12
Adjustments to net profit	-1	0	0	-2	0	0	1	0	0
Net profit adj	-8	10	22	2	21	33	-10	-11	-12
<i>Per share data (SEK)</i>									
EPS	-0.09	0.12	0.27	0.05	0.25	0.41	-0.14	-0.13	-0.14
EPS adj	-0.10	0.12	0.27	0.03	0.25	0.41	-0.13	-0.13	-0.14
<i>Other key metrics (%)</i>									
Revenue growth	4.0	31.9	28.2	14.2	28.5	25.7	-10.2	3.4	2.4
EBIT adj growth	nm	nm	98.1	-301.2	417.9	57.2	nm	nm	40.9
EPS adj growth	nm	nm	121.0	-150.4	868.3	62.3	nm	nm	58.7
Avg. number of shares (m)	81	81	81	81	81	81	0	0	0
Capex	-17	-14	-18	-14	-15	-19	-3	1	1
OpFCF	-12	20	38	2	29	46	-14	-8	-8
NIBD adj	-19	-19	-28	-29	-37	-50	10	18	22

Source: DNB Markets

Forecast changes – By segment and assumptions

(SEKm)	2022e	New 2023e	2024e	2022e	Old 2023e	2024e	2022e	Change 2023e	2024e
Revenue									
Performance Masterbatch	129	139	147	125	135	143	4	4	4
Performance Chemicals	99	162	239	125	187	262	-26	-25	-23
Assumptions									
Revenue org. % YOY	3.52	31.97	28.16	13.80	28.58	25.73	-10.28	3.39	2.43
Structure impact % YOY	0.00	0.00	0.00		0.00	0.00		0.00	0.00
Currency impact % YOY	0.46	-0.06	0.00	0.42	-0.03	0.00	0.04	-0.03	0.00

Source: DNB Markets

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Quarterly numbers

(SEKm)	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022e	Q4 2022e	Q1 2023e	Q2 2023e	Q3 2023e
Revenues	53	60	50	57	54	55	56	63	70	74	77
Cost of sales	-31	-35	-32	-37	-32	-34	-33	-36	-38	-41	-42
Gross profit	21	25	18	20	21	22	24	26	31	33	34
Operating expenses	-20	-22	-17	-19	-21	-23	-22	-23	-24	-25	-25
EBITDA	2	2	1	1	2	-1	2	4	7	8	9
Depreciation	-3	-3	-3	-3	-3	-3	-3	-4	-4	-4	-4
EBIT	0	-1	-2	-2	-1	-4	-1	0	3	4	5
Net interest	0	-1	0	0	0	0	-1	-1	-1	-1	-1
Net financial items	0	-1	0	0	0	0	-1	-1	-1	-1	-1
PBT	-1	-1	-2	-2	-2	-4	-2	-1	2	3	3
Taxes	0	0	0	0	0	0	0	0	-1	-1	-1
Net profit	-1	-1	-2	-2	-2	-4	-1	0	2	2	3
Adjustments to net profit	0	1	0	0	-2	1	0	0	0	0	0
Net profit adj	-1	0	-2	-2	-3	-3	-1	0	2	2	3
Avg. number of shares (m)	79	79	76	81	81	81	81	81	81	81	81
<i>Per share data (SEK)</i>											
EPS	0.00	-0.02	-0.02	-0.02	-0.02	-0.05	-0.02	-0.01	0.02	0.03	0.03
EPS adj	-0.01	0.00	-0.03	-0.02	-0.04	-0.04	-0.02	-0.01	0.02	0.03	0.03
<i>Growth and margins (%)</i>											
Revenues, QOQ growth	12.4	13.6	-15.8	13.6	-5.5	2.8	1.6	11.2	11.7	5.6	3.8
Revenues, YOY growth	25.9	64.0	22.3	22.2	2.7	-7.1	12.1	9.7	29.7	33.1	36.1
EPS adj, YOY growth	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm
Gross margin	40.7	41.3	35.9	35.8	39.8	39.5	42.0	42.0	45.0	45.0	45.0
EBITDA adj margin	4.0	5.5	2.1	2.1	0.0	0.0	3.7	5.7	10.4	11.2	11.8
Depreciation/revenues	-4.9	-4.4	-5.3	-4.8	-5.3	-5.8	-5.8	-5.8	-5.8	-5.8	-5.8
EBIT adj margin	-0.9	1.1	-3.2	-2.7	-5.3	-5.8	-2.1	-0.1	4.6	5.4	6.0
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)	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022e	Q4 2022e	Q1 2023e	Q2 2023e	Q3 2023e
EBITDA	2	2	1	1	2	-1	2	4	7	8	9
Gains and losses	0	0	0	0	0	0	0	0	0	0	0
EBITDA adj	2	3	1	1	0	0	2	4	7	8	9
Gains and losses	0	0	0	0	0	0	0	0	0	0	0
EBIT	0	-1	-2	-2	-1	-4	-1	0	3	4	5
Gains and losses	0	0	0	0	0	0	0	0	0	0	0
EBIT adj	0	1	-2	-2	-3	-3	-1	0	3	4	5
Net profit	-1	-1	-2	-2	-2	-4	-1	0	2	2	3
Gains and losses	0	0	0	0	0	0	0	0	0	0	0
Net profit adj	-1	0	-2	-2	-3	-3	-1	0	2	2	3

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

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Quarterly numbers by segment and assumptions

(SEKm)	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022e	Q4 2022e	Q1 2023e	Q2 2023e	Q3 2023e
Revenue											
Performance Masterbatch	25	27	26	26	30	33	33	33	33	36	35
Performance Chemicals	27	33	24	31	24	22	24	29	37	38	41
Assumptions											
Revenue org. % YOY	27.32	65.16	22.57	22.20	1.99	-7.59	11.73	9.32	29.80	33.26	36.11
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	-1.41	-1.15	-0.22	-0.01	0.69	0.48	0.32	0.35	-0.15	-0.11	0.00

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

Annual P&L

(SEKm)	2015	2016	2017	2018	2019	2020	2021	2022e	2023e	2024e
Revenues	8	8	19	110	130	166	219	228	301	386
Cost of sales	-5	-5	-12	-68	-82	-95	-135	-135	-166	-212
Gross profit	5	5	9	47	54	71	85	95	135	174
Operating expenses	-25	-24	-29	-53	-59	-66	-79	-88	-101	-117
EBITDA	-19	-19	-20	-6	-6	5	6	6	35	56
Depreciation	-3	-2	-3	-10	-10	-10	-11	-13	-17	-22
EBIT	-22	-22	-23	-16	-15	-5	-4	-7	17	34
Net interest	0	0	0	-1	-2	-2	-1	-2	-4	-6
Net financial items	0	0	0	-1	-2	-2	-1	-2	-4	-6
PBT	-22	-22	-23	-17	-17	-8	-5	-8	13	28
Taxes	0	0	17	0	0	0	0	1	-3	-7
Effective tax rate (%)	0	0	75	-1	0	-7	-3	6	23	23
Net profit	-22	-22	-6	-17	-17	-8	-5	-8	10	22
Adjustments to net profit	-1	0	-1	-3	-4	0	1	-1	0	0
Net profit adj	-23	-22	-7	-20	-21	-8	-4	-8	10	22
Avg. number of shares	52	62	65	68	68	73	80	81	81	81
<i>Per share data (SEK)</i>										
EPS	-0.42	-0.36	-0.09	-0.25	-0.25	-0.14	-0.07	-0.09	0.12	0.27
EPS adj	-0.44	-0.36	-0.11	-0.30	-0.31	-0.11	-0.05	-0.10	0.12	0.27
<i>Growth and margins (%)</i>										
Revenue growth	389.5	5.4	126.1	487.5	18.4	27.5	32.3	4.0	31.9	28.2
EPS adj growth	nm	nm	nm	nm	nm	nm	nm	nm	nm	121.0
Gross margin	30.8	43.4	37.4	38.1	36.7	42.8	38.5	40.9	45.0	45.0
EBITDA margin	nm	nm	nm	nm	nm	3.0	2.9	2.8	11.5	14.6
EBITDA adj margin	nm	nm	nm	nm	nm	3.0	3.5	2.5	11.5	14.6
Depreciation/revenues	-35.7	-29.5	-15.9	-9.0	-7.6	-6.1	-4.8	-5.7	-5.8	-5.8
EBIT margin	nm	nm	nm	nm	nm	nm	nm	nm	5.7	8.8
EBIT adj margin	-295.6	-268.0	-129.3	-16.9	-14.9	-3.2	-1.4	-3.2	5.7	8.8
PBT margin	nm	nm	nm	nm	nm	nm	nm	nm	4.3	7.3
Net profit margin	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm

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

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Adjustments to annual P&L

(SEKm)	2015	2016	2017	2018	2019	2020	2021	2022e	2023e	2024e
EBITDA	-19	-19	-20	-6	-6	5	6	6	35	56
Gains and losses	-3	-1	-2	-5	-6	0	0	-2	0	0
EBITDA adj	-20	-20	-21	-9	-9	5	8	6	35	56
Gains and losses	-3	-1	-2	-5	-6	0	0	-2	0	0
EBIT	-22	-22	-23	-16	-15	-5	-4	-7	17	34
Gains and losses	-3	-1	-2	-5	-6	0	0	-2	0	0
EBIT adj	-23	-22	-24	-19	-19	-5	-3	-7	17	34
Net profit	-22	-22	-6	-17	-17	-8	-5	-8	10	22
Gains and losses	-3	-1	-2	-5	-6	0	0	-2	0	0
Net profit adj	-23	-22	-7	-20	-21	-8	-4	-8	10	22
<i>Per share data (SEK)</i>										
EPS	-0.42	-0.36	-0.09	-0.25	-0.25	-0.14	-0.07	-0.09	0.12	0.27
Recommended adjustment	-0.02	0.00	-0.02	-0.05	-0.06	0.03	0.02	-0.01	0.00	0.00
EPS adj	-0.44	-0.36	-0.11	-0.30	-0.31	-0.11	-0.05	-0.10	0.12	0.27

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

Cash flow

(SEKm)	2015	2016	2017	2018	2019	2020	2021	2022e	2023e	2024e
Net profit	-22	-22	-6	-17	-17	-8	-5	-8	10	22
Other non-cash adjustments	0	0	0	-1	-2	-2	0	-1	-7	-12
Change in net working capital	-4	2	1	-6	-14	-19	2	2	-13	-18
Cash flow from operations (CFO)	-23	-18	-18	-13	-21	-17	7	7	14	26
Capital expenditure	-2	-2	-84	-6	-11	-7	-6	-17	-14	-18
Cash flow from investing (CFI)	-2	-2	-84	-6	-11	-7	-6	-17	-14	-18
Free cash flow (FCF)	-26	-20	-102	-18	-32	-23	2	-10	0	8
Net change in debt	-1	117	55	-14	1	30	32	-8	-4	-4
Cash flow from financing (CFF)	-1	117	55	-14	1	30	32	-8	-4	-4
Total cash flow (CFO+CFI+CFF)	-26	97	-47	-33	-31	7	34	-18	-4	4
<i>FCFF calculation</i>										
Free cash flow	-26	-20	-102	-18	-32	-23	2	-10	0	8
Less: net interest	0	0	0	1	2	2	1	2	4	6
Less: tax shields/other	0	0	0	0	0	0	0	0	0	0
<i>Growth (%)</i>										
CFO	26.4	24.1	-5.0	30.2	-65.1	20.8	143.1	-4.2	106.4	83.8
CFI	-40.0	16.6	-3923.3	93.4	-89.7	37.2	16.5	-214.0	18.1	-28.6
FCF	22.8	23.4	-418.9	81.9	-72.5	26.2	107.4	-695.1	101.6	4795.9
CFF	-100.9	19874.1	-52.6	-125.9	105.6	3666.3	7.9	-124.7	50.0	0.3
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)	2015	2016	2017	2018	2019	2020	2021	2022e	2023e	2024e
Assets	74	174	282	248	228	250	284	279	293	321
Inventories	6	6	15	19	25	32	32	46	57	73
Trade receivables	2	2	15	16	19	32	38	32	42	54
Other receivables	2	3	5	3	5	6	4	5	5	5
Cash and cash equivalents	36	133	86	54	23	30	64	45	41	45
Current assets	46	143	121	92	72	100	138	128	145	178
Property, plant and equipment	11	9	50	48	49	45	44	48	46	42
Goodwill	18	19	111	108	106	105	103	103	102	102
Non-current financial assets	0	3	0	0	0	0	0	0	0	0
Non-current assets	28	30	161	156	156	150	147	151	148	144
Total assets	74	174	282	248	228	250	284	279	293	321
Equity and liabilities	74	174	282	248	228	250	284	279	293	321
Total equity	66	164	188	171	155	187	228	220	230	252
Trade payables	1	1	14	14	12	14	17	28	36	46
Other payables and accruals	3	5	11	11	7	8	11	11	11	11
Short-term debt	1	1	13	13	14	13	13	8	8	8
Total current liabilities	5	7	38	39	33	36	42	46	55	65
Long-term debt	2	1	50	37	35	23	11	9	5	1
Pension liabilities	0	0	0	0	0	0	0	0	0	0
Other non-current liabilities	1	1	5	1	4	5	3	3	3	3
Total non-current liabilities	3	2	56	39	40	27	15	13	9	5
Total liabilities	8	10	94	77	73	63	56	59	64	70
Total equity and liabilities	74	174	282	248	228	250	284	279	293	321
<i>Key metrics</i>										
Net interest bearing debt	-33	-131	-31	-15	17	-2	-36	-19	-19	-28

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

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Valuation ratios

(SEKm)	2015	2016	2017	2018	2019	2020	2021	2022e	2023e	2024e
<i>Enterprise value</i>										
Share price (SEK)	12.50	12.25	9.55	9.30	8.10	9.26	10.65	5.03	5.03	5.03
Number of shares (m)	51.78	62.11	64.85	67.52	67.52	73.06	79.91	80.92	80.92	80.92
Market capitalisation	647	761	619	628	547	677	851	407	407	407
Net interest bearing debt	-33	-131	-31	-15	17	-2	-36	-19	-19	-28
Adjustments to NIBD	0	0	0	0	0	0	0	0	0	0
Net interest bearing debt adj	-33	-131	-31	-15	17	-2	-36	-19	-19	-28
EV	614	630	589	613	563	674	815	388	388	379
EV adj	614	630	589	613	563	674	815	388	388	379
<i>Valuation</i>										
EPS	-0.42	-0.36	-0.09	-0.25	-0.25	-0.14	-0.07	-0.09	0.12	0.27
EPS adj	-0.44	-0.36	-0.11	-0.30	-0.31	-0.11	-0.05	-0.10	0.12	0.27
P/E	-29.8	-34.0	-106.1	-37.2	-32.4	-66.1	-155.0	-53.8	41.3	18.7
P/E adj	-28.2	-34.1	-88.5	-31.4	-26.1	-83.6	-205.0	-48.9	41.3	18.7
Average ROE	-31.4%	-19.2%	-3.3%	-9.6%	-10.5%	-4.7%	-2.6%	-3.4%	4.4%	9.1%
Earnings yield adj	-3.4%	-2.9%	-0.9%	-2.7%	-3.1%	-1.5%	-0.6%	-1.9%	2.4%	5.4%
EV/SALES	78.28	76.19	31.49	5.58	4.33	4.07	3.71	1.70	1.29	0.98
EV/SALES adj	78.28	76.19	31.49	5.58	4.33	4.07	3.71	1.70	1.29	0.98
EV/EBITDA	-31.8	-32.3	-29.5	-106.4	-101.1	137.3	129.4	60.0	11.2	6.7
EV/EBITDA adj	-30.1	-31.9	-27.8	-71.2	-59.4	137.3	107.3	68.0	11.2	6.7
EV/EBIT	-27.8	-28.7	-25.7	-39.1	-36.6	-127.7	-190.6	-59.4	22.6	11.2
EV/EBIT adj	-26.5	-28.4	-24.4	-33.1	-29.2	-127.7	-273.6	-53.2	22.6	11.2
EV/capital employed	8.9	3.8	2.4	2.9	2.9	3.1	3.4	1.7	1.6	1.5
EV/OpFCF (taxed)	-34.9	-37.5	-7.3	-56.3	-36.6	-518.7	508.5	-43.4	24.7	13.0

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

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Key accounting ratios

	2015	2016	2017	2018	2019	2020	2021	2022e	2023e	2024e
<i>Profitability (%)</i>										
ROA	-27.7	-17.8	-2.5	-6.5	-7.2	-3.4	-2.0	-2.7	3.4	7.1
ROCE	-31.6	-18.8	-11.8	-8.2	-9.6	-2.6	-1.3	-3.1	7.3	13.7
<i>Return on invested capital (%)</i>										
Net PPE/revenues	135.8	105.3	268.4	43.5	37.8	27.1	19.9	21.3	15.1	10.8
<i>Cash flow ratios (%)</i>										
FCF/revenues	-327.4	-237.8	-545.8	-16.8	-24.4	-14.1	0.8	-4.5	0.1	2.1
FCF yield (%)	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm
CFO/revenues	-295.6	-212.7	-98.8	-11.7	-16.4	-10.2	3.3	3.0	4.8	6.8
CFO/market capitalisation	-3.6	-2.3	-3.0	-2.1	-3.9	-2.5	0.9	1.7	3.5	6.5
CFO/capex	-931.0	-846.7	-22.1	-232.7	-202.5	-255.3	131.6	40.2	101.2	144.5
CFO/current liabilities	-490.5	-237.5	-48.0	-33.4	-63.6	-47.2	17.5	15.0	26.1	40.5
Cash conversion ratio	116.8	89.0	1775.1	107.2	186.2	289.9	-32.0	137.0	1.7	37.3
Capex/revenues	31.8	25.1	447.0	5.0	8.1	4.0	2.5	7.6	4.7	4.7
Capex/depreciation	89.0	85.2	2817.4	55.8	106.8	64.8	52.2	133.3	81.2	81.5
OpFCF margin	-291.7	-263.7	-560.4	-12.9	-15.4	-1.0	0.9	-5.1	6.8	9.9
<i>Leverage and solvency (x)</i>										
Interest cover	nm	nm	nm	-11.49	-9.43	-2.06	-3.58	-3.70	4.27	6.65
EBIT/interest payable	nm	nm	nm	nm	nm	nm	nm	nm	4.37	6.76
Cash coverage	192.85	-120.28	-179.78	-4.29	-3.47	2.13	6.11	4.18	8.04	10.08
Net debt/EBITDA	1.73	6.72	1.53	2.62	-2.96	-0.48	-5.76	-2.99	-0.56	-0.49
Total debt/total capital (BV)	0.04	0.01	0.23	0.20	0.22	0.14	0.09	0.06	0.04	0.03
LTD / (LTD + equity (MV))	0.00	0.00	0.08	0.06	0.06	0.03	0.01	0.02	0.01	0.00
<i>Cash conversion cycle</i>										
Inventory turnover days	385.7	465.8	460.9	104.4	110.4	124.8	87.4	123.5	126.1	126.1
Receivables turnover days	174.3	193.3	384.6	62.6	68.2	83.9	69.5	60.1	57.6	56.2
Credit period	52.5	98.4	448.8	77.8	53.6	54.5	46.4	74.6	79.6	79.6
Cash conversion cycle	507.6	560.7	396.8	89.1	124.9	154.3	110.5	108.9	104.1	102.6

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

27 July 2022

Important Information

Company: Nexam Chemical
 Coverage by Analyst: Hanna Lindbo
 Date: 27/07/2022

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27 July 2022

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