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NEXAM CHEMICAL

No wind in its sales

Q2 sales were down 25% YOY, driven by lower volumes due to inventory reductions and overall weaker demand. Sales in Performance Chemical were affected by lower volumes from the wind-power industry and, while we expect a recovery during H2, it will likely take longer than we had expected. We have lowered our 2023e sales to SEK191m following the Q2 results, and our fair value to SEK8–10 (10–14).

Q2 review. Group sales declined by 25% YOY, while adj. EBITDA was SEK-5.5m (we expected SEK2.3m). According to the company, the weak top line was due to lower volumes in various customer segments, in which most reduced their inventory levels. At the same time, overall demand seems to have been restrained due to a more uncertain macroeconomic outlook. Primarily, sales in Performance Chemical were hit by lower volumes, declining c31% YOY to cSEK15.5m. Sales in Performance Masterbatch were SEK26.2m (down c21% YOY). On a positive note, the gross margin was solid at c42.7% (versus 42.2% in Q1 2023 and 39.5% in Q2 2022).

Performance Chemical. The negative growth in sales in Performance Chemical was driven by lower volumes from the wind power industry. According to the company, c1/3 of the Performance Chemical sales (i.e. cSEK5m) came from the wind power industry. To compare, sales from DIAB alone amounted to cSEK10m in Q1 2023. The company sees indications that customers are at the end phase of inventory adjustments, so volumes from the wind-power industry should increase in H2. However, this recovery will likely take longer than we previously expected. Several projects and products in Reactive Recycling seem to be progressing, but we do not expect this to be a growth driver in 2023.

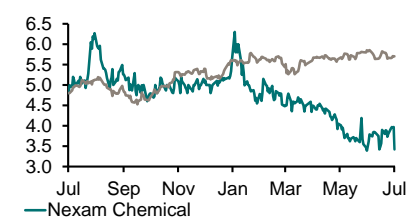
Financial position. Nexam's cash position is cSEK20.4m, and it says it does not plan on raising further capital, but we believe the risk of a rights issue has increased following the weak quarterly results.

Estimates cut, and fair value reduced to SEK8–10. While the company expects the wind-power industry to accelerate during the autumn, we believe this could take longer than we previously expected. As a result, we have cut our 2023e sales to SEK191m and, in turn, our adj. EBITDA for 2023 to SEK-9m. Consequently, we have lowered our fair value to SEK8–10.

| Year-end Dec | 2019 | 2020 | 2021 | 2022 | 2023e | 2024e | 2025e |
|---------------------|-------|-------|-------|-------|-------|-------|-------|
| Revenue (SEKm) | 130 | 166 | 219 | 222 | 191 | 254 | 345 |
| EBITDA adj (SEKm) | -9 | 5 | 8 | 1 | -9 | 22 | 46 |
| EBIT adj (SEKm) | -19 | -5 | -3 | -11 | -23 | 8 | 27 |
| PTP (SEKm) | -17 | -8 | -5 | -13 | -24 | 6 | 24 |
| EPS rep (SEK) | -0.25 | -0.14 | -0.07 | -0.15 | -0.26 | 0.05 | 0.23 |
| EPS adj (SEK) | -0.31 | -0.11 | -0.05 | -0.15 | -0.30 | 0.05 | 0.23 |
| Revenue growth (%) | 18.4 | 27.5 | 32.3 | 1.0 | -13.8 | 32.9 | 35.8 |
| EBIT growth adj (%) | nm | nm | nm | nm | nm | nm | 233.8 |
| EPS growth adj (%) | nm | nm | nm | nm | nm | nm | 322.0 |
| EBIT margin adj (%) | -14.9 | -3.2 | -1.4 | -5.0 | -11.9 | 3.2 | 7.9 |
| EV/Sales adj (x) | 4.33 | 4.07 | 3.71 | 1.92 | 1.56 | 1.17 | 0.86 |
| EV/EBITDA adj (x) | nm | nm | nm | nm | nm | 13.3 | 6.4 |
| EV/EBIT adj (x) | nm | nm | nm | nm | nm | 36.4 | 10.9 |
| P/E adj (x) | nm | nm | nm | nm | nm | 63.2 | 15.0 |
| ROE (%) | nm | nm | nm | nm | nm | 2.2 | 8.9 |
| ROCE (%) | nm | nm | nm | nm | nm | 3.8 | 12.1 |

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

NEXAM versus OMXS30 (12m)



Source: Factset

SUMMARY

| | |
|-------------------|----------|
| Share price (SEK) | 3.42 |
| Tickers | NEXAM SS |

CAPITAL STRUCTURE

| | |
|------------------------------|-------|
| No. of shares (m) | 80.9 |
| No. of shares fully dil. (m) | 80.9 |
| Market cap. (SEKm) | 277 |
| NIBD adj end-2023e (SEKm) | 21 |
| Enterprise value adj (SEKm) | 298 |
| Net debt/EBITDA adj (x) | -2.34 |
| 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 2023 | 23/10/2023 |
|---------|------------|

ESTIMATE CHANGES (SEK)

| Year-end Dec | 2023e | 2024e | 2025e |
|---------------|-------|-------|-------|
| Sales (old) | 245.3 | 312.2 | 387.8 |
| Sales (new) | 191.2 | 254.1 | 345.0 |
| Change (%) | -22.1 | -18.6 | -11.0 |
| EPS adj (old) | -0.05 | 0.17 | 0.30 |
| EPS adj (new) | -0.30 | 0.05 | 0.23 |
| Change (%) | nm | -67.2 | -23.6 |

Source: DNB Markets,

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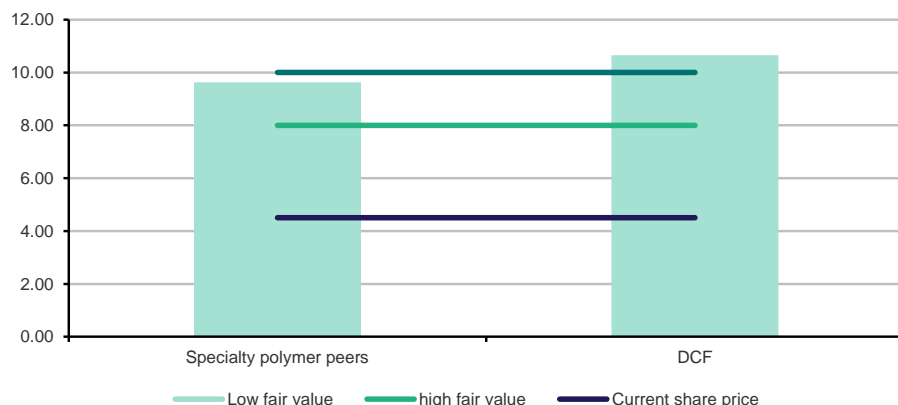
ANALYSTS

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Overview

Valuation (add listing currency here, e.g. 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 c53% of sales in 2022), 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 2022–2025 sales CAGR of 16%.
- We expect the initiated cost savings programme to contribute positively to earnings, but believe it will not be enough for the company to reach positive EBIT in 2023e.

Source: DNB Markets

Valuation methodology

- Our fair value of SEK8–10 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.

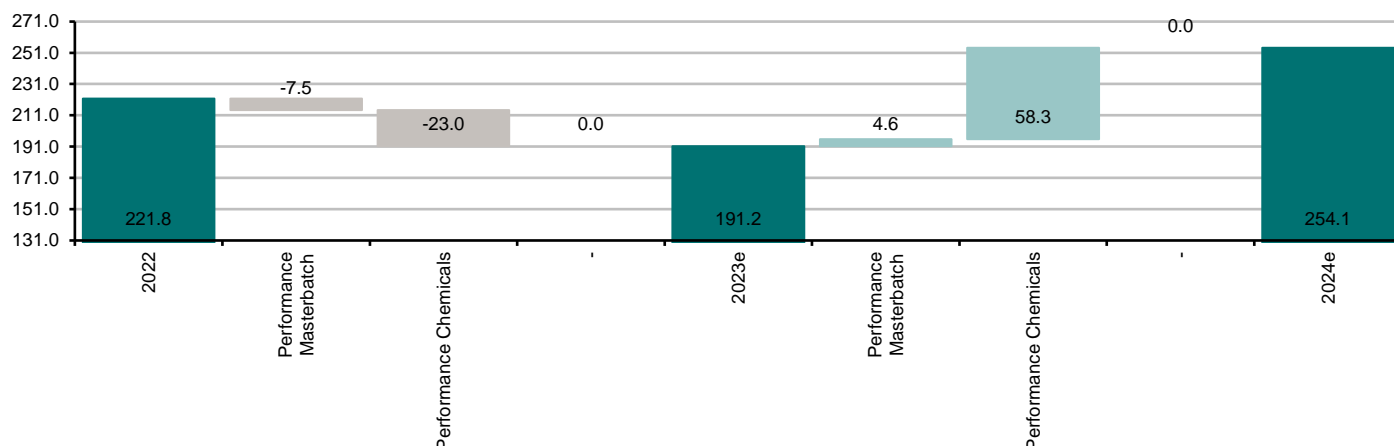
Source: DNB Markets

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 evidence of market share gains 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 speciality polymer peers.

Source: DNB Markets

Sales bridge 2022–2024e (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 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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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 were placed, and by 2023 Nexam's Reactive Recycling business has started to receive some orders, 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 cSEK500m 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 independence

Russia's 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 effects reliance on certain countries for energy supply can 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 domestic energy supply. Renewable energy has been highlighted as one key source when expanding the energy supply. Thus, we find the trend toward national energy independence 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

Nexam's cash position in Q2 was cSEK20m, and, given that the company still has not showed positive operating results, we see a risk for refinancing in the future.

Lack of sales in Performance Chemicals could hinder the growth story

We believe Nexam Chemical's growth story centres on Performance Chemicals. In the event sales in the segment do not materialise, we believe this would be far less appealing.

Worsening economic conditions

Demand in Performance Masterbatch (47% of 2022 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.

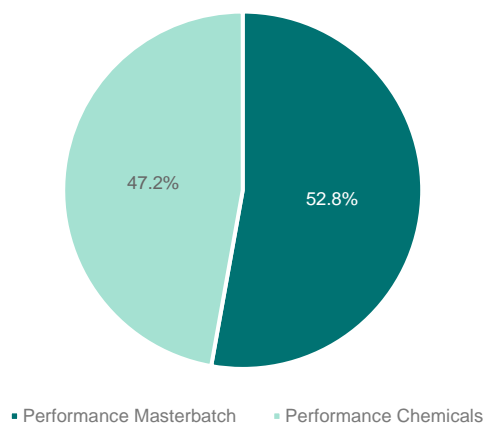
Time will tell if Performance Chemicals makes Nexam Chemical immune to recession

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Company overview

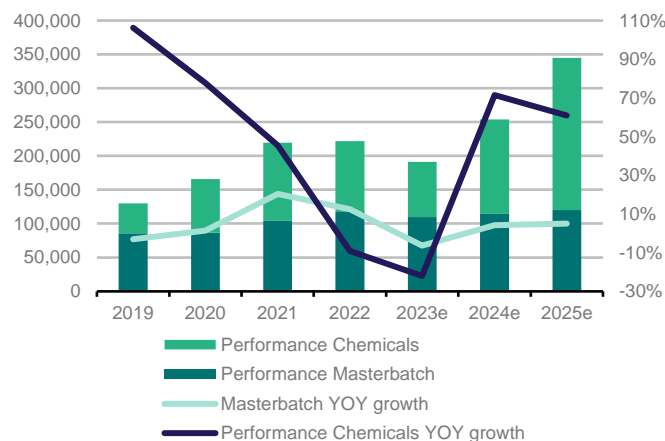
Nexam Chemical is a speciality chemical company with a world-leading, unique technology to enhance the properties and performance of plastics and polymers based on a decade-long R&D programme. It has deep roots in the scientific community, such as NASA's space programme.

Figure 4: Sales by segment (2022)



Source: Company, DNB Markets (graph structuring)

Figure 5: Sales (LHS, SEKk) and growth (RHS, %)



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

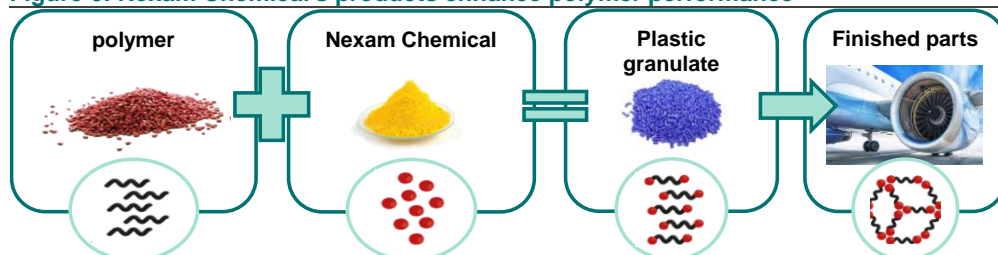
The company has two divisions:

- **Performance Chemicals (c47% of 2022 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 (c53% of 2022 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 6: Nexam Chemical's products enhance polymer performance



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

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Forecast changes – P&L

| (SEKm) | 2023e | New 2024e | 2025e | 2023e | Old 2024e | 2025e | 2023e | Change 2024e | 2025e |
|------------------------------|-------|--------------|-------|-------|--------------|-------|-------|-----------------|-------|
| Revenues | 191 | 254 | 345 | 245 | 312 | 388 | -54 | -58 | -43 |
| Cost of sales | -110 | -140 | -190 | -141 | -172 | -213 | 32 | 32 | 24 |
| Gross profit | 83 | 114 | 155 | 105 | 141 | 175 | -23 | -26 | -19 |
| Operating expenses | -92 | -92 | -109 | -93 | -103 | -118 | 1 | 11 | 9 |
| EBITDA | -9 | 22 | 46 | 12 | 37 | 56 | -22 | -15 | -10 |
| EBITDA adj | -9 | 22 | 46 | 12 | 37 | 56 | -22 | -15 | -10 |
| EBITDA margin (%) | nm | 8.8 | 13.4 | 5.1 | 12.0 | 14.5 | nm | -3.1 | -1.1 |
| Depreciation | -14 | -14 | -19 | -14 | -17 | -21 | 0 | 3 | 2 |
| EBIT | -23 | 8 | 27 | -2 | 20 | 35 | -21 | -12 | -8 |
| EBIT adj | -23 | 8 | 27 | -2 | 20 | 35 | -21 | -12 | -8 |
| Net interest | -1 | -2 | -3 | -2 | -3 | -4 | 1 | 1 | 1 |
| Net financial items | -1 | -2 | -3 | -2 | -3 | -4 | 1 | 1 | 1 |
| PBT | -24 | 6 | 24 | -4 | 17 | 31 | -20 | -12 | -7 |
| Taxes | 0 | -1 | -6 | 0 | -4 | -7 | 0 | 3 | 2 |
| Net profit | -24 | 4 | 18 | -4 | 13 | 24 | -20 | -9 | -6 |
| Adjustments to net profit | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Net profit adj | -24 | 4 | 18 | -4 | 13 | 24 | -20 | -9 | -6 |
| <i>Per share data (SEK)</i> | | | | | | | | | |
| EPS | -0.26 | 0.05 | 0.23 | -0.04 | 0.17 | 0.30 | -0.22 | -0.11 | -0.07 |
| EPS adj | -0.30 | 0.05 | 0.23 | -0.05 | 0.17 | 0.30 | -0.25 | -0.11 | -0.07 |
| <i>Other key metrics (%)</i> | | | | | | | | | |
| Revenue growth | -13.8 | 32.9 | 35.8 | 10.6 | 27.2 | 24.2 | -24.4 | 5.6 | 11.5 |
| EBIT adj growth | nm | nm | 233.8 | -84.3 | -1269.6 | 71.8 | nm | nm | 162.0 |
| EPS adj growth | nm | nm | 322.0 | -66.3 | -431.3 | 80.9 | nm | nm | 241.2 |
| Avg. number of shares (m) | 81 | 81 | 81 | 81 | 81 | 81 | 0 | 0 | 0 |
| Capex | -7 | -12 | -16 | -8 | -15 | -19 | 1 | 3 | 3 |
| OpFCF | -16 | 11 | 30 | 4 | 22 | 37 | -20 | -12 | -7 |
| NIBD adj | 21 | 21 | 20 | 20 | 10 | 1 | 1 | 11 | 19 |

Source: DNB Markets

Forecast changes – By segment and assumptions

| (SEKm) | 2023e | New 2024e | 2025e | 2023e | Old 2024e | 2025e | 2023e | Change 2024e | 2025e |
|-------------------------|--------|--------------|-------|-------|--------------|-------|--------|-----------------|-------|
| Revenue | | | | | | | | | |
| Performance Masterbatch | 110 | 114 | 120 | 120 | 126 | 133 | -11 | -12 | -13 |
| Performance Chemicals | 82 | 140 | 225 | 125 | 186 | 255 | -43 | -46 | -30 |
| Assumptions | | | | | | | | | |
| Revenue org. % YOY | -14.50 | 32.84 | 35.77 | 9.91 | 27.21 | 24.22 | -24.41 | 5.63 | 11.55 |
| Structure impact % YOY | 0.00 | 0.00 | 0.00 | | 0.00 | 0.00 | | 0.00 | 0.00 |
| Currency impact % YOY | 0.73 | 0.06 | 0.00 | 0.73 | 0.04 | 0.00 | 0.00 | 0.01 | 0.00 |

Source: DNB Markets

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Quarterly numbers

| (SEKm) | Q1 2022 | Q2 2022 | Q3 2022 | Q4 2022 | Q1 2023 | Q2 2023 | Q3 2023e | Q4 2023e | Q1 2024e | Q2 2024e | Q3 2024e |
|-------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|-------------|-------------|-------------|
| Revenues | 54 | 55 | 57 | 56 | 52 | 42 | 46 | 51 | 59 | 60 | 65 |
| Cost of sales | -32 | -34 | -35 | -34 | -30 | -24 | -26 | -29 | -33 | -33 | -36 |
| Gross profit | 21 | 22 | 22 | 21 | 22 | 18 | 20 | 23 | 27 | 27 | 29 |
| Operating expenses | -21 | -23 | -21 | -23 | -22 | -26 | -21 | -22 | -23 | -22 | -23 |
| EBITDA | 2 | -1 | 1 | -1 | 0 | -8 | -1 | 0 | 4 | 5 | 6 |
| Depreciation | -3 | -3 | -3 | -3 | -4 | -4 | -3 | -3 | -4 | -3 | -4 |
| EBIT | -1 | -4 | -2 | -4 | -4 | -12 | -4 | -3 | 0 | 2 | 3 |
| Net interest | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | -1 | -1 | -1 |
| Net financial items | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | -1 | -1 | -1 |
| PBT | -2 | -4 | -2 | -4 | -4 | -12 | -5 | -3 | 0 | 1 | 2 |
| Taxes | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Net profit | -2 | -4 | -2 | -5 | -4 | -12 | -5 | -3 | 0 | 1 | 2 |
| Adjustments to net profit | 0 | 0 | 0 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Net profit adj | -2 | -4 | -2 | -4 | -4 | -12 | -5 | -3 | 0 | 1 | 2 |
| Avg. number of shares (m) | 81 | 81 | 81 | 81 | 81 | 81 | 81 | 81 | 81 | 81 | 81 |
| <i>Per share data (SEK)</i> | | | | | | | | | | | |
| EPS | -0.02 | -0.05 | -0.05 | -0.03 | -0.04 | -0.16 | -0.06 | -0.04 | 0.00 | 0.01 | 0.02 |
| EPS adj | -0.02 | -0.05 | -0.03 | -0.05 | -0.05 | -0.15 | -0.06 | -0.04 | 0.00 | 0.01 | 0.02 |
| <i>Growth and margins (%)</i> | | | | | | | | | | | |
| Revenues, QOQ growth | -5.5 | 2.8 | 2.3 | -1.8 | -6.2 | -20.3 | 10.5 | 11.6 | 15.7 | 0.8 | 7.7 |
| Revenues, YOY growth | 2.7 | -7.1 | 12.9 | -2.4 | -3.1 | -24.9 | -18.9 | -7.8 | 13.8 | 44.0 | 40.4 |
| EPS adj, YOY growth | nm | nm | nm | nm | nm | nm | nm | nm | nm | nm | nm |
| Gross margin | 39.8 | 39.5 | 38.6 | 38.5 | 42.2 | 42.7 | 42.6 | 43.3 | 45.0 | 45.0 | 45.0 |
| EBITDA adj margin | 3.1 | nm | 1.3 | nm | 0.2 | nm | nm | 0.4 | 6.4 | 8.3 | 9.5 |
| Depreciation/revenues | -5.3 | -5.8 | -5.1 | -5.4 | -7.3 | -8.7 | -7.0 | -6.0 | -6.0 | -5.5 | -5.5 |
| EBIT adj margin | -2.2 | -7.5 | -3.8 | -6.6 | -7.1 | -28.7 | -9.3 | -5.6 | 0.4 | 2.8 | 4.0 |
| 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 2022 | Q2 2022 | Q3 2022 | Q4 2022 | Q1 2023 | Q2 2023 | Q3 2023e | Q4 2023e | Q1 2024e | Q2 2024e | Q3 2024e |
|-------------------|-----------|-----------|-----------|-----------|-----------|------------|-----------|-----------|----------|----------|----------|
| EBITDA | 2 | -1 | 1 | -1 | 0 | -8 | -1 | 0 | 4 | 5 | 6 |
| Gains and losses | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| EBITDA adj | 2 | -1 | 1 | -1 | 0 | -8 | -1 | 0 | 4 | 5 | 6 |
| Gains and losses | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| EBIT | -1 | -4 | -2 | -4 | -4 | -12 | -4 | -3 | 0 | 2 | 3 |
| Gains and losses | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| EBIT adj | -1 | -4 | -2 | -4 | -4 | -12 | -4 | -3 | 0 | 2 | 3 |
| Net profit | -2 | -4 | -2 | -5 | -4 | -12 | -5 | -3 | 0 | 1 | 2 |
| Gains and losses | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Net profit adj | -2 | -4 | -2 | -4 | -4 | -12 | -5 | -3 | 0 | 1 | 2 |

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

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Quarterly numbers by segment and assumptions

| (SEKm) | Q1 2022 | Q2 2022 | Q3 2022 | Q4 2022 | Q1 2023 | Q2 2023 | Q3 2023e | Q4 2023e | Q1 2024e | Q2 2024e | Q3 2024e |
|-------------------------|---------|---------|---------|---------|---------|---------|----------|----------|----------|----------|----------|
| Revenue | | | | | | | | | | | |
| Performance Masterbatch | 30 | 33 | 29 | 25 | 30 | 26 | 27 | 26 | 31 | 27 | 28 |
| Performance Chemicals | 24 | 22 | 28 | 30 | 22 | 15 | 19 | 25 | 29 | 32 | 36 |
| Assumptions | | | | | | | | | | | |
| Revenue org. % YOY | 1.99 | -7.59 | 12.31 | -3.27 | -3.81 | -25.82 | -19.68 | -8.30 | 13.60 | 43.99 | 40.36 |
| 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 | 0.69 | 0.48 | 0.61 | 0.91 | 0.70 | 0.93 | 0.78 | 0.49 | 0.21 | 0.00 | 0.00 |

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

Annual P&L

| (SEKm) | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023e | 2024e | 2025e |
|-------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|-------------|-------------|
| Revenues | 8 | 19 | 110 | 130 | 166 | 219 | 222 | 191 | 254 | 345 |
| Cost of sales | -5 | -12 | -68 | -82 | -95 | -135 | -135 | -110 | -140 | -190 |
| Gross profit | 5 | 9 | 47 | 54 | 71 | 85 | 88 | 83 | 114 | 155 |
| Operating expenses | -24 | -29 | -53 | -59 | -66 | -79 | -88 | -92 | -92 | -109 |
| EBITDA | -19 | -20 | -6 | -6 | 5 | 6 | 0 | -9 | 22 | 46 |
| Depreciation | -2 | -3 | -10 | -10 | -10 | -11 | -12 | -14 | -14 | -19 |
| EBIT | -22 | -23 | -16 | -15 | -5 | -4 | -12 | -23 | 8 | 27 |
| Net interest | 0 | 0 | -1 | -2 | -2 | -1 | -1 | -1 | -2 | -3 |
| Net financial items | 0 | 0 | -1 | -2 | -2 | -1 | -1 | -1 | -2 | -3 |
| PBT | -22 | -23 | -17 | -17 | -8 | -5 | -13 | -24 | 6 | 24 |
| Taxes | 0 | 17 | 0 | 0 | 0 | 0 | 0 | 0 | -1 | -6 |
| Effective tax rate (%) | 0 | 75 | -1 | 0 | -7 | -3 | 0 | 0 | 23 | 23 |
| Net profit | -22 | -6 | -17 | -17 | -8 | -5 | -13 | -24 | 4 | 18 |
| Adjustments to net profit | 0 | -1 | -3 | -4 | 0 | 1 | 1 | 0 | 0 | 0 |
| Net profit adj | -22 | -7 | -20 | -21 | -8 | -4 | -12 | -24 | 4 | 18 |
| Avg. number of shares | 62 | 65 | 68 | 68 | 73 | 80 | 81 | 81 | 81 | 81 |
| <i>Per share data (SEK)</i> | | | | | | | | | | |
| EPS | -0.36 | -0.09 | -0.25 | -0.25 | -0.14 | -0.07 | -0.15 | -0.26 | 0.05 | 0.23 |
| EPS adj | -0.36 | -0.11 | -0.30 | -0.31 | -0.11 | -0.05 | -0.15 | -0.30 | 0.05 | 0.23 |
| <i>Growth and margins (%)</i> | | | | | | | | | | |
| Revenue growth | 5.4 | 126.1 | 487.5 | 18.4 | 27.5 | 32.3 | 1.0 | -13.8 | 32.9 | 35.8 |
| EPS adj growth | nm | nm | nm | nm | nm | nm | nm | nm | nm | 322.0 |
| Gross margin | 43.4 | 37.4 | 38.1 | 36.7 | 42.8 | 38.5 | 39.1 | 42.7 | 45.0 | 45.0 |
| EBITDA margin | nm | nm | nm | nm | 3.0 | 2.9 | 0.1 | nm | 8.8 | 13.4 |
| EBITDA adj margin | nm | nm | nm | nm | 3.0 | 3.5 | 0.4 | nm | 8.8 | 13.4 |
| Depreciation/revenues | -29.5 | -15.9 | -9.0 | -7.6 | -6.1 | -4.8 | -5.4 | -7.2 | -5.6 | -5.5 |
| EBIT margin | nm | nm | nm | nm | nm | nm | nm | nm | 3.2 | 7.9 |
| EBIT adj margin | -268.0 | -129.3 | -16.9 | -14.9 | -3.2 | -1.4 | -5.0 | -11.9 | 3.2 | 7.9 |
| PBT margin | nm | nm | nm | nm | nm | nm | nm | nm | 2.2 | 7.0 |
| 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) | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023e | 2024e | 2025e |
|-----------------------------|------------|------------|------------|------------|-----------|-----------|------------|------------|-----------|-----------|
| EBITDA | -19 | -20 | -6 | -6 | 5 | 6 | 0 | -9 | 22 | 46 |
| Gains and losses | -1 | -2 | -5 | -6 | 0 | 0 | -1 | -1 | 0 | 0 |
| EBITDA adj | -20 | -21 | -9 | -9 | 5 | 8 | 1 | -9 | 22 | 46 |
| Gains and losses | -1 | -2 | -5 | -6 | 0 | 0 | -1 | -1 | 0 | 0 |
| EBIT | -22 | -23 | -16 | -15 | -5 | -4 | -12 | -23 | 8 | 27 |
| Gains and losses | -1 | -2 | -5 | -6 | 0 | 0 | -1 | -1 | 0 | 0 |
| EBIT adj | -22 | -24 | -19 | -19 | -5 | -3 | -11 | -23 | 8 | 27 |
| Net profit | -22 | -6 | -17 | -17 | -8 | -5 | -13 | -24 | 4 | 18 |
| Gains and losses | -1 | -2 | -5 | -6 | 0 | 0 | -1 | -1 | 0 | 0 |
| Net profit adj | -22 | -7 | -20 | -21 | -8 | -4 | -12 | -24 | 4 | 18 |
| <i>Per share data (SEK)</i> | | | | | | | | | | |
| EPS | -0.36 | -0.09 | -0.25 | -0.25 | -0.14 | -0.07 | -0.15 | -0.26 | 0.05 | 0.23 |
| Recommended adjustment | 0.00 | -0.02 | -0.05 | -0.06 | 0.03 | 0.02 | 0.00 | -0.04 | 0.00 | 0.00 |
| EPS adj | -0.36 | -0.11 | -0.30 | -0.31 | -0.11 | -0.05 | -0.15 | -0.30 | 0.05 | 0.23 |

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

Cash flow

| (SEKm) | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023e | 2024e | 2025e |
|--|------------|-------------|------------|------------|------------|-----------|------------|-----------|------------|------------|
| Net profit | -22 | -6 | -17 | -17 | -8 | -5 | -13 | -24 | 4 | 18 |
| Depreciation and amortisation | 2 | 3 | 10 | 10 | 10 | 11 | 12 | 14 | 14 | 19 |
| Other non-cash adjustments | 0 | 0 | -1 | -2 | -2 | 0 | 0 | -1 | -4 | -9 |
| Change in net working capital | 2 | 1 | -6 | -14 | -19 | 2 | -11 | 15 | -7 | -21 |
| Cash flow from operations (CFO) | -18 | -18 | -13 | -21 | -17 | 7 | -11 | 5 | 12 | 17 |
| Capital expenditure | -2 | -84 | -6 | -11 | -7 | -6 | -33 | -7 | -12 | -16 |
| Cash flow from investing (CFI) | -2 | -84 | -6 | -11 | -7 | -6 | -33 | -7 | -12 | -16 |
| Free cash flow (FCF) | -20 | -102 | -18 | -32 | -23 | 2 | -44 | -3 | 0 | 1 |
| Net change in debt | 117 | 55 | -14 | 1 | 30 | 32 | 4 | -6 | -4 | -4 |
| Cash flow from financing (CFF) | 117 | 55 | -14 | 1 | 30 | 32 | 4 | -6 | -4 | -4 |
| Total cash flow (CFO+CFI+CFF) | 97 | -47 | -33 | -31 | 7 | 34 | -40 | -9 | -4 | -3 |
| <i>FCFF calculation</i> | | | | | | | | | | |
| Free cash flow | -20 | -102 | -18 | -32 | -23 | 2 | -44 | -3 | 0 | 1 |
| Less: net interest | 0 | 0 | 1 | 2 | 2 | 1 | 1 | 1 | 2 | 3 |
| Less: tax shields/other | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| <i>Growth (%)</i> | | | | | | | | | | |
| CFO | 24.1 | -5.0 | 30.2 | -65.1 | 20.8 | 143.1 | -253.0 | 141.0 | 162.3 | 38.8 |
| CFI | 16.6 | -3923.3 | 93.4 | -89.7 | 37.2 | 16.5 | -500.7 | 78.6 | -66.3 | -36.0 |
| FCF | 23.4 | -418.9 | 81.9 | -72.5 | 26.2 | 107.4 | -2640.0 | 94.2 | 105.3 | 277.7 |
| CFF | 19874.1 | -52.6 | -125.9 | 105.6 | 3666.3 | 7.9 | -88.1 | -255.8 | 33.3 | 0.0 |
| 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) | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023e | 2024e | 2025e |
|--------------------------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Assets | 174 | 282 | 248 | 228 | 250 | 284 | 278 | 252 | 261 | 284 |
| Inventories | 6 | 15 | 19 | 25 | 32 | 32 | 35 | 31 | 38 | 52 |
| Trade receivables | 2 | 15 | 16 | 19 | 32 | 38 | 46 | 38 | 46 | 62 |
| Other receivables | 3 | 5 | 3 | 5 | 6 | 4 | 6 | 5 | 5 | 5 |
| Cash and cash equivalents | 133 | 86 | 54 | 23 | 30 | 64 | 23 | 15 | 11 | 8 |
| Current assets | 143 | 121 | 92 | 72 | 100 | 138 | 110 | 89 | 100 | 126 |
| Property, plant and equipment | 9 | 50 | 48 | 49 | 45 | 44 | 66 | 63 | 61 | 58 |
| Goodwill | 19 | 111 | 108 | 106 | 105 | 103 | 102 | 101 | 101 | 100 |
| Non-current financial assets | 3 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Non-current assets | 30 | 161 | 156 | 156 | 150 | 147 | 168 | 164 | 161 | 158 |
| Total assets | 174 | 282 | 248 | 228 | 250 | 284 | 278 | 252 | 261 | 284 |
| Equity and liabilities | 174 | 282 | 248 | 228 | 250 | 284 | 278 | 252 | 261 | 284 |
| Total equity | 164 | 188 | 171 | 155 | 187 | 228 | 216 | 195 | 199 | 217 |
| Trade payables | 1 | 14 | 14 | 12 | 14 | 17 | 20 | 17 | 25 | 35 |
| Other payables and accruals | 5 | 11 | 11 | 7 | 8 | 11 | 10 | 14 | 14 | 14 |
| Short-term debt | 1 | 13 | 13 | 14 | 13 | 13 | 6 | 3 | 3 | 3 |
| Total current liabilities | 7 | 38 | 39 | 33 | 36 | 42 | 36 | 34 | 42 | 51 |
| Long-term debt | 1 | 50 | 37 | 35 | 23 | 11 | 23 | 21 | 17 | 13 |
| Pension liabilities | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other non-current liabilities | 1 | 5 | 1 | 4 | 5 | 3 | 3 | 2 | 2 | 2 |
| Total non-current liabilities | 2 | 56 | 39 | 40 | 27 | 15 | 26 | 24 | 20 | 16 |
| Total liabilities | 10 | 94 | 77 | 73 | 63 | 56 | 62 | 58 | 62 | 67 |
| Total equity and liabilities | 174 | 282 | 248 | 228 | 250 | 284 | 278 | 252 | 261 | 284 |
| <i>Key metrics</i> | | | | | | | | | | |
| Net interest bearing debt | -131 | -31 | -15 | 17 | -2 | -36 | 16 | 21 | 21 | 20 |

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

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Valuation ratios

| (SEKm) | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023e | 2024e | 2025e |
|-------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|-------------|-------------|
| <i>Enterprise value</i> | | | | | | | | | | |
| Share price (SEK) | 12.25 | 9.55 | 9.30 | 8.10 | 9.26 | 10.65 | 5.06 | 3.42 | 3.42 | 3.42 |
| Number of shares (m) | 62.11 | 64.85 | 67.52 | 67.52 | 73.06 | 79.91 | 80.92 | 80.92 | 80.92 | 80.92 |
| Market capitalisation | 761 | 619 | 628 | 547 | 677 | 851 | 409 | 277 | 277 | 277 |
| Net interest bearing debt | -131 | -31 | -15 | 17 | -2 | -36 | 16 | 21 | 21 | 20 |
| Adjustments to NIBD | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Net interest bearing debt adj | -131 | -31 | -15 | 17 | -2 | -36 | 16 | 21 | 21 | 20 |
| EV | 630 | 589 | 613 | 563 | 674 | 815 | 425 | 298 | 298 | 297 |
| EV adj | 630 | 589 | 613 | 563 | 674 | 815 | 425 | 298 | 298 | 297 |
| <i>Valuation</i> | | | | | | | | | | |
| EPS | -0.36 | -0.09 | -0.25 | -0.25 | -0.14 | -0.07 | -0.15 | -0.26 | 0.05 | 0.23 |
| EPS adj | -0.36 | -0.11 | -0.30 | -0.31 | -0.11 | -0.05 | -0.15 | -0.30 | 0.05 | 0.23 |
| P/E | -34.0 | -106.1 | -37.2 | -32.4 | -66.1 | -155.0 | -33.3 | -13.1 | 63.2 | 15.0 |
| P/E adj | -34.1 | -88.5 | -31.4 | -26.1 | -83.6 | -205.0 | -34.2 | -11.5 | 63.2 | 15.0 |
| Average ROE | -19.2% | -3.3% | -9.6% | -10.5% | -4.7% | -2.6% | -5.7% | -11.8% | 2.2% | 8.9% |
| Earnings yield adj | -2.9% | -0.9% | -2.7% | -3.1% | -1.5% | -0.6% | -3.0% | -7.6% | 1.6% | 6.7% |
| EV/SALES | 76.19 | 31.49 | 5.58 | 4.33 | 4.07 | 3.71 | 1.92 | 1.56 | 1.17 | 0.86 |
| EV/SALES adj | 76.19 | 31.49 | 5.58 | 4.33 | 4.07 | 3.71 | 1.92 | 1.56 | 1.17 | 0.86 |
| EV/EBITDA | -32.3 | -29.5 | -106.4 | -101.1 | 137.3 | 129.4 | 3797.4 | -33.0 | 13.3 | 6.4 |
| EV/EBITDA adj | -31.9 | -27.8 | -71.2 | -59.4 | 137.3 | 107.3 | 502.7 | -33.0 | 13.3 | 6.4 |
| EV/EBIT | -28.7 | -25.7 | -39.1 | -36.6 | -127.7 | -190.6 | -35.8 | -13.1 | 36.4 | 10.9 |
| EV/EBIT adj | -28.4 | -24.4 | -33.1 | -29.2 | -127.6 | -273.6 | -38.1 | -13.1 | 36.4 | 10.9 |
| EV/capital employed | 3.8 | 2.4 | 2.9 | 2.9 | 3.1 | 3.4 | 1.8 | 1.4 | 1.4 | 1.3 |
| EV/OpFCF (taxed) | -37.5 | -7.3 | -56.3 | -36.6 | -517.8 | 508.5 | -17.1 | -24.0 | 36.3 | 12.8 |

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

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Key accounting ratios

| | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023e | 2024e | 2025e |
|---------------------------------------|---------|---------|--------|--------|--------|-------|--------|--------|-------|-------|
| <i>Profitability (%)</i> | | | | | | | | | | |
| ROA | -17.8 | -2.5 | -6.5 | -7.2 | -3.4 | -2.0 | -4.5 | -9.1 | 1.7 | 6.8 |
| ROCE | -18.8 | -11.8 | -8.2 | -9.6 | -2.6 | -1.3 | -4.6 | -9.9 | 3.8 | 12.1 |
| <i>Return on invested capital (%)</i> | | | | | | | | | | |
| Net PPE/revenues | 105.3 | 268.4 | 43.5 | 37.8 | 27.1 | 19.9 | 29.8 | 32.8 | 23.8 | 16.8 |
| <i>Cash flow ratios (%)</i> | | | | | | | | | | |
| FCF/revenues | -237.8 | -545.8 | -16.8 | -24.4 | -14.1 | 0.8 | -19.9 | -1.3 | 0.1 | 0.1 |
| FCF yield (%) | nm | nm | nm | nm | nm | nm | nm | nm | nm | nm |
| CFO/revenues | -212.7 | -98.8 | -11.7 | -16.4 | -10.2 | 3.3 | -5.0 | 2.4 | 4.7 | 4.8 |
| CFO/market capitalisation | -2.3 | -3.0 | -2.1 | -3.9 | -2.5 | 0.9 | -2.7 | 1.6 | 4.3 | 6.0 |
| CFO/capex | -846.7 | -22.1 | -232.7 | -202.5 | -255.3 | 131.6 | -33.5 | 64.1 | 101.1 | 103.2 |
| CFO/current liabilities | -237.5 | -48.0 | -33.4 | -63.6 | -47.2 | 17.5 | -30.6 | 13.3 | 28.2 | 32.2 |
| Cash conversion ratio | 89.0 | 1775.1 | 107.2 | 186.2 | 289.9 | -32.0 | 348.1 | 10.5 | 3.1 | 2.8 |
| Capex/revenues | 25.1 | 447.0 | 5.0 | 8.1 | 4.0 | 2.5 | 14.9 | 3.7 | 4.6 | 4.6 |
| Capex/depreciation | 85.2 | 2817.4 | 55.8 | 106.8 | 64.8 | 52.2 | 275.8 | 51.6 | 82.6 | 84.5 |
| OpFCF margin | -263.7 | -560.4 | -12.9 | -15.4 | -1.0 | 0.9 | -14.6 | -8.4 | 4.2 | 8.8 |
| <i>Leverage and solvency (x)</i> | | | | | | | | | | |
| Interest cover | nm | nm | -11.49 | -9.43 | -2.06 | -3.58 | -7.72 | -19.50 | 3.80 | 9.69 |
| EBIT/interest payable | nm | nm | nm | nm | nm | nm | nm | nm | 4.02 | 9.88 |
| Cash coverage | -120.28 | -179.78 | -4.29 | -3.47 | 2.13 | 6.11 | 0.14 | -6.78 | 9.02 | 14.08 |
| Net debt/EBITDA | 6.72 | 1.53 | 2.62 | -2.96 | -0.48 | -5.76 | 141.73 | -2.34 | 0.93 | 0.44 |
| Total debt/total capital (BV) | 0.01 | 0.23 | 0.20 | 0.22 | 0.14 | 0.09 | 0.10 | 0.09 | 0.07 | 0.05 |
| LTD / (LTD + equity (MV)) | 0.00 | 0.08 | 0.06 | 0.06 | 0.03 | 0.01 | 0.05 | 0.07 | 0.06 | 0.04 |
| <i>Cash conversion cycle</i> | | | | | | | | | | |
| Inventory turnover days | 465.8 | 460.9 | 104.4 | 110.4 | 124.8 | 87.4 | 93.3 | 101.9 | 99.5 | 99.5 |
| Receivables turnover days | 193.3 | 384.6 | 62.6 | 68.2 | 83.9 | 69.5 | 86.4 | 82.2 | 72.4 | 70.6 |
| Credit period | 98.4 | 448.8 | 77.8 | 53.6 | 54.5 | 46.4 | 53.7 | 57.6 | 66.4 | 66.4 |
| Cash conversion cycle | 560.7 | 396.8 | 89.1 | 124.9 | 154.3 | 110.5 | 126.0 | 126.5 | 105.5 | 103.8 |

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

Important Information

Company: Nexam Chemical
 Coverage by Analyst: Hanna Lindbo
 Date: 14/07/2023

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|---------------------------------|----------|-------------|--------|
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|--------------------|-----|------|------|--------|-------|
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