

NEXAM CHEMICAL

Still waiting for Chemical Romance

Q1 sales were c13% below our forecast, driven by weaker sales growth in Performance Chemical than we expected. On a positive note, the Q1 gross margin was solid (improving 370bp QOQ) and cash flow improved in the quarter. Nexam also obtained an extended overdraft facility to SEK20m, strengthening the financial position further. We have lowered our 2023e sales following the Q1 results, but reiterate our fair value of SEK10–14.

Q1 review. Q1 sales were cSEK52m (we estimated cSEK60m) and adj. EBITDA was cSEK0.1m (we estimated cSEK1.3m). While sales within Performance Masterbatch were roughly in line with our expectation, sales within Performance Chemical were c25% below our forecast, hit by high inventory levels on the customer side, we believe. On the positive side, sales from DIAB seem to have improved sequentially (see p4). The gross margin was also strong at 42.2% (c160bp above our estimate), driven by lower raw materials costs. The company believes the margin could improve further as raw materials prices seem to be dropping.

Financial position. Nexam obtained an extension of its overdraft facility to SEK20m (previously 11.5m). We consider this positive, as it should lower the risk that the company would need to raise capital through a rights issue. Cash flow was also strong in the quarter (supported by a working capital release of cSEK11m), and the cash position improved to cSEK28m from cSEK23m at end-2022.

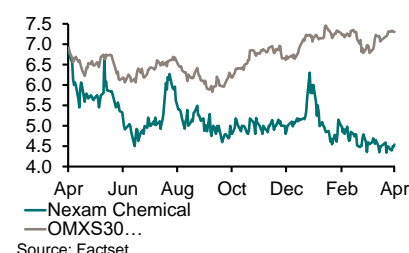
Reactive Recycling. The Reactive Recycling business seems to be on track and the company says it has more than 25 ongoing projects that have passed the sample testing stage. Five of these projects seem to be completed from Nexam's perspective, but it is still waiting for its customers to sell them. The visibility of how much volume the Reactive Recycling business could bring is still low, but management says it has the potential to reach cSEK100m in a not-too distant future (although not in 2023).

Fair value of SEK10–14 reiterated. We have lowered our 2023e sales by 4% following the Q1 report and reduced our adj. EBITDA to SEK12m (somewhat offset by a higher gross margin assumption for 2023).

Year-end Dec	2019	2020	2021	2022	2023e	2024e	2025e
Revenue (SEKm)	130	166	219	222	245	312	388
EBITDA adj (SEKm)	-9	5	8	1	12	37	56
EBIT adj (SEKm)	-19	-5	-3	-11	-2	20	35
PTP (SEKm)	-17	-8	-5	-13	-4	17	31
EPS rep (SEK)	-0.25	-0.14	-0.07	-0.15	-0.04	0.17	0.30
EPS adj (SEK)	-0.31	-0.11	-0.05	-0.15	-0.05	0.17	0.30
Revenue growth (%)	18.4	27.5	32.3	1.0	10.6	27.2	24.2
EBIT growth adj (%)	nm	nm	nm	nm	nm	nm	71.8
EPS growth adj (%)	nm	nm	nm	nm	nm	nm	80.9
EBIT margin adj (%)	-14.9	-3.2	-1.4	-5.0	-0.7	6.6	9.1
EV/Sales adj (x)	4.33	4.07	3.71	1.92	1.58	1.21	0.95
EV/EBITDA adj (x)	nm	nm	nm	nm	31.0	10.1	6.6
EV/EBIT adj (x)	nm	nm	nm	nm	nm	18.4	10.5
P/E adj (x)	nm	nm	nm	nm	nm	27.5	15.2
ROE (%)	nm	nm	nm	nm	nm	6.1	10.2
ROCE (%)	nm	nm	nm	nm	nm	8.6	13.9

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

NEXAM versus OMXS30 (12m)



Source: Factset

SUMMARY

Share price (SEK)	4.54
Tickers	NEXAM SS

CAPITAL STRUCTURE

No. of shares (m)	80.9
No. of shares fully dil. (m)	80.9
Market cap. (SEKm)	367
NIBD adj end-2023e (SEKm)	20
Enterprise value adj (SEKm)	387
Net debt/EBITDA adj (x)	1.59
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

Q2 2023	14/07/2023
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ESTIMATE CHANGES (SEK)

Year-end Dec	2023e	2024e	2025e
Sales (old)	256.5	319.5	397.8
Sales (new)	245.3	312.2	387.8
Change (%)	-4.4	-2.3	-2.5
EPS adj (old)	-0.04	0.16	0.30
EPS adj (new)	-0.05	0.17	0.30
Change (%)	nm	2.8	-0.3

Source: DNB Markets,

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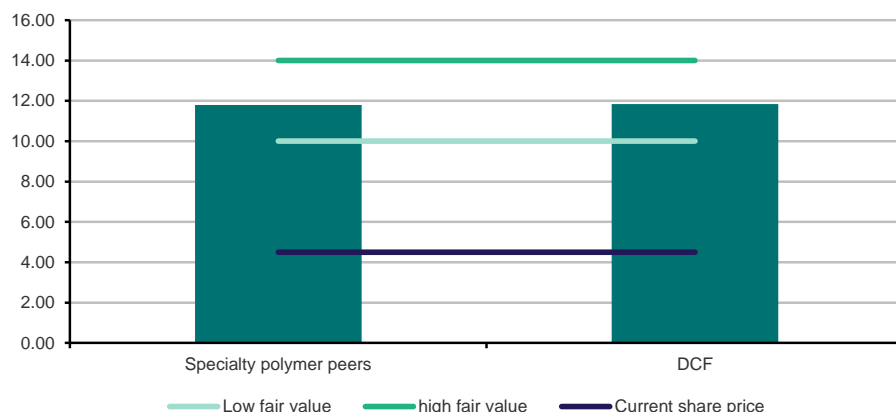
ANALYSTS

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 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 2023–2025e sales CAGR of 26%.
- We expect profitability to improve YOY in 2023 following the initiated cost savings programme and the new production line; we estimate adj. EBITDA of SEK12m for 2023.
- 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 SEK10–14 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.

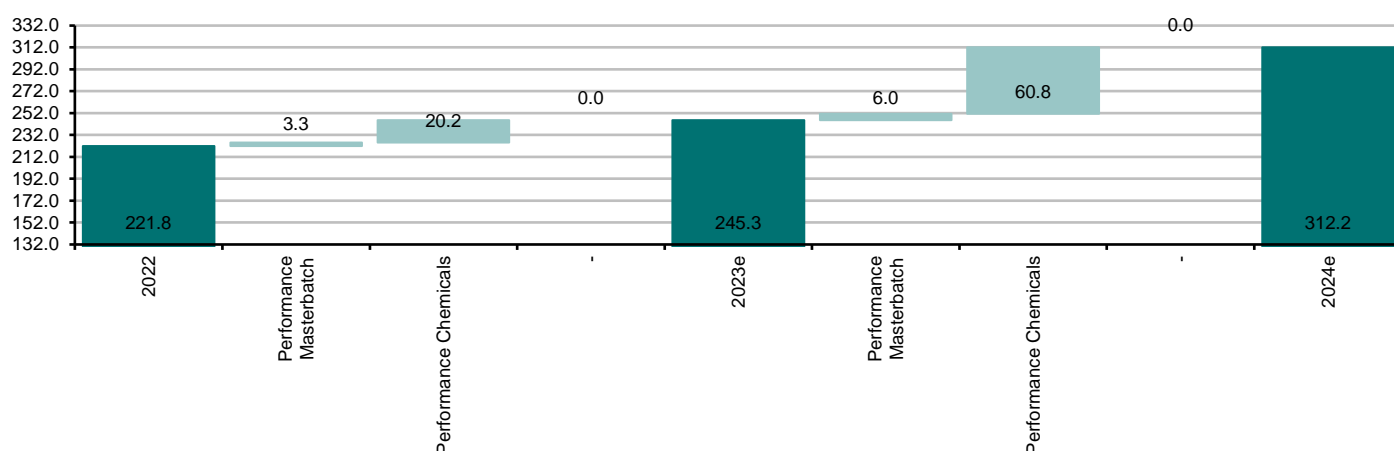
Source: DNB Markets

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 specialty polymer peers.

Source: DNB Markets

Sales bridge 2022–2024e (SEKm)



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

24 April 2023

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.

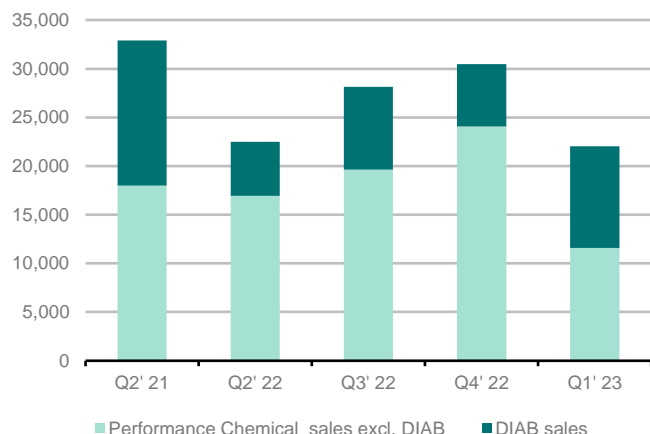
Source: DNB Markets

24 April 2023

Performance Chemical

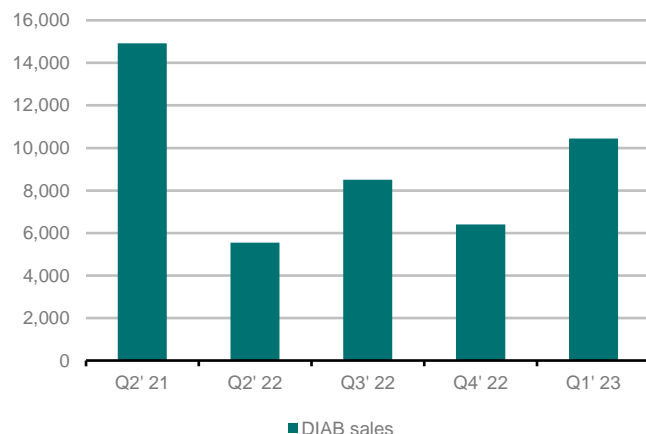
While Q1 sales within Performance Chemical declined c7% YOY, we consider it positive that sales from DIAB (which has been struggling the last quarters) improved sequentially (see Figures 1 and 2). We believe the drop in Performance Chemical sales (excluding DIAB) may primarily be explained by de-stocking on the customer side. We expect this to gradually adjust and that sales will improve in H2, supported by a higher demand within the wind power industry.

Figure 1: Estimated share of Performance Chemical sales (SEKk)



Source: DNB Markets (estimates).
Note: Company estimates

Figure 2: Estimated sales from DIAB (SEKk)



Source: DNB Markets (estimates).
Note: Company estimates

Reactive Recycling

Nexam has previously communicated that it has c50 ongoing projects within Reactive Recycling, but that number has now increased to c70. The number of projects that has passed the sample testing stage seems to have also increased from 25 (although no figure is specified). We continue to believe that the Reactive Recycling business will be one (along with PET-foam) of two major future growth drivers.

New application area

In connection with the release of its Q1 report Nexam announced yet another application area for its Reactive Recycling products. The application area is film-blowing machines, and Nexam forecasts (based on the contact with potential customers) it could generate cSEK20m of annual sales starting in 2023 (although the market seems to be even bigger and could lead to more sales further on). We view this as positive for the long-term outlook for the segment, although it is still early days.

Figure 3: New Reactive Recycling application area: agricultural films



Source: Company

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.

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 Q1 was cSEK28m, implying that the company is not in direct need of financing. However, given that the company still has not showed positive operating results, we see a risk for refinancing further on (although we see the risk somewhat lower following the extension of the overdraft facility to SEK20m from SEK11.5m). Yet, if it is unable to make a turn towards profitability, we do not rule out that a new rights issue might be necessary.

Balance sheet well-capitalised for now

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

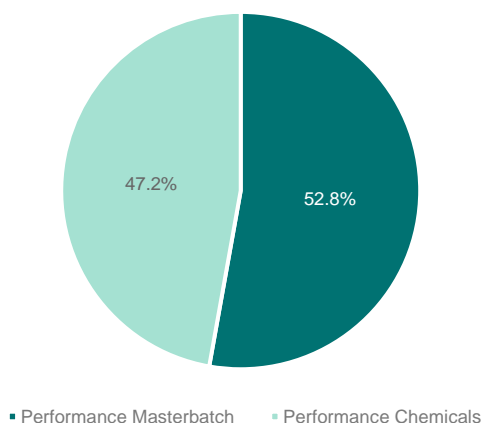
Demand in Performance Masterbatch (47% of 2022 group sales) generally tracks in line with overall economic activity, so is susceptible to weakening economic fundamentals. Our base case assumes Performance Chemicals offsets any deterioration in key indicators, given the structural growth drivers in its 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

Company overview

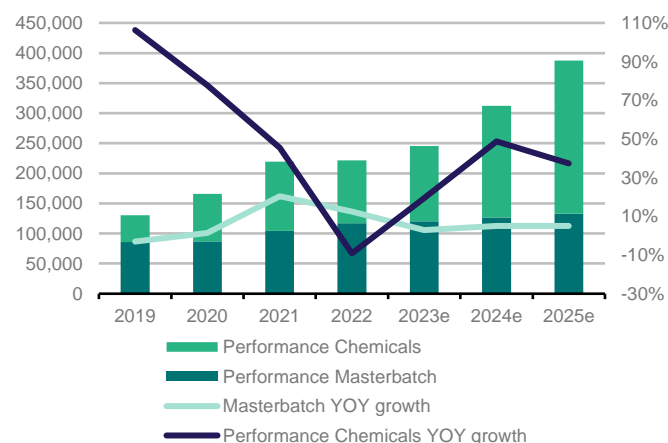
Nexam Chemical is a speciality chemical company with a world-leading, unique technology to enhance the properties and performance of plastics and polymers based on a decade-long R&D programme. It has deep roots in the scientific community, such as NASA's space programme.

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)

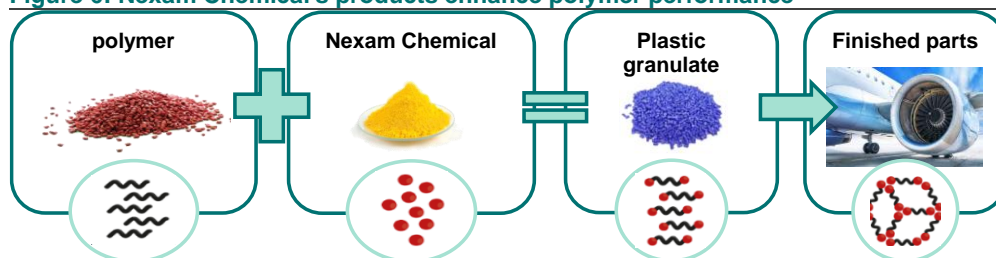
The company has two divisions:

- **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)

24 April 2023

Forecast changes – P&L

(SEKm)	2023e	New 2024e	2025e	2023e	Old 2024e	2025e	2023e	Change 2024e	2025e
Revenues	245	312	388	257	320	398	-11	-7	-10
Cost of sales	-141	-172	-213	-149	-176	-219	8	4	5
Gross profit	105	141	175	109	144	179	-4	-3	-4
Operating expenses	-93	-103	-118	-96	-106	-122	3	3	4
EBITDA	12	37	56	13	37	57	-1	0	-1
EBITDA adj	12	37	56	13	37	57	-1	0	-1
EBITDA margin (%)	5.1	12.0	14.5	5.1	11.7	14.3	0.0	0.2	0.1
Depreciation	-14	-17	-21	-14	-17	-21	0	0	1
EBIT	-2	20	35	-1	20	36	-1	0	0
EBIT adj	-2	20	35	-1	20	36	-1	0	0
Net interest	-2	-3	-4	-3	-3	-4	0	0	0
Net financial items	-2	-3	-4	-3	-3	-4	0	0	0
PBT	-4	17	31	-3	17	31	-1	0	0
Taxes	0	-4	-7	0	-4	-7	0	0	0
Net profit	-4	13	24	-3	13	24	-1	0	0
Adjustments to net profit	0	0	0	0	0	0	0	0	0
Net profit adj	-4	13	24	-3	13	24	-1	0	0
<i>Per share data (SEK)</i>									
EPS	-0.04	0.17	0.30	-0.04	0.16	0.30	0.00	0.00	0.00
EPS adj	-0.05	0.17	0.30	-0.04	0.16	0.30	-0.01	0.00	0.00
<i>Other key metrics (%)</i>									
Revenue growth	10.6	27.2	24.2	15.7	24.6	24.5	-5.0	2.7	-0.3
EBIT adj growth	nm	nm	71.8	-93.4	-2840.5	75.8	nm	nm	-4.0
EPS adj growth	nm	nm	80.9	-72.6	-496.0	86.5	nm	nm	-5.6
Avg. number of shares (m)	81	81	81	81	81	81	0	0	0
Capex	-8	-15	-19	-10	-15	-19	1	0	1
OpFCF	4	22	37	3	22	38	1	0	0
NIBD adj	20	10	1	23	13	4	-4	-2	-3

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	120	126	133	122	128	134	-1	-1	-1
Performance Chemicals	125	186	255	135	192	264	-10	-6	-9
Assumptions									
Revenue org. % YOY	9.91	27.21	24.22	15.13	24.55	24.49	-5.22	2.65	-0.27
Structure impact % YOY	0.00	0.00	0.00		0.00	0.00		0.00	0.00
Currency impact % YOY	0.73	0.04	0.00	0.55	0.00	0.00	0.17	0.04	0.00

Source: DNB Markets

24 April 2023

Quarterly numbers

(SEKm)	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023	Q2 2023e	Q3 2023e	Q4 2023e	Q1 2024e	Q2 2024e
Revenues	57	54	55	57	56	52	60	66	68	72	76
Cost of sales	-37	-32	-34	-35	-34	-30	-35	-38	-38	-40	-42
Gross profit	20	21	22	22	21	22	25	28	30	33	34
Operating expenses	-19	-21	-23	-21	-23	-22	-23	-24	-24	-25	-25
EBITDA	1	2	-1	1	-1	0	2	5	5	8	9
Depreciation	-3	-3	-3	-3	-3	-4	-3	-4	-4	-4	-4
EBIT	-2	-1	-4	-2	-4	-4	-1	1	2	4	5
Net interest	0	0	0	0	0	0	-1	-1	-1	-1	-1
Net financial items	0	0	0	0	0	0	-1	-1	-1	-1	-1
PBT	-2	-2	-4	-2	-4	-4	-1	0	1	3	4
Taxes	0	0	0	0	0	0	0	0	0	-1	-1
Net profit	-2	-2	-4	-2	-5	-4	-1	0	1	3	3
Adjustments to net profit	0	0	0	0	1	0	0	0	0	0	0
Net profit adj	-2	-2	-4	-2	-4	-4	-1	0	1	3	3
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	-0.02	-0.05	-0.05	-0.03	-0.04	-0.02	0.01	0.01	0.03	0.04
EPS adj	-0.02	-0.02	-0.05	-0.03	-0.05	-0.05	-0.02	0.01	0.01	0.03	0.04
<i>Growth and margins (%)</i>											
Revenues, QOQ growth	13.6	-5.5	2.8	2.3	-1.8	-6.2	14.2	10.3	3.0	7.0	4.4
Revenues, YOY growth	22.2	2.7	-7.1	12.9	-2.4	-3.1	7.6	15.9	21.6	38.7	26.9
EPS adj, YOY growth	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm
Gross margin	35.8	39.8	39.5	38.6	38.5	42.2	41.0	42.6	43.4	45.0	45.0
EBITDA adj margin	2.1	3.1	nm	1.3	nm	0.2	3.9	7.0	8.0	11.1	11.5
Depreciation/revenues	-4.8	-5.3	-5.8	-5.1	-5.4	-7.3	-5.4	-5.4	-5.4	-5.4	-5.4
EBIT adj margin	-2.7	-2.2	-7.5	-3.8	-6.6	-7.1	-1.5	1.6	2.6	5.7	6.1
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)	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023	Q2 2023e	Q3 2023e	Q4 2023e	Q1 2024e	Q2 2024e
EBITDA	1	2	-1	1	-1	0	2	5	5	8	9
Gains and losses	0	0	0	0	0	0	0	0	0	0	0
EBITDA adj	1	2	-1	1	-1	0	2	5	5	8	9
Gains and losses	0	0	0	0	0	0	0	0	0	0	0
EBIT	-2	-1	-4	-2	-4	-4	-1	1	2	4	5
Gains and losses	0	0	0	0	0	0	0	0	0	0	0
EBIT adj	-2	-1	-4	-2	-4	-4	-1	1	2	4	5
Net profit	-2	-2	-4	-2	-5	-4	-1	0	1	3	3
Gains and losses	0	0	0	0	0	0	0	0	0	0	0
Net profit adj	-2	-2	-4	-2	-4	-4	-1	0	1	3	3

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

24 April 2023

Quarterly numbers by segment and assumptions

(SEKm)	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023	Q2 2023e	Q3 2023e	Q4 2023e	Q1 2024e	Q2 2024e
Revenue											
Performance Masterbatch	26	30	33	29	25	30	31	31	29	32	32
Performance Chemicals	31	24	22	28	30	22	29	35	39	41	43
Assumptions											
Revenue org. % YOY	22.20	1.99	-7.59	12.31	-3.27	-3.81	6.67	15.15	21.07	38.52	26.88
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	-0.01	0.69	0.48	0.61	0.91	0.70	0.93	0.78	0.49	0.21	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	245	312	388
Cost of sales	-5	-12	-68	-82	-95	-135	-135	-141	-172	-213
Gross profit	5	9	47	54	71	85	88	105	141	175
Operating expenses	-24	-29	-53	-59	-66	-79	-88	-93	-103	-118
EBITDA	-19	-20	-6	-6	5	6	0	12	37	56
Depreciation	-2	-3	-10	-10	-10	-11	-12	-14	-17	-21
EBIT	-22	-23	-16	-15	-5	-4	-12	-2	20	35
Net interest	0	0	-1	-2	-2	-1	-1	-2	-3	-4
Net financial items	0	0	-1	-2	-2	-1	-1	-2	-3	-4
PBT	-22	-23	-17	-17	-8	-5	-13	-4	17	31
Taxes	0	17	0	0	0	0	0	0	-4	-7
Effective tax rate (%)	0	75	-1	0	-7	-3	0	-1	23	23
Net profit	-22	-6	-17	-17	-8	-5	-13	-4	13	24
Adjustments to net profit	0	-1	-3	-4	0	1	1	0	0	0
Net profit adj	-22	-7	-20	-21	-8	-4	-12	-4	13	24
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	-0.04	0.17	0.30
EPS adj	-0.36	-0.11	-0.30	-0.31	-0.11	-0.05	-0.15	-0.05	0.17	0.30
<i>Growth and margins (%)</i>										
Revenue growth	5.4	126.1	487.5	18.4	27.5	32.3	1.0	10.6	27.2	24.2
EPS adj growth	nm	nm	nm	nm	nm	nm	nm	nm	nm	80.9
Gross margin	43.4	37.4	38.1	36.7	42.8	38.5	39.1	42.4	45.0	45.0
EBITDA margin	nm	nm	nm	nm	3.0	2.9	0.1	5.1	12.0	14.5
EBITDA adj margin	nm	nm	nm	nm	3.0	3.5	0.4	5.1	12.0	14.5
Depreciation/revenues	-29.5	-15.9	-9.0	-7.6	-6.1	-4.8	-5.4	-5.8	-5.4	-5.4
EBIT margin	nm	nm	nm	nm	nm	nm	nm	nm	6.6	9.1
EBIT adj margin	-268.0	-129.3	-16.9	-14.9	-3.2	-1.4	-5.0	-0.7	6.6	9.1
PBT margin	nm	nm	nm	nm	nm	nm	nm	nm	5.6	8.1
Net profit margin	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm

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

24 April 2023

Adjustments to annual P&L

(SEKm)	2016	2017	2018	2019	2020	2021	2022	2023e	2024e	2025e
EBITDA	-19	-20	-6	-6	5	6	0	12	37	56
Gains and losses	-1	-2	-5	-6	0	0	-1	-1	0	0
EBITDA adj	-20	-21	-9	-9	5	8	1	12	37	56
Gains and losses	-1	-2	-5	-6	0	0	-1	-1	0	0
EBIT	-22	-23	-16	-15	-5	-4	-12	-2	20	35
Gains and losses	-1	-2	-5	-6	0	0	-1	-1	0	0
EBIT adj	-22	-24	-19	-19	-5	-3	-11	-2	20	35
Net profit	-22	-6	-17	-17	-8	-5	-13	-4	13	24
Gains and losses	-1	-2	-5	-6	0	0	-1	-1	0	0
Net profit adj	-22	-7	-20	-21	-8	-4	-12	-4	13	24
<i>Per share data (SEK)</i>										
EPS	-0.36	-0.09	-0.25	-0.25	-0.14	-0.07	-0.15	-0.04	0.17	0.30
Recommended adjustment	0.00	-0.02	-0.05	-0.06	0.03	0.02	0.00	-0.01	0.00	0.00
EPS adj	-0.36	-0.11	-0.30	-0.31	-0.11	-0.05	-0.15	-0.05	0.17	0.30

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	-4	13	24
Depreciation and amortisation	2	3	10	10	10	11	12	14	17	21
Other non-cash adjustments	0	0	-1	-2	-2	0	0	-2	-7	-11
Change in net working capital	2	1	-6	-14	-19	2	-11	-4	-5	-17
Cash flow from operations (CFO)	-18	-18	-13	-21	-17	7	-11	7	25	28
Capital expenditure	-2	-84	-6	-11	-7	-6	-33	-8	-15	-19
Cash flow from investing (CFI)	-2	-84	-6	-11	-7	-6	-33	-8	-15	-19
Free cash flow (FCF)	-20	-102	-18	-32	-23	2	-44	-1	10	9
Net change in debt	117	55	-14	1	30	32	4	-7	-4	-4
Cash flow from financing (CFF)	117	55	-14	1	30	32	4	-7	-4	-4
Total cash flow (CFO+CFI+CFF)	97	-47	-33	-31	7	34	-40	-8	6	5
<i>FCFF calculation</i>										
Free cash flow	-20	-102	-18	-32	-23	2	-44	-1	10	9
Less: net interest	0	0	1	2	2	1	1	2	3	4
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	162.9	255.3	11.8
CFI	16.6	-3923.3	93.4	-89.7	37.2	16.5	-500.7	75.3	-84.4	-24.6
FCF	23.4	-418.9	81.9	-72.5	26.2	107.4	-2640.0	97.3	914.0	-8.0
CFF	19874.1	-52.6	-125.9	105.6	3666.3	7.9	-88.1	-276.0	40.9	0.0
FCFF	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm

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

24 April 2023

Balance sheet

(SEKm)	2016	2017	2018	2019	2020	2021	2022	2023e	2024e	2025e
Assets	174	282	248	228	250	284	278	272	291	319
Inventories	6	15	19	25	32	32	35	39	47	58
Trade receivables	2	15	16	19	32	38	46	49	56	70
Other receivables	3	5	3	5	6	4	6	7	7	7
Cash and cash equivalents	133	86	54	23	30	64	23	15	20	25
Current assets	143	121	92	72	100	138	110	110	130	160
Property, plant and equipment	9	50	48	49	45	44	66	62	60	58
Goodwill	19	111	108	106	105	103	102	101	101	101
Non-current financial assets	3	0	0	0	0	0	0	0	0	0
Non-current assets	30	161	156	156	150	147	168	163	161	159
Total assets	174	282	248	228	250	284	278	272	291	319
Equity and liabilities	174	282	248	228	250	284	278	272	291	319
Total equity	164	188	171	155	187	228	216	212	226	250
Trade payables	1	14	14	12	14	17	20	22	31	39
Other payables and accruals	5	11	11	7	8	11	10	13	13	13
Short-term debt	1	13	13	14	13	13	6	4	4	4
Total current liabilities	7	38	39	33	36	42	36	38	47	55
Long-term debt	1	50	37	35	23	11	23	19	15	11
Pension liabilities	0	0	0	0	0	0	0	0	0	0
Other non-current liabilities	1	5	1	4	5	3	3	3	3	3
Total non-current liabilities	2	56	39	40	27	15	26	22	18	14
Total liabilities	10	94	77	73	63	56	62	60	65	69
Total equity and liabilities	174	282	248	228	250	284	278	272	291	319
<i>Key metrics</i>										
Net interest bearing debt	-131	-31	-15	17	-2	-36	16	20	10	1

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

24 April 2023

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	4.54	4.54	4.54
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	367	367	367
Net interest bearing debt	-131	-31	-15	17	-2	-36	16	20	10	1
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	20	10	1
EV	630	589	613	563	674	815	425	387	377	369
EV adj	630	589	613	563	674	815	425	387	377	369
<i>Valuation</i>										
EPS	-0.36	-0.09	-0.25	-0.25	-0.14	-0.07	-0.15	-0.04	0.17	0.30
EPS adj	-0.36	-0.11	-0.30	-0.31	-0.11	-0.05	-0.15	-0.05	0.17	0.30
P/E	-34.0	-106.1	-37.2	-32.4	-66.1	-155.0	-33.3	-106.3	27.5	15.2
P/E adj	-34.1	-88.5	-31.4	-26.1	-83.6	-205.0	-34.2	-91.1	27.5	15.2
Average ROE	-19.2%	-3.3%	-9.6%	-10.5%	-4.7%	-2.6%	-5.7%	-1.9%	6.1%	10.2%
Earnings yield adj	-2.9%	-0.9%	-2.7%	-3.1%	-1.5%	-0.6%	-3.0%	-0.9%	3.6%	6.6%
EV/SALES	76.19	31.49	5.58	4.33	4.07	3.71	1.92	1.58	1.21	0.95
EV/SALES adj	76.19	31.49	5.58	4.33	4.07	3.71	1.92	1.58	1.21	0.95
EV/EBITDA	-32.3	-29.5	-106.4	-101.1	137.3	129.4	3797.4	31.0	10.1	6.6
EV/EBITDA adj	-31.9	-27.8	-71.2	-59.4	137.3	107.3	502.7	31.0	10.1	6.6
EV/EBIT	-28.7	-25.7	-39.1	-36.6	-127.7	-190.6	-35.8	-221.0	18.4	10.5
EV/EBIT adj	-28.4	-24.4	-33.1	-29.2	-127.6	-273.6	-38.1	-221.0	18.4	10.5
EV/capital employed	3.8	2.4	2.9	2.9	3.1	3.4	1.8	1.7	1.6	1.4
EV/OpFCF (taxed)	-37.5	-7.3	-56.3	-36.6	-517.8	508.5	-17.1	116.7	22.0	12.8

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

24 April 2023

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	-1.5	4.7	7.9
ROCE	-18.8	-11.8	-8.2	-9.6	-2.6	-1.3	-4.6	-0.7	8.6	13.9
<i>Return on invested capital (%)</i>										
Net PPE/revenues	105.3	268.4	43.5	37.8	27.1	19.9	29.8	25.2	19.3	15.0
<i>Cash flow ratios (%)</i>										
FCF/revenues	-237.8	-545.8	-16.8	-24.4	-14.1	0.8	-19.9	-0.5	3.1	2.3
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	2.8	7.9	7.1
CFO/market capitalisation	-2.3	-3.0	-2.1	-3.9	-2.5	0.9	-2.7	1.9	6.7	7.5
CFO/capex	-846.7	-22.1	-232.7	-202.5	-255.3	131.6	-33.5	85.4	164.5	147.6
CFO/current liabilities	-237.5	-48.0	-33.4	-63.6	-47.2	17.5	-30.6	18.2	52.3	50.4
Cash conversion ratio	89.0	1775.1	107.2	186.2	289.9	-32.0	348.1	29.6	72.7	37.0
Capex/revenues	25.1	447.0	5.0	8.1	4.0	2.5	14.9	3.3	4.8	4.8
Capex/depreciation	85.2	2817.4	55.8	106.8	64.8	52.2	275.8	57.4	89.4	89.7
OpFCF margin	-263.7	-560.4	-12.9	-15.4	-1.0	0.9	-14.6	1.8	7.1	9.6
<i>Leverage and solvency (x)</i>										
Interest cover	nm	nm	-11.49	-9.43	-2.06	-3.58	-7.72	-1.08	7.95	11.12
EBIT/interest payable	nm	nm	nm	nm	nm	nm	nm	nm	8.21	11.35
Cash coverage	-120.28	-179.78	-4.29	-3.47	2.13	6.11	0.14	5.54	11.87	14.67
Net debt/EBITDA	6.72	1.53	2.62	-2.96	-0.48	-5.76	141.73	1.59	0.27	0.02
Total debt/total capital (BV)	0.01	0.23	0.20	0.22	0.14	0.09	0.10	0.08	0.06	0.04
LTD / (LTD + equity (MV))	0.00	0.08	0.06	0.06	0.03	0.01	0.05	0.05	0.04	0.03
<i>Cash conversion cycle</i>										
Inventory turnover days	465.8	460.9	104.4	110.4	124.8	87.4	93.3	101.3	99.5	99.5
Receivables turnover days	193.3	384.6	62.6	68.2	83.9	69.5	86.4	83.1	73.4	71.9
Credit period	98.4	448.8	77.8	53.6	54.5	46.4	53.7	57.3	66.4	66.4
Cash conversion cycle	560.7	396.8	89.1	124.9	154.3	110.5	126.0	127.1	106.5	105.0

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

24 April 2023

Important Information

Company: Nexam Chemical
 Coverage by Analyst: Hanna Lindbo
 Date: 24/04/2023

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24 April 2023

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24 April 2023

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