

## Odfjell SE

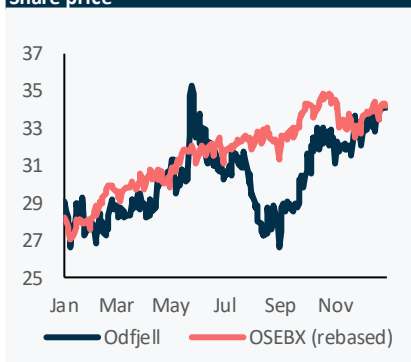
BUY

### Key share data

Sector	Industrials
Reuters (for A sh.)	ODF.OL
Bloomberg (for A sh.)	ODF NO
Market Cap (NOKm)	2,644
Net debt (NOKm)	11,716
EV (NOKm)	14,361
Net debt / equity	252%
Issued shares (A), m	60
Issued shares (B), m	19
Issued shares (Total), m*	79

\*shares owned by Odfjell not included

### Share price



### Performance

	1m	3m	12m
ODF A	2%	14%	18%
OSEBX	4%	1%	22%

### Upcoming events

4Q21 report February 9, 2022

**Norne Securities AS is a market maker in A and B shares of Odfjell SE**

### Analyst

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## In-line quarter guided

**Odfjell posts 4Q21 report on 9<sup>th</sup> of February. The underlying results in 4Q21 were guided to be in line with 3Q21, but we expect somewhat lower margins due to increasing bunker costs. While the improvement in chemical tanker rates is still awaited, Odfjell invested in expanding its terminal in Houston. We made limited changes to our estimates, anticipate no surprises in the figures and continue to see a significant upside in the share if the rates improve, thus, Buy recommendation under an unchanged NOK 40/sh Target Price is reiterated.**

### 4Q guided in line, somewhat lower margins anticipated

In its last report, Odfjell communicated that although there are signs of improvements in the markets, it will take time for a recovery to materialize and therefore the company expects the underlying results in 4Q21 to be in line with 3Q21. Even with the fourth quarter being seasonally strongest, we increased the bunker cost expectations, this resulting in somewhat lower margins.

USDm		4Q20	3Q21	4Q21E	Consensus*	2020	2021E	2022E	
Segments	Tankers	Revenues	233.9	259.1	264.0	-	939	1,019	1,085
		EBITDA	59.3	56.9	56.9	-	255	222	260
	Terminals	Revenues	15.9	18	18	-	66	70	72
		EBITDA	6.6	8	8	-	30	31	33
	Net Profit	(0.6)	1	1	-	14	2	7	
Equity Method	Total	Revenues + JV	233	260	265	263	953	1,022	1,092
		Adj. EBITDA	59	58	58	60	256	226	266
		EBIT	18	(7)	13	16	115	25	85
		Net Profit	(3)	(25)	(5)	(3)	28	(53)	13

\*Bloomberg

### Houston Terminal's expansion planned

Odfjell is expanding its largest and the most important terminal in Houston, strategically located near the entrance of the Houston ship channel that serves as a major international hub for chemical import and export to and from the U.S. The expansion will increase the capacity by approximately 9% to 413,400cbm. The constructions are set to begin during 1Q22 and expected to be completed by the end of 2023. The expansion will be fully financed through an existing credit facility.

### Outlook remains promising

The fundamental chemicals demand is anticipated both by us and the company to remain healthy over the upcoming three years and is projected to outgrow the net fleet growth. Increasing oil price signals for the reduced pressure from the swing tonnage vessels as well. Thus, all combined, we still see the significant upside for the stock and reiterate Buy recommendation at an unchanged NOK 40/sh Target Price.

Estimates (USDm)	4Q21E		2021E		2022E	
	New	Old	New	Old	New	Old
Operating revenues (incl. JV)	265	265	1,023	1,023	1,092	1,090
Adj. EBITDA	58	62	226	230	266	264
Adj. EBITDA Margin	22%	24%	22%	23%	24%	24%
EBIT (adj)	13	17	44	49	85	82
Op. EBIT margin	5%	7%	4%	5%	8%	8%
Non-recurring items	-	-	-20	-20	-	-
EBIT	13	17	25	29	85	82
Pre-tax profit	-5	-0	-51	-47	13	11
Tax	0	0	-3	-3	-1	-1
Tax rate	5%	5%	-5%	-6%	5%	5%
Minority interests	-	-	-	-	-	-
Profit after tax	-5	-0	-54	-49	13	10

## DCF model

USDm	4Q21	2022E	2023E	2024E
Revenues	264	1,085	1,135	1,157
EBIT	13	85	121	130
Tax on EBIT	-1	-4	-6	-7
NOPLAT (+)	12	80	115	124
Depreciation & amortization (+)	45	182	189	196
Capital expenditure (-)	-45	-182	-189	-196
Change in working capital (- or +)	-2	-10	-3	-2
Free Cash Flow to the Firm	10	70	112	122
NPV of FCFF (USD)	10	64	93	93
NPV of FCFF (NOK)	88	559	818	821

WACC calculation	
Debt ratio	60%
Cost of debt (after tax)	6.2%
Risk free rate	2.0%
Beta	1.7
Market risk premium	6.0%
Cost of equity	11.9%
<b>WACC</b>	<b>8.5%</b>

Valuation, NOKm	
Net debt	11,979
Minority interest	0
NPV cash flow	
4Q21E-2024E	2,287
2025E-	14,110
Total NPV cash flow	16,397
Equity value	4,417
<b>Value per share, NOK</b>	<b>56.13</b>

Assumptions	
L.t. growth	2.5%
Tax rate	5%
USD/NOK	8.8
<b># shares, m</b>	<b>79</b>

## Peer comparison

USDm	Source	EV*	EV/EBITDA*		EV/EBIT*		P/E		P/B	Div. yield	Market Cap
			2021E	2022E	2021E	2022E	2021E	2022E			
Odfjell	Norne	1,632	7.2	6.1	36.8	19.3	neg	24.0	0.56	0%	268
<b>Oil Tankers</b>											
Frontline	Consensus**	3,676	23.4	8.2	425.7	12.9	na	6.8	na	0%	2,033
<b>Product Tankers</b>											
Scorpio Tankers	Consensus**	3,644	18.1	6.6	na	17.3	nm	8.2	0.39	3%	1,540
<b>Chemical Tankers</b>											
Stolt-Nielsen	Consensus**	3,332	6.7	6.2	15.8	13.3	14.6	6.0	0.59	4%	522
<b>Median</b>			<b>18.1</b>	<b>6.6</b>	<b>220.8</b>	<b>13.3</b>	<b>14.6</b>	<b>6.8</b>	<b>0.49</b>	<b>3%</b>	
<b>Discount/(premium) to peers</b>			<b>-60.1%</b>	<b>-7.2%</b>	<b>-83.3%</b>	<b>45.2%</b>	<b>nm</b>	<b>255.9%</b>	<b>15.7%</b>		

\* Calculated by applying the last reported Balance Sheet and last Market Capitalization

\*\* Bloomberg

Profit & Loss (USDm)	2016	2017	2018*	2019	2020	2021E	2022E	2023E	2024E
<b>Operating revenues</b>	<b>828.0</b>	<b>839.7</b>	<b>828.6</b>	<b>871.7</b>	<b>940.6</b>	<b>1,022.9</b>	<b>1,091.9</b>	<b>1,145.0</b>	<b>1,171.4</b>
Operating expenses	-640.0	-717.2	-637.9	-689.4	-684.1	-797.0	-825.6	-835.1	-845.0
<b>EBITDA (adj)</b>	<b>188.0</b>	<b>122.5</b>	<b>190.7</b>	<b>182.3</b>	<b>256.5</b>	<b>225.9</b>	<b>266.3</b>	<b>309.9</b>	<b>326.4</b>
Depreciation & Amortisation	-89.0	-86.0	-181.8	-146.4	-152.4	-181.6	-181.8	-188.7	-196.3
<b>EBIT (adj)</b>	<b>99.0</b>	<b>36.5</b>	<b>8.9</b>	<b>35.9</b>	<b>104.1</b>	<b>44.3</b>	<b>84.5</b>	<b>121.2</b>	<b>130.1</b>
Non-recurring items	31.0	100.0	-119.1	14.2	11.3	-19.5	-	-	-
<b>EBIT</b>	<b>130.0</b>	<b>136.5</b>	<b>-110.2</b>	<b>50.1</b>	<b>115.4</b>	<b>24.8</b>	<b>84.5</b>	<b>121.2</b>	<b>130.1</b>
Net interest & other financial effects	-23.0	-50.5	-99.4	-83.6	-83.9	-75.8	-71.2	-71.2	-71.2
<b>Pre-tax profit</b>	<b>107.0</b>	<b>86.0</b>	<b>-209.6</b>	<b>-33.5</b>	<b>31.5</b>	<b>-51.0</b>	<b>13.3</b>	<b>50.0</b>	<b>58.9</b>
Minority interests	-	-	-	-	-	-	-	-	-
Taxes	-8.0	-2.9	-4.8	-2.9	-3.5	-2.6	-0.7	-2.5	-2.9
<b>Profit after tax</b>	<b>99.0</b>	<b>83.1</b>	<b>-214.4</b>	<b>-36.4</b>	<b>28.0</b>	<b>-53.6</b>	<b>12.7</b>	<b>47.5</b>	<b>55.9</b>
<b>EPS rep. (USD)</b>	<b>1.26</b>	<b>1.06</b>	<b>-2.72</b>	<b>-0.46</b>	<b>0.36</b>	<b>-0.68</b>	<b>0.16</b>	<b>0.60</b>	<b>0.71</b>
<b>EPS adj. (USD)</b>	<b>0.57</b>	<b>-0.17</b>	<b>-0.90</b>	<b>-0.58</b>	<b>0.24</b>	<b>-0.38</b>	<b>0.16</b>	<b>0.60</b>	<b>0.71</b>
<b>Margins</b>									
Operating margin	12%	4%	1%	4%	11%	4%	8%	11%	11%
ROE	7%	-2%	-10%	-8%	3%	-5%	2%	8%	9%
ROCE	6%	2%	1%	2%	6%	2%	5%	7%	7%
Tax rate	7%	3%	-2%	-9%	11%	-5%	5%	5%	5%
<b>Growth rates (YoY)</b>									
Operating revenues	-10%	1%	-1%	5%	8%	9%	7%	5%	2%

\*IFRS 16 standards applied

Balance sheet (USDm)	2016	2017	2018*	2019	2020	2021E	2022E	2023E	2024E
Goodwill	-	-	-	-	-	-	-	-	-
Deferred tax asset	-	-	-	-	-	0.9	0.9	0.9	0.9
Licences, property, plant & equipment	1,228	1,294	1,548	1,620	1,784	1,655	1,655	1,655	1,655
Other intangible assets	361	373	195	176	209	183	183	183	183
<b>Non-current Assets</b>	<b>1,589</b>	<b>1,667</b>	<b>1,743</b>	<b>1,796</b>	<b>1,993</b>	<b>1,838</b>	<b>1,838</b>	<b>1,838</b>	<b>1,838</b>
Inventory	18	21	28	29	25	38	38	38	38
Receivables	81	83	88	89	92	128	138	142	144
Other current assets	31	15	3	4	7	50	50	50	50
Cash and cash equivalents	164	207	168	101	103	48	51	95	149
<b>Current Assets</b>	<b>294</b>	<b>326</b>	<b>286</b>	<b>223</b>	<b>227</b>	<b>264</b>	<b>277</b>	<b>324</b>	<b>380</b>
<b>Total assets</b>	<b>1,883</b>	<b>1,992</b>	<b>2,030</b>	<b>2,018</b>	<b>2,220</b>	<b>2,102</b>	<b>2,115</b>	<b>2,162</b>	<b>2,218</b>
Shareholders equity	719	808	601	551	576	527	540	588	643
Non-controlling interests	-	-	-	-	-	-	-	-	-
<b>Total equity</b>	<b>719</b>	<b>808</b>	<b>601</b>	<b>551</b>	<b>576</b>	<b>527</b>	<b>540</b>	<b>588</b>	<b>643</b>
Deferred tax liability	-	-	-	-	-	-	-	-	-
Long-term interest bearing debt	838	845	1,050	1,141	1,269	1,168	1,168	1,168	1,168
Other long-term liabilities	40	10	19	27	33	27	27	27	27
<b>Non-current liabilities</b>	<b>878</b>	<b>855</b>	<b>1,068</b>	<b>1,168</b>	<b>1,302</b>	<b>1,196</b>	<b>1,196</b>	<b>1,196</b>	<b>1,196</b>
Current interest bearing debt	204	239	261	205	238	248	248	248	248
Trade payables	13	24	14	11	8	9	9	9	10
Other current liabilities	69	67	86	84	95	122	122	122	122
<b>Current liabilities</b>	<b>286</b>	<b>329</b>	<b>361</b>	<b>300</b>	<b>342</b>	<b>379</b>	<b>379</b>	<b>379</b>	<b>379</b>
<b>Total liabilities</b>	<b>1,164</b>	<b>1,184</b>	<b>1,429</b>	<b>1,467</b>	<b>1,644</b>	<b>1,575</b>	<b>1,575</b>	<b>1,575</b>	<b>1,575</b>
<b>Total liabilities and equity</b>	<b>1,883</b>	<b>1,992</b>	<b>2,030</b>	<b>2,018</b>	<b>2,220</b>	<b>2,102</b>	<b>2,115</b>	<b>2,162</b>	<b>2,218</b>
Working capital	86	81	102	107	109	157	167	170	173
Net IB debt	878	877	1,143	1,245	1,405	1,368	1,365	1,321	1,267
Capital employed	1,597	1,663	1,669	1,719	1,878	1,723	1,736	1,783	1,839
Net IB debt / equity	122%	109%	190%	226%	244%	259%	253%	225%	197%
Equity / total assets	38%	41%	30%	27%	26%	25%	26%	27%	29%

\*IFRS 16 standards applied

Share data	2016	2017	2018*	2019	2020	2021E	2022E	2023E	2024E
Shares outstanding, year end (mill.)	78.556	78.556	78.700	78.700	78.700	78.700	78.700	78.700	78.700
Share price, year end (NOK)	29.30	31.90	29.50	26.50	27.40	33.60	34.10	34.10	34.10
Market cap (NOKm)	2,302	2,506	2,322	2,086	2,156	2,644	2,684	2,684	2,684
Enterprise value (NOKm)	9,668	9,664	11,977	13,417	14,813	14,592	14,723	14,335	13,860
EPS rep. (USD)	1.26	1.06	-2.72	-0.46	0.36	-0.68	0.16	0.60	0.71
EPS adj. (USD)	0.57	-0.17	-0.90	-0.58	0.24	-0.38	0.16	0.60	0.71
DPS. (USD)	0.18	0.19	-	-	-	-	-	-	-

Valuation	2016	2017	2018*	2019	2020	2021E	2022E	2023E	2024E
EV/Sales	1.40	1.41	1.67	1.69	1.75	1.64	1.54	1.43	1.36
EV/EBITDA	6.13	9.67	7.43	8.09	6.41	7.40	6.27	5.25	4.82
EV/EBIT (adj)	11.64	32.45	>100	41.06	15.79	37.72	19.75	13.41	12.09
P/E (adj)	6.1	neg	neg	neg	12.6	neg	24.0	6.4	5.4
P/B (excl. goodwill)	0.38	0.38	0.46	0.42	0.42	0.57	0.56	0.52	0.47

Growth (YoY)	2016	2017	2018*	2019	2020	2021E	2022E	2023E	2024E
Revenues	-11.0 %	2.0 %	0.9 %	2.5 %	7.6 %	8.5 %	6.4 %	4.6 %	2.0 %
EBITDA	-0.3 %	-34.8 %	55.7 %	-4.4 %	40.7 %	-11.9 %	17.9 %	16.4 %	5.3 %

Margins	2016	2017	2018*	2019	2020	2021E	2022E	2023E	2024E
EBITDA	22.7 %	14.6 %	23.0 %	20.9 %	27.3 %	22.1 %	24.4 %	27.1 %	27.9 %
EBIT (adj)	12.0 %	4.3 %	1.1 %	4.1 %	11.1 %	4.3 %	7.7 %	10.6 %	11.1 %
Pre-tax profit	12.9 %	10.2 %	-25.3 %	-3.8 %	3.3 %	-5.0 %	1.2 %	4.4 %	5.0 %
Net profit	12.0 %	9.9 %	-25.9 %	-4.2 %	3.0 %	-5.2 %	1.2 %	4.1 %	4.8 %

Profitability	2016	2017	2018*	2019	2020	2021E	2022E	2023E	2024E
ROE	6.6 %	-1.8 %	-10.0 %	-7.9 %	3.4 %	-5.4 %	2.4 %	8.4 %	9.1 %
ROCE	5.9 %	2.2 %	0.5 %	2.1 %	5.8 %	2.5 %	4.9 %	6.9 %	7.2 %
Dividend yield	5.1 %	4.9 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %	0.0 %

\*IFRS 16 standards applied

## Recommendation, valuation, risk and sources

### Recommendation and target price

Recommendation history for Odfjell A share during the last 12 months:

Date	Recommendation	Target price (NOK)
19/01/2022	BUY	40.00
05/11/2021	BUY	40.00
27/10/2021	BUY	40.00
20/08/2021	BUY	40.00
12/08/2021	BUY	40.00
07/05/2021	BUY	40.00
29/04/2021	BUY	40.00
12/02/2021	BUY	40.00
01/02/2021	BUY	40.00
10/11/2020	BUY	40.00

### Valuation

To arrive at our share price target we have used an average of rounded discounted result of peer P/BV valuation applied on the last reported BV and DCF valuation with a discount.

### Risks

The main risks to our target price on Odfjell are the following:

- Operating – projected revenue growth might not be achieved;
- Estimates – our and the company's estimates might not be reached;
- Competition – new competitors might rise due to the increasing demand of chemical products;
- Market situation – the demand growth of chemical products might be lesser than expected;
- Ships suppliers risk – yards might not deliver vessels on time.

### Sources

The sources used in the preparation of this report were: Odfjell, Oslo Stock Exchange, Infront and Bloomberg

# DISCLOSURES AND DISCLAIMER

## STANDARDS AND SUPERVISORY AUTHORITY

This report has been prepared by Norne Securities AS, which is supervised by The Financial Supervisory Authority of Norway (Finanstilsynet). Industry standards issued by The Norwegian Securities Dealers Association (Verdipapirforetakenes Forbund) ([www.vpff.no](http://www.vpff.no)) have been used in preparing this report.

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## RECOMMENDATION STRUCTURE

Norne Securities' general recommendations – Buy, Hold and Sell – are based on the expected absolute return on the financial instrument within the next 12 months, which equals to an upside to the target price, in combination with a risk profile. The target price represents the price level which the analyst expects the financial instrument to trade at within the coming 12 months. The table below shows the ranges of returns under different risk levels, based on which the recommendation is being determined:

Risk	Total return next 12 months (upside to target price)		
	Buy	Hold	Sell
Low	> 10%	2% - 10%	< 2%
Medium	> 15%	3% - 15%	< 3%
High	> 25%	5% - 25%	< 5%

Our risk assessments range from “high risk” to “medium risk” and “low risk” and are based on a subjective assessment of the following factors: 1) volatility in the share price, 2) liquidity in the share, 3) strength of the balance sheet, 4) absolute earnings level and trend and 5) estimate risk.

Share prices used in the report are as of market close on the last trading day if the report is being published before the stock market opening, or market price within 15 min. before the publication if the report is published during the trading hours of the Oslo Stock Exchange.

## TARGET PRICE AND UPDATES

Target prices may be based on one or several valuation methods, for instance, the discounted cash flow (DCF) analysis or applying “fair” pricing multiple(s) based on historical valuation or peer pricing level. Target price may not necessarily equal to the “fair value” of the financial instrument – certain discount or premium is possible due to various reasons, depending on the analyst’s view of what the price may be within the 12 months period. Norne Securities plans to update the recommendation based on the following events: the target price is achieved; new accounting figures are released; any significant news on the company or its industry is announced.

## DISCLOSURE OF INTERESTS

Norne Securities AS may at any time perform investment banking or other services or solicit investment banking or other mandates from the company or companies covered in this report. Norne Securities AS may hold positions in securities covered in this report due to its own-account trading that is part of its investment services operations, such as market making. Norne Securities AS has appointed and may at any time appoint tied agents to provide investment services on behalf of Norne Securities AS. Tied agents are listed in the public registry of the Norwegian Financial Supervisory Authority, and an updated overview of appointed tied agents of Norne Securities AS can be found on [Compliance | Norne Securities](#).

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## POTENTIAL CONFLICTS OF INTEREST

### Norne Securities AS is a market maker in A and B shares of Odfjell SE.

This report has not been presented to the issuer before dissemination for a check of factual information.

Share holdings of Norne employees in Odfjell:

	A shares	B shares
Responsible analyst(s)	0	0
All Norne analysts	117	0
Other Norne employees	0	0
Norne Securities AS	0	0

The overview of share holdings is updated continuously. A list of total share holdings of the Norne Securities' employees and the date of last overview can be found on [Compliance | Norne Securities](#). Shareholdings that Norne Securities AS owns as a result of own-account trading that is part of its investment services operations (such as market making) are not included in the table above.

Distribution of Norne Securities' recommendations during three months up till December 31, 2021:

	Buy	Hold	Sell
Total	69	27	1
% of total	71%	28%	1%
Corporate clients*	36	13	1
% of corporate clients*	72%	26%	2%

\* Includes publicly disclosed not immaterial investment banking services or issues of financial instruments where Norne Securities AS has been lead manager or co-lead manager, and market making clients during the 12 months prior to the overview date.

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