

Odfjell SE

INITIAL COMMENT

Key share data

Sector	Industrials
Reuters	ODF.OL
Bloomberg	ODF NO
Market Cap (NOKm)	2,644
Net debt (NOKm)	11,081
EV (NOKm)	13,726
Net debt / equity	231%
Issued shares (A), m	60
Issued shares (B), m	19
Issued shares (Total), m*	79
*shares owned by Odfjell not included	
Last target price	55.00
Share price	46.80
Last recommendation	BUY

Figures & Ratios (USDm)

	2021	2022E	2023E
Revenues	1,043.2	1,148.9	1,205.1
EBITDA	238.9	275.1	311.7
EBITadj.	58.7	99.0	128.8
Pre-tax profit	-30.2	29.8	59.6
Net profit	-33.6	28.3	56.7
EPS rep. (USD)	-0.43	0.36	0.72
EPS adj. (USD)	-0.22	0.36	0.72
DPS. (USD)	0.11	0.18	0.36
Div. yield	3.0%	3.4%	6.7%
NIBD	1,298	1,290	1,260
EV/Sales	1.54	1.50	1.41
EV/EBITDA	6.70	6.22	5.39
EV/EBIT (adj)	27.27	17.27	13.05
P/E (adj)	neg	14.8	7.4
P/B (excl. gw)	0.55	0.74	0.70
ROE	-3.1 %	5.1 %	9.7 %
ROCE	3.3 %	5.8 %	7.4 %

not updated

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

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Let the good times roll

Odfjell posted very solid 1Q22 figures yesterday evening knowing that the first quarter is usually much weaker due to seasonality. Despite bunker costs reaching record levels, chemical tanker rates were improving following the positive supply/demand balance, while the guidance is strong for both the long-term and the 2Q22. The share has reacted very positively lately, but we suggested that there still is an upside for the stock, while now the estimates will be somewhat upped and the recommendation depends on the post-report market reaction.

Very solid numbers for the seasonally weaker quarter

The chemical tanker market continued to strengthen throughout the quarter, and this let Odfjell to report very solid results yesterday evening. EBITDA of USD 67m was somewhat higher than we and consensus expected, while the bottom line of USD 11m (USD 9m adjusted for the one-offs) surprised. The supply/demand balance was perfect with the negative fleet growth and at the same time growing demand. Russia's invasion of Ukraine led to increased miles as European importers began sourcing substitute cargoes from further afield, while Odfjell's last operations in Russia and Ukraine were a couple of years ago. Swing tonnage pressure reduced as well. COA nominations were communicated to have been replaced by better paying spot cargoes during the quarter, although noting that the contract renewals were concluded at increased rates.

USDm		4Q21	1Q22	1Q22E	Deviation	Consensus*	
Segments	Tankers	Revenues	283	292	274	6%	-
		EBITDA	69	66	60	10%	-
	Terminals	Revenues	20	21	18	18%	-
		EBITDA	10	9	8	11%	-
	Net Profit	3	2	1	26%	-	
Equity Method	Revenues + JV		286	296	276	7%	272
	Total	EBITDA	71	67	61	10%	65
		EBIT	35	27	17	54%	20
		Net Profit	15	11	0	nm	4

*Infront

Promising ST and LT guidance

The chemical tanker market was said to have improved considerably in the second half of the quarter and Odfjell's results are guided to be reported stronger in 2Q22 QoQ. Strong fundamentals support the longer-term prospects as well, although geopolitical tensions, inflation and the lockdown in China are mentioned as the main risks.

Becoming the dividend case

After the NOK 1/sh dividends for 2021 and the approved policy of 50% adjusted net profits as further pay-outs, Odfjell might be seen as a dividend case. We will update our estimates, but 6-7% dividend yield now seems realistic even for this year.

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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.

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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.

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	Buy	Hold	Sell
Total	74	37	3
% of total	65%	32%	3%
Corporate clients*	41	19	2
% of corporate clients*	66%	31%	3%

* 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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