

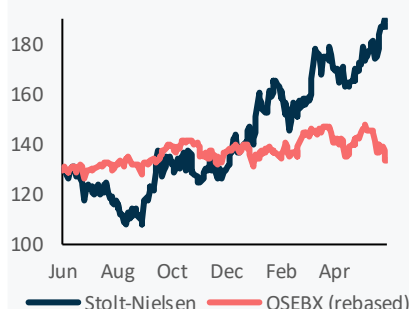
## Stolt-Nielsen

BUY

### Key share data

Sector	Industrials
Reuters	SNI.OL
Bloomberg	SNI NO
Market Cap (NOKm)	10,956
Net debt (NOKm)	22,155
EV (NOKm)	33,111
Net debt / equity	162%
Issued shares (mill.)	59

### Share price



### Performance

	1m	3m	12m
SNI	11%	18%	44%
OSEBX	-7%	-8%	3%

### Upcoming events

2Q22 Results	June 30, 2022
3Q22 Results	October 6, 2022

## Future looks cautiously optimistic, finally

Stolt-Nielsen is again opening up the reporting season next week with its 2Q (March-May) results scheduled on Thursday. We find ourselves in the cautiously optimistic phase expecting the strong results to continue, however, a slightly weaker quarter compared to the superb 1Q. With the company acknowledging that the fundamentals are finally strengthening in the chemical tanker market and following the highly increased USD/NOK rate we reiterate Buy recommendation with a slightly upped NOK 220/sh (NOK 210/sh previously) Target Price.

### The coin is turning its better side for chemical tankers

We anticipate the strong market to have continued during the second quarter of 2022 and are encouraged by the management's comment that the chemical tanker market is finally turning in the company's favour. The orderbook for new stainless steel chemical tankers was communicated to be at 5% and the yards are full, practically building everything but chemical tankers, meaning even if someone wanted to order ships today, they would arrive in 2026 at the earliest. On the demand side, because of the war in Ukraine, the swing tonnage is moving out of chemicals. Nations are sourcing their refined products away from Russia causing more tonne-mile demand for the product tankers.

2Q/22 results	2Q/21	1Q/22	2Q/22e	2Q/22e
USDm			Norne	Consensus*
Revenues excl. JV	526.9	606.2	594.5	603.5
Adj. EBITDA	115.4	158.4	154.9	144.0
EBIT adj.	40.7	90.1	80.2	80.4
Pretax profit	10.6	60.0	49.3	54.3
Net earnings	7.8	52.3	41.9	44.4
EPS rep. (USD)	0.13	0.89	0.72	0.83
EPS adj. (USD)	0.15	0.85	0.72	0.83

\*Bloomberg

### Not forgetting the headwinds

Unfortunately, it is still hard to speculate on the full impact of the war in Ukraine, as the war seems to be far from over and is touching upon all the Ukrainian ports whatsoever. The geopolitical tension, inflation, increased bunker prices and let us not forget the Covid-19: all these should be seen as the risk towards the case. Nevertheless, we find the company well on track to gradually milk the chemical cow, but even if this scenario might be lagging, Stolt-Nielsen always has an extra help from Terminals, Containers or the Sea Farm. Thus, we reiterate Buy recommendation under the higher NOK 220/sh Target Price.

## Analyst

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## DCF model

DCF (USDm)	2Q-4Q 2022E	2023E	2024E	2025E
Revenues	1,802	2,447	2,499	2,526
<b>EBIT</b>	<b>243</b>	<b>291</b>	<b>293</b>	<b>300</b>
Tax on EBIT	-36	-44	-44	-45
NOPLAT (+)	206	247	249	255
Depreciation & amortization (+)	229	324	335	335
Capital expenditure (-)	-251	-354	-365	-365
Change in working capital (- or +)	3	-3	-2	-2
Free Cash Flow to the Firm	187	214	216	223
<b>NPV of FCFF</b>	<b>176</b>	<b>186</b>	<b>174</b>	<b>166</b>
<b>NPV of FCFF (NOK)</b>	<b>1,742</b>	<b>1,840</b>	<b>1,719</b>	<b>1,639</b>

WACC calculation		Valuation, NOKm		Assumptions	
Debt ratio	60%	Net debt	22,155	L.t. growth	2.5%
Cost of debt (after tax)	5.0%	Minority interest	0	Tax rate	15%
Risk free rate	3.0%	NPV cash flow		USD/NOK	9.9
Beta	1.7	2Q-4Q 2022E - 2025E	6,940	# shares, m	59
Market risk premium	6.0%	2026E-	29,023		
Cost of equity	13.2%	Total NPV cash flow	35,963		
<b>WACC</b>	<b>8.3%</b>	Equity value	13,808		
		<b>Value per share, NOK</b>	<b>236</b>		

Profit & Loss (USDm)	2016	2017	2018	2019	2020	2021	2022E	2023E	2024E
<b>Operating revenues</b>	<b>1,914</b>	<b>2,015</b>	<b>2,158</b>	<b>2,061</b>	<b>1,989</b>	<b>2,221</b>	<b>2,464</b>	<b>2,502</b>	<b>2,554</b>
Operating expenses	-1,449	-1,546	-1,680	-1,629	-1,488	-1,680	-1,834	-1,888	-1,927
<b>EBITDA</b>	<b>465</b>	<b>469</b>	<b>478</b>	<b>432</b>	<b>501</b>	<b>540</b>	<b>630</b>	<b>614</b>	<b>627</b>
Depreciation & Amortisation	-234	-264	-267	-255	-292	-295	-297	-324	-335
<b>EBIT (adj)</b>	<b>231</b>	<b>201</b>	<b>211</b>	<b>177</b>	<b>209</b>	<b>245</b>	<b>333</b>	<b>291</b>	<b>293</b>
Non-recurring items	1	-7	-14	-2	-20	-11	2	-	-
EBIT	232	194	196	175	189	234	334	291	293
Net interest & other financial effects	-103	-136	-141	-137	-142	-130	-124	-123	-123
<b>Pre-tax profit</b>	<b>129</b>	<b>62</b>	<b>55</b>	<b>38</b>	<b>46</b>	<b>103</b>	<b>211</b>	<b>168</b>	<b>170</b>
Taxes	-16	-12	8	-19	-8	-24	-30	-25	-25
<b>Profit after tax</b>	<b>113</b>	<b>50</b>	<b>63</b>	<b>19</b>	<b>38</b>	<b>79</b>	<b>180</b>	<b>142</b>	<b>144</b>
<b>EPS rep. (USD)</b>	<b>1.83</b>	<b>0.80</b>	<b>1.03</b>	<b>0.31</b>	<b>0.43</b>	<b>1.35</b>	<b>3.08</b>	<b>2.43</b>	<b>2.46</b>
<b>EPS adj. (USD)</b>	<b>1.89</b>	<b>1.04</b>	<b>1.08</b>	<b>0.59</b>	<b>0.73</b>	<b>1.67</b>	<b>3.03</b>	<b>2.43</b>	<b>2.46</b>
<b>Margins</b>									
Operating margin	12%	10%	10%	9%	10%	11%	14%	12%	11%
ROE	9%	5%	5%	3%	3%	7%	12%	9%	8%
ROCE	7%	6%	6%	5%	5%	6%	9%	8%	7%
Tax rate	12%	20%	-14%	49%	18%	24%	14%	15%	15%
<b>Growth rates (YoY)</b>									
Operating revenues	-6%	5%	7%	-5%	-3%	12%	11%	2%	2%
EBIT (adj)	0%	-13%	5%	-16%	18%	17%	36%	-13%	1%
EPS (adj)	-21%	-45%	4%	-45%	23%	128%	81%	-20%	1%

Balance sheet (USDm)	2016	2017	2018	2019	2020	2021	2022E	2023E	2024E
Goodwill	48	52	47	50	41	39	39	39	39
Deferred tax asset	15	14	12	10	14	9	8	8	8
Licences, property, plant & equipment	3,196	3,441	3,261	3,139	3,020	2,856	2,854	2,885	2,915
Other intangible assets	696	625	654	806	1,034	1,068	1,147	1,147	1,147
<b>Non-current Assets</b>	<b>3,954</b>	<b>4,131</b>	<b>3,974</b>	<b>4,005</b>	<b>4,108</b>	<b>3,972</b>	<b>4,048</b>	<b>4,079</b>	<b>4,109</b>
Inventory	6	9	9	8	8	7	6	6	6
Receivables	202	241	244	218	220	286	292	301	305
Other current assets	166	176	167	156	141	248	187	187	187
Cash and cash equivalents	93	58	65	136	188	124	193	244	297
<b>Current Assets</b>	<b>467</b>	<b>484</b>	<b>485</b>	<b>518</b>	<b>557</b>	<b>664</b>	<b>679</b>	<b>738</b>	<b>796</b>
<b>Total assets</b>	<b>4,421</b>	<b>4,615</b>	<b>4,458</b>	<b>4,523</b>	<b>4,665</b>	<b>4,636</b>	<b>4,727</b>	<b>4,817</b>	<b>4,905</b>
Shareholders equity	1,384	1,479	1,476	1,377	1,419	1,473	1,653	1,737	1,822
Non-controlling interests	-	-	-	-	-	-	-	-	-
<b>Total equity</b>	<b>1,384</b>	<b>1,479</b>	<b>1,476</b>	<b>1,377</b>	<b>1,419</b>	<b>1,473</b>	<b>1,653</b>	<b>1,737</b>	<b>1,822</b>
Deferred tax liability	61	66	46	48	56	68	72	72	72
Long-term interest bearing debt	1,796	2,037	1,919	2,059	2,211	1,862	1,852	1,852	1,852
Other long-term liabilities	228	148	108	352	257	205	212	212	212
<b>Non-current liabilities</b>	<b>2,085</b>	<b>2,252</b>	<b>2,074</b>	<b>2,458</b>	<b>2,524</b>	<b>2,135</b>	<b>2,135</b>	<b>2,135</b>	<b>2,135</b>
Current interest bearing debt	557	433	473	287	291	574	500	500	500
Trade payables	72	90	83	94	92	115	117	123	125
Other current liabilities	324	362	353	307	338	339	322	322	322
<b>Current liabilities</b>	<b>953</b>	<b>884</b>	<b>909</b>	<b>688</b>	<b>722</b>	<b>1,028</b>	<b>939</b>	<b>945</b>	<b>947</b>
<b>Total liabilities</b>	<b>3,038</b>	<b>3,136</b>	<b>2,982</b>	<b>3,146</b>	<b>3,246</b>	<b>3,163</b>	<b>3,075</b>	<b>3,080</b>	<b>3,082</b>
<b>Total liabilities and equity</b>	<b>4,421</b>	<b>4,615</b>	<b>4,458</b>	<b>4,523</b>	<b>4,665</b>	<b>4,636</b>	<b>4,727</b>	<b>4,817</b>	<b>4,905</b>
Working capital	136	160	170	132	136	178	181	184	186
Net IB debt	2,260	2,411	2,328	2,209	2,315	2,312	2,159	2,108	2,055
Capital employed	3,469	3,731	3,550	3,835	3,943	3,608	3,788	3,872	3,958
Net IB debt / equity	163%	163%	158%	160%	163%	157%	131%	121%	113%
Equity / total assets	31%	32%	33%	30%	30%	32%	35%	36%	37%

Share data	2016	2017	2018	2019	2020	2021	2022E	2023E	2024E
Shares outstanding, year end (mill.)	61.9	61.9	60.9	60.5	59.4	58.5	58.5	58.5	58.5
Share price, year end (NOK)	106.00	109.00	102.00	114.00	110.00	136.20	187.20	187.20	187.20
Market cap (NOKm)	6,566	6,752	6,213	6,900	6,529	7,971	10,956	10,956	10,956
Enterprise value (NOKm)	25,531	26,429	25,882	27,008	27,386	28,165	29,866	29,422	28,957
EPS rep. (USD)	1.83	0.80	1.03	0.31	0.43	1.35	3.08	2.43	2.46
EPS adj. (USD)	1.89	1.04	1.08	0.59	0.73	1.67	3.03	2.43	2.46
DPS. (USD)	1.00	0.50	0.50	0.25	0.50	1.00	1.00	1.00	1.00
Dividend pay-out ratio	55%	62%	48%	79%	117%	74%	32%	41%	41%

Valuation	2016	2017	2018	2019	2020	2021	2022E	2023E	2024E
EV/Sales	1.6	1.6	1.4	1.5	1.6	1.5	1.4	1.4	1.3
EV/EBITDA	6.5	6.9	6.4	6.9	6.1	6.0	5.4	5.5	5.3
EV/EBIT (adj)	13.2	15.8	14.5	16.7	14.6	13.2	10.2	11.6	11.3
P/E (adj)	6.7	12.9	11.2	21.1	16.7	9.3	7.0	8.8	8.7
P/B (excl. goodwill)	0.6	0.6	0.5	0.6	0.5	0.6	0.8	0.7	0.7

Growth (YoY)	2016	2017	2018	2019	2020	2021	2022E	2023E	2024E
Revenues	-5%	6%	6%	-4%	-4%	11%	10%	2%	2%
EBITDA	3%	1%	2%	-10%	16%	8%	17%	-2%	2%
EBIT (adj)	0%	-13%	5%	-16%	18%	17%	36%	-13%	1%
Pre-tax profit (rep)	-12%	-52%	-11%	-32%	24%	122%	104%	-20%	1%
Net profit	-15%	-56%	27%	-70%	100%	107%	129%	-21%	1%
EPS (rep)	-24%	-56%	29%	-70%	36%	215%	129%	-21%	1%
EPS (adj)	-21%	-45%	4%	-45%	23%	128%	81%	-20%	1%

Margins	2016	2017	2018	2019	2020	2021	2022E	2023E	2024E
EBITDA	24.3 %	23.3 %	22.1 %	21.0 %	25.2 %	24.3 %	25.6 %	24.5 %	24.6 %
EBIT (adj)	12.1 %	10.0 %	9.8 %	8.6 %	10.5 %	11.0 %	13.5 %	11.6 %	11.5 %
Pre-tax profit	6.7 %	3.1 %	2.6 %	1.8 %	2.3 %	4.6 %	8.5 %	6.7 %	6.6 %
Net profit	5.9 %	2.5 %	2.9 %	0.9 %	1.9 %	3.5 %	7.3 %	5.7 %	5.6 %

Profitability	2016	2017	2018	2019	2020	2021	2022E	2023E	2024E
ROE	9.0 %	4.6 %	4.6 %	2.6 %	3.2 %	7.0 %	11.6 %	8.6 %	8.3 %
ROCE	7.1 %	5.7 %	5.8 %	4.8 %	5.4 %	6.5 %	9.0 %	7.6 %	7.5 %
Dividend yield	7.5 %	3.7 %	4.1 %	2.0 %	4.1 %	6.4 %	4.7 %	4.7 %	4.7 %

## Recommendation, valuation, risk and sources

### Recommendation and target price

Recommendation history for Stolt-Nielsen's share during the last 12 months:

Date	Recommendation	Target price (NOK)
23/06/2022	BUY	220
05/04/2022	BUY	210
28/03/2022	BUY	185
14/02/2022	BUY	185
19/01/2022	BUY	170
15/10/2021	BUY	165
01/10/2021	BUY	150
02/07/2021	BUY	155
25/06/2021	BUY	155
09/04/2021	BUY	155

### Valuation

To arrive at our share price target we have used a rounded result of DCF model with a 5% discount.

### Risks

The main risks to our target price on Stolt-Nielsen are the following:

- The demand for chemical products might be lower than projected;
- Chemical products demand growth in China might slow down;
- Increased oil prices might increase the bunker costs;
- Newbuildings may be delayed or cancelled;
- Expansion projects might be delayed or cancelled due to social, cultural, political or financial development;
- Currency risk - most of the revenues are in USD;
- Our estimates might not be reached;
- New competitors might rise due to the increasing demand of chemical products.

### Sources

The sources used in the preparation of this report were: Stolt-Nielsen, Oslo Stock Exchange, Bloomberg and Infront.

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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.

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.

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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.

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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 Stolt-Nielsen:

Responsible analyst(s)	0
All Norne analysts	0
Other Norne employees	0
Norne Securities AS	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 March 31, 2022:

	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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