

Odfjell SE

INITIAL COMMENT

Key share data

Sector	Industrials
Reuters	ODF.OL
Bloomberg	ODF NO
Market Cap (NOKm)	2,644
Net debt (NOKm)	12,130
EV (NOKm)	14,774
Net debt / equity	240%
Issued shares (A), m	60
Issued shares (B), m	19
Issued shares (Total), m*	79
*shares owned by Odfjell not included	
Last target price	65.00
Share price	56.40
Last recommendation	BUY

Figures & Ratios (USDm)

	2021	2022E	2023E
Revenues	1,043.2	1,223.7	1,268.7
EBITDA	238.9	302.1	329.3
EBITadj.	58.7	127.6	144.4
Pre-tax profit	-30.2	57.4	74.9
Net profit	-33.6	54.8	71.2
EPS rep. (USD)	-0.43	0.70	0.90
EPS adj. (USD)	-0.22	0.69	0.90
DPS. (USD)	0.11	0.35	0.45
Div. yield	3.0%	6.1%	7.9%
NIBD	1,298	1,241	1,205
EV/Sales	1.54	1.39	1.32
EV/EBITDA	6.70	5.59	5.02
EV/EBIT (adj)	27.27	13.25	11.45
P/E (adj)	neg	8.2	6.3
P/B (excl. gw)	0.55	0.75	0.71
ROE	-3.1 %	9.5 %	11.5 %
ROCE	3.3 %	7.4 %	8.3 %

not updated

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

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Strongest Tankers' results in 15 years

Odfjell posted 2Q22 figures yesterday evening and could have proceeded straight to celebrations, as this was the quarter to remember. The company previously guided stronger figures QoQ to be reported, but the results beat our and consensus estimates significantly. With the strengthened chemical tanker market Odfjell expects to report continued strong results in 3Q and distributes USD 0.23/sh dividends. We will increase our estimates somewhat post the report seeing stronger chemical tanker market than predicted.

Stronger chemical tanker market led to USD 50m+ EBIT

The chemical tanker market strengthened considerably into the second quarter, driven by reduced tonnage supply involving reduced competition from swing tonnage, reduced speed to tackle high bunker costs and supply imbalances between the eastern and western hemisphere, and this led to Odfjell Tankers' strongest quarterly results in 15 years. Terminals were stable, thus the overall result was more than solid with revenues beating our expectations by 13% and USD 53m in EBIT (USD 38m predicted by us and USD 31m by consensus). The bottom line of USD 30m (USD 18m predicted by us) allowed the company to announce first semi-annual dividends, based on the new dividend policy of USD 0.23/sh.

USDm		1Q22	2Q22	2Q22E	Deviation	Consensus*	
Segments	Tankers	Revenues	292	348	306	14%	-
		EBITDA	64	88	80	11%	-
	Terminals	Revenues	21	19	21	-10%	-
		EBITDA	9	9	10	-11%	-
Equity Method	Total	Net Profit	2	1	2	-57%	-
		Revenues + JV	294	350	309	13%	301
		EBITDA	67	90	82	9%	73
		EBIT	27	53	38	40%	31
		Net Profit	11	30	18	nm	17

*Bloomberg

3Q to be in line with 2Q

Despite the typically seasonally softer summer market, the company guides for the strong results with timecharter earnings in 3Q to be in line with 2Q. On the broader scale, the economic downturn is anticipated to have only a limited impact to the chemical tanker tonnage as chemical demand has proven to be somewhat resilient over the years. The net fleet growth in 2023 and 2024 is expected to be 0.5% annually, compared to the tonne-mile demand growth of 4%, indicating a strong market for the chemical tankers.

We will increase our estimates somewhat following the strong report and the promising ST and LT view, while our recommendation is likely to be reiterated.

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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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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	3,710	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 June 30, 2022:

	Buy	Hold	Sell
Total	62	24	2
% of total	70%	27%	2%
Corporate clients*	29	18	1
% of corporate clients*	60%	38%	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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