

NORDEN**NORDEN**

Market: OMXC Large Cap

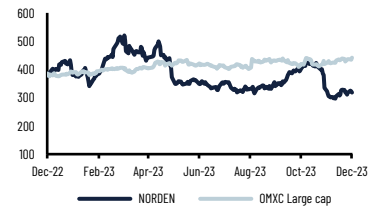
Ticker: DNORD

Share price (DKK): 318.0

Market cap (DKK): 10.8bn

Net cash (DKK): 34m

Enterprise value (DKK): 10.6bn

Share information

Ytd: -23.9% 1 year: -17.4%
 1 month: 0.3% 3 year: 181.9%

Note: *We apply the closing price from 06 December 2023
 Index rebased to 06 December 2022. Source: Refinitiv

Financials

| USDm | 2021 | 2022 | 2023E* |
|-----------------------|--------|--------|---------|
| Revenue | 3551.8 | 5312.4 | N/A |
| Revenue growth | 36.7% | 49.6% | N/A |
| EBITDA | 532.2 | 1159.1 | N/A |
| EBITDA margin | 15.0% | 21.8% | N/A |
| Net income | 204.5 | 743.5 | 380-420 |
| Net income margin | 5.8% | 14.0% | N/A |
| Cash | 410.7 | 842.3 | N/A |
| Interest-bearing debt | 1048.4 | 814.8 | N/A |

Note: *NORDEN's own 2023 guidance

Valuation multiples

| | 2021 | 2022 | 2023E* |
|---------------|------|------|---------|
| P/S (x) | 0.3 | 0.4 | N/A |
| EV/Sales (x) | 0.5 | 0.4 | N/A |
| EV/EBITDA (x) | 3.1 | 1.9 | N/A |
| EV/EBIT (x) | 6.6 | 2.8 | N/A |
| P/E (x) | 4.7 | 2.9 | 3.7-4.1 |
| P/B (x) | 1.0 | 1.5 | N/A |
| P/CF (x) | 1.9 | 1.7 | N/A |

Note: Multiples for 2021 and 2022 are based on historical numbers from Refinitiv
 *Multiples in 2023 are based on NORDEN's own guidance

Company description

NORDEN is an international shipping company based in Denmark that provides global freight services in the dry cargo and product tanker freight markets. It operates an asset-light business through two units. Its Assets & Logistics (A&L) unit manages a portfolio of long-term leased and owned vessels, actively asset trading while also running selected logistics projects. Its Freight Services & Trading (FS&T) unit charters in vessels, operating and trading to provide global freight services.

Investment case

Norden has delivered record results in recent years in strong and volatile market conditions, contributing to significant shareholder returns. Following Q3 2023, NORDEN announced an interim dividend of DKK 10 per share (2.6% yield), taking 9M 2023 dividends to DKK 35 per share, and announced share buybacks of up to USD 30m in addition to USD 95m bought back 9M 2023.

The company narrowed its guidance toward the top end after Q3 2023 for a full-year profit of USD 380-420 (from USD 360-420). However, this may be conservative given 9M 2023 net income of USD 357m. NORDEN sees continued weakness in dry bulk markets, where it maintains a short position, while also having extensive coverage at profitable rates into 2024. NORDEN also sees less upside in product tankers, and as a result, increased its 2024 coverage to be less dependent on spot rates. As a result, the company has increased its cash flow certainty during a period of uncertainty and retains a positive outlook longer-term, particularly on dry cargo, where the new vessel orderbook is historically low.

NORDEN faces an uncertain rate environment, however, it has increased its cash flow certainty and will continue to trade market volatility by leveraging its data-driven trading strategy and its asset-light business model that has a high flexibility to adjust its exposure. Additional gains may be seen from additional vessel sales or from exercising its in-the-money purchase.

Key investment reasons

NORDEN's trading strategy captures value in both strong and weak markets as it can take long or short positions in the market through more than 50 active trading strategies (market segments, vessel types, regions). Its asset-light approach enables quick adjustment of its fleet to meet market conditions.

A historically low order book in dry cargo, underpins NORDEN's long-term bullish outlook (remaining short near-term), while product tanker rates remain above historical averages, also with a low, but growing order book. The market fundamentals can support above-average rates over a multi-year horizon.

NORDEN has returned significant value to shareholders since 2020, and its higher coverage following Q3 2023 locks in cash flow, which can support shareholder returns. Consensus analyst estimates forecast a dividend yield of 5.7% and 6.3% for 2024E, and 2025E.

Key investment risks

NORDEN's earnings have come down as rates have retreated since 2022. While coverage has been secured into early 2024, sustained weakness in dry cargo and a sustained weakening in product tanker rates could materially affect earnings into 2024, although there may be opportunities to trade volatility along the way.

Rising interest rates may reduce the value of NORDEN's vessel portfolio as a higher discount rate reduces the present value of its assets' future cash flows. Higher interest rates tighten monetary conditions and can reduce demand for global trade.

NORDEN's trading strategies rely on a data-dependent market view. Black swan events, such as the Covid-19 pandemic, can move markets in the opposite direction. However, diversifying its trading strategies, as it does, lessens the impact of such events.

Peer group

| Company | Price (local) | Total return Ytd | Market cap (USDm) | Latest net debt (USDm) | Net Debt/EBITDA 2023E | Net Debt/EBITDA 2024E | EV/EBITDA 2023E | EV/EBITDA 2024E | P/E 2023E | P/E 2024E | Dividend yield 2024E | Dividend yield 2025E |
|--|------------------|------------------|-------------------|------------------------|-----------------------|-----------------------|-----------------|-----------------|-------------|-------------|----------------------|----------------------|
| Bulk carriers | | | | | | | | | | | | |
| Golden Ocean Group Ltd | USD 8.8 | 7% | 1,747 | 1,430 | 4.5x | 3x | 10.3x | 7.6x | 17.9x | 9.4x | 9% | 11% |
| Star Bulk Carriers Corp | USD 20.1 | 13% | 1,888 | 742 | 2.6x | 1.5x | 7.3x | 5.3x | 12.5x | 5.6x | 13% | 13% |
| Diana Shipping Inc | USD 3.0 | -7% | 341 | 484 | 3.5x | 3.5x | 6.3x | 6.3x | 9.4x | 8.9x | 13% | 15% |
| Product tankers | | | | | | | | | | | | |
| Torm PLC | DKK 192.1 | 22% | 2,373 | 848 | 0.8x | 0.7x | 3.9x | 3.8x | 3.8x | 4.3x | 21% | 20% |
| Scorpio Tankers Inc | USD 54.1 | 3% | 2,875 | 1,401 | 1.3x | 0.7x | 4.6x | 4.8x | 5.2x | 4.7x | 2% | 2% |
| Hafnia Ltd | NOK 67.9 | 62% | 3,150 | 1,195 | 1.1x | 0.7x | 4.3x | 4.7x | 4.1x | 4.7x | 15% | 15% |
| Average (product tanker & bulk) | | 17% | 2,062 | 1,017 | 2.3x | 1.7x | 6.1x | 5.4x | 8.8x | 6.3x | 12% | 13% |
| NORDEN A/S | DKK 318.0 | -10% | 1,561 | -34 | -0.2x | -1x | 2.2x | 3.1x | 4.7x | 8.7x | 6% | 6% |

Premium (+) / Discount (-) to peers

Note: Data from 07/12/23

Source: Refinitiv

Estimates and assumptions: The data in the peer group concerning the peer companies has not been calculated by HC Andersen Capital but is instead consensus analyst estimates (MeanEstimates) from Refinitiv. HC Andersen Capital assumes no responsibility for the correctness of the numbers in the peer group; however, considers Refinitiv a credible source of information.

Selected dry cargo and product tanker peers:

Golden Ocean Group: is an international owner and operator of dry bulk carrier vessels with focus on the Capesize, Panamax and Supramax markets. Its vessels transport a range of major and minor bulk commodities, including ores, coal, grains and fertilisers. Golden Ocean Group owns most of its 70+ vessels, but also charters vessels from third-party owners. The vessels primarily trade in the spot market, with some chartered out on index-linked rate time charters and a few on fixed-rate time charters.

Scorpio Tankers: is a leading owner and operator of product tankers, carrying refined oil products such as gasoline, jet fuel, naphtha and diesel oil. Scorpio Tankers operates a fleet of over 100 vessels (either owned, leased or chartered) with a focus on LR2 and MR vessel segments but also operating in the LR1 and handysize segments. Scorpio tankers operates its vessels through its commercial pools on time charters or in the spot market.

Hafnia: is a leading owner and operator of product tankers, listed in Norway, transporting oil products and easy chemicals in global markets, owning over 100 vessels and operating over 200. It manages seven commercial shipping pools, which bring together self-owned and externally-owned vessels to minimise costs and reduce risk by aggregating earnings across all vessels based on a points system.

Torm: is a leading owner and operator of product tankers, listed in Norway, transporting oil products and easy chemicals in global markets, owning 80 vessels. Torm focuses on the MR LR1 and LR2 segments and primarily employs its fleet in the spot market.

Diana Shipping Corp: Diana Shipping Inc is a Greek-based global provider of shipping transportation services within the dry bulk sector. The company is the owner and operator of over 40 dry bulk vessels across a range of vessel sizes, including Newcastlemax, Capesize, Post-Panamax, Kamsarmax and Panamax vessels. The company's vessels are employed primarily on medium to long-term time charters and transport a range of dry bulk cargoes, including such commodities as iron ore, coal, grain and other materials.

Star Bulk Carriers Corporation: is a leading international owner and operator of dry bulk carrier vessels to transport bulk cargoes, such as iron ore, coal, minerals, grain, and more. Its fleet consists of over 100 dry bulk vessels consisting of Newcastlemax, Capesize, Post Panamax, Kamsarmax, Panamax, Ultramax and Supramax vessels.