

NEXAM CHEMICAL

Part of the solution, not the pollution

Q4 sales were 9% below our forecast, largely reflecting lower growth in Performance Chemical than we expected (27% YOY versus our 50%). However, the more mature Performance Masterbatch again met our expectation, with 17% sales growth YOY. We have lowered our 2022–2023e sales by 8–7%, but still believe the 2022 run-rate sales target of SEK275m–325m is within reach. We have also lowered our fair value to SEK14–19 (15–20), but consider the company well-positioned to continue executing on its profitable growth journey. We see a solid plastics recycling business case and view Nexam Chemical as part of the solution, not the pollution, something we believe the market is overlooking.

Q4 review. Q4 sales were 9% below our forecast, and full-year sales were ~25% below the low end of Nexam Chemical's 2022 sales target range. EBITDA of SEK1.2m was below our SEK5.8m forecast, affected by lower gross margins than expected. The market in which Nexam Chemical operates is still being affected by raw material shortages, where large order volumes do not necessarily translate into better prices, meaning margins are driven by the sales mix. Nonetheless, we find it encouraging that the company continued to grow steadily YOY, and report its strongest cash position since 2018, which could contribute to even further growth through investments or potential acquisitions.

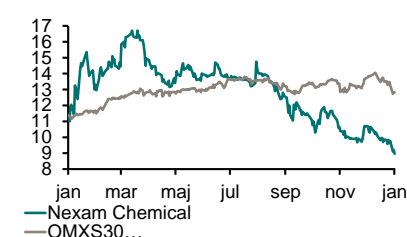
Estimate changes. We have lowered our 2022–2023e sales by 8–7% following the Q4 results but cut 2022–2023e EBITDA by 46–12% to reflect a continuation of the raw-material shortages, as well as investments in the organisation.

Fair value lowered to SEK14–19. Although Nexam Chemical and its speciality polymer peer group have seen share prices drop sharply recently, Nexam Chemical is still trading at a 49% discount to our peer group. We base our fair value on a 10% premium to peers' 2024e EV/sales of 3x, and our DCF, and see prospects of a re-rating on improved ESG credentials.

Year-end Dec	2018	2019	2020	2021	2022e	2023e	2024e
Revenue (SEKm)	110	130	166	219	275	359	451
EBITDA adj (SEKm)	-9	-9	5	8	20	52	75
EBIT adj (SEKm)	-19	-19	-5	-3	9	37	57
PTP (SEKm)	-17	-17	-8	-5	6	32	51
EPS rep (SEK)	-0.25	-0.25	-0.14	-0.07	0.06	0.31	0.48
EPS adj (SEK)	-0.30	-0.31	-0.11	-0.05	0.06	0.31	0.48
Revenue growth (%)	487.5	18.4	27.5	32.3	25.3	30.4	25.7
EBIT growth adj (%)	nm	nm	nm	nm	nm	320.2	52.5
EPS growth adj (%)	nm	nm	nm	nm	nm	425.4	56.4
EBIT margin adj (%)	-16.9	-14.9	-3.2	-1.4	3.2	10.4	12.6
EV/Sales adj (x)	5.58	4.33	4.07	3.71	2.55	1.92	1.50
EV/EBITDA adj (x)	nm	nm	nm	nm	35.3	13.4	9.0
EV/EBIT adj (x)	nm	nm	nm	nm	79.1	18.5	11.9
P/E adj (x)	nm	nm	nm	nm	nm	29.0	18.6
ROE (%)	nm	nm	nm	nm	2.1	10.2	14.1

Source: Company (historical figures), DNB Markets (estimates)

NEXAM versus OMXS30 (12m)



Source: Factset

SUMMARY

Share price (SEK)	8.96
Tickers	NEXAM SS

CAPITAL STRUCTURE

No. of shares (m)	80.9
No. of shares fully dil. (m)	80.9
Market cap. (SEKm)	725
NIBD adj end-2022e (SEKm)	-24
Enterprise value adj (SEKm)	701
Net debt/EBITDA adj (x)	-1.22
Free float (%)	84

Source: Company, DNB Markets (estimates)

Note: Unless otherwise stated, the share prices in this note are the last closing price.

NEXT EVENT

Q1 2022	21/04/2022
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ESTIMATE CHANGES (SEK)

Year-end Dec	2022e	2023e	2024e
Sales (old)	300.5	386.7	
Sales (new)	275.1	358.7	450.8
Change (%)	-8.5	-7.2	nm
EPS (old)	0.21	0.39	
EPS (new)	0.06	0.31	0.48
Change (%)	-72.6	-20.8	nm

Source: DNB Markets,

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ANALYSTS

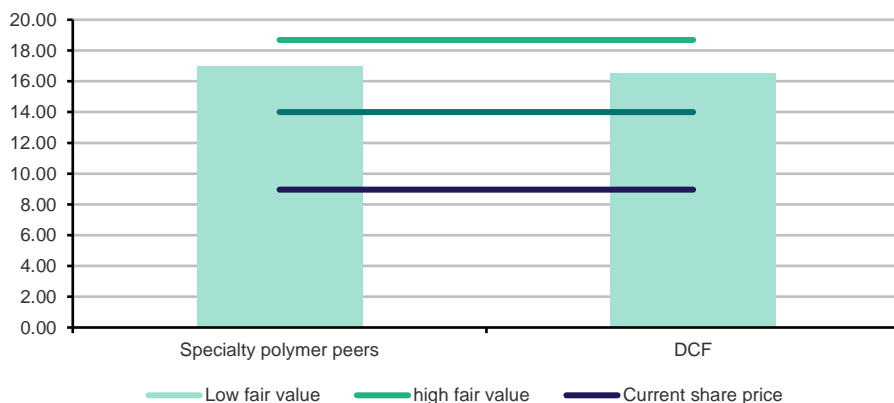
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Overview

Valuation (SEK/share)



Source: DNB Markets

Valuation methodology

- Our fair value of SEK14–19 is based on speciality polymer peers' 2024e EV/sales, and our DCF.
- The high end of the range is based on a 10% premium to our peer group's 2024e EV/sales applied to our forecasts and DCF.
- The low end of the range is based on a 10% higher WACC of 14.4% in our base-case DCF.

Source: DNB Markets

Downside risks to our fair value

- A lack of growth in the Performance Chemicals segment could make the valuation look high.
- A cyclical downturn hitting Performance Masterbatch (accounting for c48% of sales in 2021), leading to the group missing its sales target.
- Lower than expected margins, raising the risk of recapitalisation.
- Long-term, substituting plastic bottles with bottles for life and plastic packaging with paper could be negative for Performance Masterbatch.

Source: DNB Markets

DNB Markets estimates

- We expect a 2022–2024e sales CAGR of 28%, and the company to meet its 2022 sales target run-rate.
- We expect margins to improve as soon as 2022, reflected in our forecast of an EBIT margin of 3%.
- We believe the balance sheet is well capitalised for now but would not rule out further capital injections in the coming years.

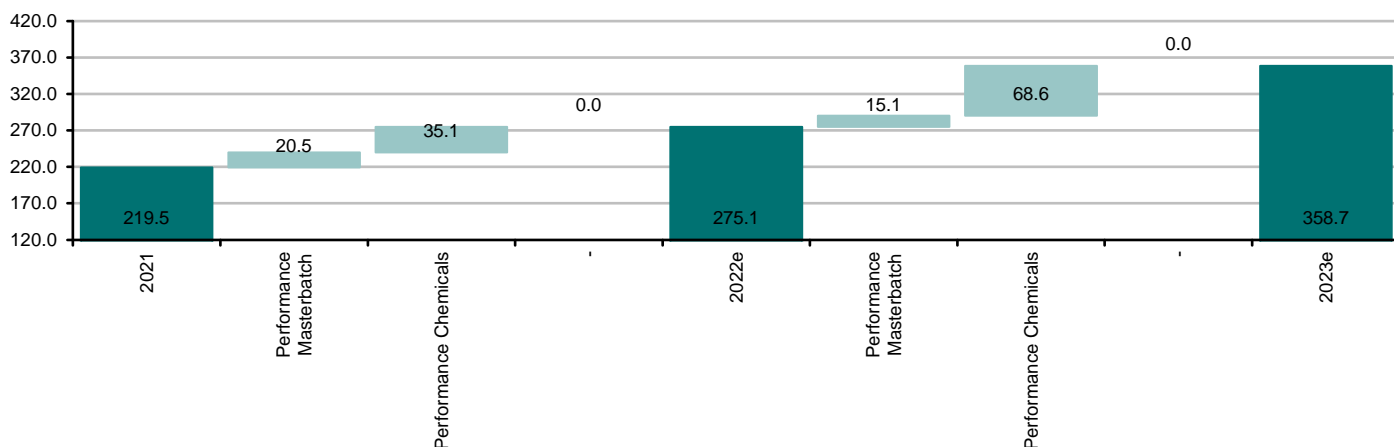
Source: DNB Markets

Upside risks to our fair value

- Higher than expected order intake in the recycling and high-performance segments.
- In our view, the PE market offers the largest potential, and any proof of gaining market share could be a swing factor in the valuation.
- Better cost control could improve the margin profile, and in a mature state we note that EBIT margins average 20% at speciality polymer peers.

Source: DNB Markets

Sales bridge 2021–2023e (SEKm)



Source: DNB Markets (forecasts), company (historical data)

ESG overview

Sustainability assessment

	Positive	Negative
Conclusions	<ul style="list-style-type: none"> ■ Nexam Chemical's products are designed to improve resource-efficiency and recyclability, restoring features of used polymers, which is both cost- and climate-effective. For example, wind turbines can be built out of PET foam (from recycled PET), improving sustainability. ■ Nexam Chemical's products allow clients to substitute heavier materials with polymers, reducing energy-consumption/aiding the environment. ■ Nexam Chemical's products are a crucial part of the wind energy market in our view, enhancing the performance of core materials, allowing for taller and larger rotor blades, and in turn improving efficiency and lowering the LCOE. 	<ul style="list-style-type: none"> ■ We believe the Performance Masterbatch segment could face structural headwinds from increasing penetration of paper versus plastic in several applications such as bottles, packaging, etc., which could reduce the need for colour and additive masterbatches. ■ Despite contributing to higher plastic recyclability and resource-efficiency, there is a risk of a negative ESG perception, as Nexam Chemical's technology is designed to be used with plastics. ■ Regulatory frameworks and directives could work against the use of plastics, while competing solutions could erode the scope for market share gains and opportunities for Nexam Chemical.

Key ESG drivers

Short-term

- Lightweighting in industries like aerospace and automotive is a key topic, and complex settings such as engines are one of the few areas where development has not moved forward over the past few years. For instance, incorporating Nexam Chemical's additives in the production of jet engines can result in a c30% weight saving versus titanium.
- According to BNEF, installed wind capacity is set to increase significantly over the coming years. Given the move towards longer and larger rotor blades, we also expect demand for stronger core materials, and thus Nexam Chemical's products.
- Changing consumer behaviour could affect the market drivers for the more mature Performance Masterbatch segment, e.g. slumping demand if the use of certain plastics (like single-use) is banned, and finding alternative products for substitution could limit growth.

Long-term

- Hybrid and electric vehicles contain more polymers and composite technologies than ICE+ and could offer a sizeable market for Nexam Chemical's products.
- Significant changes to regulations could render Nexam Chemical's technology and business model outdated/obsolete.

Source: DNB Markets

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Regular deliveries to SIBUR

During Q4 2021, Nexam Chemical announced it had started with regular deliveries to SIBUR. SIBUR is a Russian petrochemicals company founded 1995 and headquartered in Moscow. It is one of the fastest-growing in the global petrochemicals industry and the largest integrated petrochemicals company in Russia. The group sells its petrochemical products on the Russian and international markets in two business segments: Olefins & Polyolefins (Polypropylene and Polyethylene) and Plastics & Intermediates (synthetic rubbers).

Based on a patent application from 2019, we believe Nexam Chemical will provide the additive 'Nexamit A48' to improve the melt strength modification for SIBUR's HDPE products. After SIBUR's recent merger with TAIF Group, the total Polyolefins capacity (Polypropylene and Polyethylene) stands at ~4.05mt per annum. Out of this, approximately 40% is HDPE capacity which corresponds to 1.6mt per annum, according to SIBUR.

To quantify the opportunity with SIBUR, we assume Nexam Chemical can reach 20% of the HDPE streams by 2030 from SIBUR, implying an addressable market at 324,000 tons. The tables below show how this could add shareholder value, assuming various selling prices (USD7–17/kg) and share of added additive (0.5–1% of final weight). A scenario with an average selling price of USD12/kg and 0.75% of Nexam Chemical's additive added to the final product, could be translated into a 2022e–2030e 'Nexamit A48' sales CAGR to SIBUR of >80% in our view.

Applying an EV/sales of 1.5–3.5x (at the lower end of what Nexam Chemical and its specialty polymer peers are valued at) and discounting the potential value back by what we consider a cautious factor of 13–17% suggests that SEK1–9/share could be added to our fair value range from this potential sales scenario to SIBUR.

SIBUR is one of the fastest-growing companies in the global petrochemicals industry and the largest integrated petrochemicals company in Russia

We assume Nexam Chemical can reach 20% of the HDPE streams by 2030 from SIBUR, implying an addressable market at 324,000 tons

Figure 1: SIBUR (HDPE) – 2030e potential sales scenario analysis with various additive quantity and selling prices

		ASP, USD/kg				
		2	7	12	17	22
% Additive	1.25%	75	261	447	634	820
	1.00%	60	209	358	507	656
	0.75%	45	157	268	380	492
	0.50%	30	104	179	253	328
	0.25%	15	52	89	127	164

Source: DNB Markets (estimates)

Figure 2: Discounted value per share from 2030e sales to SIBUR (SEK)

		EV/Sales (x)				
		1.5	2.0	2.5	3.0	3.5
Discount factor	17.0%	1	2	3	6	9
	16.0%	1	1	3	5	8
	15.0%	1	1	2	4	6
	14.0%	1	1	2	3	4
	13.0%	1	1	1	2	2

Source: DNB Markets (estimates)

Note that according to the US Department of the Treasury, management and the board of SIBUR include individuals classified as 'Business Oligarchs' with a close relationship to President Vladimir Putin. The US has imposed sanctions on some of the people in SIBUR's management and board. However, given SIBUR's size as a leading global plastics manufacturer, we do not believe this will in any way affect Nexam Chemical's ability to capitalise on its deliveries of additives to SIBUR.

Although the US has imposed sanctions on some in SIBUR's management and board, we do not believe this will affect Nexam Chemical's ability to capitalise on its deliveries of additives to SIBUR

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Reactive Recycling concept picking up speed

Nexam Chemical's concept 'Reactive Recycling' was introduced in 2021 and covers the whole plastics recycling value chain, from the recycler to the converter with products for both polyester (PET) and polyolefins (polypropylene & polyethylene). Reactive recycling makes it possible to recycle plastics in a more energy-smart and cost-effective way without any 'downcycling'. By adding its additive after the mechanical recycling process, it is possible to upcycle the plastics and enable a larger proportion of recycled plastics or applications that was not otherwise possible with the current quality.

Reactive recycling makes it possible to recycle plastics in a more energy-smart and cost-effective way without any 'downcycling'

Figure 3: Nexam Chemical's concept 'Reactive Recycling' and its role in the recycling process



Source: Company (underlying data), DNB Markets (graph structuring)

In December 2021, Nexam Chemical announced it had received the first commercial order within Reactive Recycling from a customer in the UK which uses a recycled plastic stream. The value of the deal corresponds to a value of SEK2m per year. In our view, the greatest future potential for Nexam Chemical lies in contributing to improved opportunities to use recycled plastic in more and more applications. We believe this order could attract further customers and act as proof of concept.

We believe Nexam Chemical should be seen as a recycling company rather than a plastics company

Nexam Chemical is often described as a 'plastics company' in the media and by investors, which is holding back its valuation, in our view. However, given its increasing focus on recycling through its additives, we believe it should no longer be seen as a pure plastics company. To illustrate the potential, we compared Nexam Chemicals' 2022–2023e EV/sales to the average of five peers that are generally considered to be recycling companies (Re:NewCell, Tomra Systems, Republic Services, Waste Management, and Waste Connections).

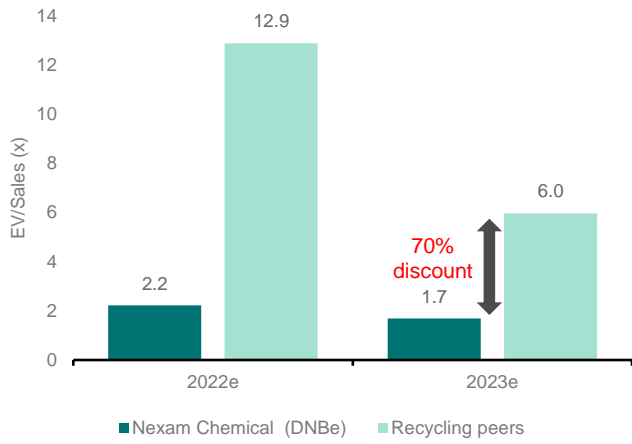
With a 2023e EV/sales of 1.7x, Nexam Chemical is trading at a 70% discount to recycling peers. By getting improved ESG credentials and washing away the stamp of a plastics company, we believe the company could generate multiples expansion and increase shareholder value.

With a 2023e EV/sales of 1.7x, Nexam Chemical is trading at a 70% discount to recycling peers

The situation is the same when looking at EV/EBITDA: the recycling companies receive a significantly higher valuation (Nexam Chemical has a 65% discount to recycling peers), which again highlights a potential re-rating in the event of increased ESG credentials.

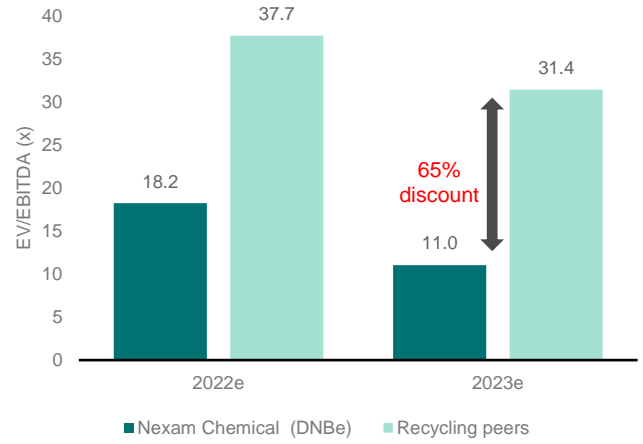
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Figure 4: Nexam Chemical versus Recycling peers' EV/sales (2022e-2023e, x)



Source: Factset (underlying data), DNB Markets (estimates and graph structuring)

Figure 5: Nexam Chemical versus Recycling peers' EV/EBITDA (2022e-2023e, x)



Source: Factset (underlying data), DNB Markets (estimates and graph structuring)

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Defined 2022 run-rate target

In conjunction with the ‘Stora Aktiedagen Stockholm’ event in November 2021, Nexam Chemical defined its 2022 run-rate target and clarified further how the goal is to be achieved. The company believes it will continue to grow in the successful PET-foam area, which will remain the primary driver of growth. The PET-fibre segment, that saw its first customer in the summer of 2021, has multiple customer projects running, according to Nexam Chemical. The regular deliveries to SIBUR in the polyolefins and HDPE segment are something it believes can lead to more successful projects in 2022.

Furthermore, the Performance Masterbatch segment, which in 2020 the company completed a turnaround to growth, continuously beating our expectations in recent quarters, saw high growth in 2021 and aims to maintain this momentum into 2022.

Nexam Chemical has a 2022 run-rate revenue target of SEK275m–325m

Figure 6: Nexam Chemical – defined 2022 targets

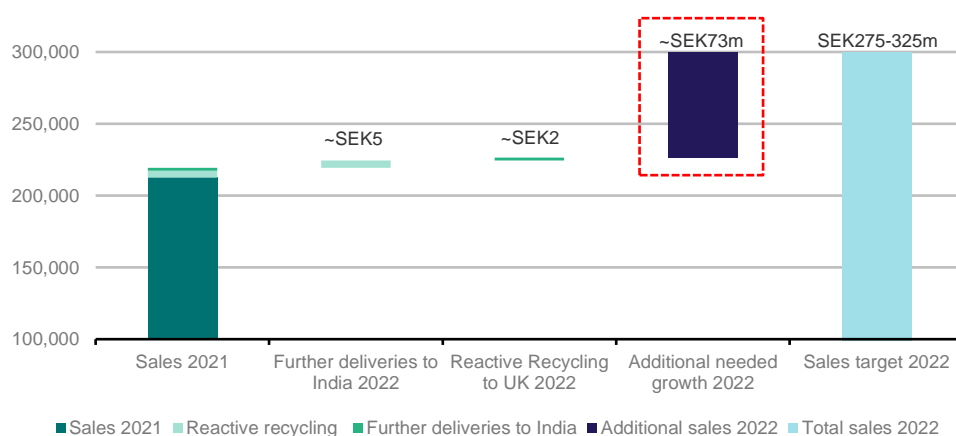
Target defined: A run rate between SEK275m - SEK325m during 2022	
Sales	<ul style="list-style-type: none"> - Wind energy/PET-foam: More volume with more customers and more product - PET-fibre: Business initiated in 2021. Multiple customer projects running - Polyolefins: Business with Sibur initiated. Striving for more successful projects during the year - Masterbatch: Maintain 2021 momentum
Development	<ul style="list-style-type: none"> - Keep 2021 momentum: Patents and innovation
Sustainability	<ul style="list-style-type: none"> - Product position: Higher share generated in green areas - Reduced footprint - Great place to work at

Source: Company (underlying data), DNB Markets (graph structuring)

Including the announced orders within the Reactive Recycling portfolio as well as the continued deliveries to India, we estimate ~SEK73m is needed in additional growth to reach the middle (SEK300m) of the run-rate target of SEK275m – SEK325m during 2022. We believe this should be possible if Nexam Chemical can execute on its potential and achieve a few more important deals within PET foam, polyolefins, or recycling.

We believe this target is possible if Nexam Chemical can execute on its potential and achieve a few larger deals in PET foam, polyolefins, or recycling

Figure 7: Nexam Chemical – sales bridge to the 2022 target (SEKm)



Source: Company (underlying data), DNB Markets (graph structuring and estimates)

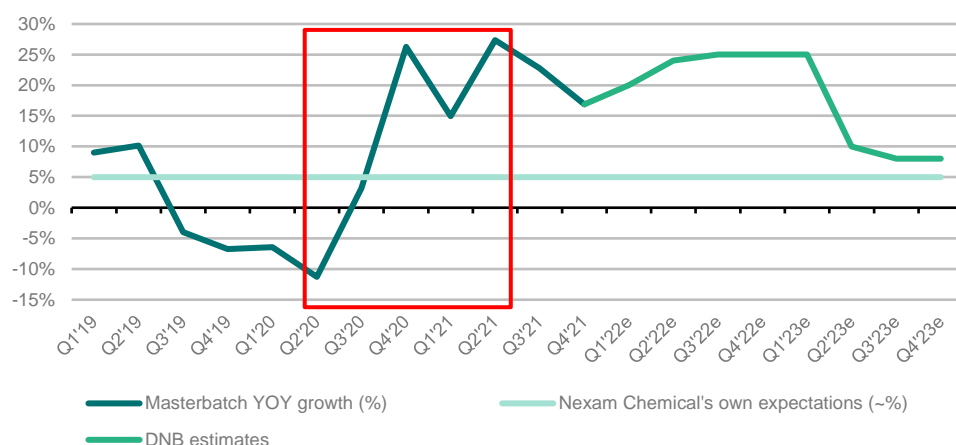
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Ramp-up of the Masterbatch business

Nexam Chemical's Performance Masterbatch are (previously Plasticolor, acquired at end-2017) saw an upswing in growth in 2021. Performance Masterbatch mainly targets the plastics industry in the Nordics and Eastern Europe, and Nexam Chemical has previously said it expects it grow ~5% annually. Typical additives in a masterbatch are UV stabilisers, antioxidants, enhancers, and cross-linkers, while Nexam Chemical also offers colour blends. Performance Masterbatch can be divided into three applications areas: 1) colour masterbatch, 2) additive masterbatch, and 3) recycling masterbatch.

Performance Masterbatch mainly targets the plastics industry in the Nordics and Eastern Europe, and Nexam Chemical has previously said it expects it grow ~5% annually

Figure 8: Performance Masterbatch YOY growth (2019 Q1 – Q4 2023e, %)



Source: Company (underlying data), DNB Markets (estimates and graph structuring)

Performance Masterbatch saw steep growth during the third and fourth quarter of 2020. Nexam Chemical says it has put a lot of focus on increasing sales in the Masterbatch segment – which continued throughout 2021. Volumes have mainly increased in the Swedish and Hungarian markets through continuous work, which is often the recipe for success in mature markets as those such in which Performance Masterbatch operates.

Performance Masterbatch saw steep growth during the third and fourth quarter of 2020

Since Performance Masterbatch is a fairly mature area, we do not believe it will match Performance Chemical for longer-term growth. However, the 2021 results show demand for the offer is still growing, and we believe Nexam Chemical has the muscle to increase sales if it decides to. The company says its goal is to maintain the momentum in Performance Masterbatch seen in 2021 and early 2022; we estimate <10% growth in the segment in 2022.

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Summary of positives

Sustainability the core of business case

Nexam Chemical's products enhance the properties and performance of polymer materials, including improving strength, recyclability, ductility, and temperature resistance. This allows manufacturers to substitute more expensive and heavier materials with polymers, resulting in lower opex while increasing resource efficiency by using recycled polymers, and reducing energy consumption by lightweighting. This is a key topic in several industries such as wind power (Nexam Chemical's products make it possible to build taller and larger rotor blades, increasing efficiency and lowering the levelised cost of energy (LCOE) of wind energy).

Multiple uses and multiple benefits

Proof-of-concept in each focus area and evidence of customer demand

Orders from manufacturers have validated Nexam Chemical's decade-long R&D programme, exemplified by the renewal of the delivery agreement with DIAB, one of the world's largest PET foam manufacturers, in 2019, which we believe is worth cSEK60m annually to Nexam Chemical (corresponding to c36% of 2020 group sales). Nexam Chemical has announced orders in all of its focus areas, with PET foam in particular showing steady growth in volumes, demonstrating healthy demand. In June 2021 the first fibre and filament order was placed, and in December 2021 its 'Reactive Recycling' portfolio received its first commercial order, which we believe could act as a proof-of-concept order to attract more customers.

Healthy demand evidenced in announced orders

Long-standing customer relationships and patented know-how

It takes several years to develop a product and reach commercial sales. Proof of its success, Nexam Chemical has built long-standing relationships with large international polymer producers, converters and recyclers. It is collaborating with some of the industry leaders in its focus areas, three of the four largest PET foam manufacturers and other well-established brands in the sector. In addition, the company has 56 patents, in our view raising the barriers to entry and reinforcing its standing as first-mover in its niches.

Client relationships, collaborations and patents form the foundations to Nexam Chemical's strategy

Vast market potential

Given the broad applications for Nexam Chemical's products, quantifying the addressable market is challenging; however, we believe the potential is vast. We estimate Nexam Chemical's PET foam opportunity of cSEK500m based on the four largest PET foam manufacturers, of which Nexam Chemical is already collaborating with three. In our view, Nexam Chemical has yet to prove its entry in the polyethylene (PE) market, which we believe is the largest swing factor, with a potential at 0.5m tons when addressing only 1% of the global production output. Moreover, we also see a 325m ton market for recycled plastic just looking at all the plastic produced that is not being recycled today. We also see an addressable market at 324,000 tons given that Nexam Chemical can reach 20% of the HDPE streams by 2030 from SIBUR.

The sheer number of applications for Nexam Chemical's products indicates real scope for growth

Well positioned for 2022–2024e sales CAGR of 28% and 3% EBIT margin by 2022e

We believe the company is well positioned to meet its 2022 sales target of SEK275m–325m, implying additional growth of at least 25% YOY in 2022, as:

- We expect continued solid growth in sales in our forecast horizon;
- Following the DIAB delivery agreement, including the additional orders to India, and reactive recycling, we believe ~SEK73m of additional sales is needed to reach the mid-point of the sales target (implying a few more DIAB-type deals); and
- Nexam Chemical is already collaborating with three of the four largest PET foam manufacturers; it would be on course to meet its sales target if it could capture 40% of the value of the other two compared with currently capturing 60% of DIAB, we estimate.

We believe our 2022 sales estimate of cSEK275m will be within the company's reach even if growth slows YOY. Nexam Chemical is already approaching net profit breakeven, and we expect higher purchasing power versus suppliers and volume growth to boost gross margins. Taken together with higher fixed-cost absorption, we forecast a 2022 EBIT margin just shy of 3%.

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Summary of negatives

The key risks that could affect our fair value are failure to capitalise on the underlying growth prospects, such as: 1) slower composite uptake in select focus areas than expected; 2) entry of large and well-resourced companies offering composite solutions in select applications, and 3) slower regulatory approvals than expected significantly delaying volume growth.

Competitive landscape

While Nexam Chemical has 56 patents and has built long-standing customer relationships within its focus areas, the polymer industry is still highly competitive, driven by technological advances and shifting market trends; any further intensifying of competition could threaten Nexam Chemical's value offering. The entry of any large and well-resourced companies could hit the company's market share trajectory hard. Nexam Chemical's products also face indirect competition from other materials, such as metals, while falling metal and oil prices could reduce the economic appeal of substituting metals with composite materials.

Technology advances and shifting demand trends can influence the competitive landscape

Consolidated end-markets could limit customer base

The PET foam market is highly consolidated. Nexam Chemical has built close relationships with key participants; however, other market leaders could look for alternative solutions to prevent any information-sharing with competitors. While we believe Nexam Chemical's products are the most attractive in the market, failure to expand its customer base could limit the total market potential and/or delay growth.

Potential clients might be reluctant to work with a company that is already working with many of the sector leaders

Financing and future capital requirements and dilution risk

We estimate the company will have cash of cSEK44m at end-2022 following the directed rights issue during Q3 2021, indicating a well-capitalised balance sheet for now. However, given the growth potential, we do not rule out that it could raise additional funding, resulting in a dilution risk for investors.

Balance sheet well-capitalised, for now at least

Valuation could look high if performance chemicals fail to take off

We believe the narrative on the stock centres on the Performance Chemicals growth case. In the event sales do not materialise, we believe the entire organic growth case would be far less appealing, and a 2022e EV/sales of 2.6x would be unwarranted (Plasticolor, now Masterbatch, was acquired at an EV/sales of 1.35x). Assuming market share gains to just 5% in PET foam by 2025 and an unsuccessful launch in HDPE products and the recycling business would warrant a low-case fair value of SEK6–8 in our view.

Low-case fair value of SEK6–8 based on Performance Chemicals failing to take off

Worsening economic conditions

Demand in Performance Masterbatch (accounting for 48% of 2021 group sales) generally tracks overall economic activity, so is susceptible to weakening economic fundamentals. Our base case assumes Performance Chemicals offsets any deterioration in key indicators, given structural growth drivers in its end-markets and market share gains. However, we see a risk to the group reaching its 2022 sales target in the event a global recession slows organic growth in the Performance Masterbatch segment.

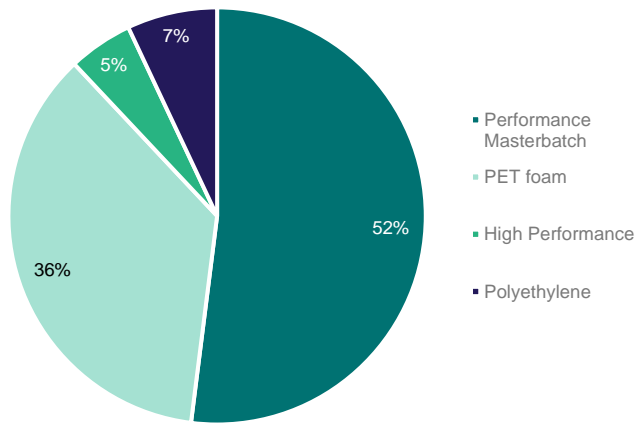
Time will tell if Performance Chemicals makes Nexam Chemical immune to recession

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Company overview

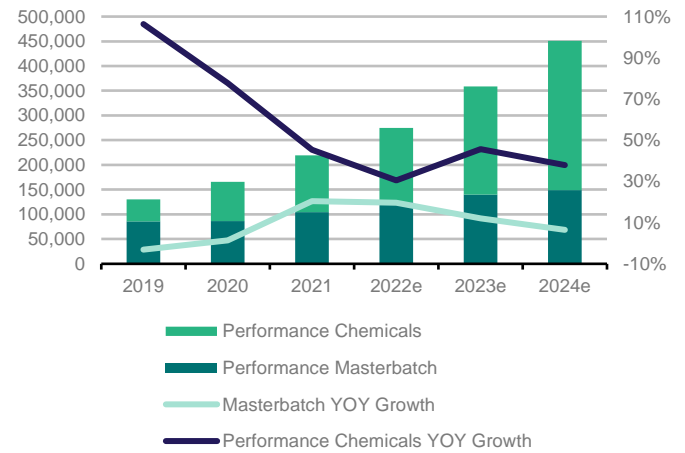
Nexam Chemical is a speciality chemical company with a world-leading, unique technology to enhance the properties and performance of plastics and polymers based on a decade-long R&D programme. It has deep roots in the scientific community, such as NASA's space programme.

Figure 9: Estimated sales by segment (2020)



Source: Company, DNB Markets (Performance Chemicals split)

Figure 10: Sales (LHS, SEKk) and growth (RHS, %)



Source: Company (historical data), DNB Markets (estimates)

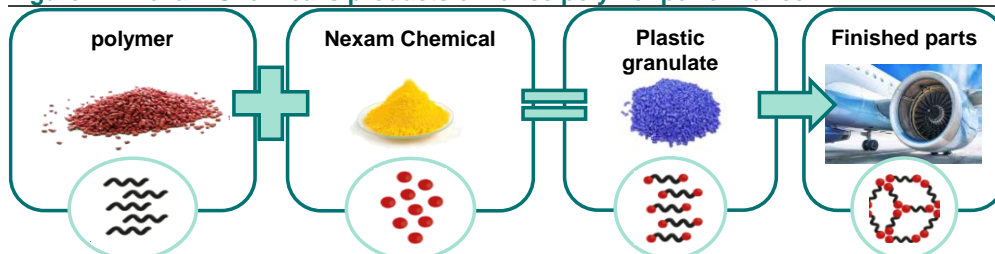
The company has two divisions:

- **Performance Chemicals (53% of 2021 sales)** includes enhancing products for PET foam, high performance, polyethylene applications as well as the recycling business portfolio Reactive Recycling. The Performance Chemicals segment increased its top line by 45% in 2021, and we believe this will be the primary growth driver at Nexam Chemical.
- **Performance Masterbatch (47% of 2021 sales)** includes the former Plasticolor and mainly targets the plastics industry in the Nordics and eastern Europe. We view Masterbatch as more mature than Performance Chemicals, acting as a cash cow.

Man-made polymers are found in everything from clothing to packaging, household goods and coatings. Durability, flexibility and low costs are key characteristics. Nexam Chemical has created additives that are incorporated in the production process to improve the end-products, making them more resource-efficient in terms of lightweighting, temperature resistance, strength, durability and recyclability. This allows customers to substitute heavier and often more expensive inputs, in turn reducing opex. They also enhance environmental credentials, allowing manufacturers to use recycled plastics by restoring and improving the plastic's original properties.

Polymers are (pretty much) everywhere and in (pretty much) everything

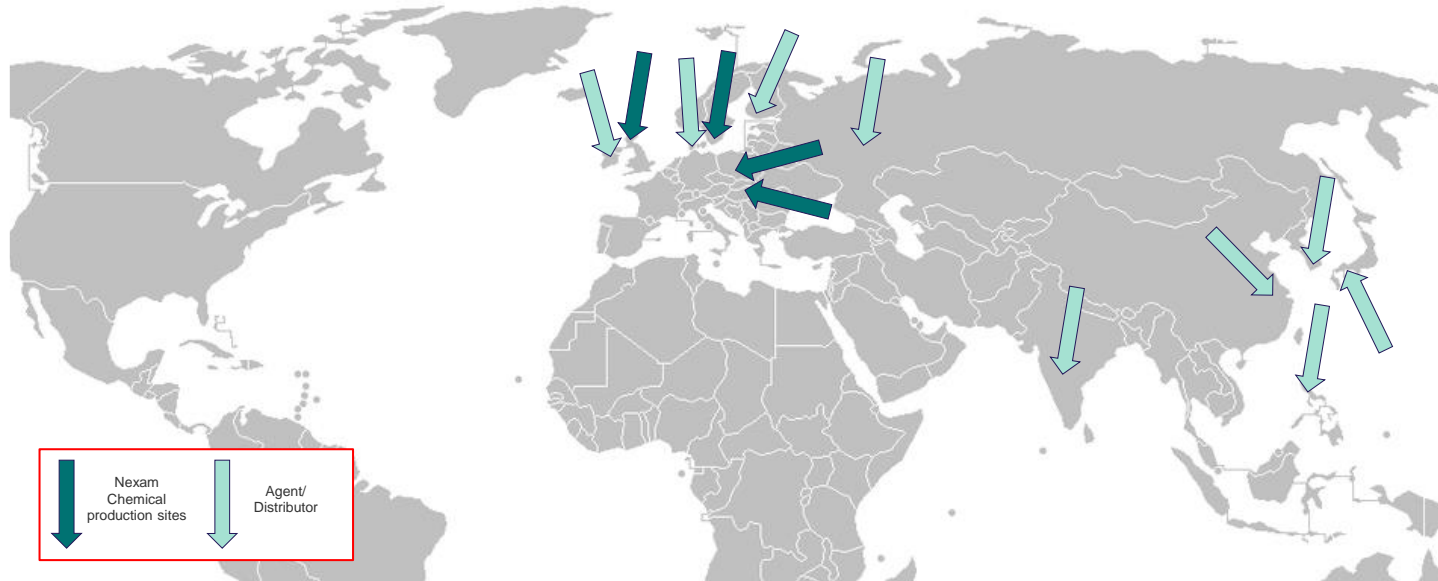
Figure 11: Nexam Chemical's products enhance polymer performance



Source: Company (underlying data), DNB Markets (data structuring)

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Figure 12: Nexam Chemical – main production sites and distribution/agent network (2021)



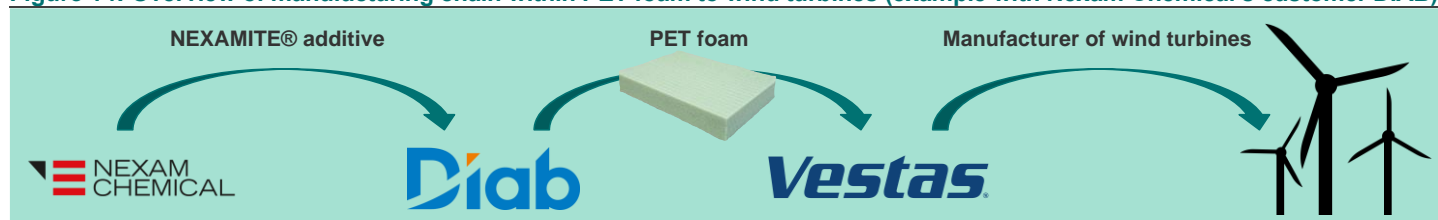
Source: Company (underlying data), DNB Markets (graph structuring)

Figure 13: Nexam Chemical – Timeline

Year	Event
2009	Nexam Chemical is founded
2010	Initiates its R&D programme, reaching proof of concept on cross-linking nylon and polyethylene through collaborations with customers
2011	'NEXAMID'-family is launched as well as the acquisition of a production facility in Scotland
2013	Granted important patents in Europe, the United States and Asia
2015	Launches a new strategy, goes from research-driven to market-oriented
2016	Delivery agreement with DIAB (PET foam)
2017	Delivery agreement with Armacell (PET foam) and the first commercial order to DIAB
2017	Acquires Plasticolor (today Masterbatch) for SEK116m (EV/sales of c1.35x)
2018	Breakthrough in Asia and production record in Scotland
2019	Johan Arvidsson takes over as the new CEO and the collaboration with DIAB is strengthened. Appoints new CFO and chairman of the board
2020	Strategically important order to Bohai Chemicals in China within PET foam
2020	Nexam Chemical and Diab enter into supply agreements for 2020–2021 worth SEK100m–120m
2020	Settlement between Uponor and Nexam Chemical within polyethylene pipes
2021	Launched the 'Reactive Recycling' concept; a cost- and energy-efficient solution that simplifies the recycling process
2021	Initiated sales in fibre and filaments platform (customers can use a higher degree of recycled material)
2021	Increased order intake to India. An initial order during the spring was followed by orders of approximately SEK10m
2021	Nexam Chemical starts to supply NEXAMITE to the company SIBUR
2021	Reactive Recycling concept receives first commercial order, where the greatest value lies in the confirmation of the concept

Source: Company (underlying data)

Figure 14: Overview of manufacturing chain within PET foam to wind turbines (example with Nexam Chemical's customer DIAB)



Source: Company (underlying data), DNB Markets (graph structuring)

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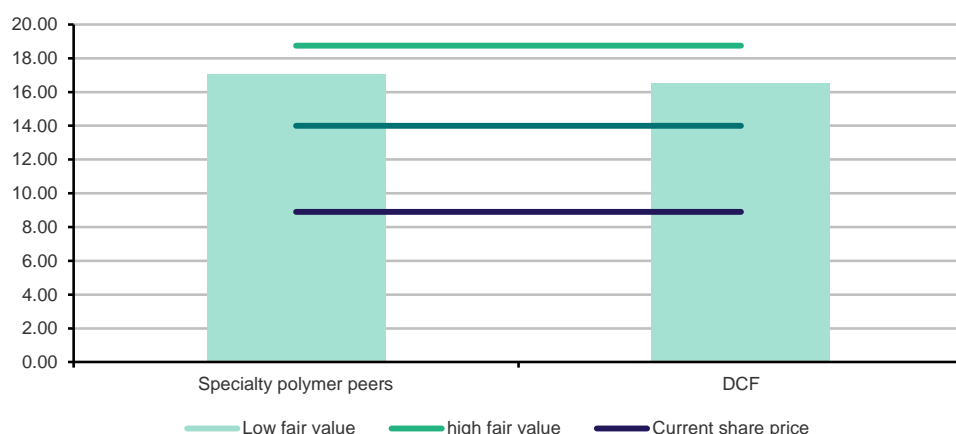
Valuation

We calculate a fair value of SEK14–19 (15–20) for Nexam Chemical, based on an equally weighted average of the 2024e EV/sales for our speciality polymer peer group and our DCF. Our fair value corresponds to a 2022e EV/sales of 3.4x, an EV/EBITDA of 12.5x, and a P/E of 22.3x.

- **The low end of the range assumes** a 10% higher WACC of 14.4% in our base-case DCF.
- **The high end of the range assumes** a 10% premium to the peer group's 2024e EV/sales applied to our forecasts and DCF.

We base our fair value on an equally weighted average of the 2024e EV/sales for our speciality polymer peer group and our DCF

Figure 15: Valuation summary (SEK/share)



Source: DNB Markets

Peer group valuation

Being in a growth phase, we believe the best way to arrive at a valuation for Nexam Chemical is EV/sales, even though we expect its bottom line to move into the black in 2022. We have identified relevant speciality polymer peers from their value propositions, end-market exposure, and business models. Nexam Chemical is trading at a 49% discount to our peer group on 2024e EV/sales, with a 15%-point higher gross margin but a 35%-point lower EBIT margin than peers. This indicates a fair value of SEK15–19 for Nexam Chemical.

Being in a growth phase, we believe the best way to arrive at a valuation for Nexam Chemical is EV/sales, even though we expect its bottom line to move into the black in 2022

Figure 16: Valuation – Nexam Chemical versus listed peers

Nexam Chemical valuation versus peers	2022			2023			2024			2022			2023			2024		
	Mkt. Cap. (SEKm)	P/E (x)			EV/EBITDA (x)			EV/Sales (x)			Gross margin			EBIT margin				
		2022e	2023e	2024e	2022e	2023e	2024e	2022e	2023e	2024e	2022e	2023e	2024e	2022e	2023e	2024e		
Nexam Chemical (DNBe)	720	156.7	29.8	19.1	36.3	13.8	9.3	2.6	2.0	1.5	41%	45%	45%	3%	10%	13%		
Premium(+)/discount(-)*		601%	56%	15%	189%	21%	-9%	-24%	-39%	-49%	16%	25%	15%	-82%	-43%	-35%		
Specialty polymer peers																		
Solvay SA	119,727	11.7	10.7	10.1	5.8	5.4	5.3	1.3	1.2	1.2	28%	28%		15%	16%			
Ashland Global Holdings, Inc.	50,613	20.3	17.6	14.0	10.9	10.3	9.4	2.6	2.6	2.4	34%	35%	38%	13%	14%			
Croda International Plc	137,887	30.0	30.1	27.0	19.4	18.7	16.7	6.0	5.9	5.5	47%	45%	49%	25%	25%			
Hexcel Corporation	40,807	43.7	26.3	19.5	16.4	12.7	9.9	3.2	2.8	2.3	20%	22%		10%	14%	16%		
Umicore	86,137	14.9	16.1	14.2	8.6	8.9	7.8	2.3	2.2	2.0	65%	66%	60%	20%	18%	20%		
Victrex plc	23,869	22.7	20.3	19.4	16.5	15.1	14.9	6.2	6.0	5.8				31%	32%	32%		
Johnson Matthey Plc	45,554	8.4	7.8	6.6	5.8	5.4	5.1	1.1	1.0	1.0	28%	28%	26%	14%	15%	16%		
Toray Industries, Inc.	95,416	10.4	9.4	9.6	6.6	5.9	5.3	0.8	0.7	0.7	23%	23%	20%	7%	7%	7%		
Lonza Group AG	445,142	38.9	33.7	29.0	23.0	20.2	17.8	7.4	6.6	6.0	43%	42%	43%	24%	25%	26%		
Average	116,128	22.3	19.1	16.6	12.5	11.4	10.2	3.4	3.2	3.0	36%	36%	39%	18%	18%	20%		
Median	86,137	20.3	17.6	14.2	10.9	10.3	9.4	2.6	2.6	2.3	31%	31%	40%	15%	16%	18%		

Source: Factset (underlying data), DNB Markets (estimates and further calculations)

Figure 17: DCF model – detailed base-case assumptions (SEKk)

	Explicit forecasts				Growth state						Maturing state					Terminal
	2021	2022e	2023e	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	2034e	2035e	Value
Sales	219,881	275,123	358,729	450,818	563,522	704,403	880,503	1,100,629	1,375,786	1,719,733	1,977,693	2,274,347	2,615,499	3,007,824	3,458,997	3,545,472
Growth		25%	30%	26%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	15.0%	15.0%	15.0%	15.0%	15.0%	2.5%
EBITDA	6,297	19,866	51,590	74,823	90,164	112,704	140,881	176,101	220,126	275,157	355,985	409,382	470,790	541,408	622,620	638,185
Margin	3%	7%	14%	17%	16.0%	16.0%	16.0%	16.0%	16.0%	16.0%	18.0%	18.0%	18.0%	18.0%	18.0%	18%
D&A	-10,573	-11,003	-14,349	-18,033	-18,825	-21,919	-27,516	-34,395	-39,012	-48,765	-67,178	-77,923	-88,518	-98,500	-106,230	-122,165
% of sales	5%	4%	4%	4%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%	3%
EBIT	-4,276	8,863	37,241	56,790	71,339	90,786	113,364	141,705	181,114	226,393	288,807	331,459	382,271	442,908	516,389	516,020
Margin	-2%	3%	10%	13%	13%	13%	13%	13%	13%	13%	15%	15%	15%	15%	15%	15%
Net financial items	-1,031	-2,693	-4,826	-6,085	-7,606	-9,508	-11,885	-14,856	-18,570	-23,212	-26,694	-30,698	-35,303	-40,599	-46,689	-47,856
Pre tax profit	-5,308	6,170	32,415	50,705	63,733	81,278	101,480	126,849	162,544	203,180	262,112	300,761	346,968	402,310	469,700	468,164
Taxes	-140	-1,419	-7,455	-11,662	-16,408	-20,881	-26,074	-32,592	-41,656	-52,070	-66,426	-76,236	-87,922	-101,869	-118,769	-118,685
Tax rate	-3%	23%	23%	23%	23%	23%	23%	23%	23%	23%	23%	23%	23%	23%	23%	23%
Net income	-5,449	4,751	24,959	39,043	47,325	60,397	75,406	94,257	120,888	151,110	195,687	224,525	259,046	300,441	350,931	349,480
FCF calculation																
EBIT	-4,276	8,863	37,241	56,790	71,339	90,786	113,364	141,705	181,114	226,393	288,807	331,459	382,271	442,908	516,389	516,020
D&A (-)	10,573	11,003	14,349	18,033	18,825	21,919	27,516	34,395	39,012	48,765	67,178	77,923	88,518	98,500	106,230	122,165
Taxes (+)	-140	-1,419	-7,455	-11,662	-16,408	-20,881	-26,074	-32,592	-41,656	-52,070	-66,426	-76,236	-87,922	-101,869	-118,769	-118,685
Capex (+)	-5,514	-17,783	-17,039	-21,652	-27,065	-33,831	-42,289	-52,862	-66,077	-82,596	-97,862	-112,541	-129,422	-148,835	-152,556	
% sales	2.5%	6.5%	4.7%	4.8%	4.8%	4.8%	4.8%	4.8%	4.8%	4.8%	4.3%	4.3%	4.3%	4.3%	4.3%	4.3%
Acquisitions (-)/divestments (+)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Change in NWC (-)	2,294	-9,952	-12,065	-19,339	-21,414	-26,767	-33,459	-41,824	-52,280	-65,350	-46,433	-53,398	-61,407	-70,618	-81,211	-15,565
% of sales growth		18%	14%	21%	19%	19%	19%	19%	19%	19%	18%	18%	18%	18%	18%	18%
Free cash flow	2,937	-9,288	15,030	22,170	25,277	31,225	39,058	48,823	60,113	75,141	158,029	181,887	208,919	239,499	273,803	351,379

Source: DNB Markets (estimates)

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Appendices

Management and board

Management

- **Johan Arvidsson – President and chief executive officer** (born 1969, has a degree in civil engineering and chemistry, Chalmers University of Technology.) Mr Arvidsson was appointed CEO in 2019 and has been with Nexam Chemical since 2016. Previous experience includes CSO at Nexam Chemical, CEO at aXichem AB, CEO and chairman of the board at DuPont Sverige AB and Nordic market head at DuPont Performance Polymers.
- **Marcus Nyberg – Chief financial officer** (born 1975, BSc (economics), Lund University). Mr Nyberg has been CFO since 2019. Previous experience includes business consultant at PwC, finance director at Safegate, finance & operations director at Greenworks tools and group CFO at LGT Logistics.
- **Tomas Eriksson – Chief commercial officer** (born 1967, has a degree in civil engineering and chemistry, Chalmers University of Technology and an MBA from Copenhagen Business School). Mr Eriksson has been CSC since 2020 and previously worked for Finnish Nordkalk Oy AB.
- **Lars Öhrn – Chief marketing officer** (born 1971, has a degree in civil engineering and chemistry, Chalmers University of Technology). Mr Öhrn has been CMO since 2015. Previous experience includes application marketing manager for Bourouge in Abu Dhabi and business development at Trioplast Industrier AB and Mölnlycke Health Care AB.
- **Francesco Piscioti – Chief technology officer** (born 1973, has a PhD in polymer materials, Chalmers University of Technology). Mr Piscioti has been CTO since 2019. Previous experience includes technology specialist at Tetra Pak R&D, with a focus on polymer materials, and an Industrial PhD from Research Institutes of Sweden (RISE) within polymer material.
- **Lucas Petersson – Chief operating officer** (born 1992, has a BSc in business, Lund University). Mr Petersson has been at the company since 2018. Previous experience includes procurement manager at Nexam Chemical and management consultant at Qvickbron Industriutveckling AB.
- **Jörgen Heby – Chief production officer** (born 1970, has a degree in civil engineering and chemistry, Lund University). Before joining Nexam Chemical in October 2021, Mr Heby worked 14 years in the large Finnish chemical group Kimira Oyj, where he held several positions such as factory chief, product chief and site service manager.
- **Adrian Pepper – Group Regulatory and EHSQ Manager** (born 1973, has a PhD in synthetic organic chemistry, Salford University). Mr Pepper has been group regulatory and EHSQ manager since 2017. Previous experience includes R&D, laboratory and production in Nexam Chemical's chemistry department and CEO at St Andrews ChemTech Int. Ltd, as well as academic positions at the University of Exeter.

Board of directors

- **Mats Persson – Chairman** (born 1963, has a degree in civil engineering and chemistry, Lund University, Faculty of Engineering). Mr Persson has been chairman since 2019. Previous experience includes several leading positions within Perstorp Group and CPP at DIAB.
- **Cecilia Jinert Johansson – board member** (born 1963, has an MSc in business & economics, Lund University). Mrs Jinert Johansson has been a board member since 2014. Previous experience includes coordinating restructuring and change in various organisations, as well as head of production at Lantmännen and SVP of operations for Ruukki Construction.

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- **Jonna Opitz – board member** (born 1969, MSc in media & communication, Växjö University). Mrs Opitz has been a board member since 2018. Previous experience includes SVP communications & multibrands at Inwido AB, VP corporate communications at ReadSoft and corporate communications manager for PartnerTech.
- **Oskar Tuwesson – board member** (born 1980, MSc in business administration – international finance, Lund University). Mr Tuwesson has been a board member since 2021. He has experience in investment banking and the stock market and has previously held positions at banks such as ABG Sundal Collier, Carnegie, JP Morgan and Pareto Securities.
- **Martin Roos – board member** (born 1975, MSc in engineering from the Royal Institute of Technology (KTH) and MSc in economics from the Stockholm School of Economics). Mr Roos has been a board member since 2001. He held various management positions within Ericsson and was subsequently CEO of telecom operators Cable and Wireless Caribbean (CWC) and Altice in the Dominican Republic.

Shareholders

Figure 18: Main shareholders (as of 31 December 2021)

Owner	Number of shares	Holdings (%)	Votes (%)
Avanza Pension	8,500,950	10.51%	10.51%
Nerthus Investments Ltd	7,174,257	9.09%	9.09%
Leorex Capital Limited	3,910,000	4.96%	4.96%
Veronica Wallman	3,641,225	4.50%	4.50%
Länsförsäkringar Fonder	3,545,652	4.38%	4.38%
SEB Fonder	3,051,723	3.77%	3.77%
Nordnet Pensionsförsäkring	2,134,849	2.64%	2.64%
Lennart Holm med familj	2,091,882	2.59%	2.59%
Jan-Erik Rosenberg	1,362,002	1.68%	1.68%
Futur Pension	1,266,030	1.56%	1.56%
AXA	1,000,000	1.24%	1.24%
Michael Wandy Karlsson	968,342	1.20%	1.20%
Björn Parkander	912,517	1.13%	1.13%
ÖstVäst Capital Management	886,105	1.10%	1.10%
Mandarine Gestion	850,041	1.05%	1.05%
Swedbank Försäkring	821,546	1.02%	1.02%
Jimmy Holm	802,000	0.99%	0.99%
SEBinvest	767,122	0.95%	0.95%
MediumInvest A/S	714,158	0.88%	0.88%
Mikael Gunnarsson	650,000	0.80%	0.80%
Anders Dahlquist	638,755	0.79%	0.79%
Gunnar Jardelöw	465,854	0.58%	0.58%
Danica Pension	438,262	0.54%	0.54%
Patric Rydström	430,000	0.53%	0.53%
Peter Sedira	427,388	0.53%	0.53%
Michael Karlsson i Helsingborg AB	409,000	0.51%	0.51%
Ulf Thaug	381,933	0.47%	0.47%
Lars Olof Jonsson	377,784	0.47%	0.47%
Gunvald Berger	375,747	0.46%	0.46%
Per Håkan Linné	365,977	0.45%	0.45%

Source: Holdings

Figure 19: Board and management ownership (as of 31 December 2021)

Owner	Position	Number of shares	Holdings (%)	Votes (%)
Martin Roos	Board Member	185,107	0.23%	0.23%
Johan Arvidsson	CEO	126,345	0.16%	0.16%
Mats Persson	Chairman	85,164	0.11%	0.11%
Cecilia J. Johansson	Board Member	70,664	0.09%	0.09%
Marcus Nyberg	CFO	23,332	0.03%	0.03%
Jonna Opitz	Board Member	14,000	0.02%	0.02%
Oskar Tuwesson	Board Member	10,000	0.01%	0.01%

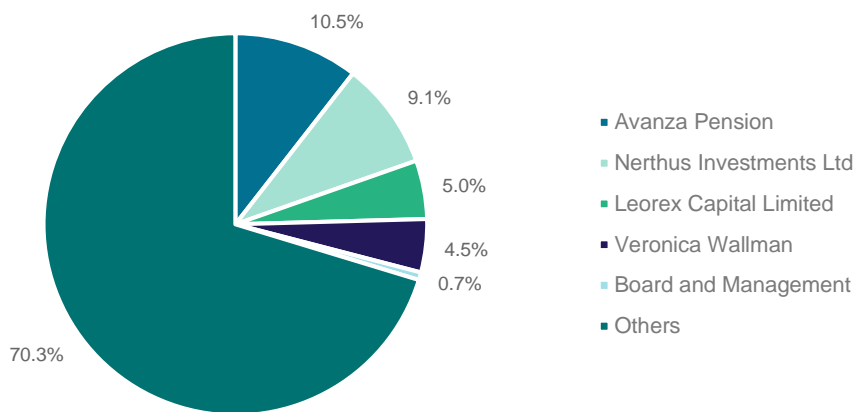
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Figure 18: Main shareholders (as of 31 December 2021)

Francesco Pisciotti	CTO	300	0.00%	0.00%
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Source: Holdings

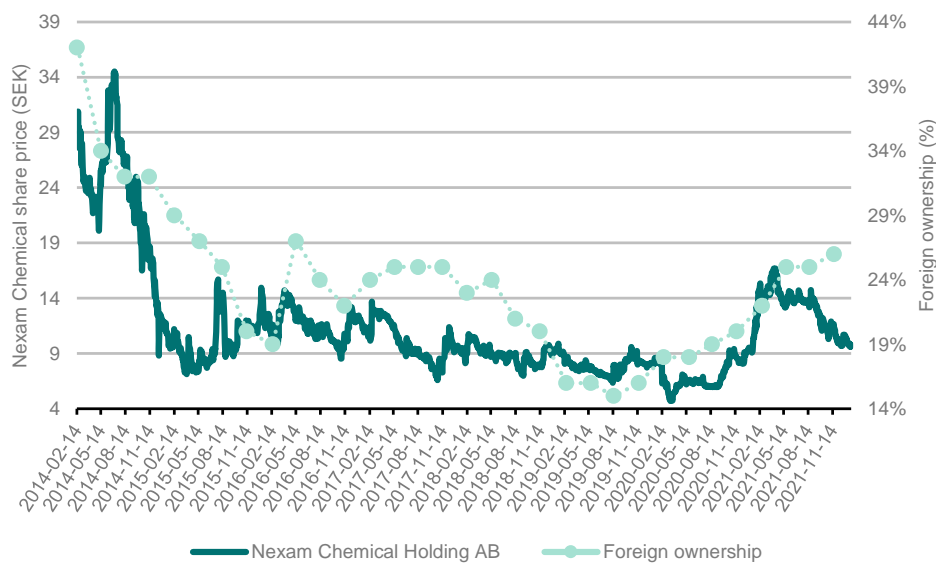
Figure 20: Nexam Chemical - Ownership structure (shares, as of 31 December 2021)



Source: Holdings (underlying data), DNB Markets (graph structuring)

Overview of foreign ownership

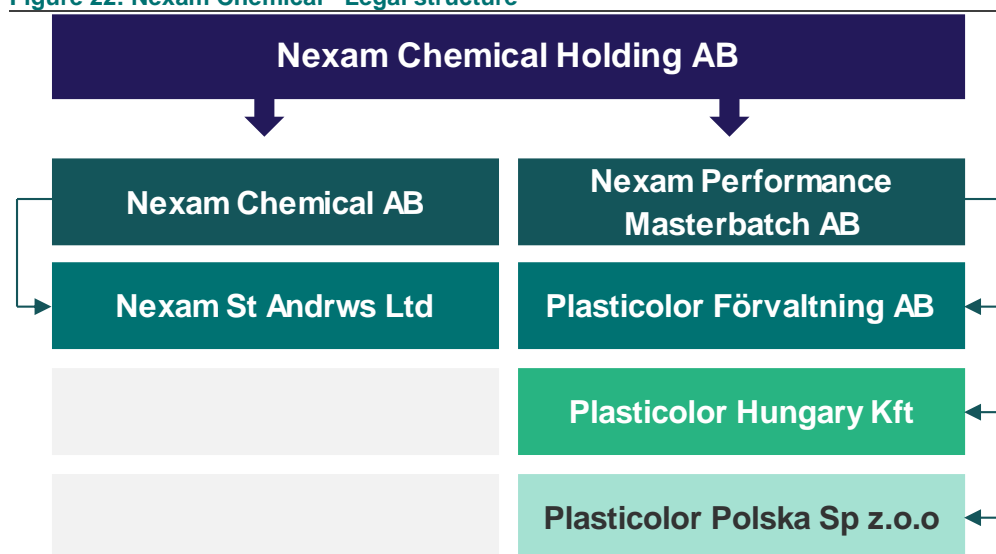
Figure 21: Share price (LHS, SEK) and foreign ownership (RHS, %) 2014–Q4 2021



Source: Factset, Holding (underlying data), DNB Markets (graph structuring)

Legal structure

Figure 22: Nexam Chemical - Legal structure



Source: Company (underlying data), DNB Markets (graph structuring)

Valuation peers overview

- **Solvay SA** manufactures chemicals and plastics such as soda ash, hydrogen peroxide, functional polymers, silica, surfactants, food and fragrance flavours, as well as other specialty polymers. Solvay offers its products to numerous industries, including the aerospace, alternative energy, automotive, chemical, construction, consumer goods, food and beverage, and oil and gas markets. Solvay SA generated sales of EUR8.9bn in 2020.
- **Ashland Global Holdings, Inc.** is a global specialty chemicals company that manufactures and distributes adhesives, architectural coatings for the automotive, construction, energy, food & beverage, personal care, and pharmaceutical sectors. The Specialty Ingredients division offers industry products, technologies and resources for resolving formulation product-performance challenges. Its sales in 2020 totalled USD2.3bn.
- **Croda International Plc** manufactures specialty chemicals. Divisions are: Personal Care, Life Sciences, Performance Technologies and Industrial Chemicals. Croda supplies its products to companies specialising in the personal care, pharmaceutical, plastics, engineering, automotive and food processing industries. In 2020, Croda International Plc generated ~EUR1.4bn in sales.
- **Hexcel Corporation** manufactures advanced composite materials for the aerospace, space, defence and industrial markets. The Composite Materials segment comprises carbon fibre, specialty reinforcements, resins, prepregs and other fibre-reinforced matrix materials, plus honeycomb core product lines and pultruded profiles. The Engineered Products division makes lightweight high strength composite structures, engineered core and honeycomb products with added functionality, and additive manufacturing. Sales in 2020 were USD1.5bn.
- **Umicore** operates in the materials technology business. The Energy and Surface Technologies division comprises cobalt and specialty materials, electro-optic materials, electroplating, rechargeable battery materials and thin film products business units. The Recycling segment offers precious metals refining, jewellery and industrial metals, precious metals management, technical materials, and platinum engineer materials. In 2020, Umicore generated sales of EUR3.2bn.
- **Victrex Plc** manufactures and markets polymers. It operates through the Industrial and Medical divisions. Industrial focuses on the automotive, aerospace, electronics and energy markets, while Medical offers specialist solutions for medical device manufacturers. Victrex Plc had sales of EUR266m in 2020.

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- **Johnson Matthey Plc** a specialty chemicals company that manufactures catalysts, pharmaceutical materials and pollution control systems. It also refines platinum, gold and silver, and produces colour and coating materials for the glass, ceramics, tile, plastics, paint, ink, and construction industries. In 2020, Johnson Matthey Plc reported GBP4.2bn in revenues.
- **Toray Industries, Inc.** manufactures fibre products, including filament yarns, staple fibres, spun yarns, fabrics (nylon, polyester, acrylic, etc). It also makes chemical products such as polyester films, engineering plastics, resin materials, and carbon fibre composite materials, as well as being active in environment and life-science businesses. Toray Industries Inc generated revenues of JPY2,215bn in 2020.
- **Lonza Group AG** produces organic fine chemicals, biocides, active ingredients, and biotechnology products. It offers custom chemical manufacturing and fermentation processing, and manufactures its products for the life sciences, pharmaceuticals, food processing, and agricultural products industries. In 2020, Lonza Group AG had sales of CHF4,508m.

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Forecast changes – P&L

(SEKm)	New			Old			Change		
	2022e	2023e	2024e	2022e	2023e	2024e	2022e	2023e	2024e
Revenues	275	359	451	300	387		-25	-28	
Cost of sales	-161	-197	-248	-165	-213		4	15	
Gross profit	114	161	203	135	174		-21	-13	
Operating expenses	-94	-110	-128	-99	-115		4	5	
EBITDA	20	52	75	37	59		-17	-8	
EBITDA adj	20	52	75	37	59		-17	-8	
EBITDA margin (%)	7.2	14.4	16.6	12.2	15.3	nm	-5.0	-0.9	nm
Depreciation	-11	-14	-18	-12	-15		1	1	
EBIT	9	37	57	25	44		-16	-6	
EBIT adj	9	37	57	25	44		-16	-6	
Net interest	-3	-5	-6	-3	-5		1	0	
Net financial items	-3	-5	-6	-3	-5		1	0	
PBT	6	32	51	21	38		-15	-6	
Taxes	-1	-7	-12	-5	-9		3	1	
Net profit	5	25	39	16	30		-12	-5	
Adjustments to net profit	0	0	0	0	0		0	0	
Net profit adj	5	25	39	16	30		-12	-5	
<i>Per share data (SEK)</i>									
EPS	0.06	0.31	0.48	0.21	0.39		-0.16	-0.08	
EPS adj	0.06	0.31	0.48	0.21	0.39		-0.16	-0.08	
<i>Other key metrics (%)</i>									
Revenue growth	25.3	30.4	25.7	33.5	28.7	nm	-8.2	1.7	nm
EBIT adj growth	nm	320.2	52.5	1419.2	77.2	nm	nm	243.0	nm
EPS adj growth	nm	425.4	56.4	-2071.5	81.5	nm	nm	343.8	nm
Avg. number of shares (m)	81	81	81	76	76		5	5	
Capex	-18	-17	-22	-19	-18		2	1	
OpFCF	2	35	53	17	41		-15	-6	
NIBD adj	-24	-34	-51	-31	-45		7	11	

Source: DNB Markets

Forecast changes – By segment and assumptions

(SEKm)	New			Old			Change		
	2022e	2023e	2024e	2022e	2023e	2024e	2022e	2023e	2024e
Revenue									
Performance Masterbatch	125	140	149	115	122		10	18	
Performance Chemicals	150	219	302	186	265		-35	-46	
Assumptions									
Revenue org. % YOY	25.32	30.41	25.67	33.50	28.70		-8.18	1.71	
Structure impact % YOY	0.00	0.00	0.00		0.00			0.00	
Currency impact % YOY	0.02	0.00	0.00	0.02	0.00		0.00	0.00	

Source: DNB Markets

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Quarterly numbers

(SEKm)	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022e	Q2 2022e	Q3 2022e	Q4 2022e	Q1 2023e
Revenues	41	47	53	60	50	57	56	73	67	79	78
Cost of sales	-23	-27	-31	-35	-32	-37	-34	-44	-40	-43	-43
Gross profit	18	20	21	25	18	20	23	29	27	36	35
Operating expenses	-16	-19	-20	-22	-17	-19	-21	-24	-23	-26	-25
EBITDA	2	1	2	2	1	1	1	5	4	10	10
Depreciation	-2	-3	-3	-3	-3	-3	-2	-3	-3	-3	-3
EBIT	-1	-2	0	-1	-2	-2	-1	2	1	7	7
Net interest	0	-1	0	-1	0	0	-1	-1	-1	-1	-1
Net financial items	0	-1	0	-1	0	0	-1	-1	-1	-1	-1
PBT	-1	-3	-1	-1	-2	-2	-1	1	0	6	6
Taxes	0	0	0	0	0	0	0	0	0	-1	-1
Net profit	-1	-3	-1	-1	-2	-2	-1	1	0	5	4
Adjustments to net profit	0	0	0	1	0	0	0	0	0	0	0
Net profit adj	-1	-3	-1	0	-2	-2	-1	1	0	5	4
Avg. number of shares (m)	76	76	79	79	76	81	81	81	81	81	81
<i>Per share data (SEK)</i>											
EPS	-0.03	-0.05	0.00	-0.02	-0.02	-0.02	-0.01	0.01	0.00	0.06	0.05
EPS adj	-0.02	-0.04	-0.01	0.00	-0.03	-0.02	-0.01	0.01	0.00	0.06	0.05
<i>Growth and margins (%)</i>											
Revenues, QOQ growth	12.9	13.7	12.4	13.6	-15.8	13.6	-1.4	29.2	-7.6	17.8	-1.5
Revenues, YOY growth	32.1	45.8	25.9	64.0	22.3	22.2	7.1	21.8	33.6	38.5	38.4
EPS adj, YOY growth	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm
Gross margin	43.2	42.6	40.7	41.3	35.9	35.8	40.0	40.0	40.0	45.0	45.0
EBITDA adj margin	4.3	1.4	4.0	5.5	2.1	2.1	2.7	6.5	5.4	12.7	12.7
Depreciation/revenues	-5.8	-5.7	-4.9	-4.4	-5.3	-4.8	-4.0	-4.0	-4.0	-4.0	-4.0
EBIT adj margin	-1.5	-4.2	-0.9	1.1	-3.2	-2.7	-1.3	2.5	1.4	8.7	8.7
Net profit margin	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm

Source: Company (historical figures), DNB Markets (estimates)

Adjustments to quarterly numbers

(SEKm)	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022e	Q2 2022e	Q3 2022e	Q4 2022e	Q1 2023e
EBITDA	2	1	2	2	1	1	1	5	4	10	10
Gains and losses	0	0	0	0	0	0	0	0	0	0	0
EBITDA adj	2	1	2	3	1	1	1	5	4	10	10
Gains and losses	0	0	0	0	0	0	0	0	0	0	0
EBIT	-1	-2	0	-1	-2	-2	-1	2	1	7	7
Gains and losses	0	0	0	0	0	0	0	0	0	0	0
EBIT adj	-1	-2	0	1	-2	-2	-1	2	1	7	7
Net profit	-1	-3	-1	-1	-2	-2	-1	1	0	5	4
Gains and losses	0	0	0	0	0	0	0	0	0	0	0
Net profit adj	-1	-3	-1	0	-2	-2	-1	1	0	5	4

Source: Company (historical figures), DNB Markets (estimates)

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Quarterly numbers by segment and assumptions

(SEKm)	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022e	Q2 2022e	Q3 2022e	Q4 2022e	Q1 2023e
Revenue											
Performance Masterbatch	21	22	25	27	26	26	26	33	33	33	33
Performance Chemicals	20	24	27	33	24	31	30	40	34	46	45
Assumptions											
Revenue org. % YOY	33.29	47.50	27.35	65.21	22.75	22.26	7.03	21.79	33.63	38.54	38.35
Structure impact % YOY	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Currency impact % YOY	-1.21	-1.70	-1.45	-1.21	-0.41	-0.08	0.09	0.00	0.00	0.00	0.00

Source: Company (historical figures), DNB Markets (estimates)

Annual P&L

(SEKm)	2015	2016	2017	2018	2019	2020	2021	2022e	2023e	2024e
Revenues	8	8	19	110	130	166	219	275	359	451
Cost of sales	-5	-5	-12	-68	-82	-95	-135	-161	-197	-248
Gross profit	5	5	9	47	54	71	85	114	161	203
Operating expenses	-25	-24	-29	-53	-59	-66	-79	-94	-110	-128
EBITDA	-19	-19	-20	-6	-6	5	6	20	52	75
Depreciation	-3	-2	-3	-10	-10	-10	-11	-11	-14	-18
EBIT	-22	-22	-23	-16	-15	-5	-4	9	37	57
Net interest	0	0	0	-1	-2	-2	-1	-3	-5	-6
Net financial items	0	0	0	-1	-2	-2	-1	-3	-5	-6
PBT	-22	-22	-23	-17	-17	-8	-5	6	32	51
Taxes	0	0	17	0	0	0	0	-1	-7	-12
Effective tax rate (%)	0	0	75	-1	0	-7	-3	23	23	23
Net profit	-22	-22	-6	-17	-17	-8	-5	5	25	39
Adjustments to net profit	-1	0	-1	-3	-4	0	1	0	0	0
Net profit adj	-23	-22	-7	-20	-21	-8	-4	5	25	39
Avg. number of shares	52	62	65	68	68	73	80	81	81	81
<i>Per share data (SEK)</i>										
EPS	-0.42	-0.36	-0.09	-0.25	-0.25	-0.14	-0.07	0.06	0.31	0.48
EPS adj	-0.44	-0.36	-0.11	-0.30	-0.31	-0.11	-0.05	0.06	0.31	0.48
<i>Growth and margins (%)</i>										
Revenue growth	389.5	5.4	126.1	487.5	18.4	27.5	32.3	25.3	30.4	25.7
EPS adj growth	nm	nm	nm	nm	nm	nm	nm	nm	425.4	56.4
Gross margin	30.8	43.4	37.4	38.1	36.7	42.8	38.5	41.4	45.0	45.0
EBITDA margin	nm	nm	nm	nm	nm	3.0	2.9	7.2	14.4	16.6
EBITDA adj margin	nm	nm	nm	nm	nm	3.0	3.5	7.2	14.4	16.6
Depreciation/revenues	-35.7	-29.5	-15.9	-9.0	-7.6	-6.1	-4.8	-4.0	-4.0	-4.0
EBIT margin	nm	nm	nm	nm	nm	nm	nm	3.2	10.4	12.6
EBIT adj margin	-295.6	-268.0	-129.3	-16.9	-14.9	-3.2	-1.4	3.2	10.4	12.6
PBT margin	nm	nm	nm	nm	nm	nm	nm	2.2	9.0	11.2
Net profit margin	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm

Source: Company (historical figures), DNB Markets (estimates)

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Adjustments to annual P&L

(SEKm)	2015	2016	2017	2018	2019	2020	2021	2022e	2023e	2024e
EBITDA	-19	-19	-20	-6	-6	5	6	20	52	75
Gains and losses	-3	-1	-2	-5	-6	0	0	0	0	0
EBITDA adj	-20	-20	-21	-9	-9	5	8	20	52	75
Gains and losses	-3	-1	-2	-5	-6	0	0	0	0	0
EBIT	-22	-22	-23	-16	-15	-5	-4	9	37	57
Gains and losses	-3	-1	-2	-5	-6	0	0	0	0	0
EBIT adj	-23	-22	-24	-19	-19	-5	-3	9	37	57
Net profit	-22	-22	-6	-17	-17	-8	-5	5	25	39
Gains and losses	-3	-1	-2	-5	-6	0	0	0	0	0
Net profit adj	-23	-22	-7	-20	-21	-8	-4	5	25	39
<i>Per share data (SEK)</i>										
EPS	-0.42	-0.36	-0.09	-0.25	-0.25	-0.14	-0.07	0.06	0.31	0.48
Recommended adjustment	-0.02	0.00	-0.02	-0.05	-0.06	0.03	0.02	0.00	0.00	0.00
EPS adj	-0.44	-0.36	-0.11	-0.30	-0.31	-0.11	-0.05	0.06	0.31	0.48

Source: Company (historical figures), DNB Markets (estimates)

Cash flow

(SEKm)	2015	2016	2017	2018	2019	2020	2021	2022e	2023e	2024e
Net profit	-22	-22	-6	-17	-17	-8	-5	5	25	39
Other non-cash adjustments	0	0	0	-1	-2	-2	0	-4	-12	-18
Change in net working capital	-4	2	1	-6	-14	-19	2	-10	-12	-19
Cash flow from operations (CFO)	-23	-18	-18	-13	-21	-17	7	6	27	38
Capital expenditure	-2	-2	-84	-6	-11	-7	-6	-18	-17	-22
Cash flow from investing (CFI)	-2	-2	-84	-6	-11	-7	-6	-18	-17	-22
Free cash flow (FCF)	-26	-20	-102	-18	-32	-23	2	-12	10	16
Net change in debt	-1	117	55	-14	1	30	32	-7	-4	-4
Cash flow from financing (CFF)	-1	117	55	-14	1	30	32	-7	-4	-4
Total cash flow (CFO+CFI+CFF)	-26	97	-47	-33	-31	7	34	-19	6	12
<i>FCFF calculation</i>										
Free cash flow	-26	-20	-102	-18	-32	-23	2	-12	10	16
Less: net interest	0	0	0	1	2	2	1	3	5	6
Less: tax shields/other	0	0	0	0	0	0	0	0	0	0
Growth (%)										
CFO	26.4	24.1	-5.0	30.2	-65.1	20.8	143.1	-20.0	369.5	38.5
CFI	-40.0	16.6	-3923.3	93.4	-89.7	37.2	16.5	-222.5	4.2	-27.1
FCF	22.8	23.4	-418.9	81.9	-72.5	26.2	107.4	-788.2	185.2	57.6
CFF	-100.9	19874.1	-52.6	-125.9	105.6	3666.3	7.9	-121.6	42.9	0.3
FCFF	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm

Source: Company (historical figures), DNB Markets (estimates)

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Balance sheet

(SEKm)	2015	2016	2017	2018	2019	2020	2021	2022e	2023e	2024e
Assets	74	174	282	248	228	250	284	298	329	375
Inventories	6	6	15	19	25	32	32	58	68	86
Trade receivables	2	2	15	16	19	32	38	39	50	63
Other receivables	2	3	5	3	5	6	4	4	4	4
Cash and cash equivalents	36	133	86	54	23	30	64	45	51	63
Current assets	46	143	121	92	72	100	138	145	173	215
Property, plant and equipment	11	9	50	48	49	45	44	50	52	55
Goodwill	18	19	111	108	106	105	103	104	104	104
Non-current financial assets	0	3	0	0	0	0	0	0	0	0
Non-current assets	28	30	161	156	156	150	147	153	156	160
Total assets	74	174	282	248	228	250	284	298	329	375
Equity and liabilities	74	174	282	248	228	250	284	298	329	375
Total equity	66	164	188	171	155	187	228	233	258	297
Trade payables	1	1	14	14	12	14	17	33	43	54
Other payables and accruals	3	5	11	11	7	8	11	11	11	11
Short-term debt	1	1	13	13	14	13	13	13	13	13
Total current liabilities	5	7	38	39	33	36	42	57	67	78
Long-term debt	2	1	50	37	35	23	11	4	0	-4
Pension liabilities	0	0	0	0	0	0	0	0	0	0
Other non-current liabilities	1	1	5	1	4	5	3	3	3	3
Total non-current liabilities	3	2	56	39	40	27	15	8	4	0
Total liabilities	8	10	94	77	73	63	56	65	71	78
Total equity and liabilities	74	174	282	248	228	250	284	298	329	375
<i>Key metrics</i>										
Net interest bearing debt	-33	-131	-31	-15	17	-2	-36	-24	-34	-51

Source: Company (historical figures), DNB Markets (estimates)

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Valuation ratios

(SEKm)	2015	2016	2017	2018	2019	2020	2021	2022e	2023e	2024e
<i>Enterprise value</i>										
Share price (SEK)	12.50	12.25	9.55	9.30	8.10	9.26	10.65	8.96	8.96	8.96
Number of shares (m)	51.78	62.11	64.85	67.52	67.52	73.06	79.91	80.92	80.92	80.92
Market capitalisation	647	761	619	628	547	677	851	725	725	725
Net interest bearing debt	-33	-131	-31	-15	17	-2	-36	-24	-34	-51
Adjustments to NIBD	0	0	0	0	0	0	0	0	0	0
Net interest bearing debt adj	-33	-131	-31	-15	17	-2	-36	-24	-34	-51
EV	614	630	589	613	563	674	815	701	691	674
EV adj	614	630	589	613	563	674	815	701	691	674
<i>Valuation</i>										
EPS	-0.42	-0.36	-0.09	-0.25	-0.25	-0.14	-0.07	0.06	0.31	0.48
EPS adj	-0.44	-0.36	-0.11	-0.30	-0.31	-0.11	-0.05	0.06	0.31	0.48
P/E	-29.8	-34.0	-106.1	-37.2	-32.4	-66.1	-155.0	152.6	29.0	18.6
P/E adj	-28.2	-34.1	-88.5	-31.4	-26.1	-83.6	-205.0	152.6	29.0	18.6
Average ROE	-31.4%	-19.2%	-3.3%	-9.6%	-10.5%	-4.7%	-2.6%	2.1%	10.2%	14.1%
Earnings yield adj	-3.4%	-2.9%	-0.9%	-2.7%	-3.1%	-1.5%	-0.6%	0.7%	3.4%	5.4%
EV/SALES	78.28	76.19	31.49	5.58	4.33	4.07	3.71	2.55	1.92	1.50
EV/SALES adj	78.28	76.19	31.49	5.58	4.33	4.07	3.71	2.55	1.92	1.50
EV/EBITDA	-31.8	-32.3	-29.5	-106.4	-101.1	137.3	129.4	35.3	13.4	9.0
EV/EBITDA adj	-30.1	-31.9	-27.8	-71.2	-59.4	137.3	107.3	35.3	13.4	9.0
EV/EBIT	-27.8	-28.7	-25.7	-39.1	-36.6	-127.7	-190.6	79.1	18.5	11.9
EV/EBIT adj	-26.5	-28.4	-24.4	-33.1	-29.2	-127.7	-273.6	79.1	18.5	11.9
EV/capital employed	8.9	3.8	2.4	2.9	2.9	3.1	3.4	2.9	2.6	2.3
EV/OpFCF (taxed)	-34.9	-37.5	-7.3	-56.3	-36.6	-518.7	508.5	437.0	26.0	16.5

Source: Company (historical figures), DNB Markets (estimates)

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Key accounting ratios

	2015	2016	2017	2018	2019	2020	2021	2022e	2023e	2024e
<i>Profitability (%)</i>										
ROA	-27.7	-17.8	-2.5	-6.5	-7.2	-3.4	-2.0	1.6	8.0	11.1
ROCE	-31.6	-18.8	-11.8	-8.2	-9.6	-2.6	-1.3	3.7	14.9	20.4
<i>Return on invested capital (%)</i>										
Net PPE/revenues	135.8	105.3	268.4	43.5	37.8	27.1	19.9	18.1	14.5	12.3
<i>Cash flow ratios (%)</i>										
FCF/revenues	-327.4	-237.8	-545.8	-16.8	-24.4	-14.1	0.8	-4.4	2.8	3.6
FCF yield (%)	nm	nm	nm	nm	nm	nm	nm	nm	nm	nm
CFO/revenues	-295.6	-212.7	-98.8	-11.7	-16.4	-10.2	3.3	2.1	7.6	8.4
CFO/market capitalisation	-3.6	-2.3	-3.0	-2.1	-3.9	-2.5	0.9	0.8	3.8	5.2
CFO/capex	-931.0	-846.7	-22.1	-232.7	-202.5	-255.3	131.6	32.6	159.9	174.3
CFO/current liabilities	-490.5	-237.5	-48.0	-33.4	-63.6	-47.2	17.5	10.1	40.4	48.1
Cash conversion ratio	116.8	89.0	1775.1	107.2	186.2	289.9	-32.0	-252.2	40.9	41.2
Capex/revenues	31.8	25.1	447.0	5.0	8.1	4.0	2.5	6.5	4.7	4.8
Capex/depreciation	89.0	85.2	2817.4	55.8	106.8	64.8	52.2	161.6	118.7	120.1
OpFCF margin	-291.7	-263.7	-560.4	-12.9	-15.4	-1.0	0.9	0.8	9.6	11.8
<i>Leverage and solvency (x)</i>										
Interest cover	nm	nm	nm	-11.49	-9.43	-2.06	-3.58	3.43	7.95	9.65
EBIT/interest payable	nm	nm	nm	nm	nm	nm	nm	3.50	7.99	9.69
Cash coverage	192.85	-120.28	-179.78	-4.29	-3.47	2.13	6.11	7.38	10.69	12.30
Net debt/EBITDA	1.73	6.72	1.53	2.62	-2.96	-0.48	-5.76	-1.22	-0.67	-0.68
Total debt/total capital (BV)	0.04	0.01	0.23	0.20	0.22	0.14	0.09	0.06	0.04	0.03
LTD / (LTD + equity (MV))	0.00	0.00	0.08	0.06	0.06	0.03	0.01	0.01	0.00	-0.01
<i>Cash conversion cycle</i>										
Inventory turnover days	385.7	465.8	460.9	104.4	110.4	124.8	87.4	130.9	126.1	126.1
Receivables turnover days	174.3	193.3	384.6	62.6	68.2	83.9	69.5	55.9	54.8	54.0
Credit period	52.5	98.4	448.8	77.8	53.6	54.5	46.4	74.8	79.6	79.6
Cash conversion cycle	507.6	560.7	396.8	89.1	124.9	154.3	110.5	112.0	101.2	100.5

Source: Company (historical figures), DNB Markets (estimates)

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Important Information

Company: Nexam Chemical
 Coverage by Analyst: Mattias Holmberg
 Date: 26/01/2022

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	Buy	Hold	Sell	No_rec	Total
Number	177	83	12	28	300
% of total	59%	28%	4%	9%	
DNB Markets client	28%	10%	1%	5%	132

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26 January 2022

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