

NORDEN**NORDEN**

Market: OMXC Large Cap

Ticker: CPSE:DNORD

Share price (DKK): 221.0

Market cap (DKK): 6.7bn

Net debt (DKK): 3.1bn

Enterprise value (DKK): 9.8bn

Share information

YTD -31.2% 1 year: -34.4%
 1 month: -21.7% 3 years: 38.0%

Note: *We apply the closing price from 05 November 2024
 Index rebased to November 2023. Source: CapitalIQ

Financials

USDm	2022	2023	2024E*
Revenue	5,312.4	3,691.9	N/A
Revenue growth	49.6%	-30.5%	N/A
EBITDA	1159.1	678.6	N/A
EBITDA margin	21.8%	18.4%	N/A
Net income	743.5	400.1	160-210*
Net income margin	14.0%	10.8%	N/A
Cash	842.3	557.2	N/A
Interest-bearing debt	814.8	601.8	N/A

Note: *NORDEN's own 2024 guidance. Guidance reduced in connection with Q3 2024 from DKK 160-240m previously.

Valuation multiples

	2022	2023	2024E*
P/S (x)	0.4	0.4	N/A
EV/Sales (x)	0.4	0.4	N/A
EV/EBITDA (x)	1.9	2.5	N/A
EV/EBIT (x)	2.8	3.9	N/A
P/E (x)	2.9	4.0	4.7-6.1
P/Nav (x)**	1.1	1.0	N/A
P/CF (x)	1.8	1.2	N/A

Note: Multiples for 2022 and 2023 are based on historical numbers. *Multiples in 2024 are based on NORDEN's own guidance. **Based on self-reported NAV.

Company description

NORDEN is an international shipping company based in Denmark that provides global freight services in the dry cargo (Handy to Capesize) and product tanker (MR) 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 (FST) trades on a more short-term basis by chartering in vessels to provide global freight services.

Investment case

NORDEN offers unique asset-light exposure to dry cargo (handy-capesize) and product tanker (MR) shipping segments. Its A&L unit offers exposure to the underlying markets, via owned and long-term leased (>2yrs) vessels, that are chartered via spot and longer-term cover contracts. The A&L portfolio is actively managed with gains from vessel sales/subleases of USD 62m YTD. The FS&T unit trades near-term market views by chartering vessels on a shorter-term basis with a greater degree of positioning flexibility.

Assets & Logistics earnings have maintained a solid level in 2024, with YTD net income of USD 196m, from chartering its vessel portfolio, including USD 62m gains from vessel sales as second-hand vessel values remain high. The A&L strength has overcome weakness in the FS&T business, driven by weaker tanker rates, and mispositioning in the dry cargo market. However, NORDEN's dry cargo positioning is becoming "long" as it sees strong market fundamentals driven by low orderbook and improving economic conditions in China. Additionally, tanker rates may benefit from a seasonally stronger winter market during the coming quarters.

Overall, the asset-light business model can support a large upside in strong markets, as seen in 2022, with the potential to reduce downside in weak markets. NORDEN has relatively stable earnings from A&L, with capital gains potential, which are supported by historically profitable trading earnings.

Key investment reasons

NORDEN has delivered a 5-year average ROIC of 23%, (32% FY2023, and 15% LTM), and returned significant value to shareholders since 2022. In 2023 it distributed 84% of its net result (USD 337m) to shareholders via dividends (DKK 45/share) and share buybacks (USD 125m). YTD Q3 2024 NORDEN has paid quarterly dividends of DKK 6.0/share and initiated buybacks of USD 47m.

NORDEN calculates an in-house net asset value (NAV) of DKK 433, a significant premium to current levels. Analysts excluding the value of purchase options have a lower NAV, however, if asset values remain high significant value can be realized from its purchase options, while NORDEN also expects improving FS&T results.

The A&L division has locked in coverage at profitable rates ensure cash flow to support shareholder returns in 2024. The long position in dry cargo into 2025 is supported by a low order book, ageing fleet, and improving demand from China and emerging markets.

Key investment risks

NORDEN's trading strategies are highly data-driven, however, as seen in H1 2024, are prone to markets moving in the opposite direction, and also black swan events such as Covid-19. Diversifying its trading strategies, as it does, lessens the impact of such events as seen by offsetting effects from tankers.

Earnings levels have come down from exceptionally high levels in 2022 following Russia's invasion of Ukraine. Shipping markets are cyclical, and the future direction is uncertain, but management does not expect to return to extreme highs, despite remaining positive on the medium-term outlook, particularly for dry cargo.

NORDEN currently has significant implied value in extension and purchase options, which it includes in its NAV calculations. Recognizing that value will depend on stable or improving freight rates and second-hand values, which is not guaranteed.

Peer group

Company	Price	Total return	Market cap	Latest net debt	EV/EBITDA		P/E		EBIT margin		
	(local)	YTD	(USDm)	(USDm)	FY2024	FY2025	FY2024	FY2025	3-yr avg	LTM	
Dry cargo	Golden Ocean Group Limited	USD 11.3	24.2%	2,258	1,354	10.9	8.6	19.6	12.5	33.3%	30.8%
	Star Bulk Carriers Corp.	USD 19.6	-0.1%	2,330	1,031	6.7	5.7	11.0	6.8	38.2%	30.8%
	Diana Shipping Inc.	USD 2.2	-18.2%	267	481	6.1	6.5	9.0	10.9	35.8%	25.2%
Product tanker	TORM plc	DKK 171.2	-4.6%	2,404	794	4.2	4.1	4.2	4.7	28.3%	42.3%
	Scorpio Tankers Inc.	USD 57.5	-3.9%	2,719	1,233	4.7	5.1	5.9	5.9	30.1%	51.8%
	Hafnia Limited	NOK 62.1	0.5%	2,900	1,151	4.7	5.6	4.4	5.7	23.8%	31.7%
Median		-2.0%	2,367	1,091	5.4	5.6	7.4	6.4	31.7%	31.3%	
NORDEN	DKK 221	-27.2%	980	45	3.2	2.6	5.4	5.1	15.3%	3.6%	
Premium (+) / Discount (-) to peers					-40%	-54%	-28%	-20%			

Source: S&P Capital IQ



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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 from CapitalIQ. HC Andersen Capital assumes no responsibility for the correctness of the numbers in the peer group; however, considers CapitalIQ 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.

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.

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.