

NORDEN**NORDEN**

Market: OMXC Large Cap

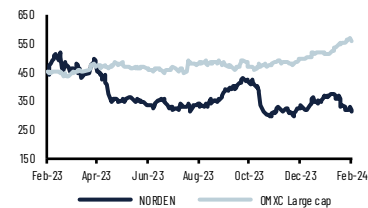
Ticker: DNORD

Share price (DKK): 312.4

Market cap (DKK): 10.8bn

Net cash (DKK): 44.6m

Enterprise value (DKK): 11.1bn

Share information

Ytd: -2.7% 1 year: -31.0%
 1 month: -2.4% 3 year: 149.9%

Note: *We apply the closing price from 21 February 2024
 Index released to 21 February 2024. Source: Refinitiv

Financials

USDm	2022	2023	2024E*
Revenue	5312.4	3691.9	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	150-250*
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

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	6.2-10.3
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) unit charters in vessels, operating and trading to provide global freight services.

Investment case

Norden offers investors exposure to dry cargo (Handy-Capesize) segments and MR product tanker markets. Its Assets & Logistics unit offers exposure to the underlying markets, with NORDEN operating in the spot market and via longer-duration cover contracts. The Freight Services & Trading division offers additional trading incomes, while creating flexibility to adjust its market exposure via chartering vessels.

NORDEN has taken a more balanced view on both markets, and as a result taken high coverage of its Assets & Logistics capacity at profitable rates for 2024 (100% dry cargo, 67% product tanker, at the time of its annual report). The coverage generates greater cash flow certainty, while NORDEN retains greater spot market exposure in its more flexible FST capacity. NORDEN is also building deferred market exposure in dry cargo (remaining short in Q1 2024) by acquiring 17 new-builds and 5 Capesize vessels (also a new segment). The position reflects its long-term positive outlook supported by a historically low orderbook. Tanker exposure remains long, as rates remain supportive; however, it is de-risking.

NORDEN has returned over USD 1.1bn to shareholders since 2020, updating its commitment to return a minimum of 50% of net profits to shareholders via dividends or buybacks. However, guidance is reduced for 2024 for a net result of USD 150-250m, (USD 400m FY 2023) based on lower margins, particularly in H1.

Key investment reasons

NORDEN's trading strategy captures value in both strong and weak markets. The relatively light vessel ownership, relative to total operated vessels (owned, incl. leased and chartered), enables NORDEN to adjust its market exposure via chartered vessels to take long or short positions.

FY 2023 NORDEN delivered a ROIC of 32%, above its 5-year average of 23%, and distributed 84% of its net result (USD 337m) to shareholders via dividends (DKK 45/share) and share buybacks (USD 125m). Consensus analyst estimates forecast dividend yields of 5.9% and 6.2% for 2024E, and 2025E, respectively.

High coverage rates of A&L vessels at profitable levels support earnings visibility in 2024, with guidance including USD 59m gains from vessel sales already agreed. NORDEN is building a deferred market exposure in dry cargo, to capitalise on forecasts of favourable market conditions from Q2 2024 and beyond.

Key investment risks

NORDEN's earnings have come down as rates have retreated since 2022. While coverage has been secured into 2024, increasing earnings visibility, weaker-than-expected rates could materially affect 2024 earnings, particularly if dry cargo markets do not develop as anticipated.

High costs of coverage during Q1 2024 are squeezing FST margins in H1 due to tight supply-demand conditions from the Panama Canal and Red Sea disruptions. An extension of high costs of cover into H2 2024 may impact NORDEN's earnings. Additionally, geopolitics somewhat underpin the supply/demand outlook, particularly in product tankers, which may develop negatively.

NORDEN's trading strategies rely on a data-dependent market view, but 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)	EV/EBITDA 2023A	2024E	P/E 2023A	2024E	Dividend yield 2024E	2025E
Bulk carriers										
Golden Ocean Group Ltd	USD 11.2	15%	2,240	1,430	11.7x	8.2x	22x	10.9x	8.3%	10.2%
Star Bulk Carriers Corp	USD 22.7	7%	2,126	977	8.2x	5.6x	6.8x	4.5x	10.7%	11.9%
Diana Shipping Inc	USD 2.9	-2%	329	484	6.2x	6.4x	9.2x	10.3x	15.0%	16.2%
Product tankers										
Torm PLC	DKK 233.6	14%	3,073	848	4.7x	4.7x	4.7x	5.4x	16.6%	16.3%
Scorpio Tankers Inc	USD 66.6	10%	3,537	1,233	5.1x	4.9x	6.4x	5.3x	2.4%	2.4%
Hafnia Ltd	NOK 75.8	8%	3,689	1,195	4.8x	5.1x	4.7x	5.3x	13.0%	13.0%
Average (product tanker & bulk)		9%	2,499	1,028	6.8x	5.8x	9x	6.9x	11.0%	11.7%
NORDEN A/S	DKK 312.4	-3%	1,540	45	2.2x	3.4x	4.6x	8.5x	5.9%	6.1%
Premium (+) / Discount (-) to peers					-67%	-42%	-49%	23%		

Note: Data from 22/02/24; Golden Ocean, TORM, Hafnia, and Diana Shipping, have not yet reported FY 2023, so represent forecasts

Source: Refinitiv



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Investment Case
One-pager

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.

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.