25 October 2021

Commissioned research: Aspo - A very strong shipping market

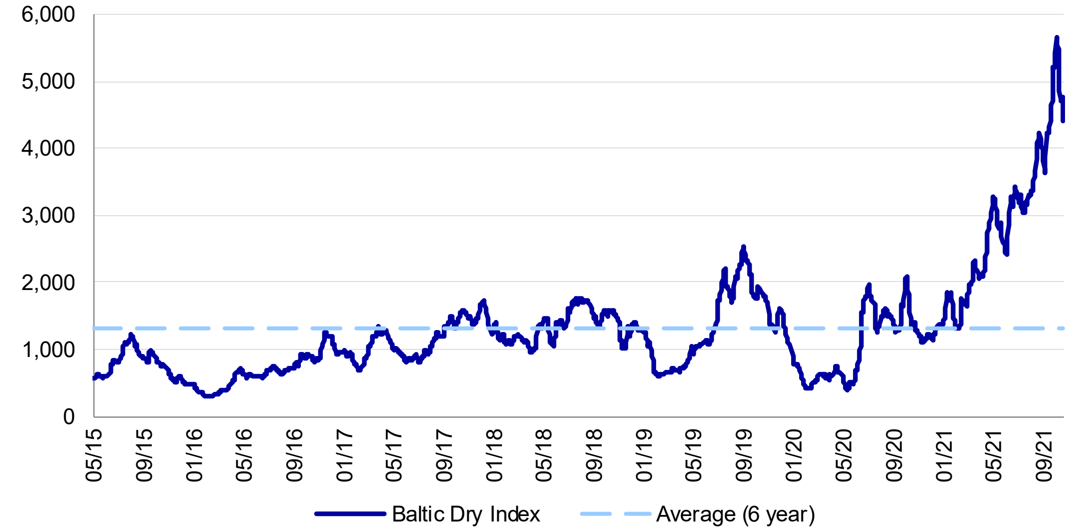
Marketing material commissioned by Aspo

The market environment has been favourable for Aspo and the outlook for H2 2021 is strong. Aspo will publish its third quarter 2021 results on Wednesday, 27 October at 9:30 a.m. (EET). For Q3, we are 1% ahead of Infront consensus on net sales and 3% ahead on adjusted EBIT. A very strong shipping market should have favoured ESL Shipping segment in Q3. We model EUR 9.1m EBIT for ESL-Shipping in Q3, while our revenue growth forecast is 44% y/y for the segment. In addition to the dry bulk rates, high plastic prices should support Telko segment. Telko operates as an intermediary and could have benefited from increasing plastic prices through inventory effect. For Telko segment, we model 14% y/y sales growth with improving EBIT of EUR 5.1m (EUR 4.2m a year ago) in Q3. Overall, we forecast a 90% y/y improvement for operating profit this year.

Dry bulk shipping prices have soared during last months

Due to a healthy shipping market, the company will likely raise the lower end of its EBIT guidance range of EUR 30-36m for 2021. Dry bulk index was 145% higher y/y in Q3 2021. Broad Baltic dry index is now at 13-year high levels, visible also in Supramax spot-rates. Aspo's ESL Shipping has two Supramax vessels that have been time to time even loss making. In addition to broad strength in the dry bulk market, we note that one of Aspo's major customers, SSAB, reported 6% y/y shipment volumes in Europe in Q3. In addition, SSAB expects higher (5-10%) shipments q/q in Q4. To our understanding, this is an important driver for Aspo's two new LNG vessels that were specifically purchased to meet steel delivery demand; we thus believe the current situation is favorable for these vessels.

BALTIC DRY INDEX



Source: Refinitiv

SUMMARY TABLE - KEY FIGURES

EURm	2018	2019	2020	2021E	2022E	2023E
Total revenue	541	588	501	562	597	617
EBITDA (adj)	38	50	48	66	69	71
EBIT (adj)	27	21	19	36	38	40
EBIT (adj) margin	4.9%	3.6%	3.9%	6.4%	6.4%	6.5%
EPS (adj, EUR)	0.58	0.42	0.38	0.85	0.95	1.05
EPS (adj) growth	-2.1%	-28.3%	-8.9%	123.7%	11.6%	10.4%
DPS (ord, EUR)	0.44	0.22	0.35	0.46	0.48	0.50
EV/Sales	0.8	0.7	0.9	1.0	0.9	0.9
EV/EBIT (adj)	16.2	20.9	22.5	15.2	14.3	13.2
P/E (adj)	13.7	18.3	22.1	14.2	12.8	11.6
P/BV	2.1	2.0	2.3	2.9	3.1	2.7
Dividend yield (ord)	5.5%	2.9%	4.2%	3.8%	4.0%	4.1%
FCF Yield bef A&D, lease adj	-9.1%	13.9%	16.9%	5.3%	7.9%	9.3%
Net debt	180	198	170	162	169	148
Net debt/EBITDA	4.9	4.0	3.5	2.5	2.4	2.1
ROIC after tax	8.4%	5.8%	5.6%	10.9%	13.6%	14.1%

Source: Company data and Nordea estimates

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