

## Nordic Iron Ore

Materials  
Sweden

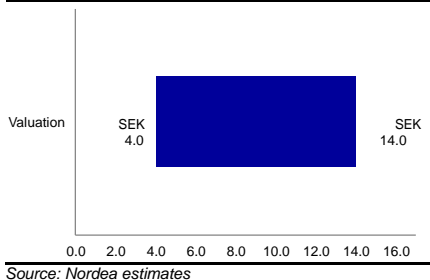
## KEY DATA

Stock country	Sweden
Bloomberg	NIO SS
Reuters	NIO.ST
Share price (close)	SEK 3.47
Free Float	
Market cap. (bn)	EUR 0.01/SEK 0.07
Website	www.nordicironore.se
Next report date	

## PERFORMANCE



## VALUATION APPROACH



## ESTIMATE CHANGES

Year	2019E	2020E	2021E
Sales	n.a.	n.a.	n.a.
EBIT (adj)	0%	0%	0%

Source: Nordea estimates

## Nordea Markets - Analysts

**Christian Kopfer**  
Chief Analyst, Sector Coordinator

**Carl Ragnerstam**  
Analyst

## Waiting for the feasibility study

Nordic Iron Ore's (NIO) Q2 report was more or less in line with our expectations. The burn rate for H1 was SEK -5.9m and with the new load, NIO should have sufficient cash to complete the feasibility study. We leave our overall estimates for the coming quarters unchanged, but we take up our underlying cost forecast, which is partly offset by a stronger USD/SEK. Iron ore prices have declined recently following global growth worries but remain at healthy levels and we continue to see sufficient headroom to our price forecast. All in all, we trim our fair value range to SEK 4.0-14.0.

## A quarter with solid cost control

The Q2 report was in line with expectations, with EBIT of SEK -2.6m, which is an increase of SEK 0.4m y/y and should mainly be related to the ongoing feasibility study and preparations to get the mine up and running again. The free cash flow in the quarter was SEK -5.9m implying an H1 burn rate of SEK 11m. At the end of the quarter Nordic Iron Ore had a net cash position of SEK 5.4m, which together with the SEK 5m loan should be sufficient for the completion of the Blötberget feasibility study.

## Events during and after the quarter

During the quarter there have been two significant events where the most important one is the update on reporting the feasibility study for Blötberget, which we expect to be released by the end of August. In addition to the study, the company raised a loan of SEK 5m in Q2, which should be sufficient for analysing the feasibility study.

## We trim our valuation range

We use a sum-of-the-parts valuation combined with a sensitivity analysis to derive an equity value per share of SEK 4.0-14.0. It should be noted that we continue to use a prudent approach to iron ore prices and if we were to use the current spot price, there would be significant upside to our DCF valuation. In addition, in our blue-sky scenario we estimate that the rights issue will be done at a share price of SEK 7.0 (ie approximately double the current share price), based on the assumption that there is a certain likelihood that NIO will be successful in placing an upcoming equity issue at a value closer to our base-case value of Blötberget rather than at the current share price. We value Blötberget at SEK 0.8bn, applying a DCF-based valuation approach.

## SUMMARY TABLE - KEY FIGURES

SEKm	2015	2016	2017	2018	2019E	2020E	2021E
Total revenue	n.a.	n.a.	n.a.	0	0	0	0
EBITDA (adj)	-7	-8	-9	-9	-15	-18	-18
EBIT (adj)	-7	-8	-9	-9	-15	-18	-18
EBIT (adj) margin	n.a.	n.a.	n.a.	n.m.	n.m.	n.m.	n.m.
EPS (adj)	n.a.	n.a.	n.a.	-0.55	-0.04	-0.05	-0.05
EPS (adj) growth	n.a.	n.a.	n.a.	n.a.	93.5%	-41.9%	0.0%
DPS (ord)	0.00	0.00	0.00	0.00	0.00	0.00	0.00
EV/Sales	n.a.	n.a.	n.a.	n.m.	n.m.	n.m.	n.m.
EV/EBIT (adj)	n.a.	n.a.	n.a.	n.m.	n.m.	n.m.	n.m.
P/E (adj)	n.a.	n.a.	n.a.	n.m.	n.m.	n.m.	n.m.
P/BV	n.a.	n.a.	n.a.	0.4	1.0	1.0	1.0
Dividend yield (ord)	n.a.	n.a.	n.a.	0.0%	0.0%	0.0%	0.0%
FCF Yield bef A&D, lease	n.a.	n.a.	n.a.	-67.1%	-40.7%	-64.3%	-4.3%
Net debt	-13	13	-2	-14	-868	115	181
Net debt/EBITDA	1.8	-1.7	0.3	1.5	58.8	-6.3	-10.0
ROIC after tax	-7.4%	-7.1%	-8.5%	-7.9%	-3.5%	-1.5%	-1.1%

Source: Company data and Nordea estimates

# Valuation

We use a sum-of-the-parts valuation combined with a sensitivity analysis to derive an equity value per share of SEK 4-14 for Nordic Iron Ore. We value the Blötberget property at SEK 0.8bn applying a DCF-based valuation approach. Adding our valuation for the Håksberg and Väsman properties, we arrive at a total risk-adjusted value of SEK 1.3bn. In addition, we are assuming that Blötberget will be financed through 75% equity and 25% debt.

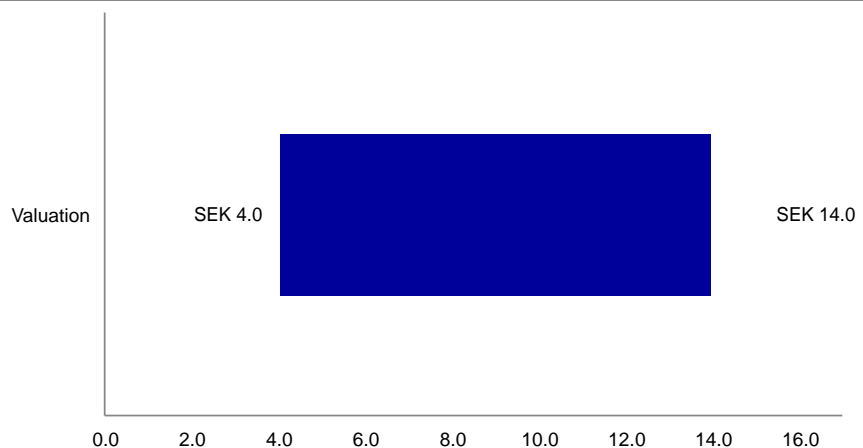
We estimate NIO's equity value range at SEK 4-14 per share

Given the phase in the Blötberget property and the fact that a feasibility study is in the final stages, we find a DCF-based valuation approach the most appropriate method for Blötberget.

Based on our earnings outlook in combination with a WACC of 10%, we arrive at a base-case value of SEK 0.8bn for Blötberget, equal to approximately USD 4 per tonne of M&I and Inferred resources. We believe it is fair to apply this resource multiple to the Håksberg and Väsman properties with a risk weight of 50% and arrive at approximately SEK 0.4bn for these assets.

Given our assumption that 75% of the future capital required will be financed through equity and 25% through debt, we arrive at a fair equity value range of SEK 4-14 per share for NIO.

## EQUITY FAIR VALUE RANGE PER SHARE, SEK



Source: Company data and Nordea estimates

### Income or cash flow-based method

Income or cash flow-based valuation approaches are widely used for mineral development properties such as NIO's, where a mineral resource has been identified via a pre-feasibility or feasibility study but is not yet financed or under construction. Such projects could typically be on a site where a previous production mine has been operating, as is the case for NIO.

### DCF valuation of Blötberget

A common way of valuing a business is by using a discounted cash flow analysis (DCF). The core of the DCF analysis is to discount free cash flows at the weighted cost of capital (WACC) to arrive at their present value. The WACC takes into account the equity and debt investors of a company and is therefore dependent on the capital structure of a company.

One of the main benefits of a DCF is that it offers a structured way to arrive at the intrinsic value of a business. The DCF can be broken down into three different steps: 1) discount a company's free cash flow at WACC to derive the company's total EV; 2) identify which parts of the total EV relate to debt holders and non-equity claims; and 3) deduct all components that are not related to the equity holders' claim to derive the equity value for the company. Once the total equity value of the company has been

DCF is one of the most common ways to value a business

calculated, the share price can be computed by dividing the total equity value by the total number of the company's outstanding shares.

Our DCF valuation is based on Blötberget being able to produce roughly 35 million tonnes (Mt) of iron ore and 17 Mt of high-grade concentrate during the life-of-mine, implying an average process weight recovery of 47% during the run-of-mine and yielding total revenue of approximately SEK 14.5bn.

Operating costs mainly relate to mining operations, accounting for ~40% of total operating costs. We estimate this to increase by 2% per year during the run-of-mine. We estimate the capex needed to set up the mine at ~USD 200m in initial capex and around USD 30m in sustaining capex during the mine's lifecycle.

Given a cost of equity of 8.8%, a cost of debt of 5.5%, and a small cap risk premium of 2.0%, we estimate a WACC of 10% based on 75% equity and 25% debt financing.

The accumulated free cash flow (FCF) over the mine's estimated 13 years of operation totals roughly SEK 3.7bn, to which we apply our calculated WACC and calculate an NPV for Blötberget of SEK 0.8bn. This corresponds to an IRR of just shy of 17% and an EV/resources multiple of approximately USD 4 per tonne of M&I and Inferred resources.

In addition, in our blue-sky scenario we estimate that the rights issue will be done at a share price of SEK 7.0 (ie approximately double the current share price), based on the assumption that there is a certain likelihood that NIO will be successful in placing an upcoming equity issue at a value closer to our base-case value of Blötberget rather than at the current share price. We value Blötberget at SEK 0.8bn, applying a DCF-based valuation approach.

#### DCF BREAKDOWN FOR BLÖTBERGET, SEKm

Product prices (USD/t)		WACC	
62% delivered to China, Qingdao	84.9		10%
Premium per % for 65% vs 62%	5.7	Life-of-mine	13 years
69% delivered to China, Qingdao	116.6		
Premium per % for 69% vs 62%	4.5		
<b>Shipping costs (USD/t)</b>			
	22.2		
<b>Net price FOB Oxelösund</b>			
	94.3		
<b>Mined resources (Mt)</b>			
Ore	34.7		
- Process weight recovery (%)	48%		
Concentrate (69%)	16.5		
<b>Life of mine, SEKm</b>			
Revenues	15,110		
Opex	-8,206		
<b>EBITDA</b>	<b>6,904</b>		
<b>Capex</b>			
- Project capex	1,873		
- Sustaining capex	287		
<b>FCF</b>			
	<b>3,767</b>		
<b>NPV</b>			
	<b>786</b>		
USDm	83		
EV/Resource (USD/t)	4.0		
<b>IRR (%)</b>			
	16.5%		

Source: Company data and Nordea estimates

#### Comparable transactions and relative valuation

A comparable transactions approach is built on finding the value of a company's business by comparing M&A transactions and benchmarking them against one another. A relative valuation approach is similar to this, calculating specific multiples and benchmarking against peers, ie other businesses that are similar to the company being valued. Some common multiples used for mining companies are: EV/resources (USD/tonne of resources), EV/reserves (USD/tonne of reserves), EV/operating cash flow, EV/EBIT, EV/earnings and EV/NPV.

One of the main benefits of this approach is that it can be easily applied, which makes it quick to arrive at the equity value. This is particularly the case for junior mining companies where limited information about resources is available, which can make it difficult to estimate future cash flows. However, there are also several negative aspects to this approach, such as it being difficult to find peers with similar mining projects or peers in the same phase of their mining projects as the company being valued. This might result in a subjective judgment when selecting peers that could result in an unfair value of the business.

### Håksberg and Väsman valuation using EV/resources

We choose not to use a comparable transactions or relative valuation approach

In NIO's case, we choose not to use a comparable transactions or relative valuation approach as our primary valuation method, because the differences are too big between Håksberg/Väsman and other listed iron ore projects/resources.

We use an EV/resources multiple to value Håksberg and Väsman

Instead of a comparable transactions or relative valuation approach, we apply the calculated EV/resources multiple retrieved for Blötberget and apply it to the Håksberg and Väsman properties. We believe this is a fair valuation approach, as there should be meaningful synergies between Blötberget and Håksberg/Väsman, as a significant part of the Blötberget infrastructure, including the mill, could be used. These factors suggest to us that Håksberg/Väsman should enjoy a higher resource multiple. However, on the other hand, the capital required for these properties is more uncertain than for Blötberget.

We apply risk weights of 50% to both Håksberg and Väsman given the early stages at which these potential projects are. Finally, we apply discount factors of 0.6, which is driven by a WACC of 10% compounded for five years, as we assume these properties potentially could be in production five years after Blötberget.

In all, this gives us a total EV of SEK 0.2bn for Håksberg/Väsman, equal to SEK 0.5 per share if we take into account the financing structure of 75% equity.

### VALUATION SUMMARY FOR HÅKSBERG AND VÄSMAN

	EV/resource		Contained Fe, M&I&I Mt	Discount factor	EV SEKm	Value per share SEK
	USD/t	Risk weight				
Håksberg	4.0	50%	10.3	0.6	122	0.2
Väsman	4.0	50%	19.7	0.6	234	0.5
Shares outstanding millions						501

Source: Company data and Nordea estimates

### Sum-of-the-parts

We use a SOTP approach to value NIO's business

To arrive at the value of NIO's equity, which we use as a basis for our sensitivity analyses, we apply a SOTP approach to the values calculated for the Blötberget, Håksberg and Väsman properties. This results in an adjusted EV for Blötberget, Håksberg and Väsman of SEK 0.8bn, SEK 0.1bn and SEK 0.2bn, respectively.

We estimate that NIO's net cash position in 2019 will amount to approximately SEK 1.7bn, based on our forecast of 75% equity financing. At a share price of around SEK 3.40, this would imply the number of shares should increase to around 501 million by the end of 2019.

**SOTP SUMMARY**

DCF	WACC	Price	Opex	Capex	NPV	NPV	IRR
	(%)	USD/t	USD/t	USD	USD	SEKm	(%)
Blötberget	10%	116.6	52.6	227	83	786	16.5%
	EV/resource	Contained Fe, M&I	Discount factor	EV adj.	Value per share		
	USD/t	Risk weight	Mt		SEKm	SEK	
Blötberget	4.0	100%	20.5	-	786	1.6	
Håksberg	4.0	50%	10.3	0.6	122	0.2	
Väsman	4.0	50%	19.7	0.6	234	0.5	
Net cash 2019E (SEKm, SEK)					1,685	3.4	
Minorities (SEKm, SEK)					0.0	0.0	
<b>Total Equity Value (SEKm, SEK/share)</b>					<b>2,827</b>	<b>5.6</b>	
Shares outstanding millions end-2019E						501	
Current shareprice, SEK						3.3	
Upside/Downside to shareprice (%)						71%	

Source: Company data and Nordea estimates

We derive our value range for NIO's equity by looking at changes in the price premium for iron ore

Our first sensitivity analysis is based on changes in Blötberget's parameters of capex, opex and net product price of 69% iron ore, which are the key determinants for NIO's EV. The sensitivity analysis shows that the equity value varies materially, depending on the magnitude of the change in the respective parameter.

**SHARE PRICE SENSITIVITY FOR BLÖTBERGET: NET PRODUCT PRICE, OPEX AND CAPEX, USD PER TONNE, USD AND %**

	Net product price delta FOB Oxelösund (USD/t)						
	-10.0	-5.0	-1.0	0.0	1.0	5.0	10.0
<b>Opex and sustaining capex delta (%)</b>							
-3.0%	5.3	6.1	6.8	6.9	7.1	7.7	8.5
-2.0%	4.9	5.7	6.4	6.5	6.7	7.3	8.1
-1.0%	4.5	5.3	5.9	6.1	6.3	6.9	7.7
0.0%	4.0	4.8	5.5	<b>5.6</b>	5.8	6.4	7.2
1.0%	3.6	4.4	5.0	5.2	5.3	6.0	6.8
2.0%	3.1	3.9	4.5	4.7	4.8	5.5	6.3
3.0%	2.5	3.3	4.0	4.1	4.3	4.9	5.7

Source: Company data and Nordea estimates

Our second sensitivity analysis shows the sensitivity to changes in the assumed equity issue price along with changes in the cost of capital.

**SHARE PRICE SENSITIVITY FOR BLÖTBERGET: WACC AND RIGHTS ISSUE SHARE PRICE, SEK AND %**

	WACC (%)						
	11.5%	11.0%	10.5%	10.0%	9.5%	9.0%	8.5%
<b>Rights issue share price (SEK)</b>							
6.4	8.8	9.1	9.5	10.0	10.5	11.0	11.5
5.4	7.5	7.8	8.1	8.5	8.9	9.3	9.8
4.4	6.2	6.4	6.7	7.0	7.3	7.7	8.1
3.5	4.9	5.2	5.4	<b>5.6</b>	5.9	6.2	6.5
2.4	3.4	3.6	3.7	3.9	4.1	4.3	4.5
1.4	2.0	2.1	2.2	2.3	2.4	2.5	2.7
0.4	0.6	0.6	0.6	0.7	0.7	0.7	0.8

Source: Company data and Nordea estimates

We use our calculated EV/resources multiples to benchmark against NIO

Given the geographical and resources spread, as well as the difference between the projects among peers and in comparison with NIO, we do not derive an equity value range based on a multiples or comparative transactions approach. Instead, we use it for benchmarking. We can conclude from this that NIO is trading at the upper end of the scale versus peers but lower in relation to those peers active in the same geographical region as NIO.

# Risks

The mining industry is characterised by high volatility as well as operational and market-driven risks. Pre-revenue mining stocks such as Nordic Iron Ore offer potential for considerable profit but are often associated with high risk. Moreover, exploration and prospecting do not guarantee results, while they demand substantial amounts of invested capital. Below we outline some of the key risks.

As iron contracts are decided quarterly, price volatility can have a direct impact on revenue potential

## Price volatility of commodities

Commodities are known to be one of the more volatile asset classes, where prices can differ substantially from day to day and quarter to quarter. As iron contracts are decided quarterly in accordance with spot prices, short-term shifts in iron prices will directly impact the revenue Nordic Iron Ore can generate from potential deposits. There are numerous factors that cause volatility in commodity prices, which include but are not limited to:

- The economic cycle and the effect it has on economic activity, predominantly in major industrialised and industrialising countries
- Increasing supply from production, disinvestment and scrap
- Speculative positions taken by investors
- Increased or decreased taxes, tariffs and other regulations
- Availability of substitute materials

The price of iron ore has fluctuated considerably over the past five years. The average volatility during this time amounted to 23% but peaked at 35% owing to decreased demand for steel in Asia. As the final product for iron is steel – which is heavily used in construction and building – prices have a strong correlation with economic cycles. During downturns, iron ore pricing could be affected more than other metal commodities.

Success in exploration and prospecting is certainly not guaranteed

## Exploration risks

Exploration and prospecting for natural resources are activities associated with high uncertainty. While costs in this stage can be profound, success is certainly not guaranteed and there is a risk that no economically minable resources, or only small amounts, are identified. As Nordic Iron Ore is a junior mining company, it has not yet started extracting minerals and is still in the process of exploring and prospecting, making it vulnerable to these risks.

While Blötberget and Håksberg are so-called brownfield sites, meaning there has been previous exploration in the area, the Väsman field is unexplored, decreasing the reliability of measured, indicated and inferred mineral assets in comparison, resulting in no guarantee that the underlying assets conform to the estimates provided from exploration. Nordic Iron Ore therefore needs to explore further to provide more accurate estimates.

Mine development is partly dependent on accurate estimates

## Risks related to mineral estimates

Estimates of mineral reserves are one of the main factors used as the basis for planning mining operations. For instance, feasibility studies are used to assess the need for capital and costs for initiating operations, based on estimates. Therefore, mine development is, to a certain degree, dependent on them being accurate.

As estimates are based on probabilistic analysis of relatively small data samples collected from drill holes, they are subject to ample uncertainty. Subsequently, there is a risk that the measured, indicated or inferred iron ore partly or entirely does not exist, is not economically minable, or is in other ways not as valuable as previously thought. For Nordic Iron Ore, this risk is somewhat mitigated by the fact that mineral extraction has previously taken place at Blötberget and Håksberg, as it proves the historical existence of economically minable iron in the fields.

### **Pricing and profitability**

Valuation techniques for mining stocks often measure the value of the company's mineral resources in relation to its enterprise value. As the value of these resources depends on volatile market pricing, mining stocks can also be volatile.

As previously explained, estimates of the size of deposits are associated with uncertainty. This creates additional issues in making financial projections. Furthermore, planning during development is usually based on recommendations from feasibility reports. It is within these reports that the capex needs of a project are estimated. If results from the feasibility report are inaccurate, the economic profitability of a project might differ from expectations. Moreover, delays may occur in mine development, incurring more costs as time passes. There are several other factors affecting the profitability and estimates of a mining project including:

- A difference in tonnage and iron content in the iron ore reserves
- Inaccuracy of estimates for beneficiation, ie the reachable iron content in processed products
- Quality and size of data upon which estimates are made
- Potential delays in the development and construction of projects, possibly due to geographical conditions proving more challenging than expected

### **Funding risk**

Mine development can take years until ore extraction can be initiated, during which time the need for investments can be significant. The lack of cash flow during this period therefore results in a need for projects to be funded by other means. Nordic Iron Ore's ability to raise new capital will be dependent on a multitude of different factors such as:

- Iron price movements
- Financial market conditions
- Operational performance
- The company's financial position

The re-opening of the Ludvika mines is highly dependent on capital investments, both to fund exploration but even more so, the potentially imminent development of mining operations at Blötberget. If any of the factors mentioned above were to turn unfavourable, the company's ability to complete these projects would likely be limited.

# Reported numbers and forecasts

## INCOME STATEMENT

SEKm	2011	2012	2013	2014	2015	2016	2017	2018	2019E	2020E	2021E
<b>Net revenue</b>	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0	0	0	0
Revenue growth	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
of which organic	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
of which FX	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
EBITDA	-19	-13	-18	-6	-7	-8	-9	-9	-15	-18	-18
Depreciation and impairments PPE	0	0	0	0	0	0	0	0	0	0	0
of which leased assets	0	0	0	0	0	0	0	0	0	0	0
EBITA	-19	-13	-18	-6	-7	-8	-9	-9	-15	-18	-18
Amortisation and impairments	0	0	0	-5	0	0	0	0	0	0	0
EBIT	-19	-14	-19	-11	-7	-8	-9	-9	-15	-18	-18
of which associates	0	0	0	0	0	0	0	0	0	0	0
Associates excluded from EBIT	0	0	0	0	0	0	0	0	0	0	0
Net financials	0	-3	-2	-4	-2	-1	-1	-1	-1	0	0
of which lease interest	0	0	0	0	0	0	0	0	0	0	0
Changes in value, net	0	0	0	0	0	0	0	0	0	0	0
<b>Pre-tax profit</b>	<b>-19</b>	<b>-16</b>	<b>-21</b>	<b>-15</b>	<b>-9</b>	<b>-9</b>	<b>-11</b>	<b>-10</b>	<b>-16</b>	<b>-18</b>	<b>-18</b>
Reported taxes	0	0	0	0	0	0	0	0	0	-4	-4
Net profit from continued operations	-19	-16	-21	-15	-9	-9	-11	-10	-16	-22	-22
Discontinued operations	0	0	0	0	0	0	0	0	0	0	0
Minority interests	0	0	0	0	0	0	0	0	0	0	0
Net profit to equity	-19	-16	-21	-15	-9	-9	-11	-10	-16	-22	-22
<b>EPS</b>	<b>n.a.</b>	<b>-2.07</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>	<b>n.a.</b>	<b>-0.55</b>	<b>-0.04</b>	<b>-0.05</b>	<b>-0.05</b>
DPS	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
of which ordinary	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
of which extraordinary	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

## Profit margin in percent

EBITDA	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.m.	n.m.	n.m.	n.m.
EBITA	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.m.	n.m.	n.m.	n.m.
EBIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.m.	n.m.	n.m.	n.m.

## Adjusted earnings

EBITDA (adj)	-19	-13	-18	-6	-7	-8	-9	-9	-15	-18	-18
EBITA (adj)	-19	-13	-18	-6	-7	-8	-9	-9	-15	-18	-18
EBIT (adj)	-19	-14	-19	-11	-7	-8	-9	-9	-15	-18	-18
EPS (adj)	n.a.	-2.07	n.a.	n.a.	n.a.	n.a.	n.a.	-0.55	-0.04	-0.05	-0.05

## Adjusted profit margins in percent

EBITDA (adj)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.m.	n.m.	n.m.	n.m.
EBITA (adj)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.m.	n.m.	n.m.	n.m.
EBIT (adj)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.m.	n.m.	n.m.	n.m.

## Performance metrics

CAGR last 5 years											
Net revenue	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
EBITDA	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
EBIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.m.	n.m.	n.m.	n.m.
EPS	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
DPS	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
Average last 5 years											
Average EBIT margin	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Average EBITDA margin	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

## VALUATION RATIOS - ADJUSTED EARNINGS

SEKm	2011	2012	2013	2014	2015	2016	2017	2018	2019E	2020E	2021E
P/E (adj)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.m.	n.m.	n.m.	n.m.
EV/EBITDA (adj)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.m.	n.m.	n.m.	n.m.
EV/EBITA (adj)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.m.	n.m.	n.m.	n.m.
EV/EBIT (adj)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.m.	n.m.	n.m.	n.m.

## VALUATION RATIOS - REPORTED EARNINGS

SEKm	2011	2012	2013	2014	2015	2016	2017	2018	2019E	2020E	2021E
P/E	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.m.	n.m.	n.m.	n.m.
EV/Sales	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.m.	n.m.	n.m.	n.m.
EV/EBITDA	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.m.	n.m.	n.m.	n.m.
EV/EBITA	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.m.	n.m.	n.m.	n.m.
EV/EBIT	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.m.	n.m.	n.m.	n.m.
Dividend yield (ord.)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	0.0%	0.0%	0.0%	0.0%
FCF yield	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	-67.1%	-40.7%	-64.3%	-4.3%
FCF Yield bef A&D, lease adj	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	-67.1%	-40.7%	-64.3%	-4.3%
Payout ratio	n.a.	0.0%	n.a.	n.a.	n.a.	n.a.	n.a.	0.0%	0.0%	0.0%	0.0%

Source: Company data and Nordea estimates



**BALANCE SHEET**

SEKm	2011	2012	2013	2014	2015	2016	2017	2018	2019E	2020E	2021E
Intangible assets	34	60	74	99	109	113	122	133	132	132	132
of which R&D	0	0	0	0	0	0	0	1	1	1	1
of which other intangibles	34	60	74	99	109	113	122	131	130	130	130
of which goodwill	0	0	0	0	0	0	0	1	1	1	1
Tangible assets	0	0	0	0	0	0	0	0	601	1,562	1,606
of which leased assets	0	0	0	0	0	0	0	0	0	0	0
Shares associates	0	0	0	0	0	0	0	0	0	0	0
Interest bearing assets	0	0	0	0	0	0	0	0	0	0	0
Deferred tax assets	0	0	0	0	0	0	0	0	0	0	0
Other non-IB non-current assets	0	0	0	0	0	0	0	0	0	0	0
Other non-current assets	0	0	0	0	0	0	0	0	0	0	0
Total non-current assets	34	60	74	99	110	114	122	133	734	1,695	1,739
Inventory	0	0	0	0	0	0	0	1	0	0	0
Accounts receivable	1	2	1	3	1	1	0	1	0	0	0
Short-term leased assets	0	0	0	0	0	0	0	0	0	0	0
Other current assets	0	0	0	0	0	0	0	0	0	0	0
Cash and bank	1	19	6	20	13	1	2	21	1,376	392	326
Total current assets	2	21	7	22	13	2	3	23	1,376	392	326
Assets held for sale	0	0	0	0	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
<b>Total assets</b>	<b>36</b>	<b>81</b>	<b>82</b>	<b>121</b>	<b>123</b>	<b>115</b>	<b>125</b>	<b>156</b>	<b>2,109</b>	<b>2,087</b>	<b>2,065</b>
Shareholders equity	30	71	55	99	107	98	106	139	1,601	1,579	1,557
Of which preferred stocks	0	0	0	0	0	0	0	0	0	0	0
Of which equity part of hybrid debt	0	0	0	0	0	0	0	0	0	0	0
Minority interest	0	0	0	0	0	0	0	0	0	0	0
Total Equity	30	71	55	99	107	98	106	139	1,601	1,579	1,557
Deferred tax	0	0	0	0	0	0	0	1	1	1	1
Long term interest bearing debt	0	0	10	0	0	14	0	7	7	7	7
Pension provisions	0	0	0	0	0	0	0	0	0	0	0
Other long-term provisions	0	0	0	0	0	0	0	0	0	0	0
Other long-term liabilities	0	0	0	0	0	0	0	0	0	0	0
Non-current lease debt	0	0	0	0	0	0	0	0	0	0	0
Convertible debt	0	0	0	0	0	0	0	0	500	500	500
Shareholder debt	0	0	0	0	0	0	0	0	0	0	0
Hybrid debt	0	0	0	0	0	0	0	0	0	0	0
Total non-current liabilities	0	0	10	12	13	14	0	8	508	508	508
Short-term provisions	0	0	0	0	0	0	0	1	0	0	0
Accounts payable	6	10	2	11	3	3	19	6	0	0	0
Current lease debt	0	0	0	0	0	0	0	0	0	0	0
Other current liabilities	0	0	3	0	0	0	0	0	0	0	0
Short term interest bearing debt	0	0	11	0	0	0	0	0	0	0	0
Total current liabilities	6	10	16	11	3	3	19	7	0	0	0
Liabilities for assets held for sale	0	0	0	0	0	0	0	0	0	0	0
<b>Total liabilities and equity</b>	<b>36</b>	<b>81</b>	<b>82</b>	<b>121</b>	<b>123</b>	<b>115</b>	<b>125</b>	<b>155</b>	<b>2,109</b>	<b>2,087</b>	<b>2,065</b>
<b>Balance sheet and debt metrics</b>											
Net debt	-1	-19	15	-20	-13	13	-2	-14	-868	115	181
of which lease debt	0	0	0	0	0	0	0	0	0	0	0
Working capital	-5	-8	-4	-8	-2	-2	-18	-4	0	0	0
Invested capital	29	52	70	90	107	112	104	128	734	1,695	1,739
Capital employed	30	71	65	110	120	113	106	149	2,109	2,087	2,065
ROE	n.m.	-32.0%	-33.0%	-19.6%	-8.9%	-9.0%	-10.3%	-8.3%	-1.8%	-1.4%	-1.4%
ROIC	n.m.	-33.3%	-30.3%	-13.8%	-7.4%	-7.1%	-8.5%	-7.9%	-3.5%	-1.5%	-1.1%
ROCE	-64.0%	-19.1%	-28.4%	-10.1%	-6.1%	-6.9%	-8.7%	-6.2%	-0.7%	-0.9%	-0.9%
Net debt/EBITDA	0.0	1.4	-0.8	3.2	1.8	-1.7	0.3	1.5	58.8	-6.3	-10.0
Interest coverage	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
Equity ratio	83.6%	87.3%	67.6%	81.6%	87.0%	85.2%	84.9%	90.1%	75.9%	75.6%	75.4%
Net gearing	-2.7%	-26.8%	27.2%	-19.9%	-11.9%	13.7%	-2.3%	-10.0%	-54.2%	7.3%	11.6%

Source: Company data and Nordea estimates

**CASH FLOW STATEMENT**

SEKm	2011	2012	2013	2014	2015	2016	2017	2018	2019E	2020E	2021E
<b>EBITDA (adj) for associates</b>	<b>-19</b>	<b>-13</b>	<b>-18</b>	<b>-6</b>	<b>-7</b>	<b>-8</b>	<b>-9</b>	<b>-9</b>	<b>-15</b>	<b>-18</b>	<b>-18</b>
Paid taxes	0	0	0	0	0	0	0	0	0	-4	-4
Net financials	0	-3	-2	-4	-2	-1	-1	-1	-1	0	0
Change in provisions	0	0	0	0	0	0	0	1	-1	0	0
Change in other LT non-IB	0	0	0	11	1	-13	0	0	0	0	0
Cash flow to/from associates	0	0	0	0	0	0	0	0	0	0	0
Dividends paid to minorities	0	0	0	0	0	0	0	0	0	0	0
Other adj to reconcile to cash flow	12	-6	6	-22	-5	13	1	-1	0	0	0
<b>Funds from operations (FFO)</b>	<b>-7</b>	<b>-22</b>	<b>-15</b>	<b>-21</b>	<b>-13</b>	<b>-9</b>	<b>-9</b>	<b>-10</b>	<b>-16</b>	<b>-22</b>	<b>-22</b>
Change in NWC	3	3	-4	7	-1	0	2	-18	-4	0	0
<b>Cash flow from operations (CFO)</b>	<b>-4</b>	<b>-18</b>	<b>-19</b>	<b>-14</b>	<b>-14</b>	<b>-9</b>	<b>-7</b>	<b>-29</b>	<b>-20</b>	<b>-22</b>	<b>-22</b>
Capital expenditure	-17	-26	-14	-30	-11	-4	-9	-9	-601	-961	-44
<b>Free cash flow before A&amp;D</b>	<b>-21</b>	<b>-44</b>	<b>-33</b>	<b>-44</b>	<b>-25</b>	<b>-13</b>	<b>-16</b>	<b>-38</b>	<b>-622</b>	<b>-983</b>	<b>-66</b>
Proceeds from sale of assets	0	0	0	0	0	0	0	0	0	0	0
Acquisitions	0	0	0	0	0	0	0	0	0	0	0
Free cash flow	-21	-44	-33	-44	-25	-13	-16	-38	-622	-983	-66
Free cash flow bef A&D, lease adj	-21	-44	-33	-44	-25	-13	-16	-38	-622	-983	-66
Dividends paid	0	0	0	0	0	0	0	0	0	0	0
Equity issues / buybacks	0	0	0	0	0	0	0	0	1,477	0	0
Net change in debt	21	63	20	57	18	1	17	0	0	0	0
Other financing adjustments	0	0	0	0	0	0	0	0	-1	0	0
Other non-cash adjustments	1	0	0	0	0	0	0	56	0	0	0
Change in cash	1	18	-13	14	-7	-12	1	19	1,354	-983	-66
<b>Cash flow metrics</b>											
Capex/D&A	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
Capex/Sales	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.m.	n.m.	n.m.	n.m.
<b>Key information</b>											
Share price year end (/current)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	3	3	3	3
Market cap.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	56	1,529	1,529	1,529
Enterprise value	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	42	661	1,644	1,710
Diluted no. of shares, year-end (m)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	18.6	440.6	440.6	440.6

Source: Company data and Nordea estimates

# Disclaimer and legal disclosures

## Origin of the report

This publication or report originates from: Nordea Bank Abp, including its branches Nordea Danmark, Filial af Nordea Bank Abp, Finland, Nordea Bank Abp, filial i Norge and Nordea Bank Abp, filial i Sverige (together "Nordea") acting through their unit Nordea Markets.

Nordea Bank Abp is supervised by the European Central Bank and the Finnish Financial Supervisory Authority and the branches are supervised by the European Central Bank and the Finnish Financial Supervisory Authority and the Financial Supervisory Authorities in their respective countries.

## Content of report

This report has been prepared solely by Nordea Markets.

Opinions or suggestions from Nordea Markets credit and equity research may deviate from one another or from opinions presented by other departments in Nordea. This may typically be the result of differing time horizons, methodologies, contexts or other factors.

The information provided herein is not intended to constitute and does not constitute investment advice nor is the information intended as an offer or solicitation for the purchase or sale of any financial instrument. The information contained herein has no regard to the specific investment objectives, the financial situation or particular needs of any particular recipient. Relevant and specific professional advice should always be obtained before making any investment or credit decision.

Opinions or ratings are based on one or more methods of valuation, for instance cash flow analysis, use of multiples, behavioural technical analyses of underlying market movements in combination with considerations of the market situation and the time horizon. Key assumptions of forecasts or ratings in research cited or reproduced appear in the research material from the named sources. The date of publication appears from the research material cited or reproduced. Opinions and estimates may be updated in subsequent versions of the report, provided that the relevant company/issuer is treated anew in such later versions of the report.

## Validity of the report

All opinions and estimates in this report are, regardless of source, given in good faith, and may only be valid as of the stated date of this report and are subject to change without notice.

## No individual investment or tax advice

The report is intended only to provide general and preliminary information to investors and shall not be construed as the basis for any investment decision. This report has been prepared by Nordea Markets as general information for private use of investors to whom the report has been distributed, but it is not intended as a personal recommendation of particular financial instruments or strategies and thus it does not provide individually tailored investment advice, and does not take into account the individual investor's particular financial situation, existing holdings or liabilities, investment knowledge and experience, investment objective and horizon or risk profile and preferences. The investor must particularly ensure the suitability of an investment as regards his/her financial and fiscal situation and investment objectives. The investor bears the risk of losses in connection with an investment.

Before acting on any information in this report, it is recommendable to consult (without being limited to) one's financial, legal, tax, accounting, or regulatory advisor in any relevant jurisdiction.

The information contained in this report does not constitute advice on the tax consequences of making any particular investment decision. Each investor shall make his/her own appraisal of the tax and other financial merits of his/her investment.

## Sources

This report may be based on or contain information, such as opinions, estimates and valuations which emanate from: Nordea Markets' analysts or representatives, publicly available information, information from other units of Nordea, or other named sources.

To the extent this publication or report is based on or contain information emanating from other sources ("Other Sources") than Nordea Markets ("External Information"), Nordea Markets has deemed the Other Sources to be reliable but neither Nordea, others associated or affiliated with Nordea nor any other person, do guarantee the accuracy, adequacy or completeness of the External Information.

## Limitation of liability

Nordea or other associated and affiliated companies assume no liability as regards to any investment, divestment or retention decision taken by the investor on the basis of this report. In no event will Nordea or other associated and affiliated companies be liable for direct, indirect or incidental, special or consequential damages (regardless of whether being considered as foreseeable or not) resulting from the information in this report.

## Risk information

The risk of investing in certain financial instruments, including those mentioned in this report, is generally high, as their market value is exposed to a lot of different factors such as the operational and financial conditions of the relevant company, growth prospects, change in interest rates, the economic and political environment, foreign exchange rates, shifts in market sentiments etc. Where an investment or security is denominated in a different currency to the investor's currency of reference, changes in rates of exchange may have an adverse effect on the value, price or income of or from that investment to the investor. Past performance is not a guide to future performance. Estimates of future performance are based on assumptions that may not be realized. When investing in individual shares, the investor may lose all or part of the investments.

## Conflicts of interest

Readers of this document should note that Nordea Markets has received remuneration from the company mentioned in this document for the production of the report. The remuneration is not dependent on the content of the report.

Nordea, affiliates or staff in Nordea, may perform services for, solicit business from, hold long or short positions in, or otherwise be interested in the investments (including derivatives) of any company mentioned in the report.

To limit possible conflicts of interest and counter the abuse of inside knowledge, the analysts of Nordea Markets are subject to internal rules on sound ethical conduct, the management of inside information, handling of unpublished research material, contact with other units of Nordea and personal account dealing. The internal rules have been prepared in accordance with applicable legislation and relevant industry standards. The object of the internal rules is for example to ensure that no analyst will abuse or cause others to abuse confidential information. It is the policy of Nordea Markets that no link exists between revenues from capital markets activities and individual analyst remuneration. Nordea and the branches are members of national stockbrokers' associations in each of the countries in which Nordea has head offices. Internal rules have been developed in accordance with recommendations issued by the stockbrokers associations. This material has been prepared following the Nordea Conflict of Interest Policy, which may be viewed at [www.nordea.com/mifid](http://www.nordea.com/mifid).

## Distribution restrictions

The securities referred to in this report may not be eligible for sale in some jurisdictions. This report is not intended for, and must not be distributed to private customers in the UK or the US. This research report is intended only for, and may be distributed only to, accredited investors, expert investors or institutional investors in Singapore who may contact Nordea Bank, Singapore Branch of 138 Market Street, #09-01 CapitaGreen, Singapore 048946.

This report may be distributed by Nordea Bank Luxembourg S.A., 562 rue de Neudorf, L-2015 Luxembourg which is subject to the supervision of the Commission de Surveillance du Secteur Financier.

This publication or report may be distributed by Nordea Bank Abp Singapore Branch, which is subject to the supervision of the European Central Bank, the Finnish Financial Supervisory Authority and the Monetary Authority of Singapore.

This publication or report may be distributed in the UK to institutional investors by Nordea Bank Abp London Branch of 6th Floor, 5 Aldermanbury Square, London, EC2V 7AZ, which is under supervision of the European Central Bank, Finanssivalvonta (Financial Supervisory Authority) in Finland and subject to limited regulation by the Financial Conduct Authority and Prudential Regulation Authority in the United Kingdom. Details about the extent of our regulation by the Financial Conduct Authority and Prudential Regulation Authority are available from us on request.

This report may not be mechanically duplicated, photocopied or otherwise reproduced, in full or in part, under applicable copyright laws.

**Analyst Shareholding**

Nordea Markets analysts do not hold shares in the companies that they cover. No holdings or other affiliations by analysts or associates.

**Fair value sensitivity**

We calculate our fair values by weighting DCF, DDM, SOTP, asset-based and other standard valuation methods. When applicable, we set a 12-month target price by applying an appropriate premium/discount and/or other relevant adjustment to our fair value to reflect the share price potential we see within the coming 12 months. Our fair values are sensitive to changes in valuation assumptions, of which growth, margins, tax rates, working capital ratios, investment-to-sales ratios and cost of capital are typically the most sensitive.

It should be noted that our fair values would change by a disproportionate factor if changes are made to any or all valuation assumptions, owing to the non-linear nature of the standard valuation models applied (mentioned above). As a consequence of the standard valuation models we apply, changes of 1-2 percentage points in any single valuation assumption can change the derived fair value by as much as 30% or more. Dividend payouts are included in the target price. All research is produced on an ad hoc basis and will be updated when the circumstances require it.

**Marketing Material**

This research report should be considered marketing material, as it has been commissioned and paid for by the subject company, and has not been prepared in accordance with the regulations designed to promote the independence of investment research and it is not subject to any legal prohibition on dealing ahead of the dissemination of the report. However, Nordea Markets analysts are according to internal policies not allowed to hold shares in the companies/sectors that they cover.

Where applicable, recommendation changes are available at: <https://research.nordea.com/compliance#equity-changes>.

**Market-making obligations and other significant financial interest**

Nordea Markets has no market-making obligations in Nordic Iron Ore.

**Investment banking transactions**

In view of Nordea's position in its markets readers should assume that the bank may currently or may in the coming three months and beyond be providing or seeking to provide confidential investment banking services to the company/companies

**Issuer Review**

*This report has not been reviewed by the Issuer prior to publication.*

**Completion Date**

23 Aug 2019, 09:32 CET

Nordea Bank Abp	Nordea Bank Abp, filial i Sverige	Nordea Danmark, Filial af Nordea Bank Abp, Finland	Nordea Bank Abp, filial i Norge
<b>Nordea Markets Division, Research</b>	<b>Nordea Markets Division, Research</b>	<b>Nordea Markets Division, Research</b>	<b>Nordea Markets Division, Research</b>
Visiting address: Aleksis Kiven katu 7, Helsinki FI-00020 Nordea Finland	Visiting address: Smålandsgatan 17 SE-105 71 Stockholm Sweden	Visiting address: Grønjørdsvej 10 DK-2300 Copenhagen S Denmark	Visiting address: Essendropsgate 7 N-0107 Oslo Norway
Tel: +358 9 1651 Fax: +358 9 165 59710	Tel: +46 8 614 7000 Fax: +46 8 534 911 60	Tel: +45 3333 3333 Fax: +45 3333 1520	Tel: +47 2248 5000 Fax: +47 2256 8650
Reg.no. 2858394-9 Satamaradankatu 5 Helsinki			