



Results due: 30 October

Sawmills to drag group performance

We expect price declines in sawn wood products to have caused continued pressure on Sawmill margins, with Brexit uncertainty adding further weakness to demand. However, demand as well as prices for Further Refined products should be more stable, giving some support for group earnings. We have cut our 2019-21 EBIT estimates by 3-24%.

Key Data (2019E)

Price (SEK)	2.52
Reuters	BET1.ST
Bloomberg	BRGB.SS
Market cap (SEKm)	874
Market cap (USDm)	91
Market cap (EURm)	81
Net debt (SEKm)	591
Net gearing	52%
Net debt/EBITDA (x)	3.0
Shares fully dil. (m)	346.7
Avg daily turnover (m)	0.0
Free float	35%

Q3 a small but challenging quarter

We expect the tough operating environment on the sawmill side, which represents 62% of 2019E sales, to have a negative impact on Bergs Timber's sales and earnings in Q3. We estimate group sales of SEK 742m and EBITDA of SEK 21m with a margin of 2.8%. Declines in sawn wood market prices are likely to have continued, and this, combined with lower anticipated demand in UK due to Brexit uncertainty (the UK is around 30% of group sales), is likely to have a negative effect on sawmill margins.

Sawn wood prices remain under pressure

Spruce beetle attacks in continental Europe have created an oversupply of raw material, in turn causing oversupply and price pressure in sawn wood products and pressure on Sawmill margins. We expect sawn wood product prices to be down by some 5% from Q2 2019 and thus anticipate Sawmill earnings to continue their decline. We estimate Sawmill EBITDA to be negative SEK 4m, but on the other hand expect the Further Refined division to be more stable and support group earnings with EBITDA of SEK 24m.

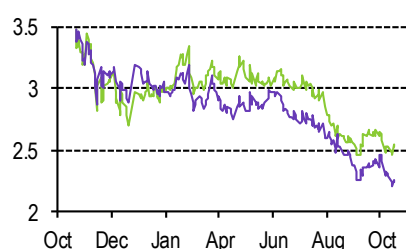
Estimate Revisions (%)

	2019E	2020E	2021E
Revenues	(1)	0	1
Adj. EBIT	(24)	(13)	(3)
Adj. EPS	(28)	(17)	(5)

EBIT estimates revised by 3-24%

Our estimate cuts are primarily on the back of a weaker Sawmill outlook, especially on output prices, which we expect to have continued its decline during Q3. We value Bergs Timber by using a combination of peer group multiples and DCF and end up with a fair valuation range of SEK 3.4-4.0.

Share Price (12M)



Absolute (green) / Relative to Sweden (purple).

Marketing communication

commissioned by:
Bergs Timber

Financials (SEK)

Year end: Dec	2017	2018	2019E	2020E	2021E
Revenues (m)	1,216	3,064	3,319	3,177	3,139
Adj. EBIT	37	236	120	147	153
Pre-tax profit (m)	31	214	98	122	128
EPS	0.15	0.75	0.26	0.29	0.31
Adj. EPS	0.15	0.78	0.26	0.29	0.31
DPS	0.05	0.10	0.15	0.15	0.15
Revenue growth (%)	32.7	152.0	8.3	(4.3)	(1.2)
Adj. EBIT growth (%)	n.m.	536.7	(49.3)	22.4	4.0
Adj. EPS growth (%)	n.m.	415.6	(65.9)	10.4	5.8
Adj. EBIT margin (%)	3.1	7.7	3.6	4.6	4.9
ROE (%)	6.7	25.9	8.4	8.8	8.9
ROCE (%)	7.2	21.4	6.8	8.1	8.3
PER (x)	17.4	3.8	9.5	8.6	8.1
Free cash flow yield (%)	17.7	8.5	5.7	11.1	13.9
Dividend yield (%)	1.9	3.4	6.0	6.0	6.0
P/BV (x)	1.12	0.96	0.78	0.74	0.71
EV/Sales (x)	0.43	0.53	0.45	0.45	0.44
EV/Adj. EBITDA (x)	6.5	5.2	7.4	6.4	6.0
EV/Adj. EBIT (x)	14.5	6.7	12.2	9.8	8.9
Operating cash flow/EV (%)	20.8	14.8	10.9	11.7	13.6
Net debt/Adj. EBITDA (x)	1.13	1.89	2.98	2.52	2.15

Source for all data on this page: SEB (estimates) and SIX/Thomson Reuters (prices)

Q3 update and revisions

Earnings revision

(SEK)	2019E	2020E	2021E
Revenues (m)			
Old	3,338	3,170	3,102
New	3,319	3,177	3,139
Change (%)	(1)	0	1
Operating profit (m)			
Old	157	169	157
New	120	147	153
Change (%)	(24)	(13)	(3)
Pre-tax profit (m)			
Old	136	147	136
New	98	123	129
Change (%)	(28)	(16)	(5)
EPS (reported)			
Old	0.37	0.35	0.33
New	0.27	0.29	0.31
Change (%)	(28)	(16)	(4)
EPS (adjusted)			
Old	0.37	0.35	0.33
New	0.27	0.29	0.31
Change (%)	(28)	(16)	(4)

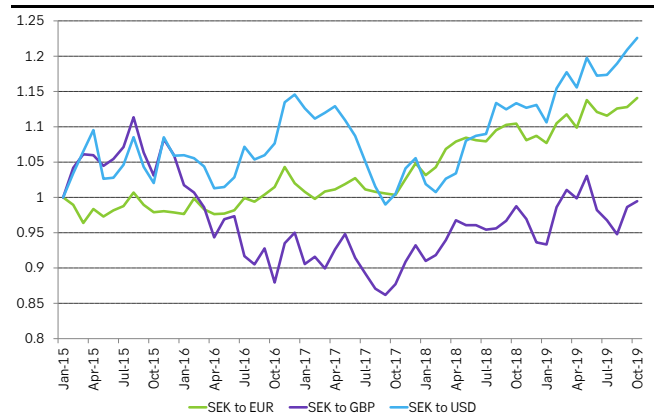
Source: SEB

Export price index, Swedish wood (2015=100)



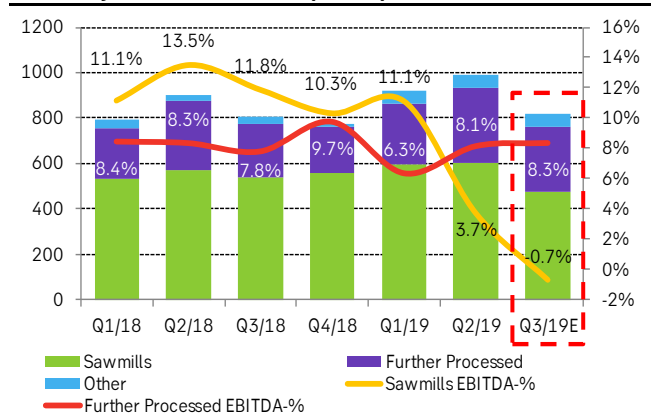
Source: SEB, SCB

FX



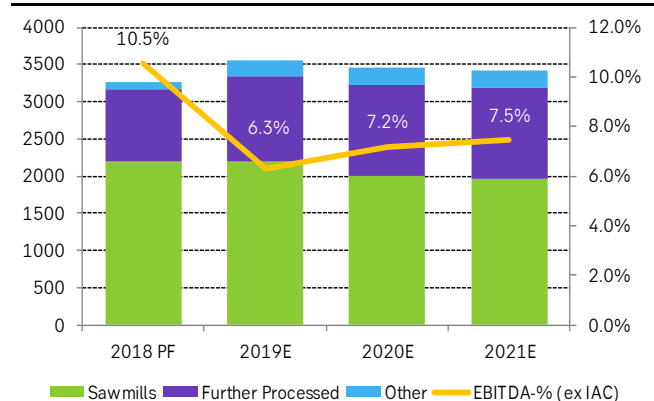
Source: SEB, TR

Quarterly sales and EBITDA (SEKm)



Source: SEB

Annual sales and EBITDA



Source: SEB

Interim P&L

P&L as reported	Mar-May-18	Jun-Aug-18	Sep-Dec-18	Q1/19	Q2/19	Q3/19E	Q4/19E	17/18	2019E	2020E	2021E
Net sales	524	838	993	885	913	740	736	3,031	3,274	3,169	3,131
Changes in products in progr.	-3	-57	38	43	-12	0	0	17	31	0	0
Other operating income	1	4	4	2	8	2	2	16	14	8	8
Total revenues	522	785	1,035	930	909	742	738	3,064	3,319	3,177	3,139
Raw mat. & consumables	-346	-554	-620	-725	-590	-478	-476	-2,021	-2,269	-2,048	-2,023
Other opex	-110	-144	-320	-124	-259	-243	-221	-743	-847	-902	-882
EBITDA	67	87	95	81	60	21	42	300	203	228	234
Adj. EBITDA	71	88	95	81	60	21	45	307	206	228	234
EBITDA (excl. IFRS 16)	67	87	95	80	59	20	40	271	198	223	229
Depreciation & amortisation	-10	-19	-25	-21	-22	-20	-20	-71	-84	-81	-81
EBIT	56	68	70	60	38	1	21	229	120	147	153
Financial items	-2	-4	-7	-4	-8	-5	-4	-15	-21	-23	-23
Pre-tax profit	55	64	63	56	30	-5	17	214	98	123	129
Tax	-12	-5	-2	-4	-2	0	-1	-26	-7	-21	-21
Net profit	43	59	61	52	28	-4	16	188	91	102	108
EPS (SEK)	0.21	0.17	0.18	0.15	0.08	-0.01	0.05	0.75	0.27	0.29	0.31
Dividends per share								0.10	0.15	0.15	0.15
Sales growth YoY (%)	45	176	110	165	74	-5	-5	7	8	-3	-1
Adjusted EBIT	61	69	70	60	38	1	24	236	123	147	153
Adjusted EBIT margin (%)	11.6	8.2	7.0	6.8	4.2	0.1	3.3	7.8	3.8	4.6	4.9
Adjusted EBITDA	71	88	95	81	60	21	45	307	206	228	234
Adjusted EBITDA margin (%)	13.5	10.5	9.6	9.2	6.6	2.8	6.0	10.1	6.3	7.2	7.5

Source: SEB

Peer group

	Ccy	Price	Performance			Mkt cap (USDm)	PER		EV/EBITDA		EV/EBIT		Div. yield (%)	
			-1M	-3M	-12M		2019E	2020E	2019E	2020E	2019E	2020E	2019E	2020E
Nordic Pulp & Paper														
Ahlstrom-Munksjö	EUR	13.5	(6)	(4)	4	1,754	11.4	8.5	7.5	6.2	15.4	11.3	4.1	4.4
BillerudKorsnäs	SEK	109.4	4	1	9	2,362	22.0	14.2	8.9	6.5	20.2	12.3	4.0	4.1
Holmen	SEK	264.0	14	36	23	4,394	23.1	20.8	13.3	12.3	19.7	17.9	2.7	2.7
Metsä Board	EUR	5.8	14	31	(22)	2,314	13.4	11.0	8.1	7.1	12.4	10.2	5.0	5.0
Rottneros	SEK	11.6	15	15	15	185	9.3	11.2	5.2	5.7	7.3	8.7	3.4	3.4
SCA	SEK	94.8	7	26	7	6,940	23.2	21.9	13.8	13.4	19.7	18.7	2.1	2.4
Stora Enso	EUR	11.8	6	22	(15)	10,388	13.2	13.0	7.9	7.5	12.4	11.5	4.3	4.7
UPM	EUR	28.4	8	30	(5)	16,937	14.2	14.4	8.1	8.3	10.9	11.4	4.6	4.8
Average			8	19	2	5,659	16.2	14.4	9.1	8.4	14.8	12.7	3.8	3.9
Median			7	24	6	3,378	13.8	13.6	8.1	7.3	13.9	11.4	4.0	4.3
International wood products														
West Fraser Timber	CAD	51.1	4	(8)	(23)	2,518	178.0	11.4	15.9	6.9	neg.	11.3	1.3	1.4
Canfor	CAD	15.4	1	49	(27)	1,435	-17.3	24.6	12.1	4.8	neg.	16.0	0.0	0.5
Interfor	CAD	12.9	(7)	1	(24)	643	-23.7	19.2	12.0	5.0	neg.	13.8	0.0	0.0
Western forest prds.	CAD	1.2	(9)	(22)	(38)	329	-45.4	10.7	17.7	6.8	neg.	12.1	7.6	7.6
Stella Jones	CAD	38.3	(2)	(19)	(9)	1,954	15.8	14.3	10.3	9.6	13.0	11.8	1.5	1.6
Boise Cascade	USD	31.4	(1)	15	(4)	1,224	17.3	14.0	5.8	5.3	9.5	8.3	1.2	1.2
Average			(2)	3	(21)	1,350	20.8	15.7	12.3	6.4	11.2	12.2	1.9	2.0
Median			(1)	(3)	(24)	1,330	-0.7	14.2	12.1	6.0	11.2	11.9	1.2	1.3
Average			3	12	(8)	3,813	18.2	14.9	10.5	7.5	14.1	12.5	3.0	3.1
Median			4	15	(7)	2,134	13.8	14.1	9.6	6.8	12.7	11.6	3.0	3.1
Bergs Timber		2.5	(1)	(17)	(34)	91	9.5	8.5	7.1	6.1	12.1	9.5	6.0	6.0

Source: SEB, TR

Overview

Investment considerations

We expect good demand growth drivers for the use of wood products in the coming years, to which Bergs Timber offers an interesting exposure. Key structural demand drivers include urbanisation, emerging markets, sustainability and carbon policy. Transformative M&A and forward integration have improved the market position diversified the product mix. This helps to mitigate earnings volatility, which by nature is high in this construction driven industry.

Company profile

Bergs Timber is a Swedish wood products company operating saw mills and wood refinement facilities in Sweden, Latvia and Estonia. After the acquisition of Norvik companies in May 2018, the company expanded its production to the Baltics and acquired a distribution centre in the UK. The company has a sawmill capacity of nearly 1m m3 per year. The primary focus has been on made-to-order sawn and planed wood products but refined wood products are becoming increasingly important for the group.

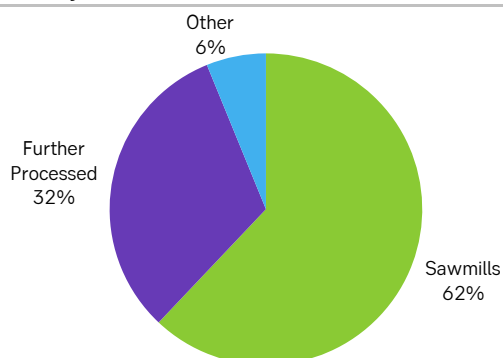
Valuation approach

We value the company based on a combination of Nordic and International peer groups as well as DCF.

Risks

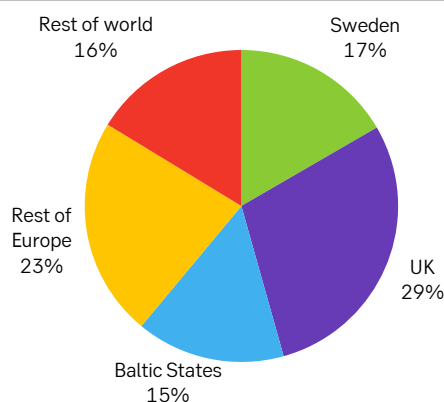
The biggest risks to estimates and valuation relate to economic conditions in general and construction activity in particular. In terms of currency exposures, a potential weakening of the British pound or strengthening of the Swedish krona are the biggest risks. The large acquisition of Norvik companies has opened new opportunities for Bergs Timber, but also increased the financial leverage risk.

Revenues by division



Source: SEB

Revenues by geography



Source: SEB

Profit & loss statement - Bergs Timber								
(SEKm)	2014	2015	2016	2017	2018	2019E	2020E	2021E
Net Sales	665	853	894	1,244	3,031	3,274	3,169	3,131
Other revenues	32	23	22	(28)	33	45	8	8
Total revenues	697	876	916	1,216	3,064	3,319	3,177	3,139
Total expenses	(668)	(865)	(871)	(1,134)	(2,764)	(3,116)	(2,950)	(2,906)
Profit before depreciation	29	11	46	82	300	203	228	234
Depreciation - Fixed assets	(36)	(40)	(43)	(45)	(71)	(84)	(81)	(81)
Depreciation - Other assets	0	0	0	0	0	0	0	0
Amortisation - Goodwill	0	0	0	0	0	0	0	0
Amortisation - Other intangibles	0	0	0	0	0	0	0	0
Operating profit	(7)	(30)	2	37	229	120	147	153
Net interest expenses	(6)	(8)	(6)	(6)	(15)	(22)	(24)	(25)
Foreign exchange items	0	0	0	0	0	0	0	0
Other financial items	0	0	0	0	0	0	0	0
Value changes - Fixed assets	0	0	0	0	0	0	0	0
Value changes - Financial assets	0	0	0	0	0	0	0	0
Value changes - Other assets	0	0	0	0	0	0	0	0
Reported pre-tax profit	(14)	(37)	(4)	31	214	98	122	128
Minority interests	0	0	0	0	0	0	0	0
Total taxes	3	8	0	(6)	(26)	(7)	(21)	(21)
Reported profit after tax	(11)	(29)	(4)	25	188	91	101	107
Discontinued operations	0	0	0	0	0	0	0	0
Extraordinary items	0	0	0	0	0	0	0	0
Net Profit	(11)	(29)	(4)	25	188	91	101	107
Adjustments:								
Discontinued operations	0	0	0	0	0	0	0	0
Interest on convertible debt	0	0	0	0	0	0	0	0
Minority interests (IFRS)	0	0	0	0	0	0	0	0
Value changes	0	0	0	0	0	0	0	0
Goodwill/intangibles amortisations	0	0	0	0	0	0	0	0
Restructuring charges	0	0	0	0	7	0	0	0
Other adjustments	0	0	0	0	0	0	0	0
Tax effect of adjustments	0	0	0	0	(1)	0	0	0
Adjusted profit after tax	(11)	(29)	(4)	25	194	91	101	107
Margins, tax & returns								
Operating margin	(1.1)	(3.5)	0.3	3.0	7.6	3.7	4.6	4.9
Pre-tax margin	(2.0)	(4.3)	(0.4)	2.5	7.1	3.0	3.9	4.1
Tax rate	20.7	21.8	7.5	19.6	12.2	7.1	17.2	16.1
ROE	(4.1)	(11.2)	(1.2)	6.7	25.9	8.4	8.8	8.9
ROCE	(1.8)	(6.8)	0.5	7.2	21.4	6.8	8.1	8.3
Growth rates y-o-y (%)								
Total revenues	n.a.	25.7	4.6	32.7	152.0	8.3	(4.3)	(1.2)
Operating profit	n.m.	n.m.	n.m.	1,445.8	517.8	(47.7)	22.4	4.0
Pre-tax profit	n.m.	n.m.	n.m.	n.m.	588.8	(54.3)	25.0	4.4
EPS (adjusted)	0.0	0.0	0.0	0.0	415.6	(65.9)	10.4	5.8
Cash flow								
(SEKm)	2014	2015	2016	2017	2018	2019E	2020E	2021E
Net profit	(11)	(29)	(4)	25	188	91	101	107
Non-cash adjustments	30	33	32	49	82	69	66	66
Cash flow before work cap	20	4	28	74	270	160	167	173
Ch. in working capital / Other	(68)	36	(62)	38	(34)	0	0	13
Operating cash flow	(48)	40	(34)	112	236	160	167	186
Capital expenditures	(51)	(10)	(19)	(35)	(173)	(110)	(70)	(65)
Asset disposals	8	2	2	6	1	0	0	0
L/T financial investments	0	0	0	0	(6)	0	0	0
Acquisitions / adjustments	0	3	69	(31)	(86)	(145)	(85)	(10)
Free cash flow	(91)	35	18	52	(28)	(95)	12	111
Net loan proceeds	(4)	(25)	(41)	(17)	117	112	40	0
Dividend paid	0	0	0	0	(9)	(34)	(52)	(52)
Share issue	0	0	0	0	0	18	0	0
Other	49	(11)	39	(51)	(7)	(0)	(0)	0
Net change in cash	(46)	(1)	16	(16)	73	0	0	59
Adjustments								
C/flow bef chng in work cap	20	4	28	74	270	160	167	173
Adjustments	0	0	0	0	0	0	0	0
Int on conv debt net of tax	0	0	0	0	0	0	0	0
Cash earnings	20	4	28	74	270	160	167	173
Per share information								
Cash earnings	0.2	0.03	0.23	0.44	1.08	0.46	0.48	0.5
Operating cash flow	(0.49)	0.35	(0.28)	0.67	0.94	0.46	0.48	0.54
Free cash flow	(0.94)	0.31	0.15	0.31	(0.11)	(0.28)	0.04	0.32
Investment cover								
Capex/sales (%)	7.7	1.2	2.1	2.8	5.7	3.4	2.2	2.1
Capex/depreciation (%)	141	25	43	78	243	132	86	80

Source for all data on this page: SEB

Balance sheet - Bergs Timber								
(SEKm)	2014	2015	2016	2017	2018	2019E	2020E	2021E
Cash and liquid assets	2	0	17	1	74	74	74	133
Debtors	90	106	113	178	377	407	394	389
Inventories	151	189	254	226	653	705	683	675
Other	0	0	0	0	0	0	0	0
Current assets	243	295	383	406	1,104	1,186	1,151	1,197
Interest bearing fixed assets	0	0	0	0	8	8	8	8
Other financial assets	1	0	0	0	0	0	0	0
Capitalized development cost	0	0	0	0	0	0	0	0
Goodwill	2	2	2	2	191	191	191	191
Other intangibles	0	0	0	0	0	0	0	0
Fixed tangible assets	234	245	251	264	771	943	1,017	1,011
Other fixed assets	10	22	28	22	0	0	0	0
Fixed assets	247	269	280	287	970	1,142	1,216	1,210
Total assets	490	564	663	693	2,074	2,328	2,367	2,407
Creditors	47	67	76	123	0	0	0	0
Other trade financing	8	10	19	13	0	0	0	0
S/T interest bearing debt	58	171	137	59	416	416	416	416
Other	22	33	30	34	361	361	361	361
Current liabilities	135	281	263	229	777	777	777	777
L/T interest bearing debt	102	17	53	35	245	357	396	396
Other long-term liabilities	1	1	1	30	0	82	47	47
Convertible debt	0	0	0	0	0	0	0	0
Pension provisions	0	0	0	0	0	0	0	0
Other provisions	0	0	0	0	0	(15)	(30)	(45)
Deferred tax	0	0	0	0	0	0	0	0
Long term liabilities	102	18	54	65	245	424	413	398
Minority interests	0	0	0	0	0	0	0	0
Shareholders' equity	253	266	347	398	1,052	1,127	1,176	1,232
Total liabilities and equity	490	564	663	693	2,074	2,328	2,366	2,407
Net debt (m)	158	187	174	93	580	591	560	491
Working capital (m)	164	185	241	234	669	751	716	703
Capital employed (m)	413	454	538	492	1,714	1,800	1,819	1,864
Net debt/equity (%)	63	70	50	23	55	52	48	40
Net debt/EBITDA (x)	5.5	17.2	3.8	1.1	1.9	3.0	2.5	2.1
Equity/total assets (%)	52	47	52	58	51	48	50	51
Interest cover	(1.1)	(3.8)	0.4	6.1	15.3	5.4	6.0	6.1

Valuation								
(SEK)	2014	2015	2016	2017	2018	2019E	2020E	2021E
No of shares, fully dil. (y/e)	96.6	113.8	159.8	170.8	340.8	346.7	346.7	346.7
No of shares, fully dil. avg.	96.6	113.4	121.2	166.2	250.5	343.8	346.7	346.7
Share price, y/e	2.3	2.2	2.2	2.6	3.0	2.5	2.5	2.5
Share price, high	3.5	3.0	2.4	2.9	4.3	3.4		
Share price, low	2.1	2.0	1.8	2.1	2.4	2.5		
Share price, avg	2.8	2.5	2.1	2.5	3.1	2.9		
EPS (reported)	(0.11)	(0.26)	(0.03)	0.15	0.75	0.26	0.29	0.31
EPS (adjusted)	(0.11)	(0.26)	(0.03)	0.15	0.78	0.26	0.29	0.31
Cash earnings/share	0.20	0.03	0.23	0.44	1.08	0.46	0.48	0.50
Dividend/share	0.00	0.00	0.00	0.05	0.10	0.15	0.15	0.15
Enterprise value/share	3.9	3.8	3.3	3.2	4.7	4.2	4.1	3.9
Book value/share	2.6	2.3	2.2	2.3	3.1	3.3	3.4	3.6
Adjusted equity/share	2.6	2.3	2.2	2.3	3.1	3.3	3.4	3.6
PER (adjusted)	n.m.	n.m.	n.m.	17.4	3.8	9.5	8.6	8.1
CEM	11.0	63.4	9.7	5.9	2.8	5.4	5.2	5.0
Dividend yield	0.0	0.0	0.0	1.9	3.4	6.0	6.0	6.0
EV/EBITDA	12.9	39.9	11.6	6.5	5.2	7.4	6.4	6.0
EV/EBITA	(52.1)	(14.8)	220.8	14.5	6.7	12.2	9.8	8.9
EV/EBIT	(52.1)	(14.8)	220.8	14.5	6.7	12.2	9.8	8.9
EV/Sales (x)	0.56	0.51	0.59	0.43	0.53	0.45	0.45	0.44
Price/Book value	0.86	0.93	1.03	1.12	0.96	0.78	0.74	0.71
Price/adjusted equity	0.86	0.93	1.03	1.12	0.96	0.78	0.74	0.71
Free cash flow/Market cap (%)	(45.4)	12.1	(19.4)	17.7	8.5	5.7	11.1	13.9
Operating cash flow/EV (%)	(12.7)	9.2	(6.4)	20.8	14.8	10.9	11.7	13.6
EV/Capital employed (x)	0.9	1.0	1.0	1.1	0.9	0.8	0.8	0.7

Main shareholders			Management		Company information	
Name	(%)	Votes	Capital	Title	Name	Contact
Norvik hf	64.7		64.7	COB	Michael Bertorp	Internet http://www.bergstimer.se
Danica Pension	4.9		4.9	CEO	Peter Nilsson	Phone number
Setra Trävaror AB	3.2		3.2	CFO	Anders Marklund	
Foreign owners (total)			70.0	IR		0

Source for all data on this page: SEB

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Copenhagen

Bernstorffsgade 50
P.O. Box 100
DK-1577 Copenhagen V

Telephone: (45) 3328 2828

Oslo

Filipstad Brygge 1,
P.O. Box 1363 Vikta
NO-0113 Oslo

Telephone: (47) 2100 8500

Frankfurt

Stephanstrasse 14-16
D-60313 Frankfurt am Main

Telephone: (49) 69 9727 7740

Stockholm

Kungsträdgårdsgatan 8
S-106 40 Stockholm

Telephone: (46) 8 522 29500

Helsinki

Eteläesplanadi 18
P.O. Box 630
FIN-00101 Helsinki

Telephone: (358) 9 616 28700

Tallinn

Tornimäe 2
EE-Tallinn 15010

Telephone: (372) 665 7762

London

One Carter Lane
London, EC4V 5AN

Telephone: (44) 20 7246 4000