

## An iconic brand servicing an iconic island

We think Gotlandsbolaget's extensive expertise and experience put it in prime position to win the upcoming tender for operating ferries between the island of Gotland and the mainland, thus securing stable cash flow until 2037. In our view, its substantial net cash position (SEK 3bn) and deep Gotland roots should enable the company to continue to leverage off the booming local tourism industry, whatever the outcome of the tender. Our scenario-based DCF valuation range is SEK 2,085-2,223 (mid-point of: SEK 2,174).

### Key Data (2023E)

Price (SEK)	1,900
Reuters	GOTLB.ST
Bloomberg	GOTLB:SS
Market cap (SEKm)	4,750
Market cap (USDm)	451
Net debt (SEKm)	(3,228)
Net gearing	(64%)
Net debt/EBITDA (x)	(8.3)
Shares fully dil. (m)	2.5
Avg daily turnover (m)	0.2
Free float	25%

### Deeply embedded in Gotland's tourism industry

We view Gotlandsbolaget as an iconic brand deeply embedded in the tourism industry of Gotland, a popular island off the coast of Sweden. The company's core business is operating a fleet of modern ferries between the island and the mainland (75% of group revenue in 2022), but it also has other businesses on Gotland, including hotel and property management. After the recent sale of its last two tankers, Gotlandsbolaget has a substantial net cash position (SEK 3bn).

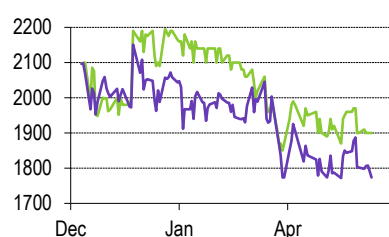
### Looks primed to us to secure cash flow until 2037

The 10-year concession to operate ferries between Gotland and the mainland is awarded via a tender offer. We believe the tender process for the concession beginning in 2027 will be concluded by the end of 2023. The process is important for Gotlandsbolaget, as it would secure cash flow until 2037 (c. SEK 500m annually plus compensation for fuel price fluctuations). We think the company is in prime position to win the tender, given the wealth of knowledge and experience it has built up since 1978 (it has only ever not been awarded one concession).

### Scenario-based mid-point value of SEK 2,174 per share

We consider three scenarios for the outcome of the upcoming tender process to derive a DCF valuation range of SEK 2,085-2,223 (mid-point: SEK 2,174).

### Share Price (12M)



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

### Marketing communication commissioned by: Gotlandsbolaget

### Financials (SEK)

Year end: Dec	2021	2022	2023E	2024E	2025E
Revenues (m)	2,291	2,919	2,503	3,010	3,063
Adj. EBIT	78	(129)	42	7	82
Pre-tax profit (m)	150	403	309	7	82
EPS	46.0	110.8	108.8	2.35	25.9
Adj. EPS	31.5	(54.5)	24.1	2.35	25.9
DPS	8.20	8.20	8.20	8.20	8.20
Revenue growth (%)	22.5	27.4	(14.3)	20.3	1.8
Adj. EBIT growth (%)	n.m.	n.m.	n.m.	(82.3)	999.0
Adj. EPS growth (%)	(64.4)	n.m.	n.m.	(90.2)	999.0
Adj. EBIT margin (%)	3.4	(4.4)	1.7	0.2	2.7
ROE (%)	2.5	5.9	5.5	0.1	1.3
ROCE (%)	1.7	(2.7)	0.8	0.1	1.6
PER (x)		n.m.	78.9	n.m.	73.5
Free cash flow yield (%)		(10.8)	(4.5)	6.2	6.9
Dividend yield (%)		0.4	0.4	0.4	0.4
P/BV (x)		1.03	0.94	0.94	0.93
EV/Sales (x)		0.68	0.61	0.42	0.31
EV/Adj. EBITDA (x)	0.0	7.7	3.9	3.3	2.1
EV/Adj. EBIT (x)	0.0	(15.4)	36.0	167.1	11.5
Operating cash flow/EV (%)		(12.7)	20.1	29.0	42.1
Net debt/EBITDA (x)	(4.88)	(11.46)	(8.28)	(9.24)	(8.40)

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

# Contents

	Page
<b>Investment case .....</b>	<b>3</b>
Strong competitor for stable cash flow .....	3
Valuation summary .....	5
Risks .....	7
<b>Company profile .....</b>	<b>8</b>
History .....	8
Business segments .....	8
Destination Gotland .....	9
Hansa Destination .....	9
Gotland Tankers .....	10
Gotland Hotels & Properties .....	10
Gotland Tech Development .....	11
Gotland Capital Management .....	11
Other .....	11
<b>The vessels .....</b>	<b>12</b>
Current Destination Gotland fleet .....	12
Gotland cruise vessels .....	13
<b>Review of historical financials .....</b>	<b>14</b>
Stable business model with low returns .....	14
<b>Delving into Destination Gotland .....</b>	<b>22</b>
Seasonality .....	25
Trafikverket's report of alternative models for the Gotland traffic .....	26
Implications for Destination Gotland .....	29
<b>Investment case: stable business, well-capitalised balance sheet .....</b>	<b>31</b>
Stable and modest volume outlook .....	31
Ticket price forecasts .....	36
Cost forecast .....	37
Sales, earnings and future returns .....	41
GOTL looks well positioned to win new concession, but other candidates exist .....	44
<b>SEB estimates .....</b>	<b>49</b>
<b>Valuation .....</b>	<b>50</b>
<b>Appendix A. Executive summary .....</b>	<b>57</b>
Executive leadership team .....	57
Board of directors .....	58
<b>Appendix B. Summary of responses to Trafikverket's report of alternative models .....</b>	<b>60</b>
<b>SEAM (SEB's ESG Assessment Methodology) .....</b>	<b>63</b>
<b>Overview .....</b>	<b>65</b>

# Investment case

## Strong competitor for stable cash flow

Gotlandsbolaget is a Swedish company that provides ferry and transport services between the island of Gotland and mainland Sweden through its subsidiary Destination Gotland. The company operates a fleet of modern ferries and focuses on providing safe, efficient, and sustainable transport solutions for passengers and cargo. Gotlandsbolaget aims to promote tourism and economic development on the island of Gotland while minimising its environmental impact. Gotlandsbolaget also has other business segments including hotels, property management, capital management, stevedoring services (loading and offloading cargo), tech development and vessel charter, but the majority of revenue comes from its ferry services, which accounts for ~75% of group revenue. Gotlandsbolaget also has a history in tanker markets but exited that business in 2023 through the sale of its last two tankers.

### Background to the agreement with Trafikverket

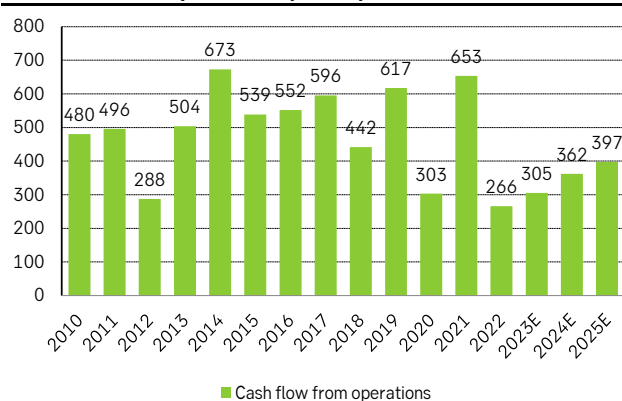
The traffic between mainland Sweden and Gotland is regulated and subsidised through a concession with the Swedish Transport Administration (Trafikverket). In short, Destination Gotland receives SEK 498m in annual compensation, with additional variable compensation paid in the event of significant fuel price fluctuations. The concession lasts for ten years and is subject to a public tender offer. For further information about the contract, please refer to the "Delving into Destination Gotland" section.

### Set to secure dominant position until 2027 with a good chance of extension

Gotlandsbolaget has held the contract since 1976, with the exception of one period (1988-98), which granted it a dominant position all through the 2000s. There has not been a lot of competition in the bidding processes of late and we do not expect that to change in the upcoming one. Gotlandsbolaget has built up knowledge and experience over the years and should be able to make an attractive offer for the contract in the upcoming procurement process, which should be finished by the end of 2023. The new contract will start from February 2027 and will run until 2037; it would yield stable income and secure stable cash flow for the winner for the foreseeable future.

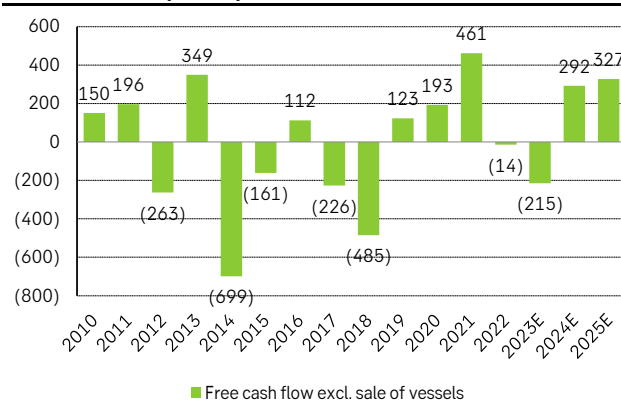
### Stable cash flow from the underlying business

Cash flow from operations (SEKm), 2010-25E



Source: SEB, Gotlandsbolaget

Free cash flow (SEKm), 2010-25E

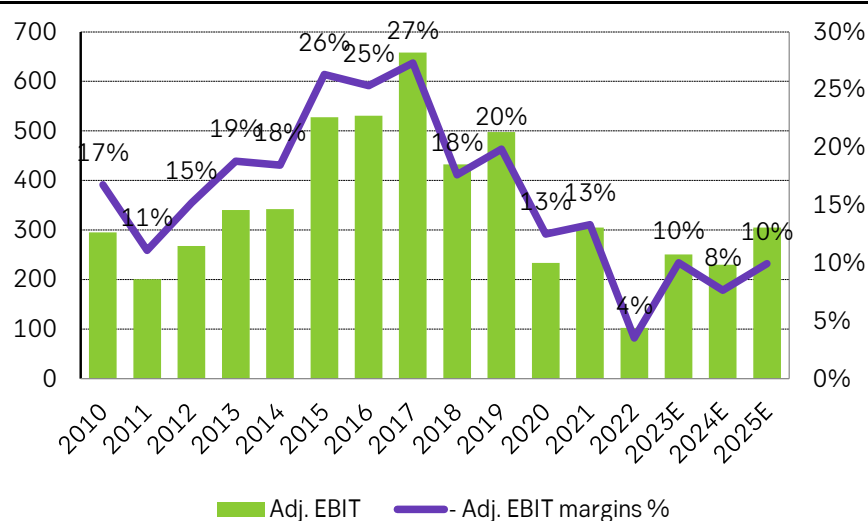


Source: SEB, Gotlandsbolaget

Gotlandsbolaget has historically shown great ability to generate large cash flow and has built up a strong cash position of SEK 3bn, in part thanks to tanker sales but also strong underlying operating cash flow. The company invested heavily in 2014-18 but has since been able to generate over SEK 2.5bn of free cash flow. Gotlandsbolaget has an extremely well capitalised balance sheet today, in our opinion, which allows for much flexibility. The divestment of its tankers during the pandemic has geared Gotlandsbolaget for continued focus on building the passenger vessel segment, which it has already started to expand via its recent acquisition of *M/S Birka Stockholm*, with which it will offer a passenger route for Stockholm-Åland-Gotland.

### Normalising depreciation reveals good underlying profit

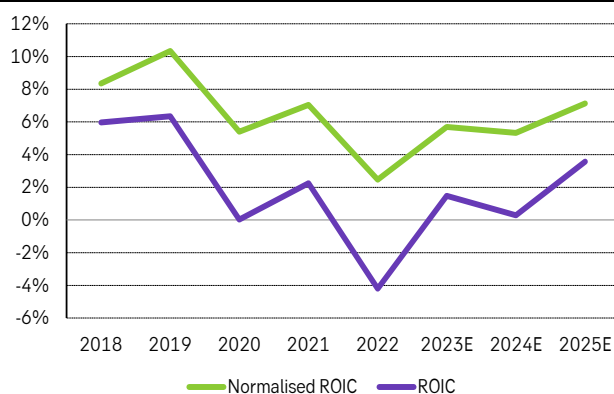
#### Normalised adj. EBIT (SEKm) and adj. EBIT margin, 2010-25E



Source: SEB, Gotlandsbolaget

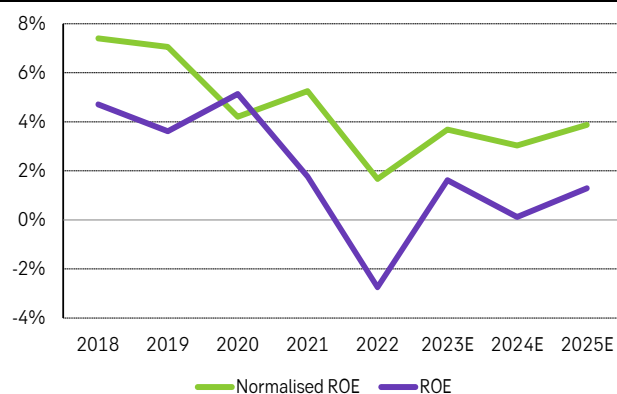
Gotlandsbolaget depreciates its ferries over a period of ten years, which is in line with the length of the concession period but significantly shorter than we consider to be the economic lifetime of the ferries. We consider a 25-year depreciation period and normalise historical/forecast depreciation accordingly to reveal strong underlying profit. **Returns are understated, in our view, due to the aggressive depreciation profile; they are c. 3% higher than reported on average using our method of normalising depreciation.**

#### Normalised ROIC vs ROIC (%), 2018-22



Source: SEB, Gotlandsbolaget

#### Normalised ROE vs ROE (%), 2018-22



Source: SEB, Gotlandsbolaget

In our normalised ROIC and ROE, we adjust invested capital and equity to match our depreciation adjustments. The past three years have been affected by the pandemic and the war in Ukraine; returns and profits have decreased, but should KPIs return to pre-pandemic levels, we think a revaluation could occur.

## Valuation summary

We establish a valuation range by considering three distinct scenarios, each reflecting a unique outcome in the public tender process for traffic between Gotland and the Swedish mainland. To make our projections, we utilise a discounted cash flow model across all three scenarios, factoring in distinct capex assumptions that account for the necessary upgrades and renewals of the current fleet of vessels. To be clear, while we assign equal weights to each scenario to derive our valuation range for the sake of simplicity, we believe scenarios 1 and 2, which both assume that the Gotland concession is secured by the end of this year, are by far the most likely outcomes.

### Scenario 1: GOTL will have the concession in eternity

Our first scenario assumes Gotlandsbolaget is able to maintain the concession indefinitely, thus we model continuous upgrades to the current fleet of vessels operating on the Gotland route. We assume a high capex need to reflect the maintenance of a modern fleet; however, given the uncertainty surrounding the timing of the investments, we normalise capex uniformly throughout our 20-year DCF period. We assume two vessels are required to operate the route and assume a cost per vessel of SEK 1.5-2bn. We assume a depreciation period of 25 years and set depreciation equal to capex, resulting in annual capex of SEK 380m, a figure that includes Destination Gotland ferries (SEK 300m) and the new Birka Cruise vessel (SEK 80m), the latter split between SEK 30m of maintenance capex and SEK 50m of expansion capex. Under this scenario, our DCF yields a value of SEK 2,214 per share.

### Scenario 2: GOTL will have the concession until 2035-37 (base case)

Our second scenario assumes Gotlandsbolaget holds the concession until 2037. We assume maintenance capex for Destination Gotland of SEK 50m until 2037 and expansion capex of SEK 125m for a large new hydrogen vessel. The latter lowers capex requirements significantly and results in high cash flow during the period. We assume zero value for the current vessels in 2037. Under this scenario, our DCF yields a value of SEK 2,223 per share.

### Scenario 3: GOTL will lose the concession at the end of 2026

Our third scenario assumes Gotlandsbolaget loses the upcoming concession and there are no Destination Gotland sales after 2027. To calculate the scrap value of the two new vessels, *M/S Visby* and *M/S Gotland*, we apply 12% of the newbuild price. As it is difficult to accurately estimate the scrap value of Gotlandsbolaget's RoPax vessels, we use the average historical scrap value for tankers and bulkers<sup>1</sup>. Assuming a newbuild price of SEK 1.5bn per vessel, we derive a scrap value of SEK 360m, which we discount by our WACC of 8% to yield the net present value of the assets.

---

<sup>1</sup> Clarksons, Shipping Intelligence Network

In addition to the scrap value, we add our estimate for the option value of chartering and/or operating in parallel with the new concession operator during the high season, which we include in scrap value. We apply the scrap value and option value as the terminal value for Destination Gotland's passenger and cargo operations and use Gordon's growth model for the remaining business. It is important to note that the terminal value for Destination Gotland is discounted from 2027, while the remaining business is discounted from the end of our 20-year DCF period. Under this scenario, our DCF yields a value of SEK 2,085 per share.

### A closer look at what losing the concession means for Gotlandsbolaget

Without the need to deploy ferries on the Gotland route, Gotlandsbolaget would need to decide what to do with its existing ferries. We believe there are three options available: lease the ferries to another shipping company, sell them outright or operate alongside the winner of the concession. The first option raises questions about the attractiveness of the group's current ferry fleet in a market rapidly shifting away from fossil fuels to fossil-free alternatives. Owning and leasing the ferries until the technology becomes obsolete may not be the best choice from a shareholder value perspective; selling the ferries may ultimately result in greater cash flow. The third option leaves much uncertainty about profitability if the group operates without the concession.

Assuming that Gotlandsbolaget sells the ferries once the current concession ends, we believe expanding the new Cruise segment could be an option, as its current cash position, cash flow generated in 2023-26 and the funds from selling the vessels could help to build a fleet of cruise vessels.

### Valuation remains relatively unchanged even without the concession

In scenario three, cash flow in 2023-26 plus the value of the current vessels comprise c. 90% of our DCF value, while cash flow in 2023-26 plus the net cash position account for c. 80% of our DCF value in scenarios one and two. total implied value. We therefore conclude that the large net cash and current fleet value mitigate much of the downside risk from losing the concession.

#### DCF summary of our three scenarios

	Scenario 1	Scenario 2	Scenario 3
Concession	Indefinitely	2037	2027
Capex	High	Medium	Low
Scrap value of current fleet	zero	zero	12% of newbuild
Terminal value	Gordon's growth: DG + Other	Gordon's growth: Other	Gordon's Growth: Other + scrap value
DCF	20 year	20 year	20 year
WACC	8%	8%	8%
Terminal growth	2%	2%	2%
Value per share (SEK)	2,214	2,223	2,085
Performance potential	17%	17%	10%
EV	2,313	2,334	1,989
-of which scrap value of vessels	0	0	480
2023E net debt	(3223)	(3223)	(3223)
Implied Market cap	5,536	5,557	5,213
2023E EV/EBITDA	6.6x	6.6x	5.7x

Source: SEB

## Risks

We identify several risks that could affect Gotlandsbolaget's revenue and costs during our forecast period. The most critical of those risks is the potential loss of the concession, in our view, as it would have a substantial impact on revenue. We argue it would be unwise for Gotlandsbolaget to continue operating traffic between Gotland and the mainland if it were to lose the concession, particularly as a competitor would take over the contract with Trafikverket, as it would result in competition for passenger volumes and likely lead to lower returns for all involved companies.

- **Bunker prices:** Although Trafikverket partially compensates for bunker prices, only variations above 25% are compensated for. This could result in a significant financial burden for the company.
- **Macro developments:** Lower volumes, due to macroeconomic developments, could negatively impact the company's revenue.
- **Cancellation of concession with Trafikverket:** Losing the concession with Trafikverket would result in a significant loss of revenue for the company.
- **Trend away from domestic travelling/tourism:** A trend away from domestic travelling and tourism could negatively impact the company's revenue.
- **Mechanical issues:** Mechanical issues with the company's vessels could result in service disruptions and increased costs.
- **Seasonality:** The company's revenue is subject to seasonal fluctuations, which could result in reduced revenue during certain periods of the year. A bad summer season could have big impact on annual profitability.
- **Accidents:** Accidents involving the company's vessels could result in property damage, injuries, and potential legal liabilities.
- **Weather:** Adverse weather conditions could result in service disruptions and increased costs.
- **FX:** The company is exposed to EUR and USD currency risks and normally does not hedge against them, which could result in significant financial losses if exchange rates fluctuate unfavourably.

Some risks could be to the upside, including fuel price fluctuations, which could turn in the company's favour. Fuel is a big cost item for Gotlandsbolaget; even with some compensation for price fluctuations from the agreement with Trafikverket, it has large impact on earnings.

# Company profile

## History

### Long history of helping people get to and experience Gotland

Gotlandsbolaget has a long history of operating traffic between the Swedish Island of Gotland and mainland Sweden dating back to 1865, when Ångfartygsbolaget Gotland was founded. The first vessel had a speed of 11 knots, which made the journey from Stockholm to Gotland 13 hours long, a journey that today takes about 3.5 hours. Gotlandsbolaget has since developed and improved the traffic by expanding the fleet and increased the number of routes. The routes available today are Visby-Nynäshamn, Visby-Oskarshamn and, during the summer months, Visby-Västervik.

The ferry lines are operated by Destination Gotland, a subsidiary of Rederi AB Gotland, which was founded in 1998. A year after Destination Gotland was founded, the company received its first high-speed vessel capable of cutting the crossing time in half, a necessary upgrade to meet increasing tourist demand. The number of visitors to Gotland dramatically increased during the 1970s and 1980s, which established Gotland as one of Sweden's most popular tourist attractions, especially during the summer months. Gotlandsbolaget's deep roots in the local community can be seen in its ownership, as about two thirds of the 3,000 owners are local residents of Gotland.

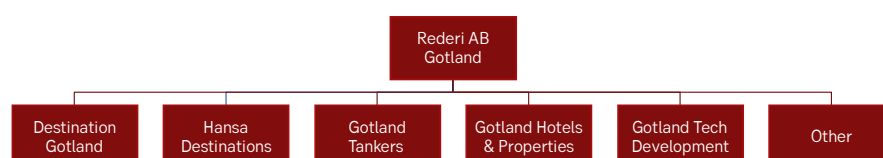
### Pivotal part of Gotland's tourist industry

Gotlandsbolaget has also been involved in Gotland's tourist industry through its travel agency and the company's hotels on the island dating back to the 1970s, when the subsidiary GotlandsResor (today named Gotland Hotels & Properties) was established. Gotlandsbolaget has therefore played a part in the tourist industry by making it possible for more people to visit Gotland and taking care of visitors during their visit.

## Business segments

Today Gotlandsbolaget consists of five business units: Destination Gotland, Gotland Tankers (now divested), Gotland Hotels & Properties, Gotland Tech Development and Gotland Capital Management.

### Business segments, 2023



Source: SEB, Gotlandsbolaget



## Destination Gotland

Destination Gotland operates the ferry traffic between Gotland and mainland Sweden. It is the largest business unit in terms of revenue, with annual revenue of approximately SEK 1.8bn (2021). Destination was founded in 1998 and has operated the Gotland ferry service ever since. Other responsibilities and services include Gotlands Stuveri (loading and unloading cargo, provisioning, assisting ferries and other vessels arriving at Gotland, baggage handling and directing cars on and off vessels), Gotland Excursions (offers excursions for cruise ships and other groups visiting Gotland) and Gotland Promotions. Gotland Promotions markets and packages combined offers for visitors to Gotland; local tourism businesses can sign up to the commercial system on the Destination Gotland website, where tourists are able to find packaged deals.

### Two permanent routes operated all year round

Destination Gotland operates two permanent routes: Visby-Nynäshamn and Visby-Oskarshamn (Visby-Västervik operated in the summer during peak demand). The ships operating Destination Gotland's routes are all capable of reaching 28-29 knots, have capacity for around 1,500 people and can take up to 500 passenger cars. A more detailed description of the entire fleet can be found in the next section. The high-speed vessels make the crossings in three hours and fifteen minutes, thereby making daytrips and commuting possible. Short crossing times allow a single vessel to do six single crossings each day.

### Concession with Swedish Trafikverket

The formal contract to operate ferry traffic is with the Swedish Transport Administration (Trafikverket) and is administered through a public bidding process. The contract spans an eight-year period with an additional two-year option. Destination Gotland currently hold the contract until 2027. There is a new public bidding later this year that will be completed by the end of the year. Destination Gotland has held the contract since 1998. The responsibility of Gotland's ferry traffic was first given to the Swedish government in 1971, when it became a formal public bidding process. Gotlandsbolaget was awarded the contract in the first procurement procedure in 1971 and was awarded the contract in two additional procedures until 1988, when it lost it to Nordström & Thulin, which only had it for one period.

## Hansa Destination

Hansa Destination is the newest addition to Rederi AB Gotland's operations. It started in 2021 as a ferry service, primarily for moving cargo, but accommodates passengers too. The aim is to move cargo off roads and onto the water, a more climate friendly alternative. It is the only route that is not domestic: traffic goes between Nynäshamn and Rostock, with occasional stops in Visby. Gotlandsbolaget announced in December 2022 that it will discontinue traffic on Hansa Destination, due to the extreme geopolitical situation leading to dramatically increased fuel costs. After reviewing profitability, Gotlandsbolaget reached the conclusion that the best thing was to pause traffic in 2023 and do another review before the 2024 season. The press release mentioned that freight volumes never reached the agreed level at which Gotlandsbolaget would receive environmental benefits from the Swedish government.

## Gotland Tankers

Gotland Tankers was the organisation that had been in charge of the tanker operations of Gotlandsbolaget. The tankers had been chartered to external companies on a contractual basis. Specialising in the medium range (MR) segment, the tankers had primarily been utilised for the transportation of refined oil products, vegetable oils, and chemicals. They had also been capable of transporting other liquid products like methanol. The sale of four tankers last year reduced the fleet to just two tankers, which were 50% owned by Gotlandsbolaget. Gotland Tankers did not have any operational responsibilities for the ships. Instead, the external ship manager had been responsible for all operational aspects, including staffing. The vessels had been leased out through long-term contracts. In 2023, Gotlandsbolaget made the decision to sell off its final two vessels, namely *M/T Wisby Pacific* and *M/T Wisby Atlantic*, thus bringing an end to its presence in the tanker market.

## Gotland Hotels & Properties

The company owns, manages and operates Gotlandsbolaget's hotel and property portfolio. The holiday complexes are Scandic Visby and Visby Gustavsvik; the property portfolio consists of prime location housing units and premises in the centre of Visby. The company oversees all Rederi AB Gotland properties. Gotland Hotels & Properties had revenue of SEK 65m in 2021.

### **Scandic Visby, Visby Gustavsvik and Strandvillan in Visby**

Scandic Visby is Gotland's largest Hotel, with 214 rooms, and is located in the port of Visby. The hotel is open all year round and has around 30 permanent employees, but due to seasonality that number varies a lot. During peak season in 2021, the hotel had 160 employees. Scandic Visby is operated under a franchise model from Scandic. The hotel had 65,646 guests for the full-year 2021. Visby Gustavsvik is a holiday village located just north of Visby and offers apartments, bed and breakfast rooms, and cottages close to the sea and city centre. Strandvillan (means the beach house) in Visby has 22 beds with the possibility of 8 more if sofa beds are deployed. The villa can be booked as a whole package or room-by-room and can also be used for conferences or larger party's such as weddings. In total, there are seven hotel rooms and one apartment, which consists of four bedrooms, two bathrooms, a laundry room and a spacious living area with a kitchen, lounge and dining room.

### **Gotland Properties**

Further responsibilities of Gotland Hotels & Properties include maintaining and managing all of Rederi AB Gotland's properties. This includes all office spaces and housing units, most located around Visby Port. The company acquired new land and properties near Ljugarn, eastern Gotland, in late 2021. It is a new development project with the mission to further increase interest in the region for the tourist industry. Another development project is also underway at Visby Gustavsvik holiday village, for which the company has submitted a request to buy the land included in the lease agreement. The common denominator of all property development projects is to expand the tourist industry on Gotland, which will also increase demand for the ferries and help local businesses.

## Gotland Tech Development

Gotland Tech Development focuses on accelerating work towards fossil-free shipping. It was founded in 2021. With a sole purpose of helping Gotlandsbolaget phase out fossil fuel emissions, Gotland Tech Development partners with the academic community. Gotlandsbolaget provides its fleet as a testing environment for new ideas and innovation, including research on fuel, materials or other subjects related to their operations. Gotland Tech Development also works with other industry players and monitors developments in the entire transport, energy and fuel sector.

### Hydrogen for the Gotland services

Gotland Tech Development is collaborating with Uppsala University on a project aimed at developing sustainable solutions for hydrogen use in Gotland services. As part of this initiative, it launched Gotland Horizon, Sweden's first large-scale hydrogen-powered ship in 2021. Gotland Horizon is a pioneering concept vessel that features gas and steam turbines capable of achieving high-speed performance while emitting primarily steam, thanks to the combustion of hydrogen that generates water. The ultimate objective of this project is to introduce a complete and dependable fossil-free hydrogen system that can be implemented by 2030. Securing access to hydrogen on Gotland is a vital step towards achieving this goal.

### Electrification

Gotlandsbolaget is currently exploring the feasibility of replacing the generators on its gas/biogas ships with rechargeable batteries, effectively transforming them into plug-in hybrid vessels. This initiative is aimed at reducing the CO2 emissions of its existing fleet and minimising its overall carbon footprint. Additionally, the project involves the construction of onshore charging stations powered by solar energy. Collaborating with Helios Nordic Energy, METS Technology AB and ABB AB, the project has received funding from the Swedish Energy Agency.

## Gotland Capital Management

Gotland Capital Management is responsible for managing Rederi AB Gotland's investments. Its primary objective is to optimise returns on excess cash by investing in various financial instruments, such as bonds, certificates, and mutual funds. Gotland Capital Management predominantly manages portfolios in SEK, but it also deals in USD, which is the primary currency used for investments in new vessels.

## Other

Previously, Gotlandsbolaget had diversified its business operations to include a shipyard and a Stockholm archipelago service. However, the company discontinued its involvement in the archipelago service in 2019 and the shipyard was subsequently divested in 2022.

# The vessels

Gotlandsbolaget fully or partially owns and operates nine vessels through Rederi AB Gotland and its subsidiaries. The fleet consists mainly of RoPax (roll on/roll off plus passenger vessel) and RoRo (roll on/roll off) vessels. Apart from the two 50% owned tankers, *M/T Wisby Pacific* and *M/T Wisby Atlantic*, all ships are debt-free. Loans related to the tankers amount to SEK 209m. Up until Q4/22, the company also owned four tankers, which were divested during the quarter in accordance with the strategy to divest non-core businesses and focus operations on maritime infrastructure.

## Destination Gotland Fleet, 2023



<b>Vessel</b>	<b>M/S Visby</b>	<b>M/S Gotland</b>	<b>M/S Visborg &amp; M/S Drotten</b>
<b>Built</b>	2018 at Guangzhou shipyard international Cp Ltd (GSI), China	2019 at Guangzhou shipyard international Cp Ltd (GSI), China	2003 at Guangzhou shipyard international Cp Ltd (GSI), China
<b>LOA</b>	199.9 m	199.9 m	196m
<b>Breadth</b>	25.86 m	25.86 m	25.67 m
<b>Draught</b>	6.4 m	6.4 m	6.4 m
<b>Gross tonnage</b>	32,447	32,447	29,746
<b>Net tonnage</b>	11,312	11,312	9,505
<b>Deadweight</b>	4,636/4,589 DWT	4,636/4,589 DWT	5,248/5,174 DWT
<b>Speed</b>	28.5 knots	28.5 knots	28.5 knots
<b>Vessel type</b>	RoRo passenger ferry	RoRo passenger ferry	RoRo passenger ferry
<b>Main engines</b>	46,800 kW	46,800 kW	50,400 kW
<b>Passenger Capacity</b>	1,650	1,650	1,500
<b>Cabins</b>	98 cabins	98 cabins	115 cabins
<b>Load capacity</b>	500 cars or 1,750 load metres of cargo	500 cars or 1,745 metres of cargo	500 cars or 1,800 load metres of cargo
<b>Class</b>	DNV, Ice Class 1A	DNV, Ice Class 1A	DNV, Ice Class 1A
<b>Chartered to</b>	Destination Gotland	Destination Gotland	DFDS, Destination Gotland

Source: SEB, Gotlandsbolaget

## Current Destination Gotland fleet

### RoRo and RoPax ferries

- *M/S Visby* (built in 2018): Chartered to Destination Gotland
- *M/S Gotland* (2019): Chartered to Destination Gotland
- *M/S Drotten* (2003): Chartered to Destination Gotland
- *M/S Visborg* (2003): Chartered to DFDS (Dunkirk-Rosslare)

Destination Gotland currently operates three vessels from Rederi AB Gotland, all of which are modern high-speed RoRo vessels with similar capacity and characteristics. *M/S Visborg* is currently chartered by DFDS and operates the Dunkirk-Rosslare route, while *M/S Drotten* has been operating the Hansa Destination route Nynäshamn-Visby-Rostock. Gotlandsbolaget said that the Hansa Destination route will not be operated during 2023 but has not permanently terminated operations (will reevaluate the decision before the 2024 season).

## Gotland cruise vessels

---

### Gotland Cruises, 2023

---



<b>Vessel</b>	<b>M/S Birka Stockholm</b>
<b>Built</b>	2004 Aker Finyards, Rauma, Finland
<b>LOA</b>	177 m
<b>Breadth</b>	28 m
<b>Draught</b>	6.6 m
<b>Gross tonnage</b>	34,924
<b>Net tonnage</b>	18,839
<b>Deadweight</b>	3,320 DWT
<b>Speed</b>	21 knots
<b>Vessel type</b>	Passenger
<b>Main engines</b>	23,400 kW
<b>Passenger Capacity</b>	1,800
<b>Cabins</b>	734
<b>Load capacity</b>	-
<b>Class</b>	DNV, Ice Class 1A

Source: SEB, Gotlandsbolaget

### Cruise vessels

- *M/S Birka Stockholm* (2004)

*M/S Birka Stockholm* is a recently acquired cruise vessel that will operate a route between Stockholm-Åland-Gotland for passengers only.

# Review of historical financials

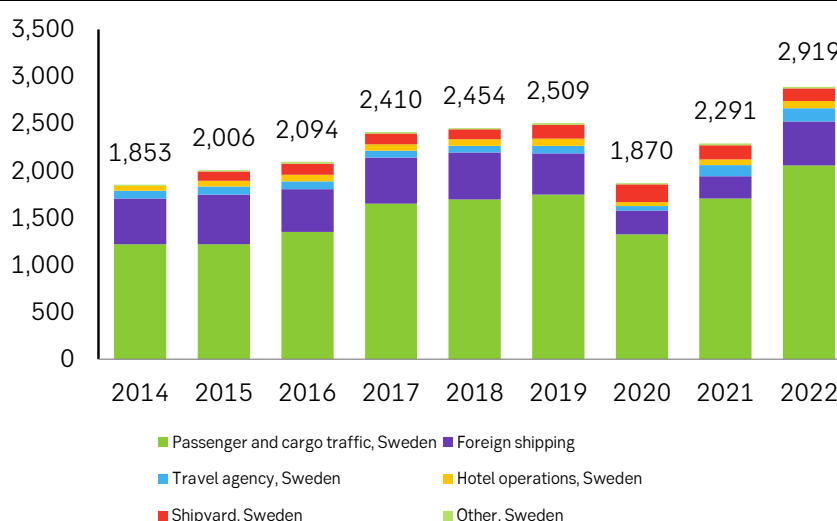
## Stable business model with low returns

Gotlandsbolaget's underlying revenue and profitability have been stable over time with a certain degree of volatility. The commercial revenue from the ferries has moved in line with the overall population and tourist growth in general. The earnings volatility has mainly been because of the tanker business, according to the company, which used to constitute a larger share of total revenue. Gotlandsbolaget does not provide any information other than net sales and revenue for the different segments, so all financial figures except net sales will be presented on a group basis.

### The majority of revenue is generated by Destination Gotland

Over time, revenue has remained stable, with annual growth of about 1%, except for a couple of notable exceptions. In 2017, there was an increase in the subsidy due to a new concession contract, while in 2020 the pandemic caused a significant drop in revenue. However, the lost revenue in 2020 was mostly recovered in 2021, as the "staycation" trend buoyed tourist volumes, which recovered relatively quicker than resident volumes. Destination Gotland is reported as a single segment in the annual and quarterly reports, but Gotlandsbolaget divides it into three segments in its segment reporting: passenger and cargo traffic, hotel operations, and travel agency. In 2021, the passenger and cargo traffic segment also included net sales from Hansa Destination. The foreign shipping segment includes the tanker business, which was fully divested in 2023. Furthermore, the shipyard was divested in 2022.

**Net sales by operating segment (SEKm), 2014-22<sup>2</sup>**

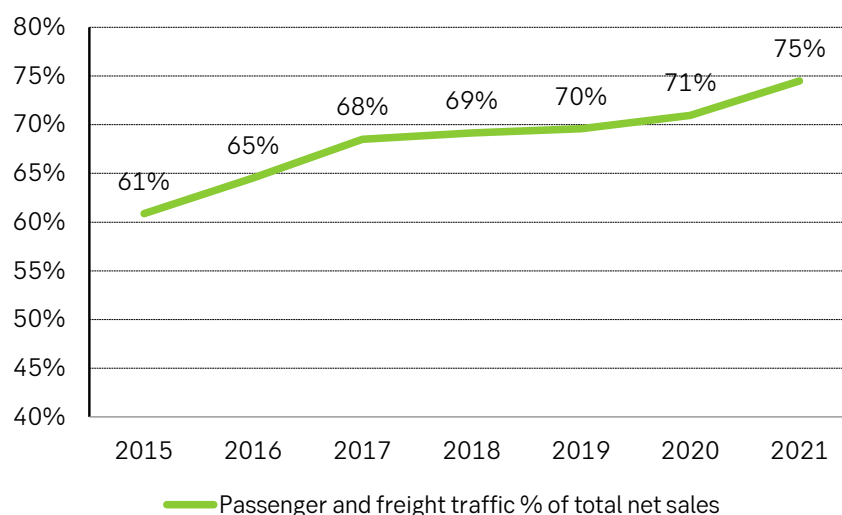


Source: SEB, Gotlandsbolaget

<sup>2</sup> No information on net sales per operating segment in the 2022 year-end report

Gotlandsbolaget has long relied on passenger and freight traffic directed towards Gotland as its primary revenue stream. This proportion of the company's income has grown steadily over the past few years relative to group total revenue, largely due to divestments in the tanker business. At the beginning of 2022, the company owned six tanker vessels, but over the course of the year four were sold and the remaining two were divested in March 2023. The divestment of the tanker vessels resulted in Gotlandsbolaget becoming increasingly reliant on Gotland traffic and the concession with Trafikverket in order to maintain its financial stability.

#### Passenger and freight traffic, 2015-21

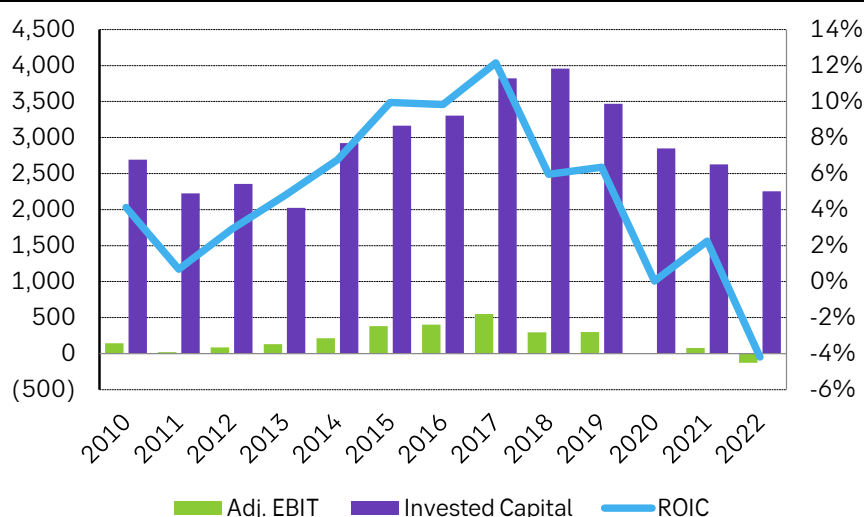


Source: SEB, Gotlandsbolaget

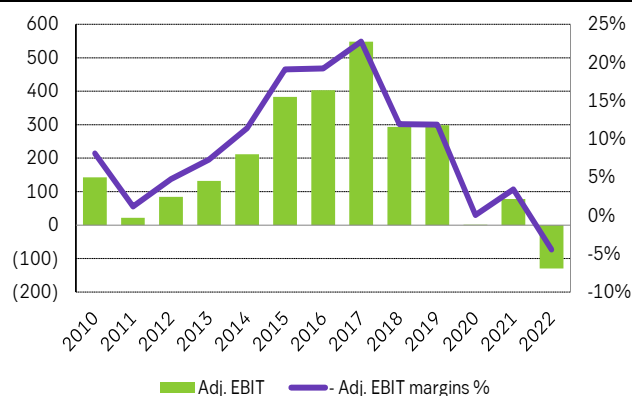
The increased share of revenue from ferries has led to larger risks, in our view, mainly because Gotlandsbolaget has become more dependent on the concession with Trafikverket. Today, it has a dominant position in all ferry traffic between Gotland and the mainland until 2027; while that may not pose an immediate threat to its revenue prospects, it does pose a significant risk to its long-term potential.

#### Profitability and returns

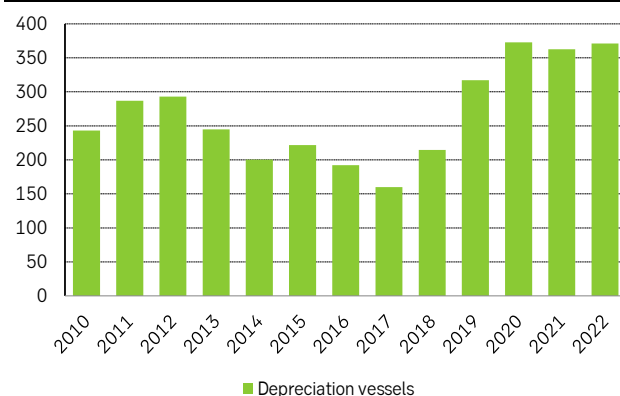
Historical returns have varied a lot, but overall returns have been low, with ROIC in low single-digits and deteriorating returns over the past couple of years related to the pandemic and soaring fuel costs. Fuel costs reached extreme levels in 2022 and heavily affected profitability. In our adjusted EBIT estimates, we deduct gains from the sale of vessels. Also, bear in mind the aggressive depreciation schedule for the ferries, which influences EBIT and invested capital. Gotlandsbolaget applies a 10-year depreciation period to its RoPax ferries.

**Adj. EBIT, invested capital (SEKm) and ROIC (%), 2010-22**

Source: SEB, Gotlandsbolaget

**Adj. EBIT (SEKm) and adj. EBIT margin (%), 2010-22**

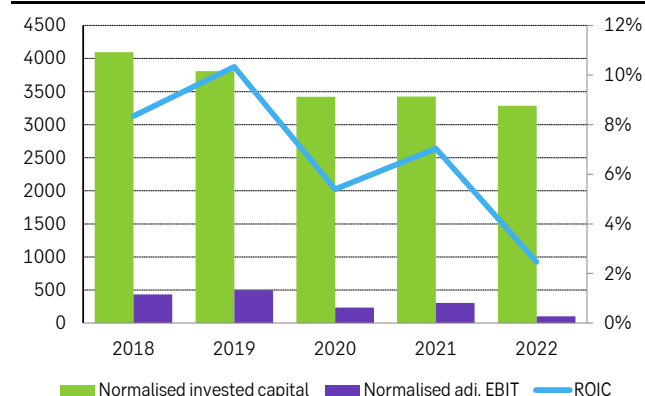
Source: SEB, Gotlandsbolaget

**Depreciation of vessels (SEKm), 2010-22**

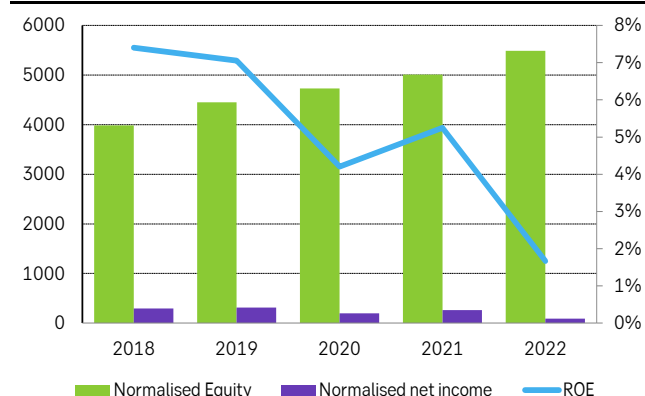
Source: SEB, Gotlandsbolaget

To ensure comparability with other companies, we have calculated the return on invested capital based on a depreciation schedule of 25 years, even though the ferries are actually depreciated over a 10-year period. This adjustment is necessary to normalise the financial statements, given the impact that the shorter depreciation period has on EBIT and the balance sheet. The reason for the shorter period of depreciation is due to the terms of the concession with Trafikverket, which stipulates a 10-year period. The actual lifetime of the ferries is around 25 years. We do the same for return on equity, with calculations from 2018 to 2022 for both return measures.



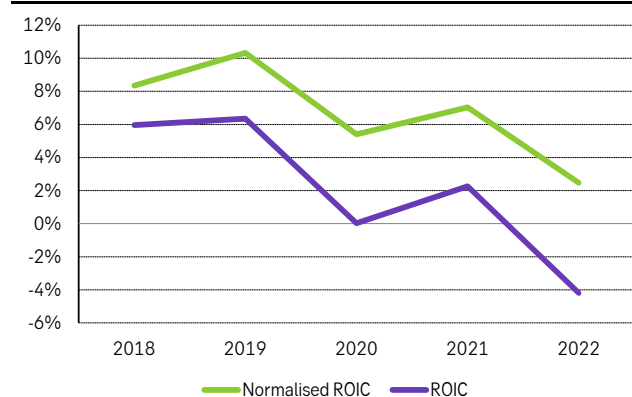
**Normalised ROIC (%), 2018-22**

Source: SEB, Gotlandsbolaget

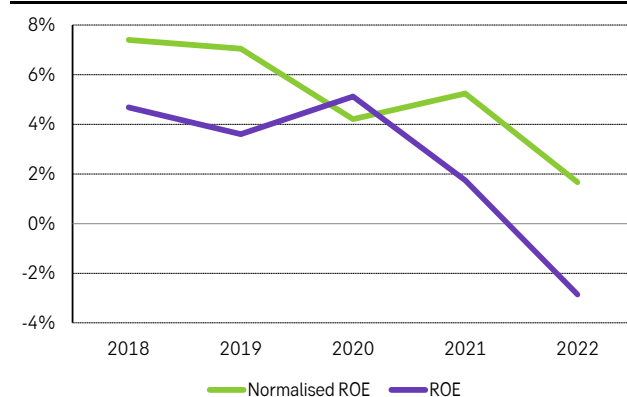
**Normalised ROE (%), 2018-22**

Source: SEB, Gotlandsbolaget

We normalise adj. EBIT and invested capital by scaling the depreciation and adding the cumulative difference to invested capital from 2018; we then use actual net financials and apply a tax rate of 20.6% to get to normalised adjusted net income. The cumulative difference between actual adjusted net income and normalised adjusted net income is then added to shareholder equity to get the normalised shareholder equity. After the adjustment, the normalised ROIC and ROE numbers look better but are still in mid to low single digits. Below we show a comparison between normalised adjusted returns and actual adjusted returns on invested capital and shareholder equity. 2020 includes a SEK 176m change of deferred taxes that we do not account for in normalised adjusted net income, which causes the 2020 normalised ROE to be lower than reported.

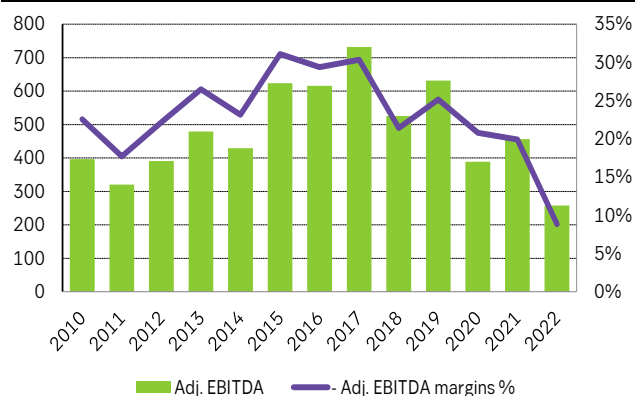
**Normalised ROIC vs ROIC (%), 2018-22**

Source: SEB, Gotlandsbolaget

**Normalised ROE vs ROE (%), 2018-22**

Source: SEB, Gotlandsbolaget

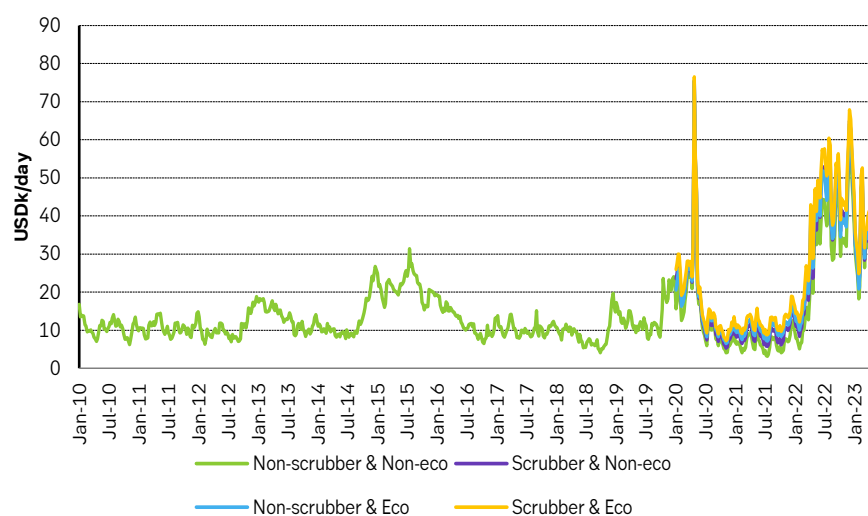
When we analyse adjusted EBITDA and fluctuations in bunker prices over time, it becomes apparent to us that adjusted EBITDA reached its highest point in 2017, when bunker prices were at their lowest. Fuel costs represent a substantial proportion of the company's operating expenses and, as such, have a significant impact on earnings. The company said the dynamic was a major factor in the significant impact on its earnings in 2022.

**Adj. EBITDA (SEK) and adj. EBIT margin (%), 2010-22**


Source: SEB, Gotlandsbolaget

**MGO bunker prices, Rotterdam, USD/tonnes, 2010-23**


Source: SEB, Gotlandsbolaget

**TC rates USDk/day MR vessels, 2010-23**


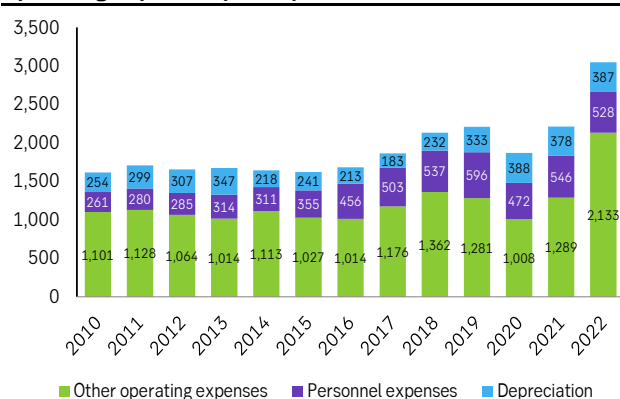
Source: SEB, Gotlandsbolaget

According to the company, 2015-16 marked a significant rebound in the tanker market following a relatively soft 2014, resulting in a positive impact on earnings. This claim is supported by the sudden jump in tanker rates observed in 2015. Gotlandsbolaget, which owned nine tanker vessels during the period, experienced record revenue in its foreign shipping segment during 2015.

### Operation expenses

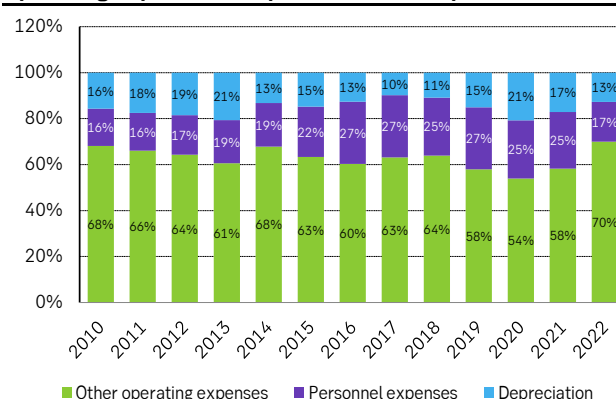
Fuel costs are among the group's largest expenses. However, we lack precise data on actual costs beyond the fact that a typical year's expenses are approximately SEK 300m. Although the term "normal" may not be entirely appropriate, given fluctuating bunker prices over time, it does give a rough estimate of costs. Other operating expenses consist of various items, such as ship management, maintenance costs, harbour fees, stevedoring services, and fuel costs. However, due to a lack of precise information on the exact magnitude of each item, it becomes difficult to analyse them individually. Nevertheless, it can be concluded that these expenses collectively account for the majority of the group's operating costs.

**Operating expenses (SEKm), 2010-22**



Source: SEB, Gotlandsbolaget

**Operating expenses as a percent of total opex, 2010-22**

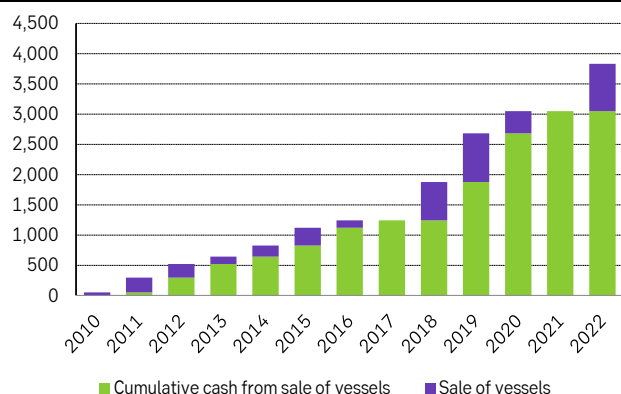


Source: SEB, Gotlandsbolaget

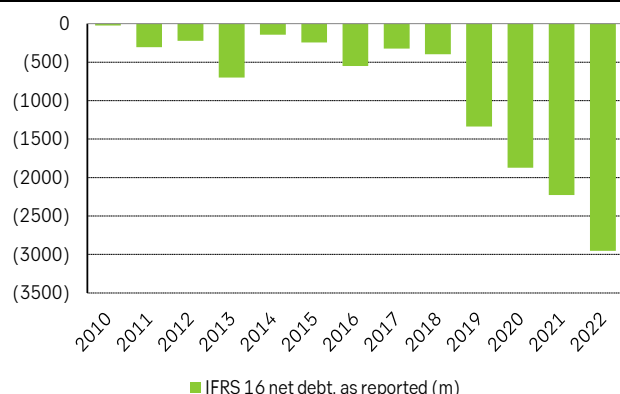
Total opex has been fairly stable over time, with the outlier being in 2022, which according to Gotlandsbolaget was due to extreme fuel costs. The increase in depreciation after 2018 is due to the investment in the two new modern RoPax vessels, which currently operate the Gotland traffic. The increase in personnel expenses is related to a growing workforce: it has expanded from around 400 FTEs in 2010 to almost 800 in 2022.

### A growing net cash position over the past 12 years

At the end of 2022, Gotlandsbolaget's balance sheet had a net cash position of nearly SEK 3bn. This solid financial footing was achieved through the sale of several vessels, primarily within tankers, resulting in a substantial influx of cash. We anticipate that these funds will be directed towards investments in new, sustainable ferries. Although adjusted EBIT appears low, due to aggressive depreciation, it hides the fact that the business has been generating significant cash flow.

**Cash from sale of vessels (SEKm), 2010-22**

Source: SEB, Gotlandsbolaget

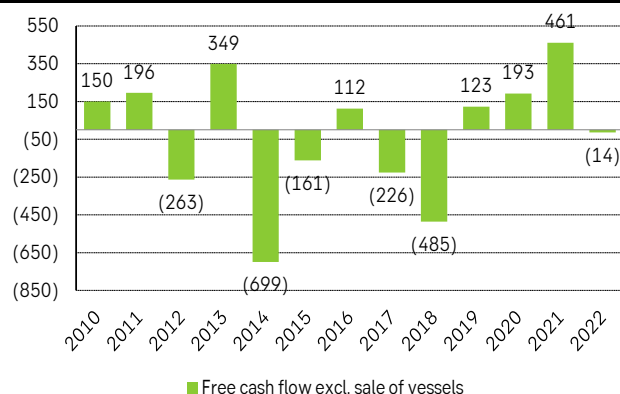
**Net debt (SEKm), 2010-22**

Source: SEB, Gotlandsbolaget

Over the past 12 years, Gotlandsbolaget has generated nearly SEK 4bn through the sale of vessels, with a substantial portion generated in the past five years. Between 2010 and 2022, there were both divestments and investments made in vessels, but the net result is a smaller fleet of vessels, primarily from divestments in tankers.

**Cash flow from operation (SEKm), 2010-22**

Source: SEB, Gotlandsbolaget

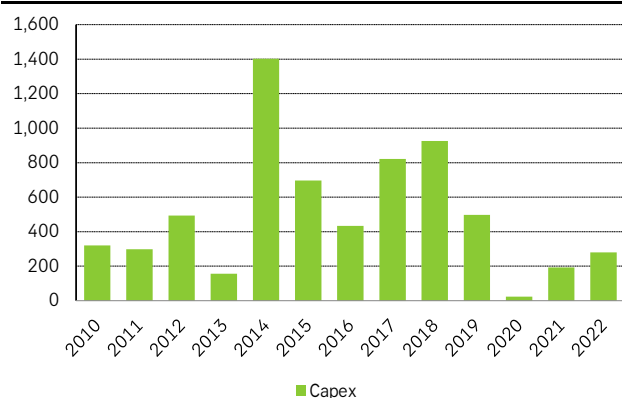
**Free cash flow (SEKm), 2010-22**

Source: SEB, Gotlandsbolaget

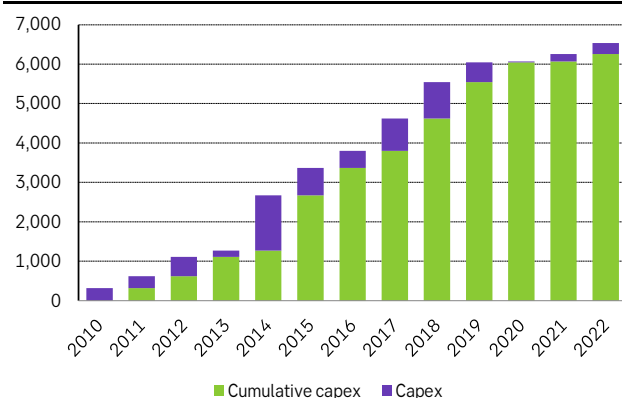
The company's operating cash flow has remained consistently strong, with several years surpassing the SEK 400m mark, owing to robust underlying profit, adjusted for depreciation and a low single-digit effective tax rate for many of those years. A significant portion of the generated cash has been directed towards investments in new vessels, most notably the state-of-the-art RoPax vessels constructed in 2018 and 2019.

**From high investments to low and then back again (?)**

Gotlandsbolaget entered an intensive period of heavy investments in 2014 when it signed the contract with GSI shipyard in China for the development of a new ferry and an additional ferry was ordered in 2015. This pattern will most likely repeat itself if Gotlandsbolaget wins the upcoming concession with the Swedish Transport Administration, Trafikverket, we believe. We will explore the concession further in the next chapter, where we take a closer look at Destination Gotland, the subsidiary responsible for the transportation of passengers and goods between Gotland and the Swedish mainland.

**Capex (SEKm), 2010-22**

Source: SEB, Gotlandsbolaget

**Cumulative capex (SEKm), 2010-22**

Source: SEB, Gotlandsbolaget

If Gotlandsbolaget loses the concession, there could potentially be more investments directed towards the recently announced new segment of cruise lines. Gotlandsbolaget bought the passenger cruise ship M/S Birka Stockholm for EUR 38m, which will sail the Stockholm-Åland-Gotland route from 2024. The strong financial position that Gotlandsbolaget has should cover future capex needs, we calculate, but exactly how Gotlandsbolaget will deploy the cash depends mainly on the upcoming procurement process with Trafikverket. We conclude that the business model has had high capex needs historically, looking at cumulative capex over the past 12 years, and will likely continue to need heavy investments.

# Delving into Destination Gotland

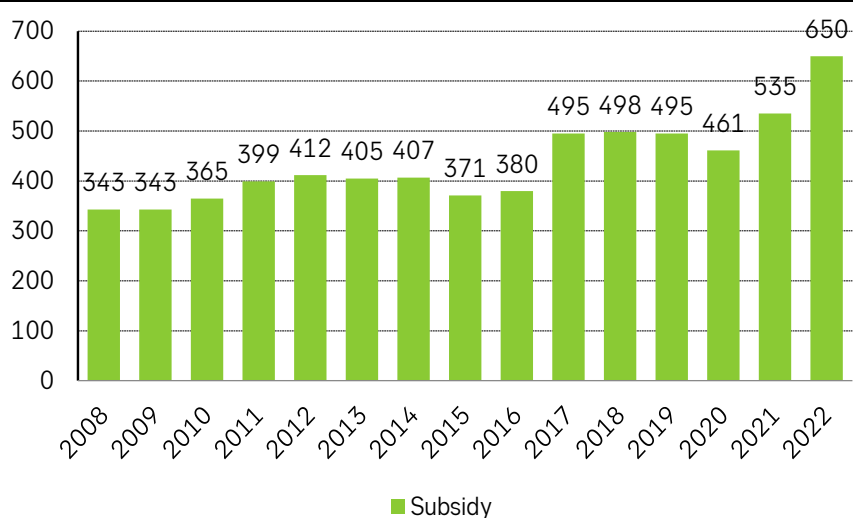
Destination Gotland makes up the majority of Gotlandsbolaget's business, hence we have made a more comprehensive analysis of this segment. As noted, Destination Gotland operates the ferry traffic between Gotland and mainland Sweden, supported by the current agreement with Trafikverket, which is outlined in more detail below.

## Agreement with Trafikverket

Gotlandsbolaget has a contract with the Swedish Transport Administration (Trafikverket) to provide public transport services to and from the island of Gotland. The agreement includes the operation of ferry services between the mainland and the island, as well as bus services on the island. Gotlandsbolaget receives fixed compensation and a variable component dependent on fuel prices. The variable component can also result in a lower fixed fee if fuel prices are below a certain threshold.

Gotlandsbolaget's current agreement with the Swedish Transport Administration, which started on 1 February 2017 and will end on 31 January 2027, includes requirements for service quality, safety and environmental sustainability. Fixed compensation is currently SEK 498m per year, but the actual received fee has varied over the years due to volatility in fuel prices, which reached extreme levels in 2021-22 (especially in 2022 after Russia's invasion of Ukraine, which put pressure on the global energy market).

**Actual received subsidy (SEKm), 2008-22**



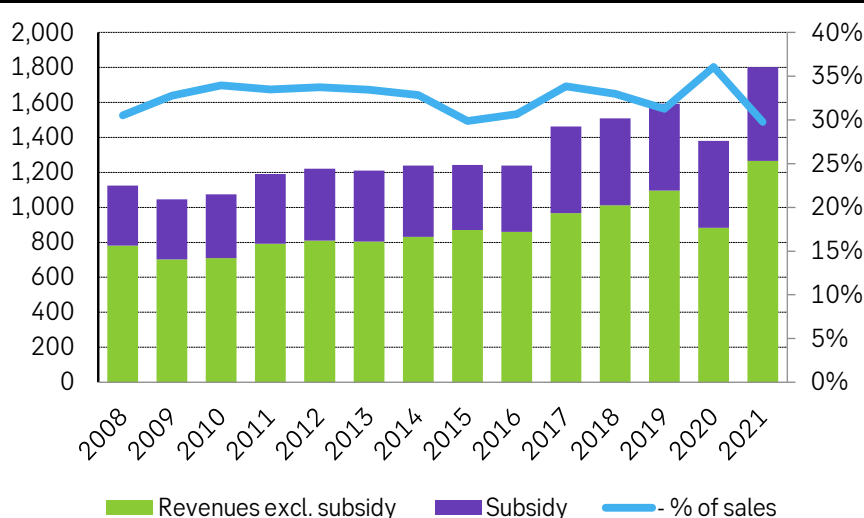
Source: SEB, Gotlandsbolaget

The step up in 2017 was due to a new contract coming into effect, while the unusually large amount in 2022 related to extreme fuel prices during 2022. Other than that, the subsidy has been fairly stable over the years. The agreement has a provision which states that within a range of +/- 25 percent of the contractual level of the bunker index in SEK, the compensation from the Swedish Transport Administration will not be adjusted, meaning that the company's subsidiary Destination Gotland AB bears the entire risk within the interval. If the bunker index rises above or falls below those thresholds, the compensation is adjusted by 50 percent of the estimated cost/profit.

The current agreement applies to ferry traffic between Nynäshamn and Oskarshamn on the mainland and Visby on Gotland, but Destination Gotland is allowed to operate other routes outside the agreement. Since 2016, Destination Gotland has also operated summer traffic between Västervik and Visby outside of the state procurement agreement. Gotlandsbolaget has held the contract ever since the 1970s, when the government started the concession, except in 1988-97, when another operator held the contract.

The concession is very important and losing it would be a big hit to total revenue because it constitutes around 30% of Destination Gotland revenue and provides a cushion in bad times. Sharing increased fuel costs also offers support in unfavourable market conditions. Losing the concession would raise questions about whether it was possible to keep offering traffic between Gotland and the mainland; our belief is that it would not be viable from a financial point of view.

**Destination Gotland revenue (SEKm) and subsidy as % of revenue, 2008-21**

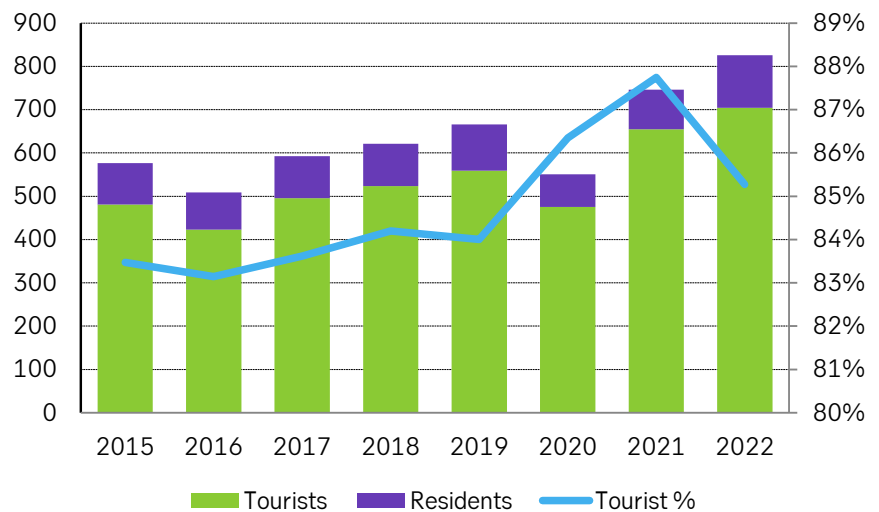


Source: SEB, Gotlandsbolaget

### Two different pricing models

Ticket prices for residents and visitors are priced according to two different models where resident prices are regulated by the contract. For residents, prices are restricted to a maximum level calculated annually based on bunker and the consumer price index. The prices for visitors are not regulated by the contract and Gotlandsbolaget applies a dynamic price model, which means that prices can vary substantially between certain departures. We calculate an average ticket price for residents of SEK 280 for an adult and SEK 500 for a vehicle in 2023, but actual prices may vary depending on time and date. Prices can be lower for students, retirees and other certain groups. For visitors, prices have a wide range but, based on information from the booking website, prices range from SEK 450 to SEK 750 in mid-July (high season); including a regular passenger car, prices range from SEK 1,200 to SEK 1,900. The prices stated here are based on a single adult and exclude the evening and very early morning prices, which have significantly lower prices (about 50% lower), but we assume volumes are quite limited on those departures.

Visitor revenue makes up the largest share of passenger revenue, as one might expect, and constitutes about 80-85% of revenue, highlighting the importance of Gotland's attractiveness as a tourist attraction. In 2021, there was a slight jump in tourist revenue as a percentage of sales, due to a strong "staycation" trend and partly due to resident revenue not recovering as fast as tourist revenue after the 2020 Covid-19 impact.

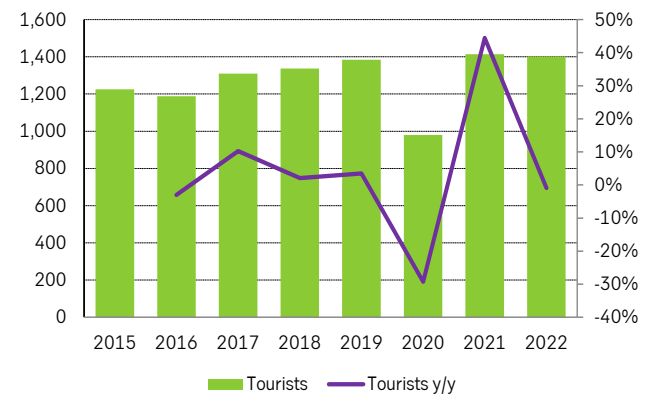
**Revenue, residents and tourists (SEKm), 2015-22**

Source: SEB, Gotlandsbolaget

Interestingly, resident revenue and volumes took the largest hit from the pandemic, as illustrated by the graphs below.

**Resident volumes ('000), 2015-22**

Source: SEB, Gotlandsbolaget

**Tourist volumes ('000), 2015-22**

Source: SEB, Gotlandsbolaget

Based on this, one could assume that the potential upside to passenger volumes should come from resident travelling returning to pre-Covid levels, at least in the near term. Considering the large price rise (30%) implemented on resident ticket prices in January 2023, it could also have a meaningful impact on revenue.

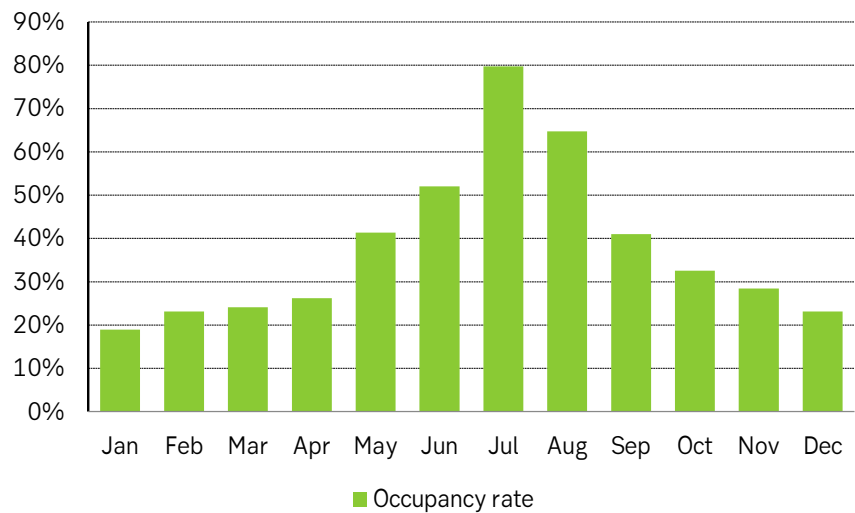


## Seasonality

### Gotland's seasonality

Gotland is a large tourist attraction in Sweden during the summer months, which creates high discrepancy in activity between the high and low seasons. The difference is clearly shown in the occupancy rate for available rooms on Gotland and the passenger statistics for Destination Gotland.

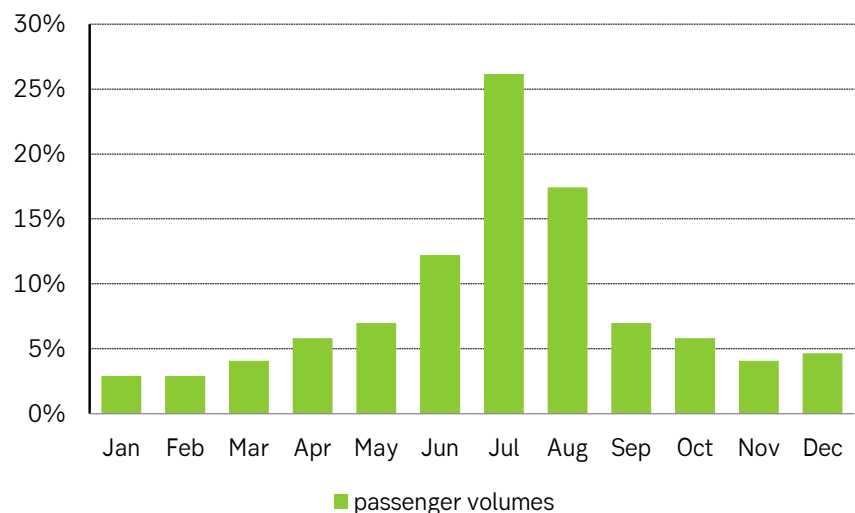
**Average occupancy rate per month for available guest rooms, 2010-22**



Source: SEB, Tillväxtverket

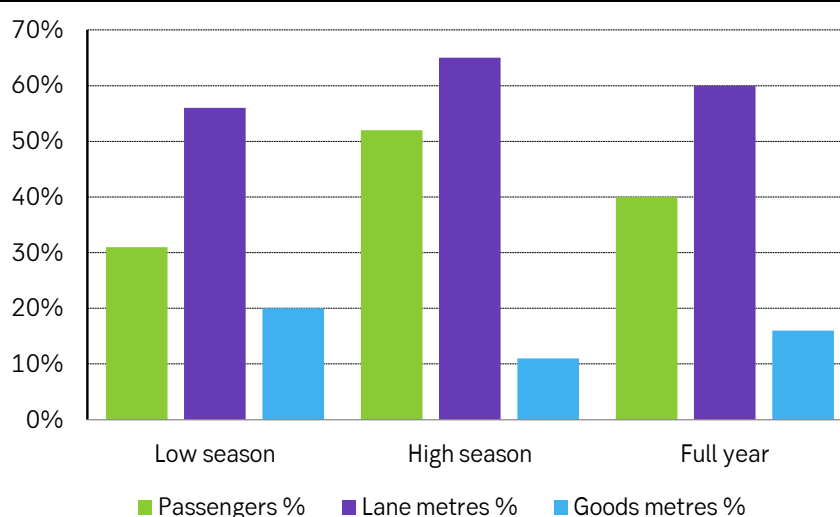
Unsurprisingly, July is the busiest month of the year and January has the lowest occupancy rate. If we also look at the passenger statistics for Destination Gotland, we make the same conclusion and see the same seasonality patterns. In the graph below, we have excluded 2020-2022 considering the large impact from the pandemic.

**Destination Gotland passenger volumes as a % of total, average 2010-19**

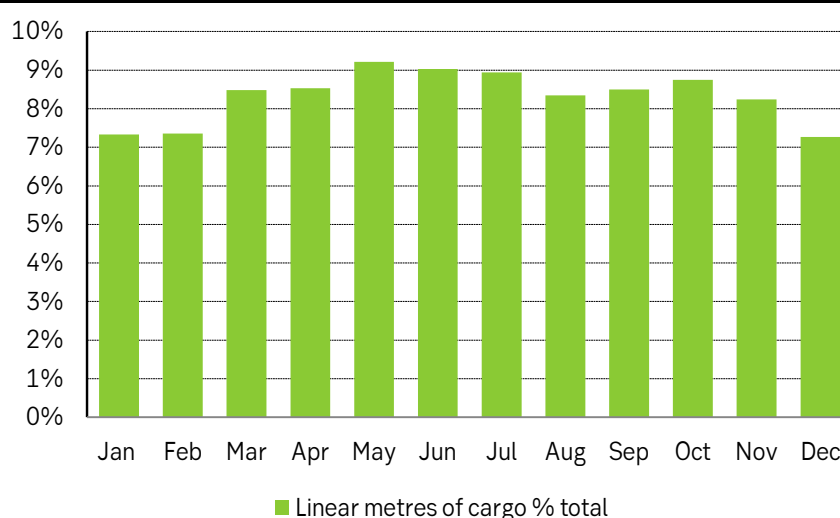


Source: SEB, Gotlandsbolaget

Even though there has been an increasing number of passengers to and from Gotland, the occupancy rates on the ferries is quite low on average: in 2019, the occupancy rate was about 40% over the whole year, according to Swedish government agency Trafikverket.

**Occupancy rates, Destination Gotland, 2019**

Source: SEB, Trafikverket

**Linear metres per month, average percent of total, 2008-21**

Source: SEB, Gotlandsbolaget

Clearly, there is little difference between seasons for cargo to and from Gotland with Destination Gotland.

## Trafikverket's report of alternative models for the Gotland traffic

Trafikverket was instructed by the Swedish government in 2020 to make an analysis of alternative business models for ferry traffic between Gotland and mainland Sweden. The report presented four business models, including the one currently used, and brought forward a recommendation that the most optimal model would be for the government to own the vessels and outsource operations through public procurement. We will discuss two of the different models briefly in this section, but our focus will be on the recommended model and its implications for Gotlandsbolaget.

**Overview of the analysis**

The main objective of the report was to investigate the current and potential models for ferry traffic between Gotland and mainland Sweden. All models were evaluated using several criteria (i.e. risks, costs and their affect on competition in the procurement process). Since the beginning of the 1970s, the procurement of ferry traffic to Gotland has been characterised by extremely limited competition among bidders. Moreover, the state's costs for Gotland traffic have increased in recent years. Based on this, the government tasked the Swedish Transport Administration with investigating four different models for the ownership and operation of ships. Lack of competition has been clear since the beginning, with Destination Gotland being the sole bidder for many concession periods. In the most recent procurement period, there was one other bidder, which later had to be disqualified due to not meeting the requirements.

**The investigation evaluated four different models**

The analysis by the Swedish Transport Administration looked at four alternative models, including the one currently used, and came up with a preferred option as well as the next preferred option. The presented models were:

1. Combined agreement for vessels and operations (next preferred option)
2. Government-owned vessels, operator agreement (the preferred option)
3. Government-leased vessels and operator agreement
4. Government-controlled vessels and operations

Number one is the currently used model and has been used since the Swedish government started the concession in 1970s. Interestingly, it was not the preferred option of the investigation. The preferred option was number two, with a much larger involvement from the government, but also higher risks.

**Model 1: Combined agreement for vessels and operations**

In this model, the vessels are entirely financed by private capital, requiring bidders to have strong finances and good credit. The state has no other obligations besides managing the contract, making it a straightforward service concession arrangement.

In this model the investigation proposed methods to increase competition in the bidding process and presented four methods: residual value guarantee, rent guarantee, loan/credit guarantee and buyout option for vessels.

**Residual value guarantee** reduces or minimises the residual value risk for ship owners and reduces the need for depreciation over the contract length, which is typically 10 years, significantly shorter than the economic and technical lifespan of ships (at least 25 years). This reduces potential bidders' risks and costs, thereby increasing the opportunity for competition and reducing the state's expense.

**Rent guarantee** means that the government guarantees to rent the ships for the entire contract period, reducing the risk for the shipowner. In case the operator goes bankrupt or must terminate the contract, the government can take over the lease and procure a new operator.

**Loan guarantees** can be used to facilitate financing and can be offered through entities like the European Investment Bank or the Swedish Ship Mortgage. The state's involvement in financing can be used as a positive aspect in promoting the project. The Swedish National Debt Office offers credit guarantees that entail risk sharing between the state and the lender. A decision by the parliament and government is needed to establish a credit guarantee.

**A buyout option** may also be interesting as a complement to residual value guarantee, for example, to address the risk of unfavourable economic conditions when the agreement ends.

#### **Low risk option, well established**

The report from Trafikverket concluded that model 1 exposes the government to the lowest risk with only limited fuel price risk. However, the agreement's duration is short relative to the technical and economic life of the vessels, resulting in higher costs per year, but that the proposed guarantees could reduce costs and increase competition. Trafikverket therefore suggests that the government considers using at least some form of guarantee if model 1 is used in future procurement processes.

#### **Model 2: Government-owned vessels, operator agreement**

This model implies that the state owns the ships. The operation is contracted as one or more agreements, where one or several operators conduct traffic with the state's ships. The procurement of operation can be made as a service concession.

The main criticism against this model brought up in the report by Trafikverket was that the government's knowledge and experience in procuring, owning and dealing with large vessels was limited. Moreover, it would expose the government to significantly higher risks related to financing of the investment in new or used ships, coordination between procurement and operations and conflicting legal views on how a requirement to use the state's ships is compatible with the cabotage regulation. The government would also be exposed to the previously shared fuel price risk, something we saw had a big impact on Gotlandsbolaget's costs in 2022.

#### **The preferred option, according to the investigation**

If the state is responsible for procuring ships for the Gotland ferry service, then the investigation concludes that there exist several operators in the surrounding area and in Europe that could be interested in submitting bids for operation, which would create competition and help ensure cost-effectiveness. The European Union allows the state to require operators to use its ships under certain circumstances, but this is subject to interpretation and requires ongoing dialogue with the EU Commission to ensure compliance. Procuring state-owned ships and contracting out the operation is proposed as the model with the lowest comparative cost for future Gotland ferry service, provided that the legal conditions for renting out state-owned ships to operators can be established.

The investigation discusses that the process of acquiring vessels would require building a new government organisation with the right competence which could lead to delays and uncertainty in the implementation plan. The lifespan of a ships used in Gotland traffic is long, making it challenging for the government to sell them at the right time. A private company may have better knowledge and experience in the market to determine the optimal time for selling the ships. Further questions brought up in the report were that the proposed model says that the current lifespan could be extended considering the aggressive depreciation of ten years today which results in high yearly cost, but that also introduces the risk of falling behind in technology.

The investigation suggests the Swedish Maritime Administration as responsible for the state-owned vessels which the Swedish Maritime Administration has responded positively to in a response to the report, given that the legal issues raised can be resolved. Other responses from interested organisations have been mixed.

#### **Mixed reaction to the proposed model**

As with most government investigations there can be a mixed reaction ranging from very positive to extremely critical. Therefore, we present different perspectives on the matter for the purpose of giving a nuanced view followed by our own view. All responses in full can be found on the government's website *regeringen.se*. Below are several responses from organisations that we consider relevant to this discussion. We have provided a balanced selection of both affirmative and unfavourable responses, the summary of the responses can be found in Appendix B.

#### **Summary: SEB's take**

Upon thorough examination of all the responses obtained to the investigation and considering the source of each response, we have concluded that implementing a model change without further inquiry would be a challenging task. There are compelling arguments on both sides, which we consider to be valid; however, after an overall assessment, the responses tend to be more negative than positive. Additionally, the issue of ideology is a consideration. We observe that organisations advocating for business interests are more inclined to oppose state intervention and nationalisation, which is a more predictable deduction that can be made prior to reviewing the responses.

#### **A new model will not be implemented for the upcoming concession**

According to the report, it will not be possible to implement a new model in time for the upcoming procurement process for the concession period commencing in 2027. As such, there is currently no imminent threat aside from the risk of losing the concession. The report does, however, discuss the possibility of changes to the requirements in the upcoming procurement process, which we see as a potential risk for Gotlandsbolaget. If the suggested requirement changes are implemented, then it may make it easier for other operators to meet the demands, thus increasing competition. Our assessment is that the investigation will likely result in some changes to the contract, but we are uncertain whether a complete overhaul of the model will occur.

## **Implications for Destination Gotland**

#### **First and foremost, revenue would decline**

If Trafikverket chooses to change the model, then it could potentially lead to a significant decline in Destination Gotland's revenue. As previously highlighted, the subsidy constitutes a substantial portion of its total income. If Destination Gotland were to secure the operational contract in the new model, with the proposed lower service level, it may result in an even greater decrease in revenue. This could be attributed to reduced crossings and slower ferry speeds, which may dissuade potential passengers from opting for the ferry as their means of travel to Gotland.

**Increased competition**

Another significant risk that Gotlandsbolaget faces is the possibility of increased competition. This increased competition may come from both domestic and international companies, making it difficult for Gotlandsbolaget to maintain its market position. According to the report by Trafikverket, the implementation of an operational contract is likely to attract a higher number of bidders. This viewpoint is supported by several interest groups who responded to the report. This development poses a new challenge for Gotlandsbolaget, which has been accustomed to operating in a relatively uncompetitive environment. Typically, increased competition results in greater price pressure and reduced profitability, affecting all prospective bidders equally.

**Strategic changes might have to be implemented**

Today, Gotlandsbolaget boasts a substantial cash position that is likely earmarked for significant investments in new ferries. However, if the government assumes the responsibility of procuring ships, the company may need to redirect those funds to other ventures. It is difficult to predict the company's direction, given its stated objective of streamlining operations and recent divestitures in the tanker business.

**The current ferries would have to be sold or chartered**

Without the need to own ferries, Gotlandsbolaget would be faced by the decision on what to do with the existing ferries. We believe there are two options available: either lease the ferries to another shipping company or sell them outright. The first option raises concerns about the duration of relevance of the current ferries in a market that is shifting rapidly from fossil fuels to fossil-free alternatives. Owning and leasing the ferries until the technology becomes obsolete may not be the best choice. Alternatively, choosing option two and selling the ferries sooner may result in a greater cash flow, especially if they can be sold while still holding a significant market value.

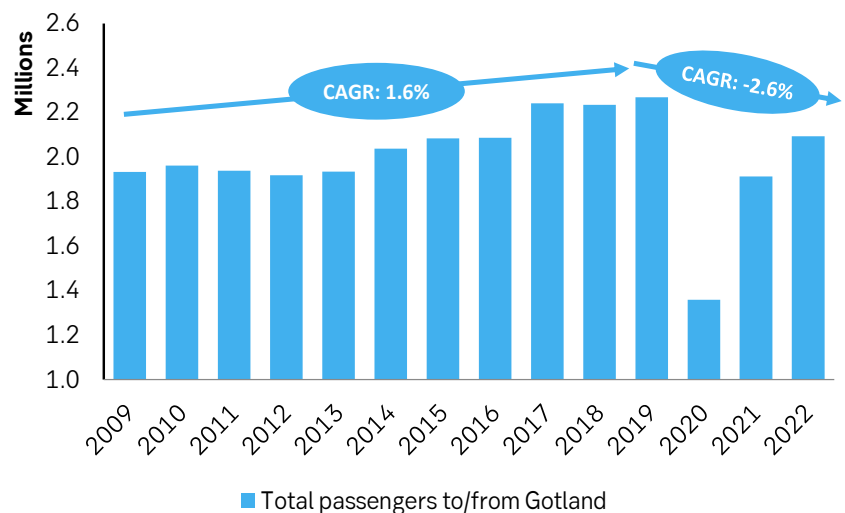
# Investment case: stable business, well-capitalised balance sheet

We see Gotlandsbolaget as a stable case with limited growth potential but great ability to generate strong cash flow and good underlying profitability. A well-capitalised balance sheet should secure future growth potential in new ventures or continued improvements to the existing business model. With fuel prices falling from extreme levels in 2022, we forecast a return to stable cash flow for the remainder of the concession. We believe Gotlandsbolaget is well positioned to win the next concession thanks to the knowledge and experience it has built over several decades of running the traffic, which would support continued stable cash flow in the foreseeable future.

## Stable and modest volume outlook

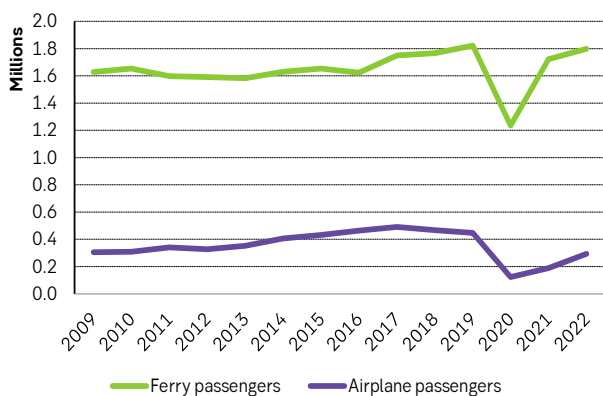
As discussed above, GOTL's business is predominantly made up by the Destination Gotland segment constituting around 75% of group revenue based on the concession for the Gotland traffic of passenger and freight. The concession provides a dominant position, and the only natural competitor for transportation to and from Gotland are airplanes. Consequently, the key revenue drivers for GOTL are passenger and freight volumes.

Gotland passengers (m)



Source: Destination Gotland, Swedavia

From 2009-22, the number of passengers travelling to and from Gotland increased modestly at a CAGR of 0.6% to 2.09m in 2022. The year with the highest number of passengers was 2019, the year before the pandemic, with 2.27m passengers. Hence, we argue that there continues to be potential for a further passenger recovery to pre-pandemic levels.

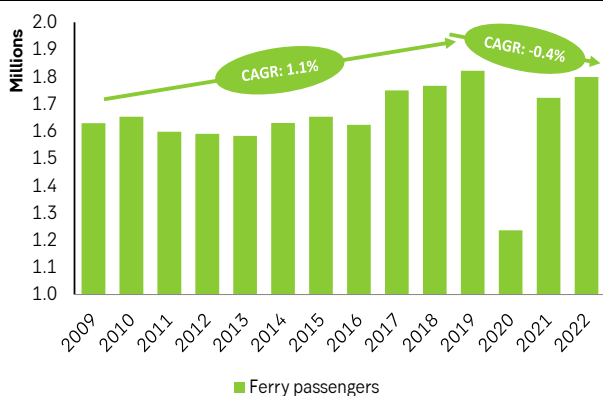
**Gotland passengers (m)**

Source: SCB

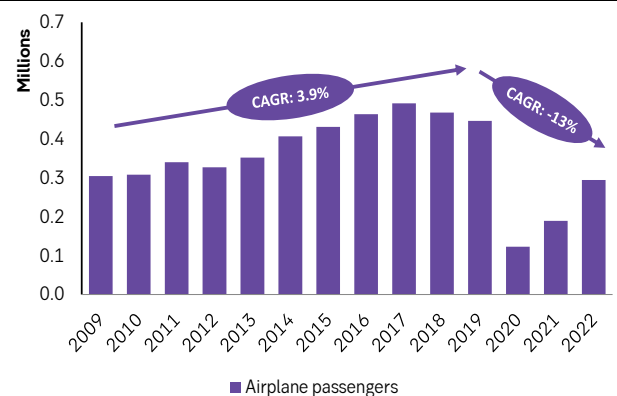
**Share of Gotland passengers by ferry (%)**

Source: SCB

If we look at the distribution between ferry and airplane passengers, the majority of passengers to and from Gotland travel with ferries, with a share of 83% on average and 86% in 2022. We note that the share of passengers travelling by ferry is elevated compared to pre-pandemic levels, and thus we believe there could be some headwinds to passenger volumes from an increased share of airplane passengers, but we expect this to be offset by the full recovery of total passengers.

**Ferry passengers to/from Gotland (m)**

Source: SCB

**Airplane passengers to/from Gotland (m)**

Source: SCB

Over 2009-19, the number of ferry passengers grew at a CAGR of 1.1%, and while volumes dropped 32% in 2020 due to the pandemic, passenger volumes have recovered in 2022 to just 1% below 2019 levels. The CAGR for airplane passengers was higher between 2009-19 at 3.9%, but since the pandemic volumes have not recovered yet with 2022 volumes still being 34% below 2019 levels.

**Passenger segments all growing at a modest pace**

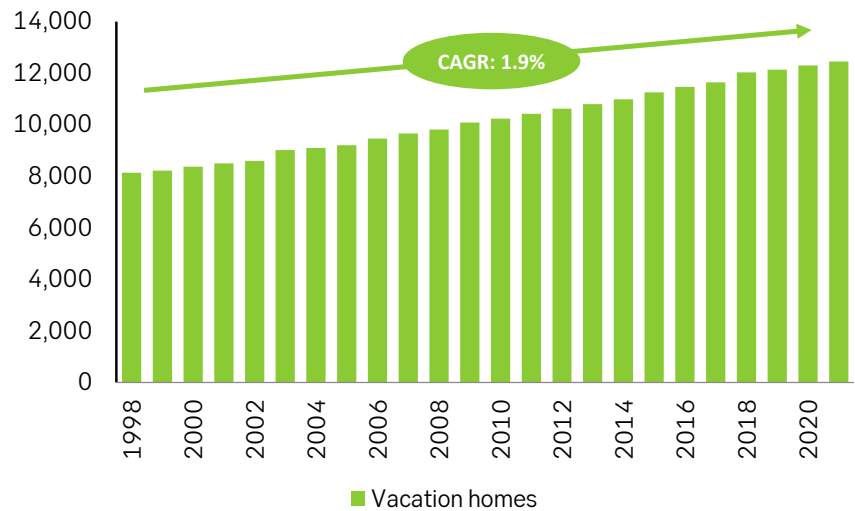
The two primary passenger segments on the Gotland traffic are 1) tourists and 2) residents.

GOTL's pricing for each segment varies, so it is important to separate the volume growth for each segment. To do so, we have analysed the historical growth of tourist volumes based on the number of vacation homes on Gotland and based on the number of guest nights, and we have analysed population growth. We consider these to be decent proxies for tourist and resident volumes, respectively.



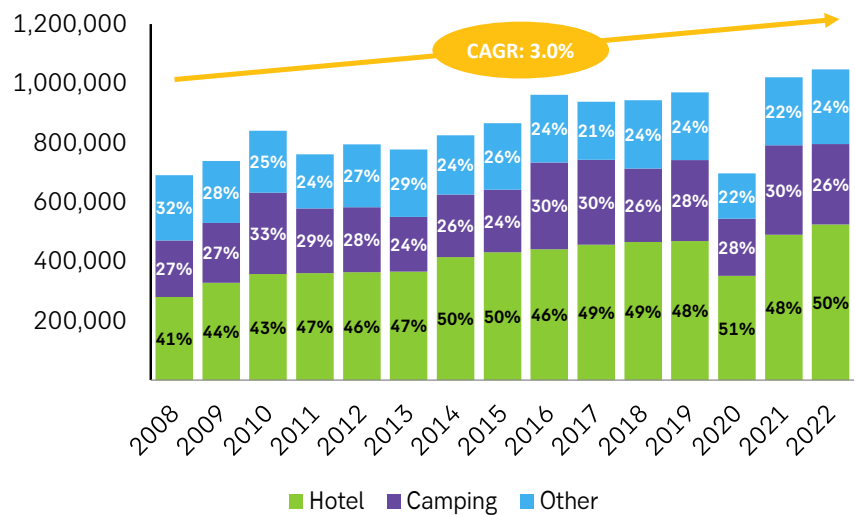
Tourists that own a vacation home on Gotland rely heavily on the ferry to bring their cars when travelling to Gotland. Vacation homeowners are also important during the low season as they travel over weekends or national holidays providing a cushion for GOTL, which is obliged to maintain a certain frequency of departures throughout the year. The number of vacation homes on Gotland have grown since 1998 (a 1998-2021 CAGR of 1.9%), while the number of guest nights has grown steadily since 2008 (a 2008-22 CAGR of 3%).

**Number of vacation homes on Gotland and CAGR, 1998-2021**



Source: SEB, SCB

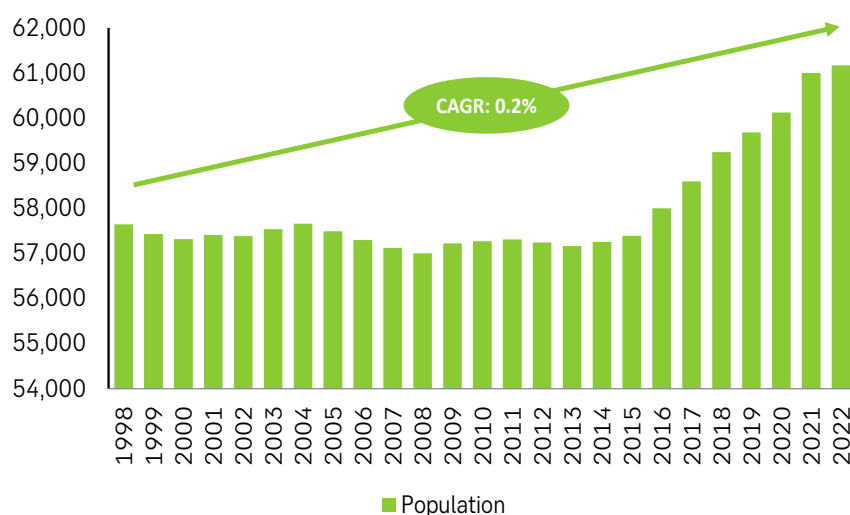
**Number of guest nights, 2008-22**



Source: SEB, Tillväxtverket

A strong proxy for resident volume is the population, which has posted a 1998-2022 CAGR of 0.2%. Since 2015, however, the population has grown by 6.6%, corresponding to a 2015-22 CAGR of 0.9%.

### Population of Gotland

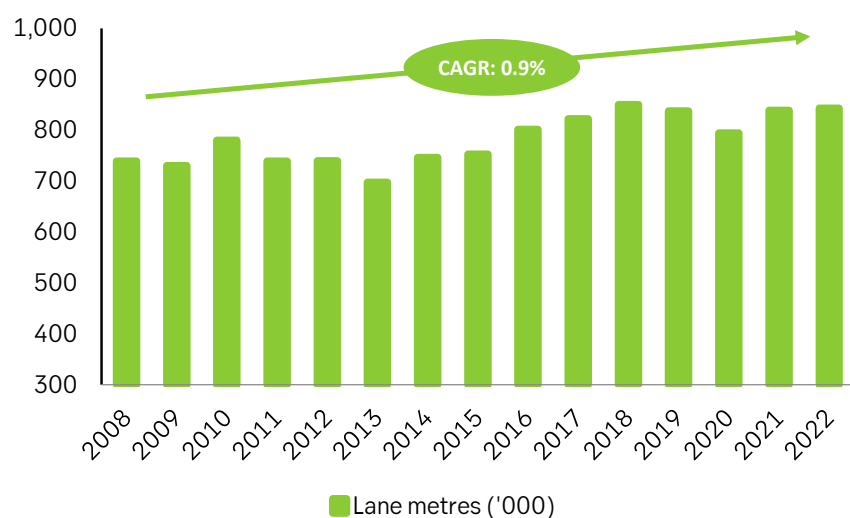


Source: SCB

### Stable freight growth

Ten percent of Destination Gotland's revenue was generated by freight in 2022. In terms of volumes, the 2008-22 CAGR for freight is 0.9%.

### Lane metres freight ('000), 2008-22



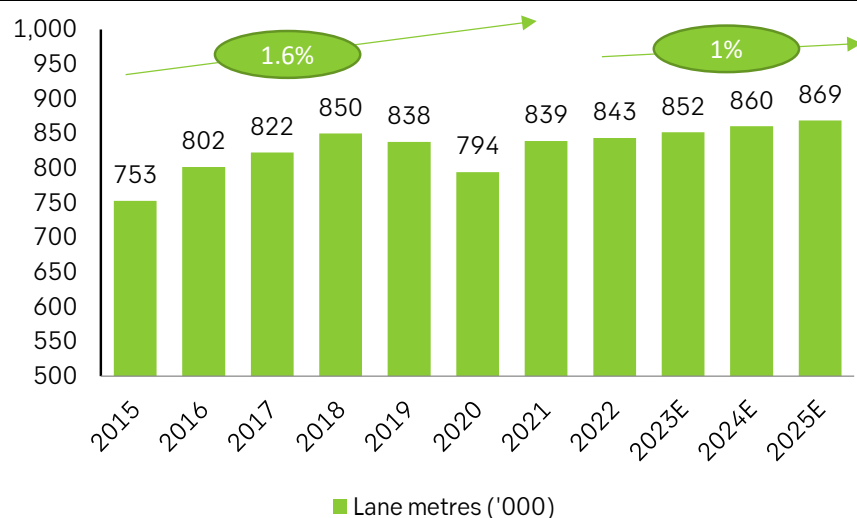
Source: SEB, Gotlandsbolaget

Given the historical passenger and freight trends, we expect ferry passenger volumes to rise a modest 1% annually during 2022-25 with the number of tourists growing slightly more and the number of residents slightly less. Similarly, we forecast freight volume growth of 1% annually over this period.

**Destination Gotland passenger volume forecast**

Source: SEB, Gotlandsbolaget

For passenger volumes, we forecast a modest growth of about 1% p.a. through 2025, where we apply a slightly more aggressive growth in tourist numbers than residents, as we believe the “staycation” trend will continue as consumers are hit by high inflation and rising traveling costs. The weak Swedish Krona could also influence consumers' decision to travel abroad, which would support domestic travel in 2023 and make Gotland an attractive vacation spot. Although this could boost travel in the short term, we do not see any potential triggers that could significantly increase volumes in the long term. The volume growth should generally follow population growth and the number of vacation homes, so all else equal, there should be no extreme fluctuations like the ones during the pandemic. If Gotlandsbolaget's proposed concept for faster ferries, with speeds of up to 35 knots, comes to fruition, it could result in slightly increased volumes due to improved availability. However, this is outside our implicit forecast period. The ferries are scheduled to be put into traffic in 2030.

**DG freight volume forecast, lane metres freight ('000), 2015-25E**

Source: SEB, Gotlandsbolaget

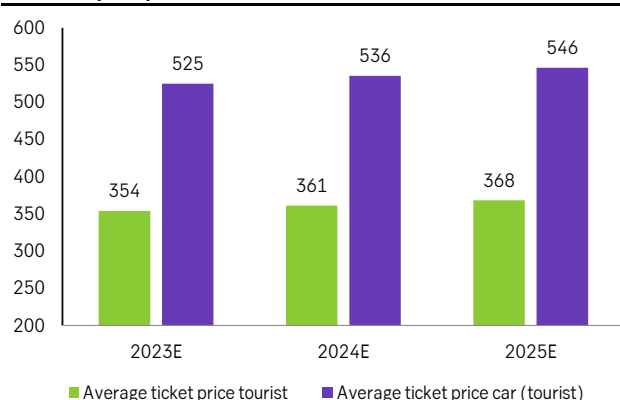
We anticipate that freight volumes, measured in lane metres, will track passenger volumes and historical averages. Although the CAGR from 2015 to 2022 has been slightly higher than the long-term CAGR of 0.7%, this is likely due to the introduction of new ferries and the sudden surge in population growth between 2015 and 2021. However, during our forecast period, we expect the CAGR to revert to the long-term historical average.

## Ticket price forecasts

### Different assumptions for tourist and residents

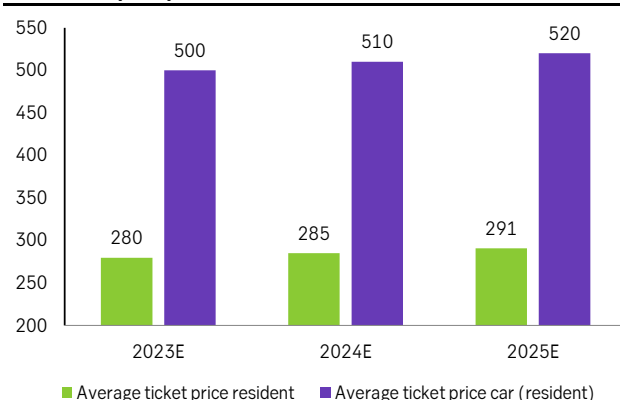
Due to the differences in pricing for residents and tourists for Destination Gotland, we present two separate ticket price forecasts. Gotlandsbolaget has been increasing prices in 2022 and recently announced a price increase of 30% for residents in 2023 starting from January. We have factored in this increase into our 2023 average price projections, but we have not made any other assumptions regarding prices for 2023, other than those that have been officially announced. We expect ticket prices for 2024 and 2025 to follow inflation and assume a 2% increase p.a. We assume the same price forecasts for bringing a car on the ferry. It is important to note that the prices for residents are subject to a cap under the agreement with Trafikverket. We anticipate that tourist prices will track inflation, with a projected increase of 5% in 2023 owing to elevated inflation, followed by 2% in both 2024 and 2025. Our price projections incorporate the Swedish Riksbank's forecast of inflation declining to approximately 2% by 2024. It is important to note that tourist prices can fluctuate substantially depending on the season and demand, as Gotlandsbolaget has the freedom to set ticket prices at its discretion, and there are no contractual regulations governing pricing for tourists. We base our assumptions on an average ticket price of SEK 354 in 2023 for a single adult one-way ticket and SEK 525 for adding a car, making the price for a single adult ticket who drives a car  $\text{SEK } 525 + 354 = 879$  (for the purpose of clarification).

**Tourists (SEK), 2023E-25E**



Source: SEB, Gotlandsbolaget

**Residents (SEK), 2023E-25E**



Source: SEB, Gotlandsbolaget

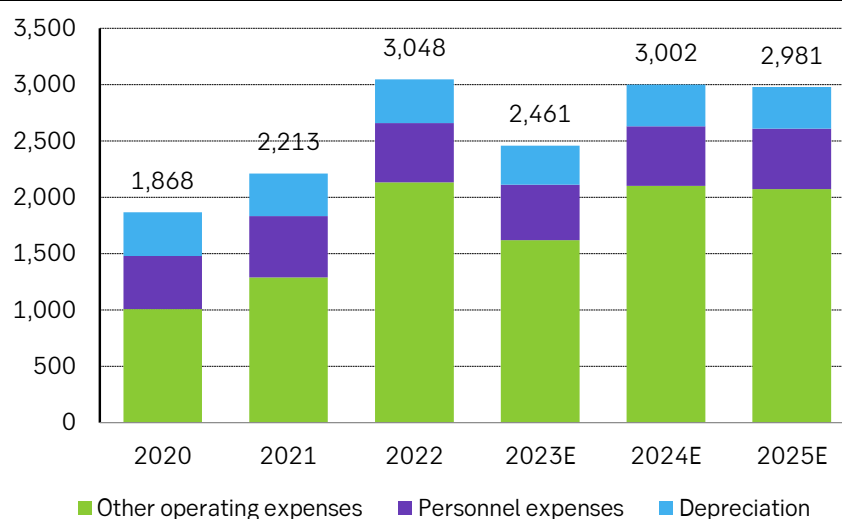
The graphs above display average annual prices for one-way tickets, which may not necessarily reflect the actual ticket prices at any specific point in time. Our pricing assumptions for both tourist and freight prices are based on projected inflation rates. Specifically, we anticipate a 5% increase in 2023, followed by 2% increases in 2024 and 2025. As with the tourist prices the numbers reflect yearly averages for SEK per lane metre and may not necessarily reflect the actual ticket prices at any specific point in time. Both ticket and freight price assumptions are for Destination Gotland's ferry traffic.

**Freight (SEK/lane metre), 2023E-25E**

Source: SEB, Gotlandsbolaget

## Cost forecast

Gotlandsbolaget does not publish details of its costs by line item. Consequently, we have made broad assumptions, expecting all costs to follow inflation, except for fuel costs. To model fuel costs, we have relied on assumptions related to fuel consumption, fuel type, number of trips per year, seasonality pattern, distance travelled, route distribution between the north and south, and fuel prices.

**Opex (SEKm), 2020-25E**

Source: SEB, Gotlandsbolaget

The large decline in opex in 2023 is due to our assumption of lower fuel costs and the cessation of Hansa Destination. We assume Hansa Destination had costs of c. SEK 350m in 2022 based on the same fuel cost model we use for Destination Gotland and historical opex based in the annual report for the subsidiary.

### Our model suggests continued elevated fuel costs in 2023E-24E

We do not have an exact number for fuel costs but found an approximate figure of SEK 300m for a “normal” year from a report by Trafikverket. Nevertheless, we believe it is important to get an idea of what future fuel costs might be and the impact they have on earnings.

#### Assumptions for fuel cost model

Nautical miles between Nynäshamn and Visby:	80
Nautical miles between Oskarshamn and Visby:	68
Nautical miles between Nynäshamn and Rostock:	345
Crossings per year (assume 2/3-1/3 split between north and south):	3100
Average fuel consumption / nautical miles (kWh, south):	2448

Source: SEB

In our model, we rely on certain assumptions and incorporate them to estimate future fuel costs using a fixed annual fuel price. Destination Gotland typically uses LNG and a small portion of biofuels for its ferries; however, it switched to MGO in 2022 due to extremely high LNG prices. Our projection is that Destination Gotland will continue to use MGO until the second half of 2023, and we have calculated fuel expenses based on LNG prices from June onwards. From our analysis in the "Delving into Destination Gotland" section, we have identified a seasonal pattern and ranked the months from lowest to highest in terms of anticipated average monthly crossings. The fuel consumption on the north and south routes differs, with an assumed increase of 10% on the north route which runs from Nynäshamn to Visby, according to the company.

#### Seasonality and fuel assumptions, 2023

Month	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Season	low	low	low	mid	mid	high	highest	high	mid	mid	low	low
Fuel type	MGO	MGO	MGO	MGO	MGO	LNG	LNG	LNG	LNG	LNG	LNG	LNG
Bunker price USD/tonnes:	850	800	800	800	800	800	800	800	800	800	800	800
LNG EUR/MWh:	64	53	45	45	45	50	45	50	50	50	50	50

Source: SEB

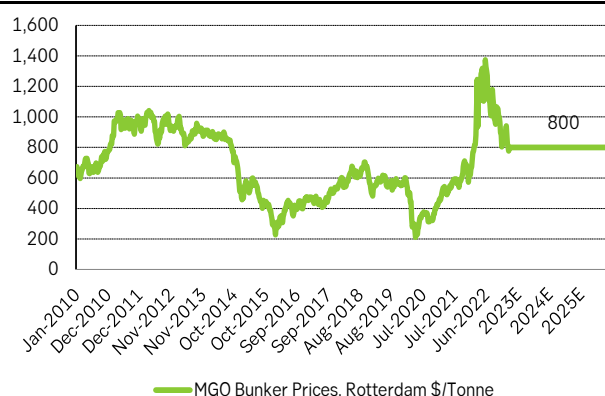
Our estimation of the average monthly crossings relies on a yearly total of 2,800 crossings, taking into account company information that suggests a range of 6-14 crossings per day, depending on the season.

#### Monthly number of single crossings, Destination Gotland

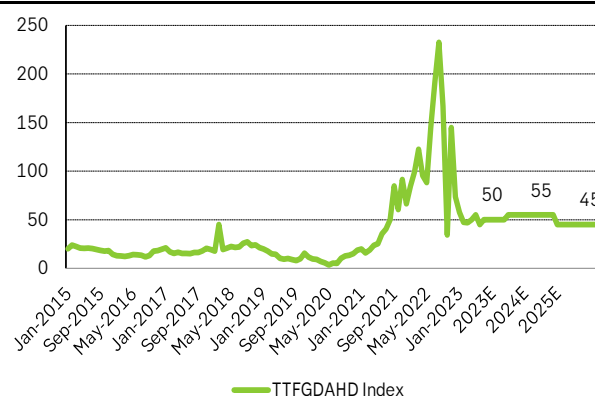
low	160
mid	240
high	320
highest	400

Source: SEB

Our model assumes an average cost of 800 USD/Tonne for MGO for 2023 and an average cost of 50 EUR/MWh for LNG in 2023. In our projections for 2024 and 2025, we have incorporated SEB Macro & FICC's official forecasts. It is important to note that we are utilising the Dutch EU TFF (day-ahead) as a proxy for LNG prices.

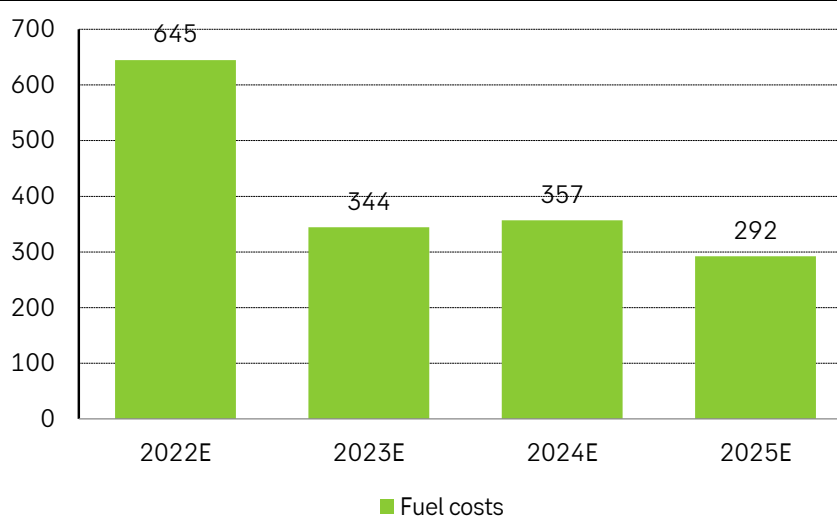
**MGO price forecast (USD/Tonnes), 2010-25E**

Source: SEB, Clarksons

**EU DUTCH TTF (day-ahead), (EUR/MWh), 2015-25E**

Source: SEB, Bloomberg, SEB Macro &amp; FICC

According to our analysis, Destination Gotland is likely to experience persistently high fuel costs throughout 2023E-24E. However, we anticipate a significant reduction in these costs in 2025, attributable to a lower assumed gas price by our Macro & FICC research team. Notably, the costs are expected to be lower than those of 2022, primarily due to the termination of Hansa Destination in 2023, as well as the decrease in fuel prices from the peak levels seen in 2022 that had a significant detrimental impact on earnings.

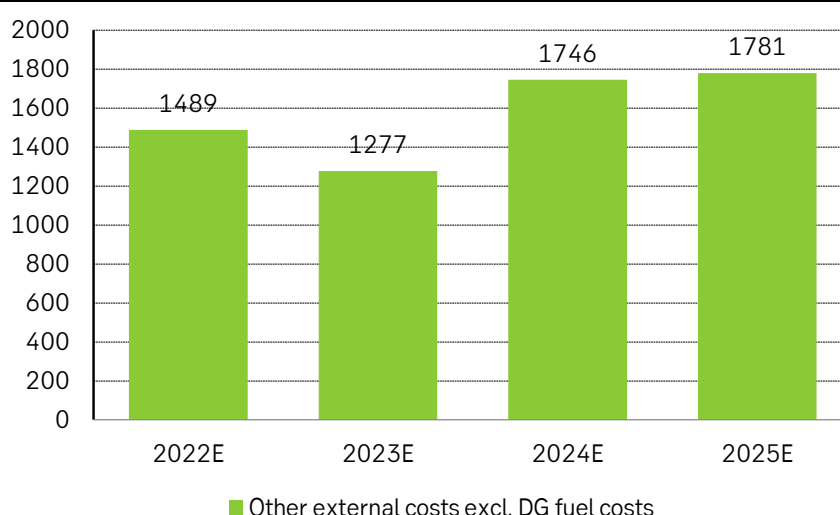
**Fuel cost forecast DG (SEKm), 2023E-25E**

Source: SEB

Fuel prices have been highly volatile over the last three years and could very well continue to be so, which means that our estimates might be too low or too high depending on various factors beyond the company's control. It is important to have in mind that our model is a simplified version of cost analysis and comes with limitations. There are also some company specific factors, such as hedging and timing, which can cause actual fuel costs to deviate from our estimates.

**We expect other operating costs to follow inflation**

We assume other operating costs grow by the inflation rate, which we set to 5% in 2023, approximately in line with The Swedish Riskbank estimate of 5.7%, and 2% p.a. from 2024-25.

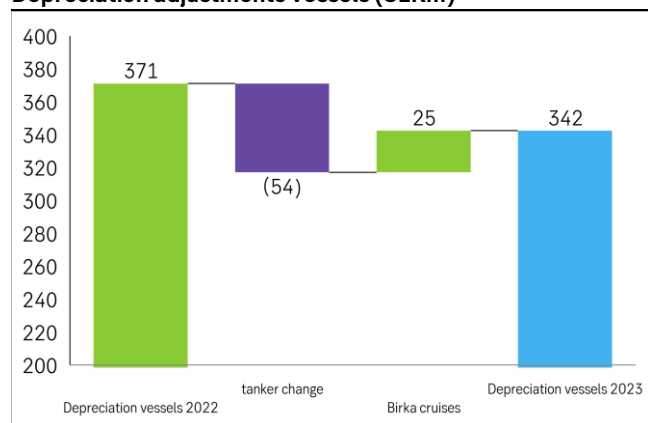
**Gotlandsbolaget's other operating costs (SEKm), 2022E-25E**

Source: SEB, Gotlandsbolaget

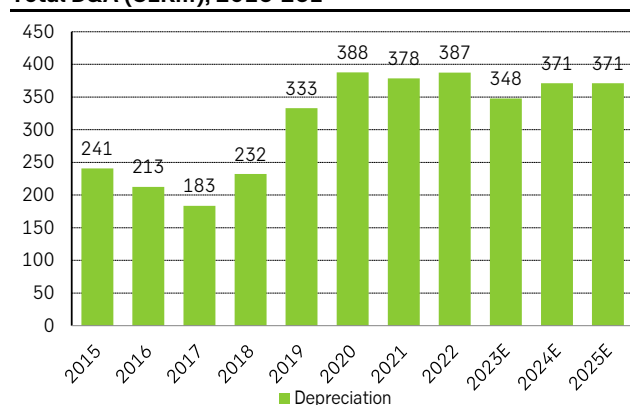
In 2024, we expect a rise in other operating costs, due to the inclusion of Gotland cruises, with an estimated expense of approximately SEK 400m. Conversely, in 2023, we anticipate a decrease in other operating costs owing to the disposal of the tanker business and termination of Hansa Destination. Our projections for the expenses incurred by Gotland cruises are grounded in M/S Birka Cruises' previous owner's historical annual reports.

**Depreciation continues to be a major part of opex**

We adjust for the divestments of tankers and the addition of M/S Birka Stockholm in our depreciation forecasts, where we include the depreciation on M/S Birka Stockholm from May 2023.

**Depreciation adjustments vessels (SEKm)**

Source: SEB, Gotlandsbolaget

**Total D&A (SEKm), 2015-25E**

Source: SEB, Gotlandsbolaget

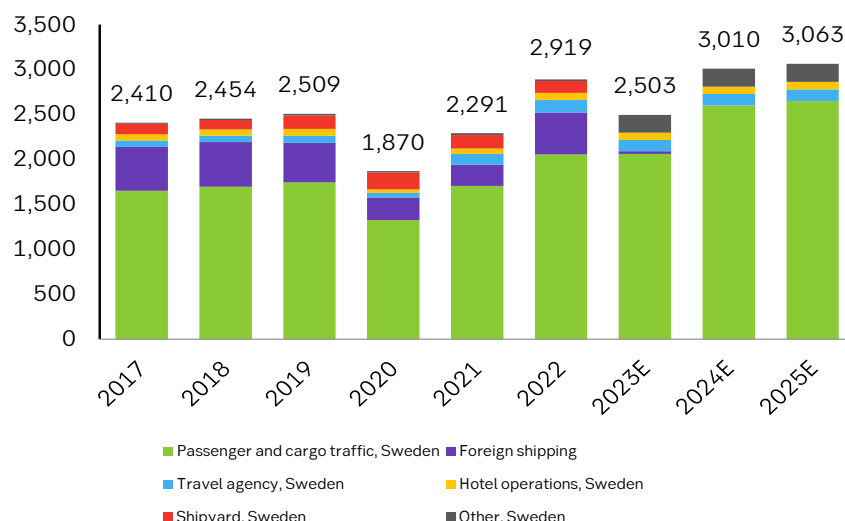
We apply ten-year straight-line depreciation for M/S Birka Stockholm, in line with Gotlandsbolaget's other ferries.



## Sales, earnings and future returns

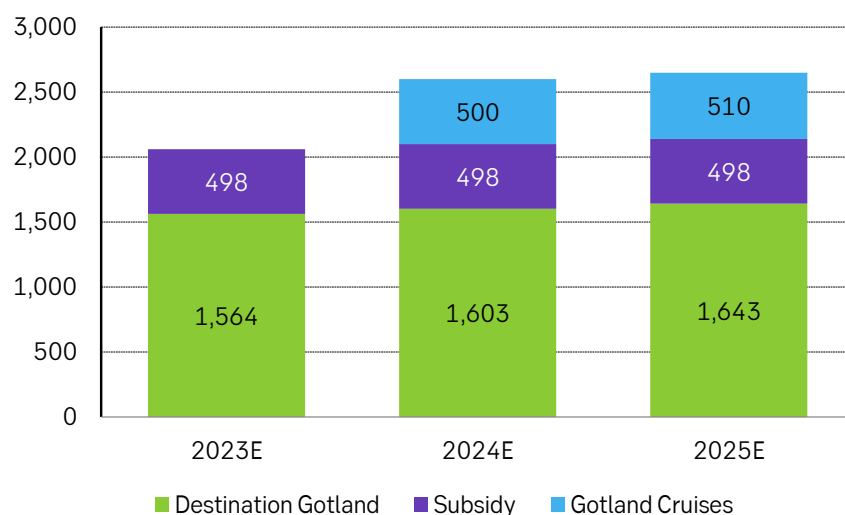
Group sales include sales of the Passenger and Cargo Traffic segment, which in 2024 includes Gotland Cruises, for which we estimate sales of SEK 500m. Additionally, we include sales from other operations, such as charter income, Gotland Tech Development, Gotland Capital Management, and Property Management, in the "Other" segment which totals SEK 150m.

### Net sales by segment (SEKm), 2017-25E



Source: SEB, Gotlandsbolaget

### Breakdown of the passenger and cargo traffic segment (SEKm), 2023E-25E



Source: SEB

In our estimates for 2023, we only consider the guaranteed fixed compensation of SEK 498m from the agreement with Trafikverket. We believe this is a conservative approach, given the current high fuel prices compared with before Russia's invasion of Ukraine. Any additional compensation from Trafikverket is tied to bunker prices and is adjusted annually, which includes a +/- 25% range where Gotlandsbolaget is fully exposed to the price movements. If prices exceed this threshold, Trafikverket will compensate 50% of the additional costs. Considering the uncertainties surrounding future fuel prices and the contract structure, we believe it is prudent to solely rely on the fixed compensation in our estimates.

For the new segment, Gotland Cruises, which should be operational by 2024, we estimate net sales of SEK 500m with an assumed EBIT margin of 5%. We have factored in an annual growth rate of 1% for passenger growth, which is consistent with our estimates for Destination Gotland's tourist growth. We use the same growth rate for Gotlands Stuveri as for our freight estimates and use our tourist growth assumptions when we forecast travel agency growth.

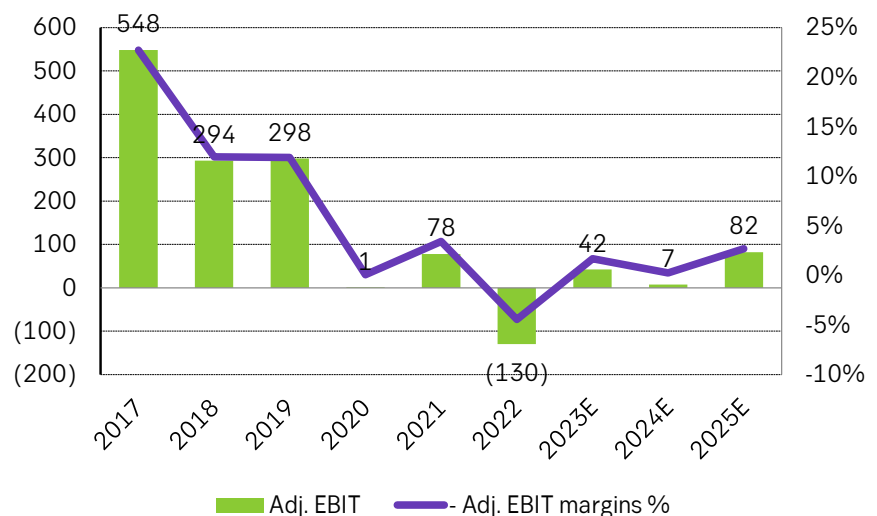
#### **We assume a fixed occupancy rate of 42% for all hotel operations**

For the hotel operations, we assume a fixed occupancy rate of 42% for both Scandic Visby and Visby Gustavsvik but make separate RevPAR (revenue per available room) assumptions. Scandic Visby currently has 214 available rooms, and we do not factor in any growth in terms of number of rooms. Visby Gustavsvik has 124 rooms. We assume a high RevPAR of SEK 1,581 for 2023, based on the prime location for Scandic Visby and assume RevPAR growth will follow inflation. For Visby Gustavsvik we assume a RevPAR of SEK 836 which is just above half of Scandic Visby. The assumed RevPAR for Scandic Visby can be compared to Scandic's Swedish average for 2022 of SEK 681. We forecast net sales for the hotel operations for SEK 81m, SEK 82m and SEK 84m for 2023-25.

#### **Tough to get back to historical adj. EBIT margins**

Based on our forecasts of costs and net sales, it seems unlikely that Gotlandsbolaget will achieve pre-pandemic levels of profitability in the near future. The year 2023 will be a critical period as the company terminates its tanker business, divests its remaining shares in the shipyard, and temporarily halts Hansa Destination, resulting in a substantial decline in revenue. As a result, the company's reliance on Destination Gotland has grown and we anticipate that persistently high fuel prices will continue to impact its earnings. To mitigate some of the cost pressures, Destination Gotland has implemented significant price rises for residents, in accordance with the agreement with Trafikverket. However, based on the 2022 year-end report, Destination Gotland and Hansa Destination posted a combined loss of SEK 400m, with Destination Gotland likely accounting for the majority of the loss. We would have to see the effects of the price rises, combined with a significant decrease in fuel prices before we have confidence in a complete turnaround for Destination Gotland. Therefore, we take a cautious stance on near-term profitability.

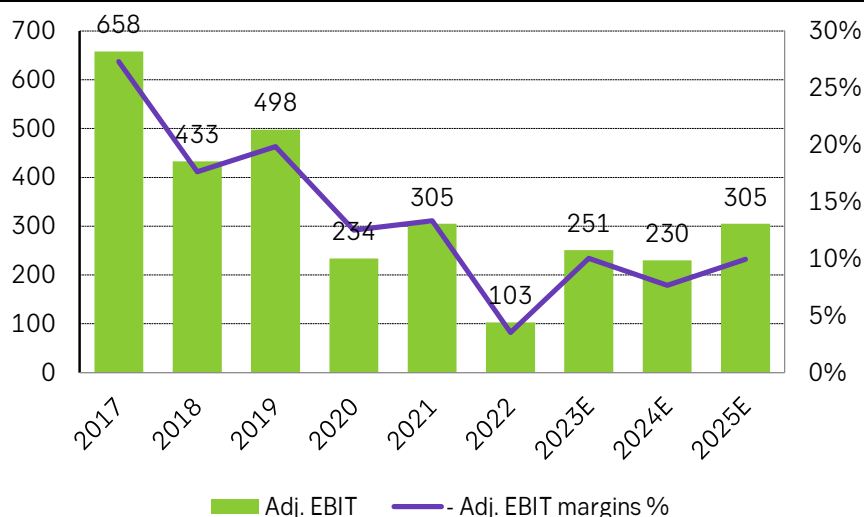
**Adj. EBIT (SEKm) and margins (%), 2017-25E**



Source: SEB, Gotlandsbolaget

Adjusting for the aggressive 10-year depreciation period by instead adopting a 25-year depreciation period, we can obtain a more accurate assessment of the underlying profitability. This adjustment follows the same method previously used to analyse normalised ROIC and ROE.

#### Adjusted EBIT (SEKm) and adj. EBIT margins (%), 2017-25E



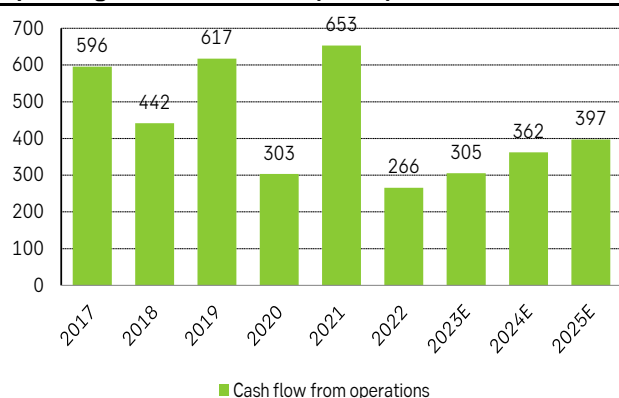
Source: SEB, Gotlandsbolaget

After this adjustment, the outlook shifts significantly, revealing healthy margins and EBIT growth in our forecast period. However, our conclusion remains the same: profitability is not expected to return to the levels before the pandemic and Russia's invasion of Ukraine. The estimated rise in 2025 can be attributed to our assumptions of lower fuel prices, which we expect to significantly benefit Destination Gotland. Analysing our adjusted earnings of Gotlandsbolaget, we can conclude that 2022 was a decent year which underscores the significance of adjusting depreciation when evaluating Gotlandsbolaget's financial performance.

#### Cash flow and capex

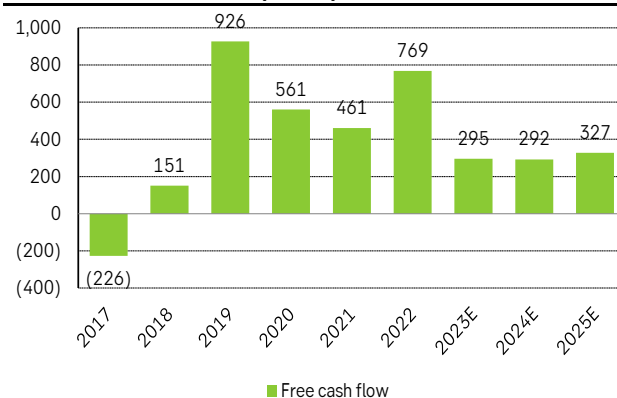
Our free cash flow assumptions incorporate SEK 400m in capex from investing in *M/S Birka Stockholm* in 2023, along with an additional SEK 70m p.a. in maintenance capex. This is based on our base case scenario, which only takes into account maintenance capex. We elaborate on our various valuation approaches in the valuation section of this report. We include the recent sales of vessels, which include the sale of *M/S Valentine*, *M/T Wisby Pacific*, *M/T Wisby Atlantic* and *HSC Gotlandia II*. We account for SEK 510m from these sales in our 2023 cash flow.

#### Operating cash flow forecast (SEKm), 2017-25E



Source: SEB, Gotlandsbolaget

#### Free cash flow forecast (SEKm), 2017-25E



Source: SEB, Gotlandsbolaget

## GOTL looks well positioned to win new concession, but other candidates exist

Gotlandsbolaget's current agreement with Trafikverket will expire on 31 January 2027, and we understand that a new tender will be launched during the first half of 2023. The new contract is expected to be awarded before the end of the year, but the exact tender structure is unknown at this time. It is likely that the new concession will last for another 10 years. With Gotlandsbolaget's experience and knowledge from previous concession periods, we believe it is in a favourable position to secure the upcoming concession. However, it is important to note that we do not have any insights into the upcoming tender structure or selection criteria, so we cannot provide an objective assessment of Gotlandsbolaget's chances of winning.

We have compiled a list of potential competitors and evaluated how Gotland traffic fits into these companies' strategies. We have identified the following ferry companies, which currently operate passenger ferries in the Baltic Sea. We note that this is not an exhaustive list and several other ferry companies may decide to submit a bid.

**DFDS** is a Danish company that offers a ferry and logistics services throughout Europe, with annual revenue of c. DKK 25bn in 2022. The company's ferry network is comprised of 26 routes and operates about 65 freight ferries, including combined freight and passenger ferries. DFDS also operates eight port terminals. Its primary markets are in Northern Europe and Turkey, and it currently employs over 11,100 people across more than 20 countries.

**Finnlines** is a Finnish shipping operator that specialises in both freight and passenger services, with a focus on the Baltic and North Sea. In 2022, the company generated revenues of approximately EUR 736m. Its passenger-freight vessels offer services between Finland-Germany, Finland-Sweden via Åland as well as between Sweden and Germany. The company also provides port services in Finland. Finnlines has around 1,700 employees in seven countries.

**Molslinjen** is a Danish company that provides both passenger and freight shipping services. In 2021, the company reported revenues of around DKK 1.8bn. Its ferry network includes nine routes, covering destinations in Sweden, Germany, and various Danish islands. Molslinjen has a fleet of 16 ships of different sizes and employs around 800 full-time staff.

**Stena Line** is a Swedish ferry company offering both passenger and freight services, generating revenues of around SEK 10bn in 2022. The company has 18 routes, covering destinations in Denmark, Sweden, Finland, Germany, Poland, Latvia, Great Britain, Ireland, the Netherlands and France with a total of 38 vessels. Stena Line has over 5,100 employees.

**Tallink** is an Estonian company that provides mini-cruise and passenger transport services in the northern Baltic Sea region, as well as ro-ro cargo services on selected routes. The company reported revenues of c. EUR 770m in 2022. Its fleet includes nine cruise vessels, three fast ro-pax ferries, and two cargo vessels, which operate Finland-Sweden, Finland-Estonia, Sweden-Estonia and Sweden-Latvia. Tallink has around 4,500 employees in six countries.

**TT-Line** is a German shipping company offering direct transport for both passengers and freight between Germany, Poland, and Sweden. The ferry network is comprised of by nine ferries operating on seven routes. TT-Line has over 700 employees.

**Viking Line** is a Finnish shipping company that offers both freight and passenger services on three routes, connecting five destinations in Sweden, Finland and Estonia, using a fleet of five vessels. In 2022, the company reported revenues of approximately EUR 495m. Viking Line has over 2,000 employees.

We have evaluated the identified ferry companies based on: 1) their scale and resources (20% weight) to make a bid for the Gotland traffic concession; 2) the strategic fit (40% weight); and 3) the strategic importance (40% weight).

Based on the first criteria, **scale and resources**, we argue that all of the identified companies have the scale and resources to make a bid for the Gotland traffic concession. However, the identified companies vary in size, and we argue that the companies with the largest fleets and route networks, such as DFDS, Stena Line and Finnlines, have an advantage over the smaller ones due to their ability to allocate existing ferries to the Gotland traffic, while continuing to serve existing routes, and thereby optimise ferry utilisation and thus limit costs and capex. Furthermore, potential investments in the concession would be a smaller share of the larger companies' total cost and capex levels.





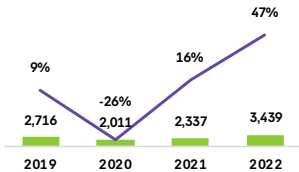
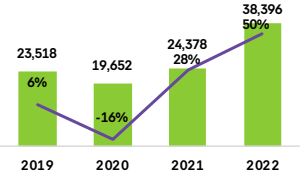
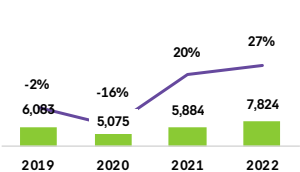
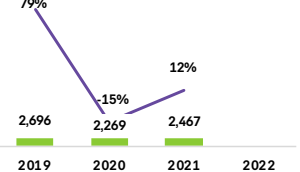
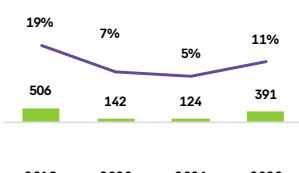
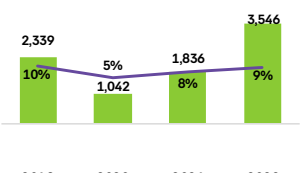
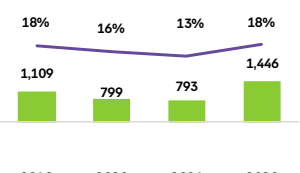
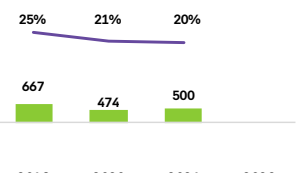
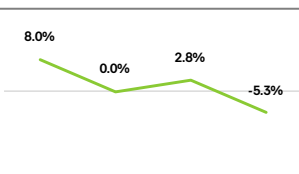
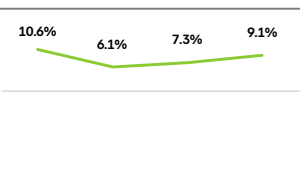
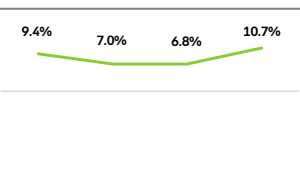
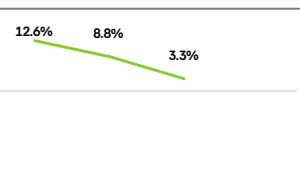
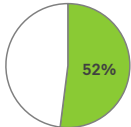


The second criteria, **strategic fit**, is based on the identified companies' business model and share of revenue from passenger transportation. We argue that the strategic fit is high for companies with a high share of passenger revenue. On this basis, we consider Viking Line, Tallink and TT-Line to have the highest strategic fit. We also note that Molslinjen has extensive experience with concessions as most of its current routes are under concessions and generally similar to the Gotland traffic. Hence, we argue the Gotland traffic would have a strong strategic fit for Molslinjen as well.

The third criteria, **strategic importance**, is based on how much of the companies' business would potentially be made up from the concession. On this basis, we argue that the Gotland traffic concession would be of most strategic importance for Molslinjen, Viking Line, Tallink, TT-line and Finnlines.

We argue that Gotlandsbolaget should rate highly on all three criteria, particularly the criteria related to strategic importance, as Gotland traffic currently constitutes more than 70% of the company's revenue. Therefore, we believe Gotlandsbolaget is incentivised to provide a competitive offer on the tender, hence we argue it will be a very strong contender, although we note that we have identified several other potential candidates, with Molslinjen being the most likely, in our view. Please see summary of our assessment below.





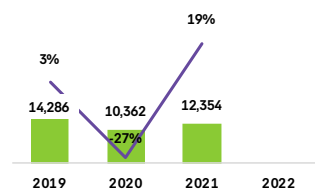
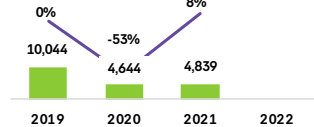
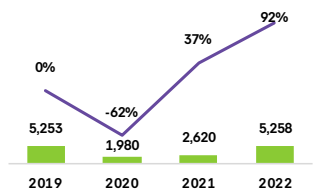
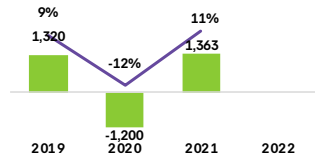
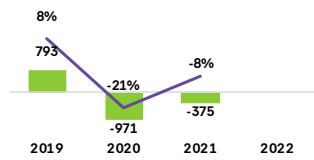
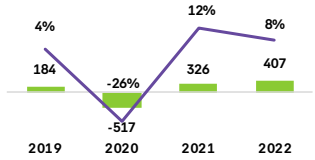
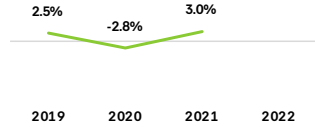
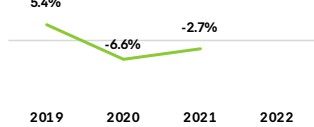
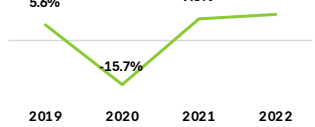
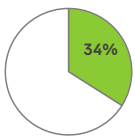
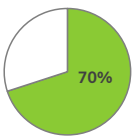
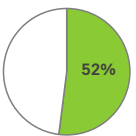
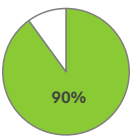
On the back of the analysis, our base case is that Gotlandsbolaget secures the concession for another 10 years, through to 2037.

## Potential candidates for Gotland traffic concession

SEKm	 Gotlandsbolaget	 DFDS	 Finnlines <small>a Grimaldi Group company</small>	 MOLSLINJEN																																																									
Revenue and growth	 <table><thead><tr><th>Year</th><th>Revenue</th><th>Growth</th></tr></thead><tbody><tr><td>2019</td><td>2,716</td><td>9%</td></tr><tr><td>2020</td><td>2,011</td><td>-26%</td></tr><tr><td>2021</td><td>2,337</td><td>16%</td></tr><tr><td>2022</td><td>3,439</td><td>47%</td></tr></tbody></table>	Year	Revenue	Growth	2019	2,716	9%	2020	2,011	-26%	2021	2,337	16%	2022	3,439	47%	 <table><thead><tr><th>Year</th><th>Revenue</th><th>Growth</th></tr></thead><tbody><tr><td>2019</td><td>23,518</td><td>6%</td></tr><tr><td>2020</td><td>19,652</td><td>-16%</td></tr><tr><td>2021</td><td>24,378</td><td>28%</td></tr><tr><td>2022</td><td>38,396</td><td>50%</td></tr></tbody></table>	Year	Revenue	Growth	2019	23,518	6%	2020	19,652	-16%	2021	24,378	28%	2022	38,396	50%	 <table><thead><tr><th>Year</th><th>Revenue</th><th>Growth</th></tr></thead><tbody><tr><td>2019</td><td>6,083</td><td>-2%</td></tr><tr><td>2020</td><td>5,075</td><td>-16%</td></tr><tr><td>2021</td><td>5,884</td><td>20%</td></tr><tr><td>2022</td><td>7,824</td><td>27%</td></tr></tbody></table>	Year	Revenue	Growth	2019	6,083	-2%	2020	5,075	-16%	2021	5,884	20%	2022	7,824	27%	 <table><thead><tr><th>Year</th><th>Revenue</th><th>Growth</th></tr></thead><tbody><tr><td>2019</td><td>2,696</td><td>79%</td></tr><tr><td>2020</td><td>2,269</td><td>-15%</td></tr><tr><td>2021</td><td>2,467</td><td>12%</td></tr></tbody></table>	Year	Revenue	Growth	2019	2,696	79%	2020	2,269	-15%	2021	2,467	12%
Year	Revenue	Growth																																																											
2019	2,716	9%																																																											
2020	2,011	-26%																																																											
2021	2,337	16%																																																											
2022	3,439	47%																																																											
Year	Revenue	Growth																																																											
2019	23,518	6%																																																											
2020	19,652	-16%																																																											
2021	24,378	28%																																																											
2022	38,396	50%																																																											
Year	Revenue	Growth																																																											
2019	6,083	-2%																																																											
2020	5,075	-16%																																																											
2021	5,884	20%																																																											
2022	7,824	27%																																																											
Year	Revenue	Growth																																																											
2019	2,696	79%																																																											
2020	2,269	-15%																																																											
2021	2,467	12%																																																											
EBIT and margin	 <table><thead><tr><th>Year</th><th>EBIT</th><th>Margin</th></tr></thead><tbody><tr><td>2019</td><td>506</td><td>19%</td></tr><tr><td>2020</td><td>142</td><td>7%</td></tr><tr><td>2021</td><td>124</td><td>5%</td></tr><tr><td>2022</td><td>391</td><td>11%</td></tr></tbody></table>	Year	EBIT	Margin	2019	506	19%	2020	142	7%	2021	124	5%	2022	391	11%	 <table><thead><tr><th>Year</th><th>EBIT</th><th>Margin</th></tr></thead><tbody><tr><td>2019</td><td>2,339</td><td>10%</td></tr><tr><td>2020</td><td>1,042</td><td>5%</td></tr><tr><td>2021</td><td>1,836</td><td>8%</td></tr><tr><td>2022</td><td>3,546</td><td>9%</td></tr></tbody></table>	Year	EBIT	Margin	2019	2,339	10%	2020	1,042	5%	2021	1,836	8%	2022	3,546	9%	 <table><thead><tr><th>Year</th><th>EBIT</th><th>Margin</th></tr></thead><tbody><tr><td>2019</td><td>1,109</td><td>18%</td></tr><tr><td>2020</td><td>799</td><td>16%</td></tr><tr><td>2021</td><td>793</td><td>13%</td></tr><tr><td>2022</td><td>1,446</td><td>18%</td></tr></tbody></table>	Year	EBIT	Margin	2019	1,109	18%	2020	799	16%	2021	793	13%	2022	1,446	18%	 <table><thead><tr><th>Year</th><th>EBIT</th><th>Margin</th></tr></thead><tbody><tr><td>2019</td><td>667</td><td>25%</td></tr><tr><td>2020</td><td>474</td><td>21%</td></tr><tr><td>2021</td><td>500</td><td>20%</td></tr></tbody></table>	Year	EBIT	Margin	2019	667	25%	2020	474	21%	2021	500	20%
Year	EBIT	Margin																																																											
2019	506	19%																																																											
2020	142	7%																																																											
2021	124	5%																																																											
2022	391	11%																																																											
Year	EBIT	Margin																																																											
2019	2,339	10%																																																											
2020	1,042	5%																																																											
2021	1,836	8%																																																											
2022	3,546	9%																																																											
Year	EBIT	Margin																																																											
2019	1,109	18%																																																											
2020	799	16%																																																											
2021	793	13%																																																											
2022	1,446	18%																																																											
Year	EBIT	Margin																																																											
2019	667	25%																																																											
2020	474	21%																																																											
2021	500	20%																																																											
Return on invested capital (EBIT/IC)	 <table><thead><tr><th>Year</th><th>Return on invested capital</th></tr></thead><tbody><tr><td>2019</td><td>8.0%</td></tr><tr><td>2020</td><td>0.0%</td></tr><tr><td>2021</td><td>2.8%</td></tr><tr><td>2022</td><td>-5.3%</td></tr></tbody></table>	Year	Return on invested capital	2019	8.0%	2020	0.0%	2021	2.8%	2022	-5.3%	 <table><thead><tr><th>Year</th><th>Return on invested capital</th></tr></thead><tbody><tr><td>2019</td><td>10.6%</td></tr><tr><td>2020</td><td>6.1%</td></tr><tr><td>2021</td><td>7.3%</td></tr><tr><td>2022</td><td>9.1%</td></tr></tbody></table>	Year	Return on invested capital	2019	10.6%	2020	6.1%	2021	7.3%	2022	9.1%	 <table><thead><tr><th>Year</th><th>Return on invested capital</th></tr></thead><tbody><tr><td>2019</td><td>9.4%</td></tr><tr><td>2020</td><td>7.0%</td></tr><tr><td>2021</td><td>6.8%</td></tr><tr><td>2022</td><td>10.7%</td></tr></tbody></table>	Year	Return on invested capital	2019	9.4%	2020	7.0%	2021	6.8%	2022	10.7%	 <table><thead><tr><th>Year</th><th>Return on invested capital</th></tr></thead><tbody><tr><td>2019</td><td>12.6%</td></tr><tr><td>2020</td><td>8.8%</td></tr><tr><td>2021</td><td>3.3%</td></tr></tbody></table>	Year	Return on invested capital	2019	12.6%	2020	8.8%	2021	3.3%																			
Year	Return on invested capital																																																												
2019	8.0%																																																												
2020	0.0%																																																												
2021	2.8%																																																												
2022	-5.3%																																																												
Year	Return on invested capital																																																												
2019	10.6%																																																												
2020	6.1%																																																												
2021	7.3%																																																												
2022	9.1%																																																												
Year	Return on invested capital																																																												
2019	9.4%																																																												
2020	7.0%																																																												
2021	6.8%																																																												
2022	10.7%																																																												
Year	Return on invested capital																																																												
2019	12.6%																																																												
2020	8.8%																																																												
2021	3.3%																																																												
% of revenue passengers (latest FY)	 <table><thead><tr><th>Category</th><th>Percentage</th></tr></thead><tbody><tr><td>Revenue passengers</td><td>52%</td></tr></tbody></table>	Category	Percentage	Revenue passengers	52%	 <table><thead><tr><th>Category</th><th>Percentage</th></tr></thead><tbody><tr><td>Revenue passengers</td><td>10%</td></tr></tbody></table>	Category	Percentage	Revenue passengers	10%	 <table><thead><tr><th>Category</th><th>Percentage</th></tr></thead><tbody><tr><td>Revenue passengers</td><td>9%</td></tr></tbody></table>	Category	Percentage	Revenue passengers	9%	n.a.																																													
Category	Percentage																																																												
Revenue passengers	52%																																																												
Category	Percentage																																																												
Revenue passengers	10%																																																												
Category	Percentage																																																												
Revenue passengers	9%																																																												
No. ferries	7	60	25	15																																																									
No. routes	2	26	21	9																																																									









































Source: Company information and SEB

## Potential candidates for Gotland traffic concession

SEKm				
Revenue and growth	 <p>3% 14,286 2019</p> <p>-27% 10,362 2020</p> <p>19% 12,354 2021</p> <p>2022</p>	 <p>0% 10,044 2019</p> <p>-53% 4,644 2020</p> <p>8% 4,839 2021</p> <p>2022</p>	n.a.	 <p>0% 5,253 2019</p> <p>-62% 1,980 2020</p> <p>37% 2,620 2021</p> <p>92% 5,258 2022</p>
EBIT and margin	 <p>9% 1,320 2019</p> <p>-12% -1,200 2020</p> <p>11% 1,363 2021</p> <p>2022</p>	 <p>8% 793 2019</p> <p>-21% -971 2020</p> <p>-8% -375 2021</p> <p>2022</p>	n.a.	 <p>4% 184 2019</p> <p>-26% -517 2020</p> <p>12% 326 2021</p> <p>8% 407 2022</p>
Return on invested capital (EBIT/IC)	 <p>2.5% 2019</p> <p>-2.8% 2020</p> <p>3.0% 2021</p> <p>2022</p>	 <p>5.4% 2019</p> <p>-6.6% 2020</p> <p>-2.7% 2021</p> <p>2022</p>	n.a.	 <p>5.6% 2019</p> <p>-15.7% 2020</p> <p>7.5% 2021</p> <p>9.1% 2022</p>
% of revenue passengers (latest FY)	 <p>34%</p>	 <p>70%</p>	 <p>52%</p>	 <p>90%</p>
No. ferries	39	8	9	5
No. routes	17	5	7	7

Source: Company information and SEB

## Assessment of Gotland traffic concession fit for identified companies

Company	Scale & Resources (20%)	Strategic fit (40%)	Strategic importance (40%)	Overall fit
 Gotlandsbolaget				
				
				
				
				
				
				
				

Source: SEB



# SEB estimates

We have modelled an explicit budget period of 2023-25, which is covered by the current concession period based on the key assumptions discussed in the previous section.

## Consolidated financial statement

(SEKm)	2019	2020	2021	2022	2023E	2024E	2025E
Revenue	2,508.8	1,870.2	2,291.0	2,918.8	2,502.8	3,009.8	3,063.2
Other income (asset disposals)	207.7	140.9	45.7	520.2	305.0	0.0	0.0
<b>Total revenues</b>	<b>2,716.5</b>	<b>2,011.1</b>	<b>2,336.7</b>	<b>3,439.0</b>	<b>2,807.8</b>	<b>3,009.8</b>	<b>3,063.2</b>
Other external expenses	(1,281.0)	(1,008.3)	(1,288.8)	(2,133.1)	(1,621.2)	(2,102.7)	(2,072.8)
Personnel expenses	(596.3)	(472.3)	(545.6)	(527.9)	(491.8)	(528.4)	(537.0)
<b>EBITDA</b>	<b>838.9</b>	<b>529.9</b>	<b>502.2</b>	<b>777.8</b>	<b>656.5</b>	<b>378.7</b>	<b>453.4</b>
<b>Adj. EBITDA</b>	<b>631.2</b>	<b>388.9</b>	<b>456.5</b>	<b>257.6</b>	<b>389.9</b>	<b>378.7</b>	<b>453.4</b>
Depreciation vessels	(317.1)	(372.6)	(362.5)	(371.1)	(331.9)	(355.1)	(355.1)
Depreciation other fixed assets	(15.8)	(15.2)	(15.8)	(16.1)	(15.7)	(16.1)	(16.1)
Total OPEX	(2,210.1)	(1,868.4)	(2,212.7)	(3,048.2)	(2,460.6)	(3,002.3)	(2,981.0)
<b>EBIT</b>	<b>506.0</b>	<b>142.0</b>	<b>123.8</b>	<b>390.6</b>	<b>308.9</b>	<b>7.5</b>	<b>82.2</b>
Financial income and expenses net	(102.6)	17.0	25.9	12.5	21.8	0.0	0.0
<b>Adj. EBIT</b>	<b>298.3</b>	<b>1.1</b>	<b>78.2</b>	<b>(129.6)</b>	<b>42.3</b>	<b>7.5</b>	<b>82.2</b>
<b>Profit before taxes</b>	<b>403.4</b>	<b>159.0</b>	<b>149.8</b>	<b>403.1</b>	<b>330.7</b>	<b>7.5</b>	<b>82.2</b>
Income tax	(93.5)	174.7	(33.8)	(121.1)	(39.0)	(1.5)	(16.9)
Minority share of profit/loss	(0.1)	(0.4)	(1.0)	(5.1)	(0.5)	(0.1)	(0.7)
<b>Profit / loss for the period</b>	<b>309.9</b>	<b>333.7</b>	<b>116.0</b>	<b>282.0</b>	<b>291.7</b>	<b>5.9</b>	<b>65.3</b>
Adjustments	(207.7)	(140.9)	(45.7)	(520.2)	(266.6)	0.0	0.0
tax effect of adjustments	43.6	29.6	9.6	109.2	54.9	0.0	0.0
<b>Adjusted Profit / loss for the period</b>	<b>145.8</b>	<b>222.4</b>	<b>79.9</b>	<b>(129.0)</b>	<b>80.0</b>	<b>5.9</b>	<b>65.3</b>
EPS, reported	123.9	133.5	46.4	112.8	(2.2)	2.4	26.1
EPS, adj	58.3	89.0	32.0	(51.6)	7.5	2.4	26.1
<b>Growth &amp; Margins (%)</b>							
Net sales growth (%)	2.2	(25.5)	22.5	27.4	(14.3)	20.3	1.8
EBITDA growth (%)	48.8	(36.8)	(5.2)	54.9	(15.6)	(42.3)	19.7
EBIT growth (%)	52.6	(71.9)	(12.8)	215.4	(20.9)	(97.6)	999.0
Adj. EBIT growth (%)	1.6	(99.6)	6,967.0	(265.8)	132.6	(82.3)	999.0
EPS growth (%)	48.5	7.7	(65.2)	143.1	(101.9)	209.5	999.0
Adj. EPS growth (%)	(18.4)	52.5	(64.1)	(261.4)	114.6	(68.4)	999.0
EBITDA margins (%)	30.9	26.3	21.5	22.6	23.4	12.6	14.8
EBIT margins (%)	18.6	7.1	5.3	11.4	11.0	0.2	2.7
Adjusted EBIT margins (%)	11.9	0.1	3.4	(4.4)	1.7	0.2	2.7
PTP margins (%)	14.9	7.9	6.4	11.7	11.8	0.2	2.7
Net income margins (%)	11.4	16.6	5.0	8.2	10.4	0.2	2.1
Adjusted net income margins (%)	5.4	11.1	3.4	(3.7)	2.8	0.2	2.1
No of shares, f. dil, avg, adj. (m)	2.5	2.5	2.5	2.5	2.5	2.5	2.5

Source: SEB, Gotlandsbolaget

# Valuation

In our valuation, we have considered three distinct scenarios. The first scenario assumes that Gotlandsbolaget will retain the concession indefinitely. The second scenario assumes that the company will have the concession for one more period and we model the cash flow from Destination Gotland until 2037. Lastly, the third scenario assumes that the company will lose the upcoming concession, and we only model the cash flow for Destination Gotland until 2027. These scenarios were developed with a focus on the agreement with Trafikverket, as it plays a critical role in determining Gotlandsbolaget's revenues. As we present each scenario in detail, we will also elaborate on the distinct assumptions we have made regarding capex.

To be clear, while we assign equal weights to each scenario to derive our valuation range for the sake of simplicity, we believe scenarios 1 and 2, which both assume that the Gotland concession is secured by the end of this year, are by far the most likely outcomes.

## Scenario 1: Gotlandsbolaget keeps the concession indefinitely

In this scenario, we utilise a simple 20-year DCF valuation approach while assuming a significant capex requirement due to the need for continuous upgrades to the fleet of vessels. Given the unpredictable nature of investment timing, which can be sporadic in reality, we spread the capex needs uniformly over the entire projected period. We estimate the normal annual capex need to be SEK 250m, plus an additional SEK 50m for yearly maintenance capex. We base our normal capex need on an approximate newbuild value of SEK 1.5-2.5bn per vessel and depreciate this over a 25-year period.

<b>WACC calculation</b>	
Risk-free rate	2.5%
Equity risk premium	5.5%
Industry-specific risk premium	0.0%
Company-specific risk premium	0.0%
<b>Cost of equity</b>	<b>8.0%</b>
Cost of debt - non-tax deductible	2.5%
Tax shield	10.0%
<b>Cost of debt - tax-deductible</b>	<b>2.3%</b>
Capital structure (Equity/EV)	100.0%
<b>Weighted average cost of capital (WACC)</b>	<b>8.0%</b>
Source: SEB	

We do not add any company specific risk in our WACC calculation and instead do risk-adjustments through our scenarios, because we believe the concession is the largest risk factor. We therefore use the same WACC for all three scenarios.

## High capex and low ROIC result in a valuation of SEK 1,214 per share

In our calculations, we take into account both the assumed capex for Destination Gotland and additional maintenance and expansion capex of SEK 20 million and SEK 60 million, respectively, for Gotland Cruises. This results in a total capex requirement of SEK 380m per year. Starting from 2028, we project this capex and set depreciation equal to capex, which leads to a share value of SEK 2,214.

**Scenario 1: DCF summary**

DCF valuation (SEKm)		Weighted average cost of capital (%)	
NPV of FCF in explicit forecast period	1,759	Risk free interest rate	2.5
NPV of continuing value	553	Risk premium	5.5
Value of operation	2,313	Cost of equity	8.0
Net debt	(3,223)	After tax cost of debt	2.3
Share issue/buy-back in forecast period	-	WACC	8.0
Value of associated companies	-		
Value of minority shareholders' equity	-		
Value of marketable assets	-	Assumptions	
DCF value of equity	5,536	Number of forecast years	20
DCF value per share (SEK)	2,214	EBIT margin - steady state (%)	3.6
Current share price (SEK)	1,900.00	EBIT multiple - steady state (x)	15.4
DCF performance potential (%)	17	Continuing value (% of NPV)	23.9

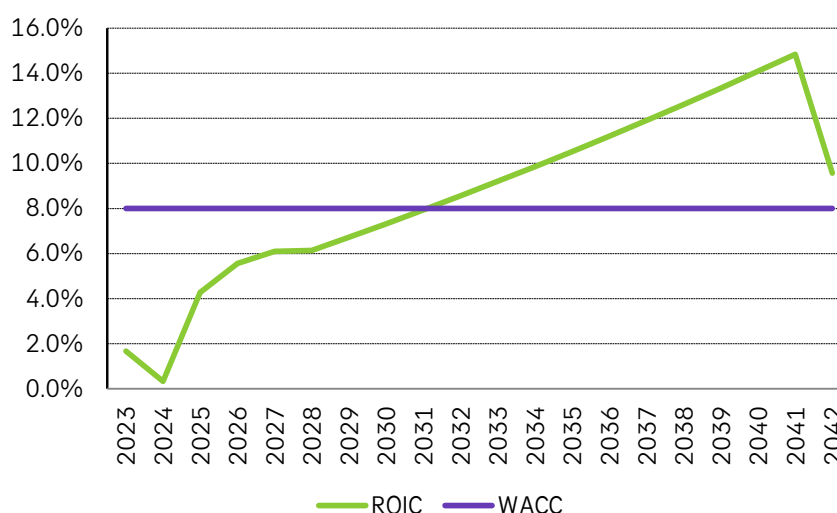
Source: SEB

**Scenario 1: DCF assumptions**

(SEKm)	2023E	2024E	2025E	2026E	2027E	Average year 6-10	Average year 11-15	Average year 16-20
Sales growth (%)	(14.3)	20.3	1.8	2.0	2.0	2.0	2.0	2.0
EBITDA margin (%)	15.6	12.6	14.8	14.8	14.8	14.8	14.8	14.3
EBIT margin (%)	1.7	0.2	2.7	2.9	3.2	3.6	4.6	5.1
Gross capital expenditures as % of sales	0.4	2.3	2.3	4.2	11.9	11.2	10.2	9.2
Working capital as % of sales	(3.5)	(2.5)	(1.1)	(1.5)	(1.5)	(1.5)	(1.5)	(1.5)
Lease repayments as % of sales	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Sales	2,503	3,010	3,063	3,125	3,187	3,383	3,736	4,124
Depreciation	(348)	(371)	(371)	(371)	(371)	(380)	(380)	(380)
Intangibles amortisation	0	0	0	0	0	0	0	0
EBIT	42	7	82	91	101	121	173	211
Taxes on EBIT	(4)	(1)	(8)	(9)	(10)	(12)	(17)	(21)
Increase in deferred taxes	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0
<b>NOPLAT</b>	<b>38</b>	<b>7</b>	<b>74</b>	<b>82</b>	<b>91</b>	<b>109</b>	<b>156</b>	<b>190</b>
Gross capital expenditure	(10)	(70)	(70)	(130)	(380)	(380)	(380)	(380)
Increase in working capital	(48)	(15)	(39)	12	1	1	1	1
Lease repayments	0	0	0	0	0	0	0	0
<b>Free cash flow (incl. lease repayments)</b>	<b>327</b>	<b>293</b>	<b>336</b>	<b>336</b>	<b>83</b>	<b>110</b>	<b>157</b>	<b>191</b>
ROIC (%)	0.7	0.1	1.4	1.6	1.8	2.2	3.1	3.8
ROIC-WACC (%)	(7.3)	(7.9)	(6.6)	(6.4)	(6.2)	(5.8)	(4.9)	(4.2)
Share of total net present value (%)	0.0	11.6	12.4	11.4	2.6	13.6	13.3	11.2

Source: SEB

For our terminal value we apply Gordon's growth model and assume a long-term growth rate of 2% for the whole business.

**Scenario 1: normalised ROIC vs WACC**

Source: SEB

**Scenario 2: Gotlandsbolaget keeps the concession until 2037**

In our second scenario we model cash flow from Destination Gotland until 2037, which implies that we model cash flow for one more concession period. For this scenario, we assume that maintenance capex for Destination Gotland will be SEK 50m until 2037, as we expect its current fleet of ferries to meet its operational needs. In addition to the maintenance capex, we factor in one large new hydrogen vessel, adding SEK 125m to expansion capex. This lowers the capex requirements significantly which yields high cash flow for the period up until 2037. Gotlandsbolaget may have to make significant investments in this scenario if the next agreement with Trafikverket imposes stricter climate requirements, which it must comply with. However, the alternative models report indicates that Trafikverket is considering reducing the requirements, and as a result, the probability of stricter requirements in the upcoming concession is low. Currently, we can only speculate about the requirements and must wait for the actual contract. However, it is important to note the possibility that Gotlandsbolaget may be compelled to make changes.

**Low capex yields higher cash flow**

By assuming a lower capital expenditure, we can project a significantly higher cash flow for the period between 2026-37, resulting in the same share value as our first scenario. Our projection is based on an annual capex of SEK 130m during the said period, with capex only for Gotland Cruises in the years following. We apply a scrap value that represents the option value to charter and/or operating in parallel with new concession operator for the vessels in 2037. This scenario yields fair value of SEK 2,223 per share. We use the same growth and margin assumptions in all three scenarios, assuming investment rate does not affect growth rate. Therefore, capex needs in the near-term is a determining factor for the valuation. The dominant position provided by the concession should help maintain growth and margins, despite lower investments.

**Scenario 2: DCF summary**

DCF valuation (SEKm)		Weighted average cost of capital (%)	
NPV of FCF in explicit forecast period	2,056	Risk free interest rate	2.5
NPV of continuing value	194	Risk premium	5.5
<b>Value of operation</b>	<b>2,249</b>	<b>Cost of equity</b>	<b>8.0</b>
Net debt	(3,223)	<b>After tax cost of debt</b>	<b>2.3</b>
Share issue/buy-back in forecast period	-	<b>WACC</b>	<b>8.0</b>
Value of associated companies	-		
Value of minority shareholders' equity	-		
Value of marketable assets	84	<b>Assumptions</b>	
<b>DCF value of equity</b>	<b>5,557</b>	Number of forecast years	20
<b>DCF value per share (SEK)</b>	<b>2,223</b>	EBIT margin - steady state (%)	5.7
Current share price (SEK)	1,900.00	EBIT multiple - steady state (x)	11.5
DCF performance potential (%)	17	Continuing value (% of NPV)	8.6

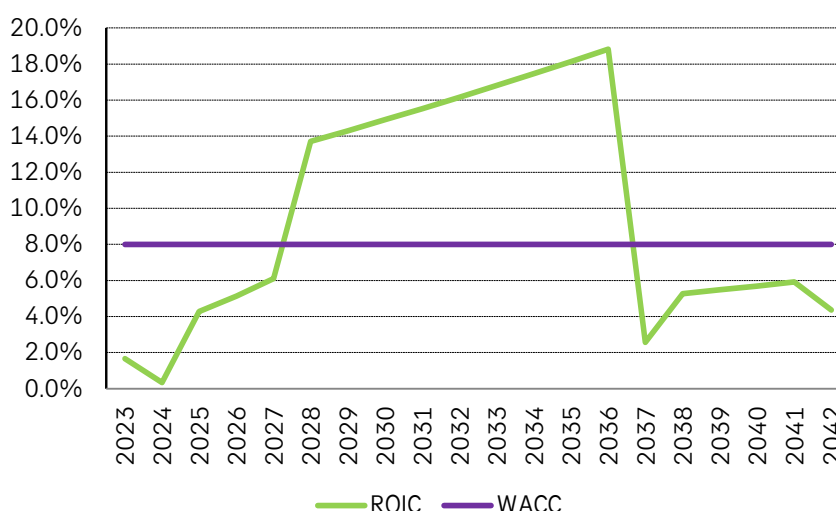
Source: SEB

**Scenario 2: DCF assumptions**

(SEKm)	2023E	2024E	2025E	2026E	2027E	Average year 6-10	Average year 11-15	Average year 16-20
Sales growth (%)	(14.3)	20.3	1.8	2.0	2.0	2.0	2.0	2.0
EBITDA margin (%)	15.6	12.6	14.8	14.8	14.8	14.8	14.8	14.3
EBIT margin (%)	1.7	0.2	2.7	2.9	3.2	7.3	7.1	7.3
Gross capital expenditures as % of sales	0.4	2.3	2.3	8.2	8.0	7.5	7.7	7.1
Working capital as % of sales	(3.5)	(2.5)	(1.1)	(1.5)	(1.5)	(1.5)	(1.5)	(1.5)
Lease repayments as % of sales	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Sales	2,503	3,010	3,063	3,125	3,187	3,383	3,193	1,242
Depreciation	(348)	(371)	(371)	(371)	(371)	(255)	(230)	(88)
Intangibles amortisation	0	0	0	0	0	0	0	0
EBIT	42	7	82	91	101	246	243	90
Taxes on EBIT	(4)	(1)	(8)	(9)	(10)	(25)	(24)	(9)
Increase in deferred taxes	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0
<b>NOPLAT</b>	<b>38</b>	<b>7</b>	<b>74</b>	<b>82</b>	<b>91</b>	<b>221</b>	<b>218</b>	<b>81</b>
Gross capital expenditure	(10)	(70)	(70)	(255)	(255)	(255)	(230)	(88)
Increase in working capital	(48)	(15)	(39)	12	1	1	(7)	0
Lease repayments	0	0	0	0	0	0	0	0
<b>Free cash flow (incl. lease repayments)</b>	<b>327</b>	<b>293</b>	<b>336</b>	<b>211</b>	<b>208</b>	<b>222</b>	<b>211</b>	<b>81</b>
ROIC (%)	0.7	0.1	1.4	1.6	1.8	4.4	4.3	1.6
ROIC-WACC (%)	(7.3)	(7.9)	(6.6)	(6.4)	(6.2)	(3.6)	(3.7)	(6.4)
Share of total net present value (%)	0.0	12.0	12.7	7.4	6.7	28.5	19.2	4.9

Source: SEB

For our terminal value we apply Gordon's growth model and assume a long-term growth rate of 2% for the remaining business after excluding Destination Gotland.

**Scenario 2: normalised ROIC vs WACC**

Source: SEB

**Scenario 3: Gotlandsbolaget loses the upcoming concession**

In the third scenario, we consider the possibility that Gotlandsbolaget may lose the upcoming concession and assume that there will be no sales from Destination Gotland after 2027. To calculate the scrap value of the two new vessels, M/S Visby and M/S Gotland, we use a method based on 12% of the newbuild price. As it is difficult to accurately estimate the scrap value of Gotlandsbolaget's RoPax vessels, we use the average historical scrap value for tankers and bulkers<sup>3</sup>. Assuming a newbuild price of SEK 1.5bn per vessel, we derive a scrap value of SEK 360m. We discount this value using our WACC of 8% to arrive at the net present value of the assets.

In addition to the scrap value, we add our estimate for the remaining book value of the vessels. We apply the scrap value as the terminal value for Destination Gotland's passenger and cargo operations and use Gordon's growth model for the remaining business. The scrap value represents the option value of scrapping, chartering or operating in parallel with the new concession operator. It is important to note that the terminal value for Destination Gotland is discounted from 2027, while the remaining business is discounted from the end of our 20-year DCF period. This scenario yields a value of SEK 2,085 per share.

**Scenario 3: DCF summary**

DCF valuation (SEKm)		Weighted average cost of capital (%)	
NPV of FCF in explicit forecast period	1,250	Risk free interest rate	2.5
NPV of continuing value	260	Risk premium	5.5
<b>Value of operation</b>	<b>1,509</b>	<b>Cost of equity</b>	<b>8.0</b>
Net debt	(3,223)	<b>After tax cost of debt</b>	<b>2.3</b>
Share issue/buy-back in forecast period	-	<b>WACC</b>	<b>8.0</b>
Value of associated companies	-	<b>Assumptions</b>	
Value of minority shareholders' equity	-		
Value of marketable assets	480	Number of forecast years	20
<b>DCF value of equity</b>	<b>5,213</b>	EBIT margin - steady state (%)	5.7
<b>DCF value per share (SEK)</b>	<b>2,085</b>	EBIT multiple - steady state (x)	15.4
Current share price (SEK)	1,900.00	Continuing value (% of NPV)	17.2
DCF performance potential (%)	10		

Source: SEB

<sup>3</sup> Clarksons, Shipping Intelligence Network

**Scenario 3: DCF assumptions**

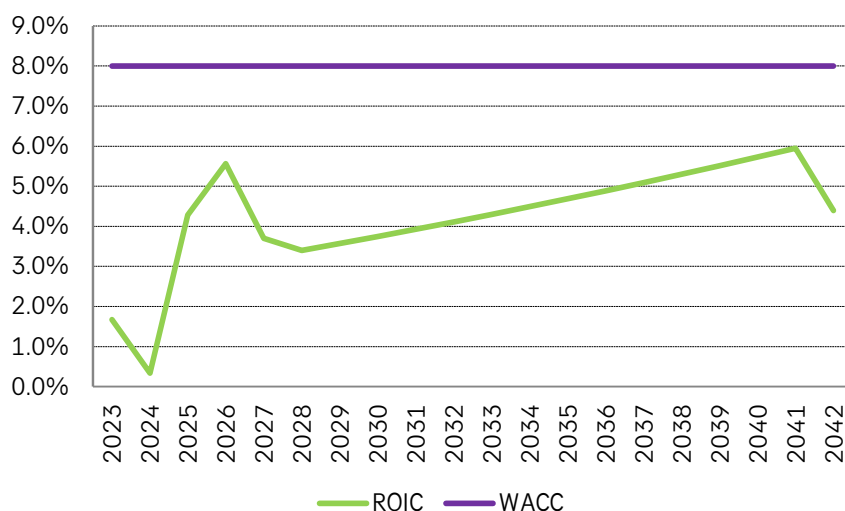
(SEKm)	2023E	2024E	2025E	2026E	2027E	Average year 6-10	Average year 11-15	Average year 16-20
Sales growth (%)	(14.3)	20.3	1.8	2.0	2.0	2.0	2.0	2.0
EBITDA margin (%)	15.6	12.6	14.8	14.8	14.8	14.8	14.8	14.3
EBIT margin (%)	1.7	0.2	2.7	2.9	6.5	6.2	7.0	7.3
Gross capital expenditures as % of sales	0.4	2.3	2.3	4.2	8.3	8.6	7.8	7.1
Working capital as % of sales	(3.5)	(2.5)	(1.1)	(1.5)	(1.5)	(1.5)	(1.5)	(1.5)
Lease repayments as % of sales	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Sales	2,503	3,010	3,063	3,125	960	1,019	1,125	1,242
Depreciation	(348)	(371)	(371)	(371)	(80)	(88)	(88)	(88)
Intangibles amortisation	0	0	0	0	0	0	0	0
EBIT	42	7	82	91	62	63	79	90
Taxes on EBIT	(4)	(1)	(8)	(9)	(6)	(6)	(8)	(9)
Increase in deferred taxes	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0	0
<b>NOPLAT</b>	<b>38</b>	<b>7</b>	<b>74</b>	<b>82</b>	<b>56</b>	<b>57</b>	<b>71</b>	<b>81</b>
Gross capital expenditure	(10)	(70)	(70)	(130)	(80)	(88)	(88)	(88)
Increase in working capital	(48)	(15)	(39)	12	(32)	0	0	0
Lease repayments	0	0	0	0	0	0	0	0
<b>Free cash flow (incl. lease repayments)</b>	<b>327</b>	<b>293</b>	<b>336</b>	<b>336</b>	<b>23</b>	<b>57</b>	<b>71</b>	<b>81</b>
ROIC (%)	0.7	0.1	1.4	1.6	1.1	1.1	1.4	1.6
ROIC-WACC (%)	(7.3)	(7.9)	(6.6)	(6.4)	(6.9)	(6.9)	(6.6)	(6.4)
Share of total net present value (%)	0.0	17.8	18.9	17.5	1.1	10.9	9.3	7.3

Source: SEB

**A pile of cash ready to be deployed**

If Gotlandsbolaget loses the concession, it may allocate the SEK 3bn in cash to other ventures. While it is difficult to predict future growth opportunities, we acknowledge the potential for growth and emphasise the significant opportunities presented by the large cash position. The company may consider investing in expanding its cruise vessel segment, particularly passenger-only vessels. Additionally, Gotlandsbolaget has the option to expand its property management segment beyond Gotland or focus on developing its hotel business. Regardless of the decision, the sizable cash position affords Gotlandsbolaget flexibility and presents a variety of potential growth opportunities.

Another option would be to operate the ferries in parallel to the concession operator during the high season, something that the company said in its latest report was a potential option.

**Scenario 3: normalised ROIC vs WACC**

Source: SEB

## Summary of our three DCF scenarios

### DCF summary

	Scenario 1	Scenario 2	Scenario 3
Concession	Indefinitely	2037	2027
Capex	High	Medium	Low
Scrap value of current fleet	zero	zero	12% of newbuild
Terminal value	Gordon's growth: DG + Other	Gordon's growth: Other	Gordon's Growth: Other + scrap value
DCF	20 year	20 year	20 year
WACC	8%	8%	8%
Terminal growth	2%	2%	2%
Value per share (SEK)	2,214	2,223	2,085
Performance potential	17%	17%	10%
EV	2,313	2,334	1,989
-of which scrap value of vessels	0	0	480
2023E net debt	(3223)	(3223)	(3223)
Implied Market cap	5,536	5,557	5,213
2023E EV/EBITDA	6.6x	6.6x	5.7x

Source: SEB

## Valuation multiples

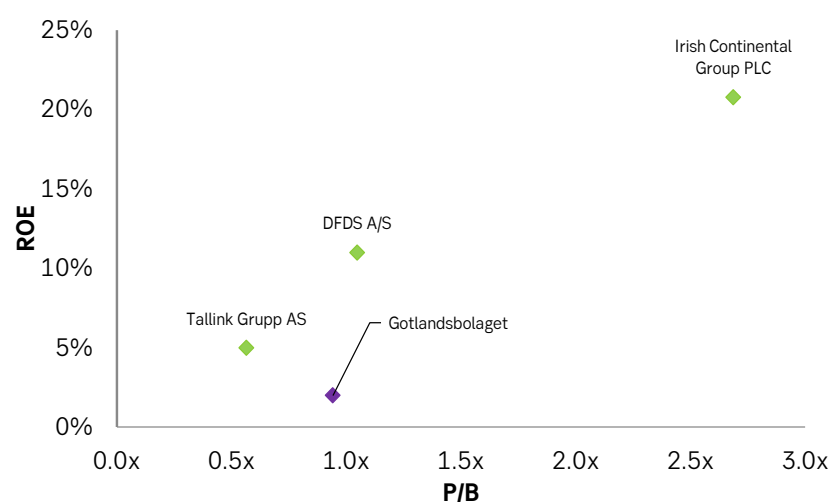
### Peer group comparison

Company name	Market cap (SEKm)	Revenue growth 22-25E	EBITDA Growth 22-25E	EBITDA margin 2023E	EV/S			EV/EBITDA			P/B			ROE		
					2023E	2024E	2025E	2023E	2024E	2025E	2023E	2024E	2025E	2023E	2024E	2025E
DFDS A/S	23,353	3%	7%	18%	1.2x	1.1x	1.1x	6.5x	5.8x	5.3x	1.0x	0.9x	0.8x	11%	13%	14%
Irish Continental Group PLC	9,280	2%	4%	22%	1.6x	1.5x	1.5x	7.3x	7.0x	6.7x	2.7x	2.3x	2.1x	21%	20%	19%
Tallink Grupp AS	4,730	8%	15%	20%	1.5x	1.4x	1.3x	7.3x	6.5x	6.2x	0.6x	0.5x	0.5x	5%	7%	8%
Simple average	12,454	5%	9%	20%	1.4x	1.3x	1.3x	7.0x	6.4x	6.0x	1.4x	1.3x	1.1x	12%	13%	13%
Median	9,280	3%	7%	20%	1.5x	1.4x	1.3x	7.3x	6.5x	6.2x	1.0x	0.9x	0.8x	11%	13%	14%
<b>Gotlandsbolaget</b>	<b>4,793</b>	<b>2%</b>	<b>15%</b>	<b>12%</b>	<b>0.6x</b>	<b>0.5x</b>	<b>0.4x</b>	<b>5.5x</b>	<b>4.3x</b>	<b>2.8x</b>	<b>0.9x</b>	<b>1.0x</b>	<b>1.0x</b>	<b>2%</b>	<b>2%</b>	<b>3%</b>
Premium/discount vs. Average					-55%	-66%	-72%	-22%	-34%	-53%	-34%	-25%	-16%	-84%	-82%	-76%
Premium/discount vs. Median					-57%	-67%	-72%	-25%	-34%	-55%	-10%	3%	13%	-82%	-82%	-77%

Source: SEB, FactSet (data as at 22 May 2023)

Because of the significant depreciation, we think relevant multiples to look at is EV/S, EV/EBITDA and P/B which we compare with a selected group of peers.

### 2023E P/B vs ROE



Source: SEB

In our ROE analysis for Gotlandsbolaget, we have adjusted both equity and adj. net profit according to the method previously described in the "Historical financials" segment.



# Appendix A. Executive summary

## Executive leadership team

**Håkan Johansson** has held the position as chief executive officer of Gotlandsbolaget since 2012. He is also the chairman of the board of Almi Företagspartner Gotland Aktiebolag and Visby Köpmansgille, as well as a board member of Svenk Rederiservice Aktiebolag, Seably AB, and the International Chamber of Shipping (ICS). Additionally, he is a deputy board member (styrelsesuppleant) of Alandia Försäkring Abp. Sometime during the past five years, Mr. Johansson has also held a board position in Svensk Rederiservice Aktiebolag, Skärgårdsbolaget 1 AB and Östsvenska Handelskammaren. Håkan Johansson studied business (företagsekonomi) at Handelshögskolan of Jönköping, as well as English at Stockholm University.

**Anders Boman** has been the chief operating officer of Gotlandsbolaget since 2021. He also holds the position of chairman of the board of WALLENIOUS SOL AB, as well as being a board member of AlfaWall AB and Östsvenska Handelskammarens Service Aktiebolag. Mr. Boman is also a deputy board member (styrelsesuppleant) of Bomans Byrå AB. During the past five years, Mr. Boman has also been chairman of the board of Thor Shipping & Transport Group AB, Thor Shipping & Transport Holding AB, and Thor TSG Short Sea AB. Additionally, he has been a board member in Bostadsrättsföreningen Grev Turegatan 75, MPS Broadband AB, Rederi AB Wallship, Rederiaktiebolaget Walltime, Sjöfartens Arbetsgivareförbund AB, Svensk Rederiservice Aktiebolag, Sveriges Ångfartygs Assurans Förening, United European Car Carriers Aktiebolag, Wallauto Aktiebolag, Wallcargo Aktiebolag, Wallfreight Aktiebolag, Wall RO/RO AB, Wallsun AB, Walwal Aktiebolag, and Walltrade AB. He has also been a board member and chief executive officer of Wallenius Logistics AB and Wallenius Marine AB, as well as a deputy board member and chief executive officer of Soya Group Support AB. He has also been the chief executive officer of Walleniusrederierna Aktiebolag. Anders Boman studied social sciences and business (samhällsvetenskap och företagsekonomi) at Uppsala University.

**Anders Gripne** has held the position as chief financial officer of Gotlandsbolaget since 2013. He is also a board member of Victvätten på Gotland AB and a deputy board member (styrelsesuppleant) of InventaUrsi AB. Mr. Gripne holds a degree in business (civilekonomexamen) from Lund University.

**Karin Bill** has been the head of communications (Kommunikationsansvarig) for Gotlandsbolaget since 2022. She is also a deputy board member (styrelsesuppleant) of Phinda Investment AB. Earlier, she was a board member of Gotlands Filmfond AB (svb). Mrs. Bill holds a master's degree in business, economics and marketing (ekonomi och marknadsföring) from Stockholm University.

*Other executives in the group*

**Marcus Risberg** is the chief executive officer of Destination Gotland AB

**Carina Hammander** is the chief executive officer of Gotland Hotels & Properties AB

## Board of directors

**Ann-Marie Åström** has held the position as chairwoman of the board in Gotlandsbolaget since 2018 but has been a board member since 1991. Previous experience includes several positions in group subsidiaries as well as earlier board memberships in companies like Consilium Aktiebolag, Förvaltnings Aktiebolaget Norderstrand, Hafnia Management, and Skärgårdsbolaget 1 AB. Additionally, Mrs. Åström holds several other ongoing positions such as chairwoman of the board in Ljugarn Holding AB and Trojaborg Holding AB, board member in Assuranceforeningen SKULD A/S, Ekerö Holding AB, SKULD Mutual P&I Association (Bermuda) and Trojaborg Aktiebolag, as well as deputy board member (styrelsesuppleant) in Björkviks Havsbad AB. She is also a member of the executive committee of Intertanko. Mrs. Åström holds a law degree (Jur.kand.) from Uppsala University.

**Björn Nilsson** has held the position as Vice Chairman of the board since 2018 and has been a board member since 1990. Mr. Nilsson was earlier a senior partner at Triton, but left that position in 2018. He has also worked at Chase Manhattan Bank and been a board member in Arlandastad Group AB (publ). Mr. Nilsson currently holds additional positions as chairman of the board in Benrock Capital Management AB, Trojaborg Aktiebolag, and Viking Spirit AB, as well as being a board member in Aquation Invest AB, Ljugarn Holding AB, and Trojaborg Holding AB. He is also the founder and trustee of the Young Nilsson Foundation. Mr. Nilsson holds a Bachelor of Economics from Columbia University as well as officers' training from the Royal Swedish Naval Academy (Kungliga Sjökrigsskolan).

**Eric D. Nilsson** has been a board member since 2012, but also held the position during 1970-1989. Mr. Nilsson is also the honorary chairman of the board. Between 1970 and 1978 he held the position of chief executive officer. Mr. Nilsson currently holds the additional position as board member in Gotland Marin AB. Eric D. Nilsson has studied at the Frans Schartaus Handelsinstitut and the London School of Economics.

**Lars Wedenborn** has been a board member of Gotlandsbolaget since 2021. Mr. Wedenborn also holds the position of Chairman of the Board in AMF Tjänstepension AB and Nyvik Group AB, as well as being a board member in Djupvik Holding AB, Höganäs Aktiebolag, Höganäs Holding AB, IPCO AB, LAWED Invest AB, Stockholms Handelskammar Serviceaktiebolag, and tbd30 AB. Additionally, he is a deputy board member (styrelsesuppleant) of Bovra Technologies AB, Nyvik Investments AB, and Nyvik Ventures AB. He is also a senior advisor for FAM AB. Sometime during the last five years, Mr. Wedenborn has also held board positions in Nasdaq Nordic Ltd., FAM AB, Aktiebolaget SKF, Alecta Tjänstepension Ömsesidigt, AB Nya Grand Hôtel, Nefab Aktiebolag, Nefab Group AB, Nefab Holding AB, Nefab Packaging AB, WD-Invest AB, and acted as deputy board member in EnBW Sverige Vind AB, IPCO AB, IPCO Group AB, IPCO Holding AB, IPCO Treasury AB, and The Sparrow Hotel AB. Lars Wedenborn holds a degree in Business and Economics (Ekonomexamen) from Uppsala University.

**Jonas Åman** has been a member of the board of Gotlandsbolaget since 2004. Mr. Åman holds additional current positions as Chairman of the Board in Berskau AS, Drammen Omsorgseiendom Invest AS, Pilos AS, Pilos Omsorgseiendom AS, and Åssiden Omsorgsboliger AS, as well as being a member of the board in MJE AS. He is also deputy board member (styrelsesuppleant) of Katrineholm Lövåsen 3:1 AB, Kil Lersäter 1:411 AB, Linköping Mejseln 1 AB, Rullstensåsen AB, Svenska Stålbyggen ETA AB, Svenska Stålbyggen Falköping AB, Svenska Stålbyggen Invest AB, and Svenska Stålbyggen Mälardalen AB. Sometime during the last five years, Mr. Åman has also held the position of deputy board member in Dolomiten 1 AB, Naftoil Fastighets AB, Peter Åman Holding 2 AB, SBB Gränby AB, SBB Gränby 2 AB, SBB Haken AB, SBB Murteglet AB, SBB Svenska Vårdbyggen Roslags Näsby AB, SBB Vårdbyggen Mariestad AB, SBB Vårdbyggen Nässjö AB, SBB Vårdbyggen Strömsbro AB, SBB Vårdbyggen Tenstaterassen AB, Sköns Bostäder AB, Svenska Bostadsbyggen AB, Svenska Stadsbyggen i Nacka Strand AB, and Svenska Stålbyggen Holding AB. Jonas Åman holds a degree in Business and Economics (Ekonomexamen) from Lund University, and a Master of Science in Shipping, Trade and Finance from City University Business School in London.

*Board members acting as employee representatives*

**Annelie Hamberg** has been a board member of Gotlandsbolaget since 2010. Mrs. Hamberg also holds the position of board member of the non-profit organization (ideell förening) Sjöbefälsföreningen and Sjöbefälsföreningen – Offentliganställda (SFB-O). She holds a degree as sea captain (Sjökaptensexamen) from Kalmar Högskola.

**Peter Skoglund** has been a member of the board of Gotlandsbolaget since 2005. He also holds the position of board member of Sjöfolkets Fastighets Aktiebolag, and Sjöfolkets Fastighet Stigberget 34:13 AB. Mr. Skoglund has earlier been a deputy board member of Sjöfolkets Fastighets Aktiebolag.

**Helen Nordin** has been a deputy board member (styrelsesuppleant) of Gotlandsbolaget since 2022. Mrs. Nordin holds a degree in sea engineering (sjöingenjörsexamen) from Linnéuniversitetet.

## Appendix B. Summary of responses to Trafikverket's report of alternative models

**ABB Marine** recommends keeping model one and believes the business community is best suited to tackling the environmental requirements, thanks to better access to the necessary expertise. It instead suggests that an innovation procurement should be investigated as an alternative model to the procurement of vessels due to the high complexity of procuring vessels with the latest green technology. Furthermore, the use of used tonnage does not seem like a reasonable idea because it believes the cost of fossil fuels will be higher well before the ships are taken out of service.

**Business association "Företagarna Gotland"** criticises the report, as it opens for lower service quality in terms of longer travel times, an inferior arrival point on the mainland and higher prices. It also believes that the private sector is better placed to own and operate ferries between Gotland and the mainland, instead of nationalisation.

**The Swedish Armed Forces** criticises the report's suggestion that it is not important *who* provides the service and that it is more important *how*. For obvious reasons, and now maybe more important than in a very long time, it believes it is the opposite way around. Making sure that the operator does not pose a security threat should be a high priority in future procurement processes.

**The visitors association "Gotlands förenade besöksnäring"** highlights the importance of fast, frequent and safe crossings and believes the recommended model, together with the proposal of lowering the service level, could pose a threat to Gotland's attractiveness to tourists.

**Gotland Traffic Counsel** does not have any comments on the different models but raises the importance of fast and reliable communications between Gotland and the mainland. It opposes the suggestion of moving all traffic to the nearest point on the mainland, which would be Västervik.

**The Swedish Agency for Marine and Water Management** does not have any comments on the proposed models for future procurement.

**The Swedish Competition Authority** welcomes the idea of trying to improve competition (very surprising news) but concludes that the proposed model together with lower service standards might not be optimal and proposes to further investigate models where the speed and frequency of departures can be maintained. It also raises the question if longer crossings time will affect the attractiveness and lead to lower passenger volumes, which would lead to revenue declines, thus resulting in fewer bids. This question was in relation to keeping the current model.

**The Swedish Coast Guard** shares the view from the report that the most suitable organisation to have responsibility for owning the vessels would be the Swedish Maritime Administration. It has no comments regarding which model to use in future procurement processes.

**The Federation of Swedish Farmers** was extremely negative about the investigation and argues that it would lead to an impossible situation for food producers on Gotland. It especially criticises the idea of lowering speed requirements, leading to increased crossing times, as this would be negative for the logistics to function properly for the food producers. About 80% of the products are sold on the mainland market and a lower service level would be detrimental to the ability of Gotland food producers to be competitive. A quote from the response (translate to English): *"The green business sector is honestly shocked by the results presented in the report by Trafikverket. The proposals, models, and examples are so unreasonable that it is difficult to understand how the report could have been submitted. The unreasonableness lies in the fact that it would completely destroy the conditions for the green business sector."*

**Gotland County Board** is critical about the lower service level and highlights the risks associated with procuring and owning ships and suggests further investigations are needed before the proposed model is chosen. It also did not understand the suggestion of moving traffic from two locations to only one port because it would limit availability.

**The Swedish Civil Contingencies Agency (MSB)** is critical about the lack of regard for Swedish total defence in the analysis. It suggests a security analysis before the public procurement that looks at foreign ownership. The criticism is even more relevant today, due to Russia's invasion of Ukraine, in our opinion.

**The Swedish Environmental Protection Agency** is positive about the suggestion of model two and that the environmental impact should be an important priority (for example, using fossil-free ships). Additionally, the agency aligns with Trafikverket's recommendation of state ownership, as it may provide the opportunity for extended depreciation periods and reduced interest rates, rendering high-cost investments such as electric ferries and other fossil-free solutions more viable.

**The municipality of Nynäshamn** does not have any comment on which model to use in future procurement but stresses the importance of having fast and reliable communications between Gotland and the mainland.

**The municipality of Oskarshamn** does not comment or care about who owns the vessels but strongly disagrees with how the Swedish Transport Administration has ignored other input related to service, existing logistics, and infrastructure on the mainland in its calculations. Especially the fact that the southbound transport flows, which account for 50%, will be 10-30 miles longer risks increasing emissions and presenting major new challenges for animal protection, defence, and the supply of Gotland.

**The municipality of Västervik** shares Trafikverket's view that model one is related to high costs, due to the short depreciation times. It also likes the idea of moving all traffic to the closest point on the mainland, which just happens to be Västervik. This view goes against the municipality of Oskarshamn; it should not be a surprise to anyone that the one gaining from such a proposal likes the suggestion and the one losing out dislikes the suggestion, in our view. The municipality argues that the proposal of moving all traffic to Västervik would decrease the environmental impact significantly.

**Region Gotland** emphasises the potential risks associated with prolonged usage of outdated technology and the uncertainties surrounding the timeline for introducing a new ferry model. With regards to environmental impact, it proposes the adoption of an innovative procurement model, similar to that suggested by ABB Marine. The statement underscores the potential negative consequences of prioritising cost and service level considerations over the long-term interests of businesses and the community, such as the need for businesses to restructure due to a declining traffic system.

**The National Agency for Public Procurement** shares the view that model two might increase competition in the bidding process. The Procurement Agency further notes that in the preparatory work and planning for procurement, there may also be other factors to consider, such as security protection aspects, which may affect both the timing of a procurement and potentially limit the markets or suppliers that may be considered for participation in future procurement.

**Stockholm Chamber of Commerce** strongly opposes the model proposed by the investigation. It identifies three key risk: investment costs in ships are high and could affect other necessary investment due to limited resources; additional infrastructure investments might be needed; and the state's lack of competence in the subject. Moving towards the nationalisation of a well-functioning system should only occur in exceptional circumstances, perhaps only if there is a risk of significant system disruptions if state intervention does not take place. It also believes the private sector is better equipped for finding solutions for green technology.

# SEAM (SEB's ESG Assessment Methodology)

## Gotlandsbolaget

Country: Sweden Sector: Shipping Overall impact of ESG factors on valuation: **Negative** Fully discounted in mid-point DCF value: **No**

In our view, ESG factors do or will have an overall negative impact on the share's valuation. The most material impact is EU regulations. Most of the impact is yet to be discounted in our mid-point equity valuation. We believe that most of the ESG factors facing the company could be manageable by the company, and that the company's management of these issues could be improved..

With regard to the EU taxonomy, we expect to see the company report an insignificant current revenue alignment with relevant taxonomy screening criteria. In the longer term, we also expect alignment to be insignificant.

### ESG impact on NPV (as % of equity valuation)

Total impact over time

of which:

- impact reflected in mid-point equity valuation

- impact yet-to-be reflected in mid-point equity valuation

n.m.

n.m.

n.m.

### ESG impact on NPV (as % of enterprise valuation)

Total impact over time

of which:

- impact reflected in mid-point enterprise valuation

- impact yet-to-be reflected in mid-point enterprise valuation

(12)

(5)

(7)

## SEB ESG Financial Assessment

### Long term impact of ESG issue on valuation

of which:

Impact already reflected in our 6-12 month mid-point

Impact yet-to-be reflected in mid-point price

As % of  
equity  
valuation

(Infinity)

n.m.

n.m.

As % of  
enterprise  
valuation

(12)

(5)

(7)

### Sales (price/volume) exposure to ESG opportunities/threats

#### Other environmental impacts

Stricter emission requirements, resulting in slower crossings and less passengers

Impact on Sales CAGR  
(%pa)

0-3 yrs

4-10+ yrs

NPV/EV  
(%)

0

(1)

(2)

### Costs (CAPEX/OPEX) exposure to ESG opportunities/threats

#### Greenhouse Gas emissions - own operations

Increased fuel prices due to EU regulations

Additional capex to upgrade fleet to "cleaner" vessels (+10% vs. current replacement capex)

Impact on costs  
(as % of sales)

2

5

1

0

NPV/EV  
(%)

(4)

(1)

### Cost of capital exposure to ESG opportunities/threats

#### Ethics

Convicted to pay tax retrospectively for accounting errors

Impact on cost of capital  
(percent units)

2.0

2.0

NPV/EV  
(%)

(5.0)

**Long term impact of ESG issue on valuation (% NPV/EV)**

**(12)**

## Gotlandsbolaget (cont.)

### EU Taxonomy Eligibility/Alignment (based on mandatory EU disclosures)

Eligible revenues (inc. aligned revs.)	NA (current group revenues)
Aligned revenues	NA (current group revenues)
SEB forecast, aligned revenues (in 5 years' time)	10% (est. future group revenues)
of which:	
Hydrogen vessel planned for delivery 2030	10%

### Sustainability related commitments and targets

Does the company have a science based target?	Committed to target
Is the CEO's remuneration linked to achievement of sustainability goals?	No
What are the company's most material sustainability goals?	Short-term plan: Reduce CO2 emissions from existing fleet Reduce CO2: 70% to 2030 Reduce CO2 emission/Nautical Mile by 2 p.a. Fuel should consist of at least 30% biogas by 2030
Who has ultimate responsibility for sustainability management?	CEO



# Overview

## Investment considerations

The 10-year concession to operate ferries between Gotland and the mainland is awarded via a tender offer. We believe the tender process for the concession beginning in 2027 will be concluded by the end of 2023. The process is important for Gotlandsbolaget, as it would secure cash flow until 2037 (c. SEK 500m annually plus compensation for fuel price fluctuations). We think the company is in prime position to win the tender, given the wealth of knowledge and experience it has built up since 1978.

## Company profile

Gotlandsbolaget is a Swedish company that provides ferry and transport services between the island of Gotland and mainland Sweden through its subsidiary Destination Gotland. The company operates a fleet of modern ferries and focuses on providing safe, efficient, and sustainable transport solutions for passengers and cargo. Gotlandsbolaget aims to promote tourism and economic development on the island of Gotland while minimising its environmental impact. Gotlandsbolaget also has other business segments including hotels, property management, capital management, stevedoring services (loading and offloading cargo), tech development and vessel charter, but the majority of revenue comes from its ferry services, which accounts for ~75% of group revenue. Gotlandsbolaget also has a history in tanker markets but exited that business in 2023 through the sale of its last two tankers.

## Valuation approach

We use three different scenarios in our valuation approach for Gotlandsbolaget based on three different outcomes for the concession with trafikverket. We use equal weights for the three scenarios to derive our valuation range.

## Investment risks

We identify several risks that could affect Gotlandsbolaget's revenue and costs during our forecast period. The most critical of those risks is the potential loss of the concession, in our view, as it would have a substantial impact on revenue. Other risks include fuel price fluctuations, non-hedged FX risks and accidents involving the ferries.

<b>Profit &amp; loss statement - Gotlandsbolaget</b>													
<b>(SEKm)</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>
Net Sales	1,808	1,853	2,006	2,094	2,410	2,454	2,509	1,870	2,291	2,919	2,503	3,010	3,063
Other revenues	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total revenues</b>	<b>1,808</b>	<b>1,853</b>	<b>2,006</b>	<b>2,094</b>	<b>2,410</b>	<b>2,454</b>	<b>2,509</b>	<b>1,870</b>	<b>2,291</b>	<b>2,919</b>	<b>2,503</b>	<b>3,010</b>	<b>3,063</b>
Total expenses	(1,329)	(1,424)	(1,382)	(1,478)	(1,678)	(1,928)	(1,878)	(1,481)	(1,835)	(2,661)	(2,113)	(2,631)	(2,610)
<b>Profit before depreciation</b>	<b>479</b>	<b>429</b>	<b>624</b>	<b>616</b>	<b>732</b>	<b>526</b>	<b>631</b>	<b>389</b>	<b>456</b>	<b>258</b>	<b>390</b>	<b>379</b>	<b>453</b>
Depreciation - Fixed assets	(347)	(218)	(241)	(213)	(183)	(232)	(333)	(388)	(378)	(387)	(348)	(371)	(371)
Depreciation - Other assets	0	0	0	0	0	0	0	0	0	0	0	0	0
Depreciation of right-of-use assets	0	0	0	0	0	0	0	0	0	0	0	0	0
Amortisation - Goodwill	0	0	0	0	0	0	0	0	0	0	0	0	0
Amortisation - Other intangibles	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Operating profit</b>	<b>132</b>	<b>212</b>	<b>383</b>	<b>403</b>	<b>548</b>	<b>294</b>	<b>298</b>	<b>1</b>	<b>78</b>	<b>(130)</b>	<b>42</b>	<b>7</b>	<b>82</b>
Net interest expenses	6	79	(21)	20	(43)	(61)	(103)	17	26	13	0	0	0
Foreign exchange items	0	0	0	0	0	0	0	0	0	0	0	0	0
Other financial items	0	0	0	0	0	0	0	0	0	0	0	0	0
Value changes - Fixed assets	40	38	78	23	3	38	208	141	46	520	267	0	0
Value changes - Financial assets	0	0	0	0	0	0	0	0	0	0	0	0	0
Value changes - Other assets	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Reported pre-tax profit</b>	<b>178</b>	<b>329</b>	<b>441</b>	<b>445</b>	<b>508</b>	<b>270</b>	<b>403</b>	<b>159</b>	<b>150</b>	<b>403</b>	<b>309</b>	<b>7</b>	<b>82</b>
Minority interests	0	0	0	0	0	0	0	0	0	0	0	0	0
Total taxes	(45)	(69)	(79)	(90)	(179)	(62)	(94)	175	(34)	(121)	(36)	(2)	(17)
<b>Reported profit after tax</b>	<b>133</b>	<b>260</b>	<b>361</b>	<b>355</b>	<b>330</b>	<b>209</b>	<b>310</b>	<b>334</b>	<b>116</b>	<b>282</b>	<b>272</b>	<b>6</b>	<b>65</b>
Discontinued operations	0	0	0	0	0	0	0	0	0	0	0	0	0
Extraordinary items	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Net Profit</b>	<b>133</b>	<b>260</b>	<b>361</b>	<b>355</b>	<b>330</b>	<b>209</b>	<b>310</b>	<b>334</b>	<b>116</b>	<b>282</b>	<b>272</b>	<b>6</b>	<b>65</b>
<b>Adjustments:</b>													
Discontinued operations	0	0	0	0	0	0	0	0	0	0	0	0	0
Interest on convertible debt	0	0	0	0	0	0	0	0	0	0	0	0	0
Minority interests (IFRS)	0	(2)	(2)	(4)	(6)	(1)	(0)	(0)	(1)	(5)	(1)	(0)	(1)
Value changes	(40)	(38)	(78)	(23)	(3)	(38)	(208)	(141)	(46)	(520)	(267)	0	0
Goodwill/intangibles amortisations	0	0	0	0	0	0	0	0	0	0	0	0	0
Restructuring charges	0	0	0	0	0	0	0	0	0	0	0	0	0
Other adjustments	0	0	0	0	0	0	0	0	0	0	0	0	0
Tax effect of adjustments	8	8	16	5	1	8	43	29	9	107	55	0	0
<b>Adjusted profit after tax</b>	<b>101</b>	<b>227</b>	<b>297</b>	<b>333</b>	<b>321</b>	<b>178</b>	<b>145</b>	<b>221</b>	<b>79</b>	<b>(136)</b>	<b>60</b>	<b>6</b>	<b>65</b>
<b>Margins, tax &amp; returns</b>													
Operating margin	7.3	11.4	19.1	19.2	22.7	12.0	11.9	0.1	3.4	(4.4)	1.7	0.2	2.7
Pre-tax margin	9.9	17.8	22.0	21.3	21.1	11.0	16.1	8.5	6.5	13.8	12.3	0.2	2.7
Tax rate	25.2	21.0	17.9	20.2	35.1	22.8	23.2	n.m.	22.5	30.0	11.8	20.6	20.6
ROE	5.7	10.1	12.6	11.0	9.2	5.5	7.7	7.7	2.5	5.9	5.5	0.1	1.3
ROCE	4.2	6.0	9.0	8.1	10.0	5.1	5.2	0.0	1.7	(2.7)	0.8	0.1	1.6
<b>Growth rates y-o-y (%)</b>													
Total revenues	n.a.	2.5	8.2	4.4	15.1	1.8	2.2	(25.5)	22.5	27.4	(14.3)	20.3	1.8
Operating profit	57.4	59.9	81.1	5.2	36.0	(46.4)	1.6	(99.6)	6,967.0	n.m.	n.m.	(82.3)	999.0
Pre-tax profit	3.2	84.8	33.9	1.1	14.1	(46.8)	49.2	(60.6)	(5.8)	169.2	(23.4)	(97.6)	999.0
EPS (adjusted)	(41.8)	123.9	30.9	12.0	(3.6)	(44.6)	(18.5)	52.8	(64.4)	0.0	0.0	(90.2)	999.0

<b>Cash flow</b>													
<b>(SEKm)</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023E</b>	<b>2024E</b>	<b>2025E</b>
Net profit	133	260	361	355	330	209	310	334	116	282	272	6	65
Non-cash adjustments	255	258	220	125	354	102	76	(104)	364	(528)	81	371	371
<b>Cash flow before work cap</b>	<b>389</b>	<b>518</b>	<b>581</b>	<b>480</b>	<b>683</b>	<b>311</b>	<b>386</b>	<b>230</b>	<b>480</b>	<b>(246)</b>	<b>353</b>	<b>377</b>	<b>437</b>
Ch. in working capital / Other	75	116	(121)	49	(91)	93	24	(68)	127	(8)	(48)	(15)	(39)
<b>Operating cash flow</b>	<b>464</b>	<b>634</b>	<b>460</b>	<b>529</b>	<b>592</b>	<b>404</b>	<b>410</b>	<b>162</b>	<b>608</b>	<b>(254)</b>	<b>305</b>	<b>362</b>	<b>397</b>
Capital expenditures	(156)	(1,402)	(696)	(433)	(822)	(926)	(497)	(23)	(192)	(280)	(520)	(70)	(70)
Asset disposals	122	192	300	120	1	640	803	369	0	784	510	0	0
L/T financial investments	2	22	(7)	1	(1)	(5)	3	(1)	(0)	10	0	0	0
Acquisitions / adjustments	(1)	0	0	(8)	0	0	0	(88)	0	(11)	0	0	0
<b>Free cash flow</b>	<b>431</b>	<b>(553)</b>	<b>57</b>	<b>209</b>	<b>(229)</b>	<b>113</b>	<b>719</b>	<b>420</b>	<b>416</b>	<b>248</b>	<b>295</b>	<b>292</b>	<b>327</b>
Net loan proceeds	(179)	349	440	195	208	(247)	(381)	(1,318)	(94)	(12)	(12)	(10)	(10)
Dividend paid	(11)	(11)	(17)	(15)	(16)	(18)	(26)	0	(20)	(25)	(21)	(21)	(21)
Share issue	0	0	0	0	0	0	0	0	0	0	0	0	0
Other	0	0	0	0	0	(0)	0	0	0	0	(0)	0	0
<b>Net change in cash</b>	<b>241</b>	<b>(215)</b>	<b>480</b>	<b>389</b>	<b>(37)</b>	<b>(151)</b>	<b>312</b>	<b>(898)</b>	<b>302</b>	<b>212</b>	<b>263</b>	<b>262</b>	<b>297</b>
<b>Adjustments</b>													
C/flow bef chng in work cap	389	518	581	480	683	311	386	230	480	(246)	353	377	437
Adjustments	0	0	0	0	0	0	0	0	0	0	0	0	0
Int on conv debt net of tax	0	0	0	0	0	0	0	0	0	0	0	0	0
Cash earnings	389	518	581	480	683	311	386	230	480	(246)	353	377	437
<b>Per share information</b>													
Cash earnings	155.4	207.2	232.4	192.0	273.4	124.4	154.3	92.1	192.2	(98.5)	141.4	150.9	174.6
Operating cash flow	185.6	253.7	184.1	211.6	236.9	161.4	163.8	64.9	243.1	(101.7)	122.1	145.0	158.9
Free cash flow	172.2	(221.3)	22.7	83.7	(91.7)	45.2	287.5	167.9	166.2	99.4	118.1	117.0	130.9
<b>Investment cover</b>													
Capex/sales (%)	8.6	75.6	34.7	20.7	34.1	37.7	19.8	1.2	8.4	9.6	20.8	2.3	2.3
Capex/depreciation (%)	45	644	289	204	448	399	149	6	51	72	150	19	19

Source for all data on this page: SEB

Balance sheet - Gotlandsbolaget													
(SEKm)	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023E	2024E	2025E
Cash and liquid assets	1,432	1,298	1,892	2,426	2,304	2,258	2,788	2,034	2,397	3,137	3,399	3,661	3,958
Debtors	117	134	127	192	175	106	105	166	124	91	103	165	210
Inventories	9	10	8	11	10	21	14	15	24	25	21	33	34
Other	51	39	54	37	106	102	102	100	116	97	97	97	97
<b>Current assets</b>	<b>1,609</b>	<b>1,482</b>	<b>2,080</b>	<b>2,667</b>	<b>2,595</b>	<b>2,487</b>	<b>3,011</b>	<b>2,315</b>	<b>2,661</b>	<b>3,349</b>	<b>3,619</b>	<b>3,956</b>	<b>4,298</b>
Interest bearing fixed assets	0	0	0	0	0	0	0	0	0	0	0	0	0
Other financial assets	24	2	9	31	22	22	24	14	20	39	39	39	39
Capitalized development cost	0	0	0	0	0	0	0	0	0	0	0	0	0
Goodwill	2	12	9	6	4	3	1	1	1	0	0	0	0
Other intangibles	0	0	0	0	0	0	0	0	0	0	0	0	0
Right-of-use lease assets	0	0	0	0	0	0	0	0	0	0	0	0	0
Fixed tangible assets	2,013	3,029	3,242	3,341	3,981	4,012	3,548	2,934	2,748	2,360	2,289	1,988	1,687
Other fixed assets	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Fixed assets</b>	<b>2,040</b>	<b>3,043</b>	<b>3,260</b>	<b>3,378</b>	<b>4,006</b>	<b>4,036</b>	<b>3,573</b>	<b>2,949</b>	<b>2,768</b>	<b>2,400</b>	<b>2,329</b>	<b>2,028</b>	<b>1,726</b>
<b>Total assets</b>	<b>3,649</b>	<b>4,524</b>	<b>5,340</b>	<b>6,045</b>	<b>6,601</b>	<b>6,523</b>	<b>6,584</b>	<b>5,264</b>	<b>5,429</b>	<b>5,749</b>	<b>5,948</b>	<b>5,983</b>	<b>6,024</b>
Creditors	44	60	63	99	83	96	83	76	139	120	103	124	126
Other trade financing	125	153	203	197	369	173	198	194	231	215	192	231	235
S/T lease liabilities	0	0	0	0	0	0	0	0	0	0	0	0	0
S/T interest bearing debt	46	269	129	176	199	207	282	10	11	12	10	10	10
Other	4	90	7	10	13	29	35	98	22	14	14	14	14
<b>Current liabilities</b>	<b>219</b>	<b>571</b>	<b>402</b>	<b>482</b>	<b>663</b>	<b>505</b>	<b>598</b>	<b>377</b>	<b>402</b>	<b>361</b>	<b>319</b>	<b>378</b>	<b>385</b>
L/T interest bearing debt	687	886	1,518	1,701	1,782	1,655	1,169	154	159	171	161	151	141
L/T lease liabilities	0	0	0	0	0	0	0	0	0	0	0	0	0
Other long-term liabilities	8	8	6	51	85	48	121	6	6	7	7	7	7
Convertible debt	0	0	0	0	0	0	0	0	0	0	0	0	0
Pension provisions	0	0	0	0	0	0	0	0	0	0	0	0	0
Other provisions	315	361	371	414	372	421	513	241	279	389	389	389	389
Deferred tax	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Long term liabilities</b>	<b>1,010</b>	<b>1,255</b>	<b>1,895</b>	<b>2,166</b>	<b>2,240</b>	<b>2,124</b>	<b>1,803</b>	<b>401</b>	<b>445</b>	<b>567</b>	<b>557</b>	<b>547</b>	<b>537</b>
Minority interests	6	13	15	19	25	25	16	16	17	2	2	2	3
<b>Shareholders' equity</b>	<b>2,414</b>	<b>2,684</b>	<b>3,028</b>	<b>3,377</b>	<b>3,673</b>	<b>3,869</b>	<b>4,167</b>	<b>4,470</b>	<b>4,565</b>	<b>4,819</b>	<b>5,070</b>	<b>5,055</b>	<b>5,100</b>
<b>Total liabilities and equity</b>	<b>3,649</b>	<b>4,524</b>	<b>5,340</b>	<b>6,045</b>	<b>6,601</b>	<b>6,523</b>	<b>6,584</b>	<b>5,264</b>	<b>5,429</b>	<b>5,749</b>	<b>5,948</b>	<b>5,983</b>	<b>6,024</b>
Net debt (m)	(699)	(143)	(245)	(549)	(323)	(396)	(1,337)	(1,871)	(2,227)	(2,953)	(3,228)	(3,500)	(3,807)
Working capital (m)	3	(119)	(85)	(65)	(173)	(69)	(94)	(87)	(127)	(137)	(89)	(74)	(35)
Capital employed (m)	3,153	3,852	4,690	5,274	5,679	5,756	5,634	4,649	4,752	5,004	5,244	5,219	5,254
Net debt/equity (%)	(29)	(5)	(8)	(16)	(9)	(10)	(32)	(42)	(49)	(61)	(64)	(69)	(75)
Net debt/EBITDA (x)	(1.5)	(0.3)	(0.4)	(0.9)	(0.4)	(0.8)	(2.1)	(4.8)	(4.9)	(11.5)	(8.3)	(9.2)	(8.4)
Equity/total assets (%)	66	60	57	56	56	60	64	85	84	84	85	85	85
Interest cover	(22.9)	(2.7)	18.1	(20.5)	12.7	4.8	2.9	(0.1)	(3.0)	10.4	0.0	0.0	0.0

Valuation													
(SEK)	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023E	2024E	2025E
No of shares, fully dil. (y/e)	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5
No of shares, fully dil. avg.	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5
Share price, y/e										1,980.0	1,900.0	1,900.0	1,900.0
Share price, high										2,300.0	2,200.0		
Share price, low										1,650.0	1,840.0		
Share price, avg										2,011.7	2,039.7		
EPS (reported)	53.3	103.1	143.9	140.4	129.4	83.2	123.9	133.3	46.0	110.8	108.8	2.35	25.9
EPS (adjusted)	40.6	90.9	119.0	133.2	128.4	71.1	58.0	88.6	31.5	(54.5)	24.1	2.35	25.9
Cash earnings/share	155.4	207.2	232.4	192.0	273.4	124.4	154.3	92.1	192.2	(98.5)	141.4	150.9	174.6
Dividend/share	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	8.20	8.20	8.20	8.20	8.20
Enterprise value/share										799	609	500	377
Book value/share	966	1,074	1,211	1,351	1,469	1,548	1,667	1,788	1,826	1,927	2,028	2,022	2,040
Adjusted equity/share	966	1,074	1,211	1,351	1,469	1,548	1,667	1,788	1,826	1,927	2,028	2,022	2,040
PER (adjusted)										n.m.	78.9	n.m.	73.5
CEM										(20.1)	13.4	12.6	10.9
Dividend yield										0.4	0.4	0.4	0.4
EV/EBITDA										7.8	3.9	3.3	2.1
EV/EBITA										(15.4)	36.0	167.1	11.5
EV/EBIT										(15.4)	36.0	167.1	11.5
EV/Sales (x)										0.68	0.61	0.42	0.31
Price/Book value										1.03	0.94	0.94	0.93
Price/adjusted equity										1.03	0.94	0.94	0.93
Free cash flow/Market cap (%)										(10.8)	(4.5)	6.2	6.9
Operating cash flow/EV (%)										(12.7)	20.1	29.0	42.1
EV/Capital employed (x)										0.4	0.3	0.2	0.2

Main shareholders				Management		Company information	
Name	(%)	Votes	Capital	Title	Name	Contact	
Trojaborg Aktiebolag		74.2	59.2	COB	Ann-marie Åström	Internet	gotlandsbolaget.se
Svenska Stålbyggen Invest AB		5.9	10.3	CEO	Håkan Johansson	Phone number	0498-20 00 00
TJ Gruppen		3.4	3.1	CFO	Anders Gripne		
				IR	Karin Bill		

Source for all data on this page: SEB

**About this publication**

This report is a marketing communication commissioned by Gotlandsbolaget and prepared by Skandinaviska Enskilda Banken AB (publ). It does not constitute investment research; as such, it has not been prepared in accordance with the legal requirements to promote the independence of investment research, nor is it subject to any prohibition on dealing ahead of the dissemination of investment research.

**This statement affects your rights**

This report is confidential and may not be reproduced, redistributed or republished by any recipient for any purpose or to any person. Redistributing this report to third parties may invoke legal requirements on the person engaging in such activities.

**Producers and Recipients**

SEB Research is approved and issued by Skandinaviska Enskilda Banken AB (publ) ("SEB"), a bank organized under the laws of the Kingdom of Sweden, on behalf of itself and its affiliates for institutional investors. When SEB Research is issued by an SEB subsidiary, the subsidiary itself is subject to this disclaimer.

**Use**

This material has been prepared by SEB for information purposes only. It does not constitute investment advice and is being provided to you without regard to your investment objectives or circumstances. The document does not constitute an invitation or solicitation of an offer to subscribe for or purchase any securities and neither this document nor anything contained herein shall form the basis for any contract or commitment whatsoever. Opinions contained in the report represent the authors' present opinion only and may be subject to change. In the event that the authors' opinion should change, we shall endeavour (but do not undertake) to disseminate any such change, within the constraints of any regulations, applicable laws, internal procedures within SEB, or other circumstances.

**Good faith and limitations**

All information, including statements of fact, contained in this research report have been obtained and compiled in good faith from sources believed to be reliable. However, no representation or warranty, express or implied, is made by SEB with respect to the completeness or accuracy of its contents, and it is not to be relied upon as authoritative and should not be taken in substitution for the exercise of reasoned, independent judgement by you. Recipients are urged to base their investment decisions upon such investigations as they deem necessary. To the extent permitted by applicable law, no liability whatsoever is accepted by SEB for any direct or consequential loss arising from the use of this document or its contents.

**Distribution**

This research report has been prepared by SEB or its affiliates and is being distributed by SEB offices in Stockholm, Copenhagen, Oslo, Helsinki, Frankfurt, London, Tallinn, Vilnius and Riga. Research reports are prepared and distributed in Lithuania by AB SEB bankas and in Estonia by AS SEB Pank in accordance with the requirements of the local laws and Financial Supervision Authority's conduct of business rules. This document may not be distributed in the United States, Canada, Japan or Australia or in any other jurisdiction where to do so would be unlawful. Addresses and Phone numbers for each office can be found at the end of the report.

**The SEB Group: members, memberships and regulators**

SEB is a member of, inter alia, Nasdaq OMX Nordic, Oslo Stock Exchange, the London Stock Exchange, NYSE Euronext, SIX Swiss Exchange, Frankfurt Stock Exchange, Tallinn Stock Exchange as well as certain European MTF's such as BATS-Chi-X, Turquoise and Burgundy. SEB is regulated by Finansinspektionen in Sweden and, for the conduct of investment services business, in (i) Denmark by Finanstilsynet, (ii) Norway by Finanstilsynet, (iii) Finland by Finanssivalvonta, (iv) Germany by Bundesanstalt für Finanzdienstleistungsaufsicht, (v) the UK by the Financial Conduct Authority and Prudential Regulation Authority (details about the extent of our regulation by the Financial Conduct Authority and Prudential Regulation Authority are available from us on request), (vi) Estonia by the Estonian Financial Supervision Authority, (vii) Lithuania by the Bank of Lithuania, (viii) Latvia by the Financial and Capital Markets Commission and Futures Commission.

SEB's research reports are prepared in accordance with the industry standards and codes of conduct applicable to financial analysts in the countries where they are based. In Denmark, Finland, Norway and Sweden, analysts act in accordance with the rules of ethics of each country's Society of Financial Analysts. Analysts comply with the recommendations and industry standards of the Danish, Norwegian and the Swedish Securities Dealers Associations and with those of the Federation of Finnish Financial Services. Analysts certified by the CFA Institute also comply with the Code of Ethics of the CFA Institute.

**Prevention and avoidance of conflicts of interest**

The remuneration of staff within the Research department is determined exclusively by research management and senior management and may include discretionary awards based on the firm's total earnings, including investment banking and markets (sales and trading businesses) income; however, no such staff receive remuneration based upon specific investment banking or markets transactions. SEB's Compliance department monitors the production of research and the observance of the group's procedures designed to prevent any potential conflicts of interest from affecting the content of research; the latter are described in greater detail in the "Statement of Policies for dealing with potential conflicts of interest surrounding our Research activities" which is available on our SEB Research website.

**Your attention is also drawn to the fact that:**

The current market price of the securities shown in this report is the price prevailing at the close of the business day preceding the date of publication, save where such price was more than 5% different from the price prevailing as at the time of publication, in which case it is the latter.

Unless explicitly stated otherwise in this report, SEB expects (but does not undertake) to issue updates to this report following the publication of new figures or forecasts by the company covered, or upon the occurrence of other events which could potentially have a material effect on it.

The securities discussed in this research report may not be eligible for sale in all countries, and such securities may not be suitable for all types of investors. Offers and sales of securities discussed in this research report, and the distribution of this report, may be made only in countries where such securities are exempt from registration or qualification or have been so registered or qualified for offer and sale, and in accordance with applicable broker-dealer and agent/salesman registration or licensing requirements. A copy of this report, not including the recommendation, has been provided to the issuer prior to its dissemination to check factual statements for accuracy; as a result, some amendments have been made.

A full list of disclosures for other companies mentioned herein (in which SEB has research coverage), can be found on our SEB Research website

**Methodology**

Final consideration as to any valuations, projections and forecasts contained in this report are based on a number of assumptions and estimates and are subject to contingencies and uncertainties, and their inclusion in this report should not be regarded as a representation or warranty by or on behalf of the Group or any person or entity within the Group that they or their underlying assumptions and estimates will be met or realized. Different assumptions could result in materially different results. Past performance is not a reliable indicator of future performance. Foreign currency rates of exchange may adversely affect the value, price or income of any security or related investment mentioned in this report. In addition, investors in securities, such as ADRs, whose values are influenced by the currency of the underlying security, effectively assume currency risk.

**Company specific disclosures and potential conflicts of interest**

A member of, or an entity associated with, SEB or its affiliates, officers, directors, employees or shareholders of such members (a) is not, and has never been, represented on the board of directors or similar supervisory entity of Gotlandsbolaget, (b) has from time to time bought or sold the securities issued by the company or options relating to the company, and (c) SEB does not hold any short / long position exceeding 0.5% of the total issued share capital of Gotlandsbolaget as of 30 Apr 2023.

The analyst(s) responsible for this research report (jointly with their closely related persons) hold(s) 0 shares in Gotlandsbolaget and do(es) not have holdings in other instruments related to the company.

Skandinaviska Enskilda Banken AB (publ). All rights reserved.

---

<b>Copenhagen</b> Bernstorffsgade 50 P.O. Box 100 DK-1577 Copenhagen V  Telephone: (45) 3328 2828	<b>Frankfurt</b> Stephanstrasse 14-16 D-60313 Frankfurt am Main  Telephone: (49) 69 9727 7740	<b>Helsinki</b> Eteläesplanadi 18 P.O. Box 630 FIN-00101 Helsinki  Telephone: (358) 9 616 28700	<b>London</b> One Carter Lane London, EC4V 5AN  Telephone: (44) 20 7246 4000
<b>Oslo</b> Filipstad Brygge 1, P.O. Box 1363 Viken NO-0113 Oslo  Telephone: (47) 2100 8500	<b>Stockholm</b> Kungsträdgårdsgatan 8 S-106 40 Stockholm  Telephone: (46) 8 522 29500	<b>Tallinn</b> Tornimäe 2 EE-Tallinn 15010  Telephone: (372) 665 7762	