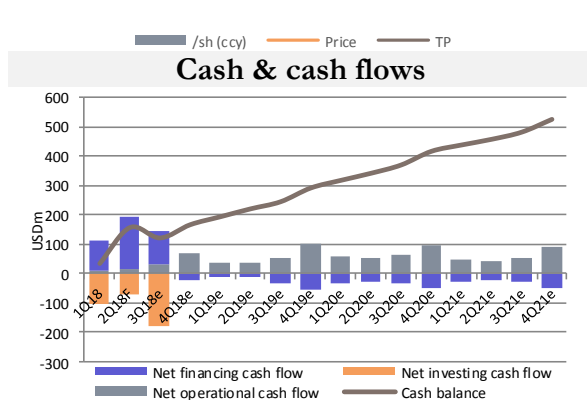
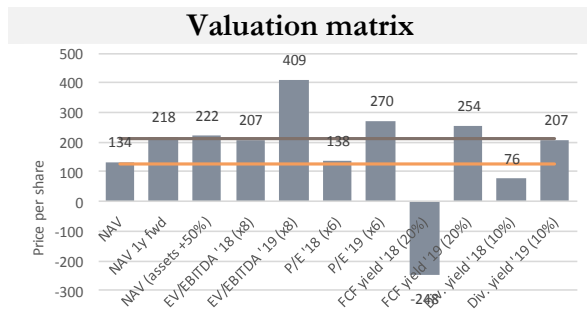
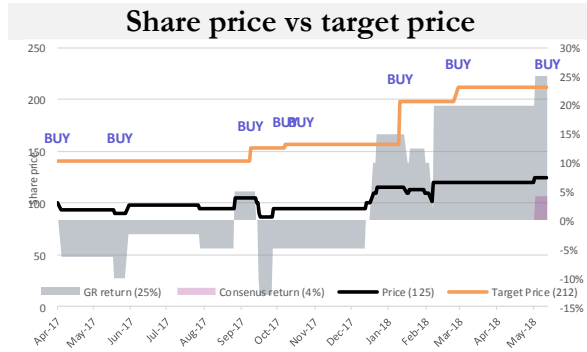


🐦 \$BULK (#BUY, 212): #GoodBulk launches #NewYork #IPO ahead of #Posidonia2018. #1 #Capesize play w/ 100% upside by YE'19

BULK-NO

BUY/TP 212

All Systems Go for GoodBulk



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As we highlighted in our [Get Ready for Launch](#) update in March, the then expected Q2/Q3 New York listing was announced on Friday through an [F-1](#). Assuming a 5% discount to our current NAV, we forecast 8m new shares to be issued around \$15.8/sh (NOK 129), representing 21% of outstanding shares in the NewCo. We reiterate our BUY rating and TP of NOK 212 (\$26).

IPO guidance: Although the IPO has not been concluded and no pricing indications have been given, the F-1 includes information which in combination with our calculations enables us to provide a guidance on the fair outcome of the IPO. An update will be provided to our [Private Network](#) when the deal is concluded, expected at latest in early July.

Investment case: As per earlier disclaimers, we bought GoodBulk at a NOK 90/sh average in 2017 and have advocated the NY listing as a major share price trigger. Assuming a 5% IPO discount to our current NAV estimate of \$16.65/sh (NOK 136) & all [five proposed Capesizes](#) to be acquired, the NewCo will have a NAV of \$16.3/sh (NOK 134) & a 1y forward NAV of \$26.6/sh (NOK 218) based on our forecast of a 44% asset price appreciation by then. GoodBulk will only be surpassed by [Star Bulk](#) and [Golden Ocean](#) in terms of number of Capesizes in its fleet amongst listed companies, but unsurpassed in terms of the largest on-the-water Capesize exposure as part of the fleet. We prefer 2nd-hand Capesize vessels at the current expansionary phase of the cycle as they exhibit the highest volatility. The only negative with GoodBulk is the low financial leverage combined with a too prudent pay-out ratio of 25-50% as the cyclical expansion turns to peak. We reiterate our BUY recommendation and NOK 212 (\$26) target price while we await the IPO outcome.

Key numbers					Key numbers				
USDm	2018	2019	2020	2021	USDm	2018	2019	2020	2021
Net sales	159	240	268	240	Net operational cash flow	125	233	270	235
EBITDA	109	186	214	186	Free cash flow	-228	233	270	235
EBIT	84	161	189	161	Net cash flow	145	125	125	109
PTP	80	158	187	161	TCE/day	19,414	27,688	30,873	27,742
Net earnings	80	158	187	161	Cash break-even	6,699	7,645	8,437	8,341
EPS	2.72	5.36	6.34	5.45	Liquidity	164	289	414	523
DPS	1.46	4.76	5.38	4.70	Property & Equip. (incl. NBs)	700	673	646	619
Fwd NAV	877	1,149	1,300	1,454	Total equity	577	688	810	914
Adj. equity ratio	73%	79%	82%	85%	Interest bearing debt	308	295	271	249
FCF yield	-40%	41%	47%	41%	Net interest bearing debt	144	6	-143	-274
Dividend yield	6%	17%	21%	18%	Market Cap.	573	573	573	573
EV/EBITDA	5.2	2.5	1.6	1.3	Enterprise value	717	579	431	300
P/E (adj.)	5.4	2.8	2.4	2.8	Capex	367	-	-	-

Source: Gersemi Research, Bloomberg, company data

Disclaimer: The publisher currently owns shares in the company. More disclaimers at the end of this document

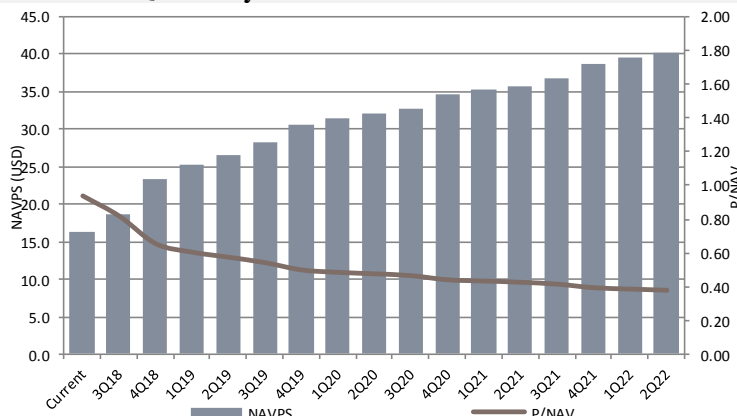


Valuation

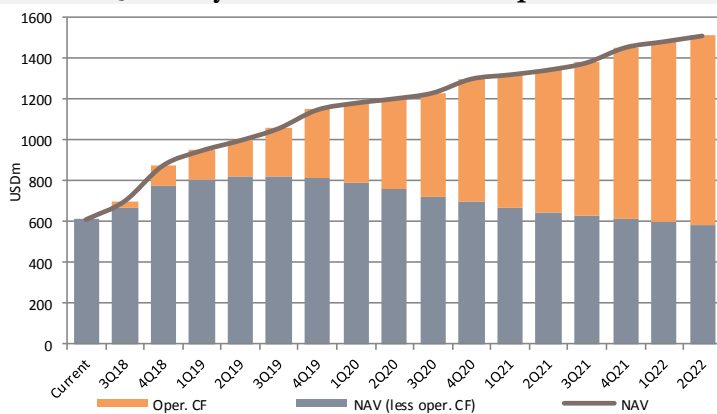
Valuation & target price

Net asset values			
USDm	2Q18	Fair value	Implied
Primary assets	533	807	768
Contract value	0	0	0
Other	23	23	22
GAV	555	829	789
Net debt	-32	-32	-32
Capex	0	-180	-180
Other	-4	-4	-4
NAV	520	613	573
Shares	38	38	38
NAVPS	13.8	16.3	15.3
Share price	113	134	125
P/NAV	1.10	0.93	1.00
EV/GAV	1.42	0.95	1.00
Adj. Total Assets	718	992	953
Adj. Equity Ratio	72%	62%	60%
Target price	NOK	212	69%

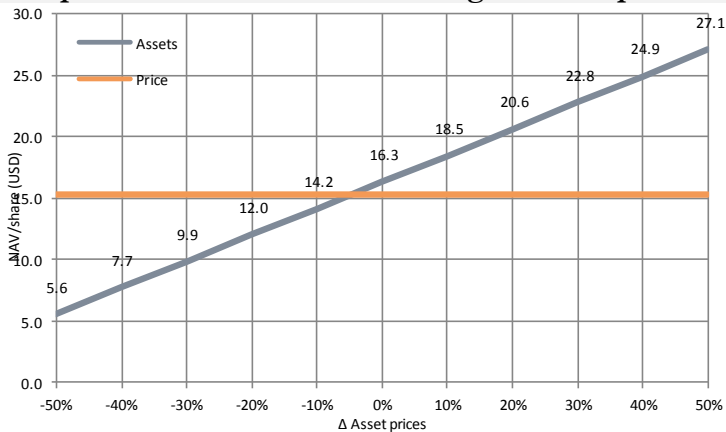
Quarterly forward NAV & P/NAV



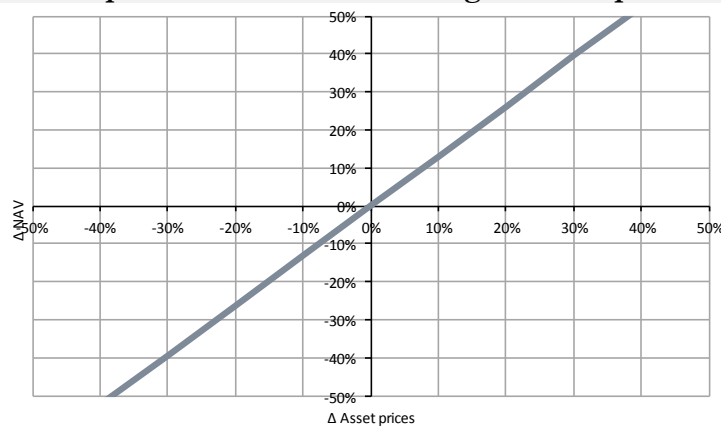
Quarterly forward NAV decomposition



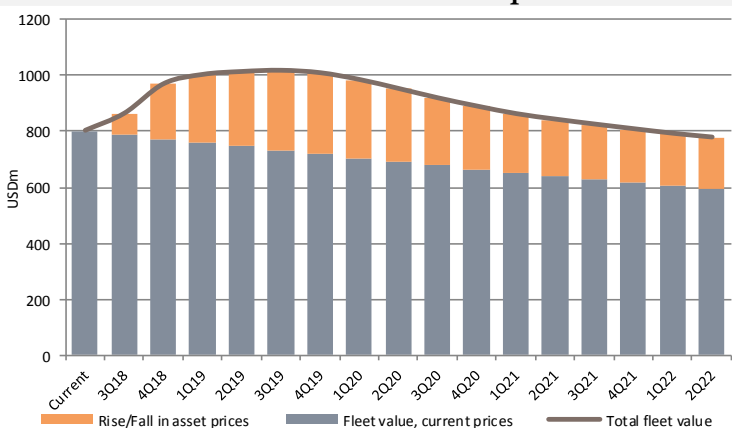
Impact on NAV/sh from % change in asset prices



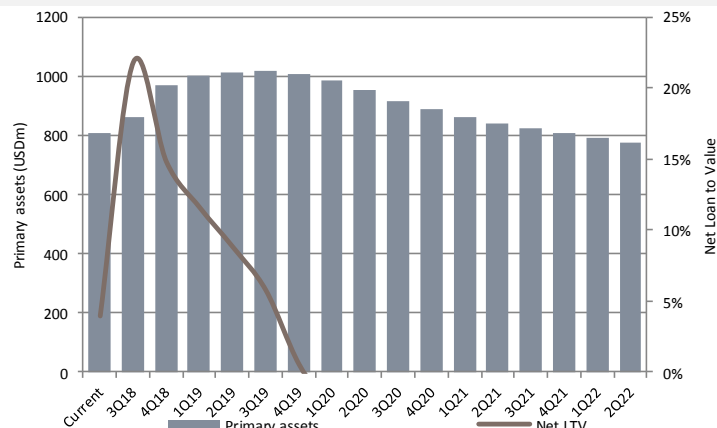
% Impact on NAV from % change in asset prices



Forward fleet valuation decomposition



Forward fleet value & net loan to value





Estimate Changes

Profit & Loss

Estimate changes USDm	New				Old				Change			
	2018	2019	2020	2021	2018	2019	2020	2021	2018	2019	2020	2021
Net sales	190	304	339	304	159	240	268	240	31	64	71	64
EBITDA	137	235	271	236	109	186	214	186	28	50	57	50
EBIT	110	209	244	209	84	161	189	161	26	48	55	48
PTP	106	206	244	208	80	158	187	161	26	48	56	47
Net earnings	106	206	244	208	80	158	187	161	26	48	56	47
EPS	2.91	5.48	6.49	5.53	2.72	5.36	6.34	5.45	2018	2019	2020	2021
DPS	0.93	2.53	3.24	2.77	1.46	4.76	5.38	4.70	31	64	71	64
									2	14	14	14
									2	2	2	2
									1	-0	-1	1
									-	-	-	-

Cash Flows & Balance Sheet

Estimate changes USDm									Change			
	2018	2019	2020	2021	2018	2019	2020	2021	2018	2019	2020	2021
Net operational cash flow	125	233	270	235	105	183	212	186	20	50	58	49
Free cash flow	-228	233	270	235	-175	183	212	186	-53	50	58	49
Net cash flow	145	125	125	109	35	35	40	35	109	90	85	74
TCE/day	19,414	27,688	30,873	27,742	18,989	27,337	30,470	27,390	425	351	403	352
Cash break-even	6,699	7,645	8,437	8,341	7,714	7,301	7,880	7,622	-1,015	344	557	718
Liquidity	164	289	414	523	55	90	130	164	109	199	284	359
Property & Equip. (incl. NBs)	700	673	646	619	500	475	450	425	200	198	196	194
Total equity	577	688	810	914	395	412	440	463	182	276	369	451
Interest bearing debt	308	295	271	249	174	167	153	141	134	128	118	109
Net interest bearing debt	144	6	-143	-274	119	77	24	-24	25	-71	-166	-250
Market Cap.	573	573	573	573	452	452	452	452	121	121	121	121
Enterprise value	717	579	431	300	571	529	476	428	146	50	-45	-129
Capex	367	-	-	-	295	-	-	-	73	-	-	-

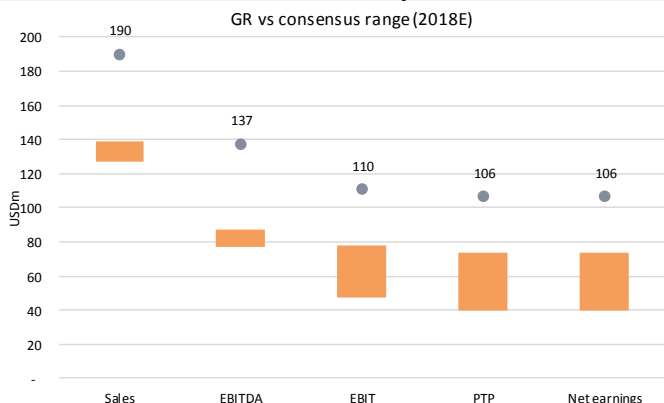
Valuation

Estimate changes USDm									Change			
	2018	2019	2020	2021	2018	2019	2020	2021	2018	2019	2019	2021
Fwd NAV	877	1,149	1,300	1,454	673	885	1,009	1,137	205	264	291	317
Adj. equity ratio	73%	79%	82%	85%	79%	84%	86%	88%	-5%	-5%	-4%	-4%
FCF yield	-40%	41%	47%	41%	-39%	41%	47%	41%	-1%	0%	0%	0%
Dividend yield	6%	17%	21%	18%	10%	31%	35%	31%	-3%	-15%	-14%	-13%
EV/EBITDA	5.2	2.5	1.6	1.3	5.3	2.8	2.2	2.3	-0.0	-0.4	-0.6	-1.0
P/E (adj.)	5.4	2.8	2.4	2.8	5.3	2.9	2.4	2.8	0	-0	-0	-0

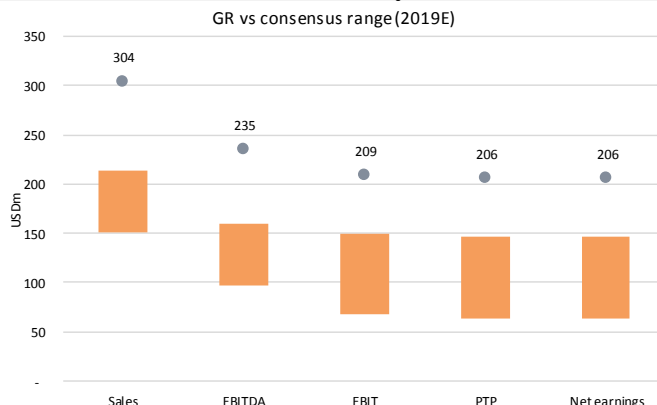


Our Estimates vs Consensus

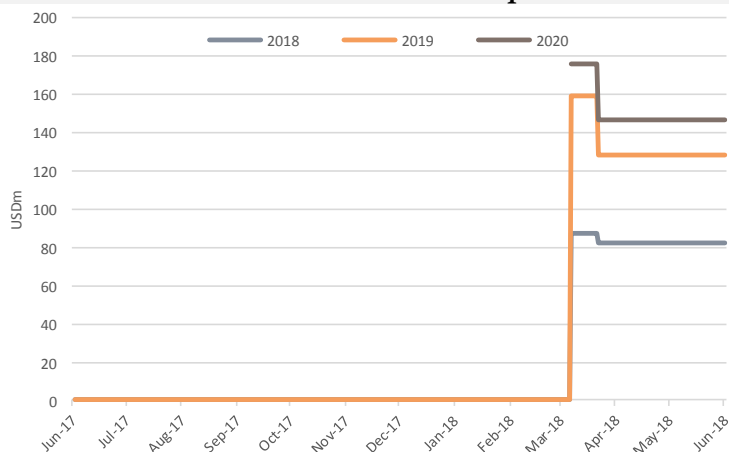
Profit & Loss, year I



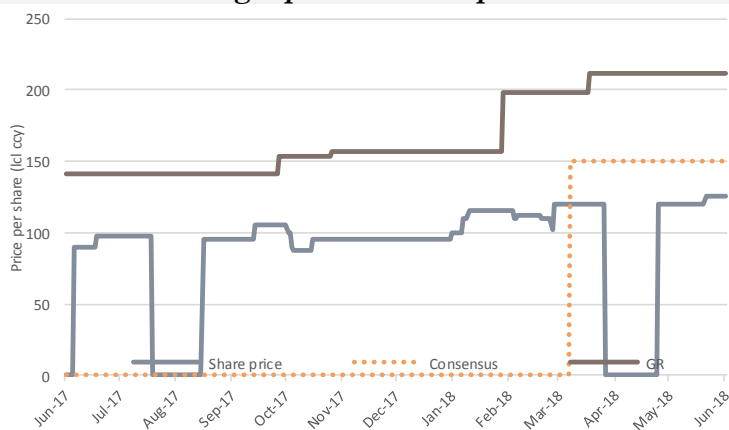
Profit & Loss, year II



Consensus EBITDA development



Target price vs share price

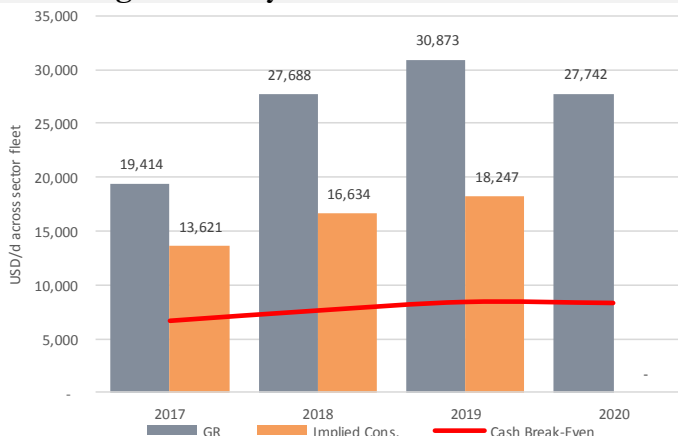


GR vs consensus: P&L break-down

	2018	GR	Consensus	Diff.	Diff.
TCE revenue	190	133	57	43%	
Opex + G&A	53	51	2	3%	
Depreciation	27	20	7	37%	
Net finance	4	6	-1	-24%	
Taxes & Minorities	0	0	0	#DIV/0!	

	2019	GR	Consensus	Diff.	Diff.
TCE revenue	304	183	121	66%	
Opex + G&A	68	54	14	26%	
Depreciation	27	20	7	34%	
Net finance	3	4	-1	-25%	
Taxes & Minorities	0	0	0	#DIV/0!	

Avg. TCE/day across fleet vs consensus





Profit & Loss (USDm)	2013	2014	2015	2016	2017	2018E	2019E	2020E	2021E
Net sales	0	0	0	0	34	190	304	339	304
Operational costs						-53	-68	-69	-68
EBITDA						137	235	271	236
Depreciation/Amortization						-27	-27	-27	-27
EBIT	—	—	—	—	5	110	209	244	209
Net financials					-2	-4	-3	0	-1
PTP	—	—	—	—	3	106	206	244	208
Taxes/Minorities					0	0	0	0	0
Net earnings	—	—	—	—	3	106	206	244	208
Non-recurring items					0	0	0	0	0
Net earnings (adj.)	—	—	—	—	3	106	206	244	208
EPS					0.18	2.91	5.48	6.49	5.53
EPS (adj.)					0.18	2.91	5.48	6.49	5.53
DPS					0.00	0.93	2.53	3.24	2.77
Balance Sheet (USDm)	2013	2014	2015	2016	2017	2018E	2019E	2020E	2021E
Cash & short-term investments	—	—	—	—	20	164	289	414	523
Other current assets					21	26	26	26	26
Total current assets	—	—	—	—	41	190	316	440	549
Property & equip. (incl. NBs)	—	—	—	—	—	700	673	646	619
Other non-current assets						5	5	5	5
Total non-current assets	—	—	—	—	245	704	677	650	624
TOTAL ASSETS	—	—	—	—	286	895	993	1,091	1,173
Total equity	—	—	—	—	194	577	688	810	914
Short-term debt	—	—	—	—	0	0	0	0	0
Other current liabilities					7	12	12	12	12
Total current liabilities	—	—	—	—	7	12	12	12	12
Long-term debt	—	—	—	—	85	308	295	271	249
Other non-current liabilities					0	0	0	0	0
Total non-current liabilities	—	—	—	—	85	308	295	271	249
TOTAL EQUITY & LIABILITIES	—	—	—	—	286	897	995	1,093	1,175
Working capital, receivables					18	21	21	21	21
Working capital, payables	—	—	—	—	2	8	8	8	8
Net working capital					16	13	13	13	13
Interest bearing debt					85	308	295	271	249
Liquidity					20	164	289	414	523
Net interest bearing debt					65	144	6	-143	-274
Cash Flow (USDm)	2013	2014	2015	2016	2017	2018E	2019E	2020E	2021E
Net income	—	—	—	—	3	106	206	244	208
Depreciation						27	27	27	27
Other						-5	0	0	0
Cash earnings					12	128	233	270	235
Changes in working capital	—	—	—	—	-14	-3	0	0	0
Net operational cash flow	—	—	—	—	-2	125	233	270	235
Capex	—	—	—	—	-161	-367	0	0	0
Other investments	0	0	0	0	0	0	0	0	0
Proceeds from sales	—	—	—	—	—	0	0	0	0
Other					-4	5	0	0	0
Net investing cash flow	—	—	—	—	-165	-352	0	0	0
Repayment of debt	—	—	—	—	86	0	-13	-24	-22
Proceeds from debt	—	—	—	—	86	224	0	0	0
Dividends paid	—	—	—	—	0	-35	-95	-122	-104
New equity	—	—	—	—	83	187	0	0	0
Other					-90	5	0	0	0
Net financing cash flow	—	—	—	—	165	372	-108	-146	-126
Currency effect	—	—	—	—	0	0	0	0	0
Net cash flow					-3	145	125	125	109
Cash balance				23	20	164	289	414	523
Free cash flow					-168	-228	233	270	235



	BULK-NO				BUY/TP 212				
	2013	2014	2015	2016	2017	2018E	2019E	2020E	2021E
Share Data & Valuation (USDm)									
Shares outstanding, end	—	—	—	—	17	38	38	38	38
Share price, avg (USD)					12	15	15	15	15
Share price, end (USD)	—	—	—	—	11	15	15	15	15
Market Cap.					195	573	573	573	573
NIBD					65	144	6	-143	-274
Minorities	—	—	—	—	0	0	0	0	0
Enterprise value					261	717	579	431	300
Key Figures & Ratios									
P/E (reported)					62.1	5.4	2.8	2.4	2.8
P/E (adj.)					62.1	5.4	2.8	2.4	2.8
P/CE	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
P/Sales					5.8	3.0	1.9	1.7	1.9
EV/Sales					7.7	3.8	1.9	1.3	1.0
EV/EBITDA						5.2	2.5	1.6	1.3
EV/EBIT					53.7	6.5	2.8	1.8	1.4
P/B					1.0	1.0	0.8	0.7	0.6
FCF yield					-86%	-40%	41%	47%	41%
Dividend yield					0.0%	6.1%	16.5%	21.3%	18.1%
Return on equity (ROE)					1.6%	18.3%	29.9%	30.1%	22.8%
Return on capital employed (ROCE)					1.9%	15.3%	30.2%	36.7%	32.7%
Return on assets (ROA)					1.1%	11.8%	20.8%	22.3%	17.7%
Sales growth						461%	60%	12%	-10%
EBITDA margin						72%	78%	80%	78%
EBIT margin					14%	58%	69%	72%	69%
Net margin					9%	56%	68%	72%	68%
Net interest rate					0.0%	2.9%	45.2%	-0.2%	-0.4%
Tax rate					0.0%	0.0%	0.0%	0.0%	0.0%
Equity ratio					68%	64%	69%	74%	78%
Leverage ratio					32%	36%	31%	26%	22%
NIBD / EBITDA (past 1y)						1.1	0.0	-0.5	-1.2
Operating cash flow/NIBD					0.0	0.9	40.0	-1.9	-0.9
Net interest coverage ratio (EBITDA)						32.4	89.5	945.9	225.5
Current ratio					5.5	15.9	26.7	37.3	46.5
Adj. equity ratio						73%	79%	82%	85%
Operating assets					266	730	703	677	650
Operating liabilities					7	12	12	12	12
Net operating assets					259	719	692	665	638

Source for financial items: Historical numbers primarily gathered from Bloomberg and company data. Forecast from Gersemi Research

Break-even levels vs TCE revenue (USD per fleet day)

