



Sustainable building blocks

We expect good demand growth drivers for the use of wood products in the coming years, to which Bergs Timber offers an interesting exposure. Transformative M&A and forward integration has improved its market position and has given it a more diversified product mix. However, we do expect some margin pressure. Our valuation range is SEK 2.9-5.6 per share, with a midpoint of SEK 3.8.

Key Data (2018E)

Price (SEK)	3.08
Reuters	BETI.ST
Bloomberg	BRGB.SS
Market cap (SEKm)	1,050
Market cap (USDm)	116
Market cap (EURm)	102
Net debt (SEKm)	540
Net gearing	51%
Net debt/EBITDA (x)	1.8
Shares fully dil. (m)	340.8
Avg daily turnover (m)	0.0
Free float	35%

A pure play on renewable materials

Bergs Timber is a pure play on solid wood products made of renewable material sourced from sustainably managed forests. Market conditions are currently very favourable with strong demand and high prices. The company operates eight sawmills – in Sweden, Latvia and Estonia – and has two major processing operations in Sweden and in Latvia.

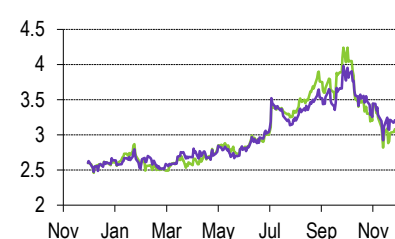
We expect a decline in profitability in 2019

Bergs Timber is currently enjoying strong demand, historically high prices and excellent profitability. However, earnings visibility is low and reflecting our cautious view on the forest products business cycle view we expect profitability to moderate in 2019.

Strong cash flow and low earnings multiples

On our 2019 forecasts, which include an EBITDA margin decline to 7.9% on average from 10.5% in the most recent quarter (June-August 2018), the stock still trades at a seemingly low EV/EBITDA of 6.3x. Based on the annualised profits of the most recently reported quarter, the stock trades at an EV/EBITDA of 4.6x. Cash flows are strong, supporting a healthy 4.9% dividend yield.

Share Price (12M)



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

Marketing communication

commissioned by:
Bergs Timber

Financials (SEK)

Year end: Dec	2016	2017	2018E	2019E	2020E
Revenues (m)	916	1,216	3,037	3,036	3,020
Adj. EBIT	2	37	234	164	134
Pre-tax profit (m)	(4)	31	220	147	117
EPS	(0.03)	0.15	0.71	0.36	0.29
Adj. EPS	(0.03)	0.15	0.71	0.36	0.29
DPS	0.00	0.05	0.15	0.15	0.15
Revenue growth (%)	4.6	32.7	149.8	(0.0)	(0.5)
Adj. EBIT growth (%)	n.m.	n.m.	530.8	(30.0)	(18.3)
Adj. EPS growth (%)	n.m.	n.m.	369.8	(49.1)	(20.1)
Adj. EBIT margin (%)	0.3	3.1	7.7	5.4	4.4
ROE (%)	(1.2)	6.7	26.1	11.1	8.4
ROCE (%)	0.5	7.2	22.3	10.2	8.1
PER (x)	n.m.	17.4	4.4	8.6	10.7
Free cash flow yield (%)	(19.4)	17.7	7.2	13.7	11.3
Dividend yield (%)	0.0	1.9	4.9	4.9	4.9
P/BV (x)	1.03	1.12	0.99	0.92	0.89
EV/Sales (x)	0.59	0.43	0.52	0.50	0.52
EV/Adj. EBITDA (x)	11.6	6.5	5.2	6.3	7.4
EV/Adj. EBIT (x)	220.8	14.5	6.8	9.2	11.7
Operating cash flow/EV (%)	(6.4)	20.8	12.0	13.8	11.8
Net debt/Adj. EBITDA (x)	3.81	1.13	1.77	1.93	2.43

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

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Investment case

Sustainable building blocks

A pure play on renewable, solid wood products

Bergs Timber is a pure play on solid wood products made of renewable material sourced from sustainably managed forests. Market conditions are currently very favourable with strong demand and high prices. The company operates eight sawmills in Sweden, Latvia and Estonia, as well as two major further processing operations, Bitus, a Sweden based wood treatment operation, and Byko-Lat, a Latvian supplier of treated wood, garden furniture, doors, windows, wooden houses and pellets.

A cyclical business with structural demand growth drivers

With construction as the key end-use area, demand for sawn wood products is cyclical. Earnings volatility is exacerbated by rather low barriers to supply growth and high currency sensitivity. Bergs Timber is able to mitigate earnings volatility to some degree by value-adding forward integration.

Cyclical swings aside, wood product markets have great prospects for growth. Structural mega trends relating to sustainability and demography support increased use of wood products. In emerging markets, trends of urbanisation and growing middle classes drive per capita consumption higher. Increasing environmental awareness supports wood as a building material in competition with cement and metal, for example. Unlike competing materials, wood is renewable by nature. Driven by the photosynthesis, sustainably managed forests are never ending sources of supply. Increasingly featuring in the debate about how to battle climate change, wood as a material offers a competitive solution as managed forests and wooden constructions capture carbon.

In an historical context, sawn wood prices are at a cyclical high. However, compared with the steep price trends in other construction materials wood prices are clearly lagging behind. Beside sustainability arguments, this makes for a good case of increased market share for wood based construction materials.

Transformation through M&A

Over the past few years Bergs Timber has grown through a series of acquisitions, which have strengthened the group in several ways. Locally in the east part of Småland, Sweden, the company has consolidated the sawmill industry, improving logistics and reducing competition for raw material in the area. The company has also increased its value added further down the supply chain, through the acquisitions of Bitus in Sweden and Byko-Lat in Latvia. The latter was part of by far Bergs Timber's biggest transaction to date, the SEK 788m acquisition of Norvik's operations in Latvia, Estonia and the UK, which increased group sales by 127% (2016/17). The deal included one highly cost competitive and profitable sawmill in Latvia with an annual capacity of 270,000 m³, as well as two smaller sawmills in Estonia. The business combination enables increased integration and distribution, as well as diversification in terms of business mix and cost base. Through its acquired presence in euroland, Bergs Timber has changed a net long euro position to a slight short position. The British pound, however, remains a big long exposure.

Strong cash flow and low earnings multiples

On our 2019 forecasts, which include an EBITDA decline to 7.9% on average from 10.5% in the most recent quarter (June-August 2018), the stock still trades at a seemingly low EV/EBITDA of 6.3x. Based on the annualised profits of the most recently reported quarter, the stock trades at EV/EBITDA 4.6x. 2019E free cash flow yield is a seemingly attractive 14%, although part of the free cash flow (SEK 100-115m in 2019 and SEK 70-85m in 2020E depending on financial performance) will be paid to the seller of the Norvik companies. We forecast a dividend of SEK 0.15 per share for 2018-20, which corresponds to dividend/net profit ratio of 21% in 2018E, 42% in 2019E and 52% in 2020E (the company's target is 25-40%) and a seemingly attractive 4.9% dividend yield.

Potential weakening of the British pound a key risk

The main risks to earnings forecasts for Bergs Timber include changes to regional and global overall economic activity in general and construction activity in particular. Bergs Timber does not own any forestland and is thus subject to changes in the pricing of saw logs in Sweden and the Baltics. In terms of major currency exposures the group has net inflows of British pounds and outflows of Swedish krona. We estimate a 10% weakening of the pound vs the krona would imply a negative impact of about SEK 60m (25% of EBITDA 2019E), assuming no hedges.

Overview of Bergs Timber

Brief history

- Bergs Timber was founded in 1919 and for a long time operated under the name CF Berg & Co.
- In 1984 the owners decided to take the company public in order to enlarge the scale of the operations through acquisitions.
- During the 21st century, the company has made several acquisitions including the Orrefors sawmill (2005), the Bitus wood treatment facility in Nybro (2007) and the Gransjö sawmill (2014), the Broakulla sawmill (2016) and the Vimmerby sawmill (2017).
- In 2018, the company made an equity offering to finance its acquisition of three companies from Norvik. With this the company extended its footprint in sawmilling and further processing in the Baltic countries, and also acquired a distribution business in the UK.

Operations and offering

Geographically concentrated operations

Bergs Timber's aim is to produce sawn and processed wood products using the available resources in the near area. The products are adapted to customers' needs and produced in one of the five plants in Sweden or in the newly acquired plants in the Baltics. Bergs Timber also operates a distribution centre in the UK, which currently handles only a minor share of internal products but serves as a separate distribution business.

The company's Swedish operations are geographically concentrated in Småland, with short distances between the different production facilities and raw material resources. This has enabled Bergs Timber to efficiently transport the wood products from sawmills to other facilities in order to be further refined. Moreover, the production facilities are located near the resources, limiting the logistics costs. The company aims to operate the newly acquired businesses with the same principles by primarily using wood resources from the nearby areas.

Acquisition of Norvik companies

On 15 May 2018, Bergs Timber acquired three companies from Norvik (the Norvik companies); 170m new Bergs Timber shares were part of the SEK 788m payment. As a consequence, Norvik hf became a dominant shareholder of Bergs Timber with a 64.7% stake. (Norvik hf owned 29.5% of Bergs Timber at the end of 2016/17.) The acquisition has affected Bergs Timber's revenues and profits substantially: according to the pro forma income statements the revenues for the financial year of 2016/17 would have been SEK 2,820m rather than the SEK 1,244m Bergs Timber reported before the transaction. (Bergs Timber's fiscal years have previously ended on 31 August. As from 2019, Bergs Timber will report on a calendar year basis. Consequently 2017/18 will be a long fiscal year, ending 31 December 2018.)

Moreover, the acquisition also affected the production capacity and global footprint of the company. The capacity to produce sawn and planed wood products but also refined wood products increased substantially, and went from approximately 500,000m³ to 900,000m³ a year. This gives the company operational advantages as it can refine more of its own sawn wood products and thus control a larger share of the value chain. The acquisition also included a distribution centre in England, which we believe will most likely increase the efficiency in the exports to UK, which have historically been an important country for Bergs Timber.

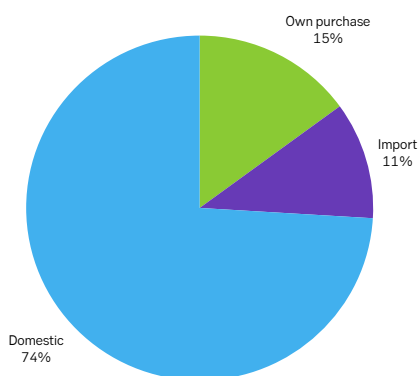
The acquisition will benefit the company through a more diversified currency mix and reduced earnings volatility. Due to the acquired production facilities in Latvia and Estonia, the share of euro denominated costs has increased substantially, while the geographical split of sales has also broadened which will make the company less dependent on movements in the Swedish krona and the euro. The acquisition has also broadened the product portfolio to include more refined wood products and other further treated lumber products. The increased value added in these products makes them less vulnerable to cyclicity, in our view.

Cost efficient raw material purchases

As mentioned, Bergs Timber’s business model is driven by the use of raw materials from nearby areas, thus increasing the efficiency of the business. All of the raw material for Bergs Timber’s five sawmills in Sweden is purchased from private and institutional Swedish forest owners and from state-owned entities. Bergs Timber has a high local market share in the saw log market of east Småland. After the acquisition of the Norvik companies the global footprint of Bergs Timber’s production widened rapidly, which also affected the raw materials purchasing organisation. In total, and following the Norvik transaction, Bergs Timber purchases approximately 1.82 million m³ of saw logs per year, of which 1 million m³ is processed in Sweden, 0.54 million m³ in Latvia and 0.28 million m³ in Estonia.

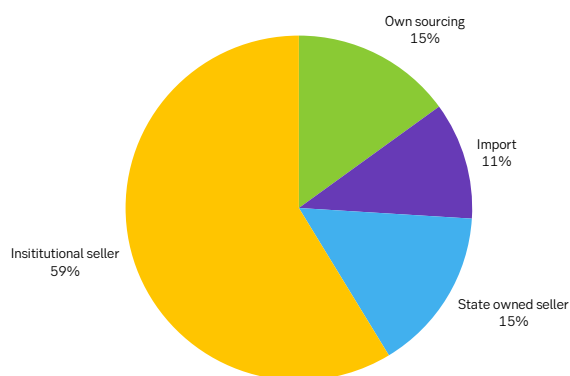
The charts below illustrate the raw materials sourcing split between different sellers. Approximately 74% of the saw logs used as raw material on group level is sourced from domestic sellers, while 15% is sourced using Bergs Timber’s own purchase organisation in Sweden. The own purchase organisation consists of 11 full time employees who are actively sourcing raw material from Swedish forest owners and thus are only buying wood to be used in Swedish sawmills.

Purchase of raw materials



Source: SEB, Bergs Timber

Closer division of raw material sourcing

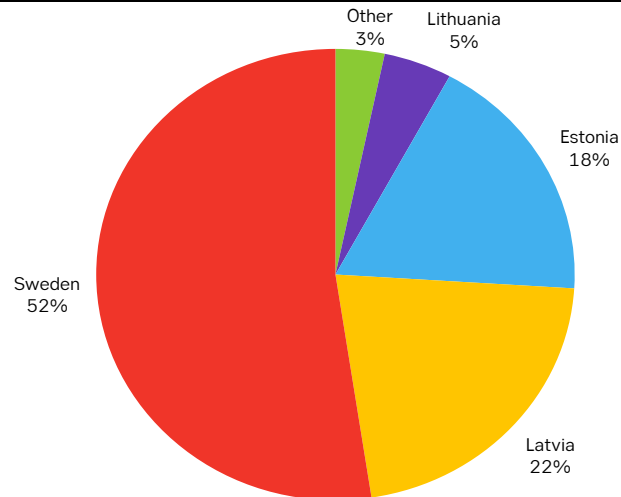


Source: SEB, Bergs Timber

The remaining 11%, which is imported saw logs, is only used in Latvia. Approximately half of the imported volume comes from Lithuania, while approximately one-third comes from Norway and the rest from other countries.

The chart below shows the breakdown of raw material sourcing by country of origin. More than half of the saw logs are bought from Sweden, and approximately 22% comes from Latvia, countries where the company has most production. 18% of the saw logs comes from Estonia, which is mainly used in the Estonian sawmills.

Total raw material sourcing by country of origin



Source: SEB, Bergs Timber

An improved product offering

Bergs Timber's offering consists primarily of sawn and planed wood products, but the company also sells by-products, treated lumber products and pulp wood. As can be seen from the chart below, almost 80% of sales in FY 2016/17 were of sawn wood products.

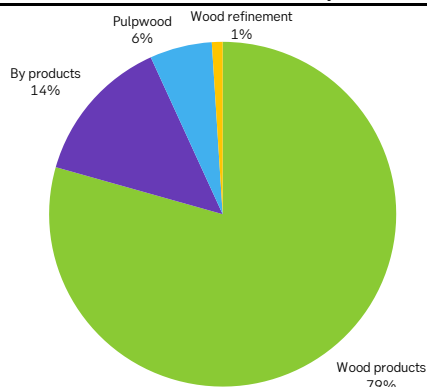
Through the acquisition of the Norvik companies the product offering has become somewhat broader; however the main focus is still on the sawn and planed coniferous wood products. The refinement plant Byko-Lat in Latvia, which was acquired from Norvik, increases the capacity for wood product refinements and also broadens the offering to include windows, doors, garden furniture, wooden houses and pellets, thus making Bergs Timber's offering more diversified.

Wood refinement lengthens the life cycle of wood products and increases its qualities for different end uses. For instance, all wood that is to be used outside, below water or below the ground level should be treated against moisture and rot. These treated lumber products have become an increasingly important part of the company after the acquisition of Norvik companies. According to the pro forma figures, treated lumber products amount to 24% of the group revenues.

The acquisition also included Norvik's distribution business in the UK. The distribution centre provides Bergs Timber with an interesting opportunity to streamline distribution and transport into the UK, which is one of its most important markets, both before and after the acquisition.

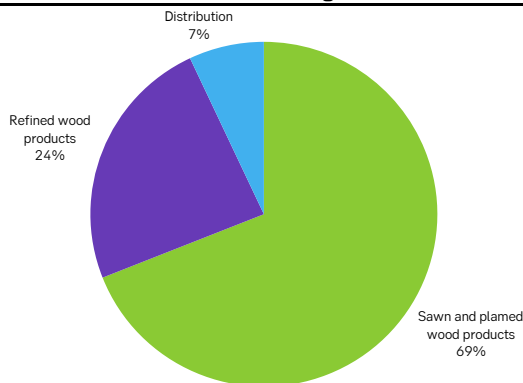
The charts below illustrate the sales split of the company. The revenue share from refined wood products increased to 24% after the acquisition.

Bergs Timber sales distribution FY 2016/17



Source: SEB, Bergs Timber

Pro forma sales distribution LTM August 2018

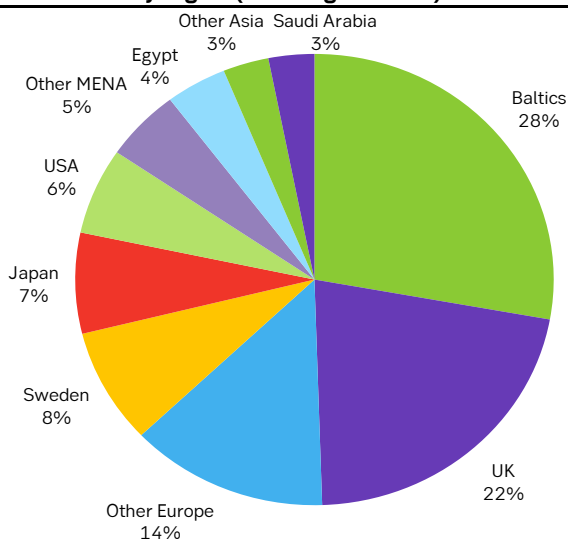


Source: SEB, Bergs Timber

Following the acquisition, wood products are still the largest part of the company, amounting to 69% of the pro forma group sales. However, approximately 15% of the sawn and planed wood products are by-products, which remain important and increasingly profitable for Bergs Timber. Cellulose chips for the pulp industry is the largest category followed by sawdust and other wood chips used primarily in heating. The by-products are currently included in the “wood products” category.

The chart below shows the pro forma sales distribution of Bergs Timber’s sawmills in Sweden, Estonia and Latvia. Largest destination geographies are Baltics, the UK, Other European countries and Sweden. After the acquisition the share of Baltics has increased substantially, primarily due to sawmills that are located there, but also due to sales to Bergs Timber’s refinement plant Byko-Lat in Latvia.

Pro forma sawmill sales by region (LTM August 2018)



Source: SEB, Bergs Timber

Five sawmills and one treated lumber operation in Sweden

In Sweden, Bergs Timber owns and operates six production plants, of which five (Mörlunda, Orrefors, Gransjö, Broakulla and Vimmerby) focus on sawn wood production and one (Bitus in Nybro) is for further wood processing. In total the Swedish plants have the capacity to produce 530,000 m³ sawn wood products per year.

After the acquisition of the Norvik companies Bergs Timber also operates production facilities in Latvia and Estonia. Products from the new Baltic facilities are mainly sold to the UK, the Baltics and other European countries as well as to Japan. CWP is an independent distribution facility that distributes both internal and external products, mainly from Europe to the UK.

Bergs Timber operations after the acquisition of Norvik companies



Source: Bergs Timber

Mörlunda – The focus of the Mörlunda plant is on planed coniferous wood products that are primarily sold to the UK, US and Swedish markets. Bergs Timber made substantial investments to install a new small log production line in 2014, and after that has total sawn wood capacity of approximately 110,000m³ per year in Mörlunda. Around 90% of the sawn wood products are planed down in their own planing facilities.

Orrefors – The Orrefors plant was built in 1996 and renovated in 2006-08. Its main focus is on producing pine wood products, from which more than half are further planed, primarily in their own facilities. Most of the products are shipped to the UK, Sweden, Middle East and North Africa. The Orrefors plant has a total sawn wood product capacity of 130,000m³.

Gransjö – In Gransjö, which was built in 1984, the company produces only spruce wood products, which are primarily manufactured for the European construction industry. Around 70% of the wood products are further planed in own planing facilities, which were modernized in 2009-10. The yearly sawn wood capacity is approximately 100,000m³.

Broakulla – The Broakulla facility produces coniferous wood products, with a main focus on small logs. Most of the products are produced for construction or industrial use and are shipped to Europe or USA. The total production capacity is about 50,000m³ per year.

Vimmerby – In Vimmerby the company produces approximately 130,000m³ sawn wood products, which are primarily shipped to North Africa, Middle East, the UK and Europe. The products are increasingly used in construction. The Vimmerby facility recently underwent a SEK 25m saw line investment.

Bitus – The Bitus facility focuses on wood preservation and is a natural extension for the traditional sawmills. The plant's annual throughput is about 170,000m³, but the capacity is clearly higher. Most of the wood that is processed comes from Bergs Timber's own sawmills (approximately 80%), but the company also refines wood products from external producers. The main products are Scandex and Linax, which are primarily shipped to Scandinavia, the UK, France and Spain and used in construction.

Overview of the Swedish production facilities

	Mörlunda	Orrefors	Gransjö	Broakulla	Vimmerby	Bitus
Product	Pine and spruce wood products	Pinewood products	Spruce wood and normal timber products	Small log, mainly from spruce and pine	Sawn pine wood products	Scandex and Linax
Focus markets	UK, US and Sweden	UK, Sweden, Middle East and Northern Africa	European construction market	Europe and US	Northern Africa, Middle East, UK and other Europe	Scandinavia, UK, France and Spain
Capacity (m³)	110,000	130,000	100,000	50,000	130,000	500,000

Source: SEB, Bergs Timber

Plants acquired from Norvik companies

Vika Wood, Latvia – Vika is the largest sawmill in the Baltics, producing approximately 270,000m³ of sawn coniferous wood products (about 50% pine wood and 50% spruce wood) per year. Main markets are the Baltics, Europe and Japan.

Byko-Lat, Latvia – Byko-Lat operates two different production units (Valmiera and Cesis) and is the leading supplier of treated lumber products in Latvia, with yearly output of around 200,000m³. The main product, which amounts to close to 70% of the production, is treated lumber, while approximately 15% of the production is doors and windows. The remaining 15% comes from garden furniture (10%), wooden houses and pellets. The products are mainly sold to the UK, the Benelux countries, France, Iceland and Norway.

Laesti, Estonia – Laesti operates two sawmills located in the Pärnu area in Estonia with an approximate combined yearly capacity of 130,000m³. A large share of the sawn wood products (approximately 40%) is sold to Byko-Lat in Latvia, and the rest is shipped to other customers in Latvia and in Estonia, among others.

CWP, UK – CWP is an importer of both sawn and treated lumber products, and other such products and operates through its two inventory facilities, Rochford and Creeksea with the capacity to import approximately 80,000m³ of products per year. The products are delivered throughout the UK.

In Creeksea, the company operates a fully-owned distribution business and through its port handles wood products, metal and other products. The port is located only 80km from London, and currently handles around 130,000m³ of materials per year. The port is able to operate two ships at a time. Currently only around 10,000m³ of sawn wood products come from internal sawmills from Sweden, and the remaining 120,000m³ is from external providers. However, we believe that the company will likely increase the share of internal products within the distribution centre.

Overview of facilities acquired from Norvik companies

	Vika Wood	Byko-Lat	Laesti	CWP
Product	Sawn coniferous wood products	Treated lumber products, doors, windows and other wooden houses	Sawn wood products	Import and distribution
Focus markets	Baltics, Europe and Japan	UK, Benelux, France, Iceland and Norway	Estonia and Byko-Lat in Latvia	UK
Capacity (m3)	270,000	200,000	130,000	130,000

Source: SEB, Bergs Timber

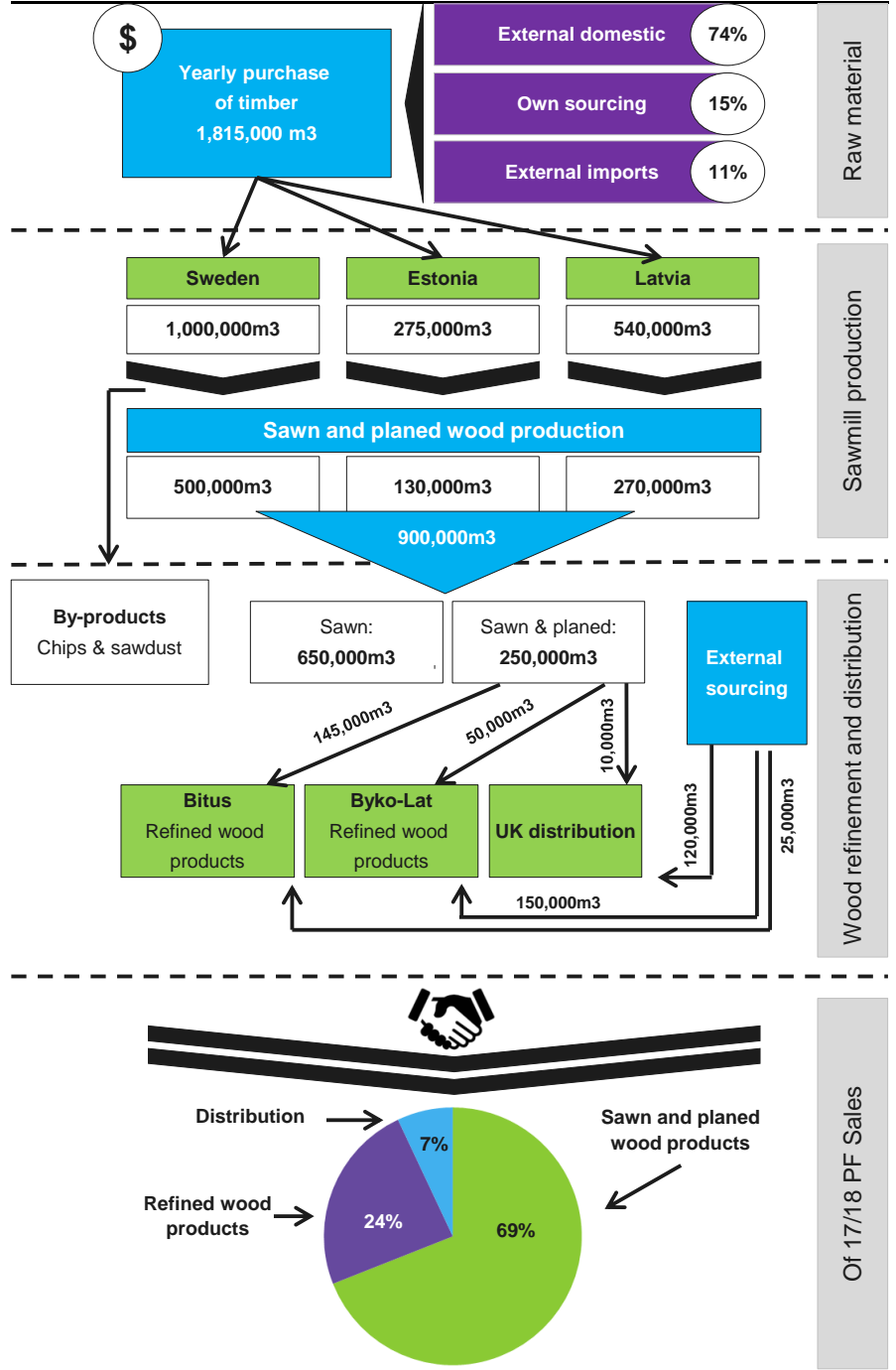
Scope for increased integration

The chart below illustrates the pro forma flows in FY 2017/18 from raw material purchases to sales of finished products for the entire group, including the Norvik companies. All in all, the company purchases 1,815,000 m³ of saw logs from which 74% is bought domestically, 15% using Bergs Timber's own sales organisation in Sweden and 11% is imported. All of the imported timber is bought to Latvia, and comes mainly from Lithuania and Norway.

From the timber that is purchased as raw material, approximately 50% is converted into sawn and planed wood products (900,000m³), resulting in roughly as much by-products, primarily cellulose chips and sawdust. The 900,000m³ of sawn and planed wood products is divided into 650,000m³ sawn wood products and 250,000m³ sawn and planed wood products, from which the majority is transferred internally to Bitus and Byko-Lat, facilities in order to be further refined. The wood refinement production adds up to 370,000m³ of refined wood products, from which 170,000m³ comes from Bitus and the rest, 200,000m³ comes from Byko-Lat. The UK distribution facility handles volumes of approximately 130,000m³ of which only 10,000m³ is sourced internally and the rest is bought externally.

Sawn and planed wood products account for approximately 69% of the group pro forma revenues. Of this, approximately 15% (about 10% of the entire group) was by-products. The remaining 31% is divided between refined wood products (24%) and distribution (7%).

Flow chart of Bergs Timber's operations



Source: SEB, Bergs Timber

Ownership structure

After the share issue and acquisition of Norvik companies, Norvik hf became the largest shareholder in Bergs Timber, holding in total 64.7% of the equity capital. The second largest shareholder is Danica Pension and third largest is Setra Trävaror AB with shares of 5.0% and 3.2%, respectively. Together the 10 largest shareholders own approximately 82% of the shares.

Largest shareholders (30 September 2018*)

Shareholder	No. of shares	Value (SEKm)	% of capital held
Norvik hf	220,420,843	784.7	64.68%
Danica Pension	17,001,376	60.5	4.99%
Setra Trävaror AB	11,000,000	39.2	3.23%
Åke Bergh	10,694,192	38.1	3.14%
Niklas Sjöfors	9,783,980	34.8	2.87%
Swedbank Försäkring	3,216,959	11.5	0.94%
Nordnet Pensionsförsäkring	2,503,709	8.9	0.73%
Avanza Pension	1,804,162	6.4	0.53%
Per-Åke Bergh	1,775,941	6.3	0.52%
Karin Berg Åstrand	1,756,194	6.3	0.52%
Total top 10	279,957,356	996.6	82.15%
Other	26,219,401	93.3	7.72%

*Norvik hf as of end June 2018

Source: Holdings

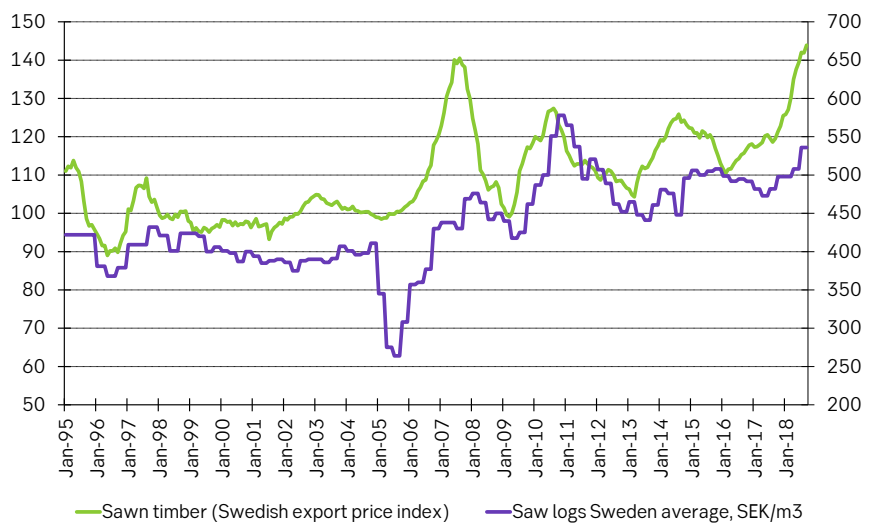
Market

Highly cyclical industry

Price increases have offset cost inflation

Wood products markets have been favourable for producers during the past couple of years. In Sweden, while saw log costs have risen, export prices for processed wood have risen more, reflecting strong global demand, but also a weak Swedish krona.

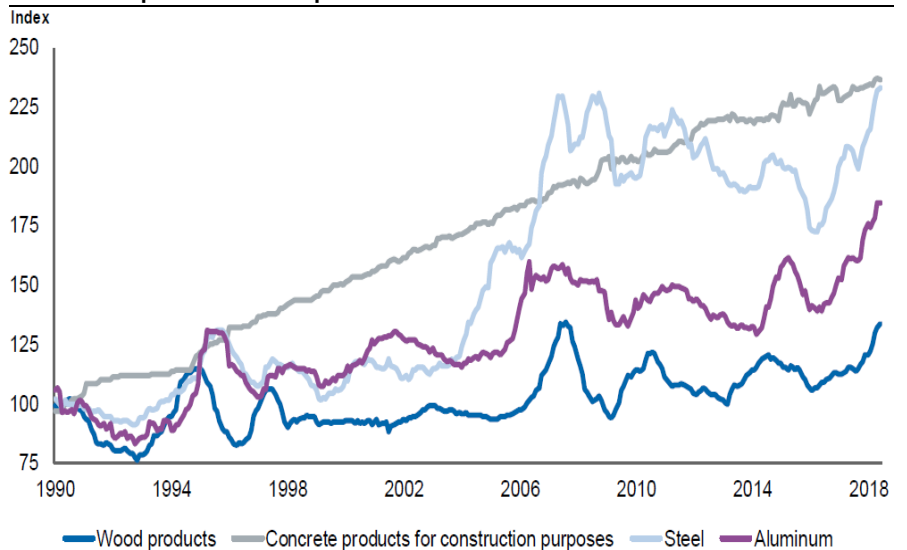
Swedish export prices are at record-breaking levels



Source: SEB, SCB

However, compared with other construction materials like concrete, steel and aluminium, prices for wood products are lagging.

Price development for wood products and other construction materials

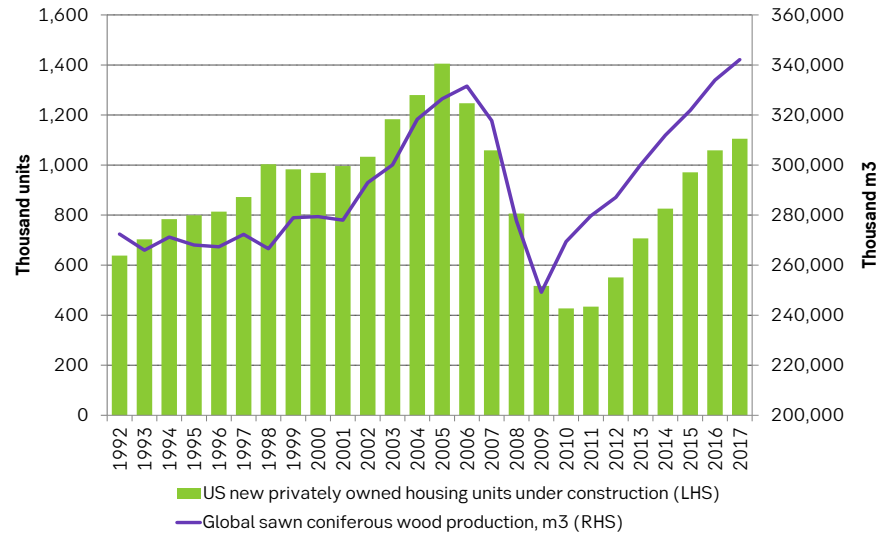


Source: Holmen

Construction is the key end-use area

The wood products market is cyclical and has followed the overall world economic development closely. Construction activity is one of the most important drivers behind the demand for wood products (see chart below).

Construction activity drives wood product demand



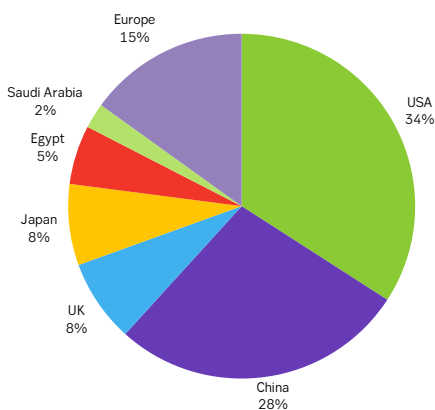
Source: FAOSTAT, Datastream

Good long-term growth outlook for wood

China a key driver for global wood products demand growth

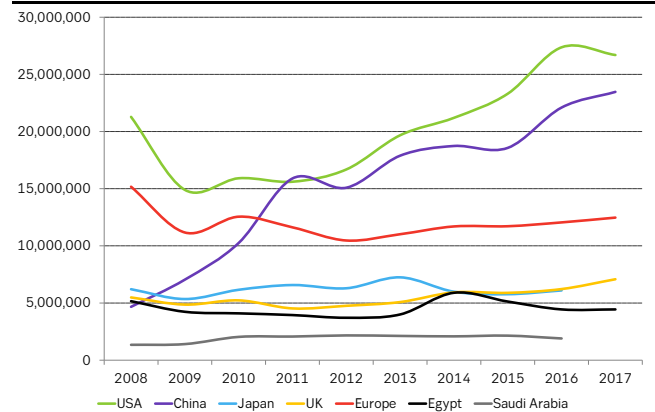
By far the largest importers of sawn coniferous wood products are the US and China. The demand for wood products in both countries has risen rapidly after the financial crisis, even though the demand for wood products in other large economies has stayed quite stable. The biggest driver for the increase in wood product imports besides the strong economic growth, especially in China, is the low domestic wood product production capacity, meaning that the growth will need to be supplemented by imported goods.

Share of global sawn coniferous wood imports in 2016



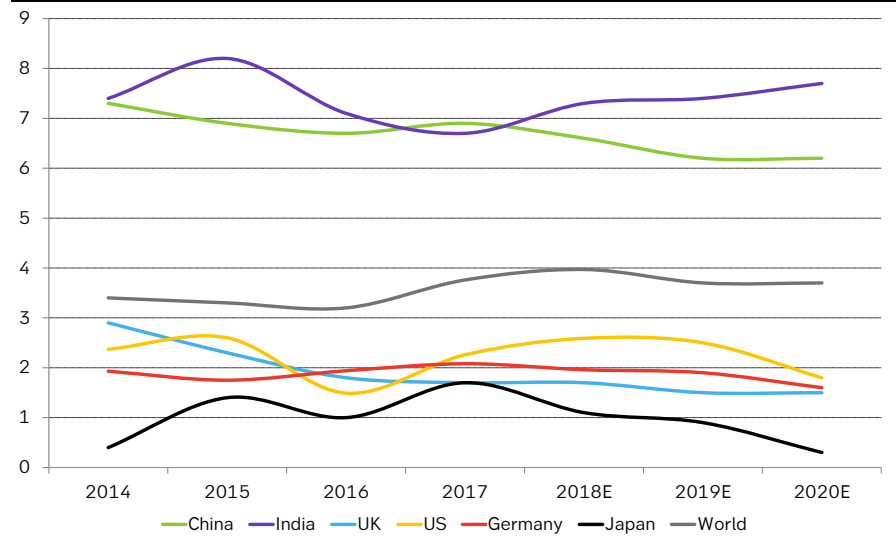
Source: FAOSTAT

Sawn coniferous wood imports by country (m3)



Source: FAOSTAT, Datastream

GDP growth rate estimates support wood demand in the coming years

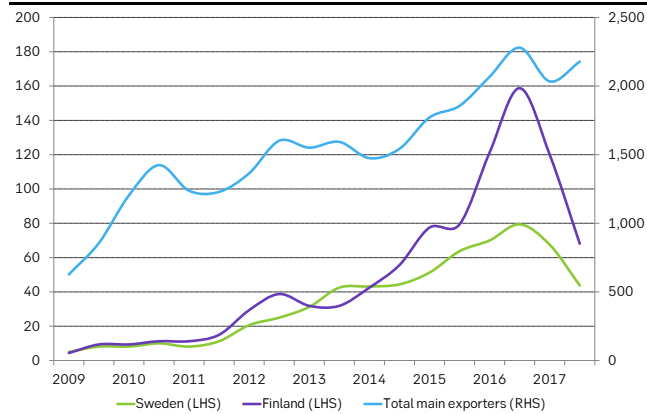


Source: SEB, IMF

High overall economic activity has been beneficial for the wood products industry. GDP growth rates are forecast (e.g. by the IMF) to remain at similar levels in 2019 and 2020. The wood products market growth in recent years has been driven in particular by China, but also by the US. Over time we expect China and other fast growing economies, such as India, to increase their wood products imports.

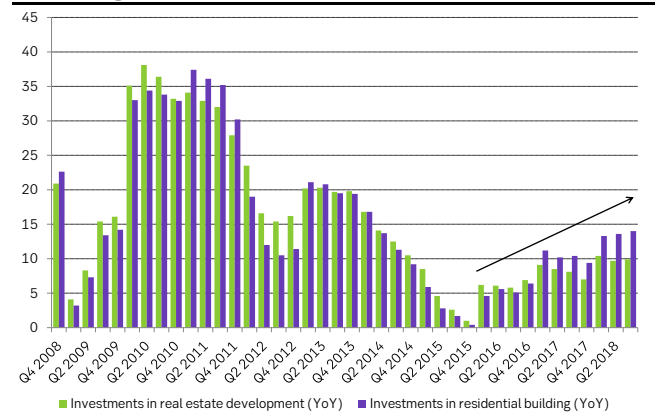
Chinese imports of softwood lumber have been increasing after the financial crisis, supported by growth in construction investment. The main wood product exporter to China is Russia, which exported around 1.5 million m³ of wood to China in 2017.

China softwood lumber imports (1000m³)



Source: Country customs

YoY change in Chinese construction investments (%)

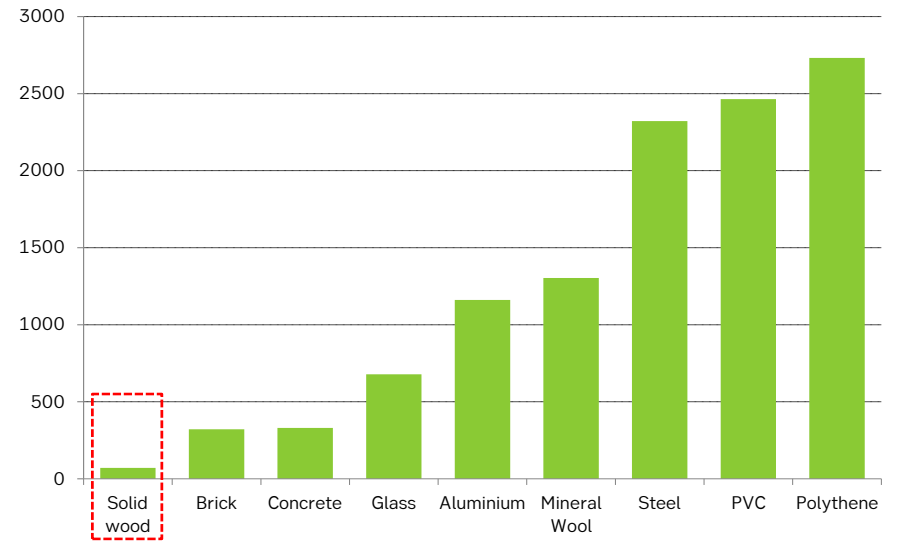


Source: Datastream

Environmental aspects support wood demand

The increased awareness about environmental issues has raised the interest in using wood as a raw material for house construction, especially as the construction sector accounts for a large share of the total greenhouse gases. The carbon emissions from production of wooden building material are clearly lower than for any other conventional building material.

Carbon emissions from production of building materials (kg/tonne)

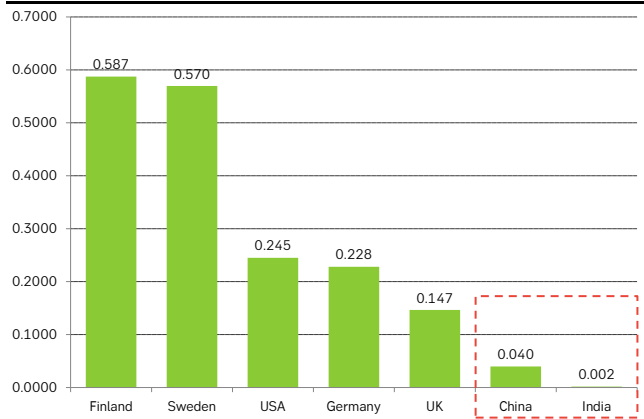


Source: SCA

Besides the lower carbon emissions from production of wood compared to other building materials, wood has several other benefits as well. Firstly, wood is the only proven renewable building material and with sustainable forestry practices the future supply of wood products can also be ensured. Secondly, wood in buildings stores carbon dioxide from the atmosphere. We believe that environmental awareness will increase the use of wood in construction, and especially increase the demand for wood products in more developed economies.

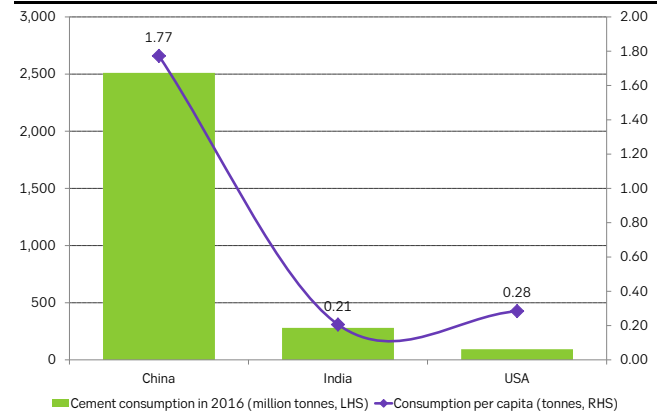
Even though the fast growing countries in Asia have been important drivers behind the global demand for wood products, the wood use per capita in China and India is still way below the levels in western countries. Simultaneously cement consumption in China is many times larger than for instance in the US. This illustrates the extremely high demand for building materials and also the growth opportunities for wood products in Asia.

Use of sawn coniferous wood per capita in 2016 (m3)



Source: SEB, FAOSTAT

Cement consumption in 2016

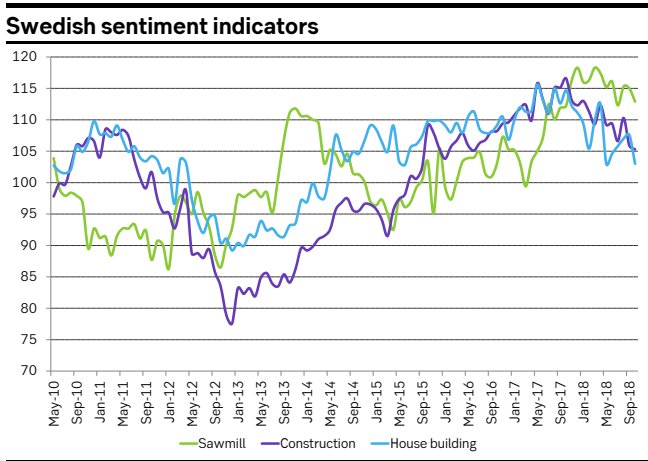


Source: SEB, Statista, International Cement Review

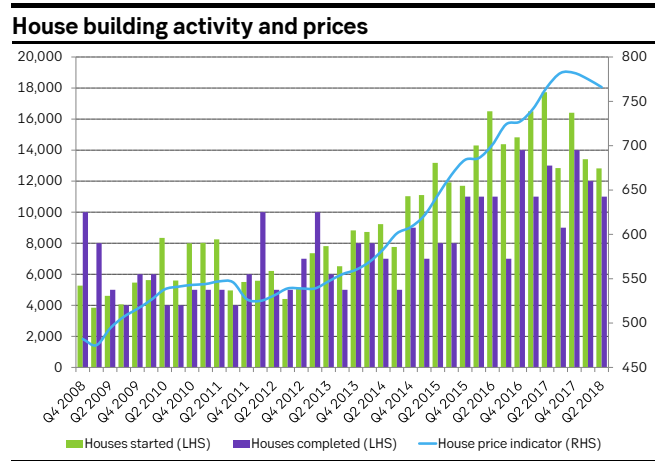
Swedish economy one important driver for the Swedish operations

The wood product market is mainly driven by the global economy and especially by construction activity. Currently, a significant part of the products produced in Sweden are sold further in the country, thus making the Swedish construction market an important factor for the company. The Swedish construction market has been strong lately, thus supporting the demand for wood products.

The Swedish construction market, and especially the housing market and sentiment have come down from their peaks in early 2018; however the levels remain relatively high. Given the low interest rates and demand for housing, the construction market should remain supportive for wood products demand.

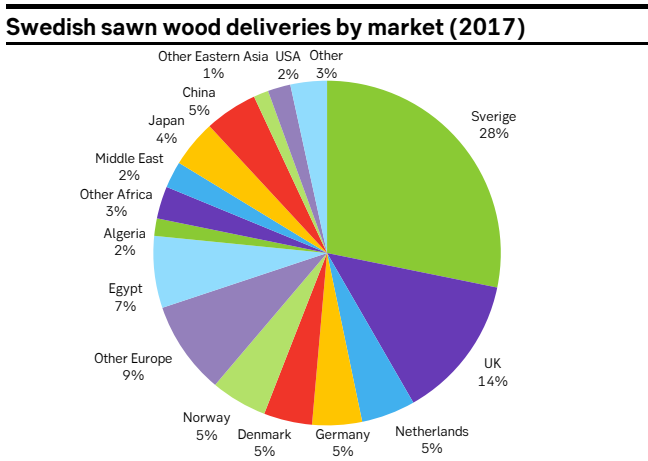


Source: Konjunkturinstitutet

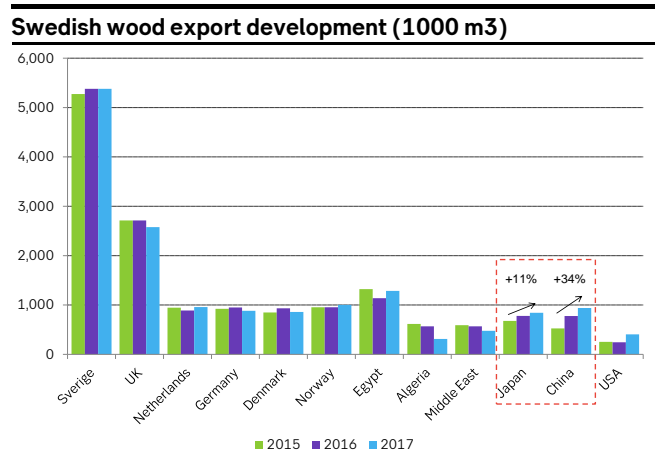


Source: Datastream

The largest share of wood products produced in Sweden stays in Sweden. The total share used in Sweden was around 28% of the entire output in 2017. The most important export countries were the UK and Egypt, with Germany, Denmark and China following closely. As can be seen from the chart, deliveries to European countries have stayed quite stable over the past three years and the biggest growth has come from China and Japan, which account for approximately 9% of the yearly output from Swedish sawmills.



Source: SCB

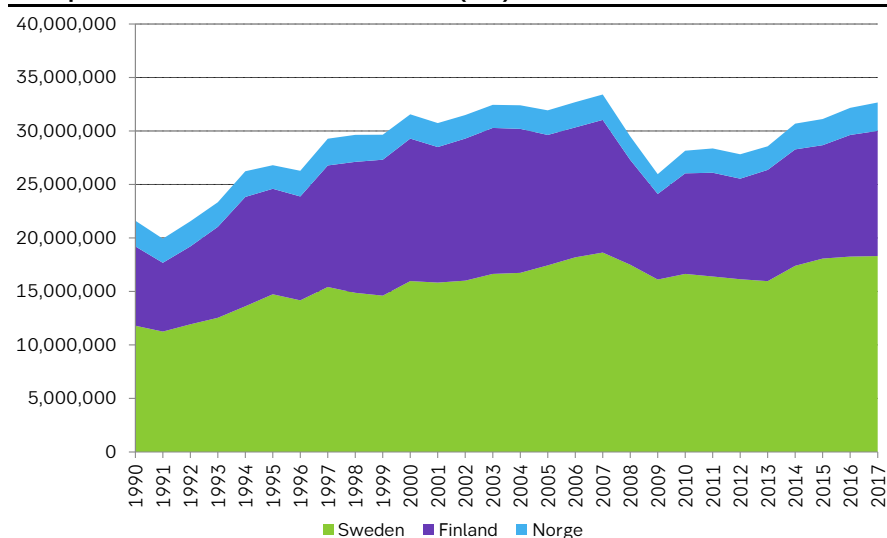


Source: SCB

Limited supply growth

Sawmill production in the Nordics (Finland, Norway and Sweden) has responded to increasing demand since the 2009 low-point. However, in 2017 the combined output was still somewhat below the 2007 peak. By default the sawmill industry inherently has spare capacity and is technically able to increase output by adding a shift (as opposed to the pulp and paper industry, for example, which by default runs 24-7). In the recent upturn, however, we believe raw material availability has been a limiting factor. Operators have also prioritised adding value rather than size in their respective capital allocations. Over time wood availability will gradually increase, as young forest stands mature.

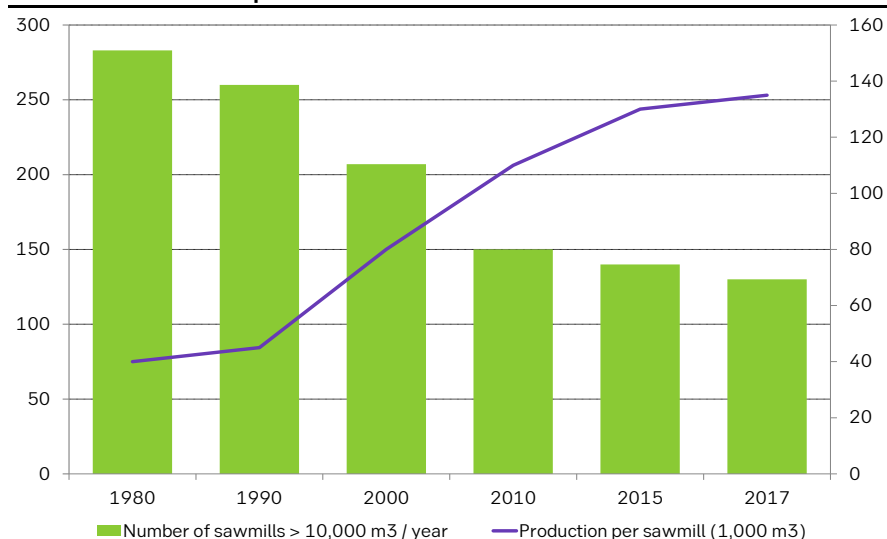
Total production of sawn coniferous wood (m3)



Source: SEB, FAOSTAT

The number of sawmills in Sweden has declined for decades as production has concentrated into fewer and bigger operations. In 2017 there were 130,000 sawmills with an annual capacity of more than 10,000 m3 in Sweden. The average size was 135,000 m3/year. Bergs Timber’s average sawmill capacity is 114,000 m3/year. As Bergs Timber continues to work with its existing industry structure we expect its average plant size to reach or exceed the current Swedish average in a couple of years (through divestment and/or closures).

Sawn coniferous wood production in Sweden



Source: Swedish Forest Industries Federation

Sawn coniferous tree in Sweden

	1980	1990	2000	2010	2015	2017
Number of sawmills > 10,000 m ³ / year	283	260	207	150	140	130
Production per sawmill (1,000 m ³)	40	45	80	110	130	135
Total sawmill production capacity, (million m ³)	11.2	11.7	16.3	16.6	18.1	18.1
Export (million m ³)	5.9	6.5	11.1	11.5	12.8	13.1
Export value (SEKbn)	5.4	11	19.4	24.3	25.2	26.7

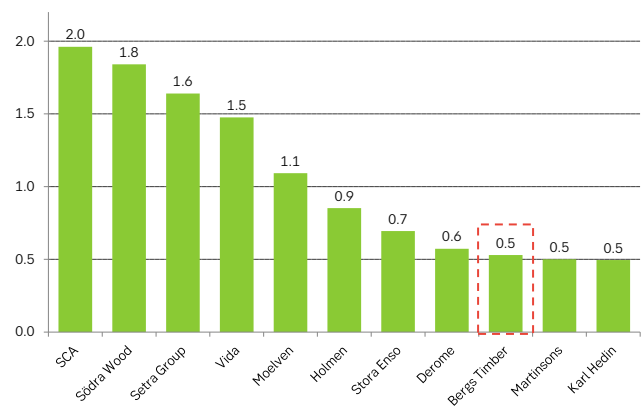
Source: Swedish Forest Industries Federation

Competitive landscape

A midsized player with a high local market share in the saw log market

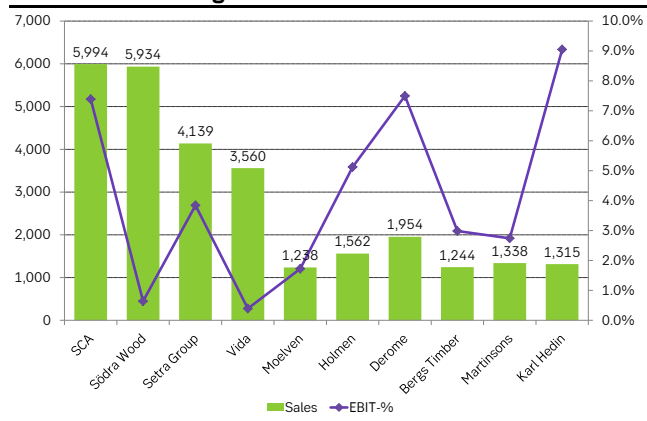
In Sweden, Bergs Timber is one of the mid-sized players with capacities of around 0.5mm³/year. SCA, Södra and Setra are the biggest operators in Sweden. Like the Swedish and international peers, Bergs Timber competes in an international wood products market environment. At the same time, on a local level, the companies compete for the raw material.

Yearly sawn wood capacity in Sweden (million m³)



Source: SEB, Bergs Timber, company releases

Sales and EBIT margin 2017



Source: SEB, Bergs Timber, company releases, Allabolag

Bergs Timber’s Swedish sawmills are located in close proximity to each other, which gives the company a high market share in the local saw log market. We believe a high market share in the local raw materials market is positive for both cost efficient logistics and pricing (due to less competition).

Financial forecasts

Bergs Timber's financial targets

- EBITDA margin to exceed 7% over the cycle.
- Return on capital employed (ROCE) to exceed 10% over the cycle.
- Net debt/equity to be less than 1x.
- Yearly sales growth to be over the cycle 2% organically and 5-10% including M&A.
- Dividends to be 25-40% of annual net profits

Accounting changes after acquisition of Norvik companies

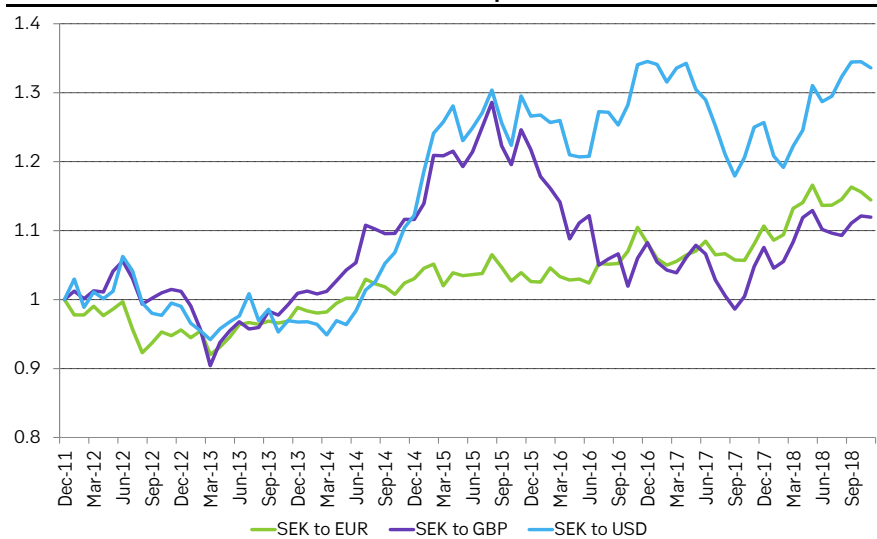
The large acquisition of Norvik companies substantially changed the profile of the company from a Swedish sawn wood producer to a northern European wood products company. There have also been major implications for accounting. Due to a lack of historical pro forma accounts, the historical numbers are not comparable, which complicates the benchmarking of Bergs Timber's own performance against its history.

The company's previous financial year-end was 31 August, but it has decided to change to calendar year reporting as of 1 January 2019. This will result in the extension of the current fiscal year to include 16 months and five interim periods, 1 September 2017 to 31 December 2018.

Favoured by the weak Swedish krona

The weakening of the Swedish krona versus all main currencies has improved the competitiveness of Swedish sawmill operators, including Bergs Timber. However, after the acquisition of the Norvik companies, the currency profile of Bergs Timber changed and currently around 44% of sawmill production and some 54% from wood refinement is located in euro-denominated countries. Additionally, the reinforced UK presence has increased the exposure to the British pound.

FX rates have been favourable for Swedish exporters



Source: SEB, Datastream. 1) All rates rebased to 1 at December 2011

In the below table we list the estimated currency exposures for the company based on the last available pro forma financial statement (2016/17 pro forma). As mentioned, the acquisition of Norvik companies further increased the long exposure towards the British pound against the Swedish krona, amounting to approximately SEK 600m per year, we believe. Additionally, the company has some exposure to the US dollar (SEK 200m), the euro (SEK -50m) and towards other currencies. All in all, the company would be positively affected by strong performance of GBP and USD towards EUR and SEK.

Bergs Timber: estimated annual net currency exposure (SEKm)

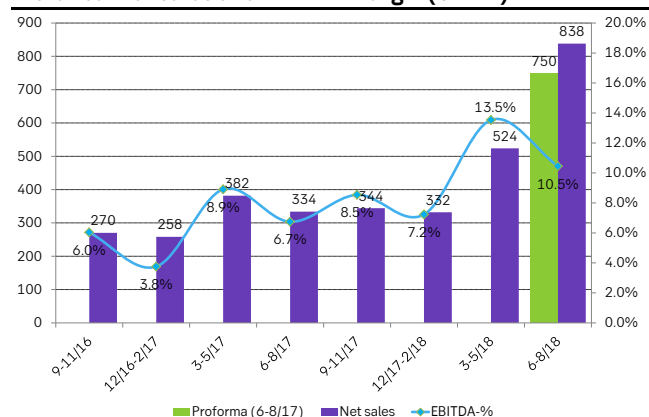
	Sales by ccy	Costs by ccy	EBIT by ccy	Net ccy exposure
EUR	1286	-1336	89	-50
GBP	786	-186	9	600
SEK	220	-1179	37	-959
USD	200	0	0	200
Other	254	0	0	254
Total	2,746	-2,701	135	

Source: SEB estimates

Sales development and forecast

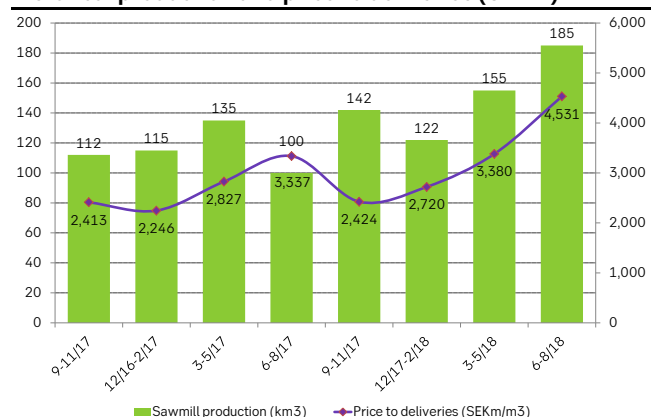
The favourable economic conditions have supported demand for wood products, and resulted also in solid performance for Bergs Timber. The company has enjoyed strong trends in both production and realised unit prices.

Historical net sales and EBITDA margin (SEKm)



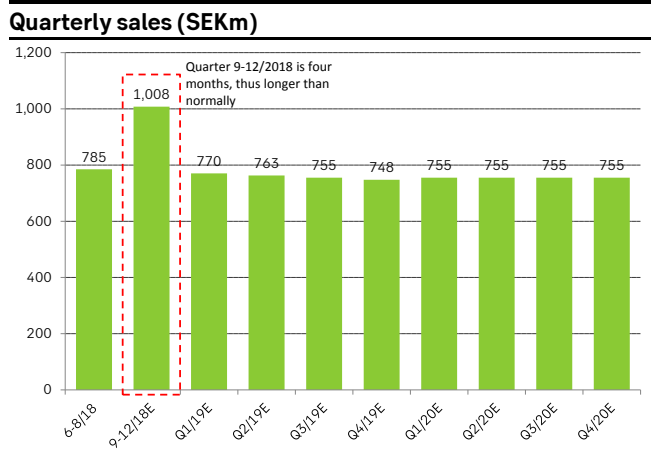
Source: SEB, Bergs Timber

Historical production and price to deliveries (SEKm)

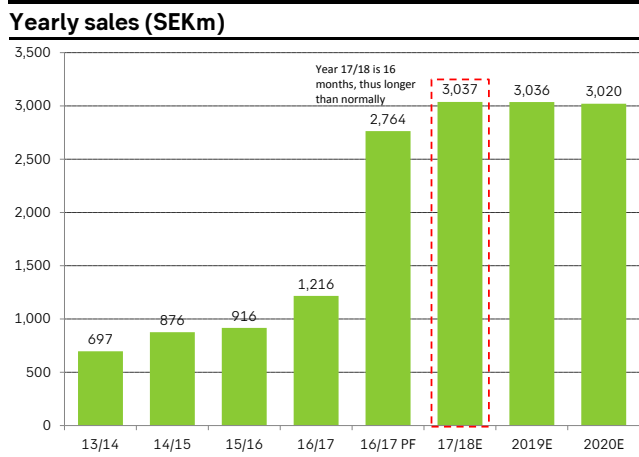


Source: SEB, Bergs Timber

The acquisition has changed the company's profile dramatically, which is why the benchmarking of the forecast production and revenue figures against history is not possible. The charts below illustrate our quarterly and annual sales forecasts for Bergs Timber. We expect sales to be fairly stable.



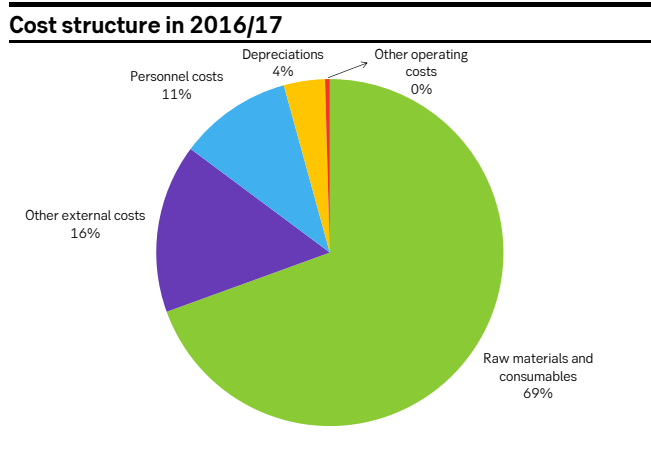
Source: SEB, Bergs Timber



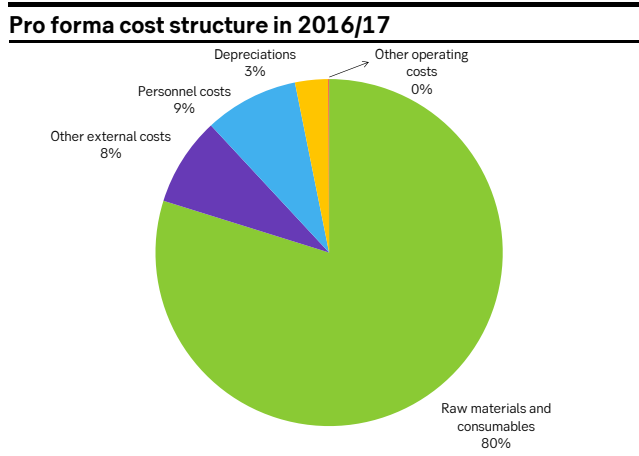
Source: SEB, Bergs Timber

Cost structure and margins

By far the largest cost for the company both before and after the acquisition of the Norvik companies is raw materials, mainly saw logs. Since the acquisition, the relative personnel costs have decreased slightly, primarily due to the lower workforce costs in the Baltics.

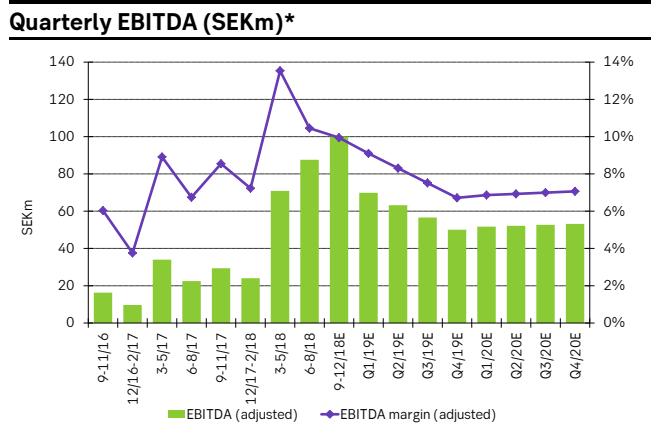


Source: SEB, Bergs Timber

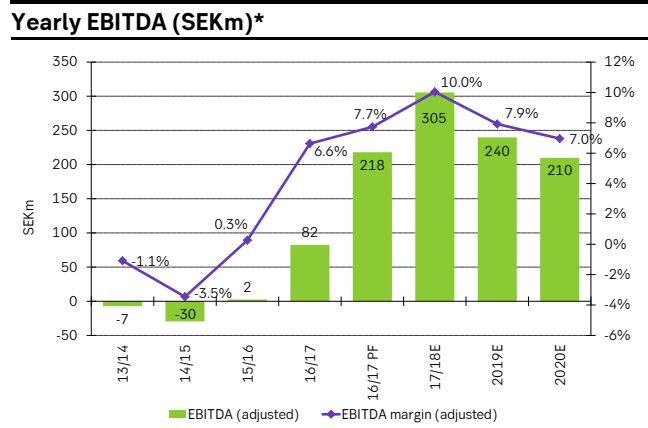


Source: SEB, Bergs Timber

As the charts below illustrate, Bergs Timber's earnings are both seasonal and cyclical. Recent years have been good for the industry, being boosted by generally benign global economic conditions. We do not expect the industry to carry on at its recent pace and thus assume that margins will settle around management's target of exceeding 7% over the cycle. However, we also believe that the company has untapped potential from the acquisition of the Norvik companies, which for prudence we have not included in our forecasts.



Source: SEB, Bergs Timber, *Quarter 9-12/18E is four months

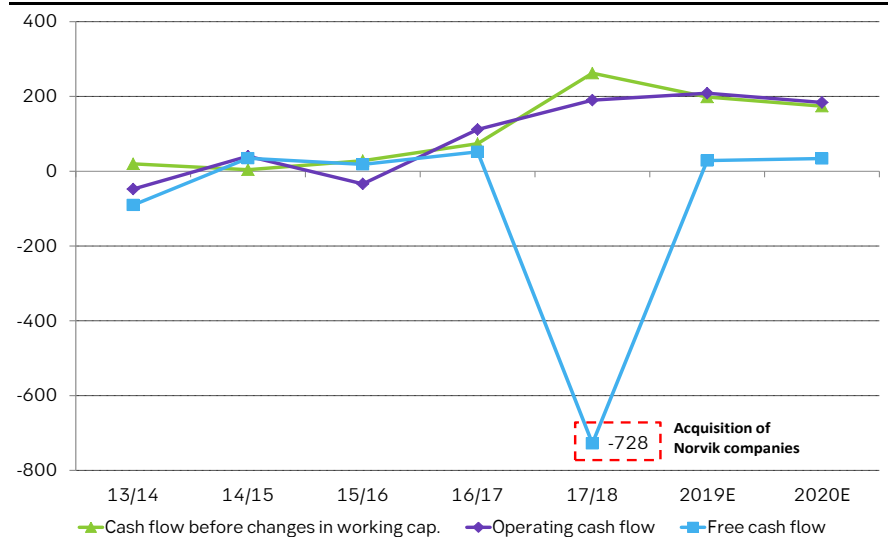


Source: SEB, Bergs Timber, *Year 17/18E is 16 months

Capital expenditure and cash flows

We expect the company to generate solid cash flows, boosted by the Norvik companies. In December 2018 a large investment in Vika sawmill should be finalized, which partly affected the capex figures after the acquisition. Therefore, we believe that the most significant investments into production plants are now complete and estimate that 2018 capex will be SEK 130m and settle down to SEK 65m in 2019 and 2020. Moreover, we believe that after the acquisition of the Norvik companies there could be opportunities to improve working capital, giving some additional support to cash flow. In 2019-21, cash flow will be negatively affected by remaining acquisition payments (SEK 100m in 2019 and SEK 70m 2020) and potential profit sharing payments (SEK 15m in 2019, SEK 15m in 2020 and SEK 10m in 2021), conditional on the performance of the company. SEK 170m of remaining acquisition payments are already reflected in the company's stated net debt.

Cash flow and estimates (SEKm)

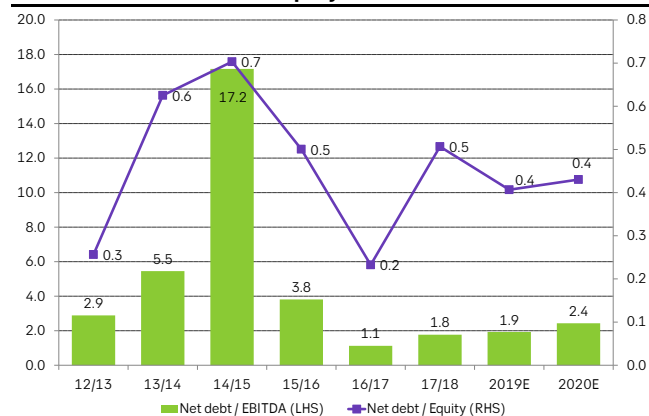


Source: SEB, Bergs Timber

Balance sheet and indebtedness

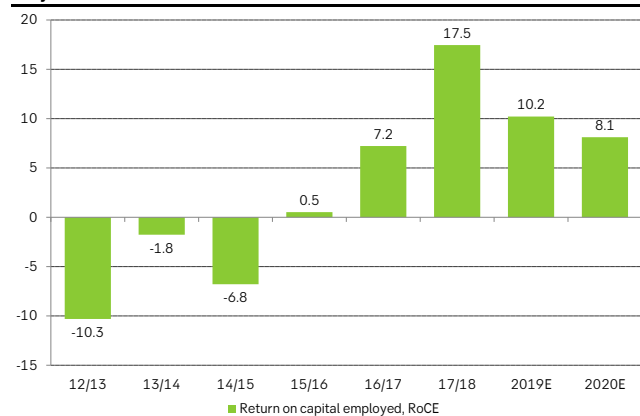
We estimate that the overall debt levels of the company will gradually decrease, but the simultaneously decreasing EBITDA will result in slight increases in net debt to EBITDA figures.

ND to EBITDA and ND to equity



Source: SEB, Bergs Timber

Adjusted ROCE*



Source: SEB, *17/18 ROCE adjusted to 12 months

Interim financial statements

Interim financials

P&L as reported	6-8/17	9-11/17	12/17-2/18	3-5/18	6-8/18	9-12/18E	Q1/19E	Q2/19E	Q3/19E	Q4/19E	16/17	16/17 PF	17/18E	2019E	2020E
Net sales	334	344	332	524	838	1,006	768	761	753	746	1,244	2,820	3,044	3,028	3,012
Changes in products in progress	-51	18	21	-3	-57	0	0	0	0	0	-34	-61	-21	0	0
Other operating income	2	9	-1	1	4	2	2	2	2	2	7	5	14	8	8
Total revenues	285	371	351	522	785	1,008	770	763	755	748	1,216	2,764	3,037	3,036	3,020
Raw mat. & consumables	-177	-260	-241	-346	-554	-665	-513	-513	-513	-513	-819	-2,097	-2,065	-2,053	-2,074
Other opex	-86	-81	-88	-110	-144	-243	-187	-186	-185	-184	-315	-449	-667	-743	-737
EBITDA	23	29	23	67	87	100	70	63	57	50	82	218	305	240	210
Depreciation & amortisation	-11	-8	-9	-10	-19	-25	-19	-19	-19	-19	-45	-81	-71	-76	-76
EBIT	11	21	14	56	68	75	51	44	38	31	37	137	234	164	134
Financial items	-1	-3	-3	-3	-3	-3	-4	-4	-4	-4	-6	-23	-14	-17	-17
Pre-tax profit	10	18	11	54	65	72	47	40	33	27	31	114	220	147	117
Tax	-2	-4	-3	-12	-5	-6	-4	-16	-3	-2	-6	-7	-30	-25	-19
Net profit	9	14	8	42	60	66	43	24	31	25	25	108	191	123	98
EPS (SEK)	0.05	0.08	0.05	0.21	0.18	0.19	0.13	0.07	0.09	0.07	0.15	na.	0.71	0.36	0.29
Dividends per share											0.05		0.15	0.15	0.15
Sales growth YoY (%)	na.	33	20	45	176	104	119	46	-4	-1	0	na.	7.9	-0.5	-0.5
Adjusted EBIT	11	21	15	61	69	75	51	44	38	31	31	114	220	147	117
Adjusted EBIT margin	3	6	5	12	8	7	7	6	5	4	3	4	7	5	4
Adjusted EBITDA	23	29	24	71	88	100	70	63	57	50	82	218	305	240	210
Adjusted EBITDA margin	7	9	7	14	10	10	9	8	8	7	7	8	10	8	7
Net debt											93	na.	540	462	509
Net debt / EBITDA											1.1	na.	1.8	1.9	2.4
Tax rate (%)											20	na.	13	17	16

Source: SEB

Equity valuation

Valuation summary

We use four different valuation methods: Nordic pulp & paper peer group; global wood products peer group; DCF; and an M&A approach based on the recent takeover of Vida AB – a peer and competitor to Bergs Timber. Combining these methods gives an average valuation of SEK 4.3 and SEK 3.1 in 2018 and 2019, and a valuation range of SEK 2.9-5.6 per share with a mid-point of SEK 3.8.

Valuation summary		
Equity valuation summary	2018E*	2019E
M&A valuation (Vida)	4.2	n.m.
Nordic Pulp & Paper peer group	5.6	3.1
Global wood products peer group	4.1	2.9
DCF midpoint	3.4	3.4
Average	4.3	3.1
Bergs Timber current share price	3.1	3.1
Potential to average	41%	1%

*2018E computed by annualizing the recent available quarter (6-8/2018)

Source: SEB

Peer group valuation

Trading slightly below peer group average

Our two peer groups for Bergs Timber consist of Nordic pulp & paper companies and international wood products companies, although none provides a perfect match.

Peer group														
Peer group	Ccy	Price	Performance			Mkt cap (USDm)	PER		EV/EBITDA		EV/EBIT		Div. yield (%)	
			-1M	-3M	-12M		2018E	2019E	2018E	2019E	2018E	2019E	2018E	2019E
Nordic Pulp & Paper														
Ahlstrom-Munksjö	EUR	11.1	(12)	(26)	(38)	1,204	7.8	6.6	7.2	5.2	12.5	9.4	5.0	5.4
BillerudKorsnäs	SEK	120.1	17	8	(16)	2,733	17.3	19.5	9.7	9.7	16.3	18.0	3.6	3.7
Holmen	SEK	183.9	(9)	(21)	(9)	3,394	16.7	16.6	9.4	9.7	13.7	13.7	3.7	3.8
Metsä Board	EUR	6.1	(17)	(29)	(6)	2,458	9.9	9.4	6.9	6.1	9.3	8.1	4.4	4.9
Rottneros	SEK	10.0	(6)	(10)	44	167	7.4	12.2	4.3	5.7	5.8	9.3	3.0	3.0
SCA	SEK	71.2	(14)	(32)	(12)	5,498	15.7	16.8	10.5	10.2	13.8	14.1	2.5	2.8
Stora Enso	EUR	11.2	(16)	(30)	(14)	9,975	9.1	10.7	5.7	6.2	7.7	8.8	4.5	4.9
UPM	EUR	23.8	(15)	(27)	(6)	14,336	10.4	11.4	6.1	6.4	7.8	8.3	5.0	5.2
Average			(9)	(21)	(7)	4,971	11.8	12.9	7.5	7.4	10.9	11.2	3.9	4.2
Median			(13)	(26)	(11)	3,064	10.2	11.8	7.1	6.3	10.9	9.4	4.0	4.4
International wood products														
West Fraser Timber	CAD	69.1	5	(22)	(14)	3,537	5.9	9.0	4.4	6.1	5.2	8.2	0.9	1.0
Canfor	CAD	18.5	(3)	(40)	(31)	1,759	5.5	9.9	3.6	4.3	4.9	7.7	0.0	0.0
Interfor	CAD	14.8	0	(36)	(31)	774	8.0	10.4	5.2	6.1	9.7	12.8	0.0	0.0
Western forest prds.	CAD	1.9	2	(22)	(26)	547	9.3	7.6	5.9	5.5	8.4	7.4	4.8	4.5
Stella Jones	CAD	39.4	(9)	(13)	(22)	2,057	18.8	15.4	15.8	13.6	18.2	15.1	1.2	1.3
Boise Cascade	USD	27.3	(11)	(39)	(30)	1,061	15.2	10.2	7.1	7.4	12.7	11.4	4.7	1.3
Average			(2)	(29)	(26)	1,622	10.5	10.4	7.0	7.1	9.8	10.4	1.9	1.4
Median			(1)	(29)	(28)	1,410	8.6	10.0	5.6	6.1	9.0	9.8	1.0	1.2
Average			(6)	(24)	(15)	3,536	11.2	11.8	7.3	7.3	10.4	10.9	3.1	3.0
Median			(9)	(26)	(15)	2,257	9.6	10.5	6.5	6.2	9.5	9.4	3.6	3.4
Bergs Timber			0	(6)	16	115		8.6		6.3		9.2	4.9	4.9

Source: SEB (Nordic region), Thomson Datastream (all other regions)

On EV/EBITDA and PER multiples, Bergs Timber is trading below its peer group average.

M&A valuation

Vida AB acquired by Canfor at a price implying 2018E EV/EBITDA of 5.7x

In November 2018, Canadian forest industry company Canfor Corporation announced its acquisition of Vida AB. Canfor will acquire a 70% stake of the company at a price of SEK 3,990m, which translates into approximately 5.7x Vida's 2018 estimated EBITDA, according to Canfor.

Vida is a Swedish wood products company primarily operating in the south of Sweden which makes it a highly relevant peer to Bergs Timber. Vida has some 1,050 employees and operates 18 different plants, of which nine are sawmills. The total yearly sawn wood production capacity is approximately 1.7m m³, of which around 75% is exported outside of Sweden.

Applying these numbers to Bergs Timber's adjusted annualized EBITDA for the most recent quarter gives a value of SEK 4.2 per share, or 37% above Bergs Timber's current share price. In computing the enterprise value (EV) for Bergs Timber, we estimate 2018 net debt to be SEK 540m.

Valuation based on Vida AB acquisition with an 2018E EV/EBITDA of 5.7x

Vida AB	2017	2018E	Bergs Timber	6-8/2018*
Sales	5,468	na	Sales	3,353
EBITDA	na	1,000	EBITDA	348
EBIT	487	na	EBIT	272
Acquisition information			EV based on VIDA 5.7x EBITDA	1,981
Purchase price	3,990		Net debt	540
Share purchased	70%		Equity value	1,442
EV of Vida	5,700		Equity value per share	4.23
EV / EBITDA	5.7			
EV / Sales (2017)	1.04		Current share price	3.08
EV / EBIT (2017)	11.70		Implied upside (+) / downside (-)	37%
			No of shares (m)	341

*Bergs timber EBITDA resembles the last quarter (6-8/2018) annualized

Source: SEB, Vida AB, Allabolag.se,

DCF

Our DCF model gives a valuation range of SEK 2.6-4.5 per share

Our DCF model gives a valuation range of SEK 2.6-4.5 per share with a midpoint of SEK 3.4. We use the following assumptions:

- We estimate sales to grow after our estimate period by 2% a year, which is management's organic growth target.
- We estimate an EBITDA margin of 7.5% and an EBIT margin of 5%. We believe that the 7.5% margin assumption may be somewhat conservative for the long-run but it is also in line with the company's target to achieve a margin which is at least 7%. However, if the company manages to utilize synergies from the acquisition of Norvik companies, margins could rise in the long term.
- Gross capital expenditures and working capital of 5% and 20% of sales, respectively.

DCF summary

DCF valuation (SEKm)		Weighted average cost of capital (%)	
NPV of FCF in explicit forecast period	491	Risk free interest rate	2.5
NPV of continuing value	1,193	Risk premium	4.5
Value of operation	1,685	Cost of equity	7.0
Net debt	540	After tax cost of debt	2.0
Share issue/buy-back in forecast period	-	WACC	5.4
Value of associated companies	-	Assumptions	
Value of minority shareholders' equity	-	Number of forecast years	20
Value of marketable assets	-	EBIT margin - steady state (%)	5.0
DCF value of equity	1,145	EBIT multiple - steady state (x)	15.1
DCF value per share (SEK)	3	Continuing value (% of NPV)	70.8
Current share price (SEK)	3.08		
DCF performance potential (%)	9		

Source: SEB

DCF sensitivity

		6.0	6.5	7.0	7.5	8.0
Equity capital weight (%)	49	8	7	6	5	5
	59	6	5	4	4	4
	69	4	4	3	3	3
	79	3	3	3	2	2
	89	3	2	2	2	1
Absolute change in EBITDA margin - all years						
		-2%	-1%	0	+1%	+2%
Abs. change in sales growth - all years	-2%	0	1	3	4	5
	-1%	0	2	3	4	6
	0	0	2	3	5	6
	+1%	0	2	4	6	7
	+2%	1	3	4	6	8

Source: SEB

DCF – assumption details

(SEKm)	2018E	2019E	2020E	2021E	2022E	Average year 6-10	Average year 11-15	Average year 16-20
Sales growth (%)	144.7	(0.5)	(0.5)	2.0	2.0	2.0	2.0	2.0
EBITDA margin (%)	10.0	7.9	7.0	7.5	7.5	7.5	7.5	7.5
EBIT margin (%)	7.7	5.4	4.4	5.0	5.0	5.0	5.0	5.0
Gross capital expenditures as % of sales	30.2	5.9	5.0	5.0	5.0	5.0	5.0	5.0
Working capital as % of sales	31.4	20.5	20.4	19.9	19.9	19.9	19.9	19.9
Sales	3,044	3,028	3,012	3,073	3,134	3,327	3,674	4,056
Depreciation	(71)	(76)	(76)	(78)	(79)	(84)	(93)	(102)
Intangibles amortisation	0	0	0	0	0	0	0	0
EBIT	234	164	134	153	156	166	183	202
Taxes on EBIT	(47)	(33)	(27)	(31)	(31)	(33)	(37)	(40)
Increase in deferred taxes	0	0	0	0	0	0	0	0
NOPLAT	187	131	107	122	125	132	146	161
Gross capital expenditure	(918)	(180)	(150)	(153)	(156)	(166)	(183)	(202)
Increase in working capital	(72)	10	10	3	(12)	(13)	(14)	(16)
Free cash flow	(731)	37	43	50	36	38	42	46
ROIC (%)	11.7	8.2	6.3	6.9	6.7	6.2	5.6	5.1
ROIC-WACC (%)	6.3	2.8	0.9	1.5	1.3	0.8	0.2	(0.3)
Share of total net present value (%)	0.0	2.1	2.3	2.6	1.7	7.9	6.7	5.7

Source: XXX

Overview

Investment case

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

Company profile

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

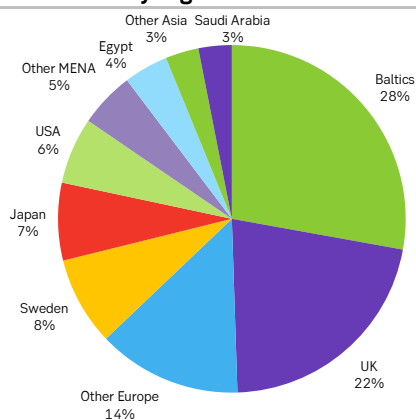
Valuation approach

We value the company based on peer groups, M&A and DCF valuations. Our valuation range is SEK 2.9-5.6 per share.

Risks

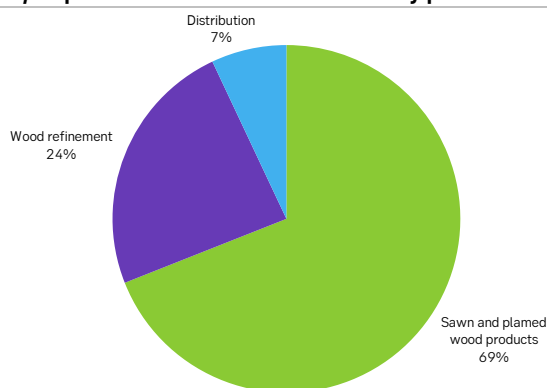
The biggest risks to estimates and valuation relate to economic conditions in general and construction activity in particular. In terms of currency exposures, a potential weakening of the British pound or strengthening of the Swedish krona are the biggest risks. The large acquisition of Norvik companies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

Pro forma revenues by region



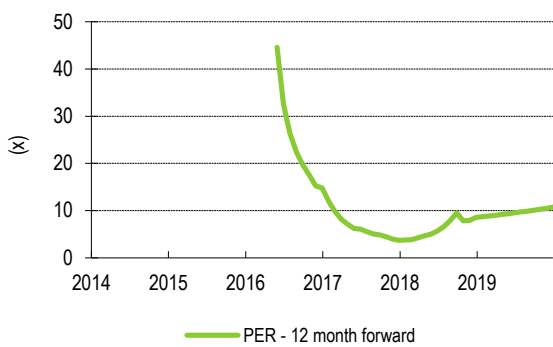
Source: SEB, Bergs Timber

2017/18 pro forma revenue distribution by product



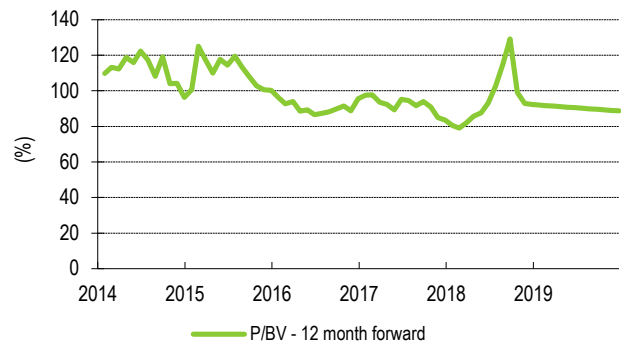
Source: SEB, Bergs Timber

PER - 12 month forward



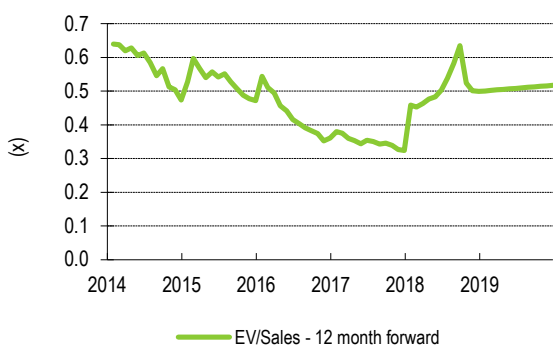
Source: SEB

P/BV - 12 month forward



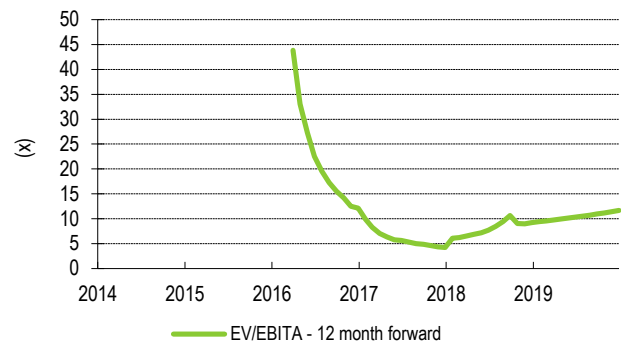
Source: SEB

EV/Sales - 12 month forward



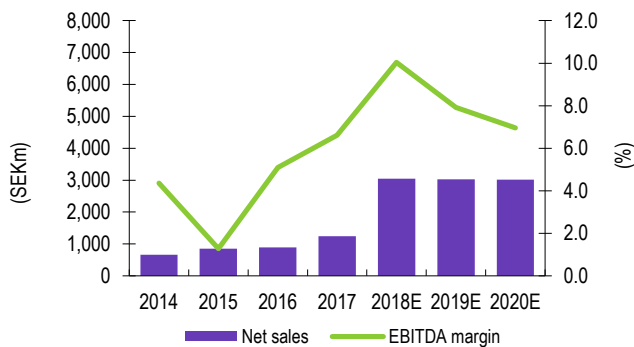
Source: SEB

EV/EBITA - 12 month forward



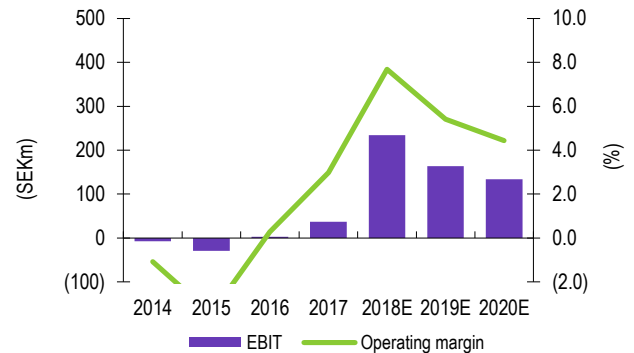
Source: SEB

Net sales & EBITDA margin



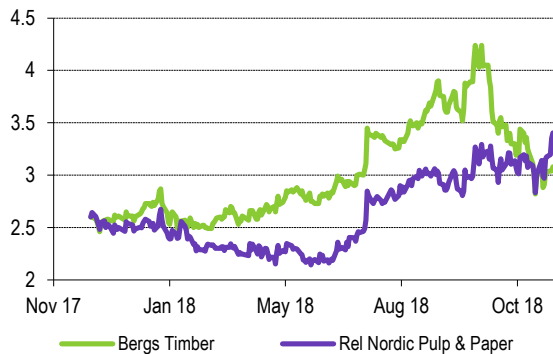
Source: SEB

EBIT & Operating margin



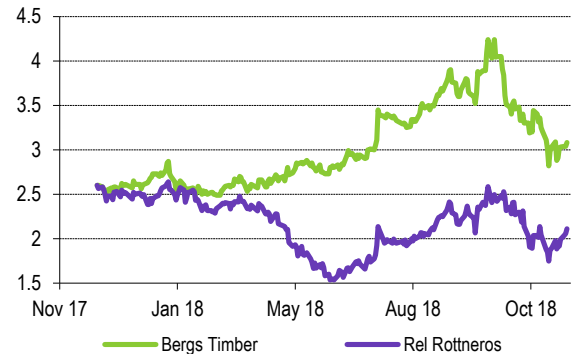
Source: SEB

Comparison with sector index - 1 year



Source: SIX

Comparison with Rottneros - 1 year



Source: SIX

Profit & loss statement - Bergs Timber							
(SEKm)	2014	2015	2016	2017	2018E	2019E	2020E
Net Sales	665	853	894	1,244	3,044	3,028	3,012
Other revenues	32	23	22	(28)	(7)	8	8
Total revenues	697	876	916	1,216	3,037	3,036	3,020
Total expenses	(668)	(865)	(871)	(1,134)	(2,732)	(2,796)	(2,811)
Profit before depreciation	29	11	46	82	305	240	210
Depreciation - Fixed assets	(36)	(40)	(43)	(45)	(71)	(76)	(76)
Depreciation - Other assets	0	0	0	0	0	0	0
Amortisation - Goodwill	0	0	0	0	0	0	0
Amortisation - Other intangibles	0	0	0	0	0	0	0
Operating profit	(7)	(30)	2	37	234	164	134
Net interest expenses	(6)	(8)	(6)	(6)	(14)	(17)	(17)
Foreign exchange items	0	0	0	0	0	0	0
Other financial items	0	0	0	0	0	0	0
Value changes - Fixed assets	0	0	0	0	0	0	0
Value changes - Financial assets	0	0	0	0	0	0	0
Value changes - Other assets	0	0	0	0	0	0	0
Reported pre-tax profit	(14)	(37)	(4)	31	220	147	117
Minority interests	0	0	0	0	0	0	0
Total taxes	3	8	0	(6)	(30)	(25)	(19)
Reported profit after tax	(11)	(29)	(4)	25	191	123	98
Discontinued operations	0	0	0	0	0	0	0
Extraordinary items	0	0	0	0	0	0	0
Net Profit	(11)	(29)	(4)	25	191	123	98
Adjustments:							
Discontinued operations	0	0	0	0	0	0	0
Interest on convertible debt	0	0	0	0	0	0	0
Minority interests (IFRS)	0	0	0	0	0	0	0
Value changes	0	0	0	0	0	0	0
Goodwill/intangibles amortisations	0	0	0	0	0	0	0
Restructuring charges	0	0	0	0	0	0	0
Other adjustments	0	0	0	0	0	0	0
Tax effect of adjustments	0	0	0	0	0	0	0
Adjusted profit after tax	(11)	(29)	(4)	25	191	123	98
Margins, tax & returns							
Operating margin	(1.1)	(3.5)	0.3	3.0	7.7	5.4	4.4
Pre-tax margin	(2.0)	(4.3)	(0.4)	2.5	7.2	4.9	3.9
Tax rate	20.7	21.8	7.5	19.6	13.5	16.7	15.9
ROE	(4.1)	(11.2)	(1.2)	6.7	26.1	11.1	8.4
ROCE	(1.8)	(6.8)	0.5	7.2	22.3	10.2	8.1
Growth rates y-o-y (%)							
Total revenues	n.a.	25.7	4.6	32.7	149.8	(0.0)	(0.5)
Operating profit	n.m.	n.m.	n.m.	1,445.8	530.8	(30.0)	(18.3)
Pre-tax profit	n.m.	n.m.	n.m.	n.m.	608.8	(33.2)	(20.8)
EPS (adjusted)	0.0	0.0	0.0	0.0	369.8	(49.1)	(20.1)
Cash flow							
(SEKm)	2014	2015	2016	2017	2018E	2019E	2020E
Net profit	(11)	(29)	(4)	25	191	123	98
Non-cash adjustments	30	33	32	49	71	76	76
Cash flow before work cap	20	4	28	74	262	199	174
Ch. in working capital / Other	(68)	36	(62)	38	(72)	10	10
Operating cash flow	(48)	40	(34)	112	190	209	184
Capital expenditures	(51)	(10)	(19)	(35)	(130)	(65)	(65)
Asset disposals	8	2	2	6	0	0	0
L/T financial investments	0	0	0	0	0	0	0
Acquisitions / adjustments	0	3	69	(31)	(788)	(115)	(85)
Free cash flow	(91)	35	18	52	(728)	29	34
Net loan proceeds	(4)	(25)	(41)	(17)	252	23	17
Dividend paid	0	0	0	0	(9)	(51)	(51)
Share issue	0	0	0	0	485	0	0
Other	49	(11)	39	(51)	0	0	(0)
Net change in cash	(46)	(1)	16	(16)	0	0	0
Adjustments							
C/flow bef chng in work cap	20	4	28	74	262	199	174
Adjustments	0	0	0	0	0	0	0
Int on conv debt net of tax	0	0	0	0	0	0	0
Cash earnings	20	4	28	74	262	199	174
Per share information							
Cash earnings	0.2	0.03	0.23	0.44	0.97	0.58	0.51
Operating cash flow	(0.49)	0.35	(0.28)	0.67	0.7	0.61	0.54
Free cash flow	(0.94)	0.31	0.15	0.31	(2.7)	0.08	0.1
Investment cover							
Capex/sales (%)	7.7	1.2	2.1	2.8	4.3	2.1	2.2
Capex/depreciation (%)	141	25	43	78	182	86	86

Source for all data on this page: SEB

Balance sheet - Bergs Timber							
(SEKm)	2014	2015	2016	2017	2018E	2019E	2020E
Cash and liquid assets	2	0	17	1	1	1	1
Debtors	90	106	113	178	696	434	432
Inventories	151	189	254	226	840	550	547
Other	0	0	0	0	0	0	0
Current assets	243	295	383	406	1,537	986	981
Interest bearing fixed assets	0	0	0	0	0	0	0
Other financial assets	1	0	0	0	14	14	14
Capitalized development cost	0	0	0	0	0	0	0
Goodwill	2	2	2	2	192	192	192
Other intangibles	0	0	0	0	0	0	0
Fixed tangible assets	234	245	251	264	768	872	946
Other fixed assets	10	22	28	22	22	22	22
Fixed assets	247	269	280	287	996	1,100	1,174
Total assets	490	564	663	693	2,533	2,085	2,154
Creditors	47	67	76	123	340	299	298
Other trade financing	8	10	19	13	206	31	31
S/T interest bearing debt	58	171	137	59	59	59	59
Other	22	33	30	34	34	34	34
Current liabilities	135	281	263	229	639	424	422
L/T interest bearing debt	102	17	53	35	482	504	521
Other long-term liabilities	1	1	1	30	347	20	27
Convertible debt	0	0	0	0	0	0	0
Pension provisions	0	0	0	0	0	0	0
Other provisions	0	0	0	0	0	0	0
Deferred tax	0	0	0	0	0	0	0
Long term liabilities	102	18	54	65	829	525	548
Minority interests	0	0	0	0	0	0	0
Shareholders' equity	253	266	347	398	1,065	1,137	1,184
Total liabilities and equity	490	564	663	693	2,533	2,085	2,154
Net debt (m)	158	187	174	93	540	462	509
Working capital (m)	164	185	241	234	956	619	616
Capital employed (m)	413	454	538	492	1,606	1,600	1,694
Net debt/equity (%)	63	70	50	23	51	41	43
Net debt/EBITDA (x)	5.5	17.2	3.8	1.1	1.8	1.9	2.4
Equity/total assets (%)	52	47	52	58	42	55	55
Interest cover	(1.1)	(3.8)	0.4	6.1	17.2	9.9	7.8

Valuation							
(SEK)	2014	2015	2016	2017	2018E	2019E	2020E
No of shares, fully dil. (y/e)	96.6	113.8	159.8	170.8	340.8	340.8	340.8
No of shares, fully dil. avg.	96.6	113.4	121.2	166.2	270.0	340.8	340.8
Share price, y/e	2.3	2.2	2.2	2.6	3.1	3.1	3.1
Share price, high	3.5	3.0	2.4	2.9	4.2		
Share price, low	2.1	2.0	1.8	2.1	2.5		
Share price, avg	2.8	2.5	2.1	2.5	3.1		
EPS (reported)	(0.11)	(0.26)	(0.03)	0.15	0.71	0.36	0.29
EPS (adjusted)	(0.11)	(0.26)	(0.03)	0.15	0.71	0.36	0.29
Cash earnings/share	0.20	0.03	0.23	0.44	0.97	0.58	0.51
Dividend/share	0.00	0.00	0.00	0.05	0.15	0.15	0.15
Enterprise value/share	3.9	3.8	3.3	3.2	4.7	4.4	4.6
Book value/share	2.6	2.3	2.2	2.3	3.1	3.3	3.5
Adjusted equity/share	2.6	2.3	2.2	2.3	3.1	3.3	3.5
PER (adjusted)	n.m.	n.m.	n.m.	17.4	4.4	8.6	10.7
CEM	11.0	63.4	9.7	5.9	3.2	5.3	6.0
Dividend yield	0.0	0.0	0.0	1.9	4.9	4.9	4.9
EV/EBITDA	12.9	39.9	11.6	6.5	5.2	6.3	7.4
EV/EBITA	(52.1)	(14.8)	220.8	14.5	6.8	9.2	11.7
EV/EBIT	(52.1)	(14.8)	220.8	14.5	6.8	9.2	11.7
EV/Sales (x)	0.56	0.51	0.59	0.43	0.52	0.50	0.52
Price/Book value	0.86	0.93	1.03	1.12	0.99	0.92	0.89
Price/adjusted equity	0.86	0.93	1.03	1.12	0.99	0.92	0.89
Free cash flow/Market cap (%)	(45.4)	12.1	(19.4)	17.7	7.2	13.7	11.3
Operating cash flow/EV (%)	(12.7)	9.2	(6.4)	20.8	12.0	13.8	11.8
EV/Capital employed (x)	0.9	1.0	1.0	1.1	1.0	0.9	0.9

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

Source for all data on this page: SEB

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

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Copenhagen

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

Telephone: (45) 3328 2828

Oslo

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

Telephone: (47) 2100 8500

Frankfurt

Stephanstrasse 14-16
D-60313 Frankfurt am Main

Telephone: (49) 69 9727 7740

Stockholm

Kungsträdgårdsgatan 8
S-106 40 Stockholm

Telephone: (46) 8 522 29500

Helsinki

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

Telephone: (358) 9 616 28700

Tallinn

Tornimäe 2
EE-Tallinn 15010

Telephone: (372) 665 7762

London

One Carter Lane
London, EC4V 5AN

Telephone: (44) 20 7246 4000