



EQUITY RESEARCH GROUP



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Introduction

Join the retail investor revolution

Nordnet AB is a digital platform in the Nordics for savings and investments. The company operates in Sweden, Norway, Denmark and Finland. Nordnet's purpose is to democratize savings and investments. It provides trading in a large number of equities, funds and other types of securities from several markets at a low price, as well as pension savings without fixed fees. The firm also offers margin loans, private loans and mortgages. There are a number of user-interfaces to choose from, such as web, app or more advanced trading applications. Digital financial guidance tools are offered to customers who want help and inspiration with their savings. Nordnet also runs the largest social investment network in the Nordics, Shareville. (Source Nasdaq company FactSet Nordnet)

Buy in to the Nordic savings powerhouse

Seeing impressive growth in every market segment Nordnet is on track to become an EPS machine. With its large 70% dividend policy we estimate great future returns and Nordnet outperforming the market.

We see great potential in a more diversified product portfolio and expect this to have a positive effect on revenue even if customer growth targets are not met. The new fund business will generate a larger revenue per customer as fund commissions are not paid to external fund providers. DCM, ECM and corporate finance we expect to be the next add to Nordnet's product portfolio.

Nordnet has achieved an impressive growth in customers reaching over 1.6 million in the year of 2022, by being the established market leader in Norway, Finland and Denmark the barrier to entry from competitors is becoming increasingly difficult.

Analyst

Rasmus Strandberg

Head of ERG

Trading Data

Nordnet AB (publ)

Exchange	NASDAQ Stockholm
Sector	Financial services
Bloomberg	SAVE:SS
Ticker symbol	SAVE
Web address	https://nordnetab.com/sv/
Share price	170,70 SEK
Shares outstanding	250M
Volume average	414 620
Market Cap	43 262 MSEK
P/E	22,21
Currency	SEK

Rating 12m

Target price	210,00 SEK
Current price	170,70 SEK
Upside recommendation	26% Buy

Share performance



Riding the wave

The Business for online equity brokers has exploded in the last decade seeing a sharp increase in market activity from retail investors. In Sweden the rise of popularity of the Investment savings account (ISK) has revolutionized the savings business. Nordnet having a direct exposure to this growing micro trend has seen tremendous growth in all business areas because of the recent shifts in consumer demands. Key aspects of success in the future for Nordnet will be to maintain high customer growth while broadening the product portfolio and increasing profitability. Looking at Nordnet's core product portfolio we see a positive trend regarding all products, achieving an impressive growth across the board. We estimate further growth in savings capital in the year 2022 but because of current market conditions we don't feel confident in providing an exact estimate. We estimate further increases in savings capital long term therefore adding to Nordnet's revenue estimates as markets stabilize. Nordnet has also seen big increases in trading activity especially in relation to the unexpected market volatility in 2020 as a result of the pandemic. Giving customers easy access to foreign markets has led to an impressive growth in cross border trading. Looking at previous years data we can clearly see a larger positive trend than the overall trading growth. By adding FX commissions fees to cross border trades, they are much more profitable and a great extra revenue stream.

Impressive 24,09% compounded growth in savings capital from the year 2017 with 16 billion SEK added in January and February of 2022

27.72% CAGR growth in commission income since 2017

13.172% CAGR growth in interest income since 2017

Income statement- Key products		2017	2018	2019	2020	2021
Net commission income	MSEK	803	870	940	2021	2730
Growth CI	%		8%	8%	115%	35%
Net interest income	MSEK	386	378	498	604	717
Net financial transactions*	MSEK	0	4	0	-14	18
Other income	MSEK	55	59	70	69	164

Total Savings Capital MSEK		2017	2018	2019	2020	2021
MSEK		272 400	285 500	394 500	564 900	801 590
Growth			4,81%	38,18%	43,19%	41,90%

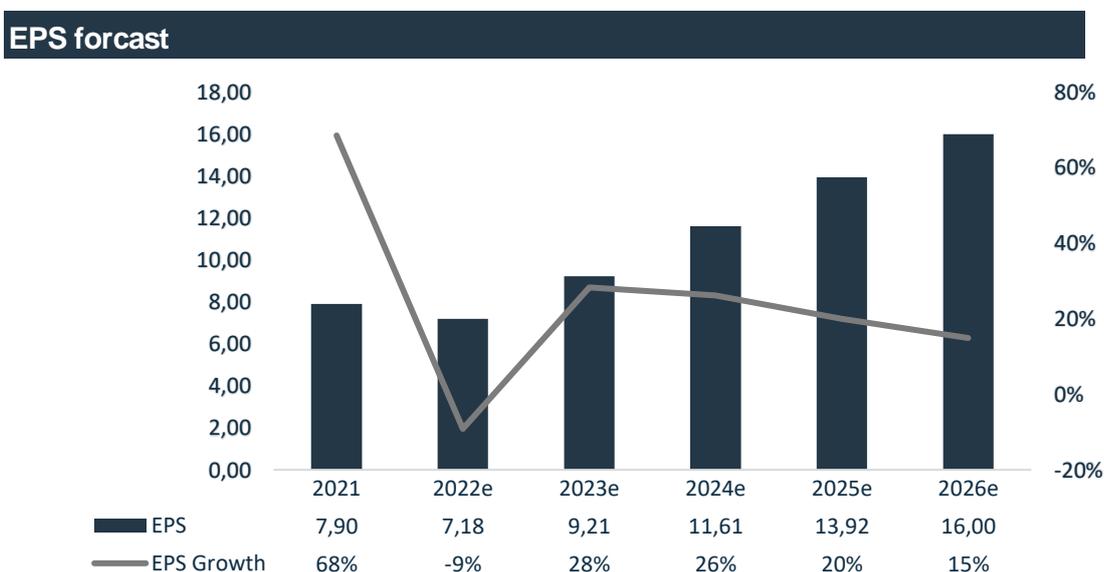
Trading Data		2017	2018	2019	2020	2021
Numbers of trades		26 181 300	26 119 800	28 422 300	58 529 900	71 622 900
Growth			-0,23%	8,82%	105,93%	22,37%
Cross border trades		4 897 700	5 140 500	5 629 100	13 926 500	22 086 900
Growth			4,96%	9,50%	147,40%	58,60%

Slower revenue growth but at a higher margin.

After having a record year in 2021 we expect a smaller revenue growth for 2022, and the added revenue from the newly started fund operation we expect not to realize until the year 2023 where we expect a larger revenue growth. Long Term we feel that Nordnet is a great potential buy as there is still massive potential for future revenue growth and larger profit margins through economies of scale. Short Term we estimate larger costs as a result of bigger customer support functions as a result of large customer growth and costs related to new business ventures. Having achieved a compounded growth of 23,81% since the year 2021 we feel comfortable estimating an average growth of 12,4% until the year 2026. While revenue might not reach the same impressive growth as in previous years, we are still very positive towards Nordnet's ability for EPS growth and larger dividends in the long-term perspective. With high estimated customer growth in the Danish, Finnish, and Norwegian markets we also expected revenues to increase accordingly. Because of the harsh macroeconomic trends, the world is facing we expect negative market returns thus decreasing savings capital and revenue per customer. Organic growth of savings capital will offset this effect but not to large enough extent that it will have no effect on revenue estimates.

Looking at the figures below Nordnet has experienced significant revenue growth in the last years and we are expecting this trend to continue contingent on more positive market conditions. Even if revenue estimates are not met, we see a great possibility for Nordnet to increase margins to be in par with their main competitor Avanza at 62,5%. We think Nordnet's decision to take on additional costs related to geographical expansion was a great long-term strategy as they now have an advantage to any competitor trying to establish themselves on the market. Most of the initial starting costs are now accounted for giving Nordnet a great possibility to increase their margins as the customer base grows. We conservatively estimate a Profit margin of 62,5 for the year 2026 in line with Avanza and a 77% gross margin 20 bps lower than Avanza as there are larger costs operating in multiple locations.

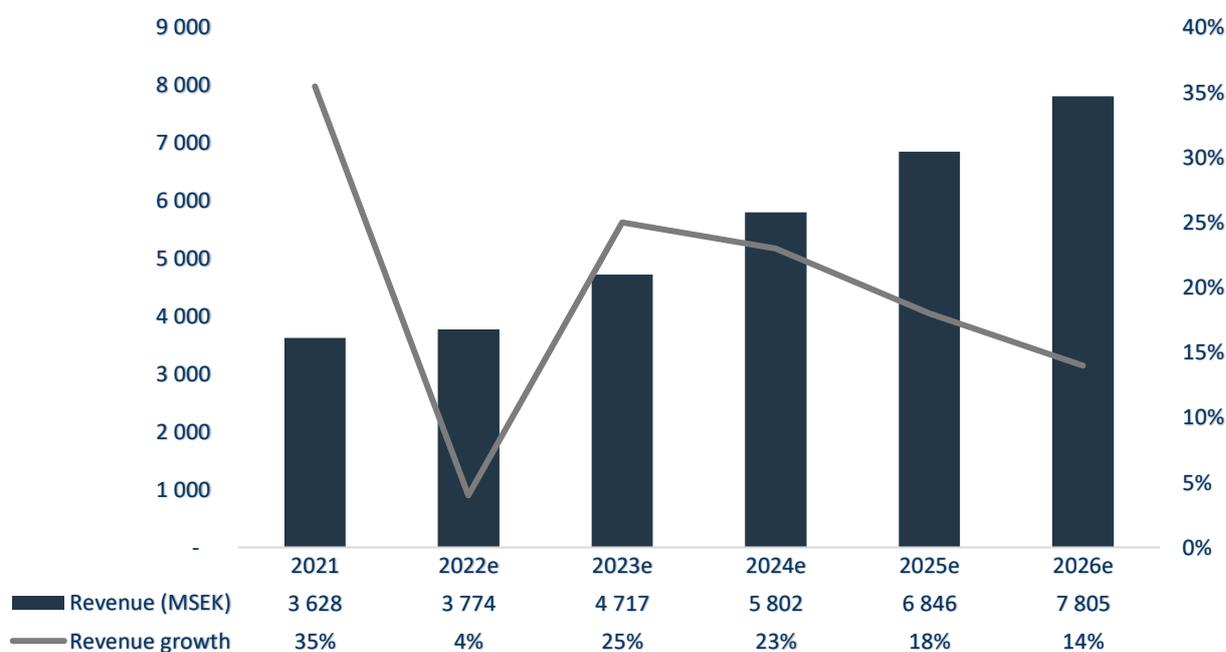
With Nordnet's goal of returning 70% of profits to shareholders we expect large dividends growth in accordance with the increasing margins and revenue in the coming years. Our estimates are a 15,4 % yearly compounded dividend growth which will be a great source of return for long-term stakeholders.



Earnings forecasts.

Earnings reported/estimated		2017	2018	2019	2020	2021	2022e	2023e	2024e	2025e	2026e
Net sales	MSEK	1 244	1 310	1 573	2 679	3 628	3 774	4 717	5 802	6 846	7 805
Revenue Growth	%	4%	5%	20%	70%	35%	4%	25%	23%	18%	14%
Gross income	MSEK	425	371	626	1687	2711	2755	3373	4293	5135	6010
Gross Margin	%	34%	28%	40%	63%	75%	73%	72%	74%	75%	77%
Operating expenses(unadjusted)	MSEK	1031	1159	1196	1232	1177	1585	1910	2263	2602	2927
Operating income	MSEK	247	152	377	1 447	2 451	2 189	2 807	3 539	4 245	4 878
Profit before tax	MSEK	213	152	377	1 447	2 451	2 189	2 807	3 539	4 245	4 878
Profit to Equity holders	MSEK	213	127	340	1 173	1 985	1795	2 301	2 902	3 481	4 000
Profit margin	%	17%	10%	22%	44%	55%	58%	60%	61%	62%	62,5%
Earnings per share	SEK	1,22	0,73	1,36	4,69	7,90	7,18	9,21	11,61	13,92	16,00
EPS Growth	%		-41%	87%	245%	68%	-9%	28%	26%	20%	15%
Number of shares	Milj	174,40	174,40	250,00	250,00	250,00	250,00	250,00	250,00	250,00	250,00
Dividend	SEK	0,00	0,00	0,00	3,28	5,56	6,13	7,86	9,91	11,88	13,66
Dividend Growth	%	-	-	-	-	70%	10%	28%	26%	20%	15%

Revenue Growth

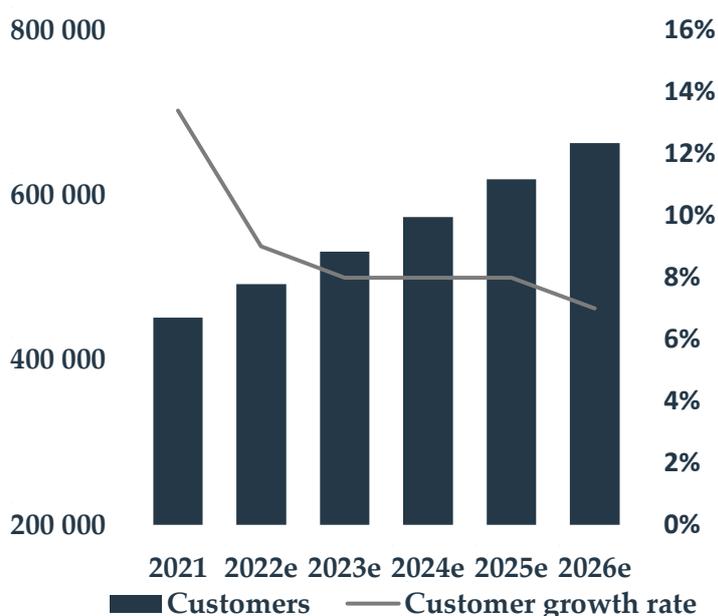


Establishing market dominance in the Nordics

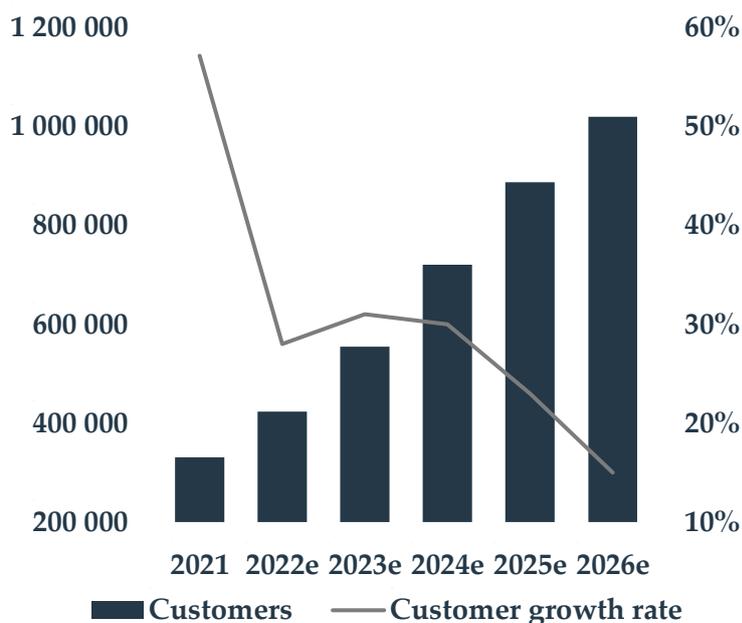
As growth and income is very linked to overall market performance, we could see a smaller growth rate than our estimate. This is mostly conditioned by the ongoing progress of the war on Ukraine and inflation rates. Like many analysts we are concerned by a slower customer growth rate in the Swedish market which could affect negatively on future revenue estimates. Therefore, we have conservatively estimated a growth rate for the Swedish market at 9%. While maintaining a big client base in Sweden, Nordnet is seeing their biggest growth outside of their original home market being the online equity broker with the largest market share in Finland, Denmark and Norway. Nordnet positioning as the main online savings platform for a majority of the Nordic countries gives a big potential for customer growth outside of Sweden and a competitive advantage against any competitor trying to establish themselves on the remaining Nordic markets. We see potential for future growth in every respective market with higher margins as the business is effectively scalable. In the last year we have seen an impressive 31,1% customer growth.

As established market leaders in the Finnish, Danish and Norwegian savings market we can more comfortably estimate a higher customer growth rate for the coming years. Having achieved a customer growth rate of 43%, 57%, 28% respectively in 2021. Having a dominant position in every other Nordic country we see no reason that Nordnet can't make a similar journey as Avanza has done in Sweden therefore, we are more optimistic on the estimated customer growth rates. And there is still a great potential for future growth in all markets as Nordnet currently holds 3.8% trading volume share of the total retail trades in the Swedish market 9,8% of the Norwegian market 5,08% and 5,87% in the Danish and Finnish market respectively.

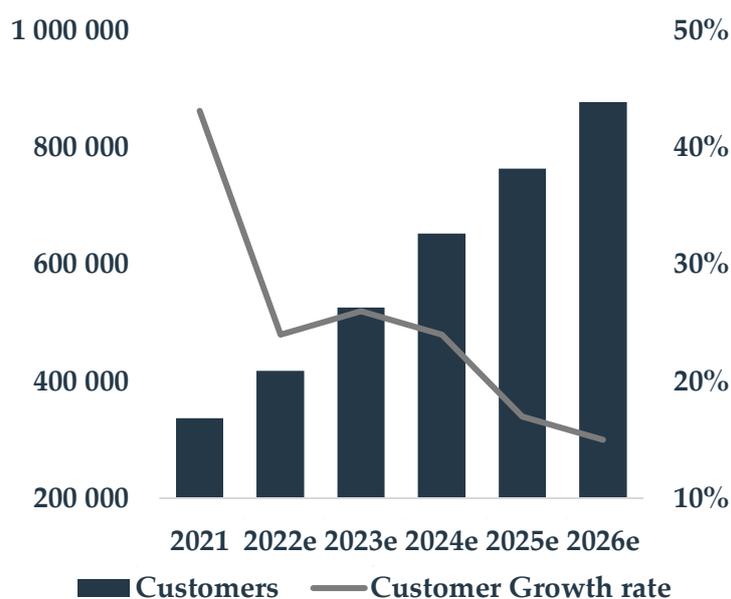
Customer growth-Sweden



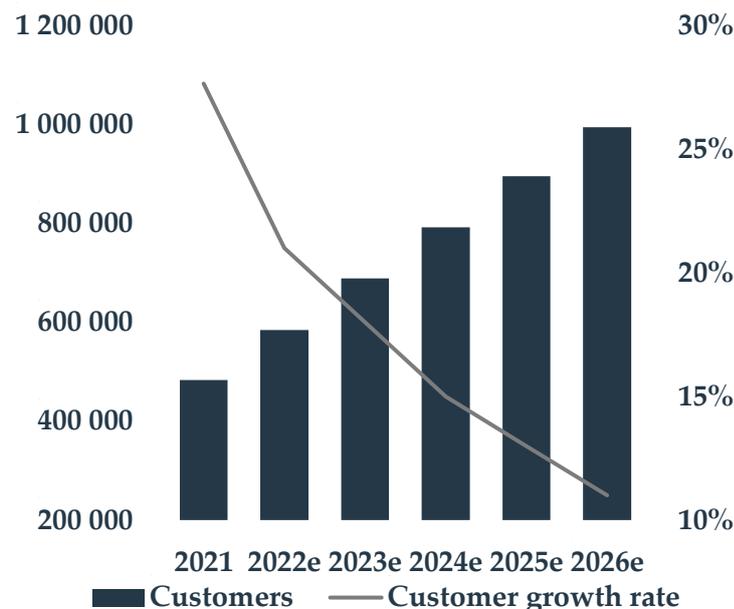
Customer growth-Denmark



Customer growth-Finland



Customer growth-Norway



Customer growth will also be heavenly dependent on market conditions as a poorly performing stock market will surely have a negative effect on customer acquisition. Because of the current market outlook, we have estimated significantly decreased customer growth rates of all markets. In the long run we still feel that Nordnet's goal of a 10-15% average customer growth rate is very much realistic.

Customer Data		2020	2021	2022e	2023e	2024e	2025e	2026e
Customer Data Group		1 221 500	1 601 000	1 906 468	2 287 435	2 697 154	3 147 640	3 535 047
Customer growth Group	%	34%	31%	19%	20%	18%	17%	12%
Sweden		397 800	451 100	491 699	531 035	573 518	619 399	662 757
Sweden growth	%	9%	13%	9%	8%	8%	8%	7%
Finland		235 300	336 800	421 000	530 460	657 770	789 324	907 723
Finland growth	%	56%	43%	25%	26%	24%	20%	15%
Denmark		210 400	330 600	409 944	537 027	687 394	859 243	988 129
Denmark growth	%	76%	57%	24%	31%	28%	25%	15%
Norway		378 000	482 500	583 825	688 914	778 472	879 674	976 438
Norway Growth	%	35%	28%	21%	18%	13%	13%	11%

Predicting more favourable market condition in the year 2023 we estimate increased customer growth.

Investment thesis

Economies of Scale

With big investments already made in an agile and scalable technology platform we predict a lower cost of revenue and a larger profit margin. We predict that cost will mostly be driven by marketing and promotion as competition tightens in the online savings platform business. We see the recent move by Nordnet to broaden their product portfolio by starting their own fund company as a move in the right direction, hopefully being able to capitalize on the rise of asset prices and subsequently fund commissions. By offering their own funds, private lending and marginal lending we see great alternative revenue streams detached from the commission revenue. Focusing on operational leverage is a key to increasing EPS in the future and we see an opportunity for Nordnet to match Avanza's 62% profit margins soon from their current reported margin of 54,7%.

We see a great future opportunity for Nordnet to expand their business into corporate finance and asset management, with a massive client base and several hundred billion SEK in savings capital they have a great base for raising capital for corporate and institutional clients. We hope Nordnet's promotion of their COO Rasmus Järborg to deputy CEO coming from an investment banking and corporate finance background is a step in that direction. Unfortunately, the newly started fund operations and expansion to the corporate finance market as their main competitor Avanza already successfully has, will drive up costs in the short run. Nordnet being the number one online broker service for all Scandinavian countries besides Sweden gives a massive advantage for growing their market share. Their biggest Swedish competitor Avanza has not communicated any plans on geographical expansion which gives Nordnet the upper hand in growing their business outside of Sweden.

With the current P/E ratio at 20,5 we think the short-term valuation is more than fair. With a current dividend yield of 3,4%, 75 BPS higher yield than 10-year treasury yields we think is a great investment considering the potential growth of the business. With our estimate of an EPS of 16,26 in the year 2026 P/E value would be estimated at a 8,9 and a div yield of 7,86% estimated at a stock price of 144,7 the closing stock price in 2021. A P/E ratio of 20 we think is more than fair for this type of very profitable business with a large underlying market growth. At our estimates for EPS in 2026 the fair value would be 325,1 SEK per share in the year of 2026 netting investors a 14,92 CAGR growth not including dividend, including dividends that are not reinvested the return would be estimated at 18,04% CAGR over a five-year period.

With the large dividend policy that Nordnet has adopted we believe that Nordnet will achieve a large ROE and we estimate the equity base to grow at a rate of 30% of earnings per year. Nordnet had a record year in 2021 achieving a ROE of 33% and an impressive 150,8% Y-Y ROE growth in 2020. we estimate slightly lower unadjusted ROE at 27% for 2022. Our estimates predict that the equity base will grow at a slower rate than the earnings will long-term therefore increasing the ROE to 39% in the year of 2026.

Peer analysis

The market for online brokerage has seen a massive growth in the latest years. The business is characterized by large ROE and large profit margins. The initial costs of investing and building the online platform is a natural mote for competitors trying to establish themselves on the market. While most traditional banks have already established infrastructure to build online equity brokerage platforms, more often than not their progress is much slower than comparable nish banks. Because of the sluggish nature of most traditional banks with a massive organisation, they are unable to compete with the likes of Nordnet and Avanza. The establishment of traditional banks on the market is a risk for Nordnet's market share in the savings business but we estimate this to be somewhat unlikely.

Analysing Nordnet's peers there seems to have been a boom for online equity brokers in the year of 2021. But this positive market trend seems to be slowing down as analyst expect negative EPS growth for all peers except Flatexdegiro. We also estimate a negative eps growth for Nordnet in 2022 as negative market returns will impact savings capital. Nordnet currently trading at a premium in consideration to their closest competitor Avanza of 17,1%, the premium is somewhat justified based on Nordnet superior geographical advantages and large potential for estimated growth. Because of current market conditions estimates and peer analysis is becoming increasingly difficult as the volatility in both Nordnet and Avanza's stock has been incredibly high. But regarding their peers Nordnet is performing above average at more than fair valuation.

Peer group valuation

	Currency	Share price	Mcap	P/E	Customer growth %	ROE (%)	P/BV	Total div yield %	EPS growth%	EPS
				2022E	2021	2022E	2022E	2021	2022E	
Nordnet	SEK	158,6	39650 MSEK	22,5	31%	27%	6,6	3,5%	-9%	7,90 SEK
Avanza	SEK	232,7	36918 MSEK	28,3	30%	30%	7,72	3,9%	-17,9%	13,19 SEK
Flatexdegiro	EUR	18,45	2,04B EUR	15,7	55%	22,60%	4,11	0	12,00%	0,52 EUR
Hargreaves Lansdown	GBP	1035,5	4,96B GBP	24,6	13%	42,80%	9,26	3,74%	-17,30%	56,10 £
Swissquote	CHF	165,4	2,47B CHF	25,9	23%	25,9%	3,99	1,34%	-3,90%	12,82 CHF
Peers average				23,4	30,4%	29,3%	6,336	2,50%	-7,22%	
Peers' median				24,6	30,0%	25,9%	6,6	3,50%	-9,00%	
Nordnet				22,5	31%	25%	6,6	3,50%	-9%	
Nordnet vs average				-0,9	0,60%	-4,26%	0,264	1,00%	-1,78%	
Nordnet vs median				-2,1	1,00%	-0,90%	0,00	0,00%	0,00%	

Valuation data & balance sheet forecasts

Valuation		2019	2020	2021	2022e	2023e	2024e	2025e	2026e
Stock Price Average	SEK	37,70	158,20	152,25					
Stock Price High	SEK	37,70	158,95	191,40					
Stock Price Low	SEK	37,70	37,70	120,55					
Stock price	SEK	37,70	158,2	144,7					
EV	MSEK	9425	39550	36177					
ROE	%	11%	28%	33%	27%	32%	36%	39%	39%
P/E	x	27,8	33,7	18,2	20,2	15,5	12,3	10,2	8,9
P/S	x	6,0	14,8	9,9	9,6	7,5	6,1	5,2	4,6
P/B	x	3,1	9,4	6,0	5,5	5,0	4,5	3,9	3,5
Dividend Yield	%	0,0	2,1	3,9	3%	5%	6%	7%	7,86%
EV/EBIT	x	25,0	27,3	14,7	13,1	10,6	8,3	6,9	5,9
EV/EBITDA	x	17,1	24,6	13,8	-	-	-	-	-
EV/E	x	27,8	33,7	18,1	20,2	15,5	12,3	10,2	8,9
EV/FCF	x	-6,4	14,1	25,5	-	-	-	-	-
EV/OP	x	3,8	3,3	2,6	-	-	-	-	-
EV/S	x	6,0	14,8	9,9	9,6	7,5	6,1	5,2	4,6
E/EV	%	3,6	3,0	5,5	0,0	0,1	0,1	0,1	0,1
EV/EBIT	%	4,0	3,7	6,8	0,1	0,1	0,1	0,1	0,1
P/(E)x	x	34,2	70,1	31,0	-	-	-	-	-
P/B-tang	x	4,4	11,8	7,1	-	-	-	-	-
PEG	x	0,3	0,1	0,3	-	-	-	-	-

Balance sheet		2019	2020	2021	2022e	2023e	2024e	2025e	2026e
Intangible assets	MSEK	917	867	921	1098	1309	1560	1860	2218
Tangible assets	MSEK	307	273	285	419	615	902	1324	1943
Financial assets	MSEK	114379	166853	231338	286138	353918	437755	541450	669710
Non-current assets	MSEK	115603	167993	232544	287654	355842	440217	544634	673870
Cash and equivalents	MSEK	410	3101	4250	6844	11022	17751	28587	46038
Current assets	MSEK	-	-	-	-	-	-	-	-
Total Assets	MSEK	115603	167993	232544	287654	355842	440217	544634	673870
Shareholders Equity	MSEK	3058	4212	5990	6528	7230	8114	9175	10394
Non-current liabilities	MSEK	112545	163781	226554	281126	348612	432103	535459	663476
Current liabilities	MSEK	-	-	-	-	-	-	-	-
Total Equity	MSEK	115603	167993	232544	287654	355140	439332	543573	672651
Net Debt	MSEK	-	-	-	-	-	-	-	-

Case Summary

Nordnet is establishing itself as the market leader and the go to online equity broker in the Nordics. With heavy investments already made into the platform, networking and scalability effects give Nordnet every opportunity to efficiently execute organic growth while improving profitability. In an era of digitalization Nordnet is leading the way in online brokerage and is positioned to take advantage of customer demand for an agile online based savings platform. With a large dividend policy and underlying growth Nordnet is positioned to strongly increase EPS over the following years, we estimate that Nordnet will outperform market returns. With strong customer growth and inflow of customers mainly from outside of Nordnet's original home market, we expect a strong organic growth in the following years with a higher revenue per customer as the business is effectively scalable.

With a broadening product portfolio, we see potential to diversify revenue streams through new business ventures. Capitalizing on its large amounts of savings customers and having local presence in the Nordics markets gives Nordnet a great base for reaching Nordics investors in DCM and ECM activities. We also view Nordnet's strong owner base of long-term stakeholders a key factor in executing long term growth, hopefully avoiding emphasis on quarterly returns holding a more long-term perspective. Upper-level management is also heavily invested in the company which we see as a sign of strength, in total management holds over 4,4 million shares at a market value of over 700 million SEK.

Nordnet has communicated customer growth targets of 10-15 % per year in line with customer growth over the last 10 years. However, most of the customer growth has been added in the last 3 years with an average growth of 27% therefore we are more optimistic with our growth estimates of 17% average with higher growth in the near future, mostly in the year 2023-2024 as we predict market conditions will stabilize. Achieving a lower cost per customer will be key for improved margins in the future. Nordnet business model allows for a perpetual growth, as market returns increase so will savings capital allowing the company to increase their profits even without organic growth of the customer base.

Because of the current market conditions, we expect little to no growth in the coming year but expect Nordnet long term to outperform the market. With a solid revenue growth, a growing profit margin long-term we believe Nordnet to be a solid investment with great potential for dividend growth.

Management



Lars-Åke Norling

CEO

Born 1968. Chief Executive Officer since 2019.

Education and professional experience: Master of Business Administration, Gothenburg School of Economics, MSc in Engineering Physics, Uppsala University, and MSc in Systems Engineering, Case Western Reserve University, U.S. Lars-Åke has more than 20 years of experience from companies in technology, media and telecom (TMT). Previous experience includes several leading positions as, *inter alia*, CEO and CTO at Telenor Sweden

Own and closely related persons' holding in the company: 3,000,455 shares and 708,724 warrants

Other ongoing assignments: Director of Tele2 AB



Anne Buchardt

Country manager Denmark

Born 1969. Country Manager Denmark since 2018.

Education and professional experience: Master's in Economics from University of Copenhagen, Strategic Leadership Programme, London Business School, INSEAD and IMD. Anne has more than 20 years of experience from the Danish and Nordic financial sector. Previous experience includes several leading positions at Nordea in the wealth management unit, most recently as Nordic responsible for financial advisory services to private individuals

Own and closely related persons' holding in the company: 207,526 shares and 229,385 warrants (through a company)

Other ongoing assignments: Director of PKA + Pension, Bølgebrus Holding ApS and Ress Life Investment A/S



Rasmus Järborg

Chief Product Officer and Deputy CEO

Born 1976. Chief Product Officer since 2018 and Deputy CEO since 2021.

Education and professional experience: MSc in Business and Economics, Stockholm School of Economics. Previous experience from several leading positions in SEB, *inter alia*, Chief Strategy Officer and responsible for the bank's digitalization and digital channels. Rasmus has previously worked at the global investment bank UBS in London.

Own and closely related persons' holding in the company: 300,000 shares and 437,429 warrants

Other ongoing assignments: Board Member at Sleep Cycle AB



Lennart Krän

Chief Financial Officer

Born 1965. Chief Financial Officer since 2019.

Education and professional experience: MSc in Economics, Stockholm University and certified financial analyst, Stockholm School of Economics. Lennart has experience from the financial services sector and has had positions such as CEO of SalusAnsvar and CFO at SBAB and HSBC Investment Bank Stockholm Branch

Own and closely related persons' holding in the company: 200,261 shares and 229,385 warrants

Other ongoing assignments: –



Elias Lindholm

Chief Technology Officer

Born 1980. Chief Technology Officer since 2021.

Education and professional experience: Master of science in Electrical Engineering, Chalmers University of Technology, Gothenburg. Elias has 11 years of experience from Avanza, being the CTO of Avanza for his last three years. Elias joined Nordnet in 2019 as Head of Engineering and became CTO of Nordnet in 2021.

Own and closely related persons' holding in the company: 26,595 shares and 40,771 warrants

Other ongoing assignments: –



Martin Ringberg

Country manager Sweden

Born 1976. Country Manager Sweden since 2018.

Education and professional experience: BSc in Business Administration and Economics, Stockholm University. Previous experience includes several leading positions in savings and investments within SEB

Own and closely related persons' holding in the company: 193,197 shares and 218,714 warrants (through a company)

Other ongoing assignments: Director of MAMM Invest AB

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