Solwers

Company report

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Inderes corporate customer

This report is a summary translation of the report "Vakaata kehitystä vaisussa markkinassa" published on 3/11/2024 at 10:07 pm EET

Stable development in a subdued market

Solwers' H2'23 figures were better than we expected in terms of organic growth and performance. However, we made no substantial changes to our forecasts for the coming years after the report. Thus, we reiterate our EUR 5.0 target price and Accumulate recommendation. In our view, the driver of the stock's return expectation is the allocation of the assets in the over-capitalized balance sheet to inorganic growth in line with the company's strategy.

Organic growth turned to the positive side, non-recurring income strengthened profitability

Solwers' H2'23 revenue increased by 8% from the comparison period to 32.8 MEUR, which clearly exceeded our forecast of 30.7 MEUR. Revenue growth is driven by acquisitions, but also by organic growth. Our forecast expected a 4% organic decline in revenue and thus H2's outcome was a positive surprise and a good performance considering the market situation. H2's EBITA % was 10.7%, so it decreased less than we expected from the comparison period. It should be noted that we believe other operating income was boosted by cancellation of concontingent considerations, which is not a recurring income item. In the lower lines, net financing costs increased more moderately than we expected, despite the rise in interest rates, and the tax rate in H2 was also below our expectations. Thus, the outperformance in terms of earnings per share was higher than the operational lines. The Board of Directors proposes a lower dividend than we expected, which we suspect reflects other capital allocation options being higher on the list of priorities.

We made no significant estimate revisions

Solwers did not provide guidance for the current year. In the outlook, the company pointed out that it has a good order backlog in public sector and infrastructure projects, as well as long assignments in hospital and school planning projects. The company also estimates that the business environment will improve toward the end of the year, although according to market comments, the workload in Finland is expected to decrease in some areas over the next 6 months. The Swedish market outlook seems more positive than Finland's and balances the demand picture as country-specific revenues are divided roughly equally. As before, we expect this year's organic growth to be slightly negative, reflecting the sluggish market. All in all, we only made minor adjustments to our revenue and earnings forecasts for 2024 and the coming years, and as a whole, the earnings forecasts for the coming years remained practically unchanged. The company's financial position was good at the end of 2023, and we estimate that Solwerswill continue to allocate capital to inorganic growth in line with its strategy also over the next 12 months.

Capital allocation drives the expected return

The adjusted P/E ratios for 2024 and 2025 are 15x and 13x and corresponding EV/EBITA ratios are 13x and 11x. In absolute terms, we find the earnings-based valuation multiples reasonable, especially when the valuation is viewed with EV-based multiples that consider the unnecessarily high cash assets in the balance sheet from an operational viewpoint that thus can be allocated to inorganic growth. This overall valuation picture is also supported by relative valuation, as with key valuation factors the stock is valued at a discount to its peer group, whose valuation is reasonable in our opinion. Therefore, we feel the risk/reward ratio turns attractive.

Recommendation

Accumulate

(previous Accumulate)

EUR 5.00

(previous EUR 5.00)

Share price:

4.24

Key figures

	2023	2024e	2025e	2026e
Revenue	66.0	77.1	79.4	81.4
growth-%	5%	17%	3%	2%
EBIT adj.	4.8	4.9	5.3	5.3
EBIT-% adj.	7.3 %	6.3 %	6.6 %	6.5 %
Net Income	3.2	2.9	3.2	3.3
EPS (adj.)	0.32	0.29	0.32	0.33
P/E (adj.)	15.1	14.7	13.4	13.0
P/B	1.2	1.0	1.0	0.9
Dividend yield-%	1.3 %	1.8 %	1.9 %	2.1 %
EV/EBIT (adj.)	13.6	12.9	11.4	10.8
EV/EBITDA	8.3	7.5	6.7	6.4
EV/S	1.0	0.8	0.8	0.7

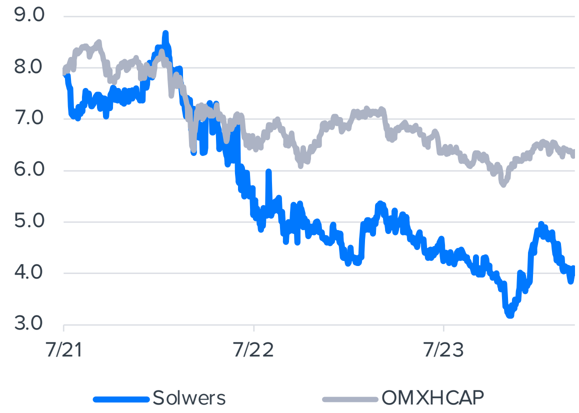
Source: Inderes

Guidance

(New guidance)

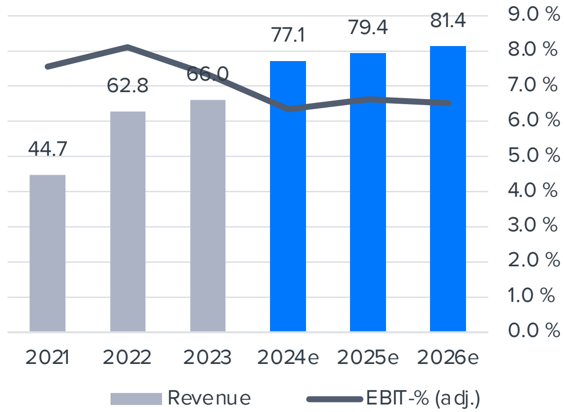
Solwers' business environment is expected to improve toward the end of 2024 with the general market pick up.

Share price



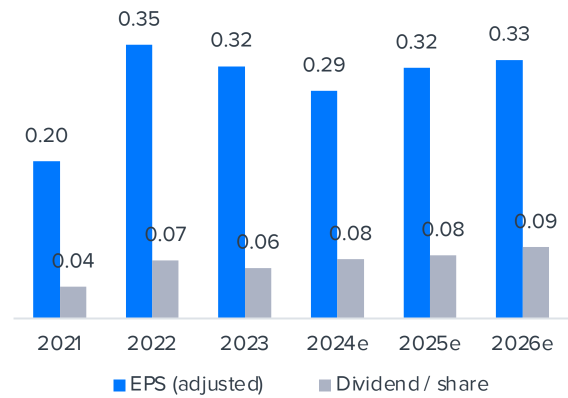
Source: Millistream Market Data AB

Revenue and EBIT-%



Source: Inderes

EPS and dividend



Source: Inderes

Value drivers

- Long-term organic growth supported by market growth
- Good profitability and cash flow ratio
- Good preconditions to continue the rapid and value creating inorganic growth strategy
- Efficient and agile acquisition process

Risk factors

- The cyclical nature of customer industries and a weaker investment outlook
- Uncertainty and low visibility related to the development of billable utilization and thus profitability
- Risks related to inorganic growth
- Personal dependence

Valuation	2024e	2025e	2026e
Share price	4.24	4.24	4.24
Number of shares, millions	10	10	10
Market cap	42	42	42
EV	63	60	57
P/E (adj.)	14.7	13.4	13.0
P/E	14.7	13.4	13.0
P/B	1.0	1.0	0.9
P/S	0.6	0.5	0.5
EV/Sales	0.8	0.8	0.7
EV/EBITDA	7.5	6.7	6.4
EV/EBIT (adj.)	12.9	11.4	10.8
Payout ratio (%)	26.1 %	25.3 %	27.6 %
Dividend yield-%	1.8 %	1.9 %	2.1 %

Source: Inderes

Organic growth exceeded expectations; non-recurring income boosted profitability

Revenue overshoot from organic growth

In H2, Solwers' revenue grew by good 8% from the comparison period to 32.8 MEUR. This was above our forecast of 30.7 MEUR. According to our estimate, the key driver for overshooting the forecast has been organic growth, as according to the company, its 5% growth for the full year was roughly half organic and half inorganic growth. Our forecast expected a 4% organic revenue drop in H2 reflecting the market that is depressed by a recession and the EUR/SEK currency pair.

Profitability held its own better than we expected

In H2 Solwers' EBITA was 3.5 MEUR, which was above our 3.1 MEUR estimate. This corresponds to a good EBITA margin of 10.7% and a lower profitability decrease than we expected from the comparison period. Overall, there were no surprises in the cost structure, but other operating income increased in H2 to close on 1 MEUR (cf H1'23: 0.1 MEUR and 0.2 MEUR in 2022). We believe this income was driven by non-recurring cancellations of contingent considerations. The billing rate for H2'23 was 81.3%, mirroring a high efficiency level.

Below the operational items, H2's net financing costs increased less than we expected. In addition, the H2 tax rate was lower than we estimated, although the typical 22% for the whole year. These factors increased the estimate overshoot at EPS level. Despite the relatively good financial position, Solwers' Board of Directors proposes that the dividend be cut to EUR 0.064, which, on the other hand, is in line with the lower result for the financial period and the dividend policy. Overall, we feel dividend plays a small role in the company's investment story and we estimate that profit distribution plays a clearly smaller role than inorganic growth in capital allocation plans.

Working capital consumed some cash flow, financial position is good

Solwers' operating cash flow was 5.2 MEUR in 2023, which was hampered by 1.3 MEUR of committed working capital. Organic investments amounted to some 0.6 MEUR, while repayments of IFRS 16 liabilities decreased slightly to 2.3 MEUR. Thus, the free cash flow for the full year was 2.3 MEUR.

At the end of the previous year, Solwers' interest-bearing debt amounted to 33.4 MEUR (incl. the purchase price liabilities of 7.1 MEUR from acquisitions), while cash assets amounted to 16 MEUR. Thus, the company's net debt was 17.4 MEUR, which corresponds to 2.2x the net debt of the previous 12 months. Since the end of the year, the company has already made two acquisitions. Thus, the current level of net debt is higher, which, in our view, does not change the overall picture of a good financial position.

Estimates	H2'22	H2'23	H2'23e	H2'23e	Consensus		Difference (%)	2023
MEUR / EUR	Comparison	Actualized	Inderes	Consensus	Low	High	Act. vs. inderes	Actualized
Revenue	30.2	32.8	30.7				7%	66.0
EBITA	3.4	3.5	3.1				13%	6.6
EBIT	2.3	2.4	1.9				22%	4.8
PTP	2.0	1.9	1.3				48%	3.9
EPS (reported)	0.16	0.17	0.09				84%	0.32
DPS	0.073	0.064	0.09				-29%	0.06
Revenue growth-%	33.2 %	8.5 %	1.6 %				6.9 pp	5.1 %
EBITA-%	11.3 %	10.7 %	10.0 %				0.6 pp	10.0 %

Source: Inderes

We made no significant estimate revisions

The company provided no guidance whish was not a big surprise

Solwers has historically not provided numerical guidance, and this did not change. There was no verbal guidance like last year either. Based on the market outlook, a decline is expected in the workload in some areas in Finland over the next 6 months but in general the markets are expected to pick up towards the end of 2024 based on the Finnish Association of Consulting Firms SKOL's business outlook. According to our estimate, this assessment is based on expectations of lower interest rates and its impact on investment activity. We have some reservations about this because we estimate that the impact of the first interest rate cuts on economic growth will come with a certain delay.

In its own outlook, the company estimates that its order backlog is on a 'good' level on the public and infrastructure side. The company also estimates that the business environment will improve toward the end of 2024, based on the recently improved activity.

No major estimate changes

Before the financial statements, our forecast for the current year expected a 2% organic drop in revenue. We have kept this forecast unchanged, as we believe the operating environment is subdued, reflecting the economic situation. However, the growth base increased slightly with the 2023 figures. In total, the 17% growth we forecast in revenue for this year is based on inorganic growth driven by acquisitions completed in the previous 6 months (5 acquisitions).

We made small revisions to our cost structure forecasts across different cost lines. Our cost structure forecasts rose slightly, but this was compensated by increased revenue forecasts. Considering this, our earnings forecast for 2024 remained largely unchanged.

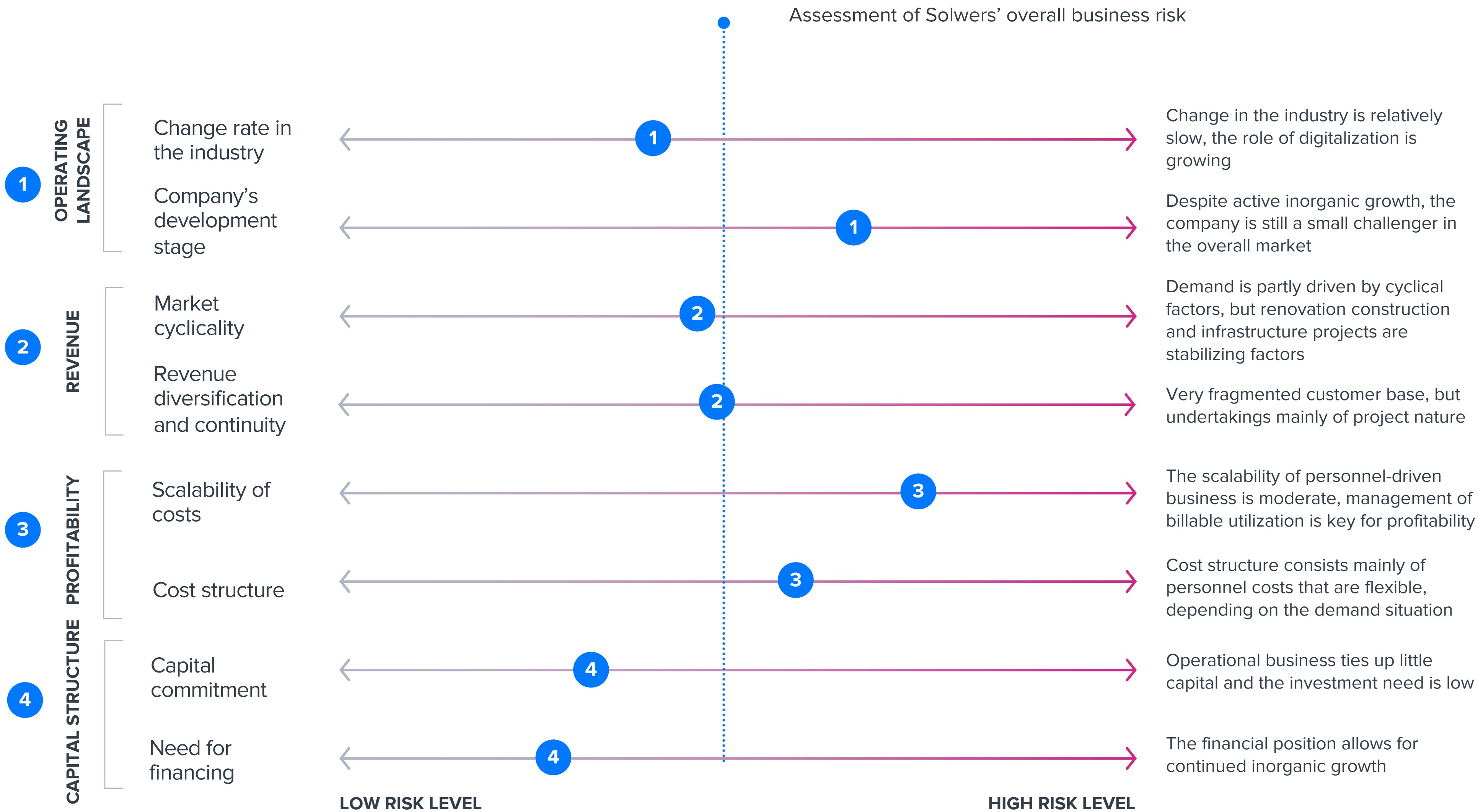
We expect that 2024 profitability will fall fairly clearly from the previous year (2023: 10.7%), while our 2024e EBITA% forecast is 9.1%. This reflects the changed business structure as a result of the acquisitions and the decline in overall efficiency we expect in the short term as a result of a weaker market.

Reflecting the more moderate profit distribution policy than expected, we cut our dividend forecasts for the coming years, while next year's operational forecast changes were also quite small in absolute terms.

Estimate revisions	2023e	2023	Change	2024e	2024e	Change	2025e	2025e	Change
MEUR / EUR	Inderes	Actualized	%	Old	New	%	Old	New	%
Revenue	63.9	66.0	3%	75.0	77.1	3%	77.3	79.4	3%
EBITDA	7.6	7.9	4%	8.5	8.4	0%	9.1	9.0	-2%
EBIT (exc. NRIs)	4.4	4.8	10%	4.8	4.9	1%	5.4	5.3	-3%
EBIT	4.4	4.8	10%	4.8	4.9	1%	5.4	5.3	-3%
PTP	3.3	3.9	19%	3.7	3.7	-1%	4.3	4.1	-6%
EPS (excl. NRIs)	0.24	0.32	30%	0.29	0.29	1%	0.33	0.32	-5%
DPS	0.09	0.06	-29%	0.10	0.08	-25%	0.12	0.08	-33%

Source: Inderes

Risk profile of the business model



Source: Inderes

Investment profile

1. **Strong growth-orientation and efficient acquisition process**

2. **Business portfolio that balances cyclical fluctuations and good profitability**

3. **Moderate investment needs and a good cash flow profile underpin the conditions for inorganic growth**

4. **Risks related to inorganic growth and personnel dependency**

5. **Managing billable utilization is key**

Potential

- Moderate organic and profitable growth in the core business
- An efficient and well-established acquisition process drives business growth
- Low investment needs and capital-light operational activities allow capital to be allocated to inorganic growth
- Established customer relationships and large number of small projects

Risks

- Typical risks associated with acquisitions
- Dependency on the availability and commitment of staff in an industry suffering from expert shortage
- We estimate that changes in billable utilization are reflected relatively strongly in profitability

Source: Inderes

Capital allocation drives the expected return

We examine the valuation through earnings-based valuation multiples

We price Solwers mainly through earnings-based valuation multiples. We particularly favor EV/EBITA and P/E multiples for the next few years in the valuation. The use of EV-based multiples is supported by them considering the balance sheet structure, but due to the small minorities in the Group structure, the operating result does not flow to Solwers' shareholders in full. This, in turn, favors the use of net earnings-based valuation multiples (P/E), which consider the minority interests that are small, however. It should also be noted that we consider contingent considerations in net debt (~11% of 2024 forecasted EV), even though their realization and/or the required criteria (growth and/or profitability) are not known. Thus, our earnings forecast does not rely on their realization.

Absolute valuation multiples for the coming years

Solwers' P/E ratios for 2024 and 2025 according to our estimates are 15x and 13x. Corresponding EV/EBITA ratios that consider the balance sheet structure are 13x and 11x. We feel the P/E ratios for the next few years are slightly elevated relative to the earnings level of the current businesses. On the other hand, EV-based multiples that consider the strong balance sheet are, in our opinion, quite neutral in absolute terms, reflecting the substantial cash assets in the balance sheet.

Relative valuation supports an upside in the valuation

We believe Solwers' smaller size and shorter history than the peers would support a discount relative to the peers, but considering the company's longer-term profitability track record and the diversification of the business portfolio, we feel it is justified that the company is broadly valued in line with the peers.

With EV/EBITDA ratios for the next few years, Solwers is valued at a 15% discount and with P/E ratios at a 5% premium to its peer group Thus, the relative valuation reflects the same picture of assets in the balance sheet that can be put to more efficient use. As a whole, the valuation of the peer group is at a relatively justified level or even slightly on the moderate side. Thus, we believe the relative valuation supports our view of the risk/reward ratio of the share.

The financial position allows for acquisitions

Considering Solwers' indebtedness at the end of 2023, we estimate that the company has roughly a 10 MEUR margin for new acquisitions in the next 12 months based on its financial position. In addition, the capacity is raised by the possibility to use own shares. With the historical valuation multiples of completed acquisitions, we estimate that the financial position would enable an increase of approximately 1.5 MEUR in EBIT through acquisitions.

In our view, acquisitions of high-quality businesses with moderate valuation multiples (i.e. high return on investment) can act as a driver of value development over the next 12 months. We feel this together with the current valuation of the stock, makes the risk/reward ratio attractive, although, purely based on the current business operations and their performance, we do not think there is upside in the valuation.

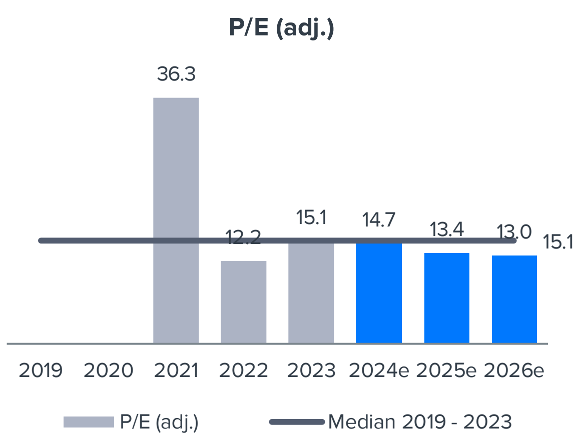
Valuation	2024e	2025e	2026e
Share price	4.24	4.24	4.24
Number of shares, millions	10	10	10
Market cap	42	42	42
EV	63	60	57
P/E (adj.)	14.7	13.4	13.0
P/E	14.7	13.4	13.0
P/B	1.0	1.0	0.9
P/S	0.6	0.5	0.5
EV/Sales	0.8	0.8	0.7
EV/EBITDA	7.5	6.7	6.4
EV/EBIT (adj.)	12.9	11.4	10.8
Payout ratio (%)	26.1 %	25.3 %	27.6 %
Dividend yield-%	1.8 %	1.9 %	2.1 %

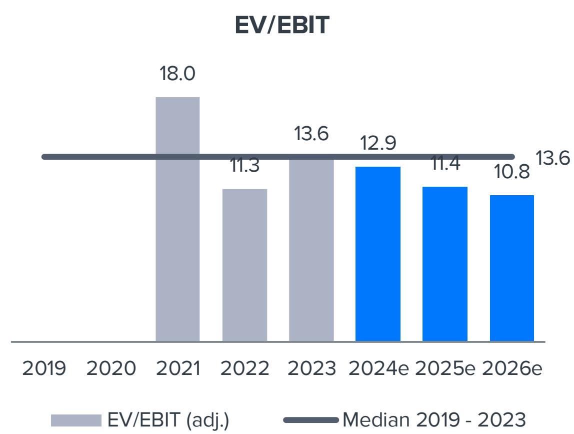
Source: Inderes

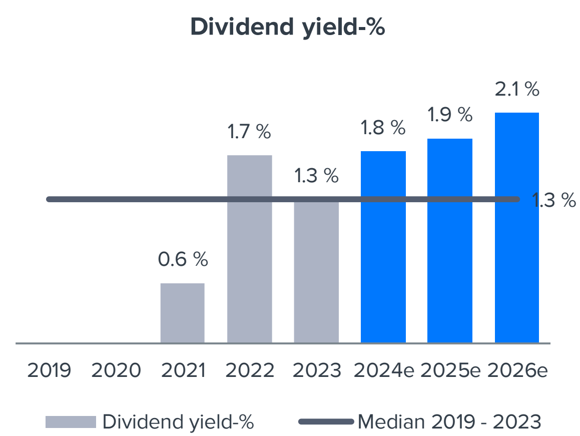
Valuation table

Valuation	2019	2020	2021	2022	2023	2024e	2025e	2026e	2027e
Share price			7.20	4.22	4.82	**4.24**	**4.24**	**4.24**	**4.24**
Number of shares, millions			7.24	9.83	9.9	**10**	**10**	**10**	**10**
Market cap			52	41	48	**42.4**	**42.4**	**42.4**	**42.4**
EV			61	57	66	**63.0**	**60.0**	**57.2**	**54.2**
P/E (adj.)			36.3	12.2	15.1	**14.7**	**13.4**	**13.0**	**12.0**
P/E			36.3	12.2	15.1	**14.7**	**13.4**	**13.0**	**12.0**
P/B			1.7	1.1	1.2	**1.0**	**1.0**	**0.9**	**0.9**
P/S			1.2	0.7	0.7	**0.6**	**0.5**	**0.5**	**0.5**
EV/Sales			1.4	0.9	1.0	**0.8**	**0.8**	**0.7**	**0.7**
EV/EBITDA			11.0	7.0	8.3	**7.5**	**6.7**	**6.4**	**6.0**
EV/EBIT (adj.)			18.0	11.3	13.6	**12.9**	**11.4**	**10.8**	**10.0**
Payout ratio (%)			20.2 %	21.1 %	20.1 %	**26.1 %**	**25.3 %**	**27.6 %**	**28.3 %**
Dividend yield-%			0.6 %	1.7 %	1.3 %	**1.8 %**	**1.9 %**	**2.1 %**	**2.4 %**

Source: Inderes







Peer group valuation

Peer group valuation	Market cap	EV	EV/EBIT		EV/EBITDA		EV/S		P/E		Dividend yield-%		P/B
Company	**MEUR**	**MEUR**	**2024e**	**2025e**	**2024e**	**2025e**	**2024e**	**2025e**	**2024e**	**2025e**	**2024e**	**2025e**	**2024e**
Sitowise	95	178	13.2	10.2	7.0	6.2	0.9	0.8	13.6	9.1	2.5	3.8	0.8
Sweco AB	3723	4219	16.8	14.8	12.1	11.0	1.5	1.5	20.0	17.4	2.7	3.0	3.7
Afry AB	1687	2109	11.7	10.4	7.9	7.3	0.9	0.8	13.5	11.5	3.7	4.2	1.4
Rejlers AB	276	332	11.8	10.9	7.5	7.0	0.9	0.8	13.7	12.2	3.5	3.9	1.6
WSP Global	19040	21578	35.4	33.8	15.1	13.8	2.7	2.6	28.6	25.1	0.7	0.7	4.0
Etteplan	329	392	12.8	11.2	7.7	7.1	1.0	1.0	13.3	11.7	3.1	3.7	2.6
Arcadis NV	5092	5954	14.8	12.8	10.9	9.7	1.4	1.3	18.2	15.5	1.8	2.1	3.8
Solwers (Inderes)	**42**	**63**	**12.9**	**11.4**	**7.5**	**6.7**	**0.8**	**0.8**	**14.7**	**13.4**	**1.8**	**1.9**	**1.0**
Average			**16.6**	**14.9**	**9.7**	**8.9**	**1.3**	**1.3**	**17.3**	**14.7**	**2.6**	**3.1**	**2.6**
Median			**13.2**	**11.2**	**7.9**	**7.3**	**1.0**	**1.0**	**13.7**	**12.2**	**2.7**	**3.7**	**2.6**
Diff-% to median			***-2%***	***2%***	***-5%***	***-8%***	***-19%***	***-22%***	***8%***	***9%***	***-33%***	***-49%***	***-60%***

Source: Refinitiv / Inderes

Income statement

Income statement	2022	H1'23	H2'23	2023	H1'24e	H2'24e	2024e	2025e	2026e	2027e
Revenue	**62.8**	**33.2**	**32.8**	**66.0**	**38.7**	**38.3**	**77.1**	**79.4**	**81.4**	**83.0**
Group	62.8	33.2	32.8	66.0	38.7	38.3	77.1	79.4	81.4	83.0
EBITDA	**8.2**	**4.0**	**3.9**	**7.9**	**4.0**	**4.4**	**8.4**	**9.0**	**9.0**	**9.1**
Depreciation	-3.1	-1.5	-1.6	-3.1	-1.8	-1.8	-3.6	-3.7	-3.7	-3.7
EBIT	**5.1**	**2.5**	**2.4**	**4.8**	**2.3**	**2.6**	**4.9**	**5.3**	**5.3**	**5.4**
EBITA	**7.2**	**3.5**	**3.5**	**7.0**	**3.5**	**3.9**	**7.1**	**7.8**	**7.9**	**7.9**
Net financial items	-0.5	-0.5	-0.5	-1.0	-0.6	-0.6	-1.2	-1.2	-1.1	-0.9
PTP	**4.6**	**2.0**	**1.9**	**3.9**	**1.7**	**2.0**	**3.7**	**4.1**	**4.2**	**4.5**
Taxes	-1.0	-0.5	-0.2	-0.7	-0.4	-0.4	-0.8	-0.9	-0.9	-1.0
Minority interest	-0.2	0.0	-0.1	-0.1	0.0	0.0	0.0	0.0	0.0	0.0
Net earnings	**3.4**	**1.5**	**1.7**	**3.2**	**1.3**	**1.6**	**2.9**	**3.2**	**3.3**	**3.5**
EPS (adj.)	**0.35**	**0.15**	**0.17**	**0.32**	**0.13**	**0.16**	**0.29**	**0.32**	**0.33**	**0.35**
EPS (rep.)	**0.35**	**0.15**	**0.17**	**0.32**	**0.13**	**0.16**	**0.29**	**0.32**	**0.33**	**0.35**

Key figures	2022	H1'23	H2'23	2023	H1'24e	H2'24e	2024e	2025e	2026e	2027e
Revenue growth-%	40.6 %	1.9 %	8.5 %	5.1 %	16.7 %	16.9 %	16.8 %	3.0 %	2.5 %	2.0 %
EBITDA-%	13.0 %	12.1 %	12.0 %	12.0 %	10.4 %	11.5 %	11.0 %	11.3 %	11.1 %	11.0 %
EBITA-%	11.5 %	10.7 %	10.7 %	10.7 %	9.1 %	10.1 %	9.2 %	9.8 %	9.7 %	9.5 %
Net earnings-%	5.4 %	4.5 %	5.0 %	4.8 %	3.4 %	4.1 %	3.7 %	4.0 %	4.0 %	4.3 %

Balance sheet

Assets	2022	2023	2024e	2025e	2026e
Non-current assets	**48**	**54**	**55**	**54**	**54**
Goodwill	18.6	19.9	20.1	20.1	20.1
Intangible assets	20.5	23.1	23.3	22.4	21.8
Tangible assets	5.7	7.3	8.7	8.6	8.5
Associated companies	0.0	0.0	0.0	0.0	0.0
Other investments	1.9	1.9	1.9	1.9	1.9
Other non-current assets	1.5	1.3	1.4	1.4	1.4
Deferred tax assets	0.0	0.0	0.0	0.0	0.0
Current assets	**34**	**34**	**36**	**37**	**38**
Inventories	0.2	0.1	0.2	0.2	0.2
Other current assets	0.3	0.9	0.9	0.9	0.9
Receivables	14.6	16.6	19.3	19.8	20.3
Cash and equivalents	18.5	16.0	15.4	15.9	16.3
Balance sheet total	**82**	**87**	**91**	**91**	**91**

Source: Inderes

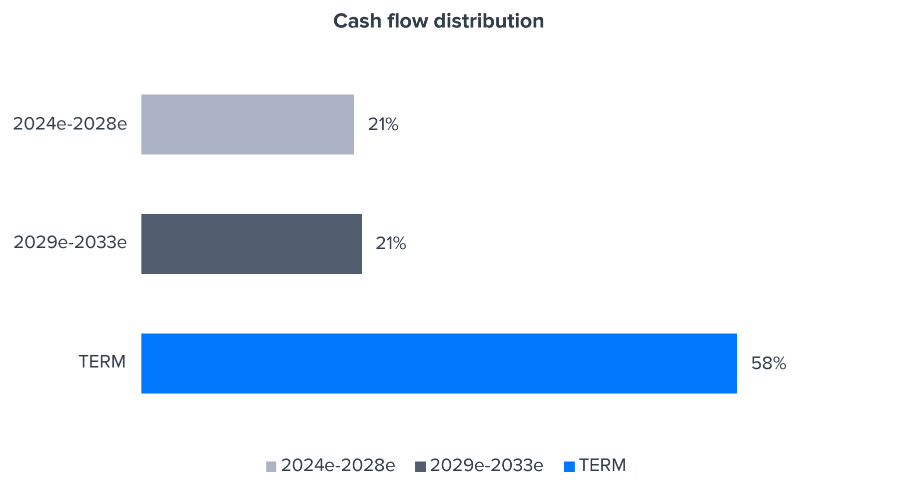
Liabilities & equity	2022	2023	2024e	2025e	2026e
Equity	**38**	**40**	**42**	**44**	**47**
Share capital	1.0	1.0	1.0	1.0	1.0
Retained earnings	0.6	2.4	4.6	7.0	9.5
Hybrid bonds	0.0	0.0	0.0	0.0	0.0
Revaluation reserve	0.0	0.0	0.0	0.0	0.0
Other equity	35.9	36.5	36	36	36
Minorities	0.6	0.5	0.6	0.6	0.6
Non-current liabilities	**28**	**28**	**28**	**27**	**23**
Deferred tax liabilities	0.0	0.0	0.0	0.0	0.0
Provisions	0.0	0.0	0.0	0.0	0.0
Interest bearing debt	25.0	25.4	25.0	24.0	20.0
Convertibles	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	3.0	3.0	3.0	3.0	3.0
Current liabilities	**16**	**18**	**21**	**20**	**22**
Interest bearing debt	8.7	8.0	10.4	8.9	10.5
Payables	3.3	3.2	3.9	4.0	4.1
Other current liabilities	3.5	7.0	7.0	7.0	7.0
Balance sheet total	**82**	**87**	**91**	**91**	**91**

DCF calculation

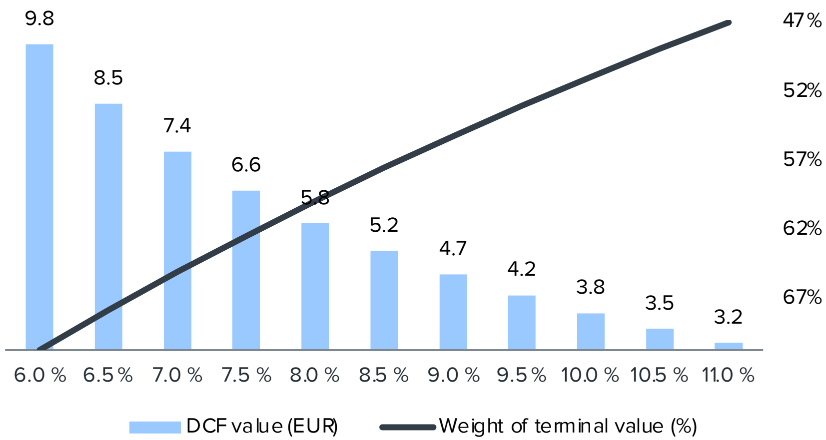
DCF model	2023	2024e	2025e	2026e	2027e	2028e	2029e	2030e	2031e	2032e	2033e	TERM
Revenue growth-%	5.1 %	16.8 %	3.0 %	2.5 %	2.0 %	2.5 %	2.0 %	2.0 %	2.0 %	2.0 %	2.0 %	2.0 %
EBIT-%	7.3 %	6.3 %	6.6 %	6.5 %	6.5 %	8.5 %	8.5 %	8.5 %	8.5 %	8.5 %	8.5 %	8.5 %
EBIT (operating profit)	**4.8**	**4.9**	**5.3**	**5.3**	**5.4**	**7.2**	**7.4**	**7.5**	**7.7**	**7.8**	**8.0**	
+ Depreciation	3.1	3.6	3.7	3.7	3.7	3.7	3.4	3.5	3.4	3.4	3.4	
- Paid taxes	-0.7	-0.8	-0.9	-0.9	-1.0	-1.4	-1.5	-1.5	-1.6	-1.6	-1.6	
- Tax, financial expenses	-0.2	-0.3	-0.3	-0.2	-0.2	-0.2	-0.2	-0.1	-0.1	-0.1	-0.1	
+ Tax, financial income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Change in working capital	0.9	-2.1	-0.5	-0.4	-0.3	-0.4	-0.3	-0.4	-0.4	-0.4	-0.4	
Operating cash flow	**8.0**	**5.3**	**7.3**	**7.4**	**7.6**	**8.9**	**8.8**	**9.0**	**9.1**	**9.2**	**9.3**	
+ Change in other long-term liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
- Gross CAPEX	-8.5	-5.5	-2.7	-3.0	-3.0	-3.3	-3.3	-3.4	-3.4	-3.4	-3.5	
Free operating cash flow	**-0.5**	**-0.2**	**4.6**	**4.4**	**4.6**	**5.6**	**5.5**	**5.6**	**5.7**	**5.8**	**5.8**	
+/- Other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FCFF	-0.5	-0.2	4.6	4.4	4.6	5.6	5.5	5.6	5.7	5.8	5.8	90.8
Discounted FCFF		**-0.2**	**4.0**	**3.5**	**3.4**	**3.8**	**3.4**	**3.2**	**3.0**	**2.8**	**2.6**	**40.7**
Sum of FCFF present value		70.2	70.4	66.4	62.8	59.5	55.7	52.3	49.1	46.1	43.3	40.7
Enterprise value DCF		**70.2**										
- Interest bearing debt		-33										
+ Cash and cash equivalents		16.0										
-Minorities		-0.6										
-Dividend/capital return		0.0										
Equity value DCF		**52**										
Equity value DCF per share		**5.2**										

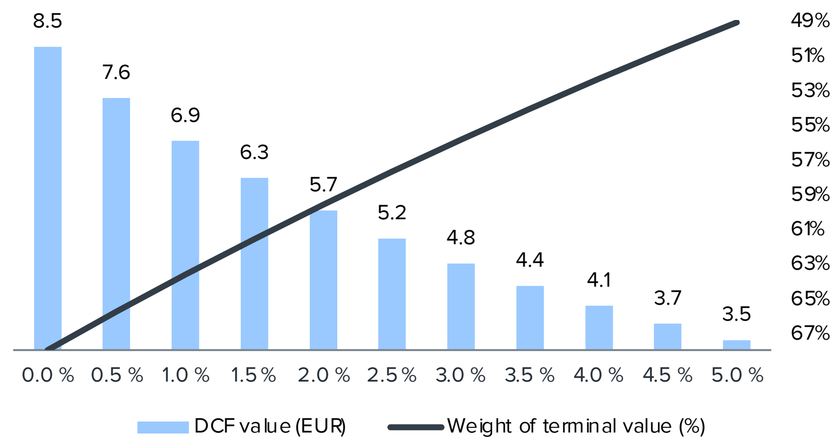
WACC	
Tax-% (WACC)	23.0 %
Target debt ratio (D/(D+E)	20.0 %
Cost of debt	5.0 %
Equity Beta	1.20
Market risk premium	4.75%
Liquidity premium	1.50%
Risk free interest rate	2.5 %
Cost of equity	**9.7 %**
Weighted average cost of capital (WACC)	**8.5 %**

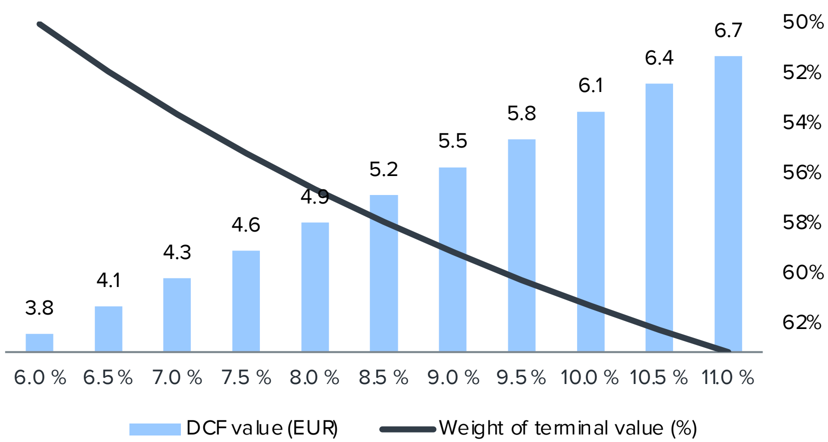
Source: Inderes

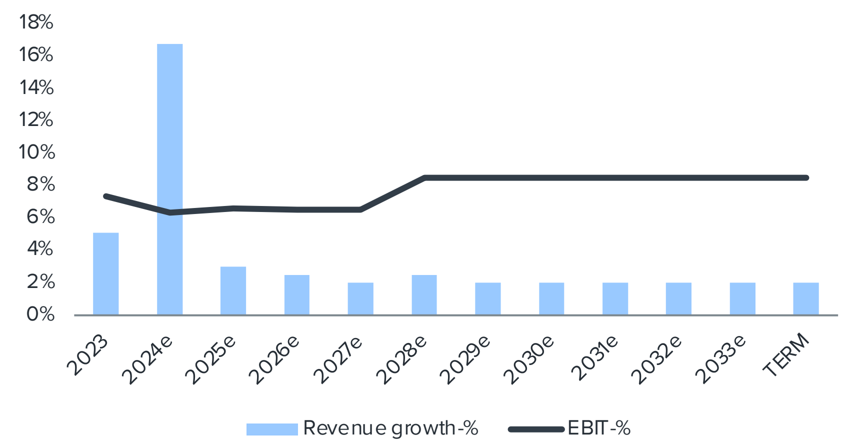


DCF sensitivity calculations and key assumptions in graphs









Source: Inderes. Note that the weight of the terminal value (%) is shown on an inverse scale for clarity.

Summary

Income statement	2021	2022	2023	2024e	2025e
Revenue	44.7	62.8	66.0	**77.1**	**79.4**
EBITDA	5.5	8.2	7.9	**8.4**	**9.0**
EBIT	3.4	5.1	4.8	**4.9**	**5.3**
PTP	2.1	4.6	3.9	**3.7**	**4.1**
Net Income	1.4	3.4	3.2	**2.9**	**3.2**
Extraordinary items	0.0	0.0	0.0	**0.0**	**0.0**

Balance sheet	2021	2022	2023	2024e	2025e
Balance sheet total	70.3	81.7	87.0	**91.1**	**91.2**
Equity capital	31.9	38.1	40.4	**41.8**	**44.3**
Goodwill	16.6	18.6	19.9	**20.1**	**20.1**
Net debt	7.5	15.2	17.4	**20.0**	**17.1**

Cash flow	2021	2022	2023	2024e	2025e
EBITDA	5.5	8.2	7.9	**8.4**	**9.0**
Change in working capital	0.7	-8.5	0.9	**-2.1**	**-0.5**
Operating cash flow	5.5	-1.5	8.0	**5.3**	**7.3**
CAPEX	-21.8	-7.6	-8.5	**-5.5**	**-2.7**
Free cash flow	-13.4	-10.0	-0.5	**-0.2**	**4.6**

Valuation multiples	2021	2022	2023	2024e	2025e
EV/S	1.4	0.9	1.0	**0.8**	**0.8**
EV/EBITDA (adj.)	11.0	7.0	8.3	**7.5**	**6.7**
EV/EBIT (adj.)	18.0	11.3	13.6	**12.9**	**11.4**
P/E (adj.)	36.3	12.2	15.1	**14.7**	**13.4**
P/B	1.7	1.1	1.2	**1.0**	**1.0**
Dividend-%	0.6 %	1.7 %	1.3 %	**1.8 %**	**1.9 %**

Source: Inderes

Per share data	2021	2022	2023	2024e	2025e
EPS (reported)	0.20	0.35	0.32	**0.29**	**0.32**
EPS (adj.)	0.20	0.35	0.32	**0.29**	**0.32**
OCF / share	0.76	-0.15	0.81	**0.53**	**0.73**
FCF / share	-1.85	-1.01	-0.05	**-0.02**	**0.46**
Book value / share	4.32	3.81	4.02	**4.12**	**4.36**
Dividend / share		0.07	0.06	**0.08**	**0.08**

Growth and profitability	2021	2022	2023	2024e	2025e
Revenue growth-%	37%	41%	5%	**17%**	**3%**
EBITDA growth-%	11%	48%	-3%	**6%**	**6%**
EBIT (adj.) growth-%	-5%	51%	-5%	**1%**	**8%**
EPS (adj.) growth-%	-98%	74%	-8%	**-10%**	**10%**
EBITDA-%	12.3 %	13.0 %	12.0 %	**11.0 %**	**11.3 %**
EBIT (adj.)-%	7.5 %	8.1 %	7.3 %	**6.3 %**	**6.6 %**
EBIT-%	7.5 %	8.1 %	7.3 %	**6.3 %**	**6.6 %**
ROE-%	6.9 %	9.9 %	8.2 %	**7.1 %**	**7.5 %**
ROI-%	8.3 %	8.2 %	6.7 %	**6.5 %**	**6.8 %**
Equity ratio	45.4 %	46.6 %	46.4 %	**45.9 %**	**48.5 %**
Gearing	23.6 %	40.0 %	43.2 %	**47.8 %**	**38.5 %**

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Sell The 12-month risk-adjusted expected shareholder return of the share is very weak

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Recommendation history (>12 mo)

Date	Recommendation	Target	Share price
6/21/2021	Reduce	8.20 €	8.35 €
9/16/2021	Accumulate	8.20 €	7.40 €
11/3/2021	Accumulate	8.60 €	7.34 €
12/1/2021	Accumulate	9.00 €	7.90 €
3/9/2022	Accumulate	8.00 €	7.20 €
3/16/2022	Reduce	7.00 €	6.97 €
9/16/2022	Reduce	5.50 €	5.34 €
1/25/2023	Buy	5.50 €	4.39 €
3/1/2023	Accumulate	6.00 €	5.36 €
9/1/2023	Accumulate	5.00 €	4.32 €
9/15/2023	Buy	5.00 €	4.06 €
1/30/2024	Accumulate	5.00 €	4.60 €
3/11/2024	Accumulate	5.00 €	4.24 €

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